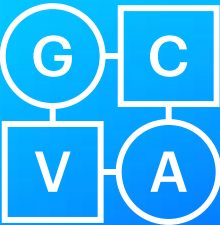
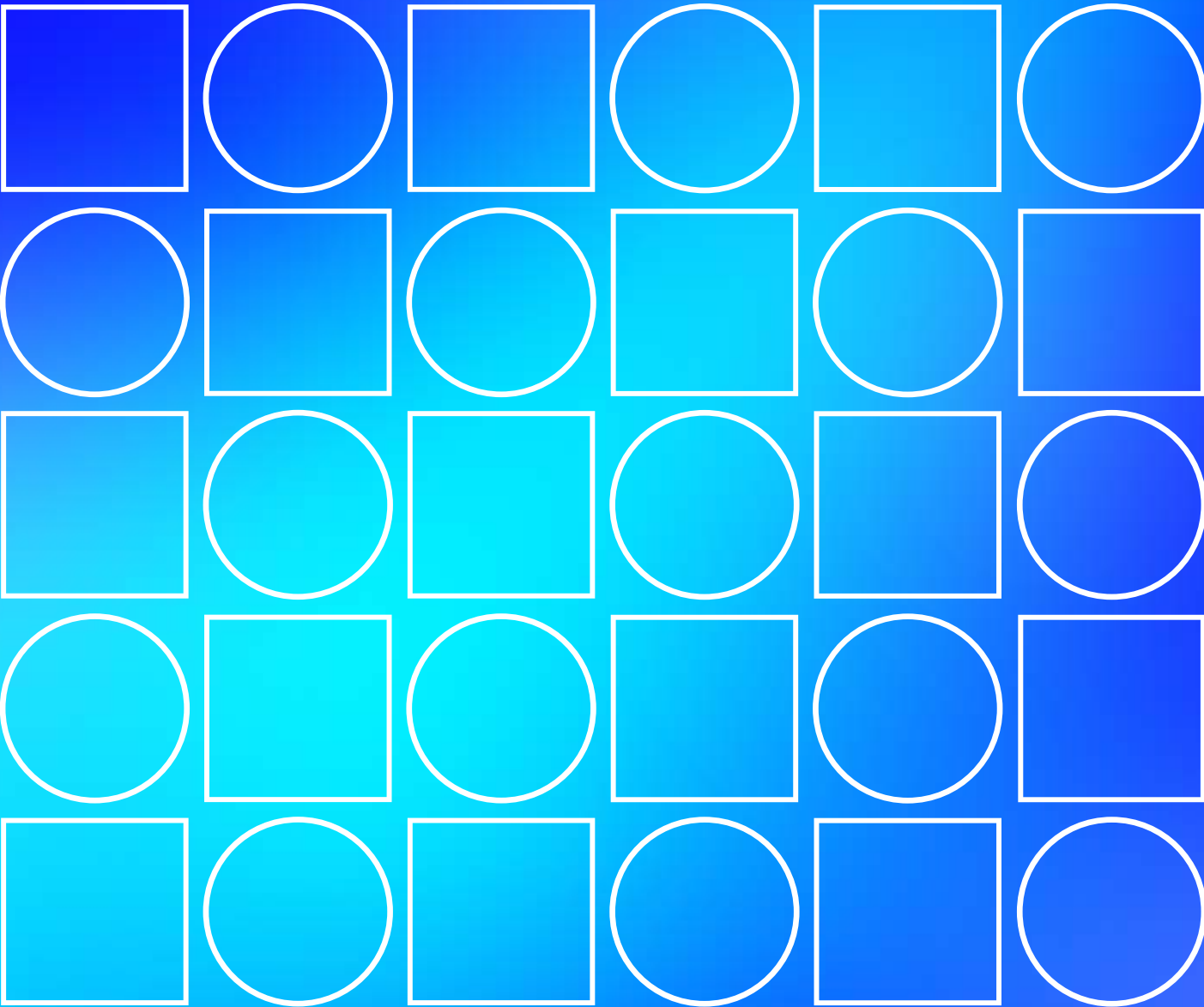
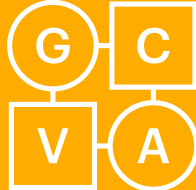


# State of the Nation '21



Gift Card  
& Voucher  
Association



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# State of the Nation '21

## Introduction

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This is the third iteration of our State of the Nation research, following the previous waves in 2017 and 2019. This research is supported by insight from bespoke primary research undertaken across a nationally representative sample of 2,000 UK gift card buyers, in January 2021. This year, further depth and context has also been provided by a monthly consumer research programme undertaken since May 2020, which has focused on understanding and quantifying how the COVID-19 pandemic has impacted consumer behaviour in gift cards.

The 2021 research reinforces the significant turbulence that has impacted both the gift card industry, and retail more generally, since the onset of the pandemic. 2020 saw some clear trends, from stores to online; from physical to digital; and from B2C to B2B. Some of these trends were already present in the market, with the pandemic serving to accelerate their development.

Others, meanwhile, reflect the unique, and hopefully short-term circumstances that have hit consumer demand and supply.

What 2020 has emphasised above all else, is that it is more important than ever that the industry seeks to satisfy fast evolving shopper requirements, ensuring the most effective programs and systems are in place. In particular, the switch to digital, which has been further accelerated by the significant restrictions placed on physical operators, means features such as cross-channel redemption are increasingly expected as default by consumers.

The 2021 white paper, focussing on the 2020 research results, provides a very clear picture of how gift card purchasing, and usage behaviour, has been impacted by the pandemic. It is hard, however, to draw direct year-on-year comparisons, with physical retail, leisure and experience operators being hit by significant restrictions throughout the year.

Gail Cohen  
*Director General, GCVA*

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## About GCVA

The GCVA brings together the industry for networking, learning and sharing best practice. It was established as a trade body in 1991 to represent the key players in the market. Today, it provides an information and reference point for gift card suppliers and customers, and is at the forefront

of the issues affecting the industry. Its main objective is to raise the profile and use of vouchers and gift cards across the globe, as well as promoting the industry to consumers, businesses, government and other interested parties.

1

Gift cards for specific retailers remain the most popular option, purchased by **74.9%** of respondents over the past three years.

2

**82.6%** of Gen Z shoppers have purchased a gift card, compared to **67.6%** of Baby Boomers.

3

**20.7%** of gift card users have received a gift card as an incentive from a business or for market research, and **20.6%** through a work reward programme since the start of the pandemic.

4

Physical store locations have seen net falls in usage since the start of the pandemic, with the biggest being in high streets (used less by **33.1%** of gift card buyers), shopping malls used less by **32.9%** and retail parks used less by **28.7%**.

5

**44.6%** of respondents stated they have made gift card purchases within the past three years influenced by displays in physical stores.

6

**42.7%** of gift card buyers are now most likely to purchase gift cards online, ahead of stores **39.6%** and other options **17.7%**.

7

**38.4%** of respondents say they have now converted to digital gift cards.

8

**47.1%** of respondents now normally redeem their gift card online (up from **43.9%** in 2019), and **21.6%** of respondents tend to use it on their mobile device (up from **11.4%** in 2019).

