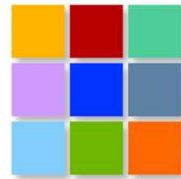


# Industry Monitor: Promotional Products

A representative analysis of the use of promotional products by German companies



## Methods



- Primary Objective:
- ⌚ Valid statements on the German promotional products market from the point of view of users
  - ⌚ Function and obstacles of, as well as expectations on, promotional products
- Procedure:
- ⌚ Selection criteria: size of company, branch of industry and the regional distribution (federal state)
  - ⌚ Selection of an appropriate disproportionately structured, representative sample of telephone numbers
  - ⌚ Survey method: computer-aided telephone interview (CATI) using a standardized questionnaire
  - ⌚ Duration: 4 weeks (October – November)
- Target person:
- ⌚ Management, marketing management or sales management
- Population:
- ⌚ 3.17 million companies (Federal Statistical Office, as of December 31, 2005)
- Sample:
- ⌚ 1,054 companies were surveyed according to the following set target:

Size of company	Percentage of the population	Percentage of the sample (disproportionate)
<b>Smallest</b> (0-9 employees subject to social insurance contribution)	<b>90.9%</b>	<b>50%</b>
<b>Small</b> (10-49 employees subject to social insurance contribution)	<b>7.3%</b>	<b>15%</b>
<b>Medium</b> (50-249 employees subject to social insurance contribution)	<b>1.5%</b>	<b>15%</b>
<b>Large</b> (250+ employees subject to social insurance contribution)	<b>0.3%</b>	<b>20%</b>

## Press Conference I - Results



- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
  - ↳ Users
  - ↳ Non-Users
  - ↳ Excursus:  
advertising effect

**According to users, expenses for promotional products were approximately € 3.11 billion in 2006.**

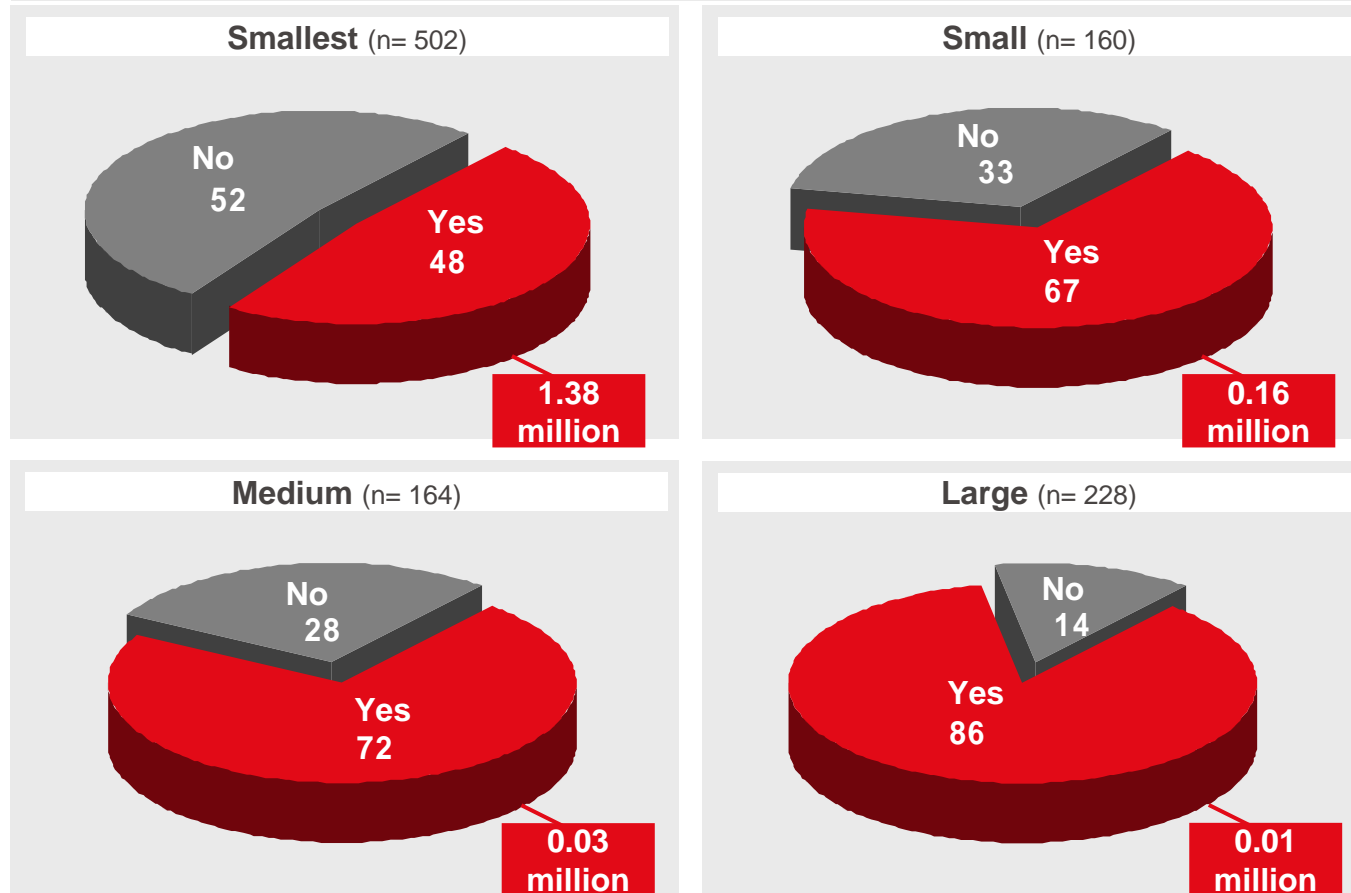
**Two clear approaches appeared for a positive further development of the entire promotional products industry:**

**I. Intensification or expansion of consultancy services for the use of promotional products increases their use!**

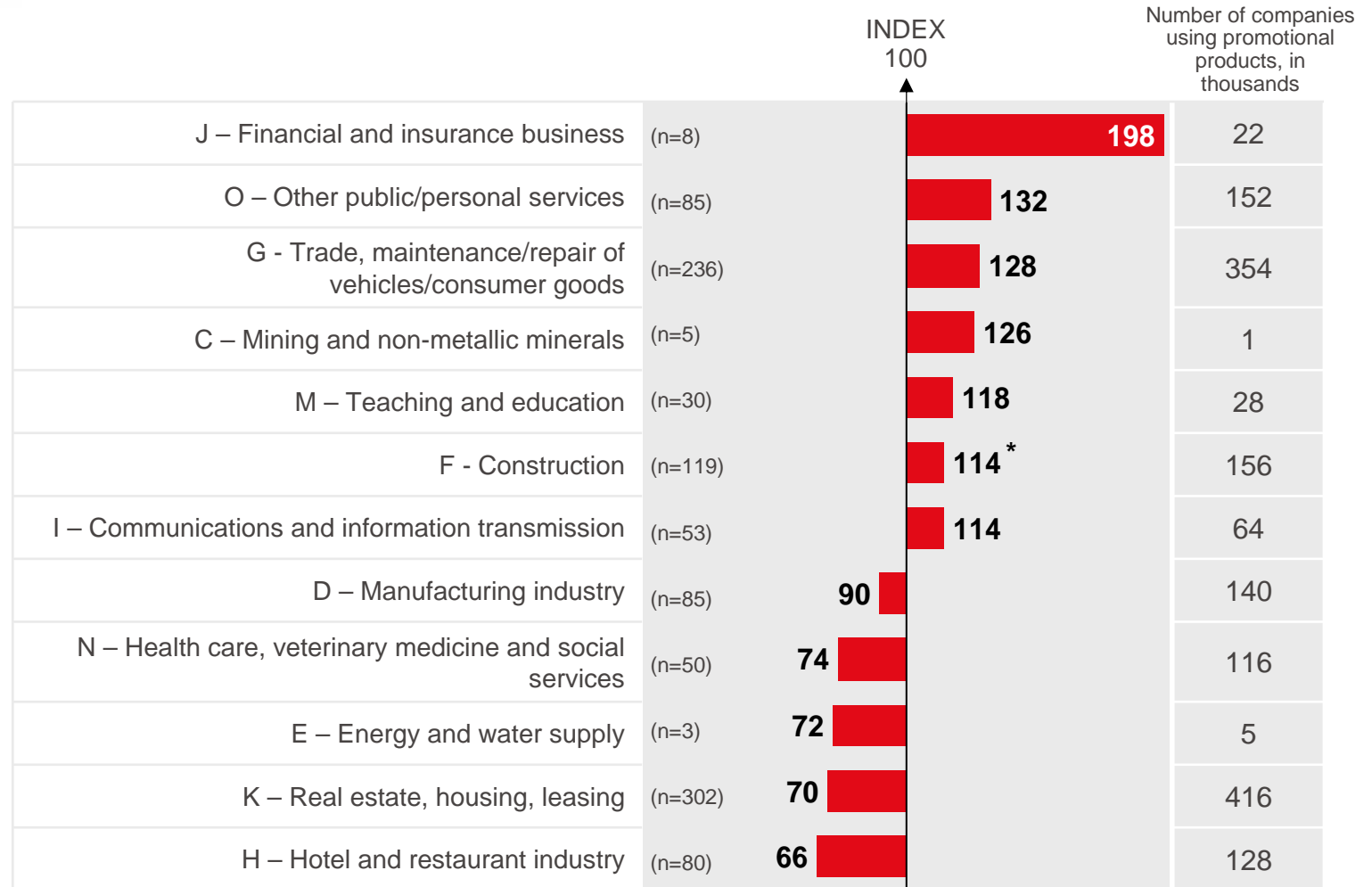
**II. The basic conditions for promotional products as far as tax and politics are concerned cause considerable uncertainty among users!**

- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
- ↳ Users
- ↳ Non-Users
- ↳ Excursus:  
Advertising effect

**50% of all companies located in Germany make use of promotional products in their corporate communications.**



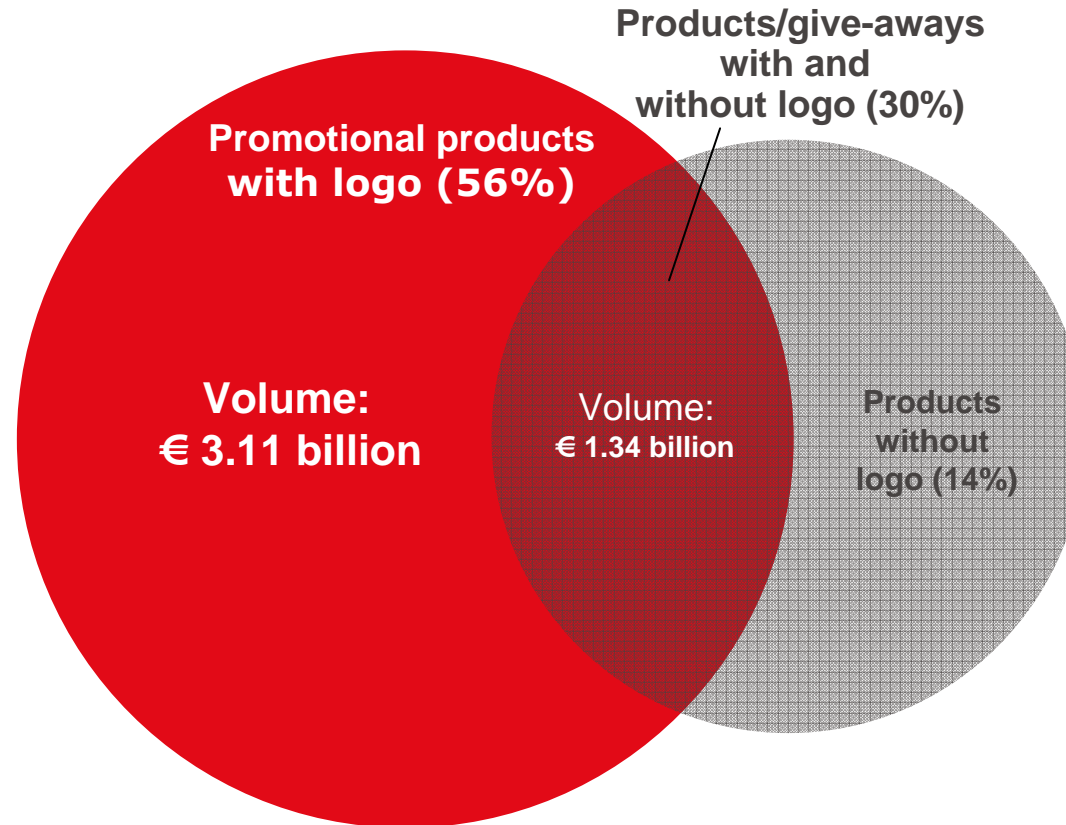
- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
- ↳ Users
- ↳ Non-Users
- ↳ Excursus:  
Advertising effect



**1.58  
million**

Industry Monitor B-to-B Analysis Basis: 1054 companies, representative

- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
- ↳ Users
- ↳ Non-Users
- ↳ Excursus:  
Advertising effect



€ Promotional products/volume in Germany = **€ 3.11 billion**

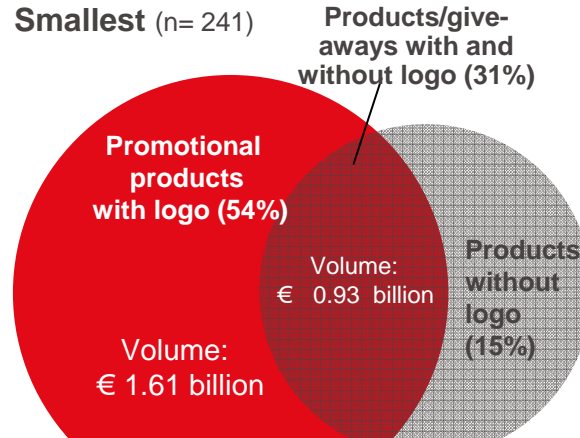
Basis: 525 Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

**Half of German companies use promotional products with a total volume of approx. € 3.11 billion.**

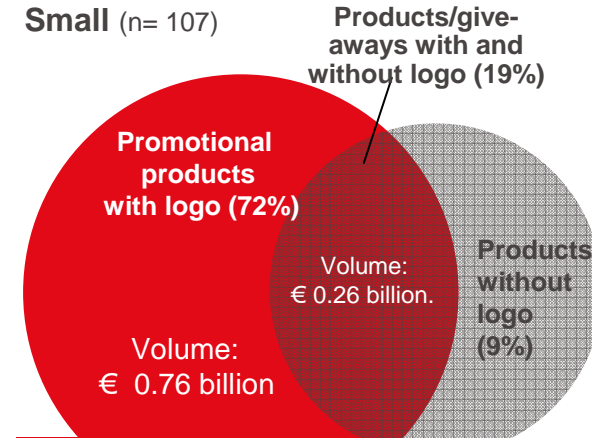


# Volume of promotional products in 2006 by size of company

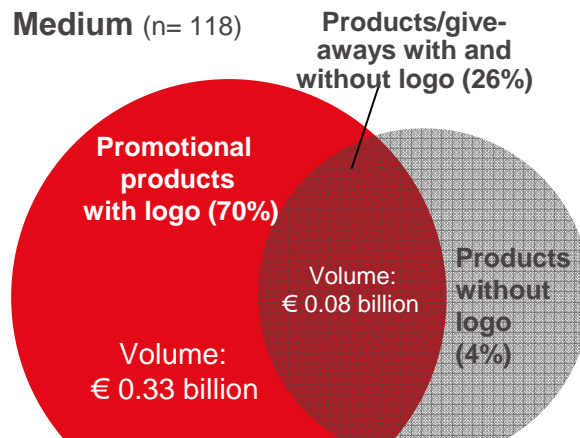
- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
- ↳ Users
- ↳ Non-Users
- ↳ Excursus: Advertising effect



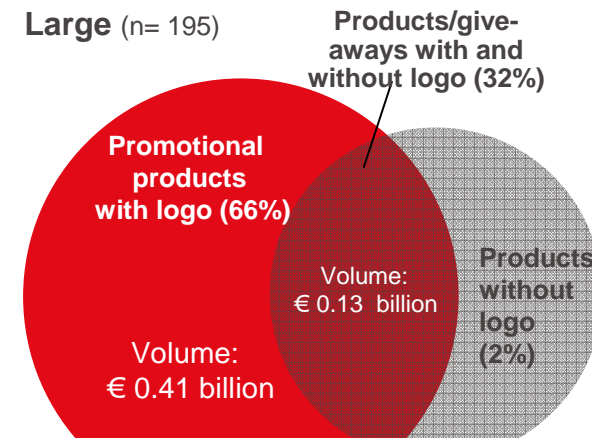
€ Volume of promotional products: € **1.61 billion**



