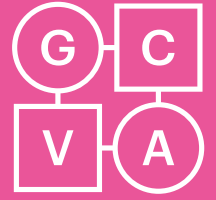
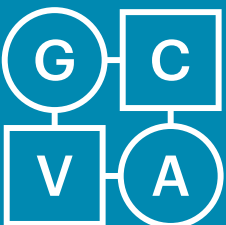
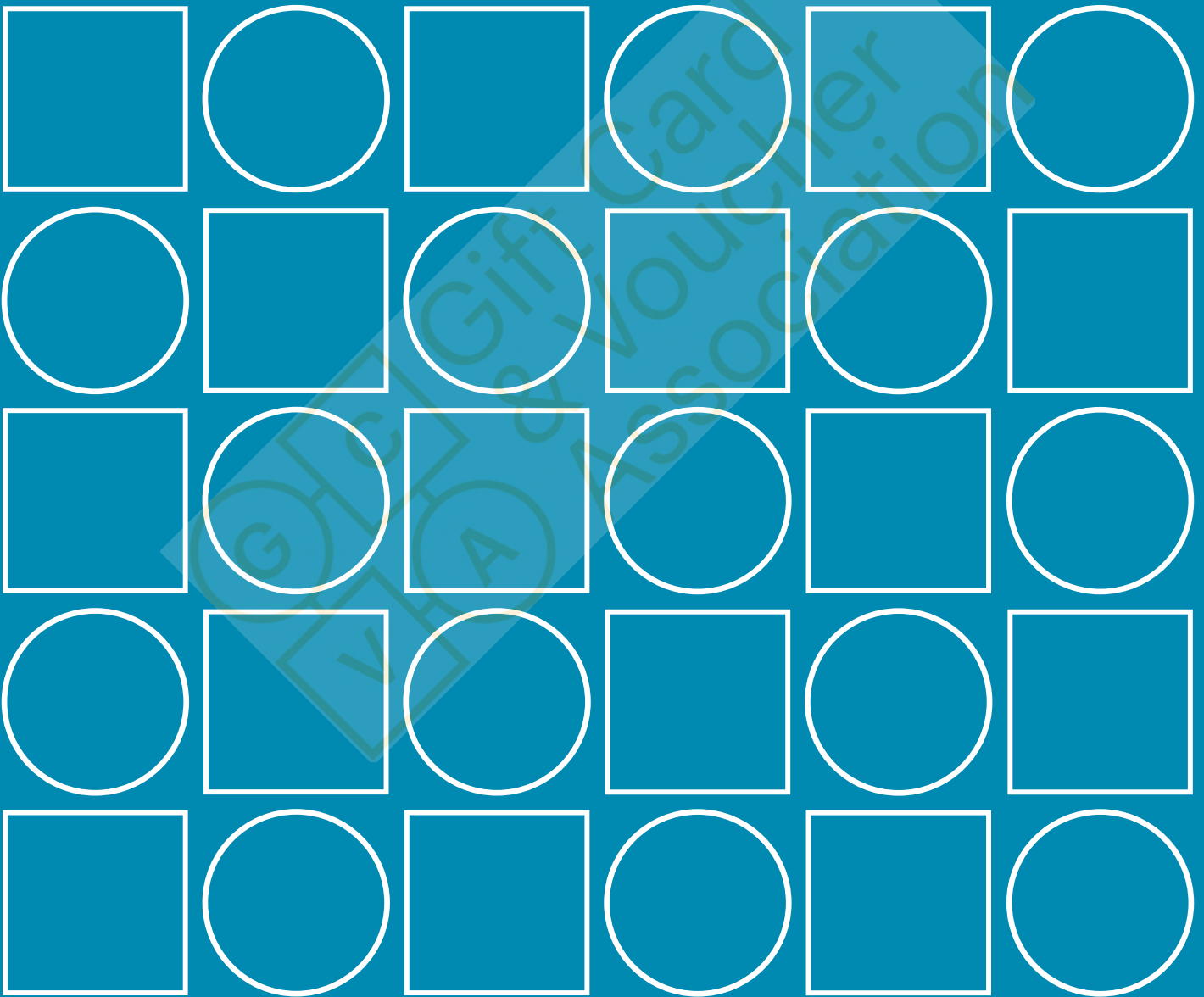


State of the Nation '23



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Gift Card
& Voucher
Association



Glossary

Consumer segments:

This white paper

- 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 research:

A monthly consumer research programme, across a nationally representative sample of 2,000 UK consumers over May 2020 –February 2023

Additional targeted consumer questions, over January 2022-January 2023 and February 2022–February 2023

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 50 UK-based members

Sponsored by

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Appreciate Group is home to many of the UK's most-loved gifting, pre-payment and engagement solutions. Through its famous multi-redemption solution - Love2shop - it offers consumer and business customers the opportunity to gift and reward through a choice of hundreds of redemption options, from leading retailers and attractions, to top leisure and hospitality options.

State of the Nation '23

The gift card industry encountered a mixed consumer backdrop through 2022. On the one hand, it was the first restriction-free year since 2019, which encouraged social engagements, and provided a particular boost over H1 2022. However, on the other, UK consumers began to feel the sheer extent of the macroeconomic challenges during the second half of 2022, when energy and food prices continued to rise. This led many to change their spending habits and cut back on discretionary outgoings.

Through all this, gift card demand continued to show reliance, further reinforcing their strong relevance in the modern retail environment. Overall purchasing of gift cards increased compared to 2021, with particular growth spots for Retail and Leisure gift cards, amid a return to physical shopping as a hobby, and a lifting of restrictions on restaurants, cinemas, theatres, and other leisure operators.

Moreover, despite spending priorities being elsewhere, self-use purchasing remained robust over 2022. Indeed, there are signs that self-use is playing an

increasingly influential role in supporting shoppers who are looking for levers to help with saving and budgeting. Retailers and employers are looking to be proactive in driving demand for self-use.

This year saw us open up our State of the Nation primary research to the full GCVA membership base. The research highlighted that the industry is very much in tune with evolving consumer demands around providing greater cross-channel flexibility and developing other digital elements, such as digital wallet integration.

While an overall consumer slow-down is inevitable in 2023, the gift card industry is well-placed to weather the storm. Gift cards will remain a key option for many shoppers due to their convenience, and potential to represent a financial support facilitator. The focus among the membership is continuing to capitalise on the potential of gifts cards through forming and developing third-party partnerships, which will be vital for future growth as the industry faces this period of uncertainty.

Gail Cohen
Director General, GCVA

About GCVA

The Gift Card & Voucher Association (www.gcva.co.uk) is the body representing the key players in what is today an over £7 billion gift card and stored value solutions market. With 90 members representing key retailers, issuers and suppliers the GCVA provides an information and reference point for the Gift Card & Voucher industry and is at the forefront of the issues affecting the industry.

It's main objective is to provide a platform and infrastructure for the industry and to raise the profile and use of gift cards

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

The GCVA is the key industry organisation to share new ideas, innovate and promote best practice with the UK gift card and voucher industry. It runs a programme of events, meetings, research projects and updates throughout the year, including its flagship Conference.

1

The average monthly proportion of UK consumers purchasing gift cards for someone else remained robust over 2022, at 18.0% vs 18.5% in 2021. Over H1 2022, demand benefitted from easier comparatives against a still pandemic-impacted 2021, particularly during key seasonal occasions, such as Valentine's Day, Mother's Day, Father's Day, and Easter.

2

Self-use purchasing increased marginally compared to 2021, highlighting that more shoppers now understand the benefits it can bring. The proportion of those purchasing self-use gift cards that cited "to help with saving money" as a driver, increased to 47.6% in November 2022; the highest level since GlobalData began tracking, back in May 2020.

