

CHANGING STRATEGIES 2014

manufacturers inclined towards direct online sales

While the percentage of vendors that sell directly to consumers online has remained relatively unchanged from last year, two-thirds of vendors are now considering selling directly to consumers over the internet, according to a Gifts and Decorative Accessories Exclusive 2014 trends and forecasts survey. That is a sizeable jump from last year when just two in 10 manufacturers said they were considering opening online sales to consumers. This reveals a changing attitude in vendor's minds when it comes to selling directly to consumers online.

Last year, only 9% of vendors said it was very likely they would sell directly to consumers and this year that number increased to 13 percent. A slower than expected economic recovery, dwindling consumer confidence and less than stellar job creation has pushed manufacturers to consider alternative channels of distribution. For now, gift specialists remain the top distribution channel with 97 percent of manufacturers selling there and also remain the most important channel for over half of vendors, at 52 percent.

Reaching Consumers

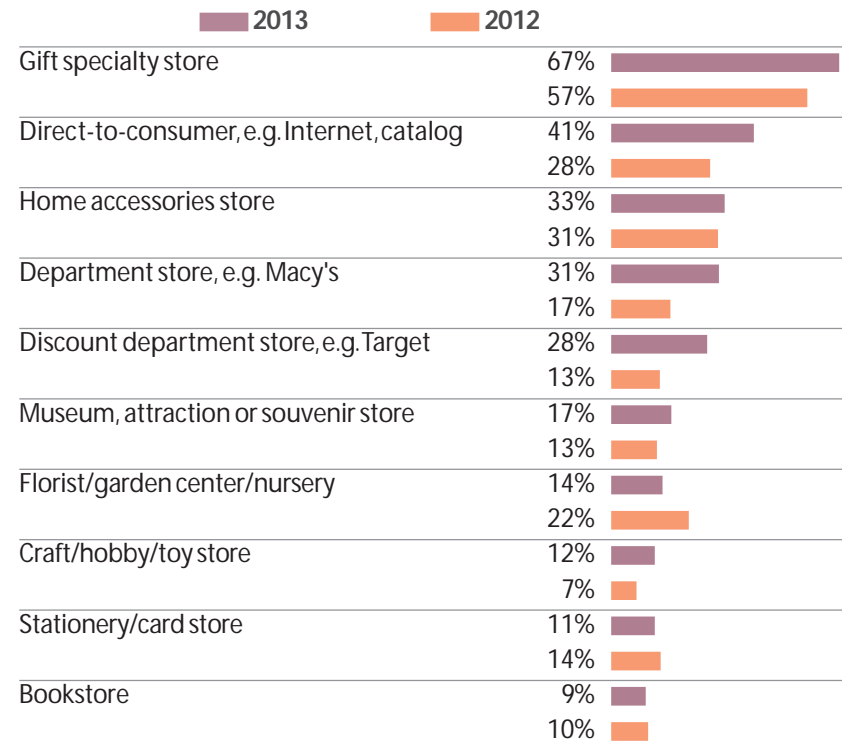
The percentage of vendors using social media skyrocketed 25 percentage points to 86 percent this year, a good indication brands are directly positioning themselves in front of consumers. The top three social media sites for suppliers remain Facebook, Pinterest and Twitter this year. Social media use continues to gain ground year after year. As of September this year, Facebook had 1.15 billion monthly active users; while Google+ stood at 500 million users, Twitter came in third with 200 million and Pinterest



had 70 million. Through social media, with hundreds of millions of users, manufacturers have an opportunity to reach massive audiences.

