



GLOBALPREPAIDEXCHANGE

Gift Card Consumer Research

»» France

October 2012

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INTRODUCTION

The purpose of this study is to build on the gift card information that was presented to the founding members of Prepaid Exchange France in May 2011. Gx has supplemented this information with a consumer survey that was run in May 2012 that consisted of an online survey of 603 French adult respondents.

Gx has also supplemented this report with information gleaned from our French Prepaid Market Assessment.

FRANCE SNAPSHOT

Before looking at our survey results, below is a snapshot of some current economic indicators in France.

Population	65,350,000
GDP (2010)	€1,932.8 billion
GDP per Capita (2010)	\$33,820
Mobile Phones	59.543 million
Internet Penetration (Dec 2011)	77.2%
Facebook Users (March 2012)	24.104 million
Retail Sales (2011f)	€427.785 billion
Online Retail sales (2011)	€37 billion

Sources: ISEE, Internet World Stats, Mintel, Fevad

Table 1: France Snapshot:

Over the course of the year, 30 million shoppers—nearly half the French population of 65 million—made purchases on the web. Internet audience measurement service Médiamétrie says the number of online shoppers in France is growing at twice the rate of overall internet users, due to the practicality, speed, selection and lower prices offered by retail web sites.

Shopping search engine, Kelkoo France, points to Dec. 5 as the all-time record internet shopping day in France, with 2.28 million transactions, or 1583 a minute. Kelkoo estimates the French spent 22% of their Christmas budgets online. The onset of mobile sales is also driving growth, totaling up 7% of total online Christmas sales.

French online retailers have high hopes for 2012. In a survey of 100 e-commerce directors in France 60 predicted their online sales would grow 11-25% this year and another 29 projected growth of 26-50%. The survey was conducted by market research firm Coleman Parkes for e-commerce technology provider eCommera.

THE BENEFITS OF GIFT CARDS FOR RETAILERS

Gift cards have grown substantially in every single market in which they have been introduced because they offer substantial benefits to both consumers and card issuers. The concept is a simple one; gift cards effectively address an actual consumer need. In most cultures, gift giving is a social requirement, and while it may be pleasurable and satisfying, it can also be accompanied by uncertainty for the giver. Previous research has clearly demonstrated that givers' primary reason for giving gift cards is to allow recipients choice to select something that best suits their specific wants. By giving a gift card, the giver then increases the probability that the recipient will acquire something truly desired. Gift cards are an efficient gift in that they are more likely to be used than a tangible gift that might be un-liked, ill-fitting or simply inappropriate.

In addition, gift cards reduce this stress by moving some of the search costs from the giver to the recipient. When givers talk about convenience, they are really saying, "I would rather have recipients look around for what they like, rather than have me spend a lot of time and still not know what to buy." As an added bonus, many recipients enjoy the shopping experience, and so the gift card encompasses two gifts, the item actually acquired and the entertainment value of the shopping experience.

From the retailers' perspective, gift cards produce several demonstrable streams of revenue and profits. These are shown in *Fig.1* below. While each of these streams has the potential to positively impact the financials of a retailer, the relative importance will coincide with the particular retailer's situation and objectives.

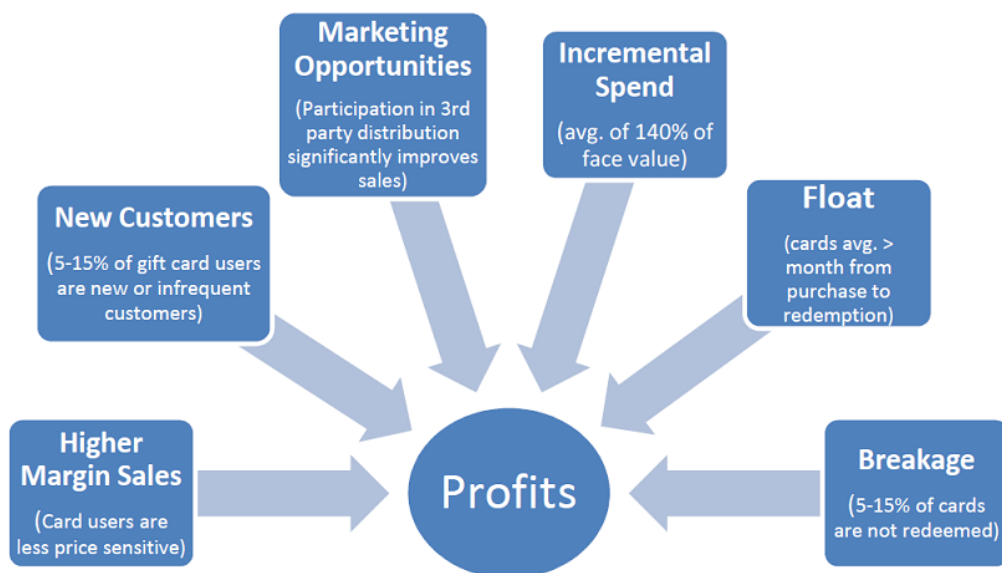


Fig.1

All retailers experience incremental sales on top of the value of the gift card sold. This can be 10% to 200% depending on the category of retailer, and an interaction between the average initial value on the card and the general cost of the goods sold by the merchant issuing the card. Retailers that serve customers with less disposable income are likely to see redemption at closer to the initial value,

while high-end retailers might see customers spending in the range of double or more of the initial card value.

In addition, interviews with gift card redeemers have indicated that they view the cards as a means to upgrade their purchases. A gift card is like a significant discount which allows recipients to buy more and/or better than they normally would. Since it is “not their money,” they tend to spend it with less caution than usual.

For larger retailers, the amount of money that is “deposited” with them for later use can be substantial. Although it must be measured in each market, previous studies have shown most redemption takes place within about six to eight weeks of purchase. As sales grow and are more even throughout the year, this cash accumulation can be advantageous.

For smaller retailers and those that are new to a given market, the most important benefit of using gift cards is the access to new customers. Previous research has shown that upwards of 10% of gift card recipients had never before shopped at the retailer from which they received a gift card. This figure will depend on the level of retail concentration and the number of new market entrants.

CONSUMER GIFT CARD RESEARCH SURVEY

CONSUMER EXPERIENCE

We screened respondents for past experience purchasing a gift card. The vast majority did have experience. Non-purchasers received a separate survey which tried sought to understand why they had not chosen gift cards previously.

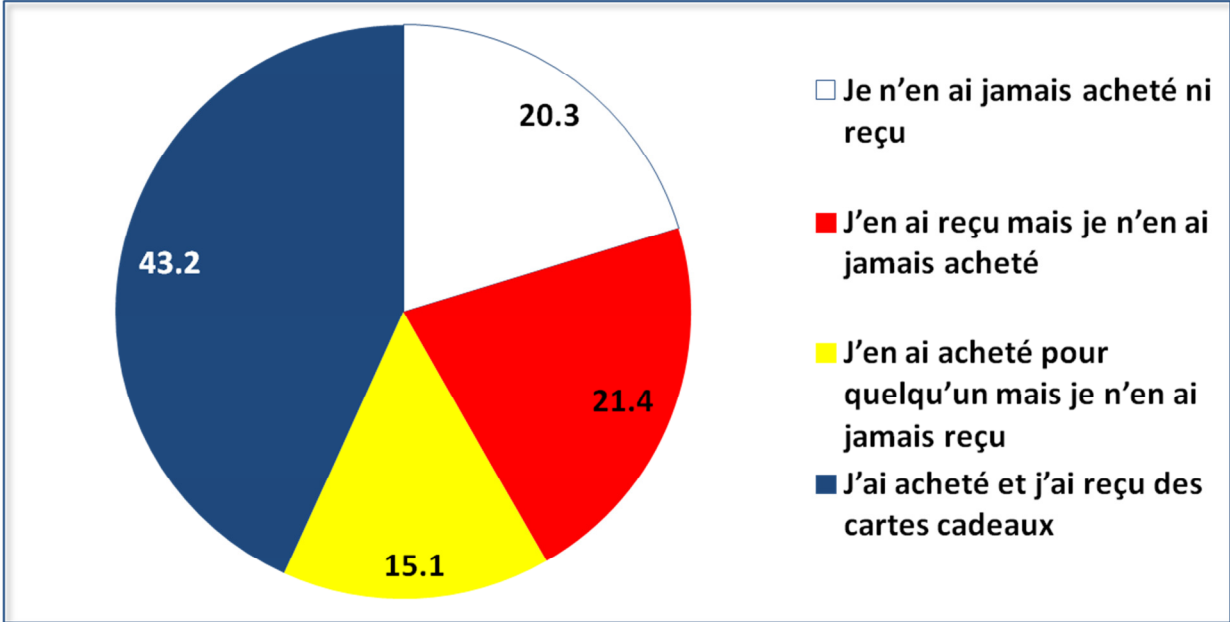


Fig.2



Those that have no experience with gift cards make up 20% of adults in France. This contrasts with less than 15% in North America. This means that there are more than 10 million French adults with no experience with gift cards; some percentage of them potential customers.

We asked those who knew gift cards but who had never purchased gift cards about their reasons for not buying. The evidence clearly suggests that consumers are not so negative about gift cards per se, but rather, they are more inclined to prefer traditional gifts.

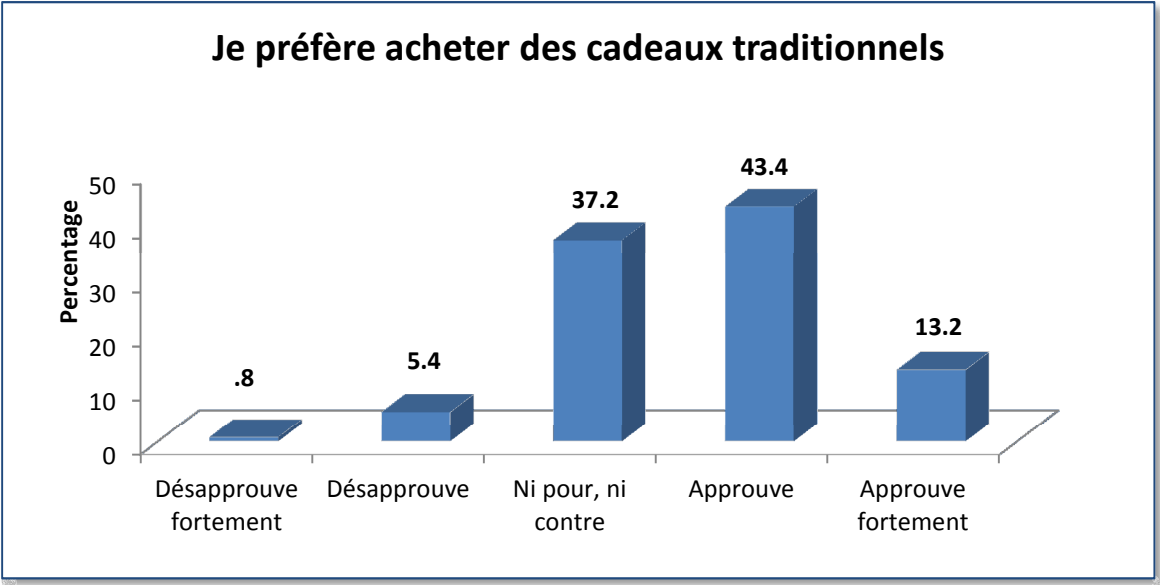


Fig.3

Clearly, these consumers are more traditional and feel that a traditional gift is more appropriate. Two things will happen over time. 1) As gift cards grow, people will see them more often and they will become more acceptable even to traditionalist. In the US, gift cards are becoming traditional gifts for certain gift relations and occasions. 2) Older consumers tend to more traditional and they purchase fewer and fewer gifts as they age.

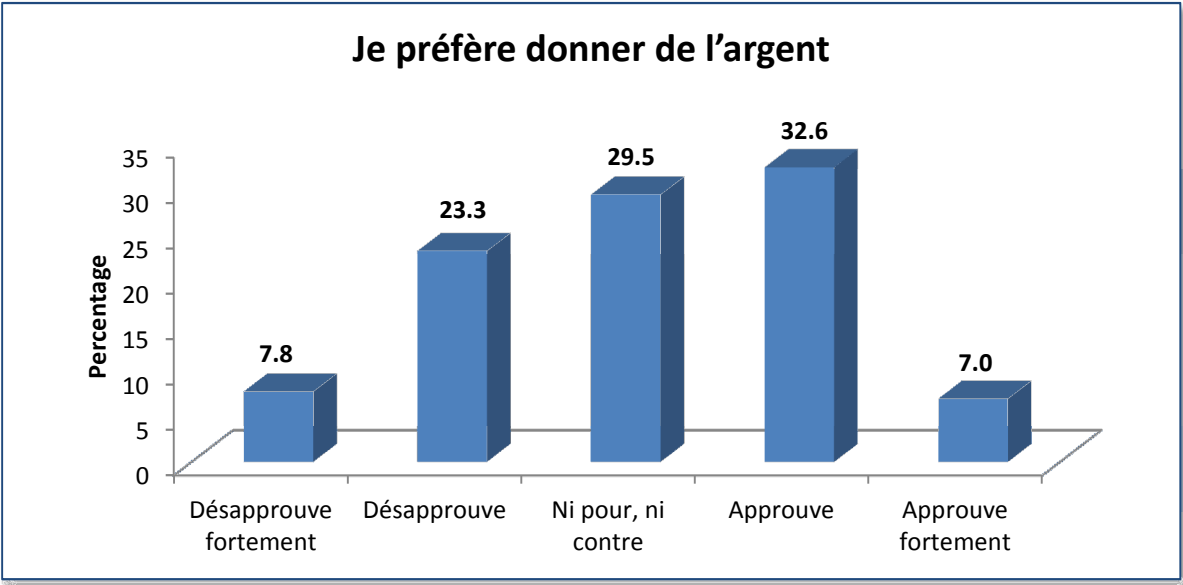


Fig.4



The preference for giving cash is not nearly as pronounced, though about 40% do express agreement.

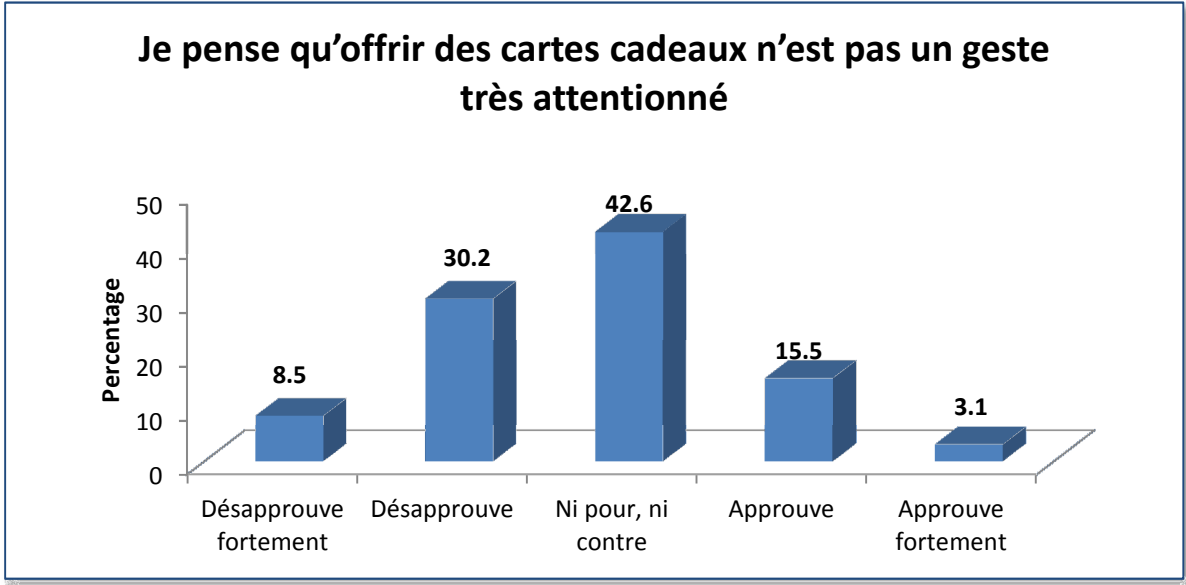


Fig.5

This finding is positive as only 1 in 5 agrees with this negative attitude that a gift card is not a thoughtful present.

