

Understanding Today's Promotional Products Industry

PPAI 100 Distributor
Sales Insights
October 2024

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Promotional Products Work![®]

Overall Sales Revenue Dynamics

The promotional products industry has recorded a **+2.22%** revenue increase in August and September 2024, slightly trailing the 2.4% inflation rate. While the gap between revenue growth and inflation has narrowed, the industry is navigating these economic pressures with resilience.

As inflation eases, firms using AI, agility, and innovation will gain an edge by boosting efficiency and customer engagement, turning challenges into growth opportunities



Note: The annual inflation rate for the United States was 2.4% for the 12 months ending September 2024.

Order Volume Growth vs. Inflation



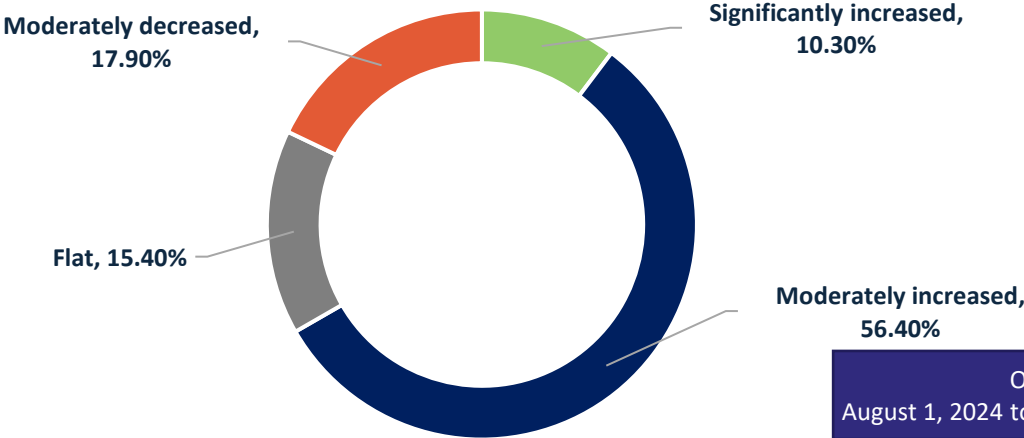
Growth vs. Inflation: **66.7%** of PPAI 100 distributors reported order growth, with 10.3% seeing significant increases. While inflation has eased in recent months, overall growth remains slightly behind, signaling that demand is strong but still impacted by lingering cost pressures.



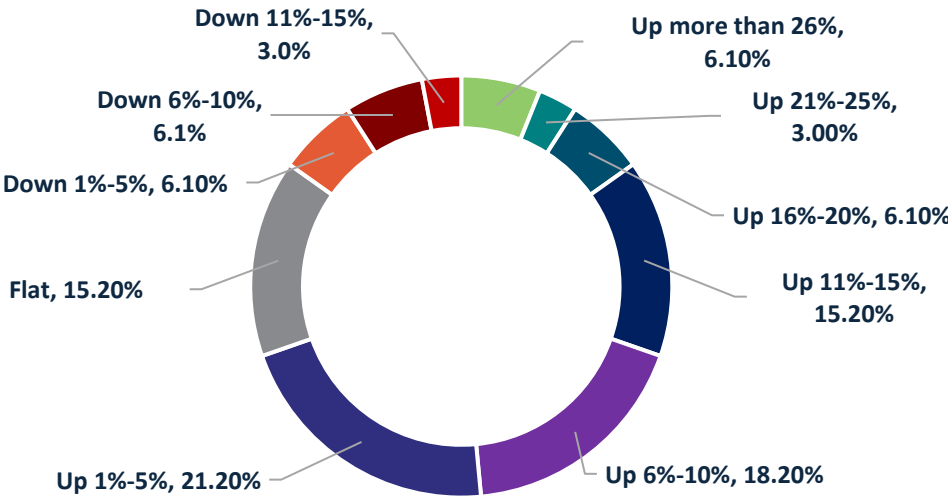
Stability: **15.4%** of distributors saw flat order volumes. Though stable, these firms may face shrinking margins as inflation, even at a lower rate, continues to affect operational costs.



Minimal Decline: **17.9%** faced order declines, likely feeling the effects of inflation on both costs and customer demand, signaling a need for strategic shifts to mitigate further losses.



Orders:
August 1, 2024 to September 30, 2024



Two-thirds of PPAI 100 distributors are seeing growth, but those facing flat or declining orders must act fast to capitalize on market momentum.

Unit Sale and Order Dynamics



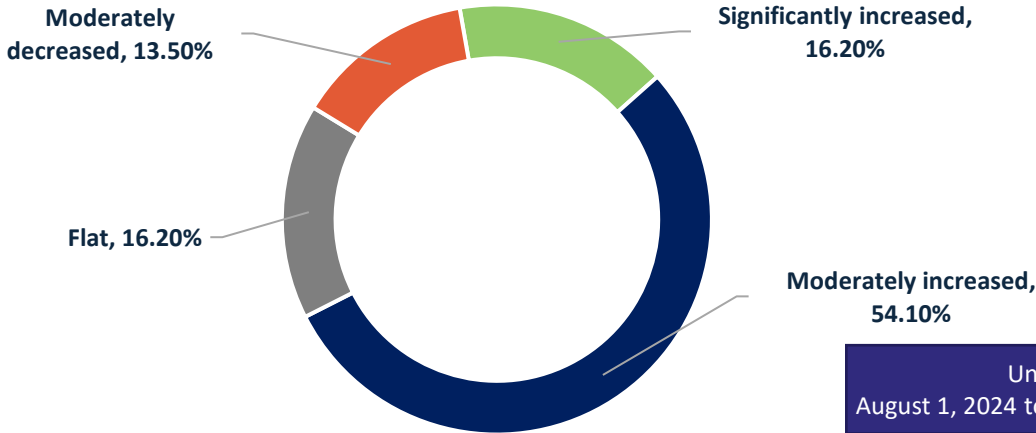
Growth: 70.3% of PPAI 100 distributors reported unit sales growth, compared to 66.7% reporting order growth. This reflects solid demand, with unit sales slightly outpacing order growth, indicating successful fulfillment of orders.



