
AN EMERGING TREND IN RETAILING: INNOVATIVE USE OF GIFT CARDS

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ABSTRACT

Over the last two decades, an increasing number of shoppers have started using gift cards for their retail purchases. In response to this emerging trend in shopping, more and more merchants are offering unique gift cards to accommodate a variety of customers' needs and wants. While some retailers offer quite plain gift cards, others, such as Target, have created colorful, multipurpose gift cards. These newly designed gift cards are three-dimensional, voice recordable, reloadable and online-redeemable. Other special features include graphics, holograms, scents, mood sensors, textured or glittered finishes, personal statements, and pictures. Some of these gift cards can be used as toys, including finger puppets and games, or worn as ornaments. Retailers are using these increasingly popular cards not only to increase sales, but also to communicate their marketing mix (product, place, promotion, and price). The purpose of this study is to analyze the physical characteristics of gift cards issued by entrepreneurial retailers to help other retailers better design the next generation of gift cards.

INTRODUCTION

An emerging trend in the marketplace, "Gift cards are a saving grace to holiday shoppers struggling to find that perfect item" (Canadian Business 2006/2007, p. 17). Americans now use more than 840 million credit cards and annually charge one-trillion dollars, which is more than what they spend in cash (Toffler and Toffler 2006, p.278). Indeed, besides the use of credit cards, Gift cards actually began as paper gift certificates; but during the 1990s evolved into plastic cards with magnetic strips (Hudson 2005). In the late 1990s, major retailers initiated "closed-loop" or "retailer-specific" gift cards (Horne 2007). Then major credit-card companies followed suit (Acohido and Swartz 2007) by issuing "open-loop" or "network-branded" gift cards (e.g., Visa gift card or Master Card gift card) (Horne 2007; Fest 2010). Gaining popularity as holiday gifts, gift cards were ranked as the "second-most-popular item after clothing" in 2005 (Yang and Lewis 2006). Now, nearly three-fourths of consumers in the United States either purchase or receive at least one gift card annually (Promo 2006). Consumers spent \$100 billion on gift cards in 2010, up 22 percent from \$82 billion in 2006 (Acohido and Swartz 2007; Byrnes 2008; Steiner 2011) in contrast to \$45 billion in 2003 (Harris 2005). An estimated 5.1 billion

merchant gift cards (issued by retailers) and bank gift cards (issued by Visa, Master Card and American Express) are used worldwide (Acohido and Swartz 2007).

With their growing popularity, gift cards are becoming more personalized. For example, with increasing shopping options, including self and home improvement, gasoline, air travel, and tattoos, gift cards are providing consumers opportunities to give “more personalized presents” (Petrecca 2006; p. 1B). In addition, the cards’ features are becoming more personalized. For example, Wal-Mart allows consumers to put their photo or a text on gift cards (Jacobson 2005). Visa also provides options to personalize Visa gift cards with personal photos or stock images and engraved messages by visiting GiftCardLab.com at a cost of \$5.95 per card (Edwards 2007). Furthermore, the widespread use of smart phones and iPads will likely increase the number and variety of digital gift cards (virtual gift cards) (Murphy 2010). As consumers start using more digital gift cards, retailers will probably provide even more personalization options and use social media to promote and sell gift cards (Murphy 2010).

Gift cards benefit not only the gift givers and recipients but also, most importantly, the merchants. For example, most shoppers tend to spend more when they are given gift cards (Shambora 2010). Therefore, revenue is generated not only by consumers purchasing the cards but also, in turn, by recipients who spend more than the gift card’s face value (Horne 2007). Retailers also benefit from float, card fees, and totally/partially unclaimed gift cards (Bernstein 2006, Young and Lewis 2006, Horne 2007).

Retailers can use information about currently available gift cards and the emerging trends among them as a competitive advantage by becoming more innovative with their own cards to promote their business, recruit increasing numbers of customers, and generate additional revenue. Therefore, this study’s purpose is to analyze the characteristics of gift cards retailers issue.

