



# Is Standardisation of the Gift Card Industry Required?

July 2023



Wouldn't it be great if a consumer knew exactly what to expect from a gift card? No question about whether it can be used both in-store or online. No question about whether they can add it to their Apple Wallet on their iPhone for easy access. No question about when it expires.

This raises the question of standardisation; something that has been causing chatter in the gift card industry in 2023 so far. Would having a set of universally-accepted standards around gift cards be beneficial?

Is it time for retailers to raise the benchmark and make investment decisions to leave their legacy gift card management systems behind? Is it time to embrace the modern technology architecture that today's gift card landscape demands?

**We at Savvy believe it is.**

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# 1. The Driving Factors of Standardisation

So, what are the driving factors fuelling the conversation around standardisation in the gift card industry?

## 1.1 Improving Consumer Protection

Ensuring the gift card industry operates at a set standard will actually drive opportunity as buyers can feel more assured that stakeholders in the industry are holding themselves to an increasingly high standard, and the end user experience is both predictable and high quality.

Standardisation has the potential to help protect consumers from opaque practices such as hidden fees or very short expiration dates. Wouldn't a guaranteed period of time where a card balance simply cannot be touched by the issuer be a good thing? Won't clarity bring confidence?

Or let's examine fraudulent activity, for example. Fraudsters are using sophisticated technology including AI and the type of legacy systems running with sequential gift card number logic (that many retailers are still running on) are in the bad guy's crosshairs. These systems are being used today to run million and billion-dollar programmes and that's a situation these brands may need to review.

It's time that consumers' data was protected by bringing all retailers and the like up to date with modern bomb-proof gift card processing technology that is stronger in the fight against fraud, making money laundering and fraudulent gift card activity harder to carry out. This protects both brands and their customers.

## 1.2 Increasing Convenience and Value

With many payment methods having come on leaps and bounds in recent years, today's consumer is more demanding than ever before, with low patience for clunky payment methods. Thanks to the ease of modern transacting such as contactless payments and Apple and Google Pay, they need and expect streamlined and fuss-free retail interactions wherever they go.

The problem is, the technology around gift cards hasn't changed all that much over the years. The way that they are used, particularly in-store, has pretty much stayed the same since gift cards began to replace paper vouchers some 20 years ago. With consumers used to a certain level of ease and convenience when it comes to payment methods, working with somewhat outdated gift card user experiences in-store and online can be jarring.

Why wouldn't you want to make using your gift card easier for your customers? Working out how exactly a gift card can be used and redeemed shouldn't have to be a headache for consumers. If it is, many will simply decide not to bother. It's time for gift cards to get up to speed with payment advancements to keep them thriving in the market. Failing to meet the level that consumers are demanding could result in the product appetite dissipating somewhat, leaving less interest to buy gift cards.

## 1.3 Enabling Industry Growth

Standardisation in the gift card industry could facilitate the growth of the gift card industry as it would lead to increased quality, efficiency, interoperability, risk reduction, supply chain simplification and trade facilitation.

In turn, this could create value for customers, suppliers and other stakeholders and enable businesses to compete more effectively in the market and new players to enter and keep up with established brands.

Perhaps another way to think of this is to ask ourselves whether the Apple iOS user experience is a better and superior one, compared to the multi Android OS experiences one gets depending on which Android phone you purchase? One single user experience with no forks that diverge on different devices - allowing Apple to enrich their design flow, and quality of product experience.

