



Office & Work Supplies in Australia, 2020-2022 – A Market Report (1)

- Covid-19 has reset market dynamics - regardless of recovery.
- ‘Work-from-home’ (WFH) to persist; upending established patterns & business models.
- Product growth direction favours; hygiene/health, technology, home recreation/creativity and evolving work/study layouts.
- Officeworks significantly benefitting from pandemic | in a class of its own - no near rivals.
- Online marketplaces (Amazon & eBay) putting players on notice – with impressive customer ratings.
- Multiple challenges ahead – but balanced by some major opportunity areas.

A new report by Penfold Research reveals Covid-19 has redrawn the framework of the office & work supplies (OWS) market. Demand patterns have largely been upended as significant falls in selected areas have largely been compensated by rises elsewhere. The changes have been so substantial they have reset multiple areas of the market; in terms of customer segments & their behaviour, product usage patterns, distribution and competitive dynamics.

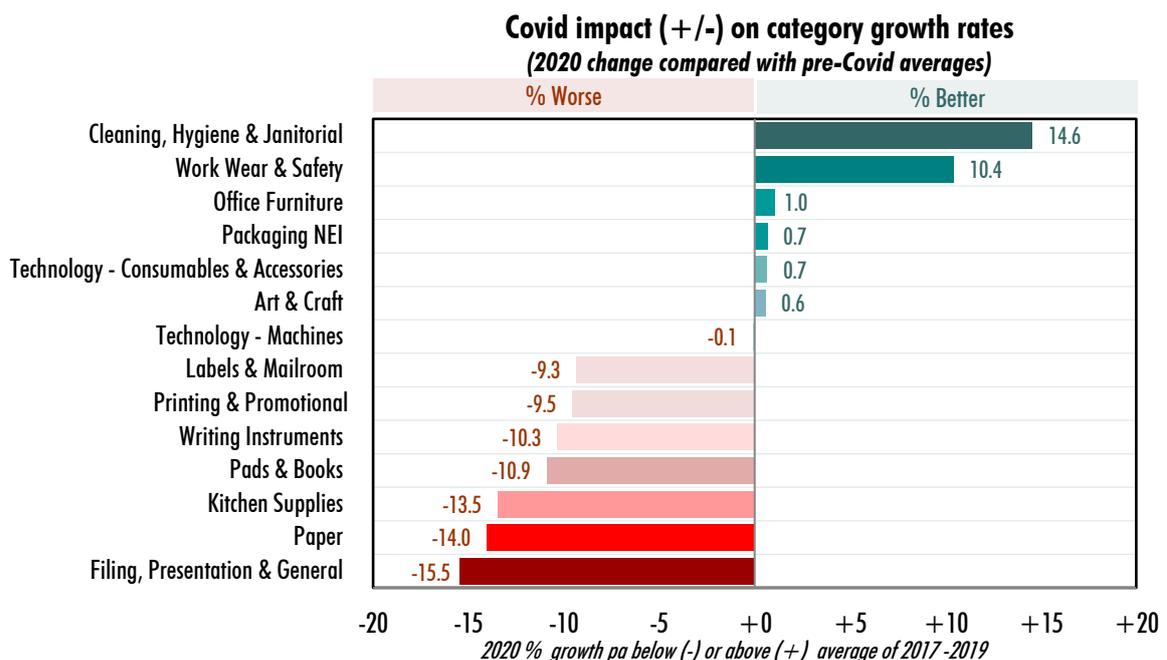
Market size & growth

The Australian office & work supplies (OWS) market [refer definition at end of article] is valued at \$A12.4 billion in 2020. Total market growth has been better than expected, at -1.2% (2020) although this disguises substantial volatility across different categories, sectors and segments. The core (traditional) sector has fared worse than average; registering -6.7% growth in 2020 - in contrast to relatively healthy non-core growth of +3.8%.

