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Coinstar goes after the gift-card resale market



Justin Sullivan/ Getty Images

Gift cards from various retailers are seen on display at a Chevron service station convenience store in San Francisco, California.

by ***Mitchell Hartman*** (</people/mitchell-hartman>)

Thursday, April 3, 2014 - 05:53

STORY

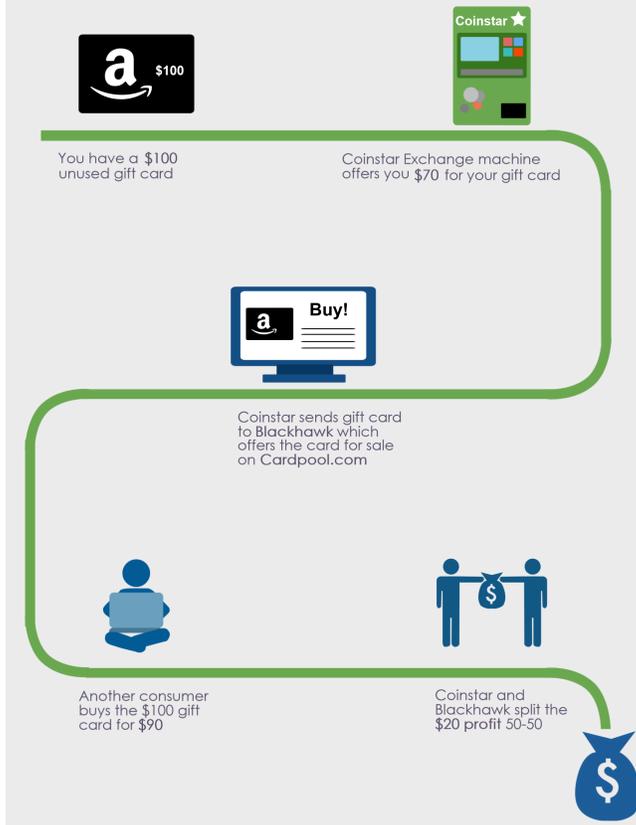
Coinstar is getting deeper into the gift-card market, expanding on its line of new machines that let consumers exchange their unused gift cards—loaded with value—for instant cash.

David Robertson of financial newsletter ‘The Nilson Report’ tells the story of a typical gift card: “Just like you’d get a gift in the old days from Aunt Myrtle of socks that you didn’t want, now you’re getting a prepaid card from Aunt Myrtle to a store you didn’t want to purchase from.”

Now, imagine Aunt Myrtle’s nephew, Spike. He just got a \$100 gift card—for J.C. Penney, where he’s not going to shop. So he sells it at the Coinstar Exchange kiosk for the company’s offer of \$70. Coinstar unloads it to a partner company—Blackhawk—that markets the card online at CardPool.com. Another consumer buys it for \$90. A \$20 profit is left over, to be split by Coinstar and Blackhawk.

What happens to gift cards given to Coinstar

and who gets the money



Shea Huffman/Marketplace

Coinstar Exchange General Manager Jeff Dirks says the company (a subsidiary of Bellevue, Washington-based Outerwall) sees promise in this business, and is expanding its footprint in several Western States from 400 to approximately 650 in-store machines over the next few months to test the market further.

Dirks says a lot of gift cards are never used. Coinstar is giving card-holders a convenient way to sell unwanted cards, and likely get most of the value back. He says many spend the money in the store where the Coinstar Exchange kiosk is located.

Consumer psychologist Kit Yarrow at Golden Gate University thinks this could help consumers burdened by gift cards.

“If you’re trying to get rid of a gift card, everything in the store is an option, and consumers find that to be sort of a freak out,” says Yarrow. “They almost feel pressure to buy.”

Then, she says, they often spend even more than the gift card is worth—and more than they meant to spend—out of pocket.



Marketplace

Senior editor Paddy Hirsch on Coinstar and gift cards



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About the author

Mitchell Hartman is the senior reporter for Marketplace's Entrepreneurship Desk and also covers employment.

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