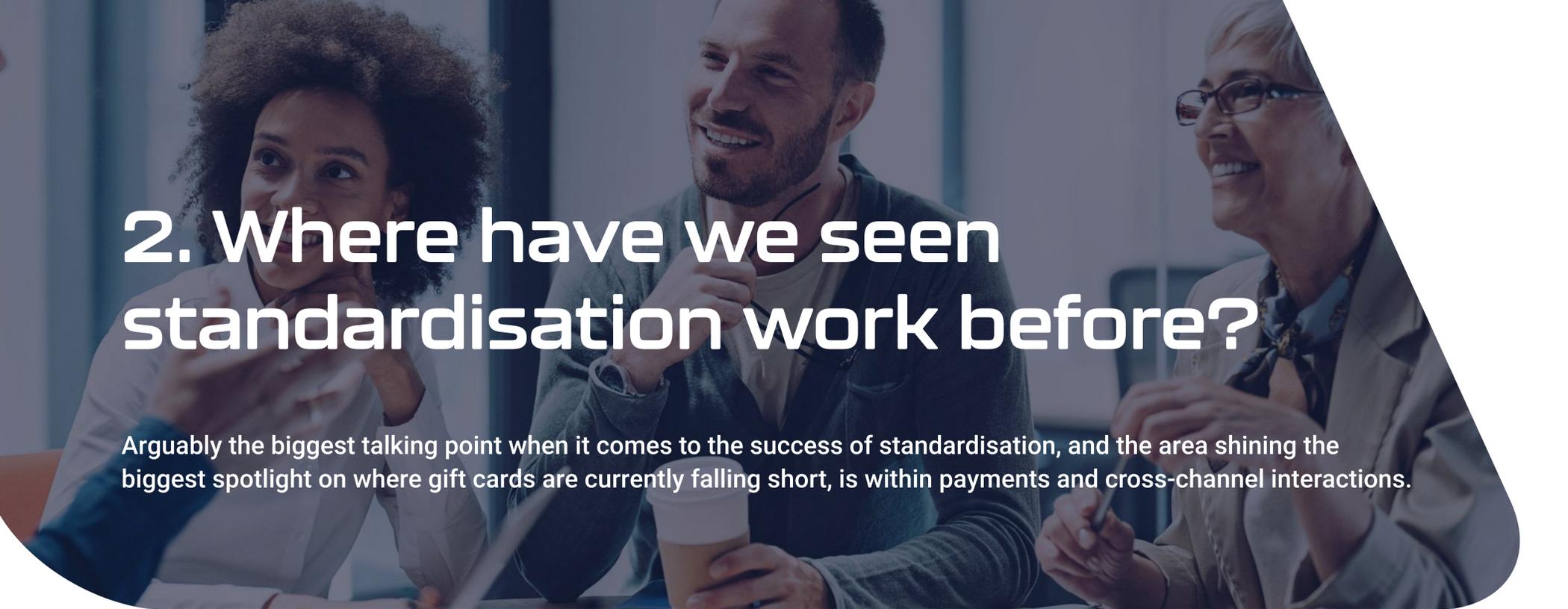
## 1.4 Interoperability

One of the maddening blockers to a brand when launching or upgrading their gift card systems, is the bespoke messaging and interface specifications they need to work with when moving between vendors.

Imagine if you wanted to upgrade your office interior and decided to change your corporate office furniture supplier from Vendor A to Vendor B. But in doing so, you had to remove all the windows, floors, lifts, and ceilings and tell the customers you'd not be available to them for a few weeks? A simple upgrade of a vendor becomes a huge business disruption not worth the effort so you stay put with increasingly old and outdated furniture instead.

Crazy right? Except that is the precise brand dilemma today globally if they wish to change their gift card processor. Bespoke interface and messaging, no industry common standard for system integrations, huge switching costs all combine to create massive barriers to switching and act as a lead weight to the brand's gift card ambitions. But it doesn't have to be this way.



A photograph of three business professionals (two women and one man) sitting around a table, engaged in a discussion. The man in the center is holding a coffee cup. The background is a blurred office setting.

## 2. Where have we seen standardisation work before?

Arguably the biggest talking point when it comes to the success of standardisation, and the area shining the biggest spotlight on where gift cards are currently falling short, is within payments and cross-channel interactions.

### 2.1 Payments and Cross-Channel Interactions

Pre and post-covid, consumers' expectations around payments and transacting have totally changed. Contactless payments were first introduced way back in 2007 but it was slow to take off in the UK. Fast forward to 2016, however, and spending on contactless cards skyrocketed and within the first six months of the year had outstripped the amount spent on contactless for the whole of 2015.

The Covid pandemic only accelerated this further. Contactless payments were the perfect solution in a minimal-contact time period in society. They allowed us to pay for items without physically handing our credit or debit card to anyone. Throw Apple and Google Pay into the mix and now you don't even need your physical card to make a payment. It's all stored in a wallet on your phone, making it even easier to make payments on the go.

What's interesting is that all banks have had to conform to a set of standards around contactless spending, making it simple for consumers. Imagine the confusion if, for example, your Barclays debit card could facilitate contactless payments up to the value of £50 but your Natwest card could do £80. The standardisation around contactless payment limits in the payment industry has meant greater acceptance and ease for the consumer.

When it comes to gift cards, however, this technology is not reflected. You may still be required to hand over a physical card to be swiped when redeeming a gift card. You may even need to hand over a printed-out digital gift card to be scanned. Whilst some brands do now offer the ability to use a gift card stored in a mobile wallet, this is far from the norm for the majority.

