



THE ULTIMATE  
**GIFT CARD GUIDE**  
FOR BUSINESS OWNERS

**CARD**Source  
*Designed Success*

## GETTING STARTED

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Nearly everyone uses gift cards. Think about it; you probably have at least one gift card in your wallet or purse. Odds are, you've purchased one as a gift for someone else in the past year, too.

Gift cards are usually good for both in-store and online purchases, making them extremely versatile promotional tools. Billions of dollars are spent annually on gift cards—and that amount only seems to grow each year.



## SO.. WHAT ARE GIFT CARDS, EXACTLY?

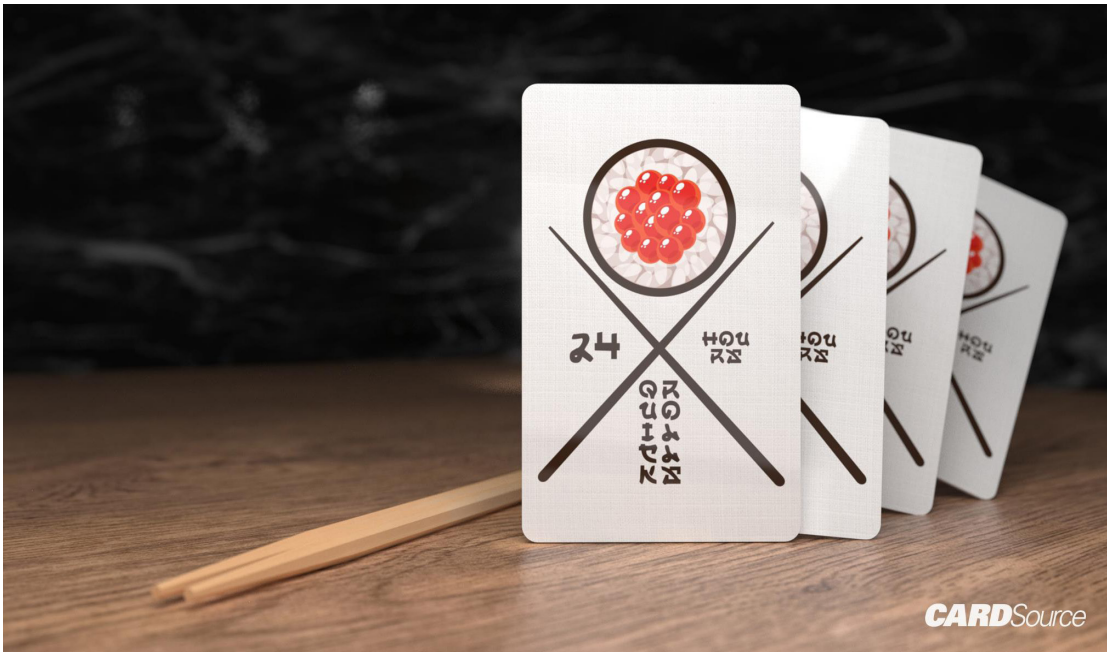
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Simply put, gift cards are plastic cards with a monetary value applied to them. Those funds are applied through a retailer, business, or bank. Some gift cards are designed to work with specific retailers. These are known as closed-loop cards.

Open-loop cards are usually more generic. These are redeemable at any location that accepts major credit cards. These are treated like cash but normally do not provide a cash-back option.

Gift cards like these don't contain any personal information, so transfer of ownership is as easy as handing the card off to a friend. Once the value of the card is depleted the physical card can be disposed of without concern for identity security.

Another term associated with gift cards is gift certificate. Some retailers and service businesses offer paper certificates that serve a similar function to gift cards. Gift cards often provide automated value tracking along with a durable, pristine card solution.



## CLOSED LOOP CARDS VS. OPEN LOOP CARDS

### Closed-loop gift cards

These are cards that only work at one store, or with one corporation's brands. For example, if "Sample Restaurant" offers gift cards that have their name and logo on them, and they can only be redeemed at their restaurant, that is a closed-loop gift card. They will not have the logo of a major payment processor like Visa® or MasterCard® on the card. Only the specific business' gift card processing program will accept these cards.

### Pros:

- Ensures recipients of the gift card return to your business to use it
- Normally free to activate for the user
- Gift cards that are purchased but never used become profit for the business (each state has different laws regarding unused gift cards)
- Allows businesses to make money on the products purchased using the gift card
- Many shoppers purchase more than what the value of the gift card covers, so business profits increase

### Cons:

- Limited flexibility—can only be used at a single business or businesses under one corporation
- Your business needs to have a gift card processing solution

## Open-loop Gift Cards

Open-loop cards look like a credit card, are not specific to a business, and are accepted nearly everywhere. They process on credit card systems such as Visa® and MasterCard®.

### Pros:

- Able to use at any business that can process credit cards
- Flexibility of usage almost like cash

### Cons:

- Normally requires an activation fee for the user or purchaser
- Old credit card terminals sometimes put “hold” or “pre-authorization” amounts on cards which can be a problem for gift cards, although this is less common as equipment gets upgraded
- Limited control of where the gift card is used, so you may not gain profit benefits other than the activation fee



## POINT OF SALE SYSTEMS AND PARTNERS

POS systems increase efficiency for all business sizes. The most basic POS systems started out as cash registers. Advanced technology records customer transactions, storing the consumer information onto the cloud. The software configures the complex data to give you a comprehensive understanding of your business sales in real-time. There are multiple types of POS systems that have all-in-one features to streamline business processes such as an inventory count or customizable menus for restaurants.

