INCOMM®

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.
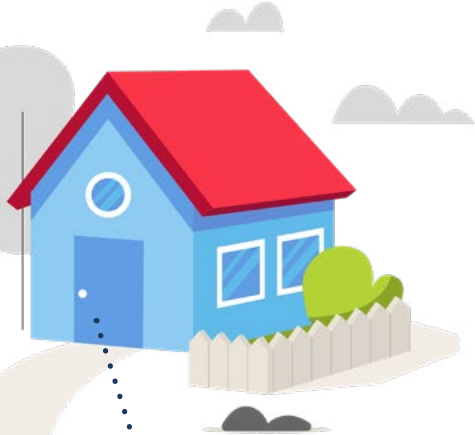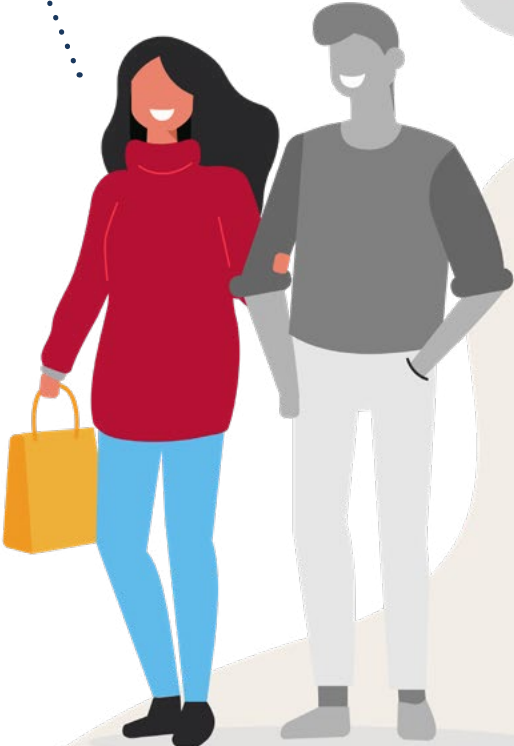
37% Millennials
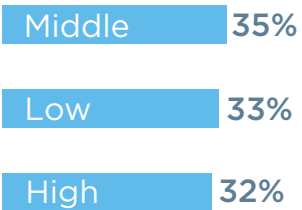
28% Gen X

25% Baby Boomers

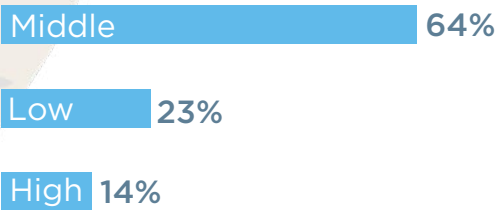typically **FEMALE, MARRIED, WITHOUT CHILDREN** at home.

These shoppers are most likely to be

SUBURBAN (50%) over urban (**30%**) or rural (**20%**), and **63%** are **HOMEOWNERS**.

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**.

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

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

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

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

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

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.

34%

2018   2019

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 Millennials

Boomers move to **second overall** among **closed loop shoppers**.

#2 Baby Boomers

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

#3 Gen X

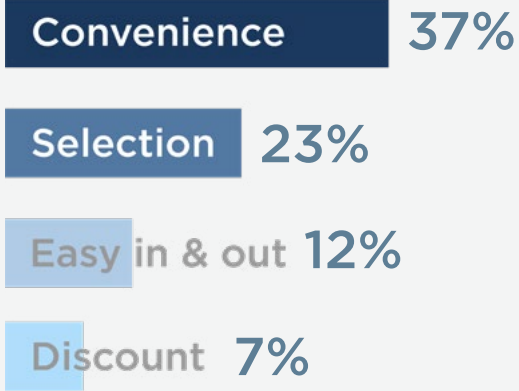Boomers are more motivated to purchase gift cards by deals and reward opportunities.

