

PROMOTIONAL PRODUCTS IN CANADA INDUSTRY REPORT

DECEMBER 2020



RELEASED FEBRUARY 2021

**COVID-19
(Coronavirus)
Impact Update**

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

- Revenue for the Promotional Products industry in Canada is expected to decrease in 2020 due to the COVID-19 (coronavirus) pandemic. For more detail, please see the Current Performance chapter.
- Demand for certain products and services is expected to fluctuate due to the coronavirus pandemic and the resulting increase in employees working from home. For more detail, please see the Products and Services chapter.
- Profit is expected to decrease as a result of the coronavirus pandemic and the resulting negative macroeconomic effects. For more detail, please see the Cost Structure Benchmarks chapter.

Note: The content in this report is currently being updated to reflect the trends outlined above.

Snapshot

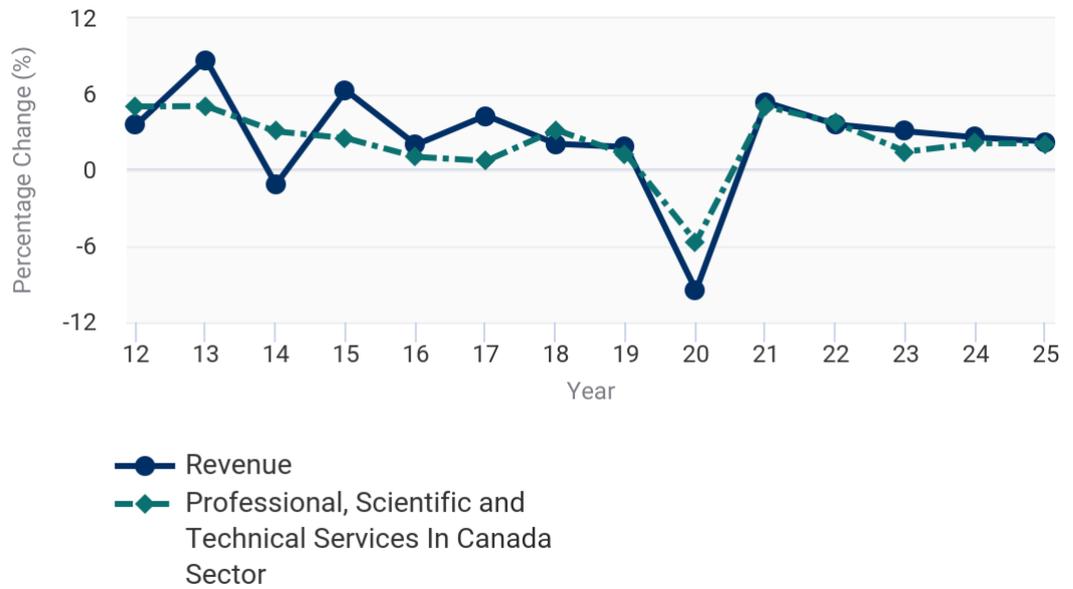
<p>Total Revenue 2020</p>  <p>\$1.9bn</p>	<p>Annual Growth 2015-2020</p>  <p>0.1%</p>	<p>Annual Growth 2020-2025</p>  <p>3.4%</p>
<p>Profit Margin 2020</p>  <p>6.2%</p>	<p>Wages as a share of Revenue 2020</p>  <p>28.5%</p>	<p>Number of Businesses 2015-2020</p>  <p>1.8%</p>

Industry Structure

	Level	Trend		Level	Trend
Life Cycle	Mature	⊖	Regulation Level	Medium	⊖
Revenue Volatility	Medium	⊖	Technology Change	Low	⊕
Capital Intensity	Low	⊕	Barriers to Entry	Low	⚠
Industry Assistance	Low	⚠	Steady	Industry Globalization	Low
Concentration Level	Low	⊕	Increasing	Competition Level	High
					⚠

