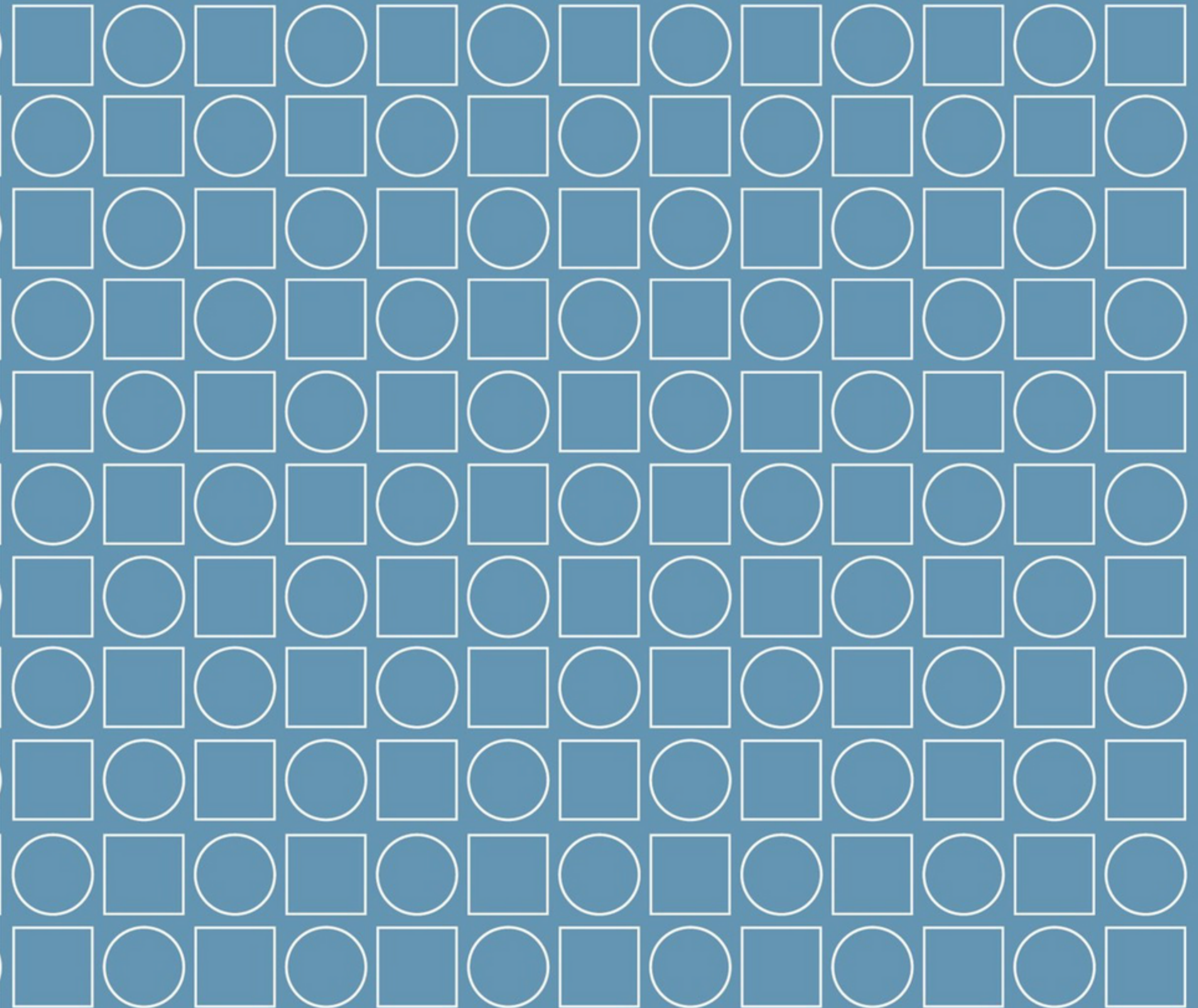


Cost-of-Living Crisis Report from GCVA

July 2022



Introduction

Following hot on the heels of lockdown, the UK economy now faces yet another challenge. The UK's cost of living crisis has seen a dramatic rise in the price of many household essentials, placing great strain on people's personal finances.

This price inflation is causing a dramatic, sudden drop in real disposable income. As a result, it is affecting purchasing behaviours and consumer confidence. Business' are still trying to map out its implications and how they can best respond to meet the needs of their customers.

In this report* we look at how the crisis is affecting the gift card sector specifically. Examining the impact on purchases of presents, gift cards for self-use and also how it is changing the potential impact of gift cards used as rewards and incentives.

The findings highlight how gift cards are a ready-made solution in times of crisis. As a trusted, safe and flexible solution, consumers and businesses alike turn to gift cards to help meet their changing needs and circumstances. It also highlights where the opportunities and risks are for the sector. Helping gift card operators better communicate the potential impact of the solutions they provide.

* Data in this report comes from a nationally representative survey of 1,043 UK adults. This was an online survey carried out in June 2022.

