TECHNOLOGY STATE OF THE UNION

For the Team & Promotional Products Industry

Contents

About This Study

This report was privately commissioned by ORDERMYGEAR (OMG). The research herein was conducted independently by Stax Inc., and the viewpoints expressed are those best supported by currently available data and inputs from multiple industry stakeholders.

In April–May of 2021, Stax conducted a survey of over 1,000 dealers, distributors, and decorators (D^3) who provide customized promotional products (e.g., personalized pens, water bottles, apparel etc.) to teams and organizations across the U.S. The survey primarily focused on understanding the D^3's use of technology and was supplemented by in-depth interviews with key industry stakeholders. The segments and sub-segments of D^3 were based on macro industry characteristics to ensure the data mirrored the industry. This report contains the most significant findings from that research. All data reported in this study are derived from Stax's survey and interviews, unless otherwise stated.

OMG

OrderMyGear is an industry-leading software, empowering dealers, distributors, decorators, and brands to create custom online stores to sell branded products and apparel.

Stax

Stax Inc. is a global management consulting company serving private equity firms and corporations across a broad range of industries by providing data-driven, actionable insights designed to drive growth, enhance profits, increase value, and make better investment decisions.

Brief Industry Definitions

Key Industry Players

Contract Decorator	A company/individual whose core business is embellishing blank products on behalf of other companies. Also known as a trade-only decorator.
Dealer	A company/individual that specializes in selling customized team uniforms, sporting goods & equipment, and/or apparel to schools & universities.
Decorator	A company/individual that decorates and embellishes blank products through screen printing, embroidery, engraving etc. and ALSO sells products directly to teams/organizations. May provide contract decoration services on behalf of other industry players such as distributors and dealers.
Distributor	A company/individual that provides branded promotional products (e.g., mugs, pens, corporate apparel, uniforms etc.) to organizations.
FAB	**F**ranchise network, **A**ffiliate network, or **B**uying group.

Tech Stack Components

Accounting	System/solution used for bookkeeping, accounts payable, accounts receivable, payroll etc.
Online Store	Custom online stores created and branded for a specific group to purchase personalized merchandise (Examples: Company stores, School stores, Team Stores, Cause/ Fundraising stores, etc.)
eCommerce-enabled Website	Online shopping/eCommerce capabilities on an organization's own website where any customer can place and pay for orders directly on the site (request for quotes / proposals not applicable).
ERP/Shop Management	System/solution used for inventory management, job/production management (if applicable) and operational reporting.
Presentations	System/tool used to generate, share, and manage custom proposals, presentations, and quotes.
Product Search	System/tool used to search for products based on keyword, product category, supplier, etc.

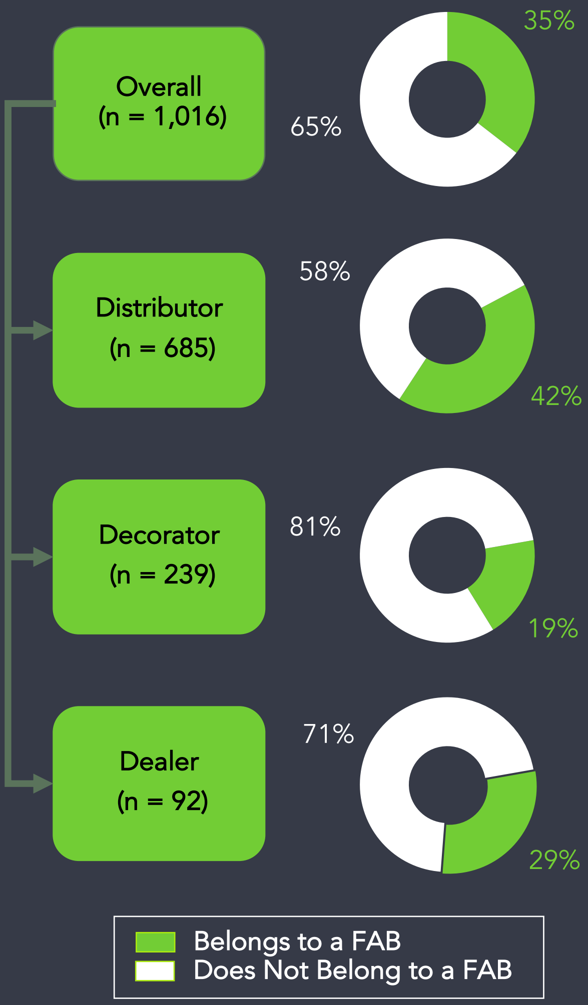
Other Definitions

Down-market	Distributors & Dealers: Company revenue of <$2.5M AND does not belong to a Franchise or Affiliate Network. Decorators: Revenue <$1.5M AND does not belong to a Franchise or Affiliate Network.
Up-market	Distributors & Dealers: Revenue >$2.5M OR belongs to a Franchise or Affiliate Network. Decorators: Revenue >$1.5M OR belongs to a Franchise or Affiliate Network.

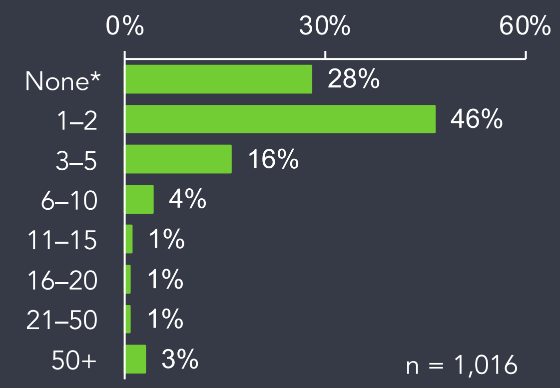
Survey Firmographics

This survey reflects the market with approximately one-third of respondents belonging to a Franchise network, Affiliate network, or Buying group (FAB). A majority of the respondents were down-market; had fewer than 5 employees; and fewer than 2 sales representatives.

Segmentation: by FAB vs. Non-FAB
(Percentage of Respondents)

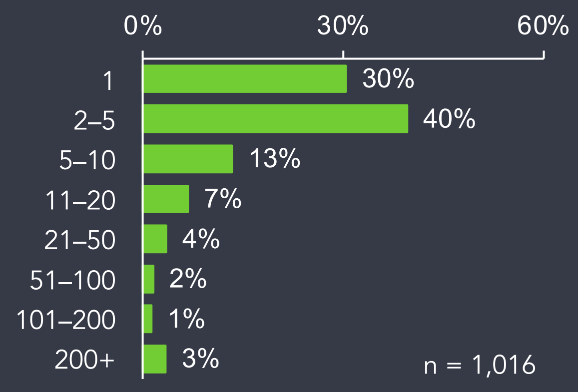


Segmentation: by No. of Sales Representatives
(Percentage of Respondents)

