

A blurred photograph of a crowd of people walking through a modern building. The walls are a warm orange color, and the floor is light-colored with a grid pattern. Large black arches frame the scene. The people are in motion, creating a sense of a busy, modern environment.

Carat_{from} fiserv.

UK Annual Prepaid Consumer Insights Survey

Gift Solutions

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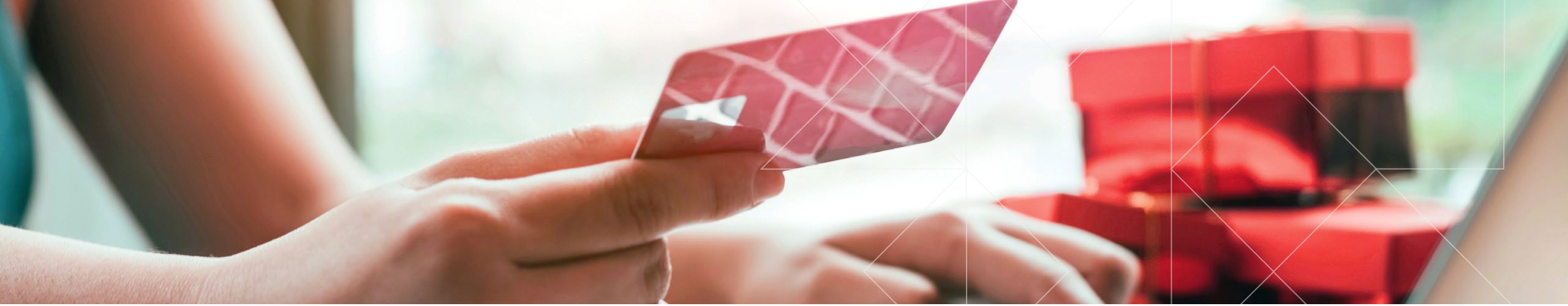
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Welcome to the age of consumer loyalty

With 78% of consumers joining loyalty programmes, savvy merchants are continuously thinking of ways to engage their audience. Look no further than quick-service restaurants, where global brands like McDonalds, Dunkin' Donuts, Wendy's and Taco Bell are offering points and rewards to keep hungry patrons at their doors.

Some take it even further, incentivising their loyal consumers through gift card spending. Take Starbucks, for example. In participating countries, the popular coffee chain provides double loyalty points when consumers pay with a gift card. Even better, the company is known to

push additional promotions throughout the year with even greater multipliers for gift card usage. For Starbucks fanatics, reloading their gift cards means more points for them and more guaranteed revenue for Starbucks.

Starbucks isn't alone in its approach, signalling the evolution of the gift card from a one-time plastic entity to an integrated part of the loyalty experience. In fact, incentive programmes are why over two in five (43%) consumers buy gift cards for themselves. These little extras provide a big push in consumer loyalty.

Consumers are showing that gift card spending is steady, as 38% have purchased the same amount of gift cards as they did in 2022. Further, 75% of consumers say they will spend more than a gift card's worth at a retailer. With the UK gift card market estimated to surpass £100b by 2027, now is the time for merchants to make their move¹.

So, how can merchants harvest this increased spending while improving loyalty? The latest research from Fiserv's UK Annual Prepaid Consumer Insights Survey identified four key trends that will shape 2024 planning, which will be discussed throughout this eBook.

¹United Kingdom Gift Card Market Report 2022 - <https://www.globenewswire.com/en/news-release/2022/04/05/2416652/28124/en/United-Kingdom-Gift-Card-Market-Report-2022-Market-is-Expected-to-Reach-107-74-Billion-by-2027-Increase-in-Universally-Accepted-Open-Loop-Gift-Cards.html>



Consumers often choose between tangibility and speed

More consumers favour physical card purchases

While the digital age continues to influence our purchasing behaviour, more consumers prefer physical (55%) than digital gift cards (45%). Merchants must be mindful of consumers' preferences and continue to cater to their needs for both tangibility and speed.

I tend to purchase more...



