

The greeting card industry's resilience is certain to be put to the test, that's for sure. And this is on the back of an accepted slight decline in the value of the industry.

Unlike 2009, which despite being in the depth of recession, saw few major industry events (other than the Birthday's administration and partial buy back), 2010 was the most action-packed year the UK greeting card industry had seen in a long-time, in both publishing and retailing terms.

The consolidation of the publishing supply side so long predicted really got going with gusto, with an array of company takeovers as either going concerns or after business failures. The most recent, Simon Elvin acquiring Polytint, only happened a couple of weeks ago, but this has been pre-dated in the last year by Otter House acquiring Images and Editions and then Jarrolds Calendars, Ling Design acquiring Rainbow Cards and Max and Sid Creations, Is it Art/Pyramid acquiring The Art Group and perhaps the most significant of all, Carte Blanche Greetings acquiring Wishing Well Studios.

And all this may be just a taster for things to come, as cash-strapped potential vendors succumb to the approaches of larger cash rich predators, whether it be an American giant like Hallmark or a home-grown industry entrepreneur like Duncan Spence or Simon Elvin. PG expects the ranks of the middle-sized publishers to be further thinned out by this time next year.



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Inset: Good news is that groups like Paperchase, Scribbler, Cardbar and Penmark are continuing to grow.

Mintel's Market Carve Up

The recent Mintel Report on Greeting Cards show that specialist card shops still account for the largest chunk of the market, but supermarkets are edging closer.

Card Shops	33% (-1pt%)
Grocery	28% (+4pt%)
Variety stores	7% (-5%pts)
Stationers, book stores, art shops	11% (-)
CTNs/convenience	9% (-)
Other	12% (+2%pts)

(Source: Mintel)

Moving now to the retailing side, there are lots of pairs of eyes on Clinton Cards this year. As this article was being penned, Clinton Cards PLC, the UK's largest specialist greeting card retailer, announced its figures for the five weeks to January 2. These showed a 2% like-for-like decrease in sales in the all important Christmas period. The group's own broker has halved its profit forecast for the year from £13 million to around £6-7 million.

The question everyone is asking is whether this is due to a weakening of the greeting card industry or due to underlying problems with the Clintons group itself?

The Sun's business comment in its City pages (which are surprisingly good) concludes: 'When the snow hit, people could afford to knock Mothercare or Clinton Cards off their shopping list - but they still

went to 'destinations' such as the supermarket or John Lewis. Stores have to ensure they remain vital or relevant. A new shake-out is taking place and the weak are looking weaker.'

There are big hopes that Clintons' upcoming new look will be very good, but refits are expensive so extending this to the rest of the estate will cost a pretty penny.

So what of the indies and Clintons' nemesis, Card Factory? In last year's article it was speculated that founder Dean Hoyle might sell his shares and indeed that happened mid-year, when private equity group, Charterhouse paid a whopping £350 million for the company.

Thus far, Card Factory's new owners seemed to have resisted the temptation to throw the baby out with the bath water and continued very much with Dean's tried and trusted successful formula, content just to accelerate the brand new stores opening programme.

But Card Factory continues to cast a shadow over many parts of the industry. As the results of the recent PG/Cardgains Retail Barometer shows, many independent retailers view Card Factory (and the supermarkets) as their biggest threat.

Card Factory also casts its shadow in other areas of the trade. The wholesale trade, which saw a partial recovery in 2009, took a battering last year culminating in City Greetings (Welsh wholesale distributor with branches in Cardiff and Swansea) hitting the buffers around Christmas time,



State Of The Nation



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delivering an unwelcome festive gift for wholesale suppliers.

The supermarkets have become a fact of life for the greeting card market, but there is a sense that their collective market share growth has slowed. Although arguably Tesco is the best at it, the current brokerage system means that a lot of the most potent and exciting greeting card product in the market does not find itself onto its racks.

