

Plastic fantastic

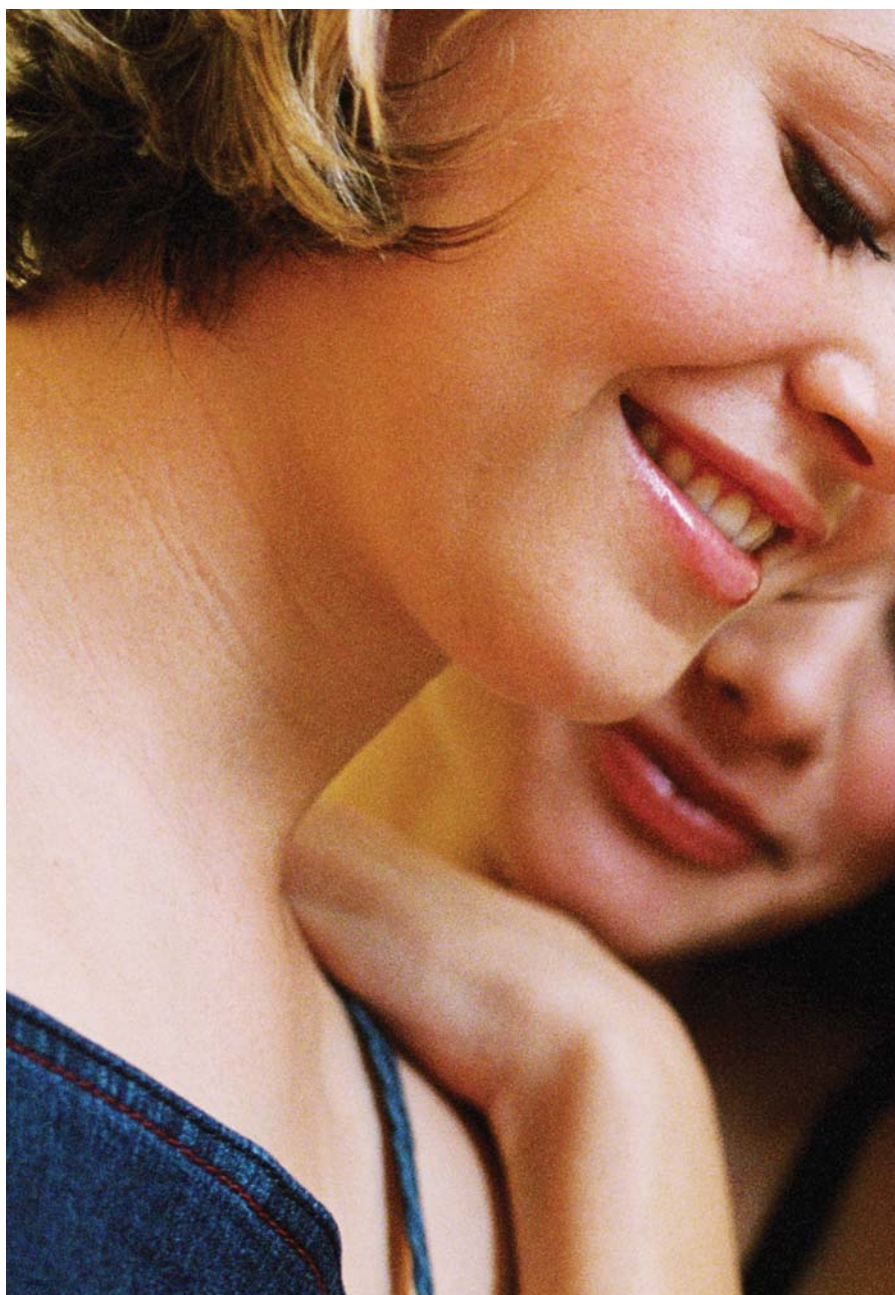
Gift vouchers have long been perceived as a distressed purchase for those lacking in time or, worse still, effort. However, the advent of new technology has given us the plastic stored value gift card - better looking, more convenient and more secure. Hannah Prevett reports

In today's technology-driven world, paper is no longer going to cut it. "This is like going from eight track tapes and records to iTunes downloads," says Keith Brand, founder and director of marketing at the Gift Card Centre. "Because that's where the customer is going."

