



THE MARKET

The Australian greeting card market is valued at an estimated \$600 million dollars in annual retail sales. Per capita consumption has grown 10% over the past five years, from approximately 20 to 22. The market is clearly in its growth phase and has considerable potential to increase when compared to sending rates in other mature English speaking countries. For example, each year, 32 cards per person are purchased in the USA, and 44 cards per person are purchased in the UK.

Consumers also have a healthy regard for greeting cards. Recent Hallmark research illustrates that nearly 40% of all consumers believe they are buying more cards than two years ago, while less than 20% believe they are buying fewer.

ACHIEVEMENTS

Hallmark is the largest greeting card company in the world and has maintained a leadership position through a total commitment to quality - in people, product and state of the art production techniques. In Australia, the Hallmark brand dollar share for greeting cards has grown to 32% due to the strength of the product offering and distribution in high profile retail stores.

Hallmark has a history of investing in its brand name and is top of mind with consumers, enjoying 89% prompted awareness and 48% unprompted awareness. These results are 10% and 29% higher than Hallmark's nearest competitor respectively.

HISTORY

Joyce C. Hall, founder of Hallmark Cards Inc., lived the American dream.

Born August 1891, in David City Nebraska, Hall overcame both poverty and a lack of a formal education to become the architect of his industry.

Though J.C.Hall became a wealthy man, profit was never foremost in his thoughts. In his autobiography 'When you care enough' Hall wrote "If a man goes into business with only the idea of making a lot of money, chances are he won't. But if he puts service and quality first, the money will take care of itself..." This is still the philosophy of the company today.



In 1910, when he was 16, Joyce and his two older brothers pooled their money and opened the Norfolk Post Card company. Hall headed to Kansas City where he began selling the cards out of shoe boxes to drugstores, book stores and gift shops. In 1915 the Hall's entire inventory was destroyed by fire. Instead of folding, the Halls began creating and producing their own designs.

Known as the Hall Brothers Inc until 1954, today Hallmark Cards Inc is one of the top privately

owned corporations in America with annual sales in excess of \$3.6 billion.

Hallmark came to Australia in 1955. The original staff consisted of 5 people with a range of eight everyday cards and sixteen Christmas designs.

In 1992, Hallmark began distributing product to New Zealand. In 1995, Hallmark Australia began exporting greeting cards and other related products to Japan and other markets in the Asia Pacific region.

Hallmark Australia now employs approximately 400 people at its North Clayton head office and sales offices around Australia.

The company embarked on a major branding campaign in 1980 running 90 second commercials shot in Australia. This campaign cemented Hallmark's brand positioning and strong brand recognition.