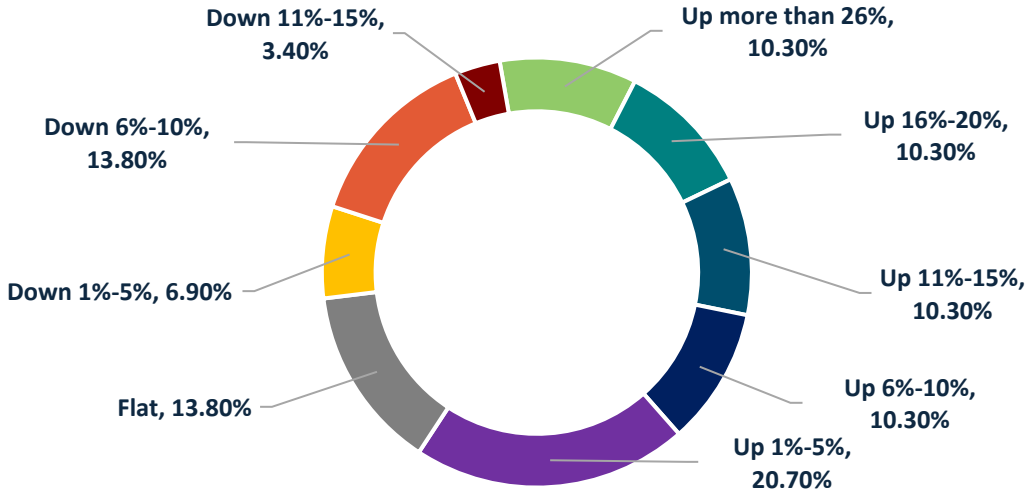
Flat Performance: 16.2% of distributors experienced flat unit sales, compared to 15.4% reporting flat order volumes. While stable, inflation may squeeze margins for firms in this category.



Decline: 13.5% saw decreases in unit sales, compared to 17.9% reporting order declines. Distributors facing declines will need to adapt to shifting market conditions and inflationary pressures.



Unit Sales:
August 1, 2024 to September 30, 2024



PPAI 100 distributors are seeing strong growth in both unit sales and orders, but those with flat or declining numbers need to refine their approach to stay competitive.

Dynamics of Sales Revenue



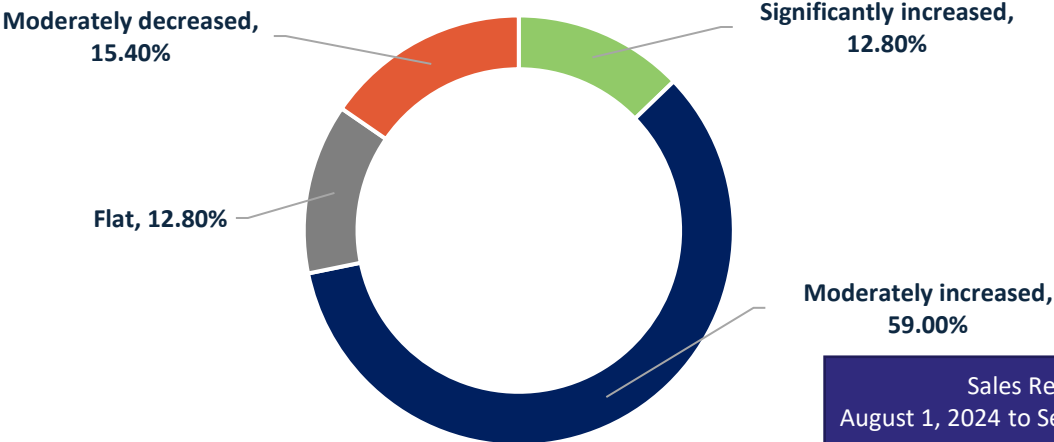
Revenue Growth: **71.8%** of PPAI 100 distributors reported sales revenue growth, with 12.8% experiencing significant increases.



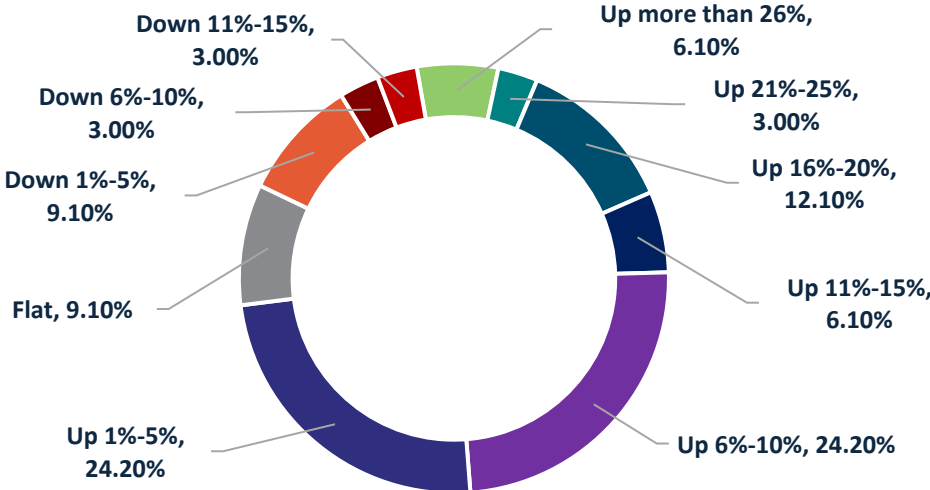
Stability vs. Stagnation: **12.8%** reported flat revenue, suggesting stability but with potential stagnation risks.



