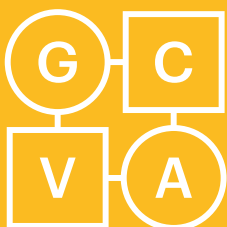
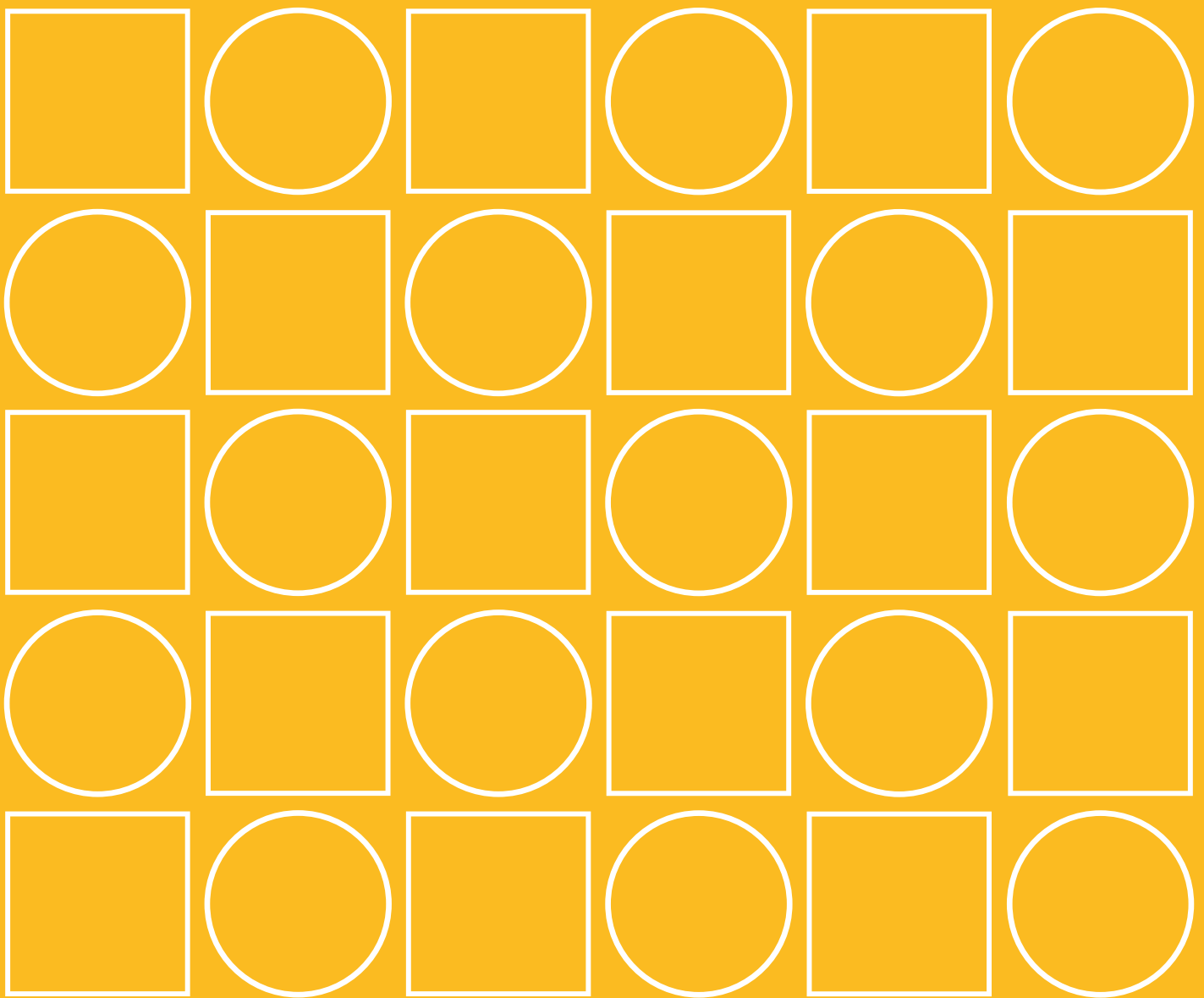
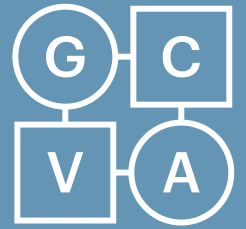


Valuing the UK Gift Card Industry 2020



Gift Card
& Voucher
Association



Gail Cohen Director General Gift Card & Voucher Association



The March 2019 State of the Nation research confirmed the enduring relevance of the gift card as a consumer proposition across each generation of UK shoppers. It also highlighted the growing role that digital channels are playing in the market, both as a direct purchasing channel, but also in influencing gift card purchasing.

A year later, we have undertaken our third in depth market research project, with the support of Blackhawk Network. Our ambitions were to comprehensively understand the fiscal contribution of the UK gift card industry to our retail and leisure sectors, to gain a deep understanding of sales channel and shifts in consumer preferences, and to forecast industry growth prospects in the coming years.

Working closely with GlobalData, the methodology employed for this quantification exercise included bespoke consumer research across a representative sample of 2,000 UK gift card shoppers which was designed specifically to measure aspects such as occasions purchased for, retailers used and considered, volumes purchased, spend and consideration factors. GlobalData also leveraged previous waves of primary research, and anonymised aggregated gift card operator data collected by KPMG.

According to this research, the UK Gift Card market – including gift cards, vouchers, digital, e-gift codes – was worth just under £7bn in 2019.

Around 67% of this market value (£4.65bn) was derived from consumer expenditure on gift cards, either directly from retailers or gift card issuers, or through work programmes. The remaining segment of the market, which represents 33% of its total value (£2.34bn) is composed of the value of gift cards the shoppers receive for free, through routes such as work rewards schemes, incentives for signing up to companies such as banks, or through completing market research. This B2B side of the market, in particular, continues to flourish and, as evidenced by the 2019 State of the Nation research, will represent a key focus for the industry in the coming years.

This white paper, rich with insight, provides industry stakeholders and the wider retail community with a clear understanding of the size and potential of this sector in the context of driving employee and customer engagement to achieve business goals. Our combined thanks to GlobalData and Blackhawk for their outstanding support and hard work in making this happen.

