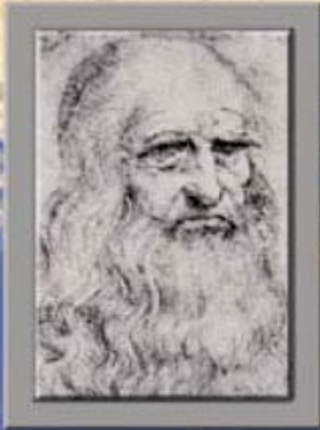


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WORKSHOP®
INC.

3725 Da Vinci Court Suite 200
Norcross, Georgia 30092

(Voice) 770-449-6767

(Fax) 770-449-6739

(Web) www.mwshop.com

The true value of marketing research is not in the reporting of numbers or in the use of analytical techniques. The real value of marketing research is in how the numbers are interpreted and used to develop an effective marketing strategy as part of the decision-making process. We call it:

*Marketing intelligence
through research.*

Post Holiday Gift Card Study 2006

Conducted for



Payment Innovation

March 2006

06-8620

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Introduction

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Objectives

- Comdata is interested in understanding the pre-holiday purchase and post-holiday usage of gift cards among consumers, including:
 - Purchase habits
 - Usage habits
 - Interest in gift card enhancements or add-ons



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Method

- A total of 518 web interviews were completed with a national sample of adults between February 23 and February 27, 2006.
- Respondents were screened to have purchased a gift card or received a gift card during the past holiday season.



Represents a number that is significantly higher.



Represents a number that is significantly lower.



Arrows are also used to indicate significant differences.



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Management Highlights

- Gift cards were quite popular during the 2005 holiday season, with 76% of adults claiming to have purchased one or more gift cards to give as gifts, and more than eight respondents in ten saying that they received a gift card.
- Those who purchased cards bought an average of 4.7 cards, for an average of 4.0 recipients. Purchasers report that only 1.5 people on their gift list specifically requested gift cards for the holidays. Two-thirds did their gift card shopping in early December.
- The majority of purchasers bought cards at the specific retailer's location (86%). One-quarter purchased cards via the Internet, and another one in seven bought one or more cards at a gift card mall.
- The most popular types of cards to give this past holiday season were Department store cards, restaurant cards, and discount, clothing and book store cards.
- Two purchasers in ten say that they always buy cards with preset amounts, while more than one-half say that they always purchase cards for which they choose the amount. Purchasers loaded an average of \$38.00 on to the cards they purchased.



Management Highlights

- One purchaser in seven insisted that the cards they purchased as gifts have the appropriate holiday theme; one-half preferred to purchase holiday designs when available.
- Eight respondents in ten say that they spend more (33%) or the same amount (47%) on a gift card than they would on an alternate gift. One-third purchased special packaging for the gift cards they gave, most often a box or a greeting card.
- Those who received gift cards during the 2005 holiday season were given an average of 2.6 cards, with an average value of \$42.32. One-quarter say that they specifically requested gift cards as presents.
- Seventy-two percent of card recipients say that all of the cards they received were ones for which the giver had chosen the amount; one in ten said that all the cards they received were preset. The average amount on preset cards was \$32.79.
- Six receivers in ten had redeemed all of the gift cards they received for the 2005 holiday by the end of February 2006, on average, they redeemed their cards within 24 days.



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Management Highlights

- One-half of gift card receivers who had redeemed some portion of their cards did so in a single visit. Those who used their cards across multiple visits averaged 3.5 visits, and started with cards worth an average of \$43.22.
- Three-quarters of receivers made sure that they used their cards up completely. Slightly more than one in twenty added additional funds to their cards, even though most (76%) are aware that this is an option. Those who did add funds to the cards added an average of \$50.00. More than one-half of respondents say that they always or often add their own money when making a purchase with a gift card, spending an average of 16% more than the value of the card.
- Most recipients received cards from 1 to 3 different retailers. Respondents overall say that their favorite kinds of gift cards are from restaurants, and department, clothing, discount, and book stores. Eight in ten say that they would rather get a gift card from a favorite retailer than another type of gift.
- One-quarter of respondents received a gift card as a reward for answering a survey or e-mail, and two in ten received a gift card as an incentive, gift or bonus from their employer.



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Management Highlights

- Among the options presented, respondents are most interested in gift cards that can be used in two different locations (71% top 2 box), followed by cards that reward frequent visits (55%), cards that offer promotional discounts or rebates (46%), cards that allow givers to record an 8-second personal message (30%), and cards that can play audio or video material in a PC (22%).
 - Those who are interested in cards that allow you to record a personal message would expect to pay, on average, an additional \$3.00 for such cards.



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Conclusions and Recommendations

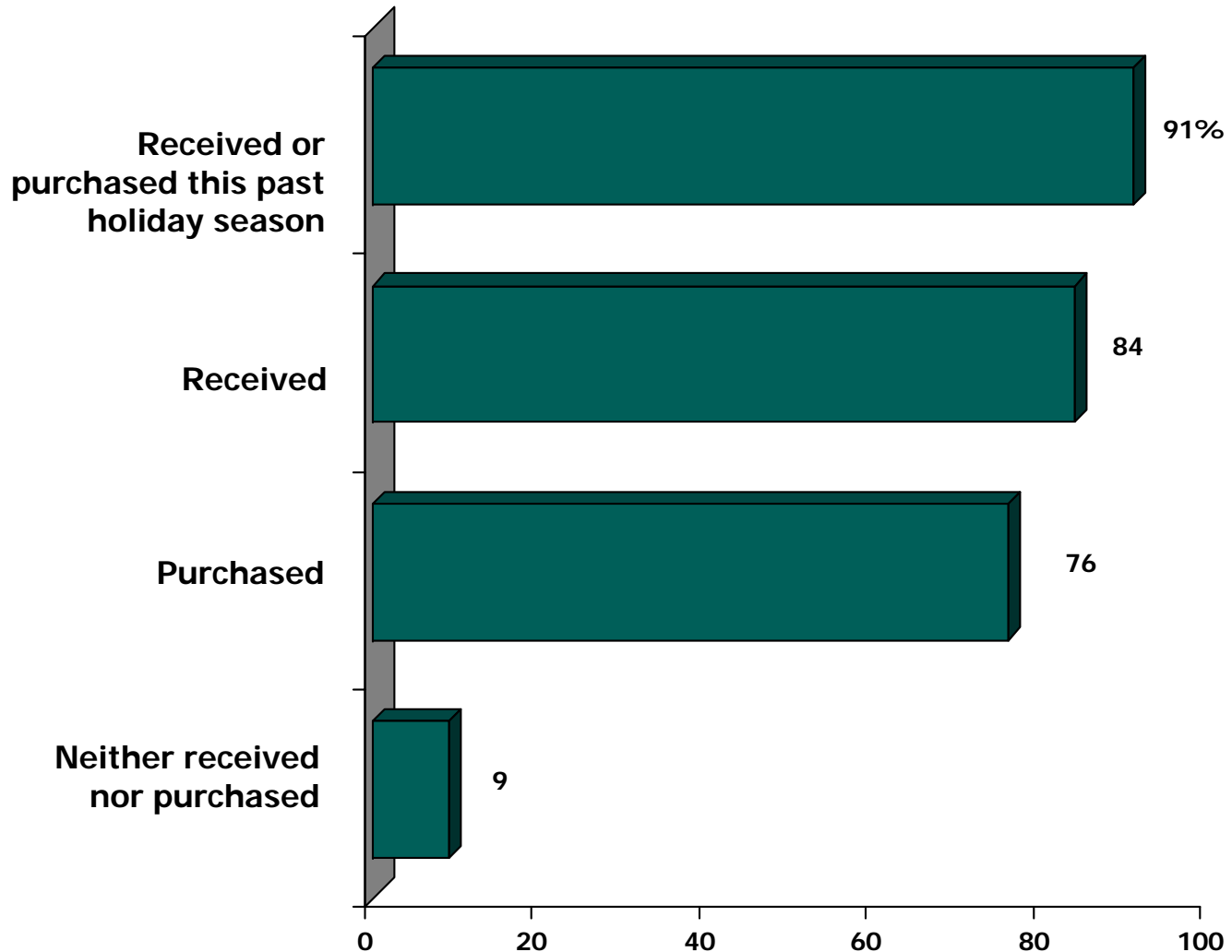
- Gift cards have quickly attained substantial popularity as holiday gifts among both givers and recipients, with a majority of recipients claiming to prefer gift cards over other gifts.
- The majority of gift card purchases appear to be planned, even though more than half of the recipients did not specifically ask for gift cards. Most gift cards are redeemed within two months.
- Not only do gift card givers say that they spend more or an equal amount on gift cards as they would on alternate gifts, more than one-half of gift card recipients spend more than the value of the card when they go to redeem them.
- While cards that are redeemable at two different locations are most interesting to respondents, one-third express interest in cards that allow them to record messages. Since personalization has previously been a complaint among non-users, this may be a good opportunity to create more user interest.



Incidence of Gift Card Usage

(among 570 contacts answering)

- Nine respondents in ten say that they either received or purchased a gift card this past (2005) holiday season. More than eight in ten say that they received a card, and three-quarters say that they purchased a card.



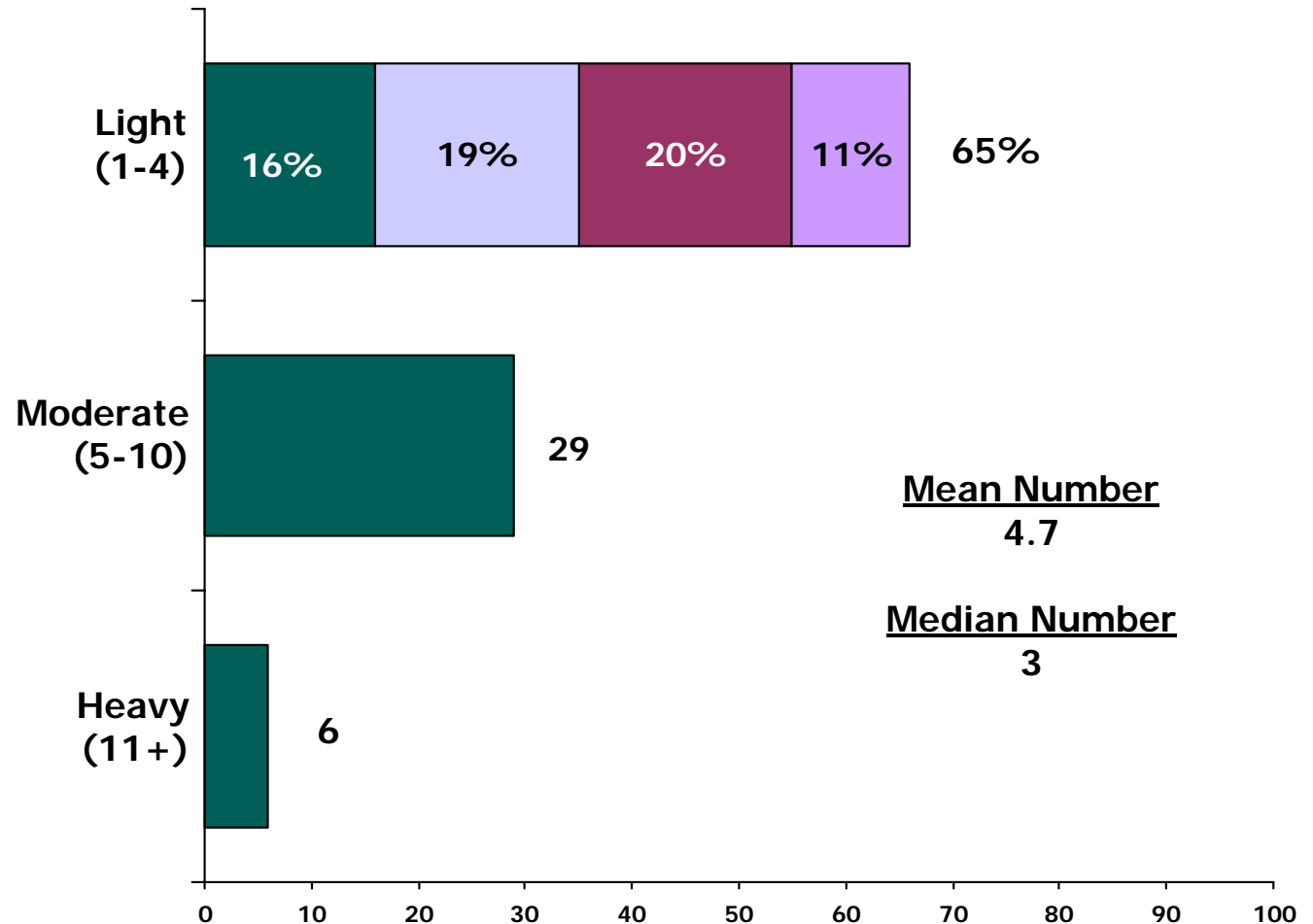
Q.1a: This past holiday season, did you receive any gift cards?

