



Promotional Products
in **Canada**
Industry Report

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Industry Report Promotional Products in Canada

Valued at over \$3,300, this survey was commissioned by PPC on behalf of its members and is an exclusive PPC member benefit.

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About this Industry

Industry Definition

Operators in this industry provide promotional products, such as key chains, magnets and pens. They also offer a variety of advertising-related services, including promotional product distribution, sign lettering and window dressing. This

industry does not include advertising services, public relations services, media buying services, media representation services, display advertising services, direct-mail advertising services or marketing consulting services.

Main Activities

The primary activities of this industry are

Advertising specialty (e.g. keychain, magnet and pen) distribution services (except direct mail)

Merchandise demonstration services

Display lettering services

Sign lettering and painting services

The major products and services in this industry are

Desk and office accessories

Wearables

General accessories

Writing instruments

Sporting goods

Drinkware, housewares and other home products

Other

Similar Industries

54181CA Advertising Agencies in Canada

Establishments in this industry create advertising campaigns and place them in print or electronic media.

54182CA Public Relations Firms in Canada

Establishments in this industry design and implement public relations campaigns.

54185CA Billboard & Outdoor Advertising in Canada

Establishments in this industry provide outdoor display advertising services.

54186CA Direct Mail Advertising in Canada

Establishments in this industry provide direct mail advertising services.

Additional Resources

For additional information on this industry

www.asicentral.com

Advertising Specialty Institute

www.goprintandpromo.com

Print and Promo

www.promocan.com

Promotional Product Professionals of Canada

Industry at a Glance

Promotional Products in 2018

Key Statistics Snapshot

Revenue
\$1.9bn

Annual Growth 13–18
1.7%

Annual Growth 18–23
1.7%

Profit
\$313.2m

Wages
\$569.1m

Businesses
5,209

Market Share
Staples Inc.
5.7%

p. 27

Revenue vs. employment growth



Number of businesses

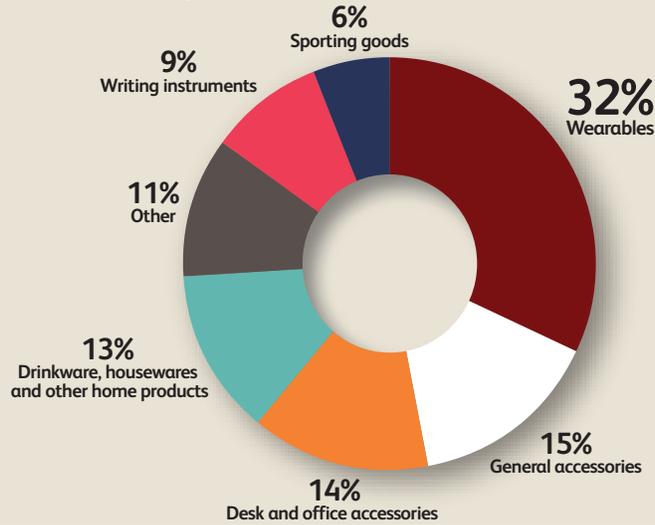


SOURCE: IBISWORLD

Key External Drivers
Number of businesses
Total advertising expenditure
Corporate profit
Demand from retail trade

p. 4

Products and services segmentation (2018)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Medium	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 34

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Promotional Products industry in Canada generates revenue through the distribution of specialty advertising on everyday items, such as mugs, magnets, calendars and T-shirts. Industry operators do not manufacture these products, but imprint and distribute a client's advertising message on "blanks" purchased from manufacturers and industry suppliers worldwide.

Rising consumer spending and disposable income levels boosted advertising budgets over the past five years, which increased demand for this

competition over the past five years, primarily from digital outlets. Online cataloguing, ordering and processing have made it easier for clients to go directly to manufacturers, bypassing industry operators altogether. In addition, rising internet connectivity also poses the threat of clients moving to digital advertising methods, particularly on mobile devices, which renders industry services obsolete.

Over the five years to 2023, the Promotional Products industry will continue to endure strong external competition, which includes a continued increase in corporate expenditures on substitute forms of advertising. However, the industry is expected to benefit from a move toward integrated advertising campaigns, whereby promotional products are used in conjunction with other forms of advertising as part of a coordinated marketing campaign. Companies will continue to favour promotional products because they offer the advantage of repeated, tangible exposure and potential brand name recognition. Furthermore, the projected steady growth in corporate profit and total advertising expenditure will boost industry demand over the outlook period. Consequently, industry revenue is expected to increase an annualized 1.7% to \$2.1 billion over the five years to 2023.

Growth has been constrained by rising external competition, especially from online sources

industry's services. Additionally, an increase in the total number of Canadian businesses expanded the industry's potential clientele, as fledgling companies commonly use promotional products to market their businesses, products and services. Due to these positive factors but offset by declining corporate profit levels, Promotional Products industry revenue is expected to increase modestly at an annualized rate of 1.7% to \$1.9 billion over the five years to 2018, including a 1.3% climb in 2018 alone.

Nevertheless, industry revenue growth has been tempered by rising external

Key External Drivers

Number of businesses

An increase in the number of businesses nationwide adds to the industry's pool of potential customers, as promotional products are an outlet for advertising and brand awareness for many new businesses. Consequently, a rise in the total number of Canadian businesses generally leads to an increase in industry revenue. The number of businesses is expected to increase in 2018,

representing a potential opportunity for the industry.

Total advertising expenditure

Changes in media advertising and other promotional expenditure directly affect this industry. An increase in advertising expenditure and marketing budgets will have a positive effect on industry performance. Total advertising expenditure is expected to increase in 2018.

Industry Performance

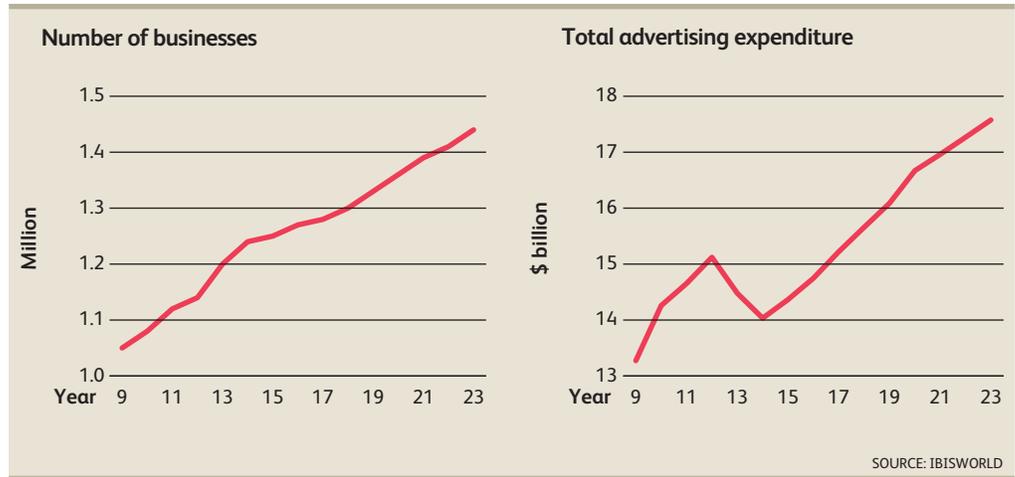
Key External Drivers continued

Corporate profit

A rise in corporate profit will cause the amount of money that companies allocate to their marketing and advertising budgets to increase. Therefore, when corporate profit rises, so will demand for promotional products. Corporate profit is expected to rise in 2018.

Demand from retail trade

Retail and professional service providers commonly use promotional products to advertise their small business. An increase in retail trade will result in stores having more money to spend on industry services. Although demand from the retail trade sector is expected to increase modestly in 2018, its slowing growth will pose a threat to this industry.



Industry Performance

Current Performance

The majority of Promotional Products industry in Canada revenue is generated through the distribution of specialty advertising on everyday items such as mugs, magnets, calendars and T-shirts. The industry also offers a litany of services that are not under the purview of other advertising industries, particularly for retail or banking promotions, sales and events. Similar to other advertising industries, the Promotional Products industry is highly cyclical and dependent on downstream corporate performance as well as broader advertising expenditure. Employment, discretionary consumer spending and business marketing expenditures all affect industry demand. IBISWorld estimates that total advertising expenditure is projected to rise an annualized 1.6% over the five years to 2018, which bodes well for industry operators. Similarly, retail sales are forecast to increase at an annualized rate of 3.1% during the current period, which reflects a positive environment for one of the industry's primary downstream markets. Furthermore, growth in the total number of businesses at an annualized 1.6%, helped expand the industry's potential client base, as promotional products are commonly used to help newly formed businesses market their brand, service or product.



Still, this favourable economic landscape has been offset by other factors. For example, profit levels among major corporations is a salient indicator of industry demand since profitability is implicitly linked with advertising budgets. Therefore, as profit rises, demand for the industry should grow in turn. However, corporate profit is expected to decline at an annualized rate of 0.7% during the current period, mitigating the positive impact of the aforementioned economic trends. Consequently, industry revenue is expected to increase at an annualized rate of 1.7% to \$1.9 billion over the five years to 2018, including a 1.3% climb in 2018 alone as retail sales growth slows.

Countervailing growth prospects

Over the past five years, the Promotional Products industry's return to growth has been strengthened by modestly rising Canadian business formation and advertising expenditure. Many new businesses, because they lack the capital for traditional forms of media advertising, choose promotional products to help market their products or services. While digital advertising is useful for national and international campaigns, many small businesses rely on local

markets, where tangible products that the industry distributes often have a profound impact. Moreover, advertisements on promotional products, such as T-shirts, calendars and coffee mugs, offer the additional advantage of repeated tactile exposure, which helps potential customers recall the company or brand name. Plus, smaller operators typically promote their businesses at trade shows and industry conferences, where promotional products are effective

Industry Performance

Countervailing growth prospects continued

ways to foster brand recognition. Importantly, while smaller business clients produce less revenue by virtue of their size, these orders do not have the benefit of broader purchasing power that larger companies have, thus increasing profitability for these orders, bolstering industry expansion in the process.

