
State of the Nation 2019

UK Gift Card & Voucher Association

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State of the Nation 2019



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UK Gift Card & Voucher Association

2017 saw the launch of our first State of the Nation white paper, supported by insight from primary research undertaken among the key stakeholders in the UK gift card industry: the consumer, gift card managers and the retailer C-suite. This allowed us to provide a complete overview of the state of play in the UK gift card industry, with the white paper seeking to answer the question: "Is the gift card industry ready for the modern consumer?" The research told us that buying habits were changing and the industry needed to change, and change quickly, to ensure gift cards remained relevant.

Two years later, we have undertaken our second research project, with the support of FirstData. This time, in addition to again reaching out to the three main stakeholder groups in the industry we also discussed gift card attitudes, perceptions and habits in greater depth, via focus groups with a cross-section of UK shoppers.

The 2019 research confirms the enduring relevance of the gift card as a consumer proposition across each generation of UK

shoppers. It also highlights the growing role that digital channels are playing in the market, both as a direct purchasing channel, but also in influencing gift card purchasing. Furthermore there are signs that gift cards are set to play several crucial roles in the coming years, particularly around driving customer loyalty.

It is more important than ever that the industry seeks to satisfy fast evolving shopper requirements, ensuring the most effective programs and systems are in place. Part of this is the crucial role that gift card managers can play in demonstrating to C-suite the importance and value that gift cards can play in their marketing, loyalty and sales strategies.

Core to the UKGCVA's role in this process is to help facilitate the promotion of gift cards as a positive and valuable tool to all stakeholder groups. To this end, The UK Gift Card & Voucher Association's focus for 2019 includes: thought leadership, advocacy and consumer marketing campaigns.

About UK Gift Card & Voucher Association

The UK Gift Card & Voucher Association is the trade body & membership organisation, which represents the key players in what is today a £6 billion gift card and stored value solutions market. With over 90 members representing key retailers, issuers and suppliers the UKGCVA provides an information and reference point for the Gift Card & Voucher industry and is at the forefront of the issues affecting the industry. Its main objective is to provide a platform and infrastructure for

the industry and to raise the profile and use of gift cards within the UK, positively positioning the sector to consumers, businesses, government and other interested parties.



First Data launched the industry's first third party gift programme over 20 years ago and in sponsoring this major research, we are delighted to be at the forefront of an ever-evolving market place. By harnessing these important insights we all can continue to develop highly relevant and compelling gift propositions which will provide leading edge solutions to retailers and consumers alike.

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Executive Summary

New research from the UKGCVA confirms the enduring relevance of the gift card as a consumer proposition and highlights several crucial roles that it has the potential to play in the coming years.

The consumer research, undertaken among a nationally-representative sample of 2,000 UK shoppers, highlighted the enduring relevance of the gift card as a consumer proposition. 83.7% of UK shoppers have purchased one at some point in their lives. Positively for the long term prospects for the industry, the youngest Generation Z/Millennial generation (18-34 shoppers) represent the most frequent purchasers of gift cards, with 43.7% of those purchasing these products doing so at least once every two months, compared to 34.8% of Generation X (35-54 shoppers) and 16.3% of Baby Boomers (55+ shoppers).

66.7% of respondents said that they normally spend a higher amount during redemption

The research also highlights that the value of gift cards can be felt beyond their initial purchase. Consumers spend an average of £27.64 when purchasing a gift card as a present, with this average spend relatively stable across age-groups. 66.7% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with the cited average extra expenditure being £18.55 – a 67.1% uplift on stated average load on a gift card purchase (£27.64).

In addition to direct and supplementary shopper expenditure, gift cards can serve an important role in driving brand awareness and engagement. Almost one in five (18.5%) shoppers said that they have become a regular customer of a new brand or organisation after being given a gift card with 31.0% of Generation Z/Millennial shoppers having done this.

While the majority of gift card shoppers (50.1%) are most likely to purchase gift cards from a retailer in a physical store, a growing proportion of shoppers cited online as their preferred purchasing channel - 34.3% vs. 25.8% in 2017, when this research was last undertaken.

Almost three-quarters of UK consumers (73.5%) would be interested in the ability to collect points or to receive cash back

The rising influence of digital channels is also evidenced by the factors that influence the purchase of gift cards; 58.6% of respondents said that the ability to redeem online is an influential factor, with over one in ten (12.5%) saying the same for availability of the gift card on mobile. One area of potential

58.6% of respondents said that the ability to redeem online is an influential factor

future growth in gift cards is allowing shoppers to personalise their gift card purchases; 58.8% of UK shoppers would be interested in a fully personalised product with photo upload, video content and/or bespoke packaging. There are also signs that gift cards could be leveraged as a strong weapon in the wider fight to maintain loyalty. Almost three-quarters of UK consumers (73.5%) would be interested in the ability to collect points or to receive cash back on future purchases when redeeming gift cards. While gifts from friends and family remains the key route through which shoppers receive their gift cards, B2B routes continue to be important for the industry. For example, over one-in-five received a gift card via a work reward programme, while over one-in-ten (12.4%) received as part of a loyalty programme – e.g. with their bank.

This year, for the first time, UKGCVA also conducted in-depth focus groups among a cross-section of UK shoppers. This helped to provide further depth of understanding of sentiment and behaviour, particularly around issues such as the drivers and barriers to purchasing gift cards, evolving cross-channel buying habits and exploration of the way that gift card propositions can potentially be enhanced to encourage purchasing and usage.

