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Industry Overview

Companies in this industry operate physical retail stores specializing in gifts, novelty items, and souvenirs. Major US companies include Disney Stores (a division of The Walt Disney Company), Hallmark, and Spencer Gifts.

The US gift, novelty, and souvenir store industry includes about 30,000 stores with combined annual revenue of about $18 billion. Key growth challenges include competition from other retailers.

Competitive Landscape

Consumer spending, special occasions, and tourist travel drive demand. The profitability of individual companies depends on effective merchandising and the ability to generate store traffic. Large companies have advantages in purchasing, distribution, and marketing. Small companies can compete effectively by selling specialty products, providing superior service, or delivering a unique customer experience. The US industry is fragmented: the top 50 companies account for about 30 percent of sales.

Gift stores compete with a wide range of businesses because they stock merchandise across many categories. Major competitors include mass merchandisers, department stores, Internet retailers, home shopping channels, warehouse clubs, and toy stores.

Products, Operations & Technology

Major products sold by gift stores include souvenirs and novelty items (30 percent of sales), seasonal decorations (12 percent), greeting cards (10 percent), and giftware (5 percent). Novelty items include gift baskets and pre-filled balloons. Seasonal decorations include decorative cups, plates, and napkins. Giftware includes glassware and vases. Gift stores may also sell home accessories and provide services such as gift-wrapping and delivery.

Product Segmentation by Revenue - Census Bureau

Gift retailers include national and regional chains and independent retailers. Hallmark stores operate through licensing agreements with independent owners. The majority of companies operate a single location. Locations include strip malls, indoor shopping malls, resorts, hospitals, museums, and airports: souvenir stores may seek locations off interstates or near tourist destinations. Companies consider market demographics, neighboring tenants, visibility, traffic counts, major roadway access, and proximity to competitors when selecting new locations.

The average size for a gift store is 2,400 square feet, while gift superstores can exceed 20,000 square feet, according to Gifts and Decorative Accessories. About a quarter of stores have annual sales under $250,000. Some chains, such as the Disney Store, have multiple store formats to serve different markets. Companies may also operate outlet stores to liquidate excess merchandise.

Inventory size and selection can vary. Merchandise changes constantly due to different market trends in each gift category. Many gift stores continuously add and drop product categories, as well as lines within categories. Popular categories include candles and candle accessories, greeting cards, holiday products, jewelry, photo
frames, and collectibles. Some gift stores offer private-label merchandise.

While companies may buy inventory directly from manufacturers, manufacturers representatives and wholesalers play an important role because the gift manufacturing industry is highly fragmented. Many seasonal products are imports from China, and companies may use foreign buying agencies to manage imports.

Order lead times can be long, especially for seasonal items. Most companies place orders in the summer for winter holiday merchandise. Gift stores may have a right of return for certain products, such as seasonal greeting cards. Many suppliers have minimum order quantities. Buyers typically attend trade shows, also known as “market,” to review new products and make purchasing decisions. Major trade shows occur in the winter and summer.

Companies may use computerized information systems integrating point-of-sale (POS), inventory, and purchasing. Bar codes and scanners identify and track movement for individual items. Some companies use software to spot fast and slow moving merchandise, and help make better purchasing decisions. Gift stores may use database programs to manage customer information and loyalty programs. While electronic data interchange (EDI) is available, most small gift retailers are unable to leverage electronic order processing due to lack of standardization across the industry.

Sales & Marketing

While the typical customer can vary by store type, women in their 40s to 60s make most gift purchases. Women in their mid-to-late 40s buy the majority of greeting cards, according to American Greetings.

Marketing and promotional vehicles include direct mail; newspaper, radio, TV, and outdoor advertising; and newsletters/flyers. Souvenir shops may rely on billboards and state DOT signs to draw tourists. Store image can be important to attract a specific demographic. Special events, such as holiday open houses, product demonstrations, and trunk shows drive traffic.