3

The monthly average proportion of gift card buyers who purchased physical gift cards instore increased to 48.7% in 2022 vs. 47.4% in 2021. This was against the backdrop of shoppers continuing to re-embrace the instore purchasing experience.

4

The monthly average of gift buyers who expect all gift cards to be cross-channel increased to 52.9% in 2022, up from 40.8% in 2021. Moreover, demand is no longer skewed towards younger generations, with the majority of each generation expecting this.

5

Retail gift cards proved a more popular choice over 2022; the average proportion of monthly gift card buyers purchasing increased to 52.3% in 2022 vs. 49.1% in 2021. The rising penetration of retail gift cards reflects the increased higher for shoppers to undertake the same types of social, instore shopping trips that they were doing pre-pandemic.

6

Leisure gift cards surged in popularity during 2022 as the UK entered its post-pandemic era, with the monthly average of gift card buyers purchasing leisure gift cards growing to 17.1% from 15.1% in 2021.

7

50.4% of Generation Z and 53.3% of Millennials said that they were introduced to a brand through receiving a gift card and made a one-off purchase, and 25.5% and 27.9%, respectively, said that they became regular shoppers.

8

Gift cards continue to encourage additional spend, with around two-thirds of shoppers typically spending more than the value of gift card they received over 2022. This is good news for retailers who target younger shoppers, as some are willing to spend triple the amount of a gift card they are redeeming.

9

Gift cards remained a popular choice over Christmas 2022. Despite a small dip in the proportion of UK shoppers receiving a gift card at Christmas, strong demand persisted, with 20.1% receiving more gift cards when compared to the year before.

10

The average monthly proportion of gift card buyers purchasing/receiving physical or digital gift cards through an employee benefits scheme was down in 2022, at 23.8% and 9.7% respectively vs. 24.5% and 11.2% in 2021. Nonetheless, 82.9% of GCVA members said that developing their third-party partnerships with specialists in gift cards and/or loyalty will be a vital for future growth as the industry faces a period of uncertainty.

This white paper explores several key themes that are driving consumer behaviour in the UK gift card industry, both pandemic driven and in the longer term. It also examines how GCVA members memberships are responding to these evolving dynamics. Key themes explored are:

- The impact of the cost-of-living crisis
- In-focus: Christmas 2022
- Gift card shopping habits among the generations
- Post-pandemic landscape for the gift card industry
- Key strategies for growing the gift card function in 2023

The impact of the cost-of-living crisis

2022 was a year of two halves for the UK retail market

The UK retail market started off strong in 2022, with many shoppers increasing their spend across various sectors as the country transitioned into the 'new normal' after two hard years of COVID-19 disruption. Its strong growth was amplified by weak lockdown comparatives in the first quarter of 2021, and a return to socialisation and events also helped to fuel demand. However, this was all against a backdrop of declining consumer confidence amid growing macroeconomic uncertainty.

Indeed, consumers began to understand the sheer extent of the macroeconomic challenges during the second half of 2022, when energy and food prices continued to rise and constantly changing government policies spooked financial markets and caused sterling to depreciate to historic lows. With many consumers feeling financially worse off, they were forced to change their spending habits and cut back on discretionary spend.

With consumer finances set to worsen as inflation continues to outpace

pay rises, and interest rates hitting 14-year highs putting further strain on mortgages and loans, GlobalData forecasts the UK retail market to contract -0.4% in 2023, and volumes to fall 6.2%. However, there is some light at the end of the tunnel, as energy prices are forecast to drop in April after a warm winter, which will instil some confidence back into UK consumers.

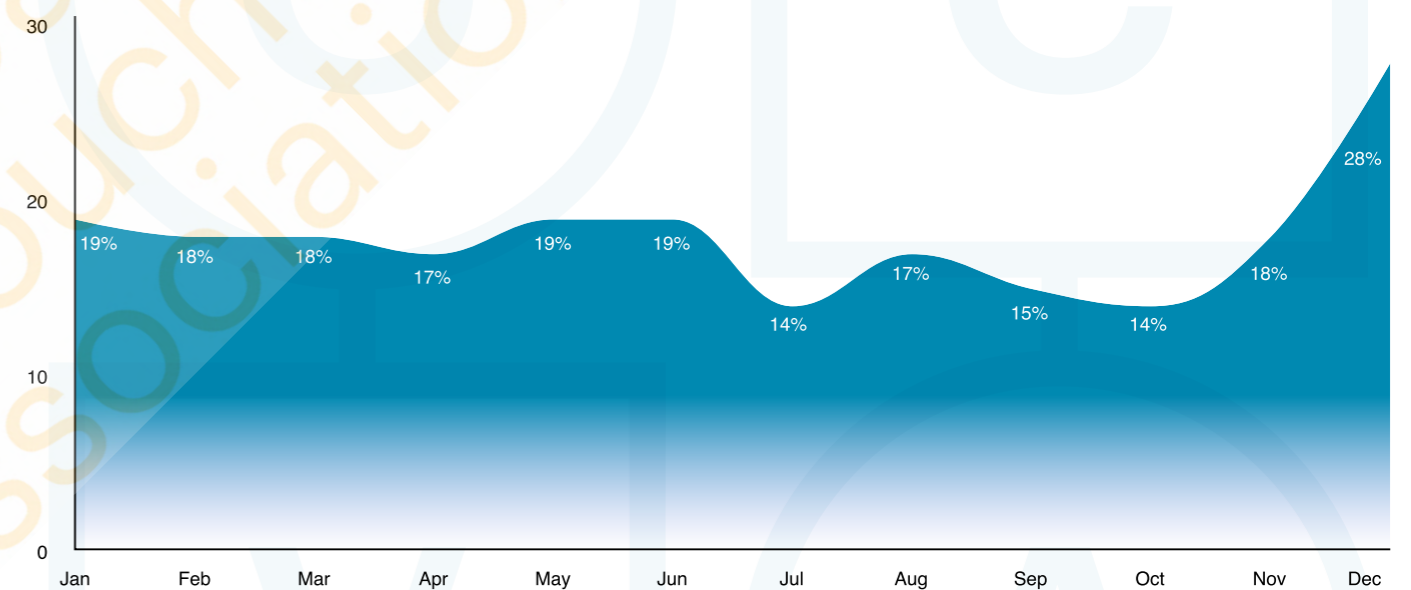
Gift card purchasing remained robust over 2022...

The average monthly proportion of UK consumers purchasing gift cards for someone else remained robust over 2022, at 18.0% vs 18.5% in 2021. Over H1 2022, demand benefitted from easier comparatives against a still pandemic-impacted 2021, particularly during key seasonal occasions, such as Valentine's Day, Mother's Day, Father's Day, and Easter. Moreover, this strong H1 2022 performance was also reflective of much stronger gift purchasing over May and

June 2022, with these months representing the highest level of non-peak purchasing since GlobalData started tracking, back in May 2020. Against a post-pandemic, restriction-free backdrop, UK consumers felt further encouraged to attend and organise social events. This was boosted by 2022 being the warmest year on record, according to the Met Office, in a series that goes back to 1884.

Did you purchase any of the following?
A gift card for somebody else

2022



...however cost of living pressures began to impact demand over H2

Nonetheless, gift card demand was not immune to macroeconomic pressures, with year-on-year declines in purchasing gift cards for other people across every month from July-November 2022. This was against the backdrop of UK shoppers beginning to feel a greater weight on their discretionary income, and the industry facing tougher comparatives against the less pandemic-impacted months of 2021.