58.8% of UK shoppers would be interested in a fully personalised product with photo upload, video content and/or bespoke packaging.

Lack of direct engagement at C-suite level.

In separate surveys, gift card managers and board-level executives were questioned about the gift card programmes within their organisations. The fact that 65% of C-suite respondents believe gift cards to be an area of growth for their business is a positive finding. However, this was in stark contrast to the 84.6% of gift card managers who believe it to be a growth channel. This less positive perception has implications on level of engagement.

This lack of engagement at the board-level extends to awareness of value of gift card programmes. 45.0% of C-suite respondents said that they don't have much visibility around the results and delivery of gift card programmes. This reflects strongly the inconsistency of reporting lines and responsibilities highlighted within the gift card managers' survey.

One clear specific area of disconnect is in the potential of B2B. While 35.9% of gift card managers see B2B as the biggest growth channel, compared to just 2.6% saying the same for B2C, C-suite respondents hold a contradictory view: 52.2% see B2C as the biggest growth channel vs. 8.7% for B2B. This again reflects a knowledge and engagement gap across organisations.

This lack of understanding around the value of gift card programmes is also reflected in awareness around 'lift' – the average extra spend that the shopper makes above the gift card value per transaction. Just 40% of C-suite respondents know the value. Interestingly of those that are aware, 62.8% believe this to be 10%+, which is in contrast with the C-suite respondents that said that they aren't aware of lift value, with 62.5% estimating it to be less than 10%.

The challenge for gift card managers is to drive engagement throughout the organisation and promoting the long term potential of gift card programmes, particularly in areas such as driving greater loyalty and taking advantage of the opportunities in the B2B segment. The good news is that this seems to be happening. 75.7% of gift card managers claim that they talk through how the B2B gift programme work in detail to relevant people in the organisation. Elsewhere 70.3% focus on quantifying the benefits of those schemes to relevant people in the organisation.

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Top 10 Takeaways

1

87.0% of gift card shoppers said that they purchase gift cards at least once a year, a very slight increase on the 86.9% who said the same in 2017

2

66.7% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with the cited average extra expenditure being £18.55 – a 67.1% uplift on stated average load on a gift card purchase (\$27.64)

3

31% of Generation Z/Millennial shoppers have become a regular customer of a new brand or organisation after being given a gift card

4

98.6% of UK shoppers spend their gifts cards within a year of receipt

5

50.3% redeem their gift cards within a month of receipt

6

36.1% said that they usually opt to spend at least slightly more when purchasing a gift card instead of a traditional physical present

7

The ability to redeem online (58.6%) and instore (51.0%) were the two most cited factors that would influence a gift card purchase

8

58.8% of UK shoppers would be interested in a fully personalised product with photo upload, video content and/or bespoke packaging

9

43.6% of gift card managers have looked to develop partnerships directly with third-party companies such as price comparison businesses, energy companies and media companies

10

While the fact that 65% of C-suite respondents believe gift cards to be an area of growth for their business is a positive finding, it is in stark contrast to the 84.6% of Gift Card Managers who believe it to be a growth channel

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Consumer Insights

Gift cards remain highly relevant across all age-groups

The consumer research, conducted among a nationally-representative sample of 2,000 UK shoppers, highlighted the enduring relevance of the gift card as a consumer proposition. 83.7% of UK shoppers have purchased a gift card at some point in their lives.

83.7% of UK shoppers have purchased a gift card at some point in their lives

Reflecting their age-agnostic appeal, purchase penetration is high across the generations. The proportion of Generation X shoppers (35-54s) to have purchased a gift card is highest, at 88.7%, compared to 86.1% of Generation Z/Millennials (16-34s) and 77.6% of Baby Boomers (55+).

The youngest Generation Z/Millennial generation represent the most frequent purchasers of gift cards, with 43.7% of those purchasing these products doing so at least once every two months

Positively for the long term prospects for the industry, the youngest Generation Z/Millennial generation represent the most frequent purchasers of gift cards, with 43.7% of those purchasing these products doing so at least once every two months, compared to 34.8% of Generation X and 16.3% of Baby Boomers. Moreover, of those that have purchased, 87.0% said that they purchase gift cards at least once a year, with 90.5% of Generation Z/Millennial shoppers doing so.

When it comes to the types of gift cards being purchased, the traditional single store retail gift cards continue to dominate, with 84.2% having purchased these gift cards at some point. However, perhaps reflecting both a less loyal shopper and one that has become slightly more wary of brands falling out of the market, there has been a slight increase in the proportion of shoppers that have purchased multi-store gift cards (40.2% vs. 37.5%, when this research was last undertaken in 2017).

Another growth area in the gift card landscape is in experience gift products with 19.3% having purchased these, compared to 17.5% in 2017, partially offsetting the decline in music gift cards (15.4% vs. 20.2% in 2017). Experience gift products are particularly popular among the Generation Z/Millennial cohort, with over a quarter (25.4%) of gift card shoppers purchasing these over the last three years.

