

Industry Response to CCAC Gift Card Review – Issue Paper

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CCAAC Gift Card Review
c/- The Manager
Consumer Policy Framework Unit
Infrastructure, Competition and Consumer Division
Treasury
Langton Crescent
PARKES ACT 2600

Cardlimbo Background

Cardlimbo is Australia's leading online one stop shop for gift cards. We operate Australia's only dedicated secondary market for gift cards. We also distribute a wide range of gift cards on behalf of Australia's most well known retail brands.

Cardlimbo was launched in response to Consumer Concerns

Cardlimbo was launched in March 2010 in response to growing consumer concern for greater flexibility regarding the use of their gift cards – a free market response to emerging consumer needs.

Cardlimbo offers consumers the flexibility to choose exactly how they want to use their gift cards. Consumers can sell their unwanted gift cards for cash, swap their gift card for another card and purchase gift cards at discounted rates (traded in the secondary market). We also sell new gift cards via merchant relationships into the consumer to consumer gifting market.

One reason this model works is because it does not place any additional constraints on retailers yet resolves many consumer concerns. Further, since gift cards sold in the secondary market are bought by those intending on using these cards themselves (to acquire an in store discount), redemption rates are close to 100%. Cardlimbo transfers the risk associated with holding expired stock from the consumer to Cardlimbo.

The US clearly demonstrates the success of a secondary market in meeting consumer needs

The secondary market is still in its infancy in Australia. The market, however, is significantly more mature in the USA. Over 20 firms are competing in this space. They have received the endorsement of retailers as well as from the equivalent of our National Retailer's Association.

With the advent of a maturing lifecycle and the initial proliferation of competitors, the US secondary market is beginning to consolidate. As an example, two of the leading firms Cardpool.com and Plasticjungle.com recently formed relationships with the 2 largest prepaid card providers globally. Blackhawk Network recently acquired Cardpool and Incomm this year formalised a strategic partnership with Plastic Jungle.

This new market space is stimulating innovation, creating jobs and creating new market efficiencies, whilst meeting consumer, corporate and retailer needs.

We believe the formation and support of a secondary market in Australia is a critical element of the gift card industry and provides one of the least costly solutions to many consumer concerns without placing any constraints on our retailers.

Benefits to Australian Consumers:

- Helps to overcome many of the non cash constraints imposed by gift cards
- Shifts gift card expiry risk from the consumer to Cardlimbo
- Provides a means for consumers to exchange gift cards for cash or other gift cards
- Shifts gift cards from those that see little value in these cards to those that value these cards highly
- Saves consumers money on acquiring discounted gift cards.

Benefits to Australian Retailers:

- Helps pull more consumers into retail stores
- Helps retailers better manage gift card liabilities held on their balance sheet.

Cardlimbo's unique position in the market provides it with a deep understanding the gift card market and consumer concerns

Research conducted with Melbourne University, our consumer surveys and our trading history reveals the following consistent findings:

- 83% of consumers redeem their gift cards within the first 6 months*
- Gift cards that do expire do so because:**
 - The consumer does not want anything from that store
 - The consumer did not understand that alternate avenues existed for swapping or selling gift cards
 - The consumer lost or forgot about the card
 - Consumers were not aware of the relevant gift card's terms and conditions
 - Consumers did not realise how much balance was still existing on their gift card
- Non redemption/ expiring gift cards averages ~10%*
 - Redemption rates vary considerably based on card popularity and denomination
- Key concerns regarding dissatisfied gift card customers often relate to a lack of understanding regarding the terms and conditions of gift cards and gift cards from firms in administration.**

**Melbourne University Research (sample size 768)*

***Cardlimbo customer correspondence and surveys*

We believe four themes would be useful to consider in addressing many of the consumer concerns we have been presented with.

1. Secondary market support will alleviate many consumer concerns by providing consumers with additional options

- The secondary market is an ideal and cost effective way of creating market efficiencies and resolving many consumer concerns. This in turn fosters the creation of a new industry, innovation (a significant investment in new technologies) and jobs for Australians. Promoting secondary market services to those that do not yet understand that this option exists will go a long way to supporting consumer concerns.

2. Consistency in Terms and Conditions would reduce consumer confusion

- Most gift cards provide 12 month expiry terms but there is a high degree of variation. A consistent set of terms, e.g. a minimum expiry term, would help reduce confusion and support educational efforts. This is particularly applicable in the consumer to consumer gifting market.

3. Educate consumers at the POS and on the Gift Card itself

- Clearly articulating to both the purchaser of the gift card and the person receiving the gift card, the key terms and conditions would significantly resolve concerns. This means T & Cs need to be overtly communicated at the point of sale and on the gift card itself.

4. Providing a minimum level of Retailer/ Distributor services

- Retailers and those issuing gift cards must also provide consumers with basic gift card services, including:
 - a. A customer service contact
 - b. The ability to check the balance of their gift card online or via the phone
 - c. An avenue for dispute

With unique access to consumer concerns, Cardlimbo would welcome any involvement in future discussions with the government

As the pioneer of the secondary market in Australia, our understanding the gift card market and day to day interaction with consumers and their concerns, our intimate knowledge of the US market and future trends, and our range of industry contacts, we would be delighted to be engaged to support your efforts in creating a framework that meets consumer concerns.

We would also be happy to support any further research efforts.

Regards,

Fergus Koochew
CEO and Co-Founder
Cardlimbo
Fergus.koochew@cardlimbo.com.au
0419 136 347
1300 134 163