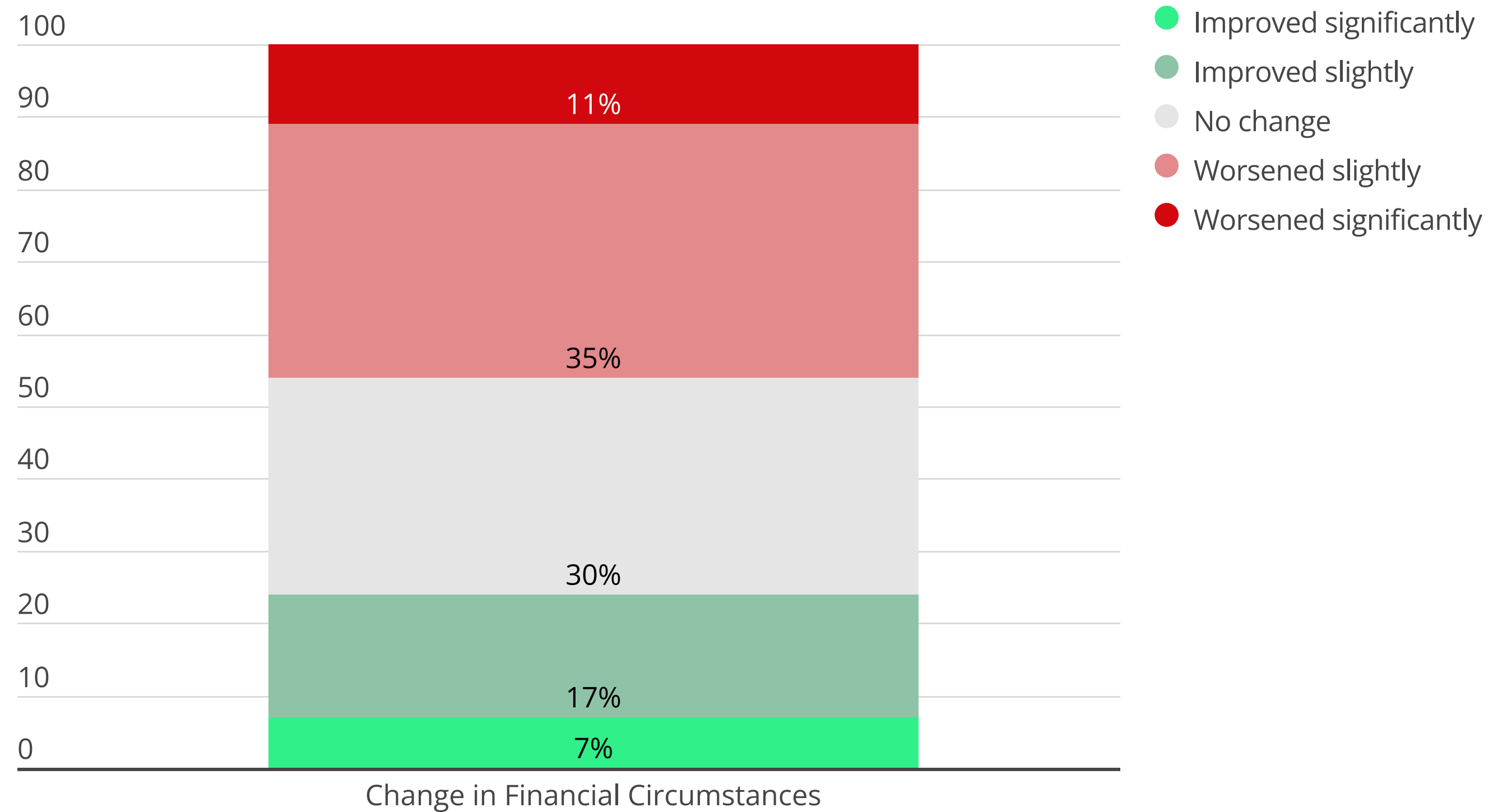


Who is most affected by the cost of living crisis?

The squeeze on UK household budgets is taking place across all sectors of society according to the data.

Since the start of 2022, 46% of the UK population say they are either slightly (35%) or significantly (11%) worse off. With many anticipated price rises (such as energy bills) still to come, this situation may well get worse before it improves.

Only 7% of the population have seen a significant improvement in their personal circumstances (e.g. through a promotion or starting work) meaning that financial confidence across the whole country is at a very low level.



Who is most affected by the cost of living crisis?

Certain groups have been harder hit than others to date. When we weight the data (counting those seeing 'significant' change as double that of a 'slight' change) a number of high impact groups reveal themselves.

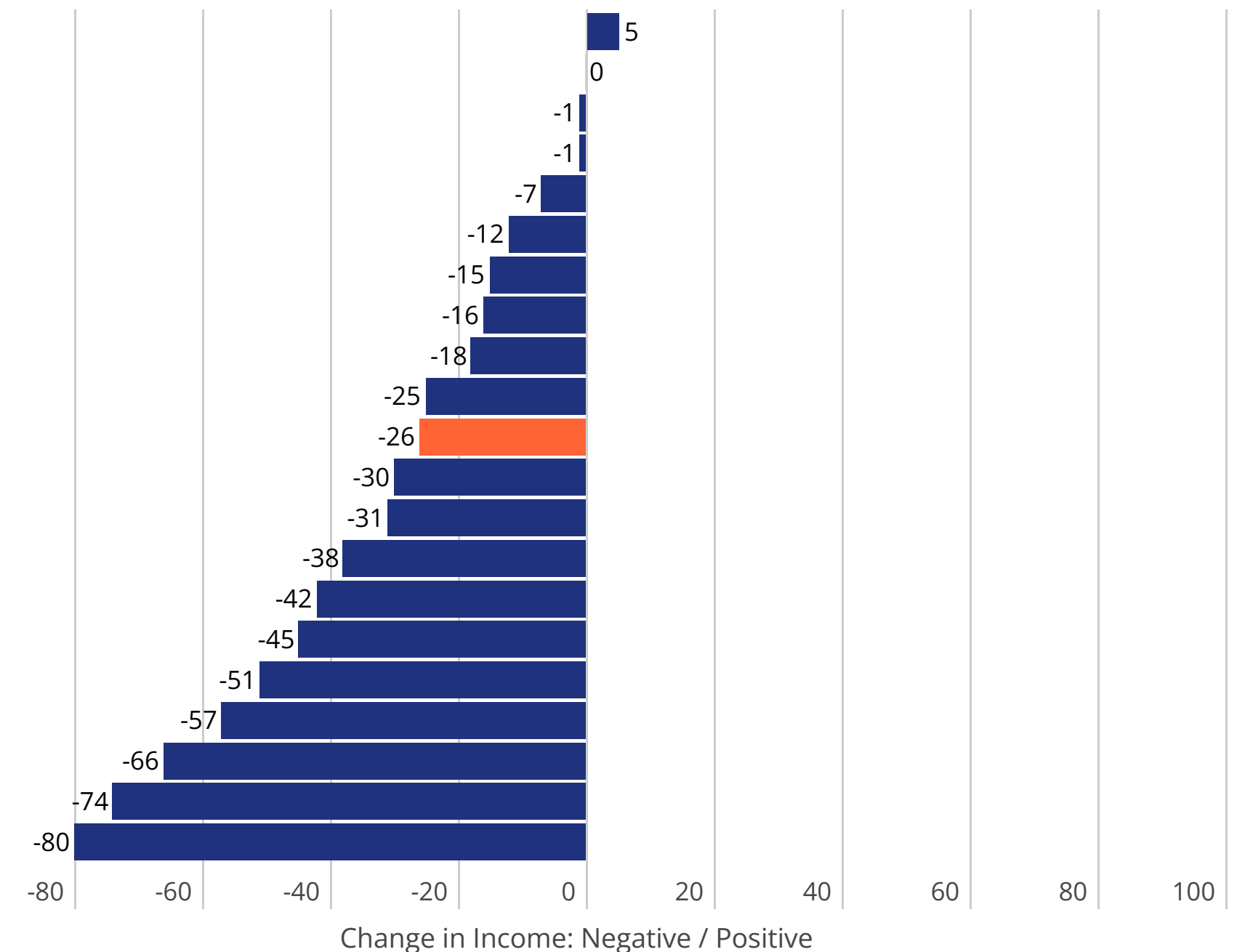
Women are worse affected than men by cost of living changes, as are older age groups (especially those 55+).

In terms of income, those on lower incomes are substantially more negatively impacted.

For those with annual earnings under £20,000, one-fifth of people say they are substantially poorer than at the start of the year.

Similarly, those with part-time jobs, retired or not currently working are significantly worse off.

Aged: 25-34	5
Employment Status: Employed full time	0
Aged: 16-24	-1
Household Income: £75,000 +	-1
Household Income: £40,000 to £49,999	-7
Household Income: £50,000 - £74,999	-12
Household Income: £30,000 to £39,999	-15
Aged: 35-44	-16
Male	-18
Employment Status: In full or part-time education	-25
Average	-26
Household Income: £20,000 to £29,999	-30
65	-31
Female	-38
Employment Status: Retired	-42
Employed part time	-45
Aged: 45-54	-51
Household Income: £10,000 to £19,999	-57
Aged: 55-64	-66
Household Income: Under £10,000	-74
Employment Status: Not currently working	-80



[Download data](#)

This weighted index factors takes account of the percentage of people reporting "significant change". The percentage of those reporting "significant change" (+ or -) are multiplied by two. Those reporting "slight change" are multiplied by one. Those reporting "No change" are scored at zero. This provides an index score to show the overall effect on the group's financial status. Results are shown by gender, age, household income and working status, with the UK average shown for comparison.

How is this affecting the gifting sector?

