All Receive - Agenda Item # 9
For the Information of the:
CITY COUNCIL
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City of Carlsbad

Council Memorandum

Sept. 1, 2020

To: Honorable Mayor Hall and Members of the City Council
From: David Graham, Chief Innovation Officer
Via: Geoff Patnoe, Assistant City Manager GP
Re: **Additional Materials Related to Staff Report Item No. 9 - Sponsorship of the Gift Carlsbad Shop Local Program**

This memorandum provides additional information regarding the Gift Carlsbad shop local program (program) and the digital platform that has been selected by the administrators as the marketplace for the program.

The City Council will be considering the sponsorship of the program developed in conjunction with the Carlsbad Chamber of Commerce (Chamber), Carlsbad Village Association (CVA), and Visit Carlsbad. The program is administered by the Chamber in collaboration with CVA and Visit Carlsbad. Additional information regarding the program is provided below.

If the item is approved, the Chamber will invoice the city for funds raised and spent to conduct the program. City staff will review the invoice and any associated information regarding funds raised and spent for the program and then pay that invoice or subsequent invoices up to a total of the $50,000. Updates regarding the program will be provided to the City Council during the regular COVID-19 Actions and Expenditures report.

The Chamber has contracted with Yiftee, a provider of e-gift cards and digital promotion for businesses. Yiftee will operate a white labeled digital marketplace where customers can purchase gift cards to businesses participating in the program. Upon purchase of a gift card to a specific business on the marketplace, a bonus gift card is also issued. Both cards can only be used at the business for which it was purchased.

Yiftee was selected after other digital platforms were evaluated by the Chamber, CVA, and Visit Carlsbad. Yiftee operates gift card programs that are used by communities and businesses across the country. Chambers, cities, downtown associations, main streets, and private businesses use these cards for regular purchases, and employee and customer rewards. The gift card marketplace that Yiftee provides allows any Carlsbad business to participate quickly and easily. A business can sign up, and when a gift card customer purchases a card, the revenue goes directly to the business. This is an added benefit for the business because they don't have to wait until a gift card customer uses the card to accrue the revenue. Gift card programs that are usable at

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multiple business have a delay between the purchase of the card and the revenue associated with a transaction at a business. By having a gift card program that allows for the purchase of a card for a specific business, the revenue from the card, less any administrative costs, goes directly to the business prior to the transaction utilizing the card.

The platform has been used in other cities, including the Del Mar Village Association, Downtown Nashville Partnership, Little Italy Food Hall, International Bancard in Detroit, Royal Oak Downtown Development Authority, Downtown Cincinnati Inc., Fayetteville Area Convention and Visitors Bureau, City of Frisco, City of Mason, and the City of Fremont. The City of Vista is also considering Yiftee as the marketplace vendor for their community gift card program which is in development. A white paper entitled *"Saving Main Street: How Public-Private Partnerships Stimulate Small Business COVID-19 Recovery Efforts"* was published by Yiftee in August 2020. The white paper outlines some of the programs they are running in cities around the United States and is attached to this memorandum.

Yiftee was originally introduced to Carlsbad through Main Street America, an organization of main street groups across the country with over 2,000 affiliates. The CVA made the city and other business organization partners aware of Yiftee during discussions on additional ways to encourage local shopping. One of the most recent programs that had been launched was in the City of Fremont. The CVA, which is a member of Main Street America, contacted the staff at the City of Fremont, who were familiar with the program. Fremont staff provided detailed information and a positive review of their experience with Yiftee.

Yiftee is rated "A+" by the Better Business Bureau (BBB). City staff conducted a review of the BBB website which includes reviews by users. The site included positive and negative reviews. When reviewing the poor ratings, it appeared that the majority were related to user error or security requirements, where the platform did not allow a purchase because the customer failed to verify their identity. In most cases, a Yiftee representative responded to try to assist with a solution.

Other platforms that may be able to provide a similar service for a gift card program like Yiftee include Gift Fly and Gift Up. When comparing the pricing of the platforms, Yiftee was generally similar or less expensive than the competitors evaluated.

