



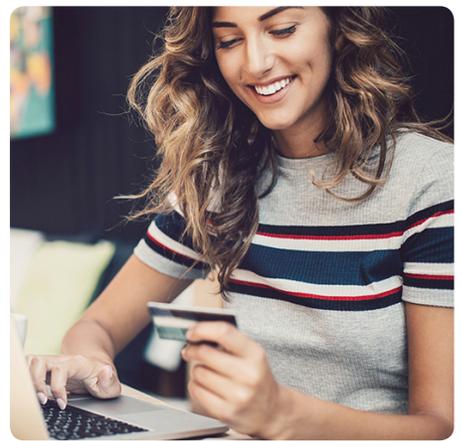
2018 Open-Loop Gift Card Study

Trends and consumer insights into the open-loop market



Table of Contents

| | |
|------------------------------------|----|
| ➤ Introduction..... | 3 |
| ➤ Key Findings..... | 5 |
| ➤ Purchase Behavior..... | 6 |
| ➤ Intended Recipients..... | 7 |
| ➤ Intent to Buy in the Future..... | 10 |
| ➤ Recipient Usage..... | 12 |
| ➤ Conclusion..... | 13 |



Introduction

When open-loop gift cards made their grand debut into the marketplace, they offered consumers a more flexible and versatile commerce solution, one that can be used anywhere the network on the gift card is accepted, including online. Since then, consumers have purchased open-loop gift cards for a variety of reasons, including as thoughtful gifts or as financial tools. Their growing popularity have made open-loop gift cards one of the most attractive segments of the prepaid market.

The open-loop segment stands out from others in the market, and an in-depth study of it can tell us a lot about the particular behaviors and attitudes of these consumers.

Our 2018 Open-Loop Gift Card Study answers many important questions about open-loop gift cards and their impact:

- ❖ **Who are the most prominent consumers of open-loop gift cards?**
- ❖ **What drives open-loop gift card consumers' purchasing decisions?**
- ❖ **How often do consumers buy open-loop gift cards?**
- ❖ **What promotional preferences do open-loop gift card consumers' have?**
- ❖ **When do recipients use their open-loop gift card?**

The information in this report was gathered during the first half of 2018 via two separate online surveys conducted three months apart with more than 2,500 respondents. Questions were focused on the shopping for, purchasing of and use of open-loop gift cards.

The respondents represented a wide range of consumers. Most of the respondents were Millennials, making up 46 percent of respondents. Baby Boomers made up 23 percent and Generation X respondents made up 19 percent. The majority of respondents are at least college educated at 78 percent. Forty-four percent of respondents have a household income of at least \$80,000.

A breakdown of the more than 2,500 respondents we surveyed:



46% MILLENNIALS

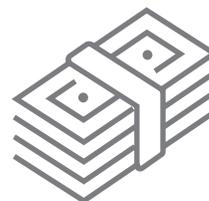
23% BABY BOOMERS

19% GENERATION X



78%
COLLEGE
EDUCATED

44%
HOUSEHOLD
INCOME
\$80,000
(OR MORE)



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Key Findings



Once thought of as last-minute gifts, open-loop gift cards are anything but.

73% of open-loop purchases are planned in advance.



Placement of open-loop gift cards at retail is of high importance.

62% of consumers expect to find the open-loop gift card at the main gift card display.



“Convenience” was the biggest reason why consumers purchased open-loop gift cards.

Meaning that consumers prefer to buy open-loop gift cards because of their versatility. They can generally be used anywhere and on anything within the U.S.



Parents use open-loop gift cards to educate their children about money management.

When the cards are given to children, parents intend to use them to teach their children about budgeting or money management 35 percent of the time.



Open-loop gift cards are appreciated by recipients.

73% of consumers use an open-loop gift card they receive within three months.

Purchase Behavior

According to our two quarterly surveys during the first half of 2018, consumers bought an average five open-loop gift cards as well as four closed-loop gift cards for an average of nine prepaid cards during a three-month span.

Consumers bought an average of nine prepaid cards in a three-month span.



5 OPEN-LOOP



4 CLOSED-LOOP

Three of the four open-loop cards were purchased in store, with the other being purchased online.

Bucking the commonly held belief that gift cards are a last-minute gift, open-loop cards are more often planned purchases. Seventy-three percent of consumers described their open-loop purchases as “planned in advance.” The others were described as “spontaneous” (16 percent) and “a last-minute need” (11 percent).

When asked how often they purchased an open-loop gift card – either for themselves or someone else – 61 percent of consumers said at least once every three months.

