SHAPING THE INDUSTRY OF TOMORROW

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VP of Sales SnugZ USA
PPAI Board Chair 2019
WHAT DOES INDUSTRY LOOK LIKE TODAY?
24ish BILLION dollars
Over the past 20 years, the MARKETPLACE is growing 2 to 3 times faster than the INDUSTRY.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INDUSTRY</th>
<th>MARKETPLACE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$13.2 billion</td>
<td>$1.3 billion</td>
<td>$14.5 billion</td>
</tr>
<tr>
<td>2018</td>
<td>$24.7 billion</td>
<td>$40-50 billion</td>
<td>$75 billion</td>
</tr>
</tbody>
</table>
For us visual learners...
9 consecutive years of distributor growth

Uneven and inconsistent based on company size, structure and geography

US Industry Trends

Sales Volume 2007 - 2018:

- 2007 $19.4B +3.5%
- 2008 $18.1B -6.9%
- 2009 $15.6B -13.6%
- 2010 $16.6B +5.9%
- 2011 $17.7B +7.0%
- 2012 $18.5B +4.4%
- 2013 $19.8B +7.2%
- 2014 $20.0B +1.1%
- 2015 $20.8B +3.8%
- 2016 $21.3B +2.4%
- 2017 $23.3B +9.3%
- 2018 $24.7B +5.5%
COMPOSITION of our INDUSTRY

23,000 distributor companies
3,500 supplier companies
Same(ish) price
Same(ish) customers
<table>
<thead>
<tr>
<th>Distributor member size breakdown (2019)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $250,000</td>
<td>94%</td>
</tr>
<tr>
<td>$250,001 – $1,000,000</td>
<td>3%</td>
</tr>
<tr>
<td>$1,000,001 – 10,000,000</td>
<td>2%</td>
</tr>
<tr>
<td>$10,000,001 +</td>
<td>1%</td>
</tr>
</tbody>
</table>

97% of distributors report less than $1 million in promotional products sales volume.
Large distributors now account for 56% of industry sales vs. 45% (2018).
Distributor sales from non-industry suppliers increased by 11% over 2018 to $3.7 billion.
<table>
<thead>
<tr>
<th>Supplier member size breakdown (2019)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $250,000</td>
<td>53%</td>
</tr>
<tr>
<td>$250,001 – $1,000,000</td>
<td>22%</td>
</tr>
<tr>
<td>$1,000,001 – 10,000,000</td>
<td>19%</td>
</tr>
<tr>
<td>$10,000,001 +</td>
<td>6%</td>
</tr>
</tbody>
</table>

75% of suppliers report less than $1 million in annual promotional products sales revenue.
<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wearables</td>
<td>34%</td>
</tr>
<tr>
<td>Drinkware</td>
<td>9%</td>
</tr>
<tr>
<td>Travel</td>
<td>8%</td>
</tr>
<tr>
<td>Writing</td>
<td>6%</td>
</tr>
<tr>
<td>Technology</td>
<td>6%</td>
</tr>
</tbody>
</table>
## Industries Who Spend The Coin

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Services</td>
<td>10%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>9%</td>
</tr>
<tr>
<td>Education</td>
<td>8%</td>
</tr>
<tr>
<td>Financial</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6%</td>
</tr>
</tbody>
</table>
### Promotional Products as a Medium