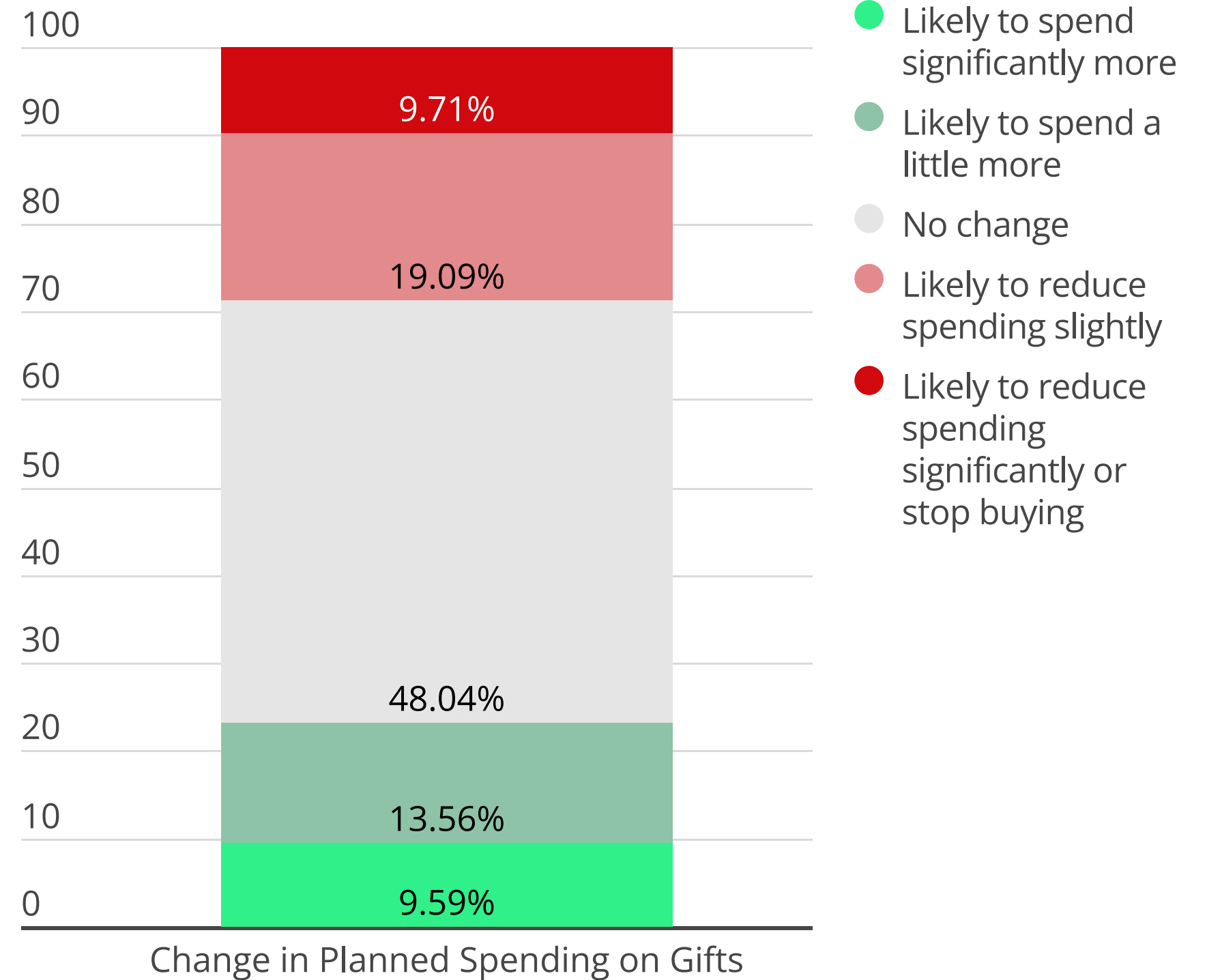
The gifting sector appears to currently be insulated against the worst impacts of these cost of living increases, however the data suggests that overall spending is likely to reduce.

28% of consumers are looking to reduce or stop present buying in the immediate future, although most of these (19%) are only planning a slight reduction.

This is being partially mitigated by a significant proportion of people planning to increase spending. 23% are planning to increase spending on gifts (10% plan to significantly increase), presumably to help family and friends who may be worse affected by the financial squeeze.

Once again, these impacts are not evenly spread across all consumers or, indeed, all present buying.

Those groups most likely to reduce their spending matches precisely with those feeling the worst impacts of the cost of living crisis – women, older age groups and those on lower incomes or not in full-time employment.



Where will gift purchases increase or decrease?

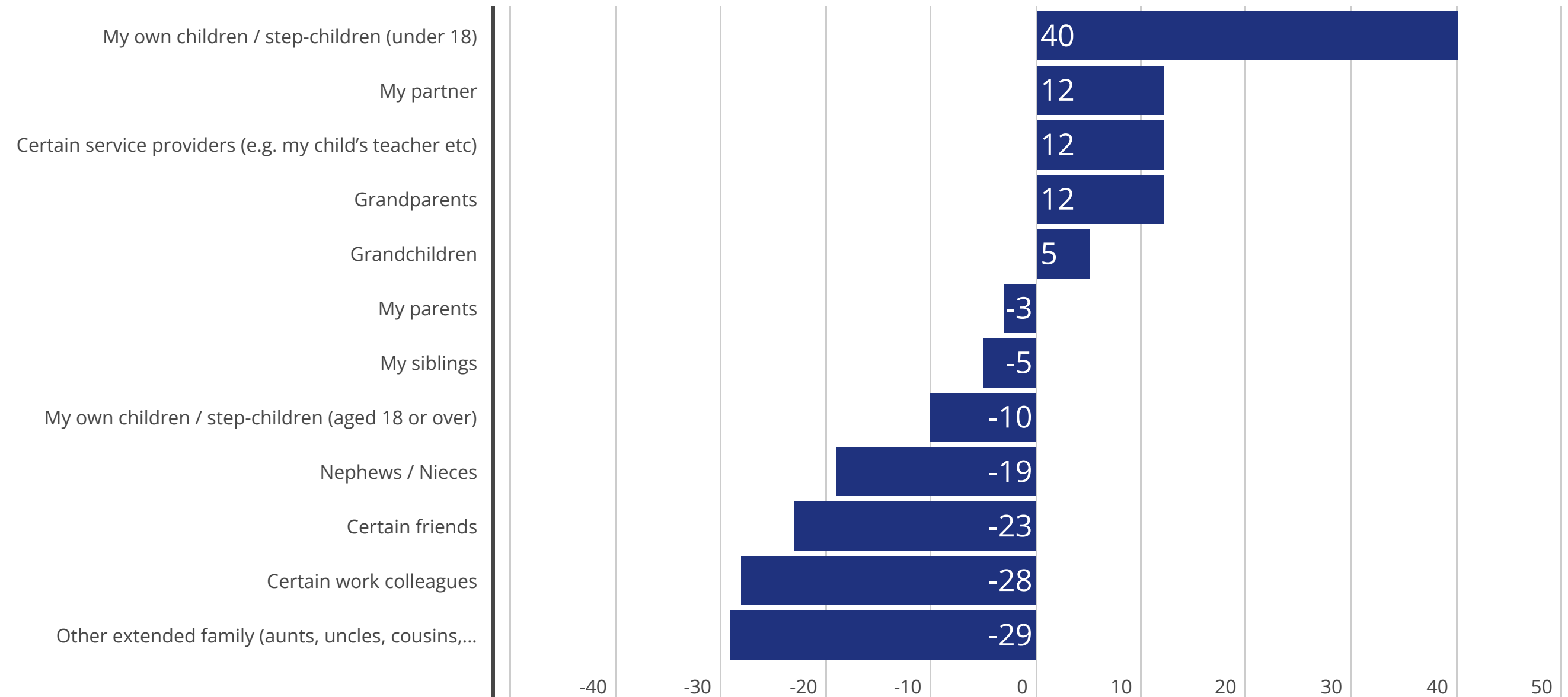
The data also shows a prioritisation of gift recipients, with people concentrating their spending on their nearest and dearest.