About GCVA

The Gift Card & Voucher Association was established as a trade body to represent the key players in what is today a c£6.9 billion gift card and stored value solutions market. With over 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 gift card and voucher industry. It runs a programme of events, meetings, research projects and updates throughout the year, including its flagship conference, a key date in the industry calendar. The conference, which runs over two days, brings together all stakeholders in the sector to learn, debate, network and focus on the industry.



Blackhawk Network delivers innovative gift card programmes to help meet today's most challenging business objectives. By collaborating with our partners, we support customers to drive wider business sales revenue, whilst increasing reach and loyalty in their consumer markets. Working with both brands and retailers across the gift card industry we provide an end-to-end service that creates, processes and activates cards ready for retail distribution. In addition to this, we have a fully managed approach for our partners including implementation, risk management, fulfilment and customer service.

Executive Summary

New research from GCVA estimates that the UK Gift Cards market was worth just under £7bn in 2019

The quantification research utilised a methodology which included bespoke primary consumer research across a representative sample of 2,000 UK gift card shoppers, in addition to leveraging previous waves of State of the Nation primary research and anonymous aggregated gift card operator data collected by KPMG. It found that, of the £7bn size of the overall market, around 67% of this market value (£4.65bn) was derived from consumer expenditure on gift cards, either directly from retailers or gift card issuers, or through work programmes. The remaining segment of the market, which represents 33% of its total value (£2.34bn) is composed of the value of gift cards that shoppers receive for free, through routes such as work rewards schemes, incentives for signing up to companies such as banks, rewards for loyalty or through completing market research.

...of the £7bn size of the overall market, around 67% of this market value (£4.65bn) was derived from consumer expenditure on gift cards, either directly from retailers or gift card issuers, or through work programmes.

Breaking down consumer expenditure on purchasing gift cards (either directly from retailers or via work programmes), Generation X shoppers (35-54s) represented 37.7% (£1.76bn) of total expenditure on gift cards over 2019, followed by Baby Boomers (55+) at 37.1% (£1.73bn) and Generation Z/Millennials (16-34s) at 25.1% (£1.17bn).

GlobalData forecasts that the market is set to grow 24.7% over 2019-25, with the total value of the market hitting £8.71bn by 2025.

GlobalData forecasts that the market is set to grow 24.7% over 2019-25, with the total value of the market hitting £8.71bn by 2025. This will primarily be driven by the B2B side of market – composed both of consumer expenditure through work programmes, and the value of gift cards that shoppers receive as part of loyalty, rewards, and incentives. In 2019, the combined value of the purchased and received elements of the B2B market was worth just over £3.3bn, and GlobalData forecasts that the B2B market will grow by around 49% over 2019-25, to just under £5.0bn. B2B routes continue to be important for the industry and will represent a key focus in the coming years. According to the 2019 State of the Nation research, 35.9% of gift card managers cited B2B as the biggest growth channel, compared to just 2.6% saying the same for B2C.

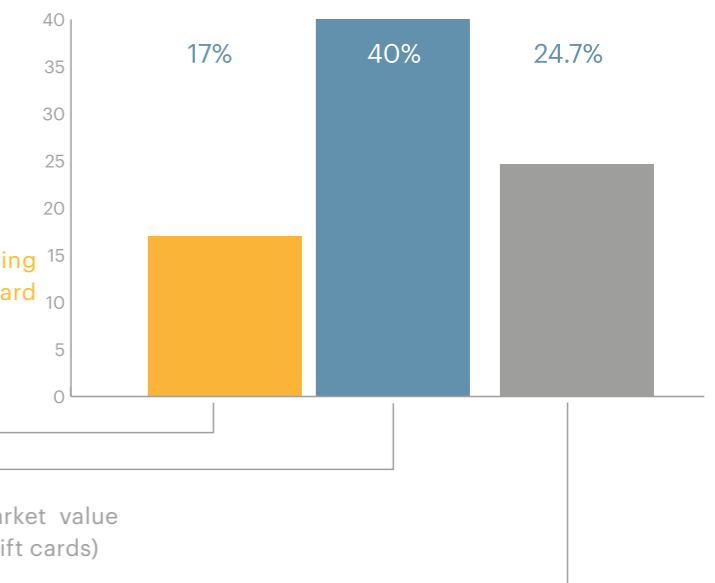
Conversely, while the B2B segment of the market has increasingly represented a key growth driver in the gift card landscape, direct consumer purchasing via retailers and gift card issuers has faced a more challenging couple of years, with expenditure declining -3.5% in 2019, to £3.66bn. The recent performance of direct purchasing via retailers and gift card issuers has inevitably been impacted by the struggles of a number of key retailers and leisure companies over the last couple of years. GlobalData forecasts growth of 2.7% over 2019-25, driven by the outperforming online channel, and growth categories such as experience, leisure and gaming.

Total Gift Card Growth: 2019-25

Total growth on expenditure on purchasing gift cards (including via retailer/gift card issuer and work programmes)

Total growth of non-purchase /incentives gift cards value

Total growth of overall gift cards market value (including purchased/non-purchased gift cards)



On the types of gift cards being purchased, the traditional single store retail gift card continues to reign supreme, representing just over 60% of total gift card purchasing expenditure (£2.8bn) in 2019. However, there are signs that the multi-store gift cards are making up ground, reflecting both a less loyal shopper and one that has become slightly more wary of brands falling out of the market. Expenditure on multi-store cards hit £808m in 2019, representing over 17.4% of consumer gift card expenditure.

When it comes to B2C purchases directly from retailers and gift card issuers (excluding purchases via work programmes), physical stores remain the main purchasing channel, with £2.32bn being spent through physical outlets over 2019 – 63.5% of total B2C expenditure. However the prominent position of physical stores in the gift cards purchasing journey is slowly receding. When it comes to expenditure on gift cards via digital channels, GlobalData estimates that B2C spend (directly via a retailer or gift card issuers) hit £1.33bn in 2019, 36.5% of the total B2C market. As a proportion of total consumer expenditure on gift cards – including via work programmes – the total size of the online gift card market is £2.33bn – 50.0% of total consumer expenditure on purchasing gift cards. When it comes to breaking down gift card

category spending by purchase motivation, gifting for others is the key motivation, representing 70.8% (£3.3bn) of total expenditure over 2019. Self-use was the second most prominent driver of gift card purchasing, representing just over £1bn and 21.8% of consumer expenditure on gift cards over 2019. This is reflective of the rising prominence of shoppers purchasing gift cards – typically at discounted rates – through B2B channels, such as work programmes.