Q.1b: This past holiday season, did you purchase any gift cards to give as gifts?

Past Holiday Season Purchases of Gift Cards

(among 431 gift card purchasers)

- Gift card purchasers bought an average of 4.7 cards, though two-thirds purchased between one and four cards. Approximately one in twenty purchased 11 or more gift cards.



Q.2: How many gift cards did you purchase this past holiday season?

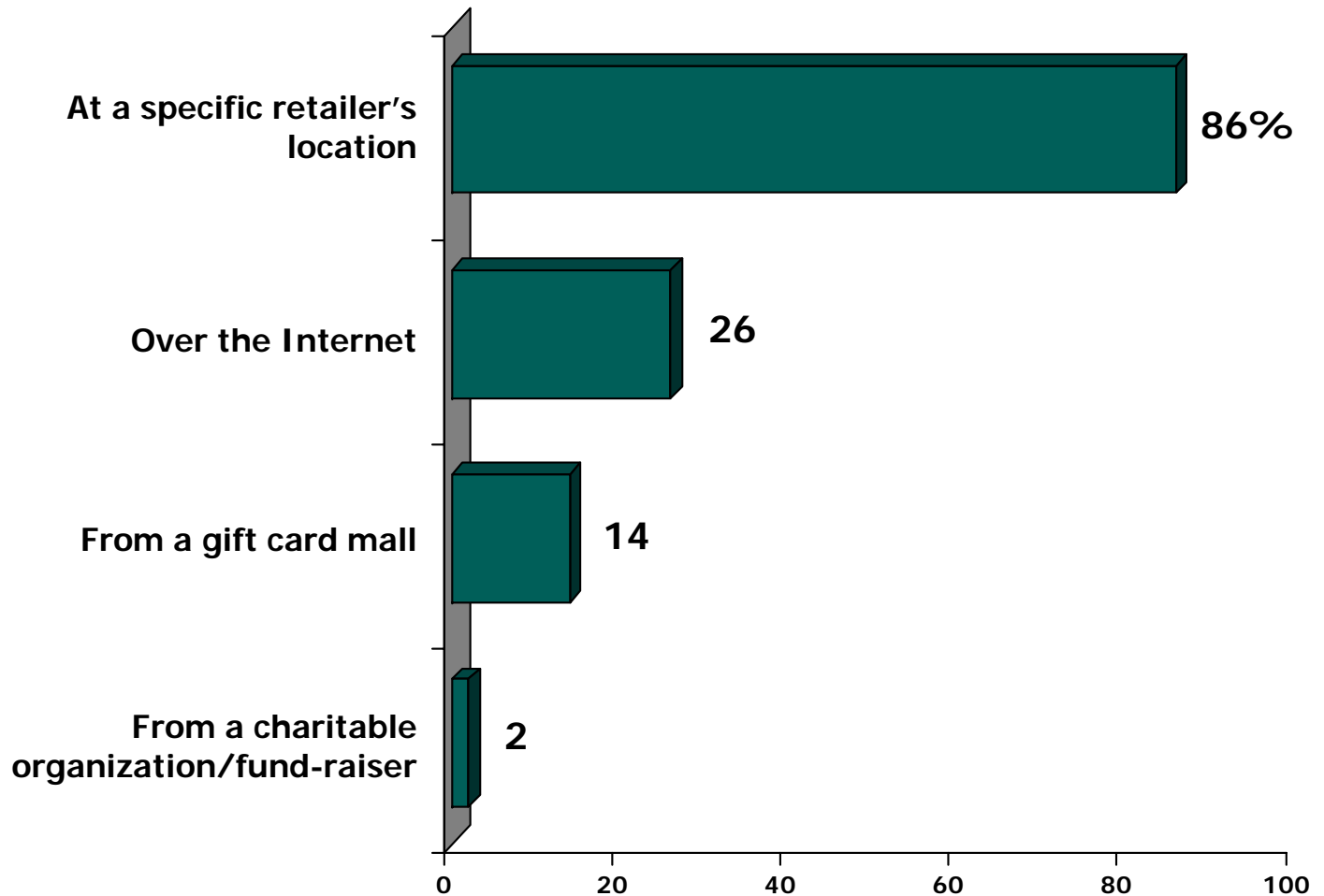


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Sources of Gift Cards Purchased

(among 431 gift card purchasers)

- Almost nine gift card purchasers in ten purchased at least some of their gift cards at a specific retailer's location. One-quarter purchased one or more cards over the Internet, and one in seven purchased from a gift card mall. Very few made a purchase through a charitable organization.

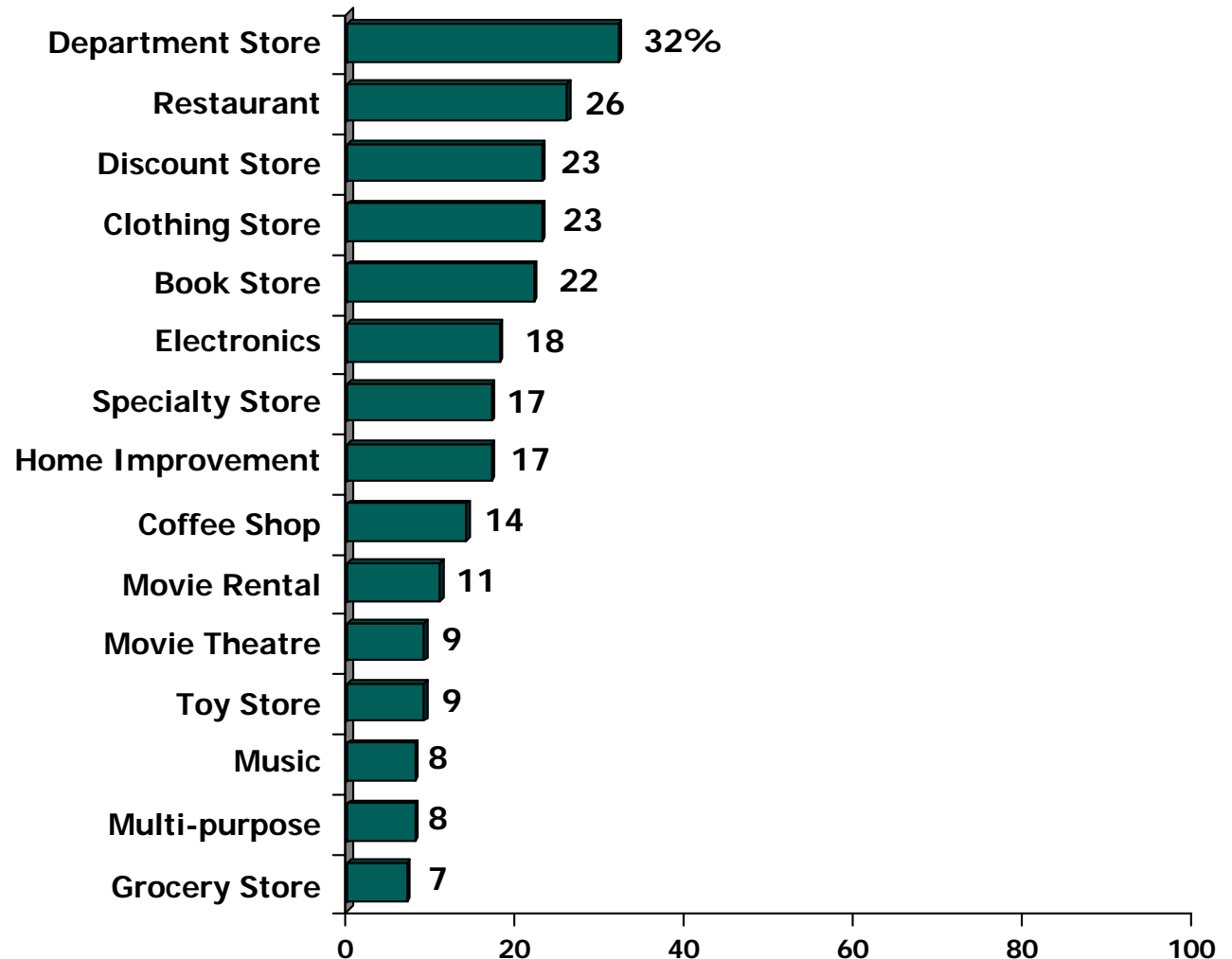




Types of Gift Cards Purchased

(among 431 gift card purchasers)

- Department store gift cards were most popular among purchasers (32%), followed by restaurants (26%), discount stores (23%), clothing stores (23%), and book stores (22%).



