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# Press Release

## First Annapolis Publishes 2008 Holiday Gift Card Field Report

Linthicum, Maryland: Despite one of the more sluggish retail environments in years, retailers continued to invest in their gift card programs during the 2008 holiday season. The level of creativity evidenced in functionality, packaging, distribution and positioning was impressive. In a report on closed-loop gift cards published by First Annapolis Consulting, "Mall Rat Gift Card Observations: 2008 Holiday Period," the following areas and tactics were identified and review across a broad cross-section of retailers with a primary focus on U.S retailers and trends:

- Technology/Innovation
- Card Carriers
- Prominent In-Store Displays
- Unique Packaging
- Customization
- Charity Causes
- "Green" Card
- Discounts
- Instant/Innovative Rewards
- Gas-Related Rewards

From November through December 2008, First Annapolis conducted field research to identify the latest new products and trends in terms of features, designs, functionality, and positioning of gift cards in the retail sector. From philanthropy and technological innovation to unique carriers and stand-out in-store displays, new strategies were being employed to differentiate gift cards in an increasingly saturated and challenging market. One of the more unique cards in the market this holiday season was Best Buy's technologically advanced mp3 speaker gift card which allowed recipients to receive two gifts in one—a gift card and a digital novelty. In terms of innovative and convenient packaging, Apple was offering a 3-pack of \$10 iTunes gift cards at select third-party locations to promote the ease and simplicity of gift giving. According to First Annapolis partner John Grund, "Gift card sales were not immune to the headwinds impacting total retail sales and we expect to see retailers adjust their gift card marketing based on the challenging environment

we face in 2009. This could manifest itself in areas ranging from changes in the denomination mix to a wave of product development geared toward a budget-conscious gift giver and a recipient that is focused on making ends meet with everyday, non-discretionary purchases.”

Another feature of gift card programs that stood out this holiday season was reward tie-ins such as Safeway’s PowerPump Gas Rewards. Reward points at Safeway were doubled for gift card purchases this holiday season. Also noted in the area of rewards was the opportunity for Sears Canada shoppers to exercise instant point redemption of Sears Club Points (on PLCC or MasterCard) in exchange for gift cards in the store. Many other retailers such as American Eagle and The Limited offered holiday promotions that rewarded customers with incentives in return for gift card purchases.

Such developments have occurred against a back drop of bad press surrounding the risks of retailer bankruptcy, forecasts of falling gift card sales, and Senator Schumer promoting a “Fair Gift Card Act.” We expect the entire prepaid industry to mount a significant effort in response to the threat of broad-sweeping legislation and negative publicity.

First Annapolis is a management consulting and M&A advisory firm with a focus on the financial services industry and a specialty in payment-related products, services, and delivery. Our clients include financial institutions, payment networks, service providers, retailers, airlines, hotels, affinity groups, manufacturers, trade associations, and government agencies. We offer a full range of services including strategy development, program diagnostics, portfolio/risk management, and performance benchmarking. First Annapolis also offers a suite of specialized M&A advisory services that complement our consulting practice. John Grund can be reached at 410-855-8541 or [john.grund@firstannapolis.com](mailto:john.grund@firstannapolis.com).