While banking, purchasing and even some credit cards have gone completely digital, consumers are hesitant to bring this same approach to gift cards. In fact, more shoppers lean toward purchasing physical cards than digital ones. The reason for the divide? Catering to their needs for tangibility and speed.

For merchants, navigating this split in consumer preference is of utmost importance to ensure that revenues aren't missed due to consumer frustrations or dissatisfaction.

For digital purchasing, merchants must focus on ease and immediacy. Specifically, consumers who prefer the digital gift card purchasing experience do so because it provides immediate delivery (74%), ease in sending compared to mailing physical cards (48%), and ease in purchasing compared to physical cards (41%). Take notes from ODEON Cinemas and Cineworld, which work to ensure an easy customer experience. The organisations feature gift buttons on their top navigation

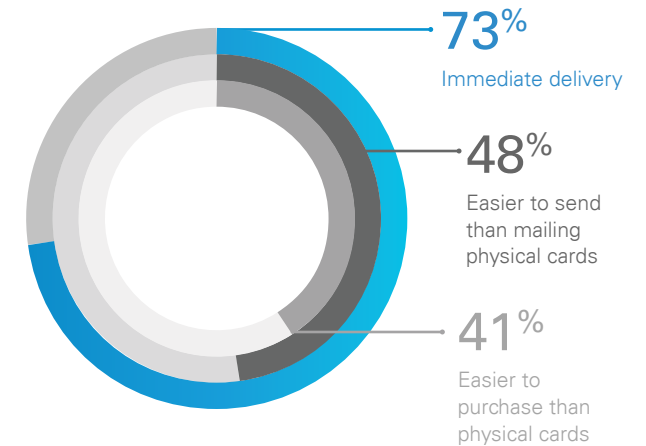
bars, allowing visitors to quickly see where to purchase a gift card. Remember, if processes are obscured, consumers may look elsewhere.

Catering to today's consumers means meeting their needs for speed and tangibility through their preferred channels.

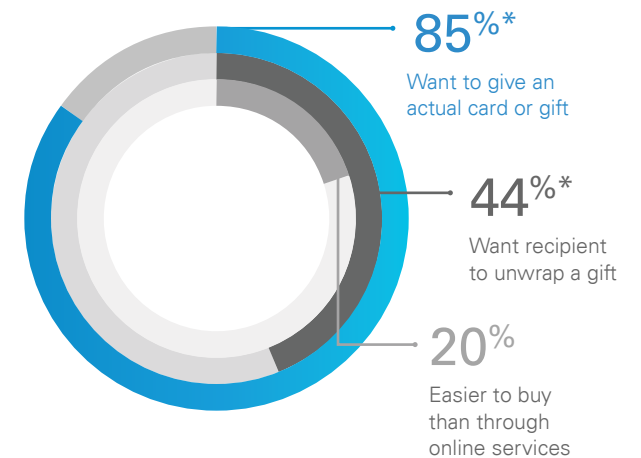
When catering to those who prefer physical gift cards, merchants must understand the importance of tangibility for these consumers, 85% of whom love the idea of giving a physical gift to someone and 44% of whom want the recipient to unwrap a gift.

Ultimately, merchants cannot prioritise one purchasing area over the other. Instead, to maximise business revenues, merchants must equally focus on optimising both their physical presence and online distribution.