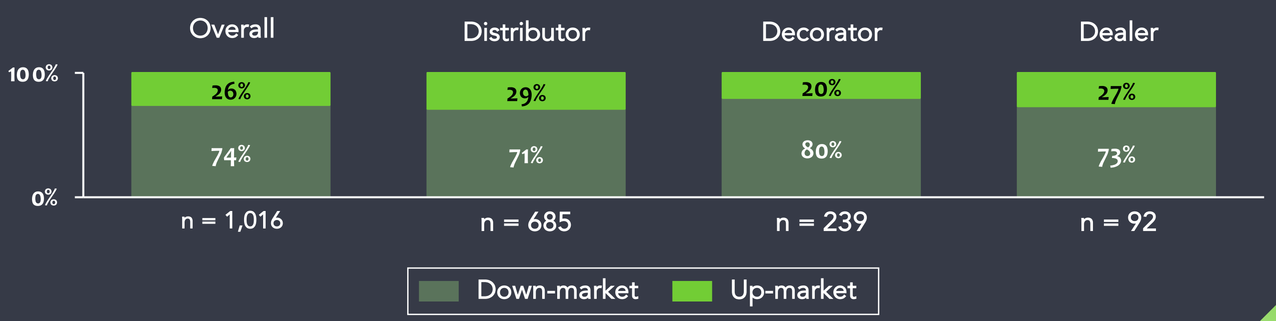


* All sales handled by sole proprietor

Segmentation: by No. of Employees
(Percentage of Respondents)



Segmentation: by Up- vs. Down-Market
(Percentage of Respondents)



KEY HIGHLIGHTS

While nearly all (95%) of our respondents had a web presence, only 61% had adopted the technology needed to sell customized promotional goods online. Among those who do sell online, there is a significant overlap in technologies used—with 70% using eCommerce capabilities on their own website as well as online stores.

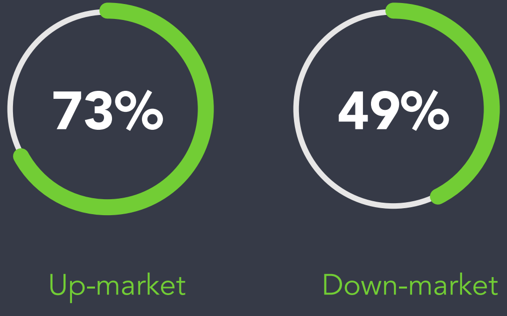
Percentage of total respondents who sell online (using ecommerce enabled website OR online store)

Percentage of those selling online who use both eCommerce-enabled websites AND online stores

Users of both eCommerce-enabled websites and online stores generate over a quarter of their total sales online. On average, sales from online stores are marginally higher than sales from a company's eCommerce-enabled website.

Percentage of sales received online by users of both eCommerce-enabled website and online stores

Selling online was more prevalent across up-market businesses compared to down-market respondents (see page 11 for detailed definition of up- vs. down-market companies).



Percentage of up-market and down-market respondents who sell online

KEY HIGHLIGHTS

Among our respondents, Product Search, Presentations, and Accounting software are the most frequently used solutions from the Tech Stack.

THE TECH STACK

1. **Product Search**
2. **Presentations**
3. eCommerce-enabled Website
4. Dedicated Online Store
5. ERP/Shop Management
6. **Accounting**

See page 12 for definition of 'Tech Stack' as used in this report.

Up-market Distributors Using Full Tech Stack

29%

Up-market distributors are using the greatest number of components from the tech stack, with 29% using all six tech stack solutions referred to in this study.

COVID-prompted online shifts are expected to last even after all pandemic restrictions are lifted.

"COVID-19 has definitely pushed the need for more online stores, and we found most of our growth there in the past year. Going forward, we expect it to continue like this. We have a physical store but might have to look at phasing that out, because we managed with it closed for a couple of months.

—*Decorator*

The Industry

Key Players and How They Are Different

This report refers to dealers, distributors, and decorators as D^3. Contract decorators are key players in the industry but were not a part of the survey set for this report.

DISTRIBUTORS

- Sell customized goods primarily to companies and non-profits.
- Rarely have physical storefronts.
- May sell sports apparel but do not sell sporting hard goods.
- Often have distributed sales representatives who work remotely
- Limited in-house design services/decoration.
- Rarely hold inventory.

DECORATORS

- Provide decoration and design services (embellishing blank products via screen printing, engraving etc.).
- Often have physical storefronts.
- Provide some contract decoration services but not their primary business.
- Sell directly to decision makers and/or end consumers.

DEALERS

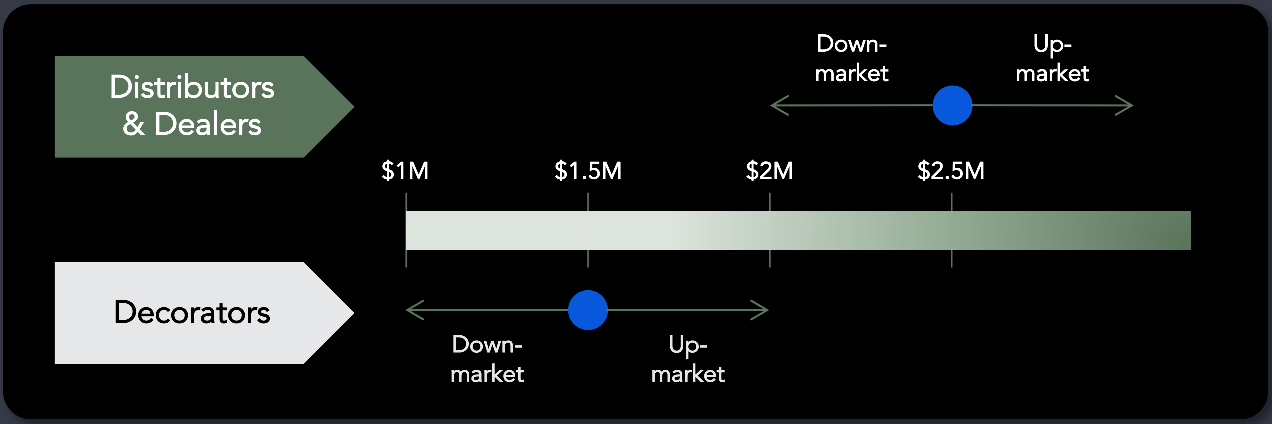
- Primarily sell customized sporting goods and apparel to teams.
- Often have physical storefronts.
- Likely to be affiliated with large brands like Nike or Under Armour.
- Limited in-house design services and decoration.
- Usually hold inventory.

CONTRACT DECORATORS

- Embellish blank products on behalf of other companies.
- Have physical facility, often with multiple machines.
- Do not interact directly with decision makers or end consumers.

Market Segments

Dealers, Distributors, and Decorators (D³) may be considered as up- or down-market based on revenue as well as attachment to a Franchise or Affiliate network. **In this report, the D³s were considered as up-market if they were connected to a Franchise or Affiliate network, even if revenues did not meet the benchmark indicated below.**



The acronym FAB in this report refers to Franchises, Affiliates, or Buying Groups:

Franchise

- An individual/company that pays a fee to use the name, brand, business model, etc. from a franchisor.
- Operates under the name of the franchisor.
- Franchise pays an initial investment fee + ongoing marketing fees and/or royalties to franchisor.

