Valuing the UK Gift Card Industry 2020

A research project for the UK Gift Card & Voucher Association

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Agenda

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Research – aims & methodology

1. To provide an accurate quantification of the overall size of the UK Gift Cards industry, and its various components, utilizing a robust methodology
2. To quantify the growth prospects and future opportunities in the UK Gift Cards market
3. To deliver in-depth insight and data to help the industry to better understand:
   - Evolving consumer trends
   - Opportunities for retailers & brands
   - The main barriers to growth
4. To drive engagement in gift cards across the industry

GlobalData's approach to estimating the market

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Primary consumer research + retailers' sales data + secondary research

The "known market"

Retailer sales data fed-in to us under NDAs or publicly available information from company reports. Retailers and vendors feed-in data from the KPMG data analysis report

The "unknown market"

Retailers which do not either provide sales data or release sufficient data on their sales into the public domain (mostly privately owned retailers and independents

- Bespoke survey of 2,000 UK shoppers
- Previous two waves of State of the Nation consumer research
- Physical and online range audits
- Aggregated gift card operator data from KPMG, + other secondary sources

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STOTN 2019 - Methodology: sample

GlobalData undertook three surveys, comprising:

2,000

UK consumers (nationally representative)

38

Retail gift card managers

39

Retail c-suite respondents

STOTN 2019 - Methodology: scope

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Respondents were surveyed over December 2018/January 2019, via anonymous online surveys, and asked about:

- Gift card purchasing habits
- Attractiveness of potential 'add-ons'
- Redemption and spending
- Spending vs. traditional gifting

- The role of gift cards within the wider organisation
- The influence on sales, marketing and loyalty strategy
- The promotion of gift cards
- Opportunities and barriers

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Sizing the UK Gift Card Market

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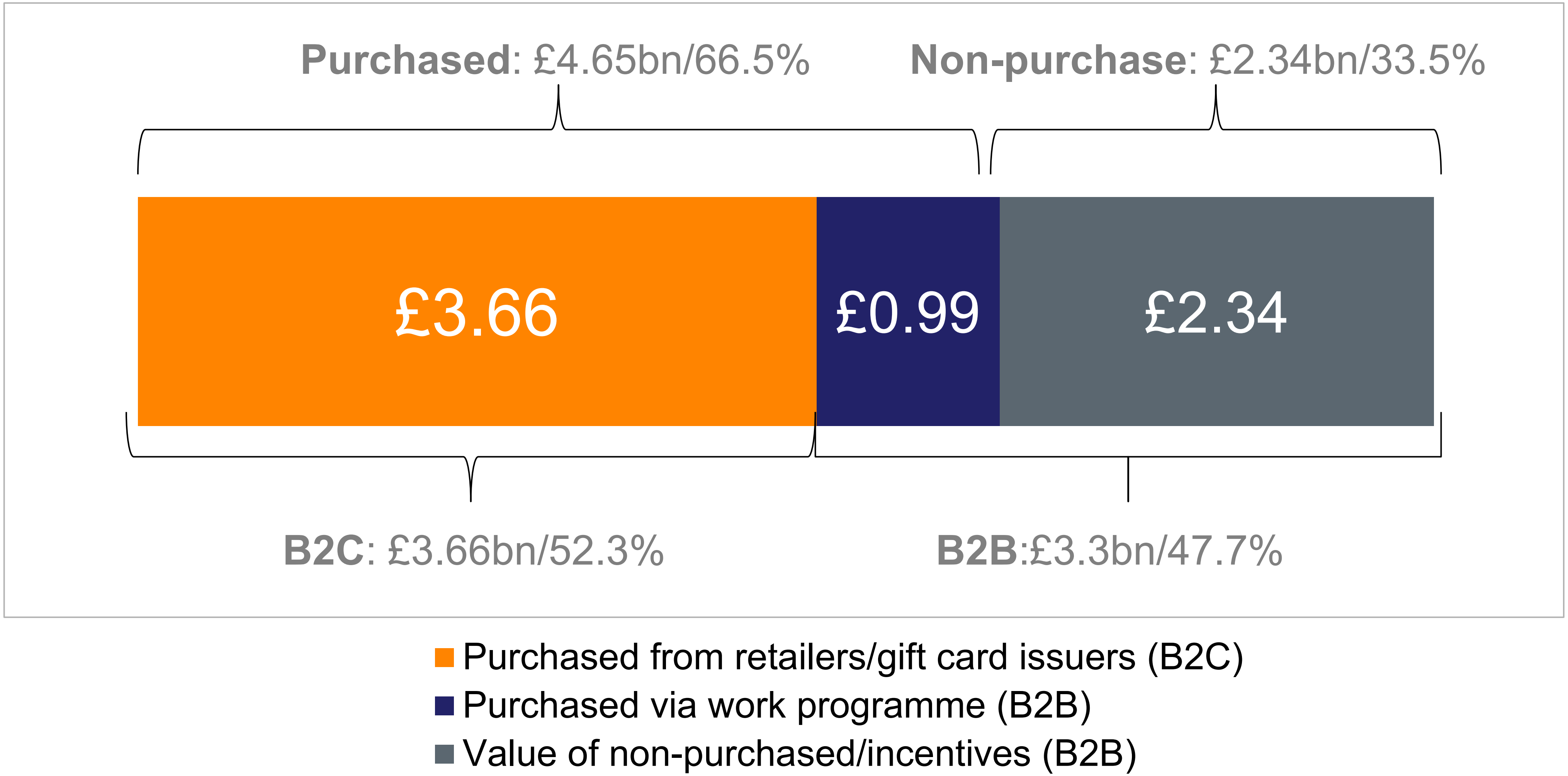
Total market value: £6.98bn



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The Gift Card market was almost £7bn in 2019

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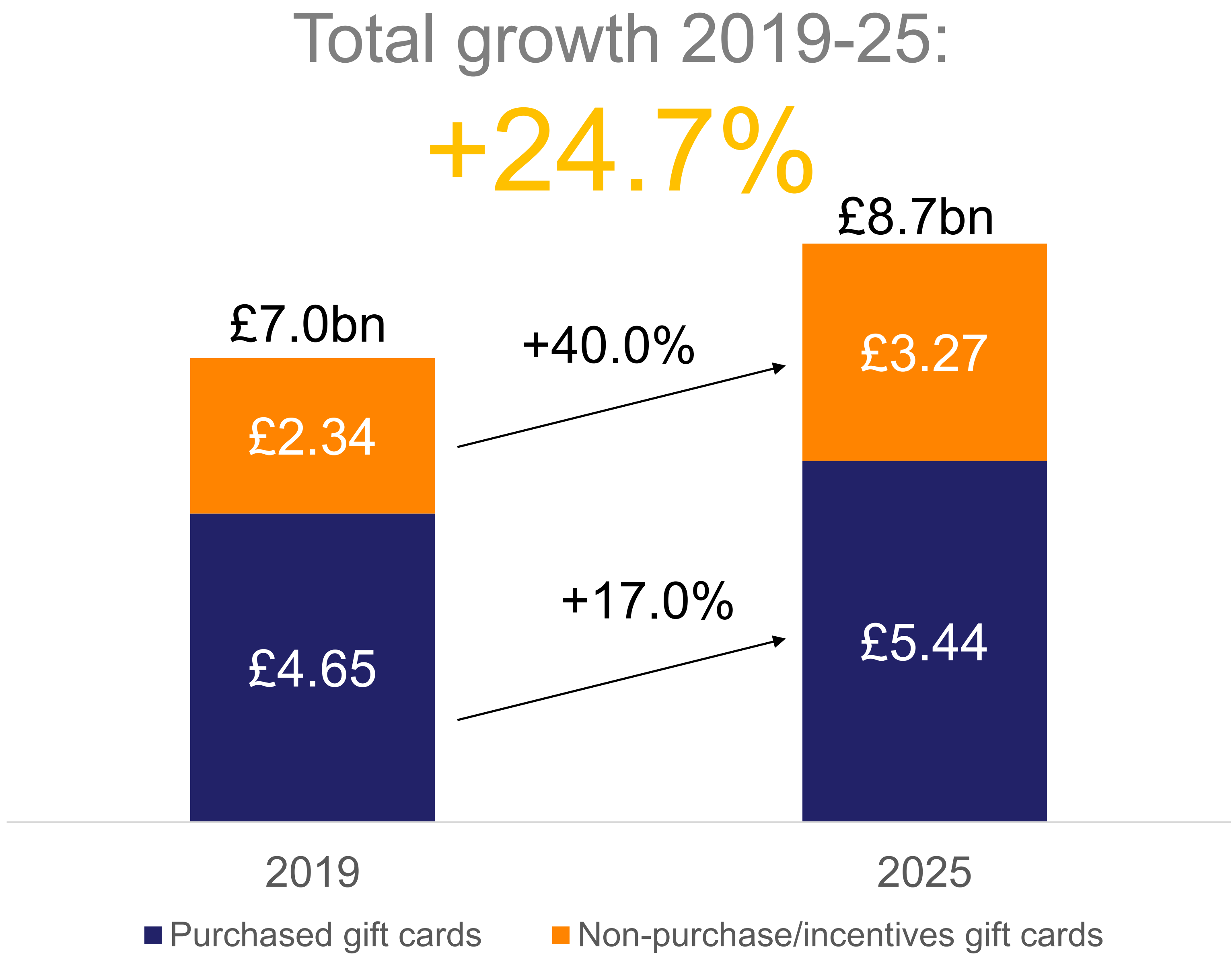