Fastest-Growing Channels

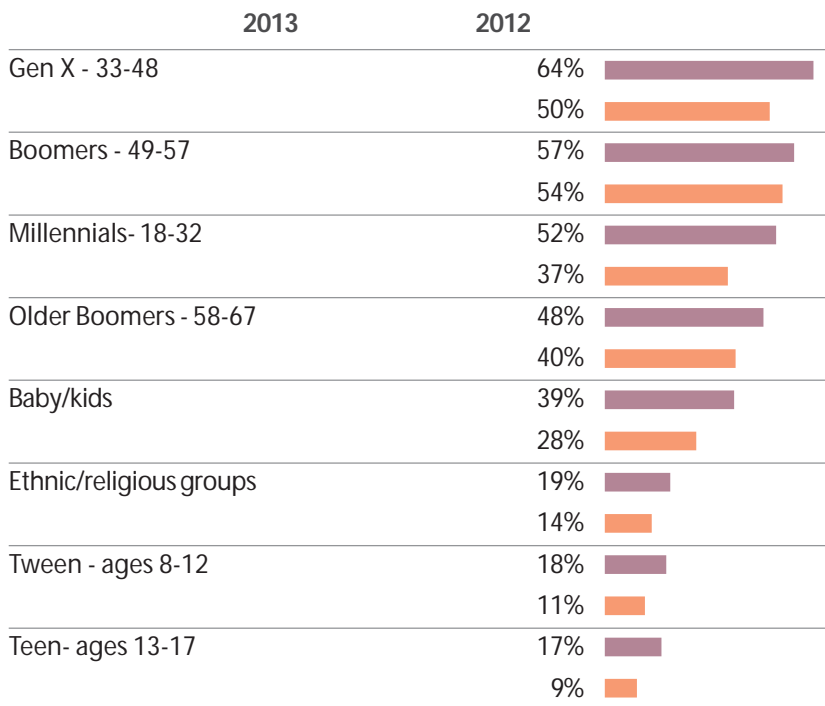
Percentage of responding vendors naming as the fastest-growing



