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Source of document:	Disclosure Officer United States Mint 801 9th Street, N.W., 8th Floor Washington, D.C. 20220
Note:	Statement of Work is undated

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DEPARTMENT OF THE TREASURY

UNITED STATES MINT

WASHINGTON, D.C. 20220

November 15, 2011

This is in response to your September 21, 2011, and September 25, 2011, Freedom of Information Act (FOIA) requests for the reports (including final reports), presentation slides, and Statement of Work as a result of Contract #TM-HQ-06-C-0031, awarded to McKinsey & Company, Inc.

Enclosed as responsive to your request are the requested reports, presentation slides and Statement of Work as a result of Contract #TM-HQ-06-C-0031 (395 pages).

Please be advised that the names, job descriptions, telephone numbers, fax numbers, and email addresses of contractor personnel have been excised from this documentation in accordance with Title 5, United States Code (U.S.C.), Section 552(b)(6): Personal privacy.

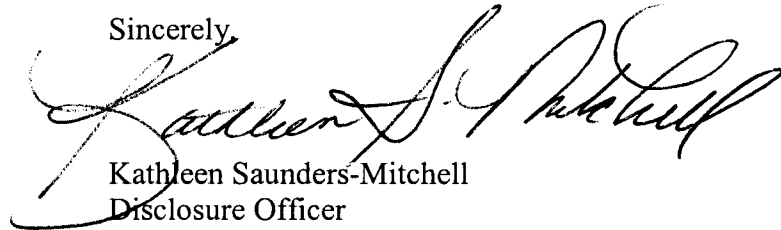
In addition, the following information have been excised or withheld in full from this documentation: numismatic opportunity landscape (page 5 of Phase I Deliverable-Appendix, dated July 18, 2006); numismatic growth hypotheses (page 6 of Phase I Deliverable-Appendix, dated July 18, 2006); discussion of end results for numismatic growth opportunities (page 7 of Update to Principals, dated July 26, 2006); discussion of team ideas (page 1 of Discussion with Kevin Hamer, dated August 4, 2006); core problem-solving tool (page 2 of Phase II Deliverable, dated August 11, 2006); and core problem-solving tool (page 2 of Interim Progress Review, dated August 14, 2006, and August 21, 2006), in accordance with Title 5, U.S.C., 552(b)(4): Trade secrets and commercial or financial business submitter information of a privileged or confidential nature.

McKinsey & Company believes that the disclosure of the information above would "provide competitors with insight into their internal operations and practices, as well as specific approaches to organizational strategy and transformation." This information also contains "confidential corporate information" and is "competitively sensitive."

The discussion on summary findings from interviews (page 2 of Phase I Deliverable, dated July 18, 2006); and the discussion on primary barriers to growth (page 3 of Phase I Deliverable, dated July 18, 2006) have been withheld in full from this documentation in accordance with Title 5, U.S.C., 552(b)(5): Deliberative process privilege.

Should you disagree with this FOIA determination, you may appeal this decision within 35 days from the date of this letter. Your appeal must be in writing, signed by you, and should be addressed to: Mr. Richard A. Peterson, Deputy Director, United States Mint, 801 – 9th Street, N.W., Washington, D.C. 20220.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen S. Mitchell", written in a cursive style.

Kathleen Saunders-Mitchell
Disclosure Officer

Enclosures

B.2 PRICE PROTECTION (Nov 2001) CLAUSE # B-001 (VAR)

Contractor warrants that the prices contained in this contract are equal to or less than the lowest prices given when working with its comparable commercial clients under similar circumstances.

If the contractor updates its pricing policies for its comparable commercial clients for similar work completed under comparable, non-extenuating circumstances during the six-month period after the issuance of this contract, this contract shall be automatically revised to equal the lowest prices and most favorable terms given to those clients. If the United States Mint becomes entitled to lower prices for any goods and/or services under this clause, the Contractor shall promptly refund the difference. If the Contractor does not promptly refund the difference, the United States Mint shall have the right to deduct or withhold payment under this contract for the amount of difference.

Notwithstanding the foregoing, the U.S. Mint shall not become entitled to lower prices under this clause in the event that the contractor offers lower pricing to a comparable client under any of the following circumstances:

- a) To enable beta testing or cooperative development arrangements with the contractor's clients;
- b) To enable the contractor to begin serving new, strategic, or large-potential clients;
- c) To make concessions to the contractor's dissatisfied clients;
- d) To correct mistakes in pricing;
- e) To enable the contractor to make investments in or to develop its personnel; or
- f) To honor international rate cards negotiated by the contractor's foreign affiliates.

B.3 MAXIMUM VALUE OF CONTRACT (Nov 2001) CLAUSE #B-007

The maximum potential value of the contract for all ordering periods shall not exceed \$845,666.

SECTION C PERFORMANCE WORK STATEMENT

C.1 SCOPE OF STUDY

In order to offer greater public access to numismatic products, the United States Mint is seeking ways to optimize and expand its current numismatic sales and marketing processes and sales channels, develop future revenue streams (e.g. double or triple in 3-5 years), and explore avenues to position its products for sale within the global marketplace.

The Contractor shall perform research; evaluate and propose reasonable and practical sales/revenue growth options; provide key findings; and recommend strategies and sales models that provide the most effective, efficient and achievable methods to offer greater public access to numismatic products and maximize numismatic sales.

C.2 BACKGROUND

The United States Mint is the largest producer of coins and medals in the world. The two main product lines within the United States Mint are circulating coins and numismatic products. The Office of Sales and Marketing of the United States Mint oversees all activities associated with the design, production, marketing and selling of numismatic products. The Manufacturing Division of the United States Mint is responsible for circulating coin programs and operations, and produces both circulating and numismatic products.

Numismatic products include recurring, or annual, products and new products. Examples of recurring, or annual, numismatic products include proof and uncirculated coin sets, bags and rolls of circulating coins and 50 State Quarters® Program products. In addition to its core annual or recurring products, each year the United States Mint

4.A

The United States Mint TM-HQ-06-C-0031

introduces new numismatic products that are usually of limited mintage quantity. Examples of new products include commemorative coins, medals and special combination products (e.g., coin and stamp sets, coin and currency sets).

Annual gross revenue from the sale of numismatic products has dramatically increased over the last two to three years as a result of, among other things, strategic initiatives and increases in coin collecting. The United States Mint distributes numismatic products to a market of approximately 144 million coin collectors worldwide, generating gross revenue for numismatic products of approximately \$355 million in Fiscal Year (FY) 2005. Office of Sales and Marketing yearly activities include: mailing over 14 million catalogues; shipping over 2.5 million orders; handling over 1.3 million service calls; managing an advertising program (print, television, radio); using limited retail sales centers; and, entering into agreements to offer official United States Mint-licensed products.

The Office of Sales and Marketing uses a variety of channels to market and sell numismatic products. The United States Mint uses direct mail, Internet, limited point of sale (over-the-counter), and telephone channels to sell products to the general public. Licensed numismatic products are marketed under separate agreements. Additionally, bulk sales (+\$5,000) are made to coin dealers under a special program with a limited product line offering and flat discounts. Since 2004, approximately \$40 million in revenue has been generated through the Licensing Program and \$27 million through bulk sales.

The Office of Sales and Marketing is seeking professional consulting services to study its current practices and make recommendations regarding alternative optimal revenue growth strategies. As a Federal Government agency, the United States Mint carries out numismatic programs and operations in a unique environment, and understanding the opportunities and constraints inherent in this environment is critical to the successful completion of this study. The fundamental elements creating this unique environment include the following:

- a. the United States Mint is a Federal Government entity and a bureau of the United States Department of Treasury
- b. the United States Mint is subject to Congressional oversight;
- c. the United States Mint is the only authorized producer of United States coinage;
- d. a significant portion of the agency's numismatic programs and operations are conducted in a manner similar to a retail business enterprise;
- e. the United States Mint is both manufacturer and direct seller of numismatic products to dealers and the general public; and
- f. most of the products offered for sale by the United States Mint are produced because of, or follow requirements contained in, Federal law.

C.3 CONTRACT TASKS

Phase I

C.3.1 The Contractor shall research, review and assess all available information regarding current and previous United States Mint numismatic sales programs including, as a minimum: current and past revenue growth strategies; business models; business processes; sales, revenue, cost and profit estimates; pilot programs; technological capabilities and capacities; and existing fulfillment and call center contract impact. The Contractor shall conduct this review and assessment of the above factors, and any other relevant factors, to gain as thorough as practicable an understanding of the United States Mint numismatic operations and programs. It is expected that the work under Phase I, C.3.1 will be performed by the Contractor at the United States Mint facilities.

C.3.2 The Contractor shall conduct an environmental scan including, as a minimum: stakeholder analysis; legislative environment; market environment; economic environment; cultural environment; technological environment; industry analysis; customer analysis; and other environmental factors with potential impact on numismatic programs and operations. The Contractor shall conduct the environmental scan of the above factors, and any other relevant factors, to gain as thorough as practicable an understanding of the external influences on the United States Mint numismatic product lines.

Phase I Deliverable

C.3.3 The Contractor shall provide a written Summary of Initial Findings, not to exceed twenty-five (25) pages, including, as a minimum, key findings of Tasks C.3.1 and C.3.2. The Contractor shall provide a secure electronic copy (PDF) of the Summary of Initial Findings to the United States Mint COTR on or before thirty-five (35) calendar days after the effective date of this Contract.

Phase II

C.3.4 The Contractor shall research, review and evaluate all available sales/revenue growth strategies and business models from private sector businesses and government entities with sales and marketing scope and structure similar to the United States Mint. If reviewing all available strategies and models would be impractical, then the Contractor shall review a sample of such strategies and models of sufficient size to be deemed representative of the population of such strategies and models. Sales/revenue growth options to be evaluated shall include, as a minimum: the development of a retail sales program; the development of an international sales program; expansion/improvements to existing sales channels; and all other relevant strategies/business models. Each sales/revenue growth option shall include, as a minimum, the following information:

- a. Concept of Operations (ConOps) and Business Model;
- b. Projected costs to implement and maintain the sales/revenue growth program;
- c. Projected development and implementation timeline;
- d. Projected revenue to be generated through the program;
- e. Projected profit to be generated through the program;
- f. An analysis of the return on investment (ROI) expected by implementing the program;
- g. An analysis to include, but not limited to, legislative compliance, organizational impact, risks, and capacity and capability limitations associated with the program;
- h. Impact of implementing the program to existing fulfillment and call center contracts;
- i. Projected increase in public access to United States Mint numismatic products through implementation of the program;
- j. Projected impact of establishing the program to existing businesses who currently sell United States Mint numismatic products as dealers/retailers;
- k. Capital and infrastructure changes needed to successfully implement the program;
- l. A detailed inventory of assumptions, including corresponding explanations and justifications, relied on in developing each option;
- m. Other considerations/impacts not specifically identified that a United States Mint decision-maker should be aware of in assessing the sales/revenue growth program options; and
- n. Any other relevant information.

Phase II Deliverables

C.3.5 The Contractor shall provide a secure electronic copy (PDF) of a report detailing the sales/revenue Growth Program Options and an evaluation of the strengths and weaknesses of each to the United States Mint COTR on or before sixty (60) calendar days after the effective date of this contract. At the direction of the COTR, the Contractor shall provide up to two (2) oral briefings of the sales/revenue growth program options and evaluation report to the COTR and United States Mint senior management in Washington, DC, on or before seven (7) calendar days after delivery of the written evaluation report.

The Government will review the Contractor's written report and oral presentations (if required). Written comments may be provided to the Contractor within seven (7) calendar days after receipt of both the written evaluation report and oral presentations (if required). Within three (3) calendar days after receipt of the Government's comments, the Contractor shall revise the sales/revenue growth program options and evaluation report to address the Government's review and comments.

Phase III

C.3.6 Based on the COTR's direction, the Contractor shall conduct an in-depth analysis of selected sales/revenue growth program option(s) and provide recommendations for the development of an optimal, comprehensive United States Mint numismatic sales and marketing sales/revenue growth strategy and business model. The Contractor shall also provide recommendations for two (2) alternatives, comprehensive sales/revenue growth strategies and business models based on different market scenarios. The recommended sales/revenue growth strategies and

business models shall consider, as a minimum, the elements listed in task C.3.4 on a strategic level.

Phase III Deliverables

C.3.7 The Contractor shall compile the recommendations in a Revenue Growth Study report. The Study report shall include, but not be limited to, the following sections:

- a. Executive Summary;
- b. Background;
- c. Key Findings;
- d. Recommendation;
- e. Considerations; and
- f. Implementation Plan

A draft of the Revenue Growth Study Report shall be delivered to the United States Mint COTR on or before one-hundred (100) days after the effective date of this contract. At the direction of the COTR, the Contractor shall provide up to two (2) oral briefings on the Revenue Growth Study report to the COTR and United States Mint representatives in Washington, DC, on or before seven (7) calendar days after delivery of the written evaluation report.

The Government will review the initial Revenue Growth Study report and oral presentations (if required), and the COTR shall provide comments to the Contractor within seven (7) calendar days after receipt of both the Revenue Growth Study report and the oral presentations (if required). Within three (3) calendar days, the Contractor shall revise the Revenue Growth Study report to address the Government's review and comments.

The Contractor shall provide a secure electronic copy (PDF) of the final Revenue Growth Study report to the COTR. The COTR may provide written acceptance of the Contractor's final Revenue Growth Study report. As directed by the COTR, the Contractor shall provide up to two (2) oral presentations of the final Revenue Growth Study report to representatives of the United States Mint in Washington, DC. The presentations shall be scheduled by the COTR at a time and date mutually convenient to the Contractor and the government.

C.4 OPTIONAL TASKS

If required the following optional phases will be awarded in units of the Contractor's weekly labor rates for Teams A, B, C and E as set forth and described above in contract line item 5 under "B.1 Schedule of Unit Prices." The Contractor and the U.S. Mint shall agree on which team or teams are to be used prior to the commencement of any work under contract line item 5.

Phase IV (Optional)

C.4.1 The Government may review the final Revenue Growth Study report and further analyze its implementation at the operational level. If needed, the Government may request that the Contractor perform additional research and analysis based on the Government's operational analysis.

Phase IV Deliverable (Optional)

C.4.2 The Contractor, if needed, will integrate any additional findings from task C.4.1 into the Revenue Growth Study report.

Performance Requirements Summary

The Contractor shall adhere to this Performance Requirements Summary unless a departure is requested and approved by the United States Mint in writing. Payment of the non-severable fixed contract price for deliverables under Phase I and II will be made upon completion and acceptance of Phase II. Payment for Phase III will be made upon the Government's acceptance of the final Phase III deliverable.

Desired Outcome	Required Service	Performance Standard	Monitoring Method	Incentives/Disincentives for Meeting or not Meeting the Performance Standards
Summary of Initial Findings	See C.3.3	The written report shall be submitted on or before 35 calendar days after the effective date of the contract.	The COTR shall record the date of written report submittal.	If the written report is not submitted on or before 35 calendar days of contract award, then a 1% total fixed price contract value disincentive shall be assessed for every week it is late.
Growth Program Options	See C.3.5	The written report shall be submitted on or before 60 calendar days after the effective date of the contract.	The COTR shall record the date of written report submittal.	If the written report is not submitted on or before 60 calendar days of contract award, then a 1% total fixed price contract value disincentive shall be assessed for every week it is late.
Growth Program Options Oral Briefings	See C.3.5	The oral briefings (2), if required, shall be delivered on or before 7 calendar days of Growth Program Options submittal.	The COTR shall record the dates of the oral briefings.	If oral briefings are required but not delivered on or before 7 calendar days of Growth Program Options submittal, then a 0.5% total fixed price contract value disincentive shall be assessed for every week it is late.
Final Revenue Growth Study Report	See C.3.7	The written report shall be submitted on or before 100 calendar days after the effective date of the contract.	The COTR shall record the date of report submittal and conduct an internal survey to assess its quality.	<p>If the Contractor receives a composite survey score of 4.50 (scale of 1.00 to 5.00) or higher, an incentive of 6 percent of the total fixed price contract value will be awarded. If the Contractor receives a composite survey score of 4.00 to 4.49, an incentive of 4 percent of the total fixed price contract value will be awarded.</p> <p>If the written report is not submitted on or before 100 calendar days, then a 3% total fixed price contract value disincentive shall be assessed for every week it is late and the Contractor will not be eligible for the quality incentive award.</p>
Final Revenue Growth Study Oral Briefings	See C.3.7	The oral briefings (2) shall be delivered on or before 7 calendar days of Final Revenue Growth Study report acceptance.	The COTR shall record the dates of the oral briefings.	If oral briefings are required but not delivered on or before 7 calendar days of Revenue Growth Study Report submittal, then a 0.5% total fixed price contract value disincentive shall be assessed for every week it is late.

"Week" in the above table means seven (7) calendar days.

CONFIDENTIAL

Growing the U.S. Mint Numismatic Business



Kick-off Meeting

June 26, 2006

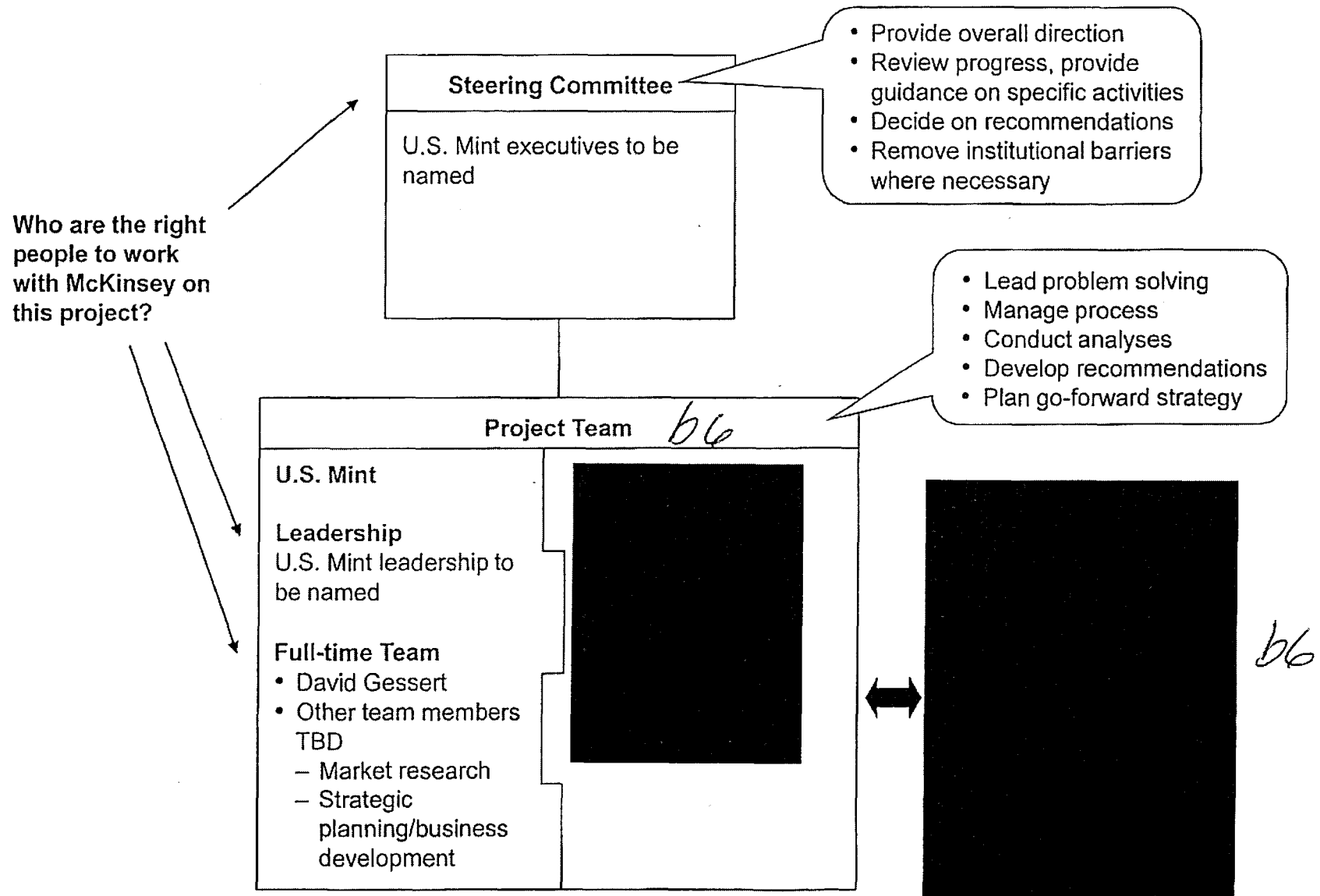
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TODAY'S AGENDA

- Introductions
- Our proposed approach
- Getting started

PROPOSED TEAM STRUCTURE AND RESPONSIBILITIES

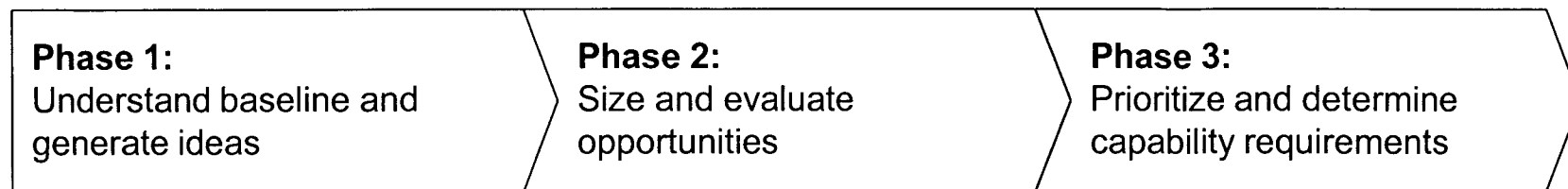
FOR DISCUSSION



OUR WORKING PHILOSOPHY

- **Fact-based analysis** – we treat each client as a unique situation, basing our conclusions and recommendations on facts, drawing on the deep functional and industry experience that both our clients and we bring to the table
- **Participation** – we leverage active participation by the client to stay focused on the critical issues and to make implementation a consideration from “Day 1” of the project; we will need to work hand-in-glove with management
- **Team approach** – we work closely with client team members to share knowledge and transfer analytical techniques, as well as to build on our collective insights
- **Results-oriented** – we are focused on “impact to our clients” – that is, both immediate and longer-term actions to improve client performance; we seek to deliver value to our clients that significantly exceeds our fees
- **Professional code** – we adhere to professional standards in all our relations with clients; we keep client information in strictest confidence
- **No “sacred cows”** – our style is open, objective, and challenging; we maintain an independent position in our work, telling the truth as we see it, even if our ideas are unpopular

PROJECT OVERVIEW: GROWING THE NUMISMATIC BUSINESS



← 2 weeks → ← 3 weeks → ← 2 weeks →

Key activities

- Profile the revenue base
- Generate “out-of-the-box” ideas
- Understand legislative framework and organizational constraints
- Conduct 2-3 case studies on recent U.S. Mint initiatives
- Document potential barriers to change

- Prioritize idea portfolio and identify 5-8 to analyze further
- Size and evaluate 5-8 growth ideas (top-down approach)
- Assess high-level implementation requirements in terms of systems, skills, resources

- Prioritize opportunities
- Assess capability-building requirements
- Develop integrated growth strategy
- Design ongoing process to generate ideas and build capabilities
- Create high-level implementation plan



**Kick-off
(Today)**



**Killer ideas
workshop (~7/6)**



**Steering committee
meeting (~7/19)**



**Steering committee
meeting (~8/16)**

POTENTIAL STAKEHOLDER INTERVIEW LIST – FOR DISCUSSION

	Interviewee	Timing
U.S. Mint leadership	<ul style="list-style-type: none"> • David Lebryk • Gloria Eskridge • Jay Mahanand • Scott Myers 	
Sales & Marketing	<ul style="list-style-type: none"> • Ann Bailey • Christy Bidstrup • Sharon Bishop • Cortez Carrington • Kathy Chiarello • Kevin Hamer • Cathy Laperle • Cynthia Meals • Jack Szczerban 	
Other internal stakeholders	<ul style="list-style-type: none"> • Gregory Ewing • John Warriner • Legislative affairs (Who?) 	
External stakeholders	<ul style="list-style-type: none"> • Coin dealers (Who?) • Others? 	

Are there other stakeholders or members of groups we should interview?

INITIAL DATA REQUEST CHECKLIST

Information desired

Economics

- Existing financial reports on numismatics business (ideally P&Ls)
 - Monthly independent internal analysis and review of the Mint's performance
- Profile of data collection / information systems
 - Information collected and level of detail
 - Source(s) of the data
 - Ease of accessing data
- Trend data

Research

- Collectibles market overview
- Purchase behaviors and occasions
- Profiles of U.S. Mint customer segments
- Profiles of other collectibles companies (e.g., Franklin Mint)
- Customer satisfaction (Michigan's National Quality Research Center)

Partners

- List of current distributors/retail partners
- Overview of licensing partners (including an overview of any unsolicited proposals that the Mint has received)
- Numismatics supply chain overview (call center, fulfillment, marketing partners)

Internal

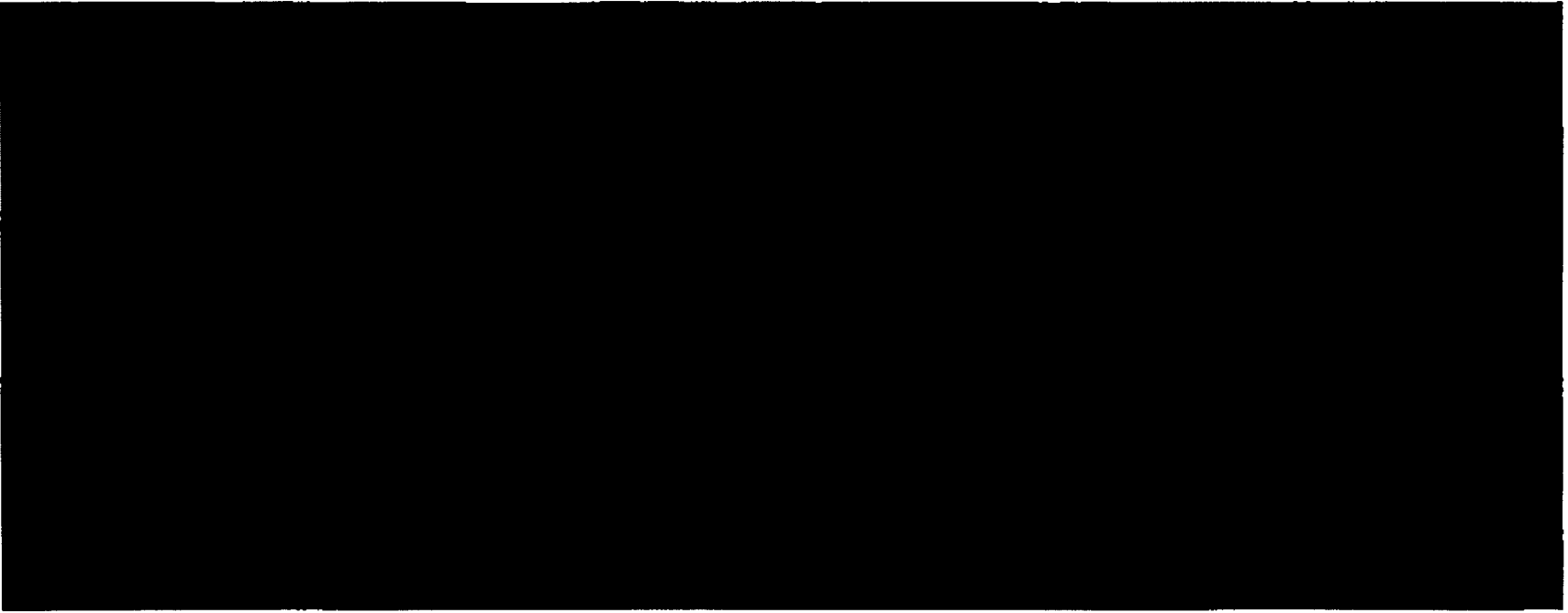
- New employee briefing book
- Materials for briefing senior government leaders
- Recent growth initiatives / strategy work (for case studies)
- Organizational charts and phone list for Numismatics group
- Numismatics business plans

NEXT STEPS

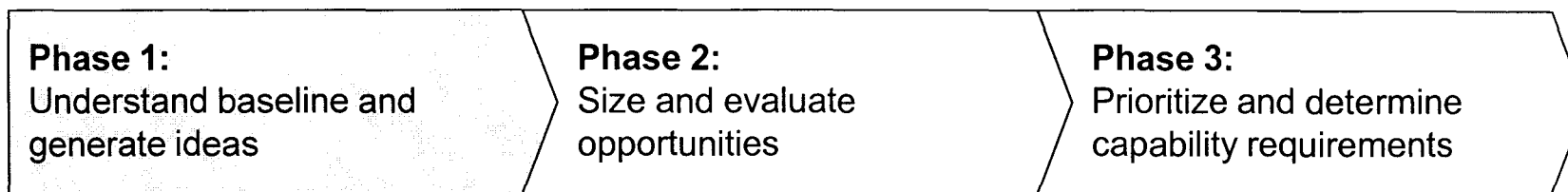
- Set steering committee membership
- Schedule “Killer Ideas” workshop and select participants
- Finalize initial internal interview list and schedule
- Identify external interviews
- Address logistics (badges, data access, etc.)

APPENDIX

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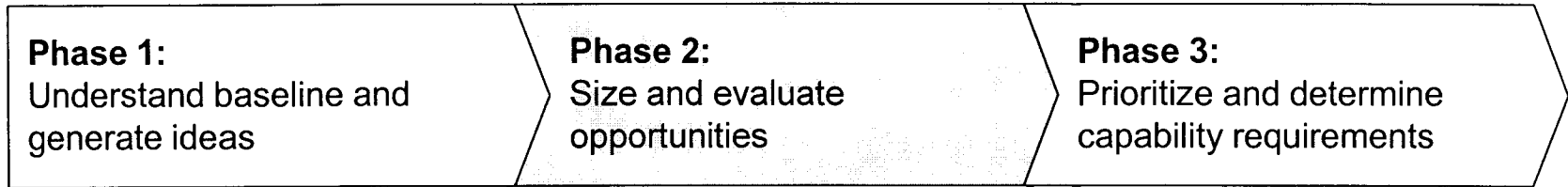


PROJECT OVERVIEW: GROWING THE NUMISMATIC BUSINESS



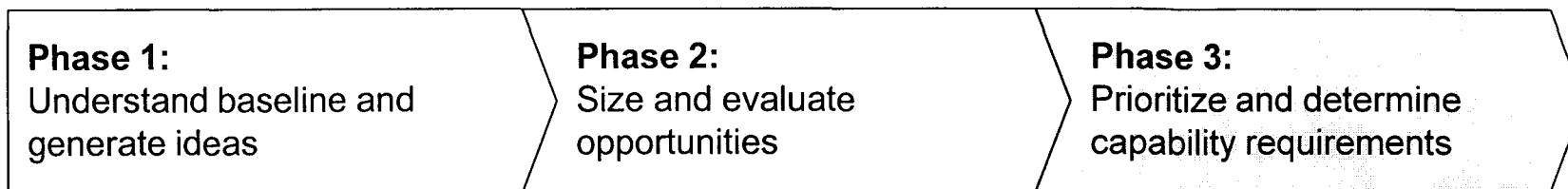
Activities	Description of activity	End products for phase
<ul style="list-style-type: none"> • Profile the revenue base • Generate “out-of-the-box” ideas • Understand legislative framework and organizational constraints • Conduct 2-3 case studies on recent U.S. Mint initiatives • Document potential barriers to change 	<ul style="list-style-type: none"> • Analyze existing data to dimensionalize market segments; purchase history and usage patterns; profitability drivers • Interviews, external case studies (governments and private sector), and Killer Ideas workshop • Interviews to understand true constraints from contracts or legislative environment versus constraints based on traditions or customs • Identify lessons learned and implications from both successful and less successful initiatives in the last few years • Interviews with key stakeholders to determine both internal and external obstacles to implementing initiatives 	<ul style="list-style-type: none"> • Framework and prioritization of potential growth levers • List of leading (hypothesized) opportunities sequenced over time horizons • Clear profile of the market and customer base • Understanding of the essential constraints • Selected illustrations of different growth models

PROJECT OVERVIEW: GROWING THE NUMISMATIC BUSINESS



Activities	Description of activity	End products for phase
<ul style="list-style-type: none"> • Prioritize idea portfolio and identify 5-8 to analyze further • Size and evaluate 5-8 growth ideas (top-down approach) • Assess high-level implementation requirements 	<ul style="list-style-type: none"> • Conduct screening on all ideas generated in Phase 1 with criteria including size of opportunity, ease of implementation and legal/political viability • Evaluate idea attractiveness by reviewing existing customer research to assess demand; model projected revenues and profits as well as increased access to numismatic products; and determine attractiveness to customers through interviews with customers/dealers • Determine the amount /nature of change that would be required to implement each idea to assist the Mint in making a go/no-go decision on the proposals 	<ul style="list-style-type: none"> • Robust business cases for the 5-8 ideas selected to be analyzed in depth <ul style="list-style-type: none"> – Strategic rational – Economics – Target customer segments – Capability/resource requirements – Risks and legislative compliance issues – Timing – Other considerations in the assessment • Synthesized growth perspective

PROJECT OVERVIEW: GROWING THE NUMISMATIC BUSINESS



Activities	Description of activity	End products for phase
<ul style="list-style-type: none"> • Confirm Phase 2 prioritization • Detailed evaluation of top priority opportunities • Assess capability-building requirements • Develop integrated growth strategy • Design ongoing process to generate ideas and build capabilities • Create high-level implementation plan 	<ul style="list-style-type: none"> • Workshop with key Mint stakeholders to review Phase 2 findings and agree on top opportunities to pursue • Includes bottom-up business model, impact on operations, costs to implement/maintain projected sales, and capital changes required • Develop a perspective on capabilities the Mint would need to build (including support system, HR, org structure) • Analyze the growth ideas in concert to develop a holistic and consistent strategy • Based on external best practices and existing Mint practices, develop a standard process for the Mint to generate growth strategies going forward • Develop key steps required during the execution (including milestones and metrics) to facilitate tracking progress 	<ul style="list-style-type: none"> • Prioritized list of growth opportunities • Assessment of required capability improvements to implement growth program • High-level implementation plan

RETAIL / CONSUMER GOODS STRATEGIC GROWTH FRAMEWORK

ILLUSTRATIVE

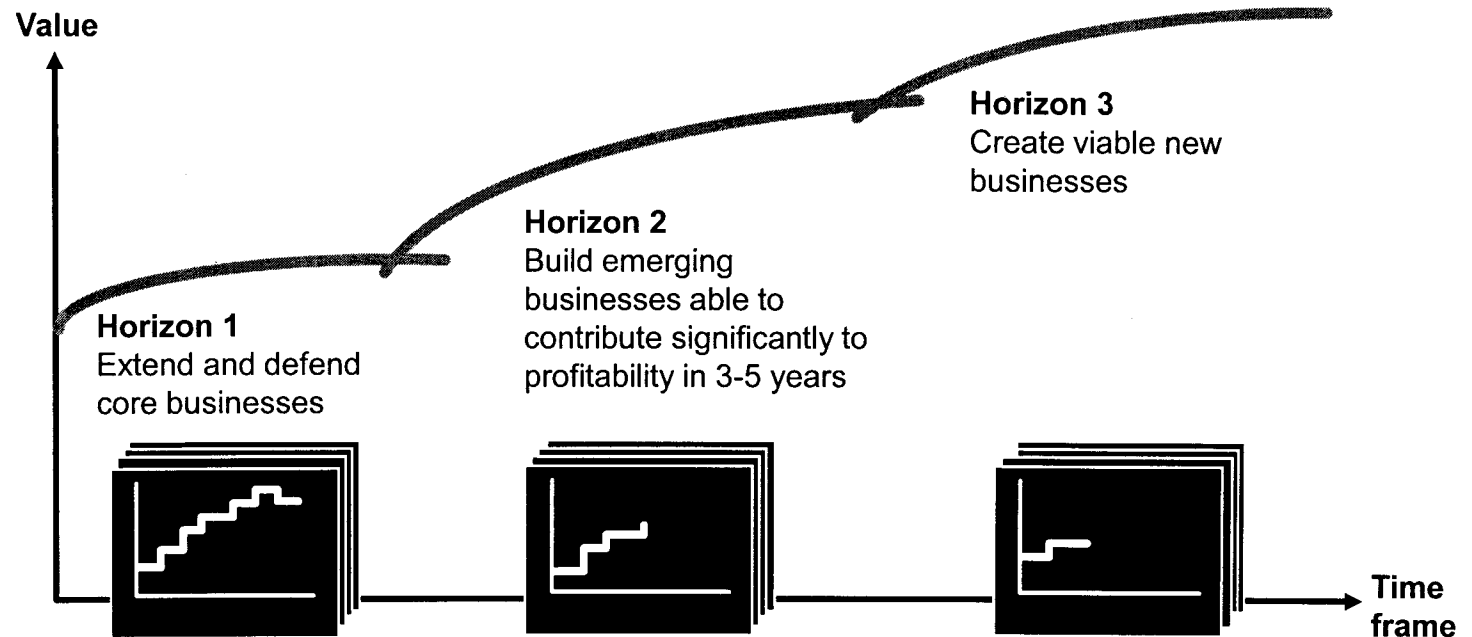
① *Systematically identify opportunities in the product and value chain*

Opportunity	Dimensions	Examples
Product	<ul style="list-style-type: none"> • New products • Product expansions • Product bundling 	<ul style="list-style-type: none"> • Introduction of Swiffer • Dark chocolate M&Ms • Cable TV, high speed internet and digital phone packages
Price	<ul style="list-style-type: none"> • Changes based on elasticity, cross-elasticity, and latent demand 	<ul style="list-style-type: none"> • Price changes on fruits and vegetables • Price cuts on flat screen TVs
Channel	<ul style="list-style-type: none"> • New channels (e.g., retail) • New partners • New channel features and service levels 	<ul style="list-style-type: none"> • The Apple Store • Michael Graves line at Target • Store-within-a-store with expert associates
Sales and marketing	<ul style="list-style-type: none"> • New media and forums • More targeted messages • Tailored incentives to reps and partners 	<ul style="list-style-type: none"> • Burger King's "Subservient Chicken" web site • P&G's Vocalpoint word-of-mouth marketing • Foodservice reps point program (redeemable for trips, gift certificates, etc.) based on selling specific products
Geography	<ul style="list-style-type: none"> • Expansion of urban/rural core • New regions within a county • New countries 	<ul style="list-style-type: none"> • Wal-Mart expansion into major urban areas • Wegmans' entry into the Mid-Atlantic • Tesco expansion into the United States

RETAIL / CONSUMER GOODS STRATEGIC GROWTH FRAMEWORK (CON'T)

② *Prioritize initiatives into a portfolio that will create increasing value over time*

ILLUSTRATIVE



Key initiatives

- Improve internet sales service levels
- Create geographic product “bundles” for existing retail partners
- Develop partnerships in select Asian markets
- Employ microtargeting to attract new customer segments
- Build distinctive online collecting hub
- Market-test potential broker/bundling roles for other collections

Supporting investments

- Enhanced performance management systems
- Inventory distribution systems
- Local-level customer/ market research
- Forex pricing tools/ systems
- Enhanced Web traffic control/specialization
- Cross-promotion design/development

WORKING DRAFT

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U.S. Mint Revenue Growth Ideas - Master List

July 2006



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U.S. Mint Revenue Growth Opportunities

7/18/2006

Strategic categories:
A: Grow numismatic related revenue (current customers)
B: Acquire new customers / occasions
C: Expand access/availability
D: Enter new markets

Shopping occasion categories:
1: Coin collecting
2: General collecting - Circulating Savers & Hobbyists
3: General collecting - Tourists
4: Gifting - Individual & Corporate

ID #	Idea description	Strategic category	Shopping occasion category	Growth category	Quadrant (1stH value / Ht feasibility; 2 = Ht / Lo; 3 = Lo)	Size (\$ Millions)	Regulatory Feasibility (0-5)	Capability to Implement (0-5)	Include for deep-dive?	Remove but keep on table?	Entry size estimate (\$ Millions)	Rationale/Approach	Detail of analysis (L-M-H)	Team member responsible for study	Consistency with law	Ability to create a clear-cut story	Likelihood of support	Overall regulatory feasibility (0-4)	SAM	Manufacturing	Supply Chain	Staff and capabilities	Internal resistance	Overall capability to implement (0-5)	Comments	Selected for initial assessment?	Next Team responsible?	US Mint responsible?	Data source
1	Increase prices to better represent true willingness to pay	A	1 Pricing			0.0	1.0	2.0							3.0	0.0	0.0	1.0	1.0	3.0	5.0	5.0	5.0	0.0	2.0				
2	Sell all products through auctions for the first week (quantity sold set based on demand)	A	1 Pricing			0.0	1.5	2.0							1.0	0.0	3.0	1.0	1.5	2.0	5.0	5.0	5.0	2.0	2.0				
3	Produce to demand, ensuring no stock-out	A	1 Pricing			0.0	3.5	1.5							5.0	5.0	4.0	4.0	3.5	3.5	1.0	4.0	3.0	3.0	1.5				
4	Up-sell products through all interactive direct channels (phone, web site)	A	1 Pricing			0.0	2.0	2.0							3.0	2.0	2.0	2.0	2.0	3.0	5.0	3.0	4.0	3.0	2.0				
5	Cross-sell products through all interactive direct channels (phone, web site)	A	1 Pricing			0.0	3.0	2.5							4.0	3.0	3.0	3.0	3.0	3.0	5.0	2.5	4.0	4.0	2.5				
6	Expand base subscription service	A	1 Services			0.0	3.5	2.5							5.0	4.0	5.0	4.0	3.5	4.0	3.0	4.0	4.0	4.0	2.5				
7	Expand subscriptions to collectibles	A	1 Services			0.0	3.5	3.0							3.0	5.0	5.0	4.0	3.5	5.0	3.0	4.0	4.0	4.0	3.0				
8	Enrich subscription service to include a price discount	A	1 Services			0.0	2.5	2.5							2.0	3.0	4.0	3.0	2.5	3.0	4.0	4.0	4.0	4.0	2.5				
9	Enrich subscription service to have the product continue to be available at the same price in perpetuity	A	1 Services			0.0	2.0	3.0							2.0	3.0	3.0	3.0	2.0	5.0	4.0	4.0	4.0	4.0	3.0				
10	Enrich subscription service to include a promotional product after set period of membership	A	1 Services			0.0	3.5	2.5							4.0	4.0	4.0	4.0	3.5	4.0	3.5	3.5	4.0	4.0	2.5				
11	Create time-spanning full sets by setting aside product at the beginning of multi-year programs	A	1 Products			20-60 M	3.0	2.0			20-60 M	L			4.0	5.0	5.0	3.0	3.0	5.0	2.0	1.0	4.0	2.0	2.0				
12	Introduce new materials in mint products	A	1 Products			0.0	2.0	1.5							2.0	5.0	4.0	3.0	2.0	4.0	1.0	3.0	4.0	2.0	1.5				
13	Introduce a new metal in the AE set (e.g., Palladium)	A	1 Products			0.0	1.5	1.5							0.0	5.0	3.0	1.0	1.5	4.0	1.0	3.0	4.0	2.0	1.5				
14	New technical features/product performance (e.g., RBU, colorization, bi-metal)	A	1 Products			0.0	2.0	2.0							2.0	4.0	3.0	4.0	2.0	3.0	1.0	4.0	4.0	3.0	2.0				
15	Make time-specific products available (e.g., made on a certain date)	B	4 Products			0.0	3.0	1.5							3.0	3.0	3.0	4.0	3.0	4.0	2.0	2.0	4.0	3.0	1.5				
16	Expand metals program and ensure design appeal (e.g., Fish & Wildlife)	B	2 Products			0.0	3.5	2.0							4.0	4.0	5.0	4.0	3.5	3.5	3.5	3.0	4.0	5.0	2.0				
17	Ensure design quality excellence of commemorative products	A	1 Products			0.0	3.0	2.0							2.0	5.0	5.0	4.0	3.0	3.0	3.0	5.0	3.0	5.0	2.0				
18	Sell graded/top quality product - American buffalo proofs	A	1 Products			8 M	1.5	1.5			8 M	L			2.0	1.0	3.5	1.0	1.5	3.0	5.0	3.0	3.0	3.0	1.5				
19	Sell graded/top quality product - AE proofs	A	1 Products			0.0	1.5	1.5							2.0	1.0	3.5	1.0	1.5	3.0	5.0	3.0	3.0	3.0	1.5				
20	Sell graded/top quality product - annual sets	A	1 Products			0.0	1.5	1.5							2.0	1.0	3.5	1.0	1.5	3.0	5.0	3.0	3.0	3.0	1.5				
21	Auction off first strike products of all numismatic offerings (include die)	A	1 Products			4 M	2.5	2.0			4 M	L			3.0	3.0	4.0	3.0	2.5	4.0	3.0	3.0	4.0	4.0	2.0				
22	Auction off last strike products of all numismatic offerings	A	1 Products			0.0	2.5	2.0							3.0	3.0	4.0	3.0	2.5	4.0	3.0	3.0	4.0	4.0	2.0				
23	Create super-premium products (limited runs)	A	1 Products			0.0	2.0	1.5							2.0	1.0	3.0	3.0	2.0	3.0	2.0	4.0	3.0	3.0	1.5				
24	Create new entry level product - unc quarters/presidential dollars	B	1 Products			25 M	4.0	2.5			25 M	L			4.0	5.0	4.5	5.0	4.0	4.5	3.5	4.5	4.0	5.0	2.5				
25	Create new entry level product - unc set from only one mint	B	2 Products			0.0	4.0	2.5							4.0	5.0	4.5	5.0	4.0	4.5	3.5	4.5	4.0	5.0	2.5				
26	Introduce new products for retail distribution exclusively	B	2 Products			0.0	2.0	2.0							2.0	2.0	3.0	3.0	2.0	3.0	3.0	1.5	4.0	3.0	2.0				
27	Introduce new products for international distribution exclusively	D	3 Products			0.0	2.0	2.0							2.0	2.0	3.0	3.0	2.0	3.0	3.0	1.5	4.0	3.0	2.0				

ID #	Idea description	Strategy category	Shopping occasion category	Growth category	Quadrant (Left value / HI feasibility; 2 = HI / Lo; 3 = Lo / Hi)	Size (\$ millions)	Regulatory Feasibility (P-3)	Capability to Implement (P-3)	Hypotheticals	Remove, but keep on table?	Entry size estimate (\$ millions)	Rational approach	Detail of analysis (L-M-H)	Team member responsible for doing	Consistency with law	Ability to create a clear-cut story	Likelihood of support	Overall regulatory feasibility (P-4)	SAW	Manufacturing	Supply Chain	Staff and capabilities	Internal resistance	Overall capability to implement (P-5)	Comments	Selected for initial assessment?	Mint Team responsible?	US Mint responsible?	Data source
26	Introduce line extensions/sub-brands (e.g., rolls of proof coins)	A	1	Products		0.0	3.0	2.5							4.0	4.0	4.0	3.0	3.0	4.0	4.0	5.0	3.0	2.5					
29	Develop cause-based packaging for current products (e.g., cancer awareness)	B	2	Products		0.0	2.5	1.5							2.0	4.0	4.0	3.0	2.5	3.0	2.0	3.0	4.0	3.0	1.5				
30	Revisit prestige sets (proof set + commemorative(s))	A	1	Products		0.0	3.5	2.5							5.0	4.0	4.0	4.0	3.5	4.0	4.0	5.0	4.0	2.5					
31	New product category - broader storage range	A	1	Products		0.0	2.0	2.0							3.0	4.0	3.0	3.0	2.0	3.5	5.0	3.0	4.0	4.0	2.0				
32	New product category - nonlegal tender	B	4	Products		0.0	1.0	2.0							1.0	2.0	2.0	1.0	1.0	4.0	2.0	3.0	4.0	4.0	2.0				
33	New product category - personalized (nonlegal) tender	B	4	Products		0.0	1.0	1.5							1.0	2.0	2.0	1.0	1.0	4.5	1.5	2.5	3.0	4.0	1.5				
34	New product category - Jewelry	B	4	Products		0.0	3.0	2.5							4.0	4.0	3.5	4.0	3.0	4.0	5.0	4.0	4.0	4.0	2.5				
35	New product category - Display cases	A	1	Products		0.0	2.5	2.5							3.0	3.0	3.5	3.0	2.5	4.0	5.0	4.0	4.0	4.0	2.5				
36	New product category - Gold plated coins	A	4	Products		0.0	1.0	2.0							2.0	2.0	3.0	1.0	1.0	3.0	1.0	4.0	4.0	3.0	2.0				
37	New product category - Plaques/trophies/awards	B	4	Products		0.0	2.5	2.5							4.0	3.0	4.0	3.0	2.5	3.5	3.5	4.0	4.0	4.0	2.5				
38	New services - coin grading (of a newly purchased product or currently owned product) -	A	1	Services		0.0	2.0	2.0							2.0	3.0	4.0	3.0	2.0	3.0	5.0	5.0	2.0	3.0	2.0				
39	New services - selling production status information to dealers	A	1	Services		0.0	3.0	2.0							4.0	4.0	4.0	4.0	3.0	2.5	5.0	5.0	2.5	3.0	2.0				
40	Market product as a souvenir	B	3	Marketing		0.0	3.0	2.0							3.0	4.0	4.0	4.0	3.0	3.0	4.0	3.5	4.0	4.0	2.0				
41	Market product as a gift - annual	B	4	Marketing		0.0	3.0	2.0							3.0	4.0	4.0	4.0	3.0	3.0	4.0	3.5	4.0	4.0	2.0				
42	Market product as a gift - milestone	B	4	Marketing		0.0	3.0	2.0							3.0	4.0	4.0	4.0	3.0	3.0	4.0	3.5	4.0	4.0	2.0				
43	Market product as a gift - thank you / obligation gift	B	4	Marketing		0.0	3.0	2.0							3.0	4.0	4.0	4.0	3.0	3.0	4.0	3.5	4.0	3.5	2.0				
44	Market product as a corporate gift / award program item	B	4	Marketing		0.0	3.0	1.5							3.0	4.0	4.0	4.0	3.0	3.0	4.0	3.5	4.0	3.0	1.5				
45	Expand education program on web site	B	2	Marketing		0.0	3.5	2.0							4.0	5.0	5.0	4.0	3.5	2.5	5.0	5.0	3.5	4.0	2.0				
46	Expand partnership programs with schools (possibly outsourced to third party)	B	2	Marketing		0.0	3.0	2.5							3.0	5.0	4.0	3.5	3.0	3.5	5.0	5.0	4.0	4.5	2.5				
47	Co-sponsor U.S. history/presidential history bees (e.g., spelling bee), with prizes being numismatic products	B	2	Marketing		0.0	2.5	2.5							3.0	4.0	3.5	3.0	2.5	4.0	5.0	5.0	3.5	4.5	2.5				
48	Offer scholarships/essay contests	B	2	Marketing		0.0	3.0	2.5							3.5	4.0	4.0	3.5	3.0	4.5	5.0	5.0	4.0	4.5	2.5				
49	Develop an educational medals set with X number of medals coming out during the school year, and a different program theme each year	B	2	Marketing		0.0	4.0	2.0							4.0	5.0	4.5	5.0	4.0	4.0	2.0	3.0	4.0	4.0	2.0				
50	Numismatics for Change program on mobile "museum" which visits schools (part of change goes to a numismatic product which Mint subsidizes, part of it goes to fundraising target, such as the school)	B	2	Marketing		0.0	2.5	2.0							3.0	4.0	4.0	3.0	2.5	4.0	4.0	4.0	5.0	3.0	2.0				
51	Work with/advertise on online search sites to ensure U.S. mint products / web sites come up on searches for the product's featured item	B	2	Marketing		0.0	3.0	2.5							4.0	4.0	3.5	4.0	3.0	4.0	5.0	5.0	4.5	4.0	2.5				
52	Set up coin experience / flagship store / museums in major metropolitan areas	B	2	Marketing		0.0	2.0	2.0							2.0	4.0	3.0	3.0	2.0	3.0	5.0	4.0	4.0	3.5	2.0				
53	Develop a Las Vegas museum (in partnership with a casino / Steve Wynn)	B	2	Marketing		0.0	3.5	3.0							4.0	5.0	4.0	4.0	3.5	5.0	5.0	5.0	5.0	4.0	3.0				
54	Open U.S. Mint museum in D.C.	B	1	Marketing		0.0	2.5	2.0							2.0	4.0	3.5	3.5	2.5	3.0	5.0	4.0	4.0	3.5	2.0				
55	Expand tour offerings at Mint facilities (e.g., mint your own money)	B	1	Marketing		0.0	3.0	2.5							4.0	4.0	4.0	4.0	3.0	5.0	3.0	5.0	4.0	4.0	2.5				
56	Create an official U.S. mint magazine (with articles, etc.)	B	1	Marketing		0.0	3.0	2.5							3.5	4.5	4.0	4.0	3.0	4.0	5.0	5.0	3.5	4.0	2.5				
57	Bulletin board, blogs, online guests, etc. on web site	B	1	Marketing		0.0	2.5	2.0							3.0	4.0	4.0	3.0	2.5	4.0	5.0	5.0	3.5	3.0	2.0				

ID #	Idea description	Strategic category	Shopping occasion category	Growth category	Quadrant ($H_i \times L_i$)	Size ($\$$ Millions)	Regulatory Feasibility (0-4)	Capability to Implement (0-3)	Hypothesis Include for descriptive? Remove but keep on table?	Early size estimate ($\$$ Millions)	Rational/Approach	Detail of analysis (L,M,H)	Team member responsible for asking	Consistency with law	Consistency with mission	Ability to create a clear-cut story	Likelihood of support	Overall regulatory feasibility (0-4)	SAM	Manufacturing	Supply Chain	Staff and capabilities	Internal resistance	Overall capability to implement (0-3)	Comments	Selected for initial assessment?	Mock Team responsible?	US Mint responsible?	Data sources
58	Sell current products through direct response channel (QVC, HSN)	C	2 Channel			0.0	2.5	1.5						4.0	4.5	4.0	2.0	2.5	3.5	3.5	3.0	4.0	2.5	1.5					
59	Infomercials on targeted products	C	2 Channel			0.0	2.5	1.5						4.0	4.5	4.0	2.0	2.5	3.5	3.0	2.5	4.0	2.5	1.5					
60	Infomercials of a straight informative nature	B	2 Marketing			0.0	3.5	2.5						5.0	5.0	4.0	4.0	3.5	4.0	5.0	5.0	4.0	4.5	2.5					
61	Develop new products (possibly listed above) to sell through direct response channel (potentially exclusively)	C	2 Products			0.0	2.5	2.0						2.0	3.0	4.0	3.5	2.5	3.5	3.0	3.0	4.0	3.0	2.0					
62	eBay Mint Store to sell current products as well as run auction on special product (graded, first strike)	C	1 Channel			0.0	3.0	2.5						3.0	4.5	4.0	3.0	3.0	4.0	4.0	3.5	4.5	4.0	2.5					
63	Improve web site to incorporate retail best practices (reviews, recommendations, etc)	C	1 Channel			0.0	3.5	2.5						4.0	5.0	5.0	4.5	3.5	4.0	5.0	5.0	3.5	5.0	2.5					
64	Develop an outbound telesales capacity to target inactive customers and offer current year versions of previously purchased products	C	1 Channel			0.0	2.5	2.5						4.0	5.0	3.0	3.0	2.5	4.5	5.0	5.0	4.5	4.0	2.5					
65	Develop an outbound telesales capacity to target general collectors/hobbyists	C	2 Channel			0.0	3.0	2.5						4.0	5.0	3.5	3.5	3.0	4.5	5.0	5.0	4.5	4.0	2.5					
66	Expand direct mail program and improve targeting	C	1 Channel			0.0	3.0	3.0						5.0	5.0	3.0	4.0	3.0	4.0	5.0	5.0	4.0	5.0	3.0					
67	As appropriate, sell commemorative products through supported organization and have mini limits adjusted accordingly (e.g., Boy Scouts sell boy scout coin)	C	2 Channel			0.0	3.0	2.5						5/1	5.0	4.0	3.5	3.0	4.5	5.0	4.0	5.0	4.5	2.5					
68	Launch shared-space store(s) - The Government Store	C	1 Channel			0.0	3.5	2.0						4.0	5.0	4.5	4.0	3.5	3.5	5.0	4.0	3.5	5.0	2.0					
69	Launch shared-space store(s) - The Money Store	C	1 Channel			0.0	3.5	2.0						4.0	5.0	4.5	4.0	3.5	3.5	5.0	4.0	3.5	5.0	2.0					
70	Launch store-within-a-store concept within Mass retailers	C	2 Channel			0.0	2.5	1.5						2.5	3.5	4.0	3.5	2.5	3.0	4.0	2.0	3.5	3.0	1.5					
71	Launch store-within-a-store concept within grocery stores	C	2 Channel			0.0	2.5	1.5						2.5	3.5	4.0	3.5	2.5	3.0	4.0	2.0	3.5	3.0	1.5					
72	Launch store-within-a-store concept within department stores	C	2 Channel			0.0	2.5	1.5						2.5	3.5	4.0	3.5	2.5	3.0	4.0	2.0	3.5	3.0	1.5					
73	Launch store-within-a-store concept within hobby stores (e.g., Michaels)	C	2 Channel			0.0	2.5	1.5						2.5	3.5	4.0	3.5	2.5	3.0	4.0	2.0	3.5	3.0	1.5					
74	Launch store-within-a-store concept within "gift" stores (e.g., Hallmark)	C	4 Channel			0.0	2.5	1.5						2.5	3.5	4.0	3.5	2.5	3.0	4.0	2.0	3.5	3.0	1.5					
75	Establish kiosks - Malls	C	2 Channel			0.0	3.5	2.5						4.0	5.0	4.5	4.0	3.5	3.5	4.0	4.0	4.0	4.5	2.5					
76	Establish kiosks - Airports	C	3 Channel			0.0	3.5	2.5						4.0	5.0	4.5	4.0	3.5	3.5	4.0	4.0	4.0	4.5	2.5					
77	Establish kiosks - Amusement parks	C	3 Channel			0.0	3.0	2.5						4.0	4.5	4.0	3.5	3.0	3.5	4.0	4.0	4.0	4.5	2.5					
78	Establish kiosks - Museums	C	3 Channel			0.0	3.5	2.5						4.0	5.0	4.5	4.0	3.5	3.5	4.0	4.0	4.0	4.5	2.5					
79	Establish kiosks - Retail banks	C	2 Channel			0.0	3.5	2.0						4.0	5.0	4.5	4.0	3.5	3.5	4.0	2.5	3.0	4.0	2.0					
80	Establish kiosks - Post Offices	C	2 Channel			0.0	3.5	2.0						4.5	5.0	4.5	4.0	3.5	3.5	3.5	2.0	3.0	4.5	2.0					
81	Establish kiosks - top 50 traffic areas (Time Square, World of Coke, Miami Beach, Las Vegas strip, etc.)	C	3 Channel			0.0	3.5	2.5						4.0	5.0	4.5	4.0	3.5	3.5	4.0	4.0	4.0	4.5	2.5					
82	Serve as a traditional supplier of product to national stores	C	2 Channel			0.0	3.0	2.0						3.0	4.5	4.0	3.5	3.0	3.0	3.5	2.0	3.0	4.0	2.0					
83	Serve as a traditional supplier of product to department stores	C	2 Channel			0.0	3.0	2.0						3.0	4.5	4.0	3.5	3.0	3.0	3.5	2.0	3.0	4.0	2.0					
84	Serve as a traditional supplier of product to discounters	C	2 Channel			0.0	3.0	2.0						3.0	4.5	4.0	3.5	3.0	3.0	3.5	2.0	3.0	4.0	2.0					
85	Serve as a traditional supplier of product to drug stores	C	2 Channel			0.0	3.0	2.0						3.0	4.5	4.0	3.5	3.0	3.0	3.5	2.0	3.0	4.0	2.0					
86	Serve as a traditional supplier of products to Duty Free shops	C	3 Channel			0.0	3.5	2.0						3.5	4.5	4.5	3.5	3.5	3.0	4.0	2.5	3.0	4.0	2.0					
87	Purchase space in corporate gift catalogs	C	4 Channel			0.0	3.5	3.0						4.0	5.0	4.5	4.0	3.5	4.0	5.0	5.0	4.0	5.0	3.0					
88	Purchase space in SkyMall and similar shopping magazines	C	2 Channel			0.0	3.5	3.0						4.0	5.0	4.5	4.0	3.5	4.0	5.0	5.0	4.0	5.0	3.0					

ID #	Idea description	Category	Strategy category	Shopping occasion category	Growth category	Quadrant (1=H/L, 2=H/L, 3=H/L, 4=L/L)	Size (\$ Millions)	Regulatory Feasibility (0-4)	Capability to Implement (0-5)	Hypothesis	Include for deep-dive?	Remove, but keep on table?	Early stage estimate (\$ Millions)	Rational approach	Detail of analysis (L/M/H)	Team member responsible for doing	Consistency with low	Consistency with mission	Ability to create a clear-cut story	Likelihood of support	Overall regulatory feasibility (0-4)	SAI	Manufacturing	Supply Chain	Staff and capabilities	Internal resistance	Overall capability to implement (0-5)	Comments	Selected for initial assessment?	Mock Team responsible?	US Mint responsible?	Data sources
88	Rich catalog which brings products fully to life, includes general numismatic content, etc. (American Girl)	C	1	Channel			0.0	3.5	2.0								4.5	4.5	5.0	4.0	3.5	2.5	5.0	5.0	2.5	5.0	2.0					
90	Open U.S. Mint stores in traditional retail locations	C	4	Channel			0.0	2.5	1.5								4.5	5.0	2.5	3.0	2.5	3.5	4.0	4.0	3.5	3.0	1.5					
91	Franchises of Mint stores/kiosks	C	2	Channel			0.0	3.0	2.0								5.0	5.0	4.0	3.5	3.0	3.0	4.5	4.0	4.0	3.5	2.0					
92	Serve as a traditional supplier of products to retail banks	C	1	Channel			0.0	3.5	2.0								4.0	4.5	4.5	3.5	3.5	3.0	3.5	2.0	3.0	4.0	2.0					
93	Co-promote product with banks for use in promotions/tie-ins (e.g., AE silver proofs as a CD's interest)	C	2	Marketing			0.0	3.5	2.5								4.5	5.0	4.5	4.0	3.5	3.0	4.5	3.5	4.0	4.0	2.5					
94	Mint products (or a coupon for a product) as a redemption option at CoinStar	C	2	Marketing			0.0	4.0	2.5								5.0	5.0	5.0	4.0	4.0	4.0	5.0	3.5	4.0	3.5	2.5					
95	Partner with airlines to convert change into numismatic products (similar to UNICEF model)	C	3	Marketing			0.0	3.0	2.5								3.0	5.0	4.5	3.0	3.0	4.0	5.0	4.0	4.0	3.5	2.5					
96	Sell product to be resold through government channels (e.g., Smithsonian, NPS, etc.)	C	2	Channel			0.0	4.0	2.5								5.0	5.0	4.5	4.5	4.0	4.0	5.0	4.5	4.0	4.0	2.5					
97	Improve dealer support - pay to be on a referral program for previous year products	C	1	Services			0.0	2.5	2.0								4.0	4.0	3.5	2.5	2.5	3.5	5.0	5.0	4.5	3.5	2.0					
98	Improve dealer support - marketing materials which direct customers to Mint channels	C	2	Marketing			0.0	3.5	2.5								5.0	5.0	5.0	4.5	3.5	4.5	5.0	5.0	4.5	4.0	2.5					
99	Dealer partnerships - bulk programs tied into preorders/subscription	A	1	Services			0.0	3.0	2.5								5.0	4.5	4.0	3.5	3.0	4.5	5.0	5.0	4.0	4.0	2.5					
100	Authorized reseller program (pay annual fee to be recognized, but open to all who apply)	C	1	Channel			0.0	2.5	2.5								4.0	4.5	3.5	3.0	2.5	4.0	5.0	5.0	4.0	4.0	2.5					
101	Direct selling organization	C	2	Channel			0.0	3.5	2.5								4.0	5.0	4.5	4.5	3.5	4.0	5.0	4.0	4.5	4.0	2.5					
102	Become more active in U.S. coin shows	C	1	Channel			0.0	4.0	2.5								5.0	5.0	4.5	4.0	4.0	4.5	5.0	4.5	4.0	4.5	2.5					
103	Set up booths (in part to sell product) at trade (e.g., other collectible) shows	C	2	Channel			0.0	3.0	2.5								3.5	5.0	4.0	4.5	3.0	4.5	5.0	4.5	4.0	4.5	2.5					
104	Set up booth (in part to sell product) at international coin shows	D	1	Channel			0.0	2.5	2.0								3.0	4.0	4.0	4.0	2.5	4.0	5.0	4.5	3.0	4.5	2.0					
105	Enter mature foreign numismatic market through expanded dealer network	D	1	Geography			0.0	3.0	2.5								4.0	4.0	4.0	4.0	3.0	4.0	5.0	4.5	3.5	4.0	2.5					
106	Enter mature foreign numismatic market through third-party account manager	D	2	Geography			0.0	3.0	2.0								3.5	4.0	4.5	3.5	3.0	3.5	4.0	4.0	3.5	3.5	2.0					
107	Enter mature foreign numismatic market through country-specific distribution (local Mint)	D	1	Geography			0.0	3.5	2.0								4.0	4.0	4.5	4.0	3.5	3.5	3.5	4.0	3.5	3.0	2.0					
108	Enter bullion-focused market (with non-bullion products) through expanded dealer network	D	1	Geography			0.0	3.0	2.5								4.0	4.0	4.0	4.0	3.0	4.0	5.0	4.5	3.5	4.0	2.5					
109	Enter bullion-focused market (with non-bullion products) through third-party account manager	D	2	Geography			0.0	3.0	2.0								3.5	4.0	4.5	3.5	3.0	3.5	4.0	4.0	3.5	3.5	2.0					
110	Enter bullion-focused market (with non-bullion products) through country-specific distribution (local Mint)	D	1	Geography			0.0	3.5	2.0								4.0	4.0	4.5	4.0	3.5	3.5	3.5	4.0	3.5	3.0	2.0					
111	Produce event specific / commemorative products and enter market through expanded dealer network	D	2	Geography			0.0	2.5	1.5								2.0	4.0	4.5	4.0	2.5	3.0	3.0	4.5	3.0	3.0	1.5					
112	Produce event specific / commemorative products and enter market through third-party account manager	D	2	Geography			0.0	2.5	1.5								2.0	4.0	4.5	4.0	2.5	3.0	3.0	4.0	3.0	3.0	1.5					
113	Produce event specific / commemorative products and enter market through country-specific distribution (local Mint)	D	2	Geography			0.0	2.5	1.5								2.0	4.0	4.5	4.0	2.5	3.0	3.0	4.0	3.0	3.0	1.5					
114	Create joint-Mint products (each country produces a coin, they are sold together through both countries)	D	1	Products			0.0	2.5	1.5								2.0	4.0	4.5	3.0	2.5	2.5	3.5	2.5	3.0	3.0	1.5					

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Responsibly Growing the U.S. Mint Numismatic Business



Phase I Deliverable

July 18, 2006

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ABOUT 20 MINT EMPLOYEES HAVE BEEN INTERVIEWED

Interviewee

Completed

- David Lebryk
- Gloria Eskridge
- Jay Mahanand
- Kevin Hamer
- Sharon Bishop
- Cynthia Meals
- Dufour Woolfley
- Ann Bailey
- Ken Knapp
- Jim Adler
- John Warriner
- Jerry Nelson
- Jonathan Haseltine
- David Gessert
- Jack Sczcerban
- Pat McAfee
- Garren Zuck
- Kathy Chiarello
- Robert Rebele
- Cortez Carrington
- Christy Bidstrup

Outstanding

- Daniel Shaver
- Legislative affairs

b5

SUMMARY FINDINGS FROM INTERVIEWS




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EMERGING CONSENSUS ON PRIMARY BARRIERS TO GROWTH



Source: Team analysis

CLARIFYING/PRIORITIZING OBJECTIVES

 Our current understanding

Stated objective: Consists of three separate elements

- Optimize and expand current numismatic channels
- Develop future revenue streams
- Explore avenues for international product availability

Measuring success can be done across a set of dimensions

Financial measures

- Top line
- Bottom line

Consumer / interest satisfaction

- Broaden U.S. mint customer base
- Increase in-stock position

Marketplace presence

- Access to product
- Opportunities to learn about/experience the product

Other

- Increase public understanding of the U.S. mint
- Numismatist/dealer satisfaction

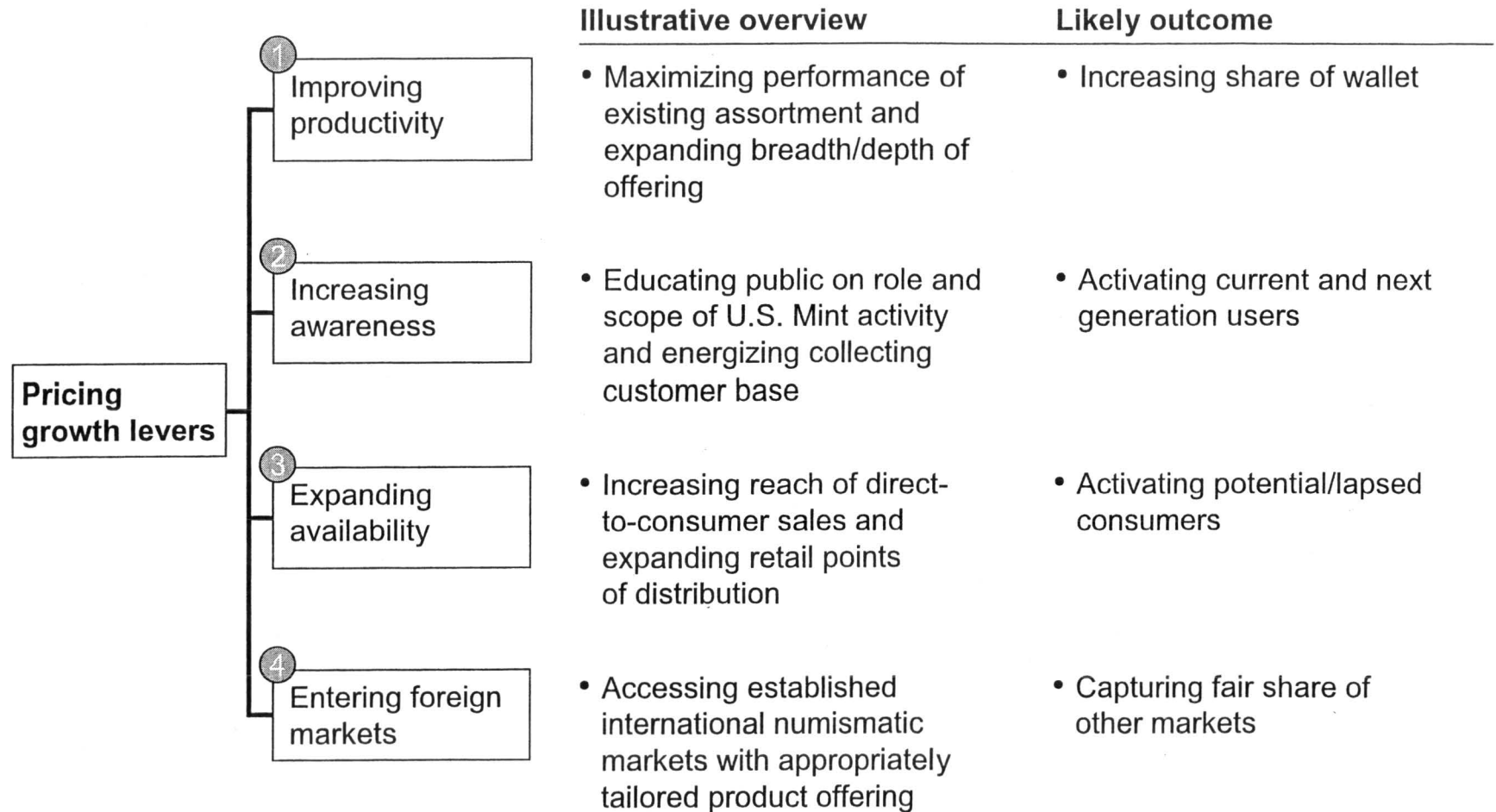
Issues

- Is the primary goal unit volume growth?
- Can there be cross-subsidization between products to increase affordability (e.g., \$6.99 uncirculated sets)
- What are the implications for licensing which will have minimal effect on financial measures and will expand margins?
- Does the Mint want to adopt a “satisfying all demand” model and fulfill all orders?
 - No stock-outs
 - No overages

POTENTIAL U.S. MINT NUMISMATIC GROWTH FRAMEWORK

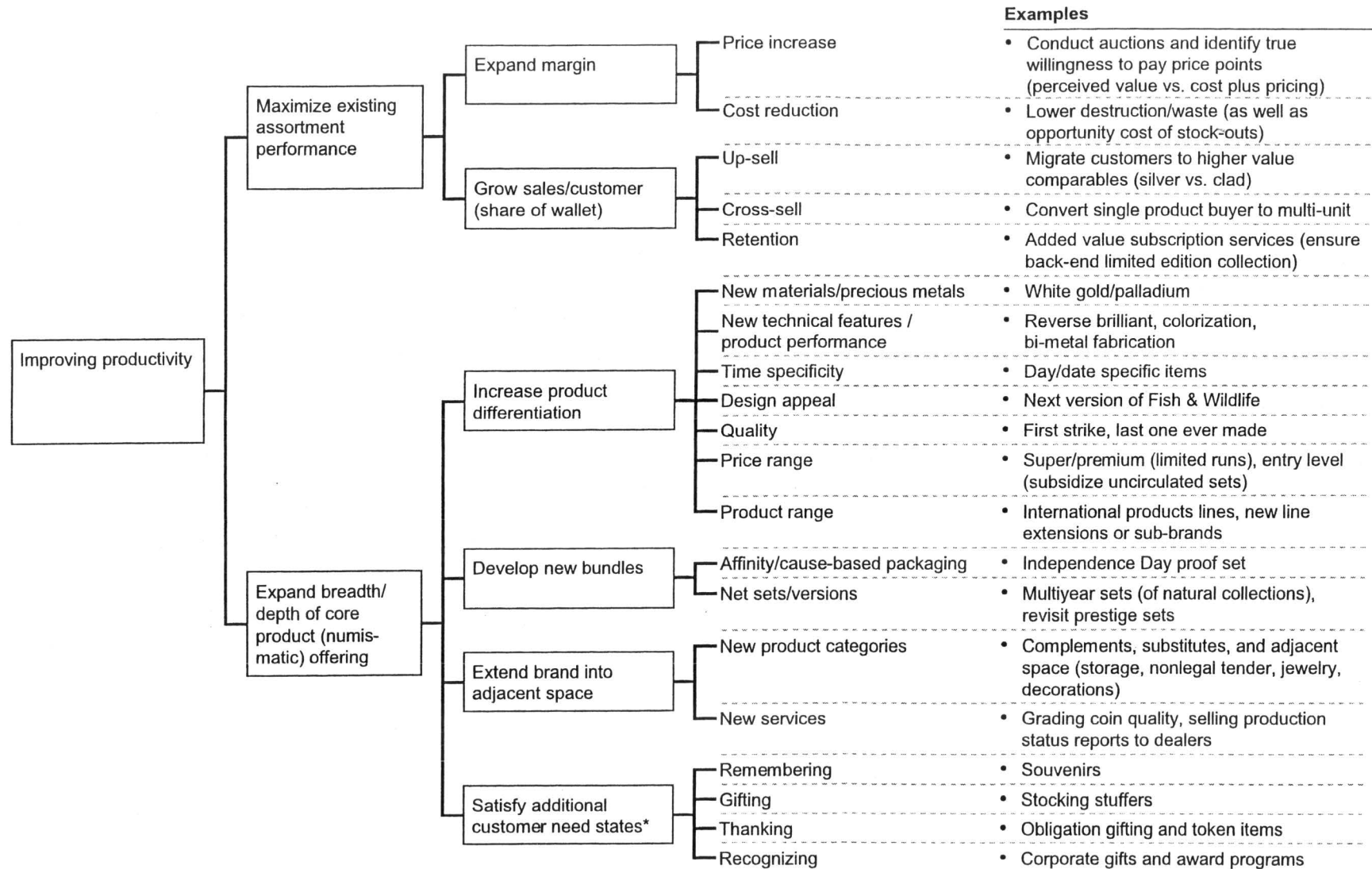
WORKING DRAFT

NOT EXHAUSTIVE



1 IMPROVING PRODUCTIVITY

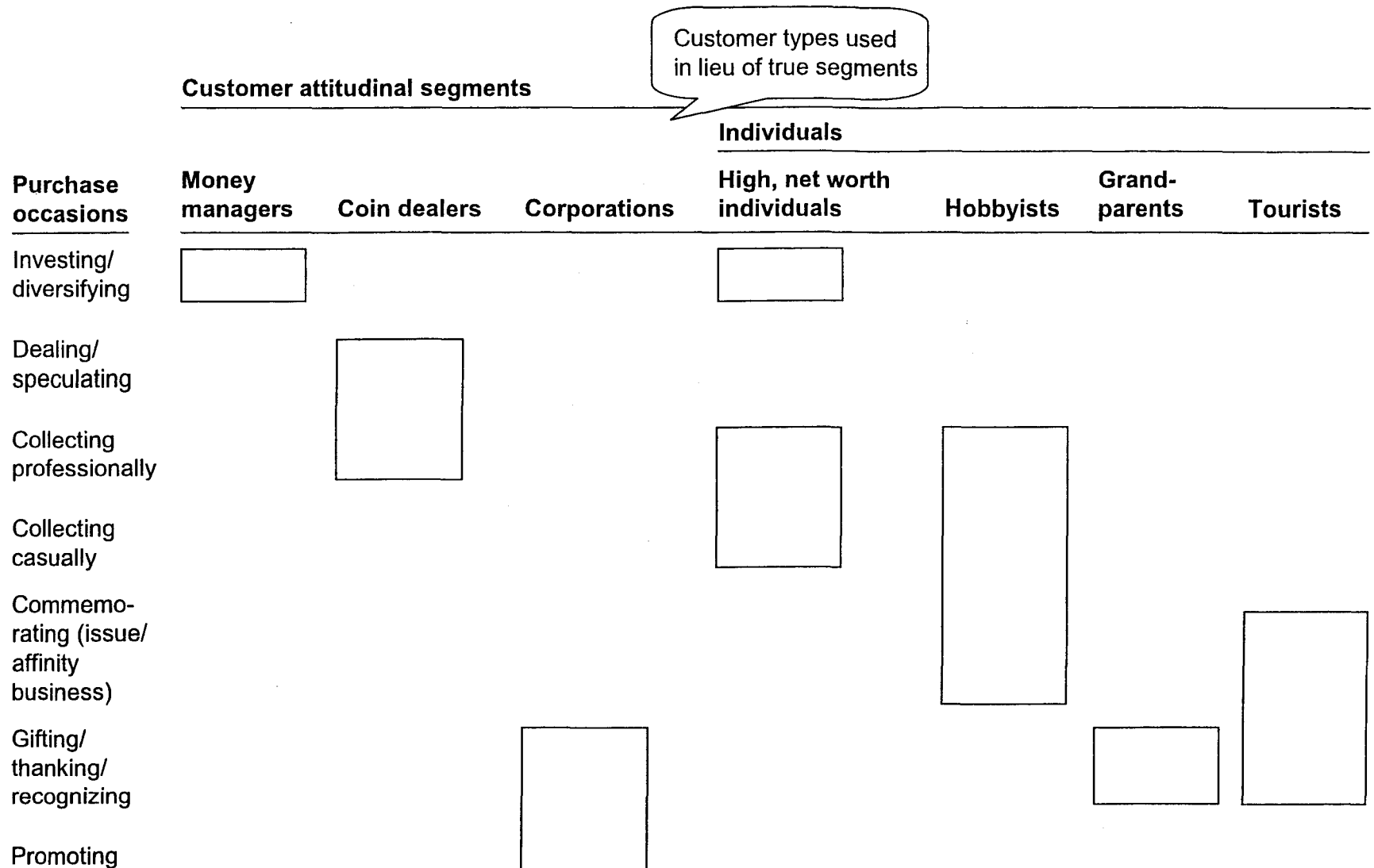
NOT EXHAUSTIVE/MECE



* Beyond collecting and investing/diversifying
Source: Team analysis

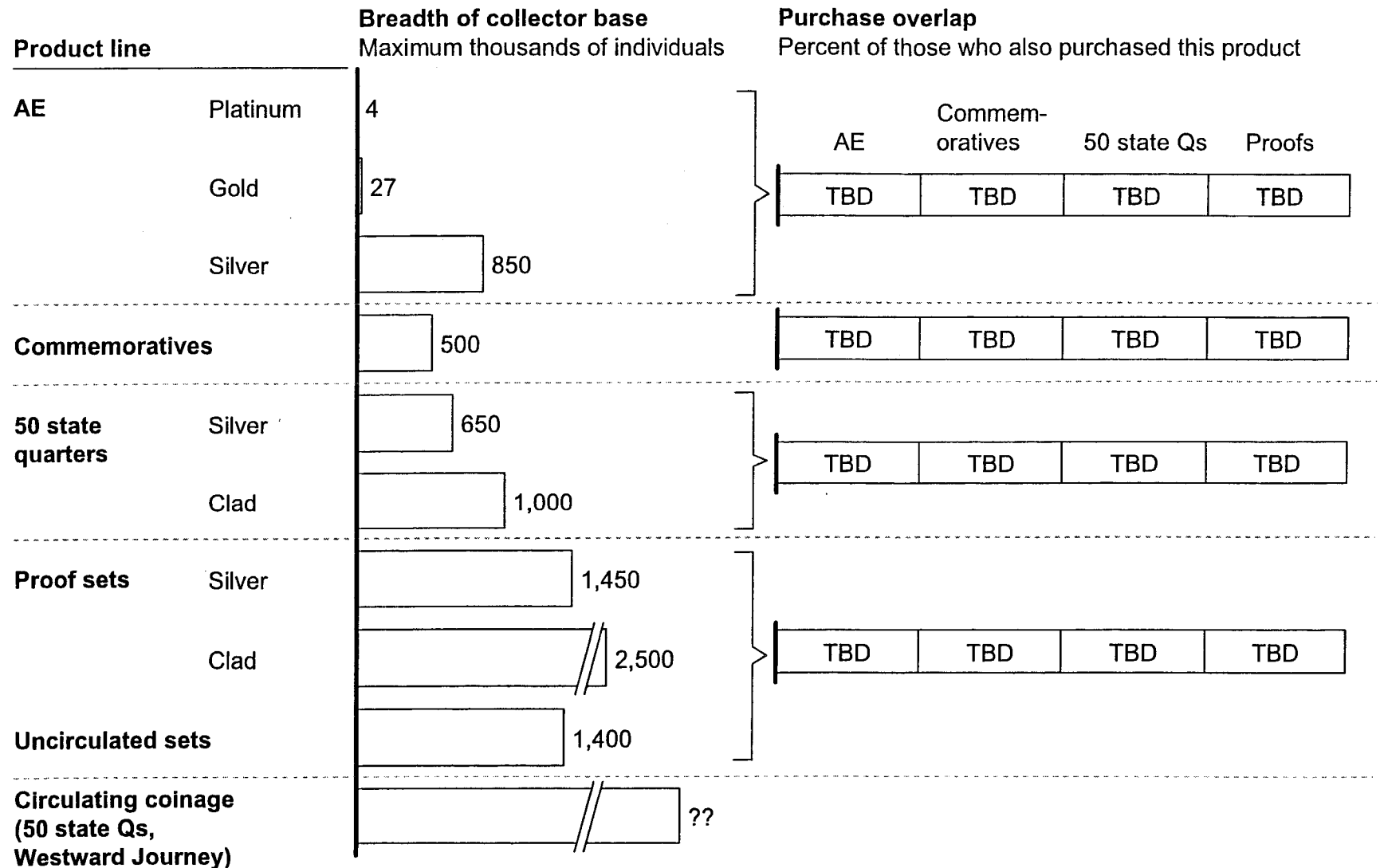
NEED STATES CAN ILLUMINATE CONSUMER PURCHASE MOTIVATION AND PROVIDE CONTEXT TO FRAME GROWTH LANDSCAPE

CONCEPTUAL



Source: Team analysis

PROFILING ASSORTMENT INTERACTIONS AND CUSTOMER PURCHASE BEHAVIORS

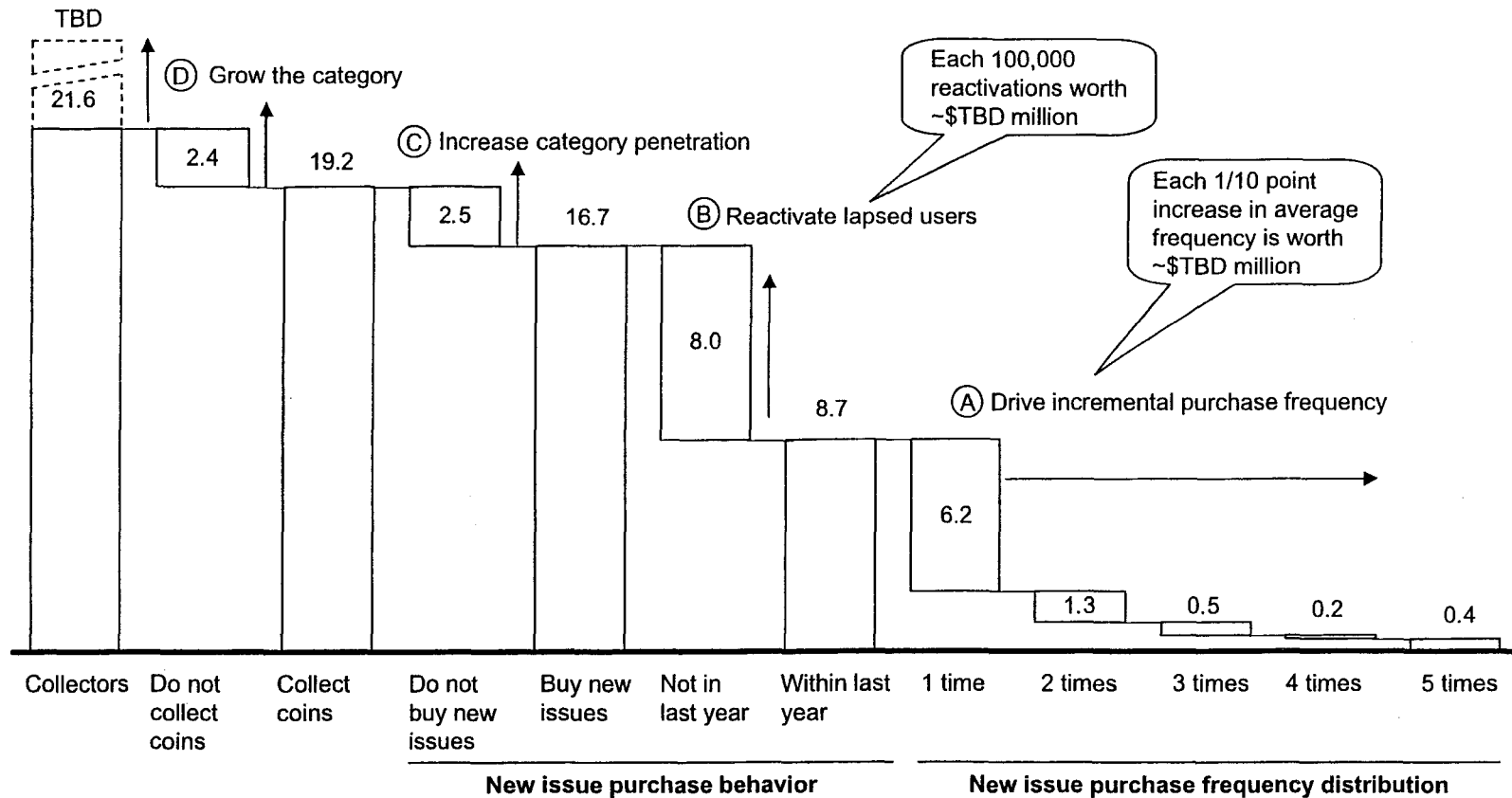


Source: U.S. Mint Weekly Sales Report; team analysis

PROFILING OPPORTUNITIES TO GROW TOTAL TRANSACTIONS*

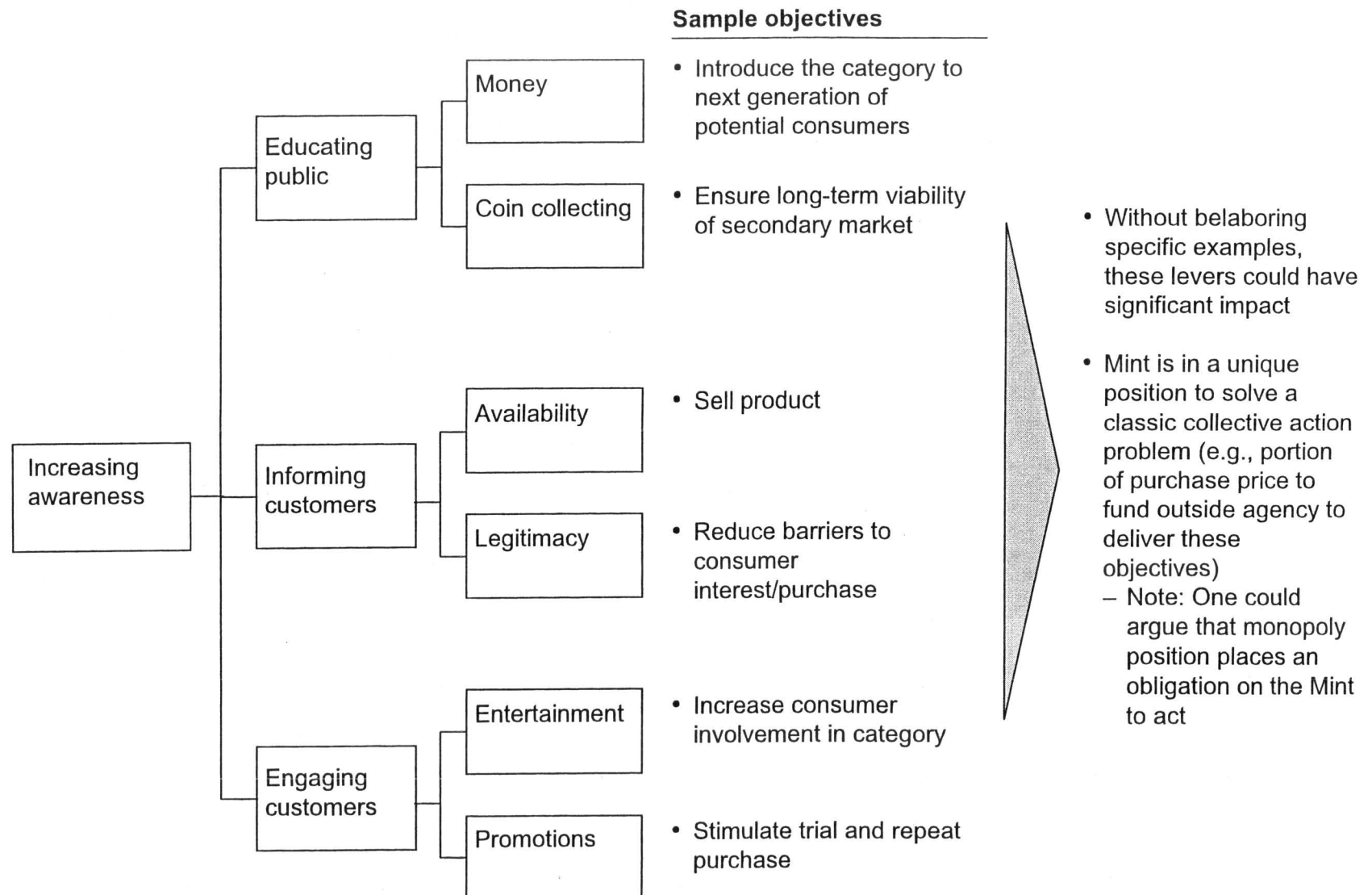
Millions of users

ILLUSTRATIVE
DATA



* Separate from maximizing basket size
Source: Team analysis

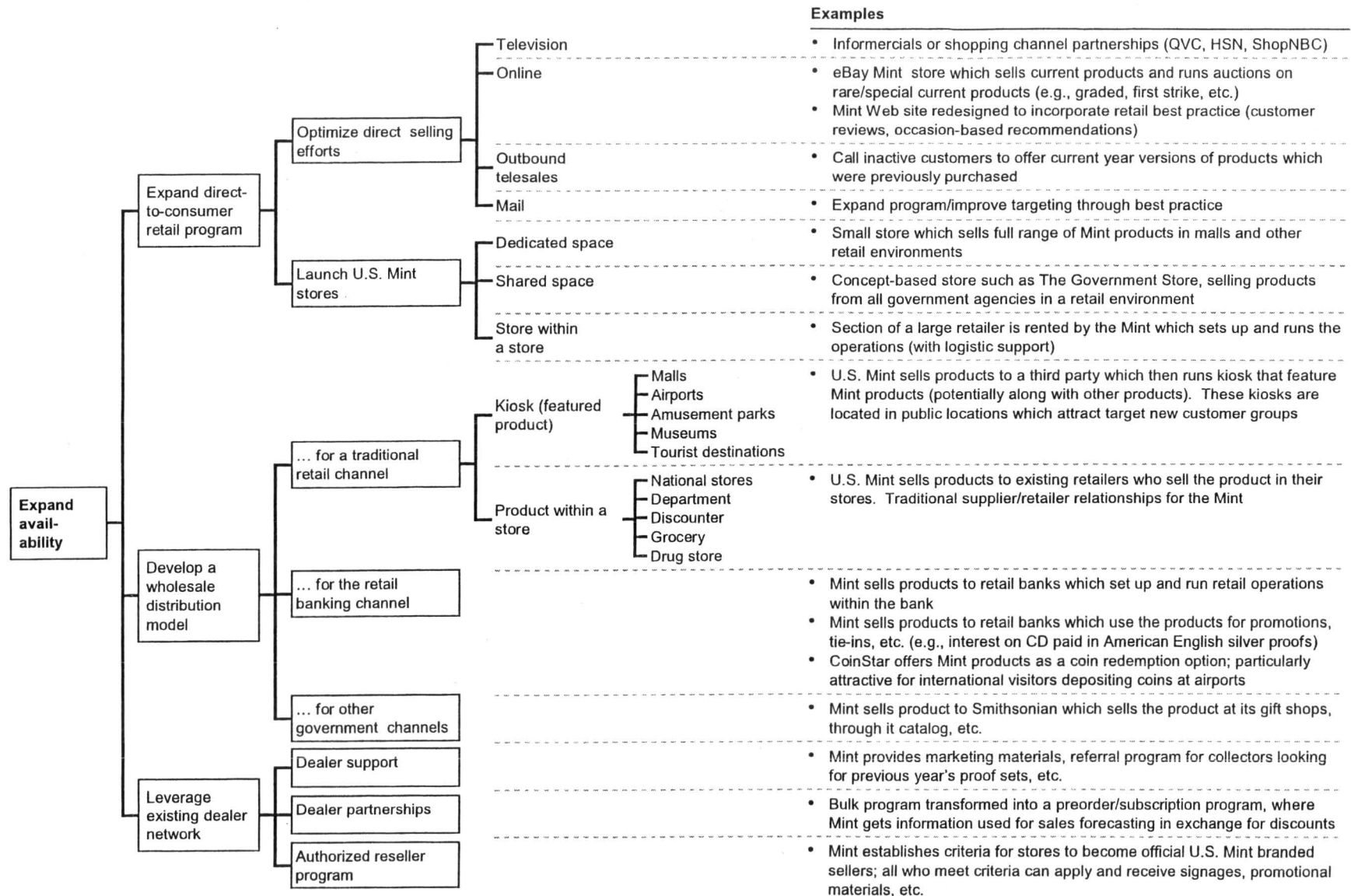
2 INCREASING AWARENESS



3

EXPANDING AVAILABILITY

NOT EXHAUSTIVE/MECE



Source: Team analysis

THERE ARE A VARIETY OF WAYS TO “GO DIRECT”

Business model	Description	Examples
Catalog/web	Targeted selling via direct mail/e-commerce through visual (vs. physical) representation of products or frequently mailed catalogs or web site	<ul style="list-style-type: none"> • L.L. Bean • Williams-Sonoma • Sharper Image
Direct selling organizations	Personal selling networks which provide direct interface between the product and customer – single or multi-level networks exist	<ul style="list-style-type: none"> • Amway • Avon • Pampered Chef
Trading	Direct interface between buyer and seller where buyer bids on goods/products until a mutually acceptable price is reached	<ul style="list-style-type: none"> • eBay • Priceline.com • Travelocity
Telemarketing	Sales reps contact target consumers via telephone to “offer” goods/service without consumer necessarily indicating they are in the market to buy	<ul style="list-style-type: none"> • Financial services firms
Mailers	Use of direct mail/print advertising to sell single product/product line (e.g., collectibles); allows building of targeted list over time	<ul style="list-style-type: none"> • Bradford Exchange • Columbia House
Direct Response TV	TV-based product merchandising which offers long duration “testimonials”/product explanation and convenient purchasing (home shopping, infomercials)	<ul style="list-style-type: none"> • QVC • Home Shopping Network • Ronco

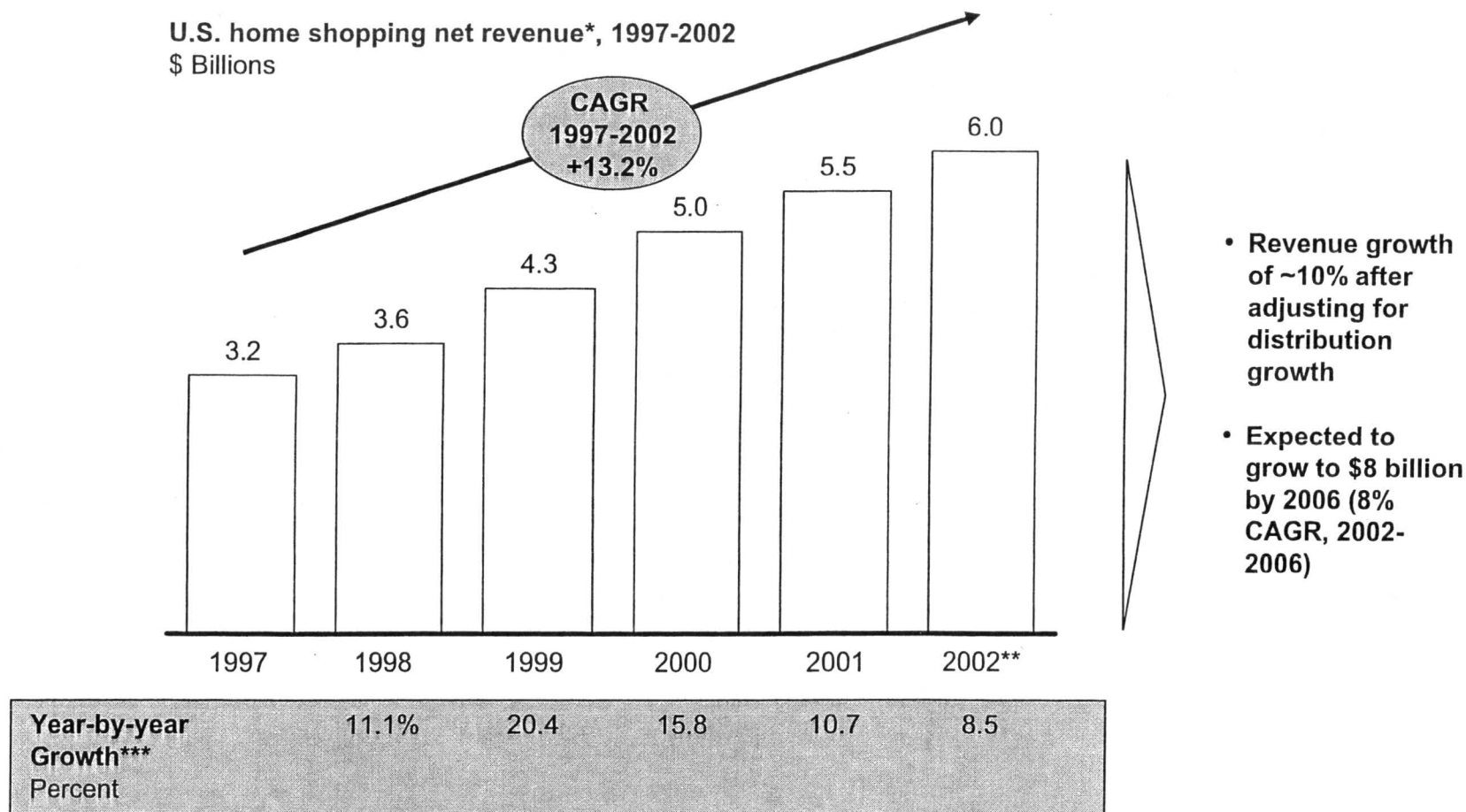
OVERVIEW OF DIRECT CHANNELS

	Market size for B2C only, 2001 \$ Billions	CAGR 99-01 Percent	Revenue range for top 3 \$ Millions	When might consider use of model
Catalog/web	64	8.5%	\$2,300-4,500	<ul style="list-style-type: none"> • Smaller market, often premium and/or allows for customization • Significant average purchase • Ongoing sales/relationship potential
Direct selling organizations	27	4.4%	\$1,000-2,000	<ul style="list-style-type: none"> • Product demonstration required • Outreach through community/affinity network (e.g., at-home mom)
Trading	10 +*	N/A (eBay: 73%)	\$600-1,200	<ul style="list-style-type: none"> • Product liquidation/excess inventory; difficult to find product • Moving toward potential to be primary channel
Telemarketing	315	N/A	N/A	<ul style="list-style-type: none"> • Marketing of services/upsell of existing product that does not require significant explanation
Mailers	330	N/A	N/A	<ul style="list-style-type: none"> • Product clearly aligns with identified target and uses existing vehicles (e.g., bills, magazines) • Requires little explanation
Direct Response TV	84	13.1%	\$450-4,000	<ul style="list-style-type: none"> • Clear visual demonstration required • Outreach to larger customer base (although with higher rates of bad debt)

