

Stop 'n smell the gift cards

New gift card trends for holiday: Peppermint, and eco-friendly cards made from corn.

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NEWYORK (CNNMoney.com) — Gift cards are getting dressed up, scented and socially responsible just in time for this year's holiday shopping season. Among the newest innovations that consumers can look forward to in the coming months are peppermint-scented scratch 'n sniff gift cards, eco-friendly biodegradable cards made from corn, and 3-D holographic cards. Toys "R" Us will launch a series of 3-D action gift cards for the 2006 holiday season.

What's fueling the innovations? Industry experts say retailers know more and more holiday shoppers want the convenience of gift cards, not just for Christmas but for other events such as weddings, graduation or Mother's Day. A lack of any hot new "must have" products has also made gift cards a good alternative this season, the experts say.

The growing popularity of gift cards has even spawned a peripheral market for gift card accessories. California-based graphic designer Debra Valencia was quick to capitalize. Last May she launched a line of stylish paper purses and pop-up gift card holders. "A gift card can be perceived as impersonal. But by dressing up the gift card in a special package, it shows that you put some thought and care into the gift," Valencia said. Her products are available in about 500 independent gift and stationery stores nationwide, and Valencia said she was in talks with numerous chain stores to carry her products for retail sale as well as developing custom branded gift card enhancement programs.

Bob Skiba, executive vice president of Stored Value Systems (SVS), said gift card sales are poised to set a record this year as more merchants jump on the bandwagon. The company is one of the biggest providers of gift cards and card programs to 650 retailers, including the Gap (Charts), Home Depot (Charts) and Barnes and Noble (Charts). From 1997 to 2004, Target, J.C. Penney (Charts), Costco (Charts) and other big retailers were the main chains pushing gift card sales, Skiba said. "Now smaller regional merchants, restaurants, franchises and specialty stores have caught on," he said, adding that SVS has also developed gift cards for Exxon Mobil, American Airlines and AMC Theatres. As a result, SVS cards are now available in more than 100,000 locations outside of malls and department stores, Skiba said. Skiba estimates that the flood of new branded cards could boost total sales to a record \$90 billion in 2007, up from \$56 billion last year.

According to the National Retail Federation (NRF), more than two-third of consumers it surveyed last year intended to buy at least one gift card as a holiday gift. Total gift card sales over the November-December period last year rose 20 percent to \$18.5 billion. The trade group hasn't yet released this year's forecast but it expects cards will again be one of the top gift purchases over the winter holidays. Personalization is a big trend for this year, Skiba said. For example, American Greetings has partnered with merchants like electronics chain Circuit City to sell customized gift cards on its Web site. People can download any image they want and put it on the card. "It's a great way for grandparents to connect with their grandkids if they can't see each other for the holidays," Skiba said. Meanwhile, toy retailer Toys "R" Us will debut a few 3-D action cards featuring Santa in a sleigh among other designs while Target is hoping to put its customers in the Yuletide mood with peppermint-scented scratch 'n sniff gift cards, according to a person familiar with the matter. Burt Flickinger, managing director with consulting firm Strategic Resources Group, agreed that gift cards will be very important for holiday sales this year.



Valencia's gift card "Dress Upz" purse collection is priced at \$3.49 each.



Gift card "Pop-Upz", in 48 designs, are priced at \$2.99 each.