Yiftee has reduced their fees in response to the COVID-19 pandemic to support small businesses. Yiftee charges a 5% fee, which includes all credit card processing fees. Processing fees are charged to a business by the company processing a credit card transaction. Gift Fly charges a 4% fee, plus 2.7% to the vendor for processing a transaction. Gift Up charges 3.5% plus standard credit processing fees, which can typically run between 1.5% and 3%. Yiftee's fee is competitive and comprehensive, which is an advantage when evaluating the cost of program administration. The administration and processing fee will be funded by the program and not passed on to the participating businesses.

In reviewing all of the information regarding the creation of the program, and subsequent discussions with the collaborators involved, city staff recommends approval of the program.

Attachment: A. Saving Main Street: How Public-Private Partnerships Stimulate Small Business COVID-19 Recovery Efforts, August 2020

cc: Scott Chadwick, City Manager
Celia Brewer, City Attorney
Laura Rocha, Deputy City Manager, Administrative Services
Matt Sanford, Economic Development Manager

Attachment A

Saving Main Street:

How Public-Private Partnerships Stimulate Small Business COVID-19 Recovery Efforts

August 2020

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Introduction

The coronavirus crisis has upended life as we know it, and small businesses are feeling the pain more than most. The virus is a danger not only to our neighbors but to our neighborhood businesses that make our communities unique. Already struggling in recent years due to the transition to big box stores and e-commerce, a recent McKinsey study found that "many small businesses across sectors came into the COVID-19 crisis with low financial resilience. Close to a third were operating at a loss or breaking even prior to the crisis."[1] Small businesses do not have the support structure of large corporations and franchises whose business models are more elastic. As a result, "analysts warn this is only the beginning of the worst wave of small-business bankruptcies and closures since the Great Depression."[2] According to the Independent Restaurant coalition, "As many as 85% of independent restaurants may permanently close because of the pandemic by the end of 2020."[3]

Unprecedented times call for unprecedented action. Concerned cities, towns and neighborhoods across the United States are responding like never before with programs to generate business for their local shops and restaurants. This paper will discuss many examples and case studies from cities as large as Detroit, MI and Nashville, TN and as small at Madison, IN and Geneseo, IL. We will show that when communities come together in a united "shop local" movement, the power of the whole is greater than the sum of its parts. Furthermore, public-private partnerships with large employers such as corporations, tech companies, city offices, realtors, citizen groups and more have amplified the effect of "shop local" programs, resulting in significant economic aid for local small businesses.

While the COVID-19 crisis is an urgent catalyst for immediate change, these shop local solutions strengthen communities and their members' quality of life in the long term. It is time to support the local businesses that have been supporting our communities for as long as we remember. This paper hopes to inspire more employers, professionals and consumers to cooperate with local

Chambers of Commerce, Offices of Economic Development and Merchant Associations to implement their own local versions of what follows.

Why Local Businesses Are Important

Besides bringing character and charm to neighborhoods across the country, local businesses are a vital part of the national economy. Small businesses across the country "employ 58.9 million people in the United States, or about 47.5% of the total private-sector workforce. Their GDP contribution measured $5.9 trillion in 2014, the most recent year for which small business GDP data is available."[4] Small businesses will need our support for the rest of the pandemic and long after, and corporations are in a prime position position to play a significant role in the preservation of our downtowns. "Permanent closures of small businesses are thought to generate longer-lasting unemployment than temporary furloughs and layoffs do."[5] Small businesses are not just responsible for your bacon, egg and cheese sandwich on the way to work – their fate plays an important role in the national economy.

Shop Local Programs

Chambers of Commerce and Merchant Associations are organizing local programs to help save their small businesses and persist through the COVID-19 pandemic. There are many different approaches, from government loans, to rent relief and salary grants. We will discuss options that are not based on grants or loans – but programs based on conscious choices to keep local dollars local and create real *revenue* for the small businesses. They reflect the experience in multiple communities implementing two different gift card programs: a Community Card and a Gift Card Marketplace. These local gift card programs sustainably enable buyers to funnel dollars to their local businesses, instead of leaving the community via e-commerce and national brand gift cards.

A Community Card is a multi-brand gift card that can be used at many participating businesses in a cohesive geography – a city, town, neighborhood or business improvement district, to name some examples. Branded for the

community, these cards have many uses from personal to corporate, in addition to making the giver feel good for their connection to and support of the community. With potentially hundreds of choices for how to spend the card, multi-brand Community Cards are more versatile and valuable to buyers than any single-brand card.

