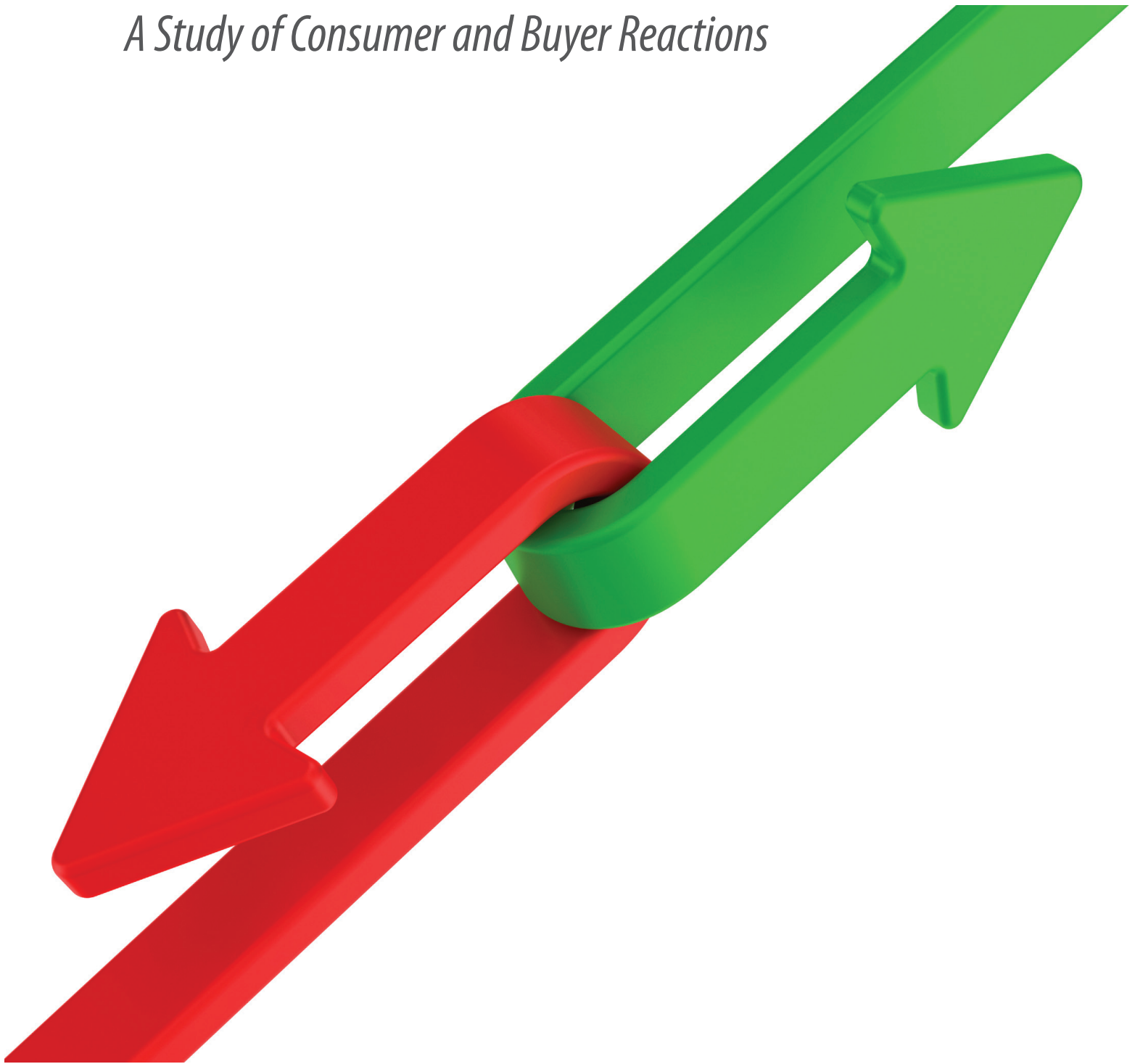


High End, Low End:

Which Promotional Products Work Best?

A Study of Consumer and Buyer Reactions



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A Study of Consumer and Buyer Reactions

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Executive Summary

Purpose of the research: This study examined two marketplace components—consumers (recipients of promotional products) and promotion buyers—in terms of their impressions of and preferences for promotional products in four representative price ranges.

Price influences on recipients: Consumer subjects were more favorably disposed toward the giver if they perceived the item they received to be higher priced; nevertheless, they understood the lower-priced items were intended as advertising and not as a reward.

Reasons behind distributing promotional gifts: Recipients tend to accurately recognize the giver's intent in distributing promotional merchandise.

Buyers' view of promotion results: At all price levels of the products they paid for, buyers were generally satisfied with the results of the expenditure.

Perceptions of branded vs. generic products: Recipients had no clear preference for branded products over generic makes. Buyers, however, believed that branded products were more consistent with their organization's reputation.

Recipients' acceptance of imprinted products: The fact that a promotional product had a boldly displayed advertiser's imprint had little bearing on the recipient's acceptance of the item so long as the item was useful.

Promotional products that recipients most prefer: When recipients were asked which type of promotional products they most preferred to receive, their top choices tended to align closely with distributors' most popular sellers. The most notable exception was the strong penchant recipients expressed for food gifts.

Retention of promotional products: It's the usefulness of the item, not its perceived cost, that most likely determines how long recipients keep the promotional items they receive.

The price that suggests "high value": A substantial plurality of recipients believe a high-value promotional product—but not an extravagant one—would cost between \$25 and \$50.

Most important factors weighing on buyers' purchasing decisions: Buyers say they are more influenced by how audiences will respond to the items than they are to the budgets for purchasing them.

Policies affecting purchasing: A third of buyers surveyed reported their organizations had policies that prohibited them from purchasing promotional items. A large number of organizations, respondents stated, have limitations (unrelated to budget) on what promotional products can cost and restrictions on buying certain types of items.

Expenditures for promotional products: About one-fourth of the buyers report they allocate less than 5 percent of their ad/promotion budget to promotional merchandise. Asked to forecast

their expenditures on these items in the next two years, six in ten buyers predicted their spend would be little different from what it is today.

Purpose of the Research

What works best for end buyers of promotional products—high-end or low-end products? At what price point does the difference—if any—become negligible? Is the recipient's impression of the promotional product and the reason for receiving it consistent with the giver's objectives and expectations?

These are some of the questions Promotional Products Association International sought to answer through two online surveys to separate groups—a panel of 736 consumers and a panel of 736 business owners/management people considered to be promotional products buyers or purchasing influencers.

More specifically, the study examined the following questions:

- What implications does the perceived price of a promotional product have on recipients' attitude toward the product, the giver and the giver's objective.
- Do end buyers and consumers have a preference for branded promotional products vs. generic ones, or doesn't it matter?
- How much does a promotional product cost before it is perceived to be "high value"?
- What types of promotional products appeal most to consumers?
- What attributes—like usefulness, attractiveness, quality—of promotional products are most appealing to consumers?
- Does the perceived value of a promotional product have any bearing on how long the recipient keeps it?
- What objectives do end buyers have in mind for using promotional products in various price ranges? And do recipients recognize these objectives?
- Do end buyers believe the promotional products they purchase achieve the objectives set for them? Does their opinion match the reactions of recipients?
- What considerations, such as budgets, are most important to end buyers in selecting promotional products?
- What company or organization policies—if any—affect the purchase of promotional products?
- Given the state of the economy, what are end buyers' expectations in terms of future spend for promotional products?

The Consumer Panel

A panel of 736 consumers was asked to identify promotional products in four price ranges they could recall receiving. These were products having a perceived value (what respondents thought they would cost if purchased at a store) of...

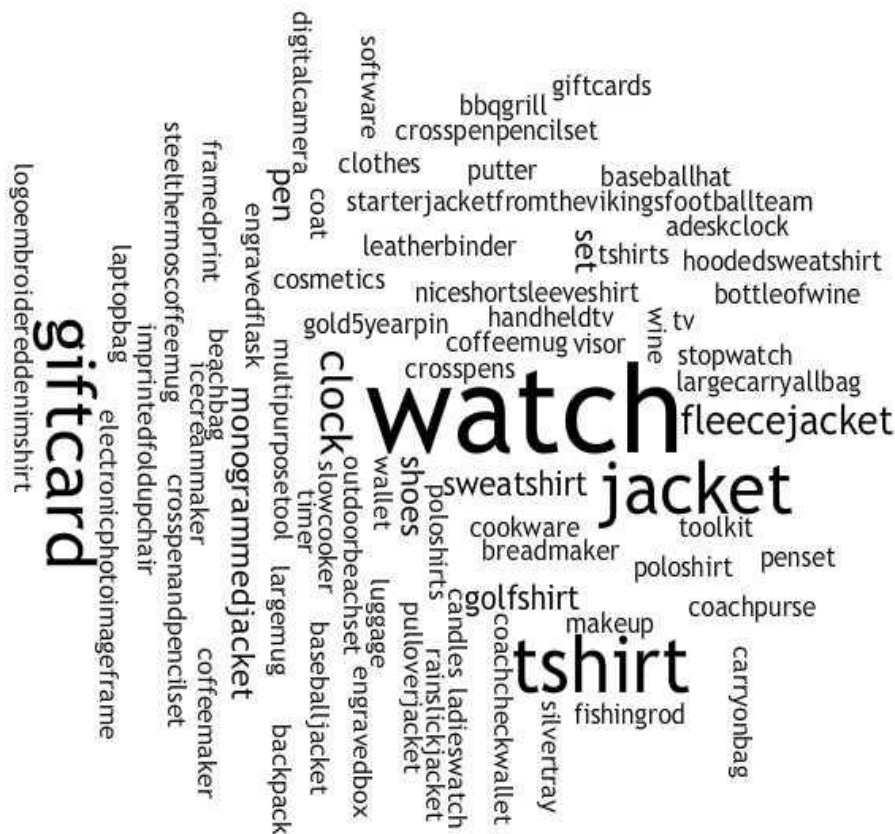
- Over \$25
- \$10 to \$24.99
- \$5 to \$9.99
- Under \$5

Inasmuch as not all the respondents recalled receiving promotional products in all the price ranges, the number of participants reporting in each price range will vary. Panelists were also asked to identify the items they could recall, and subsequent questions related to respondents' impressions of the specific items and the reasons they received them.

Although we refer to panel members as consumers in this study, many participants received promotional products because they are employees of an organization or are contributors or members of a non-profit enterprise.

Promotional Products Perceived to Cost \$25 or More

About a quarter (179 persons, 24 percent) of the consumer panelists said they could recall receiving a promotional product they perceived to cost \$25 or more. The items they recall receiving are grouped in the word cloud below.

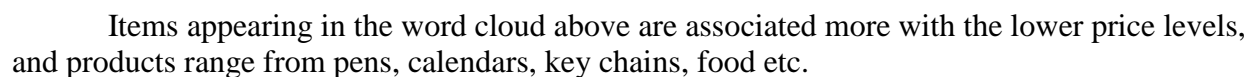


Appearing in larger, bolder type, the items most frequently mentioned are watches, T-shirts, jackets and gift cards. Since compilation of items relied on respondents' descriptions, there will be some duplication among the items. Also note that while there are products mentioned that could fall into lower-priced categories such as pens and t-shirts it, quality and brand name can elevate them to the \$25-or-more category.

Promotional Products Perceived to Cost \$10 - \$24.99

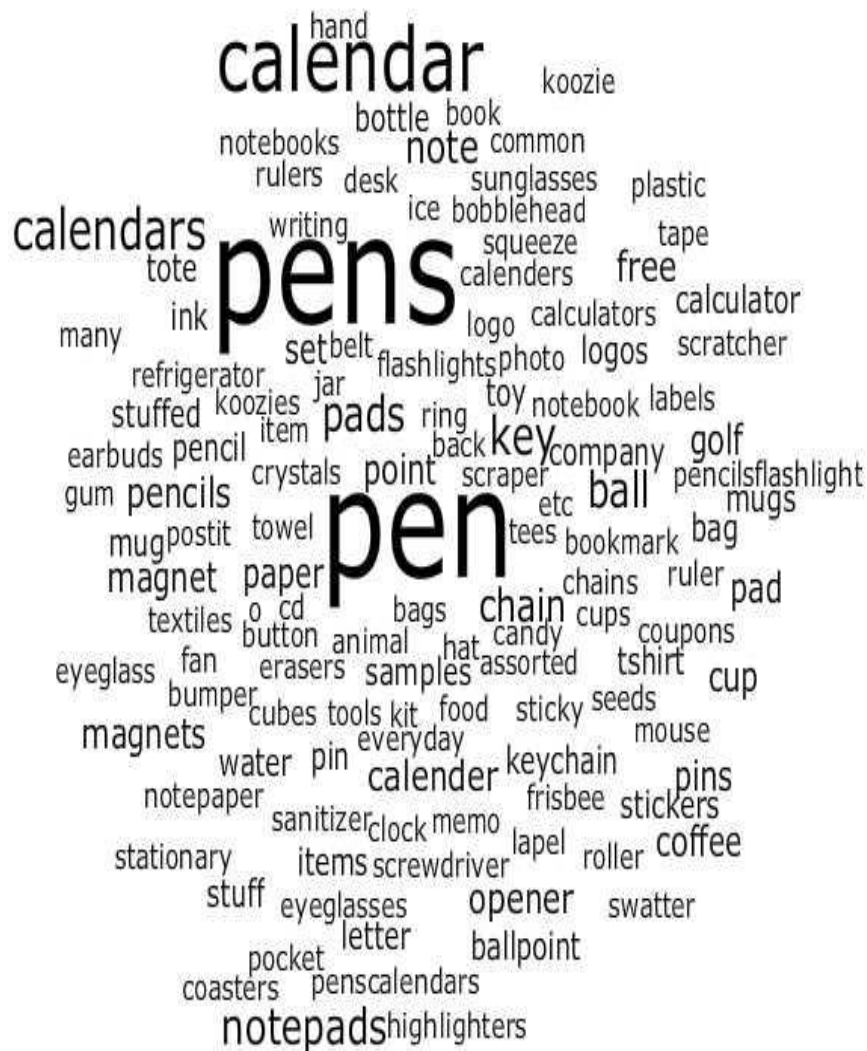
Twenty-eight percent (205 persons) recalled being given a promotional product in the \$10 to \$24.99 range. The most frequently mentioned items were T-shirts, followed by other wearables. See representative word cloud on next page.

The 195 persons (26 percent) who said they received a promotional product in the \$5 to \$9.99 range mentioned most frequently T-shirts, pens and coffee mugs.



Promotional Products Perceived to Cost Under \$5

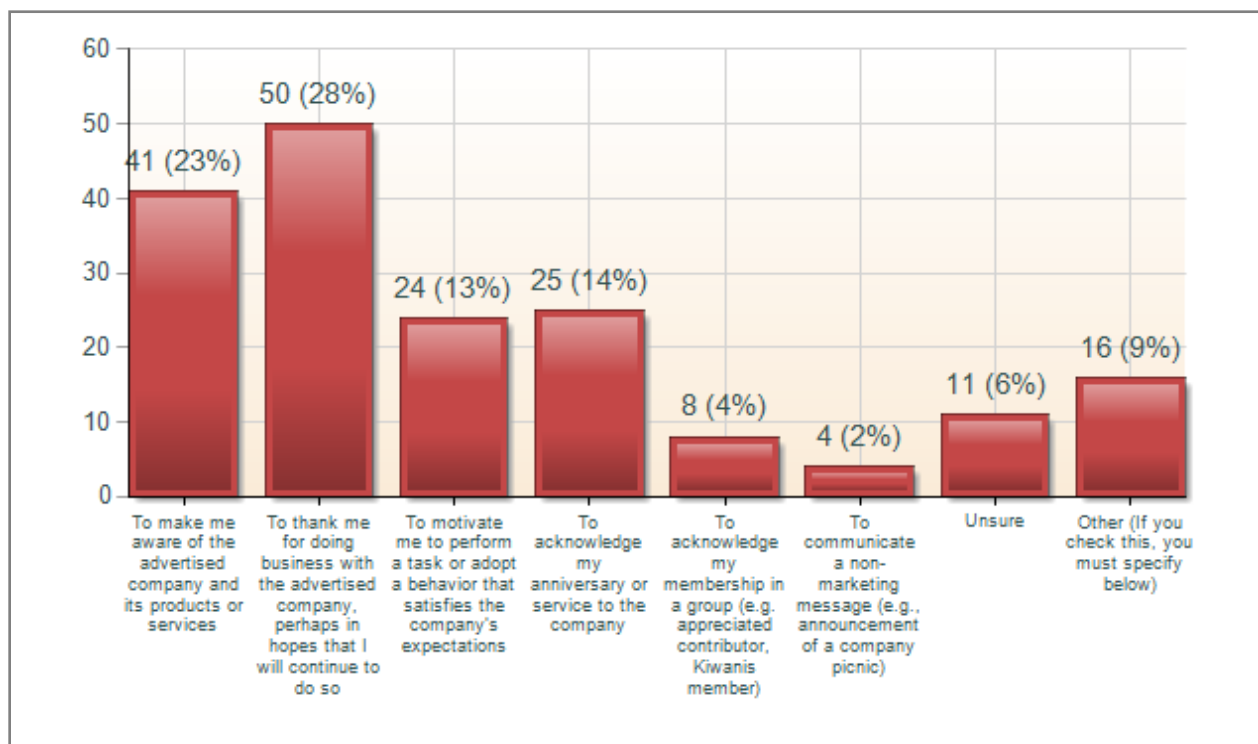
When asked to remember receiving an item costing under \$5, the recipient group swelled to 238 persons (32 percent). The most widely acquired products were pens, calendars and notepads. The popularity of these items—they show up strong in the previous price ranges, also—is indicative of the vast price selections industry suppliers offer.



Perceived Advertisers' Objectives

A promotional product is what...(a) advertising, (b) a business gift, (c) an incentive? Obviously, depending on the objective assigned to it, it can be all of the above. We sought to ascertain, by price category, how panelists tend to think of the items they received. When asked what they thought the advertiser had in mind for giving them the promotional product, most recipients felt they had a good idea why. Charts 1 through 8 tabulate their responses by price range and how they would classify the item they received—the (a), (b) and (c) mentioned previously.

Chart 1: Reasons recipients thought they received promotional products costing more than \$25

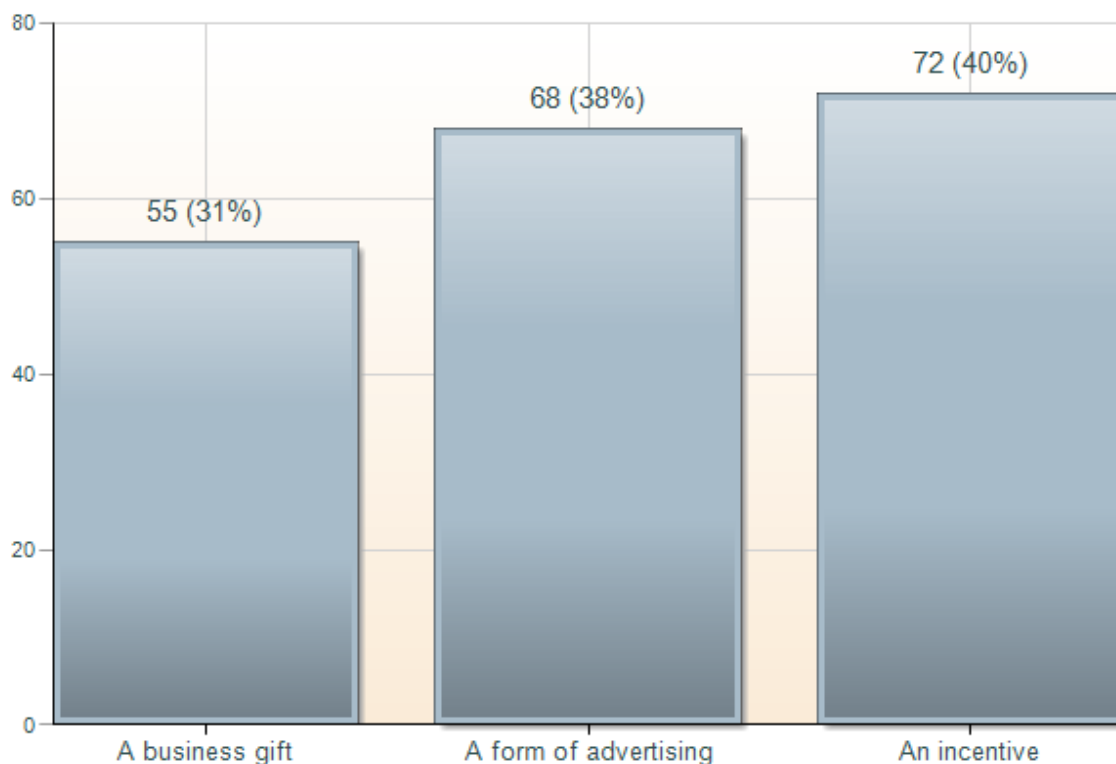


- A little over a fourth of the respondents (28%) believed they got the promotional product because the company who gave it to them wanted to **thank them for their business**.
- Another 23% believed the giver of the item wanted to make them **aware of their company, product or service**.
- 14% of respondents reported receiving the item as a **token of recognition** for their service to their company
- 13% reported getting the item to motivate them to do a particular task. All these are typical reasons as to why companies give out promotional products.

- Six percent were unsure as to why they got the item. Although a low number, this statistic is somewhat troubling given that the promotional item they received cost \$25 dollars or more, yet recipients had no idea why they got the item. This is something for distributors to think about when suggesting ideas for buyers who give out promotional products.

Open –ended responses under “Other” were too varied to compute but ranged from gifts presented for exceptional performance to items given for attending a timeshare presentation and gifts earned for taking a survey.