Beyond the headline figures, what is clear is that the true value of the gift card is felt well beyond the initial outlay. GlobalData estimates that the total value of gift card redemption – the value of gift cards being used – was around £6.85bn in 2019.

According to the 2019 State of the Nation Research, 66.7% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with the cited average extra expenditure being £18.55 – a 67.1% uplift on stated average load on a gift card purchase (£27.64). When taking into account all gift card spenders – regardless of whether they typically spend more than the value of the card during redemption – GlobalData estimates an average total boost of 35% over the value of the gift card during redemption. This 35% average boost lifted the total value of gift card redemption to £9.25bn over 2019.

Gift cards also play a key role in introducing shoppers to new brands. Taking into account the value of the gift card received, and the average lift value on top of this upon redemption, the total value of shopper expenditure during new brand intros via gift cards was £757m over 2019. In addition to this initial outlay, according the 2019 State of the Nation research, almost one in five (18.5%) shoppers said that they have become a regular customer of a new brand or organisation after being given a gift card, with 31.0% of Generation Z/Millennial shoppers having done this. This makes gift cards an outstandingly efficient method of new customer acquisition.

Top 10 Takeaways

1

According to GlobalData and UKGCVA, the UK Gift Cards market – including gift cards, vouchers, digital, e-gift codes – was worth just under £7bn in 2019.

2

Around **67%** of this market value (£4.65bn) was derived from consumer expenditure on gift cards, either directly from retailers or gift card issuers, or through work programmes. The remaining segment of the market, which represents **33%** of its total value (£2.34bn), is composed of the value of gift cards the shoppers receive through routes such as work rewards schemes, incentives for signing up to companies such as banks or through completing market research.

3

When it comes to consumer expenditure on gift cards, Generation X shoppers (35-54s) represented **37.7%** (£1.76bn) of total expenditure over 2019, followed by Baby Boomers (55+) at **37.1%** (£1.73bn) and Generation Z Millennials (16-34s) at **25.1%** (£1.17bn).

4

The traditional single store retail gift continues to reign supreme, representing just over **60%** of total gift card expenditure (£2.8bn) in 2019. Expenditure on multi-store cards hit £808m in 2019, representing over **17.4%** of consumer gift card expenditure.

5

Self-use was the second most prominent driver of gift card purchasing, representing just over £1bn and **21.8%** of consumer expenditure on gift cards over 2019.

6

When it comes to B2C purchases directly from retailers and gift card issuers, physical stores remain the main purchasing channel, with £2.32bn being spent through physical outlets over 2019 – **63.5%** of total B2C expenditure.

7

As a proportion of total consumer expenditure on gift cards – including via work programmes – the total size of the online gift card market is £2.33bn – **50%** of total consumer expenditure on purchasing gift cards.

8

While online purchasing channels hit **50%** of total gift card spending over 2019, digital gift cards lagged this, at £1.2bn – 26.3% of total gift card expenditure. At **73.7%** of total gift card expenditure (£3.4bn), physical gift cards remain the main delivery mechanism for gift card purchases, with physical cards still representing the vast majority of this expenditure.

9

Grocery retailers represent the main channel for purchasing, at **22.5%** of total B2C gift card expenditure of 2019. More so than other channels, these retailers have benefitted from the rising popularity of gift card malls.

10

Including those that don't typically spend more than the value of the gift card upon redemption, UK shoppers spend an extra **35%** over the value of the gift card during redemption, on average. This 35% average boost lifted the total value of gift card redemption to £9.25bn over 2019.

Gift Card Market Size and Performance

GlobalData estimates the Gift Card market to be worth almost £7bn

According to GlobalData and UKGCVA, the UK Gift Cards market – including gift cards, vouchers, digital, e-gift codes – was worth just under £7bn in 2019. Around 67% of this market value (£4.65bn) was derived from consumer expenditure on gift cards, either directly from retailers or gift card issuers, or through work programmes. Indeed, according to GlobalData’s 2020 consumer research, 78% of UK consumer purchased a gift card in 2019.

The remaining segment of the market, which represents 33% of its total value (£2.34bn) is composed of the value of gift cards the shoppers receive for free, through routes such as work rewards schemes, incentives for signing up to companies such as banks, rewards for loyalty or through completing market research. Moreover GlobalData forecasts that growth over 2019-25 will be 24.7%, with the total value of the market hitting £8.71bn by 2025.

The B2B gift card market is driving gift card growth

The forecast 24.7% growth in the total value of the UK gift cards market over 2019-25 will primarily be driven by the B2B side of the market – both via consumer expenditure through work programmes, and the value of gift that shoppers receive for free. In 2019, the combined purchased and received elements of the B2B market was worth just over £3.3bn and GlobalData forecasts that the B2B market will grow around 49% over 2019-25, to just under £5.0bn. On the consumer expenditure side of the market, the key driver of growth will be purchasing via work programmes, which saw growth of 12.7% in 2019, and is set to grow by a significant 69.9% over 2019-25, to hit just under £1.7bn by 2025. According to GlobalData’s 2020 consumer research, 20.8% of gift cards purchasers bought via work programmes over 2019.

Elsewhere, GlobalData forecasts that the value of gift cards that customers receive as part of loyalty, reward or incentive programmes will grow 40% over 2019-25, to hit just under £3.3bn in 2025.

...reward or incentive programmes will grow 40% over 2019-25, to hit just under £3.3bn in 2025.

B2B routes continue to be very important for the industry and will represent a key focus in the coming years. According to the 2019 State of the Nation research, 35.9% of gift card managers cited B2B as the biggest growth channel, compared to just 2.6% saying the same for B2C. To this end, 61.5% have looked to develop partnerships directly with other retailers/brands, while 43.6% are developing partnerships with other companies, such as price comparison businesses, energy companies and media companies.