A Gift Card Marketplace is a collection of digital gift cards for individual businesses in a certain area. A Marketplace becomes the one-stop-shop to a variety of small business eGift cards in the local area – an online version of a community's Main Street. Working together, local businesses can combine marketing forces to reach consumers and corporate customers more effectively than any one small business can on its own.

Big box and e-commerce gift cards are so successful because there is something for everyone. Community Cards and Marketplaces have the same versatility, but with an emphasis on local small businesses. Similar to preloaded cash gift cards, one can spend a Community Card at the local coffee shop, retail store and salon in a single day while ensuring all the dollars are being spent locally in a community the card-holder cares about.

Though we have seen communities embrace the eGift card programs, the most successful programs are those that are being sponsored by partners who want to support the community. Sponsors and partners can be local employers such as corporations, city governments, hospitals and other essential businesses; professionals such as realtors, doctors and attorneys; service providers such as banks, insurance companies and marketing agencies; visitor bureaus, and concerned citizen groups such as school parents, athletic teams and club members. The following sections will discuss several different partnership programs and the impact they are having on their local areas.

Buy One Get One Programs

One very successful program that has been used among many communities is a Buy One Get One (BOGO) program. The BOGO program rewards card buyers with additional funds for every certain amount purchased - e.g. buy $30, get an extra $10. The funds for these promotions have come from a variety of sources such as corporations, city and local government budgets and even individual donors. One of the major benefits of a buy one get one promotion is the high return-on-investment. For example, a buy $30 get $10 promotion with a $1,000 budget creates an additional $3,000 or a 300% return on the initial investment and $4,000* going to the local businesses.

Coupled with this high return, BOGO programs drive card sales up. In **Figure 1**, we compare the cumulative number of cards sold from a community with a BOGO program to the Yiftee Average. This metric shows the averages of a YIftee Community card based on multiple Yiftee clients.

