

# SiteWatch®

## Prepaid and Wash Book Control

---

### What is the life-cycle of a gift card or wash ticket book?

A multi-site carwash organization in the Northeast has been selling prepaid gift cards and ticket books since October of 2002 using SiteWatch by DRB Systems, Inc. The organization is made up primarily of exterior car washes.

As would be expected, the SiteWatch system tracks the sale and use of each gift card individually. However, SiteWatch also tracks each wash ticket individually in order to ensure that only ticket books paid for are activated, and that a ticket can only be used once. A benefit of this system is that we can analyze the life cycle of gift cards and wash tickets.

The analysis period lasted 3.5 years, from October of 2002 to May of 2006.

### Gift Cards

Gift cards are sold without any discount. Meaning, a \$50 gift card costs the consumer \$50.

The average gift card is \$50.27. Gift cards were sold in amounts that ranged from \$5 to \$700, with \$50 being the most popular amount sold.

The first gift card was sold November 14, 2002. 8,271 gift cards have been sold, totaling \$415,915.27. To date, \$257,090.27 (nearly 62%) has been redeemed. The user has chosen that gift cards do not expire for 5 years, which leaves an outstanding balance of \$158,825 in gift card sales.

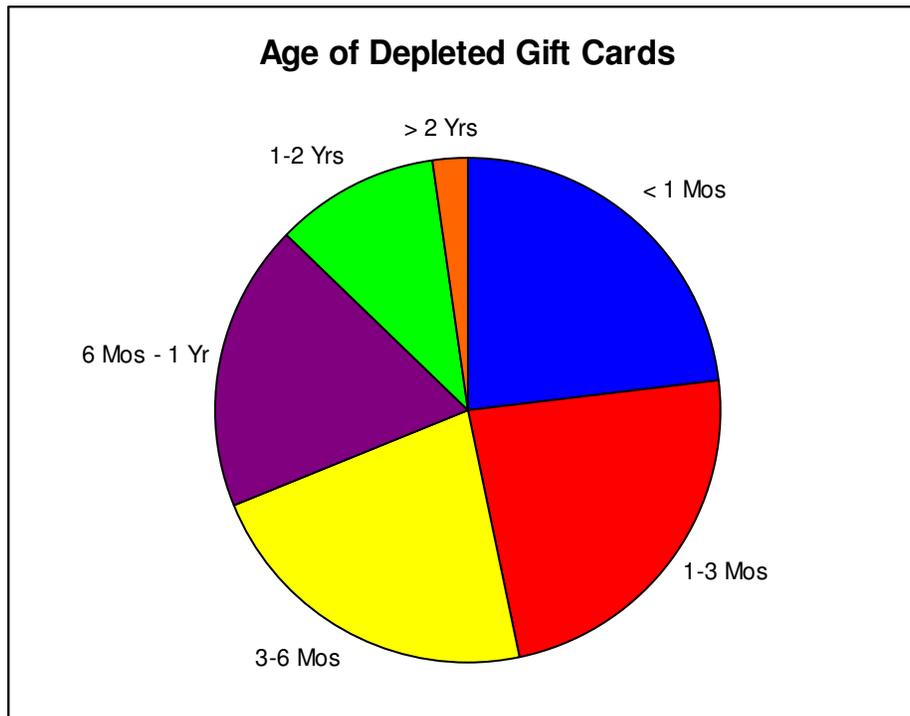
Of those gift cards sold, 41 (1/2%) have been recharged. That is such a small number that it is generally true to say that gift cards purchased are not recharged.

There are 4,285 gift cards that were sold and completely used up (depleted). These totaled \$226,001.65 (54% of the total), were used an average of 1.7 times each, and took 166 days (5.5 months) on average to be depleted.



For those gift cards that were depleted, their life cycle was as follows:

- <1 month = 983 (22.9%)
- Between 1 and 3 months = 1,013 (23.6%)
- Between 3 and 6 months = 952 (22.2%)
- Between 6 months and 1 year = 790 (18.4%)
- Between 1 and 2 years = 450 (10.5%)
- > 2 years = 97 (2.3%)



There are gift cards that are purchased, but never used. Using historical information in the database along with some estimates, it is projected that 19.2% of the gift cards sold will never be used at all.

In addition to those cards purchased but not used, another 13.3% of the gift cards will be used, but not completely depleted. Of these gift cards, the consumer left an average of 30% of the original value on the card.