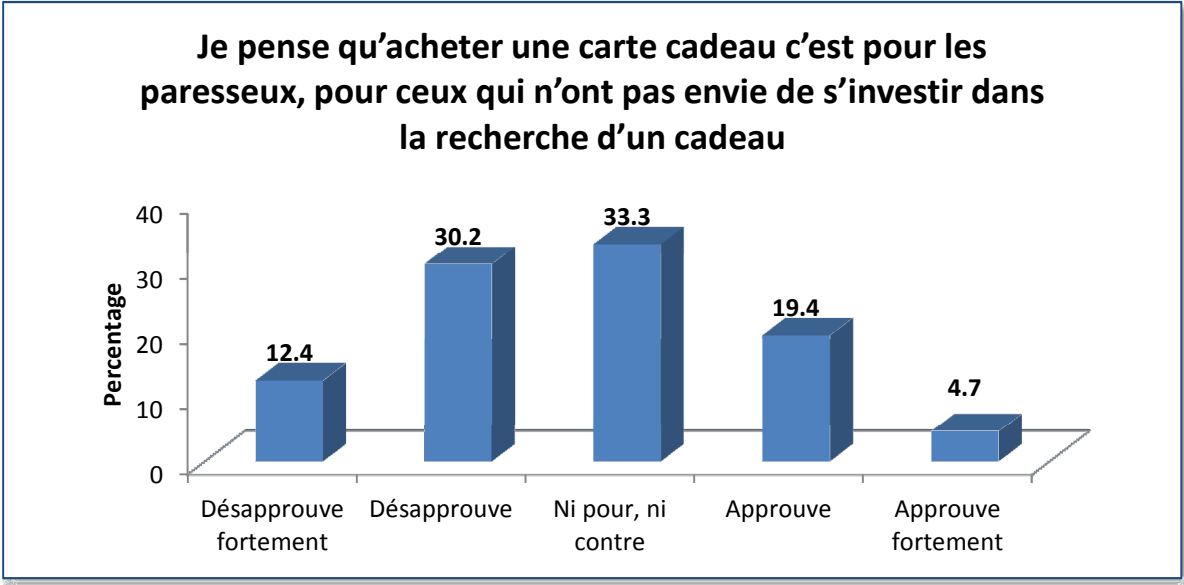


Fig.6

While this finding shows a quarter thinking of the gift card as a lazy gift, nearly half disagree with the sentiment.



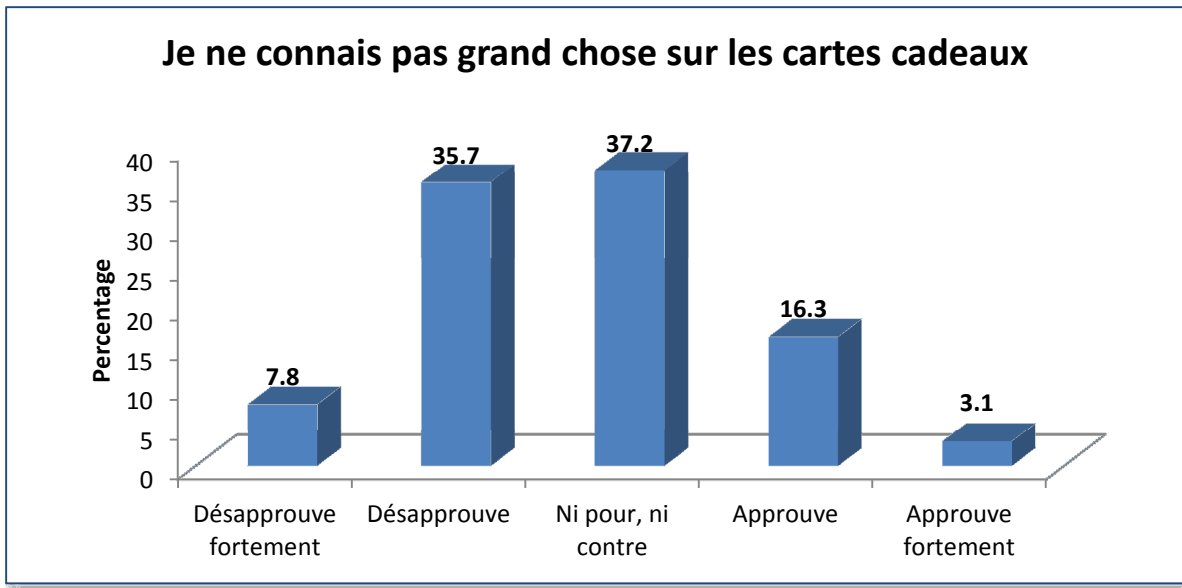


Fig.7

Lack of knowledge is present with some people but these data show the majority to feel they have some understanding.

PURCHASE BEHAVIOUR

Combien de cartes cadeaux avez-vous achetées ces 12 derniers mois ?

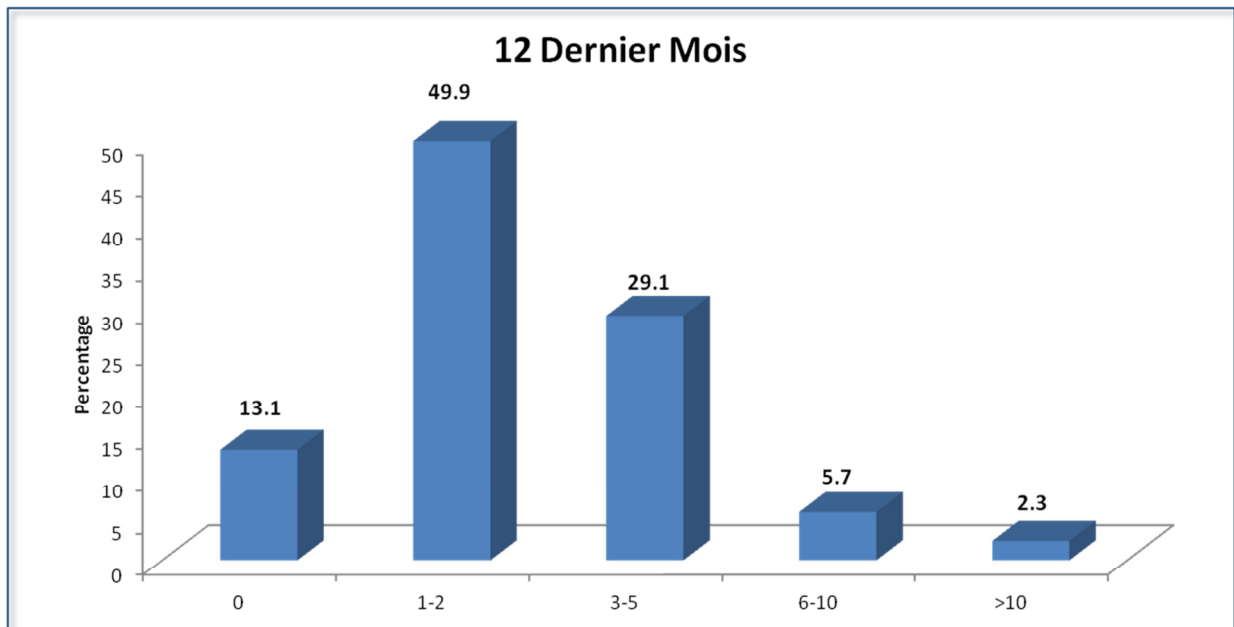


Fig.8

A conservative estimate would put the number of gift cards purchased per person at approximation 2.6. This figure is comparable to 3.8 cards per purchaser in Canada (Gx 2012 data), a market that has a longer history of gift card usage and 3.1 cards per purchaser in the UK. Some estimates in the US

are at 4-5 cards per buyer. Women tended to buy more cards than men but as the following analysis shows, they loaded less initial value.

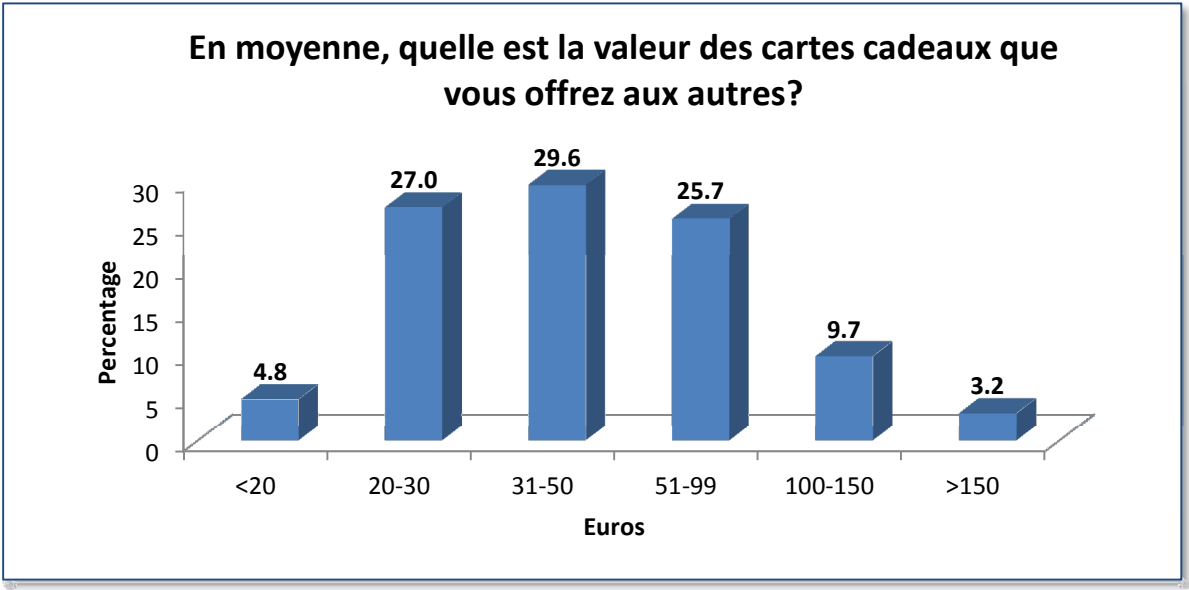


Fig.9

The modal response was €50 (approximately 20% of cards purchased), while €30 was also a popular value (nearly 15%). The mean initial value was €56 which is consistent with that reported for the last gift card purchased (shown below). Men averaged over €60 a statistically significant difference compared to women who loaded and average of €52.

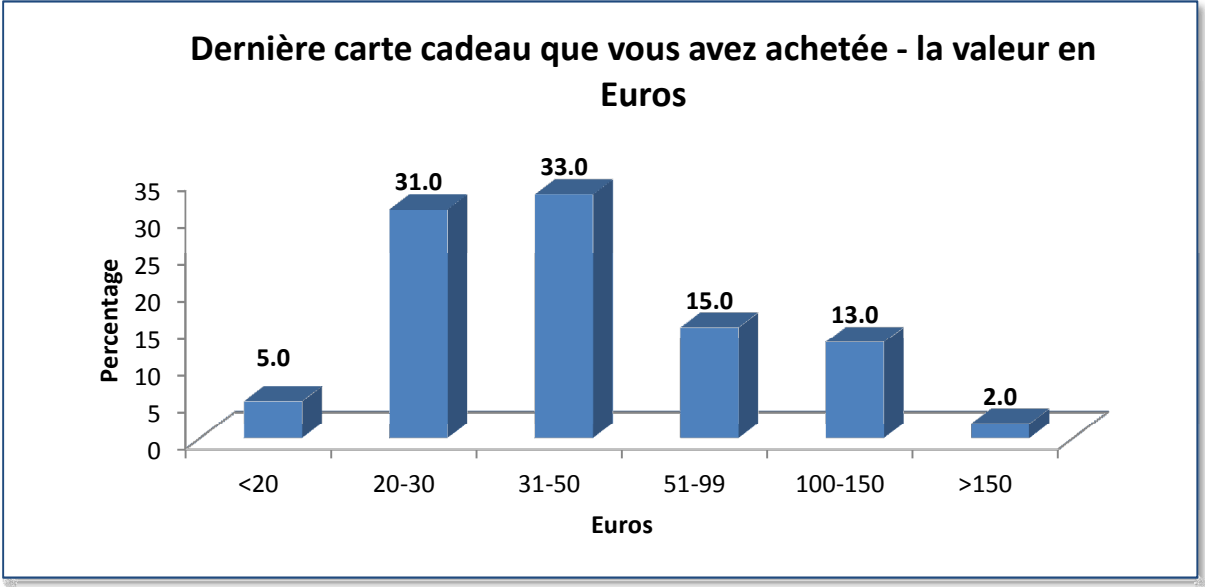


Fig.10



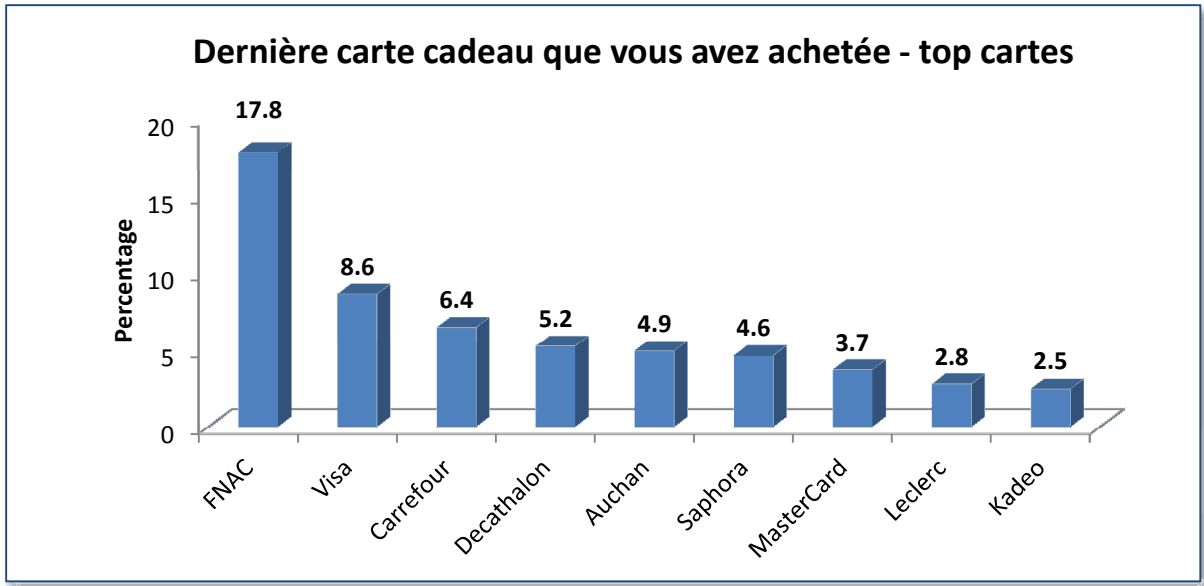


Fig.11

FNAC was dominant in the last card purchased category with more than twice as many reporting they had purchased a FNAC card than the next most popular choice. Visa and MasterCard combined to give the open-loop category about 10% of the market.

SATISFACTION

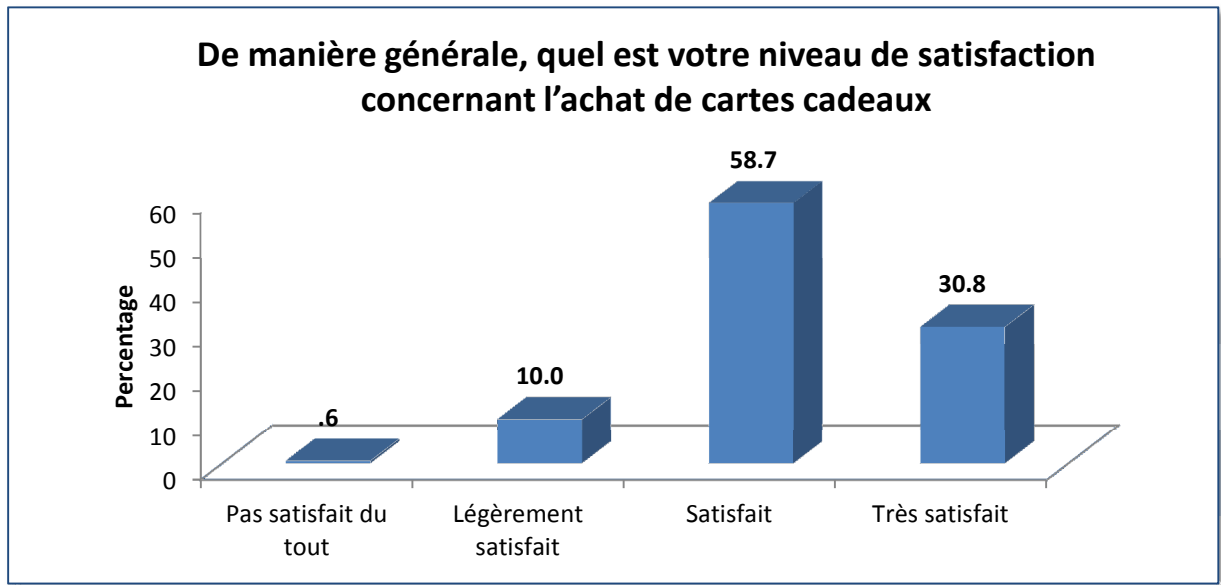


Fig.12

As shown in the chart above, levels of satisfaction are high, or more accurately, levels of dissatisfaction are very low. Experience in other markets has shown that satisfactions levels rise even higher as consumers become more used to the product and merchants more efficiently sell and redeem them. The current high levels, though, do bode well for continued growth in the market.



