

RAY STANTON, CEO, SCL

UK gift card sector plays catch-up

Studies show that, in the UK, adoption of gift cards is now catching up with the US as more retailers seek to exploit sales growth and benefit from operational efficiencies. How retailers manage consumer-card interaction and service delivery, however, will be crucial in achieving and sustaining this level of prepaid card growth.

Gift cards are proving as popular with the public as with retailers. With the economic recession restricting credit, many consumers are going back to basics using prepaid and debit platforms to achieve better control over their spending. Recipient attitudes to prepaid gift cards have also changed. While gifting 'value' used to be considered impersonal, this view is changing rapidly; particularly with the introduction of custom designed, personalised and open loop cards.

Prepaid figures from Deloitte show that in the US in 2009, gift cards held first place position with 64 percent of consumers buying them as presents; 42 percent preferring to receive gift cards than other merchandise and the average spending per card up from \$28 to \$35.

One thing that Europe can learn from the US is that consumer visibility of cards is vital. Prepaid 'gift card malls' have undoubtedly helped raise prepaid's profile with, and acceptance by, consumers. With 70 percent of UK retailers currently offering a gift card, we are now seeing more PoS-focused activity around gift cards and the further development of 'gift card malls' in many major retail outlets.

Regulation driving innovation

Another wave of card innovation is rippling out from the US as the card industry anticipates the impact of new American government regulations on gift and prepaid cards. The new regulations will force prepaid card players in the States to re-examine their business models, but they'll still be able to generate fee revenue through other channels and more innovative card based services.

Analysts, including Javelin, suggest usage of prepaid and gift cards may be boosted from the new regulations if they make pricing clearer and increase consumer trust.

In addition, the recent CARD Act, which states that a new credit card cannot be issued to a person who is under 21 years of age, opens up a whole new target market for prepaid as students, in particular, seek alternative payment methods.

It makes sense that US retailers will look

to technology innovation to help them face these challenges and maximise returns from these new market dynamics. Developments such as mobile hand-held units and kiosks will take prepaid exposure to a new level – making prepaid a high growth area for retailers and bringing new revenue streams to large shopping mall owners.

Mobilising prepaid services allows retailers or shopping mall owners to take the sale to their customers; targeting high footfall areas, relieving queues during busy periods, adding new capacity during seasonal hot spots and offering more convenient and quicker ways to purchase gift cards. In addition to selling instant issue cards, the mobile device manages integrated payments and can also accommodate balance enquiries and card reloads.

Another significant US development is the trend toward self-service and the use of touch screen kiosks. Many retailers are looking to reduce staff costs and add convenience by introducing a self-service gift card purchasing option, through a standalone kiosk. By continually driving new access channels that engage the consumer, retailers can reinforce the benefits of prepaid cards.

Focus on the future

And there is still a huge amount of potential to exploit. Experts predict the prepaid card industry will continue to grow despite regulatory and economic pressures. According to latest reports the total prepaid market size in 2011 is now forecast to be \$427.5 billion.

As competition for consumer loyalty intensifies, retailers will need to be able to respond with more aggressive promotional programmes designed to differentiate, retain custom and drive business goals. Kiosks, mobile solutions, more appealing retail display and marketing and the opportunity to personalise prepaid cards will provide them with new platforms to extend services and re-engage with the consumer.

By looking more closely at American methods and embracing some of the innovative new technologies and approaches already being successfully rolled-out, European retailers can gain additional competitive advantage; and help close the gap between European prepaid card adoption and that of our counterparts across the Atlantic. ■

Ray Stanton is CEO of SCL, an independent software vendor which specialises in the provision of travel money and stored-value card processing systems

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Editor: William Cain
Tel: +44 (0)207 563 5639
Email: william.cain@vrlfinancialnews.com

Reporter: John Hill
Tel: +44 (0)20 7563 5654
Email: john.hill@vrlfinancialnews.com

Asia Editorial: Titien Ahmad
Tel: +65 6383 4688
Email: titien.ahmad@vrlfinancialnews.com

Contributor: Robin Arnfield, Lachlan Colquhoun, Charles Davis, Louise Naughton

Chief Sub-editor: Mark Armitage
Sub-editor: Brooke Balza

Head of Global Sales: Sarah Wootton
Tel: +44 (0)20 7563 5650
Email: sarah.wootton@vrlfinancialnews.com

Advertising Manager: Edith Piekarz
Tel: +44 (0)20 7563 5634
Email: edith.piekarz@vrlfinancialnews.com

Subscription enquiries: Allan Sahbani
Tel: +44 (0)20 7563 5615
Email: allan.sahbani@vrlfinancialnews.com

Customer Services:
Kirsten Lamb
Tel: +44 (0)20 7563 5688
Email: kirsten.lamb@vrlfinancialnews.com
Tom Lipczynski
Tel: +44 (0)20 7563 5610
Email: tom.lipczynski@vrlfinancialnews.com

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London Office
34 Porchester Road, London
W2 6ES, United Kingdom
Tel: +44 (0)20 7563 5600
Fax: +44 (0)20 7563 5601

Asia Office
20 Maxwell Road
#09-01A, Maxwell House
Singapore 069113
Tel: +65 6383 4688
Fax: +65 6383 5433
Email: asiapacific@vrlfinancialnews.com

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