



2017 Secondary Market Best Practices Guide

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When you think of the gift card secondary market what comes to mind? A way for consumers to buy and sell gift cards? Something you wish would go away? Maybe a channel that you aren't quite sure how to work within for your brand?

Some brands have realized it's actually a unique marketing channel, targeting new customers, increasing brand loyalty with existing customers and increasing foot traffic and sales. The secondary market isn't going away, in fact it is a channel which, if properly managed and monitored can drive impressive incremental gift card sales for merchants. Gift cards sold in the secondary market no longer function like traditional "gift cards". They now act as prepaid store currency, guaranteeing the purchaser's dollars will be spent at your brand, as they are primarily purchased as a savings tool for self use.

However, not every secondary market is created equal, in fact, wide gaps exist between many of the players in the secondary space and can lead to significant risks if the channel is not properly managed. That's why we have developed the 2017 Secondary Market Best Practices Guide to assist merchants in navigating the channel effectively and successfully.





As your brand enters the secondary market and begins evaluating potential partners, developing your multi channel branding strategy needs to take priority.



Secondary Market Best Practice: Fraud- The Bad, the Ugly, and getting to the Good

First the bad news; fraud exists in every gift card channel. Unfortunately, just like every payment type (cash, credit, electronic), gift cards also have to contend with fraudsters testing for the weak points in card protections. But before you decide to abandon your gift card program, there are some actionable steps that your brand can take to mitigate these risks while developing your secondary market channel.

Fraud Alert: What's a savvy brand to do?

SHARE: Information and data on transactions that feel suspicious and/or fraudulent. A reputable Marketplace will proactively identify suspicious activity and communicate with the brand. Ensure that the lines of communication are open between your brand and the secondary market so that suspicious activity can be reported back to you in a timely manner to stop fraud before it turns into a chargeback.

DEFINE: Craft denomination strategies that make sense for your brand. For example a \$500 Ice Cream Brand gift card is highly suspicious, denominations in the \$10 - \$50 range make more sense for the average consumer. A reputable Marketplace will work with you to test denominations and set appropriate thresholds.

EDIT: After testing and defining appropriate denominations review your POS system and ensure that the new denominations are set up properly to prevent fraudulent purchases. Assess how quickly your brand can get the POS system activated and communicate back to the secondary market so they can have their alerts appropriately set to begin vetting your gift cards.

In order to best protect your customers and your brand, actively engage with the secondary market to understand what the latest security developments are and simple fixes for your program that can deliver big safety results not just for your customers but your brand equity.

Secondary Market Best Practice: Multi Channel Branding Basics

As your brand enters the secondary market and begins evaluating potential partners, developing your multi channel branding strategy needs to take priority. Taking the time upfront to develop your strategy and review your branding guidelines with your secondary market partner will pay long run dividends in the form of; ease of use for customers, consistent brand messaging and fewer misunderstandings with your secondary market partner. Your Brand is just that, yours and it is imperative that you have control of your assets. When expanding beyond your current channels you need to have a strategy in place for your brand to guarantee that your branding guidelines and standards are being met to ensure consistency in the secondary market for consumers purchasing across channels. By

being proactive you can start to take control of how your brand is perceived in the secondary space.

A REPUTABLE MARKETPLACE WILL:

- Feature correct assets (logos, card art, t's & c's).
- Design appropriate mobile and e-templates (what gets presented in the field is extremely important for a smooth customer experience). Work with your secondary partners to ensure that their system presents templates correctly.
- Proactively and quickly address issues and make sure brand standards are met.

Once you have established a working relationship with a reputable player in the secondary market space, how can you ensure your branding standards are met?

