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 41st 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 October fieldwork went to field on October 1st, 2023, and was designed to explore habits over September 2023. A UK nationally representative sample of 2,000 shoppers was surveyed.

On the time-period comparisons, this wave covers the September 2023 calendar month, with comparisons made between September 2023 and September 2022. Where relevant, comparisons have also been made to the wider tracking period.

2023 retail forecast raised to 4.4% but growth to drop to 2.5% in 2024 as inflation falls

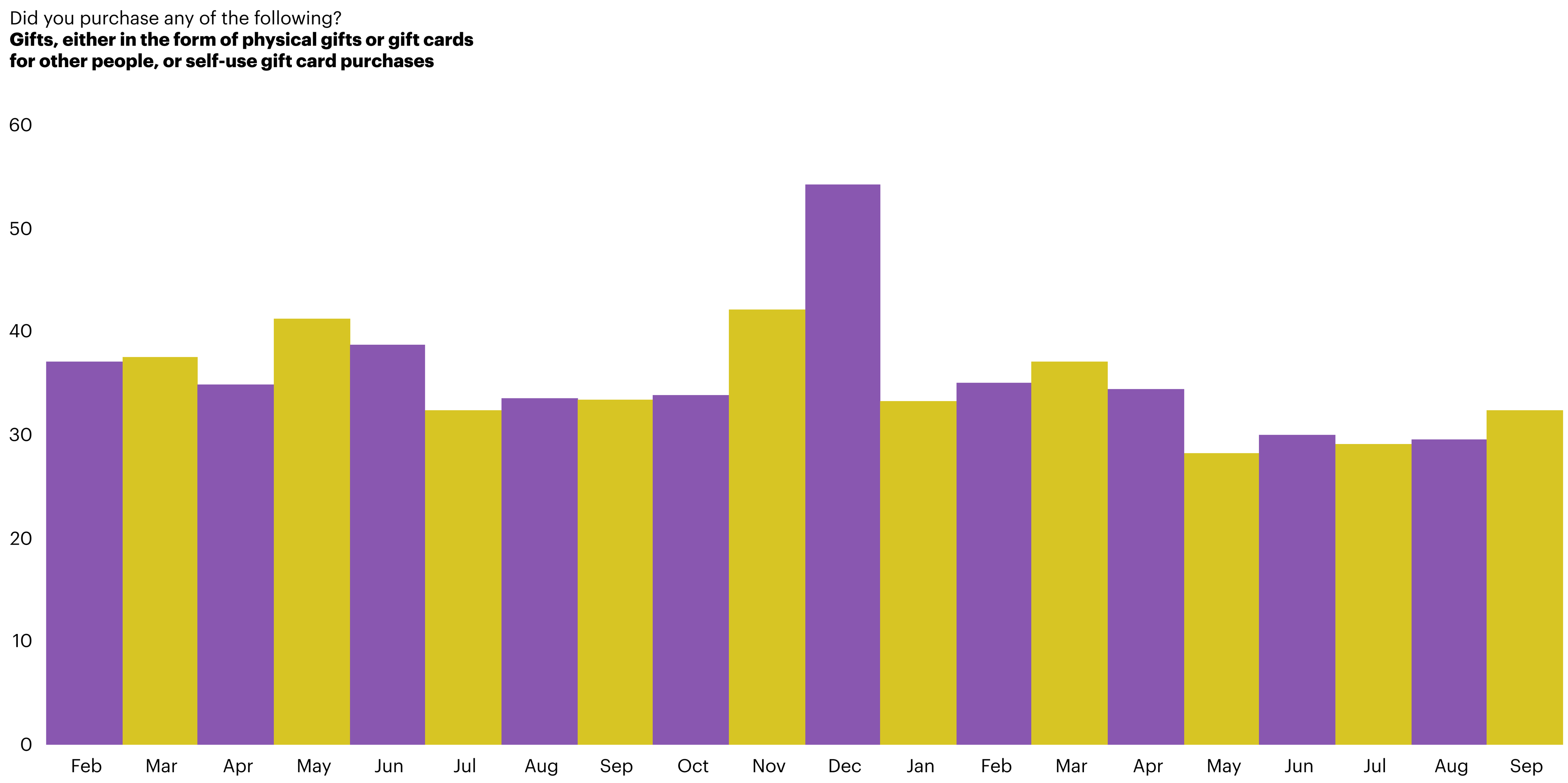
UK retail spending is forecast to rise to £387.8bn in 2023, up 4.4% on last year, with 9.3% inflation triggering a 4.9% reduction in volumes as many shoppers, particularly the least affluent, make economies limit expenditure. While September's Bank of England decision not to raise the base rate is a welcome development for the retail sector, made possible by better than expected progress on taming inflation, we nonetheless expect retail growth to slow to 2.5% in 2024 as price pressures recede. We have also downgraded our volume expectations for next year to -0.1% to reflect further belt-tightening by consumers in the face of steep increases in monthly payments for those remortgaging from much cheaper fixed-rate deals and the slowing labour market.

