

Turning the page: Revenue will shrink as businesses turn to electronic methods

IBISWorld Industry Report 42412 Office Stationery Wholesaling in the US

November 2012

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About this Industry

Industry Definition

Office stationery wholesalers distribute a range of paper stationery products and other office supplies to retailers, other wholesalers, directly to customers and to foreign buyers. Industry products include envelopes, computer paper,

notebooks, business forms, photo albums, folders, pens, pencils, toner cartridge, inked ribbons, cellophane tape and others. Sales of office equipment and furniture are excluded from this industry.

Main Activities

The primary activities of this industry are

Wholesaling paper stationery products, including envelopes, computer paper, notebooks, folders and forms.

Wholesaling office supplies, including pens, pencils, toner, cartridge, inked ribbons and staplers.

Wholesaling other stationery, including photo albums, gift wrapping paper, greeting cards and postcards.

The major products and services in this industry are

Carbon paper and inked ribbons

Die-cut paper products

Envelopes

Lead pencils and art goods

Marking devices

Pens and mechanical pencils

Stationery, tablets and related products

Other office supplies

Similar Industries

32223 Office Stationery Manufacturing in the US

Operators in this industry process purchased uncoated paper and paperboard into a range of stationery products used for writing, printing, filing, artwork and similar applications.

33994 Art & Office Supply Manufacturing in the US

Operators in this industry purchase ink, wood, plastics and other materials and manufacture a range of writing, drawing and other office supplies.

42321 Furniture Wholesaling in the US

The primary activity of this industry is distributing furniture. Examples include outdoor and indoor residential furniture, public and commercial furniture, and office furniture.

42342 Copier & Office Equipment Wholesaling in the US

Operators in this industry wholesale a range of office equipment, including calculators, dictating machines and mail machines.

42411 Paper Wholesaling in the US

Paper wholesalers purchase bulk paper from manufacturers and distribute them to other manufacturing industries, publishers, commercial printers, and foreign buyers.

42413 Paper Bag & Disposable Plastic Product Wholesaling in the US

Wholesalers of sanitary paper products and paper bags distribute these products to retailers, shopkeepers and directly to large end customers.

About this Industry

Similar Industries continued

45321 Office Supply Stores in the US

Office stationery stores retail a range of stationery, school supplies, office supplies and furniture items, such as computers, printers, desks, chairs, pens and paper.

Additional Resources

For additional information on this industry

www.afandpa.org

American Forest & Paper Association

www.naw.org

National Association of Wholesaler-Distributors

www.census.gov

US Census Bureau

IBISWorld writes over 700 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com

Industry at a Glance

Office Stationery Wholesaling in 2012

Key Statistics Snapshot

Revenue

\$41.8bn

Annual Growth 07-12

-1.6%

Annual Growth 12-17

-1.4%

Profit

\$626.7m

Wages

\$3.5bn

Businesses

4,056

Market Share

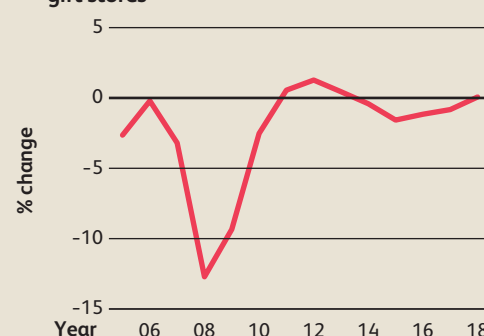
There are no Major Players in this industry

p. 28

Revenue vs. employment growth

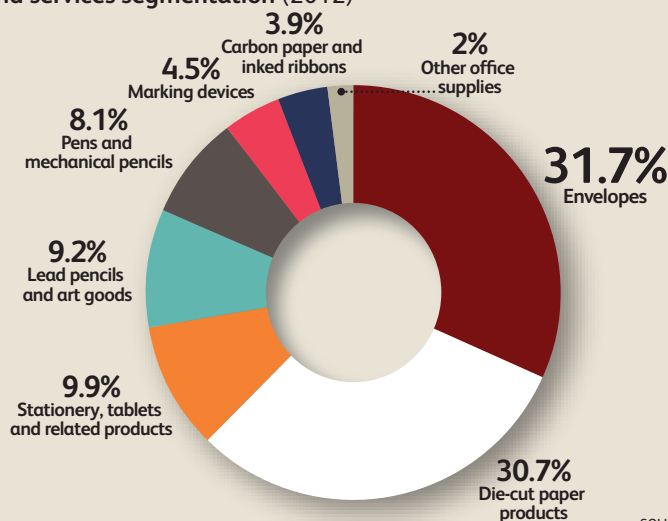


Demand from office supply, stationery and gift stores



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2012)



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

Consumer spending
Demand from office supplies, stationery and gift stores
Corporate profit
Percentage of services conducted online
Number of K-12 students

p. 5

Industry Structure

Life Cycle Stage	Decline	Regulation Level	Light
Revenue Volatility	Medium	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	None	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 35

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Office Stationery Wholesaling industry was unable to escape the effects of the recession. Demand for office stationery fell as business activity and household income declined. Office stationery wholesalers have also had to contend with rising competition from electronic mediums and office supply superstores that service many of the same clients. Over the five years to 2012, revenue is expected to contract at an average annual rate of 1.6% to reach

lower profit margins and heightened competition, the number of firm closures accelerated over the five-year period. From 2007 to 2012, the number of industry companies declined at an average annual rate of 3.3% to 4,056 enterprises. Facility closures were also common as industry operators consolidated their operations. Over the five years to 2012, the number of establishments is expected to decrease at an average 1.7% per year to total 5,331 locations.

Competition from electronic alternatives will inhibit demand for industry products

\$41.8 billion. However, demand for office stationery products has begun to slowly improve with increased business activity and favorable trends in consumer spending. As a result, industry revenue is expected to rise 2.0% in 2012.

Faced with declining demand for office stationery products and rising commodity prices, profit margins represent just 1.5% of revenue for the average industry company in 2012. This percentage is a decline from 2007, when margins averaged 2.6%. Beset with

Although conditions will improve slightly over the next five years, demand for industry products is forecast to continue declining. Revenue will grow slightly in 2013 and 2014 due to recovering business demand as the economy continues to slowly recover. However, the long-term decline in demand will then reassert itself, leading to contractions in industry revenue over the remainder of the period. Over the five years to 2017, revenue is projected to decrease at an average annual rate of 1.4% to \$39.0 billion. The main factor impeding growth will be continued substitution for electronic mediums, prompted by technological changes and rising environmental awareness.

Key External Drivers

Consumer spending

Increased consumer spending positively affects the industry, making consumers more likely to purchase household stationery products and at higher price points. The opposite effect is expected to occur when consumer spending slows or declines. This driver is expected to increase during 2013, which is a potential opportunity for the industry.

Demand from office supplies, stationery and gift stores

Office supplies, stationery and gift stores are a key market that the industry sells

to. These retailers sell office stationery products to individuals, corporations, small businesses and nonprofit organizations. This driver is expected to increase during 2013.

Corporate profit

Demand for office stationery depends on the level of business activity and expenditure by companies. Corporate profit is an indicator of general business performance; when corporate profit declines, companies typically reduce the size of their workforce and cut back on expenditures, leading to

Industry Performance

Key External Drivers continued

lower demand for office stationery products. This driver is expected to increase during 2013.

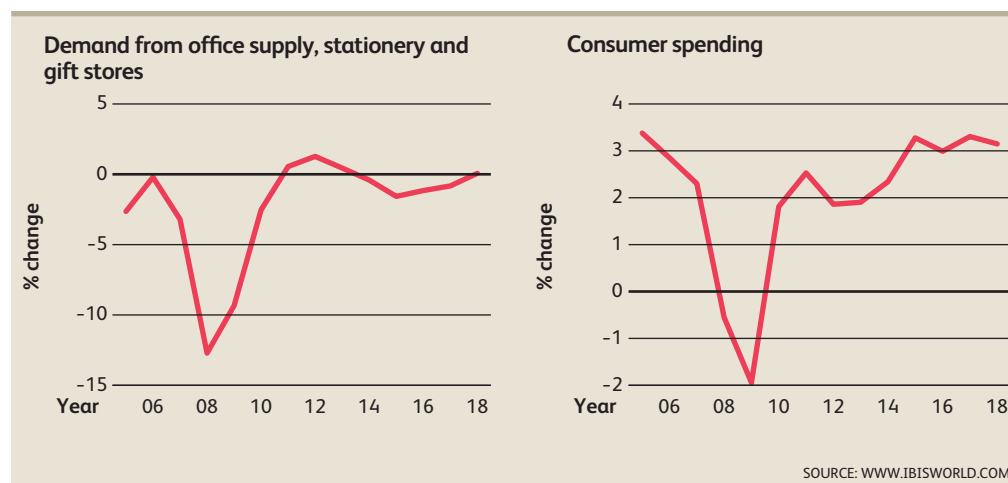
Percentage of services conducted online

The prevalence of the internet has had an overall negative effect on the industry. The internet has reduced demand for letters, envelopes and administrative paper support. Any further penetration by internet services is expected to take away from stationery

consumption. This driver is anticipated to increase during 2013, which is a potential threat to the industry.

Number of K-12 students

The educational sector is another key source of demand for stationery products. When the number of K-12 students rises, demand for office stationery products increases, both in the classroom and at home. This driver is expected to increase during 2013.



Current Performance

Technological developments have been both friend and foe to this industry. On one hand, computerization of systems has improved operational efficiency for wholesalers and prompted development of computer-related office products; however, it has reduced the overall need for office stationery and supplies. Growing reliance on computers and other electronic equipment in homes and offices has decreased the amount of stationery consumed by Americans, reducing demand for industry products. As such, office stationery wholesalers have battled declining demand over the five years to 2012, particularly during the recession.

Aside from reliance on electronics and the internet, office stationery wholesalers

are affected by consumer spending, business sentiment, the number of students and downstream demand from office supply, stationery and gift stores. Above all, general economic conditions and the level of business and household expenditure affect demand for office stationery. When household incomes and consumption expenditure increase, individuals are more likely to purchase more expensive office stationery products and in greater quantities. The same trend applies for businesses; when business sentiment and profit is up and employment is rising, companies generally increase their supplies of stationery, while the opposite is true in times of poor profitability.