Gift cards and loyalty programs integrate with POS systems seamlessly. POS systems make it easy for printers to encode the card to work for your business. POS systems work well with gift cards and loyalty cards because you can analyze consumer behavior to see if your program is effective.

## WHAT ARE MY OPTIONS?

### Bulk Card Fulfillment

- Bulk packaging in appropriately sized corrugated sleeves (Sleeves can be branded and labeled with your business logo, reorder instructions, etc.)
- Shipping in corrugated outer packaging when appropriate
- Packing slips can be branded to your business for ease of distribution
- Reorder forms or promotional advertising may be inserted
- Ship on your account, a third parties or on ours

### Individual Card Mailing

- With distribution lists provided electronically, daily, weekly or monthly; cards are personalized or numbered, attached to customer printed letters, inserted and mailed
- Mail pieces are MLOCR sorted, co-mingled, and mailed at the best possible postage rate

### Other Card Related Offerings

- Card Backers
- Automated affixing of cards to backers
- Gift card sleeves
- Hole or Slot punching
- Custom Dies
- Clear Cards
- Lanyards
- Magnetic or pin backers



## ARE GIFT CARDS PROFITABLE?

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Without question; **yes!** When you purchase a gift card you pay the same amount you wish to add. For example, if you purchase a \$25 gift card at a restaurant and gift it to a friend, that friend can now take it to that restaurant and use it to purchase a \$25 meal. The restaurant had to pay to have the gift card available. How do they make money? Why would they want to offer gift cards?

**New customers:** People often give gift cards to their favorite businesses as gifts. This introduces new customers to the products and services and encourages them to visit. They'll likely use the gift card balance, but often they'll return and become a recurring customer.

**Increased spending:** When a consumer uses a gift card they often spend over the amount on the card, increasing profit for the business owner.

**Unused cards, balances, and fees:** Gift cards can sometimes be lost or forgotten about which means the amount abandoned on the card winds up as profit for the business. There can be fees associated with the activation of an open-loop gift card that can provide profit for the card issuer. The cost of gift card production is minimal to the profit opportunities. There may be instances where a single gift card use does not provide a profit, but the overall strategy is profitable. They get people to spend more, visit new retailers, try new products and services, and even recommend their favorite businesses to friends and family. To top it off, gift card spending continues to grow each year.



## WHAT ARE THE BENEFITS OF USING PLASTIC?

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There are paper gift card options that exist, though plastic cards maintain several advantages over paper.

**Durability:** Plastic cards offer a heavy-duty option that maintain a quality appearance over time. Paper bends, absorbs moisture, tears and shows wear and dirt.

**Magnetic stripes:** While there is technology that allows magnetic stripe application on paper, the longevity of the stripe is limited by the substrate.

**Environment:** There is a misconception that paper cards are better for the environment than plastic cards. Recycling is possible with plastic cards.

**Personalization:** Both card materials allow for personalization.

While paper gift cards do exist, plastic gift cards are much more common, more durable, and last longer—all while maintaining a quality brand identity for your business.

## HOW ARE TRANSACTIONS TRACKED?

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Every gift card includes a unique number in the form of a barcode, magnetic stripe, or even something as simple as a plain “human-readable” number. It is that number which is activated with the proper dollar amount.

To get started with a gift card program you’ll need to decide how you’ll manage the gift card information. Most businesses use a gift part of a point of sale (POS) system.

POS systems are available with different features and support levels. POS providers and card manufacturers like CARDSource work together often to ensure smooth gift card transactions. We have relationships with many providers and are happy to provide recommendations if you are searching for the right system for your business.

## WHAT KIND OF DISCLAIMER DO I NEED?

There are various types of disclaimers depending on how you are using gift cards. Rules you have in place, the message you want to provide your customers, and state guidelines can impact the disclaimer.

### Here are a few examples:

- Treat this card as cash. It will not be replaced if lost or stolen. This card is redeemable for merchandise only. Redeemable at <your company> locations nationwide. Valid two years from the date of purchase.
- Redeemable at <your company> for goods and services not exceeding the remaining credit balance on this card. Treat this card as cash; if it is lost, it will not be replaced. Valid for one (1) year from the date of issue. For gift card balance, terms and expiration date, present this card at <your company>. This card is property of the issuer.
- Your use of this gift card constitutes acceptance of these terms:
- This gift card may be applied toward any purchase made at any <your company> location. This gift card is not exchangeable for cash or replaced if lost or stolen. After 2 years of non-use, a \$2.00 per month fee will be charged.
- This card is good at all <your company> locations displaying the <your gift card program> symbol. Treat this card as cash; if it is lost, it will not be replaced. This card is subject to the terms of the <your gift card program> agreement. This Gift Card may be applied to the cost of any item in our restaurants or stores. For a list of participating <your company> locations, please call <your phone number>, or visit our web site <your website address>.







## WHAT KIND OF EQUIPMENT DO I NEED TO GET STARTED?

The equipment you'll need is determined by your unique needs. Normally, minimal physical equipment is needed for processing gift cards.

Beside the POS system equipment, gift cards are the only other item you need to have. Some businesses like to keep gift card holders on hand to offer a gift wrap or packaging option.

## CONCLUSION

Before you order gift cards, it's a good idea to set SMART goals and focus on your target market. Gift cards are a wonderful marketing tool and can help increase revenue and brand awareness in new ways. Take some time to think about all the possibilities and if you need any help we can always guide you through the process!