For the all important ‘golden quarter’ we’re forecasting moderate growth of 3.4%, against very strong growth of 6.2% last year when shoppers were able to celebrate Christmas normally after Covid restrictions were lifted. Growth will vary significantly by sector, being fastest in food and grocery where inflation continues to be strong and much slower than last year in clothing & footwear and health & beauty against demanding comparatives.

Gifting sees year-on-year decline in those purchasing...

Over September 2023, 32.4% of UK consumers bought physical gifts, gift cards or made self-use gift card purchases. While this is slightly higher than August 2023 (29.6%), it represented a decline on September 2022 (33.4%).

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.



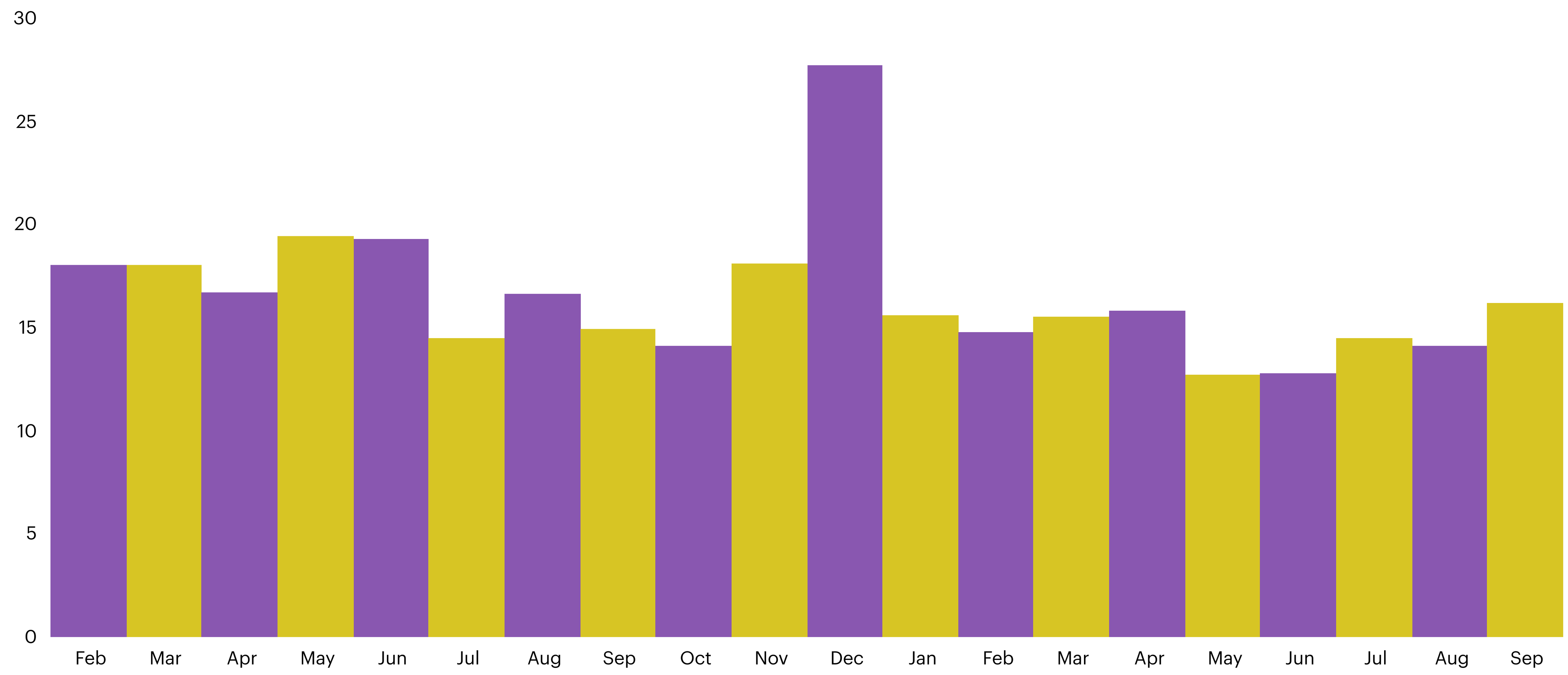
...however, gift cards outperform physical gifts

Despite the overall decline in the proportion of UK consumers purchasing gifts, the 16.2% purchasing gift cards for someone else represented an increase in both August 2023 (14.1%) and September 2022 (14.9%). At the same time, the 16.2% purchasing physical gifts was significantly lower than the 19.0% that did so in September 2022.