Those groups likely to most benefit from increased spending are children / step-children under 18 years old, partners, grandparents and grandchildren.

Those most likely to see reduced spending are extended family (aunts, uncles, nephews, nieces), friends, work colleagues and older children / step-children.

Interestingly, intended spending for certain service providers (e.g. teachers) was showing a slight increase. This indicates how significant a gifting occasion the end of the school term has become.

Perhaps also suggesting that parents want to express their thanks after the extra strain put on teachers during lockdown.



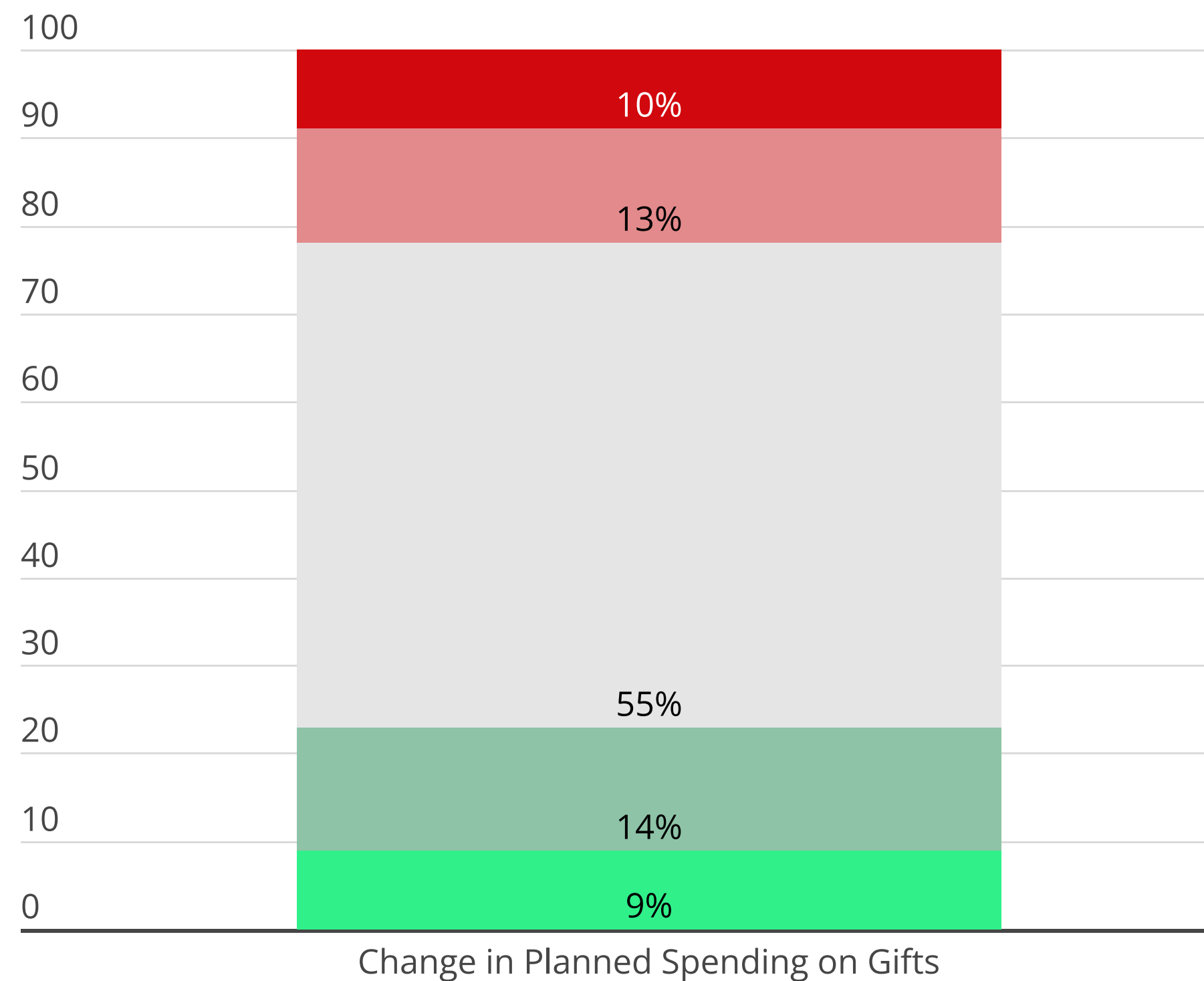
Planned changed in spending on gifts: Decrease / Increase

This weighted index factors takes account of the percentage of people reporting "significant change". The percentage of those reporting "significant change" (+ or -) are multiplied by two. Those reporting "slight change" are multiplied by one. Those reporting "No change" are scored at zero. This provides an index score.

How will the use of gift cards be affected?

The same pattern of planned increases and decreases in spending is also reflected in predicted demand for gift cards.

While 23% plan to buy fewer gift cards as a result of the cost of living crisis (13% slightly and 10% significantly), an equal percentage plan an increase spending (9% significantly and 14% slightly).



- Likely to spend significantly more
- Likely to spend a little more
- No change
- Likely to reduce spending slightly
- Likely to reduce spending significantly

Who will buy more or fewer gift cards?