However, in recent years, waning economic indicators will likely pressure industry revenue. In particular, Canadian corporate profit levels declined an estimated 33.8% and 7.4% in 2015 and 2016, respectively, leading to the overall decline outlined earlier. Shrinking

corporate profit margins were largely driven by declines in global crude oil and commodity prices, which threatened the margins of Canadian natural resource and mining companies as well as the businesses that serve these sectors. Nevertheless, an expanding Canadian economy, driven by higher consumer spending, rising disposable income levels and falling unemployment levels will continue to lift revenue and margins of consumer product manufacturers and consumer services companies, which are key downstream clients of industry operators.

Industry structure and profit

Over the past five years, an expanding Canadian economy and rising total advertising expenditure encouraged new industry entrants. Over the five years to 2018, the total number of industry operators is expected to increase at an annualized rate of 4.4% to 5,209 enterprises, vastly outpacing revenue expansion. At the same time, mergers and consolidations were also common during this period among the major players as they seek economies of scale and global manufacturing contracts. For example, in April 2015, Staples Promotional Products acquired Accolade Promotion Group, a leading distributor of promotional products in Canada, supporting its domestic market dominance.

Increasing downstream demand, small business orders and consolidation among the industry's largest players helped bolster industry margins for some operators. However, rising wage and depreciation costs, as well as rapid new entry to the industry, have mitigated this effect, producing an overall decline in profitability. Over the five years to 2018, industry profit, measured as

Profit has been pressured by rising wage and depreciation costs

earnings before interest and taxes, is expected to fall from 18.5% of revenue in 2013 to 16.2% in 2018. Meanwhile, total wages are expected to rise at an annualized rate of 3.2% to \$569.1 million, outpacing revenue growth resulting in a rising share of revenue dedicated to labour, contributing to falling profitability. Importantly, employment is projected to grow at a slower annualized rate of 2.1%. This disparity between employment and wage growth suggests that operators are hiring more highly skilled workers for increasingly technologically complex tasks including design and business to business marketing which has been almost completely digitized during the current period. These trends have contributed to rising demand, lessening profitability and rapid enterprise formation which have characterized the industry over the five years to 2018.

Industry Performance

Industry Outlook

Rising business confidence and higher corporate profit levels are projected to give rise to further growth in marketing expenditures over the five years to 2023, causing an increase in demand for promotional products. Total advertising expenditure is expected to rise an annualized 2.3% while corporate profit increases at an annualized rate of 4.8% during the five-year period, driving demand for industry products and services. The Promotional Products industry in Canada will also benefit from a movement toward lower-priced or below-the-line promotions that provide an inexpensive alternative to traditional advertising. Moreover, business formation, with the number of businesses forecast to climb an annualized 2.1% during the outlook period, is expected to bolster industry revenue and profitability since smaller

businesses rely on promotional products to gain market share.

However, the next five years will also give rise to greater external competition, as more businesses turn to mobile and internet-based advertising. The increasing complexity of digital advertising and their targeted marketing campaigns is expected to continue to pose a threat to industry operators that rely on more conventional advertising strategies. Industry operators are also expected to endure further competition from external businesses, including clothing manufacturers, which will increasingly offer customized printing and embroidering services. Consequently, due to these countervailing forces, industry revenue is expected to increase gradually at an annualized rate of 1.7% to \$2.1 billion over the five years to 2023.

Increased competition

Traditionally, industry operators that offer advertising specialties source blank products from suppliers, have them customized with a brand or logo and then distribute them to clients. Industry operators do not manufacture these products; rather, they customize products in accordance with client specifications or internal design teams. However, the growth of e-commerce, along with online catalogues and payment systems, will continue to make it easier for customers to source these products directly from manufacturers rather than relying on industry operators that have traditionally been the liaisons between these parties. As a result, some potential clients are bypassing industry distributors altogether and going straight to manufacturers.

Bypassing industry players often enables would-be clients to obtain better prices and access otherwise unavailable products. Industry globalization has accelerated this trend by making overseas

E-commerce will continue to enable customers to source products directly from manufacturers

factories more accessible to end buyers. For example, US-based apparel manufacturer Lands' End competes in both the US and Canadian Promotional Products industries through its Lands' End Business Outfitters segment. The company offers promotional embroidery on its manufactured clothing, such as men's and women's T-shirts, polos, jackets and dress shirts. Lands' End also offers customized promotional products, including totes, travel bags, backpacks, blankets and umbrellas. This direct-from-manufacturer promotional product business model is expected to gain traction over the next five years.

Industry Performance

Increased competition continued

Over the five years to 2023, the Promotional Products industry is also expected to endure mounting competition from other low-cost and targeted advertising platforms, such as mobile and web-based marketing. The shift in corporate advertising expenditure toward digital and mobile media will put continued pressure on industry revenue and margins. However, industry operators will continue to receive support from large integrated marketing campaigns. Over the next five years, mobile and web-based advertising, as well as traditional print, TV and radio advertising, will be increasingly used alongside promotional products. Companies will opt to add promotional products into this advertising mix because, compared with other forms of advertising, promotional products offer tangible and repeated exposure, making it more likely that potential customers will retain a company's slogan, message or brand name.

Certain industry players, such as Integrated Merchandising Systems (IMS), are positioned to benefit from this unfolding trend. IMS is a subsidiary of the Omnicom Group, a global media and advertising company that services many Fortune 500 companies. Thanks to this synergy, companies such as IMS can serve as a one-stop shop for clients that want to boost brand awareness by creating an extensive online, TV, print and promotional product advertising campaign. The prevalence of integrated marketing campaigns, however, will primarily aid the industry's largest operators, which maintain sufficient staff and have the ample resources required to coordinate promotional product advertisements with other forms of media exposure. Most of these players do not have substantial operations in Canada, relying instead on their US-based offices and staff.

Industry structure and profit

Despite projected revenue growth, profit in the Promotional Products industry is only expected to rise marginally over the next five years, plateauing at a projected 16.4% of industry revenue in 2023, up from 16.2% in 2018. Mounting external competition from manufacturers, printers and other forms of advertising is expected to put pricing pressure on industry operators. Furthermore, the industry is expected to endure greater internal competition, as an anticipated expansion in Canadian corporate profit and advertising spending will entice new industry entrants. Consequently, over the five years to 2023, the total number of industry operators is expected to increase at an annualized rate of 2.2% to 5,802 enterprises, outpacing revenue expansion.

Plus, due to this expansion, industry wages are expected to increase an

Industry operators are expected to encounter a steady rise in purchasing prices

annualized 2.0% to \$629.4 million during the period. Industry wage growth, however, will be limited by the increased use of web-based ordering and payment processing systems, which is expected to increase productivity and lower wage costs associated with sales and product distribution. Still, employment is projected to rise a slightly slower annualized 1.9%, suggesting that average wages will increase during the period due to the increasingly complex technical skills that will be required for design and outreach strategies.

Industry Performance

Industry structure and profit continued

Moreover, industry operators are expected to encounter a steady rise in purchasing prices over the five years to 2023, as the cost of procuring promotional items, such as pens, pads and coffee mugs, are forecast to rise slightly. Furthermore, industry operators

are expected to encounter a slight price hike on other items, as a projected increase in the global price of cotton over the next five years will likely lead to relatively higher purchasing costs for T-shirts and other apparel commonly used in this industry.