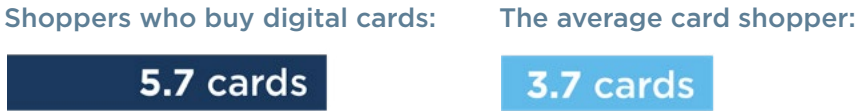## 37%
of closed loop shoppers are likely to spend over the value of the card.

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

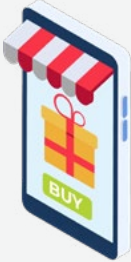# Closed Loop: What's Popular? What's New?

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.

6% 2018

7% 2019

8% 2020

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

DIGITAL CONTENT CARDS PURCHASED PER QUARTER

$25 hulu

$30 NETFLIX N

PlayStation.Store $25 GIFT CARD — All the Entertainment. The Adventure. Always Open. Download the latest games and add-ons, watch movies, and more from your PlayStation 4 system.

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.

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).

THE OPEN LOOP SHOPPER VS. AVERAGE GIFT CARD SHOPPER:

MILLENNIALS

BABY BOOMERS

FEMALES

THOSE WITH MINOR CHILDREN

HIGH INCOME INDIVIDUALS
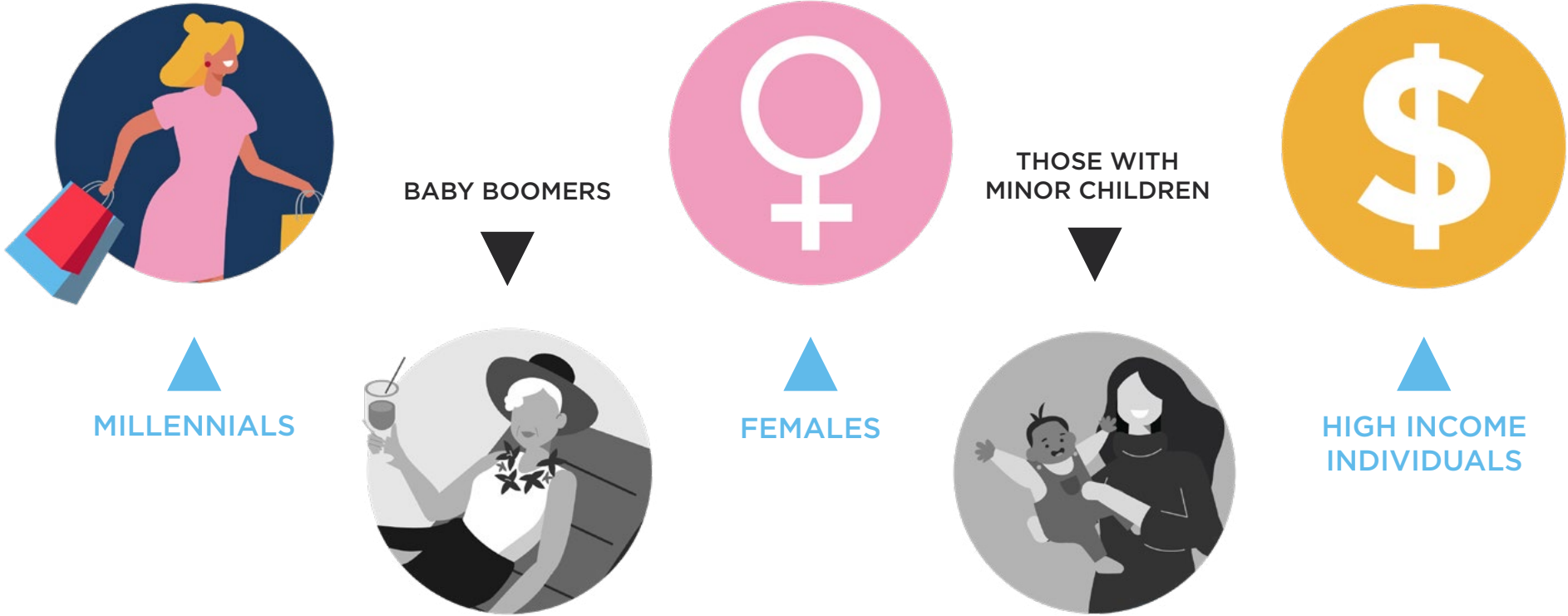
Using Open Loop – Spending Categories and Habits

Gen Z

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.