Because gift stores typically stock a wide range of products, customers may need help when selecting merchandise. Seasoned, knowledgeable sales staff can help identify popular items, recommend gifts, and encourage impulse purchases. To reward loyal customers, companies may offer discount coupons or advance notice for sales.

Although more stores are using the Internet to sell products, only half of companies sell merchandise through websites and online purchases are generally a small percentage of sales. Because most gift stores are small, those with retail websites may link with larger websites to help drive site traffic.

Finance & Regulation

Sales are seasonal and generally peak during the winter holidays. Souvenir stores experience strong sales during the summer months due to increased tourist traffic. Gift sales also peak prior to special occasions, such as the winter holiday season, Valentine’s Day or Mother’s Day. Inventory turns over about three times per year. Large companies may receive extended payment terms or seasonal advances from certain suppliers. Most customers pay with cash or third-party credit, so receivables are low: the industry average is 10 days sales. Gross margins are about 30 percent of net sales. The industry is labor-intensive: average annual revenue per worker in the US is about $95,000.

Lease terms typically include an initial term and renewal options. Many leases include a contingent rent provision based on sales in excess of a set percentage.

Federal, state, and local agencies regulate health, sanitation, fire, and safety requirements for gift stores. Local governments control zoning and licensing requirements. State restrictions on highway signage can be a significant issue for stores in tourist areas. In addition, companies must provide accessibility for customers with disabilities according to the Americans with Disabilities Act (ADA).

Regional Highlights

Tourist destinations, such as California and Florida, are popular locations for souvenir stores. In addition, demand for merchandise can differ by region. For example, customer preference for mugs versus cups and saucers can be market-specific.

Human Resources

Workers in gift stores require few skills, and average hourly industry wages are significantly lower than the US average. Companies rely highly on part-time help, and typically increase staff during peak periods, such as the winter holidays or summer vacation months. Most gift stores have fewer than 10 employees. The industry injury rate is significantly below the US average.

Industry Employment Growth
Demand: Depends on consumer spending and travel
Require effective merchandising and store traffic
Risk: Economic health affects spending on non-essentials

Industry Growth Rating

Challenge: Hallmark Trims Jobs with Realignment - Hallmark's decision to exit the paper partyware business is another indication the greeting card company has yet to find a path to growth in the new age of social media. The partyware segment (cups, plates, table coverings) fell short of revenue expectations in late 2013, resulting in the loss of about 150 jobs, according to the *Kansas City Star*. Hallmark also plans to streamline its greeting card production process and cut down its Canadian operations, which will result in 400 jobs lost. Both employment and sales have fallen in recent years. Hallmark had about 6,800 US employees in 2013, compared to 8,400 in 2010. Sales were $4 billion in 2012, down from $4.4 billion in 2007. The company is struggling to regain customers who now go online to stay connected and to recover from the last recession that cut mall traffic and resulted in Hallmark store closings.

Industry Impact - Gift retailers may need to make hard decisions about product lines to better reach customers in a shifting social media environment.
Total US consumer spending, an indicator of gift and souvenir sales, rose 0.9 percent, primarily from services expenditures, in November 2013 compared to the same month in 2012.

The average US retail price for diesel and regular gas, which determines how much consumers travel domestically and purchase souvenirs, fell and rose 0.2 percent and 0.7 percent, respectively, in the week ending January 13, 2014, compared to the same week in 2013.

US retail sales for miscellaneous store retailers, a potential measure of demand for gift and souvenir items, increased 5.4 percent in the first twelve months of 2013 compared to the same period in 2012.

US tourism spending on shopping, an indicator of gift and souvenir store revenues, increased 2.7 percent in the third quarter of 2013 compared to the same period in 2012.