Furthermore, the average monthly proportion of UK consumers who stated that they did not purchase gift cards due to them cutting back significantly on non-essential spending rose from 9.1% in 2021 to 11.4% in 2022. This will likely continue

to increase in the first half of 2023, when consumers across the country will continue to feel the pressures of macroeconomic uncertainty on their discretionary incomes.

Robust self-use demand reflects the role of gift cards in financial planning

The average monthly proportion of UK consumers purchasing gift cards for themselves in 2022 increased marginally (7.9% vs. 7.7% in 2021 and 6.4% in 2020). This continued rise in popularity highlights that more shoppers now understand the benefits it can bring, such as making it easier to shop online, and financial planning.

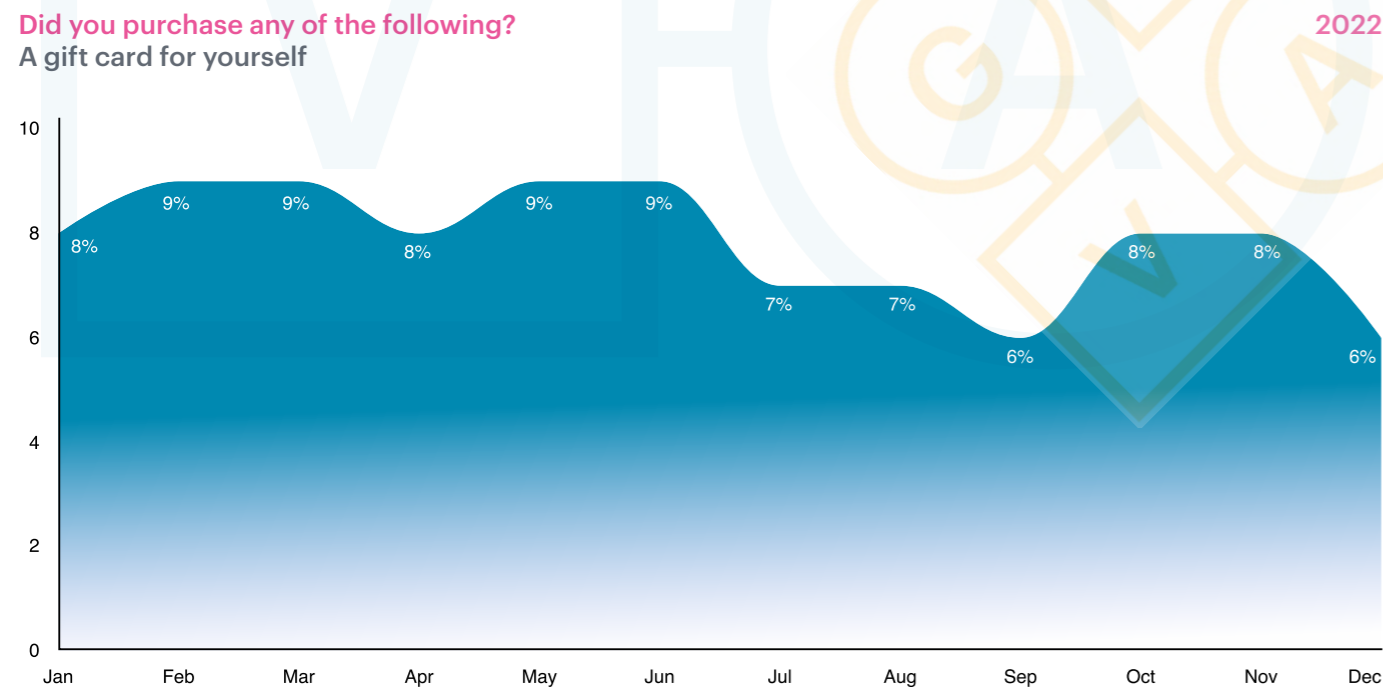
Indeed, self-use gift card purchasing is playing an influential role in supporting shoppers looking for levers to help with saving and budgeting. The proportion of those purchasing self-use gift cards that cited "to help with saving money" as a driver, increased to 47.6% in November 2022; the highest level since GlobalData began tracking, back in May 2020.

However while buying gift cards to help with saving money remained the most popular purchasing driver among

those who bought gift cards for themselves in 2022, the average proportion of shoppers using this justification fell for another year, to 36.2%, down from 38.2% in 2021. There has been an increasing focus among banks on developing money-saving tools for their customers, including spending caps and budgeting analysis.

Retailers and employers are looking to be proactive in driving demand for self-use. Of those who did purchase gift cards for themselves in December 2022, 20.1% cited seasonal promotions as the main reason for doing so. The same promotions only captivated 14.5% of consumers looking to purchase themselves gift cards in December 2021, pointing towards a higher proportion of UK shoppers who were looking to capitalise on bargains.

The proportion of those purchasing self-use gift cards that cited "to help with saving money" as a driver, increased to 47.6% in November 2022; the highest level since GlobalData began tracking, back in May 2020



Tightened purse strings led to a reduction in gift cards as a support measure across the board

With many companies trying to streamline and cut costs amid rising inflation, a short-term decline in the use of gift cards as workplace incentive was inevitable. The average monthly proportion of gift card buyers purchasing/receiving physical or digital gift cards through an employee benefits scheme was down in 2022, at 23.8% and 9.7% respectively vs. 24.5% and 11.2% in 2021.

While some companies will instead be offering one-time payments or pay rises to support their employees during the cost-of-living crisis, many will simply be winding down their monetary benefits, and this is set to continue into 2023.

This also extends into incentive programs, with the monthly average proportion of UK consumers receiving gift cards as incentives (signing up for a bank or energy supplier, completing market research, etc.) falling from 11.0% in 2021 to 10.4% in 2022.

With energy prices seeing record increases during 2022, it was inevitable that consumers would see a reduction in incentives being offered from suppliers. However, with the expected energy price decline in Spring 2023, more suppliers could begin to offer gift cards and other incentives to inspire more competition in the market. This is already beginning to emerge with banks offering switching bonuses.

Local businesses begin to come under pressure, with consumers shopping more conservatively

The monthly average of shoppers who bought gift cards from local businesses for somebody else saw a marginal increase in 2022 at 28.8%, vs. 28.1% in 2021. However, this was boosted by stronger demand in the first half of the year, with demand faltering over H2, as consumer finances became more strained.

While the localisation trend dominated the pandemic, as UK consumers flocked to support independent retailers on their local high streets, this sentiment waned during the second half, when the cost-of-living crisis grew in significance.

Indeed, the proportion of UK consumers purchasing gift cards for themselves to support local businesses declined every month in 2022, with the average monthly proportion falling from 28.8% in 2021 to 27.0% in 2022. Many had to prioritise price over championing independent businesses, which can often be expensive and offer a less diverse range of products. Nonetheless, at over a quarter of self-use gift card buyers citing providing this support as a driver of purchase, it remains a major influence.

