

CTI

# Teen Gift Card Usage and Attitude Study

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Presented at the 2004 SVS User's Conference

By

The Center for Teen Insight

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# About Center for Teen Insight

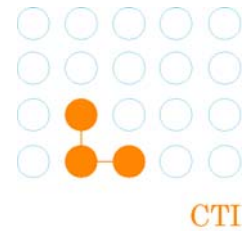
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- An affiliate of the National Research Center for College and University Admissions (NRCUCA).
- Access to the country's largest researchable teen database.
  - Five million total records, 2.5 million email addresses
    - All fifty states, plus U.S territories
    - Complete demographic profiles in each record
    - Psychographic and behavioral indicators
      - GPA, extracurricular activities, occupational proclivities
    - Urban, suburban or rural

# Background on SVS Study

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- As follow up to last fall's adult study, SVS wanted to gauge gift card usage among another major consumer group affecting many of its clients: teens.
- Upon being made aware of the research capabilities of the Center for Teen Insight (CTI), SVS commissioned CTI to conduct an in-depth study of the teen marketplace.
- The study was designed jointly by SVS and CTI from January to February, 2004 and subsequently fielded in mid-March.

# Objectives

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- Stored Value Systems wanted to know:
  - Teens' purchasing power
  - Teens' gift-buying behaviors
  - Teens' past 12 month experiences in terms of:
    - Gift card purchases for others
      - Frequency, face values, occasions, retailers frequented
    - Gift card receipt experiences
      - Redemption behaviors
  - Parental usage of gift cards to manage spending

# Methodology

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- On March 17, approximately 90,000 students (weighted by geographic dispersion to be nationally projectable) were recruited via an email campaign to participate in this study at a website created by CTI.
- By April 1, nearly 1,600 responses had been received.
- The responses were sorted by graduation class, gender, household income and whether the respondent resided in a rural, suburban or urban setting.

# Key Findings

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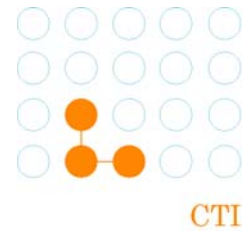
- Teen purchasing power is very strong
  - Over 35% of Freshmen and nearly 70% of Seniors report having more than \$50/month to do with as they wish.
- Teens are spending liberally on gifts for family and friends.
  - Nearly a third report spending in excess of 20% of their monthly disposable income on gifts.
- Despite gift cards' apparent ubiquity, nearly 35% of teens say they've never purchased one.
- Of those teens purchasing gift cards, over 90% report having purchased 6 or fewer cards over the past year.
- By far the most common average face value of gift cards purchased by teens is in the \$10-\$24 range, although nearly 30% of teens report average face values in the \$25-\$49 range.
- Teens purchase gift cards year-round: The #1 occasion for which teens purchase gift cards is Birthdays, at over 90%, followed by Anniversaries at over 80%. All other responses fall below 20%.

# Key Findings

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- Aesthetics matter: nearly 60% of teens consider a gift card's appearance "Very" or "Somewhat Important" and relevant to their purchase decision.
- Teens buy gift cards with the recipient in mind: Nearly 80% say that the thing they like best about gift cards is the recipient can get what he/she wants.
- Apparel and Music retailers are by far teens' favorite retail categories when purchasing gift cards, followed somewhat distantly by Electronics, Book and Video stores, as well as restaurants.
- While teens may not be purchasing gift cards in the numbers expected, they are receiving gift cards at near saturation levels: nearly 90% report having ever received one.
- Teens redeeming gift cards mean incremental sales: fewer than 5% indicated that they "Never" overspend the face value of a gift card upon redemption, with over a third indicating that they do "Most of the Time" or "Always."
- Teens' parents are not utilizing gift cards as a spending management tool: fewer than 10% of the respondents reported such usage.



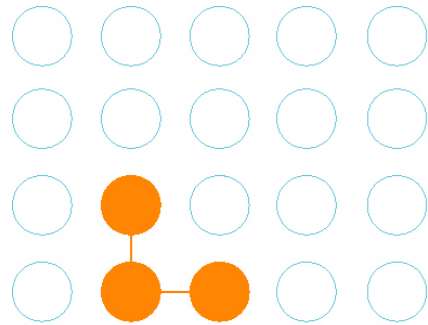
# Implications for Retailers

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- There are opportunities to spur trial with first time teen gift card buyers.
- There are opportunities to increase frequency of gift card purchases with existing teen gift card buyers.
- There are opportunities to upsell teen gift card buyers to higher face values.
- Teen-focused retailers should either begin or step up year-round in-store merchandising of gift cards, with specific focus on Birthdays and Anniversaries.
  - Gift card sales to teens at holidays is underperforming the category
- Teens redeeming gift cards should be treated differently than teens buying with other forms of tender: their propensity to spend incrementally is high.
- Retailers should focus on gift card design and graphics as merchandising tools unto themselves.
  - Occasion-specific card designs, especially Birthday and Anniversary, are appropriate for the teen market.

# Survey Analysis

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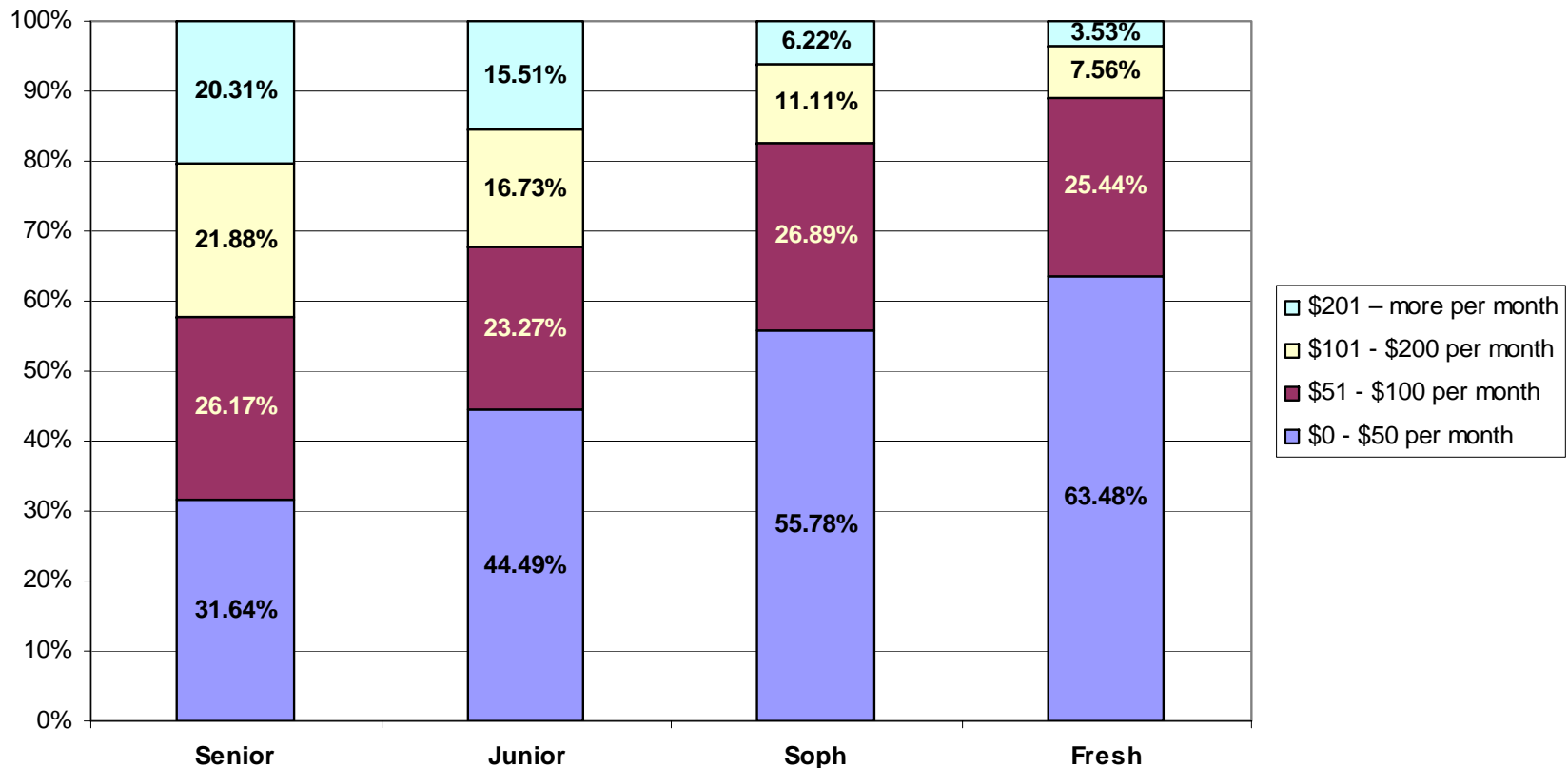
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# Question #1

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On average, how much money **per month** do you receive from all sources (parents, grandparents, part-time / full-time job, etc.) that is **yours** to do with as you want?

In progressive, linear fashion, teens' purchasing power increases with age, with over 20% of Seniors reporting having over \$200 per month in discretionary income. And over 35% of Freshmen report more than \$50 per month.



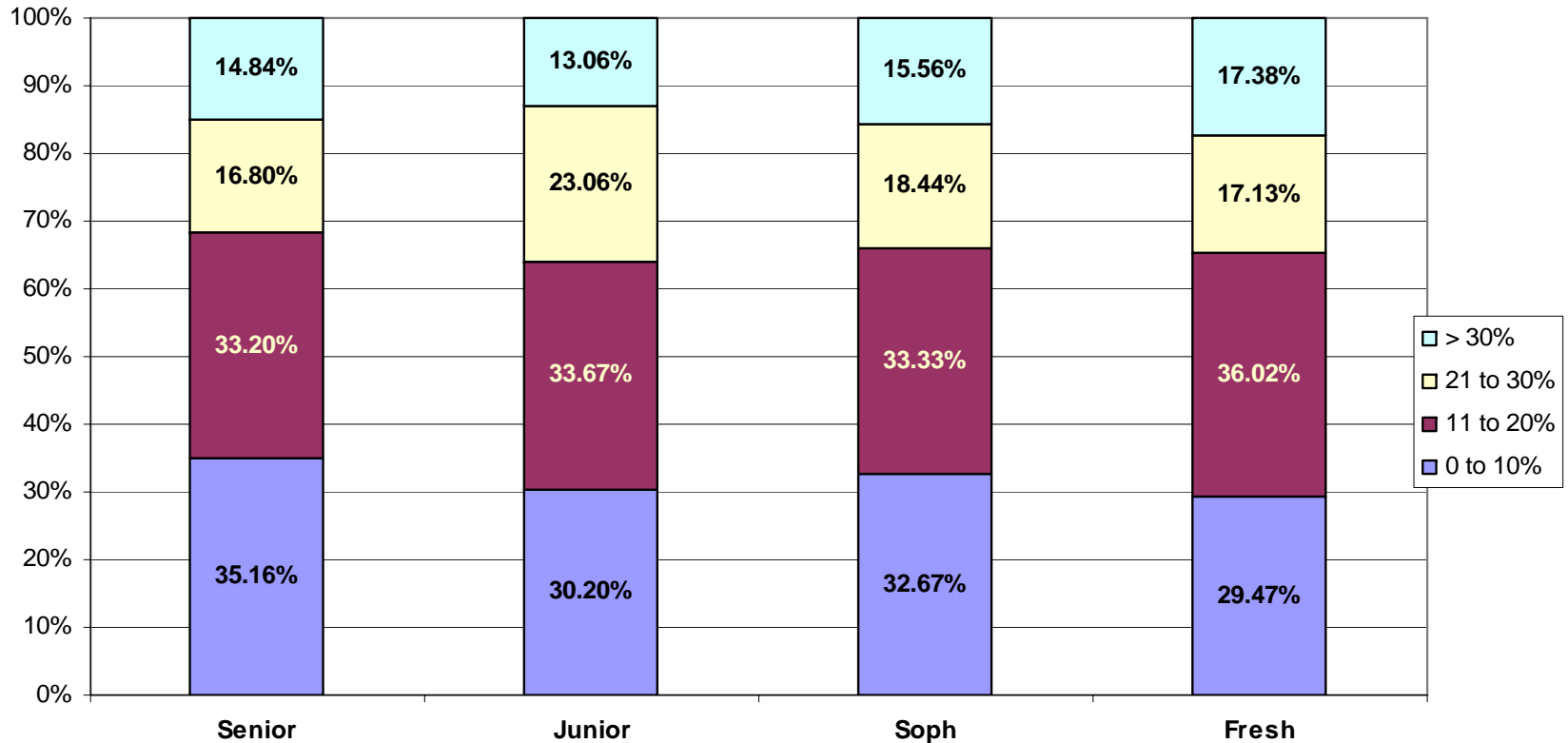
Q1: On average, how much money **per month** do you receive from all sources (parents, grandparents, part-time / full-time job, etc.) that is **yours** to do with as you want?