Affiliate

- An individual/company that earns a commission selling on behalf of parent company while maintaining own company name.
- Often provided with business resources such as marketing support, technology IP, etc.
- Typically, do not pay any upfront investments or licensing fees.

Buying Group

- A group of companies that form an alliance to leverage collective buying power.
- Companies pay a fee to join the group and may be independent or part of a franchise or affiliate network.

FAB Examples

Safeguard

Big Frog Custom T-Shirts & More

Fully Promoted Branded Products & Marketing Services

ipromoteu

American Solutions for Business

Sports Inc.

The use of the third-party names, logos or trademarks above is for identification and reference purposes only and does not imply any association between OrderMyGear and the trademark holder.

The Tech Stack

A technology stack is the sum of solutions used by a company to run an app or project. The different technologies that the dealers, distributors, and decorators (D^3s) use to run their business can be consumer-facing (front-end), business-facing (back-end), or both.

CORE COMPONENTS OF THE TECH STACK

1	Product Search	The system used to research/search for products based on keyword, product category, supplier, etc.
2	Presentations	The system/tool used to generate, share, and manage custom proposals/presentations and quotes.
3	eCommerce-enabled Website	Online shopping capabilities on a company website where customers can place and pay for orders directly.
4	Dedicated Online Store	Online stores created and branded for a specific group to purchase customized merchandise.
5	ERP/Shop Management	The system used for inventory management, job management (if applicable) and operational reporting.
6	Accounting	The system used for bookkeeping, accounts payable, accounts receivable, payroll etc.

Front End (items 1–4) Back End (items 5–6)

Market Snapshot

Overall, Non-profits and K-12 Schools Are the Most Prevalent Customer Groups

Down-market respondents largely cater to non-profits and K-12 schools while larger dealers, distributors, and decorators (D^3s) are more likely to sell to healthcare institutions and colleges/universities.

Customer Groups
(Percentage of Respondents)

Overall	Customer Group	Down-market	Up-market	Difference
56%	Nonprofit / Charity	58%	52%	5.7%
49%	K-12 Schools	51%	43%	8.7%
46%	Construction	46%	48%	2.1%
46%	Food Service	45%	46%	1.2%
43%	Healthcare	39%	54%	15.2%
41%	College / University	37%	54%	16.9%
39%	Financial / Insurance	37%	45%	8.4%
36%	Manufacturing	32%	48%	16.5%
35%	Real Estate	34%	36%	2.6%
33%	Sports: K-12 School	35%	28%	7.2%
32%	Retail	31%	35%	4.4%
29%	Automotive	27%	33%	5.7%
29%	Travel / Hospitality	28%	33%	5.4%
28%	Government	28%	29%	1.8%
28%	Sports: Travel	30%	22%	7.4%
23%	Software / Technology	20%	29%	8.1%
13%	Sports: Collegiate	12%	16%	3.2%
14%	Other	16%	8%	7.7%
n = 1,016		n = 747	n = 269	

"Schools—I think that's quite common for most of the organizations. It just takes a lot of headache and pressure off the office for collecting orders from each individual, what a nightmare!" —*Decorator*

"We work with a lot of credit unions and banks. We also have Fortune 500 customers. We have a lot of business from trade associations in our industry, because of where we are (Washington DC)." —*Distributor*

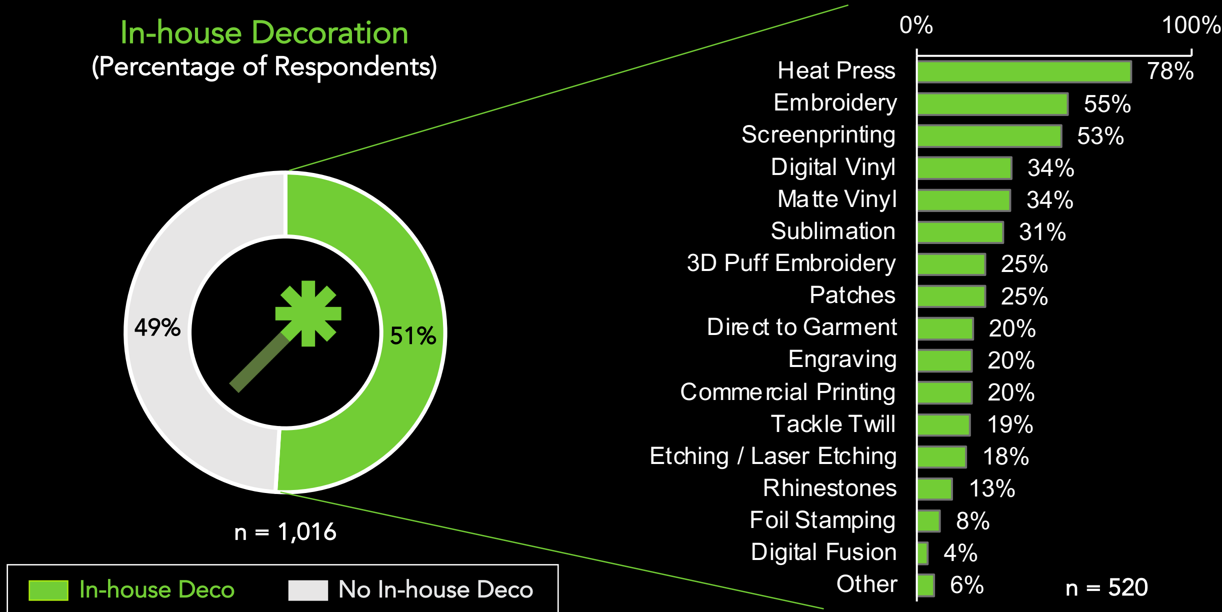
Apparel Is the Most Offered Product and Heat Press Is the Most Common Decoration Method

Top 5 Product Categories Offered
(Percentage of Respondents)

