The GCVA is partnering with GlobalData to deliver a monthly snapshot of consumer behaviour and attitudes when it comes to gift cards. This is the 44th wave of monthly research, since GlobalData began tracking back in May 2020, with the initial research covering the period from the beginning of the lockdown (March 2020) to the end of May 2020.

The December fieldwork went to field on January 1st, 2024, and was designed to explore habits over December 2023. A UK nationally representative sample of 2,000 shoppers was surveyed. On the time-period comparisons, this wave covers the December 2023 calendar month, with comparisons made between December 2023 and December 2022. Where relevant, comparisons have also been made to the wider tracking period.

Retail spending growth to slow to 3.0% in 2024 as inflation recedes

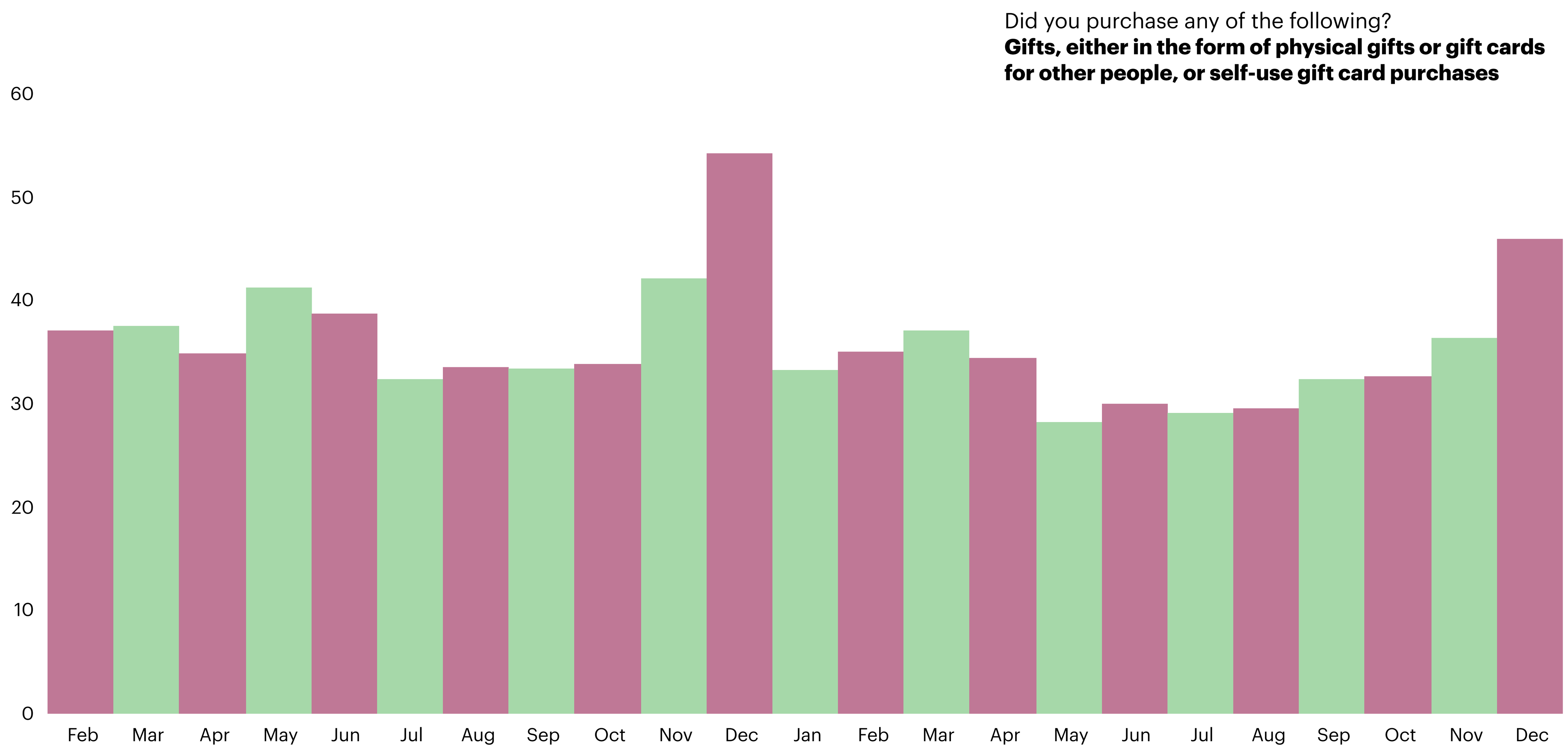
For the final quarter of 2023, we estimate year-on-year growth of 3.4%, against a 6.2% increase from the prior year when sales were boosted by additional spending on Christmas celebrations following the relaxation of Covid restrictions. 2023 growth has varied significantly by sector. It was fastest in food & grocery, reflecting the impact of higher prices, but non-food sales were slightly lower, pulled down by reduced spending in all sectors apart from health & beauty. Sales are expected to have been 1.5% down in clothing & footwear against very strong growth in 2022 when many shoppers splashed out on new outfits for the festive season to make up for parties cancelled during the pandemic.