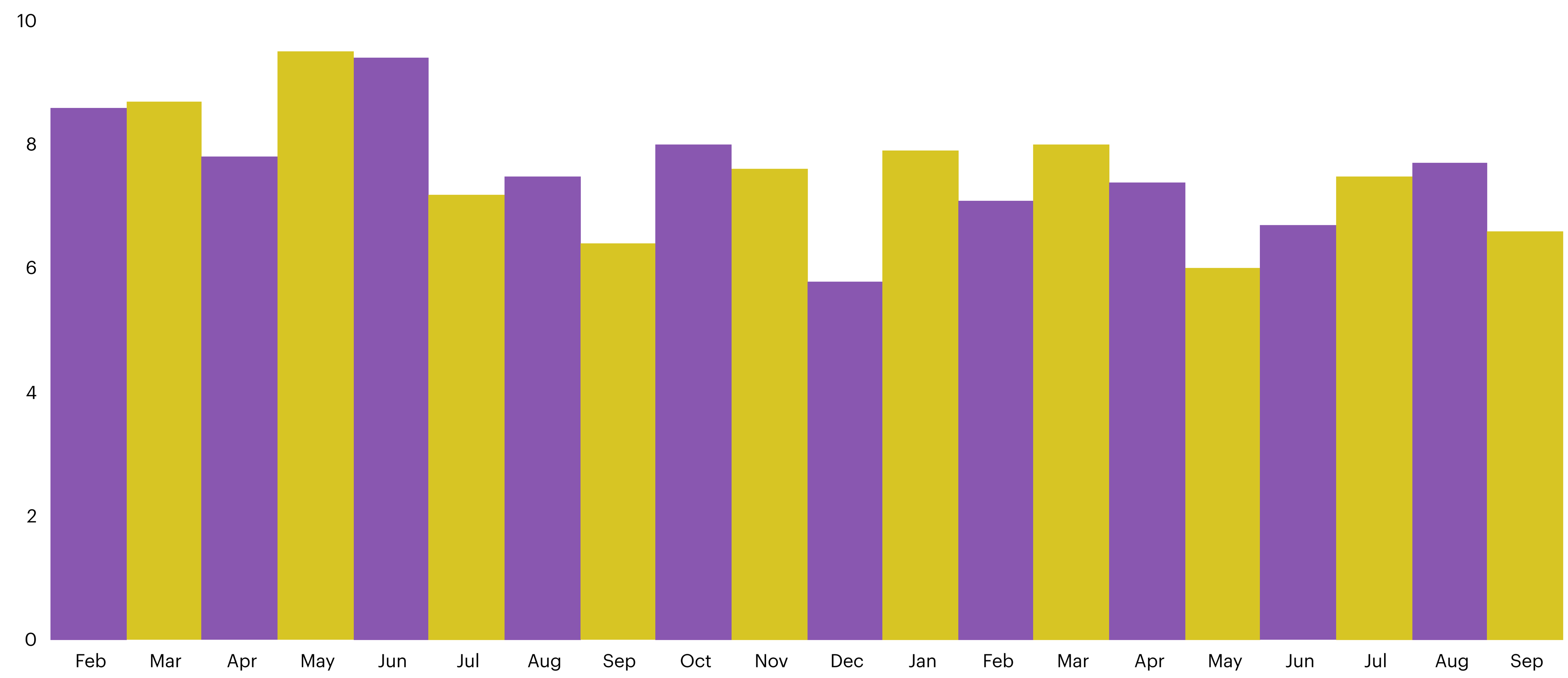
A key potential threat to gift cards during this period of higher inflation is that a delay in redemption can inevitably lead to the real value of the card declining more rapidly. Nonetheless, there are plentiful opportunities for the industry to promote the benefits of gift cards in the current climate. For the buyer/giver, they benefit from being a fixed-price option, amid growing prices for physical items.

In addition, 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 will gradually shift elsewhere in the run-up to Christmas, the 6.6% of UK consumers purchasing for self-use was higher than in September 2022 (6.4%). The proportion of those purchasing self-use gift cards that cited "to help with saving money" was at 37.1% over September; the most cited reason for purchasing.