METHODOLOGY

This study’s sample of 559 cards came from a gift-card collection which one of the authors gathered over several years. The majority of the cards were from Wal-Mart, while the rest were issued by various other retailers.

The sample of gift cards was content analyzed by number and frequencies. Specifically, gift cards were categorized by their major titles (e.g., gift card, shopping card, wish card and cash card); company-related features (e.g., company logo and contact information); physical characteristics (e.g., graphics, hologram, and scent); functionality (e.g., reloadable, redeemable online, voice recordable, and usable as a toy); holidays and season (e.g., Christmas, Halloween, Valentine’s Day, and autumn); special occasions (e.g., birthday, wedding, and graduation); personal statements (e.g., “You’re Incredible,” “Best Wishes,” and “You Rock”); special characteristics (e.g., glitter finish, textured finish, writable surface, ornament, finger puppet, mood sensor, game, assembly toy, and key chain); promotional messages (e.g., “3 Cents Off,”

“Rolling Back Prices” and “88 Cent Songs”); licensed brands (e.g., Disney/Pixar, Dr. Seuss, Harry Potter and Nickelodeon); characters (e.g., cartoon, animal, and sports team); and product endorsements (e.g., endorsing general product, endorsing specific product, and not endorsing). Furthermore, retailers’ communication with shoppers was content analyzed (e.g., “Shop Till You Drop,” “Your Wish Has Been Granted,” “Teachers Rule,” Brand Names, Closeout Prices, Great Gifts,” “Safety, Prevention First,” “A Gift For You,” “A Gift to Fit Your Taste”).

RESULTS AND DISCUSSION

This research study of retail gift cards covered several categories, measured by frequency and as a percentage of the total gift cards surveyed. The following categories were measured: issuer, title, company- related characteristics, physical characteristics, functionality, holidays and season, special occasions, personal messages, characteristics of promotional messages, licensed brands and brand endorsements, and communication messages.

Retailers issued all of the 559 cards surveyed. Wal-Mart issued nearly 40 percent of those cards. Other issuers included Target, Waldenbooks, Sam’s Club, Barnes & Noble, Toys-R-Us, and TJ Maxx. Fourteen percent of the issuers were classified as “Other” and were not among the merchants above. (The fact that Wal-Mart has a heavy volume of customers daily might indicate that customers purchase gift cards because of convenience rather than retailer preference.) Table 1 details the findings related to issuers.

Gift Cards Issued By	Frequency	%
Wal-Mart	220	39.4
Target	174	31.1
Waldenbooks	29	5.2
Sam's Club	18	3.2
Barnes & Noble	17	3.0
Toys-R-Us	13	2.3
TJ Maxx	10	1.8
Other	78	14.0
Total Sample	559	100.0

Also analyzed was the title printed on gift cards. Approximately 50 percent were titled “Gift Card,” while forty percent had no title. The remaining 10 percent had varied titles including “Shopping Card,” “Wish Card,” “Merchandise Credit,” and “Cash Card.” A small percentage of the cards’ titles contained the issuer’s name; examples included Panera, Starbucks, and Max Money. While these findings might indicate that a title is not necessary to increase

purchases, some indication that the card is, in fact, a gift card may be needed. Table 2 details the findings regarding titles.

Title	Frequency	%
Gift Card	281	50.3
No Title	231	41.3
Shopping Card	20	3.6
Wish Card	8	1.4
Panera Card	6	1.1
Student Shopping	3	0.5
Starbucks Card	3	0.5
Merchandise Credit	2	0.4
Cash Card	1	0.2
Max Money	1	0.2
Rewards	1	0.2
Everything Card	1	0.2
Pet Perks	1	0.2
Total Sample	559	100.0

In addition, company-related features printed on the gift card were considered. Of the cards surveyed, the most common characteristics were the company logo (98.4%), company phone number (95.3%), company website (81.2%), and pin number (97.1%). A fewer percentage contained a scratch-off number and detachable upper portion. Based on these findings, contact information is clearly essential to a gift card's design and is likely to make the customer feel more at ease when purchasing a gift card. Table 3 details the findings regarding company-related features.