PURCHASE OCCASIONS

We asked consumers to assess the probability of purchasing gift cards for specific occasions.

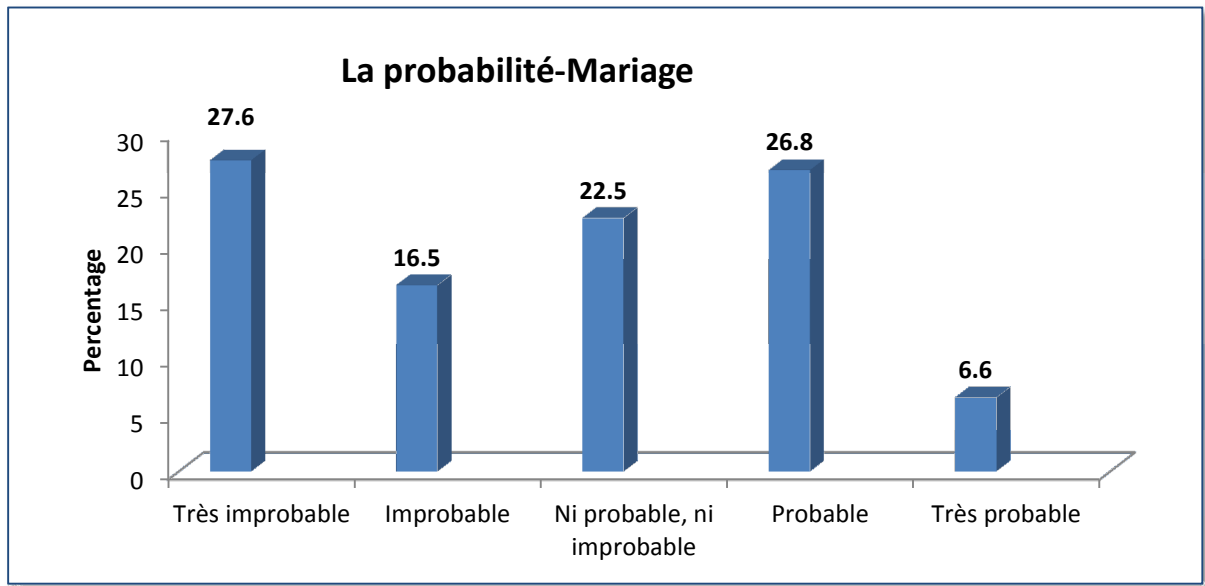


Fig.13

Wedding gifts are seen as likely by only 1/3. These are almost identical to recent findings in Canada.

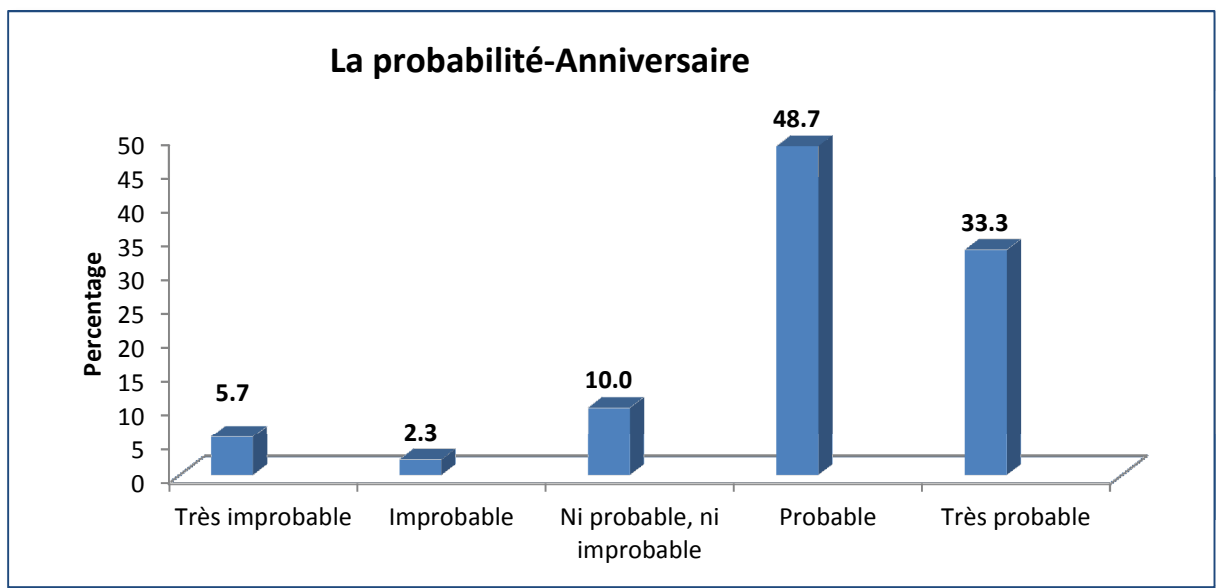


Fig.14

Birthdays are regarded as the most appropriate time to give a gift cards. Similar to other markets in Europe and North America, Noël would follow birthdays closely in the popularity of gift cards.

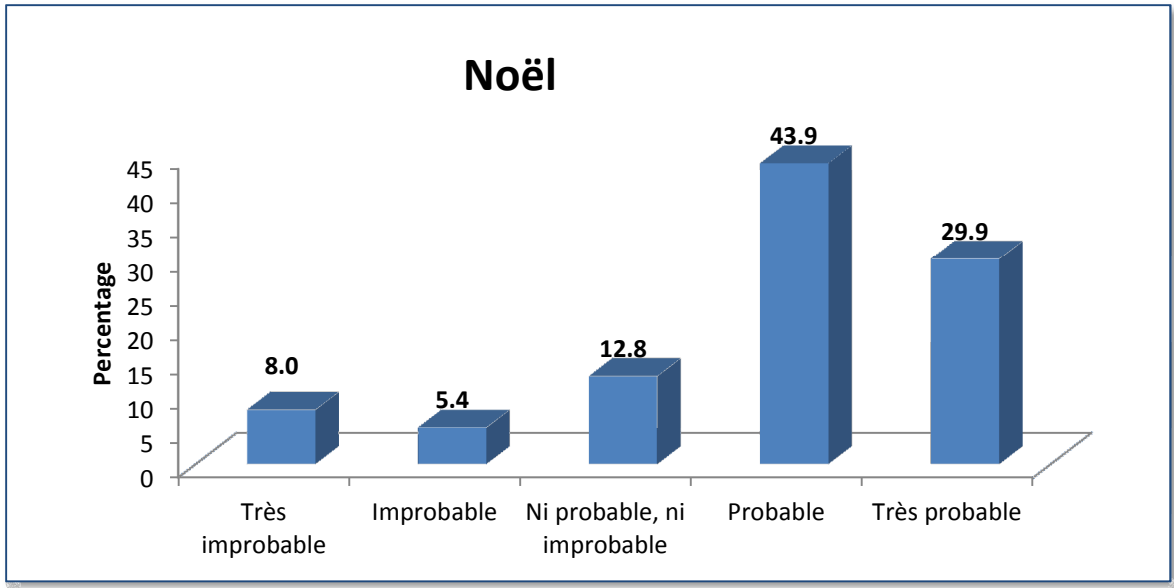


Fig.15

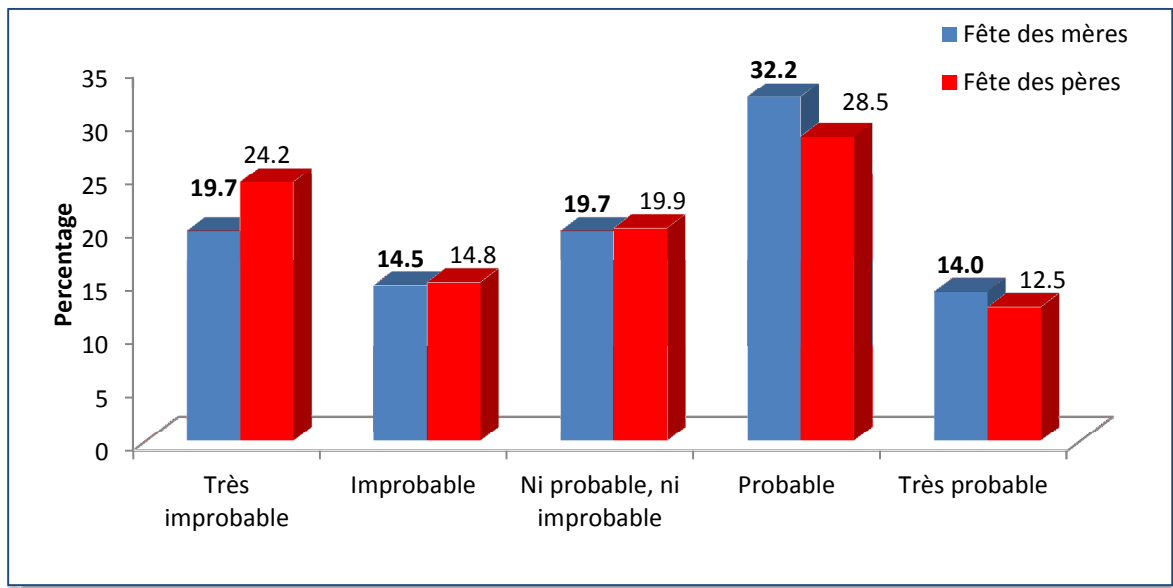


Fig.16

In other markets as well, consumers rate the probability of giving a gift card on Father's Day as less than for Mother's Day.

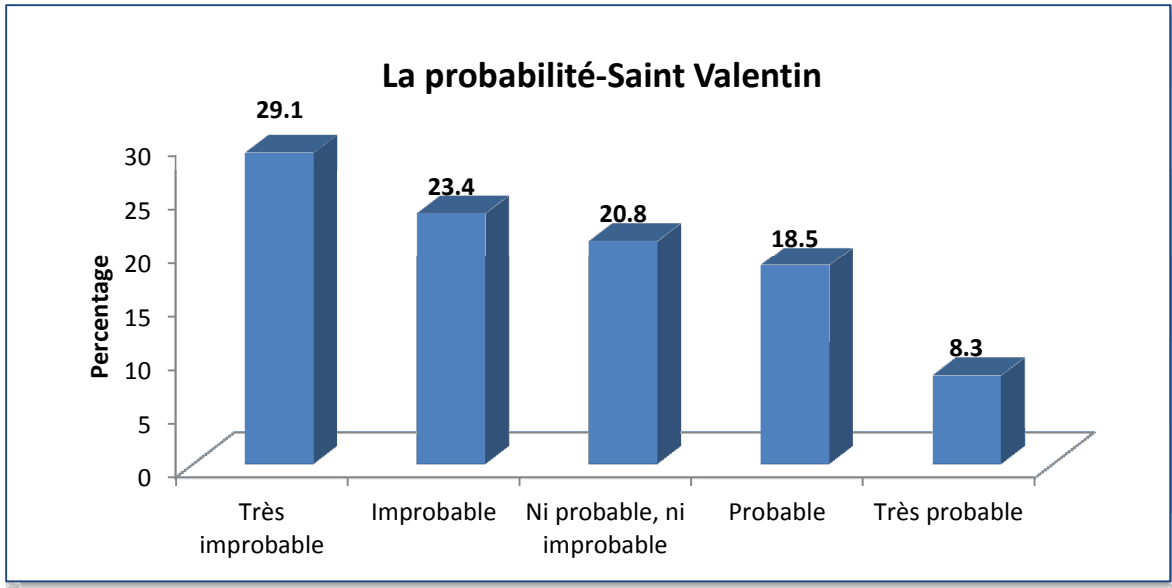


Fig.17

This holiday has consistently been difficult for gift cards as it involves giving to those to whom we are generally very close. Even with only just over a quarter finding this as an acceptable alternative for Saint Valentin, that is considerable higher than the 10-15% seen in other markets.

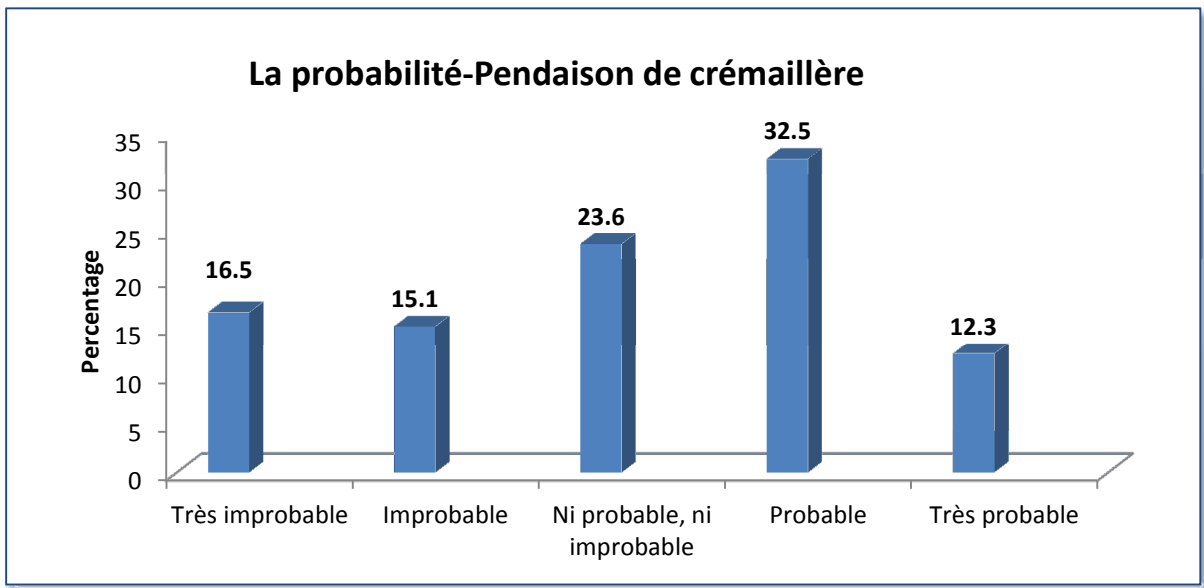


Fig.18

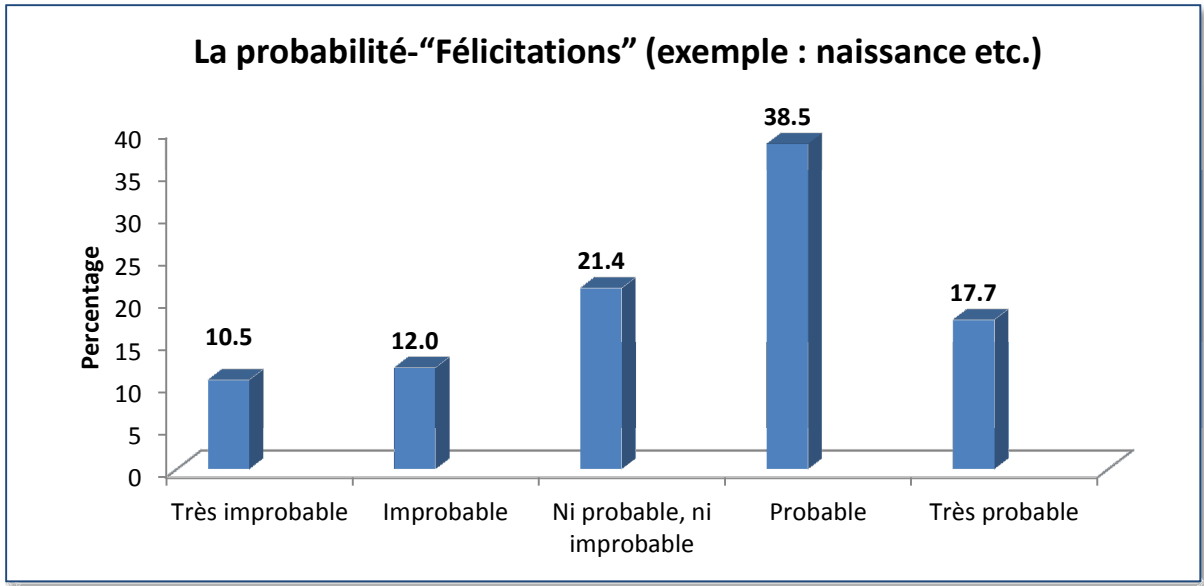


Fig.19

Both of the previous two occasions are infrequent inconsistent as to the time of year. As such, even with the fairly positive attitudes expresses, they are not of huge importance.