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



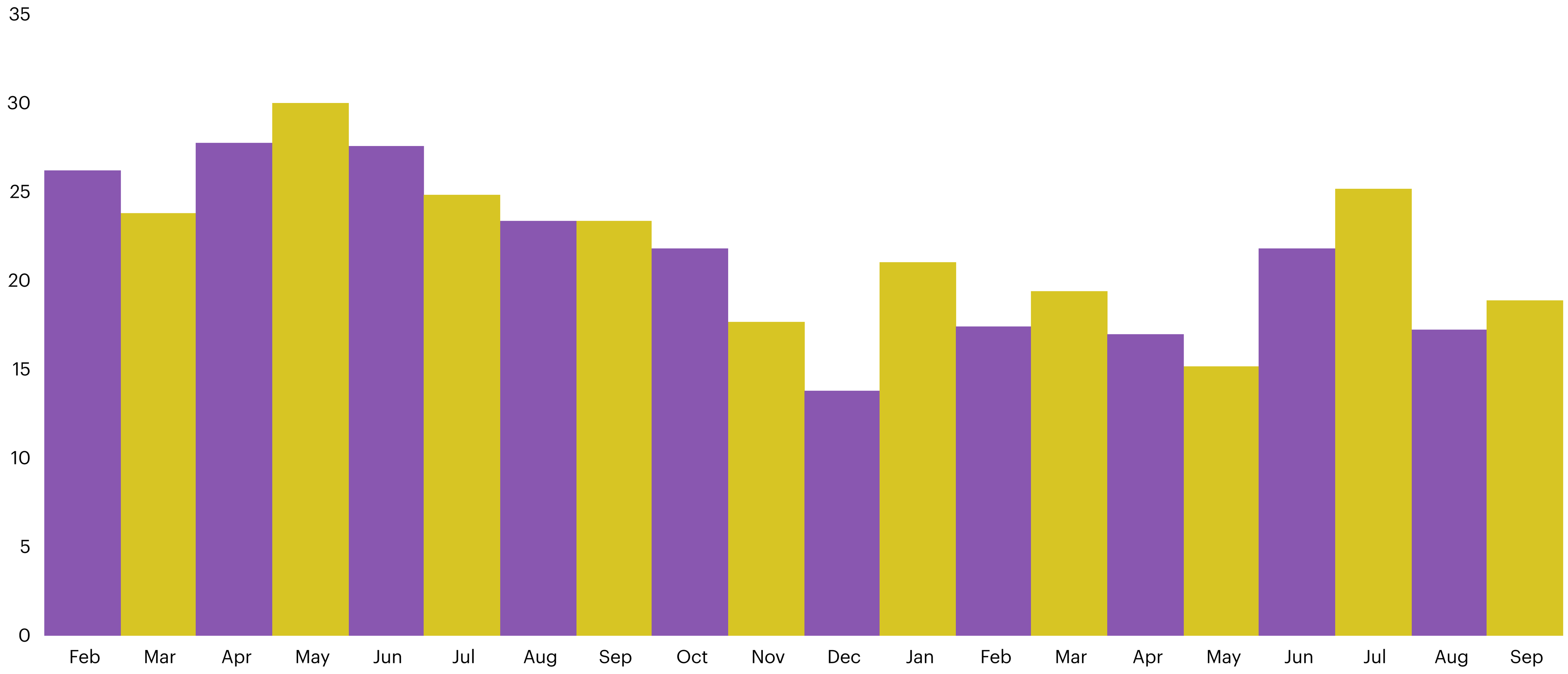
Did you purchase any of the following?
A gift card for yourself (%)



Year-on-year drop in purchasing via work programmes

The proportion of gift card buyers purchasing physical gift cards through an employee benefit programme was at 18.9% over September 2023. While this represented an increase in August 2023 (17.2%), it was a marked decline in September 2022 (23.4%). GlobalData believe that this decline is potentially reflective both of UK consumers having other financial priorities, and some UK companies placing investment elsewhere.