## Question #2

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Over the course of a year, **what percentage of your money** would you say you spend on gifts for your family or friends?

Seniors spend marginally less than their classmates on gifts, with over 68% reporting spending 20% or less of their money on gifts, versus an average of right around 65% for the underclasses combined. Juniors are slightly more extravagant in their spending on gifts.



Q2: Over the course of a year, **what percentage of your money** would you say you spend on gifts for your family or friends?

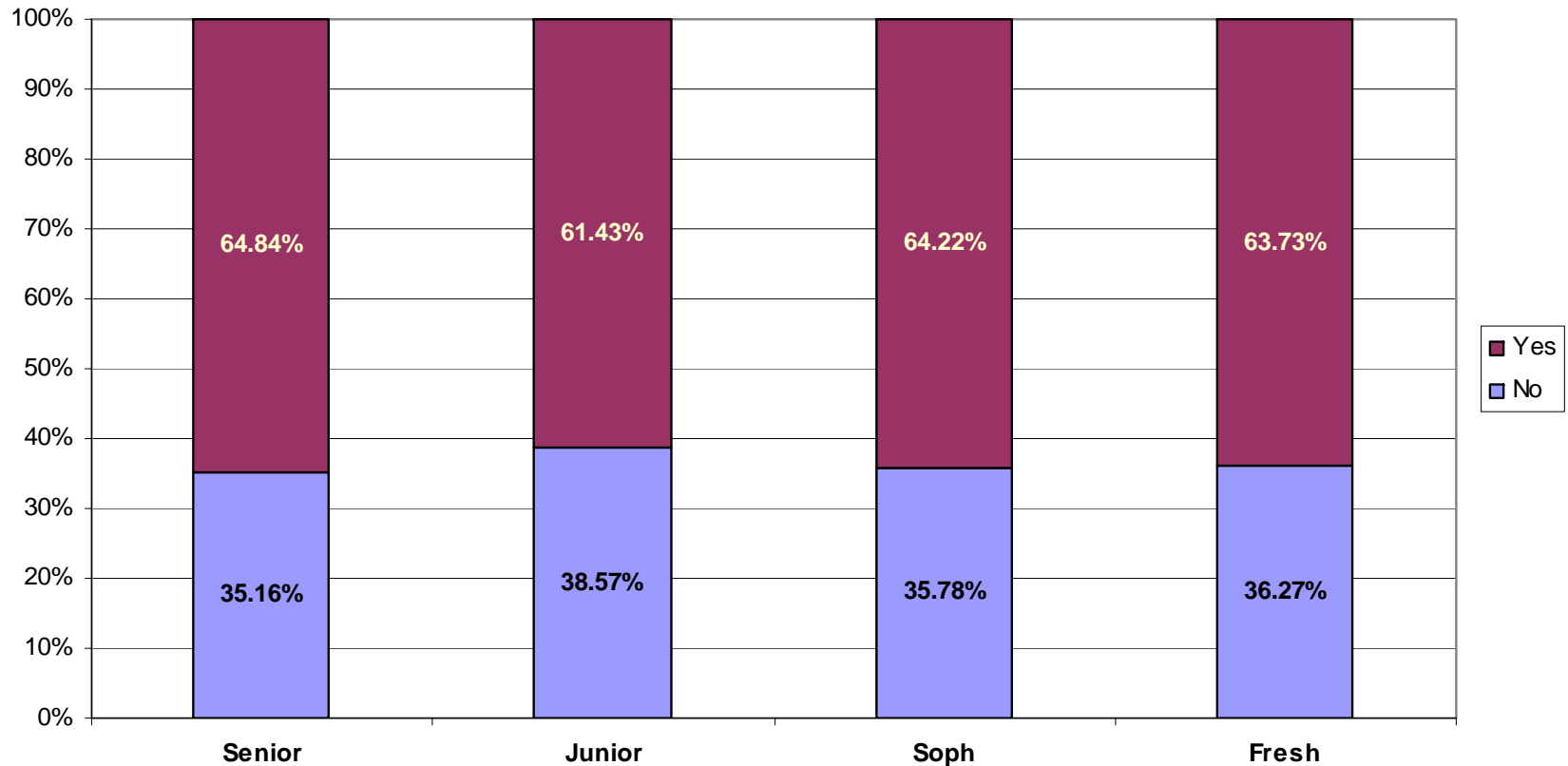


# Question #3

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Have you **ever purchased a gift card**, either for yourself or someone else?

Across all grades, slightly less than 65% of teens report ever purchasing a gift card, indicating further upside for retailers that cater to this market segment. This rate is much lower than for gift card receipts.



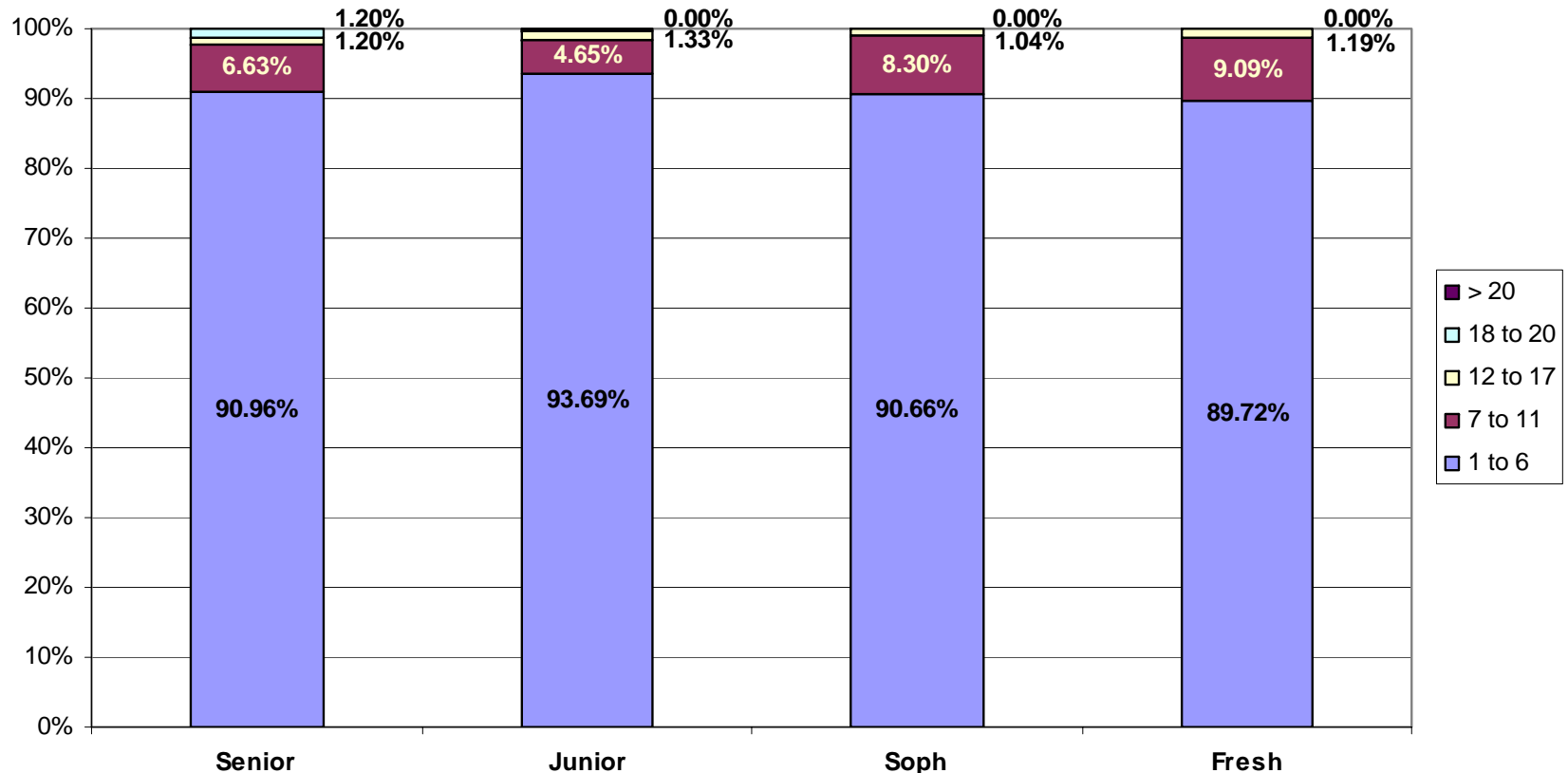
Q3: Have you **ever purchased a gift card**, either for yourself or someone else?

# Question #4

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As best as you can remember, over the past 12 months, approximately **how many gift cards** did you purchase as gifts for family or friends?

Showing virtually no age bias, nearly 99% of teens purchase 11 or fewer gift cards per year, with an average of over 90% purchasing half-a-dozen or fewer, reinforcing an opportunity for incremental sales.



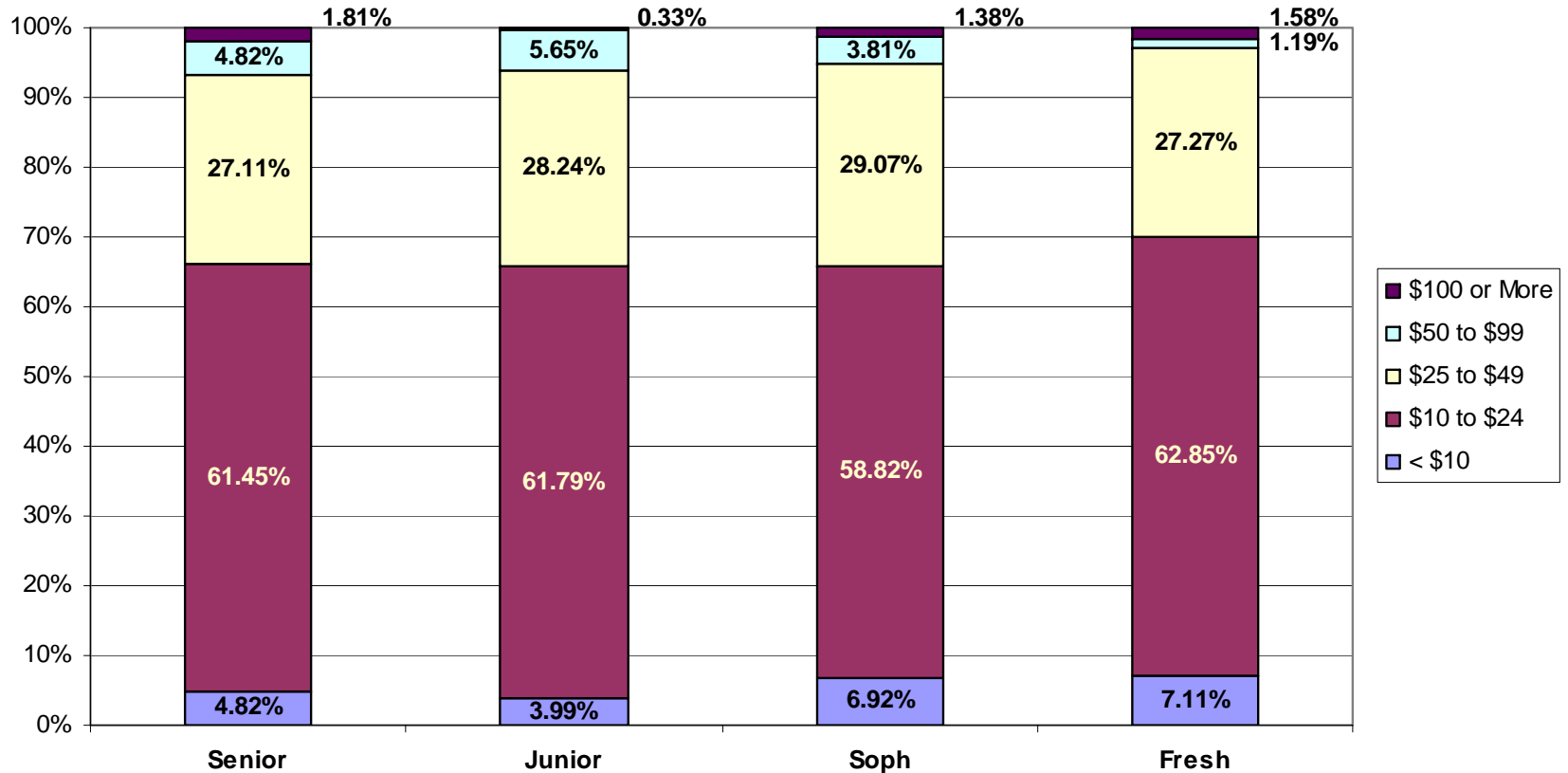
Q4: As best as you can remember, over the past 12 months, approximately **how many gift cards** did you purchase as gifts for family or friends?