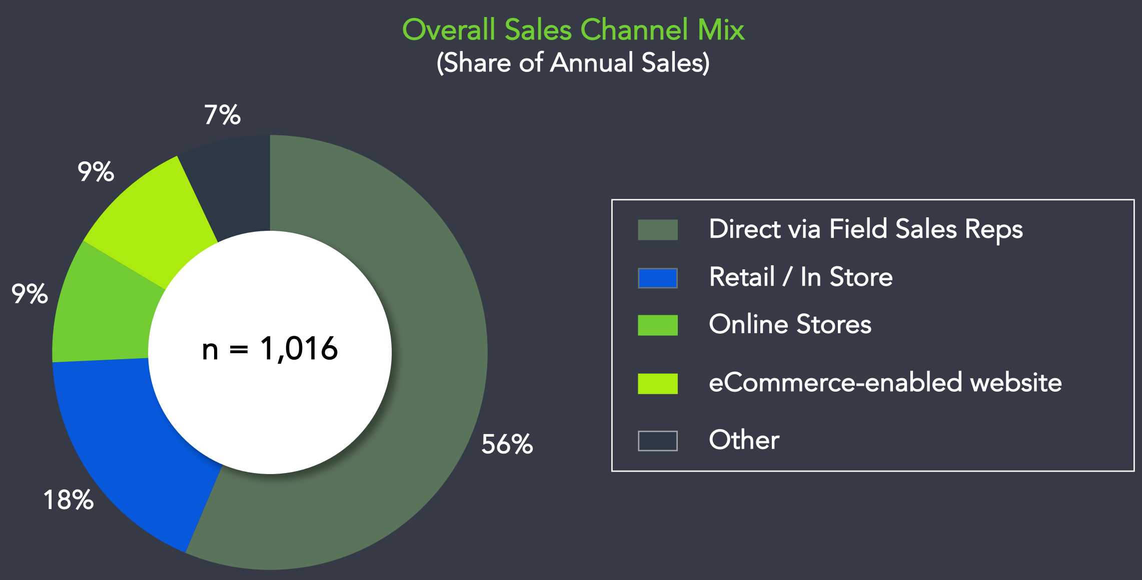
n = 1,016

More than half of D³s offer in-house decoration services. Heat press is the most used in-house method, followed by embroidery and screen printing.

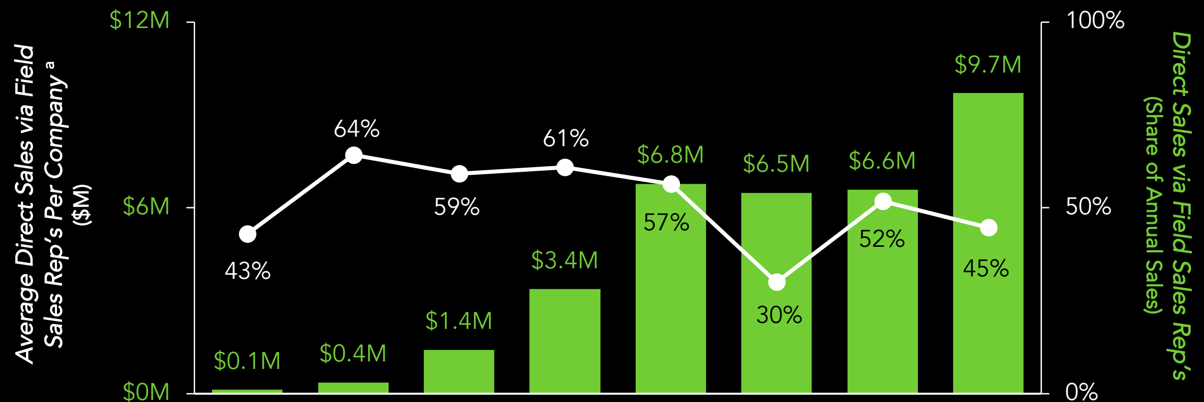
In-house Decoration
(Percentage of Respondents)



A Majority of GMV is driven by Sales Representatives



As expected, the more sales representatives a company has, the larger the amount of sales generated through this channel. However, a bigger sales force does not necessarily indicate greater efficiency. Our data shows that the average revenue per individual representative actually decreases as the number of representatives per company increases.



Sales Rep's per Firm =	0 Reps	1–2 Reps	3–5 Reps	6–10 Reps	11–15 Reps	16–20 Reps	21–50 Reps	Over 50 Reps
n =	284	471	161	43	10 [b]	8 [b]	8 [b]	31
Average Sales Revenue per Rep.=	$0.13M	$0.24M	$0.35M	$0.42M	$0.52M	$0.36M	$0.19M	$0.16M

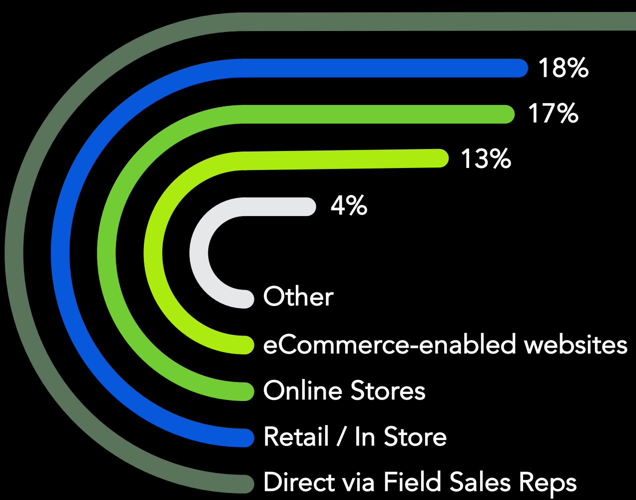
a: Average sales estimated based on revenue buckets and share of direct sales.
b: 'n' is low at a subsegment level.

Users of Online Sales Channels Are Seeing the Benefits, and Adoption Is Expected to Grow

Users of both eCommerce-enabled sites and online stores receive up to 30% of sales online…

…with online stores contributing marginally more than eCommerce-enabled sites.

Sales Channel Mix for those using both eCommerce-enabled Websites and Online Stores
(Share of Annual Sales)



n = 438

Online channels help to capture customers beyond a dealer's, distributor's, and decorator's (D³'s) local area and respondents expect their share of online sales to increase moving forward.

"Since we are reaching out to potential customers beyond the town, and it doesn't make sense for them to come all the way to the store, having those online stores up and running for them is the way to go. I would say that by 2022, about 20%–25% of sales would be coming in via online channels."