Declining Revenue: **15.4%** reported a moderate decrease in sales revenue, suggesting that some firms are still grappling with cost pressures or shifting customer demand.



Sales Revenue:
August 1, 2024 to September 30, 2024



Revenue is rising for most PPAI 100 distributors, but those seeing flat or declining figures need to act fast to maintain profitability amid rising costs.

Year-to-date Sales Revenue Trend



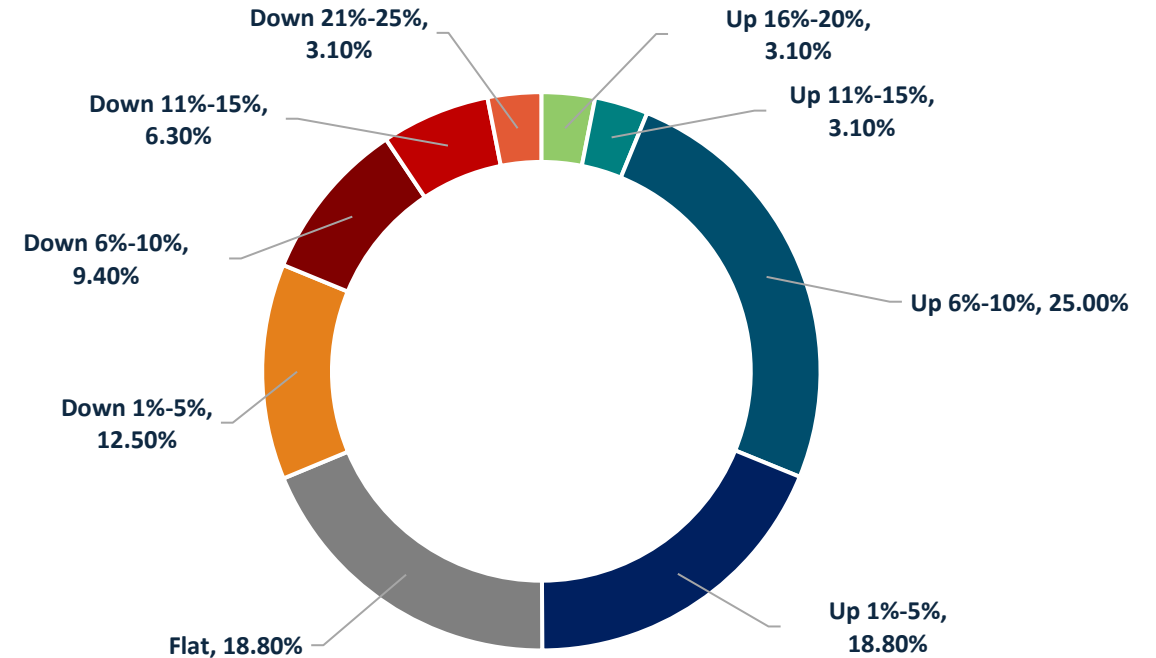
Growth: 50% of PPAI 100 distributors reported revenue increases year-to-date, with the majority seeing modest growth of 1%-10%. Only 6.2% reported double-digit growth, reflecting a cautious but positive trend in the market.



Stability: 18.8% of distributors reported flat revenue, maintaining stability but facing margin pressure from inflation.



Decline: 31.3% of distributors experienced revenue declines, with some seeing drops of more than 10%, suggesting that inflation and market shifts are affecting a significant portion of the industry.



Year-to-date 2024
Sales Revenue (through September)

Year-to-date revenue growth is steady, but with a third of distributors seeing declines, firms need to focus on driving sustainable growth in a competitive market.

Deeper Insights: Navigating Business Challenges



Economic Uncertainty Dominates: 75% of PPAI 100 distributors report economic uncertainty as their top challenge, reflecting broader market volatility.



Lengthy Sales Cycles: 40% are dealing with extended sales cycles, suggesting that decision-making delays are impacting business momentum.



