What's next?

Promo leaders approach regulatory
shifts with caution. PPAI research
shows it's time for the industry
to become more informed.

By Rachel Zoch

"You adapt, evolve, compete or die."

– Paul Tudor Jones

Ongoing regulatory updates continue to present operational challenges for the promotional products industry, particularly when it comes to complying with environmental standards, product safety regulations and rules for packaging and labeling.

A fall 2024 survey of PPAI member firms highlights the realities of this regulatory landscape, revealing not only the kinds of challenges faced but also the critical need across the board for information and support from PPAI.

Here, we take a look at the issues cited as most pressing by PPAI members in two recent surveys, as well as how some of them are preparing for future shifts.

Regulatory Impacts

An August 2024 survey of PPAI 100 firms revealed that 34.8% of suppliers and 31.3% of distributors say they are "significantly impacted" by recent compliance regulations.

Rising costs were perhaps the most substantial burden cited by those respondents, highlighting the growing financial impact of meeting regulatory standards. The majority of PPAI 100 companies reported grappling with rising compliance costs over the past year, with 56.3% of distributors and a whopping 86.9% of suppliers experiencing an increase in expenses for certifications, audits, sustainability measures, legal fees and other compliance activities.

Compliance Challenges

Navigating costs, complexity and change pose significant challenges for PPAI 100 suppliers and distributors alike. Frequent regulatory updates, increasing costs and complex regulations were the main challenges noted by this group, with resource and skills gaps further complicating compliance efforts.

- **Regulatory changes**: 95.7% of suppliers and 64.3% of distributors said they struggle with keeping up with changing regulations.
- **Costly compliance**: 60.9% of suppliers and 64.3% of distributors said they face high compliance costs.
- **Unclear rules**: 73.9% of suppliers and 50% of distributors said they find regulations complex and unclear.

Distributors in particular said they struggle with access to compliance resources and personnel. More than a third (35.7%) of distributors in the PPAI 100 survey reported limited access to compliance resources and said they lack skilled compliance personnel.

Knowing Is Half The Battle

For distributors and suppliers alike, regulatory awareness is an essential first step toward compliance, but the pace of change can make it difficult to stay on top of current requirements. Results of the broader member survey in the fall reveal a knowledge gap across the industry *(see Figure 1):*

FIGURE 1: How familiar are you with currently proposed or soon-to-be-effective regulatory or legislative changes (e.g., environmental, trade, data privacy, labor, etc.) that impact the promotional products industry?

	Distributors	Suppliers
Very familiar	19.6%	13.3%
Somewhat familiar	42.3%	40%
Not very familiar	31.2%	36.7%
Not familiar at all	6.9%	10%

- Fewer than 1 in 5 (19.6% of distributors and 13.3% of suppliers) reported feeling "very familiar" with current or upcoming regulatory changes, leaving a significant portion of the industry vulnerable to compliance risks.
- While a larger segment (42.3% of distributors and 40% of suppliers) reports feeling "somewhat familiar," 30.9% of distributors and 36.7% of suppliers describe themselves as "not very familiar" or even "not familiar at all."

These numbers underscore a critical need for accessible, up-to-date information to help promo firms stay compliant. PPAI has expanded its commitment to providing timely, accessible information to all members through its research and media team to help members bridge this gap and empower them to make informed decisions and maintain operational compliance.

"As regulatory demands grow more complex, proactive compliance isn't just about following rules – it's about ensuring long-term resilience and competitiveness for our members," says Alok Bhat, market economist, research and public affairs lead. "By providing timely insights and strategic resources, we're helping firms navigate these shifts with confidence."