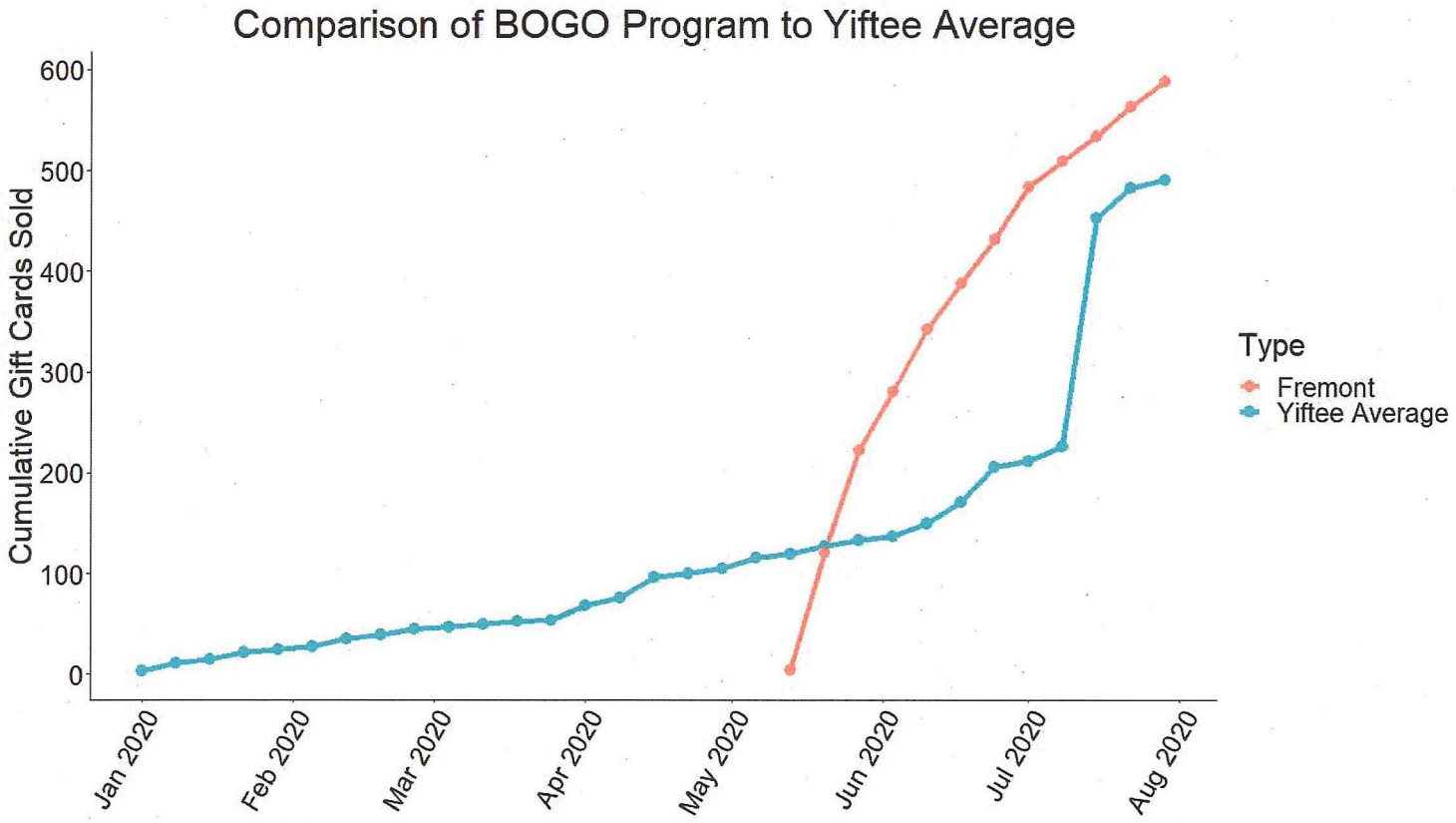


Figure 1: Comparison of a community with a BOGO vs the average across all Yiftee communities shows fast adoption and higher card sales as a result of the promotion, quickly making thousands of dollars available to local businesses.

The BOGO program started in the beginning of May and since then, the community is consistently above its peers for total cards sales. Not only do corporate gifting programs yield high theoretical returns on investment, but they have demonstrated a clear incentive for community members to purchase cards.

It is important to note that the bonus dollars gifted can have an expiration date. This allows the sponsor to promote a fast card turnover rate, injecting money into the local economy. In the end, these BOGO programs have been extremely successful for helping the local small businesses and have shown how large donors can enhance their local recovery efforts through eGift Card promotions. Examples include:

Frisco, CO – *Love Frisco, Shop Frisco* eGift Card: The Frisco Town Council invested $125,000 through the redirection of tax dollars in their Love Frisco, Shop Frisco eGift Card program to encourage the community to shop and stay locally. With this community gifting program and encouraging promotion, Frisco local businesses will see $340,000 thanks to the initial investment that will benefit the community not only today, but long in the future.

Fremont, CA – *GiftFremont* eGift Card Marketplace: The city of Fremont, California launched their eGift Card Marketplace with a $5,000 budget to run BOGO promotions. After the early success of the card Seagate, a local tech company, decided to add another $5,000 to that promotion budget, shortly followed by an additional commitment from a global media company. As of the end of July, Fremont has sold over $15,000 worth of cards

Nashville, TN – *Downtown Dollars* eGift Card: Over 30 local corporations have contributed varying amounts to Downtown Nashville's BOGO promotion for the Downtown Dollars eGift card. The Card can be used at over 50 locations (and counting) in the Downtown Nashville community. The combined donations, and resulting consumer purchases will contribute more than $400,000 to local business revenue in the coming months.

Fayetteville, NC – *Downtown Fayetteville* eGift Card: In early May, 2020, Fayetteville, NC launched a Yiftee Community Card with a successful buy $50 get $25 promotion that has helped change community member behavior and bring in thousands of dollars of revenue for the local businesses.

Geneseo

DoubleBucks

Geneseo, IL – *Geneseo Double-Bucks* eGift Card: In May 2020, a community-minded group from Hanford Insurance set out to help their local businesses weather the COVID-19 storm. They conceptualized the Double Bucks program, and raised $40,000 from local corporate sponsors at Gold (>$5k), Silver ($2k-$5k) or Bronze (<$2k) levels. In parallel, the Geneseo Chamber implemented a Community Card and together they launched the program. They sold out in less than three weeks, pumping $80,000 into the local businesses in their time of need. Now the program is being replicated in other nearby towns.

