



U.S.
Distributors'
Promotional
Products
Sales

2013

US distributors of promotional products had
again another great year!

June 2014

Prepared by



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EXECUTIVE SUMMARY

Promotional products comprise useful and/or decorative articles of merchandise that are used in marketing and communication programs. The items include wearables, writing instruments, calendars, drinkware and many other items, usually imprinted with a company's name, logo or message. Premiums, incentives, advertising specialties, business gifts, awards and commemoratives are also considered promotional products. Promotional products are used in both marketing and non-marketing (e.g., employee motivation) contexts.

Brief Overview. The 2013 sales volume figures reflect an increase of 7.2% in U.S. promotional products distributor revenues over 2012. Industry revenues for 2013 came in at \$19,826,873,723, up from \$18,497,646,229 in 2012 and broke the 2007 record (\$19.4 billion).

The year 2013 saw increases in revenue for both large and small distributor companies. However, growth trend was reversed in 2013 with a larger growth coming from the smaller firms. Smaller companies with sales under \$2.5 million enjoyed a 9.90% increase over 2012, while larger companies experienced a 4.52% upswing.

This year, the number of companies with sales under \$2.5 million that report promotional products sales expanded to 22,770 from 22,105 in 2012. However, the number of large companies with sales of \$2.5 million reporting sales declined slightly to 970 from 991 in 2012. The total number of U.S. distributor companies counted was 23,740 (23,096 in 2012).

Projections for 2014. Similar to our findings last year, most distributors remain optimistic about continuing growth through 2014. In fact, 67% of those surveyed predict that 2014 will be a better year, while only 9% believe it might be worse. Nonetheless, quarter over quarter, distributors admit their business are threaten by economic conditions, decreases in clients' budgets, greater market competition, rises in shipping and handling costs, along with increases in overhead and marketing costs.

PURPOSE OF THE RESEARCH

Since 1965, the Promotional Products Association International (PPAI) and its predecessors have secured data on the annual sales of distributors. The information is used primarily to measure industry growth and to convey to prospective buyers of promotional products the magnitude of the industry and the wide acceptance of the products it produces and sells.

The current method of study was adopted in 1983 after an extensive examination of the strengths and weaknesses of sales reporting methods used by several other marketing-related industries, including mass media advertising. Since then, the basic methodology and the objective of the research, to produce a valid estimate of distributor sales in the United States, have remained unchanged. Modifications have been reviewed over time by PPAI's Marketing Information & Research Committee and expanded where desirable, for example, in assessing internet activity in business sales.

With few exceptions (largely in the aftermath of the 9/11 terrorism-abetted economic downturn in 2002 and the global recession beginning in fall 2008), this Annual Estimate of U.S. Distributor Promotional Products Sales has shown a general increase in business over the years, and has even eclipsed the growth rates in many mass media advertising and promotion alternatives. As a result, the survey has become an important element in revealing the changing picture of the promotional products industry in context.

PPAI's Annual Estimate of Distributors' Sales figures this year resulted from an independent email/mail survey of industry distributors (including both PPAI members and non-members) conducted during April – May, 2014, by Relevant Insights LLC, an independent market research firm. In addition, a census of the largest firms was also undertaken. Responses projected across the entire distributor population combine sales for small distributors (under \$2.5 million) and large-distributor firms (over \$2.5 million) to determine the total promotional products dollar volume. The survey methodology is described in more detail in the Appendix.

KEY FINDINGS

Overall, promotional products distributors as a whole performed slightly ahead of the U.S. economy in posting a 7.2 percent increase for 2013. Industry sales rose to nearly \$19.8 billion dollars – \$19,826,873,723— its best year ever, breaking the record set in 2007 with \$19.4 billion dollars. (See Table 1 for an eight-year tracking summary).

Table 1: Eight-Year Industry Performance

2013	\$19,826,873,723
2012	\$18,497,646,229
2011	\$17,721,945,690
2010	\$16,560,162,075
2009	\$15,638,571,468
2008	\$18,101,298,808
2007	\$19,440,837,547
2006	\$18,779,654,661

Six out of 10 companies (62%) indicated that their sales grew over 2012, while about a 16% had same levels in sales. Only 1 out of 5 companies (21%) saw a decline in sales.

