Town Hall and Association Update
The PPAI Expo 2015

Paul Bellantone, CAE | PPAI President & CEO
Today’s Agenda

- 2014 highlights
- 2015 initiatives
- Q&A
2012-2015 Vision & Mission

• **Vision:** To Champion and Advance the Promotional Products Industry

• **Mission:** The Promotional Products Association International advocates the power and value of promotional products in the marketing and advertising professions to ensure the success of its members and the global industry
2012-2015 Strategic Plan

• **Goal 1 - Deliver Great Member Value**
  – Deliver products, services, experiences and a community essential for member success

• **Goal 2 - Advocate for the Industry**
  – Position PPAI as the trusted industry authority

• **Goal 3 - Engage the Global Marketplace**
  – Position PPAI as a global leader, trusted authority and voice for the industry

• **Goal 4 - Manage an Efficient, Progressive and Professional Organization**
  – Effectively utilize resources to advance the goals of the association
Strategic Plan Focus

- Visibility
- Viability
- Credibility
- Community
- Commitment
- Culture
- Confidence
## Strategic Plan Focus

<table>
<thead>
<tr>
<th>Media</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Growth</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>45.2</td>
<td>49.7</td>
<td>47.9</td>
<td>-3.8%</td>
<td>12</td>
</tr>
<tr>
<td>Direct Mail</td>
<td>50</td>
<td>45.2</td>
<td>44.8</td>
<td>-.9%</td>
<td>11</td>
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<tr>
<td>Internet</td>
<td>31.7</td>
<td>36.6</td>
<td>42.8</td>
<td>17%</td>
<td>2</td>
</tr>
<tr>
<td>Cable TV</td>
<td>23.5</td>
<td>24.4</td>
<td>26.1</td>
<td>7.1%</td>
<td>5</td>
</tr>
<tr>
<td>Consumer Magazines</td>
<td>21.7</td>
<td>21.1</td>
<td>21.3</td>
<td>1.1%</td>
<td>9</td>
</tr>
<tr>
<td><strong>Promotional Products</strong></td>
<td><strong>17.7</strong></td>
<td><strong>18.5</strong></td>
<td><strong>19.8</strong></td>
<td><strong>7.2%</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td>Radio</td>
<td>14.1</td>
<td>17.6</td>
<td>17.65</td>
<td>0%</td>
<td>10</td>
</tr>
<tr>
<td>Newspaper</td>
<td>20.7</td>
<td>18.8</td>
<td>17.3</td>
<td>-8.6%</td>
<td>14</td>
</tr>
<tr>
<td>Point of Purchase</td>
<td>28.5</td>
<td>12</td>
<td>12.6</td>
<td>5%</td>
<td>6</td>
</tr>
<tr>
<td>Sports/Event Marketing</td>
<td>12.2</td>
<td>11.7</td>
<td>12</td>
<td>3.3%</td>
<td>8</td>
</tr>
<tr>
<td>Mobile Phone Advertising</td>
<td>1.6</td>
<td>3.4</td>
<td>7.1</td>
<td>110%</td>
<td>1</td>
</tr>
<tr>
<td>Business Magazines</td>
<td>7.9</td>
<td>7.4</td>
<td>7</td>
<td>-4.4%</td>
<td>13</td>
</tr>
<tr>
<td>Billboards</td>
<td>6.4</td>
<td>6.6</td>
<td>6.9</td>
<td>4.2%</td>
<td>7</td>
</tr>
<tr>
<td>Product Placement</td>
<td>4.3</td>
<td>4.2</td>
<td>4.75</td>
<td>11.4%</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Spend</strong></td>
<td><strong>285.5</strong></td>
<td><strong>277.2</strong></td>
<td><strong>288</strong></td>
<td><strong>10.66%</strong></td>
<td></td>
</tr>
</tbody>
</table>
September 2014 Discussion

- Are the goals we set in 2012 still vital to our success?
- Are there other critical opportunities not addressed in these goals?
- Is it time to re-evaluate the process?
  - Calendar / market conditions
Regional Relations

• Regional benchmarking study
  – 26 of 27 regionals participated
  – Outcomes used to develop content for 2014 LDW and the development of a new Regional Boot Camp
Executive