* Only includes estimates gross merchandise sales of eBay and Priceline.com

Source: DMA Fact Book; team analysis

U.S. TV HOME SHOPPING REVENUE GROWTH HAS BEEN DRAMATIC



* Aggregate revenues of QVC, HSN, and ShopNBC in the U.S., representing 96% of total market based on MSDW 2000 estimates; includes Internet revenues

** Includes actual data for QVC; MSDW estimate for HSN and ShopNBC as of October 2002

*** In 1999, NBC increased distribution by 71%, HSN by 12%, and QVC by 6%, and in 2000 NBC by 32%, HSN by 8%, and QVC by 5%. In addition, 1999 was the first year when top 3 industry players had Internet revenues

Source: MSDW Industry Report; McKinsey analysis

RETAILERS ARE CLASSIFIED BY FORMAT TYPE – 2003 SALES

Billions

Specialty Soft Trend-right apparel, footwear and accessories focused on a specific customer profile 1. Gap 14.5 2. Limited 8.4 3. Venator 4.5 4. Payless 2.7 5. Charming Shoppes 2.4	Specialty Hard Customer service, focused and deep assortment 1. Blockbuster 5.9 2. Auto Zone 5.5 3. Radio Shack 4.6 4. Bed Bath & Beyond 3.7 5. Williams Sonoma 2.4	Discount Convenience, excellent value on broad assortment of merchandise that includes name brands 1. Wal-Mart 256.3 2. Target 48.2 3. Kmart 30.8 4. Dollar General 6.1 5. Family Dollar 4.8
Category killer Deep product assortment at sharp prices sold by knowledgeable, well-trained sales staff 1. Home Depot 64.8 2. Lowe's 30.8 3. Best Buy 20.9 4. Office Depot 12.4 5. Staples 11.6	National chain Good value, broad assortment of merchandise and national brands 1. Sears 41.1 2. JCPenney 32.3 3. Kohl's 9.1	Department Customer service, edited assortment that includes high-end brands 1. Federated Department 15.3 2. May Department Stores 13.3 3. Dillard's 7.9 4. Nordstrom 6.5 5. Saks Inc. 5.9

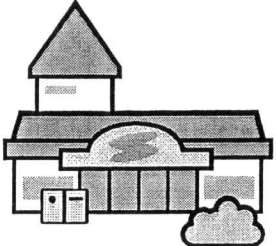
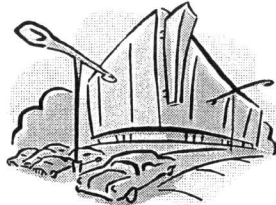
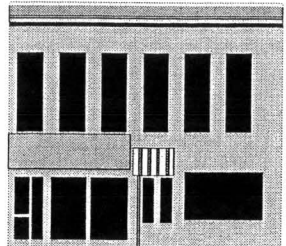

RETAILERS ARE CLASSIFIED BY FORMAT TYPE – 2003 SALES (CONTINUED)

Billions

Grocery	Drugstore	Convenience
Convenience, breadth and depth of range 1. Kroger 51.8 2. Albertson's 35.6 3. Ahold USA 35.3 4. Safeway 32.4 5. Publix 16.0	Customer service, convenience, depth of range, other (health) services 1. Walgreen 32.5 2. CVS 26.6 3. Rite Aid 15.8 4. Eckerd* 14.6 5. Longs 4.4	Convenience, broad assortment of range 1. 7-Eleven 10.9 2-5. Retail Gas (ExxonMobil, BPAmoco, ConocoPhillips)
Warehouse/club	Off-price	
Breadth of categories, deep discounts 1. Costco 42.5 2. Sam's Club* 31.7 3. BJ's Wholesale 6.7	Brand name product at discounted prices 1. TJX 13.3 2. Ross Stores 3.5 3. Burlington Coat 3.0 4. Men's Wearhouse 1.4	

* Included in the results of another retailer

RETAIL FORMATS COMPARED

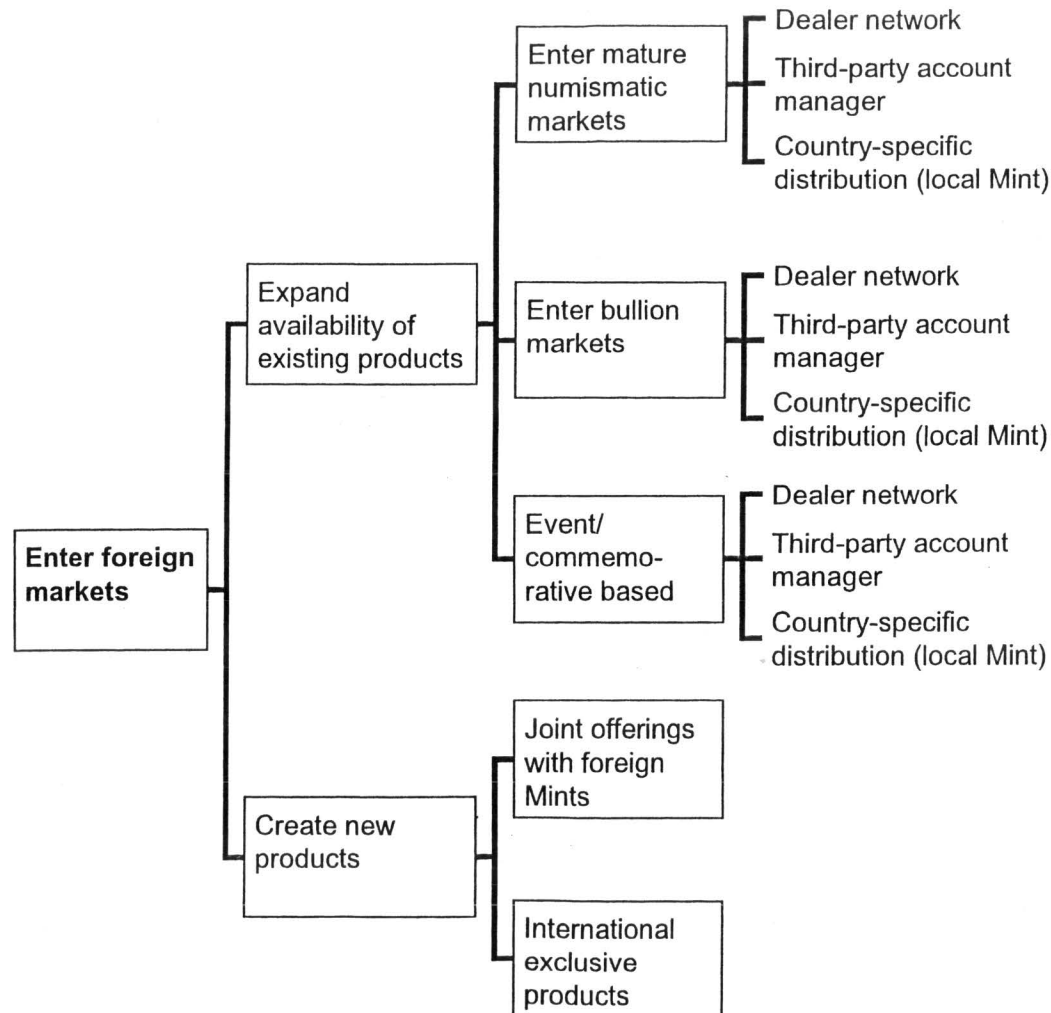
	Grocery	Department/ national	Discount	Specialty apparel
				
Size of box Square feet	30,000-100,000	100,000-500,000	70,000-115,000**	3,000-7,000
Typical store revenues \$ Millions	\$10-25	\$25-\$100	\$15-45	\$1-4
Sales/sq. ft.	\$300-500	\$200-500	\$250-450	\$400-800
Profit* Percent of sales	4.5%	10.5%	5.0%	8.7%
Key drivers of economics	<ul style="list-style-type: none"> • High volume • Low operating expense 	<ul style="list-style-type: none"> • High gross margin • Inventory management 	<ul style="list-style-type: none"> • Low operating expense • High fixed-asset productivity 	<ul style="list-style-type: none"> • High gross margin • Sales per sq. feet

* Operating income

** Supercenter format larger

4 ENTER FOREIGN MARKETS

NOT EXHAUSTIVE/MECE

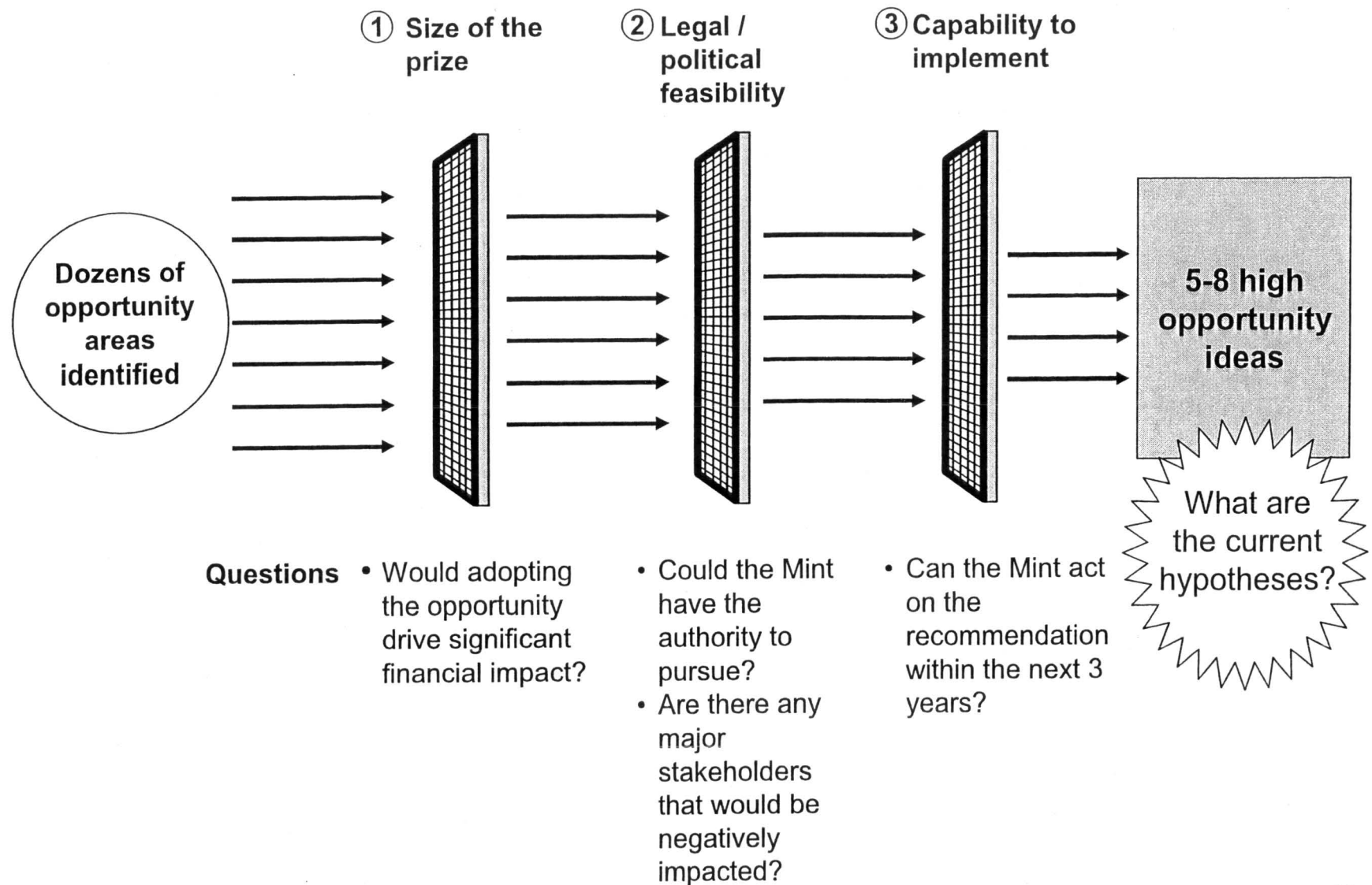


Examples

- Establish network of dealers in New Zealand to sell full line of Mint products
 - Outsource full geographies (or entire international arena) to company which provides total fulfillment solution
 - Sell existing products through Austria Mint (country-specific relationship)
-
- Establish network of country-specific bullion dealers in India
 - Use existing authorized dealers to establish a more robust distribution network in China by incentivizing behavior
-
- Sell commemorative products overseas in specific countries which will have interest in the message conveyed in the product
-
- Develop commemorative programs for which coins are produced by multiple countries and the full set is sold in all countries
 - Bundle existing products (e.g., proof sets) of multiple countries and sell through the local Mints
-
- Develop products which are sold exclusively in overseas markets that appeal to international visitors looking to remember their trip to the United States or non-visitors who share the values which embody the United States

PROPOSED SCREENING PROCESS TO ASSESS THE OPPORTUNITIES

FOR DISCUSSION



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Responsibly Growing the U.S. Mint Numismatic Business



Phase I Deliverable - Appendix
July 18, 2006

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CONTENTS

- **Updated framework & initial prioritization**

- Fact pack – Complete and planned analyses

AGENDA FOR TODAY'S WORKING SESSION

- Share progress against profiling the revenue base and sources of recent revenue growth
- Review revised opportunity landscape framework, rough sizing and proposed prioritization
- Share brief overview of select opportunities
 - Consumer purchase occasions
 - Tourists / Airport kiosks / Duty free
- Agree on next steps and scheduling of key meeting dates

DRAFT STORYLINE STRUCTURE

Today's focus

- The market for Numismatics is sizable and growing...
- While U.S. Mint has grown rapidly, lots of opportunities to expand
 - Mint's growth due to product line extensions rather than acquiring new Numismatic collectors (and growing the core products)
 - However, Mint currently only serving core collectors - core customer base is small, loyal, and almost entirely visible to the mint
 - Opportunities to expand exist across 4 buckets
 - Increase current customer value
 - Acquire new customers (new occasions)
 - Expand access/availability
 - Enter new markets
- Barriers do exist
 - Primary external barriers are awareness and education
 - Internal – guard rails
- Mint should....
 - Leverage expanded availability to increase awareness, ensure access and facilitate education of its numismatic mission

OPPORTUNITIES AREAS TO EXPLORE CAN BE CATEGORIZED BY THE TARGETED CONSUMER

Focus of the rest of today's discussion

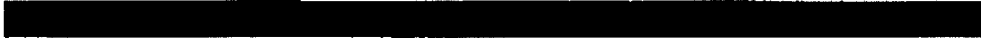
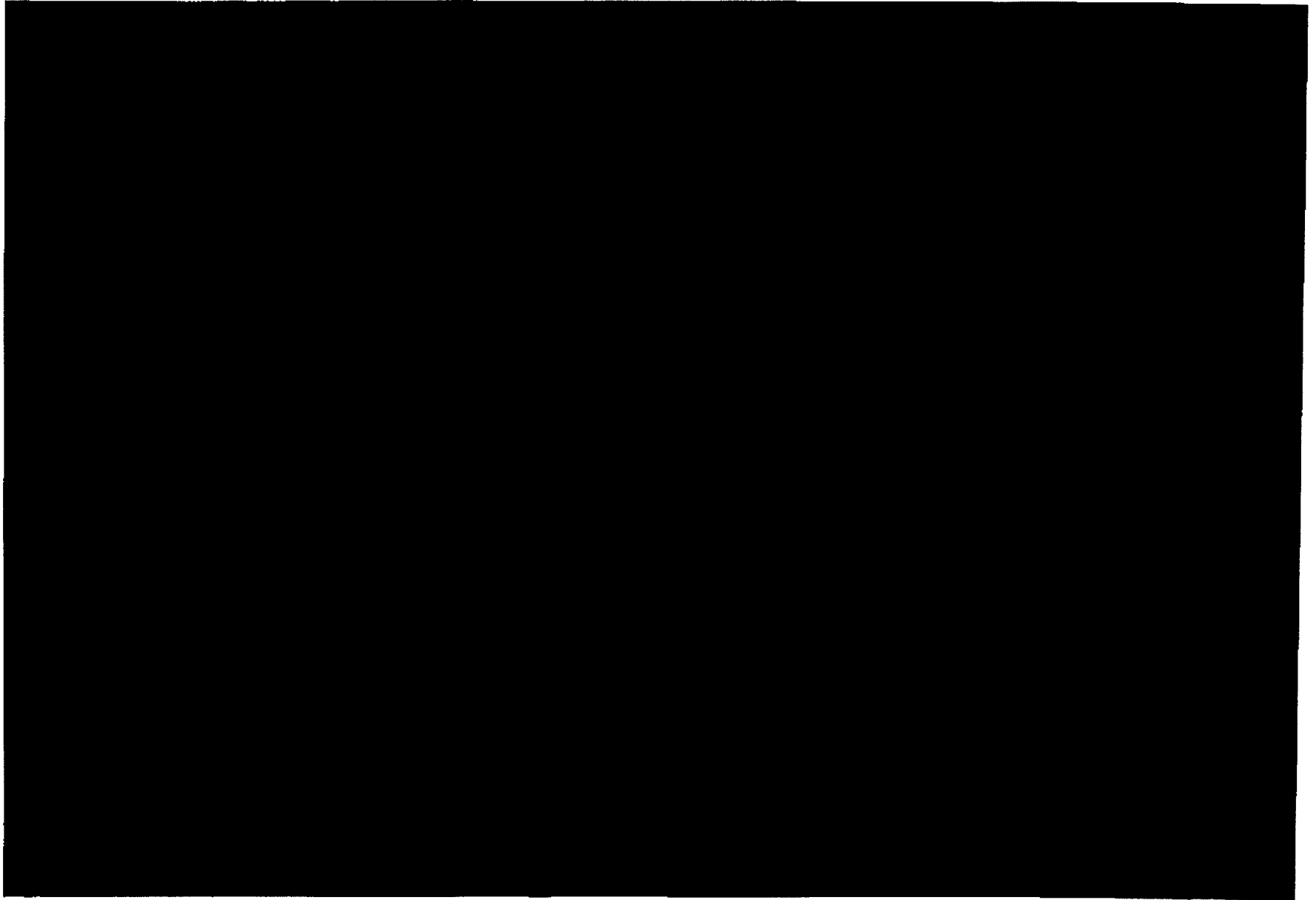
	Coin collecting			General collecting		Gifting	
	Avid	Casual	Circulating savers	Hobbies/ commemorating	Traveling/ Souvenirs	For other individuals	Corporate
Core customer – 10 products purchased	7 products for self <ul style="list-style-type: none"> • AE Silver (2) • Silver proof • Clad proof • Bag of Nebraska quarters (D) • Bag of Nebraska quarters (P) • Roll of Kennedy half dollars 			1 products for wife <ul style="list-style-type: none"> • San Francisco commemorative (general collector of S.F. memorabilia) 		1 product for grandson <ul style="list-style-type: none"> • Unc set 	1 products for secretary <ul style="list-style-type: none"> • Silver Proof

- While the Mint has good visibility into who is purchasing the product and how much they are purchasing, there is no sense of why they are purchasing it / how they are using the product.
- Moreover, we know that the adjacent purchase occasions are massive spaces where the Mint can play successfully by being more active

* To include breadth/depth of purchasing, offering, pricing, promotion, etc.

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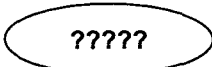






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[REDACTED]

6-9 ACQUIRE NEW CUSTOMERS

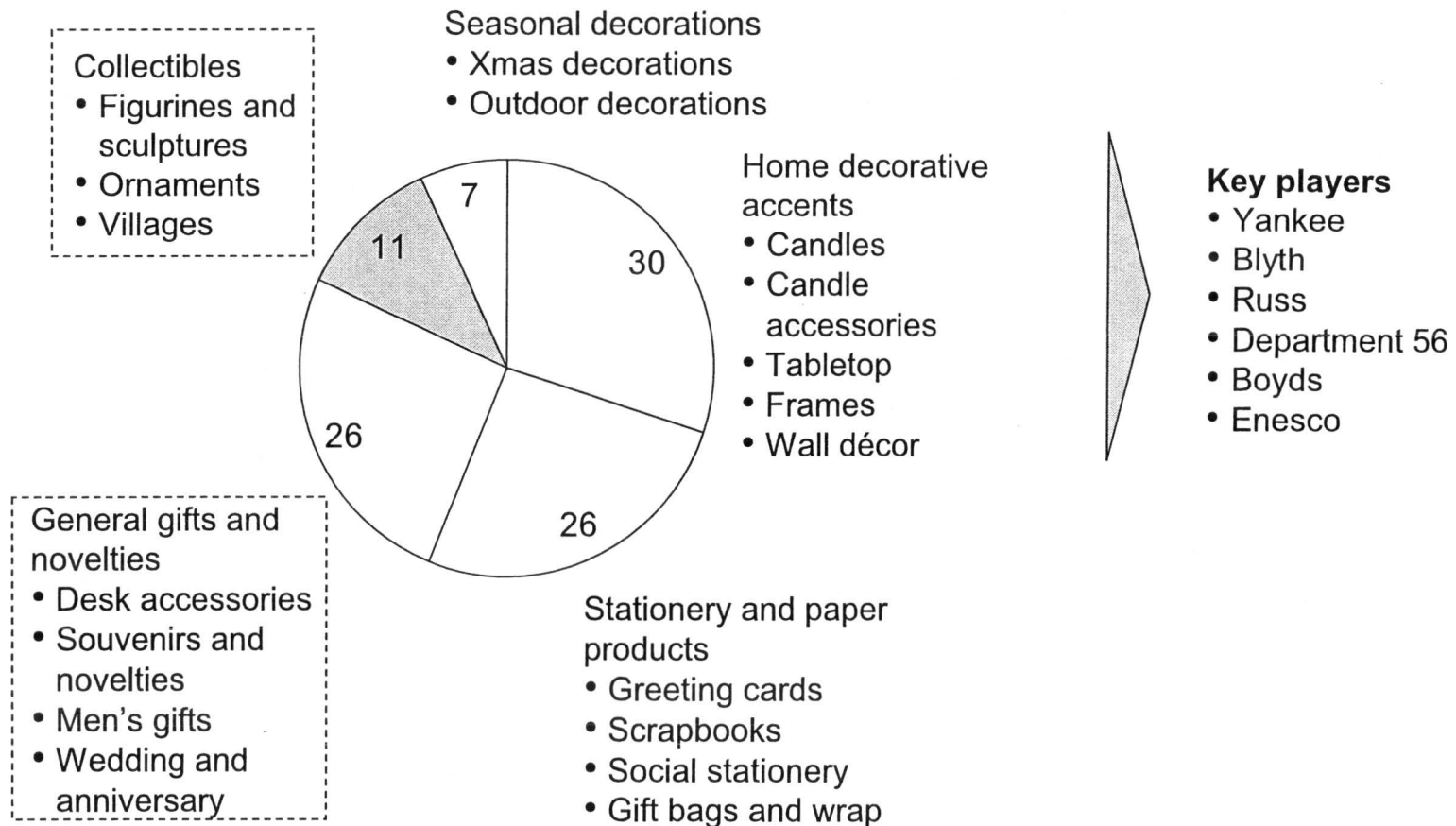
	Coin collecting	General collecting		Gifting	
	Circulating savers	Hobbies/ Commemorating	Travels/ Souvenirs	Individuals	Corporate
Need state description	<ul style="list-style-type: none"> 144 million people prefers to collect (generously) state quarters 	<ul style="list-style-type: none"> Over X million people actively engage in hobbies Large set of event-specific occasions could be commemorated (e.g., Super Bowl) 	<ul style="list-style-type: none"> Over X million domestic tourists visit Washington D.C. each year Over X million foreign tourists visit the U.S. annually Tourists spend \$X per trip on souvenirs 	<ul style="list-style-type: none"> Americans spend about \$80 billion on individual gifts annually Gifts span brand spectrums or cost occasion and nature 	<ul style="list-style-type: none"> U.S. companies spend approximately \$25 billion annually on gifts, awards, and promotional items
Nature of opportunity	<ul style="list-style-type: none"> Convert to numismatic products 	<ul style="list-style-type: none"> Change what individuals are collecting Create new products to expand what collectors can collect 	<ul style="list-style-type: none"> Change what types of souvenirs are purchased 	<ul style="list-style-type: none"> Change gift giving behavior 	<ul style="list-style-type: none"> Expand corporate gift offerings
Illustrative products/ services	<ul style="list-style-type: none"> Introduce products (1/2 uncirculated sets) 	<ul style="list-style-type: none"> Popular culture commemorate medals Starter sets for adults 	<ul style="list-style-type: none"> Impulse items for outbound tourists Coin exchange 	<ul style="list-style-type: none"> New born sets Graduation packaging 	<ul style="list-style-type: none"> Coin and plaque set Customized cases
Illustrative Channel	<ul style="list-style-type: none"> Mass retail Banking 	<ul style="list-style-type: none"> Trade shows of other collectibles Commemorate-specific media commercials (e.g., ESPN for Super Bowl champs) 	<ul style="list-style-type: none"> Duty free Airport kiosks Gift shops Museums 	<ul style="list-style-type: none"> Mass retailers Kiosks in retail locations 	<ul style="list-style-type: none"> Catalogs Specially retailers
Estimated size					

7 COLLECTIBLES ARE PART OF THE GIFTS AND DECORATIVE ACCENTS MARKET

Overview of gifts and decorative accents market

Percent; 100% = \$54.3 billion in retail sales (2002)

☐ Opportunity areas for the Mint to enter/expand



7 CONSUMER BEHAVIORS ARE CHANGING VIS A VIS COLLECTIBLES

Consumer interest in collectibles has declined due to generational shift and change in value perception...

Less interest among young consumers

- Young consumers (18-29 years) are less interested in collecting and purchasing decorative accents or knick-knacks than older consumers

Saturation among older consumers

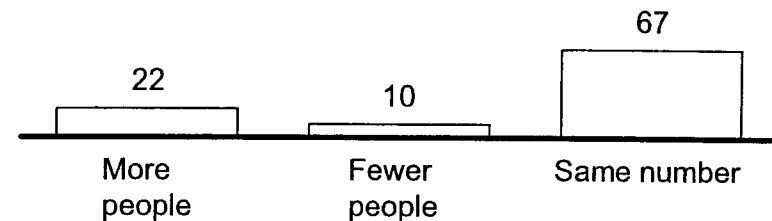
- Older consumers (50+ years) are buying less collectibles, because they already have as many as they want
- Furthermore, they are trying to reduce clutter in their homes and planning to reduce their purchases of decorative accents and knick-knacks

Decline in value perception

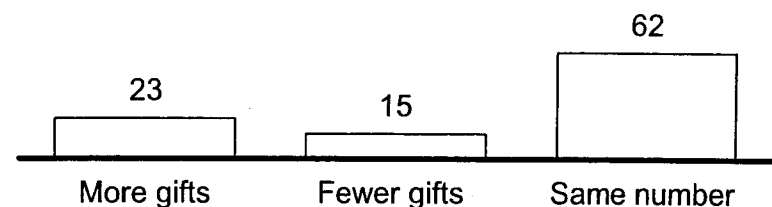
- The overall retail shift to value retailers has led to a decline in the perceived value of collectibles; many consumers think that collectibles are not worth their price

... at the same time, consumers are increasing their gift giving behavior
Percent

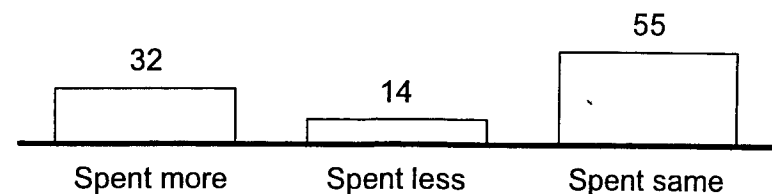
Number of people to whom gifts were given in the past year vs. previous year



Number of gifts given in the past year vs. previous year



Amount spent on gifts in the past year vs. previous year



Source: Unity Marketing consumer survey; team analysis

7 COLLECTIBLES SEGMENT HAS EXPERIENCE THE LARGEST DECLINE AS THE OVERALL MARKET HAS FALLEN

Gifts and decorative accents market by segment
\$ Billions in retail sales

						CAGR Percent	
						1998-2000	2000-2002
Total	48.0	52.5	55.2	54.7	54.3	7.2	-0.8
Seasonal decorations	3.3	3.9	3.9	3.7	3.8	7.5	-0.6
Collectibles	7.8	7.7	7.1	6.5	6.0	-4.6	-8.7
General gifts and novelties	11.6	12.7	13.9	13.5	14.1	9.6	0.6
Stationery and paper products	12.1	13.3	13.8	14.1	14.2	6.7	1.7
Home decorative accents	13.2	14.9	16.5	16.9	16.2	12.0	-0.9
	1998	1999	2000	2001	2002		








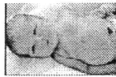






Note: Retail sales are calculated based on wholesale sales and a standard markup of 100%
Source: Unity Marketing

7 GIFTING OCCASION TRIGGERS

Consumers gift for a variety of reasons

Illustrative gifting situations
<ul style="list-style-type: none"> • Annual occasions <ul style="list-style-type: none"> – Christmas – Birthdays • Milestones <ul style="list-style-type: none"> – Wedding gift – Retirement • Entertaining <ul style="list-style-type: none"> – Hosting a gathering – Gift to bring to a dinner • Reflection of you <ul style="list-style-type: none"> – Something someone would not buy for themselves • Connoisseur <ul style="list-style-type: none"> – Something to purchase for a trend setter • Service appreciation <ul style="list-style-type: none"> – Holiday gift for a teacher • Reflection of me <ul style="list-style-type: none"> – Gift that reflects the giver's personality • Personal treat <ul style="list-style-type: none"> – Something to indulge or reward myself – Something as a treat when it's warm/cold out

Mint's Numismatic products suited for 2 primary types of gifting occasions

Annual events	Milestones
<ul style="list-style-type: none"> • Christmas/ Hanukkah gift  • Birthday  • Anniversary  • Mother's day  • Father's day  • Independence day  • President's day  	<ul style="list-style-type: none"> • Birth  • Coming-of-age Bar Mitzvah, Debut, Sweet 16s)  • Graduation  • Retirement  • Weddings  • First day of school  • Baby shower 

8 OVERVIEW OF RETAIL LOCATIONS BY TARGET NEED STATES

	Coin collecting			General collecting		Gifting	
	Avid	Casual	Circulating savers	Hobbies/ commemorating	Traveling/ Souvenirs	For other individuals	Corporate
1. How are these occasions satisfied today (that would be receptive to coins?)	<ul style="list-style-type: none"> • U.S. Mint Web site • Coin shows • Coin dealers • QVC/HSN 		<ul style="list-style-type: none"> • Banks • Retail 	<ul style="list-style-type: none"> • Specialty formats (e.g., Michaels) • Trade shows (non-coin) • Catalogs • Direct response 	<ul style="list-style-type: none"> • Education-based move (e.g., Smithsonian visits) • Entertainment (e.g., Disney World) • Outbound foreign tourists (e.g., Kiosks, duty free) 	<ul style="list-style-type: none"> • Specialty (e.g., Hallmark) • Direct selling org.'s • Impulse points of purchase • Seasonal assortments in Mass retail 	<ul style="list-style-type: none"> • Catalogs
2. Are there any gaps that would imply a new format opportunity to primarily sell product?	<ul style="list-style-type: none"> • Full service big box concepts <ul style="list-style-type: none"> – Grading – Storage – Sales • Online aggregator (eBay) 		<ul style="list-style-type: none"> • Wynn Museum 	<ul style="list-style-type: none"> • Fundraising (Boy Scouts) 	<ul style="list-style-type: none"> • "Government store" • Money exchange 		
3. Are there gaps that imply an opportunity to primarily generate interest?			<ul style="list-style-type: none"> • Coin experience (3rd horizon) 	<ul style="list-style-type: none"> • Fundraising (CoinStar) • Direct mail / catalogs 	<ul style="list-style-type: none"> • Mint locations 		

9 DUTY FREE MARKET FOR NUMISMATIC APPEARS SUBSTANTIAL

PRELIMINARY

DFS presence

U.S. Destinations	Share of foreign visitors	Number of visitors purchasing a numismatic product*	Sales from tourists (one proof set)
• New York	• 27%	• 205,000	• \$4,966,000
• Los Angeles	• 12%	• 91,000	• \$2,085,000
• San Francisco	• 10%	• 75,000	• \$1,717,000
• Miami	• 10%	• 73,000	• \$1,682,000
• Orlando	• 9%	• 71,000	• \$1,630,000
• Oahu/Honolulu	• 8%	• 64,000	• \$1,472,000
• Las Vegas	• 8%	• 63,000	• \$1,437,000
• Washington, DC	• 5%	• 39,000	• \$894,000
• Chicago	• 5%	• 38,000	• \$876,000
• Boston	• 4%	• 28,000	• \$648,000
• Atlanta	• 3%	• 20,000	• \$456,000
• San Diego	• 2%	• 18,000	• \$403,000
• Tampa	• 2%	• 16,000	• \$368,000
• Philadelphia	• 2%	• 15,000	• \$350,000
Total		815,000	\$18,713,000

- DFS, the leading** duty-free retailer in the world, is present in 4 of the top 6 markets
- Other two markets are controlled by Alpha duty-free and independent retailers

* Based on 1.84% of visitors purchasing a numismatic product

** As of 1992

Source: U.S. Office of Travel and Tourism Industries; DFS Web site; team analysis

10 ENTER NEW MARKETS

1 How attractive is the market?

- Are there sizable markets? (in terms of units, dollars and price points)
 - Numismatic
 - Bullion
- How many people collect? Collect coins? Collect gold? etc.
- What do they currently buy? Are there market needs?
- Is the Mint product attractive? Could we steal share (product portfolio comparisons)?

2 Go-to-market – can we access efficiently?

- Other Mints
- Dealers (master store contract)
- Coin shows
- Sell direct

3 What is required of Mint?

- New producers
- Distribution
- IT

Hypothesized opportunities to test

- China
- W. Europe
- India
- Other Asia

Analyses

Sales of all/leading mints

Exports from U.S.

Top X coin shows (attendance, sales)

- Mint sales at these shows

Subscriptions to trade publications

- U.S. split
- International edition

Size of societies

- U.S./Intl. split of U.S. based
- International

International print runs of collector books

- How many languages?, How many sales?

International visitors to U.S. Mint

U.S. Mint

- Bulk
- Regular
 - Number of customers
 - Total value

Channel check – Price checks on U.S. proof sets in multiple markets

10 NUMISMATIC OVERVIEW OF LEADING GOVERNMENT MINTS – 2005

\$ Millions

ILLUSTRATIVE

Country	Population Millions	Total Numismatic sales		Top selling item		Top selling item penetration* Percent
		In country	Exports	Description	Units Thousands	
USA	<div><div></div>280</div>	~340	~15?	Clad proof set	<div><div></div>2,500</div>	<div><div></div>1</div>
Canada						
U.K.						
Australia/ New Zealand						
France						

* Total mint sales/total country population

CONTENTS

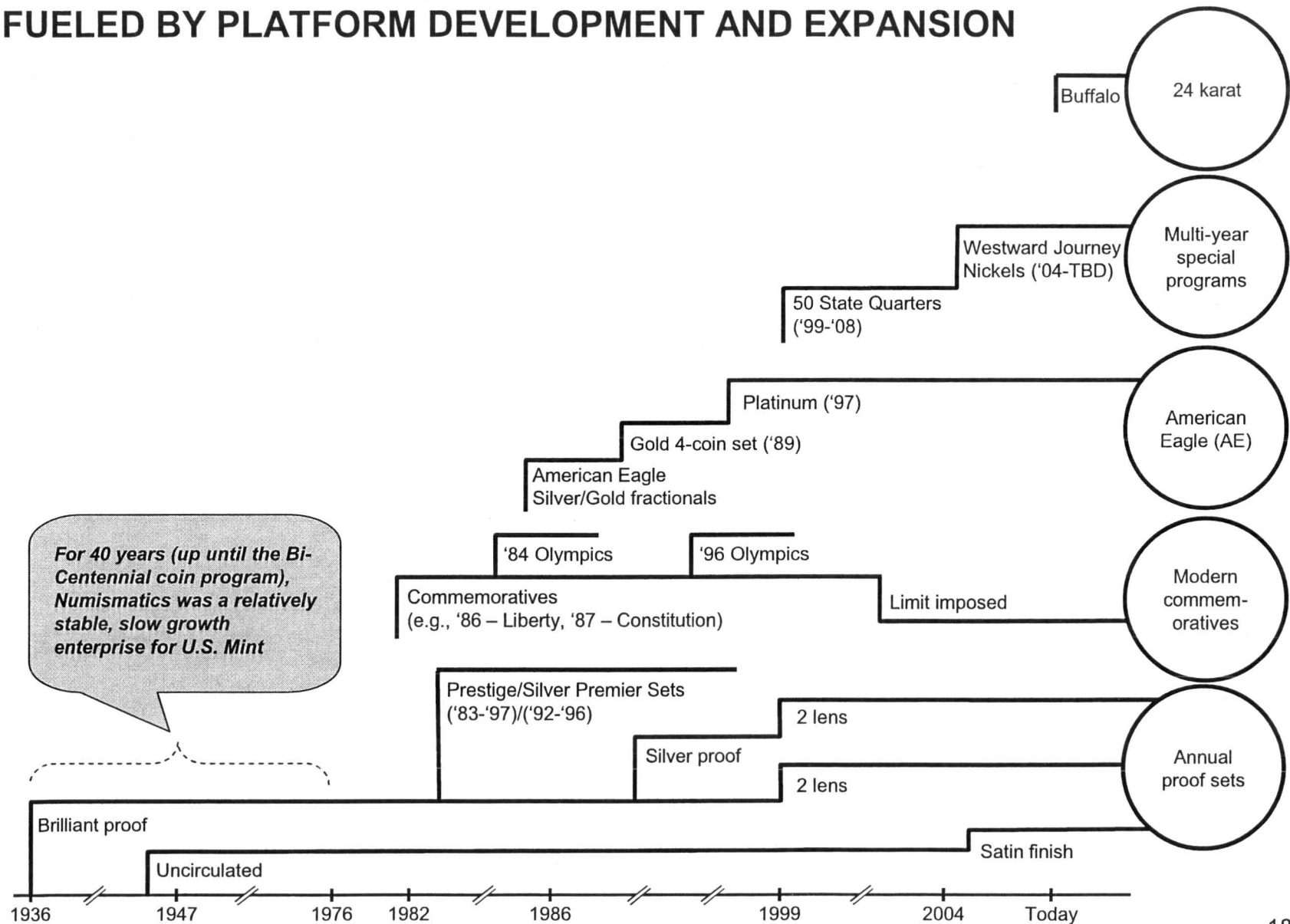
- Updated framework & initial prioritization

- **Fact pack – Complete and planned analyses**

FACTPACK – TOPLINE MESSAGES

- Growth diagnostic - by the end of 2006, the U.S. Mint will have tripled numismatic revenues over last decade
 - Majority of revenue driven by creation of new product platforms
 - Within the core portfolio (annual proof sets), there has not been meaningful volume growth in 4 years - core revenue driven by 50 SQ product enhancement (x%) and 2003 price increases (x%)
- Funnel analysis
 - Core customer base is small, loyal, and almost entirely visible to the mint
 - Still, vast majority unaware of . . .product offering
 - In fact, public has turned to unofficial “Mints” to supply its needs
 - Net: Mint must leverage expanded availability to increase access and facilitate education of its numismatic mission
- Case studies
 - Mint’s current retail performance
 - USPS approach to growth

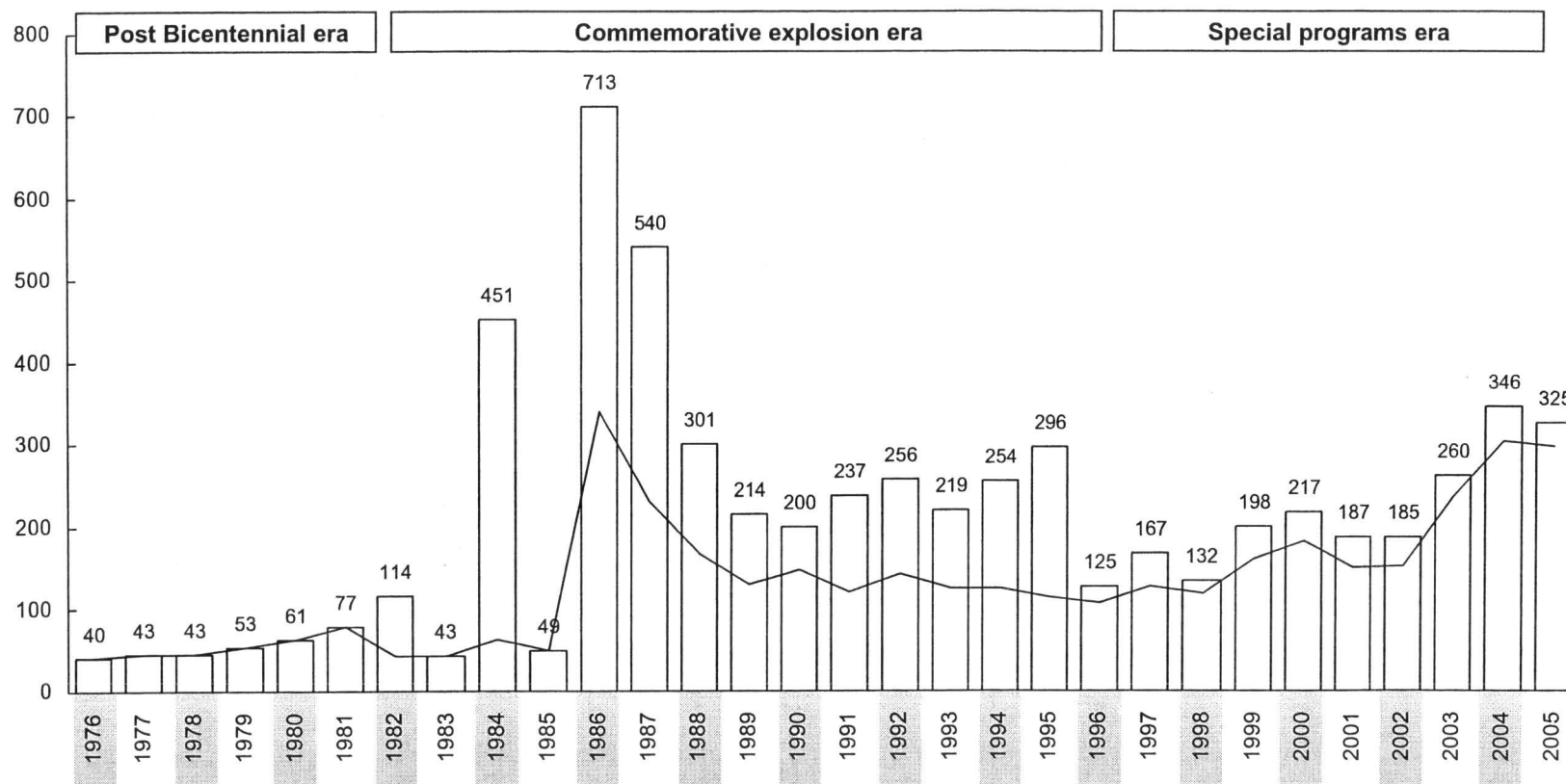
OVER LAST 3 DECADES, NUMISMATIC GROWTH HAS BEEN FUELED BY PLATFORM DEVELOPMENT AND EXPANSION



SINCE THE BICENTENNIAL, THE U.S. MINT HAS TRAVERSED 3 MARKEDLY DIFFERENT REVENUE ERAS

\$ Millions numismatic revenue

Total numismatics
 Total less
 commemoratives

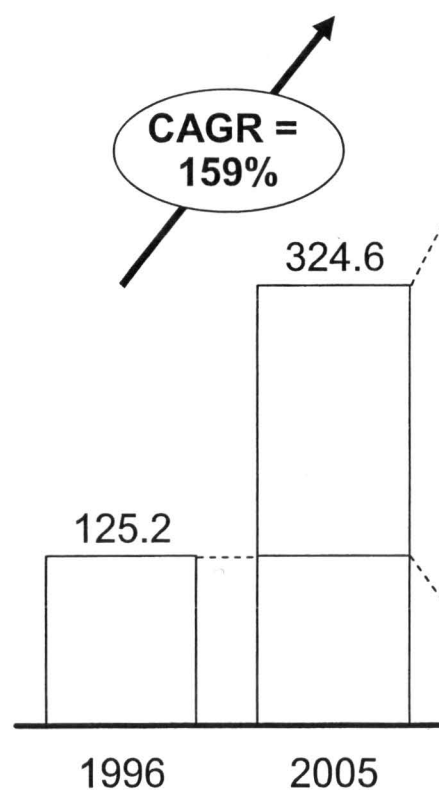


SINCE 1996, NUMISMATIC REVENUE HAS EXPLODED, DRIVEN PRIMARILY BY THE 50 STATE QUARTER (50 SQ) PROGRAM

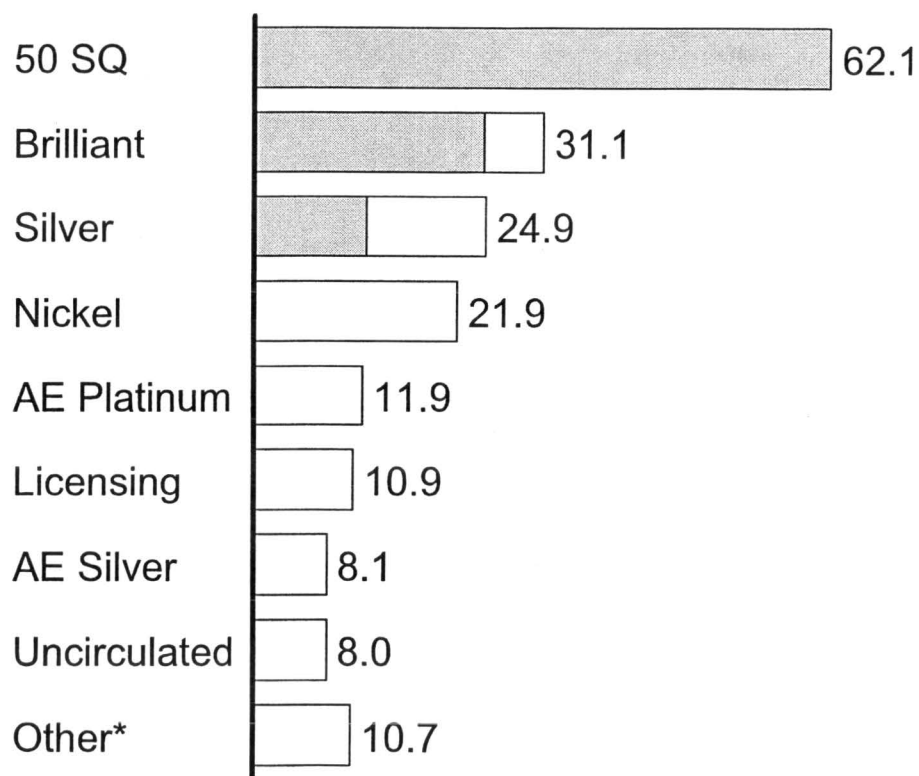
\$ Millions

50 SQ
impact

Numismatic revenues
Millions



Sources of numismatic growth
\$ Millions incremental revenue

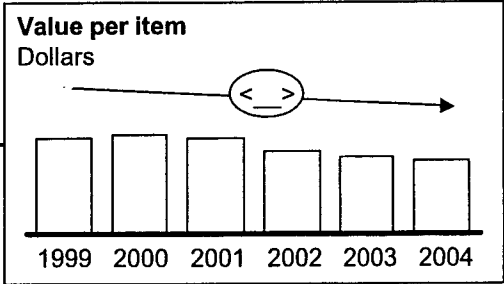
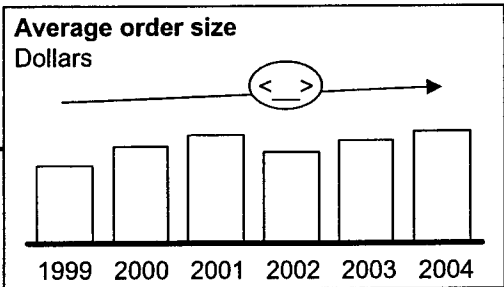
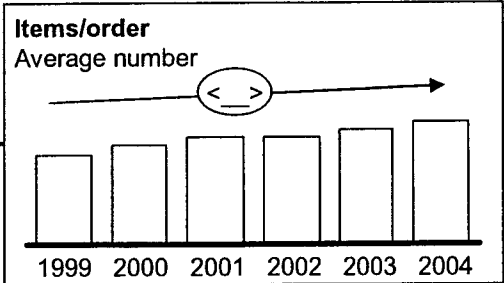
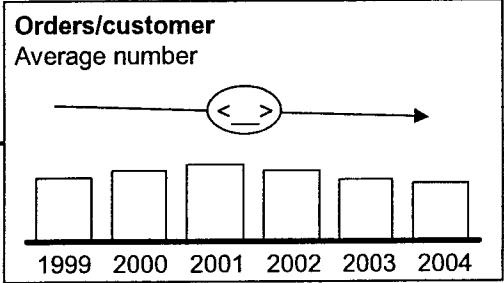
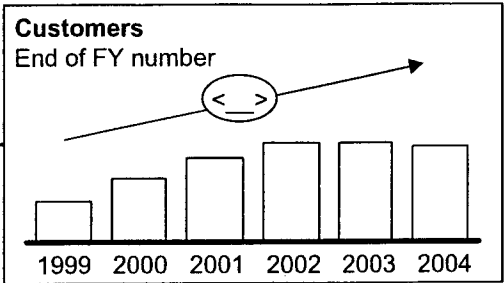
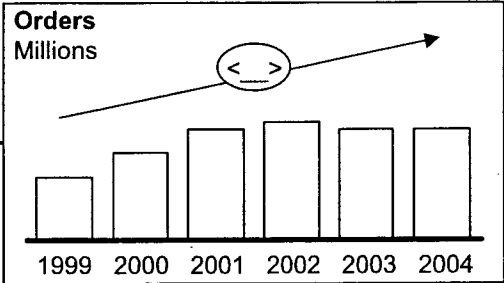
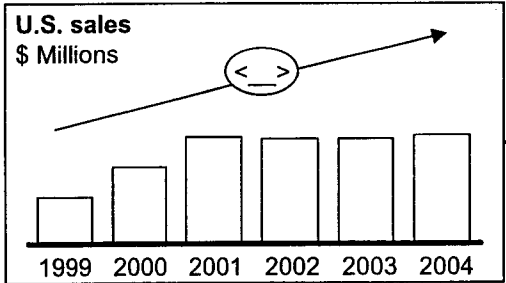


* Discontinued Silver Prestige and Silver Premier, Kennedy Half-Dollar, Misc., Legacies in Silver, New products

Source: U.S. Mint; team analysis

OVERVIEW OF RECENT GROWTH DRIVERS

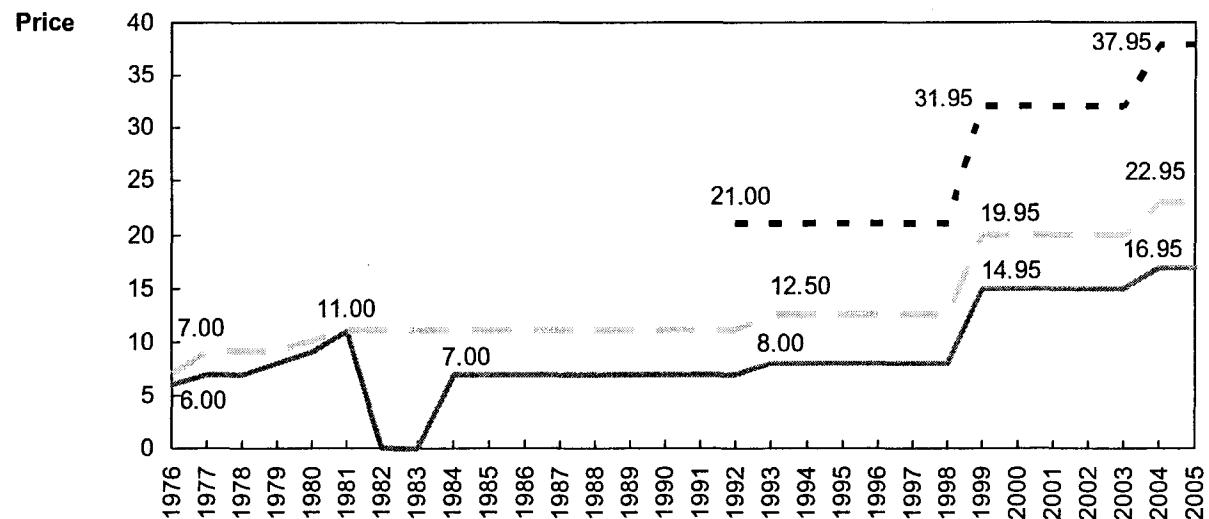
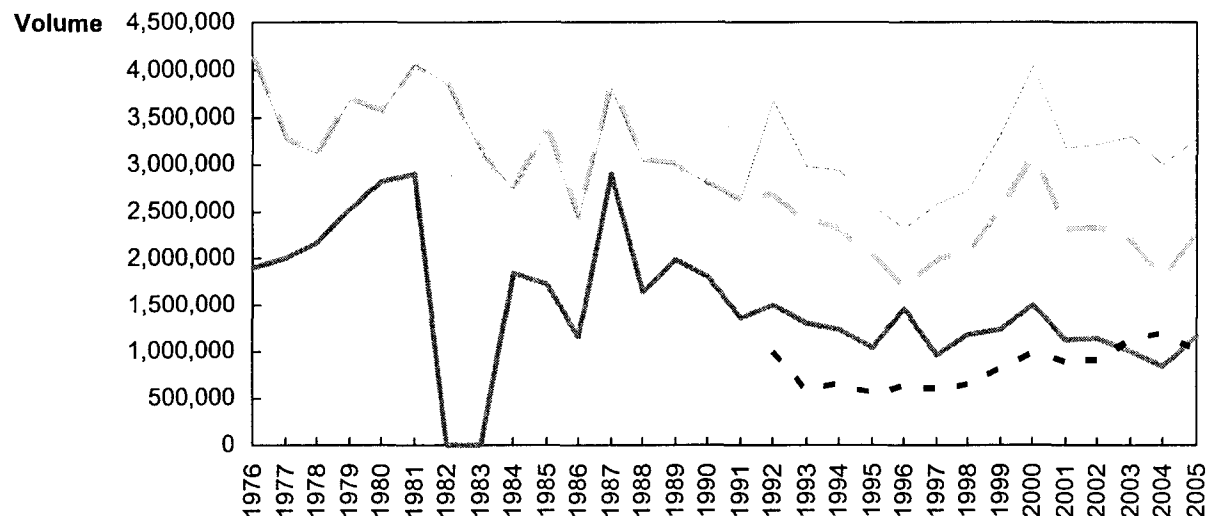
○ CAGR percent



ASSORTMENT PERFORMANCE

PROOF REVENUE VARIANCE HAS BEEN LARGELY DRIVEN BY CHANGES IN PRODUCT OFFERINGS AND PRICE CHANGES

— Uncirculated
 — Brilliant
 - - Silver
 — Brilliant plus silver

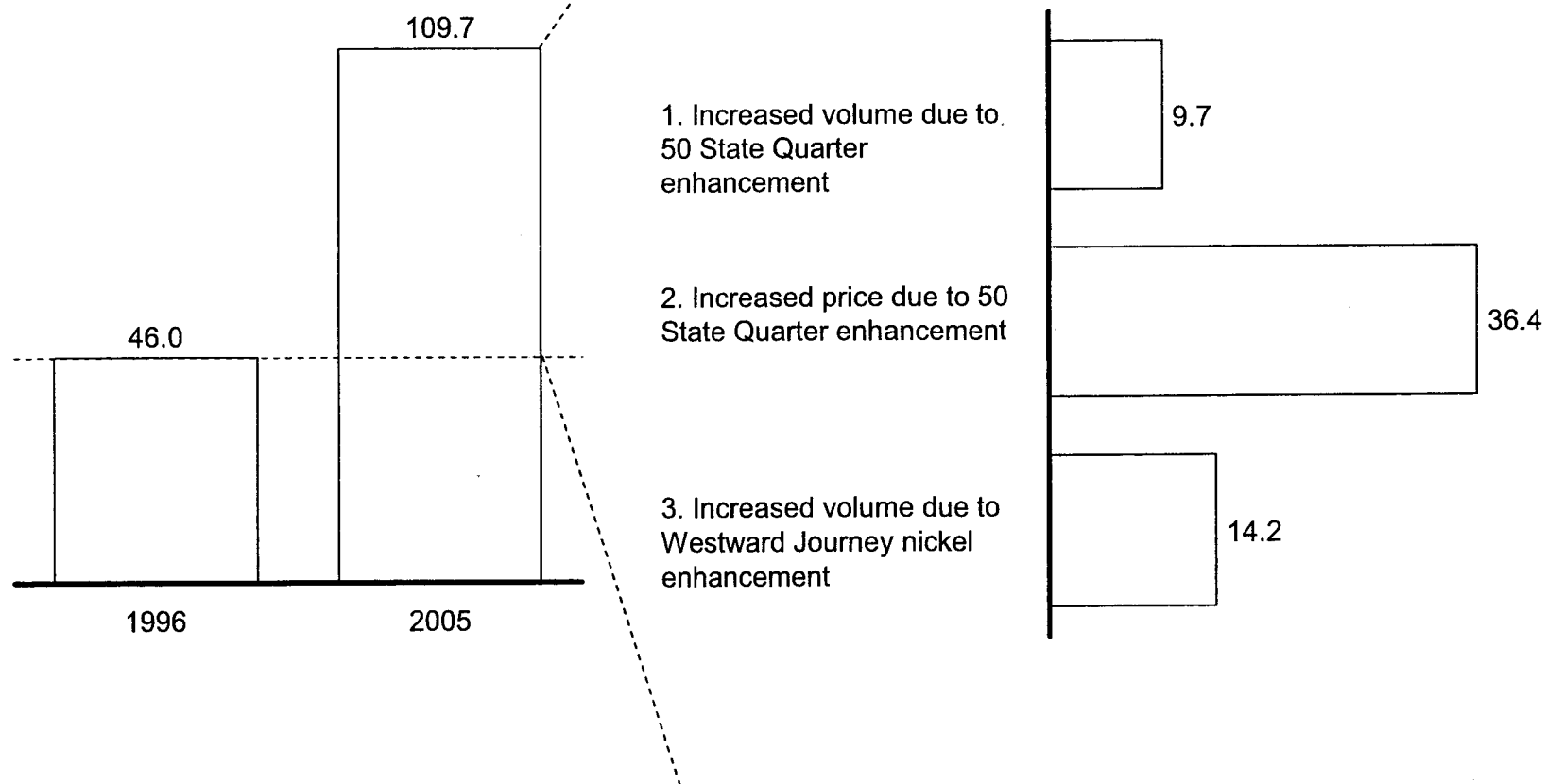


Key changes

- With the introduction of the Silver proof set, Brilliant customers were upsold, causing a mix shift
- Pricing reflected an increase in the quality of products, such as the 2 lens proof set for the 50Q program, which raised revenues \$36,403,200
- True pricing also resulted in changes, i.e., 2003 increases of \$14,228,194

PROOF SET REVENUE GROWTH HAS STEMMED FROM CHANGES IN BOTH VOLUME AND PRICE

Revenues for Annual, Silver and
Uncirculated Proof Sets
(millions)



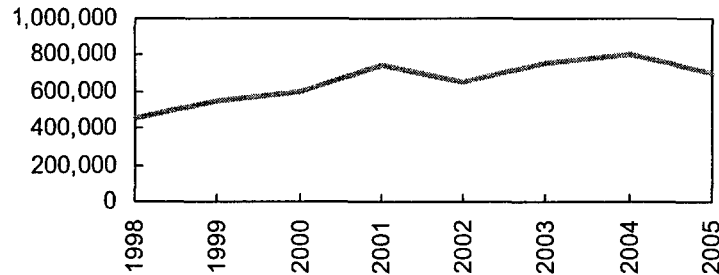
* Footnote

Source: Client data, team analysis

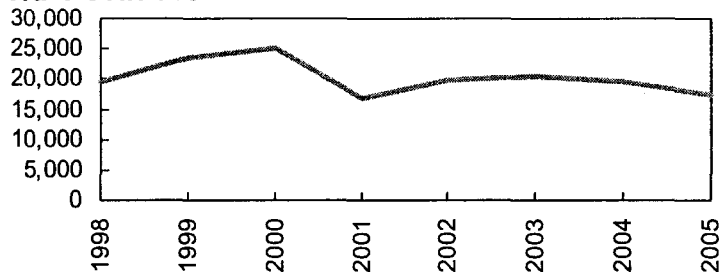
AMERICAN EAGLE PROGRAM APPEARS TO HAVE ESTABLISHED SUPPORT IN THE COLLECTOR BASE, WITH MINIMAL SENSITIVITY TO COMMODITY PRICES (EXCEPT PLATINUM)

Volume

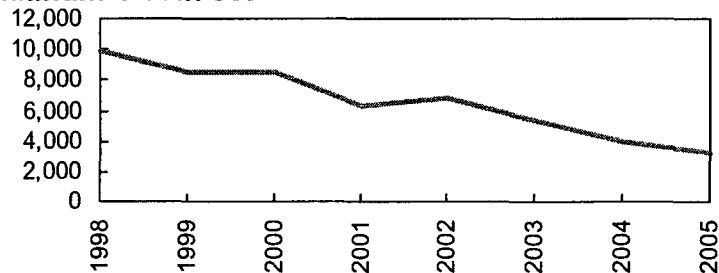
Silver 1 oz.



Gold 4-coin set

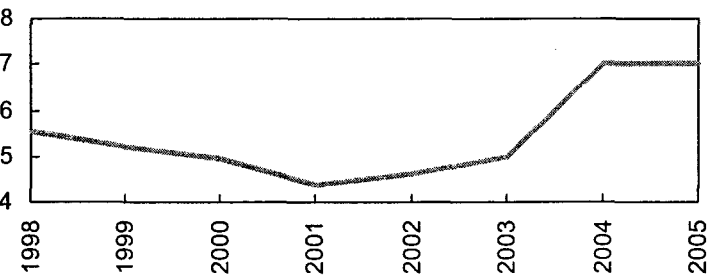


Platinum 4-coin set

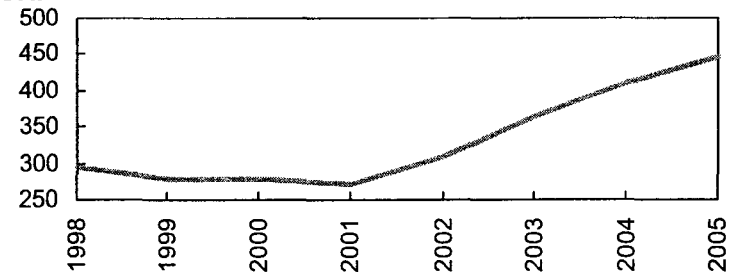


Commodity prices \$/oz.

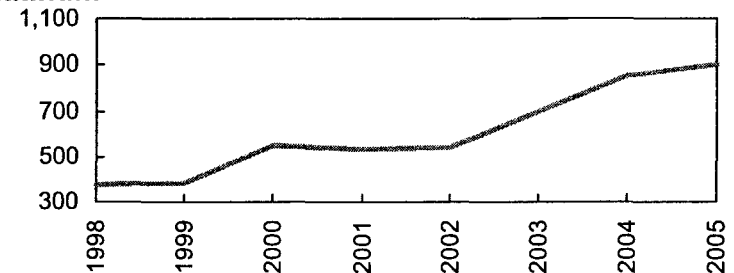
Silver



Gold



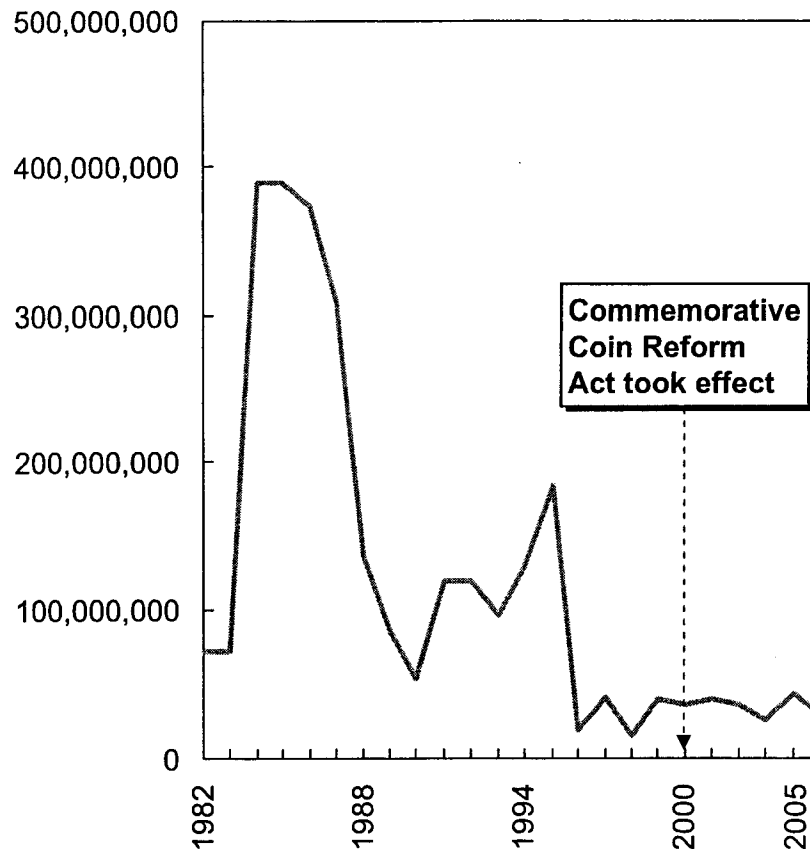
Platinum



Source: Client data; USGS; National Mining Association

THERE HAS BEEN A STEEP DECLINE IN COMMEMORATIVE PURCHASES FROM THE U.S. MINT

Commemorative revenues
\$ Millions



* Includes Gold, Silver, and clad coins

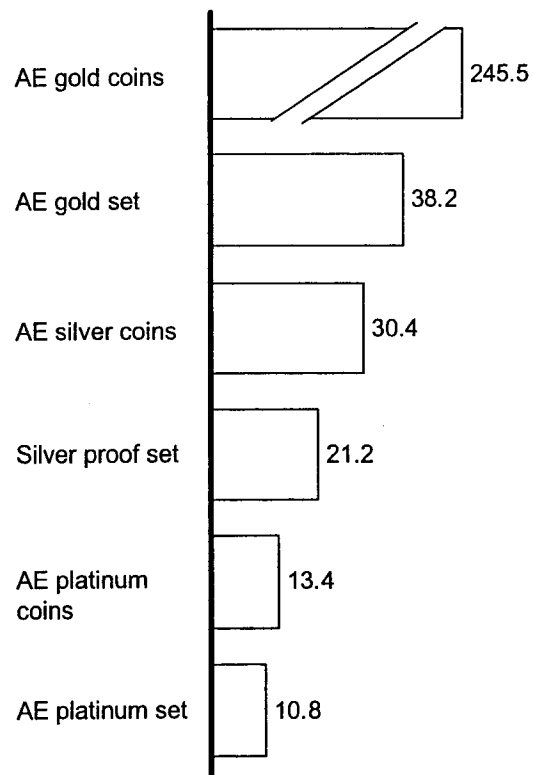
Characteristics of commemorative market, (1982-2005)

	Pre-legislation, (1982-1999)	Post-legislation, (2000-2005)
Average mintage limit*	3.4 MM	442,000
Average program revenue	\$104.9 MM	\$19.5 MM
Average price/coin	\$48.65	\$55.00
Sellouts	2	3
Average revenue mix	39%	15%
Revenue volatility	High	Low

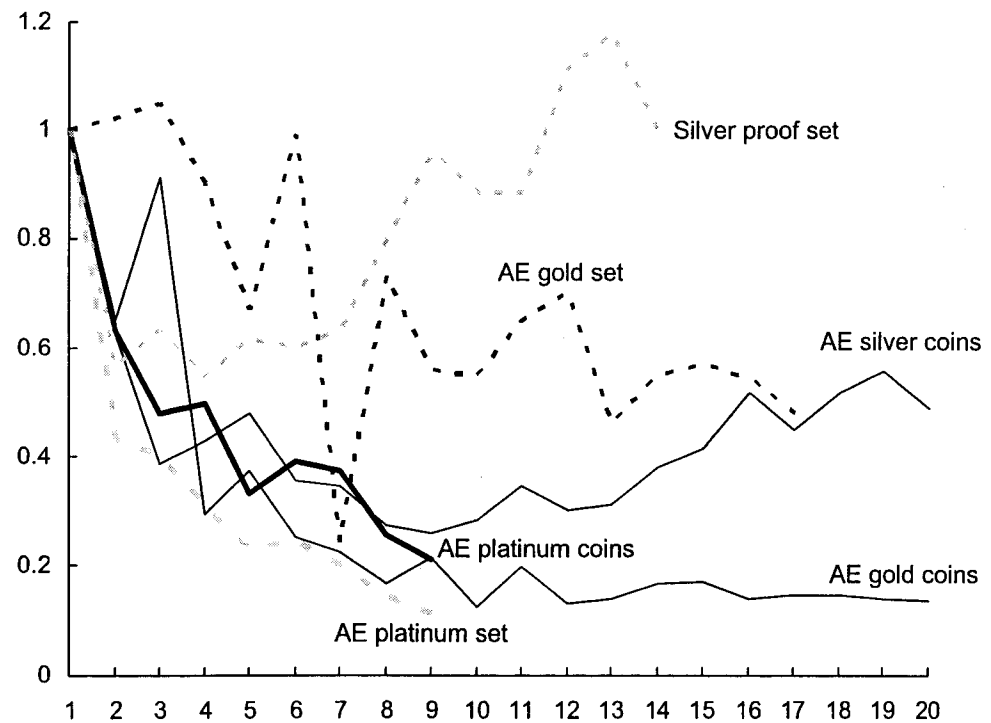
Consumers demonstrated sizable interest in a commemorative market. Where has that interest gone?

NEW PRODUCT LAUNCHES OFTEN EXHIBIT A SIMILAR PATTERN – STRONG INITIAL SALES FOLLOWED BY SIGNIFICANT DECLINES IN REPEAT PURCHASE

Year 1 sales
Millions

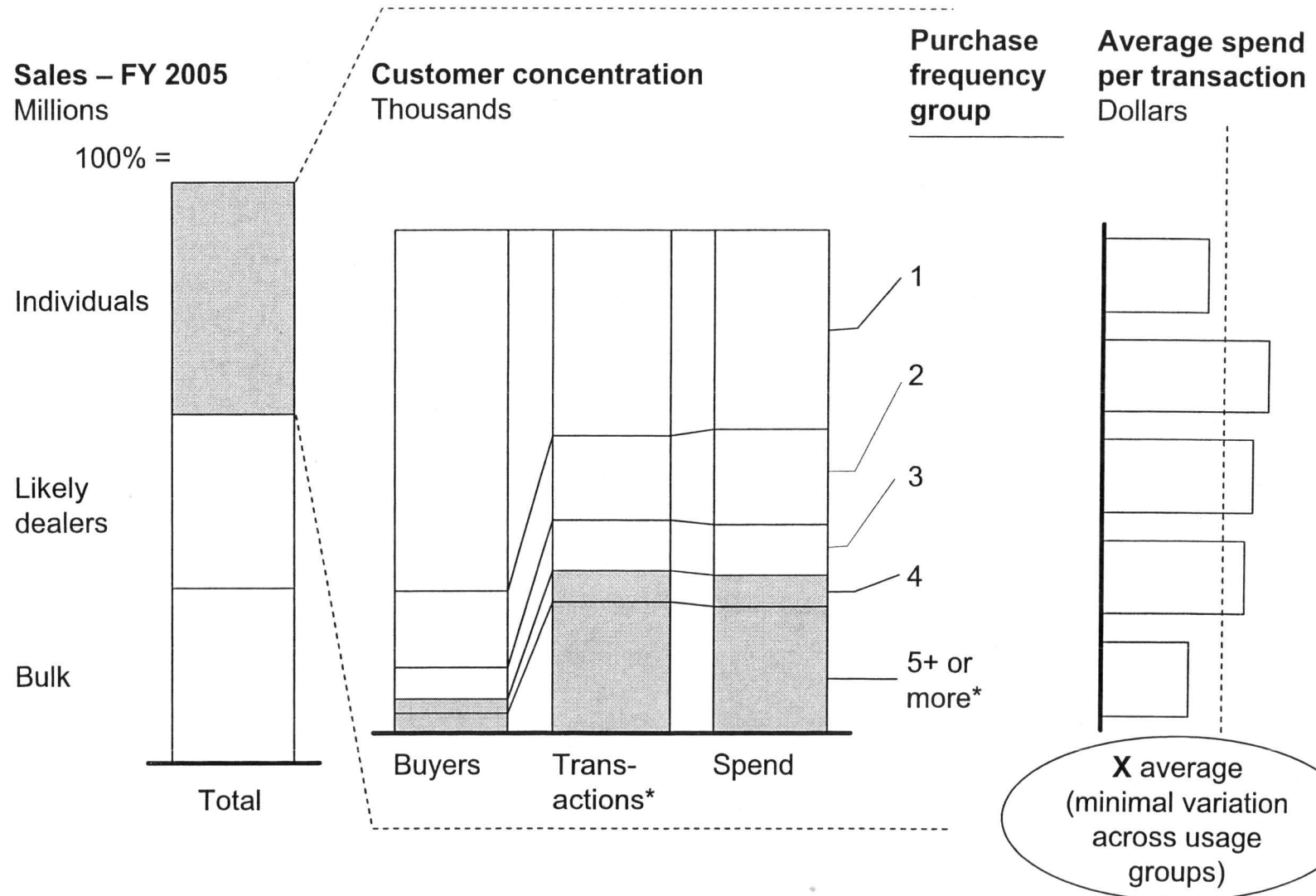


Normalized sales figures
(from year of introduction)



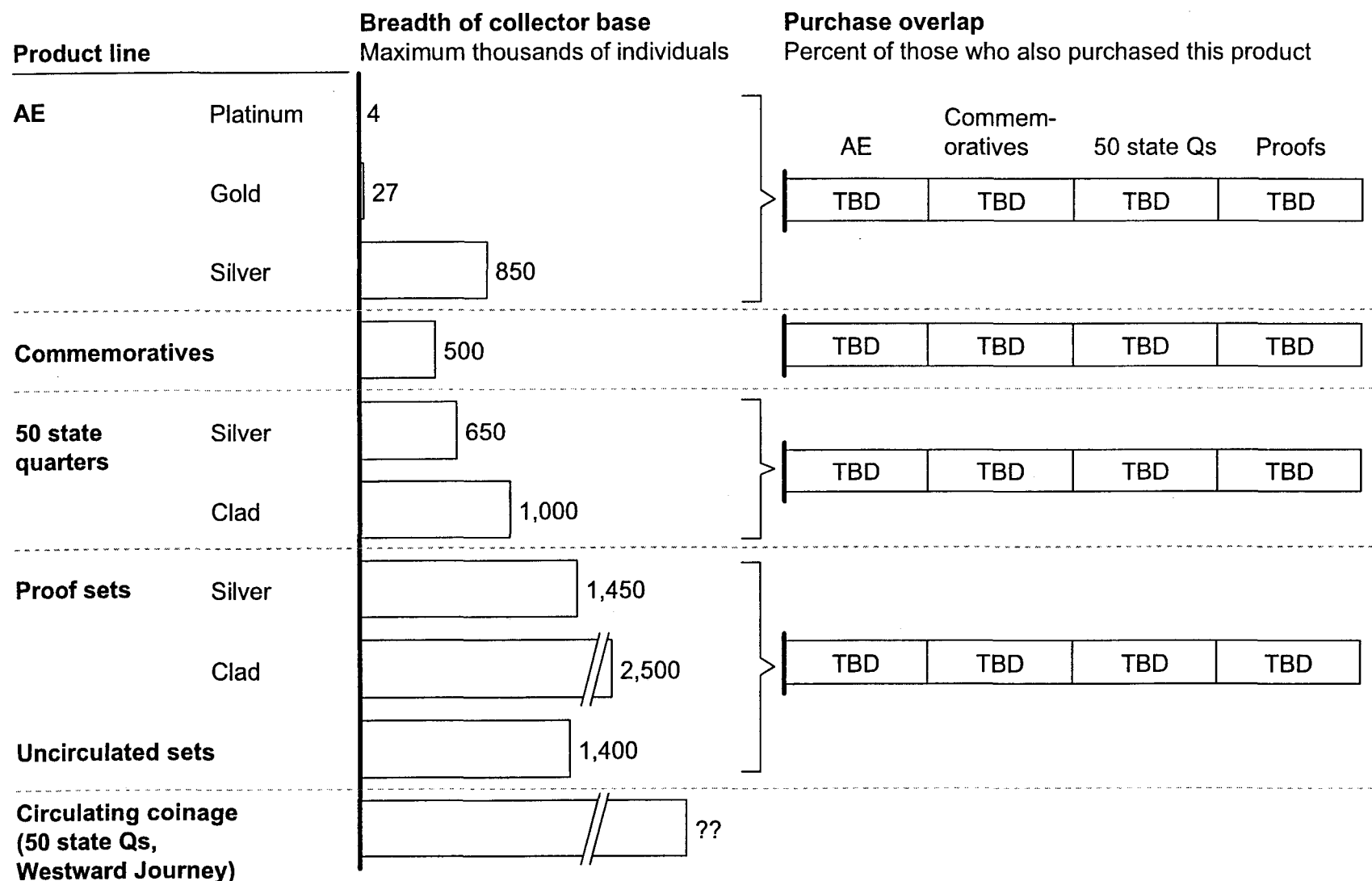
CUSTOMER BASE PERFORMANCE

MINT'S BEST INDIVIDUAL CUSTOMERS, – THE <X% WHO BUY X TIMES A YEAR – COULD REPRESENT UP TO X% OF TOTAL SALES



* Consumers in this segment average X transactions each

PROFILING ASSORTMENT INTERACTIONS AND CUSTOMER PURCHASE BEHAVIORS

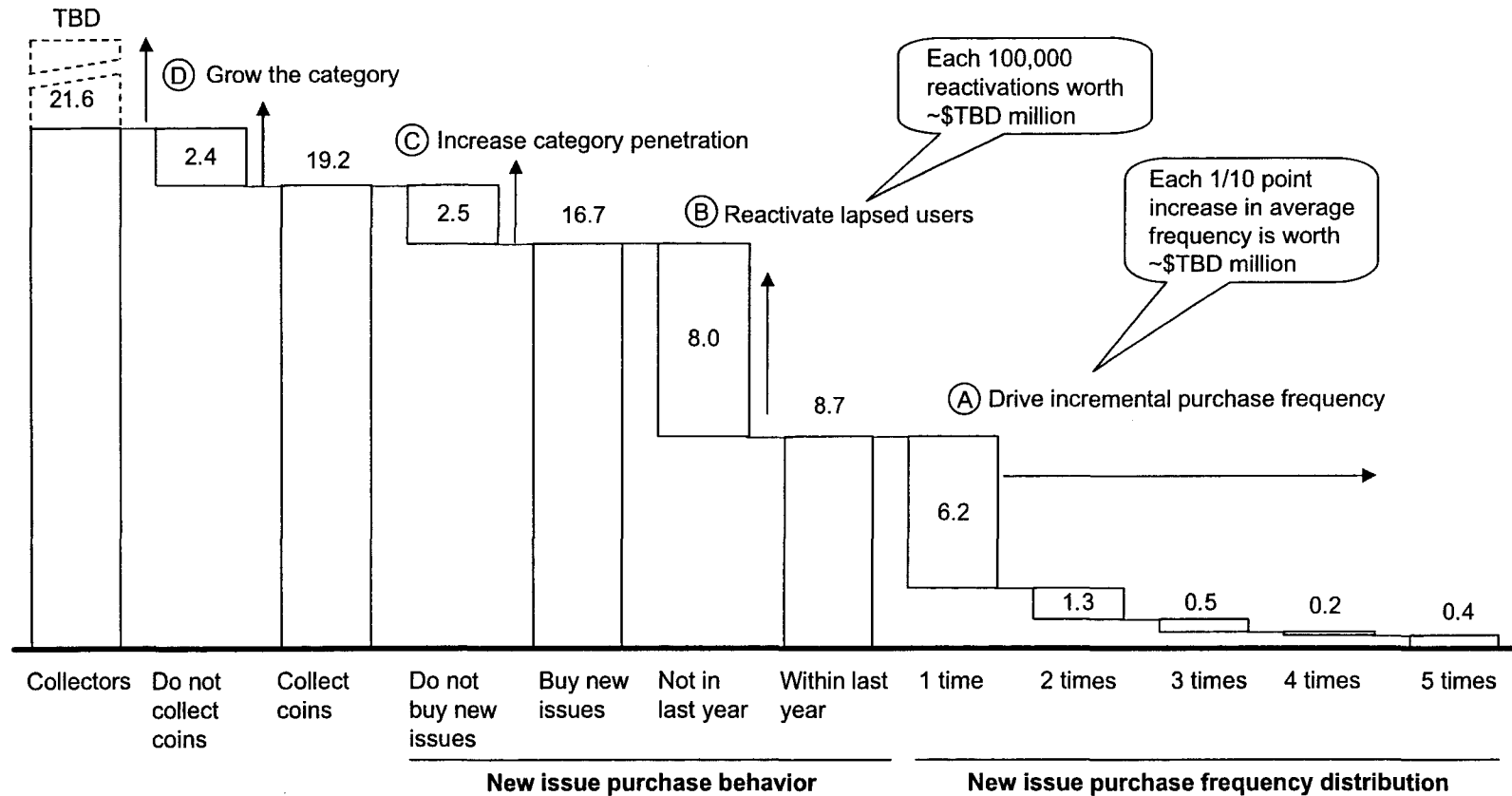


Source: U.S. Mint Weekly Sales Report; team analysis

PROFILING OPPORTUNITIES TO GROW TOTAL TRANSACTIONS*

Millions of users

ILLUSTRATIVE
DATA

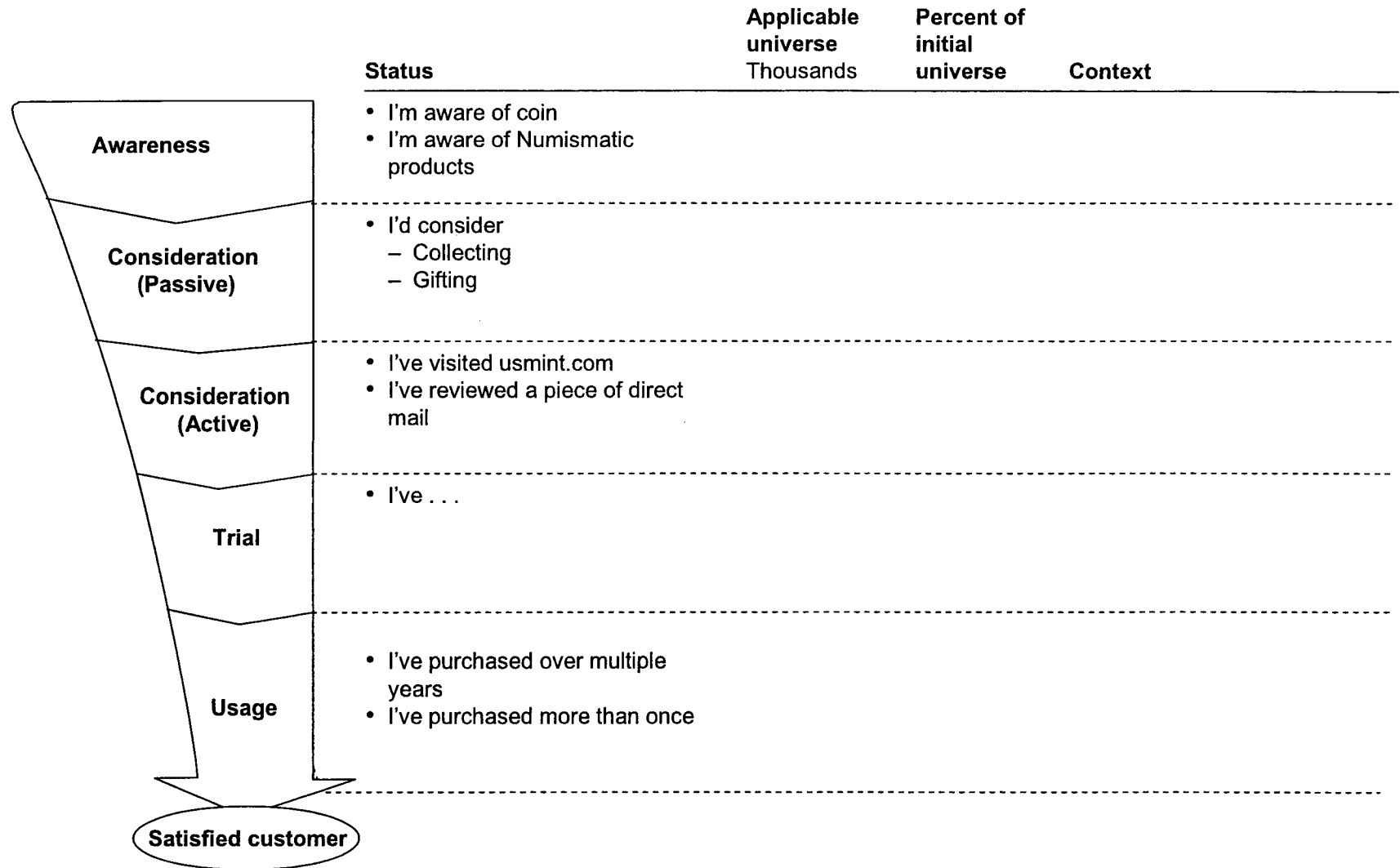


* Separate from maximizing basket size
Source: Team analysis

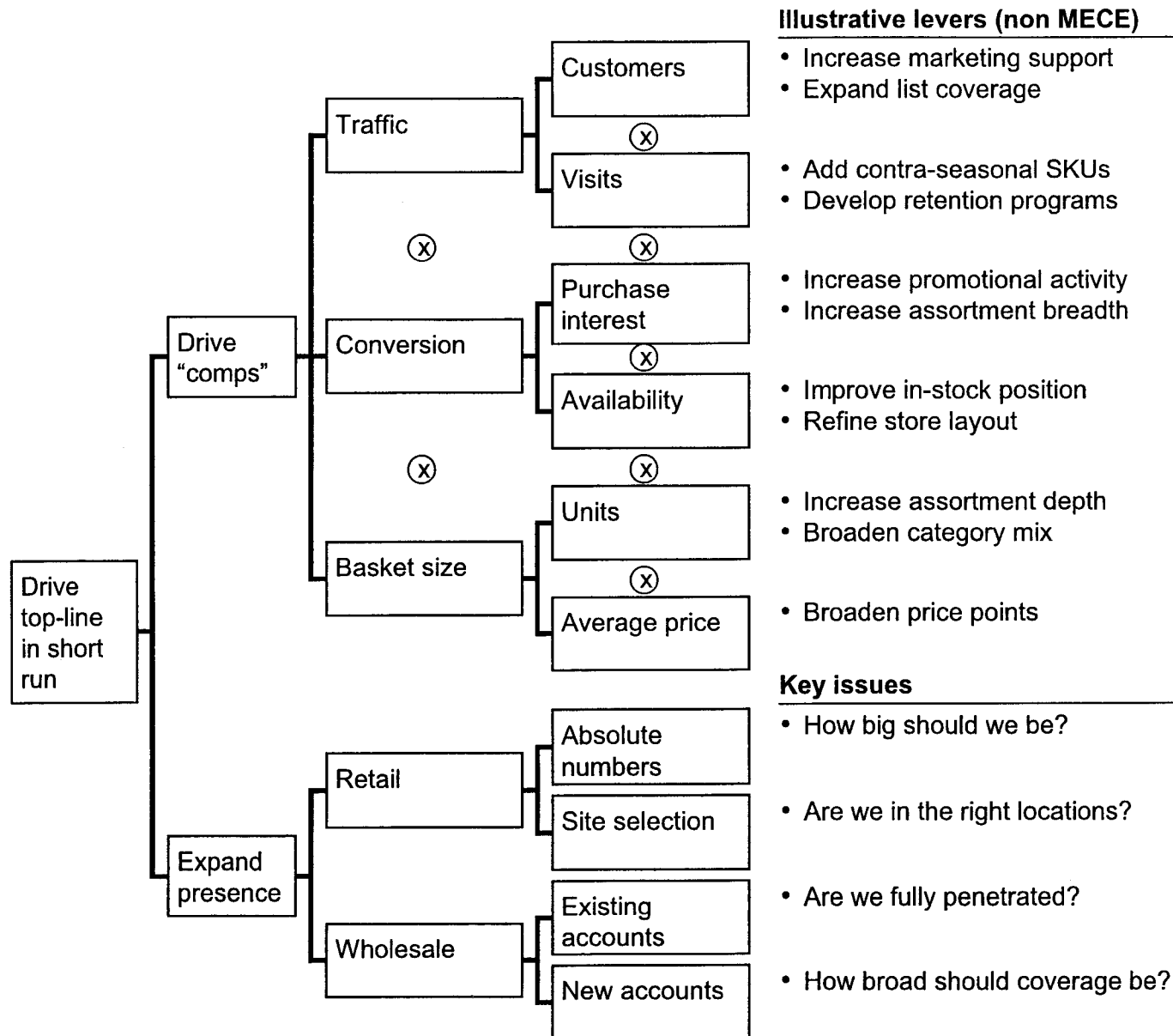
APPENDIX

U.S. MINT MARKETING FUNNEL

WORKING DRAFT
FOUO/CLOSE HOLD



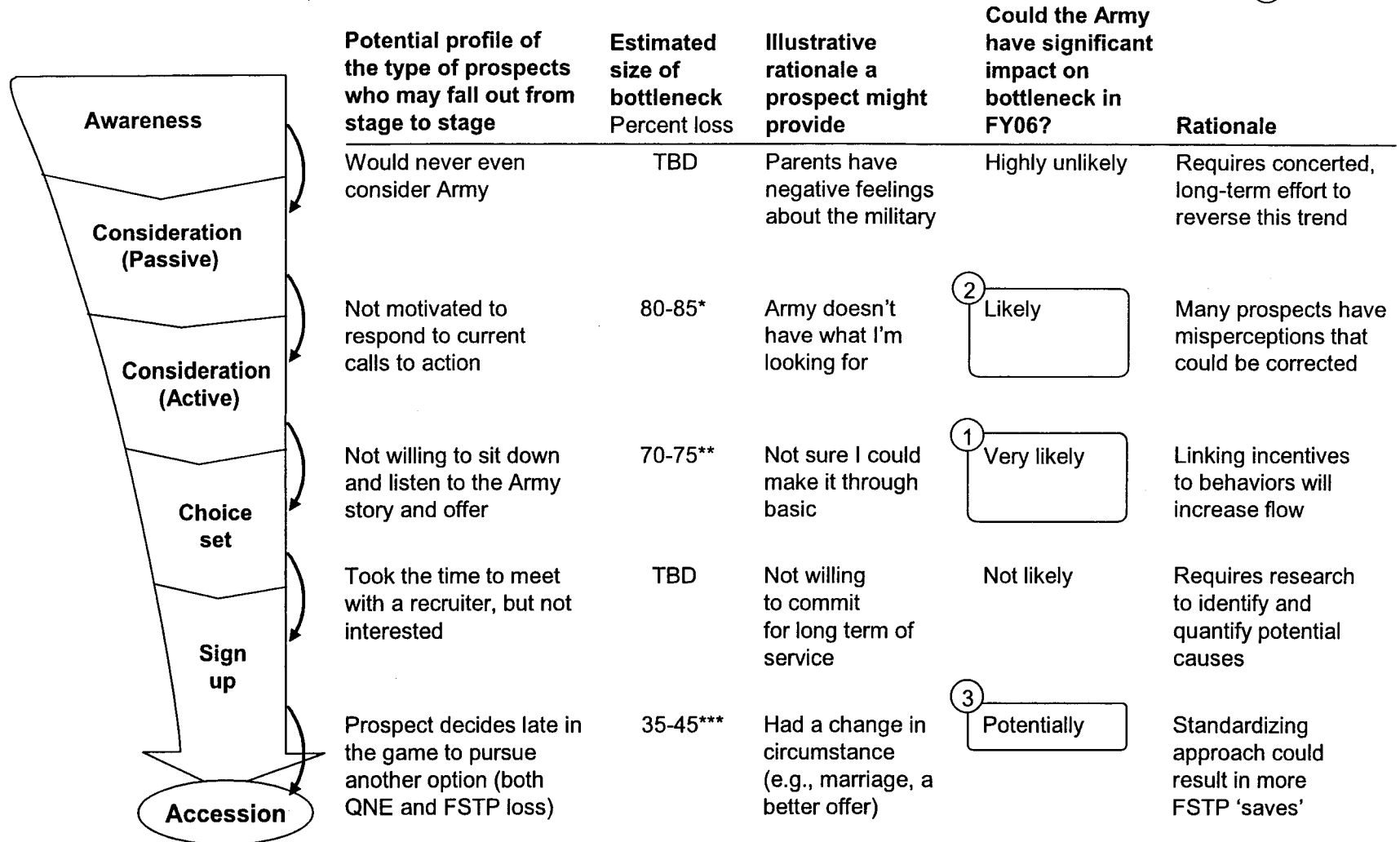
DIAGNOSING OPPORTUNITIES TO DRIVE HORIZON 1 GROWTH



IN SHORT RUN, ARMY SHOULD FOCUS ITS EFFORTS ON 3 HIGH-POTENTIAL OPPORTUNITY AREAS

WORKING DRAFT
FOUO/CLOSE HOLD

○ Opportunity



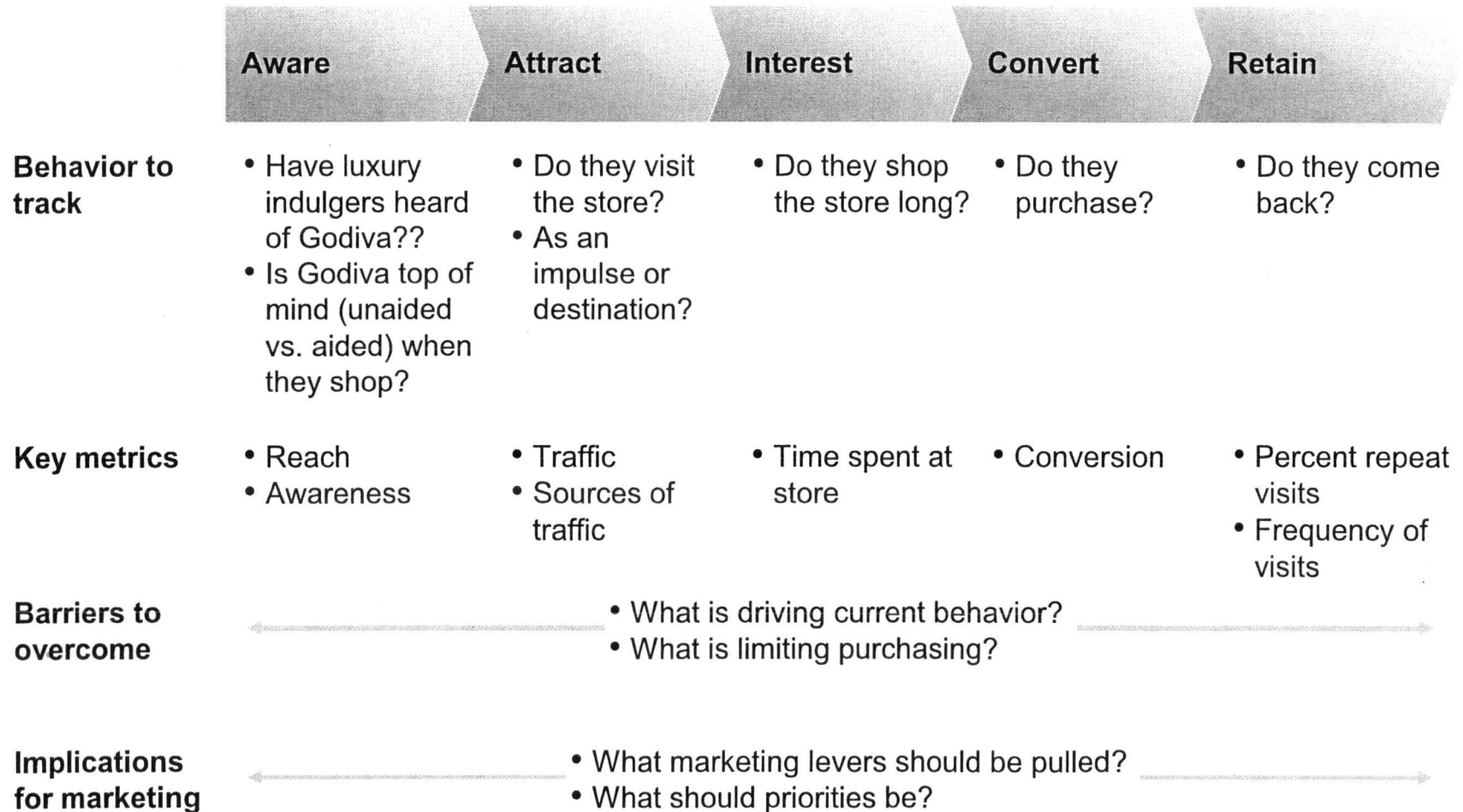
* 2 million prospects signal intent off base of estimated 12 million considerers

** 563K conduct appointment s off base of 2 million active considerers

*** Current size of FSTP loss

A BASIC GODIVA CONSUMER DYNAMICS FUNNEL WOULD PROVIDE INSIGHT INTO UNDERLYING MARKETING CHALLENGES

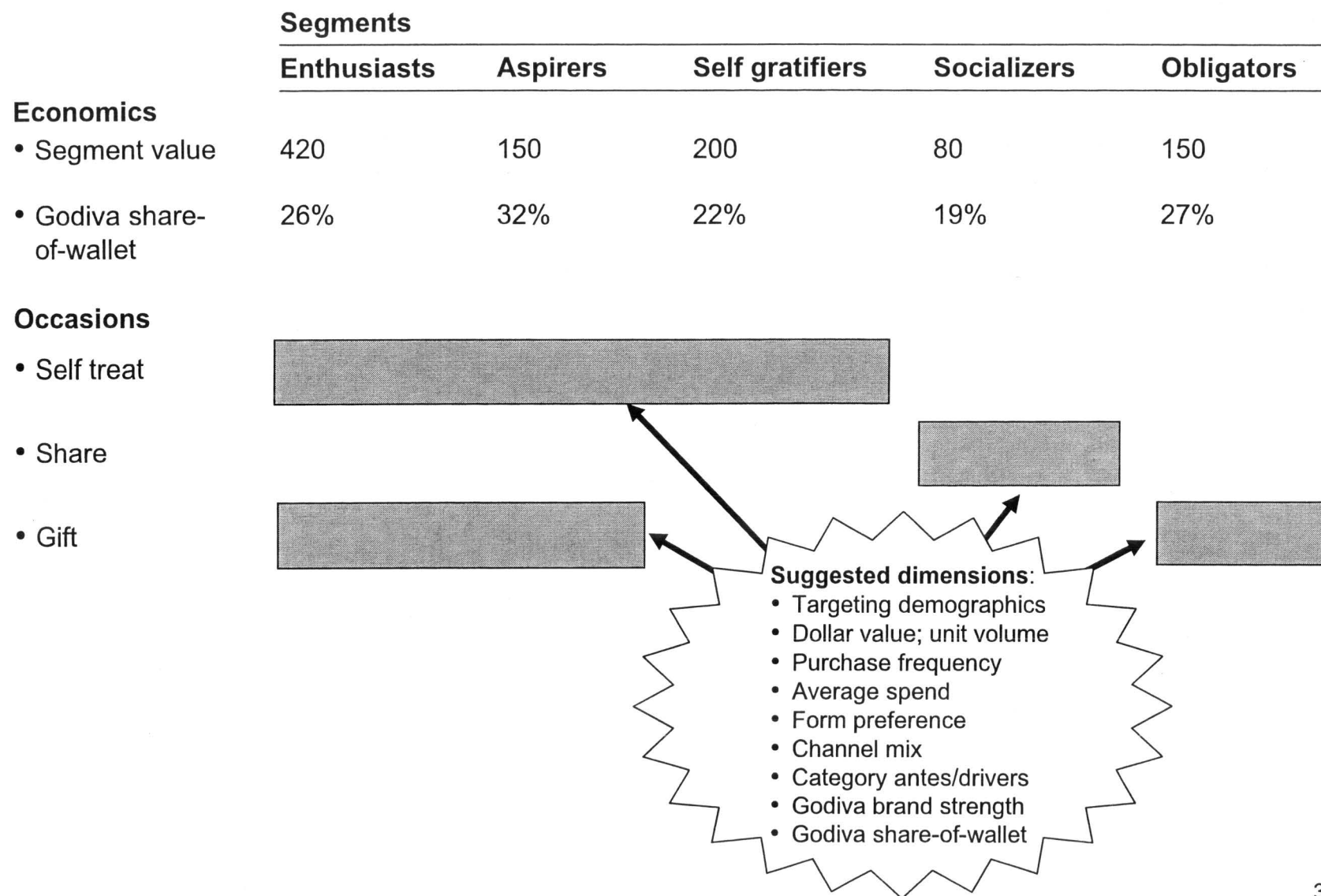
Retail marketing funnel



ACTIONABLE NEED STATES SHOULD DRIVE STRATEGY DEVELOPMENT

\$ million, percent

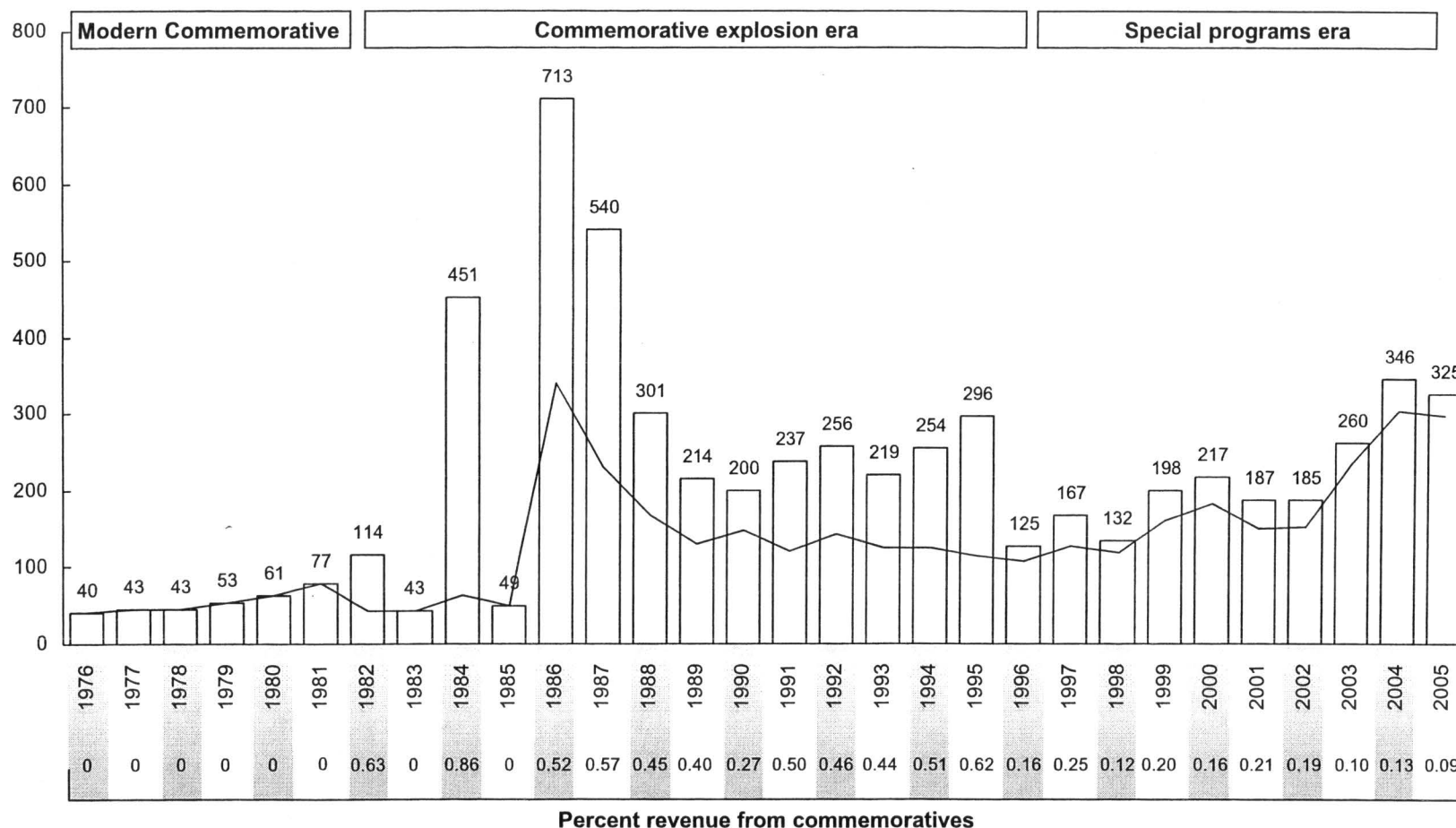
■ >\$50 million
need states



SINCE THE BI-CENTENNIAL, THE U.S. MINT HAS TRAVERSED 3 MARKEDLY DIFFERENT REVENUE ERAS

\$ Millions numismatic revenue

□ Total numismatics
— Total less commemoratives



KEY MESSAGES

- Over last decade, U.S. Mint grew numismatic revenues by x%
 - Creation of new product platforms contributed majority of growth
 - Core portfolio – annual proof sets – surprisingly stable
 - No meaningful volume growth in 4 years
 - Core revenue driven by 50 SQ program (x%) and price increases (x%)
- Still, public knows remarkably little about U.S. Mint
 - Core customer base is small, loyal, and almost entirely visible to the Mint
 - Still, vast majority unaware of ...
 - Net: Mint must leverage expanded availability to increase access and facilitate education of its numismatic mission
- Recommend Mint do ...