Industry Performance

Current Performance continued

The industry also sells supplies to schools and students, including products like binders, computer paper, folders, ink, notebooks, pencils, pens and tape. Therefore, when the number of students in school is rising, demand for these products increases. However, this factor is partly offset by the increasing penetration of computers in education. Another source of demand

for the industry involves office supply, stationery and gift stores. These retailers sell office stationery products to individuals, corporations, small businesses and nonprofit organizations. However, these smaller retailers have experienced rising competition from office supply superstores, which sell these products at discounted prices.

Recession woes

Over the five years to 2012, industry revenue is estimated to decline at an average annual rate of 1.6% to \$41.8 billion. However, revenue is expected to rebound slightly, rising 2.0% in 2012. Part of this increase will be due to rising product prices; according to information from the Bureau of Labor Statistics, product prices are expected to rise 1.1% in 2012. Furthermore, as unemployment slowly declines and per capita disposable income rises, more consumers will begin buying more specialty stationery products. In addition, with rising corporate profit, paper requirements for businesses are expected to increase.

Over the past five years, the industry faced challenging conditions; in 2009, revenue plummeted 10.8%. The contraction occurred in line the recession, which resulted in fewer businesses operating and thus buying stationery. At the same time, households cut back, purchasing only the necessary quantity of paper supplies and buying lower-priced products. Furthermore, industry wholesalers have been negatively affected by continued competition from computers and the internet, and increasing environmental awareness, which has reduced demand for office stationery products, such as

Producer price index (PPI) for office stationery and supplies

Year	PPI (index)	(% change)
2007	114.7	3.8
2008	120.2	4.8
2009	122.9	2.2
2010	123.7	0.7
2011	126.8	2.5
2012*	128.2	1.1

*Preliminary data

SOURCE: BUREAU OF LABOR STATISTICS

photo albums, cards, envelopes, folders, forms, notebooks, pencils, pens and writing paper. However, office stationery products that are complementary to computers, such as toner cartridges and printing paper, have experienced robust demand. Still, increased demand for these products has not been sufficient to offset declines in other product segments.

The domestic price of office stationery and supplies is expected to increase at an annualized rate of 2.3% over the five years to 2012, mainly due to growing paper and other input prices. The weak US dollar also increased the average price of imports, contributing to price growth for office stationery in the United States.

Industry Performance

Paper-thin profit

Profit margins, measured by earnings before interest and taxes, are estimated to account for 1.5% revenue, down from 2.6% in 2007. This decline indicates very difficult operating conditions for industry operators, particularly for smaller family businesses that rely on a steady stream of revenue. Like most other businesses, the industry has had a difficult time maintaining profit margins during the recession, with customers cutting back on purchases and commodity prices rising.

During the five-year period, restructuring activity was common

among industry operators, as companies merged, were acquired or exited the industry. As a result, the number of companies decreased at an average annual rate of 3.3% to an estimated 4,056 enterprises in the five years to 2012. Facility closures were also common during the period, as companies consolidated operations in response to declining demand for office stationery products. From 2007 to 2012, the number of establishments fell at an average annual rate of 1.7% to total 5,331 locations.

External competition

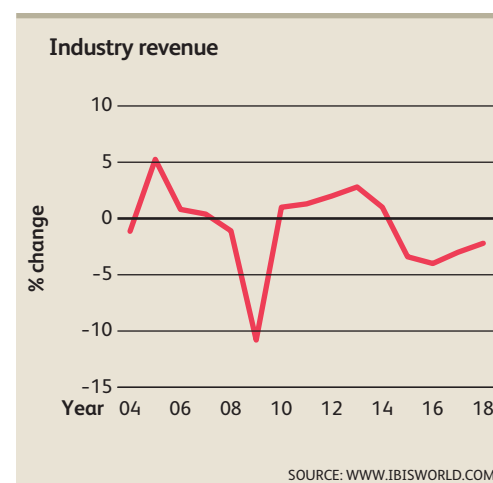
The industry has had to contend with continued competition from office supply superstores, such as Staples, Office Depot and OfficeMax, which supply office stationery products that these retailers primarily purchase directly from manufacturers. As such, the role of the traditional wholesaler is changing, and

wholesalers have had to evolve to remain in business. While sales to large retail outlets have declined, wholesalers have focused their sales toward mail-order resellers, smaller businesses, schools and government departments. They have also turned toward end customers in some cases, bypassing retailers.

Industry Outlook

The Office Stationery Wholesaling industry will continue to face challenging conditions over the next five years. While demand for office stationery products will slowly improve in 2013 and 2014 due to the continued recovery of businesses following the recession, competition from electronic mediums will continue to challenge the industry, leading to revenue declines over the remainder of the period once the recovery ends. Over the five years to 2017, revenue is projected to decline at an average annual rate of 1.4% to \$39.0 billion.

Relative to the past five years, conditions will improve slightly for industry operators, with revenue declines slowing over the period. Increases in business and consumer spending will fuel some growth for the industry, specifically in 2013; revenue is



projected to expand 2.8% during the year. However, the prevalence of electronic alternatives, such as e-mail, video conferencing and credit card scans will continue to lower demand for

Industry Performance

Industry Outlook continued

stationery products. Internet penetration will likely continue rising over the five years to 2017. IBISWorld projects that by 2013, about 81.3% of American households are will own a computer.

Most emerging and underdeveloped countries have lower internet penetration and fewer computers at work and home than the United States, so they rely more on stationery products. These markets provide growth opportunities for wholesalers, and more companies are expected to tap into export markets during the five years to 2017. Some large US wholesalers already have operations offshore; however, more companies are expected to increase their international presence over the next five years. The appreciation of the US dollar will depress this trend, making office stationery exports relatively more

expensive on the global market. Over the five years to 2017, the value of the dollar as measured by the trade-weighted index is expected to increase at an average annual rate of 1.2%.

Increased import competition for upstream office stationery manufacturers will likely push these manufacturers to produce more innovative products, such as stationery made from higher-value grades of specialty paper or recycled paper. In particular, environmental concerns are expected to become more prevalent, with industry wholesalers concentrating their sales on eco-friendly products, such as unbleached paper. As a result, office stationery wholesalers will raise the prices of their products to combat decreasing sales volumes, which will combat revenue declines over the next five years.

Profitability remains weak

Industry profitability is expected to increase slightly over the next five years. Average profit margins, measured by earnings before interest and taxes, will likely reach 1.7%, largely due to restructuring activity, cost-cutting measures and merger and acquisition (M&A) activity. This represents a slight increase compared to current average profit margins of 1.5%. Smaller companies, however, will find it hard to

Smaller companies will find it hard to improve earnings, due to sustained competition

improve earnings, due to sustained price-based competition in the industry and rising commodity prices.

Industry consolidation

The industry is highly fragmented; most operators are family owned, small or medium-size private companies. The majority of firms employ 15 employees, according to information from the US Census. However, increased M&A activity is expected over the five years to 2017, as larger companies attempt to improve profit margins; other companies will leave the industry altogether in favor of more profitable endeavors. Consequently,

the total number of companies is forecast to decrease on average 1.6% per year over the five-year period to 3,749 enterprises. This decline will likely lead to overall growth in market share concentration, with mergers and acquisitions leading to a formation of larger companies with a higher market share and a greater amount of market power.

Facility closures will continue as the industry faces decreased demand for

Industry Performance

Industry consolidation continued

office stationery products. However, the reduction will be slower than the five years to 2012, with the number of establishments projected to decrease at an average annual rate of 0.9% to 5,093 locations by 2017. The number of industry employees is expected to decline

at an annualized rate of 2.6% over the next five years. Productivity improvements in the form of computerized processes will also contribute to layoffs, with the average number of workers per establishment falling from 15 in 2012 to 14 in 2017.

Industry Performance

Life Cycle Stage

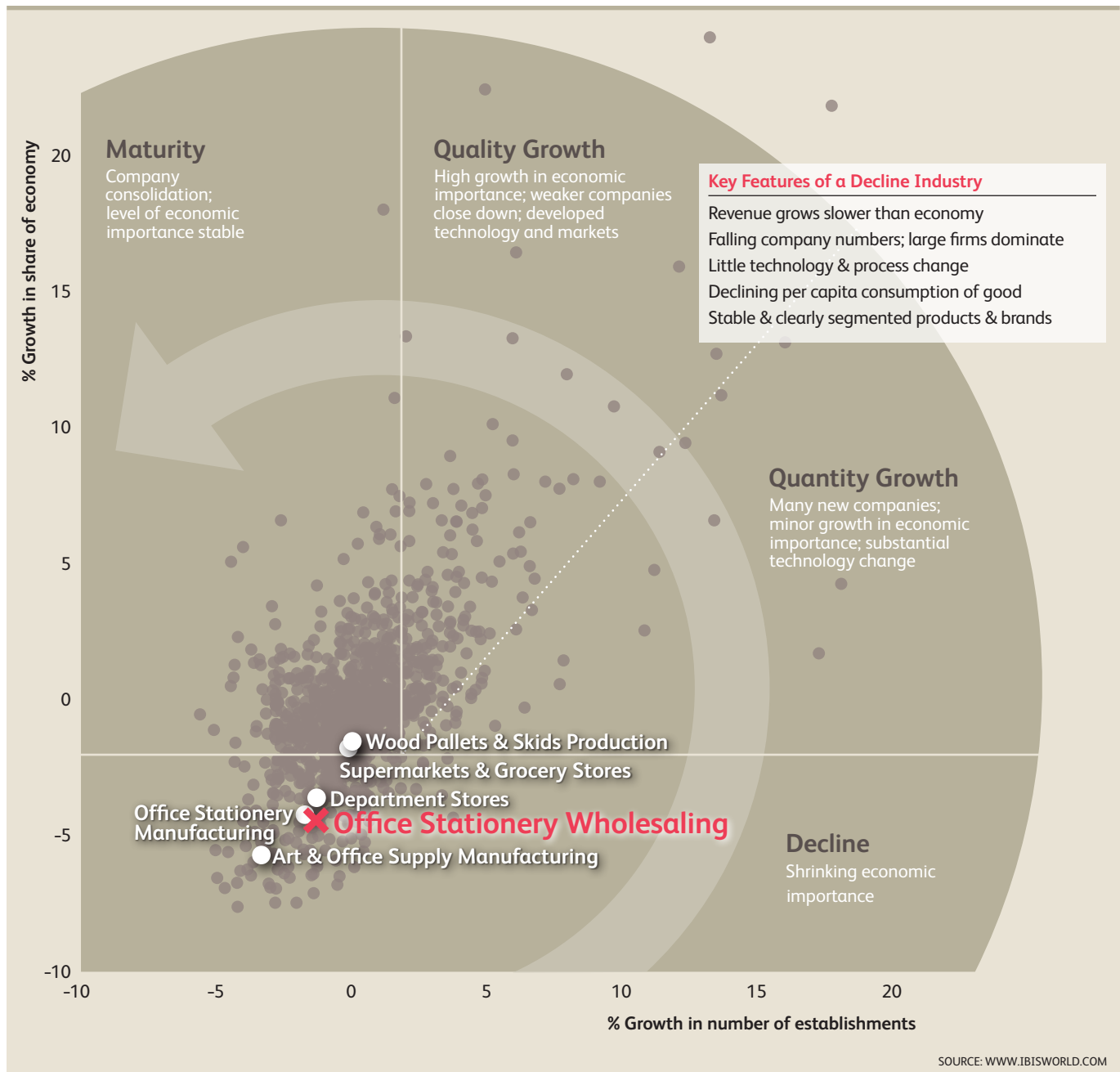
The industry consistently underperforms compared to the overall economy