While the localisation trend during the pandemic, as UK consumers flocked to support independent retailers on their local high streets, there was an easing of this sentiment waned the second half of 2022, when the cost-of-living crisis grew in significance

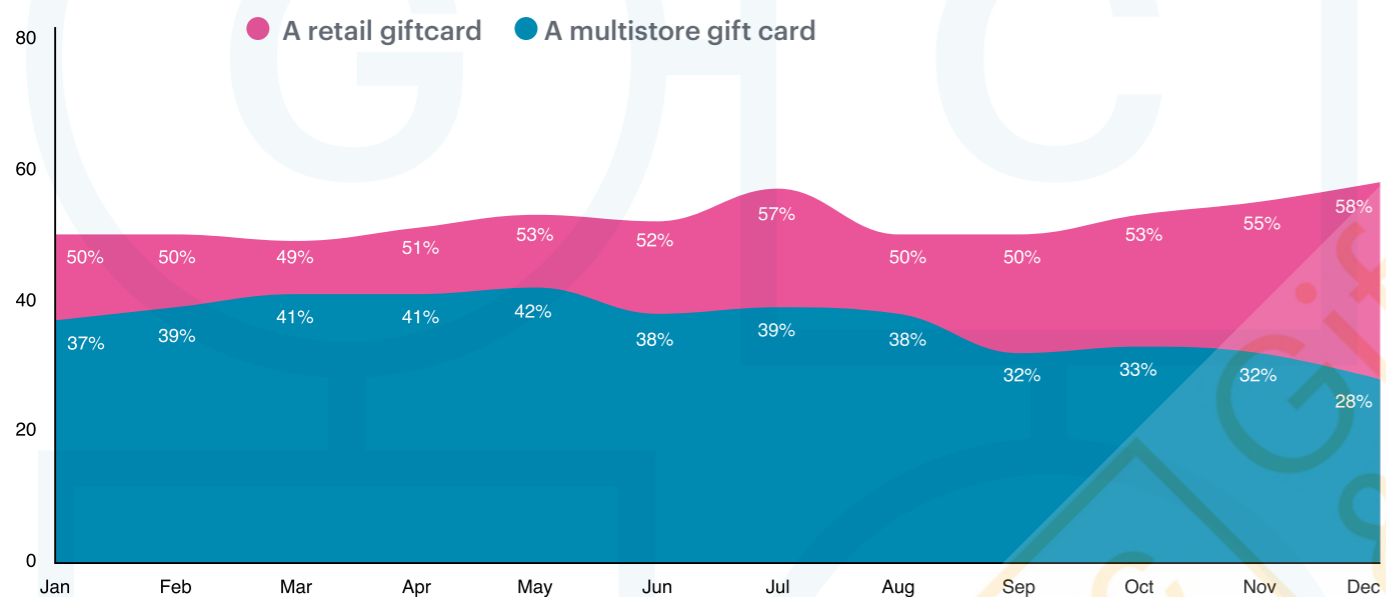
Retail gift cards saw a year-on-year rise in purchasing

The average proportion of monthly gift card buyers purchasing retail gift cards increased to 52.3% in 2022 vs. 49.1% in 2021. The growing penetration of retail gift cards reflects the increased inclination for shoppers to undertake the same types of social, instore shopping trips that they were doing pre-pandemic. Moreover, purchasing of cards of specific brands suggests higher confidence that these operators will still be around for cards to be redeemed, following

the uncertainty in UK retail over much of the last 24 months.

Conversely, multistore gift cards experienced a slight year-on-year decline, with the average proportion of monthly gift card buyers purchasing these declining to 36.7% in 2022 vs. 38.0% in 2021. This is perhaps surprising, given the post-pandemic return of physical shopping as a hobby, and the growing inclination for consumers to shop around for the best deals.

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? 2022



Leisure gift cards continue to flourish

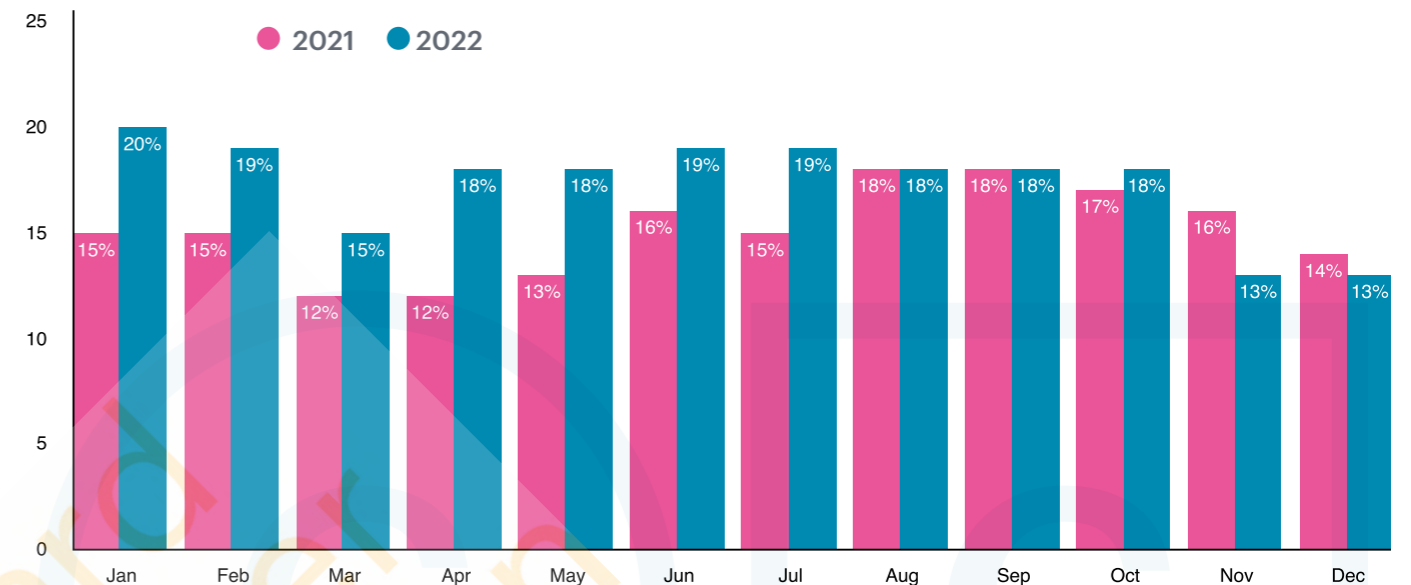
Gift cards purchased for leisure activities (travel, theatre / entertainment tickets, spa, dining) saw a boost in demand during 2022, as the average proportion of monthly gift card buyers purchasing leisure gift cards increased to 17.1% vs. 15.1% in 2021, despite the prior year featuring a strong bounce back in demand. With the general consensus across the UK agreeing that the country entered the 'new normal' in 2022, the leisure industry benefitted from the return of widespread socialising. Indeed, gift cards have been an ideal option to facilitate the types of pre-pandemic social activities that were restricted for large parts of 2020 and into 2021.

However, most of the heightened demand for leisure gift cards is focused around the first half of the year, largely due to weak comparatives with the country in

lockdown until April 2021. While leisure gift cards continued to see strong demand in the summer months, demand began to subside once the cost-of-living crisis worsened in the latter part of the year. Since consumers often feel compelled to cover the full cost of a leisure activity when buying a gift card as a present, they can often become a more expensive option, so consumers looking to actively reduce spending may be wary of these purchases.

This weaker H2 demand context was exacerbated by consumers having greater ability to pre-plan their summer holidays and social endeavours in 2022, which led to less need to pre-purchase for future social activities. Moreover, with greater numbers holidaying abroad, this has led to a re-prioritisation of spend.

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



In-focus: Christmas 2022

Gift cards remained a popular choice despite return of physical social events

According to separate consumer research conducted by GlobalData and GCVA during January 2023, the proportion of consumers receiving gift cards over Christmas 2022 stepped back when compared to Christmas 2021, at 29.5% vs. 34.0%.

Nevertheless, strong demand persisted for gift cards, with 20.1% of consumers who received gift cards receiving more in Christmas 2022 when compared to

the year before. While this is lower than in 2021 when the same figure was 36.5%, the previous year (2021) was inflated by less social mixing due to the Omicron COVID-19 variant, and gift cards were often a preferred choice of present to be sent in the post or by email. For some consumers, gift card demand benefitted from them representing a fixed-price option amid rising prices on physical items.