—*Dealer*

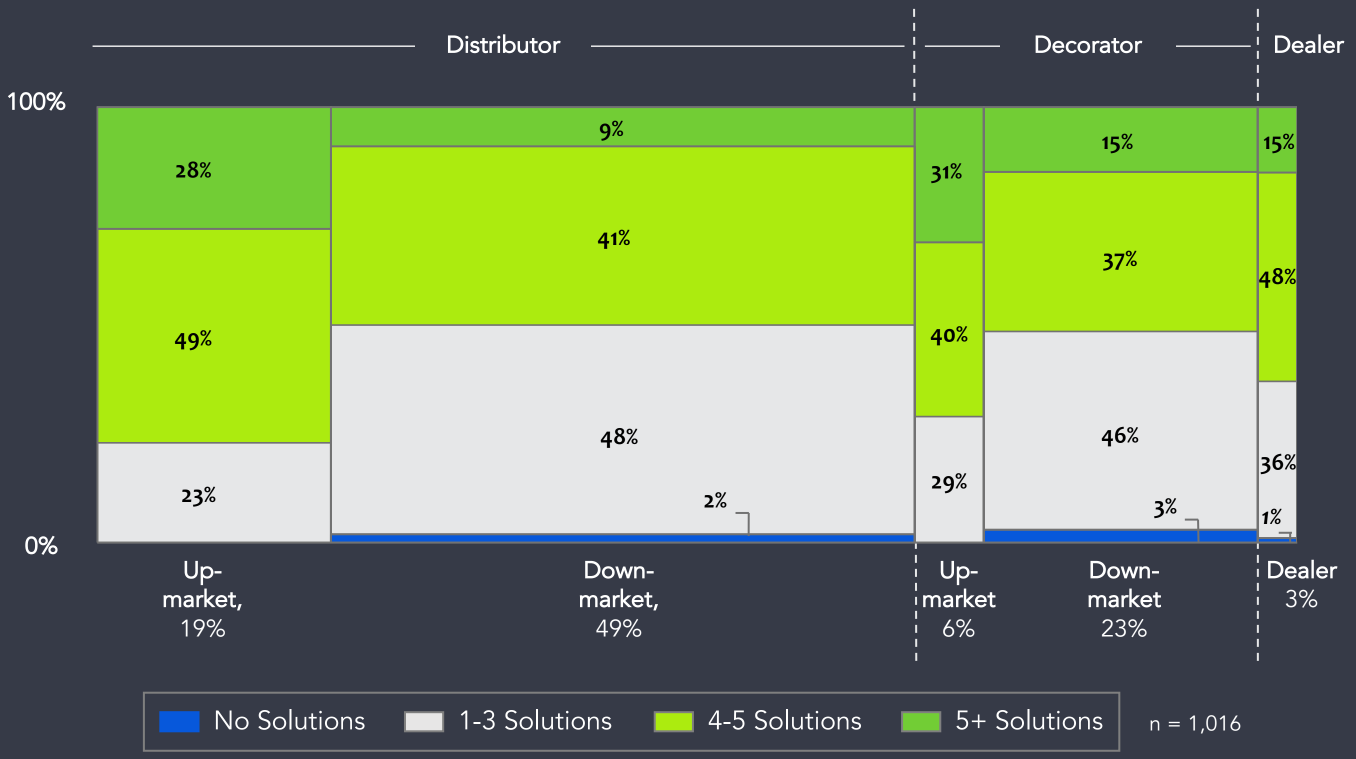
"Currently, about 40% of our sales comes through online stores, I would assume it would go up another 10% or so, though they wouldn't completely replace our physical stores."

—*Decorator*

Tech Stack Use

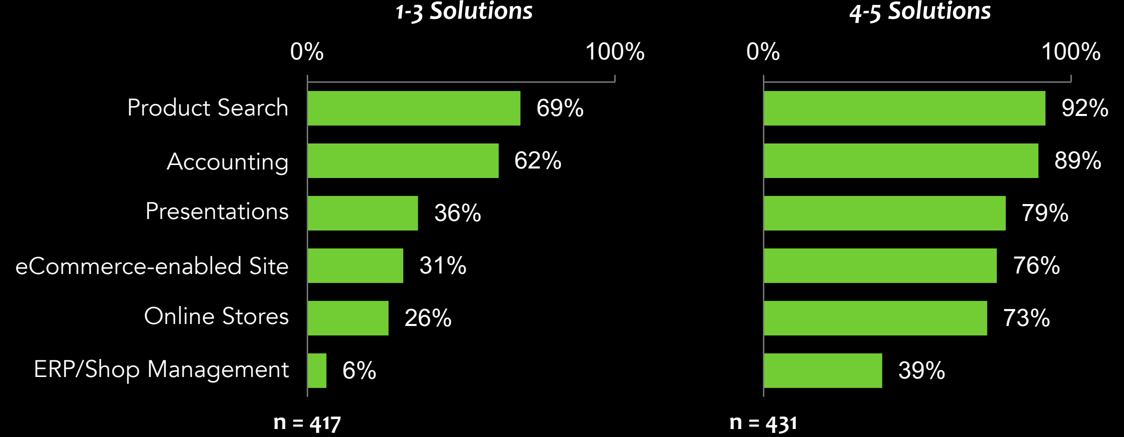
Up-market Distributors and Decorators Are Making the Most Extensive Use of the Tech Stack

Number of Tech Stack Solutions Used by Segment
(Percentage of Respondents)



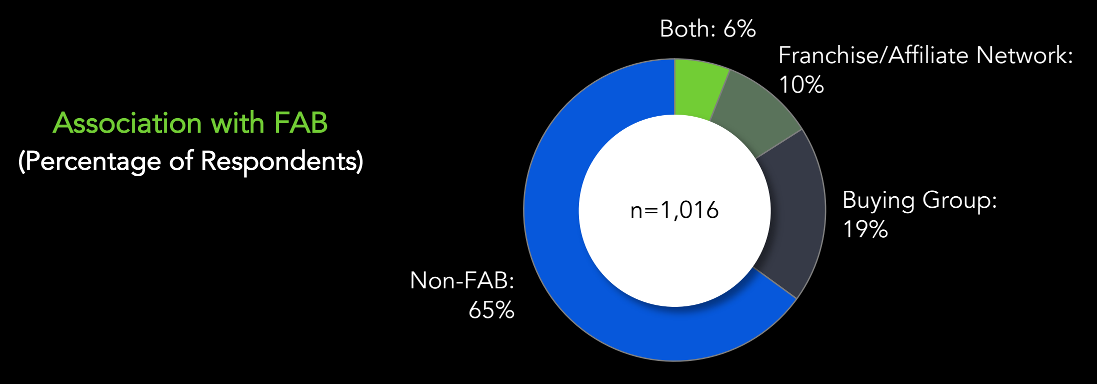
Product Search, Accounting, and Presentations are currently the most frequently used solutions by the D^3s, while eCommerce-enabled Websites, Online Stores and ERP/Shop Management offerings have runway for growth. When asked, if D^3 is only using two solutions, chances are it will be Product Search and Accounting first /

Tech Stack Components Used Based on Number of Solutions Used
(Percentage of Respondents)

