

Geeks Bearing Gifts

Bay area pizza chain gets a lot of mileage from new e-gift card program

by PETER JOHNSTON

About three years ago, California businesswoman Donna Novitsky bought some Groupons. When she attempted to redeem the discounted gift certificates at local merchants, however, a number of the businesses had closed. She did some investigating and discovered that the economics of a Groupon are not terribly favorable to merchants. That's bad, she thought, but Groupon's concept of online promotion is still important, because that's the way customers want to shop.

"So I asked myself, 'What can we do for these little local shops and restaurants that don't have IT departments?'" she says. "They're really busy selling skateboards or falafels or whatever it is they do, but they need to get Internet and mobile enabled. What could we do that would bring profitable customers in the door and bring them back as loyal customers, not bargain hunters?"

A COMPANY IS BORN

Novitsky is not the kind of person who just casually ponders concepts and then dismisses them. A graduate of Stanford University and Harvard Business School, she began her career as a product manager for Sun Mi-

croSystems, helped launch and run marketing for a handful of assorted systems companies, did nine years as a partner with venture capitalist Mohr Davidow Ventures and left there to become the CEO of yet another start-up. When she has an idea, she tends to pursue it.

"We went out and talked to about 100 merchants early on to try and understand what it's really like to run a local shop," she says. "We learned a lot: We found out they're super busy, often doing their inventory at three in the morning. They're really smart business people, but maybe not marketers, and not necessarily people who live and breathe technology like some of us in Silicon Valley do."

Novitsky's brainchild, electronic gift card company Yiftee, launched in 2012. If someone wants to give a friend \$10 to spend at a local coffee shop, for example, she can buy a \$10 Yiftee, which is then emailed to the friend: "Hi, Jane! Sarah has sent you a Yiftee, which you can redeem at Old Grounds Coffee and Pastries." Jane can take her phone with her to Old Grounds, or she can print out the Yiftee and just take that.

"We also offer the merchant a button they can put on their website," says Novitsky. "Maybe they have a

customer that doesn't know Yiftee but knows the merchant, and wants to give a gift there. They go to the store's website, see the gift button, click on it and boom — we take care of the whole transaction."

The merchant, meanwhile, is offering no discount at all. "We're offering a very convenient service to the consumer," Novitsky says, "and on each Yiftee we charge an extra dollar plus 5 percent of the price of the gift." As an additional consumer incentive, a Yiftee expires in 90 days. If the recipient hasn't redeemed the gift by then, the money goes back to the purchaser.

The back-end management of the program is handled by MasterCard, which means that a Yiftee can be used by any business that takes MasterCard. MasterCard also assumes the risk, says Novitsky, meaning that if a fraudulent credit card is used or there's a chargeback for any other reason, the merchant is not involved.

PIZZA ON THE BEACH

Bay area restaurant chain Pizza My Heart has been using Yiftee for about a year. In addition to providing an easy way for parents to make sure their children at the region's universities are getting fed, the company has incorporated e-gifts into its customer

relationship management program.

"We have 24 stores," says Pizza My Heart CEO Chuck Hammers, "and inevitably we make mistakes. We mess up deliveries, we overcook or undercook — things happen. One thing that's essential is to protect your reputation. ... So you get the email that says, 'Hey, they burned my pizza ...' and if you can react very quickly, it's unbelievably helpful."

As part of its quick-reaction program, Pizza My Heart sends aggrieved customers a Yiftee. It allows the restaurant to say "sorry about that," Hammers says. "Here's a \$20 gift card that you can use in any of our restaurants, any time. Your goal is, you want to get that customer

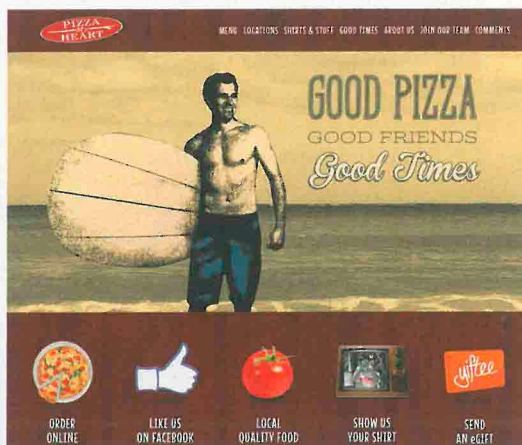
far the receiver is going to run the ball back, Pizza My Heart will send you a free pizza.' It's exciting for people, because it's a little like gambling."

It's good for Stanford too, since it gets people into the stadium. That's an issue because the weather is so good in

lot more than what we gave them, because it's like having free money — they feel like they won something, and they deserve it. It more than covers what we're giving away."

Other merchants do much the same thing. "Some of our merchants will send out a Yiftee to their own customers," Novitksy says. "They'll say, 'Here's two green beers, come in and celebrate St. Paddy's Day with us.' If they come in, they most likely buy dinner, as well. If they don't come in, no harm no foul, the merchant gets their money back. So it feels like a gift, not a marketing campaign — but it serves the same purpose."

So far, about 45,000 retailers have signed on with Yiftee,



Gift Card Button on Retailer's Website

Retailer's Landing Page



"The redemption level has been unbelievable, and when customers come in they're spending a lot more than what we gave them."

— Chuck Hammers, Pizza My Heart

back and give them a good experience to make up for the bad experience. If you just mail a gift card, or a letter that says I'm sorry, you never really know if you've fixed the problem or not. But if they redeem the Yiftee, you know you've taken care of it."

The company also uses the e-gifts as a marketing device. "We do a program with Stanford on their home football games," Hammers says. "Right before the kickoff, the announcer says, 'If you can guess how

that part of the country, even during the winter, that people tend to stay out in the parking lot and tailgate rather than come in for the kickoff. "This got people to come in," Hammers says, "because they wanted to try and win the pizza."

"They look at their screens, and they guess the yardage, and the ones that win, we send them a \$20 Yiftee. The redemption level has been unbelievable, and we're finding that when they do come in they're spending a

ranging from small local merchants to chains like Gap, TGI Fridays and Sephora. "It's early days, but we're seeing a lot of growth and hearing a lot of good reports," Novitksy says. "It looks like this is one way small retailers can establish a quick, effective online marketing program with no additional IT, virtually no time, and no risk." **STORES**

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