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2017 CLOSED-LOOP GIFT CARD HOLIDAY FORECAST: STOCKINGS WILL GET STUFFED

Gift card loads will grow in 2017, but retailers need to be strategic.

After a positive season in 2016, closed-loop gift cards loads are poised to grow again in the 2017 holiday season.

However, retailers cannot take gift cards for granted as consumers become savvier and attitudes change.

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A Good Year for Holiday Spending Will Boost Gift Card Loads

Retailers and industry watchers are expecting strong holiday sales growth as positive economic signs boost consumer confidence. After reviewing the data and speaking with industry members across the value chain, Mercator Advisory Group expects that the growth in general sales will lead to increases in gift card loads as well.

Mercator’s Forecast of Holiday Loads (Nov. 1 Through Dec. 31)

Figure 1 shows the past five years of estimated loads onto closed-loop gift cards in the United States during the holiday season of November 1 through December 31 and Mercator Advisory Group’s prediction for closed-loop holiday season loads in 2017. Loads are predicted to increase by 4% over the same period in 2016 and reach \$50.8 billion in 2017.

Figure 1: Estimated Total Loads in the U.S. Closed-Loop Gift Card Market in the Holiday Season, 2010–2017(f)



Source: Mercator Advisory Group

Slow and Steady Wins the Race for Holiday Growth

The National Retail Federation (NRF) forecasts that holiday sales will increase by 3.6–4% in 2017, which would be on par or slightly more than the 3.6% increase of 2016.ⁱ In a conference call on October 3, Bill Thorne, senior vice president for communications and public affairs at the NRF, said that steady if not spectacular growth in economic indicators like gross domestic product, the current state of the retail industry, and increases in wages will lead to increased consumer confidence and more spending in the United States.ⁱⁱ

The NRF is not alone in its optimism. Deloitte is forecasting growth of 4–4.5%, with strong growth in online sales.ⁱⁱⁱ The International Council of Shopping Centers (ICSC) forecasted 3.8% growth in retail sales for the 2017 holiday season.^{iv}

Gift Cards Remain Popular

The ICSC based its forecast on a survey of 2,020 U.S. adults. In the same survey, 66% of respondents said that they planned to buy gift cards this year, which was the top category, followed by apparel/footwear, toys and games, as well as electronic devices.

In a national survey of 2,395 consumers, PricewaterhouseCoopers (PwC) found that consumers plan to spend \$1,189 on holiday shopping in 2017, which is an increase of 6% over 2016. In the sample, gift cards were the second most commonly planned purchase, with 51% of consumer saying they planned to buy cards. The other categories were apparel, toys, personal electronics, and accessories.^v

The NRF has once again, for the eleventh year in a row, found that gift cards remain the most sought-after gift.^{vi} In a 2017 survey of U.S. consumers, 61% of respondents said that they wanted gift cards, the percentage holding steady from last year (Table 1).

Table 1: Gift Cards Remain at the Top of Holiday Wish List

Year	Percentage of People in U.S. Who Want Gift Cards
2011	58%
2012	60%
2013	59%
2014	62%
2015	59%
2016	61%
2017	61%

Source: National Retail Federation

Conclusions: An Optimistic Outlook Is Not a Substitute for Strategy

While the outlook for gift card loads is bright, retailers cannot take shoppers' intentions to buy gift cards for granted. They need to have a strategy for marketing and distributing their gift cards. The PwC survey found the desire to purchase gift cards varied by age, with consumers from Generation X and Baby Boomers being the ones who would most likely want to buy gift cards. Younger demographics said that they wanted to give and receive specific items because it is more personal. Yet gift cards can be a way to deliver a personal gift without needing to worry about details like size or favorite color. This is a message that needs to be communicated to shoppers.

Also, the overwhelming majority of shoppers in both surveys say they will either buy online or do research online. This means that they will have many items to choose from in addition to gift cards. However, it also means there is another channel to sell and offer redemption for gift cards.

Gift card processor First Data published a blog last year about things retailers could do that would help their gift card sales. Two tips continue to stand out for retailers this year.

TIP: Make Sure Your Card Assortment Is Dialed for Every Demographic—When it comes to gift cards, having the right assortment of cards is key to success. Ensure you offer card designs that are appropriate for everyone on your customer's list—family members, co-workers, teens, best friends, teachers, and even pet lovers. Having the right card for the right occasion ensures your brand can provide the right gift solution for whomever is buying. Multi-packs have also been shown to be very successful in driving incremental spend, so consider developing a buy-in-bulk option.

TIP: Social Media Promos Are Mandatory for Gift Card Success—Given that most Americans, and much of the world, are living their lives through the screens of their smartphones, it's important for gift card brands hoping to grow their footprint to be where the customers are—and that means social media. To drive eGift sales and promote brand awareness channels, it's important to develop channel-specific offers that request customer engagement—some kind of action required to take advantage of the offer—be it posting a video, a hashtag, a share, or some other action. These action-oriented, channel specific offers have been shown to help grow gift card brands in the past and should continue to do so.

—First Data blog, March 4, 2016^{vii}

To improve gift card sales during the holiday season, retailers should pay attention to how the cards are marketed. Cards can be paired with special holders and boxes in the physical world, or with customized messaging including audio and video recordings in the online realm.

The holiday season holds potential for gift card managers, but potential growth is not enough. Execution will remain an important aspect of delivering growth in gift card programs.

Endnotes

ⁱ Ana Serafin Smith, “NRF forecasts holiday sales to increase between 3.6 and 4 Percent.” NRF press release dated Oct. 3, 2017. <https://nrf.com/media/press-releases/nrf-forecasts-holiday-sales-increase-between-36-and-4-percent>

ⁱⁱ A recording of the call can be found here: https://8f6bc1832c450a008db7-83b75ad4e71f1487522ba624f2d5d5be.ssl.cf1.rackcdn.com/Thorne_Bill_10-3-17_900.mp3

ⁱⁱⁱ “Deloitte Forecast: Retail Holiday Sales to Increase 4 to 4.5 Percent.” Press release dated Sept. 20, 2017. <https://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/deloitte-retail-holiday-forecast.html#>

^{iv} “ICSC Forecasts Strong Consumer Spending This Holiday Season.” Press release dated Sept. 21, 2017. <http://www.businesswire.com/news/home/20170920006387/en/ICSC-Forecasts-Strong-Consumer-Spending-Holiday-Season>

^v PricewaterhouseCoopers LLP, “2017 Holiday Outlook.” <https://www.pwc.com/us/en/consumermarkets/assets/pwc-consumer-markets-2017-holiday-report.pdf>

^{vi} Ana Serafin Smith, “NRF Consumer Survey Points to Busy Holiday Season, Backs Up Economic Forecast and Import Numbers.” NRF press release dated Oct. 27, 2017. <https://nrf.com/media/press-releases/nrf-consumer-survey-points-busy-holiday-season-backs-economic-forecast-and>

^{vii} Krista Lee, “Looking Back: Six Gift Card Tips We Learned This Holiday Season.” First Data blog, March 4, 2016. https://www.firstdata.com/en_us/insights/looking-back-six-gift-card-tips-we-learned-this-holiday-season.html.



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