- A clear strategy is needed, think through your brand's goals for secondary marketplace participation (new customers, sampling/trial, larger share of existing customer wallet, brand awareness, etc) to ensure you are approaching the secondary market correctly and working towards your goals with your secondary market partner.
- Provide branding guidelines to your secondary market partner to ensure they understand your brand and have what they need up front, eliminating embarrassing branding mistakes with customer facing materials.
- Set up check in dates and random spot checks to ensure your standards are being upheld. Notify your secondary market partners of changes to your assets in advance to ensure a smooth transition and ease of use for the customer.

One of the most important things to remember when developing a multi channel branding strategy is consistency. Ensuring your brand message is clear and correct across channels creates a seamless customer experience in the secondary marketplace.

Secondary Market Best Practice: Creating Customer Satisfaction

Now that you have proactively engaged with the secondary market make sure that there are processes in place to protect your customers. Even though they are engaging a secondary seller to purchase your branded currency it's your brand name on the gift card and your brand equity at stake.

A REPUTABLE MARKETPLACE WILL HAVE:

- Guarantees in place to protect consumers. This guarantee should include both physical and digital cards.
- Digital card formats that are compatible with your Brand's POS experience.

- Accessible Customer Service via phone or email. Ensure that this information is in an area easily accessed by your customers.

As the retail industry continues to experience major shifts in buying behaviors it's important to understand how your brand can effectively create customer satisfaction when your customers are shopping outside of your controlled environment of stores and brand websites, and instead purchasing your branded currency in the secondary market. Additionally, brands need to look closely at developing a strategy around discounting and how to utilize this effective tool to drive more business in the secondary market.

Secondary Market Best Practice: Dealing with Discounts

It's a fact, your brand is discounting in a visible way every day. Discounting is a proven way to drive new sales, grow market share and build brand loyalty. Consumers are aware of the many different forms of discounts that exist: coupons, daily deals, scrip, loyalty/rewards programs, promo codes, affiliate discount deals, in store sales, etc. and how to utilize them for savings. A

reputable Marketplace will work closely with you to determine the right discounting structure to fit your brand image, help manage negative arbitrage and drive the desired volume and sales to grow your brand. Growing your brand in the secondary market doesn't have to mean taking huge concessions on margin by offering deep discounts. A reputable Marketplace knows that and knows that picking an optimal discount for your brand is good for their brand too and can produce wins for both sides. Setting expectations up front with your secondary market partner is the most effective means to create a positive and safe experience as your customers purchase your branded currency in the secondary market.

Secondary Market Best Practice: Putting it all together. What to look for in a Distribution Partner

Now that your brand has decided to engage with the secondary market, developed a branding strategy, and looked into discounting, it's time to select your distribution partner. In this crowded space



By engaging, instead of ignoring the secondary market, your brand can participate in the conversation and co-create a strategy to ensure that your customers are getting an accurate view of your brand



it can seem like a new player pops up almost daily. To ensure that you are protecting your brand equity and your customers you need to research your distribution partner and have a targeted list of questions for them. Make sure that the answers they provide have actionable strategies and verifiable metrics attached so that you can sell with confidence and your buyers can have a seamless experience.

A REPUTABLE MARKETPLACE WILL HAVE:

- A deeply ingrained focus on Technology Solutions that limit manual processes
- A willingness and commitment to:
 1. Be transparent with you
 2. Admit there are risks in the secondary market and have strategies to safeguard customers and your brand
 3. Share their data with you & stay on top of industry trends

4. Develop long term strategic relationships
 5. Take full responsibility for any negative customer experiences and make good on their guarantees
 6. Be flexible, agile, easy to work with, and responsive to your brands needs as well as your customers needs
- Guarantees in place for all cards sold through the secondary space
 - Integration with your processor for automated balance checks to identify and stop fraud.

By engaging, instead of ignoring the secondary market, your brand can participate in the conversation and co-create a strategy to ensure that your customers are getting an accurate view of your brand and purchasing secure branded currency to shop with you. Take the time to develop your strategy and secondary market partner non-negotiables to set standards that are effective for your brand and can facilitate growth moving forward in the secondary market. ■

