

Greeting Cards and Seasonal Merchandising

Greeting cards are a strong contributor to store profitability.

- ✓ Sales in a well-managed supermarket greeting card program can be about 10% of GM sales. Drug stores can enjoy greeting card sales of 5% of total store sales.
- ✓ Equally important, greeting card gross profit averages 50%.
- ✓ The store has no expense for labor, markdowns, returns, and store fixtures.

While greeting cards are not directly integrated into each of the seasonal category benchmarks/plans highlighted in this report, they are critically important to the seasonal business.

- ✓ Greeting cards are a key component to many seasonal events.
- ✓ Approximately one-third of greeting card sales are seasonal.

Because the category is such a vital contributor, we think it is important to share some merchandising ideas and suggestions to maximize the opportunity presented by greeting cards.

Greeting Cards – Capture/Conversion to Drive Sales

Keys to Capture the Customer

- ✓ **Location**
 - Place the greetings category in a location that the customer will see multiple times during the shopping trip.
 - Place the greetings category towards the beginning of the

shopping trip, the customer needs time to shop the category.

- ✓ **Adjacency**
 - Place the greeting cards near high traffic items.
 - Group seasonal product to make a destination for the customer.
- ✓ **Space:** The greeting cards category needs adequate space to meet customer needs.
- ✓ **Marketing:** Get the customer to visit the greetings category in your store through awareness, category specific programs, and date/day reminders.

Keys to Convert the Captured Customer to a Purchaser

- ✓ **Correct Product Mix**
 - The correct product planned into the available space to meet customer needs.
 - Product planned using local demographics (ethnic, age, income), store history, and industry trends.

✓ **Marketing:** Tie the current holiday into the year-round marketing plan.

- ✓ **Signing**
 - Signs should shout, but not

overwhelm the customers.

- Cross-over signing in other departments, e.g., display signs in the floral department that remind shoppers to visit the greeting card aisle.

✓ Outposts

- Correct product placement to gain incremental sales.
- Display in high traffic locations.
- Display with other seasonal product, “One Stop Shop.”
- Display in other related departments, e.g., cards in floral department.

Outpost examples would include:

- 2’ X 2’ In-Season Card Merchandisers (ISM)
- 4’ X 4’ Season Card/Specialty merchandisers
- Clip Strips and J-Hooks



Greetings Industry Seasons Trends

Season Sales Growth – 5 Year Trend

The proportion of individual card sales by occasion has been fairly stable over the past five years, i.e., no single occasion is growing a lot faster than others (see below).

Note: These sales figures cover individual cards only and do not include cello packs or boxed cards.

Greeting Card Seasonal Sales Growth
2000-2004

Occasion \$ Shares	2000	2001	2002	2003	2004
ED - Birthday Total	40%	42%	41%	42%	42%
ED Non-Birthday Total	28%	27%	27%	26%	26%
Total ED Indiv Cards	68%	68%	69%	68%	68%
Total Season Indiv Cards	32%	32%	31%	32%	32%

Occasion \$ Shares	2000	2001	2002	2003	2004
Birthday Juv 1-6	3%	3%	3%	3%	3%
Birthday Juv 7-12	3%	2%	3%	3%	3%
Birthday Teen 13-17	2%	2%	2%	2%	2%
Birthday - Adult Masculine	12%	12%	12%	12%	13%
Birthday - Adult Feminine	18%	18%	19%	19%	18%
Birthday - Other/Unknown	3%	4%	3%	3%	4%
Anniversary	6%	6%	6%	6%	6%
Baby	2%	2%	2%	2%	2%
Get Well	2%	2%	2%	2%	2%
Sympathy	4%	4%	4%	4%	4%
Thank-You	2%	2%	2%	2%	2%
Wedding	2%	2%	2%	2%	2%
Religious Occasion	1%	1%	1%	1%	1%
Retirement	0%	0%	0%	0%	0%
Friendship/Love/General/etc.	5%	25%	5%	4%	5%
Other/Undecided	4%	3%	4%	3%	2%
Valentine's Day	8%	7%	8%	8%	8%
Easter	3%	3%	2%	2%	2%
Mother's Day	6%	6%	7%	7%	7%
Father's Day	4%	4%	4%	4%	4%
Graduation	2%	2%	2%	2%	2%
Halloween	1%	1%	1%	1%	1%
Thanksgiving	1%	1%	1%	1%	1%
Christmas	7%	7%	7%	7%	7%
All Other Holidays	1%	1%	1%	1%	1%

Source: Hallmark

Dollar stores are enjoying the fastest growth in greeting cards due to roof-top growth and a value image and/or offering. (See chart for the average % change in \$ by channel over the last five years (00-04 CAGR).

