



Gift Cards Keep on Giving

Physical Stores Benefit the Most from Long-Lasting Redemption

Key Takeaways

- Nearly two-thirds (65%) of U.S. adults received gift cards during the holiday season, acquiring a total of \$120.50, on average.
- Cards to full-service restaurants were the most popular.
- The largest share of recipients used gift cards in January.
- Younger generations are quickest at redeeming their cards.
- More than four-fifths (85%) of cardholders already purchased from omni-channel retailers—65% did so in stores, while 44% used the online platforms of brick-and-mortar retailers.

Gift cards continue to be the most popular item handed out during the holiday season. ICSC's latest Post-Holiday survey revealed that 68% of shoppers bought those as gifts for others—significantly more than the share (48%) who purchased apparel, the second-most popular item. Because of the importance of gift cards during the holidays, and their impact on retailers well into the year, ICSC revisited this matter two months later to better understand their usage and impact.¹

Higher Total Value of Gift Cards Obtained

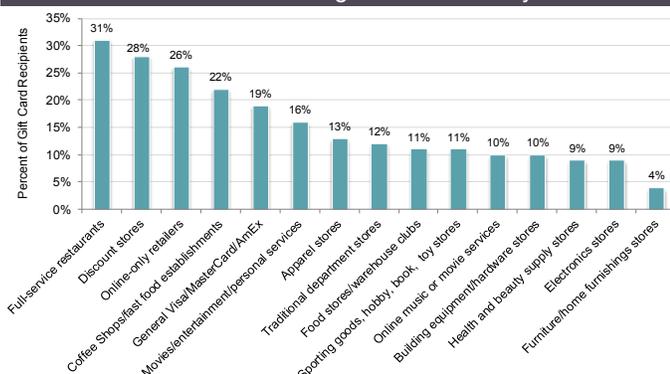
On par with previous years, 65% of U.S. adults received gift cards as presents last holiday season. On average, they each received \$120.50 in total value—a **6.3% increase** from the prior year. Though more millennials (76%) received gift cards than the older cohorts, Gen Xers received a higher amount (\$135.60). These total values, however, are often just the starting point. Over half (56%) of **those who received gift cards say they will spend more than the actual amount they have.**

Top Gift Card Satisfies Appetite for an Experience

The types of retailers or service providers to which recipients received gift cards are also very similar to previous years' surveys. Reflective of a popular theme today—that consumers crave experiences—gift cards to full-service restaurants (31%) were number one. (See Chart 1.) Following those were discount stores (28%), online-only retailers (26%), coffee shops/fast-food establishments (22%), general Visa/MasterCard/AmEx (19%), movie/entertainment/personal services (16%), apparel stores (13%), traditional department stores (12%), food stores/warehouse clubs (11%), sporting goods, hobby, book, toy stores (11%), online music or movie services (10%), building equipment/hardware stores (10%), health and beauty supply stores (9%), electronics stores (9%), and furniture/home furnishings stores (4%).

Chart 1:

Gift Cards Received During the 2017 Holiday Season



American Express (19%). Gift cards to movie theaters, entertainment venues and personal services—all experiential activities too—were close behind (16%).

The most popular gift cards received varied according to generation. Among millennials, cards for online-only retailers (30%) were at the top, while it was discount stores (35%) for Generation X and restaurants (40%) for Baby Boomers.

There has also been a growing trend to send digital/e-gift cards, and with that, more speculation that buyers would shop online only. But, despite that, this survey shows **physical plastic gift cards are still far more popular.** Roughly three-quarters (76%) say they received traditional gift cards only, while just 6% received digital cards only. The remainder acquired a mix of those. Furthermore, to avoid any speculation that somehow digital cards would be another crippling blow to traditional retailers, among e-gift card recipients, about 40% say they will still make purchases with them in stores by using their smartphones.

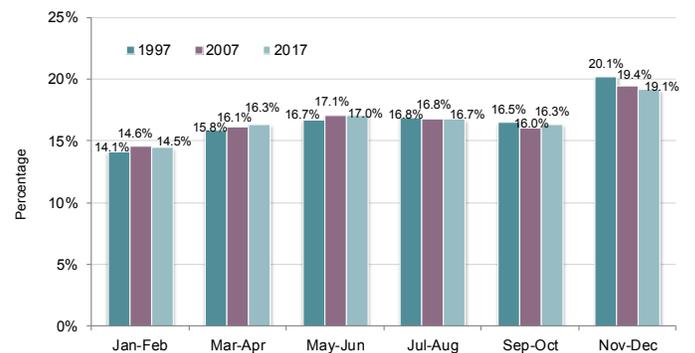
Card Redemption Lasts Well Into the New Year

As gift cards grow more popular, understanding their redemption patterns becomes more important because of the impact on holiday sales distribution. **Gift card sales are generally accounted for when recipients begin redeeming them, not at the time of purchase.** Therefore, as more are handed out, retailer sales at the time can appear lower. However, a wealth of consumer purchasing power is waiting to be unleashed in the months following. Hints of this are seen in Chart 2, which shows a slight shift in retail sales from November-December to January-February and March-April.

