

SEARCH MARKETING SHOULD MARKETERS INVEST IN VERTICAL ENGINES? P9 CRM HEALTHCARE MARKETERS FOCUS ON LOYALTY P12 RECRUITMENT EVALUATING THE TEAM IN AN INTERVIEW P21

# Layaway returns to retailers — on the Web

By Chantal Tode

■ Add Toys “R” Us to the list of retailers that recently introduced or reintroduced in-store layaway — a service that had been eliminated by many retailers until the recession, high credit-card fees and penny-pinching consumers presented a compelling case for its return. Bricks-and-mortar retailers, however, aren’t the only ones helping consumers manage tight budgets with alternative payment methods. More online retailers are using online layaway and electronic savings plans in the run-up to the holiday shopping season.

“Retailers, in general, find an uptick in online sales when they offer a wider array of purchase-payment methods. Online layaway is one of those options that can also help consumers in today’s economic environment,” says Beth Robertson, director of payments research at Javelin Strategy. She added that a growing number of large national merchants expressed interest in online layaway services in recent conversations with her.

Sears Holdings recently added to its in-store layaway program with an online service for both its Sears and Kmart stores. Customers pay a \$5 initiation fee to start a layaway contract, then make biweekly payments online or at any store.

Online data also shows that consumers are looking for Web-based layaway services.

eLayaway offers third-party layaway for retailers including Apple, Home Depot and Best Buy

Hitwise reports that the number of search terms using the word “layaway” increased 46% from September through mid-October, compared to the same period last year.

At eLayaway.com, consumers can sign up to put items from a variety of participating retailers on layaway. The company charges a flat 1.9% transaction fee. eLayaway.com’s membership grew from 25,000 to 75,000 in the past year, and 200 merchants signed up for the service in the past 12 months, bringing its total to 700.

“A lot of the early adopters were mom-and-pop Internet retailers but all of the merchants we’ve picked up recently have been more mainstream,” says Sergio Pinon, founder and CMO at eLayaway. Merchants

on eLayaway include Best Buy, Home Depot and Apple. The site also offers layaway for healthcare services, sports tickets and travel.

Pinon adds that he’s also recently seen more holiday shoppers use his site to put money various retailers’ gift cards in anticipation of Black Friday.

Online savings plans, also known as virtual Christmas Clubs, are picking up steam as well. In August, Sears Holdings

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eLayaway.com’s membership grew by three times over the past year



introduced the Sears and Kmart Christmas Club gift card program, which allows consumers to save for their holiday purchases at Sears and Kmart stores or online at either merchant’s Web site.

SmartyPig.com, meanwhile, is an online savings bank that lets users set specific goals, including saving for holiday shopping. This year, the company has seen nearly 20 times the number of consumer goals identified as “holiday gifts” than in 2008, says Michael Ferrari, co-founder and chairman at SmartyPig.

In addition, more retailers are partnering with SmartyPig. One recently announced partner is Overstock.com. SmartyPig’s users can choose whether to transfer their savings to a bank or redeem it via a retail gift card, which typically comes with an additional cash incentive from the merchant. The site plans to increase that incentive from 6% of the gift card amount to 12%. In addition, members will soon be able to allocate their funds to multiple gift cards.

“We are seeing consumers talking about saving for the holidays a lot. They are trying avoid the credit crunch that happens in January,” says Ferrari. “Instead, they’re taking a proactive stance and setting up goals specifically for the holidays.” ●