IGCC/IRF 2017 B2B Gift Card Buyer Study Initial Findings Review

May 2017

2017 IGCC Buyer Survey

The Incentive Gift Card Council and Incentive Research Foundation (IRF) partnered to survey B2B gift card buyers in large companies.

Intellective Group designed and executed the survey in Spring 2017.

1,841 industry professionals invited to participate in survey

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300 surveys completed

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144 have revenue between $100 million and $1 billion
156 have revenue over $1 billion

↓

250 purchasing over $25,000 in B2B gift cards annually
50 spending $10,000 - $25,000 annually

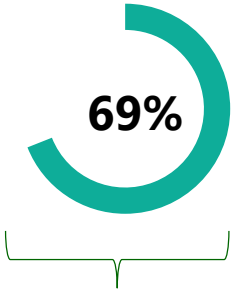
Incidence of Gift Card Purchasing

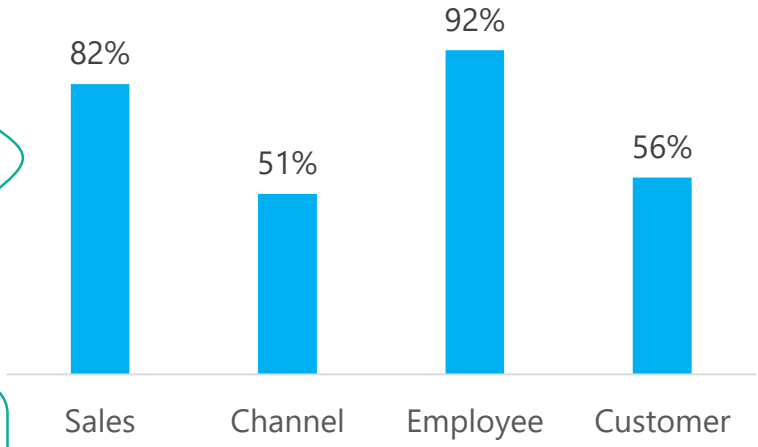
Percent of firms purchasing gift cards for reward and recognition

Within firms purchasing gift cards, audiences for which cards are purchased

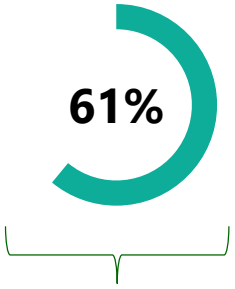
Average number of gift card audiences:
$100 - $999 M: 2.8
$1 B: 2.4

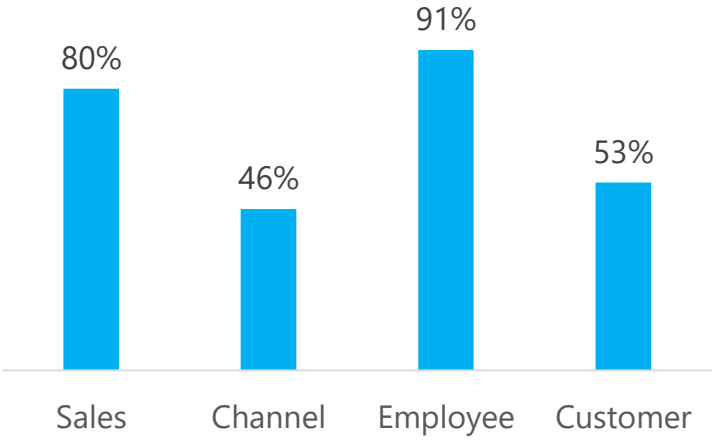
Annual Revenue: $100 - $999 Million





Annual Revenue: $1 Billion or More





Total Market Incidence of Gift Card Usage by Audience

Despite different estimation methodologies, the current study returned B2B gift card incidence estimates within the margin of error of the Incentives Marketplace Study – indicating no differences and a high degree of statistical reliability.

2015 Incentive Federation Marketplace Study

		Gift Card Incidence for Audience:			
	Total Companies	Sales	Channel	Employee	Customer
$100 to $999 Million	17,974	56%	41%	57%	43%
$1B plus	2,631	48%	28%	55%	35%
	20,605	55%	40%	57%	42%

2017 IGCC B2B Buyer Study

		Gift Card Incidence for Audience:			
	Total Companies	Sales	Channel	Employee	Customer
$100 to $999 Million	17,974	57%	35%	63%	39%
$1B plus	2,631	49%	28%	55%	33%
	20,605	56%	34%	62%	38%

Study Focus: Sourcing Strategies for Gift Card Purchases

The objective for this study is to understanding sourcing behaviors within large firms with significant B2B gift card purchase volume. To that end, respondents qualified if they were knowledgeable about gift card purchasing in volumes of $25,000 per year or more.*

*A small percentage of respondents spending between $10,000 and $25,000 was included, as this is the spending level at which buyers potentially begin evaluating alternative purchasing strategies.

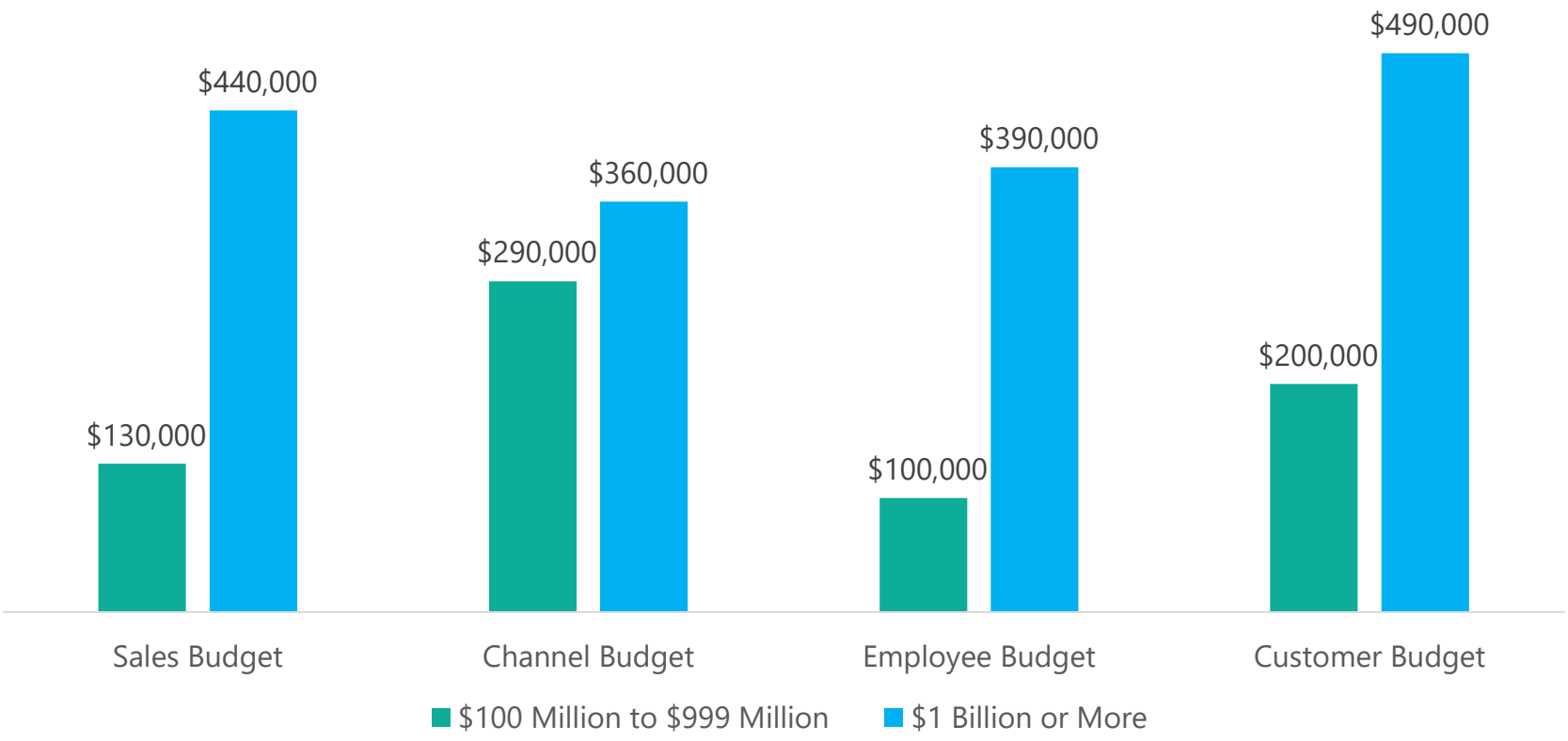
Based on this requirement. 55% of gift-card purchasers with $100 million to $999 million in annual revenue qualified, while 68% of those with $1 billion or more qualified.

	Total Companies	Use Gift Cards	Qualify for Survey Based on Spend
$100 Million to $999 Million	17,974	69%	55%
$1 Billion or More	2,631	61%	68%

Average Gift Card Budgets by Audience

Within the qualifying population, average annual spend is considerable, particularly within firms over $1 billion in revenue.

Sales and Customer budgets are the highest for those firms, while Channel budgets are the largest for firms between $100 million and $999 million.