Looking ahead, the challenge for gift card managers is to ensure that key stakeholders within their organisation are aware of the potential of B2B. As per the 2019 State of the Nation research, when it comes to explaining how B2B gift card programmes work to people internally, 75.7% talk through how the B2B gift programme works in detail to relevant people in the organisation. Elsewhere, 70.3% focus on quantifying the benefits of those schemes to relevant people in the organisation.

35.9% of gift card managers cited B2B as the biggest growth channel, compared to just 2.6% saying the same for B2C.

Traditional gift card purchasing has suffered a challenging couple of years

While the B2B segment of the market has increasingly represented a key growth driver in the gift card landscape, direct consumer purchasing via retailers and gift card issuers has faced a more challenging couple of years, with expenditure declining -3.5% in 2019, to £3.66bn. This represented 78.7% of total consumer expenditure on gift cards, and 52.3% of the total value of the gift cards market, including free gift cards received as rewards/incentives.

The recent performance of direct purchasing via retailers and gift card issuers has inevitably been impacted by the struggles of a number of key retailers and leisure companies over the last couple of years. Nevertheless, this route remains highly important, with 88.2% of gift card purchasers buying via retailer/gift card issuer over 2019. Moreover, GlobalData forecasts growth of 2.7% over 2019-25, driven by the outperforming online channel and growth categories such as experience, leisure and gaming.

Gift cards are highly relevant across age-groups

Breaking down consumer expenditure on purchasing gift cards, Generation X shoppers (35-54s) represented 37.7% (£1.76bn) of total expenditure on gift cards over 2019, followed by Baby Boomers (55+) at 37.1% (£1.73bn) and Generation Z/Millennials (16-34s) at 25.1% (£1.17bn). The best performing consumer segment over 2019-25 is set to be Baby Boomers (55+), with expenditure among this group set to increase 24.9% to £2.1bn.

Indeed, positively for the industry, gift cards remain highly relevant across age-groups. According to the 2019 State of the Nation Research, 83.7% of UK shoppers have purchased a gift card at some point in their lives. Reflecting their age-agnostic appeal, purchase penetration is high across the generations. The proportion of Generation X shoppers (35-54s) to have purchased a gift card is highest, at 88.7%, compared to 86.1% of Generation Z/Millennials (16-34s) and 77.6% of Baby Boomers (55+).

A further boost to the long term prospects for the gift card industry is that the youngest Generation Z/Millennial generation represent the most frequent purchases of gift cards, with 43.7% of those purchasing these products doing so at least once every two months, compared with 34.8% of Generation X and 16.3% of Baby Boomers. Moreover, of those that have purchased, 87.0% said that they purchase gift cards at least once a year, with 90.5% of Generation Z/Millennial shoppers doing so.

Purchased gift cards: B2C & B2B market split, £m

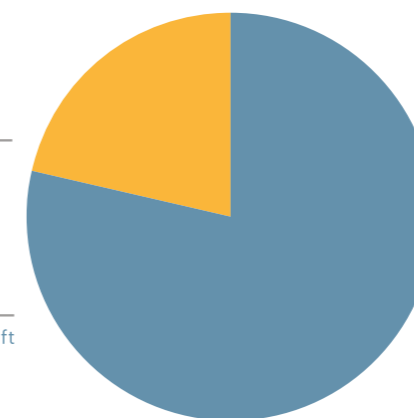
2019

B2B 21.3%

purchased through work programme and other

B2C 78.7%

purchased from retailer or gift card issuer



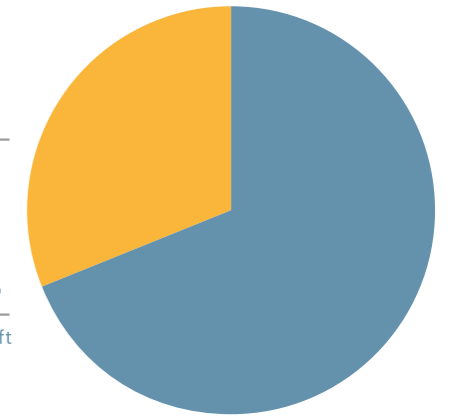
2025

B2B 31.0%

purchased through work programme and other

B2C 69.0%

purchased from retailer or gift card issuer



Gift Card Categories and Channels

Retail gift cards remain the most popular purchase

When it comes to the types of gift cards being purchased, the traditional single store retail gift continues to reign supreme, representing just over 60% of total gift card purchasing expenditure (£2.8bn) in 2019.

However, there are signs that the multi-store gift cards are making up ground, reflecting both a less loyal shopper and one that has become slightly more wary of brands falling out of the market. Expenditure on multi-store cards hit £808m in 2019, representing over 17.4% of consumer gift card expenditure. Indeed, according to the 2019 State of the Nation research, there had been a slight increase in the proportion of shoppers that had purchased multi-store gift cards (40.2% vs. 37.5%, when this research was last undertaken in 2017).

Expenditure on multi-store cards hit £808m in 2019, representing over 17.4% of consumer gift card expenditure.

Elsewhere, experience and leisure gift cards have been a key area of growth, with their combined share of total gift card expenditure hitting 14.4% in 2019, at around £670m. According to the State of the Nation 2019 research, 19.3% had purchased these at some point, compared to 17.5% in 2017, partially offsetting the decline in music gift cards (15.4% vs. 20.2%). Experience gift products are particularly popular among the Generation Z/ Millennial cohort, with over a quarter (25.4%) of gift card shoppers having purchased these over the last three years. Another category that has grown to some prominence is gaming gift cards, with these representing 4.8% of total gift card expenditure in 2019, at £222m. Demand for these gift cards have been supported by younger Generation Z/Millennial shoppers, and benefitted from being the main method through which to purchase items such as game credits in their closed transaction environments.

The physical channel remains key...

