

2003 Promotional Products Industry Sales Volume Study

May 2003

PROMOTIONAL
PRODUCTS ASSOCIATION
OF CANADA INC.



ASSOCIATION DE LA
PUBLICITÉ PAR L'OBJET
DU CANADA INC.



ASSOCIATION
RESOURCE CENTRE INC.

Research and Strategy Division

Executive Summary

Among other reasons, the Promotional Products Association of Canada (PPACanada) exists to represent the interests of the promotional products industry and, more specifically, its members in Canada to key decision-making groups. To facilitate its efforts in this role, it is critical that the association has a firm understanding of the size of the industry in terms of revenue and employment. In other words, it needs to understand the economic impact of the industry. While this study does not indicate a full economic impact, it does provide the basic input for one. The report also provides readers with a better understanding of the make-up of the industry in terms of industry profile and sales categories.

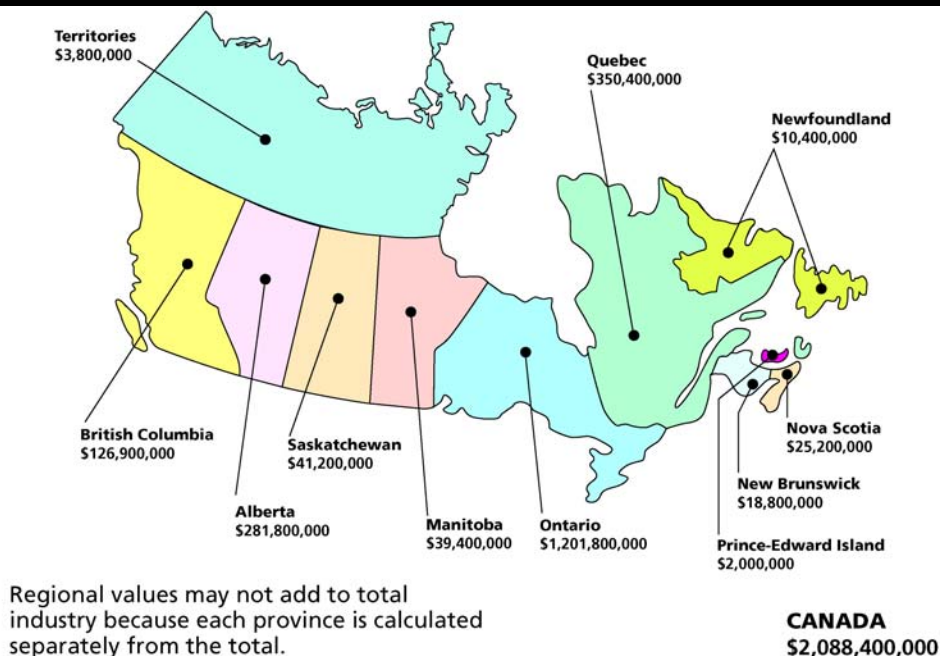
HOW BIG IS THE PROMOTIONAL PRODUCTS INDUSTRY IN 2002?

This study looks at the size of the promotional products industry for two separate segments of the industry – distributors and suppliers. Two key measures, revenue and employment, were used to determine the size of these segments. Following is a summary of the industry size for each segment.

Distributors

- **Number of Distributors:** The estimated number of distributors in the promotional products industry is 4,083. This estimate is based on the number of distributors in PPACanada's member and prospect databases.
- **Distributor Revenues:** Promotional products distributors in Canada generated an estimated \$2.1 billion in revenues in 2002. Over half (58% or \$1.2 billion) of this revenue was generated in Ontario. Moreover, 94% of all distributor revenues are generated in Ontario, Quebec, Alberta and British Columbia (see Exhibit 1). While they account for only 27% of distributors, PPACanada members produced just over half the total distributor revenue.

Exhibit 1 – Distributor Sales Volume by Region



- **Distributor Employment:** Distributors employ an estimated 14,250 full-time equivalent staff across Canada. Nine in ten (89%) employees reside in Ontario, Quebec, Alberta or British Columbia. In fact, almost half (48%) are in Ontario.

Suppliers

- **Number of Suppliers:** The estimated number of suppliers in the promotional products industry is 1,078. This estimate is based on the number of suppliers in PPACanada's member and prospect databases.
- **Supplier Revenues:** Suppliers in the Canadian promotional products industry generated an estimated \$2.0 billion in revenues in 2002. The vast majority (74%) of this revenue was generated in Ontario. PPACanada members produced two-fifths of the total supplier revenue despite accounting for only one-fifth of companies.
- **Supplier Employment:** Promotional product suppliers employed just over 11,000 full-time equivalent staff across Canada.