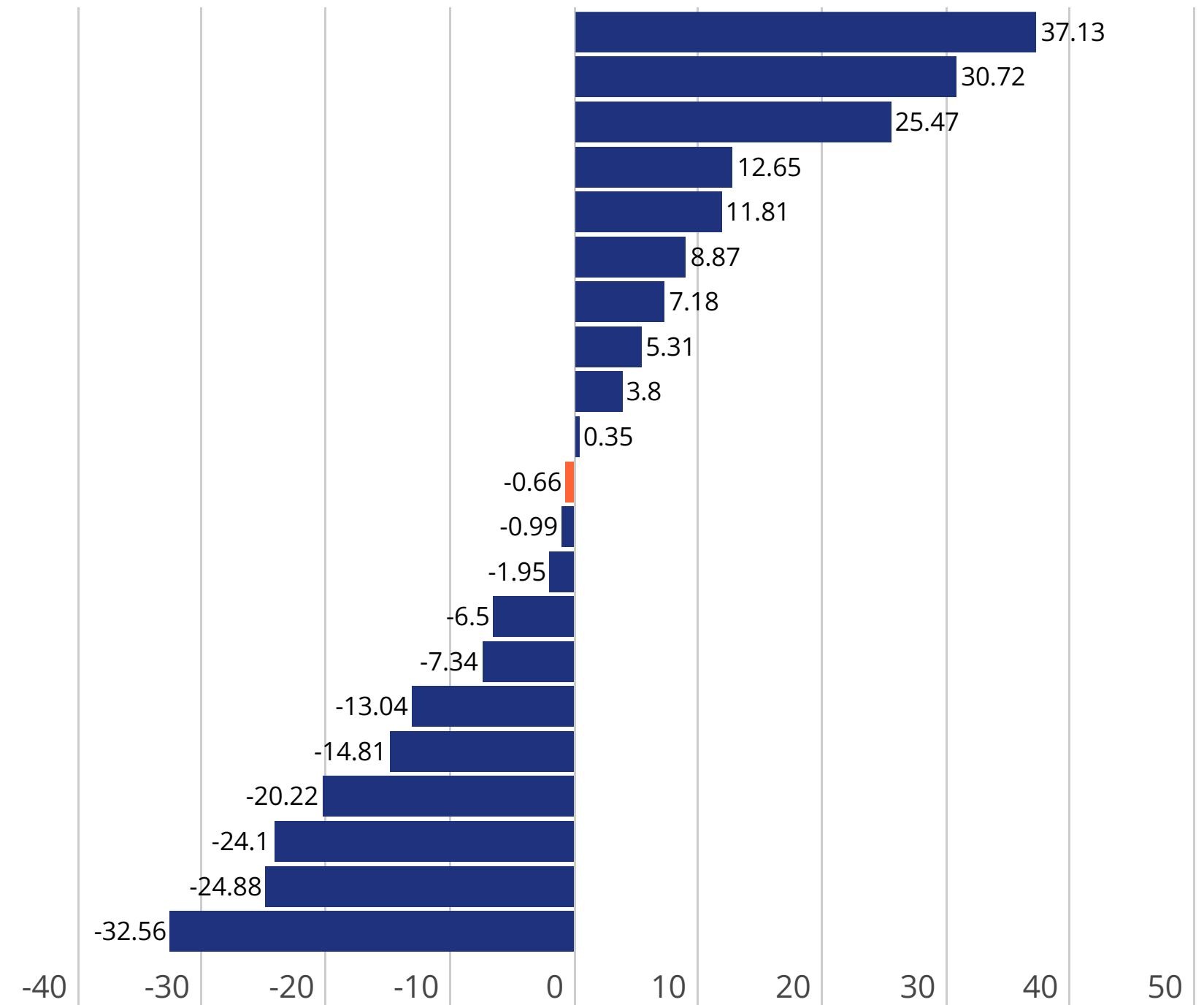
While the weighted figure (with "significant change" given greater impact) shows a slight drop in spending, the overall gift card market looks like the gains will balance out the losses.

Here our weighted index shows which groups are intending to increase or decrease their overall purchases of gift cards.

Men are expecting to increase gift card spending, as are younger age groups (all those aged 44 and below, but the higher increase is in 16 to 24 year olds).

When looking at household income and employment status, the rise or fall largely follows the pattern of where the cost of living crisis is being felt most intently.

Aged: 16-24	37.13
Aged: 25-34	30.72
Employment Status: In full or part-time...	25.47
Employment Status: Employed full time	12.65
Household Income: £30,000 to £39,999	11.81
Aged: 35-44	8.87
Male	7.18
Household Income: £75,000+	5.31
Household Income: £50,000 - £74,999	3.8
Employment Status: Employed part time	0.35
Average	-0.66
Household Income: £20,000 to £29,999	-0.99
Household Income: Under £10,000	-1.95
Household Income: £40,000 to £49,999	-6.5
Female	-7.34
Aged: 45-54	-13.04
Household Income: £10,000 to £19,999	-14.81
Employment Status: Not currently working	-20.22
Aged 65+	-24.1
Employment Status: Retired	-24.88
Aged: 55-64	-32.56



Change in Intended Purchases of Gift Cards: Decrease / Increase

This weighted index factors takes account of the percentage of people reporting "significant change". The percentage of those reporting "significant change" (+ or -) are multiplied by two. Those reporting "slight change" are multiplied by one. Those reporting "No change" are scored at zero. This provides an index score.

Where will the use of gift cards increase or decrease?

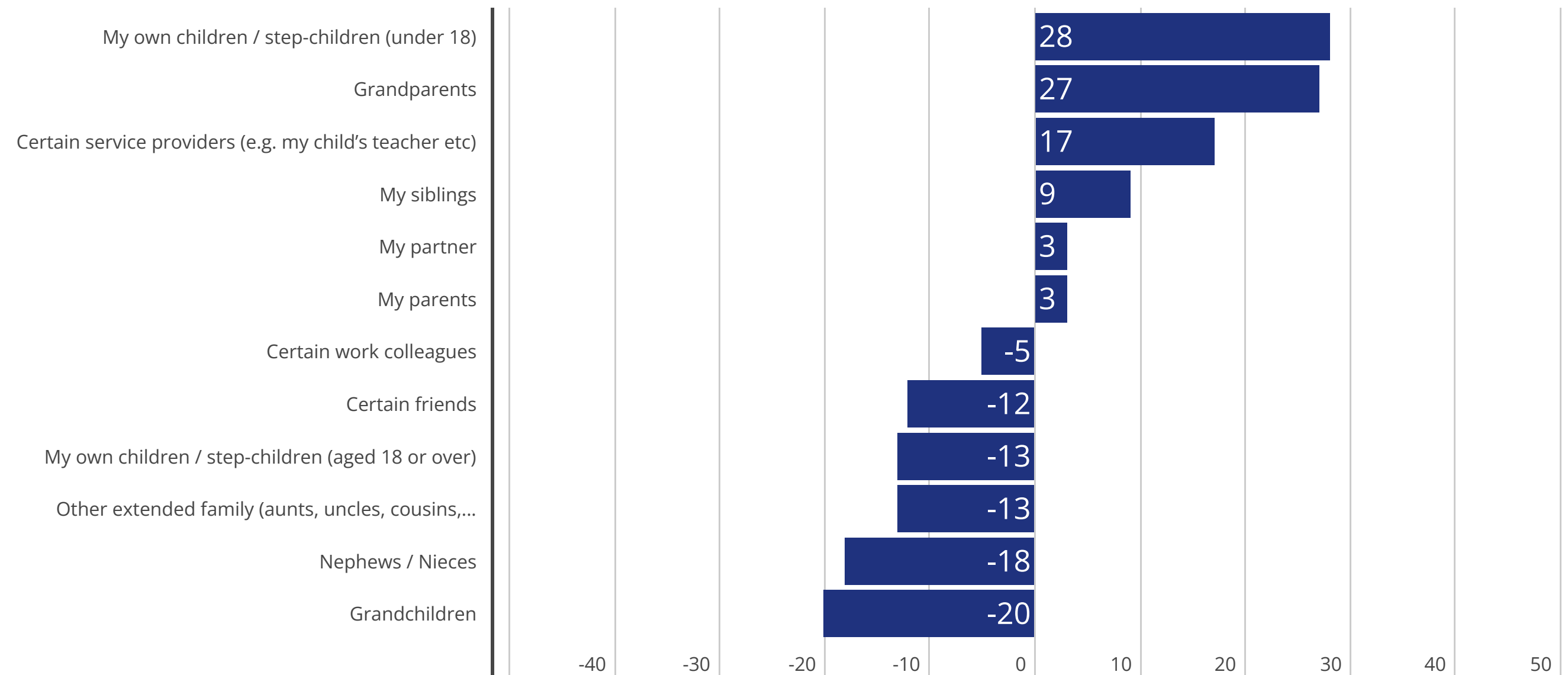
Once again, we can see evidence of the prioritisation of spending across recipients – mirroring the situation with present buying overall.

Here our index looks at intended gift buying for each group.

We can see that gift card spending is set to increase for children under 18, grandparents and service providers (e.g. teachers).