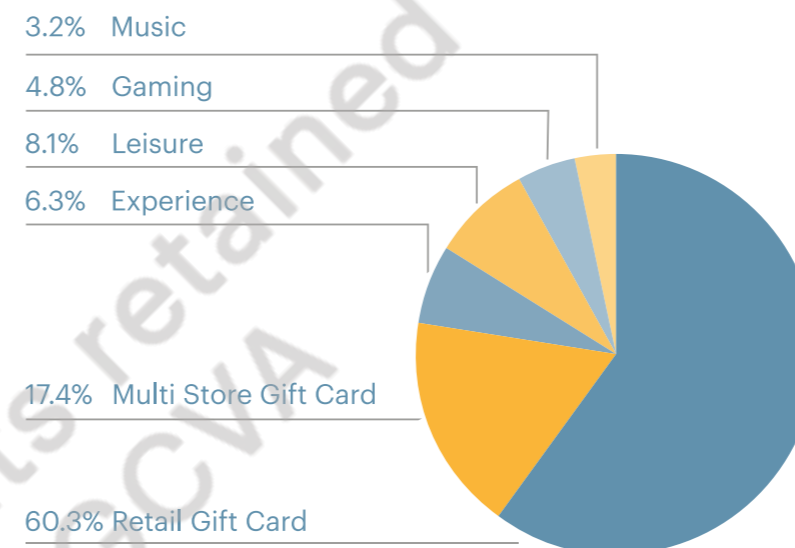
When it comes to B2C purchases directly from retailers and gift card issuers, physical stores remain the main purchasing channel, with £2.32bn being spent through physical outlets over 2019 – 63.5% of total B2C expenditure. Moreover, when it comes to influencing the decision to purchase gift cards, the physical store is also the key location. According to the 2019 State of the Nation research, 52.7% of shoppers are influenced by displays in physical stores (60% among Generation Z/ Millennial shoppers).

...but physical stores are slowly losing pre-eminence

However the prominent position of physical stores in the gift cards purchasing journey is slowly receding. According to the 2019 State of the Nation research, a majority (50.1%) said that they are most likely to purchase gift cards from a retailer in a physical store, though had notably declined from 58.4% back in 2017. This decline reflects both the growing omnichannel focus of retailer gift card propositions and of evolving shopper spending habits. Indeed, over a third of shoppers (34.3% vs. 25.8% in 2017), cited online as their preferred purchasing channel.

When it comes to expenditure on gift cards via digital channels, GlobalData estimates that B2C spend (directly via a retailer or gift card issuers) hit £1.33bn in 2019, 36.5% of the total B2C market. As a proportion of total consumer expenditure on gift cards – including via work programmes – the total size of the online gift card market is £2.33bn – 50% of total consumer expenditure on purchasing gift cards.

Purchased gift cards: Gift card category type, 2019 £m (all gift card purchases)



An Increasing shopper demand for flexibility in redemption

While online purchasing channels hit 50% of total gift card spending over 2019, digital gift cards lagged this, at £1.2bn – 26.3% of total gift card expenditure. At 73.7% of total gift card expenditure (£3.4bn), physical gift cards remain the main delivery mechanism for gift card purchases, with physical cards continuing to represent the vast majority of this expenditure.

However, what was clear from the 2019 State of the Nation research is that shoppers are demanding increasingly flexibility when it comes to being able to redeem gift cards. 58.6% of respondents said that the ability to redeem online is an influential factor, with over one in ten (12.5%) saying the same for availability of the gift card on mobile. The availability of gift cards on mobile is particularly important for Generation Z/ Millennial shoppers, with 16.6% suggesting that this would be an influential factor. This rising demand for redemption flexibility, in addition to the more generally rising influence of online as a purchasing channel, will drive higher demand for digital gift cards in the coming years.

Retailers remain the primary destinations for B2C purchases

Despite the widening array of channels being used, and gift card types being purchased, traditional retail channels remain key in the shopping journey for B2C purchasing, made directly from retailers and gift card issuers. 82.8% of B2C expenditure (£3.03bn) is made through either instore or online retailers, with the remaining spend made direct through leisure, food service or experience operators – at 17.2% of the overall B2C market (£630m)

Grocery retailers represent the main channel for purchasing, at 22.5% of total B2C gift card expenditure of 2019, £823m. More so than other channels, these retailers have benefitted from the rising popularity of gift card malls – a wall of different branded gift cards, not purchased from the store that the gift card is for. In the 2019 State of the Nation research, 7.2% of gift card shoppers said that they are most likely to purchase from a gift card mall, compared to 5.6% of shoppers back in 2017.

Elsewhere, online pureplay retailers are growing in prominence, representing 15.7% of total B2C spend over 2019 (£576m). In this channel, Amazon is the market leader, benefitting from its comprehensive product range, competitive pricing and strong flexibility in the purchase of, and redemption of its gift cards.

In contrast, department store retailers, which have traditionally benefitted from their wide product ranges, have experienced relative decline in recent years, reflective of a number of key players falling out of the market. Nonetheless, the department store channel was still the third largest over 2019, representing 13.4% of B2C expenditure (£490m).

Occasions & Motivations

More consumers are purchasing gift cards for themselves

Self-use was the second most prominent driver of gift card purchasing, representing just over £1bn and 21.8% of consumer expenditure on gift cards over 2019. This is reflective of the rising prominence of shoppers purchasing gift cards – typically at discounted rates – through B2B channels, such as work programmes. Other drivers of this trend include the rise of gift card/loyalty card hybrids, and the growth of categories such as video gaming, where the gift card is the primary mechanism for both purchase and redemption.

Generation Z/Millennial shoppers have a much greater preference for purchasing gift cards only (39.2%), with just 6.1% of these shoppers preferring to gift money, compared to 9.1% of shoppers overall. Moreover, when it comes to how purchasing gift cards impacts overall gifting expenditure, a majority of respondents (57.5%) spend around the same when purchasing gift cards as presents, while 36.1% said that they usually opt to spend at least slightly more when purchasing a gift card instead of a traditional present.

Self-use was the second most prominent driver of gift card purchasing, representing just over £1bn and 21.8% of consumer expenditure on gift cards over 2019.