Total Individual Cards Retail \$	2000-2004 CAGR
Hallmark Card Shops	-2%
Other Card/Gift	-12%
Total Card/Gift Stores	-3%
Total Drug	-2%
Total Mass Merchandisers	0%
Food Stores	-5%
Dollar Stores	20%
Discount Card & Party	-8%
Other	-6%

Source: Hallmark

Seasonal Best Practices Merchandising

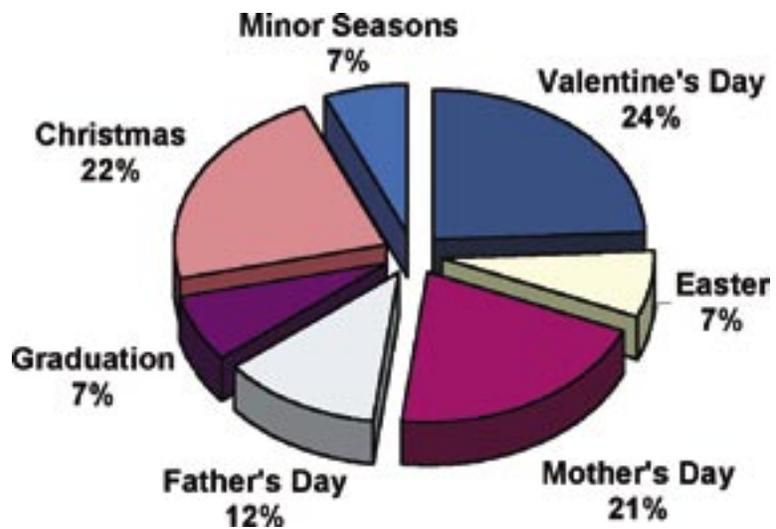
✓ *Season Impact* – Colors and icons are vital to capture the consumer.

✓ *Multiple Capture Points* – The more outposts and department cross-over displays you have the better. Example: Display cards in the floral department.

✓ *Seasonal Statements* – Display candy, flowers, cards, wrap, party gifts, and fragrances in one group display to make a bold statement.

✓ Smaller seasons need to shout the season more since their presence is smaller. Use seasonal group statements and bold signing to make an impact.

Greetings Industry
(Seasons % of Dollar Sales)



Major Card Seasons		Minor Card Seasons	
Valentine's Day	24%	St. Patrick's Day	0.8%
Easter	7%	Jewish Holidays	0.4%
Mother's Day	21%	• Passover	
Father's Day	12%	• Jewish New Year	
Graduation	7%	• Hanukkah	
Christmas (Kwanzaa)	22%	Halloween	2.1%
		Thanksgiving	2.2%
		New Year's	0.1%
		Other Holidays	0.8%
		• Admin. Asst. Day	
		• Nurses Day	
		• Grandparents Day	
		• Bosses Day	
		• Sweetest Day	
		• Veteran's Day	

Source: Hallmark

Gift Cards: A New and Increasingly Important Component of a Seasonal Merchandising Program

The Category & Seasonal Opportunity

The Gift Card category is fast becoming an important contributor to retailers' everyday and seasonal merchandising programs.

✓ *Category Size/Growth* – Gift Cards accounted for approximately \$65 billion in sales last year, a 18% increase over the year before*. And most Gift Card providers expect to see 20% annual growth over the next four-to-five years.

✓ *Consumer Appeal* – Consumers report that Gift Cards are one of the gifts they most prefer to receive; behind only DVDs/CDs and clothing.

✓ *Holiday Spending* – Industry estimates indicate that the average U.S. adult consumer spent \$88 on gift cards last holiday season, i.e., November-December 2005*.

Gift Cards are a growth engine that provides strong benefits to both consumers and retailers.

* Source: National Retail Federation

Retail Offerings

The Gift Card category can be segmented into three groups of products, each with positive attributes for retailers.

