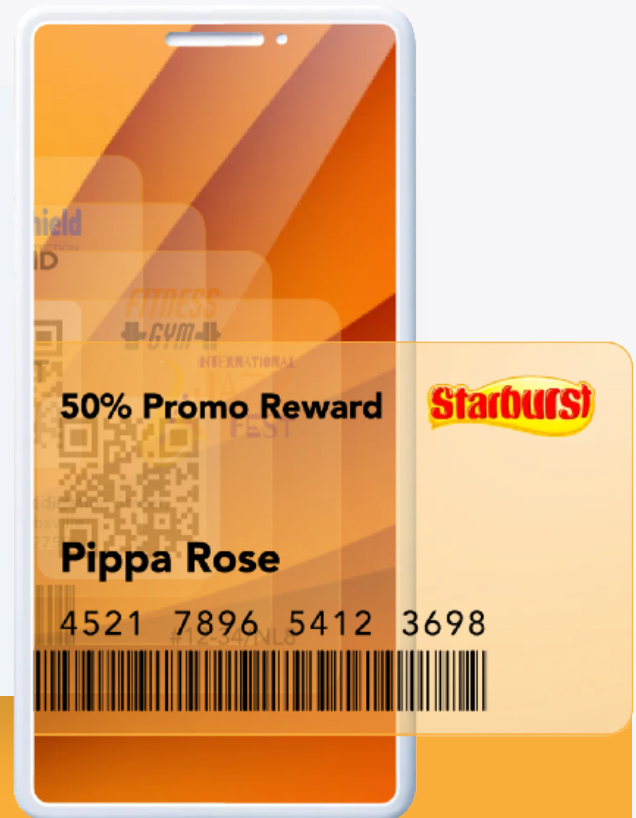


Expert Insights

## Transforming Gift Cards



Bringing Gift Cards into the  
Digital Age

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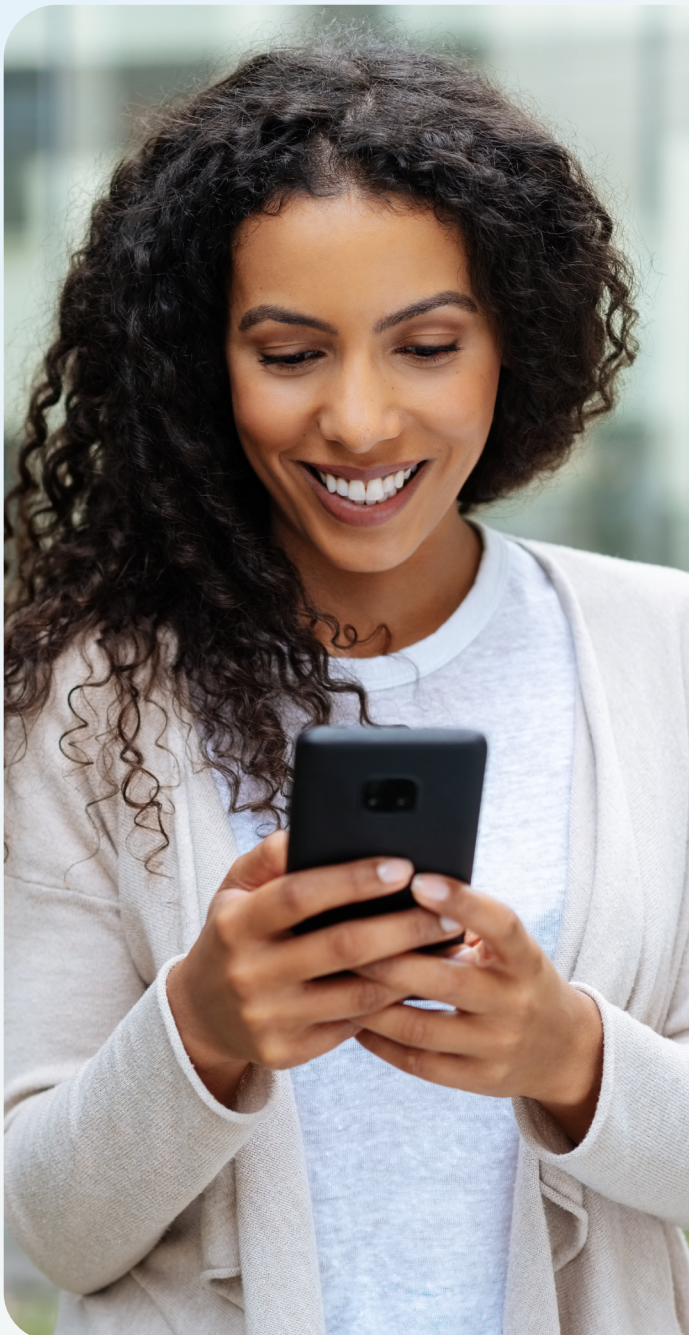
**Taras Tsyrukun**