It's this inconsistency that can be frustrating for consumers, making it hard to know what to expect from a gift card. We need to make gift card spending simple if we want consumers to continue investing in them.

### 2.2 What Would Standardisation in the Gift Card Industry Involve?

What will it actually take in order to bring standardisation to the gift card industry? Sure, it's no small feat. It's going to require collaboration among retailers, service providers, financial institutions, government agencies and consumer groups.

The framework would need to balance the need for standardisation with the need for flexibility and innovation. Plus, it would need to be regularly reviewed and updated to reflect changes in the gift card industry and consumer needs.

The end result? Ideally a comprehensive set of guidelines and technical specifications that cover various aspects of gift card issuance, management and use. These would include:

## 2.3 Card Design and Features

Standardised gift cards should have a uniform design and set of features. We're not saying that they should all look identical but minimum standards for examples around the placement and prominence of the card number, security code and expiration date policy. This is largely something that is in place today, however, standardisation would formalise these guidelines across the board.

## 2.4 Legal Requirements

Perhaps one of the most important elements that should be standardised is legal requirements. Essentially, there should be guidelines in place across anything that governs the use of a gift card, such as consumer protection laws, accounting and taxation regulations and data privacy requirements.

## 2.5 Technical Specifications

Standardised gift cards should comply with a set of technical specifications such as data formats, encryption protocols and compatibility with point-of-sale (POS) systems and mobile devices. Bringing all gift cards up to a certain level of modern technology will help to level the playing field for retailers and provide consumers with efficiency across the board.

## 2.6 Issuer Requirements

The standardisation framework should include requirements for gift card issuers, such as the procedures for gift card activation, deactivation and replacement as well as guidelines for cardholder communication, customer service and dispute resolution.

## 2.7 Consumer Protections

Standardised gift cards should include consumer protections such as disclosure requirements for fees, terms and conditions as well as protections against fraud, loss and theft. Consumers should be able to know exactly where they stand, no matter the brand of gift card they are holding.





## 3. What are the Obstacles that Standardisation is Facing?

Although we at Savvy are all for standardising the industry and believe in all the benefits, we can recognise that there are plenty of obstacles to get over first, and reasons why it may be met with resistance.

### 3.1 The Efforts of Change

Standardising the industry would be a big change - and big changes aren't always easy. Many brands are likely to be resistant to moving from legacy systems and their own way of doing things. The changes being proposed in order to standardise gift cards will mean uprooting and changing a lot of processes for many brands and this may not currently feel like a priority.

### 3.2 Cost

Of course, investing in new technology and investing the time to implement changes is not going to be cheap. Many brands may be asking, 'If it isn't broken, why fix it?' The challenge at hand is getting these brands to understand the huge value in these changes and the long-term benefits they hold for the industry as a whole.

### 3.3 Curtailed Innovation

If everyone is playing at the same level with uniform requirements, this could limit innovation and competition among gift card issuers. This may not be suitable for all business models and may be met with resistance, particularly for those in competitive spaces such as retail.

### 3.4 Complexity

As previously mentioned, standardising the gift card industry is not going to be a small job. Developing and implementing a standardisation framework would require significant resources and coordination among various stakeholders, including retailers, financial institutions and government agencies.

### 3.5 Fragmentation

It's all well and good to develop and implement a standardisation framework, but what if it isn't universally adopted? Compliance with standards is likely to be tricky to monitor - at least initially. This could lead to fragmentation and potentially reduce the overall benefits of what we're setting out to do.

# 4. The Wider Industry View

So, what are the general thoughts and feelings amongst others in the industry? We got in touch with Jonathan Grey from Ovation Incentives and Brian Dunne from GiftCard Consulting to offer some different perspectives.



Jonathan Grey is founder and CEO of Ovation Incentives. For over 20 years Ovation has been using gift cards in their various forms as an incentive mechanism for employee and customer reward programmes, mainly for international business. They have a supply chain of about 1800 different retail gift cards in over 80 countries and so knows first-hand the standardisation issues facing his corporate customers and the end users of gift cards.

"You wouldn't believe the myriad of different tax statuses, issuing technologies, redemption technologies, accounting regulations, consumer protections and compliance requirements that exist around the world when it comes to gift cards and vouchers... even the definition of what a gift card is gets complicated in certain jurisdictions!

