

The Philosophy of Promotional Products

~ A Distributors First White Paper ~

Advertising Specialties and **Promotional Products** are the undisputed advertising leaders for businesses and organizations when it comes to creating direct contact and lasting relationships with customers, prospects and patrons.

In fact...no other advertising media even comes close.

Businesses, organizations & non-profits throughout the country allocate **substantial parts of their "ad spend" budgets** for promotional products.

One industry survey of over 1,660 businesses reveals the importance of promotional products as a budgetary item:

On the low side, it found that 1 in 5 companies (21.2%) have annual budgets for promotional products from \$2,500 to \$10,000 per year. On the high side it revealed that 30% have budgets greater than \$100,000 per year. Further, it showed that 67% (including the \$100,000 per year companies) have budgets greater than \$10,000 per year.

This means that in total, the majority of these companies have very healthy promotional products budgets.

The ubiquitous nature of promotional products proves the point. ***Promotional products are everywhere. They are common. They are often exceptional. They are effective...and they are useful.***

Why do businesses spend over 23 billion dollars a year for promotional products? Promotional products help to develop lasting relationships for the companies who give them away to promote their business and advertising concerns. "Kiss the babies." "Slap the backs." "Belly to belly." ***Giving away promotional products is the long-term, personal touch in advertising.***

The philosophy of promotional products for business and organizations is simple. **If you want to reach out and touch your customers, prospects and patrons – there is no better way.**

Is this the right business for you?

Distributors First is the only "independent gateway" that creates promotional product distributor companies. We do not over-promise or over-promote our program. We do however, **offer a total program including industry membership, technology tools and support** to help those who desire to start their own distributor companies...all without the cumbersome structures and high costs of franchises or business opportunities. ***For the right person...this is the right business.***

- Work when you want...around your schedule
- Can be started part-time or full-time
- No territorial restrictions
- Low start-up costs & low maintenance fees

Generates high profits (30% to 50% or more)
Huge markets: 95% of all businesses utilize promotional products in their advertising
Strong, repeat buying customers
Very exciting and fun business
Requires no inventory or employees
Requires no “bricks & mortar” overhead

FAST FACTS: Five Reasons to Consider Starting a Promotional Products Business:

1. The first reason is that this industry is ***literally at the leading edge of every good thing that can happen to a business or organization***. This means every day is a good day, and everyone wins. That’s a very rare commodity in most business models.
2. Promotional products are very fun and easy products to sell. Advertising specialties give businesses and organizations an opportunity to literally reach out and touch their customers, prospects and patrons. **No other advertising medium has the ability to appeal to all five senses**. No other advertising medium has the ability to be so personal. Plus, businesses and organizations *“have to”* and *“want to”* buy and use these products to keep their names circulating in their market place.
3. Promotional Products Distributors have significant market advantages: meaning it’s a strong business in recessionary times and performs even better in good economic times. A promotional products distributor has the ability to weather good times and bad times as far as the economy is concerned.
4. Distributors also get to build their businesses with strong repeat / re-ordering potential which allows them to grow their companies based on the quality of their service and long-term relationships with their clients. Their income grows year to year from repeat orders and new customers. ***The repeat orders are almost like a “profit annuity”***.
5. The promotional products industry is a very profitable industry. ***Every sale to every customer generates full profits from every order every year***. With profits ranging from 30% on the low side to 50% or more on the high side, *it’s an easy proposition to grow a substantial business over time*.

Trends in the Promotional Products Industry

The past 20+ years has brought the power of internet technology to the marketing of promotional products. Today it is a must-have to have a website and know how to utilize all the streams of social media. But if that is all you are able to do, it will be difficult for you to differentiate yourself from all those others who are using the same tools.

The greatest new trend in the industry is the power of video and mobile marketing. Marketing experts have declared that the power of video & mobile marketing is here to stay. Here’s why...

1. 67% of all emails & websites are opened on a mobile device.
2. 80% of your online visitors will watch a video, while only 20% will actually read content in its entirety.
3. Click-through rates increase 2 to 3 times when marketers include a video in an email.

4. Video messages are processed by the brain 60,000 times faster than written words. (*Nobel Laureate – Daniel Kahneman*)
5. 59% would rather watch a video than read text. (*Forbes*)
6. 65% who watched a video clicked through to the website. (*Forbes*)
7. 80% of purchases are influenced through video channels
8. “1 minute of video is worth 1,800,000 words.” (*Forrester Research*)

Staying on the leading edge of technology will be extremely important to the overall performance of your business.

