

# Final word

## Your industry, your opinions



Andrew Penfold, Owner,  
Penfold Research

## Where now for the 'good blokes' of Australia?

**AUSTRALIAN** independent dealers and the groups that support them are viewed as the 'good blokes' of the market. They are decent and fair to deal with, eminently competent, and their presence ensures a healthy and 'bio diverse' industry. Even so, as we know being the good guy is no ticket to prosperity and there are some significant challenges facing them.

In market share terms the estimated 400-500 independent office products dealers have around a seventh (14%) of the Australian market. This share has been trending down gradually over the last decade helped by occasional acquisitions by the majors. Most independents belong to one of four dealer groups led by Office Brands (6% market share), Office Choice (4%), ASA (1%), and Office Power Australia (<1%). Surprisingly to overseas readers our independents don't have a large national wholesaler like a United Stationers or Spicers and they make do with small deliveries from numerous category suppliers.

Research says that independents generally have more satisfied and impressed customers than the majors do (superstore chain Officeworks aside). Their key strengths lie in the competency of their people and relatively fast, easy ordering (although not online). Their key weaknesses are 'low prices' and 'value for money' – important issues in the new age of frugality. This is the crux of the issue for them – maintaining customers while lacking price competitiveness.

In the last two years with core office products declining and customers highly cost conscious, pressure has been added to independents' vulnerabilities. After sailing through much of the aftermath of the global financial crisis there is now the realisation that there are serious threats to many independents' futures and I believe this has been a shock. There is at least now an awareness of the pressing need to modify the traditional model. This is evident in the recruitment of two new General Managers by both leading groups in the last year as well as Office Choice recently increasing its support team.

Other pressure points include competitive encroachment by the majors, corporate/government

policies to centralise OP purchasing with major national dealers – and working out a strategy to deal with the shift to online. In terms of competitive encroachment, on the one hand Officeworks is moving up the business size ladder into the SMB (mid-market) domain of independents, while simultaneously commercial-oriented majors OfficeMax, Complete Office Supplies and Staples are moving down. The good blokes are effectively being squeezed in an old style pincer movement.

The fact is the market is shifting fast for everyone, not just the independents. The race to diversify as the core market declines due to the digitalisation of work processes is a huge priority for all – and, as yet, there is no proven blueprint to follow.

A key question is can the more nimble and flexible independents better adapt their model to the new

emerging world of 'business products and services'? In my opinion they face an uphill battle – but can if they are smart, move quickly and have

strong leadership. The recent faltering and loss of market share by Staples Australia has provided an opportunity, but any gains to the independents have been minimal.

The likely future for our independent dealers is that most will adapt, with many moving into new areas of specialisation, protected from the majors. However, a significant minority will not change enough, subjecting themselves to the competitive voracity of the majors and a sure pattern of withering sales. This will see a continuation of the trend to fewer but stronger independents – with, by necessity, just a bit less of the good bloke in them. 🌈

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### IN THE NEXT ISSUE

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- OPI investigates rumours that warehouse clubs are knocking on the doors of dealers' customers