U.S. MINT NUMISMATIC CHANNEL STRATEGY CURRENTLY FOCUSED EXCLUSIVELY ON A DIRECT MODEL

☐ Most profitable

Global financial overview

\$ Millions – FY05 actuals

		Sales				EBIT		Points of distribution			
		NA	Japan/ PacRim	EUR	Total	Dollars	Percent	NA	Japan/ PacRim	EUR	Total
Own channels	Retail										
	<ul style="list-style-type: none"> • Union Station • Mint HQ • Philly • Denver 										
Other channels	Direct										
	<ul style="list-style-type: none"> • usmint.com • Consumer catalog • Call center 										
Other channels	Branded wholesale										
	<ul style="list-style-type: none"> • Retail banking • Discount mass merchandize • Specialty formats • Duty free 										
Other channels	Private label										
	Other										
Other channels	Licensing										

CONFIDENTIAL

Responsibly Growing the U.S. Mint Numismatic Business



Update to Principals
July 26, 2006

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STATED ENGAGEMENT OBJECTIVES

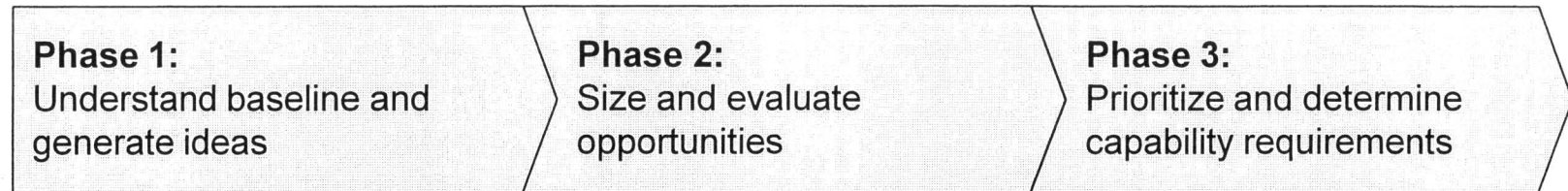
Desired outcome

Increase access to
and awareness of
numismatic products
and identify future
growth opportunities

Primary areas of focus

- 1 Optimize existing business
- 2 Develop new business models
- 3 Evaluate international opportunities

PROJECT OVERVIEW AND TIMELINE



← 2 weeks →

← 3 weeks →

← 2 weeks →

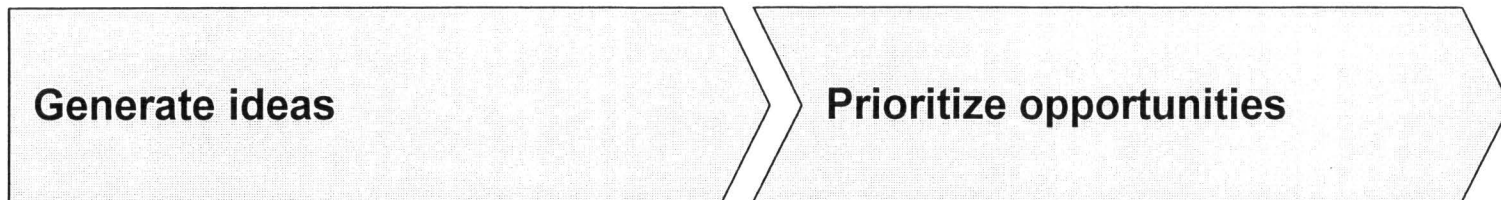
Key activities

- Profile the revenue base and analyze recent Mint activities/performance
- Generate “out-of-the-box” growth ideas/models
- Understand legislative framework and organizational constraints
- Document potential barriers to change

- Rough size the idea portfolio (top-down approach)
- Assess high-level implementation requirements in terms of systems, skills, resources
- Identify and propose 5-8 growth areas/models to analyze further

- Prioritize potential opportunity sequence
- Create high-level implementation plan
- Assess capability-building requirements
- Design ongoing process to generate ideas and build capabilities

OUR SIMPLIFIED APPROACH COMPRISES THREE DIMENSIONS



A Typical consumer goods growth levers

B Potential purchase occasions and customer segments

C Identify high priority opportunities

+

Determine how to sequence progress over time to achieve future growth

TEAM HAS GATHERED PERSPECTIVES FROM MULTIPLE SOURCES

b6

U.S. Mint

Completed

- David Lebryk
- Gloria Eskridge
- Jay Mahanand
- Kevin Hamer
- Sharon Bishop
- Cynthia Meals
- Dufour Woolfley
- Ann Bailey
- Ken Knapp
- Jim Adler
- John Warriner
- Jerry Nelson
- Jonathan Haseltine
- David Gessert
- Shirley Keller
- Jack Sczcerban
- Pat McAfee
- Garren Zuck
- Kathy Chiarello
- Robert Rebele
- Cortez Carrington
- Christy Bidstrup
- Sarah Jones
- Justin Kieffer

Planned

- Scott Meyers
- Cliff Northup
- Daniel Shaver

A INITIAL FOCUS BEGINS WITH CONSUMER GOODS GROWTH LEVERS

Typical growth lever	Illustrative dimensions*
Product marketing strategy	
Offering	<ul style="list-style-type: none">• New products (e.g., 24 karat)• Line extensions (e.g., American Eagle Platinum)• Product bundling (e.g., cable, high speed internet and phone packages)
Pricing	<ul style="list-style-type: none">• Changes based on elasticity, cross-elasticity, and latent demand (e.g., perceived value-based pricing)
Advertising/promotion	<ul style="list-style-type: none">• Traffic drivers (e.g. use of banner advertising on history-based web sites)• Reactivation program (e.g., incentives for consumers to become repeat purchasers)
Sales	<ul style="list-style-type: none">• Up-sell (e.g., from clad to silver proof)• Cross-sell (e.g., from uncirculated sets only to multi-units)• Tailored incentives to call center representatives based on selling specific products
Channel strategy (e.g., online, retail)	<ul style="list-style-type: none">• Create a true multi-channel model (e.g., American Girl, etc.)• Become a physical retailer (e.g., Apple.com to The Apple Store, etc.)• Develop new concepts/formats (e.g., store within a store with the area staffed by true product experts)
New geographical markets (e.g., Asia)	<ul style="list-style-type: none">• Build international awareness (e.g., advertising in international coin collecting magazines) and facilitate initial trial• Expand presence and retail points of distribution

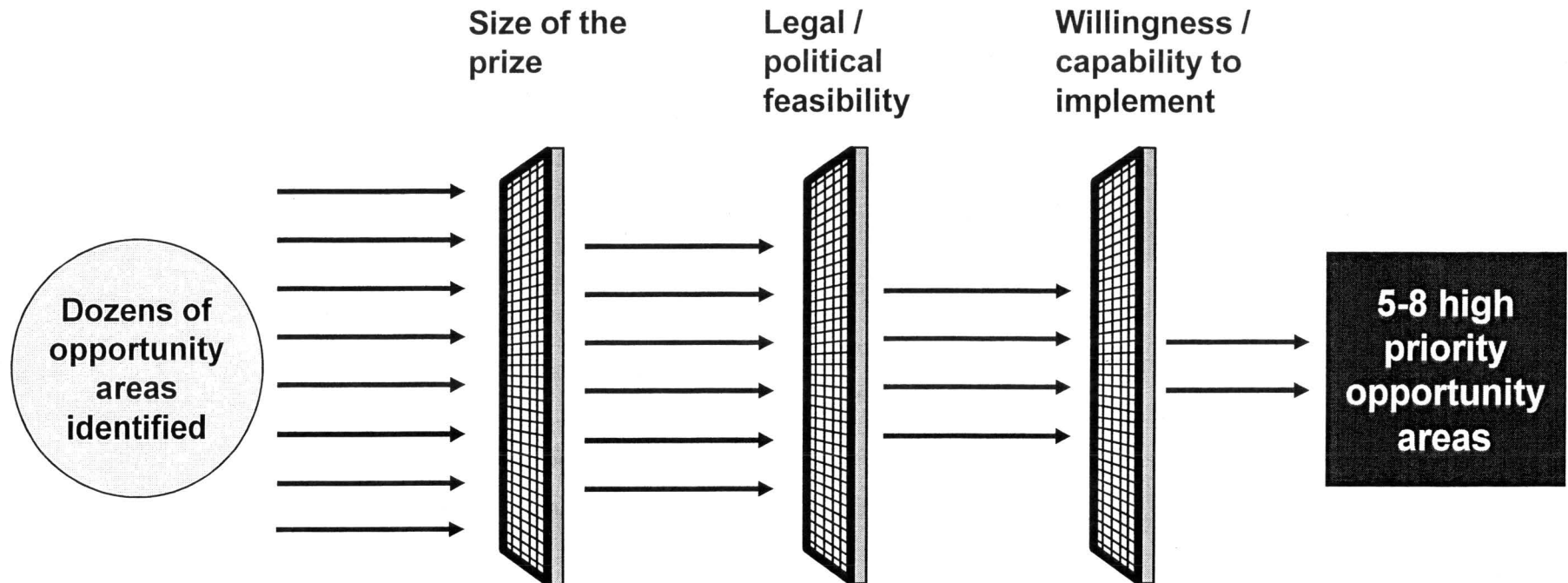
* Not exhaustive

B GROWTH MUST THEN BE CONSIDERED IN CONTEXT OF KEY PURCHASE OCCASIONS AND CUSTOMER SEGMENTS

Purchase occasion	Coin collecting		General collecting		Gifting	
Customer segments	Collectors (avid / casual)	Circulating savers	Hobbies/ Commem- orating	Travelers/ Souvenirs	Individuals	Corporate
Characteristic overview	<ul style="list-style-type: none"> • ~1.5 million active customers who purchase numismatic products 	<ul style="list-style-type: none"> • 144 million people prefer to collect (generously) state quarters 	<ul style="list-style-type: none"> • Over 40 million people report collecting a "collectible item" • Large set of event-specific occasions (e.g., Super Bowl) are commemorated 	<ul style="list-style-type: none"> • Over 41 million foreign tourists visit the U.S. annually • Over 18 million domestic tourists visit Washington D.C. each year 	<ul style="list-style-type: none"> • Americans spend about \$80 billion on individual gifts annually • Gifts span broad brand spectrums of cost occasion and nature 	<ul style="list-style-type: none"> • U.S. companies spend ~approx. \$25 billion annually on gifts, awards, and promotional items
Nature of opportunity	<ul style="list-style-type: none"> • Upsell and cross-sell to increase share of wallet • Reactivation of lapsed collectors 	<ul style="list-style-type: none"> • Convert to numismatic products 	<ul style="list-style-type: none"> • Create new products to appeal to individuals who collect, (but don't currently collect coins) 	<ul style="list-style-type: none"> • Make Mint products available at point of purchase 	<ul style="list-style-type: none"> • Make gift givers aware of Mint offerings 	<ul style="list-style-type: none"> • Expand gift offerings and target corporate customers

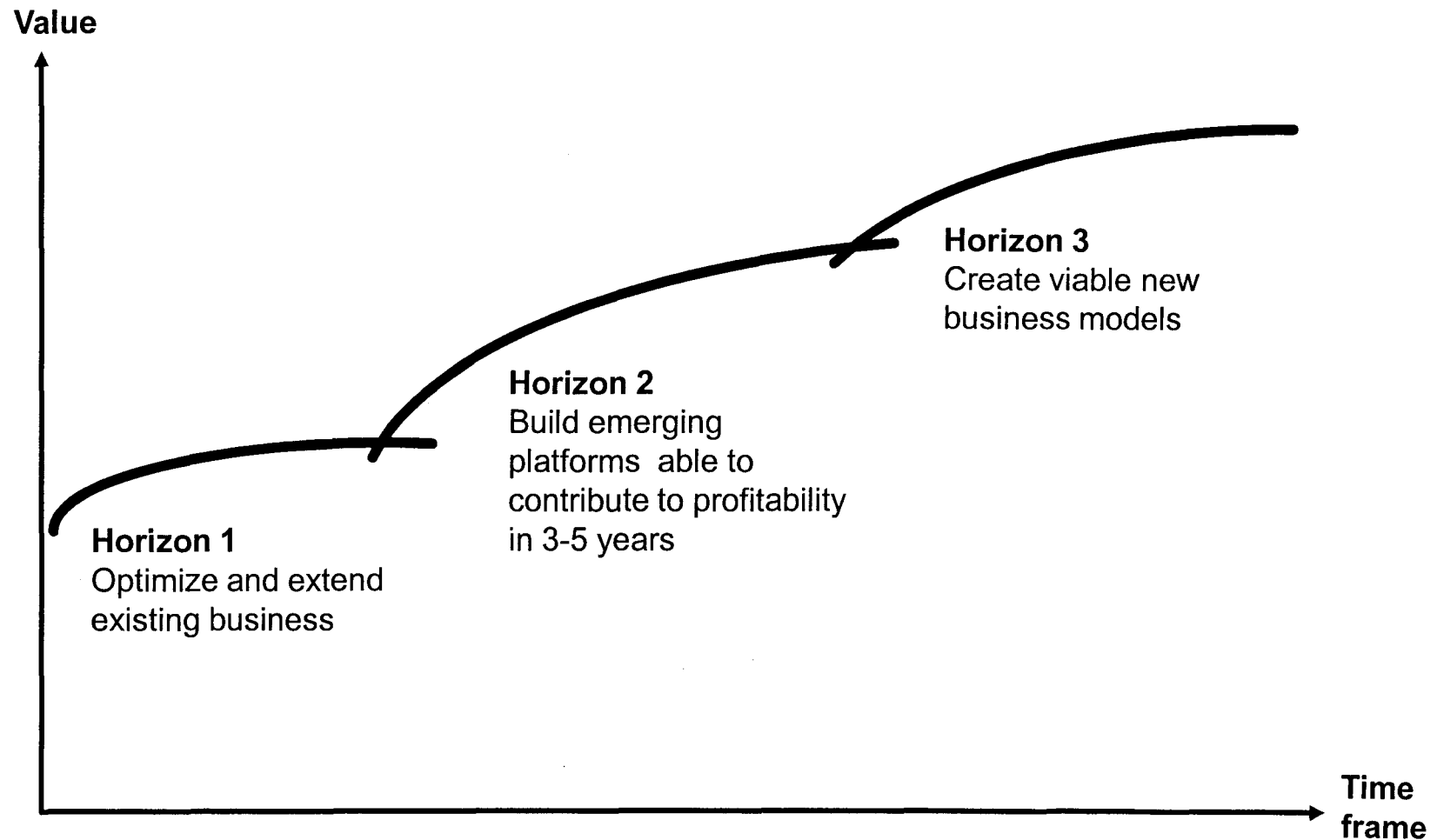
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C OUR APPROACH TO MOVE FROM IDEA GENERATION TO OPPORTUNITY PRIORITIZATION



- Questions**
- Would adopting the opportunity drive significant financial impact?
 - Will it increase awareness and provide broader access?
 - Could the Mint have the authority to pursue?
 - Are there any major stakeholders that would be negatively impacted?
 - Does the Mint have (or could they acquire the capabilities) required for success?
 - What is the magnitude of change required?

FUTURE GROWTH SHOULD OCCUR OVER MULTIPLE TIME HORIZONS



PRELIMINARY AGENDA FOR AUGUST 2ND PROGRESS REVIEW

- Review the current numismatic factbase
 - Profile the current revenue base and identify the primary sources of recent historical growth
 - Provide a snapshot of current retail performance
- Discuss preliminary outcome of prioritization process based on rough sizing of opportunities
- Agree on 5-8 options to explore in further detail

Contingent upon anticipated data set delivery (due today, 7/26)

Key upcoming dates

July 24	25	26 ▲	27	28	Initial check-in (today)
31	Aug. 1	2 ▲	3	4	
7	8	9	10	11	Progress review #1
14	15	16 ▲	17	18	
					Progress review #2

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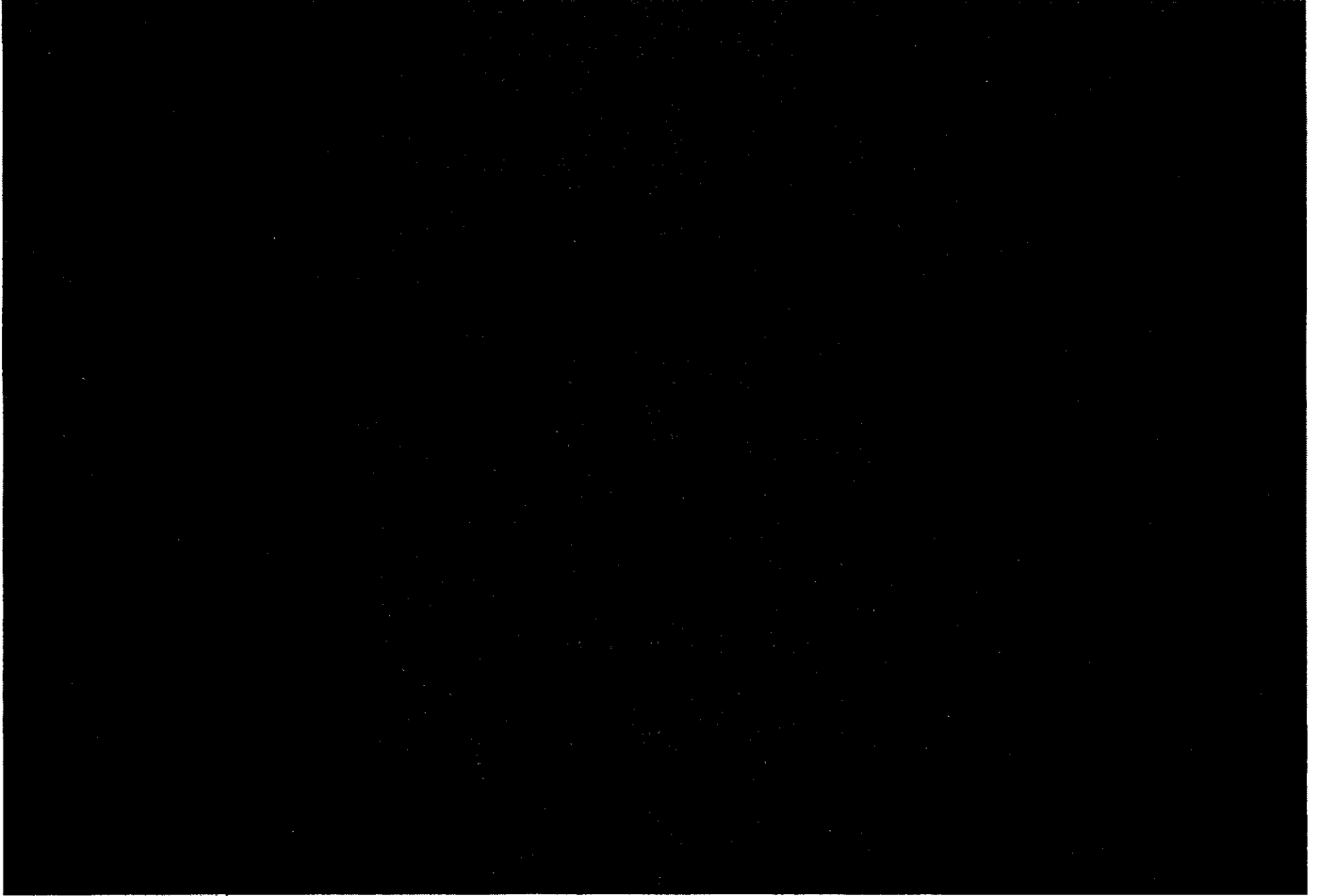
Rough Sizing Access/Availability



Discussion with Kevin Hamer
August 4, 2006

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ROUGH SIZING FOR RETAIL CONCEPTS

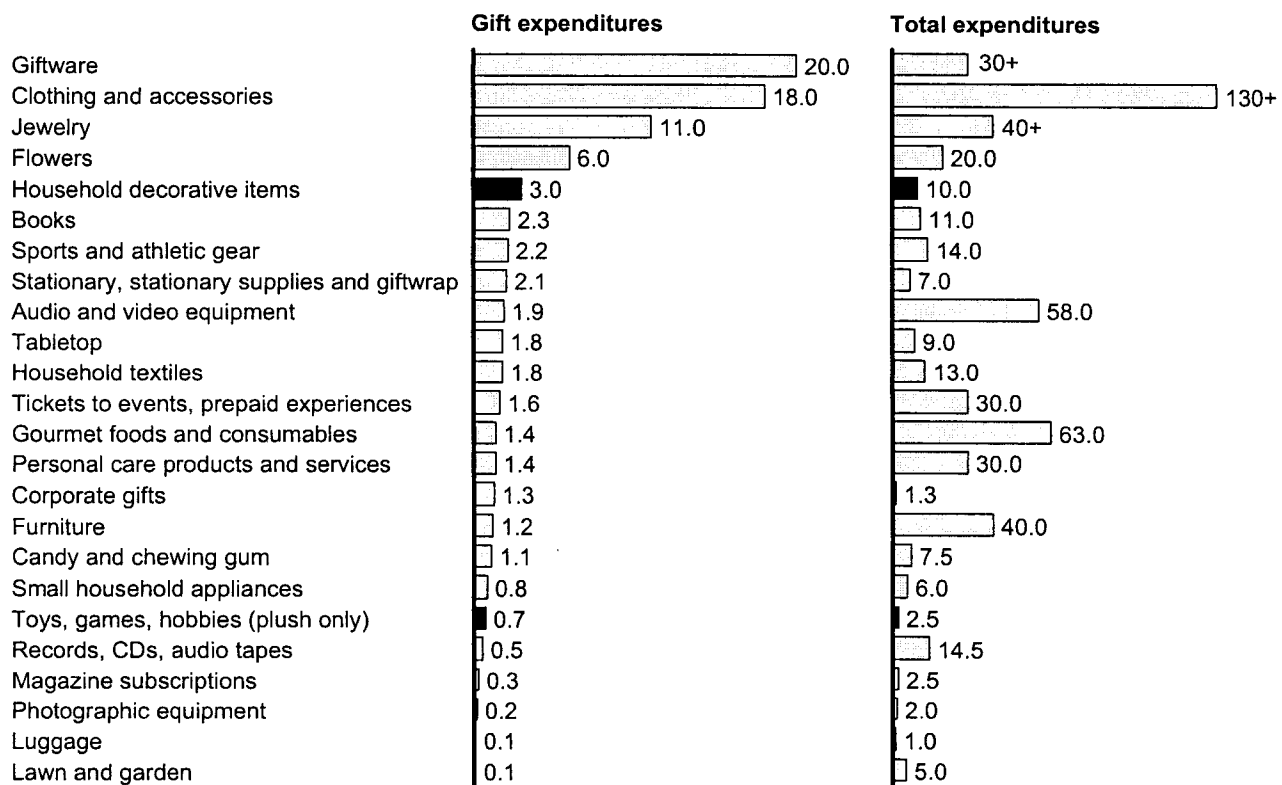
	Concept	Top-line revenue rough sizing \$ Millions	Rationale
Occasions	Individual gifting	50-100+	...
	Foreign tourists	15-20	...
	Corporate gifting	<10	...
<hr/>			
Formats/ locations	Mall-based kiosks	15-20	...
	Packaged goods	15-20	...
	Hallmark in store endcap	TBD	...
	Amazon	<5	...
	Museum/parks gift shops	<5	...
	eBay	<5	...
	Direct response	<5	...
	Coin experience	<5	...
	Full Mint store	Not sized	...
	Government store	Not sized	...
	Franchise	Not sized	...
	Fundraisers	Not sized	...

BACKGROUND MATERIALS FOR ROUGH SIZING

TOTAL GIFTING EXPENDITURES ARE ESTIMATED AT \$80 BILLION ACROSS MULTIPLE CATEGORIES

\$ Billions

■ Likely collectibles –
specific spending



Source: Market research reports; Industry associations; Department of Labor Statistics; Census Bureau

NUMISMATICS FIT WELL WITH SIGNIFICANT CELEBRATIONS GIFTING SITUATIONS

Profile of gifting situations – conceptual structure	Occasion type	Purchase triggers	Description	Fit with numismatics
	Significant celebrations	Milestones	Wedding gift. retirement	●
		Annual occasions	Christmas, birthdays	●
	Everyday celebrations	Special motivation		◐
		Service appreciation	Holiday gift for a teacher	◑
		Entertaining	Gift to bring a dinner	○
		Personal treat	Something to indulge or reward myself	○

GIFTING POTENTIAL IS CONSERVATIVELY SIZABLE (AND COULD BE EXPLOSIVE)

Underlying unique purchase triggers		Rationale/source
Birthdays	280	• U.S. population
Christmas	210	• 75% Christian
Fathers' Day/ Mothers' Day	150-200	• 55 married households • 45 single/other
Anniversary	55	• 55 million married households
Graduation	4-6	• High school/post secondary
Births	3-4	• Census cohorts
Coming of age	2-3	• Census cohorts
Retirements	~1	• Estimate

- 1% of estimated 700 million trigger events at \$30/average purchase = \$210 million
- Assuming half of Mint's existing is gifting already, could be \$100 million incremental
- In context of \$80 billion overall market size – anything could seem reasonable

DUTY FREE MARKET FOR NUMISMATIC APPEARS SUBSTANTIAL

Region of Origin	Number of Visitors to the US, 2005	Estim. Percentage of Visitors Who Will Purchase Numismatics	Estim. Potential Market Size
Asia	6,198,087	4.0%	247,923
Western Europe	9,879,934	2.0%	197,599
Canada and Mexico	19,470,009	0.5%	97,350
South America	1,820,315	1.0%	18,203
Caribbean	1,134,886	1.0%	11,349
Middle East	527,361	2.0%	10,547
Oceania	736,840	1.0%	7,368
Central America	696,207	0.5%	3,481
Eastern Europe	432,702	1.0%	4,327
Africa	252,196	0.5%	1,261
TOTAL:	41,148,537	TOTAL:	599,409

Source: US Department of Commerce
Office of Travel and Tourism Industries

Source: Team Analysis

**ESTIMATED
MARKET SIZE*: \$13,756,436.55**

U.S. Destinations Share of foreign visitors

• New York	• 27%
• Los Angeles	• 12%
• San Francisco	• 10%
• Miami	• 10%
• Orlando	• 9%
• Oahu/Honolulu	• 8%
• Las Vegas	• 8%
• Washington, DC	• 5%
• Chicago	• 5%
• Boston	• 4%
• Atlanta	• 3%
• San Diego	• 2%
• Tampa	• 2%
• Philadelphia	• 2%

Total

Source: U.S. Office of Travel and Tourism Industries; DFS Web site; team analysis

SIZING GROWTH CONCEPTS – CORPORATE GIFTING (\$3-9 MILLION)

Top-down

- The corporate gifts space (excluding production/ giveaways) is \$1.2 to \$1.8 billion annually
- There are 3 areas of companies to corporate gifts – recruiting, employees and clients. Employees could be 1/3 of total, ~ \$600 million space
- Mint products are well situated for this space; the target price point is \$35-100
- All things considered, including the high fragmentation of the market, the Mint could capture between 0.5% and 1.5%
- This market share is worth \$3-9 million in annual revenue

Bottom up

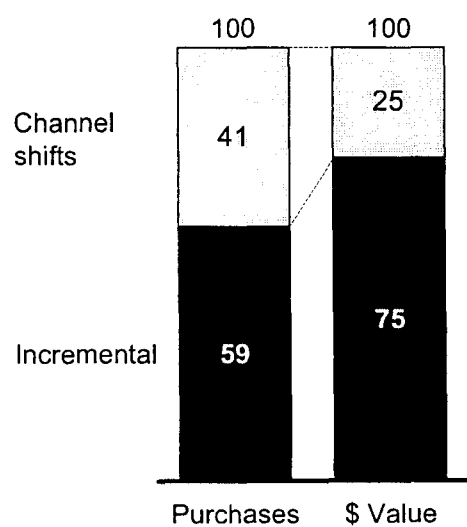
- The major corporate gifting occasion that the Mint's products would be compelling for is retirement of employees
- It is estimated that 1 million individuals retire each year
- The Mint, it is assumed, could capture 5% of these individuals, or 50,000 customers
- At \$100 per product, this is worth \$5 million

Check – Existing player

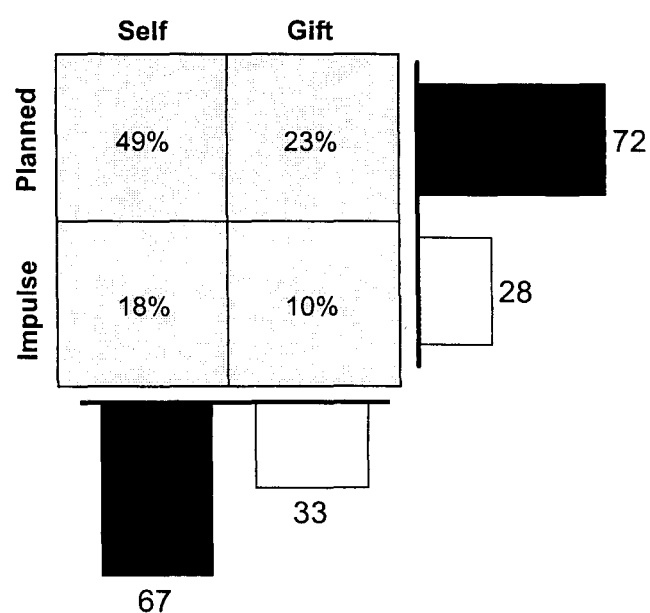
- Tiffany's is one of the major players in the corporate gift space
- Tiffany's reported in their annual report that 2 percent of revenue came from business-to-business, sales which is entirely corporate gifting
- In 2005, Tiffany's reported \$2.4 billion in revenue, meaning \$48 million in corporate gifts
- This is consistent with a Mint estimate of \$3-9 million

MAJORITY OF MINT'S KIOSK SALES ARE INCREMENTAL, PLANNED PURCHASES FOR SELF

Nature of transaction
Percent



Mix of purchase types



KIOSKS: POTENTIAL \$15–\$20 MILLION OPPORTUNITY

Methodology

Revenue of average kiosk x % of incremental sales, x # of locations x expected penetration rates

Types of locations	Expected penetration rate	Implied locations	Revenues \$ Millions
Indoor shopping malls	3-5%	30-50	12-20
Museums	<1%	5-10	2-4

Key assumptions

- Based on Union Station kiosk, performance revenue could be \$1 million annually. Assumed that other kiosks will match half this, at \$500 K annually
- Based On Union Station survey, approximately 75% of sales are incremental (team estimate)
- There are 1,100 indoor malls and 1,460 museums in the U.S.
- Successful penetration rates range from 3-5% for malls plus 5-10 museum locations

Total
\$14 MM-
\$24 MM

- Mint could run kiosks on own
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

SIZING GROWTH CONCEPTS – SEASONAL IN-AND-OUT AS A TRADITIONAL PACKAGED GOODS MANUFACTURER (\$15-20 MILLION+)

Top-down

- Target has ~1500 stores in the U.S.
- With annual revenue of about \$50 billion, this works out to \$38 million per store
- In the 3 months the product would be in-stores (October-December), Target does \$12 million in sales (higher than average due to holidays)
- With an average basket of \$40, there are 300,000 customers to each Target during the 3 month window
- Customers average ~1 visit per week, leading to 30,000 unique customers
 - Check on 30,000 customers: In the U.S., target has 30-60 million unique customers. On a per store basis, this works out to 20,000-40,000
- Assuming a 2% penetration of customers, there will be 600 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), measuring \$18,000 per store
- Target will not put the product in all stores; assuming 1,000 stores, this yields a growth opportunity of \$18 million

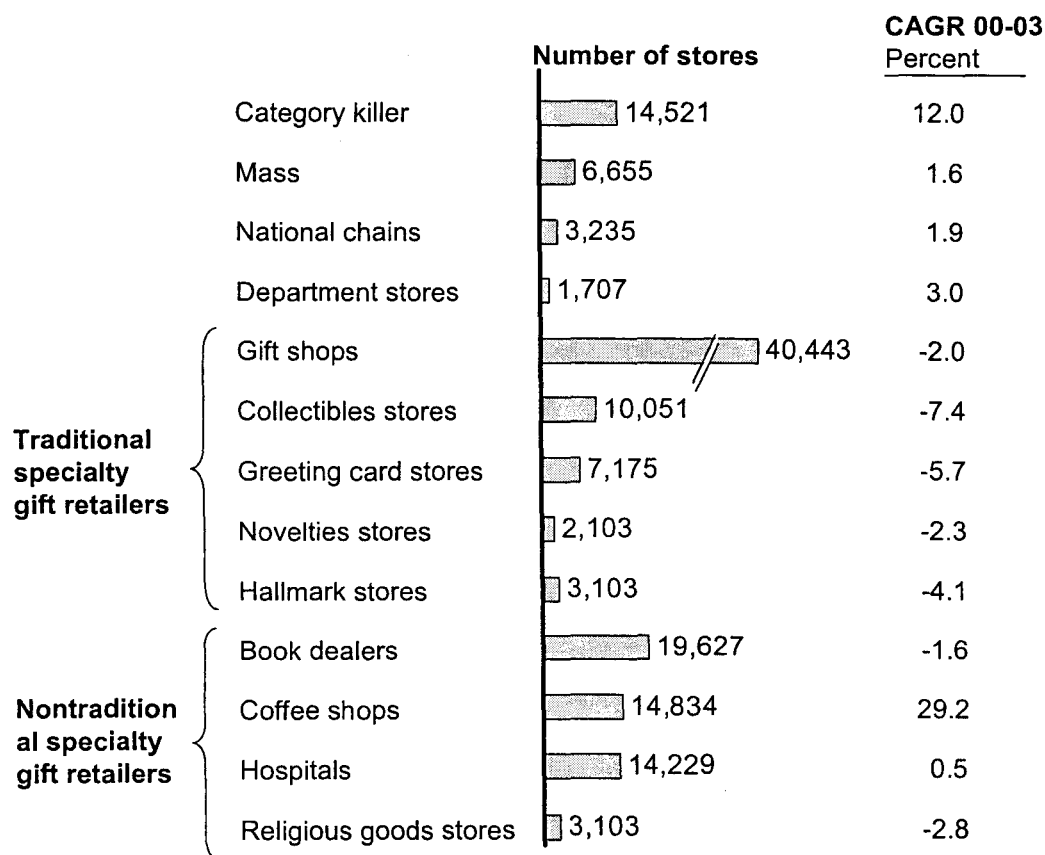
Bottom-up

- Assume Target would only carry 3 products – uncirculated set, clad set and American Eagle Silver
- For the 3 months in-stores each store would sell at the same rate as the headquarters kiosk yielding \$19,5000 in sales per store (\$2,000 in uncirculated sets; \$7,000 in clad sets; \$10,000 in American Eagle Silver)
- With 1000 stores, total sales would be \$19.5 million at current Mint prices, potentially lower due to discounted wholesale price to target

Opportunity could be significantly bigger if the product were in more stores and stocked year-round

Source: Target SEC filings and annual report; McKinsey analysis; U.S. Mint; team analysis

HALLMARK IS LEADING BRANDED SPECIALTY GIFT RETAIL CHAIN



Source: American Business Information; team analysis

eSTORE-WITHIN-A-STORE EXAMPLE: NORDSTROM ON AMAZON

The screenshot shows a Mozilla Firefox browser window displaying the Amazon.com Nordstrom Store. The address bar shows the URL: http://www.amazon.com/b/ref=sc_fe_c_d_1036592/104-1. The page features the Amazon.com header with navigation links like 'Mark's Store', 'Apparel & Accessories', and 'See All 34 Product Categories'. The Nordstrom storefront is integrated into the page, featuring a search bar, a 'BROWSE' sidebar with links to various categories (Women, Men, Baby & Kids, etc.), and a central 'anniversary SALE' banner. The banner text reads: 'The fashion event of the year for men, women and kids is here. New fall styles. Big brand names. Really great prices. Don't miss out. Prices go up Monday, July 31. ANNIVERSARY SALE NORDSTROM'. To the right of the banner, there is a callout box stating 'Flexibility to customize customer service policies'. Further right, there is a section for 'Enjoy \$5 SHIPPING on your entire order every day. Start Shopping NORDSTROM'. Below this, there is a section for 'Easy Returns and Exchanges at Nordstrom.com' with a brief description of the return policy. The bottom of the page shows the Windows taskbar with the start button and various application icons.

Fully integrated on in with the Amazon.com site

amazon.com Mark's Store Apparel & Accessories See All 34 Product Categories Your Account | Cart | Your Lists | Help

NORDSTROM WOMEN | MEN | BABY & KIDS | SHOES | HANDBAGS & ACCESSORIES | SALE

Search Nordstrom GO Web Search GO

BROWSE

- Women
- Anniversary Sale
- Women
- Anniversary Sale Juniors
- BP.
- Men
- Anniversary Sale Men
- Baby & Kids
- Anniversary Sale Baby & Kids
- Shoes
- Anniversary Sale
- Women's Shoes
- Anniversary Sale Men's Shoes
- Shoes
- Anniversary Sale Kids
- Shoes
- Handbags & Accessories
- Anniversary Sale
- Handbags & Accessories
- Sale

Shop by Brand

adidas

Find: Match case Done

anniversary SALE

The fashion event of the year for men, women and kids is here.

New fall styles. Big brand names. Really great prices. Don't miss out. Prices go up Monday, July 31.

ANNIVERSARY SALE

NORDSTROM

Shop for the Entire Family: Women, Men, Juniors BP., Baby & Kids, Shoes, Handbags & Accessories, and Sale

Women's Anniversary Sale

Enjoy \$5 SHIPPING on your entire order every day.

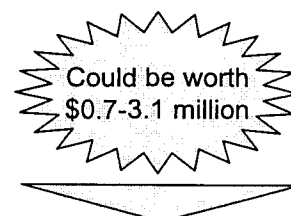
Start Shopping NORDSTROM

Easy Returns and Exchanges at Nordstrom.com

You can return any item to a Nordstrom store near you. Or return it by mail using the postage-paid return label included in your package. [More info.](#)

AMAZON COULD BE WORTH \$1-3 MILLION FOR THE MINT ANNUALLY

Rationale/estimating components	Methodology	Implied size \$ Millions
Impulse self	(Number of U.S. coin collectors/total U.S. population) \times number of Amazon customers \times estimate of Mint sitelet traffic \times purchasers' yield size of average order	0.1-0.6
+	+	
Impulse gift	(Number of U.S. non-coin collectors/total U.S. population) \times number of Amazon customers \times conversion rate \times size of initial order	0.6-2.5
+	+	
Other (e.g., customer acquisition)	Unknown	



This would likely not be enough from Amazon's perspective

- Amazon probably requires at least \$10-15 million in top-line revenue
- Amazon takes 15% return from top-line revenue

Key assumptions/data

- Total U.S. population is 300 million
- Average online Mint order size is approximately \$50
- Number of U.S. coin collectors is 3 million (team estimate)
- Mint sitelet traffic would be 10-20% (team estimate)
- Purchaser yield would be 10-20% (team estimate)
- Non-collector conversion rate would be 0.01-0.03% (team estimate), due to Amazon status as book and music dealer (70% of sales) and destination website
- Average non-collector order size would be \$20-30

Source: U.S. Census Bureau; U.S. Mint; Amazon; Hoover's; media search; team analysis; McKinsey analysis

eBAY STORE / AUCTION EXAMPLE: COINUTS

eBay Store - coinNuts: Single Proof Unc Coins, Quarter Dollars, Nickels - Mozilla Firefox

File Edit View Go Bookmarks Tools Help

http://stores.ebay.com/coinNuts_W0QQcolZ4QQdirZ1QOfs

Global Intranet Home ... Know Learn RSS

Home > eBay Stores > coinNuts > All Categories

Fully integrated on in with the eBay site; product will show up in general searches

Add to My Favorite Stores

coinNuts

Maintained by: [coinNuts](#) (11982) ☆ Power Seller

COINS SILVER GOLD PROOF MINT SUPPLIES PCGS NGC ANACS ErrorS, Variety, Currency, Supplies, and much more!! We offer THOUSANDS of items here on eBay everyday. Come join our long list of satisfied customers. We are a full retail store in North Idaho, come by and see us sometime. Thank you, coinNuts.

Store Policies | About the Seller

Brand New Listings !

- 1976 S PROOF Roosevelt DIME Single GEM US Coin 10 Cent
- 1971 S PROOF Lincoln CENT PENNY GEM Single Mint US Coin

[See all items...](#)

Hurry Ending Soon

1990 S PROOF Kennedy HALF Mint Coin \$5.99 Time Left: 4m

[See all items...](#)

Products available through both auctions and fixed prices ("Buy It Now")

☒ in titles & descriptions

Store home

- [Silver Dollars](#) (12)
- [Cent Nickel Dime](#)
- [Quarters](#) (113)
- [Silver Bullion](#) (22)
- [Cents](#) (1336)
- [Nickels](#) (1358)
- [Dimes](#) (1351)
- [Quarter Dollars](#) (1902)
- [Half Dollars](#) (1231)
- [Dollars](#) (360)
- [Single Proof / Unc](#)

8091 items found in All Categories

[List View](#) | [Picture Gallery](#)

View: [All Items](#) | [Auction only](#) | [Buy It Now only](#)

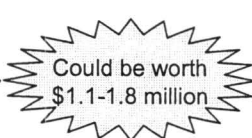
Sort by: [Time: ending soonest](#)

Item Title	Price	Buy It Now
1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin	\$5.99	Buy It Now
1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin	\$5.99	Buy It Now

Done

start

EBAY COULD BE WORTH \$1-2 MILLION FOR THE MINT ANNUALLY

Rationale/estimating components	Methodology	Implied size \$ Millions	
Mint endorsement	Current new issue U.S. coin market on eBay (X) increase in sales stemming from Mint endorsement (X) eBay commission (X) share paid to Mint	0.1-0.2	
Acquisition of new customers	(Number of new issue U.S. coin items sold on eBay/number of items per customer)(X) Mint marketing response rate (X) size of average online Mint order	1-1.6	
Share of existing sales	Current new issue U.S. coin market on eBay (X) percent of sales from traditional Mint products (X) percent of sales captured by eBay-Mint store front	6.3-13.4	<ul style="list-style-type: none"> • Solely a one time jump from stealing eBay dealer market share • Not sustainable beyond first year
Key assumptions/data <ul style="list-style-type: none"> • Total new issue coin market on eBay is \$51 million (including bullion) • Total new issue U.S. coin market on eBay is \$21 million (excluding bullion) • New issue U.S. coin items sell approximately 300,000 items annually • The U.S. Mint response rate to marketing is 20% • The size of the average U.S. Mint online order is \$50 • eBay sales of products offered by the U.S. Mint is 60-80% of total coin sales (team estimate) • Sales that captured by a U.S. Mint store front would be 50-80% (team estimate) • Sales would increase by 50-100% of current due to Mint endorsement on eBay (team estimate) • eBay would require 2.5% payment on all transactions (team estimate) • Of this, the Mint could claim 50% as revenue, in return for driving traffic and lending credibility 			

Source: eBay; US Mint; team analysis; McKinsey analysis

SIZING GROWTH CONCEPTS – DIRECT RESPONSE (\$3.5-7.5 MILLION)

Sizes of space

- The Direct Response space overall is \$10 billion in annual revenue
- Based on QVC, 7% of sales are from collectables, or \$700 million
- From the product mix on company websites as well as the air time allotted to collectible types, coins are estimated at 20-30% of the collectibles space, or \$140-210 million
- A similar analysis suggests that one-third of all products sold are new products or \$50-70 million
- Direct response networks typically mark products up 2-3 times, meaning the original purchase value is \$17-35 million

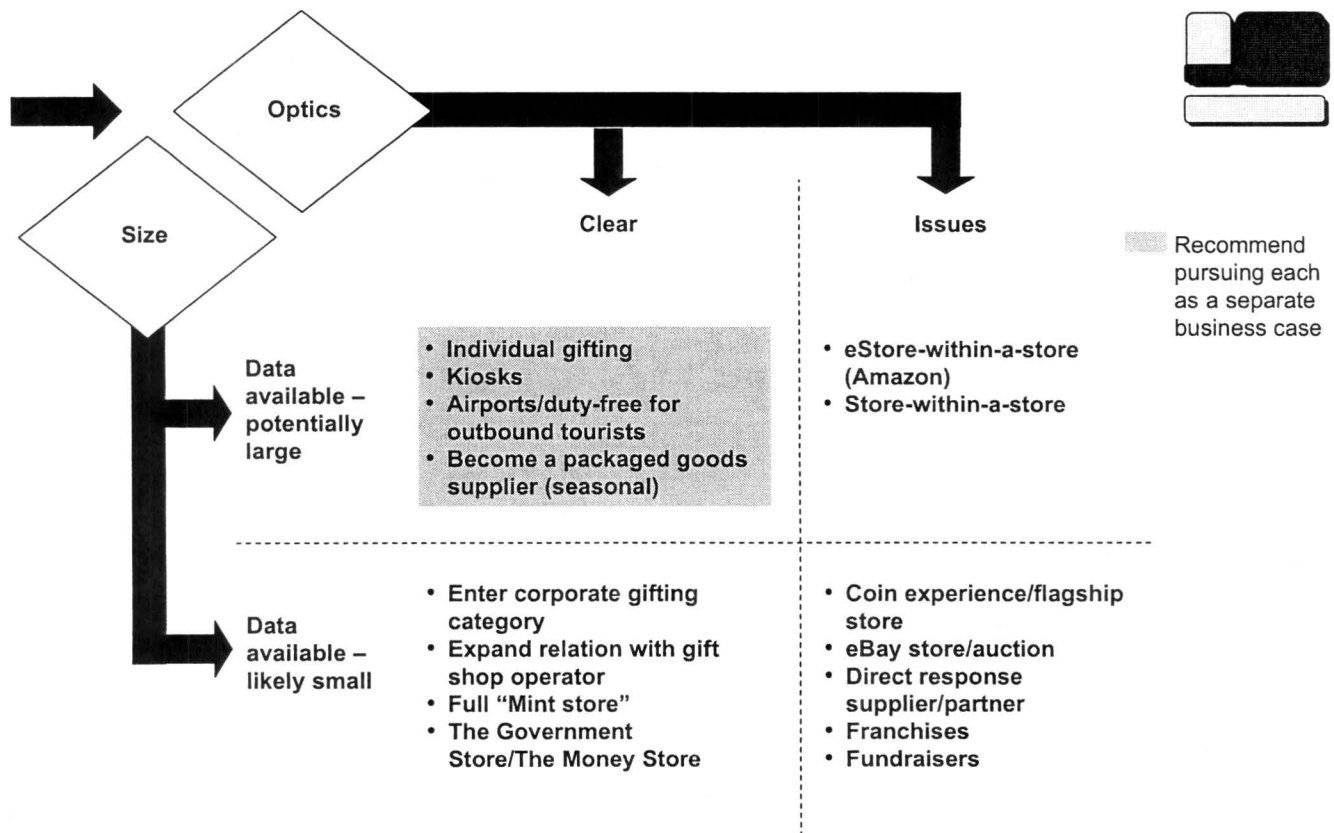


Ways Mint could profit from partnership

- ① Mint could charge networks a service fee and capture the premium/mark-up that intermediaries currently capture in their dealings
 - Mint could charge a 5% service fee **yielding about \$1-2 million in incremental revenue**
 - As part of the partnership and in exchange for the service fee, Mint would get involved in the production of the show, possibly including providing Mint employees to appear as experts on the show
- ② Based on the enhanced credibility of the direct response channels (as a result of the Mint's involvement), there would be incremental sales
 - Assume 15% increase in sales
 - **Growth would yield an increase of \$2.5 and \$5.5 million in sales** by the Mint to the networks

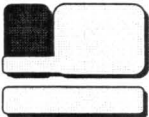
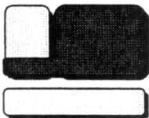
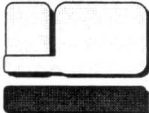
Total value: \$3.5-7.5 million

FOR DISCUSSION – 4 POTENTIAL ACCESS/AVAILABILITY CASES



SUMMARY – TEAM RECOMMENDS MOVING AHEAD WITH 7 BUSINESS CASES

● High
 ◐ Medium
 ○ Low

	Idea	Value	Consistency with law	Consistency with mission	Optical feasibility
	1. Optimize existing business practices	●	●	●	◐
	2. Develop products for circulating savers and educate public	◐	●	●	◐
	3. Sell in airports and duty – free shops	◐	●	●	●
	4. Target individual gifting	●	●	●	●
	5. Open network of kiosks	●	●	●	◐
	6. Traditional product supplier (seasonal in-and-out)	◐	●	●	◐
	7. Comprehensive international strategy	?	●	●	◐

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Emerging Numismatic Strategy

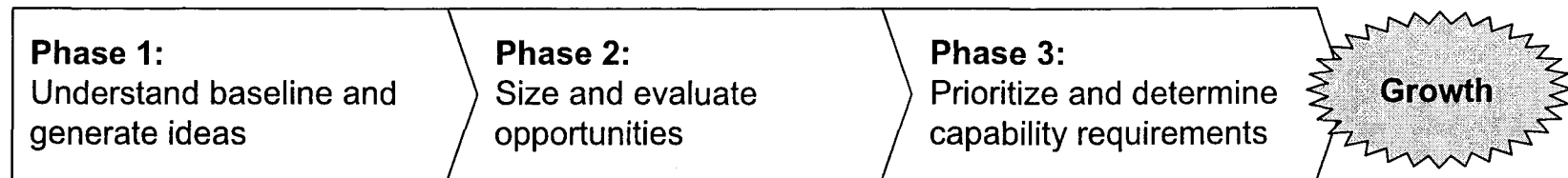


Phase II Deliverable

August 11, 2006

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TODAY'S DISCUSSION



Discuss emerging recommendations
(after brief recap of methodology)

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METHODOLOGY – MAJOR ACTIVITIES

Interviews

Mint

- David Lebryk
- Gloria Eskridge
- Jay Mahanand
- Daniel Shaver
- Cliff Northup
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- Christy Bidstrup
- Sarah Jones
- Justin Kieffer

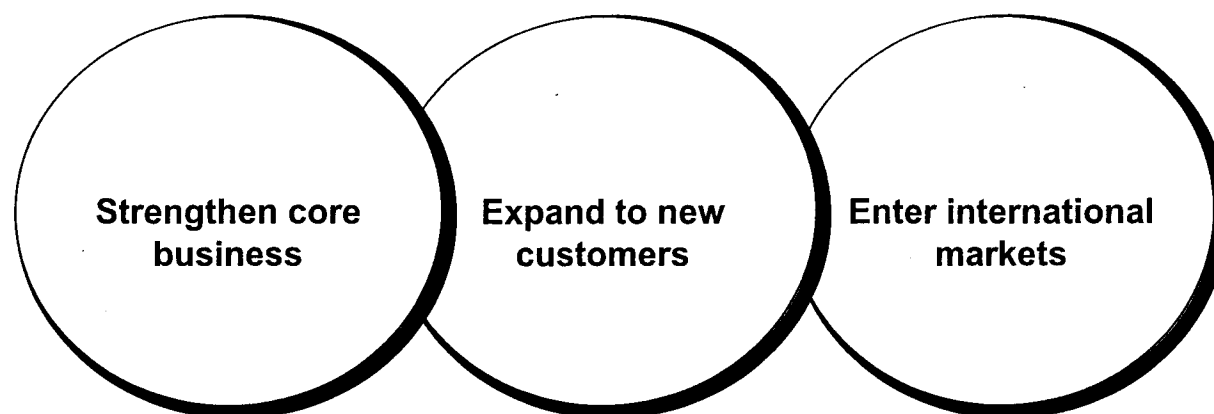
Analyses

- Historic revenue growth
- Product development
- Kiosk customer purchasing behavior
- Kiosk and production facility gift shop sales decomposition
- Direct channel customer characteristics (all customers who placed orders from Oct. 2004-March 2006; ~1.03 million customers)
- Purchasing behavior for all direct channel activity (Oct. 2004-March 2006; ~4 million orders)
- Market sizing (e.g., overall size of the U.S. gift market)
- Opportunity sizing (e.g., size of revenue growth for the Mint to create a network of kiosks)

b6



STRATEGY OVERVIEW



Description

- Expand the core customer base (avid collectors and circulating savers) by providing access and availability to our current customers
- Improve visibility into the end user base

Impact

- Strengthen Mint position as the premier source of new issue coins for current customers
- \$40-80 million (incremental 10-20% of current revenue)

Description

- Expand beyond the core customer base to attract casual customers by making products more broadly available through additional channels
- Over time, some of the new customers may migrate to join the core

Impact

- Strengthen Mint position among non-core customers to increase public access to Mint products

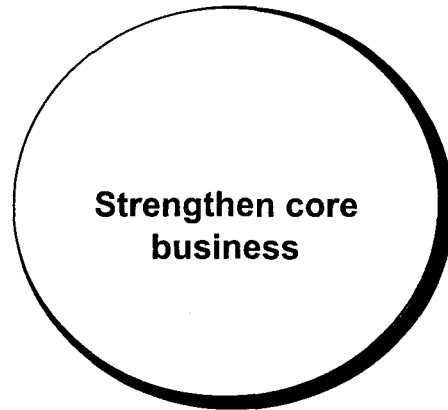
Description

- Expand geographic reach to establish a connection with and serve numismatic coin collectors overseas

Impact

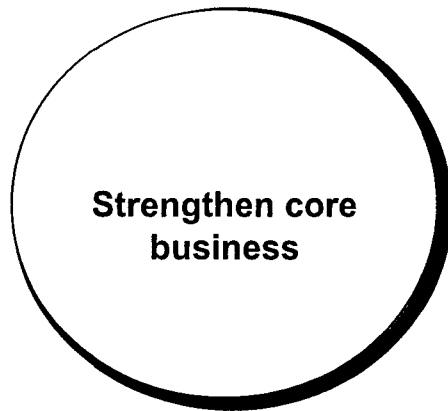
- Strengthen Mint position among international customers to increase access to Mint products

STRATEGY: RATIONALE TO STRENGTHEN CORE BUSINESS



- The Mint has done a strong job, but its revenue foundation is at risk
 - Growth in the traditional proof products has stemmed primarily from price increases, not increased product volume
 - Successful special programs are near expiration
 - Long-term stability of the revenue stream from special products such as the 24k buffalo is uncertain
- The Mint has yet to adopt best practice consumer goods tools and techniques
- Core customers (avid collectors and circulating savers) have consistently been attracted to numismatic innovation

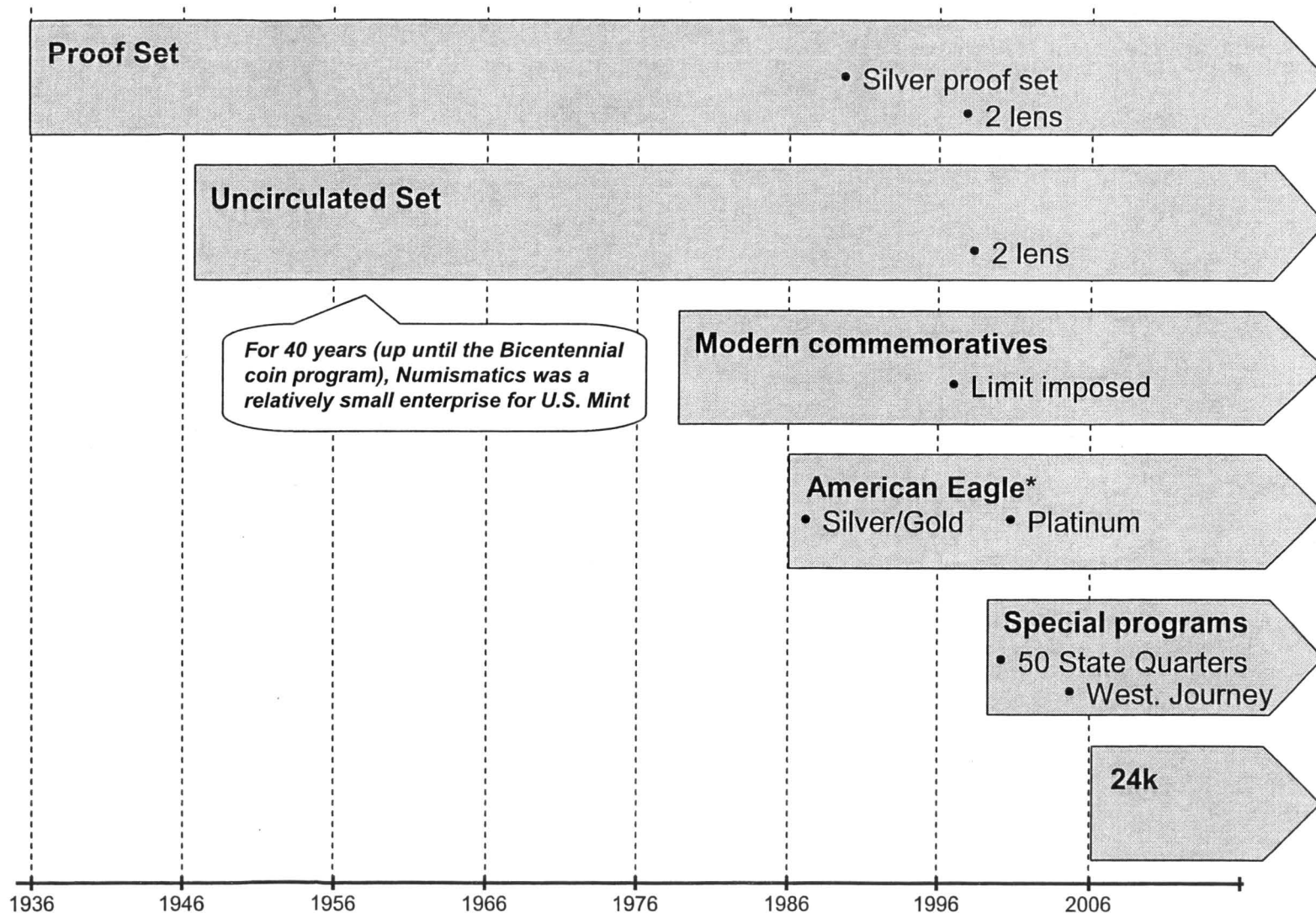
STRATEGY: KEY COMPONENTS TO STRENGTHEN CORE BUSINESS



- Implement steps to increase success of upcoming special programs (e.g., Presidential \$1 Coin)
- Pursue ten consumer goods best practices enhancements
 - Offering
 - Introduce entry-level products
 - Implement new packaging formats
 - Pricing
 - Switch to typical consumer goods price points as part of upcoming price changes due to Presidential \$1 Coin
 - Advertising/promotion
 - Improve online marketing
 - Overhaul website's product presentation and adopt other direct marketing best practices
 - Overhaul print catalog's product presentation and adopt other direct marketing best practices
 - Launch effort to up-sell/cross-sell/migrate to higher-end products
 - Invest in expanding education program
 - Sales
 - Eliminate stock-outs on core products
 - Expand subscriptions program
- Evaluate three new practices that require discussion/evaluation
 - Create quality line extensions (e.g., first strike)
 - Introduce new materials for coins (e.g., palladium)
 - Produce and market multi-year sets
- Required organizational enablers
 - Expand and improve capabilities of product development group

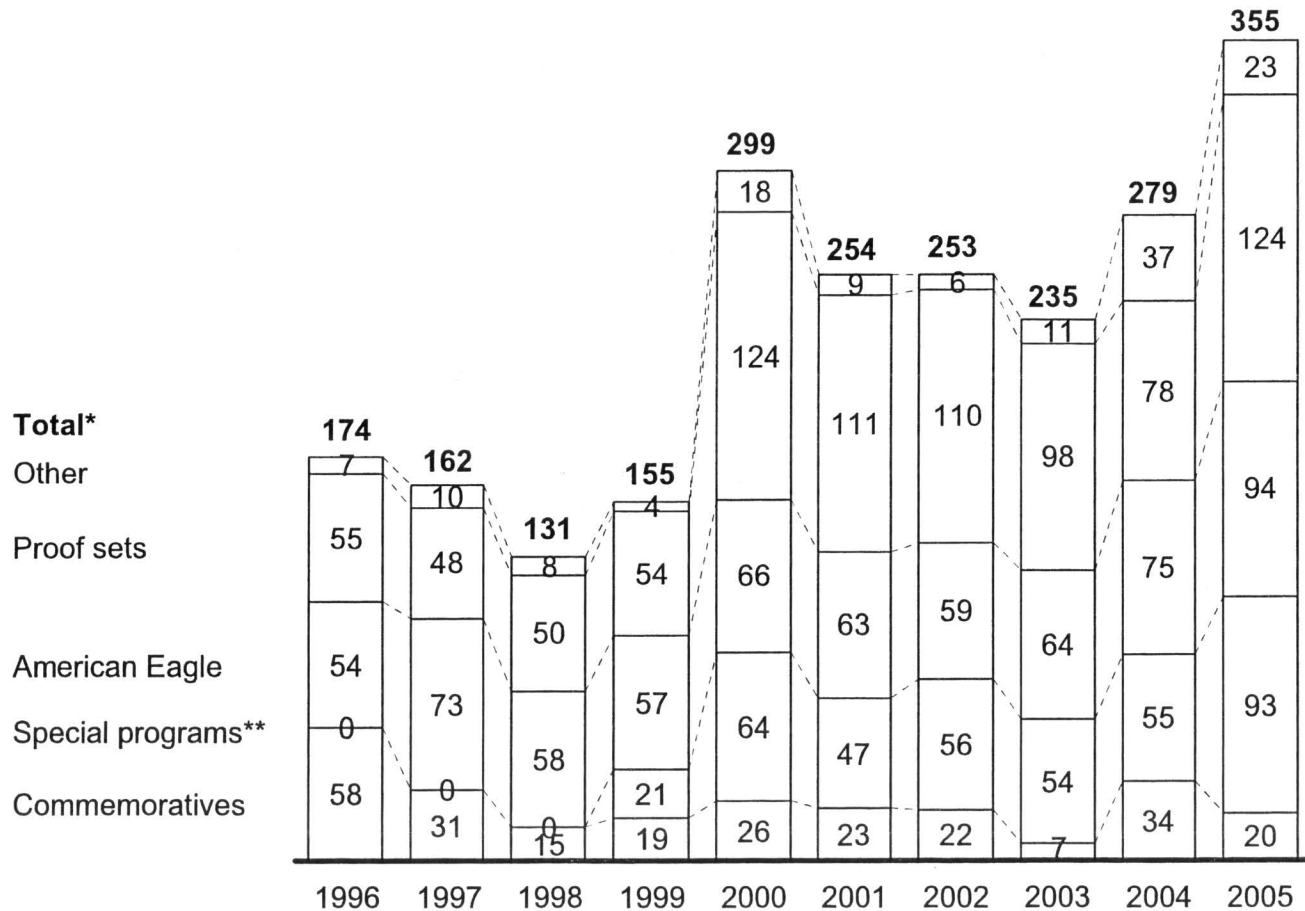
Note: Changes also result help in the expansion beyond the core

THE U.S. MINT HAS PROVIDED CORE CUSTOMERS WITH AN EXPANDED SET OF OPTIONS OVER THE LAST DECADE



* Includes American Eagle Anniversary sets and American Eagle uncirculated coins
 Source: U.S. Mint; 2007 Official Red Book; team analysis

CONSUMERS HAVE WELCOMED THE MINT'S INNOVATIONS, DRIVING UP NUMISMATIC REVENUE



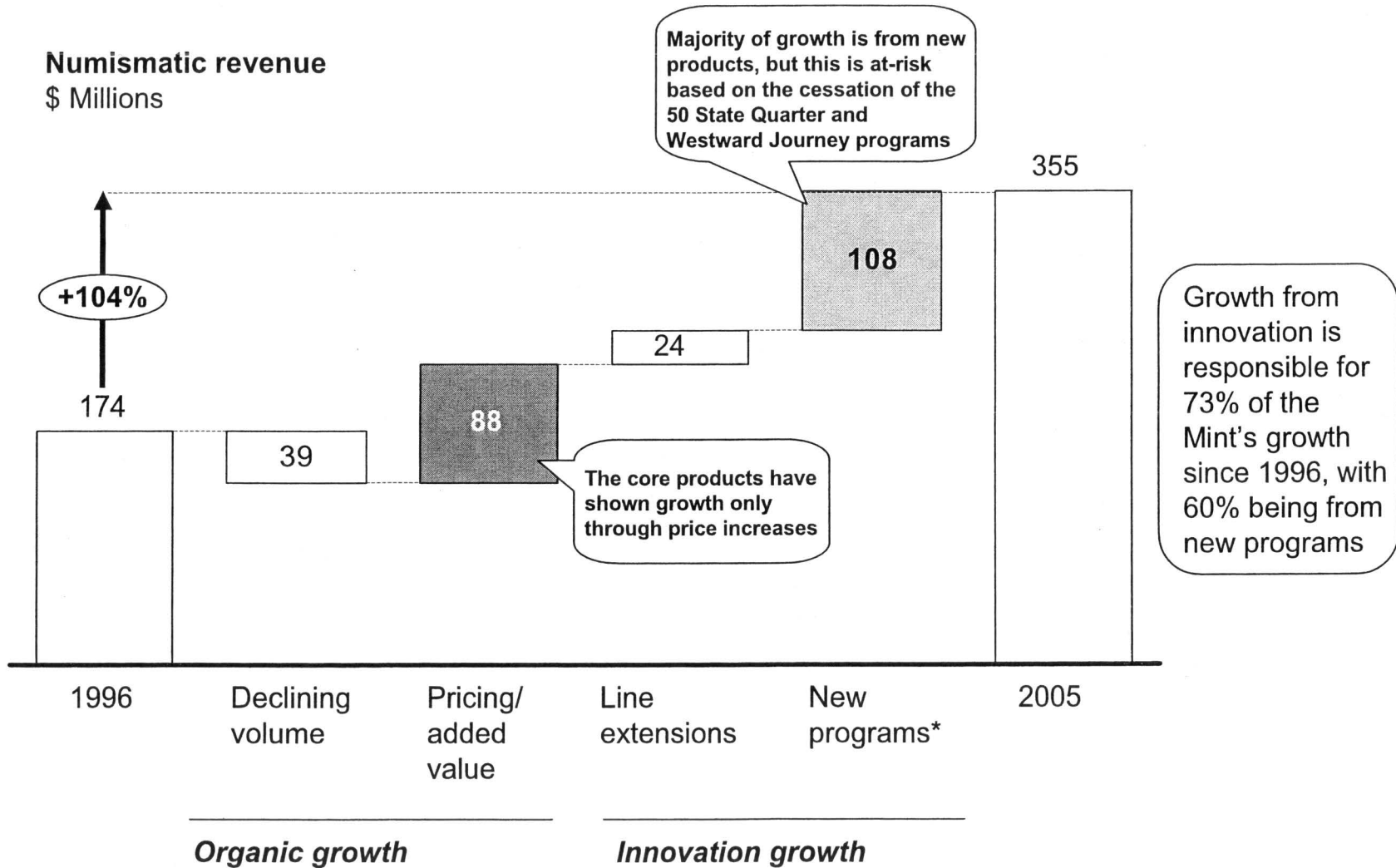
- The Mint's compound annual growth rate (CAGR) from 1996-2005 was 8%
- This CAGR compares favorably to large CPG companies – P&G targets 6% annual growth

* Numbers may not add up due to rounding

** 50 State Quarter, Sacagawea dollars and Westward Journey Nickel program

Source: U.S. Mint; team analysis

HOWEVER, A SIGNIFICANT PORTION OF THE MINT'S REVENUE IS AT RISK WHEN SPECIAL PROGRAMS CEASE



* 50 State Quarter Program, Westward Journey Nickel series, Legacies of Freedom, other new products and licensing
Source: U.S. Mint; team analysis

THE MINT MUST ACT TO ENSURE THE PRESIDENTIAL \$1 COIN PROGRAM SUCCEEDS TO FILL THE PENDING SPECIAL PROGRAM GAP

Recommended actions

The Presidential \$1 Coin program will start in 2007 and it appears little has been done with the public to spur interest

- Findings from focus groups report general interest in the program, though less than the 50 State Quarters
- Customers, however, are disappointed about the collectibility of the coins in large part as a result of the coins being manganese brass

Offering

- Silver proof version*
- Multi-year sets requiring product set-asides
- Determine demand for a dollar-only proof set

Pricing

- Set price points for all sets (uncirculated and proof) based on the substantial increase in face value of the coins included in the set

Advertising/ promotion

- Determine launch marketing approach; program's success will be set in the first year with several of the "big names" who will draw in circulating savers – there will be less demand for other presidents by themselves
- Develop pre-launch marketing plan to core
- Seek out features on TV (e.g., Oprah)
- Set strategy to increase awareness and desirability of the circulating coins to ensure activation of the circulating saver segment
- Invest in expanding educational materials tied to the presidents/first ladies that will be featured each year and have the materials and school system linkages established

Sales

- Expand subscriptions program for the set to include value-added services

Done well, the program has the potential to be bigger than the Westward Journey nickel and approach the success of the 50 State Quarter program

* Requires Congressional approval

THE MINT SHOULD ADOPT A SET OF CONSUMER GOODS BEST PRACTICES WITHIN EXISTING CHANNELS TO FUEL SALES

Recommended actions

Offering (p.12)

- Introduce entry-level products
- Implement new packaging formats

Pricing (p.13) -


- Switch to typical consumer goods price points

Advertising/
promotion (p.14)

- Overhaul website's product presentation and adopt other direct marketing best practices
- Overhaul print catalog's product presentation and adopt other direct marketing best practices
- Launch effort to up-sell/cross-sell/migrate to existing higher-end products
- Improve online marketing
- Invest in expanding educational program

Sales (p.17)







- Eliminate stock-outs on core products
- Expand subscriptions program



Value of these actions is \$40-80 million in incremental revenue based on typical retailers' experience generating an additional 10-20% revenue by optimizing their direct channels

DETAILS ON BEST PRACTICE CONCEPTS – OFFERING

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Entry-level products	<ul style="list-style-type: none"> • Create numismatic products that would appeal to individuals entering coin collecting and are appropriately priced <ul style="list-style-type: none"> – Potential products include an uncirculated set of core coins (penny, nickel, dime, quarter) from only one of the Mints and single versions of proof coins 	  
Packaging formats	<ul style="list-style-type: none"> • Create alternative versions of core products (e.g., proof set and silver proof set) which appeal to specific occasions <ul style="list-style-type: none"> – Examples include a birth or graduation set which would have the product year prominently displayed as well as a place for a picture, with design and artwork appropriate for the milestone occasion 	  

Levers/occasions legend

Collectors



Circulating
savers



Hobbies/
Commemorating



Travelers/
Souvenirs



Individual
gifting

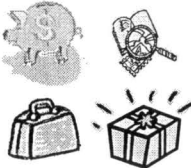


Corporate
gifting



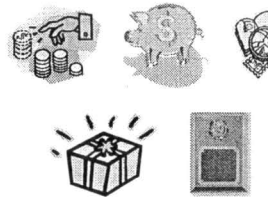
DETAILS ON BEST PRACTICE CONCEPTS – PRICING

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Consumer price points	<ul style="list-style-type: none"> • As part of the next price change, which must occur with the start of the Presidential \$1 Coin program in 2007, shift the prices of all products to those that customers are used to paying for products (e.g., \$9.99, \$24.99) <ul style="list-style-type: none"> – Though individual prices may increase or decrease, the overall margin pool from products would be kept constant – Price path can be established to suggest to customer a product migration path 	

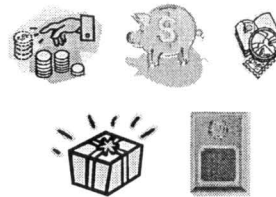

DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Direct marketing overhaul – website	<ul style="list-style-type: none"> • Redevelop website to more prominently feature e-commerce sub-site • Add occasion-based sections to the website so that a user is able to select “graduations” and is taken to a page which lists top graduation present products. A completely free-standing corporate gift section would also be appropriate <ul style="list-style-type: none"> – The product description copy needs to differ between the varying sections of the site to ensure that the product is described in a manner likely to appeal to each of the self-identified customer groups • Improve product pages <ul style="list-style-type: none"> – Add customer-developed content (product reviews) to product pages – Add sales data tracking capabilities to the website and provide select findings to consumers on the site (e.g., X% of visitors who looked at the product ended up purchasing it) • Improve customer loyalty by providing value-added services on the website so that over time customers self-select the web as their channel of choice (benefiting the Mint as it is the lowest cost channel) <ul style="list-style-type: none"> – Examples include purchase history and offering free shipping • Simplify registration process and require it to place an order • Develop a more robust customer information management system (e.g. improved address book with multiple ship to addresses, multiple credit cards stored in the system) • Add reminder system in which registered users enter birthdays, etc. and are automatically sent an e-mail when an event is approaching • Simplify process of adding a core product before completing an order • Simplify process of adding a gift box to an order • Improve search functionality on site allowing concept-based searches • Improve the online interface and the visual attractiveness of site 	

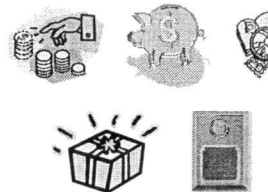

DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION (CONTINUED)

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Direct marketing overhaul – print catalog	<ul style="list-style-type: none"> • Develop a true product catalog as opposed to a comprehensive mailer <ul style="list-style-type: none"> – Romanticize the product through the copy used and pictures selected. In this catalog style, it is appropriate for key products to be given a full page spread • Facilitate cross-selling by including “Have you also considered...” sidebars which recommends complementary products that other customers have purchased along with the product being considered • Have sections of the print catalog dedicated to particular themes (e.g., gifts, commemorating life events, corporate gifts) which will include all appropriate products (as a result, products will be featured multiple times in the catalog) <ul style="list-style-type: none"> – The product description copy would need to differ between the varying sections of the catalog to ensure that the product is appealing for a self-identified customer group • Improve print catalog distribution to target more potential customers who will likely be drawn to the product by the rich presentation 	
Up-sell / cross sell / migrate	<ul style="list-style-type: none"> • Regardless of the channel by which a customer places an order, suggest at least one alternative product as an up-sell alternative and also a cross-sell product (possible lower value) • Provide customers incentives to purchase multiple products (e.g., free shipping if you also purchase an American Eagle silver coin) • Send targeted direct mail based on previous purchases to encourage customers to purchase a specific product (copy should be customized to refer to the previous purchase) • Data mine overall customer purchase data to determine popular product purchase profiles which will be used to encourage customers with similar, but incomplete, profiles to “complete the set” 	



DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION (CONTINUED)

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Online marketing	<ul style="list-style-type: none"> • Become active in paid search to ensure that the U.S. Mint is prominently suggested to any user of a search engine who is searching for a term which suggests an interest in the Mint's products (e.g., "the Mint", "coin proof set," and "presidential dollar") as well as individuals who may be interested in the Mint's offerings if they were aware of the product (e.g., gift givers) • Work with a search engine consultant to optimize the Mint's website to generate the strongest possible results on Google and other search engines and direct customers to the most appropriate section of the website • Take out banner advertisements on prominent numismatic educational sites (e.g., <i>coincollector.org</i>, <i>coinmag.com</i>) 	
Invest in expanding education program	<ul style="list-style-type: none"> • Expand focus on the education program beyond math to include history (states, the importance of the individuals, objects and symbols on coins) and science (metallurgy, how coins are made and what steps are taken to make sure the coins last) • Develop a narrow grade/age bracket to target with the materials, that would be the focus of the education program (including all subjects), while also ensuring that there is content for older students to ensure that they kept an active interest in and involvement with coins • Develop an inexpensive educational set of numismatic products that could be sold to school districts and then given out to the grade which is the target of educational program 	

DETAILS ON BEST PRACTICE CONCEPTS – SALES

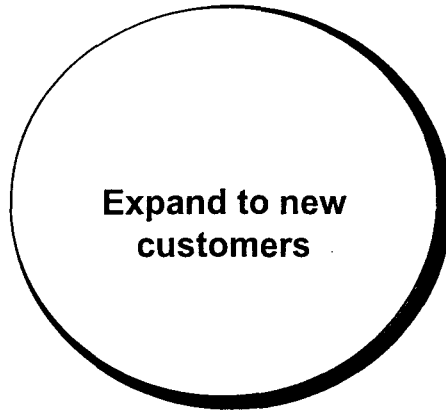
PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Production	<ul style="list-style-type: none"> • Switch to a production model which allows production to demand along with in-and-out production in order to ensure there are no stock-outs on core products <ul style="list-style-type: none"> – Bulk of a production run could be completed early on in the year (maintenance of status quo) though there would need to be the ability to engage in in-and-out short production runs based on customer demand 	
Subscription program	<ul style="list-style-type: none"> • Expand subscription program to be “value added” <ul style="list-style-type: none"> – Discount associated with the subscription – Include complimentary cases and other accessories – New subscription program for other numismatic programs (e.g., commemoratives) – Subscription program only available as a pre-order (with discount) – Add to all product pages on the website a link to easily change the order to a subscription for the product 	

FURTHER ANALYSIS AND EVALUATION IS NECESSARY BEFORE OTHER TYPICAL BEST PRACTICES COULD BE ADOPTED BY THE MINT

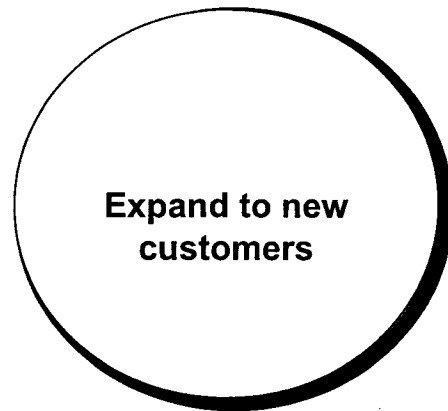
	Potential actions	Additional work required before an “in/out” decision can be made
Offering	<ul style="list-style-type: none"> • Create quality line extensions • Introduce new materials for coins • Produce and market multi-year sets 	<ul style="list-style-type: none"> • Mint must analyze customer demand for premium products (e.g., first percent of coins that come off dies, re-launch of Prestige sets) • Analyze feasibility and consistency of Mint’s mission with price discrimination • Mint must determine customer interest in potential new metals (e.g., palladium, rhodium) in order to fill a gap in the product line-up between silver and gold products • Congressional authorization required to strike a new metal coin/series • Assess compatibility with the Mint’s long-standing practice of having circulating coins only available for one year • Feasibility of storing products (and how many to set aside) must be determined
Pricing		
Advertising/ promotion		
Sales		

STRATEGY: RATIONALE TO EXPAND TO NEW CUSTOMERS



- There is a potentially large customer base that can be reached directly by the Mint through selling new products that target new occasions
- These customers are not currently being served effectively through dealers and private industry
- There is strong demand for alternative access beyond the Mint's direct channels, as evidenced by the success of coin resellers and repackagers

STRATEGY: KEY COMPONENTS TO EXPAND TO NEW CUSTOMERS



- Target special occasions
 - Build individual gifting sales through product and channel expansion
 - Target foreign tourists to expand customer base
 - Pursue corporate gifting in a limited fashion
- Expand Mint's direct retail channel
 - Build retail kiosk network to attract new customers
 - Establish eStore-within-a-store (Amazon) partnership
 - Build eBay partnership
 - Launch Coin Experience
 - Set up full Mint Store
 - Start Government Store
 - Create franchise program
- Establish Mint wholesale channel
 - Establish Mint as traditional wholesale consumer packaged goods producer to existing retailers
 - Develop store-within-a-store program with specialty retailer (e.g., Michael's)
 - Build in-store end-cap program (e.g., Hallmark)
 - Create presence in museums/parks gift shops
 - Supply direct response businesses

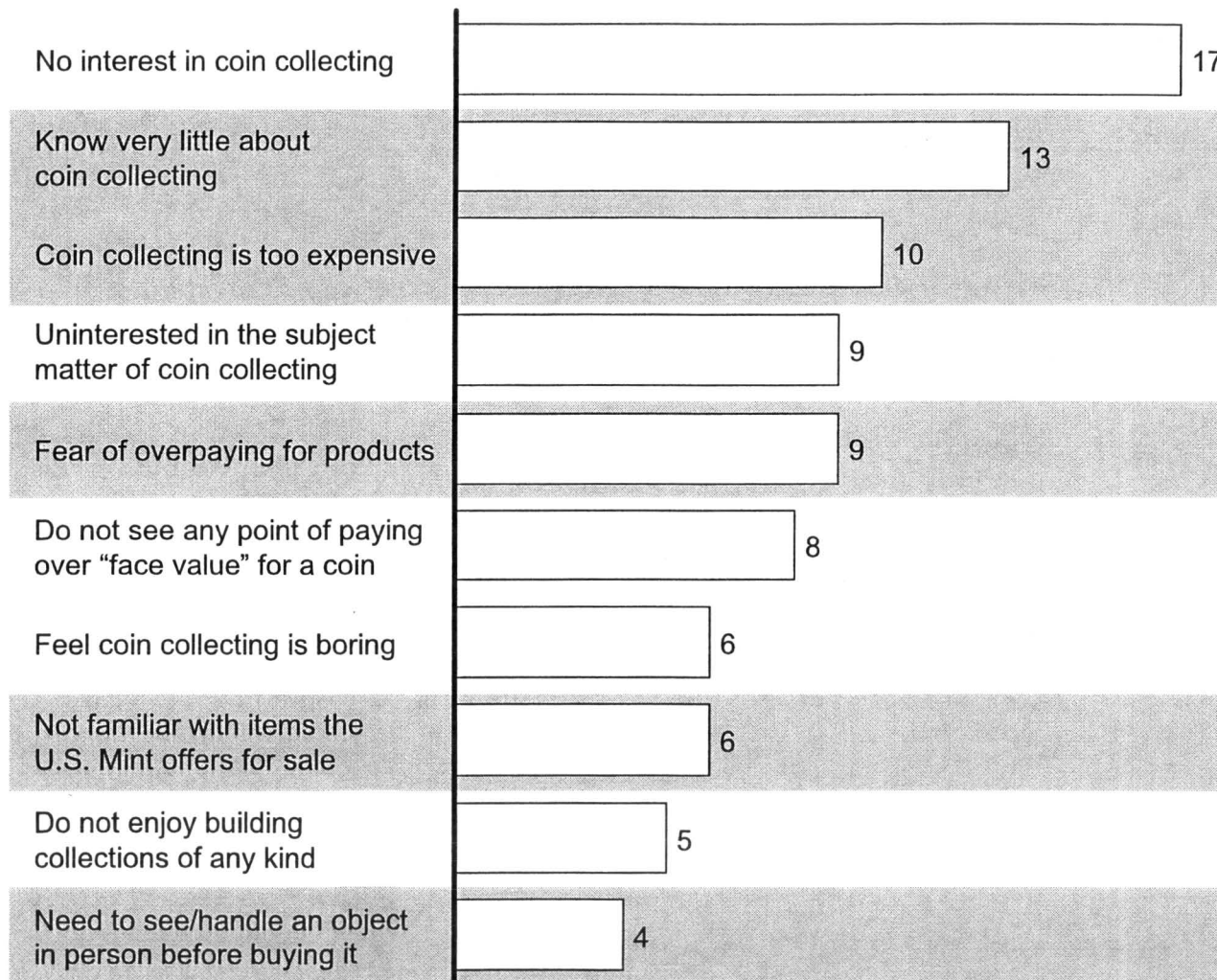
All listed components are under evaluation

- Need to determine which of these should be selected as the components of the Mint's strategy to expand its business to new customers

CURRENT CHANNELS HAVE LED TO GAPS IN CONSUMER KNOWLEDGE AND CREATED PURCHASE BARRIERS FOR NUMISMATICS

PRELIMINARY

Top purchase barrier cited by the general public
Percent of adults



Forty-two percent of respondents may be interested in numismatic products if a barrier, which can be addressed through the Mint's growth strategy, is eliminated

MINT HAS NOT TARGETED POTENTIAL OCCASIONS THAT NEW CONSUMER SEGMENTS MAY BE INTERESTED IN

Consumers gift for a variety of reasons

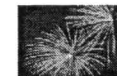
Typical gifting situations

- Annual occasions
 - Christmas
 - Birthdays
- Milestones
 - Wedding gift
 - Retirement
- Personal treat
 - Something to indulge or reward myself
- Service appreciation
 - Holiday gift for a teacher
- Reflection of me
 - Gift that reflects the giver's personality
- Reflection of you
 - Something someone would not buy for themselves
- Connoisseur
 - Something to purchase for a trend setter
- Entertaining
 - Hosting a gathering
 - Gift to bring to a dinner

Mint's Numismatic products suited for two primary types of gifting occasions

Annual

- Christmas/
Hanukkah gift
- Birthday
- Anniversary
- Mother's Day
- Father's Day
- Independence
Day



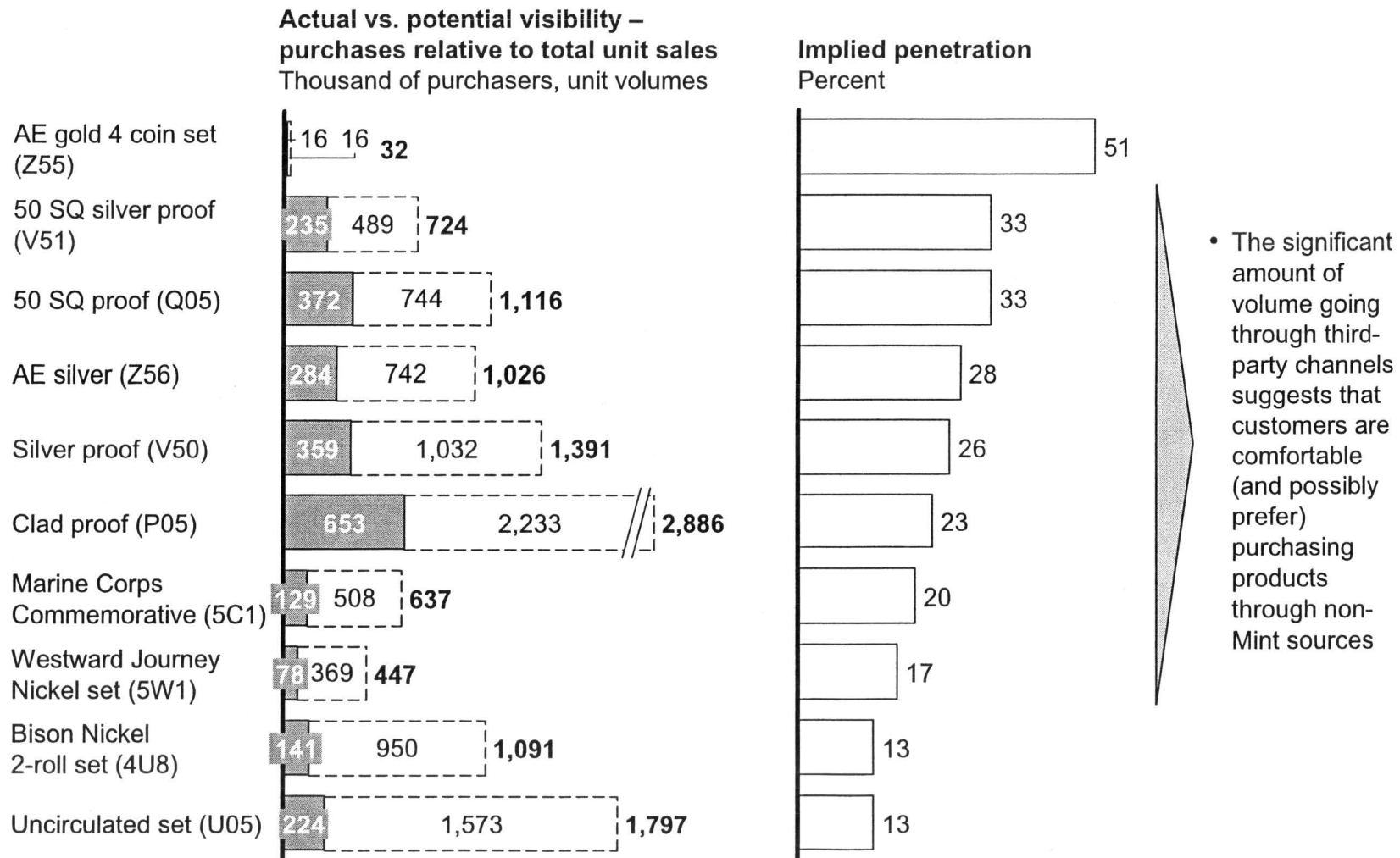
Milestones

- Birth
- Coming-of-age
(Sweet 16s,
Bar Mitzvahs)
- Graduation
- Retirement
- Weddings
- First day
of school
- Baby shower



END-USERS ARE CHOOSING TO PURCHASE PRODUCTS THROUGH NON-MINT SOURCES

PRELIMINARY



Note: Actual purchasers only include customers who purchased fewer than nine units
Source: U.S. Mint; SKU Database; team analysis

IDENTIFYING KEY COMPONENTS OF EXPANDING TO NEW CUSTOMERS

	Concept	No potential legal issues?	Consistent with mission?	Not competing w/ private sector?	15 ideas that passed initial legal, mission and competition screen
Special occasions	• Individual gifting	✓	✓	✓	
	• Foreign tourists	✓	✓	✓	
	• Corporate gifting	✓	✓	✓	
	• Auctions for scarce products	✓	x	x	
Mint through retail channel	• Kiosks	✓	✓	✓	
	• eStore-within-a-store (Amazon) partnership	✓	✓	✓	
	• eBay partnership	✓	✓	✓	
	• Coin Experience	✓	✓	✓	
	• Full Mint Store	✓	✓	✓	
	• Government Store	✓	✓	✓	
	• Franchise	✓	✓	✓	
	• Las Vegas museum / store	✓	x	x	
	• Outbound telesales	✓	x	✓	
	• Promotional activity to stimulate demand	✓	x	✓	
Mint through wholesale channel	• Traditional packaged goods producer	✓	✓	✓	
	• In-store end-cap (Hallmark)	✓	✓	✓	
	• Store-within-a-store (Michael's)	✓	✓	✓	
	• Museum/parks gift shops	✓	✓	✓	
	• Direct response	✓	✓	✓	
	• Licensing	✓	✓	x	
	• Enter adjacent product categories	✓	✓	x	
	• Domestic clearance mechanism for excess inventory	✓	x	x	
	• Fundraisers	✓	x	✓	

SPECIAL OCCASION CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS

○ Low PRELIMINARY
 ◐ Medium
 ● High

Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Individual gifting	• Place products in locations where consumers currently go to look for gifts (e.g., Red Envelope catalog, Hallmark stores)	• \$50-100+ M	●	●	◐	●
• Foreign tourists	• Sell products in airports (through duty-free shops) to target outbound foreign tourists who would be interested in souvenirs	• \$15-20 M	●	●	○	●
• Corporate gifting	• Current product assortment is marketed in corporate gift catalogs and a corporate gift section of website. Product, packaging and marketing changes likely required	• <\$10 M	◐	●	◐	◐

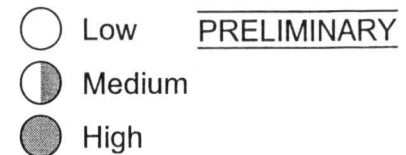
MINT THROUGH RETAIL CHANNEL CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS

○ Low PRELIMINARY
 ◐ Medium
 ● High

Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Kiosks	• Mint opens (either directly or with a partner) a network of kiosks in malls and high traffic areas to attract new customer groups	• \$5-30 M	●	●	●	●
• Coin Experience store	• Large store which in addition to products would have information on coin production, exhibits, displays of rare coins and interactive exhibits (press your own coin)	• <\$5 M	◐	◐	◐	◐
• eStore-within-a-Store	• Targeted selling via e-commerce which provides the Mint access to a website's broad customer base	• <\$5 M	◐	◐	◐	○
• eBay partnership	• Sell standard product assortment under a "Buy It Now" fixed-price arrangement	• <\$5 M	◐	◐	●	○
• Full Mint Store	• Mint opens a series of full specialty stores that sell the full line of Mint products as well as licensed products and other general numismatic products	• <\$5 M	◐	◐	●	○
• The Government Store	• Mint leads an inter-agency effort to have a store in Washington that features products from all government agencies	• <\$5 M	◐	●	◐	○
• Franchises	• Mint develops a set concept for a store and licenses out the right to run a Mint store. Owner may be able to flex format	• <\$5 M	○	◐	●	○

Source: Team analysis

MINT THROUGH WHOLESALE CHANNEL CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS





Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Traditional packaged goods producer	• Mint sells products to existing retailers who sell the product in their stores. Availability likely limited to holiday season	• \$15-20 M	●	●	◐	●
• Museum / park gift shops	• Expand existing gift shop contract to include distribution of Mint products at other sites the operator manages (e.g., national parks and museums)	• <\$5 M	●	◐	◐	◐
• In-store end-cap (e.g., Hallmark)	• Small section/end-cap of a specialty retailer is rented by the Mint which manages the section and ensures that employee knowledge is sufficient to effectively assist customers	• \$1-4 M	●	●	◐	◐
• Store within-a-store (e.g., Michael's)	• Section of a large retailer is rented by the Mint (or a third party with whom the Mint has contracted) which sets up and runs the store operations (with logistic support from host)	• \$3-6 M	◐	●	◐	○
• Direct response supplier / partner	• Partner with QVC / HSN / ShopNBC to supply them with products directly and possibly support the creative content (e.g., have Mint officials on shows)	• \$3-7 M	◐	●	○	○

Source: Team analysis

IN SUMMARY, TEAM RECOMMENDS FOUR HIGH POTENTIAL ACCESS / AVAILABILITY CASES TO DEVELOP FURTHER

Size of growth concept	Potentially large	Consider for future pursuit <ul style="list-style-type: none"> • eStore-within-a-store (Amazon) • Store-within-a-store (e.g., Michael's) 	Pursue at once <ul style="list-style-type: none"> • Individual gifting • Foreign tourists • Kiosks • Traditional packaged goods producer
	Likely small	Do not pursue or consider for future pursuit <ul style="list-style-type: none"> • eBay partnership • Full Mint Store • The Government Store • Franchises • Direct response supplier / partner 	Pursue if easy / low cost <ul style="list-style-type: none"> • Corporate gifting • Coin Experience / flagship store • In-store end-cap • Museum / parks gift shop
		Moderate or less	High and Moderate/High
Political feasibility of growth concept			

 Full business cases to be developed

 Mint takes actions to proceed

 No further action

STRATEGY: RATIONALE TO ENTER INTERNATIONAL MARKETS



- There is a significant market of coin collectors outside the U.S. who could be integrated into the Mint's core customer base
- As there will be competition in this space from foreign Mints, there is an advantage to being the first mover and become established in the space
- These customers are not currently targeted through the Mint's marketing efforts or channels
- The Mint could enter these new markets with relatively low risk; these markets account for the bulk of growth for other packaged goods

STRATEGY: KEY COMPONENTS ENTER INTERNATIONAL MARKETS



- Expand product offering
 - Develop new products which target international customers
 - Design program to dispose of excess inventory overseas
- Create Mint presence in retail channels
 - Build robust international dealer trade show program
 - Establish partnerships with foreign mints to sell products through foreign mints in exchange for selling foreign products through retail locations
- Expand Mint's wholesale channel
 - Establish third party master distributor agreements
 - Implement direct response supplier / partner model
 - Sign an international master licensee agreement

All listed components are under evaluation

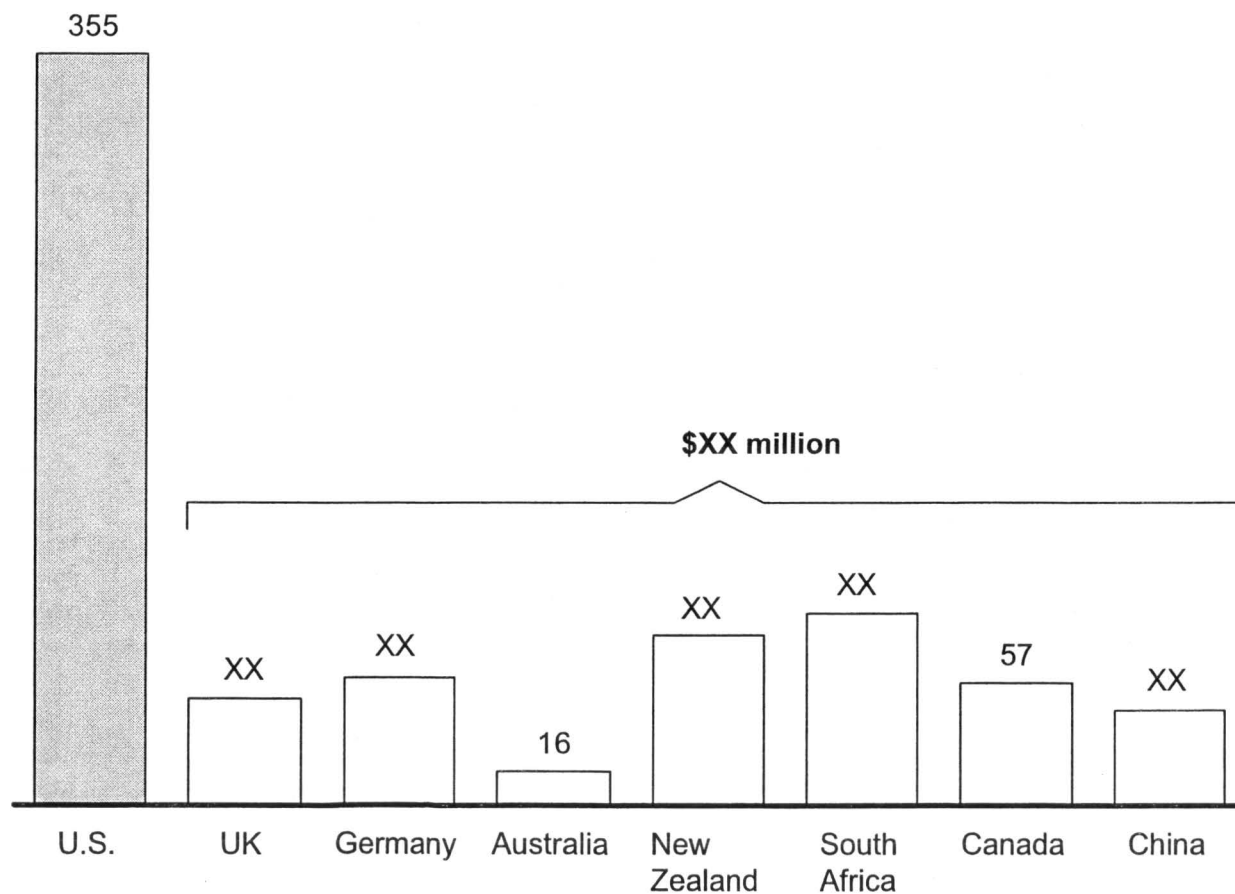
- Need to determine which of these should be selected as the components of the Mint's strategy to expand its business to new customers

THE INTERNATIONAL MARKET OF COIN COLLECTORS IS SIGNIFICANT AND MAY BE AS LARGE AS THE U.S.

