

# Marketing Strategy in Action

## Hallmark Cards

It is one of the least likely businesses ever invented. However, Hallmark and its main competitors—American Greetings and Gibson Greetings, plus an assortment of so-called alternative card companies—make a good living selling sentiment to American consumers. In fact, a greeting card is one of the most profitable things that can be made with paper and ink. Consider the “Three Little Angels” card, Hallmark’s best-selling Christmas card ever, which has sold more than 37 million units and brought in more than \$22 million during the 24 years it has been produced.

Messages of congratulations and good cheer have been exchanged for centuries, but not until recent times have they taken the form of greeting cards. The first greeting cards were Christmas cards, invented in 1843 by a British businessman too busy to write his traditional Christmas letter. By the 1870s, expensive Christmas cards were quite popular among wealthy Americans. Joyce C. Hall and Jacob Sapirstein (founders of Hallmark and American Greetings, respectively) are regarded as the architects of the modern-day greeting card industry. (You can review the history of Hallmark at [www.hallmark.com/](http://www.hallmark.com/) and American Greetings at [americangreetings.com/](http://americangreetings.com/).) Hall and Sapirstein transformed a turn-of-the-century fad for picture postcards into a social custom in which consumers buy and send cards to convey their feelings and sentiments about birthdays, weddings, births and deaths, graduations, and so on. Today’s consumer can buy a greeting card to signify virtually any situation and circumstance you can imagine (and some you can’t imagine). Sending greeting cards is so popular in the United States that greeting cards have sometimes constituted as much as 50 percent of the volume of first-class mail.

The business Joyce Hall started in 1910 has grown into Hallmark Cards, Inc., a \$4.2 billion worldwide organization headquartered in Kansas City, Missouri. Hallmark publishes greeting cards in more than 30 languages and distributes them in more than 100 countries. An estimated 4 billion Hallmark cards are available in the United States alone. The company produces 11,000 new card designs and 8,000 reused designs each year. In addition, Hallmark markets thousands of related items such as gift wrap, party goods, Christmas ornaments, jigsaw puzzles, ribbon, and writing paper. Hallmark also owns Binney & Smith, maker of Crayola crayons; a portrait studio chain, The Picture People; and Hallmark Entertainment, producer of family-oriented television programming.

### Hallmark’s Traditional Products and Brands

Consumers consistently rank the Hallmark brand name among the top 10 quality brands in any category. The company markets greeting cards under a number of different brand names, including:

- Ambassador. A Hallmark tradebrand for mass merchandise retailers such as grocery stores, drugstores, and discount stores.

It is sold in more than 4,700 mass-channel stores across the United States.

- Warm Wishes. A line of 99-cent cards designed to help Hallmark compete against discount card retailers.
- Shoebox Greetings. A collection of witty, irreverent greeting cards designed to compete with the so-called alternative cards. These cards reflect today’s lifestyles, with topics ranging from male–female relationships to pregnancy, and from stress in the workplace to congratulating a co-worker on a promotion.
- Mahogany. A greeting card line created specifically for African American consumers. The designs and messages celebrate African American heritage, tradition, and culture.
- Hallmark en Español. A card line for Hispanic consumers with bilingual (Spanish and English) messages and culturally specific captions. This line contains cards for dates important to Hispanic consumers.
- The Tree of Life. A line of cards for Jewish consumers for holidays such as Passover, Rosh Hashanah, and Hannukah.
- Hallmark Business Expressions. Customized cards created to help business clients form lasting relationships with their customers and employees. Hallmark has designed custom cards for the New York Yankees, NASA, Radio Shack, and State Farm Insurance.
- The company also offers Hallmark Keepsake Ornaments and Party Express party products, such as matching printed plates, table covers, and decorations appropriate for specific occasions.

Hallmark personal expression products are found in more than 43,000 retail outlets in the United States. About 5,600 are specialty stores, of which more than 4,000 are certified Hallmark Gold Crown stores. Another 30,000 are mass merchandise retailers, including discount, food, and drug stores. The Hallmark and Shoebox brands, along with exclusive Hallmark Keepsake Ornaments, are available exclusively at the Gold Crown stores.

### Hallmark Online

Hallmark launched its Web site in 1996. Initially the site contained corporate information and soon expanded to allow consumers to send their own e-cards (some for free, some for a charge). However, the company that really prospered from the increased use of e-cards was not Hallmark but a newcomer, Blue Mountain Arts ([www.bluemountain.com](http://www.bluemountain.com)). Blue Mountain offered free e-cards and became one of the Internet’s most popular sites. In September 1999 it attracted more than 9 million visitors, ranking it 18th on Media Metric’s list of the top 50 Web sites. American Greetings also reported a surge in activity on its site thanks in large part to an alliance with America Online.