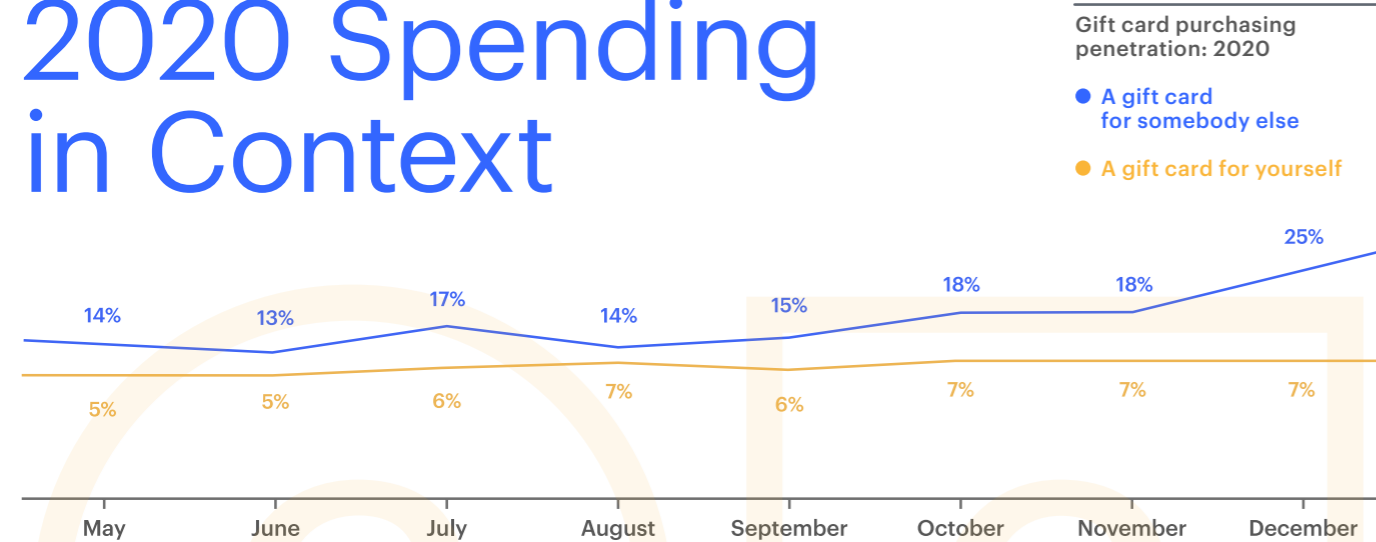
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**62.6%** of respondents expect gift cards to be flexible in terms of where they can use them, indicating that an omnichannel redemption offering is integral to an effective gift card strategy.

10

**42.6%** of respondents said they had made a one-off purchase at a new brand via a gift card and **21.7%** said they had become a regular customer, both figures of which are increases from 2019 (when they were **40.7%** and **18.5%** respectively).

# 2020 Spending in Context



## UK retail experienced a turbulent 2020

2020 saw the UK retail industry turn on its head amid the COVID-19 pandemic. According to GlobalData, overall retail spending declined 3.6%, which represented the biggest year-on-year decline in more than fifty years. Beyond this headline decline were a variety of experiences across different categories and channels. Most marked was the contrast between physical and online performance, with online retail growing 32.4% vs. an 11.1% decline in offline sales.

Retail spending via bricks-and-mortar plummeted alongside footfall, as consumers had to navigate the economic uncertainty and fluctuating social distancing regulations. Retailers in more discretionary categories – such as fashion – have

been particularly exposed. In contrast, there are those who had a stellar 2020, including food retailers, online players and those operating in certain niches, such as leisurewear.

While the vaccine roll-out is in full flow, 2021 generally looks much brighter. However, as attention turns from the pandemic itself to dealing with the economic aftermath, all indications suggest another turbulent year, with shops set to stay shut well into the spring, cautiousness about physical mingling set to abound, unemployment set to rise and consumers set to have rising fears about the future of the economy and their own personal finances.

## The UK gift card market proved its resilience over 2020

GlobalData research undertaken in early 2020 estimated the UK gift card market was worth just under £7bn in 2019. It was estimated that approximately 67% of this market value (£4.65bn) was derived from consumer purchases, with the remaining 33% (£2.34bn) composed of the value of gift cards through work rewards schemes or as incentives.

According to KPMG, against the backdrop of the COVID-19 pandemic having a significant impact on consumer demand in the UK during H2 2020, a representative sample of key gift card operators collectively reported a resilient performance, with volumes rising by 4.6% for the year as a whole, and by 10.8% on a like-for-like basis in H2.

As was the case with UK retail demand overall, underneath this headline figure was contrasting experiences across key players in the industry. On a category-level, KPMG saw the gap continue to widen between retailers and leisure businesses over H2 2020, with retailers registering a rise in volumes, and leisure sales declining significantly. Unsurprisingly, amid the closure of physical stores for extended periods, digital cards outperformed, while there was a decline in physical. KPMG also found that a significant rise in B2B sales bolstered volumes and offset a drop in sales to consumers.

This white paper explores several key themes that are driving consumer behaviour in the UK gift card industry, both in the short term and medium-long term.

Key themes explored are:

1. The impact of COVID-19 on demand for gift cards
2. The rise of digital gift cards
3. The growing relevance of gift cards in the post-COVID environment
4. Gift card purchasing motivations
5. Key drivers and inhibitors among UK shoppers

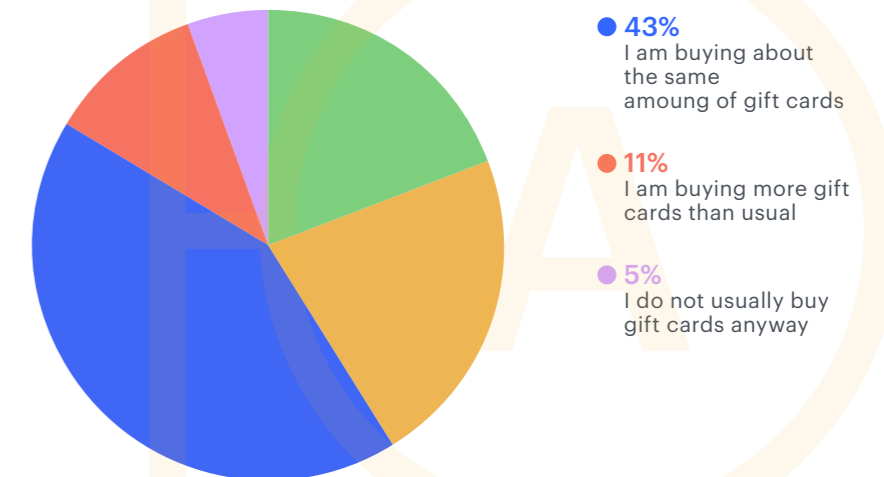
## The impact of COVID-19 on demand for gift cards Gift card purchasing hit by COVID-19 outbreak

According to KPMG/GCVA data, a representative sample of key gift card operators collectively saw a buoyant H2 2020, driven by digital and B2B. However, GlobalData consumer research found that consumer demand for gift cards was not immune to the impact of the pandemic. 19.2% of respondents said that they were no longer purchasing gift cards since the start of the COVID-19 outbreak, and 22.1% said that they are buying less than they usually would.

Leisure and entertainment gift cards were particularly impacted, amid the severe restrictions placed on businesses such as hotels, restaurants, and theatres. Indeed, just 6.2% of gift card purchasers said that they have bought a leisure gift card (e.g. travel, theatre tickets, spa, dining, hotel stay), since the start of the COVID-19 outbreak.