• On-boarding of new General Counsel
  – Separation of lobbying and legal roles
• Task force to invigorate election process
• SAGE agreement
• Industry branding and research projects
• International initiatives
  – Product safety education in Hong Kong, Germany, UK
  – Relationships with other organizations – IFPPA, EPPA, PSI, BPMA
  – Peer-to-peer strategy
  – International pavilions at US shows/PPAI booth at PSI Show
Public Affairs

• Launch Product Safety Aware Program
  – Formal industry roll-out at Expo 2014
  – Presented all PSA to virtually every regional
  – 600+ product Safety Aware companies and 1,000+ Ambassadors
  – Recognition by CPSC Commissioner Marietta Robinson as “Exhibit A for an Association that’s doing it right.”

• Product Safety Summit
  – Stand alone event in 2015

• Launch LEAD Local
  – Expand from two to four states
Marketing & Public Relations

• 2014 Buyer Study
  – Focus on ‘how’ products are used
  – 178 agencies / 222 advertisers
  – Focus on buying habits
  – Results released in multi-media formats

• *Defining The Industry* brand evaluation/ benchmark
  – Focus on ‘perception’ of industry and media
  – Tenet Partners: 360 evaluation of industry perception: practitioners, Fortune 500 companies and ad agencies
  – Results as starting point for Industry Branding Initiative
Marketing & Public Relations

• Develop five year Industry Branding Initiative (IBI)
  – IBI proposal and brand evaluation of 2014 as starting-point for campaign and baseline for success
  – PR firm, spokesperson, media buys, member/industry engagement and investment

• Partnership with ITR Economics
  – Research initiative to provide reliable and actionable data and forecasting
  – Subscription-based participation
  – Industry-specific portal and questions
Business Development

• Roll-out of Associate Member program
• Roll-out of monthly dues payment capabilities
• Enhancements to affinity programs
  – Increase partner engagement
The Business

- Financial position continues to strengthen
- Reserves forecasted to be approximately 30% of revenue at the end of 2015
- Tightened revenue and expense forecasting
  - <1.0% variance on revenue
  - ~1.4% variance on expenses
- Renegotiation/extension of Power of Two Agreement in process
- Stabilized employee retention
- Taking steps to mitigate health benefit costs
- Product Safety Awareness Program to take effect in 2015
## The Business

