



Office Products Market Update, 2013 (1)

- **Worst market conditions in over a decade.**
- **Customers spending 13% less than 2 years ago.**
- **Dealers' best opportunity in new categories.**

New research published by Penfold Research reveals dismal market conditions and declining usage of core (traditional) products are driving dealers into new sub markets. Fortunately the opportunities in adjacent 'non-core' categories are plentiful once operators become established. The reality is most dealers have little choice as the office products market has entered an accelerated state of transition, due to offices shifting from paper-based to digital mediums.

These and other findings are covered in the summary that follows.

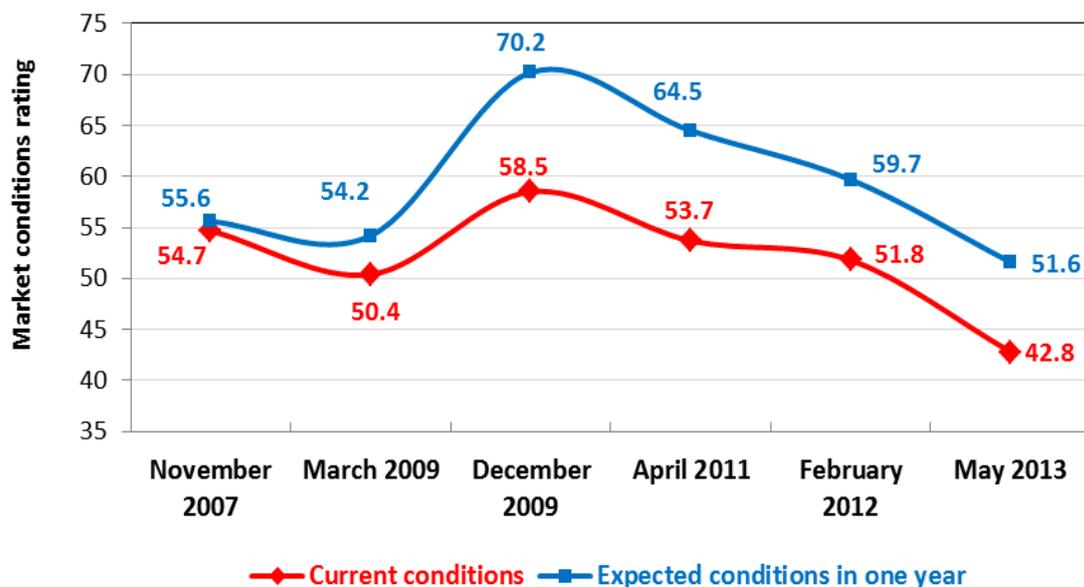
The 'core' Australian office products market in 2012 was valued at \$A6.9 billion – at end consumer prices – a decline of 5.1% on 2011. Using a broader market definition (core plus non-core) the market is valued at \$A11.8 billion* - a decline of 2.6% on 2011.

Market conditions

Surveyed office product dealers rated current market conditions at 42.8 out of 100. This is a significant drop of 9 points from the already borderline result of 51.8 recorded in 2012 – and is the lowest recorded in the series history (since 2007). With this measure declining in each of the last three years, it is apparent the office products market is in a well entrenched contractive cycle.

Dealers were cautiously optimistic that conditions will improve, with a higher rating of 51.6 for 'expected conditions in one year.'

Rating of Market Conditions; 2007/2009/2011/2012/2013
(100= exceptionally bouyant)