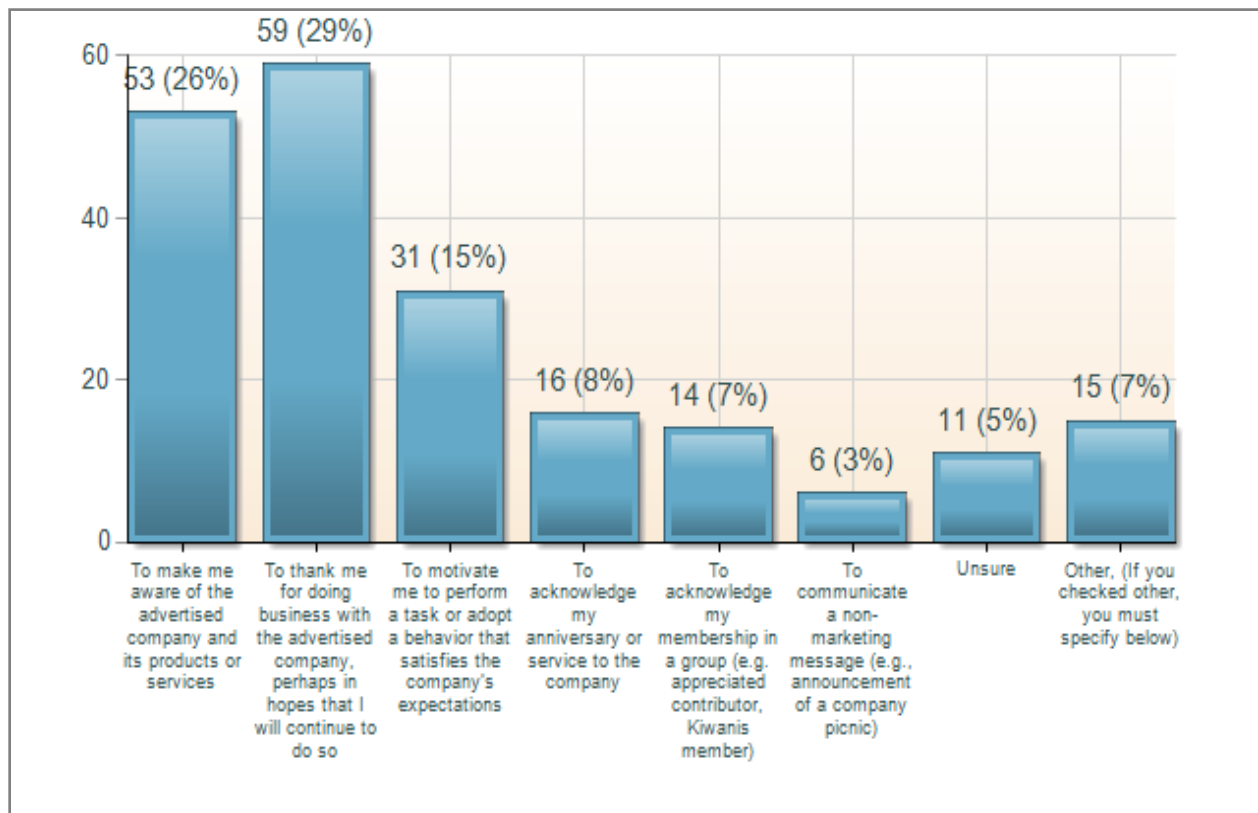
Chart 2: Respondents considered promotional products costing \$25 or more to be...



- 40 %t of respondents reported that they perceived the item was an incentive
- 38% reported that they perceived their item to be a form of advertising.
- 31% on the other hand, thought the item was purely a business gift.

In general, the over-all use classifications shown in Chart 2 are consistent with the perceived company objectives appearing in Chart 1.

Chart 3: Reasons recipients thought they received promotional products costing \$10 to \$24.99

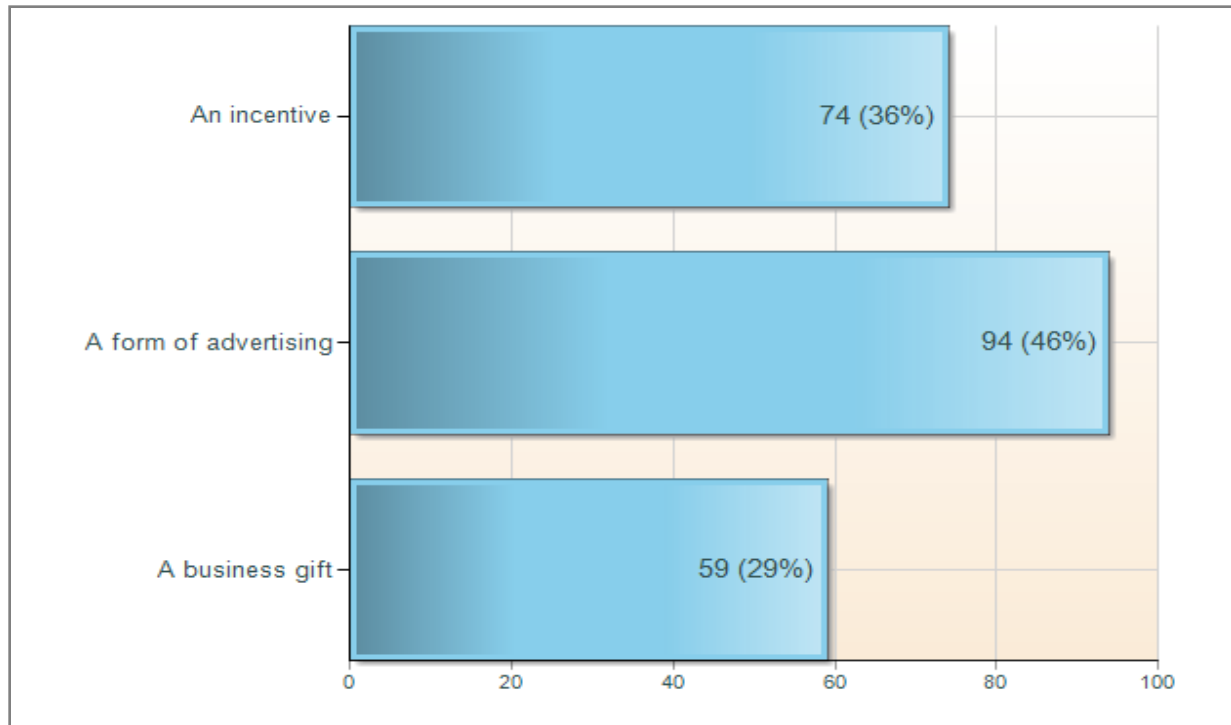


Results among respondents who had received a promotional product priced between \$10 and \$24.99 were similar to those who had received items priced above \$25.

- More than a fourth of respondents believed they received a gift because companies wanted to **thank them for their business**.
- Twenty-six percent believed it was to make them aware of the **advertised company, product or service**.
Fifteen percent of respondents believed the intent was to **motivate** them to take action.
- Eight percent reported that it was to **acknowledge an anniversary** or service to the company and 7% to **acknowledge membership in a group**.
- Five percent were **unsure** why they received the item.

In looking at the open-ended responses, we found that some comments alluded to receiving the gift for going above and beyond, meeting goals or just to use for advertising. Others were given the product at a company picnic or event.

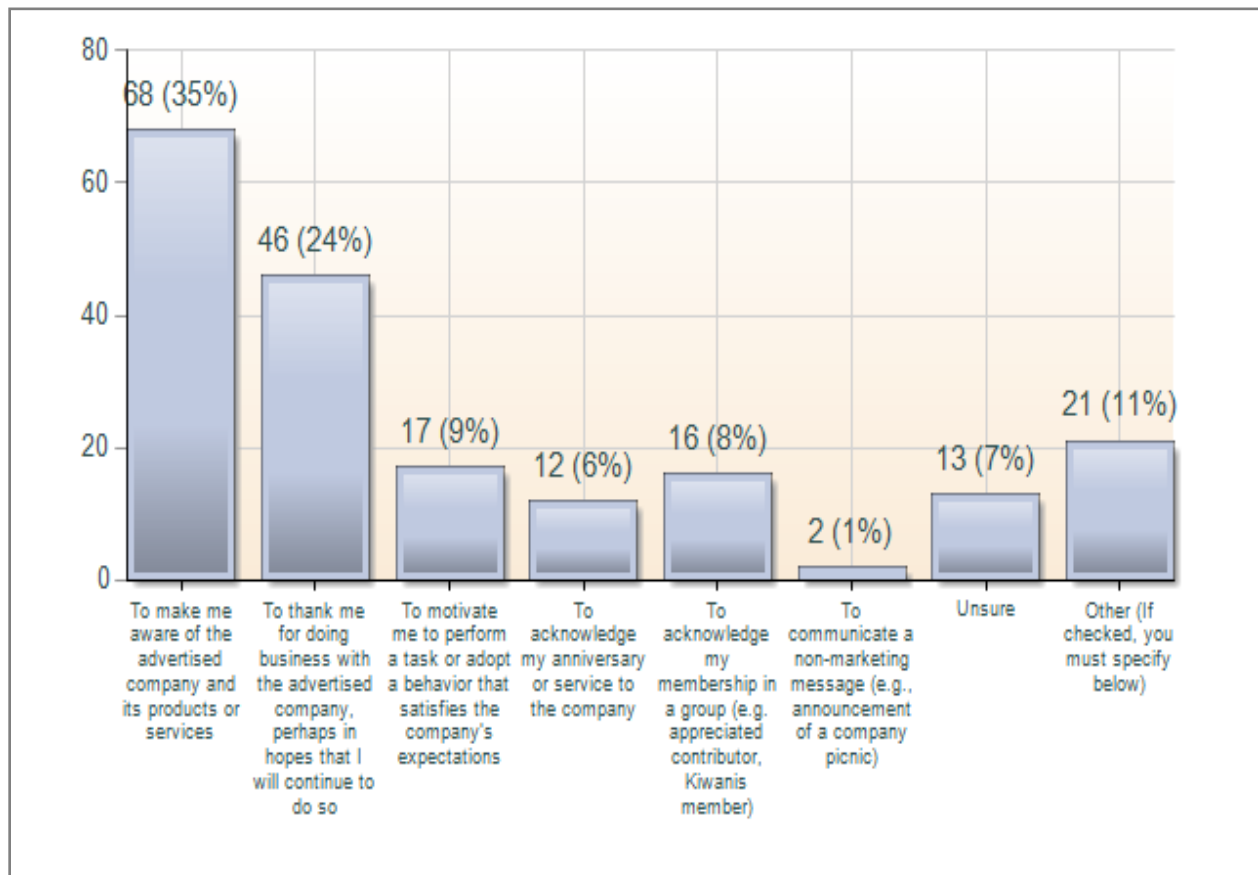
Chart 4: Respondents considered promotional products costing \$10 to \$24.99 to be...



- A little less than half (46%) of the respondents reported the promotional product they received was a form of advertising.
- 36% of respondents thought it was an incentive, and
- 29% perceived it was a business gift.

Worth noting is that a larger portion (46 percent) in this group saw products in this price range as advertising, somewhat higher than the 36 percent of \$25-plus gift recipients who expressed the same opinion.

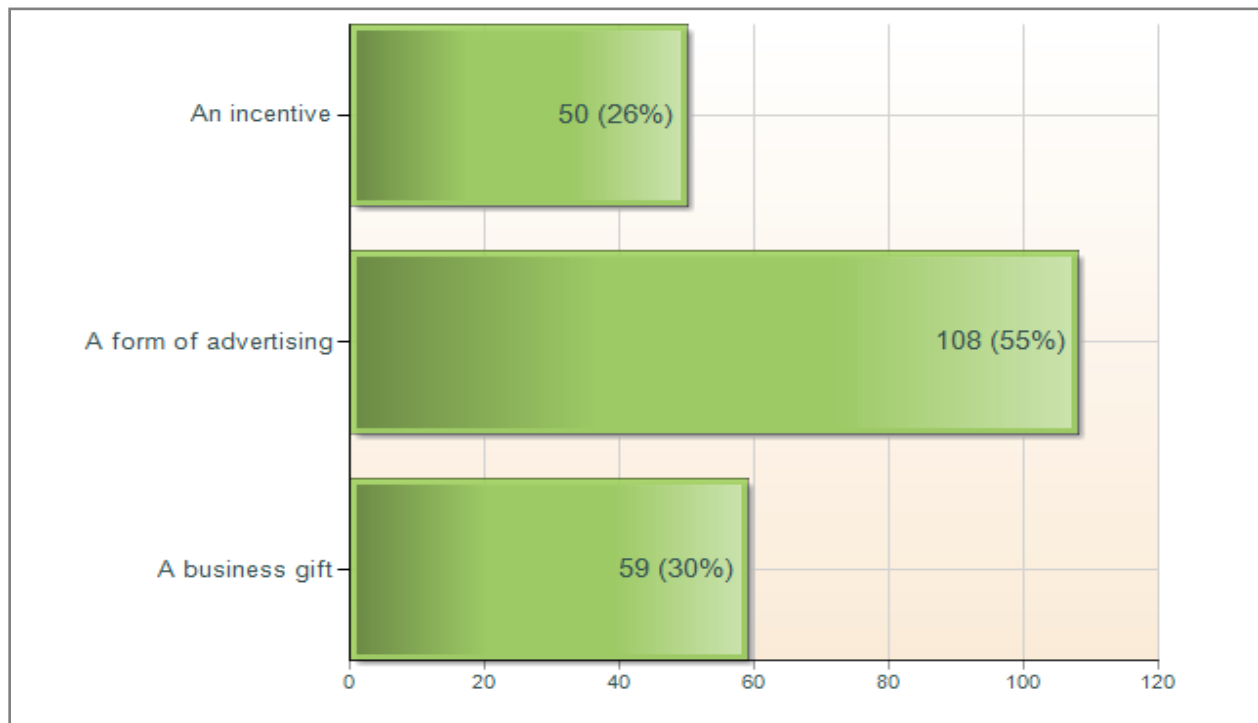
Chart 5: Reasons recipients thought they received promotional products costing \$5 to \$9.99



For recipients who received items in the price range of \$5 to \$9.99:

- More than a third perceived they were given the item to make them aware of the advertised company, product or item. In the previous two groups, just about a fourth of the recipients shared this perception.
- About a fourth reported receiving the item as a “thank you” for doing business with the giver.
- Nine percent of respondents thought they got the item to motivate them to take an action.
- Six to eight percent cited reasons such as recognition or acknowledgement of membership in a group.
- Seven percent were unsure of why they had received the product, and 11 percent cited other reasons too varied to compute.

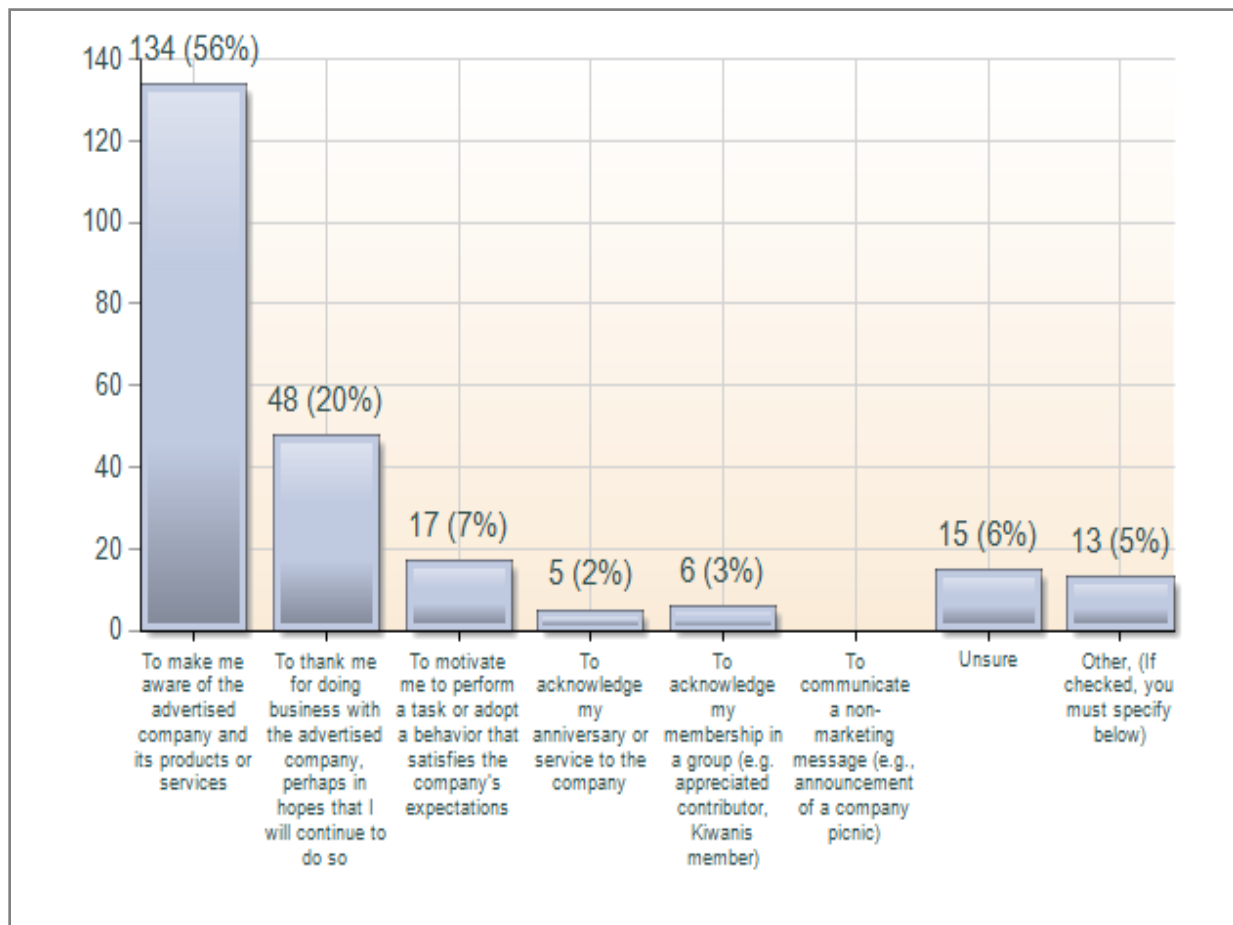
Chart 6: Respondents considered promotional products costing \$5 to \$9.99 to be...



Note that as the price of the item becomes lower, the perception of the item as a form of advertising rises. In this group:

- 55% of respondents perceived that the item they received was a form of advertising.
- Only 26% of respondents perceived the item to be an incentive – much lower than in the previous two groups.
- 30% of respondents perceived the item as a business gift.

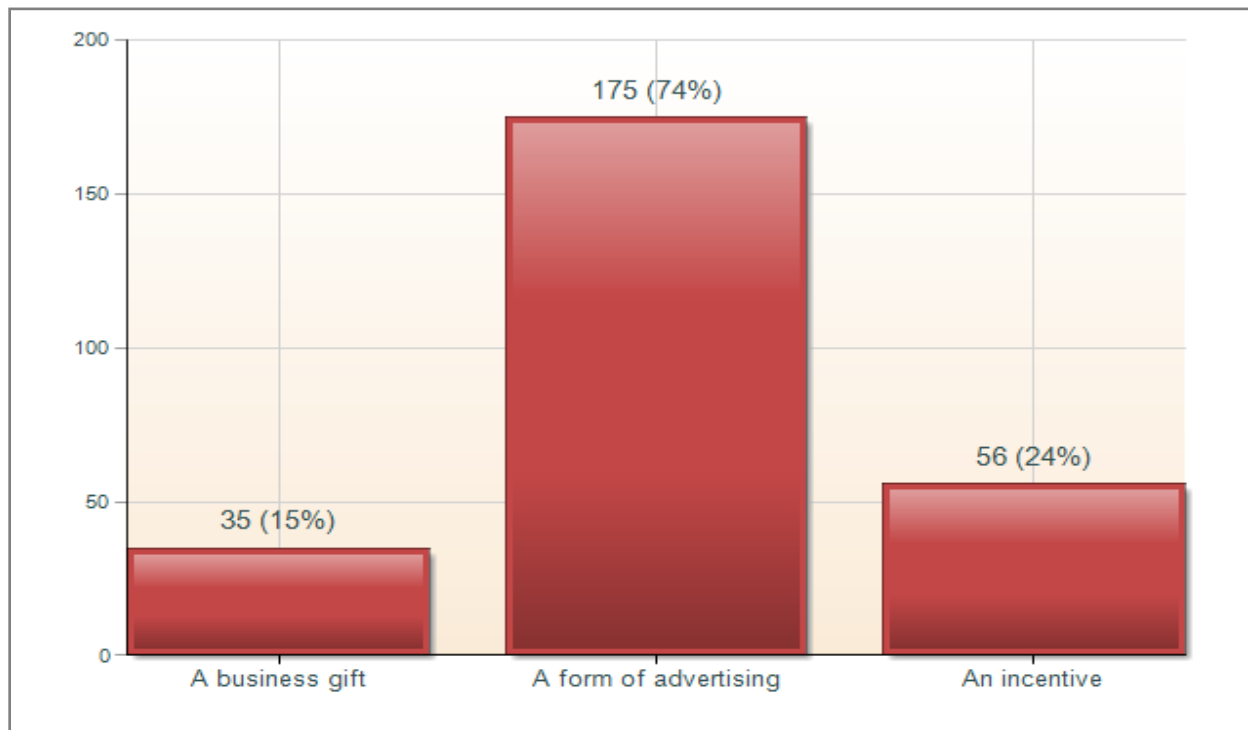
Chart 7: Reasons recipients thought they received promotional products costing under \$5



For this group of recipients who received an item that cost less than \$5:

- 56% perceived the item was given to make them aware of the advertiser, product or service.
- 20% stated that it was a thank you for doing business with the advertiser.
- 7% thought it was given to motivate them to take action and
- 6% were unsure as to why they received the gift.
- A small percentage of them cited other reasons.

Chart 8: Respondents thought promotional products they received costing under \$5 to be...



On the pricier items, recipients tended to ascribe the giver's intent as being to acknowledge appreciation for business, followed by employee service acknowledgement. Once the products were perceived to be in the under-\$5 range, recipients tended to believe they were being targeted for advertising purposes (Tables 1 and 2).