# Question #5

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As best as you can remember,  
what was the **average face value**  
of the gift cards you purchased  
over the past 12 months?

\$10 to \$24 face values constitute the “sweet spot” for teen gift card buyers, yet nearly 30%, regardless of age, report average range of \$25-\$49 face values for the past year. Low levels of interest in less than \$10 cards.



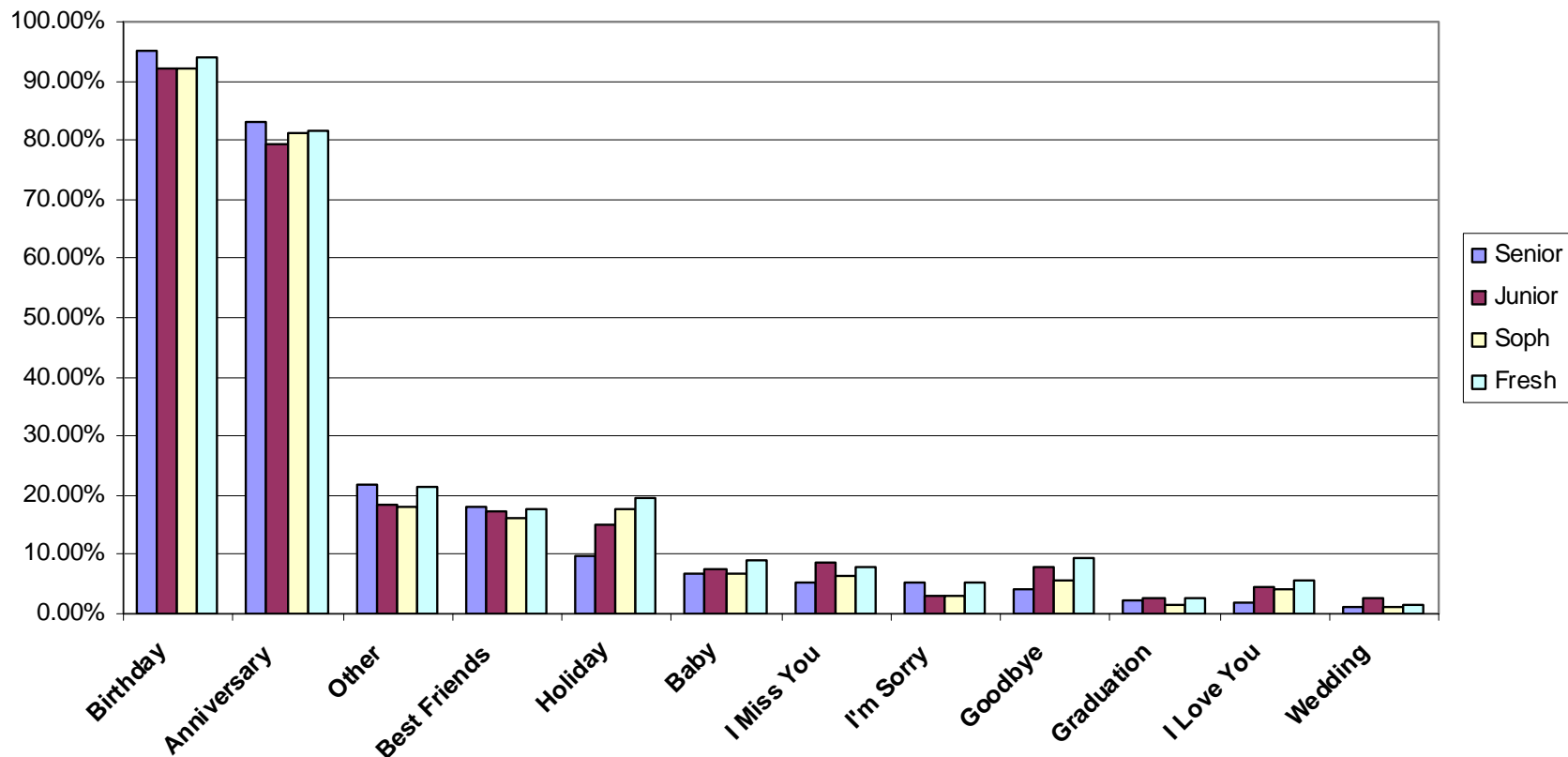
Q5: As best as you can remember, what was the **average face value** of the gift cards you purchased over the past 12 months?

# Question #6

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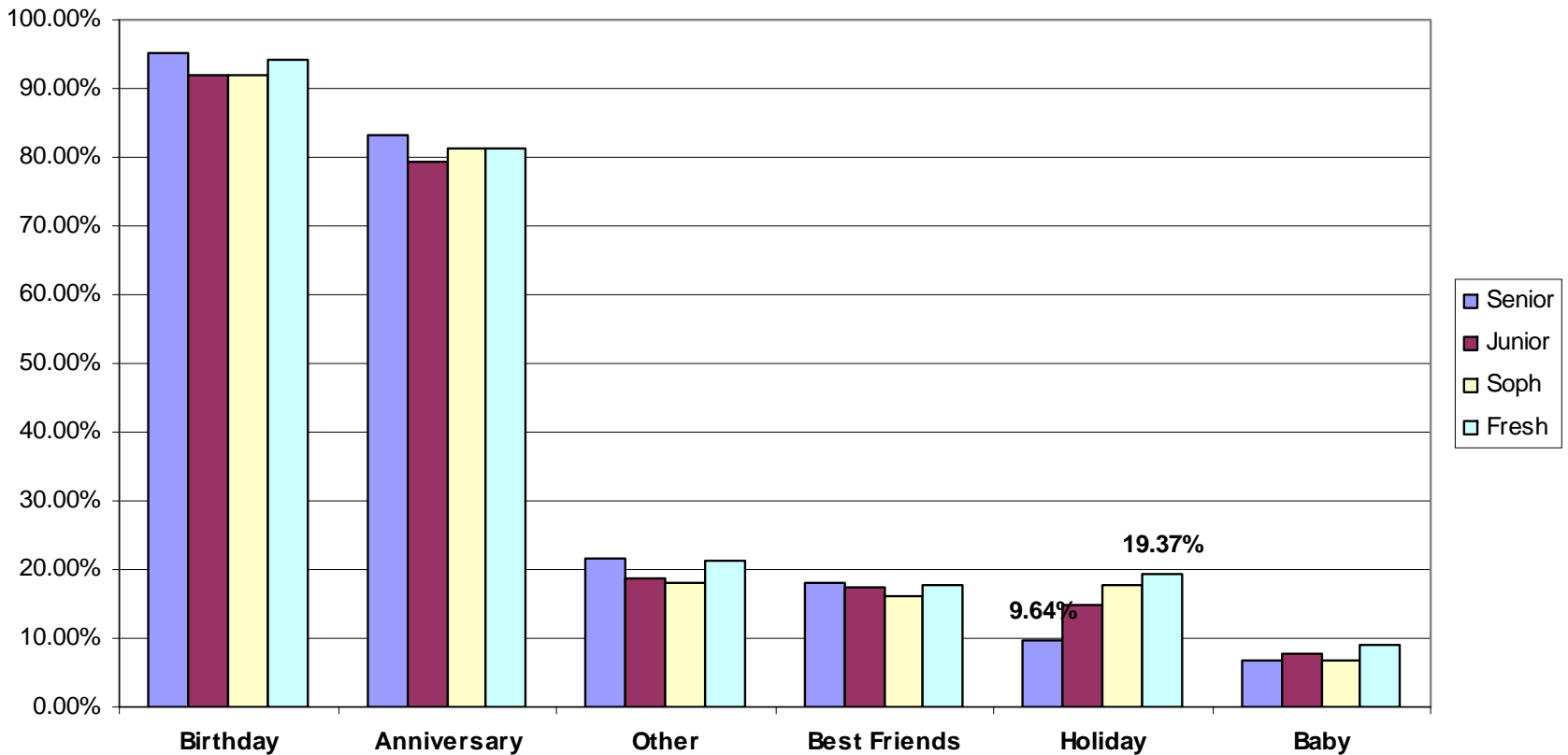
**For what occasions do you usually purchase gift cards? Check all that apply.**

Teens' purchase gift cards year-round, with Birthdays and Anniversaries reported far in front in terms of occasions. Purchase of gift cards at holidays declines steadily as teens grow older. Birthday and Anniversary merchandising is a clear opportunity for gift card retailers, and a stronger holiday message should be explored.



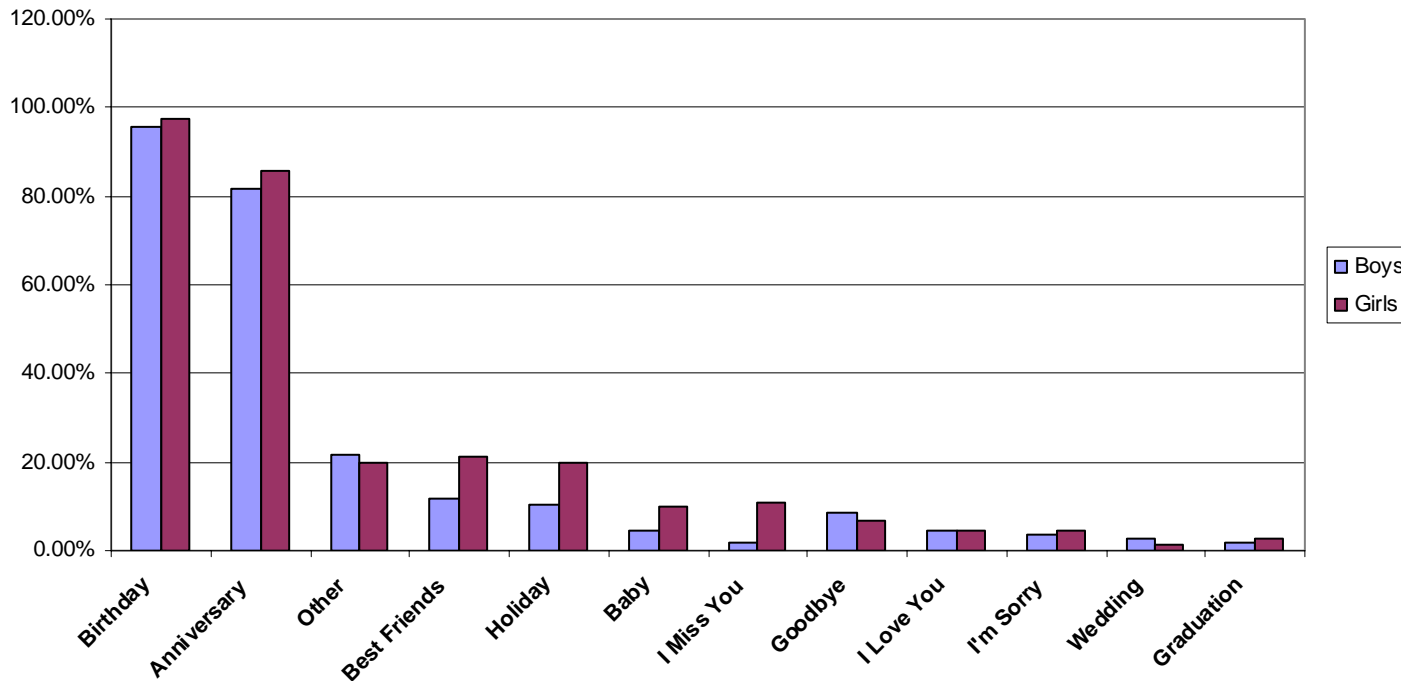
Q6: For what occasions do you usually purchase gift cards? Check all that apply.

