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Analysis of the Determinants of Discount Rates
Of Gift Cards in the Secondary Market

Abstract

The gift card industry represents a fast growing market in the U.S. economy. Online secondary market places offer second-hand gift cards at discounted prices. The discount rates vary among different companies and brands. Since information on how these discount rates are determined is nonexistent, this study tests several factors that are expected to have an impact on discount rates. This study involves extensive research in order to identify possible significant variables that will be tested through stepwise backward regression analysis. The factors identified serve as independent variables and are tested against discount rates, which was the only dependent variable. The results show that the only two statistically significant variables are gross margin and card denomination. For card denomination, the results reveal that the significance depends upon the industry. The study contributes to the literature about gift cards and serves as a framework for future studies on discount rates for gift cards. From a business perspective, this study elaborates on how companies can utilize the information provided in this study to improve overall performance.