

Managing Promotional Products

The 15/50 Model for Sustainable and Efficient Sourcing and Distribution

The Ciloo method for supply chain traceability, reduced carbon emissions, operational efficiency, and global brand control in the wake of the CSRD.



Executive Summary

Companies must take stock of how they're managing the physical execution of their brands. As the demand for branded products grows (\$90.5bn industry in 2023*), complex supply chains and sustainability issues add to the challenge of procuring and distributing material. This is further augmented by new regulatory frameworks, including the European Union's Corporate Sustainability Reporting Directive (CSRD) whose impact extends globally. Together, these factors hinder efficiency, increase costs, and pose reputational risks for companies inadequately prepared.

Ciloo has pioneered the 15/50 model as a transformative solution in the promotional products space. This approach centers on a transition from a wide range of products that are mass produced centrally and shipped across the world, to local and on-demand production of 15 product categories in 50 countries. By significantly reducing shipping emissions, enhancing brand control, and streamlining product management, the 15/50 model offers unprecedented efficiency and agility. Moreover, it dramatically improves supply chain transparency, simplifying CSRD reporting and compliance with other sustainability regulations.

The Ciloo platform facilitates the implementation of the 15/50 model by connecting businesses with a global network of local suppliers for on-demand production. This approach optimizes operations, minimizes waste, and empowers brands to achieve their sustainability goals.

Companies that put in motion the strategic changes required to meet sustainability goals and regulations not only make positive contributions to the environment and social change, but also strengthen their market position.

By adopting the 15/50 model and leveraging the Ciloo platform, businesses can simplify CSRD reporting, ensure global brand consistency, reduce their environmental impact, and improve operational efficiency. The time to act is now.

About Ciloo

Ciloo is a software company that revolutionizes how global enterprises manage internal eCommerce. By offering a one-stop shop for simplifying procurement, payments and enabling local and on-demand production, Ciloo significantly reduces carbon emissions and costs while improving brand control. With a diverse team based in the Netherlands, Norway, UK, Mexico, Pakistan, Malta, North Macedonia, Italy, India and Kenya, Ciloo is poised for global impact. For more information, visit ciloo.com.

*Grand View Research, Promotional Products Procurement Intelligence Report, 2024 - 2030

Why read this?

Learn how to manage branded products and sustainability reporting with Ciloo's 15/50 model. Discover how to enhance supply chain traceability, reduce carbon emissions, improve operational efficiency, and ensure global brand control.

This white paper applies to any organization operating, wholly or partially, within the European Union (EU), as the Corporate Sustainability Reporting Directive (CSRD) and other upcoming sustainability regulations will inevitably impact business.

Key Data Points

1. The promotional products industry, valued at \$90.5 billion in 2023, is being shaped by multiple trends, including personalization, technology integration, and sustainability.
2. Traditional methods for branded product management are resource heavy, contribute to high carbon emissions and limit supply chain transparency.
3. The introduction of new regulatory frameworks, including the EU's CSRD, necessitates an immediate shift in the way businesses manage their operations, including the management of promotional products.
4. Ciloo's 15/50 model facilitates a transition from central mass production of a wide range of products to local and on demand production of 15 product categories in 50 countries.
5. The 15/50 model leverages technology to reduce waste, improve operational efficiency, ensure global brand control and simplify sustainability reporting.
6. Businesses that implement sustainability strategies proactively align with the evolving needs of consumers, investors, and regulators, and set the stage to remain competitive and relevant.

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1. Understanding the Promotional Products Industry

The promotional products industry is a substantial economic sector with a global reach. While precise figures can fluctuate due to economic conditions and industry definitions, in 2023, the global promotional items market was estimated at 90.5 billion USD[1]. The highest market size is North America, followed by Europe, and APAC.

Industry experts forecast a growth of around 3.8% CAGR (2021-2030F)[2], with corporate gifting platforms gaining traction.

The demand for promotional products is fuelled by growing attention from major end-user sectors, such as healthcare, real estate and education. Demand is growing across various regions and product innovations[3]. A key driver is the increasing recognition of branded merchandise as an effective marketing tool. Promotional products offer a tangible connection between businesses and their target audiences, generating consumer awareness and favorability around their brand.

1.1 Key Industry Trends

Several key trends are shaping the development of the promotional products industry:

Sustainability

The growing emphasis on environmental responsibility has led to a surge in demand for eco-friendly promotional items. Consumers and businesses alike are increasingly seeking products made from sustainable materials and produced ethically. This shift has prompted many companies to adopt sustainable practices and offer a wider range of eco-conscious options.

Personalization

The ability to create customized promotional products has become increasingly important. Consumers appreciate items that reflect their individual preferences and tastes, while businesses benefit from the opportunity to deliver targeted messages. Advancements in technology have made personalization more accessible and affordable.

Technology Integration

The integration of technology into the promotional products industry is transforming how businesses operate. Online platforms, e-commerce, and data analytics are being leveraged to improve efficiency, enhance customer experience, and gain valuable insights.

Merchandising

The concept of promotional products is evolving beyond traditional giveaways. Businesses are increasingly viewing promotional products as branded merchandise that can generate additional revenue and strengthen brand identity. This trend has led to the development of higher-quality, more contemporary, and more sustainable products.

On Demand, Local Production

Driven by a demand for speed, flexibility, and sustainability, businesses are seeking solutions that enable them to procure promotional items quickly, efficiently, and with minimal environmental impact.