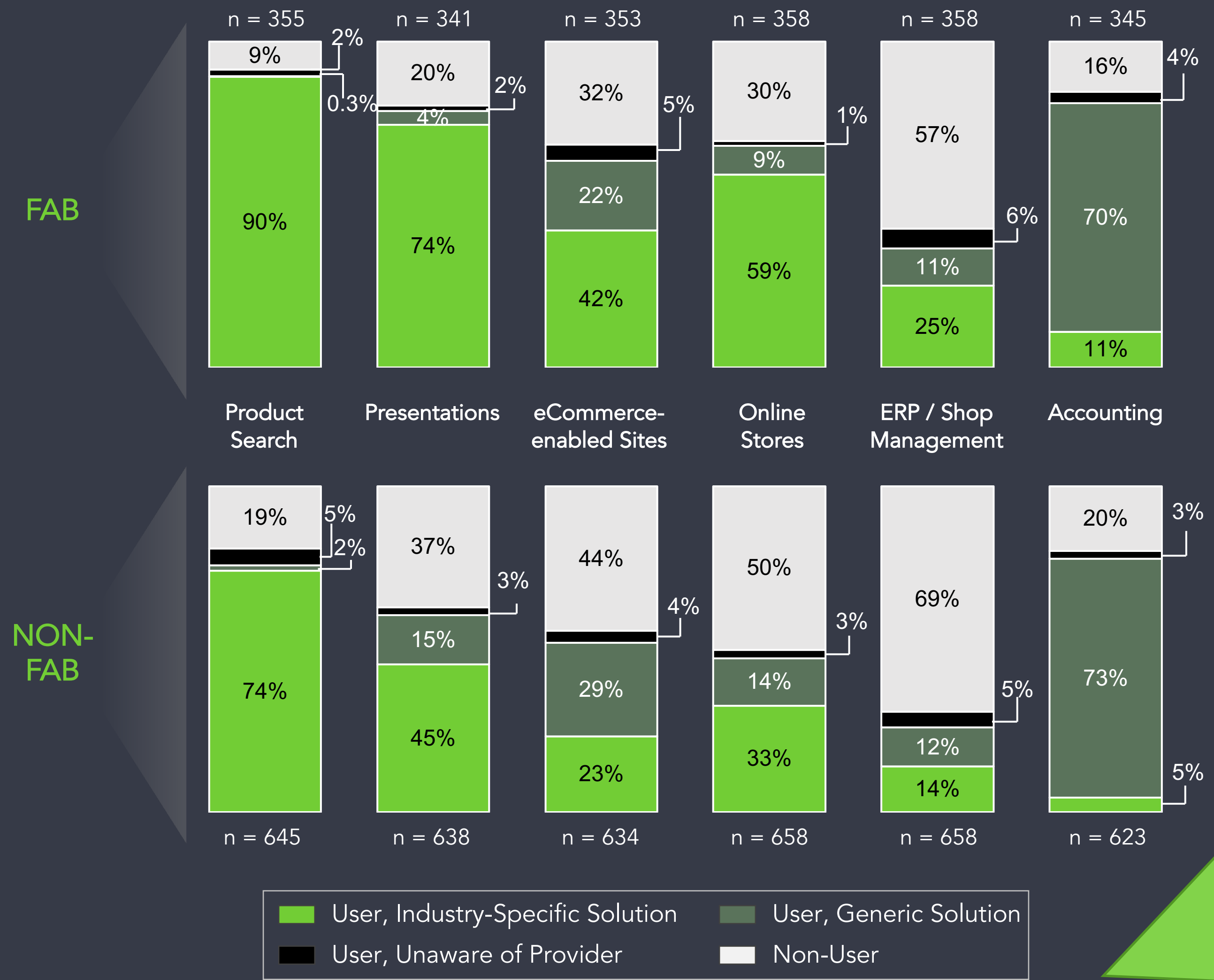


Tech Stack Usage is Higher Among D³ Companies that are Associated with a FAB

19% of total respondents belong to a Buying group and 10% belong to a Franchise/ Affiliate network, while 6% belong to both.



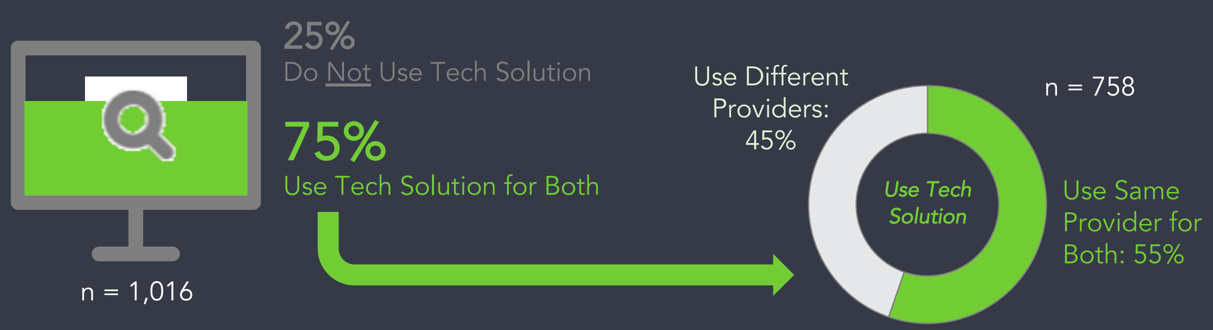
Users that are part of a FAB are more likely to utilize an industry-specific solution.



Product Search and Presentations Adoption is High Across all D³ Business Segments

Three-quarters of our respondents (~75%) use industry-specific solutions for both Product Search and Presentations and of those, over half (~55%) use the same provider for both.

Usage of Tech Solution for Product Search and Presentations
(Percentage of Respondents)



Those who do not use a specific solution for Product Search and Presentations revealed that they generally find email to be sufficient, as they often send detailed presentations. Phone calls were also commonly used to discuss proposals.

> "We try to make our presentations as attractive and as image filled as possible. I know there are a lot of companies out there you will find that will call you up and tell you what they have done, email you a couple a pictures of products they have customized via email, and that is that. But we know there is more we can do [by sending presentations] to really get those customers to come back to us and really keep us at the top of their choices." *—Distributor*

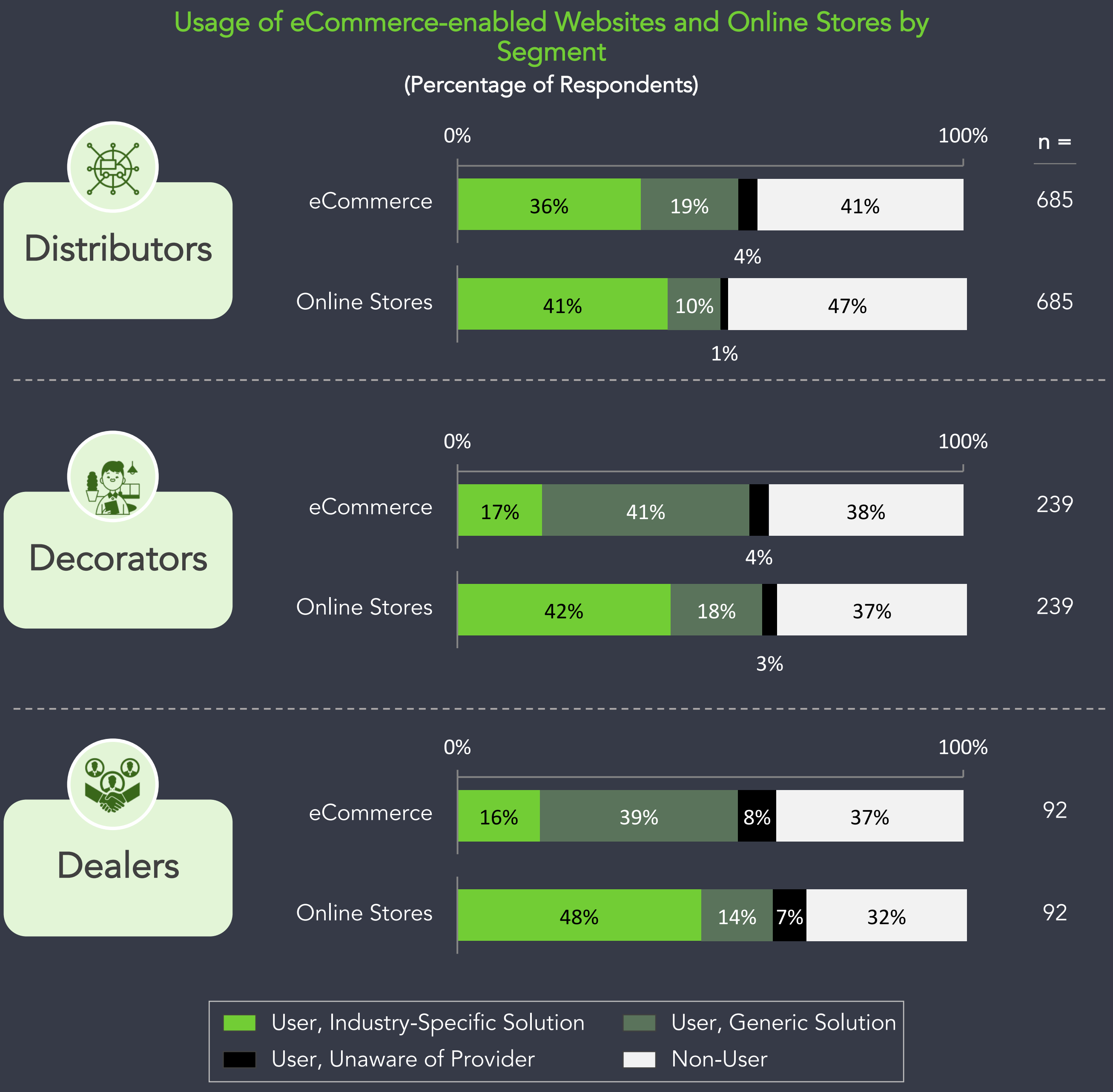
> "The nature of our customers are just old school, and what would be the point in spending time and getting them to use it [online store] when this has worked for us? You know, calling them and directly speaking to them is what has worked for us." *—Distributor*