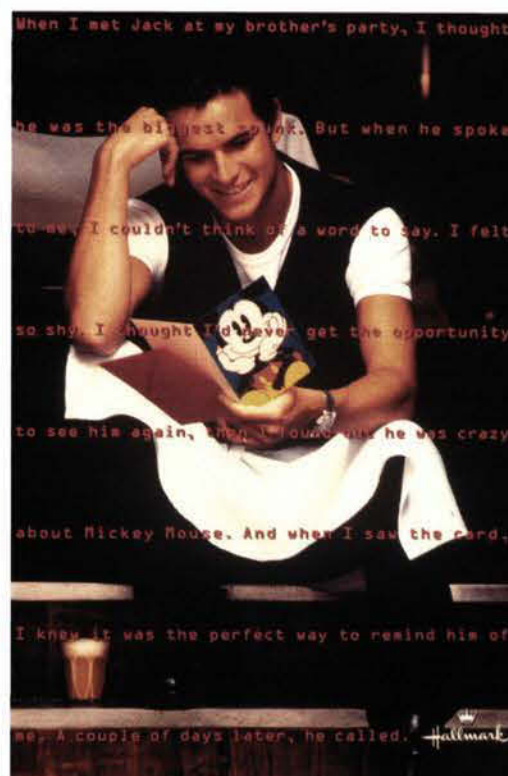
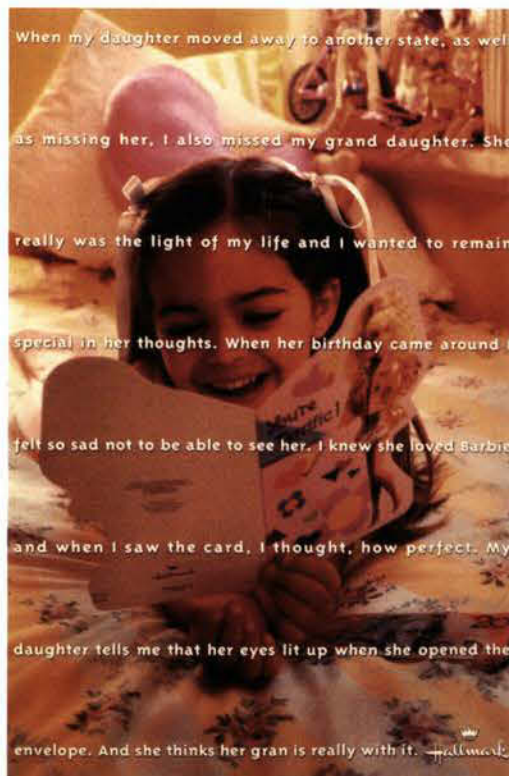
In 1997, Hallmark developed a long term strategy to grow the greeting card market through advertising and promotion.

THE PRODUCT

Hallmark Australia produces a range of products that help people to express their feelings with their families and friends. Hallmark's products enrich people's lives and enhance their relationships. Hallmark's extraordinary brand equity and the degree to which consumers relate to the company and its products are the result of a rich blend of product variety, creativity, innovation, high quality and value.

The perceived strength of the product is one of the key factors in retailers' ranging decisions. The company undertakes considerable investment in market research to ensure an enhanced understanding of local consumers' needs. This results in the delivery of products of unmatched quality, innovation and value to sustain product differentiation and competitive advantage.

Hallmark effectively leverages the strength of its worldwide creative resources to deliver new and improved products to the market that meet the needs of local customers and consumers. Combining this resource with strong "power" licensed properties, (e.g. Disney™, Looney Tunes™, Sesame St.™ and Barbie™), and



selective international niche ranges further strengthens its image, and assists in driving retail space acquisition.

Hallmark's core competency is in greeting cards and wrapping paper. It is known for its wide range of classic, cute, humorous and innovative ranges of Everyday and Seasonal cards, together with leading edge imagery in wrapping paper and related gift products.

In macro terms, the market is driven by two core consumer segments - 'traditional enthusiasts', who favour classic or traditional cards (i.e. "hearts and flowers"), and 'young optimists' who prefer cards that reflect their unique lifestyle and aspirations.

Understanding these two consumer profiles has helped Hallmark to position product ranges to meet the diverse needs of both segments. More importantly, research is updated on a regular basis to ensure that emerging trends or changes in society are reflected in the evolution of the company's product ranges.