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

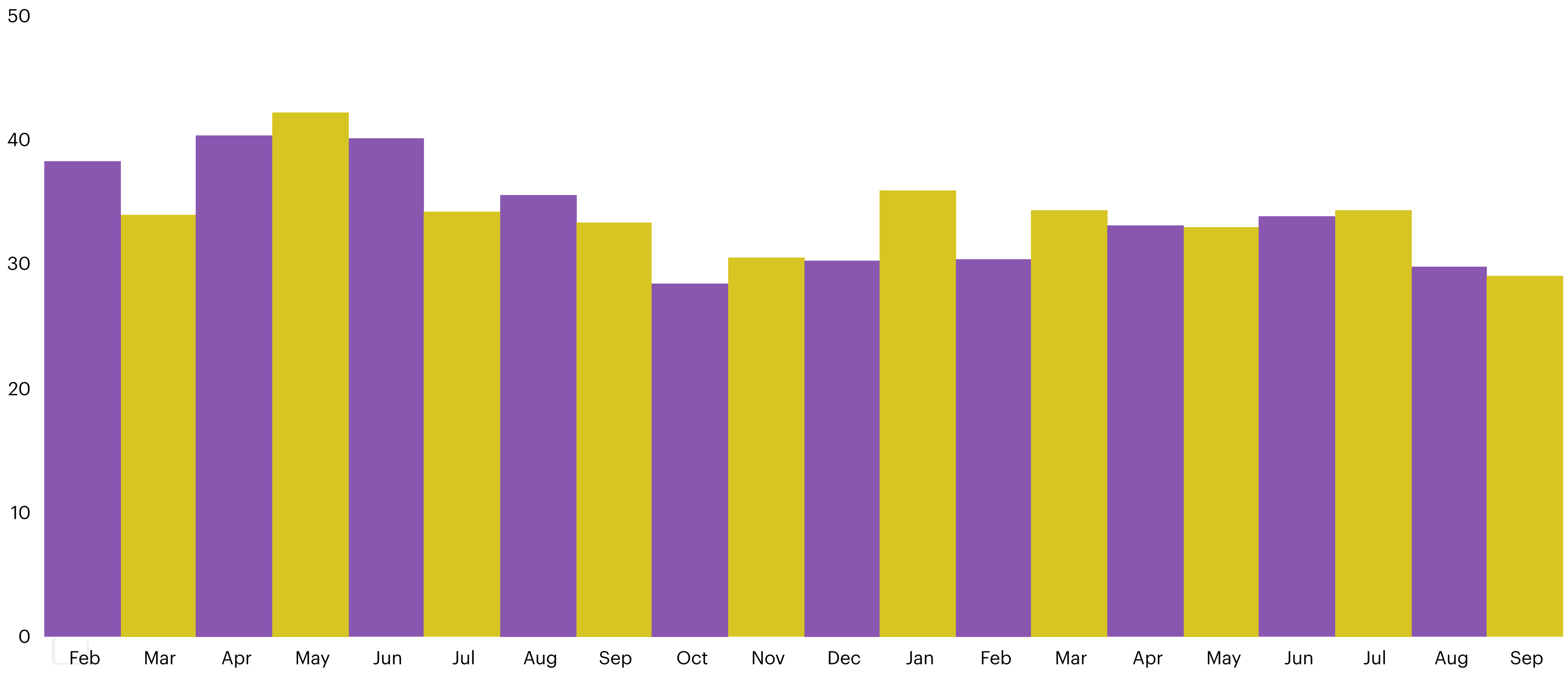


Digital gift cards continue to outperform

The proportion of gift card buyers purchasing a digital gift card over September 2023 was at 28.6% compared with 24.5% in September 2022. This continues a wider 2023 trend of strong performance for digital, reflective both of shoppers being more accustomed to purchasing and redeeming digital gift cards, and a greater array of operators investing in digital options over the last couple of years. The growing popularity of digital gift card options is also reflected in the 40.0% of respondents who agreed that they expect all gift cards to be cross-channel.

The continued rise of digital is most directly coming at the expense of online purchasing of physical cards, which was at 29.1% of gift card buyers over September 2023 vs. 33.4% in September 2022. Elsewhere, the proportion of gift card purchasers buying physical gift cards in-store was at 48.7%, representing an increase both on August 2023 (46.1%) and September 2022 (46.8%).

