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## Three Things Consumers Should Know About Gift Cards This Holiday Season

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December 16, 2016

More than half of consumers (55.9 percent) will buy gift cards this holiday season, making them the second most popular purchase, after clothing, [according to new data from the National Retail Federation](#). The typical consumer will buy three gift cards, with an average of \$46 each.

Gift card purchases peaked in 2014, when they totaled \$31.7 billion in sales. They fell to \$26 billion last year, as aggressive discounting on merchandise had consumers shifting their spending to physical gifts. This year, gift card sales are projected to tick back up to \$27.5 billion, according to responses to the NRF survey.

It's easy to see why retailers like gift cards. They get to book revenue before it's actually been spent on merchandise. Often the cards go unspent entirely (which makes them pure profit to retailers), or the consumer ends up adding out-of-pocket dollars to the value of the card. Plus, gift cards can bring in new customers.

Consumers weren't always so infatuated with the cards. As recently as 2008, some groups of consumers surveyed disliked gift cards because they considered them impersonal, [according to an analysis by PayBefore](#). By 2014, consumers reported believing that gift cards offer the emotional value of choice to the recipient. That shift has been fueled by several other trends within the industry. Here's what's changed:

- **1. There's more variety.** It's now easier than ever to purchase gift cards to nearly any store, which also means that consumers can tailor a gift card purchase to be more meaningful to the recipient. Gift cards are available now for everything from yoga classes to Uber rides. General purchase gift cards, as well as those to the nation's largest chain stores and restaurants are available at the checkout counter of any major supermarket or drugstore. More than a third of consumers planned to purchase gift cards for themselves this year, according to [First Data](#).
- **2. Competition has made them more consumer-friendly.** Even a few years ago it was more common for retailers to put an expiration date on their gift cards or to charge inactivity fees. In 2010, the Federal Reserve put new rules in place, requiring merchants to wait for the card to be inactive for a year before charging any fees, and to wait at least five years after issuance before a balance could expire.
- **3. Tech innovation means they're easier to use.** Gift cards have gone high tech in recent years, allowing consumers to log onto their accounts to check the balance of a card, or to upload them to a mobile wallet or online loyalty programs. That means that even if a consumer loses the physical card or doesn't bring it to a store, they can still use the stored value to make a purchase.

Some retailers have even begun offering gift cards for sale during the holiday season at a discount, making them an attractive purchase for both gift giving and self-purchase. A \$50 gift card that sells for \$40, after all, is essentially at 20 percent coupon to the store.

Note: Bank-issued prepaid debit cards, which can be used at any store aren't subject to those rules, often still charge an upfront fee to the purchaser and may include other fees such as activation, monthly maintenance, and cash-withdrawal fees.

As more retailers and banks entered the gift card market, however, consumers were able to select those cards that held their value longer. To keep up, most merchants have now eliminated expiration dates and most fees on their cards.

Gift cards can also be purchased and sent entirely online, and a booming after-market to trade in unwanted gift cards makes them even more appealing.

Credit Karma Chief Consumer Advocate Bethy Hardeman cautions gift givers to consider all the costs and benefits of gift cards before stuffing those stockings.

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