ILLUSTRATIVE

2005 numismatic revenue

\$ M



- Numismatic revenue by the top international mints is greater than the U.S. Mint, suggesting a substantial overseas market
- The Mint is currently not actively targeting this market through any marketing efforts or channels

SEVEN CONCEPTS COULD BE USED TO TARGET INTERNATIONAL CORE COIN COLLECTORS

		Ideas that we are exploring	Description
Target international core collectors	Product offering	• Develop new products which target international customers	• Mint creates new products which primarily target international customers (while being available domestically) with themes that appeal to target audience (e.g., Seven Wonders of the World, America as a symbol of freedom)
		• Design program to dispose of excess inventory overseas	• Stay consistent with Mint's practice of having dated products available for sale in domestic markets for only one year but lessen melt-down by selling previous years' Mint products using an assortment of distribution strategies
	Mint through retail channel	• Build robust international dealer trade show program	• Mint expands presence at targeted international dealer shows with a table and full product line on display with goal of both selling products at the show and taking dealer orders to be fulfilled throughout the year
		• Establish partnerships with foreign mints to sell products	• Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in the Mint's retail locations and potentially the website
	Mint through wholesale channel	• Establish third party master distributor agreements	• Mint contracts with an international partner to promote, distribute, and sell Mint products in locations worldwide. Third party can further contract with retailers
		• Implement direct response supplier / partner model	• Mint partners with direct response channels (e.g., HSN or QVC) to sell products on their international television channels
		• Sign an international master licensee agreement	• Mint partners with a third party to run all international activity. Includes distribution and product development (limited to reformatting/packaging existing products)

NEXT STEPS

BASED ON RECOMMENDATION

Refine overall strategy

- Move forward with all Strengthening the Core recommendations
- Explore in-depth the four recommended Expand to New Customers concepts
 - Individual gifting
 - Foreign tourists
 - Kiosks
 - Traditional packaged goods producer
- Move forward with four smaller Expand to New Customers concepts
 - Corporate gifting
 - Coin Experience / Flagship store
 - In-store end-cap
 - Museum / parks gift shop
- Complete evaluation for Enter International Markets
 - Determine the priority geographies to enter
 - Set order of entry
 - Assess how to enter the geographies (based on limited information on foreign regulations)
- Determine integration between components of the strategy
 - Sequencing of opportunities
 - Potential synergies

Create high-level implementation plan

- Assess existing capability fit
- Identify key capabilities to develop
- Build critical path to implementation along with estimated lead-times for activities
- Determine questions which need to be answered prior to a final go/no-go decision

CONFIDENTIAL

Emerging Numismatic Strategy



Phase II Deliverable Support Materials
August 11, 2006

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CONTENTS

- **Description of all growth concepts**

- Details on concept sizing
- Profile of top growth concepts

CONCEPT DESCRIPTIONS – OPTIMIZING EXISTING PORTFOLIO

Growth concept	Description
<ul style="list-style-type: none"> • Leverage traditional consumer price points 	<ul style="list-style-type: none"> • Adjust current price points to more traditional price points (\$19.99), potentially at higher prices than currently offered
<ul style="list-style-type: none"> • Proactive up-sell/cross-sell/migration 	<ul style="list-style-type: none"> • Create and implement incentives to actively promote currently available add-ons and upgrades to customers
<ul style="list-style-type: none"> • Enhance subscriptions program 	<ul style="list-style-type: none"> • Provide incentives to customers to encourage them to join the Mint subscription program operating today (e.g., unit discounts for subscriptions, bonus gifts)
<ul style="list-style-type: none"> • Develop entry/starter kit products 	<ul style="list-style-type: none"> • Create low-end products designed to attract new collectors to numismatics (e.g., Uncirculated coin set from only one mint at \$4.95)
<ul style="list-style-type: none"> • Overhaul product presentation in direct channels – website 	<ul style="list-style-type: none"> • Utilize private sector best practices to update how Mint products are displayed on the website and other components of the website (e.g., concept-based sections)
<ul style="list-style-type: none"> • Overhaul product presentation in direct channels – print catalog 	<ul style="list-style-type: none"> • Utilize private sector best practices to update how Mint products are displayed in direct mail and other components of the catalog (e.g., complementary products)
<ul style="list-style-type: none"> • Produce to actual demand 	<ul style="list-style-type: none"> • Use improved order and information management, including pre-sales, to better predict demand and deliver based on smoother production runs
<ul style="list-style-type: none"> • Improve online marketing 	<ul style="list-style-type: none"> • Create an orchestrated marketing campaign for the US Mint on the internet, including banner ads on numismatic websites, targeted Google search term ads
<ul style="list-style-type: none"> • Invest in expanding educational program 	<ul style="list-style-type: none"> • Develop targeted program for youth and potential collectors to promote numismatics and inform them of inauthentic products
<ul style="list-style-type: none"> • Quality line extension (with product auctioned) 	<ul style="list-style-type: none"> • Set aside product that is notably distinctive (e.g., first strike coins) and offer it to the public through special auctions

CONCEPT DESCRIPTIONS – OPTIMIZING EXISTING PORTFOLIO (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> Multi-year sets 	<ul style="list-style-type: none"> Make available in the middle or end of theme-based special program (50 State Quarters, Presidential dollars) all years of the product that have been made
<ul style="list-style-type: none"> New materials for coins 	<ul style="list-style-type: none"> Expand assortment of precious metals used in American Eagle program and commemoratives (e.g., palladium, rhodium) and bi-metal products
<ul style="list-style-type: none"> Existing products in new formats 	<ul style="list-style-type: none"> Make current products only available in certain sets available in new combinations (e.g., individual proofs of the Presidential dollar coins)
<ul style="list-style-type: none"> Services 	<ul style="list-style-type: none"> Mint offers services for a fee to customers. Potential services include grading/authenticating (either limited to new Mint products or more broadly), colorization/metal plating of coins, and detailed production run status information
<ul style="list-style-type: none"> Excess inventory disposition 	<ul style="list-style-type: none"> Products outside or right at the end of their life-cycle are sold to a third party at a significant discount off list price. The third party then resells the product through the secondary market, potentially at below the original list price
<ul style="list-style-type: none"> Value based pricing 	<ul style="list-style-type: none"> Product prices are changed (likely increased) to better reflect customers' willingness to pay
<ul style="list-style-type: none"> Prepare for success with upcoming special programs 	<ul style="list-style-type: none"> Engage in promotional activities and tweaks to the product to ensure a successful launch to the Presidential \$1 Coin, which will be required for program to fill the revenue gap that will appear when the 50 State Quarter Program expires in 2008
<ul style="list-style-type: none"> Expand and improve capabilities of product development group 	<ul style="list-style-type: none"> Expand role of group to include greenfield program idea generation (based on customer input), developing specific products based on new/existing legislation and identify unmet needs for packaging formats of existing product. Likely staff profile changes to best perform the expanded responsibilities

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS

Growth concept	Description
<ul style="list-style-type: none"> • Build network of kiosks 	<ul style="list-style-type: none"> • Mint sells products to a third party which then runs kiosks that feature Mint products (potentially along with other numismatic products). Kiosks are located in high traffic locations that attract new customer groups.
<ul style="list-style-type: none"> • Target individual gifting occasions (annual/milestones) 	<ul style="list-style-type: none"> • Place products in locations where consumers go to look for gifts (e.g., Red Envelope catalog, Hallmark store). Advertising/packaging support may be required
<ul style="list-style-type: none"> • Sell in airport kiosk/duty free shops 	<ul style="list-style-type: none"> • Sell products in airports to target outbound foreign tourists who would be interested in souvenirs
<ul style="list-style-type: none"> • Direct response supplier/ partner model 	<ul style="list-style-type: none"> • Partner with QVC / HSN / ShopNBC to supply them with products directly and possibly support the creative content (e.g., have Mint officials on the show)
<ul style="list-style-type: none"> • eStore-within-a-store (e.g., Amazon) 	<ul style="list-style-type: none"> • Targeted selling via e-commerce which provides the Mint access to a website's broad customer base
<ul style="list-style-type: none"> • eBay store/auctions 	<ul style="list-style-type: none"> • Special (e.g., first strike) Mint products auctioned off. Could also sell standard product assortment under a "buy it now" fixed-price arrangement
<ul style="list-style-type: none"> • Mint end-cap at specialty retailers 	<ul style="list-style-type: none"> • End-cap of a specialty retailer is rented by the Mint which manages the section and ensures that employee knowledge is sufficient to effectively assist customers
<ul style="list-style-type: none"> • Open stores-within-a-store (e.g., retail banks, telecom model) 	<ul style="list-style-type: none"> • Section of a large retailer (e.g., Wal-Mart) is rented by the Mint (or a third party with whom the Mint has contracted) which sets up and runs the store operations (with logistic support from the retailer)
<ul style="list-style-type: none"> • Become a packaged goods supplier (e.g., seasonal in-and-out at Target) 	<ul style="list-style-type: none"> • Mint sells products to existing retailers who sell the product in their stores

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> Expand existing relation with operator of gift shops 	<ul style="list-style-type: none"> Allow operator of the gift shops to sell products in their other retail outlets (which for Delaware North includes national parks, airports and sports arenas/stadiums)
<ul style="list-style-type: none"> Target corporate gifting occasions 	<ul style="list-style-type: none"> Current product assortment is marketed in corporate gift catalogs. Additional products along with changes in packaging/marketing may be required
<ul style="list-style-type: none"> D.C. Coin Experience store 	<ul style="list-style-type: none"> Large store which would include information on coin production, exhibits, displays of rare coins and interactive exhibits (press your own coin)
<ul style="list-style-type: none"> Franchises 	<ul style="list-style-type: none"> Mint develops a set concept for a store and then licenses out the right to run a Mint Store. Level of conformity with the concept is flexible (e.g., stores could be allowed to also sell non-current numismatic products)
<ul style="list-style-type: none"> Full Mint Store 	<ul style="list-style-type: none"> Mint opens a series of full specialty stores that sell the full line of Mint products as well as licensed products and other general numismatic products
<ul style="list-style-type: none"> Fundraisers 	<ul style="list-style-type: none"> Mint develops special products (based on existing coins) or new package formats which promote a non-profit's interest (e.g., cancer awareness). Product has a surcharge which benefits the non-profit; Mint gets access to new customer groups
<ul style="list-style-type: none"> Las Vegas Museum/store 	<ul style="list-style-type: none"> Mint partners with a casino proprietor to open and operate a coin museum that would feature new and historical products. Museum's gift shop would include Mint products (similar to Philadelphia and Denver Mints)
<ul style="list-style-type: none"> Outbound telesales 	<ul style="list-style-type: none"> Call center would be expanded to support an outbound capability, whereby inactive customers (and potentially non-customers) would be called and offered the opportunity to purchase Mint products

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> • Auction on scarce products 	<ul style="list-style-type: none"> • For products which are expected to be in short supply and sell-out rapidly (e.g., commemoratives, anniversary sets), auction off the right to purchase the product (at the list value). Auction approach could be a Dutch auction, where individuals submit advanced bids and the minimum “accepted” price (the price which clears all inventory) is the price all bidders pay
<ul style="list-style-type: none"> • New product categories 	<ul style="list-style-type: none"> • Mint develops (or licenses to develop) products in adjacent spaces and then sells the products through official Mint channels. Examples include display cases, jewelry and colored coins)
<ul style="list-style-type: none"> • Licensing 	<ul style="list-style-type: none"> • Mint licenses out rights to develop certain types of products. Could be core numismatic products that are packaged differently (e.g., rolls of proof coins) or products in adjacent spaces
<ul style="list-style-type: none"> • Traditional demand stimulation promotions 	<ul style="list-style-type: none"> • Mint conducts promotions (e.g., free shipping, uncirculated set for \$4.99 with a \$200 purchase) or straight discounts on products (Silver Proof Set for \$29.99). Promotions done to drive traffic during down times or clear inventory of products nearing the end of their life-cycle
<ul style="list-style-type: none"> • The Government store/The Money store 	<ul style="list-style-type: none"> • Mint leads an inter-agency effort to open up a store in Washington that features products from multiple government agencies. The Government Store would feature products from all agencies that were interested in being involved, while The Money Store would be a smaller effort between the Mint, Bureau of Engraving and Printing and the Federal Reserve

CONCEPT DESCRIPTIONS – EVALUATE INTERNATIONAL OPPORTUNITIES

Growth concept	Description
<ul style="list-style-type: none"> Partnership with foreign mints 	<ul style="list-style-type: none"> Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in their retail locations
<ul style="list-style-type: none"> Third party master distributor agreement 	<ul style="list-style-type: none"> Mint contracts with an international partner to promote, distribute, and sell Mint products in locations worldwide. Third party can further contract with retailers
<ul style="list-style-type: none"> International excess inventory disposition model 	<ul style="list-style-type: none"> Leverage international exclusion from statutory restriction prohibiting sales of previous year's Mint products using an assortment of distribution strategies
<ul style="list-style-type: none"> Direct response supplier / partner model 	<ul style="list-style-type: none"> Mint partners with direct response channels (e.g. HSN or QVC) to sell products on their international television channels
<ul style="list-style-type: none"> International dealer trade show model 	<ul style="list-style-type: none"> Mint expands presence at targeted international dealer shows with a kiosk and full product line with goal of both selling products at the show and taking dealer orders to be fulfilled throughout the year
<ul style="list-style-type: none"> Develop new products which target international customers 	<ul style="list-style-type: none"> Mint creates new products which primarily target international customers (while being available domestically) with themes that appeal to target audience (e.g., seven wonders of the world, America as a symbol of freedom)
<ul style="list-style-type: none"> International master license agreement 	<ul style="list-style-type: none"> Mint partners with a third party to run all international activity. Includes distribution and product development (limited to reformatting/packaging existing products). Products would be a licensed product, which could be imported back to the U.S.

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SIZING “EXPAND TO NEW CUSTOMERS” GROWTH CONCEPTS

PRELIMINARY

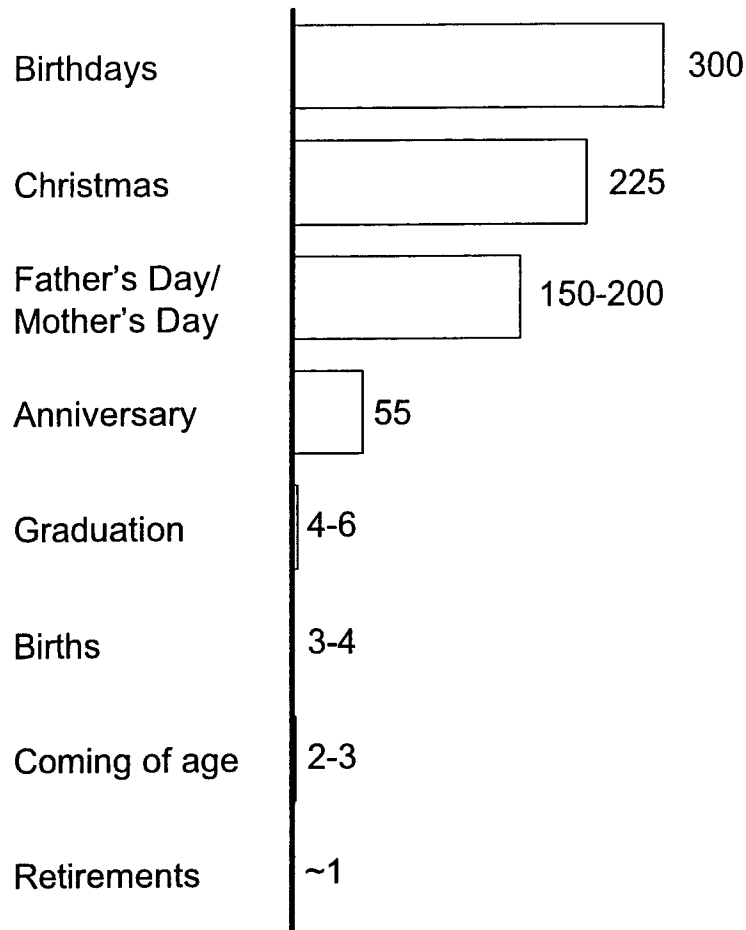
	Concept	Size	Key assumptions
Special occasions	• Individual gifting	• \$50-100+ M	<ul style="list-style-type: none"> • Gifting is an \$80 billion market and with 700 million trigger events for gifts where numismatics would be suitable, 1% share would bring in \$210 million • The Mint likely already captures a portion of that 1%
	• Foreign tourists	• \$15-20 M	<ul style="list-style-type: none"> • Benchmark against duty free experience of other similar consumer packaged goods companies • Analysis of foreign tourists to the U.S. and likely penetration by region origin suggests a 600,000 person market
	• Corporate gifting	• < \$10 M	<ul style="list-style-type: none"> • Benchmark on revenue of largest consumer packaged goods player in corporate gifting space • Analysis of the share of the \$1.2-1.8 billion space Mint could likely capture
Mint through retail channel	• Kiosks	• \$5-30 M	<ul style="list-style-type: none"> • Nationwide network of ~50 kiosks possible • Sales at average kiosk likely to be around half of Union Station's, with a similar (75%) amount of incremental purchases
	• eStore-within-a-Store	• <\$5 M	<ul style="list-style-type: none"> • Impulse purchases would be rare on eStores such as Amazon given that audience is typically not looking for products in the space
	• eBay partnership	• <\$5 M	<ul style="list-style-type: none"> • Little incremental revenue as product currently available through secondary market • Gain comes from additional future purchases of Mint products based on direct marketing
	• Coin Experience	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (beyond one) limits upside • Benchmark against typical retail sales for similar store formats
	• Full Mint Store	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (5?) limits upside • Benchmark against typical retail sales for similar store formats • Significant operating/outsourcing costs
	• The Government Store	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (beyond one) limits upside • Benchmark against typical retail sales for similar store formats
	• Franchises	• <\$5 M	<ul style="list-style-type: none"> • Revenue is channel shift from current market • Increased credibility gains from the Mint's involvement is the only source of new revenue
Mint through wholesale channel	• Traditional packaged goods producer	• \$15-20 M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Target • Validation through bottoms-up analysis of kiosk product sales for those product that would be sold in Target
	• In-store end-cap (e.g., Hallmark)	• \$1-4 M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Hallmark
	• Store within a store (Michael's)	• \$3-6+ M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Michael's • Validation through sales of moderate assortment of non-gold products at kiosks
	• Museum / park gift shops	• <\$5 M	<ul style="list-style-type: none"> • Identification of likely distribution sites • Estimated sales per site based on performance at current sites
	• Direct response supplier / partner	• \$3-7 M	<ul style="list-style-type: none"> • Face value of new coin sales on the networks is estimated at \$17-35 million • Mint profits from partnership by charging a service fee where the Mint helps the network with content and by increasing sales based on the Mint's involvement increasing credibility

Source: Team analysis

SIZING GROWTH CONCEPTS – INDIVIDUAL GIFTING (\$50-100 MILLION+)

Underlying unique purchase triggers

Rationale/source



- U.S. population
- 75% Christian
- 55 married households
- 45 single/other
- 55 million married households
- High school/post secondary
- Census cohorts
- Census cohorts
- Estimate

- 1% of estimated 700 million trigger events at \$30/average purchase = \$210 million
- Conservatively, assuming Mint already captures half of the Mint's potential demand for gifts, could be \$100 million incremental
- Mint would be a boutique player in the context of an \$80 billion overall market

SIZING GROWTH CONCEPTS – FOREIGN TOURISTS (THROUGH DUTY-FREE) (\$15-20 MILLION)

PRELIMINARY

■ DFS presence

U.S. Destinations	Share of foreign visitors	Number of visitors purchasing a numismatic product*	Sales from tourists (one proof set)
• New York	• 27%	• 205,000	• \$4,966,000
• Los Angeles	• 12%	• 91,000	• \$2,085,000
• San Francisco	• 10%	• 75,000	• \$1,717,000
• Miami	• 10%	• 73,000	• \$1,682,000
• Orlando	• 9%	• 71,000	• \$1,630,000
• Oahu/Honolulu	• 8%	• 64,000	• \$1,472,000
• Las Vegas	• 8%	• 63,000	• \$1,437,000
• Washington, DC	• 5%	• 39,000	• \$894,000
• Chicago	• 5%	• 38,000	• \$876,000
• Boston	• 4%	• 28,000	• \$648,000
• Atlanta	• 3%	• 20,000	• \$456,000
• San Diego	• 2%	• 18,000	• \$403,000
• Tampa	• 2%	• 16,000	• \$368,000
• Philadelphia	• 2%	• 15,000	• \$350,000
Total		815,000	\$18,713,000

- DFS, the leading** duty-free retailer in the world, is present in 4 of the top 6 markets
- Other two markets are controlled by Alpha duty-free and independent retailers

* Based on 1.84% of visitors purchasing a numismatic product

** As of 1992

Source: U.S. Office of Travel and Tourism Industries; DFS website; team analysis

SIZING GROWTH CONCEPTS – CORPORATE GIFTING (\$3-9 MILLION)

Top-down

- The corporate gifts space (excluding production/ giveaways) is \$1.8 billion annually
- There are 3 areas of companies to corporate gifts – recruiting, employees and clients. We assume the 3 areas are equally sized
- The only area which the Mint could be competitive in is employees, thus a \$600 million space
- Mint products are well situated for this space; the target price point is \$35-100
- All things considered, including the high fragmentation of the market, the Mint could capture between 0.5% and 1.5%
- This market share is worth \$3-9 million in annual revenue

Bottom up

- The major corporate gifting occasion that the Mint's products would be compelling for is retirement of employees
- It is estimated that 1 million individuals retire each year
- The Mint, it is assumed, could capture 5% of these individuals, or 50,000 customers
- At \$100 per product, this is worth \$5 million

Check – Existing player

- Tiffany's is one of the major players in the corporate gift space
- Tiffany's reported in their annual report that 2 percent of revenue came from business-to-business, sales which is entirely corporate gifting
- In 2005, Tiffany's reported \$2.4 billion in revenue, meaning \$48 million in corporate gifts
- This is consistent with a Mint estimate of \$3-9 million

SIZING GROWTH CONCEPTS – KIOSKS (\$5-30 MILLION)

Methodology

Low range

Revenue of average Mint-based kiosk **X** % of incremental sales **X** # of locations

High range

Revenue of average kiosk **X** % of incremental sales, **X** # of locations **X** expected penetration rates

Key assumptions

- Based on Union Station kiosk, revenue performance could be \$1 million annually. Assumed that Mint city kiosks will match this at \$1 M, while other kiosks will match half, at \$500 K annually
- Based on Union Station survey, approximately 75% of sales revenue is incremental (team estimate)
- There are 5 more Mint city locations that could house a kiosk focused on education and Mint awareness
- There are 1,100 indoor malls and 1,460 museums in the U.S.
- Successful penetration rates range from 3-5% for malls plus 5-10 museum locations

Types of locations	Expected penetration rate	Implied locations	Revenues \$ Millions
Mint city kiosks	n/a	5	4
Indoor shopping malls	3-5%	30-50	12-20
Museums	<1%	5-10	2-4

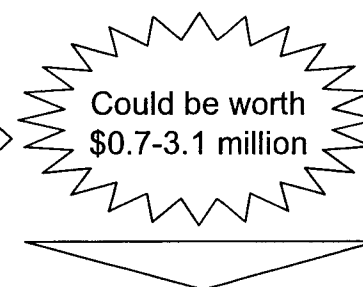
Range is based on implementing the most conservative, mission-based kiosk concept (Mint city locations) ranging to the full variety of kiosk types

Total
\$5 MM-
\$28 MM

- Mint could run kiosks on own
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

SIZING GROWTH CONCEPTS – eSTORE-WITHIN-A-STORE (<\$5 MILLION)

Rationale/estimating components	Methodology	Implied size \$ Millions
Impulse self	(Number of U.S. coin collectors/total U.S. population) \times number of Amazon customers \times estimate of Mint sitelet traffic \times purchasers' yield size of average order	0.1-0.6
+	+	
Impulse gift	(Number of U.S. non-coin collectors/total U.S. population) \times number of Amazon customers \times conversion rate \times size of initial order	0.6-2.5
+	+	
Other (e.g., customer acquisition)	Unknown	



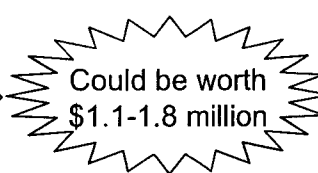
This would likely not be enough from Amazon's perspective

- Amazon probably requires at least \$10-15 million in top-line revenue
- Amazon takes 15% return from top-line revenue

Key assumptions/data

- Total U.S. population is 300 million
- Average online Mint order size is approximately \$50
- Number of U.S. coin collectors is 3 million (team estimate)
- Mint sitelet traffic would be 10-20% (team estimate)
- Purchaser yield would be 10-20% (team estimate)
- Non-collector conversion rate would be 0.01-0.03% (team estimate), due to Amazon status as book and music dealer (70% of sales) and destination website
- Average non-collector order size would be \$20-30

SIZING GROWTH CONCEPTS – EBAY PARTNERSHIP (<\$5 MILLION)

Rationale/estimating components	Methodology	Implied size \$ Millions	
Mint endorsement	Current new issue U.S. coin market on eBay (X) increase in sales stemming from Mint endorsement (X) eBay commission (X) share paid to Mint	0.1-0.2	
Acquisition of new customers	(Number of new issue U.S. coin items sold on eBay/number of items per customer)(X) Mint marketing response rate (X) size of average online Mint order	1-1.6	
Share of existing sales	Current new issue U.S. coin market on eBay (X) percent of sales from traditional Mint products (X) percent of sales captured by eBay-Mint store front	6.3-13.4	<ul style="list-style-type: none"> • Solely a one time jump from stealing eBay dealer market share • Not sustainable beyond first year
Key assumptions/data <ul style="list-style-type: none"> • Total new issue coin market on eBay is \$51 million (including bullion) • Total new issue U.S. coin market on eBay is \$21 million (excluding bullion) • New issue U.S. coin items sell approximately 300,000 items annually • The U.S. Mint response rate to marketing is 20% • The size of the average U.S. Mint online order is \$50 • eBay sales of products offered by the U.S. Mint is 60-80% of total coin sales (team estimate) • Sales that captured by a U.S. Mint store front would be 50-80% (team estimate) • Sales would increase by 50-100% of current due to Mint endorsement on eBay (team estimate) • eBay would require 2.5% payment on all transactions (team estimate) • Of this, the Mint could claim 50% as revenue, in return for driving traffic and lending credibility 			

Source: eBay; US Mint; McKinsey analysis; team analysis

SIZING GROWTH CONCEPTS – COIN EXPERIENCE, FULL MINT STORE, THE GOVERNMENT STORE (<\$5 MILLION)

Coin experience

- Based on other similar concepts, there would be about 500 visitors per day to the store
- Assuming a 50% conversion-to-purchase rate (as individuals may choose to simply view the exhibits, etc.) this would yield 250 purchases per day
- At \$50 per purchase, this is \$12,500 in daily revenue
- 300 operational days (closed one day a week)

- Estimate annual revenue generated:
~\$4 million

Government Store

- Based on the performance of other similar retail concepts, there would be about 3,000 visitors per day to the store (significant variation possible depending on store location, etc)
- Assuming a standard 50% conversion rate (for any product), there would be 1,500 purchasers per day, and estimate that the Mint would capture 10% of those or 150 purchases per day
- At \$30 per purchase (lower given the collection of products available), this is \$4,500 in daily revenue
- 300 operational days (closed one day a week)

- Estimate annual revenue generated:
~\$1.5 million

Full Mint Store

- Based on sales at the Union Station kiosk, estimate each store would sell between \$1 and \$2 million in products annually
 - Figures align with typical revenue from specialty retail stores
- Union Station data suggest about half of all sales would be incremental, meaning an incremental revenue of \$500,000 to \$1 million per store
- Concept would be expensive to operate and require a large population to support; as such concept is limited to at most 5 sites

- Estimate annual revenue generated:
~\$2.5-5 million

SIZING GROWTH CONCEPTS – FRANCHISES (<\$5 MILLION)

Size of space

- The Mint currently does not have a compelling retail format to offer to individuals interested in franchising the Mint's concept. As such, it is likely that the only parties interested in franchising would be existing dealers
- Analysis of the Mint's sales data through its direct channels indicates that dealers purchase between \$75 million and \$225 million of Mint product
- Based on other retailer's experience, it is anticipated that approximately one-third of all dealers would opt for the franchise concept, leading to \$25-75 million in revenue through the franchises

Ways Mint could profit from partnership

- ① Mint would capture standard franchisee fees as a result of the relationship
 - Initial fee of ~\$25,000. This level is not included in the revenue generated by the concept given its one-time nature
 - 4% royalties. Based on the estimate of \$25-75 million in revenue by the franchisees, this yields about **\$1-3 million in incremental revenue**
- ② Based on the enhanced credibility of the channels (as a result of the Mint's involvement), there is the potential for incremental sales. However, given the lack of a compelling format, it is likely that any incremental revenue an individual franchise receives (as compared to its pre-franchise state) would be channel shift from other dealers. As such, no true incremental revenue is anticipated

Total value: \$1-3 million

SIZING GROWTH CONCEPTS – SEASONAL IN-AND-OUT AS A TRADITIONAL PACKAGED GOODS MANUFACTURER (\$15-20 MILLION+)

Top-down

- Target has ~1,500 stores in the U.S.
- With annual revenue of about \$50 billion, this works out to \$38 million per store
- In the 3 months the product would be in-stores (October-December), Target does \$12 million in sales (higher than average due to holidays)
- With an average basket of \$40, there are 300,000 customers to each Target during the 3 month window
- Customers average ~1 visit per week, leading to 30,000 unique customers
 - Check on 30,000 customers: In the U.S., Target has 30-60 million unique customers. On a per store basis, this works out to 20,000-40,000
- Assuming a 2% penetration of customers, there will be 600 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), measuring \$18,000 per store
- Target will not put the product in all stores; assuming 1,000 stores, this yields a growth opportunity of \$18 million

Bottom-up

- Assume Target would only carry 3 products – uncirculated set, clad set and American Eagle Silver
- For the 3 months in-stores each store would sell at the same rate as the headquarters kiosk yielding \$19,500 in sales per store (\$2,000 in uncirculated sets; \$7,000 in clad sets; \$10,000 in American Eagle Silver)
- With 1000 stores, total sales would be \$19.5 million at current Mint prices, potentially lower due to discounted wholesale price to target

Opportunity could be significantly bigger if the product were in more stores and stocked year-round

SIZING GROWTH CONCEPTS – HALLMARK END-CAPS (\$1-4 MILLION)

Top-down

- Hallmark has ~3,000 stores in the U.S.
- Card/gift stores average \$300,000 - \$1 million revenues per store
- Assuming an average basket of \$30, there are 10,000-30,000 annual visits to each Hallmark
- If customers average 5-10 visits per year, we can assume 1,000-7,000 unique customers
- Assuming a 2% penetration of customers, there will be 20-130 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), yielding \$600-\$4,000 per store
- Since Hallmark is franchised, participation of all stores is not guaranteed. Assuming 1,000 stores, this yields a growth opportunity of \$1-4 million

Opportunity could be significantly larger if the product were in more stores (e.g., other retailers)

SIZING GROWTH CONCEPTS – STORE-WITHIN-A-STORE THROUGH MICHAEL'S (\$3-6 MILLION)

Top-down

- There are ~900 Michael's locations across the United States
- Stores average \$4 million in revenues per store
- For specialty retailers such as Michael's, an average basket size of \$60 per visit is typical, meaning there are 67,000 purchases per day
- With a customer averaging a trip once every six weeks, this means there are approximately 8,000 unique customers per year at each Michael's
- Given the customer base at Michael's along with the prominence of the store-within-a-store, it is anticipated that the Mint's penetration would be higher than through other retail channels and is estimated at 2-3%, and for each of these customers, 2 purchases per year is assumed
 - Result would be between 330 and 500 purchases made per year
- With a full product range excluding American Eagle Gold and Platinum, the average ticket would be lower than what is observed through the existing retail channels, and is estimated to be ~\$40
 - This would result in \$13,000-\$20,000 per store revenue
- Given the geographic overlap of the stores, it is anticipated that the Mint would choose to put a store-within-a-store in no more than 300 locations
 - This would result in \$4-6 million in revenue

Bottom-up

- Store-within-a-store would likely carry virtually the entire product line except for AE Gold and Platinum, and potentially the commemorative coins (due to logistics/fairness concerns)
- Assume that the share of purchases that are incremental is consistent with Union Station and Headquarters, meaning one-quarter of all purchases were true incremental purchases*
- Given that Michael's is not a destination for coins, it is estimated that between one-quarter and one-half of the sales revenue of the headquarters kiosk would be done by each store
 - This results in between \$10,000 and \$20,000 per store-within-a-store in annual revenue
- Based on 300 locations, this would yield \$3-6 million in incremental revenue


Opportunity could be significantly larger if the product were in more stores (e.g., other retailers)

* Customers who reported that they would not have gone elsewhere and that it was an impulse purchase
Source: Michael's annual report; U.S. Mint; McKinsey analysis; team analysis

SIZING GROWTH CONCEPTS – MUSEUM/PARK GIFT SHOPS (<\$5 MILLION)

Overview on approach

- The only feasible way for Mint products to be sold in museum and park gift shops is for it the gift shop proprietor at those locations to be the same as the Mint's contracted partner which operates the Philadelphia and Denver gift shop
 - As a result, the market sizing is entirely dependent upon the full site management roster of the company which operates the Mint's gift shops
 - This sizing is based upon the Mint's current partner, Delaware North; selection of a new partner to run the gift shops would require resizing this concept based on the new proprietor's roster

	Description	Number of locations	Range of sales*	
Museums	• <i>Delaware North has no museums in its portfolio</i>			 <p>Growth opportunity could be \$1-\$3.5 million</p>
National Parks (Large)	• Parks with > 4 million annual visitors	• 3 (Yosemite, Grand Canyon, Niagara Falls)	• \$125,000-\$500,000	
National Parks (Other)	• Parks with 1-4 million annual visitors	• 8	• \$50,000-\$250,000	

* Based on sales of numismatic products at the existing gifts shops and the traffic levels at the sites

Source: Delaware North annual report; Delaware North web site; literature search; team analysis

SIZING GROWTH CONCEPTS – DIRECT RESPONSE (\$3.5-7.5 MILLION)

Size of space

- The Direct Response space overall is \$10 billion in annual revenue
- Based on QVC, 7% of sales are from collectables, or \$700 million
- From the product mix on company websites as well as the air time allotted to collectible types, coins are estimated at 20-30% of the collectibles space, or \$140-210 million
- A similar analysis suggests that one-third of all products sold are new products or \$50-70 million
- Direct response networks typically mark products up 2-3 times, meaning the original purchase value is \$17-35 million



Ways Mint could profit from partnership

- ① Mint could charge networks a service fee and capture the premium/mark-up that intermediaries currently capture in their dealings
 - Mint could charge a 5% service fee **yielding about \$1-2 million in incremental revenue**
 - As part of the partnership and in exchange for the service fee, Mint would get involved in the production of the show, possibly including providing Mint employees to appear as experts on the show
- ② Based on the enhanced credibility of the direct response channels (as a result of the Mint's involvement), there would be incremental sales
 - Assume 15% increase in sales
 - **Growth would yield an increase of \$2.5 and \$5.5 million in sales** by the Mint to the networks

Total value: \$3.5-7.5 million

CONTENTS

- Description of all growth concepts
- Details on concept sizing
- **Profile of top growth concepts**

CONCEPT OVERVIEWS

- **Strengthen core business**

- Expand to new customers

- Enter international markets

GROWTH CONCEPT: SWITCH TO TYPICAL CONSUMER GOODS PRICES

Concept overview

- Move current prices to more traditional price points that customers are familiar and comfortable with
- Prices for items currently marked \$4.50 would move to \$5.95, for example
- The degree of price change would be incremental, not involving dramatic jumps in unit price

Potential assortment

- Lower-end items, such as medals, spoons and proof sets would have prices that converge around price clusters
- Higher-end items (greater than \$100), would cover a wider spread, providing intermediate price points

Fact-base opportunity assessment

- Familiar price points vary by occasion (e.g., gifting at \$14.99, \$24.99), and are not currently offered
- Competition is selling comparable products at higher prices
- Focus groups suggest planned price changes are reasonable

Qualitative assessment

- Since Mint's offering is unique, the risk of negative reaction from consumers is limited
- To be successful, price changes must be carried through all channels

Fit with assets and capabilities

- Low cost to change prices
- Does not require new capabilities
- Changes would have no effect on supply chain or manufacturing

Economics

- Cost of price change would be limited
- Mint would be able to capture higher margin to reinvest in new products and educational programs to meet consumer demand

Potential barriers/concerns

- Perception of using monopoly power

Next steps

- Conduct assessment of current price points (including volume and value)

GROWTH CONCEPT: PROACTIVE UP-SELL/CROSS-SELL/MIGRATION

Concept overview

- Actively introduce customers to the next logical progression within the numismatic portfolio (e.g. Silver proof sets from clad proof sets) to expand people's involvement in the coin collecting category and provide opportunities to acquire the full numismatic portfolio
- Execution will take place across multiple channels, (e.g. customer service reps will be offered incentives for up-sell/cross-sell/migration promotion)
- Information will be collected during the ordering process to further inform the up-sell/cross-sell/migration process

Potential assortment

- Expand people's involvement in the coin collecting category
- Provide opportunities to acquire the full numismatic portfolio

Fact-base opportunity assessment

- Targeted categories are in areas of high stability and revenue for the Mint
- Targeted customers are already Mint purchasers
- Little direct competition in this space, with potential to capture more share

Qualitative assessment

- Little risk for Mint to extend selling to its own customers, since promotion of its own wisely-chosen products extends its role
- Success is based on smart promotion and customer willingness to make impulse buys while already browsing and "in the checkout line"

Fit with assets and capabilities

- Requires smart selection of customer segments to target and products to promote
- Additional talent required to produce effective marketing materials
- Some rep training will be required, along with incentive selection

Economics

- Cost to implement should be minimal, with fixed costs constituting the bulk of expenditures
- High upside, as successful implementation can yield "easy win" gains

Potential barriers/concerns

- Poor implementation could run the risk of weakening the relationship the Mint has with its customers

Next steps

- Determine private sector best practices that align best with the Mint's customer base
- Begin work on product and customer segmentation to determine most successful opportunities for promotion

GROWTH CONCEPT: EXPAND SUBSCRIPTIONS PROGRAM

Concept overview

- Provide incentives to customers to encourage them to join the Mint subscription program operating today for recurring products
- Subscription products would be actively promoted through incentives offered directly to customers, including unit discounts for subscriptions, bonus gifts for subscribers

Potential assortment

- Products would include the current range of subscriptions for recurring programs, American Eagle products and collector's spoons

Fact-base opportunity assessment

- Subscription services as provided by competitors at higher prices have been very successful, demonstrating consumer demand
- Competitors currently have stronger promotions encouraging subscriptions

Qualitative assessment

- Promotion of subscriptions encourages the continual practice of numismatics
- Stronger promotion of subscriptions promotes the Mint's more consumer-friendly pricing structure, in direct competition to competitors' higher prices

Fit with assets and capabilities

- Subscription promotion fits with the Mint's current program, requiring limited cost and risk
- Incentives would need to be chosen wisely, requiring some up-front marketing analysis

Economics

- Products promoted would be based on existing products and programs
- A deep evaluation of the P&L for subscriptions and incentives would be necessary to ensure profitability
- Subscribers' data and pre-orders should be valued at approximately the same amount as offered incentives

Potential barriers/concerns

- Assessment of consumer appeal for subscriptions and incentives

Next steps

- Develop system to use information from potential subscribers
- Determine best incentives to ensure profitability is maintained

GROWTH CONCEPT: INTRODUCE ENTRY-LEVEL PRODUCTS

Concept overview

- The Mint develops new products to attract new customers (e.g., circulating savers, youth) and prices those products appropriately to engage the maximum number of potential customers in numismatic products
- Products would need to be distributed through channels beyond the Mint's current direct channels. The appropriate channels to use would vary based on the sub-segment of new customers being targeted, but could include directly through schools to educate the youth market or through kiosks/traditional retail to reach circulating savers

Potential assortment

- Potential products include a new starter set; micro-uncirculated set (e.g., includes products from only Philadelphia or Denver mint), or single proof coins

Fact-base opportunity assessment

- Entry products would target large groups of untapped customers including circulating savers (100 million+) and school children (3 million per age group)
- These customers have an unmet need, and as such, no direct competition exists

Qualitative assessment

- New entry products supports the Mint's mission of improving access and awareness of the Mint and numismatic products
- For successful trial and repurchase, program needs compelling promotion and distribution plan

Fit with assets and capabilities

- No major production challenges for the Mint (potentially new packaging requirements)
- More significant implications to the Mint's capabilities would come in the distribution of the product (Implications captured on other growth concept overviews)

Economics

- Products would all be based on existing products though packaged a different way
- A deep evaluation of a product's P&L would be required to determine how low of a price would be possible

Potential barriers/concerns

- Legislative mandate for new products may be needed
- Target price points may require selling close to true product cost
- Qualitative assessment of consumer appeal

Next steps

- Deep-dive on the economics of given products to identify feasible price points
- Determine how product would fit in with other growth concepts (e.g., kiosks, expanded educational program)

GROWTH CONCEPT: ROMANCE THE PRODUCT

Concept overview

- Leverage best practices from the private sector to update how products are presented through the major direct channels (e.g., on the website and in direct mail)
- Examples of potential changes include a broader selection of images show the product in use (e.g., birthday presents being opened, grandparents and grandchildren looking over presents) and developing separate gift site where the copy and images would have a greater emotional appeal and reflect gifting as opposed to the products themselves

Potential assortment

- All products potentially could be updated; focus on products that appeal to new customers

Fact-base opportunity assessment

- Customers have reflected a desire to be able to touch and feel product; a better website may mitigate the need
- Mint's website lacks features of competitor's websites (e.g., HSN.com)

Qualitative assessment

- Changes should improve the purchasing experience for all customers while also making the product appeal to a broader audience
- Changes could also allow the Mint to capture some of the direct response business by showing the product "in use"

Fit with assets and capabilities

- Additional talent would need to be brought in to develop copy / design concepts that target customers beyond the core collector
- Changes would have no effect on supply chain or manufacturing

Economics

- Fixed cost to update website
- Private sector experience suggests improvements could drive an incremental X% in sales

Potential barriers/concerns

- Current organization focused on functional description and benefits and is likely consciously avoiding emotional descriptions

Next steps

- Problem solving session with McKinsey direct experts to identify specific potential changes
- Engage with PFS Web to determine their capabilities and willingness to make changes

GROWTH CONCEPT: ELIMINATE STOCK-OUTS ON CORE PRODUCTS

Concept overview

- Utilize private sector best practices to determine the probable demand for products and integrate those estimates into the production schedule
- Possible process would involve using discounted pre-orders to predict demand, then use this advance information to smooth production schedules, then ship according to set schedule, as best accommodated by production operations

Potential assortment

- This concept could apply to all products, but makes most sense for products that generate a lot of forward excitement
- Recurring and American Eagle products are another area where this concept could be of benefit

Fact-base opportunity assessment

- A program like this could give the Mint a jump on competitors
- Targeted categories are in areas of high stability and revenue for the Mint
- Targeted customers are already Mint purchasers

Qualitative assessment

- Little risk for Mint to extend selling to its own customers
- Success is based on smart promotion and customer willingness to make buys and to wait for delivery

Fit with assets and capabilities

- Utilizes unique position of Mint
- Requires smart selection of customer segments to target and products to promote for pre-sales
- Additional talent required to produce effective marketing materials and capture benefits of increased access to information

Economics

- Cost to implement should be minimal, with fixed costs constituting the bulk of expenditures
- Successful implementation can yield "easy win" gains in production costs
- Revenue benefits may not be immediately clear

Potential barriers/concerns

- May not be best means to capture customers who are buying on impulse, or want instant gratification following handling the product

Next steps

- Determine products best for this type of promotion
- Allocate the talent and skills necessary to successfully implement program

THE MINT HAS NOT ALWAYS BEEN ABLE TO DELIVER PRODUCT BASED ON ITS CURRENT “MAKE TO DEMAND” MODEL

2005-2006 Stockouts

Year	Product	Mintage	Actual demand	Dates available
2006	AE Gold 1 ounce	12,000	12,365	2/3-5/19/2006
2005	AE Gold 1 ounce	10,000	10,545	2/3-5/20/2005
2005	Uncirculated set	1,150,000	1,183,632	5/31-10/21/2005
2005	AE Gold 1/2 ounce	9000	9,315	2/3-11/18/2005
2005	Clad Proof set	2,300,000	2,329,369	2/28-11/25/2005
2005	AE Silver 1 ounce	800,000	825,489	2/3-12/2/2005
2005	AE Platinum set	4000	4200	3/24-12/16/2005

* Does not include commemoratives, bags and rolls; As of 12/30/2005 for 2005 products, as of 7/14/2006 for 2006 products

Source: US Mint data

GROWTH CONCEPT: IMPROVE ONLINE MARKETING

Concept overview

- Begin to market the Mint's commercial website (along with the Mint's numismatic products overall) online (e.g., beyond usmint.gov)
- Specific types of marketing which could be undertaken include banner advertisements on numismatic general interest websites (e.g., coinmag.com); purchasing sponsored links on Google, Yahoo and MSN for keywords related to numismatic products; and identifying techniques which can be employed to improve the Mint's position in searches conducted by consumers interested in the Mint's products

Potential assortment

- Most advertising would be for the Mint's site in general and not specific products
- Product-specific advertising should focus on entry-level products which would be purchased by customers who are not familiar with the Mint / its website

Fact-base opportunity assessment

- All consumers online are potentially targets of the marketing effort
- How broad the search terms are and websites which feature banner ads will determine the true reach of the program as well as what occasions the ads most effectively target

Qualitative assessment

- Based on private sector examples, a well-executed online marketing strategy will drive significant incremental traffic to the Mint's website
- Marketing can also drive awareness and eliminate confusion given private mints' extensive online marketing

Fit with assets and capabilities

- Necessary capabilities do not currently exist at the Mint. Employees with experience in managing online advertising would need to be hired to oversee the Mint's efforts (e.g., develop content, bid on search term ads)

Economics

- Customer acquisition costs need to be determined
- Mint also must decide how much of a one-time investment is appropriate to acquire a customer (e.g., spend \$10 to acquire a customer whose first purchase yield \$5 profit, but may continue to buy)

Potential barriers/concerns

- Organization is currently focused on meeting customer demand rather than developing demand, and this may be a deliberate action

Next steps

- Problem solving session with McKinsey experts to determine what the Mint's marketing program could be
- Determine if want to develop an in-house capability or outsource to an online ad agency

GROWTH CONCEPT: QUALITY LINE EXTENSIONS

Concept overview

- Set aside product that is notably distinctive (e.g., first strike coins) and offer it to the public through special auctions
- Auctions could be carried out through Mint itself or through special partners

Potential assortment

- Products would be those that are already produced by the Mint, but are not currently distributed or acknowledged as notably distinctive (e.g., First strike coins)
- Products would not be specifically "graded," but would be labeled as distinctive based on production characteristics

Fact-base opportunity assessment

- Currently, resellers have successfully labeled and marketed Mint products as such, indicating public demand for products

Qualitative assessment

- Higher spend customers could choose their own opportunities to purchase products
- Auction format allows customers to determine the value they place on the product

Fit with assets and capabilities

- Mint is in unique position to create and market this product
- Auction mechanism is a new function, and would require new talent and/or partnership with robust and trusted auction house

Economics

- Low-risk, since products are produced anyway, just marketing function is different
- Some upfront costs, stemming from the set-up and promotion of new products and auction mechanisms

Potential barriers/concerns

- Mechanism for carrying out auctions effectively to be determined
- Internal resistance to view of creating/exploiting scarcity of specific products

Next steps

- Identify key products with best potential for strong public response
- Determine best means for auction mechanism, whether in-house or partnership

GROWTH CONCEPT: MULTI-YEAR SETS

Concept overview

- Make available in the middle or end of theme-based special program (50 State Quarters, Presidential Dollars) all years of the product that have been made
- Packaging can reflect the multi-year nature of the product, as well as allow collectors to “fill-in-the-blanks” in their collections for missing years

Potential assortment

- Full sets of special program lines as released so far, such as 50 State Quarters, Westward Journey Nickels, etc.

Fact-base opportunity assessment

- Competitors have successfully repackaged Mint products in this way, meeting strong consumer demand

Qualitative assessment

- Helping consumers complete their collections encourages numismatics, through a trusted resource for coins

Fit with assets and capabilities

- Mint has limited stocks of past-issued coins
- Some products would require new packaging, marketing and promotion skills and talent for successful launch

Economics

- Low-cost, given inventory stocks and potential for buy-back from others
- Limited fixed costs in design and promotion of products

Potential barriers/concerns

- Barriers to selling outside of program year to be clarified
- Availability of past products in Mint inventory (e.g., 50 State Quarters)

Next steps

- Identify availability of products from past years to be repackaged
- Determine customer interest in special programs to be restocked

GROWTH CONCEPT: NEW MATERIALS FOR COINS

Concept overview

- Expand assortment of precious metals used in American Eagle program and commemoratives (e.g. palladium, rhodium) and bi-metal products
- Issue coins produced in these precious metals and/or bi-metallic designs through the AE and commemorative programs

Potential assortment

- Increased lines of bi-metal products
- New lines of coins based on new materials, expanding bullion, American Eagle and commemorative collections

Fact-base opportunity assessment

- Foreign competitors have launched coins from other materials and more bi-metallics
- Although there is not a strong history of palladium and other coins appealing to collectors, novelty value may raise appeal

Qualitative assessment

- New coin materials may increase initial appeal and sales, with a tapering off of interest after first few years
- May create more publicity for Mint numismatic products in general

Fit with assets and capabilities

- Production capabilities may need to be adjusted, given the properties of the metals used
- Marketing may need to shift to collectors beyond the current Mint base, utilizing new techniques and channels

Economics

- Higher risk in introduction of new metals, due to necessary shift in production techniques and potential dilution of current line
- Uptake unclear, due to lack of strong market for these metals in numismatic communities overseas

Potential barriers/concerns

- Production needs of alternative metals and bi-metallic coins
- Congressional approval/mandate necessary for new materials and designs

Next steps

- Conduct case study of success of these coin materials for other mints

GROWTH CONCEPT: NEW PACKAGING FOR EXISTING PRODUCTS

Concept overview

- Make current products only available in certain sets available in new combinations (e.g., individual proofs of the Presidential Dollar coins)

Potential assortment

- Clad, silver and uncirculated proofs of individual coins
- Repackaging current products for special occasions, including birthdays, anniversaries and graduations

Fact-base opportunity assessment

- Competitors who resell current Mint products have been very successful
- Customers have shown strong demand for these types of products

Qualitative assessment

- Selling new combinations, (e.g. clad, silver and uncirculated proofs of individual coins) provides more price point flexibility, with potential to target more entry-level and mid-range customers
- By responding to collectors' demands, satisfaction is increased

Fit with assets and capabilities

- Requires new marketing talent to determine best packaging and position of current products
- Packaging may require more resources and contracts
- Mint is in strong position to set production as needed for new products

Economics

- Some upfront cost to establish program concepts and target markets
- Limited downside, since production runs are not necessarily directly affected
- Extension of contracts for packaging is relatively low-risk

Potential barriers/concerns

- Potential for direct competition with current resellers of Mint products

Next steps

- Examine current customer buying patterns to develop packaging and product concepts
- Consider necessary contract renegotiations necessary for packaging extensions

GROWTH CONCEPT: REVAMP EDUCATIONAL PROGRAM

Concept overview

- Expand from limited focus on role of coins in the economy and as vehicle for math education to also include 1) promoting the existence of numismatics and its role in reflecting and representing American history and culture and 2) educating students on numismatic authenticity – focus would be on annual programs for youth, recurring and precious metals for collectors
- Educational program can be carried out through media, in-person and print formats; Partnerships with school programs, collector's societies, and other groups can provide channels for sharing the Mint message

Potential assortment

- Youth education can focus on the aspects of history and culture to be explored through coins, building numismatists for the next generation
- Collector education can deal with intricacies of the market and how to avoid fraud

Fact-base opportunity assessment

- There is a significant unmet need around authenticity education to protect from fraud
- 50 million schoolchildren in the US represent a significant untapped collector base for the future
- Could provide direct Mint link to collectors

Qualitative assessment

- Low-risk way to promote Mint products as part of consumer protection and public education
- Educational program not a direct contributor to top-line revenue

Fit with assets and capabilities

- The Mint is uniquely positioned to provide this public service
- However a new educational model is required – requiring development of new materials and partnerships

Economics

- Limited short-term, top-line impact
- Program serves primarily as marketing investment
 - To engage youth in history and cultural events
 - To promote consumer awareness and protection for coin collectors

Potential barriers/concerns

- There may be internal and/or external resistance to perceived self-promotion through educational programs
- Could be difficult to partner successfully on the national and local levels

Next steps

- Engage with key stakeholders and potential partners to determine interest
- Build plan for aligning marketing efforts with program promotions

CONCEPT OVERVIEWS

- Strengthen core business
- **Expand to new customers**
- Enter international markets

GROWTH CONCEPT: KIOSKS

Concept overview

- The Mint either partners with a third party to own and operate kiosks or the Mint operates the kiosks on their own, with a third party likely wanting to sell a broader assortment of products, including licensed products
- Though the concept would remain the same, it would need to be customized based on the location. Locations targeted include high traffic areas (e.g., malls), entertainment based (e.g., Disney Land) and education based (e.g., the Smithsonian)
- Targeted occasion will primarily be impulse purchases (e.g., gift giving) though purchase behavior at Union Station suggests that it could also become the primary channel for existing core collectors in the area

Potential assortment

- With a targeted occasion of impulse / gifting, lower-end / base products would be best, with a likely need to add in non-Mint licensed products to make the kiosk a one-stop shop
- To guard against channels, precious medals products would be on display but not available for sale

Fact-base opportunity assessment

- There are 1,100 indoor malls in the U.S. with about 50,000 kiosks
- Kiosks typically sell gift/impulse items at \$20-30 price points
- While few (if any) kiosks sell numismatic products, significant competition exists for customers who want to buy a gift

Qualitative assessment

- Kiosks are an effective way to increase brand awareness and accessibility as the product would be located in a high traffic area with customers who want to shop/buy
- To succeed the Mint's product must be viewed favorably as a gifting product

Fit with assets and capabilities

- Kiosks could be modeled on Union Station kiosk
- The Mint currently does not have the capabilities required to either manage an outsourced or self-sourced kiosk operations
- The Mint's current supply chain / production may not meet the needs of a kiosk operation

Economics

- Likely ceiling on concept: 1,000
- A kiosk at an upscale mall rents for ~\$50,000/yr
- High mark-ups (2-3x) are typical
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

Potential barriers/concerns

- Supply chain complexities of needing to keep inventory at hundreds of locations across the country
- Many kiosks sell low-end goods, and there could be concern of diluting the Mint brand's value

Next steps

- Identify potential partners if the kiosk operations were outsourced
- Refine revenue and profit projections based on the given model being pursued

GROWTH CONCEPT: INDIVIDUAL GIFTING OCCASIONS

Concept overview

- The Mint would make its products available through retail channels which target annual (e.g., birthdays, Father's Day) and milestone (e.g., births, Bar/Bat Mitzvahs, graduations) gift occasions
- Channels which could be used include retail (Hallmark), catalog (Red Envelope) and web (Ross-Simons.com)
- Depending on the format, the Mint would either serve as a traditional supplier to the channel (retail) or could form a partnership with them where the Mint's products are featured, but all orders are fulfilled by the Mint (catalog/web)

Potential assortment

- All lower-end / base products would be attractive in the concept
- New products / packaging may be required to fully capture the opportunity
 - Graduation set complete with place for picture
 - Products minted on a specific date (for births)

Fact-base opportunity assessment

- Gifts/collectibles is a \$50+ billion space
- While almost all consumers purchase gifts, top potential customers include grand parents and adult children (for parents)
- Large amount of competition in the space, thought the Mint's product could be differentiable

Qualitative assessment

- The Mint's product is a unique gift product and given products for sale by other Mints, there appears to be latent demand for this type of product
- The Mint will need to change how it markets the product to appeal to this customer base

Fit with assets and capabilities

- The Mint currently does not have the creative talent required to effectively market the product as a gift item
- Manufacturing can not currently support the extreme seasonality / short production leads required to be successful in the space

Economics

- Size of occasion: \$X billion
- Varies depending on the format
 - Retail would mark-up product significantly (2x)
 - Catalog/web would expect ~10% of revenue
- Different Mint products could support higher prices

Potential barriers/concerns

- Depending on model chosen, supply chain complexity and manufacturing flexibility
- Competing with the private sector; Private mints (e.g., Washington Mint) and direct response target this market

Next steps

- Identify which gift channels could feasibly be used
- Revise size of opportunity and assess profitability
- Identify leading partners for the Mint to engage in preliminary discussions

GROWTH CONCEPT: INCREASE SALES TO FOREIGN TOURISTS

Concept overview

- Provide outbound foreign visitors with access to numismatic products at the point of likely purchase for souvenirs and collectibles
- Focus geographically in US cities most visited by foreign visitors
- Leverage duty-free stores; DFS operates duty-free shops in four of the seven most visited US cities

Potential assortment

- American Eagle Silver and four coin gold sets have demonstrated appeal and would form the core of the offering
- A full range of products would be available depending on retailer strategy (similar to what is available in US Mint stores in Philadelphia and Denver)

Fact-base opportunity assessment

- Categories targeted (souvenirs and gifting) are multi-billion dollar spaces
- Based on information from International shows American Eagles appear to be top sellers to international customers
- A significant portion of existing duty-free sales is driven by obligation gifting in Asian cultures

Qualitative assessment

- Over 41 million international tourists visit the US annually, the overwhelming majority visiting seven cities
- One large retailer, DFS, operates duty-free airport stores in five of the top seven most visited cities

Fit with assets and capabilities

- The Mint already maintains a contract with Delaware North that could serve as a model
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Airport operators of duty-free shops require up to 30% - 40% commissions from duty-free sales requiring the operator to have above average margin requirements

Potential barriers/concerns

- Covering the top seven most visited US cities would require the Mint to contract with one large and several small retailers
- Possible margin implications selling in duty-free space

Next steps

- Determine economics of selling in DFS duty-free stores

GROWTH CONCEPT: DIRECT RESPONSE SUPPLIER / PARTNER

Concept overview

- Form a partnership with a direct response network (HSN, QVC, ShopNBC) selected through an open-bid process
- Components of the partnership could include the Mint being a direct supplier of products; licensing of the term “official Mint distributor”; joint product development; sharing customer information; and the Mint providing content or personnel for the network’s shows
- Product sold to partner at list prices; potential for profit sharing with network sharing with the Mint a portion of the profits

Potential assortment

- Wide ranging and could include new jointly-developed products
- Previous success of the networks selling products at a wide range of price points suggests that they have had success selling to a broad group of consumers

Fact-base opportunity assessment

- Direct response space is about a \$10 billion industry in the U.S., with collectibles being ~\$700 million
- Partnership would give exposure to customers who want to purchase this type of product and comfortable purchasing products unseen

Qualitative assessment

- Direct response channels are currently successful with selling coins (as seen from the number of shows they have and their time slots)
- For format to be successful, will most likely need to offer exclusive products or packaging formats

Fit with assets and capabilities

- Would need a new group in SAM to manage relation
- Base requirement of selling products in large quantities poses no challenge
- Product development would need to become more robust; improvements from manufacturing also likely necessary

Economics

- Economics would depend entirely on the relationship that was agreed to
 - Potential for the Mint to have to pay network (if it was a straight distributor agreement with fixed prices)
 - Potential that Mint would receive a significant share of revenue in a partnership

Potential barriers/concerns

- Partnership could be seen as an implied-endorsement
- Involvement in direct response could be viewed as outside the Mint’s mandate; a concern likely to be heightened if there was profit sharing

Next steps

- Determine how deep of a partnership is possible
- Engage players in preliminary conversation to gauge interest and better understand the operating model
- Assess economic attractiveness given new information

GROWTH CONCEPT: eSTORE-WITHIN-A-STORE

Concept overview

- The Mint forms a partnership with an online retailer (most likely Amazon.com) whereby the Mint's products are listed within Amazon's general categories (e.g., Home and Garden) as well as a separate store-within-a-store
- Product is promoted through Amazon's internal promotion levers (e.g., Gold Box, "Customers who bought this item also bought ...", customer recommendations)
- Mint receives benefits of Amazon's interface (e.g., 1-click ordering, multiple stored addresses)
- Mint maintains full control over inventory – orders would be drop-shipped by the Mint directly to the customer

Potential assortment

- Amazon targets a wide range of demographics who would be interested in purchasing numismatics for a variety of reasons
- Full product line would be appropriate in the channel, especially given Amazon's significant inventory of high-value products

Fact-base opportunity assessment

- Amazon's millions of customers would provide a significant opportunity to convert circulating savers to numismatic collectors
- No direct competition on Amazon as no numismatic products are currently offered

Qualitative assessment

- Amazon's excellent interface would most likely drive significant sales of Mint products and expose the products to a new set of customers
- To be successful, the Mint would need to offer compelling copy for non-numismatist purchasers

Fit with assets and capabilities

- Amazon's back-end system would feed orders into PFS Web in a manner similar to the current website
- Able to keep Amazon site up-to-date given limited product assortment
- Additional personnel may be needed to manage relationship with Amazon

Economics

- Number of points of distribution:
- Amazon would expect about a 15% commission on all sales
- Mint would make a very thin margin (~5-10%) on products sold; significant increase in customers required

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch from usmint.gov to the Amazon site (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine if the Mint would be comfortable engaging in a partnership with Amazon
- Engage with Amazon to obtain details of partnership
- Determine if economics of partnership make it viable

eSTORE-WITHIN-A-STORE EXAMPLE: NORDSTROM ON AMAZON

The screenshot shows the Nordstrom store page as it appears within the Amazon.com interface. The browser window title is "Amazon.com Nordstrom Store: Nordstrom - Mozilla Firefox". The address bar shows the URL: http://www.amazon.com/b/ref=sc_fe_c_0_1036592/104-1. The page features the Amazon.com navigation bar at the top, with links for "amazon.com", "Mar's Store", "Apparel & Accessories", "See All 34 Product Categories", "Your Account", "Cart", "Your Lists", and "Help". Below this is the Nordstrom header with the brand name and category links: "WOMEN | MEN | BABY & KIDS | SHOES | HANDBAGS & ACCESSORIES | SALE". A search bar is present with "Nordstrom" entered. The main content area is divided into sections. On the left is a "BROWSE" sidebar with links for "Women", "Anniversary Sale", "Women's Anniversary Sale Juniors BP", "Men", "Anniversary Sale Men", "Baby & Kids", "Anniversary Sale Baby & Kids", "Shoes", "Anniversary Sale Women's Shoes", "Anniversary Sale Men's Shoes", "Anniversary Sale Kids Shoes", "Handbags & Accessories", "Anniversary Sale Handbags & Accessories", and "Sale". Below this is a "Shop by Brand" section with "adidas". The central banner features the text "anniversary SALE" and "The fashion event of the year for men, women and kids is here." It also mentions "New fall styles. Big brand names. Really great prices. Don't miss out. Prices go up Monday, July 31." and "ANNIVERSARY SALE". Below the banner is a "Shop for the Entire Family:" section with links for "Women, Men, Juniors BP, Baby & Kids, Shoes, Handbags & Accessories, and Sale". On the right, there is a "Start Shopping" button and a "NORDSTROM" logo. Below the logo is a section titled "Easy Returns and Exchanges at Nordstrom.com" with text: "You can return any item to a Nordstrom store near you. Or return it by mail using the postage-paid return label included in your package. [More info.](#)". A callout box points to the top of the page, stating "Fully integrated on in with the Amazon.com site". Another callout box points to the "Easy Returns and Exchanges" section, stating "Flexibility to customize customer service policies". The browser's status bar at the bottom shows "Done" and the Windows taskbar with the "start" button and various icons.

Amazon.com Nordstrom Store: Nordstrom - Mozilla Firefox

File Edit View Go Bookmarks Tools Help

http://www.amazon.com/b/ref=sc_fe_c_0_1036592/104-1

Global Intranet Home ... Know Learn RSS

amazon.com Mar's Store Apparel & Accessories See All 34 Product Categories Your Account Cart Your Lists Help

NORDSTROM WOMEN | MEN | BABY & KIDS | SHOES | HANDBAGS & ACCESSORIES | SALE

Search Nordstrom GO

A Web Search GO

BROWSE

[Women](#)
[Anniversary Sale](#)
[Women's Anniversary Sale Juniors BP](#)
[Men](#)
[Anniversary Sale Men](#)
[Baby & Kids](#)
[Anniversary Sale Baby & Kids](#)
[Shoes](#)
[Anniversary Sale Women's Shoes](#)
[Anniversary Sale Men's Shoes](#)
[Anniversary Sale Kids Shoes](#)
[Handbags & Accessories](#)
[Anniversary Sale Handbags & Accessories](#)
[Sale](#)

Shop by Brand
[adidas](#)

anniversary
SALE

The fashion event of the year for men, women and kids is here.

New fall styles. Big brand names.
Really great prices. Don't miss out.
Prices go up Monday, July 31.

ANNIVERSARY SALE

NORDSTROM

Shop for the Entire Family:
[Women](#), [Men](#), [Juniors BP](#), [Baby & Kids](#), [Shoes](#), [Handbags & Accessories](#), and [Sale](#)

[Women's Anniversary Sale](#)

Enjoy **\$5 SHIPPING** on your entire order every day.

[Start Shopping](#)

NORDSTROM

Easy Returns and Exchanges at Nordstrom.com

You can return any item to a Nordstrom store near you. Or return it by mail using the postage-paid return label included in your package. [More info.](#)

Fully integrated on in with the Amazon.com site

Flexibility to customize customer service policies

Find: Match case

Done

start

9:26 AM

GROWTH CONCEPT: eBAY STORE / AUCTIONS

Concept overview

- Mint develops a U.S. Mint store on eBay which would sell a mix of fixed price products (traditional products with broad supply) along with auctioned products (limited supply products, such as first die strike products)
- eBay store would mainly target circulating savers and general hobbyists/collectors (mainly through the fixed price products which individuals "stumble upon" during a search on eBay) while also appealing to current core collectors (interested in the auctioned products)

Potential assortment

- Full line of products would be appropriate for the fixed price products given the broad set of customers who would be attracted
- Mint may decide only to make lower price-point products available to continue to draw traffic to the Mint's site

Fact-base opportunity assessment

- Over 100 million customers on eBay, including a significant number of internationals
- While coins is a major category on eBay, most of the competition is selling previous year or rare products

Qualitative assessment

- For the fixed price products to be successful, the Mint must make it clear that customers are purchasing official U.S. Mint products directly from them.
- For the auctions to be successful, the Mint must ensure sufficient knowledge of the auctions and offer compelling products

Fit with assets and capabilities

- eBay's back-end system would feed orders into PFS Web in a manner similar to the current website
- Able to keep eBay site up-to-date given limited product assortment
- Additional personnel may be needed to manage auctions

Economics

- Size of occasion: eBay coin section sells approximately \$X million per year
- eBay would take a fixed percentage (~5-10% of sales)
- Mint would make a reasonable margin (~15-20%) though less than through direct channels

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch from usmint.gov to the eBay site (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine if the Mint would be comfortable engaging in a partnership with eBay and what that could entail
- Re-engage with eBay to obtain details of partnership
- Determine if economics of partnership make it viable

eBAY STORE / AUCTION EXAMPLE: COINUTS

The screenshot shows the eBay store page for 'coinNuts'. The browser window title is 'eBay Store - coinNuts: Single Proof Unc Coins, Quarter Dollars, Nickels - Mozilla Firefox'. The address bar shows 'http://stores.ebay.com/coinNuts_W0QqcolZ4QQdirZ1QQfsu'. The page has a navigation bar with 'Home > eBay Stores > coinNuts > All Categories'. A callout points to the 'All Categories' link, stating: 'Fully integrated on in with the eBay site; product will show up in general searches'. Below the navigation bar is a large banner for 'coinNuts' with the text: 'Maintained by: coinNuts (11982) Power Seller me'. The banner also includes a description: 'COINS SILVER GOLD PROOF MINT SUPPLIES PCGS NGC ANACS Errors, Variety, Currency, Supplies, and much more!! We offer THOUSANDS of items here on eBay everyday. Come join our long list of satisfied customers. We are a full retail store in North Idaho, come by and see us sometime. Thank you, coinNuts.' A callout points to the 'Store Policies' and 'About the Seller' links, stating: 'Flexible customer service policies'. Below the banner is a search bar with a checkbox for 'in titles & descriptions' and a 'Search' button. To the left is a 'Store home' section with a list of categories: 'Silver Dollars (12)', 'Cent Nickel Dime', 'Quarters (113)', 'Silver Bullion (22)', 'Cents (1336)', 'Nickels (1358)', 'Dimes (1351)', 'Quarter Dollars (1902)', 'Half Dollars (1231)', 'Dollars (360)', and 'Single Proof / Unc'. In the center is a 'Brand New Listings !' section with two items: '1976 S PROOF Roosevelt DIME Single GEM US Coin 10 Cent' and '1971 S PROOF Lincoln CENT PENNY GEM Single Mint US Coin'. Below these is a 'See all items...' link. To the right is a 'Hurry Ending Soon' section with a '1990 S PROOF Kennedy HA Mint Coin' listed for '\$5.99' with 'Time Left: 4m' and a 'See all items...' link. A callout points to this section, stating: 'Products available through both auctions and fixed prices ("Buy It Now")'. Below these sections is a summary of '8091 items found in All Categories' with links for 'List View' and 'Picture Gallery'. On the right, there are filters for 'View: All Items | Auction only | Buy It Now only' and 'Sort by: Time: ending soonest'. The main product display area shows two items: '1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin' for '\$5.99 Buy It Now' and another identical item. Each item has a 'Stock Photo' label. The bottom of the page shows a taskbar with the 'start' button and various icons.

GROWTH CONCEPT: STORE-WITHIN-A-STORE

Concept overview

- Mint either operates or licenses out to a third party to operate a network of stores-within-a-store, where there is a dedicated section of an existing retail concept which is dedicated to Mint products and staffed by a trained employee (similar to a kiosk but located within a broader store)
- Potential locations include department stores (e.g., Sears), discounters (e.g., Target) and retail banks
- Targeted customer/occasion would vary based on the broader store environment, but could include general gifting (department stores) and circulating savers (banks)

Potential assortment

- Relatively large size of a store-within-a-store would require selling the full product range, and potentially complemented by licensed products
- Given that format would be targeting impulse purchases, focus would need to be on low price points, potentially requiring new products

Fact-base opportunity assessment

- Host stores can provide reach unattainable through other means (e.g., Wal-Mart has over 100 million unique customers a week) or a targeted focus (Hallmark for gifts)
- No direct competition in concept; work as a partner of the host

Qualitative assessment

- Store-within-a-store provide opportunities that few (if any) other concepts can in expanding Mint's access / availability
- For the format to be successful, there will need to be appropriate alignment between the host's customer base and the product assortment

Fit with assets and capabilities

- Would need a new group within SAM to manage the relationship, especially if Mint was directly running the stores
- Increased manufacturing and distribution flexibility may be necessary to ensure product stays in stock at the broader network of stores

Economics

- Number of points of distribution: 1000+
- "Host" store would demand a percentage of sales; level would vary based on the retail concept as well as the services the host provided
- Third-party operator (if used) would also require significant payment (either fixed, percentage of sales or both)

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch away from Mint's direct channels (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine internal willingness to change pricing scheme / introduce new higher-margin products that would be required to support a store-within-a-store concept
- Identify specific goal of program and host stores

GROWTH CONCEPT: IN-STORE END-CAP

Concept overview

- Mint partners with a retailer to “rent” a section of prime shelf space (e.g., an end-cap) for the Mint to develop a product display with a wide (though incomplete) assortment of the Mint’s products. Mint would also ensure that staff at the location are suitably trained to be able to assist customers with numismatic product related questions
- Potential locations include gift stores (e.g., Hallmark) and department stores (e.g., Sears)
- Targeted customer/occasion would vary based on the broader store environment, but could include general gifting (Hallmark) and circulating savers (department stores)

Potential assortment

- Moderate size of the end-cap would require a significant product range; likely all major products except AE Gold and Platinum
- Given that format would be targeting impulse purchases, focus would need to be on low price points, potentially requiring new products

Fact-base opportunity assessment

- Host stores can provide reach unattainable through other means (e.g., Wal-Mart has over 100 million unique customers a week) or a targeted focus (Hallmark for gifts)
- No direct competition in concept; work as a partner of the host

Qualitative assessment

- In-store end-caps provide opportunities that few other concepts can in expanding Mint’s access / availability
- For the format to be successful, there will need to be appropriate alignment between the host’s customer base and the product assortment

Fit with assets and capabilities

- Would need a new group within SAM to manage the relationship, especially if Mint was active in staff training
- Increased manufacturing and distribution flexibility may be necessary to ensure product stays in stock at the broader network of stores

Economics

- Number of points of distribution: 1000+
- “Host” store would demand a percentage of sales; level would vary based on the retail concept as well as the services the host provided

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch away from Mint’s direct channels (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine internal willingness to change pricing scheme / introduce new higher-margin products that would be required to support a store-within-a-store concept
- Identify specific goal of program and host stores

GROWTH CONCEPT: TRADITIONAL PACKAGED GOODS SUPPLIER

Concept overview

- The Mint would actively market its products to a wide range of retailers including gift stores (Hallmark) and discounters (Target) with the product being stocked on shelves (or in jewelry cases) and treated similarly to any other product the store carries, while potentially limiting it to the holiday season
- To make economics work, Mint would either need to drastically increase price on products that it is selling to the retailers or introduce new products with significantly higher margins
- Goal of program would be to expand beyond current customer base

Potential assortment

- Product assortment would need to support impulse purchases
- Lower-end / base products (annual sets, AE silver, commemoratives) would meet the target customer's needs
- Likely to require new products to make the economics work out appropriately

Fact-base opportunity assessment

- Categories targeted (gifting and circulating savers) are very large
- Broadest possible customer base
- Though there would be no direct competitors, Mint would face significant indirect competition at the category level (collectibles, gifts)

Qualitative assessment

- Traditional retail economics are not at all compatible with how the Mint currently prices products
- Potential for negative implications of rebasing prices
- Unclear ability for customers to "find" Mint products if simply part of a store category

Fit with assets and capabilities

- Mint would need to add significant numbers of personnel to manage retailer relationships (some retailers demand a dedicated staffer)
- Unclear if Mint has the capabilities to act as a traditional packaged goods supplier (e.g., inventory management)

Economics

- Number of points of distribution: 1000+
- Mark-ups by retailers range from 50-100% depending on the concept and the characteristics of the product
- Overall economic implications for Mint would depend on the price points which the Mint sold the product at

Potential barriers/concerns

- Wholesale prices and mark-ups required to make the Mint an attractive partner for retailers may be unattainable
- Becoming active in retail may be seen as outside the Mint's scope

Next steps

- Determine internal willingness to take any of the paths that would result in acceptable mark-ups for retailers (e.g., new products, higher retail prices)
- Preliminary conversations with retailers to gauge interest

GROWTH CONCEPT: EXPAND GIFT SHOP OPERATOR RELATION

Concept overview

- Allow operator of gifts shops to sell Mint products at all venues where they manage retail operations. For Delaware North would include National Parks (Yosemite, Grand Canyon), Kennedy Space Center, sports stadiums (located in Chicago, Los Angeles, and Boston among others), on steamboat cruises, and in "private label" airport stores which they operate (e.g., Gadgets to Go)
- Product sold to Delaware North at a discount, most likely in line with current 18% discount they receive
- Targeted occasion will vary by location, but would include tourism/souvenirs (National Parks) and gifting (on cruises)

Potential assortment

- Most locations would strongly favor impulse purchases as they are "destinations" with a barrier to entry
- Lower-end / base products (annual sets, AE silver, commemoratives) would meet the target customer's needs

Fact-base opportunity assessment

- Categories targeted (souvenirs and gifting) are multi-billion dollar spaces
- Targeted customers vary by format type, but are broad in all formats
- Mint's offering would be unique in these formats; any competition is only in the broadest sense (other gifts)

Qualitative assessment

- Delaware North's (and potentially other's) broad range of retail formats provides the Mint with a low-risk way to "test the waters"
- For the formats to be successful, consumers must be willing to make impulse purchases of Mint products in non-traditional environments

Fit with assets and capabilities

- Mint's existing relationship with the operator suggests minimal changes required to expand partnership
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel

Economics

- Number of points of distribution: ~150
- As product would be simply added to existing stores, operator likely to accept low margin (status quo of 18%)
- Mint would make a very thin margin (~5-10%) on products sold

Potential barriers/concerns

- Delaware North has a significant presence in gaming/racing operations. They may want to sell product there
- Exclusive partnership may be an implied endorsement
- Current financial arrangement provides minimal profit

Next steps

- Engage with operator to gauge interest in expansion of relationship
- If interested, obtain information on operator's current operations to better evaluate the opportunity

GROWTH CONCEPT: TARGET CORPORATE GIFTING OCCASIONS

Concept overview

- The Mint takes a series of actions to better serve the corporate gifting market
- Major actions that would be taken include advertising in corporate gift catalogs and websites, partnering with businesses that currently do a significant amount of corporate gifting business (e.g., L.L. Bean) and developing new packaging/formats for coins (e.g., plaque with space for a message along with an American Eagle Silver Dollar)
- Exact pricing would depend on whether the Mint was selling directly or through a partner, however, end retail prices would likely reflect the value-added nature of the product

Potential assortment

- Wide range of prices likely to be successful; demand for low-end products as well as higher-end
 - Step-up products likely to be successful (e.g., Silver AE for 10-year anniversary, Gold AE for 15, Platinum for 20)
- Customized products needed for the market

Fact-base opportunity assessment

- Significant amount of competition in the corporate gift space, though Mint's offering would be easily differentiable

Qualitative assessment

- Mint's products naturally fit in the corporate gifting space with balance of value, messaging and attractiveness
- For the format to be successful, the Mint would need to actively market the product to people purchasing corporate gifts and explain value of the product

Fit with assets and capabilities

- Additional personnel required to manage relationship with any partners
- Mint does not currently have the capabilities for a more advanced program (e.g., new products / formats)
- High level of manufacturing flexibility required to handle large orders

Economics

- Size of occasion: Businesses spend around \$25 billion on corporate gifts (including all logo paraphernalia)
- Overall economics likely to be attractive as premiums can be charged based on value-added
- Distribution approach (e.g., partners) would impact economics

Potential barriers/concerns

- If Mint sold more than just the raw coins (e.g., plaques with coins), could be viewed as competing with the private sector
- Partnerships could be viewed as implied endorsement

Next steps

- Internal assessment of ability to "go alone"; if assessment suggests partners are needed, determine what capabilities needed (product development, marketing, etc)
- Engage potential partners in preliminary conversations

GROWTH CONCEPT: D.C. COIN EXPERIENCE STORE

Concept overview

- Mint would develop a flagship store (likely in the Mint's Headquarters). Components of the store could include the full line of Mint products; exhibits and films on how coins are produced; displays on the history of money (both in the U.S. and overseas); interactive activities (e.g., Mint your own coin); store-within-a-store for non-current numismatic products and services (e.g., grading, appraisals)
- Targeted customers are D.C. tourists, with a secondary target being core collectors in the D.C. area. Associated occasions most likely to be souvenirs and gifting

Potential assortment

- Nature of the flagship store would require the full product assortment to be available, potentially along with licensed products
- As tourists are the key customer, a significant portion of the purchases would be impulse, suggesting a broad selection of items with low price points

Fact-base opportunity assessment

- 18 million domestic and 1 million foreign tourists visit Washington, D.C. annually
- Indirect competition with other museum gift shops (especially BEP), though no direct competition

Qualitative assessment

- Flagship store could play a significant role in improving awareness of the Mint's numismatic products
- For the flagship store to be successful, it will need to draw in significant traffic from tourists; financial success will be more challenging

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
 - Exhibits could be run by the historian's office
- Additional staff would be required to operate the store

Economics

- Number of points of distribution: 1
- High operating costs plus lack of scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Flagship store could be viewed as significantly outside the Mint's stated scope and raise concerns of it being a museums of sorts
- Implied endorsement of any store-within-a-store partners

Next steps

- Determine "best case" economics to see if store can be economically viable
- If option is not economically viable on its own, consider whether non-economic benefits (education) are significant

GROWTH CONCEPT: GOVERNMENT STORE

Concept overview

- Mint would work with other branches of government to develop a single store that would sell assorted government products
- Potential partner agencies include the Smithsonian, White House, Homeland Security, Congress and National Park Service
- Store would be located in a high-traffic area (e.g., right on the Mall)
- Targeted customers are D.C. tourists, with a secondary target being core collectors in the D.C. area. Associated occasions most likely to be souvenirs and gifting

Potential assortment

- Nature of the store requires the Mint to have fill a section of the store with Mint products, and as such a relatively broad assortment would be required
- As tourists are the key customer, a significant portion of the purchases would be impulse, suggesting a broad selection of items with low price points

Fact-base opportunity assessment

- 18 million domestic and 1 million foreign tourists visit Washington, D.C. annually
- Indirect competition with other museum gift shops (especially BEP), though no direct competition

Qualitative assessment

- Government store could play a role in improving awareness of the Mint's numismatic products
- For the store to be successful, it will need to draw in significant traffic from tourists; financial success depends on how operating expenses is allocated

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
 - Could be a "Center of Excellence"
- Additional staff would be required to operate the store

Economics

- Number of points of distribution: 1
- High operating costs plus lack of scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Government Store could be viewed as significantly outside the Mint's stated scope
- Challenge in coordinating government agencies and ensuring that it is operationally feasible

Next steps

- Determine if there is any appetite within the Mint to engage in such a program
- If there is interest, gauge interest with required partners

GROWTH CONCEPT: FULL MINT STORE

Concept overview

- Mint establishes a small (around 5) chain of stores that sells the full range of Mint products along with a large selection of licensed products and accessories
- Stores would be located in the retail district of major metropolitan areas (e.g., Chicago's Magnificent Mile) in order to maximize the likelihood of potential impulse purchasers coming in contact with the store
- Targeted customers include avid collectors in the store's vicinity and circulating savers who are more likely to be impulse visitors

Potential assortment

- Nature of the full Mint Store would require the complete product assortment to be available along with licensed products
- As the key goal of the store is to target impulse purchases, it would be appropriate to have a broad selection of items with low price points

Fact-base opportunity assessment

- If stores were located in each of the top 5 MSAs, they would reach one-fifth of the U.S. population
- The circulating saver market (the primary target) is at least 140 million, suggesting nearly 30 million located within the MSAs of stores

Qualitative assessment

- Stores could activate potential customers when they are able to see the product in person
- Limited scalability; potentially more effective ways to generate opportunities for customers to see the product

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
- Additional staff would be required to operate the store and for local management

Economics

- Number of points of distribution: 5
- High operating costs plus lack of significant scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Store could be viewed as significantly outside the Mint's stated scope
- Potentially competing with private industry (coin dealers) in the area of the stores

Next steps

- Determine "best case" economics to see if store can be economically viable
- If option is not economically viable on its own, consider whether non-economic benefit (awareness) is significant

GROWTH CONCEPT: FRANCHISES

Concept overview

- Mint develops a concept (potentially kiosk-based, small stores or an expansion for existing coin dealers) that after testing is then made available for franchising
- As part of franchising, the franchisee would pay the Mint a franchise fee and ongoing royalties, and would receive rights to use the Mint name (e.g., all stores could be called "The Mint Store"), support in setting up the operation and running it in a manner consistent with other Mint Stores

Potential assortment

- Nature of the full Mint Store would require the complete product assortment to be available along with licensed products
- Franchisees would be able to choose their own product mix (with some guidance / requirements from the Mint)

Fact-base opportunity assessment

- Franchises would be a successful strategy to reach the 140 million circulating savers, especially those in less populous areas
- Becoming a franchisee could be an attractive proposition for current coin dealers

Qualitative assessment

- Successful franchise operations have an existing successful concept and use the franchising model to extend reach; the Mint would need to first have a successful concept before the franchise model is likely to work

Fit with assets and capabilities

- Mint does not currently have the existing concept on which a franchising arrangement would exist
- Mint would need to develop full franchise management capabilities (including real estate, design, finance and enforcement)

Economics

- Mint receives upfront revenue in the form of franchise fees, however the more significant long-term source of revenue is franchisee royalties, which are typically 4%
- True economic implication driven by the number of new customers franchisees will be able to attract

Potential barriers/concerns

- Uncertain political viability of a concept where franchisees could go out of business after paying Mint franchising fee
- Mint must determine approach to minimize channel shift from direct Mint channels to the franchisees

Next steps

- Determine what the franchise concept would look like
- Conduct preliminary conversations with current dealers to gauge their interest in becoming a franchisee

CONCEPT OVERVIEWS

- Strengthen core business
- Expand to new customers
- **Enter international markets**

GROWTH CONCEPT: PARTNERSHIP WITH FOREIGN MINTS

Concept overview

- The Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in their retail locations
- The Mint also sells products through non-physical channels (e.g. website, catalog) in exchange for selling foreign mint products via the Mint's alternative channels
- Product exchange could consist of all Mint products or of selected products with international appeal (similar to the past partnership with the Swedish Mint)

Potential assortment

- The Mint could designate selected products targeted at international customers
- A full range of products could be available depending by location, channel type, and agreement with foreign mint

Fact-base opportunity assessment

- The Mint has existing relationships with foreign mints via participation in the Mint Directors Conference
- Germany and the UK are the leading international markets for US numismatics
- Most foreign mints appear to utilize similar sales channels as the US Mint

Qualitative assessment

- Foreign mints already access the market for collectors of national mint numismatic products
- With limited retail space, the majority of US Mint sales of foreign products would likely occur through alternative channels
- This approach could dovetail with the development of new internationally targeted products

Fit with assets and capabilities

- It is within the Mint's existing capacity to designate space in current retail locations for products from other mints; however that space would be limited
- The Mint would need to increase capacity within non-physical purchase channels (e.g. catalog, phone and website purchases)

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The trade-off aspect of an agreement might allow the Mint to increase the number of retail channels to which it has access at little or no cost; however, allowing foreign mints to utilize existing US Mint channels might cut into existing Mint revenues

Potential barriers/concerns

- There are potentially political concerns with the US Mint selling non-US Mint products from government-owned retail space

Next steps

- Evaluate the full partnership model compared with the limited product model
- Identify target partner Mints and target products for sale

GROWTH CONCEPT: INT'L THIRD PARTY MASTER DISTRIBUTOR

Concept overview

- Mint contracts with a an international retailer to promote, distribute, and sell Mint products in retail locations worldwide
- Similar to the agreement with Delaware North, the Mint would not be involved in day to day retail operation, rather would act as a supplier

Potential assortment

- A full range of products would be available depending on location and channel type

Fact-base opportunity assessment

- International sales are relatively small both in gross and as a percentage of US Numismatic Exports, potentially impeding distribution interest
- Germany and the UK are currently the leading international markets for US Mint products

Qualitative assessment

- Utilizing a third party saves the Mint from having to develop expertise in the international retail market
- International sales are currently so low that it is reasonable to assume there is room for dramatic growth in primarily incremental sales

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- If the distributor is given a discount similar to that given to the domestic distributor, the Mint will realize a very thin margin

Potential barriers/concerns

- Identifying a third party distributor willing to work with the Mint
- Uncertain information regarding international demand for Mint products

Next steps

- Identify target international markets
- Identify candidates to serve as master distributor

GROWTH CONCEPT: INT'L EXCESS INVENTORY DISPOSITION

Concept overview

- In a manner that remains consistent with the Mint's practice of not selling dated coins for longer than one year domestically, sell excess inventory internationally through one or more of the international channels identified
- The Mint will increase revenue without any increase in production cost as the products sold will have already been produced

Potential assortment

- The product line would consist of all Mint products left unsold in the Mint's typical product lifecycle
- Mint products falling into this category vary by year

Fact-base opportunity assessment

- Mint policy prohibits Mint sales of not-current year products
- The Mint produces varying amounts of excess numismatic products annually
- Currently those products are destroyed

Qualitative assessment

- This approach is qualitatively new for the Mint in that it will be entering the market for not-current numismatics for the first time
- Engaging in this approach could impact decisions the Mint makes with respect to production in a way that increases mintage

Fit with assets and capabilities

- The Mint would need to leverage international distribution channels that currently do not exist in order to sell the products
- Additional capacity needed to monitor and implement distribution of product might be offset by savings in reducing costs associated with destroying excess products

Economics

- Currently these products are destroyed; sale of these products are therefore all incremental
- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The margin will depend on the requirements of the retailer used to distribute the products

Potential barriers/concerns

- The Mint would need to use a sales and distribution model compliant with federal law on not-current products
- In order to attract international distributors, the Mint would likely have to relinquish pricing control
- Competitors (i.e. dealers) might object to the Mint's entering the non-current year market

Next steps

- Identify which international sales channels would best support this concept
- Determine impact of concept on mintage and pricing

GROWTH CONCEPT: INT'L DIRECT RESPONSE SUPPLIER / PARTNER

Concept overview

- The Mint partners with international direct response suppliers (e.g. Home Shopping Network) to expand direct sales in international markets
- In addition to short-term revenue growth, the Mint leverages direct retailers' access to a broad customer base to grow interest in US Mint numismatic products

Potential assortment

- A full range of products would be available depending on retailer strategy
- The current direct response product array consists primarily of the Mint's regular products repackaged

Fact-base opportunity assessment

- Existing direct response channels (e.g. the Home Shopping Network) already sell US Mint numismatic products
- International sales among direct response retailers are growing at twice the rate of domestic sales

Qualitative assessment

- HSN and other direct suppliers have demonstrated the ability to sell numismatic products and are growing their presence abroad
- To attract partners, the Mint might have to limit restrictions it currently places on presentation, price, etc.
- Utilizing a third party prevents the Mint from having to develop expertise in the international retail market

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- Depending on the discount made available to retailers, the Mint's margin could be substantially decreased

Potential barriers/concerns

- There is little data on the market for US Mint Numismatics abroad potentially impeding supplier interest
- Direct response retailers currently act as US Mint competitors

Next steps

- Identify target partners (e.g. HSN) based on market share, sales format, and partnership agreements
- Evaluate typical sales and distribution agreements with direct response partners

GROWTH CONCEPT: INT'L DEALER TRADE SHOW

Concept overview

- The Mint establishes a presence at International Numismatic Dealer shows and conventions
- The Mint develops sales and distribution channels with international coin dealers
- Additionally, the Mint sells selected products at the shows

Potential assortment

- The Mint would take orders for the full range of Mint products to be fulfilled for individual dealers
- Additionally, the Mint would sell high value products (e.g. gold) at the shows

Fact-base opportunity assessment

- There appears to be a substantial dealer presence and interest in US numismatics in Germany and the UK
- There are several large coin dealer shows throughout Europe

Qualitative assessment

- Presents an efficient way for the Mint to access an array of international sales and distribution outlets
- This approach has been successful in other specialty markets (e.g. golf paraphernalia)

Fit with assets and capabilities

- While the Mint has a team that has attended international coin shows in the past, there is no staff dedicated solely to that purpose within the Mint
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- Depending on the discount made available to retailers, the Mint's margin could be very thin

Potential barriers/concerns

- Requires Mint sales representatives to more frequently travel internationally
- Could require individual negotiations and agreements with multiple small dealers

Next steps

- Identify largest international dealer shows and avenues for accessing them
- Evaluate ways to streamline international travel approval

GROWTH CONCEPT: INT'L FOCUSED NEW PRODUCTS

Concept overview

- The Mint develops and introduces new products targeting international customers
- Products would focus on international themes (e.g. the World Cup, the Seven Wonders of the World, and the Olympics)

Potential assortment

- These products would be similar to existing products within the commemoratives and medals lines

Fact-base opportunity assessment

- The Mint typically sees a revenue spike when introducing new products
- Restrictions on commemoratives and medals would limit the quantity of product types produced

Qualitative assessment

- These products could serve as an entry point to increase the number of international customers interested in higher-end gold products
- To be effective, this approach will need to be coupled with the development or expansion of international sales channels
- In addition to international customers, these designs will likely attract new and existing domestic customers

