CONSUMER PULSE: GIFT CARDS

InComm is excited to present our new consumer pulse, which compiles ongoing market metrics on U.S. gift card shoppers, including their path to purchase and buying behaviors. Gift cards – with their versatility, huge range of brands represented, and adaptable formats – are entrenched in today’s consumer ecosystem ... so we’re looking inside the minds of those shoppers.

Our investment in ongoing proprietary data consistently brings our partners the clearest picture of consumer behavior possible. And given the unique state of commerce during the COVID-19 pandemic, we’re including our to-date results for the first two quarters of 2020, providing insight into the most current trends in gift card shopping.
Portrait of the Average Gift Card Shopper

We’ve trended year over year data, complete with the latest results from the first half of 2020, to deliver the most accurate snapshot of who’s buying gift cards and how they’re purchasing and using them.

These shoppers are most likely to be SUBURBAN (50%) over urban (30%) or rural (20%), and 63% are HOMEOWNERS.

typically FEMALE, MARRIED, WITHOUT CHILDREN at home.

37% Millennials

28% Gen X

25% Baby Boomers

INCOME LEVELS ARE SPLIT EVENLY:

- Middle: 35%
- Low: 33%
- High: 32%

EDUCATION LEVEL:

- Middle: 64%
- Low: 23%
- High: 14%
Buying Behavior – Who’s Buying, Where, and How Many?

37% of shoppers purchased gift cards online.

63% purchased gift cards in-store.

Those who intend to give gift cards to others purchased, on average, 4.2 cards per quarter.

Of note: Purchasing cards for others is likely to be a planned activity across all categories.

These purchases are usually planned (86%), and the intended recipients are family members about two-thirds of the time.

For closed loop purchases, 81% were planned in advance. These shoppers purchased 3.4 cards per quarter.

These planned purchases were also made in-store slightly more often (66%).

Open loop givers plan their purchases 90% of the time. They also buy more cards on average (4.8).

For closed loop purchases, 81% were planned in advance. These shoppers purchased 3.4 cards per quarter.

When parents give gift cards to their children, it’s usually to help them pay for something they want. For these parents, this is often a regular habit.
Giving and Getting

The majority of gift card shoppers also received a gift card recently (within the past 1-3 months).

55.8% of respondents said the cards they receive are ‘almost always’ for a brand they know and like.

When they receive a card for a brand they don’t care for, however, 62.5% of recipients will still use the card.

Overall, we found that gift-giving increased YOY.

The biggest factors influencing a purchasing decision for closed loop cards are:

- 31% convenience for the shopper
- 19% easy to spend for the recipient

What about something totally new?

- 57% said they have received a gift card for an unfamiliar brand.
- 78.7% said they will use a closed loop card for a brand they haven’t tried before.
- 87.7% (of those) are likely to visit or use that brand again.
Closed Loop

These branded gift cards can be used at consumers' favorite retailers, restaurants or service providers.

THE CLOSED LOOP SHOPPER BY GENERATIONS:

**#1**

Boomers move to second overall among closed loop shoppers.

**#2**

Otherwise, these shoppers tend to match closely to the overall gift card shopper profile.

**#3**

Boomers are more motivated to purchase gift cards by deals and reward opportunities.

37% of closed loop shoppers are likely to spend over the value of the card.

HOW DO CONSUMERS CHOOSE A GIFT CARD RETAILER?

- **Convenience**: 37%
- **Selection**: 23%
- **Easy in & out**: 12%
- **Discount**: 7%

CARDS PURCHASED PER QUARTER

- **Shoppers who buy digital cards**: 5.7 cards
- **The average card shopper**: 3.7 cards
Closed Loop: What’s Popular? What’s New?

**MOST POPULAR:**

1. **Dining**
   has consistently been the top closed loop category.

2. **Online Shopping**

3. **Omnichannel* Shopping**
   
   *Superstore retailers with both brick-and-mortar and online options.

