

How To Boost Sales and Increase Loyalty Using Gift Cards

Many retailers sell gift certificates and wonder if switching to gift cards could be a way to boost sales and increase loyalty. The answer is yes to both. **Retailers typically see a 2x to 10x increase in sales using gift cards versus gift certificates.**

Gift Cards provide all of the benefits of a Gift Certificate and more. Like a Gift Certificate, the value on a Gift Card can only be used at the store or chain where it was purchased. When using a Gift Card or Certificate the bearer tends to buy more than a typical customer, is less concerned about the price and about 60% of the time spends more than the value of the Gift Card or Certificate. This is where the similarities end.

Gift Cards are secure, unlike Gift Certificates, so they can be put on display to spur impulse sales. Typically there is no value on a card until it is purchased and the card is activated for a specific amount. This is one big reason why retailers see a 2 to 10 times increase in sales of Gift Card vs. Gift Certificate when switching to Gift Cards.

If the gift card value is not fully used, the balance remains on the card. This keeps the “extra cash in the store”, requiring the cardholder to return and spend the balance. When returning with the smaller balance, they often supplement it with another form of payment further increasing sales. Retailers struggle with Gift Certificates in this area. Some cross out the amount and rewrite a new amount, some issue a new certificate for the new amount and some give the remaining amount back in cash. None of these solutions is ideal.

Gift Cards are convenient to carry in a wallet or purse. The card becomes an “in pocket” reminder to visit the store and spend their “money.” The more a customer visits your store and comes to appreciate your value, the more loyal they become.

Gift Cards are simple to issue, are reloadable and are reusable. Reporting software makes it easy to track activation, reloads, sales, outstanding balances and total liability. Many of our retail customers promote Gift Cards with signs, buttons, employee sales contests, and other promotions. Using the cards to promote your store turns a good program into a great one.

Is a Gift Card program right for your store? Contact TRI today to learn more.

Special Note: One possible hidden benefit of gift cards is Breakage, the amount of money placed on a Gift Card which is never used. Laws vary in each state as to the use of this money. Where it can be claimed by the merchant, we see an industry average of 12 to 15% breakage. The more sales a retailer does in gift cards the greater the total amount of breakage. You should consult legal counsel to determine the laws regarding breakage in your state.