Christmas and Birthdays are the purchasing occasions for gift cards

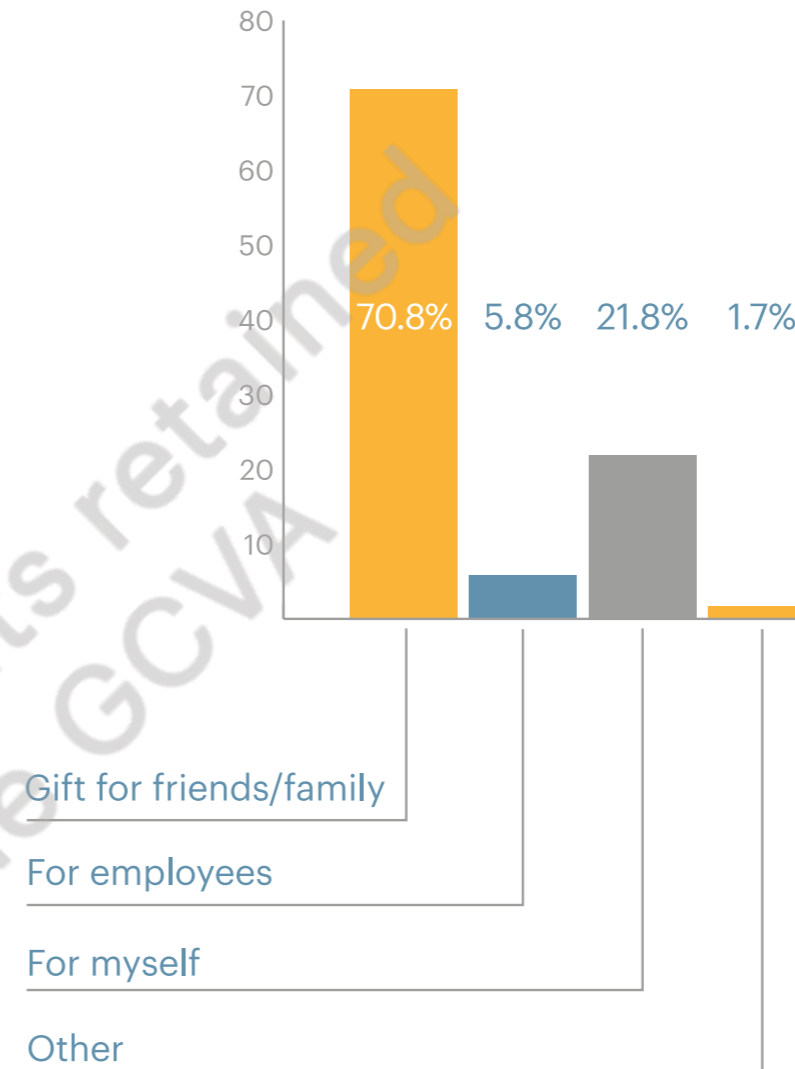
At £1.4bn (41.7% of total spend on gift cards for gifting to others) and £1.14bn (34.5% of total spend on gift cards for gifting to others), Christmas and Birthdays respectively are the key gift card purchasing occasions for gifting. Indeed, the rise of multi-retail, leisure, experience and foodservice gift cards has helped the category to capitalise on the opportunities provided by the decline of traditional gifting categories such as DVDs and CDs.

Elsewhere, Mother's Day (3.3% of total spend on gift cards for gifting to others) and Father's Day (2.5% of total spend on gift cards for gifting to others) also represent key purchasing occasions, with £190m being spent on gift cards across both combined.

Gifting for other remains the main motivator of gift card purchasing

When it comes to breaking down gift card category spending by purchase motivation, gifting for others is the key motivation, representing around 71% (£3.3bn) of total expenditure over 2019. According to the 2019 State of the Nation research, 39% of UK shoppers maintain a preference for purchasing physical gift-only when it comes to gift purchasing and spending, However, 28.2% said that their preference is to purchase a gift card-only, with 22.4% suggesting that a combination of a gift card and physical gift was their preference. On the former,

Purchase Motivation: % Breakdown of Spend



When it comes to spending cards that have been received, the 2019 State of the Nation research found that over half of UK shoppers (50.1%) spend their gift card within a month of receipt, with 60.3% of Generation Z/Millennials shoppers doing so.

Almost all shoppers spend their gift cards within a year of receipt

When it comes to spending cards that have been received, the 2019 State of the Nation research found that over half of UK shoppers (50.1%) spend their gift card within a month of receipt, with 60.3% of Generation Z/Millennials shoppers doing so. Furthermore, 98.6% of UK shoppers spend their gifts cards within a year of receipt – highlighting the disparity between shopper concerns around expiry dates and the actual impact that these have.

It is often assumed that gift card redemption is geared significantly towards the period around Christmas, and the period certainly remains key, with 42.3% spending their gift card at Christmas time or during the January Sales. One clear trend is an increasing savviness among shoppers when it comes to getting the most from spending their gift cards. 20.3% normally spend their gift cards on Black Friday/Cyber Monday, with over a third (34.3%) of Generation Z/Millennial shoppers doing so. At the same time, 28.0% of shoppers that they spend their gift cards anytime a sale or promotion is on. However, 41.1% take the approach of just spending their gift cards when they find something that they like, regardless of the occasion.

The Wider Value of Gift Cards

The true value of gift cards is felt well beyond the initial outlay

GlobalData estimates that the total value of gift card redemption – the value of gift cards being used – was around £6.85bn in 2019. However, the real value of the gift card is much higher than this. According to the 2019 State of the Nation Research, 66.7% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with the cited average extra expenditure being £18.55 – a 67.1% uplift on stated average load on a gift card purchase (£27.64). When taking into account all gift card spenders – regardless of whether they typically spend more than the value of the card during redemption – GlobalData estimates an average total boost of 35% over the value of the gift card during redemption. This 35% average boost lifted the total value of gift card redemption over 2019 to £9.25bn. Moreover, this cited additional expenditure is higher among Generation Z/Millennial shoppers, reflecting the tendency for these shoppers to use gift cards towards larger purchases.

66.7% of respondents said that they normally spend a higher amount than the straight value of the gift card during redemption, with the cited average extra expenditure being £18.55 – a 67.1% uplift on stated average load on a gift card purchase (£27.64).