How often do you purchase open-loop gift cards?



| | |
|-------------------------------|-----|
| More than once a month | 9% |
| About once a month | 19% |
| About once every three months | 33% |
| About once every six months | 24% |
| About once a year | 11% |
| Less often | 4% |

Sixty-two percent of consumers said they found the open-loop gift card they purchased from the main gift card display, and 29 percent found them in the check-out lane.

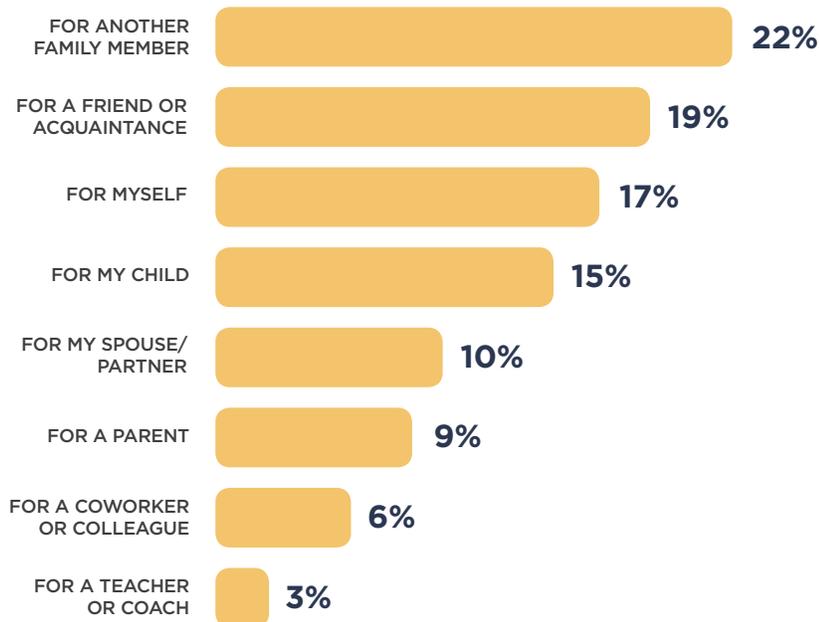
Key takeaway: Open-loop gift card consumers are regular and frequent purchasers, which creates an opportunity for retailers to drive foot traffic through a well-managed gift card program. To take advantage of this habitual purchase, it’s important to establish the right in-store experience, which includes inventory that is always in stock and a large brand assortment that consumers can easily and reliably find. The retailers that do this well will gain loyal and repeat customers.

Intended Recipients



Because of their versatility (being able to be used almost anywhere within the U.S.), open-loop gift cards are sought-after purchases for many people in a consumer's life. That includes the consumers themselves, immediate family members, friends and coworkers.

When asked for whom they have purchased an open-loop gift card in the past three months, consumers' responses were fairly balanced across a wide range of recipients.



For myself

The 17 percent of consumers who purchased an open-loop gift card for themselves did so for a variety of reasons, but the most popular was “convenience.” Open-loop gift cards represent a convenient and versatile payment method for consumers, regardless of where and for what they are shopping.

Which best describes why you buy an open-loop gift card for yourself?

| | |
|------------------------------------|-----|
| Convenience | 47% |
| Money management | 18% |
| Security | 14% |
| Alternative to traditional banking | 12% |
| Anonymous spending | 6% |



Online shopping was the most popular response (17 percent) when consumers were asked on what single activity they spent the open-loop gift card they purchased for themselves.



Collectively, everyday purchases – things like gas, groceries, dining and entertainment – **made up 45 percent of their responses.**

As to why self-use open-loop gift card consumers use them for online shopping, the answer may be related to cybersecurity concerns. With more transactions happening online, cyber-hacks are a prevalent danger.

Fortunately, gift cards protect a consumer’s identity while still allowing them to take advantage of modern-day commerce.

For my child

Many consumers have discovered the utility of open-loop gift cards for helping teach their children how to manage money. Of the consumers who purchased an open-loop gift card for their child, 39 percent of consumers said they did so “to help them pay for something.”

Why do you give your child an open-loop gift card?

| | |
|----------------------------------|-----|
| To help them pay for something | 39% |
| To set a limit on their spending | 21% |
| To monitor spend | 14% |
| Allowance | 13% |
| Something else | 13% |

Thirty-five percent of consumers gave responses related to budgeting, like “to set a limit on their spending” or “to monitor spend.” This oversight can play out in several different scenarios:

- A parent may give his child a \$100 open-loop gift card for a trip to the mall instead of handing over the household credit card.
- A parent may allot a certain amount weekly or monthly that she will contribute toward a child’s desired items and use open-loop gift cards to ensure that her contributions do not exceed her budget.