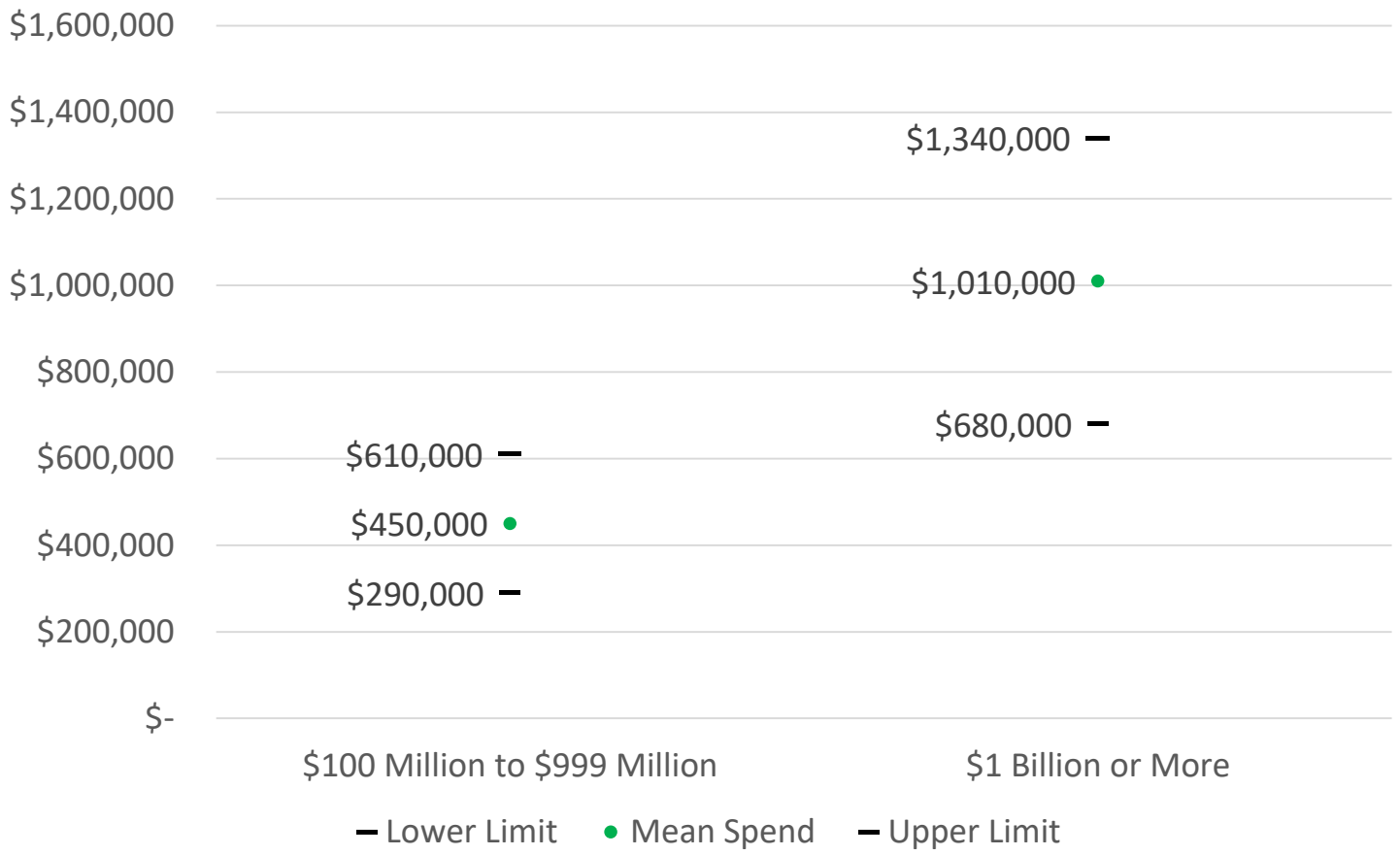


Please select the option that describes your BEST ESTIMATE of your company's anticipated 2017 spend for gift cards for each of your key audiences.

Total Spend - 95% Confidence Range

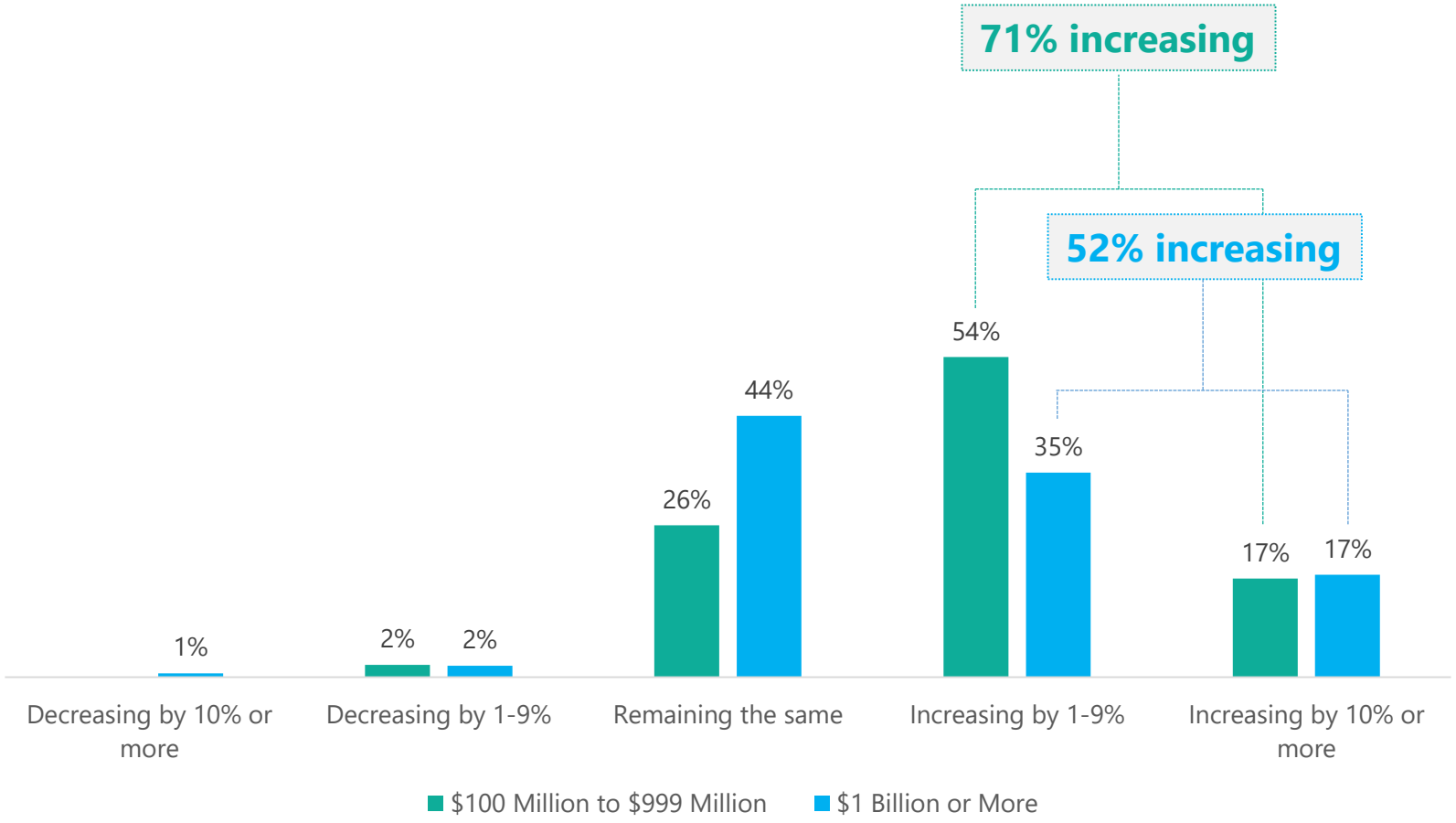
On average, mid-size firms are spending a total of $450,000 per year on gift cards across all programs, while the largest firms are spending over $1 million.

The 95% confidence range shows the statistically-reliable range for the spend estimate. If this study was repeated 100 times, the total spend estimate would be somewhere between the lower and upper limits depicted in the chart.



Gift Card Spending Changes 2016 to 2017

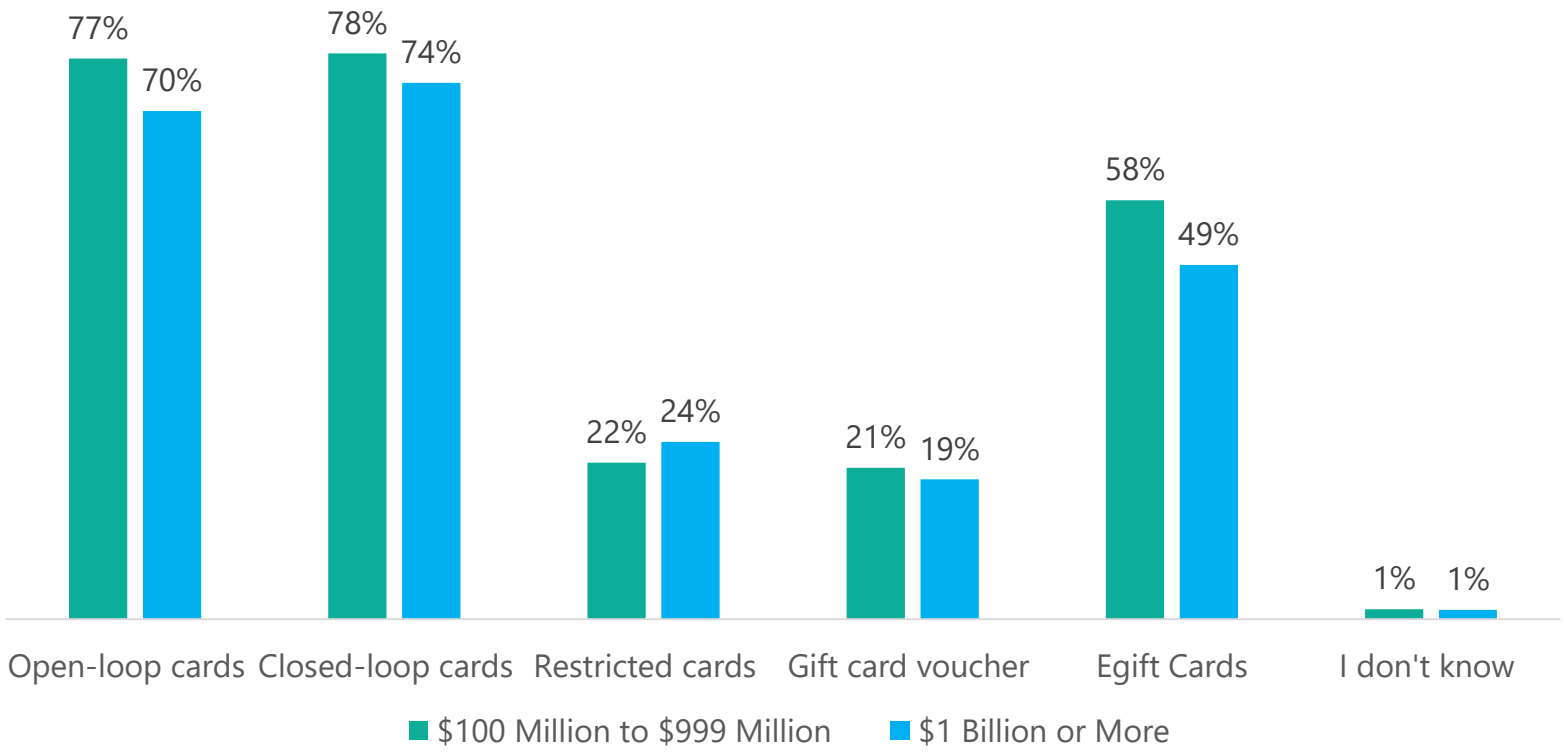
The majority of mid-size firms and more than half of large firms indicate their 2017 spending on B2B gift cards was an increase over 2016. For both groups, 17% say their gift card spending increased by 10% or more. A negligible percentage of firms decreased their gift card spending.



