

7 March 2012

CCAAC Gift Card Review
c/- The Manager
Consumer Policy Framework Unit
Infrastructure, Competition and Consumer Division
Treasury
Langton Crescent
PARKES ACT 2600
CCAAC@treasury.gov.au

Dear Manager,

Thank you for the opportunity to provide a submission on the Treasury's Gift Cards in the Australian Market issues paper.

This submission is made of behalf of Myer Holdings Ltd (**Myer**).

As background, Myer is Australia's largest department store retailer with 67 Stores across the country and plans to grow to between 75 and 80 Stores in Australia by 2015. Last year, Myer generated sales of over \$3.1 billion. Since 2006, Myer has invested over \$600 million in capital to build a world-class retail platform and reinvigorate its store portfolio.

Myer is one of the largest private sector employers in Australia, with over 13,000 team members throughout the country. We plan to employ a further 2,500 new teams members to support the growth of our business. With a work force comprised of almost 80% female team members, Myer was proud to be the first major Australian retailer to introduce paid parental leave in 2009.

Our team members make a difference to their communities through their active involvement in the Myer Stores Community Fund, raising money for over 80 charities nationwide. In 2011, the Myer Stores Community Fund raised almost \$1.5 million, and over \$1 million was also allocated to local community initiatives nominated by Stores.

Myer understands the aim of the issues paper is to seek stakeholder views on the use of gift cards in Australia and likely future developments in this space. Myer supports Treasury's work in ensuring consumers understand the conditions of gift card use and are protected as the use of gift cards increases.

In Myer's view, the current gift card market in Australia is operating efficiently. Gift cards have become a widely accepted form of gift giving and are a simple and easy gift solution. We understand that gift cards are a convenient and cost effective way of providing employee reward and recognition as well as administering rewards programs and charities. In our view, the terms and conditions of Myer's gift card program are simple to read and easy for our customers understand.

Thank you again for the opportunity to respond to the issues paper. Please don't hesitate to contact me to further discuss any aspect of this submission.

Yours sincerely,

Jo Lynch

General Manager Corporate Affairs

GIFT CARDS IN THE AUSTRALIAN MARKET: Issues paper

EXISTING LEGISLATION

	Consultation questions
1.1	<p><i>What are the features that characterise the gift card market and what trends are likely to shape the manner in which consumers use gift cards into the future?</i></p> <p>We have seen over the years that gift cards have become a widely accepted form of gift giving.</p> <p>Gift cards are a simple and easy gift solution.</p> <p>We understand that gift cards are a convenient and cost effective way of providing employee reward and recognition as well as administering rewards programs and charities.</p>
1.2	<p><i>Why do consumers purchase gift cards and how are any advantages or disadvantages shared between the giver and receiver?</i></p> <p>Gift cards are an easy gift solution. Myer gift cards are more accessible than ever, can be purchased in store, online and through 3rd party distributors making Myer gift cards available at convenience stores and supermarkets.</p> <p>Giver advantages include:</p> <ul style="list-style-type: none"> ▪ Easy to purchase ▪ Quick gift solution <p>Receiver disadvantages include:</p> <ul style="list-style-type: none"> ▪ The gift card may expire before the receiver has the opportunity to redeem. Generally most gift cards in the market provide for 12-month validity, Myer provides for 2 years. ▪ The gift giver is limiting the choice for the receiver.
1.3	<p><i>Does the existing consumer protection framework provide practical protections for consumers who experience problems or issues when they purchase or receive gift cards?</i></p> <p>It is Myer's opinion that the existing consumer protection framework provides sufficient protection for consumers who experience problems or issues with the gift cards that they purchase.</p> <p>Myer does not receive many complaints in relation to gift cards. If Myer gift cards are faulty, they are replaced by Myer.</p>
1.4	<p><i>What specific features of the ASIC Act and the ACL should be promoted to consumers to better inform them of their rights in relation to gift cards?</i></p> <p>Myer is satisfied with the current legislation in place.</p>