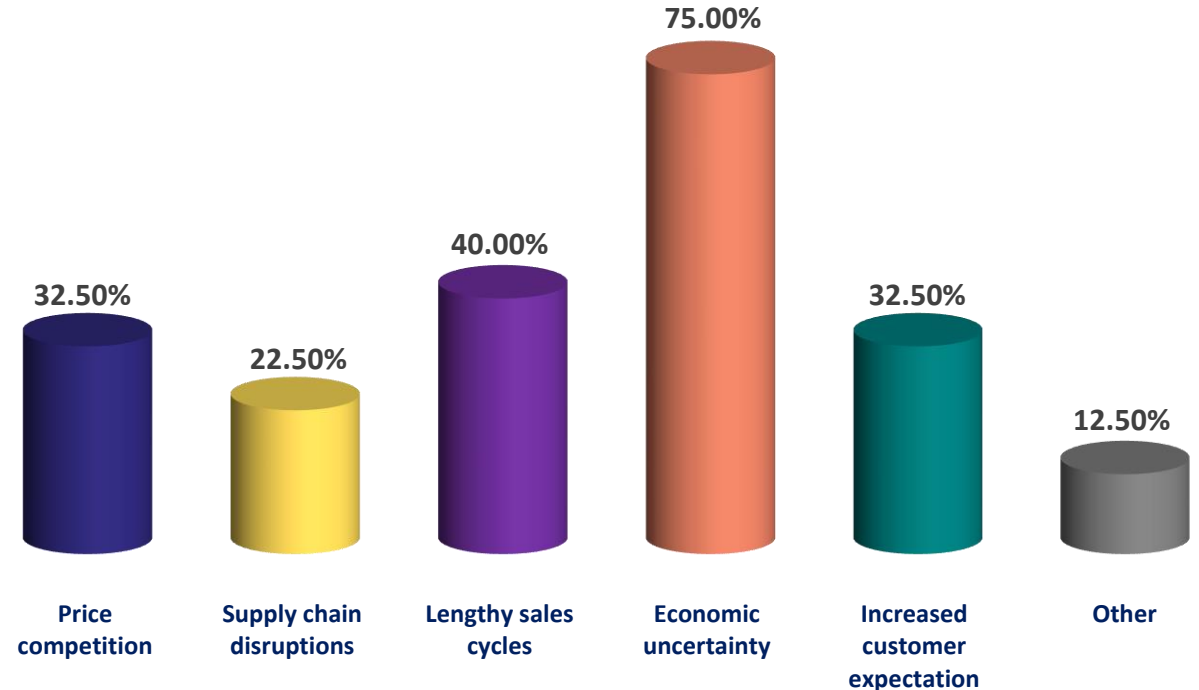
Price Competition: 32.5% are facing intense price competition, pushing firms to find ways to maintain margins while staying competitive.



Supply Chain Disruptions: 22.5% of distributors report ongoing supply chain issues, although these are less pronounced compared to previous years.



Customer Expectations: 32.5% of firms are grappling with increased customer expectations, signaling the need for innovation and better service offerings.

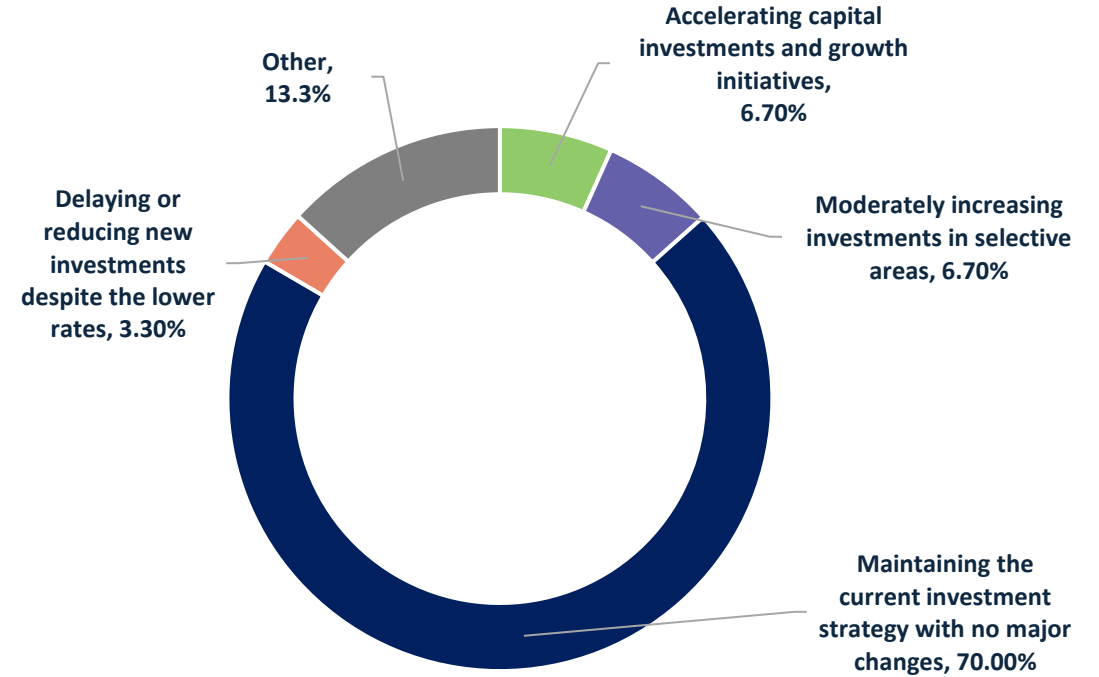


Business Challenges

With economic uncertainty and longer sales cycles weighing on the market, PPAI 100 distributors are feeling the pressure to innovate and meet rising customer expectations.

Fed Rate Cut: Most Hold Steady, Some Eye Growth

While the Fed's rate decrease has not led to major shifts in investment strategy for most PPAI 100 distributors, some are exploring selective investment opportunities to drive growth.



