

Don't Let Breakage Break Your Gift

Gift giving has immense power. Most of us intuitively understand that all gifts convey an implicit message. Good gifts let others know that they matter to us. It shows the receivers that they are valued in excess of what they earned by right. When done well, gift giving builds stronger relationships.

Imagine this. You manage a company of 100 excellent people who work hard and never cease adding value to the company. They're important to you, and you want them to know that. You decide to surprise them with an unexpected gift—something small but meaningful to show your appreciation.

Let's say you give everyone a \$50 gift card. A reasonable choice since the popularity of gift cards keeps growing. [Six in ten people hope to receive gift cards](#) in the coming year. A gift card shows real value, but it's also flexible enough that the recipients get something they value. And it's convenient as a purchaser—[21.1% of buyers purchase gift cards](#) primarily because they're fast and convenient.

The problem? The value on the face of the gift card is rarely the price paid or the amount received. A gift card's value is eroded by handling and shipping fees at the point of sale, and then continues to disappear through breakage once in the other person's hand. [Breakage](#) refers to gift cards that are sold but never redeemed. [From 2005-2011, \\$41 billion](#) worth in gift cards went unspent in the American market. Much of this loss came from fees or expired balances on cards, but an estimated [\\$3.4 billion](#) was simply left forgotten in wallets and desk drawers or, worse yet, thrown away because the gift held no value for the recipient. Estimates on the rate of breakage for gift cards range from [8%](#) to [12-15%](#) and upwards of [19%](#). That [rate is in decline](#) as gift cards become more popular, yet with the gift card market expected to increase to [\\$130 billion by 2014](#), even the most optimistic estimates of [1.6%](#) in breakage still means 2.1 billion dollars in lost value for those who purchase gift cards.

The value of the \$50 gift cards you bought for your 100 awesome employees can evaporate quickly. Calculate the time and effort needed to source the gift cards, buy them, and deliver them, and then you might have to add the handling fee and shipping fees to that. You've already spent more than \$50 for a \$50 gift card. Assuming a breakage of rate of 10% once the gift cards are in the hands of your employees, add another \$5.00 per card in lost value. You spend \$5000 plus your time and effort to buy \$5000 in gift cards of which only \$4500 will be spent.

The math for waste looks like this:

\$5000 + [personal time & effort] + [fees] + [10% breakage] = \$4500 in actual value.

You just lost more than 10% of the value of a gift that was suppose to show how much you value the people you work with. That stings! And if your employees have to [redeem an online voucher](#) before receiving the gift card, increase the percentage of breakage and deduct even more value.

Even when retailers make [millions](#) through breakage, its not a clear win for them either.

Retailers would rather [increase redemption, not breakage](#). People typically spend more than the face value of the card when redeeming them, and unredeemed cards risk [stalling a relationship with two potential customers](#), the giver and the recipient. What's more, state governments in the US have enacted [escheatment laws](#) that [clawback profits from breakage](#) under the auspice of retrieving unclaimed property. In theory, the [consumers can have this property returned](#) to them, but the rigmarole needed to claim this property means that, in practice, the money stays in the [government's coffers](#).

We really—really!—don't like breakage at Kiind.

We hate waste in general, but more than that, we hate how that waste can ruin a good gift. It reduces the value of a gift given in hopes of conveying how much one person appreciates another. Unused gift cards signal a miscommunication. That 10% (or more) in eroded value represents more than lost dollars; it reveals lost opportunities to build relationships. Waste should not be the price paid for the simplicity and expedience of buying gift cards.

Our solution is simple: don't pay for what you don't use. Kiind's gift card ecosystem enables us to create zero-waste gift campaigns. We refund to the purchaser the balance of any expired unused gift cards. Better still, we significantly reduce procurement costs by going all-digital. No shipping, no plastic, no vouchers. Just a simple email and a few friendly reminders if needed.

Zero-waste gift campaigns save money, of course. But they also help the giver know how well the gift was received. We believe that gifts should connect people. Better gifts build better relationships. Breakage is one impediment to better giving. As we roll out Kiind, we're going to show how we empower people to give better without wasting money or losing focus.

Sources

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