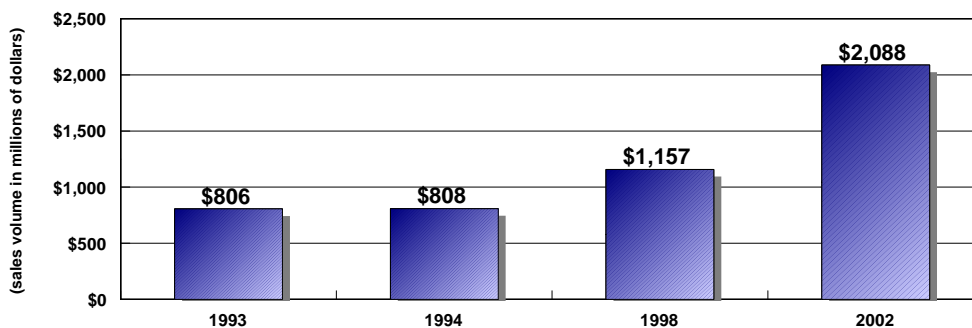
HOW FAST IS THE INDUSTRY GROWING?

Another key objective of the study was to determine how quickly the industry was growing. To do this, results from the 2003 study were compared to those from previous studies. Key highlights are presented below.

Distributors

- **Revenue Growth:** As shown in **Exhibit 2**, there was an 80% increase in distributor revenues from 1998 to 2002. Moreover, revenues surged by 159% between 1993 and 2002. During the same nine-year period, the estimated total inflation was only 16%.¹ In other words, the rapid growth is almost entirely attributable to increased demand.
- **Employment Growth:** Distributor employment saw an increase of 72% in the number of employees from 1998 to 2002 and 113% from 1994.

Exhibit 2 — Distributor Sales Volume by Year



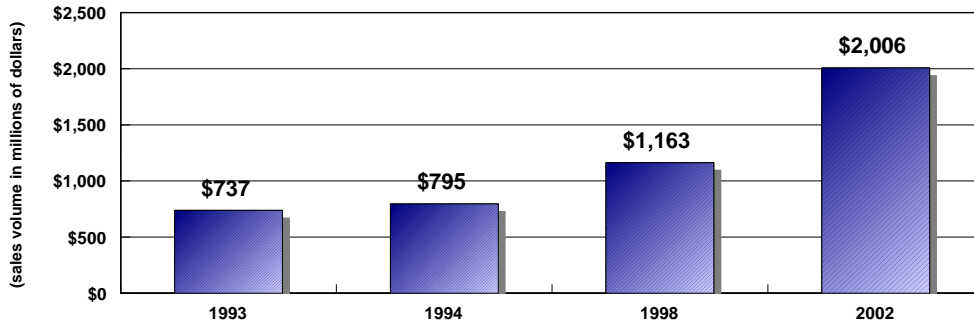
Note: Source for 1993 through 1998 data are the 1994 and 1998 Sales Volume Studies

¹ Source: The inflation calculator on the Bank of Canada website www.bankofcanada.ca.

Supplier

- **Revenue Growth:** Revenue growth among suppliers is quite strong, with an increase of 72% since 1998 and 172% since 1993 (see **Exhibit 3**). Revenue growth significantly outpaced inflation.
- **Employment Growth:** Employment on the supplier side of the industry has experienced strong growth since 1998. In fact, in that time, employment grew by 47% to its current level of 11,222. Eight-year growth sits at 74%.