€ Volume of promotional products: € **0,76 billion**



€ Volume of promotional products: € **0.33 billion**



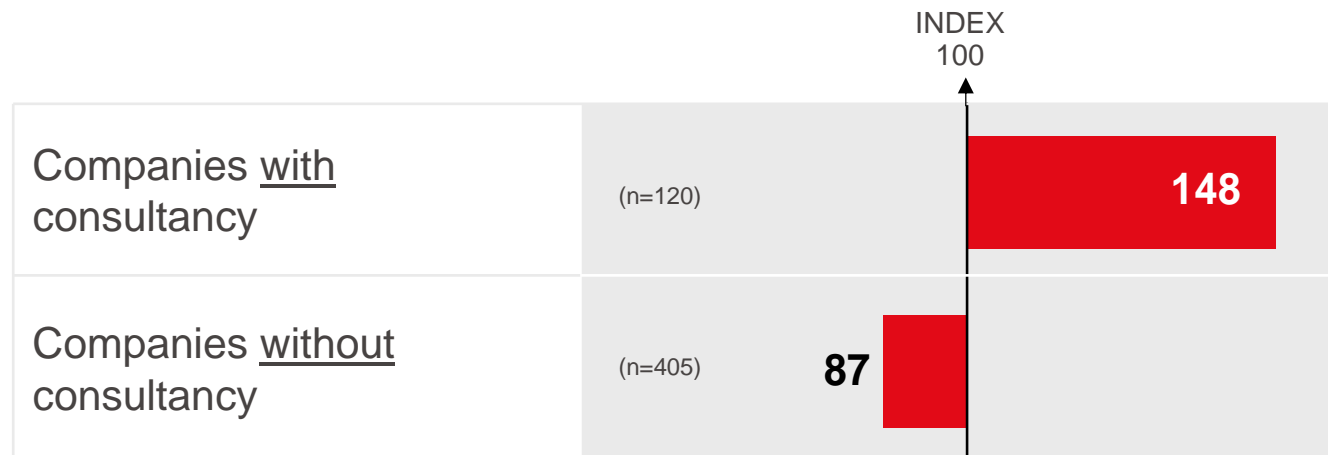
€ Volume of promotional products: € **0.41 billion**

Basis: Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
  - ↳ Users
  - ↳ Non-Users
  - ↳ Excursus:  
Advertising effect

## Development of real spending on promotional product in recent years

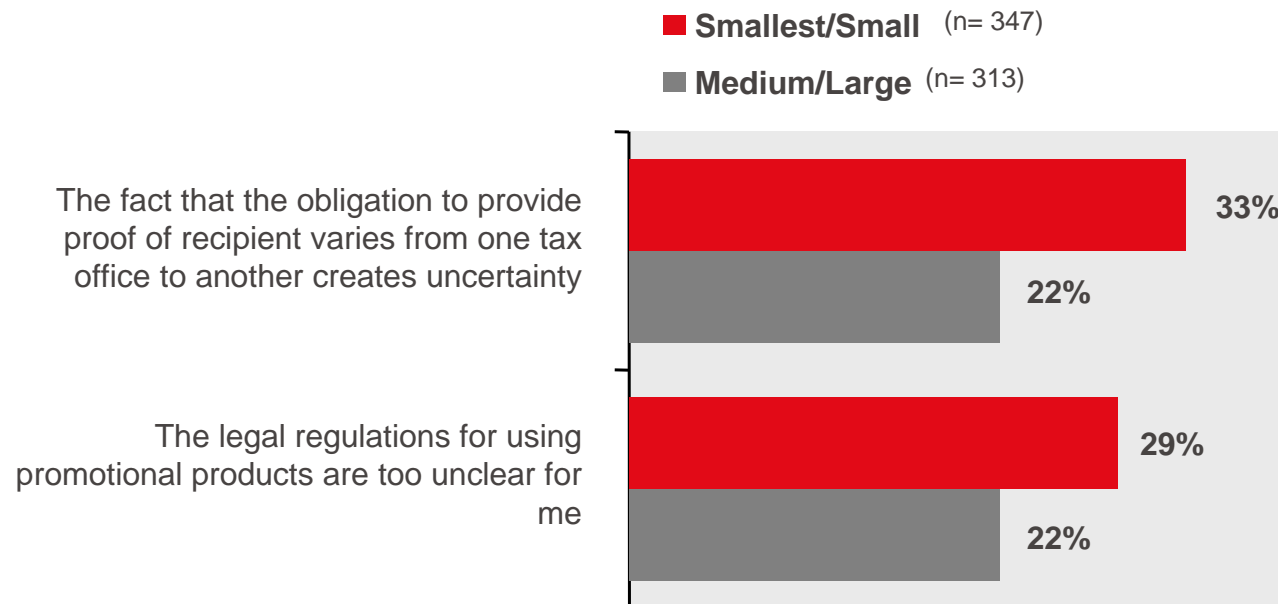
**Top 2 Box:** „strong increase“ + „increase“



Basis: 525 Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

- ↳ Methods
- ↳ **Press Conference I**
- ↳ Press Conference II
- ↳ Users
- ↳ Non-Users
- ↳ Excursus:  
Advertising effect

## Top 2 Box: „agree wholeheartedly“ + „agree“



Basis: 525 Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

**Press Conference II – results**

**Potential of promotional  
products**



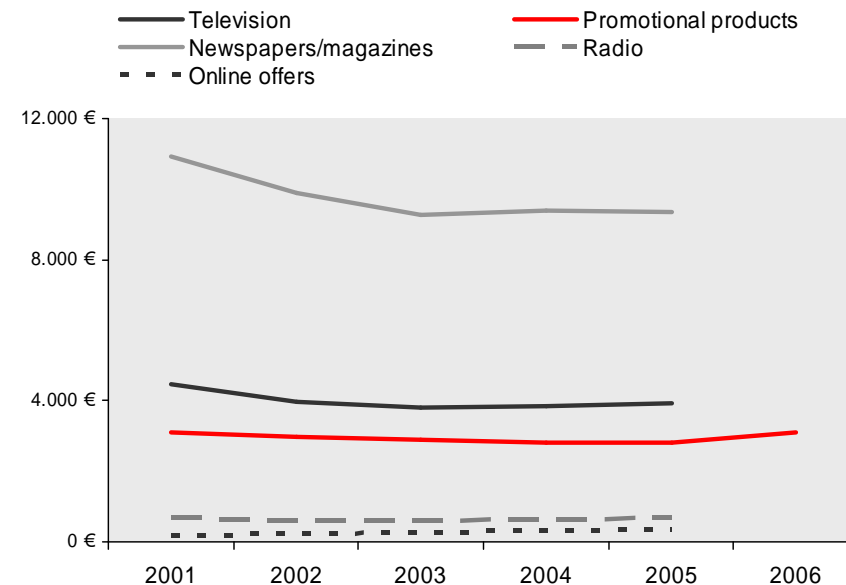
**Potential I:  
Users of promotional  
products**



- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ **Users**
- ↳ Non-Users
- ↳ Excursus:  
Advertising effect

- ↳ Promotional products take **third place** in a sales comparison with the most important and largest communications instruments. Compared to radio and online offers, promotional products are at a far higher level.
- ↳ Promotional products are approaching the level of television more and more. In the past few years, television has dropped slightly (-12.1% since 2001), while **promotional products were still near their 2001 level in 2006.**
- ↳ Newspapers and magazines have the highest sales, with a total sales volume of approximately € 9.35 billion (2005). However, they too have seen sales fall by nearly 14.5% since 2001.