ISSUES IN RELATION TO THE PURCHASE AND USE OF GIFTS CARDS IN AUSTRALIA

	Consultation questions
2.1	<p><i>What evidence is there to demonstrate that issues related to gift card terms and conditions lead to consumer detriment?</i></p> <p>Myer does not have any evidence related to gift card terms and conditions that lead to consumer detriment. The number of complaints relating to gift cards received by Myer is quite small.</p> <p>Myer Gift card terms of use are clear; major terms are printed on the reverse of the gift card.</p>
2.2	<p><i>What experiences have individual consumers had with the terms and conditions that apply to gift cards, including the resolution of any complaints either direct with the gift card issuer or through a consumer affairs or fair trading body?</i></p> <p>The number of complaints relating to gift cards received by Myer is quite small.</p> <p>Any issues arising in relation to Myer gift cards are dealt with in store. Generally the store management team member will deal with the consumer directly ensuring a positive consumer experience at Myer. Any unresolved issues relating to gift cards are escalated via the Myer customer service centre to the appropriate management team dependant on the nature of the issue/complaint raised. The management team will attempt to amicably resolve the issue/complaint with the consumer.</p>
2.3	<p><i>What are the specific issues associated with the application of terms and conditions including expiry dates, restrictions on low value use, changes in terms and conditions in the event of insolvency, fees and charges, limitations on use, and restrictions on receiving change? Please provide examples.</i></p> <p>Expiry dates, the inability for consumers to use the remaining value on the card after the expiry date. Myer gift cards are valid for 2 years from the date of issue, which gives the gift card user reasonable time to redeem. Having an expiry date encourages consumers to use their gift card within a period of time.</p> <p>Restrictions on low value use, if gift cards are considered and are to be treated as cash, then it is the consumer's expectation that there is no limit to the value that can be redeemed in any one transaction. Myer gift cards have no minimum redemption value, they can be used for any value until all funds on the card are used.</p> <p>Insolvency, Myer does not have any comment on this point.</p> <p>Fees and charges, a consumer who purchases a gift card does not expect the loaded value to diminish over time by deducting fees for redemption, balance enquiries etc. Myer gift cards do not have any fees deducted from the balance.</p> <p>Limitations on use, Myer gift cards can be used to purchase any merchandise in a Myer store with the exception of Myer Visa Card account payments and some food and service licensed businesses.</p> <p>Restrictions on receiving change, the function of the gift card is to enable the consumer to continue to redeem the value on the card at the issuer's store until the value has been used up which is the way that Myer operates its gift card program.</p>

	Consultation questions
2.4	<p><i>What flexible policies or 'grace periods' are offered by retailers to support gift card holders who are unsatisfied with the terms and conditions that may apply?</i></p> <p>Myer gives the gift card user reasonable time to redeem any gift cards.</p>
2.5	<p><i>How do terms and conditions vary between gift cards and what expectations do consumers have with respect to the core terms and conditions that apply?</i></p> <p>It is not for Myer to comment between variations of terms and conditions. However it is likely that the most common term that varies between gift card programs is the validity period.</p>
2.6	<p><i>Broadly speaking, are terms and conditions of gift cards adequately disclosed to gift card purchasers and recipients? Please provide examples.</i></p> <p>Yes, Myer gift card terms and conditions are adequately disclosed to gift card purchasers and recipients. Major terms of use are printed on the back of the gift card and the gift card carrier and refer to the location of the full terms and conditions. Full terms and conditions are available on the website.</p> <p>Myer does not consider gift card terms and conditions to be a major consideration for a purchaser or receiver of gift cards in their selection between different gift cards.</p>
2.7	<p><i>What specific information is useful to consumers at the point of sale?</i></p> <p>Consumers generally have a broad understanding that gift cards are a form of cash and can only be used at the issuer's store. In a retail environment, information at point of sale is not always appropriate or useful to the consumer.</p> <p>Myer does not consider that consumers purchase gift cards on the basis of terms and conditions. Gift cards are about making it easier for the gift giver, and offering freedom of choice.</p>
2.8	<p><i>How can information about gift card terms and conditions be effectively communicated to people purchasing gift cards as well as to those receiving gift cards?</i></p> <p>The Myer gift cards clearly state the key conditions of use which is printed on the gift card. Myer considers that this is reasonable communication for the gift card purchaser and receiver.</p>