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Gift cards remain highly relevant across all age-groups

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84%

of ***all*** consumers have ***purchased*** a gift card at some point in their lives

86%

of ***Generation Z/Millennial*** shoppers have ***purchased*** a gift card at some point in their lives

Generation Z/Millennials are most frequent purchasers

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31%

of ***all*** gift card shoppers purchase at least once every two months

44%

of ***Generation Z/Millennial*** gift card shoppers purchase at least once every two months

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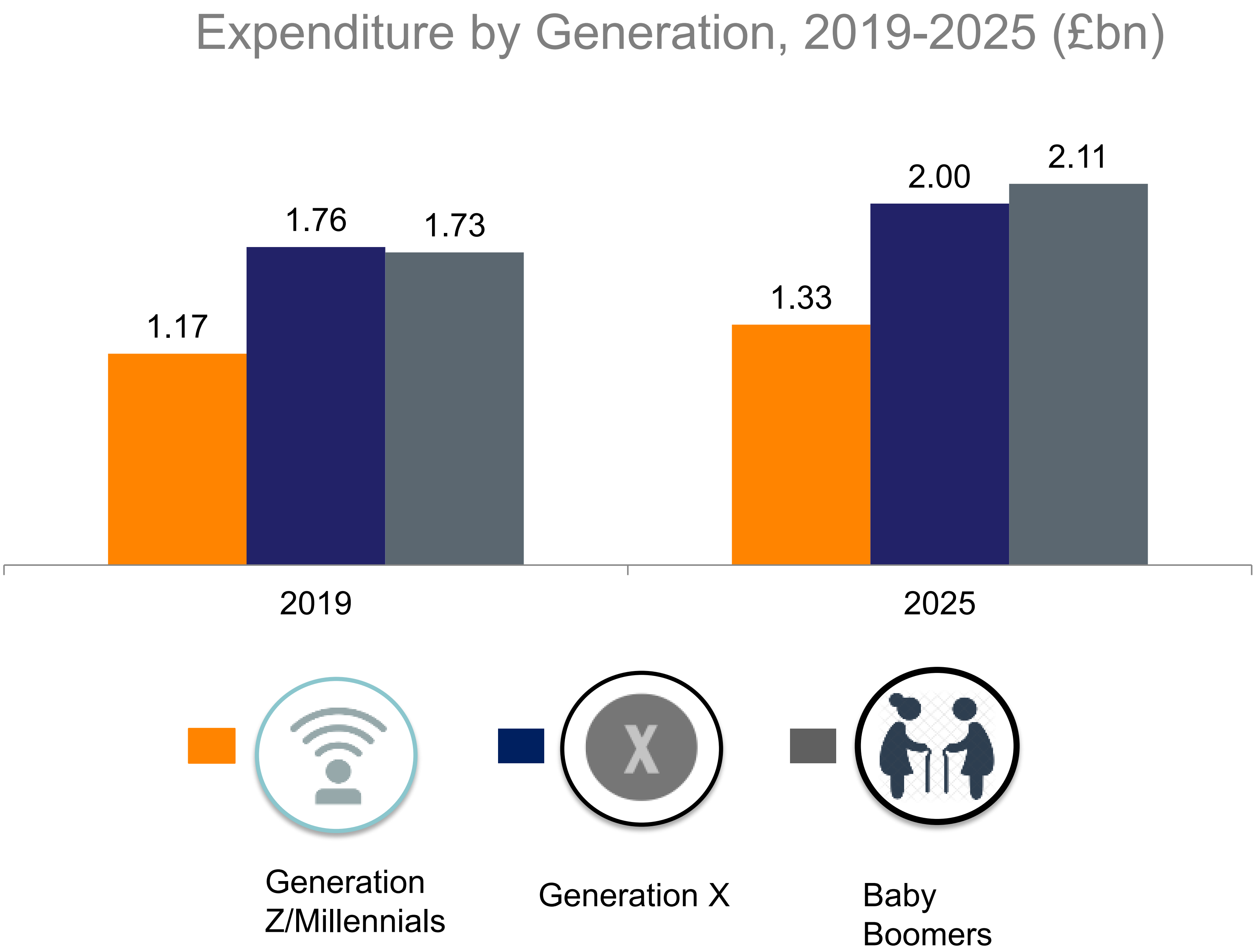
Purchasing Gift Cards

Baby boomers will have highest spend increase

Gift Card & Voucher Association



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Baby boomers will have highest spend increase

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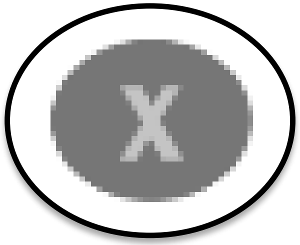
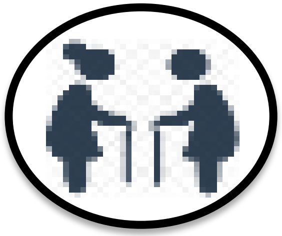
Purchasing Gift Cards, by Generation, 2019-2025 Growth (%)