Covid-19 impact

The impact of Covid spans virtually all market dimensions. It has transferred a significant share of demand from large spending centralised businesses/institutions to decentralised small home-based consumers. The emergence of work-from-home (WFH) as a major new & enduring segment is the most significant change. Other impacts include, more individualised behaviour & discretionary spending, a heightened focus on workplace hygiene/health & safety, plus greater use of; large format retailers, technology specialists & online marketplaces.

Most product categories have been either Covid-boosted or suppressed, when compared with their recent years ‘trend’ growth rates - as shown below.



The chart highlights to what degree each category growth rates in 2020 has varied compared with recent (pre-Covid) yearly averages. **Note these figures DO NOT depict actual growth rates.**

Market trends

Some of the structural changes/trends - and our projections of these include;

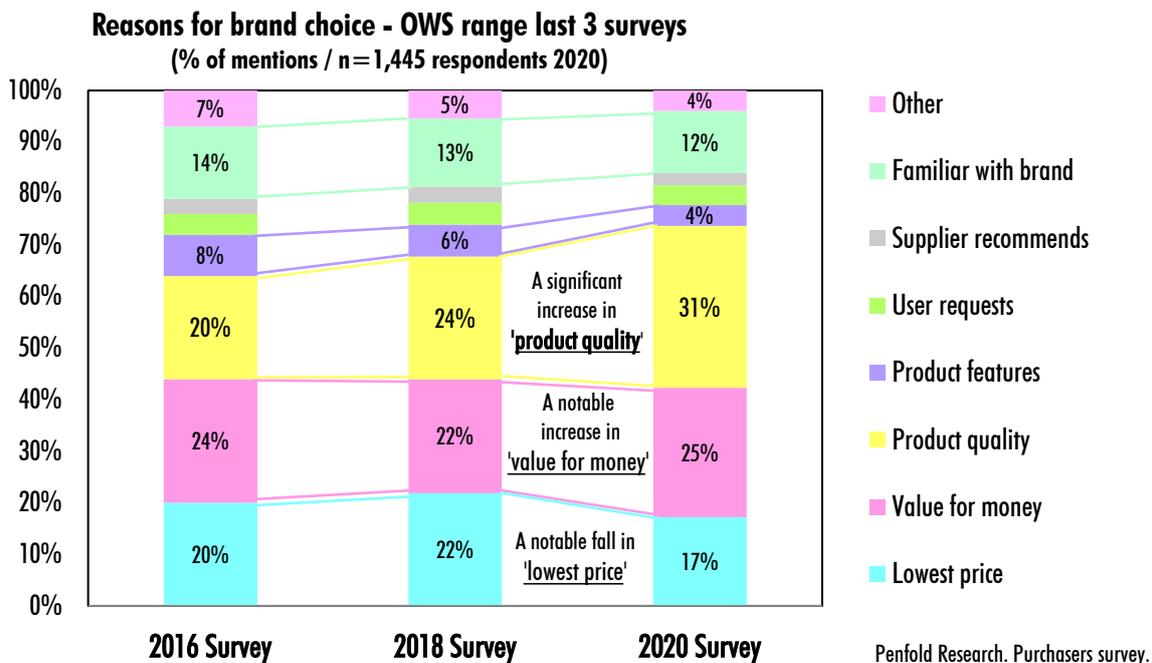
- Work-from-home to persist; reconfiguring demand, distribution & customer behaviour.
- A faster shift away from most traditional paper-oriented (core) products - as people & organisations become increasingly accustomed to screen-based working.
- More individualised/diverse customer behaviour, as WFH frees individuals to choose what & where to purchase.
- Greater focus & importance on supply chain reliability & diversification.
- Notably higher appreciation of local suppliers and Australian-made products.
- Sustainability & 'green' products are approaching a tipping point. Despite a wide variety of opinion amongst purchasers, a significant & growing share of customers place very high importance on sustainability - and this is set to increase further.