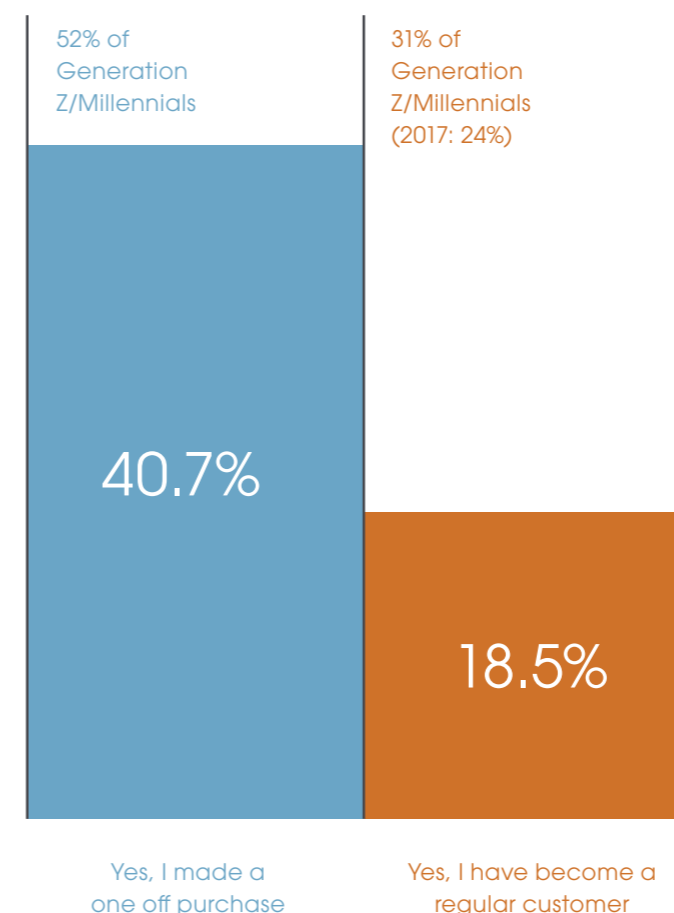
"If you know someone well... you'd buy a gift card specific to a retailer, so you know that person's going to use it in the near future"

(focus group participant aged 23-38)

Gift cards provide benefits well beyond their value

UK consumers spend an average of £27.64 when purchasing a gift card as a present, with this average spend being relatively stable across age-groups. However, the true value of gift cards is felt well beyond the initial outlay. 66.7% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with the cited average extra expenditure being £18.55 – a 67.1% uplift on stated average load on a gift card purchase (£27.64). This cited additional expenditure is higher among Generation Z/Millennial shoppers, reflecting the tendency for these shoppers to use gift cards towards larger purchases. In addition to direct and supplementary shopper expenditure, gift cards can serve an important role in driving brand awareness and engagement.

Have you ever been introduced to a new brand or organisation after being given a gift card?



Almost all shoppers spend their gift cards within a year of receipt

66.6% of respondents said that, over the last three years, they have received gift cards from friends or family

Generation Z/Millennial shoppers are more likely than others to have received gift cards via work reward programmes and as part of customer loyalty programmes, with incentives derived from completing market research representing a key route for older shoppers. When it comes to spending their gift cards, over half of UK shoppers (50.1%) spend their gift card within a month of receipt, with 60.3% of Generation Z/Millennial shoppers doing so.

98.6% of UK shoppers spend their gifts cards within a year of receipt

It is often assumed that gift card redemption is geared significantly towards the period around Christmas, and the period certainly remains key, with 42.3% spending their gift card at Christmas time or during the January Sales. One clear trend in this year's research is an increasing savviness among shoppers when it comes to getting the most from spending their gift cards. 20.3% normally spend their gift cards on Black Friday/Cyber Monday, with over a third (34.3%) of Generation Z/Millennial shoppers doing so. At the same time, 28.0% of shoppers said that they spend their gift cards anytime a sale or promotion is on. However, 41.1% take the approach of just spending their gift cards when they find something that they like, regardless of the occasion.

In many cases people spend more when giving gift cards

Physical gifts remain the preferred option when it comes to purchasing a gift for somebody. 39% of UK shoppers have a preference for physical gifts-only when it comes to gift purchasing and spending, with this sentiment strongest among Baby Boomers (45.9%). Conversely, 28.2% said that their preference is to purchase a gift card-only, with 22.4% suggesting that a combination of a gift card and physical gift was their preference. On the former, Generation Z/Millennial shoppers have a much greater preference for purchasing gift cards-only (39.2%), with just 6.1% of these shoppers preferring to gift money, compared to 9.1% of shoppers overall.

In a similar vein, respondents were also asked about their gift preferences when spending more than £50 on a gift for someone, with 65% preferring to purchase a physical gift in this circumstance.

When it comes to how purchasing gift cards impacts overall gifting expenditure, a majority of respondents (57.5%) spend around the same when purchasing gift cards as presents, while 36.1% said that they usually opt to spend at least slightly more when purchasing a gift card instead of a physical present.

In the focus groups, the approach taken by some was to spend more on gift cards/vouchers than on a physical gift in an attempt to “over-compensate” for the fact that the recipient could see how much had been spent.

36.1% said that they usually opt to spend at least slightly more when purchasing a gift card instead of a physical present

Among those that have purchased gift cards, expiry dates are the main purchase barrier to shoppers buying more often

Gift card resisters prefer giving physical gifts

In this year’s research, we have also sought to understand the key reasons why some shoppers typically shun gift cards altogether. Of those that have never purchased a gift card, the most cited reasons included that they prefer to gift physical items (49.6%), followed by a preference to gift money (38.2%). Other barriers include expiry dates (23.9%) and worries around the potential for the brand/retailer to go out of business (19.8%). Among those that have purchased gift cards, expiry dates are the main purchase barrier to shoppers buying more often, cited by 58.8%, followed by the risk of the company going out of business, cited by 42.1%.

