



News release

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Office Products in Australia – doing nicely, thank you.

- **Total office products expenditure valued at \$A11.8 billion.**
- **Largest dealers' growth slows while independents out perform.**
- **Technology and new products driving growth.**

The 'core' Australian office products market in 2007 was valued \$A7.5 billion – at end consumer prices. However when a broader market definition is used – and the market is moving more towards this – it is valued at a much higher \$A11.8 billion. This includes the core range (stationery, paper, computer consumables/accessories and business machines) plus furniture, kitchen supplies, janitorial products, promotional products, art/craft and printing services.

In 2007 the core OP market grew at 7.5% pa. Market growth has been above normal rates for several years, however this is set to change this year. We forecast considerably lower growth in 2008 and 2009, due to the effects of a slowing economy and tighter consumer spending, associated with the global credit crunch. This slowdown will be softened by Australia's position as a beneficiary of the global resources boom.

Traditional products, that aren't computer related (such as writing instruments, books and pads, filing etc) are shrinking in importance as higher growth categories – particularly computer related ones - take over. "Other" categories such as furniture, janitorial and printing services are also ascending in importance as dealers increasingly add them to their range. (SEE PIE CHART AT END – RELEVANT TO THIS TEXT)

Dealers

The largest office products dealer in Australia continues to be Officeworks (owned by Wesfarmers), followed closely by Corporate Express. In distant third is Office National Group followed by Newsagencies (all combined), OfficeMax and then Big W (owned by Woolworths).

The two largest dealers – Officeworks and Corporate Express - have both experienced flattening sales growth in the last 12 months. We believe this is due to the combination of each approaching 'sector saturation' plus internal issues associated with being large and less flexible than smaller operators. At the same time independent dealers have experienced relatively high growth. This is a relatively new phenomenon, when in past years these large dealers were growing fast and taking share from the independents.

Despite the size of the market leaders, market shares are still relatively widely dispersed and no one truly dominates the market. The top 10 dealers (including buying groups) when combined, account for 60% of the core market.

Products

The fastest growing products covered in our research include:

- External disk drives (for backups etc)
- VOIP accessories (webcams, microphones and headsets)
- USB memory sticks
- Colour laser printers
- Colour toner cartridges
- Shredders
- Recycled copy paper
- Labelling machines
- Keyboards
- Laminating machines

Outlook

In the next two years we foresee weakening market growth that will nevertheless stay above that of the overall economy. This will be underpinned by relatively steady demand in the business sector as well as the continued flow of new products and technology developments. Australia's position as a beneficiary of the global resources boom will help insulate it from the flat to low growth expected in most developed countries.

We predict there will be an escalation in competitive activity as consumers tighten their belts and (particularly) the larger dealers strive to meet sales/growth targets. In this environment margins are likely to reduce and consolidation (mergers/acquisitions) activity will pick up. It is likely there will be some significant manoeuvres/changes involving at least some of the majors – ie Woolworths, Corporate Express, Wesfarmers/Officeworks and possibly Harvey Norman.

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About the research.

The report entitled "*Office Products in Australia, 2008-2010*" is based on a survey program of almost 1,200 interviews, with a combination of businesses, households and office product dealers.

Penfold Research

Penfold Research, based in Australia, provides operators in the office products industry with information to assist with 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.

Office Products Market - by broad category, 2007
[BROAD DEFINITION]