Listen Up

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Sanjay Kotia, MAS, manager of product compliance and quality assurance for SnugZ USA

Top Regulatory Concerns

Members indicated a wide range of concerns when asked which regulatory areas they anticipate will have the most impact on their businesses in the next four years. Although product safety regulations were a focus in the earlier PPAI 100 survey results, they took a backseat to tariffs, environmental standards and data privacy in the broader member survey conducted later in the year *(see Figure 2):*

FIGURE 2: **Which of the following regulatory changes or legislative actions do you anticipate having the most significant impacts on your business in the next four years?**

	Distributors	Suppliers
Environmental regulations	24.5%	53.3%
Trade tariffs and restrictions	38.3%	80.0%
Data privacy regulations	28.7%	10.0%
Labor and ethical sourcing regulations	36.2%	26.7%
Product safety and compliance standards	25.5%	43.3%
Packaging and labeling requirements	22.9%	33.3%
Intellectual property and trademark regulations	19.1%	3.3%
Anti-counterfeiting and brand protection measures	20.7%	6.7%
Health and safety regulations	17.0%	3.3%
Import/export compliance	17.0%	43.3%
Consumer protection and product recall regulations	18.6%	6.7%
Advertising and marketing compliance	10.1%	13.3%
Other	0.5%	13.3%

- **Tariffs and trade restrictions** emerged as a top priority. President-elect Donald Trump has pledged to make significant tariffs – particularly on goods imported from China – a cornerstone of his economic agenda, and 38.3% of distributors and a significant 80% of suppliers view these as a potential disruption to their business models.

"The increased cost, supply chain delays and budget adjustments due to future trade tariffs and import restrictions will be the key adverse impacts on our business in general for the next four years," says Sanjay Kotia, MAS, manager of product compliance and quality assurance for SnugZ USA, the No. 7 supplier in the PPAI 100. "We will also be mindful about strategic adaptations for reshoring or nearshoring if tariffs will be imposed on China to mitigate broader import risks."

- **Environmental regulations** were also high on the list, with 24.5% of distributors and 53.3% of suppliers anticipating challenges tied to sustainability requirements, bans on specific chemicals (like PFAS) and extended producer responsibility for packaging.

"Environmental regulations often require businesses to adapt their production processes, source sustainable materials or eliminate single-use plastics, which may lead to increased costs and operational changes," says Heidi Koch, senior product manager for Cap America, the No. 18 supplier in the PPAI 100. "However, these measures can also present opportunities to align with consumer demand for eco-friendly products and achieve long-term benefits."

- **Data Privacy Regulations** such as the California Consumer Privacy Act and Europe's General Data Protection Regulation concern 28.7% of distributors and 10% of suppliers – a clear indication of the growing

Watch Out

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FIGURE 3: To what extent do regulatory updates affect your business operations in the average year?

	Distributors	Suppliers
Do not affect operations	2.7%	6.7%
Slightly affect operations	41.5%	26.7%
Moderately affect operations	42.6%	43.3%
Significantly affect operations	13.3%	23.3%

importance of secure data handling practices in the industry.

• One distributor respondent said: "One of the most pressing concerns for our business is the evolving landscape of cybersecurity regulations. With the increasing number of data breaches and cyber threats, we are closely monitoring new laws that may require us to implement additional security measures to protect our customers' data."

Operational Impact

The impact of these regulations goes beyond theoretical concerns. Many of these laws have already begun to reshape business operations in meaningful ways *(see Figure 3):*

• 13.3% of distributors and 23.3% of suppliers report that regulatory updates "significantly affect" their operations, while 42.6% of distributors and 43.3% of suppliers say they are "moderately affected."

For some, these impacts translate to increased compliance costs, operational inefficiencies or even shifts in business strategy and hiring to meet new standards.

"We have taken and continue to take steps to monitor industry trends, building a regulatory compliance team, collaborating cross-functionally, leveraging expert networks provided by PPAI and investing in sustainable products and ethical practices," says Kotia.

At the product level, some suppliers have had to adjust their product formulations due to state-level bans on "forever chemicals" like PFAS, while companies reliant on imports from China expect tariffs that will directly affect their bottom lines.

• One distributor respondent said: "International trade policies, including tariffs and trade agreements, are critical for our business, especially since we rely on a global supply chain. Any disruptions in trade could lead to increased costs or limited access to certain markets."