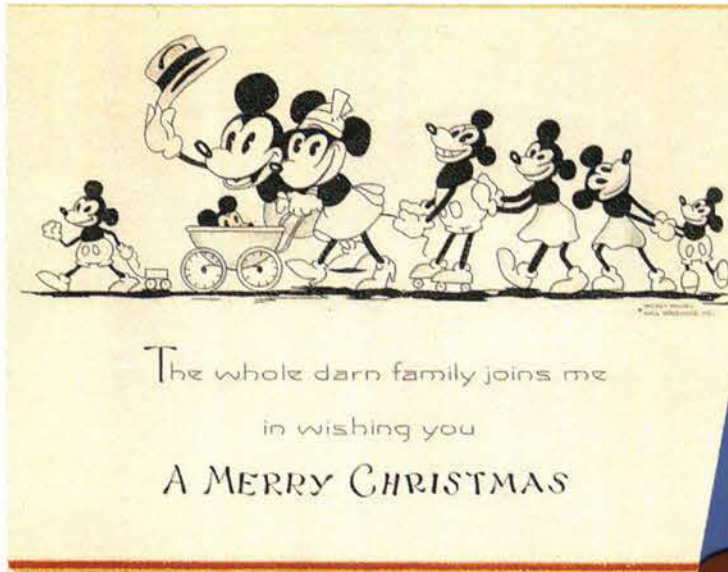
RECENT DEVELOPMENTS

Hallmark resources designs from around the globe in order to offer the widest possible range of products to Australian consumers.

As a worldwide greeting card company, Hallmark has always held a very high level of brand recognition and preference. Over recent times, Hallmark has stepped up its marketing activities to promote brand insistence, with the aim of driving consumers into outlets that range Hallmark cards. The advertising communicates the message that the Hallmark logo represents the highest quality in greeting cards. If you have sent a Hallmark card, then you really 'care enough to send the very best'.

PROMOTION

In 1997 Hallmark Cards Australia began a comprehensive Marketing strategy to build brand equity and to grow the greeting card market. There has been a consumer marketing and promotion



'vacuum' in the Australian greeting card market as greeting card publishers have devoted significant resources to trading terms. Hallmark's marketing activity aims to fill that consumer marketing 'vacuum' and thereby grow per capita consumption of greeting cards.

The launch campaign consists of a mix of Seasonal Television Advertising and in-store promotion, extended length cinema commercials and a print campaign. All four elements aim to grow brand equity by associating the emotional attributes of the brand to the high quality and large variety of product.

The objective of this campaign was not only to grow the greeting card market as a whole, but to drive consumers in-store to seek out Hallmark products. The program was designed to reach core consumer segments with a consistent message.

The first aspect of the campaign was Seasonal Television Advertising with specifically targeted commercials aimed at the high purchasers of the season. The ads were screened over a one week period prior



to the season in high rating programs, such as 'Seinfeld' and 'Mad About You' for Valentine's Day. The commercials were also tagged with details of the seasonal in-store promotion to drive consumers to specifically seek out Hallmark product.

The seasonal promotions have linked the Hallmark brand name to other well-known brand names. This has been enormously successful, in terms of favourably influencing consumers' perceptions of the Hallmark brand and increasing sales of Hallmark products.

Cinema advertising was selected to reach a specific target audience and to co-ordinate with other elements of the marketing mix to maintain a strong advertising presence throughout the whole year.

Print advertising was selected to provide continuity and to tie the emotion of the card sending situation to actual Hallmark product.

This three pronged campaign represents an ongoing and long-term commitment from Hallmark Cards Australia to grow the greeting card segment and the Hallmark brand in this country.

BRAND VALUES

For almost half a century, Hallmark Cards Australia has understood the "very best" ways to help people communicate their feelings and emotions with product that consistently reflects quality and caring.

Hallmark stands by its slogan "When you care enough to send the very best" by demanding excellence and innovation in all areas of the business as a means of attaining and sustaining leadership in the market.

The overriding philosophy is that all products and services must enrich people's lives and enhance their relationships. Creativity and quality in concepts and products underpin this commitment. This is delivered through the efforts of the company's most valuable resource - its people.

Things you didn't know about Hallmark

- At any one time during the year, Hallmark Cards Australia has around 25 million greeting cards in its warehouse in Clayton, Victoria.
- The most popular greeting card of all time features purple pansies in a wheelbarrow - with 27,935,724 individual units of the card being sold since before World War 2. It is still in Hallmark's range today.
- Hallmark Inc. Employs the world's largest creative staff - numbering about 700 persons.
- Hallmark International has major subsidiaries all over the world, including offices in the Asia Pacific region, Canada, Europe, Latin America and the United Kingdom.
- Hallmark is in the business of personal expression.
- Hallmark is the manufacturer of all Disney, Warner Bros and Barbie cards.