Diminished pandemic-related concerns and postal strikes boosted instore shopping...

With postal workers strikes and the subsequent higher pressure on other couriers impacting online deliveries in December, the high street flourished for late Christmas shopping. This encouraged 53.0% of UK gift card buyers to purchase physical gift cards instore in December 2022, compared to 49.0% in December 2021.

Festive high street footfall was also boosted by reduced fears surrounding COVID-19, since 2022 was the first Christmas without any form of pandemic restrictions. With many shoppers across the UK regaining confidence in visiting busy places and quashing fears of catching an illness, footfall surged on 2021 levels, with many consumers

combining shopping trips with socialising and family activities.

Nevertheless, online remained a key channel for Christmas gift card shopping, and a higher proportion of gift card buyers purchased digital gift cards issued online in December 2022 compared to December 2021, at 28.4% vs. 24.0%. Since digital gift cards do not require physical delivery, they remain an easy win for shoppers looking for a convenient way to purchase presents, especially if they left it to the last minute. This is particularly relevant among the 9.9% of gift card buyers who waited until Christmas Eve to purchase gift cards.

...but the cost-of-living crisis ultimately hit festive demand

While the majority of UK shoppers prioritized gifting spend over other categories over Christmas 2022, those struggling with a lack of discretionary income were still forced to cut back. 5.8% of UK consumers said that they bought fewer gift cards over Christmas 2022 compared to the year prior due to spending less on gifts overall, almost double the percentage of shoppers over Christmas 2021 (3.1%).

Younger consumers were the most likely to cut back on gift card purchasing over Christmas 2022, with 8.1% and 7.6% of Generation Z and Millennials shoppers respectively stating that they purchased fewer gift cards due to spending less on gifts overall.

Just under one-in-five agreed that a key benefit encouraging the purchase of a gift card as a present is that the recipient will purchase something for themselves, rather than spending on bills, rent, food shopping etc

Conversely, Baby Boomers were the least likely to cut back on gift card spend for the same reason (3.8%), as they are typically more financially stable so less affected by the impact of rising prices.

Moreover, the flip side to cost-of-living considerations is the greater potential for them to be used towards something the recipient wants, compared to cash. According to research undertaken by GlobalData and GCVA over November 2022, just under one-in-five agreed that a key benefit encouraging the purchase of a gift card as a present is that the recipient will purchase something for themselves, rather than spending on bills, rent, food shopping etc.

Retail gift cards saw a further boost in demand while multistore alternatives faltered

Retail gift cards continued to be the most favoured option over Christmas 2022, extending their popularity from 55.8% of gift card purchasers during December 2021 to 58.0% in December 2022. Retail gift cards were particularly popular among Baby Boomers, as 70.8% of gift card shoppers in this generation purchased a single retailer gift card, compared to just 45.8% of Generation Z gift cards buyers at the other end of the scale.

In contrast, with consumers now feeling more comfortable purchasing and redeeming cards for specific brands, multistore gift cards fell back over Christmas 2022, with the proportion of gift card consumers purchasing them falling to 27.5% in December 2022, down from 34.5% in 2021.

Nevertheless, demand for multistore gift cards remains greater than in 2020 (purchased by 32.4% of gift card shoppers in December 2020), and they are especially popular among Generation Z and Millennial shoppers (30.7% and 34.5% purchased them during December 2022 respectively), since they are often more time-conscious and therefore appreciate the convenience of purchasing multi-store gift cards. Moreover, for the recipient, these cards facilitate users being able to shop around for the best prices, which is becoming more important given the growing influence that inflation is having on UK consumers.

Retail gift cards were particularly popular among Baby Boomers, as 70.8% of gift card shoppers in this generation purchased a single retailer gift card, compared to just 45.8% of Generation Z

Gift card shopping habits among the generations

Gift cards can help boost brand awareness

While many consumers purchase gift cards for the recipient's favourite shop, restaurant, or leisure/entertainment venue, others may choose an unfamiliar one, which presents a perfect opportunity for that operator to entice new shoppers. Overall, 41.8% of gift card users said that they made a one-off purchase after being introduced to a new brand on receipt of a gift card, and one fifth (19.8%) of consumers became regular customers.

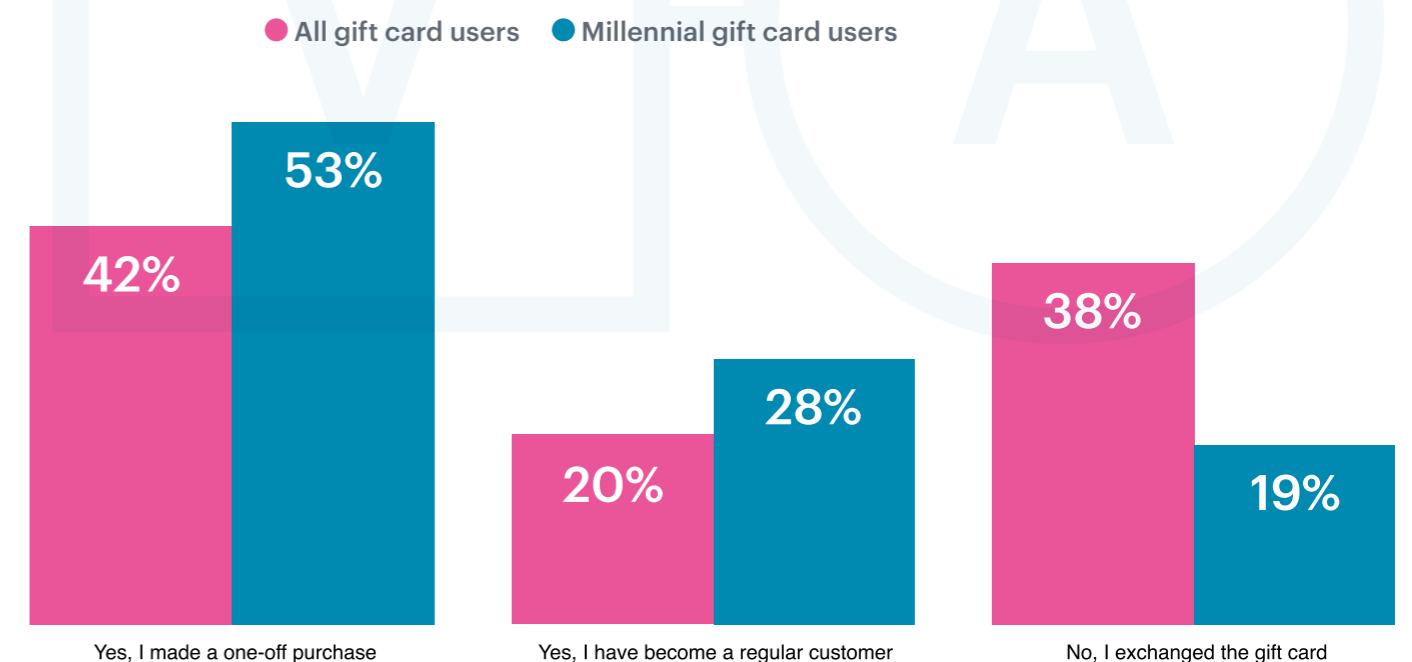
The use of gift cards to facilitate introduction to new brands is most common for younger recipients. 50.4%

of Generation Z and 53.3% of Millennials said that they were introduced to a brand through receiving a gift card and made a one-off purchase, and 25.5% and 27.9%, respectively, said that they became regular shoppers.

