



Why retailers shouldn't underestimate the value of gift cards

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

The struggles currently faced by the high street have been well-documented in recent years. While it may be tempting to blame the high street's woes on the rise of eCommerce, it unfortunately doesn't seem to be that straightforward, with some of the biggest online-only players reportedly encountering financial difficulties.

In such a challenging environment, retailers must be responsive to consumers' changing demands, and any strategy that can drive consumer footfall and encourage greater spend should be embraced wholeheartedly.

The UK Gift Card and Voucher Association (UKGCVA) recently published its bi-annual [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, highlighted gift cards' enduring popularity amongst consumers of all ages and revealed them to be an extremely useful tool for retailers looking to attract and retain customers.

The report showed that a massive 83.7% of UK shoppers have purchased a gift card at some point in their lives. Perhaps even more significantly, the youngest generation Z/Millennial generation (aged 18-34) shoppers represent the most frequent purchasers of gift cards. 43.7% of this age bracket purchase a gift card at least once every two months, as opposed to 34.8% of Generation X (aged 35-54), and just 16.3% of baby boomers aged 55 and above.

With demand for gift cards so high, here are just four of the ways that a well-managed gift card scheme can be of great benefit to retailers:

Attracting new customers

One of the most obvious benefits for retailers is the ability to attract new customers; gift cards can play an important role in driving brand awareness and engagement. Often, the recipient of a gift card is not already a customer of that particular brand, enabling 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.

Interestingly, the 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 in this arena. 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.

Encouraging greater spend

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. 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.

Increasing customer loyalty

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 shoppers cite for buying gift cards for themselves is to receive a discount, highlighting gift cards' potential value when it comes to fostering customer loyalty, which is often overlooked.

According to the UKGCVA report, 73.5% of people would be interested in the ability to collect points or receive cashback on future purchases when redeeming gift cards. To help increase shopper 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 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.

Flexibility is the key to success

It is becoming increasingly clear that an omnichannel approach is critical when it comes to success in the retail industry, and this includes gift card programmes. 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. For consumers, the freedom to spend their gift card across all channels is increasingly important, so retailers should be making technical innovation a focus going forward in order to ensure they are meeting their customers' expectations.

Retailers should not underestimate the potential value of a gift card scheme, which can help them to optimise every step in a customer chain – from initially raising brand awareness and attracting them to the retailer in question, to maximising their average spend with that retailer, and finally to returning as a repeat customer and increased loyalty.

-ENDS-

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 90 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.

The UKGCVA's annual conference in March, is a key date in the industry calendar. Bringing together all stakeholders in the sector to learn, debate, promote and network, it is a day for members, non-members and organisations keen to know more about the industry. It is a platform to share new ideas, innovate and promote best practice with the UK gift card industry.