**Gaming** continues to **increase** steadily each year.

- **2018**: 6%
- **2019**: 7%
- **2020**: 8%

Consumers who purchase gaming gift cards buy **70% more cards** (5.6 per quarter).

**DIGITAL CONTENT CARDS PURCHASED PER QUARTER**

- **Netflix**: 2.5 cards
- **Hulu**: 2.5 cards
- **PlayStation Store**: 2.1 cards

Shoppers who use digital content (Netflix, Hulu, etc.):

- **7.1 cards**

The average card shopper:

- **3.7 cards**
Open Loop

These all-purpose cards provide versatility, allowing users to spend funds nearly anywhere debit/credit cards are accepted. For consumers, this means a card that can be used online and offline, safely and securely, to meet a variety of needs.

THE OPEN LOOP SHOPPER VS. AVERAGE GIFT CARD SHOPPER:

Open loop purchasers are more than twice as likely as closed loop shoppers to prefer in-store displays for gift card communications.

They are also three times more likely to engage with communication offers delivered through register receipts (Catalina coupons).

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Using Open Loop – Spending Categories and Habits

**Gen Z**
1. Online Shopping
2. Clothing
3. Entertainment
4. Health & Beauty
5. Gaming & Streaming

Ranks health and beauty fourth and gaming and streaming fifth, two categories that don’t crack any other generation’s top five.

**MILLENNIALS**
1. Online Shopping
2. Clothing
3. Groceries
4. Entertainment
5. Dining

Online shopping is consistently the top category among all demographics.

**Gen X**
1. Online Shopping
2. Groceries
3. Clothing
4. Bill Pay
5. Entertainment

Uses cards for bill pay more often than any other demographic.

**BOOMERS**
1. Online Shopping
2. Grocery
3. Dining
4. In-Store Shopping
5. Clothing

Only generation that ranks in-store shopping in the top five.
Looking Out for Number One

GIFT CARDS FOR SELF-USE

While the majority of overall gift card purchasing is done in-store, self-use shoppers are split 50/50 between online and brick-and-mortar retailers.

Shoppers looking for closed loop digital content cards are 29% more likely to be purchasing the cards for themselves.

When making closed loop purchases, self-use shoppers prefer to make their purchases online 30% more often than other shoppers.

In fact, online is the most preferred channel for this group; by comparison, overall shoppers ranked online fourth.

Shoppers who purchase open loop cards for themselves buy 37% more cards than closed loop shoppers.

This is especially true for those using cards for Bill Pay; this group averages more than seven cards per quarter.

Spontaneous purchases are most likely when buying for self-use.

For some time now, there’s been a steady increase in consumers purchasing prepaid cards for self-use. These shoppers use the card for various reasons, including:

- convenient on- and offline spending
- budgeting and money management
- safety and security
- and as an alternative to traditional banking
We’re especially attentive to long-term upward trends in consumer habits – the kind of knowledge that can help brands and retailers meet buyers where they are. The following year-over-year consumer trends demonstrate notable increases.

### AVERAGE CLOSED LOOP CARDS PURCHASED

<table>
<thead>
<tr>
<th>Year</th>
<th>Closed Loop Cards Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2.6 cards</td>
</tr>
<tr>
<td>2019</td>
<td>3.9 cards</td>
</tr>
</tbody>
</table>

### AVERAGE OPEN LOOP CARDS PURCHASED

<table>
<thead>
<tr>
<th>Year</th>
<th>Open Loop Cards Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.4 cards</td>
</tr>
<tr>
<td>2019</td>
<td>5.4 cards</td>
</tr>
</tbody>
</table>
Adjusting to the Unexpected

The global pandemic that impacted the U.S. in 2020 has presented special challenges to almost every aspect of the economy.

For gift cards, this has driven quantity of cards purchased even higher for online and digital, areas that were already trending up year over year. Looking at the whole picture, the top categories in 2020 demonstrate this shift in need through the year’s first two quarters. As Q3 and Q4 data become available, we’ll be updating our Pulse to include the most current year-over-year information.