Please select the option that describes how your company's anticipated 2017 spend for gift cards will be different from your 2016 spending.

Types of Gift Cards Purchased

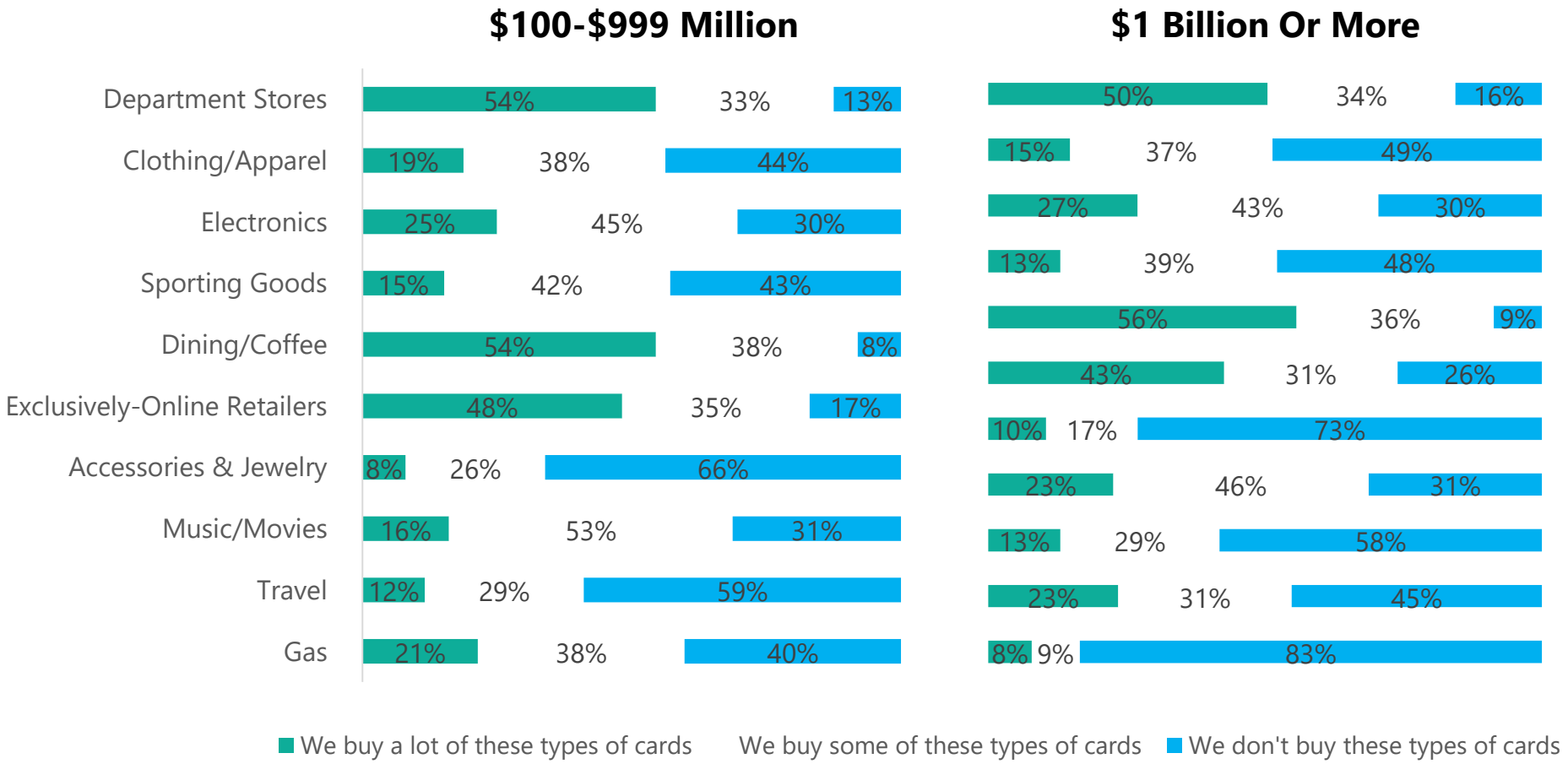
Open and closed-loop cards are by far the most prevalent, with three-quarters of firms using each. E-Gift cards are gaining significant traction in the market, with half of the largest firms and 58% of mid-size firms utilizing them. Restricted cards and vouchers have strong showing considering the niche nature of these vehicles.



Which types of gift cards does your company use in its programs?

Closed Loop Merchant Categories

Closed-loop categories are consistent across different-size firms. Department stores, Dining/Coffee, and Exclusively-Online Retailers are the most heavily-utilized categories, with Electronics and Music/Movies used moderately.

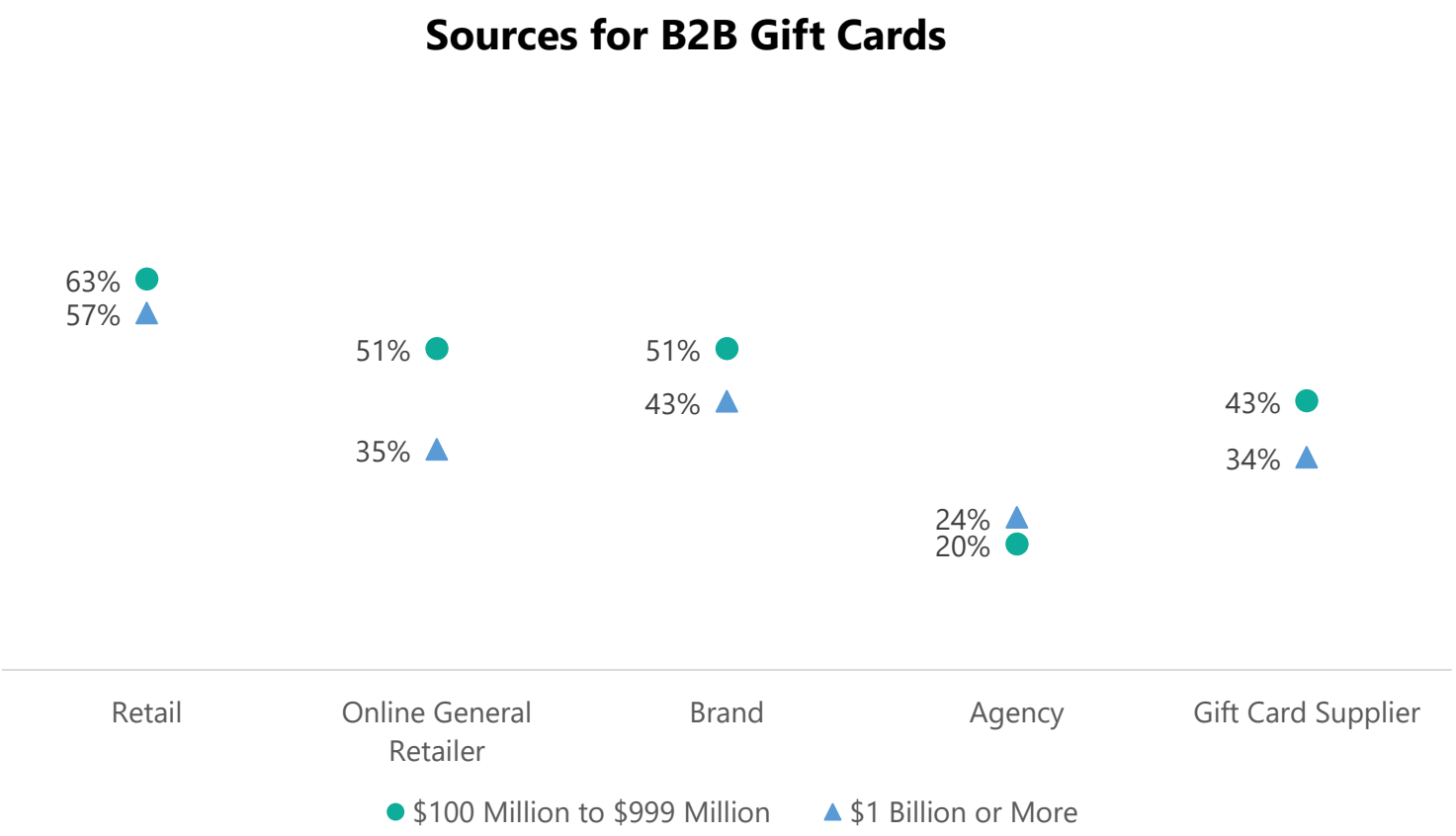


Which of the options below best describes the types of merchants selected when your company buys closed-loop gift cards?

Gift Card Sourcing

Retail and Brands are the most commonly-used sources for both mid- and large-size firms. Online General Retailers are used more often by mid-size firms, at a similar rate as Brands. Gift Card Suppliers show considerably market penetration – 34% for the largest firms and 43% for mid-size firms. Agencies have the lowest penetration, between 20% and 25%, depending on firm size.

