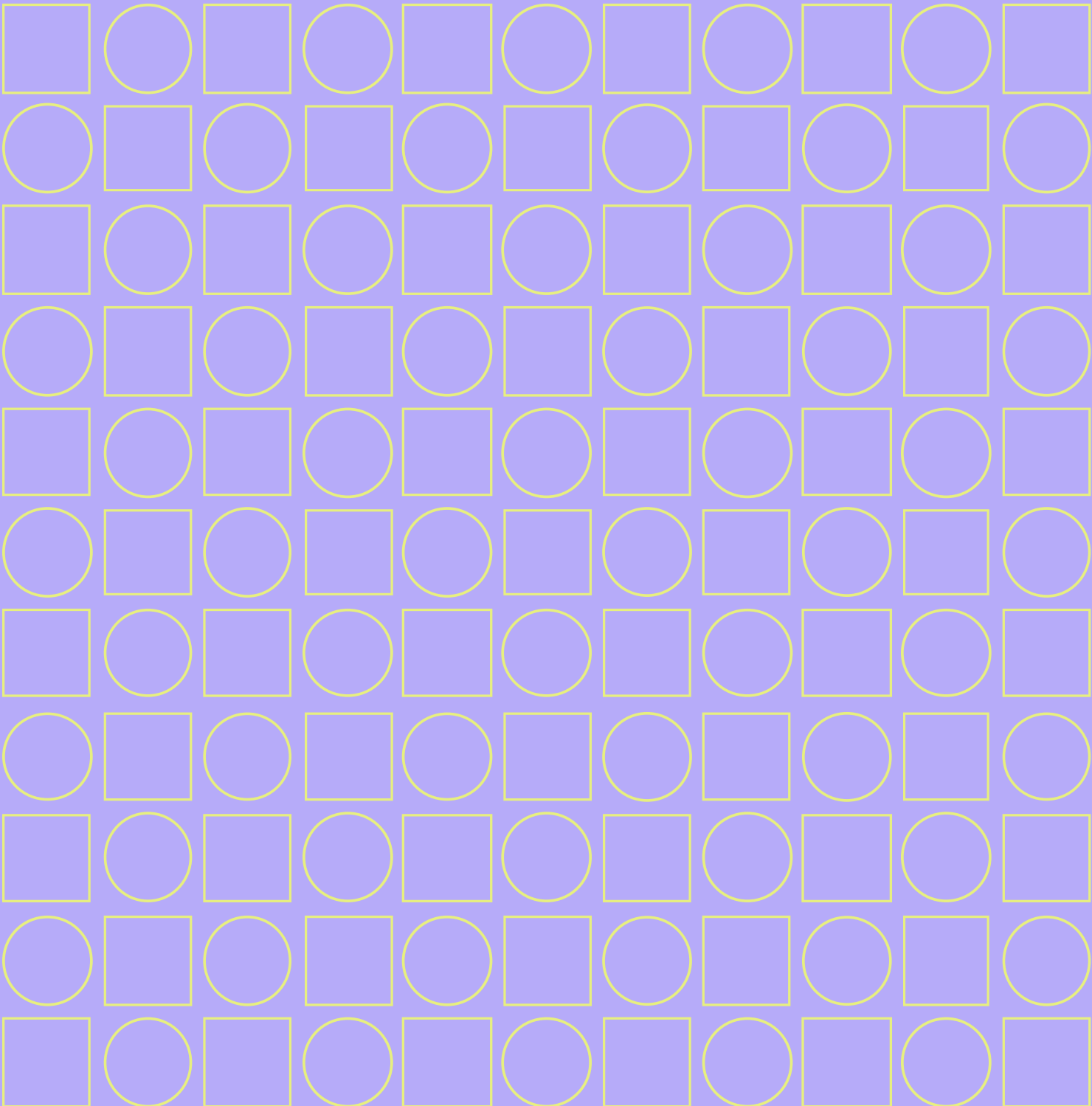


State of the Nation Report 2024



Glossary

Consumer Segments

- Generation Z refers to shoppers aged 16–24
- Millennials refers to shoppers aged 25–44
- Generation X refers to shoppers aged 45–54
- Baby Boomers refers to shoppers aged 55+

Primary Research

This project included three strands of primary leveraged research:

- A monthly consumer research programme, across a nationally representative sample of 2,000 UK consumers over May 2020-February 2024
- Additional targeted consumer questions, over January 2023-January 2024 and February 2023-February 2024. All phases were across a nationally representative sample of 2,000 UK consumers
- A specific short survey of the GCVA membership, which was completed by 31 UK-based members

Gift Card Types

- A retail gift card is a card for a specific high street retailer or a store branded gift card
- A multi-store gift card is a single gift card which can be spend in multiple retailers, brands, outlets or businesses
- An experience gift card is used for activities such as a hot air balloon ride, helicopter ride, hotel stay etc
- A leisure gift card is used for activities such as travel, theatre tickets, spa, dining etc
- A gaming gift card is primarily used for online gaming credit and in app purchases
- A music gift card is primarily used for downloads or subscription



Savvy enables brands to run brilliant gift card programmes. We own and operate a highly secure cloud-based processing platform that enables hundreds of domestic and international brands to run physical and digital gift card programmes and other stored value programmes supporting digital refunds, rewards, incentives, and discounts. Savvy's passion is helping businesses win, driving commercial growth and exceptional customer experiences. Working in collaboration with many affiliates and as an internationally recognised processor in the gift card industry, Savvy is well positioned to support our partners who wish to provide their merchants with our innovative range of services with reliable technology, processing, and analytics expertise.

State of the Nation Report 2024

Chairperson Introduction

The UK gift card industry was forced to navigate significant external headwinds over 2023, as consumers grappled with the most severe inflation witnessed in a generation.

Against this backdrop, gift cards sub-segments were impacted in different ways. Demand for single retailer gift cards held up more strongly than multi-store alternatives, reflecting both the consumer desire for more thoughtful and considered gifting options, and purchasers being more confident that purchasing brands the recipient likes makes it less likely that the gift will be wasted.

Elsewhere, demand for leisure and experience cards was impacted both by UK households diverting spend back towards overseas holidays, and UK consumers exhibiting a preference for more practical gift cards, for purchases in Home, Fashion, and Grocery sectors, which can offer tangible utility and potential cost savings for recipients.

Despite these challenges, gift cards continue to be relevant to UK consumers. There's been a growing recognition of the money-saving benefits associated with self-use purchases, amid many adopting increasingly savvy ways to save. While Q1 and Q2 saw an uneven performance for self-use, there was higher year-on-year self-use purchase penetration over both Q3 and Q4 2023.

Moreover, a rising proportion of shoppers recognised the benefits of digital gift cards. This continued rise in prominence of digital gift cards is hardly surprising, considering the growth of self-use purchase, the greater convenience that these digital cards provide, and rising shopper expectations around cross-channel purchase and redemption. Pleasingly there is every sign that the industry is attune to the evolving role of gift cards. We have seen an increasing focus in marketing activity towards encouraging consumers to leverage gift cards as a money saving tool. Linked to this, there has been a significant increase in GCVA members developing partnerships with other companies, such as price comparison, energy and media businesses to grow their gift card programmes.

Looking forward to 2024, there are indications that the industry should benefit from consumers gaining more financial breathing room. Therefore, we expect renewed opportunities for gift card purchasing. It will continue to be important to focus on digital integration, cross-channel capabilities and mobile-wallet storage for gift cards; areas that are set to drive growth over the coming years.

About Gift Card & Voucher Association

GCVA brings our industry together to drive innovation and growth. It was established as a trade body in 1991 to represent the key players in the market. Today, it provides an information and reference point for gift card suppliers and customers and is at the forefront of the issues affecting the industry.

Its main objective is to raise the profile and use of vouchers and gift cards across the globe, as well as promoting the industry to consumers, businesses, government and other interested parties.

Top 10 takeaways

1 The average monthly proportion of UK shoppers purchasing a gift card for someone else sat at 15.8% each month, compared to 18.2% in 2022. This aligns with the overarching theme for the year, where consumers exercised caution amid rising costs, and prioritised gift recipients.

2 While there was a slight decrease in the average monthly proportion of UK consumers purchasing gift cards for themselves – from 7.9% in 2022 to 7.2% in 2023 - there's a growing recognition of the money-saving benefits associated with this practice among those who continue to do so. Indeed, following an uneven performance over Q1 and Q2, there was higher year-on-year self-use purchase penetration over both Q3 and Q4 2023.