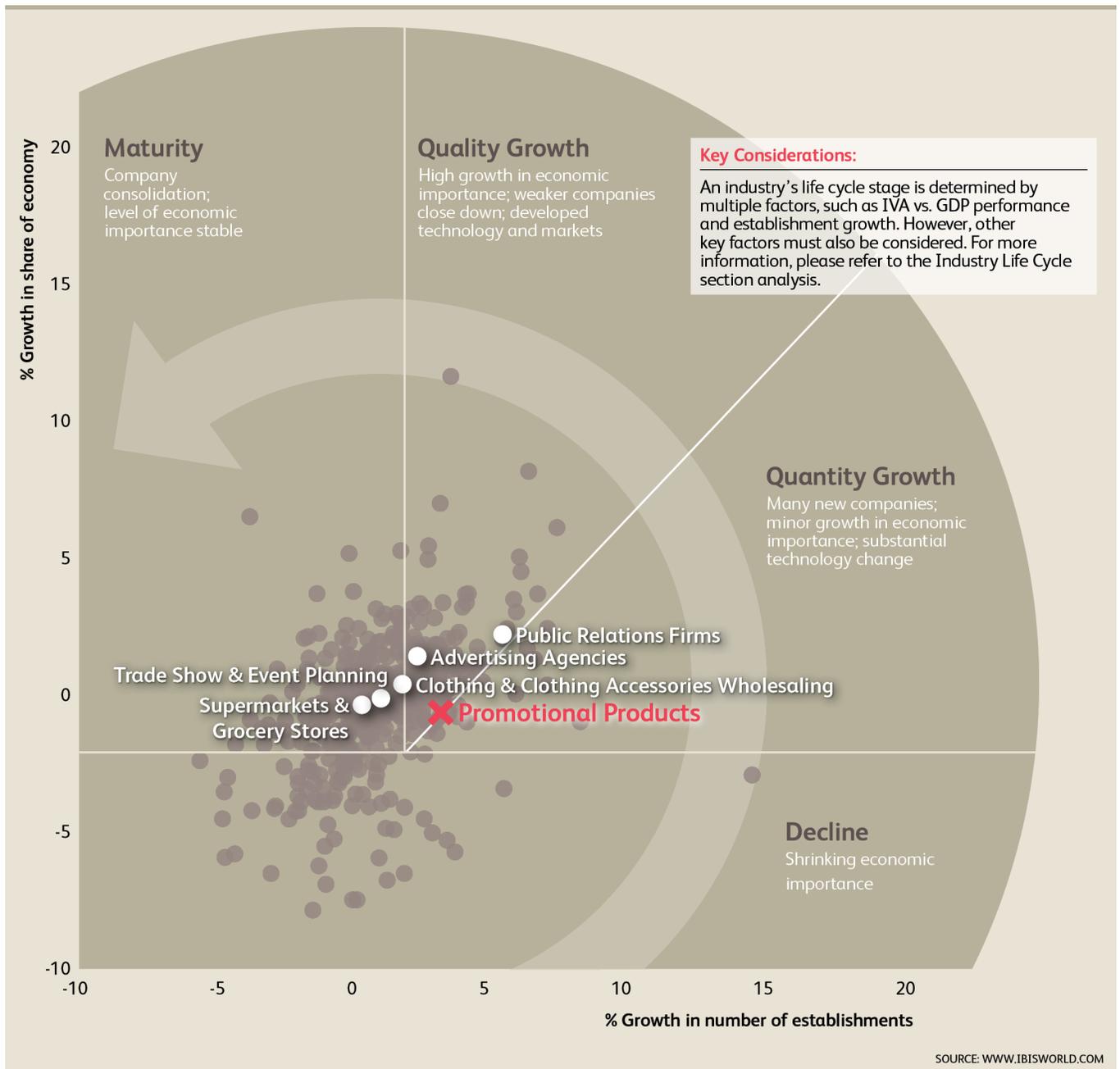
Industry Performance

Life Cycle Stage

Industry value added is expected to grow parallel to the overall economy

The industry has experienced slow enterprise growth

The industry has wholehearted market acceptance



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is **Mature**

The Promotional Products industry in Canada is in the mature stage of its life cycle, characterized by slow growth rates, market acceptance, static product offerings and consolidation. The industry's contribution to the economy, measured by industry value added (IVA), is expected to grow at an annualized rate of 1.8% over the 10 years to 2023, which is slightly lower than the 1.9% annualized growth anticipated for the Canadian GDP during the same period. The Promotional Products industry's contribution to the economy runs parallel to GDP and its performance is tethered to broader macroeconomic concerns including business formation, advertising expenditure, corporate profit and financial stability, which is indicative of a mature industry.

Moreover, while there have been some changes in product offerings, these changes have not been fuelled by

advances in this industry. For example, new promotional mobile device cases are manufactured by other industries and innovation in packaging and logistics are external to industry operations. As a result, the industry is characterized by low levels of technology change. This industry also has wholehearted market acceptance, with few new growth markets. As a result, the Promotional Products industry is highly dependent on new business growth as well as corporate profit margins and advertising expenditures. For instance, demand for this industry's display and lettering services is largely determined by growth in the number of new Canadian businesses in a given year. Ultimately, since the industry does not innovate more broadly on its own, its performance is thus tied to the strength of the overall economy, lending further evidence to its maturity.

Products & Markets

Supply Chain | Products and Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

- 44511CA Supermarkets & Grocery Stores in Canada**
Supermarkets and grocery stores use this industry's services for window dressing and trimming.
- 54181CA Advertising Agencies in Canada**
Advertising agencies and their clients use this industry's services as part of advertising and promotional campaigns.
- 56192CA Trade Show & Event Planning in Canada**
Trade shows and conferences are a large client group for this industry, using specialty branded promotional products.
- 61131aCA Colleges & Universities in Canada**
Universities and other educational institutions tend to be a large client group for this industry, using specialty branded promotional products.
- 61131bCA For-Profit Universities in Canada**
Universities and other educational institutions are a large client group for this industry, using specialty branded promotional products.
- 71133CA Concert & Event Promotion in Canada**
Event promoters are typically a large client group for this industry, using specialty branded promotional products.

KEY SELLING INDUSTRIES

- 41411CA Clothing & Clothing Accessories Wholesaling in Canada**
This industry supplies wearables such as caps and T-shirts.
- 41447CA Sporting Goods Wholesaling in Canada**
This industry supplies some specialty items to distributors for embossing and engraving.
- 41451CA Pharmaceuticals & Pharmacy Supplies Wholesaling in Canada**
This industry supplies cosmetics to be used as promotional products such as lipstick and mascara.
- 41731CA Computer & Packaged Software Wholesaling in Canada**
This industry provides products such as USB flash drives to be used as promotional items.
- 41821CA Office Stationery Wholesaling in Canada**
This industry provides distributors with pens and stationery which can be used as promotional items.

Products and Services

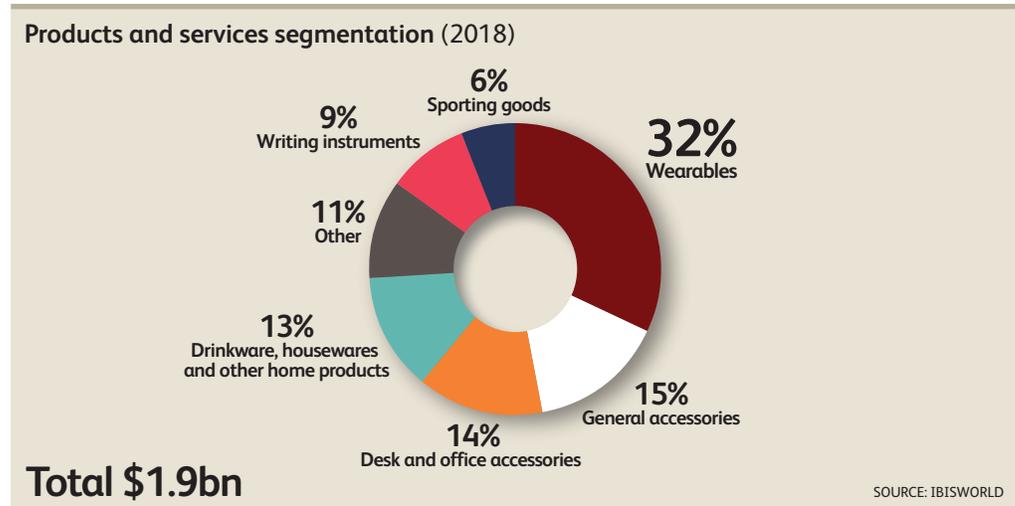
Promotional Products include convenience products that are branded with the client's logo and provided to existing and potential clients for free. These products are given away to develop goodwill and name recognition. An example is the provision of a pen or other office stationery to customers of a bank or a toothbrush at a dentist's office. These types of promotional products are attractive because they give businesses the ability to efficiently reach target audiences.

Wearables

Wearables are the most common promotional product sold by industry operators, accounting for an estimated 32.0% of total industry revenue. These products include anything a client could potentially wear (including hats but excluding jewellery) such as socks or T-shirts. Additionally, wearables include a variety of bags such as tote bags, shopping bags, satchels, cosmetic and drawstring bags. In terms of quantity produced, wearables are not the

Products & Markets

Products and Services continued



industry's largest product; however, operators are able to sell wearable products at a higher cost to clients. Moreover, their efficacy is twofold in that the people who wear the product will remember a brand and those who see the person wearing the product will also be engaged with the brand in some capacity, making wearables an enticing option for downstream clients. Over the past five years, this segment's share of industry revenue has increased, as more businesses are opting to print their brands, logos and corporate messages on caps, T-shirts, sweatshirts and other apparel.

Bags are a rapidly growing product segment for the industry. Bags are useful in myriad professional and leisure contexts and are similar to otherwearables in that they have a twofold effect, engaging both the person who holds the bag and others who may see it. Plus, bags are used everywhere and are therefore indispensable, particularly because of the rising environmental consciousness that is leading to consumer reluctance to use plastic bags for everyday needs. Importantly, since many promotional products are destined for trade shows, bags are great for holding other promotional products, making it perfect for trade shows in

particular. During the current period, demand for these products has grown.

Desk and office accessories

This segment includes computer peripherals and accessories, such as mouse pads, software and USB adapters and cables as well as other office accessories, including, calendars, folders, calculators, scratchpads and adhesive notes. Combined, this segment is expected to account for 14.0% of industry revenue in 2018. Promotional products designed for the office are often used by business-to-business and professional service companies and are intended for corporate clientele. As a result, a favourable economic climate led to a boost in advertising budgets and demand for this product segment over the past five years.

The drinkware and housewares product segment includes glass, ceramic, plastic and stainless-steel drinkware; towels, throws and blankets; and kitchen products, such as cutlery and measuring devices as well as general purpose products such as flashlights. Businesses choose promotional products for the home, because placing a client's logo on everyday items, such as a drinking glass, assures a prospective consumer will have steady access to an advertiser's message

Products & Markets

Products and Services continued

or a company's brand name. Combined, this segment is expected to account for an expected 13.0% of industry revenue in 2018. This portion has remained relatively stable over the past five years.

Writing instruments

Writing instruments are estimated to account for 9.0% of Promotional Products industry in Canada revenue. This segment has long been popular among advertisers; writing instruments are used multiple times throughout a day, exposing a client to a company's name or logo each time. In addition, the products are relatively lower cost in comparison with other promotional products. This segment has remained relatively steady over the past five years and is expected to remain steady during the next five years.

Other items and services

The Promotional Products industry provides an array of advertising specialties which comprise the

remaining 31.0% of revenue in 2018. Other products not include sporting goods (primarily golf accessories), health and safety products, awards and trophies, food gifts, clocks, games, magnets and gift cards. Among these products, the use of certain items, such as clocks and sporting goods, has been rising over the past five years. Clients are likely to hold on to products that have a higher level of value. Conversely, items such as buttons, badges and ribbons have been declining as these are considered environmentally unsustainable or downright tacky in some cases. Moreover, industry operators commonly provide display and lettering services, which include the design, lettering and creation of signs and banners for special promotions and events. Plus, many operators offer consulting and design services for promotional products. Demand for these services has remained stable over the past five years.

