The VA & Giftex Prepay

Gift Cards & Vouchers in the UK – Summary

Introduction

The UK gift voucher market started over 70 years ago, by the 1980's the majority of high street retailers were issuing gift vouchers. Healthy growth, between 5% and 15%, has been reported in the UK market over the past 5 years; in 2006 total sales were £3.2bn. It was 5 years ago that the first gift cards appeared in the UK. Since then over 70 closed loop gift card programmes have been launched. However there has been little research made widely available about the UK market, particularly looking at consumer's attitudes towards gift cards with the UK relying on US data, where the market has been establish for over 10 years and is worth over $80bn per year. In October 2007 The VA, the UK trade body representing gift vouchers, cards and stored value solutions, collaborated with research specialist Giftex Prepay to issue in depth consumer research – Gift Cards & Vouchers in the UK.

Results

Nearly 30% of respondents have purchased a gift card, which averages 0.79 purchases per total respondents; however total purchases made by those who have actually made a purchase are 2.74 cards. This shows that once a purchaser buys they'll buy more. Women are more likely to buy gift cards than men, but this is not surprising as women are usually responsible for gift buying in the average household. However men are not averse to buying gift cards. It has been assumed that men would not buy a gift card for a romantic partner as this may be perceived to be a 'cop-out'. The survey highlighted a desire for women to receive gift cards from men as women see this as a 'rubber stamp' from their romantic partner to go out and shop.

In terms of income, there was a slight bias towards higher income earners being more likely to buy gift cards, though the figures are negligible. There is also a very slight difference between age groups; over 65 years are slightly less likely to buy. Younger age groups are most likely to have received a gift card. Those in high income households are more likely to have received a gift card than those in lower income households.

£25 is the average load value. This is also consistent with data from the USA and Canada.

A driving factor for purchase is a positive experience when receiving a gift card. May be there is a perceived perception amongst consumers that gift cards are difficult to buy or there is a general lack of understanding about the principles of gift cards?

Of those respondents who have previously purchased 62% said they had a good experience compared to 33% who had purchased paper vouchers. 54% of respondents were neutral when asked their preference for gift cards or vouchers. 27% indicated a preference towards cards and 17% towards vouchers. Not surprisingly under 35's preferred cards, more surprisingly so did the over 65's.

Christmas and birthdays are the most popular gift card giving occasions. Mothers Day, Fathers Day and Valentine's Day account for a total of 10% of annual sales. In the USA however, restaurant cards are popular at Fathers Day and Spa Days for Valentines.

The research gave no firm conclusions about locations of purchase. Due to gift cards being in their infancy in the UK this result is not surprising and arguably shows there is much to play for in terms of selling in-store, on-line and through third parties such as gift card mall.

60% of respondents – who had made a purchase – used the packaging provided with the gift card. This suggests that packaging does play an important role in the propensity to purchase.

Respondents were asked to comment on a preference to 'open loop' v's 'closed loop' cards. Open loop cards were described as branded cards (AmEx, Visa, MasterCard or Maestro); the key factor being you can send the card anywhere displaying these symbols. 16% of respondents said they had purchased one of these cards. 49% showed a preference towards these cards compared to traditional retailer's cards (closed loop). This indicates that choice of where to spend is a key fact, but the report does not determine if this is key to the purchaser or recipient. More than half the respondents reported a desire to choose their own gifts (whether with open or closed loop). This is the principle benefit of gift card and voucher offerings.

Various previous studies have proved the average incremental spend above the value on the card or voucher is 40%. In this study 47% stated they would not spend anymore than the value on the card. However this figure is based on the total group and not just those who had gift card experience. 60% agreed they imagined what they would purchase with their card as soon as they received it, showing that it is the sentiment and thought that is important; recipients see beyond the plastic or paper.

Loyalty and increase number of visits to stores are argued as benefits of gift cards. The majority of those who had received a card were neutral about the influence of the card and an increased number of visits to the store. Respondents were also neutral about topping up cards. However this facility is not widely available in the UK and many respondents would not necessarily have known that this function existed.

When asked if gift cards are better than traditional gifts, one third said yes, one third said no and one third was neutral.

Of those who had previously purchased 56% said the design of the card was important. However recipients are busy thinking about how they will spend the funds on the card to necessarily notice the design of the card.

Compared to the US and Canada the Brits still see gift cards as an impersonal gift – 46%. However other research has indicated that attitudes are changing. Perhaps this is a key message to retailers to orchestrate marketing messages around the benefits and comfort factors around the giving of a gift card or voucher.

Future

Respondent were asked about the future; how many gift cards they are likely to buy this year compared to last. The figure averaged 1, up from 0.79, representing a 25% increase. The report concludes that developments in the UK marketplace, specifically the increased number of retailers (such as Marks & Spencer) launching gift cards and the more gift card centres appearing on the high street this forecast could be way under the reality. Take only those who have gift card purchasing experience and this number increases to 2.74 cards or a 35% increase.

Conclusion

Getting gift cards into the hands of consumers is paramount. Once the consumer has experience using a gift card they are more likely to become an advocate. The industry needs to work effectively to communicate all the positive messages around gift cards and vouchers and ensure consumer who buy enjoy great customer service and satisfaction.

This summary was written in January 2008 by Andrew Johnson, Director General of The VA. The research was conducted by Giftex Prepay in October 2007 from telephone interviews with 301 UK residents.

For details on purchasing the full research or for press comments please contact The VA on 01344 751613 or info@the-va.co.uk

About The VA

The VA was established as a trade body in 1996 to represent the key players in the £3.2bn gift vouchers, gift cards and stored value solutions market. It provides an information and reference point for both voucher and gift card suppliers and customers, and is at the forefront of issues affecting the industry. Its main objective is to raise the profile and use of vouchers and gift cards within the UK, promoting the industry to consumers, businesses, government and other interested parties.

For further details contact Andrew Johnson, Director General on 01344 751613

About Giftex Prepay

Giftex Prepay is a knowledge business that helps companies make great decisions on prepay. We provide independent intelligence in prepay worldwide through our membership products, original research, events and publications.

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