Gift cards play a key role in introducing shoppers to new brands

In addition to direct and supplementary shopper expenditure, gift cards can serve an important role in driving brand awareness and engagement. 20.1% of respondents were introduced to a new brand after being given a gift card, up from 18.5% in the 2019 State of the Nation research. Taking into account the value of the gift card received, and the average lift value on top of this upon redemption, the total value of shopper expenditure during new brand intros via gift cards was £757m over 2019.

In addition to this initial outlay, according to the 2019 State of the Nation research, almost one in five (18.5%) shoppers said that they have become a regular customer of a new brand or organisation after being given a gift card with 31.0% of Generation Z/Millennial shoppers having done this. This makes gift cards an outstandingly efficient method of new customer acquisition.

20.1% of respondents were introduced to a new brand after being given a gift card, up from 18.5% in the 2019 State of the Nation research.

Conclusion

Against the backdrop of an extremely negative 2019 for UK retail overall – with GlobalData estimating that non-food expenditure grew just 1.1%, which was the slowest rate of growth since 2013 – the UK card category has not been immune to the wider malaise on the high street. GlobalData estimates that gift card expenditure directly via retailers and gift card issuers declined -3.5% in 2019, to £3.66bn. The recent performance of direct purchasing via retailers and gift card issuers has inevitably been adversely impacted by the struggles of a number of key retailers and leisure companies over the last couple of years.

GlobalData estimates that gift card expenditure directly via retailers and gift card issuers declined -3.5% in 2019, to £3.66bn.

However, B2B remains a clear bright spot, and is set to drive growth in the market over the next five years. The forecast 24.7% growth in the total value of the UK gift cards market over 2019-25 will primarily be driven by the B2B side of the market – both via consumer expenditure through work programmes, and the value of gift that shoppers receive for free, via routes such as incentives. In 2019, the combined expenditure and receiving B2B market was worth just over £3.3bn and GlobalData forecasts that the B2B market will grow around 49% over 2019-25, to just under £5.0bn.

Indeed, the potential of the B2B side of the market was also highlighted by the 2019 State of the Nation research, with work reward programmes and customer loyalty programmes, across businesses such as banks and energy companies being cited as key avenues through which shoppers receive gift cards. Moreover, over a third (35.9%) of gift card managers see B2B as the biggest growth channel, and almost half (43.6%) are developing partnerships with non-retail companies such as price comparison businesses, energy companies and media companies.

The B2B market – and purchasing through work programmes in particular – is also helping to drive demand for self-use, which was the second most prominent driver of gift card purchasing, behind gifting.

Elsewhere, there are clear signs that digital channels are fast becoming even more significant routes for purchase. GlobalData estimates that online B2C spend (directly via a retailer or gift card issuers) hit £1.33bn in 2019, 36.5% of the total B2C market. As a proportion of total consumer expenditure on gift cards – including via work programmes – the total size of the online gift card market is £2.33bn – 50% of total consumer expenditure on purchasing gift cards. It is becoming more important than ever for retailers to take online and mobile seriously, both for the purchasing of gift cards and their eventual redemption.

For the industry to capitalise on the numerous emerging opportunities, it is imperative that gift card managers and the C-suite are on the same page. The 2019 State of the Nation research highlighted clear unevenness across organisation in relation to board-level engagement, with only a minority of the latter feeling informed on the value of, or opportunities provided by gift cards. The challenge for gift card managers is to drive engagement throughout the organisation promoting the long term potential of gift card programmes, particularly in areas such as online and digital, and taking advantage of the opportunities in the B2B segment. The good news is that this seems to be happening.

Glossary

Valuing the UK Gift Card Industry

Methodology

GlobalData employed a multi-faceted approach to quantifying the UK Gift Cards market, and its various components. Key inputs into the modelling process included a bespoke consumer survey, in addition to primary research undertaken for the 2017 and 2019 State of the Nation white papers. These three waves of primary research provided key metrics such as purchase penetration, average spend, average volumes purchased, gift card types bought, and channels used for purchase.

With these key metrics, GlobalData was able to take a bottom-up approach to market sizing. For example utilising the 12 months purchase penetration, average spend and volumes purchased across each demographic group, calculated against overall UK adult population, allowing for calculations to be made on an overall UK-level.

Importantly, at the same time, GlobalData also took a top-down approach, which involved calculating the size of the market and its various

GlobalData's approach to estimating the market

components by estimating gift cards sales and redemption at specific retailers and operators across the key gift card categories. To this end, GlobalData benefitted from anonymous aggregated gift card operator data collected by KPMG. This was further strengthened by secondary research and estimation into the size of individual operators in the market. By employing both a top-down and bottom-up approach, GlobalData was able to build some robust benchmarking into the wider market modelling and assumptions.

For the forecasting elements of the research, GlobalData made calculated assumptions around how purchase penetration, average spend and volumes purchased, both for B2C and B2B, will trend in the coming years. Other inputs into this modelling included inflation forecasts, population projections and the wider growth prospects across specific retail categories over the period.

Bespoke primary research

This project involved GlobalData undertaking bespoke consumer research across a representative sample of 2,000 UK gift card shoppers. The purpose of this was to explore, in-depth, shopping habits in the gift cards market. The survey focussed on measuring aspects such as occasions purchased for, retailers used and considered, volumes purchased, spend and consideration factors.

Existing primary research (UK)

In addition to bespoke consumer research, this project utilised the previous two waves of consumer research undertaken for UKGCVA projects.

Secondary Research

In addition to primary research inputs, secondary sources were cross-referenced. UKGCVA was also share relevant data sources, such as the aggregated gift card operator data collected by KPMG.

Glossary

State of the Nation 2019

Consumer Segments

This white paper:

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

Primary Research

This project included four strands of primary research:

- Quantitative survey across a nationally-representative sample of 2,000 UK consumers
- Quantitative survey among a cross-section of 38 gift card managers
- Quantitative survey among a cross-section of 39 C-suite respondents – retail staff at management/leadership level and above
- Two focus groups, conducted in January 2019, with a mix of consumers, each lasting 90 minutes

GlobalData estimates the Gift Card market to be worth almost £7bn

• According to GlobalData and GCVA, the UK Gift Cards market – including gift cards, vouchers, digital, e-gift codes – was worth just under £7bn in 2019.