Participants in the focus groups raised expiry dates spontaneously as a barrier, and most were aware that a gift card/voucher may have an expiry date of around two years. In some cases, expiry dates were only discovered once the date had passed, though other participants noted that the date was highlighted on the back of the card/voucher or could be obtained from the retailer. There was some knowledge that participants could transfer the balance to another card or extend the expiry date by making a small purchase beforehand, but very few would think to contact the issuer once the expiry date had passed.

Elsewhere, participants in the focus groups highlighted practical concerns around them, including forgetting to take them out or them taking up room in their wallets/purses. There were also misgivings around their lack of flexibility, particularly around single store gift cards.

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Opportunities for expanding the gift card market

It is becoming imperative for the industry to take a digital-first approach

A higher proportion typically use their debit cards when purchasing products than use cash (69.6% vs. 57.6%), with this trend even more pronounced among Generation Z/Millennial shoppers (75.2% vs. 56.2%)

The importance for the industry in taking a more digital-first approach to gift cards is highlighted by the evolving approach that consumers are taking to shopping more generally. A higher proportion typically use their debit cards when purchasing products than use cash (69.6% vs. 57.6%), with this trend even more pronounced among Generation Z/Millennial shoppers (75.2% vs. 56.2%). Indeed, the average shopper has just £28.48 in their pockets, with 59.2% normally carrying a maximum of up to £20.

This sentiment was echoed by participants in the focus groups. Most said that they don’t carry much cash, typically keeping a small amount in their purses/wallets “just-in-case” they either lost or were unable to use their cards. Paying for everyday items was seen as much easier by card, and most said that they were now comfortable with contactless payments.

The physical store remains the key shopping location when it comes to gift cards, both as a purchasing channel and an influencer of spend. A majority of gift card consumers (50.1%) are most likely to purchase gift cards from a retailer in a physical store, though this has notably declined from 58.4%. This decline reflects both the growing omnichannel focus of retailer gift card propositions and of evolving shopper spending habits. Indeed, over a third of shoppers (34.3% vs. 25.8% in 2017), cited online as their preferred purchasing channel.

When it comes to influencing gift card purchases, the physical store is also the key location with 52.7% influenced by displays in physical stores (60% among Generation Z/Millennial shoppers). Nonetheless, Generation Z/Millennials are also more likely to be influenced by adverts/displays online, cited by 25.7% of this generation compared to 16.9% of shoppers overall.

With gift cards significantly less likely to be a focus on more high-profile media campaigns, gift card managers have also traditionally seen instore displays and word-of-mouth as key drivers of demand. 79.5% of gift card managers said that their gift card proposition is promoted instore via specific displays or signage. However, the rise of online has led retailer websites (79.5%) and social media (64.1%) to become the two other most used channels for promotion of gift cards. 41.0% of gift card managers said that gift cards are used as part of promotions via partnerships with other companies, such as price comparison businesses, energy companies and media companies.

"Just convenience. Most things you can pay for with a card. I personally don't go to the (cash) machine often any more."

(focus group participant aged 40-69)

"It would be good if I can buy a voucher and it goes straight on my mobile phone and I can send it to someone, instead of using a card."

(focus group participant aged 40-69)

Shoppers are demanding greater flexibility

The rising influence of digital channels is also evidenced by the factors that influence the purchase of gift cards. 58.6% of respondents said that the ability to redeem online is an influential factor, with over one in ten (12.5%) saying the same for availability of the gift card on mobile. The availability of gift cards on mobile is particularly important for Generation Z/Millennial shoppers, with 16.6% suggesting that this would be an influential factor.

However, an examination of how UK shoppers actually do redeem their gift cards highlights the ongoing – albeit narrowing – gap between shopper demands and the redemption capabilities offered on gift cards. As a channel for redemption, physical stores continue to dominate, with 69.6% usually using a traditional physical gift card instore, compared to 43.9% shopping online with a gift card/voucher code and 11.4% via mobile using a gift card/voucher code.

This persistent gap between shopper demands and retailer redemption capabilities is one that seems to be recognised within the industry. On the features that Gift Card Managers

said they are most likely to include in their future gift card propositions, greater flexibility in the form of purchasable online (92.3%) and redeemable online (87.2%) were the most cited. Elsewhere, 69.2% cited new technical innovations as a key focus, with the rise of online and mobile, in addition to the emergence of more sophisticated technology around areas such as customer behaviour tracking, providing significant opportunities for innovation in the coming years.

