

## Scrapbooking – is all the attention justified?

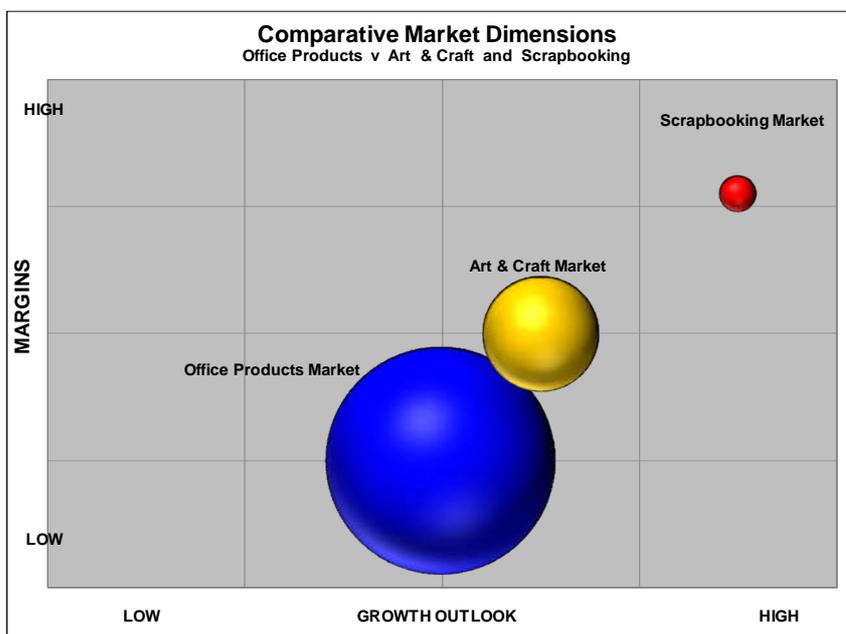
With many established products in decline and fierce competition restricting overall market growth, scrapbooking is a breath of fresh air. At first glance it holds the alluring attributes of high margins, high growth and immunity from the large commercial/contract operators.

Rightly, scrapbooking has also been receiving considerable “good press” as an emerging hot new category. However there remains a question mark over it. Is it really the great opportunity it’s being made out to be?

Firstly it is important to realise scrapbooking is an art and craft activity born out of the digital photography boom. It is a lifestyle activity, dominated by women who predominantly buy from retail stores. To further differentiate it from the normal business-oriented stationery/OP market it is heavily influenced by fashion. In other words scrapbooking is a highly specialised niche market. There is very little overlap with the stationery/OP market in terms of both channels and consumers. Research in the US states only 1% of scrapbook purchases are made from office supply stores.

In Australia, most scrapbook products are purchased from specialist art and craft retailers or large format chains such as Spotlight. Stationery/OP dealers should therefore realise scrapbooking is not a “bolt-on” category that their existing customers will simply add-on to their normal purchases. To be successful in scrapbooking dealers need to provide a wide and compelling product range plus the expertise and service to go with it. This is obviously not suited to a newsagent style of operation, or for that matter most OP dealers. At best there is a small opportunity for domestic oriented retailers (Newsagents included) to generate some add-on sales of a narrow range of certain core items, such as acid free adhesives and paper.

In Australia, industry participants estimate total scrapbooking expenditure at \$160m and growing very healthily. This sounds impressive, but when stacked against the total office products market of \$6.5-7.0 billion - it is tiny. Even writing instruments - one of the smallest OP categories these days – is 2.5 times the size of the whole scrapbooking market. This should sound a warning bell to industry operators – there isn’t room for everyone.



Our industry has displayed a well-proven ability for rapidly oversupplying and ruining exciting new categories when they come along. Take specialty/coated papers and compatible inkjet cartridges. When both these products emerged in recent years numerous suppliers scrambled to introduce their own versions. Their only success was in rapidly pulling prices/margins down, saturating the market, in many cases losing money, before quietly withdrawing.

Scrapbooking is undoubtedly a fresh and welcome new growth category for our industry. It is providing a much needed boost in an environment where sales of mature products are flagging. For a select group of market operators – mainly art and craft based retailers – it is a rich vein of opportunity that should be tapped for all it is worth.

The reality though, is that the scale of the scrapbooking opportunity for the general market is being over-blown considerably. For average stationery/OP retailers and other direct dealers the opportunity is very minor and will not provide any significant change to sales levels. For suppliers there is the opportunity to enter and do well if they can provide a unique and compelling offering. However extreme caution should be exercised with “me too” offerings, as history has shown these are likely to fail as too many suppliers rush in, the market is saturated and margins cut, never to return.

One of the key questions lies in; “where to from here?” Scrapbooking has rapidly emerged on the back of digital photography and is still very much a work in motion. It is highly possible that further technology developments will steer the category in new directions, stimulating further new product developments and consumer segments. The most promising of these would be the development of applications that suit commercial/business customers. Now that would be something.

#### SCRAPBOOK OPPORTUNITY OVERVIEW

##### ATTRactions

- New dynamic category
- High margins
- High growth
- Protection from the large commercial/contract operators.

##### DETERENTS

- Small market size
- Highly specialised – suits Art & Craft oriented retailers
- Wide product range to stock & labour intensive to manage
- Not a natural “bolt-on” category for most dealers/resellers.

#### Penfold Research

Penfold Research specialises in researching the office products and related markets.

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