US personal consumption expenditures at gift, novelty, and souvenir stores are forecast to grow at an annual compounded rate of 1 percent between 2013 and 2017. Data Published: September 2013

First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. Forecast FAQs

**Industry Drivers**

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually

- **Energy Prices** Change in crude oil and related energy prices
- **Technology Innovation** Advances in science and technology, including information technology

**Critical Issues**

**Competition from Alternative Retailers** - Gift stores face intense competition from mass merchandisers,
department stores, and Internet retailers. More than half of shoppers consider the Internet their go-to source for gifts, according to Unity Marketing. The Internet offers gift shopping from the comfort of home and alternatives to traditional greeting cards (such as e-cards and customized cards), which could limit growth in a key category for most gift retailers. Wal-Mart and Target are also top destinations for gift shoppers. Reseller websites such as eBay and craft sites such as Etsy.com have stolen sales from stores specializing in collectibles.

**Dependence on Consumer Spending** - Most gifts are discretionary purchases and gift sales depend on consumer spending. While consumers may not eliminate gift purchases when the economy slows, many spend less and are less likely to buy additional items for themselves on impulse. Without established customer bases, new or struggling independent gift stores can be especially vulnerable during tough economic times.

**Business Challenges**

**Reliance on Tourism** - Souvenir stores and gift stores in vacation areas depend highly on the tourist market. Increases in fuel prices can affect car and air travel and reduce tourist traffic. Extended periods of bad weather or changes in traffic patterns can decrease accessibility for customers unfamiliar with a store's location.

**Predicting Demand Trends** - Long-term success in gift retailing depends on a company's ability to assess trends and buy merchandise accordingly. Fashion, color, style, and fragrance trends can affect a wide range of gift categories. Errors in forecasting can result in excess inventory and force gift retailers to rely on heavy discounting, sometimes selling products below cost. Most companies make buying decisions well in advance, putting gift retailers at risk for product obsolescence, particularly for seasonal items.

**Complex Merchandising Management** - Gift retailers typically manage thousands of items across numerous categories and product lines. Companies regularly add or drop entire categories or lines as demand evolves. Buying can be a challenge, because the gift manufacturing industry is highly fragmented and retailers can have a wide range of vendors.

**Sales Seasonality** - Seasonal fluctuations in demand can affect cash flow and inventory levels. Gift giving is generally concentrated during the winter holidays. Depending on product mix, companies may experience additional peaks during other holidays, such as Easter, Valentine's Day, and Mother's Day.

**Dependence on Imports** - Holiday or seasonal merchandise is one of the top selling categories for most gift retailers, and import problems can greatly affect product availability during key selling periods. A large percentage of seasonal items are imports, primarily from China. Political or economic instability can delay or disrupt shipments. Tariffs and fluctuations in exchange rates can affect product costs. Quality problems can also impact retailers if they have to remove items from the shelf.

**Shoplifting and Employee Theft** - Gift retailers have to combat retail theft. During economic downturns, theft can increase as staffing levels are reduced, which can create opportunities for criminals. Shoplifting, organized retail crime, and employee theft can drain business resources.

**Gift Spending Increasing** - Customers are spending more on gifts and giving gifts more frequently on occasions other than the winter holidays. The percentage of spending on gifts for occasions such as birthdays and anniversaries has increased, indicating the growing importance of non-holiday merchandise, according to Unity Marketing. Gift retailers are looking for ways to appeal to customers who might be hunting for a more general friendship gift or travel souvenir.

**Sourcing Through the Internet** - While gift retailers still rely on trade shows, trade publications, and manufacturers sales reps to make merchandising decisions, an increasing number of companies are turning to manufacturer websites. Many buyers are using the Internet to look for new products and review vendors.

**Fewer Specialty Gift Shops** - The number of specialty gift shops has declined 21 percent from 2003 to 2008, according to Unity Marketing. Increasing competition from mass merchandisers and Internet retailers has squeezed the traditional gift shop owner. The most successful gift stores have expanded their product lines to include personal care, jewelry, and fashion items to appeal to boutique shoppers.