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



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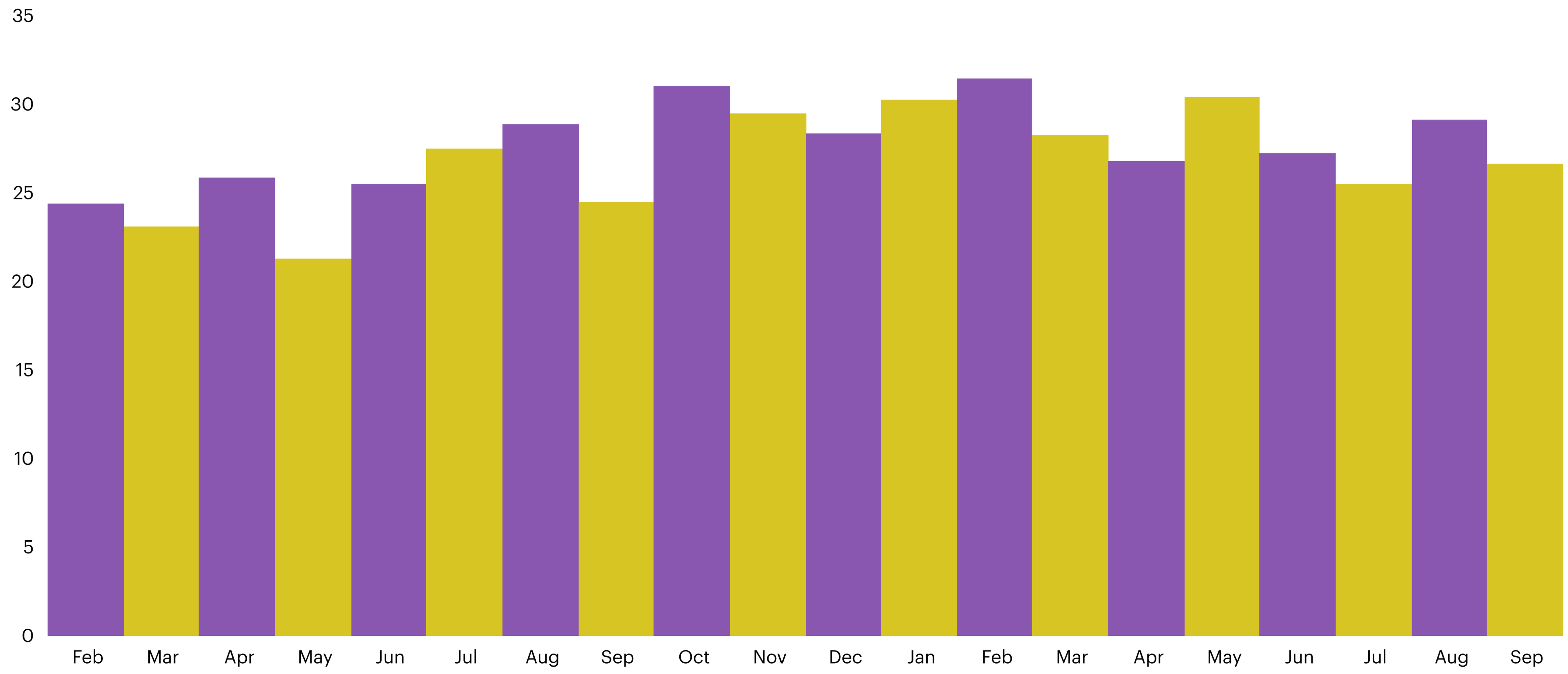
Did you purchase any of the following?
A physical gift card from a retailer/gift card issuer instore