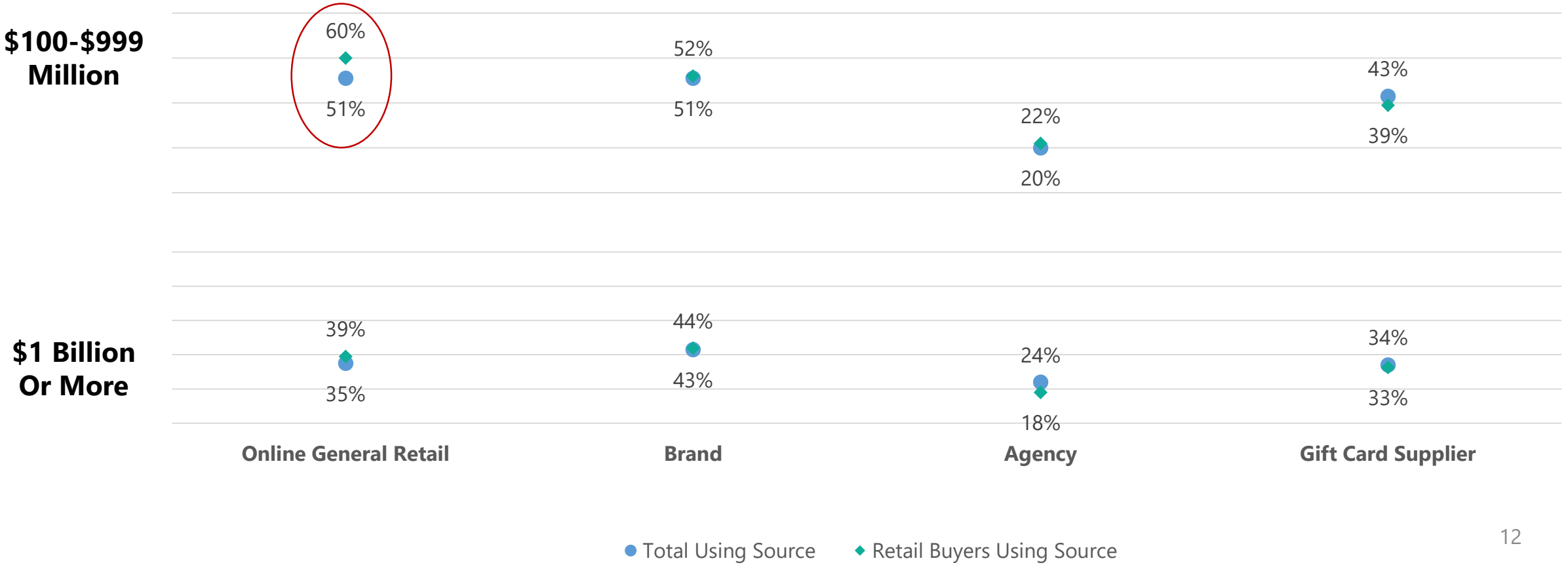
Mid-size firms use an average of 2.3 sources while large firms source cards through 1.9 channels, on average.



Thinking about gift cards you buy for your company, from which source(s) do you get those gift cards? Select all that apply.

Cross-Sourcing

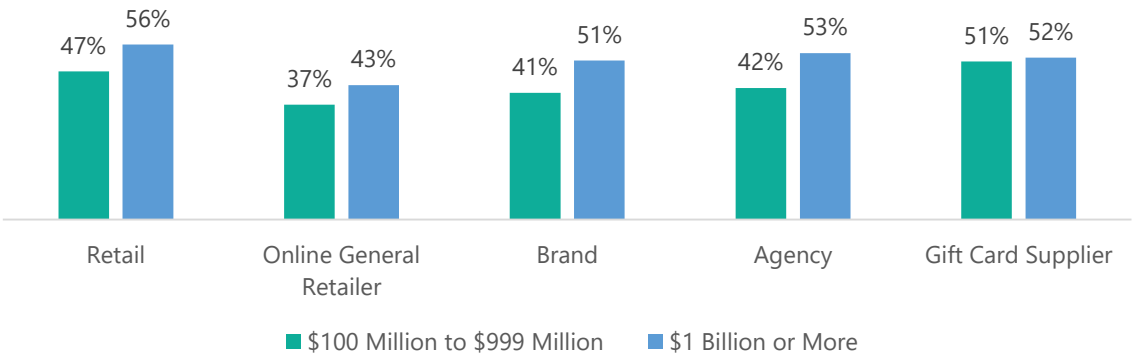
In mid-sized firms, buyers who use Retailers as a source for their B2B gift cards have a higher-than-average probability to also use Online General Retailers to source gift cards. This is the only instance where purchase of gift cards from Retailers has any predictive value for other sources likely used.



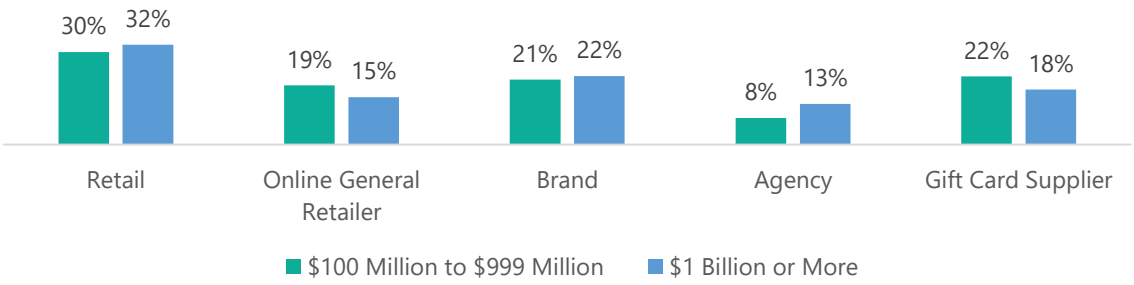
Utilization by Source

For firms using a given source for gift card purchases, between a third and one-half of their spend is typically flowing through that channel. At a market level, Retail captures nearly 1/3 of spending, followed by Brands, Gift Card Suppliers, and Online General Retailers. Agencies are capturing the smallest portion of the spending, 8% for mid-sized firms and 13% for the largest firms.

Among Buyers Using Source for Gift Cards
Percent of Spend by Source



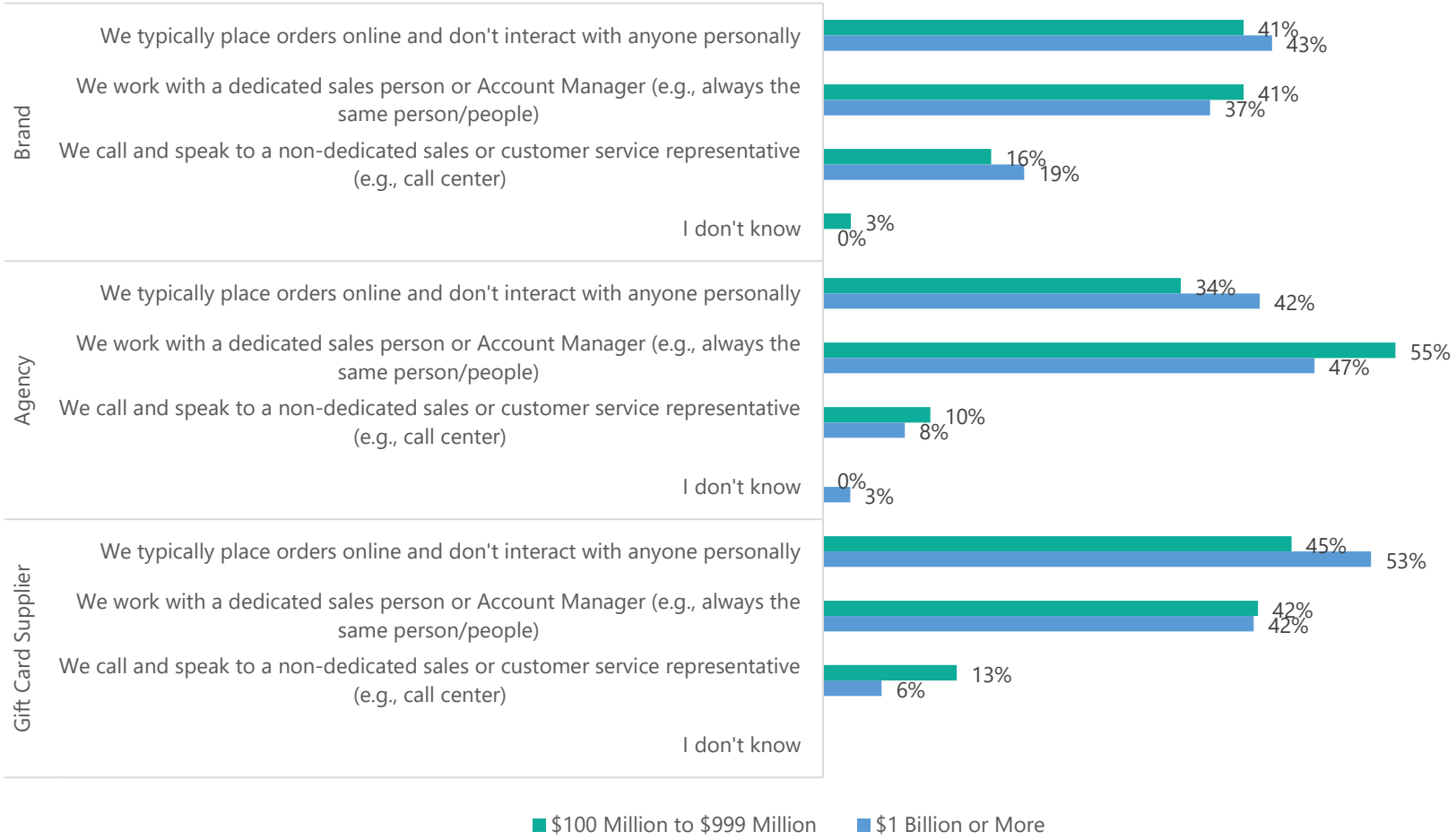
Among All Buyers
Percent of Spend by Source



