

Opportunities in the Promotional Product Industry

A white paper for individuals and families considering a career change



Executive Summary

Promotional products are any items that can be imprinted with a logo, message or name that instills corporate identity. Thousands of different companies use these promotional items to improve sales, recognize employees, and build relationships.

Promotional products is a multi-billion dollar industry with sales exceeding \$17 billion in the United States.

The industry is comprised of three (3) groups: manufacturers, suppliers and distributors. Manufacturers produce the “blank” products. Suppliers purchase the products and add the imprint (ie decoration). Distributors are the independent sales force for the suppliers, who sell these products to the end-user customer.

While other industries have suffered as a result of the recession and other economic issues, the promotional products industry has remained robust. Companies recognize that marketing is important in good times as well as bad, and have focused their investment on the strategies that bring the most favorable results.

Studies show that people who receive promo items could recall the name of the advertiser as long as six months after they received them.

The growth of the business promotional product industry, as well as the ability to become an entrepreneur, has attracted many people from other professions, as well as single mothers and families, in the hope of generating a primary or secondary income.

As with any start-up there are challenges, but those who receive the proper training and guidance stand a better chance at success.



● **Intended Audience**

● This document is intended for anyone seeking information on the promotional products industry.





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● This white paper is sponsored and presented by Logo Studio, a company that provides training, technological assistance, infrastructure and support to entrepreneurs in the promotional products industry.



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Promotional products play a significant role in a company's brand recognition. For more than a century, businesses have engraved, embossed, pad printed or screen printed their name and logo on a wide range of items, from calendars, magnets and pens to coffee mugs, tote bags and apparel, to build customer awareness and gain an edge over their competition.

In 2008, sales of promotional products were \$19.8 billion, according to the Advertising Specialty Institute (ASI). While other businesses have suffered during the recent recession, promotional products have not only survived the economic downturn, they have increased sales. Industry revenues grew 10% in 2010.

The promotional products or ad specialties industry is comprised of manufacturers that create the products, suppliers that decorate the products and distributors who have the ability to source and supply tens of thousands of products from around the world.

Entrepreneurs from varied walks of life have investigated the industry's potential, primarily in the distribution sector. Among the advantages cited by those who have started an ad specialty business are the overall strength of the industry, the work from home opportunity, the flexible hours, and a lower overhead and initial investment than is demanded by franchises and other types of start-up companies.

Promotional Products: A Brief History

It is difficult to pinpoint exactly when the promotional products industry began. Wikipedia cites the commemorative buttons celebrating the election of George Washington, in 1789, as the first known promotional products.

In the 19th century, the custom of creating and distributing items bearing a company name, logo or message accelerated rapidly. Early examples include calendars, rulers and fans. An Ohio printer named Jasper Meeks was among the first to recognize the marketing potential of ad specialties, when he convinced a shoe store to supply book bags imprinted with the store's name to schools.

One of the more unique illustrations of a successful promotional campaign was launched in the 1880s, when businessman William Wrigley Jr. handed out chewing gum to promote Wrigley's Scouring Soap. Customers liked the gum better than the soap, and Wrigley launched a new business that still dominates the market.

The next significant expansion of the industry occurred in the 1970s, as hundreds of companies sought to boost their name recognition through branded gifts and giveaways. The range of products, sometimes referred to as swag or tchotchkes, increased as well, both in quality and creativity.

These trends continued into the 1980s, when distributors began offering catalogs of promotional products that could be manufactured with a customer's name, logo or message.

From the 1990s to the present day, ad specialties suppliers and distributors embraced the new technology available to market their products and reach new customers.

Both customer service and customer satisfaction have increased as a result of better products, better service, better supplier feedback, and partnerships with social networking to further expand the industry's ability to promote the marketing benefits of promotional products.

Industry Prospects

As with nearly every other type of business, the promotional products industry is subject to the status of the national economy. However, many company CEOs understand that smart, effective marketing is more important than ever in a time when clients and consumers are choosing their business associations more carefully.

Rather than eliminate the best opportunity to attract new clients and customers who can help them survive tough times, these CEOs realize that marketing efforts must not only be maintained, they must be implemented through methods that will bring maximum results.

Surveys have shown that promotional merchandise is one of the most effective methods of achieving and building brand recognition.