Those seeing a reduction, again, show how spending is being moved away from more distant relations, nephews, nieces, aunts and uncles.

The reduced spending by older age groups is reflected in reduced spending on gift cards for grandchildren.



Change in Intended Purchases of Gift Cards: Decrease / Increase

This weighted index factors takes account of the percentage of people reporting "significant change". The percentage of those reporting "significant change" (+ or -) are multiplied by two. Those reporting "slight change" are multiplied by one. Those reporting "No change" are scored at zero. This provides an index score.

What factors are driving increased use of gift cards?

When asking for the reasons behind increases in gift card buying respondents mentioned a variety of factors.

Common themes include:

- To avoid wasted spending
- As a way to lower overall gift spending
- As a way to avoid the impact of price inflation on physical gifts
- To reduce the cost of delivery / or because they are travelling less to family 'meet-ups'
- To access discounts

Basically so they can have items they want or need without me wasting money buying the wrong things

Because of the price of products increasing

Because it feels like a more targeted spend in these days of uncertainty

Because it is cheaper than other gifts

Because you chose the price, presents are more expensive now so you buy something, and it may be expensive but looks cheap, so you buy more to compensate.

Cheap to post compared to parcels and they can purchase what they wish instead of me

Better than buying a product that would probably end up in a charity

Can't afford to travel to take them a gift

To get the same item, but at a discounted price

How will purchases of 'self-use' gift cards be affected?

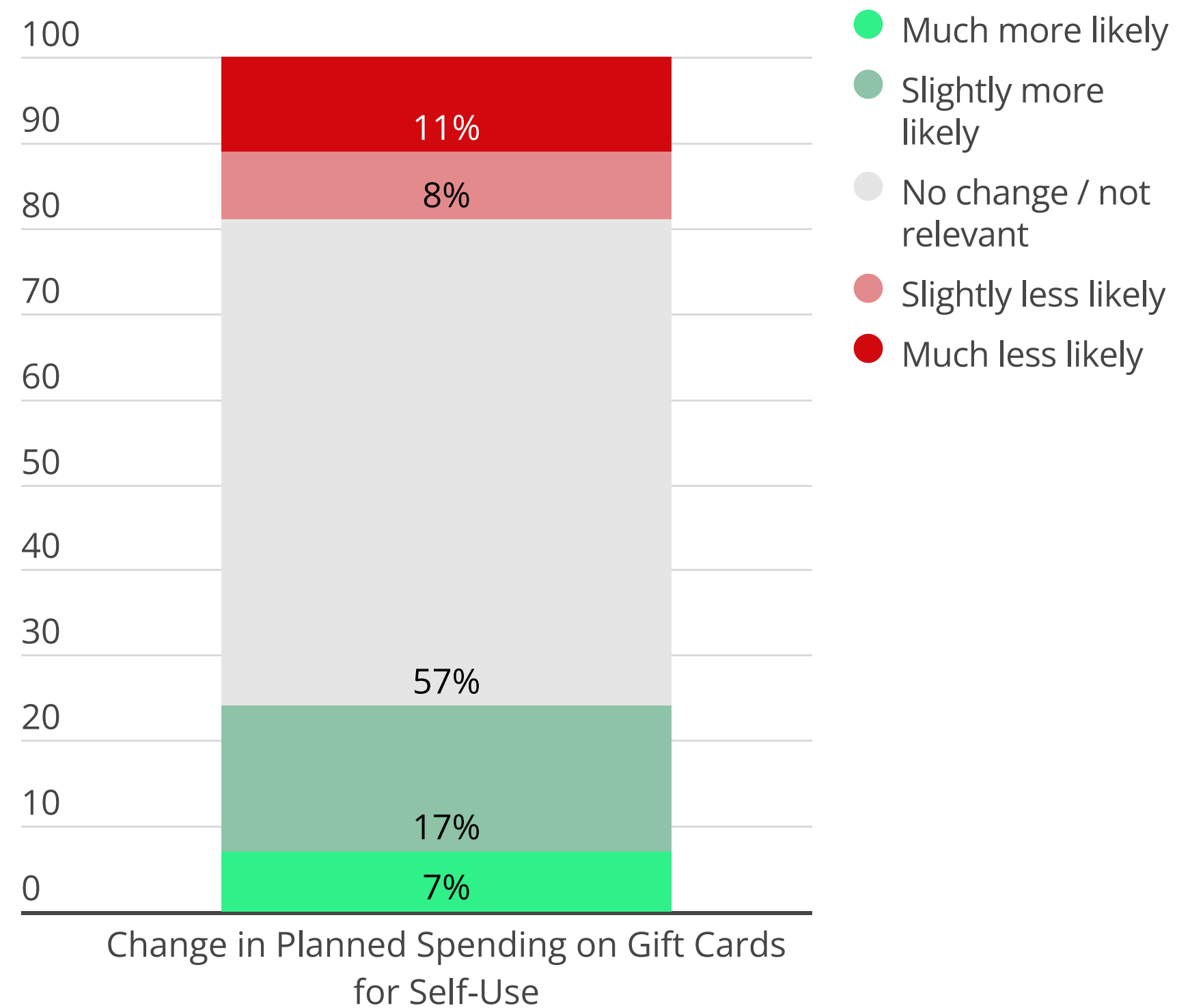
The increasing trend of people buying gift cards for themselves is also being affected by the financial squeeze, according to our data.

Often the motivation for such purchases is financial. It may be to limit how much a person is spending (e.g. for a month's Netflix subscription without having a regular monthly contract), or to receive a discount (e.g. a 10% discount on a gift card) or to help with budgeting as it prevents overspending.

Gaming is also a major factor in self-use gift cards. Often gift cards can be seen as an effective way to limit spending on games or in-game purchases.

Overall, intended spending for self-use is likely to slightly increase. 24% said they were more likely to buy for self-use (7% much more likely) compared to 19% likely to reduce their spending.

This intention was much stronger amongst regular 'self-use' customers, especially for younger customers. Of those aged 25 to 34 for example, 36% expected to increase spending (12% to significantly increase), compared to just 17% expecting to decrease.