Demand Determinants

Demand for the products and services of the Promotional Products industry in Canada relies on the overall marketing budget of businesses and public-sector organizations. Marketing budgets fluctuate with changes in economic conditions and corporate profit levels because businesses generally cut nonessential costs when their margins decline. As marketing budgets shrink, demand for the products and services of this industry also decline. Nevertheless, promotional products can offer a budget-friendly option for advertisers in comparison to traditional media outlets. As a result, the decline due to falling business spending is often less than that across the wider advertising sector.

Over the past decade, technological advancements have paved the way for other cost-effective methods to promote a

product or service, such as internet advertising, daily-deals websites and email marketing. This external competition has the potential to negatively affect industry revenue. Nevertheless, the Promotional Products industry revenue has risen over the past five years, as an increase in the number of Canadian businesses expanded the potential clientele for industry operators while increasing corporate profit margins and total advertising expenditures helped boost industry sales.

A variety of other factors can also affect industry demand. For example, political parties and candidates use promotional products during campaigns, causing demand to increase during election periods. Increased demand may also be driven by special events, such as the Olympics. Plus, the rise of numerous

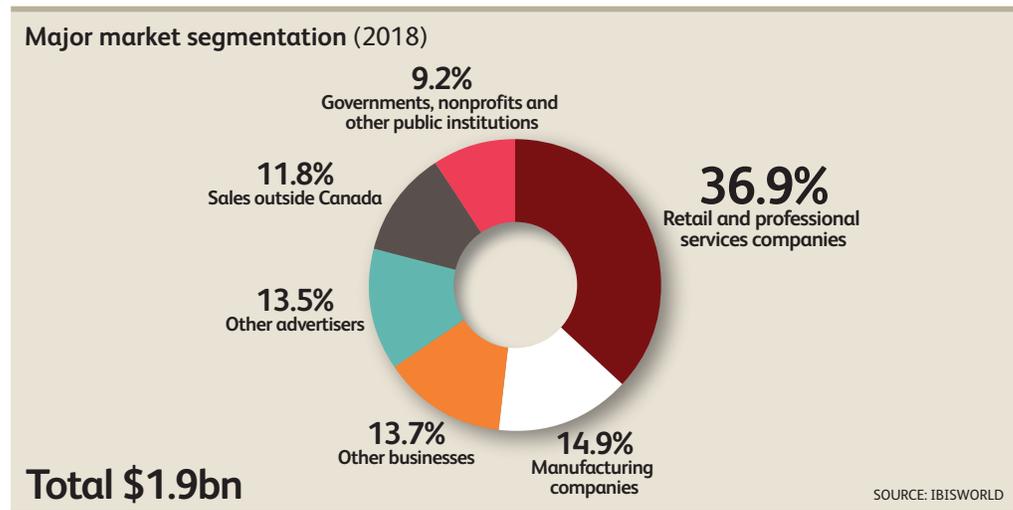
Products & Markets

Demand Determinants continued

sports industries has precipitated demand for promotional products, particularly apparel and displays. Ultimately, a positive macroeconomic

environment which fuels business spending is the single greatest indicator of demand for the industry's products and services.

Major Markets



Businesses and organizations across most sectors of the economy use promotional products to some degree in an attempt to diversify their marketing strategies outside of digital services. Corporate clients are the industry's largest market, particularly for advertising specialties. Conversely, local stores, bereft of large-scale purchasing power, are most likely to use some of the smaller service segments, such as display lettering and window painting which garner higher profit margins. All in all, businesses are the largest market for industry operators, comprising a combined 79.0% of industry revenue in 2018.

Retail and professional services companies

The retail and professional services market is expected to account for 36.9% of industry revenue in 2018. This segment includes retail outlets, insurance, financial institutions, real estate agencies, consultancy firms and

law offices, among others. Retail stores use a wide variety of industry products and services. For example, many businesses use window dressing and painting to advertise or promote a sale. Other professional service providers, such as real estate brokers, business and information technology consulting companies and operators in the leisure and hospitality sector, commonly use industry products to promote their services at trade shows and conferences as well as consumer networking opportunities. Over the past five years, this segment's share of industry revenue has marginally increased, as higher corporate margins have enabled retail and service companies to gradually increase their spending on advertising.

Meanwhile, financial institutions and insurance companies advertise their products and services using promotional products. For instance, banks often distribute pens, T-shirts and key chains to promote their brand as well as current

Products & Markets

Major Markets continued

promotional offerings. Early in the decade, there was large growth in the financial segment as a result of rapid expansion and the creation of new consumer and corporate financial and investment models. However, slower-than-normal financial industry growth and concerns over financial regulations have led to a decline in this segment's share of industry revenue over the past five years.

Manufacturing companies

The industry's second-largest market is manufacturing companies. This segment accounts for an estimated 14.9% of industry revenue and is largely composed of consumer products companies and automobile manufacturers. Consumer products companies use this industry to create branded goods that are given away for promotional purposes. As the products are worn and used, consumers are repeatedly exposed to the company's brand. In particular, automobile manufacturers use this industry for a variety of promotional purposes. At auto shows, for example, bags, key chains and other branded novelties are handed out to attendees to secure brand recognition. Over the past five years, a boost in Canadian consumer spending has led to higher advertising expenditures and industry demand from consumer products manufacturers. Furthermore, a continuation of these trends is expected to slightly increase this segment's share of industry revenue over the five years to 2023.

Ad agencies

Other advertising agencies account for an estimated 13.5% of industry revenue in 2018. To reach a broad mix of consumers, these agencies use a diverse range of mediums, including promotional products. This sector self-promotes so as to advocate their efficacy in promoting products and services for all other sectors

of the economy. Over the past five years, a slow growth in advertising expenditure lowered the portion of revenue this segment contributes to the industry. However, over the five years to 2023, a projected increase in advertising budgets will spur growth in this segment.

Other businesses

The remaining 13.7% of the businesses segment is spread out among several business types. For example, food processors and wholesalers are important aspects of the industry's market but do not comprise a large enough share of industry activity to merit a comprehensive discussion. Moreover, technology companies tend to rely on digital marketing strategies rather than promotional products, translating into a negligible share of revenue derived from these companies. Similarly, due to the local nature of operations and consistent demand, healthcare services companies typically do not depend on advertising to reel in customers, keeping demand from these operators minimal. Over the current period, demand from this segment has been fairly stable.

Sales outside Canada

While most promotional products are destined for local markets, some companies specialize in international services, primarily focused on the United States. Comprising an estimated 11.8% of revenue in 2018, sales outside Canada are primarily for those companies that are service based rather than goods based. Services can include demonstration services, mannequin decorating, welcoming services, window dressing, sign painting and lettering as well as advertising consultancy. Essentially, this industry includes advertising services as well as promotional products, and these services are more conducive to international sales. However, some of

Products & Markets

Major Markets continued

the revenue derived from this market is promotional products as well, designed in Canada but assembled or completed elsewhere. Demand from foreign buyers has increased over the current period.

Not-for-profit organizations and public institutions

The not-for-profit sector generates an estimated 9.2% of industry revenue in 2018. Chief among those included in this category are public universities and other education providers. Other users in the nonprofit segment include groups and associations such as sporting clubs, community groups and charities

as well as government institutions. This market is particularly hard during economic downturns because nonprofit organizations often rely on donations, which decline as discretionary income shrunk. However, as Canadian employment and per capita incomes recovered, funding for not-for-profits improved. Additionally, educational institutions remain one of the Promotional Products industry in Canada's largest buyers, but their impact is often negligible due to the broad purchasing power of these institutions and their favourable contracts.