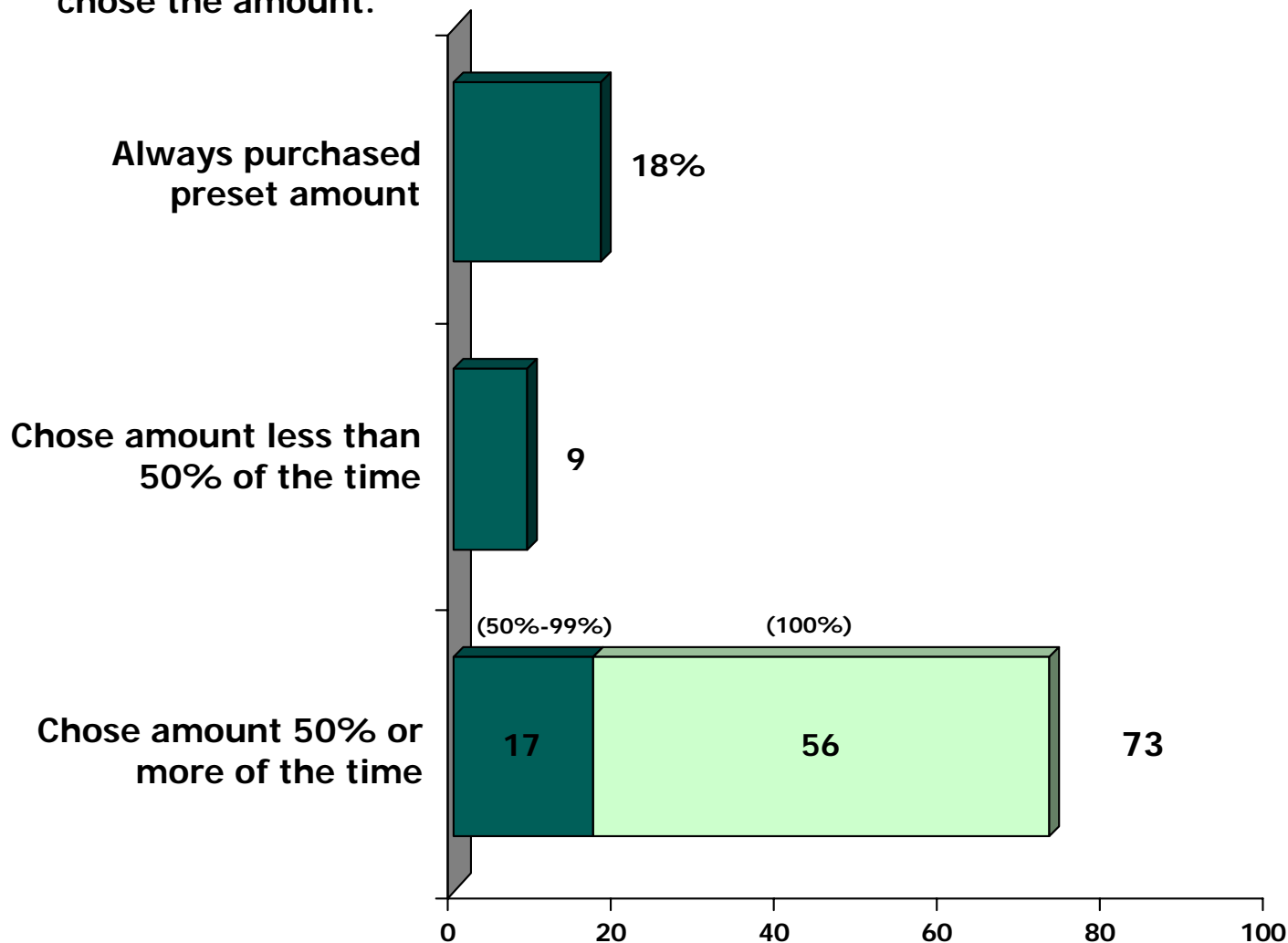


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Chosen and Preset Amounts

(among 431 gift card purchasers)

- Two purchasers in ten say that they always purchased gift cards with preset amounts. Almost six in ten always purchased cards for which they chose the amount.



Q.7: For the cards you purchased, please indicate what percentage of the cards were ones where you chose the amount, and what percentage were ones where the amount was already set.

Average Value of Gift Cards Purchased

(among 431 gift card purchasers)

- Gift card givers loaded or purchased cards with an average of \$38.00, with the most popular amounts being between \$20.00 and \$29.00.



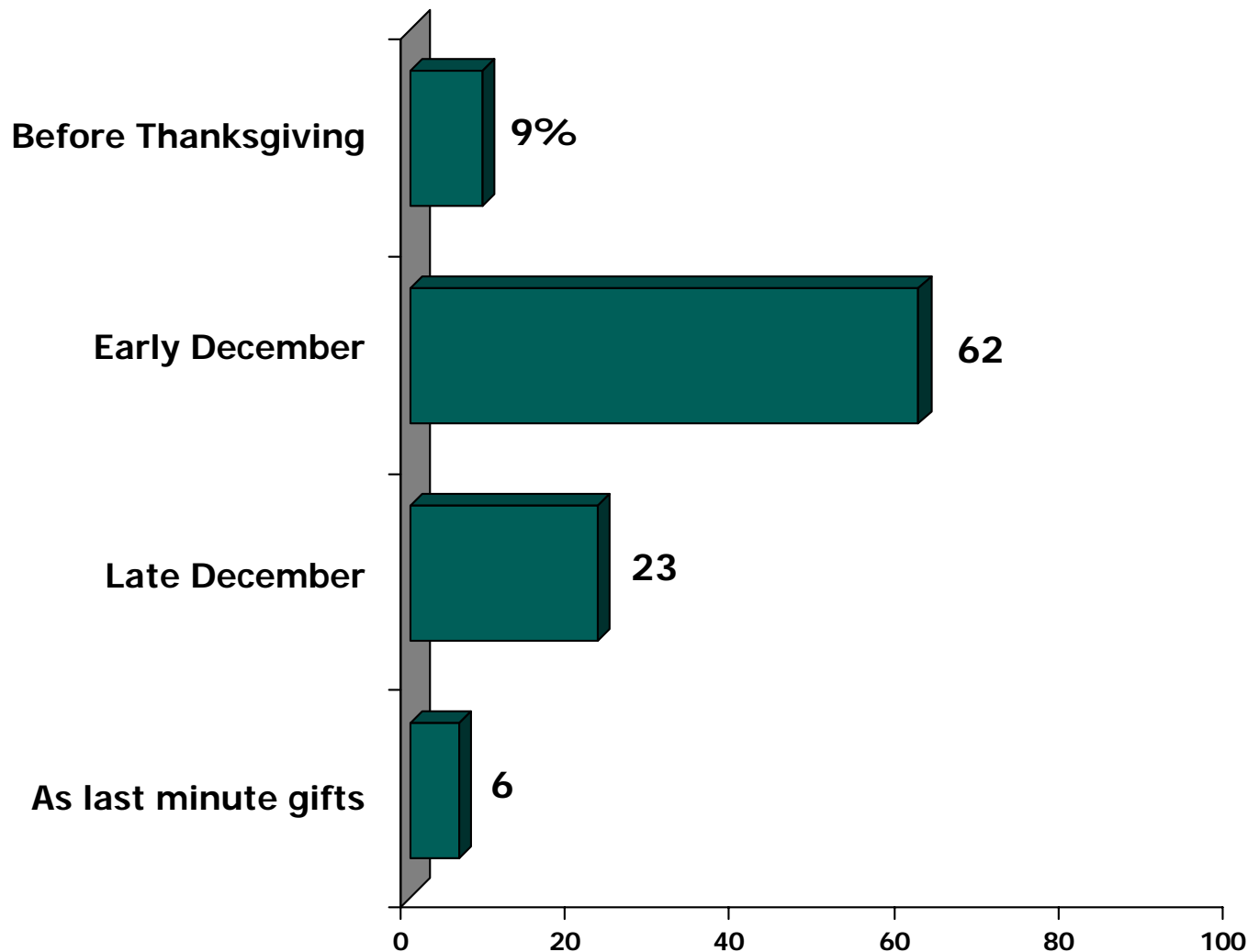
Q. 8: What is the average amount you had loaded or purchased on each of the gift cards you gave?



When Gift Cards Purchased

(among 431 gift card purchasers)

- Two-thirds of gift card purchasers did their buying in early December; around one in twenty say that they purchased gift cards primarily as last-minute gifts.



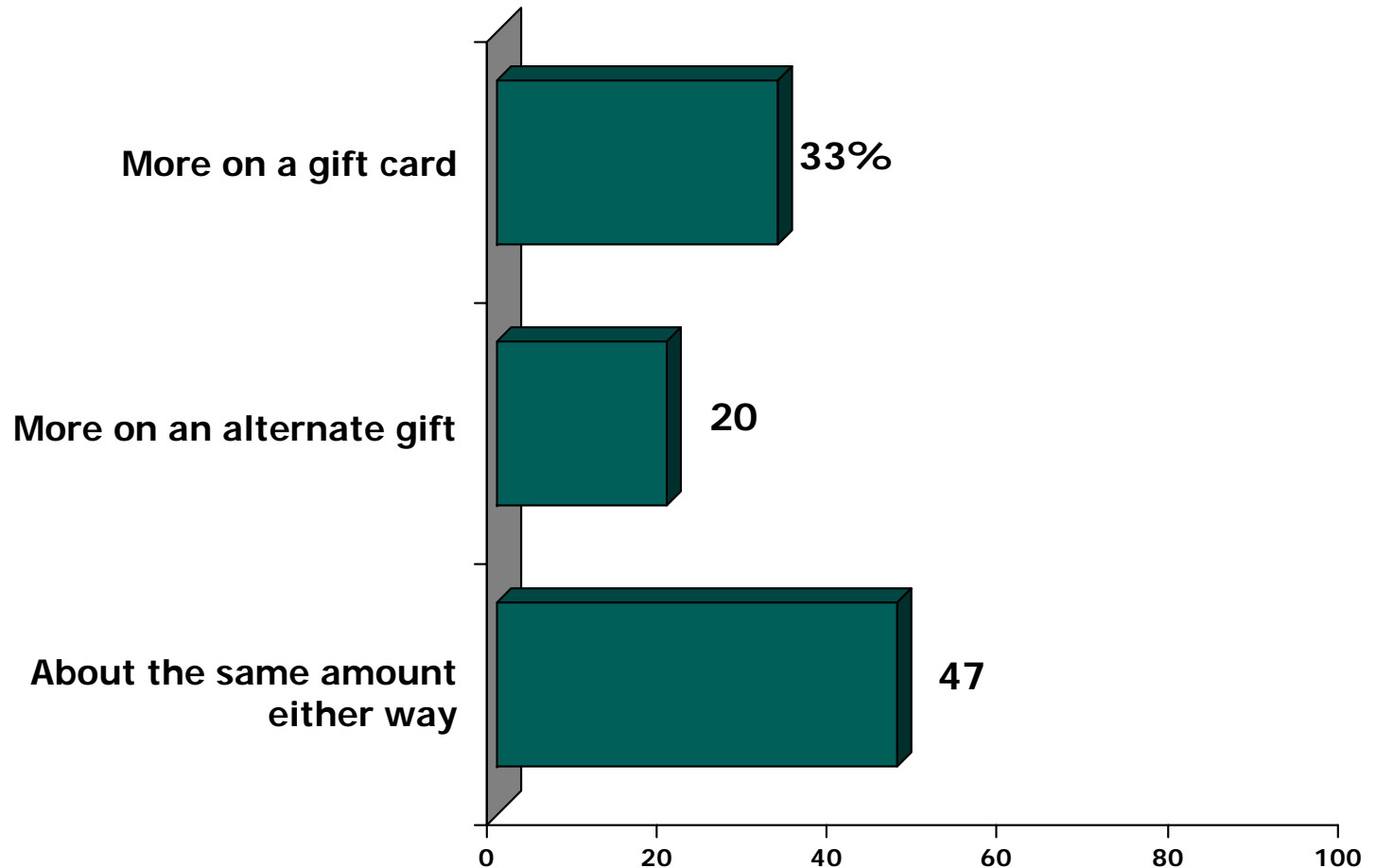


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Spending on Cards vs. Alternate Gift

(among 431 gift card purchasers)

- One-third of gift card purchasers say that they spend more when they purchase a gift card than they do when purchasing an alternate gift, and one-half say that they spend the same amount either way.



Q. 10 Would you say that you tend to spend more when you purchase a gift card for someone on your list, or when you purchase an alternate item for that person?



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Special Packaging

- Almost one-third of purchasers say that they purchased some type of special packaging in which to wrap the card(s) they purchased; primarily a box or a greeting card.

	Total
(Base)	(431)
	<u>%</u>
Purchased Special Packaging	31
	(135)
<u>Packaging Purchased</u>	<u>%</u>
Box/special box	35
Greeting card/envelope/money holder	32
Stocking	13
Gift bag	9
Tin/metal box	8
Gift wrap/paper/tissue	8
Stuffed animal/teddy bear	8
Added note/candy/wine/keepsake	4
Bows/ribbons	3
Holiday ornament/decoration	2

Q.12a: Did you purchase any special packaging in which to wrap your gift card, like a special box, miniature stocking, or other packaging?

Q.12b: What special packaging did you purchase?