GIFT CARD ADMINISTRATION

	Consultation questions
2.9	<p><i>What evidence is there to demonstrate that issues related to gift card administration lead to consumer detriment?</i></p> <p>Lost or stolen cards could lead to consumer detriment however Myer considers this to be a low risk, given that most consumers are aware that gift cards must be treated like cash. Replacement of lost or stolen cards could create increased fraud in the gift card sector.</p>
2.10	<p><i>What are the specific issues associated with lost or stolen cards, the use of unspent monies and interest accumulated on unused gift cards and gift card holder rights in the event of insolvency? Please provide examples.</i></p> <p>Lost or stolen cards. Gift cards should be treated like cash. Some consumers may expect that gift cards are registered and can be tracked. This is not the case, gift cards are anonymous and are often reported lost well after the event.</p> <p>Use of unspent monies and interest accumulated. When a consumer attempts to redeem a gift card after the expiry date and the transaction is rejected. The consumer may consider he/she is the rightful owner of those funds and the issuer should not keep the funds. Myer gives the gift card user reasonable time to redeem their gift card.</p>
2.11	<p><i>Are the generic consumer protections afforded under the ACL and the ASIC Act capable of addressing concerns relating to gift card administration?</i></p> <p>Myer considers that the current legislation regarding gift cards provides sufficient protection for consumers.</p>
2.12	<p><i>What accounting, record keeping and administration processes typically support gift card facilities?</i></p> <p>Gift card program administration and management of a third party service provider that administers the gift card database.</p> <p>This also involves website management, supporting consumer enquiries and online sales. A dedicated call centre operation to support consumer enquiries, reconciliation and posting to financial systems and gift card production and distribution.</p>
2.13	<p><i>Are there any market indicators which suggest that the Australian gift card market is not operating efficiently?</i></p> <p>Myer considers that the gift card market in Australia is operating efficiently.</p>

KEY ISSUES AFFECTING GIFT CARD ISSUERS

	Consultation questions
2.14	<p><i>What factors do gift card issuers consider when determining the terms, conditions and administration processes typically applied to gift cards?</i></p> <p>Myer has taken the approach to make the terms and conditions of its gift card program simple to read and understand. The terms set are reasonable, giving card users the freedom to spend anywhere in a Myer store.</p>
2.15	<p><i>Do consumers compare the terms and conditions of alternative gift card products when making gift card purchases? Please provide examples.</i></p> <p>Myer does not have information as to whether its customers compare the terms and conditions. However it is considered that generally gift cards popularity is based on merchandise range and store locations.</p>
2.16	<p><i>How would gift card issuers be affected if there were any restrictions on allowable terms and conditions, including expiry dates, applied to gift cards?</i></p> <p>If mandatory restrictions on the terms and conditions were imposed then Myer would need to consider whether the gift card offering remains a viable part of the business offering, as any changes could have significant impact on the gift card administration function and costs.</p>

INTERNATIONAL REGULATORY APPROACHES

	Consultation questions
3.1	<p><i>Are there any other notable international regulatory approaches that specifically address the issues raised in this issues paper?</i></p> <p>Myer does not have any comment on this section.</p>

OPTIONS

	Consultation questions
4.1	<p><i>How can consumers be further assisted to develop a practical understanding of how to enforce their rights under the generic consumer protection provisions of the ASIC Act and the ACL?</i></p> <p>Myer does not have any comment on this section.</p>
4.2	<p><i>What are fair terms and conditions in balancing the issues faced by consumers purchasing and using gift cards, and gift card issuers?</i></p> <p>Myer is satisfied that its current gift card terms and conditions balance the issues faced by consumers whilst making the program viable for Myer. This is supported by the fact that Myer does not receive many complaints in relation to gift cards.</p>
4.3	<p><i>What are fair gift card administration practices in balancing the issues faced by consumers purchasing and using gift cards, and gift card issuers?</i></p> <p>Myer is satisfied with the current gift card administration practices. Myer maintains a high standard of customer service. This is supported by the fact that Myer does not receive many complaints in relation to gift cards.</p>
4.4	<p><i>Are there any other possible policy responses to issues relating to the purchase and use of gift cards?</i></p> <p>Myer does not have any comment on this section.</p>