Employee and Constituent Gifting Programs

Another way to support the community as an employer is to purchase local gift cards for your employees, rather than buying national brand or e-commerce cards. We have seen employers do this in a variety of ways including, implementing small business and community gift cards for holiday gifts, anniversary gifts, as well as ongoing employee rewards and spot bonuses. Shifting the way companies reward their employees will not only help the community in the long term but also give employees a gift that is versatile and allows them to customize their experience. **Figure 2** shows the potential impact of employee gifting programs.

Figure 2: Comparison of a community with an employee gifting program vs the Yiftee Average shows the impact local employers have when they use local gifting options for employee gifting programs

The large difference between the Detroit Card's sales and the Yiftee Average is because of the robust employee reward programs by Quicken Loans and Bedrock Development. Since the creation of the Detroit Card in 2017, the companies have helped bring in over $2 million for small businesses in Detroit. Furthermore, depending on the program structure, companies incur little

additional costs by switching to a locally focused employee reward program. It is simply a switch that allows the company to spend the same amount of money on employee rewards but ensure the money will be spent at local businesses instead of national brands and e-commerce providers. Examples include:

Detroit, MI – *Detroit Card*, an eGift Card: Quicken Loans and Bedrock Development made the switch in their own employee rewards program to give their employees the local Detroit Card. By replacing traditional national brand gift cards with the local option, QuickenLoans and Bedrock are able to put over $2 million back into 100+ of the local businesses in Downtown Detroit.

Royal Oak, MI – *Downtown Dollars* eGift Card: A suburb of Detroit, Royal Oak launched Downtown Dollars in an effort to assist their small businesses' recovery from COVID-19. The Downtown Development Association gifted $500,000 in the form of 25,000 $20 Downtown Dollars cards directly to those who signed up for their newsletter. Royal Oak saw fast success with $20k redeemed in the first week. This gifting program provided incentives for the residents to interact with merchants they might not have previously. Creating new customers for Royal Oak small businesses and financially boosting them are both outcomes of this program.

Mason, OH – *Come Together Mason* eGift card: The City of Mason rolled out two unique programs during the onset of the COVID-19 shutdown. Initially, the City of Mason rewarded some of their most loyal members of their Community Center with a $20 Come Together Mason eGift Card to thank them for their commitment to the City and also provide a creative way to support small businesses during the unprecedented times. This resulted in approximately $40,000 being injected into the local small business economy benefiting over 70 small businesses in Mason. However, the City of Mason did not stop there. In June, Mason City Council authorized funds to waive one month of every resident's sewer fee and also provided a $50 Come Together Mason eGift card to every resident that provided their email to the City. The program is still ongoing but current numbers indicate a total of over $100,000 and counting has been spent in the local business economy since the card's inception in late March 2020.

Lancaster, SC – *$LocalLancaster$* eGift Card: The City of Lancaster kicked off their community eGift card program with generous gifts of $300 for each city employee to spend at local businesses. This totaled over $50,000 at launch. In the first week, $13,000 of those cards were redeemed, going straight into the pockets of Lancaster's small businesses. Now, the city is recruiting other large employers to give in similar ways.

Other Creative Gifting Programs

Communities are using many creative promotional campaigns to drive card sales. They are using Community eGift Cards as prizes for raffles, local competitions and more! **Figure 3** shows the cumulative card sales for a chamber that is deploying several creative gifting programs, compared to the Yiftee Average.