Following expected growth of 4.3% to £387.4bn in 2023 overall, retail spending growth is forecast to slow to 3.0% in 2024. In our projection, inflation drops sharply from 9.4% to 2.7% as the cost pressures that have pushed it higher, particularly energy price hikes, fall out of the calculation. Significantly, 2024 is set to be the first year since 2021 to record positive volume growth reflecting shoppers' slightly greater capacity to spend. Real earnings growth, combined with the cut to National Insurance will create a more supportive context for discretionary spending. That said, this benefit will not be felt by all households. For those needing to remortgage and facing much higher monthly payments, household spending will be squeezed.

Weak gifting demand over December

Over December 2023, 45.9% of UK consumers bought physical gifts, gift cards or made self-use gift card purchases. While this represented a peak-driven boost compared to November 2023 (36.3%), gift purchasing was notably lower than December 2022 (54.2%).

This weaker year-on-year performance comes against the backdrop of UK shoppers feeling greater pressure on their disposable incomes and proactively looking to make cutbacks, where possible. Despite this year-on-year decline in gift purchasing, the actual value performance of the Gifting market will have been partially boosted by high inflation, which has offset some of the volume decline.

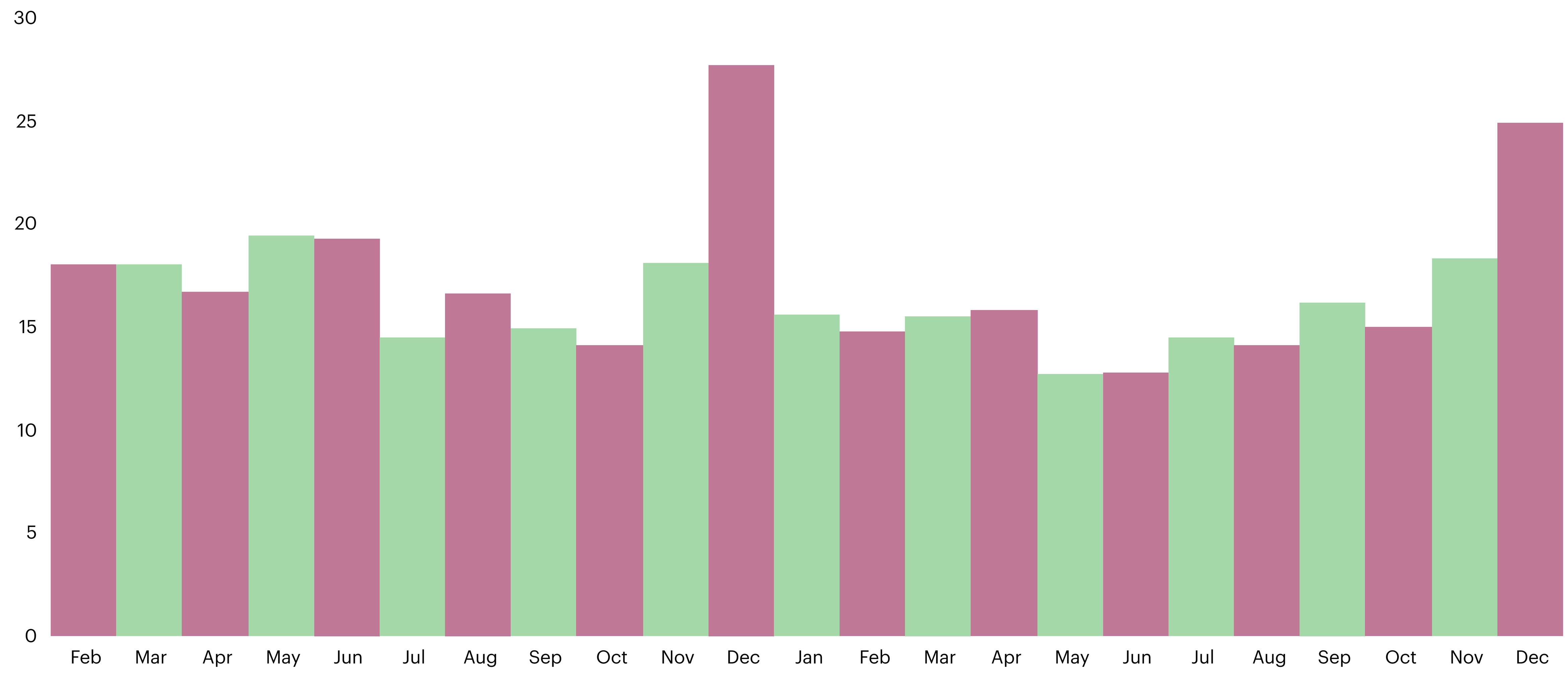


Both gift cards and physical gifts experience year-on-year purchasing dip

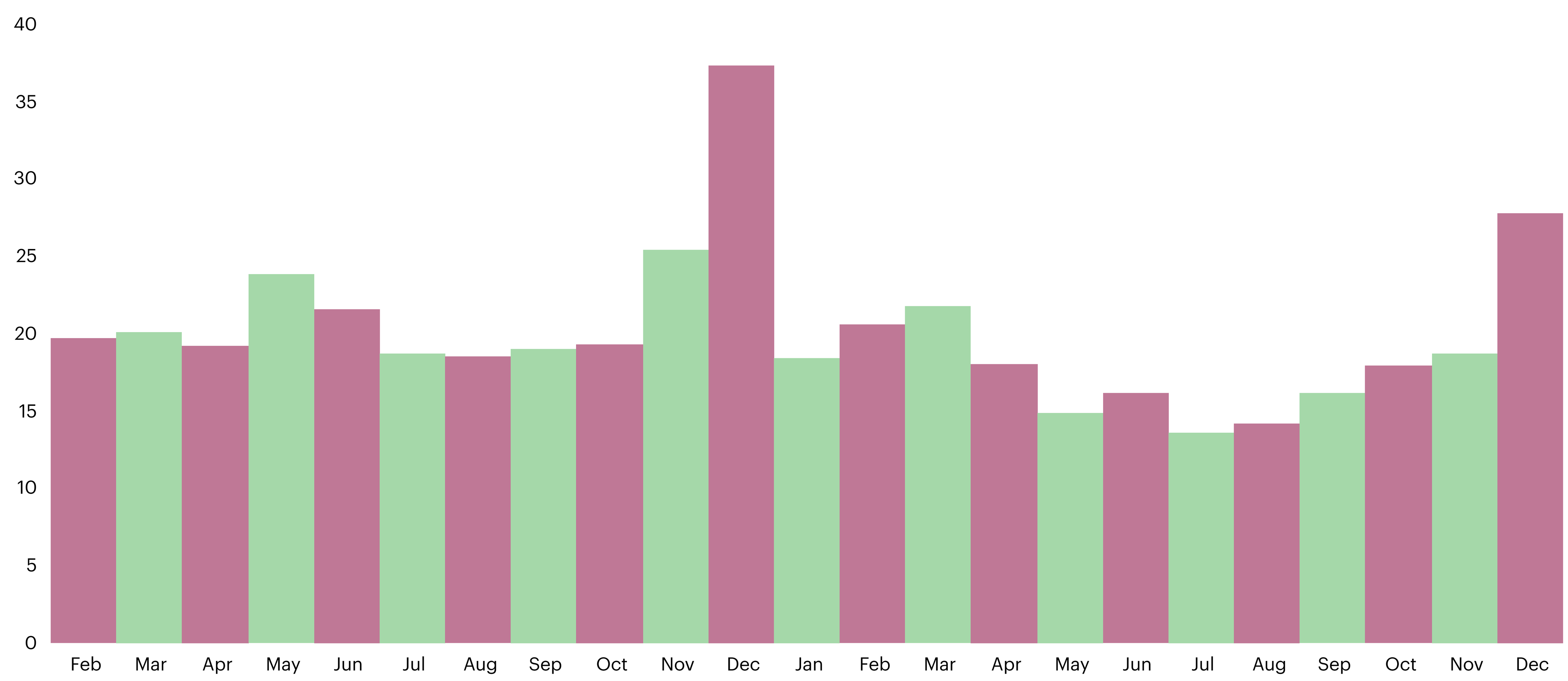
While both inevitably experienced higher purchasing than in November, both gift cards (24.9% in December 2023 vs. 27.7% in December 2022) and, more severely, physical gifts (27.8% vs. 37.3%) saw a decline year-on-year purchase penetration. Christmas 2023 saw UK consumers look to make fewer, more considered purchases, both in terms of the number of overall gifts bought, but also the recipients purchased for.

However, one segment that has continued to outperform is purchasing for self-use. When it comes to self-use, gift cards are playing an influential role in supporting shoppers looking for levers to help with saving and budgeting. While priorities over December were largely elsewhere, as consumers looked to balance cost-of-living pressures with festive spending commitments, the 6.3% of UK consumers purchasing for self-use was higher than in December 2022 (5.8%). The proportion of those purchasing self-use gift cards that cited "to help with saving money" was 38.1%.