The drop in holiday purchases drops significantly over the years.



Q6: For what occasions do you usually purchase gift cards? Check all that apply.

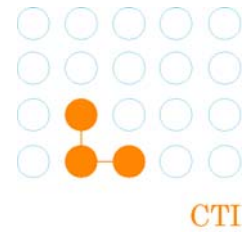
Teen boys and girls participate equally in terms of Birthday and Anniversary gift card purchasing. Girls are nearly twice as likely to purchase gift cards for holiday giving. Our assumption is that most of the Anniversary occasion is boyfriend/girlfriend, not parental, in nature.



Q6: For what occasions do you usually purchase gift cards? Check all that apply.

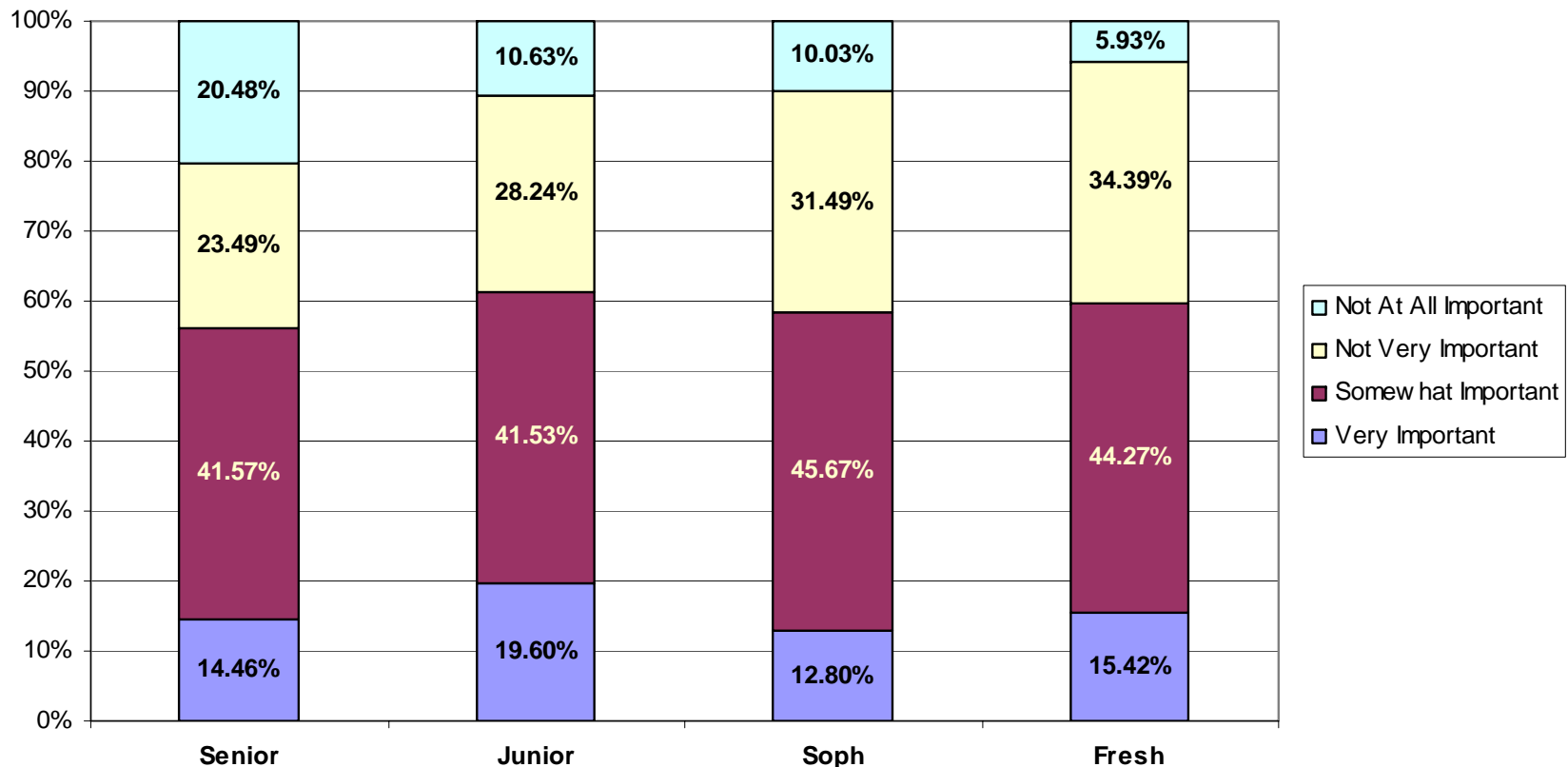
# Question #7

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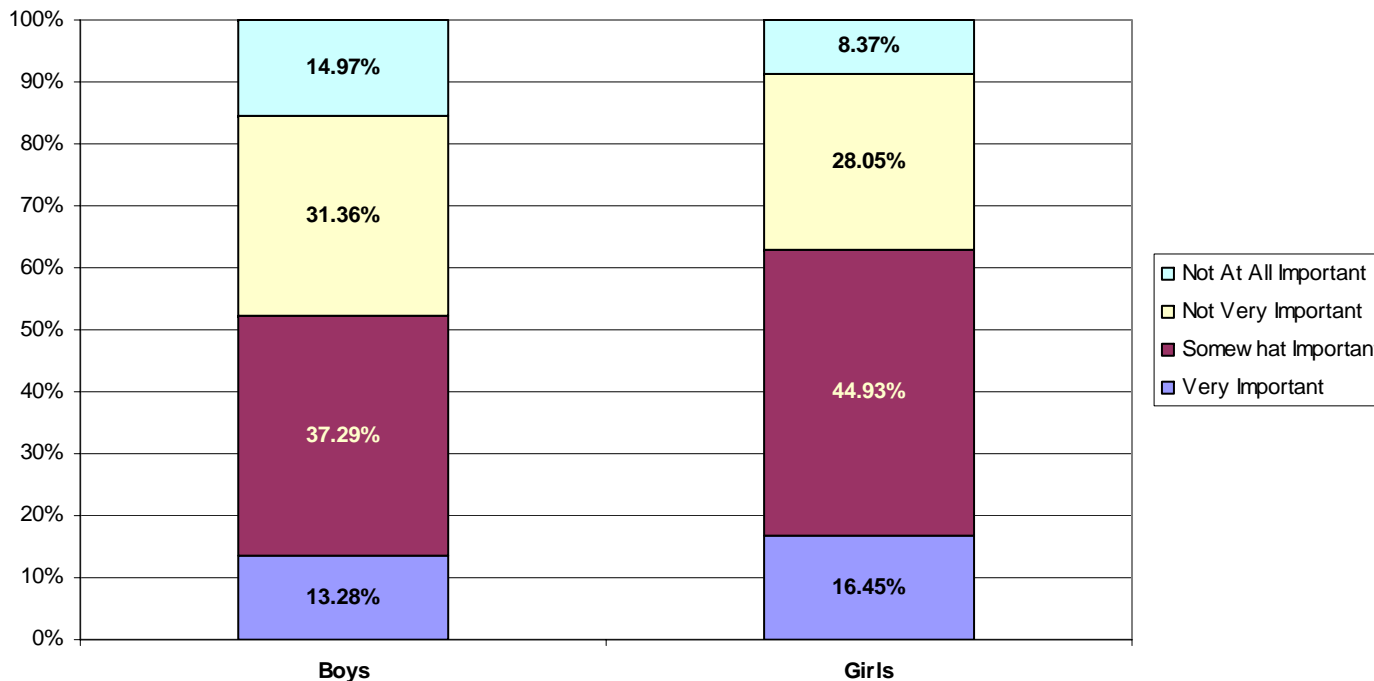
How important is the **appearance of the gift card** in your decision to purchase it?

Gift card design matters across all grades, with an average of over 58% indicating that appearance is either “Very” or “Somewhat” important in terms of the purchase decision. Seniors are the least concerned about appearance, while Juniors are the most discriminating.



Q7: How important is the **appearance of the gift card** in your decision to purchase it?

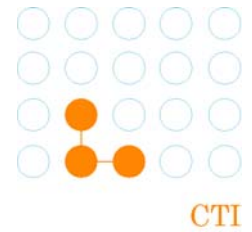
Somewhat predictably, teen girls are more concerned about a gift card's aesthetics when it comes to a purchase decision, with nearly a 10% spread in Top Two Box scores.



Q7: How important is the **appearance of the gift card** in your decision to purchase it?

