



Office Products Market Update – from Penfold Research

Penfold Research has recently released an update report on the state of the Australian office products market. Not surprisingly there are some harsh realities out there – and if you look hard enough some areas of opportunity.

The office products market like that of the overall economy has endured a severe shock as a result of the global financial crisis. Even though the worst of the crisis appears over, the effects on the real economy – in businesses slashing costs and downsizing - will result in falling OP expenditure throughout this year and into 2010. Office workers and households will all spend less per capita.

Market growth

Office product dealers interviewed in our research believed the OP market will decline by 2.9% in 2009. However we are less optimistic, forecasting core OP expenditure to decline by 6% over this calendar year. This is the lowest rate of growth for at least 17 years (and perhaps considerably longer) – and the vast majority of people in the industry will never have experienced these conditions.

Competition

As the market endures the current contraction, operators are being forced to compete harder to retain sales. In fact there is a competitive multiplier effect occurring. As well as operators becoming more active in their selling and marketing, customers are also looking around for better deals/prices. They are switching suppliers more often, using multiple suppliers and generally more receptive to low prices.

In the current market, consumers are most receptive to ‘value’ products and in particular items or technologies that allow them to operate more productively or at lower costs. In this sense industry operators have the opportunity to take the approach of being a provider of ‘productivity enhancing tools’ and/or ‘cost saving products.’ In other words a partner to provide solutions during difficult times.

Dealers

While it is apparent conditions are extremely tough, our survey of dealers highlighted there is considerable resilience amongst operators. In fact many feel a real sense of opportunity beckons. Over the next two years well run dealers will capitalise on the difficult market conditions, acquiring weak operators and winning new customers.

In true fighting style, surveyed dealers have reacted to market conditions by increasing their selling/marketing activity, reducing costs where possible (eg cutting staff/hours), adding new categories and pruning the number of brands

Outlook

The current market contraction is cyclical and the industry will return to healthy growth again in the next few years. However, its effect will hasten the markets evolution towards an electronic one dominated by larger and more powerful operators. The technology revolution is here to stay and will continue to reshape the way offices function and the products they use.

In the meantime operators across all parts of the market will see a reshuffling of market positions according to how well they are able to adapt to the recessed market.

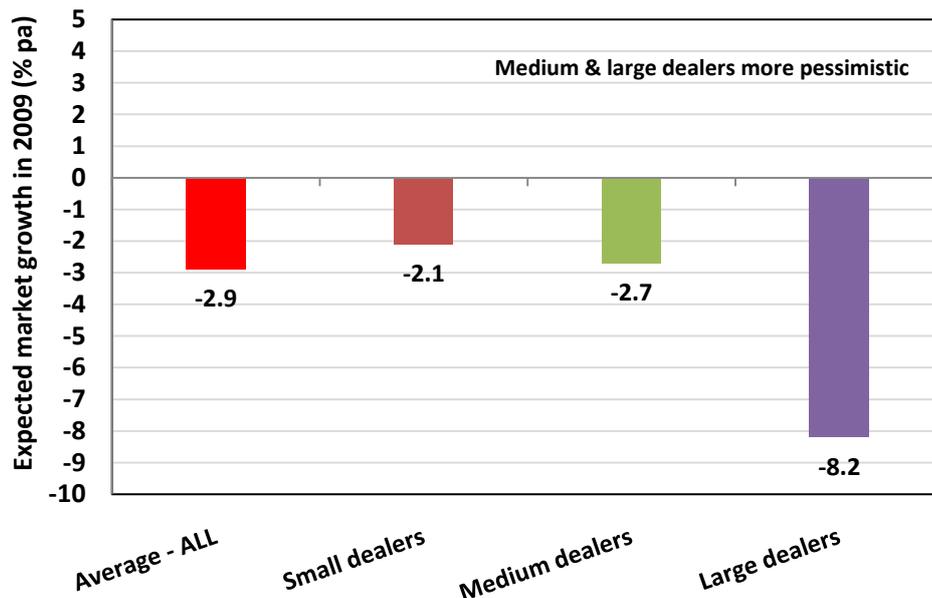
About the research.

The report entitled “Office Products Market Update Report, 2009” is a concise overview of the state of the market. Topics include, market sizing and growth (by product category and consumer segment), dealer’s sales and market shares, market trends, impact of the economic downturn, best and worst growth areas and forecasts to 2010.

For further information:

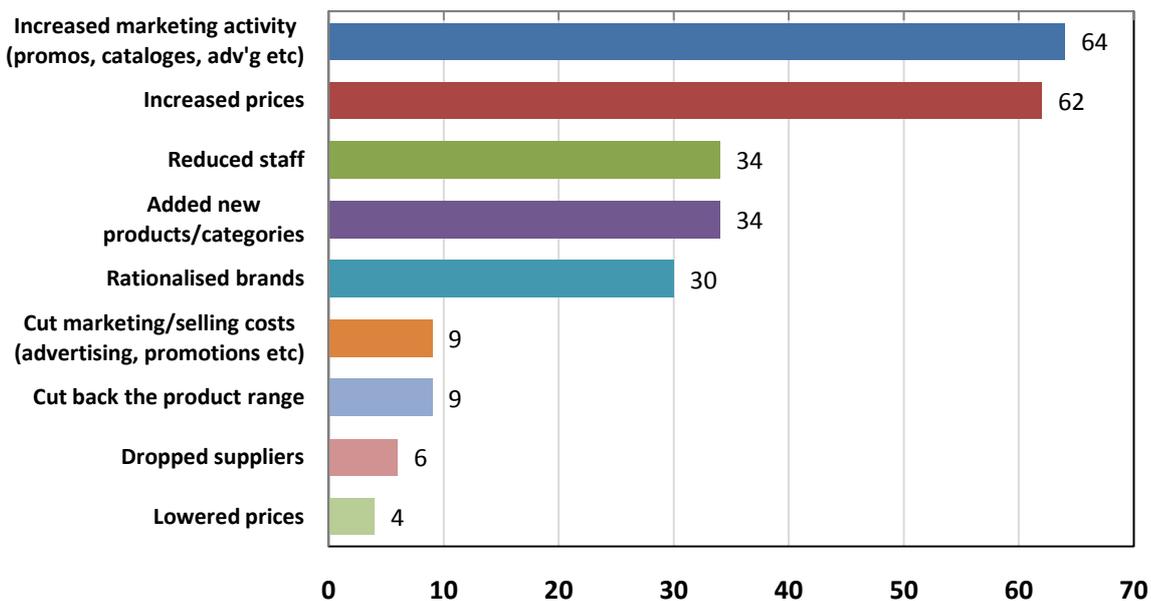
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**Expected 2009 market growth rate (% pa)
 - according to OP dealers**



Source: Penfold Research

**Actions taken by OP dealers to cope with economic downturn
 (% of respondents)**



Source: Penfold Research