APPROPRIATE RECIPIENTS

We asked consumers about how appropriate it was to give gift cards to certain types of individuals for whom they needed to give a gift.

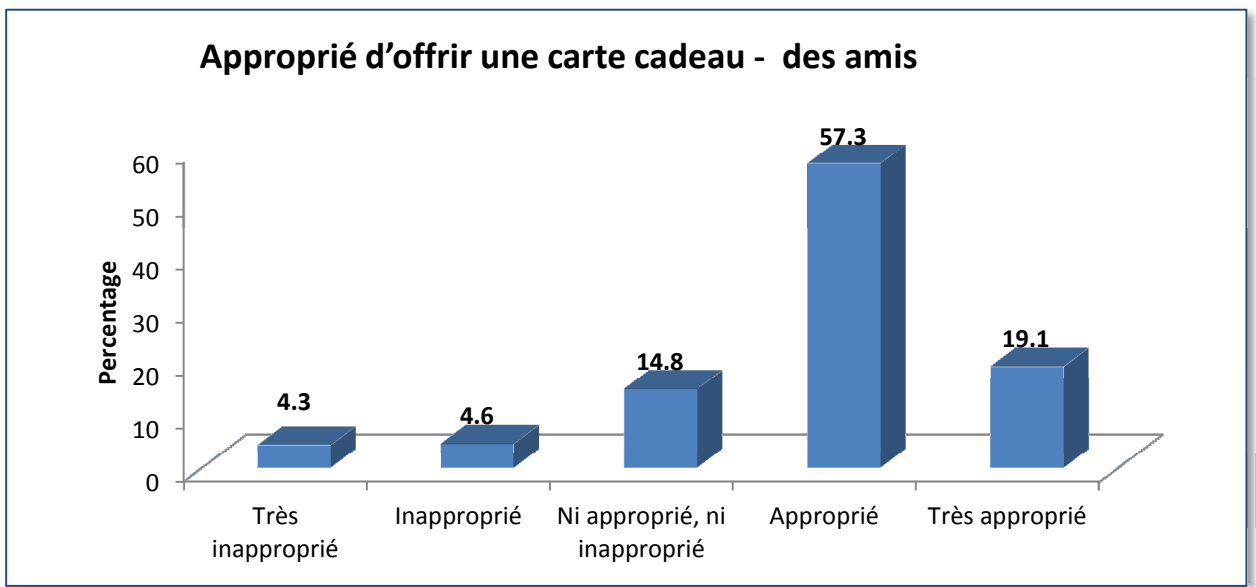


Fig.20

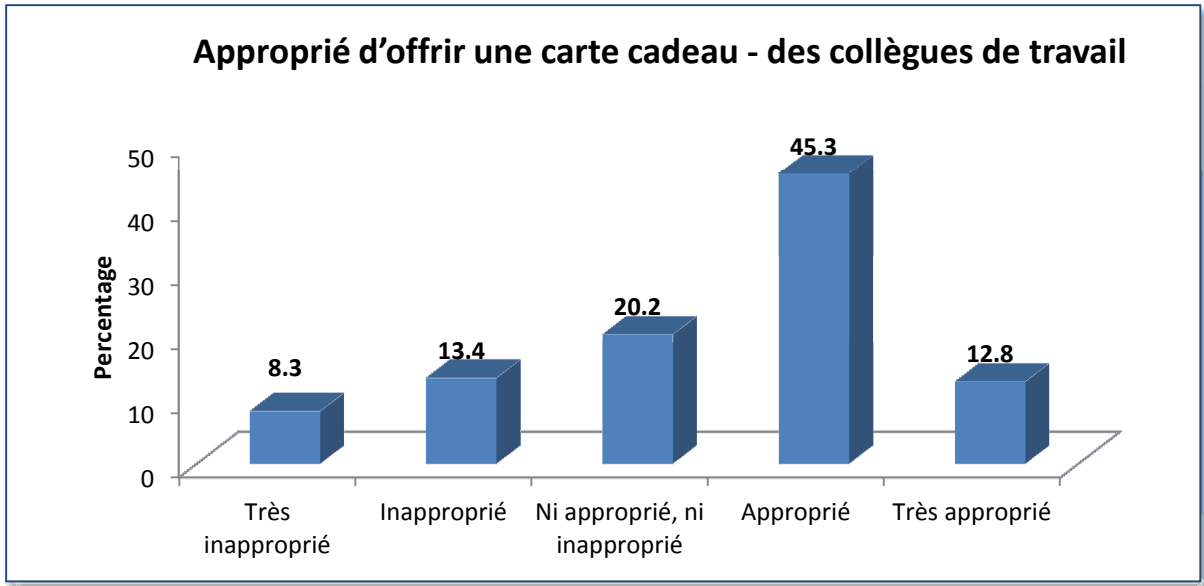


Fig.21

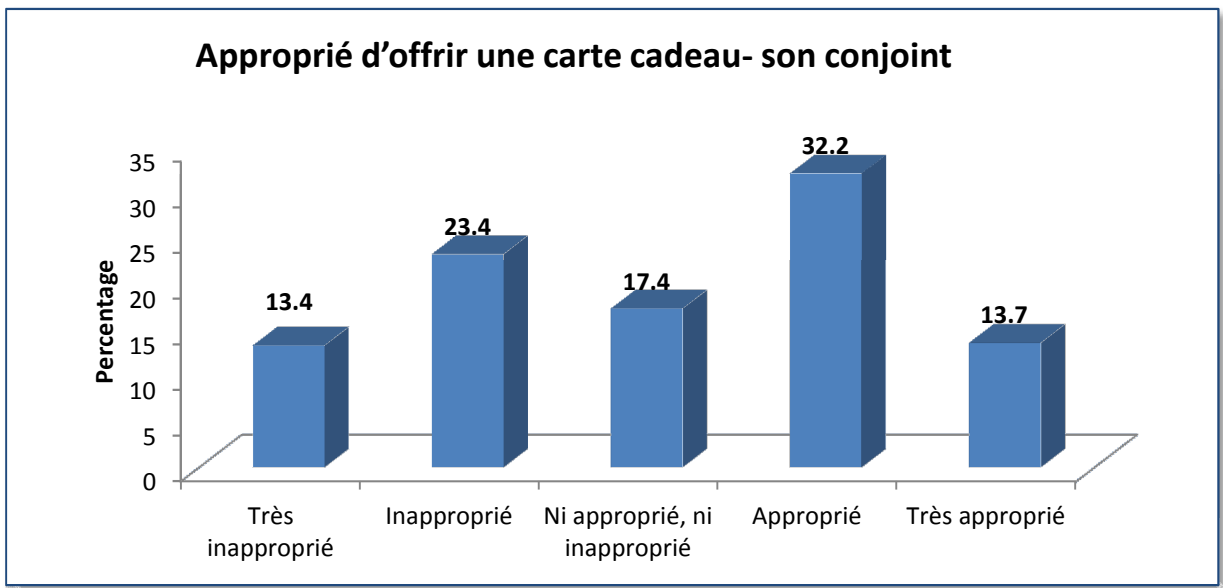


Fig.22

With nearly half of respondents in agreement, this is a surprising result. In most markets around the world, acceptance of cards for close or romantic partners is generally slow to develop.

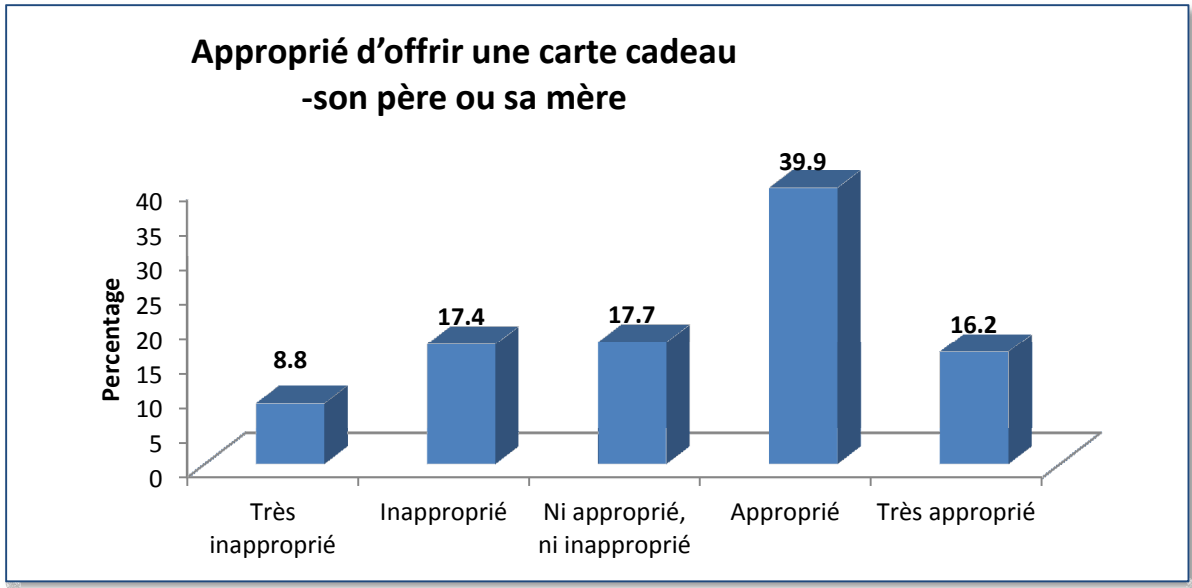


Fig.23

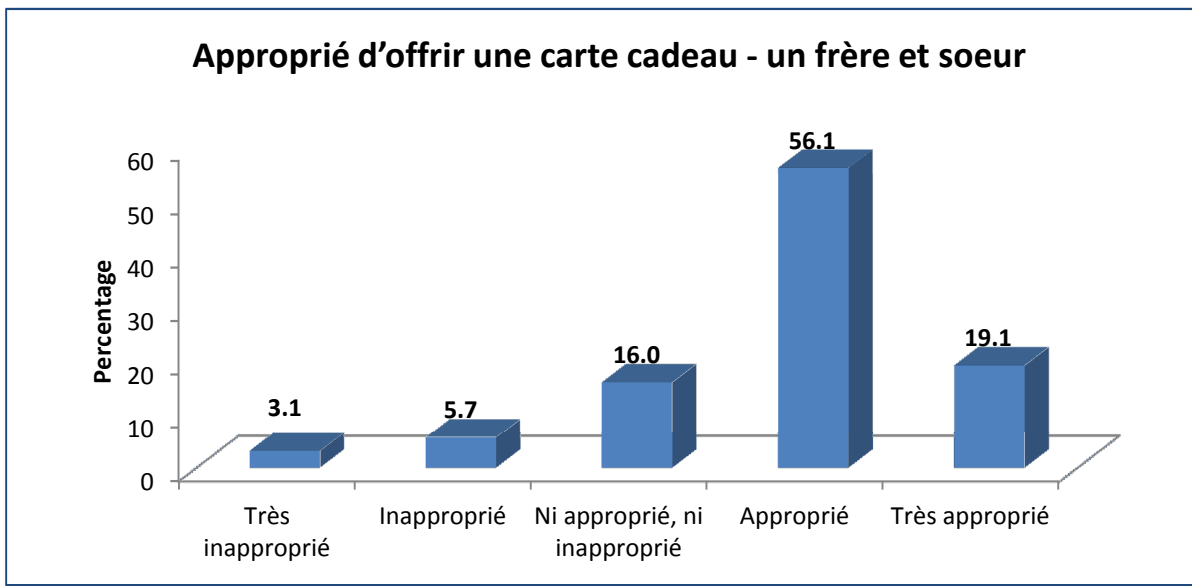


Fig.24

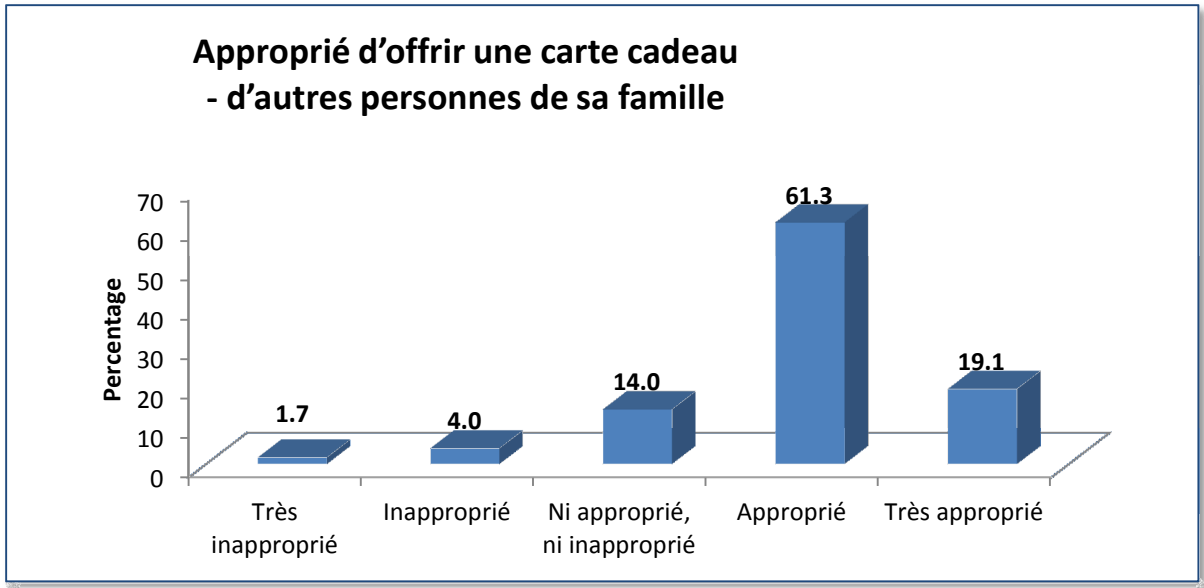


Fig.25

To summarize, there is a group within the gift giving circle for whom gift cards are considered appropriate. For those very close, i.e., spouse or parent there is some hesitancy but for friends, siblings and other relatives, there is strong support.

DISTRIBUTION

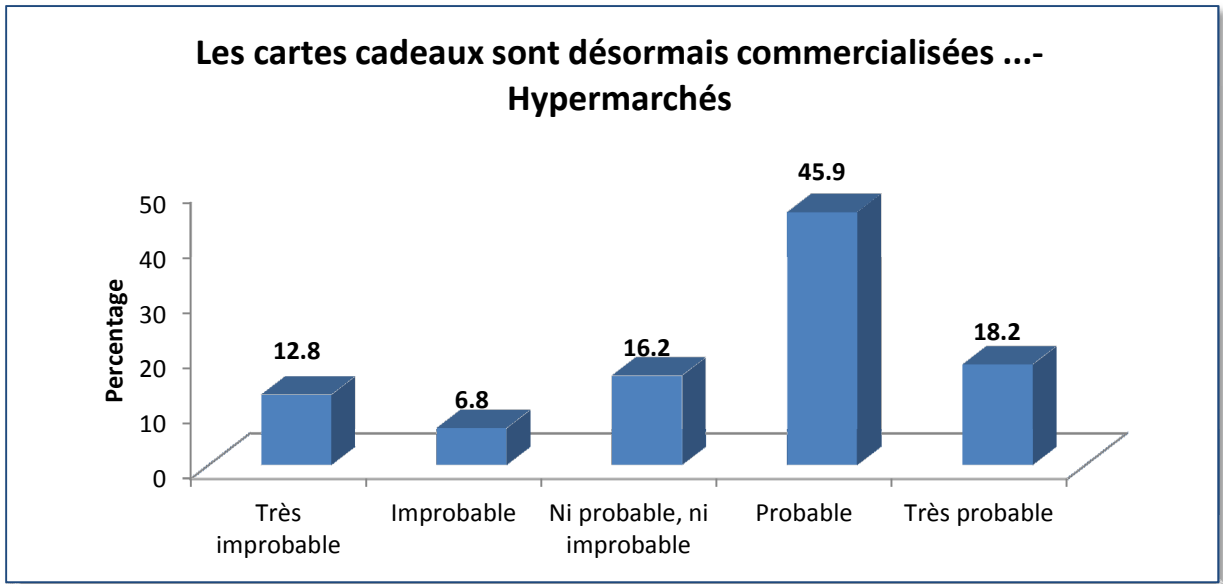


Fig.26

The movement of the cards from individual retailers selling only their cards to retailers who offer cards from a variety of retailers has been one of the most important advances in the growth of gift cards. Hypermarchés are a natural fit for this with high and frequent traffic. Contrast the hypermarchés however, with the below.