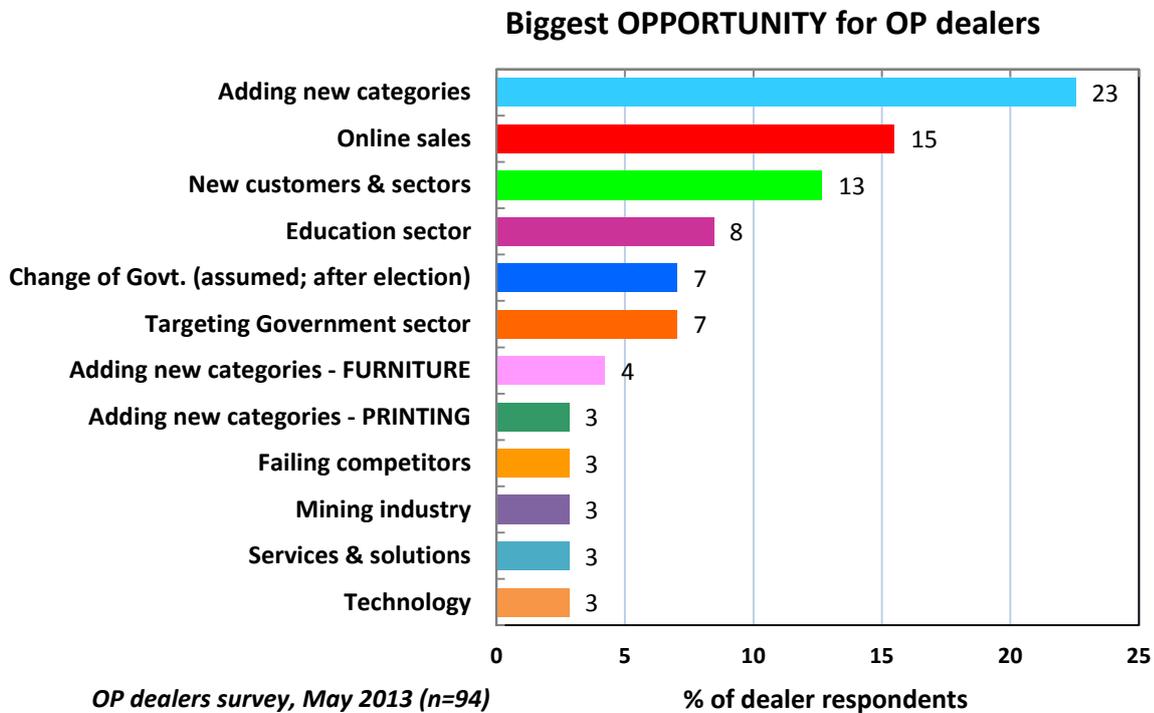
Customers spending less

Customers have continued to make substantial cutbacks in OP expenditure on a per head basis. According to dealers surveyed, their customers are spending 13% less on average, on a like for like basis, than two years ago. This is an ongoing and escalating trend. In the same survey two years previously, the decline was 4.5% less per customer.

We believe the trend is being driven by the combination of lower usage rates of traditional products together with more frugal and astute purchasing practices.

Biggest opportunities for dealers

The most mentioned area of opportunity according to OP dealers lies in ‘adding new categories’ to their offering. We agree. Other major areas include ‘online sales’ and targeting ‘new customers and sectors.’ Interestingly a ‘change of Government’ was mentioned as an opportunity by a significant minority (7%) of dealers.



Non-core category ratings

With the core OP range in decline, future growth is all about tapping into new areas. In our view the ‘non-core’ OP categories offer a rich vein of opportunity for the office products market as a whole.

Of the seven non-core categories we cover, dealers rated the best three (in order) as; ‘Furniture,’ ‘Cleaning/janitorial’ and ‘Kitchen/canteen supplies.’ The lowest rated non-core category was ‘promotional products.’

Non-core categories are attractive because they are growing at positive/healthy rates and the products are close enough to traditional OP items for customers to readily buy them from their OP supplier. Additionally, with a relatively low share of these items currently flowing through the OP channel, double digit sales growth is highly achievable.

.....ENDS.....

** Under our broad definition ‘office products’ includes the ‘core’ range (ie stationery, paper, computer consumables/accessories and business machines) plus; ‘non-core’ categories; furniture, kitchen supplies, cleaning/janitorial products, printing services, promotional products, work wear and packaging supplies.*

(1) About the research.

The report entitled “*Office Products Market Update Report, 2013*” is based on a survey of 94 office product dealers and presents a concise overview of the state of the market. The next version of Penfold Research’s major two yearly research report (‘2014-2016’) will be commenced later this year and is expected to be published around April 2014.

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.

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