Source: Gifts and Decorative Accessories Trends and Forecasts Survey, 2014

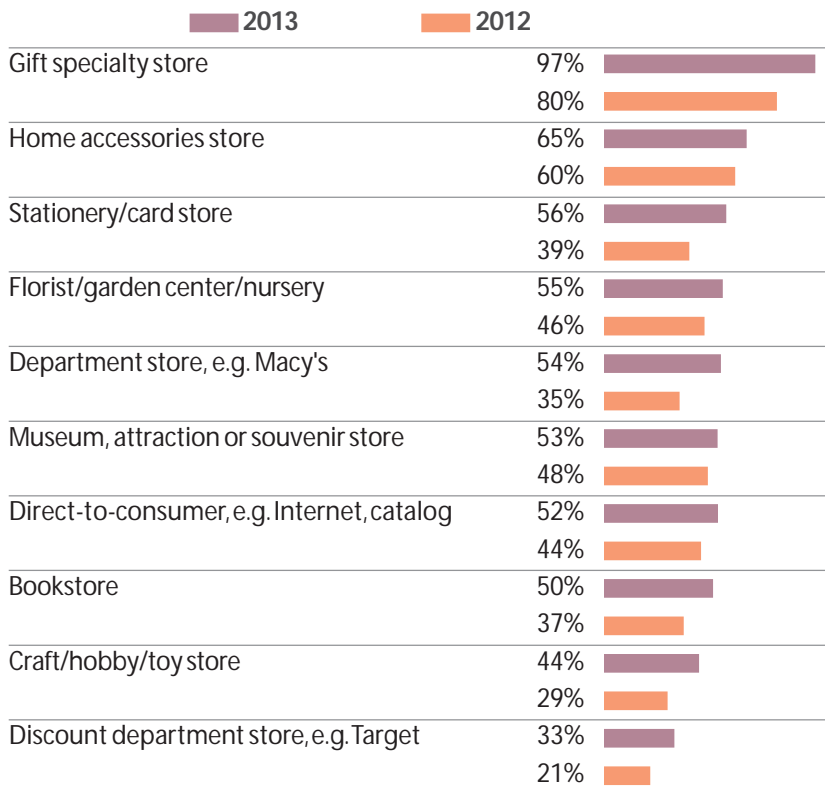
Target Market for New Products

Percentage of responding vendors

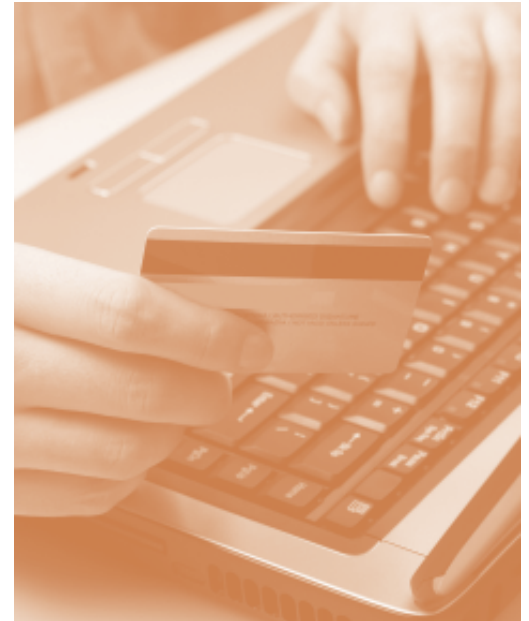


Distribution Channels

Percentage of responding vendors that sell through



Source: Gifts and Decorative Accessories Trends and Forecasts Survey, 2014



Consumer Target

Next year, manufacturers are turning their attention to Generation X, those between the ages of 33 to 48, for product development. Sixtyfour percent of vendors report their 2014 product line-up will be geared toward Generation X, that's a 14 percentage point gain from last year. Sandwiched between the Baby Boomers, ages 49 to 67 and the Millennials, ages 18 to 32, this generation has higher average annual incomes than the much-talked about Millennials and slightly higher than the Boomers. According to the U.S. Census Bureau, Generation X had an average annual income of \$50,168 in 2012; while the average annual income for Millennials was \$37,523 and \$49,615 for Boomers.

Boomers and Millennials remain important to vendors. Millennials are the target for 52 percent of suppliers next year, a 15 percentage point increase from the prior year. While, Younger Boomers, ages 49 to 57, are still in the top three target markets.

Style Trends

While life is often shades of gray, black and white seem the order of the day when it comes to significant color schemes for 2014. Two-thirds of manufacturers say the color palette of black and white will be important or very important next year, compared with last year when 44 percent cited the palette as significant.

Jewel tones and metallics also had double-digit gains with 47 percent of vendors naming jewel tones as significant and 45 percent naming metallics a significant color palette, that's a 19 percentage point gain and a 15 percentage point gain, respectively, from last year.

Bright colors remain at the top of the list with seven in 10 manufacturers saying the color scheme will be prominent.

The color schemes with the slowest increase in importance are primary colors and tropicals, both only seeing a two percentage point gain. When considering next year's product line-up, more than half of vendors, 52 percent say eco-friendly designs will be important or very important in 2014. Half of manufacturers predict Americana/Made in the U.S.A. will continue to rise in importance for consumers. Forty-seven percent of vendors are betting that shoppers will be more nostalgic in 2014, causing a rise in retro designs to gain popularity.

Sales Outlook

Armed with the exploration of new distribution channels, new consumer targets and updated design directions and color schemes, gift and decorative accessories vendors are optimistic for 2014 sales. Nearly two-thirds expect 2014 sales to be higher than this year. A slower economy in 2013 than the year prior is no doubt the reason only one-third of vendors are expecting 2013 sales to exceed 2012 sales. One way vendors are increasing sales is by offering retailers the opportunity to place orders online. While the percentage of vendors that have an online catalog has remained steady at 79 percent, a whopping 94 percent now have the ability for

Design Directions 2014

Percentage of responding vendors saying the trend is

	Rising	Staying the Same	Fading
Eco-friendly/Green	52%	38%	10%
Americana/Made in USA	50%	40%	10%
Retro	47%	42%	11%
Modern/contemporary	38%	56%	6%
Coastal/cottage	34%	55%	11%
Spiritual/religious	30%	55%	15%
Traditional	25%	67%	8%
Tropical/island	23%	50%	27%
Celebrity/pop culture	20%	58%	22%
Lodge/cabin	19%	55%	26%
Classical	16%	69%	15%
Safari/adventure	13%	40%	47%
Asian	10%	53%	37%

Color Trends

Percentage of vendors rating color scheme as "Important" or "Very important"

	2014	2013
Brights	71%	67%
Black and/or white	66%	44%
Earth tones	51%	46%
Jewel tones	47%	28%
Metallics	45%	30%
Neutrals	40%	37%
Pastels	36%	22%
Primary colors	30%	28%
Midtones	26%	21%
Tropicals	25%	23%

Source: Gifts and Decorative Accessories Trends and Forecasts Survey, 2014

retailers to place orders online. That's a significant jump from last year, when 72 percent of vendors said retailers could place orders on their websites. Not surprising that the percentage of retailers that place online orders has increased to 60 percent, compared with 48 percent last year. Proving the adage "if you build it, they will come."