3 An average 28.6% of monthly gift card shoppers opted for digital gift cards in 2023, compared to 26.5% in 2022. This continued rise in prominence of gift cards is hardly surprising, considering the growth of self-use purchase, the greater convenience that these cards provide, and rising shopper expectations around cross-channel purchase and redemption.

4 This growth in penetration of digital has impacted demand on physical, with average monthly proportion of UK gift card buyers purchasing physical gift cards fell 2.1 ppts to 46.7% in 2023 for in-store purchases, and 2.5 ppts to 32.9% for online purchases of physical gift cards.

5 Retail gift cards increased in popularity, with the average monthly proportion of shoppers climbing to 55.0%, from 52.3% in 2022, driven by a desire for more thoughtful and considered gifting.

Top 10 takeaways

6 A lower proportion of monthly gift card buyers purchased experience and leisure cards over 2023. This is partially reflective of a shift in consumer preferences away from experiential gifting toward more practical, tangible gifts that can offer recipients financial support or relief.

7 Against a backdrop of higher inflation over H1 2023, shoppers cut back on extravagant gifting over December 2023, with the proportion of UK consumers purchasing physical gifts for others dropping 9.5 ppts to 27.8%. The proportion purchasing gift cards for others declined 2.9ppts to 24.9%.

8 The Christmas period, however, saw a slight increase in the proportion of UK consumers receiving gift cards as gifts, rising from 29.5% in 2022 to 30.7% in 2023. This potentially points to gift cards being a popular gift choice during the period, even if there were fewer gifts purchased overall over Christmas 2023.

9 While Gen Z consumers remain the most likely to receive gift cards via text, Millennials have surpassed them as the most likely to receive gift cards via social networking or messaging platforms (e.g. WhatsApp). The proportion of Millennials receiving gift cards through these platforms increased from 10.6% in 2022 to 12.0% in 2023.

10 Gift cards continue to represent an effective tool to encourage additional spend and trading up. Over 2023, 43.3% of gift card users said that they would normally spend an average of an additional £10 above and beyond a £30 gift card value.

State of the Nation Report 2024

This whitepaper explores several key themes that are driving consumer behaviour in the UK gift card industry and how type gift card managers are responding to evolving dynamics. Key themes explored are:

1. Financially under-pressure UK households forced to prioritise spend over 2023
2. In Focus: Christmas 2023
3. Gift Card Shopping Habits Across the Generations
4. GCVA members are meeting current external challenges head on
5. Key Strategies for Growing the Gift Card Function in 2024

Financially under-pressure UK households forced to prioritise spend over 2023

Price hikes got the better of shoppers in 2023

In 2023, the UK retail sector navigated through several challenges, as consumers grappled with the most severe inflation witnessed in a generation. Total retail non-food expenditure grew by an anaemic 1.2%, with food expenditure growing by an inflation-driven 8.3%.

Inflation remained persistently high throughout the first half of the year, prolonging the compounding pressure on household budgets that first began back in 2022 amid the impact of rising interest rates on mortgage repayments. Faced with financial constraints, consumers adopted a cautious approach to shopping, trimming their non-essential purchases and reassessing their spending habits.

Although price hikes moderated in the latter half of the year, the spending power of UK shoppers continued to be strained and, where possible, shoppers focused on rebuilding the savings pot to safeguard against any future uncertainties.

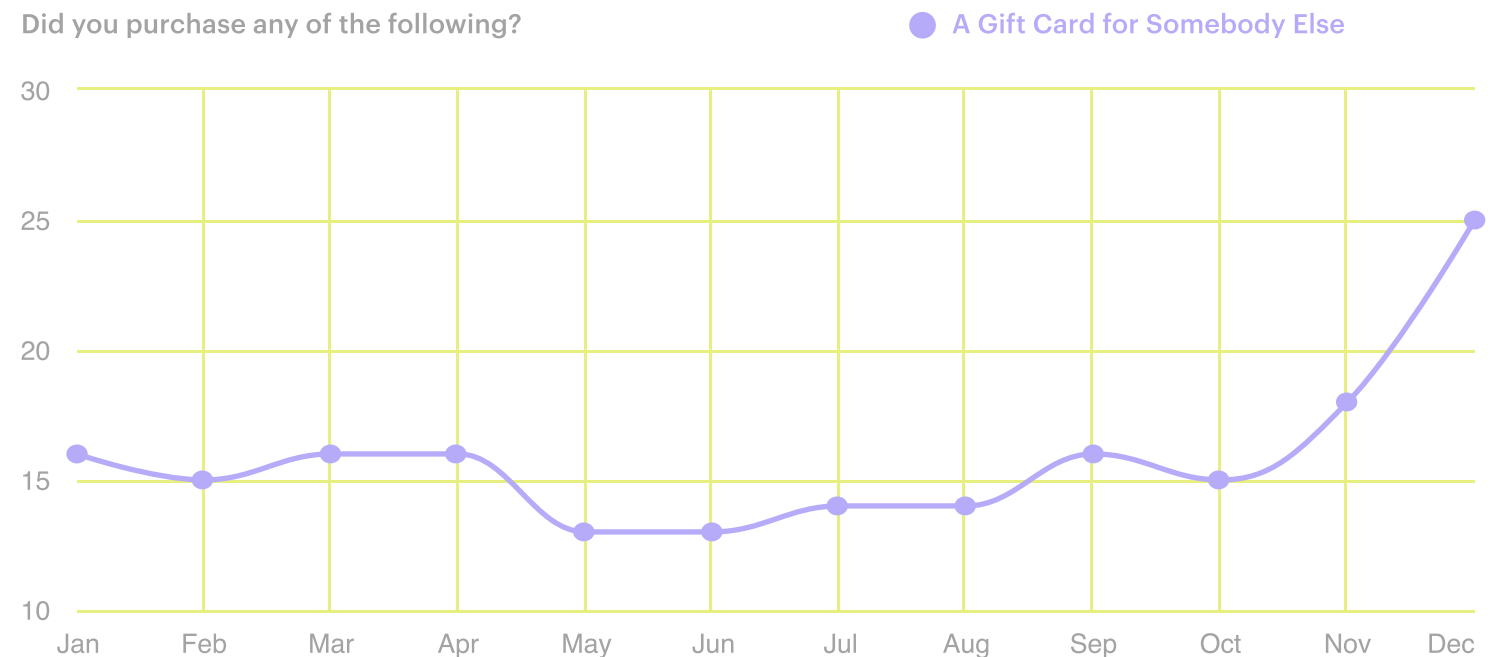
With inflation set to retreat further, the year ahead looks a lot more optimistic for UK retail. Non-food expenditure is set to increase 1.7% (vs. 1.2% in 2023), supported by easing inflation and subsequent expenditure growth in food (4.2% growth vs 8.3% in 2023).

Overall gift card purchasing declined in 2023...

Gift card purchasing for the purpose of gifting for other people, tapered off in 2023, with the average proportion of UK shoppers purchasing a gift card for someone else sitting at 15.8% each month compared to 18.2% in 2022. This is the lowest yearly recorded average monthly penetration since GlobalData started collecting data, in May 2020. The decline aligns with the overarching theme for the year, where consumers exercised caution when gifting, amid rising costs, and mirrors the reduction in physical gifts purchased for someone else, from 21.8% in 2022 down to 18.2% in 2023.

Throughout the year, the compounding impact of high inflation weighed on consumers, despite CPI levels easing towards the end of 2023. Gift card shoppers held back most significantly during May and June, the months with the biggest comparative decline on 2022 gift card purchase levels, as they prioritised spend elsewhere (e.g. holidays, travel, and days out) during warmer weather. Nonetheless despite the year-on-year decline in gift purchasing, the actual 2023 value performance of both gift cards and physical gifts will have been partially boosted by this higher inflation, which offset some of the volume decline.

Did you purchase any of the following?



...however, a larger proportion of shoppers recognised the benefits of digital gift cards

2023 witnessed a notable shift in gift card purchase habits, with digital gift cards emerging as a more prominent choice for consumers versus 2022. Overall, on average 28.6% of monthly gift card shoppers opted for digital gift cards in 2023 which marks an increase of 2.1 ppts on the year prior. At the same time, this growth in penetration of digital has impacted demand on physical, with the average monthly proportion of UK gift card buyers purchasing physical gift cards falling 2.1 ppts to 46.7% in 2023 for in-store purchases, and 2.5 ppts to 32.9% for online purchases of physical gift cards.