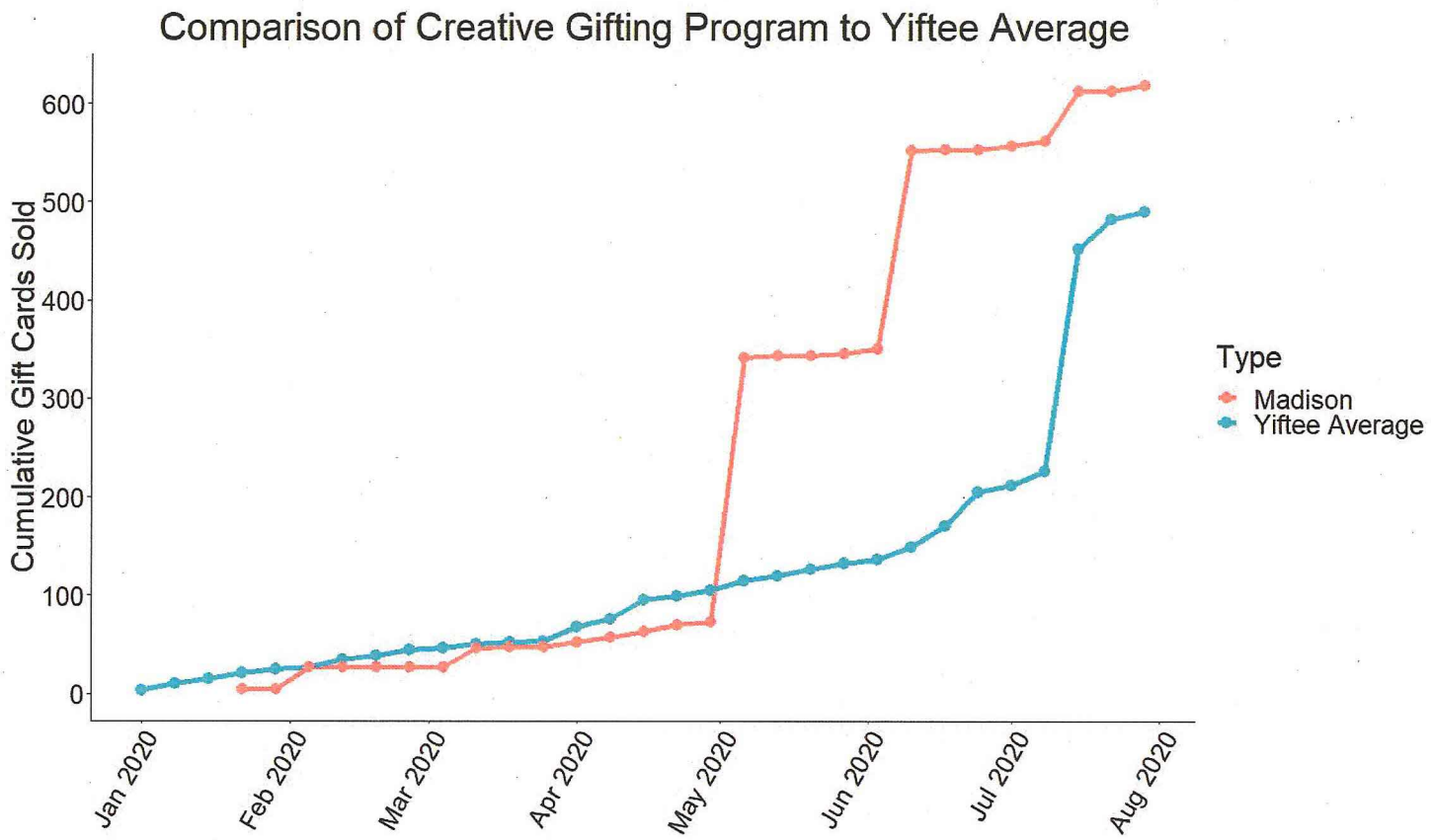


Figure 3: Comparison of a community with an creative gifting program vs the Yiftee Average highlights the versatility and success public-private partnerships have on community gift card sales

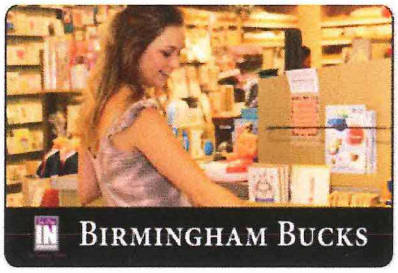
Since the start of their creative gifting strategy, the total amount of money spent on Madison's Community Card has increased ten times from less than $2,000 in April to over $20,000 by July and has consistently outperformed the Yiftee Average.

Local gift card programs are a versatile tool that can be shaped to the needs of individual communities and sponsors. Sponsors are able to utilize the flexibility of gift cards and create a program that helps both small businesses and the sponsors. There are many creative ways to use these programs, some examples include:

Madison, IN – *CHAMBER CA$H* eGift Card: The Madison Indiana Chamber of Commerce has been running daily eGift card raffles to reward community members who shop local. In order to enter into the raffle one must spend money locally and send the receipt to the chamber for entry. Winners are picked daily and the program has created a new customer base for these small businesses with both gift cards and upsell spending.

Fremont, CA – *GiftFremont* eGift Card Marketplace: The Fremont Fourth of July committee recently put together a porch parade in lieu of a traditional Fourth of July parade due to COVID-19 restrictions. Residents enter a contest for the best decorated porch with the winners receiving local eGift Cards. This event inspired local pride and supported small businesses.