Purchasing of gift cards during the pandemic

- 19% I have stopped purchasing gift cards since the lockdown /pandemic started
- 22% I am still purchasing gift cards, but buying less than I would usually



## B2B outperformed over 2020

Of those who have received gift cards since the pandemic began, by far the most - 50.4% - received them as a gift from friends or family. Elsewhere, B2B has been a key growth spot during the pandemic, with 20.7% receiving a gift card as an incentive from a business or for market

research and 20.6% through a work reward programme. B2B gift card programs have emerged as a winning gift card strategy amidst the COVID-19 landscape, benefiting from their ability to generate fruitful partnerships and increase reach while physical retail channels are shut.

## The festive period remained buoyant

Despite the pandemic, purchasing of gift cards still ramped up as the year went on, culminating in a buoyant festive period. The proportion of those buying gift cards as a gift for someone else increased from 13.2% in June 2020, during the depths of Lockdown 1, to 25.2% in December 2020.

This was despite trends such as the rise in concern among non-gift buyers about whether some of the brands would still be open for the gift cards to be spent, from 3.8% in June 2020, to 16.3% in December.

## Instore and physical gift cards particularly suffer from pandemic impact

Restrictions on stores and footfall has reduced not only the opportunity to purchase from physical shops, but undermined consumer confidence that they will have opportunities to use them. Although physical gift cards purchased instore remain the most popular combination (carried out by 48.1% of gift card purchasers in the past three years), the gap over physical gift cards bought online (42.4%) and digital cards online (38.5%) has narrowed considerably, as COVID-19 has accelerated the preference for shopping online and digital gift cards.

However, despite the relative decline, physical stores do remain influential. 44.6% of respondents stated that they have made gift card purchases within the past three years influenced by displays in physical stores and 35.1% state that they have noticed more local businesses starting to sell gift cards.

Computer and mobile/tablet purchasing increased as high streets, shopping malls and retail parks declined 42.7% of gift card buyers now say they are most likely to purchase online, ahead of stores (39.6%)

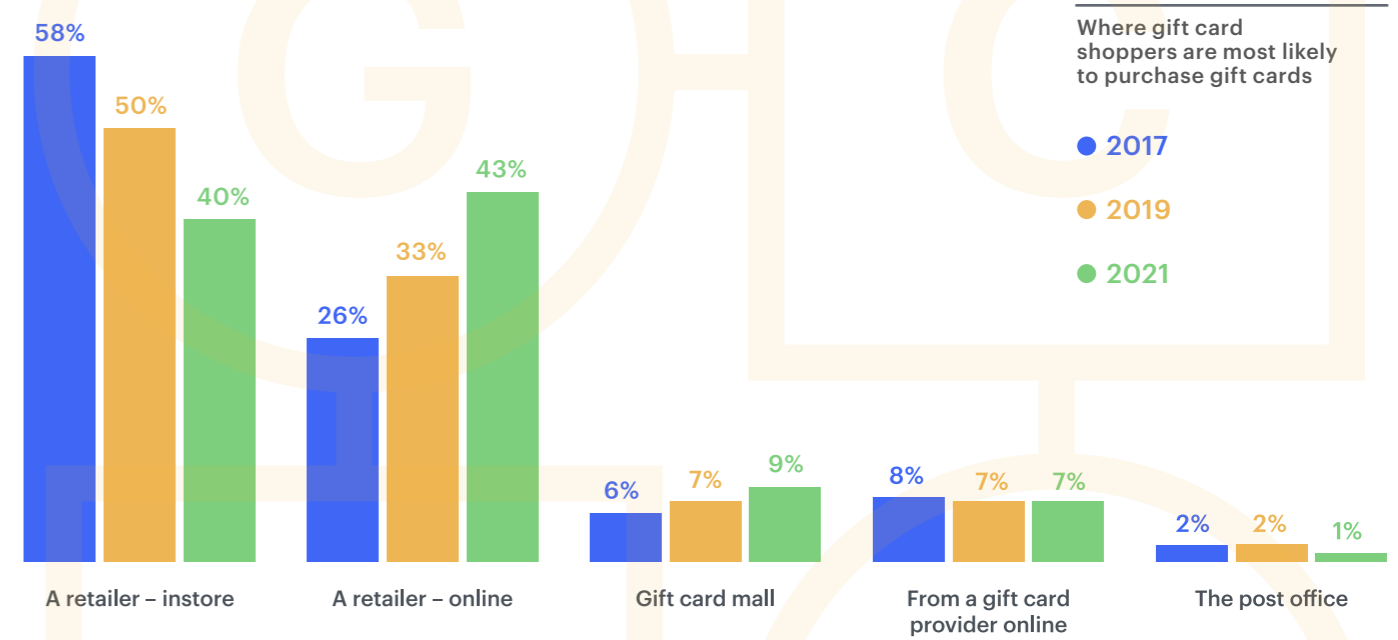
and other options (17.7%). Moreover, 31.4% of respondents are using online gift card purchasing channels via a computer more often since the pandemic began. With 7.5% of those respondents being first time online purchasers for gift cards, the channel has evidently grown in importance for retailers and consumers alike. Similarly, 29.5% of respondents are more frequently using tablets or mobile devices to purchase their gift cards, indicating that retailers must develop intuitive, user-friendly purchasing platforms with seamless functionality across a multitude of devices.

Respondents expect gift cards to be flexible in terms of where they can use them, indicating that an omnichannel redemption offering is integral to an effective gift card strategy.

At the same time, most physical store locations have seen net falls with high streets (33.1%), malls (32.9%) and retail parks (28.7%) all having large proportions of respondents stating they have used these retailer types less than usual. Unsurprisingly, supermarkets have proved more resilient, with 21.4% of respondents buying gift cards through them more often since the pandemic began, thanks to their ability to remain open as essential retailers during the multiple periods of store closures spanning the UK, and their typically large ranges of gift cards to choose from. Therefore, supermarkets presented gift card brands, not only a robust distribution channel, but also

a physical marketing opportunity to target shoppers at one of the few shopping destinations which never closed their doors.

Linked to the rising influence of supermarkets, in addition to other generalist and essential operators, 8.6% of gift card purchasers cited gift card malls as their most likely outlet for buying gift cards. Indeed, despite the growth of digital and online, gift card displays in physical stores remain the key influential factor in driving gift card purchases, cited by 44.6% of gift card purchasers, although has slipped considerably from being cited by 52.7% in 2019.



## Single-retailer gift card type remains most popular despite small fall

Retail gift cards for specific retailers remain the most popular option, purchased by 74.9% of gift card purchasers over the last three years, although this is a considerable fall from 2019, when the figure was 84.2%. In these turbulent times, there is perhaps some reluctance among consumers to commit funds to retailers which may subsequently end up in trouble, jeopardising the validity of their gift cards.

Nonetheless the single card format remains relatively more popular than multi-store gift cards (penetration of which has remained steady at 40.2%) and 54.6% of respondents state they have actually purchased single-store gift cards more often since the start of the COVID-19 out-

break, as shoppers are increasingly looking to gift cards as a means for supporting local establishments, and single-store cards serve as a clear method to streamline funds directly to a sole retailer recipient.

Gaming gift cards have also been a niche but popular option over the pandemic, with 13.0% of respondents having bought gift cards for online gaming credit and in-app purchases, and 9.0% having done so more often since the pandemic began. With home entertainment options growing in popularity, shoppers were increasingly purchasing these genre of gift cards to access new games, features, characters and skins.