Marketing Manager

# Executive Summary

The retail industry is experiencing a significant shift as digital solutions rise to meet evolving consumer preferences. Traditional physical gift cards, often hampered by high production costs, security concerns, and limited engagement options, are proving less effective for today's mobile-savvy shoppers. In contrast, digital wallet gift cards offer a forward-looking alternative that leverages mobile technology to improve convenience, enhance security, and boost engagement, aligning closely with the needs of modern consumers.

This white paper delves into how digital wallet gift cards overcome the key limitations of traditional gift cards, providing retailers with a more scalable, efficient, and cost-effective solution. By removing the need for physical distribution and using mobile wallet features like push notifications, geotagging, and real-time balance updates, digital wallet gift cards streamline operations and increase customer interaction. Additionally, their digital format enhances security through encryption and tokenization, protecting both consumers and retailers from potential fraud. Macy's success story exemplifies these benefits, showing how digital wallet gift cards can improve redemption rates, simplify processes, and enrich the shopping experience. As digital wallets integrate further into daily life, digital gift cards are set to become an indispensable tool for retailers looking to fulfill the needs of today's consumer.



## Introduction

In an era marked by rapid technological advancement and shifting consumer behaviors, the retail industry is facing an imperative to evolve. Traditional gift card programs, burdened with the complexities of physical card production and distribution, are struggling to meet the expectations of increasingly tech-savvy consumers who demand seamless, integrated experiences. These consumers seek convenience and immediacy that traditional physical gift cards often cannot provide, leading to a critical gap in customer engagement and satisfaction.



Digital wallet gift cards represent a strategic response to these challenges. By embedding gift card programs directly into a platform that consumers already use daily—their mobile wallets—retailers can eliminate many of the barriers associated with traditional gift card schemes. This approach not only simplifies the consumer experience but also enhances engagement by leveraging the native capabilities of smartphones, such as push notifications and location-based services.

We will explore the transition from traditional gift card methods to digital wallet gift cards, highlighting how this shift can address the core challenges of cost, security, and customer engagement in the digital age. It will examine the operational efficiencies gained by eliminating physical cards, the enhanced security that digital wallets offer, and the detailed consumer insights that can be harnessed through this technology. As digital wallets become a ubiquitous component of consumer transactions, embracing digital wallet gift cards is not just an opportunity—it is an essential strategy for retail success in the 21st century.

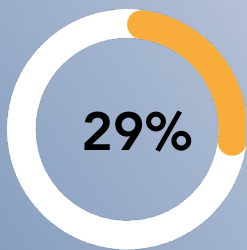


# Key metrics

\$21  
BILLION

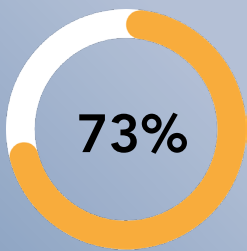
## Unredeemed Card

\$21 billion tied up in unused and lost physical gift cards.



## High Expiration Rate

29% of people have had at least one gift certificate expire before redeeming.



## Out of Sight, Out of Mind

73% of people have held onto a gift card for at least one year after receiving it.



# Discussion

The transition to digital wallet gift cards represents a critical evolution in retail strategy, catalyzed by shifting consumer preferences towards more digital, mobile, and eco-conscious choices. The challenges of traditional physical gift cards—such as high production and distribution costs, significant environmental impact, and heightened security vulnerabilities—make a compelling case for this shift. Physical cards often incur substantial overhead due to the need for physical manufacturing, handling, and shipping, not to mention the risks of loss and theft that can lead to direct financial losses and decreased consumer trust.