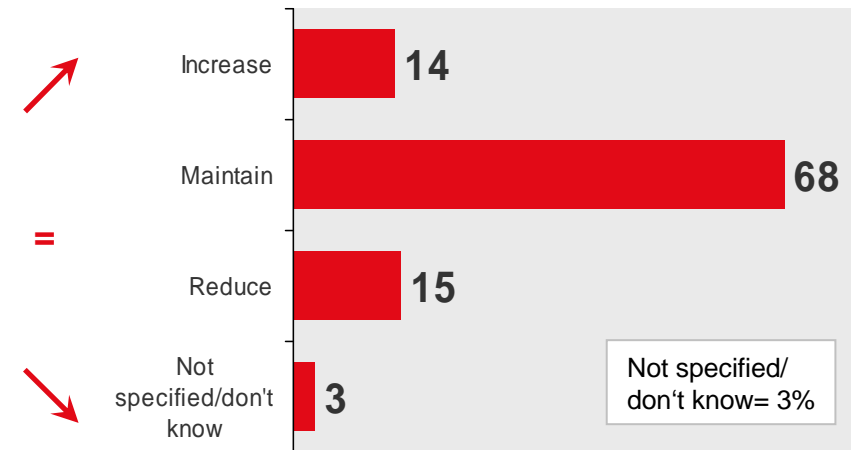
**Net advertising revenues of ascertainable advertising vehicles in Germany\* (in millions of euros)**



\*Source: ZAW (without promotional products) „Advertising in Germany 2006“

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
  - ↳ **Users**
  - ↳ Non-Users
  - ↳ Excursus:  
Advertising effect

↳ On the part of promotional product users, **the results point to a stagnating sales volume.** Hence the chart shows that the percentage of companies intending to increase their use of promotional products (14%) is roughly the same as the proportion of companies planning reductions (15%).



€ Promotional product volume in Germany in 2006 = **€ 3.11 billion**

Basis: 525 Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

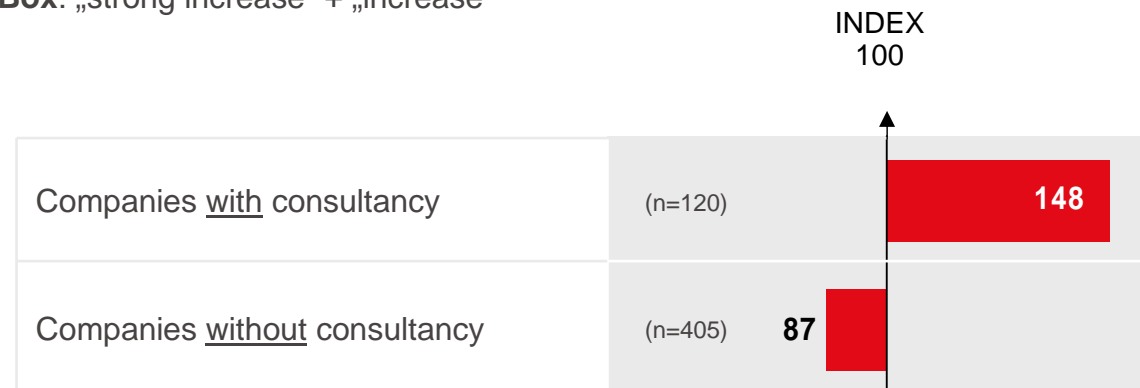
Stated in %

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
  - ↳ **Users**
  - ↳ Non-Users
  - ↳ Excursus:  
Advertising effect

↳ It has been shown that companies which rely on the advice of external consultants when using promotional products have increased spending on them much more frequently in the past (48% more frequently (INDEX 148) than the average German company).

## Development of real spending on promotional products in recent years

Top 2 Box: „strong increase“ + „increase“



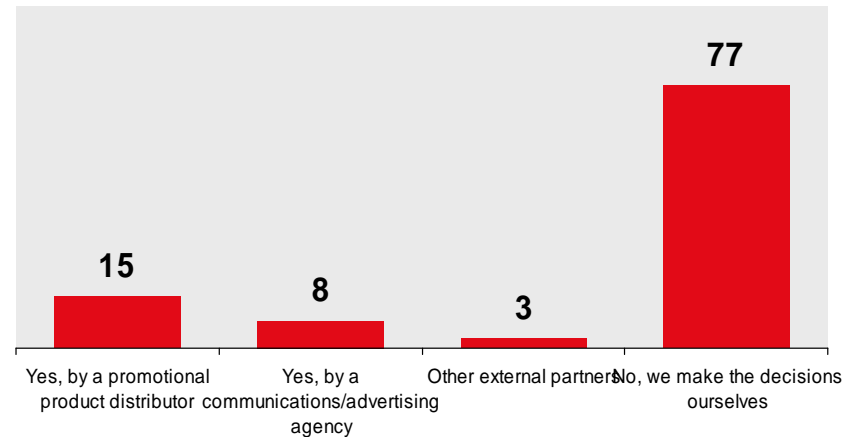
↳ Consultancy is thus a tried and tested medium for offsetting the stagnation of the market.

Basis: 525 Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative



- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ **Users**
- ↳ Non-Users
- ↳ Excursus:  
Advertising effect

↳ The promotional products industry has a great potential in relation to an **intensification of consultancy services**, because only 15% or 8% of companies, respectively, take advantage of consultancy from a promotional products distributor or agency. By contrast, 77% make their decisions on using promotional products themselves.



↳ Even 45% of large companies do not use external consultants. Since 86% of all large companies use promotional products, the arithmetical chance of finding a large company that does not yet make use of external consultants is two in five.

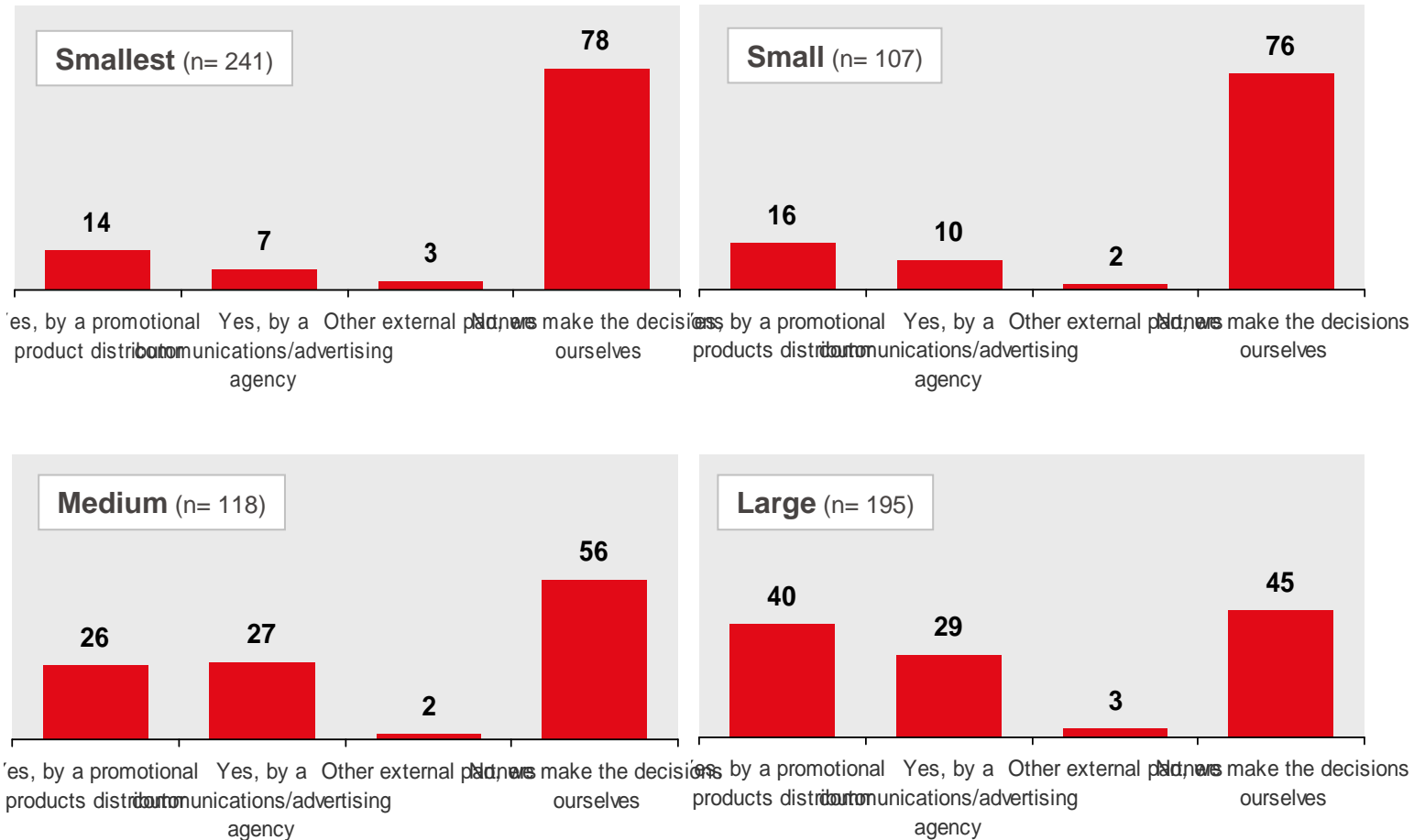
↳ Accordingly, promotional product consultants are the key to growth.