Company-Related Feature	Available		Not Available	
	Frequency	%	Frequency	%
Company Logo	550	98.4	9	1.6
Phone Number	533	95.3	26	4.7
Website Address	454	81.2	105	18.8
Pin Number	543	97.1	16	2.9
Scratch off Number	243	43.5	316	56.5
Detachable Upper Portion	35	6.3	524	93.7

Physical characteristics of the gift cards' were also analyzed, including those related to touch and smell. Ninety percent of the gift cards had some type of visible graphic, including a logo, illustration, or other detail. Other traits included raised graphics, holograms, two-piece designs, scents, and three-dimensionality. Of the gift cards analyzed, several contained two or more of these physical characteristics. These results indicate that a gift card's appearance is important to a customer and that a gift card with some type of graphics or color scheme is preferable to a gift card without these characteristics. Table 4 details the total findings regarding physical characteristics.

Physical Characteristic	Available		Not Available	
	Frequency	%	Frequency	%
Graphics	503	90	56	10
Raised Graphics	1	0.2	558	99.8
Hologram	68	12.2	491	87.8
Two-piece Design	5	0.9	554	99.1
Scents	9	1.6	550	98.4
Three Dimensional	18	3.2	541	96.8

Functionality included space for the user to designate "To" and "From" (35.1%), reloadable capability (1.3%), reloadable capability restricted to parents (7.9%), redeemable online option (69.2%), voice recordable option (2.0%), and toy functionality (2.1%). Several of the cards included two or more of these functionality characteristics. These findings show that the most important functionality characteristics are a place to indicate the recipient's and the giver's name along with the option to use the gift card online. Table 5 details the total findings about functionality.

Functionality	Available		Not Available	
	Frequency	%	Frequency	%
To: ... From: ...	196	35.1	363	64.9
Reloadable	7	1.3	552	98.7
Reloadable by Parent	44	7.9	515	92.1
Redeemable Online	387	69.2	172	30.8
Voice Recordable	11	2.0	548	98.0
Usable as a Toy	12	2.1	547	97.9

Seasonal and personal characteristics included text or graphics on the gift card specific to a holiday, special occasion, or personal statement. Seventy-three percent were not identified by season. Those that were included Christmas, Halloween, Valentine's Day, autumn, and 4th of July. Eighty-seven percent were not identified by special occasion. Those that were included Birthday, Wedding, Congratulations, Graduation, and Mother's Day. Lastly, 98 percent did not include personal statements. Those that did contained phrases like "You're Incredible," "Thank You," or "Best Wishes." While several gift cards were purchased for a particular season or special occasion, not all of them contained a personal statement, indicating that the season or special occasion was communicated in another way. Table 6 details the total findings.

Holiday/Season	Frequency	%
Regular	410	73.3
Christmas	126	22.5
Valentine's Day	12	2.1
Halloween	5	0.9
Autumn	4	0.7
July 4 th	2	0.4
Special Occasion	Frequency	%
General Use	491	87.8
Birthday	39	7.0
Wedding	17	3.0
Congratulations	6	1.1
Graduation	3	0.5
Mothers Day	3	0.5
Personal Statement	Frequency	%
No Statement	548	98.0
Thank You or Thanks	6	1.1
Best Wishes	2	0.4
You're Incredible	1	0.2
You're the Best	1	0.2
You Rock	1	0.2

Special characteristics observed included physical and functionality traits as well as characteristics that did not fall into the other categories. While eighty percent were classified as "regular," the rest included features like special finishes, light-up and sound functionality, and additional features like stickers and coloring books. These findings indicate that gift cards with

features above and beyond graphics are not as popular as those with just graphics. Table 7 details the total findings about special characteristics.