Supply Chain Resilience

The COVID-19 pandemic and regional conflicts highlighted (and continue to highlight) the importance of resilient supply chains. Companies are focusing on diversifying their supplier base, reducing reliance on single sourcing, and implementing risk management strategies to mitigate disruptions.

1.2 Key Challenges

The promotional products industry has traditionally faced significant environmental challenges due to its reliance on extensive supply chains, resource-intensive production methods, and a high carbon footprint from materials, waste and shipping. These factors have contributed to a significant environmental impact, including greenhouse gas emissions, waste generation and deforestation.

1.2.1 The Industry's Sustainability Challenges and Regulatory Pressures

Sustainability requires more long-term thinking: businesses and consumers must meet their current needs without compromising the ability of other people and future generations to meet theirs.

In the promotional products industry, this includes environmental factors like carbon emissions, water use, and recyclability. It also involves social and ethical considerations like fair labor practices and economic impact.

For a brand to be sustainable, it must assess a product's entire lifespan, from material sourcing to consumer use, and all the elements in between, including its marketing. This means using eco-friendly packaging, partnering with sustainable suppliers, ensuring energy-efficient transportation, and minimizing waste.

Recent years have seen a growing emphasis on sustainability and corporate social responsibility (CSR) within the industry. This shift has been driven by several factors, including:

Consumer demand: Consumers are increasingly aware of environmental issues and are seeking products that are ethically sourced and produced. A study by NielsenIQ found that 78% of US consumers say that a sustainable lifestyle is important to them.[4] Transparency in modern reporting makes it easier for consumers and investors to compare ESG figures between companies.

Investor expectations: Investors are increasingly considering ESG factors when making investment decisions. According to EY, “institutional investors are aligning their portfolios toward better ESG performance. This signals a different approach from focusing on ‘responsible funds’, and instead seeing ESG issues as fundamental to the performance of all investments.”[5] According to MIT’s State of Supply Chain Sustainability Report, 76% of surveyed business leaders across the globe have reported moderate to very high pressures from investors to advance on supply chain sustainability.[6]

Supply chain transparency: Governments and multilateral organizations are implementing stricter regulations to address climate change and environmental impact across the entire supply chain. Some examples are the European Union’s (EU) Corporate Social Responsibility Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), the United States’ (US) Securities and Exchange Commission Climate Ruling, and the United Kingdom’s (UK) Streamlined Energy and Carbon Reporting (SECR).

1.2.2 The Industry’s Status Quo: Outdated Models and Their Challenges

Businesses with a global or national presence have traditionally relied on two primary models for procuring branded merchandise: central branding and production with global shipping, and decentralized set ups. While these approaches have served industries for many years, they are increasingly outdated, resource-heavy, and unsustainable.

Option 1: Centralized Branding and Procurement with Global Shipping

One common practice is to mass produce centrally and ship to local subsidiaries around the world. This model offers economies of scale in terms of the volumes ordered but comes with several significant drawbacks that can potentially negate any gain:

- Long lead times: Coordinating with offices spread globally, identifying their needs, and managing global shipping can result in lengthy lead times.
- Long shipping distances: In these setups, products are produced, shipped and stored locally, and then shipped again. Global shipping contributes to a substantial carbon footprint, and long delivery timeframes.
- Limited flexibility: Centralized procurement can make it difficult to address cultural nuances, respond quickly to changing market conditions, and meet last-minute requests.
- Customs issues: Navigating customs regulations and procedures can be complex and time-consuming, especially for businesses operating in multiple countries.
- Administrative burden: Teams often spend many hours organizing annual volumes for different products. Coordinating production, shipping, and logistics across multiple countries also requires significant administrative effort and can be error-prone.
- Excess inventory: Centralized production often leads to the creation of excess inventory and increased storage costs.

Option 2: Decentralized Setups

Another approach is for companies to decentralize the process, with offices in different regions sourcing their own promotional products from multiple suppliers. While this can offer more flexibility, it also presents several challenges:

- **Brand inconsistencies:** Ensuring consistent quality and branding across multiple suppliers in different countries can be difficult, especially without centralized oversight.
- **Scattered platforms:** Decentralized set ups often lead to multiple ordering platforms, in itself a cost-driver, and makes brand control difficult. The use of multiple platforms makes it very challenging to track quantities and the use of different local suppliers makes sourcing data for sustainability reporting difficult.
- **Cost control and transparency:** Managing budgets and monitoring costs is difficult, and negotiating favorable terms with multiple suppliers can be time-consuming.
- **Traceability:** Tracking products coming from multiple supply chains can be complex, making it difficult to ensure compliance with sustainability and ethical standards and submitting annual reports.
- **Complexity and waste:** Decentralized sourcing duplicates efforts and products, leading to waste.
- **Administrative burden:** Managing multiple suppliers often requires the use of multiple platforms and systems, which can increase administrative complexity.

The Limitations of Traditional Models

Both central branding and production with global shipping and decentralized setups have significant limitations in a rapidly evolving business environment. These models are often unsustainable, inefficient, and unable to meet the demands of modern consumers and businesses.

The latest trends in the industry, including sustainability, personalization and on demand production have made it increasingly difficult for companies to rely on traditional promotional products models. Businesses who want to future proof their operations (and remain relevant) need to explore new approaches that are more aligned with the changing needs of the market and new regulatory frameworks.

