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**General Law Committee Testimony
By Stan Sorkin, President
Connecticut Food Association
March 11, 2014**

**Testimony in Opposition to HB No. 5473: An Act Concerning Cash Refunds
for Gift Card Balances**

Good afternoon, Chairman Doyle, Chairman Baram, and Members of the General Law Committee. My name is Stan Sorkin, President of the Connecticut Food Association.

The Connecticut Food Association is the state trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 240 member companies—food retailers, wholesalers, distributors, and service providers in the state of Connecticut. CFA's members in Connecticut operate approximately 300 retail food stores and 200 pharmacies. Their combined estimated annual sales volume of \$5.7 billion represents 75% of all retail food store sales in Connecticut. CFA's retail membership is composed of multi-store chains, regional firms, and single store independent supermarkets employing over 30,000 associates. The majority of CFA members are family-owned supermarkets. Our goal is to create a growth oriented economic climate that makes Connecticut competitive with surrounding states.

I am here today to testify on behalf of the members of the Connecticut Food Association in opposition to HB no. 5473

On the surface, this bill seems to have little effect on the store. But that's not the fact. The customer bought or received a gift card, for example, a \$50 gift card. The store got the \$50 sale on the card and the customer could use it to buy \$50 in merchandise in the store. Now, under the proposal, the customer can spend \$15 and get \$35 back in cash. The change would have a negative effect on retailer sales and profitability.

- The store would lose the gross profit margin on the \$35 not spent in the store, affecting the overall profitability of the retailer.
- Some gift cards are sold at a discount to face value. The merchant discounts the face value because the profit margin covers the discount. The proposed bill would most likely stop the practice of discounting gift cards and take a cost saving vehicle away from consumers. Moreover, by having the cash back option, the purchaser could make a

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windfall profit on the transaction, i.e. buying the card for \$40, making a \$5 purchase and getting \$45 back.

- When shopping, a consumer usually spends more than the value of the gift card in the store. The cash refund option would cause a reduction in store sales and gross margins that would affect the overall profitability of the store and the ability to cover expenses.

In today's economy, we should not be adapting policies that would affect top line sales.

- Retailers donate gift cards to charities. These donations take into account the fact the cards would be spent in stores stimulating sales mitigating the cost of the donation. Cash refunds would cause retailers to look at the overall value of the cards donated.

The practice of offering cash refunds should be left to the discretion of the retailer as a merchandising practice that differentiates that retailer from their competition.

Consider the entire picture and then vote NO on HB5473.