Exhibit 3 — Supplier Sales Volume by Year

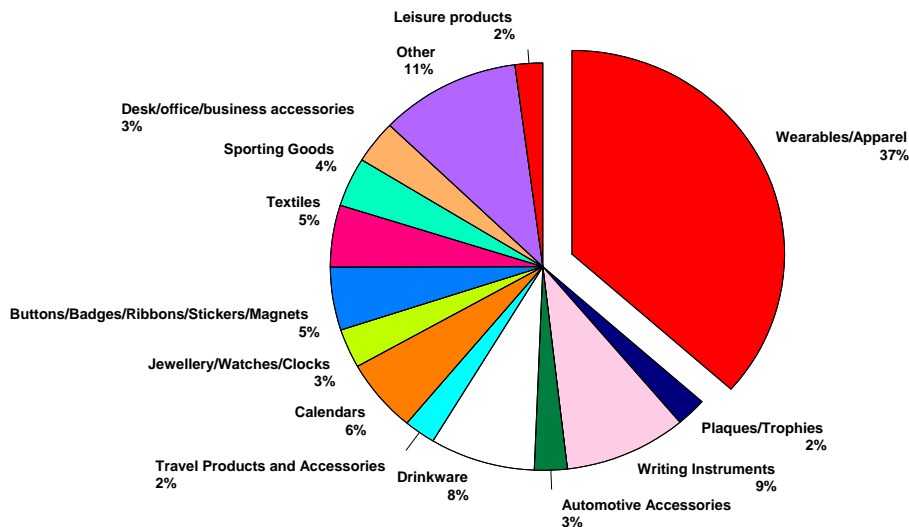


Note: Source for 1993 through 1998 data are the 1994 and 1998 Sales Volume Studies

HOW IS DISTRIBUTOR REVENUE DERIVED?

In order to better understand the breakdown of sales in the industry, distributors were asked to break their sales down by product category and program type (product uses). As seen in **Exhibit 4**, wearables/apparel is clearly the dominant product category within the industry, accounting for one-third (37%) of distributor revenue. In fact, just over half (54%) of industry revenues are attributable to sales in three product categories — wearables/apparel (37%), writing instruments (9%) and drinkware (8%).

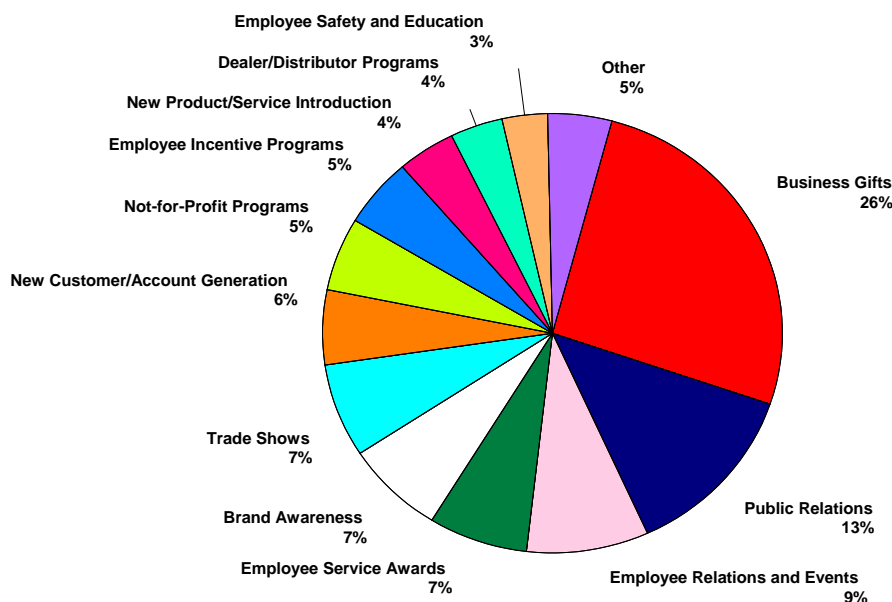
Exhibit 4 — Distributor Product Category Breakdown



While not shown in the exhibit, some categories in the survey included sub-category breakdowns. These sub-categories reveal that golf products account for almost one-fifth (18.8%) of total industry revenue (16.1% in wearables and 2.7% in sporting goods).

A breakdown by program type (product use) is presented in **Exhibit 5**. Accounting for double the sales volume of the next closest category, the most significant program type is business gifts. This category accounts for one-quarter (26%) of total industry sales. While accounting for significantly less sales volume, public relations (13%) and employee relations and events (9%) are also in the top three program types.

Exhibit 5 — Distributor Sales by Program Type



Percentages may not sum to 100% due to rounding.

Interestingly, a large portion of distributors (67%) indicated that they offer premiums/incentives, but only a small portion of distributor revenue comes from this type of product. “Premiums/incentives” accounts for one-fifth (18.5%) of total industry sales or approximately \$386 million.

CONCLUSIONS

- *Despite many of the recent economic uncertainties, the industry has managed to grow at a significant pace.* Revenues and employment on both sides of the industry have been growing in leaps and bounds since the last study. In fact, distributor revenues came close to doubling between 1998 and 2002.
- *Wearables/Apparel continues to be the dominant product category within the industry.* While it saw a slight decline in market share from 1998, the wearables/apparel category still accounts for a full third of industry sales.
- *The golf craze has definitely impacted the promotional products industry.* Almost one-fifth of distributor industry revenues are derived from the sale of golf products (garments and accessories).
- *The most common client program for promotional products continues to be business gifts.* A full quarter of distributor revenue is derived from products sold to be used as business gifts.