Table 1: Which of the following objectives best describes why you think you received (the items you identified) from the companies or organizations?

	Over \$25	\$10 - \$24.99	\$5 - \$9.99	Under \$5
To make me aware of the advertised company and its products or services	23%	26%	35%	56%
To thank me for doing business with the advertised company , perhaps in hopes that I will continue to do so	28%	29%	24%	20%
To motivate me to perform a task or adopt a behavior that satisfies the company's expectations	13%	15%	9%	7%
To acknowledge my service or anniversary with the company	14%	8%	6%	2%
To acknowledge my membership in a group (.e.g., appreciated contributor, Kiwanis member)	4%	7%	8%	3%
To communicate a non-marketing message (e.g., announcement of a company picnic)	2%	3%	1%	0%
Unsure	6%	5%	7%	6%
Other	9%	7%	11%	5%

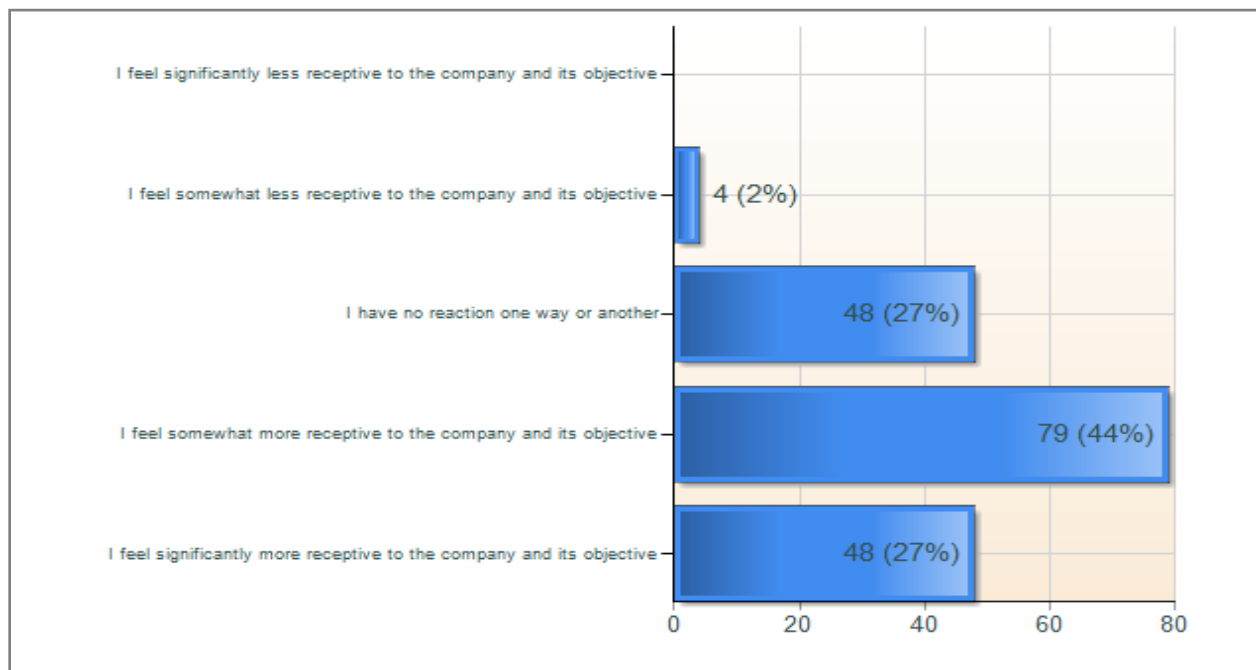
Table 2: When you received the items, did you perceive them being given to you as...

Perceived Use	Over \$25	\$10 - \$24.99	\$5 - \$9.99	Under \$5
A business gift	31%	29%	30%	15%
A form of advertising	38%	46%	55%	74%
An incentive	40%	36%	26%	24%

Recipients' Reactions to the Advertiser

Respondents who recalled receiving a promotional product in one or all of the four price-perception ranges were asked for their reaction to the gifting.

Chart 9: Respondents' reactions to receiving promotional products costing \$25 or more



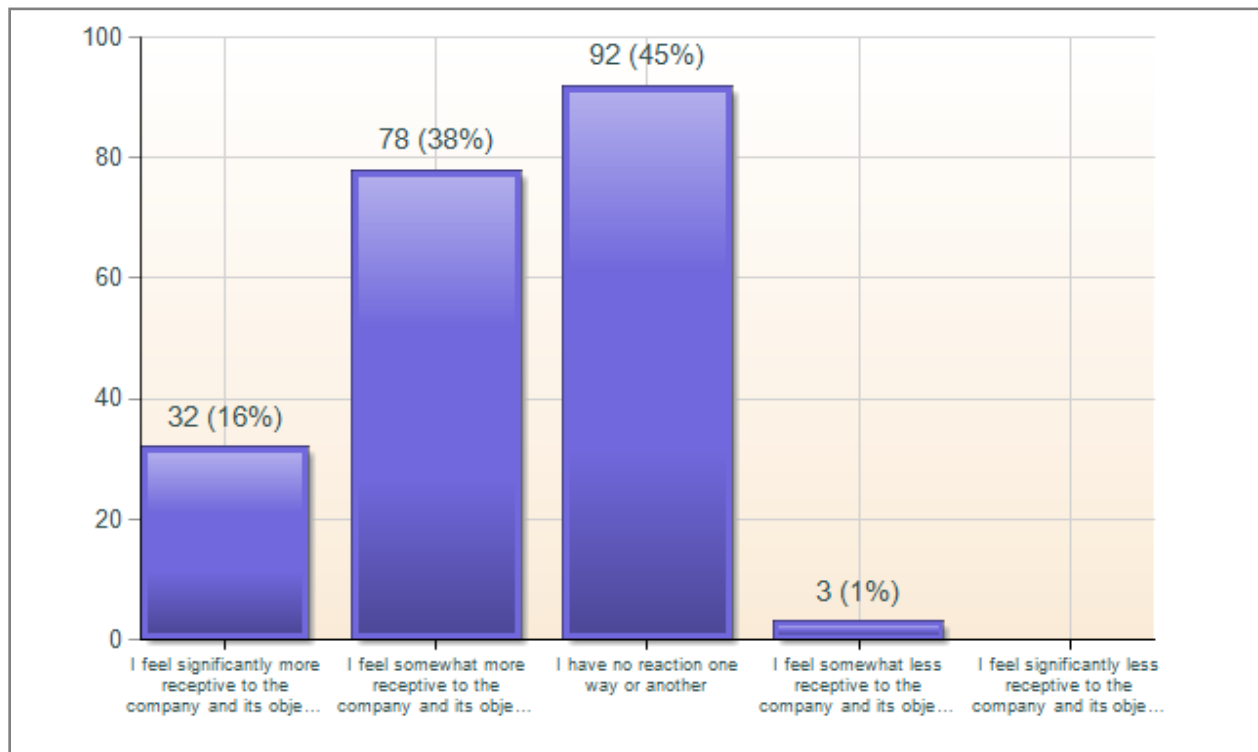
- More than a fourth of respondents (27 percent) felt significantly more receptive to the company and its objective and 44 percent felt somewhat more receptive to the company and its objective.
- Note that for 27 percent of respondents, the promotional item priced at more than \$25 had no impact.

Respondents were asked to comment on why they chose a particular response to the above question, and below are selected responses that convey the general thrust of these comments.

- *Although the company rewarded me for exceptional project performance, the company still treated me with total disdain for all my other achievements*

- *It shows they value my business and also shows they are willing to give a little extra to keep my business*
- *They feel the importance of their customers and they know how important I was to their business*
- *They should have used the fee given to charge others less for their purchases*
- *I now know about the company*
- *I was already receptive to the company*
- *I was rewarded for years of service. Receiving the award did not make me work harder. I was maxed out at that point*
- *Surprise, awe, happy*
- *I appreciated being recognized for my service to the company*
- *Made me feel I was an important part of a group*
- *Free stuff is cool, so if a company sends me something free, it makes me a happy customer. Therefore, I am more likely to continue business with that company*
- *The item is useful and keeps the company top of mind*
- *The company did not offer services that I could use*
- *It makes me feel like they do care*
- *Know I am more aware of the company and its products due to the promotional item*
- *I like getting promotional gifts from companies because it makes me feel they value me as a customer*

Chart 10: Respondents' reactions to receiving promotional products costing \$10 to \$24.99



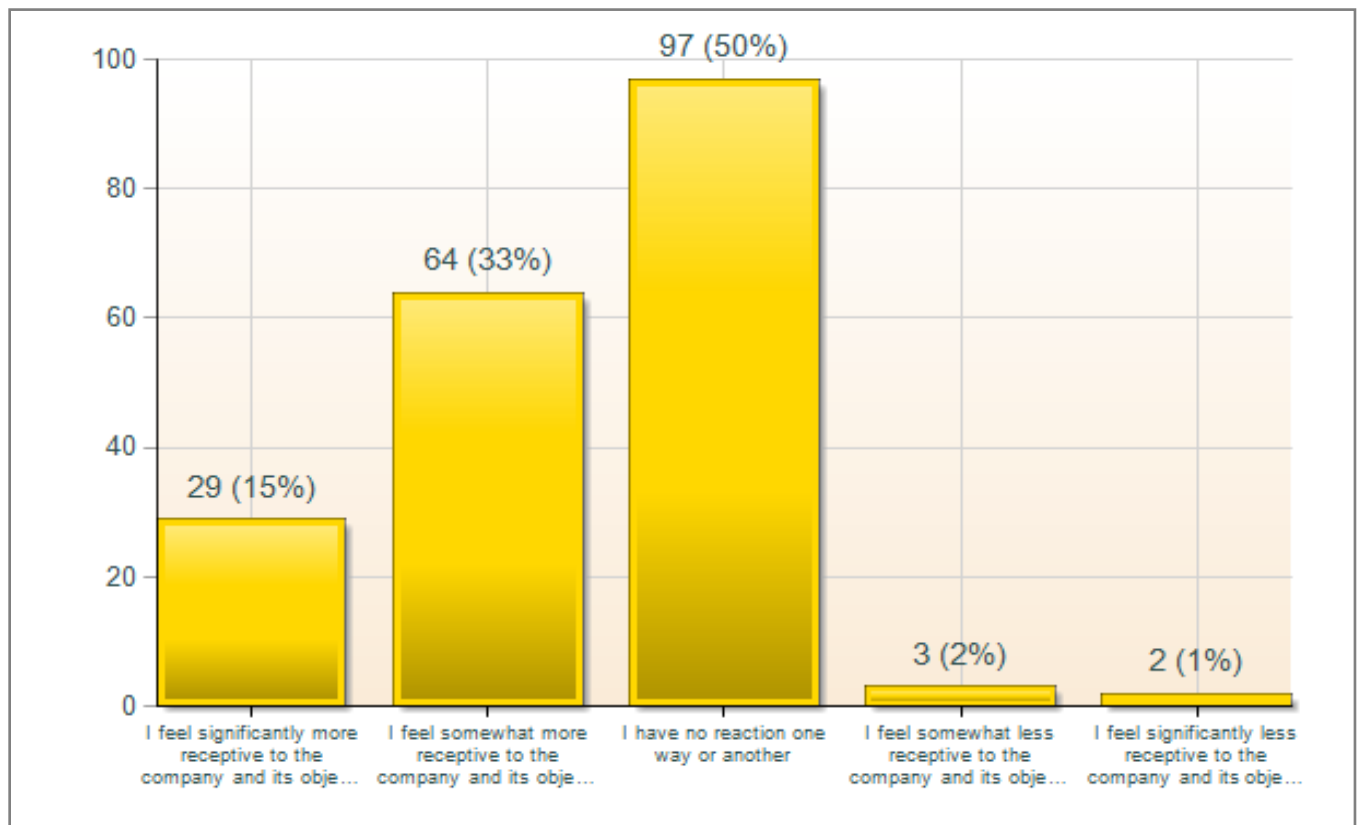
- Sixteen percent of respondents felt “significantly more receptive” to the company and its objective,” and 38% were “somewhat more receptive.”
- Again, it is notable that the promotional item priced between \$10 and \$24.99 had no impact for 45 percent of respondents.

Recipients of products that cost between \$10 and \$24.99 were asked to state why they chose their answer. Below is a selection of representative comments.

- *It was to make the owner feel better, did nothing for us*
- *I was a loyal employee for two years and you give me a flashlight and not a raise?*
- *For what I spent, the value of (the) item was insignificant*
- *It was nice and they didn't have to do it*
- *I don't respond well to bribery but enjoy getting free things anyway*

- *I am aware of common marketing techniques and actively avoid letting them color my perception of the company or product*
- *I feel appreciation from my employer. I feel like I get motivated and want to perform to my best level*
- *They didn't have to offer me anything, so I thought it was good*
- *I cannot be bought*
- *I was interested somewhat before I received the offer and*
- *it increased my interest*
- *It made me aware of the product and it made me happy to get it*
- *I use the item and I think it's neat*
- *They recognized the value of my business*
- *The gift was unexpected but very handy*
- *They sent it without making a request...it was like "Surprise!"*
- *I feel it is like companies reaching out in desperation for new people to buy the products*
- *So few stores give free items recently that I really appreciated the gift*
- *Gift was unexpected and appreciated*
- *I know they gave them to everyone, so I didn't think it meant anything special*
- *I think it's amazing and wonderful to receive gifts from companies. Shows me I am appreciated as a customer*
- *I guess I felt more tied to the team since we all had the shirt*
- *They went above and beyond to not only make a problem right, but sent me an upgrade that was not yet being sold in stores*
- *Again, if I continue to do business with this company, I will get more free stuff*
- *Because it's just really about getting their name out there, not really caring about me per se.*

Chart 11: Respondents reactions to receiving promotional products costing \$5 to \$9.99



When they received items worth \$5 to \$9.99, respondents reacted the following ways:

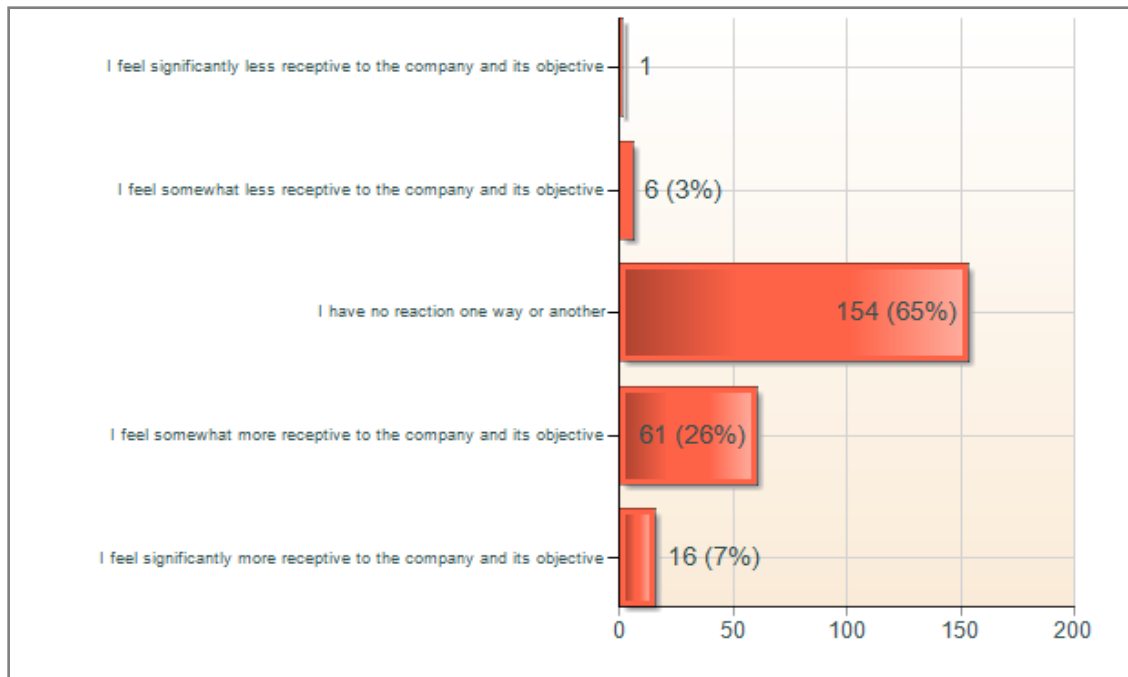
- Fifteen percent reported being significantly more receptive to the company and its objective
- A third of the respondents felt somewhat receptive to the giver.
- Fifty percent of respondents reported having no reaction one way or the other.

Respondents were asked to give reasons for their stated reactions. Representative comments appear below.

- *I did not ask for the blanket nor do I want it*
- *The company is two-faced in dealing with its employees*
- *Appreciate their consideration and every time I look at the product I would think of them*
- *The company values its customers*

- *Was not a remarkable product*
- *The jump drive keeps the company's name in front of me so that I may ask them for more information at one point*
- *It didn't mean much to me in comparison to how much I do for the company*
- *It did what it should do, make me aware of the company or organization*
- *and gave me something to remind me of it*
- *They offer a bit of something extra, especially now when the economy is bad*

Chart 12: Respondents' reactions to receiving promotional products costing under \$5



Respondents reacted in the following ways to organizations giving them items under \$5:

- Only 7 percent of respondents reported being significantly more receptive to the company and the objective.
- A fourth of the respondents felt somewhat receptive to the company.
- Sixty-five percent of respondents reported having no reaction one way or the other. In reviewing the previous charts, we see a clear correlation between the price of the product and the recipient's reaction to it and the giver. The lower the price of the product results in a greater percentage of respondents who report no reaction one way or the other.

Comments below reflect recipients' impressions of the organizations that gave them products costing under \$5.

- *Whoopie! Who cares?*
- *Item is usually a cheap gift that does not last*
- *Everyone was handing them out*
- *The company doesn't have to give out free handouts. It's a way for them to get their name out to the general public and it shows that they are putting in the effort to stand behind their company name*
- *Good customer care. I was satisfied with their products and services*
- *Everybody has their hand out wanting you to give money and they think by giving you something you might give to them and I'm tired of everybody asking*
- *A 25-cent pen does little for me*
- *It was a good pen/calendar/ruler and I associate using it with a good*
 - *experience with the company*
- *I think the little trinkets help keep your interest in the special programs that are being provided for our benefit. Also showed the other employees that you cared enough to participate in the programs*
- *Such a small gift doesn't work me up to a reaction*
- *It was a nice calendar. In fact, I get one every year. It keeps the company's name and phone number very handy, so when I think of a product that company sells, I have the phone number right in front of me*
- *I enjoy Ocean Spray already, this just added one more item to my list of products that I will purchase*
- *I wish I did not receive it and instead they just offer the best price*
- *Giving me a pen or some other low cost item doesn't make my opinion of the company higher. It doesn't make the company better. I don't really notice the label on the pen or mouse pad or cup*
- *I'm not going to frequent a business based solely on the fact I have a pen with their name on it riding around in my purse*
- *The promotional items were a nice surprise and I felt more special as a customer*
- *I filled out a questionnaire for a free bag...could care less about the company*

- *Just another gimmick*
- *Wouldn't have tried the stuff otherwise*
- *I feel that since they gave me a pen, when there are multiple companies that I should use, I would choose the one that gave me the pen*
- *It makes you more aware that the company is there*

As Table 3 indicates, a large majority of responses were positive at the high end (71 percent said they felt either somewhat or significantly more receptive to the giver after receiving a \$25-plus item). Perhaps not surprisingly, there was a steady erosion of positive reactions as the perceived value of items declined. At the less-than-\$5 point, only a third of respondents stated a positive reaction. A negative implication is that 65 percent said they had no reaction one way or another of the under-\$5 gifting.

Table 3: As a result of receiving the items you identified, which of the following best describes your reaction to the company and its objectives?

Reactions	\$25 or More	\$10 - \$24.99	\$5 - \$9.99	Under \$5
I feel significantly more receptive to the company and its objective	27%	16%	15%	7%
I feel somewhat more receptive to the company and its objective	44%	38%	33%	26%
I have no reaction one way or another	27%	45%	50%	65%
I feel somewhat less receptive to the company and its objective	2%	1%	2%	3%
I feel significantly less receptive to the company and its objective	0%	0%	1%	0%

The selected open-ended comments shown in each price category above provide some illumination as to respondents' reasoning. At the high end, many endorsed the industry's contention that promotional products are an effective way for businesses to show appreciation to customers (and employees). Perhaps more interesting, though, are the negative comments. Judging from some remarks, you can conclude that no matter how effective any medium is, it is unlikely ever to surmount customer or employee antipathy for a distrusted organization. We'll have more to say about this in the Analysis section of this report.

Price as an Attitude Changer

I gave you something. How do you like me now? At least a little better than before, advertisers bestowing free promotional merchandise hope. In each of the price categories, we asked the panel how, if at all, receiving a promotional product had altered their perception of the giver.

