

WON'T MAKE IT INTO THE HALLMARK HALL OF FAME

**An examination
of the
online greeting card
business**



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The pitch

The idea: Internet greeting cards.

The customer: Internet users pressed for time but who still care.

Why is it in demand? Go green with greeting cards.

How will its availability be communicated? Search engine optimization, Google AdWords, social media marketing.

Why will they buy from you? Low cost and convenient substitute.

Price: Annual fee of \$20 for unlimited use.

Additional information: I have a background in graphic design.

Knee-jerk reaction

It's being done.

First of all, it's being done. Websites exist which offer a large selection of on-line salutations for both every day and special events, as well as invitations, reminders, thank-you's, and more. They will also select recipients from the various lists of contacts stored on your devices and e-mail accounts. Some also offer products on their sites should you care to send more than your very best. Free shipping included. Successful print-based companies have also expanded to include on-line availability. As well, cards may be printed from the sites should personal delivery be desired. Many may be customized with the user's graphics, message, and even handwriting. Prices are not overtly indicated.

Do you have a way of breaking in?

Unless you have some way of breaking in it is unlikely that your site offering greeting cards will make it to the top of the search engine results page.

As well, you're an unknown commodity and will be asking

The second-largest US greeting card company doesn't make money in the US.

for money over a web site. How's your credit? You will need to set-up a business bank account – even to use online payment providers.

The heart of the matter

Dow-Jones newswires reported June 29, 2011 that the second-largest US greeting card company experienced sluggish domestic sales and generated a profit only from international ones. The news service went on to say that the company has faced waning demand for its cards amid the rise of social media and e-mail, prompting it to roll out e-cards and apps in an attempt to lure younger buyers.

The size of the online industry sector worldwide is \$500-M

The Greeting Card Association of the US reports that:

- The size of the online industry sector worldwide is \$500-million,
- The size of the entire American retail industry is \$7.5-billion or 7-billion units,
- Ninety percent of American households buy greeting cards, with an average consumption of 30-units per year.

Growth in the Canadian industry as a whole is 9%

The Gift Packaging and Greeting Card Association of Canada estimated for 2006:

- Sales of 650-million units or \$750-million,
- Average profitability of 9%,
- Growth of 1-2%,
- The industry contains about 60-wholesalers with only about a dozen having a national distribution base,
- The industry is dominated by two players who hold over 65% of market share,
- Industry Canada reports that North American Industry Classification System (NAICS) industry number 45322 – which includes the sector of greeting cards:
 - Consisted of 5225-establishments,
 - Of which just over half (57%) had 1-4 employees,
 - Declared total average annual revenues for small- and medium-size establishments of \$288,000, with 68% of them operating at a profit.

The electronic greeting card has captured 5-7% of the traditional paper and ink business, but is an add-on business, but not a big money spinner

Indeed, the *Toronto Sun* reported December 22, 2009 that the traditional greeting card industry has faced rising competition from the use of online cards.

"The electronic greeting card has captured 5-7% of the traditional paper and ink business," a spokesman for the Canadian Gift Card Association was quoted as saying.

However, all that glitters is not gold.

The newspaper went on to say that it has not had a major impact on revenue.

"It is an add-on business, but not a big money spinner," a spokesperson from the UK Greeting Card Association told it.

The Greeting Card Association of the US also declared:

- At this time e-cards play a supplemental or informal role,
- Consumers rarely send them in place of traditional cards, and
- The online substitute has expanded the market and not cannibalized it.

Eight out of 10 Canadians expressed a strong preference for receiving a holiday card in the mail

Furthermore, a survey conducted for Canada Post by Harris / Decima in November, 2010 reported eight out of 10 Canadians expressed a strong preference for receiving a holiday card in the mail. This was an increase compared to 2008 when 71% of Canadians said they preferred the traditional card in the mail.

About 60% of those polled said they did not plan to send digital cards [that] year and those sending digital messages planned on an average of five electronic greetings.

The final analysis

Granted, some demand is shifting on-line: a niche strategy or some way to distinguish your product and enable it to be more competitive may be effective.

Granted, some demand is shifting on-line. If you can construct a niche, a gimmick, or some feature or benefit that will distinguish your product and enable it to be more competitive, then the idea may be worth trying, since costs of entry will be low. It may also be cheap to maintain, and who knows, some things on the web become popular just

because, well, they're popular. High traffic isn't always earned. But don't count on this idea to make (your next) million dollars.

Recommendation No-Go.

Rationale Low demand, no growth, too much competition, no sustainable source of competitive advantage, mediocre profitability.