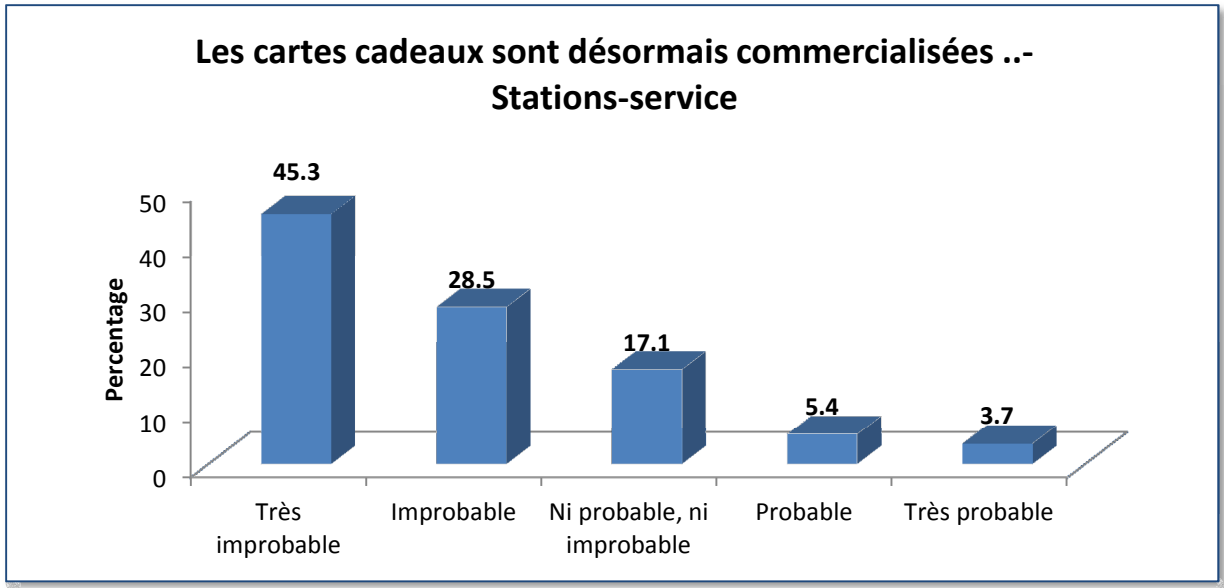


Fig.27

While stations-service are also high frequency retailers, the prime objective of the consumer is to accomplish their transactions quickly. They do not think about this as a location to consider a gift selection.

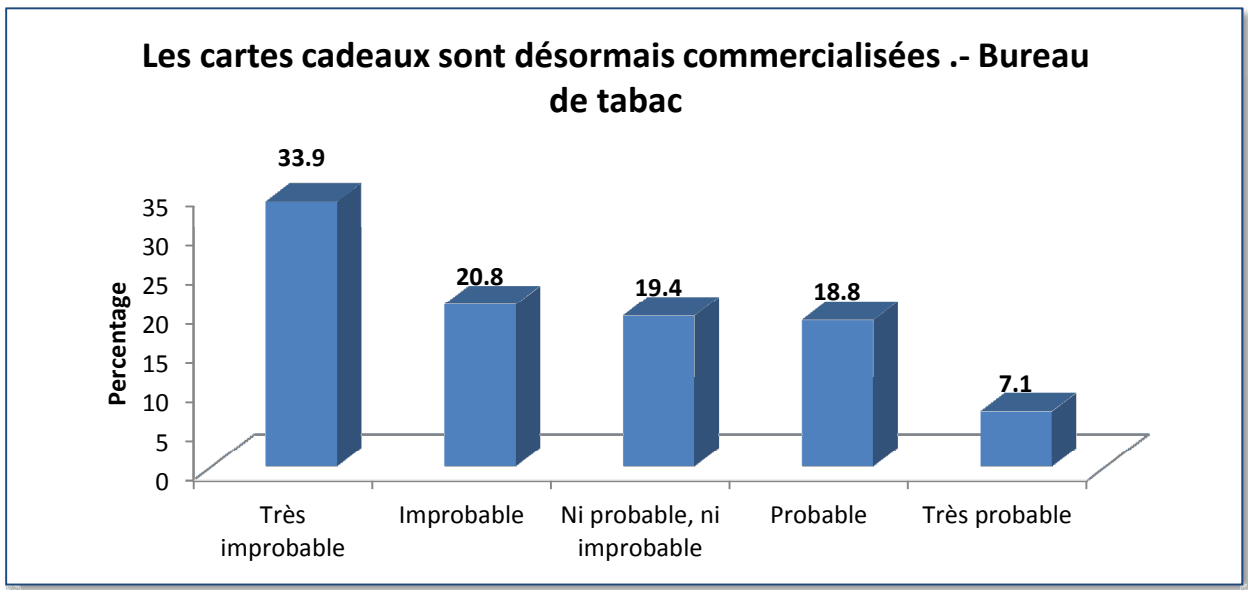


Fig.28

Likewise, les bureau de tabac are not the first place consumers are looking to purchase gift cards. A quarter of consumers would consider this as an option however.

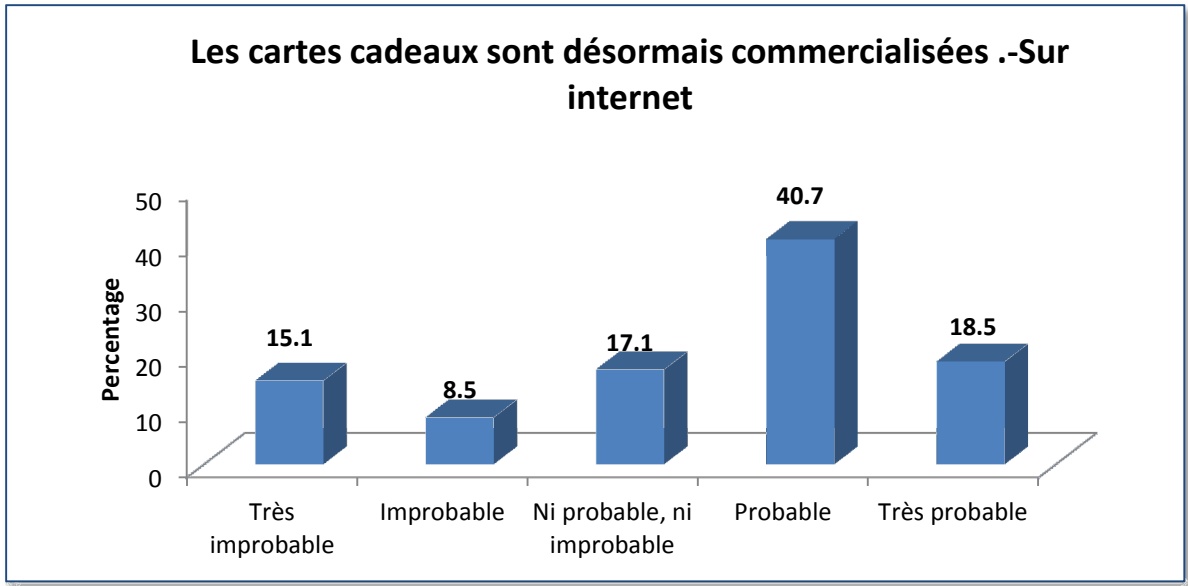


Fig.29

These figures are very close to the numbers in the UK where approximately 55% are probable or very probable. Contrast with Canada where only 20% express this positive sentiment.

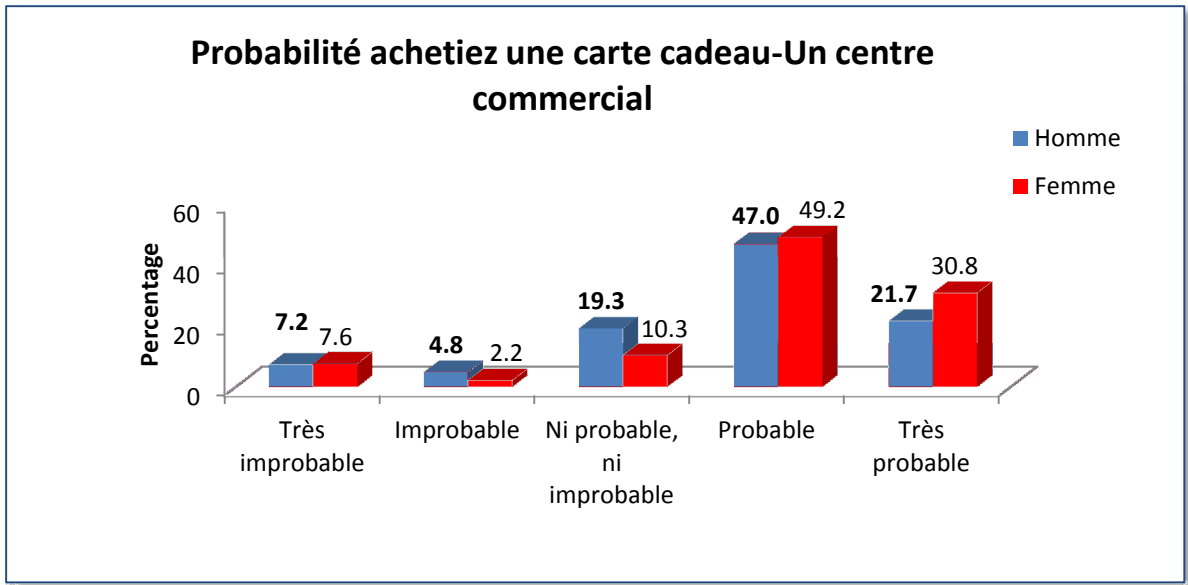


Fig.30

In general, women express stronger positive attitudes about shopping. As such their more positive attitudes about buying a cart from a centre commercial is not surprising.

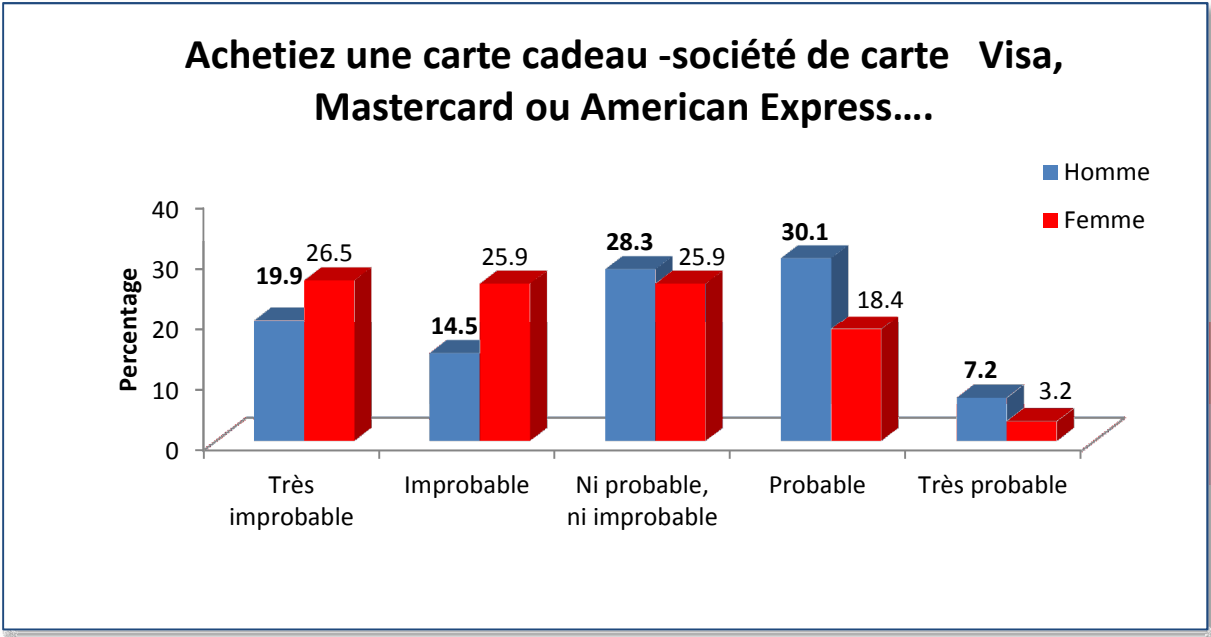


Fig.31

While women like the centre commercial cards, they were significantly less positive about a truly open-loop product.

GROUP GIFTING

With the rise of social networks there is some interest in how people engage in group gifting and whether or not the products currently being developed will address consumers’ desires to create group gifts.

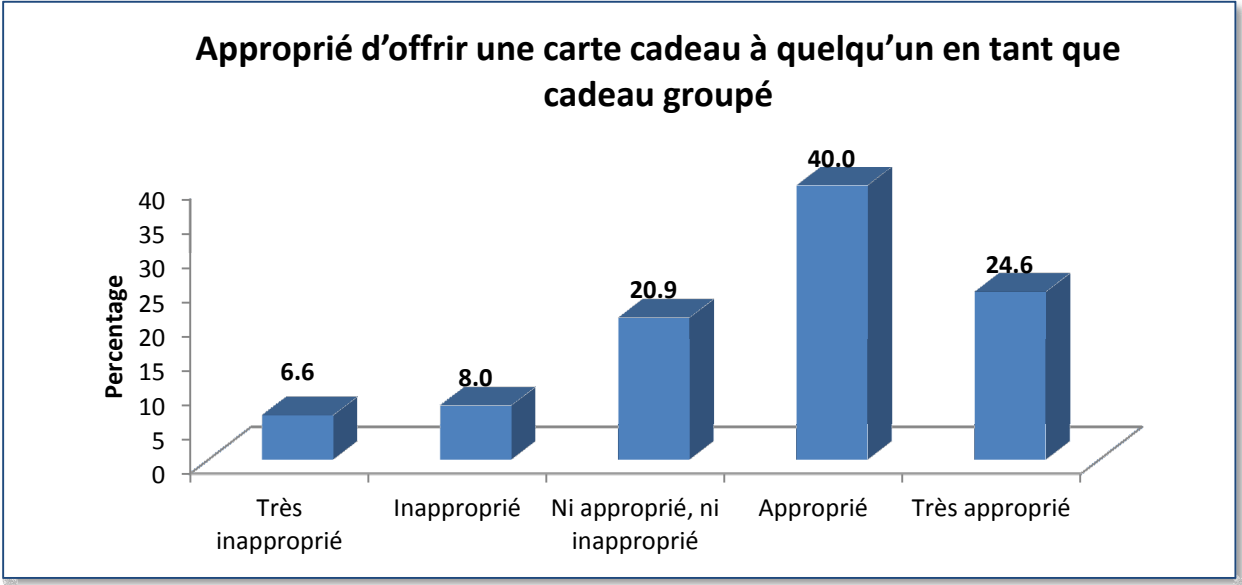


Fig.32



RECEIVING GIFT CARDS

To begin, we can assess the overall attitude towards receiving a gift cards and as the following illustrates, satisfaction with the cards as a gift is very high.