Finding a more upbeat tempo, there are still a good clutch of specialist operators who are continuing to grow despite the march of Card Factory, supermarkets and et al. The likes of Penmark, Card Bar, Scribbler, House of Cards and Paperchase are all continuing to grow, while the business failure of the Thoughts chain shows that a sound financial backing is needed to succeed.

The Coalition Government has been hoping for a growth in exports to help pull the UK through the recovery. 'Export or Die' has become a mantra. Luckily, with the UK still leading the world in terms of greeting card design the industry is well-placed to do its bit and if the number of international visitors to the PG LIVE show last May was anything to go by, it is already doing so. A comparatively weak sterling will continue to help in 2010 but with some of the UK card trade's export markets (like Ireland, Spain and Greece) in serious financial problems, the picture will have a few patches. Australia, Northern Europe and Scandinavia and a fast recovering USA will probably be the bright spots for export-orientated publishers this year.

Last year will definitely be remembered as the year of the personalised print-on-demand greeting card. There is no doubt that Moonpig's startling sales and impressive profit figures have had a mesmerising effect on the trade, prompting a mass of bandwagon jumping.

Hallmark, WHSmith, Clintons and several other publishers are all investing in this area without, one suspects, seeing a return on their investment yet.

In 2011 there might be slightly less activity in this area as the new and late



Above: The Wallace & Gromit Christmas stamps added cheer to festive envelopes, but there are concerns that Christmas card sending is down. If only the Cardomatic was the answer!

Below: PM David Cameron and his coalition partner Nick Clegg is pushing the 'Big Society', greeting cards should be seen as part of this.

entrants realise that the road that the bandwagon is riding on is not necessarily paved with gold for them - and also that they start ten years and a lot of investment behind Moonpig and don't have the market leader's rather useful Channel Island VAT exemption.

Despite the fact that some clever people have stated that last year saw the print-on-demand side nibble away at 'High Street' card sales and that 2011 will see the personalised side grow marginally, talk of it taking over from traditional greeting cards maybe all pie in the sky.



Among the several 'hand of friendship gestures' that Royal Mail extended to the UK card trade last year, including some encouraging findings that showed for all the new technology now at hand for social communication, the techie generation is also increasingly needy. Its research into how people communicate revealed that while youngsters (especially) now expect texts and Facebook messages galore on their birthdays,

they wanted these in addition to actual greeting cards, the latter being seen as tangible assurance of their popularity.

There are some understandable jitters about Christmas card sending, both in the short and long-term. You have to remember that it has been the UK's high per capita Christmas card sending habit that has served to put it at the top of the tree, above the US. Corporate Christmas card sending started taking a nosedive several years ago, but the media latched onto concerns (put out by Oxfam and later by Mintel) that personal Christmas card sending is heading south.

This did result in a wave of positive 'scaremonger' stories in the media with headlines proclaiming the 'death of the Christmas card' resulting in a public rally cry in its defence.

It will not be until the returns are counted up from the recent Christmas as to the level of seasonal cheer going forward.

So, where does this all leave the greeting card industry in 2011? 'The 'Squeeze' will have an unsettling effect, but being a relatively low ticket item greeting cards will not be affected as badly as many industries.

It has to be remembered that the UK greeting card trade is still massive (worth an astonishing £1.48 billion), card sending is still very much an ingrained part of our culture, and, as the waiting list for The Ladder Club showed, there are still plenty of would-be card publishers coming on stream and, the margins they offer means greeting cards will continue to hold an interest for retailers.

People will continue to have birthdays, weddings, anniversaries and reasons for card sending, and there will be plenty of choice on offer to cover all tastes.

But really no one knows how 'the Squeeze' will pan out. One suspects, as has happened elsewhere, there will be a further polarisation in the retail market with the top end and bottom end doing well. And probably the same will happen in the publishing side as well.

But all this is supposition. The 'State of the Nation' conclusion for this year is that there is no conclusion. Predictions are perilous; the winds of change will follow the 'squeeze', and who knows what we will be talking about this time next year - the winds of change are a-blowing!