

EMERGING MARKET TRENDS

To best understand how our market is shifting, who is buying, who is not buying, and why all these things are happening, we must first look at a very broad or macro view to comprehend our volatility. Our industry's future is becoming more predictable, though the world around us remains somewhat confusing. If we can begin to appreciate the shift in marketplace perspective and allow for our own status quo to be tested, we begin to see the opportunities for success.

Like everything in our world, we have to be continually adaptable. But the most important factor in our ability to adapt is knowledge about what we are adapting to and how. Before very recently, there were still too many unknowns. Time has given us the gift of information and now we must work to use it.

Noteworthy Market Changes

Overall, the U.S. economy continues its rebound despite a recent slowing of this trend. In August,

domestic manufacturing and service sector jobs gave rise to a trend in upward growth outpaced only by the U.K. The composite purchase managers output index, measuring these sectors, indicates an almost pre-pandemic level. The Consumer Price Index, which measures what consumers pay for common items, rose by 0.6 percent in July thanks purely to the demand of goods, a monthly increase not seen since 1991^[1]. Finally, housing sales round out the notable market surges that appear to be keeping things moving. Sales of homes rose by nearly 25 percent in July, a month on month gain not seen since 1968^[2].

Losses

There are two unique ways of looking at industries who are spending less within the present market. The first is

to understand who is truly minimizing their spend and why. The second is to recognize who is adjusting their spend based upon their own economic shifts.

more because they have the funds to allocate. When there is any indication that these funds may deplete, marketing is the first budget item to go. But like most businesses, these

organizations don't have the ability to outright pass on marketing while maintaining their fundraising and outreach goals. So, they must find ways of spending less while gaining more attention per dollar.

The travel, tourism, and hospitality segment are most notable to the losses of the promotion

industry. Travel and events make up a substantial portion of our buyer market. The travel industry alone is seeing a contraction of nearly 60 percent with corporate travel, specifically travel tied to events, declining by 97 percent this

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To start, the most significant minimization in marketing spend is in the non-profit sector. This is a natural occurrence during times of economic strain. Non-profit institutions typically devote resources to marketing less out of necessity and

year. But if we segment out the events industry from their parent market of travel and hospitality, we can see a unique adjustment in spending.

Event attendance is up substantially this year. Yes, you read that correctly, it is up this year. In order to get to that conclusion, one must adjust their understanding of what an event is. Prior to 2020, virtual events and live events were two different categories. In-person events are basically non-existent right now. But virtual events are up by more than 2000 percent over last year^[3]. So, if you allow for the event category to be adjusted, events are up. The number one ask for those hosting virtual events: they want tangibility. It is too easy to be disconnected, feel disengaged, and even disregarded at a virtual event because it is not personal.

Markets whose spending is down: Non-profit, Travel, Tourism, Hospitality

Markets whose spending is adjusted: Retail, Education, Events

Gains

The interesting part about the leaders on the spend side of our analysis is that most have only ever maintained a marginal spend on marketing. Two factors contribute to their increased marketing allotment: segment profit and outright necessity.

The top two marketing spend industries are ones that most can naturally

assume. Healthcare and insurance are markets that have continued to increase, overall, their marketing spend throughout the pandemic.

As more attention is turned to online as not only a resource but a new way of life, the eCommerce and technology markets have substantially increased their marketing budgets in order to compete within their own space. There has already been significant attention paid to the online space as a uniquely marketed segment, and now is their time to shine. But similar to virtual events, digital needs a way of being tangible.

One of the most substantial components of the digital world is, now, remote work. Practically all businesses now have some form of virtual office. Because of this, there is an obvious level of disconnectedness among virtual workers, especially the thousands who are still learning this new norm. Companies who have gone to a virtual space are now needing things to bring them together. There is a necessity for spending on employee incentives, tangible items that create connectivity, and products that maintain reminders of corporate empathy.

Markets whose spending is up: Healthcare, Insurance, eCommerce, Alcohol, Household Goods, Domestic Tourism, Home Entertainment

Opportunity

The economic concept of marginal utility is used to determine how much

of a product consumers are willing to purchase. A positive shift in this metric occurs when basic utility, the value a consumer has for a product, increases with the acquisition of multiple similar products. Marginal utility in our economics and certainly in our industry have risen in recent months after a substantial decline at the end of the second quarter.

Marginal utility is a critically important concept for the promotional marketing industry as it allows us to see opportunity outside of strictly a revenue perspective. Yes,

revenue in the industry is down substantially from last year as most associated groups are reporting. The increase in marginal utility, however, allows us to see that consumers and businesses alike are comfortable acquiring more than the absolute minimum to satisfy, even though they may be unwilling or unable to spend more at this time.

Ultimately, the markets our industry serves will continue to be tested, but their operational necessity will only intensify. This is where the power of our industry takes hold and opportunity flourishes.

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[1] <https://www.wsj.com/articles/july-consumer-prices-rise-amid-increased-demand-for-a-range-of-goods-services-11597236743#:~:text=WASHINGTON%E2%80%94U.S.%20consumer%20prices%20rose,earlier%20in%20the%20coronavirus%20pandemic.>

[2] <https://www.wsj.com/articles/u-s-existing-home-sales-rose-24-7-in-july-from-june-11598018897>

[3] <https://www.eventbrite.com/blog/online-events-live-experiences-now/>