Slightly over half of all companies (56%) enjoyed greater profits in 2013, while a quarter experienced similar levels (24%). Similar to sales, 1 out of 5 companies (20%) suffered a decline in profits.

HISTORICAL CONTEXT

Table 2 is a convenient summary of distributor sales using a longitudinal 39-year overview. This documents how the industry historically has experienced solid growth except for the 2001-2002 and 2008-2009 downturns impacted by global events. Placed in context, 2013 revenue figures fit in the up-and-down fluctuations observed since the 2008-2009 recession, reflecting economic growth combined with volatility of economic conditions since then.

Table 2: Historical Sales Data from 1974 to 2013

Year	Sales Volume	% Growth	Year	Sales Volume	% Growth
1974	\$841,090,990	n/a	1994	\$7,008,438,092	12.60%
1975	\$921,835,730	9.60%	1995	\$8,037,054,605	14.70%
1976	\$1,085,922,500	17.80%	1996	\$9,490,373,011	18.10%
1977	\$1,269,443,500	16.90%	1997	\$11,874,907,786	25.10%
1978	\$1,525,871,200	20.00%	1998	\$13,178,944,927	11.00%
1979	\$1,787,863,300	17.20%	1999	\$14,937,546,446	13.30%
1980	\$1,991,679,800	11.40%	2000	\$17,854,482,234	19.50%
1981	\$2,294,415,200	15.20%	2001	\$16,552,291,971	-7.29%
1982	\$2,411,430,400	5.10%	2002	\$15,626,739,093	-5.59%
1983	\$2,806,904,700	16.40%	2003	\$16,341,132,020	5.57%
1984	\$2,947,249,972	5.00%	2004	\$17,311,730,376	5.94%
1985	\$3,075,031,425	4.30%	2005	\$18,013,763,753	4.06%
1986	\$3,818,000,000	24.20%	2006	\$18,779,654,661	4.25%
1987	\$3,959,000,000	3.70%	2007	\$19,440,837,547	3.50%
1988	\$4,161,000,000	5.10%	2008	\$18,101,298,808	-6.89%
1989	\$4,480,354,632	7.70%	2009	\$15,638,571,468	-13.60%
1990	\$5,012,299,487	11.90%	2010	\$16,560,162,075	5.89%
1991	\$5,129,843,059	2.40%	2011	\$17,721,945,690	7.00%
1992	\$5,220,251,205	1.80%	2012	\$18,497,646,229	4.38%
1993	\$6,222,347,119	19.20%	2013	\$19,826,873,723	7.19%

COMPARISONS BY COMPANY SIZE

In terms of market share, the 970 firms representing large companies (sales of \$2.5 million or more in product) captured \$9,739,357,718 of the business—a 49.1% share. It should be noted that the large-company grouping included franchisors like Adventures in Advertising, Proforma and iPromoteU, and these firms report for their franchisees. Sales for the more numerous smaller distributors as a group amounted to \$10,087,516,005 (or 50.9%).

As in previous surveys, sales performance by large distributors and smaller firms remains fairly evenly divided. (See Table 3).

Table 3: Market Share by Distributor Size, 2004-2013

Distributor Company Size	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Under \$2.5 Million	54.3%	52.7%	51.3%	52.0%	55.5%	49.7%	51.1%	51.3%	49.6%	50.9%
Over \$2.5 Million	45.7%	47.3%	48.7%	48.0%	44.5%	50.3%	48.9%	48.7%	50.4%	49.1%

Both, large and small companies had positive results by year-end. The smaller-company segment saw the greatest gain with a 9.90% increase producing orders slightly over \$10 billion. Distributors in the \$2.5 million-plus bracket recorded sales of \$9.7 billion, representing more modest gains at a 4.52% increase over 2012. (See Table 4)

The average revenue for the 22,770 firms in the small-company segment was \$443,018 (415,251 in 2012). A more telling statistic, the median—that is, the midpoint where half the population is above and half is below—was \$225,000 (vs. \$245,000 in 2012).