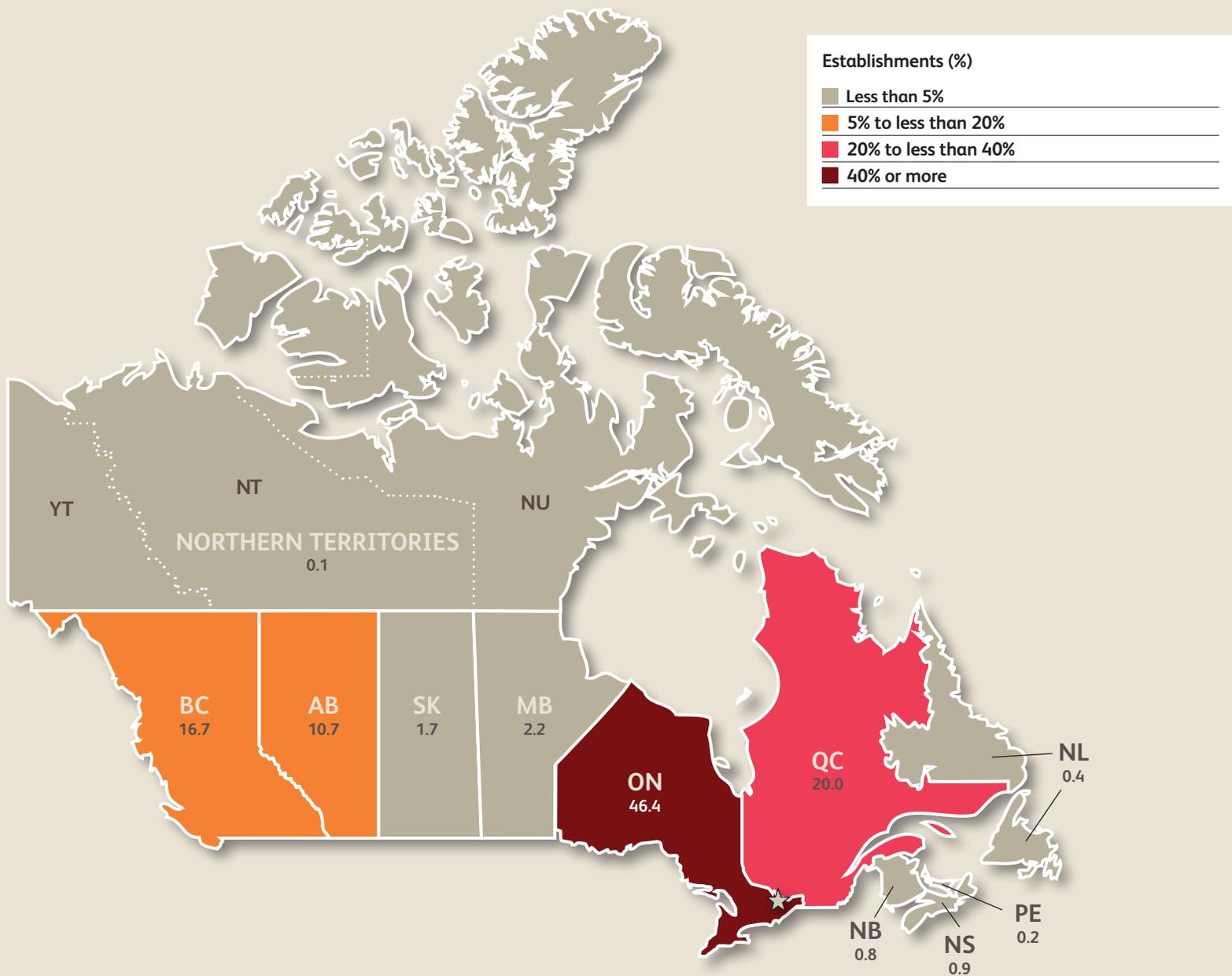
International Trade

Industry operators do not manufacture their own advertising specialties; rather, they source them from suppliers. Therefore, there is very little international trade in the provision of promotional products and services to clients that is accounted for in the data, which is instead reflected in upstream manufacturing industries instead. However, there has been a trend among the largest industry operators of increasingly sourcing their

manufactured products from low-cost overseas locations such as China and Taiwan. These products generally come in large, uniform batches before undergoing printing or engraving in Canada or the United States. Over the next five years, the industry is expected to continue sourcing more products from abroad to further reduce costs. See the industry globalization section of this report for more information.

Products & Markets

Business Locations 2018



SOURCE: IBISWORLD

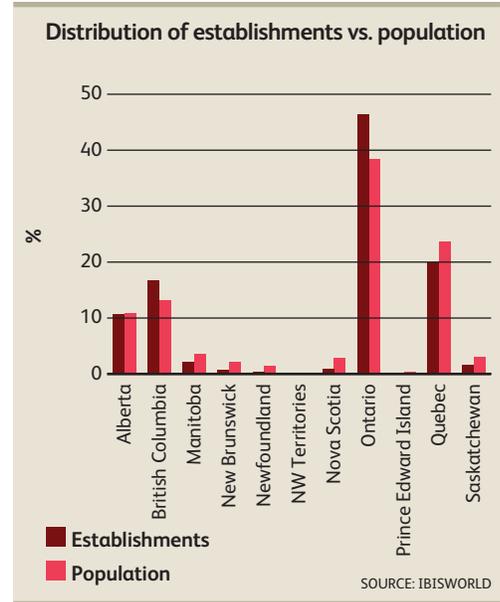
Products & Markets

Business Locations

The distribution of promotional products providers is heavily concentrated in Ontario, Quebec and British Columbia, together accounting for more than 80.0% of the industry’s operators. The distribution of industry operators and their facilities is largely the result of the geographic spread of the industry’s key downstream clients, including retail stores, which generally follow the distribution of Canada’s population.

Ontario accounts for the largest share of the Canadian population. This factor, coupled with its proximity to key downstream markets including the United States, makes Ontario an attractive province for companies in the industry. Major players 4imprint, BD Advertising and Proforma all have offices in the province, exemplifying the region’s dominance in the industry. Additionally, with manufacturing and finance being top segments for industry revenue, Ontario leads the nation in manufacturing and all of the country’s major banks are headquartered in the province. Ontario is estimated to account for 46.4% of industry establishments in 2018. Toronto accounts for the most significant share of both population and industry presence; the large city is a hub for consumer activity.

Quebec is the second-largest province in terms of population and the number of establishments for the Promotional Products industry in Canada. Quebec represents nearly one-quarter of Canada’s total population, which is in line with its share of industry revenue. IBISWorld estimates that Quebec accounts for 20.0% of industry establishments in 2018. Quebec follows



Ontario in product manufacturing, capturing more than one-fifth of the market.

British Columbia generates the third-largest amount of industry revenue, due largely to the spread of the Canadian population. British Columbia is estimated to account for 16.7% of industry establishments and represents a slightly lower share of Canada’s population. Nevertheless, the province has grown as a proportion of industry activity over the past five years, as a result of increased manufacturing and an influx of high-tech companies to the area. Following British Columbia is Alberta, which is home to 10.7% of all industry establishments. The other provinces account for less than 3.0% of all establishments each and do not merit a more comprehensive discussion here.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Low**

IBISWorld estimates that no operator in the Promotional Products industry in Canada holds greater than a 6.0% market share and the top four operators represent just over 10.0% of industry revenue in 2018, indicating this industry has a very low level of concentration. The industry consists of a large number of small operators that focus services on local and regional markets. Although the number industry operators is expected to increase, industry concentration has risen over the past five years from 8.2% in 2013 to an estimated 12.5% in 2018, as many industry operators have been acquired during this period.

The industry is characterized by numerous small operators that cater to regional markets and niche product segments such as customizable pens or mugs. Most businesses focus on one or two product segments rather than attempting to appeal to more product lines like major players do. As a result, most companies operate on a small scale. According to Statistics Canada, 85.8% of all industry establishments employ fewer than 10 people. Plus, three-quarters of all establishments are considered nonemployers, effectively restricting their operations to a small scale.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Proximity to key markets

Being close to suppliers and clients can improve customer service and reduce costs associated with delivery.

Prompt delivery of promotional items to clients

Companies must ensure that products are delivered on time and in budget because an order may be linked to a new or ongoing promotional campaign set to be launched or extended.

Ability to clearly specify requirements to suppliers/contractors

Players must be able to find and deliver products that meet the requirements of their clients.

Supply contracts in place for key inputs

Companies in this industry must have reliable supply contracts for required specialties in place.

Attractive product presentation

Industry players should provide attractive product presentation and a variety of styles for clients to choose from.

Ensuring pricing policy is appropriate

Clients have easy access to a large number of companies providing promotional items; therefore, operators need to ensure they offer competitive rates to retain customers.

Cost Structure Benchmarks

The cost structures of operators in this industry vary, largely depending on the size of the firm and its service offerings. For example, large firms are able to reduce per unit purchase costs through quantity discounts. The market power of large firms also gives these operators an advantage when defining contracts with suppliers; this factor can increase profit margins.

Profit

Industry profit, measured by earnings before interest and taxes, has declined from 18.5% of revenue in 2013 to an expected 16.2% in 2018. Overall, operators in the Promotional Products industry in Canada exhibit higher profit margins than most advertising industries due to their contracts with overseas manufacturers and highly individualized

Competitive Landscape

Cost Structure Benchmarks continued

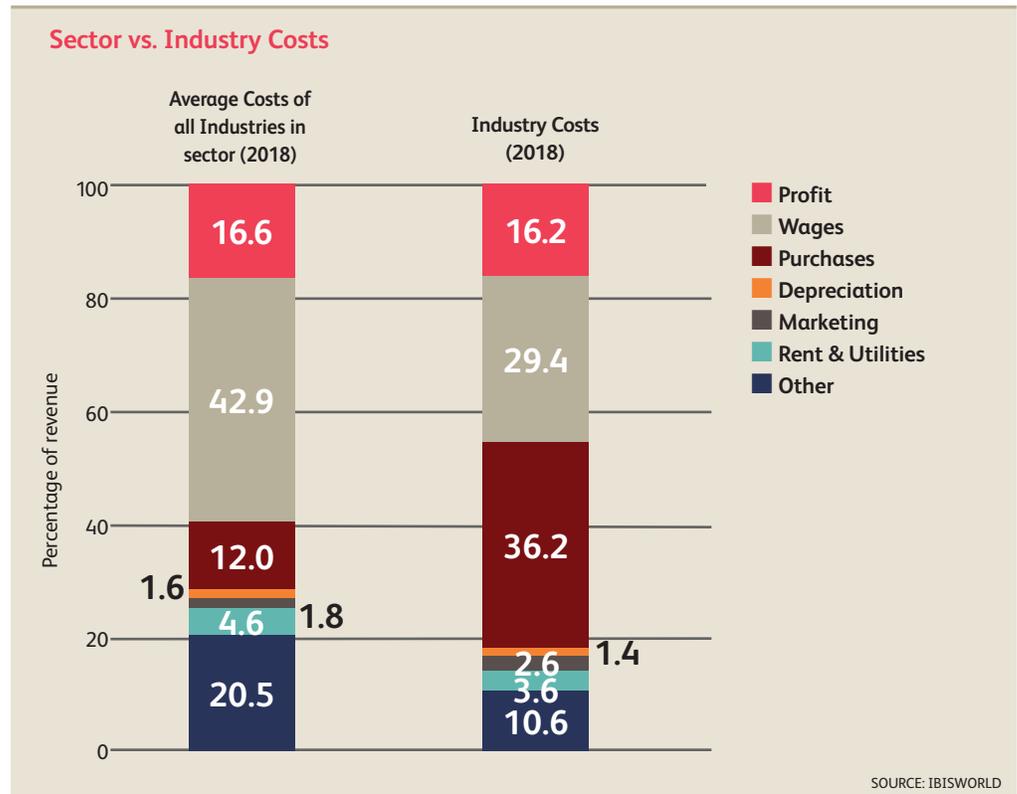
marketing campaigns. Importantly, many clients are smaller businesses, which cannot benefit from economies of scale when ordering promotional products. Therefore, when operators serve these clients, the profit margins are much higher for producing 100 pens instead of 10,000 for a larger client. However, while profit margins are generally higher than other advertising industries, an influx of new industry operators has placed downward pressure on profit margins over the five-year period. Also, rising labour and depreciation costs are eating at profit margins, exacerbating these trends.