## Demand for digital gift cards further accelerated by COVID-19

### Swing to online boosts digital gift cards

Prior to the pandemic (as captured in the 2019 research), only 33.4% of respondents were more likely to purchase a gift card online rather than in-store. Over the past year, we've witnessed a substantial swing—with 42.7% of respondents now purchasing through online channels.

Moreover, since the start of the pandemic, 32.0% of respondents have purchased gift cards from a retailer online either for the first time, or more than usual, as for many retailers, online purchasing channels were the sole means of conducting

business during regional lockdowns spanning the UK.

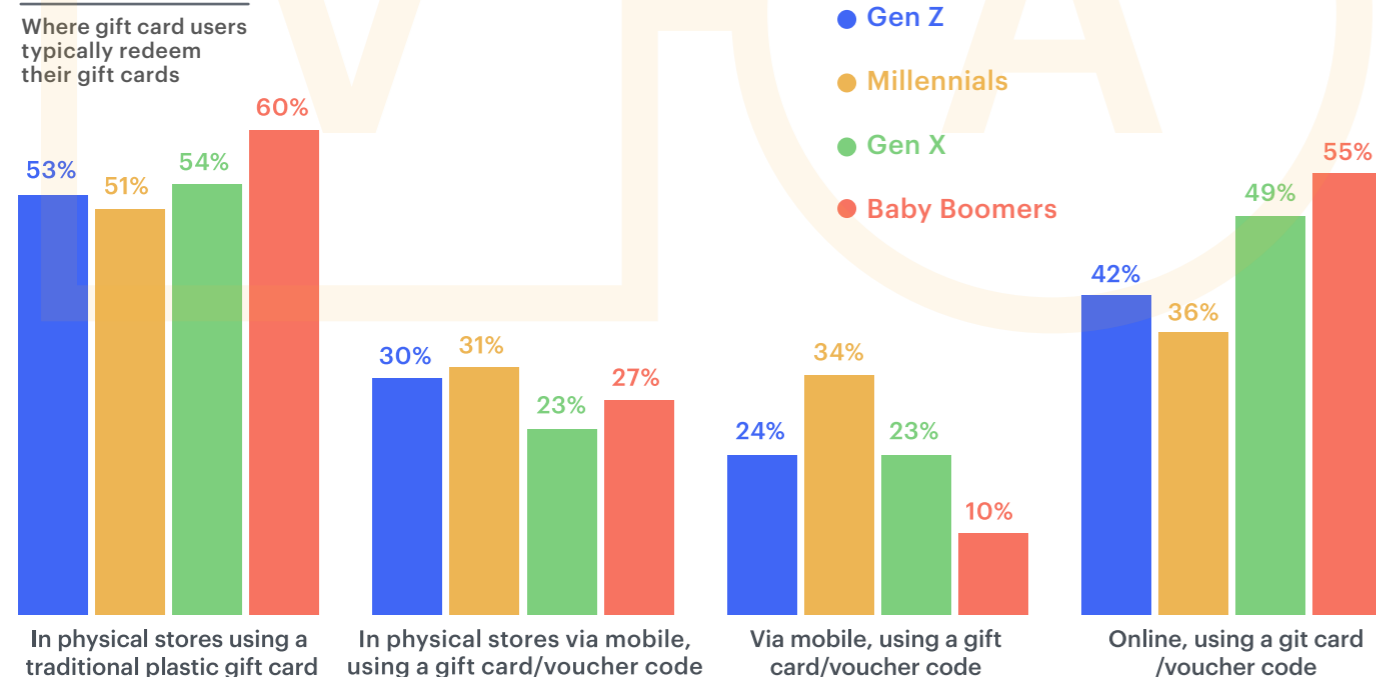
This shift to online has particularly favoured digital gift cards, which were already witnessing steady growth prior to the pandemic and will continue to do so once non-essential retailers are permitted to re-open their doors. Digital laggards must pivot and adopt an ecommerce strategy if they wish to capitalize on the **38.4% of respondents who say they have now converted to digital gift cards.**

### Share of cards being redeemed online, rather than in stores, continues to grow

47.1% of respondents normally redeem their gift card online (up from 43.9% in 2019), and 21.6% of respondents tend to use it on their mobile device (up from 11.4% in 2019). This still lags those redeeming in stores (54.8% do so with physical cards, 26.9% with paper printouts) but the gap has narrowed considerably since 2019 (when the respective figures were 69.6% and 31.9%).

As we approach a tipping point where online redemption seems set to

overtake instore redemption, retailers need to invest in mobile and desktop friendly online interfaces to ensure that shoppers can purchase and use their gift cards with ease. Given 46.5% of respondents purchasing gift cards for themselves do so to make online shopping easier, shoppers, and particularly Millennials, are increasingly expecting seamless online capabilities from retailers.



## Shoppers demanding cross-channel flexibility

There is a growing assumption that gift cards can be used either in store or online. 62.6% of respondents expect gift cards to be flexible in terms of where they can use them, indicating that an omnichannel redemption offering is integral to an effective gift card strategy. As Baby Boomers have grown increasingly comfortable with purchasing online throughout the pandemic, they are the most likely to

expect cross-channel flexibility from their gift cards, with their agreement figure at 66.7%. Moreover, it is important to re-iterate once again that, despite the growth of digital gift cards, the physical gift card is far from dead. When possible, 78.5% of respondents purchased physical cards, proving that the tangibility of physical cards is still appealing for many.

Rate of Expectation that gift cards redemption is flexible cross-channel

Overall Agreement

62.6%

Baby Boomers Agreement

66.7%

### Digital Cards valued as way to make it easier to shop online

Digital cards are often purchased due to being perceived as making it easier to shop online, with respondents stating this was a popular reason for buying for others (22.4%) but especially so when buying for themselves (46.5%).

This was particularly the case among Millennials, where these figures rose

to 26.7% and 55.0% respectively. This suggests that making the switch is perhaps not merely just a technical consideration, but also encompasses aspects such as making it easier to shop to budgets, security, and convenience.

### Digital gift cards have environmental and sustainability benefits

Another benefit to digital gift cards is the ability for these to be linked with a retailer's ESG initiatives. Shoppers are increasingly demanding environmental commitments on behalf of retailers. Highlighting the zero-waste feature of a digital gift card is a means for retailers to avoid single-use plastics, unsustainable packaging, and waste accumulation through high-impact production methods. Digital gift cards are also at significantly less cost to the retailer, and thus boast better margins than less sustainable, physical alternatives.

Physical gift cards can also be rendered more sustainable, by either being recycled or topped-up to be used again or manufactured in materials other than single use plastic. 21.2% of respondents attest that these features would render a gift card more attractive upon receiving it. Preference for a reusable gift card is strongest amongst Gen Z (27.6%), who tend to be the most concerned with climate change, and accordingly, with retailers' respective sustainability initiatives.

## The growing relevance of gift cards in the post-COVID environment

### Gift cards especially popular with younger generations

Gift cards are popular across the board, with 76.3% respondents having purchased one, either for themselves or someone else, over the past three years. Popularity of gift cards increases among younger consumers with 82.6% of Gen Z shoppers claiming to have purchased gift cards, compared to 67.6% of Baby Boomers.