Table 4: Annual Estimate of U.S. Distributor Sales in 2013 vs. 2012

Distributor Company Size	Number of Distributor Companies	2013 Sales Volume	2012 Sales Volume	Total	% Increase/ Decrease in Sales Volume Over 2012
Less than \$2.5 million	22,770	\$10,087,516,005	\$9,179,119,591	\$908,396,414	9.90%
\$2.5 million or more	970	\$9,739,357,718	\$9,318,526,638	\$420,914,380	4.52%
Total	23,740	\$19,826,873,723	\$18,497,646,229	\$1,329,310,794	7.19%

Note that in 2011, PPAI also began surveying a distributor sample quarterly. Four times a year, The PPAI Distributor Quarterly Sales Barometer provides a market snapshot of promotional products. Overall, the quarterly barometers for 2013 trended upward for the entire year, and that result is pretty consistent with our subsequent all-industry (member and non-member) calculation with a much more comprehensive sample.

A SECOND SOURCE OF REVENUE FOR OTHER BUSINESSES

For many of the industry's 22,770 smaller distributors (and larger ones, too), promotional products are a second revenue stream. (See Table 5)

In 2013, 39.5% of the small-company survey respondents were doing three-quarters of their business in some other field. The sharp decline observed in the percentage of promotional products sales by "mostly other things" firms is due to a change in the formula used to estimate this figure (Under the previous method this would have been 39%). Nonetheless, these results continue to indicate that promotional products are an attractive second-revenue stream for companies whose core business is something other than promotional products.

Table 5: Percentage of Small Distributors Selling "Mostly Other Things"

	2008	2009	2010	2011	2012	2013
Firms with less than 80% of sales in promotional products	34.9%	24.1%	33.7%	38.8%	46.1%	39.5%*
% of promotional products sales by "mostly other things" firms	34.9%	38.0%	33.2%	32.5%	37.4%	25.7%*

*New estimation method used

WHAT ABOUT PROFITS?

Respondents in this study were also asked about their profits. Compared to 2012, a similar proportion of the bigger U.S. firms experienced improvements in profit, with 69% of those businesses indicating their profits increased in 2013.

Also similar to 2012, slightly more than half (53.7%) of companies under \$2.5 million in sales said their 2013 profits were better than the year before (56% in 2012). Continuing the 2012 trend, about one out of every 5 distributors (20.2%) reported profits in 2013 that were actually less than the previous year. (See Table 6)

Table 6: U.S. Distributors Profit Experience, Comparing 2013 to 2012

Profit Results	Smaller Distributors (less than \$2.5 Million)	Larger Distributors (\$2.5 Million +)	All Distributors
2013 Profits Greater than 2012	53.7%	69.3%	55.6%
2013 Profits Same as 2012	24.6%	21.8%	24.2%
2013 Profits Less than 2012	21.8%	8.9%	20.2%

As in 2012, the continued expansion was uneven throughout the industry. Among the various firm subsets, all company brackets, except one experienced real growth. Companies in the \$250,001 - \$500,000 range significantly underperformed in comparison to 2012, showing nearly a 20% drop in sales. (See Table 7)

Table 7: Segmenting Industry Sales by Company Size, 2009 – 2013

Company Size	2009	2010	2011	2012	2013
Less than \$250,000	\$1,449,394,342	\$1,431,535,859	\$1,645,603,749	\$1,637,920,855	\$1,673,365,807
\$250,001-\$500,000	\$1,141,927,375	\$1,426,080,834	\$1,618,544,334	\$1,879,888,822	\$1,509,019,388
\$500,001-\$1,000,000	\$1,657,285,743	\$1,945,140,287	\$2,364,147,043	\$2,358,616,521	\$2,482,433,936
\$1,000,001-\$2,500,000	\$3,529,885,418	\$3,665,214,220	\$3,455,562,374	\$3,302,693,393	\$4,422,696,874
\$2,500,001 or more	\$7,860,078,590	\$8,092,190,875	\$8,638,088,190	\$9,318,526,638	\$9,739,357,718
Total	\$15,638,571,468	\$16,560,162,075	\$17,721,945,690	\$18,497,646,229	\$19,826,873,723

The sales mean for the small-distributor group was \$433,018—up a bit from the \$415,251 posted one year earlier. (See Table 8)

Table 8: Sales Average (Mean) by Under \$2.5 Million Distributors, 2005 – 2013

2005	2006	2007	2008	2009	2010	2011	2012	2013
\$466,416	\$458,799	\$492,725	\$467,553	\$367,777	\$407,114	\$422,505	\$415,251	\$433,018

ORDERS PLACED WITH NON-INDUSTRY SUPPLIERS

Overall, non-industry products sourcing showed decline in 2013. Smaller distributors did 11.8% of its business with outside suppliers in 2013. (See Table 9). The large decline observed in the percentage of promotional products sales to non-industry suppliers by these firms is due to a change in the formula used to estimate this figure (under the previous method this would have been 17%, which is still lower than in 2012).

