How to Get the Most Out of a Gift Card Program
Gift Card Best Practices

Shift4® Corporation offers a full-featured, Web-based gift card solution that makes it simple and affordable for merchants in any industry to run a successful gift card program. Shift4’s fully-hosted gift card solution integrates with your point-of-sale (POS) or property management system (PMS) so you can manage gift card transactions across your enterprise as easily as you manage credit cards.

Unfortunately, merchants may encounter a number of common roadblocks and management difficulties that dampen their efforts to introduce and sustain a successful gift card program. Shift4 can help. As your trusted merchant advocate, we are providing this guide to help your organization plan and execute a rewarding gift card solution.
Please note: This document covers general best practices for merchants regardless of their industry or size. This information is to be used as a guideline, not as a set of rules that guarantee any specific results. To get the most value from this document, it is essential you involve a variety of internal stakeholders to decide on the best way to apply these practices to meet your unique business objectives.

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Gift cards are a great tool for businesses to add an additional revenue stream, further their organization’s brand reach, increase exposure to new customers, and strengthen customer loyalty. And, take note – gift card sales are expected to increase 5-6% by 2017, with growth in mobile payments driving demand for electronic gift cards.1

Did You Know?

- Gift cards have been at the top of consumers’ wish lists for the past eight years in a row
- 62% of consumers hope to receive a gift card during the holidays
- Consumer spending on gift cards has increased 83% since 2003
- More than $31 billion was projected to be spent on gift cards during the 2014 holiday season alone2

If you enjoy seeing a return on your investment, you’ll love gift cards because the financial benefits can be tremendous. Consumers spend more than $100 billion each year on purchasing gift cards – and this number doesn’t even account for the money spent when consumers shop with them.3 Because gift cards make the recipient feel as if they have “free money,” 72% of gift card holders spend more than a card’s value when using them to purchase goods or services. In fact, 65% of gift card recipients will spend 38% more than the value of the gift card received.4

However, there are a number of factors influencing whether or not a gift card program is successful. Like any merchant objective, offering a gift card program requires careful planning and ongoing management.

Here are some factors to consider when implementing or updating a gift card program:

- What are the strategic objectives of your gift card program?
- Which federal and state laws govern gift cards, and which will apply to your program? (Be sure to consider planned expansion.)
- Who are the target customers for your gift card program?
- What are the macro- (price and income levels) and socio-economic (social norms and lifestyle) variables relating to your target customers that may affect the planning and outcome of your gift card program?
- If this is your organization’s first time introducing a gift card program, how do you plan to promote it?
- If you’re updating your current gift card program, what’s your strategy for introducing updates or changes to your customers?
- How long will implementing or updating the gift card program take?
- Will gift card program implementation or adjustments be completed in-house or through a third party?
- Do you have adequate resources to manage the gift card program internally?
- What’s the cost of implementing or updating your gift card program through a third party? What are the ongoing costs of program maintenance?
- Who needs to be involved in the management of your gift card program? On what level and at what frequency should these individuals or departments be involved?
- How will you track and measure the gift card program’s performance?

3 http://partners.giftcards.com/statistics
Rules and Regulations
To make learning the rules and regulations governing gift cards in the United States a little bit easier, Shift4 has gathered a list of useful resources to help you identify some of the requirements. After looking into these topics, it’s also important to consult your company’s legal department or legal counsel on issues related to gift card programs.

Federal and State Resources on Gift Card Rules and Regulations

**National Conference of State Legislatures (NCSL)**
The NCSL provides up-to-date information on federal and state statutes, as well as state legislation for gift cards and gift certificates. First, refer to the guidelines of the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009, under the federal statutes section. Then, review any statutes for states where you do business. If you do business in multiple states, you will need to review the laws for each. Legislation for individual states is included for 2011, 2012, 2013, and 2014.