+14.3%



+14.0%



+22.0%

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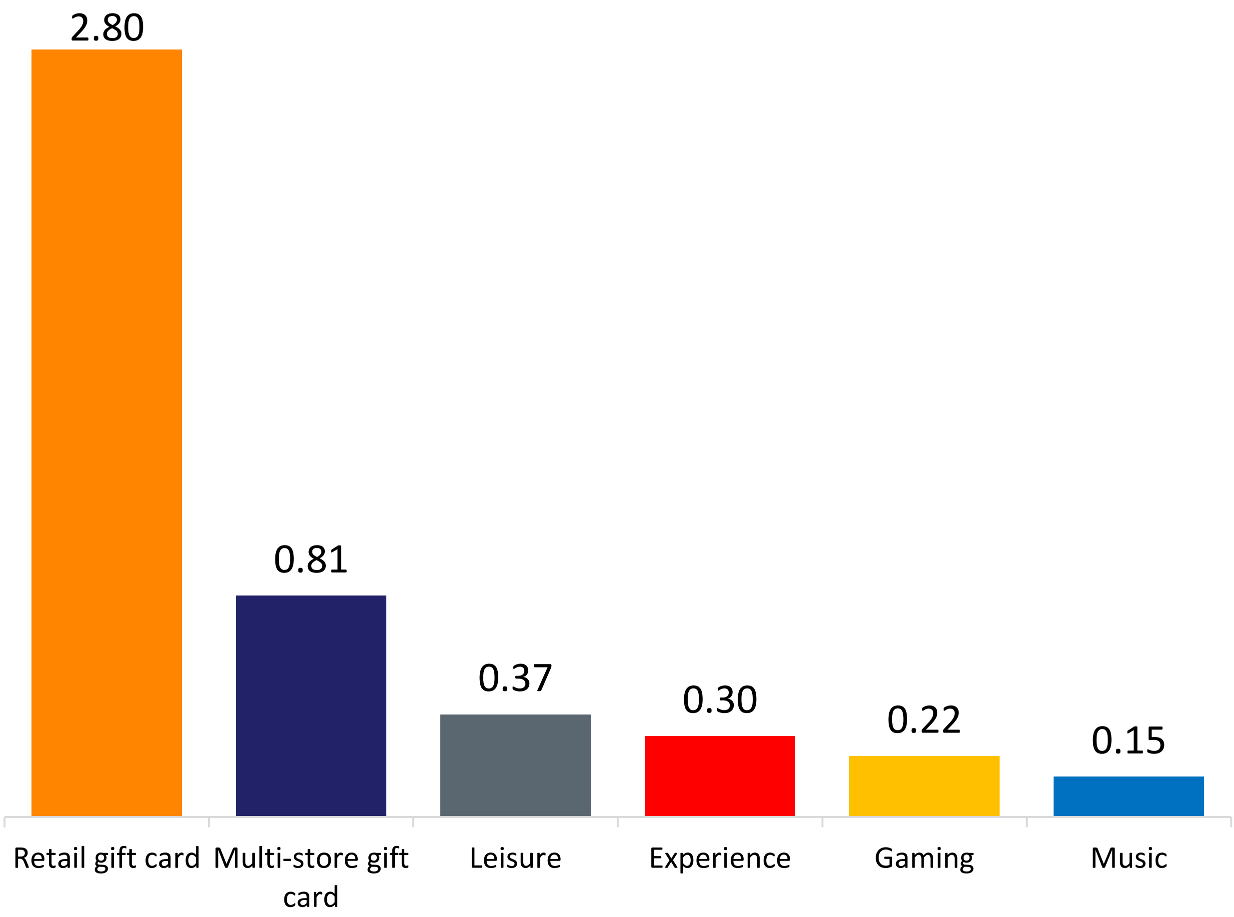
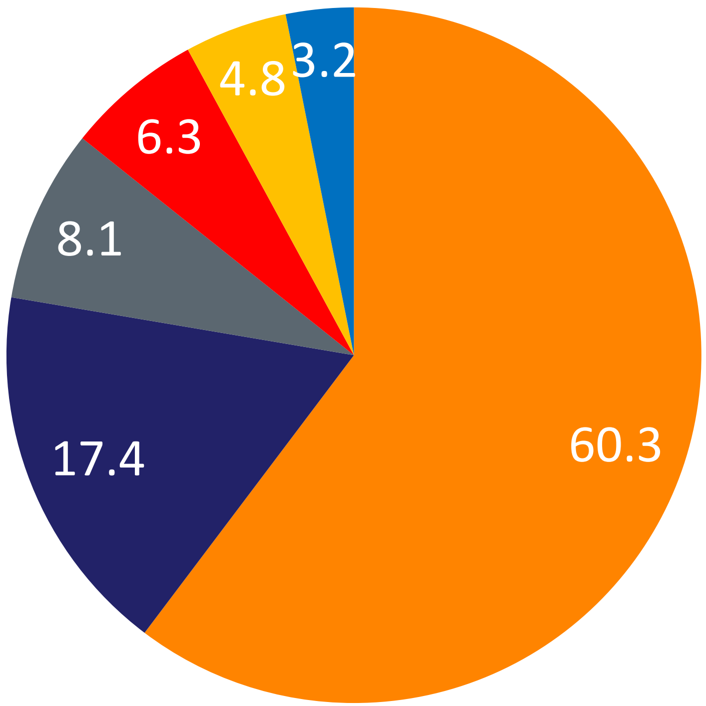
Retail gift cards remain the most popular purchase

Expenditure by category type of purchased gift cards, 2019



Expenditure, 2019 (£bn)



Expenditure breakdown (%))

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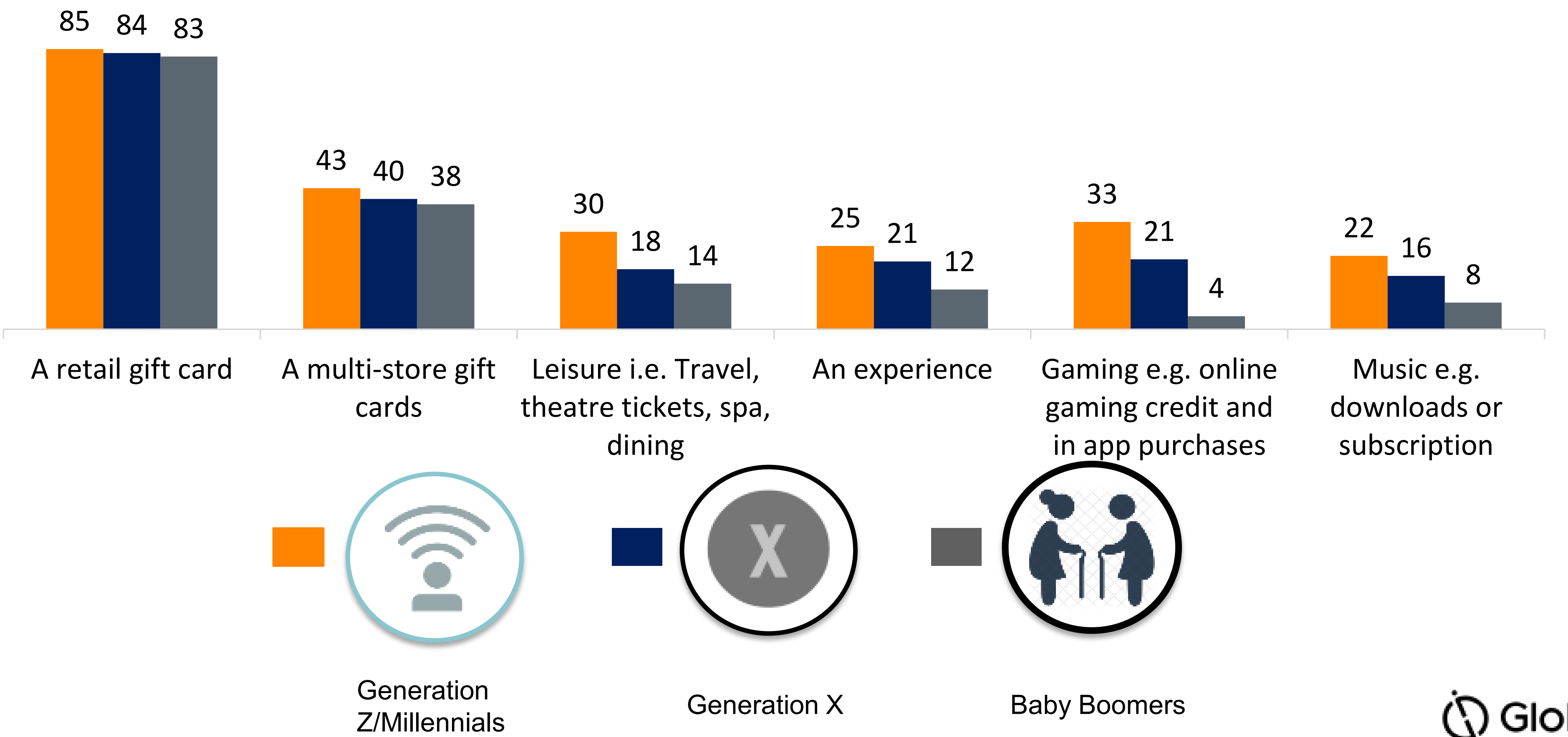
Experience products are a growth area

Which gift card types have you purchased over the past 3 years?