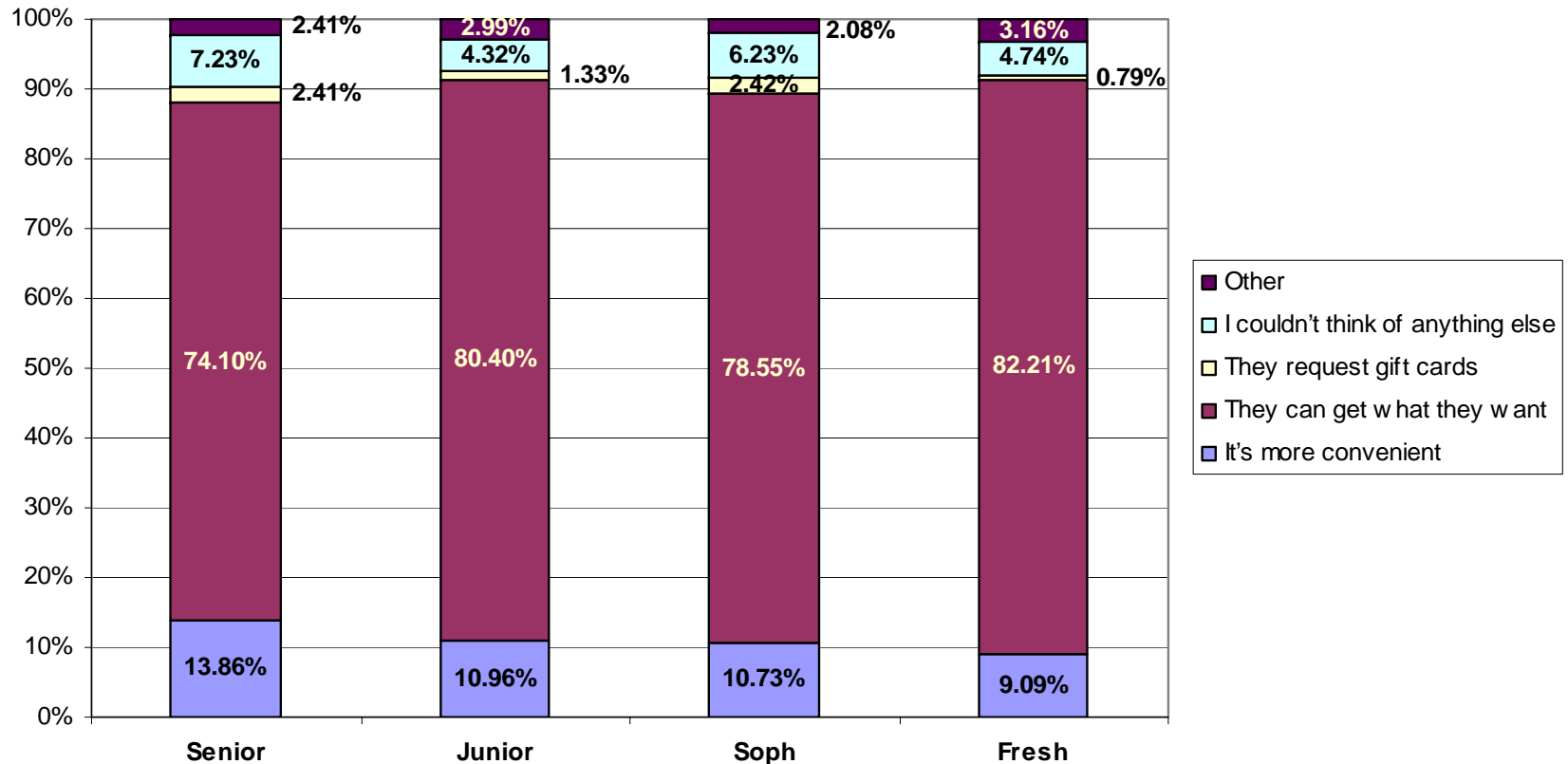
# Question #8

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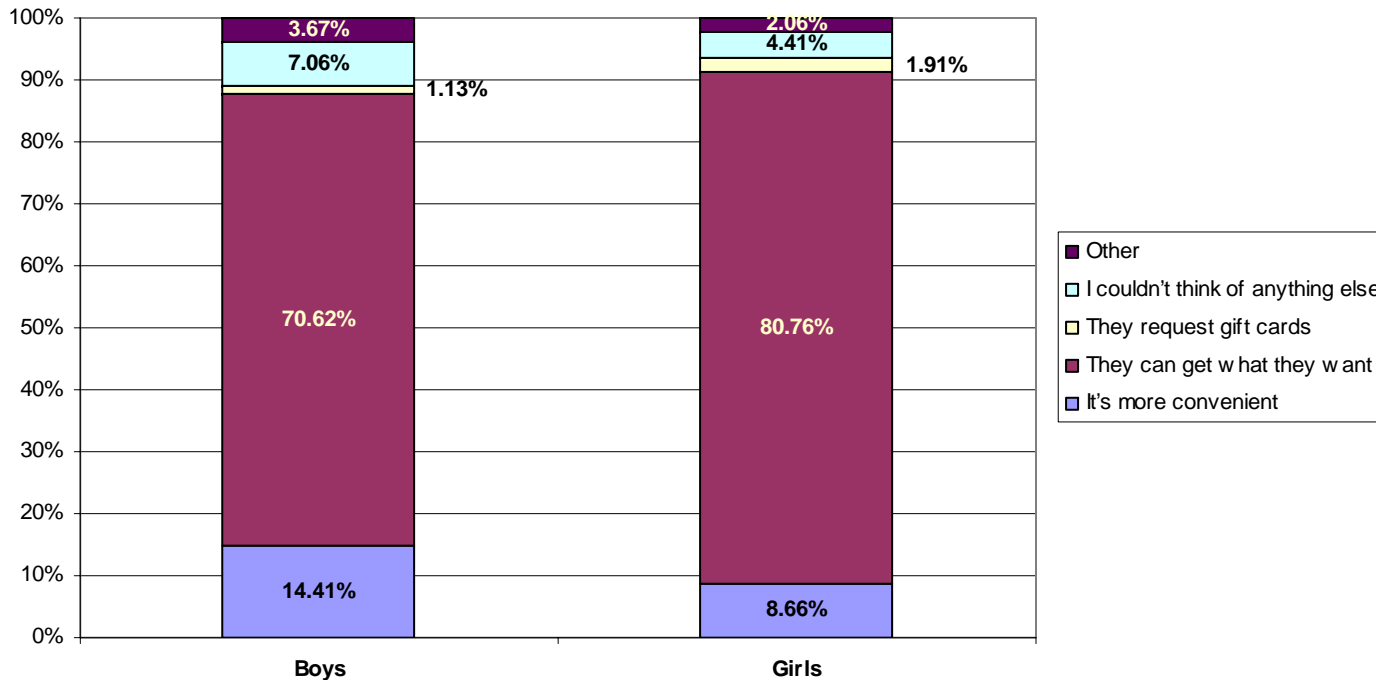
What do you **like best** about giving gift cards as gifts?

Slightly more so than underclassmen, Seniors' preference for gift card is driven by Convenience and inability to think of another gift option.



Q8: What do you like best about giving gift cards as gifts?

Teen boys strongly indicated Convenience and lack of other gift options as motivators versus girls.



Q8: What do you like best about giving gift cards as gifts?

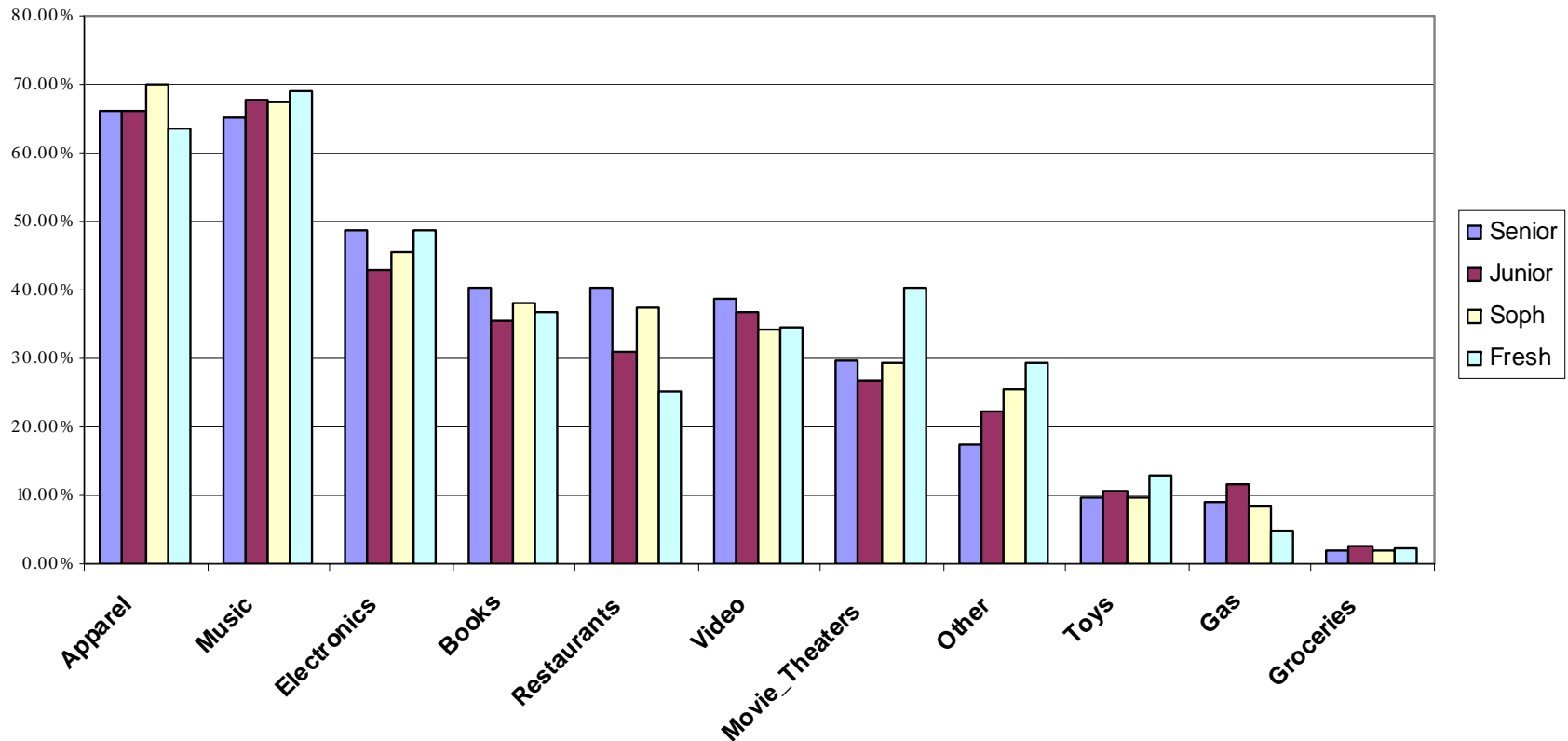


# Question #9

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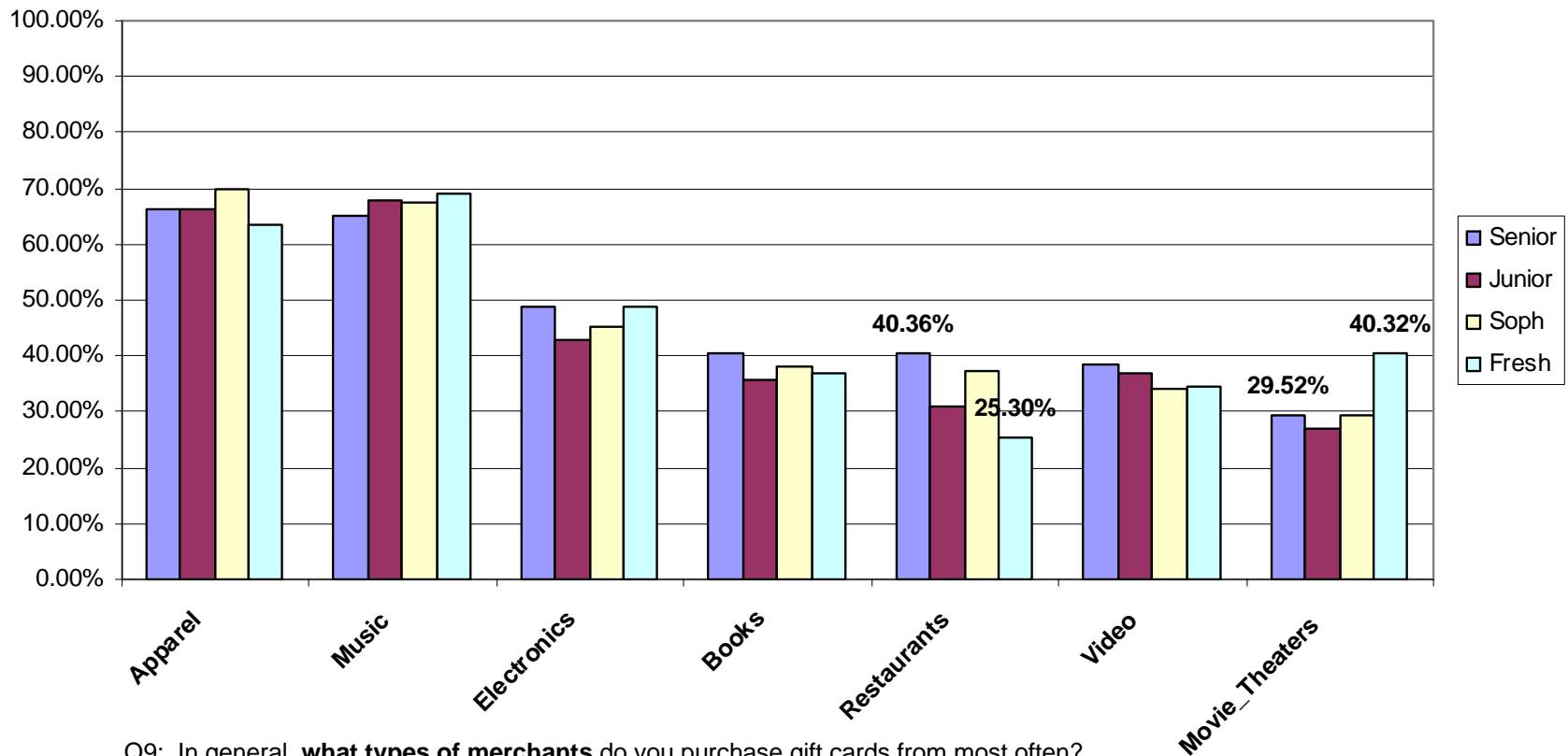
In general, **what types of merchants** do you purchase gift cards from most often?