1.2.3 Future Proofing Branded Merchandise: A Focus on Four Key Themes

The promotional products industry has historically been associated with a high level of waste and environmental impact. According to the Advertising Specialty Institute's 2019 Global Ad Impressions Study[7] promotional items are only kept, on average, for a year. Just 21% of branded and promotional items are kept for any length of time: more than half is given away and 23% is thrown away.

To address these sustainability challenges, companies must adopt a strategic approach to promotional gifting that prioritizes environmental and social responsibility. This involves not only meeting regulatory requirements but also driving broader changes within the organization and supply chain.

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The promotional products industry has long been characterized by inefficiencies and unsustainable practices. Ciloo was founded with the vision of reimagining this sector through a more innovative and sustainable approach. By leveraging technology and prioritizing sustainability, we are not merely modifying the industry; we are fundamentally transforming it.

Richard Benesti, Co-Founder



Deloitte's 2024 Sustainability Regulation Outlook[8] identifies four key themes for companies to focus on: circularity, supply chain sustainability, decarbonisation, and greenwashing risk. These themes can also serve as helpful guidelines when drawing up promotional gifting strategies:

Circularity

Consumer demand and new regulatory requirements are rapidly evolving circularity. Businesses should choose promotional products with a focus on recyclability, reusability, or repurposing, as these are crucial elements in promoting a circular economy. Exploring the use of biodegradable or compostable materials can further minimize the environmental impact of these products, as does establishing take-back programs for used promotional products. Those companies that fall under the scope of the CSRD must report on resource use and circular economy action plans. As noted by Deloitte, companies should focus on creating robust data frameworks that can be leveraged for this.[9] In terms of promotional products, companies must work closely with their suppliers for detailed reporting.

Supply chain sustainability

Companies must thoroughly assess their suppliers to evaluate their environmental and social practices and ensure a sustainable supply chain. Prioritizing suppliers who are committed to sustainability and can provide transparent information about their own supply chains is crucial: the CSRD obliges companies to report not only on their own operations, but also their upstream and downstream supply chains. This means companies must invest more resources in their relationships with suppliers and include sustainability-related risk assessments in their procurement processes.

Decarbonization

Information on a product's carbon footprint helps businesses identify areas where emissions can be reduced. Optimizing production locations and choosing sustainable modes of transport can help minimize carbon emissions associated with the production and distribution of promotional products. The CSRD will affect most industries, obliging companies to track emissions and report their reduction targets.

Greenwashing Risk

Transparency in sustainability efforts is crucial to avoid greenwashing, which involves making exaggerated or misleading claims about a product's environmental benefits. Companies must ensure there are no discrepancies between what they are doing and what they say they are doing and that their environmental messaging is clear and fully substantiated. Obtaining third-party certifications or verification can help validate sustainability claims and build trust with consumers. In the EU, generic phrases, such as "environmentally-friendly", "climate neutral", "biodegradable", and "eco" will not be permitted from 2026. Only sustainability labels based on approved certification schemes or established by public authorities will be allowed.[10]

Regulation is an important driver of changes and the immediate months are pivotal for companies who want to future proof their operations. "Failing to become more sustainable will leave [companies] vulnerable to the loss of revenue and reputation, as well as to litigation and regulatory penalties", emphasize experts at Deloitte.[11]

By focusing on these four themes, businesses can ensure their promotional products are sustainable throughout their entire life cycle. This not only contributes to a more environmentally responsible future but also strengthens the brand, its reputation, and its relationships with customers and stakeholders.



2. The 15/50 Model: A Robust, Sustainable Approach to Promotional Products

Ciloo has pioneered the 15/50 model, a groundbreaking approach to managing branded merchandise that addresses the regulatory and sustainability challenges of the promotional products industry. This innovative model centers on producing a carefully curated selection of 15 core product categories locally in 50 countries.

2.1 The Benefits of the 15/50 Model

By optimizing supply chains, reducing environmental impact, ensuring brand consistency, and simplifying sustainability reporting, the 15/50 model offers a transformative solution for businesses seeking sustainable and effective promotional strategies:

Lean, quality catalog

The 15/50 model is built around a carefully curated selection of 15 product categories. By focusing on a core range of products with a resilient and traceable supply chain, businesses can ensure that their promotional materials are consistently available and aligned with brand identity.

Additionally, the 15/50 model prioritizes durability, eco-friendly materials, and recyclability. By opting for products made from sustainable materials and ensuring they are built to last, businesses can reduce waste and minimize their environmental impact. This aligns with customer expectations and demonstrates a commitment to sustainability and corporate social responsibility.

On-demand production

The 15/50 model deploys local, on demand production for promotional products. It empowers users to order items as needed and when needed. This significantly lowers volumes and eliminates the need for costly warehousing, streamlining operations and reducing overhead costs. Additionally, on demand production minimizes waste by reducing the likelihood of producing more than needed, contributing to a more sustainable and efficient supply chain.

Reduced carbon footprint

One of the most significant benefits of the 15/50 model is its ability to significantly reduce carbon emissions. By eliminating the need for long-distance transportation, businesses can minimize their environmental footprint. Local production reduces the overall carbon footprint associated with the production and distribution of promotional products. On demand production reduces waste and saves on warehousing space. Businesses working with Ciloo have drastically reduced their shipping distances and halved their production volumes, while still meeting demand.