Basis: 525 Companies that use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

Stated in %

**A large proportion of companies are not yet making use of external consultants!**

- ↪ Methods
- ↪ Press Conference I
- ↪ **Press Conference II**
- ↪ **Users**
- ↪ Non-Users
- ↪ Excursus:  
Advertising effect



Basis: 525 Companies that use promotional products

Industry Monitor B-to-B Analysis Basis: companies, representative

Stated in %

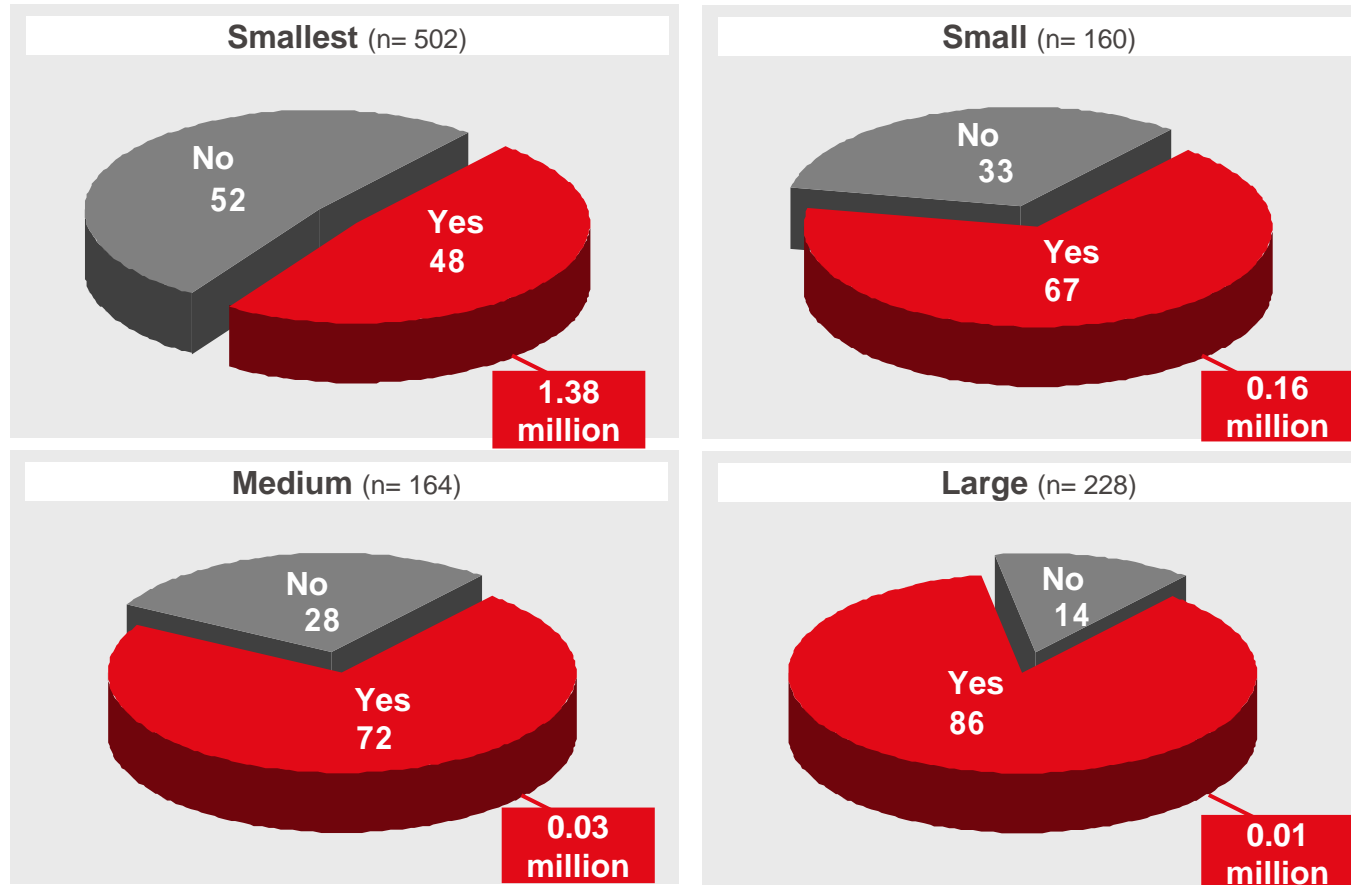
**Consultancy is not yet standard for medium-size and large companies, either.**

**Potential II:  
Non-users of  
promotional products**



- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect

Of all companies located in Germany, 50% do not use promotional products in their corporate communications.

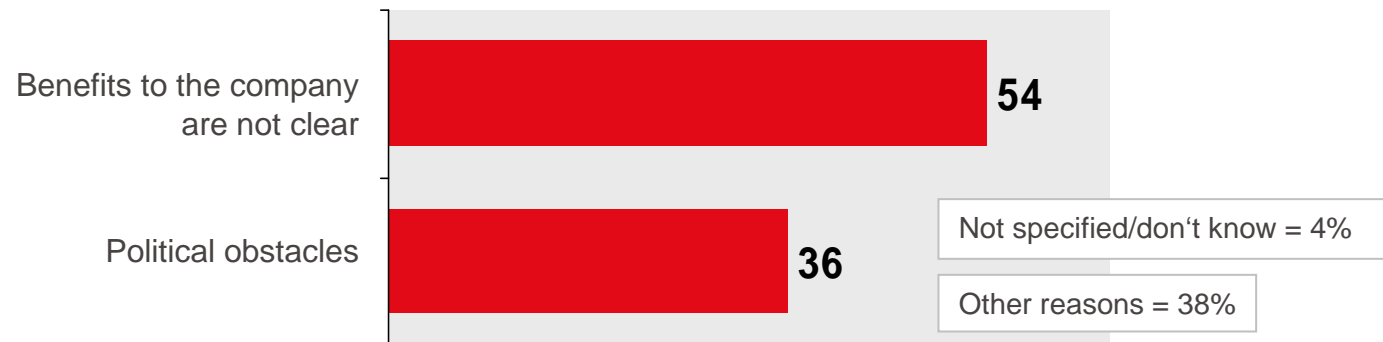


- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect

- ↳ More than half (52%) of the smallest companies, as well as 33% of small companies in Germany do not use any promotional products in their corporate communications. These are primarily companies with sole proprietors, for instance, or tax consultants, construction companies / architect's offices, fitness studios, restaurants, homes for the aged or the like.
- ↳ As far as medium-size companies such as research institutes, gymnastic clubs, Christian congregations, workers' welfare associations, credit rating companies and churches are concerned, 28% do not use any promotional products.
- ↳ A smaller, albeit no less significant, proportion of large companies (churches, hospitals, nursing homes, municipal facilities, associations, non-profits, music productions, etc.) amounting to 14% do not use promotional products either. In view of the privatization in the healthcare industry, potential for acquiring new customers can indeed be uncovered in this group of companies.

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect

↳ The primary reasons for not using promotional products are uncertainty concerning the benefits and political obstacles.



↳ If the industry can demonstrate and prove the benefits of promotional products, this will generate a substantial stimulus for the entire industry.

↳ The basic legal framework is the second relevant obstacle for an increased use of promotional products. The challenge to the industry is to work continuously on eliminating these political obstacles.