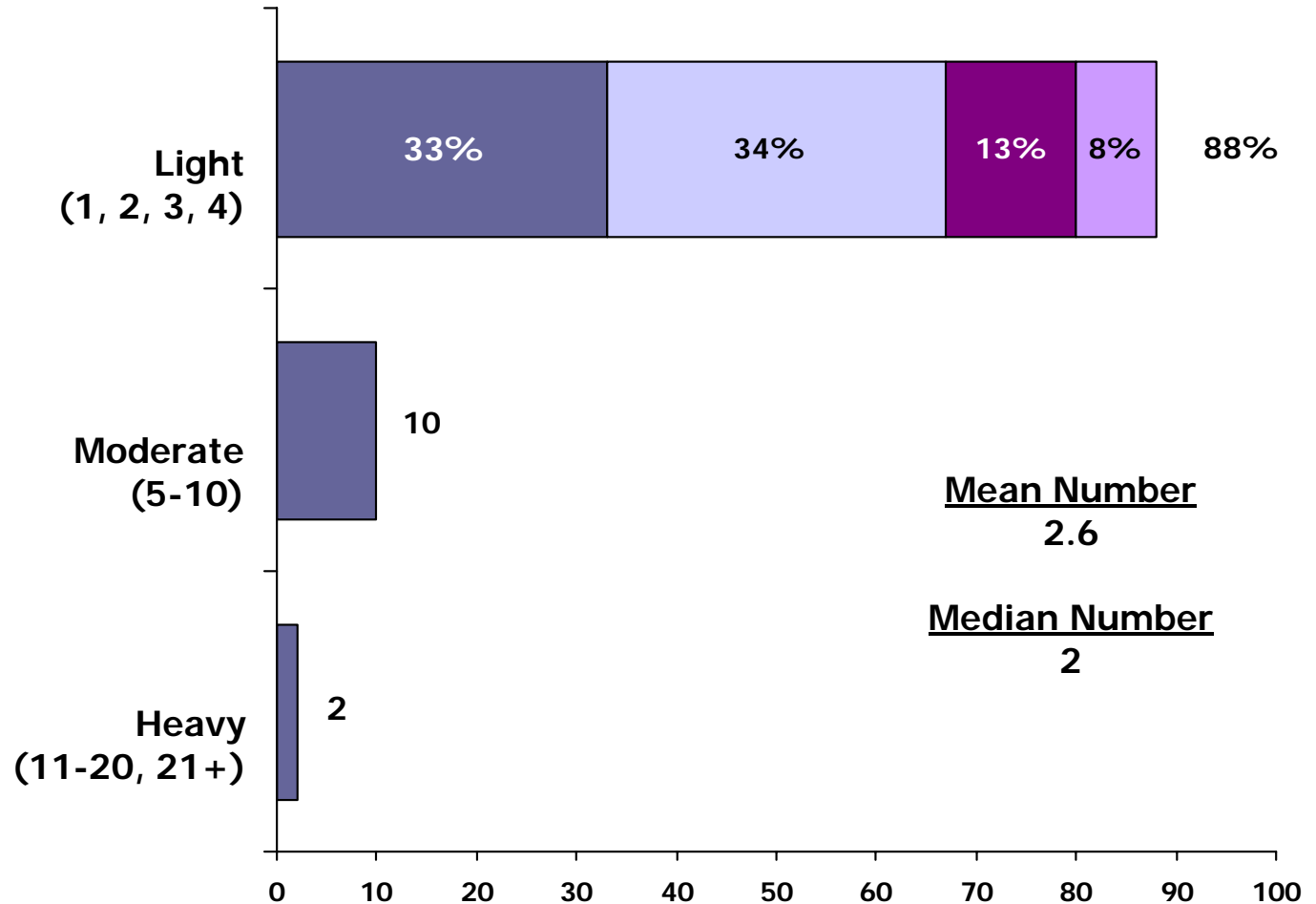


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Past Holiday Season Receipt of Gift Cards

(among 478 gift card receivers)

- On average, those receiving gift cards received 2.6 cards this past holiday season. Slightly more than one in ten received five or more cards.



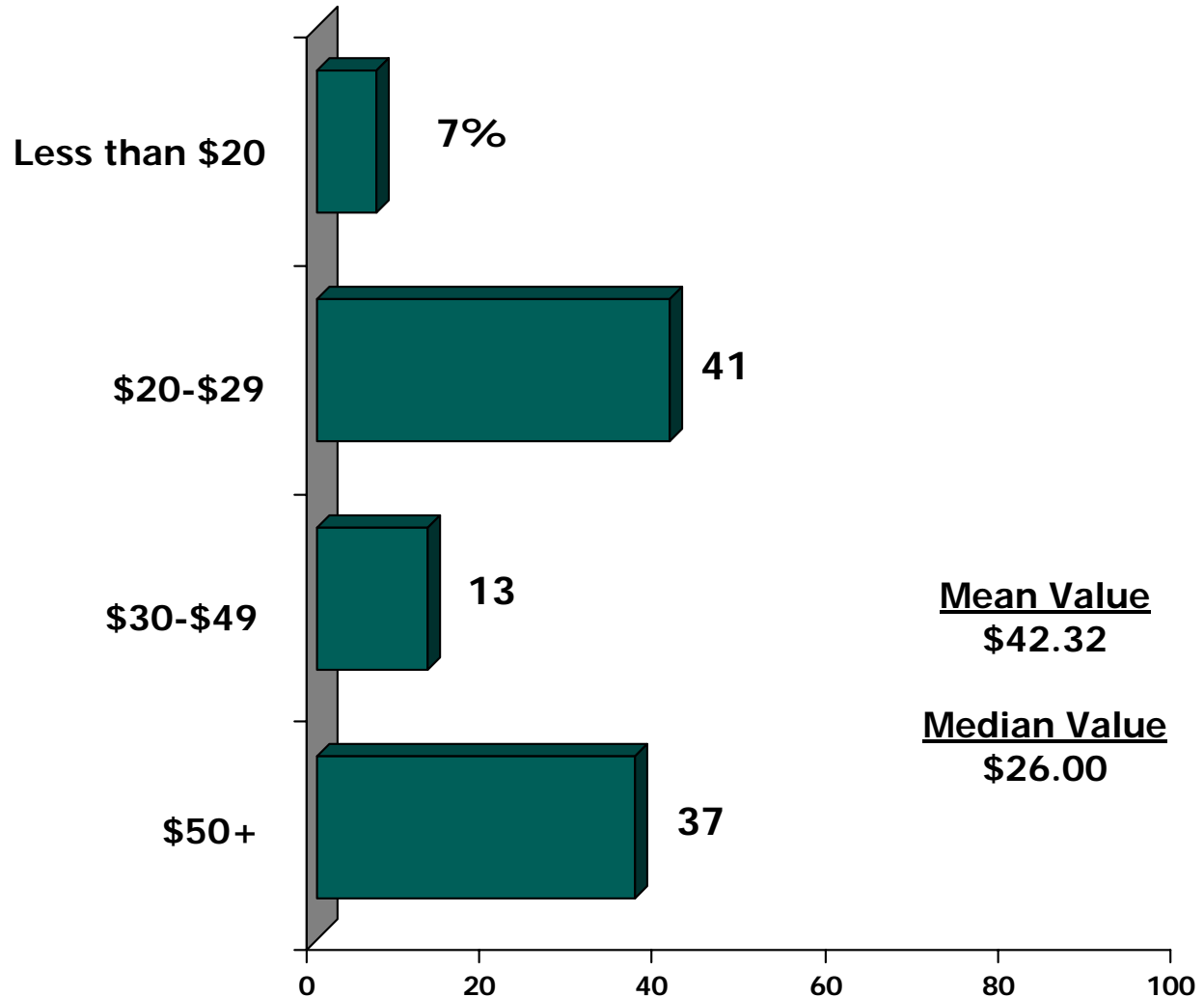
Q.13: You mentioned that you had received gift cards as gifts this past holiday season. How many gift cards did you receive?



Average Value of Gift Cards Received

(among 478 gift card receivers)

- Receivers were given cards with an average of \$42.00 on them. The most popular amounts were between \$20.00 and \$29.00 and \$50.00 or more.



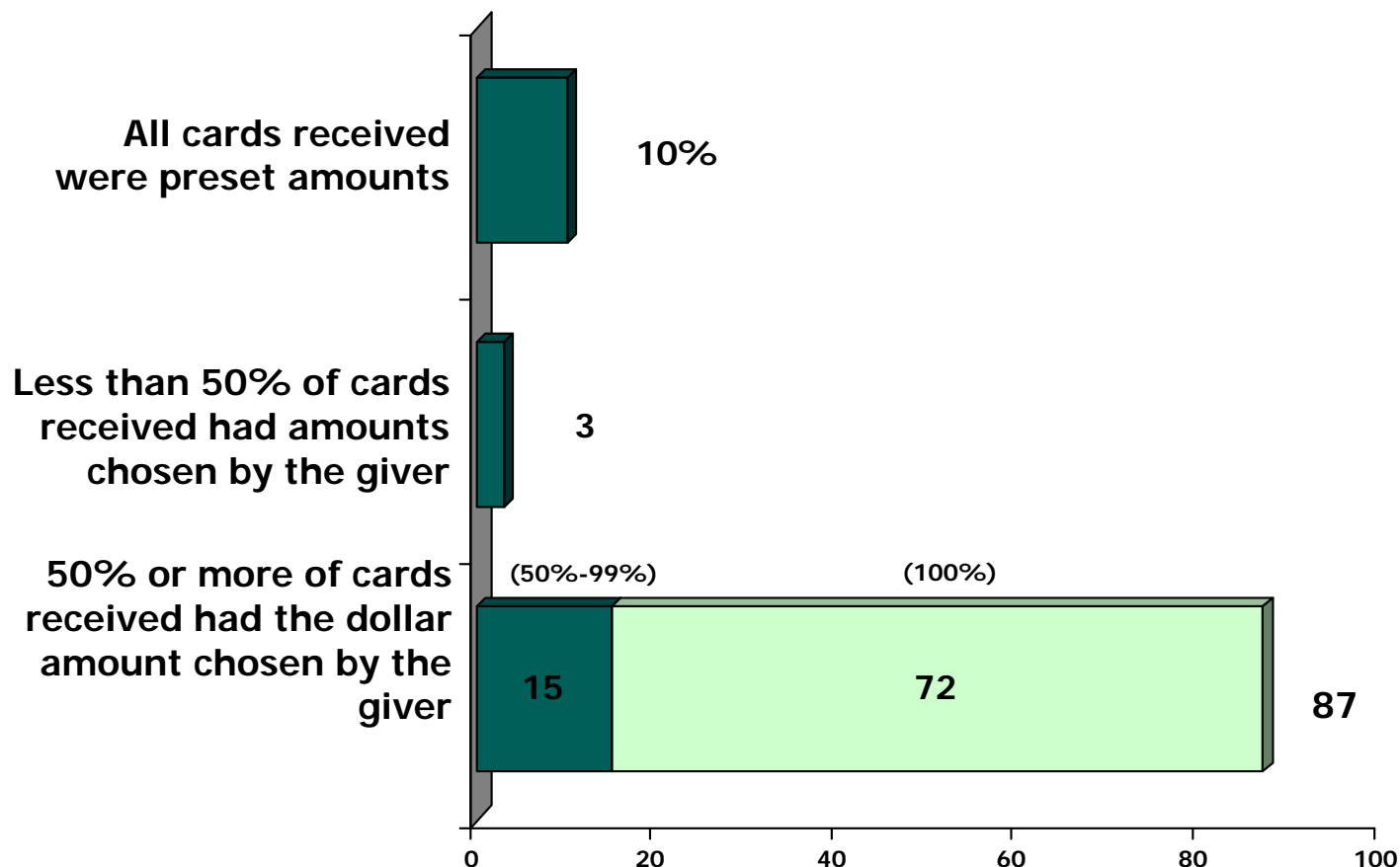


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Percentage of Pre-Printed Amounts vs. Selected Amount

(among 478 gift card receivers)

- Almost three-quarter of those who received gift cards say that all of the cards they received were ones for which the giver had chosen the amount.