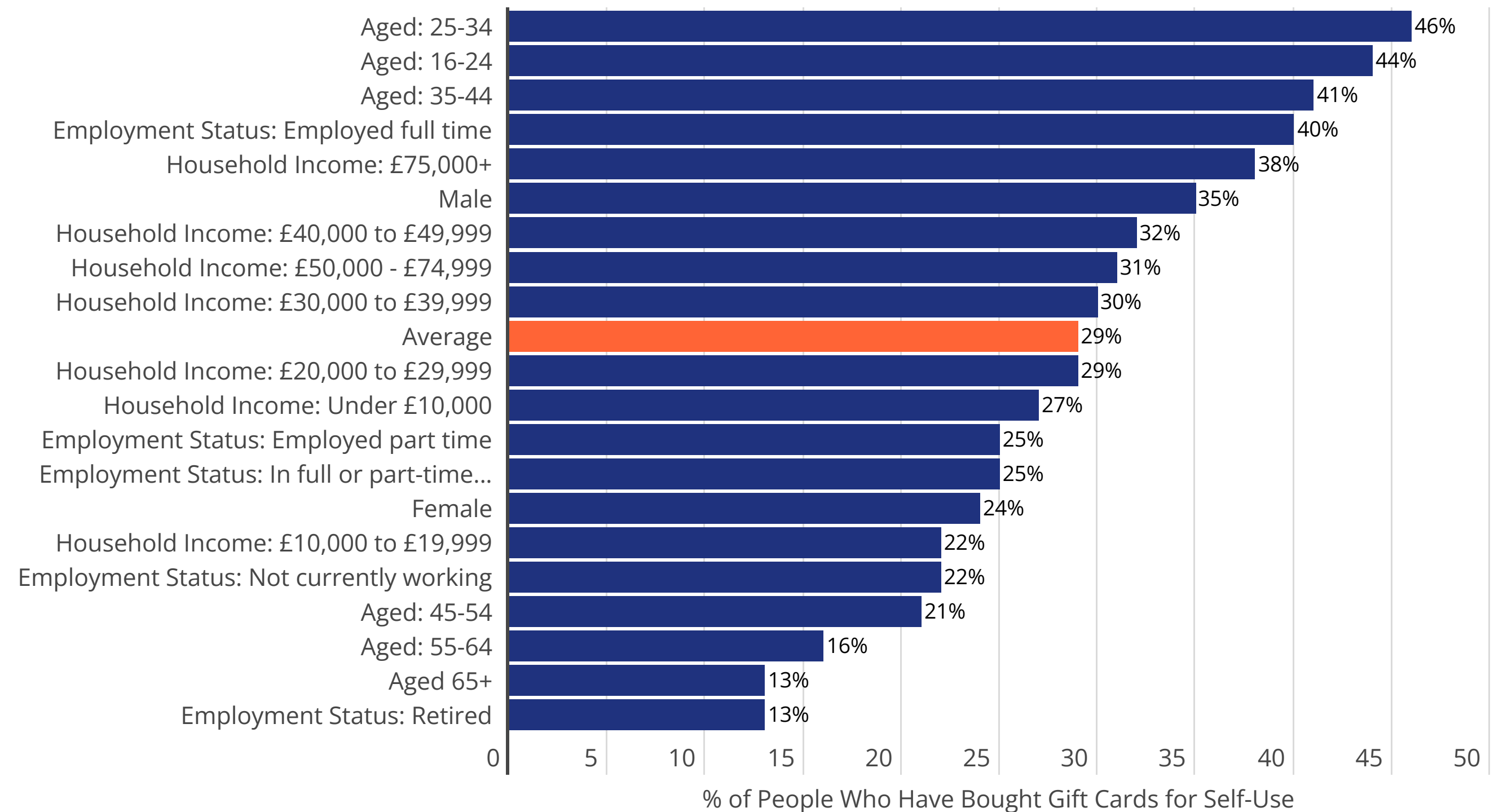
Who currently buys gift cards for self-use?

In our sample, 29% of people had previously purchased a gift card for such reasons.

With usage higher amongst Men (35%) and younger age groups (for example, 46% of those aged 25 to 34).

There is a clear generational divide, with millennials, Gen Z and younger clearly seeing a wider role for gift cards than being simply a present.

Higher income households are also more likely to buy gift cards for self-use. Suggesting a wider purpose than purely accessing discounts.



Factors driving increased use of self-use gift cards?

When asked why, the strong motivation was to access discounts and deals.

Amazon gift card, they gave you £5 if you topped up £40 and I was planning on making a £50 purchase

To pay Disney plus subscription out of my Tesco Clubcard points.

I buy gift cards for myself when they are special bonuses on Top Cash Back

Because one was available at a discounted price (e.g. pay £10 for something worth £15) or because buying the gift card came with an extra bonus.

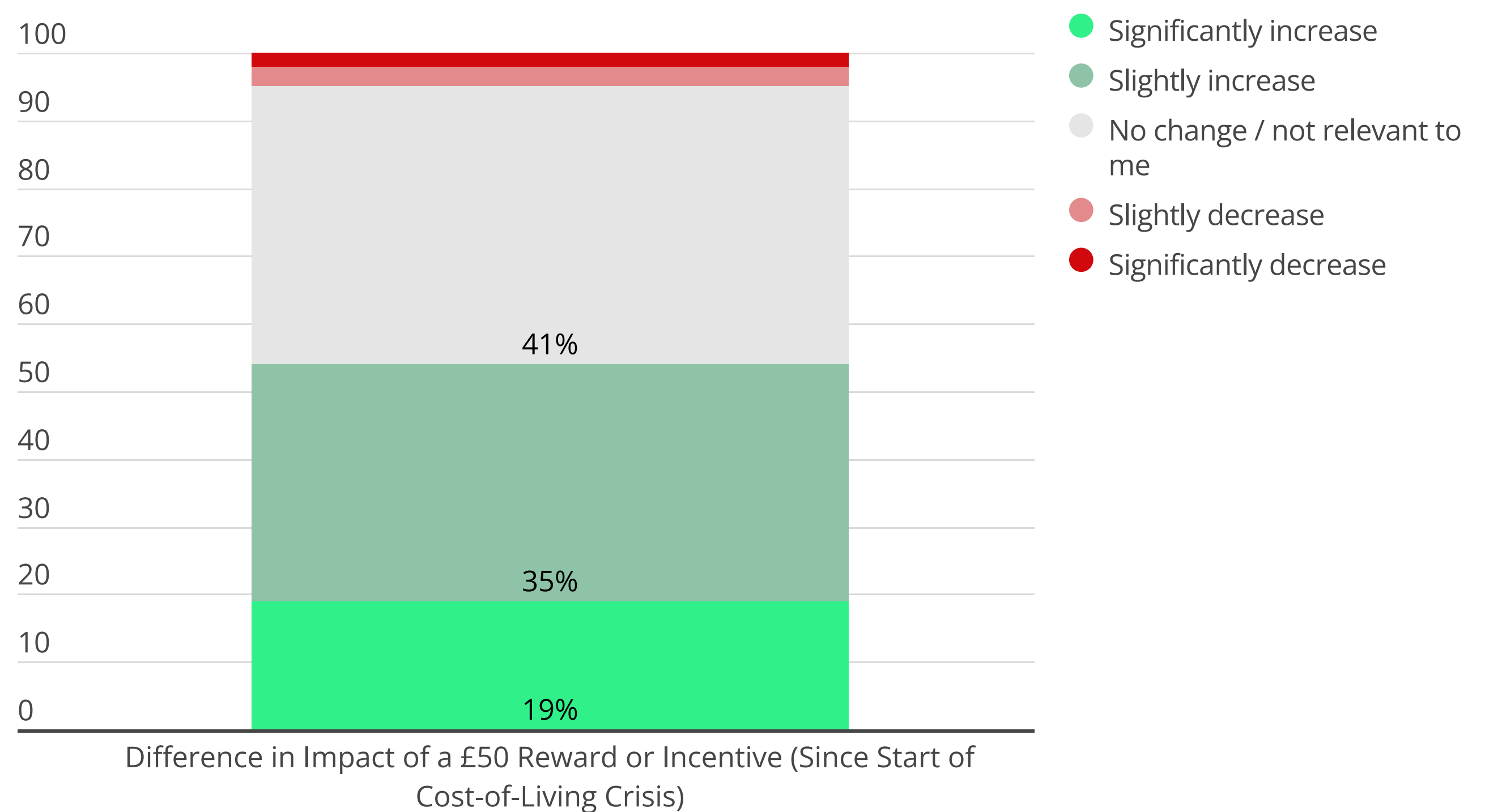
To limit my spending on games

The opportunities for rewards and incentives

The cost of living crisis is also having a major impact on the power of incentives and reward schemes.