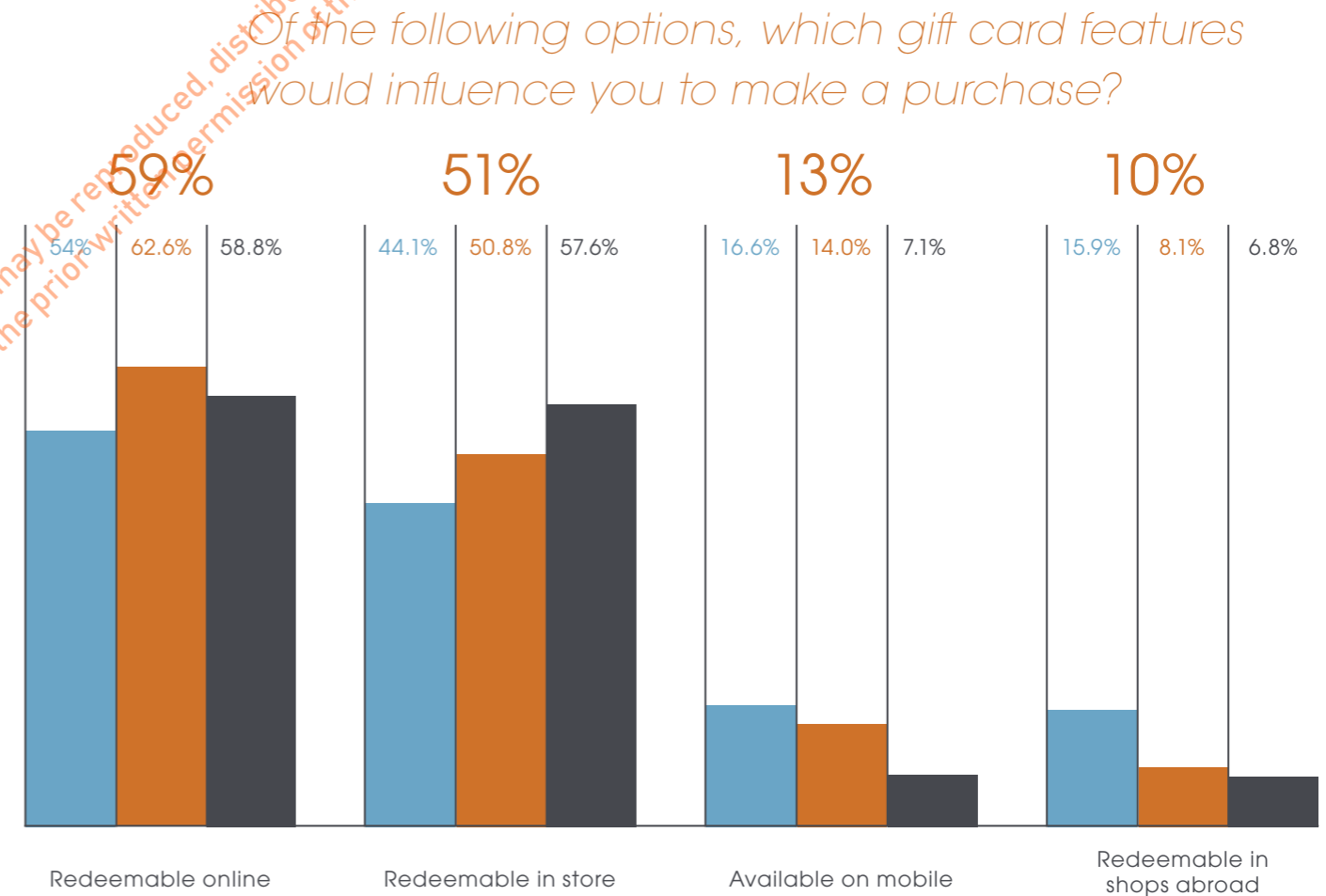
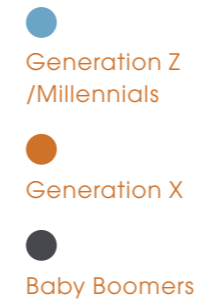
The ability to redeem online (58.6%) and instore (51.0%) were the two most cited factors that would influence a gift card purchase. At the same time, when asked what would increase the attractiveness of receiving a gift card 56.0% of UK shoppers said that they would like gift cards to be redeemable across the retail channel of their choice, with 46.2% wanting cards that can be used in multiple locations. This again highlights growing consumer demand, and expectation, that gift cards should be cross-channel. Being able to redeem online was particularly important among Generation Z/Millennial X shoppers, with instore redemption an important influencer among Baby Boomers.

Elsewhere gift card malls – a wall of different branded gift cards, not purchased from the store that the gift card is for – are also rising in popularity; further emphasising growing shopper demands for flexibility. 7.2% of gift card shoppers said that they are most likely to purchase from a gift card mall, compared to 5.6% of shoppers back in 2017.

One lingering concern for the industry when it comes to the growing flexibility, and digitalisation of gift card programmes, is security. Over a third of gift card managers (38.5%) said that they are concerned about how secure their gift card programme is online, with over one in five (20.5%) concerned about security through an app. This unease around security is also reflected in the sentiment expressed

by C-suite respondents; over a third (33.3%) that answered the question believed that security is a challenge associated with gift cards.

In addition to ensuring that a lack of flexibility doesn't represent a key barrier to gift card purchasing, there are also opportunities to proactively make a virtue of flexibility. Organisation partnerships – for example, the ability to redeem one card for both dinner and a film – are attractive to just under a quarter (23.8%) of shoppers. Notably, this feature would be most popular among Generation Z/Millennial shoppers, with 36.2% finding this potentially attractive, reflecting the higher propensity of these shoppers to mix retail, food service and leisure.



"You can get anything anywhere these days, particularly online. The best deals are generally online and to give me a card that's only usable in one store is very restrictive. It's not like you pay £50 and they give you £60, there's no incentive."

(focus group participant aged 40-69)

"Two years sounds ridiculous ... as it's a replacement for cash. That's like saying a £20 note expires after two years"

(focus group participant aged 40-69)

Personalisation a key area of opportunity

One potential future growth area lies in allowing shoppers to personalise their gift card purchases. The ability to include a personalised image on the gift card would be a purchase influencer for over a fifth of UK shoppers. Higher expectations around personalisation means that the ability to provide personal messages, personalised images and pictures of the recipient, hold much higher resonance among younger age groups, with 30.5% of Generation Z/Millennial shoppers stating that personalised images would be influential.

