

## Non-Core Office & Work Supplies, 2018-2020 – A Market Report (1)

- **Non-core market valued at \$A6.4 billion - and growing steadily at circa 4% pa.**
- **Medium-large businesses & Govt are fastest growing segments - and the most attractive to target.**
- **Very strong opportunities for OWS players - but they need to improve customer satisfaction first.**
- **OWS operators account for 25% of the market with scope to move substantially higher.**

The 3<sup>rd</sup> edition of Penfold Research’s study on non-core office & work supplies reveals spending growth has remained buoyant despite a weakening economy. Office/work supplies (OWS) dealers & retailers have been achieving strong circa 10+% growth in this market, despite being rated below other suppliers in terms of customer service. Compared to the core (traditional) office products market, the non-core market is larger, more complex, populated by less professional suppliers and has a much more promising growth trajectory.

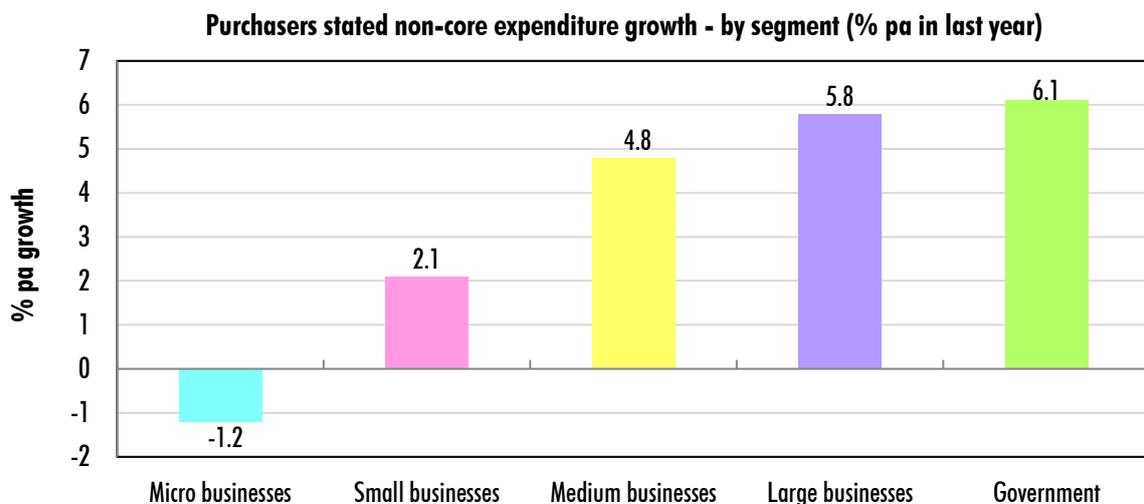
### Market size & growth

Total expenditure by businesses on the seven non-core categories\* (see inclusions last page) is valued at \$6.38 billion in 2018 - at end-user prices. This has grown by 4.4% in 2018 and is forecast to maintain a similar 4.1% in 2019, despite the economic slowdown currently occurring. With a broad & diversified set of demand sectors, aided by employment growth and healthy business investment, non-core spending will continue to be more resilient than many other markets.

### Customers

In terms of what is most important to customers in this market, these are ‘price,’ the ‘right product range’ and ‘convenient/easy’ purchasing.

According to our survey, the highest non-core spending growth has been amongst Government, large businesses & medium businesses. By contrast small and especially micro businesses have been weak. With medium-large businesses & Government also the most receptive to purchasing non-core products from office product suppliers, this highlights the opportunities in targeting these segments.



