

# Tough Going

WHEN THE GOING GETS TOUGH, THE PROMOTIONAL PRODUCTS INDUSTRY GETS GOING! BY WILLIAM KESTIN

**T**here is no avoiding the current focus on the global financial crisis (GFC). Constant reminders are everywhere – the television, newspapers and even our own daily dinner table discussions. The effect of the GFC is being felt at all levels of business – big, small and everywhere in between. I am not an economic forecaster so I am not in the business of making predictions, but one thing I do know from experience is that when times get a little tough, the promotional products industry can provide great ROI.

Research shows marketers increase their spending on promotional products in times of recession in order to retain and reward current

business, increase new business and to assist in making marketing budgets stretch further, more effectively.

The current New Zealand promotional products market is no exception. Following on from an outstanding year in 2007 when below-the-line advertising expenditure exceeded above-the-line advertising spend for the first time, the market remains positive and steady. More and more companies are recognising the benefits of well-planned promotional product campaigns.

With a lot of businesses looking to tighten their belts and restrict their advertising spend, they need to become more creative and targeted

with their remaining budget. And this is where promotional product professionals provide the perfect alternative to traditional media advertising. As a result, more of their marketing spend is being directed towards promotional products and other 'non-traditional' forms of advertising.

Simon Morgan, director of Eco Apparel, believes the initial reaction by clients to the GFC in New Zealand has been predictable, but already things have turned around as organisations realise how far their promotional product dollar can go in supporting sales targets.

"Expenditure on promotional products has been slashed by many firms in an effort to be

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fiscally responsible in uncertain times,” says Morgan. “However we are already seeing a 180-degree turnaround as companies come to the realisation that below-the-line marketing is a critical sales tool. Historically, promotional product spending has increased during tough economic times, so we expect promotional spending this year to actually increase, most likely taking market share from above-the-line activity.”

Andre Schenk, director of Design A Gift, said recently that he felt the New Zealand promotional products industry is ideally placed to handle changes in the global economic climate because the market is relatively small.

“It’s inevitable spending will slow down,” he says. “But clients who are in a position to continue developing and investing in their business and their brand will survive, and that’s a positive for the promotional industry.”

“New Zealand is a small market; businesses are flexible and therefore able to respond swiftly to changes in the market.”

One of the most important messages, I believe, that the promotional products industry needs to keep communicating to customers is the value of a well-planned, cleverly targeted product campaign. This means clients need to be thinking ahead and allowing plenty of lead-time in the development of a product, which in some cases may need to be customised especially for the campaign. It also means tapping into the APPA members’ expertise and advice



to build the best possible promotion.

When it comes to mistakes, there are some common ones. National sales manager Christa Parsloe of New Zealand’s Hanna Match believes the most common mistake is when products selected by the client have no real relevance to the brand they are representing. “Customers may fall in love with a product, but if it doesn’t suit their brand, promote their message or appeal to their target market, it represents money

poorly spent,” she says.

I couldn’t agree more. The worst examples I’ve seen are when marketers haven’t planned a strategy or roll-out. Throwing products at a target market without investing in planning is a waste of marketing spend. And, in turn, marketers blame the medium of promotional products as the problem. In reality they have made an ‘ego-based’ decision based on their own personal tastes rather than benefiting

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## Better Connections

A well thought out and effectively targeted campaign not only creates a better connection, it can even help redefine a brand or open up new markets. Research conducted by APPA shows that the current generation of consumers appreciates promotional products more than any generation before because they offer a tangible value-add to their purchasing experience. A message passes from the brand to the consumer that says: "We are rewarding your brand loyalty. Thank you!"

Recent research supports this:

- 75 percent of human resource managers surveyed are using promotional products in recognition programmes
- 72 percent of marketing and HR managers say promotional products are very effective in motivation and retention of staff
- 100 percent of advertisers said adding a promotional product returned a favourable response to their campaign
- 69 percent of advertisers said promotional products increased brand interest
- 84 percent of advertisers said promotional products created more favourable impressions of the brand itself.

from the experience that APPA members can provide. The product is only one component in the whole campaign. The creativity used to elicit a response is the key to increasing profits and promoting brands.

So how can clients get it right? When it comes to putting together the right marketing strategy, Eco Appeal's Simon Morgan agrees that a smart marketer will consider promotional products a vital part of the marketing mix in both good times and bad.

"Like any promotional activity, the more thought that goes into the planning and

execution of any promotional product-related campaign, the better the results," says Morgan. "Although times are tough for many businesses, commercial activity – although reduced – still exists, and therefore market share is more critical than ever."

"Promotional products also offer a fantastic alternative to discounting, especially when used to encourage up-spend. Smart marketers will create campaigns that offer a minimum spend to receive something – a second, 'promotional product' – in return. This can be very effective. The client has not only generated more sales by

selling the original product but may have even made some margin on the promotional product itself. How many other promotional mediums can offer that?"