Shorter, traceable supply chains

The 15/50 model allows for shorter, more transparent supply chains, resulting in faster delivery times and traceability. By working with local suppliers, businesses can minimize the time it takes for products to reach their destination, ensuring that promotional campaigns are executed efficiently and effectively. Additionally, shorter supply chains reduce the risk of disruptions and delays, providing greater reliability and predictability.

Increased responsiveness

In marketing, the ability to respond quickly is essential. The 15/50 model empowers businesses to be more agile and responsive by enabling them to produce promotional products on-demand. This flexibility allows companies to adapt to changing consumer preferences, introduce new items, and order merchandise for last-minute events.

Stronger brand control and consistency

By utilizing a centralized platform for product management with access to a trusted network of vetted suppliers, Ciloo's 15/50 model provides businesses with greater control over their brand. This ensures that products are produced in line with brand guidelines, maintaining brand consistency and integrity. Consistent branding helps to strengthen customer recognition and loyalty, ultimately driving business success.

Support for local economies

The 15/50 model also has a positive impact on local economies. By sourcing and producing products locally, businesses contribute to the growth and development of local communities. This supports jobs, stimulates economic activity and strengthens local supply chains. Supporting local businesses can foster a sense of community and contribute to a more sustainable and equitable economic environment.

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At Ciloo, we're committed to revolutionizing how marketers source promotional products, with a focus on on-demand production and ensuring local relevance. As the CSRD (Corporate Sustainability Reporting Directive) takes center stage, we prioritize sustainability across our entire supply chain. Our on-demand production model ensures that products are made locally, minimizing waste and reducing environmental impact, all while staying relevant to the specific markets we serve.

Our team carefully vets suppliers to ensure they meet strict environmental and social standards while delivering high-quality products that align with your brand's values. By partnering with Ciloo, you're not just choosing promotional products—you're investing in a more sustainable, locally-focused future that meets the evolving demands of your audience.

Agnieszka Wronkowska
VP of Supply Side Operations

2.2 Leveraging technology to revolutionize the industry

Many companies still rely on disparate systems and platforms to manage their branded materials, leading to inefficiencies and lack of cohesion between different departments.

As highlighted by the former CEO of Honeywell, Darius Adamczyk, in the *Harvard Business Review* of March-April 2024, large global companies often end up with a complex technological landscape.[12] Honeywell's experience of managing over 150 ERPs, 2,700 applications and 1,700 websites underscores the common challenge of disparate systems. While not all websites were directly linked to promotional products, the broader issue of fragmented technology stacks is prevalent across the industry. Such setups prevent data from being used strategically, both financially and to analyze environmental impact and identify potential measures to reduce carbon footprints.

The 15/50 model is powered by Ciloo, a cutting-edge internal ecommerce platform built for large companies with employees spread across diverse locations. The platform streamlines the entire process of managing branded merchandise globally, including adding new product selections, editing assets, delivery, local invoicing, and detailed reporting. Behind the scenes, a robust system connects to a vetted supplier network and seamlessly integrates with ERP and DAM systems. Visually, it's a company shop your users can access through SSO, as easy to use as any online store.

The Ciloo platform replaces a traditionally fragmented, resource-heavy process involving different suppliers in multiple locations, and an array of platforms and systems. This is how the platform streamlines branded product management:

Centralized management, decentralized ordering

The Ciloo platform provides a centralized location for businesses to manage all aspects of their promotional product catalog and orders, while empowering employees to order the items they need when they need them:

1. Administrators can add new products using presets, or build their own
2. Administrators can set budgets and permissions
3. Users can browse products in their own language and currency
4. Users can edit products within set templates
5. Users can order the products they need when they need them. All orders are produced locally and on demand
6. Users can choose from multiple payment methods, including on invoice.
7. Administrators can set budgets, and view orders and spend based on location, together with other detailed reports.

Streamlined distribution

The platform integrates with a global network of local suppliers, enabling efficient order fulfillment and timely delivery. By leveraging real-time stock updates and advanced routing algorithms, orders are automatically routed to the optimal supplier based on location and product availability. This streamlined approach minimizes shipping distances and delays, enhancing overall efficiency and customer satisfaction.

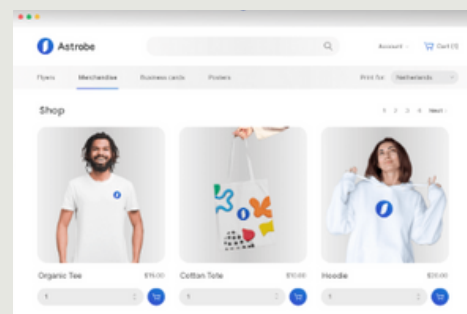
Sustainability Reporting

Ciloo is committed to sustainability and provides businesses with the information needed to measure and report on the environmental impact of their branded products. This allows companies to track carbon footprint and assess the environmental performance of their promotional products. This data can be used to identify areas of improvement and demonstrate a commitment to sustainability.

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Technology is the cornerstone of our 15/50 model, enabling us to disrupt the way businesses manage branded merchandise. Our platform streamlines workflows, reduces operational overhead, and provides granular visibility into supply chains, ultimately driving sustainability and efficiency. Moving to a more sustainable way of doing things is a data driven process which requires well thought-out and cohesive IT architecture. By leveraging cutting-edge technologies, we're not just meeting regulatory requirements; we're setting a new benchmark for the industry.