Fit with assets and capabilities

- The Mint might require additional design talent to produce compelling products
- Currently, the Mint lacks the capacity to efficiently sell and distribute these products internationally

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The economics will depend largely on the channels selected to market, sell, and distribute these products as well as the materials selected to manufacture the products

Potential barriers/concerns

- There could be political pushback on designs intended to attract international customers

Next steps

- Identify appropriate international sales channels through which new products may be distributed
- Explore potential design themes

GROWTH CONCEPT: INT'L THIRD PARTY MASTER DISTRIBUTOR

Concept overview

- Mint contracts with a vendor to promote, distribute, and sell Mint products in retail locations outside of the US
- Similar to the agreement with Delaware North, the Mint would not be involved in day to day retail operation, rather would act as a supplier

Potential assortment

- A full range of products would be available depending on location and channel type
- Preliminary data indicates that gold product might have significant appeal internationally

Fact-base opportunity assessment

- International sales of US Mint products are relatively small both in gross and as a percentage of US Numismatic exports, potentially impeding distribution interest (\$1.5m to seven target countries in 2005)
- Germany and the UK are currently the leading international markets for US Mint products

Qualitative assessment

- Utilizing a third party saves the Mint from having to develop expertise in the international retail market
- International sales are currently so low that it is reasonable to assume there is room for dramatic growth in primarily incremental sales

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- If the distributor is given a discount similar to that given to the domestic distributor, the Mint will realize a very thin margin

Potential barriers/concerns

- Partnership terms required by Mint may be unappealing to third party distributors
- Uncertain information regarding international demand for Mint products

Next steps

- Identify target international markets
- Identify candidates to serve as master distributor

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Emerging Numismatic Strategy

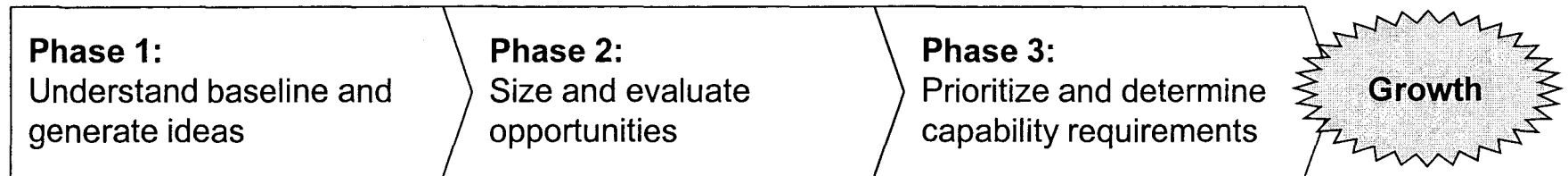


Interim Progress Review

August 14, 2006

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TODAY'S DISCUSSION



▲
Discuss emerging
recommendations
(after brief recap
of methodology)

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METHODOLOGY – MAJOR ACTIVITIES

Interviews

Mint

- David Lebryk
- Gloria Eskridge
- Jay Mahanand
- Daniel Shaver
- Cliff Northup
- Kevin Hamer
- Sharon Bishop
- Cynthia Meals
- Dufour Woolfley
- Ann Bailey
- Ken Knapp
- Jim Adler
- John Warriner
- Jerry Nelson
- Jonathan Haseltine
- David Gessert
- Shirley Keller
- Jack Sczcerban
- Pat McAfee
- Garren Zuck
- Kathy Chiarello
- Robert Rebele
- Cortez Carrington
- Christy Bidstrup
- Sarah Jones
- Justin Kieffer

Analyses

- Historic revenue growth
- Product development
- Kiosk customer purchasing behavior
- Kiosk and production facility gift shop sales decomposition
- Direct channel customer characteristics (all customers who placed orders from Oct. 2004-March 2006; ~1.03 million customers)
- Purchasing behavior for all direct channel activity (Oct. 2004-March 2006; ~4 million orders)
- Market sizing (e.g., overall size of the U.S. gift market)
- Opportunity sizing (e.g., size of revenue growth for the Mint to create a network of kiosks)


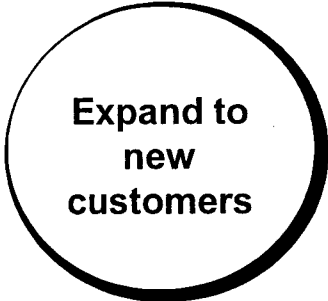




OVERVIEW OF THE CURRENT SITUATION

- The Mint's numismatic business has had an attractive rate of growth of 8 percent over the last 10 years. Through 2005, 73 percent of the growth has come from innovation – 50 State Quarters and the Westward Journey Nickel programs. In 2006, innovation-led growth will accelerate significantly with the American Buffalo – 24K and American Eagle Anniversary Sets
- Maintaining and growing revenue represents a significant challenge for two reasons. First and foremost, the revenue base is at high risk since by 2009 \$150 million will need to be replaced due to programs ending. Second, the product volume for recurring series products has stagnated
- Nevertheless, these challenges can be addressed and indeed there are indicators that suggest the future could be quite attractive. The large number of circulating savers, the potential interest of 42 percent of adults in the Mint's products, and the Mint's own history of higher sales in years with new products (1976, 1986, 2000) suggest that there is a significant unaddressed market

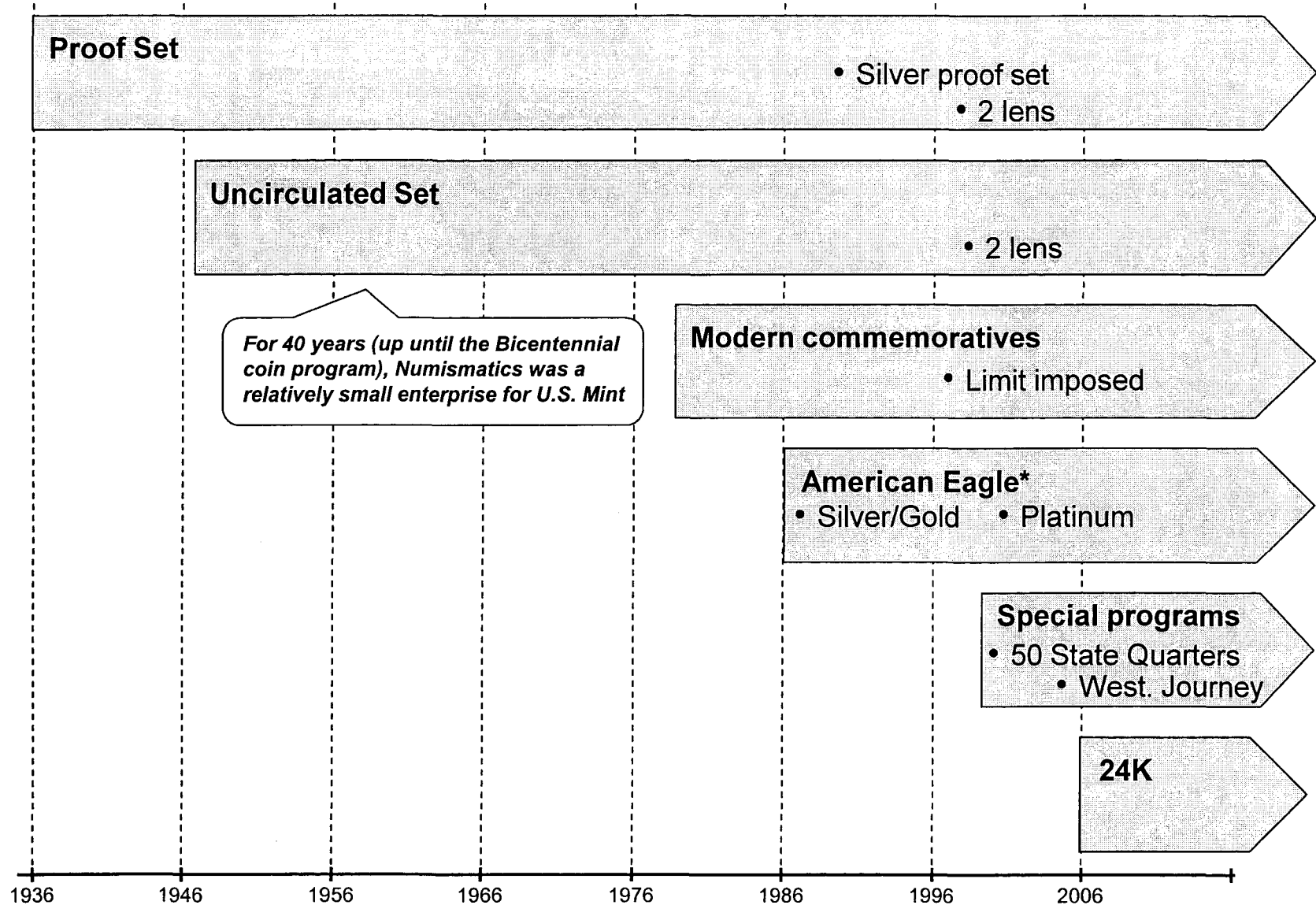
EMERGING STRATEGY OVERVIEW

In order to maintain and grow revenue, the Mint must adopt a mindset that focuses on innovation and rigorous execution. Such a mindset will lead the Mint to quickly adopt consumer goods best practices and expand to new customers and geographies

	Description	Potential value*
 <p>Strengthen core business</p>	<ul style="list-style-type: none"> • Expand the core customer base by <ul style="list-style-type: none"> – Building innovation capabilities – Adopting 13 consumer goods best practices 	<ul style="list-style-type: none"> • \$40-80 million
 <p>Expand to new customers</p>	<ul style="list-style-type: none"> • Expand beyond the core customer base to attract new customers <ul style="list-style-type: none"> – Products that meet specific needs for occasions – Expand the breadth of channels at which the Mint's products are available 	<ul style="list-style-type: none"> • \$90-150 million
 <p>Enter international markets</p>	<ul style="list-style-type: none"> • Target core collectors in international markets by <ul style="list-style-type: none"> – Engaging in the international trade show market – Developing new products which target international customers 	<ul style="list-style-type: none"> • \$5-10 million
		<hr/> Total: \$135-240 million
 <p>Significant additional value can come from product innovation</p>		

* Annually in 3-5 years

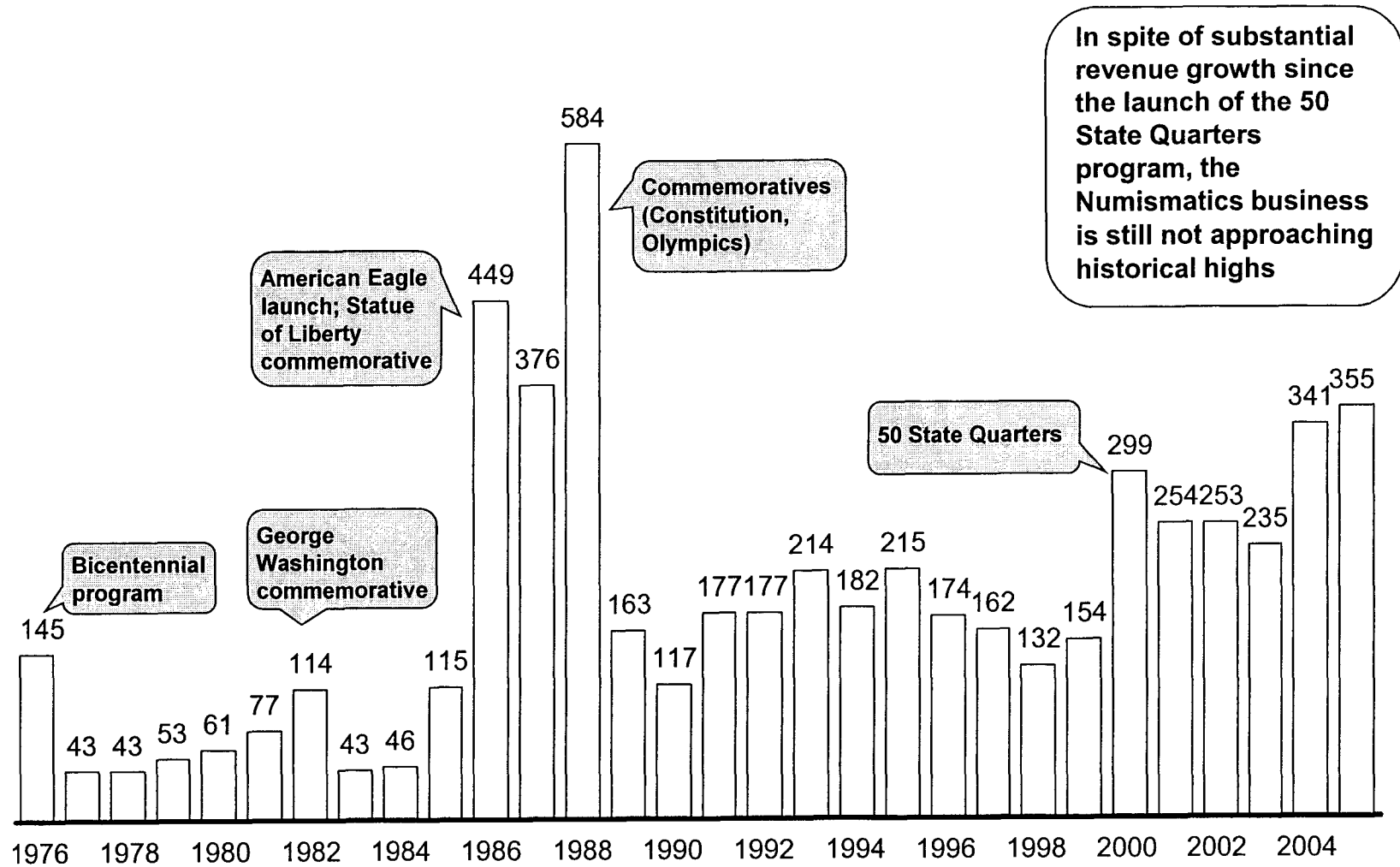
THE U.S. MINT HAS PROVIDED CUSTOMERS WITH AN EXPANDED SET OF OPTIONS OVER THE LAST DECADE



* Includes American Eagle Anniversary Sets and American Eagle uncirculated coins

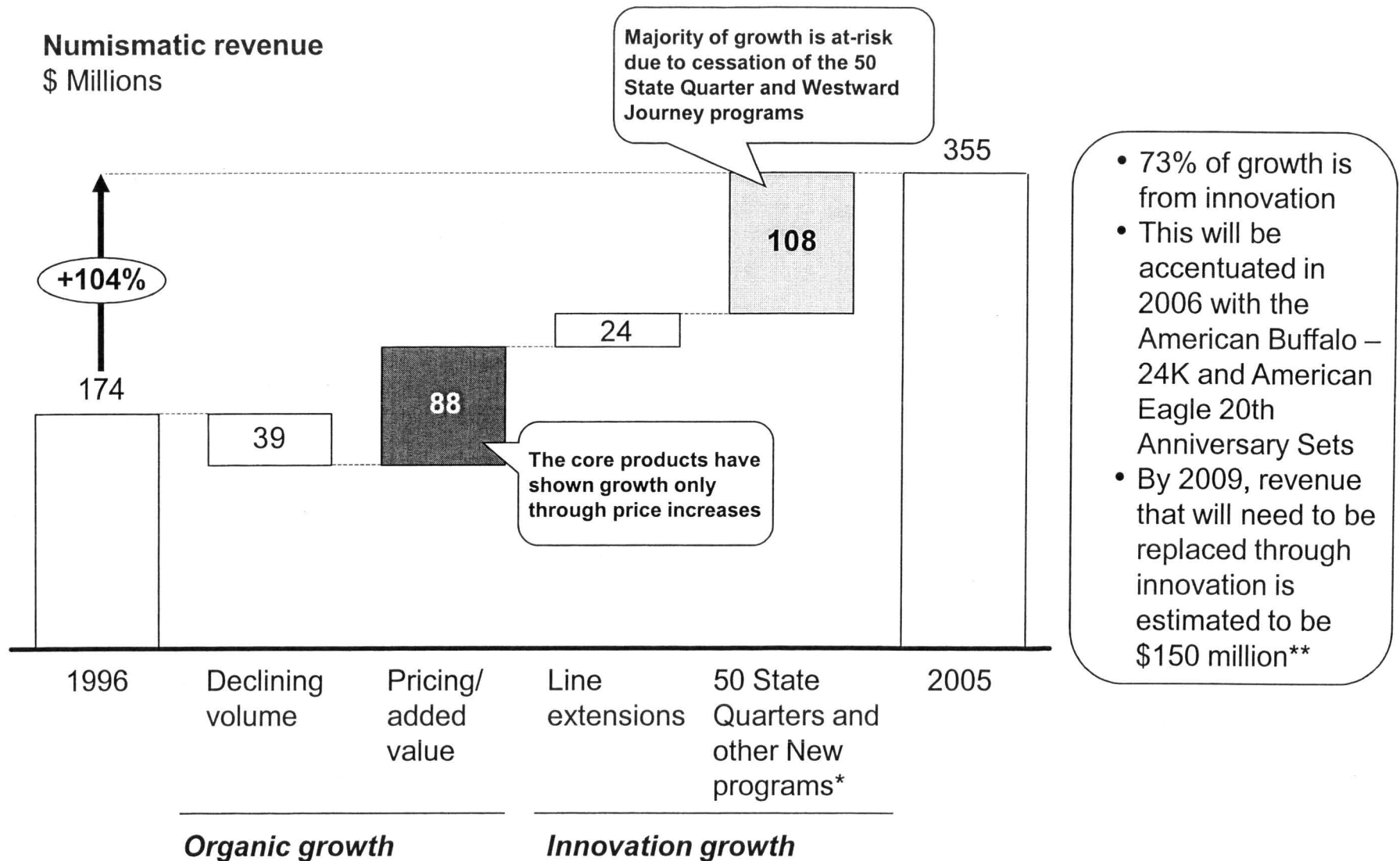
Source: U.S. Mint; 2007 Official Red Book; team analysis

OVER THE LAST 30 YEARS, THE MINT'S REVENUE HAS BEEN VOLATILE AND TIED CLOSELY TO INNOVATION



Note: Data potentially reflects a disconnect between financial years and program years
 Source: U.S. Mint Annual Reports (2000-2005); CIO Bluesheet (1984-1999); Red Book (1976-1983); team analysis

RECENT GROWTH SHOWS THAT A SIGNIFICANT PORTION OF THE MINT'S REVENUE IS AT RISK WHEN SPECIAL PROGRAMS CEASE



* 50 State Quarter Program, Westward Journey Nickel series, Legacies of Freedom, other new products and licensing

** Based on the end of the 50 State Quarter Program, one-time American Eagle Anniversary Sets and the anticipated sales drop-off for the 24K program
Source: U.S. Mint; team analysis

STRATEGY: RATIONALE TO STRENGTHEN CORE BUSINESS



- The Mint has done a strong job, but its revenue foundation is at risk, suggesting a need to take action to stabilize performance
 - Growth in the traditional proof products has stemmed primarily from price increases, not increased product volume
 - Successful special programs are near expiration
 - Long-term stability of the revenue stream from special products such as the American Buffalo – 24K is uncertain
- There is a set of best practice consumer goods activities that the Mint has not executed against and the Mint has recently dedicated inconsistent attention to innovative programs
 - Steps can be taken to increase the success of the Presidential \$1 Coin program (e.g., set groundwork for multi-year sets)
- Adopting this set of best practices will allow the Mint to grow its stable base of numismatic revenue and be able to better handle the volatility inherent in a business where growth is driven by innovation
- Such steps will help the Mint address its need for ongoing product innovation
 - Core collectors have consistently been attracted to numismatic innovation

STRATEGY: KEY COMPONENTS TO STRENGTHEN CORE BUSINESS



Offering

- Introduce entry-level products
- Implement new packaging formats
- Implement steps to increase success of upcoming special programs (e.g., Presidential \$1 Coin)
- Create quality line extensions (e.g., first strike)
- Conduct research on new materials for coins (e.g., palladium)
- Produce and market multi-year sets

Pricing

- Switch to typical consumer goods price points as part of upcoming price changes due to Presidential \$1 Coin

**Value:
\$40-80 million***

Advertising / promotion

- Improve online marketing
- Overhaul website's product presentation and adopt other direct marketing best practices
- Overhaul print catalog's product presentation and adopt other direct marketing best practices
- Launch effort to up-sell/cross-sell/migrate to higher-end products
- Invest in expanding education program

Sales

- Eliminate stock-outs on core products
- Expand subscriptions program

* Based on typical retailers' experience generating an additional 10-20 percent of revenue when they optimize their direct channels
Note: Changes also help in the expansion beyond the core

STRATEGY: RATIONALE TO EXPAND TO NEW CUSTOMERS




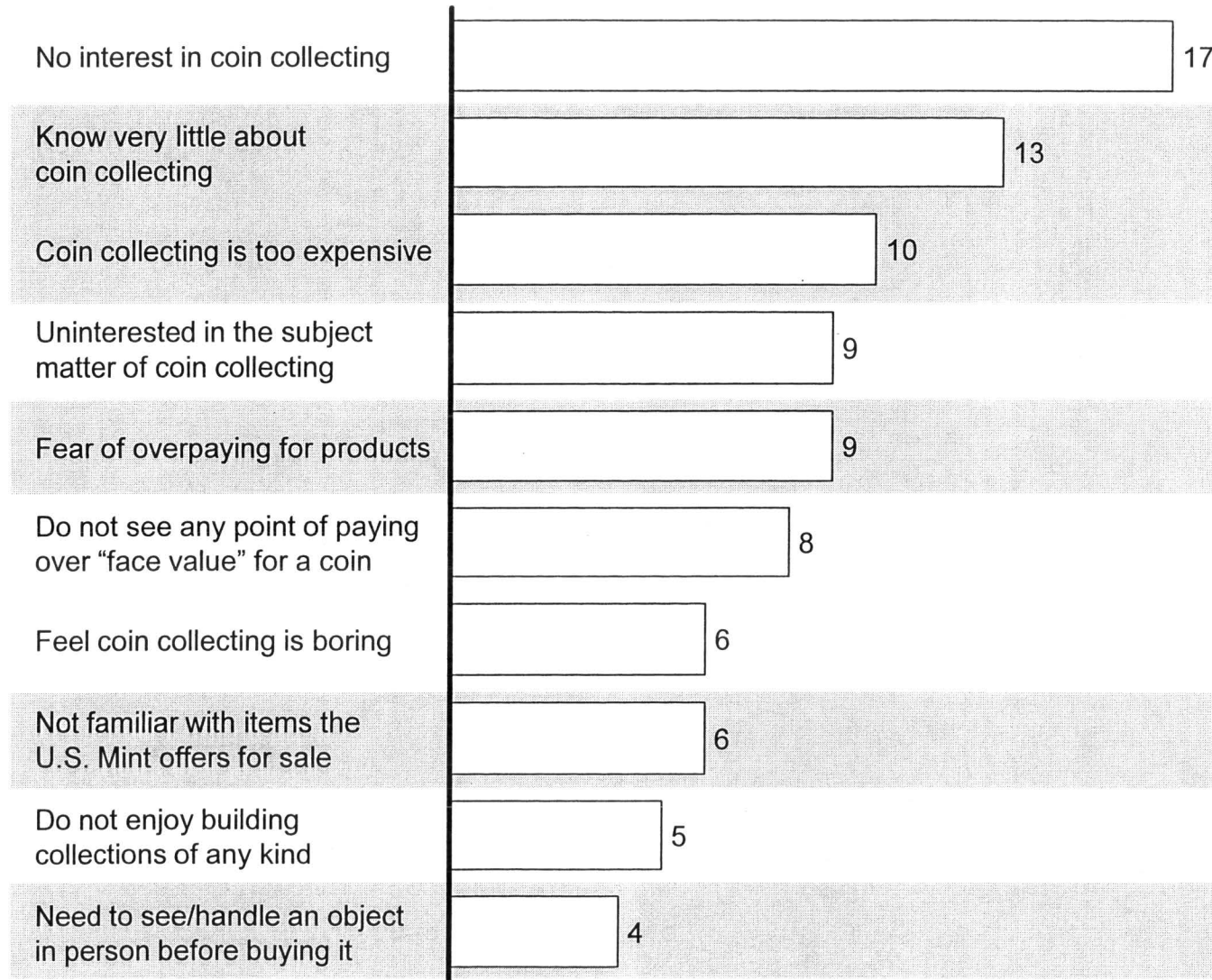
- There is a potentially large customer base that can be reached directly by the Mint through selling new products that target new occasions
 - There are 140+ million circulating savers
 - All circulating savers are likely to be more interested than the public at-large in the Mint's products for special occasions (e.g., gifts, souvenirs)
 - A subset of circulating savers are more active circulating collectors, a portion of whom are likely to be interested in collecting the Mint's numismatic products if they were aware of the products or had easier access to them
 - 42 percent of the adults reported a top barrier to purchasing numismatic products which the Mint could lessen or even eliminate through an expanded channel strategy
 - Current Mint customers may have latent demand if you their access increased
 - 30 percent of Union Station and Headquarters kiosk customers were planned purchasers who would not have purchased the product if the kiosk did not exist
- In order to better serve this unmet interest, the Mint must expand its product line and awareness, and potentially enter new channels

CURRENT CHANNELS HAVE LED TO GAPS IN CONSUMER KNOWLEDGE AND CREATED PURCHASE BARRIERS FOR NUMISMATICS

PRELIMINARY

Top purchase barrier cited by the general public
Percent of adults

 Growth strategy
can potentially
lessen the barrier



Forty-two percent of
adults (90 million)
may be may be
interested in
numismatic products

MINT HAS NOT TARGETED POTENTIAL OCCASIONS THAT NEW CONSUMER SEGMENTS MAY BE INTERESTED IN

Consumers gift for a variety of reasons

Typical gifting situations

- Annual occasions
 - Christmas
 - Birthdays
- Milestones
 - Wedding gift
 - Retirement
- Personal treat
 - Something to indulge or reward myself
- Service appreciation
 - Holiday gift for a teacher
- Reflection of me
 - Gift that reflects the giver's personality
- Reflection of you
 - Something someone would not buy for themselves
- Connoisseur
 - Something to purchase for a trend setter
- Entertaining
 - Hosting a gathering
 - Gift to bring to a dinner

Mint's Numismatic products suited for two primary types of gifting occasions

Annual

- Christmas/
Hanukkah gift
- Birthday
- Anniversary
- Mother's Day
- Father's Day
- Independence
Day



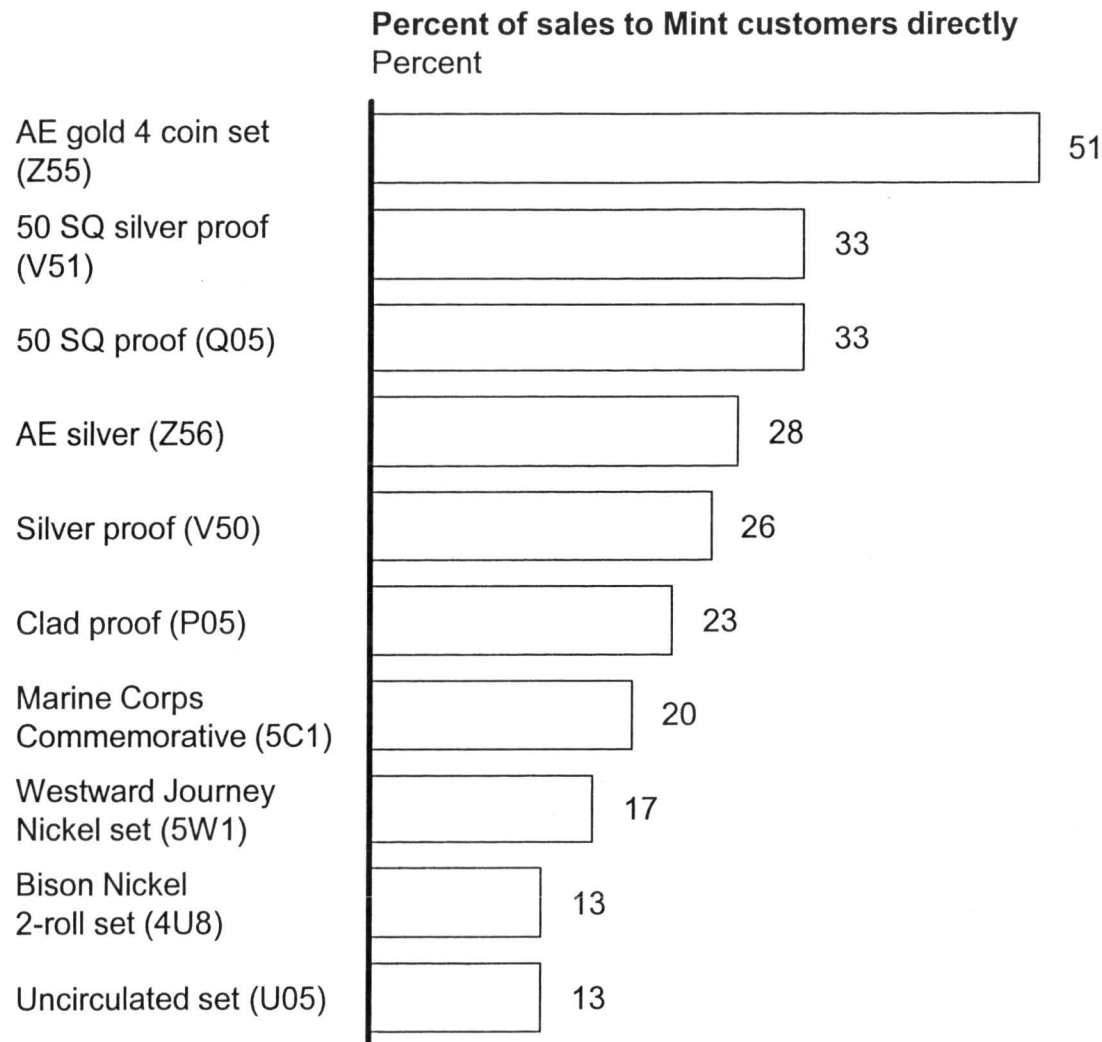
Milestones

- Birth
- Coming-of-age
(Sweet 16s,
Bar Mitzvahs)
- Graduation
- Retirement
- Weddings
- First day
of school
- Baby shower



THE MINT'S CURRENT CHANNELS MAY NOT ADEQUATELY REACH POTENTIAL CUSTOMERS

PRELIMINARY



- 47 percent of customers who visit the Washington, D.C. area kiosks planning to make a purchase report that they would not have made the purchase had the kiosk not existed
- This suggests that a significant portion of existing customers like to see and touch the product before making a purchase

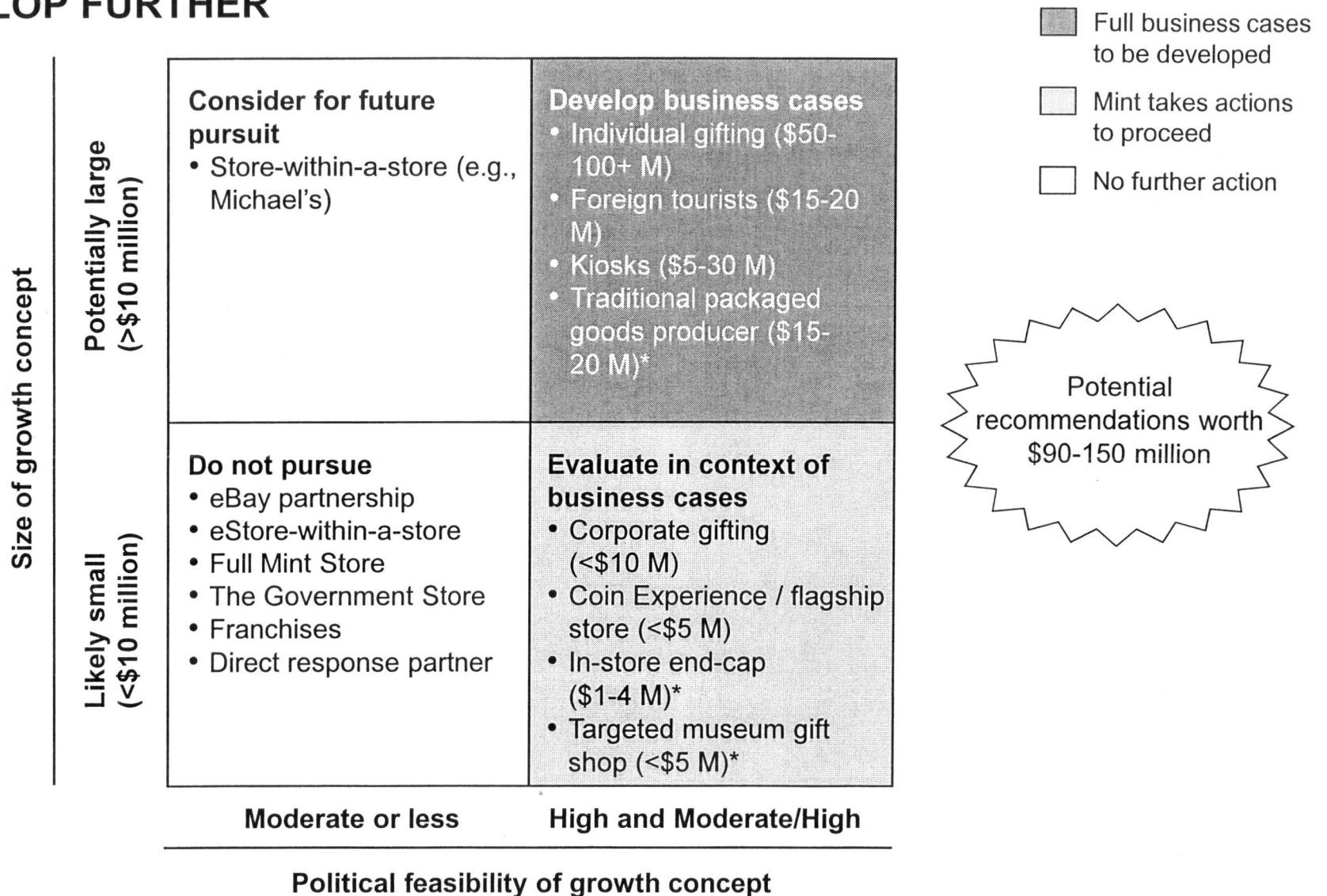
Note: Actual purchasers only include customers who purchased fewer than nine units
Source: U.S. Mint; SKU Database; kiosk customer purchase behavior survey; team analysis

IDENTIFYING KEY COMPONENTS OF EXPANDING TO NEW CUSTOMERS

	Concept	No potential legal issues?	Consistent with mission?	Not competing w/ private sector?
Special occasions	• Individual gifting	✓	✓	✓
	– Adjacent product categories	✓	✓	x
	• Foreign tourists	✓	✓	✓
	• Corporate gifting	✓	✓	✓
Mint through retail channel	• Kiosks	✓	✓	✓
	• eStore-within-a-store (Amazon) partnership	✓	✓	✓
	• eBay partnership	✓	✓	✓
	• Coin Experience	✓	✓	✓
	• Full Mint Store	✓	✓	✓
	• Government Store	✓	✓	✓
	• Franchise	✓	✓	✓
	• Las Vegas museum / store	✓	x	x
	• Outbound telesales	✓	x	✓
	• Promotional activity to stimulate demand	✓	x	✓
	• Auctions for scarce products	✓	x	x
Mint through wholesale channel	• Traditional packaged goods producer	✓	✓	✓
	• In-store end-cap (Hallmark)	✓	✓	✓
	• Store-within-a-store (Michael's)	✓	✓	✓
	• Museum gift shops	✓	✓	✓
	• Direct response	✓	✓	✓
	• Licensing	✓	✓	x
	• Domestic clearance mechanism for excess inventory	✓	x	x
	• Fundraisers	✓	x	✓

15 ideas that passed initial legal, mission and competition screen

TEAM RECOMMENDS FOUR HIGH POTENTIAL CONCEPTS TO DEVELOP FURTHER



* Concepts which would have significant pricing implications. If one of these concept were pursued, all would likely be pursued

Note: Estimated revenues can not be summed. Concepts recommended for pursuit include both occasions and the means to access them

Source: Team analysis

STRATEGY: RATIONALE TO ENTER INTERNATIONAL MARKETS



- There is a significant market of coin collectors outside the U.S. who could be integrated into the Mint's core customer base
 - Four top international Mints (United Kingdom, Australia, Germany and Japan) have greater than \$120 million in combined numismatic sales, with those Mints having a product line similar to the U.S. Mint's
- As there will be competition in this space from foreign Mints, there is an advantage to being the first mover and becoming established in the space
- These customers are not currently targeted through the Mint's marketing efforts or channels
- The Mint could enter these new markets with relatively low risk

STRATEGY: KEY COMPONENTS ENTER INTERNATIONAL MARKETS

The Mint should become more active in the international numismatic market in order to target numismatic collectors (and potentially investors). The approach to enter international markets through a measured low-risk approach is likely to include various concepts (below), the sequencing of which is still under evaluation



- Expand product offering
 - Develop new products which target international customers
 - Design program to dispose of excess inventory overseas
- Create Mint presence in retail channels
 - Build robust international dealer trade show program
 - Establish partnerships with foreign Mints to sell products through foreign mints in exchange for selling foreign products through retail locations
- Expand Mint's wholesale channel
 - Establish third party master distributor agreements
 - Implement direct response supplier / partner model
 - Sign an international master licensee agreement

NEXT STEPS

BASED ON RECOMMENDATION

Refine overall strategy

- Move forward with all Strengthening the Core recommendations
- Explore in-depth the four recommended Expand to New Customers concepts
 - Individual gifting
 - Foreign tourists
 - Kiosks
 - Traditional packaged goods producer
- Evaluate in the context of the above business cases the four smaller Expand to New Customers concepts
 - Corporate gifting
 - Coin Experience / Flagship store
 - In-store end-cap
 - Museum gift shop
- Complete evaluation for Enter International Markets
 - Determine the priority geographies to enter
 - Set order of entry
 - Assess how to enter the geographies (based on limited information on foreign regulations)
- Determine integration between components of the strategy
 - Sequencing of opportunities
 - Potential synergies

Create high-level implementation plan

- Assess existing capability fit
- Identify key capabilities to develop
- Build critical path to implementation along with estimated lead-times for activities
- Determine questions which need to be answered prior to a final go/no-go decision

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Emerging Numismatic Strategy



Interim Progress Review – Support Materials
August 14, 2006

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CONTENTS

- **Growth concepts by strategic area**

- Description of all growth concepts
- Details on concept sizing
- Profile of top growth concepts

THE MINT MUST ACT TO ENSURE THE PRESIDENTIAL \$1 COIN PROGRAM SUCCEEDS TO FILL THE PENDING SPECIAL PROGRAM GAP

Recommended actions

The Presidential \$1 Coin program will start in 2007 and it appears little has been done with the public to spur interest

- Findings from focus groups report general interest in the program, though less than the 50 State Quarters
- Customers, however, are disappointed about the collectibility of the coins in large part as a result of the coins being manganese brass

Offering

- Silver proof version*
- Multi-year sets requiring product set-asides
- Determine demand for a dollar-only proof set

Pricing

- Set price points for all sets (uncirculated and proof) based on the substantial increase in face value of the coins included in the set

Advertising/promotion

- Determine launch marketing approach; program's success will be set in the first year with several of the "big names" who will draw in circulating savers – there will be less demand for other presidents by themselves
- Develop pre-launch marketing plan to core
- Seek out features on TV (e.g., Oprah)
- Set strategy to increase awareness and desirability of the circulating coins to ensure activation of the circulating saver segment
- Invest in expanding educational materials tied to the presidents/first ladies that will be featured each year and have the materials and school system linkages established

Sales









- Expand subscriptions program for the set to include value-added services

Done well, the program has the potential to be bigger than the Westward Journey nickel and approach the success of the 50 State Quarter program

* Requires Congressional approval

DETAILS ON BEST PRACTICE CONCEPTS – OFFERING

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Entry-level products	<ul style="list-style-type: none"> Create numismatic products that would appeal to individuals entering coin collecting and are appropriately priced <ul style="list-style-type: none"> Potential products include an uncirculated set of core coins (penny, nickel, dime, quarter) from only one of the Mints and single versions of proof coins 	  
Packaging formats	<ul style="list-style-type: none"> Create alternative versions of core products (e.g., proof set and silver proof set) which appeal to specific occasions <ul style="list-style-type: none"> Examples include a birth or graduation set which would have the product year prominently displayed as well as a place for a picture, with design and artwork appropriate for the milestone occasion 	  
Create quality line extensions	<ul style="list-style-type: none"> Mint creates quality differentiation within its core products (e.g., first 100 coins to be produced by a die) and offers those products for sale <ul style="list-style-type: none"> Premium price is charged for the product. The exact approach (e.g., auctions vs. fixed price) would need to be determined to ensure that it is consistent with the Mint's mission 	 

Levers/occasions legend

Collectors



Circulating
collectors



Hobbies/
Commemorating



Travelers/
Souvenirs



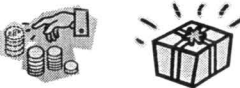

Individual
gifting



Corporate
gifting

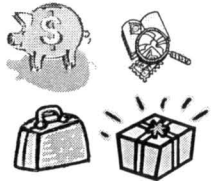


DETAILS ON BEST PRACTICE CONCEPTS – OFFERING (CONTINUED) PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Research new materials for coins	<ul style="list-style-type: none"> • Mint researches consumer interest in various precious metals (e.g., palladium, rhodium) with the goal of increasing the breadth of its price offerings while also ensuring that there are products available more consistently across price points • Mint would need to seek Congressional authorization to strike a new metal coin/series 	
Produce and market multi-year sets	<ul style="list-style-type: none"> • For special programs which span multiple years (Westward Journey Nickel series, Presidential \$1 Coin), the Mint sets aside products each year to be sold later as part of sets of all years of the product which have currently been produced <ul style="list-style-type: none"> – Mint would need to decide whether to only make the set available upon completion of the entire program or after each year (e.g., would one have to wait until ~2016 to purchase the Presidential \$1 Coin set or in 2010, could one buy 2007-2009?) • Mint would need to assess the feasibility of storing the products and also what price points would be appropriate 	

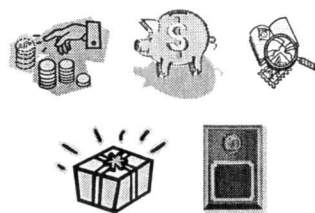
DETAILS ON BEST PRACTICE CONCEPTS – PRICING

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Consumer price points	<ul style="list-style-type: none">• As part of the next price change, which must occur with the start of the Presidential \$1 Coin program in 2007, shift the prices of all products to those that customers are used to paying for products (e.g., \$9.99, \$24.99)<ul style="list-style-type: none">– Though individual prices may increase or decrease, the overall margin pool from products would be kept constant– Price path can be established to suggest to customer a product migration path	

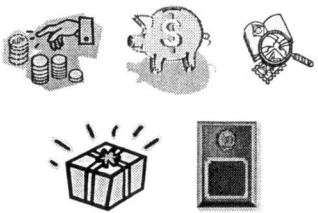

DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Direct marketing overhaul – website	<ul style="list-style-type: none"> • Redevelop website to more prominently feature e-commerce sub-site • Add occasion-based sections to the website so that a user is able to select “graduations” and is taken to a page which lists top graduation present products. A completely free-standing corporate gift section would also be appropriate <ul style="list-style-type: none"> – The product description copy needs to differ between the varying sections of the site to ensure that the product is described in a manner likely to appeal to each of the self-identified customer groups • Improve product pages <ul style="list-style-type: none"> – Add customer-developed content (product reviews) to product pages – Add sales data tracking capabilities to the website and provide select findings to consumers on the site (e.g., X% of visitors who looked at the product ended up purchasing it) • Improve customer loyalty by providing value-added services on the website so that over time customers self-select the web as their channel of choice (benefiting the Mint as it is the lowest cost channel) <ul style="list-style-type: none"> – Examples include purchase history and offering free shipping • Simplify registration process and require it to place an order • Develop a more robust customer information management system (e.g. improved address book with multiple ship to addresses, multiple credit cards stored in the system) • Add reminder system in which registered users enter birthdays, etc. and are automatically sent an e-mail when an event is approaching • Simplify process of adding a core product before completing an order • Simplify process of adding a gift box to an order • Improve search functionality on site allowing concept-based searches • Improve the online interface and the visual attractiveness of site 	

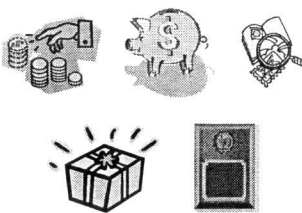

DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION (CONTINUED)

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Direct marketing overhaul – print catalog	<ul style="list-style-type: none"> • Develop a true product catalog as opposed to a comprehensive mailer <ul style="list-style-type: none"> – Romanticize the product through the copy used and pictures selected. In this catalog style, it is appropriate for key products to be given a full page spread • Facilitate cross-selling by including “Have you also considered...” sidebars which recommends complementary products that other customers have purchased along with the product being considered • Have sections of the print catalog dedicated to particular themes (e.g., gifts, commemorating life events, corporate gifts) which will include all appropriate products (as a result, products will be featured multiple times in the catalog) <ul style="list-style-type: none"> – The product description copy would need to differ between the varying sections of the catalog to ensure that the product is appealing for a self-identified customer group • Improve print catalog distribution to target more potential customers who will likely be drawn to the product by the rich presentation 	
Up-sell / cross sell / migrate	<ul style="list-style-type: none"> • Regardless of the channel by which a customer places an order, suggest at least one alternative product as an up-sell alternative and also a cross-sell product (possible lower value) • Provide customers incentives to purchase multiple products (e.g., free shipping if you also purchase an American Eagle silver coin) • Send targeted direct mail based on previous purchases to encourage customers to purchase a specific product (copy should be customized to refer to the previous purchase) • Data mine overall customer purchase data to determine popular product purchase profiles which will be used to encourage customers with similar, but incomplete, profiles to “complete the set” 	


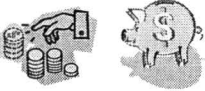
DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION (CONTINUED)

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Online marketing	<ul style="list-style-type: none"> • Become active in paid search to ensure that the U.S. Mint is prominently suggested to any user of a search engine who is searching for a term which suggests an interest in the Mint's products (e.g., "the Mint", "coin proof set," and "presidential dollar") as well as individuals who may be interested in the Mint's offerings if they were aware of the product (e.g., gift givers) • Work with a search engine consultant to optimize the Mint's website to generate the strongest possible results on Google and other search engines and direct customers to the most appropriate section of the website • Take out banner advertisements on prominent numismatic educational sites (e.g., <i>coincollector.org</i>, <i>coinmag.com</i>) 	
Invest in expanding education program	<ul style="list-style-type: none"> • Expand focus on the education program beyond math to include history (states, the importance of the individuals, objects and symbols on coins) and science (metallurgy, how coins are made and what steps are taken to make sure the coins last) • Develop a narrow grade/age bracket to target with the materials, that would be the focus of the education program (including all subjects), while also ensuring that there is content for older students to ensure that they kept an active interest in and involvement with coins • Develop an inexpensive educational set of numismatic products that could be sold to school districts and then given out to the grade which is the target of educational program 	

DETAILS ON BEST PRACTICE CONCEPTS – SALES

PRELIMINARY

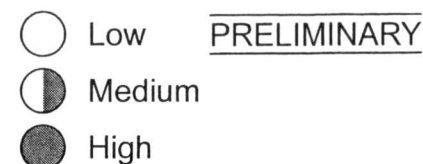
Area	Specific initiatives	Levers/ occasions
Production	<ul style="list-style-type: none"> • Switch to a production model which allows production to demand along with in-and-out production in order to ensure there are no stock-outs on core products <ul style="list-style-type: none"> – Bulk of a production run could be completed early on in the year (maintenance of status quo) though there would need to be the ability to engage in in-and-out short production runs based on customer demand 	
Subscription program	<ul style="list-style-type: none"> • Expand subscription program to be “value added” <ul style="list-style-type: none"> – Discount associated with the subscription – Include complimentary cases and other accessories – New subscription program for other numismatic programs (e.g., commemoratives) – Subscription program only available as a pre-order (with discount) – Add to all product pages on the website a link to easily change the order to a subscription for the product 	

SPECIAL OCCASION CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS

○ Low PRELIMINARY
 ◐ Medium
 ● High

Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Individual gifting	• Place products in locations where consumers currently go to look for gifts (e.g., Red Envelope catalog, Hallmark stores)	• \$50-100+ M	●	●	◐	●
• Foreign tourists	• Sell products in airports (through duty-free shops) to target outbound foreign tourists who would be interested in souvenirs	• \$10-15 M	●	●	○	●
• Corporate gifting	• Current product assortment is marketed in corporate gift catalogs and a corporate gift section of website. Product, packaging and marketing changes likely required	• <\$10 M	◐	●	◐	◐

MINT THROUGH RETAIL CHANNEL CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS



Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Kiosks	• Mint opens (either directly or with a partner) a network of kiosks in malls and high traffic areas to attract new customer groups	• \$5-30 M	●	●	●	●
• Coin Experience store	• Large store which in addition to products would have information on coin production, exhibits, displays of rare coins and interactive exhibits (press your own coin)	• <\$5 M	◐	◐	◐	◐
• eStore-within-a-Store	• Targeted selling via e-commerce which provides the Mint access to a website's broad customer base	• <\$5 M	◐	◐	◐	○
• eBay partnership	• Sell standard product assortment under a "Buy It Now" fixed-price arrangement	• <\$5 M	◐	◐	●	○
• Full Mint Store	• Mint opens a series of full specialty stores that sell the full line of Mint products as well as licensed products and other general numismatic products	• <\$5 M	◐	◐	●	○
• The Government Store	• Mint leads an inter-agency effort to have a store in Washington that features products from all government agencies	• <\$5 M	◐	●	◐	○
• Franchises	• Mint develops a set concept for a store and licenses out the right to run a Mint store. Owner may be able to flex format	• <\$5 M	○	◐	●	○

Source: Team analysis

MINT THROUGH WHOLESALE CHANNEL CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS

○ Low PRELIMINARY
 ◐ Medium
 ● High

Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Traditional packaged goods producer	• Mint sells products to existing retailers who sell the product in their stores. Availability likely limited to holiday season	• \$15-20 M	●	●	◐	●
• Museum gift shops	• Expand existing gift shop contract to include distribution of Mint products at other sites the operator manages	• <\$5 M	●	◐	◐	◐
• In-store end-cap (e.g., Hallmark)	• Small section/end-cap of a specialty retailer is rented by the Mint which manages the section and ensures that employee knowledge is sufficient to effectively assist customers	• \$1-4 M	●	●	◐	◐
• Store within-a-store (e.g., Michael's)	• Section of a large retailer is rented by the Mint (or a third party with whom the Mint has contracted) which sets up and runs the store operations (with logistic support from host)	• \$3-6 M	◐	●	◐	○
• Direct response supplier / partner	• Partner with QVC / HSN / ShopNBC to supply them with products directly and possibly support the creative content (e.g., have Mint officials on shows)	• \$3-7 M	◐	●	○	○

SEVEN CONCEPTS COULD BE USED TO TARGET INTERNATIONAL CORE COIN COLLECTORS

Target international core coin collectors		Ideas that we are exploring	Description
	Product offering	<ul style="list-style-type: none"> • Develop new products which target international customers • Design program to dispose of excess inventory overseas 	<ul style="list-style-type: none"> • Mint creates new products which primarily target international customers (while being available domestically) with themes that appeal to target audience (e.g., Seven Wonders of the World, America as a symbol of freedom) • Stay consistent with Mint's practice of having dated products available for sale in domestic markets for only one year but lessen melt-down by selling previous years' Mint products using an assortment of distribution strategies
	Mint through retail channel	<ul style="list-style-type: none"> • Build robust international dealer trade show program • Establish partnerships with foreign mints to sell products 	<ul style="list-style-type: none"> • Mint expands presence at targeted international dealer shows with a table and full product line on display with goal of both selling products at the show and taking dealer orders to be fulfilled throughout the year • Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in the Mint's retail locations and potentially the website
	Mint through wholesale channel	<ul style="list-style-type: none"> • Establish third party master distributor agreements • Implement direct response supplier / partner model • Sign an international master licensee agreement 	<ul style="list-style-type: none"> • Mint contracts with an international partner to promote, distribute, and sell Mint products in locations worldwide. Third party can further contract with retailers • Mint partners with direct response channels (e.g., HSN or QVC) to sell products on their international television channels • Mint partners with a third party to run all international activity. Includes distribution and product development (limited to reformatting/packaging existing products)

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- Growth concepts by strategic area
- **Description of all growth concepts**
- Details on concept sizing
- Profile of top growth concepts

CONCEPT DESCRIPTIONS – OPTIMIZING EXISTING PORTFOLIO

Growth concept	Description
<ul style="list-style-type: none"> • Leverage traditional consumer price points 	<ul style="list-style-type: none"> • Adjust current price points to more traditional price points (\$19.99), potentially at higher prices than currently offered
<ul style="list-style-type: none"> • Proactive up-sell/cross-sell/migration 	<ul style="list-style-type: none"> • Create and implement incentives to actively promote currently available add-ons and upgrades to customers
<ul style="list-style-type: none"> • Enhance subscriptions program 	<ul style="list-style-type: none"> • Provide incentives to customers to encourage them to join the Mint subscription program operating today (e.g., unit discounts for subscriptions, bonus gifts)
<ul style="list-style-type: none"> • Develop entry/starter kit products 	<ul style="list-style-type: none"> • Create low-end products designed to attract new collectors to numismatics (e.g., Uncirculated coin set from only one mint at \$4.95)
<ul style="list-style-type: none"> • Overhaul product presentation in direct channels – website 	<ul style="list-style-type: none"> • Utilize private sector best practices to update how Mint products are displayed on the website and other components of the website (e.g., concept-based sections)
<ul style="list-style-type: none"> • Overhaul product presentation in direct channels – print catalog 	<ul style="list-style-type: none"> • Utilize private sector best practices to update how Mint products are displayed in direct mail and other components of the catalog (e.g., complementary products)
<ul style="list-style-type: none"> • Produce to actual demand 	<ul style="list-style-type: none"> • Use improved order and information management, including pre-sales, to better predict demand and deliver based on smoother production runs
<ul style="list-style-type: none"> • Improve online marketing 	<ul style="list-style-type: none"> • Create an orchestrated marketing campaign for the US Mint on the internet, including banner ads on numismatic websites, targeted Google search term ads
<ul style="list-style-type: none"> • Invest in expanding educational program 	<ul style="list-style-type: none"> • Develop targeted program for youth and potential collectors to promote numismatics and inform them of inauthentic products
<ul style="list-style-type: none"> • Quality line extension (with product auctioned) 	<ul style="list-style-type: none"> • Set aside product that is notably distinctive (e.g., first strike coins) and offer it to the public through special auctions

CONCEPT DESCRIPTIONS – OPTIMIZING EXISTING PORTFOLIO (CONTINUED)

Growth concept	Description
• Multi-year sets	• Make available in the middle or end of theme-based special program (50 State Quarters, Presidential dollars) all years of the product that have been made
• New materials for coins	• Expand assortment of precious metals used in American Eagle program and commemoratives (e.g., palladium, rhodium) and bi-metal products
• Existing products in new formats	• Make current products only available in certain sets available in new combinations (e.g., individual proofs of the Presidential dollar coins)
• Services	• Mint offers services for a fee to customers. Potential services include grading/authenticating (either limited to new Mint products or more broadly), colorization/metal plating of coins, and detailed production run status information
• Excess inventory disposition	• Products outside or right at the end of their life-cycle are sold to a third party at a significant discount off list price. The third party then resells the product through the secondary market, potentially at below the original list price
• Value based pricing	• Product prices are changed (likely increased) to better reflect customers' willingness to pay
• Prepare for success with upcoming special programs	• Engage in promotional activities and tweaks to the product to ensure a successful launch to the Presidential \$1 Coin, which will be required for program to fill the revenue gap that will appear when the 50 State Quarter Program expires in 2008
• Expand and improve capabilities of product development group	• Expand role of group to include greenfield program idea generation (based on customer input), developing specific products based on new/existing legislation and identify unmet needs for packaging formats of existing product. Likely staff profile changes to best perform the expanded responsibilities

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS

Growth concept	Description
<ul style="list-style-type: none"> • Build network of kiosks 	<ul style="list-style-type: none"> • Mint sells products to a third party which then runs kiosks that feature Mint products (potentially along with other numismatic products). Kiosks are located in high traffic locations that attract new customer groups.
<ul style="list-style-type: none"> • Target individual gifting occasions (annual/milestones) 	<ul style="list-style-type: none"> • Place products in locations where consumers go to look for gifts (e.g., Red Envelope catalog, Hallmark store). Advertising/packaging support may be required
<ul style="list-style-type: none"> • Sell in airport kiosk/duty free shops 	<ul style="list-style-type: none"> • Sell products in airports to target outbound foreign tourists who would be interested in souvenirs
<ul style="list-style-type: none"> • Direct response supplier/ partner model 	<ul style="list-style-type: none"> • Partner with QVC / HSN / ShopNBC to supply them with products directly and possibly support the creative content (e.g., have Mint officials on the show)
<ul style="list-style-type: none"> • eStore-within-a-store (e.g., Amazon) 	<ul style="list-style-type: none"> • Targeted selling via e-commerce which provides the Mint access to a website's broad customer base
<ul style="list-style-type: none"> • eBay store/auctions 	<ul style="list-style-type: none"> • Special (e.g., first strike) Mint products auctioned off. Could also sell standard product assortment under a "buy it now" fixed-price arrangement
<ul style="list-style-type: none"> • Mint end-cap at specialty retailers 	<ul style="list-style-type: none"> • End-cap of a specialty retailer is rented by the Mint which manages the section and ensures that employee knowledge is sufficient to effectively assist customers
<ul style="list-style-type: none"> • Open stores-within-a-store (e.g., retail banks, telecom model) 	<ul style="list-style-type: none"> • Section of a large retailer (e.g., Wal-Mart) is rented by the Mint (or a third party with whom the Mint has contracted) which sets up and runs the store operations (with logistic support from the retailer)
<ul style="list-style-type: none"> • Become a packaged goods supplier (e.g., seasonal in-and-out at Target) 	<ul style="list-style-type: none"> • Mint sells products to existing retailers who sell the product in their stores

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> Expand existing relation with operator of gift shops 	<ul style="list-style-type: none"> Allow operator of the gift shops to sell products in their other retail outlets (which for Delaware North includes national parks, airports and sports arenas/stadiums)
<ul style="list-style-type: none"> Target corporate gifting occasions 	<ul style="list-style-type: none"> Current product assortment is marketed in corporate gift catalogs. Additional products along with changes in packaging/marketing may be required
<ul style="list-style-type: none"> D.C. Coin Experience store 	<ul style="list-style-type: none"> Large store which would include information on coin production, exhibits, displays of rare coins and interactive exhibits (press your own coin)
<ul style="list-style-type: none"> Franchises 	<ul style="list-style-type: none"> Mint develops a set concept for a store and then licenses out the right to run a Mint Store. Level of conformity with the concept is flexible (e.g., stores could be allowed to also sell non-current numismatic products)
<ul style="list-style-type: none"> Full Mint Store 	<ul style="list-style-type: none"> Mint opens a series of full specialty stores that sell the full line of Mint products as well as licensed products and other general numismatic products
<ul style="list-style-type: none"> Fundraisers 	<ul style="list-style-type: none"> Mint develops special products (based on existing coins) or new package formats which promote a non-profit's interest (e.g., cancer awareness). Product has a surcharge which benefits the non-profit; Mint gets access to new customer groups
<ul style="list-style-type: none"> Las Vegas Museum/store 	<ul style="list-style-type: none"> Mint partners with a casino proprietor to open and operate a coin museum that would feature new and historical products. Museum's gift shop would include Mint products (similar to Philadelphia and Denver Mints)
<ul style="list-style-type: none"> Outbound telesales 	<ul style="list-style-type: none"> Call center would be expanded to support an outbound capability, whereby inactive customers (and potentially non-customers) would be called and offered the opportunity to purchase Mint products

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> • Auction on scarce products 	<ul style="list-style-type: none"> • For products which are expected to be in short supply and sell-out rapidly (e.g., commemoratives, anniversary sets), auction off the right to purchase the product (at the list value). Auction approach could be a Dutch auction, where individuals submit advanced bids and the minimum “accepted” price (the price which clears all inventory) is the price all bidders pay
<ul style="list-style-type: none"> • New product categories 	<ul style="list-style-type: none"> • Mint develops (or licenses to develop) products in adjacent spaces and then sells the products through official Mint channels. Examples include display cases, jewelry and colored coins)
<ul style="list-style-type: none"> • Licensing 	<ul style="list-style-type: none"> • Mint licenses out rights to develop certain types of products. Could be core numismatic products that are packaged differently (e.g., rolls of proof coins) or products in adjacent spaces
<ul style="list-style-type: none"> • Traditional demand stimulation promotions 	<ul style="list-style-type: none"> • Mint conducts promotions (e.g., free shipping, uncirculated set for \$4.99 with a \$200 purchase) or straight discounts on products (Silver Proof Set for \$29.99). Promotions done to drive traffic during down times or clear inventory of products nearing the end of their life-cycle
<ul style="list-style-type: none"> • The Government store/The Money store 	<ul style="list-style-type: none"> • Mint leads an inter-agency effort to open up a store in Washington that features products from multiple government agencies. The Government Store would feature products from all agencies that were interested in being involved, while The Money Store would be a smaller effort between the Mint, Bureau of Engraving and Printing and the Federal Reserve

CONCEPT DESCRIPTIONS – EVALUATE INTERNATIONAL OPPORTUNITIES

Growth concept	Description
<ul style="list-style-type: none"> Partnership with foreign mints 	<ul style="list-style-type: none"> Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in their retail locations
<ul style="list-style-type: none"> Third party master distributor agreement 	<ul style="list-style-type: none"> Mint contracts with an international partner to promote, distribute, and sell Mint products in locations worldwide. Third party can further contract with retailers
<ul style="list-style-type: none"> International excess inventory disposition model 	<ul style="list-style-type: none"> Leverage international exclusion from statutory restriction prohibiting sales of previous year's Mint products using an assortment of distribution strategies
<ul style="list-style-type: none"> Direct response supplier / partner model 	<ul style="list-style-type: none"> Mint partners with direct response channels (e.g. HSN or QVC) to sell products on their international television channels
<ul style="list-style-type: none"> International dealer trade show model 	<ul style="list-style-type: none"> Mint expands presence at targeted international dealer shows with a kiosk and full product line with goal of both selling products at the show and taking dealer orders to be fulfilled throughout the year
<ul style="list-style-type: none"> Develop new products which target international customers 	<ul style="list-style-type: none"> Mint creates new products which primarily target international customers (while being available domestically) with themes that appeal to target audience (e.g., seven wonders of the world, America as a symbol of freedom)
<ul style="list-style-type: none"> International master license agreement 	<ul style="list-style-type: none"> Mint partners with a third party to run all international activity. Includes distribution and product development (limited to reformatting/packaging existing products). Products would be a licensed product, which could be imported back to the U.S.

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SIZING “EXPAND TO NEW CUSTOMERS” GROWTH CONCEPTS

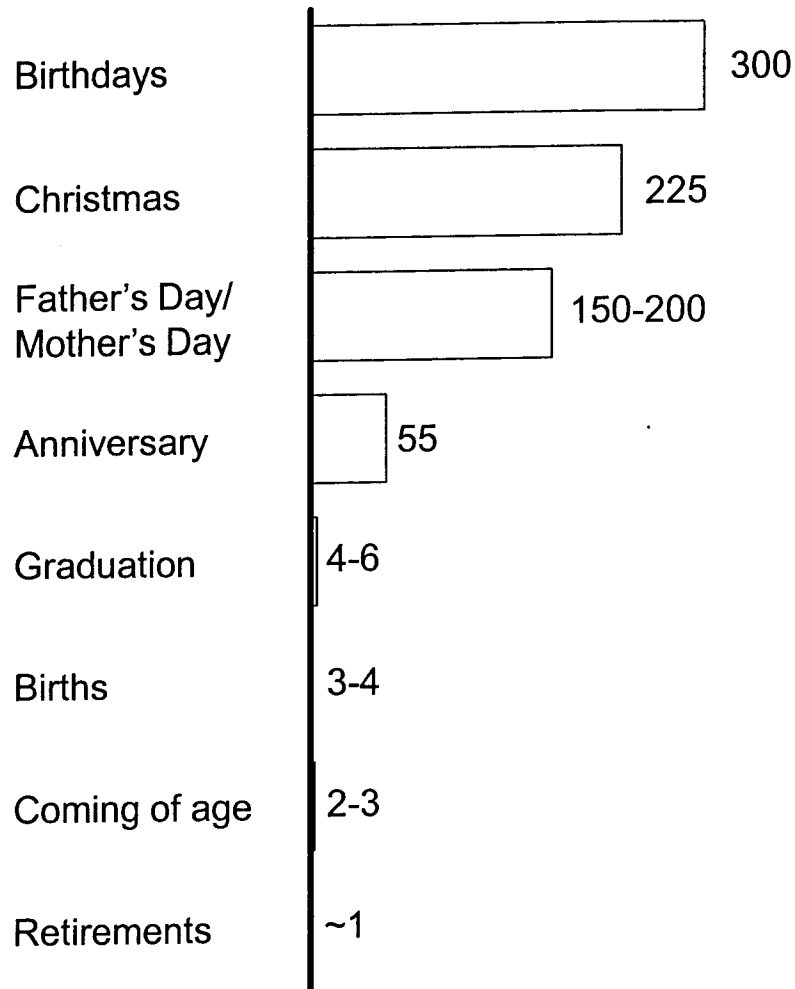
PRELIMINARY

	Concept	Size	Key assumptions
Special occasions	• Individual gifting	• \$50-100+ M	<ul style="list-style-type: none"> • Gifting is an \$80 billion market and with 700 million trigger events for gifts where numismatics would be suitable, 1% share would bring in \$210 million • The Mint likely already captures a portion of that 1%
	• Foreign tourists	• \$15-20 M	<ul style="list-style-type: none"> • Benchmark against duty free experience of other similar consumer packaged goods companies • Analysis of foreign tourists to the U.S. and likely penetration by region origin suggests a 600,000 person market
	• Corporate gifting	• < \$10 M	<ul style="list-style-type: none"> • Benchmark on revenue of largest consumer packaged goods player in corporate gifting space • Analysis of the share of the \$1.2-1.8 billion space Mint could likely capture
Mint through retail channel	• Kiosks	• \$5-30 M	<ul style="list-style-type: none"> • Nationwide network of ~50 kiosks possible • Sales at average kiosk likely to be around half of Union Station's, with a similar (75%) amount of incremental purchases
	• eStore-within-a-Store	• <\$5 M	<ul style="list-style-type: none"> • Impulse purchases would be rare on eStores such as Amazon given that audience is typically not looking for products in the space
	• eBay partnership	• <\$5 M	<ul style="list-style-type: none"> • Little incremental revenue as product currently available through secondary market • Gain comes from additional future purchases of Mint products based on direct marketing
	• Coin Experience	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (beyond one) limits upside • Benchmark against typical retail sales for similar store formats
	• Full Mint Store	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (5?) limits upside • Benchmark against typical retail sales for similar store formats • Significant operating/outsourcing costs
	• The Government Store	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (beyond one) limits upside • Benchmark against typical retail sales for similar store formats
	• Franchises	• <\$5 M	<ul style="list-style-type: none"> • Revenue is channel shift from current market • Increased credibility gains from the Mint's involvement is the only source of new revenue
Mint through wholesale channel	• Traditional packaged goods producer	• \$10-15 M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Target • Validation through bottoms-up analysis of kiosk product sales for those product that would be sold in Target
	• In-store end-cap (e.g., Hallmark)	• \$1-4 M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Hallmark
	• Store within a store (Michael's)	• \$3-6+ M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Michael's • Validation through sales of moderate assortment of non-gold products at kiosks
	• Museum gift shops	• <\$5 M	<ul style="list-style-type: none"> • Identification of likely distribution sites • Estimated sales per site based on performance at current sites
	• Direct response supplier / partner	• \$3-7 M	<ul style="list-style-type: none"> • Face value of new coin sales on the networks is estimated at \$17-35 million • Mint profits from partnership by charging a service fee where the Mint helps the network with content and by increasing sales based on the Mint's involvement increasing credibility

Source: Team analysis

SIZING GROWTH CONCEPTS – INDIVIDUAL GIFTING (\$50-100 MILLION+)

Underlying unique purchase triggers



Rationale/source

- U.S. population
- 75% Christian
- 55 married households
- 45 single/other
- 55 million married households
- High school/post secondary
- Census cohorts
- Census cohorts
- Estimate

- 1% of estimated 700 million trigger events at \$30/average purchase = \$210 million
- Conservatively, assuming Mint already captures half of the Mint's potential demand for gifts, could be \$100 million incremental
- Mint would be a boutique player in the context of an \$80 billion overall market

SIZING GROWTH CONCEPTS – FOREIGN TOURISTS (THROUGH DUTY-FREE) (\$10-15 MILLION)

PRELIMINARY

Region of origin	Number of visitors to the U.S. (2005)	Estimated share of visitors who will buy a numismatic product	Potential market size
• Asia	• 6,198,087	• 4%	• 248,000
• Western Europe	• 9,879,934	• 2%	• 198,000
• Canada and Mexico	• 19,470,009	• 0.5%	• 97,000
• South America	• 1,820,315	• 1%	• 18,000
• Caribbean	• 1,134,886	• 1%	• 11,000
• Middle East	• 527,361	• 2%	• 11,000
• Oceania	• 736,840	• 1%	• 7,000
• Eastern Europe	• 432,702	• 1%	• 4,000
• Central America	• 696,207	• 0.5%	• 3,000
• Africa	• 252,196	• 0.5%	• 1,000
Total	41,148,537		598,000

- Assuming each individual purchasers bought a proof set, based on the current price (price customer paid would be higher) about \$14 million in annual incremental revenue would be generated
- The Mint could gain a presence in the majority of major U.S. airports by partnering with just one or two duty-free retailers (DFS, Alpha)

SIZING GROWTH CONCEPTS – CORPORATE GIFTING (\$3-9 MILLION)

Top-down

- The corporate gifts space (excluding production/ giveaways) is \$1.8 billion annually
- There are 3 areas of companies to corporate gifts – recruiting, employees and clients. We assume the 3 areas are equally sized
- The only area which the Mint could be competitive in is employees, thus a \$600 million space
- Mint products are well situated for this space; the target price point is \$35-100
- All things considered, including the high fragmentation of the market, the Mint could capture between 0.5% and 1.5%
- This market share is worth \$3-9 million in annual revenue

Bottom up

- The major corporate gifting occasion that the Mint's products would be compelling for is retirement of employees
- It is estimated that 1 million individuals retire each year
- The Mint, it is assumed, could capture 5% of these individuals, or 50,000 customers
- At \$100 per product, this is worth \$5 million

Check – Existing player

- Tiffany's is one of the major players in the corporate gift space
- Tiffany's reported in their annual report that 2 percent of revenue came from business-to-business, sales which is entirely corporate gifting
- In 2005, Tiffany's reported \$2.4 billion in revenue, meaning \$48 million in corporate gifts
- This is consistent with a Mint estimate of \$3-9 million

SIZING GROWTH CONCEPTS – KIOSKS (\$5-30 MILLION)

Methodology

Low range

Revenue of average Mint-based kiosk **X** % of incremental sales **X** # of locations

High range

Revenue of average kiosk **X** % of incremental sales, **X** # of locations **X** expected penetration rates

Key assumptions

- Based on Union Station kiosk, revenue performance could be \$1 million annually. Assumed that Mint city kiosks will match this at \$1 M, while other kiosks will match half, at \$500 K annually
- Based on Union Station survey, approximately 75% of sales revenue is incremental (team estimate)
- There are 5 more Mint city locations that could house a kiosk focused on education and Mint awareness
- There are 1,100 indoor malls and 1,460 museums in the U.S.
- Successful penetration rates range from 3-5% for malls plus 5-10 museum locations

Types of locations	Expected penetration rate	Implied locations	Revenues \$ Millions
Mint city kiosks	n/a	5	4
Indoor shopping malls	3-5%	30-50	12-20
Museums	<1%	5-10	2-4

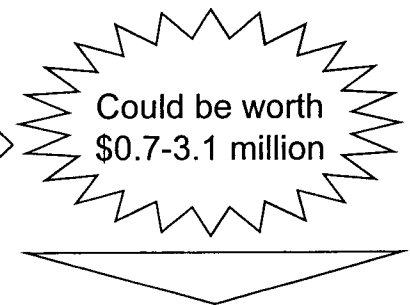
Range is based on implementing the most conservative, mission-based kiosk concept (Mint city locations) ranging to the full variety of kiosk types

Total
\$5 MM-
\$28 MM

- Mint could run kiosks on own
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

SIZING GROWTH CONCEPTS – eSTORE-WITHIN-A-STORE (<\$5 MILLION)

Rationale/estimating components	Methodology	Implied size \$ Millions
Impulse self	(Number of U.S. coin collectors/total U.S. population) \times number of Amazon customers \times estimate of Mint sitelet traffic \times purchasers' yield size of average order	0.1-0.6
+	+	
Impulse gift	(Number of U.S. non-coin collectors/total U.S. population) \times number of Amazon customers \times conversion rate \times size of initial order	0.6-2.5
+	+	
Other (e.g., customer acquisition)	Unknown	



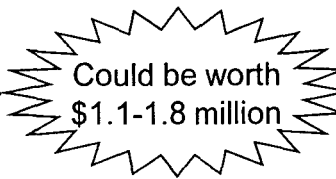
This would likely not be enough from Amazon's perspective

- Amazon probably requires at least \$10-15 million in top-line revenue
- Amazon takes 15% return from top-line revenue

Key assumptions/data

- Total U.S. population is 300 million
- Average online Mint order size is approximately \$50
- Number of U.S. coin collectors is 3 million (team estimate)
- Mint sitelet traffic would be 10-20% (team estimate)
- Purchaser yield would be 10-20% (team estimate)
- Non-collector conversion rate would be 0.01-0.03% (team estimate), due to Amazon status as book and music dealer (70% of sales) and destination website
- Average non-collector order size would be \$20-30

SIZING GROWTH CONCEPTS – EBAY PARTNERSHIP (<\$5 MILLION)

Rationale/estimating components	Methodology	Implied size \$ Millions	
Mint endorsement	Current new issue U.S. coin market on eBay (x) increase in sales stemming from Mint endorsement (x) eBay commission (x) share paid to Mint	0.1-0.2	
Acquisition of new customers	(Number of new issue U.S. coin items sold on eBay/number of items per customer)(x) Mint marketing response rate (x) size of average online Mint order	1-1.6	
Share of existing sales	Current new issue U.S. coin market on eBay (x) percent of sales from traditional Mint products (x) percent of sales captured by eBay-Mint store front	6.3-13.4	<ul style="list-style-type: none"> • Solely a one time jump from stealing eBay dealer market share • Not sustainable beyond first year
Key assumptions/data <ul style="list-style-type: none"> • Total new issue coin market on eBay is \$51 million (including bullion) • Total new issue U.S. coin market on eBay is \$21 million (excluding bullion) • New issue U.S. coin items sell approximately 300,000 items annually • The U.S. Mint response rate to marketing is 20% • The size of the average U.S. Mint online order is \$50 • eBay sales of products offered by the U.S. Mint is 60-80% of total coin sales (team estimate) • Sales that captured by a U.S. Mint store front would be 50-80% (team estimate) • Sales would increase by 50-100% of current due to Mint endorsement on eBay (team estimate) • eBay would require 2.5% payment on all transactions (team estimate) • Of this, the Mint could claim 50% as revenue, in return for driving traffic and lending credibility 			

Source: eBay; US Mint; McKinsey analysis; team analysis

SIZING GROWTH CONCEPTS – COIN EXPERIENCE, FULL MINT STORE, THE GOVERNMENT STORE (<\$5 MILLION)

Coin experience

- Based on other similar concepts, there would be about 500 visitors per day to the store
- Assuming a 50% conversion-to-purchase rate (as individuals may choose to simply view the exhibits, etc.) this would yield 250 purchases per day
- At \$50 per purchase, this is \$12,500 in daily revenue
- 300 operational days (closed one day a week)

- Estimate annual revenue generated:
~\$4 million

Government Store

- Based on the performance of other similar retail concepts, there would be about 3,000 visitors per day to the store (significant variation possible depending on store location, etc)
- Assuming a standard 50% conversion rate (for any product), there would be 1,500 purchasers per day, and estimate that the Mint would capture 10% of those or 150 purchases per day
- At \$30 per purchase (lower given the collection of products available), this is \$4,500 in daily revenue
- 300 operational days (closed one day a week)

- Estimate annual revenue generated:
~\$1.5 million

Full Mint Store

- Based on sales at the Union Station kiosk, estimate each store would sell between \$1 and \$2 million in products annually
 - Figures align with typical revenue from specialty retail stores
- Union Station data suggest about half of all sales would be incremental, meaning an incremental revenue of \$500,000 to \$1 million per store
- Concept would be expensive to operate and require a large population to support; as such concept is limited to at most 5 sites

- Estimate annual revenue generated:
~\$2.5-5 million

SIZING GROWTH CONCEPTS – FRANCHISES (<\$5 MILLION)

Size of space

- The Mint currently does not have a compelling retail format to offer to individuals interested in franchising the Mint's concept. As such, it is likely that the only parties interested in franchising would be existing dealers
- Analysis of the Mint's sales data through its direct channels indicates that dealers purchase between \$75 million and \$225 million of Mint product
- Based on other retailer's experience, it is anticipated that approximately one-third of all dealers would opt for the franchise concept, leading to \$25-75 million in revenue through the franchises



Ways Mint could profit from partnership

- ① Mint would capture standard franchisee fees as a result of the relationship
 - Initial fee of ~\$25,000. This level is not included in the revenue generated by the concept given its one-time nature
 - 4% royalties. Based on the estimate of \$25-75 million in revenue by the franchisees, this yields about **\$1-3 million in incremental revenue**
- ② Based on the enhanced credibility of the channels (as a result of the Mint's involvement), there is the potential for incremental sales. However, given the lack of a compelling format, it is likely that any incremental revenue an individual franchise receives (as compared to its pre-franchise state) would be channel shift from other dealers. As such, no true incremental revenue is anticipated

Total value: \$1-3 million

SIZING GROWTH CONCEPTS – SEASONAL IN-AND-OUT AS A TRADITIONAL PACKAGED GOODS MANUFACTURER (\$15-20 MILLION+)

Top-down

- Target has ~1,500 stores in the U.S.
- With annual revenue of about \$50 billion, this works out to \$38 million per store
- In the 3 months the product would be in-stores (October-December), Target does \$12 million in sales (higher than average due to holidays)
- With an average basket of \$40, there are 300,000 customers to each Target during the 3 month window
- Customers average ~1 visit per week, leading to 30,000 unique customers
 - Check on 30,000 customers: In the U.S., Target has 30-60 million unique customers. On a per store basis, this works out to 20,000-40,000
- Assuming a 2% penetration of customers, there will be 600 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), measuring \$18,000 per store
- Target will not put the product in all stores; assuming 1,000 stores, this yields a growth opportunity of \$18 million

Bottom-up

- Assume Target would only carry 3 products – uncirculated set, clad set and American Eagle Silver
- For the 3 months in-stores each store would sell at the same rate as the headquarters kiosk yielding \$19,500 in sales per store (\$2,000 in uncirculated sets; \$7,000 in clad sets; \$10,000 in American Eagle Silver)
- With 1000 stores, total sales would be \$19.5 million at current Mint prices, potentially lower due to discounted wholesale price to target

Opportunity could be significantly bigger if the product were in more stores and stocked year-round

SIZING GROWTH CONCEPTS – HALLMARK END-CAPS (\$1-4 MILLION)

Top-down

- Hallmark has ~3,000 stores in the U.S.
- Card/gift stores average \$300,000 - \$1 million revenues per store
- Assuming an average basket of \$30, there are 10,000-30,000 annual visits to each Hallmark
- If customers average 5-10 visits per year, we can assume 1,000-7,000 unique customers
- Assuming a 2% penetration of customers, there will be 20-130 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), yielding \$600-\$4,000 per store
- Since Hallmark is franchised, participation of all stores is not guaranteed. Assuming 1,000 stores, this yields a growth opportunity of \$1-4 million

Opportunity could be significantly larger if the product were in more stores (e.g., other retailers)

SIZING GROWTH CONCEPTS – STORE-WITHIN-A-STORE THROUGH MICHAEL’S (\$3-6 MILLION)

Top-down

- There are ~900 Michael's locations across the United States
- Stores average \$4 million in revenues per store
- For specialty retailers such as Michael's, an average basket size of \$60 per visit is typical, meaning there are 67,000 purchases per day
- With a customer averaging a trip once every six weeks, this means there are approximately 8,000 unique customers per year at each Michael's
- Given the customer base at Michael's along with the prominence of the store-within-a-store, it is anticipated that the Mint's penetration would be higher than through other retail channels and is estimated at 2-3%, and for each of these customers, 2 purchases per year is assumed
 - Result would be between 330 and 500 purchases made per year
- With a full product range excluding American Eagle Gold and Platinum, the average ticket would be lower than what is observed through the existing retail channels, and is estimated to be ~\$40
 - This would result in \$13,000-\$20,000 per store revenue
- Given the geographic overlap of the stores, it is anticipated that the Mint would choose to put a store-within-a-store in no more than 300 locations
 - This would result in \$4-6 million in revenue

Bottom-up

- Store-within-a-store would likely carry virtually the entire product line except for AE Gold and Platinum, and potentially the commemorative coins (due to logistics/fairness concerns)
- Assume that the share of purchases that are incremental is consistent with Union Station and Headquarters, meaning one-quarter of all purchases were true incremental purchases*
- Given that Michael's is not a destination for coins, it is estimated that between one-quarter and one-half of the sales revenue of the headquarters kiosk would be done by each store
 - This results in between \$10,000 and \$20,000 per store-within-a-store in annual revenue
- Based on 300 locations, this would yield \$3-6 million in incremental revenue

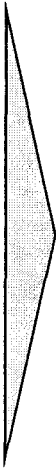
Opportunity could be significantly larger if the product were in more stores (e.g., other retailers)

* Customers who reported that they would not have gone elsewhere and that it was an impulse purchase

SIZING GROWTH CONCEPTS – MUSEUM/PARK GIFT SHOPS (<\$5 MILLION)

Overview on approach

- The only feasible way for Mint products to be sold in museum and park gift shops is for it the gift shop proprietor at those locations to be the same as the Mint's contracted partner which operates the Philadelphia and Denver gift shop
 - As a result, the market sizing is entirely dependent upon the full site management roster of the company which operates the Mint's gift shops
 - This sizing is based upon the Mint's current partner, Delaware North; selection of a new partner to run the gift shops would require resizing this concept based on the new proprietor's roster

	Description	Number of locations	Range of sales*	
Museums				 <p>Growth opportunity could be \$1-\$3.5 million</p>
	• Delaware North has no museums in its portfolio			
National Parks (Large)	• Parks with > 4 million annual visitors	• 3 (Yosemite, Grand Canyon, Niagara Falls)	• \$125,000-\$500,000	
National Parks (Other)	• Parks with 1-4 million annual visitors	• 8	• \$50,000-\$250,000	

* Based on sales of numismatic products at the existing gifts shops and the traffic levels at the sites

Source: Delaware North annual report; Delaware North web site; literature search; team analysis

SIZING GROWTH CONCEPTS – DIRECT RESPONSE (\$3.5-7.5 MILLION)

Size of space

- The Direct Response space overall is \$10 billion in annual revenue
- Based on QVC, 7% of sales are from collectables, or \$700 million
- From the product mix on company websites as well as the air time allotted to collectible types, coins are estimated at 20-30% of the collectibles space, or \$140-210 million
- A similar analysis suggests that one-third of all products sold are new products or \$50-70 million
- Direct response networks typically mark products up 2-3 times, meaning the original purchase value is \$17-35 million



Ways Mint could profit from partnership

- ① Mint could charge networks a service fee and capture the premium/mark-up that intermediaries currently capture in their dealings
 - Mint could charge a 5% service fee **yielding about \$1-2 million in incremental revenue**
 - As part of the partnership and in exchange for the service fee, Mint would get involved in the production of the show, possibly including providing Mint employees to appear as experts on the show
- ② Based on the enhanced credibility of the direct response channels (as a result of the Mint's involvement), there would be incremental sales
 - Assume 15% increase in sales
 - **Growth would yield an increase of \$2.5 and \$5.5 million in sales** by the Mint to the networks

Total value: \$3.5-7.5 million

CONTENTS

- Growth concepts by strategic area
- Description of all growth concepts
- Details on concept sizing

- **Profile of top growth concepts**

CONCEPT OVERVIEWS

- **Strengthen core business**

- Expand to new customers

- Enter international markets

GROWTH CONCEPT: SWITCH TO TYPICAL CONSUMER GOODS PRICES

Concept overview

- Move current prices to more traditional price points that customers are familiar and comfortable with
- Prices for items currently marked \$4.50 would move to \$5.95, for example
- The degree of price change would be incremental, not involving dramatic jumps in unit price

Potential assortment

- Lower-end items, such as medals, spoons and proof sets would have prices that converge around price clusters
- Higher-end items (greater than \$100), would cover a wider spread, providing intermediate price points

Fact-base opportunity assessment

- Familiar price points vary by occasion (e.g., gifting at \$14.99, \$24.99), and are not currently offered
- Competition is selling comparable products at higher prices
- Focus groups suggest planned price changes are reasonable

Qualitative assessment

- Since Mint's offering is unique, the risk of negative reaction from consumers is limited
- To be successful, price changes must be carried through all channels

Fit with assets and capabilities

- Low cost to change prices
- Does not require new capabilities
- Changes would have no effect on supply chain or manufacturing

Economics

- Cost of price change would be limited
- Mint would be able to capture higher margin to reinvest in new products and educational programs to meet consumer demand

Potential barriers/concerns

- Perception of using monopoly power

Next steps

- Conduct assessment of current price points (including volume and value)

GROWTH CONCEPT: PROACTIVE UP-SELL/CROSS-SELL/MIGRATION

Concept overview

- Actively introduce customers to the next logical progression within the numismatic portfolio (e.g. Silver proof sets from clad proof sets) to expand people's involvement in the coin collecting category and provide opportunities to acquire the full numismatic portfolio
- Execution will take place across multiple channels, (e.g. customer service reps will be offered incentives for up-sell/cross-sell/migration promotion)
- Information will be collected during the ordering process to further inform the up-sell/cross-sell/migration process

Potential assortment

- Expand people's involvement in the coin collecting category
- Provide opportunities to acquire the full numismatic portfolio

Fact-base opportunity assessment

- Targeted categories are in areas of high stability and revenue for the Mint
- Targeted customers are already Mint purchasers
- Little direct competition in this space, with potential to capture more share

Qualitative assessment

- Little risk for Mint to extend selling to its own customers, since promotion of its own wisely-chosen products extends its role
- Success is based on smart promotion and customer willingness to make impulse buys while already browsing and "in the checkout line"

Fit with assets and capabilities

- Requires smart selection of customer segments to target and products to promote
- Additional talent required to produce effective marketing materials
- Some rep training will be required, along with incentive selection

Economics

- Cost to implement should be minimal, with fixed costs constituting the bulk of expenditures
- High upside, as successful implementation can yield "easy win" gains

Potential barriers/concerns

- Poor implementation could run the risk of weakening the relationship the Mint has with its customers

Next steps

- Determine private sector best practices that align best with the Mint's customer base
- Begin work on product and customer segmentation to determine most successful opportunities for promotion

GROWTH CONCEPT: EXPAND SUBSCRIPTIONS PROGRAM

Concept overview

- Provide incentives to customers to encourage them to join the Mint subscription program operating today for recurring products
- Subscription products would be actively promoted through incentives offered directly to customers, including unit discounts for subscriptions, bonus gifts for subscribers

Potential assortment

- Products would include the current range of subscriptions for recurring programs, American Eagle products and collector's spoons

Fact-base opportunity assessment

- Subscription services as provided by competitors at higher prices have been very successful, demonstrating consumer demand
- Competitors currently have stronger promotions encouraging subscriptions

Qualitative assessment

- Promotion of subscriptions encourages the continual practice of numismatics
- Stronger promotion of subscriptions promotes the Mint's more consumer-friendly pricing structure, in direct competition to competitors' higher prices

Fit with assets and capabilities

- Subscription promotion fits with the Mint's current program, requiring limited cost and risk
- Incentives would need to be chosen wisely, requiring some up-front marketing analysis

Economics

- Products promoted would be based on existing products and programs
- A deep evaluation of the P&L for subscriptions and incentives would be necessary to ensure profitability
- Subscribers' data and pre-orders should be valued at approximately the same amount as offered incentives

Potential barriers/concerns

- Assessment of consumer appeal for subscriptions and incentives

Next steps

- Develop system to use information from potential subscribers
- Determine best incentives to ensure profitability is maintained

GROWTH CONCEPT: INTRODUCE ENTRY-LEVEL PRODUCTS

Concept overview

- The Mint develops new products to attract new customers (e.g., circulating savers, youth) and prices those products appropriately to engage the maximum number of potential customers in numismatic products
- Products would need to be distributed through channels beyond the Mint's current direct channels. The appropriate channels to use would vary based on the sub-segment of new customers being targeted, but could include directly through schools to educate the youth market or through kiosks/traditional retail to reach circulating savers

Potential assortment

- Potential products include a new starter set; micro-uncirculated set (e.g., includes products from only Philadelphia or Denver mint), or single proof coins

Fact-base opportunity assessment

- Entry products would target large groups of untapped customers including circulating savers (100 million+) and school children (3 million per age group)
- These customers have an unmet need, and as such, no direct competition exists

Qualitative assessment

- New entry products supports the Mint's mission of improving access and awareness of the Mint and numismatic products
- For successful trial and repurchase, program needs compelling promotion and distribution plan

Fit with assets and capabilities

- No major production challenges for the Mint (potentially new packaging requirements)
- More significant implications to the Mint's capabilities would come in the distribution of the product (Implications captured on other growth concept overviews)

Economics

- Products would all be based on existing products though packaged a different way
- A deep evaluation of a product's P&L would be required to determine how low of a price would be possible

Potential barriers/concerns

- Legislative mandate for new products may be needed
- Target price points may require selling close to true product cost
- Qualitative assessment of consumer appeal

Next steps

- Deep-dive on the economics of given products to identify feasible price points
- Determine how product would fit in with other growth concepts (e.g., kiosks, expanded educational program)

GROWTH CONCEPT: ROMANCE THE PRODUCT

Concept overview

- Leverage best practices from the private sector to update how products are presented through the major direct channels (e.g., on the website and in direct mail)
- Examples of potential changes include a broader selection of images show the product in use (e.g., birthday presents being opened, grandparents and grandchildren looking over presents) and developing separate gift site where the copy and images would have a greater emotional appeal and reflect gifting as opposed to the products themselves

Potential assortment

- All products potentially could be updated; focus on products that appeal to new customers

Fact-base opportunity assessment

- Customers have reflected a desire to be able to touch and feel product; a better website may mitigate the need
- Mint's website lacks features of competitor's websites (e.g., HSN.com)

Qualitative assessment

- Changes should improve the purchasing experience for all customers while also making the product appeal to a broader audience
- Changes could also allow the Mint to capture some of the direct response business by showing the product "in use"

Fit with assets and capabilities

- Additional talent would need to be brought in to develop copy / design concepts that target customers beyond the core collector
- Changes would have no effect on supply chain or manufacturing

Economics

- Fixed cost to update website
- Private sector experience suggests improvements could drive an incremental X% in sales

Potential barriers/concerns

- Current organization focused on functional description and benefits and is likely consciously avoiding emotional descriptions

Next steps

- Problem solving session with McKinsey direct experts to identify specific potential changes
- Engage with PFS Web to determine their capabilities and willingness to make changes

GROWTH CONCEPT: ELIMINATE STOCK-OUTS ON CORE PRODUCTS

Concept overview

- Utilize private sector best practices to determine the probable demand for products and integrate those estimates into the production schedule
- Possible process would involve using discounted pre-orders to predict demand, then use this advance information to smooth production schedules, then ship according to set schedule, as best accommodated by production operations

Potential assortment

- This concept could apply to all products, but makes most sense for products that generate a lot of forward excitement
- Recurring and American Eagle products are another area where this concept could be of benefit

Fact-base opportunity assessment

- A program like this could give the Mint a jump on competitors
- Targeted categories are in areas of high stability and revenue for the Mint
- Targeted customers are already Mint purchasers

Qualitative assessment

- Little risk for Mint to extend selling to its own customers
- Success is based on smart promotion and customer willingness to make buys and to wait for delivery

Fit with assets and capabilities

- Utilizes unique position of Mint
- Requires smart selection of customer segments to target and products to promote for pre-sales
- Additional talent required to produce effective marketing materials and capture benefits of increased access to information

Economics

- Cost to implement should be minimal, with fixed costs constituting the bulk of expenditures
- Successful implementation can yield "easy win" gains in production costs
- Revenue benefits may not be immediately clear

Potential barriers/concerns

- May not be best means to capture customers who are buying on impulse, or want instant gratification following handling the product

Next steps

- Determine products best for this type of promotion
- Allocate the talent and skills necessary to successfully implement program

THE MINT HAS NOT ALWAYS BEEN ABLE TO DELIVER PRODUCT BASED ON ITS CURRENT “MAKE TO DEMAND” MODEL

2005-2006 Stockouts

Year	Product	Mintage	Actual demand	Dates available
2006	AE Gold 1 ounce	12,000	12,365	2/3-5/19/2006
2005	AE Gold 1 ounce	10,000	10,545	2/3-5/20/2005
2005	Uncirculated set	1,150,000	1,183,632	5/31-10/21/2005
2005	AE Gold 1/2 ounce	9000	9,315	2/3-11/18/2005
2005	Clad Proof set	2,300,000	2,329,369	2/28-11/25/2005
2005	AE Silver 1 ounce	800,000	825,489	2/3-12/2/2005
2005	AE Platinum set	4000	4200	3/24-12/16/2005

* Does not include commemoratives, bags and rolls; As of 12/30/2005 for 2005 products, as of 7/14/2006 for 2006 products

Source: US Mint data

GROWTH CONCEPT: IMPROVE ONLINE MARKETING

Concept overview

- Begin to market the Mint's commercial website (along with the Mint's numismatic products overall) online (e.g., beyond usmint.gov)
- Specific types of marketing which could be undertaken include banner advertisements on numismatic general interest websites (e.g., coinmag.com); purchasing sponsored links on Google, Yahoo and MSN for keywords related to numismatic products; and identifying techniques which can be employed to improve the Mint's position in searches conducted by consumers interested in the Mint's products

Potential assortment

- Most advertising would be for the Mint's site in general and not specific products
- Product-specific advertising should focus on entry-level products which would be purchased by customers who are not familiar with the Mint / its website

Fact-base opportunity assessment

- All consumers online are potentially targets of the marketing effort
- How broad the search terms are and websites which feature banner ads will determine the true reach of the program as well as what occasions the ads most effectively target

Qualitative assessment

- Based on private sector examples, a well-executed online marketing strategy will drive significant incremental traffic to the Mint's website
- Marketing can also drive awareness and eliminate confusion given private mints' extensive online marketing

Fit with assets and capabilities

- Necessary capabilities do not currently exist at the Mint. Employees with experience in managing online advertising would need to be hired to oversee the Mint's efforts (e.g., develop content, bid on search term ads)

Economics

- Customer acquisition costs need to be determined
- Mint also must decide how much of a one-time investment is appropriate to acquire a customer (e.g., spend \$10 to acquire a customer whose first purchase yield \$5 profit, but may continue to buy)

Potential barriers/concerns

- Organization is currently focused on meeting customer demand rather than developing demand, and this may be a deliberate action

Next steps

- Problem solving session with McKinsey experts to determine what the Mint's marketing program could be
- Determine if want to develop an in-house capability or outsource to an online ad agency

GROWTH CONCEPT: QUALITY LINE EXTENSIONS

Concept overview

- Set aside product that is notably distinctive (e.g., first strike coins) and offer it to the public through special auctions
- Auctions could be carried out through Mint itself or through special partners

Potential assortment

- Products would be those that are already produced by the Mint, but are not currently distributed or acknowledged as notably distinctive (e.g., First strike coins)
- Products would not be specifically "graded," but would be labeled as distinctive based on production characteristics

Fact-base opportunity assessment

- Currently, resellers have successfully labeled and marketed Mint products as such, indicating public demand for products

Qualitative assessment

- Higher spend customers could choose their own opportunities to purchase products
- Auction format allows customers to determine the value they place on the product

Fit with assets and capabilities

- Mint is in unique position to create and market this product
- Auction mechanism is a new function, and would require new talent and/or partnership with robust and trusted auction house

Economics

- Low-risk, since products are produced anyway, just marketing function is different
- Some upfront costs, stemming from the set-up and promotion of new products and auction mechanisms

Potential barriers/concerns

- Mechanism for carrying out auctions effectively to be determined
- Internal resistance to view of creating/exploiting scarcity of specific products

Next steps

- Identify key products with best potential for strong public response
- Determine best means for auction mechanism, whether in-house or partnership

GROWTH CONCEPT: MULTI-YEAR SETS

Concept overview

- Make available in the middle or end of theme-based special program (50 State Quarters, Presidential Dollars) all years of the product that have been made
- Packaging can reflect the multi-year nature of the product, as well as allow collectors to “fill-in-the-blanks” in their collections for missing years

Potential assortment

- Full sets of special program lines as released so far, such as 50 State Quarters, Westward Journey Nickels, etc.