<table>
<thead>
<tr>
<th>Advertising &amp; Marketing Silo</th>
<th>2017</th>
<th>2018</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Television Advertising</td>
<td>$95.34 B</td>
<td>$100.64 B</td>
<td>+5.5%</td>
</tr>
<tr>
<td>2 Direct Marketing</td>
<td>$85.66 B</td>
<td>$84.12 B</td>
<td>+0.6%</td>
</tr>
<tr>
<td>3 Online / Mobile Advertising &amp; Marketing</td>
<td>$61.28 B</td>
<td>$70.06 B</td>
<td>+14.4%</td>
</tr>
<tr>
<td>4 Experiential Marketing</td>
<td>$57.72 B</td>
<td>$62.29 B</td>
<td>+7.9%</td>
</tr>
<tr>
<td>5 Promotional Marketing</td>
<td>$54.92 B</td>
<td>$57.14 B</td>
<td>+4.0%</td>
</tr>
<tr>
<td>6 Promotional Products</td>
<td>$23.29 B</td>
<td>$24.75 B</td>
<td>+6.3%</td>
</tr>
<tr>
<td>7 Word-Of-Mouth Marketing</td>
<td>$15.61 B</td>
<td>$18.02 B</td>
<td>+15.4%</td>
</tr>
<tr>
<td>8 Radio Advertising</td>
<td>$15.92 B</td>
<td>$16.13 B</td>
<td>+1.3%</td>
</tr>
<tr>
<td>9 Content Marketing</td>
<td>$13.95 B</td>
<td>$15.82 B</td>
<td>+13.4%</td>
</tr>
<tr>
<td>10 Newspaper Advertising</td>
<td>$16.15 B</td>
<td>$14.64 B</td>
<td>-9.4%</td>
</tr>
<tr>
<td>11 Magazine Advertising</td>
<td>$13.54 B</td>
<td>$12.40 B</td>
<td>-8.4%</td>
</tr>
<tr>
<td>12 Out-Of-Home Advertising</td>
<td>$9.89 B</td>
<td>$10.56 B</td>
<td>+5.0%</td>
</tr>
<tr>
<td>13 Entertainment Media Advertising</td>
<td>$7.07 B</td>
<td>$8.58 B</td>
<td>+21.4%</td>
</tr>
<tr>
<td>14 Local Directories Advertising</td>
<td>$6.91 B</td>
<td>$6.88 B</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>Total Advertising Performance</strong></td>
<td>$184.31 B</td>
<td>$196.60 B</td>
<td>+4.5%</td>
</tr>
<tr>
<td><strong>Total Marketing Performance</strong></td>
<td>$271.82 B</td>
<td>$304.59 B</td>
<td>+6.1%</td>
</tr>
<tr>
<td><strong>TOTAL ADVERTISING &amp; MARKETING PERFORMANCE</strong></td>
<td>$455.95 B</td>
<td>$500.19 B</td>
<td>+5.5%</td>
</tr>
</tbody>
</table>
PPAI Strategic Plan

Drive meaningful member value
   How we get members to love, trust, appreciate and engage with PPAI

Advocate for the industry
   How we evangelize the power of promotional products and the profession

Develop and leverage strategic foresight
   How we help PPAI, the members and the industry capitalize on market changes

Manage an efficient and progressive organization
   How we continually retool PPAI to deliver second-to-none member experiences, interactions and engagement
WHERE ARE WE SEEING SHIFTS?
MAKE AMERICA GREAT AGAIN
BREAK THE INTERNET
Idk if it's just me but a free T-shirt can motivate me to do basically anything.
RadioShack America’s Technology Store

Presidents’ Birthday Sale!

3-Day Specials Above Good Saturday Thru Monday Only!

0% Interest! No Payments Until May! No Down Payment!

Come In and Take Advantage of These Other Fantastic Values!

Introductory Special!

节约 $670

$1599

Bonus Package

Motel Caller Telephone

Save $100

$199

Tiny Dual-Sided Radio Cassetter

Save $40

$79

Compact Cassette Cassette Recorder

Save $30

$99

Our Sizzling-Fast Phone Answering Machine

Save $30

$49

Wireless Speaker with Matching 12" Woofer

Save $10

$149

3-Way Stereo Sis and Phone

Save $20

$29

Handheld Voice-Activated Cassette Tape Recorder

Save $20

$99
In 1972, this would have been a 32 million dollar piece of technology

$250,000 per gigabyte
NO MORE FAMILIES BORN APART
PESTLE

- Political
- Economic
- Sociological
- Technological
- Legal
- Environmental
POLITICAL - SPARK

- Taxes – 10
- Tariffs – 18
- Import Regulation – 8
- Immigration Regulations – 6
- Product safety regulation / raw materials – 4
- Consumer protection
- E-commerce
- Plastics ban / increase regulation – Canada and US – 6
- Unemployment

- Primary debates
- Maga Hats
- Trade War China – 4
- Independent Contractor – 3
- Advertisement deductibility – 2
- Creation of oil/gas lines
- Prop 65 – 6
- 2020 election views of candidates – 3
- NAFTA – 2
- Green New Deal – 2
- Employee Misclassification laws
- Changing state laws
- Brexit
- Global Value chain
- National/International relationships (China/US)
- Oil Pipeline
- Political unrest / war – 3
- Global market
- Global warming
- Wayfair ruling and nexus
POLITICAL – SF and DF

- Wages
- Legislation around marijuana
- Social Compliance
- Industry reputation
- Tariffs – 29
- Taxes – 6
- Jobs
- Agendas
- Budgets
- Business doing well or poorly
- Natural Resources – rising cost
- Need for higher quality
- Employment / Unemployment – 2
- E-commerce
- Increase minimum wage – Canada - 3
- Canadian/US dollar exchange rate – 3
- Exchange rate - general - 5
- Fuel Tax - Canada - 2
- Interest rates – 7
- Inflation
- NAFTA - 2
- Global / Economic slow down - 3
- US debt
- Clients Going direct
- M&A
- Shipping charges and increases
- Overseas competition
- Global economy - 2
- Balance in wealth distribution
- Affordable housing crisis = less purchasing power
- Trade wars
- Changes in technology
- Recession
- Buying groups – 2
- China - 2
Private Equity
Brexit
Accessibility of raw materials
Independent contractors
SOCIOLOGICAL - SPARK