✓ *Retailers' Own Gift Cards*

– Most mass retailers sell their own Gift Cards—in either fixed or variable denominations—consumers may redeem only at that retailer/chain. Retailers know that when they sell one of these cards, they'll soon enjoy the full revenue and gross profit associated with its redemption. Mass merchandisers such as Target and Wal-Mart are increasingly emphasizing the availability of their own Gift Cards in their seasonal merchandising and advertising.

✓ *Multi-Store Gift Card Programs*

– Some mass retailers such as Walgreen's and Safeway are embracing multi-store gift card programs in which they merchandise and sell an assortment of fixed-value Gift Cards (e.g., \$5, \$10, \$25, \$50) from a wide range of well-known stores across "non-competing" channels.

- It's not uncommon for such programs to offer cards from 20+ chains. For example, Safeway's program includes Gift Cards for Starbucks, The Home Depot, and Toys R Us.

- In this program, retail sellers of the Gift Card receive a commission for each card they sell.

- While some mass retailers are reluctant to participate in these programs for fear that they'll drive spending to key competitors, others see it as a way to differentiate from stores that don't offer such a program.

✓ *Universal Gift Cards* – Many mass retailers also sell Universal

Gift Cards in fixed-value denominations that are branded by third-party financial/credit card companies—such as American Express or Visa—and redeemable at any store that accepts that financial/credit card company's mainline credit card.

- In this model, net revenue is derived from a service fee for each card sold (paid by the consumer) that they share with a third-party Gift Card program provider/card activation service provider.

- Universal Gift Card companies, e.g., American Express, are beginning to provide retailers with a wide range of merchandising support material and services to help highlight the availability of the cards and drive sales.

Seasonal Merchandising Opportunities

Gift Cards are exceptionally well-suited to complement any existing retail seasonal event program. They require very little space, can be merchandised on racks or clip strips in any part of the store, and as a complement to any seasonal display. Gift Cards can also generate significant net revenue, and position the store as a destination for gift purchases. Additionally, they provide an appealing and efficient solution for consumers shopping for seasonal gifts. And consumer demand for these products is growing faster than most other categories in mass retail. Expect to see gift cards playing a stronger role in mass retailer seasonal event strategies in the near future.

The Evolving Seasonal Opportunity for Batteries

The Battery category is an increasingly strong contributor to several retail seasonal events.

Post-Christmas Battery Sales are on the Rise

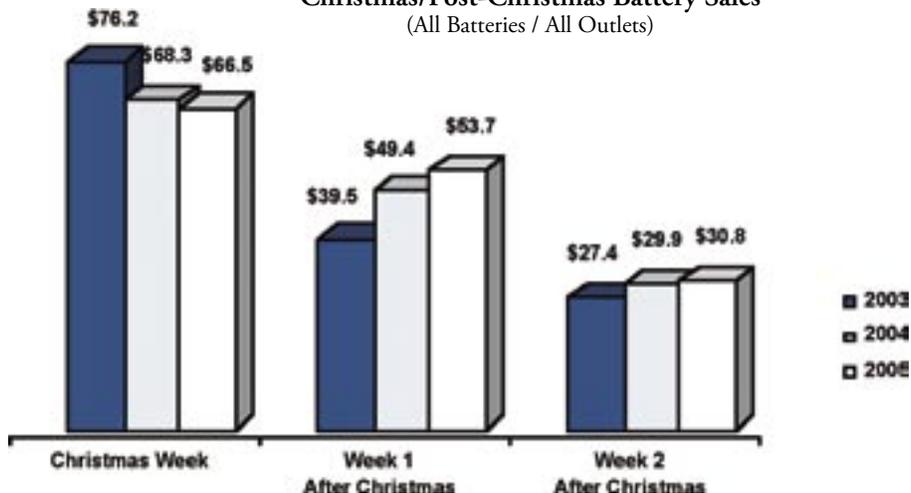
For example, while Battery sales are exceptionally strong during the Christmas holiday season, sales don't evaporate once Christmas is over. In fact, the weeks following Christmas are presenting important Battery selling opportunities as evidenced by increasing post-Christmas sales over the past three years.

It appears that the post-holiday sales increase is at least partly driven by household need for batteries to power new technology-oriented holiday gifts such as Ipods, MP3 players, digital cameras, etc. Additionally, consumers are opting to efficiently stock-up on Batteries they know they'll need during the holiday season.

