The Education Market for Stationery and Office Products, 2007

- Healthy market growth driven by student purchases, streams of new products, technology and financially well off households.
- The institution sector is growing at subdued levels. (it is a 2-speed market).
- The larger than expected student sector – has been taking market share from education institution purchases.

Penfold Research recently completed a major study on stationery/OP in the education sector. This covered the two key sectors – students, who purchase for their personal consumption and, education institutions who purchase for students, teachers and administrative staff.

Some of the findings from this study follow.

Although the education market is largely a sub-segment of the larger 'office products' market there are some significant distinctions that set it apart. These include, a much broader and more varied range of products (eg art and craft and numerous 'learning-oriented' categories), the concentrated period of selling (well over half the years expenditure is made at 'back to school') and the presence of specialist education dealers.

Total expenditure in the education market on stationery/OP is estimated at $1.5 billion – in 2007, at consumer prices. The majority of this is made directly by students as opposed to institutions.

In recent years there has been a drift to more purchases by students. While the institutions represent a large and important sector of the overall market, their expenditure has barely been growing and as a result their share of the total market is declining.

Although the market has been growing healthily at rates in excess of the overall economy, this disguises a 2-speed situation where student purchases are essentially driving the market.

With households enjoying virtual full employment, relatively low interest rates and affordable product choices, they are in the position to spend more on products for their children's education. Australian households place high importance on education - and with higher affluence they are receptive to the abundant supply of new products that have been hitting the market. These include premium products, technology items and new versions of established products with modified features.

A striking feature of the education market is the high market shares that the top dealers enjoy in each sector. For example in the student sector the top three retailers (Officeworks, Big W and Kmart) command over 60% of the market. It is a similar situation in the institution sector where the three largest contract dealers are OfficeMax (and its state based bodies), Corporate Express and SDS.

Despite the dominance of the large operators there are also a multitude of small operators who service the remaining minority of the market. These range from supermarkets and newsagents to specialist (direct) education dealers. Our research indicates there is room for large and small operators, although on balance the large operators are better able appeal to consumers key purchasing criteria.

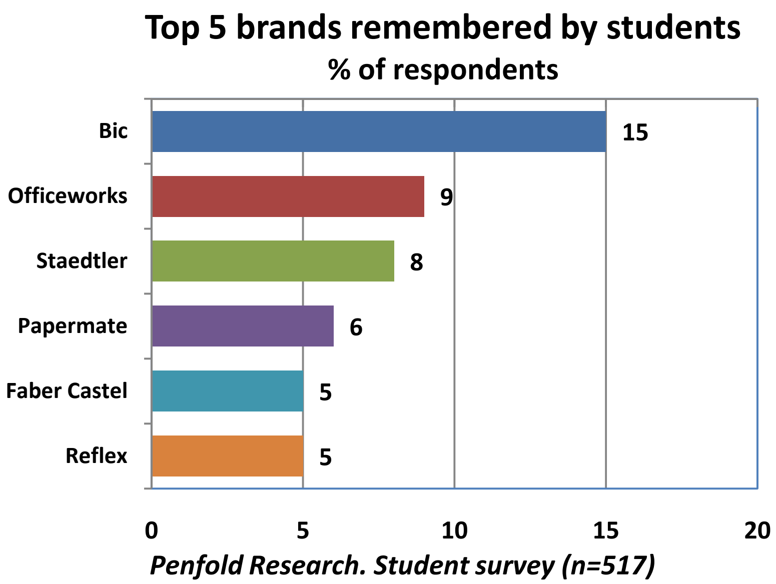
Victoria has significantly higher rates of consumption per head than any other state.

Product trends

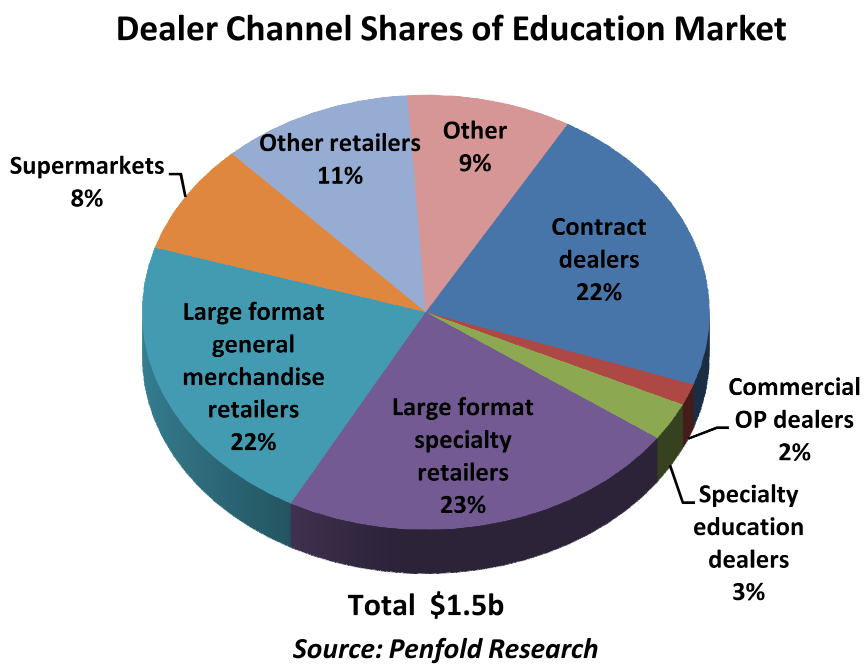
- More varieties of products are available than ever before. This is occurring via the emergence of new categories (mainly technology driven –eg storage media and VOIP [Voice over internet protocol] accessories) as well as manufacturers developing differentiated versions of existing products.
- Polarisation within product categories. Products are increasingly either basic economy versions (positioned on low price) or else premium feature-rich and branded. Usually the commodity type products are targeted at the education institutions while the premium products are aimed at student consumers.
- New environmental/green products are emerging, largely in new categories that previously did not offer this choice. Consumers are receptive to these products providing they offer a discernable and legitimate environmental benefit and are not priced at too high a premium.

As many in the industry would be aware there is considerable interest in environmental products/green products. Consumers indicate they are prepared to pay a not inconsiderable premium for these products. Students more so than institutions.

Writing instrument brands have particularly high share of student's minds. In our survey, they dominated the most recalled brands - with BIC, Staedtler, Papermate and Faber-Castell making up four of the top six.



When students and institutions rated the dealers they purchased from – the best rated dealers were Officeworks in the student sector and SDS in the institution sector. (The report provides comprehensive performance ratings on a wide range of factors - such as price, quality, product range etc - for each major dealer/retailer in the market).



About the report.
The study is based on over 650 interviews - with students, institutions as well as industry operators. It is designed to assist operators understand the full spectrum of the market, identify opportunities and provide a base for strategy development and future growth. Further details can be obtained from Andrew Penfold.

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