*Penfold Research. Non-Core Business purchasers survey 2018, (n=706)*

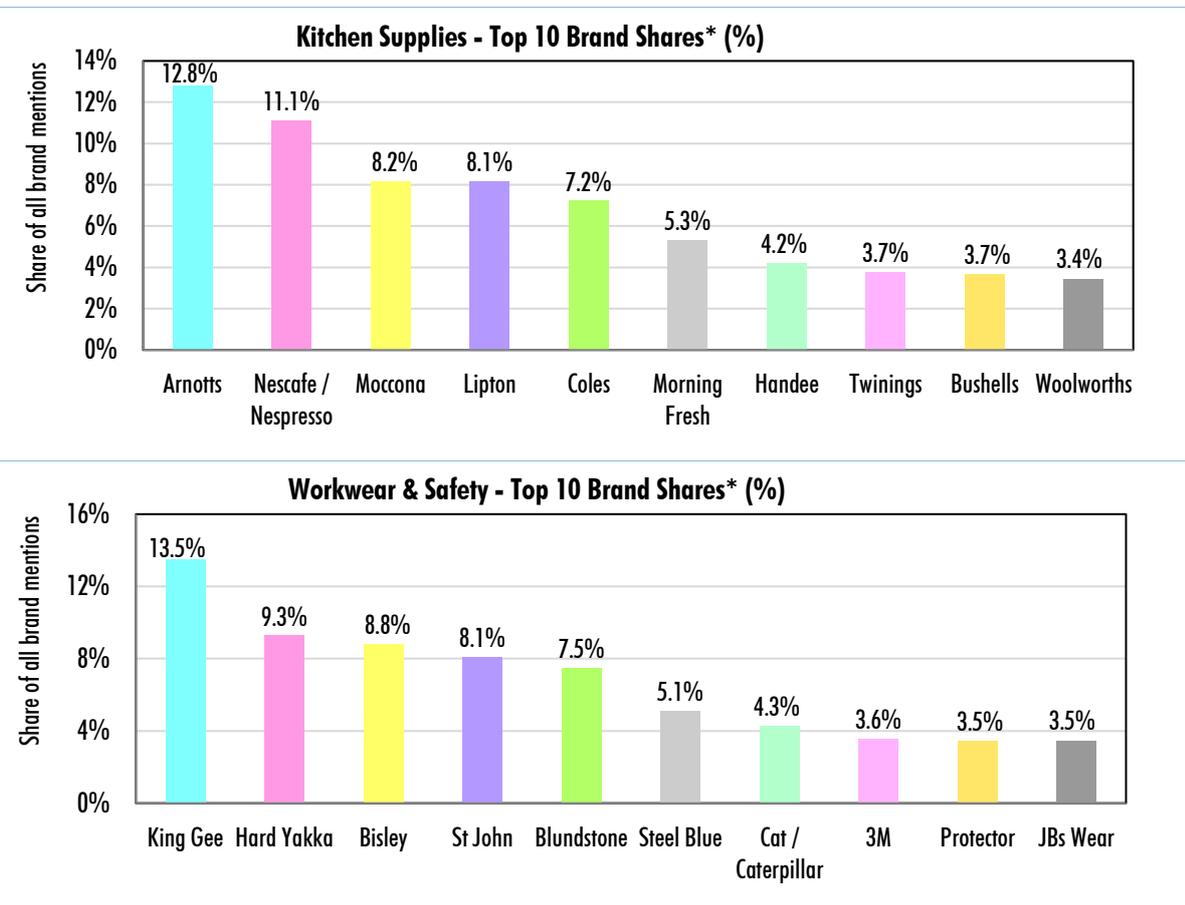
**Products & brands**

The seven non-core categories are each unique, requiring an element of expertise & nuanced strategies to develop (as opposed to the core/traditional range which is quite homogenous). Despite the complexities of this, the categories are sizable and most of them merit investment.

The best growth categories recently have been, in order; furniture, workwear/safety, cleaning/janitorial & kitchen supplies.

In the kitchen supplies category, the single most purchased brand (based on the products covered in our survey) is ‘Arnotts’ followed by ‘Nescafe/Nespresso,’ ‘Moccona,’ Lipton,’ ‘Coles’ and ‘Morning Fresh.’ With the top 10 brands having an aggregate 68% share of all mentions, we classify this category as having a relatively high level of brand concentration.

In the workwear & safety category the top brands - led by ‘King Gee’ and ‘Hard Yakka’ - are dominated by clothing brands, reflecting the importance of personal-use products (as opposed to equipment items). The category has a minimal presence of private label brands.



\* Each chart shows the top 10 aggregated brand share mentions, within the relevant product category and is based on the individual non-core products covered in our survey.

## Dealers/retailers

The list of suppliers is highly diverse with no operators having particularly high market shares. This is mostly due to the wide and disparate product range which as yet defies the business model capabilities of the vast majority of suppliers. In fact, there are only five operators (all OWS suppliers) who sell all seven non-core categories.

Officeworks and Winc are the top two non-core suppliers in terms of market share. Of these, Winc is the more developed, with a relatively strong presence across all categories, while Officeworks is mostly concentrated in the printing & furniture categories. Supermarket chains Coles and Woolworths are ranked third & fourth via their strong sales of kitchen supplies and cleaning/janitorial products.

Although OWS dealers & retailers have been achieving double-digit non-core sales growth, our survey data indicates they have been underwhelming in terms of satisfying customers. Net promoter scores and other ratings, indicate they are well below average compared with other suppliers. In other words, once OWS players refine their models to better meet non-core customer requirements, they have a huge opportunity to leverage their logistical strength - and win significant share in this market.

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### \* 'Non-core' market definition.

This covers business purchases of seven categories of products & services as follows; kitchen supplies, cleaning/janitorial products, furniture, printing services, promotional products, work wear & safety equipment - and packaging supplies.

### (1) About the research.

The report entitled "Non-Core Office & Work Supplies, 2018-2020" is based on a survey program of 706 interviews with Australian business purchasers. The report is available by subscription and an outline can be requested or downloaded on our website as listed below.

The report provides an extensive analysis of the non-core work supplies market in Australia. It defines the market composition and structure, measures products, brands and customer segments as well as dealer/retailer market shares – and these operator's strengths/weaknesses. It also identifies key areas of growth and our assessment of the best categories and segments for operators to target for higher growth.

### Penfold Research

Based in Australia, we provide operators in the office and work supplies industries with information to assist with planning, decision making & strategy development.

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