In the summer of 1999, Hallmark responded with a relaunch of its consumer Web site (the Web address is now listed on the back of all of Hallmark's traditional paper cards). Visitors can choose from a collection of about 600 free e-cards, which are unique to the Web site (not available in stores). In fact, the e-cards are created by a separate team of designers. Customers can also purchase gifts and send flowers at the Hallmark site. There is even a service that will e-mail you a reminder of upcoming holidays, birthdays, anniversaries, and so forth. The notice is intended to stimulate problem recognition and a subsequent problem-solving session to select an appropriate greeting card (hopefully, a Hallmark card). Hallmark reported its 1999 Web traffic increased 200 percent, with Web sales jumping up 600 percent.

### The Marketing Problem

Distribution is a key element of Hallmark's marketing strategy: putting its products where consumers can easily access them and make purchase decisions. Nationwide, Hallmark personal expression products are found in more than 43,000 retail outlets. In the mid-1980s, Hallmark emphasized the Hallmark Gold Crown stores as the place to buy high-quality greeting cards and receive special services. To buy the exclusive high-end Hallmark card and other products, consumers first had to decide to go to a Hallmark card shop. This strategy of dedicated Hallmark stores seemed to work well for many years, but by the mid to late 1990s it was in serious question. Between 1990 and 2000, Hallmark's overall market share in the United States declined from 50 percent to about 40 percent.

Historically, about 75 percent of Hallmark's top-of-the-line cards were sold in the specialty shops. This was fine as long as many consumers chose to shop at those locations. But as distribution of greeting cards to mass merchandisers and other locations (airports and bus stations) increased—and as the Internet grew in popularity—consumers' shopping behavior changed. Fewer consumers were deciding to go to a card specialty store first—let alone a Hallmark store—to shop for cards. Many time-starved customers found it easier to buy cards at stores they already frequented (grocery stores, discount chains, drugstores) or to send a free card via e-mail rather than make a special trip to a Hallmark store. Specialty card shops once accounted for nearly 65 percent of greeting card sales but that figure fell to less than 33 percent by the late 1990s. Also, mass

merchandisers were selling an increased number of cards. Although Hallmark produces its Ambassador and Warm Wishes lines of cards for sale in these outlets, it did not sell its top-of-the-line cards there.

How should Hallmark distribute its many brands if sales at dedicated card stores continue to fall? Should Hallmark develop distribution deals to begin selling its upscale cards to the mass merchandisers, even at the risk of alienating the owners/operators of the Hallmark Gold Crown shops? Will its current Web strategy prove effective in the long run? Solving these difficult marketing problems requires understanding many aspects of consumer decision making and problem solving. But Hallmark has a major asset: its name. The Hallmark brand has considerable equity and a strong reputation for quality and integrity, particularly among older consumers.

### Discussion Questions

1. Why do so many consumers continue to buy and send greeting cards instead of writing a letter, sending an e-mail, or making a phone call? Discuss your answer in terms of the means-end framework.
2. The "typical" decision-making process for buying a Hallmark card is likely to vary in different situations. Think about three different occasions for buying a card: a birthday, a graduation, and a wedding. How would consumer knowledge and involvement vary across these situations? Discuss how problem recognition, search, and evaluation might differ. What types or level of decision making would you expect in each situation?
3. Understanding how and why consumers make store choices (i.e., buying a card in a Wal-Mart rather than in a Hallmark Gold Crown store) is particularly important to Hallmark. Discuss how store choice interacts with and influences choices of Hallmark products and brands.
4. Do you think Hallmark should modify its in-store distribution strategy? What about its Web strategy? What assumptions do you make about consumer decision making that lead you to this recommendation?
5. Marketing research estimates men account for only 15 to 20 percent of greeting card purchases in the United States. Furthermore, young consumers and those over 50 don't buy as many cards as those in middle age. Why do you think this is so? What can Hallmark do to reach these two segments?

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**Sources:** Kipp Cheng, "Hallmark.com Revamps Consumer-Targeted Site," *Adweek*, May 24, 1999, p. 46; Michael Hartnett, "The New Card Game: Playing Catch-Up," *Supermarket Business*, March 15, 2000, pp. 67, 74; Matt Hamblen, "Greeting Card Rivals Tap Tech to Stay on Top," *Computerworld*, March 1, 1999, pp. 1, 97.