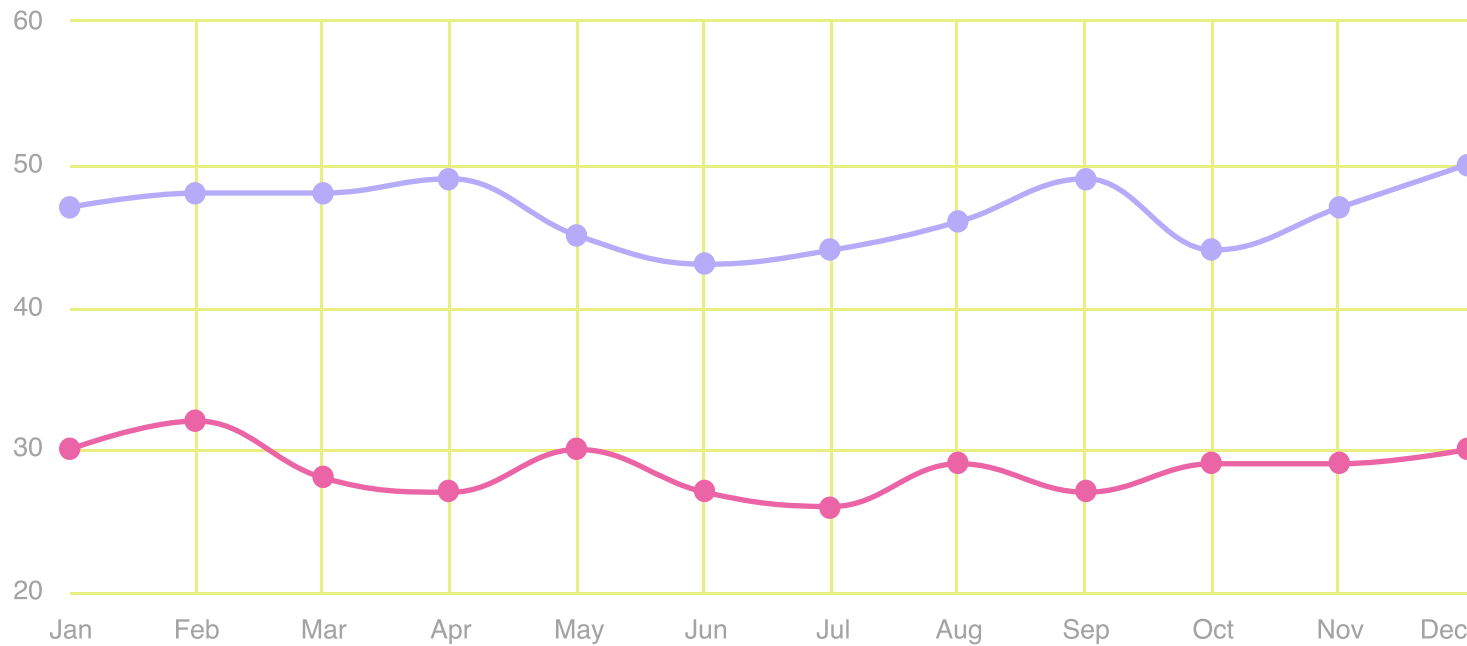
2023 witnessed a notable shift in gift card purchase habits, with digital gift cards emerging as a more prominent choice for consumers

This continued rise in prominence of gift cards is hardly surprising, considering the growth of self-use purchase, the greater convenience that these cards provide, and rising shopper expectations around cross-channel purchase and redemption. The convenience factor of purchasing a digital gift card cannot be overstated, particularly among last minute shoppers who benefit from immediate deliveries and the absence of postage hassles, which likely contributed to the decrease in physical gift card shoppers through 2023.

Moreover, the rising popularity of digital is also reflective of the evolving attitudes of retailers and consumers, both framing digital gift cards as the more sustainable alternative whilst leveraging enhanced potential for personalisation. This was especially true during special occasions, where Valentine's Day and Mother's Day were the likely catalysts for the most significant digital shift in February 2023 (+7.1 ppts).

Which type of gift cards did you purchase?

● A physical gift card from a retailer/gift card issuer instore
● A digital gift card from a retailer/gift card issuer online



Retail gift cards were preferred over multi-store gift cards

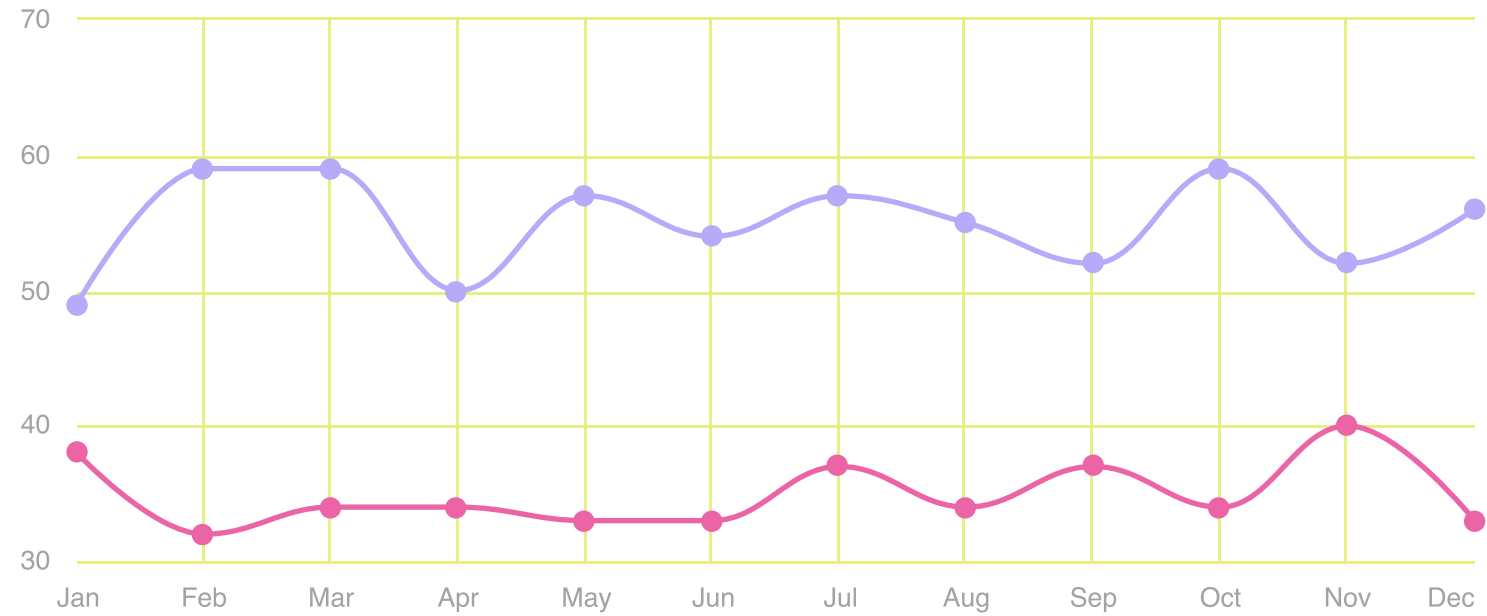
...a preference for specific and tailored gifting experiences, which appear more thoughtful and considered, and resonate with a more refined preference of the recipient.

2023 saw the average monthly proportion of gift card buyers opting for retail gift cards climb to 55.0%, from 52.3% in 2022. This uptick signifies a preference for specific and tailored gifting experiences, which appear more thoughtful and considered, and resonate with a more refined preference of the recipient. The outperformance of retail gift cards also reflects the more cautious current consumer sentiment, with the purchaser being more confident that purchasing for brands that the recipient likes/uses makes it more likely that the gift won't be wasted.

Conversely, multi-store gift cards experienced a decline in monthly purchasing, which dropped by 1.7 ppts to 34.9% among gift card buyers. While multi-store gift card options offer versatility and allow recipients the freedom to choose from a variety of retailers, their diminishing popularity hints at consumers striving to ensure that their gifting is seen as more considered. It also points to recipient prioritisation in gifting, with many financially under-pressure consumers being forced to forgo gifting for those that they are less close to.

When purchasing gift cards (includes gift cards, vouchers, digital, e-gift codes etc.), which types of gift cards did you purchase, either for yourself or someone else?

● A Retail Gift Card ● A Multistore Gift Card



With foreign holidays back on the agenda, there was a dip in purchasing of experience gift cards

There was a marked decline both in the average monthly proportion of UK gift card buyers purchasing experience gift cards (a decline of 4.7 ppts vs. 2022), and leisure gift cards (2.1 ppts vs. 2022). Between them, these gift cards are used for an array of activities, including travel, hotel stays, theatre tickets, spa, and dining.