Interestingly, of those that have purchased gift cards over the last three years, the proportion who have purchased for someone else is relatively consistent

across generations. However, of those gift cards purchasers who said that they purchased for their own use, it was the younger generations who were significantly more likely to do so, with 42.2% of Millennials purchasing for self-use vs. 25.4% of Baby Boomers.

Positively for the gift card industry, as younger consumers age, taking their preferences with them, there will be more gift card opportunities for brands.

# 76%

All consumers have purchased a gift card at some point over the past three years

# 83%

Generation Z shoppers have purchased a gift card at some point over the past three years

### Signs of shift towards multi-store gift cards to offset risk of retailer collapse

As previously covered, while single-retailer gift cards remain most popular overall, they have seen a small fall compared to multi-retailer gift cards, and there are perhaps signs of this trend accelerating in the early months of 2021. In GlobalData's monthly gift card consumer tracking survey, there was an increase in those opting for a multi-store gift card, at 36.3% penetration in January 2021 vs. 32.4% in December 2020. At the same time, just 50.0% of gift card buyers purchased a single store gift card over January vs. 56.4% in December.

Single store gift cards had benefitted in the run-up to Christmas, with more targeted gift card options often being viewed as a more thoughtful and considered gift choice. However, with significant

uncertainty around the future of UK retail, amid several high-profile closures over 2020, there is a sense that shoppers are opting for the safer choice for their regular gift card purchasing. Indeed, linked to this, 66.3% of respondents in January agreed with the statement "I am concerned about buying gift cards for brands that might not be around for too long".

With several high-profile recent casualties, and more likely to follow in 2021, consumers are set to be more cautious, and retailers will need to cater to this, either through considering pivoting toward multi-store schemes, and/or providing greater guarantees and reassurance to potential buyers.

## Younger consumers show greater preference for experience, leisure, and gaming gift cards

Aside from retail gift cards, a similar proportion of gift card purchasers have purchased experience (13.5%), leisure (13.2%) and gaming gift cards (13.9%) over the past three years. Demand for leisure and experience gift cards was weak over 2020, amid the significant restrictions in place for restaurants, hotel stays and theatre. Nonetheless, GlobalData's monthly consumer behaviour tracking has showed signs of improvement in demand in early 2021. A higher proportion of gift card buyers purchased experience gift cards over January, with 21.8% purchasing – the highest proportion since GlobalData began tracking, back in May 2020. The rate of purchasing among Gen Z gift card buyers was particularly high, at 30.1%. This is despite experiences such as hot air balloon rides and hotel stays not currently

being possible, and perhaps reflects the desire among UK consumers for a brighter 2021 post vaccine roll-out.

As previously covered, gaming gift cards enjoyed robust demand over 2021. These cards benefitted from video games and consoles representing a substitute for other leisure pursuits during the lockdown and the launch of the PlayStation 5 and the new Xbox in Q4 2020, provided a further boost to the category. In addition, when it comes to gift cards, demand has benefitted from these cards being more thoughtful and considered purchases, compared to more general alternatives. Through 2020, their popularity was markedly higher among Gen Z shoppers, with 26.7% of gift card purchasers in this cohort buying a gaming gift card.

# £29.60

Average spend per gift card 2019: £27.64

But 68% when redeeming the card spend on average another

# £23.50

+ 79% benefit to the retailer

### For retailers, gift cards provide benefits beyond the value of the card

Beyond the headline figures, what is clear is that the true value of the gift card is felt well beyond the initial outlay. 67.8% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with 62.2% saying they typically spend more than £10 extra. The potential is significant, with 96.2% of those respondents doling out up to an extra £50 upon gift card redemption, indicating a lucrative opportunity for retailers to generate revenue beyond the initial gift card sale.

Gift cards also help to foster loyalty and encourage repeat visits, although this is an area on which retailers could still perhaps capitalise to an even greater extent. 36.7% of respondents say that the attractiveness of receiving a gift card could be further increased by incorporating loyalty programmes, such as giving the user the ability to collect points or receive cash back on future purchases when redeeming the gift card, a feature which also encourage them to return to the company in question.

## Gift cards can be a gateway into buying into a new brand

Gift cards also play a key role in introducing shoppers to new brands. 42.6% of respondents said they had made a one-off purchase at a new brand and 21.7% said they had become a regular customer, both figures of which are increases from 2019 (when they were 40.7% and 18.5% respectively). Moreover, the likelihood of becoming a regular customer was even higher

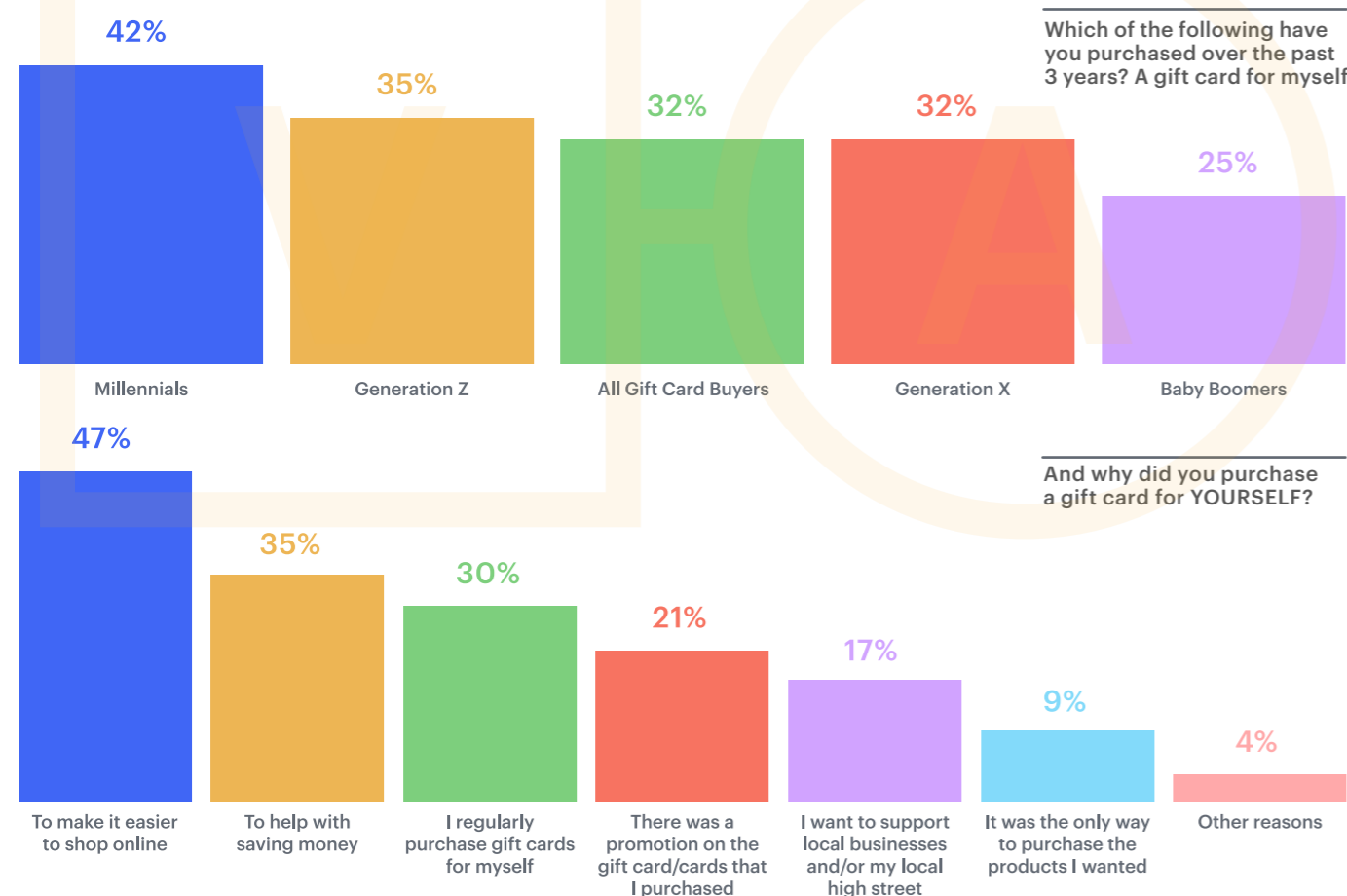
among younger consumers (33.3% for Millennials and 27.0% for Gen Z), making gift cards a particularly efficient method of new customer acquisition for these demographics. At the same time, men (26.5%) were more likely to go on to become regular customers of brands they'd been introduced to than women (18.0%).