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



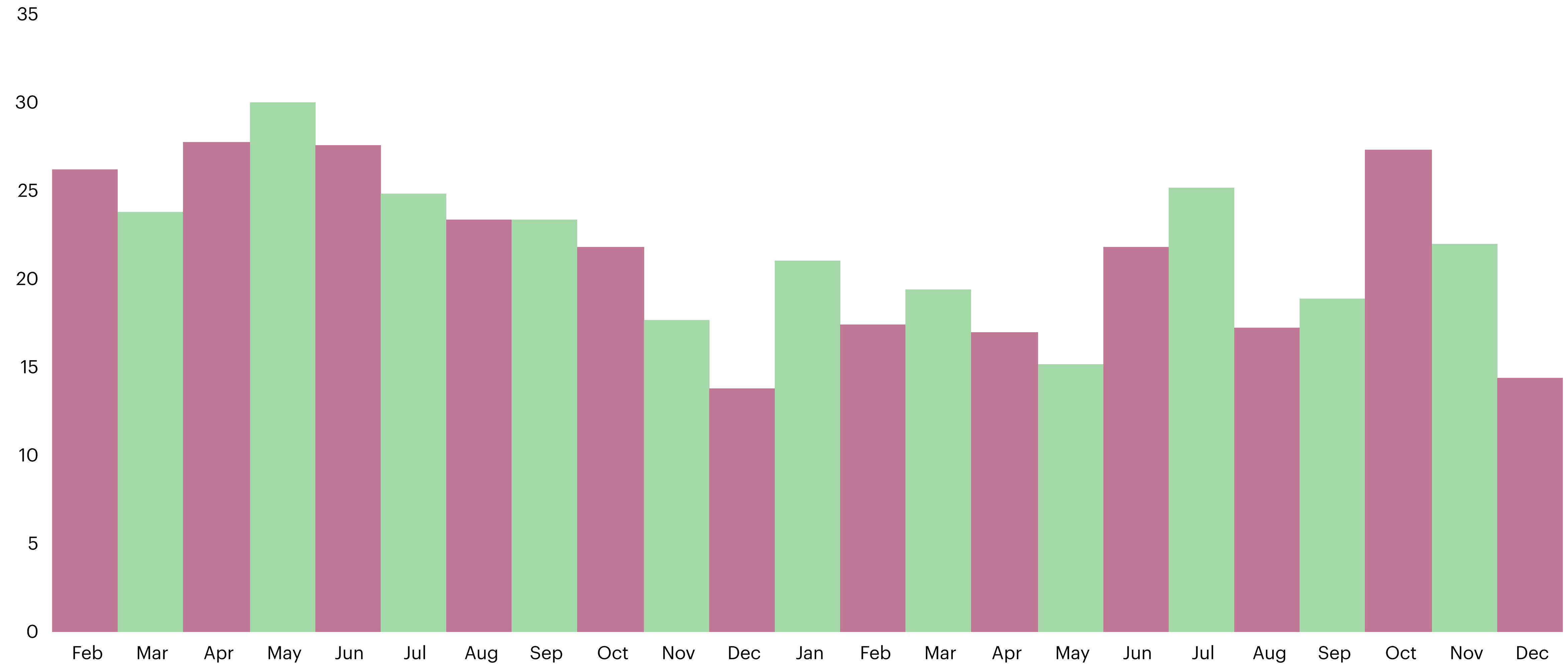
Did you purchase any of the following?
A gift card for yourself



Year-on-year growth in purchasing via work programmes over December

The proportion of gift card buyers purchasing physical gift cards through an employee benefit programme was 14.4% over December 2023. While this represented an inevitable dip compared to November 2023 (22.0%), it was higher than December 2022 (13.8%). With many consumers feeling financially under pressure over the festive period, work programmes have been a good route to provide additional support.

Did you purchase any of the following?
A physical gift card through a work incentive/reward programme/employee benefits programme