The key consideration for brands when it comes to gift card personalisation is that shopper expectations are such that they would generally demand that this be included in the

wider price of the gift card. 58.8% of UK shoppers would be interested in a fully personalised product with photo upload, video content and/or bespoke packaging, though just 18.1% would be willing to pay a small fee for the privilege.

Linked to this growing interest in personalisation is the importance that shoppers place on design when buying gift cards. In the focus groups, the design of the gift card was generally seen to enhance the "experience" and consumers felt that they should look "stylish", "subtle", "modern" and "more expensive", largely to make them "special".

Gift cards can be a powerful tool to drive shopper loyalty

The rise of digital retail and a growing ease for shoppers to buy from a significantly increased pool of brands in a convenient way, has facilitated a less loyal and more discerning UK shopper. There are signs that gift cards could be leveraged as a strong tool in the wider fight to maintain loyalty. Almost three-quarters of UK consumers (73.5%) would be interested in the ability to collect points or to receive cash back on future purchases when redeeming gift cards.

Among both gift card managers and the C-suite, there seems to be awareness of the growing role that gift cards will play in driving shopper loyalty. Among managers, 28.2% said that gift cards are considered part of their wider marketing strategy, with over one in ten (12.8%) claiming that gift cards are influencing loyalty strategy. Here, there is some disparity

between gift card managers and the C-suite; 23.1% of executives believe that gift cards are part of a customer loyalty scheme, and over a quarter (25.6%) say that they are used as part of their organisation's marketing strategy.

Furthermore, while it is important that brands achieve the right balance, there also appears to be some opportunity to utilise the gift card proposition to make shoppers aware of, and allow them to activate promotional deals, with 72.8% saying they be interested in a service that alerts the user to deals, offers and discounts, accessible with the gift card.

B2B is a key area of growth

While gifts from friends and family remains the key route through which shoppers receive their gift cards, B2B routes continue to be important for the industry. Work incentive programmes represent a key area, with over a fifth (21.1%) receiving gift cards through these schemes, rising to 29.9% of Generation Z/Millennial shoppers. Elsewhere, over one-in-ten (12.4%) received as part of a loyalty programme - e.g. with their bank.

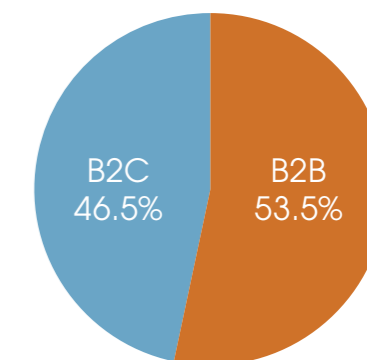
All surveyed gift card managers said that they offer both B2B and B2C gift card programmes, with the average split of time between these two sides of the business being 53.5%-46.5% in favour of B2B. Indeed, this is reflected in the 35.9% seeing B2B as the biggest growth channel, compared to just 2.6% saying the same for B2C. 59.0% believe both to be growth channels. To this end, 61.5% have looked to develop partnerships directly with other retailers/brands, while 43.6% are developing partnerships with other companies, such as price comparison businesses, energy companies and media companies.

The challenge for gift card managers is to ensure that key stakeholders within their organisation are aware of the potential of B2B. When it comes to explaining how B2B gift card programmes work to people internally, 75.7% talk through how the B2B gift programme works in detail to relevant

people in the organisation. Elsewhere 70.3% focus on quantifying the benefits of those schemes to relevant people in the organisation

One lingering area of concern when it comes to establishing links with third parties is around security. Almost half of gift card manager respondents (46.2%) said that they have concerns around how secure their gift card programme is with third parties. This unease is an inevitable reflection of relinquishing control of the selling process, particularly given that most retailers have invested heavily in improving their in-house security processes over recent years.

How much time do you/your team spend on B2B v B2C? (Gift Card Managers)



Gift card managers are well-placed to capitalise on opportunities

Of the 38 gift card managers surveyed, 85.6% said that gift cards are a growth channel within their organisation, with 46.2% of organisations leveraging gift cards as a brand engagement tool. Elsewhere, just under a quarter (23.1%) said that they are used as part of a customer loyalty scheme, while over a quarter (25.6%) said that they are used as part of their organisation's marketing strategy.

Positively, gift card managers are highly influential in setting overall gift card strategy, and taking advantage of emerging opportunities. Each gift card manager surveyed said they are responsible for driving strategy, along with other responsibilities, including the customer journey (74.4%), business development (92.3%) sales channels (89.7%) and budget/finance (84.6%). A further

23.1% believe that they have some opportunity or are in the process of developing gift card strategy, though 2.6% believe that their opportunities here are limited.

In addition to their strategic responsibility, the vast majority of managers believe they are able to act on initiatives and present a legitimate case for investment. 74.4% said that they have the evidence and data to present a business case for investment to board/decision makers based on consumer feedback. Just 10.3% said that they have the data, but are unable to make the case, while 12.8% believe that there is an appetite for investment, but that there is a lack of data to make the investment case.

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Organisational structure and current barriers

Direction of strategy set by the gift card managers

43.6% of gift card managers said that driving gift card strategy represents the entirety of their role, with the same proportion responding that it is a significant part of their role. This suggests that many retailers are taking their gift card programs seriously, with an understanding of the wider impact on loyalty and customer retention. Further reinforcing this is that all gift card managers say that they are responsible for driving gift card strategy.