Fed Rate Cut Effects

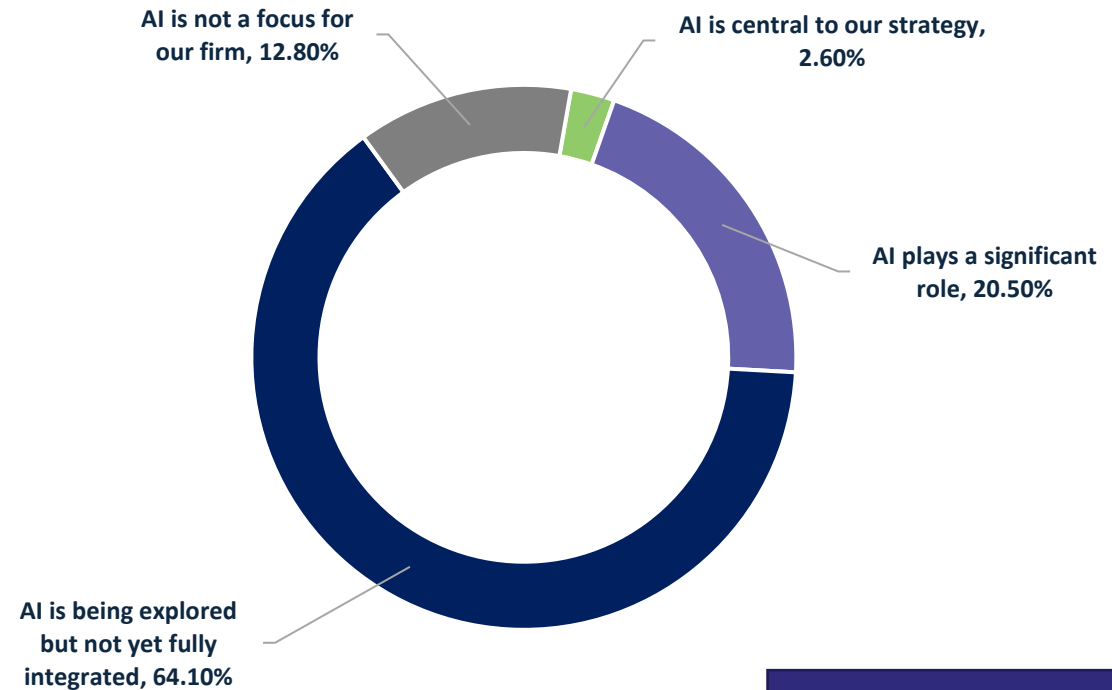


AI and Digital Transformation

AI Adoption Among PPAI 100 Distributors

87.2% On Board with AI

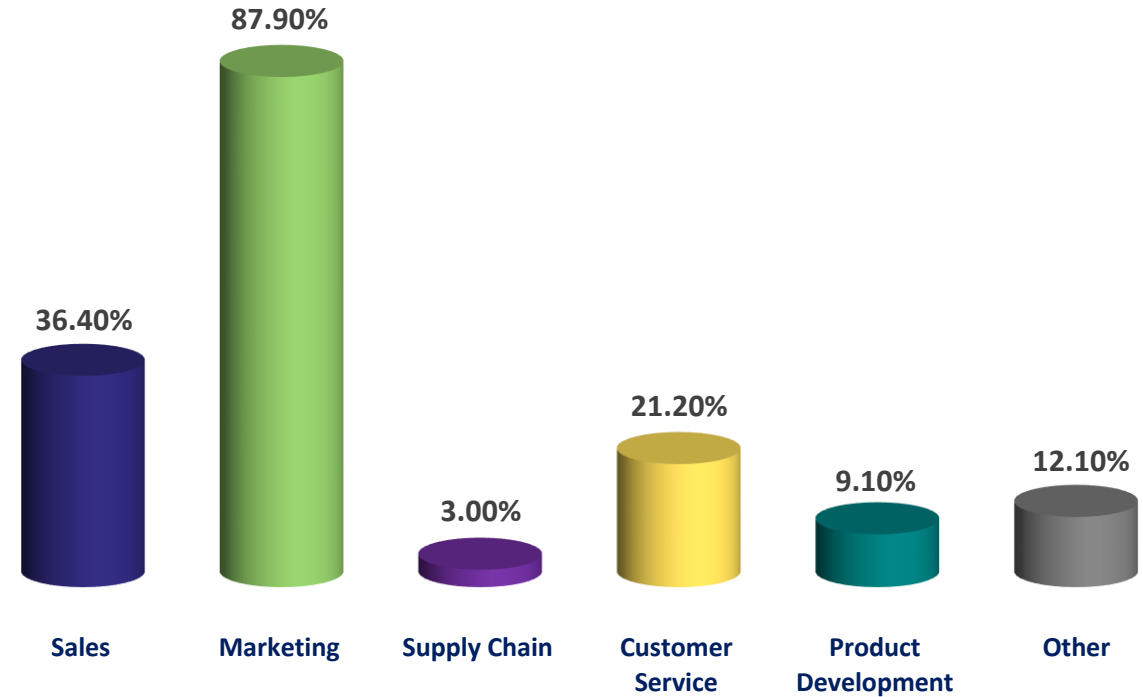
More than 6 in 10 PPAI 100 distributors (64.1%) say they are exploring artificial intelligence tools, with another 20.5% saying the technology plays a significant role in their operations – and a vanguard of 2.6% that have already embraced AI as a core component. Just under 13% responded that AI is not a focus for their businesses.



Artificial Intelligence Impact

AI Driving Transformation Across Key Business Areas

AI is making waves across business operations for PPAI 100 distributors – driving significant gains in marketing, optimizing sales processes, and enhancing customer service. Creative, HR, IT, and program operations are also benefiting, as AI reshapes how distributors engage, streamline processes, and innovate.



AI in Key Business Areas

Challenges in AI Implementation



Internal Expertise Gap: 64.7% of PPAI 100 distributors report lacking internal expertise, making this the biggest hurdle in AI adoption.