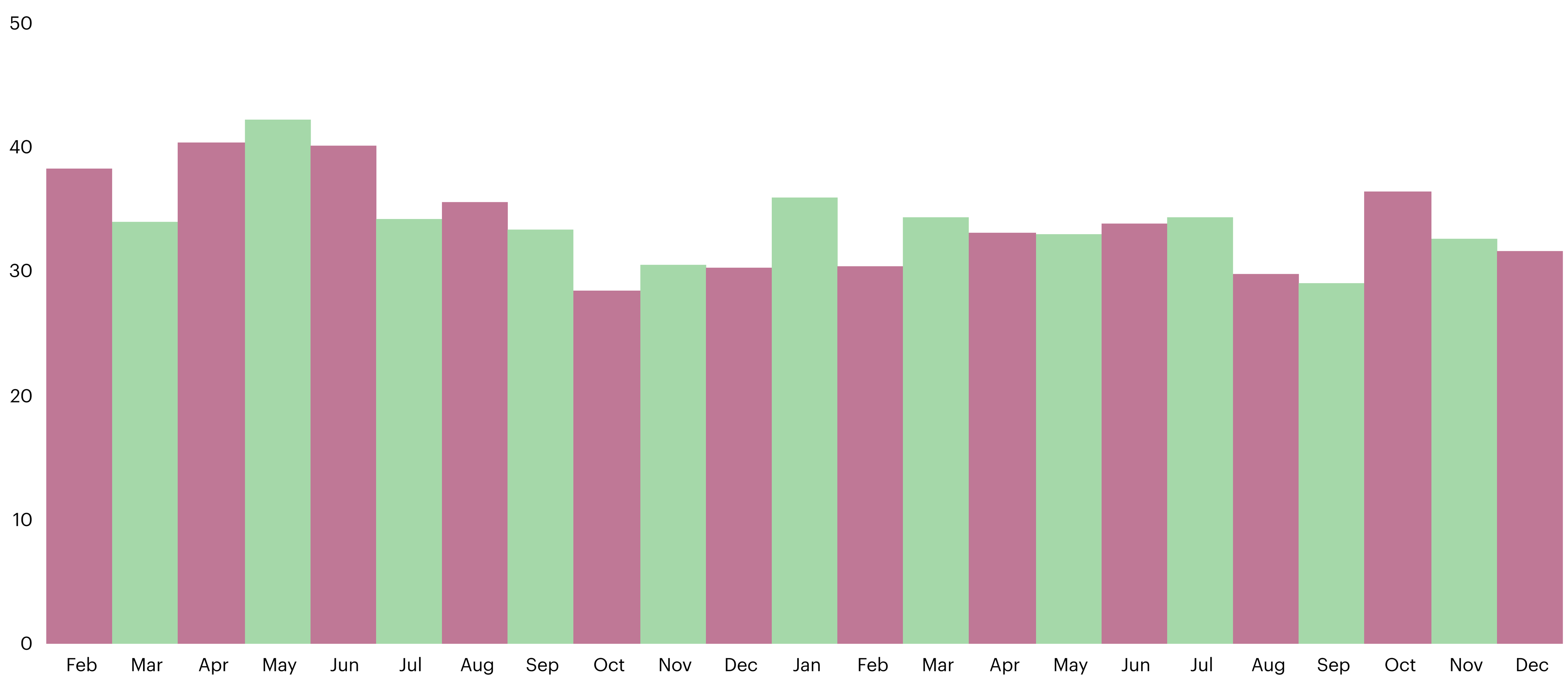
Despite relative underperformance, physical gift cards are the most popular choice for Christmas purchases

The proportion of gift card buyers purchasing physical gift cards in-store was 49.6% over December 2023. While this was slightly lower than December 2022 (53.0%), it represented an increase over November 2023 (46.6%). Moreover, some of this year-on-year decline was offset by a parallel year-on-year increase in physical gift card purchases made online (31.6% vs. 30.3%). Online purchasing of physical cards will have benefitted from weak comparatives, with shoppers in 2022 fearing the impact of postage delays amid Royal Mail strikes.

Despite the rise of digital, physical gift cards are viewed as a more thoughtful Christmas gifting option. This has been further reinforced by the rise of more experiential and sustainable physical options.

Nonetheless, digital gift cards also represented a popular choice for gift card buyers in December. The 29.6% of gift card buyers purchasing digital options was higher than both November 2023 (29.2%), and December 2022 (28.4%). This is hardly surprising, given the growth of self-use purchases, the greater convenience that these cards provide, and rising shopper expectations are cross-channel purchase and redemption.

Which type of gift cards did you purchase?
A physical gift card from a retailer/gift card issuer online