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
<th>Revenue</th>
<th>Operating Contribution</th>
<th>Strategic Programs Final Contribution</th>
<th>Reserves</th>
<th>Primary Strategic Program</th>
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<tbody>
<tr>
<td>2002</td>
<td>6,701</td>
<td>$13,049,764</td>
<td>590,365</td>
<td>(1,181,776)</td>
<td>$ (591,411)</td>
<td>$3,415,327 Expo move to Vegas</td>
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<tr>
<td>2003</td>
<td>5,729</td>
<td>$12,837,018</td>
<td>316,080</td>
<td>(160,953)</td>
<td>$155,127</td>
<td>$3,570,454 Strategic Plan Fund (SPF) expenses</td>
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<tr>
<td>2004</td>
<td>6,129</td>
<td>$14,014,649</td>
<td>1,292,923</td>
<td>(130,623)</td>
<td>$1,162,300</td>
<td>$4,198,154 SPF expenses</td>
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<tr>
<td>2005</td>
<td>6,925</td>
<td>$14,741,014</td>
<td>1,131,914</td>
<td>(345,992)</td>
<td>$785,922</td>
<td>$5,518,676 SPF expenses</td>
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<tr>
<td>2006</td>
<td>7,156</td>
<td>$16,373,026</td>
<td>1,659,214</td>
<td>(193,352)</td>
<td>$1,465,862</td>
<td>$6,984,538 SPF expenses</td>
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<tr>
<td>2007</td>
<td>7,056</td>
<td>$17,011,462</td>
<td>1,498,933</td>
<td>(693,061)</td>
<td>$805,872</td>
<td>$7,790,410 SPF Expenses &amp; ISERVCORP</td>
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<tr>
<td>2008</td>
<td>7,164</td>
<td>$16,948,748</td>
<td>691,933</td>
<td>(1,567,741)</td>
<td>$ (875,808)</td>
<td>$6,914,602 ISERVCORP</td>
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<tr>
<td>2009</td>
<td>7,300</td>
<td>$15,589,962</td>
<td>311,696</td>
<td>(1,963,459)</td>
<td>$1,651,763</td>
<td>$5,262,839 ISERVCORP</td>
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<tr>
<td>2010</td>
<td>7,705</td>
<td>$13,650,400</td>
<td>306,452</td>
<td>(1,553,222)</td>
<td>$1,246,770</td>
<td>$4,016,065 ISERVCORP</td>
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<tr>
<td>2011</td>
<td>10,052</td>
<td>$15,197,033</td>
<td>358,101</td>
<td>(746,731)</td>
<td>$ (388,630)</td>
<td>$3,627,435 SAGE (reported in Operations)</td>
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<tr>
<td>2012</td>
<td>10,535</td>
<td>$17,323,476</td>
<td>833,193</td>
<td>0</td>
<td>$833,193</td>
<td>$4,460,628 None</td>
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<td>2013</td>
<td>10,702</td>
<td>$19,288,144</td>
<td>1,090,282</td>
<td>0</td>
<td>$1,090,282</td>
<td>$5,550,910 None</td>
</tr>
<tr>
<td>2014</td>
<td>11,290</td>
<td>$19,508,000</td>
<td>498,587</td>
<td>(87,000)</td>
<td>$411,587</td>
<td>$5,962,497 PSAP (reported in operations)</td>
</tr>
<tr>
<td>2015</td>
<td>11,290</td>
<td>$20,190,020</td>
<td>336,962</td>
<td>(400,000)</td>
<td>$ (63,038)</td>
<td>$6,200,000 PSAP = $100k, IBI = $300k</td>
</tr>
</tbody>
</table>

* Estimates for these years.
Industry Branding Initiative
Overview/Goals

• Unified marketing effort to promote the benefits of promotional products as an effective advertising and marketing medium

• To encourage advertisers and marketers to increase spend on promotional products as a greater share of advertising spend

• Five-year cooperative initiative between the industry and PPAI

• Funding model requires a combination of industry member investment and matching Association funds/resources in cash and in-kind contributions
Strategies/Tactics

• *Defining the Industry* branding and perception benchmark study – *In Process* (independently funded)

• Engage public relations firm

• Engage high-profile spokesperson

• Paid advertising in key geographies

• Industry engagement
  – Build on Promotional Products Work! Week
  – Provide co-op marketing resources and advertising materials for corporate members and individuals
  – Engage industry advisory group with Board representation
## Industry Investment

### Contribution Levels

<table>
<thead>
<tr>
<th>Level</th>
<th>Amount</th>
<th>Number of Contributors</th>
<th>Years</th>
<th>5-Yr Total of All Contributors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>$20,000</td>
<td>5</td>
<td>5</td>
<td>$500,000</td>
</tr>
<tr>
<td>Gold</td>
<td>$10,000</td>
<td>15</td>
<td>5</td>
<td>$750,000</td>
</tr>
<tr>
<td>Silver</td>
<td>$5,000</td>
<td>25</td>
<td>5</td>
<td>$625,000</td>
</tr>
<tr>
<td>Bronze</td>
<td>$1,000</td>
<td>Unlimited</td>
<td>5</td>
<td>TBD</td>
</tr>
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</table>
Branding Perception Study

• Collaborated with Tenet Partners a research and brand consultant, to conduct a brand, perception and market evaluation of the promotional products industry and provide a strategic benefit/risk analysis and brand strategy recommendations.
TENET

PPAI Defining the Industry Research

January 14, 2015
Background and Objectives

• To that end, the study is intended to achieve the following:
  – Establish an initial brand and market evaluation of the promotional products industry
  – Inform and guide brand strategy recommendations
Headlines
Industry Perceptions

• The industry narrowly defines itself as providers of ‘promotional products’.