**Industry Opportunities**
Internet Leverage - Companies can leverage rapid growth in online retailing and reach customers beyond local markets by offering products for sale through the Internet. Retail websites can be especially helpful for stores with specialized merchandise appealing to a limited audience. Some vendors will drop ship merchandise directly to customers who order from a gift store’s retail website. Some companies, such as Hallmark, sell e-card subscriptions and will even mail paper cards for customers.

Offering Specialized Merchandise - Gift stores can better compete with large retailers by offering unique and hard-to-find items. Carrying artwork or jewelry from local artists helps companies differentiate from large stores, which typically carry mass-produced products. Gift retailers can also serve as authorized or exclusive distributors for special product lines. In addition, offering unique private-label merchandise can help develop a loyal customer following.

Customer Loyalty Programs - Loyalty programs reward frequent customers and help companies develop targeted marketing programs. The most common perks include discounts for repeat customers, advance notice for sales, and special sales. Gift cards are also a popular way to bring customers back into stores. Identifying and rewarding loyal customers is critical for small retailers because, typically, the majority of sales comes from a small percentage of customers.

Special Events - Companies can hold special events, such as open houses, trunk shows, or private parties, to generate traffic and turn shopping into a social occasion. Holiday open houses help showcase seasonal merchandise. Trunk shows may feature exclusive merchandise and allow customers to meet product designers or artists. Hosting a private party can temporarily turn a gift store from a typical retailer into a social gathering place.

Customer Service - Superior service helps small gift retailers develop long-term relationships with customers and encourage repeat business. Friendly sales associates well-versed in current trends and store merchandise can help customers select gifts and help drive impulse purchases. Companies may provide added convenience by offering gift-wrapping; personalization (monogramming); or delivery. Personal shopping and decorating services can also differentiate gift stores from large retailers.

Establishing Competitive Differentiators
As more retailers use gift items to grow sales, gift stores must address a growing set of competitors. Large retailers, such as mass merchandisers and discount stores, have become convenient places to buy inexpensive gifts. Even truck stops sell gifts and souvenirs to tap into the tourist market. To differentiate from competitors, companies must offer specialized merchandise, provide superior customer service, or create a unique shopping experience.

Forecasting Demand Trends
Trends and fads can cause volatile demand in any one of numerous gift categories. Gift retailers regularly add or drop categories or lines due to varying performance from year to year. Companies may use historical sales data to predict future sales. In addition, most companies attend trade shows and review trade publications to identify trends, review new products, and help predict demand.

Managing Seasonal Sales
Gift retailers experience seasonal sales, with the winter holidays being extremely important. Most gift stores build inventory prior to peak periods, and the associated uneven cash flow can strain finances. Companies may stock merchandise that is less time-dependent, such as t-shirts, birthday cards, and tableware, to smooth sales. In addition, sale events can help liquidate seasonal merchandise and boost revenue post peak.

Financing Inventory
To prepare for peak periods, companies may need to order and pay for extra inventory in advance of when items will sell. Companies with tight finances can have difficulty funding inventory builds with cash. Large companies may take advantage of manufacturers’ extended payment periods or seasonal advances. Small companies may use vendor financing or lines of credit from commercial banks.

Integrating Sales and Inventory Systems
Monitoring merchandise movement can be a challenge, since even small companies may manage thousands of items in the constantly changing gift market. Identifying slow and fast moving items is critical to recognizing...
Developing an Internet Strategy
Many gift stores have yet to leverage the potential of the Internet. Companies can reach beyond local markets by selling merchandise through store websites or linking to larger websites. In addition, gift retailers can arrange for some vendors to ship products directly to consumers for orders placed through store websites.

Training Customer Service Staff
Bad customer experiences can damage a company’s reputation and affect store traffic. Superior service is an important part of creating an enjoyable shopping experience. Companies may train employees by providing ongoing instruction in customer service and selling skills. Worker education may include classroom, Internet, written, and hands-on training.

