

How to

Sniff Out a

ZOMBIE

Gift Card

Program

Gift cards, if done well, can be an incredibly beneficial tool for retailers to drive traffic and incremental spend, generate free cash flow from pre-selling merchandise, and create new sales channels that drive new guests. Successful programs are well communicated within the organization, have many stakeholders, and are accountable and responsible for all activities within the gift card program.

By Matt Davies,
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"Zombie" programs, still the most

common type of program, are the complete opposite. These programs are usually launched to mimic a competitor's gift card offering, and get very little support. Identifying Zombie Programs isn't hard. They share a few similar components that reduce performance and diminish consumer value. While no single component will cause zombie status by itself, a combination of these things create a scenario that makes any gift card program start craving brands.

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Zombie Program Attribute #2 NO ACCOUNTABILITY

Gift card managers who do not think of the gift card as a product create unique challenges. For example, accounting managers and operations teams tend to see gift cards as an expense rather than a revenue driver. This limits the amount of promotion and support given to this critical program, and tends to drive sales down.

A gift card manager needs to know how to market and communicate gift card benefits both internally, to stakeholders, as well as the store, and ultimately to the consumer. Failing to establish the program's benefits is an ultimate zombie scenario.

Without a doubt, in order to get the program out of zombie status, IT support is critical. There are so many in-store or online POS-related components to the program, that IT not understanding how gift card contribute to the bottom line makes evolving a program almost impossible.

The critical factor that makes this possible is keeping engaged with goals and results and reporting those results to the stakeholders on a regular basis. Going as high as possible within executive teams ensures support from highest level, which can be critical during key time periods when the program needs the most support.

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Zombie Program Attribute #1 THERE ISN'T A GIFT CARD MANAGER, OR THEY HAVE MANY OTHER JOBS:

Gift cards are often launched as an add-on to an employee with a related role, such as credit card, store operations, marketing, promotions, or some companies even make cash accounting (the busiest folks on the planet) in charge of the program. Most gift card manager's top complaint is they have too many competing priorities to give gift card their full attention. Adding gift card to an already full plate is stressful, as they need to weigh the relative value of their other responsibilities to the gift card role. This minimizes their ability to think strategically and will create situations in which they are more comfortable repeating the same decisions over and over again rather than find cost savings, driving sales channels, or doing the right thing for the company.

3

Zombie Attribute #3 PROGRAM IS UNDERFUNDED

Gift cards are regularly perceived as cost channels rather than revenue streams. Due to its deferred revenue accounting, gift card sales are not celebrated in the same way as product sales, and frankly never will be.

Utilizing metrics like lift and new member value, and regularly identifying how gift card redemptions are a growing and beneficial part of product sales is a critical way to get more eyeballs and more understanding for the program. Identify the assumptions you're making about your program (i.e. long printing times) that get in the way of other departmental support, and try to address those issues (i.e. utilizing short run printers).

4

**Zombie Attribute #4
LACK OF MARKETING**

If a consumer has to ask for a gift card from a store associate, and the store associate has to search for the card, then welcome to Zombieville!

Consumers expect gift cards to at least be at the cashwrap, and expect to be able to see and choose their designs and packaging options. Consumer expect a sign that says "Gift Cards" to point out to them where to look. As with any other product, we need to direct the consumer on how the product works and how and where they can purchase the card.

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**Zombie Attribute #5
GENERIC GIFT CARD DESIGNS
AND NO PACKAGING:**

Programs that see gift card as an expense see offering gift card designs as an additional expense. Packaging creates even more bottom-line pain. Getting the company past seeing gift cards as little more than a trade of tender type is essential in getting support for the card artwork and packaging.

Let's face it- a retailer wouldn't sell just one product or just one color, or just one style. Consumers like design, choice, and have their own favorite looks and style.

A "one size fits all product line consumers is the fastest way to guarantee your product will be shambling around looking for brains.

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**Zombie Attribute #6
SYSTEMS DO NOT SUPPORT
COMPANY'S GIFT CARD
INNOVATION NEEDS**

Many companies put very little thought about choosing a processor, and since it seems easier to pick the largest or the first one to come along, they sometimes get stuck with gift card technology that is not flexible enough to meet their needs. This can come in a variety of forms, such as the processor not able to support franchises properly, allow the booking of discount, or simply not enough standard reports to support the key gift card metrics. Another way retailers back themselves into a corner is to pick a provider that owns, offers, and seeks exclusivity or right of first refusal on all services. The "one stop shop" approach sounds good, but those retailers often have challenges taking advantage of competitive pricing or product innovative options as the industry continues to evolve and the vendor managing the program does not have incentive to go after and get competitive pricing on new types of card substrates, technology, and printing capability.

These are just a few key attributes of a Zombie Program. Do YOU have a zombie program? If you want to address these issues within your own company, reach out to our Gift Card Network and Powerhouse Brands Team. We're experts at turning Zombie programs into growing, thriving revenue drivers.