V.I.P. (Very Important Point): *But beyond social media and technology, the most successful distributors in the industry learn to develop strong personal relationships with their customers. “**Good old customer service**” is the key to longevity in this business. The ability to be personal cannot be over-emphasized in building a successful promotional products business. This is a relationship-based industry. The distributor who knows and understand this, will always have a very secure place to be in the business community. The “**secret sauce**”...**is always the distributor.***

Another strong trend...is growth. For many, many decades, the industry revenues have grown significantly year to year. Only twice in the last 17 years has the industry slowed...once around the events of September 11, 2001, and the recession of 2008. In both instances the industry at large rebounded to greater revenues in a matter of a few months. **Today, the industry is supporting revenues in the 23 billion dollar range. The fact is that this is a very vibrant, robust and resilient industry.**

The Power of Promotional Products

Promotional products are very inexpensive in terms of businesses receiving “bang for their advertising buck”. When a business gives away an inexpensive, but useful gift that has their name and logo on it, it most often creates a very favorable, long-lasting impression in the mind of the receiver.

In a recent survey conducted by PPAI (Promotional Products Association International), the power of promotional products was uncovered. Of those surveyed...

- 83% like receiving a free promotional product with an advertising message
- 75% said they kept their promotional products because it was useful
- 91% had at least one promotional product in their kitchen
- 74% had at least one promotional product in their work area
- 89% surveyed could recall the name of the advertiser on a promotional product that they received within the last 24 months.

The power of promotional products is lasting, favorable impressions. Plus, businesses and organizations have dozens of important ways to use promotional products to promote their messages and causes:

- New Customer / Account Generation
- Brand Awareness / Name Recognition
- Grand Openings / Grand Re-Openings
- Public Relations / Community Goodwill

- Customer Loyalty Programs / Client Retention Programs
- Safety Education Programs
- New Product / New Service Introductions
- Not-For-Profit Fundraising Programs & Booster Programs
- Dealer / Distributor Incentive Programs
- Employee Service Recognition
- Sales Incentives

How the Promotional Products Industry is Organized

The industry is organized around two founding principal “members-only” organizations. *One is a privately owned “for-profit” company* that is a software and print media publishing company – “ASI” – Advertising Specialty Institute.

The other founding organization *is the industry’s “not-for-profit” trade organization* – “PPAI” – Promotional Products Association International. PPAI is the “policy maker” for the promotional products industry.

The “ASI” connection includes membership in their platform, their online research software and their distributor websites. Their annual fees to support this platform range from \$2,400 per year to \$3,500 per year, depending on the subscribed services.

The “PPAI” connection also includes the anchor platforms of industry membership, online research software and website services. Their annual fees are considerably less because of their non-profit status, ranging from \$500 to as much as \$1,500 per year.

The established distribution system employed by the promotional products industry organizes nearly **1,000,000 “brandable” products from approximately 4,500 to 5,000 suppliers.**

V.I.P. (Very Important Point): What is similar between both “Members-only” platforms is that ***all of the suppliers in the industry recognize both memberships with no differential in their wholesale pricing structures.***

Beyond this there are at least a dozen “secondary providers” that offer various support and technical services to “member-distributors” on a subscription basis. They offer websites, email marketing platforms, CRM’s, artwork services, etc.

All of these secondary organizations serve to enhance the “member-distributor” experience by providing options for their business and development strategies.

The Industry’s “Catch-22”

There is a catch-22 to becoming a promotional products distributor. The industry employs “privacy practices” to protect their chosen distribution system.

Suppliers are required to “join” the supplier side of the industry and offer their products in a structured format. Likewise, distributor members also have to “join” the marketing side of the industry and are required to prove that they are already selling promotional products. **Hence, the catch-22.**

The distribution system is designed so that the end-buyers (your customers) cannot buy directly from the suppliers. And suppliers only can sell to distributor companies who present their distributor I.D. credentials.

To participate in the Industry's distribution system, suppliers agree to remove their direct contact information from all of their catalog & digital marketing materials, making it difficult for end-buyers to locate them. They are assigned "Supplier ID #'s" as their credentials. They also agree to publish their pricing at retail, with coded discounts known only by the distributors.

Those desiring to sell promotional products have to submit evidence to the industry that proves they have *historical reference to multiple suppliers*. They also have to provide "invoices" from multiple customers at minimal sales volume **as proof that they are in fact selling promotional products**. Once they have proven themselves to be legitimate sellers of promotional products, and have paid their required membership fees, they are issued Distributor ID #'s as their credentials.