% of each age group

All ▶ 84% 40% 20% 19% 19% 15%

2017: 88% 2017: 38% 2017: 20% 2017: 18% 2017: 20% 2017: 20%



Physical gift cards remain the main delivery mechanism

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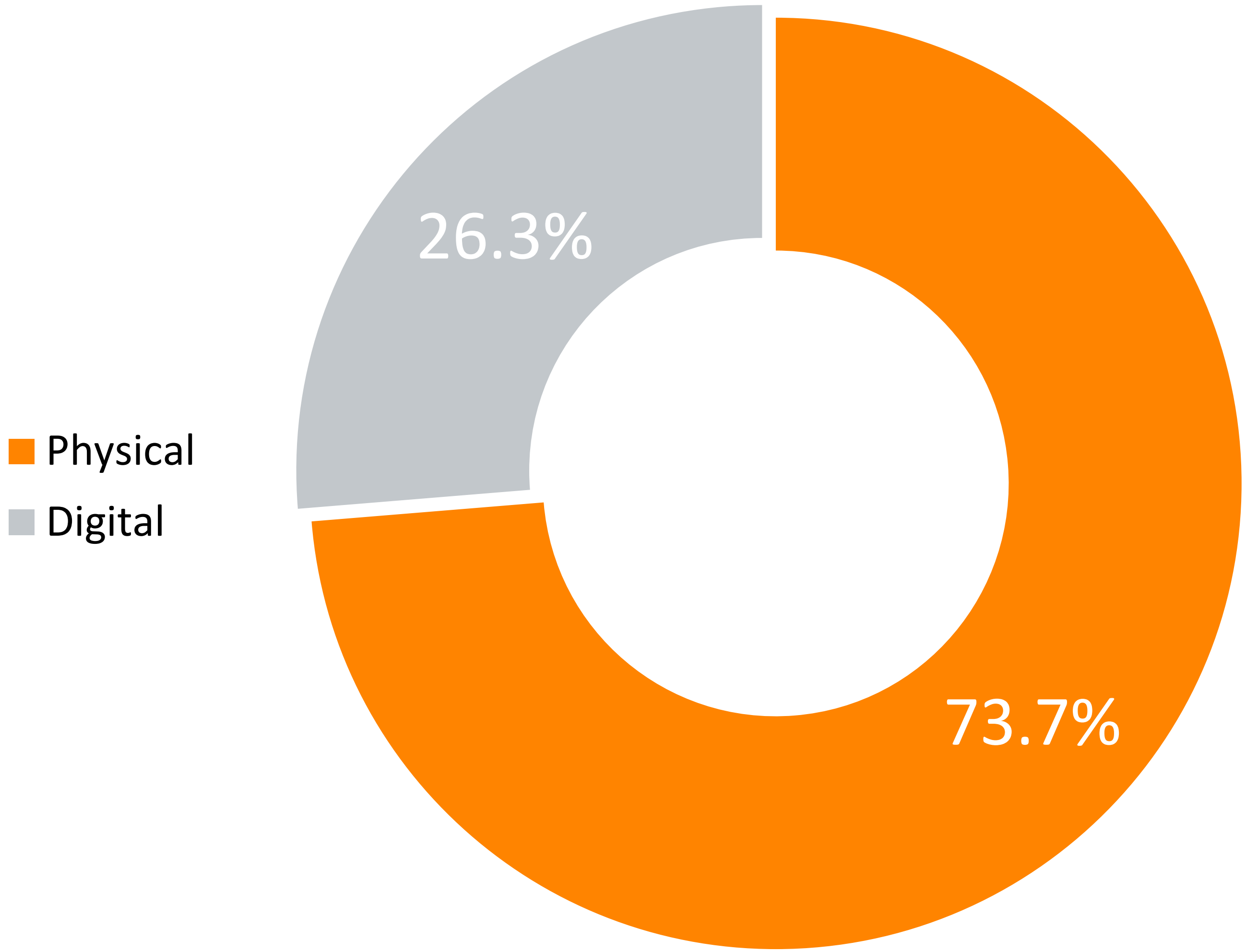
Types of gift cards purchased, 2019, % spend breakdown



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Shoppers are demanding greater flexibility

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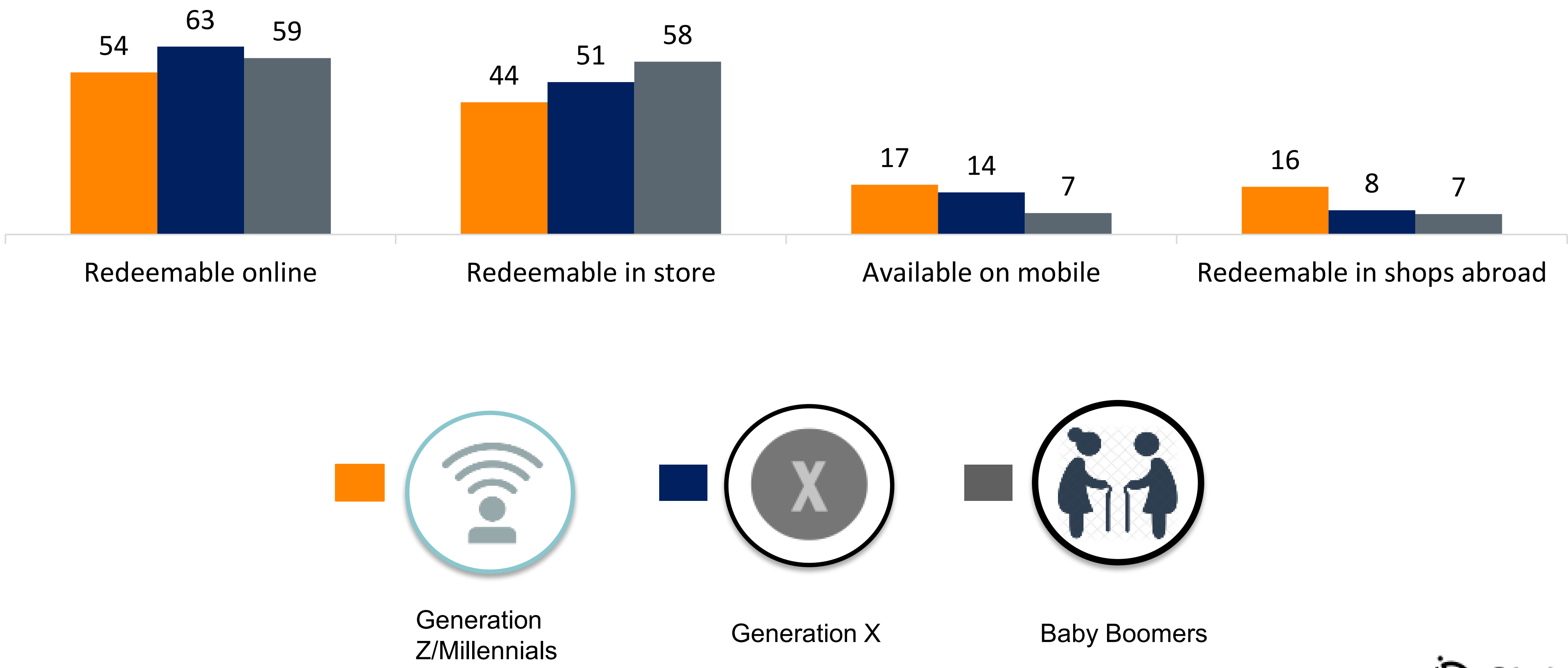
Of the following options, which gift card features would influence you to make a purchase?