We asked our sample how recent cost of living changes have affected the motivating power of rewards and incentives (e.g. a small bonus / thank you gift from an employer or company, such as a £50 gift card).

Overall, 56% of people said that they are more likely to be positively influenced (e.g. increased loyalty or propensity to buy) by such a reward or incentive. 19% would be significantly more influenced.



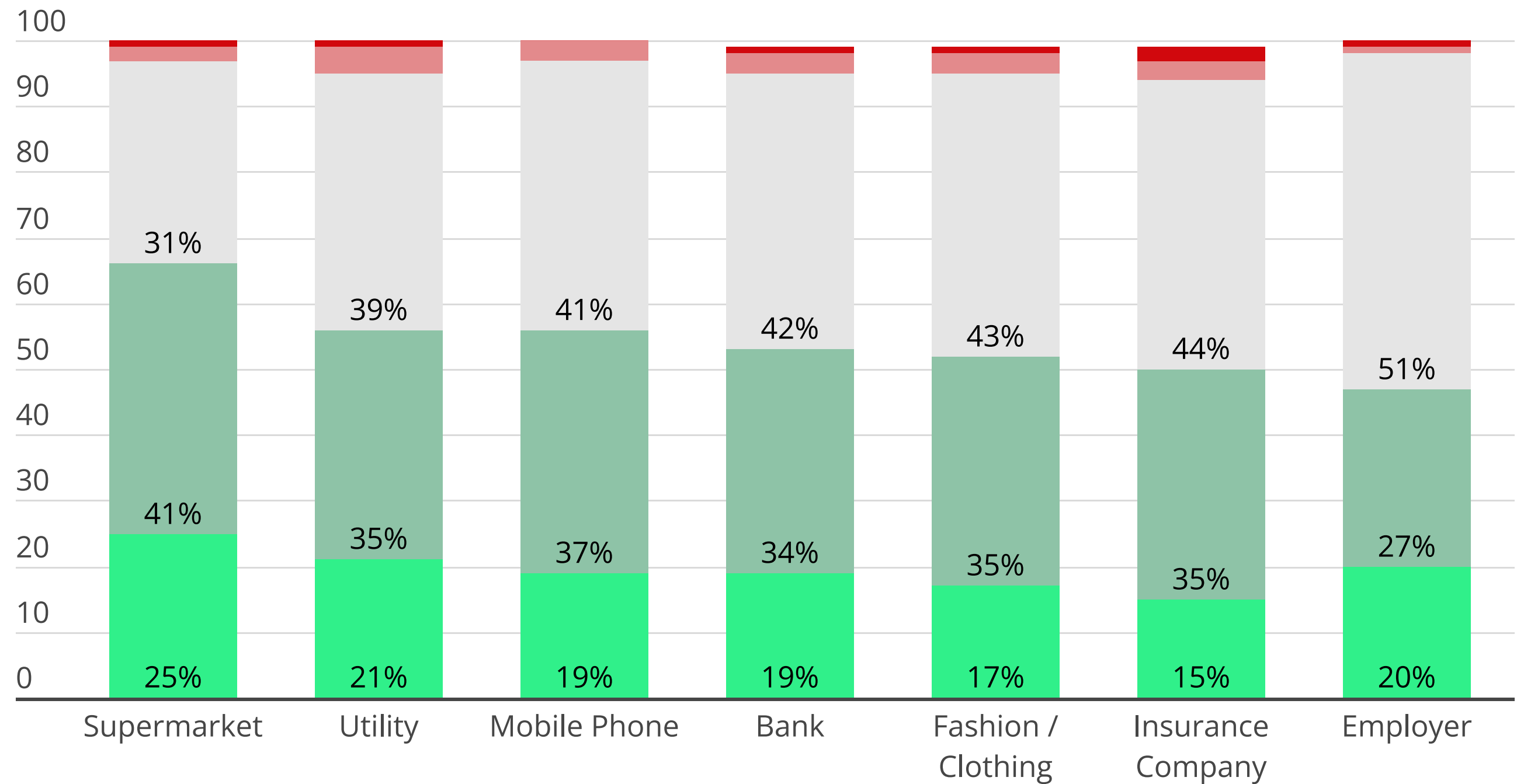
The opportunities for rewards and incentives

The opportunities for rewards and incentive have increased across all potential use cases.

However, their potential impact has seen the sharpest rise against everyday essentials such as supermarket shopping and utility bills.

These are also the areas most typically associated with cost of living rises.

A supermarket reward card is seen as having increased most in its impact on loyalty. 66% said that they were more likely to be positively influenced. 25% significantly more so.



● Significantly increase ● Slightly increase ● No change / not relevant to me ● Slightly decrease ● Significantly decrease

Conclusions

The cost of living crisis is no media scare story.

The impact of price inflation is having a major impact on spending power and intentions across all areas of the economy.

Gift cards are not immune to these changes, in fact many people will reduce their spending on gift cards in the coming months.

However, gift cards are in a special position. They are seen to offer something unique that can actually help people in these current circumstances.

Whether that is the option to easily scale down overall spending on gifts, or simply to limit the extra costs of delivery, travel or to avoid waste.

Gift cards also provide the opportunity for businesses to respond to the changing needs of their customers or employees. A simple way to help them out with basic costs or to reward them for their loyalty.

Once again, we can see how the gift cards are able to present an adaptable solution to meet the shifting issues within the economy and society.



Summary of Findings

- Since the start of 2022, 46% of the UK population say they are worse off. Many only slightly (35%), but more than 1 in 10 feeling significant financial pressure (11%).
- Groups of society worst affected are women, those on lower incomes, in part-time employment or currently out of work, retired or in education.
- Across all groups of society only 7% reported being in an improved financial position than at the start of the year, showing the wide-spread impact across the whole of the population.
- 28% of consumers are looking to reduce or stop buying presents in the immediate future, although most of these (19%) are only planning a slight reduction in spending.
- This reduction is being partially mitigated by a significant proportion of people actually planning to increase spending. 23% are planning to increase spending on gifts (10% plan to significantly increase), presumably to help out family and friends who may be worse affected by the financial squeeze
- The same patterns of planned increases and decreases in spending are also reflected in the gift card sector. While 23% plan to buy fewer gift cards as a result of the cost of living crisis (13% slightly and 10% significantly), an equal percentage plan on increasing spending (9% significantly and 14% slightly).



Continued....

Summary of Findings

- Reasons for increased gift card spending include - avoiding waste, as a means to lower overall spending on presents, to avoid price inflation on physical gifts, to reduce costs of delivery / travel and also to access discounts.
- Intended spending for gift cards bought for self-use indicates a potential slight increase for that part of the gift card market. 24% of people said they were more likely to buy for self-use (7% much more likely) compared to 19% likely to reduce their spending.
- This intention was much stronger amongst regular 'self-use' customers, especially with younger customers. Of those aged 25 to 34, for example, 36% expect to increase spending (12% to significantly increase), compared to just 17% who expect to decrease.
- The cost of living crisis is also having a major impact on the power of incentives and reward schemes. Overall, 56% of people said that their habits are more likely to be positively influenced (e.g. increased loyalty or propensity to buy) by such a reward or incentive. 19% would be significantly influenced.
- It was most likely to have a strong impact when offered as a motivation for supermarket shopping, indicating the importance people are placing on reducing the cost of their day-to-day essentials as prices rise.





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