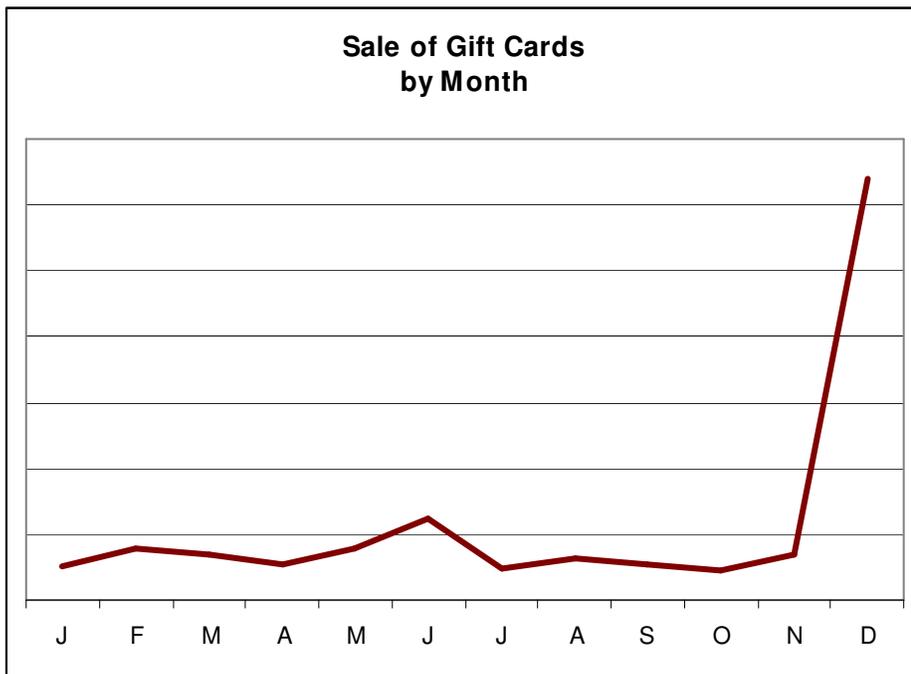
One question that is often considered is the outstanding liability of a gift card based on its age. For example, if there are 100 gift cards that are not depleted and are 2 years old, what is the likelihood that those cards will be used or depleted? Using historical information in the database along with some estimates, given the age of an outstanding card we are able to determine the likelihood that a gift card will eventually be used/depleted.

Age of Gift Card	Likelihood of Use	Likelihood of Depletion
0 Years	80.8%	67.5%
1 Year	49.2%	30.1%
2 Years	27.0%	12.6%
3 Years	14.3%	5.2%

Another commonly asked question deals with the timing of gift card sales. For this analysis, we looked at the sales of gift cards by month for the period 1/1/2003 to 12/31/2005 (totaling 6,883 cards). The numbers look like the following:

- January - 263
- February - 387
- March - 352
- April - 279
- May - 397
- June - 623
- July - 237
- August - 320
- September - 268
- October - 219
- November - 342
- December - 3,196

Not surprisingly, nearly half (46.4%) of all gift cards sold were sold in December. Again, coming as no surprise, a large number of those cards (1,965 or 61.5%) were sold in the week before Christmas. There was also a small spike in June, presumably due to Father's Day gift sales.



## Ticket Books

Each ticket in a ticket book is individually numbered using an encryption algorithm. When selling a ticket book, that cashier scans only one of the tickets in a ticket book and the entire book is then energized when the sale is paid for. If the sale is not paid for, the ticket book remains inactive. In this way, if a batch of ticket books "walk off", the only thing the carwash has lost is the cost of the printing. The ticket books have no value otherwise, unlike the traditional ticket books used by most car washes.



When an individual ticket is used by the consumer, it is deactivated and cannot be used again. If a used ticket ends up in the trash can and found by an unsavory character who tries to use it, not only will the system not allow that, but it will tell the cashier when that ticket was used.

Ticket books that are sold are set to never expire.