The influence of gift cards as a shopper acquisition tool is lower among older generations, with just 25.4% of Baby Boomers making one off purchases, and 8.3% becoming regular shoppers, although they may also be more likely to receive gift cards from the retailers they already shop at.

50.4% of Generation Z and 53.3% of Millennials said that they were introduced to a brand through receiving a gift card and made a one-off purchase, and 25.5% and 27.9%, respectively, said that they became regular shoppers.

Have you ever been introduced to a new brand or organisation after being given a gift card? 2022



Younger shoppers are willing to spend far greater than initial gift card values

Gift cards continue to encourage additional spend, with around two-thirds of shoppers typically spending more than the value of gift card they received over 2022. Among shoppers who normally spend more than the value of a gift card, 43.2% said they would expect to spend up to an extra £10 when redeeming a £30 gift card.

On a generational level, older consumers are more likely to spend as close to the original gift card amount as possible, with 58.5% of Generation X and 49.5% of Baby Boomers expecting to only pay an extra £10. Conversely, younger shoppers are much more likely to spend far

greater amounts than the original gift card value; 10.0% of Generation Z respondents said they would normally spend up and an extra £50, and 6.6% are even willing to spend up to £100 extra on a £30 gift card.

This is good news for retailers who target younger shoppers, as some are willing to spend triple the amount of a gift card they are redeeming, which is a great boost to sales in a time where consumers are cutting back on non-essential spend. However, the proportion of shoppers who are willing to spend significantly higher than the original gift card value is likely to decline in 2023, as inflation continues to eat into discretionary incomes.

Expectations of cross-channel gift cards continues to grow across all generations

The monthly average of consumers who expect all gift cards to be cross-channel surged further in 2022, to 52.9%, up from 40.8% in 2021 and 26.2% in 2020. This highlights the importance of cross-channel flexibility as a key operator focus in 2023, particularly among who are yet to extend their multichannel offer into gift cards.

This expectation is largely consistent across all ages, proving that cross-channel fluidity is no longer an expectation

exclusive to younger generations, with the growth in expectations among older shoppers likely due to learned behaviours from the pandemic, where online shopping became more commonplace.

Consequently, cross-channel integration must be used by all retailers, irrespective of their target market, as the number of shoppers seeking more flexible and convenient shopping methods will only continue to grow further.

Digital gift card demand wanes but still remains stronger than pre-pandemic

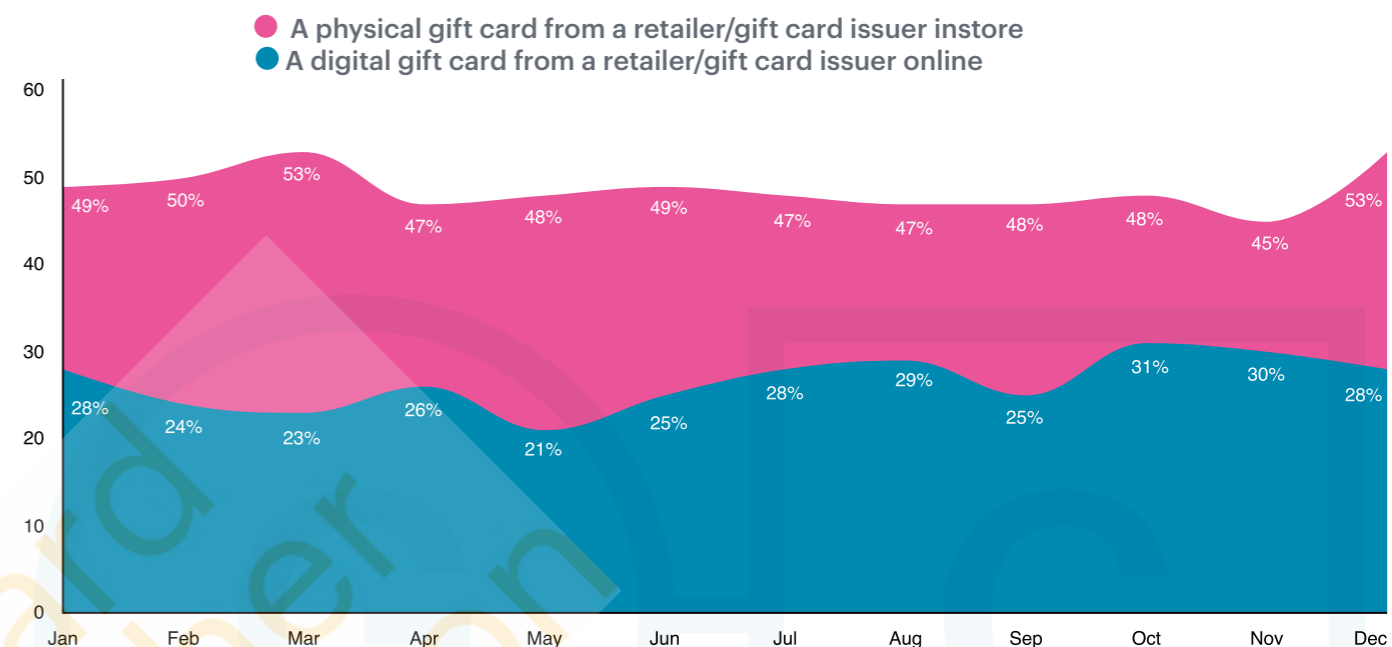
The monthly average proportion of consumers who purchased physical gift cards instore increased to 48.7% in 2022 vs. 47.4% in 2021. This was against the backdrop of shoppers continuing to re-embrace the in-store purchasing experience.

At the same time, demand for both digital and physical gift cards issued online declined year-on-year in 2022, but this is unsurprising given COVID-19 restrictions were still in place to varying extents throughout much of H1 2021. Nevertheless, demand still remains high for the use of gift cards online, and the cohort of shoppers who expect all gift cards to be cross-channel is growing significantly each year.

For many, using gift cards makes it easier to shop online, especially if they are not comfortable using debit or credit cards, and more consumers bought gift cards for someone else to help the recipient shop online in 2022 at 22.4%, up from 21.6% in 2021. Furthermore, some shoppers may feel more inclined to use gift cards online as a precautionary measure to protect their payment details from cyberattacks, which are likely to become a more regular occurrence.

Which type of gift cards did you purchase?

2022



Time-conscious Millennials are the most likely to use gift cards online

Millennials are the most likely generation to redeem a gift card they received, online, as they are often the most time-conscious so find online shopping convenient and flexible, and it's a technology they feel comfortable using. This demand is persistent across channels, with 48.0% of Millennials who had received a gift card in the last 12 months redeeming it via a retailer website and 29.8% via a retailer app.

Almost half (47.7%) of consumers who received at least one gift card during 2022 received it by email, and this figure only increases through the generations. 54.6% of Baby Boomers received an

emailed gift card, in contrast to just 35.0% of Generation Z.

As digital natives, it is unsurprising that Generation Z consumers were the generation most likely to receive a gift card through social media or messaging platforms (14.0% of Generation Z gift card recipients), but this will likely increase for all generations in the near future as social media becomes even more part of our daily lives. Retailers who have a gift card function could take advantage of this growing channel and use their social media accounts as an additional form of marketing for their gift cards.

Expiry dates remain a barrier to purchasing gift cards

Expiry dates on gift cards retained its place as the most prominent barrier to purchasing gift cards in 2022, with 25.8% of consumers who have not purchased or received one in the last 12 months deeming it a key justification.

The looming threat of an expiry date creates a sense of urgency among consumers to use their gift cards quickly, while they are still valid, and 17.5% say that an extension of expiry dates would be an influencing factor over future purchases.