• **Your members** would like for their customers to think of them as *part of their team*:
  – But most know their customer will call them a *supplier*, a *vendor*, or at best, an *expert* in branded products
Industry Perceptions

• Asked what their customers call branded products, your members say that ‘giveaways’ is the most common term.
  – ‘Merch’ and ‘swag’ are the third and fourth most common terms your members say customers use to refer to branded products
Industry Alignment

Your members and their customers have different priorities when it comes to what’s important in selecting a company for branded products:

• Members stress the importance of…
  – Problem resolution
  – Taking the time to listen to client needs
  – Being proactive
Industry Alignment

• Customers tend to emphasize…
  – Competitive pricing and rates
  – Having a range of options and choices
  – Being able to customize what they’re getting

• There are areas of common ground:
  – Being partners in the process
  – Having access to a range of services
  – Being a resource for finding effective solutions
Industry Perceptions
Your members want customers to think of them as members of their team

• However, only one out of five actually think that is what their customers would say.

*How clients describe a promotional product provider services

Think clients say
Want clients to say

<table>
<thead>
<tr>
<th>What providers...</th>
<th>Supplier</th>
<th>Expert</th>
<th>Vendor</th>
<th>Consultant</th>
<th>Member of their team</th>
<th>Professional services firm</th>
<th>Sales organization</th>
<th>Marketer</th>
<th>Something else</th>
</tr>
</thead>
<tbody>
<tr>
<td>Think clients say</td>
<td>26%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>8%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Want clients to say</td>
<td>7%</td>
<td>22%</td>
<td>0%</td>
<td>16%</td>
<td>63%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Your members think customers refer to their products as ‘giveaways’

- Your members also think customers commonly call them ‘merch’ or ‘swag’.

*Rank order of terms used by clients to describe promotional products*
Alignment of Providers and Clients

• Customers want ‘custom solutions’, while members emphasize ‘creative solutions’.
• Customers are looking for a ‘partner’, while your members think ‘listening and understanding needs’ is a priority.

Alignment of providers and clients on what’s important

- Offers competitive prices and rates
- Offers options and choices
- Offers custom solutions
- Partners with clients
- Provides a range of services
- Finds effective promotional products
- Offers creative solutions
- Knowledgeable
- Resolves problems quickly
- Is proactive
- Takes the time to listen, understand needs
Industry Key Drivers
Key Drivers

• Key drivers are developed by looking at how good or bad providers are performing on factors that are important to, or have an impact on, customer behaviors

• We analyzed key drivers in three ways:
  1. What They Said
  2. What You Said
  3. What The Data Says
Key Driver Overview

Relatively strong performance on factors that have high importance/impact. These are strengths to "maintain."

Relatively strong performance on factors that have high importance/impact. These are strengths to "promote."

Relatively weak performance on factors that have low importance/impact. These should be "monitored" to ensure they don't become important.

Relatively weak performance on factors that have high importance/impact. These should be priorities to "improve."

Provider Performance

High

Low

Importance/Impact
What Clients Say Is Important

Provider Performance*

High

Low

Importance/Impact

Knowledgeable

Offers options and choices

Resolves problems quickly

Finds effective promotional products

Offers competitive prices and rates

Provides a range of services

Offers creative solutions

Takes the time to listen, understand needs

Partners with clients

Offers custom solutions

Is proactive

MAINTAIN

PROMOTE

MONITOR

IMPROVE

High

Low
What Your Members Say Is Important

High

Provider

Performance*

Low

Importance/Impact

- Offers custom solutions
- Partners with clients

- Offers competitive prices and rates
- Provides a range of services

- Takes the time to listen, understand needs
- Finds effective promotional products

- Offer creative solutions

Knowledgeable

Resolves problems quickly

PROMOTE

MAINTAIN

IMPROVE

Maintain

Monitor

High
What The Data Shows Is Important

High Importance/Impact

High

Provider Performance*

Low

Maintain

Offers options and choices

Resolves problems quickly

Provides a range of services

Monitor

PROMOTE

Knowledgeable

Offer custom solutions

Partners with clients

Is proactive

Offers competitive prices and rates

IMPROVE

Takes the time to listen, understand needs

Finds effective promotional products

Offers creative solutions

Low
Industry Outlook
Industry Outlook

The way forward

• Price is important, but this is not a commodity play.
• There are many factors the industry can leverage to its advantage.
• Aligning with what clients value is an opportunity for your members:
  – Use language that resonates with customers
  – Put price in perspective – it’s the cost of doing business
  – Lead with the value you bring to the client/provider relationship
  – Show that your more than just ‘promotions’
ITR Economics
Research Proposal
PPAI Current State