However, the interesting point to note is that in countries where there is standardised accounting and consumer protections and legal frameworks around gift cards, those countries tend to have the most successful and advanced gift card sectors. It should not come to anyone surprised that with standardisation comes certainty, and with certainty you can invest to build businesses. Take for example the current debacle in Germany, where a certain type of gift card is a gift card when it's given as a consumer incentive, but the same product is not a gift card when it's given to an employee as a tax benefit. I know this is simplifying the matter a little bit, but such ambiguity and lack of standardisation in the regulatory framework in Germany is absolutely killing innovation and investment in that market.

On the other hand, in countries where there is standard consumer protections around expiry and accounting treatment, such as in US and Ireland, the markets are flourishing, innovating and growing as all parties in the chain, from the retailer / issuer through to the corporate or consumer buyer and ultimately the redeemer know exactly where they stand legally regarding their consumer rights and legal status.

I understand and sympathise with Eoin Whyte's central points on seeking technical standardisation in the gift card industry, which would of course lead to significant productivity gains and investment. However, I do think that the path for growth with standardisation in our industry lies with each countries legislators in the first instance. If we can wrap a set of governing rules around the issue and use of gift cards in society, that will lead to greater trust and confidence in their use. The technological innovation that will emerge from this certainty will in itself lead to areas of standardisation on the technical base."

**Jonathan Grey - Founder & CEO of Ovation Incentives**



"Standardisation is set by the industries that do the same as us "

I heard at a recent conference. Because UBER introduced seeing the vehicles exact location instantly, the customers expectation of any taxi or logistics business was that same visibility of my cab or order. My pizza delivery was now having to work to that same standard or fall behind.

Now , we in the gift card industry are the pizza delivery of logistics as gift cards are to the greater world of payments. Customers increasingly expect the standards set in their day to day payments to also work for any other payment type, including gift cards. I'm likely to be far less tolerant going forward if I cannot use my gift card the same way I can use my credit card and not just as a contactless/mobile scan experience but also in the same places, pay at table, self check out, in app, vending machines etc.

The irony here is that the treasury flow of funds is actually a lot simpler in our industry because the funds are prepaid to the merchant. No need for card acquirers, the extending credit, or part payments is in play so this should be the easiest to reconcile and allow all forms of use but somehow we have not stayed aligned with the modern consumer experience. I know it's not easy - but it's what customers expect and frankly if the pizza guy can do it so should we."

**Brian Dunne - Giftcard Consulting**

# 5. The Savvy Perspective

From us at Savvy, this is our perspective...



"We actually launched Savvy in 2004 and as we head towards our 20th birthday in 2024 I am hugely excited about the potential for our industry and Savvy's opportunity to be part of the next wave of industry growth. But my sense is that the ways of doing things that got the industry this far, will have to evolve if we are going to go to the next level.

Imagine if the rules of the road changed every day depending on what car you are driving. Just doesn't scale does it? Keeping the end user experience in mind at all times and working backwards will keep us all anchored to what is required - and today's consumer is not the one we were dealing with 20 years ago. They are more demanding, more impatient, more willing to switch, more diverse in their needs, We all have to evolve to keep up."

Eoin Whyte - Savvy

## 5.1 The Savvy Solution

It's time to take a fresh, long-term view of your gift card architecture, partners and infrastructure and upscale your platform for the next 10 years with Savvy.

We will help you do this with our cutting-edge analytics capabilities, processing and platform configurations. We can also enable you to work within B2C and B2B channels via our API network reach, broadening your sales prospects and growing your brand.

Our advice would be not to put this off any longer. You make advancements in other parts of your business driven by consumer needs - this should be no different. The chances are that the gift card technology you have today is probably no longer safe, strong or effective enough to protect your business and customers and give them what they need.

## 5.2 The Final Word

Whilst there are a number of themes driving the conversation about gift card standardisation, there's one thing weaving all of these themes together; the need to modernise gift card technology to cater to and protect consumers.

It's time to hold yourself to the high standards needed so that your customers can feel more comfortable about buying gift cards, and Savvy holds the key to robust and modern technology that you need to bring you up to speed.

Interested in finding out more? You can book a free 30-minute meeting to see our technology in action and find out what we can do for you and your business goals, or contact us if you'd like to chat with someone from our friendly team. We're available via our website or give us a call on 0870 735 2829 (UK), 0190 22752 (Ireland) or 001 (502) 489 4439 (USA & Canada).