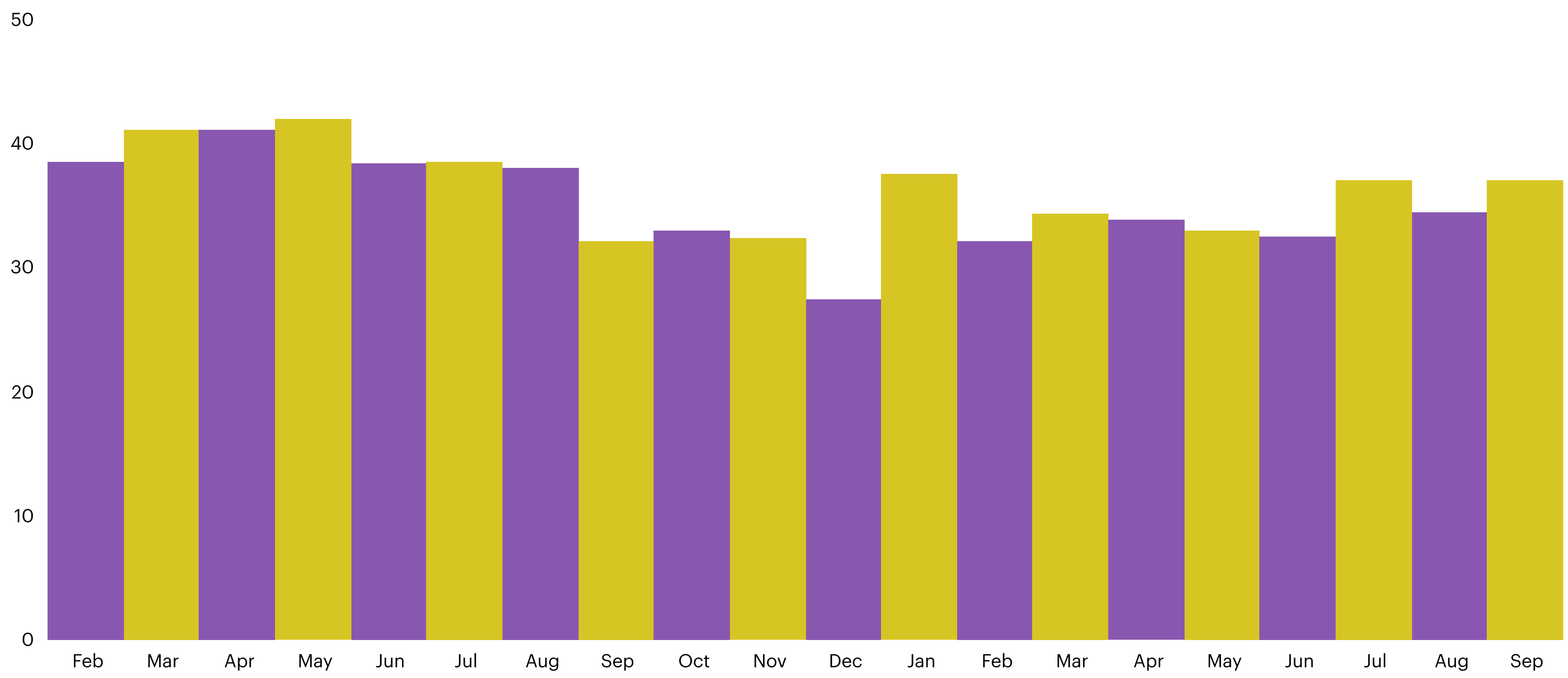


Multi-store gift cards see strong performance over September

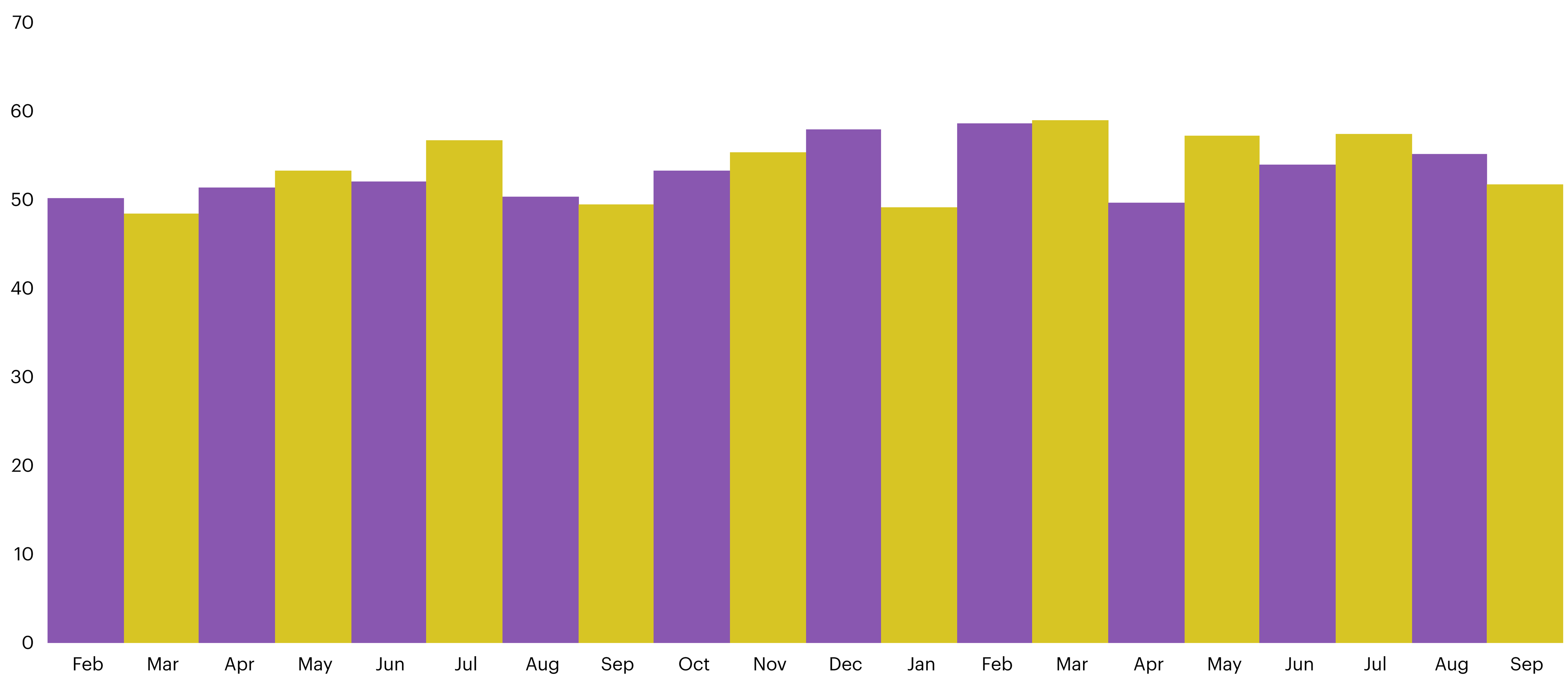
The proportion of gift card buyers purchasing multistore gift cards was at 37.1% over September 2023, higher than both August 2023 (34.5%) and September 2022 (32.2%). Here, there are potential benefits from promoting the potential of multistore cards in helping consumers shop around for the best deals.