Q.15b: *Of the gift cards you received, please indicate what percentage of the cards were ones where the giver chose the dollar amount, and what percentage were ones where the amount was already set and pre-printed on the card.*

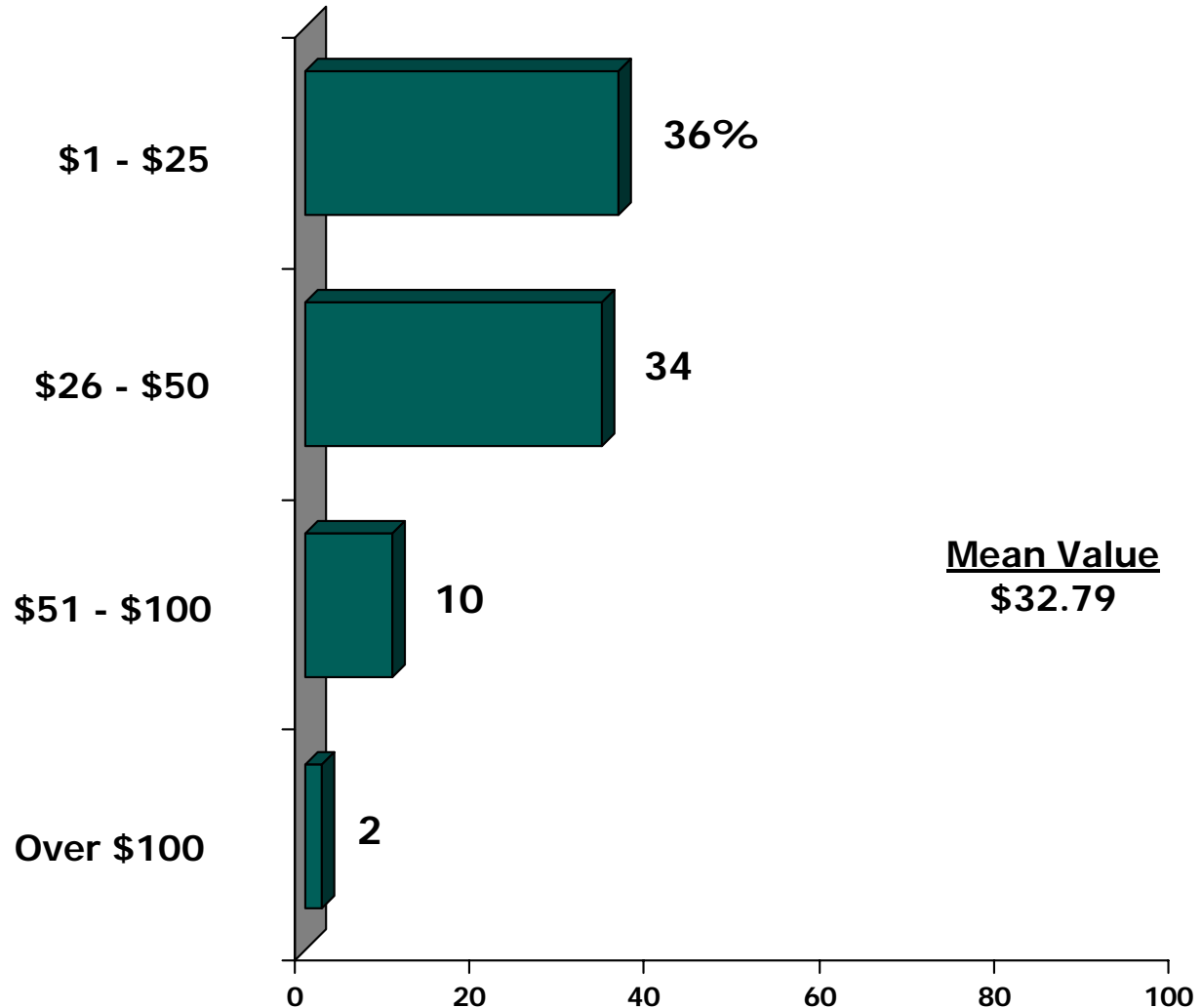


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Average Amount on Pre-Printed Cards(s)

(among 122 gift card receivers who received a pre-printed amount on card)

- Two-thirds of preset cards received were loaded with \$50.00 or less.



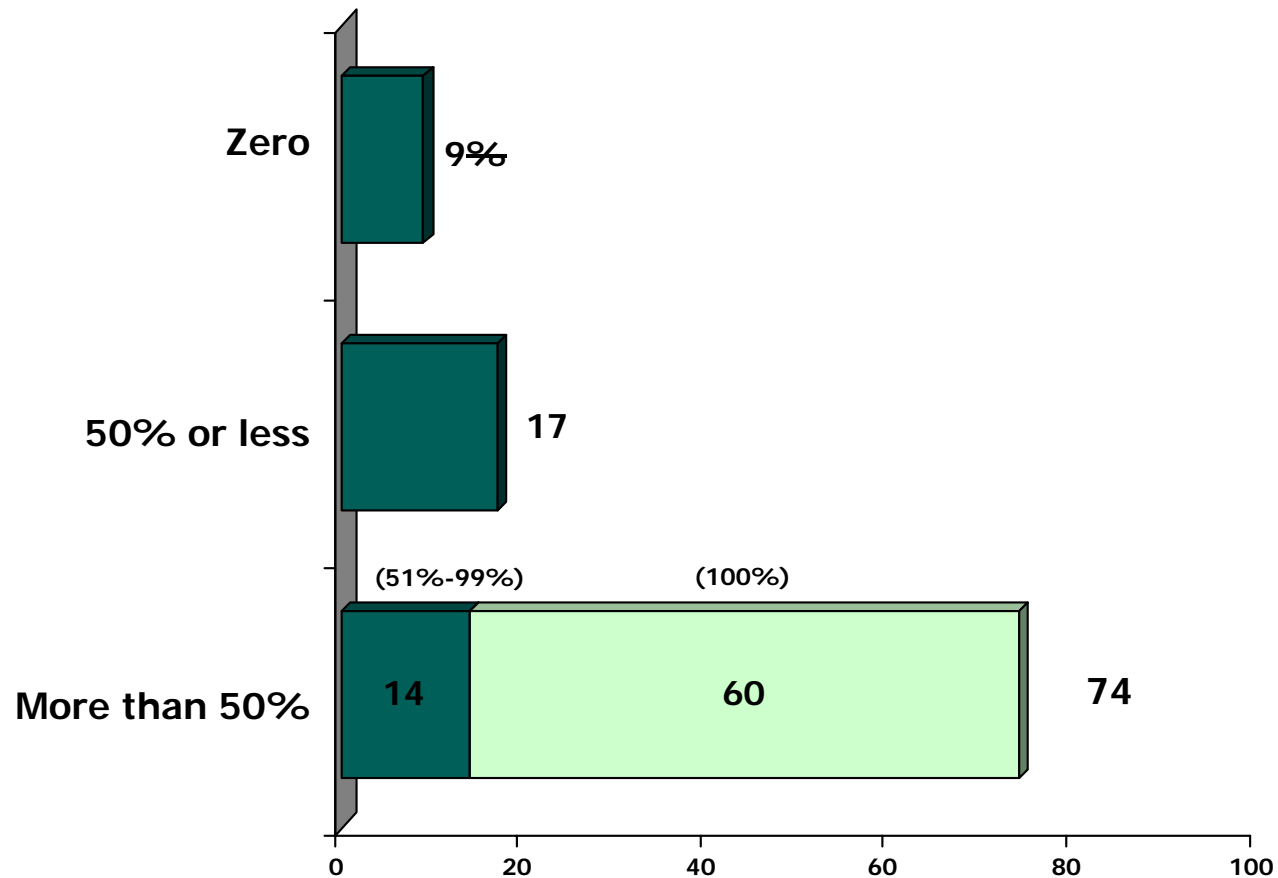


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Percentage of Gift Cards Redeemed

(among 478 gift card receivers)

- As of the end of February, three-quarters of respondents had redeemed more than 50% of the cards they received. Six in ten had redeemed 100% of the cards they received.



Q.16: Among the gift card(s) you received this past holiday season, what percentage have you already redeemed?

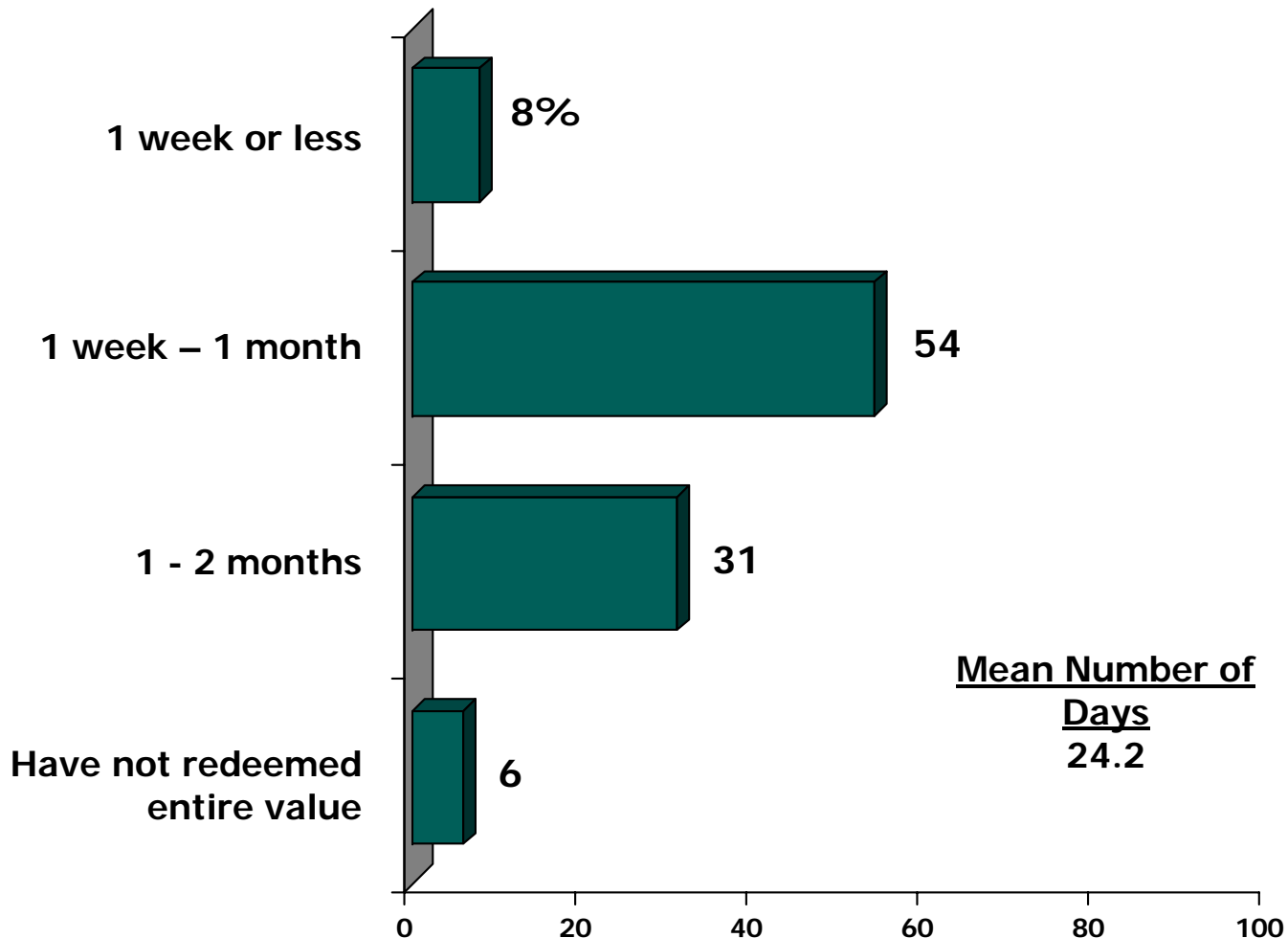


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Length of Time Cards Held

(among 437 gift card receivers who have redeemed some/all cards)

- On average, those who have redeemed cards redeemed their full value within 24 days. Six in ten say that they redeem the entire value of the cards they receive within one month.