System Integration Issues: 35.3% struggle with integrating AI into existing systems, slowing down the adoption process.



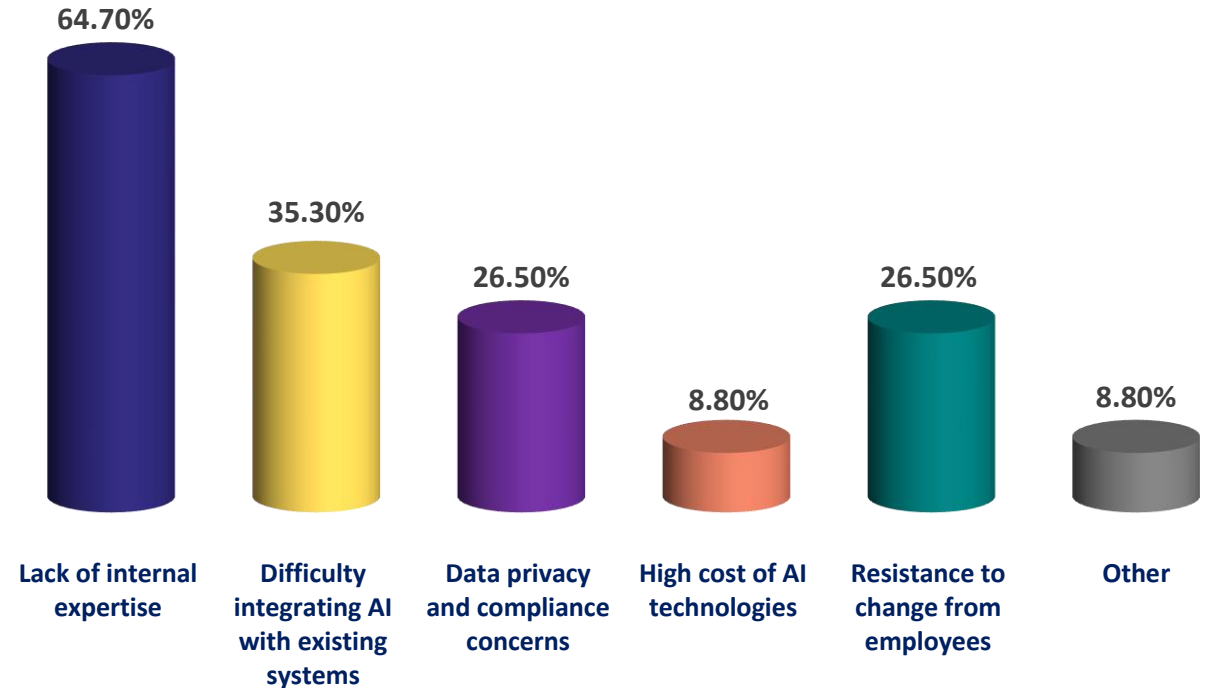
Data Privacy and Compliance: 26.5% face concerns around data privacy and compliance, reflecting ongoing regulatory challenges.



Employee Resistance: 26.5% of firms are dealing with resistance to change from employees, indicating a cultural challenge in implementing AI.



Other Challenges: Additional issues like integrating AI with existing software, limited bandwidth for implementation, and lack of AI interfaces were identified by 8.8% of respondents.

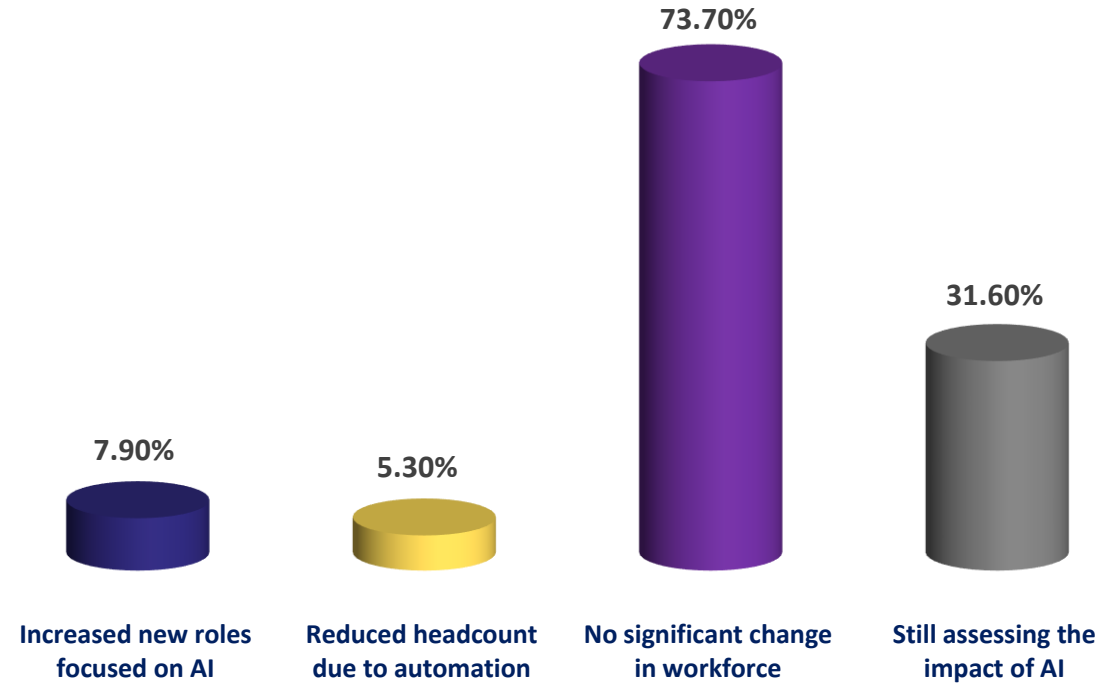


Challenges in AI Implementation

Internal expertise and system integration are the biggest hurdles for PPAI 100 distributors adopting AI. Overcoming these challenges will be key to driving transformation.