Elsewhere, while dipping slightly compared to August 2023 (51.7% vs. 55.2%), demand for retail gift cards remained robust compared to September 2022 (32.2%). Demand for retail gift cards is being boosted by more experiential and sustainable physical options.

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? Please select all that apply
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

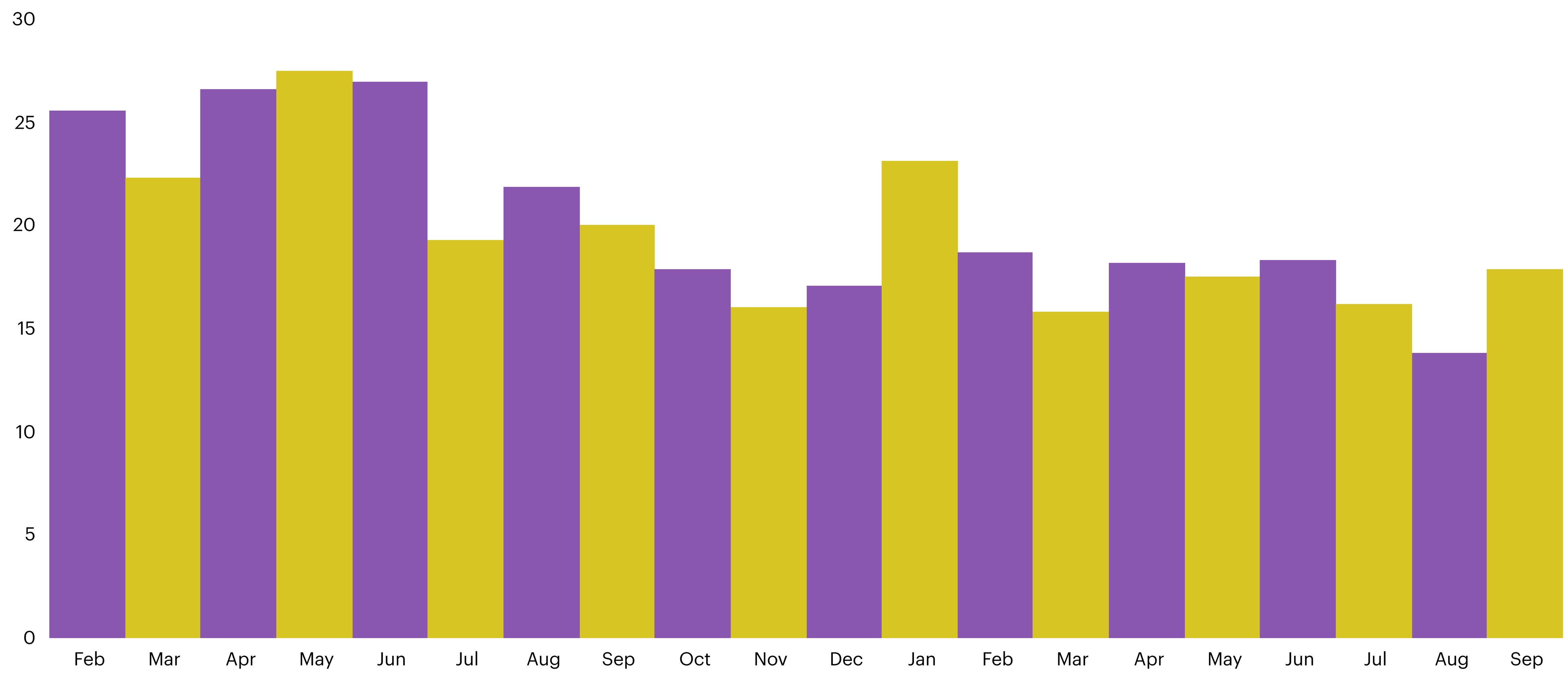


Experience gift cards bounce back over September

Over September, 17.9% of UK gift card buyers purchased experience gift cards (e.g. for a hot air balloon ride, helicopter ride, or hotel stay). While slightly down on September 2022 (20.0%), this was notably higher than August 2023 (13.8%); a month that represented the lowest rate of purchasing since GlobalData began tracking, back in May 2020. Elsewhere, just 15.6% of UK gift card buyers purchased leisure gift cards (e.g. for travel, theatre tickets, spa days), notably lower than both August 2023 (17.5%) and September 2022 (17.8%). Both leisure and experience gift cards will have suffered amid the 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? Please select all that apply

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



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