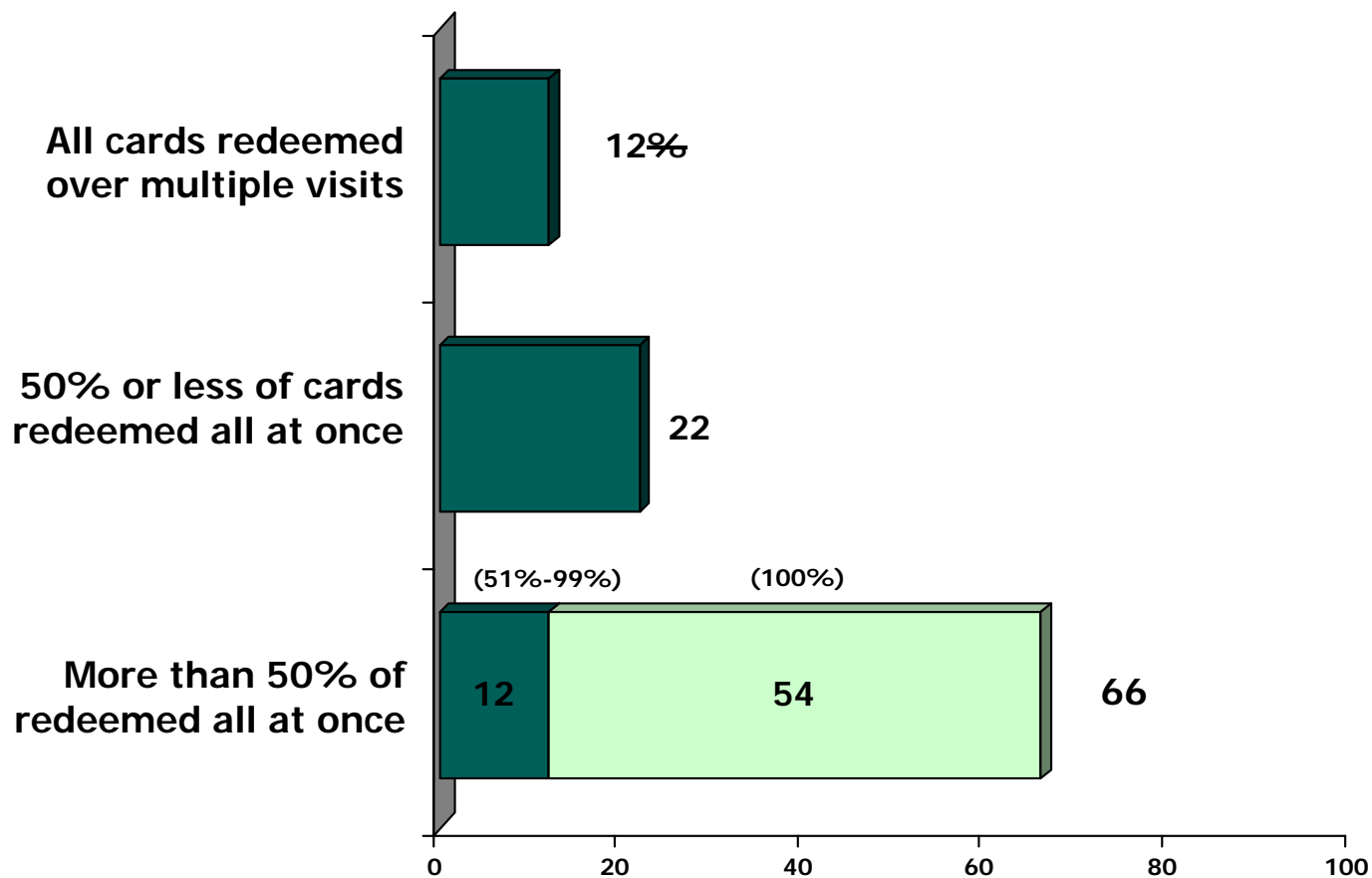


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Card Redemption

(among 437 gift card receivers who have redeemed some/all cards)

- One-half of card recipients say that they redeemed the entire value of the cards every time. One in eight redeemed all of their cards over multiple visits.



Q.17b: Among the gift card(s) you received and have redeemed, what percentage of the time did you redeem the entire value all at once, and what percentage of the time did you spend the value over multiple 25 visits?



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Length of Time to Use Up Card

(among 202 gift card receivers redeeming cards over multiple visits)

- On average, those redeeming cards over multiple visits spend \$43.00 over the course of 3.5 visits.

	(Base)	<u>Total</u> (202) %
<u>Number of Visits</u>		
1-2		59
3-4		31
5+		10
Average number of visits		3.5
Average starting value of cards redeemed over multiple visits		\$43.22

Q.17c: When you used a gift card over multiple visits, how many visits, on average, did it take to use the entire value?

Q.17d: What is the average starting value of cards you used over multiple visits?

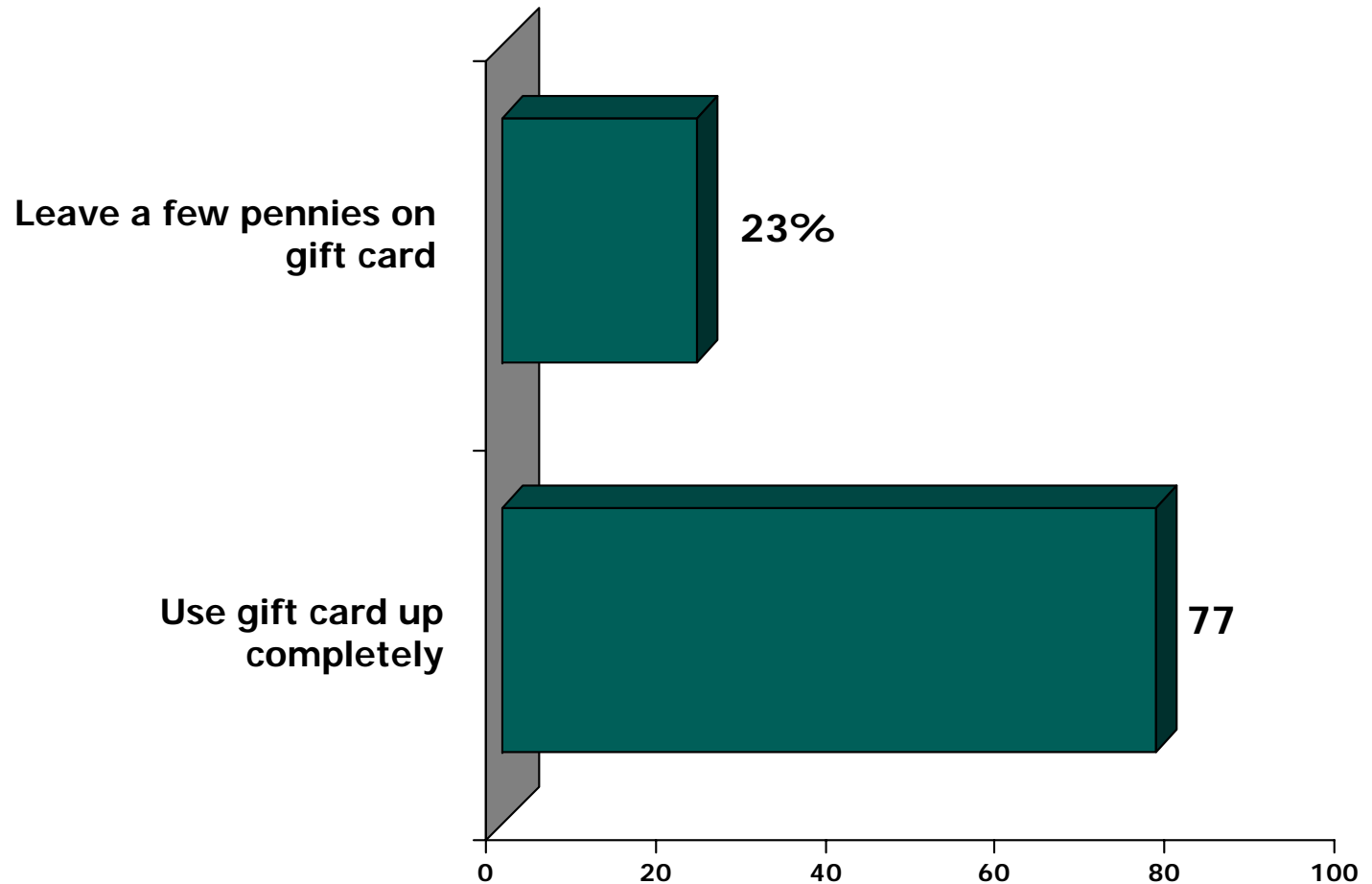


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Gift Card Usage

(among 437 gift card receivers who have redeemed some/all cards)

- **Three-quarters of recipients are sure to use all of the gift card, rather than throwing it away with a few pennies left on it.**



Q.20: *When you used the gift cards you received, did you dispose of the card(s) with a few pennies still left, or did you always make sure that they were completely used up?*

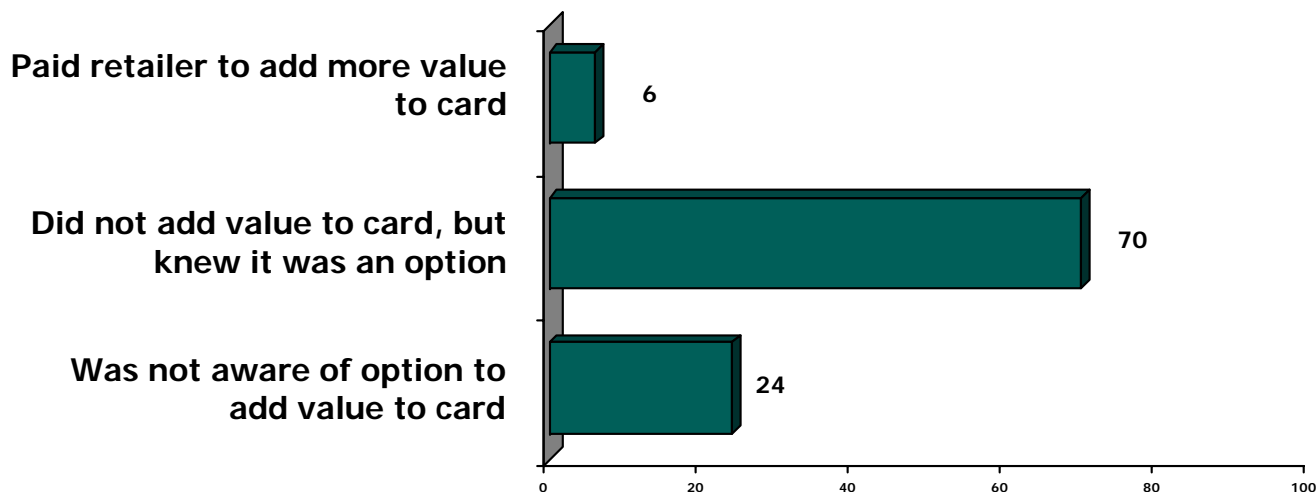


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Gift Card Usage

(among 437 gift card receivers who have redeemed some/all cards)

- Slightly more than one recipient in twenty says that they paid a retailer to reload a card. On average, they added \$50.00.



	<u>Total</u>
	<u>%</u>
	(Base) (26)*
<u>Average Dollar Amount Added</u>	
< \$10	4
\$10-\$19	-
\$20-\$49	58
\$50+	38
<u>Mean Amount</u>	<u>\$50.08</u>

*Caution: Small base size.