Managing Seasonal Staff
Gift retailers typically experience heavy traffic during the winter holidays. Long lines and gift-wrap requests can affect customer service. Most companies hire part-time staff during peak periods.

Developing Customer Loyalty Programs
In the competitive gift retail market, most companies struggle to develop a loyal customer base. Alternative retailers steal customers by offering better prices or convenience. Customer loyalty programs identify and reward loyal customers and encourage repeat visits. Companies may offer special discounts, advance notice for sales, or customer appreciation events to build loyalty.

Creating Distinctive Store Image
For some customers, a gift is seen as a reflection on the giver, and where a gift comes from can be as important as the gift itself. By developing a unique store image, companies are better able to compete beyond price. A memorable store environment and logo, distinctive merchandise, exclusive gift wrap, and employee personalities can help create a unique store identity.

Executive Conversation Starters

Chief Executive Officer - CEO
How has the changing competitive environment of gift retailing affected the company?
More retailers are using gift items to grow sales; companies must differentiate by offering specialized merchandise, providing superior customer service, or creating a unique shopping experience.

How do trends and fads affect the company’s business?
Trends and fads can cause volatile demand. Companies may use historical data, attend trade shows, or review trade publications to help predict sales.

Chief Financial Officer - CFO
How does the company deal with seasonal sales?
Companies may stock merchandise that's less time-dependent to smooth sales. Sale events can help liquidate seasonal merchandise and boost revenue post-peak.

How does the company fund seasonal inventory builds?
Large companies may take advantage of manufacturers' extended payment periods or seasonal advances. Small companies may use vendor financing or lines of credit from commercial banks.

Chief Information Officer - CIO
How does the company track inventory movement?
Companies may use computerized information systems integrating POS and inventory management to monitor product movement effectively.

What benefits does the company see in Internet retailing?
Companies can reach beyond local markets by selling merchandise through store websites or linking to larger websites.
**Human Resources - HR**

**What types of customer service training does the company provide?**
Companies may train employees by providing ongoing instruction in customer service and selling skills. Worker education may include classroom, Internet, written, and hands-on.

**How does the company manage seasonal demand for extra workers?**
Most companies hire part-time staff during peak periods.

**VP Sales/Marketing - Sales**

**How does the company reward loyal customers?**
Customer loyalty programs identify and reward loyal customers and encourage repeat visits. Companies may offer special discounts or advance notice for sales to build a loyal customer base.

**How would the company describe its store image?**
By developing a unique store image, companies are better able to compete beyond price.

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**Call Prep Questions**

**Conversation Starters**

**What is the company’s most serious competitive threat?**
Gift stores face intense competition from mass merchandisers, department stores, and Internet retailers.

**How do changes in consumer spending affect the company’s sales?**
Most gifts are discretionary purchases and gift sales depend on consumer spending.

**How important is the tourist market to the company?**
Souvenir stores and gift stores in vacation areas depend highly on the tourist market.

**How does the Internet fit into the company’s business plan?**
Companies can leverage rapid growth in online retailing and reach customers beyond local markets by offering products for sale through the Internet.

**What are some of the company’s trademark specialty products?**
Gift stores can better compete with large retailers by offering unique and hard-to-find items.

**How does the company develop customer loyalty?**
Loyalty programs reward frequent customers and help companies develop targeted marketing programs.

**Quarterly Industry Update**

**What is the company doing to stay competitive as customers shift to online purchases?**
Hallmark’s decision to exit the paper partyware business is another indication the greeting card company has yet to find a path to growth in the new age of social media.

**Operations, Products, and Facilities**

**Who are the company’s most important suppliers?**
Companies may buy inventory directly from manufacturers, although manufacturers representatives and wholesalers play an important role because the gift manufacturing industry is highly fragmented.