Establishing a Promotional Products Business

There are essentially three different ways to sell promotional products as a business entity...and ***each method requires that you connect to the industry through other established programs:***

- Franchises
- Business Opportunities
- Dealerships

The Problem with Franchises, Business Opportunities and Dealerships

At the outset, all of the above mentioned ways of starting a promotional products business create opportunity for the entrepreneur. And all of these methods have their success stories.

Working in any of these systems can make you money. ***But understand, when you work "through" a system...you owe the system.***

The goal of any business is to maximize revenues and profits, while minimizing and controlling costs.

Franchises:

Historically, the franchise model in almost all industries has proven successful, notwithstanding the substantial franchise costs, build outs (if any) and royalties.

In the promotional products industry there are several franchises available. With franchise fees from \$35,000 to \$50,000 or more depending on the franchise, *this is a factor that must be considered*.

The franchise royalties in our industry are a bit deceptive and need careful examination.

Royalties in the promotional products industry are in the 8% range and are **always based on gross sales**. But given that our profits are close to 50% of gross sales that means the royalties, in this example, are **16% of your profits**. *Every year. On every order.*

Business Opportunities:

The business opportunity programs are structured a bit differently, in that most revolve around equipment purchases. Screen printers, embroidery machines, heat presses, pad printing and engraving systems and the like. If you want to be a producer and a seller...this can be a viable option.

But consideration has to be made for the acquisition costs...easily in the range of \$20,000 to \$40,000 or more, again depending on the equipment chosen.

And then there is the additional costs of goods sold, inventory and overhead.

Usually no royalties are required, but the overall "cost impacts" on starting a production business are quite high and on-going.

Dealerships:

And oddly enough, the most expensive way to get into this business is by becoming a dealer for another distributor organization. While the "out-of-pocket" costs are usually a few hundred dollars, the profit splits with the distributor company are massive. **This is where the real cost of being a dealer is assessed.**

Dealerships need to be examined closely, more for what is not said than what is said.

All of your orders are written under the distributor organization I.D. number. And while the client is yours...*the actual ownership of those clients belongs to your distributor company.*

In the future as you examine the possibility of moving to your own distributorship, **NONE of your client invoices can be used to qualify** for your own independent distributor company.

To help you understand the revenue sharing (profit splits) better with your distributor, the following example should help.

Your dealership sells \$100,000 worth of business in a year. These sales will generate approximately \$40,000 in gross profits, based on industry averages. **You will be required to "give up" (share/split) these profits with the "house" (your sponsoring distributor).** In this case, you will be losing \$20,000 for the privilege of placing these orders "through" them. **Every year. On every order.**

Very quickly this "profit loss" on your part could amount to literally tens of thousands of dollars or more each and every year you remain affiliated with your distributor company.

Your distributor sponsor would argue that you are paid to "sell" and they will do all of the office work for you...things like product research, client billing, etc. They will tell you that as your sales performance improves the profit split will become more favorable to you (65% to you, 35% to them). This still adds up to tens of thousands of dollars in lost profit revenue to you. But all the while, the "ownership" of these client orders still belongs to them.

Truthfully...owning a franchise or business opportunity is actually owning a "real" business. Being a dealer for someone else is basically being a sales representative...no matter how else it is described.

Distributors First presents: The Gateway for Independent Distributors

The Distributors First connection to the promotional products industry is radically different. It is the gateway for creating independent distributors, for the industry...and not for Distributors First.

All of the industry performance requirements are waived for our clients, meaning that your business is immediately recognized as a distributor company from day one, and that you are immediately operational once your platform components are in place.

Our program is a coaching platform that provides your membership and all the industry tools for your success together with on-going support to help you build a successful distributor company.

The investment costs are a fraction of the franchise & business opportunity offerings in our industry, with ***No royalties, No profit splitting...where 100% of your profits belong to you.*** No overhead is required as this is a perfect business to be operated from your office at home. No inventory is required as you will be working directly with the entire supplier base of the industry on an order-by-order basis.

Your one-time investment to Distributors First includes all of your first-year subscription fees, and in subsequent years, those fees are paid directly to your providers. ***From the outset, you will be operating your own promotional products business, in your own company name, your own website URL, with no territorial restrictions placed on you by us or the industry.***

In short, your investment with Distributors First is a one-time outlay, yet creates a lifetime business for our clients.

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