AI's Impact on the Workforce

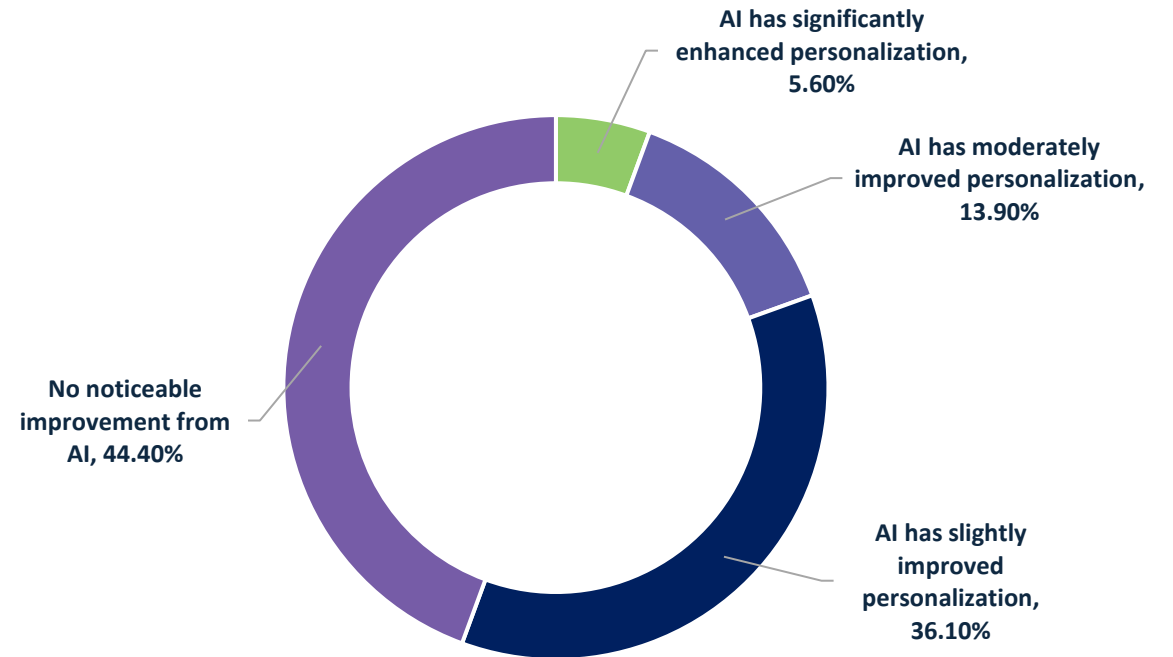
AI has not yet significantly affected workforce structures for most of the PPAI 100 distributors, although new AI-focused roles are emerging, and many firms are still assessing its long-term impact.



AI Impact on Workforce

AI's Impact on Personalization

While AI is starting to improve personalization, the majority of distributors have yet to see significant benefits. Firms will need to continue refining their AI strategies to fully unlock its potential for personalized customer interactions.



AI Impact on Personalization

Primary Goals for AI Implementation (Next 1-3 Years)



Efficiency Focus: 81.1% of PPAI 100 distributors are prioritizing AI to increase operational efficiency, highlighting a strong emphasis on optimizing processes.



Customer Experience: 78.4% aim to use AI to improve customer experience, reflecting a focus on leveraging AI to enhance service quality and personalization.



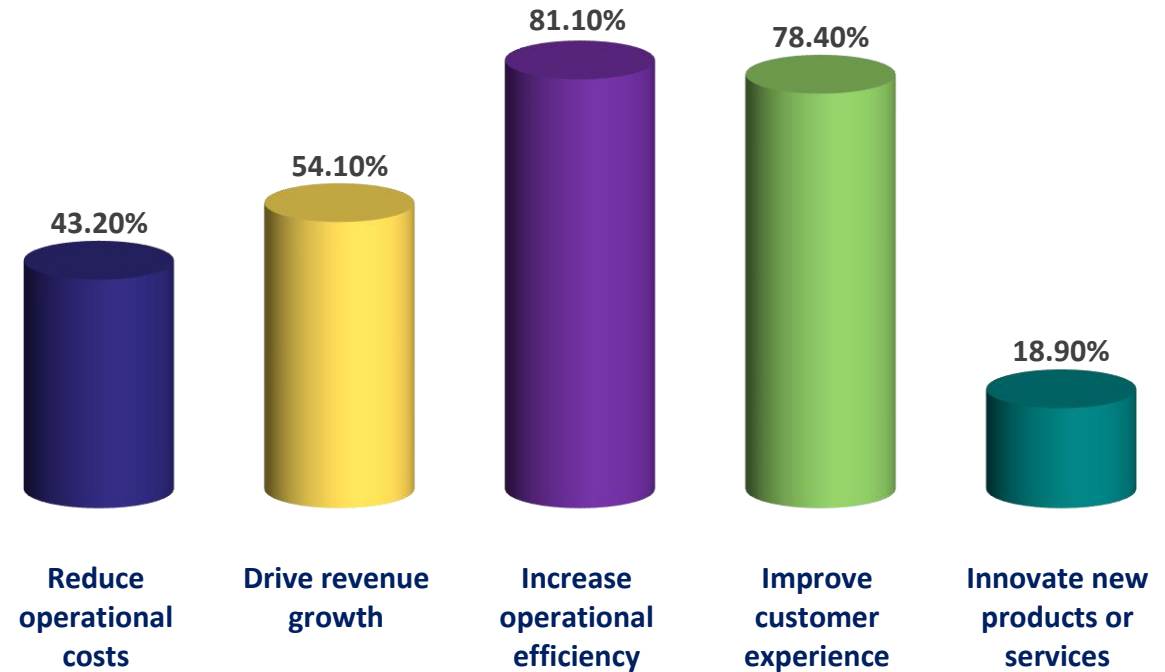
Revenue Growth: 54.1% are focused on driving revenue growth through AI, underscoring the potential for AI to boost top-line performance.