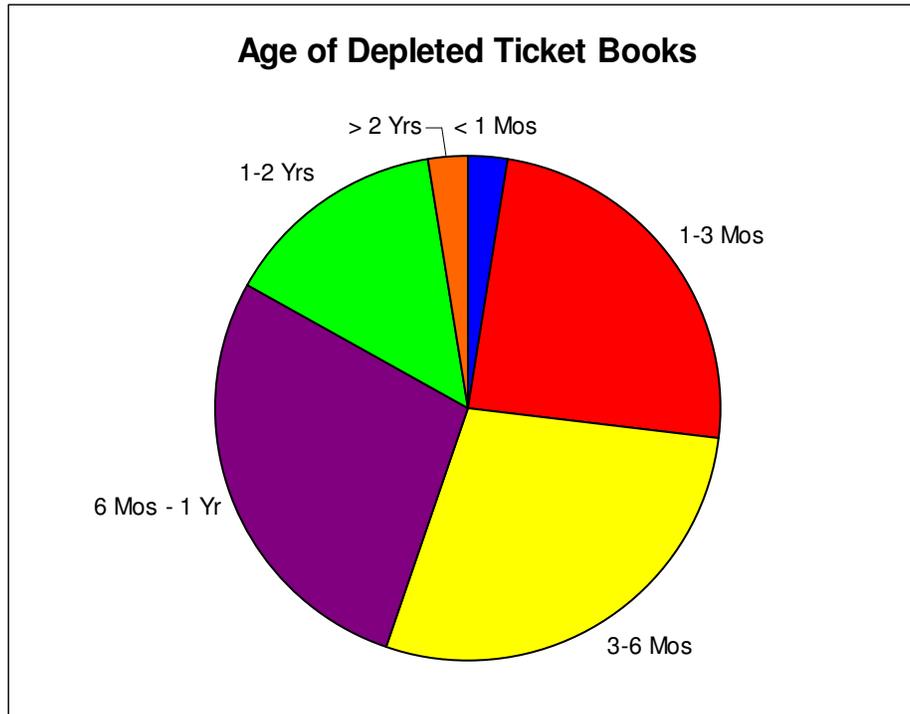
The carwash organization sells three different ticket books, each with 5 tickets in them: Wash, Super and Works. The first ticket book was sold on 10/31/2002. The number of books sold of each kind are as follows: Wash (25,548), Super (48,983) and Works (53,268).

Ticket books are discounted 20% throughout the year; meaning, the consumer gets 5 tickets for the price of 4. A few weeks prior to Christmas, however, the top end books are discounted further (the basic "Wash" book is not discounted further). The carwash owner believes that it is during this time that his regular carwash consumers stock up on ticket books.

There are 69,888 (51%) ticket books that were sold and completely used up (depleted). These took 216 days (7 months) on average to be depleted. 33 books were depleted the same day they were sold, while the longest it took a customer to deplete a ticket book was 3.5 years. For this particular book, the customer purchased it 3 weeks after the carwash first sold ticket books, and they redeemed their last ticket 11 days before the end of the analysis period.

For ticket books that were depleted, their length of life was as follows:

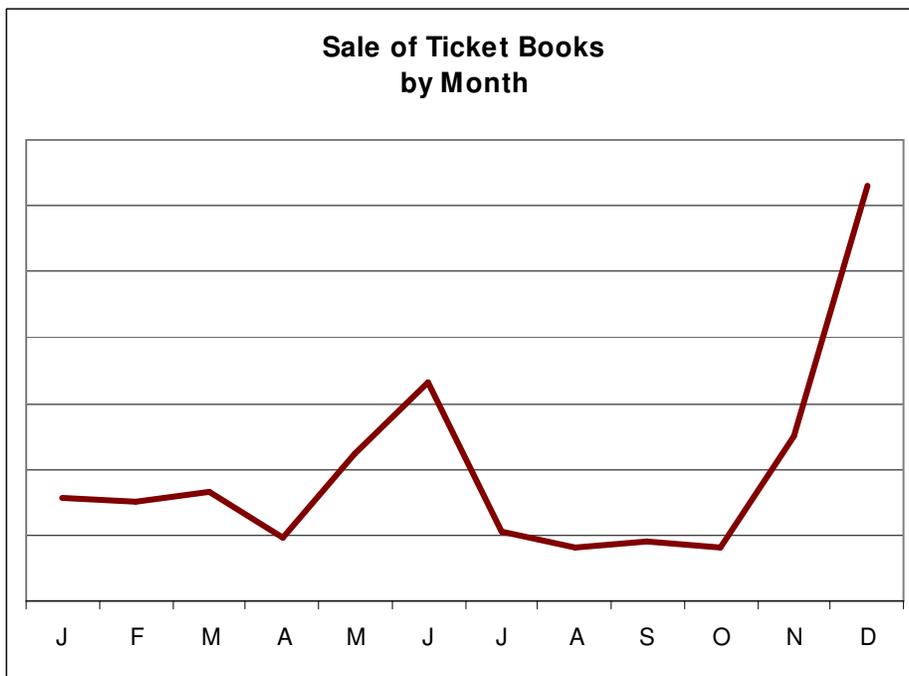
- <1 month = 1,791 (2.6%)
- Between 1 and 3 months = 17,132 (24.5%)
- Between 3 and 6 months = 19,805 (28.3%)
- Between 6 months and 1 year = 19,311 (27.6%)
- Between 1 and 2 years = 10,194 (14.6%)
- > 2 years = 1,655 (2.4%)



It may be interesting to note that in the last 6 months of the analysis period, 94 ticket books that were more than 3 years old were finally depleted.