The number of participants is declining over time

The industry's product range is relatively stable, with clearly segmented product groups

Technological developments have slowed

Per capita consumption of office stationery is declining



Industry Performance

Industry Life Cycle

This industry is **Declining**

The Office Stationery Wholesaling industry has been in the decline stage of its life cycle since the early 2000s. Indicators of this phase include a decline in industry value added, falling revenue and profitability, operators leaving the industry, declining employment and wage contributions, a stable product mix and falling per capita consumption of office stationery. The practice of wholesale bypass on the part of office supply superstores has intensified competition in the industry, magnifying the indicators of a declining industry.

Industry value added, which measures the industry's contribution to GDP, is forecast to fall at an average annual rate of 2.8% from 2007 to 2017. As such, the industry's contribution to GDP is declining rapidly. Comparatively, GDP is projected to rise at an average annual rate of 1.8% during the same 10-year period. Industry value added is declining because of decreasing capital investment, falling wage contributions and declining profitability. Capital expenditure has decreased due to downsizing by operators and diminishing returns on investment. In addition, the value of industry wages is estimated to fall an average 2.3% per year over the five years to 2012. Wages are contracting due to employee layoffs, some of which were implemented because of rising worker productivity, restructuring or cost-cutting measures implemented during the recession.

Poor profitability, strong competition and weak demand conditions have resulted in companies downsizing operations, leaving the industry or merging with other players. The total number of industry establishments is expected to decline at an annualized rate of 1.7% during the five years to 2012, while the number of operating firms is forecast to fall at an annualized rate of 3.3%, the result of significant merger and acquisition activity.

Technological advancements in the industry were the most rapid in the mid-to-late 1990s. Advanced computerized technology such as warehouse maintenance and inventory tracking products have aided ordering, processing and dispatching paper stationery and office supply orders. However, over the past five years, technology developments have been minor.

The industry is in strong competition with electronic forms of communication, such as mobile phones, e-mail and faxes. These have replaced paper, envelopes, and other office stationery and supplies, creating poor demand conditions for industry operators. Although there is still a need for paper and office supplies, their use has declined sharply since the internet became popular. As such, per capita consumption of office stationery has declined over the years.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

44511	Supermarkets & Grocery Stores in the US Supermarkets and grocery stores sell a large range of products which include school and office stationery and supplies, greeting cards, wrapping paper, and other products.
45211	Department Stores in the US Department stores offer a large range of products, including office and school stationery and supplies.
45291	Warehouse Clubs & Supercenters in the US Office stationery wholesalers sell industry products to big box retailers in bulk, usually at a lower contract price.
45321	Office Supply Stores in the US This retail sector is one of the most important sources of immediate sales for wholesalers of such products, and a key link to consumers and businesses.
45322	Gift Shops & Card Stores in the US These specialty stores are a relatively minor demand link for traders of paper stationery and office supplies.
45411b	Mail Order in the US Some wholesalers will reach the public through online catalogs and offers.
61	Educational Services in the US Schools, colleges, universities, and all other educational services buy large quantities of stationery and supplies directly from wholesalers.
92	Public Administration in the US Public administration buys large quantities of stationery and supplies directly from wholesalers.

KEY SELLING INDUSTRIES

32192	Wood Pallets & Skids Production in the US Wood pallets and skids may be required for shifting large quantities of office supplies.
32221	Cardboard Box & Container Manufacturing in the US Wholesalers commonly use cardboard to package their products.
32223	Office Stationery Manufacturing in the US Wholesalers purchase materials from office stationery manufacturers which they then distribute.
33392	Forklift & Conveyor Manufacturing in the US Forklifts are used in the warehouses, for lifting and moving large packages of products.
33994	Art & Office Supply Manufacturing in the US Wholesalers purchase office supplies from manufacturers and distribute them to retailers and customers.
52222	Auto Leasing, Loans & Sales Financing in the US Vehicle leasing is required for delivering shipment orders.
53113	Storage & Warehouse Leasing in the US Wholesalers usually lease storage facilities for holding stock.

Products & Services

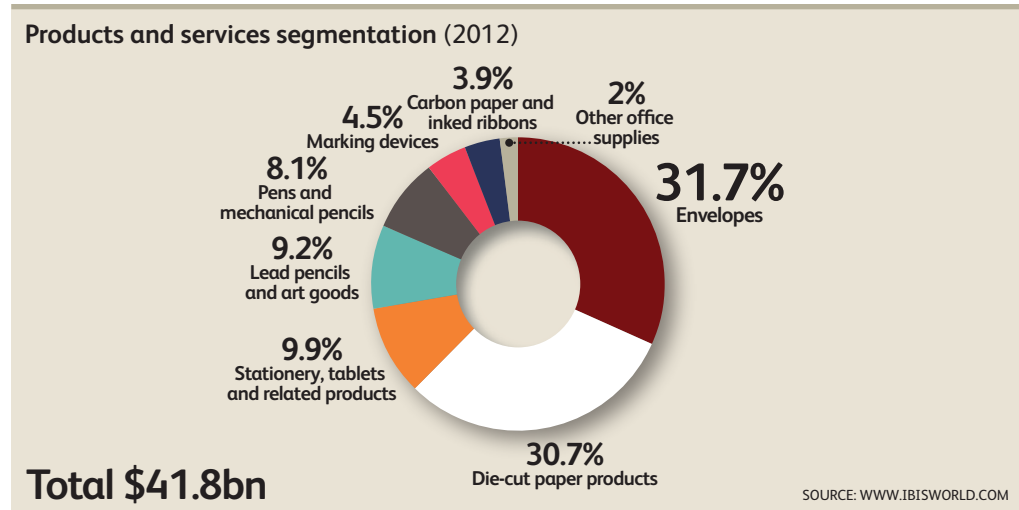
Paper office stationery

About 70.0% of the industry's revenue is garnered through the sale of paper office stationery products. These include:

envelopes, computer paper, notebooks, folders, business forms, loose-leaf binders, social stationery, scrapbooks and others. These products are purchased

Products & Markets

Products & Services continued



from office stationery manufacturers and distributed to retailers or directly to industrial and commercial customers. End customers include business and home offices, students, government agencies and schools. Over the past five years, sales of paper stationery are expected to increase slightly as a share of revenue. Sales of such items have increased over time, in comparison to other office supplies, due to growing demand for computer printing and photocopying papers, envelopes and cash register paper rolls. Demand for computer-related stationery has increased because of growing computer-usage, while the growing demand for envelopes is related to direct-mail advertising and mail-orders through internet sales. Cash register rolls are correlated with retail sales, and thus suffered a decline during the recession as consumer spending decreased. However, as the economy has begun to recover, revenue from cash register rolls has increased as well.

Envelopes

Envelopes are estimated to account for 31.7% of all industry sales in 2012, increasing only marginally from 2007. This includes traditional paper envelopes

and padded envelopes for mailing of bulky goods. Despite the popularity of direct mail advertising and mail-order deliveries, growth in sales has been restricted by the use of electronic communication and a solid decline in demand for traditional envelopes from the private sectors for writing letters and sending cards. Furthermore, direct mail advertising slowed during the recession, as businesses cut back on advertising spending. During the past five years, the price of envelopes rose at an average annual rate of 1.7% which is slightly below the industry price average of 2.3% over the same period.

Die-cut paper products

Die-cut stationery includes file folders, report covers, letters and paper rolls for business machines and cash registers. During the past five years, revenue growth from these products was more favorable compared to other segments. Robust economic growth, strong consumption and expanding white-collar employment increased demand for paper for business activity. In addition, strong consumption expenditure growth during the economic boom resulted in buoyant growth in register roll usage. Despite the fact that the recession has caused falling

Products & Markets

Products & Services continued

demand for such items, the decrease has been less drastic compared to the rest of the industry's products, particularly for computer-related products. Furthermore, the price of die-cut office stationery is estimated to increase at 3.2% per year during the five years to 2012, which is slightly above the industry average. The share of revenue from die-cut supplies is forecast to increase slightly over the five years to 30.7% in 2012.

Stationery products

The office stationery products segment includes bond paper, school and art supplies, loose-leaf filers, notebooks, paper pads, writing tablets, business forms, and similar products. Technology developments have led to a decline in demand for writing paper and similar products, decreasing sales opportunities. Price increases have been in line with the industry average, rising at an average annual rate of 2.7% per year. Sales of such products are estimated to account for 9.9% of industry revenue in 2012, decreasing slightly over the five-year period.

Writing, drawing and office supplies

Office supplies account for an estimated 27.6% of industry revenue, the sales of which have been growing at a slower rate compared to paper stationery. More than half of these supplies are writing and drawing materials, which have experienced a weaker demand over time, due to the increasing use of computers, printers and photocopiers. Sales of office supplies are estimated to decrease from 32.0% of industry revenue in 2007.

Pens and mechanical pencils

The industry distributes ballpoint pens, felt tip markers, fountain pens, pen refills and cartridges and mechanical pencils. IBISWorld expects that this product mix will represent 8.1% of industry revenue over 2012, decreasing from 2007. This

trend is likely due to a slowdown in the demand for pens and pencils due to rising computer-usage. Among the products, markers and pens, as opposed to lead pencils, experienced stronger demand. Markers are used on whiteboards, in office or school environments, and can be used on overhead projectors. As such, demand for these products is more stable.