- PPAI provides quarterly and annual sales volume information
- Current quarterly ‘snapshot’ is under-utilized and not statistically relevant due to lack of participation and response
- Annual sales volume study is tedious, non-cumulative (stand alone) and generally late to market
- Competitive research is generally timely and ‘perceived’ to be more accurate
- Research is not recognized by other media/data aggregators
- Little comparison/benchmarking to other media and metrics
- PPAI research is an expense with little revenue opportunity
PPAI Desired State

- To provide quarterly and annual sales volume information
- Have PPAI research seen as actionable and reliable
- Allow for annual sales volume data to be gathered year-round and cumulative
- Allow for more timely/regular distribution
- Create research that can be recognized by other media and data aggregators
- Engage both more and more reliable sources of data
- Benchmark against other media and industry metrics
- Build forecasting capabilities
- Revenue neutral or profitable
ITR Economics

• ITR Economics is the oldest, privately-held, continuously operating economic research and consulting firm in the US
• Provide subscription-based, forecast-able research to PPAI and members
• Report supplier and distributor results against other media and relevant information
• ITR responsible for gathering (chasing) member and comparative data
• Development of quarterly report and web portal
Historical Research: Origins

Current Application

Executive Summary – Preparing & Daring

The economy is doing quite well overall despite some potential trend-benders such as restrictive monetary policy, diminishing growth in Disposable Personal Income, and some rather interesting gyrations in commodity prices (including energy).

There are ample signs of a slowing in the economy’s rate of growth for 2006 and this has been part of our forecast since we put it together the middle of 2003. Our outlook calls for a reinvigorated economy for 2007. There are some leading indicator trends to this effect (e.g., Housing Starts) and a respite from interest rate increases would certainly help the cause.

We think the general economic trend is going to stay positive into 2008, as illustrated by the chart. That will prove to be the easy part of the forecast horizon despite numerous “positive problems” that will develop. Examples of these “positive problems” include raw or intermediate material allocations because of bottlenecks (generally resulting from linear thinking in a cyclical economy), and manpower needs at a time when cost and quality are presenting issues. Prepare for these upside issues before they steal from your bottom line.

Our extended outlook is for a recession around the end of this decade. As you can see from the chart, we expect 2009 and 2010 to be down years for the economy. Weakness in the business cycle is likely to begin showing up in the second half of 2008 for new orders and production, sooner for leading indicators such as housing and the Purchasing Managers Index. We think the downturn will last until about mid 2010. The 1981-83 general economic recession and 2000-01 industrial contraction are relevant precedents for the projected duration and magnitude of the forthcoming decline. At 18 to 24 months, the projected length of decline would be equal to, or slightly longer than, the longest-normal occurrence. The projected magnitude of decline in US Industrial Production from top to bottom, at -4.9% to -5.4%, would make the recession slightly more severe than 2000-01 but not as bad as the early 1980s downturn.

Road Signs to the anticipated decline will include a sharper rising trend in long-term interest rates, definite problems in the housing market (in housing starts, existing home sales, and sustained regional price declines), and international trade issues being increasingly politicized. The inescapable management task at this juncture is to figure out how to spend money to make money on the upside of the business cycle into 2008, and also be planning how you can recession-proof revenues and/or profits, and be in a position to prosper through the adverse macroeconomic period ahead. Be daring in your preparing for the downturn. It is going to take more than business-as-usual to keep you on the right side of this curve.