What percent of your total gift card spend is purchased from each source? Please use your best estimate.
**Based on buyers' estimates – not derived from actual budgets.*

Source Touchpoints

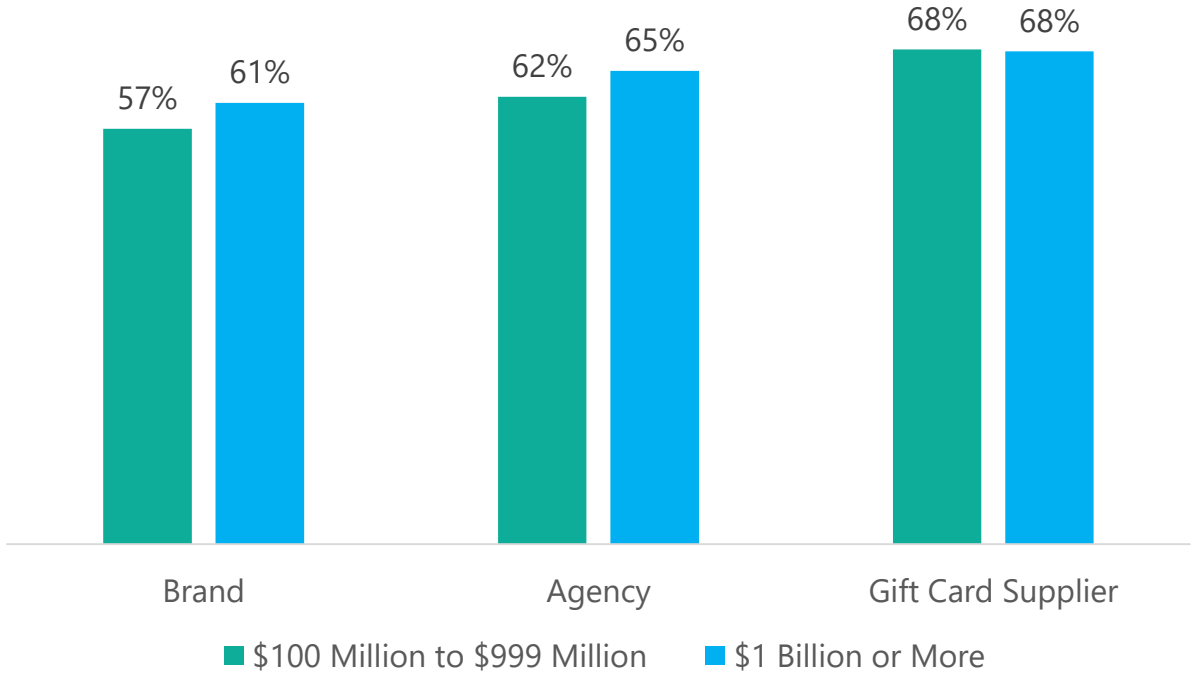
Online customer portals and dedicated Account Managers are prevalent service models for Brands, Agencies, and Gift Card Suppliers. Of the three, Agencies are most likely to have an Account Manager as the key point of contact for buyers. Call centers are more common in Brands, but still lag considerably.



Which of the below best describes how you typically work with the source(s) used for your company's gift cards?

Percent of Spending Done Online

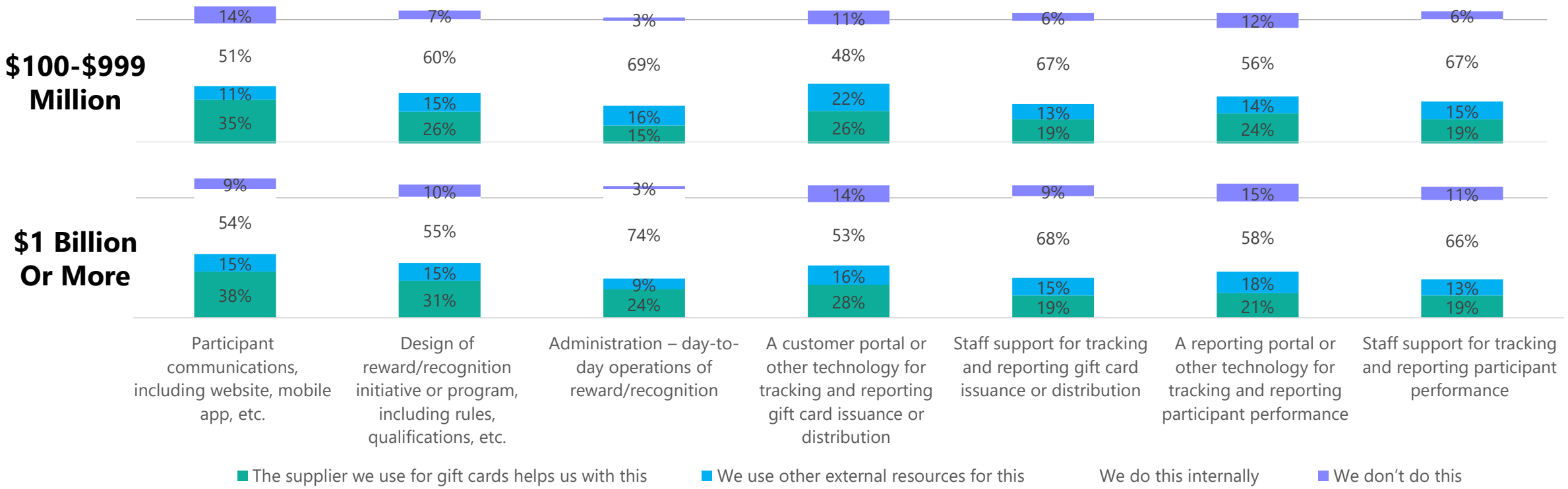
Buyers are doing a considerable amount of their spending online. Two-thirds of spending with Gift Card Suppliers is done online, and only slightly less than that for Agencies and Brands. Firm size does not have a significant effect on volume of purchasing done online.



For the source(s) listed below, what percent of your purchasing from that source is made online? For example, if you spend $4,000 a year with Gift Card Suppliers and $3,000 of that is purchased online, 75% of your purchasing is done online and you would enter 75.

Support for Gift Card Reward & Recognition

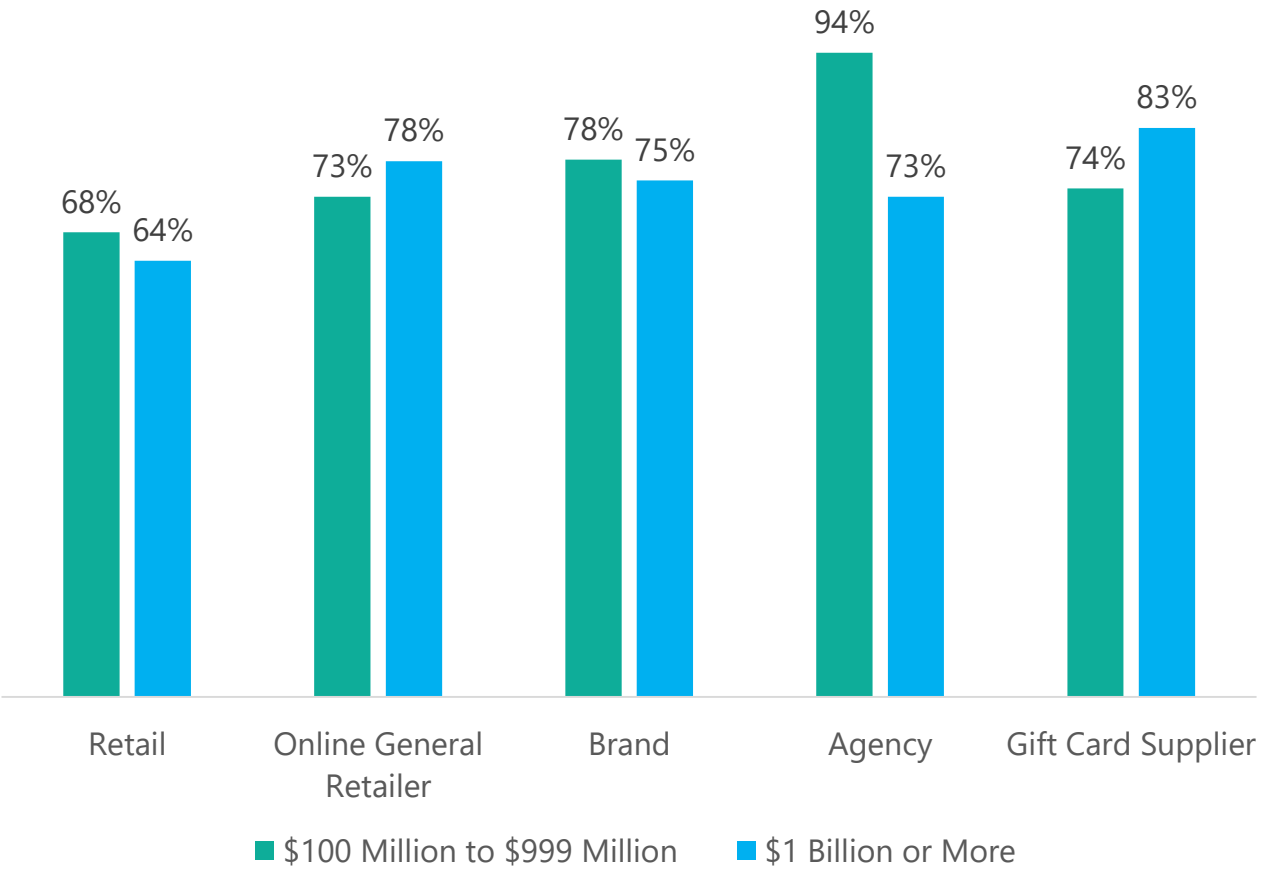
Firms are commonly supporting their gift card reward and recognition internally. Buyers are most likely to turn to a gift card supplier for support for participant communications, design, and reporting portals.



