



Gift card use on the rise as present buying hit by cost of living crisis

As the cost of living continues to rise, new research from the [Gift Card and Voucher Association](#) (GCVA) has revealed how people are cutting the cost of gift buying to help make ends meet.

The nationally representative survey of 1049 UK adults, reveals where the issue is having most impact and how gift card buyers are responding.

The findings highlight how gift cards are a ready-made solution in times of crisis. As a trusted, safe and flexible solution, consumers and businesses alike turn to gift cards to help meet their changing needs and circumstances.

Who is most affected by the cost of living crisis?

The squeeze on UK household budgets is taking place across all sectors of society according to the data.

Since the start of 2022, 46% of the UK population say they are either slightly (35%) or significantly (11%) worse off. With many anticipated price rises (such as energy bills) still to come, this situation may well get worse before it improves.

Only 7% of the population have seen a significant improvement in their personal circumstances (e.g. through a promotion or starting work) meaning that financial confidence across the whole country is at a very low level.

Certain groups have been harder hit than others to date. When we weight the data (counting those seeing 'significant' change as double that of a 'slight' change) a number of high impact groups reveal themselves.

Women are worse affected than men by cost of living changes, as are older age groups (especially those 55+).

In terms of income, those on lower incomes are substantially more negatively impacted.

For those with annual earnings under £20,000, one-fifth of people say they are substantially poorer than at the start of the year.

Similarly, those with part-time jobs, retired or not currently working are significantly worse off.

How is this affecting the gifting sector?

The gifting sector appears to currently be insulated against the worst impacts of these cost of living increases, however the data suggests that overall spending is likely to reduce.

28% of consumers are looking to reduce or stop present buying in the immediate future, although most of these (19%) are only planning a slight reduction.

This is being partially mitigated by a significant proportion of people planning to increase spending. 23% are planning to increase spending on gifts (10% plan to significantly increase), presumably to help family and friends who may be worse affected by the financial squeeze.

Once again, these impacts are not evenly spread across all consumers or, indeed, all present buying.

Those groups most likely to reduce their spending matches precisely with those feeling the worst impacts of the cost of living crisis – women, older age groups and those on lower incomes or not in full-time employment.

How will the use of gift cards be affected?

The same pattern of planned increases and decreases in spending is also reflected in predicted demand for gift cards.

While 23% plan to buy fewer gift cards as a result of the cost of living crisis (13% slightly and 10% significantly), an equal percentage plan an increase spending (9% significantly and 14% slightly).

While the weighted figure (with “significant change” given greater impact) shows a slight drop in spending, the overall gift card market looks like the gains will balance out the losses.

This weighted index (as shown in the report you can access below) shows which groups are intending to increase or decrease their overall purchases of gift cards.

Men are expecting to increase gift card spending, as are younger age groups (all those aged 44 and below, but the higher increase is in 16 to 24 year olds).

Those most affected by the current crisis are expecting to reduce their spend on gift cards – i.e. those on lower incomes, in part-time employment and older age groups.

What factors are driving increased use of gift cards?

When asking for the reasons behind increases in gift card buying respondents mentioned a variety of factors.

Common themes include:

- To avoid wasted spending on unwanted gifts that will go unused.
- As a way to lower overall gift spending
- As a way to avoid the impact of price inflation on physical gifts
- To reduce the cost of delivery / or because they are travelling less to family 'meet-ups'
- To access discounts

How will purchases of 'self-use' gift cards be affected?

The increasing trend of people buying gift cards for themselves is also being affected by the financial squeeze, according to our data.

Often the motivation for such purchases is financial. It may be to limit how much a person is spending (e.g. for a month's Netflix subscription without having a regular monthly contract), or to receive a discount (e.g. a 10% discount on a gift card) or to help with budgeting as it prevents overspending.

Gaming is also a major factor in self-use gift cards. Often gift cards can be seen as an effective way to limit spending on games or in-game purchases.

Overall, intended spending for self-use is likely to slightly increase. 24% said they were more likely to buy for self-use (7% much more likely) compared to 19% likely to reduce their spending.

This intention was much stronger amongst regular 'self-use' customers, especially for younger customers. Of those aged 25 to 34 for example, 36% expected to increase spending (12% to significantly increase), compared to just 17% expecting to decrease.

The opportunities for rewards and incentives

The cost of living crisis is also having a major impact on the power of incentives and reward schemes.

We asked our sample how recent cost of living changes have affected the motivating power of rewards and incentives (e.g. a small bonus / thank you gift from an employer or company, such as a £50 gift card).

Overall, 56% of people said that they are more likely to be positively influenced (e.g. increased loyalty or propensity to buy) by such a reward or incentive. 19% would be significantly more influenced.

Conclusions

The cost of living crisis is no media scare story.

The impact of price inflation is having a major impact on spending power and intentions across all areas of the economy.

Gift cards are not immune to these changes, in fact many people will reduce their spending on gift cards in the coming months.

However, gift cards are in a special position. They are seen to offer something unique that can actually help people in these current circumstances.

Whether that is the option to easily scale down overall spending on gifts, or simply to limit the extra costs of delivery, travel or to avoid waste.

Gift cards also provide the opportunity for businesses to respond to the changing needs of their customers or employees. A simple way to help them out with basic costs or to reward them for their loyalty.

Once again, we can see how the gift cards are able to present an adaptable solution to meet the shifting issues within the economy and society.