## Self-use is rising in importance

31.8% of gift card purchasers said that they purchased gift cards for themselves over the past three years. The main reason for doing so is to make it easier to shop online and 46.5% of respondents purchasing a gift card for themselves did so for this reason. Gift cards serve as an everyday convenience, and with a growing number of retailers offering rebates or discounts upon gift card purchase, they are an increasingly attractive way to save money and shop online with ease.

The research highlights that Gen Z (34.8% of gift card purchasers in this

cohort) and Millennial (42.2% of gift card purchasers in these cohort) shoppers are more likely to purchase gift cards for self-use. Drivers of this purchasing include the types of gift cards being purchased, with these age-groups more likely to purchase gaming, leisure and experience gift cards. Purchasing gift cards to support local businesses is another key motivator, cited by 25.2% of Millennial self-use gift card purchasers. Other drivers included to help with saving money (34.7%), which was particularly popular with Gen Z (47.7%, compared to only 25.2% of Baby Boomers).



## Gift card purchasing motivations

### Festive Period leads gift card redemptions

The most popular time for spending gift cards is Christmas/the January sales, which is favoured by 42.3%. This is followed by Black Friday/Easter Monday, at 26.6%.

This seasonal preference for when to spend is particularly pronounced among younger consumers. For the festive period it drops from 51.6% for Gen Z, to 27.2% among Baby Boomers and for Black Friday/Cyber Monday it drops from 48.7% for Gen Z, to 8.1% among Baby Boomers. In contrast, those saying they will spend any

time there is a sale or promotion (31.7%) is relatively flat across the age groups, while the proportion of those saying 'I usually just spend it when I find something that I like, regardless of what the occasion is' increases by age, from 18.4% of Gen Z's, to 54.6% of Baby Boomers.

It is therefore important that retailers look to reflect the radical way that the different demographics use gift cards in how and when they promote them.

### Leveraging gift cards to support local businesses

Many consumers have developed a desire to support struggling local high streets and businesses during the pandemic, and gift cards are a key way to do this, boosting the cash flow of these companies at a time when they may not even be able to open. 41.6% of respondents look to purchase gift cards with the intent of supporting companies that they like.

While 17.1% of gift card purchasers said supporting local businesses or high streets was a factor in buying themselves a gift card, this rose to 25.2% among consumers aged 25-44, with this cohort most likely to view gift card as a mutually beneficial means of funding local establishments. Gift cards serve as a symbolic gesture of faith on behalf of the consumer's confidence in the retailer and are a means for re-

tailors to further foster this loyalty amongst their community.

However, with 63.8% of respondents voicing concern over buying gift cards for brands which might not be around for long, retailers will need to communicate the importance of community support, while steering clear of indicating issues of going concern. The current lull in consumer confidence, coupled with rampant store closures on the high-street has fostered growing worries of gift cards losing value from retailers going under. This fear is yet another testament to the mounting importance of digital gift cards which can be redeemed online, as online channels have proven much more resilient in the face of the pandemic.



## Growing use of gift cards for B2B work and government schemes

B2B is a key growth opportunity within the gift card space, with the market sitting at 21.3% of all gift card expenditure in 2019, and previously forecast to reach 31% by 2025. Christmas and the holiday season denoted a particular opportunity amidst the B2B gift card landscape and, as the pandemic cancelled any holiday functions and end-of-year events, gift cards offered an appealing alternative for an employee or client gift.

Work incentive programs (whether either the employer pays in full, or arranges an incentivised rate for the employee) are also a vital component of B2B growth, with 19.2% having received a gift card through these schemes since the start of the pandemic and 17.1% of gift card buyers purchasing digital gift cards via work incentive programmes in January 2021 vs. 13.2% in December 2020. This reflects the attractiveness of these options, particularly following a festive spending splurge, as shoppers refocus their spending towards more everyday purchasing.

Supportive B2B gift card partnerships are a significant opportunity for businesses, particularly smaller, local establishments, to conjure synergistic relationships. These partnerships not only benefit both businesses, but also, deepen the sense of

community amongst shoppers and within the local business ecosystem. With 40.0% of respondents agreeing that they have noticed more local businesses starting to sell gift cards, the genre and fleet of businesses offering gift cards is evidently expanding and there is a wealth of untapped potential in B2B gift card programs, developed through direct partnerships amongst retailers or retail groups. This opportunity can also then be leveraged to foster benefits beyond the transactional gift card purchase agreement. 32.8% of respondents attest that gift cards are more attractive when they offer organisation partnerships, such as the ability of one card to be redeemed for both dinner and a film.

Looking ahead, GCVA sees significant potential for growth in the Government-to-Consumer (G2C) segment. In particular, the National Free School Vouchers scheme has highlighted the potential in this area. The scheme allows schools to place orders for grocery gift cards on behalf of parents and carers of children eligible for school. Between March-August 2020, the scheme led to £380m worth of voucher codes being redeemed into supermarket gift cards.

**21%** of 2019 gift card expenditure was made via B2B in 2019, and was previously forecast to reach 31% by 2025

**11%** of gift card purchasers have purchased a gift card through a work reward/incentive programme since the start of the pandemic

**17%** of those that have received gift cards over the past three years have done so as an incentive e.g. for signing up for a bank or energy supplier or for completing market research

## Key drivers and inhibitors

### Giftgiving – the key purchase driver

Of those that purchased gift cards for someone else, the main cited motivation in the consumer fieldwork was because they regularly purchase gift cards to give as gifts, at 48.6% of all respondents, followed by 38.0% of all respondents who said that a key motivation was that it has been more difficult to choose physical gifts. Other reasons were that it is easier to get gift cards delivered (29.2% of respondents)

and to help the recipient shop online (22.4% of respondents).