By cutting down on physical production, retailers can also significantly reduce their environmental footprint, a factor increasingly valued by eco-conscious consumers. This shift away from plastic supports waste reduction initiatives, appealing to shoppers who prioritize green practices in their purchasing decisions. Adopting digital wallet gift cards, therefore, not only enhances operational efficiency and customer engagement but also strengthens a retailer’s position as an environmentally responsible brand.

Digital gift cards offer a solution to these problems by streamlining operations and enhancing security. By eliminating the physical element, retailers can drastically reduce





logistical complexities and associated costs. The digital format also offers advanced security features, protecting against theft and fraud through technologies like encryption and tokenization. Furthermore, digital cards provide real-time data on usage and balances, which not only improves customer satisfaction through better service but also gives retailers valuable insights into purchasing behaviors.

This digital approach also boosts consumer engagement and retention. The immediacy of digital card delivery and redemption meets today's consumer expectations for convenience and speed. Digital gift cards can be personalized and customized much more extensively than physical cards, enhancing the gifting experience and reinforcing customer loyalty. Additionally, the ability to integrate with mobile wallets and utilize features like geotagging and push notifications can drive in-store traffic and redemption rates, further benefiting retailers.

However, adopting digital gift card programs is not without challenges. Retailers may face technological hesitations and the need for substantial upfront investment in digital infrastructure. Moreover, there can be resistance to change from both internal stakeholders and consumers accustomed to physical cards. Overcoming these barriers requires a thoughtful strategy that includes robust technology solutions, effective change management, and comprehensive consumer education campaigns to demonstrate the benefits of digital gift cards



## Case Study: Macy's Digital Gift Cards



### Overview

Macy's has seamlessly integrated digital wallet gift cards into their sales strategy, enhancing the shopping experience to meet the modern consumer's demand for convenience and instant access. This strategic move aligns with the broader retail trend towards digital solutions, simplifying how gift cards are purchased, stored, and redeemed. By adopting digital wallet technology, Macy's has refined the gift card process, making it more accessible and appealing, which in turn drives both sales and customer satisfaction.



### Purpose and Usage of Digital Cards

Macy's transition to digital wallet gift cards allows customers to manage their gift-giving needs directly from their smartphones, removing the need for physical cards. This innovation not only streamlines the shopping experience by integrating with Macy's mobile app but also provides a platform for instant gift card delivery and redemption, enhancing usability and convenience. The digital format ensures that customers can always access their gift cards.



### Engagement and Redemption

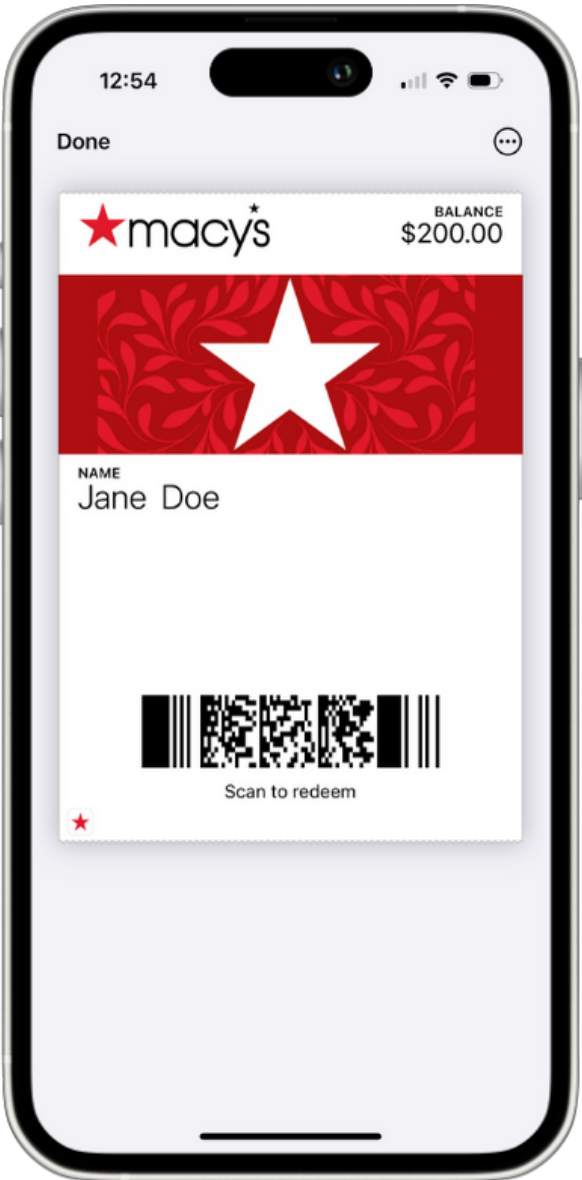
The introduction of digital wallet gift cards at Macy's has led to increased customer engagement and higher redemption rates. Customers receive notifications directly on their mobile devices about special promotions, gift card balances, and expiration reminders, which encourages more frequent use and revisits to the store. This proactive communication keeps customers informed and motivated to utilize their gift cards, promoting a continuous engagement loop that benefits both the customers and the retail giant.