Basis: 529 Companies that do not use promotional products

Industry Monitor B-to-B Analysis Basis: companies, representative

Stated in %

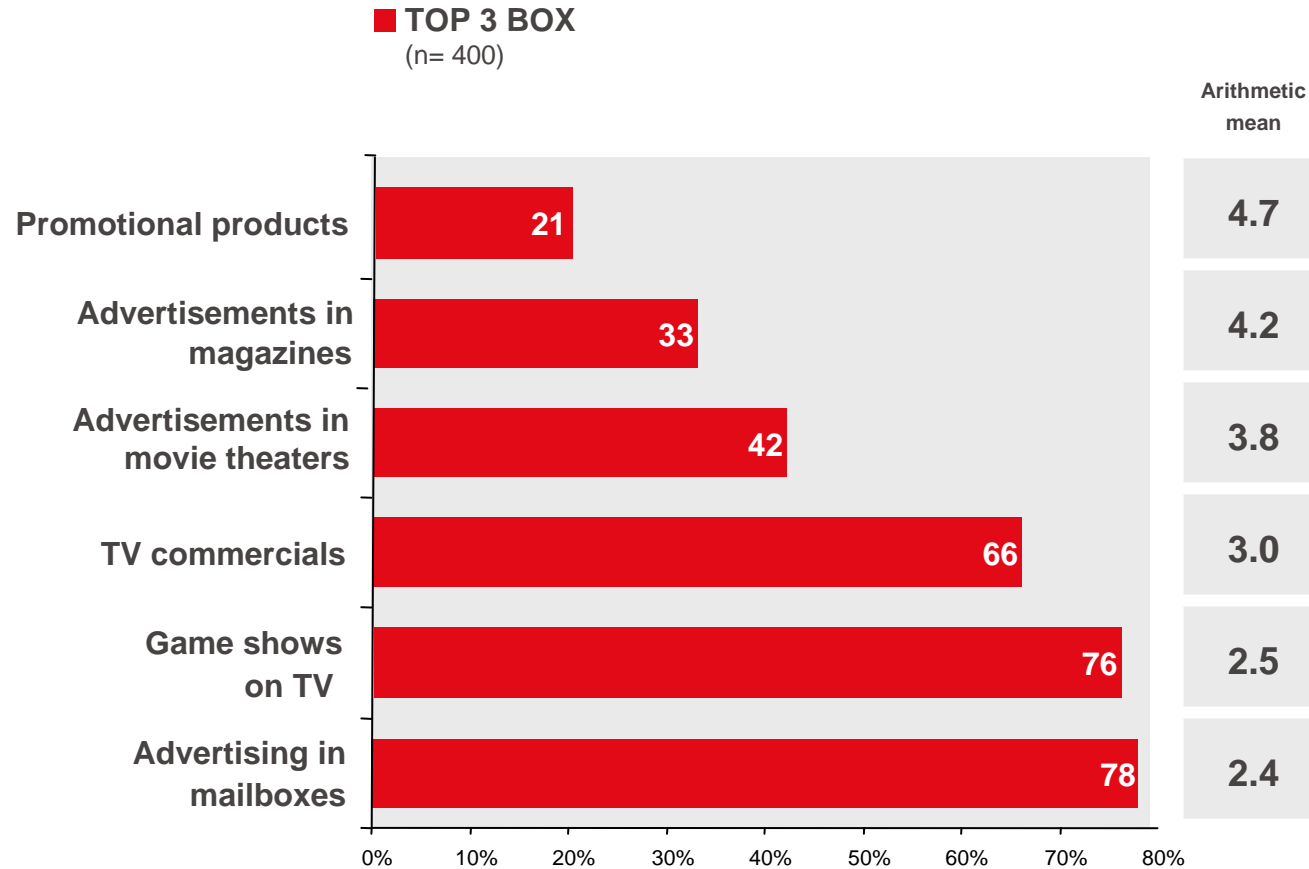
**Credibly proving the benefits and eliminating the political regulations will make for new customers!**

**Excursus:**  
**Advertising effect of  
promotional products**



- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ Non-Users
- ↳ **Excursus: Advertising effect**

Scale runs from 1 (= feel very annoyed) to 6 (= do not feel at all annoyed)



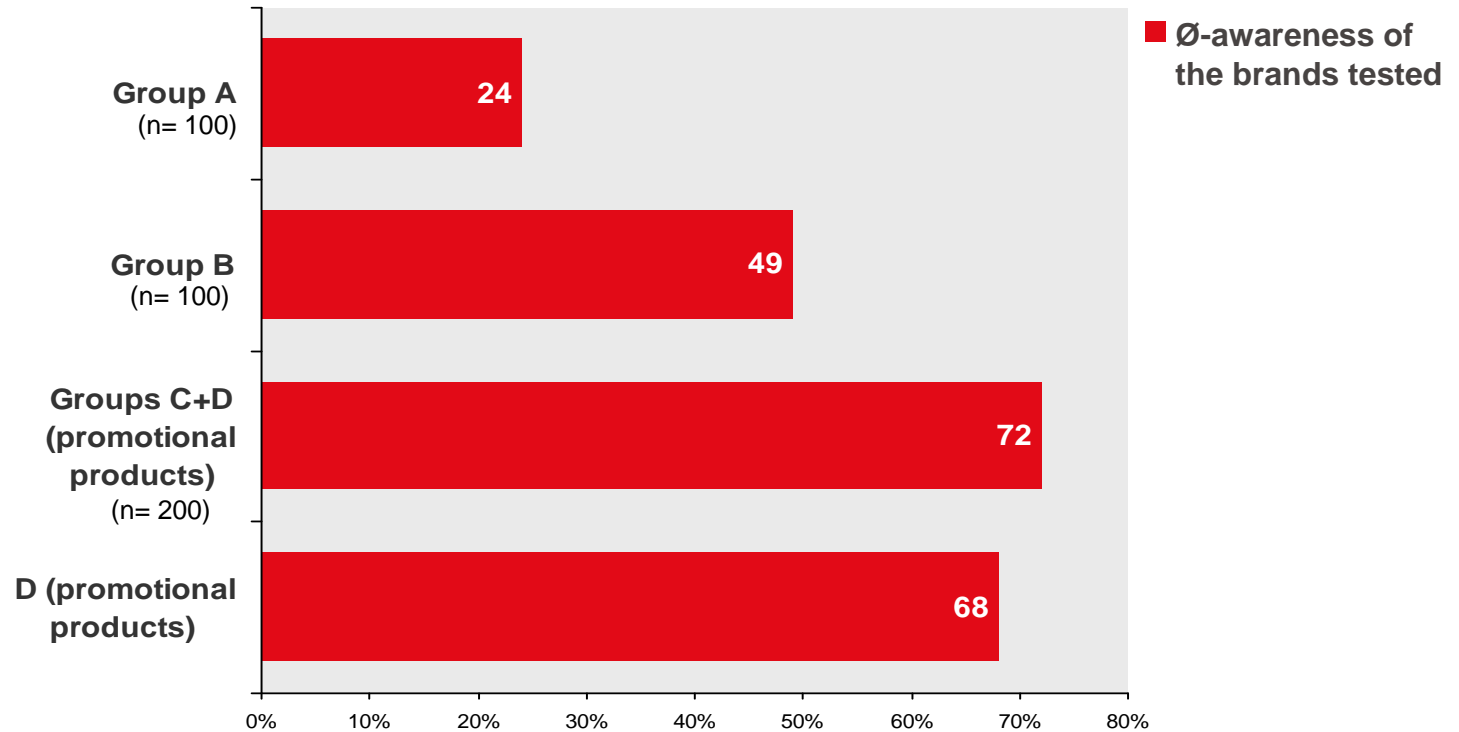
Reading example: only 21% of those surveyed are annoyed by promotional products. TV commercials annoy 66% of all persons. On average, promotional products' rating of 4.7 shows that people do not feel annoyed by them.



- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ Non-Users
- ↳ **Excursus:  
Advertising effect**

- ↳ As far as the acceptance of the advertising vehicle / form of advertisement is concerned, promotional products are clearly ahead of traditional advertising instruments.
- ↳ Only 21% of those surveyed indicated that they are annoyed by a promotional product.
- ↳ Agreement of this magnitude shows a clear initial advantage of promotional products compared to established forms of advertising.
- ↳ The advertisements which reach consumers on TV have a particularly severe acceptance problem.
- ↳ More than a quarter of all persons tested are happy to receive promotional products.
- ↳ The question as to whether companies which use promotional products are considered to be likeable also elicited a high level of agreement (70%).
- ↳ Printed logos were not considered annoying by 66% of the subjects.
- ↳ The answers to the question regarding whether those surveyed would prefer products from companies from which they receive promotional products over products from other companies in the same price range and of the same quality was also very positive (43%).

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ Non-Users
- ↳ **Excursus: Advertising effect**



Question: Can you still recall advertising in Stern/related to Stern TV/on the promotional products\*? Please try to remember: which brands or companies were advertised?

Reading example: On average, the test brands generated an unaided penetration of 72% by advertising with promotional products.