- Younger generation ie Millennial representing more of our industry (supplier/distributor/buyer) – 12
- Wider acceptance / understanding of demographics / gender divide – 3
- Observing tastes and trends
- Food and nutrition
- Millennials prefer better workplace culture
- Non-traditional sales structure
- Buying habits of different generations (boomers to Alpha)
- Digital Communication / media more norm versus face to face - 5
- Social Media – 19
- Social Awareness / Causes – 4
- Climate/Environmental Awareness - 2
- Immigration Regulation – 6
- Tech oriented generation - Ordering on line – 2
- DACA
- Aging demographic of sale reps - 7
- Generational brand awareness
- More email, less Face to Face - 2
- Customers looks at Social Media to see/follow trends - 4
- More creative requests - 2
- Increase of people working from home - 2
- Progressivism
- Gender Equality / workplace - 3
- Demand for sustainable/green products - 2
- World population growth
- Women in top management roles
- Less use of pencils
- The NOW mentality
- Push for experience than product
- Low unemployment rate
- E-commerce - 4
- Less front embroidery trend
- Universal basic income
- Green new deal
- Going viral / negative press
- Humans vs computers
- Retail brands
- Lack of diversity - 2
SOCIOLOGICAL – SF and DF

Cannabis
Mental Health
TECHNOLOGICAL - SPARK

- Mobile / e-commerce / CRM / usability - 4
- Compliance
- Company store
- Online distributor competition - 4
- Automation / Robotic / Increase production/capacity - 5
- Digital world - 3
- Optimization
- Social Media – 35
- Data Systems - 2
- Use of data to reach target markets
- User friendly interfaces
- Data Regulations / Protection from cyber-attacks / hack malware - 10
- Keeping up w/ how end-users and customers use technology
- Instant communication capabilities - 2
- Capability to create virtual proofs easily - 2
- Addition of Tech accessories into promo - 2
- Easy web searches – all platform
- Younger generations geared towards social media/ads - 2
- AI -7
- Virtual Reality - 2
- Foldable mobile devices
- Quantum computing
- API integration with order systems
- New printing processes - 2
- Apple Pencils
- Cloud storage – 2
- Amazon
- Relying on tech can be a bad thing
- System crashes
- Crypto currency / alternative payment options - 2
- More shipping carriers and methods
- 3D printing / methods improvement / dye sub / digital advancement - 5
- Tablets/laptops vs catalogs
- Amazon experience - 2
- Legal
- More interesting eye-catching promos
TECHNOLOGICAL – SF and DF

PromoStandards
Fraud
Remote workers
LEGAL - SPARK

- Taxes - 10
- Tariffs – 6
- Licensing - 2
- Trade - 2
- Immigration – 4
- Importing regulations
- PCI Compliance
- Foreign Affairs

- Status of Independent contractors
- Environmental legal requirements – 3
- Testing liability
- Plastics ban – Canada 2020 - 2
- Increase in Minimum wage – Canada - 2
- Increase minimum wage –US - 4
- Legalization of cannabis - 3
- Prop 65 – 9
- Data privacy

- Employee misclassification
- Preserve the safe harbor act
- Advertising deductibility
- Employment / labor laws - 5
- Mergers & Acquisitions suppliers/distributors
- South Dakota vs Wayfair
- Equality Laws
- Anti-fraud laws
LEGAL – SF and DF

Product Bans
Social Audits
OSHA
IP Protection
Insurance and Healthcare
Patent Violations
ENVIRONMENTAL - SPARK

- Sustainability / Production Methods / Energy solutions – 16
- Business ethics
- Self driving vehicles
- Alternative fuel
- Demand for sustainable / biodegradable products - 3
- Waste management - 3
- Renewable Resources / Recycling - 7
- Social causes and brands that support them
- Lack of markets that are able to supply resources (over reliance on China for materials)
- Climate change / fluctuations that may impact buying trends (longer hot weather going into winter season, blanket purchases decline) - 7
- Environmental footprint from our industry / increase plastic in ocean - 3
- Factories not audited will continue to operate with disregard towards environment
- Increase plastics in ocean/landfill / ban - 2
- Production pollution (china) -carbon emissions, clean natural gas – 3
- Product sourcing
- Logging / deforestation - 3
- Green New Deal - 2
- Global Warming - 5
- Paris Accord
- Safe and clean work environment
- Being more environmentally conscious
- B -corp
- Cap and trade
- Green movement / demand – 3
- Avoidance of known environmental antagonists
- Food & nutrition
What’s next?
The future is how you shape it
#wegeneration