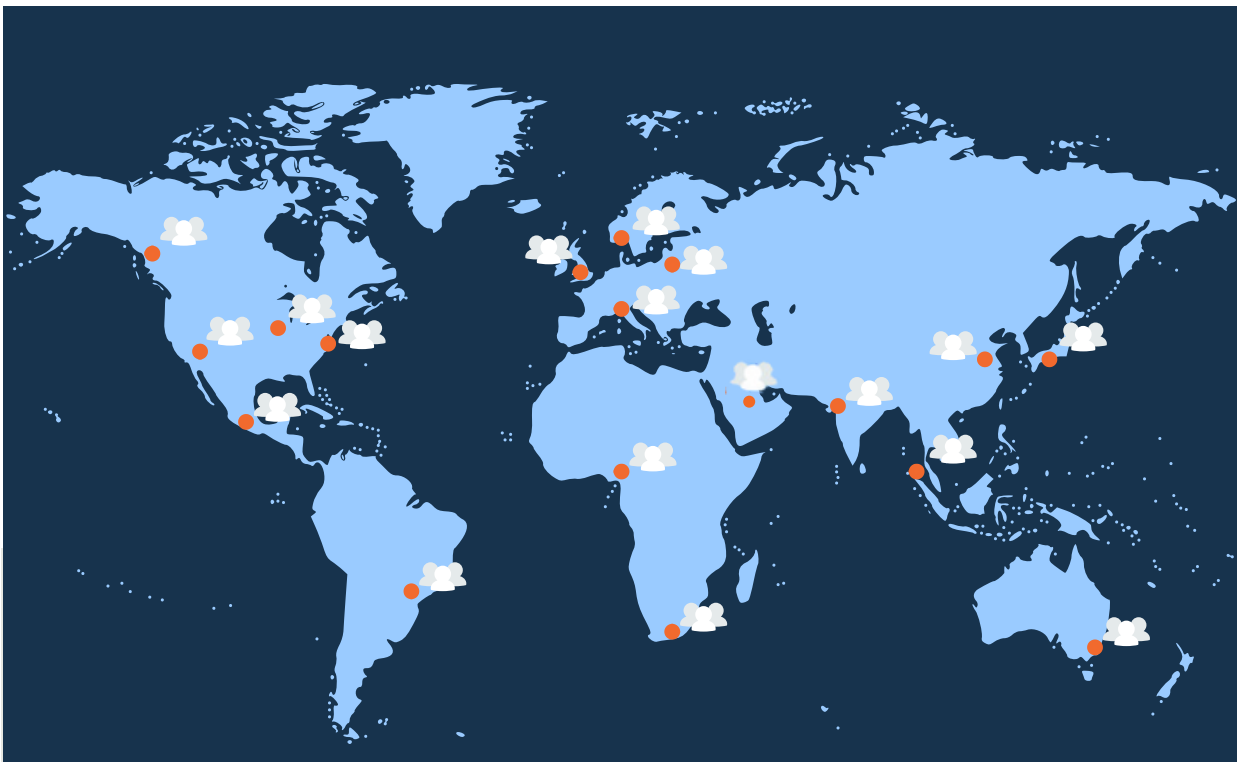
Thomas Sultana, Chief Technology Officer



2.3 The Way Forward

Branded products are a cost-effective marketing tool, contributing to the industry's growth. Nine out of ten people will recall a brand if they receive a promotional product from it.[13] However, not all products have the same impact. 82% of Gen Zers consider environmental impact to some degree when using promo products[14], and new regulations are coming into force to ensure that all industries follow environmental regulations.

The 15/50 model represents a paradigm shift in this traditionally carbon-heavy yet financially effective industry. This model addresses the dichotomy between sustainability and promotional products by eliminating wasteful bulk ordering, low-quality products, and reducing shipping distances. By combining local production, sustainability and technology, this innovative approach offers a powerful solution for creating effective and impactful promotional campaigns that meet ESG regulations and consumer demand.



Coupled with technology, the 15/50 model facilitates local, on demand production, reducing waste and carbon emissions

3. Supplier Network: Building a Sustainable Ecosystem

A resilient and transparent supply chain is particularly important for promotional products. Given the diverse range of materials and components used in promotional products, disruptions in the supply chain can have a significant impact on availability, costs, and lead times. By building a resilient supply chain, businesses can mitigate the risks associated with natural disasters, geopolitical events, and economic fluctuations.

Additionally, transparency in the supply chain is essential for meeting increasing regulatory requirements. New regulations may restrict or limit certain practices, forcing companies to scrutinize their supply chains. Some suppliers may not meet regulatory standards because they're in a country with human rights abuses or poor governance, or they might decide not to sell in certain regions because of increased compliance costs. To avoid disruptions, businesses must have a clear understanding of their supply chains to be able to plan accordingly.

While traditional supply chains often lack transparency and resilience, the 15/50 model offers a solution by focusing on a curated network of local suppliers and a localized, on demand production approach. Let's look into the two options in more detail:

3.1 The problem with traditional supply chains

Traditional marketing supply chains are complex, involve multiple intermediaries, and often provide limited visibility into production processes and environmental impact. This lack of transparency makes it difficult for marketers to foresee vulnerabilities in their supply chain and to assess the sustainability credentials of their promotional materials.