For the large-distributor segment, non-industry products sourcing was 19.30% in 2013 (again slightly down, as compared to 19.8% in 2012 even if the previous estimation method would have been used – 19.27%).

Table 9: U.S. Distributor Business with Non-Industry Suppliers, 2005-2013

Distributor Company Size	2005	2006	2007	2008	2009	2010	2011	2012	2013
Under \$2.5 million	15.0%	15.0%	14.8%	17.9%	16.6%	17.2%	16.8%	18.5%	11.8%*
Over \$2.5 million	15.8%	15.5%	14.9%	17.9%	16.0%	18.1%	15.4%	19.8%	19.3%*

*New estimation method used

Collectively, distributors of all sizes sold \$3,077,739,876 in products to non-industry providers in 2013—or 15.4% of the total dollar volume. (See Table 10)

Table 10: Distributor Business with Non-Industry Suppliers, 2009-2013

Distributor Company Size	2009 Sales	2010 Sales	2011 Sales	2012 Sales	2013 Sales
Under \$2.5 million	\$1,288,896,270	\$1,454,716,419	\$1,522,309,399	\$1,701,432,193	\$1,178,431,204
Over \$2.5 million	\$1,302,415,022	\$1,390,160,955	\$1,447,605,584	\$1,729,939,381	\$1,879,391,412
All distributors	\$2,591,311,242	\$2,844,877,374	\$2,969,914,983	\$3,431,371,574	\$3,057,822,616

ONLINE BUSINESS

Online sales are defined as buys resulting from orders placed through an online store or website. Web sales (not to be confused with salespeople transmitting orders online) are estimated to be \$2,697,381,418, or 13.6% of the industry total sales.

The sharp decline observed in online sales is due to a change in the formula used to estimate this figure (under the previous method this would have been 16% for smaller firms and 22.3% for larger firms, indicating that no significant changes in online sales have occurred since 2012).

Table 11: Online Sales Contributions to Distributor Business, 2010-2013

Distributor Company Size	2010	2011	2012	2013
Under \$2.5 million	\$1,365,036,947 (16.1%)	\$1,275,870,533 (14.0%)	\$1,553,179,741 (16.9%)	\$1,075,428,815 (10.7%)*
Over \$2.5 million	\$1,351,856,824 (16.7%)	\$1,823,500,417 (21.1%)	\$2,189,834,184 -23.50%	\$1,621,952,603 (16.7%)*
Total for all Distributors	\$2,716,893,781	\$3,099,370,950	\$3,743,013,925	\$2,697,381,418

*New estimation method used

Table 12: Percentage of Online Sales, 2004-2013

Distributor Company Size	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Under \$2.5 million	10.0%	10.4%	13.6%	13.2%	14.9%	16.1%	16.1%	14.0%	16.9%	10.7%*
Over \$2.5 million	12.3%	13.8%	15.4%	17.2%	17.1%	15.2%	16.7%	21.1%	23.5%	16.7%*

*New estimation method used

EXPECTATIONS FOR 2014

As in 2012, companies participating in the 2013 survey continued to remain optimistic both about sales and profits, regardless of company size. Nearly seven out of 10 survey respondents indicated they're expecting a better year than last. About a quarter (24%) predicts their business will remain unchanged, and only 9% believe the will do worse.

The numbers continue to differ significantly between the established larger firms and the smaller competitors. (See Table 13 for a more complete breakout of the metrics).

Table 13: Distributors' 2014 Sales Predictions

2014 Sales Forecast	Distributors Under \$2.5 Million	Distributors Over \$2.5 Million	All Distributors
Greater than 2013	85%	64%	67%
Same as 2013	9%	27%	24%
Less than 2013	6%	9%	9%
Totals	100%	100%	100%

Many competitors are equally optimistic about profits in 2014. About six out of 10 respondents expect higher profits in 2014. (See Table 14)

Table 14: Distributors' 2014 Profit Predictions

2014 Profit Forecast	Distributors less than \$2.5 Million	Distributors \$2.5 Million +	All Distributors
Greater than 2013	83%	60%	63%
Same as 2013	11%	31%	29%
Less than 2013	6%	9%	8%
Totals	100%	100%	100%

Despite these high expectations, distributors are constantly aware of potential obstacles. In PPAI Distributor Quarterly Sales Barometer surveys conducted every quarter to take the pulse of business activity in the industry, distributors indicate identify threats to their business in the economic situation, decreases in clients' budgets, rises in shipping and handling costs, greater market competition, along with potential changes in government relations relevant to promotional products procurement, and increases in overhead and marketing costs.