Special Characteristics	Frequency	%	Special Characteristics	Frequency	%
Regular	450	80.5	Spin game	1	0.2
Shiny/glossy finish	39	7.0	Ruler	1	0.2
Glitter in finish	15	2.7	Fly binoculars	1	0.2
Textured finish	9	1.6	Toy inside	1	0.2
Writable surface	7	1.3	Whistle	1	0.2
Transparent	7	1.3	Flexible	1	0.2
Glow in the dark	4	0.7	Bubbles	1	0.2
Light up	3	0.5	Product sample	1	0.2
Light up/sound	3	0.5	Assembly toy	1	0.2
3 pack	3	0.5	Coloring book	1	0.2
Ornament	2	0.4	Tin	1	0.2
Key chain/stickers	2	0.4	Piano function	1	0.2
Finger puppet	1	0.2	Sliding card message	1	0.2
Mood sensor	1	0.2	Total	559	100.0

Promotional messages on the cards indicated special sales (“3 cents off”), ease of use (“Just a click away”), and retailer slogans (“Rolling back prices”). Ninety-seven percent of the cards surveyed contained no promotional message. This finding could indicate that a promotional message on a gift card does not increase the likelihood of purchase. Table 8 details the total findings about promotional messages.

Promotional Messages	Frequency	%
No Message	543	97.1
3 cents off	3	0.5
Video Games	3	0.5
Rolling back prices	2	0.4
Give the gift of music	2	0.4
Music	2	0.4
Just a click away	1	0.2
Great Books! Great Gifts!	1	0.2
88 Cent Songs	1	0.2
Product Sample	1	0.2
Total Sample	559	100.0

Licensed brands and brand endorsements on gift cards had some type of text or visual representing a company other than the retailer, such as Disney/Pixar, Dreamworks, and Sony. Eighty-eight percent contained no endorsement. The cards containing an endorsement seemed to be child-oriented by including movie themes and animated characters. These findings indicate that licensed brands and brand endorsements on a gift card are more popular with customers purchasing gift cards for children. Table 9 details the total findings about licensed brands and brand endorsements.

Licensed Brands	Frequency	%	Characters	Frequency	%
None	489	87.5	Regular	330	59.1
Disney/ Pixar	15	2.7	Cartoon	116	20.8
Dreamworks	5	0.9	Animal	72	12.9
Sony	5	0.9	Movies	21	3.8
Peanuts	4	0.7	Children	6	1.1
Marvel, Inc	4	0.7	Toy	5	0.9
Star Wars	4	0.7	Sports Team	3	0.5
Dr. Seuss	4	0.7	Music	2	0.4
Xbox	3	0.5	TV	2	0.4
Thomas Kincade	3	0.5	Nativity	2	0.4
Mattel	3	0.5	Total	559	100.0
Harry Potter	3	0.5	Product Endorsement	Frequency	%
DC Comics	2	0.4	Not Endorsing a Product	502	89.8
Nintendo	2	0.4	Endorsing General Product	30	5.4
Nickelodeon	2	0.4	Endorsing Specific Product	27	4.8
Twentieth Century Fox	2	0.4	Total	559	100.0
AT&T	2	0.4			
Hasbro	1	0.2			
Bratz	1	0.2			
Universal Studios	1	0.2			
Chronicles of Narnia	1	0.2			
Sanrio Co. Ltd	1	0.2			
Tokyopop	1	0.2			
Lord of the Rings	1	0.2			
Total	559	100.0			

Messages on the outside of the gift card included those detailing how the card could be used (“Use it to shop at any R’us store” and “Great for rentals and more”), why the card was given (“Appreciation”; “Thank You”; and “Achievement, Great Job”), and to whom the card was given (“#1 Teacher” and “Happy Mother’s Day”). Eighty-five percent of the gift cards contained no message. This finding indicates that among those cards surveyed, a textual message does not necessarily increase the likelihood of purchase. Table 10 details the total findings about messages on the outside of the gift card.