To meet reporting requirements and build consumer trust, marketers must gain a deeper understanding of their supply chains. This involves:

- Monitoring suppliers and their locations: knowing where products, including the blanks, are manufactured is crucial for assessing potential environmental and social risks
- Evaluating production processes: understanding the materials used, energy consumption, and waste generated during production
- Assessing transportation impact: Calculating the carbon footprint associated with shipping products.

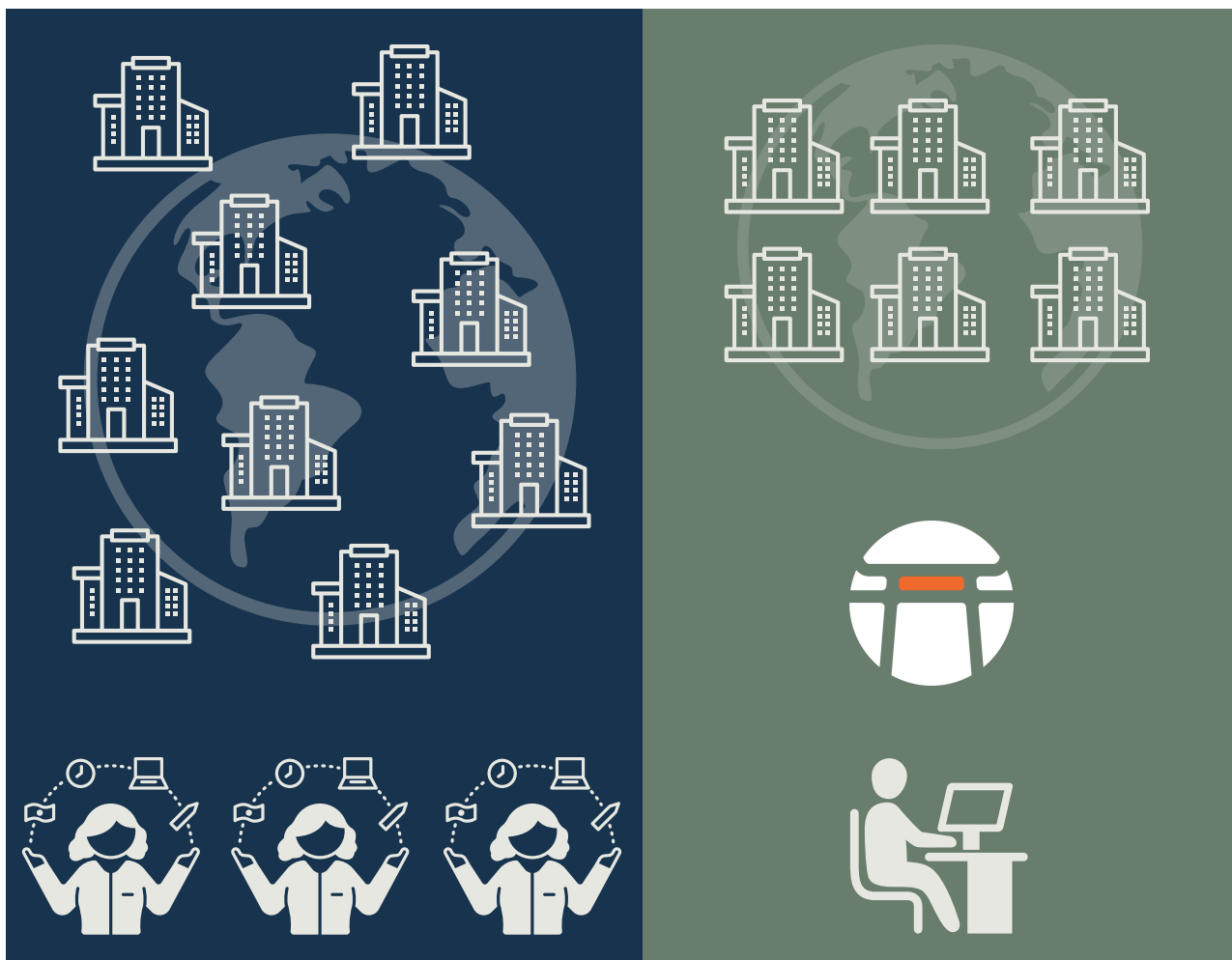
This level of scrutiny can be time-consuming and resource-intensive. Companies often juggle multiple suppliers across the globe, each with its own processes and standards. Building strong relationships with multiple suppliers, understanding your promotional products supply chain and reporting on it is challenging and time-consuming.

3.2 The 15/50 model for Local, On-Demand and Traceable Production

The 15/50 model as applied within the Ciloo platform offers a fundamentally different approach to sourcing promotional products and corporate gifts. By focusing on a curated network of vetted suppliers in 50 countries and a localized, on-demand production model for 15 core product categories, Ciloo offers an alternative to traditionally carbon-heavy and untraceable supply chains.

At the core of the 15/50 model is a network of suppliers who adhere to high environmental and social standards. When choosing suppliers, we consider their environmental and social practices, production capabilities, and geographical location. We prioritize suppliers who demonstrate a commitment to sustainability and can provide transparent information about their supply chains.