Retailers have an opportunity to drive category sales and satisfy consumer needs by maintaining high-profile displays of batteries—including hi-tech/performance Batteries—during the holiday season and well into the new year.

Source: Energizer / AC Nielsen Data (selected channels/retailers; Florida-only)

Christmas/Post-Christmas Battery Sales
(All Batteries / All Outlets)



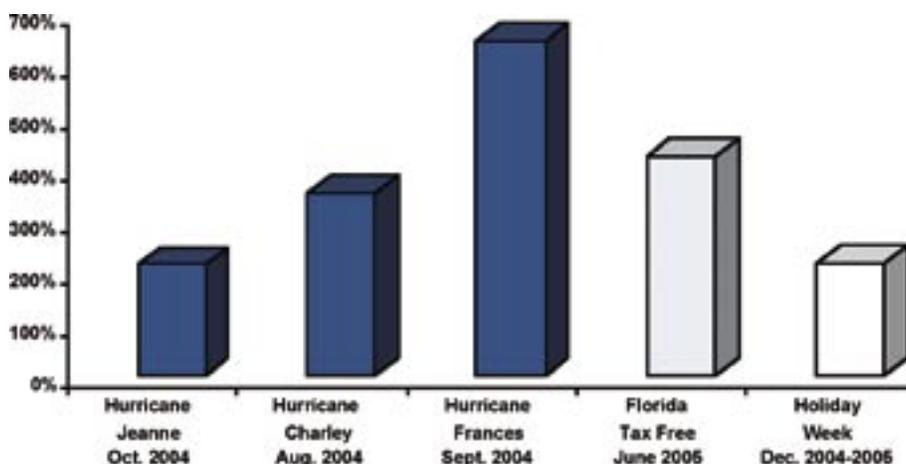
Source: Energizer / ACNielsen Data

Batteries are a Key Component of Consumer Preparation for Storm Season

Recent large-scale natural disasters caused by seasonal storms (hurricanes, tornados, etc.) over the past several years have increased consumer awareness of the importance of preparing for weather-related emergencies that can disrupt electrical power in the household. Batteries and Flashlights are among the most important staple products that consumers need to stock up on in case of such an emergency.

Retailers in areas heavily impacted by seasonal storms have begun to organize around this opportunity and develop seasonal merchandising events designed to help consumers prepare for storm season by stocking-up on key emergency items. In Florida—a heavy hurricane area—the government is even lending a helping hand, i.e., the state of Florida has begun to support consumer/retailer efforts by offering a two-week period in early summer during which consumers can purchase emergency preparedness products “tax-free,” with positive results.

Florida Battery/Flashlight Volume Index
(Index vs. Avg. Weekly \$ Volume)



Appendices

The following eight Appendices provide additional information, insights, examples, and benchmarks that will help retailers and their supplier-partners build and execute successful seasonal plans. Each Appendix is designed to complement the direction/guidance in the body of this report.

✓ *Appendix A: Seven Steps to Building Seasonal Event Plans*

– Details the requirements and processes involved developing actionable and successful seasonal merchandising plans.

✓ *Appendix B: Sample Seasonal Category Plans* – Provides examples of seasonal plans for three key events, each of which offers structure and concepts that are transferable to many other seasonal events.

- *Valentine's Day Plan*
- *Suncare Plan*
- *Cough-Cold Plan*

Also included is a “generic” plan, i.e., an outline that retailers can follow when building their own seasonal plans.

✓ *Appendix C: Seasonal Planning Perspectives* – Insights to help retailers tailor seasonal plans for different size stores.

✓ *Appendix D: Seasonal Analysis Roadmap* – Detailed approach to help retailers and their supplier partners analyze the performance of seasonal events. Includes action steps and desired outcomes.

✓ *Appendix E: Seasonal Plan Checklist* – Checklist retailers can follow to guide their development of seasonal plans.

✓ *Appendix F: Seasonal Sales Indices Across Mass Market Retail Channels* – Graphical illustration of multi-channel seasonal sales indices in four sample categories, i.e., Suncare, Cough-Cold, Cosmetics, Cleaning Tools/Mops/Brooms

✓ *Appendix G: Consumer Survey Benchmarks* – Top-line findings and benchmarks from on-line surveys with 1,001 consumers across the country capturing general perceptions, preferences, and shopping behavior for seasonal products.