Lead pencils and art supplies

Lead pencils and art supplies include: artist's paint, canvas, brushes, chalk, chalkboard, crayons, drafting materials (except tables and boards), hole-punchers, label makers, whiteboards, blackboards, clay, palettes, lead pencils, color pencils, pencil sharpeners, staplers, staple removers, tape dispensers, water colors and others. The popularity of these items is expected to have decreased slightly over the five years to 2012, largely due to increased computer usage. While painting is still a popular hobby, drafting and graphics work is mainly done on the computer, which has reduced the need for pencils and drafting materials. IBISWorld estimates that this segment will account for 9.2% of industry revenue in 2012.

Marking devices

Marking devices include branding irons, date stamps, embossing stamps, hand-operated stamps, metal stamps, rubber stamps, stamp pads, and others. The demand for stamping usually grows with increased paperwork associated with business activity and schools. Business activity declined sharply during the recession, which reduced the demand for stamping. However, demand for marking devices was favorably impacted by more students returning to school during the recession, which increased demand for stamps from the educational sector. Overall, however, the segment has been adversely affected by rising computer usage, which has decreased the demand

Products & Markets

Products & Services continued

for paperwork requiring stamping. As such, sales of these items are expected to have lost share of revenue, decreasing slightly to 4.5% in 2012.

Carbon paper and inked ribbons

Carbon papers and inked ribbons consumption is expected to have decreased over the five years to 2012, due to falling typewriter and dot matrix printing usage. However, carbon paper is still used in many sectors where multiple copies of hand written documents are required, such as for written pricing quotes and written ordering and delivery services. Sales are estimated to account for 3.9% of industry revenue in 2012.

Other office supplies

Other office supplies include toner cartridges, cellophane tape, rubber erasers, greeting cards, postcards, wrapping paper, photo albums and others. Demand for these products is estimated to have declined over the years (with the exception of toner cartridges) for similar reasons, namely strong competition with electronics. This is particularly true for photo albums, greeting cards, and postcards, as digital photo technology and the internet have acted to replace the need for such products. Sales of these items are estimated to account for 2.0% of industry revenue in 2012.

Demand Determinants

The majority of industry products are finished and ready for use. End users include businesses, students, governments, home offices and households. As such, demand for the industry's products is highly dependent on the level of business activity, student enrollment and household disposable income. In today's highly technological world, demand for office supplies is also influenced by the level of computer usage and internet penetration in the society.

Economic ties

Expenditure on office stationery is highly correlated with consumer and business sentiment, the level of consumption expenditure, corporate profit, household incomes, government expenditure, all of which indicate the general state of the economy. Not surprisingly, when the economy is experiencing robust growth, business and consumer sentiment is high and demand for all goods and services increases. Higher business activity leads to increased demand for office stationery, while expanding household incomes, and the corresponding increase in household spending levels, are expected to result in

more purchases of stationery for home offices and general use. Business profitability is also important, as struggling businesses are expected to cut costs in the supplies department, while profitable firms may be more expansionary in such expenses. Activity in the retail sector affects the demand for register rolls and credit card dockets. A slowdown in consumer spending will cause retailers to use less register tape, while the reverse is expected during prosperous economic times.

School days not over

Schools and colleges provide a steady source of demand for stationery. Even though there has been an increase in electronic means of communication, traditional paper-based educational support remains integral. With a higher emphasis on the importance of education in the future, solid annualized growth in the number of elementary and secondary students is expected. The education sector is projected to continue supporting stationery product demand, adjusting toward technology-complementing supplies like printing

Products & Markets

Demand Determinants continued

paper. Some items are considered to be more discretionary, such as art supplies, and demand for these may vary with school budgets.

Irregular trends

Activities such as elections and sporting events require large amounts of stationery and office supplies. Demand for the industry's products typically increases when special events are planned. Elections require huge amounts of pens, envelopes, paper and paper clips for a short period of time. Typically the industry will experience a large upswing in revenue before falling back to normal levels. Changes in laws and regulations may also require changes to business forms, and therefore result in increased usage of paper stationery.

Will stationery become extinct?

Over the last 10 to 15 years, technology has put a great strain on paper-related industries. Developments in personal computers and the internet created robust demand for printing paper, fax paper and associated stationery. Direct-mail advertising also created a growing demand for envelopes, with the ability to create multiple copies of letters being

more cost effective. Envelope demand also grew as online shopping became popular through eBay. At the same time, fax machines, e-mail, video conferencing and similar applications are reducing the need for traditional letters at work and in the home. Writing paper has lost its appeal compared to printing paper, and diaries are often electronic. Consumers are growing increasingly environmentally aware too, substituting electronics for paper when possible. Environmental concerns about cutting trees for paper production have pushed some organizations and businesses to reduce their use of paper and replace it with electronic alternatives.

Some items such as inked ribbons may become completely extinct in the near future, as technological developments continue to change the product range. As the computer and internet penetration continues to grow and slowly becomes the main tool for education, the demand for writing and drawing materials is expected to decline severely. Stationery is unlikely to become extinct, however, the product mix is expected to change over the years, with a greater focus on technology-complementing supplies such as printing paper.

Major Markets

The industry primarily sells to retailers as well as commercial clients, public sector clients and educational institutions. Some of these clients are able to secure sales from wholesalers directly (usually at a lower contract price), while some buy office stationery from retailers, which themselves sometimes purchase through wholesalers.

Government departments, schools and large businesses are the main clients which have sufficient purchasing power to buy directly from wholesalers. The industry, however, has faced competition from office superstores, such as Staples,

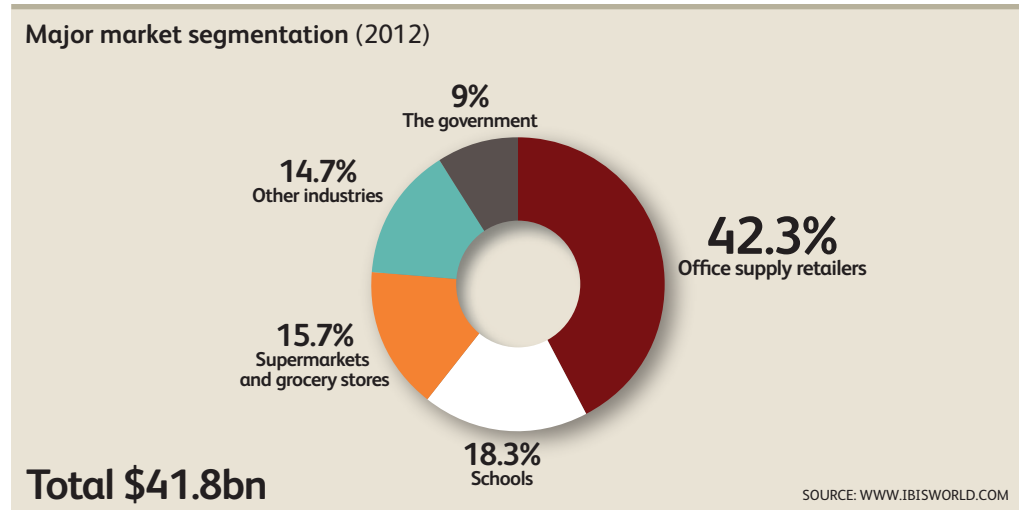
Office Depot and OfficeMax, which purchase directly from manufacturers, yielding substantial savings for their clients. As such, wholesalers have actually reduced sales to major retail outlets, and increased their focus on smaller businesses and export markets. A growing trend has been the use of internet mail order, where wholesalers can contact end customers directly and ship products anywhere in the world.

Office supply retailers

Office supplies stores specialize in retailing this industry's products and are

Products & Markets

Major Markets continued



a key partner in the distribution channel. These retailers sell to individuals, corporations, small businesses and nonprofit organizations. However, this sector's share of industry revenue has declined over the past five years, due to competition from office supply superstores. Sales to these stores are estimated to account for 42.3% of industry revenue in 2012.

Supermarkets and grocery stores

Supermarkets and grocery stores provide a critical link to individual consumers, mainly households and students, who purchase industry products in smaller quantities. Sales to this sector have declined in the past five years due to greater quantities of products sold via big box retailers and electronic shopping. Big box retailers provide strong price competition to supermarkets, while mail order can be more convenient for many consumers. Typically these stores have low purchase rates compared to dedicated stationery retailers due to the demand habits of their customers. Sales to supermarkets and grocery stores are estimated to account for 15.7% of industry revenue in 2012, decreasing slightly from 2007.

Schools

Schools account for some 18.3% of the market, growing considerably over the past five years. Primary and secondary education were minimally affected by the recession. Furthermore, during the recession, enrollment at colleges and universities rose as high unemployment resulted in more people going back to school to improve their chances of finding employment. As such, demand from this market has risen over the five-year period.

Government

Government departments are also an important steady stream of revenue for wholesalers, as departments that order large quantities may be able to purchase stationery and office supplies directly from a wholesaler. Government departments are commonly known for their large one-off purchases, as opposed to a regular repeating contract, related to special events such as elections. Sales are estimated to account for 9.0% of revenue in 2012, increasing slightly from 2007.

Other

Other industry buyers include mail-order resellers, drug stores, gift and novelty stores and large businesses in

Products & Markets

Major Markets continued

any industries, which buy large quantities of stationery and can therefore buy directly from wholesalers. Mail-order resellers have only operated for the past 10-15 years, during which time sales have increased considerably. They provide increased convenience to clients and are usually a

more inexpensive option as companies skip the retail mark-up. Sales to other industries have decreased over the five years, largely due to a declining use of office stationery in offices. IBISWorld estimates that these other industries account for 14.7% of industry revenue in 2012.