Cost Reduction: 43.2% of firms seek to reduce operational costs with AI, signaling the need to streamline expenses in a competitive market.



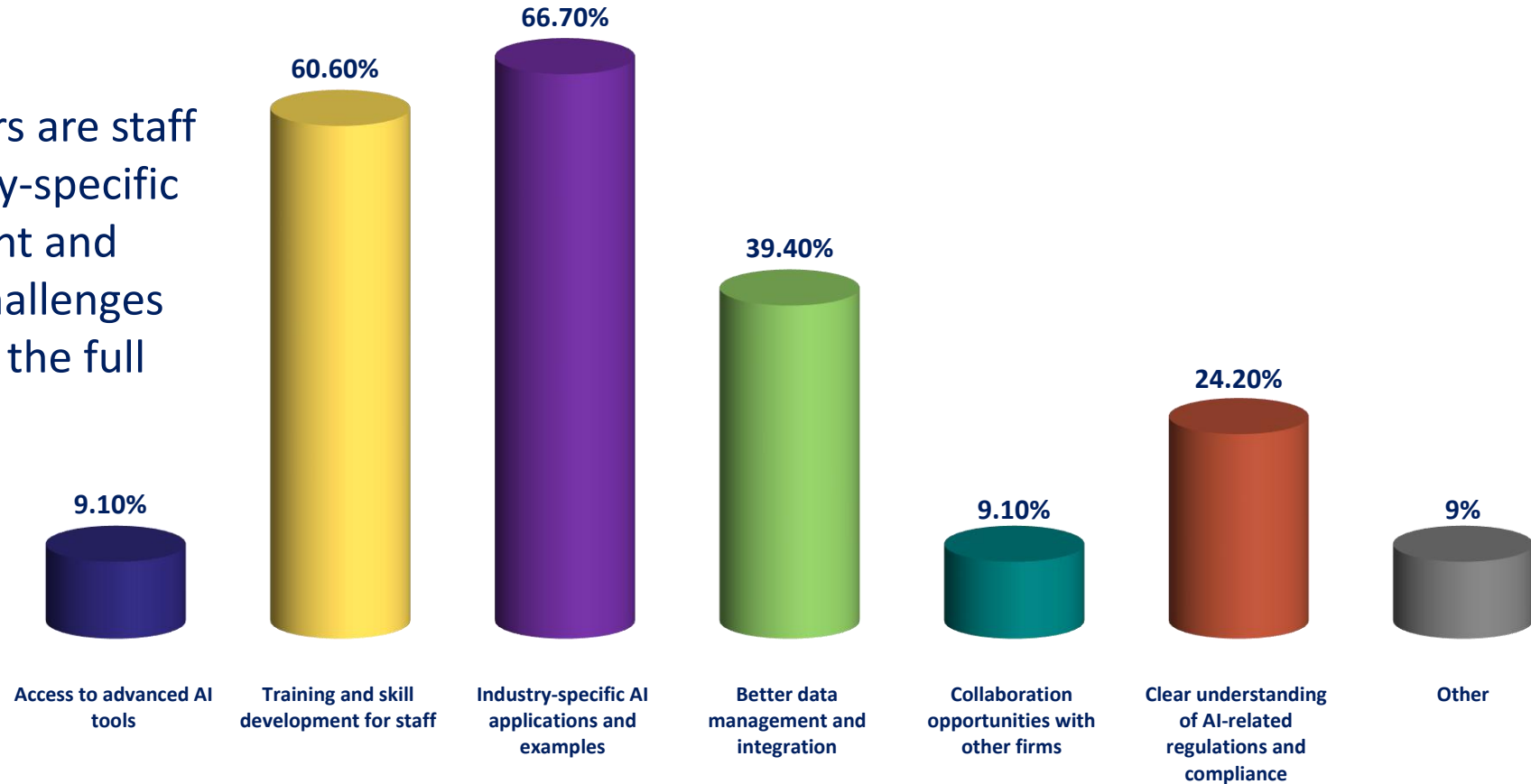
Innovation: 18.9% are targeting AI for innovating new products or services, showing that while efficiency and customer experience are key, some firms are looking ahead to product development.



Primary Goals for AI Implementation

Gaps in AI and Digital Transformation

The biggest hurdles for distributors are staff training and the need for industry-specific AI solutions. Data management and regulatory clarity are also key challenges that need addressing to unlock the full potential of AI.



Gaps in AI and Digital Transformation



Data sourced from the collective responses of PPAI 100 Distributors via a flash survey conducted in October 2024.