## Results

The implementation of digital wallet gift cards at Macy's has led to notable achievements, highlighting their value in the contemporary retail landscape:

- **Increased Engagement and Redemption:** Macy's has seen higher engagement and redemption rates with digital gift cards, highlighting the appeal of the digital format.
- **Streamlined Operations:** Digital wallet integration has sped up the checkout process, allowing customers to quickly apply gift card balances and reducing time spent at registers.
- **Enhanced Customer Loyalty:** Digital wallet gift cards have strengthened customer loyalty by making gift cards more accessible, encouraging repeat visits and frequent brand interactions.
- **Improved Customer Satisfaction:** The ease of digital gift card management, with real-time balance updates, has boosted customer satisfaction, creating a smoother, more positive shopping experience.



## The Value



### Enhanced Customer Experience

Digital wallet gift cards offer unmatched convenience, allowing consumers to store, manage, and redeem their cards directly from their smartphones. This ease of access aligns with the modern consumer's preference for digital solutions, enhancing the overall shopping experience and customer satisfaction. Additionally, digital gift cards allow retailers to engage customers with real-time updates and targeted promotions, further driving loyalty and brand interaction.



### Operational Efficiency

Retailers benefit from streamlined operations as digital gift cards simplify the management and tracking of issued cards. Integration with existing digital wallet technologies and POS systems allows for smoother transactions, reducing checkout times and improving the overall efficiency of service. Additionally, digital gift cards provide retailers with valuable data on customer purchasing patterns, enabling more targeted marketing efforts and personalized promotions.





Cost Reduction

Digital wallet gift cards significantly cut down on the costs associated with physical production, handling, and distribution. Eliminating the need for physical materials not only reduces manufacturing expenses but also lessens logistical burdens and environmental impact, aligning with sustainability goals. Furthermore, the digital format allows for instant delivery, ensuring that customers can receive and use their gift cards immediately. This immediacy enhances customer satisfaction while providing retailers with opportunities to capitalize on timely promotions and seasonal campaigns.



Scalability and Flexibility

Digital wallet gift cards can be easily customized and scaled to suit different promotional periods, regional preferences, or marketing strategies, allowing retailers to adapt quickly to market changes or consumer trends. This flexibility enables retailers to personalize offers and designs for specific customer segments, enhancing relevance and appeal. Additionally, digital cards can be updated in real-time, allowing for seamless adjustments to discounts or promotions, which helps retailers stay agile and responsive to evolving consumer demands.

Conclusion

The move to digital wallet gift cards marks a significant advancement in retail, offering a streamlined, secure, and engaging experience that meets the expectations of today’s tech-savvy consumers. By adopting digital wallet gift cards, retailers can overcome the limitations of traditional gift cards, driving higher engagement and creating a more connected customer experience. Macy’s example highlights how this shift can lead to tangible results, including increased redemption rates, operational efficiencies, and enhanced customer loyalty. As digital wallets become an integral part of consumer transactions, embracing digital gift cards is essential for retailers aiming to stay competitive and relevant in the modern market.



Process Optimization

Digital wallet gift cards reduce the costs and logistical challenges of physical production, distribution, and storage. This shift streamlines operations, eliminates handling expenses, and reduces environmental impact.