However, for the majority of consumers, fears over expiry dates are over-

played. 98.7% of consumers spend gift cards within a year, with 62.5% spending within three months.

Among age groups, Generation X are the most likely to spend their gift cards in under three months, with 81.7% of those who received gift cards for Christmas 2022 expecting to completely spend them within this time frame. Comparatively, Generation Z are the least likely to fully-use their gift cards within three months, yet over two thirds (70.2%) will still do so, showing that all consumers have a sense of urgency to spend.

Post-pandemic landscape for the gift card industry

Over February 2023, GlobalData conducted a short survey of the GCVA membership. In total, 50 members partook in the research. We have referred to base of respondents as 'GCVA members' throughout.

The majority of GCVA members have seen strong growth in their gift card function since the beginning of the pandemic...

With the pandemic severely reducing social interaction for consumers across the UK, many chose to send gift cards to friends and family in place of physical presents, and some companies ramped up their employee benefit programmes. As a result, 52.0% of GCVA members surveyed have seen strong sales volume growth since the start of the pandemic, alongside 26.0% have had at least some growth in

sales volume. This starkly contrasts to the 6.0% of participants stating that their gift card functions have experienced a decline in sales volume.

This strong performance continued into 2022, where half of participants reported strong sales volume growth in their gift card function, and 28.0% saw some growth in gift card sales volume.

52.0% of GCVA members surveyed have seen strong sales volume growth since the start of the pandemic

...but they are conscious that tougher times are ahead

However, the same GCVA members have more moderate expectations for the year ahead, with those expecting strong sales volume growth in 2023 sliding down to 38.0%, and significantly more of the participants expecting to see only some sales volume growth in their gift card function (36.0% of participants), or for it to remain relatively stable (22.0% of participants).

The impact of the cost-of-living crisis is seen as the most important trend in the gift card industry over the next one to three years, with 92.0% of survey participants highlighting its significance.

GCVA members are right to be more cautious about the near future as the cost-of-living crisis presents a legitimate threat to the overall performance of the gift card industry. Answering consumer demands and understanding key innovation areas will be vital to continue strong growth trajectories.

The gift card function is growing in importance within companies

Two-thirds of participants have seen head-count growth in their gift card team since the start of the pandemic, proving that more companies have invested in their gift card function to fully capitalize on the surge in demand. For 42.9% of GCVA

members, gift cards are considered as part of the marketing strategy and used to help grow awareness and loyalty among the associated operator(s). While for another 40.0% of participants, gift cards influence their entire sales strategy.

Internal data and metrics lead c-suite discussions

An overwhelming majority of participants (82.9%) believe they have the evidence and data to present a good business case for investment in the gift card function to their c-suite.

Out of the various insights that GCVA members can use to present a legitimate business case, most use internal sources such as gift card sales metrics and customer behaviour data, which were selected by 93.1% and 82.8% of participants

respectively, as they provide the most specific and precise analytics of their gift card function.

79.3% of participants stated that they use insight from the GCVA for investment cases, making the organisation's data the most used external source by GCVA members. It will become increasingly important to consider this type of industry data as the cost-of-living crisis forges a new gift card consumer landscape.

Key strategies for growing the gift card function in 2023

Most GCVA members are in tune with consumers' digital demands...

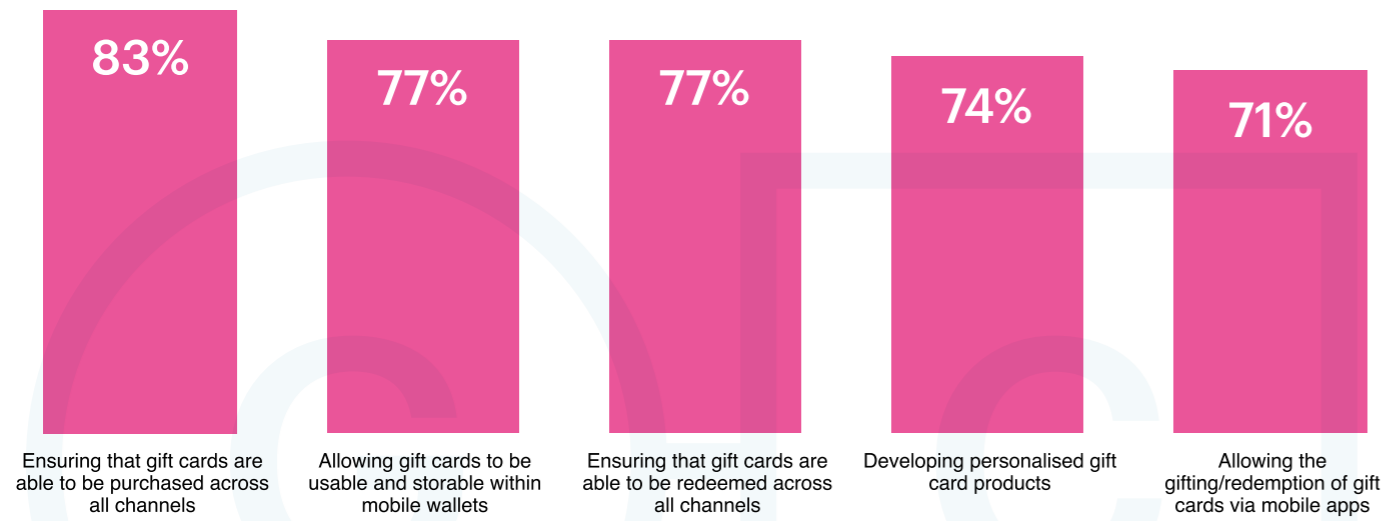
Continuing the digitisation of gift cards remains a top priority for many GCVA members, as the proportion of consumers expecting cross-channel integration grows each year after they became more accustomed to shopping online during the pandemic.

Expectations are high among GCVA members too, as 82.9% and 77.1% say that purchasing and redeeming, respectively, across various channels is either already part of their offer or soon to be included.

In the same context, 77.1% of participants highlighted that allowing gift

cards to be usable and storable within mobile wallets is a key area of interest, and 71.4% also mentioned allowing the gifting and redemption of gift cards via mobile apps.

Mobile wallets and apps have become a key part of daily life for many consumers as phone technology has progressed, so it is vital for gift cards to be widely integrated across these technologies, and this should be particularly prominent for companies targeting younger shoppers.



...but they must ensure other priorities align with consumer expectations

Findings from our consumer and GCVA membership surveys has revealed that there are some conflicts of opinion between consumers and GCVA members on the key issues within the industry.

While expiration dates are considered the most significant barrier among consumers purchasing gift cards, just 31.4% of GCVA members say they are likely to lengthen expiration dates in the near future, considering many other factors such as digitisation and cross-channel integration more important and timelier.

While this is currently unlikely to have a significant impact on gift card sales volumes, it could begin to have a

greater impact as the cost-of-living crisis progresses, as consumers are already becoming more considered with their purchases.

However, a more pressing digital issue the gift card industry is facing is security, and almost half (48.6%) of GCVA members are concerned about the security of their online programme and partnerships with third parties (40.0%) amid the growing threat of phishing and cyber-attacks. Consumers will feel assured to learn this, as they will rightly carry an expectation that their data and gift card value are secure throughout the whole transactional path.

Partnering with third parties can give a vital boost

80.0% of participants currently use third parties as part of their reward and recognition schemes, and 71.4% use them for employee or customer incentives. Many GCVA members have already established relationships with third party specialists, which allow them to enrich their gift card function and fuel growth, taking advantage of their breadth and depth of knowledge.

Many also view these partnerships as a crucial avenue to take in the near future. 82.9% of GCVA members said that developing their third party partnerships with specialists in gift cards and/or loyalty will be a vital key for future growth as the industry faces a period of uncertainty.