International Trade

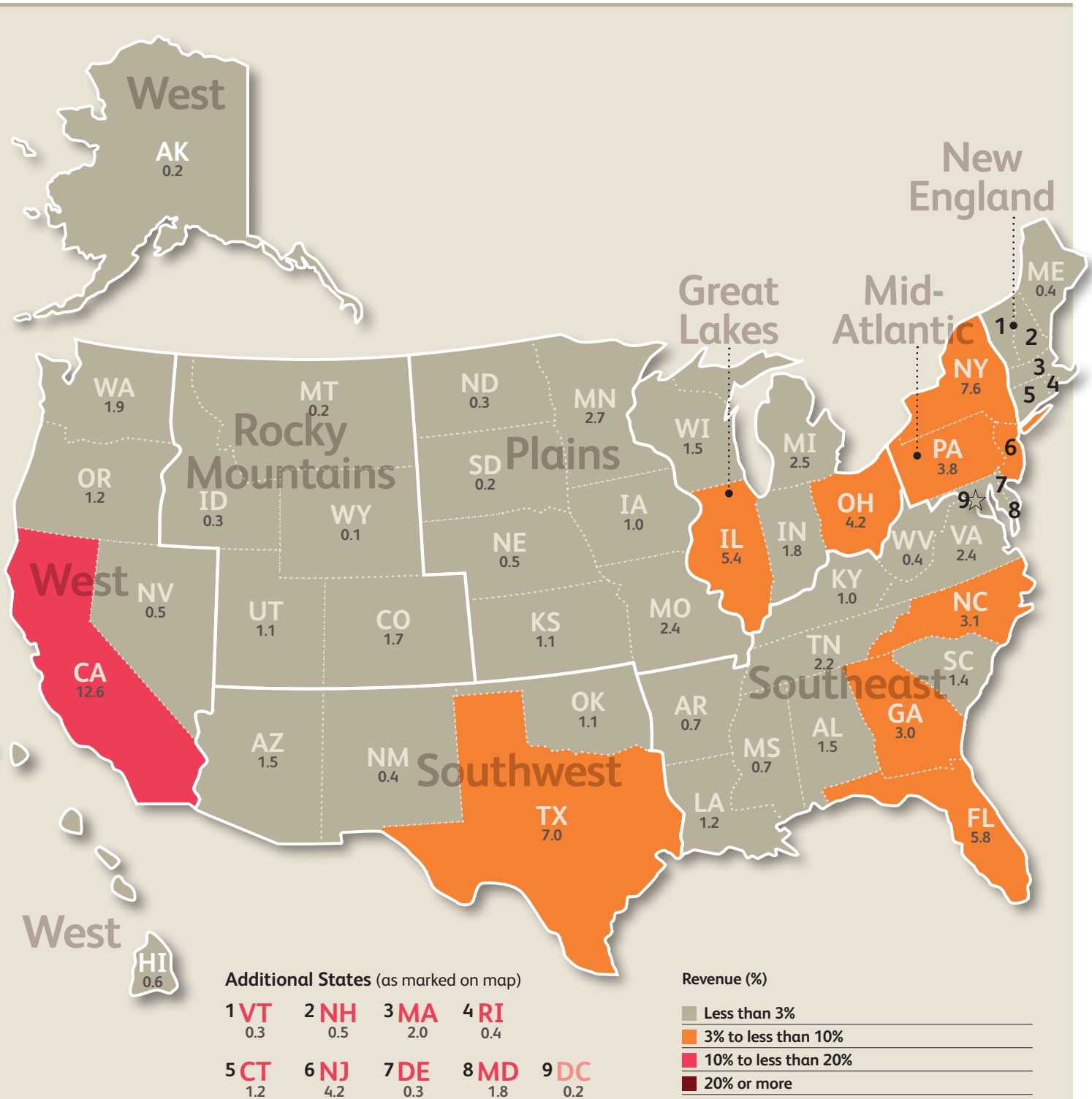
Foreign trade of office stationery and supplies is by convention recorded at the manufacturing level. The Office Stationery Manufacturing industry has an estimated import penetration of 8.6%, while the Paper Product Manufacturing industry has a much higher level of import penetration, at 18.8% in 2012. Combined, there is a medium level of imports that are purchased by office stationery wholesalers.

Exports account for 15.2% and 13.8% of industry sales in the Office Stationery Manufacturing and the

Paper Product Manufacturing industry, respectively. This is also medium level of exports for wholesalers, who once again distribute the majority of the products that leave US shores. Wholesalers are the main link between domestic manufacturers and foreign buyers, however, the practice of wholesaler bypass is continuously limiting sales within the sector. Large companies may own operations offshore which means they can trade between domestic and foreign facilities without the use of distributors.

Products & Markets

Business Locations 2012



Products & Markets

Business Locations

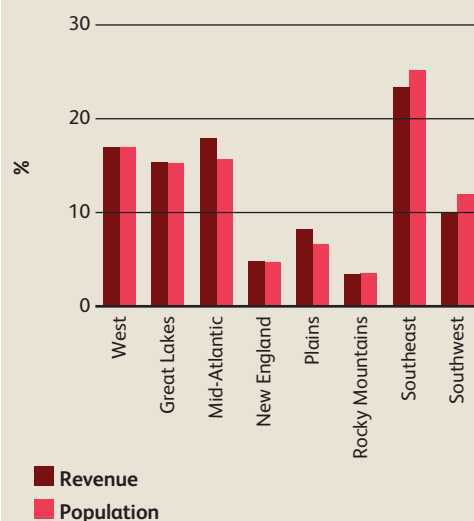
Wholesalers of stationery and office supply products are widespread throughout the heavily populated areas of the country. Their geographic spread closely resembles that of the stationery manufacturers, whose establishments are situated in locations that offer access to woodchips and bulk paper. Wholesalers place themselves close to manufacturers so that they can minimize shipping costs. They also seek to be close to major markets such as retailer shops and office supply shops, which are usually centered in large population areas such as the East Coast and California.

The Southeast has more establishments than any other region since it also has the largest share of wood and paper product manufacturers. Therefore, while some large markets are available here (such as Atlanta and Miami), wholesalers also benefit from being close to manufacturers of these paper products. This is especially the case in Florida, Georgia and North Carolina. The region is estimated to be home to 23.4% of industry establishments in 2012.

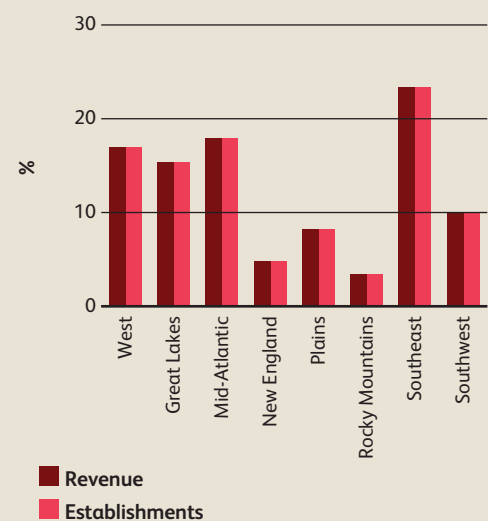
The Mid-Atlantic and Great Lakes regions are estimated to together hold 33.3% of office stationery wholesaling establishments in 2012. The Mid-Atlantic (most notably New York, Pennsylvania, New Jersey and Maryland) has a heavy concentration of industry operators where both manufacturers and customers are most numerous. The Great Lakes is estimated to hold the same proportion of facilities during the years at an estimated 15.4%. In the Great Lakes region, all states but one have 100 or more stationery and office supplies wholesaling warehouses. Like the other major regions, wholesalers have access to a number of stationery and office supplies manufacturing plants, which reduces transportation costs, and access to a large consumer population.

The West is a major trader of stationery products as it is also a major producer and consumer of such goods. Like office stationery manufacturers, most wholesale establishments are located in California, which itself accounts for 12.6% of the nation's

Revenue vs. population



Revenue vs. establishments



SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations continued

industry revenue. The region as a whole is estimated to hold 17.0% of all establishments in this sector. While there have been closures of facilities in the region, this is still a favorable area for business, due to large population centers and access to western ports.

Other less significant regions for this industry include the Southwest (which is dominated by Texas, and, to a lesser extent, Arizona), the Plains (mostly in Missouri and Minnesota), New England (where most establishments are located in Massachusetts and

Connecticut), while the Rockies have relatively few wholesaling establishments since there are smaller consumer markets and wholesalers in neighboring regions are able to service some of the demand in such areas. The Southwest region has experienced the largest increase in the proportion of establishments and currently has 10.0% of the total. There have been population shifts to this region, which has prompted more developments of supporting manufacturing, wholesaling and retail industries.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in
this industry is **Low**

The Office Stationery Wholesaling industry has a low level of market share concentration. In 2012, the top three companies in the industry accounted for just 10.0% of the industry's revenue. There are 4,056 companies operating in the industry. The majority has fewer than 20 employees and operates within a single state. Wholesalers are generally spread across many locations but close to their key markets to minimize transportation costs. This makes it harder for any one company to service a large portion of the whole market.

However, market share concentration among the top three players has risen slightly over the past five years. Competition in the industry has intensified over the period, forcing companies to sell assets, consolidate or leave the industry. For example, in 2008, Genuine Parts Company, the largest company in the industry, acquired three regional office stationery distributors: O'Henry Inc., PPI Wholesale Office Supplies and the Midwest division of ActionEmco. These acquisitions added another \$90.0 million to the company's revenue base.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to pass on cost increases

A wholesaler seldom bears the cost of price increases from manufacturers, so they must be able to pass them on to customers.

Proximity to key suppliers

Being located close to manufacturers of office stationery products will cut transportation costs, and improve profit margins.

Economies of scale

Larger-scale warehouse operations will be able to achieve cost competitiveness and greater profitability since higher volumes can be sold.

Provision of superior after sales service

Good response times to clients' needs will ensure the ability to out-compete other wholesalers.

Automation – reduces costs, particularly those associated with labor

Installation of state-of-the-art computerized technology to improve warehouse efficiency and reduce costs will give a wholesaler a financial and service advantage over competitors.

Having contacts within key markets

Links with downstream user industries are paramount to ensuring a continuous demand for stationery and office supplies.

Cost Structure Benchmarks

Profit

Industry profitability is expected to remain low during the five years to 2012, with earnings before interest and taxes representing 1.5% of revenue in 2012. Profit margins declined during 2008 and 2009 due to very poor demand conditions, higher input prices and operators' inability to pass on the full cost increase to customers. Commodity

prices and the average price of stationery have eased since; however, earnings have remained low. As a response, companies have restructured, cutting labor costs and closing down facilities. Consolidation has also occurred, with some smaller firms merging with more profitable competitors. In 2007, profit margins were 2.6% for the average company in the industry.