How do you support your gift card reward and recognition, including design, communications, tracking, administration, fulfillment, etc.? You may select all that apply.

Buyer Experience Rating by Source

Buyers are generally satisfied with their chosen channels of gift card purchases. Retail has a somewhat weaker showing, with two-thirds of buyers rating that purchase experience highly, compared to three-quarters of buyers in other channels.



For each of the sources that you use, please rate your experience working with them to purchase gift cards for your company.
*7 means **Excellent - this is one of your preferred sources for gift cards** 1 means **Very Poor - you wouldn't use them again***
Percentages show buyers rating 6 or 7 on scale.

Characteristics of Source

To better understand how buyers consider and perceive the different purchase sources used, respondents were asked to rate sources they have direct experience with on a variety of characteristics.

1. Offers gift cards that provide the recipient with a lot of choice
2. Offers a wide variety of gift card brands
3. Offers both open and closed loop cards
4. Ease of purchasing
5. Offers online ordering
6. Offers generous expiration dates at least 2 years out
7. Offers e-gift cards or virtual gift cards
8. Offers competitive discounts or breakage on cards
9. Can fulfill or deliver gift cards on behalf of our company
10. Allows us to use merchant logos for our marketing communications
11. Offers consultation around gift card programs and purchasing
12. Ability to provide personalized or branded gift cards
13. Has an account manager to service my business
14. Has dedicated support for corporate gift card customers
15. Can provide/fulfill cards internationally
16. Offers reporting or analytics on redemption

On the next page(s) you will see some features corporate gift card purchasers may evaluate as they make decisions about which gift cards and which providers to use. For each item, indicate the degree to which each statement describes the gift card provider(s) listed at the top of the page.

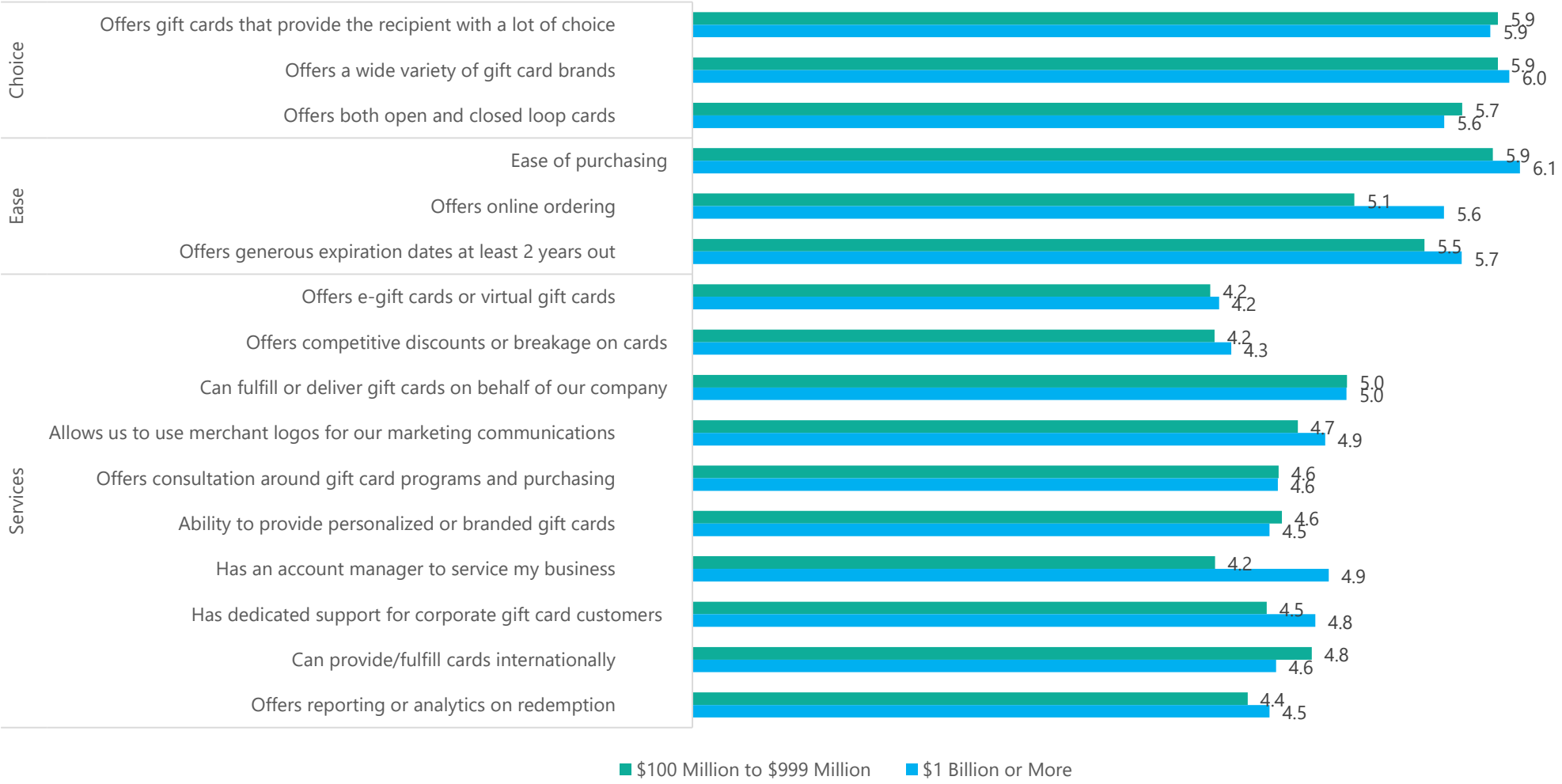
Simplifying the Data

To simplify the data and make it easier to understand underlying relationships, a factor analysis reduced the variables into three categories: Choice, Ease, and wrap-around Services. These categories and the survey items within them describe how buyers think about the various attributes of service providers and the underlying shorthand they use to guide their decision-making.

CHOICE	1. Offers gift cards that provide the recipient with a lot of choice
	2. Offers a wide variety of gift card brands
	3. Offers both open and closed loop cards
EASE	4. Ease of purchasing
	5. Offers online ordering
	6. Offers generous expiration dates at least 2 years out
SERVICES	7. Offers e-gift cards or virtual gift cards
	8. Offers competitive discounts or breakage on cards
	9. Can fulfill or deliver gift cards on behalf of our company
	10. Allows us to use merchant logos for our marketing communications
	11. Offers consultation around gift card programs and purchasing
	12. Ability to provide personalized or branded gift cards
	13. Has an account manager to service my business
	14. Has dedicated support for corporate gift card customers
	15. Can provide/fulfill cards internationally
	16. Offers reporting or analytics on redemption

Retail Perception

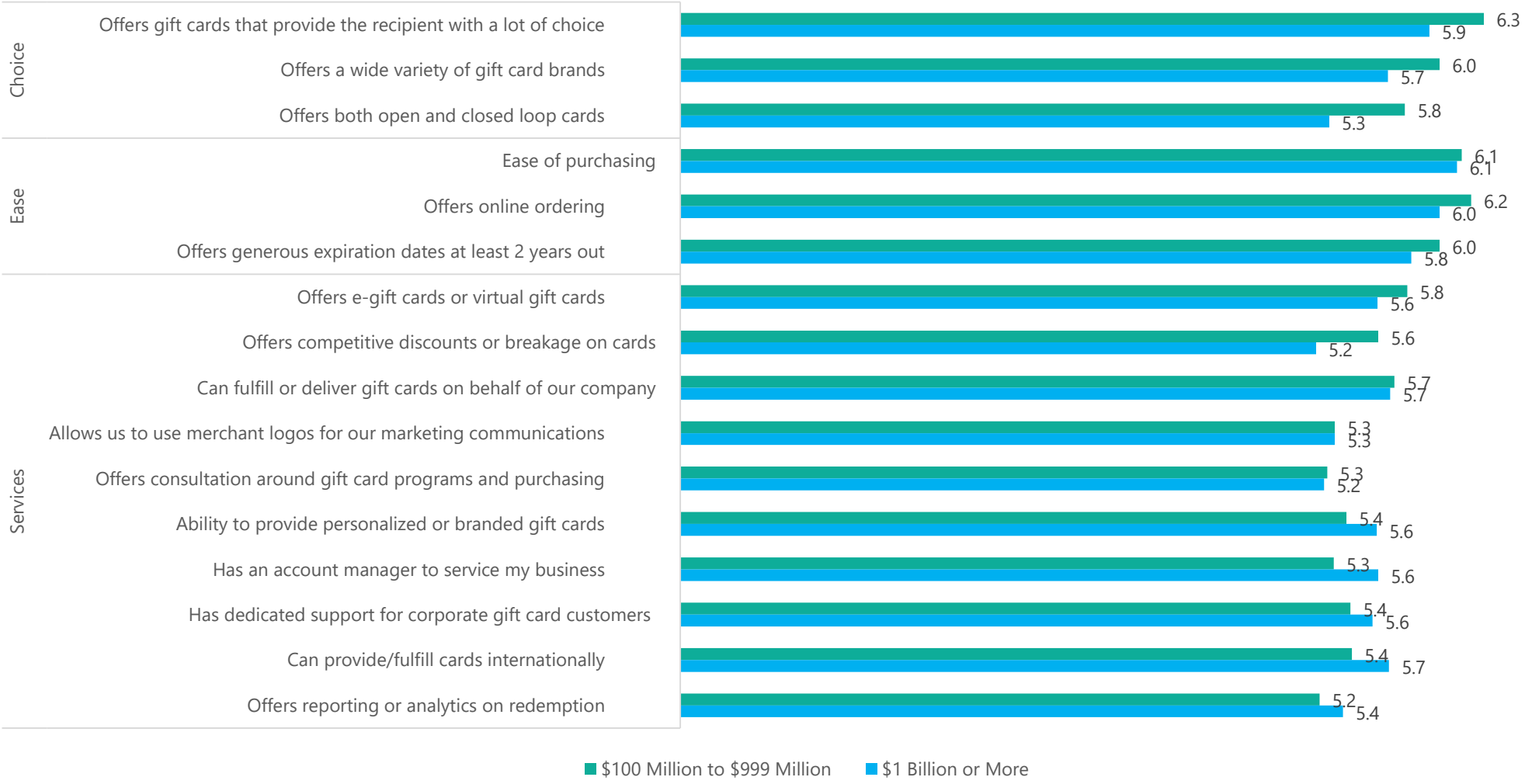
Retail sources are seen as offering the buyer a variety of options and convenient purchasing, but lags in most other areas.