Why digital



Why physical



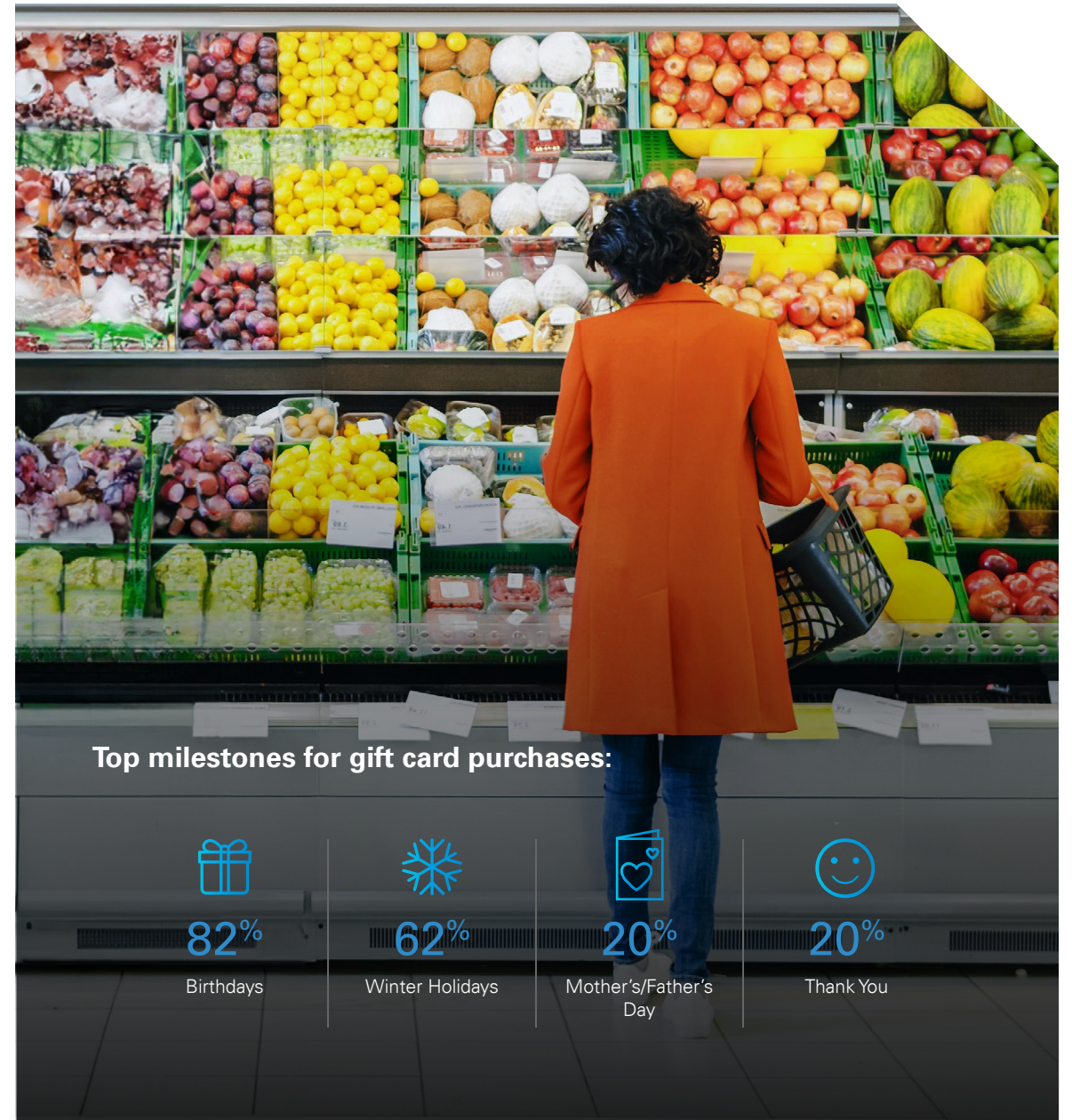
* Both are up from 2022 (75% and 42%, respectively)

Think bigger with distribution

More than two in five (44%) consumers buy from merchants that offer multiple vendor gift card options

When it comes to shopping, consumers want convenience. Seeking partnerships that increase your distribution through online and in-store multi-card sellers will allow you to meet consumers where they shop.

Where consumers prefer to purchase gift cards:





While consumers will often visit multiple retailers for tangible gifts, the same cannot be said for gift cards. In fact, more consumers noted that they prefer to purchase gift cards from businesses that sell a variety of gift cards (44%) compared to the actual place where the gift card will be redeemed (34%).

For merchants, this means thinking beyond your physical stores and website and identifying partnerships that get your gift cards where

your consumers are most likely to frequent. Think grocery and/or big box stores like Tesco, Sainsbury's, Asda, Morrisons, Argos, and Currys.

Merchants must also consider the digital marketplace as a source to expand distribution. Trusted digital merchants like GiftPay and more provide a secure and easy way for consumers to purchase multiple gift cards from a single webpage.