With only minor shifts by grade level, Apparel and Music are far and away the most popular retail categories for gift-card purchases by teens.



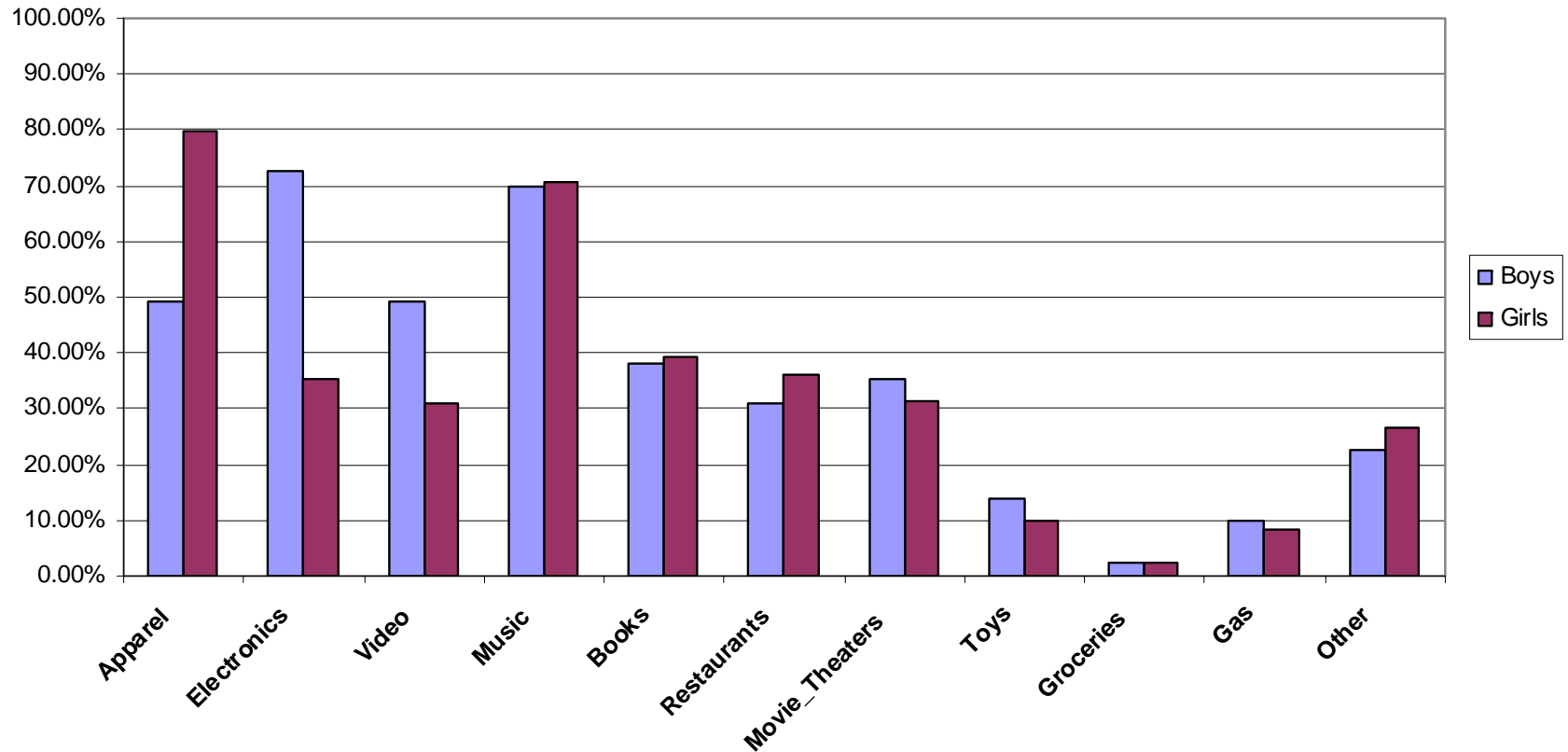
Q9: In general, **what types of merchants** do you purchase gift cards from most often?

Electronics and Book retailers are middle of the pack in terms of gift card purchase frequency. Restaurants gain favor and movie theaters fall in popularity as teens grow older.



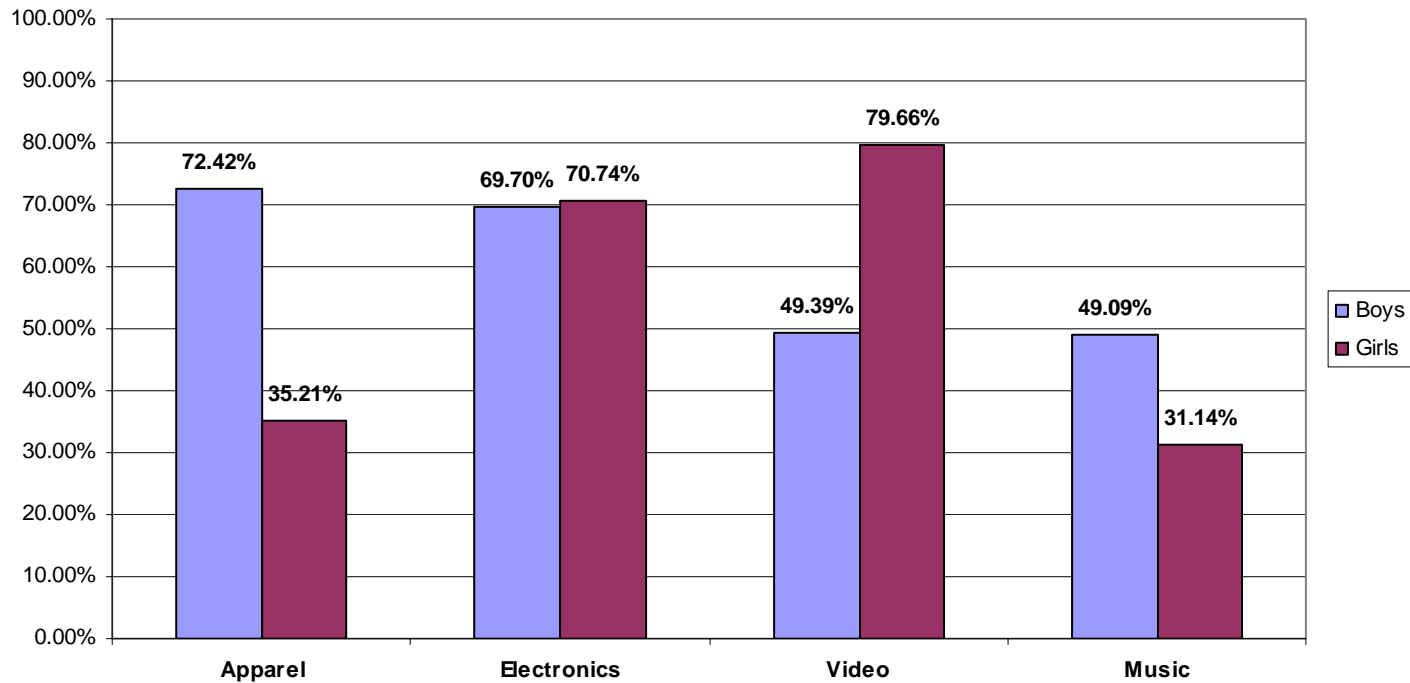
Q9: In general, **what types of merchants** do you purchase gift cards from most often?

While teen boys and girls frequent music retailers for gift cards in equal measure, girls are driving the apparel segment's gift card sales and boys are similarly driving the electronics and video segments.



Q9: In general, **what types of merchants** do you purchase gift cards from most often?

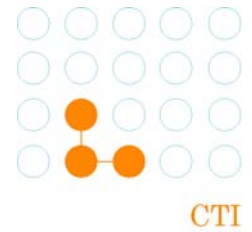
Teen boys are also the dominant force in the Music segment.



Q9: In general, **what types of merchants** do you purchase gift cards from most often?