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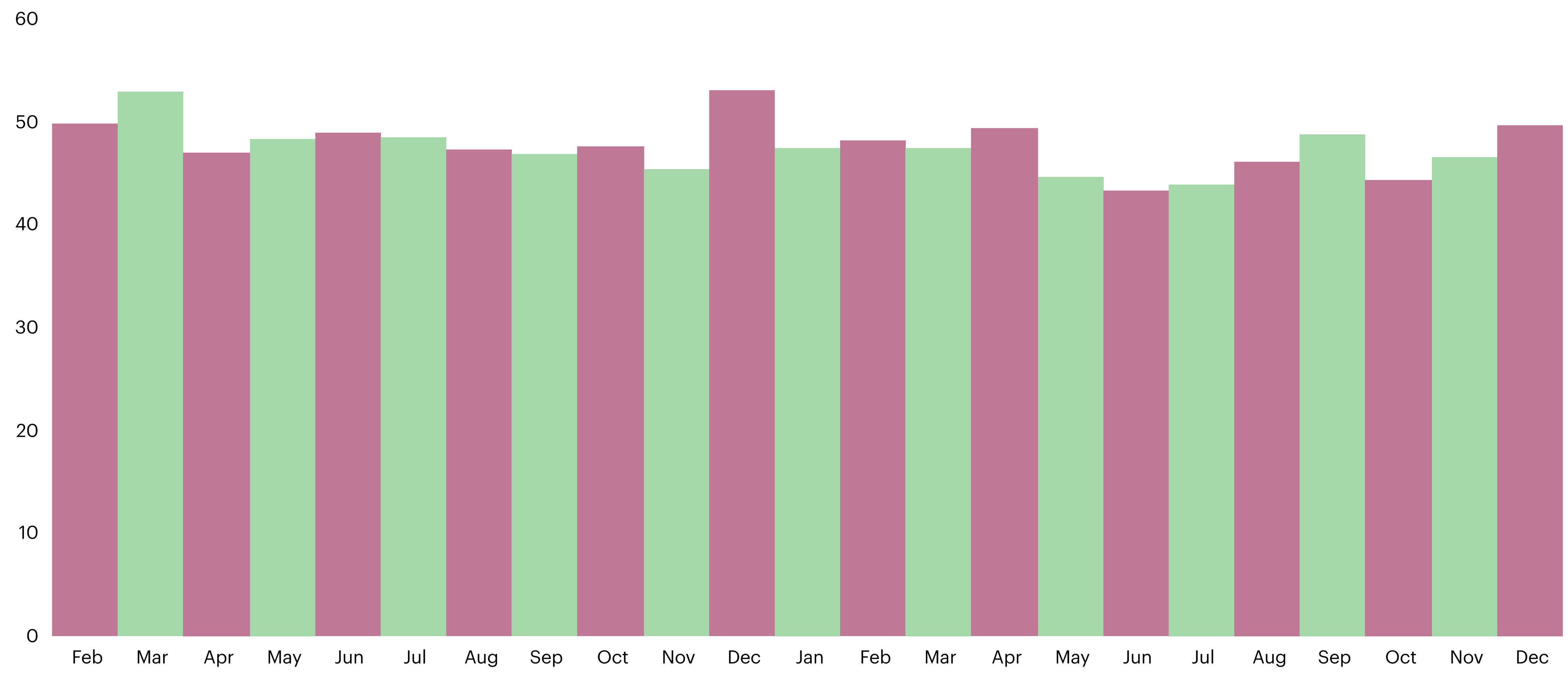
Did you purchase any of the following?
A physical gift card from a retailer/gift card issuer instore