As is indeed the case with iTunes and most new technology, stored value gift cards are a phenomenon inherited from our American counterparts. There the gift card market accounts for a massive \$100 billion and the cards themselves are the number one gift choice. While the UK market is lagging behind that of the States - estimates range from four years behind to nearer ten - it is looking promising with the nascent market having a worth of around £3.2 billion. And this is set to experience a boom with over 40 per cent of the UK public recently saying in a YouGov survey that they would prefer to be given a gift card or gift voucher to a traditional present, and a study conducted by VRL KnowledgeBank which showed that 12 per cent of the population has purchased a pre-paid card.

Until recently, the standard for retailers was the paper-based voucher, prompting concerns over leakage. This is where cash disappears out of a particular mall or store, explains Ray Stanton, managing director at SCL. "If a customer was to spend a £10 voucher and they buy something for £6, they will receive the remaining £4 in cash," he explains. "Having given them cash there's no tie to make them spend it in the same outlet again." Andrew Johnson, director general at the Gift Voucher and Gift Card Association agrees that retaining customers' custom, and cash is vital. "A key thing is really locking consumers' money into your currency," he comments.

For Arun Glendinning, card manager at B&Q, increasing brand loyalty was a key driver to implementing the retailer's gift card programme, which went live in October 2007. "It is a good way of retaining customers and building brand loyalty," he



says. "If someone has been given a B&Q gift card they are not going to disappear off to a competitor - they'll come to B&Q."

In addition, a partnership with e-payment specialist Coinstar has meant that B&Q is now retailed in gift card malls at Clinton Cards and WHSmith. "We now have

a presence on the High Street which we haven't had before because we're an out of town retailer," says Glendinning. "We definitely sell more gift cards because of that."

However, despite the hype around the cards themselves, the response to the malls - third party distribution of cards as seen in

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displays at Sainsbury's, WHSmith and Debenhams - may have been somewhat frostier than expected, says Amanda Farrell, head of gift cards at Asda. "Customers in the UK are only really just getting used to gift cards and how they work, so seeing another company's gift

card in their shop is probably a bit puzzling at first."

"The malls tend to have been quite successful in the States partly because gift cards themselves have a much higher acceptance in America than they do in the UK, and so for the consumer it is a much simpler proposition to understand," she adds.

Challenges

Asda was one of the first UK retailers to launch its gift card scheme, around the turn of the millennium. For many retailers who have launched programmes since, a principle concern has been about the complexity and cost of the back end systems required to power gift card schemes, especially in today's money conscious climes. Many of today's retail PoS systems will have gift card functionality built in but, for those who don't, it is easiest to incorporate these changes when making updates to EPoS systems.

Although it varies from retailer to retailer, there are generally two ways companies can implement the technology necessary to process gift card payments. One is to integrate into your till system, which is the most beneficial and efficient way to do it. Alternatively, if legacy systems render integration too complex or too costly, retailers can drop in a standalone box to activate the cards. Most companies then use a gift card

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processor - Stored Value Systems and Pre Pay Technologies are big players in the UK - to process the value of the cards, which is held in a centralised database.

UK retailers have taken their lead from the States and tended to outsource gift card processing. For Glendinning, the process of installing this processing capability at B&Q wasn't as straightforward as he had anticipated as the new system needed to be interoperable with a number of legacy systems. Despite this, with the help of its elected technology partner Stored Value Systems, B&Q's programme went live in under six months. "When all was said and done, for the number of systems we were touching, five months was acceptable for going live," comments Glendinning.

Despite initial teething difficulties, the end result has provided B&Q with more functionality than it was anticipating. "The whole beauty of going through a third party system and having built a solid system was that we could do things we had de-scoped because we thought it would be too complicated, like going online."

Thanks to Asda's parentage, the process was smoother. When the UK supermarket was acquired by US titan Walmart, it inherited all its systems. "All of the amendments we made to our EPoS systems included the gift card processing capability," explains Farrell, which allowed it to start processing gift cards immediately.

For some retailers, B&Q as a case in point, it is not always a simple task to rollout a gift card programme, yet the results speak for themselves, according to Glendinning "If you build the system right, because it's so flexible the possibilities are endless," he comments.