Overall Use of eCommerce-enabled Websites and Online Stores Is Similar

eCommerce-enabled Websites and Online Stores exhibit similar penetration levels across distributors, decorators, and dealers.

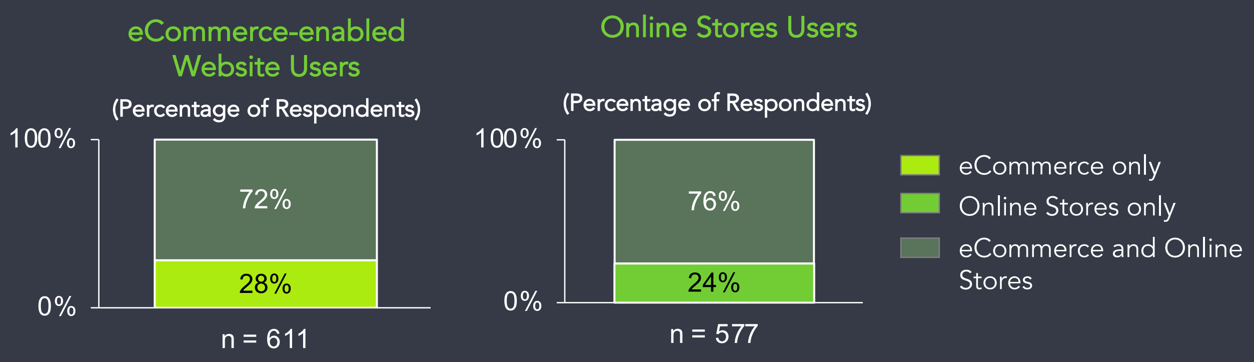
However, penetration of these channels is marginally higher for up-market decorators, who are more likely to use an industry-specific solution than down-market decorators.

In general, users are more likely to opt for an industry-specific solution for Online Stores and a non-industry specific solution for eCommerce functionality, particularly decorators.

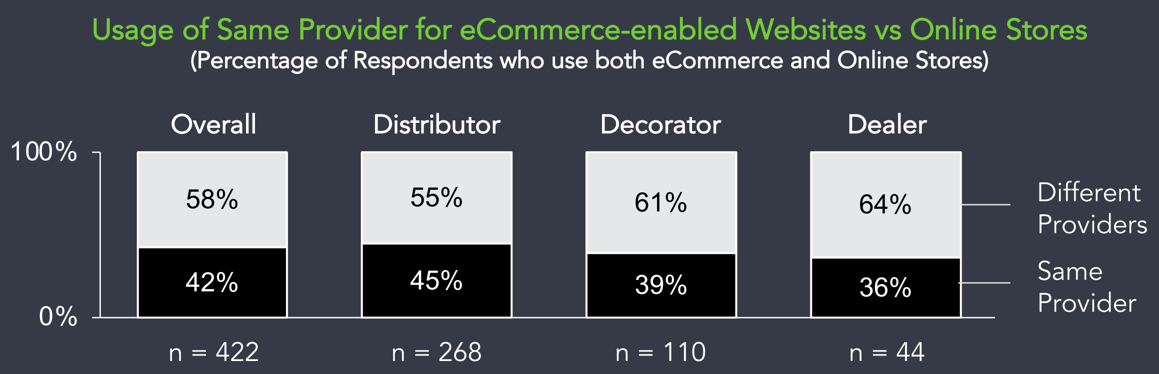


Users of Online Stores and eCommerce-enabled Sites Overlap Significantly

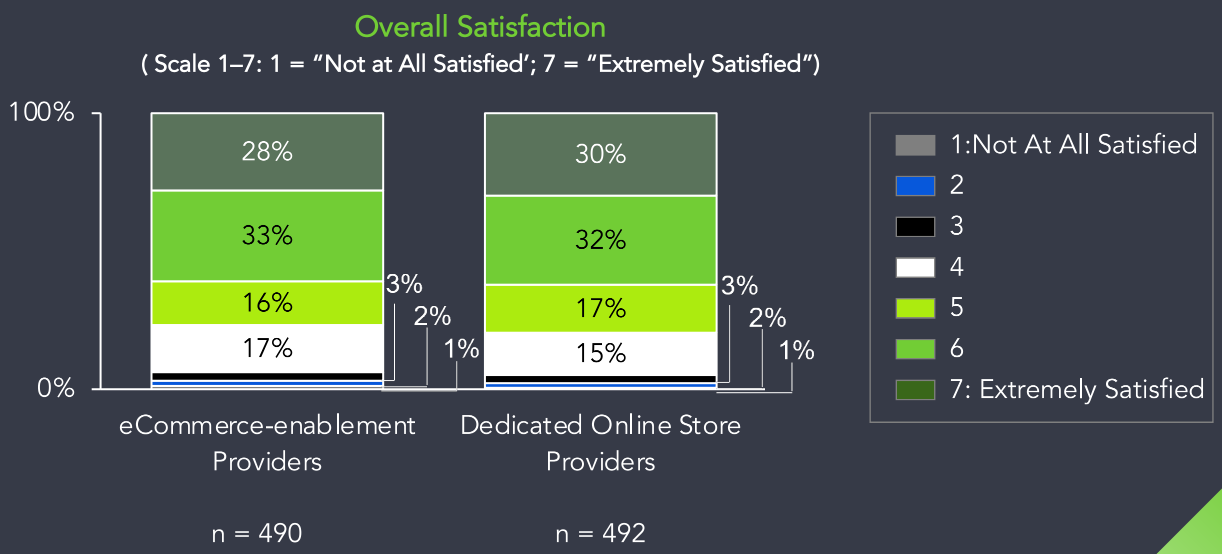
There is significant overlap between the users of online stores and eCommerce-enabled websites, with over 70% of each population using both channels.