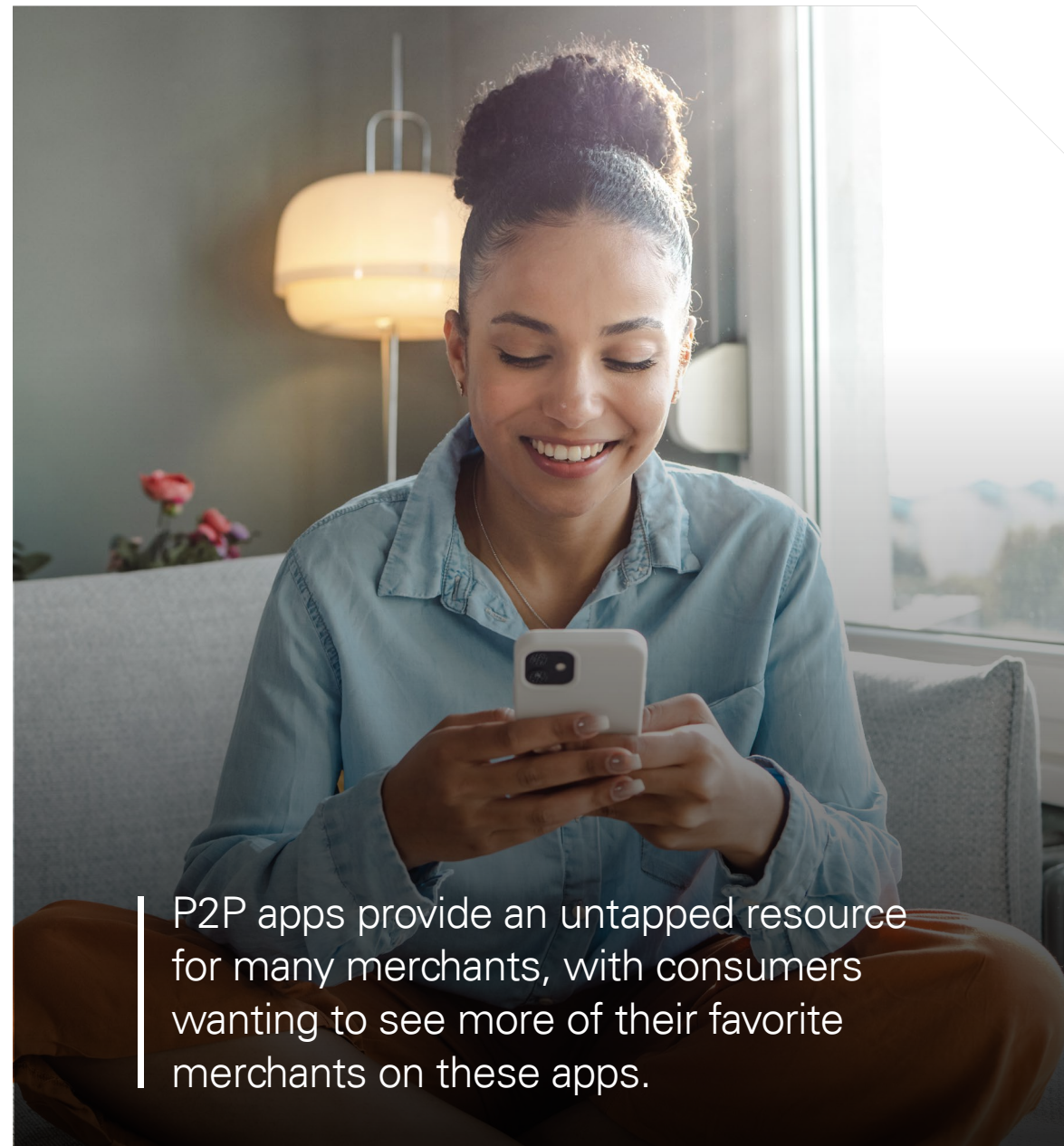
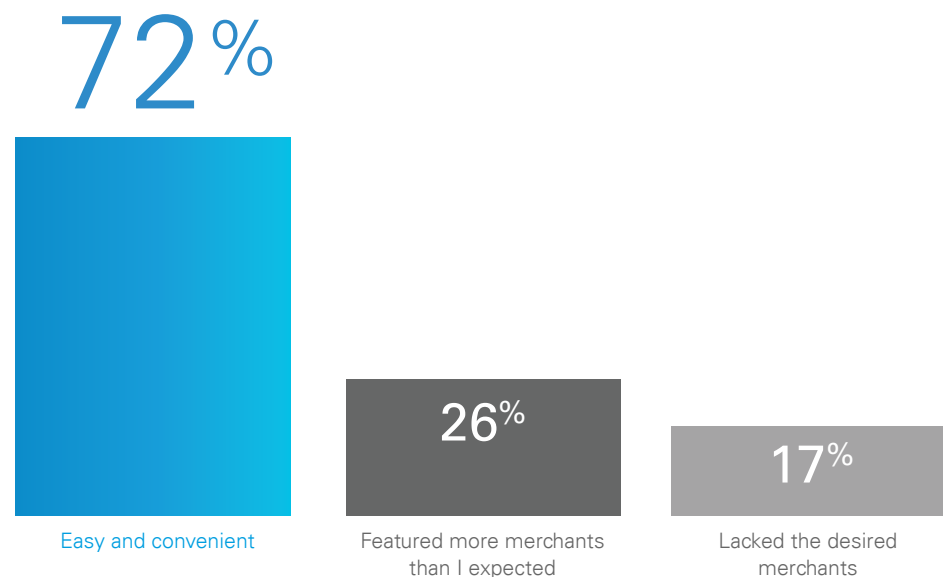
Beyond expanding distribution, merchants must also be aware of consumers' preferred milestone gifting occasions. While more than four in five (82%) will purchase gift cards for birthdays, winter holidays (62%), Mother's Day/Father's Day (20%) and thank you (20%) are the next most popular choices. Pairing an augmented distribution network with milestone-specific events will keep merchants at the forefront of consumer demands.