• Around 67% of this market value (£4.65bn) was derived from consumer expenditure on gift cards, either directly from retailers or gift card issuers, or through work programmes.

• The remaining segment of the market, which represents 33% of its total value (£2.34bn) is composed of the value of gift cards the shoppers receive for free, through routes such as work rewards schemes, incentives for signing up to companies such as banks or through completing market research.

The B2B gift card market is driving gift card growth

- The forecast 24.7% growth in the total value of the UK gift cards market over 2019-25, will primarily be driven by the B2B side of the market – both via consumer expenditure through work programmes, and the value of gift that shoppers receive for free.
- In 2019, the combined expenditure and receiving B2B market was worth just over £3.3bn and GlobalData forecasts that the B2B market will grow around 49% over 2019-25, to just under £5.0bn.
- On the consumer expenditure side of the market, the key driver of growth will be purchasing via work programmes, which saw growth of 12.7% in 2019, and is set to grow by a significant 69.9% over 2019-25, to hit just under £1.7bn by 2025.
- Elsewhere, GlobalData forecasts that the value of gift cards that customers receive as part of loyalty, reward or incentive programmes, will grow 40% over 2019-25, to hit just under £3.3bn in 2025.

Physical stores are slowly losing pre-eminence

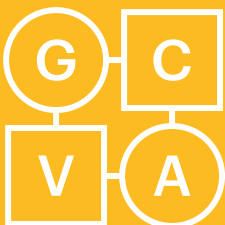
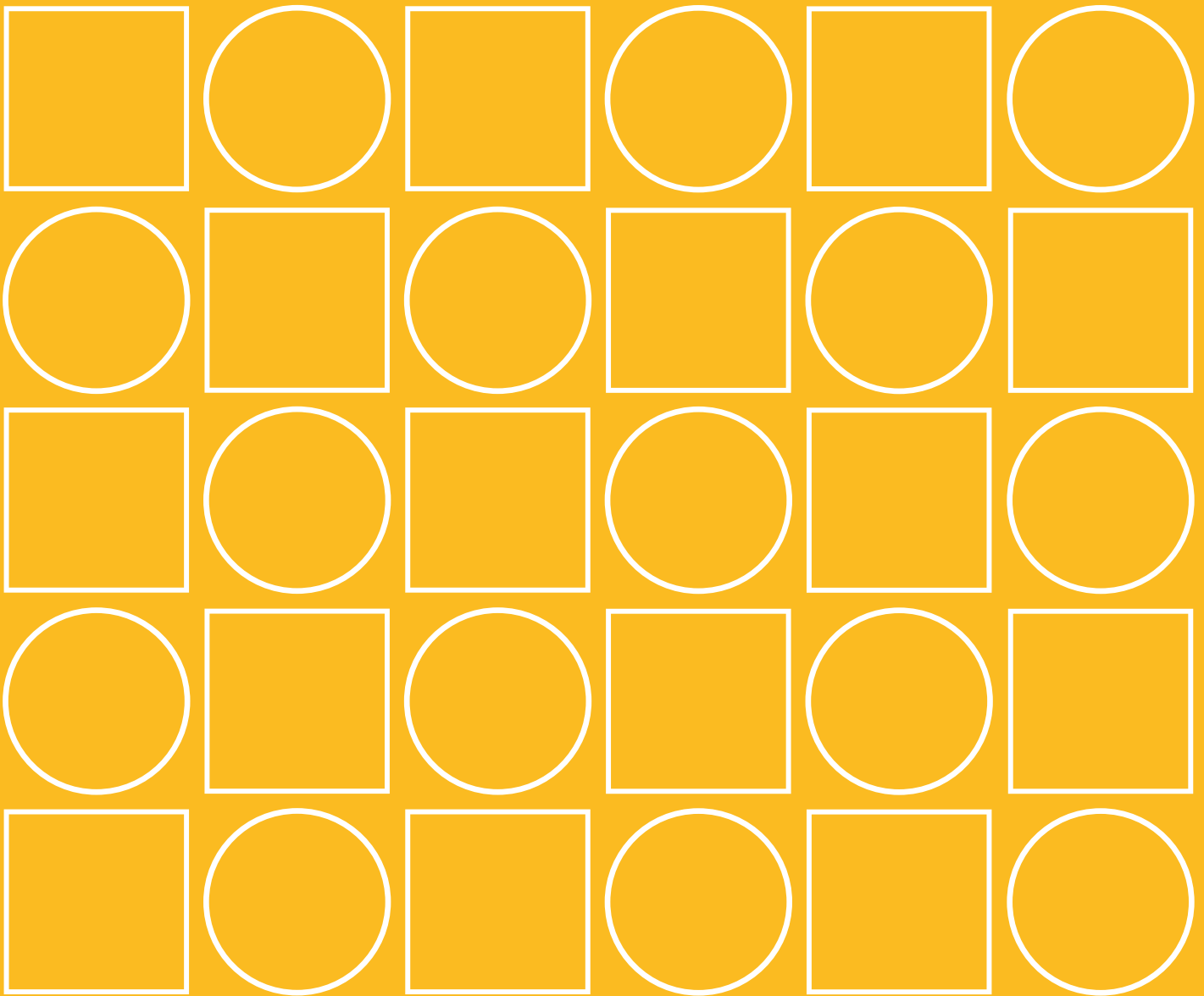
- When it comes to B2C purchases directly from retailers and gift card issuers, physical stores remain the main purchasing channel, with £2.32bn being spent through physical outlets over 2019 – 63.5% of total B2C expenditure. However the prominent position of physical stores in the gift cards purchasing journey is slowly receding.
- When it comes to expenditure on gift cards via digital channels, GlobalData estimates that B2C spend (directly via a retailer or gift card issuers) hit £1.33bn in 2019, 36.5% of the total B2C market.
- As a proportion of total consumer expenditure on gift cards – including via work programmes – the total size of the online gift card market is £2.33bn – 50% of total consumer expenditure on purchasing gift cards.

Sponsored by



 @gcva_
info@gcva.co.uk

 UKGCVA
www.gcva.co.uk



Gift Card
& Voucher
Association