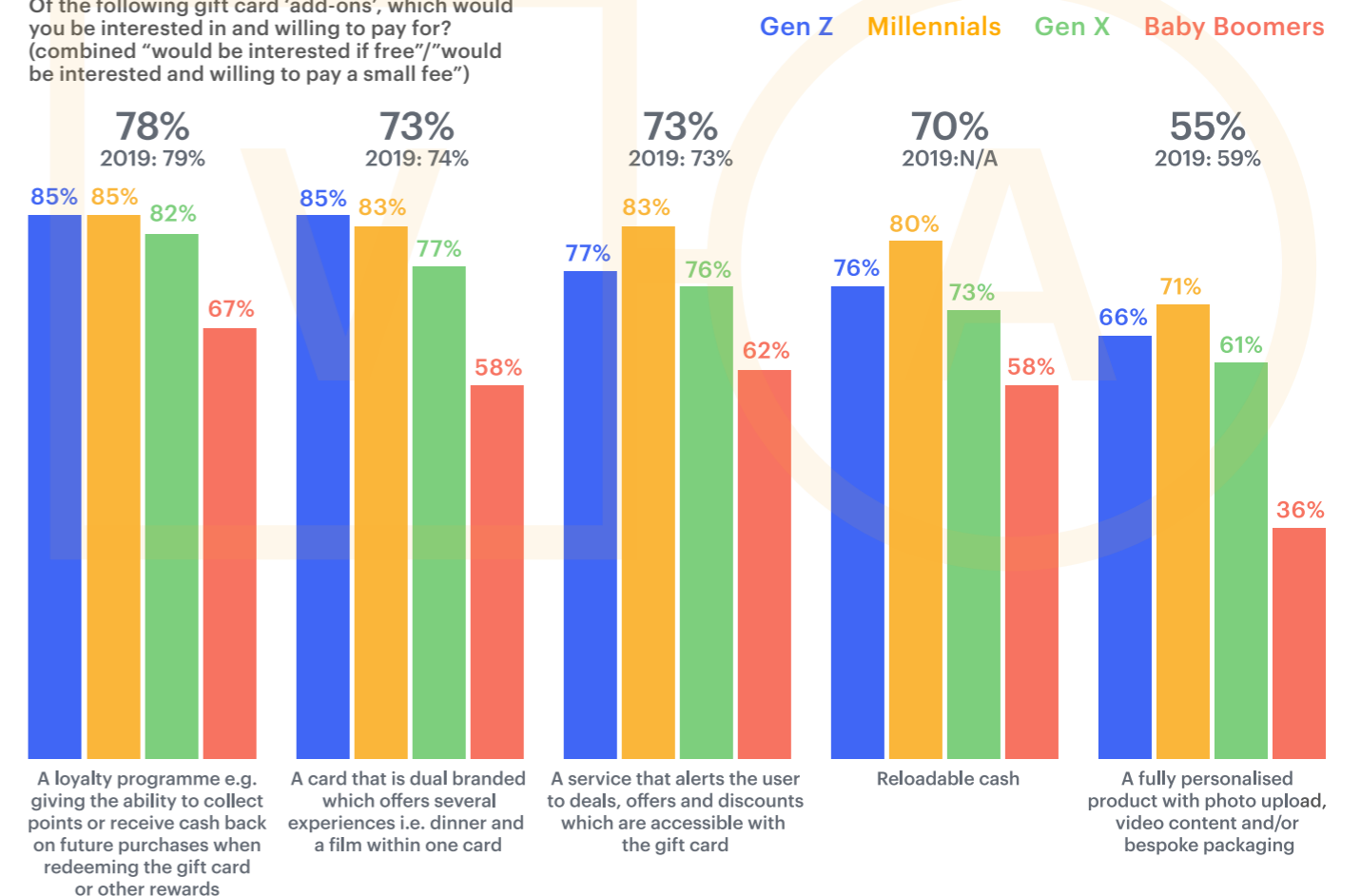
The main cited barriers to purchasing among those who haven't bought gift cards over the last three years included that they prefer to gift physical items (44.2%), followed by a preference to gift money (37.4%). The risk that the company that the gift card is for goes out of business so it can't then be used is cited by 23.7%.

### Loyalty programmes would be a popular gift card add-on

A loyalty programme e.g. giving the ability to collect points or receive cash back on future purchases, would be the most popular potential add-on for consumers, with 62.7% interested if it was free and 15.9% willing to pay a fee (and particularly likely to be willing to do this the younger they are).

17.9% would be willing to pay a small fee for a card that is dual branded card which offers several experiences i.e. dinner and a film within one card, with 55.1% interested if there were few, again with a particular interest among younger consumers.

Of the following gift card 'add-ons', which would you be interested in and willing to pay for? (combined "would be interested if free"/"would be interested and willing to pay a small fee")



## Despite the importance of expiry dates, these are becoming less relevant

Another key barrier to purchasing gift cards was expiry dates, cited by 20.9% of those that haven't purchased a gift card over the last three years, and 43.8% of gift card purchasers, although the latter has declined considerably from 2019 (58.8%). Linked to this, 29.6% of gift card purchasers said that a key barrier to purchase was that it is more difficult to use gift cards due to COVID-19 business operating restrictions.

Expiry dates remain a key consideration for consumers, with 58.5% saying they would always look to see what the expiry date would be before purchase and only 15.6% saying either they never consider expiry dates or they didn't know gift cards have them. All these figures have remained broadly consistent with 2019.

Despite the importance that shoppers place on expiry dates, and them remaining a key barrier to purchase, redemption habits suggest that they are becoming less relevant. According to the consumer fieldwork, 90.3% of consumers are most likely to spend their gift cards within six months, with 98.0% typically spending within a year. Moreover, retailers are increasingly extending and, in some cases, removing expiry dates for their gift cards.

## Gift card malls are influential in driving purchases

8.6% of gift card purchasers cited gift card malls as their most likely outlet for buying gift cards. Indeed, despite the growth of digital and online, gift card displays in physical stores remains the key influential factor in driving gift card purchases, cited by at 44.6%, although has slipped considerably from being cited by 52.7% in 2019.

Recommendations from friends/family are also important (cited by 26.2%, down from 31.2% in 2019), while online adverts (18.2%) and emails from retailers/brands (16.9%) were both slightly up on 2019.

## The most attractive feature to consumers is flexibility, followed by being able to tailor a card to an occasion or individual recipient

The most attractive functionality that gift cards can have surround where they can be redeemed, with the most popular being online (53.6%), 'where I want to' (44.3%) and in store (40.8%), and demand for these features rising with age in all three cases. Beyond this, 18.0% of gift

card users would like to see an image on the card that relates to the occasion they are buying for (e.g. Christmas, Easter, wedding) and 14.3% would like to see personal messages (including print, voice or video), with particular enthusiasm for this among younger demographics.

# Conclusion

## 1) 2020 was a turbulent year for the gift card industry

- 2020 saw the UK retail industry turn on its head amid the COVID-19 pandemic. According to GlobalData, overall retail spending declined 3.6%, which represented the biggest year-on-year decline in more than fifty years. Most marked was the contrast between physical and online performance, with online retail growing 32.4% vs. an 11.1% decline in offline sales.

- According to KPMG/GCVA data, a representative sample of key gift card operators collectively reported a resilient performance with volumes rising by 4.6% for the year as a whole, and by 10.8% on a like-for-like basis in H2.

- Nonetheless, gift cards weren't immune to the impact that COVID-19 has had on retail and consumer spending, with 19.2% of respondents no longer purchasing gift cards since the start of the COVID-19 outbreak, and 22.1% buying less than they

usually would.

- Leisure and entertainment gift cards were particularly impacted, amid the severe restrictions placed on businesses such as hotels, restaurants, and theatres. Indeed, just 6.2% of gift card purchasers said that they have purchased a leisure gift card (e.g. travel, theatre tickets, spa, dining, hotel stay), since the start of the COVID-19 outbreak.

- 2020 saw some clear trends, from stores to online; from physical to digital; and from B2C to B2B. Some of these trends were already present in the market, with the pandemic serving to accelerate their development.