P2P provides an untapped sales resource

Slightly more than one-third (34%) of consumers are aware they can send gift cards through peer-to-peer (P2P) apps

P2P channels provide the ability to send gift cards easily. Merchants must take notice and continue to meet their consumers through their desired digital channels.

What was your experience sending a gift card through a P2P app?

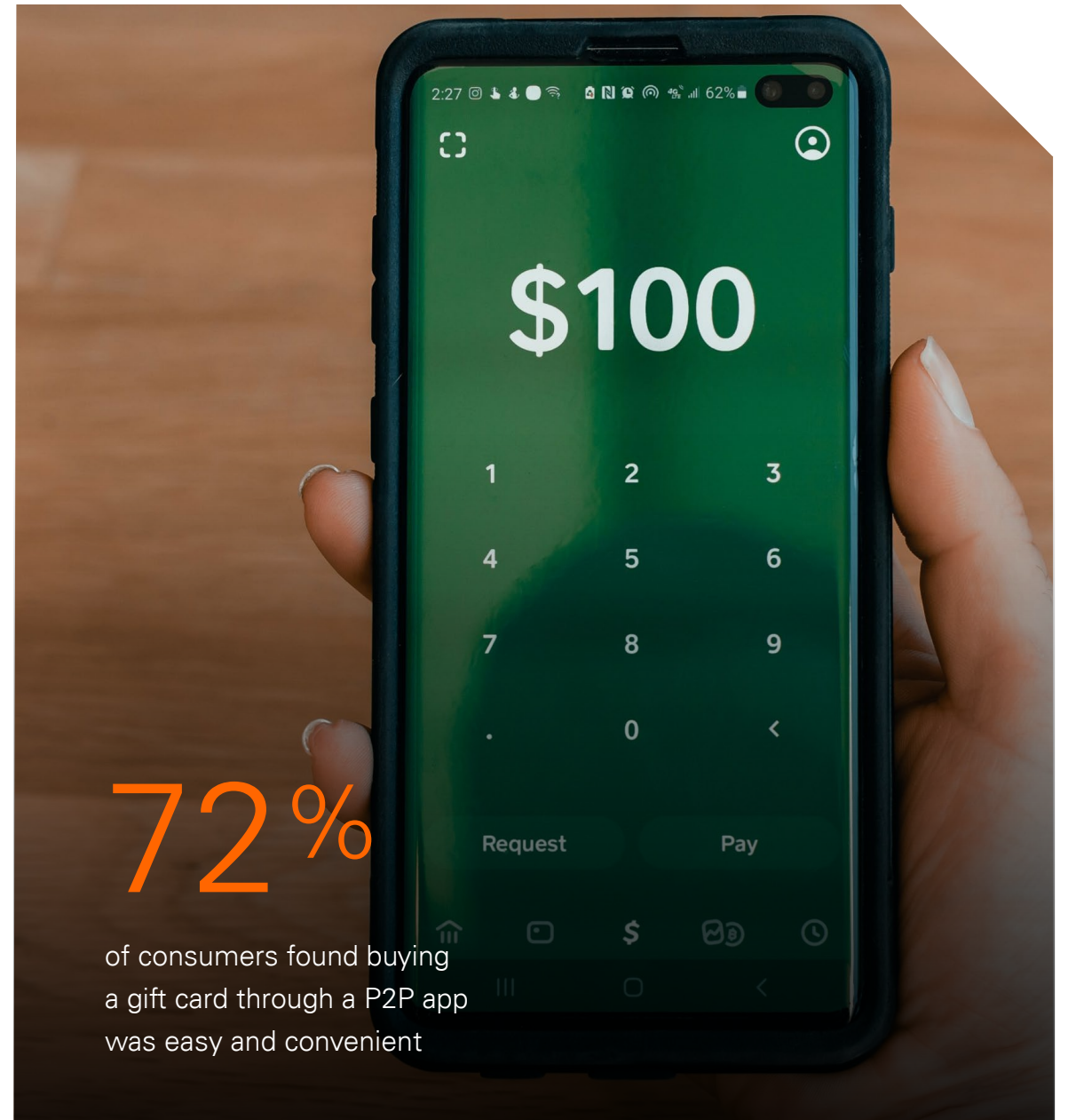


While gift cards led the charge as the top way to give a friend money as a present (55%), nearly one-fifth (19%) of those surveyed would use digital payments like PayPal and Cash App. These P2P platforms have risen in popularity over the past few years and are expected to reach \$1.4 trillion in total transactions for 2023, a 28.5% increase from 2022, according to eMarketer¹.

For merchants, P2P signals a new way to reach consumers by making their gift cards available to send through P2P apps. This concept is not entirely foreign, as 34% of consumers indicated they are aware that gift cards can be sent through these apps. In fact, of the 50% of consumers who sent a gift card using one of the P2P apps, 72% said it was easy and convenient, and 26% said it featured more merchants than expected. In total, only 13% of consumers said they wouldn't use P2P to send gift cards.

While consumers can rely on P2P apps to send gift cards from retailers (Adidas, Bonmarché, Zalando), gaming (Nintendo eShop, RuneScape, Xbox), and food delivery services (Uber Eats, Just Eat), overall merchant options are limited. Specifically, just 17% feel P2P channels lack their desired merchants. Merchants can keep pace with current gifting trends by leaning into this new payment channel and consumer calls for more options.

P2P apps provide an untapped resource for many merchants, with consumers wanting to see more of their favourite merchants on these apps.



¹eMarketer, US Peer-to-Peer Mobile Payment Transaction Value and Users 2020-2026 - <https://www.insiderintelligence.com/chart/261205/us-peer-peer-p2p-mobile-payment-transaction-value-users-2020-2026-billions-millions-of-users>

Gift cards keep balanced budgets

One in five consumers are using gift cards to manage their spending better

Inflation continues to impact consumer spending patterns, with many – including full families – now looking at gift cards to keep them on budget.

When it comes to gift cards and budgeting, with which of the following do you agree?

