

Category: Gift Cards

Methods: Market-Share Tracking, Consumer Trends

Summary

After a two-year downturn that mirrored the recession, gift card purchases bounced back strongly for the 2010 holiday season. Estimates of the gift card market vary greatly depending on who you ask, but no one can argue the growing trend of purchasing gift cards in lieu of a fruitcake, a tacky tie, or the unsolicited “gift” of workout clothes. Even if the market size is closer to \$50 billion (the Federal Reserve estimate) instead of twice that (the gift card industry estimate), no retailer wants to miss out on this opportunity, given every major retailer, and many mom-and-pop shops, is in the gift card game.



Strategic Issues

Gift cards pose a multitude of opportunities and possible risks to a retailer. Opportunities for a retailer include incremental revenue over the gift card amount, converting infrequent shoppers to loyal customers during the gift card redemption trip, and the possibility of nonredemption (for example, due to a lost card). Risks for the retailer include the cost of the gift card program (including management, inventory control, and security of the cards), purchase of items the customer would have purchased anyway, and losing a visit from loyal customers because they received a gift card from a competitor. Our client, Retailer A, a Fortune 100 company and one of the gift card market-share leaders, was interested in better understanding its competitive place in the gift card market, as well as understanding the gift card purchase decision and gift-card redemption experience. Decision Analyst recommended using quantitative surveys among both purchasers and recipients to capture gift card market share, as well as a deep dive into the motivations and behaviors surrounding a gift card purchase.

Research Objectives

The primary purpose of the study was to gain insight into the gift card market in general, and to measure Retailer A's performance against its key competitors, based on a nationwide survey. Additionally, by surveying gift card purchasers, the deep-dive surveys provided specific feedback into the impulse nature of gift card purchases, who the recipients are, and the specific occasions of the purchases, if any. From

the recipient survey, desired findings included the incremental value of the gift cards (in terms of both dollar amount and number of trips) and the influence of the gift card on the purchase.

Research Design and Methods

This project was conducted using a series of quantitative online surveys, both short market-level snapshots of the gift card market and more detailed questionnaires at the purchase/redemption level. The surveys were conducted two times a year to capture the seasonality of the gift card market, using a representative, nationwide sample of respondents. Respondents were screened for having purchased and/or received gift cards in the past six months. By asking purchasers who the gift card was for, the data included recipient information for children and teens, whose information would not otherwise be captured by the recipient wave (respondents were screened to be 18 or older).

Survey invitations were issued across the United States, sampled from the American Consumer Opinion® panel, Decision Analyst's online panel of over eight million respondents worldwide. In order to give holiday gift card recipients enough time to redeem their gift cards, we staggered the purchaser and recipient waves of the survey.

The market-share data were captured from a short screening survey among a robust sample of respondents. The survey asked the number of gift cards purchased, the value of each card, for which retailers they were purchased, and from what venue the cards were purchased. These questions were first asked for all members of the household, and then the process was repeated for the respondent personally.

A smaller number of qualified respondents were then led into a more detailed questionnaire, assigned to either a gift card purchaser or recipient section for one specific gift card, based on previous responses. Asked of the purchasers, this longer survey addressed such topics as general shopping behavior, the occasion and recipient of the gift, and future gift card purchasing. Recipients were asked the amount over the gift card value spent on the trip, the influence of the gift card on the purchase, and categories of items purchased with the gift card.

Results

From the data obtained, we were able to calculate the relative market share in terms of both gift card volume and dollar share. Profile for both the gift card receiver and gift card purchaser were developed and monitored over time for a wide variety of retailers. For the gift card receivers, the profile included:

- How they used the card (both during the holiday and nonholiday seasons),
- Whether they were frequent shoppers at the gift card store or not, and
- How much over the gift card they spent.

For the gift card purchaser the profile included:

- Whether the purchases were planned or unplanned,
- If a gift was included with the gift card, or
- If the gift card was purchased only to receive a special discount or promotion available to only those who purchased a gift card (and then if the gift card was kept by the purchaser to be used for necessities).

Gift card competitors (both major competitors and upcoming competitors) were identified and monitored over time. Implications for Retailer A included having gift-card displays throughout the store to encourage supplemental gift card purchases. Compared to its key competitors, Retailer A also had a larger share of infrequent shoppers redeeming gift cards, offering the client the opportunity to impress these shoppers and potentially expand its core customer base.

In addition, a concept screening survey was conducted to optimize the best design for the targeted audience and the targeted occasion. Improving the understanding of gift card purchasers and recipients provides valuable information that helped Retailer A grow their gift card market share and expand their customer base.