Over the next five years, the industry will continue to endure mounting competition from alternative forms of advertising, such as e-mail, internet and mobile marketing, which will further pressure profitability. In addition, the industry is expected to experience

mounting internal competition as increasing revenue and steady downstream demand entices new entrants into the industry. This competition will likely limit profit gains because industry operators will compete head-on with low-priced digital advertising.

Purchases

The major cost in this industry is related to the purchase of promotional product “blanks” for engraving, printing and customizing. Blanks are the generic product prior to any customization, such as branding with a company name or logo. Distributors buy blanks from suppliers and then customize them in accordance with client orders and demand. Promotional products purchases include apparel (e.g. hats and T-shirts), writing instruments, bags, drinkware and stickers or decals. Over



Competitive Landscape

Cost Structure Benchmarks continued

the current period, purchasing costs have decreased due to increasing levels of globalization which is driving down the price of goods through streamlined and inexpensive manufacturing. IBISWorld estimates that purchases account for 36.2% of industry revenue in 2018, down from 43.0% in 2013.

Wages

Wages and salaries are another major industry cost, representing 29.4% of total industry revenue in 2018, up from 27.4% in 2013. Maintaining long-term relationships with downstream clients are essential to success in this industry. As a result, the majority of wage costs are dedicated to sales, design and customer relations, which contributes to this industry's high wage costs. However, the increasing use of internet catalogues and payment systems has increased productivity and helped prevent more substantial increases in industry wages over the past five years.

Other

Rent can vary widely depending on the size, location and nature of a firm's operations. Distributors of promotional products often require large

distribution centres, which are often strategically located to minimize transportation costs, which can account for a fairly significant share of industry revenue. Conversely, providers of other industry services do not require large amounts of space for inventory, so their rent expenses comprise a smaller portion of revenue. Rent and utilities are estimated account for 3.6% of industry revenue in 2018, down from 4.2% in 2013. In addition, marketing and advertising costs comprise 2.6% of industry revenue, down from 4.1% in 2013.

Depreciation, selling, general and administrative expenses also account for a significant portion of industry revenue. Depreciation has been on the rise, increasing slightly from 1.3% in 2013 to 1.4% in 2018. Those costs include administrative expenses such as communications, travel and office supplies as well as fees for outsourced legal and accounting services. The segment also includes transportation costs associated with shipping promotional products from distribution centres to clients. These costs combine to account for just over 10.6% of industry revenue in 2018.

Basis of Competition

Level & Trend
Competition in
this industry is
High and the trend
is **Increasing**

This industry distributes promotional products and provides a variety of other services which accentuate these products. Many operators provide specialty advertising distribution services; these companies distribute a variety of consumer products that are personalized with a client's logo or brand. The industry also includes companies that provide window dressing and sign painting services. Although these services are related, they are not necessarily substitutes for one another. Consequently, not all companies within the industry are in direct competition

with one another, instead focusing on market niches rather than attempting to dominate the industry in totality.

Internal competition

In general, competition among industry operators that provide promotional products relates to product selection, quality and price. Companies must provide clients with a wide assortment of promotional items. While some operators specialize in niche product lines, such as apparel, most of the largest operators use suppliers that offer thousands of different product selections (e.g. water bottles,

Competitive Landscape

Basis of Competition continued

USB car chargers, flash drives, folders and keychains). To remain competitive, operators should offer the latest products to enable clients to differentiate themselves within their industries. For example, companies that distribute branded content such as the newest phone cases or fashion styles will be at a competitive advantage compared with distributors of more generic T-shirts and coffee mugs, which typically have less diversity. Furthermore, the products need to meet quality standards and product safety laws. To distinguish themselves from competitors, industry operators have adhered to eco-friendly, ethical and social standards, which can be a selling point for environmentally conscious consumers.

Competition among industry operators offering promotional services rather than promotional products largely relates to quality and price. With such a low market share concentration, competition can be fierce. Often times, price-based competition can be significant. Companies are better able to win clients and maintain existing if they offer competitive pricing and superior customer service. Still, most competition in this segment is based on turnaround time, with timeliness being of the utmost importance since many services can be undertaken by other

operators with similar street teams and promotional networks.

External competition

This industry endures external competition from companies that offer alternative forms of marketing and advertising. Furthermore, the industry has recently experienced a rise in the number of manufacturers that are directly contacting possible clients, bypassing industry operators in the process. Many end buyers are going directly to manufacturers (suppliers) rather than industry operators that have traditionally been intermediary distributors. These suppliers often include office suppliers, retailers and direct-mail catalogue operators.

The continued development of online business has aided the recent trend, making it easier for clients to directly access the manufacturers. However, the emergence of online marketing and advertising may also pose a threat to industry operators, as many companies will continue to rely on other forms of marketing to build brand awareness. Still, while this expansion is underway, other companies may seek to diversify their advertising strategies to include more tangible forms of marketing including promotional products, which generally have a higher rate of audience engagement.

Barriers to Entry

Level & Trend
Barriers to Entry
in this industry are
Low and Increasing

This industry is predominantly composed of small operators that focus on market or product niches such as sports marketing or customizable coffee mugs, among others. This low concentration indicates that there are few barriers to entry, which has contributed to rising levels of enterprise formation in the current period. However, building relationships with reliable suppliers can take time and established operators may be able to obtain discounts for bulk and

Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation & Policy	Medium
Industry Assistance	Low

SOURCE: IBISWORLD

Competitive Landscape

Barriers to Entry continued

frequent purchases. As a result, these firms can pass savings onto clients; this can act as a barrier to entry as potential new operators will not be able to compete based on these prices. Therefore, while industry participation is relatively simple, gaining a substantial market share similar to industry leader Staples Inc., is difficult due to the incumbents that benefit from economies of scale and name recognition.

The primary obstacle for any business seeking to enter the industry is the ability to find clients. The number of businesses is rising domestically which engenders a promising economic landscape within which to operate as a new business. Moreover, the increasing accessibility of the internet and numerous business directories (see IBISWorld report 51114CA for the Database and Directory Publishing industry in Canada) has made business to business marketing simpler

and more easily navigable, which bodes well for new entrants seeking contracts. Similarly, access to manufacturers is also made simpler through the internet, where new entrepreneurs can find distributors and manufacturers either domestically or abroad for their products online or through digital networks. The internet has also made advertising in general much more significant, driving demand for industry services. Essentially, while many companies have dedicated resources to digital advertising methods, there is a growing body that is encouraging other forms of advertising either through industry products or other forms of advertising that may have a more significant impact on audience engagement levels such as out of home advertising (see IBISWorld report 54185CA). Therefore, other forms of advertising act as both an inhibitor and a facilitator of industry participation.

Industry Globalization

Level & Trend
Globalization in
this industry is
Low and the trend
is **Increasing**

Although globalization in this industry is relatively low, an increasingly global marketplace has made it easier for distributors to reduce costs by purchasing products from overseas suppliers. Moreover, globalized clients is also conducive to more foreign competition. For example, Staples, the only major player in this industry, is based in the United States and has made headway domestically through its multinational corporate structure, larger purchasing power, economies of scale and brand recognition in North America. Therefore, as demand slows, globalization is expected to become the norm for industry operations as more companies akin to Staples move in to penetrate the Canadian market at the expense of local operators.

Unfortunately for the industry, globalization has also made it easier for

clients to bypass distributors and purchase directly from manufacturers. Industry operators do not manufacture advertising specialties; they customize products in accordance with clients' needs and demands. Therefore, as the liaison between these two parties, they are always susceptible to this bypassing strategy. Still, some companies, such as industry leader BD Advertising, secure contracts with international manufacturers to keep purchase costs low while still catering to clients across the globe.

The development of online business has helped industry operators to find manufacturers, many of which are abroad. The ability to buy industry products at lower prices from overseas suppliers has permitted distributors to cut costs. In turn, these cost savings are passed on to customers or internalized to increase

Competitive Landscape

Industry Globalization continued

profit margins. However, it is important that distributors know the products they receive are in compliance with consumer product safety codes.

Major Companies

Staples | Other Companies

Major players

(Market share)



SOURCE: IBISWORLD

Player Performance

Staples

Market share: 5.7%

Headquartered in Massachusetts, Staples Inc. is a multinational office supply retailing corporation with more than 1,500 stores across North America. Founded in 1986, the company currently employs more than 60,000 people and generated \$24.5 billion in 2016, after which point the company went private, purchased by Sycamore Partners in September 2017 for \$9.0 billion. The company has undertaken several restructuring strategies that ultimately culminated in this purchase. In 2015, Staples announced a plan to acquire another major office supply retailer, Office Depot, which was then shut down by the Federal Trade Commission in the United States in 2016. In late 2016, the company sold its United Kingdom operations to Hilco, where Staples stores will be replaced by Hilco-branded stores under the banner Office Outlet. Nonetheless, the majority of

the company's operations were external to the industry and therefore its industry-relevant operations have continued unabated.

Staples operates in the industry through its promotional products sales and distribution, which operates under the company's business to business division, Staples Business Advantage, under its print and marketing services segment. According to the Advertising Specialty Institute, Staples Promotional Products is the largest North American distributor in the Promotional Products industry. Staples Promotional Products offers a wide range of products, including customized clothing, pens, bags, mugs and glasses, in addition to sporting and outdoor equipment. Over the past five years, demand for these products has risen with an increase in the total number of businesses, as well as a rise in total advertising expenditure. Moreover,

Staples Inc. (industry-relevant operations) - financial performance*

Year	Revenue		Operating profit	
	(\$ million)	(% change)	(\$ million)	(% change)
2013	59.7	N/C	15.6	N/C
2014	79.1	32.5	20.2	29.5
2015	87.9	11.1	23.0	13.9
2016	101.5	15.5	26.5	15.2
2017	106.5	4.9	27.8	4.9
2018	111.0	4.2	29.0	4.3

Estimates (Figures are converted from USD to CAD)

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance continued

Staples continues to expand in the Promotional Products industry through strategic acquisitions. For example, in April 2015, Staples acquired Accolade Promotion Group, a leading distributor of promotional products. The acquisition cemented Staples as the top provider of industry products in Canada.