✓ *Appendix H: Seasonal Planning Forms/Templates* – Examples of forms/templates retailers can use when developing and executing seasonal plans. Electronic copies of these forms/templates—and others—are available for download from the GMDC Website: www.gmdc.org.

Appendix A:

Seven Steps to Building Seasonal Event Plans

1. Create Overall Corporate Strategy

Senior executives must develop and clearly articulate their overall corporate goals/objectives and go-to-market strategy. Seasonal event plans will be designed to support the corporate strategy.

✓ Seasonal merchandising can play a key role in helping retailers meet corporate objectives, but it requires strong executive support since it has different operational characteristics and requirements than mainstream, everyday categories. Differences include regular assortment changes, frequent markdowns, and close coordination across departments.

✓ The overall corporate strategy should recognize that seasonal merchandising events:

- Drive sales and profit for the company.
- Differentiate the store versus key competitors.
- Create consumer excitement during times of the year when consumers are spending heavily to celebrate special occasions and/or enjoy the season.

✓ Successful seasonal event merchandising often requires:

- Multi-functional cooperation across areas such as procurement, logistics, and operations.
- Close cooperation/coordination among all departments in the store.

- Allocation of permanent seasonal merchandising space.

- Micro-merchandising in stores/events for which it makes sense.

- Focusing on developing/executing exceptional plans for events that can help the store differentiate versus key competitors.

2. Select Supplier-Partners

Identify the right supplier partners, i.e., those possessing the following characteristics:

✓ Track Record – A history of successfully supporting the retailer's business and meeting/exceeding retailer expectations.

✓ Personnel – High-quality and abundant personnel to help identify and leverage business-building opportunities.

✓ Data/Analytics – Consumer information/benchmarks, decision-tree research, and syndicated data to benchmark retailer performance versus the market, and analytical resources to help conduct quantitative performance assessments and complete event scorecards.

3. Define the Season/Event

I.e., determine what is included in the scope of the plan and what is not. This step also requires retailers and supplier-partners to work closely together to:

✓ Identify the target consumer.

✓ Develop a consumer decision tree for each segment/product offering.

4. Assess Performance

During this step the retailer and supplier-partner work together to assess the state-of-the-category based on historical POS sales data, market data, and other sources of information.

✓ Adapt traditional category management templates to conduct assessments where possible.

✓ Record weather conditions and other external causal factors which may have impacted sales.

Assessment topics include:

✓ *Assortment* – Analyze products sold by the retailer and key competitors.

- Sales during season
- Dates/timing of sales
- Sub-category sales trends
- Items to carry next year

✓ *Shelf/Promotional Merchandising* – Analyze space productivity during seasonal event.

- Current productivity
- Opportunities to enhance productivity next year, e.g.,
 - Shelf, floor displays, pallet displays, end-caps, etc.
 - Clip strips, checkstand merchandising

- Space allocated for product demonstrations

- Cross-department merchandising successes/opportunities
- Changes for next year

✓ *Pricing* – Analyze event pricing practices.

- Did pricing achieve gross profit goals before and after markdowns?
- Price position versus key competitors
- Company strategy and how well it was executed for the seasonal event
- Point-of-sale price communication
- Markdown timing and percentages
- Changes for next year

✓ *Advertising and Promotion* – Analyze the net impact/benefit of advertising and promotional tactics.

- Sales lift
- Advertising and promotional timing versus competitors
- New/unexplored opportunities to promote
- Cross-department promotion successes and opportunities
- Changes for next year

✓ *Logistics and Supply Chain*

– Identify opportunities to enhance supply chain efficiencies.

- Product availability at the DC
- Opportunities to change case packs, etc., for easier handling and more efficient distribution in DC and stores
- New product sources for next year

✓ *Execution* – Measure/validate execution at store-level and identify opportunities to improve.

5. Develop Strategies and Tactics

Refine overall seasonal strategy, and strategy for each event.

- ✓ Each department should develop its own tactics and then the company should create inter-department tactics to leverage total store synergies.
- ✓ Tactics should include:
 - Assortment for next season
 - Shelf/promotional displays and cross-department merchandising concepts
 - Pricing
 - Advertising/promotional plan
 - Enhancements to logistics/supply chain activities

- New concepts to strengthen store execution, e.g., shows, order books, catalogues, “show and tell” meetings, sharing of best practices from last season, planogram books, and pictures.