A 2009 study from Promotional Products Association International (PPAI) surveyed more than 1,000 consumers who recalled receiving a promotional product in the past 24 months. The study found that:

- 94 percent could recall a promotional product they had received in the past two years
- 89 percent could also recall the advertiser
- 83 percent reported that they liked receiving promotional products
- 48 percent would like to receive promotional products more often
- 69 percent generally keep the promotional product

Promotional products also consistently delivered high recall rates – more than 80% – of the company, its product or service, or both. When asked if they took any action after receiving the product, the study found that more than 20% made a purchase from the company that sent them the product, a higher percentage than the reactions from viewing a print ad (13.4%), a television commercial (7.4%) or an online ad (4.6%).

Independent studies conducted outside the industry verify these findings. In a Baylor University study, a textbook publishing company sent one of three items to 4,000 educators – a thank you letter, a pocket calculator and a letter, or an inexpensive highlighter and a letter.

The study found that customers who received the logo-bearing gift items had a much more positive attitude toward the sales person and the company than those who received only a letter of thanks. Customers who receive promotional items reorder more quickly and frequently than those who do not receive a similar incentive.

According to Southern Methodist University, new customers of a dry cleaning company that received

● promotional products over an eight-month period spent 27 percent more than those who were only given coupons. Now that most economists are forecasting continued, albeit slow economic recovery, advertising specialties should have an even greater impact, since many companies have more discretionary income. According to IBISWorld Industry Reports:

● *“The industry will get a boost during the economic recovery, when improvements in corporate profit and sentiment are expected to create renewed demand for promotional products.”*

● Improved economic conditions propelled industry distributors to 9.1% growth in 2010, according to data released by ASI. The 2011 outlook is equally positive, with 75% of distributors expecting to improve their revenues this year. More than half anticipate double-digit sales increases. Distributors cited organic growth, a stabilizing market and loosening client budgets as major reasons behind a gradual recovery last year and continued optimism for 2011.



● Industry Challenges

- As with any new business it can be difficult to establish a reputation for quality and service, and to attract new customers whose needs are being met by other distributors. Accessing established supply chains, and choosing those that deliver quality merchandise from hundreds of potential sources, are among the tasks that must be accomplished before a new business can begin to serve its customers.
- One method to overcome these challenges is by working with an established company with a respected reputation in the promotional merchandise field that can provide the necessary training and information on products and best practices.



Who Can Benefit?

Following the recession that decimated many industries and resulted in double-digit unemployment numbers, many displaced workers considered the possibilities of becoming an entrepreneur, and creating a job for themselves that no employer could take away. Ad specialties offer one such path to entrepreneurship.

While a background in marketing or sales can be beneficial, those with no such prior experience can also succeed with the proper training.

This aspect of the business is appealing to those considering a career change or who have lost their job, and have contemplated returning to college to continue or complete their education, or to learn a new field where employment opportunities are more abundant.

The flexible hours and work-from-home aspect of ad specialties also makes this business accessible to those already employed but seeking a secondary income, or single mothers hoping to find work that will still allow them time with their families.

In fact, parents with older children struggling to find a job have also embraced ad specialties as a business they can operate together.

Factors to Success in Selling Promotional Products

A number of different factors will determine whether a company succeeds in the ad specialty industry. Among the most prominent are the ability to provide a wide range of quality products to customers, training, education, innovative utilization of technology and social media, and recognizing the marketing needs of businesses in the 21st century, and meeting those needs with the customer service and support that clients expect.

Promotional products marketing is more than providing imprinted golf balls, pencils or magnets on request. The successful promotional product distributor will work with each client on special events, trade shows and promotions, and be able to offer suggestions on how they can increase their business.

According to IBISWorld Industry Reports, some distributors try to differentiate themselves from their competition by using greener materials in their products, which appeals to environmentally conscious companies, and by increasing their web presence to enhance client interaction.

One proven method to increase the probability of a successful launch is to work with an experienced ad specialties firm that understands the needs of a new business, and provides coaching, support, training materials and assistance in building a client base.

Particular attention should be paid to the company's online presence, as most ad specialty item purchases now have an online component. An effective website will establish a distributor as experienced and knowledgeable, as well as provide access to thousands of products to suit any type of company, or any specific event. A significant segment of purchases and sales today are negotiated via computer, sometimes exclusively. However, there is ultimately no substitute for more personal interaction with customers, either via telephone or face-to-face meetings.



● Conclusion

● Promotional products merchandise is used globally to promote brands, products, and corporate identity. They are also used as giveaways at events, such as exhibitions and product launches.

● Customers look to merchandise distributors to help them source creative promotional products. Opportunities exist in the ad specialty industry for individuals or families motivated to become entrepreneurs, but as with any business success will be determined by each participant's experience, training and drive to prosper in a creative, exciting industry.