Received promotional products perceived to cost more than \$25

- More positive attitude after receiving promotional product – 54 percent
- Less positive attitude after receiving promotional product – 4 percent
- No change in attitude – 30 percent
- Don't recall attitude before or after receiving promotional product – 12 percent

Received promotional products perceived to cost \$10 to \$24.99

- More positive attitude after receiving promotional product – 42 percent
- Less positive attitude after receiving promotional product – 6 percent
- No change in attitude – 46 percent
- Don't recall attitude before or after receiving promotional product – 6 percent

Received promotional products perceived to cost \$5 to \$9.99

- More positive attitude after receiving promotional product – 41 percent
- Less positive attitude after receiving promotional product – 4 percent
- No change in attitude – 50 percent
- Don't recall attitude before or after receiving promotional product – 5 percent

Received promotional products perceived to cost under \$5

- More positive attitude after receiving promotional product – 28 percent
- Less positive attitude after receiving promotional product – 4 percent
- No change in attitude – 55 percent
- Don't recall attitude before or after receiving promotional product – 13 percent

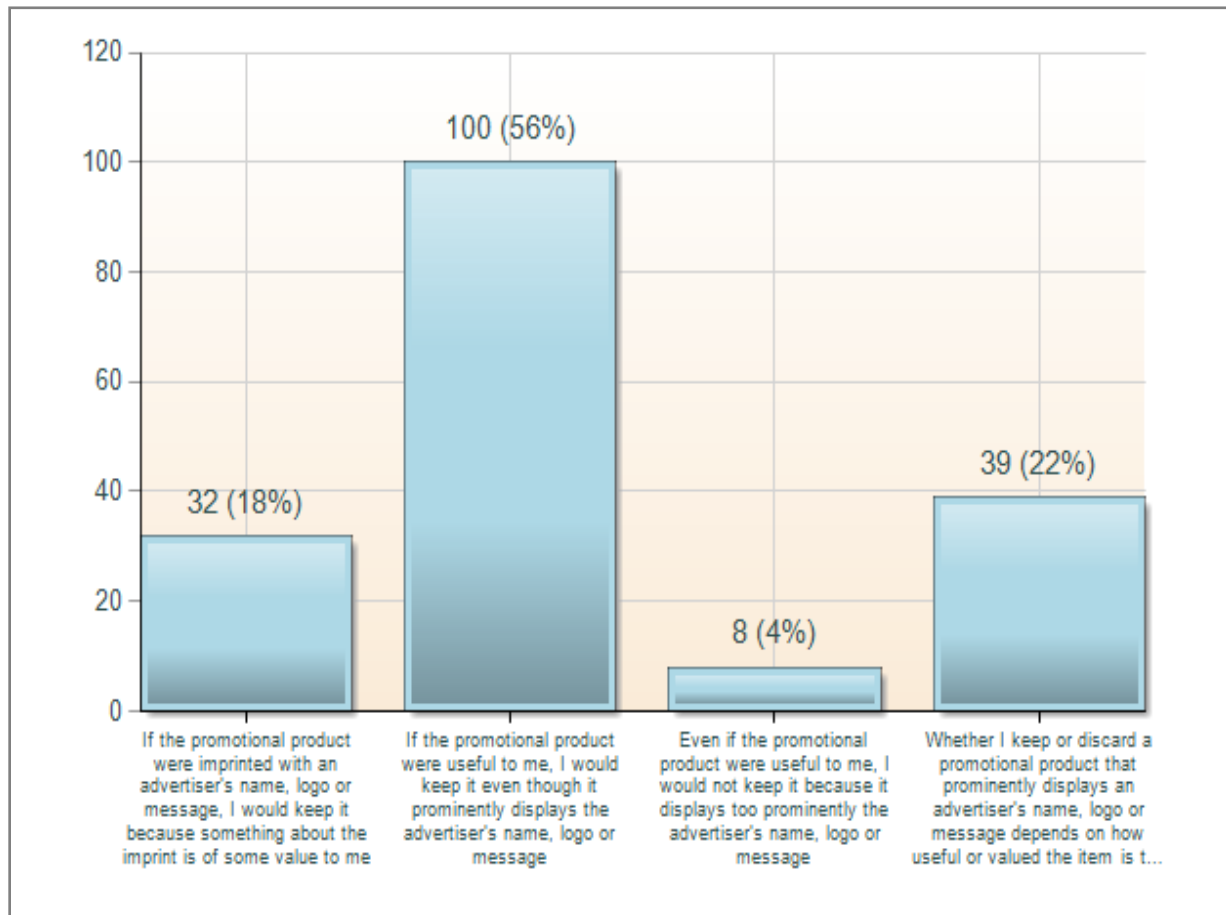
Price appears to be an appropriate stimulus to re-directing consumer attitudes.

- Five in 10 respondents were thinking of the advertiser in a better light after receiving an item costing \$25 or more.
- In the next two lower price levels, this figure declined to 4 in 10.
- Only 2 in 10 respondents gained a more favorable impression after receiving a promotional product costing less than \$5.
- A sizable cohort at each price range reported no attitude change after receiving promotional products. Many of these respondents may previously have had strong opinions—favorable or unfavorable—about the advertiser in the first place. A half century of social science research has pretty much established that strongly held views—on politics, religion, marketing and just about anything else—are resistant to change no matter how compelling the stimuli.

Imprint Tolerance

Some consumers are convinced that life ain't fair. If they want to enjoy a network TV show, they have to tolerate the sponsors' commercials, unless they have a TiVO handy. And if they get a promotional product, they usually have to accept an ad on it. On the other hand, many consumers are very comfortable with decorated items. We asked the panelists if price perceptions affected their thinking.

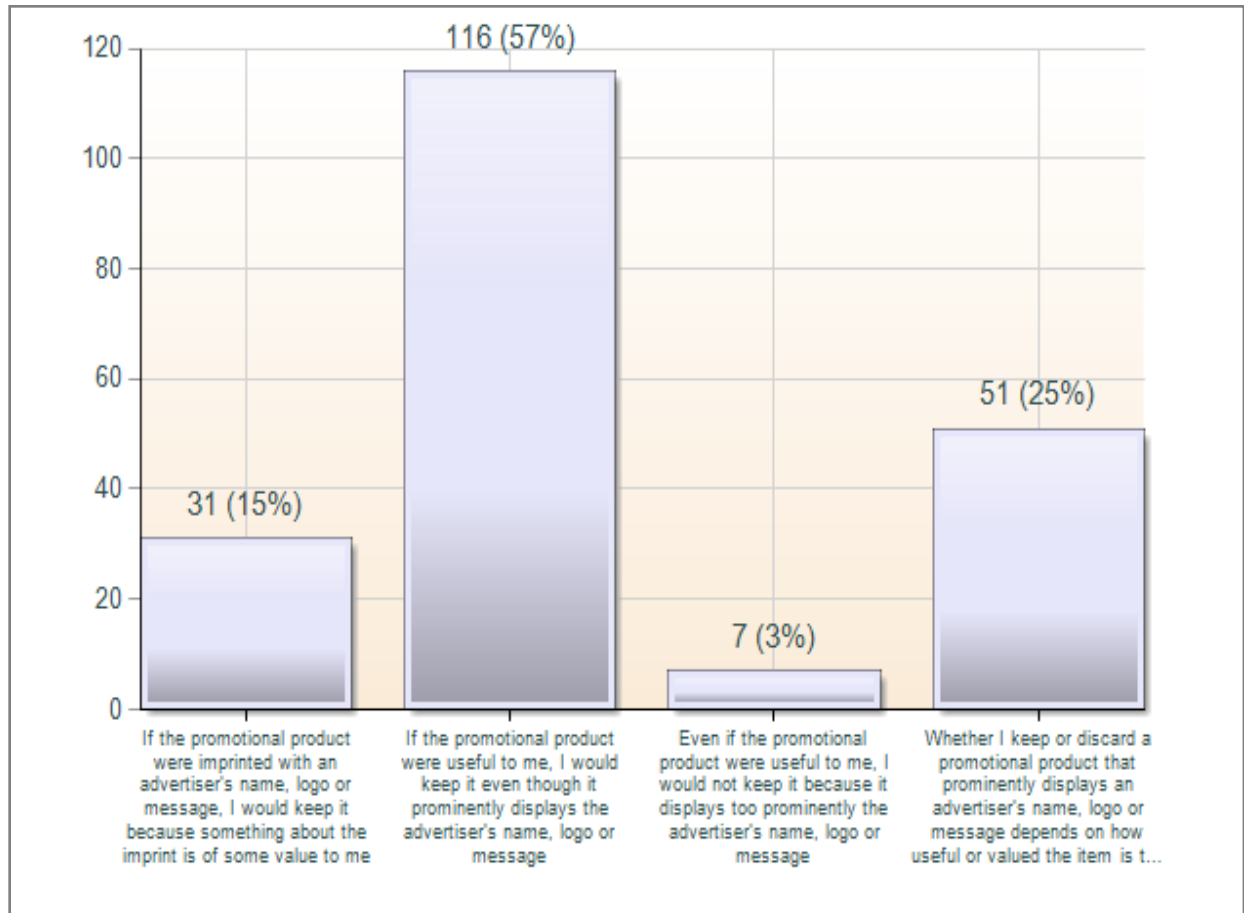
Chart 13: Acceptance of imprinted products costing \$25 or more



- The good news is that five of ten respondents reported they would keep a \$25-plus item that prominently displayed the advertiser's imprint as long as it was useful to them.
- Three of ten respondents would keep the item because the imprint information was valuable to them
- For two of ten people, keeping or discarding the item depended on whether it was useful or not.

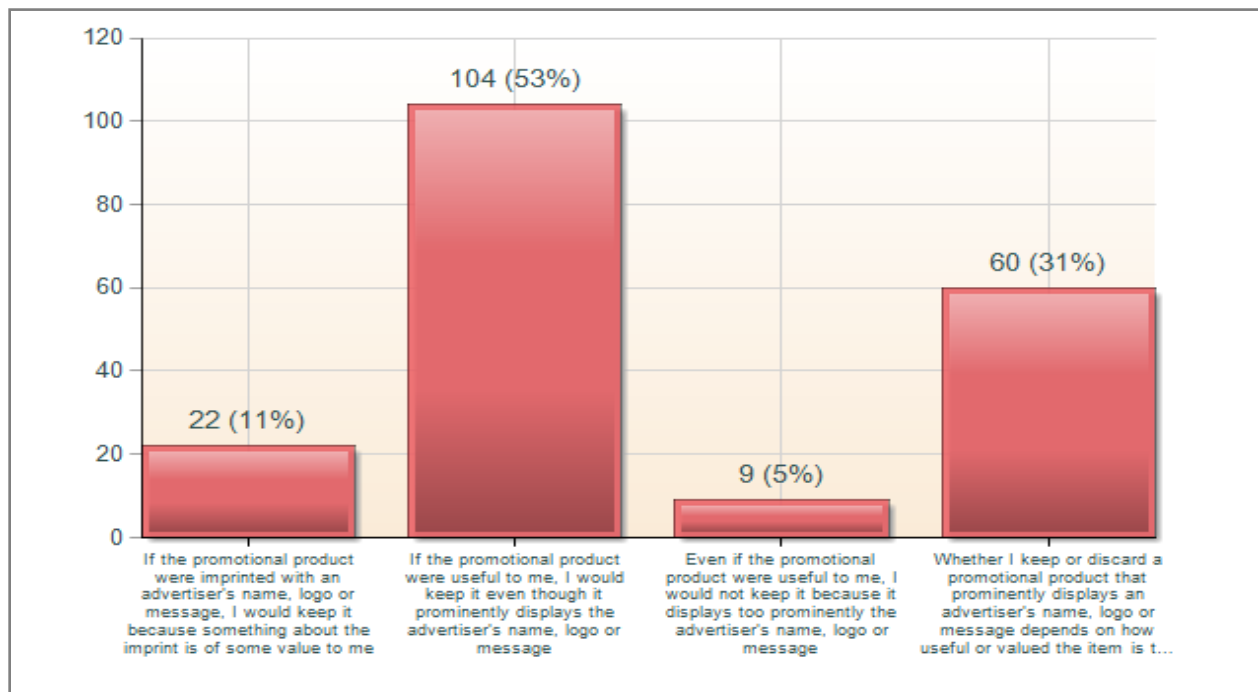
- Only 4 percent reported being bothered by an imprint and, therefore, would not keep the product.

Chart 14: Acceptance of imprinted products costing \$10 to \$24.99



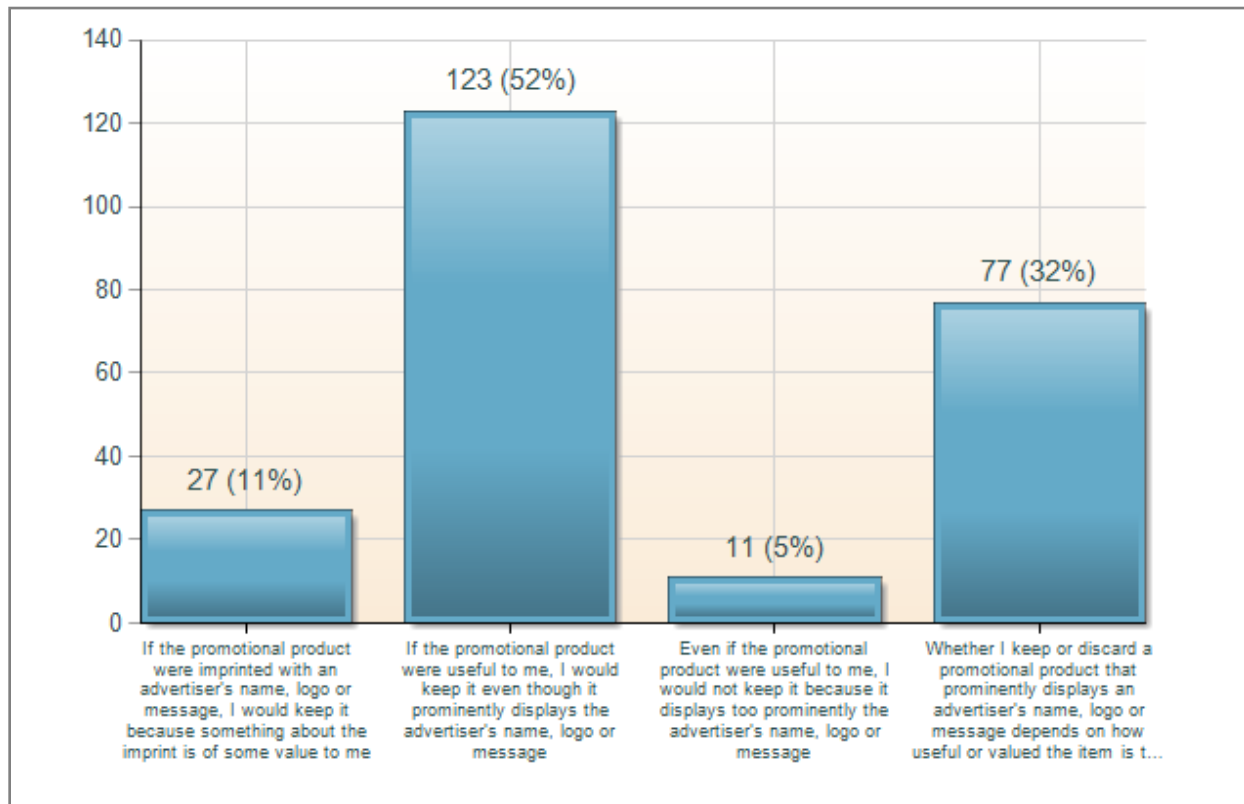
- Again, almost six of ten respondents reported they would keep the item that cost between \$10 and \$24.99 as long as it was useful to them even though it prominently displayed the advertiser's imprint
- Almost two out of ten respondents would keep the item because the imprint information was valuable to them
- For two of ten people, keeping or discarding the item depended on whether the item was useful or not.
- Only 3 percent said they would reject an imprinted item.

Chart 15: Acceptance of imprinted products costing \$5 to \$9.99



- Five of ten respondents reported they would keep the item that cost between \$5 and \$9.99 as long as it was useful to them, regardless of whether or not it prominently displayed the advertiser's imprint
- One of ten respondents would keep the item because the imprint information was valuable to them
- For three of ten people, keeping or discarding the item depended on whether the item was useful or not.
- Five percent said they would not keep an item with a prominently displayed imprint.

Chart 16: Acceptance of imprinted products costing less than \$5



- Five of ten respondents reported they would keep a prominently imprinted item that cost less than \$5 as long as it was useful to them.
- One of ten respondents would keep the item because the imprint information was valuable to them
- For three of ten people, keeping or discarding the item depended on whether the item was useful or not.
- Only 5 percent reported they would pitch a prominently imprinted item.

The fact that a promotional product prominently displays advertising indicia doesn't seem to turn off recipients, irrespective of the perceived price of the item (Table 4). At all price ranges, more than half the respondents said they'd hang onto the item if it were useful to them, with or without a logo. The next largest cohort indicated their decision on imprinted products depends on how useful or valued they found the item to be. In that group, however, acceptance improved at the lower-priced items.

Table 4: Which of the following best describes your reaction to promotional products (like those you identified as receiving)?

Reactions	\$25 or More	\$10 - \$24.99	\$5 - \$9.99	Under \$5
If the promotional product were imprinted with an advertiser's name, logo or message, I would keep it because something about the imprint is of some value to me	18%	15%	11%	11%
If the promotional product were useful to me, I would keep it even though it prominently displays the advertiser's name, logo or message	56%	57%	53%	52%
Even if the promotional product were useful to me, I would not keep it because it too prominently displays the advertiser's name, logo or message	4%	3%	5%	5%
Whether I keep or discard a promotional product that prominently displays an advertiser's name, logo or message depends on how useful or valued the item is to me	22%	25%	31%	32%

Things That Make Promotional Products “Keepers”

People keep or discard promotional products for a reason. Our objective was to find out what those reasons were. And, of course, what influence, if any, could be attributed to perceived price.

Table 5: Most important attributes that contribute to the overall value of the promotional products received

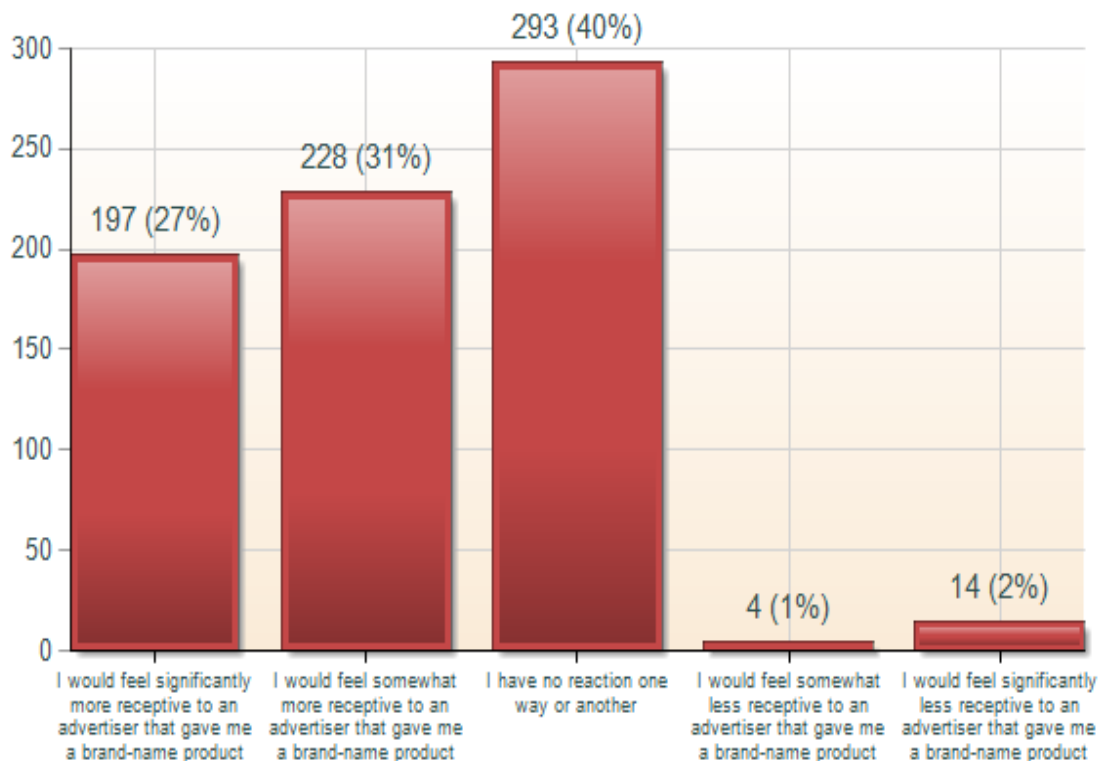
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Not important “1” Number (Percent)	Slightly Important “2” Number (Percent)	Moderately Important “3” Number (Percent)	Very Important “4” Number (Percent)	Extremely Important “5” Number (Percent)	Mean Score Number (Percent)
Perceived cost of the item	161 22%	134 18%	270 37%	110 15%	61 8%	2.70
Usefulness of the item	25 3%	27 4%	176 24%	258 35%	250 34%	3.93
Quality of the item	33 4%	36 5%	234 32%	264 36%	169 23%	3.68
Subtlety of the advertiser's imprinted name, logo or message	117 16%	143 19%	297 40%	129 18%	50 7%	2.80
Perception of the advertiser's intent for giving the item	84 11%	115 16%	287 39%	172 23%	78 11%	3.06
Attractiveness of the item	43 6%	65 9%	247 34%	262 36%	119 16%	3.47
Uniqueness of the item	75 10%	87 12%	295 40%	190 26%	89 12%	3.18
The manner in which the item was presented (e.g., by mail, in person, on the counter for me to take if I want)	118 16%	133 18%	257 35%	159 22%	69 9%	2.90
Knowledge or impression of the company or person who gave the item	77 10%	90 12%	303 41%	188 26%	78 11%	3.14
Other	349 47%	53 7%	231 31%	49 7%	54 7%	2.19

Asked to consider things that likely make promotional products desirable enough to keep and use, recipients (Table 5) indicated that perceived price is only moderately important to them. Most compelling, they said, is the usefulness of the item, an attribute considered either very important or extremely important by 69 percent of the recipients. Other attributes most favored were quality (59 percent) and attractiveness (52 percent).

Branded vs. Generic Items

Ascertaining the value of branded promotional products to recipients involved two elements in our study. The first examined how the giver's choice of promotional products—branded or generic makes—affected panelists' impression of the giver.