A successful supply chain is built on strong partnerships. Ciloo fosters relationships with our suppliers, enabling us to collaborate on sustainability initiatives, drive innovation, and ensure consistent quality. This collaborative approach benefits both our clients and our suppliers.



Traditional branded product management is resource-heavy, and often provides limited visibility into production processes and environmental impact.

Ciloo's 15/50 model gives you streamlined access to a global network of sustainable suppliers with transparent supply chains.

3.3 The benefits of 15/50

By adopting the 15/50 model, businesses can overcome the challenges of traditional supply chains and build a more sustainable and transparent procurement process. The model's focus on local production, curated supplier networks, and on demand production offers a number of key advantages, including:

- **Reduced carbon footprint:** Local production minimizes transportation distances and emissions
- **Enhanced traceability:** The 15/50 model provides greater visibility into the supply chain, providing companies with information from source to delivery.
- **Improved sustainability:** Ciloo's network of suppliers is carefully selected based on their commitment to environmental and social responsibility
- **Simplified management:** By leveraging Ciloo technology, the 15/50 model streamlines the procurement process, reducing administrative burden and increasing efficiency.

With the Ciloo platform and its 15/50 model, businesses can improve their environmental performance and enhance brand reputation, strengthen customer relationships, and drive sustainable growth.

Challenge	Solution
Administrative burden: building relationships, managing multiple suppliers, and dealing with currency variations, invoicing, and customs fees is time intensive.	One platform that simplifies processes for procurement and finance
Extensive catalog, waste from over-ordering and unsustainable items	Curated, sustainable catalog with local, on demand production
Geographical impact: long shipping distances, delays, and vulnerability to geopolitical events	Short shipping distances, no customs fees, automatic order rerouting to closest production location in case of unavailability
Limited visibility into the production process, difficulties obtaining data for sustainability reporting	Traceable supply chains and full data disclosures for easy reporting

4. ESG Compliance: the Corporate Sustainability Reporting Directive (CSRD)

Regulation is an important driver of change and companies are making ESG reporting a strategic priority. Organizations are investing in sustainability reporting as they recognize the internal and external benefits of doing so. 51% expect to see internal benefits like improved operational efficiencies, reduction in risk, or strengthened trust with stakeholders.[15]

The transition to a lower carbon and more sustainable society is reshaping the economy: companies that fail to become more sustainable are more vulnerable to risks and losses. For marketing leaders, the European Union's Corporate Sustainability Reporting Directive (CSRD) presents both challenges and opportunities.

4.1 What is the CSRD?

The CSRD requires companies to disclose detailed environmental and social impact information. It aims to provide investors, consumers, and other stakeholders with reliable data to assess a company's sustainability performance and avoid greenwashing.

The CSRD does not force companies to change the way they do business (but other sustainability regulations do). However, it obliges them to report the material aspect of their impact. There are over 1000 data points for disclosure, each of these is taggable for additional transparency. NGOs, other organizations and the general public can easily compare between different companies.

The CSRD applies to European companies and foreign businesses operating within the EU. Companies headquartered outside the EU must also comply with the CSRD if they have any subsidiaries or operations within the bloc.[16]

The directive impacts the entire value chain. Marketers need to take stock of the carbon footprint of their marketing efforts and be ready to disclose data. They must build strong relationships with their suppliers and ensure that their campaigns, promotional material, events, etc. align with broader sustainability goals.

Timeline for implementation¹⁷

2024	Companies covered by the non-financial reporting requirements are to publish their first reports in 2025.
2025	All large companies that are not currently covered by the non-financial reporting requirements must publish their first reports in 2026.
2026	Small and medium listed companies, small and non-complex credit institutions, and captive insurance companies are to publish their first reports in 2027.
2028	From 1 January 2028 the CSRD will apply to third-country companies with a net EU revenue exceeding EUR 150 million if they have at least one subsidiary or branch in the EU that exceeds certain thresholds. These companies are to publish their first reports in 2029

Companies must report all information to understand how sustainability matters affect their business development and performance and their impact on sustainability matters, a concept known as “double materiality”. In addition, and unlike the assurance requirement outlined in the US Securities and Exchange Commission’s climate disclosure rules, the directive introduces a mandatory assurance obligation for all reported sustainability information.[18]

Dovetailing the CSRD, the Corporate Sustainability Due Diligence Directive (CSDDD), as from 2027, will require large EU companies and large non-EU companies with an EU-wide revenue of over EUR 300 million, to conduct environmental and human rights due diligence across their operations, subsidiaries, and value chains.[19]

Additionally, the EU is proposing digital product passports (DPP), a tool for sourcing and sharing product-level data across its lifecycle. It is expected that for products placed on the European market, companies will need DPPs in the near-to-medium term.

In this fast-evolving regulatory environment, both within the EU and internationally, companies must look at sustainability reporting holistically and prepare accordingly. Investments in technology to address traceability and transparency-related requirements may be needed.

**An estimated
50,000 companies
will likely have to
comply with
CSRD’s reporting
requirements.²⁰**

4.2 The Impact of the CSRD on Promotional Product Management

In the promotional products space, the CSRD presents a number of challenges centered around:

- **Supply chain complexity:** The promotional products industry often involves complex supply chains with multiple intermediaries, making it difficult to track the origin of materials and assess environmental and social impacts. Starting in 2025, companies must present data collected across their operations, including their supply chains.
- **Fragmented approach:** Promotional product management is spread across multiple platforms without centralized visibility.
- **Supplier relationships:** Companies will need to dedicate significant resources to managing supplier relationships, especially those exposed to economic, social and environmental risks, and include risk assessments in their purchasing decisions.
- **Reporting requirements:** The CSRD requires companies to disclose a wide range of information, including data on greenhouse gas emissions, water consumption, waste generation, and human rights practices. Without a system in place, gathering the data required for CSRD reporting can be time-consuming and resource-intensive.