Q.21: Did you pay any retailer to put more value on (reload) a card for future use?

Q.22: If you reloaded a gift card, what is the average dollar value you added to the gift card?

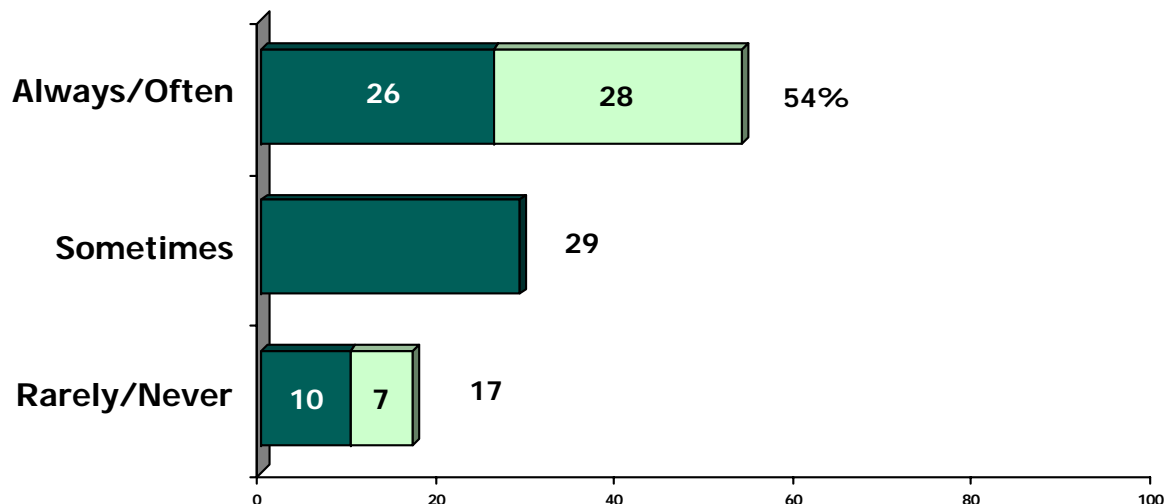


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Gift Card Usage

(among 437 gift card receivers who have redeemed some/all cards)

- More than one-half of respondents say that they always or often spend more than the initial value of the gift card on their purchase. On average, they add an additional 16% of the value of the card.



	Total
(Base)	(408)
<u>Average Dollar Amount Added</u>	<u>%</u>
0% to 10% of the value of the card	41
10% to 25% of the value of the card	37
25+% of the value of the card	14
<u>Mean Amount</u>	<u>16%</u>

Q.23: Thinking of the cards you received this past holiday season, how often did you spend more than the amount on the card, making up the difference with your own money?

Q.24: If you added some of your own money, on a percentage basis, how much more did you add?

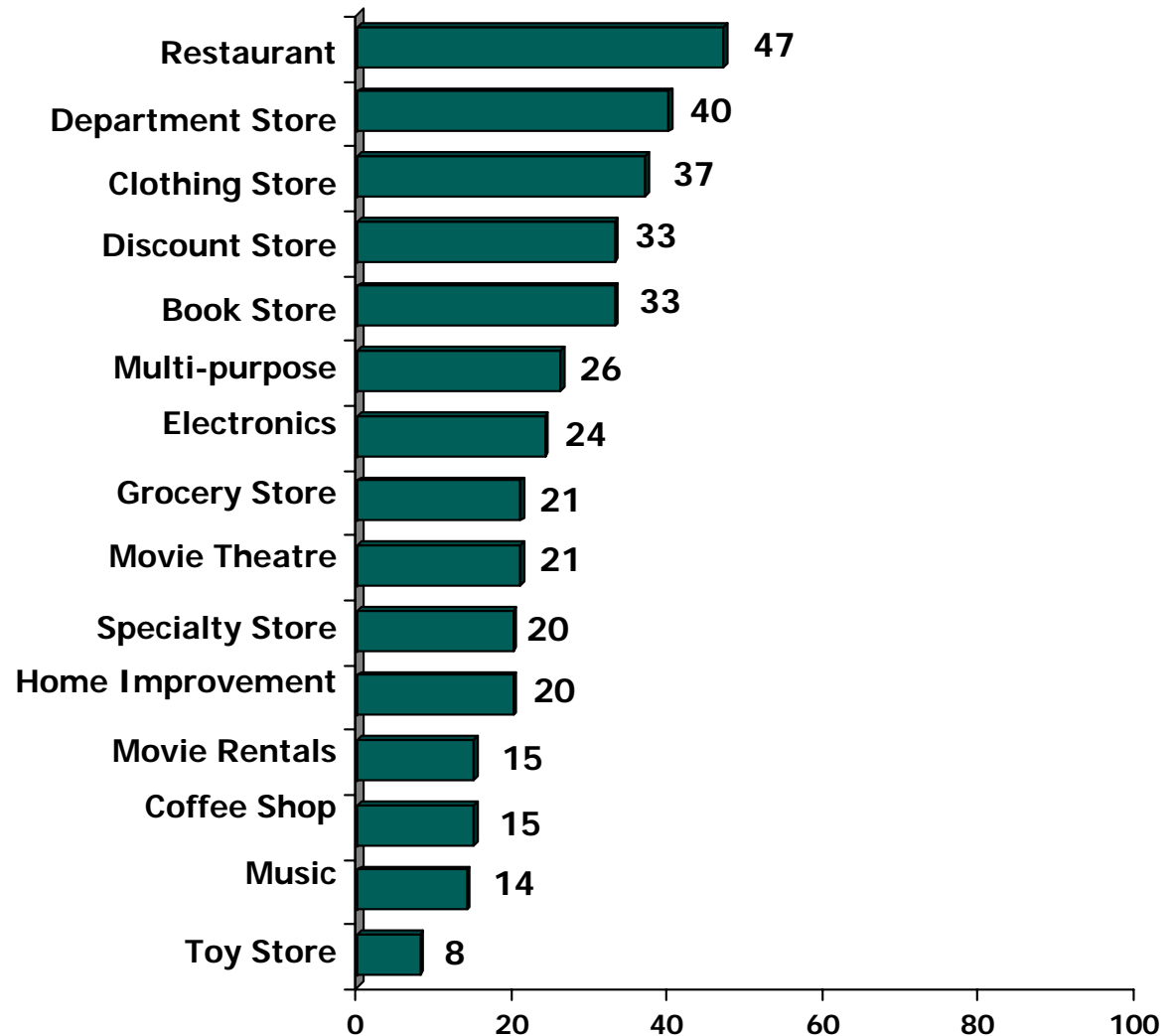


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Favorite Retailer Types

(among 518 respondents)

- Restaurants and department stores are the most preferred gift cards, followed by clothing, discount, and book stores.



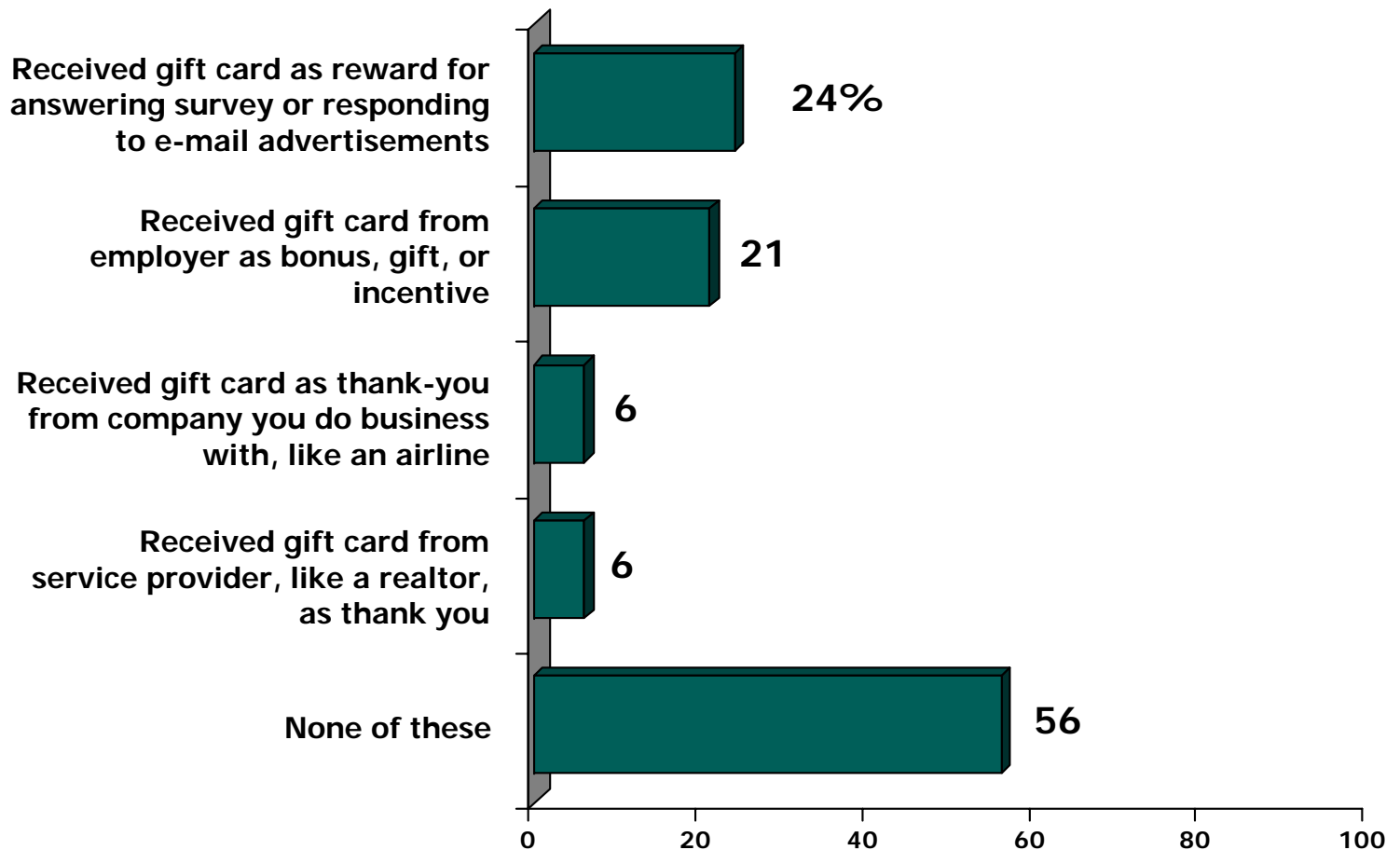


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Received Gift Card As Reward

(among 518 respondents)

- One-quarter of respondents have received a gift card as an incentive for completing a survey or responding to an e-mail, two in ten received a gift card from their employer as a bonus, gift, or incentive.