In addition to benefitting from having strong autonomy over, and focus on the gift card proposition, gift card managers are also benefitting from having resourcing support. 53.8% of gift Card managers said

that there are two-three employees on the gift card team within their organisation, with 33.3% stating that there are four or more on the team. Interestingly over one in ten (12.8%) said that they have 10+ employees on the team, again perhaps reflecting retailers taking the function more seriously and providing it with a wider remit. Just 14.3% of respondents have only one person on the gift card team.

Gift card managers have strong say over strategy

Owing both to their varied role – as a sales line, marketing lever and loyalty driver – the gift card function can be characterised by its inconsistent role across different organisations. Among the 38 gift card managers surveyed, 28.2% said that the gift card function within their organisation sits within the marketing department. There are clear signs that the gift card function is shifting as the role of gift cards evolves, with finance (12.8%), loyalty (2.6%) and customer experience all areas of responsibility. Of the 53.8% who answered 'other', commercial services, sales, and trading were the most cited departments.

Inevitably this inconsistency in where the gift card function sits extends to where gift card performance reports into.

23.1% of gift card managers said that the performance of the function reports into the Chief Marketing Officer. Here again, the picture is inconsistent across organisations, with a variety of director-level roles cited. The Chief Customer Officer (10.3%), CEO/ MD (15.4%), COO (15.4%), and CFO (10.3%) are the other most reported into roles.

Lack of engagement at C-suite level needs to be overcome

Another area of unevenness is with engagement at the board level. This can vary significantly across organisations; of those that are engaged on strategy, over a quarter of organisations have a board-level executive directly accountable for strategy (28.2%) with a similar proportion having board members that work closely on gift card strategy (28.2%). 12.8% of gift card managers said that there is no board-level awareness of gift card strategy. Where engagement does exist at the board-level, gift cards are typically considered to be part of the marketing strategy.

When asked about the importance of the gift card strategy as part of the organisation's marketing, sales or commercial strategy, 28.2% of gift card managers responded that gift cards are considered as part of the marketing strategy. Over one in ten gift card managers (12.8%) said that gift cards are influencing loyalty strategy, with a similar proportion (12.8%) believing that gift cards influence the entire sales strategy. Elsewhere, almost half (48.2%) believe that gift card strategy is not influential to the wider marketing and/or sales strategies.

The C-suite requires education

45.0% of C-suite respondents said that they feel either very or quite informed on the opportunities within gift cards.

45.0% of C-suite respondents said that they feel either very or quite informed on the opportunities within gift cards. A lower proportion (35%) said that they are either not very informed or not informed at all when it comes to the opportunities within gift cards. This perhaps explains the negative slant when it comes to factors such as its role as a growth channel.

When asked about the main opportunities provided by gift cards, C-suite respondents cited the ability to drive extra income in-store (25%), increasing brand awareness (20%), driving loyalty and growing average spend as the key opportunities. Respondents were also asked about the potential for gift cards in the context of cards taking over from cash among shoppers. Here ensuring customer loyalty (58.2%) and developing increased brand loyalty (45.2%) were the two most cited elements.

Opinion is divided over the potential to link gift cards, loyalty and e-commerce strategies. 25.0% of respondents believe that

their organisation already links gift cards, loyalty and e-commerce strategies, with a further 30% doing this to some extent or currently looking into it. A low proportion (7.5%) said that they don't believe that such a link is achievable, while 32.5% don't believe that their organisation has even considered it.

The most commonly cited challenge associated with gift cards according to C-suite respondents is expiry dates, mentioned by 48.4% (when "none of the above" is excluded). In deciding on policy around expiry dates, retailers face the twin challenges of gift cards representing a current liability in their accounts, with consumers who are highly unlikely to be passive on retailer implementation of expiry dates. Margins were the second most cited challenge (36.4%), perhaps reflective of the growing role that gift cards are playing as a promotional tool. Elsewhere, security (33.3%) is seen as another challenge.

Low board-level understanding of the value of gift cards

While the fact that 65% of C-suite respondents believe gift cards to be an area of growth for their business is a positive finding, it is in stark contrast to the 84.6% of gift card managers who believe it to be a growth channel. Again, this less positive perception has implications on level of engagement.

This lack of engagement at the board-level extends to awareness of value of gift card programmes. 45.0% of C-suite respondents said that they don't have much visibility around the results and delivery of gift card programmes. This reflects strongly the inconsistency of reporting lines and responsibilities highlighted within the gift card managers' survey. Excluding "don't know" answers only 27.3% said that it is reported at

board meetings, with 50.0% stating that it is an income line that is looked at regularly.

Just 27.0% of C-suite respondents know the exact value and contribution of their gift card programmes. Of those that were able to provide an estimate, 36.4% believe that they are among the best-selling products/the best-selling product within their business. However, 39.4% believe that gift cards are not very highly ranked in terms of best-selling products in the business. Given the lack of knowledge around the value and contribution of gift card programmes, these responses are, in many cases, rough estimates. However, the fact that such a high proportion believe gift cards to represent a low ranking product in terms of sales, no doubt contributes to the low engagement.