Product categories and brands

The best growth categories in 2020 have been; 'cleaning, hygiene & janitorial,' 'workwear & safety,' 'office furniture,' 'art/craft' and 'packaging.' By contrast, depopulation of central offices and the associated shift to screen-based remote working, has reduced demand for multiple paper-related categories. The worst growth has been in; 'paper,' 'filing, presentation & general office,' and 'labels & mailroom.'

Covid has driven a rise in home-based creative activities, boosting art/craft related products – and we expect this to continue. There is also now a greater customer appetite for a wider variety of product versions, that suit individual tastes. In other words, customers are receptive to buying feature-rich & more premium items, at the expense of basic, low-cost relatively bland product varieties.

When selecting which brand to purchase, customers are now placing materially higher weighting on 'product quality' while reducing their focus on 'lowest price.' Refer chart below.



Dealers & Retailers

Covid has affected players extremely unevenly. Officeworks in particular has been turbo-boostered by the pandemic – gaining 4% market share. Other suppliers that have performed well include; Amazon, supermarkets, Big W, Kmart, JB Hi Fi & Harvey Norman. Lockdowns & WFH favours operators able to competently & efficiently distribute smaller orders of relevant products to a more dispersed customer base.

Challenges

As well as the high levels of uncertainty and hardship related to current lockdowns, we see a series of ongoing systemic challenges for OWS dealers & retailers.

- There will be diminished post-Covid business demand for most core products (accelerating the urgency for operators to diversify).
- Increased competition from online marketplaces/portals (eg Amazon). Our research indicates customers rate Amazon & eBay very highly – and at superior levels to established OWS dealers/retailers.
- There are too many specialist OWS dealers/retailers for the stagnant/declining market.
- Diminished supply chain reliability (we expect ongoing disruptions, delays & shortages).

Opportunities

Balancing the challenges, there are some significant & substantial opportunities. Two of these are;

- Expanding into & developing new product categories. By our assessment OWS dealers/retailer have the right competencies and are well positioned to extend into adjacent categories – as well as channels & segments. For example, ongoing higher standards of workplace hygiene & safety point to robust growth opportunities in ‘cleaning/hygiene/janitorial’ and ‘workwear & safety equipment.’ There are multiple other attractive adjacencies beyond these.
- Tapping into the new, large & enduring WFH segment. This opportunity spans multiple sub-areas, and virtually all operators have an element of appeal in what is a diverse, individualised & dispersed mass segment.

Afternote

The emergence of the ‘Delta’ strain of Covid in mid-2021 has delayed the markets recovery and any return to (new) normal levels of activity. We now expect a relatively healthy one-time bounce in spending/demand – fuelled by the business sector – will occur over calendar 2022 (rather than 2021). This is subject to no major new virus-related setbacks and the phasing out of lockdowns by the end of 2021/early 2022.

.....ENDS.....

(1) About the research.

The report entitled “Office & Work Supplies in Australia, 2020-2022” is based on a survey program of over 1,500 interviews, with a combination of business purchasers (including WFH), households & students – as well as office/work supplies dealers and retailers. The report is available by subscription and an outline can be requested or downloaded on our website as listed below.

*** Under our broad definition ‘office & work supplies’ (OWS) includes**

- a. ‘Core’ (traditional) office & work supplies; (ie writing instruments, art & craft, paper, pads & books, labels & mailroom products, filing, presentation & general office, technology consumables & accessories – as well as technology machines.
- b. ‘Non-core’ work supplies; (ie kitchen supplies, cleaning/hygiene/janitorial, furniture, work wear/safety, packaging supplies and printing/promotional products.

Customer segments

We classify customers into nine segments; WFH business workers, WFO business workers, micro businesses (1-4 workers), small businesses (5-19), medium businesses (20-99), large businesses (100+), Government enterprises, households and students.

Penfold Research

Penfold Research, based in Australia, provides operators in the office, education & work supplies sectors 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 supplies retailer.

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