**Promotional products achieve a significantly higher level of unaided penetration than the traditional communication media of print and TV.**

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
  - ↳ Users
  - ↳ Non-Users
  - ↳ **Excursus:  
Advertising effect**

- ↳ Nearly three-fourths of all those surveyed (72%) were able to recall the advertiser on promotional products without any help.
  - Thus the advertising recall of promotional products is significantly higher than print and TV advertising
- ↳ Hence promotional products enable the advertiser to master the first stage of the advertising effects chain, the perception of the advertising message.
  - Thus promotional products solve the perception problem of the advertisers
- ↳ Promotional products not only get the message to consumers (effective), but also have a strong coverage. Accordingly, they are much more efficient than print or TV advertising.
- ↳ In addition, there is much less waste coverage with promotional products than with print or TV advertising.

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
  - ↳ Users
  - ↳ **Non-Users**
  - ↳ Excursus:  
Advertising effect

- ↳ **Emphasizing the benefits of promotional products will be a suitable door opener for future use of promotional products, especially for medium-size and large companies.**

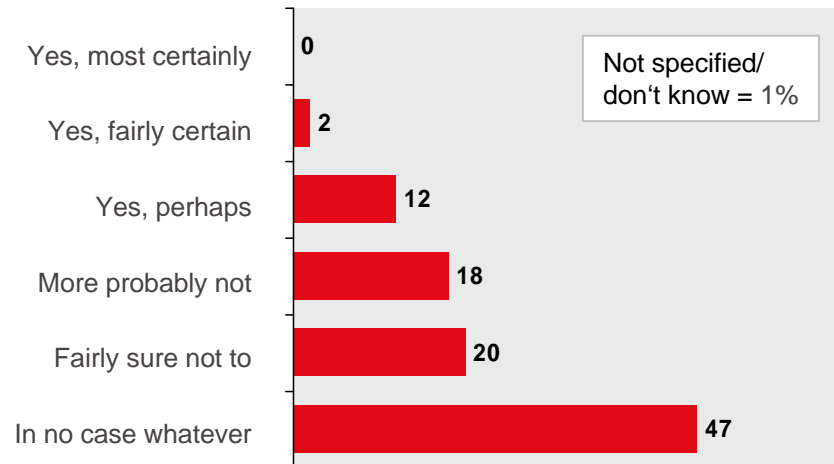
This is where the impact study on promotional products is of key importance. It proves, quantifiably and credibly, the great benefits companies can achieve with their customers by using promotional products.

- ↳ **The second step – taking a medium-term to long-term view – will be to reduce the uncertainty in dealing with political regulations as a key factor.**

This particularly applies to the smallest and small companies, since this category of companies feels particularly insecure owing to the tax regulations and basic statutory provisions.

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect

↳ For the reasons given above, half of all companies in Germany do not yet make any use of promotional products. **On the whole, however, 14% of this group are planning to perhaps use them in the future.**



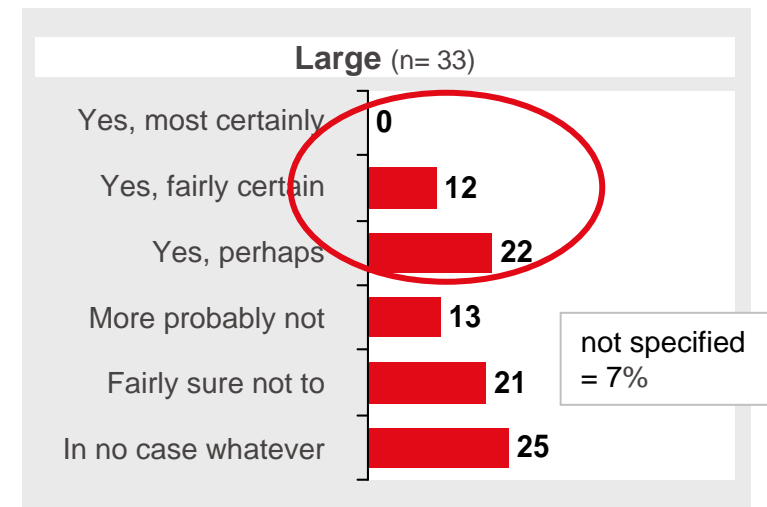
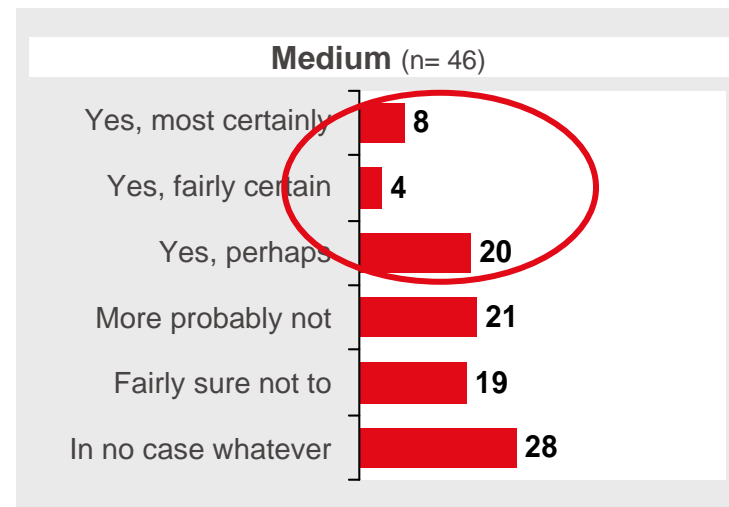
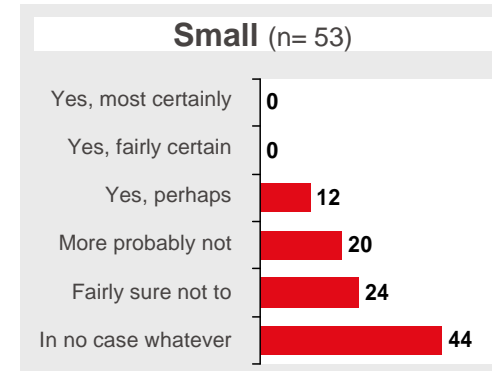
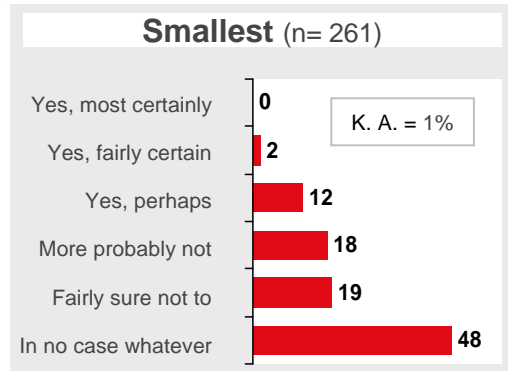
↳ Owing to the corporate structure in Germany, it at first appears as if acquiring new customers would be most important to the smallest and small companies. However, the following page illustrates that it is just these groups which are most determined not to use promotional products in the future. **The medium-size and large companies, by contrast, have a much more positive attitude toward using promotional products.**