For each item, indicate the degree to which each statement describes the gift card provider(s) listed at the top of the page.

Online General Retail Perception

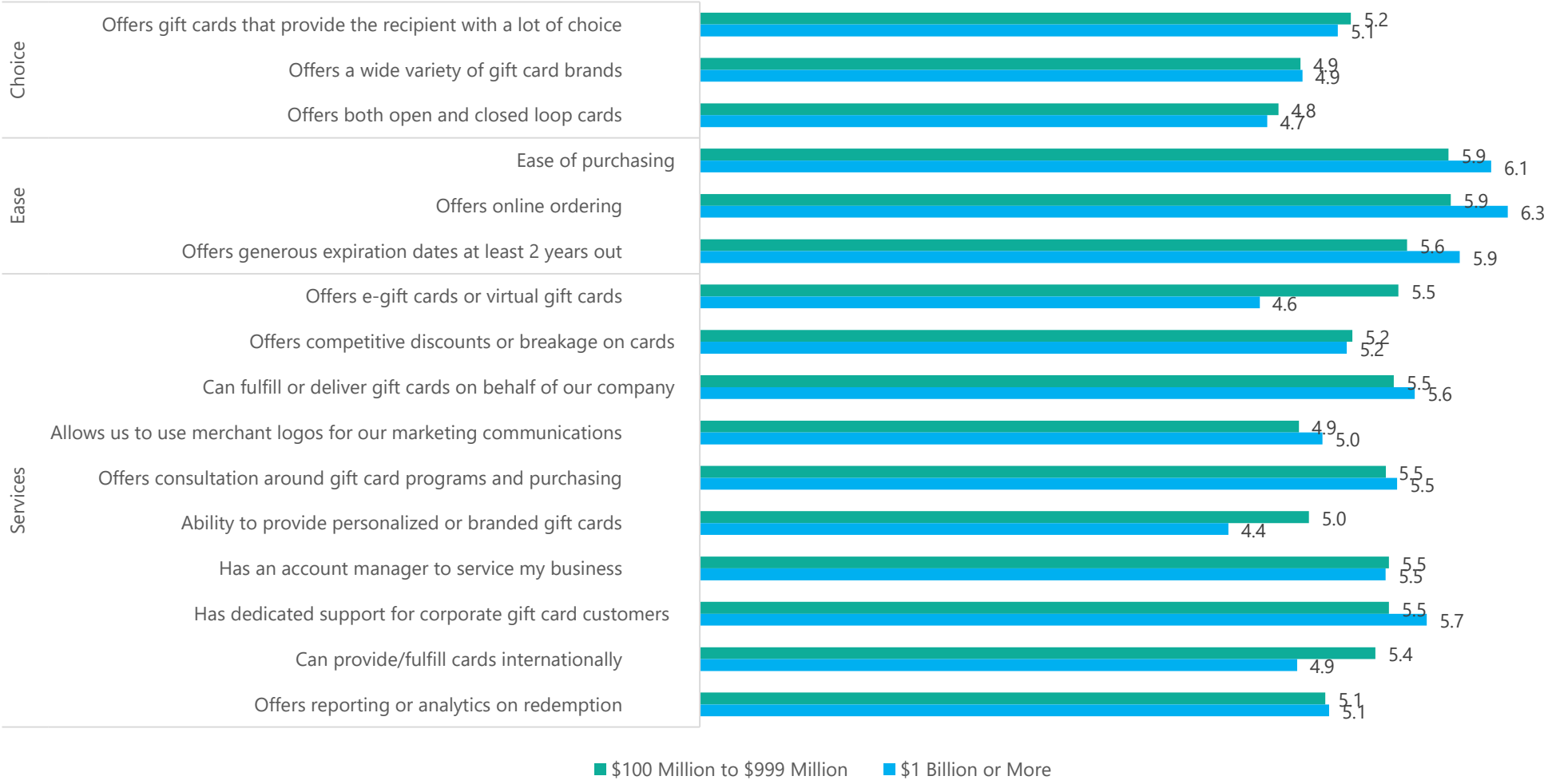
Online General Retailers receive mixed reviews on Choice, but are well-regarded in terms of Ease. While not outstanding, this source is rated higher on Service attributes than traditional Retail.



For each item, indicate the degree to which each statement describes the gift card provider(s) listed at the top of the page.

Brand Perception

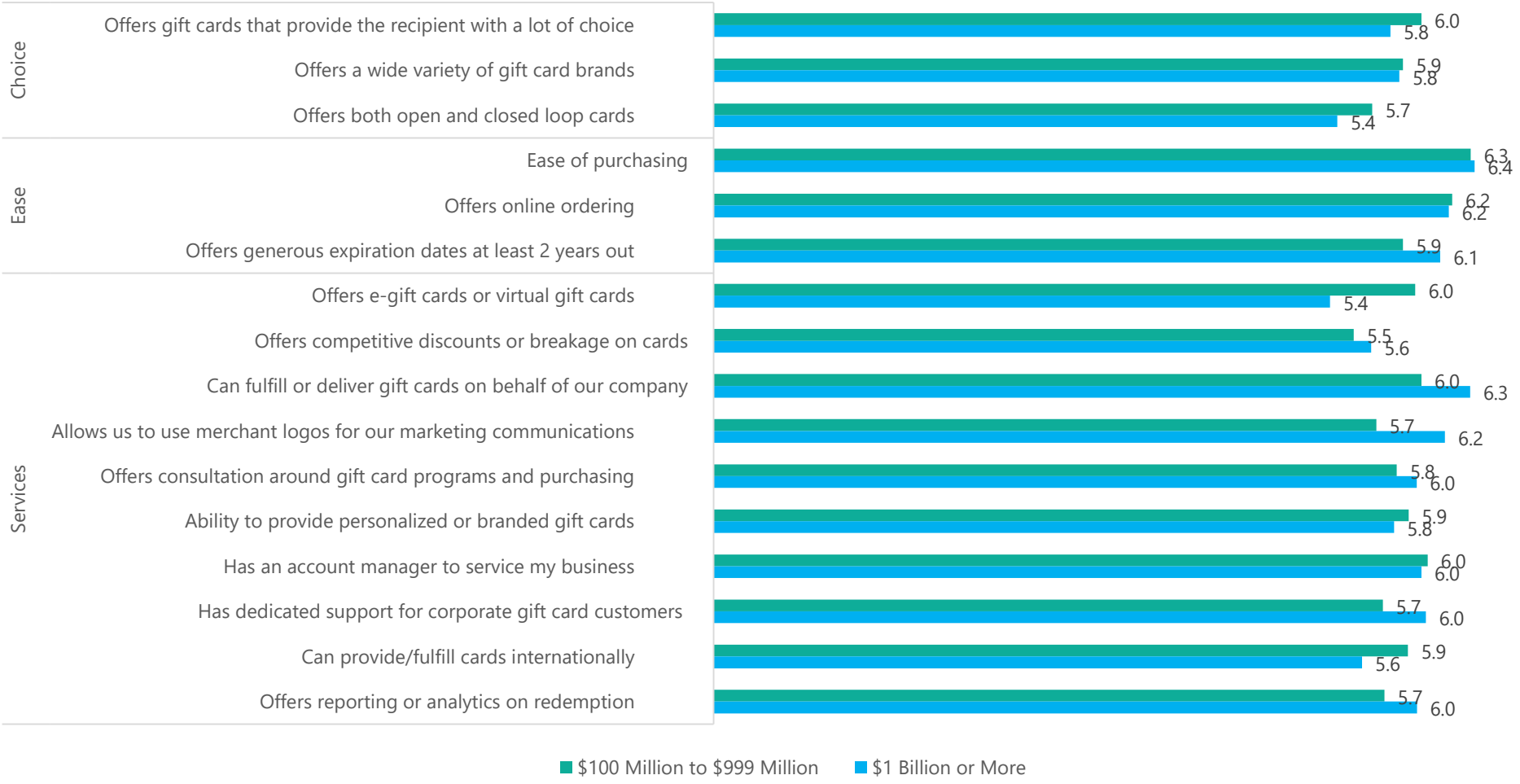
Brands are not seen as offering buyers a similar level of Choice as other sources, but are viewed relatively favorably on Ease and some Service metrics.



For each item, indicate the degree to which each statement describes the gift card provider(s) listed at the top of the page.