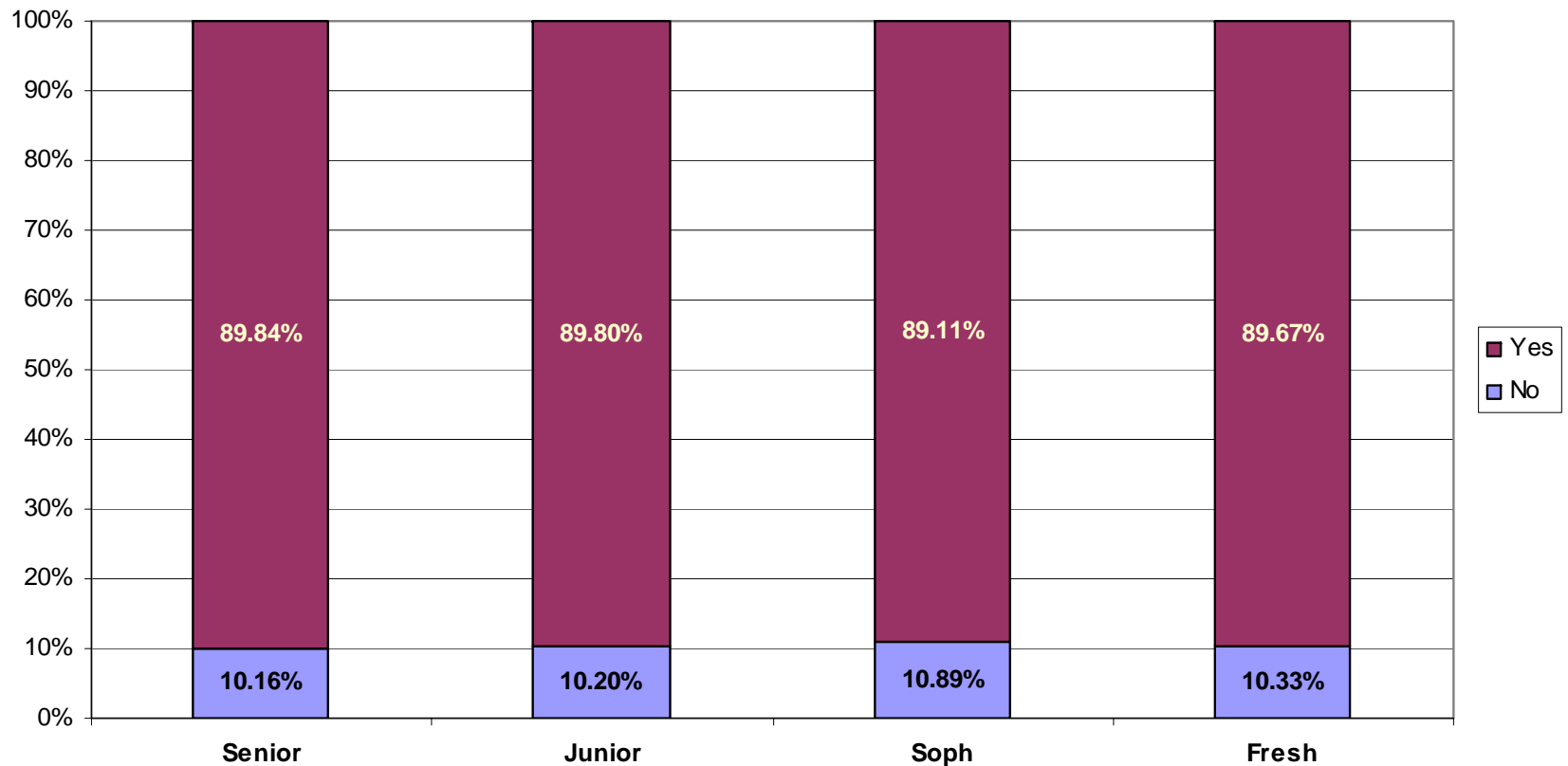
# Question #10

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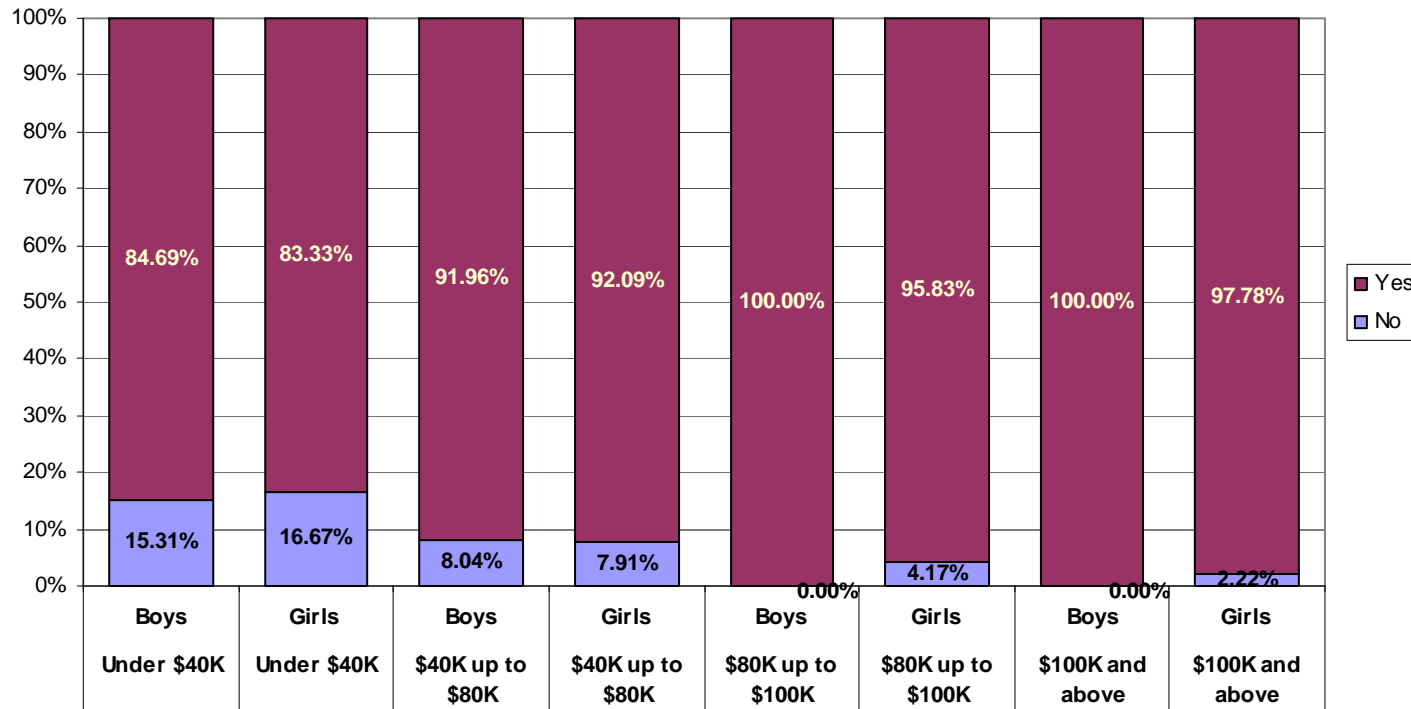
Have you ever **received a gift card** as a gift from someone else?

Without regard for age, nearly 90% of all teens report having received a gift card from someone else.



Q10: Have you ever **received a gift card** as a gift from someone else?

As expected, a teen's likelihood of having ever received a gift card is related to HHI.



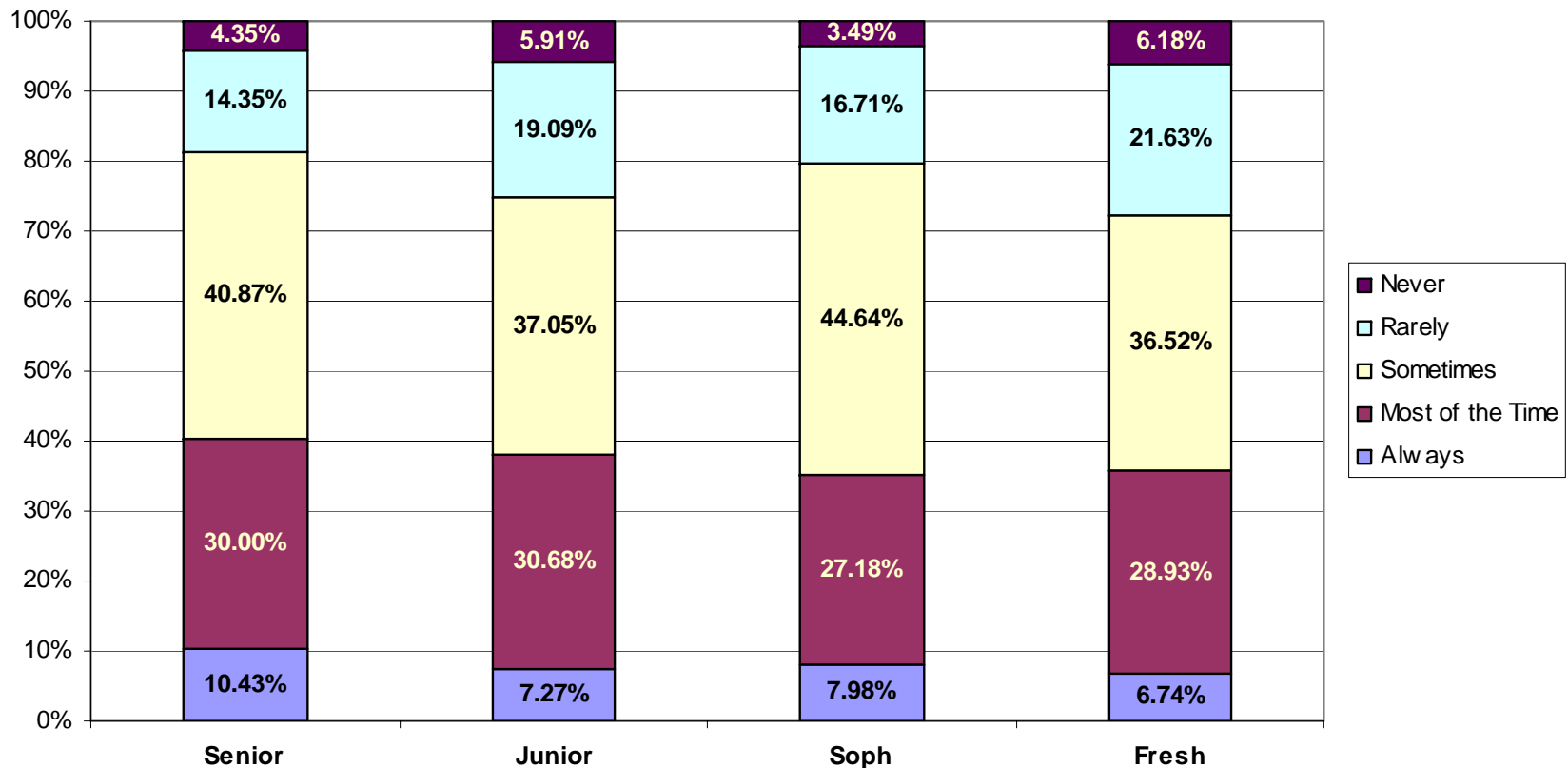
Q10: Have you ever **received a gift card** as a gift from someone else?

# Question #11

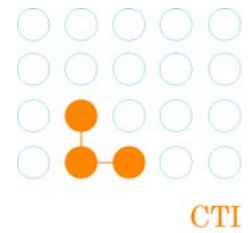
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When you make purchases using a gift card you have received as a gift, how often do you spend **more than the face value** of the card, using your own money to make up the difference?

As teens age, they become progressively, marginally more likely to overspend the face value of a gift card upon redemption. This is reflective of the change in their disposable income levels, although not proportionately.



Q11: When you make purchases using a gift card you have received as a gift, how often do you spend **more than the face value** of the card, using your own money to make up the difference?

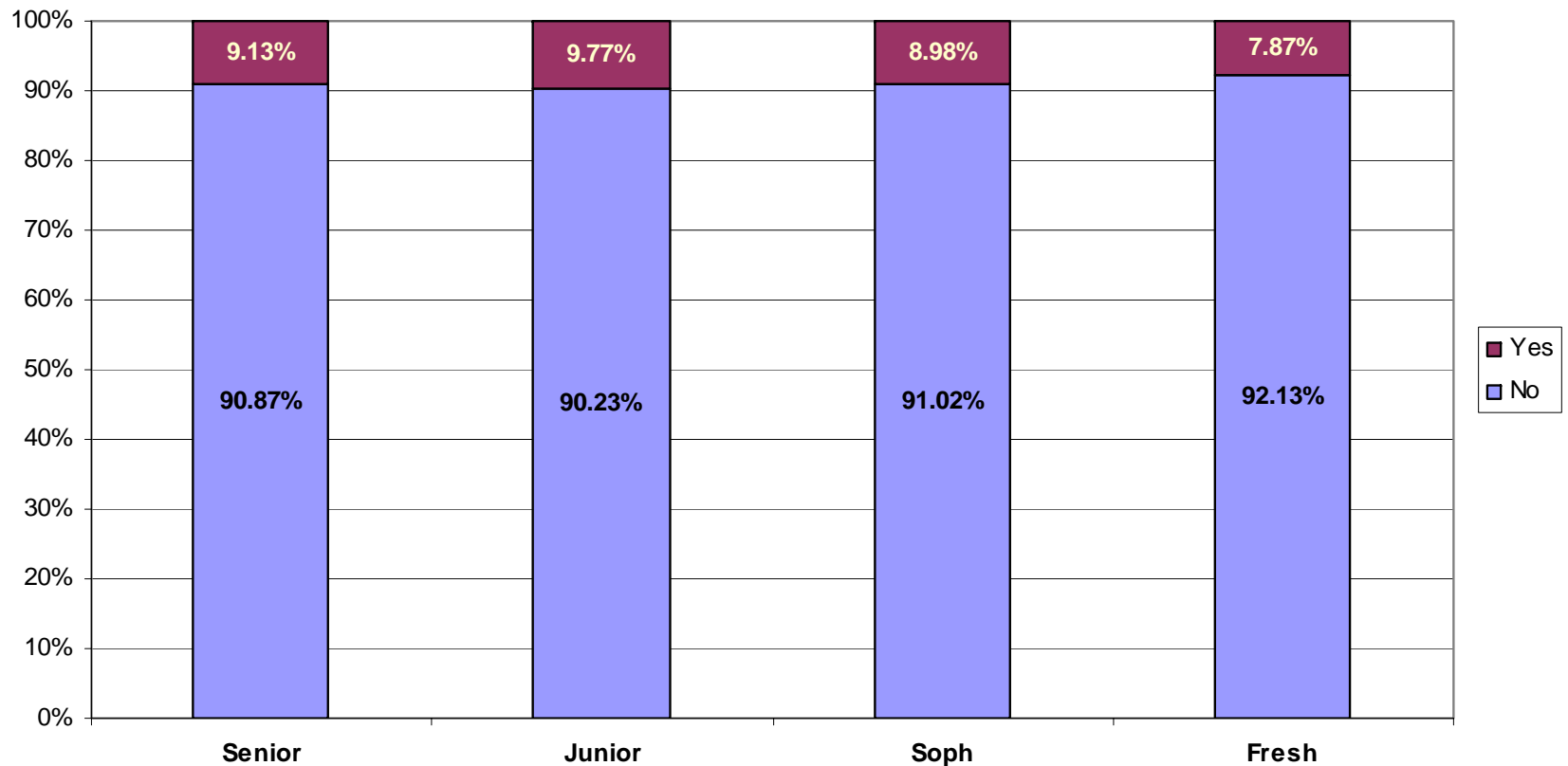


# Question #12

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Have your parents ever given you a gift card not as gift, but as a tool to help you **manage your spending?**

Fewer than one out of ten teens have ever been given a gift card as a spending management tool by their parents.