**Federal Trade Commission (FTC)**
The FTC is a bipartisan federal agency that seeks to protect consumers and encourage competition among merchants. To make sure your gift card program is run fairly, check out the objectives of the Bureau of Consumer Protection, the Bureau of Competition, and the Bureau of Economics to consider how they may help your gift card program planning.

Additional Sources for Self-Service Research
In order to better understand the additional laws and liabilities for selling, purchasing, and using gift cards in the United States, check into the following subjects:

**State Websites and Law Libraries**
Look for “escheatment” or “unclaimed property” laws.

**State Liability and Jurisdiction Laws**
Look for “interstate commerce.”
Summary of the ECO-Gift Card Act

As of August 22, 2010, the Board of Governors of the Federal Reserve System introduced the ECO-Gift Card Act, which provided new rules to amend Regulation E of the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009. The ECO-Gift Card Act was established to protect consumers who purchase and use gift cards (as defined in the CARD Act of 2009).

Below is a brief summary of the amendments:

- Consumers cannot be charged dormancy fees, inactivity fees, or service fees for gift cards or general-use prepaid cards unless:
  - The gift card has been wholly inactive for 12 months
  - All fees were clearly disclosed on the packaging
  - No more than one fee is charged per month
- Affected fees may include monthly maintenance fees, balance inquiry fees, and transaction-based fees (such as reload fees, ATM fees, and point-of-sale fees)
- Gift certificates cannot be sold or issued unless the expiration date is at least five years from the date of issue
- Gift cards and general-use prepaid cards cannot be sold or issued unless the expiration date is at least five years from the date it was first loaded or last reloaded
- The ECO-Gift Card Act does not apply to:
  - Cards, codes, or other devices that are reloadable and not marketed or promoted as a gift card or gift certificate

For more information regarding these changes, please visit:
Various Industry Associations

Below is a list of leading industry associations containing large networks of professionals and a number of valuable resources. These sites contain advice from experts in their fields and may offer great insights into how a gift card program will fit into your business environment.

**e-Commerce**
- eCommerce Merchants Trade Association
- Internet Merchant’s Association (IMA)

**Food and Beverage (F&B)**
- National Restaurant Association (NRA)

**Hospitality**
- Hospitality Financial and Technology Professionals (HFTP)
- American Hotel & Lodging Association (AH&LA)
- Hotel Technology Next Generation (HTNG)

**Retail**
- National Retail Federation (NRF)
- Retail Industry Leaders Association (RILA)
Management Guidelines

In order to streamline your operations and maximize your return on investment, effective management of your organization’s gift card program is essential. With years of experience as a gift card solution provider, Shift4 recommends you think about your gift card program from marketing, information technology, and accounting perspectives. Below is a list of considerations to be used by internal stakeholders when selecting a gift card provider and deciding how to get the most out of a gift card program.

Management Guidelines: Marketing

Before you select a gift card solution, be sure to consider the following ways gift cards can support your marketing goals:

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<thead>
<tr>
<th>If you want to…</th>
<th>What you need is/are…</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Track and manage different card versions, promotions, and merchant activities</td>
<td>➔ Definable card groups (groups of varying sizes)</td>
</tr>
<tr>
<td>• Measure campaigns and spending trends</td>
<td>➔ Activity reports</td>
</tr>
<tr>
<td>• Offer cards at any dollar amount or preset value</td>
<td>➔ Card value flexibility or the ability to assign value by card group</td>
</tr>
<tr>
<td>• Mail prepaid cards as promotions</td>
<td>➔ Pre-activation capability</td>
</tr>
<tr>
<td>• Allow customers to purchase, redeem, and manage gift cards through your website</td>
<td>➔ A gift card provider that will create and manage your branded gift card website and provide fulfillment reports</td>
</tr>
<tr>
<td>• Capture customers’ personal data</td>
<td>➔ Gift card registration capability</td>
</tr>
<tr>
<td>• Add value to a gift card and encourage repeat visits</td>
<td>➔ Reloadable capability</td>
</tr>
</tbody>
</table>
Management Guidelines: Information Technology

Technical staff can help increase operational efficiencies when they are a part of your gift card program management team. For example, a gift card program that is fully integrated with your point-of-sale (POS) or property management system (PMS) will make accepting gift cards as easy as accepting a credit card.

