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## Americans lose billions on unredeemed gift cards

MIAMI HERALD STAFF AND WIRE SERVICES

Michelle Roc hates thinking about the gift cards that got away.

The 28-year-old Aventura resident is still looking for her Victoria's Secret gift card worth about \$100 that she got last year. And other cards pull a disappearing act on her.

"They end up sitting in my purse, and I forget about them," she said while shopping at Macy's in Aventura Mall on Friday afternoon.

She has a bad habit of not using her gift cards right away and said she would find them months later after they expired or had money deducted from them as a penalty.

Her new motto: "As soon as I get one, I'm using it!" she said.

Roc is apparently not the only one who forgets to use gift cards.

Gift card sales were estimated at \$82 billion in 2006, more than 20 percent over 2005 levels.

But an estimated 10 percent of the \$82 billion will be lost to consumers due to unredeemed value on the cards, expiration or loss of the gift cards entirely, according to the TowerGroup, a retail trade organization.

For retailers, unclaimed value on gift cards is an \$8.2 billion windfall. It is equivalent to people walking into stores and restaurants, handing the cashier money and walking out. The \$8.2 billion figure is more than twice all the credit card and debit card fraud reported this year.

Brian Riley, senior research analyst for TowerGroup, said cards often go unused because when people receive them they do not view them as money and put them aside in ways they would not if the gifts were cash.

In other cases, the card holder uses some of the value on their gift card and then sets it aside with the intention of using it later but never does, especially if the card only has a dollar or two still unused.

"In that case, it's an inconvenience to them. So it never gets used again," Riley said.

But a few dollars here and there on unused gift cards add up.

Home Depot and Best Buy each recently added more than \$40 million to their coffers from unused gift cards dating back to 2002. Limited Brands tucked away \$30.4 million in the past year from unused gift-card sales.

But Macy's is one store that will accept a gift card no matter how old it is.

Melissa Goff, spokeswoman for Macy's Florida, said that their gift cards will expire after two years, but a manager can turn an expired card into a new gift card to be used within 30 days.

"We're not charging you for misplacing it," Goff said.

Regardless of whether they are used, gift cards have become the No. 1 gift choice in the United States, according to a survey by Deloitte & Touche.

Nearly 80 percent of shoppers said during the Christmas holidays they planned to buy at least one gift card, up from 55 percent of consumers planning to buy gift cards in 2002. Gift cards were expected to account for 15 percent to 20 percent of holiday gift sales in 2006, according to the National Retail Federation, an industry trade organization.

Essentially, there are two types of gift cards.

"Open loop" cards sold by credit card companies like Visa can be used anywhere the credit card is accepted.

"Closed loop" gift cards can only be used at a particular retailer or group of retailers.

Open-loop cards are overseen by the federal government. Closed-loop cards are governed by individual states. That means whether most gift cards bought this year expire or lose value over time varies from state to state.

Florida allows for cards to expire or lose value over time, according to the Florida Department of Agriculture and Consumer Services. Many states, such as New York, Massachusetts, New Jersey and California do not allow gift cards to expire.

Some states are considering laws that would require merchants to hand over the value of unused gift cards for the government to hold and treat like any other lost or unclaimed money.

Although retailers add millions of dollars each year to their coffers from unused gift cards, Riley insists merchants would prefer that gift card owners come into their stores.

He estimates people going into stores with gift cards at the ready typically spend between 15 percent and 40 percent above the card value, Riley said.

Retailers also win because gift card holders often visit stores they might not have otherwise were it not for the gift card.

Retailers spend significant amounts of money to attract customers to their stores, said Richard Feinberg, a researcher with the Purdue Retail Institute. Gift cards now help achieve that goal.

Of the gift cards purchased in 2006, \$29 billion were for retail use, \$18 billion were for restaurant and fast-food use, \$12 billion were for miscellaneous use such as gasoline and other services, and \$23 billion were for universally accepted gift cards such as bank-issued or credit card-based gift cards, according to the TowerGroup.

Riley said restaurant and fast food gift cards are typically used the most often.

But no doubt the number of unused gift cards will climb after the 2006 holiday season ends.

About \$25 billion was spent from mid-November up to Dec. 25 for gift cards, about \$6 billion more than the same period one year ago, according to the National Retail Federation.

But then there are those who view their gift cards the same as cash and are not about to leave them collecting dust in a closet or in the bottom of a drawer.

Nancy Francis uses every bit of her gift cards.

"I like them because you can get exactly what you want with them," the 50-year-old Ocala woman said. "I don't misplace them.

"I'm not a wasteful person," she said. "I use every bit of the cards, down to the very last penny."

Miami Herald writer Bridget Carey and Ocala Star-Banner writer Fred Hiers contributed to this report.