



Expert Available To Discuss Return Of Layaway Programs

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DURHAM, N.H. - Ludwig Bstieler, associate professor of marketing at the University of New Hampshire Whittemore School of Business and Economics, is available to discuss the return of layaway programs, a popular method of purchasing created during the Great Depression.

Mass discount retailer K-mart has been heavily promoting its layaway program in recent weeks as an option for cash-strapped Americans during the holidays. According to Bstieler, such programs - most of which had declined by the end of the 1980s - are more popular in tough economic times as they are the only way some people can afford certain goods.

Layaway programs are particularly appealing to people who are at the low end of the income scale, who may not qualify for credit (cards), or who cannot afford to spend the total purchase amount upfront, Bstieler says. Consumers pay for items in installments and receive their merchandise once all of the payments have been made.

"People who used these programs, historically, had to forgo gratification. Whether it will attract an additional consumer segment is a big question. Most consumers have credit cards and, for most, the instant gratification may be worth the additional finance charges. However, what it does do is to allow people at the low end of the income scale to afford items that are important to them," the professor says.

For consumers, the downside of layaway programs are that purchasers can't take product home before full payment is made; program terms may specify bi-monthly payments, which can be challenging to consumers who are paid monthly; and a product may be obsolete at the end of the layaway contract.

For retailers, layaway programs tie up capital for months with inventories of merchandise when their preference is to move merchandise as fast as possible. Tracking and administrative costs associated with the program can be considerable, and there is always the chance of sitting on old merchandise if consumers cancel their layaway plan.