

Gift Cards for the Holidays and Beyond

By Jeff Falk, Director of Product Development for TMG

You've seen them. You may have used one. You've probably bought at least one as a gift for a special occasion. Yet, you're still questioning whether your credit union should enter the gift card market.

You're not alone.

If you're like the vast majority of credit unions, your resources are tight. And, the demand on your time, and that of your staff's, is great enough that the decision to add a new product or service is carefully considered. You need a good reason to launch a new product. Just because you see people using gift cards, you've determined that alone should not be the deciding factor. Plus, you still believe you don't need to have a presence in the market right now because there isn't enough scale and the product is still evolving.



To wait and see what the gift card market does by either delaying your decision, or not actively promoting your existing program, is a significant missed opportunity. The immediate benefits include the creation of a new source of fee income as well as increased membership opportunities. The long-term benefits are a flexible product that can serve multiple purposes such as a payment vehicle for the unbanked or underserved, or it can be used as an employee incentive tool for your business customers.

The bottom line is gift cards are proving to be a viable payment strategy. Whether it is for traditional gift giving or one of the countless innovative uses created by consumers, gift cards should be an integral part of your product offering starting today.

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THE CASE FOR GIFT CARDS

Throughout Fall of 2007, a number of surveys from reputable firms such as Deloitte and The Nilson Group made their way across the desks of executives. Each confirmed what the one before announced – gift card acceptance has continued on a steady upward climb. In one survey, 64 percent of the participants said they plan to give gift cards, and 57 percent said they would prefer to receive money or a gift card in place of a traditional present.¹ Another found that 69 percent of consumers surveyed plan to buy gift cards this holiday season, an increase of three percent over last year.² While demonstrating an impressive acceptance by average Americans, what these particular numbers don't reveal is the sustained growth over an extended period of time. In four years, gift cards have moved from virtually an unknown in the retail market to wide use and acceptance.

ALL GIFT CARD PROGRAMS ARE NOT THE SAME

As you begin to evaluate gift card programs, there are a variety to choose from. Many vendors tout “out of the box” solutions that promise you can get up and running in a matter of days. Some of them deliver that promise, but at the expense of program flexibility. So as you're making your decision, you'll want to keep a few factors in mind.



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Reseller vs. Issuer. A reseller program is typically a generic solution that offers a limited selection of plastics, as well as opportunity for revenue. It's a safe bet if you want to get up and running quickly. An issuer program involves more resources, but there is more opportunity for reward.

Interchange income. How much is coming back to me? Again, the difference may be in choosing between a reseller and issuer model.

Branding. Where and how will my logo or credit union name be visible on the card? This is a reseller issue because many programs offer generic cards that may or may not permit you to put your logo on the card. Some offer placement on the front of the card, others delegate it to the back, and there are a number of programs that do not allow financial institutions to include their logo at all.

Marketing support. Because your resources are at a premium, look at what type of support the vendor offers you. Are there kits that include posters, table tents and statement stuffers available to help you sell gift cards during key times of the year? Are they free or is there a price?

Program growth. This can mean any number of things. Does your gift card partner provide both a reseller and issuer model? If you start with a reseller model, you may have the opportunity to grow into an issuer model in the future. The other consideration is how does this fit into an overall prepaid strategy? There are a number of prepaid products available – payroll cards, travel cards and general purpose reloadable cards. Does your vendor offer other types of products should you choose to offer them to your membership?

You don't have to choose the most flexible program, but you do want to choose a vendor that will allow you to grow as the needs of your membership grows.

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MAKING GIFT CARDS A SUCCESS

Gift card success is all about marketing. While there are gift card sales opportunities year round, more than 50 percent of the total gift card volume is currently generated in November and December. To take advantage of that volume, your marketing efforts should follow the retail strategy of beginning in October. Like the major retailers, consider this a retail product and keep it in front of your members.



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Some suggestions:

Table tents and posters. They work for your certificates of deposit, auto loans and other products, and they'll work for gift cards. With a majority of consumers open to buying and receiving gift cards, they should know they can purchase them from someone they trust.

Newsletter articles. Education is a key to gift card success. From announcing availability, to frequently asked questions, to tips on effectively using your gift card, you can make your members smart users. Testimonials provide an opportunity to showcase the different uses of the gift card. From safe online shopping, to travel, gift cards are more than gifts, they're an effective payment solution. All of these articles set you up as an expert and encourage your members to look to you when they're ready to purchase gift cards.

Statement stuffers and on-hold messages. A simple way to announce that you have gift cards available.

Web site. Don't bury your gift card information deep in your Web site, particularly during the gift card season. Have it front and center when your members login both to your public site and the secure online banking site during the peak gift giving season.

Promotional opportunities. Consider offering incentives such as "buy two gift cards and we'll waive the fee on the third." Or, take it a step further and work with your local media to offer your gift card as a prize during a giveaway.

Partnership. Local businesses and corporations are increasingly using gift cards for incentives, bonuses and holiday gifts. Most likely you have corporate members who could use this program during the holiday season or even periodically throughout the year.

An effective gift card marketing campaign does not have to be expensive. It just has to be consistent. You should treat it like auto loans, mortgages, CDs and credit cards – be mindful of the seasonality of the product and integrate it into your existing strategies.



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THE NEXT STEP

There is still time to enter the gift card arena, but the window is closing fast as existing players lay claim to their market segments. However, to begin offering gift cards today means you'll have the opportunity to stake out your own territory and to build a program that contributes to your overall growth.

1. Deloitte's 22nd Annual Holiday Survey
2. PayPal's 2007 Holiday Survey conducted in October by Nielsen Customized Research, a service of The Nielsen Company

Jeff Falk is director of product development for TMG, a financial services organization dedicated to providing innovative customized solutions to credit unions across the country. He has been instrumental in building the comprehensive ATIRA prepaid program that features a robust reseller and issuer gift card program as well as a reloadable option. Currently more than 55 credit unions representing nearly 400 branches offer ATIRAgiftSM cards. He can be reached at jefff@themembersgroup.com or 800.268.1884.

ABOUT TMG (The Members Group):

TMG is a financial services organization dedicated to providing innovative customized solutions to credit unions across the country. TMG's core products include credit, debit, ATM and prepaid solutions, as well as online reporting, item processing, ACH, ALM and printing services. TMG is owned by the Iowa Credit Union League. For more information, visit www.themembersgroup.com.



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