This behavioural shift points toward the broader economic mindset among UK consumers over 2023. Indeed, the performance of experience gift cards was particularly poor in May 2023, with the proportion of UK gift card buyers purchasing experience gift cards declining 10.0 ppts, compared to May 2022, to 17.5% of gift card buyers. This coincided with the fifth consecutive month of CPI levels surpassing 8.5%. Encouragingly, easing CPI levels towards the end of 2023 supported an improving performance trend; the proportion of gift card buyers purchasing leisure and experience gift cards grew year-on-year in November, at +1.1 ppts and +0.5 ppts, respectively.

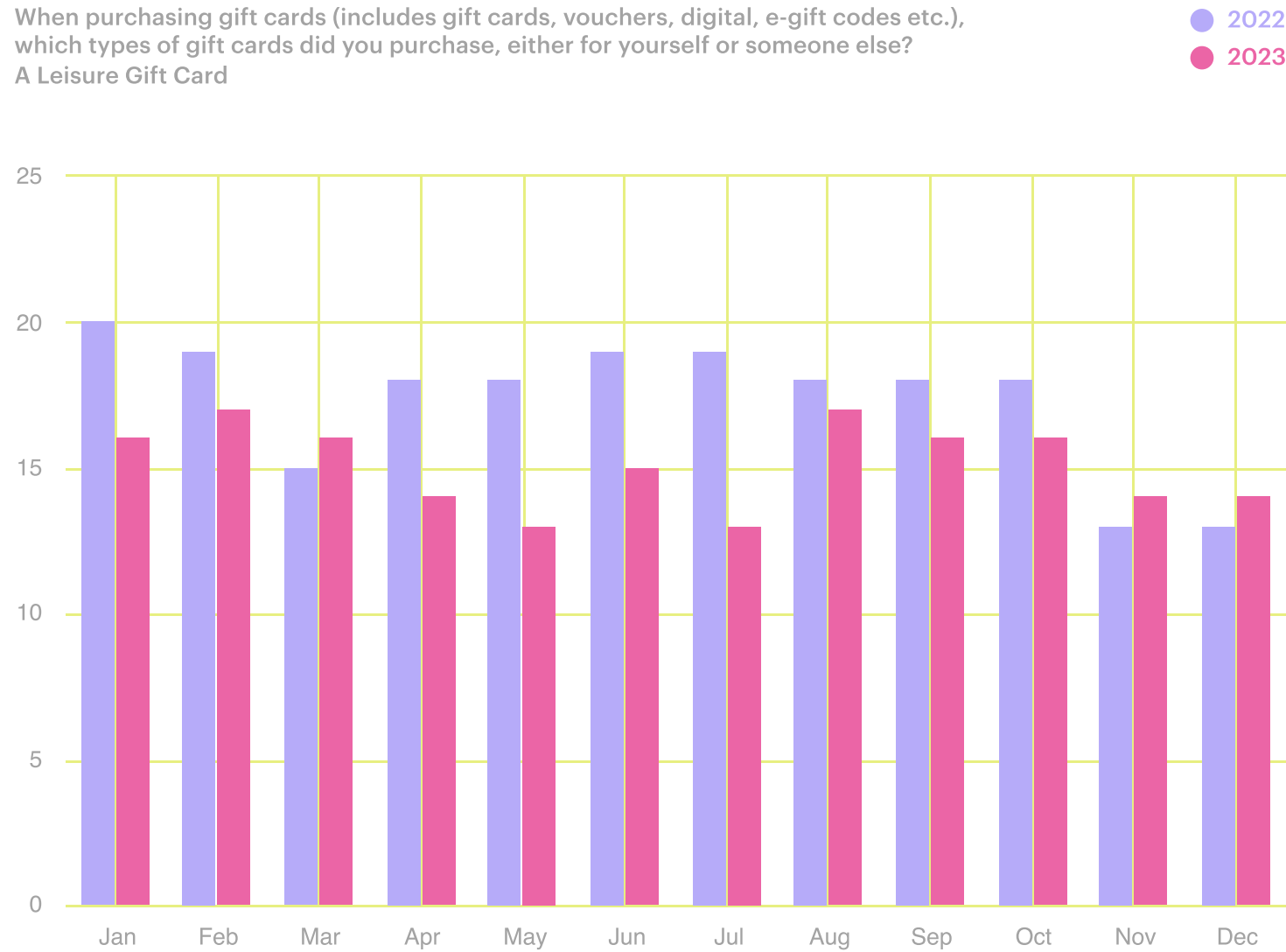
Some of this decline in these gift cards was reflective of UK households diverting spend back towards overseas holidays, at the expense of leisure time being spent in the UK.

However, the decline also points to cautious UK consumers exhibiting a preference for more practical gift cards, likely to be intended for purchases in home, fashion, and grocery, which can offer tangible utility and potential cost savings for recipients. Moreover, bigger ticket expenses, such as gift card for travel are less likely to be gifted to others during times when personal finances are so constrained.

That said, there are elements of practicality in purchasing leisure gift cards (either through traditional retail channels, or through employee benefit schemes), which has helped to soften the drop in popularity versus that of experiential gift cards. Purchasing dining, spa or theatre-related gift cards for self-use can be a helpful way to budget and control monthly leisure spend each month. At the same time, gifting others the opportunity to dine out is still considered helpful during times that are financially tough.

When purchasing gift cards (includes gift cards, vouchers, digital, e-gift codes etc.), which types of gift cards did you purchase, either for yourself or someone else?

A Leisure Gift Card



Self-use purchasing dipped overall, but Q1 and Q2 2023 saw an improving trend

While there was a slight decrease in the average monthly proportion of UK consumers purchasing gift cards for themselves – from 7.9% in 2022 to 7.2% in 2023 - there’s a growing recognition of the money-saving benefits associated with this practice among those who continue to do so.

The proportion of self-use purchasers citing money-saving as a key driver for purchasing self-use gift cards increased by 3.6 ppts to 39.8% in 2023, maintaining its position as the largest driver of self-use gift cards overall. Looming inflation throughout the year took its toll on consumers in the UK, with many adopting increasingly savvy ways to save.

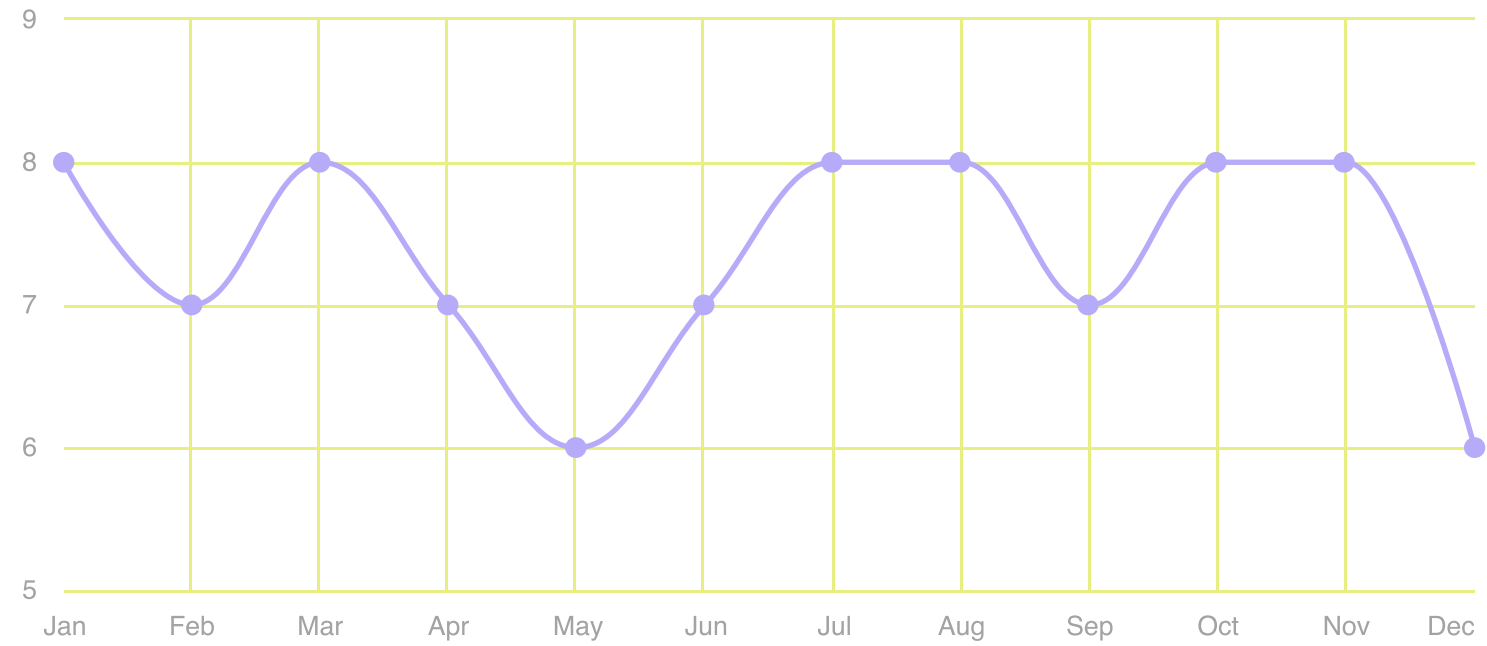
Purchasing gift cards for self-use was most popular in January 2023, coinciding with a period of significant inflationary pressures that sparked a change in consumer