Competitive Landscape

Cost Structure Benchmarks continued

Purchases

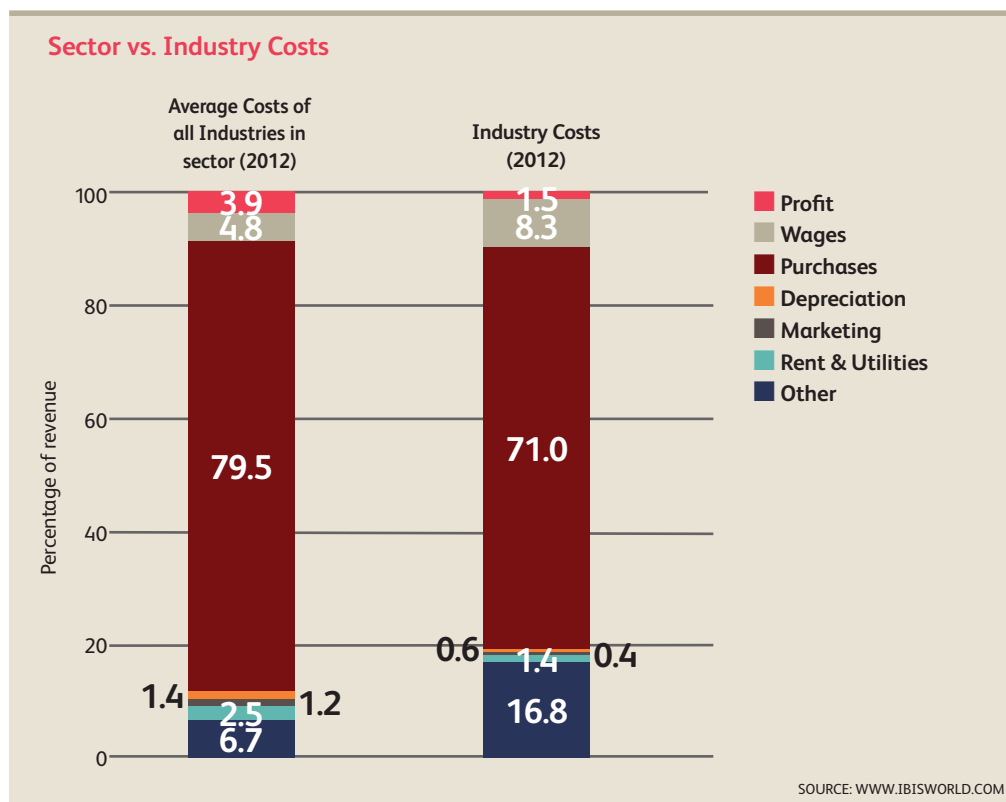
The major cost to this industry is office stationery and supply purchases. The cost of such inputs fluctuates with volumes purchased each year, which depend on demand conditions and the level of competition among manufacturers. Over the five years to 2012, the average price of office supplies is estimated to grow at an annualized rate of 2.3%. Other purchases include packaging, gasoline and similar materials used in everyday business operations. Purchases are estimated to increase as a share of industry revenue, from 70.2% in 2007 to 71.0% in 2012. The main reason for this increase is the rising cost of commodities, which has increased the average cost of materials.

Labor and capital

IBISWorld estimates that wages and salaries will account for 8.3% of

revenue for the average industry company. Labor represents a much larger cost to the industry than other similar industries, such as the Paper Wholesaling industry (IBISWorld report 42411), where wages represent less than 5.0% of industry revenue. Wages are higher for stationery wholesalers because the industry's products and markets are more numerous than for other similar wholesaling industries, which results in lower volumes being purchased by each customer. This increases administrative costs to the wholesaler. It also increases the need for sales staff and delivery personnel, increasing labor requirements for the industry.

Wages are expected to decline as a percentage of revenue, from 8.6% in 2007. This comes in line with productivity improvements for each worker, brought on by computerization



Competitive Landscape

Cost Structure Benchmarks continued

of processes, smart computer software and other technological advancements that have replaced whole positions in company structures. Each establishment is expected to hold 15 employees on average.

Depreciation expense is forecast to account for 0.6% of industry revenue in 2012, decreasing slightly from 0.7% in 2007. Since 2007, companies have been downsizing and reducing capital expenditure due to tight credit conditions and falling demand. Wholesalers are expected to close about 469 facilities over the five years to 2012.

Other expenses

Wholesalers spend a considerable amount on leasing warehouses, equipment, vehicles and other supporting facilities. Rental expenses are estimated to account for 1.2% of revenue in 2012, remaining relatively constant over the five-year period. There

has been an increase in consolidation of operations, leading to a growing number of establishments per enterprise. As such, each firm has a higher percentage of revenue going to lease payments. Also, economic woes have led to companies selling assets and instead taking out lease arrangements to improve cash flow. This has also led to an increase in rental payments.

The cost of utilities is expected to increase slightly to 0.2% of revenue in 2012 due to growing commodity prices, and higher energy and gas bills. The cost of fuel has also been increasing strongly over the five-year period, increasing the overall cost of utilities.

Other miscellaneous expenses include selling and administrative, marketing, advertising, restructuring, interest and others. Advertising expenses typically average 0.4% of revenue for office stationery wholesalers, according to data from the US Census Bureau.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

The Office Stationery Wholesaling industry is highly competitive, indicative by the fact that there are over 4,000 participants and no one company holds more than 5.0% market share. This is also true considering that per capita consumption of office stationery is declining, and companies have an even harder job to secure sales when demand is weak. Competition emerges from different sources, including other wholesalers within the same industry as well as retailers who distribution products directly purchased from manufacturers.

Internal competition

Office stationery wholesalers compete predominantly on price and the quality of products offered. Retailers want to pay the lowest possible price for a given product or brand in order to maximize

their profit. Distributors that can negotiate exclusive contracts can reduce prices based on more contracted quantity, and preserve margins that way. These are usually large-scale distributors, which can offer sales to various geographic locations and can afford to sign contracts at lower prices. Quality considerations may include writing or printing quality and innovations that make paper-use cheaper for customers, such as using recycled materials. The quality of materials used to make the product must meet exact specifications or it will be returned to the wholesaler for replacement. Therefore, provision of continuous quality standards is paramount.

Since retailers demand accurate and timely orders, it is necessary for a wholesaler to meet strict delivery dates and times to avoid keeping a customer

Competitive Landscape

Basis of Competition continued

waiting. Furthermore, large wholesalers who have the distribution power to supply multiple locations nationwide will be favored over businesses that cannot. The level of after sales service provided by a wholesaler is also important for engendering repeat sales, especially from major customers, and for maintaining the customer base. This can range from extended hours of operation and delivery to adding value to product packaging. Providing superior service requires employing experienced store managers and skilled sales staff.

Selling the output of well-known manufacturers will also give industry wholesalers a competitive advantage. Since retailers and consumers alike develop brand loyalties, wholesalers who distribute a wide range of well-known office stationery products will enjoy a foot up in the industry. Having an extensive product range is an advantage for any wholesaler because it gives the customer a one-stop place for supply. These wholesalers use direct selling techniques to compete for sales and also have to compete with each other to win exclusive distributorships for the popular brands.

Large retailers will tend to favor large wholesalers because they can provide the logistics support for multiple locations. If a wholesaler is lacking in that

capacity, the retailer or manufacturer may vertically integrate that function into their operations.

External competition

Besides competing among themselves, office stationery wholesalers also compete with large manufacturers and large retailers who deal directly among themselves, bypassing the wholesaler. These include office superstores that purchase directly from manufacturers and then sell products to consumers and businesses, with only a retail mark-up price attached. Wholesalers need to show their ability to provide a faster and better service in order to gain a competitive advantage, otherwise the cost of paying for wholesale services may not be justified.

Considering the nature of the industry products, office stationery wholesalers are in strong competition with electronic substitutes. Nearly all the office supplies can be replaced by an electronic alternative, which poses a real threat for sellers of those items. Considering that electronics are fast becoming the preferred form of communication, particularly with the Generation Y and Generation Z, wholesalers will need to redirect sales to more technology-supporting stationery, in order to remain competitive.

Barriers to Entry

Level & Trend
Barriers to Entry
in this industry are
Low and Steady

The Office Stationery Wholesaling industry has low barriers to entry. There is a low level of market share concentration, there is no one company that has significant market power. Furthermore, new businesses have relatively low capital requirements, as opposed to paper manufacturing companies which have much higher fixed costs required for beginning operations. Office stationery wholesalers will need to

secure a warehouse, computer equipment, vehicles and similar items.

Typical employees required for beginning an office stationery wholesaling operation include: floor staff, sales staff, marketing employees, delivery operators, administrative employees and similar duties. Staff of these skill ranges are usually easier to find compared to highly skilled professionals, including engineers and

Competitive Landscape

Barriers to Entry continued

designers required for paper manufacturing operations. Unless there is a skills shortage and the labor market is very tight, there is little difficulty expected in securing staff for operations. Products offered by these wholesalers are finished consumer products and will require a high level of investment in a sales and marketing force in order to generate initial customers.

Once the new business enters the industry, barriers to success are much higher. New entrants that are likely to be successful if they can take advantage of location benefits by finding a geographic region with few competitors. Furthermore, large operators which can vertically integrate manufacturing and

Barriers to Entry checklist	Level
Competition	High
Concentration	Low
Life Cycle Stage	Decline
Capital Intensity	Low
Technology Change	Medium
Regulation & Policy	Light
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

distribution, or retail and distribution, will benefit from an established client base. Manufacturing companies such as MeadWestvaco own their own distribution business which ensures lower transaction costs.

Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Increasing**

The Office Stationery Wholesaling industry is mostly focused on the domestic economy since the majority of industry players operate small businesses in clearly defined geographic areas. However, the industry is no stranger to trade, with a medium level of imports and exports. Wholesalers play an important role in

the trade of office stationery, as they are commonly the first point of contact for imports and the last point of contact for exports. Globalization is also expected to increase in the future, as companies continue to explore foreign markets due to declining domestic demand, either through offshoring or through exports.

Major Companies

There are no Major Players in this industry | Other Companies

Other Companies

Genuine Parts Company

Estimated market share: 4.1 %

The Genuine Parts Company is the parent of S.P. Richards Company, and is one of the largest business product wholesalers. The company distributes more than 50,000 items to 4,000 resellers of office products across the United States and Canada from a network of 42 distribution centers. The company's vast assortment of products includes general office supplies, office furniture, cleaning, janitorial and break room supplies, technology supplies and accessories, consumer electronics, school supplies, business machines, writing instruments, desk accessories, paper products, healthcare supplies, and safety and industrial products. The company is headquartered in Atlanta.