One of the highlights of my role as CEO of APPA is witnessing how far the industry has come in terms of reputation and professionalism. This is supported by directly solicited feedback, as well as feedback from those working in the New Zealand promotional products industry. "The industry once known as trash and trinkets is no more," says Morgan. "The promotional products industry has grown up and is now a very sophisticated, forward-moving industry."

But as with every industry, there is a minority of companies which do not subscribe to the same levels of professionalism. It is imperative that organisations or companies looking to use promotional products engage only with APPA members. Just about all the complaints (more than 90 percent) we receive at APPA are about non-APPA members – which means we are powerless to intervene. APPA is the only professional trade association specifically for the promotional products and promotional marketing industry.

A recent glut of complaints we received surrounded unsafe products. A recall of such products can be devastating to the company that gets caught in this situation. These complaints were not only from non-APPA member companies here in New Zealand, but were also

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about products bought directly from Chinese factories whose email offers seemed too good to be true. Trust me, they were! We've also had similar problems with local web-based promotional companies which aren't APPA members. I recently saw a brochure from a promotional products company which has gone broke three times and whose owner has had his name changed by deed poll. Of course it wasn't allowed to join APPA. That is why it is so important for consumers to verify they are dealing with an APPA member before they buy.

We lull ourselves into a false sense of security when it comes to the web. Just because a company is New Zealand-based; doesn't mean it will always supply products that meet New Zealand safety and health regulations. Most of us know that a majority of products come from China, but the risks of getting products directly from overseas are many, and can cost thousands of dollars in mistakes.

The most common complaints include:

- Sizing and quality inferiority
- Late deliveries
- Lack of duty and customs requirements
- Payment in advance without delivery guarantees
- Human rights infringements.

Alternatively, APPA members are responsible for the creation of some of the best promotional campaigns and most innovative products supplied in the Australasian region. The true power of promotional products is not just the product – it's the advertising and response elicited by the delivery of that product in a properly constructed campaign.

If you are dealing with APPA members, they have worked hard to achieve a status within our industry that assures their clients of the highest quality products as well as the benefit of their experience, expertise and advice. This can add up to huge savings.

Successful practitioners are not simply commodity suppliers, but tangible advertising specialists.

Successful campaigns require:

- Strategic, logistical and emotional roll-out

## Powerful Marketing Tools

**Don't** take our word for it, here's what a recent survey of Australian and New Zealand business travellers revealed:

- 71 percent reported having received a promotional product over a 12-month period
- 33.7 percent of this group had the item on their person
- 56 percent of people kept their promotional product for more than one year
- 76.4 percent said they kept their promotional product because it was useful
- 76.1 percent of the respondents could recall the advertisers name on the product they had received in those 12 months.

- Action engagement triggers
- Data collection analysis
- Technical logo application knowledge
- Creating the difference between a passive and active promotion.

All APPA members have an obligation to be advocates of the industry they represent and uphold professional practices. Don't take a risk. Go to [www.appa.com.au](http://www.appa.com.au), click on "find a promotional products company" and check by name or region.

Looking forward, I see exciting times ahead for the New Zealand promotional products industry. There is continual innovation and excellent responsiveness from APPA members to a changing environment.

Andre Schenk of Design A Gift also shared some recent thoughts on the local New Zealand business: "The future for the promotional industry is dependent on how the players in our industry evolve. Those promotional product professionals with well-established niche markets will be better equipped to survive rough economic times," he says.

So what trends do I see at the moment? Before the market downturn, 'green products' became a huge trend. We still want to reduce



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our carbon footprints. There are environmentally friendly products that are responsible and yet inexpensive through APPA members. But there is a lot of misinformation out there too. Calling something 'eco' doesn't mean it has any particular environmental value. Some recycled products actually cause more pollution when recycled than if they were thrown out. This is a complex area and New Zealand has very little legislation on what constitutes a 'green product'. APPA is available to consumers for advice on the subject.

Another general trend is products that plug into today's technology including digital voice-activated products, UV activated products, mobile and web-related products. Technology is playing a big part in consumer engagement.

The products themselves are as varied as the brands they are promoting. It is how they are used in the campaign that takes real talent. I don't believe that ad agencies often have the necessary product experience or knowledge to always advise on these matters. It's nothing

against ad agencies; it's just a law of averages. They may do 20 campaigns a year with a promotional product component, but promotional product agencies are doing hundreds of product-based advertising campaigns every month. Experience in these cases generates the creativity and the ability to ask the right questions to avoid strife.

But we all like cool products and there are some great new things in the market. Portable GPS systems, solar-powered desk wind turbines, mini USB 'dust buster'-like vacuums that clean keyboards, but what impresses me more is the very clever use of a very basic product that can still work magnificently. Never underestimate the intelligence of your audience. Customers like to be amused and made to think. A real promotional product professional knows how to use the most basic of products in a campaign that creatively generates attention.

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