spending habits. This January spike also coincides with the January sales period, with self-use purchasing also higher during the November and December, aligning with Black Friday and the immediate post-Christmas sales period. Over January 2023, the percentage of consumers citing the desire to save money for purchasing self-use gift cards surged by a notable 12.9 ppts from 2022 proportions to reach 41.4%. Moreover, while the rest of Q1 and Q2 saw an uneven performance, there was higher year-on-year self-use purchase penetration over both Q3 and Q4 2023.

These evolving consumer behaviours highlight the value proposition offered by self-use gift cards in mitigating the impact of rising costs on personal finances, which should be considered when strategising ways to entice more controlled spenders.

Did you purchase any of the following?

A Gift Card for Yourself



Gift cards through work incentives bounced back in Q4 2023, and digital options rise in popularity

The average monthly proportion of gift card buyers purchasing physical gift cards through work incentives, a reward or employee benefits programme dropped 4.0 ppts on 2022 proportions to reach 19.7% in 2023. Whilst the popularity of these gift cards remained low throughout most of the year, a surge in demand occurred in the final quarter, where the average proportion of these shoppers increased from 17.8% in Q4 2022 to 21.2% in Q4 2023. Ahead of an expensive festive period, companies looked for ways to reward employees after a tough year, which was well received as employees approached their Christmas gift shopping with a helping hand.

Mirroring the wider trend, there is a notable shift toward purchasing the digital version of these gift cards, with the average monthly proportion of shoppers in this channel increasing 1.0 ppt to reach 10.7% in 2023. The gap between physical and digital gift card purchasing through employee benefit programmes has narrowed significantly, with the digital channel offering employees more efficiency and convenience when shopping online. The switch to digital is also reflective of hybrid working becoming ingrained for many.

Ahead of an expensive festive period, companies looked for ways to reward employees after a tough year

Christmas 2023

Extravagant gifting was not a priority throughout December

Total UK retail performance was less than impressive over December 2023, with the ONS estimating a 3.9% decline in volumes, amid cautious approach among cash-strapped shoppers with concern about the state of their personal finances. With tighter budgets and less room for discretionary spend, consumers exercised restraint and refrained from splurging on non-essential items. This led both to caution in gift spending, and consumers prioritising who they purchased gifts for.

This cautious spending mindset was evident over December 2023, with the proportion of UK consumers purchasing physical gifts for others dropping 9.5 ppts to 27.8%. At the same time, the proportion of UK consumers purchasing gift cards for others also slipped, declining 2.9ppts, to 24.9%.

Over an expensive time of year, consumers prioritised their spending elsewhere, diverting away from traditional gift-giving and toward more practical and necessary expenditures.

However, more gift cards were received over Christmas 2023 overall

However, across the overall Christmas period, additional GlobalData research, undertaken in early January 2024, found a slight increase in the proportion of UK consumers receiving gift cards as Christmas gifts, rising from 29.5% in 2022, to 30.7% in 2023. Furthermore, the proportion of gift card recipients who said that they received more gift cards compared to the previous year increased by 3.6 ppts to 23.7%. This potentially points to gift cards being a popular gift choice among recipients purchased for during the period, even if there were fewer gifts purchased overall over Christmas 2023. At the same time, the proportion of recipients reporting a decrease in the number of gift cards received declined slightly to 15.9% from 16.4% in 2022.

For the buyer/giver, gift cards benefit from being a fixed-price option, amid growing prices for physical items.

In light of constrained budgets, the popularity of gift cards during Christmas 2023 was likely driven by the practicality they offer in allowing recipients to purchase items they genuinely want or need. Gift cards not only offer recipients the opportunity to acquire desired items but also reduces the risk of gift-givers wasting money on unwanted or redundant items. For the buyer/giver, gift cards benefit from being a fixed-price option, amid growing prices for physical items.

During a tough period for retail, gift card shoppers opted to support local...

Many retailers faced economic challenges over Christmas, grappling with constrained customers who had less room for lavish spending. Facing the most significant risk were the smaller, independent and local businesses. During this time, the proportion of gift card shoppers who made purchases to support local businesses increased 2.9 ppts on the same period in 2022, to 19.7%.

Gen X shoppers had a particularly heightened commitment to supporting local businesses, with the proportion of shoppers driven to do so rising from 10.0% in 2022 to 17.5% in 2023. This proactive engagement in sustaining the health of local businesses not only reflects the adaptability of consumers during uncertain periods, but also a wider shift toward ethical consumption and community-centric values going forward.

...as well as cash in on seasonal discounting

With cost-savings a key theme over Christmas 2023, gift card purchases made over the Black Friday/Cyber Monday weekend increased from 11.6% in 2022 to 16.4% in 2023. This substantial increase

reflects a heightened appetite for discounts and promotions, as shoppers actively sought for ways to maximise value for money.

The ease and efficiency of gift card delivery helped to incentivise shoppers over Christmas

The decision to purchase gift cards based on the ease of delivery increased in December 2023, with 21.4% of gift card shoppers citing this as a driving factor, marking a 3.2 ppts increase on the previous year, a period that was blighted by postal strikes. It is likely that stronger recognition was also partly influenced by adverse weather conditions in December, which deterred shoppers from the high street resulting in footfall dropping 4.2%. Subsequently, more shoppers opted for the convenience of having items delivered, including gift cards, either electronically or physically, straight to the recipient.

This streamlined delivery process was particularly more popular among Baby Boomers, with the proportion citing ease of delivery more than doubling from 15.0% in 2022 to 31.0% in 2023. This generation of shoppers value convenience and efficiency in their shopping experience, contributing to increased preference for hassle-free delivery options when purchasing gift

...sending a gift card serves as a quick and convenient way to send season's greetings without any logistical delivery challenges.

cards. At the same time, these shoppers are becoming increasingly confident with online shopping channels, something that has been an issue in previous years.

Despite economic constraints, transactional data from Nationwide suggests an increase in spend on holidays and airline travel in December 2023. For travelling families, gift cards are practical as they offer an ideal gifting solution without the added constraints of luggage space or weight. Additionally, for those separated from family and friends during the festive period, sending a gift card serves as a quick and convenient way to send season's greetings without any logistical delivery challenges.