Basis: 529 Companies that do not use promotional products

**Industry Monitor B-to-B Analysis** Basis: companies, representative

Stated in %

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect



Basis: Companies that do not use promotional products

Industry Monitor B-to-B Analysis Basis: companies, representative

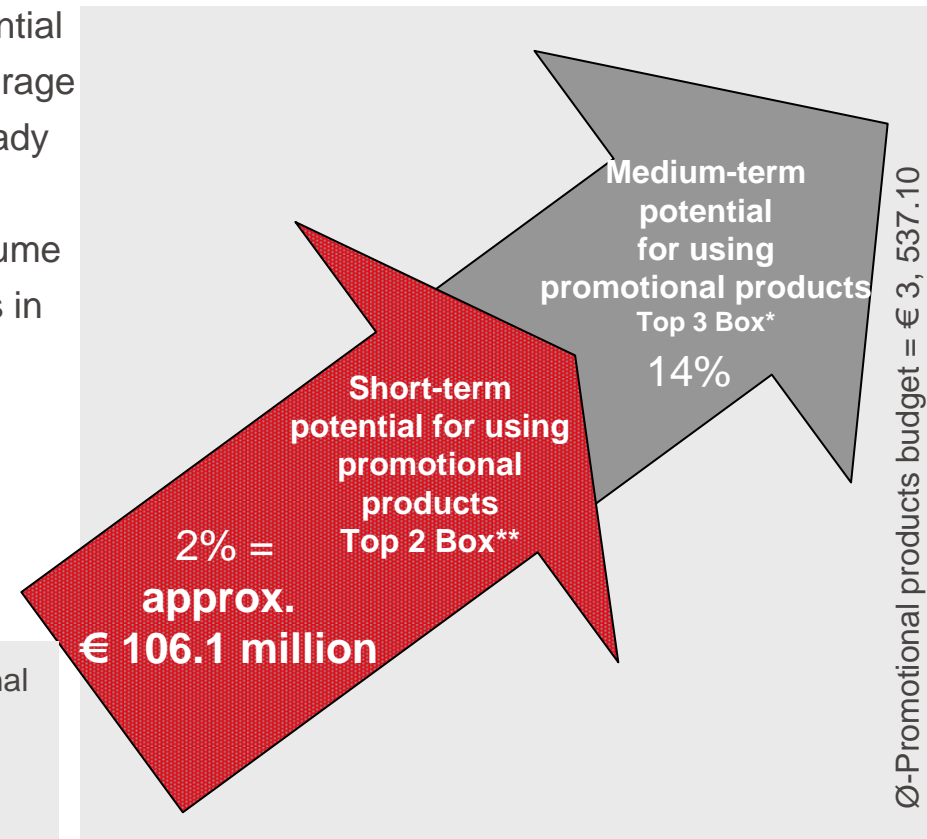
Stated in %

**Business with new customers will more likely take place in medium-size and large companies!**

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect

- ↳ Reasons that keep companies from using promotional products have already been mentioned. **An increase in consultancy services taking up** precisely these points **can achieve a potential of approx. € 106.1 million for the industry.**
- ↳ To calculate the short-term potential of promotional products, the average budget of those companies already using promotional products was used. That means the same volume was assumed for potential users in the future (€ 3,537.10).

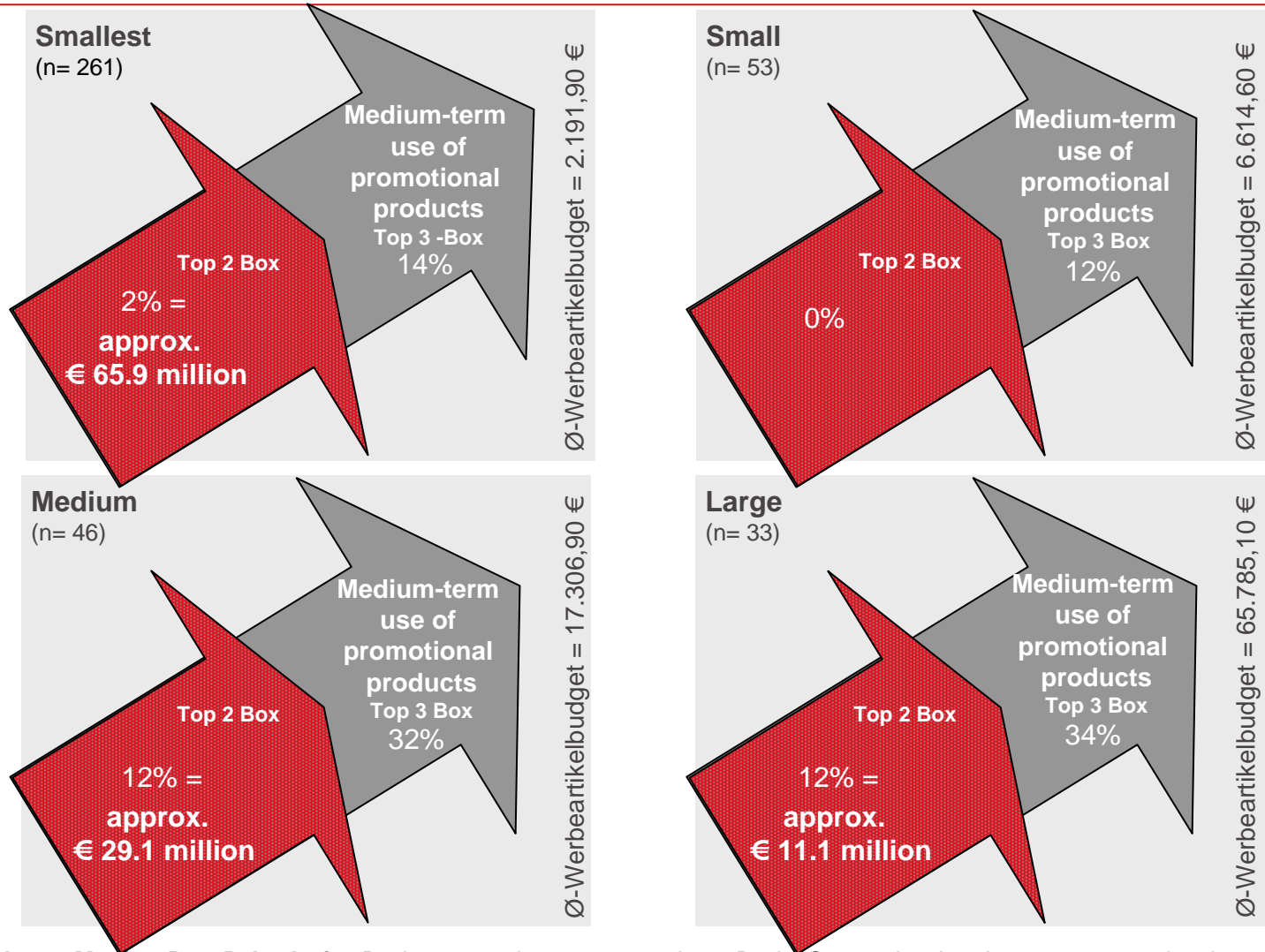
€ Short-term potential for promotional products in Germany (Top 2 Box):  
 0.03 million (= 2%) X € 3,537.10 = € **106.1 million**



Basis: 529 Companies that do not use promotional products  
**Industry Monitor B-to-B Analysis** Basis: companies, representative

## Potential for promotional products

- ↪ Methods
- ↪ Press Conference I
- ↪ **Press Conference II**
- ↪ Users
- ↪ **Non-Users**
- ↪ Excursus:  
Advertising effect



32

**Industry Monitor B-to-B Analysis** Basis: companies, representative Basis: Companies that do not use promotional products

**Medium-size and large companies have the highest rate of success and the greatest potential per company.**



## Potential for promotional products

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
- ↳ Users
- ↳ **Non-Users**
- ↳ Excursus:  
Advertising effect

- ↳ The **large and medium-size companies**, with their penchant for consultancy, have good rates of success for using promotional products in the future, both in the short and the long term. They offer a **high potential sales per company** at a considerably lower expense for consultancy
- ↳ The **small and smallest companies** exhibit high search costs at a low sales potential per company. The focus here should be on **expanding the current use of promotional products**
- ↳ The main door opener for future consultancy services is to emphasize the benefits of using promotional products, as well as to reduce the uncertainty in relation to political obstacles

Size of company	Success rate short term (medium term)	Sales potential per company	Result	Priority
Smallest (n= 261)	2% (14%)	€ 2,191.90	→ High search costs, low earnings per company, low success rate	3
Small (n= 53)	0% (12%)	€ 6,614.60	→ No success rate, high search costs	4
Medium (n=46)	12% (32%)	€ 17,306.90	→ Good success rate, good earnings per company	2
Large (n= 33)	12% (34%)	€ 65,785.10	→ Very good success rate, very high earnings per company, welcome consultancy	1

- ↳ Methods
- ↳ Press Conference I
- ↳ **Press Conference II**
  - ↳ Users
  - ↳ Non-Users
  - ↳ Excursus:  
Advertising effect

**An analysis of users of promotional products yielded some distinct tendencies concerning the future of promotional products.**

**On the one hand, it became apparent that the market is more likely to stagnate from the view of demand. On the other, however, it became clear that the supply side has ways to actively increase the growth of the market.**

**A) Potential is found to increase sales to those companies which already use promotional products → consultancy**

**B) As far as companies are concerned which do not yet make use of promotional products, the key to success is likewise consultancy, with the aid of advertising impact studies.**

**Above all, the medium-size and large companies have the greatest growth potential. On the whole, the results point to a short-term growth potential of approx. € 106.1 million.**

**Your contact:**

**Axel Bruchhausen**

Tel.: +49 (0) 221 – 29 99 15-12

Fax: +49 (0) 221 – 29 99 15-11

E-Mail: [Axel.Bruchhausen@advernomics.com](mailto:Axel.Bruchhausen@advernomics.com)

Advernomics GmbH

Einhardstraße 4

50937 Cologne

[www.Advernomics.com](http://www.Advernomics.com)