Fact-base opportunity assessment

- Competitors have successfully repackaged Mint products in this way, meeting strong consumer demand

Qualitative assessment

- Helping consumers complete their collections encourages numismatics, through a trusted resource for coins

Fit with assets and capabilities

- Mint has limited stocks of past-issued coins
- Some products would require new packaging, marketing and promotion skills and talent for successful launch

Economics

- Low-cost, given inventory stocks and potential for buy-back from others
- Limited fixed costs in design and promotion of products

Potential barriers/concerns

- Barriers to selling outside of program year to be clarified
- Availability of past products in Mint inventory (e.g., 50 State Quarters)

Next steps

- Identify availability of products from past years to be repackaged
- Determine customer interest in special programs to be restocked

GROWTH CONCEPT: NEW MATERIALS FOR COINS

Concept overview

- Expand assortment of precious metals used in American Eagle program and commemoratives (e.g. palladium, rhodium) and bi-metal products
- Issue coins produced in these precious metals and/or bi-metallic designs through the AE and commemorative programs

Potential assortment

- Increased lines of bi-metal products
- New lines of coins based on new materials, expanding bullion, American Eagle and commemorative collections

Fact-base opportunity assessment

- Foreign competitors have launched coins from other materials and more bi-metallics
- Although there is not a strong history of palladium and other coins appealing to collectors, novelty value may raise appeal

Qualitative assessment

- New coin materials may increase initial appeal and sales, with a tapering off of interest after first few years
- May create more publicity for Mint numismatic products in general

Fit with assets and capabilities

- Production capabilities may need to be adjusted, given the properties of the metals used
- Marketing may need to shift to collectors beyond the current Mint base, utilizing new techniques and channels

Economics

- Higher risk in introduction of new metals, due to necessary shift in production techniques and potential dilution of current line
- Uptake unclear, due to lack of strong market for these metals in numismatic communities overseas

Potential barriers/concerns

- Production needs of alternative metals and bi-metallic coins
- Congressional approval/mandate necessary for new materials and designs

Next steps

- Conduct case study of success of these coin materials for other mints

GROWTH CONCEPT: NEW PACKAGING FOR EXISTING PRODUCTS

Concept overview

- Make current products only available in certain sets available in new combinations (e.g., individual proofs of the Presidential Dollar coins)

Potential assortment

- Clad, silver and uncirculated proofs of individual coins
- Repackaging current products for special occasions, including birthdays, anniversaries and graduations

Fact-base opportunity assessment

- Competitors who resell current Mint products have been very successful
- Customers have shown strong demand for these types of products

Qualitative assessment

- Selling new combinations, (e.g. clad, silver and uncirculated proofs of individual coins) provides more price point flexibility, with potential to target more entry-level and mid-range customers
- By responding to collectors' demands, satisfaction is increased

Fit with assets and capabilities

- Requires new marketing talent to determine best packaging and position of current products
- Packaging may require more resources and contracts
- Mint is in strong position to set production as needed for new products

Economics

- Some upfront cost to establish program concepts and target markets
- Limited downside, since production runs are not necessarily directly affected
- Extension of contracts for packaging is relatively low-risk

Potential barriers/concerns

- Potential for direct competition with current resellers of Mint products

Next steps

- Examine current customer buying patterns to develop packaging and product concepts
- Consider necessary contract renegotiations necessary for packaging extensions

GROWTH CONCEPT: REVAMP EDUCATIONAL PROGRAM

Concept overview

- Expand from limited focus on role of coins in the economy and as vehicle for math education to also include 1) promoting the existence of numismatics and its role in reflecting and representing American history and culture and 2) educating students on numismatic authenticity – focus would be on annual programs for youth, recurring and precious metals for collectors
- Educational program can be carried out through media, in-person and print formats; Partnerships with school programs, collector's societies, and other groups can provide channels for sharing the Mint message

Potential assortment

- Youth education can focus on the aspects of history and culture to be explored through coins, building numismatists for the next generation
- Collector education can deal with intricacies of the market and how to avoid fraud

Fact-base opportunity assessment

- There is a significant unmet need around authenticity education to protect from fraud
- 50 million schoolchildren in the US represent a significant untapped collector base for the future
- Could provide direct Mint link to collectors

Qualitative assessment

- Low-risk way to promote Mint products as part of consumer protection and public education
- Educational program not a direct contributor to top-line revenue

Fit with assets and capabilities

- The Mint is uniquely positioned to provide this public service
- However a new educational model is required – requiring development of new materials and partnerships

Economics

- Limited short-term, top-line impact
- Program serves primarily as marketing investment
 - To engage youth in history and cultural events
 - To promote consumer awareness and protection for coin collectors

Potential barriers/concerns

- There may be internal and/or external resistance to perceived self-promotion through educational programs
- Could be difficult to partner successfully on the national and local levels

Next steps

- Engage with key stakeholders and potential partners to determine interest
- Build plan for aligning marketing efforts with program promotions

CONCEPT OVERVIEWS

- Strengthen core business
- **Expand to new customers**
- Enter international markets

GROWTH CONCEPT: KIOSKS

Concept overview

- The Mint either partners with a third party to own and operate kiosks or the Mint operates the kiosks on their own, with a third party likely wanting to sell a broader assortment of products, including licensed products
- Though the concept would remain the same, it would need to be customized based on the location. Locations targeted include high traffic areas (e.g., malls), entertainment based (e.g., Disney Land) and education based (e.g., the Smithsonian)
- Targeted occasion will primarily be impulse purchases (e.g., gift giving) though purchase behavior at Union Station suggests that it could also become the primary channel for existing core collectors in the area

Potential assortment

- With a targeted occasion of impulse / gifting, lower-end / base products would be best, with a likely need to add in non-Mint licensed products to make the kiosk a one-stop shop
- To guard against channels, precious medals products would be on display but not available for sale

Fact-base opportunity assessment

- There are 1,100 indoor malls in the U.S. with about 50,000 kiosks
- Kiosks typically sell gift/impulse items at \$20-30 price points
- While few (if any) kiosks sell numismatic products, significant competition exists for customers who want to buy a gift

Qualitative assessment

- Kiosks are an effective way to increase brand awareness and accessibility as the product would be located in a high traffic area with customers who want to shop/buy
- To succeed the Mint's product must be viewed favorably as a gifting product

Fit with assets and capabilities

- Kiosks could be modeled on Union Station kiosk
- The Mint currently does not have the capabilities required to either manage an outsourced or self-sourced kiosk operations
- The Mint's current supply chain / production may not meet the needs of a kiosk operation

Economics

- Likely ceiling on concept: 1,000
- A kiosk at an upscale mall rents for ~\$50,000/yr
- High mark-ups (2-3x) are typical
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

Potential barriers/concerns

- Supply chain complexities of needing to keep inventory at hundreds of locations across the country
- Many kiosks sell low-end goods, and there could be concern of diluting the Mint brand's value

Next steps

- Identify potential partners if the kiosk operations were outsourced
- Refine revenue and profit projections based on the given model being pursued

GROWTH CONCEPT: INDIVIDUAL GIFTING OCCASIONS

Concept overview

- The Mint would make its products available through retail channels which target annual (e.g., birthdays, Father's Day) and milestone (e.g., births, Bar/Bat Mitzvahs, graduations) gift occasions
- Channels which could be used include retail (Hallmark), catalog (Red Envelope) and web (Ross-Simons.com)
- Depending on the format, the Mint would either serve as a traditional supplier to the channel (retail) or could form a partnership with them where the Mint's products are featured, but all orders are fulfilled by the Mint (catalog/web)

Potential assortment

- All lower-end / base products would be attractive in the concept
- New products / packaging may be required to fully capture the opportunity
 - Graduation set complete with place for picture
 - Products minted on a specific date (for births)

Fact-base opportunity assessment

- Gifts/collectibles is a \$50+ billion space
- While almost all consumers purchase gifts, top potential customers include grand parents and adult children (for parents)
- Large amount of competition in the space, thought the Mint's product could be differentiable

Qualitative assessment

- The Mint's product is a unique gift product and given products for sale by other Mints, there appears to be latent demand for this type of product
- The Mint will need to change how it markets the product to appeal to this customer base

Fit with assets and capabilities

- The Mint currently does not have the creative talent required to effectively market the product as a gift item
- Manufacturing can not currently support the extreme seasonality / short production leads required to be successful in the space

Economics

- Size of occasion: \$X billion
- Varies depending on the format
 - Retail would mark-up product significantly (2x)
 - Catalog/web would expect ~10% of revenue
- Different Mint products could support higher prices

Potential barriers/concerns

- Depending on model chosen, supply chain complexity and manufacturing flexibility
- Competing with the private sector; Private mints (e.g., Washington Mint) and direct response target this market

Next steps

- Identify which gift channels could feasibly be used
- Revise size of opportunity and assess profitability
- Identify leading partners for the Mint to engage in preliminary discussions

GROWTH CONCEPT: INCREASE SALES TO FOREIGN TOURISTS

Concept overview

- Provide outbound foreign visitors with access to numismatic products at the point of likely purchase for souvenirs and collectibles
- Focus geographically in US cities most visited by foreign visitors
- Leverage duty-free stores; DFS operates duty-free shops in four of the seven most visited US cities

Potential assortment

- American Eagle Silver and four coin gold sets have demonstrated appeal and would form the core of the offering
- A full range of products would be available depending on retailer strategy (similar to what is available in US Mint stores in Philadelphia and Denver)

Fact-base opportunity assessment

- Categories targeted (souvenirs and gifting) are multi-billion dollar spaces
- Based on information from International shows American Eagles appear to be top sellers to international customers
- A significant portion of existing duty-free sales is driven by obligation gifting in Asian cultures

Qualitative assessment

- Over 41 million international tourists visit the US annually, the overwhelming majority visiting seven cities
- One large retailer, DFS, operates duty-free airport stores in five of the top seven most visited cities

Fit with assets and capabilities

- The Mint already maintains a contract with Delaware North that could serve as a model
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Airport operators of duty-free shops require up to 30% - 40% commissions from duty-free sales requiring the operator to have above average margin requirements

Potential barriers/concerns

- Covering the top seven most visited US cities would require the Mint to contract with one large and several small retailers
- Possible margin implications selling in duty-free space

Next steps

- Determine economics of selling in DFS duty-free stores

GROWTH CONCEPT: DIRECT RESPONSE SUPPLIER / PARTNER

Concept overview

- Form a partnership with a direct response network (HSN, QVC, ShopNBC) selected through an open-bid process
- Components of the partnership could include the Mint being a direct supplier of products; licensing of the term “official Mint distributor”; joint product development; sharing customer information; and the Mint providing content or personnel for the network’s shows
- Product sold to partner at list prices; potential for profit sharing with network sharing with the Mint a portion of the profits

Potential assortment

- Wide ranging and could include new jointly-developed products
- Previous success of the networks selling products at a wide range of price points suggests that they have had success selling to a broad group of consumers

Fact-base opportunity assessment

- Direct response space is about a \$10 billion industry in the U.S., with collectibles being ~\$700 million
- Partnership would give exposure to customers who want to purchase this type of product and comfortable purchasing products unseen

Qualitative assessment

- Direct response channels are currently successful with selling coins (as seen from the number of shows they have and their time slots)
- For format to be successful, will most likely need to offer exclusive products or packaging formats

Fit with assets and capabilities

- Would need a new group in SAM to manage relation
- Base requirement of selling products in large quantities poses no challenge
- Product development would need to become more robust; improvements from manufacturing also likely necessary

Economics

- Economics would depend entirely on the relationship that was agreed to
 - Potential for the Mint to have to pay network (if it was a straight distributor agreement with fixed prices)
 - Potential that Mint would receive a significant share of revenue in a partnership

Potential barriers/concerns

- Partnership could be seen as an implied-endorsement
- Involvement in direct response could be viewed as outside the Mint’s mandate; a concern likely to be heightened if there was profit sharing

Next steps

- Determine how deep of a partnership is possible
- Engage players in preliminary conversation to gauge interest and better understand the operating model
- Assess economic attractiveness given new information

GROWTH CONCEPT: eSTORE-WITHIN-A-STORE

Concept overview

- The Mint forms a partnership with an online retailer (most likely Amazon.com) whereby the Mint's products are listed within Amazon's general categories (e.g., Home and Garden) as well as a separate store-within-a-store
- Product is promoted through Amazon's internal promotion levers (e.g., Gold Box, "Customers who bought this item also bought ...", customer recommendations)
- Mint receives benefits of Amazon's interface (e.g., 1-click ordering, multiple stored addresses)
- Mint maintains full control over inventory – orders would be drop-shipped by the Mint directly to the customer

Potential assortment

- Amazon targets a wide range of demographics who would be interested in purchasing numismatics for a variety of reasons
- Full product line would be appropriate in the channel, especially given Amazon's significant inventory of high-value products

Fact-base opportunity assessment

- Amazon's millions of customers would provide a significant opportunity to convert circulating savers to numismatic collectors
- No direct competition on Amazon as no numismatic products are currently offered

Qualitative assessment

- Amazon's excellent interface would most likely drive significant sales of Mint products and expose the products to a new set of customers
- To be successful, the Mint would need to offer compelling copy for non-numismatist purchasers

Fit with assets and capabilities

- Amazon's back-end system would feed orders into PFS Web in a manner similar to the current website
- Able to keep Amazon site up-to-date given limited product assortment
- Additional personnel may be needed to manage relationship with Amazon

Economics

- Number of points of distribution:
- Amazon would expect about a 15% commission on all sales
- Mint would make a very thin margin (~5-10%) on products sold; significant increase in customers required

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch from usmint.gov to the Amazon site (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine if the Mint would be comfortable engaging in a partnership with Amazon
- Engage with Amazon to obtain details of partnership
- Determine if economics of partnership make it viable

eSTORE-WITHIN-A-STORE EXAMPLE: NORDSTROM ON AMAZON

The screenshot shows the Nordstrom store page within the Amazon.com interface. The browser window title is "Amazon.com Nordstrom Store: Nordstrom - Mozilla Firefox". The address bar shows the URL "http://www.amazon.com/b/ref=sc_fe_c_0_1036592/104-1". The page features the Amazon.com logo, navigation links for "Mark's Store", "Apparel & Accessories", "See All 34 Product Categories", "Your Account", "Cart", "Your Lists", and "Help". The Nordstrom logo is prominently displayed at the top, with navigation links for "WOMEN", "MEN", "BABY & KIDS", "SHOES", "HANDBAGS & ACCESSORIES", and "SALE". A search bar is present with the text "Search Nordstrom" and a "GO" button. A "BROWSE" section on the left lists various categories like "Women", "Anniversary Sale", "Men", "Baby & Kids", "Shoes", etc. A large central banner for the "anniversary SALE" features the text "The fashion event of the year for men, women and kids is here." and "Prices go up Monday, July 31." Below this, a link for "ANNIVERSARY SALE" is provided. A "Shop for the Entire Family:" section lists "Women, Men, Juniors BP., Baby & Kids, Shoes, Handbags & Accessories, and Sale". A "Women's Anniversary Sale" link is also visible. On the right, a "Start Shopping" button is shown above the Nordstrom logo, followed by a section titled "Easy Returns and Exchanges at Nordstrom.com" which states "You can return any item to a Nordstrom store near you. Or return it by mail using the postage-paid return label included in your package. More info." A callout box points to the "Start Shopping" button with the text "Flexibility to customize customer service policies". Another callout box points to the top navigation area with the text "Fully integrated on in with the Amazon.com site". The bottom of the page shows a "Find:" search bar and a "Match case" checkbox.

Amazon.com Nordstrom Store: Nordstrom - Mozilla Firefox

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NORDSTROM WOMEN | MEN | BABY & KIDS | SHOES | HANDBAGS & ACCESSORIES | SALE

Search Nordstrom GO A9 Web Search GO

BROWSE

- [Women](#)
- [Anniversary Sale](#)
- [Women](#)
- [Anniversary Sale Juniors BP.](#)
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- [Anniversary Sale Kids Shoes](#)
- [Handbags & Accessories](#)
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Shop by Brand

adidas

anniversary SALE

The fashion event of the year for men, women and kids is here.

New fall styles. Big brand names. Really great prices. Don't miss out. Prices go up Monday, July 31.

[ANNIVERSARY SALE](#)

NORDSTROM

Shop for the Entire Family: Women, Men, Juniors BP., Baby & Kids, Shoes, Handbags & Accessories, and Sale

[Women's Anniversary Sale](#)

Enjoy \$5 SHIPPING on your entire order every day.

[Start Shopping](#)

NORDSTROM

Easy Returns and Exchanges at Nordstrom.com

You can return any item to a Nordstrom store near you. Or return it by mail using the postage-paid return label included in your package. [More info.](#)

Flexibility to customize customer service policies

Fully integrated on in with the Amazon.com site

Find: Match case

Done

start

9:28 AM

GROWTH CONCEPT: eBAY STORE / AUCTIONS

Concept overview

- Mint develops a U.S. Mint store on eBay which would sell a mix of fixed price products (traditional products with broad supply) along with auctioned products (limited supply products, such as first die strike products)
- eBay store would mainly target circulating savers and general hobbyists/collectors (mainly through the fixed price products which individuals “stumble upon” during a search on eBay) while also appealing to current core collectors (interested in the auctioned products)

Potential assortment

- Full line of products would be appropriate for the fixed price products given the broad set of customers who would be attracted
- Mint may decide only to make lower price-point products available to continue to draw traffic to the Mint's site

Fact-base opportunity assessment

- Over 100 million customers on eBay, including a significant number of internationals
- While coins is a major category on eBay, most of the competition is selling previous year or rare products

Qualitative assessment

- For the fixed price products to be successful, the Mint must make it clear that customers are purchasing official U.S. Mint products directly from them.
- For the auctions to be successful, the Mint must ensure sufficient knowledge of the auctions and offer compelling products

Fit with assets and capabilities

- eBay's back-end system would feed orders into PFS Web in a manner similar to the current website
- Able to keep eBay site up-to-date given limited product assortment
- Additional personnel may be needed to manage auctions

Economics

- Size of occasion: eBay coin section sells approximately \$X million per year
- eBay would take a fixed percentage (~5-10% of sales)
- Mint would make a reasonable margin (~15-20%) though less than through direct channels

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch from usmint.gov to the eBay site (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine if the Mint would be comfortable engaging in a partnership with eBay and what that could entail
- Re-engage with eBay to obtain details of partnership
- Determine if economics of partnership make it viable

eBAY STORE / AUCTION EXAMPLE: COINUTS

ebay Store - coinNuts: Single Proof Unc Coins, Quarter Dollars, Nickels - Mozilla Firefox

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http://stores.ebay.com/coinNuts_W0QQcolZ4QQdirZ1QQfsu

Global Intranet Home ... Know Learn RSS

Home > eBay Stores > coinNuts > All Categories

coinNuts

Maintained by: [coinnuts \(11982 ☆ \)](#)

COINS SILVER GOLD PROOF MINT SUPPLIES PCGS NGC ANACS ErrorS, Variety, Currency, Supplies, and much more!! We offer THOUSANDS of items here on eBay everyday. Come join our long list of satisfied customers. We are a full retail store in North Idaho, come by and see us sometime. Thank you, coinNuts.

Store Policies | About the Seller

Brand New Listings !

- 1976 S PROOF Roosevelt DIME Single GEM US Coin 10 Cent
- 1971 S PROOF Lincoln CENT PENNY GEM Single Mint US Coin

[See all items...](#)

8091 items found in All Categories

[List View](#) | [Picture Gallery](#)

Hurry Ending Soon

1990 S PROOF Kennedy HALF Mint Coin \$5.99 Time Left: 4m

[See all items...](#)

Products available through both auctions and fixed prices ("Buy It Now")

View: [All Items](#) | [Auction only](#) | [Buy It Now only](#)

Sort by: Time: ending soonest

Item Title

1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin \$5.99 [Buy It Now](#)

1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin \$5.99 [Buy It Now](#)

Store home

- [Silver Dollars \(12\)](#)
- [Cent Nickel Dime Quarters \(113\)](#)
- [Silver Bullion \(22\)](#)
- [Cents \(1336\)](#)
- [Nickels \(1358\)](#)
- [Dimes \(1351\)](#)
- [Quarter Dollars \(1902\)](#)
- [Half Dollars \(1231\)](#)
- [Dollars \(360\)](#)
- [Single Proof / Unc](#)

Done

start

5:42 PM

GROWTH CONCEPT: STORE-WITHIN-A-STORE

Concept overview

- Mint either operates or licenses out to a third party to operate a network of stores-within-a-store, where there is a dedicated section of an existing retail concept which is dedicated to Mint products and staffed by a trained employee (similar to a kiosk but located within a broader store)
- Potential locations include department stores (e.g., Sears), discounters (e.g., Target) and retail banks
- Targeted customer/occasion would vary based on the broader store environment, but could include general gifting (department stores) and circulating savers (banks)

Potential assortment

- Relatively large size of a store-within-a-store would require selling the full product range, and potentially complemented by licensed products
- Given that format would be targeting impulse purchases, focus would need to be on low price points, potentially requiring new products

Fact-base opportunity assessment

- Host stores can provide reach unattainable through other means (e.g., Wal-Mart has over 100 million unique customers a week) or a targeted focus (Hallmark for gifts)
- No direct competition in concept; work as a partner of the host

Qualitative assessment

- Store-within-a-store provide opportunities that few (if any) other concepts can in expanding Mint's access / availability
- For the format to be successful, there will need to be appropriate alignment between the host's customer base and the product assortment

Fit with assets and capabilities

- Would need a new group within SAM to manage the relationship, especially if Mint was directly running the stores
- Increased manufacturing and distribution flexibility may be necessary to ensure product stays in stock at the broader network of stores

Economics

- Number of points of distribution: 1000+
- "Host" store would demand a percentage of sales; level would vary based on the retail concept as well as the services the host provided
- Third-party operator (if used) would also require significant payment (either fixed, percentage of sales or both)

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch away from Mint's direct channels (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine internal willingness to change pricing scheme / introduce new higher-margin products that would be required to support a store-within-a-store concept
- Identify specific goal of program and host stores

GROWTH CONCEPT: IN-STORE END-CAP

Concept overview

- Mint partners with a retailer to “rent” a section of prime shelf space (e.g., an end-cap) for the Mint to develop a product display with a wide (though incomplete) assortment of the Mint’s products. Mint would also ensure that staff at the location at suitably trained to be able to assist customers with numismatic product related questions
- Potential locations include gift stores (e.g., Hallmark) and department stores (e.g., Sears)
- Targeted customer/occasion would vary based on the broader store environment, but could include general gifting (Hallmark) and circulating savers (department stores)

Potential assortment

- Moderate size of the end-cap would require a significant product range; likely all major products except AE Gold and Platinum
- Given that format would be targeting impulse purchases, focus would need to be on low price points, potentially requiring new products

Fact-base opportunity assessment

- Host stores can provide reach unattainable through other means (e.g., Wal-Mart has over 100 million unique customers a week) or a targeted focus (Hallmark for gifts)
- No direct competition in concept; work as a partner of the host

Qualitative assessment

- In-store end-caps provide opportunities that few other concepts can in expanding Mint’s access / availability
- For the format to be successful, there will need to be appropriate alignment between the host’s customer base and the product assortment

Fit with assets and capabilities

- Would need a new group within SAM to manage the relationship, especially if Mint was active in staff training
- Increased manufacturing and distribution flexibility may be necessary to ensure product stays in stock at the broader network of stores

Economics

- Number of points of distribution: 1000+
- “Host” store would demand a percentage of sales; level would vary based on the retail concept as well as the services the host provided

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch away from Mint’s direct channels (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine internal willingness to change pricing scheme / introduce new higher-margin products that would be required to support a store-within-a-store concept
- Identify specific goal of program and host stores

GROWTH CONCEPT: TRADITIONAL PACKAGED GOODS SUPPLIER

Concept overview

- The Mint would actively market its products to a wide range of retailers including gift stores (Hallmark) and discounters (Target) with the product being stocked on shelves (or in jewelry cases) and treated similarly to any other product the store carries, while potentially limiting it to the holiday season
- To make economics work, Mint would either need to drastically increase price on products that it is selling to the retailers or introduce new products with significantly higher margins
- Goal of program would be to expand beyond current customer base

Potential assortment

- Product assortment would need to support impulse purchases
- Lower-end / base products (annual sets, AE silver, commemoratives) would meet the target customer's needs
- Likely to require new products to make the economics work out appropriately

Fact-base opportunity assessment

- Categories targeted (gifting and circulating savers) are very large
- Broadest possible customer base
- Though there would be no direct competitors, Mint would face significant indirect competition at the category level (collectibles, gifts)

Qualitative assessment

- Traditional retail economics are not at all compatible with how the Mint currently prices products
- Potential for negative implications of rebasing prices
- Unclear ability for customers to "find" Mint products if simply part of a store category

Fit with assets and capabilities

- Mint would need to add significant numbers of personnel to manage retailer relationships (some retailers demand a dedicated staffer)
- Unclear if Mint has the capabilities to act as a traditional packaged goods supplier (e.g., inventory management)

Economics

- Number of points of distribution: 1000+
- Mark-ups by retailers range from 50-100% depending on the concept and the characteristics of the product
- Overall economic implications for Mint would depend on the price points which the Mint sold the product at

Potential barriers/concerns

- Wholesale prices and mark-ups required to make the Mint an attractive partner for retailers may be unattainable
- Becoming active in retail may be seen as outside the Mint's scope

Next steps

- Determine internal willingness to take any of the paths that would result in acceptable mark-ups for retailers (e.g., new products, higher retail prices)
- Preliminary conversations with retailers to gauge interest

GROWTH CONCEPT: EXPAND GIFT SHOP OPERATOR RELATION

Concept overview

- Allow operator of gifts shops to sell Mint products at all venues where they manage retail operations. For Delaware North would include National Parks (Yosemite, Grand Canyon), Kennedy Space Center, sports stadiums (located in Chicago, Los Angeles, and Boston among others), on steamboat cruises, and in "private label" airport stores which they operate (e.g., Gadgets to Go)
- Product sold to Delaware North at a discount, most likely in line with current 18% discount they receive
- Targeted occasion will vary by location, but would include tourism/souvenirs (National Parks) and gifting (on cruises)

Potential assortment

- Most locations would strongly favor impulse purchases as they are "destinations" with a barrier to entry
- Lower-end / base products (annual sets, AE silver, commemoratives) would meet the target customer's needs

Fact-base opportunity assessment

- Categories targeted (souvenirs and gifting) are multi-billion dollar spaces
- Targeted customers vary by format type, but are broad in all formats
- Mint's offering would be unique in these formats; any competition is only in the broadest sense (other gifts)

Qualitative assessment

- Delaware North's (and potentially other's) broad range of retail formats provides the Mint with a low-risk way to "test the waters"
- For the formats to be successful, consumers must be willing to make impulse purchases of Mint products in non-traditional environments

Fit with assets and capabilities

- Mint's existing relationship with the operator suggests minimal changes required to expand partnership
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel

Economics

- Number of points of distribution: ~150
- As product would be simply added to existing stores, operator likely to accept low margin (status quo of 18%)
- Mint would make a very thin margin (~5-10%) on products sold

Potential barriers/concerns

- Delaware North has a significant presence in gaming/racing operations. They may want to sell product there
- Exclusive partnership may be an implied endorsement
- Current financial arrangement provides minimal profit

Next steps

- Engage with operator to gauge interest in expansion of relationship
- If interested, obtain information on operator's current operations to better evaluate the opportunity

GROWTH CONCEPT: TARGET CORPORATE GIFTING OCCASIONS

Concept overview

- The Mint takes a series of actions to better serve the corporate gifting market
- Major actions that would be taken include advertising in corporate gift catalogs and websites, partnering with businesses that currently do a significant amount of corporate gifting business (e.g., L.L. Bean) and developing new packaging/formats for coins (e.g., plaque with space for a message along with an American Eagle Silver Dollar)
- Exact pricing would depend on whether the Mint was selling directly or through a partner, however, end retail prices would likely reflect the value-added nature of the product

Potential assortment

- Wide range of prices likely to be successful; demand for low-end products as well as higher-end
 - Step-up products likely to be successful (e.g., Silver AE for 10-year anniversary, Gold AE for 15, Platinum for 20)
- Customized products needed for the market

Fact-base opportunity assessment

- Significant amount of competition in the corporate gift space, though Mint's offering would be easily differentiable

Qualitative assessment

- Mint's products naturally fit in the corporate gifting space with balance of value, messaging and attractiveness
- For the format to be successful, the Mint would need to actively market the product to people purchasing corporate gifts and explain value of the product

Fit with assets and capabilities

- Additional personnel required to manage relationship with any partners
- Mint does not currently have the capabilities for a more advanced program (e.g., new products / formats)
- High level of manufacturing flexibility required to handle large orders

Economics

- Size of occasion: Businesses spend around \$25 billion on corporate gifts (including all logo paraphernalia)
- Overall economics likely to be attractive as premiums can be charged based on value-added
- Distribution approach (e.g., partners) would impact economics

Potential barriers/concerns

- If Mint sold more than just the raw coins (e.g., plaques with coins), could be viewed as competing with the private sector
- Partnerships could be viewed as implied endorsement

Next steps

- Internal assessment of ability to "go alone"; if assessment suggests partners are needed, determine what capabilities needed (product development, marketing, etc)

- Engage potential partners in preliminary conversations

GROWTH CONCEPT: D.C. COIN EXPERIENCE STORE

Concept overview

- Mint would develop a flagship store (likely in the Mint's Headquarters). Components of the store could include the full line of Mint products; exhibits and films on how coins are produced; displays on the history of money (both in the U.S. and overseas); interactive activities (e.g., Mint your own coin); store-within-a-store for non-current numismatic products and services (e.g., grading, appraisals)
- Targeted customers are D.C. tourists, with a secondary target being core collectors in the D.C. area. Associated occasions most likely to be souvenirs and gifting

Potential assortment

- Nature of the flagship store would require the full product assortment to be available, potentially along with licensed products
- As tourists are the key customer, a significant portion of the purchases would be impulse, suggesting a broad selection of items with low price points

Fact-base opportunity assessment

- 18 million domestic and 1 million foreign tourists visit Washington, D.C. annually
- Indirect competition with other museum gift shops (especially BEP), though no direct competition

Qualitative assessment

- Flagship store could play a significant role in improving awareness of the Mint's numismatic products
- For the flagship store to be successful, it will need to draw in significant traffic from tourists; financial success will be more challenging

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
 - Exhibits could be run by the historian's office
- Additional staff would be required to operate the store

Economics

- Number of points of distribution: 1
- High operating costs plus lack of scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Flagship store could be viewed as significantly outside the Mint's stated scope and raise concerns of it being a museums of sorts
- Implied endorsement of any store-within-a-store partners

Next steps

- Determine "best case" economics to see if store can be economically viable
- If option is not economically viable on its own, consider whether non-economic benefits (education) are significant

GROWTH CONCEPT: GOVERNMENT STORE

Concept overview

- Mint would work with other branches of government to develop a single store that would sell assorted government products
- Potential partner agencies include the Smithsonian, White House, Homeland Security, Congress and National Park Service
- Store would be located in a high-traffic area (e.g., right on the Mall)
- Targeted customers are D.C. tourists, with a secondary target being core collectors in the D.C. area. Associated occasions most likely to be souvenirs and gifting

Potential assortment

- Nature of the store requires the Mint to have fill a section of the store with Mint products, and as such a relatively broad assortment would be required
- As tourists are the key customer, a significant portion of the purchases would be impulse, suggesting a broad selection of items with low price points

Fact-base opportunity assessment

- 18 million domestic and 1 million foreign tourists visit Washington, D.C. annually
- Indirect competition with other museum gift shops (especially BEP), though no direct competition

Qualitative assessment

- Government store could play a role in improving awareness of the Mint's numismatic products
- For the store to be successful, it will need to draw in significant traffic from tourists; financial success depends on how operating expenses is allocated

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
 - Could be a "Center of Excellence"
- Additional staff would be required to operate the store

Economics

- Number of points of distribution: 1
- High operating costs plus lack of scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Government Store could be viewed as significantly outside the Mint's stated scope
- Challenge in coordinating government agencies and ensuring that it is operationally feasible

Next steps

- Determine if there is any appetite within the Mint to engage in such a program
- If there is interest, gauge interest with required partners

GROWTH CONCEPT: FULL MINT STORE

Concept overview

- Mint establishes a small (around 5) chain of stores that sells the full range of Mint products along with a large selection of licensed products and accessories
- Stores would be located in the retail district of major metropolitan areas (e.g., Chicago's Magnificent Mile) in order to maximize the likelihood of potential impulse purchasers coming in contact with the store
- Targeted customers include avid collectors in the store's vicinity and circulating savers who are more likely to be impulse visitors

Potential assortment

- Nature of the full Mint Store would require the complete product assortment to be available along with licensed products
- As the key goal of the store is to target impulse purchases, it would be appropriate to have a broad selection of items with low price points

Fact-base opportunity assessment

- If stores were located in each of the top 5 MSAs, they would reach one-fifth of the U.S. population
- The circulating saver market (the primary target) is at least 140 million, suggesting nearly 30 million located within the MSAs of stores

Qualitative assessment

- Stores could activate potential customers when they are able to see the product in person
- Limited scalability; potentially more effective ways to generate opportunities for customers to see the product

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
- Additional staff would be required to operate the store and for local management

Economics

- Number of points of distribution: 5
- High operating costs plus lack of significant scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Store could be viewed as significantly outside the Mint's stated scope
- Potentially competing with private industry (coin dealers) in the area of the stores

Next steps

- Determine "best case" economics to see if store can be economically viable
- If option is not economically viable on its own, consider whether non-economic benefit (awareness) is significant

GROWTH CONCEPT: FRANCHISES

Concept overview

- Mint develops a concept (potentially kiosk-based, small stores or an expansion for existing coin dealers) that after testing is then made available for franchising
- As part of franchising, the franchisee would pay the Mint a franchise fee and ongoing royalties, and would receive rights to use the Mint name (e.g., all stores could be called "The Mint Store"), support in setting up the operation and running it in a manner consistent with other Mint Stores

Potential assortment

- Nature of the full Mint Store would require the complete product assortment to be available along with licensed products
- Franchisees would be able to choose their own product mix (with some guidance / requirements from the Mint)

Fact-base opportunity assessment

- Franchises would be a successful strategy to reach the 140 million circulating savers, especially those in less populous areas
- Becoming a franchisee could be an attractive proposition for current coin dealers

Qualitative assessment

- Successful franchise operations have an existing successful concept and use the franchising model to extend reach; the Mint would need to first have a successful concept before the franchise model is likely to work

Fit with assets and capabilities

- Mint does not currently have the existing concept on which a franchising arrangement would exist
- Mint would need to develop full franchise management capabilities (including real estate, design, finance and enforcement)

Economics

- Mint receives upfront revenue in the form of franchise fees, however the more significant long-term source of revenue is franchisee royalties, which are typically 4%
- True economic implication driven by the number of new customers franchisees will be able to attract

Potential barriers/concerns

- Uncertain political viability of a concept where franchisees could go out of business after paying Mint franchising fee
- Mint must determine approach to minimize channel shift from direct Mint channels to the franchisees

Next steps

- Determine what the franchise concept would look like
- Conduct preliminary conversations with current dealers to gauge their interest in becoming a franchisee

CONCEPT OVERVIEWS

- Strengthen core business
- Expand to new customers
- **Enter international markets**

GROWTH CONCEPT: PARTNERSHIP WITH FOREIGN MINTS

Concept overview

- The Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in their retail locations
- The Mint also sells products through non-physical channels (e.g. website, catalog) in exchange for selling foreign mint products via the Mint's alternative channels
- Product exchange could consist of all Mint products or of selected products with international appeal (similar to the past partnership with the Swedish Mint)

Potential assortment

- The Mint could designate selected products targeted at international customers
- A full range of products could be available depending by location, channel type, and agreement with foreign mint

Fact-base opportunity assessment

- The Mint has existing relationships with foreign mints via participation in the Mint Directors Conference
- Germany and the UK are the leading international markets for US numismatics
- Most foreign mints appear to utilize similar sales channels as the US Mint

Qualitative assessment

- Foreign mints already access the market for collectors of national mint numismatic products
- With limited retail space, the majority of US Mint sales of foreign products would likely occur through alternative channels
- This approach could dovetail with the development of new internationally targeted products

Fit with assets and capabilities

- It is within the Mint's existing capacity to designate space in current retail locations for products from other mints; however that space would be limited
- The Mint would need to increase capacity within non-physical purchase channels (e.g. catalog, phone and website purchases)

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The trade-off aspect of an agreement might allow the Mint to increase the number of retail channels to which it has access at little or no cost; however, allowing foreign mints to utilize existing US Mint channels might cut into existing Mint revenues

Potential barriers/concerns

- There are potentially political concerns with the US Mint selling non-US Mint products from government-owned retail space

Next steps

- Evaluate the full partnership model compared with the limited product model
- Identify target partner Mints and target products for sale

GROWTH CONCEPT: INT'L THIRD PARTY MASTER DISTRIBUTOR

Concept overview

- Mint contracts with a an international retailer to promote, distribute, and sell Mint products in retail locations worldwide
- Similar to the agreement with Delaware North, the Mint would not be involved in day to day retail operation, rather would act as a supplier

Potential assortment

- A full range of products would be available depending on location and channel type

Fact-base opportunity assessment

- International sales are relatively small both in gross and as a percentage of US Numismatic Exports, potentially impeding distribution interest
- Germany and the UK are currently the leading international markets for US Mint products

Qualitative assessment

- Utilizing a third party saves the Mint from having to develop expertise in the international retail market
- International sales are currently so low that it is reasonable to assume there is room for dramatic growth in primarily incremental sales

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- If the distributor is given a discount similar to that given to the domestic distributor, the Mint will realize a very thin margin

Potential barriers/concerns

- Identifying a third party distributor willing to work with the Mint
- Uncertain information regarding international demand for Mint products

Next steps

- Identify target international markets
- Identify candidates to serve as master distributor

GROWTH CONCEPT: INT'L EXCESS INVENTORY DISPOSITION

Concept overview

- In a manner that remains consistent with the Mint's practice of not selling dated coins for longer than one year domestically, sell excess inventory internationally through one or more of the international channels identified
- The Mint will increase revenue without any increase in production cost as the products sold will have already been produced

Potential assortment

- The product line would consist of all Mint products left unsold in the Mint's typical product lifecycle
- Mint products falling into this category vary by year

Fact-base opportunity assessment

- Mint policy prohibits Mint sales of not-current year products
- The Mint produces varying amounts of excess numismatic products annually
- Currently those products are destroyed

Qualitative assessment

- This approach is qualitatively new for the Mint in that it will be entering the market for not-current numismatics for the first time
- Engaging in this approach could impact decisions the Mint makes with respect to production in a way that increases mintage

Fit with assets and capabilities

- The Mint would need to leverage international distribution channels that currently do not exist in order to sell the products
- Additional capacity needed to monitor and implement distribution of product might be offset by savings in reducing costs associated with destroying excess products

Economics

- Currently these products are destroyed; sale of these products are therefore all incremental
- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The margin will depend on the requirements of the retailer used to distribute the products

Potential barriers/concerns

- The Mint would need to use a sales and distribution model compliant with federal law on not-current products
- In order to attract international distributors, the Mint would likely have to relinquish pricing control
- Competitors (i.e. dealers) might object to the Mint's entering the non-current year market

Next steps

- Identify which international sales channels would best support this concept
- Determine impact of concept on mintage and pricing

GROWTH CONCEPT: INT'L DIRECT RESPONSE SUPPLIER / PARTNER

Concept overview

- The Mint partners with international direct response suppliers (e.g. Home Shopping Network) to expand direct sales in international markets
- In addition to short-term revenue growth, the Mint leverages direct retailers' access to a broad customer base to grow interest in US Mint numismatic products

Potential assortment

- A full range of products would be available depending on retailer strategy
- The current direct response product array consists primarily of the Mint's regular products repackaged

Fact-base opportunity assessment

- Existing direct response channels (e.g. the Home Shopping Network) already sell US Mint numismatic products
- International sales among direct response retailers are growing at twice the rate of domestic sales

Qualitative assessment

- HSN and other direct suppliers have demonstrated the ability to sell numismatic products and are growing their presence abroad
- To attract partners, the Mint might have to limit restrictions it currently places on presentation, price, etc.
- Utilizing a third party prevents the Mint from having to develop expertise in the international retail market

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- Depending on the discount made available to retailers, the Mint's margin could be substantially decreased

Potential barriers/concerns

- There is little data on the market for US Mint Numismatics abroad potentially impeding supplier interest
- Direct response retailers currently act as US Mint competitors

Next steps

- Identify target partners (e.g. HSN) based on market share, sales format, and partnership agreements
- Evaluate typical sales and distribution agreements with direct response partners

GROWTH CONCEPT: INT'L DEALER TRADE SHOW

Concept overview

- The Mint establishes a presence at International Numismatic Dealer shows and conventions
- The Mint develops sales and distribution channels with international coin dealers
- Additionally, the Mint sells selected products at the shows

Potential assortment

- The Mint would take orders for the full range of Mint products to be fulfilled for individual dealers
- Additionally, the Mint would sell high value products (e.g. gold) at the shows

Fact-base opportunity assessment

- There appears to be a substantial dealer presence and interest in US numismatics in Germany and the UK
- There are several large coin dealer shows throughout Europe

Qualitative assessment

- Presents an efficient way for the Mint to access an array of international sales and distribution outlets
- This approach has been successful in other specialty markets (e.g. golf paraphernalia)

Fit with assets and capabilities

- While the Mint has a team that has attended international coin shows in the past, there is no staff dedicated solely to that purpose within the Mint
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- Depending on the discount made available to retailers, the Mint's margin could be very thin

Potential barriers/concerns

- Requires Mint sales representatives to more frequently travel internationally
- Could require individual negotiations and agreements with multiple small dealers

Next steps

- Identify largest international dealer shows and avenues for accessing them
- Evaluate ways to streamline international travel approval

GROWTH CONCEPT: INT'L FOCUSED NEW PRODUCTS

Concept overview

- The Mint develops and introduces new products targeting international customers
- Products would focus on international themes (e.g. the World Cup, the Seven Wonders of the World, and the Olympics)

Potential assortment

- These products would be similar to existing products within the commemoratives and medals lines

Fact-base opportunity assessment

- The Mint typically sees a revenue spike when introducing new products
- Restrictions on commemoratives and medals would limit the quantity of product types produced

Qualitative assessment

- These products could serve as an entry point to increase the number of international customers interested in higher-end gold products
- To be effective, this approach will need to be coupled with the development or expansion of international sales channels
- In addition to international customers, these designs will likely attract new and existing domestic customers

Fit with assets and capabilities

- The Mint might require additional design talent to produce compelling products
- Currently, the Mint lacks the capacity to efficiently sell and distribute these products internationally

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The economics will depend largely on the channels selected to market, sell, and distribute these products as well as the materials selected to manufacture the products

Potential barriers/concerns

- There could be political pushback on designs intended to attract international customers

Next steps

- Identify appropriate international sales channels through which new products may be distributed
- Explore potential design themes

GROWTH CONCEPT: INT'L THIRD PARTY MASTER DISTRIBUTOR

Concept overview

- Mint contracts with a vendor to promote, distribute, and sell Mint products in retail locations outside of the US
- Similar to the agreement with Delaware North, the Mint would not be involved in day to day retail operation, rather would act as a supplier

Potential assortment

- A full range of products would be available depending on location and channel type
- Preliminary data indicates that gold product might have significant appeal internationally

Fact-base opportunity assessment

- International sales of US Mint products are relatively small both in gross and as a percentage of US Numismatic exports, potentially impeding distribution interest (\$1.5m to seven target countries in 2005)
- Germany and the UK are currently the leading international markets for US Mint products

Qualitative assessment

- Utilizing a third party saves the Mint from having to develop expertise in the international retail market
- International sales are currently so low that it is reasonable to assume there is room for dramatic growth in primarily incremental sales

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- If the distributor is given a discount similar to that given to the domestic distributor, the Mint will realize a very thin margin

Potential barriers/concerns

- Partnership terms required by Mint may be unappealing to third party distributors
- Uncertain information regarding international demand for Mint products

Next steps

- Identify target international markets
- Identify candidates to serve as master distributor

CONFIDENTIAL

Emerging Numismatic Strategy

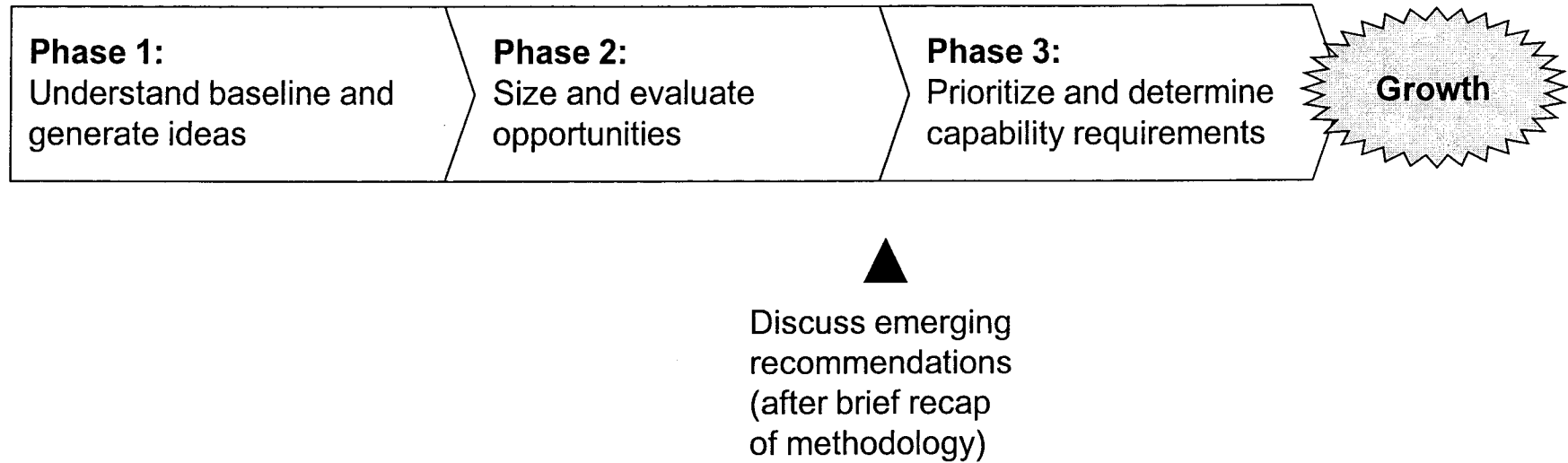


Interim Progress Review

August 21, 2006

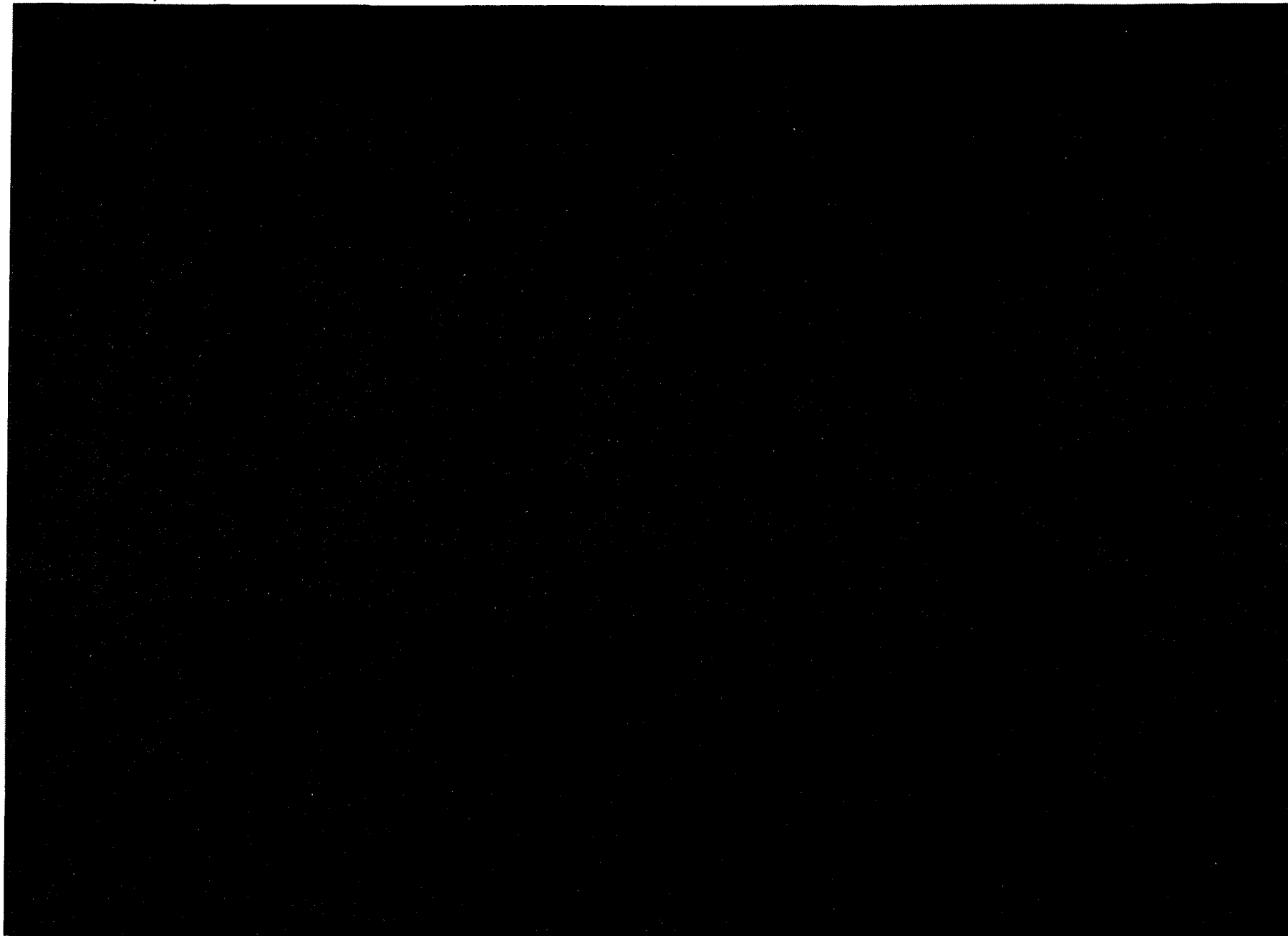
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TODAY'S DISCUSSION



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METHODOLOGY – MAJOR ACTIVITIES

Interviews

Mint

- David Lebryk
- Gloria Eskridge
- Jay Mahanand
- Daniel Shaver
- Cliff Northup
- Scott Myers
- Deborah Tomchek
- Kevin Hamer
- Sharon Bishop
- Cynthia Meals
- Dufour Woolfley
- Ann Bailey
- Ken Knapp
- Jim Adler
- John Warriner
- Jerry Nelson
- Jonathan Haseltine
- David Gessert
- Shirley Keller
- Jack Sczcerban
- Pat McAfee
- Garren Zuck
- Kathy Chiarello
- Robert Rebele
- Cortez Carrington
- Christy Bidstrup
- Sarah Jones
- Justin Kieffer

Analyses

- Historic revenue growth
- Product development
- Kiosk customer purchasing behavior
- Kiosk and production facility gift shop sales decomposition
- Direct channel customer characteristics (all customers who placed orders from Oct. 2004-March 2006; 1.35 million customers)
- Purchasing behavior for all direct channel activity (Oct. 2004-March 2006; 4.06 million orders)
- Market sizing (e.g., overall size of the U.S. gift market)
- Opportunity sizing (e.g., size of revenue growth for the Mint to create a network of kiosks)

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OVERVIEW OF THE CURRENT SITUATION: FRAMING THE CASE FOR CHANGE

- The Mint's numismatic business has had an attractive rate of growth of 8 percent over the last 10 years. Through 2005, 73 percent of the growth has come from innovation – 50 State Quarters and the Westward Journey Nickel programs. In 2006, innovation-led growth will accelerate significantly with the American Buffalo – 24K and American Eagle Anniversary Sets
- Maintaining and growing revenue represents a significant challenge for two reasons. First and foremost, the revenue base is at high risk since by 2009 \$150 million will need to be replaced as a result of programs ending. Second, the product volume for recurring series products has broadly stagnated
- Nevertheless, these challenges can be addressed and indeed there are indicators that suggest the future could be quite attractive. The large number of circulating savers, the potential interest of 42 percent of adults in the Mint's products, and the Mint's own history of higher sales in years with new products (1976, 1986, 2000) suggest that there is a significant unaddressed market

EMERGING STRATEGY OVERVIEW

In order to maintain and grow revenue, the Mint must adopt a mindset that focuses on innovation and rigorous execution. Such a mindset will lead the Mint to quickly adopt consumer goods best practices and expand to new customers and geographies

**Strengthen
core
business**

Description

- Expand revenue from the core customer base by
 - Building innovation capabilities
 - Adopting 13 consumer goods best practices

Potential value*

- \$40-80 million

**Expand to
new
customers**

- Expand beyond the core customer base to attract new customers by
 - Developing products that meet consumer needs for specific occasions
 - Increasing the breadth of channels at which the Mint's products are available

- \$90-150 million

**Enter
international
markets**

- Target core collectors in international markets by
 - Engaging in the international trade show market
 - Developing new products which target international customers

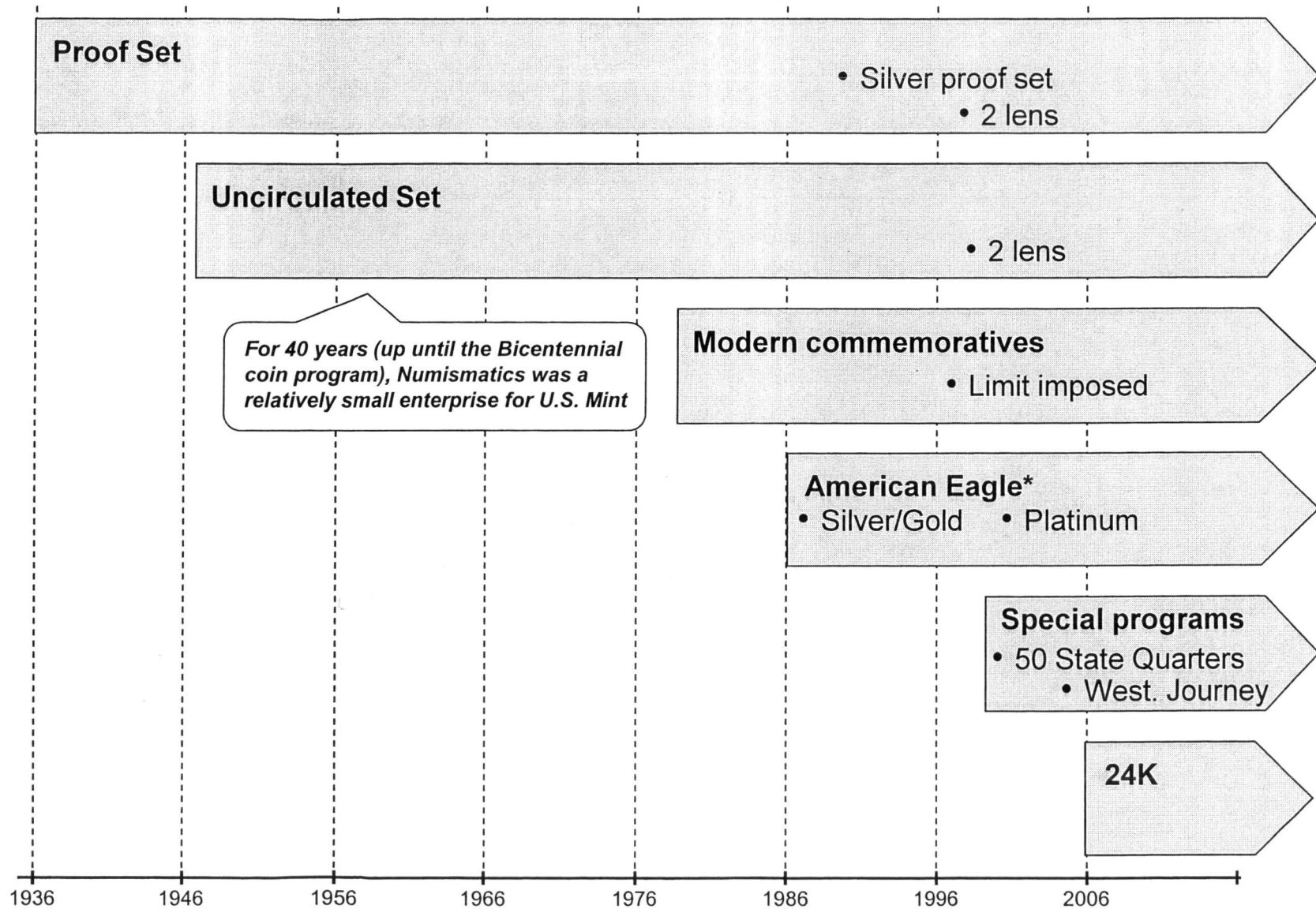
- TBD
 - \$5-10 million
 - Revenue from new products TBD

Total: \$135-240 million

**Significant additional value can
come from product innovation**

* Annually in 3-5 years

THE U.S. MINT HAS PROVIDED CUSTOMERS WITH AN EXPANDED SET OF OPTIONS OVER THE LAST DECADE

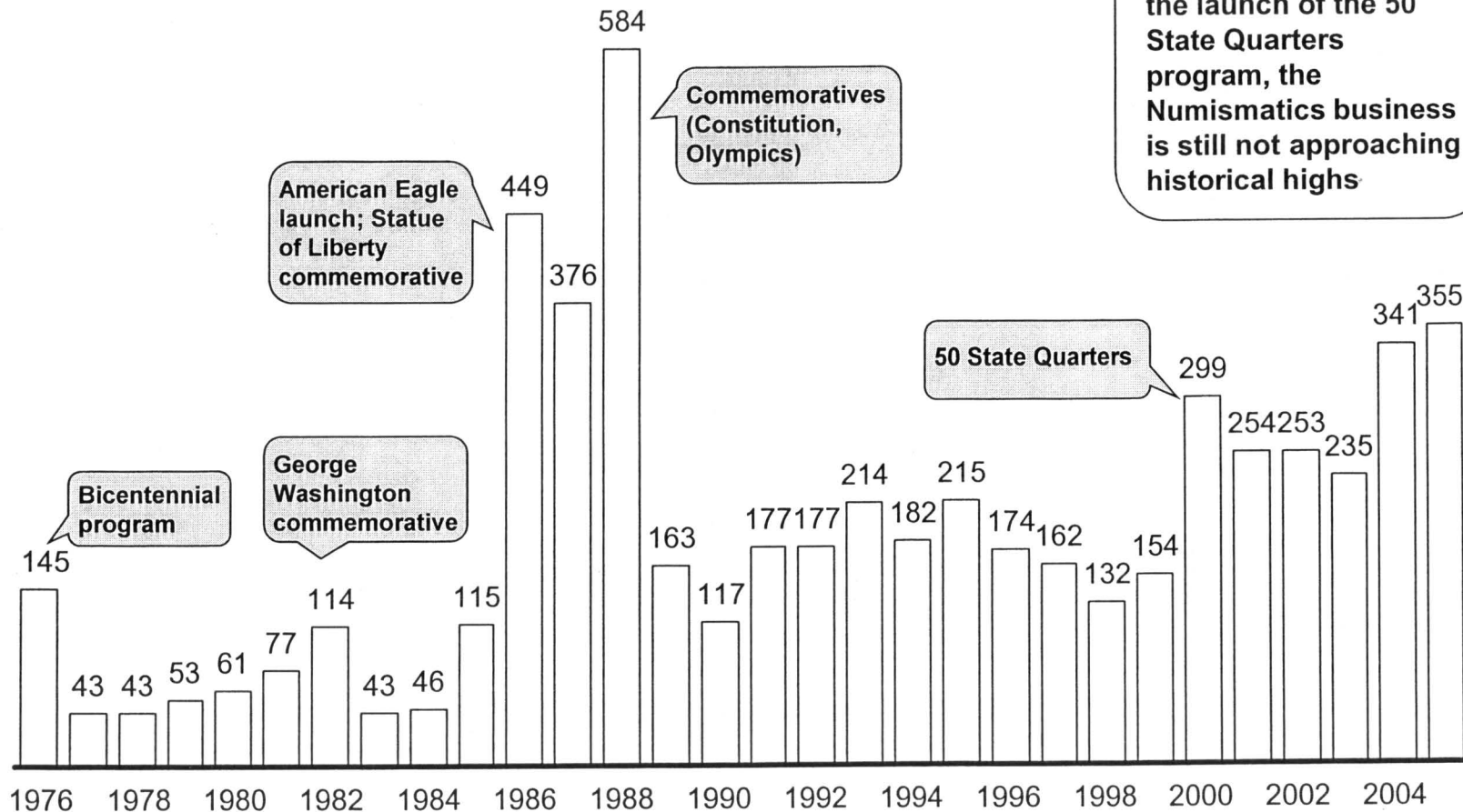


* Includes American Eagle Anniversary Sets and American Eagle uncirculated coins

Source: U.S. Mint; 2007 Official Red Book; team analysis

OVER THE LAST 30 YEARS, THE MINT'S REVENUE HAS BEEN VOLATILE AND TIED CLOSELY TO INNOVATION

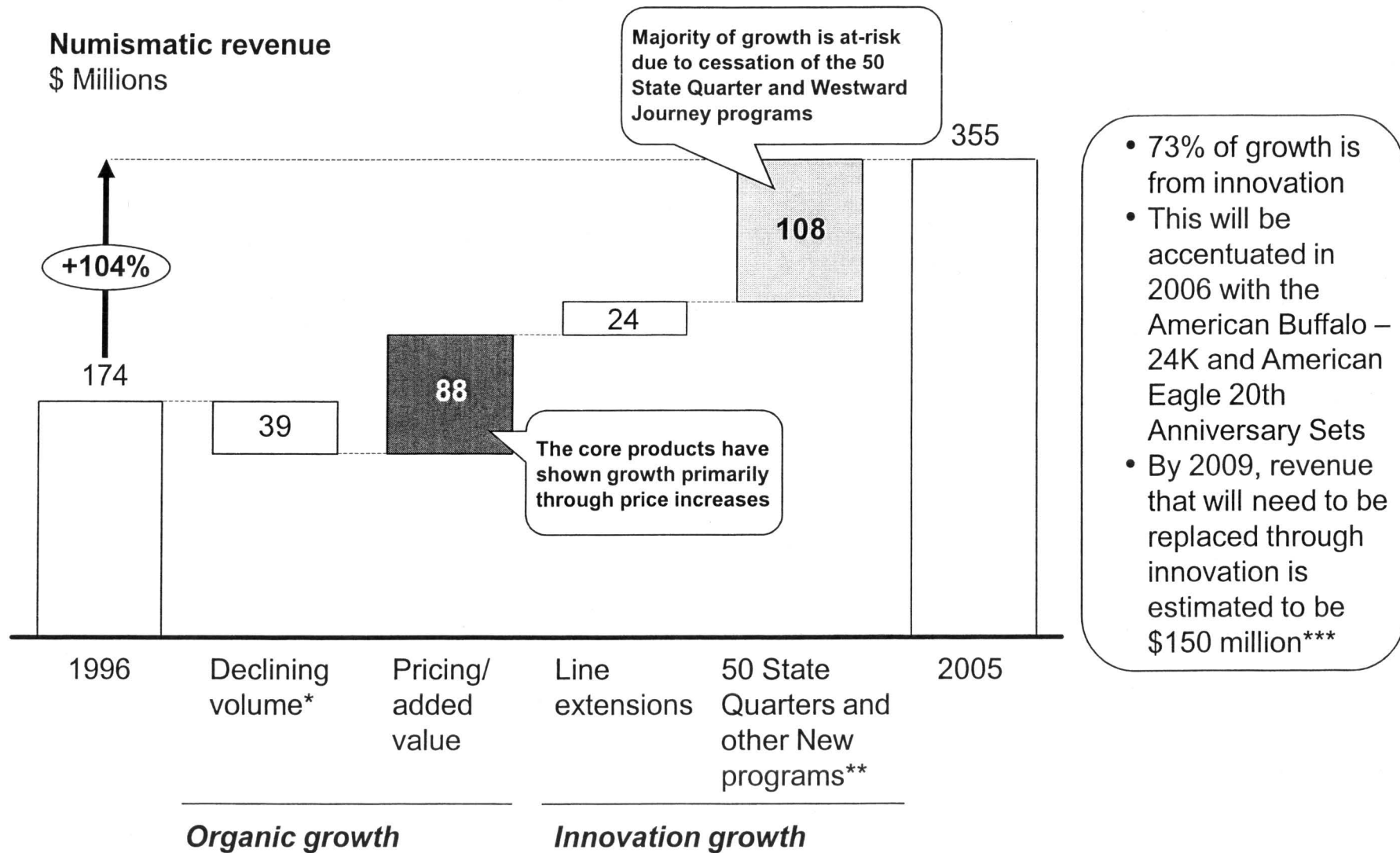
Numismatic revenue
\$ Millions



In spite of substantial revenue growth since the launch of the 50 State Quarters program, the Numismatics business is still not approaching historical highs

Note: Data potentially reflects a disconnect between financial years and program years
Source: U.S. Mint Annual Reports / SAM Non-Bullion FY P&L (2000-2005); CIO Bluesheet (1984-1999); Red Book (1976-1983); team analysis

RECENT GROWTH SHOWS THAT A SIGNIFICANT PORTION OF THE MINT'S REVENUE IS AT RISK WHEN SPECIAL PROGRAMS CEASE



* Overall; Volume decreased for commemoratives, AE Gold and the Uncirculated set; Volume increased for the Silver and Clad Proof set and AE Silver

** 50 State Quarter Program, Westward Journey Nickel series, Legacies of Freedom, other new products and licensing

*** Based on the end of the 50 State Quarter Program, one-time American Eagle Anniversary Sets and the anticipated sales drop-off for the 24K program

Source: U.S. Mint; team analysis

STRATEGY: RATIONALE TO STRENGTHEN CORE BUSINESS



- The Mint has done a strong job, but its revenue foundation is at risk, suggesting a need to take action to stabilize performance
 - Growth in the traditional proof products has stemmed primarily from price increases, not increased product volume
 - Successful special programs are near expiration
 - Long-term stability of the revenue stream from special products such as the American Buffalo – 24K is uncertain
- There is a set of best practice consumer goods activities that the Mint has not executed against and the Mint has recently dedicated inconsistent attention to innovative programs
 - Steps can be taken to increase the success of the Presidential \$1 Coin program (e.g., set groundwork for multi-year sets)
- Adopting this set of best practices will allow the Mint to grow its stable base of numismatic revenue and be able to better handle the volatility inherent in a business where growth is driven by innovation
- Such steps will also help the Mint address its need for ongoing product innovation
 - Core collectors have consistently been attracted to numismatic innovation

STRATEGY: KEY COMPONENTS TO STRENGTHEN CORE BUSINESS



Offering

- Introduce entry-level products
- Implement new packaging formats
- Implement steps to increase success of upcoming special programs (e.g., Presidential \$1 Coin)
- Create quality line extensions (e.g., first strike)
- Conduct research on new materials for coins (e.g., palladium)
- Produce and market multi-year sets

Pricing

- Switch to typical consumer goods price points as part of upcoming price changes due to the Presidential \$1 Coin program

**Value:
\$40-80 million***

Advertising / promotion

- Improve online marketing
- Overhaul website's product presentation and adopt other direct marketing best practices
- Overhaul print catalog's product presentation and adopt other direct marketing best practices
- Launch effort to up-sell/cross-sell/migrate to higher-end products
- Invest in expanding education program

Sales

- Eliminate stock-outs on core products
- Enhance appeal of subscriptions program

* Based on typical retailers' experience generating an additional 10-20 percent of revenue when they optimize their direct channels
Note: Changes also help in the expansion beyond the core

STRATEGY: RATIONALE TO EXPAND TO NEW CUSTOMERS



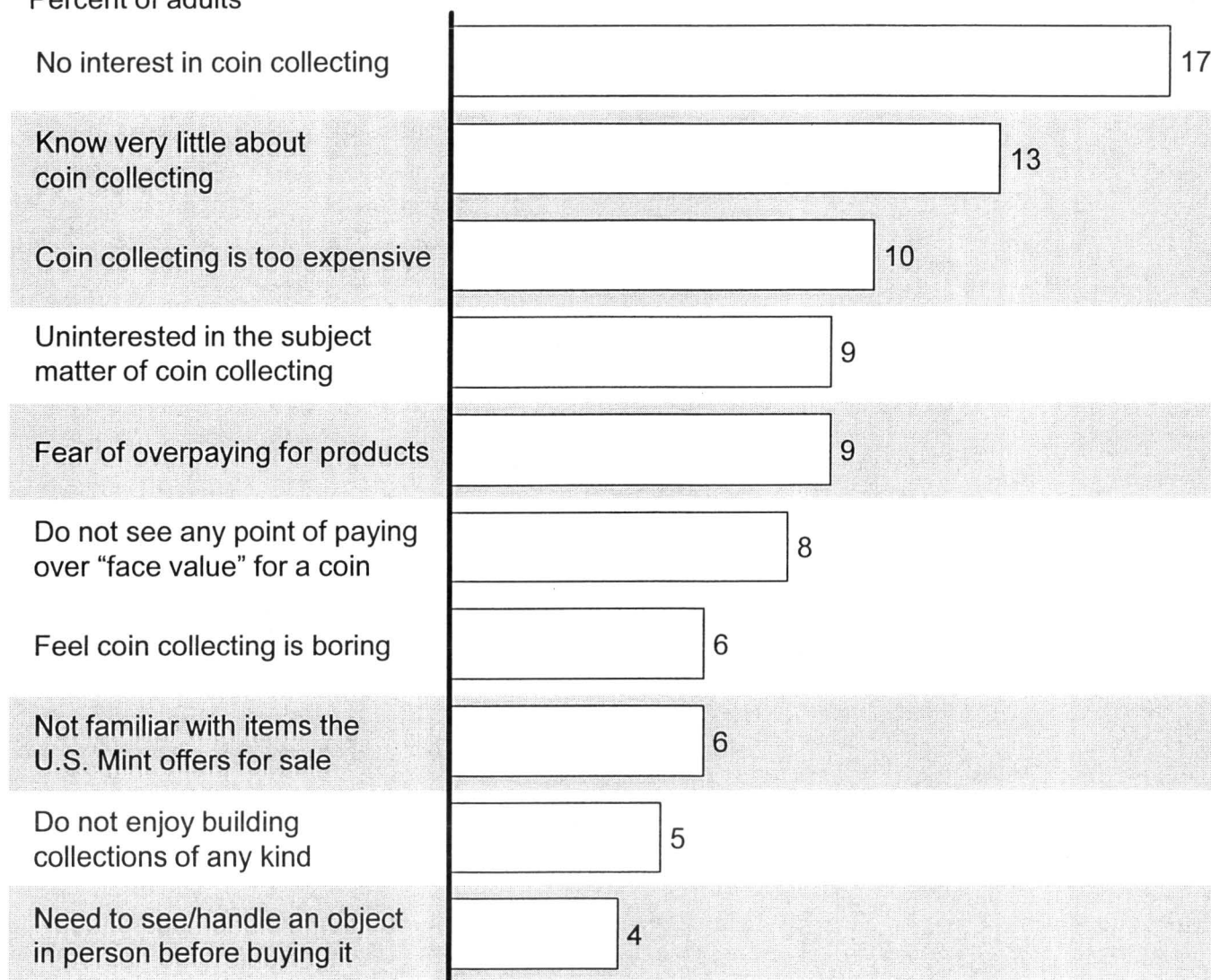
- There is a potentially large customer base that can be reached directly by the Mint through selling new products that target new occasions
 - There are 140+ million circulating savers
 - All circulating savers are likely to be more interested than the public at-large in the Mint's products for special occasions (e.g., gifts, souvenirs)
 - A subset of circulating savers are more active circulating collectors, a portion of whom are likely to be interested in collecting the Mint's numismatic products if they were aware of the products or had easier access to them
 - 42 percent of adults reported their top barrier to purchasing numismatic products as something which the Mint could lessen or even eliminate through an expanded channel strategy
 - Current Mint customers may have latent demand if their access increased
 - 30 percent of Union Station and Headquarters kiosk customers were planned purchasers who would not have purchased the product if the kiosk did not exist
- In order to better serve this unmet interest, the Mint must expand its product line and awareness, and potentially enter new channels

CURRENT CHANNELS HAVE LED TO GAPS IN CONSUMER KNOWLEDGE AND CREATED PURCHASE BARRIERS FOR NUMISMATICS

PRELIMINARY

Top purchase barrier cited by the general public

Percent of adults



Growth strategy
can potentially
lessen the barrier

Forty-two percent of
adults (90 million)
may be interested in
numismatic products

Note: Respondents were forced to select a single barrier as their top barrier to purchasing numismatic products
Source: National Analysts U.S. Mint customer acquisition research – preliminary findings; team analysis

MINT HAS NOT TARGETED OCCASIONS THAT NEW CONSUMER SEGMENTS MAY BE INTERESTED IN

Consumers gift for a variety of reasons ...

Typical gifting situations

- Annual occasions
 - Christmas
 - Birthday
- Milestones
 - Wedding gift
 - Retirement
- Personal treat
 - Something to indulge or reward myself
- Service appreciation
 - Holiday gift for a teacher
- Reflection of me
 - Gift that reflects the giver's personality
- Reflection of you
 - Something someone would not buy for themselves
- Connoisseur
 - Something to purchase for a trend setter
- Entertaining
 - Hosting a gathering
 - Gift to bring to a dinner

... while the Mint's Numismatic products are suited for two primary types of gifting occasions

Annual

- Christmas/
Hanukkah gift
- Birthday
- Anniversary
- Mother's Day
- Father's Day
- Independence
Day

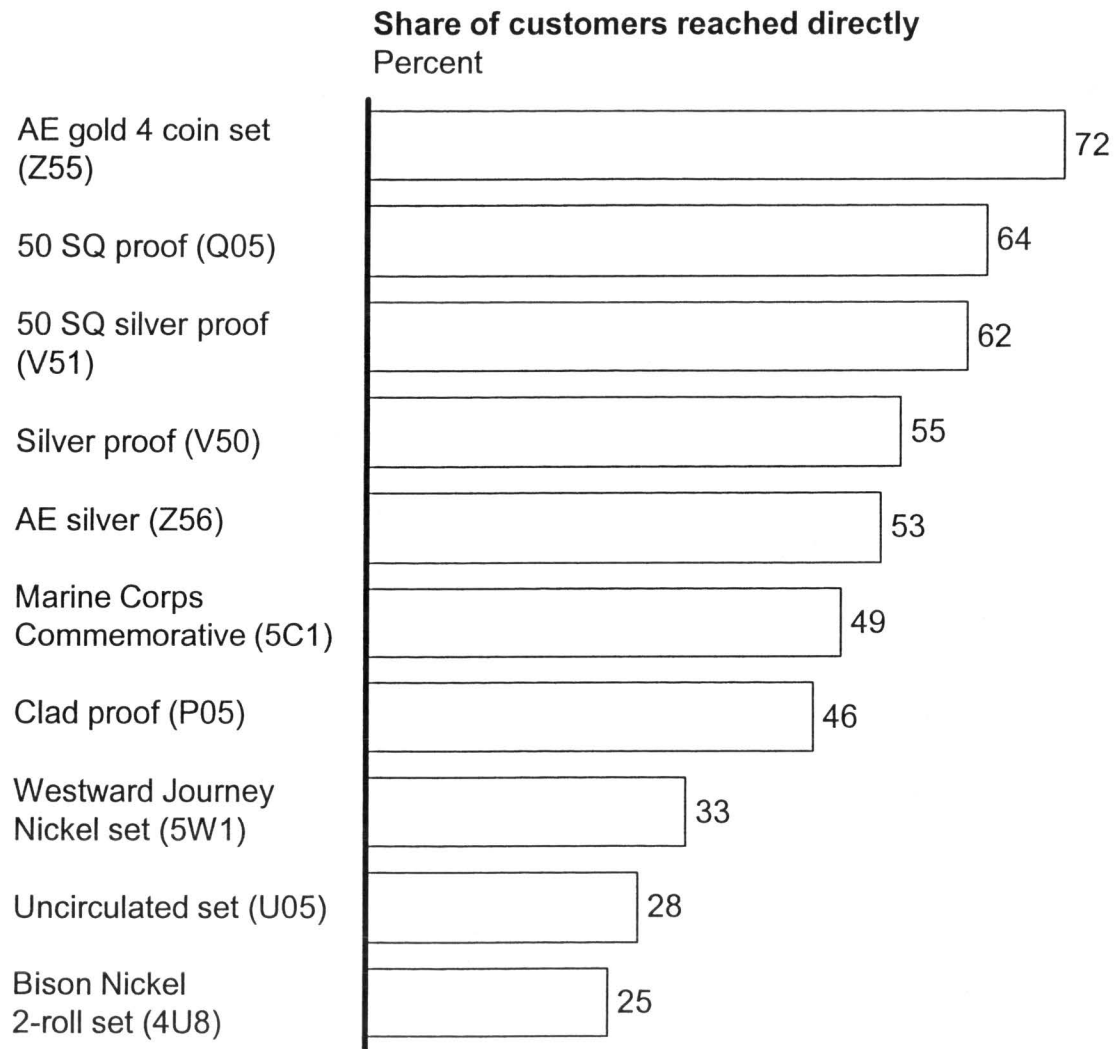


Milestones

- Birth
- Coming-of-age
(Sweet 16s,
Bar Mitzvahs)
- Graduation
- Retirement
- Weddings
- First day
of school
- Baby shower



THE MINT'S CURRENT CHANNELS MAY NOT ADEQUATELY REACH POTENTIAL CUSTOMERS



- 47 percent of customers who visit the Washington, D.C. area kiosks planning to make a purchase report that they would not have made the purchase had the kiosk not existed
- This behavior suggests that a significant portion of existing customers like to see and touch the product before making a purchase

Note: Customers reached directly are those who purchased fewer than nine units (For Z55: one or two units); theoretical maximum number of collectors is the total number of units sold for a SKU less the excess units (greater than one) purchased by individuals

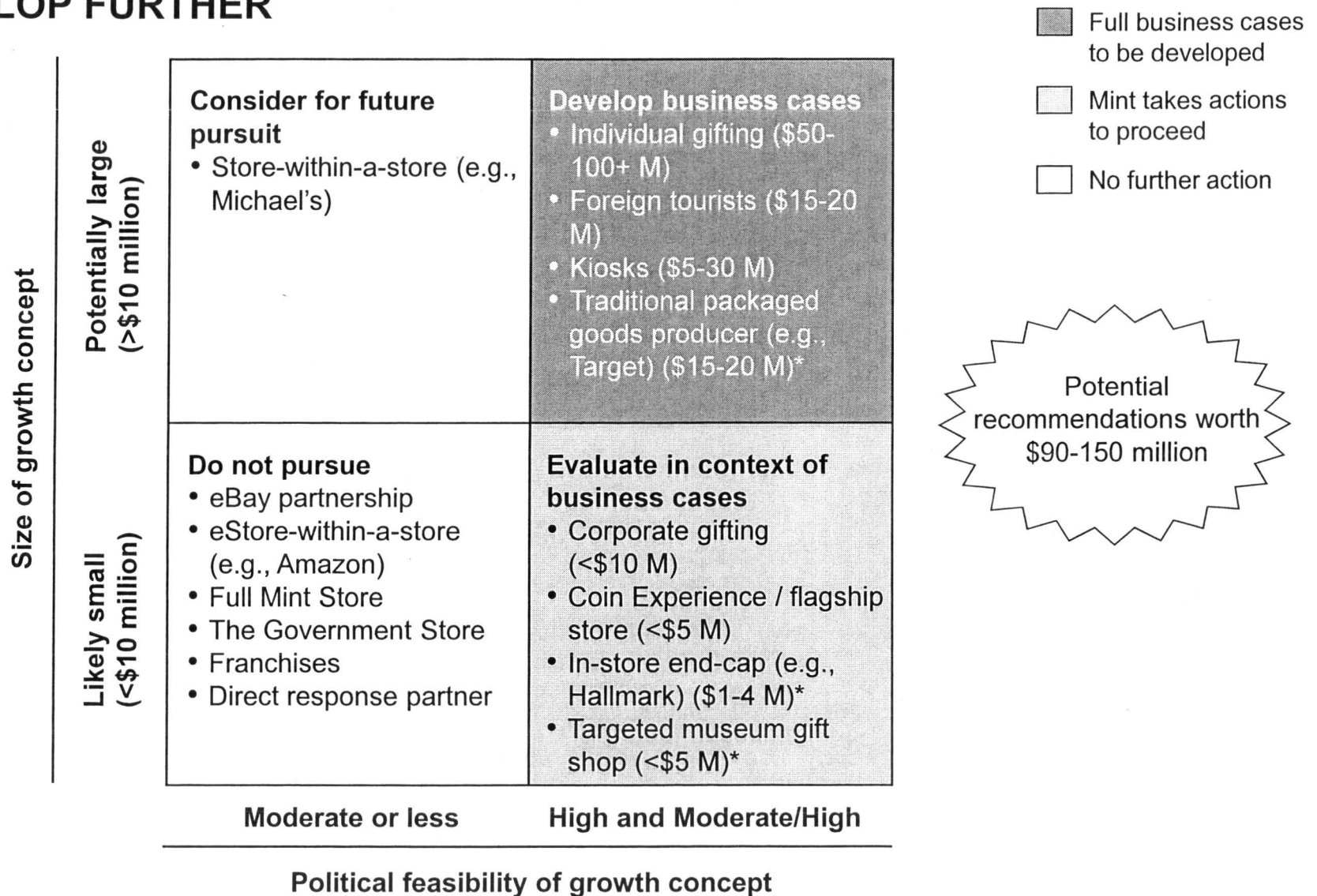
Source: U.S. Mint; SKU Database; kiosk customer purchase behavior survey; team analysis

IDENTIFYING KEY COMPONENTS OF EXPANDING TO NEW CUSTOMERS

	Concept	No potential legal issues?	Consistent with mission?	Not competing w/ private sector?
Special occasions	• Individual gifting	✓	✓	✓
	– Adjacent product categories	✓	✓	x
	• Foreign tourists	✓	✓	✓
	• Corporate gifting	✓	✓	✓
Mint through retail channel	• Kiosks	✓	✓	✓
	• eStore-within-a-store (Amazon) partnership	✓	✓	✓
	• eBay partnership	✓	✓	✓
	• Coin Experience	✓	✓	✓
	• Full Mint Store	✓	✓	✓
	• Government Store	✓	✓	✓
	• Franchise	✓	✓	✓
	• Las Vegas museum / store	✓	x	x
	• Outbound telesales	✓	x	✓
	• Promotional activity to stimulate demand	✓	x	✓
Mint through wholesale channel	• Auctions for scarce products	✓	x	x
	• Traditional packaged goods producer (Target)	✓	✓	✓
	• In-store end-cap (Hallmark)	✓	✓	✓
	• Store-within-a-store (Michael's)	✓	✓	✓
	• Museum gift shops	✓	✓	✓
	• Direct response	✓	✓	✓
	• Licensing	✓	✓	x
	• Domestic clearance mechanism for excess inventory	✓	x	x
	• Fundraisers for circulating savers	✓	x	✓

15 ideas that passed initial legal, mission and competition screen

TEAM RECOMMENDS FOUR HIGH POTENTIAL CONCEPTS TO DEVELOP FURTHER



* Concepts which would have significant pricing implications. If one of these concept were pursued, all would likely be pursued

Note: Estimated revenues can not be summed. Concepts recommended for pursuit include both occasions and the means to access them
 Source: Team analysis

STRATEGY: RATIONALE TO ENTER INTERNATIONAL MARKETS



- There is a significant market of coin collectors outside the U.S. who could be integrated into the Mint's core customer base
 - Four top international Mints (United Kingdom, Australia, Germany and Japan) have combined numismatic sales greater than \$120 million, with those Mints having a product portfolio similar to the U.S. Mint's
- As there will be competition in the foreign space from the Mint of the host country and potentially other foreign countries, there is an advantage to being the first mover and becoming established in the space
- These customers are not currently targeted through the Mint's marketing efforts or channels
- The Mint could enter these new markets with relatively low risk

STRATEGY: KEY COMPONENTS ENTER INTERNATIONAL MARKETS

The Mint should become more active in the international numismatic market in order to target numismatic collectors (and potentially investors). The approach to enter international markets through a measured low-risk approach is likely to include various concepts (below), the sequencing of which is under evaluation



Enter international markets

- Expand product offering
 - Develop new products which target international customers
 - Design program to dispose of excess inventory overseas
- Create Mint presence in retail channels
 - Build robust international dealer trade show program
 - Establish partnerships with foreign Mints to sell products through foreign Mints in exchange for selling their products at retail locations
- Expand Mint's wholesale channel
 - Establish third party master distributor agreements
 - Implement direct response supplier / partner model
 - Sign an international master licensee agreement

NEXT STEPS

BASED ON RECOMMENDATION

Refine overall strategy

- Move forward with all *Strengthening the Core* recommendations
- Explore in-depth the four recommended *Expand to New Customers* concepts
 - Individual gifting
 - Foreign tourists
 - Kiosks
 - Traditional packaged goods producer
- Evaluate in the context of the above business cases four smaller *Expand to New Customers* concepts
 - Corporate gifting
 - Coin Experience / Flagship store
 - In-store end-cap
 - Museum gift shop
- Complete evaluation for *Enter International Markets*
 - Determine the priority geographies to enter
 - Set order of entry
 - Assess how to enter the geographies (based on limited information on foreign regulations)
- Determine integration between components of the strategy
 - Sequencing of opportunities
 - Potential synergies

Create high-level implementation plan

- Assess existing capability fit
- Identify key capabilities to develop
- Build critical path to implementation along with estimated lead-times for activities
- Determine questions which need to be answered prior to a final go/no-go decision

CONFIDENTIAL

Emerging Numismatic Strategy



Interim Progress Review – Support Materials
August 21, 2006

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CONTENTS

- **Growth concepts by strategic area**

- Description of all growth concepts
- Details on concept sizing
- Profile of top growth concepts

THE MINT MUST ACT TO ENSURE THE PRESIDENTIAL \$1 COIN PROGRAM SUCCEEDS TO FILL THE PENDING SPECIAL PROGRAM GAP

Recommended actions

Offering

- Silver proof version*
- Multi-year sets requiring product set-asides
- Determine demand for a dollar-only proof set

Pricing

- Set price points for all sets (uncirculated and proof) based on the substantial increase in face value of the coins included in the set

Advertising/promotion

- Determine launch marketing approach; program's success will be set in the first year with several of the "big names" who will draw in circulating savers – there will be less demand for other presidents by themselves
- Develop pre-launch marketing plan to core
- Seek out features on TV (e.g., Oprah)
- Set strategy to increase awareness and desirability of the circulating coins to ensure activation of the circulating saver segment
- Invest in expanding educational materials tied to the presidents/first ladies that will be featured each year and have the materials and school system linkages established

Sales

- Enhance subscriptions program for the set to include value-added services

The Presidential \$1 Coin program will start in 2007 and it appears little has been done with the public to spur interest









- Findings from focus groups report general interest in the program, though less than the 50 State Quarters
- Customers, however, are disappointed about the collectibility of the coins in large part as a result of the coins being manganese brass

Done well, the program has the potential to be bigger than the Westward Journey nickel and approach the success of the 50 State Quarter program

* Requires Congressional approval

DETAILS ON BEST PRACTICE CONCEPTS – OFFERING

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Entry-level products	<ul style="list-style-type: none"> Create numismatic products that would appeal to individuals entering coin collecting and are appropriately priced <ul style="list-style-type: none"> Potential products include an uncirculated set of core coins (penny, nickel, dime, quarter) from only one of the Mints and single versions of proof coins 	  
Packaging formats	<ul style="list-style-type: none"> Create alternative versions of core products (e.g., proof set and silver proof set) which appeal to specific occasions <ul style="list-style-type: none"> Examples include a birth or graduation set which would have the product year prominently displayed as well as a place for a picture, with design and artwork appropriate for the milestone occasion 	  
Create quality line extensions	<ul style="list-style-type: none"> Mint creates quality differentiation within its core products (e.g., first 100 coins to be produced by a die) and offers those products for sale <ul style="list-style-type: none"> Premium price is charged for the product. The exact approach (e.g., auctions vs. fixed price) would need to be determined to ensure that it is consistent with the Mint's mission 	 

Levers/occasions legend

Collectors



Circulating
collectors



Hobbies/
Commemorating



Travelers/
Souvenirs



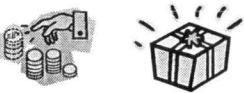

Individual
gifting



Corporate
gifting

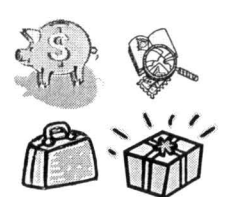


DETAILS ON BEST PRACTICE CONCEPTS – OFFERING (CONTINUED) PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Research new materials for coins	<ul style="list-style-type: none"> • Mint researches consumer interest in various precious metals (e.g., palladium, rhodium) with the goal of increasing the breadth of its price offerings while also ensuring that there are products available more consistently across price points • Mint would need to seek Congressional authorization to strike a new metal coin/series 	
Produce and market multi-year sets	<ul style="list-style-type: none"> • For special programs which span multiple years (Westward Journey Nickel series, Presidential \$1 Coin), the Mint sets aside products each year to be sold later as part of sets of all years of the product which have currently been produced <ul style="list-style-type: none"> – Mint would need to decide whether to only make the set available upon completion of the entire program or after each year (e.g., would one have to wait until ~2016 to purchase the Presidential \$1 Coin set or in 2010, could one buy 2007-2009?) • Mint would need to assess the feasibility of storing the products and also what price points would be appropriate 	

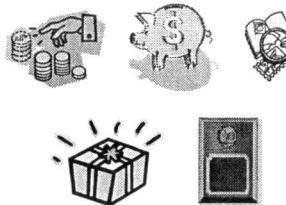
DETAILS ON BEST PRACTICE CONCEPTS – PRICING

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Consumer price points	<ul style="list-style-type: none">• As part of the next price change, which must occur with the start of the Presidential \$1 Coin program in 2007, shift the prices of all products to those that customers are used to paying for products (e.g., \$9.99, \$24.99)<ul style="list-style-type: none">– Though individual prices may increase or decrease, the overall margin pool from products would be kept constant– Price path can be established to suggest to customer a product migration path	

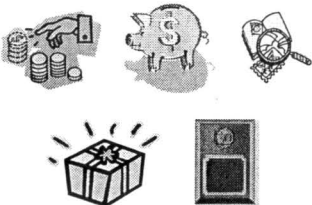

DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Direct marketing overhaul – website	<ul style="list-style-type: none"> • Redevelop website to more prominently feature e-commerce sub-site • Add occasion-based sections to the website so that a user is able to select “graduations” and is taken to a page which lists top graduation present products. A completely free-standing corporate gift section would also be appropriate <ul style="list-style-type: none"> – The product description copy needs to differ between the varying sections of the site to ensure that the product is described in a manner likely to appeal to each of the self-identified customer groups • Improve product pages <ul style="list-style-type: none"> – Add customer-developed content (product reviews) to product pages – Add sales data tracking capabilities to the website and provide select findings to consumers on the site (e.g., X% of visitors who looked at the product ended up purchasing it) • Improve customer loyalty by providing value-added services on the website so that over time customers self-select the web as their channel of choice (benefiting the Mint as it is the lowest cost channel) <ul style="list-style-type: none"> – Examples include purchase history and offering free shipping • Simplify registration process and require it to place an order • Develop a more robust customer information management system (e.g. improved address book with multiple ship to addresses, multiple credit cards stored in the system) • Add reminder system in which registered users enter birthdays, etc. and are automatically sent an e-mail when an event is approaching • Simplify process of adding a core product before completing an order • Simplify process of adding a gift box to an order • Improve search functionality on site allowing concept-based searches • Improve the online interface and the visual attractiveness of site 	

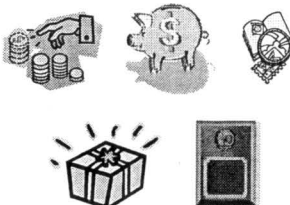

DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION (CONTINUED)

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Direct marketing overhaul – print catalog	<ul style="list-style-type: none"> • Develop a true product catalog as opposed to a comprehensive mailer <ul style="list-style-type: none"> – Romanticize the product through the copy used and pictures selected. In this catalog style, it is appropriate for key products to be given a full page spread • Facilitate cross-selling by including “Have you also considered...” sidebars which recommends complementary products that other customers have purchased along with the product being considered • Have sections of the print catalog dedicated to particular themes (e.g., gifts, commemorating life events, corporate gifts) which will include all appropriate products (as a result, products will be featured multiple times in the catalog) <ul style="list-style-type: none"> – The product description copy would need to differ between the varying sections of the catalog to ensure that the product is appealing for a self-identified customer group • Improve print catalog distribution to target more potential customers who will likely be drawn to the product by the rich presentation 	
Up-sell / cross sell / migrate	<ul style="list-style-type: none"> • Regardless of the channel by which a customer places an order, suggest at least one alternative product as an up-sell alternative and also a cross-sell product (possible lower value) • Provide customers incentives to purchase multiple products (e.g., free shipping if you also purchase an American Eagle silver coin) • Send targeted direct mail based on previous purchases to encourage customers to purchase a specific product (copy should be customized to refer to the previous purchase) • Data mine overall customer purchase data to determine popular product purchase profiles which will be used to encourage customers with similar, but incomplete, profiles to “complete the set” 	

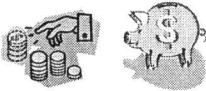
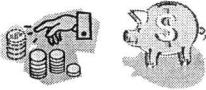
DETAILS ON BEST PRACTICE CONCEPTS – ADVERTISING / PROMOTION (CONTINUED)

PRELIMINARY

Area	Specific initiatives	Levers/ occasions
Online marketing	<ul style="list-style-type: none"> • Become active in paid search to ensure that the U.S. Mint is prominently suggested to any user of a search engine who is searching for a term which suggests an interest in the Mint's products (e.g., "the Mint", "coin proof set," and "presidential dollar") as well as individuals who may be interested in the Mint's offerings if they were aware of the product (e.g., gift givers) • Work with a search engine consultant to optimize the Mint's website to generate the strongest possible results on Google and other search engines and direct customers to the most appropriate section of the website • Take out banner advertisements on prominent numismatic educational sites (e.g., <i>coincollector.org</i>, <i>coinmag.com</i>) 	
Invest in expanding education program	<ul style="list-style-type: none"> • Expand focus on the education program beyond math to include history (states, the importance of the individuals, objects and symbols on coins) and science (metallurgy, how coins are made and what steps are taken to make sure the coins last) • Develop a narrow grade/age bracket to target with the materials, that would be the focus of the education program (including all subjects), while also ensuring that there is content for older students to ensure that they kept an active interest in and involvement with coins • Develop an inexpensive educational set of numismatic products that could be sold to school districts and then given out to the grade which is the target of educational program 	

DETAILS ON BEST PRACTICE CONCEPTS – SALES

PRELIMINARY

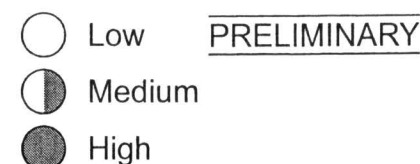
Area	Specific initiatives	Levers/ occasions
Production	<ul style="list-style-type: none"> • Switch to a production model which allows production to demand along with in-and-out production in order to ensure there are no stock-outs on core products <ul style="list-style-type: none"> – Bulk of a production run could be completed early on in the year (maintenance of status quo) though there would need to be the ability to engage in in-and-out short production runs based on customer demand 	
Subscription program	<ul style="list-style-type: none"> • Expand subscription program to be “value added” <ul style="list-style-type: none"> – Discount associated with the subscription – Include complimentary cases and other accessories – New subscription program for other numismatic programs (e.g., commemoratives) – Subscription program only available as a pre-order (with discount) – Add to all product pages on the website a link to easily change the order to a subscription for the product 	

SPECIAL OCCASION CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS

○ Low PRELIMINARY
 ◐ Medium
 ● High

Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Individual gifting	• Place products in locations where consumers currently go to look for gifts (e.g., Red Envelope catalog, Hallmark stores)	• \$50-100+ M	●	●	◐	●
• Foreign tourists	• Sell products in airports (through duty-free shops) to target outbound foreign tourists who would be interested in souvenirs	• \$10-15 M	●	●	○	●
• Corporate gifting	• Current product assortment is marketed in corporate gift catalogs and a corporate gift section of website. Product, packaging and marketing changes likely required	• <\$10 M	◐	●	◐	◐

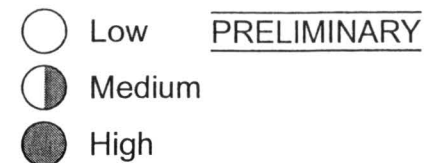
MINT THROUGH RETAIL CHANNEL CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS



Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Kiosks	• Mint opens (either directly or with a partner) a network of kiosks in malls and high traffic areas to attract new customer groups	• \$5-30 M	●	●	●	●
• Coin Experience store	• Large store which in addition to products would have information on coin production, exhibits, displays of rare coins and interactive exhibits (press your own coin)	• <\$5 M	◐	◐	◐	◐
• eStore-within-a-Store	• Targeted selling via e-commerce which provides the Mint access to a website's broad customer base	• <\$5 M	◐	◐	◐	○
• eBay partnership	• Sell standard product assortment under a "Buy It Now" fixed-price arrangement	• <\$5 M	◐	◐	●	○
• Full Mint Store	• Mint opens a series of full specialty stores that sell the full line of Mint products as well as licensed products and other general numismatic products	• <\$5 M	◐	◐	●	○
• The Government Store	• Mint leads an inter-agency effort to have a store in Washington that features products from all government agencies	• <\$5 M	◐	●	◐	○
• Franchises	• Mint develops a set concept for a store and licenses out the right to run a Mint store. Owner may be able to flex format	• <\$5 M	○	◐	●	○

Source: Team analysis

MINT THROUGH WHOLESALE CHANNEL CONCEPTS TO CONSIDER FOR FURTHER ANALYSIS



Concept	Description	Size	Political feasibility	Target customers		Overall assessment
				New	Current	
• Traditional packaged goods producer	• Mint sells products to existing retailers who sell the product in their stores. Availability likely limited to holiday season	• \$15-20 M	●	●	◐	●
• Museum gift shops	• Expand existing gift shop contract to include distribution of Mint products at other sites the operator manages	• <\$5 M	●	◐	◐	◐
• In-store end-cap (e.g., Hallmark)	• Small section/end-cap of a specialty retailer is rented by the Mint which manages the section and ensures that employee knowledge is sufficient to effectively assist customers	• \$1-4 M	●	●	◐	◐
• Store within-a-store (e.g., Michael's)	• Section of a large retailer is rented by the Mint (or a third party with whom the Mint has contracted) which sets up and runs the store operations (with logistic support from host)	• \$3-6 M	◐	●	◐	○
• Direct response supplier / partner	• Partner with QVC / HSN / ShopNBC to supply them with products directly and possibly support the creative content (e.g., have Mint officials on shows)	• \$3-7 M	◐	●	○	○

SEVEN CONCEPTS COULD BE USED TO TARGET INTERNATIONAL CORE COIN COLLECTORS

		Ideas that we are exploring	Description
Target international core collectors	Product offering	• Develop new products which target international customers	• Mint creates new products which primarily target international customers (while being available domestically) with themes that appeal to target audience (e.g., Seven Wonders of the World, America as a symbol of freedom)
		• Design program to dispose of excess inventory overseas	• Stay consistent with Mint's practice of having dated products available for sale in domestic markets for only one year but lessen melt-down by selling previous years' Mint products using an assortment of distribution strategies
	Mint through retail channel	• Build robust international dealer trade show program	• Mint expands presence at targeted international dealer shows with a table and full product line on display with goal of both selling products at the show and taking dealer orders to be fulfilled throughout the year
		• Establish partnerships with foreign mints to sell products	• Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in the Mint's retail locations and potentially the website
	Mint through wholesale channel	• Establish third party master distributor agreements	• Mint contracts with an international partner to promote, distribute, and sell Mint products in locations worldwide. Third party can further contract with retailers
		• Implement direct response supplier / partner model	• Mint partners with direct response channels (e.g., HSN or QVC) to sell products on their international television channels
		• Sign an international master licensee agreement	• Mint partners with a third party to run all international activity. Includes distribution and product development (limited to reformatting/packaging existing products)

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CONCEPT DESCRIPTIONS – OPTIMIZING EXISTING PORTFOLIO

Growth concept	Description
<ul style="list-style-type: none"> • Leverage traditional consumer price points 	<ul style="list-style-type: none"> • Adjust current price points to more traditional price points (\$19.99), potentially at higher prices than currently offered
<ul style="list-style-type: none"> • Proactive up-sell/cross-sell/migration 	<ul style="list-style-type: none"> • Create and implement incentives to actively promote currently available add-ons and upgrades to customers
<ul style="list-style-type: none"> • Enhance subscriptions program 	<ul style="list-style-type: none"> • Provide incentives to customers to encourage them to join the Mint subscription program operating today (e.g., unit discounts for subscriptions, bonus gifts)
<ul style="list-style-type: none"> • Develop entry/starter kit products 	<ul style="list-style-type: none"> • Create low-end products designed to attract new collectors to numismatics (e.g., Uncirculated coin set from only one mint at \$4.95)
<ul style="list-style-type: none"> • Overhaul product presentation in direct channels – website 	<ul style="list-style-type: none"> • Utilize private sector best practices to update how Mint products are displayed on the website and other components of the website (e.g., concept-based sections)
<ul style="list-style-type: none"> • Overhaul product presentation in direct channels – print catalog 	<ul style="list-style-type: none"> • Utilize private sector best practices to update how Mint products are displayed in direct mail and other components of the catalog (e.g., complementary products)
<ul style="list-style-type: none"> • Produce to actual demand 	<ul style="list-style-type: none"> • Use improved order and information management, including pre-sales, to better predict demand and deliver based on smoother production runs
<ul style="list-style-type: none"> • Improve online marketing 	<ul style="list-style-type: none"> • Create an orchestrated marketing campaign for the US Mint on the internet, including banner ads on numismatic websites, targeted Google search term ads
<ul style="list-style-type: none"> • Invest in expanding educational program 	<ul style="list-style-type: none"> • Develop targeted program for youth and potential collectors to promote numismatics and inform them of inauthentic products
<ul style="list-style-type: none"> • Quality line extension (with product auctioned) 	<ul style="list-style-type: none"> • Set aside product that is notably distinctive (e.g., first strike coins) and offer it to the public through special auctions

CONCEPT DESCRIPTIONS – OPTIMIZING EXISTING PORTFOLIO (CONTINUED)

Growth concept	Description
• Multi-year sets	• Make available in the middle or end of theme-based special program (50 State Quarters, Presidential dollars) all years of the product that have been made
• New materials for coins	• Expand assortment of precious metals used in American Eagle program and commemoratives (e.g., palladium, rhodium) and bi-metal products
• Existing products in new formats	• Make current products only available in certain sets available in new combinations (e.g., individual proofs of the Presidential dollar coins)
• Services	• Mint offers services for a fee to customers. Potential services include grading/authenticating (either limited to new Mint products or more broadly), colorization/metal plating of coins, and detailed production run status information
• Excess inventory disposition	• Products outside or right at the end of their life-cycle are sold to a third party at a significant discount off list price. The third party then resells the product through the secondary market, potentially at below the original list price
• Value based pricing	• Product prices are changed (likely increased) to better reflect customers' willingness to pay
• Prepare for success with upcoming special programs	• Engage in promotional activities and tweaks to the product to ensure a successful launch to the Presidential \$1 Coin, which will be required for program to fill the revenue gap that will appear when the 50 State Quarter Program expires in 2008
• Expand and improve capabilities of product development group	• Expand role of group to include greenfield program idea generation (based on customer input), developing specific products based on new/existing legislation and identify unmet needs for packaging formats of existing product. Likely staff profile changes to best perform the expanded responsibilities

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS

Growth concept	Description
<ul style="list-style-type: none"> • Build network of kiosks 	<ul style="list-style-type: none"> • Mint sells products to a third party which then runs kiosks that feature Mint products (potentially along with other numismatic products). Kiosks are located in high traffic locations that attract new customer groups.
<ul style="list-style-type: none"> • Target individual gifting occasions (annual/milestones) 	<ul style="list-style-type: none"> • Place products in locations where consumers go to look for gifts (e.g., Red Envelope catalog, Hallmark store). Advertising/packaging support may be required
<ul style="list-style-type: none"> • Sell in airport kiosk/duty free shops 	<ul style="list-style-type: none"> • Sell products in airports to target outbound foreign tourists who would be interested in souvenirs
<ul style="list-style-type: none"> • Direct response supplier/ partner model 	<ul style="list-style-type: none"> • Partner with QVC / HSN / ShopNBC to supply them with products directly and possibly support the creative content (e.g., have Mint officials on the show)
<ul style="list-style-type: none"> • eStore-within-a-store (e.g., Amazon) 	<ul style="list-style-type: none"> • Targeted selling via e-commerce which provides the Mint access to a website's broad customer base
<ul style="list-style-type: none"> • eBay store/auctions 	<ul style="list-style-type: none"> • Special (e.g., first strike) Mint products auctioned off. Could also sell standard product assortment under a "buy it now" fixed-price arrangement
<ul style="list-style-type: none"> • Mint end-cap at specialty retailers 	<ul style="list-style-type: none"> • End-cap of a specialty retailer is rented by the Mint which manages the section and ensures that employee knowledge is sufficient to effectively assist customers
<ul style="list-style-type: none"> • Open stores-within-a-store (e.g., retail banks, telecom model) 	<ul style="list-style-type: none"> • Section of a large retailer (e.g., Wal-Mart) is rented by the Mint (or a third party with whom the Mint has contracted) which sets up and runs the store operations (with logistic support from the retailer)
<ul style="list-style-type: none"> • Become a packaged goods supplier (e.g., seasonal in-and-out at Target) 	<ul style="list-style-type: none"> • Mint sells products to existing retailers who sell the product in their stores

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> Expand existing relation with operator of gift shops 	<ul style="list-style-type: none"> Allow operator of the gift shops to sell products in their other retail outlets (which for Delaware North includes national parks, airports and sports arenas/stadiums)
<ul style="list-style-type: none"> Target corporate gifting occasions 	<ul style="list-style-type: none"> Current product assortment is marketed in corporate gift catalogs. Additional products along with changes in packaging/marketing may be required
<ul style="list-style-type: none"> D.C. Coin Experience store 	<ul style="list-style-type: none"> Large store which would include information on coin production, exhibits, displays of rare coins and interactive exhibits (press your own coin)
<ul style="list-style-type: none"> Franchises 	<ul style="list-style-type: none"> Mint develops a set concept for a store and then licenses out the right to run a Mint Store. Level of conformity with the concept is flexible (e.g., stores could be allowed to also sell non-current numismatic products)
<ul style="list-style-type: none"> Full Mint Store 	<ul style="list-style-type: none"> Mint opens a series of full specialty stores that sell the full line of Mint products as well as licensed products and other general numismatic products
<ul style="list-style-type: none"> Fundraisers 	<ul style="list-style-type: none"> Mint develops special products (based on existing coins) or new package formats which promote a non-profit's interest (e.g., cancer awareness). Product has a surcharge which benefits the non-profit; Mint gets access to new customer groups
<ul style="list-style-type: none"> Las Vegas Museum/store 	<ul style="list-style-type: none"> Mint partners with a casino proprietor to open and operate a coin museum that would feature new and historical products. Museum's gift shop would include Mint products (similar to Philadelphia and Denver Mints)
<ul style="list-style-type: none"> Outbound telesales 	<ul style="list-style-type: none"> Call center would be expanded to support an outbound capability, whereby inactive customers (and potentially non-customers) would be called and offered the opportunity to purchase Mint products

CONCEPT DESCRIPTIONS – ACQUIRE NEW CUSTOMERS; NEW MODELS (CONTINUED)

Growth concept	Description
<ul style="list-style-type: none"> • Auction on scarce products 	<ul style="list-style-type: none"> • For products which are expected to be in short supply and sell-out rapidly (e.g., commemoratives, anniversary sets), auction off the right to purchase the product (at the list value). Auction approach could be a Dutch auction, where individuals submit advanced bids and the minimum “accepted” price (the price which clears all inventory) is the price all bidders pay
<ul style="list-style-type: none"> • New product categories 	<ul style="list-style-type: none"> • Mint develops (or licenses to develop) products in adjacent spaces and then sells the products through official Mint channels. Examples include display cases, jewelry and colorized coins)
<ul style="list-style-type: none"> • Licensing 	<ul style="list-style-type: none"> • Mint licenses out rights to develop certain types of products. Could be core numismatic products that are packaged differently (e.g., rolls of proof coins) or products in adjacent spaces
<ul style="list-style-type: none"> • Traditional demand stimulation promotions 	<ul style="list-style-type: none"> • Mint conducts promotions (e.g., free shipping, uncirculated set for \$4.99 with a \$200 purchase) or straight discounts on products (Silver Proof Set for \$29.99). Promotions done to drive traffic during down times or clear inventory of products nearing the end of their life-cycle
<ul style="list-style-type: none"> • The Government store/The Money store 	<ul style="list-style-type: none"> • Mint leads an inter-agency effort to open up a store in Washington that features products from multiple government agencies. The Government Store would feature products from all agencies that were interested in being involved, while The Money Store would be a smaller effort between the Mint, Bureau of Engraving and Printing and the Federal Reserve

CONCEPT DESCRIPTIONS – EVALUATE INTERNATIONAL OPPORTUNITIES

Growth concept	Description
<ul style="list-style-type: none"> Partnership with foreign mints 	<ul style="list-style-type: none"> Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in their retail locations
<ul style="list-style-type: none"> Third party master distributor agreement 	<ul style="list-style-type: none"> Mint contracts with an international partner to promote, distribute, and sell Mint products in locations worldwide. Third party can further contract with retailers
<ul style="list-style-type: none"> International excess inventory disposition model 	<ul style="list-style-type: none"> Leverage international exclusion from statutory restriction prohibiting sales of previous year's Mint products using an assortment of distribution strategies
<ul style="list-style-type: none"> Direct response supplier / partner model 	<ul style="list-style-type: none"> Mint partners with direct response channels (e.g. HSN or QVC) to sell products on their international television channels
<ul style="list-style-type: none"> International dealer trade show model 	<ul style="list-style-type: none"> Mint expands presence at targeted international dealer shows with a kiosk and full product line with goal of both selling products at the show and taking dealer orders to be fulfilled throughout the year
<ul style="list-style-type: none"> Develop new products which target international customers 	<ul style="list-style-type: none"> Mint creates new products which primarily target international customers (while being available domestically) with themes that appeal to target audience (e.g., seven wonders of the world, America as a symbol of freedom)
<ul style="list-style-type: none"> International master license agreement 	<ul style="list-style-type: none"> Mint partners with a third party to run all international activity. Includes distribution and product development (limited to reformatting/packaging existing products). Products would be a licensed product, which could be imported back to the U.S.