Miamisburg, OH – *Explore Miamisburg* eGift Card: In order to keep the Community engaged at a distance, Explore Miamisburg has been running scavenger hunts throughout the summer, using Community Cards as rewards.



Birmingham, MI – *Birmingham Bucks* eGift Card: The Birmingham Shopping District launched a creative program called "Quarantine Cash" and awarded Birmingham Bucks cards to people who could provide receipts from local stores. The program generated more than $25,000 in local rewards, and many times that in sales at the local shops.

Conclusion

The COVID-19 pandemic will impact small businesses for years to come. The shop local movement is imperative to avoid small business closings and desolate downtowns. Employers, corporations and individuals have an essential role to play in the preservation of these important businesses by voting with their dollars and supporting local gift card programs. The United States eGift Card market is expected to reach $101,979 million by 2024 with a compound annual growth rate of 18.1% from 2020-2024.[6] Furthermore, according to the Incentive Research Foundation, 69% of businesses with an annual revenue between $100 million and $1 billion purchase gift cards for rewards. 61% of firms with an annual revenue greater than $1 billion purchase cards for the same reasons.[7] It is no surprise that the majority of these cards are for large e-commerce sites or national brands. Redirecting these gift cards towards local Community Cards and Marketplaces will help chambers of commerce, city offices and corporations affect positive change for the community's valuable small businesses. Studies have shown, "On average, 48 percent of each purchase at local independent businesses was recirculated locally, compared to less than 14 percent of purchases at chain stores."[8] This effect of shopping local goes beyond a single transaction and helps drive positive economic growth. Chambers of commerce, city and corporations are uniquely positioned to be the primary driver of this change—leveraging their financial capital to help small businesses.

Due to the uniqueness and flexibility of local community gift card programs, sponsors can tailor their program to fit the needs of their business and their community. Large, one time gift donations , as seen in Mason Ohio, can both serve as a form of employee/ customer gratification, and can rapidly put thousands of dollars into the hands of the local small businesses. Alternatively, by sponsoring a bonus program, such as a Buy One Get One, the sponsor enhances already existing shop local initiatives with a compelling incentive that will reward all community members along with the small businesses.

In order to save small businesses, employers and corporations need to partner with local Chambers of Commerce and Merchants Associations to encourage shopping locally. This will make a material impact on the survival of small businesses through COVID-19, as well as their future prosperity.

Getting Started

As a Community Organizer:

- Find out if your community has any community gift card programs that are already set up but underutilized
- Reach out to local small businesses to better understand their individual needs and concerns at the moment
- Work to not only simply encourage people to shop local, but create active and fun incentives that will benefit everyone

As a Sponsor (Employers, Professionals, Hospitals, Concerned Citizen Groups, etc.):

- Reach out to your local business organizations like Chambers of Commerce and Downtown Associations to see how you can contribute to any existing shop local campaigns
- Encourage your employers to support local-offer perks for doing so
- Suggest implementing a local Community Card or Marketplace program as a way to give back to your community. It is much easier to set up a card when there are sponsors lined up to buy them. The programs are paid for by small eDelivery fees on gift senders, which means they are free to chambers and local merchants.

As an Individual:

- You vote with your dollar, and every dollar counts!
- Go out to local restaurants rather than chains and franchises
- Encourage your social circle to look local first
- Support your favorite small businesses with your voice. Leave positive reviews and recommend them to friends

About Yiftee

Yiftee (Yiftee.com) is the award winning, no hassle eGift card and promotions solution for local businesses and communities. With no special technology or point of sale (PoS) integration, no revenue-share and no special accounting, it's easy for local organizers and individual merchants to offer eGift Cards on their websites, Facebook pages, Instagram and other social media. Local merchants gain additional sales, foot traffic, and an eGifting capability like big retailers. Community Cards and Marketplaces group together local merchants to create eGift card solutions that offer something for everyone, custom branded for the city or town. Consumers, corporations, and merchants use the Yiftee mobile and online website to send thoughtful gifts via email, text or print. Recipients receive their Yiftee gifts using their smartphone at their favorite local restaurants and shops, driving profitable business to those merchants. For more info see yiftee.com or email sales@yiftee.com.

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