

Press Release

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More Employers Look to Reward Staff with Gift Cards Over Bonuses, Research Finds

More employers are seeking to remunerate staff with gift cards as a reward or incentive in a bid to help retain staff, research from the [Gift Card & Voucher Association](#) (GCVA) and [KPMG UK](#) has found.

In two research reports¹, data revealed that a surge in demand for both physical and digital gift cards for work incentives was seen in Q4 of 2023 as businesses looked for new ways to retain employees amidst soaring interest rates for employees.

Whilst benefits such as employee savings and salary sacrifice still made up the largest portion of the market share for the B2B market with 57.6% of sales, there was a rise in gift card purchases for employee rewards and incentives, with sales making up over a quarter (28%) of the B2B gift card market in 2023.

Further findings saw that the average monthly proportion of gift card buyers purchasing physical gift cards through work incentives, a reward or an employee benefits programme increased to 21.2% in Q4 of 2023 (compared to 17.8% in Q4 2022).

Currently, the B2B market retains the largest share of the gift card market at 58.6%, with a 10% growth in H2 of 2023.

These figures represent an increasing number of employers looking for ways to support their employees amidst rising costs, with the rise towards the end of 2023 suggesting that employers were seeking ways to discount the cost of Christmas for staff.

Gift cards are a popular way to reward employees as they're a tax-free benefit (up to the value of £50), meaning that employers can pass this saving onto their employees, who can choose to spend this money however they please - whether that's on groceries, shopping, or a meal out.

¹ GCVA's *State of the Nation Report 2024*, and the combined *KPMG & GCVA Sales Analysis and Outlook Report 2024*

And with businesses seeing increasing difficulty in retaining their staff amidst the cost-of-living crisis², particular emphasis is being put on employers to find other ways to say thank you with regular, tangible rewards – with many looking to show appreciation with a gift card.

A notable shift toward purchasing digital gift cards was also seen, with the average monthly proportion of shoppers reaching 10.7% in 2023.

The gap between physical and digital gift card purchasing through employee benefit programmes has narrowed significantly, with the digital channel offering employees more efficiency and convenience; particularly with the hybrid-working model still prominent.

With many employers already taking advantage of the Trivial Benefit tax-free allowance offered by gift cards, the GCVA is campaigning to increase the tax-free threshold to at least £500.

With unprecedented challenges to retail, leisure and hospitality sectors seen in recent years from the pandemic, rising supplier costs and a cost-of-living crisis, as well as the rising costs impacting employees, GCVA hopes that by increasing the threshold, it'll be putting additional money back into the sectors most in need.

Looking at the gift card market as a whole, data from the GCVA's members shows that in the second six months of 2023, gift card and voucher sales increased 7.4% on a like-for-like basis, demonstrating robust growth in the market and a strong appetite for gift cards to support the initiative.

Siobhan Moore, and Adam Hobbs, GCVA Executive Board Co-Chairs, said:

“With high inflation and rising interest rates adding pressure on consumer spending, it's good to see employers helping to pass additional savings onto their employees through gift cards. It shows employers are considering how they reward their staff, and it has the added benefit of helping to encourage more spending in a downturned market.

“Gift cards are an appealing option as not only do they give employers an alternative option to reward staff, but employees will receive more of that reward with the reduction of tax – and that money will be going directly back into the economy.

“And with the Christmas period not rallying consumers to spend as much as was hoped, gift card sales help soften the blow to retailers. In fact, previous GCVA research found that over

² [HRZone](#): *The retention race: Why it's harder than ever to retain employees*

20 million gift cards were exchanged over Christmas 2023, with almost a quarter of people receiving more than in previous years.

“All of this points towards the resilience of gift cards, the continued diversification of use and the additional benefits in helping the retail, hospitality and leisure economy, which could go even further if the tax-free threshold was increased by the government.”

Don Williams, Retail Partner at KPMG UK said: Customer spending throughout this period continued to be challenged by the cost-of-living crisis. This had a major impact on non-discretionary categories with clothing, footwear, high-priced goods, electricals, and furniture all suffering challenges. In the general market, we also saw the return to shops (especially retail parks) and online penetration rates continue to fall back; though we need to remind ourselves that this measures the point the transaction is made not the whole journey to that purchase.

“Against this backdrop, the performance of the gift card and voucher segment has been strong and extremely pleasing – congratulations to all. We continue to believe there is lots of opportunity for the industry going forward, including within employee benefits, and this continued trend can provide additional help to businesses who are finding it more of a struggle in recent times to make as much of a profit.”

For more information, please visit <https://www.gcva.co.uk/>.

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Notes to Editors

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Reports

GCVA's State of the Nation Report 2024 is a monthly report released by the GCVA to share with its members to understand the current market for gift cards.

KPMG and GCVA Sales Analysis and Outlook Report 2024 is a twice-yearly report, with research undertaken by KPMG on behalf of GCVA to understand the gift card market against the current economic backdrop.

Further information on both reports can be found by visiting the GCVA website.

About the GCVA

The Gift Card & Voucher Association (www.gcva.co.uk) was established as a trade body to represent the key players in what is today a £7 billion gift card and stored value solutions market. With more than 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.

Its 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.