Ryan Paules, chief swag officer of Los Angeles-based Radar Promotions, says he understands the goal behind any administration's use of tariffs, but history has shown that this always results in higher costs and prices.

"As a distributor, we rely on our supplier partners to keep up on the tariffs, as they are almost always the importer of record on the raw/blank products they are sourcing. This largely insulates us from the administrative burden of this issue," he says, "but make no mistake, tariffs are passed onto the price of the product just like any other variable cost of doing business, whether it's raw materials, labor costs or governmental fees."

Industry Readiness

The industry's preparedness to meet these challenges is mixed:

FIGURE 4: How prepared is your company to adapt to future regulatory changes in the promotional products industry by tracking and anticipating updates?

	Distributors	Suppliers
Very prepared	22.3%	43.3%
Somewhat prepared	43.1%	36.7%
Not very prepared	30.9%	20.0%
Not prepared at all	3.7%	0%

Take Action

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- While 43% of suppliers feel "very prepared" to adapt, only 22% of distributors share that sentiment *(see Figure 4)*. This disparity underscores a need for enhanced resources, especially for smaller firms that may lack dedicated compliance teams.
- More than half (56%) of suppliers and one-third (33%) of distributors face resource and time constraints, and 40% across the board say they struggle to understand complex regulations *(see Figure 5)*.
- 89% of suppliers and 41% of distributors want more regular updates on regulatory changes *(see Figure 6)*.
- 65% of suppliers and 56% of distributors call for additional educational resources to stay informed about the regulatory landscape.

It's clear that both distributors and suppliers need support in navigating regulatory changes, and PPAI is dedicated to addressing these through enhanced reporting and advocacy efforts. The Association engaged Thorn Run Partners, a top Washington lobbying firm, to amplify the industry's voice in the halls of Congress. (See page 36 for more.)

And PPAI Media published more than 100 articles covering regulatory and governance issues in 2024, covering a range of topics from PFAS regulations and extended producer responsibility laws to product sfety updates, recalls and much more. These were shared through PPAI's Newslink e-newsletter, as well as via social media.

PPAI is committed to supporting a resilient industry as regulatory

Compliance may be challenging, but with PPAI's proactive support, promotional products firms can navigate this complex landscape with confidence. Together, we can adapt to new regulatory realities, turning challenges into opportunities for growth, innovation and sustainable success.

FIGURE 5: What challenges does your company face in keeping up with public affairs and regulatory changes?

	Distributors	Suppliers
Lack of resources or time to monitor changes	33.3%	56.7%
Difficulty understanding complex regulations	38.6%	40.0%
Costs associated with compliance	42.9%	63.3%
Lack of access to reliable information	28.6%	16.7%
Limited internal expertise	27.5%	30.0%
Other	3.2%	3.3%

FIGURE 6: What actions would you like to see PPAI take to help members better navigate regulatory and public affairs challenges?

	Distributors	Suppliers
More regularly update members on key regulatory changes and their impacts	41%	90%
Increase investment in lobbying and advocacy	41%	28%
Provide further educational resources on political and regulatory impacts	56.4%	65.5%
Further facilitate connections between members and policymakers	26.6%	27.6%
Other	2.1%	3.4%

demands continue to evolve, with a variety of resources to provide members with the information they need to make smart business decisions:

- **Access PPAI resources:** With new articles and timely regulatory updates, PPAI aims to empower every member firm with actionable insights.
- **Advocate for the industry:** By sharing concerns and priorities through PPAI, members can help shape the future of the promotional products industry.
- **Participate in PPAI events:** Engaging in PPAI-hosted events like the annual Legislative Education and Action Day in Washington offers invaluable opportunities to discuss issues directly with legislators.

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For questions or suggestions on regulatory or government affairs issues, please contact Rachel Zoch, PPAI's public affairs and research editor, at RachelZ@ppai.org.