% of each age group

All ▶ 59% 51% 13% 10%



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Purchasing, Occasions and Motivations

Buying gift cards for myself represents rising proportion

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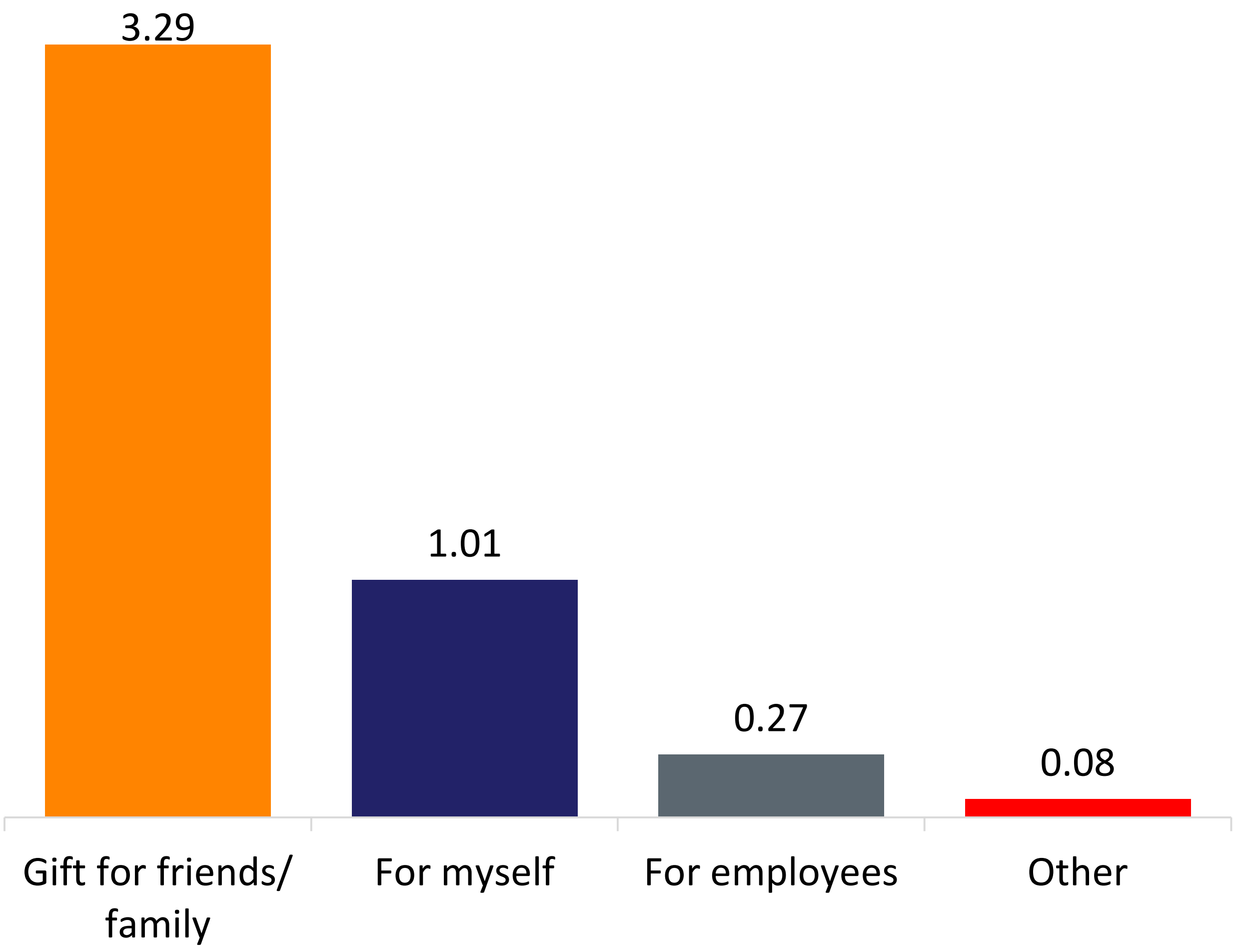
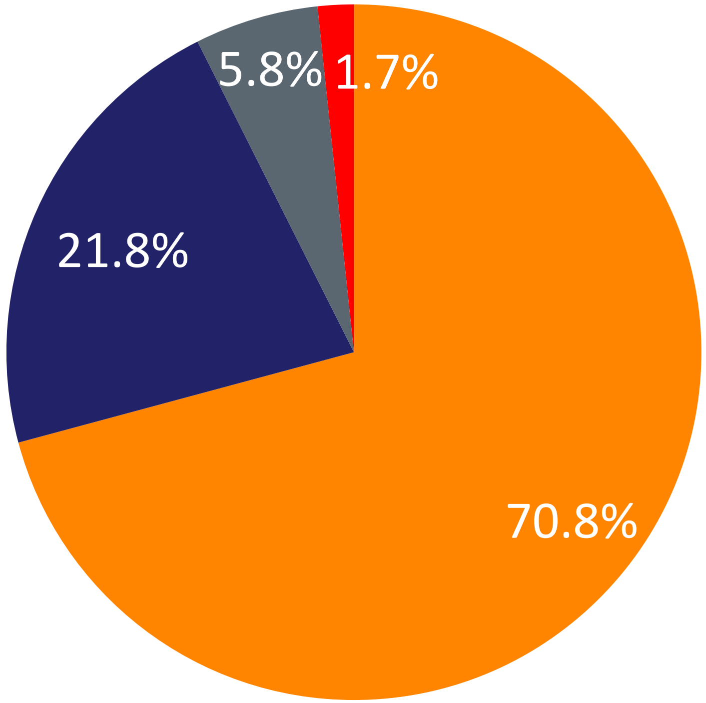
Gift card purchase motivations, 2019



Expenditure, 2019 (£bn)



Expenditure breakdown (%))

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In many cases people spend more giving gift cards

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36%

spend more when purchasing gift cards than they typically do when purchasing traditional gifts. Almost 94% spend at least the same as they would on a gift

£27.64

Is the average amount spent by gift card buyers when gifting gift cards as a present

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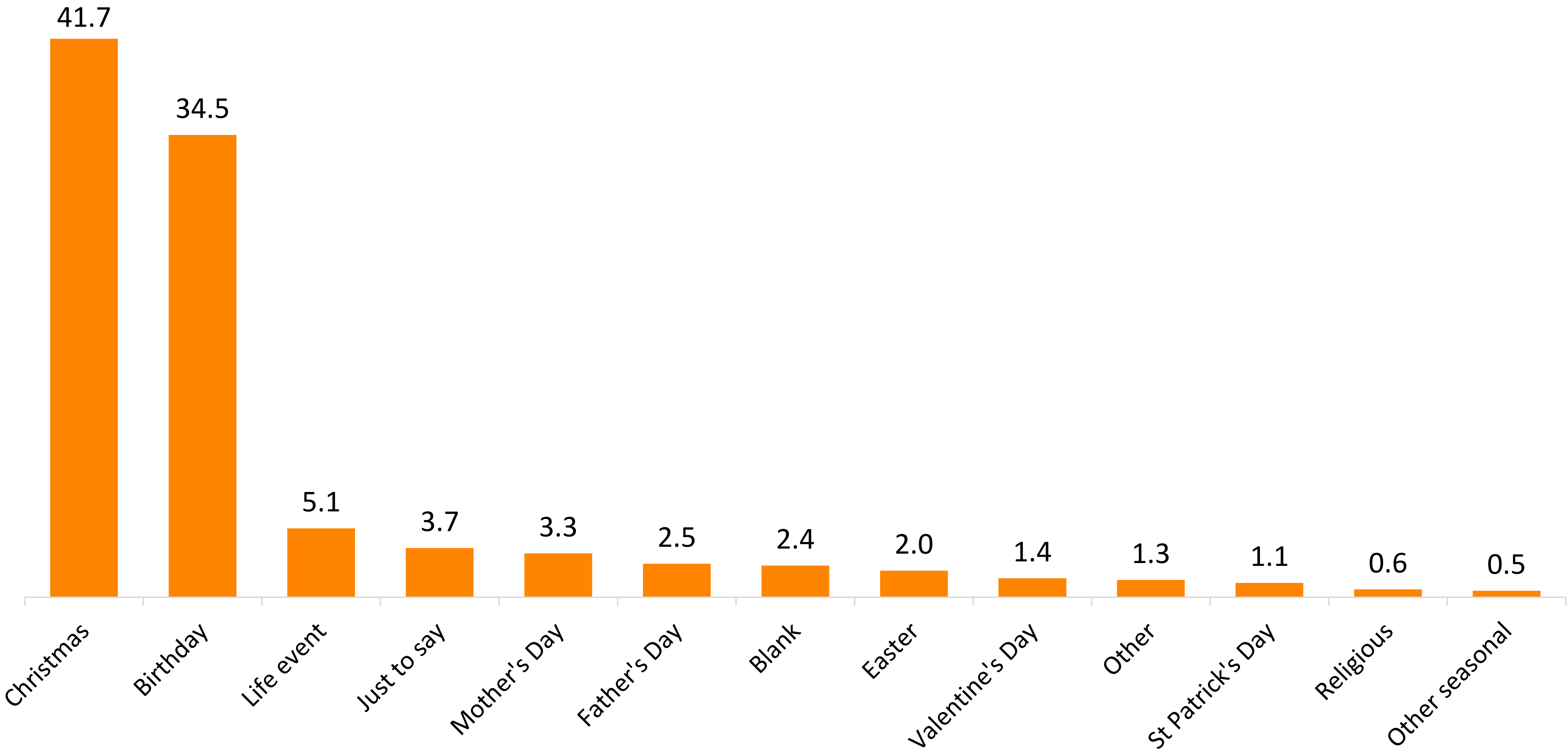
Christmas and birthdays remain key purchasing occasions