Below are a number of IT functions to consider:

<table>
<thead>
<tr>
<th>If you want to…</th>
<th>What you need is/are…</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Limit your hardware and software investment and minimize upgrades</td>
<td>➔ A fully hosted, Web-based gift card solution</td>
</tr>
<tr>
<td>• Provide one-step activation, redemption, and balance inquiries; swipe like a credit card</td>
<td>➔ POS and PMS integration capabilities</td>
</tr>
<tr>
<td>• Move data from your gift card system to other software systems, including accounting systems and analytics</td>
<td>➔ Export capabilities</td>
</tr>
<tr>
<td>• Control user access to different card functions</td>
<td>➔ Customizable user types</td>
</tr>
<tr>
<td>• Allow gift cards to be sold where there is not a POS (e.g., concierge)</td>
<td>➔ A fully integrated, Web-based (virtual terminal) system that can be accessed from anywhere via the Internet</td>
</tr>
<tr>
<td>• Prevent card counterfeiting and predictable card numbers</td>
<td>➔ A non-sequential numbering system</td>
</tr>
<tr>
<td>• Provide secure access to customers for checking balances and registering their card over the Internet</td>
<td>➔ A security code/PIN number requirement capability</td>
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Management Guidelines: Accounting
With effective financial oversight, you can ensure your gift card program streamlines operations and increases revenue.
Consider these accounting functions when looking for an effective gift card solution:

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<tr>
<th>If you want to…</th>
<th>What you need is/are…</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Report all outstanding card balances</td>
<td>➔ Deferred income or liability reports</td>
</tr>
<tr>
<td>• Move inactive card liability to revenue</td>
<td>➔ Dormancy fees and expiration capabilities</td>
</tr>
<tr>
<td>• Report income from card redemptions</td>
<td>➔ Redemption reports</td>
</tr>
<tr>
<td>• Track gift card sales enterprise-wide or by location</td>
<td>➔ Centralized organizational reports to track where cards are sold, redeemed, and settled enterprise-wide or by location</td>
</tr>
<tr>
<td>• Settle cross-property sales and redemptions</td>
<td>➔ Cross-property and multi-merchant reconciliation</td>
</tr>
<tr>
<td>• Retain your gift card revenue in a separate, interest-bearing account</td>
<td>➔ A processor-neutral gift card provider</td>
</tr>
<tr>
<td>• Eliminate balance cash-outs</td>
<td>➔ A declining balance</td>
</tr>
<tr>
<td>• Void gift cards purchased with bounced checks or a stolen credit card</td>
<td>➔ Deactivation capability</td>
</tr>
<tr>
<td>• Allow gratuities to be added to a gift card purchase</td>
<td>➔ Incremental authorizations</td>
</tr>
<tr>
<td>• Combine multiple card balances to a single card</td>
<td>➔ Merge-card capability</td>
</tr>
</tbody>
</table>
Things to Remember About Gift Cards

1. A gift card program that’s unique to your enterprise, also known as a “closed-loop” gift card solution, promotes your organization’s independence and allows you to retain gift card funds within your enterprise or group of companies.

2. An “open-loop” gift card program is issued by a bank or credit card company (e.g., Visa, MasterCard, etc.) and gift card funds can be redeemed at any merchant location within the provider’s network.

3. Always consider breakage, which allows you to receive full funding at the time a gift card is purchased, regardless of when the gift cards are used.

4. Unless otherwise configured, gift cards have no value until they are activated; use this advantage to grab your customers’ attention by displaying gift cards where impulse sales occur (e.g., store entrance, cash register, hotel checkout, etc.).

5. An employee-reward program using gift cards can motivate employees and drive sales.

6. Always do sales forecasts to maintain an adequate inventory of your gift cards; the turnover for gift cards can be very high during holidays and promotions.