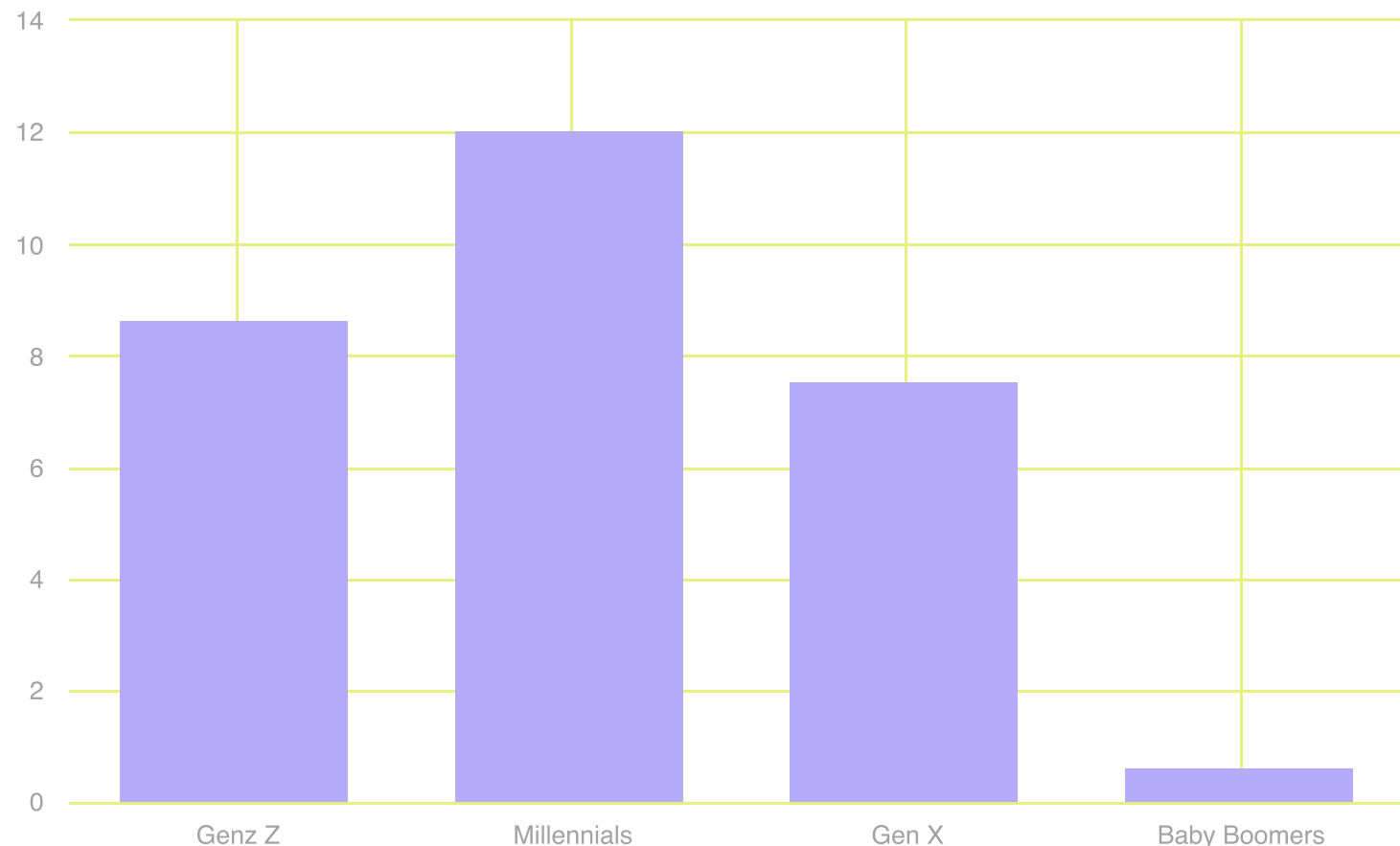
Gift card shopping habits among the generations

Millennials most likely to receive gift cards via social networking and messaging platforms

While Gen Z consumers remain the most likely to receive gift cards via text, Millennials have surpassed them as the most likely to receive gift cards via social networking or messaging platforms (e.g. WhatsApp). The proportion of Millennials receiving gift cards through these platforms increased from 10.6% in 2022 to 12.0% in 2023. As technology trends continue to evolve, digitally native and curious Gen Z shoppers are typically among the first to discover new ways of communicating online, highlighting a shift away from established social networking/messaging platforms (e.g. WhatsApp and Facebook) in favour of platforms such as Snapchat and TikTok which are not as optimised for the receipt of gift-card. Millennials, on the other hand, are more likely to stick with what they know.

Interestingly, Gen Z shoppers exhibited a decreased preference for using apps to send and receive gift cards in 2023. The proportion of Gen Z recipients receiving gift cards through these platforms more than halved from 14.1% in 2022 to 6.9% in 2023. Some of this is reflective of these consumers being more sociable and so more likely to see the recipient in person to gift physical cards. However, this generation are increasingly impatient with anything outside of a one-stop seamless experience and will be moving toward evolving trends such as storing gift cards in mobile wallets.

When receiving gift cards over the last 12 months, how have you received them?
Received via a social networking/messaging platforms (e.g. WhatsApp)



...and also held back from redeeming gift cards online

When it came to spending gift cards in 2023, there is a significant shift in the tendency for Gen Z shoppers to redeem gift cards through online channels (either retailer websites or through apps). This proportion, which sat at 68.2% in 2022, waned to 58.5% in 2023. At the same time, these young shoppers showed an increase in preference for redeeming gift cards in-store.

Shopping with friends is a popular activity amongst this young generation, many of which are still students and have flexible schedules with more time to shop in-person, allowing for a greater chance of redeeming gift cards in-stores

Millennials are most inclined to exceed the gift card value

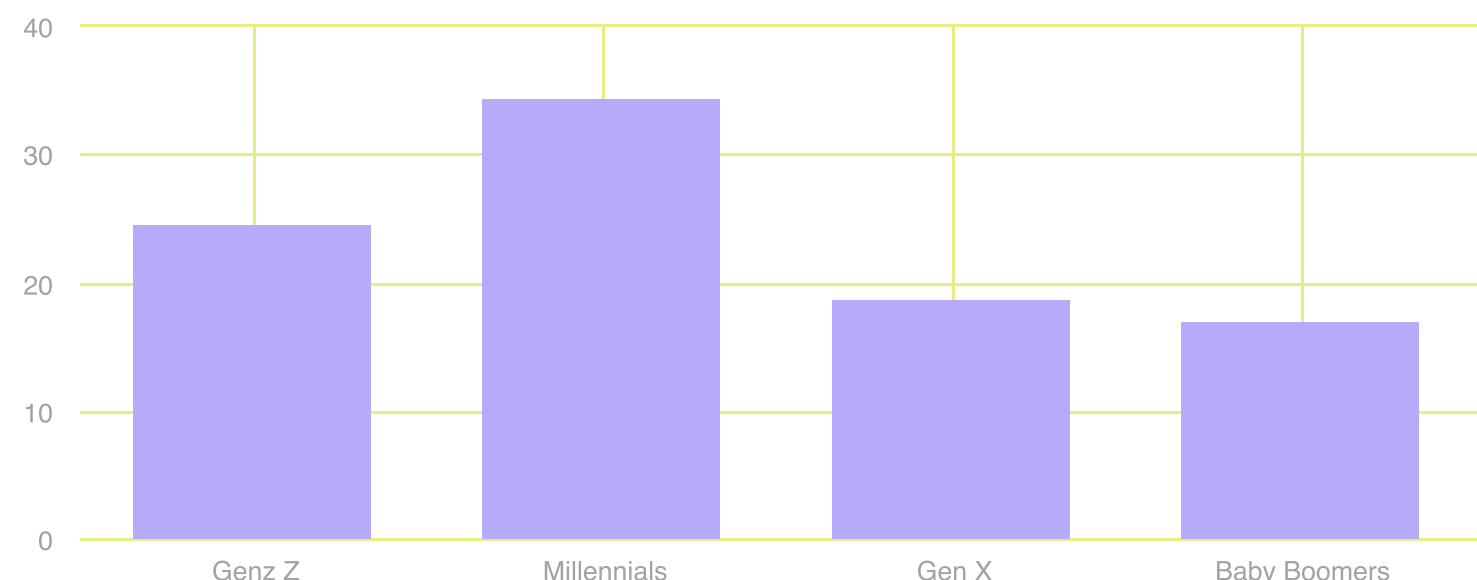
62.8% of those spending/redeeming their gift cards over the past 12 months said that they normally spent more than the average value of the gift card. This represented a decline compared to the 66.3% who did so over 2022. Among the generations, Millennial shoppers were more likely to spend more than the card's value (63.8%), though propensity to do so was high among all generations.

In 2023, Millennials emerged as the demographic most inclined to exceed the gift card value when making purchases. While 36.0% normally spending an average of an additional £10 on a £30 gift card, over a third (34.2%) spend at least an additional £30. This tendency to spend at least an additional £30 is much less prevalent among Gen Z (24.4%), Gen X (18.5%) and Baby Boomers (16.8%).

Gift cards continue to represent an effective tool to encourage additional spend and trading up. Over 2023, 43.3% of gift card users said that they would normally spending an average of an additional £10 above and beyond a £30 gift card value.

This shift contrasts the spending behaviours observed in 2022, where exceeding the gift card value was more common in Gen Z shoppers. While cost pressures persisted, it's unsurprising to uncover family-age Millennials as the most likely to use gift card values to shave money off their essential purchases, while full price spend was compromised by outgoing payments elsewhere.

Spending at least an additional £30 on a £30 gift card



Concern over expiry dates persisted as a barrier to gift card purchases in 2023...