Spending by gifting occasion, 2019

Figures on the chart are percentages



Half of consumers spend their cards within a month

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50%

of ***all*** gift card shoppers spend their gift card within a month of receipt

60%

of ***Generation Z/Millennial*** gift card shoppers spend their gift card within a month of receipt

98.6% of shoppers spend their gifts cards within a year of receipt

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The B2C Segment

B2C market will grow from 2022

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B2C market size 2019-2025 growth: +2.7%

	Value (£m)	Growth
2019	3,658	-3.5%
2020	3,581	-2.1%
2021	3,559	-0.6%
2022	3,591	+0.9%
2023	3,634	+1.2%
2024	3,689	+1.5%
2025	3,755	+1.8%

88.2%

of gift card purchases bought via retailer/gift card issuer in 2019

Physical stores remain the main B2C channel

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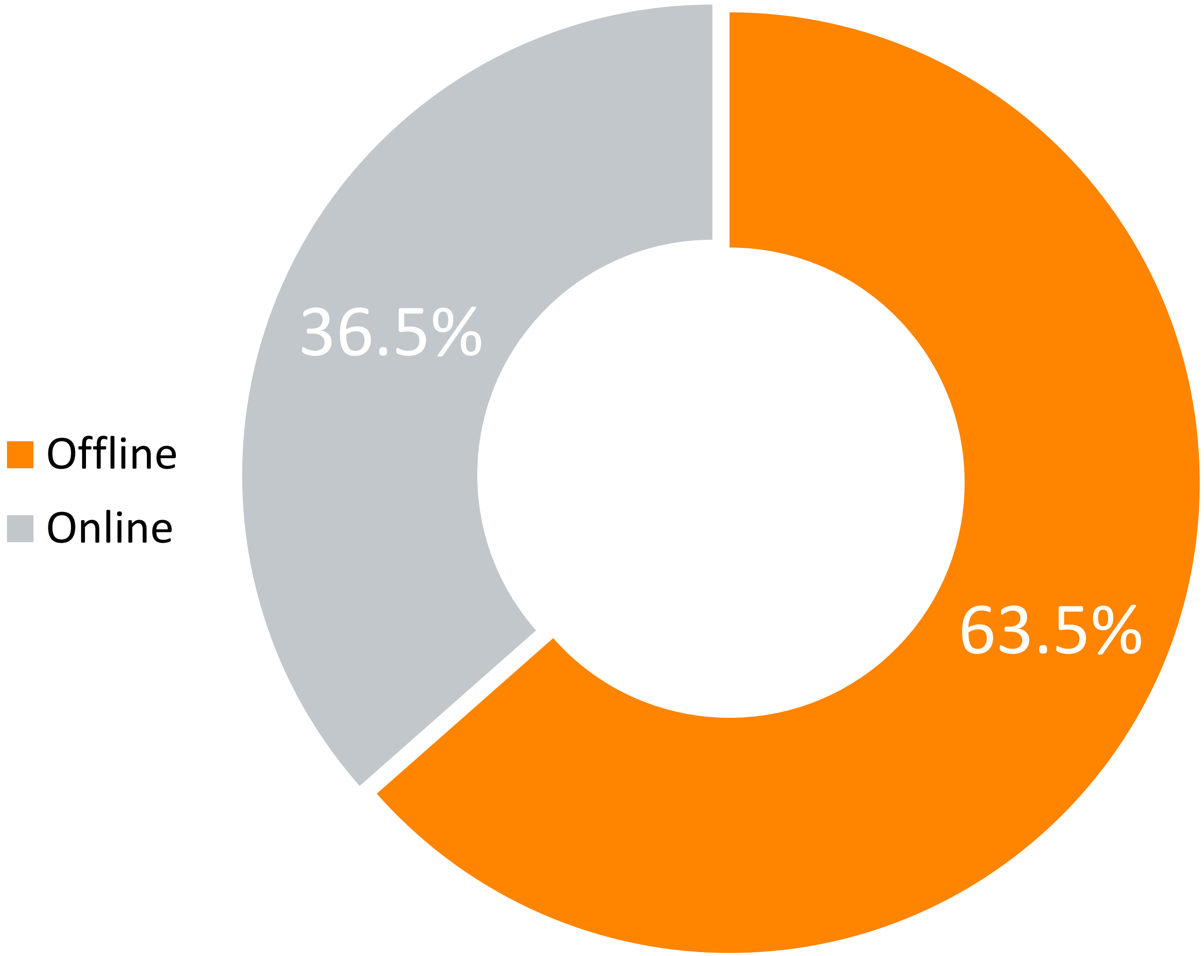
Proportion of B2C spend from each retail channel, 2019

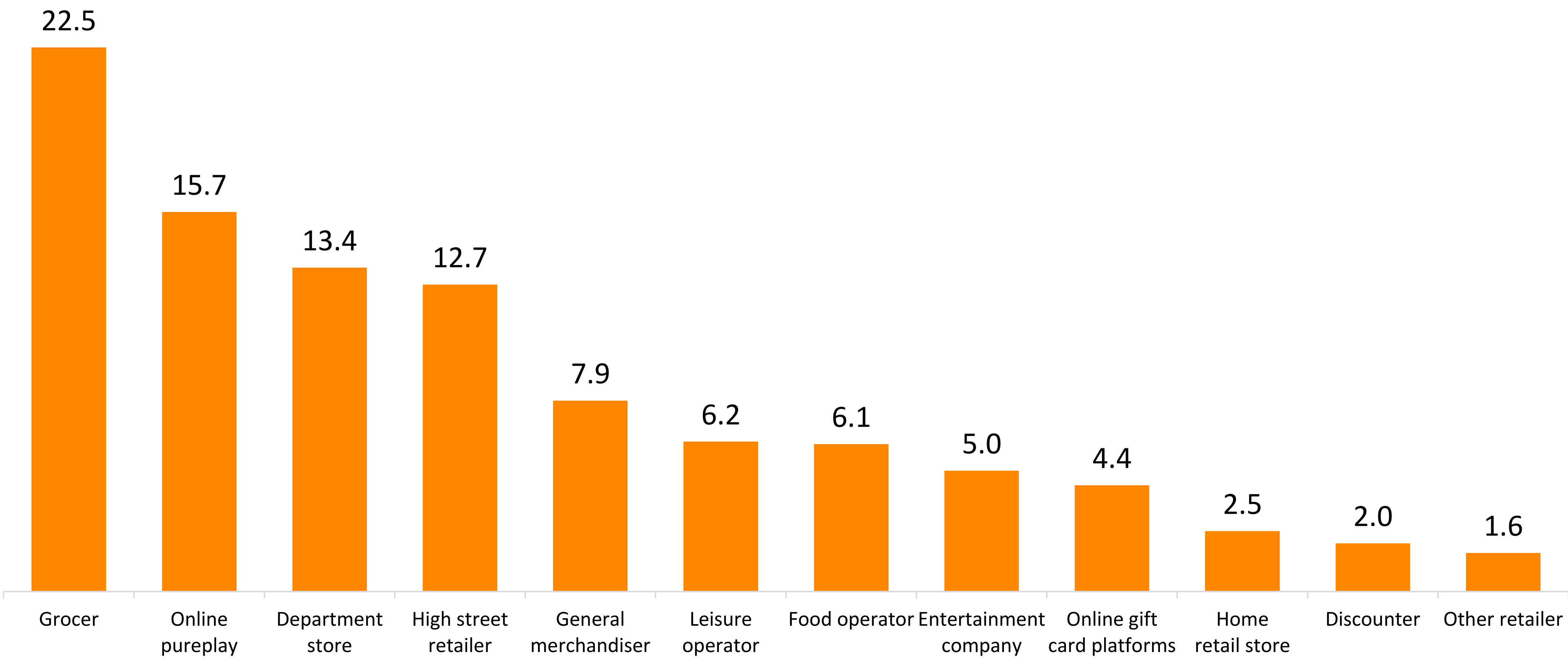


As a proportion of total consumer expenditure on gift cards, the online gift card market is £2.33bn – 50% of total consumer expenditure on purchasing gift cards.