34%

Gift cards provide better money management than cash

32%

Gift cards are the new cash

31%

Gift cards and cash are interchangeable



Gift cards have multiple uses, from celebrating your sister's birthday to your friend's graduation to your colleague's new baby ... but what about personal finance? The set amount uploaded to a gift card can be a clever way to help manage money – 34% of consumers indicated that gift cards provide better money management than cash.

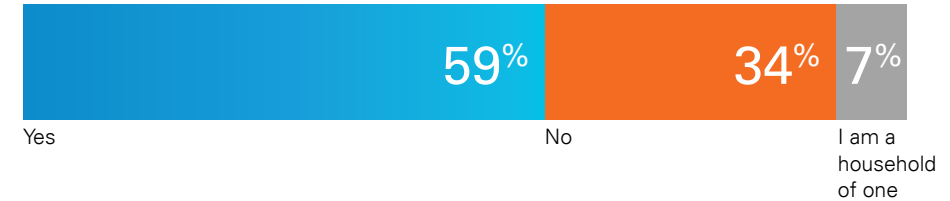
Gift cards have finally made their way into consumers' budgeting mindsets. It's time for merchants to take notice.

With gift cards becoming a growing budgeting strategy for households, merchants have a new, exciting avenue to reach more consumers in a way that feels good for everyone. Of the 34% of consumers who purchased a gift card for themselves, one-fifth indicated doing so for budgeting/money management purposes.

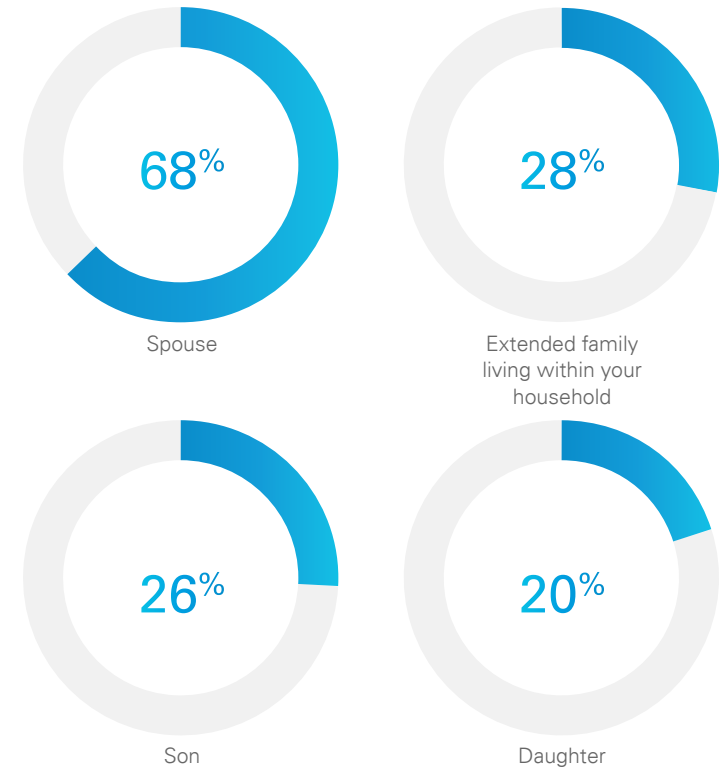
Some extend their gift card budgeting practice to other household members, including their spouse (63%), son (26%) or daughter (20%).

Additionally, 83% of consumers who buy gift cards for themselves say they also join loyalty programmes for merchants where they shop. Leveraging loyalty programmes to incentivise gift card usage can further strengthen the consumer/merchant relationship, giving merchants an opportunity for more personalised customer engagement.

In addition to yourself, do others in your household use gift cards for budgeting?



Who else in your family uses gift cards for budgeting?



¹eMarketer, US Peer-to-Peer Mobile Payment Transaction Value and Users 2020-2026

Methodology

The UK Annual Prepaid Consumer Insights Survey from Fiserv explores the continued impact technology trends and marketplace conditions have on UK consumers as they increasingly use gift cards to maintain budgets, send gifts through new channels and meet their shopping needs. Conducted in November 2023, more than 1,000 UK consumers participated in the study, covering all age groups (18 and older), regions, and genders. The margin of error of this study is +/- 3%.

About

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