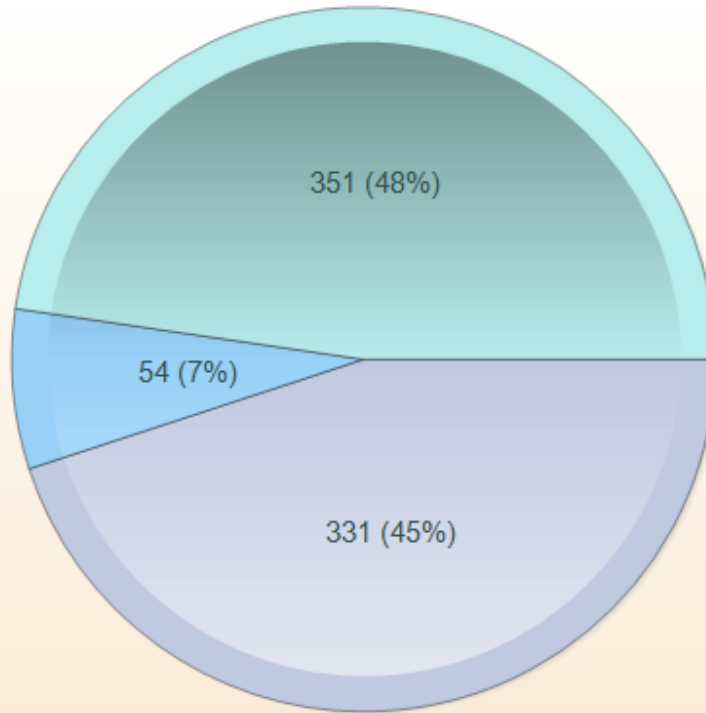
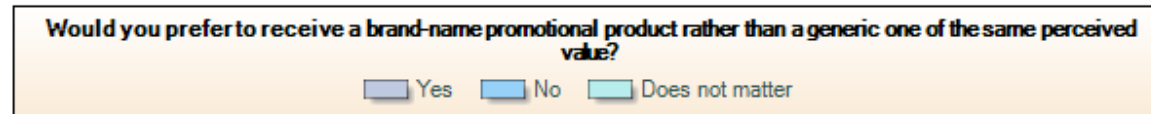
Chart 16: Preferences, brand or generic, assuming equal attractiveness and usefulness



Fifty-eight percent (Chart 16) reported that receipt of a branded item would color their thinking somewhat or significantly in favor of the giving organization. Another 40 percent said their attitude toward the giver would not be influenced by branded glitz vs. plain vanilla.

Then, when asked if they preferred to receive a branded item rather than a generic one, 45 percent admitted they would: 48 percent said they didn't prefer a branded one to generic and to 5 percent it did not matter at all. (Chart 17)

Chart 17: Preferences: branded or generic products.



Respondents further commented on their preference for branded or generic items, and a selection of their remarks are presented below:

- *It's a nice gesture, but it would depend on the quality of the advertiser's actual products, not their promotional products*
- *If they're equal in usefulness and attractiveness, who cares whether it's brand name or generic?*
- *I would have an idea of the value and quality of a known product*
- *I might be more likely to keep and use the product, but it wouldn't affect my receptiveness to the advertiser*
- *If the product was the same type of workmanship and attractiveness, I can't imagine having a negative reaction*
- *If they go all out on a promotional item, they might go all out for me I think brand names are higher quality*
- *Generic are usually made by a brand name company*

- *They have to pay a premium for the product and that will make its way to the consumer*
- *As long as the item is useful, then I have no problem if it is a brand name or not*
- *Brand name or quality-based products seem to give off the impression that I am more highly valued as a customer for my business*
- *I would be more interested in a product that I recognize*
- *I don't have a preference for brand items over generic items as long as they work the same*
- *It indicates the company is spending more to make me happy*
- *Generics are cheap; brand-name products are higher quality and that choice (generic or brand) reflects on the company*
- *These items cost. Guess who is paying for all of them? I'm for lower prices*
- *Who wants second best?*
- *I would just appreciate that I received anything*
- *I don't care about brand names. I care more about the functionality and quality of the product*
- *A brand name probably costs the company more, which to me means that the company values me as a customer. That as a customer I am not valued as generic.*

The Importance of “High Value,” Quality Interpreted

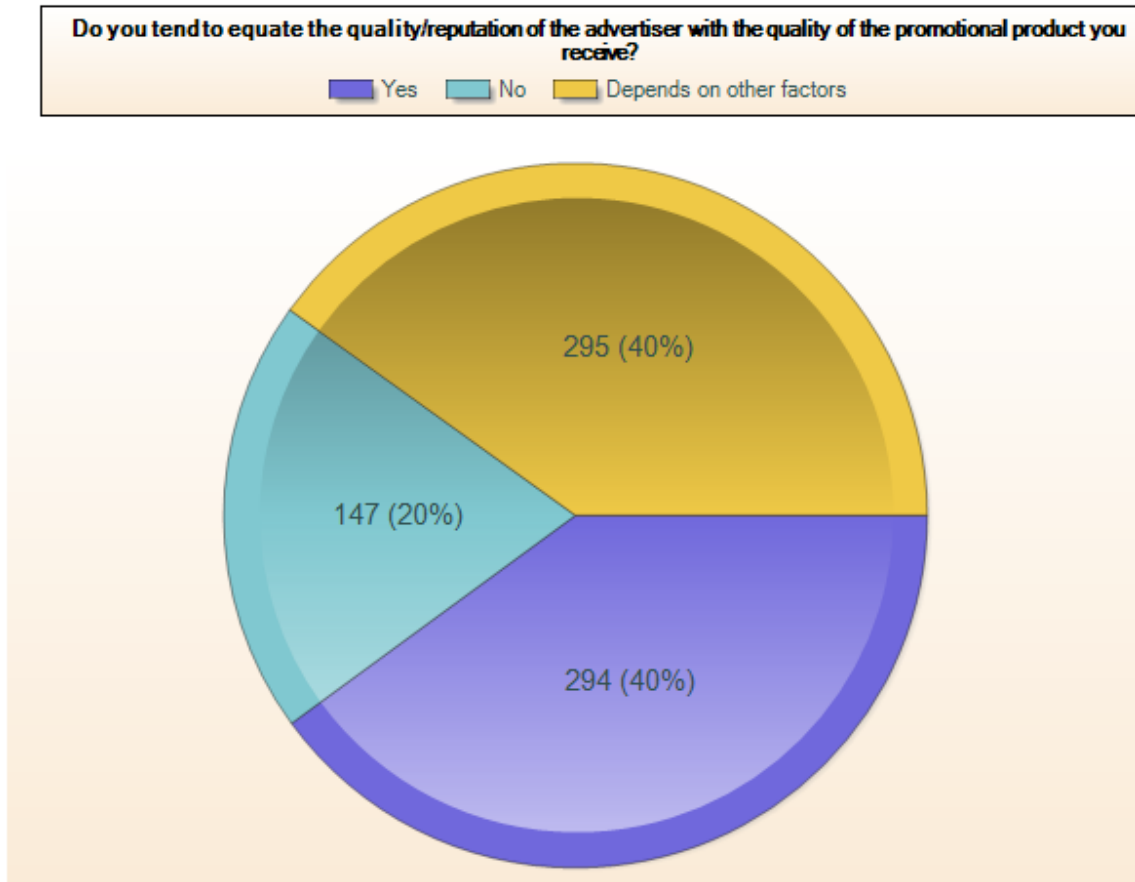
Everybody likes “high value” products, but what price range evokes that impression in consumers’ minds when they assess the promotional items they receive? Slightly more than four in ten respondents (Table 6) regarded items costing between \$25 and \$50 to be “high value” but not extravagant. The next largest cohort, at 23 percent, was willing to settle for items above \$10 and up to \$25.

Table 6: Price point for ‘high value’—but not extravagant

When thinking about promotional products which are given to you free, what price point would you consider to be "high value" but NOT extravagant?	
	Percent
Over \$5	8%
Over \$10	23%
Over \$25	44%
Over \$50	17%
Over \$100	8%

We were unable to gain a clear fix on how the quality of a promotional product affects the reputation of the giver. Forty percent of respondents said they equated reputation to item quality, but the same percentage preferred to consider other factors in addition to quality (Chart 18).

Chart 18: Promotional product quality as a gauge of advertiser reputation



Most Favored Types of Promotional Products

From an advertiser's standpoint, an unwanted promotional product is as worthless as sponsoring a TV commercial on a program few people watch. In order to learn what types of promotional merchandise resonate best with consumers, we asked our panel to state their preferences from among a dozen popular product categories.

Chart 19: Product popularity: respondents' preferences for type of product.

Product Categories	Response
Items that can be consumed (e.g., food gifts)	58%
Items that help schedule time (e.g., calendars, desk planners, watches)	33%
Items that can be worn (e.g., T-shirts, caps, jackets)	50%
Items that can facilitate written communication (e.g., pens, pencils, markers)	40%
Items associated with digital communication (e.g., computer mouse pads, flash drives)	46%
Items that entertain (e.g., books, puzzles, games)	39%
Items that enhance health and comfort (e.g., walking pedometers, first aid kits)	37%
Items that enhance appearance (e.g., combs, manicure sets)	22%
Items that enhance security or safety (e.g., fire extinguishers, pepper spray dispensers)	31%
Items that can be carried on one's person (e.g., pocket knives, wallets, money clips)	35%
Items that helps make repairs or quick fixes (e.g., tool kits, eyeglass repair kits)	33%
Items that help collect or convey things (e.g., bags, notebooks, briefcases)	46%
Other	7%

Answers to the product popularity question portray a population afflicted with the munchies; items that can be consumed—food gifts—were most frequently mentioned (58 percent). Other leading preferences were items that can be worn (50 percent), items associated with digital communication (46 percent) and items that help collect or convey things, e.g., bags, briefcases, notebooks (also at 46 percent).

When we asked respondents to think about a favorite high- or low-end promotional product they had received, about four in ten (39.1 percent) could remember a favorite high-value item, and 43.8 percent could recollect a favorite low-value item. From those who could remember came a sea of answers. Wearables of every description were most frequently mentioned, but the citations of jackets, gift cards, and watches could also be described as “multitudinous.”

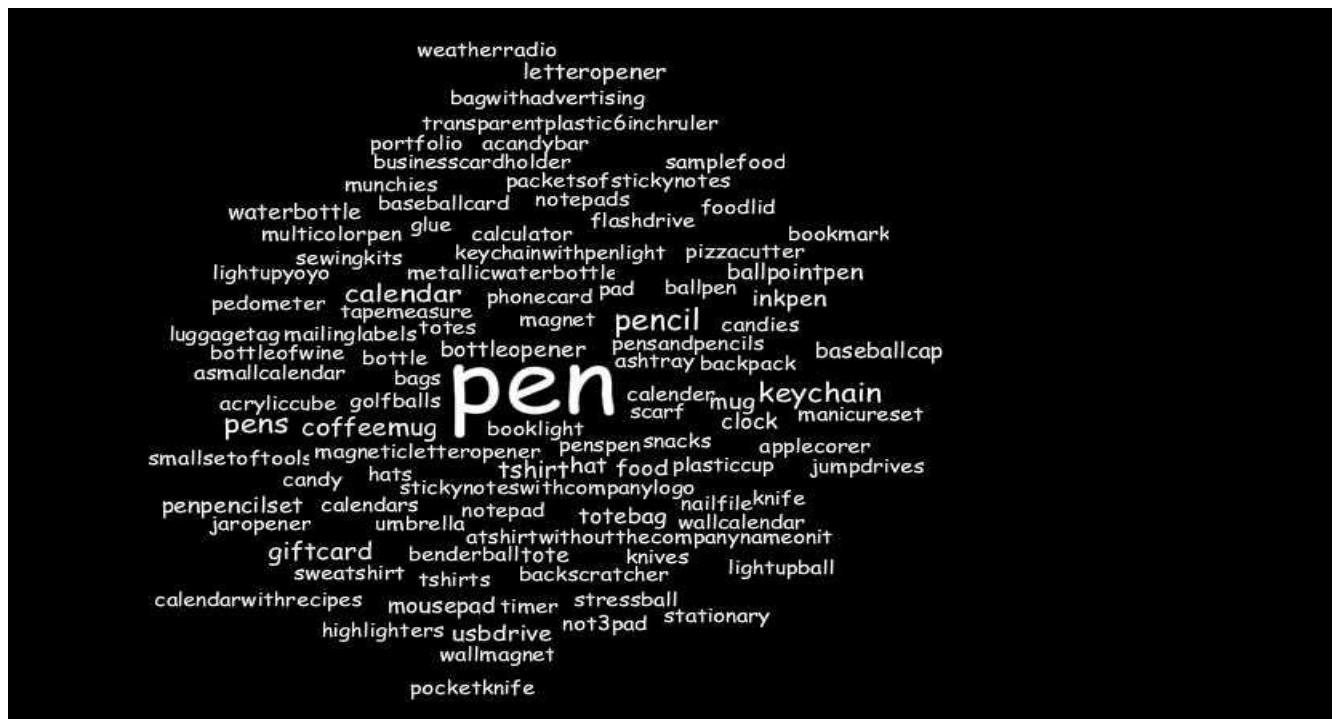
The word cloud below represents answers given for high-end items:



- Most-often- mentioned items are jackets, gift cards and watches. While some inexpensive types of items are recalled, the brand could enhance the perceived value of the item

The word cloud below represents answers given for low-value items:

- Pens are the most commonly mentioned low-value favorite item mentioned. Mugs, calendars, sticky notes, food etc. are among other examples listed



- Pens are the most frequently mentioned low-value favorites, followed by pencils and keychains. Mugs, calendars, sticky notes, food etc. are among other examples listed.

Retention Spans

Do consumers tend to hang onto high-end promotional products longer than they retain lower priced ones? Seems like they do, but not to any degree that would be definitive. We asked our panelists about their favorite promotional products—both high end and low end—and how long they kept these items. As Table 7 shows, the retention spans for both high-end and low-end products run an undulating pattern, but wind up impressive (still in possession by 26 percent and

20 percent) at the five-year mark. The deciding factors, of course, would almost certainly be usefulness and durability.

Table 7: Promotional product favorites: Duration of usage

	One year or less	Two years	Three years	Four years	Five or more years
High value product	24 %	16 %	23%	11%	26%
Low value product	42 %	18 %	14%	6%	20%

The Buyers' Panel

In the second part of this study, we examined the effect item price has on buyers' perceptions of promotional products' value in terms of:

- Effectiveness differentials—is one price range thought to work better than others?
- What buyer objectives are associated with promotional products at various price levels?
- In addition to budgets, what considerations do buyers take into account when they purchase promotional products?
- What policies do companies and organizations have that govern purchasing decisions on promotional products?
- Do buyers have preferences for branded promotional products rather than generic makes?
- What types of promotional products do buyers prefer to purchase at the various price levels?
- Is there a price point at which buyers recognize promotional products as being “high value”?
- As the economy continues to languish, what changes in the volume of promotional products' purchasing do buyers forecast for the near term?

Composed of 736 individuals responsible for making or influencing decisions at their companies or organizations, the Buyer Panel was constructed totally of those in management functions. Twelve percent of participants were owners, partners or CEOs; 11 percent were in sales and 10 percent were in purchasing and procurement. Other departments represented were marketing, advertising, public relations, promotion and human resources, including employee safety. Most (6 in 10) claimed to have experience in purchasing or influencing the purchase of promotional products. Participants in this online panel were selected from organizations generating more than \$100,000 in annual sales, and 27 percent represented enterprises with sales exceeding \$1 billion.

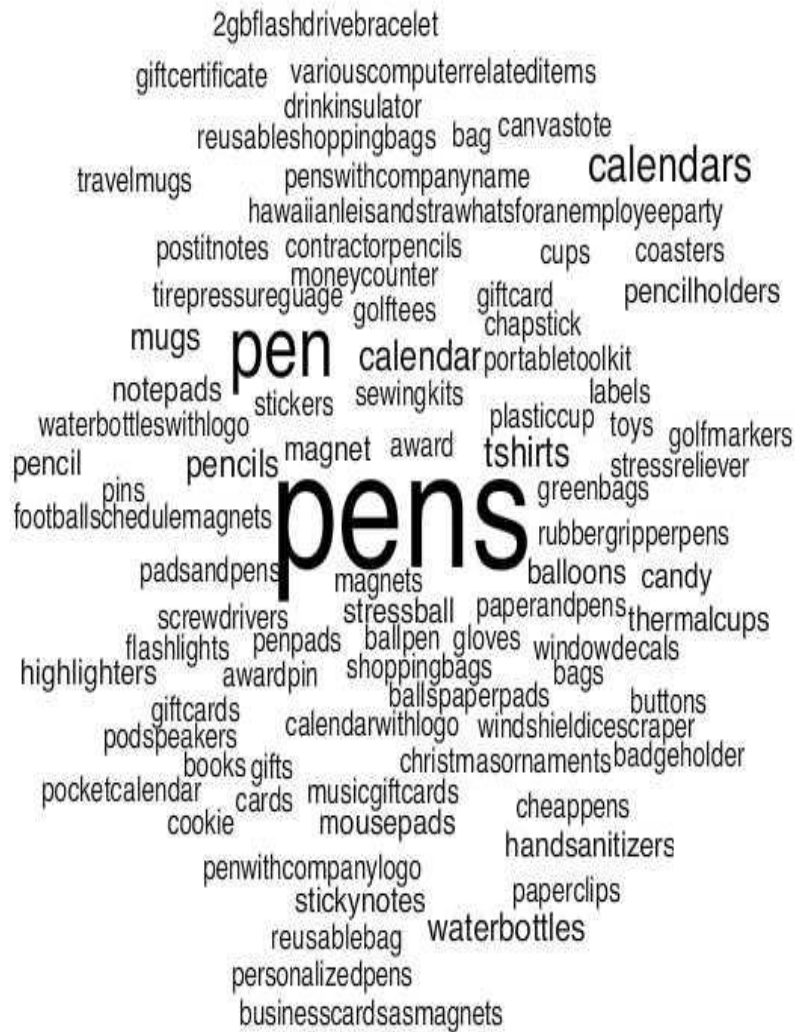
Purchased a promotional product perceived to cost \$25 or more

Seventy-nine percent of the respondents answered yes to the question asking if they had purchased a \$25-plus promotional product to give their customers, dealers, contributors or employees.

Purchased promotional products perceived to cost \$10 to \$24.99

46

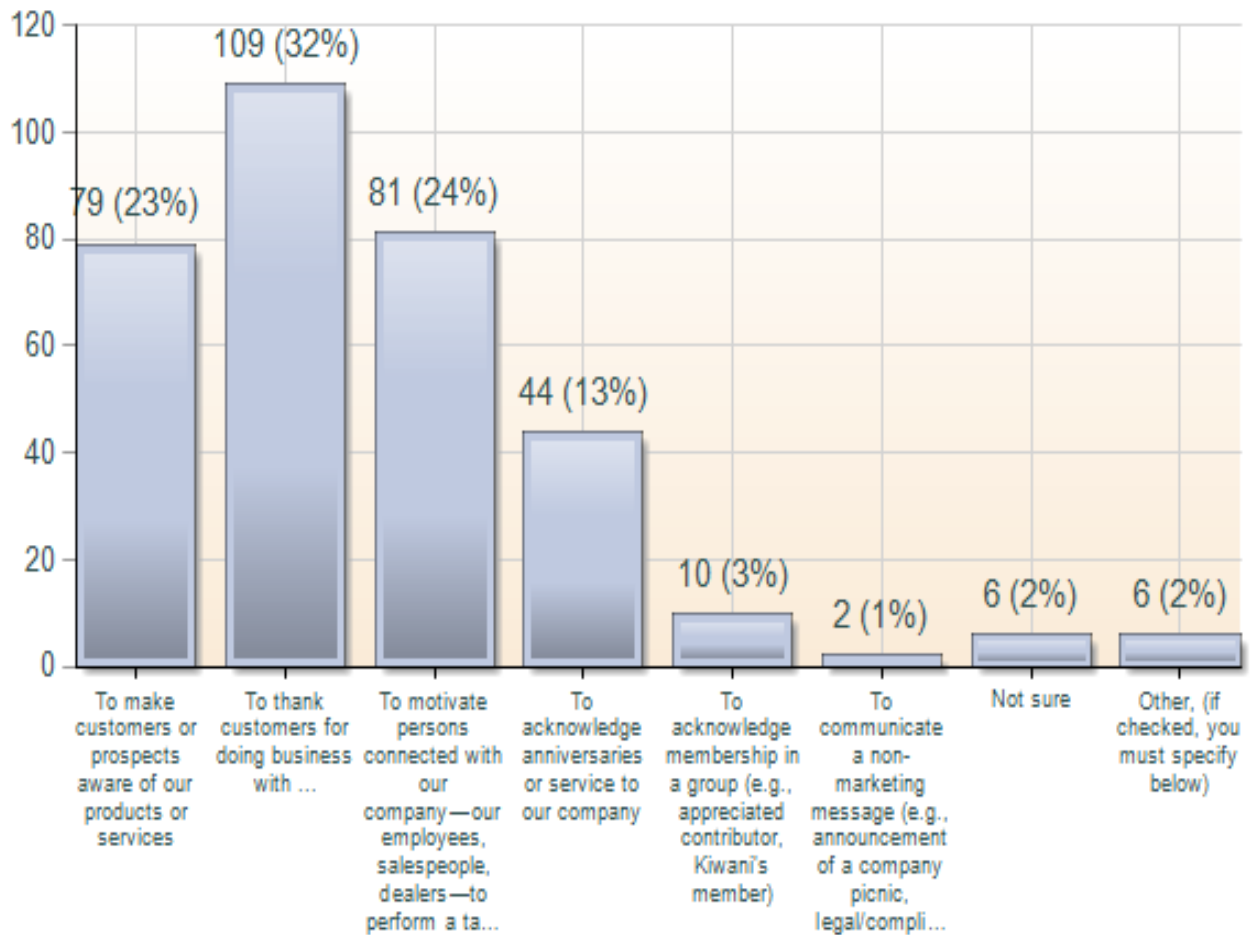
In this price range, the segment of purchasers/influencers dropped down to 55 percent.