For another year, the expiry dates on gift cards continued to be the biggest barrier to purchasing gift cards in 2023, a concern felt by 29.2% of shoppers who have not purchased or received one in the last 12 months, which represented a slight increase on 2022.

Whilst expiry dates are typically set for a year of 2 from purchase, this restriction limits the flexibility for recipients to utilise the gift card value at a more opportune time or when they have a stronger desire to make a purchase, particularly for those who prefer to deliberate over their spending decisions.

...particularly as more consumers delayed their gift card spend further from the purchase date

At the same time, more consumers opted to delay their gift card spend in 2023. In total, the proportion of shoppers waiting between three to six months of receipt before spending increased from 13.7% to 17.0%. Further, 9.9% of shoppers are waiting between six months to one year before spending, up from 7.2% last year. A shift toward more cautious spending behaviours is noticeable here, as shoppers take additional time to plan purchases, conduct research, price compare, or wait for opportune sales events.

Delayed spending is particularly pronounced among Baby Boomers, who exhibit a greater inclination toward careful spending, with typically higher satisfaction over what they already own which leads to reduced impulsive buying behaviour compared with other generations. Despite this rising propensity for delaying the redemption of gift cards, it is important to highlight that 98.8% of consumers typically redeem within a year of receipt, and well within typical expiration periods.

GCVA members are meeting current external challenges head on

Over February 2024, GlobalData conducted a short survey of the GCVA membership. In total, 31 members partook in the research. We have referred to base of respondents as 'GCVA members' throughout

Growth slowed for many GCVA members over 2023...

Following a boom in demand for gift cards over the last two or three years, where 58.1% of GCVA members saw strong sales volume growth, many were anticipating a slowdown into 2023. This turned out to be correct for most members, as the proportion of participants reporting strong volume growth (i.e. number of gift cards sold) in their gift card function fell to 35.5% over 2023.

Against the backdrop of restrained retail in 2023, consumers reduced their discretionary spend across the board, and the gift card industry was not immune. Indeed, 12.9% of GCVA members reported a small sales volume decline in their gift card function over 2023, which aligns with consumer data suggesting gift card consumption hit the lowest point since before the pandemic.

...and many are erring on the side of caution for the year ahead

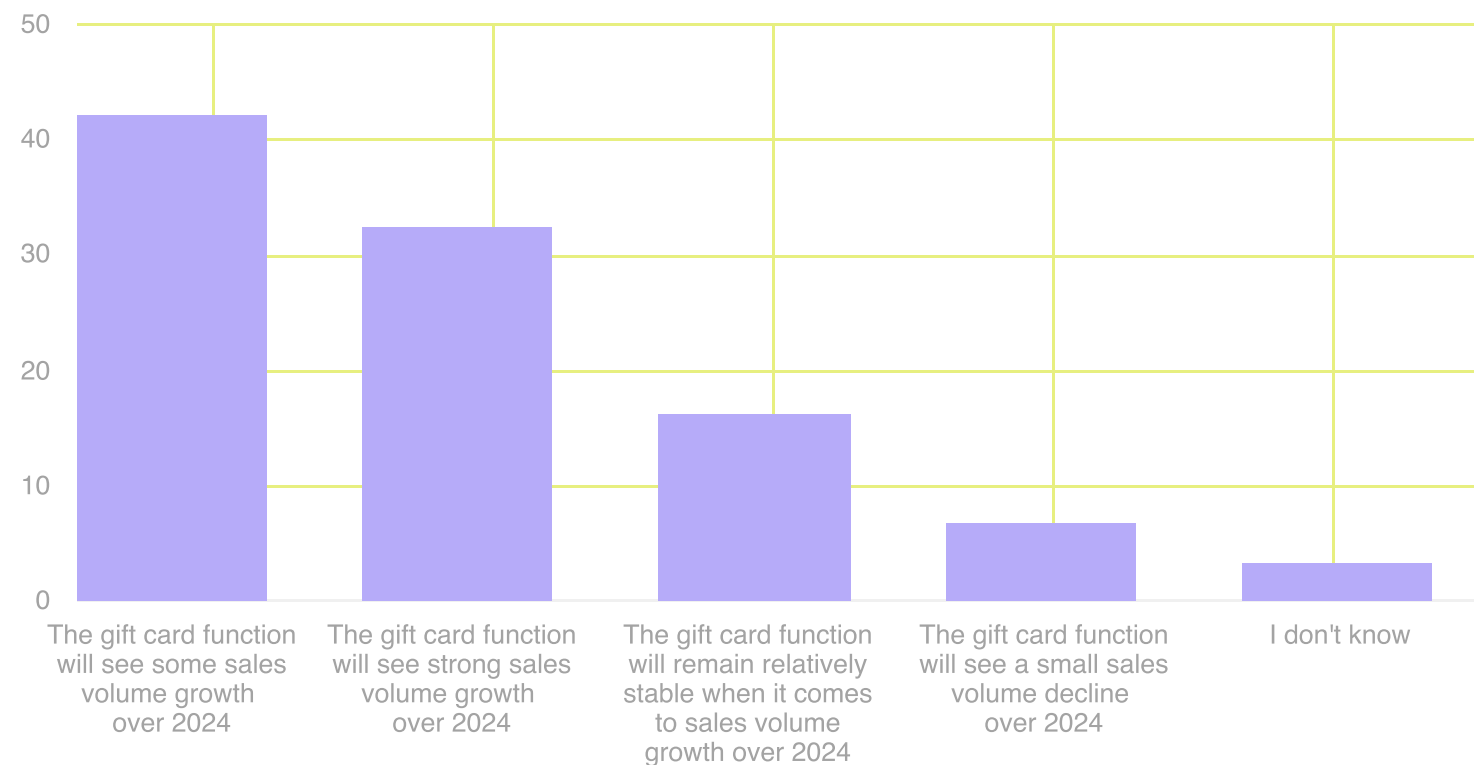
CVA members are remaining cautious about growth prospects in 2024, with the majority (41.9%) expecting their gift card functions to see some sales volume growth versus 32.3% which expect strong sales volume growth. With inflation expected to moderate this year alongside tax cuts and increases to the national minimum wage, this should lead to a boost in gift spending, and less of a need for prioritisation when it comes to who and what to gift.

next 1-3 years. The lasting impact of cautious spending behaviours, trading down, and refraining from non-essential gifting to build up savings will all be potential risks for the industry.

Nevertheless, a third of GCVA members expect to experience strong volume growth this year, suggesting that there is still some cause for optimism within the industry. With consumer finances expected to improve this year, some consumers may increase their gift card spend especially around Christmas.

Indeed, 87.1% of members still believe the cost-of-living crisis to be an important factor that will shape the industry over the

Over 2024, how do you expect the UK gift card function within your organisation to perform?



Gift card team sizes are increasing, with the majority believing that they have access to relevant metrics

Team sizes are increasing within GCVA member’s organisations, with more than two thirds seeing a growth in headcount over the last few of years. Moreover, 45.2% of member respondents stated that the gift card category is the entirety of their role.

The vast majority of GCVA members (85.7%) still believe they have the evidence and data to present a business case for investment to the C-suite, most notably through gift card sales metrics, internal consumer behaviour data and insights from the GCVA.

Team sizes are increasing within GCVA member’s organisations, with more than two thirds seeing a growth in headcount over the last few of years.

Presenting to the board with a wealth of up-to-date information should enable further investment and allow gift card functions to expand further.

Marketing of gift cards has adapted to the new retail landscape

Now the pandemic’s disruption has fully subsided in the UK retail market, there has been a shift in how gift cards are being leveraged to influence consumer behaviour. Among GCVA members, there has been a slight decline in the proportion believing that gift cards are a key tool in driving customers into physical stores, from 54.3% last year, to 38.1% in the 2024 survey. Similarly, the proportion of GCVA members tying in incentives and discounting with the gift cards that their organisations offer fell from 40.0% to 19.0% over the same period.

With the downturn in consumer spend overall, there has been more of a focus for promotional activity to be positioned towards encouraging consumers to leverage gift cards as a money saving tool.

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Indeed, there has been a significant increase in GCVA members developing partnerships with other companies, such as price comparison, energy and media businesses to grow their gift card programmes. This type of B2B selling, typically to companies looking to new tools for customer retention and acquisition, is now used by 57.1% of members. Similarly, almost all GCVA members (95.2%) are now developing partnerships with specialist third parties in gift cards and loyalty. As more and more consumers are seeking the best deals on non-discretionary spending, this is a good incentive to encourage more gift card consumption.