## 2) Digital gift cards are rising in prominence

- Online buying of gift cards has grown, with 31.4% of respondents purchasing via a computer more often since the pandemic began and 29.5% of respondents more frequently using tablets or mobile device.

- 47.1% of respondents normally redeem their gift card online (up from 43.9% in 2019), while 21.6% tend to use it on their mobile device (up from 11.4% in 2019).

- This shift to online has particularly favoured digital gift cards, which were already witnessing steady growth prior to the pandemic. 38.4% of respondents say

they have now converted to digital gift cards, while 47.1% of respondents now normally redeem their gift card online (up from 43.9% in 2019), while 21.6% tend to use it on their mobile device (up from 11.4% in 2019).

- As we approach a tipping point where online redemption seems set to overtake instore redemption, retailers need to invest in mobile and desktop friendly online interfaces to ensure that shoppers can purchase and use their gift cards with ease.

### 3) B2B in the industry growth driver

- B2B gift card programs have emerged as a winning gift card strategy amidst the COVID-19 landscape, benefiting from their ability to generate fruitful partnerships and increase reach while physical retail channels are shut. Since the start of the pandemic, 20.7% of gift card users claim to have received gift cards as an incentive from a business or for market research and 20.6% earning them through a work reward programme.
- Supportive B2B gift card partnerships are a significant opportunity for businesses, particularly smaller, local establishments, to conjure synergistic relationships. These partnerships not only benefit both businesses, but also, deepen the sense of community amongst shoppers and within the local business ecosystem.
- GCVA sees significant potential for growth in the Government-to-Consumer (G2C) segment. In particular, the National Free School Vouchers scheme has highlighted the potential in this area. Between March-August 2020, the scheme led to £380m worth of voucher codes being redeemed into supermarket gift cards.

### 4) The secondary benefits of gift cards will continue to boost their relevance in the medium-long term

- Gift cards are increasingly boasting positive benefits to retailers beyond the price of purchase and redemption.
- 67.8% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with 96.2% of those respondents doling out up to an extra £50 upon gift card redemption, indicating a lucrative opportunity for retailers to generate revenue beyond the initial gift card sale.
- Gift cards also play a key role in introducing shoppers to new brands. 42.6% of respondents said they had made a one-off purchase at a new brand and 21.7% said they had become a regular customer, both figures of which are increases from 2019 (when they were 40.7% and 18.5% respectively).
- Many consumers have developed a desire to support struggling local high streets and businesses during the pandemic, and gift cards are a key way to do this, boosting the cash flow of these companies at a time when they may not even be able to open. 41.6% of respondents look to purchase gift cards with the intent of supporting companies that they like.

## Glossary

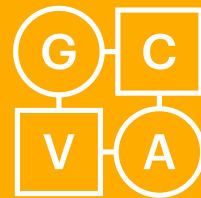
### Consumer segments: This white paper

Generation Z refers to shoppers aged 16-24  
Millennials refers to shoppers aged 25-34  
Generation X refers to shoppers aged 35-54  
Baby Boomers refers to shoppers aged 55+

### Primary research: *This project included two strands of primary research:*

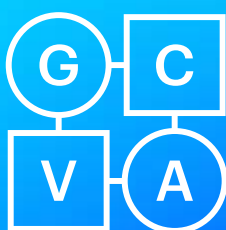
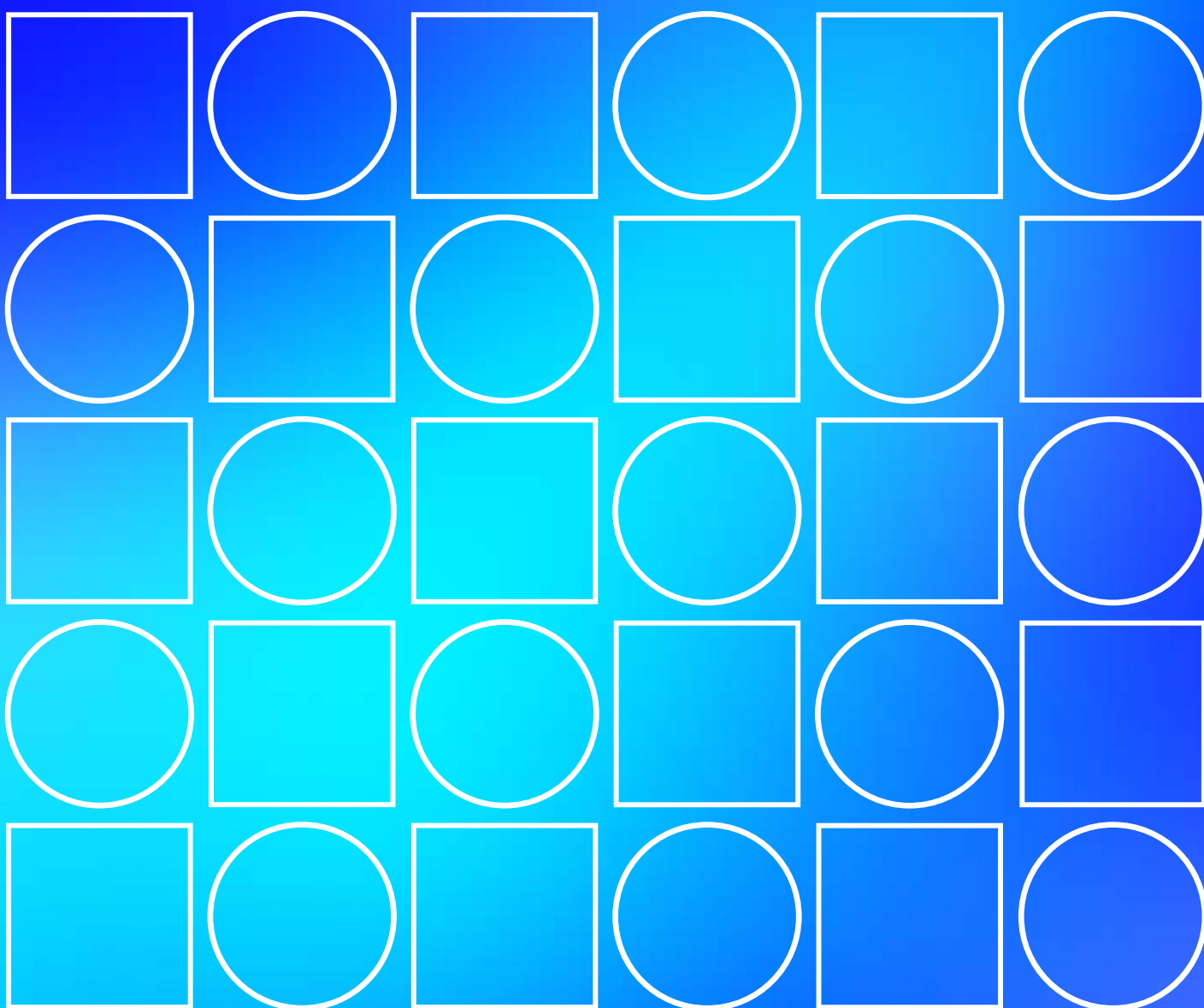
A bespoke, targeted quantitative survey across a nationally representative sample of 2,000 UK gift card buyers

A monthly consumer research programme, across a nationally representative sample of 2,000 UK consumers over May 2020 – February 2021



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Gift Card  
& Voucher  
Association