Grocery retailers represent the main B2C channel

B2C spending by retailer type, 2019

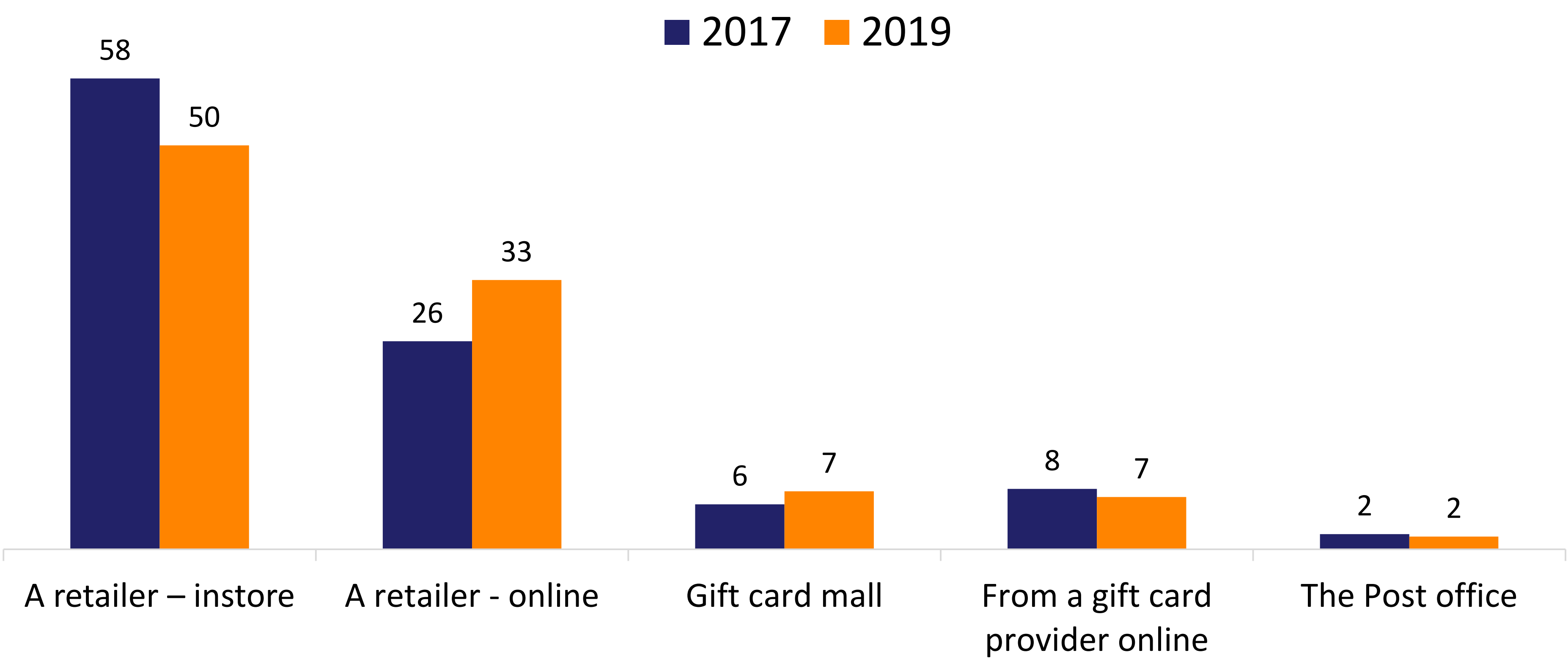
Figures on the chart are percentages



Physical stores are the key gift card shopping locations

Where are you most likely to purchase a gift card?

Figures on the chart are percentages



The B2B Segment

The B2B gift card market is driving gift card growth

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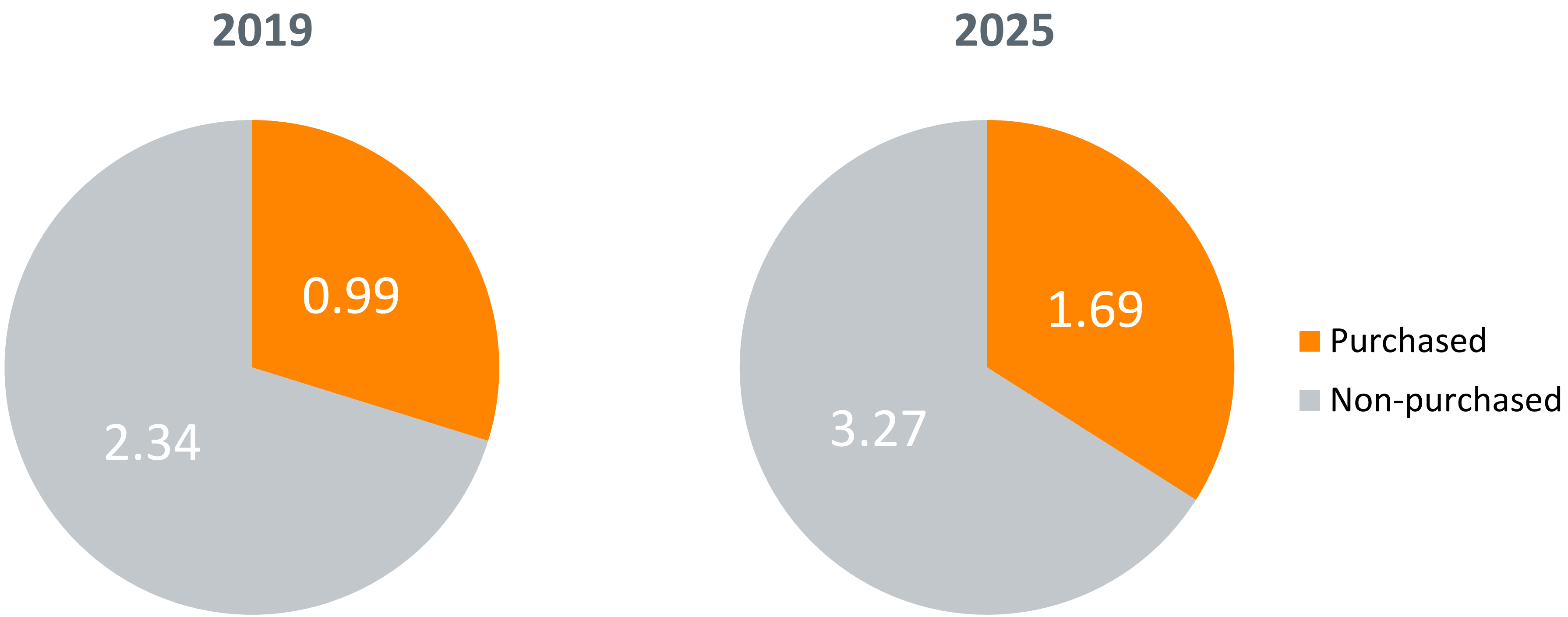
Overall B2B market size in 2019 and 2025 (£m):



Total B2B: £3.33bn

Total B2B: £4.96bnbn

48.9%

2019-2025 overall B2B market size increase

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Gift card managers are being proactive on B2B

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The purchased B2B segment:

21%

of gift card purchasers bought via work programmes in 2019

70%

are developing partnerships with other companies, such as price comparison businesses, energy companies and media companies.