Sustainable gift cards a new avenue for growth

With ever-growing shareholder and social pressure to implement ESG policies, 68.6% of GCVA members have either already developed sustainable gift card products or are looking to include them in their offer in the near future. Successful product launches will also help capture the growing segment of consumers who are looking to make more conscious choices when shopping, so there are various ways which gift card managers can explore to improve the sustainability of their ranges.

Firstly, they can create physical gift cards which are solely constructed from recycled and/or easily recyclable materials such as cardboard. While elaborate packaging can make gift cards seem more luxurious, the pool of consumers who con-

sider this wasteful is growing, especially if a variety of materials are used making it harder to recycle, and just 28.6% of participants are likely to develop enhanced packaging in their future gift card products.

Alternatively, gift card managers could completely forgo physical products, and move all gift card transactions online. However, this risks alienating older shoppers who are typically less tech savvy, and remain a key demographic for purchasing gift cards. It would also diminish the attraction of gift cards for those wanting to give physical gifts. A balance between different sustainable options will likely be the most suitable path for GCVA members looking to boost their ESG credentials.

68.6% of GCVA members have either already developed sustainable gift card products or are looking to include them in their offer in the near future

Personalisation can provide a new point of difference for gift cards operators

Personalisation continues to grow in influence within the UK retail market and can have many applications for gift cards. This is something which has been noticed by many GCVA members; 74.3% of said that they are developing personalised gift card products.

Perceptions of personalisation should now be moving away from simply letting the buyer select a design or add the recipient's name on a digital card as consumer expectations develop.

Many retailers are keen to experiment with the latest technology such as artificial intelligence and augmented reality, and this can be extended into their gift card function. Of course, this will be largely suited towards those that target younger consumers, especially Generation Z, as they are the most likely to interact with new digital innovations.

74.3% of said that they are developing personalised gift card products

Conclusion

After consecutive years of strong growth during the pandemic, the UK gift card industry will enter a new phase during 2023 as the worsening cost-of-living crisis eats away at consumers' discretionary income and dramatically changes the way they shop. Indeed, our monthly consumer research revealed that many regular gift card shoppers had already begun to change their spending habits in the latter half of 2022, which took a toll on peak trading.

While a slowdown is imminent, the gift card industry is fortunate to be entering this new retail landscape off the back of exceptional demand, so it is well-placed to weather the macroeconomic storm.

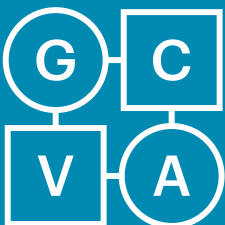
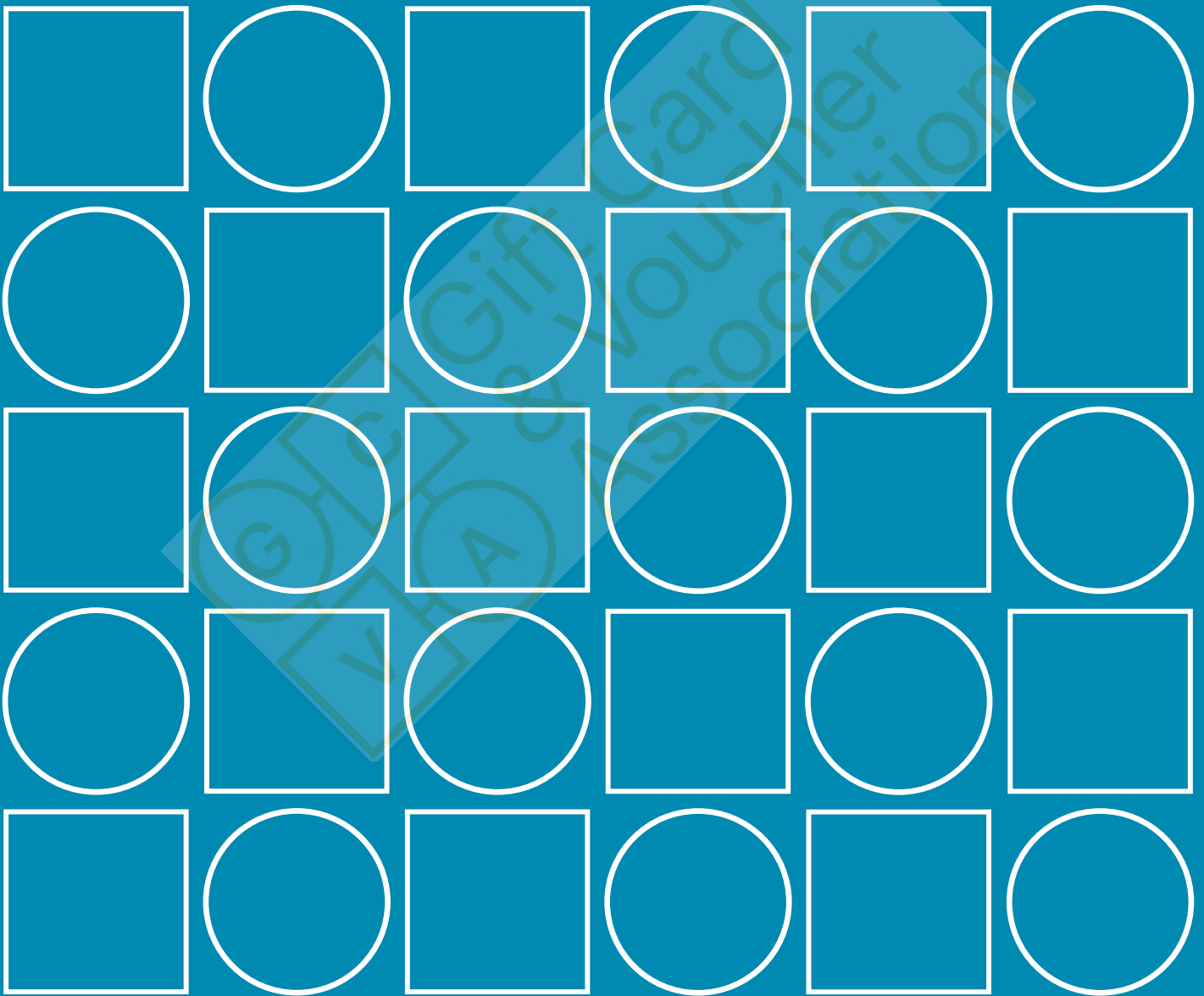
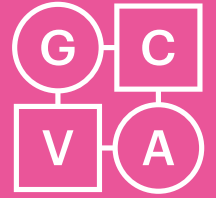
Gift cards will remain a key present option for many shoppers due to their convenience, and successful gift card leaders will be integrating widespread cross-channel flexibility, and other digital aspects such as integration into mobile

wallets, if they have not done so already, to stay ahead and ensure they are meeting the ever-evolving consumer demand.

Flexibility is now more important than ever, as consumers become even more selective about the things they buy and places they shop at, but also less forgiving. Consumers' expectations are beginning to align across generations, so it will be vital for gift card leaders to listen to the needs and wants of regular gift card shoppers and be ready to adapt when necessary.

For the industry, it more important than ever to promote the advantages of gift cards as a medium, both for gifting, and for financial planning and support. Moreover, as the industry faces a period of increasing uncertainty, developing third party partnerships with specialists in gift cards and/or loyalty will be a vital key for future growth.

Consumers' expectations are beginning to align across generations, so it will be vital for gift card leaders to listen to the needs and wants of regular gift card shoppers and be ready to adapt when necessary.



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