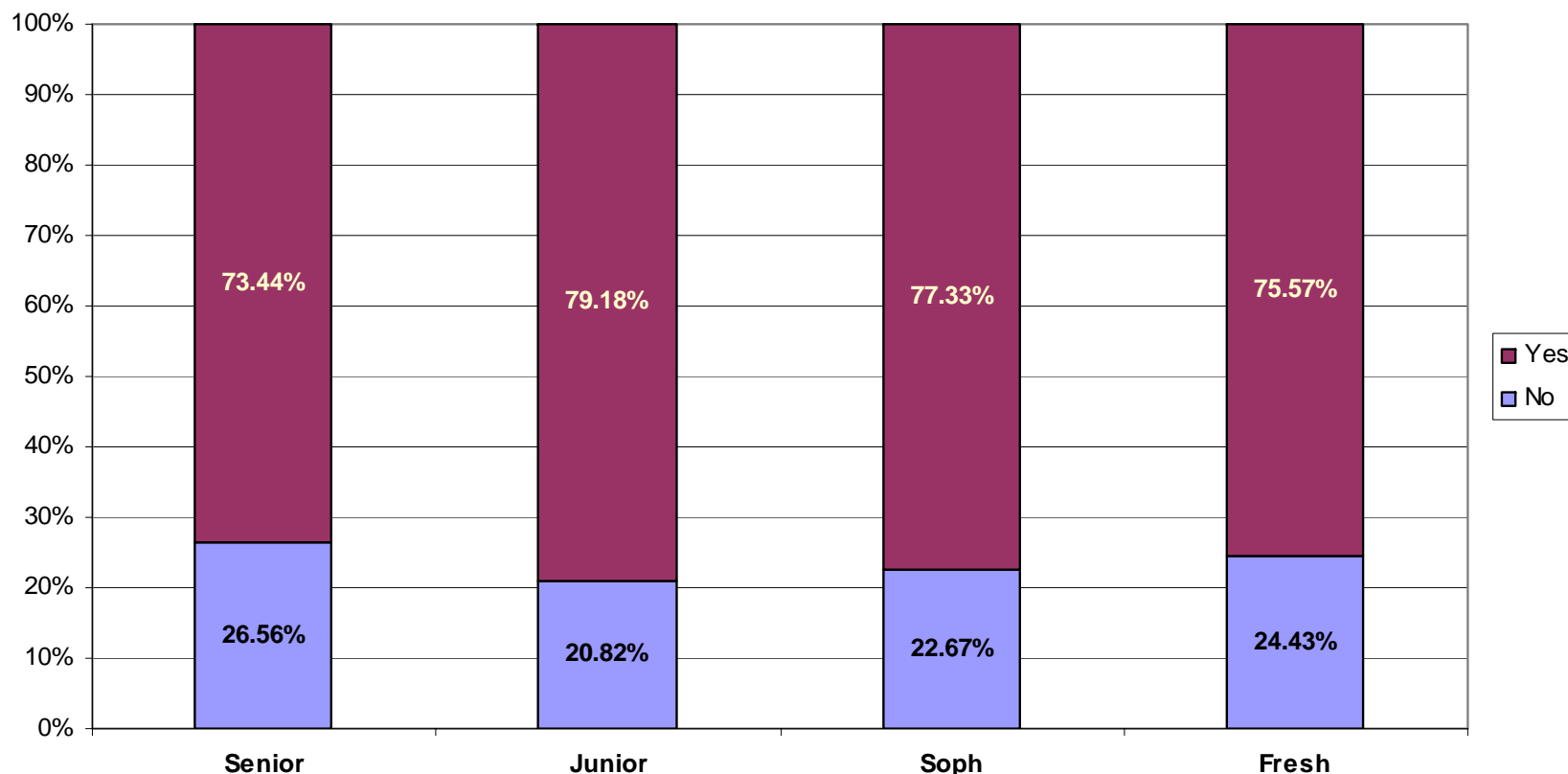
Q12: Have your parents ever given you a gift card not as gift, but as a tool to help you **manage your spending**?

# Question #13

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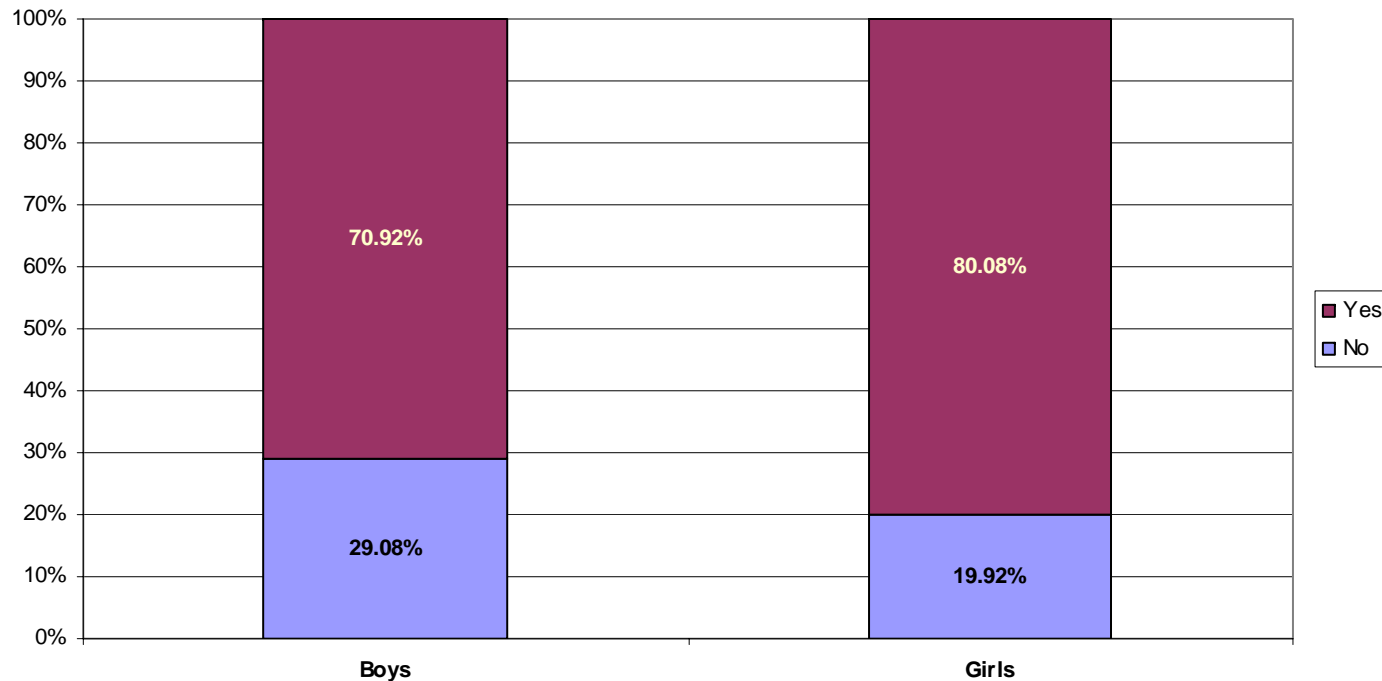
Do you think you will use a **gift card to purchase necessities** such as gas, restaurant meals or clothes while in college?

Gift cards have clearly become another form of tender for today's teens, with over 75% expecting to use gift cards to purchase "necessities" when in college.



Q13: Do you think you will use a **gift card to purchase necessities** such as gas, restaurant meals or clothes while in college?

By a margin of about 10%, teen girls are more inclined than boys to use gift cards for “necessities” when they go off to college.



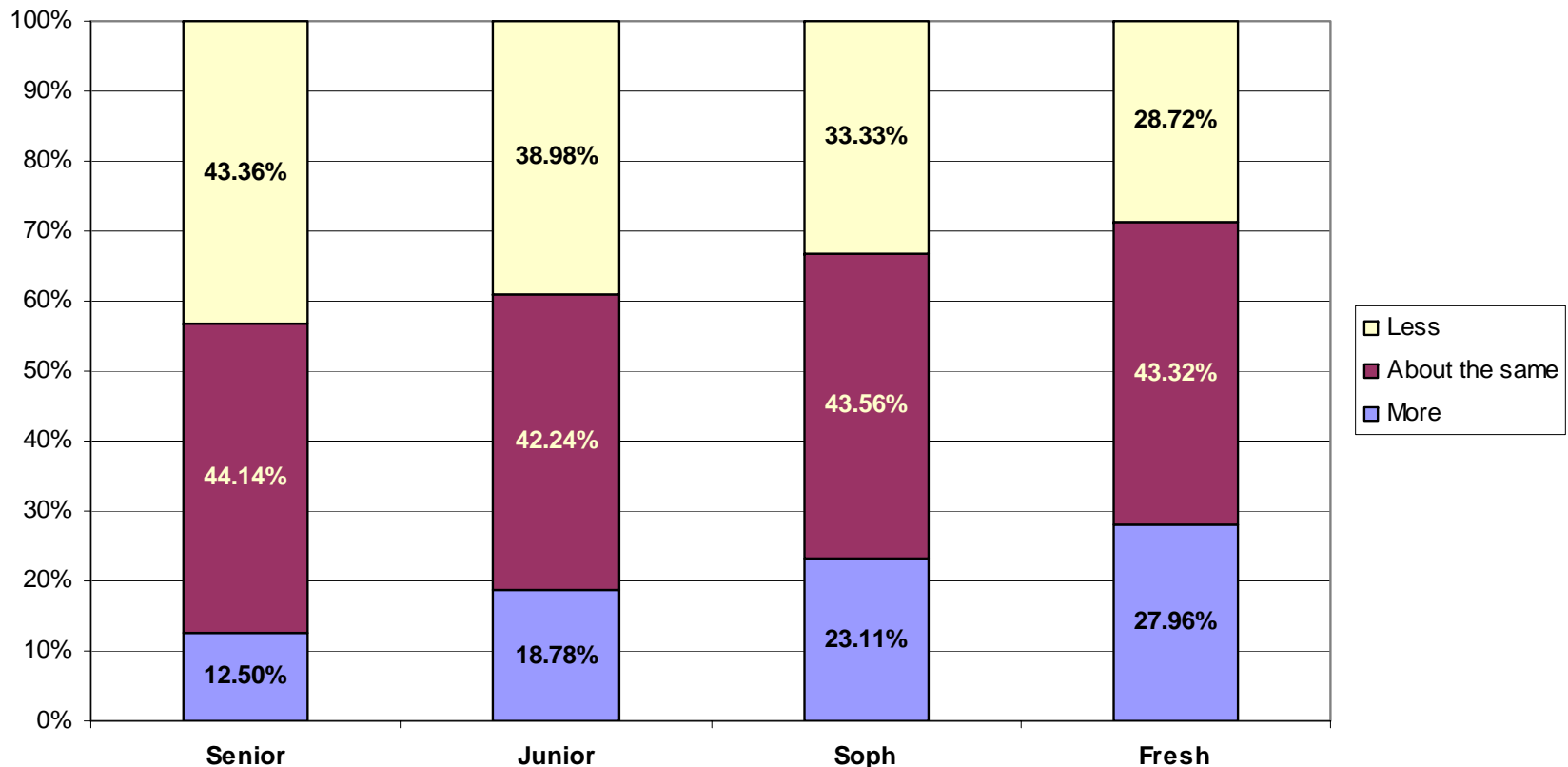
Q13: Do you think you will use a **gift card to purchase necessities** such as gas, restaurant meals or clothes while in college?

# Question #14

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Once you are in college, **how much do you think you will spend** on gifts for family members and friends **relative to what you have been spending** in high school?

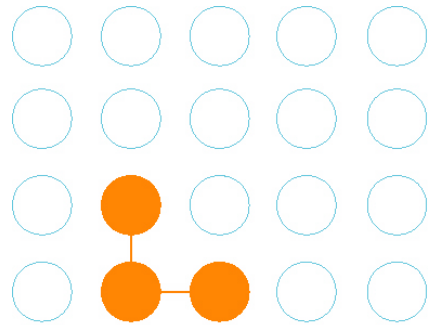
As teens age, they grow increasingly conservative in terms of their expectations about what they will spend on gifts for families and friends when they are in college vs. what they now spend when in high school.



Q14: Once you are in college, **how much do you think you will spend** on gifts for family members and friends **relative to what you have been spending** in high school?

# Q&A

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