Distributors are more likely to use the same provider for both eCommerce-enabled websites and Online Stores.



Overall, satisfaction for providers of Online Store is marginally higher than for providers of eCommerce-enabled websites.



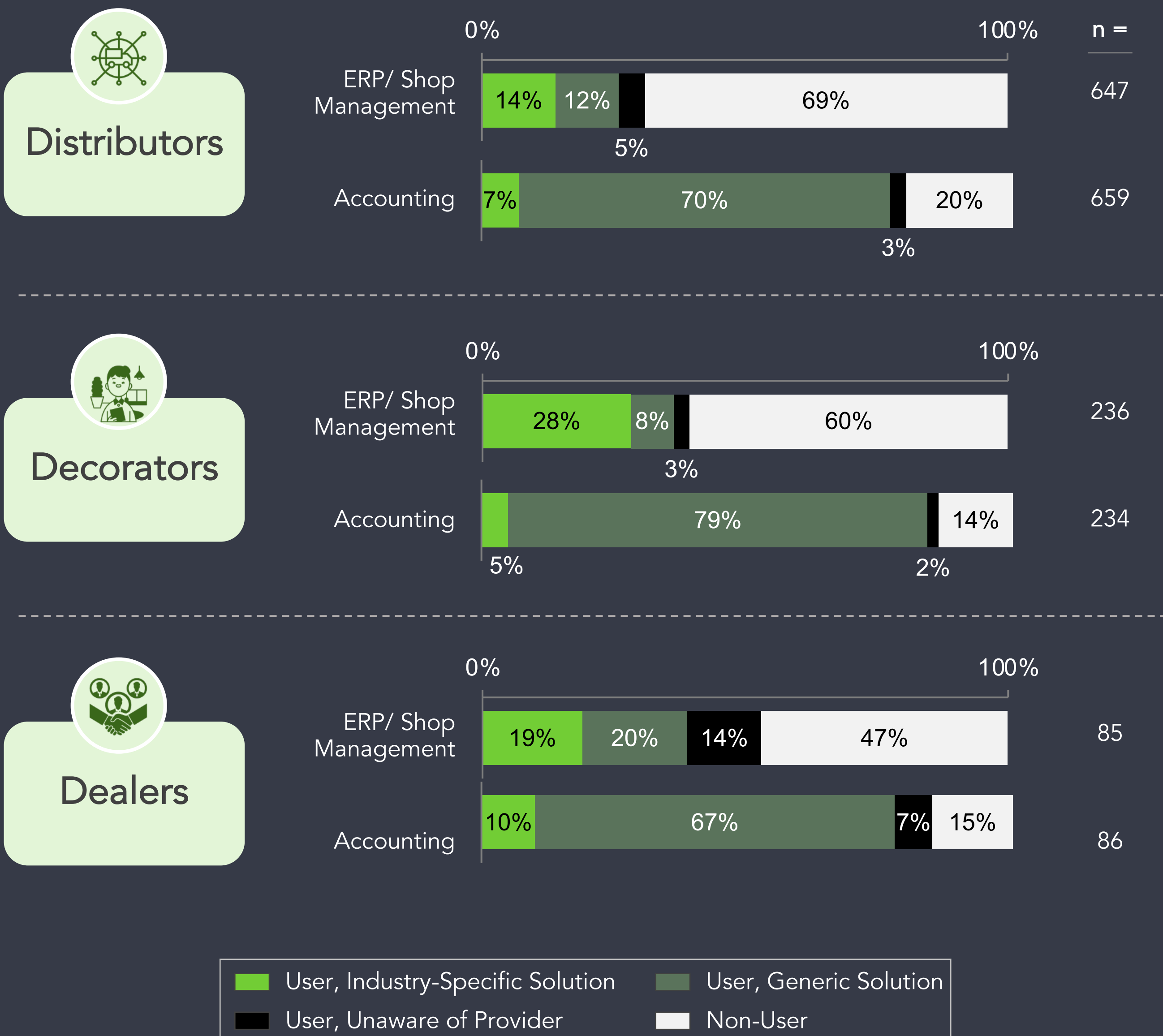
While Accounting Solution Adoption Is High, ERP / Shop Management Is Used Less Often

Usage of the two back-end solutions vary widely with most companies using generic (i.e., non-industry-specific) Accounting solutions like QuickBooks, as digitization of accounts is seen as essential.

Use of ERP/Shop Mgmt. tools is lower than other tech stack components, with larger companies who belong to a **F**ranchise network, **A**ffiliate network, or **B**uying group (FAB) being more likely to use them.

> "No matter how small you are, we realized early on that having a digital system for accounting was always the sensible way to go. There are cheap ones out there you can really fit into your budget, and it makes it manageable."
> —*Distributor*

Usage of ERP/Shop Mgmt. & Accounting by Segment
(Percentage of Respondents)



KEY TAKEAWAYS

Technology allows D^3 to create operational efficiencies and expand their reach to consumers, enabling them to optimize their business and grow revenue

The largest and highest revenue generating D^3s embrace technology with 29% using the full tech stack

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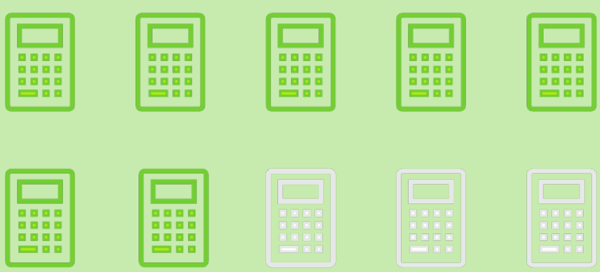
D^3s prefer industry-specific solutions for online stores, with a majority choosing an industry-built solution over a generic platform



Industry specific solutions are more effective than non-industry specific solutions. If you are in the world of Team and Promotional Products, it makes most sense to invest in learning and using the tools designed for this industry alone

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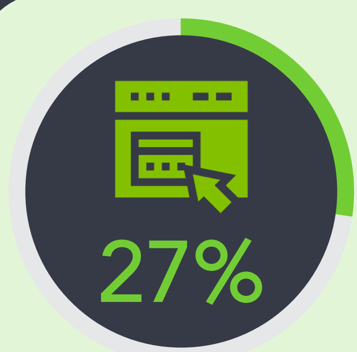
Those not using online sales channels effectively will be at a disadvantage, especially with COVID-prompted online shifts set to drive lasting shifts in purchaser expectations and competitor behavior



D^3s using both eCommerce-enabled websites and online stores

OMG

2211 Commerce St. Dallas, TX 75201
855-370-6461
hello@ordermygear.com

Stax

www.stax.com | strategy@stax.com