**OPEN LOOP**

1. Online Shopping
2. Groceries ▲
3. Clothing ▼
4. Electronics ▲
5. Entertainment ▼

**CLOSED LOOP**

1. Online Shopping ▲
2. Dining ▼
3. Big Box
4. Gaming
5. Grocery ▲

Clothing Retailer dropped out of the top five
What We’ve Seen From 2020

Online Purchases
- To-date percent increase: 57.5%

Online Purchases: Closed Loop
- To-date percent increase: 43.5%

Online Purchases: Open Loop
- To-date percent increase: 77%

Digital Cards Purchased: Closed Loop
- To-date percent increase: 61%

Average Closed Loop Cards Purchased Per QTR
- 2018: 2.6 cards
- 2019: 3.9 cards
- 2020 Q1 & Q2: 4.7 cards
- To-date percent increase: 81%

Average Open Loop Cards Purchased Per QTR
- 2018: 4.4 cards
- 2019: 5.4 cards
- 2020 Q1 & Q2: 7.1 cards
- To-date percent increase: 61%
More From 2020 To-Date

SELF-USE CARDS (OVERALL)

2020 AVERAGE
7.3 cards per quarter

Q1: 8.2 cards, Q2: 6.4 cards

FUTURE EXPECTATIONS

Given the circumstances of the ongoing public health crisis, consumer behavior has adjusted significantly in 2020. Amid economic downturn and mandated and self-imposed quarantines, “intent” to purchase physical gift cards reflects this consumer behavior.

When asked what they intend to do in the third quarter of 2020, the average cards a consumer expected to purchase decreased from two physical and two digital gift cards to two digital cards and one physical card.

However, this decrease does not mean consumers are cutting back on gift cards unilaterally. We found that there was no reported decline in the intent to purchase restaurant gift cards. The top categories of branded cards (online shopping, dining, big box retail) remain the same as in previous years - and we’ve already discussed the increase in digital content.

Dating back to 2018, this is a 55% increase in self-use cards purchased.
Making the Data Count

To help your business thrive, InComm is dedicated to tracking the latest consumer habits and attitudes regarding their gift card spending. From steady year-over-year trends to sudden reactionary spending, we monitor the data and deliver it to you in a detailed and meaningful way. Whether we’re analyzing shifting consumer attitudes and trends, streamlining our connections at retail or delivering our array of products and solutions, we’re always here to support our partners by building value into every transaction.

To learn more about our innovative payment technologies and solutions, visit incomm.com.

Questions?
Ready to talk solutions?
Contact us directly.

Source: InComm Market Metrics: Gift Cards | 2018-2020
TERMS AND DEFINITIONS

Closed loop
Cards limited to redemption on the specific brand or group of brands identified on the card (e.g., cards for a specific restaurant or restaurant group, gaming platform, or clothing store).

Open loop
All-purpose cards whose funds can be spent nearly anywhere (e.g., Mastercard, Visa, American Express gift cards).

Digital gift cards
Gift cards sent and redeemed electronically via email or SMS.

Year-over-year (YoY)
For our purposes, and to ensure the most accurate and relevant data, YoY data is for the full year of 2019 compared to the full year of 2018.

Overall
When referring to overall purchases or cards, this includes all closed loop and open loop cards combined.
## DEMOGRAPHIC KEY

### Generations
- **Baby Boomers:** Born 1946-1964
- **Gen X:** Born 1965-1976
- **Millennials:** Born 1977-1995
- **Gen Z:** Born 1996 or later

### Education Levels
- **Low:** High school or less
- **Middle:** Degree
- **High:** Advanced degree

### Panel Size
- 16,422 domestic respondents

### Household Income Levels
- **Low:** < $40,000
- **Middle:** $40,000 - $80,000
- **High:** > $80,000