4.3 How the 15/50 Model Simplifies CSRD Reporting

Under the CSRD, information reported is not necessarily limited to a company's own operations, but extends to direct and indirect business relationships across the value chain. As observed by PWC, "these disclosures are expected to be some of the most challenging areas of reporting, given the scope and the reliance on information from parties not controlled by the company".[21]

Ciloo's 15/50 model offers a number of advantages for companies seeking to comply with sustainability regulations and reporting requirements. By focusing on localized production of quality promotional products, the 15/50 model helps businesses to:

- **Reduce supply chain complexity:** The Ciloo platform and the 15/50 model's emphasis on local production of a lean catalog simplifies the supply chain, making it easier to track and manage.
- **Enhance data collection and traceability:** Thanks to strong supplier relationships, Ciloo can provide data on origin of materials, production processes, and transportation routes, making it easier to collect data required for CSRD reporting.
- **Reduce carbon footprint:** By minimizing transportation distances and reducing waste, the 15/50 model helps businesses reduce their carbon footprint. Companies that transitioned from centralized production to local and on demand production recorded a 70 - 95% decrease in shipping distances.

4.4 The Broader Implications of Sustainability Reporting

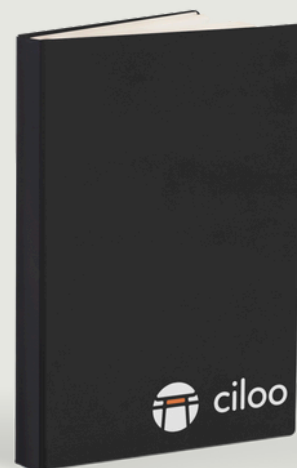
Beyond CSRD compliance, sustainability across operations is no longer optional for companies to remain relevant. Consumer demand for ethical and sustainable products is growing and investors are increasingly interested in companies that demonstrate a commitment to environmental and social responsibility. Together with financial aspects, today's leaders need to look at the environment and social impact. As Dr. Bissan Ghaddar, Associate Professor of Management Science and Sustainability at the Ivey Business School notes, "having these three pillars interplay together is very important for the success of any business".[22]

Prioritizing ESG reporting can enhance brand reputation, reduce risk, increase efficiency and ROI and attract and retain talent.[23] Companies that can demonstrate their commitment to sustainability will be better positioned to compete in the marketplace.

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Sustainability is a strategic business decision. Investing in sustainable practices not only enhances brand reputation and attracts socially conscious consumers but also drives tangible financial benefits. By implementing the 15/50 model for promotional products, we help our clients optimize their supply chains, reduce waste, and minimize their environmental footprint, leading to significant cost savings and improved operational efficiency. Sustainability is not a hindrance to profitability; it's a catalyst for innovation and long-term success.

Christian Sæterhaug, Co-Founder and Chief Revenue Officer



While the CSRD and other emerging regulatory frameworks present significant challenges, taking anticipatory steps will provide companies with a competitive advantage. As noted by PWC in its January 2024, *In the loop*, "companies that fail to appreciate the impact of the new requirements will find themselves scrambling to comply".[24] Ciloo's 15/50 model offers a solution by simplifying supply chains, enhancing data collection, reducing environmental impact, and bringing efficiency to traditionally time-consuming processes.

Conclusion

Changing corporate operations can be a time-consuming process. Companies should proactively implement strategies before deadlines prescribed by regulators come into play. This helps secure business relationships with less vulnerable suppliers and reduce the risk of supply chain disruption.

The promotional products space is changing rapidly, driven by new regulations, evolving customer expectations, and technological advancements. The CSRD, coupled with growing consumer demand for sustainable and ethical products, presents both challenges and opportunities for businesses.

The 15/50 model offers a comprehensive solution to these challenges. Where normally, choosing sustainability equates to higher costs, with this model, choosing sustainability lowers costs and increases efficiency and brand control. By focusing on local production, streamlined supply chains, and enhanced transparency and traceability, the 15/50 model enables companies to:

Simplify CSRD reporting: The model's focus on local production, traceability and strong supplier relationships makes it easier to meet reporting requirements.

Ensure brand consistency: The Ciloo platform helps businesses gain global brand control over their promotional products.

Reduce environmental impact: Shorter shipping distances and on demand production minimize carbon emissions and waste. Brand reputation is enhanced along the way.

Improve operational efficiency: Streamlined management of branded products, reduced costs, and enhanced product quality.

By adopting the 15/50 model, businesses can future proof their promotional products strategy. The model's focus on sustainability, efficiency, and transparency aligns with the evolving needs of consumers, investors, and regulators, ensuring that companies remain competitive and relevant in the years to come.

Ready to revolutionize your promotional products strategy?

Contact Ciloo today to learn more about the 15/50 model and how it can benefit your business. Our team of experts can provide tailored guidance and support to help you implement this innovative approach and achieve your sustainability goals.



End Notes

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