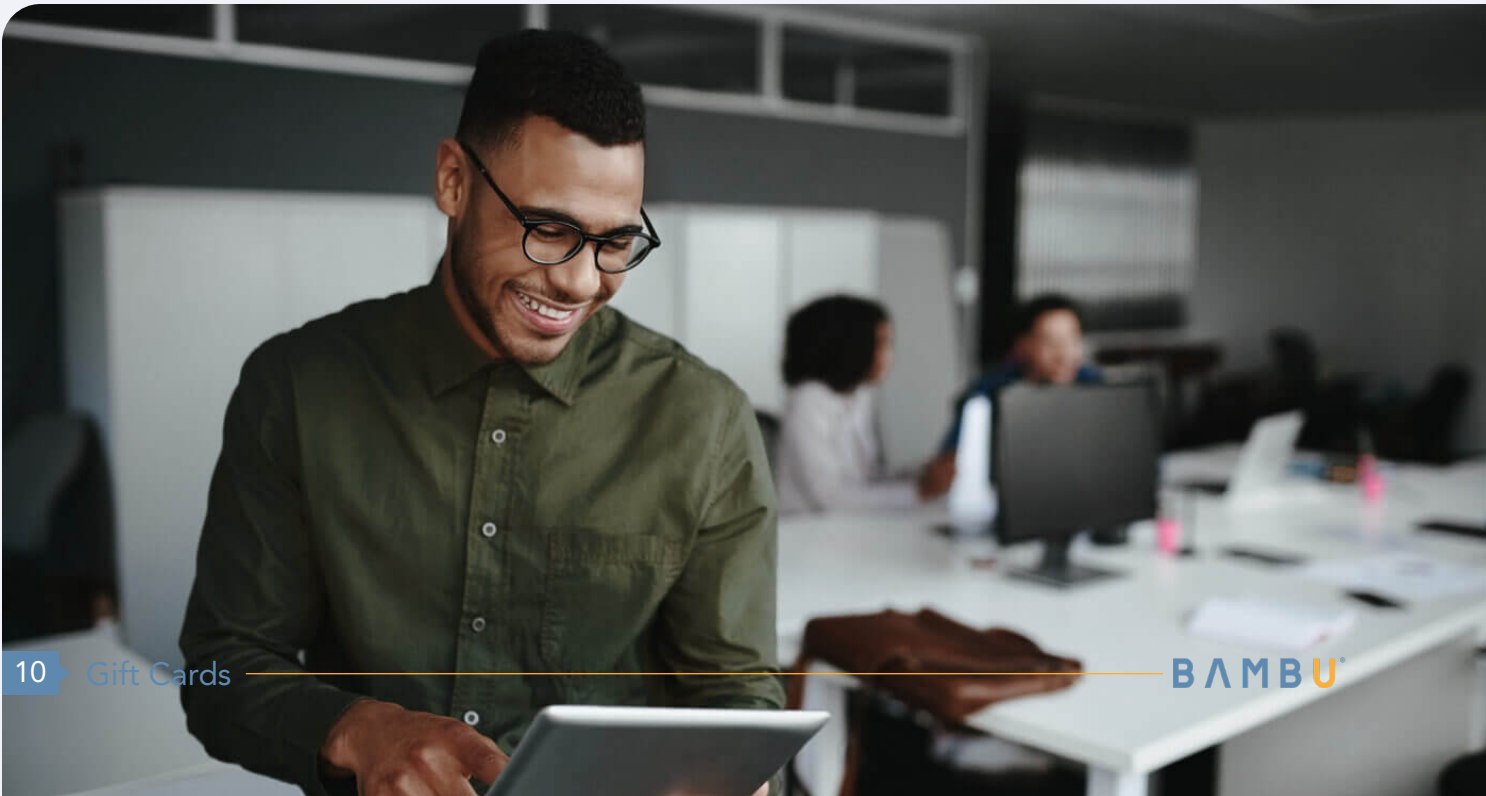
Enhanced Security

Advanced security features in digital wallets, like encryption and tokenization, protect against theft, fraud, and loss, increasing consumer trust and reducing risks associated with physical cards.



Higher Engagement

Digital wallet gift cards enhance engagement by integrating with mobile wallets. Features like push notifications, balance updates, and geotagging drive higher redemption rates and increase in-store traffic, fostering stronger customer connections.





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