Product Introductions

The median number of lines vendors plan to introduce next year is six and 84 percent say that is about the same number or more than they introduced this year. Six in 10 vendors report less than 10 percent of their product line-up is made up of licensed product. Last year, sports/collegiate licenses were most significant with vendors, this year that license category edged downward three percentage points and moved to the second most significant license type.

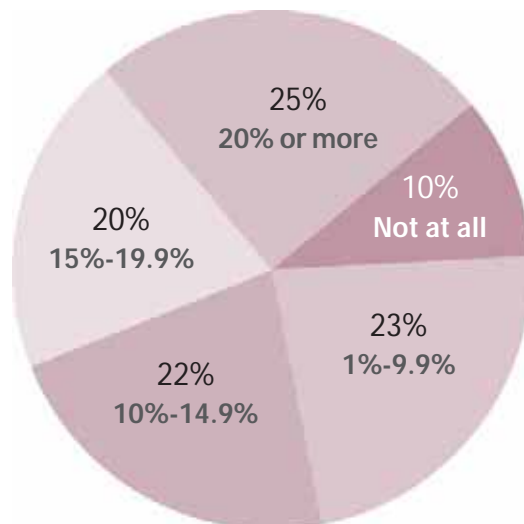
The popularity of artists such as Mary Engelbreit for greeting cards, Jim Shore for collectibles, Terri Conrad for stationery and Vera Bradley for handbags and fashion accessories has gained momentum in recent years. A fact which has not gone unnoticed by 46 percent of manufacturers that report artist licenses will be influential next year, compared with 22 percent last year, a 24 percentage point gain.

Popular artists are also a draw to trade show booths, which means vendors looking to make a splash with buyers are likely to partner with more artists/illustrators. Two-thirds of manufacturers say exhibiting at trade shows is important or very important to their business. Half of suppliers plan to exhibit at six or more shows next year. One vendor says to counter dwindling buyer attendance they plan a counter attack by "Reducing the number of show attendees that skip our showroom. If they come to a show, we need to get them in our showroom. Attendance doesn't matter as much as the number of accounts you sell."

On the Plant Floor

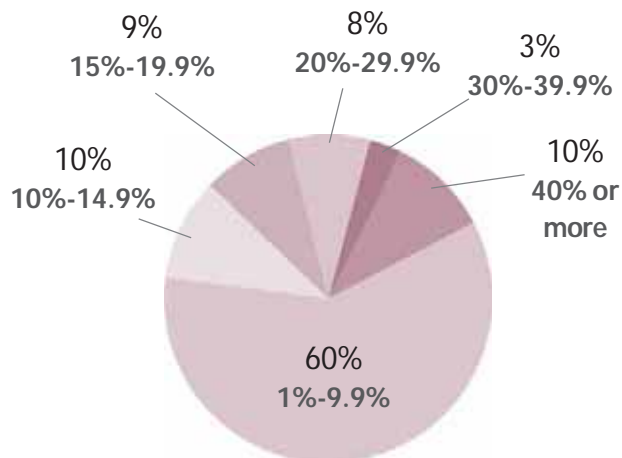
About one-third of gift and accessories vendors are manufacturing product in the US, relatively unchanged from last year. Of the two-thirds that are not manufacturing domestically, only 15 percent plan to start in 2014.

Reduction in Existing Product When New Collections Are Introduced



Licensed Product 2014

Percentage of total product line-up that is licensed



Source: Gifts and Decorative Accessories Trends and Forecasts Survey, 2014

Holiday products once again top the list of products that vendors produced this year, with 58 percent of manufacturers. Not quite one quarter of vendors report manufacturing garden decor this year, which is a 10 percentage point decline from last year.

Pricing is predicted to remain relatively stable across all product categories. Home accent pieces are expected to have price increases in 2014, according to 47 percent of vendors. Forty-three percent predict the personal care/aromatherapy category will increase price points next year. ■