Agency Perception

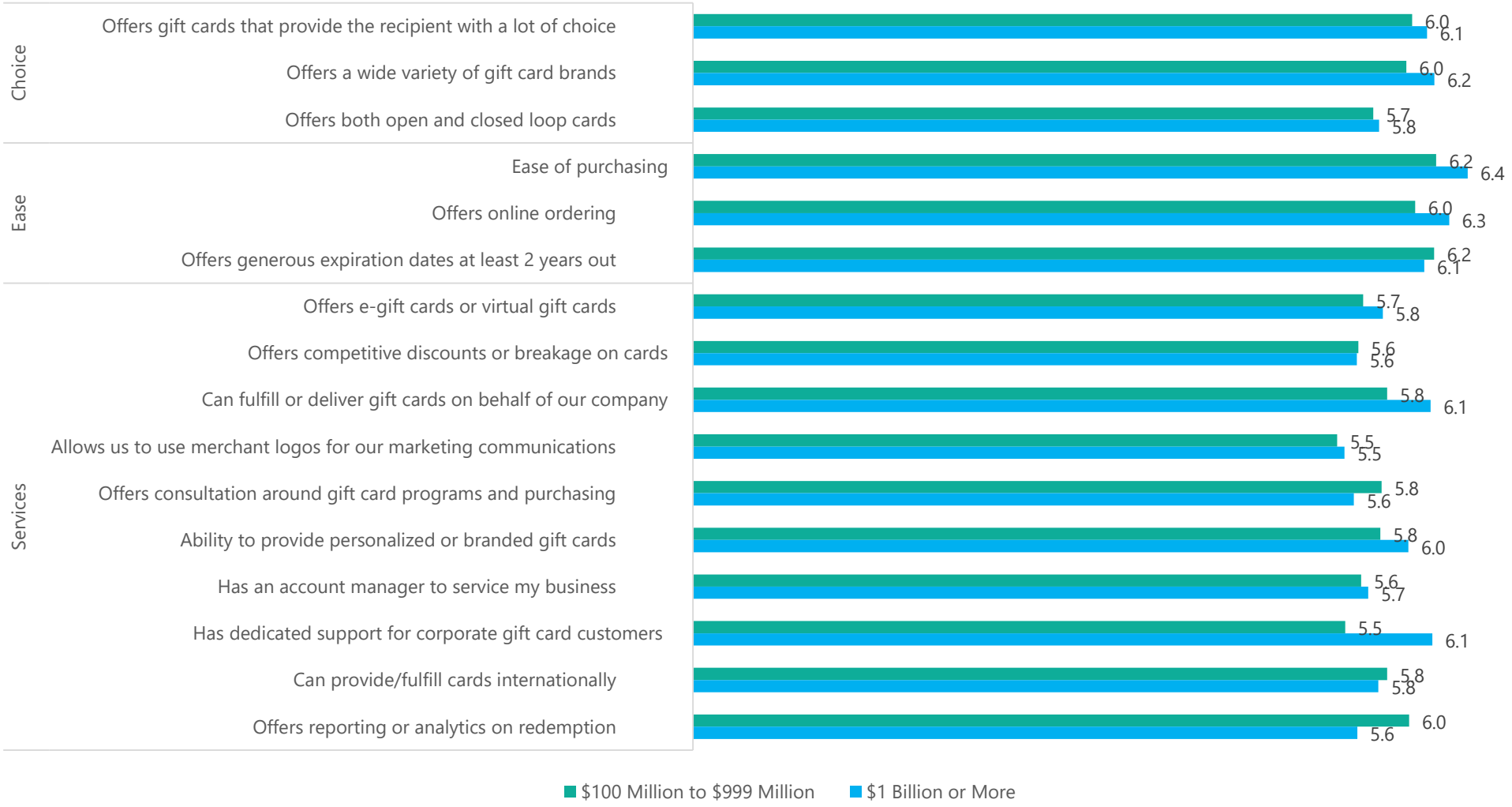
Agencies perform well against a broad range of attributes. The lowest ratings are for "offers open and closed-loop cards" and competitive pricing/breakage.



For each item, indicate the degree to which each statement describes the gift card provider(s) listed at the top of the page.

Gift Card Supplier Perception

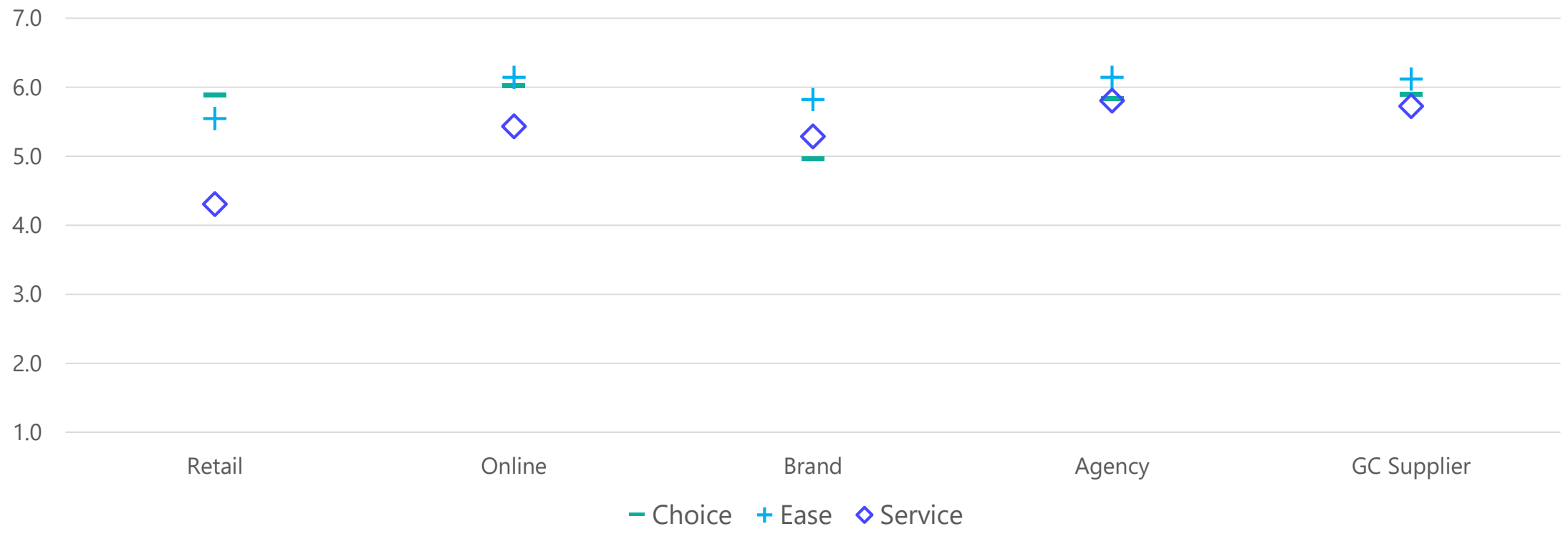
Gift Card Suppliers, like Agencies, perform well across most attributes. Lower ratings are for competitive pricing/breakage and marketing support.



For each item, indicate the degree to which each statement describes the gift card provider(s) listed at the top of the page.

Comparing Source Profiles - $100 to $999 Million

Comparing the buyer constructs of Choice, Ease, and Service presents a simplified story. Online General Merchants, Agencies, and Gift Card Suppliers are viewed as offering considerable Choice and Ease. Brands offer more Service than Retail, with less Choice. Agencies and Gift Card Suppliers offer the most in terms of Service.

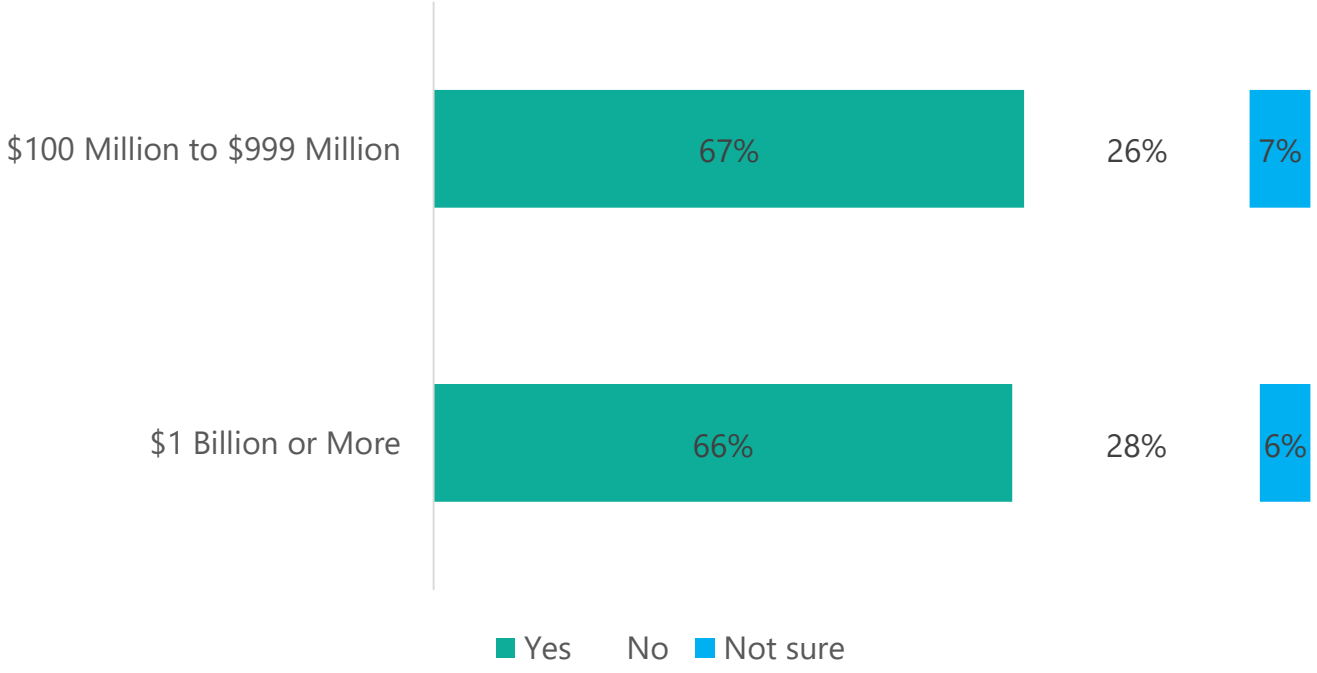


Comparing Source Profiles - $1 Billion or More

Within the largest firms, Gift Card Suppliers and Agencies perform the best in Choice, Ease, and Service. Brands are seen as easy to work with, but offer less Choice and Service than alternatives. Online General Merchants and Retailers are easy to work with and offer a variety of options, but lag Agencies and Gift Card Suppliers on Service.

Awareness of Niche Sources for Gift Card Reward & Recognition

Even within these large firms with considerable gift card spending, one-third of the market has limited awareness that there is an industry designed to supply a variety of gift cards for reward and recognition buyers.



Before taking this survey, were you aware there are businesses that specialize in providing a wide variety of gift cards to incentive or reward program managers?