Financial performance

Although Staples went private in 2017 and prior to that did not segment out revenue generated by its promotional products sales, IBISWorld expects the company to generate \$111.0 million in industry-relevant revenue in 2018, representing an annualized growth rate of 13.2% during the five-year period. Overall, while demand for industry

products and services has been slow, Staples has boosted its market share from 3.6% in 2013 to an estimated 5.7% in 2018 due to the aforementioned acquisition as well as a streamlined operating environment due to restructuring at the corporate level. Moreover, Staples CEO Shira Goodman refers to the Staples Business Advantage unit as the “growth engine of our company,” according to an interview with Digital Commerce 360 magazine. Therefore, while the company overall has been struggling, its promotional products segment has been growing rapidly, vastly outpacing the domestic industry in the current period with a positive outlook for the next five years as well.

Other Companies

The Promotional Products industry in Canada is characterized by numerous small businesses that serve regional and local markets. Often, companies specialize in one aspect of industry operations such as custom pens or apparel. According to Statistics Canada, 99.1% of all industry establishments employ fewer than 100 people, 69.5% employ fewer than five. Moreover, more than three-quarters of all industry establishments are considered nonemployers, which restricts the scale of their operations. Still, within this environment, there are a few notable companies that have attained a sizable market share.

4imprint Group

Estimated market share: 3.5 %

Founded in 1987, 4imprint Group (4imprint) is headquartered in the United Kingdom and maintains North American operations in the United States and Canada. The company employs nearly 1,000 people and services well over 100,000 businesses throughout the

United States, Canada, Ireland and the United Kingdom. The company's primary product categories include apparel, bags, drinkware, writing instruments, technology products, stationery and trade show signage, among other promotional products.

In 2017, 4imprint Group's global sales reached \$788.7 million. More than 97.0% of 4imprint's revenue is generated within North America, according to IBISWorld estimates, which is serviced primarily from the company's Wisconsin and Toronto offices. Consequently, 4imprint's revenue in Canada is expected to reach \$68.3 million in 2018. Over the five years to 2018, 4imprint Group's North American revenue improved sharply at an annualized rate of 21.3% due to aggressive growth in its online sales and marketing segments.

Proforma

Estimated market share: 1.8 %

Proforma Inc. (Proforma), founded in 1978, has more than 750 member offices and 50,000 clients worldwide, serviced

Major Companies

Other Companies continued

through 500 preferred suppliers. Operating as a franchise, Proforma expanded into Canada in 1991, entering the Promotional Products industry in 1994. The company has its Canadian headquarters in Windsor, ON, from which its distribution network is based. The company focuses on online marketing capabilities with individual entrepreneurs garnering contracts with regional and multinational businesses. Proforma offers printing services, branded merchandise, custom packaging, uniforms and apparel, e-commerce solutions, fulfillment and logistics solutions and digital media services, some of which are considered industry relevant. Although the company is private and does not disclose its financial information, IBISWorld estimates Proforma will generate \$35.5 million in industry-relevant revenue in 2018, reflecting a 1.8% market share.

BD Advertising Inc.

Estimated market share: 1.4%

BD Advertising Inc. (BDA) is a US-based promotional products distributor. Founded in 1984, the company primarily focuses on sports marketing initiatives, with notable contracts for the NBA, NFL, MLS and MLB in the United States. Headquartered in Seattle, the company has a presence in the domestic industry through its Windsor, ON office and fulfillment centre. The company specializes in sports branded merchandise, with contracts for manufacturing operations in China, which keeps costs low. BDA produces a range of sports bobbleheads, apparel and keychains, alongside its operations in food processing exemplified by its notable contract with Kellogg's and entertainment, with its promotional products for GhostBusters. While the company is private and does not disclose its financial information, IBISWorld estimates that BDA's industry-relevant operations will generate \$27.2 million in 2018.

Operating Conditions

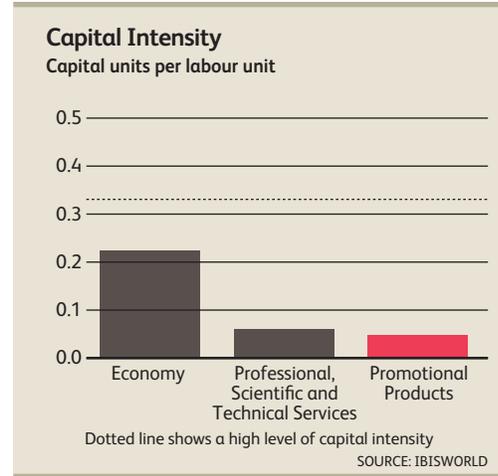
Capital Intensity | Technology & Systems | Revenue Volatility
 Regulation & Policy | Industry Assistance

Capital Intensity

Level
 The level of capital intensity is **Low**

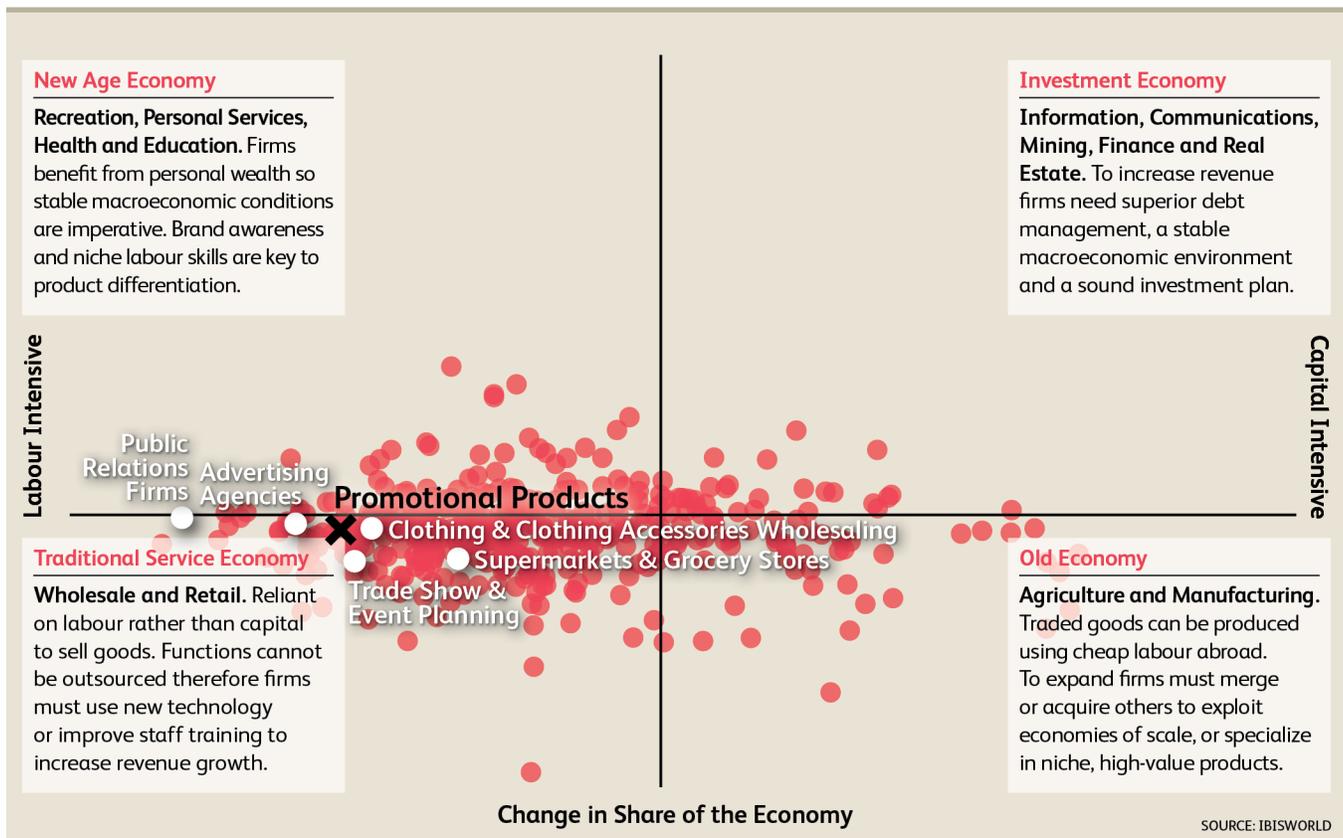
The Promotional Products industry in Canada has a low level of capital intensity. IBISWorld estimates that for every dollar spent on wages, industry operators will spend \$0.02 in capital investment, which has remained largely unchanged over the current period. Capital investment is mainly in equipment and machinery. Over the past five years, capital intensity has remained relatively constant since depreciation costs, a proxy for capital expenditures, and wages have both ticked upward at an analogous rate.

Still, the great disparity between the share of revenue dedicated to wages and capital expenses is the most significant contributor to low levels of capital intensity. Ultimately, this industry is



more dependent on labour due to the client-facing nature of industry operations, with necessary product sales

Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

and client servicing functions that require face-to-face interactions and individualized attention to client needs. The manufacturing of the goods offered by operators is typically undertaken by other industries, keeping capital requirements low. Industry operators

may provide some of the customization services associated with the products, but since these services are largely within the realm of design, it compounds the necessity for labour rather than capital expenditures, further augmenting low levels of capital intensity for the industry.

Technology and Systems

Level

The level of technology change is **Low**

The Promotional Products industry in Canada has experienced a low level of technological change in recent years. The major change has been a move toward online ordering systems that include order tracking for clients. However, this development is a broader business trend and not a development of technology within the industry specifically. Similarly, operators that specialize in the distribution of advertising specialties have benefited from improvements in computer software, which enable more efficient order processing. Still, the industry itself is largely the same as it was five years ago.