US Industrial Production Index Forecast
Forecast through December 2010
Annual Average Index

- Actual
- Forecast
- 12MMA
<table>
<thead>
<tr>
<th></th>
<th>Duration</th>
<th>Forecast</th>
<th>Result*</th>
<th>Accuracy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US GDP</strong></td>
<td>15</td>
<td>$16.098  Trillion</td>
<td>$16.345 Trillion</td>
<td>98.5%</td>
</tr>
<tr>
<td><strong>US Ind. Prod.</strong></td>
<td>13</td>
<td>101.5 (12MMA)</td>
<td>104.2</td>
<td>97.3%</td>
</tr>
<tr>
<td><strong>EU Ind. Prod.</strong></td>
<td>14</td>
<td>100.6 (12MMA)</td>
<td>101.6</td>
<td>99.0%</td>
</tr>
<tr>
<td><strong>Canada Ind Prod</strong></td>
<td>9</td>
<td>350.1 (12MMA)</td>
<td>356.7</td>
<td>98.1%</td>
</tr>
<tr>
<td><strong>China Ind Prod</strong></td>
<td>21</td>
<td>564.9 (12MMA)</td>
<td>563.3</td>
<td>99.7%</td>
</tr>
<tr>
<td><strong>US Housing</strong></td>
<td>12</td>
<td>955 Ths. Units</td>
<td>989 Ths. Units</td>
<td>96.4%</td>
</tr>
<tr>
<td><strong>US Retail Sales</strong></td>
<td>16</td>
<td>$2.751 Trillion</td>
<td>$2.808 Trillion</td>
<td>97.9%</td>
</tr>
<tr>
<td><strong>US Employment</strong></td>
<td>13</td>
<td>144.9 Million</td>
<td>146.3 Million</td>
<td>99.0%</td>
</tr>
</tbody>
</table>

*Denotes year-end estimate based on most recent data available*
Quantitative Forecast

Step 1: Internal Trends

Step 2: Leading Macro & Market Indicators

Step 3: News and Market Observations

Step 4: Internal Company Events

Underlying: ITR Long Term Business Cycle Theory
ITR Economics Provides Actionable Foresight

Accurate Forecasts

Applicable Advice

Phase Management Objectives™

Phase A
1. Start to phase out marginal opportunities
2. Begin advertising and sales promotions
3. Implement training programs

Phase B
1. Check the process flow for possible future bottlenecks
2. Continue to build inventory
3. Increase prices

Phase C
1. Begin missionary efforts into new markets
2. Weed out inferior products (lose the losers)
3. Increase the requirements for capital expenditures

Phase D
1. Reduce advertising - be very selective
2. Tighten credit policies - increase scrutiny
3. Make acquisitions - use pessimism to your advantage
Industry Analysis and Market Channel Forecasting

Leading Indicator Analysis

- Nondefense Capital Goods New Orders Ex-Aircraft
- U.S. Employment

The Nondefense Capital Goods New Orders 12/13 has a 3-month lag time to the U.S. Advertising and Related Service Revenue 12/12 through business cycle highs and lows.

The U.S. Employment 12/13 has a 3-month lag time to the U.S. Advertising and Related Service Revenue 12/12 through business cycle highs and lows.

Leading Indicator Outlook and Industry Comparison

This section is to discuss the timing relationship between the industry and the above listed indicators. It will include a trend analysis of the indicator in question, the general outlook of the indicator, any major trend changes, and any business application insights that may be gleaned from the relationship comparison and indicator outlook.

The information provided will be in bullet point to ensure ease of reading for the business executive team.

U.S. Advertising and Related Services Revenue

- Annual Trend: 12.1 billion
- Peak C Year-over-Year 12.1%
- Year-end Forecast Value 10.4%
- Trend Change

Industry Outlook

- 2014: 5.7%
- 2015: 7.3%

The supporting trend analysis will provide insights into major economic trends within the Advertising industry as well as our overall industry forecast.

Market Analysis and Forecast

Kantar Media Market Data Series

- Kantar Media Market Data Series
- 12/12 has a 2-month lag time to the PPAI Association Index 12/12 through business cycle highs and lows.

- Kantar Media Market Data Series
- 12/12 has a 2-month lag time to the PPAI Association Index 12/12 through business cycle highs and lows.

Market Outlook and Industry Comparison

This section is to discuss the timing relationship between the industry or Association Index should data be provided and the above listed indicators. It will include a trend analysis of the industry in question, the general outlook of the market, any major trend changes, and any business application insights that may be gleaned from the relationship comparison and market outlook.