Table 10
COMMUNICATION MESSAGES

Communication Messages	Frequency	Percent	Communication Messages	Frequency	Percent
No Message	439	84.9	Feliz Cumpleanos	1	0.2
Use it to shop at any R'us store	12	2.3	Poof	1	0.2
Happy Holidays	9	1.7	Whatever your little heart desires	1	0.2
Merry Christmas	6	1.2	In the mood	1	0.2
Great for rentals and more	4	0.8	n toys we play	1	0.2
Congratulations or Way to Go	3	0.6	Teachers Rule	1	0.2
Love	3	0.6	Treat yourself	1	0.2
After the party, go shopping	2	0.4	Enjoy	1	0.2
Happy Mother's Day	2	0.4	Favorite things	1	0.2
Sweet	2	0.4	A grand sort of gift	1	0.2
Parents load with cash, students spend at Wal-Mart	2	0.4	Joker	1	0.2
Club Wedd	2	0.4	Feather your nest	1	0.2
Shop till you drop	1	0.2	Rain, Shine, Anytime	1	0.2
Making Season Bright	1	0.2	For Very Fine Things Indeed	1	0.2
Its About Doggone time....	1	0.2	Fill with your favorite bubble soap	1	0.2
You're how old? That's gotta hurt.	1	0.2	Say something, anything	1	0.2
Forever	1	0.2	HI QT	1	0.2
A little shomething for a lucky duck	1	0.2	The stuff of life	1	0.2
Go bananas this holiday	1	0.2	Love to give	1	0.2
Bah Humbug	1	0.2	Good as Cash in any R'us store	1	0.2
Seasons Greetings	1	0.2	Make a difference	1	0.2
Attendance, great record	1	0.2	Escape, dream, read	1	0.2
Achievement, Great job	1	0.2	Play, dream, read	1	0.2
Appreciation, Thank you	1	0.2	Discover, explore, read	1	0.2
Saftey, prevention first	1	0.2	Read	1	0.2
Fast Forward	1	0.2	Oh the places you'll go	1	0.2
#1 Dad	1	0.2	Convenient, shop without cash	1	0.2
You deserve a diva day	1	0.2	Same at cash, use at any Pilot	1	0.2
Que delicia!	1	0.2	Gift of Convenience	1	0.2
Step Out	1	0.2	Brand names, closeout prices, great gifts	1	0.2
Hi	1	0.2	A really good gift	1	0.2
Just Because	1	0.2	Make the Season Bright	1	0.2
Hey parents, snap off this top card...	1	0.2	A gift to fit your taste	1	0.2
Freeloader	1	0.2	Peace on Earth	1	0.2
Spend it	1	0.2	For every wish	1	0.2
#1 Teacher	1	0.2	Celebrate	1	0.2
Wow, That's Cool	1	0.2	Wish	1	0.2
From here to happily	1	0.2	Naughty or Nice Meter	1	0.2
What you really want	1	0.2	Ho, Ho, Ho	1	0.2
Your wish has been granted	1	0.2	A gift for you	1	0.2
Spot your kids some cash	1	0.2	Enjoy a movie night	1	0.2
Star	1	0.2	Turn on the fun	1	0.2
Your wish is my command	1	0.2	Total	517	100.0

CONCLUSION

Over the last two decades, gift cards have become widespread in U.S. retail shopping. Entrepreneurial retailers are offering attractive and functional gift cards to satisfy customers' gift-giving rituals. Gift cards reinforce brand awareness and logo recognition and enhance customer relationship. Furthermore, they are an attractive venue for generating additional revenue based on existing and new customers as illustrated by the fact that recipients often spend more than the face value of the cards they receive.

This study explored the physical characteristics of gift cards issued by entrepreneurial retailers. The findings provide a better understanding of gift cards' features and, in turn, could help retailers design the next generation of cards. In terms of research, literature is limited in terms of gift cards in general and gift-card features in particular. Future research can fill certain gaps. Here are some future research avenues: Most retailers, specifically national chains, offer gift cards. Local entrepreneurial retail shops have followed suit. On a larger scale, other retailers are expected to start offering gift cards. Future research may cover similarities and differences in consumers' needs for gift cards in different contexts (e.g., variety of retail, service and manufacturing formats including, but not limited to, groceries, big-ticket items, restaurants, hotels, airlines, services in car dealers), in different scales (e.g., national versus local; or chain versus single store), and in different cultures and geographic regions. In addition, future research may investigate consumer behavior, specifically how consumers' gift giving rituals are influenced by the rapidly emerging trend of gift cards.

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