Education Supplies in Australia, 2017 – A Market Report (1)

- **Education supplies market valued at $A2.4 billion.**
- **Changes in education methods to drive investment in new supplies – and boost growth.**
- **Digital erosion is mild overall – and not present amongst school students.**
- **Customers receptive to novel, new & interesting products.**
- **Officeworks & OfficeMax are dominant but competition is healthy.**
- **Market is rated attractive to target – but need the right capabilities.**

A new research study published by Penfold Research reveals the education supplies market is growing ahead of the overall economy (and well ahead of the office products market). Digital erosion is present, but only in selected segments, and due to the breadth/diversity of the range, it is not having any meaningful impact on total growth. Future growth is set to be boosted by evolution in the education system (via technology, modified teaching methods & STEM / STEAM subjects).

In 2017 the education supplies market in Australia is valued at $A2.4 billion – at end consumer prices (* see category inclusions/exclusions at end of article). Growth of 2.8% in 2017 is set to move higher over the coming two years. The strongest spending growth has been in the student sector where school students are maintaining steady usage rates of traditional products in parallel with healthy growth in technology products. In the institution sector, digital erosion is dampening growth, however we expect a notable improvement, as new methods of learning/teaching force institutions to invest in new products.

Market trends

Some of the patterns of change identified in our research include.

- The technology revolution is driving major changes in the education system – and with it changes in the product mix.
- Digital erosion is moderately impacting traditional stationery usage – but not amongst school students.
- Online ordering is continuing to grow – but gradually and mainly amongst students.
- Large suppliers (ie dealers/retailers) are gaining share and dominating – with small players losing share.
- The shift to a more STEM/STEAM (ie science, technology, engineering, art, maths) based curriculum is on the way - but is still relatively embryonic.
- More interactive teaching/learning methods – will drive new product usage.
- More collaborative teaching/learning - will increase demand for new types/styles of furniture plus visual co-working tools.

Products

Traditional stationery, writing instruments and paper-oriented products are the most widely purchased products, however it is other product types that are increasingly important and growing at higher rates. These include technology accessories, technology machines and 'non-core' institution supplies (eg furniture, janitorial & safety).

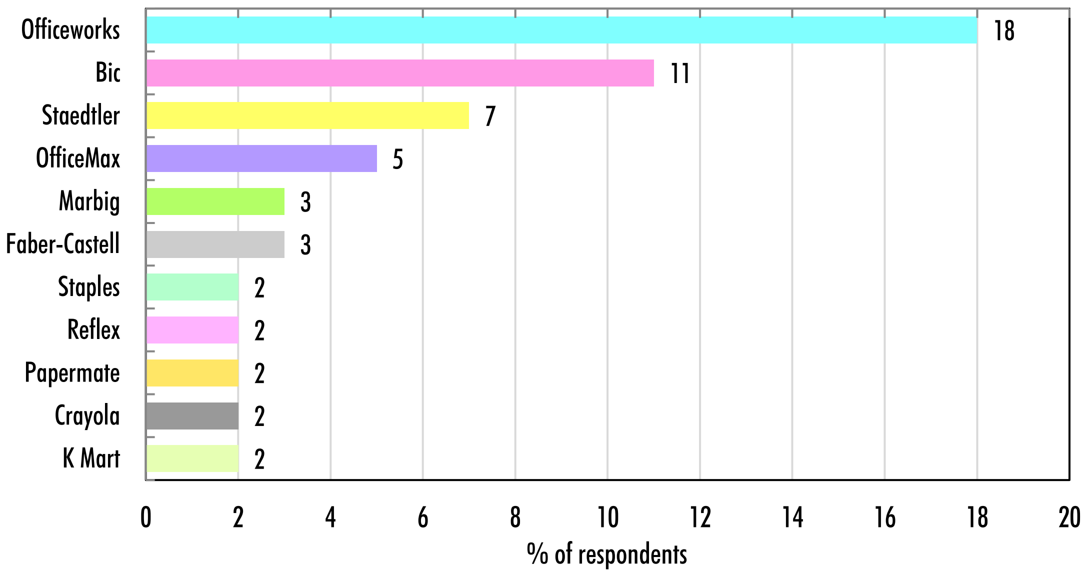
We expect the best future growth to be in technology-related products and various art/craft (creativity-oriented) items.

Fortunately, most customers are very receptive to new, novel and interesting education supplies, providing they are reasonably priced and sufficiently innovative. In other words, there are expansion opportunities in many product areas - both traditional and new.