Looking at the timing of the sales of ticket books by month for the period 1/1/2003 to 12/31/2005 (totaling 118,358 books) looks like the following:

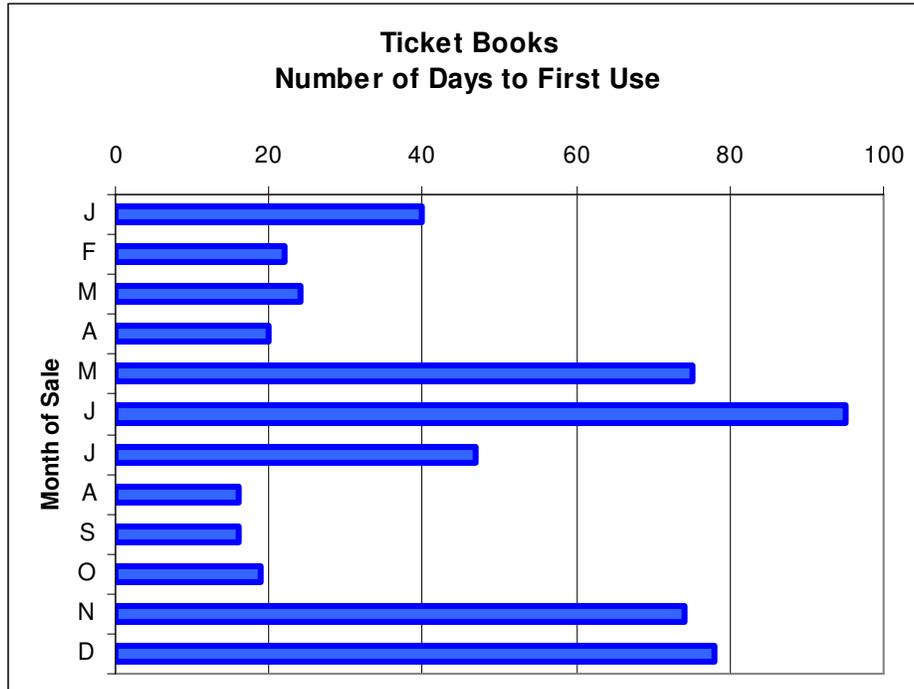
- January – 7,889
- February – 7,561
- March – 8,335
- April – 4,770
- May – 11,164
- June – 16,562
- July – 5,333
- August – 4,103
- September – 4,472
- October – 4,131
- November – 12,506
- December – 31,532



There is still a spike in the sales of ticket books in December as there was in gift cards, but it is not as pronounced. This is presumably because regular customers will purchase ticket books at the 20% (5 for the price of 4) discount throughout the year. It is also interesting to note the spike in May and June due to Mother's Day and Father's Day.

If a customer purchases a ticket book for himself, it is much more likely that they will start to use the ticket book sooner than if they bought it as a gift. The average number of days until a book's first use – based on its sale date – is shown below:

- January – 40 days
- February – 22 days
- March – 24 days
- April – 20 days
- May – 75 days
- June – 95 days
- July – 47 days
- August – 16 days
- September – 16 days
- October – 19 days
- November – 74 days
- December – 78 days



A commonly asked question deals with the outstanding liability of wash tickets based on their age. Because a ticket (as opposed to a ticket book) is depleted when used, we only need to answer the question as to the likelihood that a ticket will be used.

Using the historical information in the database, given the age of an outstanding ticket we are able to determine the likelihood that the ticket will eventually be used. Based on the data from the SiteWatch system, the carwash organization can expect that 7 out of every 8 tickets that are sold will be redeemed.

Age of Ticket	Likelihood of Use
0 Years	87.8%
1 Year	52.2%
2 Years	26.1%
3 Years	10.9%

Ticket books are discounted at least 20%; meaning, buy 4 washes and get the 5<sup>th</sup> free. The price structure varies a bit, but that is the general case. So, when we look at the redemption rates, this carwash is actually losing money on the deal when compared to a straight sale. But, they lock the customer into their site, they get their money up front, and they pay only one credit card transaction fee...thereby mitigating some of the up-front discount given.



**Harold Guthrie, denizen of the digital world, is the DRB Systems numbers guy.** A graduate of the University of Akron with a degree in mathematics, Harold toiled for IBM before he came to our company in 1994.

A consummate numbers guy, he has conducted numerous engineering studies on a wide variety of SiteWatch products. When it comes to figuring out the meaning of figures, Harold is clearly our number one choice. He can be reached at 800-336-6338.