Reasons for Purchasing Promotional Products

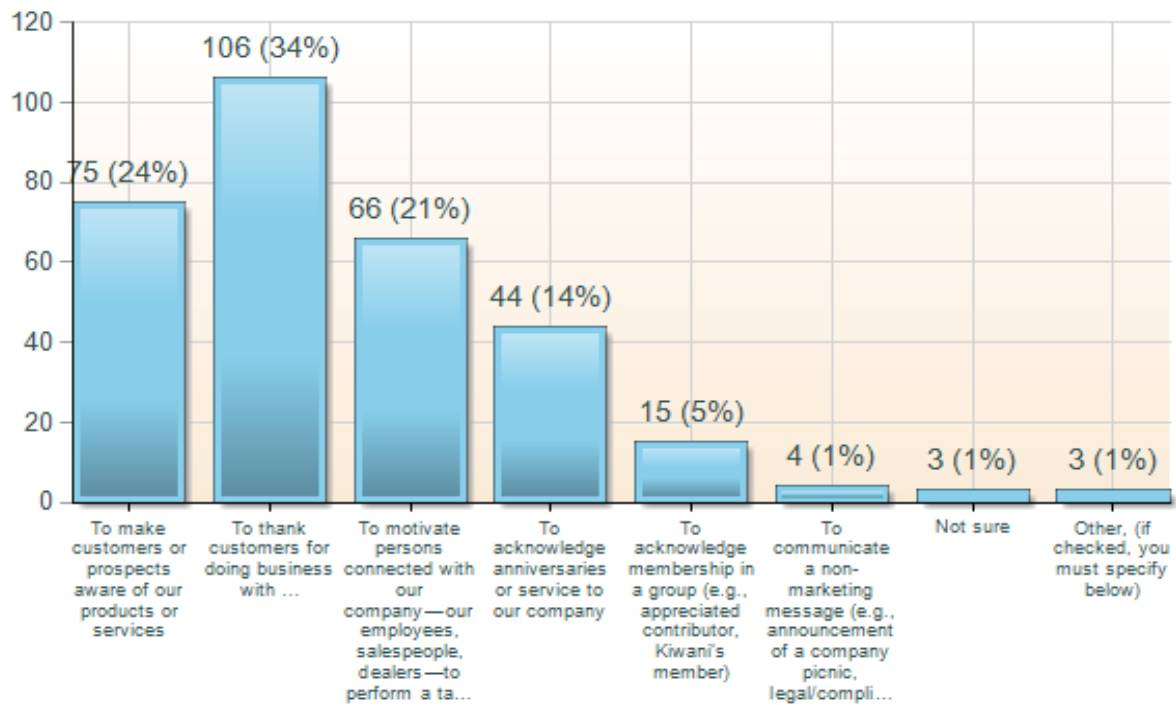
We selected six common uses of promotional products and asked buyers which of the options applied to their purchasing. These involved typical marketing and non-marketing objectives essential to profit-making, service and charity enterprises.

Chart 1: Objectives buyers had in mind for purchasing promotional products costing more than \$25



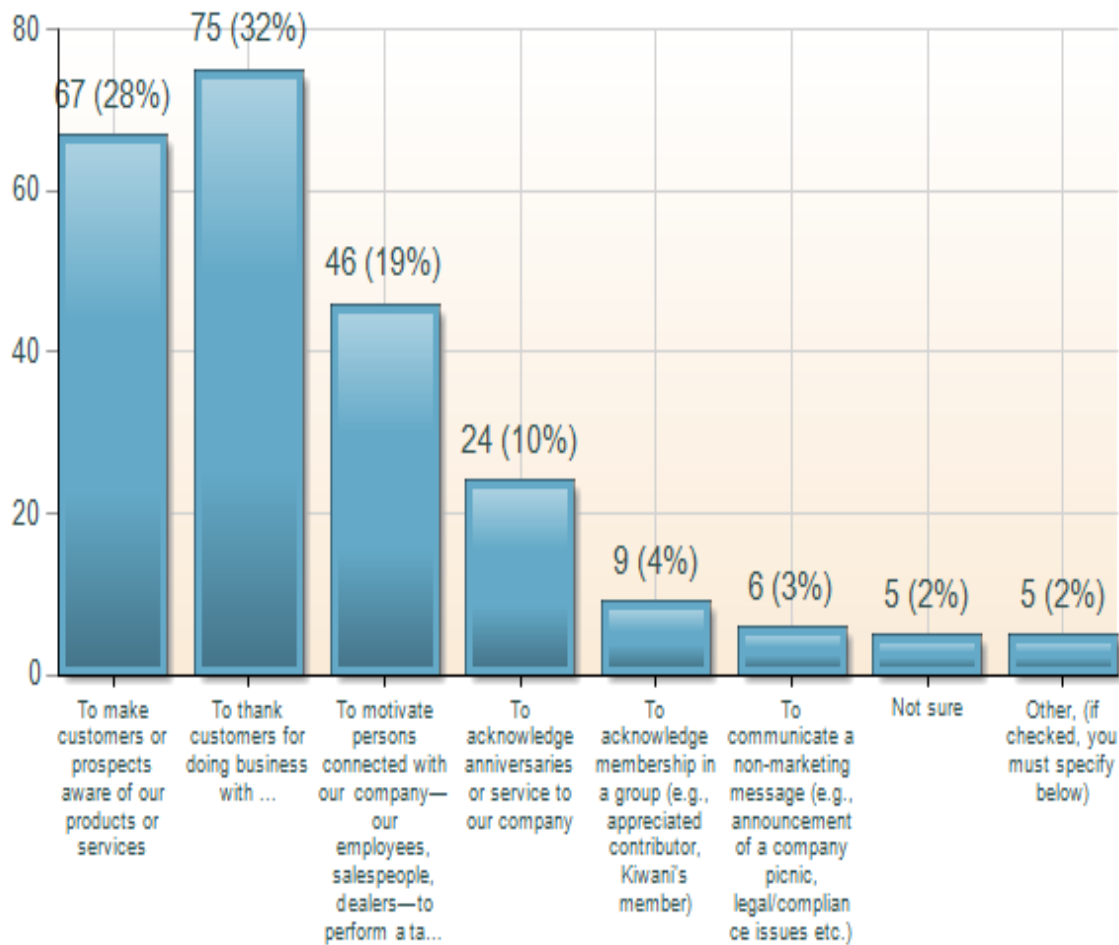
At the \$25-and-up level, according to Chart 1, saying “thank you” for past business is the givers’ objective as surmised by almost a third of the responding consumers.

Chart 2: Objectives buyers had in mind for purchasing promotional products costing \$10 to \$24.99



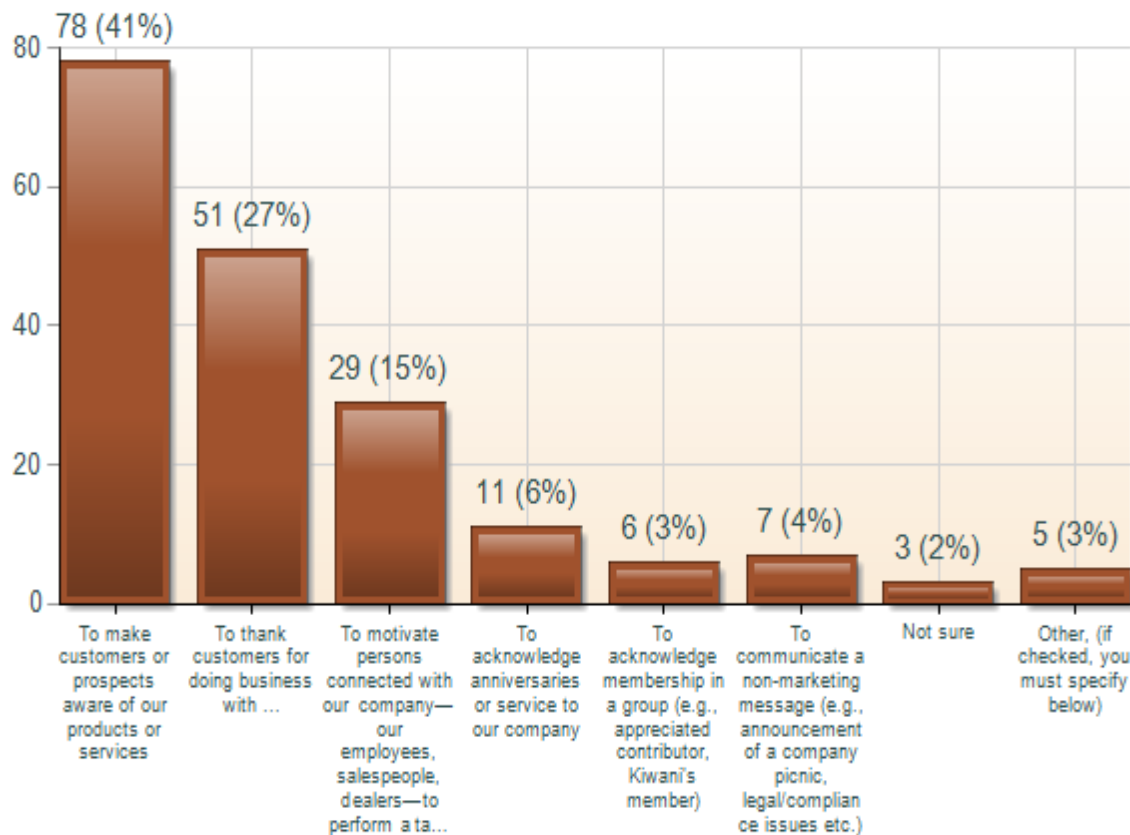
Even though the product cost drops a notch, the largest cohort of buyers (Chart 2) still made their purchases for the purpose of business appreciation.

Chart 3: Objectives buyers had in mind for purchasing promotional products costing \$5 to \$9.99



As the perceived price declines, advertising becomes more important to buyers' plans (Chart 3). Yet, business appreciation remains the most frequently mentioned consumer perception.

Chart 4: Objectives buyers had in mind for purchasing promotional products costing under \$5



Some correlation between price and buyers' objectives is apparent from our findings. As Table 1 illustrates, the use of promotional products to thank customers for their business is the leading objective when high-end items are employed. Buyers apparently understand that cheap gratitude is not convincing. Making consumers aware of a company's products or services—in other words, advertising—is the dominant objective pursued by using products costing under \$5. At that point, cost per impression governs buyer choice.

Table 1: Comparison of buyers' objectives against promotional products' prices

Objectives	More than \$25	\$10 to \$24.99	\$5 to \$9.99	Under \$5
To make customers or prospects aware of our products or services	23%	24%	28%	41%
To thank customers for doing business with us	32%	34%	32%	27%
To motivate persons connected with our company –employees, salespeople, dealers—to perform a task	24%	21%	19%	15%
To acknowledge anniversaries or service to our company	13%	14%	10%	6%
To acknowledge membership in a group (e.g., appreciated contributor, Kiwanis member)	3%	5%	4%	3%
To communicate a non-marketing message (e.g., announcing a company picnic, legal/compliance issues)	1%	1%	3%	4%
Not sure	2%	1%	2%	2%
Other	2%	1%	2%	3%

Table 2 tends to reinforce the price/objective data. An item costing more than \$25? That would be most likely be used as a business gift, according to 54 percent of respondents. When the price dips to under \$5, the business gift intent drops to 39 percent. Two-thirds of buyers would classify low-end items as advertising.

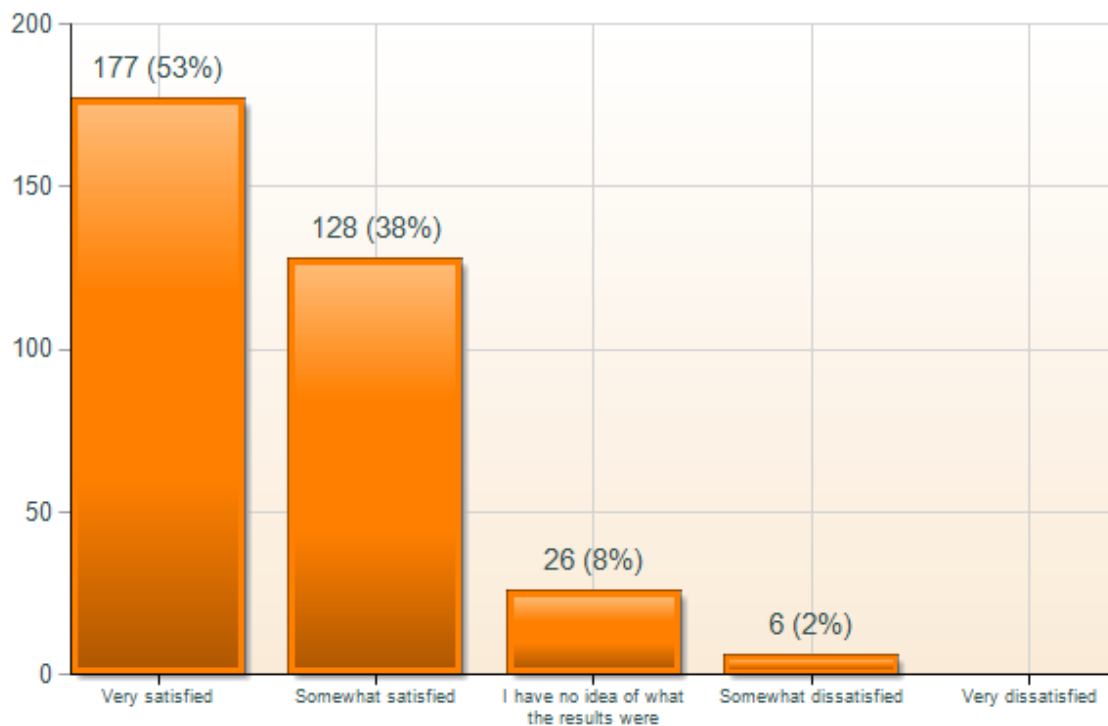
Table 2: Buyers' classification of promotional products

Classification	More than \$25	\$10 to \$24.99	\$5 to \$9.99	Under \$5
A business gift	54%	52%	54%	39%
A form of advertising	38%	43%	51%	66%
An incentive	34%	35%	26%	25%

Matching Expectations with Results

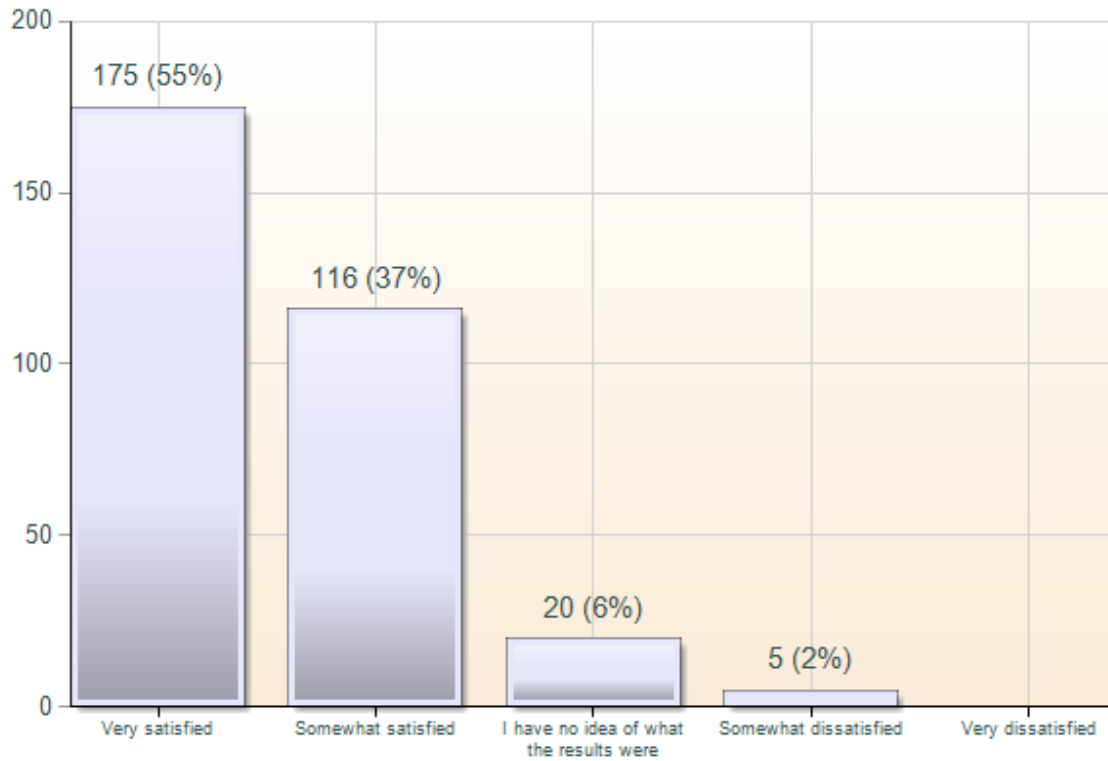
For all four price categories we asked buyers the inescapable question: How satisfied were you with what the promotional products you purchased accomplished?

Chart 5: Buyer satisfaction with promotional products costing more than \$25



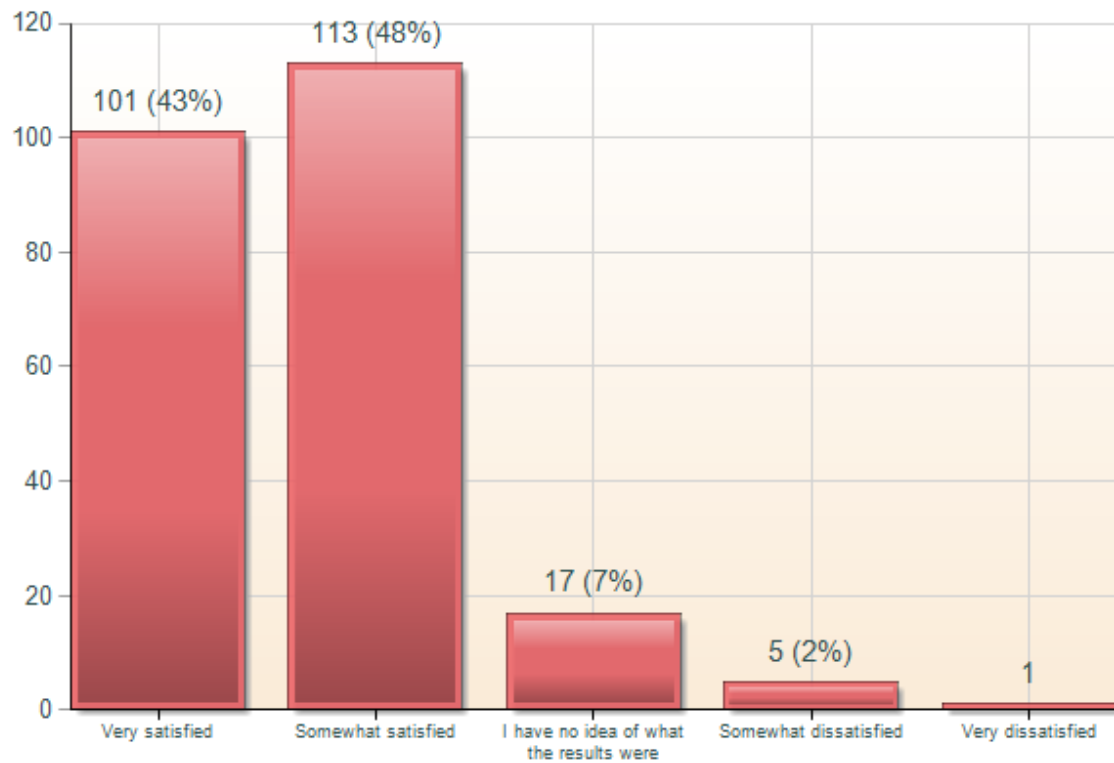
When they spent \$25 or more on an item, buyers (53 percent of them anyway) reported they were really, really pleased with the results they got.

Chart 6: Buyer satisfaction with promotional products costing \$10 to \$24.99



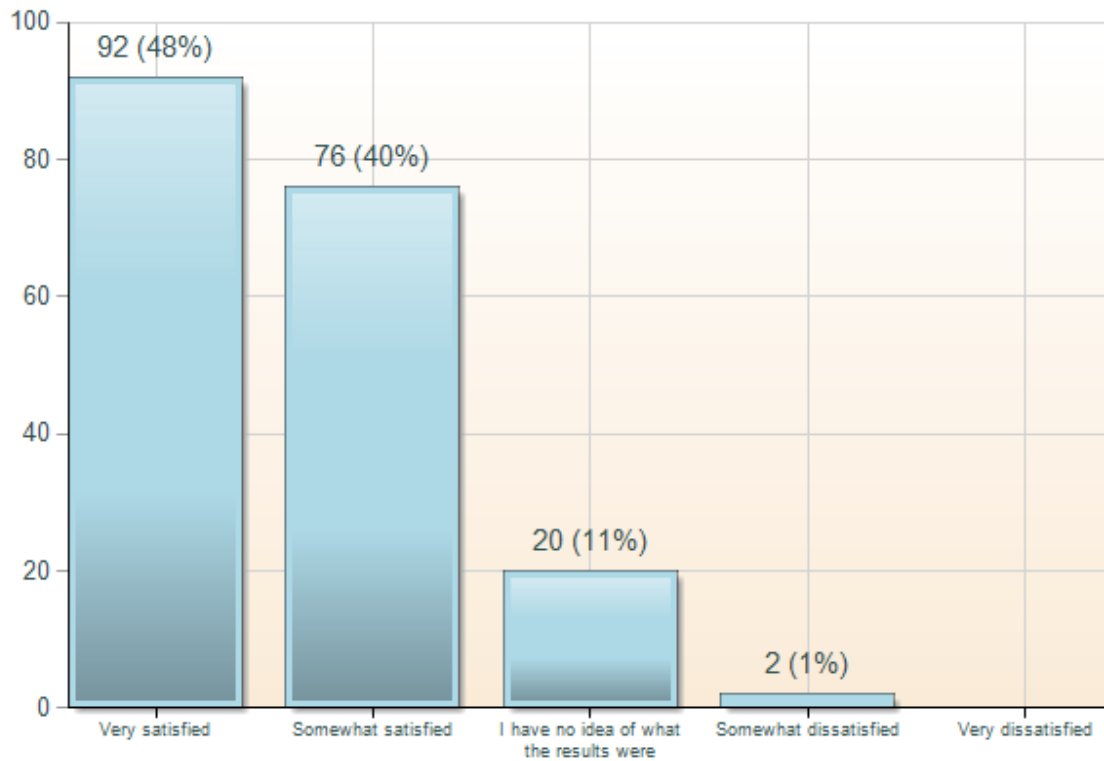
A clear majority (55 percent) of respondents were very comfortable with the results they achieved from promotional products in the \$10 to \$24.99 range.