Results from the survey confirm that consumers spend their holiday gift cards well into the new year. Chart 3 shows that just

Chart 2:

Bi-Monthly Distribution of Retail Sales Excluding Auto and Fuel

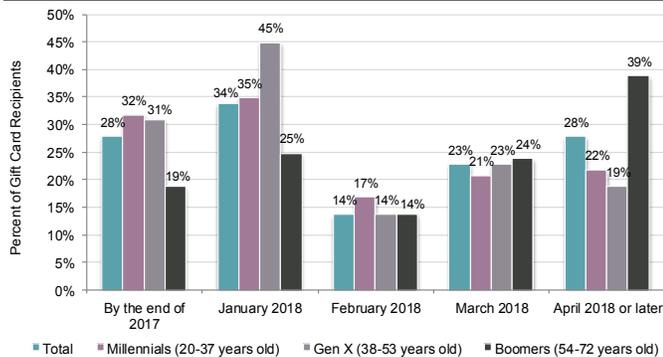


Based on data from the U.S. Census Bureau Monthly Retail Trade Report

over one-quarter (28%) of recipients began redeeming their cards immediately after the holiday season. **January is the most popular for gift card redemption,** with about one-third (34%) of recipients using them then. That is the same month when consumers say they spend the largest share of their total gift card

¹ These results are based on a representative poll of 1,004 adults in the U.S., conducted between March 1 and 4, 2018 by ORC International on behalf of ICSC.

Chart 3:
Gift Card Redemption Periods



value. After that, there is a lull in using gift cards for purchases in February; however, it picks back up again in March and beyond.

There are also generational differences when it comes to gift card redemption. **Millennials and Gen Xers are the quickest to redeem**—32% and 31%, respectively, did so by the end of December 2017, compared with only 19% of Baby Boomers. Conversely, a significant share (40%) of the oldest shoppers plan to still use their cards in April or later, while many fewer millennials (22%) and Gen Xers (19%) will do the same.

A Solid Connection to Physical Stores

Retailers with physical stores and those with both brick-and-mortar locations and an online presence will reap the rewards from gift card expenditures. Already, **two-thirds (65%) of consumers who began redeeming did so in a store.** (See Table 1.) This share rises to 85% when spending online from retailers with stores (44%) is included.

Overall, approximately 71% of total gift card expenditures so far occurred either in stores or online from omni-channel retailers. **Shopping centers are sure to be winners too**, as a bit more

Table 1:
Omni-Channel Gift Card Redemption

	All Ages	Millennials (20-37 years old)	Generation X (38-53 years old)	Baby Boomers (54-72 years old)
Physical Stores / Establishments	85%	65%	85%	77%
Online Retailers with Physical Stores	44%	53%	45%	29%
... Ship to Home	28%	31%	27%	21%
... Pickup in Store	31%	40%	32%	16%
Pure Online Retailers	45%	51%	45%	32%
... Amazon	42%	48%	42%	30%
... All Other Pure Online Retailers	12%	17%	8%	7%
Other Sources (catalogs, phone orders)	13%	18%	9%	10%

than half (52%) of recipients spent their cards at establishments in shopping centers. Millennials led the way, with 62% of them using their gift cards in shopping centers.

Confirming one of the biggest takeaways from the 2017 holiday season, click-and-collect is a big factor here too. About one-third (31%) of those who have already spent some of their gift cards did so online and went to the stores to pick up their order. Moreover, three-fifths (59%) of that group made additional purchases once in store and some went shopping at other nearby stores, even if they did not have gift cards to those other retailers.

Conclusion

Since being introduced two decades ago, gift cards have become widely popular, offering the giver convenience (in determining where the purchase will be made) and the recipient flexibility (in determining what will be purchased and when). At the same time, for all the familiarity they have gained, their impact on consumer shopping patterns has not been as understood. Responses to ICSC's recent consumer survey show that these cards result in a broad patronage of tenant types, and physical locations are the cornerstone of redeeming them. Additionally, because sales connected with gift cards are generally reported by retailers when these items are redeemed rather than bought, a significant amount of delayed purchasing shifts well into the new year—an important fact to note when assessing the success of the holiday season.