**What challenges has the company encountered dealing with multiple vendors?**
Many gift stores buy from multiple vendors in a broad assortment of categories.

**How does the company manage imported merchandise?**
Many seasonal products are imports from China, and companies may use foreign buying agencies to manage imports.

**How far in advance does the company order merchandise?**
Order lead times can be long, especially for seasonal items. Most companies place orders in the summer for winter holiday merchandise.

**How important are trade shows in merchandise selection?**
Buyers typically attend trade shows, also known as “market,” to review new products and make buying decisions. Major trade shows occur in the winter and summer.
What are the company’s most important product categories?
Major products sold by gift stores include souvenirs and novelty items, seasonal decorations, greeting cards, and giftware. Gift stores may also sell home accessories.

How important are services to the company’s business?
Gift stores may provide gift-wrapping or delivery.

**Customers, Marketing, Pricing, Competition**

Who is the company’s typical customer?
While the typical customer can vary by store type, women between the ages of 40 to 60 buy the majority of gifts.

What are the company’s most effective marketing and promotional vehicles?
Vehicles include direct mail; newspaper, radio, TV, and outdoor advertising; and newsletters/flyers. Souvenir shops may rely on billboards and state department of transportation signs to draw tourists.

What types of special events does the company hold?
Special events, such as holiday open houses, product demonstrations, and trunk shows help drive traffic.

How often does the company hold clearance sales?
Most gift stores hold sales several times annually.

What role do store employees play in the selling process?
Seasoned, knowledgeable sales staff can help identify popular items, recommend gifts, and encourage impulse purchases.

How important are Internet sales to the company?
A growing number of gift retailers sell merchandise through websites.

**Regulations, R&D, Imports and Exports**

How is the company challenged by government regulations?
Federal, state, and local agencies regulate health, sanitation, fire, and safety requirements for gift stores. Local governments control zoning and licensing requirements. State restrictions on highway signage can be a significant issue for stores in tourist areas.

How important is imported merchandise?
Seasonal items, apparel, and toys are typically imports from China.

**Organization and Management**

What issues has the company faced when hiring workers?
Workers in gift stores require few skills and wages are lower than the US average.

Who owns and manages the store(s)?
Nearly all independent gift stores are managed by owner-operators.

**Financial Analysis**

What are the most important seasonal periods for the company?
Sales are seasonal and generally peak during the winter holidays. Souvenir stores experience strong sales during the summer due to increased tourist traffic. Gift sales also peak prior to special occasions, such as Valentine’s Day or Mother’s Day.

How much inventory does the company typically carry?
Inventory ranges between 70 and 100 days sales, but can be significantly higher before peak periods.

What types of special payment terms does the company have with suppliers?
Large companies may receive extended payment terms or seasonal advances from certain suppliers.

How does the company maintain strong profit margins?
Gross margins are about 30 percent.

What are typical lease terms?
Lease terms typically include an initial term and renewal options. Many leases include a contingent rent provision based on sales in excess of a set percentage.

**Business and Technology Strategies**

How have retail price trends affected the company?
Growing price-based competition from mass merchandisers and discounters at the low end of the gift market has driven many gift retailers to focus on more expensive specialty items.

How has the company’s purchasing process changed over the last decade?
More gift stores are turning to manufacturer websites for new product and vendor information.

How does the company use technology to develop customer loyalty?
Gift stores may use software systems to manage customer information and loyalty programs.

What is the company’s opinion on the future of electronic data interchange (EDI) in the gift retailing industry?
While EDI is available, most small gift retailers are unable to leverage electronic order processing due to lack of industry standardization.

**Financial Information**

**COMPANY BENCHMARK TRENDS**

Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company’s ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.

![Quick Ratio Chart]

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available by subscription or single report purchase at [www.microbilt.com/firstresearch](http://www.microbilt.com/firstresearch).