However, there are few technological advancements that are worth mentioning here. For example, many companies have changed the way in which they apply logos to branded merchandise. Companies have moved from hot-stamping systems to other forms of

customization, such as laser etching, heat transfer and screen-printing. Some forms of customization, such as laser etching, are generally provided at a greater cost to the client. Furthermore, the increasing complexity of data analysis has enabled a more targeted marketing campaign with comprehensive audience engagement feedback which translates into much more informed promotional strategies to finetune previous successes or eliminate failures in different markets. Similarly, advances in design software are of tantamount importance to industry operators that offer customizable promotional products for events and conferences. Still, the advances in data processing and design software are better reflected in the Data Processing and Hosting Services industry in Canada (IBISWorld report 51821CA) and the Graphic Designers industry in Canada (54143CA) rather than attributed to the Promotional Products industry.

Revenue Volatility

Level

The level of volatility is **Medium**

This Promotional Products industry in Canada exhibits a moderate level of revenue volatility. In periods of slow economic growth or recession, corporations allocate fewer funds to advertising and marketing efforts. Conversely, in a positive economic environment, demand for industry services is expected to follow broader expansionary trends. Accordingly, over the five years to 2018, industry revenue has marginally improved, rising parallel to the economy writ large overall, as corporate marketing

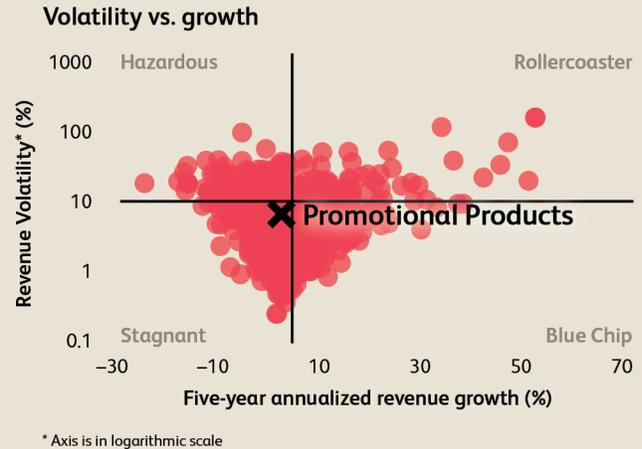
budgets increased and new businesses turned to industry operators to promote their brand, service or product. However, as purveyors of consumer products, input prices and the value of the Canadian dollar can place a strain on demand and profitability in some years, as was the case in the current period, when revenue declined 3.3% in 2014 but also rose 5.9% in 2015. As a result, the industry is considered moderately volatile, with an average revenue fluctuation of 6.5% annually during the five-year period.

Operating Conditions

Revenue Volatility continued

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



Regulation and Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Increasing**

Although there are no industry-specific regulations that affect this industry, providers of promotional products must adhere to all consumer product laws. For example, the Canadian Consumer Product Safety Act (CCPSA), which is part of the Food and Consumer Safety Action Plan, took effect in June 2011. CCPSA sets forth the standards that products must meet to ensure safety, and also restricts the use of some hazardous materials. CCPSA affects companies that manufacture, sell or distribute consumer products in Canada. Since companies in this industry sell and distribute consumer products ranging from writing instruments to apparel, industry operators are responsible for ensuring that the products offered are in

compliance. Under the law, if an industry operator becomes aware of a potential safety with a promotional product, the issue must be reported within two days of learning of it. In such an event, all information on product-related problems must be surrendered.

The industry must also abide by occupational regulations. Canada's Occupational Health and Safety (OHS) Regulations contain standards and guidelines covering, but not limited to, structures, electricity, sanitation and sound. The OHS also regulates wage standards for retail employees. Additionally, industry operators must abide by equal wage standards, minimum wage laws and tax laws.

Operating Conditions

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

This industry receives no direct government assistance in the form of subsidies or otherwise. The only assistance by the government is provided indirectly through subsidies for business development more broadly at the federal and provincial level rather than for industry-specific operations. However, certain products sold by the industry have tariffs that offer forms of trade protection. Still, the far-ranging free trade agreements that the federal government has been aggressively

pursuing has diminished the impact of these protectionist tariffs.

The industry, however, does receive some indirect assistance from various industry associations. The Promotional Product Professionals of Canada (PPPC) provides educational seminars and trade shows, as well as publishing newsletters and *Marketing Edge* magazine. PPPC also holds its members to a code of ethics to promote the industry's image and ethical business practices of its more than 1,300 members.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Number of fixed broadband connections (Mil)
2009	1,619.9	645.7	4,080	3,729	7,825	--	--	459.4	N/A	10.3
2010	1,583.8	679.3	4,133	3,709	7,604	--	--	440.9	N/A	10.8
2011	1,573.4	666.5	3,957	3,621	7,294	--	--	435.2	N/A	11.3
2012	1,630.2	697.9	4,213	3,843	7,045	--	--	435.4	N/A	11.7
2013	1,775.6	837.7	4,555	4,196	8,501	--	--	486.2	N/A	12.1
2014	1,716.5	804.1	5,007	4,590	9,011	--	--	504.1	N/A	12.6
2015	1,817.5	865.1	5,261	4,823	9,195	--	--	537.1	N/A	13.0
2016	1,833.6	877.7	5,413	4,950	9,146	--	--	548.8	N/A	13.5
2017	1,908.1	890.9	5,606	5,123	9,241	--	--	558.2	N/A	14.0
2018	1,933.5	909.4	5,704	5,209	9,442	--	--	569.1	N/A	14.6
2019	1,964.3	927.2	5,820	5,318	9,625	--	--	580.6	N/A	15.1
2020	1,997.3	944.6	5,936	5,420	9,784	--	--	591.2	N/A	15.7
2021	2,031.1	964.0	6,018	5,497	9,989	--	--	604.1	N/A	16.2
2022	2,065.4	982.5	6,205	5,670	10,162	--	--	615.5	N/A	16.7
2023	2,098.8	1,003.2	6,344	5,802	10,386	--	--	629.4	N/A	17.2

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Number of fixed broadband connections (%)
2010	-2.2	5.2	1.3	-0.5	-2.8	N/A	N/A	-4.0	N/A	4.9
2011	-0.7	-1.9	-4.3	-2.4	-4.1	N/A	N/A	-1.3	N/A	4.6
2012	3.6	4.7	6.5	6.1	-3.4	N/A	N/A	0.0	N/A	3.5
2013	8.9	20.0	8.1	9.2	20.7	N/A	N/A	11.7	N/A	3.4
2014	-3.3	-4.0	9.9	9.4	6.0	N/A	N/A	3.7	N/A	4.1
2015	5.9	7.6	5.1	5.1	2.0	N/A	N/A	6.5	N/A	3.2
2016	0.9	1.5	2.9	2.6	-0.5	N/A	N/A	2.2	N/A	3.8
2017	4.1	1.5	3.6	3.5	1.0	N/A	N/A	1.7	N/A	3.7
2018	1.3	2.1	1.7	1.7	2.2	N/A	N/A	2.0	N/A	4.3
2019	1.6	2.0	2.0	2.1	1.9	N/A	N/A	2.0	N/A	3.4
2020	1.7	1.9	2.0	1.9	1.7	N/A	N/A	1.8	N/A	4.0
2021	1.7	2.1	1.4	1.4	2.1	N/A	N/A	2.2	N/A	3.2
2022	1.7	1.9	3.1	3.1	1.7	N/A	N/A	1.9	N/A	3.1
2023	1.6	2.1	2.2	2.3	2.2	N/A	N/A	2.3	N/A	3.0

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2009	39.86	N/A	N/A	207.02	28.36	1.92	58,709.27	0.00
2010	42.89	N/A	N/A	208.29	27.84	1.84	57,982.64	0.00
2011	42.36	N/A	N/A	215.71	27.66	1.84	59,665.48	0.00
2012	42.81	N/A	N/A	231.40	26.71	1.67	61,802.70	0.00
2013	47.18	N/A	N/A	208.87	27.38	1.87	57,193.27	0.01
2014	46.85	N/A	N/A	190.49	29.37	1.80	55,942.74	0.01
2015	47.60	N/A	N/A	197.66	29.55	1.75	58,412.18	0.01
2016	47.87	N/A	N/A	200.48	29.93	1.69	60,004.37	0.01
2017	46.69	N/A	N/A	206.48	29.25	1.65	60,404.72	0.01
2018	47.03	N/A	N/A	204.78	29.43	1.66	60,273.25	0.01
2019	47.20	N/A	N/A	204.08	29.56	1.65	60,322.08	0.01
2020	47.29	N/A	N/A	204.14	29.60	1.65	60,425.18	0.01
2021	47.46	N/A	N/A	203.33	29.74	1.66	60,476.52	0.01
2022	47.57	N/A	N/A	203.25	29.80	1.64	60,568.79	0.01
2023	47.80	N/A	N/A	202.08	29.99	1.64	60,600.81	0.01

Figures are in inflation-adjusted 2018 dollars.

SOURCE: IBISWORLD

Jargon & Glossary

Industry Jargon

ADVERTISING SPECIALTY An item branded with an organization's logo.

BELOW-THE-LINE PROMOTION Nonmedia communication or advertising that is niche focused and highly measurable.

BLANK A generic product prior to any branding or customization.

TRADITIONAL MEDIA Mass-distributed news and entertainment across major media, such as TV, newspapers, magazines, radio and the internet.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labour; medium is \$0.125 to \$0.333 of capital to \$1 of labour; low is less than \$0.125 of capital for every \$1 of labour.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using Statistics Canada's implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within Canada, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by Canadian companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in Canada.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

Jargon & Glossary

IBISWorld Glossary continued

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

At IBISWorld we know that industry intelligence is more than assembling facts

It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions



Who is IBISWorld?

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 400 Canadian industry reports. When tough strategy, budget, sales and marketing decisions need to be made, our suite of industry and Risk intelligence products give you deeply-researched answers quickly.

IBISWorld Membership

IBISWorld offers tailored membership packages to meet your needs.

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