Brands

Officeworks has the highest unprompted brand awareness in the market - being named by 18% of purchasers as the first brand they think of in relation to education supplies. They are followed by Bic, Staedtler, OfficeMax, Marbig and Faber-Castell.
Overall, there is a particularly high representation of writing instrument brands (with seven brands collectively accounting for 25% of all responses). Dealers/retailers – led by Officeworks and OfficeMax – also represent a significant collective portion of responses (ie seven dealer/retail brands account for 31% of responses).

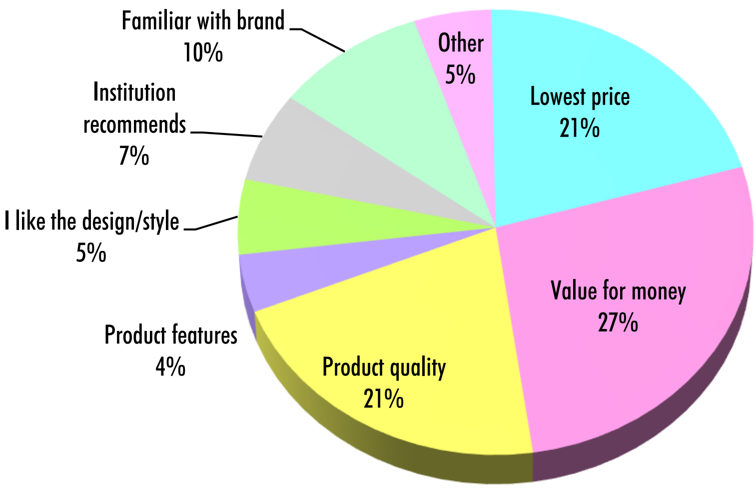
Top education supplies brands recalled by respondents (unprompted)



*Penfold Research, 2017. * Based on the first brand mentioned by 1,012 student & institution survey respondents.*

When purchasers select brands to buy, the most cited reason behind their choice is 'value for money,' (27%) followed by 'product quality' (21%) and 'lowest price' (21%). Compared with core office products, the main difference is a higher emphasis on 'value for money.' While there are a relatively wide set of brand choice reasons (refer pie chart), financial considerations (ie 'value for money' & 'lowest price') account for almost half (47%) of all choices.

Reasons purchasers choose their specific education supplies brands*



Based on aggregated survey results from 1,012 purchasers across 34 popular education supplies/products

Suppliers (dealers/retailers)

Of the 24 main dealers & retailers identified, there are two clear market leaders – Officeworks & OfficeMax – each of which dominate their respective sectors. After these two, there are five medium-large sized players (ie based on overall market share) including, Big W, Winc/Staples, JB Hi Fi, K Mart & Modern Teaching Aids (MTA).

Overall the market is supplied by a disparate assortment of operator models and despite the size and dominance of the market leaders there is a healthy level of competition. Interestingly, education specialists such as MTA, Campion and Kookaburra account for a relatively low share of the total market.

Competitor standings - and market shares - are very different across the two primary market sectors. In the student sector, the top five suppliers include, Officeworks, Big W, K Mart, JB Hi Fi and Smiggle. Whereas, in the institution sector the top five are, OfficeMax, Winc/Staples, manufacturers/importers, MTA & Officeworks.

Outlook

With important changes underway in the education system (driven by technology and modified teaching methods), we are optimistic about growth prospects. Demand is currently resisting digital erosion and customers are receptiveness to new, novel & interesting products. This makes education supplies an attractive market to target. However, to be successful operators need to be able extend into the new growth areas, (ie beyond traditional supplies) provide a comprehensive range and maintain low competitive prices.

.....ENDS.....

** Our definition of education supplies includes traditional stationery/office supplies, paper, art/craft, technology accessories/consumables and non-core institution supplies (ie furniture, cleaning/janitorial and safety items).*
We specifically exclude, textbooks, student clothing, computers/tablets and other high value electronic products as well as sports equipment.

(1) About the research.
The report entitled *"Education Supplies in Australia, 2017"* is based on a survey program of over 1,000 interviews, with a combination students and education institutions. The report is available by subscription and an outline can be requested or downloaded on our website as listed below.

Penfold Research
Penfold Research, based in Australia, provides operators involved with office products, education supplies and non-core business supplies, with information to assist in planning, decision making and strategy development.

Penfold Research is headed by Andrew Penfold who has been a leading industry researcher since 1999 and before that worked in marketing for a major office products retailer.

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