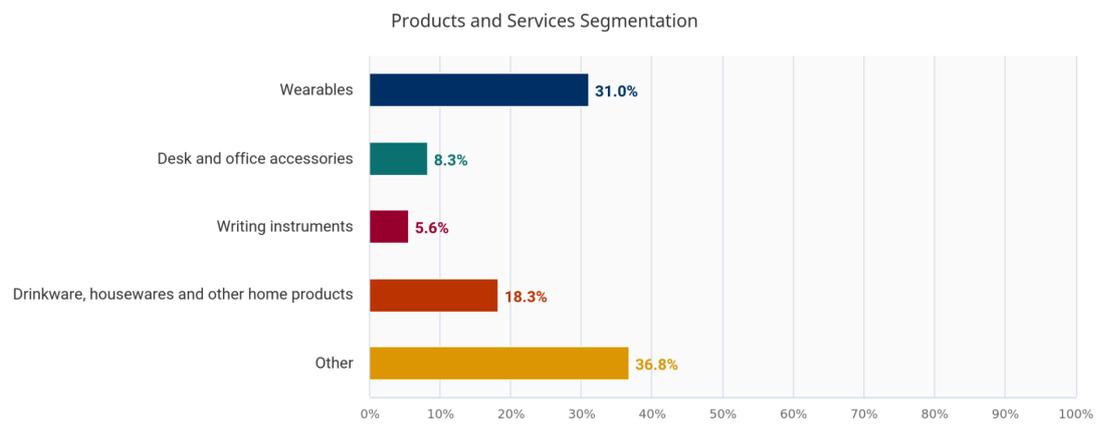
Key Industry Data

Industry Outlook 2012-2025



Promotional Products
Source: IBISWorld

Products & Services Segmentation



2020 INDUSTRY REVENUE

\$1.9bn

Promotional Products
Source: IBISWorld

Major Players

Major Player Market Share



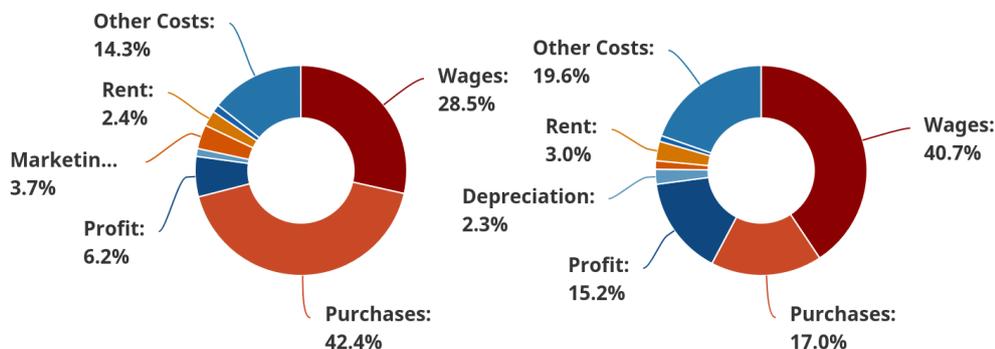
2020 INDUSTRY REVENUE

\$1.9bn

Promotional Products
Source: IBISWorld

Cost Structure

Sector vs. Industry Costs



Industry Performance

Performance Summary

The Promotional Products industry in Canada is expected to stagnate over the five years to 2020 as volatile economic trends consistently shift demand for the industry's services.

The industry generates revenue through the distribution of specialty advertising on everyday items, such as mugs, calendars and T-shirts. Industry operators do not manufacture these products, but rather imprint and distribute a client's advertising message on blank products that are purchased from manufacturers and industry suppliers worldwide. Solid growth in retail sales has boosted advertising budgets over the past five years. However, a decrease in corporate profit has placed negative demand pressures on industry operators. Due to these counterbalancing factors, industry revenue is expected to only grow an annualized 0.1% to \$1.9 billion over the five years to 2020, with a decline of 9.5% in revenue in 2020 alone. The decrease in 2020 can be mainly attributed to the ongoing COVID-19 (coronavirus) pandemic and the resulting adverse economic effects that have placed a downward pressure on industry demand.

Industry growth has been tempered by rising external competition over the past five years, primarily from digital outlets. Online cataloguing and processing have made it easier for clients to go directly to manufacturers, bypassing industry operators altogether. However, the rise of total advertising expenditure in Canada has improved demand for promotional products, which offer an efficient and accessible way of marketing to businesses of all sizes. Conversely, the decline in corporate profit has hindered revenue growth as many industries are budgeting their advertising costs more closely, due to the uncertain economic future. Moreover, the decline in 2020 has decreased the industry's profit margin

as less demand is expected from key downstream markets.