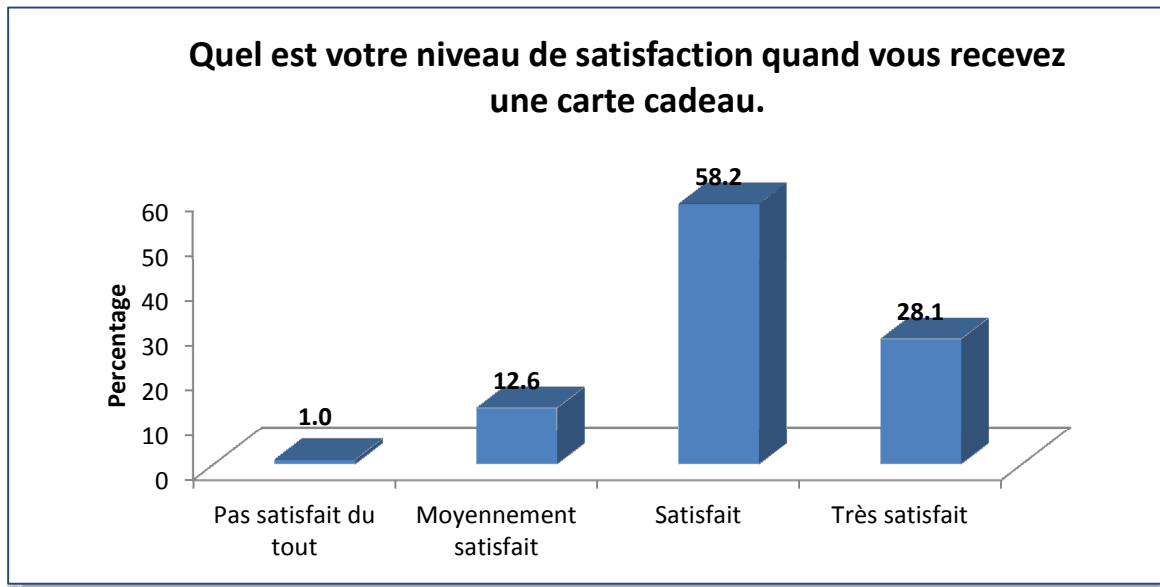


Fig.33

Satisfaction of recipients is a critical measure in that those that are satisfied with the gifts they receive are more likely to consider gift cards when they themselves need to purchase a gift. The data from this study show a positive correlation between satisfaction of recipients and the number of cards they purchase.

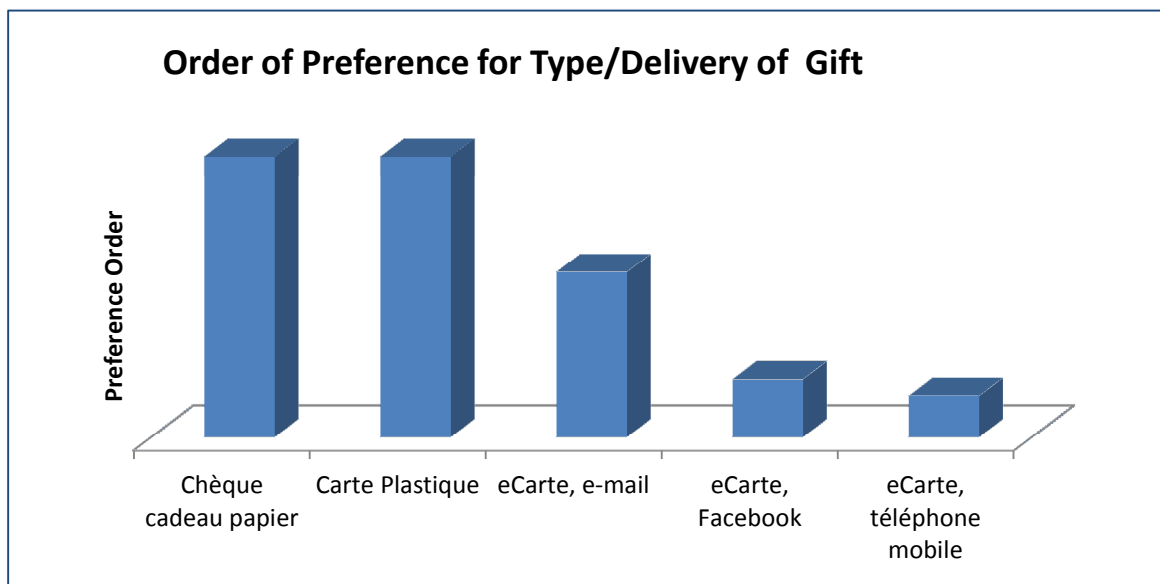


Fig.34

The above shows the average preferences for paper, plastique and eCartes in terms of the manner that consumers would like their gifts. Papier and plastique were tied in terms of average ranking on

the scale of one to five. Both Facebook and mobile telephones had less than 1% who selected them as their most preferred choice. Email did fared only slightly better with just over 1% preferring it as their first choice.

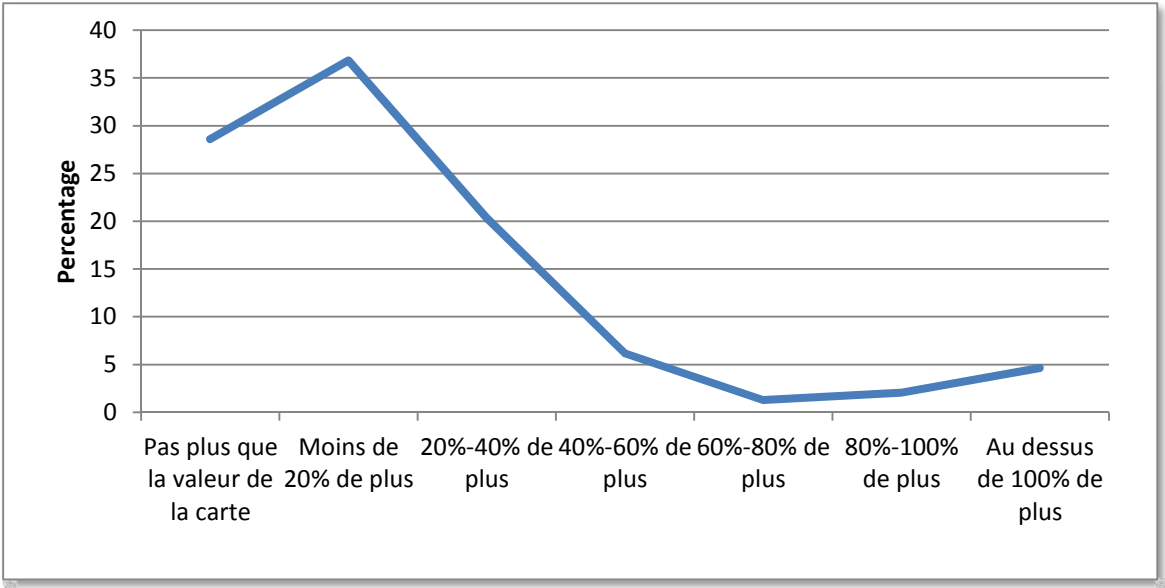


Fig.35

Incremental spending is one of the pillars of profitability upon which issuers rely when they are investing in the development of gift card programs. While more than one quarter do not report any incremental spending, most do to the extent shown above. This is a consistent pattern across markets as the 2012 data from Canada, shown below, demonstrates.

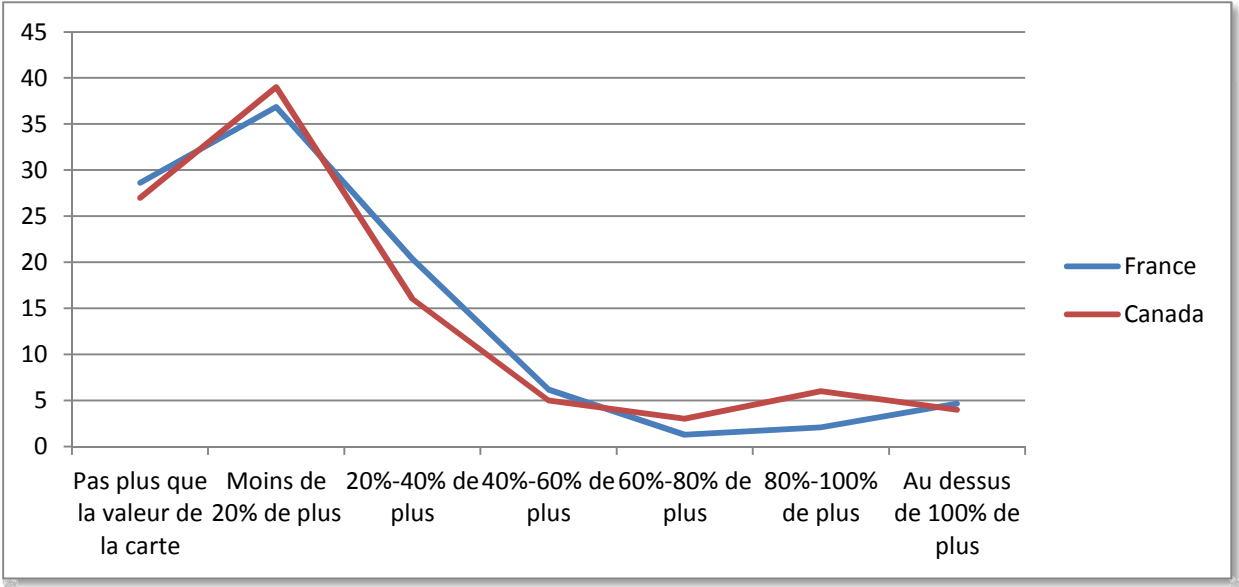


Fig.36

We asked recipients several questions about their attitudes towards receiving a gift card. Of prime importance is their feeling about choosing their own gift.



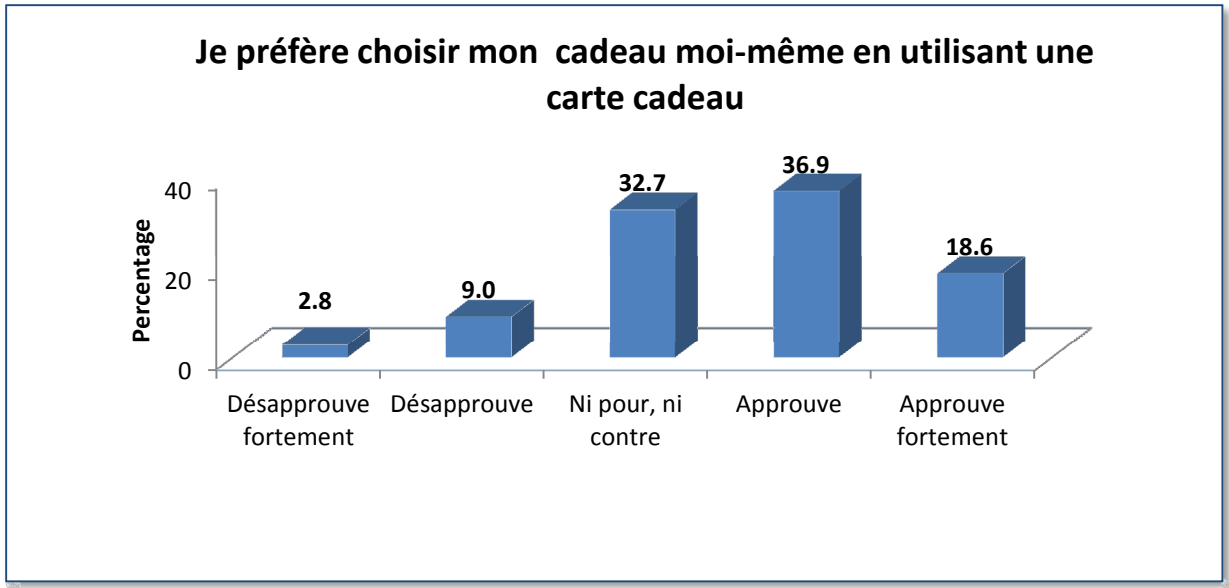


Fig.37

While there is little disagreement, just over half agree with the statement indicating less support than found in other markets.

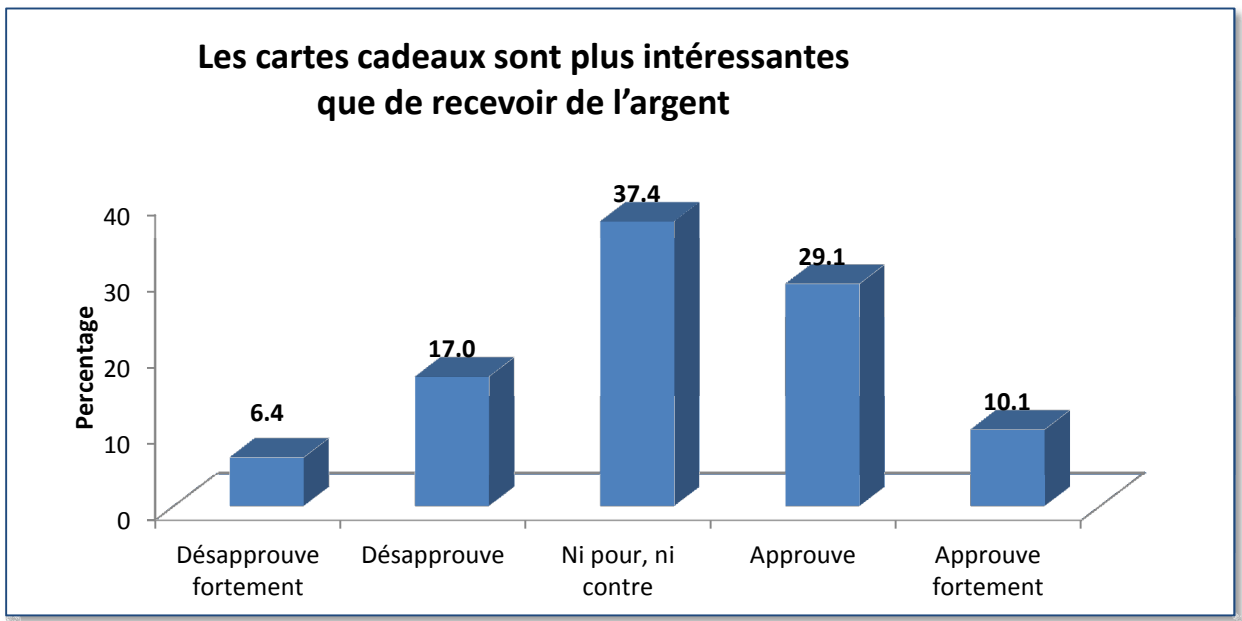


Fig.38

This result is contrary to economic theory and yet completely consistent with findings in other markets. Roughly 40% would rather have something that is designated as a gift, rather than money which often gets mixed with household funds and not used to acquire a true gift.

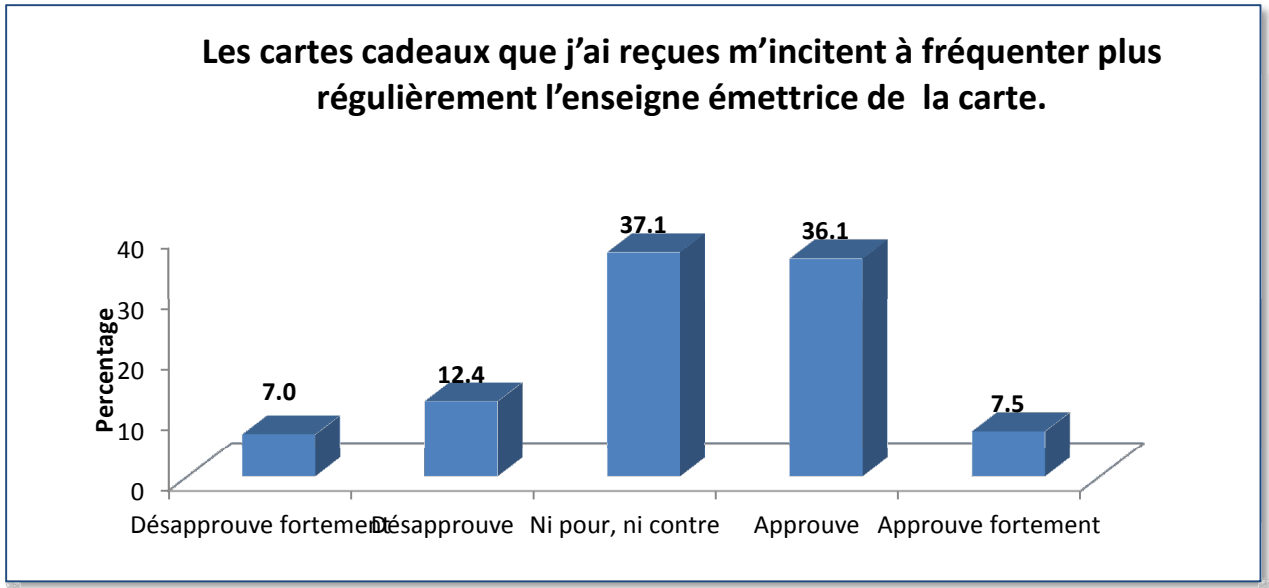


Fig.39

The above chart is a very positive finding for merchants and those running multi-brand gift card programs. Nearly half recipients indicate the receipt of a gift card changes their patronage behavior.