APPENDIX: RESEARCH METHODOLOGY

PPAI has researched and released industry sales data since 1965. This annual distributor sales study for PPAI is generally considered the most definitive and comprehensive of its kind in the industry based on actual sales reported by U.S. promotional consultant companies. In 2013, the survey was conducted by Relevant Insights LLC, an independent market research, on behalf of PPAI.

To compile The 2013 Estimate of U.S. Distributors' Promotional Products Sales for PPAI, the survey was distributed both via email and mail to more than 25,000 distributors, both PPAI member and non-member promotional consultant companies. As in the past, the sample was drawn from a merge/purge of several separate industry databases, including PPAI and UPIC (Universal Promotional Identification Code) lists.

Companies had the option to answer the survey online or return it by mail. The top 50 distributors were also reached by phone to make sure their information was included in the analysis since omission of any distributor with a large volume of business could distort the statistics. A census of all distributors doing \$2.5 million or more in sales was also included. Combining the samples from the different data collection methods used resulted in a total of 23,740 (22,770 small firms and 970 large firms) distributor surveys covering the entire U.S. industry.

As incentives to complete and return questionnaires, respondents were eligible for a random drawing to win prizes. Completed replies collected by internet, phone, and mail 860 usable surveys (4% response rate), which combined with census data, provided a total of 1,712 records used in the analysis (margin of error was +/- 2.3% margin of error) at the 95 percent confidence level).

Those surveyed were given the following definition ("Promotional products include, but are not limited to, ad specialties, wearables, premiums, business gifts, incentives, awards, prizes and commemoratives") and asked to provide information about:

- ✓ Total gross sales
- ✓ Percentage of gross sales that was strictly promotional products as defined above
- ✓ Percentage of promotional products sales that came from non-industry suppliers ("Non-industry suppliers" are defined as suppliers that are NOT listed with at least one of the following: PPAI, ASI, or SAGE)
- ✓ Percentage of total sales in current year of promotional products generated through online sales (Online sales are defined as sales resulting from customer orders placed through an online store or website, NOT orders transmitted online by your field sales force).
- ✓ Affiliation with franchise or distributor networks such as Adventures in Advertising (AIA), Proforma, iPROMOTEu, Press-A-Print, etc. (Respondents identifying themselves as franchisees were deleted in order to prevent double reporting under their franchisers)
- ✓ State in which their company was located in (headquarters, if multiple locations)
- ✓ Percent of sales from the state where the company was headquartered.
- ✓ Changes in current year sales and profits in comparison to previous year
- ✓ Sales and profit predictions for current year in comparison with previous year
- ✓ Distributors' sales by programs and products.

The sales volumes are first calculated separately for both smaller (under \$2.5 million) and large companies (Over \$2.5 million).

For small companies (under \$2.5 million), sales reported by this group is averaged (in 2013 – \$443,018,251) and then multiplied by the number of smaller companies (22,770) to project to the entire small-distributor population. This approach is designed to compensate for undetected duplication and to avoid inflating the small-distributor population

For large companies (over \$2.5 million), reported sales in the survey are added to sales data from the census of large companies to project to the entire large-distributor population.

The subtotals of each group are added to estimate the total distributor promotional products sales for the entire U.S. industry, and the market share of both large and small companies. This information is used later as weights to estimate sales volume by categories and programs for the whole industry.

The 2013 industry sales volume estimated market shares (used as weights) by each company group are indicated below.

Company Size	Market Share/Weight
Under \$2.5 million	50.88%
Over \$2.5 million	49.12%

For 2013, a different calculation method was used to estimate the percentage of business done by companies whose core business is outside promotional products (less than 80%), the percentage of business done online and with non-industry providers. The change was motivated by the need to provide a more consistent approach to all metrics measured.