The information provided will be in bullet point to ensure ease of reading for the business executive team.
Executive Summary For Clear, Concise Understanding

Executive Overview: Industry Leading Indicators

<table>
<thead>
<tr>
<th>Leading Indicator</th>
<th>Phase</th>
<th>Timing Relationship to Industry</th>
<th>Year-End Forecast 2014 (Rate of Change)</th>
<th>Year-End Forecast 2015 (Rate of Change)</th>
<th>Year-End Forecast 2016 (Rate of Change)</th>
<th>Highlight</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Industrial Production</td>
<td>C</td>
<td>3 Month Lead Time</td>
<td>3.0%</td>
<td>2.7%</td>
<td>1.8%</td>
<td>2.7%§*</td>
</tr>
<tr>
<td>IIF Leading Indicator</td>
<td>C</td>
<td>2 Month Lead Time</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.5%§*</td>
</tr>
<tr>
<td>U.S. Employment</td>
<td>B</td>
<td>2 Month Lag Time</td>
<td>3.9%</td>
<td>3.9%</td>
<td>3.8%</td>
<td>3.8%§*</td>
</tr>
<tr>
<td>Nondefense Capital Goods New Orders Excluding Auto</td>
<td>A</td>
<td>3 Month Lead Time</td>
<td>7.7%</td>
<td>5.0%</td>
<td>4.7%</td>
<td>0.6%§*</td>
</tr>
<tr>
<td>Kantar Advertising Series #1</td>
<td>C</td>
<td>10 Month Lead Time</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%§*</td>
</tr>
<tr>
<td>Kantar Advertising Series #2</td>
<td>C</td>
<td>10 Month Lead Time</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%§*</td>
</tr>
<tr>
<td>Kantar Advertising Series #3</td>
<td>C</td>
<td>10 Month Lead Time</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%§*</td>
</tr>
<tr>
<td>Kantar Advertising Series #4</td>
<td>C</td>
<td>10 Month Lead Time</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.4%§*</td>
</tr>
</tbody>
</table>

Moving Total/Moving Average
Moving total/average are used to smooth out the volatility inherent to monthly data at the product/company level. Moving Total Moving Average (MMA) is in the total (or average) of the monthly data for the most recent three months. Three-month moving total (3MMA) or average (3MAA) illustrate the seasonal changes inherent to the data series.

12MMA: A twelve-month moving total (12MMA) or average (12MAA) is the total (or average) of the monthly data for the past 12 months. The 12MMA (A) removes seasonal variation in order to derive the underlying cyclical trend. It is referred to as the annual total or average.

Rate of Change
A rate of change figure is the ratio comparing a data series during a specified time period to the same time period one year ago. Rate of change is expressed in terms of the annual percent change in an MMA or MA.

Rate of change reveal whether activity levels are getting progressively better or worse compared to last year. Consecutive rate of change illustrates and measures cyclical change and trends.

ITR Economics' three commonly used rates of change are the 1/12, 3/12, and 12/12, which represent the year-over-year percent change of a single month, 3MMA, and 12MMA, respectively.

A rate of change above 0 indicates a rise in the data relative to one year prior, while a rate of change below 0 indicates decline highlighted in red.

Business Cycle
The rate trends and rates of change identify positions in the business cycle, those positions are:

12/12: Rising above 0, data trend is either heading toward a low or is in the early stage of recovery. This is the first positive phase of the business cycle.
12/12: Rising above 0, data trend is accelerating in its ascent, and growth is occurring at a higher rate. This is the second positive phase of the business cycle.
12/12: Declining but remains above 0, data trend is decelerating in its ascent or has stopped its rise, but it is still above last year. This is the first negative phase of the business cycle.
12/12: Below 0, data trend is at least below the year earlier level. This is the final phase and second negative phase of the business cycle.
How ITR Economics Can Assist PPAI Members Moving Forward?

✓ Providing actionable insight into your industry through our reporting

✓ Know when to make strategic investments to support your customers

✓ Help to identify market channels with growth opportunities

✓ Provide confidence in business decisions through use of accurate forecasting
Questions & Discussion