CARD DESIGN

We asked recipients how they felt about the design of the gift cards they received.

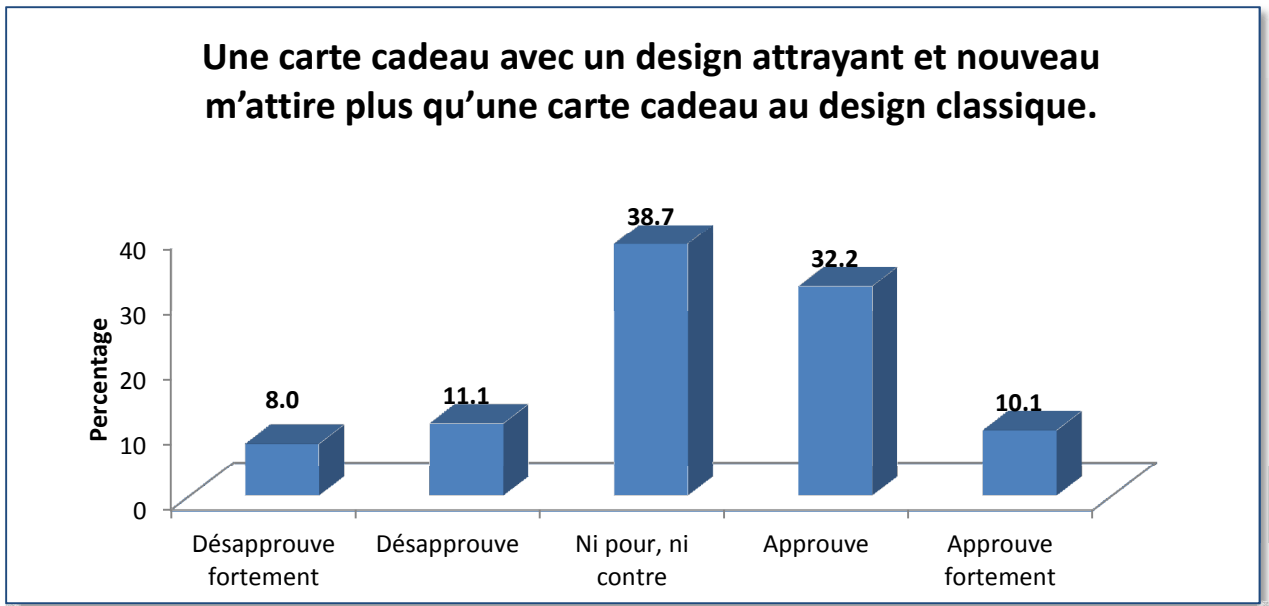


Fig.40

As expected, the most frequent response was one of indifference. However, a surprising 42% stated that they agreed they liked new and attractive card designs. This is higher than other markets indicating a higher level of concern for the appearance of the card.

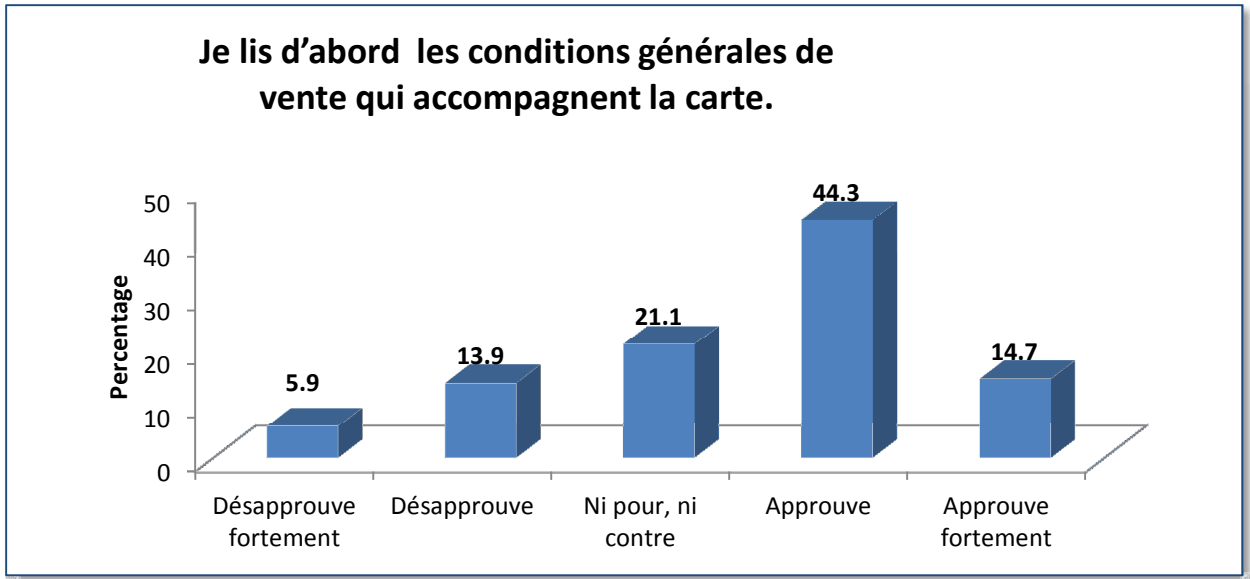


Fig.41

While only about 20% do not agree that they read the accompanying terms and conditions, this is probably the result of a demand bias. This result is consistent with other markets as well. However, while people know they “should” read the materials, most consider a glance the same as reading and this does not indicate understanding of the conditions.

WHEN THE CARD IS NOT THE PERFECT GIFT

Even with high levels of satisfaction, gift cards may not be the perfect gift on every occasion. As such, we asked about potential ways to use the cards without redeeming them at the store.

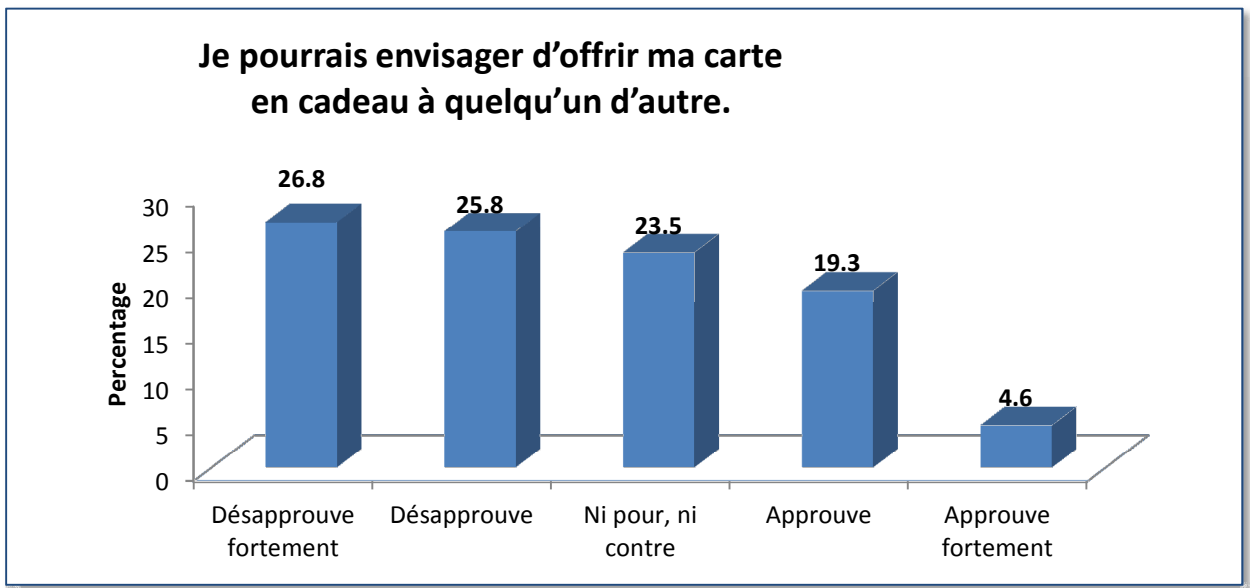


Fig.42

With only 25% thinking this is acceptable, the concept of “re-gifting” gift cards is not popular. This could be the result of strong levels of satisfaction with the cards being given. This is the exact pattern of responses found in Canada where 50% (vs. 52.6% in France) do not approve of the idea.

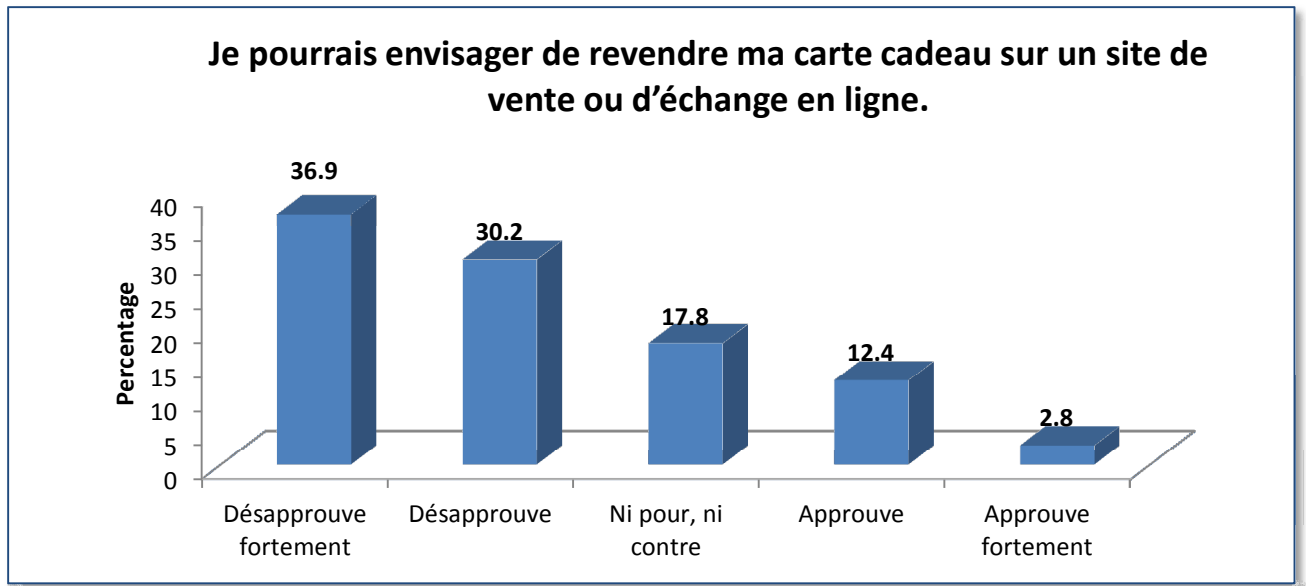


Fig.43

An even smaller number expresses positive sentiments about reselling cards in an online, secondary market. This number may grow as more sites of this type are developed. Although, in Canada where several sites have been operational for a couple of years, less than 10% of respondent find this concept agreeable.

NON-REDEMPTION

The timing of redemption and possible breakage is of interest to issuers and policy makers alike. Float is potentially a source of profit for issuers while governments are concerned about the protection of consumers and the possibilities of lost consumer value.

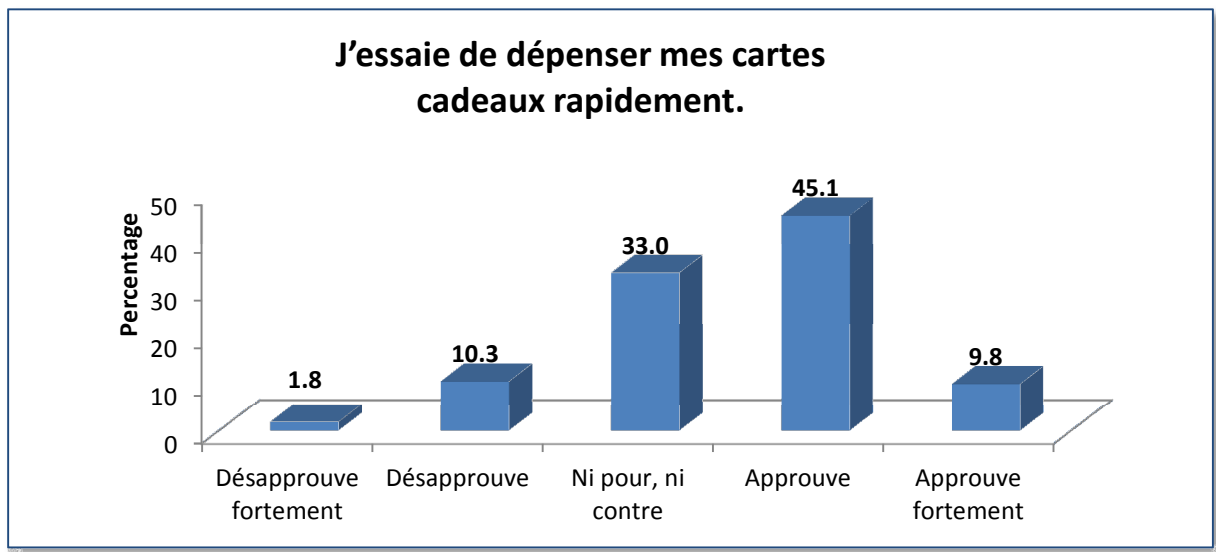


Fig.44



There appears to be a basic understanding by recipients that they should not wait on redeeming the value of their gift cards. Two factors are present which speed up redemption, 1) the recipient needs the value or 2) there is an understanding that the longer they wait to use the card, the greater the probability that they will not get value (because of cards becoming lost, forgotten, expiring, etc.).

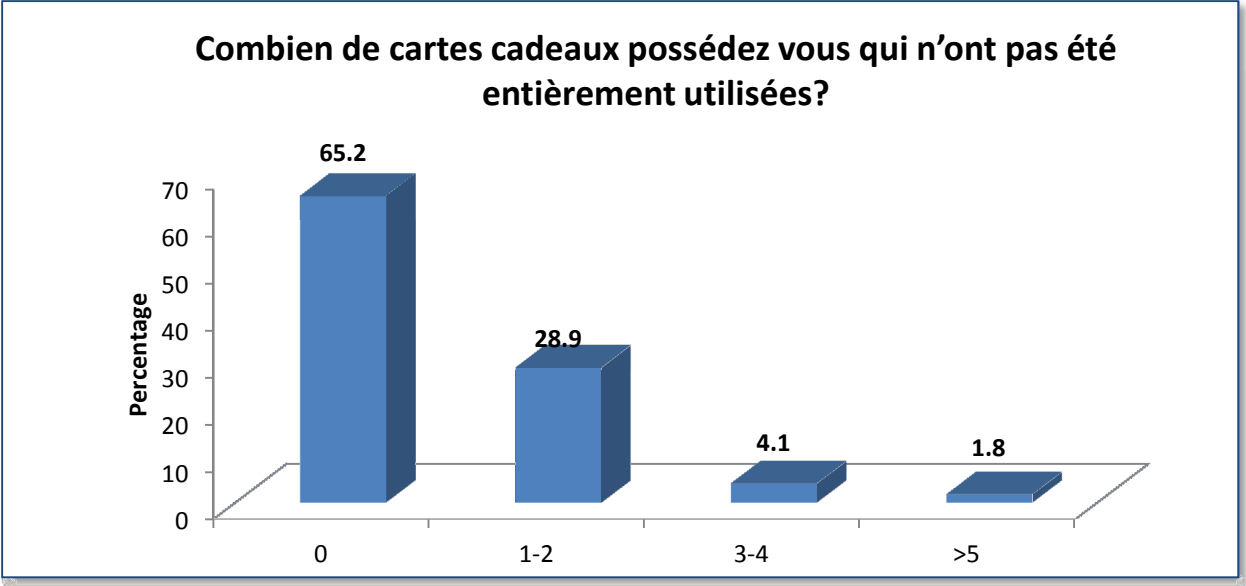


Fig.45

With two-thirds of cards fully redeemed, it is apparent that French recipients are intent on getting value from the cards they receive. This in part a function of the study timing as well. Data collected in late spring would have given those that received cards as Christmas presents ample opportunity to redeem them.