Gen X

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.

Online shopping is consistently **the top category** among **all demographics**.

Millennials

MILLENNIALS

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

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.

Baby Boomers

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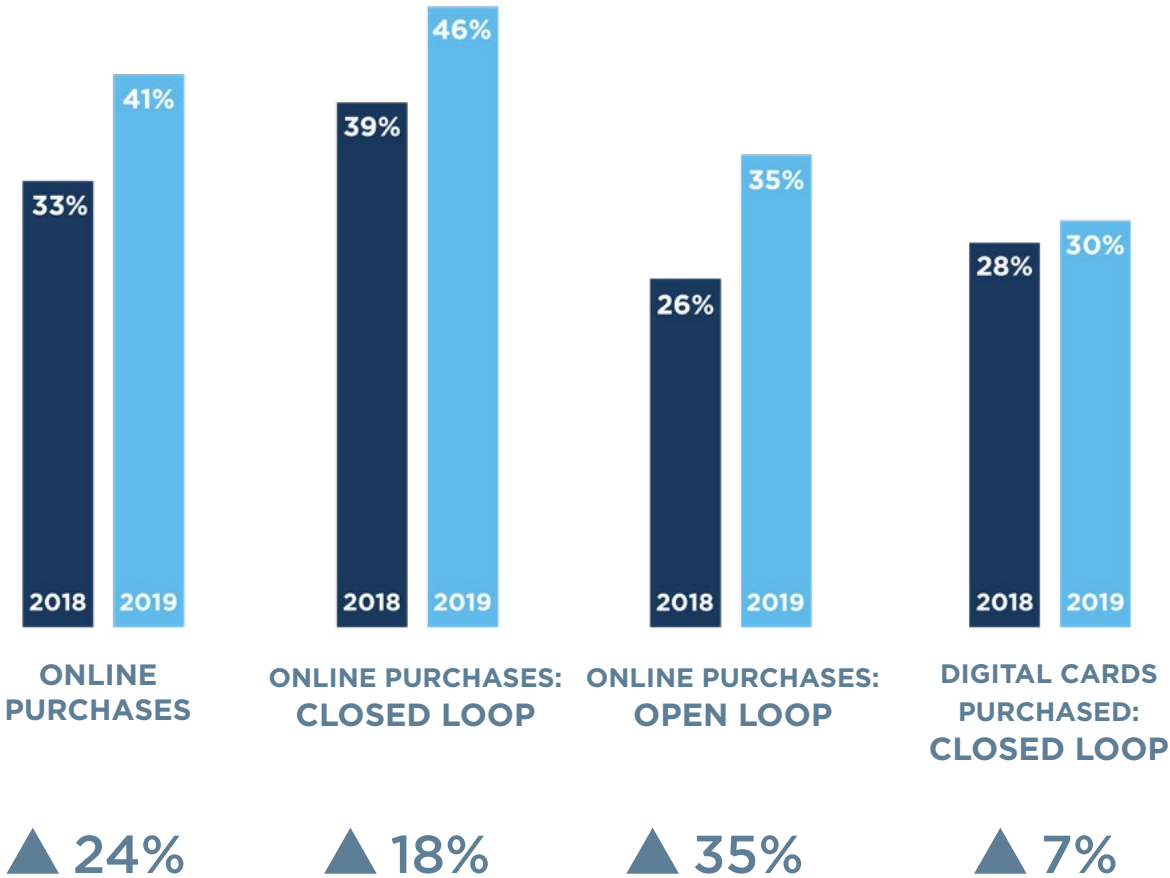
For some time now, there's been a steady increase in consumers purchasing prepaid cards for self-use. These shoppers use the card for various reasons, including:

- ✓ **convenient on- and offline spending**

- ✓ **budgeting and money management**

- ✓ **safety and security**

- ✓ **and as an alternative to traditional banking**

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.
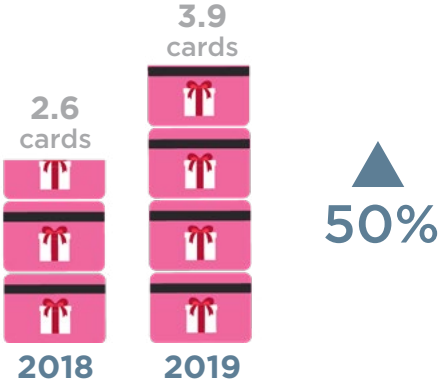
Spontaneous purchases are **most likely** when buying for **self-use.**
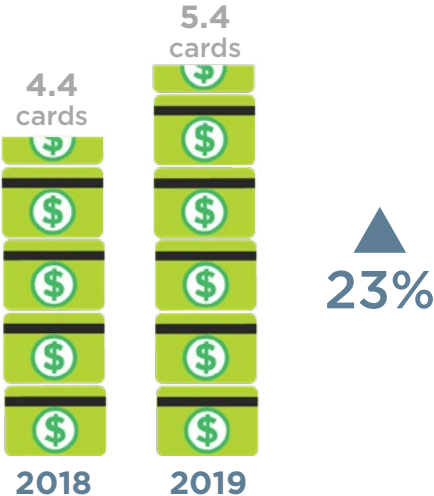
Year-Over-Year Trends

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.