7. Gift card usage can be analyzed to gain insight into what your customers want.

8. If your business has multiple locations, allow customers to redeem gift cards at all venues; it will add to the value of your gift cards and promote their use.

9. Give your customers the ability to purchase, redeem, activate, deactivate, and process gift card balance inquiries over the Internet; the convenience will provide your customers with a positive experience using the cards.

10. Identify ways to track and analyze the performance of your gift card program.

11. Give your gift card program an adequate timeframe to show positive results; regularly monitor the program and adapt for continuous improvement.

12. Communication is key; be sure to educate customers about your gift card program.

13. Out-of-store and direct-mail promotions are a great way to increase awareness of your gift card program and create demand.

14. Give repeat customers incentives by using gift cards to reward frequent visits.

15. Promote gift cards to encourage the purchase of high-value items.

16. Remember gift cards are products with a seasonal demand pattern – plan your promotions accordingly.

How Gift Cards Fit Into Your Business

- Loyalty rewards
- Restaurant discount cards
- Entertainment spending cards
- Corporate gifts
- Sales incentives
- Conference and event promotions
- Giveaways and sweepstakes
- Charity programs
- Team member rewards
- Cross-business promotions
- Employee spending cards
- Limited-time offers

Occasions to Promote Gift Cards

- Birthdays
- Holidays
- Recognition
- Graduations
- Back to school
- Baby showers
- Anniversaries
- Weddings
- Special events
- Just because
- Thank you
Conclusion

Best practices do not guarantee success. However, they provide a wealth of knowledge that can be used to influence the effectiveness of your efforts. Work closely with all departments involved in managing your gift card program and identify how you can use this information to streamline your efforts and improve your bottom line.

If you have any additional questions or concerns about how to get the most out of your gift card program, please do not hesitate to contact the Shift4 team at 702.597.2480 or info@shift4.com.

“When you aim for perfection, you discover it’s a moving target.”

~ George Fisher
Shift4’s IT’S YOUR CARD®
A Gift Card Solution Tailored to You

IT’S YOUR CARD® (IYC) is not your average gift card solution. Fully integrated with our DOLLARS ON THE NET® payment gateway, IYC allows you to create, manage, track, and profit from a fully customizable gift card solution.

- Ultimate flexibility through 100% neutrality – easily change processors whenever you want
- Leading security – process gift cards using Shift4’s point-to-point encryption (P2PE), TrueTokenization®, and Fraud Sentry® technologies to prevent gift cards from becoming a source of fraud in your business
- Full integration – IYC can be fully integrated into your point-of-sale or property management system so you can activate, swipe, charge, report, and process balance inquiries the same way as you would a credit card
- Online gift card management – set up a Web page to sell your gift cards and check balances using IYC’s SiteBuilder and use white-labeling to add your own branding
- Enterprise tracking and reporting – IYC’s powerful tracking and reporting tools allow you to view when, how, and by whom gift cards are being used
- Tailored to you – with IYC, you can have ultimate control of gift cards across your enterprise, from one profit center to one thousand; make unlimited batches of cards with different attributes (and designs) and enjoy both card-present and card-not-present gift card capabilities for any consumer

To learn more about IT’S YOUR CARD, call 702.597.2480 (option 4) or visit www.shift4.com/IYC
Shift4 Corporation makes it simple for merchants across all industries to securely process credit, debit, and gift card transactions. With connections to nearly every bank and processor in North America and integrations to hundreds of PMS/POS systems, Shift4’s DOLLARS ON THE NET® is the world’s largest independent payment gateway. Shift4 provides pre- and post-settlement auditing capabilities, fraud prevention tools, support for emerging technologies like EMV and mobile payments, and security solutions such as TrueTokenization® and P2PE, which drastically simplify PCI compliance. Shift4 is a proud merchant advocate, maintaining complete bank and processor neutrality to ensure that their customers have the freedom to switch banks and processors as needed. For more information, visit www.shift4.com.