6. Build Action Plan

Develop comprehensive action plan that representatives from all key corporate functions and departments can follow to ensure that they’re effectively preparing for the seasonal event. Include roles, responsibilities, and deadlines.

7. Create Evaluative Scorecard

The plan must have goals and be measured against those goals. A scorecard will measure the performance of the plan in support of corporate goals, and will include—but not be limited to—the following metrics:

- ✓ Sales – total event
- ✓ Sales – weekly
- ✓ Going-in/billing gross profit
- ✓ Expected markdown
- ✓ Actual markdown
- ✓ Net profit

Appendix B: Sample Seasonal Category Plans

Following are examples of seasonal category plans retailers can adapt to their own needs.

Each example serves as a representative model of the different types of seasonal plans that are required.

✓ *Valentine’s Day Plan*

- Example of a seasonal plan that includes participation from several departments across the store.
- Demonstrates development of a “destination” plan for a limited time period.

✓ *Suncare Plan*

- Example of a HBC seasonal plan featuring a major season surge in sales.
- Highlights how to apply micro-merchandising techniques by analyzing sales from previous years.

✓ *Cough-Cold Plan*

- Example of a seasonal plan that impacts several categories within a department.
- Provides an inside look at how to develop a plan where the seasonal product is part of the regular assortment.

✓ *Generic Seasonal Plan*

A template for general seasonal planning.

Sample Seasonal Category Plan: Valentine’s Day

Departments and Lead Representatives Participating in the Plan

Department	Representative
General Merchandise	Charlie Card, Chair
Health and Beauty Care	Fanny Fragrance
Floral	Ruby Roses
Bakery	Cathy Cakes
Wine and Liquor	Willie Wine
Grocery ✓ Candy ✓ Baking	Hanna Hearts Cathy Cakes
Marketing	Andy Ad

Vendor Partners for Plan

- ✓ Greeting card supplier
- ✓ Cosmetics supplier
- ✓ Baking (grocery) supplier

Seasonal Plan Definition

All items to celebrate the Valentine’s Day holiday, focusing on expressions of affection and thoughtfulness. The plan includes all items for which past POS information identifies a spike in sales during the two weeks preceding Valentine’s Day (February 14).

Target Consumer

Male or female, 18 to 65, who wants to communicate affection and is looking to quickly fill all holiday needs in one store.

Key Sales Categories for Valentine’s Day

- ✓ *Floral* – Red roses
- ✓ *Greeting Cards* – Valentine’s Day is the largest holiday for greeting cards.
- ✓ *Candy* – Valentine’s Day represents our third largest candy holiday event.
- ✓ *Gifts* – Especially plush toys.

Seasonal Plan Role: Destination (for 3 Days)

General Strategy and Tactics

The plan is designed to establish our stores as a destination for consumers’

Suggested Action Plan

Date	Action	Department
6/1/06	Valentine's Day Seasonal Committee formed and meets for first time. <ul style="list-style-type: none"> ✓ Elects chairperson. ✓ Reviews reports and scorecard from previous years, if available. ✓ Establishes timeline and action plan for 2007. 	Exec. VP Merchandising
On-Going	Valentine's Day Seasonal Committee continues to meet and build their plan. When needed other people are brought into the meeting.	
1/1/07	Seasonal aisle is built for Valentine's Day event.	GM and Grocery
	Greeting card aisle is converted for Valentine's Day.	GM
1/8/07	Heart-shaped point-of-sale signs sent for appropriate categories throughout the store.	Marketing
1/8/07	Clip strip program distributed with GM items for Valentine's Day.	GM
1/15/07	Major department displays, completed together with sign package.	Each Dept at Store
2/12/07	Early in the morning, the Destination merchandising display/solution center is developed in the floral area or in the front lobby of the store with a designated special checkstand nearby.	Each Dept at Store and Store Manager
2/21/07	Each department develops their scorecard and analysis of 2007 Valentine's Day program with recommendations for changes next year.	Each Department
2/28/07	Valentine's Day seasonal committee meets to finalize their scorecard and recommendations for changes to the plan for 2008. The scorecard and plan changes are submitted to the Executive VP of Merchandising.	Valentine's Day Seasonal Committee

Fonte: The GMDC Education Foundation, v. 14, p. 38-48, Acesso em 27/4/2007.