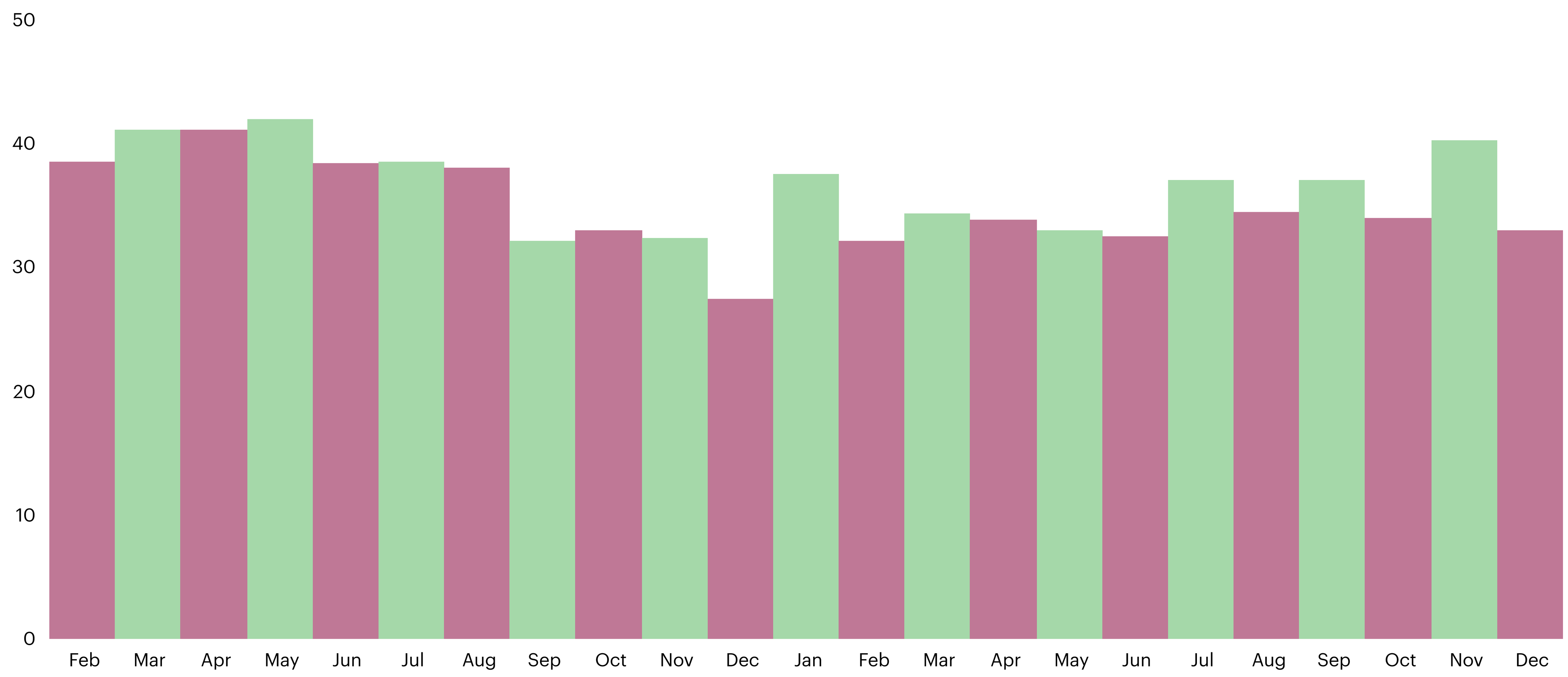


Gift card buyers more drawn towards retail gift cards during peak purchasing

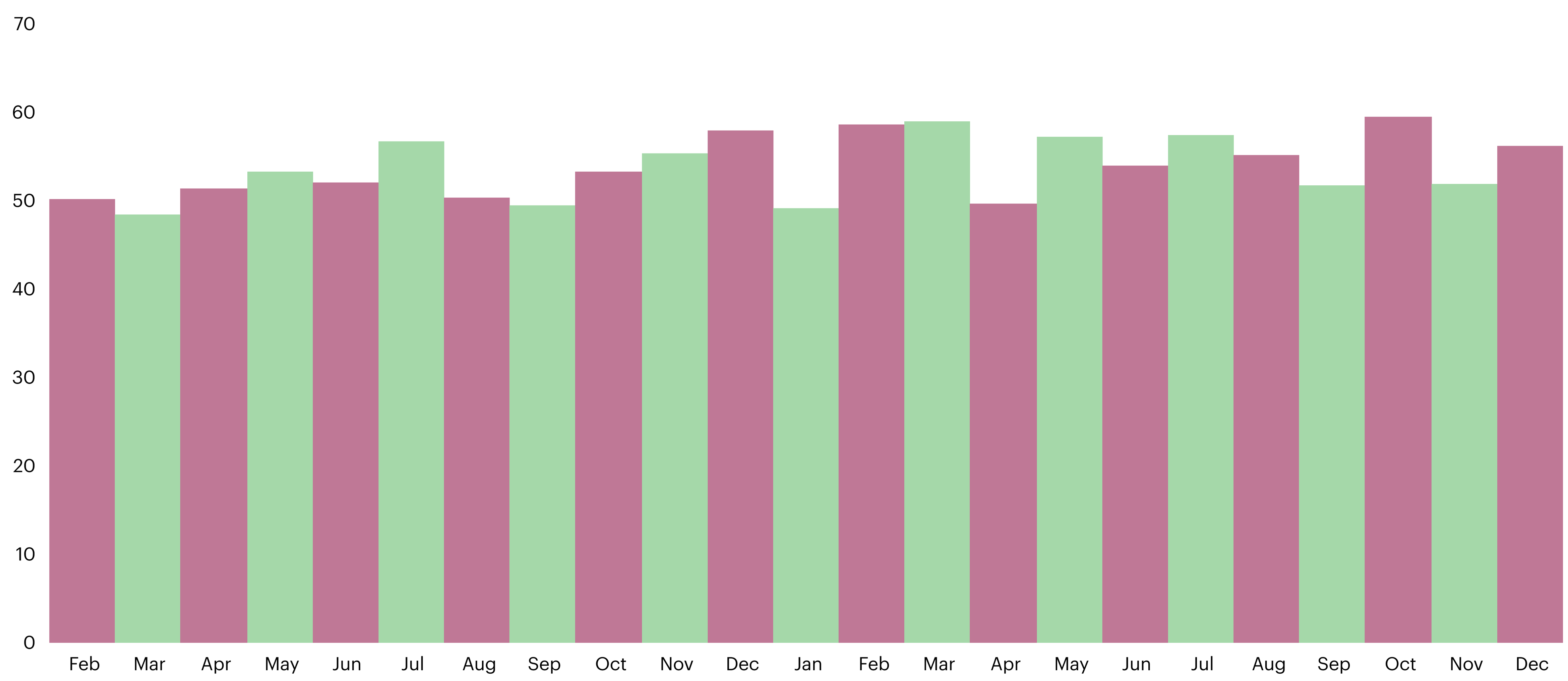
While the 56.2% purchasing retail gift cards over December 2023 represented a decline on December 2022 (58.0%), it was comfortably higher than November 2023 (51.9%). These card types are viewed as being more considered options for Christmas gifts, tailored to the recipient's favoured brands.