The Promotional Products industry in Canada is expected to continue to endure strong external competition over the five years to 2025, including a continued increase in corporate expenditures on substitute forms of advertising. However, companies may favour promotional products because they offer the advantage of repeated, tangible exposure and potential brand-name recognition. Furthermore, the projected rise in corporate profit and total advertising expenditure will likely boost industry demand over the next five years. Consequently, industry revenue is expected to increase an annualized 3.4% to \$2.3 billion over the five years to 2025.

Industry Issues

Threat

A rise in corporate profit can grow the amount of money that companies allocate to their marketing and advertising budgets. Therefore, when corporate profit rises, demand for promotional products tends to rise. Corporate profit is expected to decrease in 2020, posing a potential threat to the industry.

Opportunity

Changes in media advertising and other promotional expenditure directly affect the industry. An increase in advertising expenditure and marketing budgets will have a positive effect on industry revenue as it increases demand. Total advertising expenditure is expected to decrease in 2020. However, it is expected to increase overall over the five years to 2020, representing a potential opportunity for the industry.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

How have economic changes influenced consumer demand for your services?

Rising disposable income levels have boosted consumer spending, which in turn boosted the number of businesses, which helps to strengthen demand for industry services.

Does your company offer a broad range of services or specialize in a particular niche?

Most companies specialize to corner a market niche and secure higher profit margins.

Other companies, mostly the larger companies, diversify their portfolio to be better able to serve multiple clients through integrated strategies.

Strategy & Operations

How has your company minimized costs?

Most companies outsource any aspect of their operations to gain operational efficiencies in the areas in which they specialize.

Other companies have relied on global manufacturing capabilities to lower purchase costs.

Has your company pursued merger and acquisition strategies to gain market share and improve efficiencies?

Most smaller companies rely on local and niche markets rather than trying to expand their market share through acquisitions.

Larger companies, in contrast, since they have the resources, tend to invest in expansionary merger and acquisition strategies to boost market share rapidly.

Technology

Has investment in new technologies increased your company's competitiveness?

Most professional services companies invest in new technologies in the form of software, which is constantly evolving, therefore, when a company invests in the newest software, they can boost its competitive edge.

Have you been able to minimize/reduce wage costs through automation?

Unfortunately, in most professional service industries, automation is not possible on a wide scale.

Instead, most companies have experienced widening wage costs due to the individualized nature of their work.

Compliance

How does your company comply with regulatory requirements?

Constant education and training is required to keep staff and management up to date on pertinent regulatory requirements and the evolving legislative environment.

Do you work with industry associations or other groups to advance your company's interests?

Membership and alliances with industry associations are generally advantageous by providing a platform to advocate on behalf of your business to legislative bodies.

Plus, membership often includes subscriptions to industry-specific publications which are useful.

Finance

How does your company's profit margin compare with those of your main competitors?

Larger companies generally have higher profit margins compared with smaller competitors due to economies of scale and resources for development.

Smaller companies can boost profit margins by focusing on market niches.

How has your company's profitability trended over the past five years?

Most companies' profit margins follow the industry at large, depending on the size and scope of operations.

For instance, companies that cater to niche markets generally have higher profit margins and their trajectory is independent of broader industry trends.

External Impacts Questions

Impact: Corporate profit

Do you monitor rates in corporate profit? How do you mitigate this when corporate profit declines?

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Impact: Total advertising expenditure

Have you experienced an increase in requests to use your copyrighted work in commercials? Do you have a marketing strategy to increase exposure?

An increase in advertising expenditure and marketing budgets will have a positive effect on industry revenue as it increases demand.

Impact: Number of businesses

Do you track the number of businesses? What kind of businesses do you draw most of your revenue from (commercial, industrial, retail)?

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.

**Internal Issues
Questions****Issue: Proximity to key markets**

Where are your key businesses located? Are your operations located in areas with a large customer base?

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

Issue: Ability to establish remote work arrangements for employees

What are you doing to ensure workplace safety in light of the COVID-19 pandemic? Do your employees have the option to work from home?

The ability to establish efficient remote work is crucial for operators during the COVID-19 (coronavirus) pandemic to ensure their employees stay safe and are able to work.

Issue: Ensuring pricing policy is appropriate

How does your company contend with pricing pressures? How do you secure long-term contracts with local and overseas clients?

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.

The logo for IBISWorld, featuring the company name in a white serif font inside a black rounded rectangle.

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