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SIZING “EXPAND TO NEW CUSTOMERS” GROWTH CONCEPTS

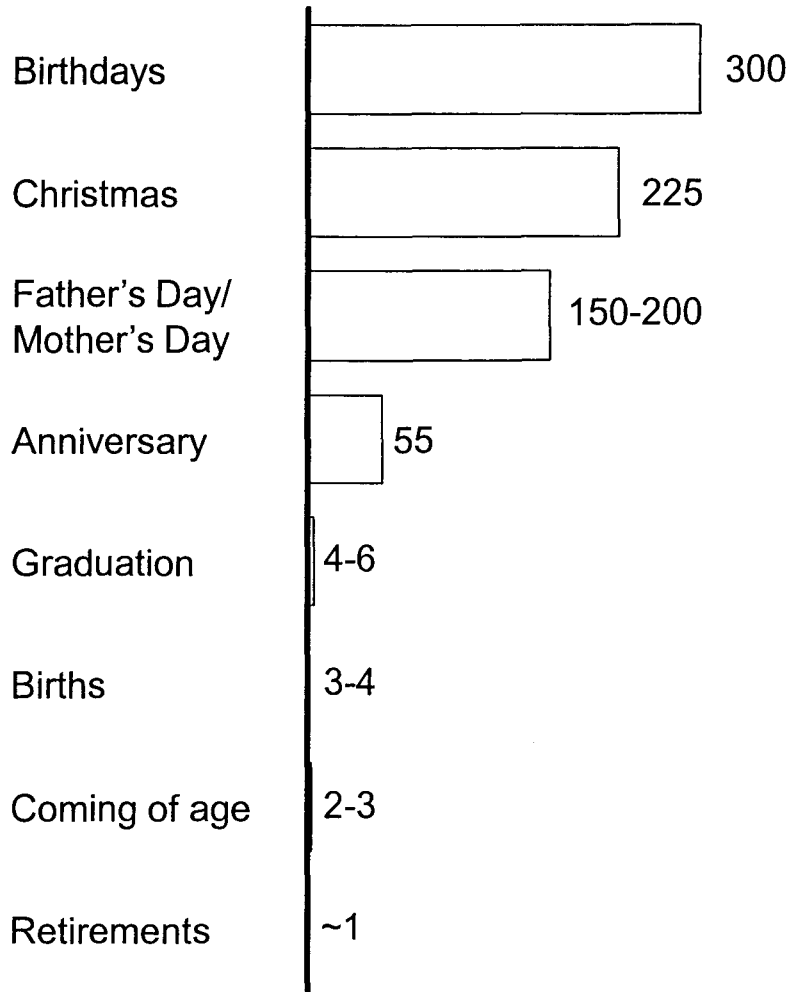
PRELIMINARY

	Concept	Size	Key assumptions
Special occasions	• Individual gifting	• \$50-100+ M	<ul style="list-style-type: none"> • Gifting is an \$80 billion market and with 700 million trigger events for gifts where numismatics would be suitable, 1% share would bring in \$210 million • The Mint likely already captures a portion of that 1%
	• Foreign tourists	• \$15-20 M	<ul style="list-style-type: none"> • Benchmark against duty free experience of other similar consumer packaged goods companies • Analysis of foreign tourists to the U.S. and likely penetration by region origin suggests a 600,000 person market
	• Corporate gifting	• < \$10 M	<ul style="list-style-type: none"> • Benchmark on revenue of largest consumer packaged goods player in corporate gifting space • Analysis of the share of the \$1.2-1.8 billion space Mint could likely capture
Mint through retail channel	• Kiosks	• \$5-30 M	<ul style="list-style-type: none"> • Nationwide network of ~50 kiosks possible • Sales at average kiosk likely to be around half of Union Station's, with a similar (75%) amount of incremental purchases
	• eStore-within-a-Store	• <\$5 M	<ul style="list-style-type: none"> • Impulse purchases would be rare on eStores such as Amazon given that audience is typically not looking for products in the space
	• eBay partnership	• <\$5 M	<ul style="list-style-type: none"> • Little incremental revenue as product currently available through secondary market • Gain comes from additional future purchases of Mint products based on direct marketing
	• Coin Experience	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (beyond one) limits upside • Benchmark against typical retail sales for similar store formats
	• Full Mint Store	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (5?) limits upside • Benchmark against typical retail sales for similar store formats • Significant operating/outsourcing costs
	• The Government Store	• <\$5 M	<ul style="list-style-type: none"> • Lack of scalability (beyond one) limits upside • Benchmark against typical retail sales for similar store formats
	• Franchises	• <\$5 M	<ul style="list-style-type: none"> • Revenue is channel shift from current market • Increased credibility gains from the Mint's involvement is the only source of new revenue
Mint through wholesale channel	• Traditional packaged goods producer	• \$10-15 M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Target • Validation through bottoms-up analysis of kiosk product sales for those product that would be sold in Target
	• In-store end-cap (e.g., Hallmark)	• \$1-4 M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Hallmark
	• Store within a store (Michael's)	• \$3-6+ M	<ul style="list-style-type: none"> • Likely sales per store and stores available at based on distribution through Michael's • Validation through sales of moderate assortment of non-gold products at kiosks
	• Museum gift shops	• <\$5 M	<ul style="list-style-type: none"> • Identification of likely distribution sites • Estimated sales per site based on performance at current sites
	• Direct response supplier / partner	• \$3-7 M	<ul style="list-style-type: none"> • Face value of new coin sales on the networks is estimated at \$17-35 million • Mint profits from partnership by charging a service fee where the Mint helps the network with content and by increasing sales based on the Mint's involvement increasing credibility

Source: Team analysis

SIZING GROWTH CONCEPTS – INDIVIDUAL GIFTING (\$50-100 MILLION+)

Underlying unique purchase triggers



Rationale/source

- U.S. population
- 75% Christian
- 55 married households
- 45 single/other
- 55 million married households
- High school/post secondary
- Census cohorts
- Census cohorts
- Estimate

- 1% of estimated 700 million trigger events at \$30/average purchase = \$210 million
- Conservatively, assuming Mint already captures half of the Mint's potential demand for gifts, could be \$100 million incremental
- Mint would be a boutique player in the context of an \$80 billion overall market

SIZING GROWTH CONCEPTS – FOREIGN TOURISTS (THROUGH DUTY-FREE) (\$10-15 MILLION)

PRELIMINARY

Region of origin	Number of visitors to the U.S. (2005)	Estimated share of visitors who will buy a numismatic product	Potential market size
• Asia	• 6,198,087	• 4%	• 248,000
• Western Europe	• 9,879,934	• 2%	• 198,000
• Canada and Mexico	• 19,470,009	• 0.5%	• 97,000
• South America	• 1,820,315	• 1%	• 18,000
• Caribbean	• 1,134,886	• 1%	• 11,000
• Middle East	• 527,361	• 2%	• 11,000
• Oceania	• 736,840	• 1%	• 7,000
• Eastern Europe	• 432,702	• 1%	• 4,000
• Central America	• 696,207	• 0.5%	• 3,000
• Africa	• 252,196	• 0.5%	• 1,000
Total	41,148,537		598,000

- Assuming each individual purchasers bought a proof set, based on the current price (price customer paid would be higher) about \$14 million in annual incremental revenue would be generated
- The Mint could gain a presence in the majority of major U.S. airports by partnering with just one or two duty-free retailers (DFS, Alpha)

SIZING GROWTH CONCEPTS – CORPORATE GIFTING (\$3-9 MILLION)

Top-down

- The corporate gifts space (excluding production/ giveaways) is \$1.8 billion annually
- There are 3 areas of companies to corporate gifts – recruiting, employees and clients. We assume the 3 areas are equally sized
- The only area which the Mint could be competitive in is employees, thus a \$600 million space
- Mint products are well situated for this space; the target price point is \$35-100
- All things considered, including the high fragmentation of the market, the Mint could capture between 0.5% and 1.5%
- This market share is worth \$3-9 million in annual revenue

Bottom up

- The major corporate gifting occasion that the Mint's products would be compelling for is retirement of employees
- It is estimated that 1 million individuals retire each year
- The Mint, it is assumed, could capture 5% of these individuals, or 50,000 customers
- At \$100 per product, this is worth \$5 million

Check – Existing player

- Tiffany's is one of the major players in the corporate gift space
- Tiffany's reported in their annual report that 2 percent of revenue came from business-to-business, sales which is entirely corporate gifting
- In 2005, Tiffany's reported \$2.4 billion in revenue, meaning \$48 million in corporate gifts
- This is consistent with a Mint estimate of \$3-9 million

SIZING GROWTH CONCEPTS – KIOSKS (\$5-30 MILLION)

Methodology

Low range

Revenue of average Mint-based kiosk **X** % of incremental sales **X** # of locations

High range

Revenue of average kiosk **X** % of incremental sales, **X** # of locations **X** expected penetration rates

Key assumptions

- Based on Union Station kiosk, revenue performance could be \$1 million annually. Assumed that Mint city kiosks will match this at \$1 M, while other kiosks will match half, at \$500 K annually
- Based on Union Station survey, approximately 75% of sales revenue is incremental (team estimate)
- There are 5 more Mint city locations that could house a kiosk focused on education and Mint awareness
- There are 1,100 indoor malls and 1,460 museums in the U.S.
- Successful penetration rates range from 3-5% for malls plus 5-10 museum locations

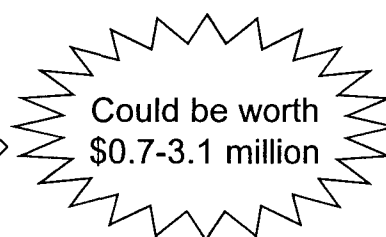
Types of locations	Expected penetration rate	Implied locations	Revenues \$ Millions
Mint city kiosks	n/a	5	4
Indoor shopping malls	3-5%	30-50	12-20
Museums	<1%	5-10	2-4

Range is based on implementing the most conservative, mission-based kiosk concept (Mint city locations) ranging to the full variety of kiosk types

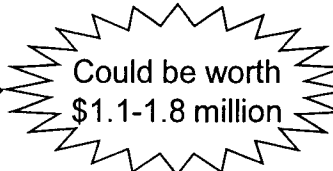
Total
\$5 MM-
\$28 MM

- Mint could run kiosks on own
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

SIZING GROWTH CONCEPTS – eSTORE-WITHIN-A-STORE (<\$5 MILLION)

Rationale/estimating components	Methodology	Implied size \$ Millions	
Impulse self	(Number of U.S. coin collectors/total U.S. population) \otimes number of Amazon customers \otimes estimate of Mint sitelet traffic \otimes purchasers' yield size of average order	0.1-0.6	 Could be worth \$0.7-3.1 million
\oplus	\oplus		
Impulse gift	(Number of U.S. non-coin collectors/total U.S. population) \otimes number of Amazon customers \otimes conversion rate \otimes size of initial order	0.6-2.5	
\oplus	\oplus		This would likely not be enough from Amazon's perspective <ul style="list-style-type: none">• Amazon probably requires at least \$10-15 million in top-line revenue• Amazon takes 15% return from top-line revenue
Other (e.g., customer acquisition)	Unknown		
Key assumptions/data <ul style="list-style-type: none">• Total U.S. population is 300 million• Average online Mint order size is approximately \$50• Number of U.S. coin collectors is 3 million (team estimate)• Mint sitelet traffic would be 10-20% (team estimate)• Purchaser yield would be 10-20% (team estimate)• Non-collector conversion rate would be 0.01-0.03% (team estimate), due to Amazon status as book and music dealer (70% of sales) and destination website• Average non-collector order size would be \$20-30			

SIZING GROWTH CONCEPTS – EBAY PARTNERSHIP (<\$5 MILLION)

Rationale/estimating components	Methodology	Implied size \$ Millions	
Mint endorsement	Current new issue U.S. coin market on eBay (X) increase in sales stemming from Mint endorsement (X) eBay commission (X) share paid to Mint	0.1-0.2	
Acquisition of new customers	(Number of new issue U.S. coin items sold on eBay/number of items per customer)(X) Mint marketing response rate (X) size of average online Mint order	1-1.6	
Share of existing sales	Current new issue U.S. coin market on eBay (X) percent of sales from traditional Mint products (X) percent of sales captured by eBay-Mint store front	6.3-13.4	<ul style="list-style-type: none"> • Solely a one time jump from stealing eBay dealer market share • Not sustainable beyond first year
Key assumptions/data <ul style="list-style-type: none"> • Total new issue coin market on eBay is \$51 million (including bullion) • Total new issue U.S. coin market on eBay is \$21 million (excluding bullion) • New issue U.S. coin items sell approximately 300,000 items annually • The U.S. Mint response rate to marketing is 20% • The size of the average U.S. Mint online order is \$50 • eBay sales of products offered by the U.S. Mint is 60-80% of total coin sales (team estimate) • Sales that captured by a U.S. Mint store front would be 50-80% (team estimate) • Sales would increase by 50-100% of current due to Mint endorsement on eBay (team estimate) • eBay would require 2.5% payment on all transactions (team estimate) • Of this, the Mint could claim 50% as revenue, in return for driving traffic and lending credibility 			

SIZING GROWTH CONCEPTS – COIN EXPERIENCE, FULL MINT STORE, THE GOVERNMENT STORE (<\$5 MILLION)

Coin experience

- Based on other similar concepts, there would be about 500 visitors per day to the store
- Assuming a 50% conversion-to-purchase rate (as individuals may choose to simply view the exhibits, etc.) this would yield 250 purchases per day
- At \$50 per purchase, this is \$12,500 in daily revenue
- 300 operational days (closed one day a week)

- Estimate annual revenue generated:
~\$4 million

Government Store

- Based on the performance of other similar retail concepts, there would be about 3,000 visitors per day to the store (significant variation possible depending on store location, etc)
- Assuming a standard 50% conversion rate (for any product), there would be 1,500 purchasers per day, and estimate that the Mint would capture 10% of those or 150 purchases per day
- At \$30 per purchase (lower given the collection of products available), this is \$4,500 in daily revenue
- 300 operational days (closed one day a week)

- Estimate annual revenue generated:
~\$1.5 million

Full Mint Store

- Based on sales at the Union Station kiosk, estimate each store would sell between \$1 and \$2 million in products annually
 - Figures align with typical revenue from specialty retail stores
- Union Station data suggest about half of all sales would be incremental, meaning an incremental revenue of \$500,000 to \$1 million per store
- Concept would be expensive to operate and require a large population to support; as such concept is limited to at most 5 sites

- Estimate annual revenue generated:
~\$2.5-5 million

SIZING GROWTH CONCEPTS – FRANCHISES (<\$5 MILLION)

Size of space

- The Mint currently does not have a compelling retail format to offer to individuals interested in franchising the Mint's concept. As such, it is likely that the only parties interested in franchising would be existing dealers
- Analysis of the Mint's sales data through its direct channels indicates that dealers purchase between \$75 million and \$225 million of Mint product
- Based on other retailer's experience, it is anticipated that approximately one-third of all dealers would opt for the franchise concept, leading to \$25-75 million in revenue through the franchises



Ways Mint could profit from partnership

- ① Mint would capture standard franchisee fees as a result of the relationship
 - Initial fee of ~\$25,000. This level is not included in the revenue generated by the concept given its one-time nature
 - 4% royalties. Based on the estimate of \$25-75 million in revenue by the franchisees, this yields about **\$1-3 million in incremental revenue**
- ② Based on the enhanced credibility of the channels (as a result of the Mint's involvement), there is the potential for incremental sales. However, given the lack of a compelling format, it is likely that any incremental revenue an individual franchise receives (as compared to its pre-franchise state) would be channel shift from other dealers. As such, no true incremental revenue is anticipated

Total value: \$1-3 million

SIZING GROWTH CONCEPTS – SEASONAL IN-AND-OUT AS A TRADITIONAL PACKAGED GOODS MANUFACTURER (\$15-20 MILLION+)

Top-down

- Target has ~1,500 stores in the U.S.
- With annual revenue of about \$50 billion, this works out to \$38 million per store
- In the 3 months the product would be in-stores (October-December), Target does \$12 million in sales (higher than average due to holidays)
- With an average basket of \$40, there are 300,000 customers to each Target during the 3 month window
- Customers average ~1 visit per week, leading to 30,000 unique customers
 - Check on 30,000 customers: In the U.S., Target has 30-60 million unique customers. On a per store basis, this works out to 20,000-40,000
- Assuming a 2% penetration of customers, there will be 600 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), measuring \$18,000 per store
- Target will not put the product in all stores; assuming 1,000 stores, this yields a growth opportunity of \$18 million

Bottom-up

- Assume Target would only carry 3 products – uncirculated set, clad set and American Eagle Silver
- For the 3 months in-stores each store would sell at the same rate as the headquarters kiosk yielding \$19,500 in sales per store (\$2,000 in uncirculated sets; \$7,000 in clad sets; \$10,000 in American Eagle Silver)
- With 1000 stores, total sales would be \$19.5 million at current Mint prices, potentially lower due to discounted wholesale price to target

Opportunity could be significantly bigger if the product were in more stores and stocked year-round

SIZING GROWTH CONCEPTS – HALLMARK END-CAPS (\$1-4 MILLION)

Top-down

- Hallmark has ~3,000 stores in the U.S.
- Card/gift stores average \$300,000 - \$1 million revenues per store
- Assuming an average basket of \$30, there are 10,000-30,000 annual visits to each Hallmark
- If customers average 5-10 visits per year, we can assume 1,000-7,000 unique customers
- Assuming a 2% penetration of customers, there will be 20-130 purchasers per store
- The Mint would receive ~\$30 per purchaser (wholesale price; product would be priced higher), yielding \$600-\$4,000 per store
- Since Hallmark is franchised, participation of all stores is not guaranteed. Assuming 1,000 stores, this yields a growth opportunity of \$1-4 million

Opportunity could be significantly larger if the product were in more stores (e.g., other retailers)

SIZING GROWTH CONCEPTS – STORE-WITHIN-A-STORE THROUGH MICHAEL’S (\$3-6 MILLION)

Top-down

- There are ~900 Michael’s locations across the United States
- Stores average \$4 million in revenues per store
- For specialty retailers such as Michael’s, an average basket size of \$60 per visit is typical, meaning there are 67,000 purchases per day
- With a customer averaging a trip once every six weeks, this means there are approximately 8,000 unique customers per year at each Michael’s
- Given the customer base at Michael’s along with the prominence of the store-within-a-store, it is anticipated that the Mint’s penetration would be higher than through other retail channels and is estimated at 2-3%, and for each of these customers, 2 purchases per year is assumed
 - Result would be between 330 and 500 purchases made per year
- With a full product range excluding American Eagle Gold and Platinum, the average ticket would be lower than what is observed through the existing retail channels, and is estimated to be ~\$40
 - This would result in \$13,000-\$20,000 per store revenue
- Given the geographic overlap of the stores, it is anticipated that the Mint would choose to put a store-within-a-store in no more than 300 locations
 - This would result in \$4-6 million in revenue

Bottom-up

- Store-within-a-store would likely carry virtually the entire product line except for AE Gold and Platinum, and potentially the commemorative coins (due to logistics/fairness concerns)
- Assume that the share of purchases that are incremental is consistent with Union Station and Headquarters, meaning one-quarter of all purchases were true incremental purchases*
- Given that Michael’s is not a destination for coins, it is estimated that between one-quarter and one-half of the sales revenue of the headquarters kiosk would be done by each store
 - This results in between \$10,000 and \$20,000 per store-within-a-store in annual revenue
- Based on 300 locations, this would yield \$3-6 million in incremental revenue

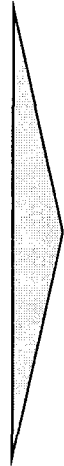
Opportunity could be significantly larger if the product were in more stores (e.g., other retailers)

* Customers who reported that they would not have gone elsewhere and that it was an impulse purchase

SIZING GROWTH CONCEPTS – MUSEUM/PARK GIFT SHOPS (<\$5 MILLION)

Overview on approach

- The only feasible way for Mint products to be sold in museum and park gift shops is for it the gift shop proprietor at those locations to be the same as the Mint's contracted partner which operates the Philadelphia and Denver gift shop
 - As a result, the market sizing is entirely dependent upon the full site management roster of the company which operates the Mint's gift shops
 - This sizing is based upon the Mint's current partner, Delaware North; selection of a new partner to run the gift shops would require resizing this concept based on the new proprietor's roster

	Description	Number of locations	Range of sales*	
Museums				 <p>Growth opportunity could be \$1-\$3.5 million</p>
	• Delaware North has no museums in its portfolio			
National Parks (Large)	• Parks with > 4 million annual visitors	• 3 (Yosemite, Grand Canyon, Niagara Falls)	• \$125,000-\$500,000	
National Parks (Other)	• Parks with 1-4 million annual visitors	• 8	• \$50,000-\$250,000	

* Based on sales of numismatic products at the existing gifts shops and the traffic levels at the sites

Source: Delaware North annual report; Delaware North web site; literature search; team analysis

SIZING GROWTH CONCEPTS – DIRECT RESPONSE (\$3.5-7.5 MILLION)

Size of space

- The Direct Response space overall is \$10 billion in annual revenue
- Based on QVC, 7% of sales are from collectables, or \$700 million
- From the product mix on company websites as well as the air time allotted to collectible types, coins are estimated at 20-30% of the collectibles space, or \$140-210 million
- A similar analysis suggests that one-third of all products sold are new products or \$50-70 million
- Direct response networks typically mark products up 2-3 times, meaning the original purchase value is \$17-35 million



Ways Mint could profit from partnership

- ① Mint could charge networks a service fee and capture the premium/mark-up that intermediaries currently capture in their dealings
 - Mint could charge a 5% service fee **yielding about \$1-2 million in incremental revenue**
 - As part of the partnership and in exchange for the service fee, Mint would get involved in the production of the show, possibly including providing Mint employees to appear as experts on the show
- ② Based on the enhanced credibility of the direct response channels (as a result of the Mint's involvement), there would be incremental sales
 - Assume 15% increase in sales
 - **Growth would yield an increase of \$2.5 and \$5.5 million in sales** by the Mint to the networks

Total value: \$3.5-7.5 million

CONTENTS

- Growth concepts by strategic area
- Description of all growth concepts
- Details on concept sizing

• Profile of top growth concepts

CONCEPT OVERVIEWS

- **Strengthen core business**

- Expand to new customers

- Enter international markets

GROWTH CONCEPT: SWITCH TO TYPICAL CONSUMER GOODS PRICES

Concept overview

- Move current prices to more traditional price points that customers are familiar and comfortable with
- Prices for items currently marked \$4.50 would move to \$5.95, for example
- The degree of price change would be incremental, not involving dramatic jumps in unit price

Potential assortment

- Lower-end items, such as medals, spoons and proof sets would have prices that converge around price clusters
- Higher-end items (greater than \$100), would cover a wider spread, providing intermediate price points

Fact-base opportunity assessment

- Familiar price points vary by occasion (e.g., gifting at \$14.99, \$24.99), and are not currently offered
- Competition is selling comparable products at higher prices
- Focus groups suggest planned price changes are reasonable

Qualitative assessment

- Since Mint's offering is unique, the risk of negative reaction from consumers is limited
- To be successful, price changes must be carried through all channels

Fit with assets and capabilities

- Low cost to change prices
- Does not require new capabilities
- Changes would have no effect on supply chain or manufacturing

Economics

- Cost of price change would be limited
- Mint would be able to capture higher margin to reinvest in new products and educational programs to meet consumer demand

Potential barriers/concerns

- Perception of using monopoly power

Next steps

- Conduct assessment of current price points (including volume and value)

GROWTH CONCEPT: PROACTIVE UP-SELL/CROSS-SELL/MIGRATION

Concept overview

- Actively introduce customers to the next logical progression within the numismatic portfolio (e.g. Silver proof sets from clad proof sets) to expand people's involvement in the coin collecting category and provide opportunities to acquire the full numismatic portfolio
- Execution will take place across multiple channels, (e.g. customer service reps will be offered incentives for up-sell/cross-sell/migration promotion)
- Information will be collected during the ordering process to further inform the up-sell/cross-sell/migration process

Potential assortment

- Expand people's involvement in the coin collecting category
- Provide opportunities to acquire the full numismatic portfolio

Fact-base opportunity assessment

- Targeted categories are in areas of high stability and revenue for the Mint
- Targeted customers are already Mint purchasers
- Little direct competition in this space, with potential to capture more share

Qualitative assessment

- Little risk for Mint to extend selling to its own customers, since promotion of its own wisely-chosen products extends its role
- Success is based on smart promotion and customer willingness to make impulse buys while already browsing and "in the checkout line"

Fit with assets and capabilities

- Requires smart selection of customer segments to target and products to promote
- Additional talent required to produce effective marketing materials
- Some rep training will be required, along with incentive selection

Economics

- Cost to implement should be minimal, with fixed costs constituting the bulk of expenditures
- High upside, as successful implementation can yield "easy win" gains

Potential barriers/concerns

- Poor implementation could run the risk of weakening the relationship the Mint has with its customers

Next steps

- Determine private sector best practices that align best with the Mint's customer base
- Begin work on product and customer segmentation to determine most successful opportunities for promotion

GROWTH CONCEPT: ENHANCE SUBSCRIPTIONS PROGRAM

Concept overview

- Provide incentives to customers to encourage them to join the Mint subscription program operating today for recurring products
- Subscription products would be actively promoted through incentives offered directly to customers, including unit discounts for subscriptions, bonus gifts for subscribers

Potential assortment

- Products would include the current range of subscriptions for recurring programs, American Eagle products and collector's spoons

Fact-base opportunity assessment

- Subscription services as provided by competitors at higher prices have been very successful, demonstrating consumer demand
- Competitors currently have stronger promotions encouraging subscriptions

Qualitative assessment

- Promotion of subscriptions encourages the continual practice of numismatics
- Stronger promotion of subscriptions promotes the Mint's more consumer-friendly pricing structure, in direct competition to competitors' higher prices

Fit with assets and capabilities

- Subscription promotion fits with the Mint's current program, requiring limited cost and risk
- Incentives would need to be chosen wisely, requiring some up-front marketing analysis

Economics

- Products promoted would be based on existing products and programs
- A deep evaluation of the P&L for subscriptions and incentives would be necessary to ensure profitability
- Subscribers' data and pre-orders should be valued at approximately the same amount as offered incentives

Potential barriers/concerns

- Assessment of consumer appeal for subscriptions and incentives

Next steps

- Develop system to use information from potential subscribers
- Determine best incentives to ensure profitability is maintained

GROWTH CONCEPT: INTRODUCE ENTRY-LEVEL PRODUCTS

Concept overview

- The Mint develops new products to attract new customers (e.g., circulating savers, youth) and prices those products appropriately to engage the maximum number of potential customers in numismatic products
- Products would need to be distributed through channels beyond the Mint's current direct channels. The appropriate channels to use would vary based on the sub-segment of new customers being targeted, but could include directly through schools to educate the youth market or through kiosks/traditional retail to reach circulating savers

Potential assortment

- Potential products include a new starter set; micro-uncirculated set (e.g., includes products from only Philadelphia or Denver mint), or single proof coins

Fact-base opportunity assessment

- Entry products would target large groups of untapped customers including circulating savers (100 million+) and school children (3 million per age group)
- These customers have an unmet need, and as such, no direct competition exists

Qualitative assessment

- New entry products supports the Mint's mission of improving access and awareness of the Mint and numismatic products
- For successful trial and repurchase, program needs compelling promotion and distribution plan

Fit with assets and capabilities

- No major production challenges for the Mint (potentially new packaging requirements)
- More significant implications to the Mint's capabilities would come in the distribution of the product (Implications captured on other growth concept overviews)

Economics

- Products would all be based on existing products though packaged a different way
- A deep evaluation of a product's P&L would be required to determine how low of a price would be possible

Potential barriers/concerns

- Legislative mandate for new products may be needed
- Target price points may require selling close to true product cost
- Qualitative assessment of consumer appeal

Next steps

- Deep-dive on the economics of given products to identify feasible price points
- Determine how product would fit in with other growth concepts (e.g., kiosks, expanded educational program)

GROWTH CONCEPT: ROMANCE THE PRODUCT

Concept overview

- Leverage best practices from the private sector to update how products are presented through the major direct channels (e.g., on the website and in direct mail)
- Examples of potential changes include a broader selection of images show the product in use (e.g., birthday presents being opened, grandparents and grandchildren looking over presents) and developing separate gift site where the copy and images would have a greater emotional appeal and reflect gifting as opposed to the products themselves

Potential assortment

- All products potentially could be updated; focus on products that appeal to new customers

Fact-base opportunity assessment

- Customers have reflected a desire to be able to touch and feel product; a better website may mitigate the need
- Mint's website lacks features of competitor's websites (e.g., HSN.com)

Qualitative assessment

- Changes should improve the purchasing experience for all customers while also making the product appeal to a broader audience
- Changes could also allow the Mint to capture some of the direct response business by showing the product "in use"

Fit with assets and capabilities

- Additional talent would need to be brought in to develop copy / design concepts that target customers beyond the core collector
- Changes would have no effect on supply chain or manufacturing

Economics

- Fixed cost to update website
- Private sector experience suggests improvements could drive an incremental X% in sales

Potential barriers/concerns

- Current organization focused on functional description and benefits and is likely consciously avoiding emotional descriptions

Next steps

- Problem solving session with McKinsey direct experts to identify specific potential changes
- Engage with PFS Web to determine their capabilities and willingness to make changes

GROWTH CONCEPT: ELIMINATE STOCK-OUTS ON CORE PRODUCTS

Concept overview

- Utilize private sector best practices to determine the probable demand for products and integrate those estimates into the production schedule
- Possible process would involve using discounted pre-orders to predict demand, then use this advance information to smooth production schedules, then ship according to set schedule, as best accommodated by production operations

Potential assortment

- This concept could apply to all products, but makes most sense for products that generate a lot of forward excitement
- Recurring and American Eagle products are another area where this concept could be of benefit

Fact-base opportunity assessment

- A program like this could give the Mint a jump on competitors
- Targeted categories are in areas of high stability and revenue for the Mint
- Targeted customers are already Mint purchasers

Qualitative assessment

- Little risk for Mint to extend selling to its own customers
- Success is based on smart promotion and customer willingness to make buys and to wait for delivery

Fit with assets and capabilities

- Utilizes unique position of Mint
- Requires smart selection of customer segments to target and products to promote for pre-sales
- Additional talent required to produce effective marketing materials and capture benefits of increased access to information

Economics

- Cost to implement should be minimal, with fixed costs constituting the bulk of expenditures
- Successful implementation can yield “easy win” gains in production costs
- Revenue benefits may not be immediately clear

Potential barriers/concerns

- May not be best means to capture customers who are buying on impulse, or want instant gratification following handling the product

Next steps

- Determine products best for this type of promotion
- Allocate the talent and skills necessary to successfully implement program

THE MINT HAS NOT ALWAYS BEEN ABLE TO DELIVER PRODUCT BASED ON ITS CURRENT “MAKE TO DEMAND” MODEL

2005-2006 Stockouts

Year	Product	Mintage	Actual demand	Dates available
2006	AE Gold 1 ounce	12,000	12,365	2/3-5/19/2006
2005	AE Gold 1 ounce	10,000	10,545	2/3-5/20/2005
2005	Uncirculated set	1,150,000	1,183,632	5/31-10/21/2005
2005	AE Gold 1/2 ounce	9000	9,315	2/3-11/18/2005
2005	Clad Proof set	2,300,000	2,329,369	2/28-11/25/2005
2005	AE Silver 1 ounce	800,000	825,489	2/3-12/2/2005
2005	AE Platinum set	4000	4200	3/24-12/16/2005

* Does not include commemoratives, bags and rolls; As of 12/30/2005 for 2005 products, as of 7/14/2006 for 2006 products

Source: US Mint data

GROWTH CONCEPT: IMPROVE ONLINE MARKETING

Concept overview

- Begin to market the Mint's commercial website (along with the Mint's numismatic products overall) online (e.g., beyond usmint.gov)
- Specific types of marketing which could be undertaken include banner advertisements on numismatic general interest websites (e.g., coinmag.com); purchasing sponsored links on Google, Yahoo and MSN for keywords related to numismatic products; and identifying techniques which can be employed to improve the Mint's position in searches conducted by consumers interested in the Mint's products

Potential assortment

- Most advertising would be for the Mint's site in general and not specific products
- Product-specific advertising should focus on entry-level products which would be purchased by customers who are not familiar with the Mint / its website

Fact-base opportunity assessment

- All consumers online are potentially targets of the marketing effort
- How broad the search terms are and websites which feature banner ads will determine the true reach of the program as well as what occasions the ads most effectively target

Qualitative assessment

- Based on private sector examples, a well-executed online marketing strategy will drive significant incremental traffic to the Mint's website
- Marketing can also drive awareness and eliminate confusion given private mints' extensive online marketing

Fit with assets and capabilities

- Necessary capabilities do not currently exist at the Mint. Employees with experience in managing online advertising would need to be hired to oversee the Mint's efforts (e.g., develop content, bid on search term ads)

Economics

- Customer acquisition costs need to be determine
- Mint also must decide how much of a one-time investment is appropriate to acquire a customer (e.g., spend \$10 to acquire a customer whose first purchase yield \$5 profit, but may continue to buy)

Potential barriers/concerns

- Organization is currently focused on meeting customer demand rather than developing demand, and this may be a deliberate action

Next steps

- Problem solving session with McKinsey experts to determine what the Mint's marketing program could be
- Determine if want to develop an in-house capability or outsource to an online ad agency

GROWTH CONCEPT: QUALITY LINE EXTENSIONS

Concept overview

- Set aside product that is notably distinctive (e.g., first strike coins) and offer it to the public through special auctions
- Auctions could be carried out through Mint itself or through special partners

Potential assortment

- Products would be those that are already produced by the Mint, but are not currently distributed or acknowledged as notably distinctive (e.g., First strike coins)
- Products would not be specifically "graded," but would be labeled as distinctive based on production characteristics

Fact-base opportunity assessment

- Currently, resellers have successfully labeled and marketed Mint products as such, indicating public demand for products

Qualitative assessment

- Higher spend customers could choose their own opportunities to purchase products
- Auction format allows customers to determine the value they place on the product

Fit with assets and capabilities

- Mint is in unique position to create and market this product
- Auction mechanism is a new function, and would require new talent and/or partnership with robust and trusted auction house

Economics

- Low-risk, since products are produced anyway, just marketing function is different
- Some upfront costs, stemming from the set-up and promotion of new products and auction mechanisms

Potential barriers/concerns

- Mechanism for carrying out auctions effectively to be determined
- Internal resistance to view of creating/exploiting scarcity of specific products

Next steps

- Identify key products with best potential for strong public response
- Determine best means for auction mechanism, whether in-house or partnership

GROWTH CONCEPT: MULTI-YEAR SETS

Concept overview

- Make available in the middle or end of theme-based special program (50 State Quarters, Presidential Dollars) all years of the product that have been made
- Packaging can reflect the multi-year nature of the product, as well as allow collectors to “fill-in-the-blanks” in their collections for missing years

Potential assortment

- Full sets of special program lines as released so far, such as 50 State Quarters, Westward Journey Nickels, etc.

Fact-base opportunity assessment

- Competitors have successfully repackaged Mint products in this way, meeting strong consumer demand

Qualitative assessment

- Helping consumers complete their collections encourages numismatics, through a trusted resource for coins

Fit with assets and capabilities

- Mint has limited stocks of past-issued coins
- Some products would require new packaging, marketing and promotion skills and talent for successful launch

Economics

- Low-cost, given inventory stocks and potential for buy-back from others
- Limited fixed costs in design and promotion of products

Potential barriers/concerns

- Barriers to selling outside of program year to be clarified
- Availability of past products in Mint inventory (e.g., 50 State Quarters)

Next steps

- Identify availability of products from past years to be repackaged
- Determine customer interest in special programs to be restocked

GROWTH CONCEPT: NEW MATERIALS FOR COINS

Concept overview

- Expand assortment of precious metals used in American Eagle program and commemoratives (e.g. palladium, rhodium) and bi-metal products
- Issue coins produced in these precious metals and/or bi-metallic designs through the AE and commemorative programs

Potential assortment

- Increased lines of bi-metal products
- New lines of coins based on new materials, expanding bullion, American Eagle and commemorative collections

Fact-base opportunity assessment

- Foreign competitors have launched coins from other materials and more bi-metallics
- Although there is not a strong history of palladium and other coins appealing to collectors, novelty value may raise appeal

Qualitative assessment

- New coin materials may increase initial appeal and sales, with a tapering off of interest after first few years
- May create more publicity for Mint numismatic products in general

Fit with assets and capabilities

- Production capabilities may need to be adjusted, given the properties of the metals used
- Marketing may need to shift to collectors beyond the current Mint base, utilizing new techniques and channels

Economics

- Higher risk in introduction of new metals, due to necessary shift in production techniques and potential dilution of current line
- Uptake unclear, due to lack of strong market for these metals in numismatic communities overseas

Potential barriers/concerns

- Production needs of alternative metals and bi-metallic coins
- Congressional approval/mandate necessary for new materials and designs

Next steps

- Conduct case study of success of these coin materials for other mints

GROWTH CONCEPT: NEW PACKAGING FOR EXISTING PRODUCTS

Concept overview

- Make current products only available in certain sets available in new combinations (e.g., individual proofs of the Presidential Dollar coins)

Potential assortment

- Clad, silver and uncirculated proofs of individual coins
- Repackaging current products for special occasions, including birthdays, anniversaries and graduations

Fact-base opportunity assessment

- Competitors who resell current Mint products have been very successful
- Customers have shown strong demand for these types of products

Qualitative assessment

- Selling new combinations, (e.g. clad, silver and uncirculated proofs of individual coins) provides more price point flexibility, with potential to target more entry-level and mid-range customers
- By responding to collectors' demands, satisfaction is increased

Fit with assets and capabilities

- Requires new marketing talent to determine best packaging and position of current products
- Packaging may require more resources and contracts
- Mint is in strong position to set production as needed for new products

Economics

- Some upfront cost to establish program concepts and target markets
- Limited downside, since production runs are not necessarily directly affected
- Extension of contracts for packaging is relatively low-risk

Potential barriers/concerns

- Potential for direct competition with current resellers of Mint products

Next steps

- Examine current customer buying patterns to develop packaging and product concepts
- Consider necessary contract renegotiations necessary for packaging extensions

GROWTH CONCEPT: REVAMP EDUCATIONAL PROGRAM

Concept overview

- Expand from limited focus on role of coins in the economy and as vehicle for math education to also include 1) promoting the existence of numismatics and its role in reflecting and representing American history and culture and 2) educating students on numismatic authenticity – focus would be on annual programs for youth, recurring and precious metals for collectors
- Educational program can be carried out through media, in-person and print formats; Partnerships with school programs, collector's societies, and other groups can provide channels for sharing the Mint message

Potential assortment

- Youth education can focus on the aspects of history and culture to be explored through coins, building numismatists for the next generation
- Collector education can deal with intricacies of the market and how to avoid fraud

Fact-base opportunity assessment

- There is a significant unmet need around authenticity education to protect from fraud
- 50 million schoolchildren in the US represent a significant untapped collector base for the future
- Could provide direct Mint link to collectors

Qualitative assessment

- Low-risk way to promote Mint products as part of consumer protection and public education
- Educational program not a direct contributor to top-line revenue

Fit with assets and capabilities

- The Mint is uniquely positioned to provide this public service
- However a new educational model is required – requiring development of new materials and partnerships

Economics

- Limited short-term, top-line impact
- Program serves primarily as marketing investment
 - To engage youth in history and cultural events
 - To promote consumer awareness and protection for coin collectors

Potential barriers/concerns

- There may be internal and/or external resistance to perceived self-promotion through educational programs
- Could be difficult to partner successfully on the national and local levels

Next steps

- Engage with key stakeholders and potential partners to determine interest
- Build plan for aligning marketing efforts with program promotions

CONCEPT OVERVIEWS

- Strengthen core business
- **Expand to new customers**
- Enter international markets

GROWTH CONCEPT: KIOSKS

Concept overview

- The Mint either partners with a third party to own and operate kiosks or the Mint operates the kiosks on their own, with a third party likely wanting to sell a broader assortment of products, including licensed products
- Though the concept would remain the same, it would need to be customized based on the location. Locations targeted include high traffic areas (e.g., malls), entertainment based (e.g., Disney Land) and education based (e.g., the Smithsonian)
- Targeted occasion will primarily be impulse purchases (e.g., gift giving) though purchase behavior at Union Station suggests that it could also become the primary channel for existing core collectors in the area

Potential assortment

- With a targeted occasion of impulse / gifting, lower-end / base products would be best, with a likely need to add in non-Mint licensed products to make the kiosk a one-stop shop
- To guard against channels, precious medals products would be on display but not available for sale

Fact-base opportunity assessment

- There are 1,100 indoor malls in the U.S. with about 50,000 kiosks
- Kiosks typically sell gift/impulse items at \$20-30 price points
- While few (if any) kiosks sell numismatic products, significant competition exists for customers who want to buy a gift

Qualitative assessment

- Kiosks are an effective way to increase brand awareness and accessibility as the product would be located in a high traffic area with customers who want to shop/buy
- To succeed the Mint's product must be viewed favorably as a gifting product

Fit with assets and capabilities

- Kiosks could be modeled on Union Station kiosk
- The Mint currently does not have the capabilities required to either manage an outsourced or self-sourced kiosk operations
- The Mint's current supply chain / production may not meet the needs of a kiosk operation

Economics

- Likely ceiling on concept: 1,000
- A kiosk at an upscale mall rents for ~\$50,000/yr
- High mark-ups (2-3x) are typical
- An outsourcer would likely require a significant (e.g., greater than 18%) discount to operate a kiosk

Potential barriers/concerns

- Supply chain complexities of needing to keep inventory at hundreds of locations across the country
- Many kiosks sell low-end goods, and there could be concern of diluting the Mint brand's value

Next steps

- Identify potential partners if the kiosk operations were outsourced
- Refine revenue and profit projections based on the given model being pursued

GROWTH CONCEPT: INDIVIDUAL GIFTING OCCASIONS

Concept overview

- The Mint would make its products available through retail channels which target annual (e.g., birthdays, Father's Day) and milestone (e.g., births, Bar/Bat Mitzvahs, graduations) gift occasions
- Channels which could be used include retail (Hallmark), catalog (Red Envelope) and web (Ross-Simons.com)
- Depending on the format, the Mint would either serve as a traditional supplier to the channel (retail) or could form a partnership with them where the Mint's products are featured, but all orders are fulfilled by the Mint (catalog/web)

Potential assortment

- All lower-end / base products would be attractive in the concept
- New products / packaging may be required to fully capture the opportunity
 - Graduation set complete with place for picture
 - Products minted on a specific date (for births)

Fact-base opportunity assessment

- Gifts/collectibles is a \$50+ billion space
- While almost all consumers purchase gifts, top potential customers include grand parents and adult children (for parents)
- Large amount of competition in the space, thought the Mint's product could be differentiable

Qualitative assessment

- The Mint's product is a unique gift product and given products for sale by other Mints, there appears to be latent demand for this type of product
- The Mint will need to change how it markets the product to appeal to this customer base

Fit with assets and capabilities

- The Mint currently does not have the creative talent required to effectively market the product as a gift item
- Manufacturing can not currently support the extreme seasonality / short production leads required to be successful in the space

Economics

- Size of occasion: \$X billion
- Varies depending on the format
 - Retail would mark-up product significantly (2x)
 - Catalog/web would expect ~10% of revenue
- Different Mint products could support higher prices

Potential barriers/concerns

- Depending on model chosen, supply chain complexity and manufacturing flexibility
- Competing with the private sector; Private mints (e.g., Washington Mint) and direct response target this market

Next steps

- Identify which gift channels could feasibly be used
- Revise size of opportunity and assess profitability
- Identify leading partners for the Mint to engage in preliminary discussions

GROWTH CONCEPT: INCREASE SALES TO FOREIGN TOURISTS

Concept overview

- Provide outbound foreign visitors with access to numismatic products at the point of likely purchase for souvenirs and collectibles
- Focus geographically in US cities most visited by foreign visitors
- Leverage duty-free stores; DFS operates duty-free shops in four of the seven most visited US cities

Potential assortment

- American Eagle Silver and four coin gold sets have demonstrated appeal and would form the core of the offering
- A full range of products would be available depending on retailer strategy (similar to what is available in US Mint stores in Philadelphia and Denver)

Fact-base opportunity assessment

- Categories targeted (souvenirs and gifting) are multi-billion dollar spaces
- Based on information from International shows American Eagles appear to be top sellers to international customers
- A significant portion of existing duty-free sales is driven by obligation gifting in Asian cultures

Qualitative assessment

- Over 41 million international tourists visit the US annually, the overwhelming majority visiting seven cities
- One large retailer, DFS, operates duty-free airport stores in five of the top seven most visited cities

Fit with assets and capabilities

- The Mint already maintains a contract with Delaware North that could serve as a model
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Airport operators of duty-free shops require up to 30% - 40% commissions from duty-free sales requiring the operator to have above average margin requirements

Potential barriers/concerns

- Covering the top seven most visited US cities would require the Mint to contract with one large and several small retailers
- Possible margin implications selling in duty-free space

Next steps

- Determine economics of selling in DFS duty-free stores

GROWTH CONCEPT: DIRECT RESPONSE SUPPLIER / PARTNER

Concept overview

- Form a partnership with a direct response network (HSN, QVC, ShopNBC) selected through an open-bid process
- Components of the partnership could include the Mint being a direct supplier of products; licensing of the term “official Mint distributor”; joint product development; sharing customer information; and the Mint providing content or personnel for the network’s shows
- Product sold to partner at list prices; potential for profit sharing with network sharing with the Mint a portion of the profits

Potential assortment

- Wide ranging and could include new jointly-developed products
- Previous success of the networks selling products at a wide range of price points suggests that they have had success selling to a broad group of consumers

Fact-base opportunity assessment

- Direct response space is about a \$10 billion industry in the U.S., with collectibles being ~\$700 million
- Partnership would give exposure to customers who want to purchase this type of product and comfortable purchasing products unseen

Qualitative assessment

- Direct response channels are currently successful with selling coins (as seen from the number of shows they have and their time slots)
- For format to be successful, will most likely need to offer exclusive products or packaging formats

Fit with assets and capabilities

- Would need a new group in SAM to manage relation
- Base requirement of selling products in large quantities poses no challenge
- Product development would need to become more robust; improvements from manufacturing also likely necessary

Economics

- Economics would depend entirely on the relationship that was agreed to
 - Potential for the Mint to have to pay network (if it was a straight distributor agreement with fixed prices)
 - Potential that Mint would receive a significant share of revenue in a partnership

Potential barriers/concerns

- Partnership could be seen as an implied-endorsement
- Involvement in direct response could be viewed as outside the Mint’s mandate; a concern likely to be heightened if there was profit sharing

Next steps

- Determine how deep of a partnership is possible
- Engage players in preliminary conversation to gauge interest and better understand the operating model
- Assess economic attractiveness given new information

GROWTH CONCEPT: eSTORE-WITHIN-A-STORE

Concept overview

- The Mint forms a partnership with an online retailer (most likely Amazon.com) whereby the Mint's products are listed within Amazon's general categories (e.g., Home and Garden) as well as a separate store-within-a-store
- Product is promoted through Amazon's internal promotion levers (e.g., Gold Box, "Customers who bought this item also bought ...", customer recommendations)
- Mint receives benefits of Amazon's interface (e.g., 1-click ordering, multiple stored addresses)
- Mint maintains full control over inventory – orders would be drop-shipped by the Mint directly to the customer

Potential assortment

- Amazon targets a wide range of demographics who would be interested in purchasing numismatics for a variety of reasons
- Full product line would be appropriate in the channel, especially given Amazon's significant inventory of high-value products

Fact-base opportunity assessment

- Amazon's millions of customers would provide a significant opportunity to convert circulating savers to numismatic collectors
- No direct competition on Amazon as no numismatic products are currently offered

Qualitative assessment

- Amazon's excellent interface would most likely drive significant sales of Mint products and expose the products to a new set of customers
- To be successful, the Mint would need to offer compelling copy for non-numismatist purchasers

Fit with assets and capabilities

- Amazon's back-end system would feed orders into PFS Web in a manner similar to the current website
- Able to keep Amazon site up-to-date given limited product assortment
- Additional personnel may be needed to manage relationship with Amazon

Economics

- Number of points of distribution:
- Amazon would expect about a 15% commission on all sales
- Mint would make a very thin margin (~5-10%) on products sold; significant increase in customers required

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch from usmint.gov to the Amazon site (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine if the Mint would be comfortable engaging in a partnership with Amazon
- Engage with Amazon to obtain details of partnership
- Determine if economics of partnership make it viable

eSTORE-WITHIN-A-STORE EXAMPLE: NORDSTROM ON AMAZON

Amazon.com Nordstrom Store: Nordstrom - Mozilla Firefox

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http://www.amazon.com/b/ref=sc_fe_c_0_1036592/104-1

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- Men
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- Shoes
- Anniversary Sale
- Women's Shoes
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GROWTH CONCEPT: eBAY STORE / AUCTIONS

Concept overview

- Mint develops a U.S. Mint store on eBay which would sell a mix of fixed price products (traditional products with broad supply) along with auctioned products (limited supply products, such as first die strike products)
- eBay store would mainly target circulating savers and general hobbyists/collectors (mainly through the fixed price products which individuals “stumble upon” during a search on eBay) while also appealing to current core collectors (interested in the auctioned products)

Potential assortment

- Full line of products would be appropriate for the fixed price products given the broad set of customers who would be attracted
- Mint may decide only to make lower price-point products available to continue to draw traffic to the Mint’s site

Fact-base opportunity assessment

- Over 100 million customers on eBay, including a significant number of internationals
- While coins is a major category on eBay, most of the competition is selling previous year or rare products

Qualitative assessment

- For the fixed price products to be successful, the Mint must make it clear that customers are purchasing official U.S. Mint products directly from them.
- For the auctions to be successful, the Mint must ensure sufficient knowledge of the auctions and offer compelling products

Fit with assets and capabilities

- eBay’s back-end system would feed orders into PFS Web in a manner similar to the current website
- Able to keep eBay site up-to-date given limited product assortment
- Additional personnel may be needed to manage auctions

Economics

- Size of occasion: eBay coin section sells approximately \$X million per year
- eBay would take a fixed percentage (~5-10% of sales)
- Mint would make a reasonable margin (~15-20%) though less than through direct channels

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch from usmint.gov to the eBay site (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine if the Mint would be comfortable engaging in a partnership with eBay and what that could entail
- Re-engage with eBay to obtain details of partnership
- Determine if economics of partnership make it viable

eBAY STORE / AUCTION EXAMPLE: COINUTS

ebay Store - coiNuts: Single Proof Unc Coins, Quarter Dollars, Nickels - Mozilla Firefox

File Edit View Go Bookmarks Tools Help

http://stores.ebay.com/coiNuts_W0QQcolZ4QQdirZ1QQfsu

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Home > eBay Stores > coiNuts > All Categories

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Fully integrated on in with the eBay site; product will show up in general searches

coiNuts

Maintained by: coiNuts (11982) ☆ Power Seller

COINS SILVER GOLD PROOF MINT SUPPLIES PCGS NGC ANACS ErrorS, Variety, Currency, Supplies, and much more!! We offer THOUSANDS of items here on eBay everyday. Come join our long list of satisfied customers. We are a full retail store in North Idaho, come by and see us sometime. Thank you, coiNuts.

Flexible customer service policies

Store Policies | About the Seller

Brand New Listings !

- 1976 S PROOF Roosevelt DIME Single GEM US Coin 10 Cent
- 1971 S PROOF Lincoln CENT PENNY GEM Single Mint US Coin

See all items...

Hurry Ending Soon

1990 S PROOF Kennedy HALF Mint Coin \$5.99 Time Left: 4m

See all items...

Products available through both auctions and fixed prices ("Buy It Now")

in titles & descriptions

Search

Store home

- Silver Dollars (12)
- Cent Nickel Dime
- Quarters (113)
- Silver Bullion (22)
- Cents (1336)
- Nickels (1358)
- Dimes (1351)
- Quarter Dollars (1902)
- Half Dollars (1231)
- Dollars (360)
- Single Proof / Unc

8091 items found in All Categories

List View | Picture Gallery

View: All Items | Auction only | Buy It Now only

Sort by: Time: ending soonest

Item Title

1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin \$5.99 Buy It Now

1990 S PROOF Kennedy HALF DOLLAR GEM Single Mint Coin \$5.99 Buy It Now

Done

GROWTH CONCEPT: STORE-WITHIN-A-STORE

Concept overview

- Mint either operates or licenses out to a third party to operate a network of stores-within-a-store, where there is a dedicated section of an existing retail concept which is dedicated to Mint products and staffed by a trained employee (similar to a kiosk but located within a broader store)
- Potential locations include department stores (e.g., Sears), discounters (e.g., Target) and retail banks
- Targeted customer/occasion would vary based on the broader store environment, but could include general gifting (department stores) and circulating savers (banks)

Potential assortment

- Relatively large size of a store-within-a-store would require selling the full product range, and potentially complemented by licensed products
- Given that format would be targeting impulse purchases, focus would need to be on low price points, potentially requiring new products

Fact-base opportunity assessment

- Host stores can provide reach unattainable through other means (e.g., Wal-Mart has over 100 million unique customers a week) or a targeted focus (Hallmark for gifts)
- No direct competition in concept; work as a partner of the host

Qualitative assessment

- Store-within-a-store provide opportunities that few (if any) other concepts can in expanding Mint's access / availability
- For the format to be successful, there will need to be appropriate alignment between the host's customer base and the product assortment

Fit with assets and capabilities

- Would need a new group within SAM to manage the relationship, especially if Mint was directly running the stores
- Increased manufacturing and distribution flexibility may be necessary to ensure product stays in stock at the broader network of stores

Economics

- Number of points of distribution: 1000+
- "Host" store would demand a percentage of sales; level would vary based on the retail concept as well as the services the host provided
- Third-party operator (if used) would also require significant payment (either fixed, percentage of sales or both)

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch away from Mint's direct channels (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine internal willingness to change pricing scheme / introduce new higher-margin products that would be required to support a store-within-a-store concept
- Identify specific goal of program and host stores

GROWTH CONCEPT: IN-STORE END-CAP

Concept overview

- Mint partners with a retailer to “rent” a section of prime shelf space (e.g., an end-cap) for the Mint to develop a product display with a wide (though incomplete) assortment of the Mint’s products. Mint would also ensure that staff at the location at suitably trained to be able to assist customers with numismatic product related questions
- Potential locations include gift stores (e.g., Hallmark) and department stores (e.g., Sears)
- Targeted customer/occasion would vary based on the broader store environment, but could include general gifting (Hallmark) and circulating savers (department stores)

Potential assortment

- Moderate size of the end-cap would require a significant product range; likely all major products except AE Gold and Platinum
- Given that format would be targeting impulse purchases, focus would need to be on low price points, potentially requiring new products

Fact-base opportunity assessment

- Host stores can provide reach unattainable through other means (e.g., Wal-Mart has over 100 million unique customers a week) or a targeted focus (Hallmark for gifts)
- No direct competition in concept; work as a partner of the host

Qualitative assessment

- In-store end-caps provide opportunities that few other concepts can in expanding Mint’s access / availability
- For the format to be successful, there will need to be appropriate alignment between the host’s customer base and the product assortment

Fit with assets and capabilities

- Would need a new group within SAM to manage the relationship, especially if Mint was active in staff training
- Increased manufacturing and distribution flexibility may be necessary to ensure product stays in stock at the broader network of stores

Economics

- Number of points of distribution: 1000+
- “Host” store would demand a percentage of sales; level would vary based on the retail concept as well as the services the host provided

Potential barriers/concerns

- Need to determine an approach to ensure that customers do not switch away from Mint’s direct channels (given significantly higher cost-to-serve)
- Partnership could be seen as an implied-endorsement

Next steps

- Determine internal willingness to change pricing scheme / introduce new higher-margin products that would be required to support a store-within-a-store concept
- Identify specific goal of program and host stores

GROWTH CONCEPT: TRADITIONAL PACKAGED GOODS SUPPLIER

Concept overview

- The Mint would actively market its products to a wide range of retailers including gift stores (Hallmark) and discounters (Target) with the product being stocked on shelves (or in jewelry cases) and treated similarly to any other product the store carries, while potentially limiting it to the holiday season
- To make economics work, Mint would either need to drastically increase price on products that it is selling to the retailers or introduce new products with significantly higher margins
- Goal of program would be to expand beyond current customer base

Potential assortment

- Product assortment would need to support impulse purchases
- Lower-end / base products (annual sets, AE silver, commemoratives) would meet the target customer's needs
- Likely to require new products to make the economics work out appropriately

Fact-base opportunity assessment

- Categories targeted (gifting and circulating savers) are very large
- Broadest possible customer base
- Though there would be no direct competitors, Mint would face significant indirect competition at the category level (collectibles, gifts)

Qualitative assessment

- Traditional retail economics are not at all compatible with how the Mint currently prices products
- Potential for negative implications of rebasing prices
- Unclear ability for customers to "find" Mint products if simply part of a store category

Fit with assets and capabilities

- Mint would need to add significant numbers of personnel to manage retailer relationships (some retailers demand a dedicated staffer)
- Unclear if Mint has the capabilities to act as a traditional packaged goods supplier (e.g., inventory management)

Economics

- Number of points of distribution: 1000+
- Mark-ups by retailers range from 50-100% depending on the concept and the characteristics of the product
- Overall economic implications for Mint would depend on the price points which the Mint sold the product at

Potential barriers/concerns

- Wholesale prices and mark-ups required to make the Mint an attractive partner for retailers may be unattainable
- Becoming active in retail may be seen as outside the Mint's scope

Next steps

- Determine internal willingness to take any of the paths that would result in acceptable mark-ups for retailers (e.g., new products, higher retail prices)
- Preliminary conversations with retailers to gauge interest

GROWTH CONCEPT: EXPAND GIFT SHOP OPERATOR RELATION

Concept overview

- Allow operator of gifts shops to sell Mint products at all venues where they manage retail operations. For Delaware North would include National Parks (Yosemite, Grand Canyon), Kennedy Space Center, sports stadiums (located in Chicago, Los Angeles, and Boston among others), on steamboat cruises, and in “private label” airport stores which they operate (e.g., Gadgets to Go)
- Product sold to Delaware North at a discount, most likely in line with current 18% discount they receive
- Targeted occasion will vary by location, but would include tourism/souvenirs (National Parks) and gifting (on cruises)

Potential assortment

- Most locations would strongly favor impulse purchases as they are “destinations” with a barrier to entry
- Lower-end / base products (annual sets, AE silver, commemoratives) would meet the target customer’s needs

Fact-base opportunity assessment

- Categories targeted (souvenirs and gifting) are multi-billion dollar spaces
- Targeted customers vary by format type, but are broad in all formats
- Mint’s offering would be unique in these formats; any competition is only in the broadest sense (other gifts)

Qualitative assessment

- Delaware North’s (and potentially other’s) broad range of retail formats provides the Mint with a low-risk way to “test the waters”
- For the formats to be successful, consumers must be willing to make impulse purchases of Mint products in non-traditional environments

Fit with assets and capabilities

- Mint’s existing relationship with the operator suggests minimal changes required to expand partnership
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel

Economics

- Number of points of distribution: ~150
- As product would be simply added to existing stores, operator likely to accept low margin (status quo of 18%)
- Mint would make a very thin margin (~5-10%) on products sold

Potential barriers/concerns

- Delaware North has a significant presence in gaming/racing operations. They may want to sell product there
- Exclusive partnership may be an implied endorsement
- Current financial arrangement provides minimal profit

Next steps

- Engage with operator to gauge interest in expansion of relationship
- If interested, obtain information on operator’s current operations to better evaluate the opportunity

GROWTH CONCEPT: TARGET CORPORATE GIFTING OCCASIONS

Concept overview

- The Mint takes a series of actions to better serve the corporate gifting market
- Major actions that would be taken include advertising in corporate gift catalogs and websites, partnering with businesses that currently do a significant amount of corporate gifting business (e.g., L.L. Bean) and developing new packaging/formats for coins (e.g., plaque with space for a message along with an American Eagle Silver Dollar)
- Exact pricing would depend on whether the Mint was selling directly or through a partner, however, end retail prices would likely reflect the value-added nature of the product

Potential assortment

- Wide range of prices likely to be successful; demand for low-end products as well as higher-end
 - Step-up products likely to be successful (e.g., Silver AE for 10-year anniversary, Gold AE for 15, Platinum for 20)
- Customized products needed for the market

Fact-base opportunity assessment

- Significant amount of competition in the corporate gift space, though Mint's offering would be easily differentiable

Qualitative assessment

- Mint's products naturally fit in the corporate gifting space with balance of value, messaging and attractiveness
- For the format to be successful, the Mint would need to actively market the product to people purchasing corporate gifts and explain value of the product

Fit with assets and capabilities

- Additional personnel required to manage relationship with any partners
- Mint does not currently have the capabilities for a more advanced program (e.g., new products / formats)
- High level of manufacturing flexibility required to handle large orders

Economics

- Size of occasion: Businesses spend around \$25 billion on corporate gifts (including all logo paraphernalia)
- Overall economics likely to be attractive as premiums can be charged based on value-added
- Distribution approach (e.g., partners) would impact economics

Potential barriers/concerns

- If Mint sold more than just the raw coins (e.g., plaques with coins), could be viewed as competing with the private sector
- Partnerships could be viewed as implied endorsement

Next steps

- Internal assessment of ability to "go alone"; if assessment suggests partners are needed, determine what capabilities needed (product development, marketing, etc)
- Engage potential partners in preliminary conversations

GROWTH CONCEPT: D.C. COIN EXPERIENCE STORE

Concept overview

- Mint would develop a flagship store (likely in the Mint's Headquarters). Components of the store could include the full line of Mint products; exhibits and films on how coins are produced; displays on the history of money (both in the U.S. and overseas); interactive activities (e.g., Mint your own coin); store-within-a-store for non-current numismatic products and services (e.g., grading, appraisals)
- Targeted customers are D.C. tourists, with a secondary target being core collectors in the D.C. area. Associated occasions most likely to be souvenirs and gifting

Potential assortment

- Nature of the flagship store would require the full product assortment to be available, potentially along with licensed products
- As tourists are the key customer, a significant portion of the purchases would be impulse, suggesting a broad selection of items with low price points

Fact-base opportunity assessment

- 18 million domestic and 1 million foreign tourists visit Washington, D.C. annually
- Indirect competition with other museum gift shops (especially BEP), though no direct competition

Qualitative assessment

- Flagship store could play a significant role in improving awareness of the Mint's numismatic products
- For the flagship store to be successful, it will need to draw in significant traffic from tourists; financial success will be more challenging

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
 - Exhibits could be run by the historian's office
- Additional staff would be required to operate the store

Economics

- Number of points of distribution: 1
- High operating costs plus lack of scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Flagship store could be viewed as significantly outside the Mint's stated scope and raise concerns of it being a museums of sorts
- Implied endorsement of any store-within-a-store partners

Next steps

- Determine "best case" economics to see if store can be economically viable
- If option is not economically viable on its own, consider whether non-economic benefits (education) are significant

GROWTH CONCEPT: GOVERNMENT STORE

Concept overview

- Mint would work with other branches of government to develop a single store that would sell assorted government products
- Potential partner agencies include the Smithsonian, White House, Homeland Security, Congress and National Park Service
- Store would be located in a high-traffic area (e.g., right on the Mall)
- Targeted customers are D.C. tourists, with a secondary target being core collectors in the D.C. area. Associated occasions most likely to be souvenirs and gifting

Potential assortment

- Nature of the store requires the Mint to have fill a section of the store with Mint products, and as such a relatively broad assortment would be required
- As tourists are the key customer, a significant portion of the purchases would be impulse, suggesting a broad selection of items with low price points

Fact-base opportunity assessment

- 18 million domestic and 1 million foreign tourists visit Washington, D.C. annually
- Indirect competition with other museum gift shops (especially BEP), though no direct competition

Qualitative assessment

- Government store could play a role in improving awareness of the Mint's numismatic products
- For the store to be successful, it will need to draw in significant traffic from tourists; financial success depends on how operating expenses is allocated

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
 - Could be a "Center of Excellence"
- Additional staff would be required to operate the store

Economics

- Number of points of distribution: 1
- High operating costs plus lack of scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Government Store could be viewed as significantly outside the Mint's stated scope
- Challenge in coordinating government agencies and ensuring that it is operationally feasible

Next steps

- Determine if there is any appetite within the Mint to engage in such a program
- If there is interest, gauge interest with required partners

GROWTH CONCEPT: FULL MINT STORE

Concept overview

- Mint establishes a small (around 5) chain of stores that sells the full range of Mint products along with a large selection of licensed products and accessories
- Stores would be located in the retail district of major metropolitan areas (e.g., Chicago's Magnificent Mile) in order to maximize the likelihood of potential impulse purchasers coming in contact with the store
- Targeted customers include avid collectors in the store's vicinity and circulating savers who are more likely to be impulse visitors

Potential assortment

- Nature of the full Mint Store would require the complete product assortment to be available along with licensed products
- As the key goal of the store is to target impulse purchases, it would be appropriate to have a broad selection of items with low price points

Fact-base opportunity assessment

- If stores were located in each of the top 5 MSAs, they would reach one-fifth of the U.S. population
- The circulating saver market (the primary target) is at least 140 million, suggesting nearly 30 million located within the MSAs of stores

Qualitative assessment

- Stores could activate potential customers when they are able to see the product in person
- Limited scalability; potentially more effective ways to generate opportunities for customers to see the product

Fit with assets and capabilities

- Mint has the high-level capabilities required to manage a flagship store
 - Retail operations could be run in a manner similar to the D.C. area kiosks
- Additional staff would be required to operate the store and for local management

Economics

- Number of points of distribution: 5
- High operating costs plus lack of significant scalability suggests ability to generate significant revenue growth is unlikely

Potential barriers/concerns

- Store could be viewed as significantly outside the Mint's stated scope
- Potentially competing with private industry (coin dealers) in the area of the stores

Next steps

- Determine "best case" economics to see if store can be economically viable
- If option is not economically viable on its own, consider whether non-economic benefit (awareness) is significant

GROWTH CONCEPT: FRANCHISES

Concept overview

- Mint develops a concept (potentially kiosk-based, small stores or an expansion for existing coin dealers) that after testing is then made available for franchising
- As part of franchising, the franchisee would pay the Mint a franchise fee and ongoing royalties, and would receive rights to use the Mint name (e.g., all stores could be called "The Mint Store"), support in setting up the operation and running it in a manner consistent with other Mint Stores

Potential assortment

- Nature of the full Mint Store would require the complete product assortment to be available along with licensed products
- Franchisees would be able to choose their own product mix (with some guidance / requirements from the Mint)

Fact-base opportunity assessment

- Franchises would be a successful strategy to reach the 140 million circulating savers, especially those in less populous areas
- Becoming a franchisee could be an attractive proposition for current coin dealers

Qualitative assessment

- Successful franchise operations have an existing successful concept and use the franchising model to extend reach; the Mint would need to first have a successful concept before the franchise model is likely to work

Fit with assets and capabilities

- Mint does not currently have the existing concept on which a franchising arrangement would exist
- Mint would need to develop full franchise management capabilities (including real estate, design, finance and enforcement)

Economics

- Mint receives upfront revenue in the form of franchise fees, however the more significant long-term source of revenue is franchisee royalties, which are typically 4%
- True economic implication driven by the number of new customers franchisees will be able to attract

Potential barriers/concerns

- Uncertain political viability of a concept where franchisees could go out of business after paying Mint franchising fee
- Mint must determine approach to minimize channel shift from direct Mint channels to the franchisees

Next steps

- Determine what the franchise concept would look like
- Conduct preliminary conversations with current dealers to gauge their interest in becoming a franchisee

CONCEPT OVERVIEWS

- Strengthen core business
- Expand to new customers
- **Enter international markets**

GROWTH CONCEPT: PARTNERSHIP WITH FOREIGN MINTS

Concept overview

- The Mint sells products through selected foreign mints in exchange for displaying and selling products from those foreign mints in their retail locations
- The Mint also sells products through non-physical channels (e.g. website, catalog) in exchange for selling foreign mint products via the Mint's alternative channels
- Product exchange could consist of all Mint products or of selected products with international appeal (similar to the past partnership with the Swedish Mint)

Potential assortment

- The Mint could designate selected products targeted at international customers
- A full range of products could be available depending by location, channel type, and agreement with foreign mint

Fact-base opportunity assessment

- The Mint has existing relationships with foreign mints via participation in the Mint Directors Conference
- Germany and the UK are the leading international markets for US numismatics
- Most foreign mints appear to utilize similar sales channels as the US Mint

Qualitative assessment

- Foreign mints already access the market for collectors of national mint numismatic products
- With limited retail space, the majority of US Mint sales of foreign products would likely occur through alternative channels
- This approach could dovetail with the development of new internationally targeted products

Fit with assets and capabilities

- It is within the Mint's existing capacity to designate space in current retail locations for products from other mints; however that space would be limited
- The Mint would need to increase capacity within non-physical purchase channels (e.g. catalog, phone and website purchases)

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The trade-off aspect of an agreement might allow the Mint to increase the number of retail channels to which it has access at little or no cost; however, allowing foreign mints to utilize existing US Mint channels might cut into existing Mint revenues

Potential barriers/concerns

- There are potentially political concerns with the US Mint selling non-US Mint products from government-owned retail space

Next steps

- Evaluate the full partnership model compared with the limited product model
- Identify target partner Mints and target products for sale

GROWTH CONCEPT: INT'L THIRD PARTY MASTER DISTRIBUTOR

Concept overview

- Mint contracts with a an international retailer to promote, distribute, and sell Mint products in retail locations worldwide
- Similar to the agreement with Delaware North, the Mint would not be involved in day to day retail operation, rather would act as a supplier

Potential assortment

- A full range of products would be available depending on location and channel type

Fact-base opportunity assessment

- International sales are relatively small both in gross and as a percentage of US Numismatic Exports, potentially impeding distribution interest
- Germany and the UK are currently the leading international markets for US Mint products

Qualitative assessment

- Utilizing a third party saves the Mint from having to develop expertise in the international retail market
- International sales are currently so low that it is reasonable to assume there is room for dramatic growth in primarily incremental sales

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- If the distributor is given a discount similar to that given to the domestic distributor, the Mint will realize a very thin margin

Potential barriers/concerns

- Identifying a third party distributor willing to work with the Mint
- Uncertain information regarding international demand for Mint products

Next steps

- Identify target international markets
- Identify candidates to serve as master distributor

GROWTH CONCEPT: INT'L EXCESS INVENTORY DISPOSITION

Concept overview

- In a manner that remains consistent with the Mint's practice of not selling dated coins for longer than one year domestically, sell excess inventory internationally through one or more of the international channels identified
- The Mint will increase revenue without any increase in production cost as the products sold will have already been produced

Potential assortment

- The product line would consist of all Mint products left unsold in the Mint's typical product lifecycle
- Mint products falling into this category vary by year

Fact-base opportunity assessment

- Mint policy prohibits Mint sales of not-current year products
- The Mint produces varying amounts of excess numismatic products annually
- Currently those products are destroyed

Qualitative assessment

- This approach is qualitatively new for the Mint in that it will be entering the market for not-current numismatics for the first time
- Engaging in this approach could impact decisions the Mint makes with respect to production in a way that increases mintage

Fit with assets and capabilities

- The Mint would need to leverage international distribution channels that currently do not exist in order to sell the products
- Additional capacity needed to monitor and implement distribution of product might be offset by savings in reducing costs associated with destroying excess products

Economics

- Currently these products are destroyed; sale of these products are therefore all incremental
- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The margin will depend on the requirements of the retailer used to distribute the products

Potential barriers/concerns

- The Mint would need to use a sales and distribution model compliant with federal law on not-current products
- In order to attract international distributors, the Mint would likely have to relinquish pricing control
- Competitors (i.e. dealers) might object to the Mint's entering the non-current year market

Next steps

- Identify which international sales channels would best support this concept
- Determine impact of concept on mintage and pricing

GROWTH CONCEPT: INT'L DIRECT RESPONSE SUPPLIER / PARTNER

Concept overview

- The Mint partners with international direct response suppliers (e.g. Home Shopping Network) to expand direct sales in international markets
- In addition to short-term revenue growth, the Mint leverages direct retailers' access to a broad customer base to grow interest in US Mint numismatic products

Potential assortment

- A full range of products would be available depending on retailer strategy
- The current direct response product array consists primarily of the Mint's regular products repackaged

Fact-base opportunity assessment

- Existing direct response channels (e.g. the Home Shopping Network) already sell US Mint numismatic products
- International sales among direct response retailers are growing at twice the rate of domestic sales

Qualitative assessment

- HSN and other direct suppliers have demonstrated the ability to sell numismatic products and are growing their presence abroad
- To attract partners, the Mint might have to limit restrictions it currently places on presentation, price, etc.
- Utilizing a third party prevents the Mint from having to develop expertise in the international retail market

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- Depending on the discount made available to retailers, the Mint's margin could be substantially decreased

Potential barriers/concerns

- There is little data on the market for US Mint Numismatics abroad potentially impeding supplier interest
- Direct response retailers currently act as US Mint competitors

Next steps

- Identify target partners (e.g. HSN) based on market share, sales format, and partnership agreements
- Evaluate typical sales and distribution agreements with direct response partners

GROWTH CONCEPT: INT'L DEALER TRADE SHOW

Concept overview

- The Mint establishes a presence at International Numismatic Dealer shows and conventions
- The Mint develops sales and distribution channels with international coin dealers
- Additionally, the Mint sells selected products at the shows

Potential assortment

- The Mint would take orders for the full range of Mint products to be fulfilled for individual dealers
- Additionally, the Mint would sell high value products (e.g. gold) at the shows

Fact-base opportunity assessment

- There appears to be a substantial dealer presence and interest in US numismatics in Germany and the UK
- There are several large coin dealer shows throughout Europe

Qualitative assessment

- Presents an efficient way for the Mint to access an array of international sales and distribution outlets
- This approach has been successful in other specialty markets (e.g. golf paraphernalia)

Fit with assets and capabilities

- While the Mint has a team that has attended international coin shows in the past, there is no staff dedicated solely to that purpose within the Mint
- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- Depending on the discount made available to retailers, the Mint's margin could be very thin

Potential barriers/concerns

- Requires Mint sales representatives to more frequently travel internationally
- Could require individual negotiations and agreements with multiple small dealers

Next steps

- Identify largest international dealer shows and avenues for accessing them
- Evaluate ways to streamline international travel approval

GROWTH CONCEPT: INT'L FOCUSED NEW PRODUCTS

Concept overview

- The Mint develops and introduces new products targeting international customers
- Products would focus on international themes (e.g. the World Cup, the Seven Wonders of the World, and the Olympics)

Potential assortment

- These products would be similar to existing products within the commemoratives and medals lines

Fact-base opportunity assessment

- The Mint typically sees a revenue spike when introducing new products
- Restrictions on commemoratives and medals would limit the quantity of product types produced

Qualitative assessment

- These products could serve as an entry point to increase the number of international customers interested in higher-end gold products
- To be effective, this approach will need to be coupled with the development or expansion of international sales channels
- In addition to international customers, these designs will likely attract new and existing domestic customers

Fit with assets and capabilities

- The Mint might require additional design talent to produce compelling products
- Currently, the Mint lacks the capacity to efficiently sell and distribute these products internationally

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- The economics will depend largely on the channels selected to market, sell, and distribute these products as well as the materials selected to manufacture the products

Potential barriers/concerns

- There could be political pushback on designs intended to attract international customers

Next steps

- Identify appropriate international sales channels through which new products may be distributed
- Explore potential design themes

GROWTH CONCEPT: INT'L THIRD PARTY MASTER DISTRIBUTOR

Concept overview

- Mint contracts with a vendor to promote, distribute, and sell Mint products in retail locations outside of the US
- Similar to the agreement with Delaware North, the Mint would not be involved in day to day retail operation, rather would act as a supplier

Potential assortment

- A full range of products would be available depending on location and channel type
- Preliminary data indicates that gold product might have significant appeal internationally

Fact-base opportunity assessment

- International sales of US Mint products are relatively small both in gross and as a percentage of US Numismatic exports, potentially impeding distribution interest (\$1.5m to seven target countries in 2005)
- Germany and the UK are currently the leading international markets for US Mint products

Qualitative assessment

- Utilizing a third party saves the Mint from having to develop expertise in the international retail market
- International sales are currently so low that it is reasonable to assume there is room for dramatic growth in primarily incremental sales

Fit with assets and capabilities

- Expansion of performance monitoring would be necessary, most likely requiring additional personnel
- The Mint currently lacks the replenishment capabilities likely required in light of what would be volatile demand forecasts

Economics

- Economic analysis should factor in the cost of shipping internationally and other international expenses (e.g. tariffs)
- If the distributor is given a discount similar to that given to the domestic distributor, the Mint will realize a very thin margin

Potential barriers/concerns

- Partnership terms required by Mint may be unappealing to third party distributors
- Uncertain information regarding international demand for Mint products

Next steps

- Identify target international markets
- Identify candidates to serve as master distributor

CONFIDENTIAL

Entering International Markets



Business Case

September 2006

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STRATEGY: KEY COMPONENTS ENTER INTERNATIONAL MARKETS



The Mint should not pursue international expansion at this time, but should proactively develop relationships with potential distributors while continuing to assemble facts and monitoring developments in key markets

- An exhaustive review of available information suggests limited evidence of demand for the Mint's existing numismatic (or numismatic bullion) offering
 - Mint has less than \$3 million in direct sales, primarily to dealers; channel checks reveal virtually no presence (where available, only for a premium)
 - Not a single order from the six registered international bullion distributors
- However, because sizable demand does not exist currently does not mean there is no potential. It is tempting to attempt to extrapolate the Mint's recent success in the U.S. with numismatic bullion to markets with populations 5-10x the size. Optimism should be tempered, however, since tapping into any potential would require the Mint to take actions that are unfamiliar
 - New product development focused specifically on international customers
 - Focused promotion to launch new products (e.g., communications designed to influence beliefs, shift preferences, change behaviors, etc.), which often has explicit demand creation objectives
- In the near term, we recommend a limited investment to test further demand
 - Approach major international coin expos in a trade show model (secure distribution, take orders for future delivery, sell direct to public, etc.)
 - Engage foreign distributors about interest in exclusive distribution agreements
 - Consider testing potential Japanese market demand through Honolulu kiosk
 - Develop relationships and gather market intelligence in India and China

CONTENTS

- **Overview of international numismatic and bullion market**
- Detail on numismatic market
- Recommended approach to entering the international market

INTERNATIONAL NUMISMATIC MARKETS ARE NOT WELL DEVELOPED

Existing international numismatic markets represent >\$175 million

Country	Host mint annual sales \$ Millions	Population Millions
U.K.	78	60
Canada	51	33
China	19	1,304
Australia	15	20
Germany	9	82

U.S. Mint has virtually no presence in most international markets

- Less than 1% of U.S. Mint sales go overseas
- There is little to no demand for uncirculated and clad annual sets
- Precious Metals (American Eagles, Silver Proofs, and Commemoratives) account for 72% of overseas revenue
- 62% of overseas sales go through likely dealers

Multiple approaches leveraged; limited publicly available information

Ancillary information suggests presence of large, installed collector (or investor base) in many markets

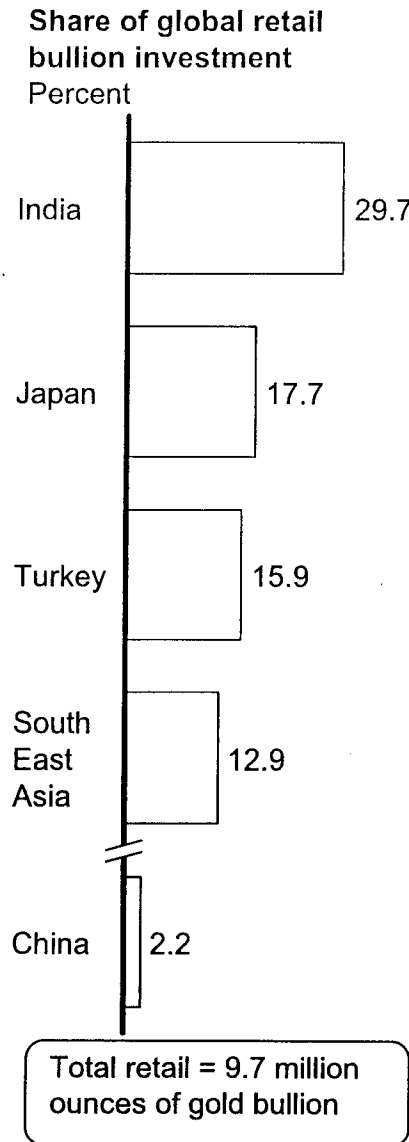
- Numismatic**
- U.K. and continental Europe in general (and Germany in particular) appear to have active numismatic communities
- Bullion**
- Activity is significant and concentrated – India, Japan, Turkey, and Vietnam accounted for ~75% of 2003 retail sales
 - Note: Europe has shifted away from physical gold - bullion coins used in gift-giving or commemorative role

U.S. exports over \$50 million of numismatics annually

\$ Millions; 2004

	U.S. exports	U.S. imports
Germany	19.3	6.6
U.K.	10.3	18.7
Canada	7.5	98.2
Japan	1.5	0.4
China	1.3	9.8
All others	14.0	126.3
Total		261

INTERNATIONAL BULLION MARKETS ARE CONCENTRATED – 4 MAJOR MARKETS ACCOUNT FOR >75% OF GOLD BULLION RETAIL SALES



Highlights from recent U.S. Mint research on International bullion markets

Overview

- 22-karat jewelry remains the main form of Indian gold savings
- Coins are bought for 4 purposes – family gifts, corporate gifts, religious motifs and hoarding/personal savings
- Japanese buyers are used to buying overseas bullion coins for either gifting or investment reasons
- 100% are locally produced 22-karat pieces - virtually no demand for imported primary bullion coins
- Physical bullion remains attractive to a broad group of investors in East Asia
- Gold often used as a store of wealth, a common thread intertwined with the savings mentality of many in the region
- Chinese bar and coin demand has been constrained by only partial liberalization; currently serviced exclusively by locally minted bullion
- 24-karat jewelry dominates the gold investment market

Barriers to entry

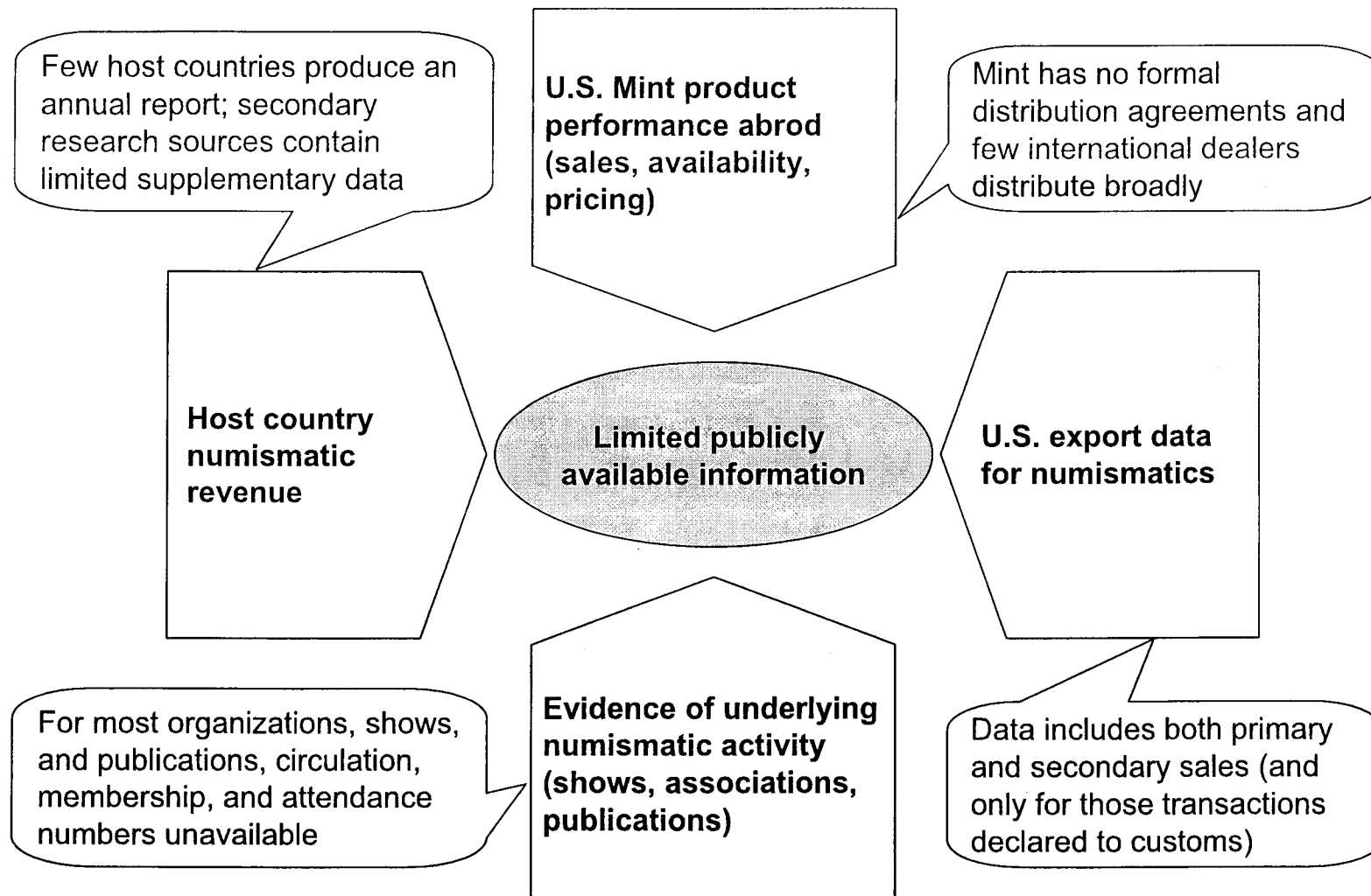
- Restriction exists on the circulation of any “foreign” legal tender in India
- Unlikely Reserve Bank of India (RBI) would allow U.S. dollar denominated “gold coin” to be marketed in India
- Limited
- Price competition (Mint charge of 1%) and strong domestic preference
- Limited barriers – East Asia is unique as close to 100% of bullion coin sales are pieces minted outside of the region
- Gold bars and coins cannot be imported into China unless approval has been received from the People's Bank of China
- For gold bullion, only 4 state-owned commercial banks are licensed by PBoC to import gold into the country

CONTENTS

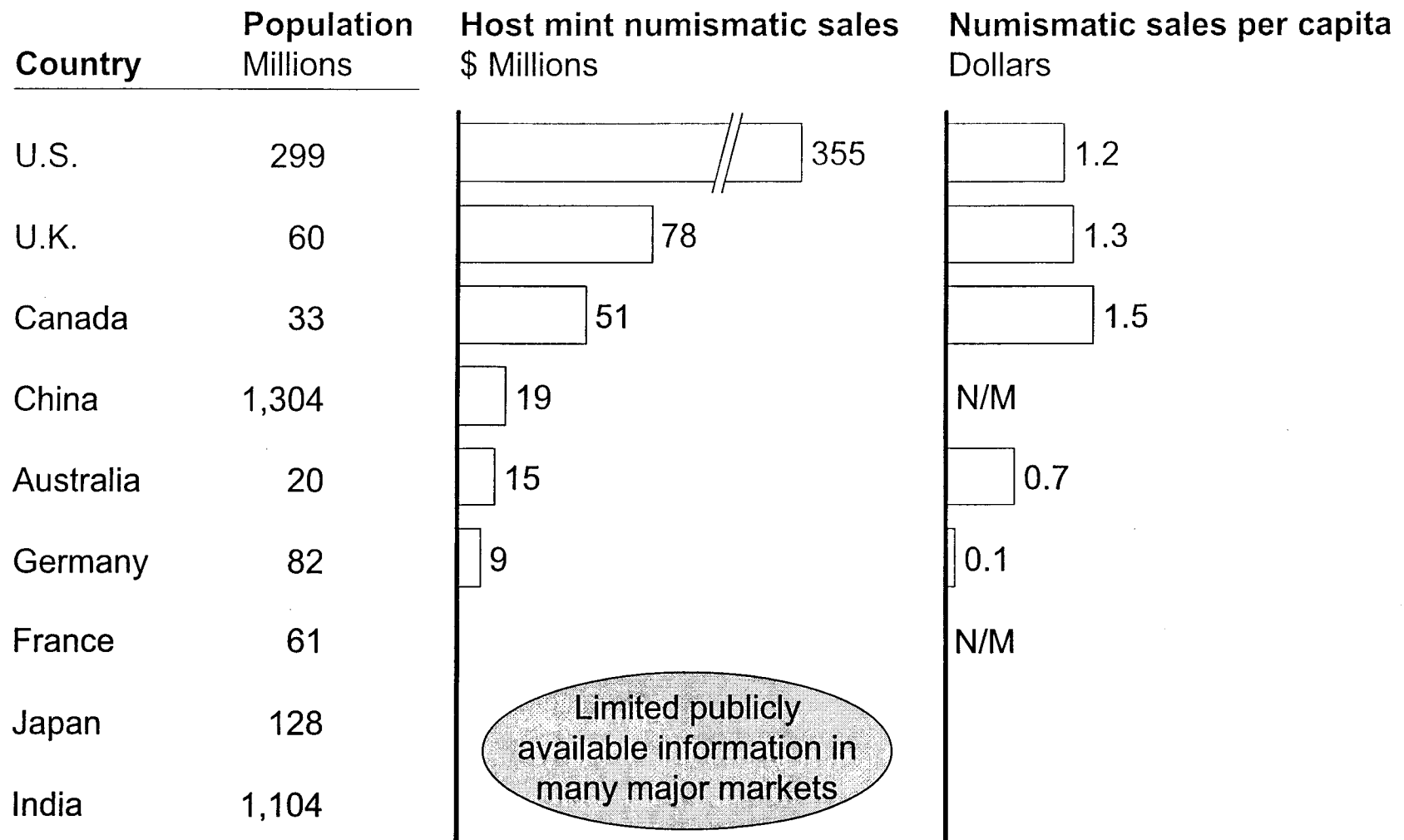
- Overview of international numismatic and bullion market
- **Detail on numismatic market**
- Recommended approach to entering the international market

MULTIPLE APPROACHES LEVERAGED TO ASSESS EXISTING INTERNATIONAL NUMISMATIC MARKETS

Challenges



TOTAL INTERNATIONAL NEW ISSUE NUMISMATIC MARKET SIZE IS ESTIMATED TO BE ~\$175 MILLION (1/2 THE SIZE OF THE U.S. MARKET)



SIGNIFICANT NUMISMATIC ACTIVITY EXISTS IN MAJOR MARKETS

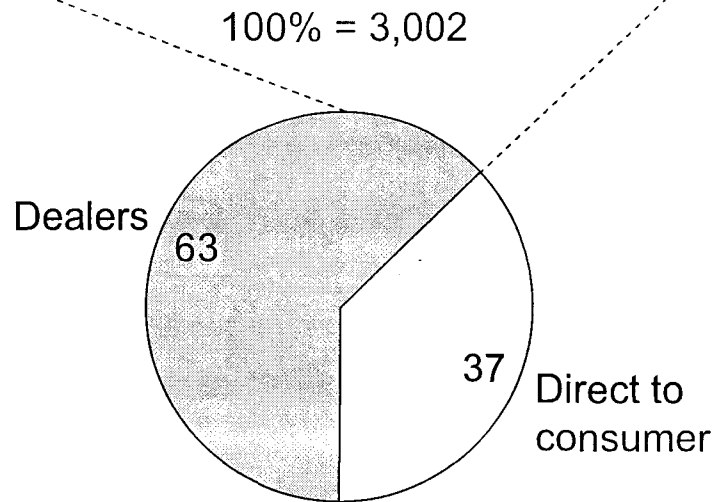
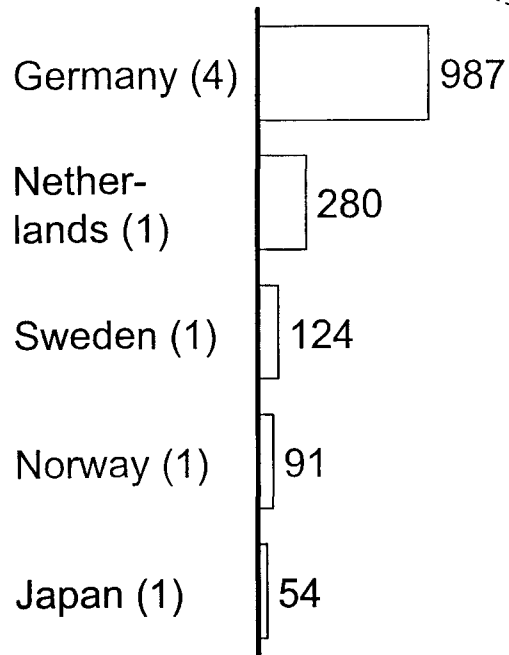
Country	Trade shows/exhibitions (dealers/attendees)	Trade publications (circulation)	Numismatic organization (membership)
Germany	<ul style="list-style-type: none"> • World Money Fair (280/11,000) • Int. Münzmesse mit Briefmarken (457 nat., 103 intl./20,094) • 5 other major shows 	<ul style="list-style-type: none"> • Münzen & Papiergeld • Münzen-Revue • Coin Values 	<ul style="list-style-type: none"> • No information available
U.K.	<ul style="list-style-type: none"> • B.A.N.S. Congress 2006 • Coinex 2006 • Multiple regional shows 	<ul style="list-style-type: none"> • Coin News (12,000) • Seaby's British Coins (11,000) • Coin Monthly (10,534) • Numismatic Chronicle (1,250) • British Numismatic Journal (650) 	<ul style="list-style-type: none"> • British Assoc. of Numismatic Societies (~65 local orgs.) • British Numismatic Trade Association (65 major dealers) • Royal Numismatic Society (1096)
Canada	<ul style="list-style-type: none"> • CNA Convention 	<ul style="list-style-type: none"> • The Atlantic Numismatist • Canadian Coin News 	<ul style="list-style-type: none"> • Canadian Association of Numismatic Dealers (65) • Canadian Numismatic Assoc.
Australia	<ul style="list-style-type: none"> • ANDA Shows (Perth (1,300), Canberra, Brisbane, Melbourne) • Multiple regional shows 	<ul style="list-style-type: none"> • Australian Numismatic Society • Australasian Numismatic Dealers • Numismatic Assoc. of Australia 	<ul style="list-style-type: none"> • Royal Australian Mint Quarterly Publication (40,000) • Australasian Coin Magazine • Australian Coin Review
China	<ul style="list-style-type: none"> • Beijing International Coins & Stamps Exhibit (?/40,000) 	<ul style="list-style-type: none"> • China Jiyou News (>100,000) • China Gold Coin (10–20,000) 	<ul style="list-style-type: none"> • China Numismatic Association (62,000)
India	<ul style="list-style-type: none"> • Coin Expo, 2006; Coin Fest '06 • 89th National Conference of Numismatic Society of India 	<ul style="list-style-type: none"> • No major trade publications 	<ul style="list-style-type: none"> • Mumbai Coin Society • 11+ regional/local numismatic associations
France	<ul style="list-style-type: none"> • TBD 	<ul style="list-style-type: none"> • TBD 	<ul style="list-style-type: none"> • TBD
Japan	<ul style="list-style-type: none"> • No information available 	<ul style="list-style-type: none"> • No information available 	<ul style="list-style-type: none"> • No information available

63% OF U.S. MINT'S EXTREMELY LIMITED INTERNATIONAL SALES IS THROUGH DEALERS*

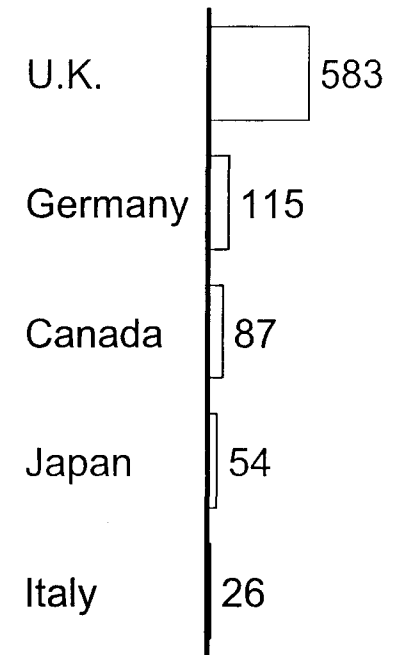
\$ Thousands; October 2004-March 2006

() Number of deals

Top 5



Top 5
















* See appendix for classification explanations

Source: < _____ >

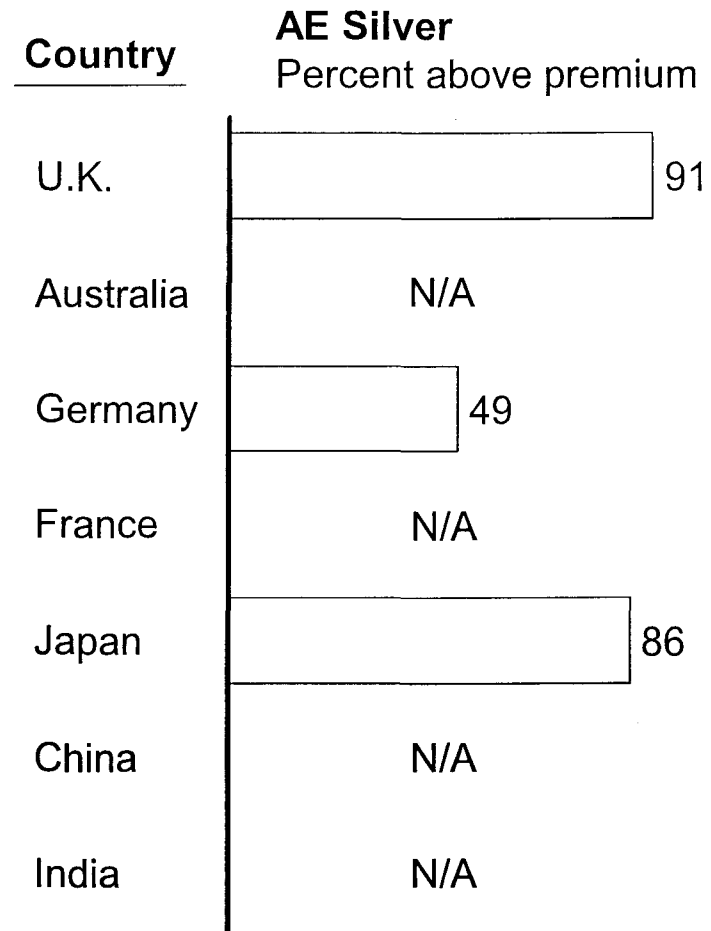
U.S. MINT PRODUCTS WERE NOT READILY AVAILABLE IN MOST MARKETS

PRELIMINARY

-  Limited availability
-  Some availability
-  Wide availability

	Uncirculated sets	Proof sets	American Eagle Silver	American Eagle Gold
U.K.	X	X		
Australia	X		X	X
Germany				
France	X			
Japan	TBD	TBD	TBD	TBD
China	One distributor			
India	X	X	X	X

**WHEN AVAILABLE, MINT PRODUCTS TYPICALLY SOLD AT A
50-90% PREMIUM**



CONTENTS

- Overview of international numismatic and bullion market
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AGGRESSIVE INTERNATIONAL EXPANSION NOT ADVISED AT THIS TIME

Three general approaches	Size of prize	Primary rationale	Suggested next steps by market
<ul style="list-style-type: none"> • Distribute existing numismatic products 	<ul style="list-style-type: none"> • Limited 	<ul style="list-style-type: none"> • Weak existing sales in spite of fairly active collector communities in several countries 	<ul style="list-style-type: none"> • UK and continental Europe have established collector bases <ul style="list-style-type: none"> – Approach Berlin Money Fair as a trade show – Engage potential foreign distributors in direct discussions about potential interest in exclusive distribution agreements • India and China have sizable, interested populations (33% interest in China, 68% in India), but are currently closed <ul style="list-style-type: none"> – Monitor the regulatory environment – Invest in advance of openings to build relationships and be positioned to launch • Japan has affinity for premium brand (Mint has a premium product though its brand is not well established currently) <ul style="list-style-type: none"> – Test potential demand via recommended foreign tourist approach (kiosk pilot in Honolulu may provide best assessment)
<ul style="list-style-type: none"> • Develop new products (e.g., 7 Wonders of the World series) 	<ul style="list-style-type: none"> • Unknown 	<ul style="list-style-type: none"> • Mint research suggests some interest/purchase intent; however, success would likely require aggressive marketing 	
<ul style="list-style-type: none"> • Pursue higher share of existing bullion markets 	<ul style="list-style-type: none"> • Limited 	<ul style="list-style-type: none"> • Sizable, but largely unattractive markets (strong local preferences, low margin, high barriers to entry, significant investment requirements) 	

Mint should pursue a low-risk, low-cost approach to continue to build its fact base and develop relationships in key markets

APPENDIX – DETAILS ON COUNTRY-LEVEL PRODUCT AVAILABILITY

Reference Guide to US Mint Products

Uncirculated Set (Retail: \$16.95)*	Proof Set (Retail: \$22.95 clad; \$37.95 silver)*	American Eagle Silver Proof (Retail: \$37.95)*	American Eagle Gold Proof (Retail: \$885.00 1 oz.; \$420.00 half oz.; \$215.00 quarter oz.; \$105.00 tenth oz.; \$1,495.00 four-coin set)*
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Uncirculated Sets include two coins of each denomination (1 from each US Mint) for a total of 22 coins. They are uncirculated versions of standard circulated coins with a special satin finish



Proof sets include 1 coin of each denomination. Proofs are extraordinarily brilliant with sharp relief, frosted sculpted foregrounds, and mirror-like backgrounds. Proof sets are available in clad (the coin's base metal) and silver. Annual clad and silver proof sets that include one quarter for each of five featured US states are also available.