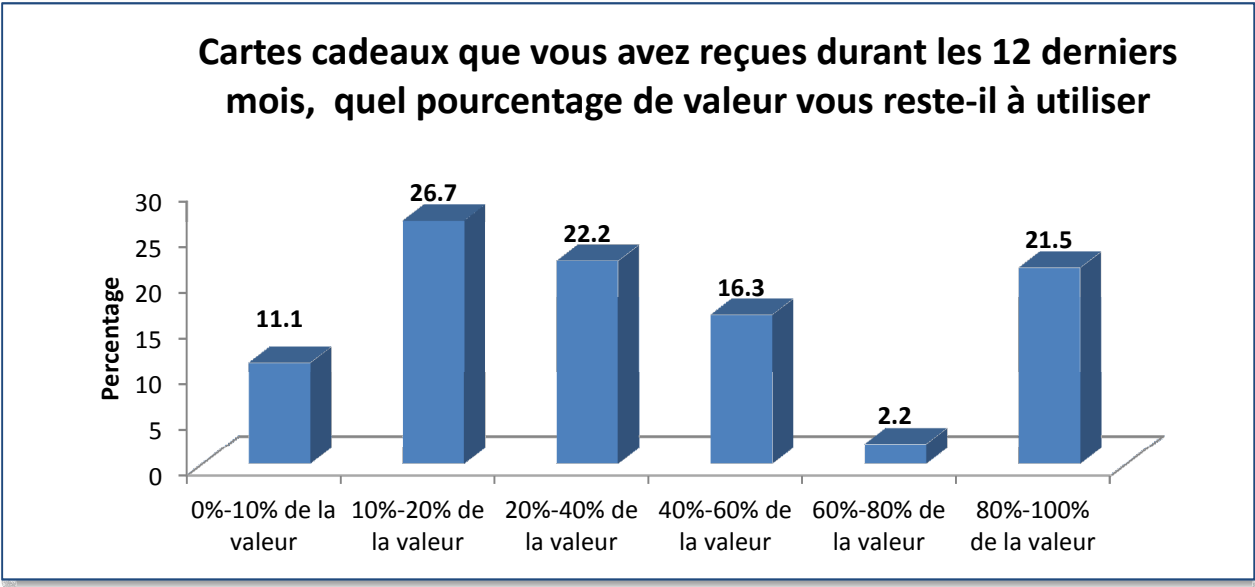


Fig.46



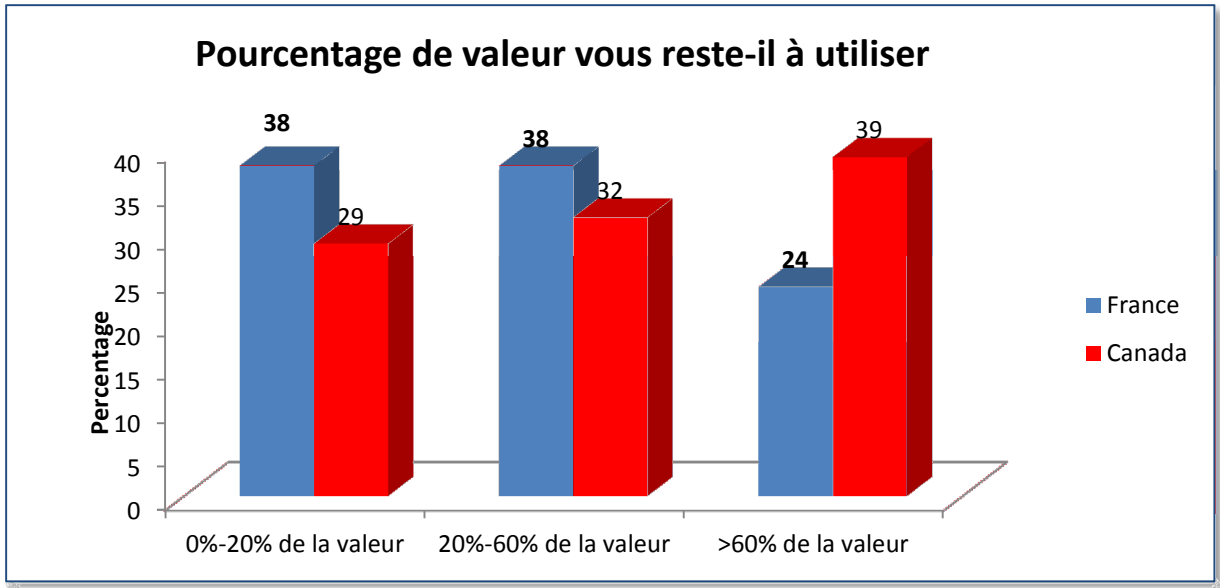


Fig.47

French consumers appear slightly more eager to redeem their gift cards than Canadian consumers which could be a function of the greater number of gift cards received and the longevity of the product in Canada, both of which lead to less novelty.

REASONS FOR NON-REDEMPTION

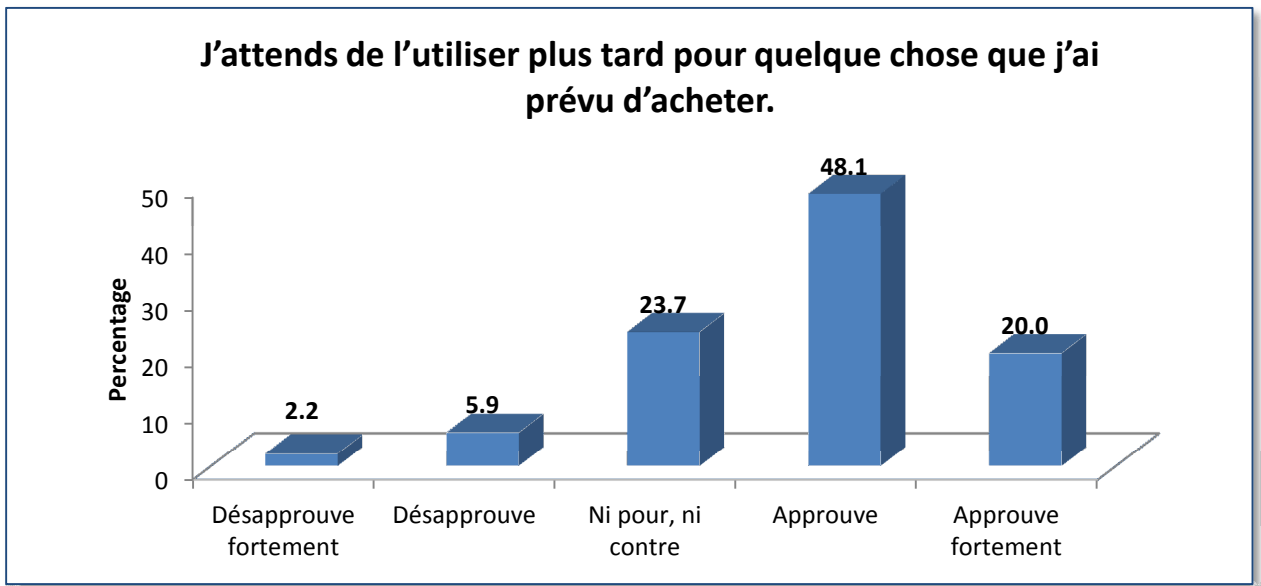


Fig.48

The most common reason for not redeeming their gift cards was that respondents were waiting to use the cards at a later time. This is the most frequently cited reason in every market we have studied and is consistent with the fact that gift cards show very high levels of satisfaction. It is not that they do not like the gift card, it is that they want to do something memorable with it.

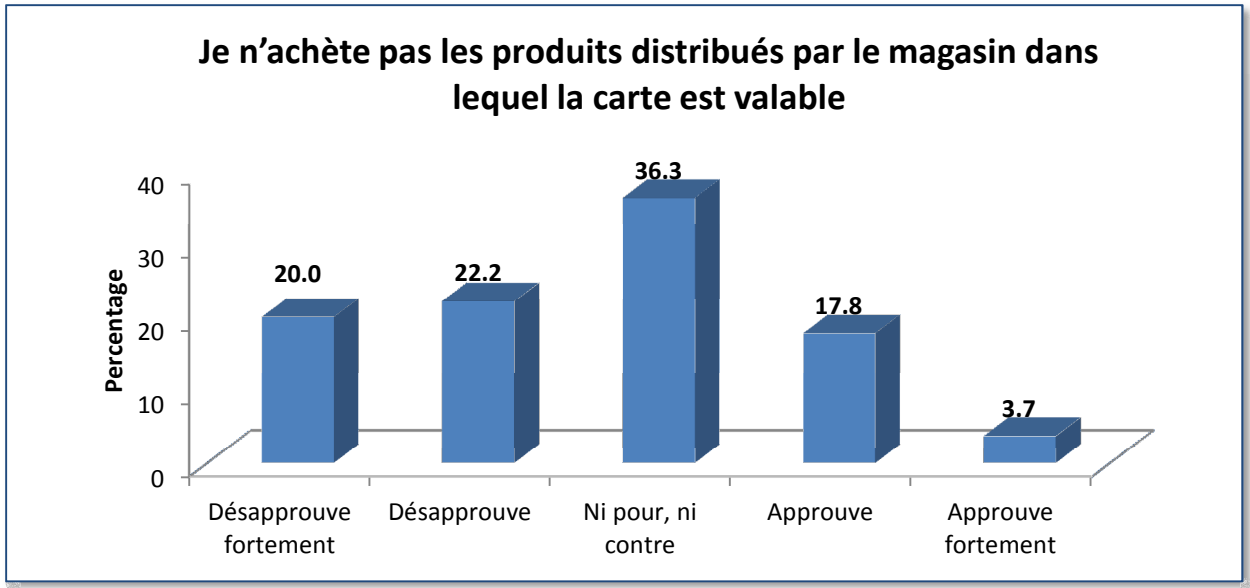


Fig.49

While 20% agreement is not too high, it is still greater than what would be expected if gift card purchasers were putting the right amount of thought into the store choice. The 20% figure is consistent with findings in the UK but double Canadian results.

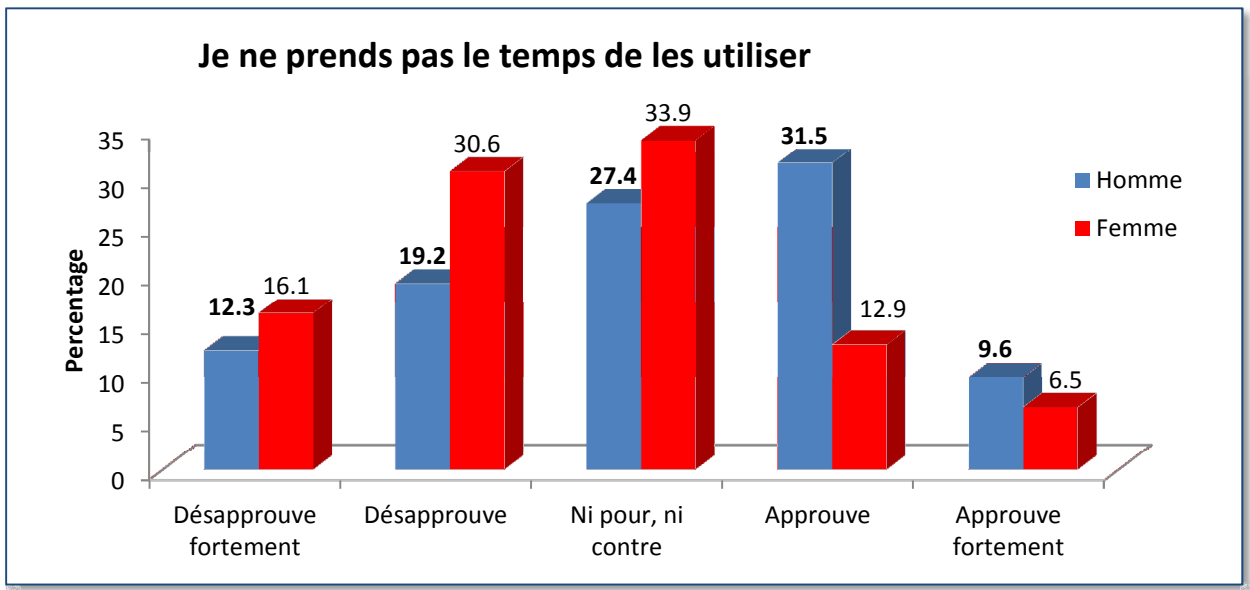


Fig.50

There is a significant gender difference on this item as shown in the graph above. The majority of males who did not redeem felt that the gift cards were not worth the time while less than 20% of women felt that way. This result may indicate a difference in attitudes not just about gift cards but about shopping in general.

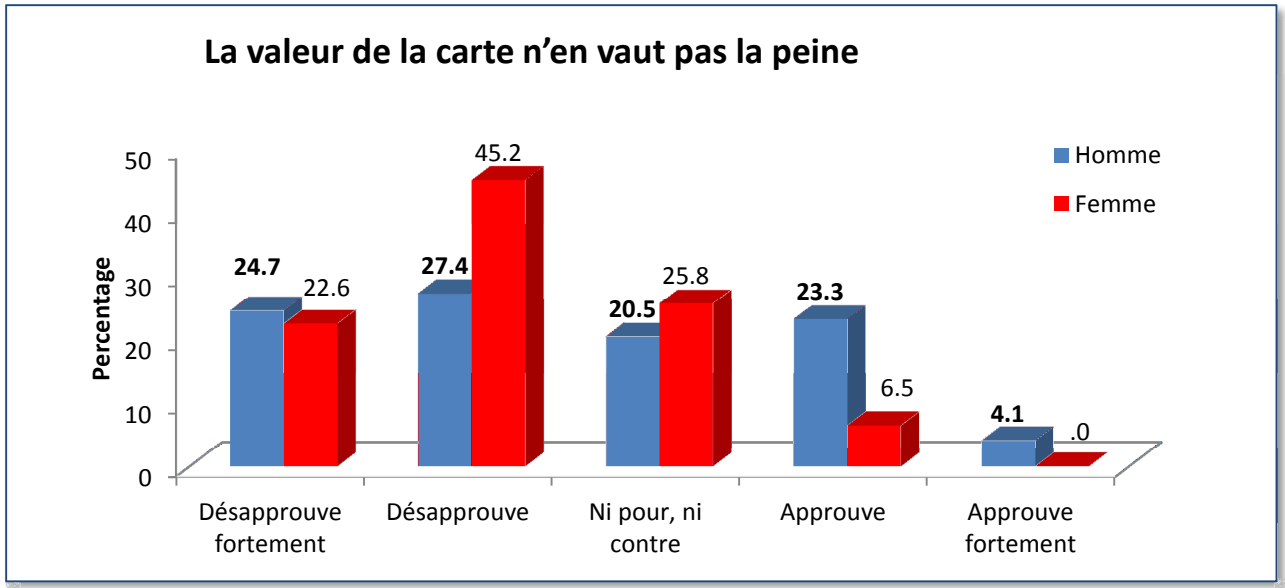


Fig.51

Again a large gender difference was evident in this question. For almost 30% of men, gift cards are not worth the trouble (just over half disagree). Conversely, only 6.5% of women agree with no one expressing strong agreement with the statement.

ABOUT GX

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Global Prepaid Exchange (Gx) is the widest reaching prepaid industry organization in the world. Its members are involved in issuing, processing, manufacturing or distributing three out of four of the world's prepaid programs.

Gx helps its members address everyday challenges faced by companies with ambitions to grow. Members use Global Prepaid Exchange to make connections, obtain intelligence and receive support for a wide range of growth-related activities. Whether your focus is delivering services to the industry or issuing prepaid products to drive incremental revenue, joining Gx will give you the fast-track to success. Our vision is that, by accelerating the growth of our members at lower cost and risk, we can build thriving commercial communities that enable the adoption of prepaid.

Gx provides a gateway to people, solutions, intelligence and resources for successful, growing companies through local satellites connected to a global network (we have an active presence in Canada, Germany, France, India, Southern Africa, UK and the USA). This means we can provide local intelligence and support for members in the context of wider industry developments. And our connections to people in prepaid in 71 other countries means members have access to intelligence and opportunities almost anywhere in the prepaid world.

Our local communities provide a gateway to local connections, intelligence and support in prepaid hotspots around the world. Each community's agenda is shaped by an Advisory Board that ensures activities are relevant to the unique characteristics of the local marketplace.

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