The office products group sells strictly to resellers of office products. These include independently owned office product dealers, national office product superstores and mass merchants, mail-order companies, internet resellers and college book stores. In 2008, S.P. Richards expanded its office product segment via acquiring three regional US distributors: O'Henry Inc., PPI Wholesale Office Supplies and the Midwest division of ActionEmco. Combined, these companies add about \$90.0 million to the company's annual revenue base.

Over the five years to 2012, revenue from the company's office products segment is expected to fall at an average annual rate of 0.5% to an estimated \$1.7 billion. Although revenue growth has stabilized over the last three years, during the recession, the company experienced declining demand because of reduced business spending and the ongoing impact of elevated unemployment. Office products are making up a smaller share of the company's revenue. Currently office products account for an estimated 14.0% of the company's revenue, compared to 16.0% in 2007. Although the company acquired three regional US stationery distributors in 2008, acquisition activity has been more prominent in other product segments.

United Stationers Inc.

Estimated market share: 3.4 %

United Stationers is a leading wholesale distributor of business products in North America. United Stationers was formed in 1922 under the name Utility Supply Company. The company began by publishing office product catalogs and later expanded into the retail market. In 1970, the company opened its first distribution center; eight years later, the company sold its retail division and began to operate exclusively as an office product wholesaler. United Stationers

Genuine Parts Company (office products segment) – financial performance

Year	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2007	1,765.1	-0.8	156.8	-5.9
2008	1,732.5	-1.8	144.1	-8.1
2009	1,639.0	-5.4	126.1	-12.5
2010	1,642.0	0.2	131.7	4.4
2011	1,689.4	2.9	134.1	1.8
2012*	1,722.8	2.0	135.2	0.8

*Estimate

SOURCE: ANNUAL REPORT

Major Companies

Other Companies continued

currently has 5,950 employees and is headquartered in Deerfield, IL.

United Stationers primarily distributes to resellers, such as office product dealers, contract stationers, office product superstores, office furniture dealers and mass merchandisers. The company uses its network of 64 distribution centers to provide over 100,000 items, which include technology products, traditional office products, janitorial and break room supplies, office furniture and industrial supplies. Within the Office Stationery Wholesaling industry, the company sells a range of products, from binders and files to desk and presentation supplies. It carries about 20,000 brand-name and private-label products, such as filing and record-keeping products, business machines, presentation products, writing instruments, paper products, organizers, calendars and general office accessories.

United Stationers has undergone significant restructuring over the five years to 2012. To diversify and expand its product and customer base, United Stationers acquired ORS Nasco, a \$285.0-million wholesale distributor of industrial supplies, on December 21, 2007. Furthermore, in March 2010, United Stationers acquired its first

technology company, MBS Dev, a \$10.0-million leading software solutions provider to business products resellers. This acquisition allows the company to accelerate e-business development.

Revenue from the company's traditional office products segment is expected to increase at an annualized rate of 0.4% over the five years to 2012 to an estimated \$1.4 billion. This represents faster growth than the industry as a whole. Despite solid growth, sales of traditional office supplies are estimated to have been slower in comparison to other products, with traditional office products representing 27.0% of company revenue in 2011, down from 30.0% in 2007. This was partly due to the acquisition of ORS Nasco. As a result, sales of industrial supplies increased at a faster rate than office supplies and other products. Even with a slowdown in sales of office supplies, as a large company, sales growth was still more favorable compared to smaller firms in the industry, contributing to a growing market share. Furthermore, during 2010, the company expanded its client base to include more government and public-sector clients, which allowed the company to generate strong growth during the year.

United Stationers Inc. (traditional office products segment) – financial performance

Year	Revenue (\$ million)	(% change)	Net Income (\$ million)	(% change)
2007	1,374.0	4.5	31.7	-17.0
2008	1,346.5	-2.0	26.6	-16.1
2009	1,283.4	-4.7	27.5	3.4
2010	1,332.1	3.8	31.1	13.1
2011	1,357.7	1.9	33.2	6.8
2012*	1,402.5	3.3	34.3	3.3

*Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Other Companies continued

Unisource Worldwide

Estimated market share: 2.5 %

Unisource Worldwide is a leading distributor of paper products, packaging and cleaning supplies. The company was founded in 1968 and is headquartered in Norcross, GA. Unisource operates about 85 distribution centers in the United States, Canada and Asia with about 4,500 employees; the company is 60.0% owned by Bain Capital and 40.0% owned by Georgia-Pacific. Unisource Worldwide's primary products include ink-jet and laser paper, Xerox paper, toner cartridges, and coated and uncoated commercial printing paper. The company also offers corrugated papers, foam and bubble sheeting, packaging pallet systems, shrink packaging systems, and cleaning supplies and equipment.

Unisource distributes its products through five primary distribution channels. Websource is a paper broker that supplies publishers and other commercial operators. Its Rollsource unit specializes in business forms and products for customers in the direct mail industry. The company also sells paper products online and operates about 40 retail stores under the Paper Plus banner. PaperSolution offers a selection of high-volume paper products for Unisource's customers. Graphic Communications operates a full-service paper and print brokerage, servicing clients on an international level.

Over the past five years, the company relied on product expansions and partnerships to increase revenue amid the challenging economic climate. Unisource launched a new line of lightweight protective packaging, with several products made from recycled content to appeal to increased environmental awareness among businesses. The company also

announced a partnership with Heidelberg USA Inc., which produces printer products. The partnership will allow consumers to purchase paper and printer products together through Unisource's distribution centers. In 2009, Unisource also announced a multiyear agreement with NewPage Corporation, a prominent North American coated paper producer. The agreement expands trading areas for Unisource and allows NewPage to supply several of Unisource's brands. Furthermore, in December 2010 the company signed a licensing agreement with Smart Planet Technologies to distribute the EarthBoard and EarthCoating lines of environmentally driven packaging throughout North America. This agreement substantially expands the company's offerings of sustainable products.

Despite challenging economic conditions, Unisource expanded its operations in 2009 and 2010. In 2010, Unisource opened a new sales store in Bloomington, MN. In 2009, PaperSolutions expanded its operations into the New York Metropolitan area. In 2009, the company also launched its UnisourceDirect website, allowing customers to directly purchase Unisource's products through the web. Given declining demand for office paper products, the website allows customers to purchase products with no minimum quantities or an established contract.

Unisource is private company and no official financial statistics are available. Forbes estimates that Unisource generated \$4.2 billion in overall revenue in 2011. IBISWorld estimates that Unisource will hold a 2.5% market share, with \$1.1 billion in revenue from its operations within the Office Stationery Wholesaling industry.

Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

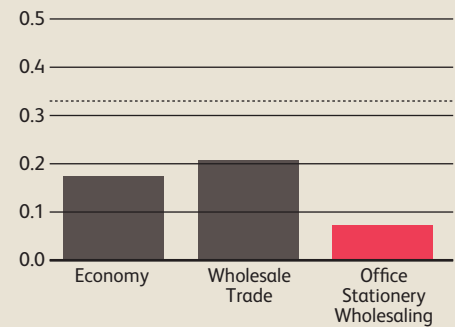
Level

The level of capital intensity is **Low**

The Office Stationery Wholesaling industry has a low level of capital intensity, meaning that for every \$1.00 spent on wages, operators typically spent \$0.07 in capital investment. Capital intensity declined over the past five years, when \$.08 of capital investment was required for every \$1.00 spent on labor. The industry has experienced a faster decline in capital expenditures relative to staff cutbacks over the same period. This is mainly due to the recession and the inability to cut labor costs at a fast enough rate.

Labor costs are estimated to account for 8.3% of industry revenue during 2012. This is a decline from 8.6% in 2007, due to fewer staff requirements in the wholesaling business. While

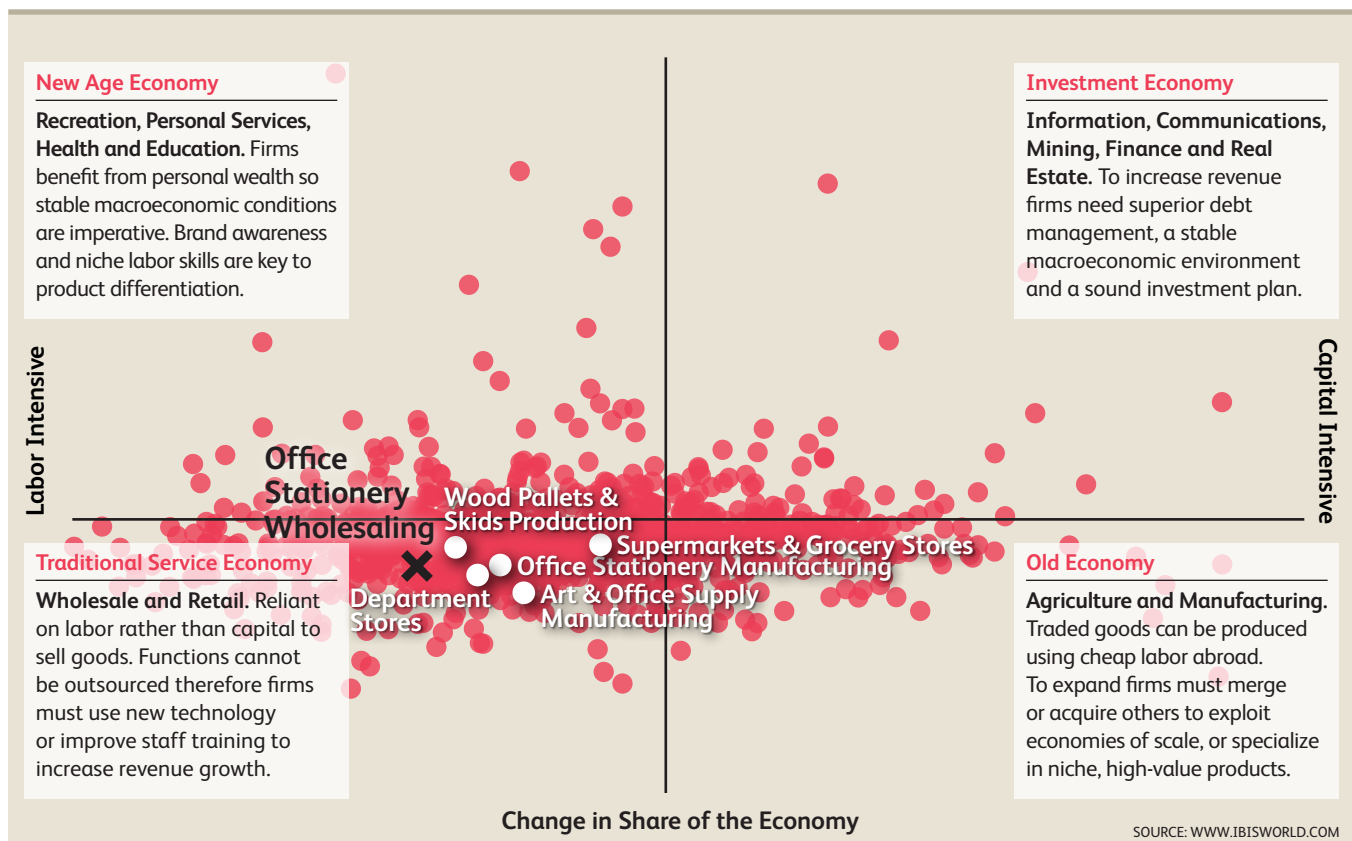
Capital intensity
Capital units per labor unit