For a family member

Children and other family members receive open-loop gift cards for very different reasons. Consumers most often purchase open-loop gift cards for immediate family members for their more traditional use – as gifts. When asked why they give family members an open-loop gift card, 52 percent said “as a gift” and 24 percent said “as a thank you.”

For someone outside your family

When purchasing an open-loop gift card for either an immediate family member or someone outside their family (like a coworker or friend), the reason is almost the same. Thirty-nine percent of consumers said they buy open-loop gift cards for someone outside their family “as a gift,” and 26 percent said “as an appreciation.”

Why do you give an immediate family member an open-loop gift card?

| | |
|--------------------------------------|-----|
| As a gift | 52% |
| As a thank you | 24% |
| To help with an unexpected situation | 16% |
| Money management | 8% |

Why do you give someone outside your immediate family an open-loop gift card?

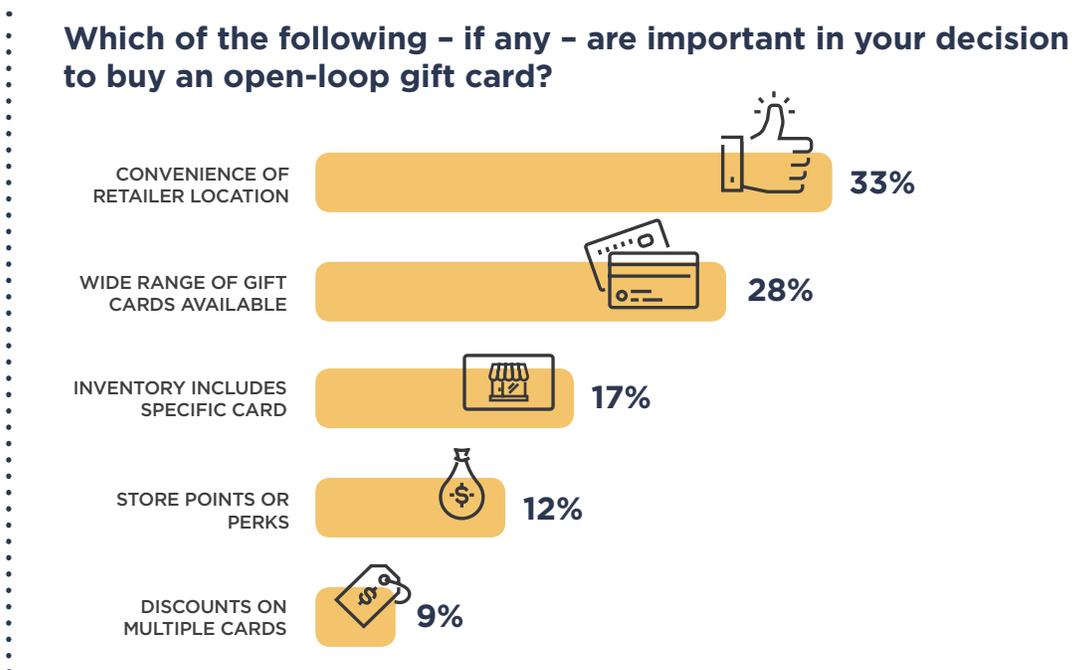
| | |
|--------------------------------------|-----|
| As a gift | 39% |
| As an appreciation | 26% |
| To help with an unexpected situation | 17% |
| As payment for work or service | 10% |
| As a donation | 7% |



Intent to Buy in the Future

As stated previously, most open-loop gift card purchases are planned in advance. With that in mind, we asked consumers about their plans for the next three months. According to the survey, the average prepaid consumer intends to buy **three** open-loop gift cards in the next three months. Actual open-loop sales on average exceed consumers' expectation of how many they will buy. Fittingly, because it is where most consumers found past purchases, **61 percent** said they expect to find the open-loop cards they plan to purchase in the next three months at a main gift card display, further proving the habitual nature of open-loop gift card consumers.

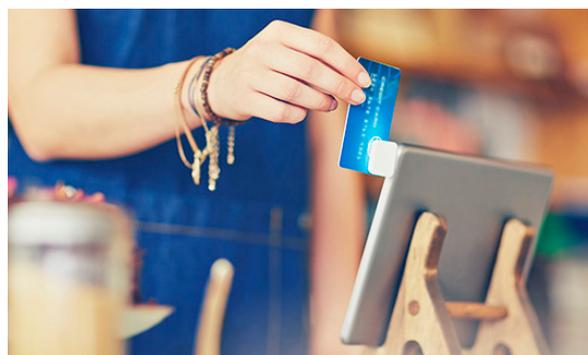
Convenience is consistently the most important thing consumers consider when planning future open-loop purchases. When asked what factors influence their decision to make an open-loop purchase, **67 percent** selected factors related to convenience. Thirty-three percent of consumers also said "convenience of retailer location" was important in their purchase decision.