Key strategies for growing the gift card function in 2024

A more seamless, integrated approach to gift card practices will begin to shape the industry

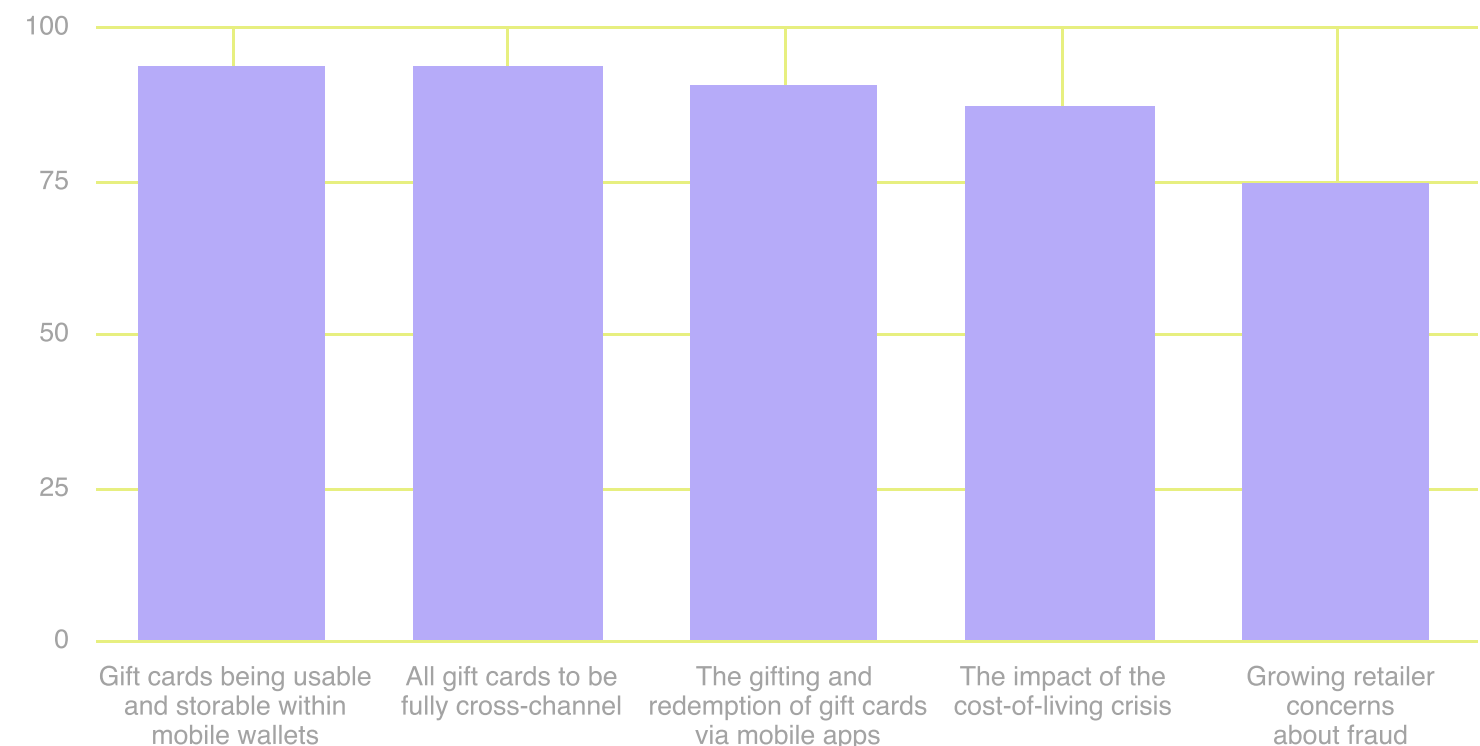
The next 1 – 3 years are poised to be shaped by two key trends identified by a staggering 93.5% of GCVA members: cross-channel integration and the ability to store gift cards in mobile wallets. With the UK boasting a high penetration of smartphone users and consumers increasingly embracing technology, there is a clear path ahead for the digital functions of gift cards.

Mobile wallet storage presents a natural next step for digital gift cards, improving both convenience and accessibility for shoppers and retailers. This not only reduces the risk of consumers misplacing physical gift cards, or not having them on demand, but will also help to foster more impulsive purchasing behaviour as most consumers always have

their phone to hand. Here, there are also opportunities to link digitally stored gift cards with loyalty strategies; potentially de-anonymising gift cards so that brands can better leverage them to better engage with consumers.

In response to these emerging trends, a significant proportion of GCVA members – 76.2% - have either already implemented mobile wallet storage into their gift card propositions or are likely to include this in the future. Similarly, 71.4% of these members have plans to implement cross-channel capabilities if they have not already done so, recognising the importance of providing seamless experiences across multiple touchpoints to meet customer expectations.

When it comes to gift card industry trends, how important do you believe the following will be over the coming 1-3 years? (Important, top 5)



There is growing importance for enhanced gift card packaging

The significance of enhanced packaging for physical gift cards are more widely recognised across GCVA members this year compared to last. In 2023, 22.9% of GCVA members identified enhanced gift card packaging as an important trend that will shape the industry over the next 1 – 3 years. This year, the proportion increased to 35.5%, now surpassing the proportion of those who do not consider it an important element.

While the benefits and growing preference for digital options are undeniable, it is also important to recognise the value added to physical gift cards by improving presentation methods. Attention to packaging will continue to emerge as a crucial aspect in attracting shoppers to physical gift cards, particularly when looking for unique and memorable designs that are high-quality to strengthen the proposition of the gift.

Retailer and consumer concerns around fraud could disrupt the gift card market

Concern surrounding fraud is perceived as a significant factor shaping the gift card industry in the coming years, with 71.0% of GCVA members citing the growing consumer concerns on the topic as a key trend to watch out for.

As the popularity of digital gift cards grow and recipients have more avenues to receive them, the risk of fraudulent activity and scams pose a legitimate threat to the safety of shoppers. This is particularly as fraud activity becomes increasingly sophisticated; for example fraudsters falsely using reputable brands as a front for their activity. Older generations, who are less familiar with ways to recognise inauthentic messaging, are expected to have particular concern. The heightened awareness of fraud risks among consumers may potentially decelerate the

momentum of the digital gift card channel. Similarly, 74.2% of GCVA members recognise retailer concerns on fraud as important elements of the industries near future. The Federal Trade Commission and the 2023 National Retail Security Survey both indicated a rising trend in gift card scams in recent years. At the same time, 66.7% of members are concerned about how secure their online gift card programmes are against phishing and other scams, and 61.7% are concerned about security in customer emails.

In response, tighter regulations around gift card purchases and implementing identity verifications may become necessary to omit concerns. Such regulatory measures could potentially impede the traction of the market, as consumers may find it easier to opt for physical purchasing.

Despite efforts, the gap between consumer concerns and industry responses persists

Similar to 2022 findings, the consumer and GCVA membership surveys continue to highlight possible conflicts of interest despite signs that there are steps in the right direction.

Consumer concerns over expiry dates served as the most significant deterrent to gift card purchases in 2022, yet just 31.4% of GCVA members expressed a likelihood to extend expiry dates in the near future. Fast forward to 2023, and we have seen a modest increase in the proportion of GCVA members that have either implemented or

are considering lengthening expiry dates in the near future. This proportion now sits at 33.3%.

Whilst this indicates a positive step forward in aligning with primary consumer concerns, the continued rise in the proportion of consumers worried about expiration dates throughout 2023 suggests that more may need to be done to fully address this issue.

Conclusion

The landscape of gift card trading in 2023 was undeniably influenced by the cautious consumer behaviour shaped by macroeconomic challenges. As shoppers prioritised essential purchases and guarded their savings, they took a noticeable step back from non-essential spending, including gifting and gift cards. This was a foreseeable outcome, given the economic forecasts that loomed back in 2022.

Nevertheless, amidst the challenges, there were silver linings to be found. The cautious approach to shopping underscored the inherent advantages of gift cards, especially digital ones, which offer recipients the flexibility to select items that are truly practical and beneficial, rather than wasteful or redundant. This aligns with evolving consumer preferences for more meaningful and purposeful spending, particularly when it comes to gifts around special occasions.

Looking ahead, there are indications of recovery for the gift card market. With inflation set to come down in 2024, consumers will gain more financial breathing room and there will be renewed opportunities for gift card purchasing. Emphasis on digital integration, cross-channel capabilities and mobile-wallet storage for gift cards is poised to drive growth in the industry, enhancing accessibility and convenience, and catering to the evolving spending habits of shoppers across all generations.