Chart 7: Buyer satisfaction with promotional products costing \$5 to \$9.99



Some changes in buyer satisfaction show up in the \$5 to \$9.99 category. However, expressed dissatisfaction remains miniscule.

Chart 8: Buyer satisfaction with promotional products costing under \$5



Buyers' satisfaction with how the promotional items met their expectations were consistent in all four price ranges (Table 3). The difference between the highest- (92 percent) and lowest- (88 percent) scored positive segments (somewhat satisfied and very satisfied) was only four percentage points. Although 11 percent of buyers of under \$5 products confessed to having no idea what their purchases had achieved, and results show that ignorance was not characteristic of the panel.

Table 3: Comparison of buyer satisfaction by price category

Evaluation	More than \$25	\$10 to \$24.99	\$5 to \$9.99	Under \$5
Very satisfied	53%	55%	43 %	48%
Somewhat satisfied	38%	37%	48 %	40 %
I have no idea of what the results were	8 %	6%	7 %	11 %
Somewhat dissatisfied	2%	2 %	2%	1%
Very dissatisfied	0 %	0 %	05	0 %

Comparing the impression of the NIM group with the satisfaction expressed by buyers with their own purchases (Table 3), we see that both segments tend to evaluate promotional products positively, but the NIM subset is decidedly less convinced than the businesspeople who actually have a hand in ordering the products. Looking at promotional products in the abstract, then, considering promotional products' effectiveness in general, 57 percent of respondents expressed positive opinions of the medium, that is, they believed it to be effective or very effective (Table 4). But almost more than a third said they were neutral.

Table 4: NIMs' general impression of promotional products effectiveness

Evaluation	Percent
Extremely effective	10%
Effective	47%
Neutral	36%
Not effective	4 %
Not at all effective	3 %

What Dictates Purchasing Decisions?

For corporate buyers of any product or service, budget is usually the principal determiner of what gets bought and in what quantity. Purchasing budgets are certainly a major factor in ordering promotional products, and 34 percent of respondents stated it was the "most important" thing they had to consider (Table 4). But a slightly higher percentage reported a couple things that were more important to them:

- "Our perception of how our audience will respond to the item"
- "The ability to purchase a product that is appropriate to our intended audience"

Undoubtedly these are everyday issues that promotional products distributors encounter and respond to.

Table 4: Most important considerations in purchasing promotional products

If selecting a promotional product to purchase, (e.g. items like you mentioned in the previous questions), which of the following considerations are most important to you?						
Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Not at all Important "1"	Somewhat Important "2"	Neutral "3"	Important "4"	Very Important "5"	Mean Score
Our purchasing budget	16 4%	58 14%	63 15%	146 34%	145 34%	3.81
The specific objective I (we) have for the item	8 2%	36 8%	79 18%	162 38%	143 33%	3.93
Our perception of how our audience will respond to the item	11 3%	18 4%	72 17%	176 41%	151 35%	4.02
Economy: The ability to purchase a specific quantity (large enough, small enough) to reach precisely the number in our intended audience	13 3%	23 5%	80 19%	178 42%	134 31%	3.93
The ability to purchase a promotional product that is appropriate to our intended audience	10 2%	14 3%	64 15%	184 43%	156 36%	4.08
The flexibility that the promotional product allows in terms of color, quantity, size, speed of delivery, demographic specific (e.g., suitable to one or both genders, age, culture)	12 3%	28 7%	96 22%	183 43%	109 25%	3.82
The ability of the promotional products provider (of the item) to advise us on making the best selection	21 5%	43 10%	122 29%	141 33%	101 24%	3.60

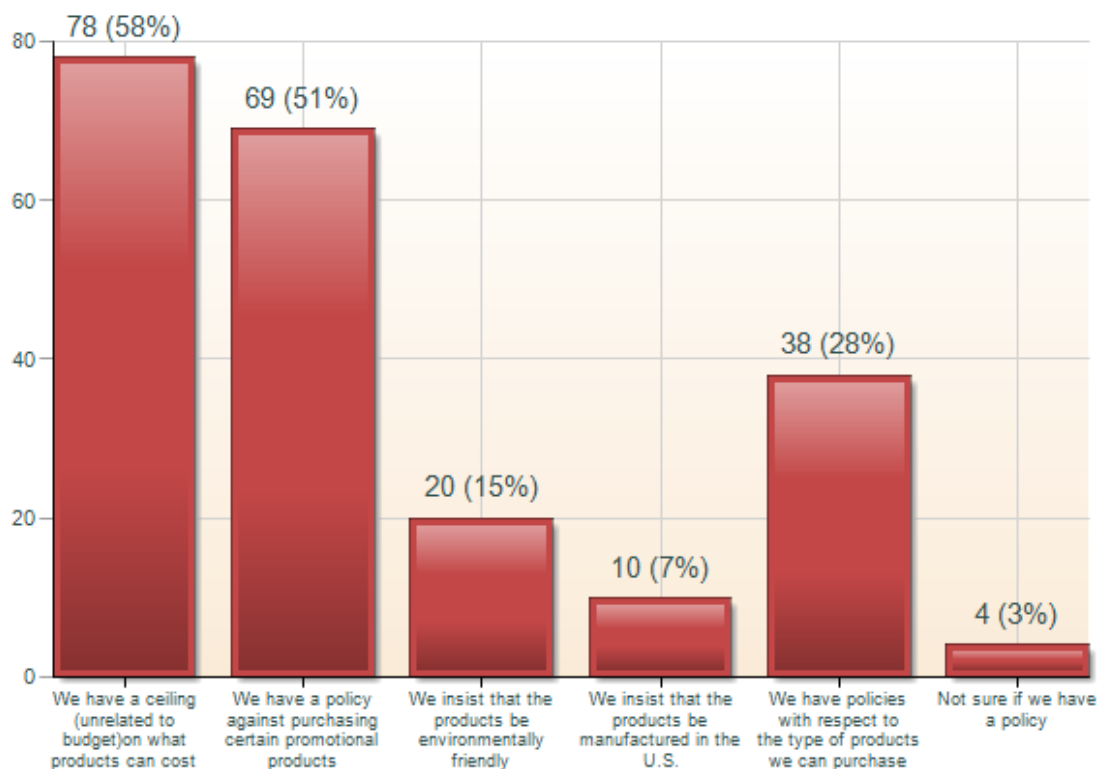
Purchasing Limitations and Preferences

One thing plenty of distributors encounter is the customer organization's mindset—often institutionalized in written policy—that says We don't buy promotional products. Many government agencies are big on that.

When we asked our buyers' panel if their companies or organizations had a policy forbidding them from purchasing promotional products, nearly a third (32 percent) of them said their organization had regulations proscribing promotional products.

Looking into organization policies further, we found that some buyers had limitations (unrelated to budget) on what promotional products can cost and prohibitions against certain types of items (Chart 9).

Chart 9: Policies regarding purchasing promotional products



Selected Comments

- *No alcohol*

- *The product should not have any adverse effect on the intended recipient or the company*
- *We are a government agency and have a limited amount available for these items.*
- *They must be appropriate for our needs and not seen as wasteful or opulent*
- *Nothing that can be seen as controversial—sexuality, birth control etc.*
- *We are a medical company and want products to convey healthy lifestyles.*
- *No products related to alcohol or idleness*
- *Nothing offensive to any group*
- *No liquor, cigarettes, intimate items*
- *Healthcare compliance*
- *Company does not allow for anything that looks like bribery*
- *To ensure the company image is maintained and to mitigate any risk of a lawsuit*
- *Corporate sensitivity to our population and mission, massive amounts of applied (FINALLY) common sense to the items chosen and the demographics of the recipients &/or observing population/community*
- *As a faith-based organization, gifts are selected to appeal to the masses while being respectful of our religious mission*

We asked the subset of businesspeople classified as NIMs to assume they had been handed the assignment of buying promotional products for their organizations. What types of products would they prefer to order? The options given them (Table 5) are typical categories of promotional products by function.

Table 5: Types of promotional products that NIMs prefer

Assume you have been asked/decided to order promotional products for your company for a marketing or employee performance objective, then which types of promotional products would you order? Please check all those that apply.	
	PERCENT
Items recipients can consume (e.g., food gifts)	36%
Items that help recipients schedule their time (e.g., calendars, desk planners, watches)	37%
Items that recipients wear (e.g., T-shirts, caps, jackets)	50%
Items that facilitate written communication (e.g., pens, pencils, markers)	37%
Items associated with digital communication (e.g., computer mouse pads, flash drives)	30%
Items that entertain the recipients (e.g., books, puzzles, games)	13%
Items that enhance health and comfort of recipients (e.g., walking pedometers, first-aid kits)	22%
Items that enhance appearance of recipients (e.g., combs, manicure sets)	7%
Items that enhance security or safety recipients (e.g., fire extinguishers, pepper spray dispensers)	8%
Items that can be carried on recipients' person (e.g., pocket knives, wallets, money clips)	17%
Items that help with repair or make quick fixes (e.g., tool kits, eyeglass repair kits)	10%
Items that help recipients collect or convey things (e.g., bags, notebooks, briefcases)	39%
Other, (if checked, you must specify below.)	5%

As Table 5 indicates, NIMs reported a preference for things like T-shirts, caps and jackets (half the respondents chose that category). Given that year in, year out distributors report wearables as leading the industry in market share, that comes as no surprise. Other top categories consist of items that help recipients schedule their time (calendars, desk planners, watches), items that facilitate written communication (pens, pencils, markers) and food gifts.

How close NIM preferences come to matching what consumers told us they prefer makes for an interesting question. That comparison will come up in the Analysis of this report.

The items that NIMS were hypothetically ordering—would they more likely be branded products or generic makes? The “yes” choices for branded totaled 35 percent.

Buyers were asked to weigh in on the brand preference question, too.

- Thirty-eight percent stated they'd prefer to buy branded promotional products rather than generic ones.
- Doesn't make any difference, reported 58 percent
- The remaining 4% were unclear and reported that they had not really purchased any.

The nearly four in ten buyer respondents who expressed a preference for giving branded merchandise were asked to explain. As a generalization, the fans of brands associated their choice as being consistent with their organization's reputation.

Selected Comments About Branded Merchandise Preference

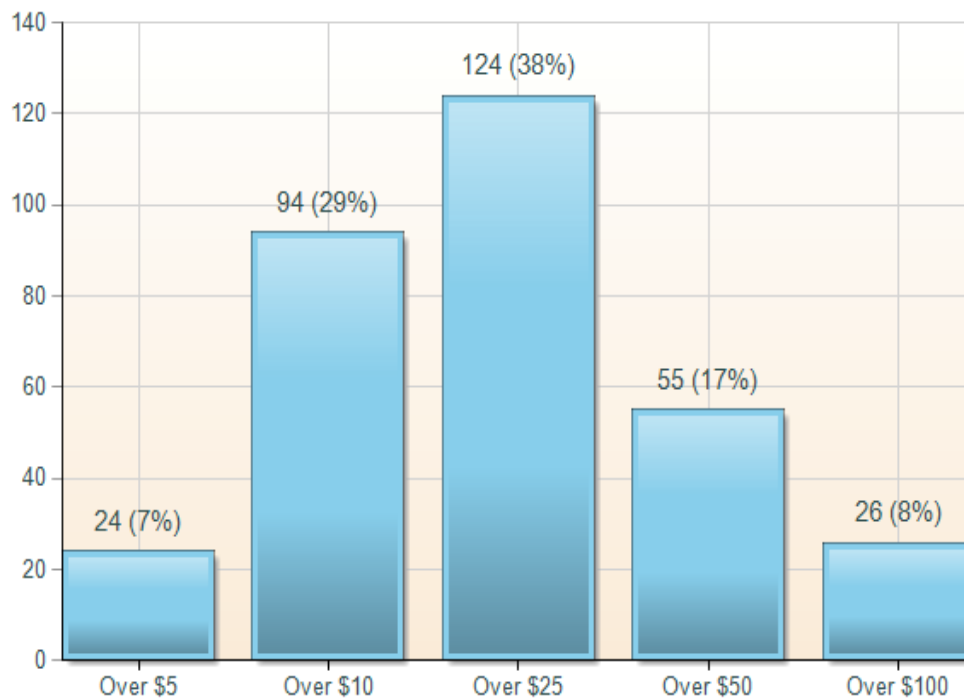
- *Means more to the customer. Has more perceived value*
- *It shows that our company cares about quality*
- *We don't want our people to think we are trying to save money on their gifts*
- *Off-brand products are not as exciting and make it look like you're being cheap*
- *People want to belong (to a family, to a sports team, to a work group); so branding helps build that belonging*
- *It gets employees or customers feeling that they're getting premium treatment*
- *Name brand means name recognition and customers remember your company provided a gift to them which was a name brand easy to remember and tell others about*
- *Doesn't look like a knockoff*
- *It gives our company a foothold with our competitors*
- *Brand recognition is associated with our reputation*
- *Because they are well known, they allow our brand to be associated with a well-known brand*
- *People think they are getting a good product instead of Chinese junk*
- *We are a branded company*
- *The brand, when a good one, reflects well on our company*
- *Why give something to someone if they cannot remember who gave it to them?*

- *Unless free sample of product from unknown is offered first, I will trust a known brand's quality*

Defining “High Value” by Price

You may recall that consumers defined “high value but not extravagant” as an item costing between \$25 and \$50. Non-Involved Management respondents agreed with that price range (Chart 10).

Chart 10: High value defined by price



The question on whether or not NIMs equated promotional products' quality with the giver's reputation produced the same ambiguity as it did when we asked consumers.

- Three in ten respondents thought quality products reflected on the giver, and about the same portion (34 percent) disagreed.
- The other 36 percent opined that other factors needed to be considered.

Asked about items—expensive and inexpensive—that they had received, NIMs commented on some of the merchandise. The less expensive items, not surprisingly, tended to receive less acclaim and appreciation than the pricier ones. Notable was a comment that points to the giver’s (and maybe the distributor’s, too) lack of planning that so often dooms promotions from the get-go, regardless of price. Recalls the respondent: “An **envelope cutter** was an incentive to respond....The only problem was (that) all correspondence was sent via online e-mails, faxes or online web conferences.”

Expenditures for Promotional Products

When asked, about one-third (36 percent) of respondents reported their organizations spent less than \$20,000 annually on promotional products (Table 6). That cohort included the 15 percent whose spend was less than \$5,000.

Table 6: Money allocated for promotional products

Expenditure	Percent Reporting
Less than \$20,000	36%
\$20,000 to \$49,999	20%
\$50,000 to \$99,999	12%
\$100,000 to \$199,999	13 %
\$200,000 or more	10%
Do not know	9 %

Slightly more than a quarter of our panel said their promotional products expenditure amounted to 5 percent or less of their organization’s advertising and promotion budget. Another 20 percent reported their promotional products spend between 6 to 10 percent of the ad/promotion budget. Figures in Table 7 will not add up to 100 percent because some outliers are not shown.

Table 7: Promotional products share of the ad/promotion budget

Share	Percent Reporting
0 to 5 %	27 %
6 to 10 %	20 %
11 to 15%	9 %
16 to 20 %	6 %
21 to 25%	10 %
26 to 30 %	5 %
31 to 35%	1 %
36 to 40%	2 %

The Direction of Promotional Products Spending

With a long-running contraction in the U.S. economy in mind, we questioned buyers about their current promotional products expenditures. About a third (Table 8) reported their organizations spent less this year than in 2010. Note: This survey took place with one quarter still remaining in year 2011.

One comment typifies the situation alluded to by many panelists: “For my division, yes, it (promotional products spend) was lower, and it is because marketing budgets were ripped to shreds. For the entire company, I’d guess the same is true.”

Table 8: Promotional products spend 2011 vs. 2010

2011 Spending	Percent Reporting
Very much lower	11%
Slightly lower	21%
About the same	53%
Slightly higher	9%
Very much higher	2%
Don’t know	4%

If buyers’ revelation of current purchasing seems like a bummer for distributors, panelists’ forecast for the next two years doesn’t seem all that promising either. The purchasing outlook, indicate 6 of 10 respondents, is more of the same (Table 9). For many marketers, it seems safer to stand pat than to venture into expanded spending, and not necessarily in just an

uncertain economy. As one respondent predicted, the budget is expected “to be the same, because it always is.”

Table 9: Purchasing outlook for promotional products in next two years

Expected Change	Percent Reporting
Very much lower	6 %
Slightly lower	15 %
About the same	61 %
Slightly higher	11 %
Very much higher	3 %
Not sure	5 %

Selected Comments (Higher Spending Anticipated)

- *More recruiting and hiring needs*
- *Everything costs more, plus we are growing*
- *Improvements in market conditions*
- *Increasing sales and profits*
- *New products to launch*
- *Economy is turning around. People like gifts and brings them in*
- *Will increase demand and revenue*
- *Wanting to get more advertising out there to increase our business*
- *Stay in front of clients*
- *We want to get our name out there*
- *Higher prices of items in general, expected increase in customers*
- *and slightly optimistic economic prospects in the next two years*
- *Selected Comments (Lower or No Change Anticipated)*
- *We over-ordered last year and can use the stock on hand*
- *Lower. Budget has been getting tighter*
- *The company is still profitable, but there have been many*
- *budget-saving measures put in place*

- *Worked for us last year, so (we'll) stick with the same*
- *Our purchasing and supply departments are experiencing*
- *significant reductions in budget and staffing*
- *I think it will stay the same or decrease as there is pressure*
- *to go to fewer trade shows*
- *The cost of doing business/purchasing promotional products has increased*
- *Fewer customers are accepting gifts*

Analysis and Conclusions

The Big Three Reasons for Circulating Promotional Products

Our first assignment to buyers was to have them identify the reasons—from a choice of several typical marketing and non-marketing objectives—why they purchase promotional products in four price ranges. The three reasons given most frequently were:

- To thank customers for their business
- To make customers or prospects aware of the organization's products or services
- To motivate persons connected to the company or organization—employees, salespeople, dealers—to perform a task or adopt a specific behavior

Would it be safe to assume that, if an organization wants to thank customers for all that business they're giving the firm, it should spend more to give them a nicer promotional item? Yes, agreed the largest cohort (32 percent) who reported spending \$25 or more on the item. But the same percentage said they showed appreciation with a nice item in the \$5 to 9.99 range. Only when the item cost less than \$5 did a plurality of buyers select "to make customers and prospects aware of our products or services" as their objective. In other words, as advertising.

But advertising was shown to be a universal objective and not limited to low-end merchandise. A substantial percentage of buyers were willing to spend \$25-plus per impression to attract attention. This should not be surprising, since promotional products is a targeted—not a mass—medium. Selective audiences have been known to number in the single digits. Advertisers can afford to be generous with individuals on their restricted A List.

Consumers, the data indicate, understand why they are being gifted. Their diagnosis of the giver's intent was largely consistent with the objectives buyers said they pursued when they purchased the items.

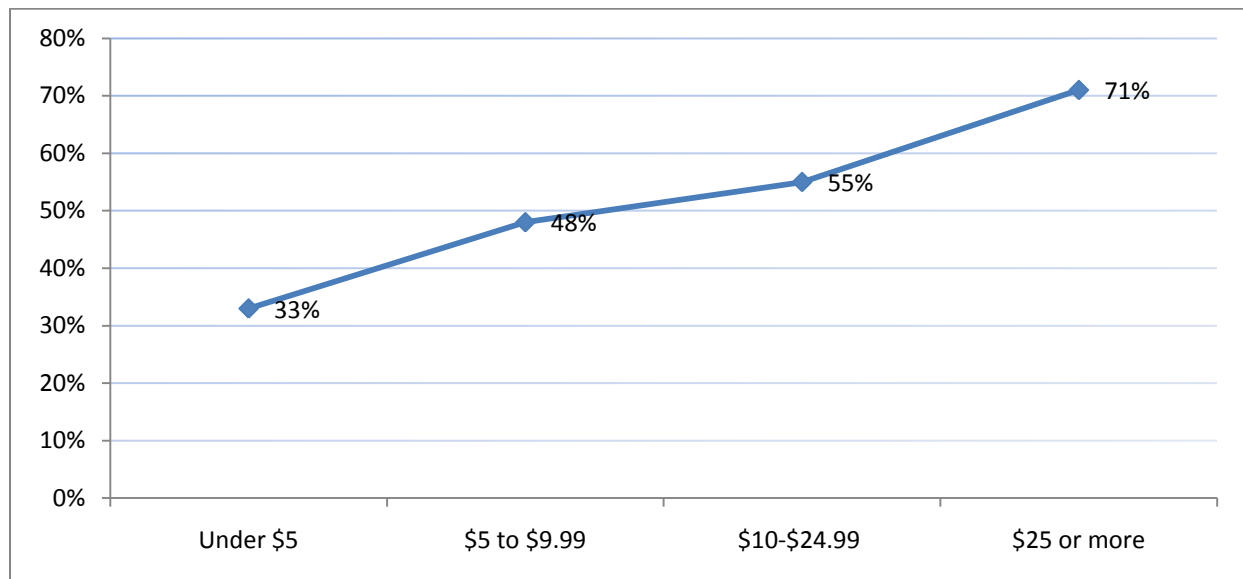
Effectiveness: Depends on Who You're Talking To

Other than thick-skinned telemarketers, inured to the loathing by consumers whose lives they interrupt with annoying phone pitches, the people in marketing are charged with winning customer affection. It's a big step in moving product or service.