Key takeaway: Open-loop gift card consumers are most likely to make their purchase when it's easy for them, meaning that the gift card they're looking for is stocked in your inventory and that it's easy to find in-store. They want their gift card buying experience to seamlessly fit into their regular routine without any complications.

Promotions for prepaid products can also have an impact on when and where a consumer shops for an open-loop gift card. When asked where they could expect to learn about promotions for open-loop products, 25 percent of consumers said in-store signage and 23 percent said online browsing.

More than half of consumers (54 percent) said they preferred promotions that give them a free gift card to that retailer.

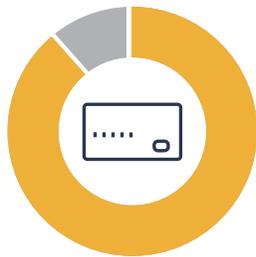


There were no dominant factors that would make consumers less likely to purchase an open-loop gift card. Twenty-five percent of consumers said their concern was that it might get lost or go unused.

Key takeaway: Retailers can combat misconceptions about funds not being used by assuring consumers that, in most cases, their funds do not expire. The expiration date is for the plastic card itself, much like how a debit or credit card has an expiration date. Consumers can easily request a new card should their old one expire and the prior balance will be transferred appropriately.

Recipient Usage

The second half of the open-loop gift card lifecycle is what happens after the card is purchased and given to its intended recipient. When asked what they did with the open-loop card they received, 79 percent of consumers said they used it. Only 6 percent hadn't done anything with it yet after three months.



92% of consumers used the open-loop gift card they received within a few weeks.

An added value of any prepaid product for retailers occurs when the consumer spends more than the funds on the card. According to our survey, 28 percent of consumers spent more than the value of their open-loop gift card.

Of the self-use open-loop gift card consumers who did spend more, 43 percent spent between \$20 and \$50 more than the value of their card.

Key takeaway: Open-loop gift cards don't collect dust on a shelf or counter. When a consumer receives one, they are likely going to use it, and soon. This shows how effective open-loop gift cards are at driving traffic into stores or online. The fact that many consumers often spend more than the value of the card also shows that the cards are great motivators to do more shopping with that retailer. The retailers that do this well will gain loyal and repeat customers.



Conclusion

The variety of scenarios in which consumers are using open-loop gift cards continues to grow, suggesting the development of a new mindset around the product. Consumers consider these products as more than just a more flexible gift card. They see open-loop gift cards as a budgeting tool, as a way to teach their children about money and as an online security tool. These aren't just a minor part of consumers' financial lives; they rely on them open-loop gift cards and use them regularly, rarely leaving funds dormant and often spending more than what they have on the cards.

Because open-loop gift card consumers are regular purchasers and users, retailers that create engaging gift card programs and deliver superior in-store experiences will drive more in-store traffic and create loyal, repeat customers.

Additionally, the growing popularity of open-loop gift cards has triggered businesses in many different industries to use them as incentives and rewards to elicit a specific consumer behavior such as switching from one business to another, rewarding them for their loyalty and giving them a perk for signing up for a higher level of service.

We expect open-loop gift card buying and redeeming to continue to trend upward over the coming years, making these gift cards an attractive opportunity for retailers focused on increasing foot traffic and for businesses focused on improving customer loyalty.

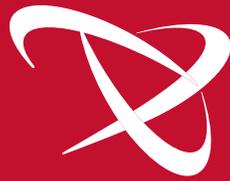
ABOUT INCOMM

Leveraging deep integrations into retailers' point-of-sale systems, InComm provides connectivity to a variety of service providers that allow consumers to conduct everyday business at more than 500,000 points of retail distribution. Whether those consumers are activating prepaid products, paying bills, enjoying real-time discounts through a membership card, purchasing digital goods in-store or adding funds to an online account, InComm is there to provide unique gift-gifting opportunities, cater to on-the-go shoppers, deliver added value through loyalty programs and serve cash-based consumers. With 366 global patents, InComm is headquartered in Atlanta with a presence in more than 30 countries.

ABOUT THE STUDY

The design and execution of the study has been verified by third-party methodologists to ensure accuracy and impartiality.





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