ONLINE PURCHASES
- 2018: 33%
- 2019: 41%
- ▲ 24%

ONLINE PURCHASES: CLOSED LOOP
- 2018: 39%
- 2019: 46%
- ▲ 18%

ONLINE PURCHASES: OPEN LOOP
- 2018: 26%
- 2019: 35%
- ▲ 35%

DIGITAL CARDS PURCHASED: CLOSED LOOP
- 2018: 28%
- 2019: 30%
- ▲ 7%

AVERAGE CLOSED LOOP CARDS PURCHASED
- 2018: 2.6 cards
- 2019: 3.9 cards
- ▲ 50%

AVERAGE OPEN LOOP CARDS PURCHASED
- 2018: 4.4 cards
- 2019: 5.4 cards
- ▲ 23%

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
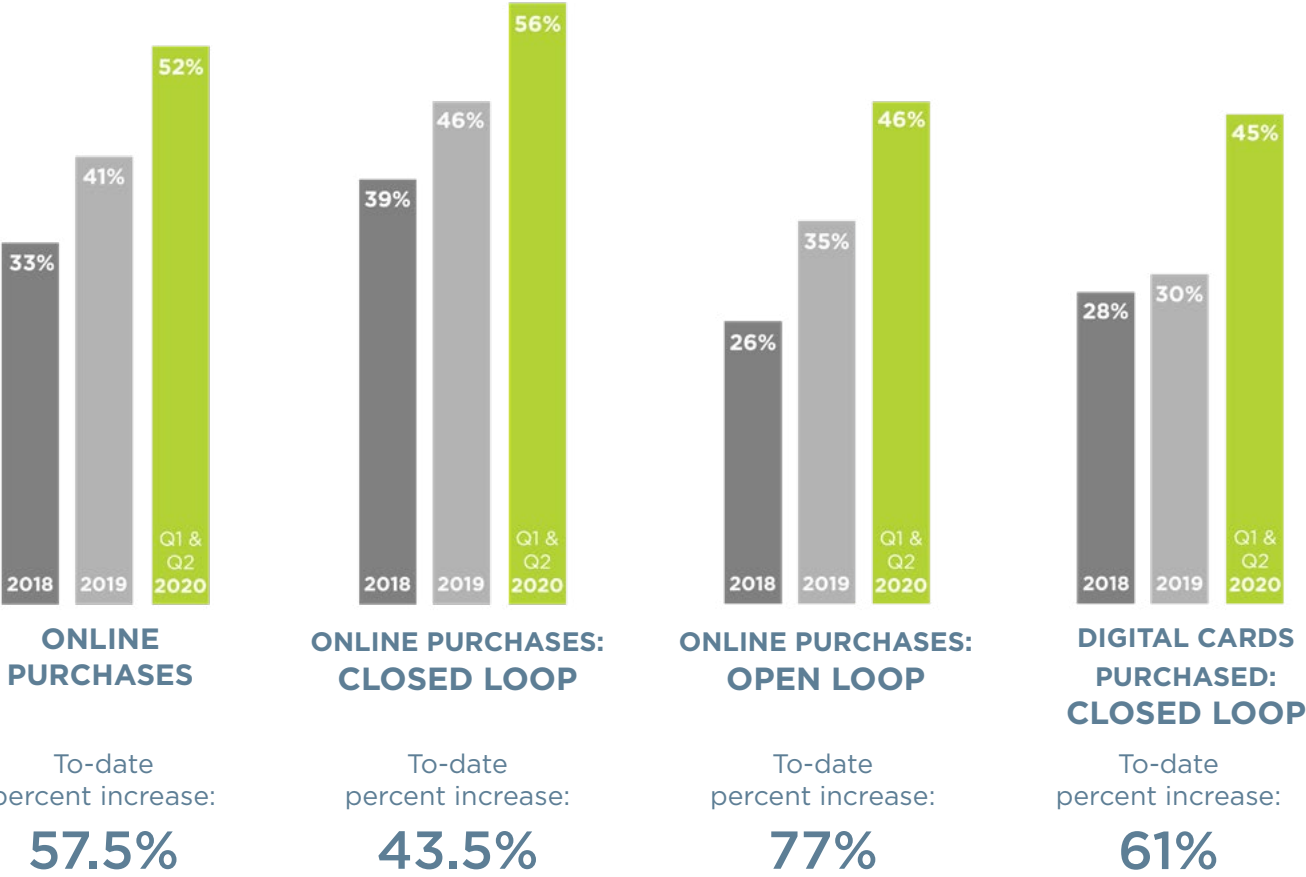
CLOSED LOOP

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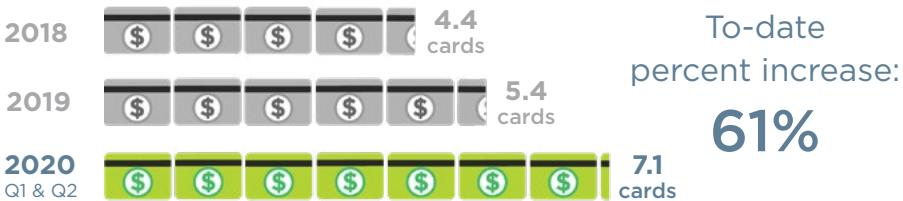**#5** ▲ Grocery

Clothing Retailer
dropped out of the top five

What We've Seen From 2020

ONLINE PURCHASES

- 2018: 33%
- 2019: 41%
- Q1 & Q2 2020: 52%

To-date percent increase: **57.5%**

ONLINE PURCHASES: CLOSED LOOP

- 2018: 39%
- 2019: 46%
- Q1 & Q2 2020: 56%

To-date percent increase: **43.5%**

ONLINE PURCHASES: OPEN LOOP

- 2018: 26%
- 2019: 35%
- Q1 & Q2 2020: 46%

To-date percent increase: **77%**

DIGITAL CARDS PURCHASED: CLOSED LOOP

- 2018: 28%
- 2019: 30%
- Q1 & Q2 2020: 45%

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

Dating back to 2018, this is a
**55% increase
in self-use cards**
purchased.

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.

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