Did buyers in our study think they won the affection of consumers? Did price buy love?

From what consumers told us, we'd have to infer that price can be influential. Seven of ten consumers said they were either somewhat or significantly more receptive to the company or organization and its objective when they received an item they perceived to cost \$25 or more. When the price perception dropped to \$10 to 24.99, positive response fell by 24 percent to a lower plateau, then really plunged at the under-\$5 level (Chart 1).

Chart 1: Recipients reacting positively to givers (somewhat or significantly receptive to givers) by price



When consumers were familiar with the organization before receiving a gift, they tended to see the giver in a more positive light after receiving the item, particularly if it was higher priced merchandise.

At all price ranges—but less so at the \$25-and-up level—a large segment of respondents said they had no reaction one way or other to the gift.

This is a noteworthy finding because it means money was spent on this group to little or no avail. But that happens with any form of advertising and promotion. Consider all the direct mail appeals that enter your waste basket unopened. All of which does not take the onus of failure off the buyer, and perhaps the distributor who sold the promotion.

Based on respondents' sentiments toward the gift and the organization that gave it, we can make the following observations: The promotion fails when...

- The gift duplicates something the recipient has a surfeit of

- The recipient (often an employee) sees the gift as insufficient pro quid quo (*I work hard, you give me a trinket?*) instead of as symbolic appreciation
- The recipient has no need for the promoted product or service
- The recipient, often antagonistic to advertising in general, believes he or she is being bribed
- Presentation of the item leaves the recipient feeling like a number, not like a distinct individual
- Planning fails to take into account all the possibilities that lead to a breakdown in execution

Buyers' satisfaction with the results generated by their promotions were uniformly positive at all product price levels. Consumer reaction to their promotional items, on the other hand, often failed to align with buyer satisfaction. As stated previously, consumers tended to respond the way givers hoped for when the items were high end, but not so favorably at the other price levels.

So, is this dichotomy of opinion because buyers know something consumers don't know? That may be the case. Buyers who track response and results can pretty much document their reasons for satisfaction. Consumer opinion is personal and isolated.

Most Desired Products

PPAI's Annual Estimate of Distributor Sales includes market share by product category. What volume of specific products distributors sell and what products consumers want may be two different things. Therefore, we gave the consumer panel a list of 12 popular product categories and asked them to state their preferences.

A fairly large segment (40 percent) of the business executives' panel were omitted from much of the survey because they were not directly involved in purchasing promotional products. However, we identified this group as non-involved management (NIM) and asked individuals to assume they had purchasing responsibility. What product categories, we asked, would they be selecting?

The NIM's responses were similar to those of the consumers. With one exception, consumers' top five preferences (Table 1) were similar to those of the NIMs, although not in rank order. Keeping in mind that PPAI labels and describes its product categories somewhat differently, we still find a significant and curious discrepancy between top orders distributors receive and what products consumers and NIMs say they prefer. Wearables rank high in all three surveyed segments. The biggest conundrum is the food category—highly popular with consumers, modestly popular with NIMs, but accounting for less than 2 percent of distributor

sales. Answers to this paradox can only come from a little further study, and perhaps more than a little.

Table 1: Top five product preferences vs. distributors’ market share leaders

Product Category	Consumers	NIMs	Promotional Product Distributors’ Top 5 categories as ranked by Current Market Share (Percent)
Items that can be consumed (e.g., food gifts)	Ranked #1- 58 %	Ranked #5 – 36 %	Wearables – 31.1%
Items that can be worn (e.g., caps, T-shirts, jackets)	Ranked #2- 50 %	Ranked #1 – 50%	Writing instruments – 9.0%
Items associated with digital communication (e.g., mouse pads, flash drives)	Ranked #3- 46%	Not Ranked among top 5	Calendars – 8.4%
Items that can help collect things (e.g., bags, notebooks, briefcases)	Ranked #4- 46%	Ranked # 2 – 39%	Drinkware – 6.8%
Items that facilitate written communication (e.g. pens, pencils, markers)	Ranked # 5- 40%	Ranked #3 – 37%*	Bags – 6.5%
Items that help recipients schedule their time (e.g., desk planners, calendars, watches)	Did not rank among Top categories	Ranked # 3 – 37%*	N/A **

*Two Items were ranked the same.

** Does not apply as this question falls into several product categories for distributor product segments as measured in PPAI’s Annual Sales by Product Category Survey.

We must re-emphasize that the category descriptions of our questions to consumers and NIMs are more comprehensive than the single-item typology used in ascertaining distributor market share. For the latter, the bags category is just that—bags. Our “collect things” function places bags with products like notebooks and briefcases. The same can be said for our time-scheduling category which lists calendars with watches. Calendars alone are the No. 3 distributors’ sellers.

Turn-ons and Turn-offs

When we asked consumers how long they kept their favorite promotional products, 26 percent said they held on to high-end items for more than five years. For a favorite item that was considered to be low end, the five-year-plus retention period was claimed by 20 percent of the respondents. Obviously, there must have been five years of ink in those ballpoint cartridges.

Retention rates for favorite items were impressive, which is what advertisers appreciate. But how does a promotional product get to become a favorite?

A number of questions were devoted to that issue. First we asked what product attributes were most important to consumers and, therefore, were most likely to make the items “keepers.”

About seven in ten respondents reported “usefulness” was very important or extremely important to them. Ranked second and third, respectively, were item quality and attractiveness. These findings are supported by several previous PPAI studies.

To get that quality, does an item have to carry the cachet of a brand name? On that question, the jury was evenly divided. Brand connotes quality, claimed many respondents, but a similar number believed generic products were just as good and were sometimes produced by suppliers of branded merchandise. That thinking helps explain why private label does so well in retail stores.

But the value of branding really surfaces in the relationship of product to the givers’ reputation. About six in ten consumer respondents thought they’d look more favorably on the giver if the promotional item were a familiar brand. “A brand name probably costs more, which to me means that the company values me as a customer.” That comment exemplifies much of the feedback.

Buyers, too, were asked for their take on branded vs. generic. Four in ten said they’d prefer to buy branded promotional products. That segment was a minority, but not an insignificant one. Brands, they said, were consistent with their organization’s reputation.

In the minds of participants in both panels, brand and quality were not necessarily synonymous, but there was more than a hint of correlation. The tie-in of product quality and giver reputation also had some support, although just as many respondents believed reputation was governed by a number of factors.

We dealt with the question of item price correlating with high value. For the largest cohort (44 percent) of consumers, an item would be considered to be high value—but not extravagant—if it cost more than \$25 but less than \$50. That was the range that NIMs had in mind, too.

Another issue concerning promotional gift desirability is the imprint. The fact that the item is likely to carry the giver's name, logo or message—sometimes boldly—is that a turn-off for the recipient and a motive to pitch it? Maybe for some recipients, but certainly not to the extent that TV viewers lose patience with commercials and find something else to do when the sponsor's message appears.

In fact, the evidence we see is that the imprint is pretty much a non-issue. That's because, in promotional products, the magic word is "usefulness." In all price ranges, more than half the respondents said if the item were useful, they'd keep it "even though it prominently displays the advertiser's name, logo or message." The next largest respondent segment said the keep-or-discard decision rested on "how useful or valued the item is to me." In all product price ranges, the disdainful souls who trashed the items because of advertising indicia were in the low-single-digit minority.

Strictures for Purchasing Promotional Products

As with any form of advertising and promotion, buyers must contend with many constraints in purchasing promotional products. Available money, of course, is one but, as we learned, not the most significant.

Buyers reviewed seven considerations affecting purchasing decisions and identified those that mattered most to them. The option receiving the most scrutiny was how appropriate the item was to the intended audience. Others, in descending order, were:

- Perception of how the audience will respond to the item
- The specific objective the item is expected to accomplish (tied with...)
- The ability to purchase a specific quantity (large enough, small enough) to reach precisely the targeted number of persons
- The flexibility that the item allows in terms of color, quantity, size, speed of delivery, demographic specifics (e.g., suitability to one or both genders, age, culture).
- The purchasing budget
- The ability of the promotional products provider to advise buyers on making the best selection

Purchasing, then, appears to have a triangular structure connecting item, audience and organizational goals.

Purchasing is further regulated by organizational policies. The one cited most frequently by buyers is the ceiling—unrelated to budget—that constrains what a promotional product can cost.

Another consideration cited by more than half the respondents precludes buying certain kinds of items. These off-limits items, open-ended comments suggest, would be anything that might be offensive to any group. Consequently, it behooves distributors to understand the audience.

Budget Allocations

In the budget stew pot, the promotional products portion is measured in demitasse amounts. About a quarter of buyers report they allocate less than 5 percent of ad/promotion budget to promotional merchandise. This finding conforms to those in previous studies of spending in diverse industries.

In earlier commentary, we mentioned outliers in the spend percentages of promotional products. An example is the miniscule portion that devote anywhere from 50 to 100 percent of their budget to promotional products. A likely suspect would be internal departments like human resources that have few media platforms capable of reaching their audiences.

Although 2011 had several months to go when we surveyed buyers, a third reported their spending for promotional products was less than in 2010; about half of the respondents reported no change.

No change was also the vision of buyers when asked what they projected for purchasing in the next two years. Some saw modest improvement in the economy, but that did not translate to more business for distributors.

Lessons Learned

The conclusions we can make from our investigation of attitudes and practices involving high- end and low-end promotional products would seem pretty much in tune with conventional wisdom. But exactly what is conventional wisdom regarding product price as it affects or influences recipients and the buyers who pay for the items?

Reason—and probably experience, too—tells us that recipients have a bias for spendy gifts. Our findings reinforce that belief. But recipients are also content with less costly items, provided these people don't feel (a) they are owed more than what they have received because of something they have accomplished for the giver or (b) the item has little intrinsic value in terms of usefulness.

We can reasonably assume that price and value are not synonymous. Brand does add value, is certainly appreciated, and buyers in particular tend to relate it to their organization's reputation. Among recipients, however, we must conclude that brand, desirable as it may be, gets

trumped by product usefulness. So, a higher priced branded item could be matched in appreciation by a properly working generic. This could be the salvation for the distributor whose client demands a specific brand but, because the item has restricted distribution, the distributor can't get it. Better find a good generic substitute and test it to the client's satisfaction.

There are a couple of statistics that are troubling. One is the 27 percent of recipients who admit they have no feeling one way or another for the organization that gave them a free \$25 item. And the indifference rises as the price of the gift declines.

The other is the finding that three of four respondents in every price range couldn't remember receiving a promotional item in that price category. Almost certainly, at one time or another, they received one and probably several items. The items just weren't something that sparked their memory.

That suggests a weakness in the system: Loss of control by the distributor once the order is delivered. Distributors who profess to be, and actually are, promotional consultants are often shorted on the consultant end and find their expertise ignored. The buyer says, Just deliver the order, and we'll take it from there. Sometimes "taking it from there" is a dead end. Even an ad agency insists on knowing when its commercials are being aired. In any event, it's easy to see why consumer reactions to the item and to the giver are often compromised.

Of only marginal concern, as we see it, are buyer projections on their promotional products spending over the next two years. They may appear disappointing, but we wouldn't attach much alarm to that forecast. Projections tend to be based on what's happening at the moment. Ask somebody authoritative like Moody's Analytics for their take on 2014 business, and you'll probably get a number of forecast revisions along the way to that year.

Perhaps more concern should be directed to the mindset of buyers who reduced their promotional products' spending because of the poor economy. Who's to say, once recovery takes hold, that they won't conclude their reduced spending didn't cost them business so why not just stand pat? Media salespeople are quick to point out research by McGraw-Hill and others showing that companies that keep up their advertising during a recession bounce back much faster than competitors that cut spending. But who's paying attention?

Methodology

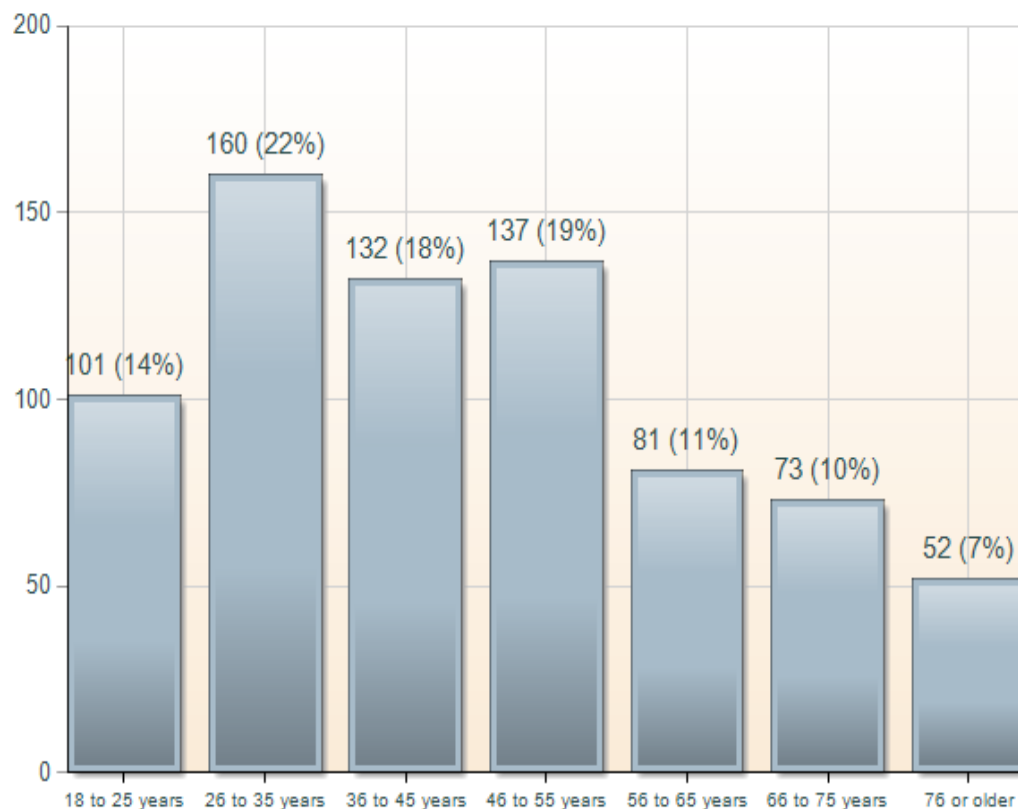
In this study, we, as PPAI researchers, contracted with MarketTools Inc. a San Francisco provider of online research panels under the name of Zoomerang. Two panels—consumer and

buyer—were purchased, and each panel provided 736 for a total of 1472 individual responses to an online questionnaire.

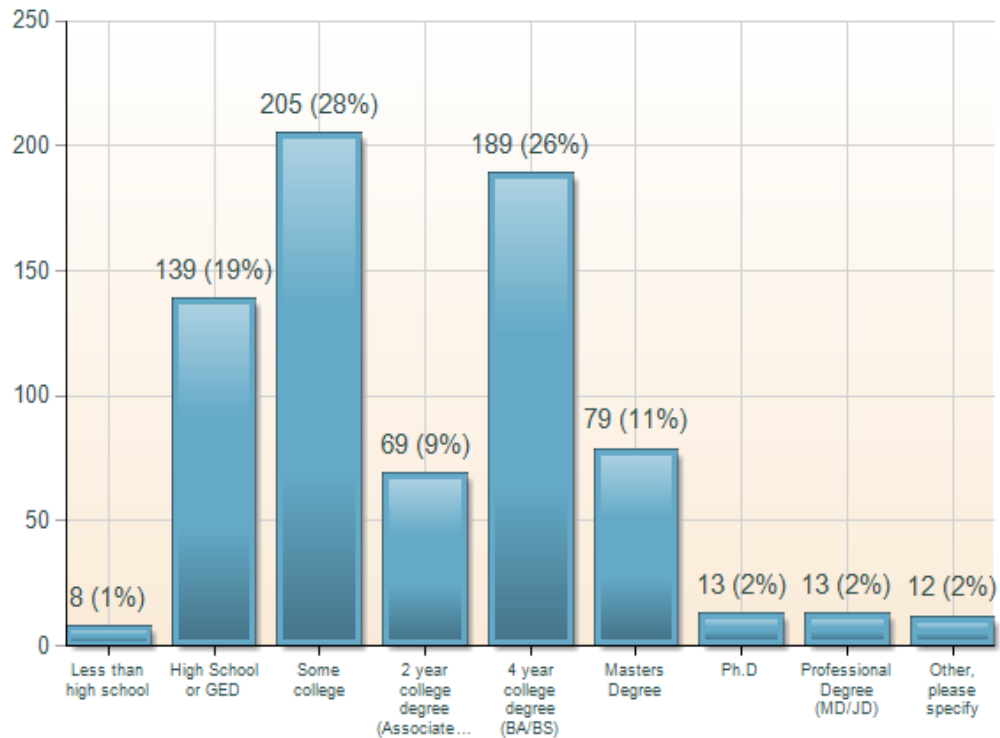
Comprised of more women (55 percent) than men, the consumer panel was asked a series of questions relating to promotional products they recalled receiving that they perceived to fall in one or more of four price categories. The questions allowed us to examine their attitudes toward or impressions of the products and the organizations that gave them and the types of promotional products they preferred to receive.

In order for us to understand the composition of this panel, we included demographic questions on the survey. Responses revealed that:

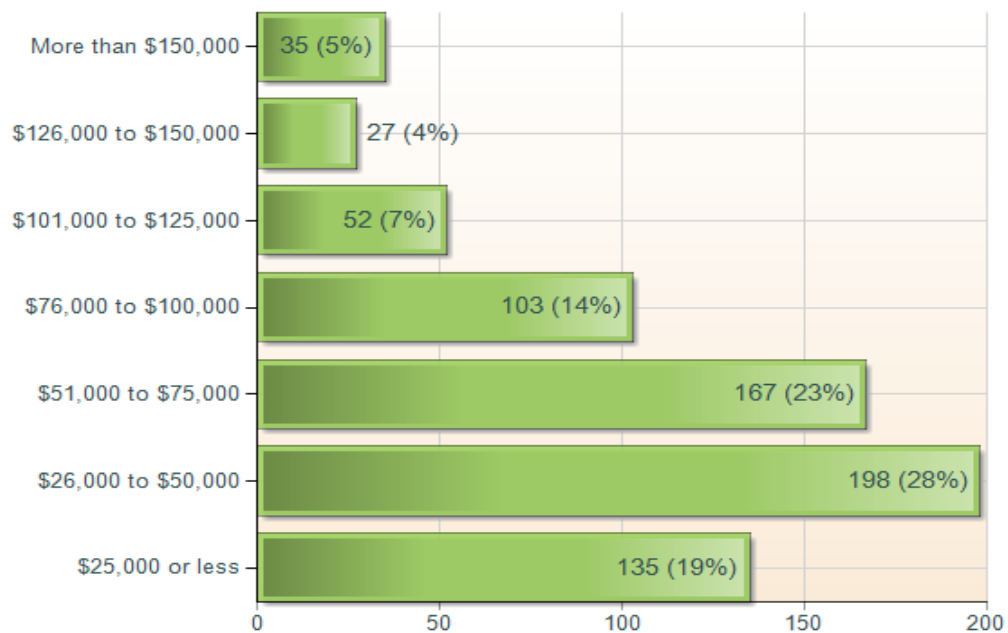
- 54 percent of the respondents were age 18 to 45; 30 percent were 46 to 65 and the remaining few were older. See chart below:



- 41 percent had at least a four-year college degree, indicating that our panel was better educated than the general U.S. population - see chart:



- 53 percent were members of households having incomes in excess of \$50,000. See chart below:



- By race, the panel was predominantly (73 percent) white/Caucasian. The panel also had 4% Hispanic or Latino; 8% Black or African American, 5% Asian/Pacific Islander, 2% American Indian or Alaskan Native and 2% Other.

A segment of similar size (736 persons) comprised the panel of businesspeople, all of whom had purchasing authority at their places of business. However, inasmuch as 308 persons (42 percent) of this panel had never been involved in directly purchasing promotional items, we assigned them to a subset identified as Non-Involved Management (NIM) and asked them questions that differed from those submitted to actual buyers or influencers.

The buyer panel, including the NIM subset, held the job titles indicated in Table 1.

Table 1: Job titles, functions represented by Buyer panel

Title or Function	Panel Representation%
Owner, partner or CEO	12%
Marketing	8%
Advertising	2%
Purchasing/procurement	10%
Public relations	5%
Promotion	4%
Sales	11%
Human resources (includes employee safety)	9%
Other	39%

The largest segment by far (39 percent) answered to “Other,” and the largest group in that segment were in the IT or financial departments of their organizations.

Males outnumbered females (61 percent to 39 percent) in the business panel, and 47 percent of the panelists had been in their current job function more than 10 years. See following table:

Years in current function	
	Percent
5 years or less	19%
6 – 10 years	28%
11 – 20 years	29%
21 – 30 years	13%
More than 30 years	11%

In selecting our panel, we eliminated individuals from small enterprises (under \$100,000 in annual sales), and Table 2 and Table 3 display the size of their organizations—both corporate and not-for-profit –represented by the business panel members.

Table 2: Organization size by annual sales

Annual Sales	Panel Representation %
Less than \$100,000	0%
\$100,000 to \$499,999	5%
\$500,000 to \$999,999	4%
\$1,000,000 to \$4,999,999	9%
\$5,000,000 to \$9,999,999	5%
\$10,000,000 to \$19,999,999	7%
\$20,000,000 to \$49,999,999	9%
\$50,000,000 to \$99,999,999	10%
\$100,000,000 to \$149,999,999	6%
\$150,000,000 to \$199,999,999	4%
\$200,000,000 to \$599,999,999	8%
\$600,000,000 to \$999,999,999	6%
\$1 billion or more	27%

Table 3: Company size by number of employees at all locations

Employees	Panel Representation %
50 to 100	11%
101 to 500	15%
501 to 1,000	12%
1,001 to 5,000	24%
More than 5,000	36%

