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The Secondary Market for Gift Cards

Sites Spring Up That Let Recipients Trade Scrip; We Test the Different Options

By Ron Lieber

GIFT CARDS WERE supposed to solve the problem of presents that miss the mark.

But as gift cards soar in popularity—a recent Deloitte & Touche survey found that more people planned to give them this past holiday season than any other present—a new cottage industry has emerged: Web sites that let people trade unwanted gift cards either for cash, or for another retailer's gift card.

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Some services, such as cardavenue.com, run eBay-like auctions: You list your card and a price at which an auction for it should start. It also will let users trade cards with one another, as does swapagift.com. Swapagift will also buy some popular cards outright (for a discount of 30% below the card's face value).

Then there's eBay itself, which as of yesterday afternoon had no fewer than 7,720 "gift-certificate" listings of auctions or sales. (A few coupons slip into this category, too). In recent days, the specialist sites together had several hundred more cards for sale. The upshot: With the holidays now over, January is turning into the season for bottom-fishers to sniff around for discount cards online. Typically they sell for a discount off the face value ranging from 5% to 20%.

Three of the gift cards *we tried to pawn on the Web*

To take a measure of how easy it is to turn gift cards back into money, we bought a handful of cards—$50 from Home Depot, $100 from Amazon, $100 at Gap—then turned around and tried to sell them online. Goal: Recover as much of the face value as possible, with a minimum of hassle. We used several major services, as well as the craigslist.org online classified service, and also ebay.com.

The world of online gift-card trading turned out to be populated by a variety of quirky individuals. When we tried to sell a $50 card from Potbelly Sandwich Works, a sub shop that's popular in Chicago, our Craigslist posting drew a newbie who needed his hand held throughout the transaction, and a lowballer who wanted a 40% discount.

We got so frustrated at one point with certificateswap.com that we did a Google search for the company's CEO—and managed to unearth his work e-mail address. (It turns out that he's got a day job at an entirely unrelated company, and runs certificateswap.com in his spare time.) We wrote him a note—as customers, not as reporters—and he wrote back within minutes and helped us.

For retailers, gift cards can be blessings and curses. Research shows that when recipients take the cards to stores and use them, they end up spending considerably more than the card's face value. A survey last year by ValueLink, a division of First Data Corp. that specializes in gift-card programs, reported that 55% of gift-card users

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