Conversely, while the 33.0% of gift card buyers purchasing multistore gift cards was comfortably higher than December 2022 (27.5%), there was a notable decline compared to November 2023 (40.3%). Multistore cards have received a relative year-on-year boost from the gift giver being more cautious around ensuring the purchase will be used, and the more general benefits of multistore cards - helping 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?
A multi-store gift card– a single gift card which can be spend in multiple retailers, brands, outlets or businesses



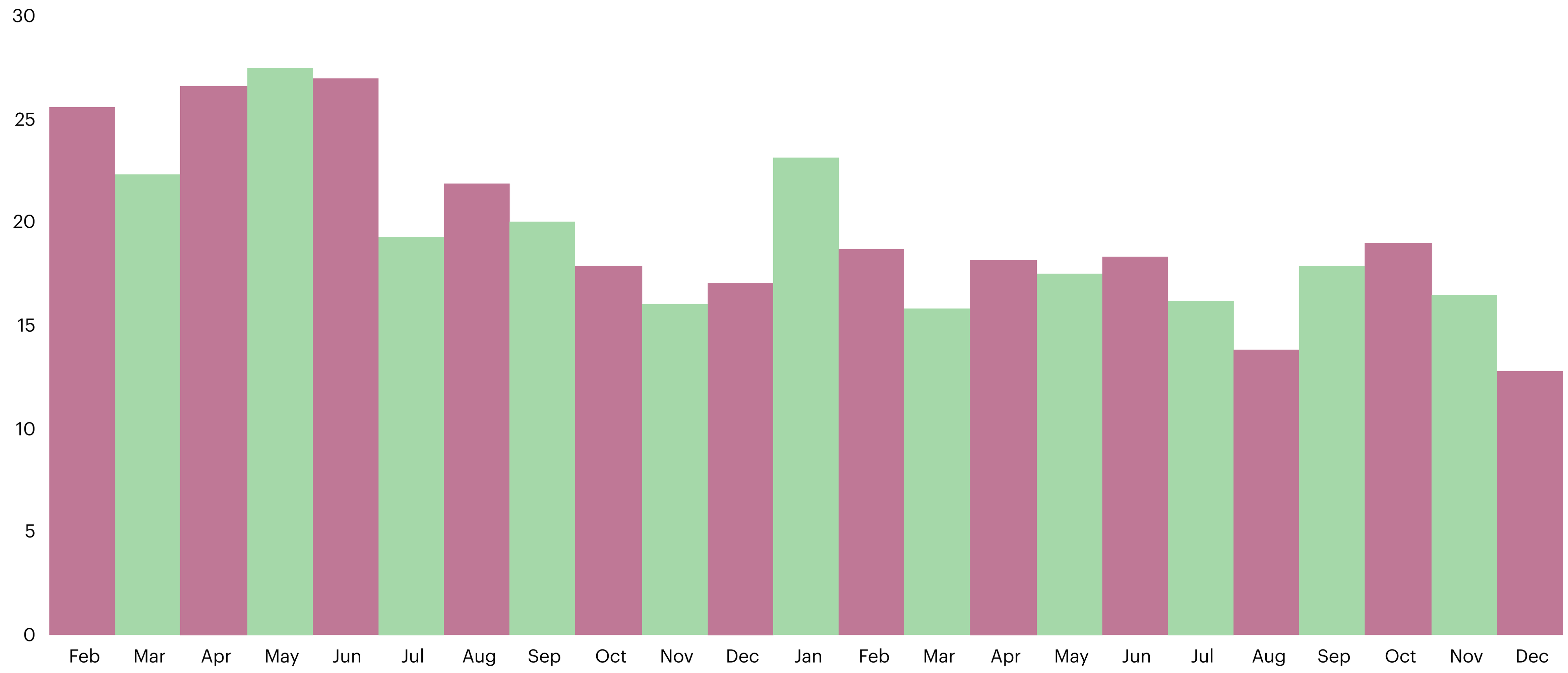
A retail gift card – a gift card for a specific high street retailer or a store branded gift card



Leisure gift cards see year-on-year growth over December

Over December 2023, 14.4% of gift card buyers purchased leisure gift cards (e.g. for travel, theatre tickets, spa days), which was up compared to both December 2022 (12.9%) and November 2023 (14.0%). This also outperformed experience gift cards (e.g. for a hot air balloon ride, helicopter ride, or hotel stay), with the 12.8% purchasing this card type being notably lower than both December 2022 (17.1%) and November 2023 (16.5%). Experience gift cards have borne the brunt of a return to holidaying abroad, and the more general greater financial priority placed on the main summer holiday.

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?
An experience e.g. hot air balloon ride, helicopter ride, hotel stay



Leisure e.g. Travel, theatre tickets, spa, dining