This lack of understanding around the value of gift card programmes is also reflected in awareness around 'lift' – the average extra spend that the shopper makes above the gift card value per transaction. Just 40% of C-suite respondents know the value. Interestingly, of those that are aware, 62.8% believe this to be to 10%+, which is in contrast to the C-suite respondents that said that they aren't aware of lift value, with 62.5% estimating it to be less than 10%.

Continued divergence in view of B2B vs B2C compared to Gift Card Managers

85%



65%

of gift card managers said that gift cards are a growth channel within their organisation

of c-suite respondents said that gift cards are considered an area of growth for their business

While 35.9% of Gift Card Managers see B2B as the biggest growth channel, compared to just 2.6% saying the same for B2C, C-suite respondents hold a contradictory view: 52.2% see B2C as the biggest growth channel vs. 8.7% for B2B. This again reflects a knowledge and engagement gap across organisations. Over a quarter (26.1%) of C-suite respondents believe that B2C and B2B are both growth channels.

State of the Nation 2019 Conclusion

- Gift cards remain highly relevant
- Shoppers are demanding flexibility
- Personalisation is an opportunity
- B2B is a key area of focus
- A growing role in driving loyalty
- Low C-Suite engagement
- Internal education would help

Against the backdrop of uncertainty across retail overall, the enduring relevance of gift cards and vouchers saw the year-on-year growth in gift cards and vouchers hit 10.7% in 2018 (source: UKGCVA/BDO data report 2018 – calculated from market data directly from UKGCVA participating members). This growth further reinforces the key findings from this year's State of the Nation consumer, C-suite and gift card manager research, which has highlighted that the industry is in good shape to take advantage of significant opportunities in the coming years.

One key area of opportunity for the industry is in the B2B segment, which saw growth of 20.5% over 2018. Our consumer research highlighted that work reward programmes and customer loyalty programmes, across businesses such as banks and energy companies, are key avenues through which shoppers receive gift cards. Moreover, over a third (35.9%) of gift card managers see B2B as the biggest growth channel, and almost half (43.6%) are developing partnerships with non-retail companies such as price comparison businesses, energy companies and media companies.

Gift cards are also well positioned to be a powerful tool to drive loyalty among a more discerning UK shopper. Among both gift card managers and the C-suite, there seems to be awareness of the growing role that gift cards will play in driving shopper loyalty. Moreover, almost three-quarters of UK consumers would be interested in the ability to collect points or to receive cash back on future purchases when redeeming gift cards.

For the industry to capitalise on the numerous emerging opportunities, it is imperative that gift card managers and the C-suite are on the same page. The research highlighted clear unevenness across organisation in relation to board-level engagement, with only a minority of C-suite feeling informed on the value of, or opportunities provided by gift cards. The challenge for gift card managers is to drive engagement throughout the organisation, promoting the long term potential of gift card programmes, particularly in areas such as driving greater loyalty and taking advantage of the opportunities in the B2B segment. The good news is that this seems to be happening.

Gift cards will play a growing role in driving shopper loyalty

Among both gift card managers and the C-suite, there seems to be awareness of the growing role that gift cards will play in driving shopper loyalty.

Among managers, **28.2%** said that gift cards are considered part of their wider marketing strategy, with over one in ten claiming that gift cards are influencing loyalty strategy. **12.8%**

Almost three-quarters of **73.5%** UK consumers would be interested in the ability to collect points or to receive cash back on future purchases when redeeming gift cards.

72.8% of shoppers said that they would be interested in a service that alerts the user to deals, offers and discounts, accessible with the gift card.

Flexibility is becoming an expectation rather than just a demand

When asked what would increase the attractiveness of receiving a gift card **56.0%** of UK shoppers said that they would like gift cards to be redeemable across the retail channel of their choice.

The ability to redeem online and in-store **58.6%** were the two most cited **51.0%** factors that would influence a gift card purchase.

Almost three-quarters of UK consumers **73.5%** would be interested in the ability to collect points or to receive cash back on future purchases when redeeming gift cards.

The availability of gift cards on mobile is particularly important for Generation Z /Millennial shoppers, with **16.6%** suggesting that this would be an influential factor.

Personalisation can represent a key differentiator

58.8% of UK shoppers would be interested in a fully personalised product with photo upload, video content and /or bespoke packaging, though just **18.1%** would be willing to pay a small fee for the privilege.

In the focus groups, the design of the gift card was generally seen to enhance the "experience" and consumers felt that they should look "stylish", "subtle", "modern" and "more expensive", largely to make them "special".

"People might keep it ... If it's a family picture, it's something they might keep in their wallet. You could top it up in the shop again." (Personalised) (focus group participant aged 40-69)

Experience gift products are a key growth spot

Experience gift products are an area of opportunity for the industry, with **19.3%** having purchased these, compared to **17.5%** in 2017.

Experience gift products are particularly popular among the Generation Z/Millennial cohort, with over a quarter **25.4%** of gift card shoppers purchasing these over the last three years.

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State of the Nation 2019

Glossary

Consumer Segments:

This white paper refers to specific shopper generations. These are:

- Generation Z/Millennials refers to shoppers aged 16-34
- Generation X refers to shoppers aged 35-54
- Baby Boomers refers to shoppers aged 55+

Primary research:

This project included four strands of primary research:

- Quantitative survey across a nationally-representative sample of 2,000 UK consumers
- Quantitative survey among a cross-section of 38 gift card managers
- Quantitative survey among a cross-section of 39 C-suite respondents – retail staff at management/leadership level and above
- Two focus groups, conducted in January 2019, with a mix of consumers, each lasting 90 minutes

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