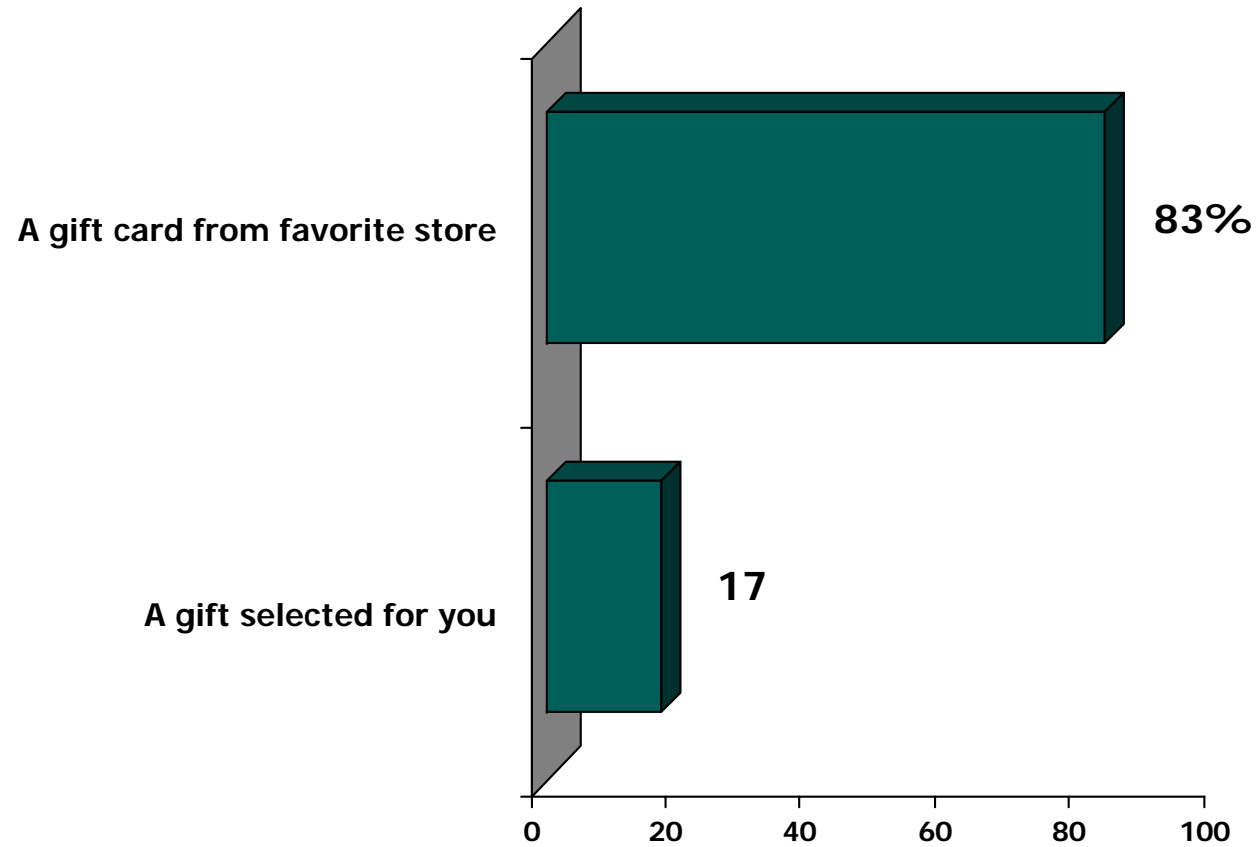




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Gift Card Usage – Prefer to Receive

- More than eight respondents in ten say that they would, in general, prefer to receive a gift card from their favorite store, rather than a gift that had been selected for them.



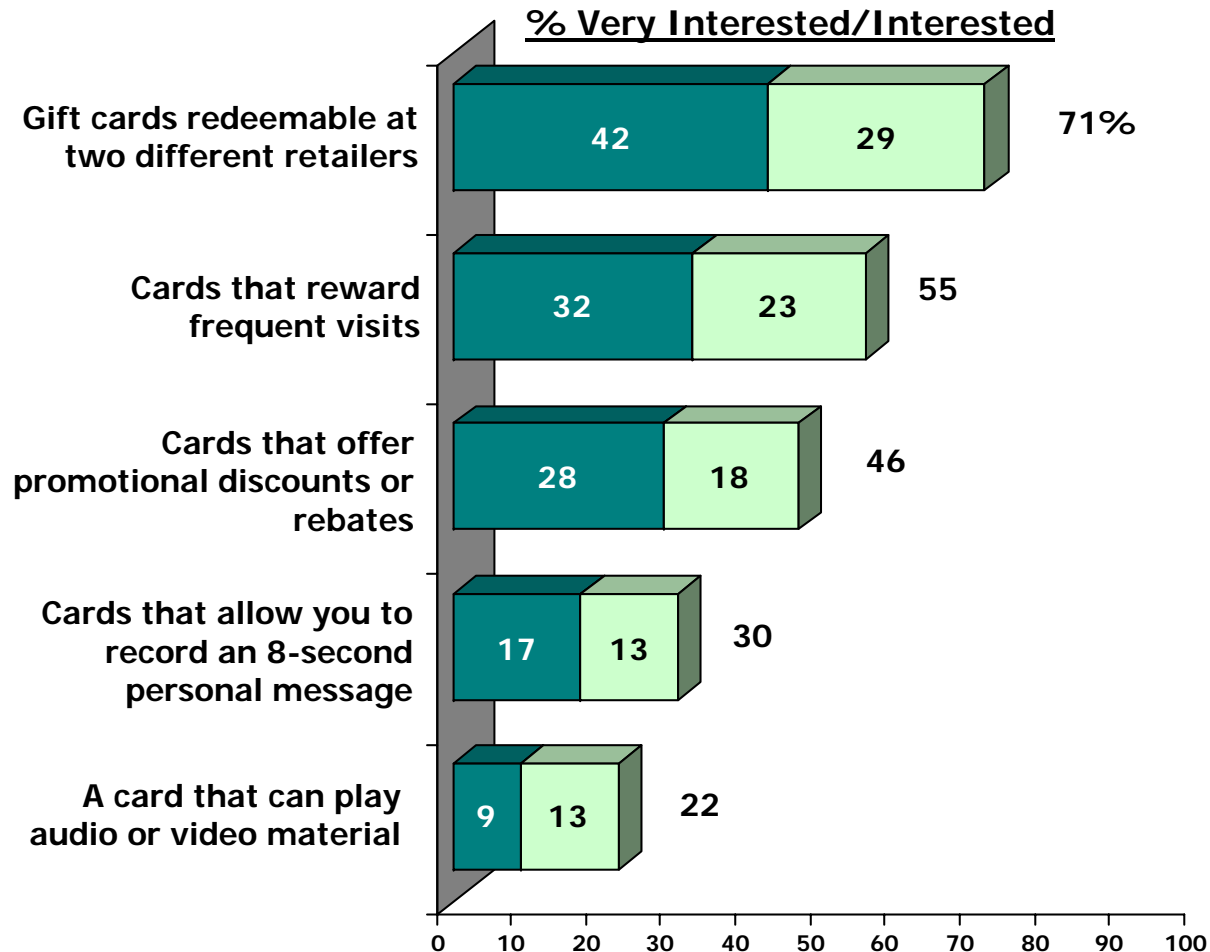
Q.25b: In general, would you prefer to receive:



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Interest in Gift Card Features

- Among the features presented, respondents who either purchased or received gift cards this past holiday season are most interested in cards that can be used at two different retailers, followed by cards that reward frequent visits and cards that offer promotional discounts or rebates.



Q.26: Using a scale of one to five, where "5" means you would be very interested, and "1" means you would not be interested at all, how interested would you be in the following options?

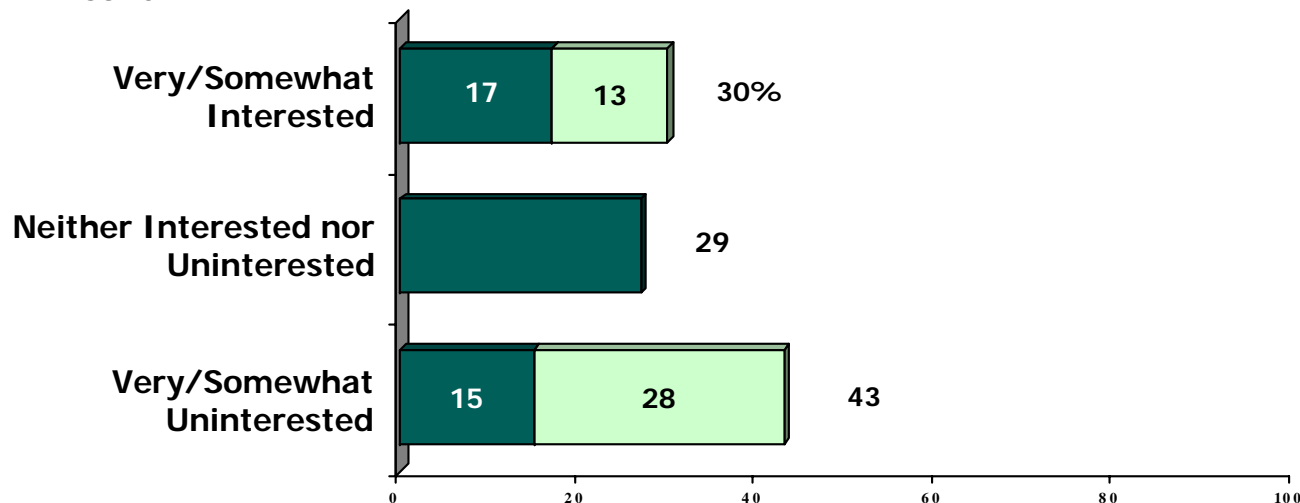


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Gift Card Usage

(among 437 gift card receivers who have redeemed some/all cards)

- Those who are very/somewhat interested in gift cards that allow you to record your own personal 8-second message expect that such a card would cost an average of \$3.00 more than the gift amount loaded on the card.



	<u>Total Interested</u>
	(Base) (156)
<u>Additional Amount Would Expect to Pay</u>	<u>%</u>
Nothing	7
Less than \$1.00	15
\$1.00	15
\$2.00	12
\$3.00 to \$5.00	29
More than \$5.00	9
<u>Mean Amount</u>	<u>\$3.02</u>

Q.27: How much would you expect to pay for a gift card on which you can record a personal message, beyond the amount you load for the recipient?



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Demographics

- On average, respondents are 38 years old and have household incomes of \$55,500. The majority of respondents are Caucasian, and eight in ten are female.

	(Base)	Total (518) %
<u>Age</u>		
Up to 24		10
25-29		18
30-39		29
40-49		26
50-59		13
60+		4
<u>Average Age</u>		<u>38</u>
<u>Income</u>		
Less than \$30,000		17
\$30,000 - \$50,000		27
\$50,000 - \$75,000		32
\$75,000 - \$100,000		14
\$100,000 +		7
<u>Average Income</u>		\$55,540
<u>Ethnicity</u>		
White/Caucasian		84
African American/Black		6
Asian		5
Hispanic/Latino		3
Other/Refused		2
<u>Gender</u>		
Male		20
Female		80

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Appendix



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Certification Statement

Job Number: 06-8620

Job Name: Post Holiday Gift Card Study 2006

Standards

We hereby certify that the research reported herein was designed, conducted, analyzed, and reported following "*generally accepted research procedures*" as defined by The CASRO (Council of American Survey Research Organizations) Code of Standards and Code of Business Practices with regard to confidentiality, privacy, disclosure, data collection, data processing, reporting, data ownership, and storage.

CASRO's Data Collection Guidelines and Data Processing Guidelines are an integral part of our quality control process. We follow these guidelines on all MWI projects.

Objectivity

This report fairly, accurately, and objectively reflects the complete results of our research. Nothing has been omitted from the methodology, tabulations, or analytical report which would change the analysis or interpretation of the reported findings.

Use of This Research

MWI offers this research, including its Conclusions and Recommendations, as our professional judgment in understanding the marketing environment facing the client, and what we conclude and recommend based on our knowledge of the situation at hand in relation to our experience and judgment. Acceptance of this research, and action or results of actions based thereon, are the sole responsibility of the client.

This research is for the sole and exclusive proprietary use of our clients and its agents. Any use of this research in advertising, promotion, or publicity should be reviewed by The Marketing Workshop, Inc. prior to such use.

Additional Information

Additional information on any aspect of this research, in accordance with CASRO guidelines, will be provided upon request.

Submitted by:

Carolyn H. Garfein, Sr. Vice President
THE MARKETING WORKSHOP, INC.
March 2006