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B2B is a key area of growth

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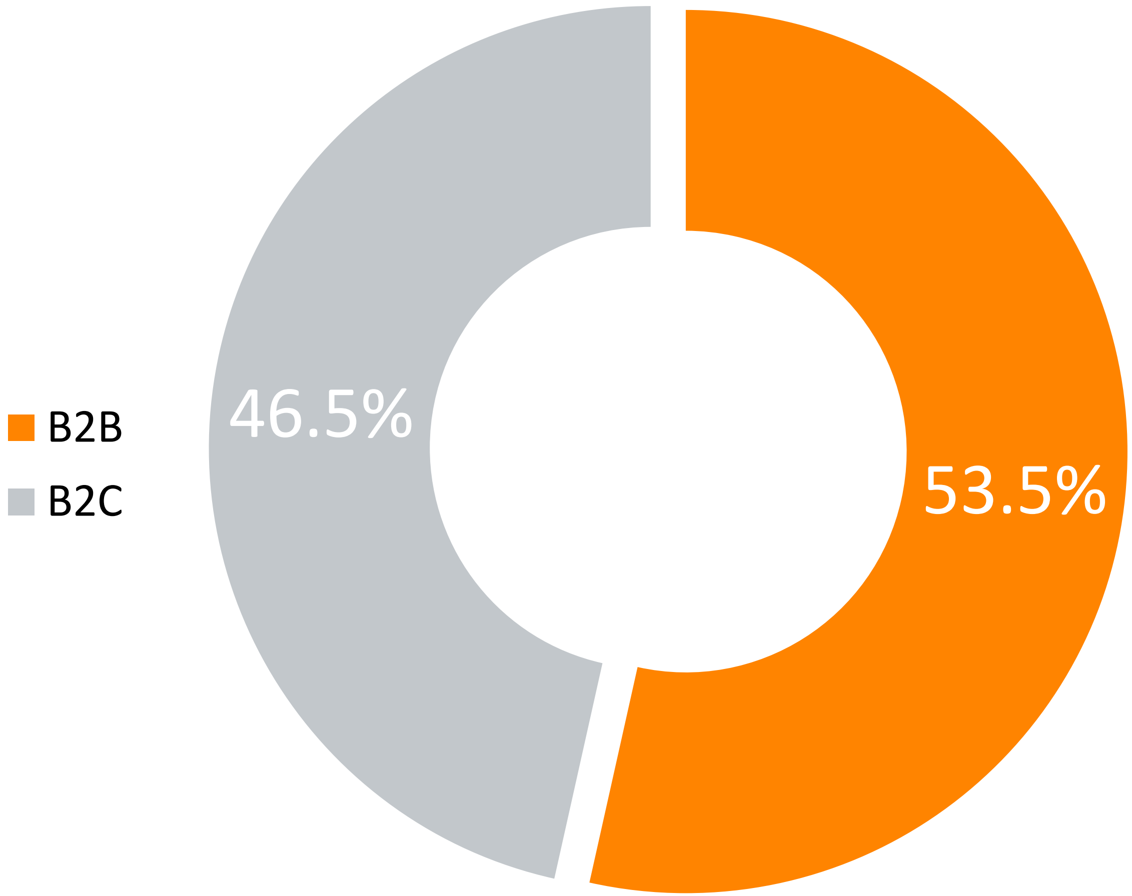
How much time do you /your team spend on B2B v B2C? (gift card managers)



35.9% of gift card managers said that B2B is the biggest growth channel in their business.

59.0% said that B2B and B2C are both growth channels

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Gift card managers are being proactive on B2B

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Gift card managers' views

62%

of gift card managers have looked to develop partnerships directly with other retailers/brands

44%

are developing partnerships with other companies, such as price comparison businesses, energy companies and media companies.

Overcoming the knowledge gap: B2B

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Gift card managers' views

76% of gift card managers talk through how the B2B gift programme works in detail to relevant people in the organisation

70% of gift card managers focus on quantifying the benefits of those schemes to relevant people in the organisation

Wider value

Extra spend boosts gift card redemption value

Gift card spenders often spend more than the value of the card during redemption:

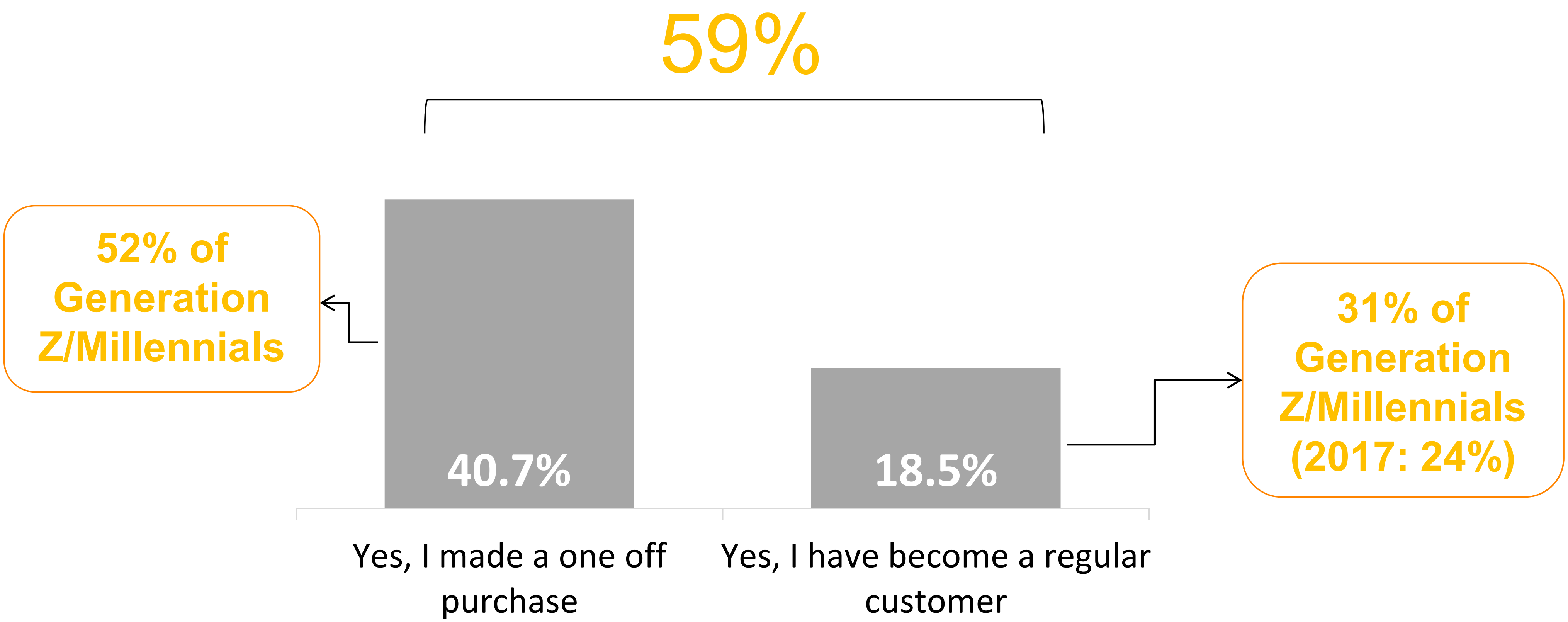
2019 value of gift card redemption = £6.85bn

Average total boost of spend over the value of the gift card during redemption = 35%

2019 value of gift card redemption with boost = £9.25bn

Cards attract new customers

Have you ever been introduced to a new brand or organisation after being given a gift card?



Cards attract new customers

Expenditure during new brand intros via gift cards = £757m

Summary

GIFT CARDS IS A £7BN SECTOR

B2B IS DRIVING GROWTH IN THE SECTOR

RETAILER STRUGGLES IMPACT B2C

HIGH RELEVANCE ACROSS ALL AGES

DIGITAL GROWING IN INFLUENCE

SELF-USE IS ON THE RISE

GIFT CARDS BOOST WIDER VALUE

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