



Five unexpected ways gift cards can boost customer loyalty

To be bylined to Gail Cohen, Director General of the [UK Gift Card and Voucher Association](#)

When it comes to loyalty, retailers have a wealth of techniques at their disposal that can work together to improve customer retention, boost customer referrals, and improve their cost-effectiveness. This includes providing excellent, multi-channel customer service, and rewarding customer loyalty through a carefully considered loyalty programme. However, there is one tool that retailers frequently overlook: gift cards.

The UK Gift Card and Voucher Association (UKGCVA) recently published its biennial [State of the Nation](#) research, which seeks to explore UK shoppers' attitudes towards gift cards – be they physical, digital or paper. The results of this year's survey, sponsored by First Data, revealed a number of interesting ways in which gift cards can be a useful device in the quest for customer loyalty in the retail sector:

Enhance existing loyalty programmes

As a reward, gift cards can make an extremely welcome addition to any loyalty programme, providing a number of advantages over cash-back offers, discounts or products pre-selected by the retailer.

When implementing gift cards as part of a new customer loyalty campaign, retailers are inherently providing customers with purchasing versatility. Customers have the benefit of being able to choose the item they want, rather than receiving a reward chosen by the brand. This ensures they will be truly appreciative of the reward, feeling like they are getting better value for their previously spent money. It also allows them to choose whether to use their cards at once or save some of the funds toward future purchases.

With gift cards, there is of course also the distinct possibility that the customer will make a purchase higher than the value of the gift card, creating opportunities for additional revenue that other rewards do not provide.



Meanwhile cash-back offers often prove ineffective, as when a small amount of money is credited back to a consumer it immediately becomes indistinguishable from any other money already in their bank account. They are therefore highly unlikely ever to use the reward knowingly to make a particular purchase, and even less likely to use it to make a purchase from the brand that gave them the reward. As a result, they have no emotional connection or memory attached to the reward itself, or any purchases made using the reward. This makes cash-back offers much less effectual than gift cards when it comes to motivating future purchasing behaviour.

Encourage repeat visits

Gift cards can be a brilliant tool for driving consumer footfall, with the research showing that 98.6% of consumers spend their gift cards within a year of receipt, and 50.3% within a month. However, not only do they encourage people to visit a store – either in person or online – they also often result in customers spending a higher amount than the straight value of the gift card during redemption. According to the UKGCVA report, 66.7% of respondents said that they normally spend more, with an average extra expenditure of £18.55. This is a significant 67.1% uplift on the stated average gift card load of £27.64. In other words, gift cards offer a powerful means of up-selling.

Furthermore, in order to ensure they have spent the full value of a gift card, shoppers may also end up making repeat visits to a retailer's bricks and mortar or eCommerce store. This increases the exposure the customer has to the retailer's offering, creating more opportunities for the retailer to nurture the relationship and encourage them to join their main loyalty programme.

Tap into the self-gifting trend

Various pieces of recent research have highlighted the rise of a very interesting trend when it comes to gift cards: self-gifting. One 2018 [survey](#) showed that 47% of UK shoppers purchase gift cards for self-use, with millennials most likely to do so. One of the main reasons these shoppers cited for buying gift cards for themselves is to receive a discount.

This was mirrored in the UKGCVA report, which found that 73.5% of people would be interested in the ability to collect points or receive cash-back on future purchases when redeeming gift cards.



To capitalise on this growing self-gifting trend, and consequently increase customer loyalty, retailers could look at developing their gift card programme to include rewards and incentives for gift card users, such as alerting users to deals, offers and discounts accessible only with the gift card. Additionally, retailers can look at creating members' areas and special promotions for gift card holders, maximising the opportunities for long-term relationships and a sense of exclusivity.

Create opportunities for engagement

This year's research shows significant growth of the use of digital channels among consumers when redeeming gift cards, with 43.9% of shoppers now usually spending their gift cards online, and 11.4% via mobile. No surprise, then, that the majority of respondents also said the ability to redeem online is an influential factor when making a gift card purchase.

The rise of digital channels offers a key benefit for retailers: data collection. When a gift card is purchased or redeemed or issued online, retailers can use information about the purchaser and the remaining gift card total to open up lines of communication with their customers.

Whether retailers send emails reminding their customers they have gift card money to spend, offer special discount codes in exchange for using their cards on a particular day, or provide some other incentive, cards provide a great excuse to re-engage with customers. Unlike some other forms of email marketing, these special reminders and discounts are unlikely to be viewed as intrusive because your customers have money to burn and perhaps extra savings to enjoy. Such emails are often welcomed instead of instantly deleted or unsubscribed from.

Establish new loyal customers

Strategic gift card programmes can help retailers to nurture existing customer relationships and reach new customers at the same time.

One way of achieving this is by encouraging customers to purchase gift cards for their family and friends. To do this, retailers can offer incentives or discounts for existing customers



when purchasing gift cards, or offer discounted cards for family and friends as part of their loyalty programme. This increases the likelihood that the existing customer will make another purchase in the future, while also encouraging them to introduce their loved ones to the brand. As an added advantage, 36.1% of respondents said that they usually opt to spend at least slightly more when purchasing a gift card than they would on a traditional physical present.

If the recipient of a gift card is not already familiar with that particular brand, it enables retailers to build relationships with shoppers they may have otherwise struggled to reach. Giving consumers the option of spending their gift cards online provides retailers with additional data collection opportunities, helping them to expand their marketing lists and re-target the gift card recipient in the future.

Interestingly, the UKGCVA data revealed that almost one in five (18.5%) shoppers have become a regular customer of a new brand after being given a gift card, highlighting their effectiveness as a tool for establishing customer loyalty. This figure rises to 31% of Generation Z/Millennials, suggesting gift cards are a great way to establish a younger customer base, which will be crucial for most retailers going forward.

These are just five of the ways in which gift cards, often viewed simply as a tool to build brand awareness, can in fact prove extremely effective when it comes to building customer loyalty. Creating invaluable opportunities for data collection, customer engagement and upselling, they should not be ignored by any retailers looking to put together a comprehensive customer loyalty strategy.

For more information, visit www.ukgcva.co.uk

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Notes to Editor

***The reference to gift cards includes digital, physical and paper products.**

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About UKGCVA



The UK Gift Card & Voucher Association (www.ukgcva.co.uk) was established as a trade body in 1991 to represent the key players in what is today a c£6 billion gift card and stored value solutions market. With c90 members representing key retailers, issuers and suppliers the UKGCVA provides an information and reference point for the Gift Card industry and is at the forefront of the issues affecting the sector.

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, promoting the industry to consumers, businesses, government and other interested parties.