**COMPANY BENCHMARK INFORMATION**

NAICS: 453220

Data Period: Last Update January 2014

Table Data Format: Mean

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### Income Statement

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### Balance Sheet

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### Financial Ratios

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</tr>
<tr>
<td>Current Liabilities to Net Worth</td>
<td>73.6%</td>
<td>66.8%</td>
<td>77.2%</td>
<td>80.8%</td>
</tr>
<tr>
<td>Current Liabilities to Inventory</td>
<td>x0.69</td>
<td>x0.65</td>
<td>x0.70</td>
<td>x0.73</td>
</tr>
<tr>
<td>Total Debt to Net Worth</td>
<td>x1.47</td>
<td>x1.31</td>
<td>x1.56</td>
<td>x1.62</td>
</tr>
<tr>
<td>Fixed Assets to Net Worth</td>
<td>x0.38</td>
<td>x0.34</td>
<td>x0.41</td>
<td>x0.40</td>
</tr>
<tr>
<td>Days Accounts Receivable</td>
<td>13</td>
<td>13</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Inventory Turnover</td>
<td>x2.30</td>
<td>x2.14</td>
<td>x2.35</td>
<td>x2.49</td>
</tr>
<tr>
<td>Total Assets to Sales</td>
<td>67.9%</td>
<td>69.9%</td>
<td>67.2%</td>
<td>65.8%</td>
</tr>
<tr>
<td>Working Capital to Sales</td>
<td>26.7%</td>
<td>28.6%</td>
<td>25.9%</td>
<td>24.8%</td>
</tr>
<tr>
<td>Accounts Payable to Sales</td>
<td>9.7%</td>
<td>9.3%</td>
<td>10.2%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Pre-Tax Return on Sales</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Pre-Tax Return on Assets</td>
<td>3.6%</td>
<td>3.4%</td>
<td>3.7%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>
Pre-Tax Return on Net Worth 8.8% 7.8% 9.4% 9.6%
Interest Coverage x3.93 x3.67 x4.02 x4.13
EBITDA to Sales 5.0% 5.2% 5.0% 4.8%
Capital Expenditures to Sales 1.1% 1.3% 1.1% 1.0%

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available by subscription or single report purchase at www.microbilt.com/firstresearch.

**VALUATION MULTIPLES**

**Gift, Novelty & Souvenir Stores**

Acquisition multiples below are calculated using at least 17 private, middle-market (valued at less than $1 billion) industry asset transactions completed between 1/2003 and 3/2013. Data updated annually. Last updated: November 2013.

<table>
<thead>
<tr>
<th>Valuation Multiple</th>
<th>MVIC/Net Sales</th>
<th>MVIC/Gross Profit</th>
<th>MVIC/EBIT</th>
<th>MVIC/EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Value</td>
<td>0.5</td>
<td>0.8</td>
<td>3.9</td>
<td>3.6</td>
</tr>
</tbody>
</table>

**MVIC (Market Value of Invested Capital)** = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

**Net Sales** = Annual Gross Sales, net of returns and discounts allowed, if any.

**Gross Profit** = Net Sales - Cost of Goods Sold

**EBIT** = Operating Profit

**EBITDA** = Operating Profit + Noncash Charges

SOURCE: Pratt's Stats™ (Portland, OR: Business Valuation Resources, LLC) To purchase more detailed information, please either visit www.BVMarketData.com or call 888-287-8258.

**Industry Websites**

**Canadian Gift and Tableware Association**
News, events, and information.

**Gift and Home Trade Association**
Trade association for gift industry.

**Gift Shop Magazine**
Trends, operational information (requires free registration.)

**Gifts and Decorative Accessories**
Industry news, statistics, and annual retailer survey.

**Giftware News**
Industry and product news and trends.

**Unity Marketing**
Industry research – some available for purchase.
Glossary of Acronyms

**ADA** - Americans with Disabilities Act

**EDI** - Electronic data interchange

**GHTA** - Gift and Home Trade Association

**POS** - Point-of-sale