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Welcome to the age of consumer loyalty

With 85% of consumers joining loyalty programs, savvy merchants are continuously thinking of ways to engage their audience. Look no further than quick-service restaurants, where companies like Chick-fil-A, McDonalds, Dunkin’ and Panera are offering points and rewards to keep hungry patrons at their doors.

Some are taking it even further, incentivizing their loyal consumers through gift card spending. Take Starbucks, for example. 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.

While Starbucks isn’t alone in its approach, it does signal the evolution of the gift card as a one-time plastic entity to an integrated part of the loyalty experience. In fact, incentive programs are the reason that most (55%) consumers buy gift cards for themselves. These little extras provide a big push in consumer loyalty.
Consumers are showing that gift card spending is returning to normal, as 69% have purchased the same amount of gift cards or more compared to 2022. This is accompanied by increases in purchasing (40% of purchasers are putting at least $50 on gift cards, a 33% increase from 2022) and spending (79% of consumers say they will spend more than a gift card’s worth at a retailer). With the U.S. gift card market accounting for nearly $500M in revenue in 2022, now is the time for merchants to make their move.

So how can merchants harvest this increased spend while improving loyalty? The latest research gleaned from Fiserv’s 21st Annual Prepaid Consumer Insights Survey identified four key trends that will shape 2024 planning, which will be discussed throughout this eBook.

Choosing between speed and tangibility

Consumers are split on digital and physical card purchases

While the digital age continues to influence our purchasing behavior, consumers remain split 50/50 on whether they prefer physical or digital gift cards. Merchants must be mindful of consumers’ preferences and continue to cater to their needs for both speed and tangibility.

I tend to purchase more…

50% Physical than digital gift cards

50% Digital than physical gift cards
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, consumers are generally split on their preference between digital and physical cards. The reason for the divide: speed vs. tangibility.

For merchants, navigating this clear split in consumer preferences 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 that prefer the digital gift card purchasing experience do so because it provides immediate delivery (63%), ease in sending compared to mailing physical cards (53%) and ease in purchasing compared to physical cards (50%). Take notes from AMC Theaters and Fandango, who work to ensure an easy customer experience. Both organizations feature a gift card menu button on their homepages, allowing visitors to fast track 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, many of whom love the idea of giving a physical gift to someone (85%) and half of which want the recipient to unwrap a gift (52%).

Ultimately, merchants cannot prioritize one purchasing area over the other. Instead, to maximize business revenues, merchants must equally focus on optimizing both their physical presence and online distribution.
Think bigger with distribution

Nearly half (47%) of 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:

- 47% Business that sells a variety of gift cards
- 34% Business where the gift card will be redeemed
- 16% Online gift card marketplace
- 3% Other

Top milestones for gift card purchases:

- 76% Birthdays
- 70% Winter Holidays
- 54% Congratulations
- 40% Weddings
- 39% Housewarming
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 (47%) 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 stores (Kroger, Publix, Acme Markets, etc.), big box stores (Walmart, Target, etc.) and even wholesale retailers (Costco, Sam’s Club).

Merchants must also consider the digital marketplace as a source to expand distribution. Trusted digital merchants like Gyft, eGifter 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 over three in four (76%) will purchase gift cards for birthdays, winter holidays (70%), congratulations (54%) and weddings (40%) also remain 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

Nearly 60% of consumers are aware they can send gift cards through peer-to-peer (P2P) apps

P2P channels provide the ability to easily send gift cards. 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?

67%

- Easy and convenient
- Featured more merchants than I expected
- Lacked the desired merchants

P2P apps provide an untapped resource for many merchants, with consumers wanting to see more of their favorite merchants on these apps.
While gift cards led the charge as the top way to give a friend money as a present (50%), digital payments like PayPal and Cash App took the second spot (27%). In fact, 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 – 58% of consumers indicated they are aware that gift cards can be sent through these apps. In fact, of the 55% of consumers who sent a gift card using one of the P2P apps, 67% said it was easy and convenient and 36% said it featured more merchants than expected. In total, only 24% 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 (Target, Walmart), luxury brands (Lululemon, Sephora), and food delivery services (Grubhub, Instacart), overall merchant options are limited. Specifically, nearly one in three (32%) feel P2P channels lack their desired merchants. By leaning into this new payment channel and consumer calls for more options, merchants can keep pace with current gifting trends.

Increase sales in 2024 by expanding your distribution network to reach consumers where they do their everyday shopping.
Gift cards keep balanced budgets

More than one in four consumers are using gift cards to better manage their spending

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?

- Gift cards provide better money management than cash: 39%
- Gift cards and cash are interchangeable: 37%
- Gift cards are the new cash: 32%
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 good way to help manage money – 39% 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.

Of the 62% of consumers who purchased a gift card for themselves, one-fourth indicated doing so for budgeting/money management purposes. Even more impressive, most extend their gift card budgeting practice to other household members, including their spouse (68%), son (45%) or daughter (28%).

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. Additionally, 90% of consumers who buy gift cards for themselves say they also join loyalty programs for merchants where they shop. Leveraging loyalty programs to incentivize gift card usage can further strengthen the consumer/merchant relationship, giving merchants an opportunity for more personalized customer engagement.

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

- Yes: 56%
- No: 36%
- I am a household of one: 8%

Who else in your family uses gift cards for budgeting?

- Spouse: 68%
- Son: 45%
- Daughter: 28%
- Extended family living within your household: 24%
Methodology

The 21st Annual Prepaid Consumer Insights Survey from Fiserv explores the continued impact technology trends and marketplace conditions have on U.S. consumers as they increasingly use gift cards to maintain budgets, send gifts through new channels and meet their shopping needs. Over 1,100 U.S. 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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We can help get you there.

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