American Eagle Silver Proof coins are one ounce pure silver coins featuring frosted images on a mirror-like background



American Eagle Gold Proof coins come in 22k full ounce and fractional ounce sizes (one-tenth ounce, one-quarter ounce, and one-half ounce) and feature frosted images on a mirror-like background. All three fractional coins and the full ounce coin are available in one four-coin set

* All prices in usd

CHANNEL CHECK – GERMANY

Telephone/physical	Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
	Hercher Münzen GmbH	2004: €21+7% 2005: €19+7%	Silver: €31+7% Copper/Nickle: €27+7%	2006: €32+7% 2005: €38+7%	n/a
	Münzhandel Goldankauf	2005: €29,-	2006: Silver: €32,57 Copper/Nickle: €22,-	2005: €30,25	approx. €600-700
	Münzversand Kleiner	n/a	2006: Silver: €43,- Copper/Nickle: €37,-	2005: €36,-	2006: €795,-
Web only					
	www.muenzauktion.com	n/a	n/a	1994: 999Silver: €15,- 2003: Silver gold-plated: €22,50	n/a
Web only					
	www.numismatik-online.de	n/a	n/a	n/a	n/a

CHANNEL CHECK – U.K. (1 OF 2)

Telephone/physical	Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
	Chard, 521 Lytham Road, Blackpool, Lancs, FY4 1RJ	N/A	N/A	£11.95 (2006)	£390 (full ounce, 2005)
	Collector's Gallery 7 Castles Gates, Shrewsbury, SY1 2AE	N/A	N/A	Millennium Silver Eagle £10	N/A
	Baird and Co. 304 High Street, London, E15 1AJ, 0207 930 6879	N/A	N/A	N/A	£363.25 (1oz) £187.50 (1/2 oz) £101.75 (1/4 oz) £42.25 (1/10 oz)
	CoinCraft, 45 Great Russell Street, London, WC1B 3Lu, 0207 636 1188	N/A	N/A	£15-£16 (recent)	N/A
	Airedale Coins, PO Box 7, Bingley, West Yorkshire, BD16 4ST (also sell on the web)	N/A	N/A	£30 (2006/2003/2002 1 oz proof in issue box); £30 (1oz proof); £11.50 (2006/2005/2004/2003 1oz Eagle); £12 (2001/2002 1oz Eagle)	N/A

CHANNEL CHECK – U.K. (2 OF 2)

Web only

Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
Weighton Coin Wonders www.weightoncoin.com			£11.50 (2006 1oz Eagle)	£395 (1986, 1987 and 1989 1oz Eagles in stock); £195 (1/2 oz 1987 Eagle); £199 (1/2 oz 2004 Eagle). Also have 2006 1oz American Buffalo Gold Bullion Coin (£390)
Westminster Collection www.westminstercollection.com	N/A		£14.99 (+ £1.99 p&p) (2006)	
Tax Free Gold (owned and operated by Chard) www.taxfreegold.co.uk/	N/A	N/A	N/A	"Gold bullion prices fluctuate constantly. We don't try to maintain a current price quotation on our website. Please contact us if you wish to buy or sell eagles. At the last update of this page, we could offer eagles at 10% premium for singles, and £10 premium for quantity of ten or more, over the intrinsic bullion price."

CHANNEL CHECK - FRANCE

Telephone/physical	Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
	Inumis 42 r Vivienne 75002 PARIS 01 40 13 83 19	N/A	N/A	N/A	Buffalo Gold Coin will be available in 3 weeks.
	Panorama Numismatique 4 r Panoramas 75002 PARIS 01 42 33 38 31	2001 : 25 €	2002 : 25 €	1992 : 15 €	N/A
	Merson 33 r Vivienne 75002 Paris 01 42 33 81 67 http://www.aparismerson.com/	N/A	N/A	24 € (2005)	N/A About 600 € when available
	Saint-Marc Collections 38 r Vivienne 75002 PARIS 01 40 26 24 50	N/A	N/A	10,50 €	N/A About 500 € when available
	C.G.B (Compagnie Générale de Bourse) 46 r Vivienne 75002 PARIS 01 42 33 25 99 http://www.cgb.fr/indexf.html	N/A	N/A	N/A	N/A
	C.G.F (Comptoir Général Financier) 36 r Vivienne 75002 PARIS 01 40 26 42 97	N/A	N/A	N/A	N/A

CHANNEL CHECK – AUSTRALIA (1 OF 3)

Telephone/physical

Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
Monetarium Australia www.monetarium.com.au	N/A	\$5 gold coin & \$1 silver coin Constitution commemorative AUD 275	N/A	N/A
Wynyard Coin Centre	discontinued	discontinued	From AUD 15	N/A
Jaggards www.jaggards.com.au	N/A	N/A	N/A	\$5 and 20 gold coin, Liberty from AUD 275 to 895
KCJ http://www.kjc.com.au	N/A	N/A	N/A	\$5 and 20, Liberty from AUD 250 to 995; \$2 and 10, Indian from AUD 350 to 595; \$20, St Gaudens at AUD 995

CHANNEL CHECK – AUSTRALIA (2 OF 3)

Telephone/physical	Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
	Downies http://www.downies.com/	USA 2004 State Quarters Unc Set AUD 9.45	1999- 2005 US Mint's annual Proof Set 11 coins, AUD 79.95 to 299,	2003 \$1 First Flight Silver Eagle AUD 49.95; 2004 Silver Eagle Complete Collection AUD 199.95	N/A
	Noble Numismatics http://www.noble.com.au	N/A	N/A	N/A	N/A
	Prospect Stamps and Coins http://www.prospectstampsandcoins.com.au/	N/A	N/A	N/A	N/A
	Peter Strich Stamps & Coins	N/A	N/A	N/A	N/A
	Sydney coins	N/A	N/A	N/A	N/A

CHANNEL CHECK – AUSTRALIA (3 OF 3)

Web only

Channel	Uncirculated Set	Proof Set	American Eagle Silver Proof	American Eagle Gold Proof
Shellhutchocoins http://www.shellhutchocoins.com/	N/A	N/A	AUD 30	N/A
Newcastle Coins http://www.newcastlecoins.com.au/	N/A	N/A	N/A	N/A

CHANNEL CHECK – JAPAN (WEB ONLY; NO PHYSICAL DISTRIBUTION)

Product name	Year of issue	Price (JPY)	Channel
New American Buffalo 24K, Proof (\$50 gold coin)	2006	135,000	Taisei Coins
American Eagle, Proof (\$1 silver coin)	2006	6,000	Taisei Coins
50 States Series, UNC (5 types of 25 cent coin)	2005	3,000	Taisei Coins
50 States Series, Proof (5 types of 25 cent coins, 2 types of commemorative 5 cent coins, and ordinary 4 types of coins)	2005	7,500	Taisei Coins
50 States Series, Proof (5 types of 25 cent coins, 2 types of 5 cent coins, and ordinary 4 types of coins)	2004	5,500	Taisei Coins
Statue of Liberty, VF (3 types of commemorative coins)	1986	45,500	Bidders

Reference Guide to Japan Mint Products for Overseas Customers

The opening of Chubu Centrair International Airport	Expo 2005 Aichi Japan	Expo 2005 Aichi Japan – JPY 500 Nickel-brass commemorative coin mint set
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The 500 yen pure silver coin weighs 15.6g (1/2 oz) and has a diameter of 28mm.

The obverse of 500 yen silver coin features the image of the full-scale offshore airport, seen from an airplane.

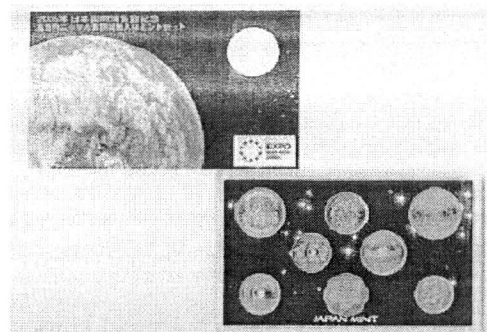
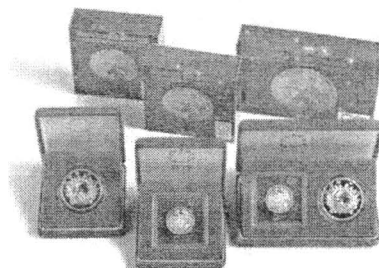
On the reverse side, a large ribbon is placed to celebrate the opening of the airport. With the latent image technology, two images appear inside of the ribbon both alternately and simultaneously; an airplane on a clock face, which depicts the round-the-clock, twenty-four-a-day service airport; and the bird-eye view of the region, which implies an airplane flies to the world.



Japan Mint has produced three kinds of commemorative coins; 10,000 yen gold and 1,000 yen silver proof coins, and 500 yen nickel-brass coins for regular circulation in Japan.

The gold coin features the globe, surrounded by the sun, the moon, stars, clouds, rain, lightning and water flow. A family of owls, regarded as the Aichi prefecture's bird, appears against the earth. The design symbolizes the marvelous mechanism of nature and the power of life.

The silver coin features the blue planet, surrounded by young trees. With the sophisticated pad-printing technology, a satellite photograph is well copied in three colors: blue, white and gray. The design symbolizes the peaceful unification of human beings and the love for the nature.



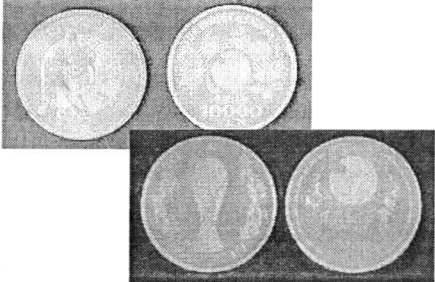
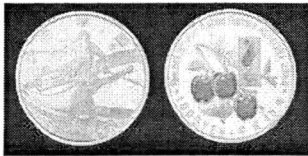
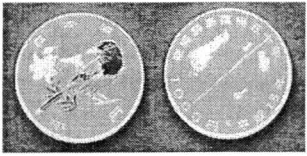
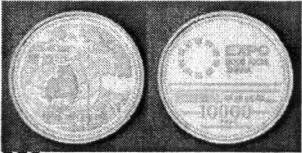
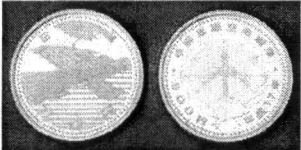
This mint set includes and EXPO AICHI JAPAN 500 yen nickel-brass commemorative coin in uncirculated condition as well as six regular coins of Japan.

The obverse of the 500 yen nickel-brass coin features a world map. Across the globe is the official logo of the EXPO, which reads "Love the Earth Exposition" in Japanese.

The 500 yen nickel-brass coin has a same design as EXPO 2005 gold and silver coins on the reverse side.

The production of this mint set is not more than 200,000 sets in total, and up to the 5%, equivalent to 10,000 sets, is allocated to overseas customers.

Japanese Commemorative Coins Issued

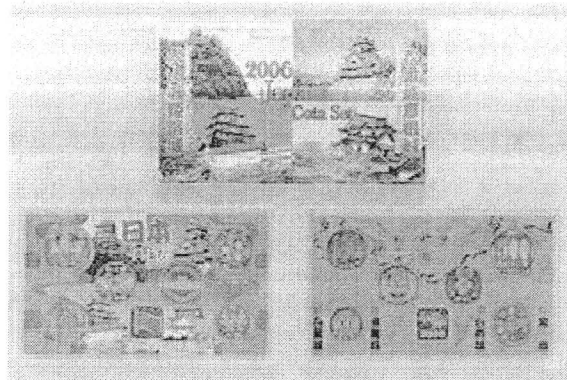
	<u>FIFA World Cup Korea/Japan</u>	<u>The 5th Winter Asian Games Commemorative</u>	<u>The 50th anniversary of the restoration of the Amami Islands to Japan</u>
Year of issue:	2002	2003	2003
Kinds of coins	Gold JPY10,000), silver (JPY1,000, Nickel-brass (JPY500)	Silver (JPY1,000)	Silver (JPY1,000)
Volume of issue (thousands)	30,200	10,000	50
			
	<u>The Expo 2005 Aichi Japan</u>	<u>The opening of Chubu Centrair International Airport Commemorative</u>	
Year of issue:	2004/2005	2005	
Kinds of coins	Gold (JPY10,000), silver (JPY1,000), Nickel-brass (JPY500)	Silver (JPY500)	
Volume of issue (thousands)	50	50	
			

Source: Japan Mint homepage

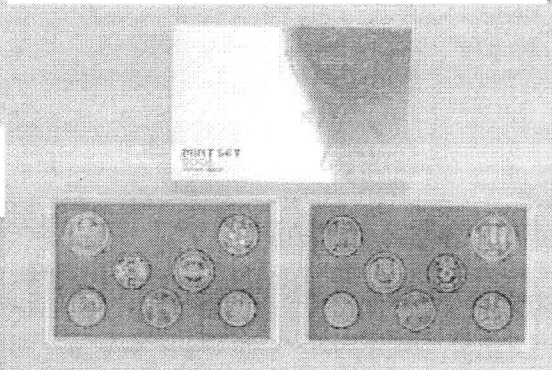
Reference Guide to Japan Mint Products for Domestic Customers

EXAMPLE

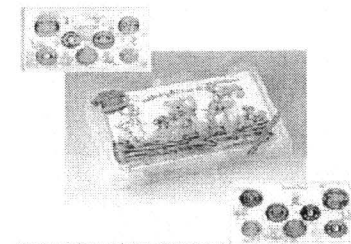
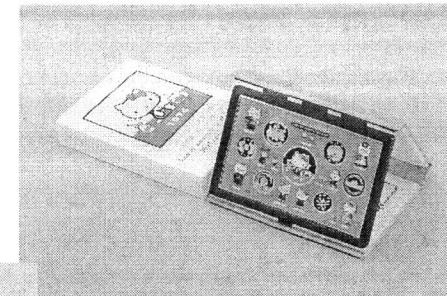
Traditions and heritage



Annual mint set



Featuring popular characters



Source: Japan Mint homepage

CONFIDENTIAL

Numismatic Revenue Growth Strategy

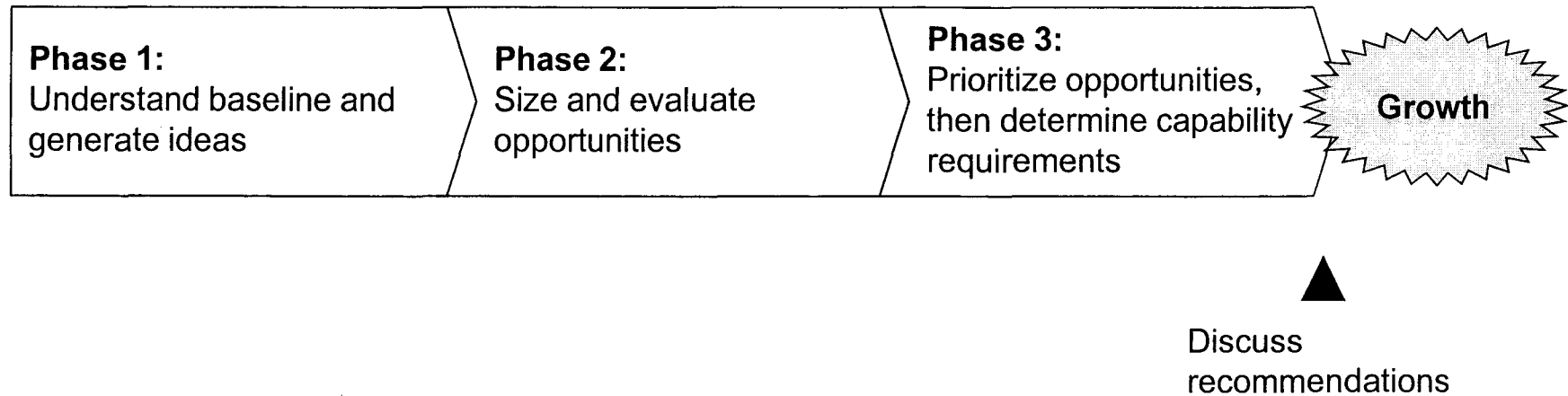


Final Progress Review

September 25, 2006


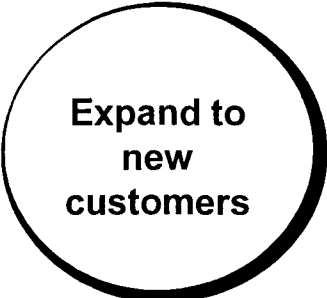

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TODAY'S DISCUSSION



GROWTH STRATEGY OVERVIEW

In order to maintain and grow revenue, the Mint must adopt a mindset that focuses on innovation and rigorous execution. Such a mindset will lead the Mint to quickly adopt consumer goods best practices and expand to new customers and geographies

	Description	Potential value*
 <p>Strengthen core business</p>	<ul style="list-style-type: none"> Expand revenue from the core customer base by <ul style="list-style-type: none"> Ensuring the success of the Presidential \$1 Coin Investing in an expanded education program Building innovation capabilities Adopting 13 additional consumer goods best practices 	<ul style="list-style-type: none"> \$40-80 million
 <p>Expand to new customers</p>	<ul style="list-style-type: none"> Expand beyond the core customer base by targeting new occasions <ul style="list-style-type: none"> Target individual gifting shopping occasions Develop products and distribution points for foreign tourists Expand beyond the core customer base by increasing availability <ul style="list-style-type: none"> Establish a network of kiosks Depending on success of kiosks, place products in mass market retail chains 	<ul style="list-style-type: none"> \$55-70 million <ul style="list-style-type: none"> \$50 million \$5-20 million \$25-70 million <ul style="list-style-type: none"> \$10-50 million \$15-20 million
 <p>Enter international markets</p>	<ul style="list-style-type: none"> Target international markets by <ul style="list-style-type: none"> Engaging in the international trade show market Developing new products which target international customers 	<ul style="list-style-type: none"> Further exploration required**
Total:		\$120-220 million

Significant additional value can come from product innovation

* Annually in 3-5 years

** Based on current model / opportunity assessment

Source: Team analysis

STRATEGY: RATIONALE TO STRENGTHEN CORE BUSINESS



- The Mint has had notable recent success, but its revenue foundation is at risk, suggesting a need to take action to stabilize performance
 - Growth in the traditional proof products has stemmed primarily from price increases, not increased product volume
 - Successful programs are near expiration
 - Long-term stability of the revenue stream from special products such as the American Buffalo – 24K is uncertain
- There is a set of best practice consumer goods activities that the Mint has not executed against and the Mint has recently dedicated inconsistent attention to innovative programs. Adopting this set of best practices will allow the Mint to grow its stable base of numismatic revenue and be able to better handle the volatility inherent in a business where growth is driven by innovation
- Specifically, the Mint should take the following actions to successfully improve the core numismatic business*
 - Take immediate action to maximize the success of its upcoming major multi-year special product, the Presidential \$1 Coin program
 - Invest in expanding the education program (going beyond youth) to proactively engage current / potential numismatists with suitable general education materials
 - Develop the necessary set of capabilities
 - Improve innovation by implementing a revised version of the new product development process
 - Assign ownership and execute against the recommended set of best practice consumer goods activities

* See Optimizing Existing Business Case for additional information on the other best practices: Entry-level products; Packaging formats; Quality line extensions; Research new materials for coins; Produce and market multi-year sets; Adopt typical consumer price points for products; Overhaul e-commerce website to adopt general e-retailing best practices and better present products to numismatists and non-numismatists alike; Overhaul print catalog by romanticizing product and including thematic sections; Up-sell, cross-sell and migrate customers across product lines; expand online marketing effort; invest in increasing manufacturing capacity to improve flexibility; and expand subscriptions program to be “value-added” for customers

IMMEDIATE ACTION IS REQUIRED TO MAXIMIZE PROBABILITY OF SUCCESS OF UPCOMING PRESIDENTIAL \$1 COIN PROGRAM

- The 50 State Quarter Program provides several lessons learned for the Mint
 - Individual coins are key to engaging the collector base, preferably broadly available (via circulation)
 - Collectors want full sets – they need to be engaged at the start of the program
- With the launch of the Presidential coin program 5 months away, immediate action is required should the Mint wish to replicate previous success

Get the product portfolio right

Recommended actions

- Obtain permission to make silver proof version*
- Develop plans for multi-year sets (which require product set-asides)
- Create single coin and single lens Presidential \$1 Coin proof sets
- Ensure full range of complementary products
 - Official U.S. Mint presidential timeline/coin holder
 - Presidential \$1 Coin starter kit (with educational materials)
 - Deluxe storage box for proof sets with Mint and Presidential seals
- Set consumer friendly price points for all sets (uncirculated & proof) based on the substantial increase in face value of the coins included in the set

Invest to build awareness and interest

- Launch direct mail campaign to engage core consumer and run promotions to maximize early opt-in to subscription program
- Enroll partners to promote the program / affiliated products
- Leverage traditional marketing best practices in focused approach to generate early awareness, interest and trial among general public
 - Program's long-term success will likely be set in the first year with several presidents who will draw in circulating savers
- Set strategy to increase awareness and desirability of the circulating coins to activate the circulating saver segment

Facilitate easy access to single coins

- To ensure awareness/access and to counter the limited distribution of circulating \$1 coins, the Mint should sell singles of the circulating Presidential \$1 Coins (instead of only bags and rolls)
- Mint should sell single presidents of the various products (numismatic and circulating) as opposed to only annual sets, as well as strongly encouraging customers to get a subscription
 - Enhance all Presidential \$1 coin subscriptions to include value-added services (e.g., storage box at the end of the program)

* Requires Congressional approval

THE MINT SHOULD DEVELOP AN ACTIVE CONSUMER EDUCATION CAPABILITY TO ENSURE DELIVERY ON ITS NUMISMATIC MISSION

<i>Numismatic funnel</i>	General public responses	Percent	Marketing objective
 General interest in coin collecting	<ul style="list-style-type: none"> • Ever saved/collected coins 	71	<ul style="list-style-type: none"> • Understanding interest levels and conversion from circulating saver to active collector
	<ul style="list-style-type: none"> • Saved or collected coins within last 2 years 	59	
	<ul style="list-style-type: none"> • Currently collect coins 	28	
Understanding of numismatics	<ul style="list-style-type: none"> • Understands “proof coin” 	?	<ul style="list-style-type: none"> • Educating the public
	<ul style="list-style-type: none"> • Recognizes authentic U.S. Mint product 	?	
Awareness of Mint and products	<ul style="list-style-type: none"> • Aware the U.S. Mint sells proof coins (unaided recall) 	7	<ul style="list-style-type: none"> • Educating the public
	<ul style="list-style-type: none"> • Correctly identifies Mint as producer of annual proof set 	46	
Purchase intent	<ul style="list-style-type: none"> • Intend to purchase coin (e.g., annual proof set) 	21	<ul style="list-style-type: none"> • Understanding interest and consideration level • Addressing information barriers
	<ul style="list-style-type: none"> • Ever contacted U.S. Mint 	14	
Trial	<ul style="list-style-type: none"> • Ever purchased directly from U.S. Mint 	12	<ul style="list-style-type: none"> • Understanding intent vs. actual behavior • Addressing purchase barriers
	<ul style="list-style-type: none"> • Purchased from U.S. Mint within last 2 years 	6	

- **Mint is not top of mind** – only 7% of general public cites Mint as seller of collectible coins

- Two general approaches for addressing this challenge:
 - **Information:** Mint could communicate directly with public more frequently and more broadly
 - **Access:** Mint could make products more widely available

CONSUMERS WOULD BENEFIT FROM PROACTIVE MINT EDUCATIONAL EFFORTS ON THREE FRONTS

	Primary objective	Illustrative program elements	Ancillary benefits
What are numismatics?	<ul style="list-style-type: none"> • Activate the next generation of coin collectors 	<ul style="list-style-type: none"> • Invest in annual educational materials tied to the presidents/ first ladies • Develop a comprehensive multi-channel youth educational program which includes content for a range of subjects (math, history, science) <ul style="list-style-type: none"> – Complimentary video content lessons – Supplementary in-classroom materials – Revamped supporting website 	<ul style="list-style-type: none"> • Improve awareness of U.S. Mint amongst children and their parents • Increase awareness of the Presidential \$1 Coin program
What are precious metal coins?	<ul style="list-style-type: none"> • Educate consumers to prevent price gauging, i.e., ensure direct response channels are not able to take advantage of customer ignorance by selling an MS-70 for several times face value 	<ul style="list-style-type: none"> • Distribute complimentary computer/ video DVD about precious metal coins <ul style="list-style-type: none"> – Outline differences between proof and bullion versions, what grading means, advantages of purchasing direct – Computer portion has interactive features (e.g., descriptions of all precious metal coins) • Add content to <i>usmint.gov</i> website • Promote through paid search/dealers 	<ul style="list-style-type: none"> • Improve awareness of Mint's precious metal offerings and educate the public on how to purchase • Expand database of potential customers interested in precious metals for use in future direct mail campaigns
How do I know if a coin is authentic?	<ul style="list-style-type: none"> • Distinguish U.S. Mint from other "mints" and educate public on how to identify authentic U.S. Mint products (and that a Certificate of Authenticity does not always mean a product is from U.S. Mint) 	<ul style="list-style-type: none"> • Customers submit a copy of their certificate of authenticity (either by mail or online) for any numismatic product which they purchased • Mint responds with information on the product (e.g., official Mint product from the Mint; official U.S. coins that have been purchased through other channels; U.S. coins that have been altered) 	<ul style="list-style-type: none"> • Improve awareness of the Mint's numismatic mission and educating consumers • Expand database (e-mail or mailing addresses) of potential customers interested in core products • Supplement competitive market intelligence


ADDITIONAL CAPABILITIES ARE REQUIRED TO SUCCESSFULLY IMPLEMENT THE STRENGTHENING THE CORE RECOMMENDATION

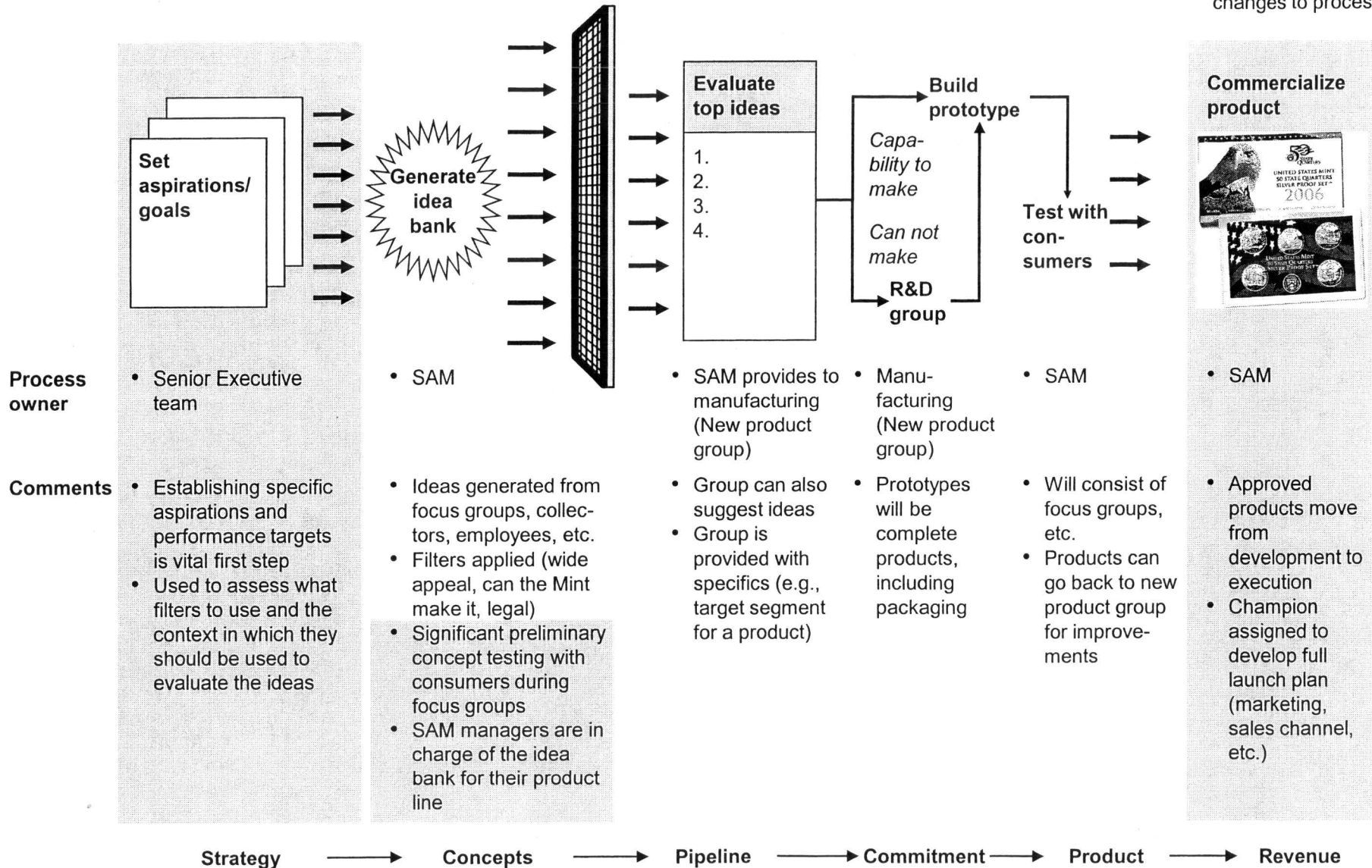
☐ Detailed discussion on next page

Value chain	Focus area	Primary message
Choose the value	Innovation / Research	<ul style="list-style-type: none"> • Innovation is the engine that drives the value chain, and the Mint is taking many of the right steps • Senior team needs to set the tone and establish specific growth aspirations
Provide the value	Packaging	<ul style="list-style-type: none"> • Marketing desires increased manufacturing flexibility; Manufacturing asserts it is well positioned to support SAM's growth objectives <ul style="list-style-type: none"> – Capacity can be added at SF and West Point plants – Capability largely exists to support innovation (new packaging equipment requirements are not significant) – Mass customization a possibility • Ensure no stock outs and ability to meet drop dates desired by SAM • What is agreed is that both parties desire a tighter direct relationship
Communicate the value	Marketing	<ul style="list-style-type: none"> • Marketing has an opportunity to adopt many best practices to become the leading supplier of information on numismatics <ul style="list-style-type: none"> – Task existing advertising agency to develop customized and targeted messaging for all consumer communications – Further leverage agency partner (and allocate incremental resources) to create a significant online presence for those interested in numismatics – Reconsider current website vendor to enable execution against private sector online retail best practices • Remove barriers in approval process to improve messaging

THE MINT IS TAKING MANY OF THE RIGHT STEPS TO IMPROVE INNOVATION WITH ITS REVAMPED NEW PRODUCTS GROUP

NEW MINT PROCESS

 Recommended changes to process



GROWTH STRATEGY OVERVIEW

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Total:		\$120-220 million

* Annually in 3-5 years

** Based on current model / opportunity assessment

Source: Team analysis

EXECUTIVE SUMMARY – TARGETING NEW PURCHASE OCCASIONS



Expand to
new
customers

The Mint should place a greater emphasis on gifting, primarily by repackaging existing products in existing channels

- Gifting is a sizable purchase occasion (estimated to be valued from \$50-80 billion at retail) in which Mint customers have an interest
- Royal Canadian Mint has demonstrated the gifting potential – at least 15% of its sales come from gift-specific products
- Mint currently does not have the right assortment and should place its initial focus on repackaging existing products for priority occasions

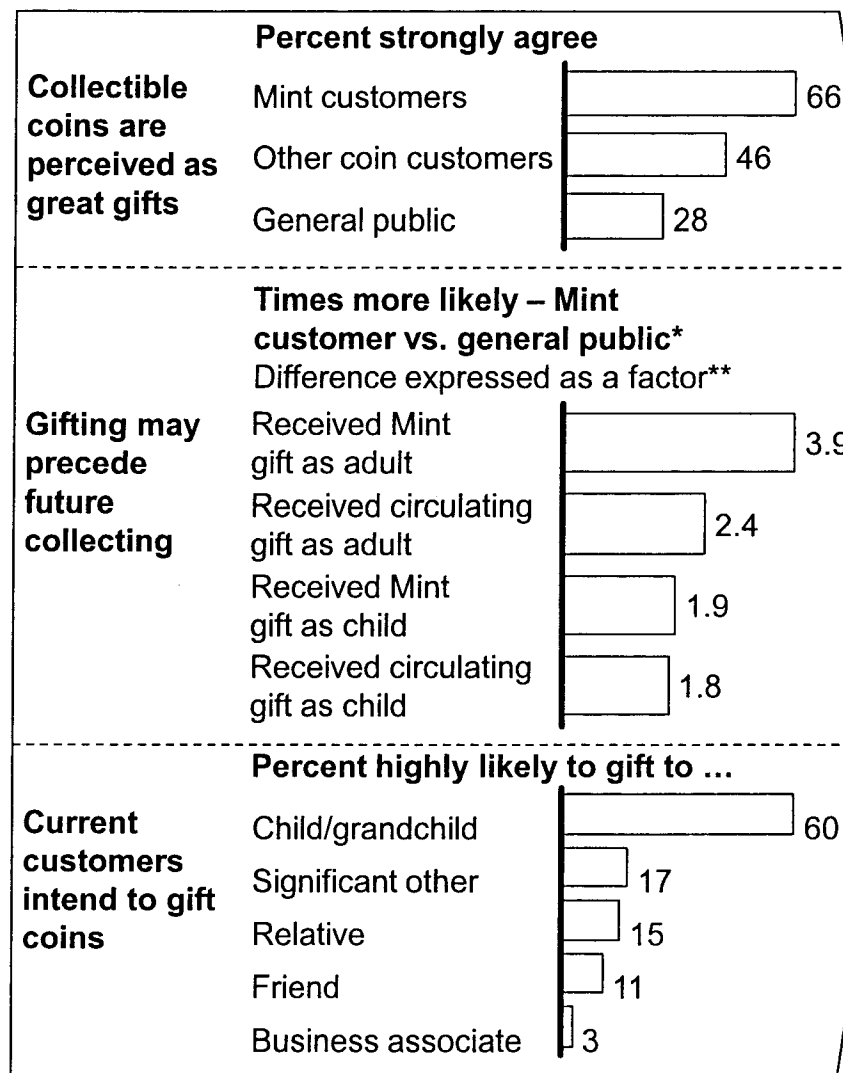
After successful completion of Washington, D.C. based kiosk refinement*, the Mint should test potential foreign tourist demand via a pilot in San Francisco, home of the primary numismatic production facility

* See next section for details on Washington, D.C. based kiosk refinement

MINT SHOULD PLACE A GREATER EMPHASIS ON GIFTING

The Mint has recently discovered that Mint customers have an interest ...

... Mint should **make changes** to meet the interest



Overview of Mint's current approach	
Products	<ul style="list-style-type: none"> E-gift certificates only No specific occasion gift items No small "add-on" items suggested (or available)
Packaging	<ul style="list-style-type: none"> Generic gift box available – less than 1% of orders opt in No personalization capabilities – current card reads "A gift purchased specially for you from the U.S. Mint."
Pricing	<ul style="list-style-type: none"> Utilize a broader range of price points and at prices customers are familiar to seeing
Marketing messages	<ul style="list-style-type: none"> Web site functionality limited – "gift ideas" links to 3 occasions (back to school, baby, birthday) with generic products Direct mail materials announce "Spring Gift Catalog", which contains almost no gift messaging or focus

* General public reports incidence for respective questions as 8%, 14%, 10%, and 20%

** Factor by which U.S. Mint customers have an experience vs. the general public. For example, 31% of Mint customers reported receiving a U.S. Mint coin/set as a gift as an adult, 3.9 times the general public

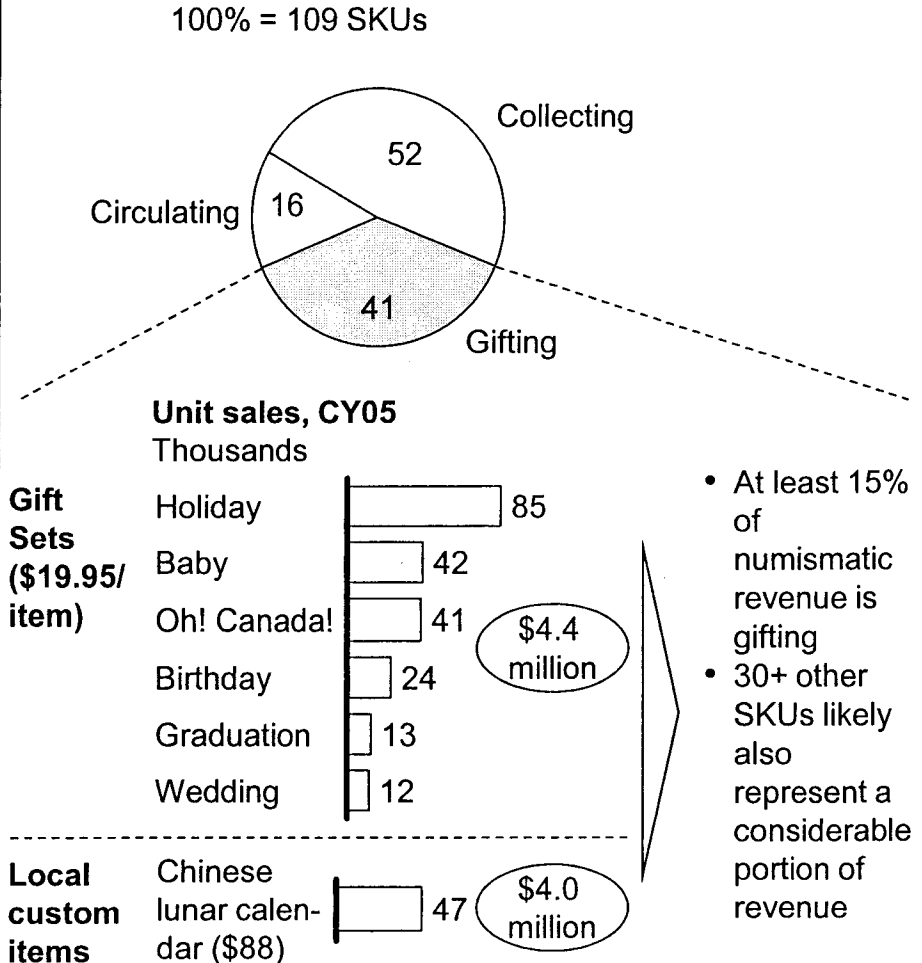
Source: National Analysts Customer Acquisition Research (August 2006); team analysis

ROYAL CANADIAN MINT IS AGGRESSIVELY AND SUCCESSFULLY PURSUING A GIFTING STRATEGY

Royal Canadian Mint makes gifting a priority occasion ...

- Gifting is a priority**
- 40% of 2006 product assortment is gift focused
 - "Gift finder" functionality is prominent – on homepage, which has the store as its primary focus
- Gifting products tailored to specific occasions**
- Unique products and packaging are developed for each occasion as well as by recipient
 - Compelling product bundles exist – e.g., baby lullabies CD and silver coin set – \$29.95*
- Assortment contains attractive gift price points**
- Broad entry level (\$5.95, \$6.95, \$9.95, \$12.95, \$13.95, \$19.95)
 - Complete coverage through high end (product every \$10 from \$19.95 to \$99.95, then \$139.95)
- Compelling marketing messages**
- Messaging focuses on "reason why" (e.g., "celebrate a milestone") and emotional benefits in addition to functional attributes/features
 - All communications have highly professional production values

... as reflected by its current assortment mix and historical sales volumes

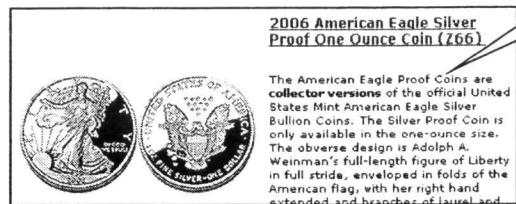
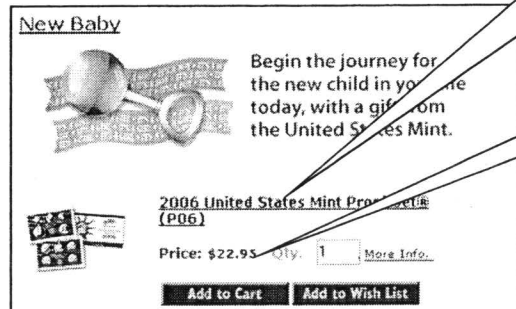
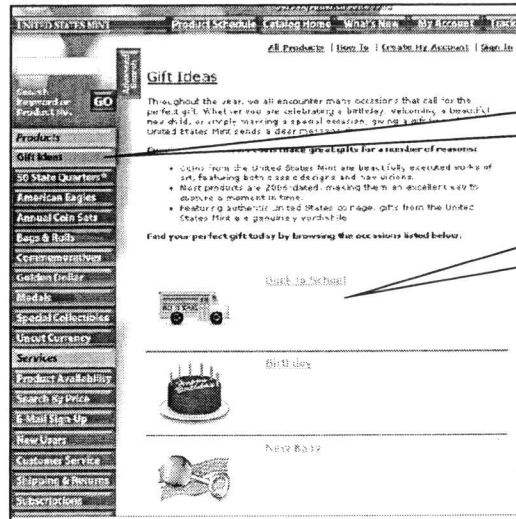


* All prices in Canadian Dollars

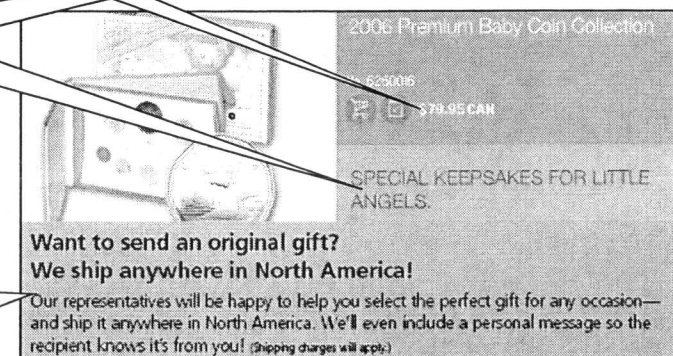
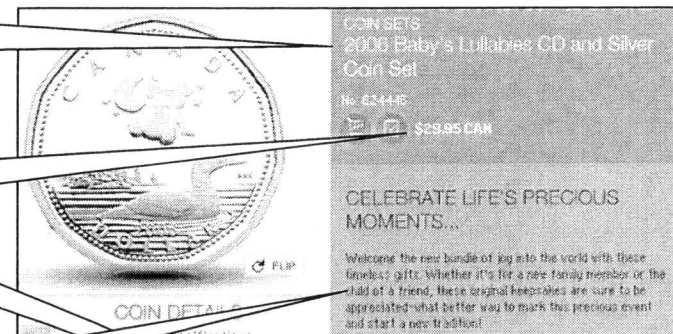
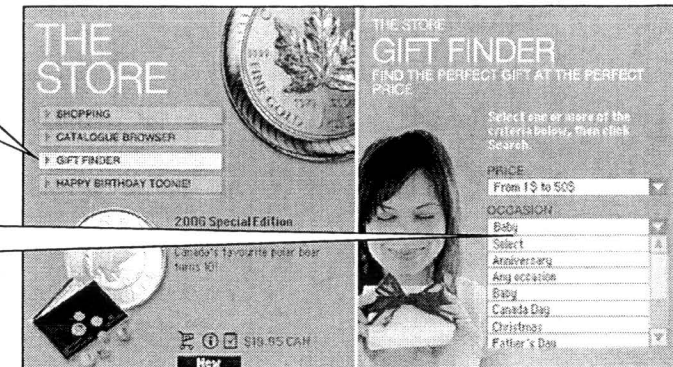
Source: Royal Canadian Mint Web site and Annual Report; team analysis

ROYAL CANADIAN MINT HAS ALREADY ADOPTED SEVERAL BEST PRACTICES TO WHICH MINT SHOULD ASPIRE

U.S. Mint



Royal Canadian Mint



Prominence of gift section

Specificity in selection criteria

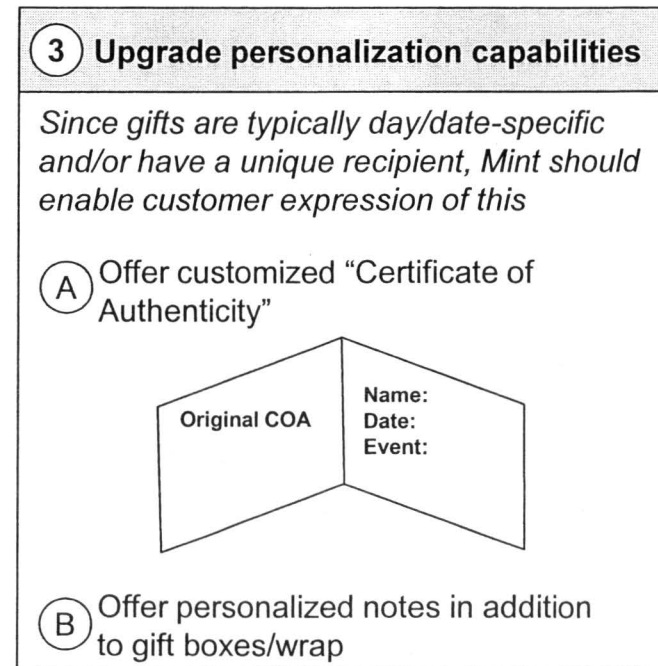
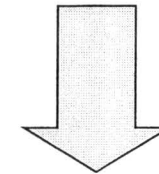
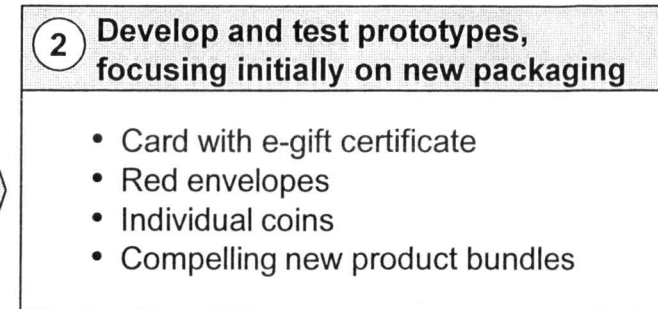
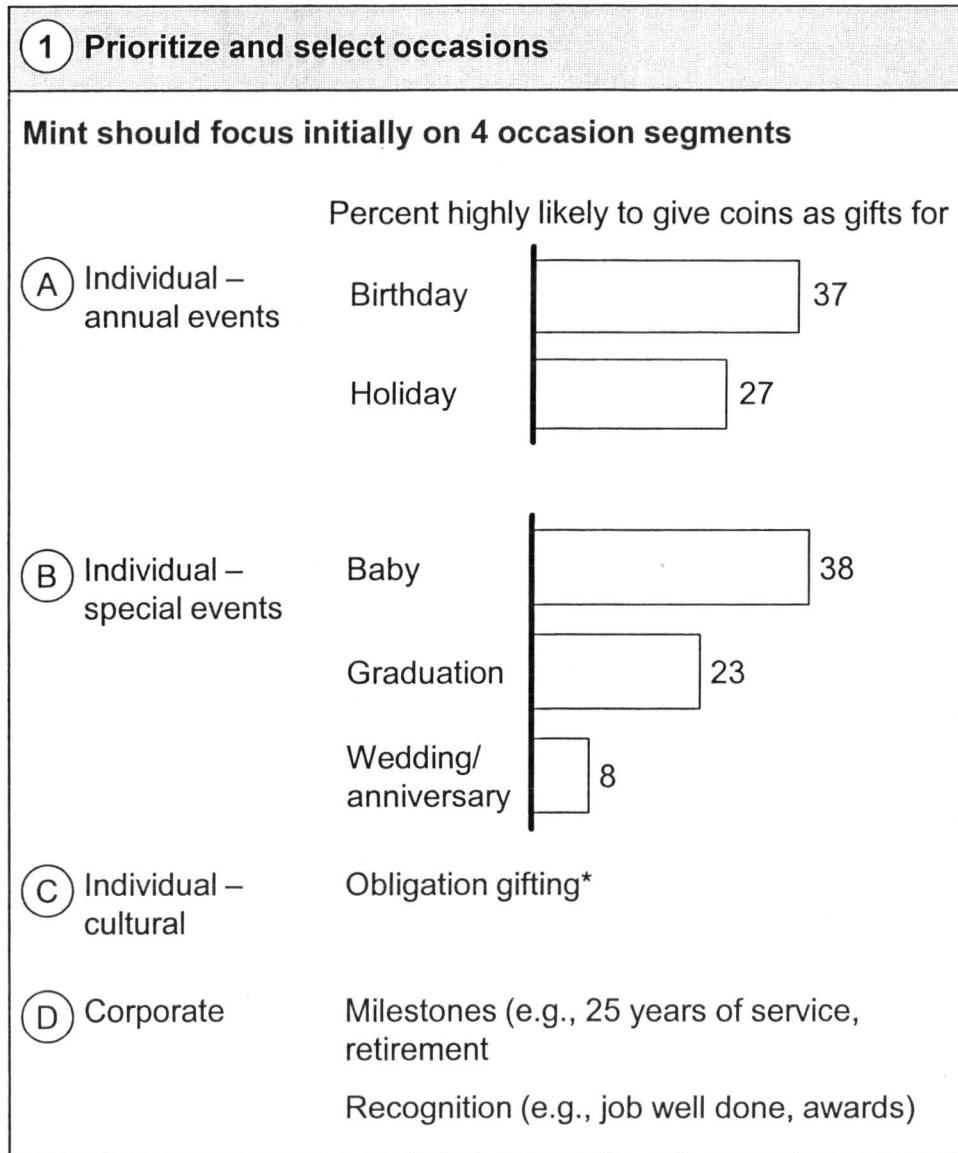
Occasion-specific products

Breadth of familiar price points

Emotional benefits

Customer-focus: personalization

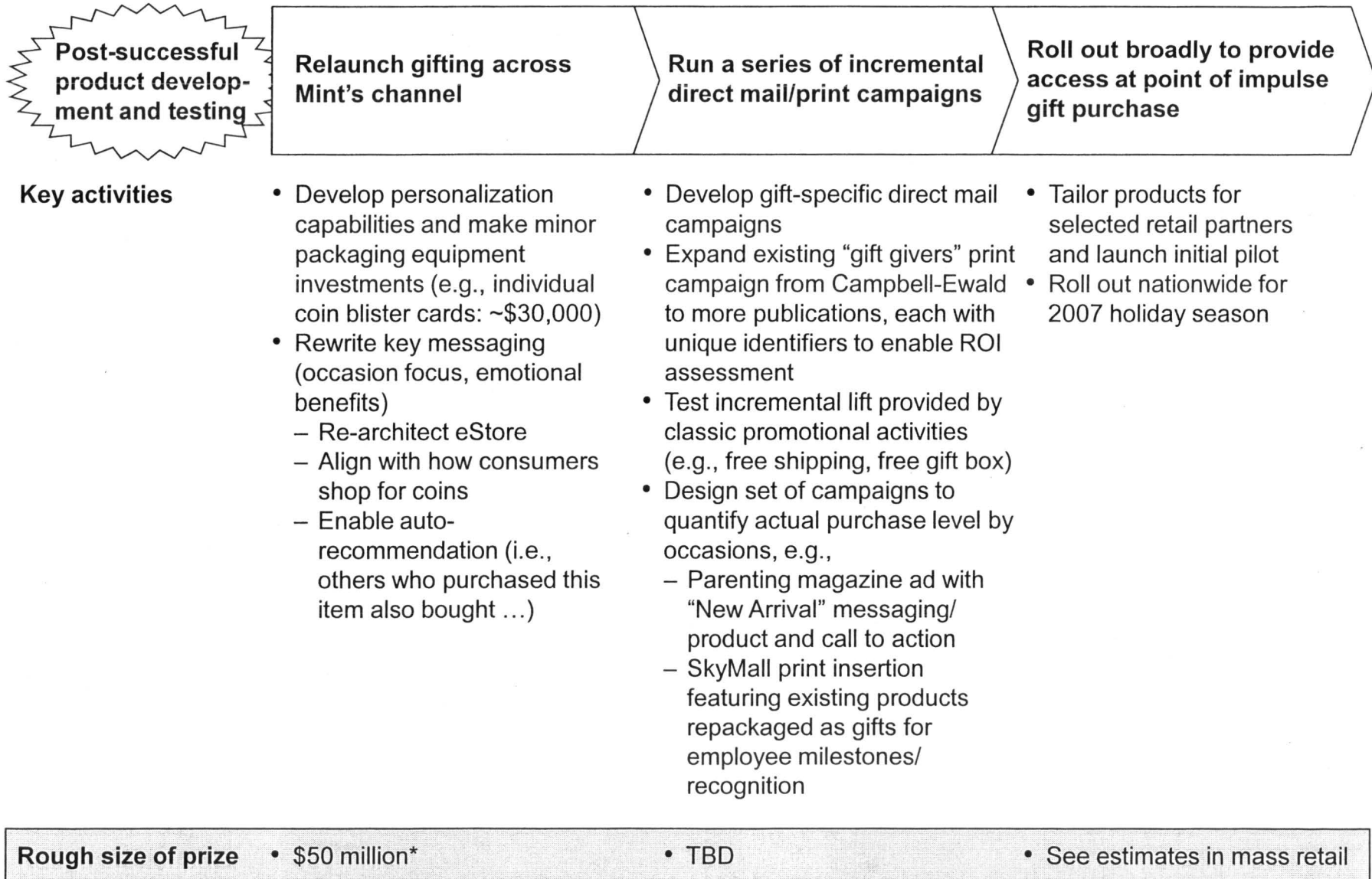
MINT'S INITIAL FOCUS SHOULD BE REPACKAGING EXISTING PRODUCTS FOR HIGH PRIORITY OCCASIONS



* See Tourism section

Source: National Analysts Customer Acquisition Research (August 2006); team analysis

SUCCESS IS FOLLOWING A SEQUENCED APPROACH TO BUILD OUT THIS GIFTING BUSINESS



* Based on two approaches: share of total revenue and application of RCM gift performance to Mint portfolio. See Business Case for more details
Source: Team analysis

EXECUTIVE SUMMARY – TARGETING NEW PURCHASE OCCASIONS



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new
customers

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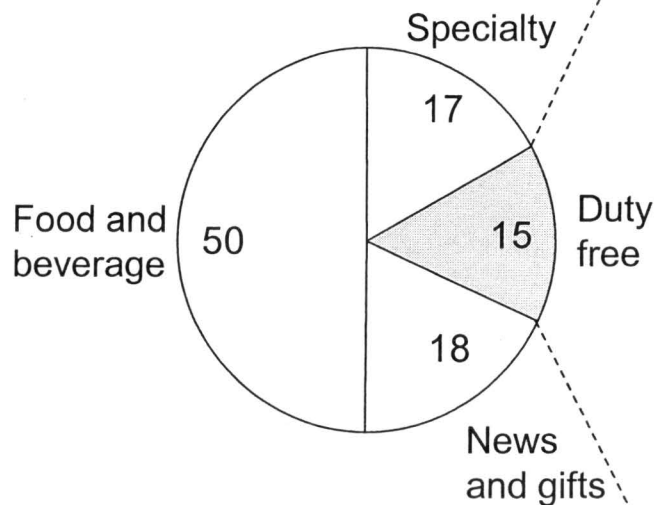
- Airport retail is ~\$5 billion channel with sales in attractive segments concentrated with a few major players. Duty-free – initially thought to be appealing – may be difficult to penetrate while other channels (e.g., News and Gift) appear more attractive
- The over 40 million foreign visitors to the U.S. annually represent 25% of total unique passengers (~115 million) with two-thirds visiting the top 5 U.S. cities. Airports near three Mint locations represent nearly ~25% of all duty-free sales (a proxy for overall tourist spending) and are attractive candidates for a test
- A pilot program could deliver \$5 million in sales, while a full-scale rollout could generate 3-4x that amount with tourists. Pending successful results, Mint should penetrate the airport retail channel in partnership with a leading existing player

AIRPORT RETAIL IS A \$5 BILLION CHANNEL – MINT SHOULD PURSUE AIRPORT DISTRIBUTION IN AT LEAST 3 CITIES...

Top 50 North American airport sales, 2005

Percent

100% = 4.9 billion



Duty free sales*

\$ Millions, 2005

Honolulu (HNL)

Obligation gifting potential

186

New York (JFK)

117

Los Angeles (LAX)

93

San Francisco (SFO)

48

Miami (MIA)

40

Washington** (IAD)

15

Mint locations in/near city

68% of total duty free revenue

* Proxy for international visitor spending

** DCA is not an international airport, but would be included in recommendation as well as BWI

Source: Airport Revenue News 2006 Fact Book; team analysis

... AND USE THREE DIFFERENT APPROACHES TO ACCESS THE OPPORTUNITY

☐ Recommendation

Overview of assessment

Open Mint airport kiosk

- Allows for control over product presentation and for direct interface with end users (education mission)
- Would not deliver full potential of availability and convenient access, but would be large improvement

Supply news and gift retailer

- Provides significant reach, though not likely for year round placement except in Mint cities
- May be difficult to secure distribution given retailers' assortment focus (e.g. high-turn consumables), though recent TSA rulings on liquid may present opportunity

Supply duty-free retailer

- Mint's core product line is too inexpensive and not a good fit with assortment, which focuses on premium consumables (Godiva) and luxury gifts (Hermes)
- While precious metals line is attractive conceptually, it would not offer sufficient margin and would require significant advertising to reposition brand as premium

Recommendations

- Launch a kiosk pilot in San Francisco (airport and downtown locations), then expand to New York (or launch in News/Gift)
- Engage news and gift retail operators in initial discussions
 - To build out and operate Mint kiosks
 - To potentially carry Mint products in their news/gift locations
- Do not pursue duty free, except potentially as an obligation gifting test in Hawaii targeting Asian demographic

EXECUTIVE SUMMARY – EXPANDING AVAILABILITY OF MINT PRODUCTS



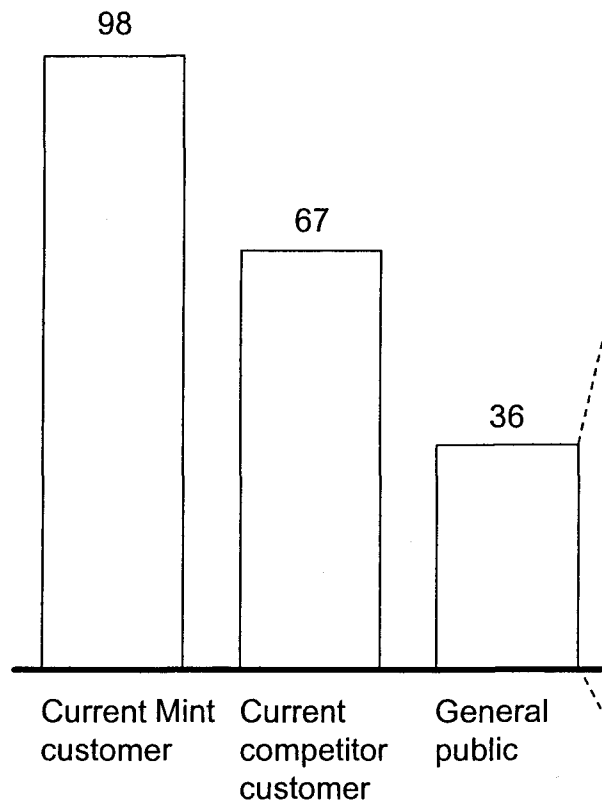
Convenient availability is likely the primary barrier underlying the 90% gap between consumer intent and purchase behavior

Phase 1: The Mint should expand its network of branded kiosks to enable increased customer education and product interaction

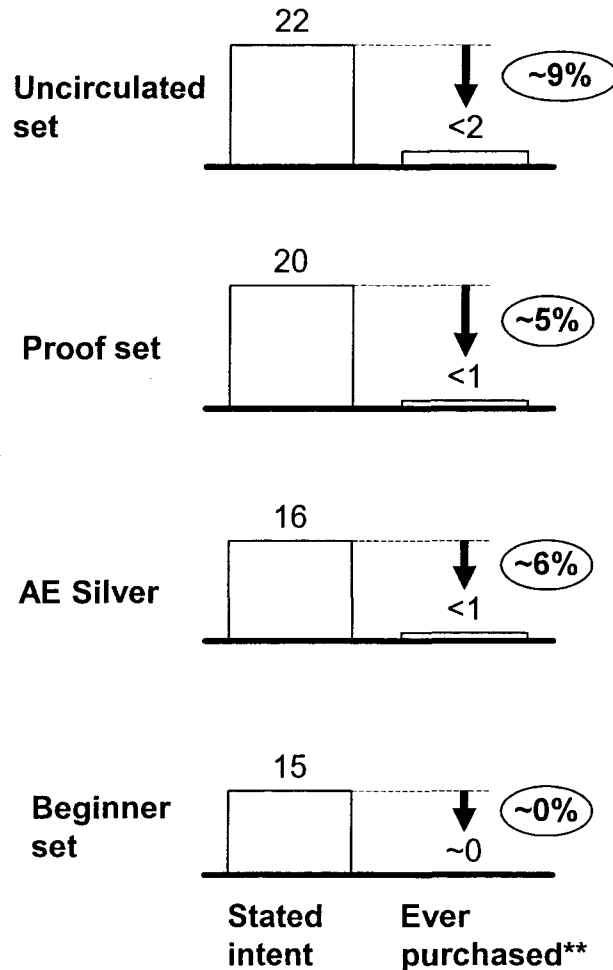
Phase 2: Pending successful results from kiosk expansion, Mint should engage major retailers in discussions to carry a focused, exclusive product line at significantly more distribution points

SIZABLE INTEREST IN MINT PRODUCTS; HOWEVER, ~90% GAP BETWEEN GENERAL PUBLIC'S STATED INTENT AND ACTUAL PURCHASE BEHAVIOR

Aggregate future purchase intent
Percent highly likely to purchase
any U.S. Mint product



Purchase intent by individual product type
Percent, Top 2 box agreement



(x) Conversion rate

Typical interest-to-trial conversion rates run higher*

Several obstacles likely underlie the Mint's extremely low conversion rates

- Low awareness of
 - Products
 - Channels
- Limited physical availability

* Product-level conversion rates: Cars: 23%; Shampoo: 37%; Tobacco: 45%; Cold beverage: 59%; Beer: 85%; Hot beverages: 92%

** Implied based on actual sales by product line over ~100 million U.S. households

EXECUTIVE SUMMARY – EXPANDING AVAILABILITY OF MINT PRODUCTS



Expand to
new
customers

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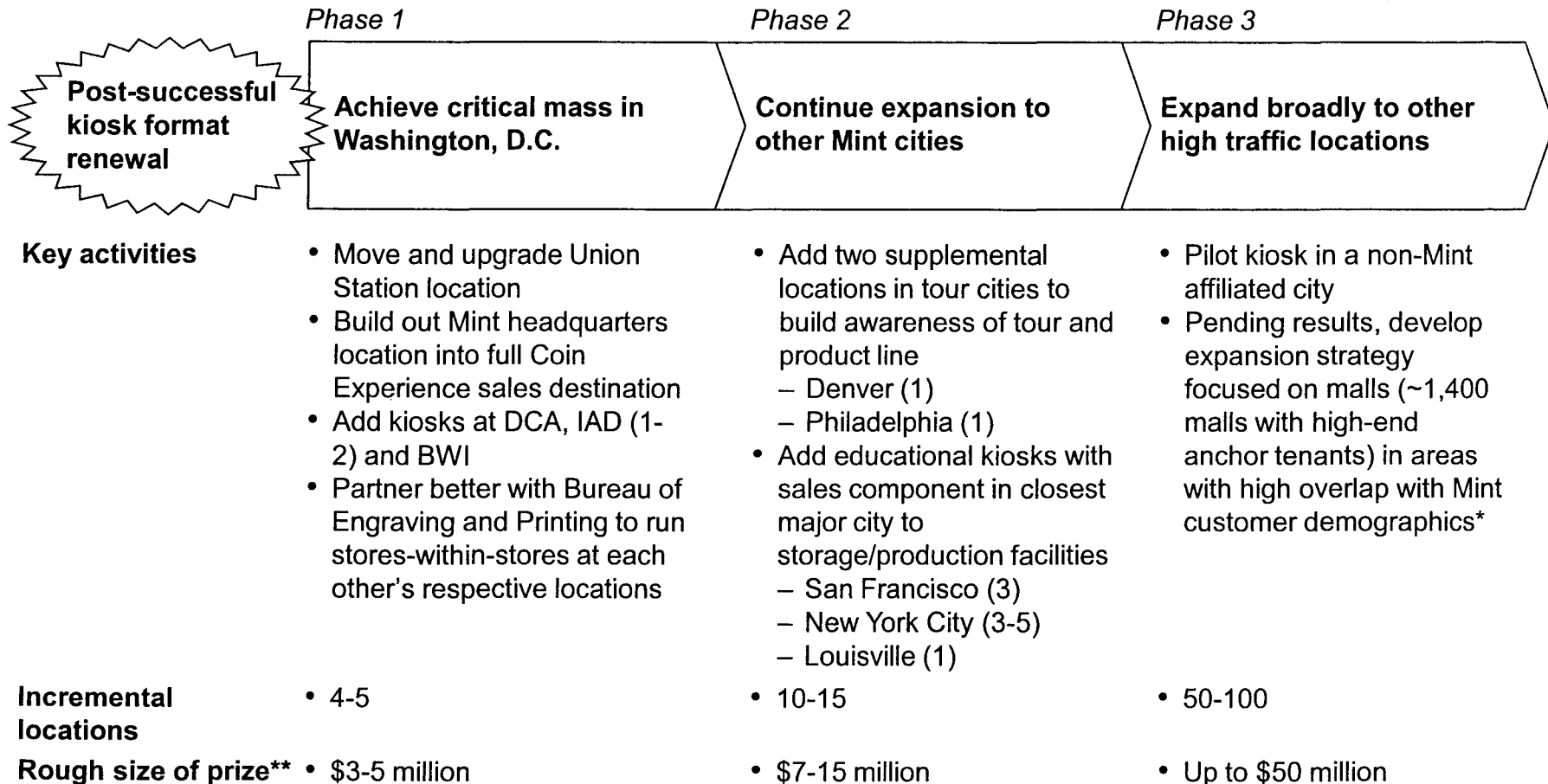
- While current kiosks perform extremely well – 75% of sales are incremental and the kiosks are profitable – Mint could increase performance through format renewal (design, location, assortment) and execution (visual merchandising, sales force effectiveness)
- Significant room for expansion exists – Mint's go-to-market strategy should be based on successive pilots, adding new locations as deemed appropriate
 - Phase 1 – Optimize D.C. operations including new Mint "Coin Experience"
 - Phase 2 – Develop revised kiosk concept and launch in Mint-affiliated cities
 - Phase 3 – Expand to high traffic locations in other cities (likely through shopping malls or destination locations), pending successful pilot results
- Successfully executed, fully expanding the Mint's network of kiosks is worth up to \$50 million, while a more limited expansion is worth ~\$10-20 million. Capturing full potential may require outsourcing operations; expansion breadth likely limited more by Mint/stakeholder risk appetite than by demand

Phase 2: Pending successful results from kiosk expansion, Mint should engage major retailers in discussions to carry a focused, exclusive product line at significantly more distribution points

MINT CAN DRAMATICALLY IMPROVE CURRENT KIOSK PERFORMANCE THROUGH A FOCUSED SET OF ACTIONS

Kiosks perform extremely well in spite of poor locations	<ul style="list-style-type: none">• Mint's 4 locations do ~\$3 million in numismatic sales• Only ½ of 1% of Union Station traffic passes our location daily	Recommended actions to drive performance improvement <ul style="list-style-type: none">• Increase visibility of kiosk locations: Current locations not conducive to impulse/walk-by traffic• Enhance kiosk design to be more attractive or welcoming: Current kiosks are dimly lit with poor signage and do not reflect desired brand image• Tailor and rotate the merchandise assortment: Kiosks carry too many Mint items and not enough complementary products (e.g., books); displays focus on same items year round rather than varying by season (e.g., gift items at holiday, education and lower price points when school groups are likely to visit)• Train sales staff to proactively engage the customer: Sales staff often passive waiting for customer to initiate contact; performance would improve with basic sales training
Sales are concentrated and somewhat seasonal	<ul style="list-style-type: none">• 72% of revenue comes from 5 key items• Sales move with traffic patterns with additional spikes during holidays and at product launches	
Kiosks deliver incremental sales	<ul style="list-style-type: none">• 75% of Union Station revenue is reported by consumers as truly incremental<ul style="list-style-type: none">– Approximately one-half for self (mostly precious metals)– Approximately one-third for gifts	
Kiosks are profitable	<ul style="list-style-type: none">• Union Station delivers an estimated 10.7% profit<ul style="list-style-type: none">– 5.7% is worst case assuming fully loaded product cost– 26.5% is best case based on COGS transfer pricing	

OPTIMIZING AND EXPANDING PROFITABLE KIOSK CONCEPT COULD DELIVER \$10-20 MILLION FOR MINT OVER FIRST 2 PHASES



- The Mint could operate the kiosks themselves or outsource to a third party (potentially including it in the contract to run the gift shops)
 - Outsourcing would likely lower the Mint's profits but decrease the capabilities which the Mint would need to develop

* Only should be pursued if the Mint feels comfortable that concerns about the strategic fit with the Mint's mission have been sufficiently addressed

** Additive. Completion of both Phases 1 and 2 could generate \$10-20 million annually in revenue

Source: U.S. Mint; team analysis

EXECUTIVE SUMMARY – EXPANDING AVAILABILITY OF MINT PRODUCTS



Expand to
new
customers

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- Entering mass market would complement kiosk network and significantly expand product availability, thus enhancing Mint's delivery against its mission
- As previous forays into retail have been unsuccessful, the Mint will need to deliver proof of sales potential to overcome significant initial buyer skepticism
 - Buyers know very little about Mint offering (product has no natural analogs)
 - Demand for previous products was soft (likely due more to product strategy and/or lack of marketing support) and price points are not impulse friendly
 - Moreover, Mint has historically not been willing to bear any product risk
- Many of these issues can be addressed through a successful kiosk program, provided Mint makes changes to its offering to meet retailer's needs
 - Exclusive product tailored to year-round and seasonal assortments
 - Pricing that enables sufficient margin without limiting consumer appeal and without creating channel conflict
 - Willingness to accept returns and additional supply chain capabilities

CONVERSATIONS WITH BUYERS HAVE REVEALED CHALLENGES, BUT ALSO THE OPPORTUNITY FOR THE MINT TO SUCCEED

No awareness of Mint's products

- Universally, buyers did not know or fully understand what the Mint's numismatic products were
 - Included Hallmark licensing employee who oversaw the previous relationship

Unclear fit in assortment

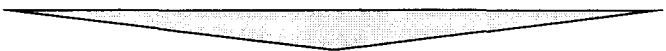
- Buyers are not sure how to evaluate the product, or in what department it would be stocked were they to carry the product
- Buyers have considered it a jewelry product, a collectible, and a souvenir
 - Part of the confusion may be the result of the product crossing traditional purchase occasions and the Mint not defining the product

Desire for products that perform

- Buyers want to be able to piggy-back on a successful brand to drive store traffic
 - While the Mint has a very strong overall reputation, it's reputation/awareness as a manufacturer of gifts is virtually non-existent
- Product exclusivity can also be used to drive traffic
 - Prefer full exclusivity (e.g., retailer X is the only place to get the product)
 - Retailers do not want a product that is available as circulating coin
- Some buyers do not care about exclusivity; they want a product that delivers (e.g., mass market buyer wants a million dollar product and 50% margins)

Pilot likely required due to uncertainty

- In every interview, the buyer's ultimate question was would this product deliver, and for the above reasons, they were not confident of the answer
 - Buyers said some sort of test of the product would be likely

- 
- Were the Mint to engage with buyers now, they would be met with skepticism*, however this can likely be overcome through education and success with kiosks

* Hallmark was potentially interested, though would need to be confident that the program would be different from the 50 State Quarters program
Source: Interviews with buyers

PREVIOUS FORAYS INTO RETAIL HAVE HAD POOR RESULTS

	1996 Olympic coin program	Hallmark 50 State Quarter licensing
Program context	<ul style="list-style-type: none"> Mint enlisted major retailers (e.g., Wal-Mart, J.C. Penney, etc.) to sell value-added versions of Olympic coins Product was sold for \$16.99 (~2x cost of coin from Mint), which enabled retailers to have a gross margins from 30-40% 	<ul style="list-style-type: none"> Hallmark developed products for collectors based on 50 State Quarter program <ul style="list-style-type: none"> Line branded as “American Spirit” Initial distribution through ~4,000 Gold Crown stores, then eventually through <i>hallmark.com</i> Price ranged from \$4.95 for single coin card to \$19.95; Hallmark gross margin was ~50%
Outcome	<ul style="list-style-type: none"> Retail sales delivered less than 20% of initial forecast Poor results attributed to poor product strategy and low perceived value pricing 	<ul style="list-style-type: none"> Sales failed to meet expectations (after strong start) as circulating availability grew Hallmark ultimately exited agreement and paid the Mint a severance fee in lieu of minimum royalty requirement
Other key lessons learned	<ul style="list-style-type: none"> Precedent exists for product exclusivity and typical retail pricing policies, which were key to generating retailer interest Need to ensure no channel conflict – major retailers walked away once Mint offered same product at lower price 	<ul style="list-style-type: none"> Hallmark is willing to consider selling U.S. Mint products in the future Presidential \$1 Coin program may be appealing, provided products were not “competing” with pocket change again

THE MINT NEEDS TO MAKE SIGNIFICANT CHANGES TO ITS OFFERING IN ORDER TO MEET RETAILERS' NEEDS

	What retailers want	Does the Mint currently fit the need?
Products	<ul style="list-style-type: none"> • Unique offering (ideally exclusive to one retailer, but would also be interested in retail-only product) • Products that lead to customers frequently coming back to make an additional purchase • Broad appeal rather than niche 	<ul style="list-style-type: none"> • Products do not meet retailers' needs <ul style="list-style-type: none"> – No exclusive products – Most products come out once a year – Niche products
Price	<ul style="list-style-type: none"> • Prices that are competitive (possibly better, never worst) with other channels • Appropriate price points based on the retailer's target customer • Customer-centric price points (e.g., \$2.99, \$9.95) 	<ul style="list-style-type: none"> • Pricing structure does not meet retailers' needs <ul style="list-style-type: none"> – Single price for all channels means retail channel would be more expensive than other channels – Price points are mostly too high and not at familiar points
Risk	<ul style="list-style-type: none"> • Minimum risk based on a product's success borne by the retailer; at a minimum the risk is shared between the manufacturer and the retailer • Financial allocations from the manufacturer to support markdowns 	<ul style="list-style-type: none"> • Mint has typically not been willing to bear any risk <ul style="list-style-type: none"> – No returns accepted – Limited flexibility in when orders can be placed

PROPOSED PRODUCT ASSORTMENT FOR MASS RETAIL

	Product	Description
Year-round	<ul style="list-style-type: none"> • Presidential \$1 Coin collector's board/timeline (if retailers will use as a centerpiece for single coins) • Single Presidential \$1 Coins (available in both proof and uncirculated versions) • Modified versions of the proof and uncirculated sets <ul style="list-style-type: none"> – Single lens – Products from one Mint 	<ul style="list-style-type: none"> • Used to spurn collecting behavior, similar to the state quarters map • Encourages ongoing behavior after purchase of the board; frequency of new products will appeal to retailers • Could include partial sets (e.g., coins from only one of the Mint facilities in the uncirculated sets) or alternative (premium) packaging
Seasonal (winter holidays)	<ul style="list-style-type: none"> • American Eagle 1 oz. Silver Proof in premium packaging • Full proof set in premium packaging 	<ul style="list-style-type: none"> • Though retail products would contain the same underlying coins as direct products, they should be packaged in a value-added manner to justify a significantly higher retail price • Mint would most likely want to pilot several different premium versions, and adopt whichever is the most successful for broader use

RECOMMEND MINT PURSUE EXCLUSIVE PRODUCT PRICING APPROACH

Description

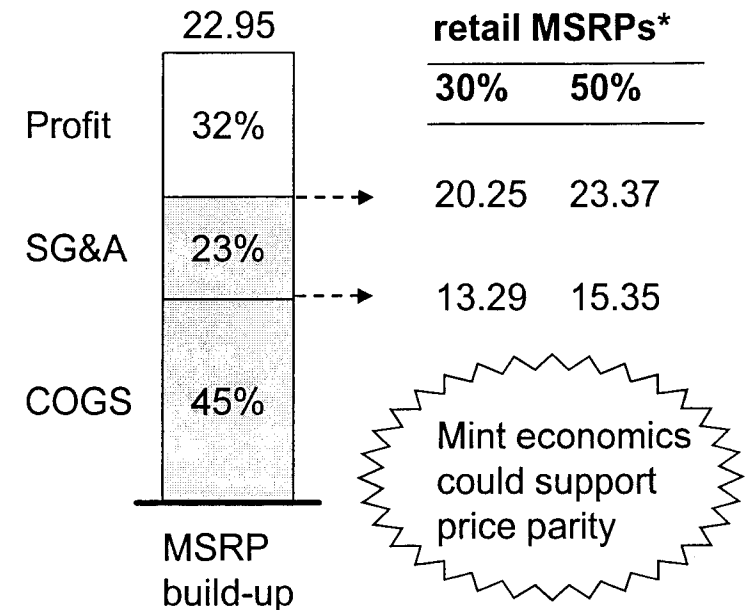
Option 1: Exclusive product/different retail prices

- Mint sells exclusive product (e.g., core product + value added item) to retailer for not less than current bulk prices on core item
- Retailer "marks on" 50% (or whatever their requirements may be) to achieve desired margin
- Customer pays different price for different item

Option 2: Same product/ same retail price

- Mint sells core product to retailer at true wholesale price (above variable costs of production but less than fully-loaded including Mint margin)
- Wholesale price is set to enable retailer to "mark on" their margin requirements and set an MSRP equal to price in Mint-owned channels
- Customer pays same price for same item

Pricing of annual proof set (FY05 P&L) \$, Percent



ADDITIONAL CAPABILITIES REQUIRED TO SUCCESSFULLY SERVE RETAILERS AS A CPG PLAYER

Inventory management

- Develop advanced capabilities to analyze sales data and determine strong and slow sellers
- Work with manufacturing and distribution to ensure that products stay in-stock at all stores (product is available to ship to the retailer's warehouses when requested)

Retailer management

- Develop successful overall vendor-retailer relationship with the retailer
- Components of the relationship that will require management to ensure success include pricing, purchasing terms, product assortment, promotional activities and placement
 - Will need to address the inventory risk concerns of the retailer through these elements

Product assortment

- Working with retailer, determine which products should be sold in the retailer's location (and whether there should be any seasonal variance or variation between different types of stores)
- Determine whether new products/packaging formats should be used at the retailer to maximize the potential of the program

Data management

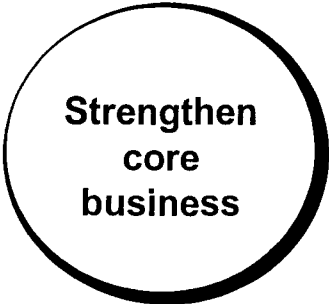
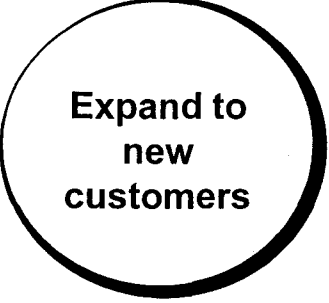

- Build IT infrastructure to facilitate easy communications between SAM, Mint manufacturing and vendor
- Successfully analyze the retailer's sales data to develop insights on how to better meet customer demand/sell more products

Customer insights

- Conduct groundbreaking research to share with the retailer on how consumers interact with not only the Mint's products which are sold at the retailer, but also the broader category (e.g., collectibles)
- Use research to propose to retailer specific tactics and strategies that should be undertaken as win-win activities; both the Mint and the retailer benefits

GROWTH STRATEGY OVERVIEW

In order to maintain and grow revenue, the Mint must adopt a mindset that focuses on innovation and rigorous execution. Such a mindset will lead the Mint to quickly adopt consumer goods best practices and expand to new customers and geographies

	Description	Potential value*
 <p>Strengthen core business</p>	<ul style="list-style-type: none"> • Expand revenue from the core customer base by <ul style="list-style-type: none"> – Ensuring the success of the Presidential \$1 Coin – Investing in an expanded education program – Building innovation capabilities – Adopting 13 additional consumer goods best practices 	<ul style="list-style-type: none"> • \$40-80 million
 <p>Expand to new customers</p>	<ul style="list-style-type: none"> • Expand beyond the core customer base by targeting new occasions <ul style="list-style-type: none"> – Target individual gifting shopping occasions – Develop products and distribution points for foreign tourists • Expand beyond the core customer base by increasing availability <ul style="list-style-type: none"> – Establish a network of kiosks – Depending on success of kiosks, place products in mass market retail chains 	<ul style="list-style-type: none"> • \$55-70 million <ul style="list-style-type: none"> – \$50 million – \$5-20 million • \$25-70 million <ul style="list-style-type: none"> – \$10-50 million – \$15-20 million
 <p>Enter international markets</p>	<ul style="list-style-type: none"> • Target international markets by <ul style="list-style-type: none"> – Engaging in the international trade show market – Developing new products which target international customers 	<ul style="list-style-type: none"> • Further exploration required**

* Annually in 3-5 years

** Based on current model / opportunity assessment

Source: Team analysis

Total: \$120-220 million

STRATEGY: KEY COMPONENTS ENTER INTERNATIONAL MARKETS



The Mint should not pursue international expansion at this time, but should proactively develop relationships with potential distributors while continuing to assemble facts and monitoring developments in key markets

- An exhaustive review of available information suggests limited evidence of demand for the Mint's existing numismatic (or numismatic bullion) offering
 - Mint has less than \$3 million in direct sales, primarily to dealers; channel checks reveal virtually no presence (where available, only for a premium)
 - Not a single order from the six registered international bullion distributors
- However, because sizable demand does not exist currently does not mean there is no potential. It is tempting to attempt to extrapolate the Mint's recent success in the U.S. with numismatic bullion to markets with populations 5-10x the size. Optimism should be tempered, however, since tapping into any potential would require the Mint to take actions that are unfamiliar
 - New product development focused specifically on international customers
 - Focused promotion to launch new products (e.g., communications designed to influence beliefs, shift preferences, change behaviors, etc.), which often has explicit demand creation objectives
- In the near term, we recommend a limited investment to test further demand
 - Approach major international coin expos in a trade show model (secure distribution, take orders for future delivery, sell direct to public, etc.)
 - Engage foreign distributors about interest in exclusive distribution agreements
 - Consider testing potential Japanese market demand through Honolulu kiosk
 - Develop relationships and gather market intelligence in India and China

INTERNATIONAL NUMISMATIC MARKETS ARE NOT WELL DEVELOPED

Existing international numismatic markets represent >\$175 million

Country	Host mint annual sales \$ Millions	Population Millions
U.K.	78	60
Canada	51	33
China	19	1,304
Australia	15	20
Germany	9	82

U.S. Mint has virtually no presence in most international markets

- Less than 1% of U.S. Mint sales go overseas
- There is little to no demand for uncirculated and clad annual sets
- Precious Metals (American Eagles, Silver Proofs, and Commemoratives) account for 72% of overseas revenue
- 62% of overseas sales go through likely dealers

Ancillary information suggests presence of large, installed collector (or investor base) in many markets

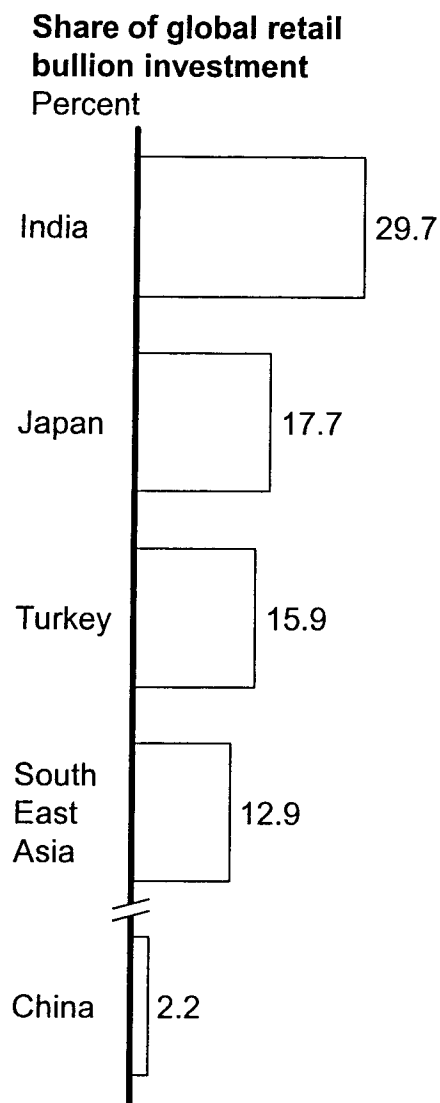
- | | |
|-------------------|--|
| Numismatic | <ul style="list-style-type: none"> • U.K. and continental Europe in general (and Germany in particular) appear to have active numismatic communities |
| Bullion | <ul style="list-style-type: none"> • Activity is significant and concentrated – India, Japan, Turkey, and Vietnam accounted for ~75% of 2003 retail sales • Note: Europe has shifted away from physical gold - bullion coins used in gift-giving or commemorative role |

U.S. exports over \$50 million of numismatics annually

\$ Millions; 2004

	U.S. exports	U.S. imports
Germany	19.3	6.6
U.K.	10.3	18.7
Canada	7.5	98.2
Japan	1.5	0.4
China	1.3	9.8
All others	14.0	126.3
Total		261

INTERNATIONAL BULLION MARKETS ARE CONCENTRATED – 4 MAJOR MARKETS ACCOUNT FOR >75% OF GOLD BULLION RETAIL SALES



Total retail = 9.7 million ounces of gold bullion

Highlights from recent U.S. Mint research on International bullion markets

Overview

- 22-karat jewelry remains the main form of Indian gold savings
- Coins are bought for 4 purposes – family gifts, corporate gifts, religious motifs and hoarding/personal savings
- Japanese buyers are used to buying overseas bullion coins for either gifting or investment reasons
- 100% are locally produced 22-karat pieces - virtually no demand for imported primary bullion coins
- Physical bullion remains attractive to a broad group of investors in East Asia
- Gold often used as a store of wealth, a common thread intertwined with the savings mentality of many in the region
- Chinese bar and coin demand has been constrained by only partial liberalization; currently serviced exclusively by locally minted bullion
- 24-karat jewelry dominates the gold investment market

Barriers to entry

- Restriction exists on the circulation of any “foreign” legal tender in India
- Unlikely Reserve Bank of India (RBI) would allow U.S. dollar denominated “gold coin” to be marketed in India
- Limited
- Price competition (Mint charge of 1%) and strong domestic preference
- Limited barriers – East Asia is unique as close to 100% of bullion coin sales are pieces minted outside of the region
- Gold bars and coins cannot be imported into China unless approval has been received from the People’s Bank of China
- For gold bullion, only 4 state-owned commercial banks are licensed by PBoC to import gold into the country

Source: GFMS’s “Prospects for a 24-karat Bullion Investment Coin”; team analysis

AGGRESSIVE INTERNATIONAL EXPANSION NOT ADVISED AT THIS TIME

Three general approaches	Size of prize	Primary rationale	Suggested next steps by market
<ul style="list-style-type: none"> • Distribute existing numismatic products 	<ul style="list-style-type: none"> • Limited 	<ul style="list-style-type: none"> • Weak existing sales in spite of fairly active collector communities in several countries 	<ul style="list-style-type: none"> • UK and continental Europe have established collector bases <ul style="list-style-type: none"> – Approach Berlin Money Fair as a trade show – Engage potential foreign distributors in direct discussions about potential interest in exclusive distribution agreements • India and China have sizable, interested populations (33% interest in China, 68% in India), but are currently closed <ul style="list-style-type: none"> – Monitor the regulatory environment – Invest in advance of openings to build relationships and be positioned to launch • Japan has affinity for premium brand (Mint has a premium product though its brand is not well established currently) <ul style="list-style-type: none"> – Test potential demand via recommended foreign tourist approach (kiosk pilot in Honolulu may provide best assessment)
<ul style="list-style-type: none"> • Develop new products (e.g., 7 Wonders of the World series) 	<ul style="list-style-type: none"> • Unknown 	<ul style="list-style-type: none"> • Mint research suggests some interest/purchase intent; however, success would likely require aggressive marketing 	
<ul style="list-style-type: none"> • Pursue higher share of existing bullion markets 	<ul style="list-style-type: none"> • Limited 	<ul style="list-style-type: none"> • Sizable, but largely unattractive markets (strong local preferences, low margin, high barriers to entry, significant investment requirements) 	

Mint should pursue a low-risk, low-cost approach to continue to build its fact base and develop relationships in key markets

NEXT STEPS: HIGH LEVEL IMPLEMENTATION SEQUENCING

