

TRENDS: GREETINGS FOR MODERNS

As tastes evolve, change is in cards

As some consumers express doubts that greeting cards are the best way to communicate on special occasions, firms scramble for ideas

By Judy Artunian
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'Tis the season when the greeting card industry takes in 60 percent of its seasonal card sales. But greeting card publishers may need a shot of innovation to keep that good cheer going.

Without a breakthrough idea or two, there are few options for growth in a mature market in which cards are sold like commodity products, according to Stevens, Pa.-based Unity Marketing, which released a study on the industry this fall.

It's not that consumers are abandoning greeting cards. A full 90 percent of U.S. households purchase greeting cards, with the average household buying 30 individual cards per year, according to the Greeting Card Association in Washington, D.C.

"Our members have seen sales at a steady-to-slightly increasing pace over the past several years," said Valerie Cooper, executive vice president of the association, calling the level of sales stable.

But Unity Marketing estimates that greeting card sales declined by nearly 4 percent from 2002 to 2004. About half of the greeting card buyers who participated in the firm's survey reported having doubts that greeting cards are the best way to communicate on birthdays and other special occasions.

Pam Danziger, president of Unity Marketing, noted that many of these unenthusiastic card buyers were under the age of 45.

"A big segment of those younger people want an alternative. The greeting card paradigm is based on a 1900 mentality and marketplace. Hallmark's approach when it was founded about 100 years ago was all about the picture and the note card that almost became like a present that people wanted to keep," Danziger said. "It just doesn't work anymore, and

the sales are proving it."

The industry has seen some innovations during the last several decades, that have sustained sales.

"The most significant change I've seen since I've been in this industry is that it is embracing alternatives of all kinds," said Rick Baldwin, marketing manager at Chicago-based Recycled Paper Greetings Inc., which is known as a pioneer in alternative greeting cards.

For example, the company, the third-largest greeting card supplier, behind Hallmark Cards Inc. and American Greetings Corp., once produced a card that celebrated divorce. "It sold strongly," said Baldwin. "Part of introducing freshness into the industry is to identify new occasions to celebrate with a greeting card."

Paul Barker, vice president of Hallmark's creative division, stresses that there continues to be a healthy market for traditional cards. But he also acknowledged that there is a growing demand for the non-traditional variety, especially cards aimed at younger consumers and others who appreciate irreverent or humorous themes.

"We have to make sure we're making cards that speak in a language that is contemporary and have concepts that speak to what is important to that target customer," said Barker.

Hallmark, a privately held company based in Kansas, City, Mo., doesn't release sales figures but estimates that it has more than 50 percent of the U.S. greeting card market.

Smaller greeting card publishers have traditionally led the way in edgy humor. A prime example is a Christmas card currently available from Pulp Couture Inc., a Chicago greeting card publisher and distributor. The cover features three cigarette butts in an ashtray along with the message, "Ahhhhh, the familiar sense of guilt, regret and group hostility." The inside of the card reads, "Must be the holidays. Merry Christmas."

Besides targeting the young and hip, Hallmark, American Greetings and other cardmakers publish greeting card lines designed for specific ethnic groups and religions. Hallmark even offers cards for those who have a strained relationship with a parent.

"Someone may just want to say, 'Happy Birthday, Mom' but not want to go into what a great mom you were because maybe you weren't. It's an acknowledgement that not all of us grew up in an Ozzie & Harriet-type of family," said Barker. "The notion of being authentic is critical. If you watch people shop for cards, they will pick up cards for what they look like, but put them back because of what they say."

Ten years ago some in the industry had high hopes for electronic greeting cards, also known as eCards. But their appeal appears to have faded.

"When the dot-com boom was going on and lots of companies were offering electronic

greeting cards for free, we couldn't make enough of them. It was almost like a fad. But the novelty has worn off," said Barker.

He attributes the flagging interest to consumers' appreciation for the sentimental value of paper cards.

"You can't tuck an electronic greeting away. Your ability to relive it and share it is limited in an electronic format," he said.

Hallmark's eCards are free, but most eCards are sold by subscription, according to Patti Freeman Evans, a Jupiter Research Inc. retail analyst. Evans, who says revenues for companies that sell eCard subscriptions are flat, predicts that there will be 4.3 million eCard subscribers, which translates to about \$43 million in revenue, by the end of 2005. That number is expected to climb to 5.2 million subscribers in 2009.

Those who send eCards may be drawn less to the creativity of the cards than to the convenience of sending a greeting card without leaving home. Jupiter Research found that 43 percent of consumers who said that they send an eCard at least once a month were 55 and older.

"These may be grandparents communicating with the next generation. The use of e-mail as a method of communication is growing in its impact on traditional methods of communication. That includes greeting cards," said Evans.

With consumers of all ages apparently at ease with saying "Merry Christmas" via cyberspace, some say that the Internet may still hold the key to boosting sales.

"The breakthrough may happen with e-mail," said Evans. "What may be a challenge for the greeting card industry is how easy and quick it is for consumers to share their thoughts and sentiments just through e-mail without bothering to use a greeting card. Card companies could think about what tools and services they could offer to enhance someone's e-mail capabilities by offering their expertise in design and sentiment."

Some experts say although greeting cards may take on many new forms, electronic and paper greetings will still coexist for many holidays to come.

"The younger generation has grown up not trained in the art of social correspondence. You're finding a greater interest in e-mail cards and also greetings for instant messaging and cell phones," said Joanne Fink, president of Lakeside Design in Lake Mary, Fla., which specializes in product development for the greeting card, gift and stationery industries. "But I cannot see Americans not sending cards."

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