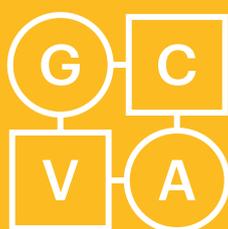
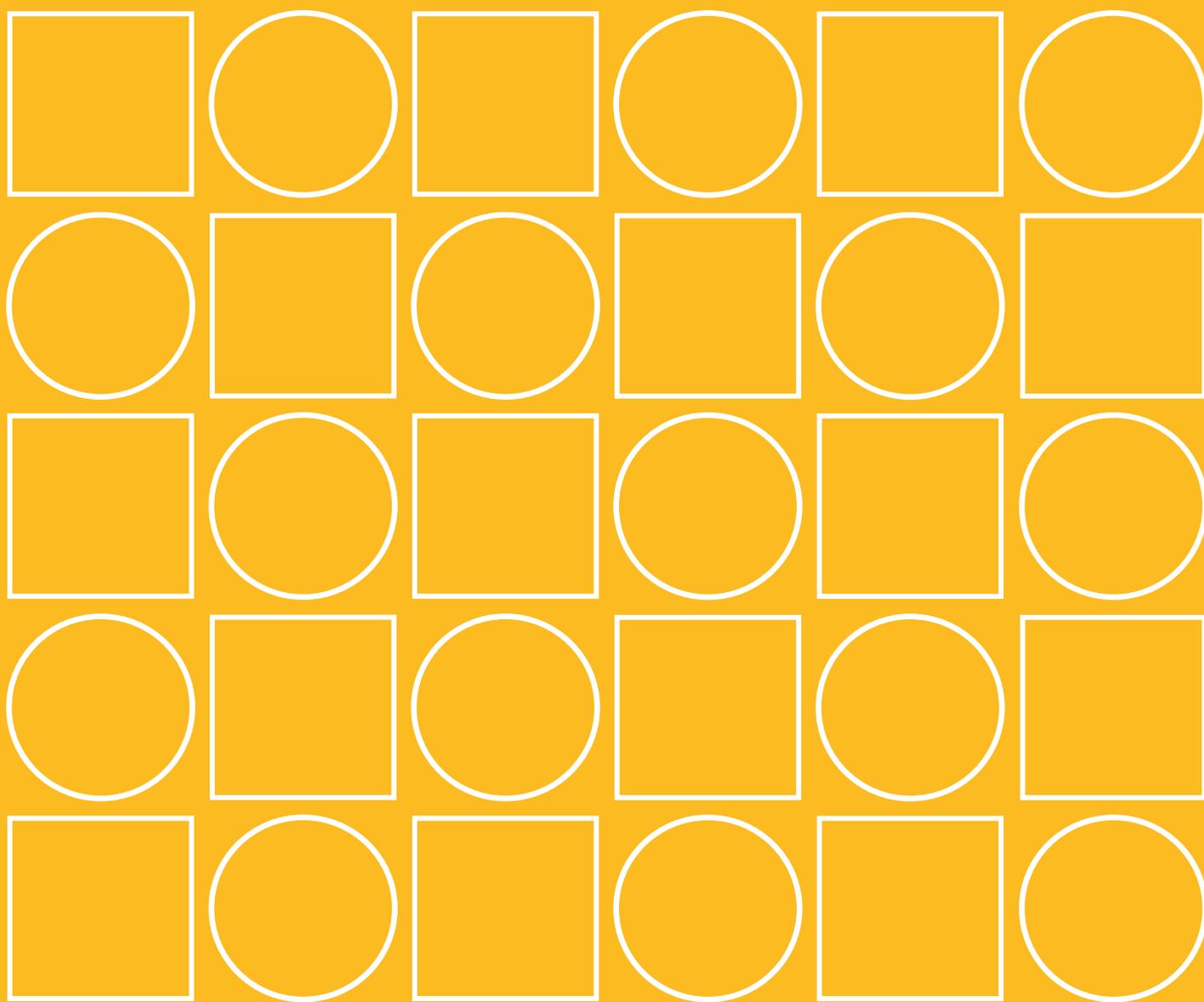
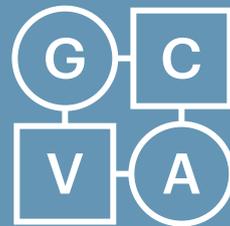


Valuing the UK Gift Card Industry 2020



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.

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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).

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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.

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.

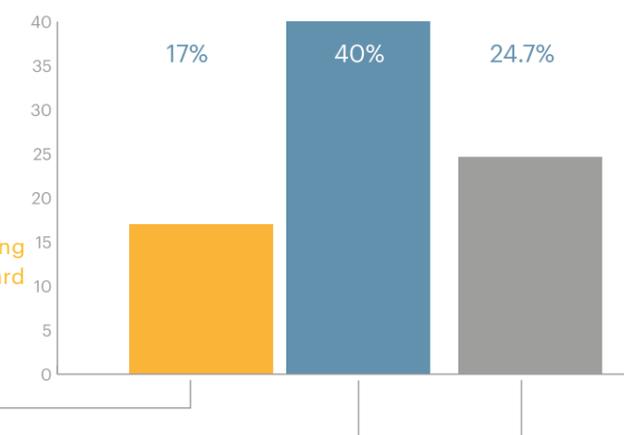
Beyond the headline figures, what is clear is that the true value of the gift card is felt well beyond the initial outlay. GlobalData estimates that the total value of gift card redemption – the value of gift cards being used – was around £6.85bn in 2019.

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 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

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.