SOURCE: WWW.IBISWORLD.COM

labor is required for duties such as sales, marketing, management, deliveries and administrative duties,

Tools of the Trade: Growth Strategies for Success



SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Capital Intensity continued

technological advancements in the field of computerization have improved productivity of each worker. As such, the industry does not require as employees per establishment to sell large volumes of office stationery and supplies, since the ordering, dispatch and associated documentation is done instantly by either off-the-shelf or custom-designed computer software. This can also be done by customers directly through websites. The average number of employees per establishment is estimated to have fallen slightly over the five-year period to an average of 15 employees per establishment. Productivity of workers is evident in the increased revenue

generated per employee over the five-year period.

Capital investment is mostly in computer systems, warehouse space, shelving, forklift trucks and distribution trucks. Industry capital expenditures are estimated to have declined during the past five years due to a reduction in the size of the industry. Declining growth opportunities have also created diminishing returns on capital investment, deterring companies from substantial investment. Investment particularly suffered during the recession, with most wholesalers expected to put off any equipment and vehicle upgrades, purchasing new warehouse spaces, or computer software upgrades.

Technology & Systems

Level

The level of
Technology Change
is **Medium**

There have been some technological advances in the wholesaling of stationery and office supplies in the past 10-15 years, mainly relating to the computerization of inventory control and ordering by customers. A fully automated inventory control system records inventories, selects products, determines minimum order quantities and prepares the products for dispatch. The receiving of goods into a warehouse is electronically scheduled to occur before stocks reach a critical level. This process is computerized with time slots allocated to suppliers and labels issued to indicate where to place the delivery in the warehouse and to take account of necessary stock rotations. Customers are now using continuous replenishment practices, linking their computer systems to the wholesaler to monitor stocks and re-order products, which can be

programmed to be done automatically once stocks fall below a specified level.

Other technological developments, such as electronic data interchange (EDI) and barcodes on product packages, have assisted in product management, pricing, sale and delivery. EDI allows for instant electronic transfer of data between customers and wholesalers.

The benefits of such technological advances include an increase in employee productivity, time efficiency, sales volumes, customer service and a reduction in human error. Although this has been a small increase, technology has limited the decline of this industry. The internet and online ordering have allowed for a market expansion into mail-order and electronic shopping, increasing the customer base for wholesalers and providing growth opportunities.

Operating Conditions

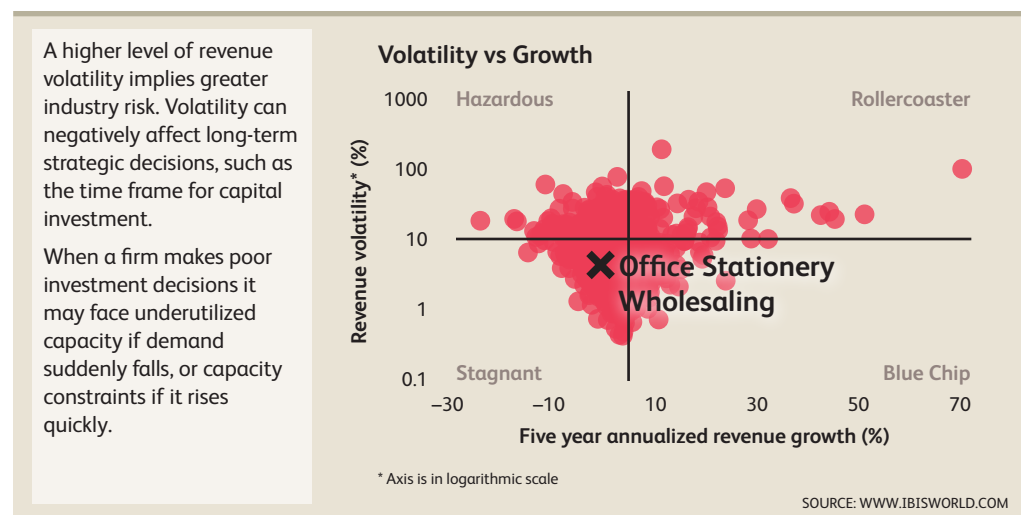
Revenue Volatility

Level

The level of Volatility is **Medium**

IBISWorld estimates that industry revenue will exhibit medium levels of volatility over the five years to 2012. Year-on-year revenue fluctuations averaged 4.8% during the five-year period. The largest fluctuation occurred in 2009, when industry revenue fell by 10.8%. This was the most significant decline in over 10 years and primarily

the result of depressed business activity which lowered the demand for office stationery products. Prior to the current recession, industry revenue volatility was low. The price of the average industry product rose at an average annual rate of 2.3% over the five years to 2012, growing steadily each year.



Regulation & Policy

Level & Trend

The level of Regulation is **Light** and the trend is **Steady**

The regulations that affect this industry are mainly in the areas of intellectual property and anti-trust laws. Wholesaler trademark holders must comply with US Patent and Trademark laws that relate to the protection of intellectual property rights, with penalties imposed on the infringement of these patents. Wholesalers of stationery and office supplies will often market particular brand names, which may have registered trademarks. It is essential that these wholesalers do not engage in the sale of other products that attempt to use the

same trademark. Furthermore, to avoid product recalls and anti-competitive trading, it is necessary for industry wholesalers to ensure that they do not sell any paper designs that infringe upon the patent of a manufacturer. These requirements must be followed by traders of all products and services, and they are not aimed specifically at the Office Stationery Wholesaling industry. As such, the industry is not comparatively restricted by the regulation, considering that all other businesses in all selling industries must comply.

Operating Conditions

Industry Assistance

Level & Trend

The level of Industry Assistance is **None** and the trend is **Steady**

The Office Stationery Wholesaling industry does not receive any industry-specific government assistance in the form of tariff protection, subsidies or otherwise.

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Production of Printing and Writing Paper (Million short tons)
2003	43,095.5	5,586.1	6,665	5,550	115,963	--	--	4,551.8	N/A	22,357.9
2004	42,605.6	5,043.5	6,356	5,262	95,651	--	--	4,148.8	N/A	23,600.9
2005	44,844.1	5,345.1	6,191	5,074	95,189	--	--	4,313.7	N/A	23,204.9
2006	45,206.1	4,985.2	5,912	4,857	88,479	--	--	4,126.3	N/A	23,246.9
2007	45,381.5	5,348.4	5,800	4,791	83,996	--	--	3,896.2	N/A	23,686.9
2008	44,882.3	4,884.5	5,673	4,431	85,505	--	--	3,807.3	N/A	21,865.9
2009	40,035.0	4,290.6	5,445	4,206	76,583	--	--	3,329.8	N/A	18,533.9
2010	40,435.3	4,253.8	5,358	4,122	77,394	--	--	3,364.2	N/A	18,774.8
2011	40,961.0	4,070.9	5,304	4,077	78,690	--	--	3,415.5	N/A	19,413.2
2012	41,780.2	4,353.2	5,331	4,056	79,956	--	--	3,475.8	N/A	20,092.7
2013	42,950.1	4,430.2	5,400	4,007	78,826	--	--	3,485.3	N/A	20,554.8
2014	43,379.6	4,423.7	5,379	3,971	76,065	--	--	3,426.0	N/A	21,007.0
2015	41,904.7	4,242.8	5,298	3,868	72,350	--	--	3,279.0	N/A	20,733.9
2016	40,228.5	4,131.7	5,192	3,829	71,612	--	--	3,206.5	N/A	20,319.2
2017	39,021.6	4,028.9	5,093	3,749	70,251	--	--	3,131.4	N/A	20,014.4
Sector Rank	37/67	43/67	29/67	27/67	25/67	N/A	N/A	31/67	N/A	N/A
Economy Rank	192/706	416/706	355/705	337/705	329/706	N/A	N/A	330/706	N/A	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Production of Printing and Writing Paper (%)
2004	-1.1	-9.7	-4.6	-5.2	-17.5	N/A	N/A	-8.9	N/A	5.6
2005	5.3	6.0	-2.6	-3.6	-0.5	N/A	N/A	4.0	N/A	-1.7
2006	0.8	-6.7	-4.5	-4.3	-7.0	N/A	N/A	-4.3	N/A	0.2
2007	0.4	7.3	-1.9	-1.4	-5.1	N/A	N/A	-5.6	N/A	1.9
2008	-1.1	-8.7	-2.2	-7.5	1.8	N/A	N/A	-2.3	N/A	-7.7
2009	-10.8	-12.2	-4.0	-5.1	-10.4	N/A	N/A	-12.5	N/A	-15.2
2010	1.0	-0.9	-1.6	-2.0	1.1	N/A	N/A	1.0	N/A	1.3
2011	1.3	-4.3	-1.0	-1.1	1.7	N/A	N/A	1.5	N/A	3.4
2012	2.0	6.9	0.5	-0.5	1.6	N/A	N/A	1.8	N/A	3.5
2013	2.8	1.8	1.3	-1.2	-1.4	N/A	N/A	0.3	N/A	2.3
2014	1.0	-0.1	-0.4	-0.9	-3.5	N/A	N/A	-1.7	N/A	2.2
2015	-3.4	-4.1	-1.5	-2.6	-4.9	N/A	N/A	-4.3	N/A	-1.3
2016	-4.0	-2.6	-2.0	-1.0	-1.0	N/A	N/A	-2.2	N/A	-2.0
2017	-3.0	-2.5	-1.9	-2.1	-1.9	N/A	N/A	-2.3	N/A	-1.5
Sector Rank	40/67	9/67	25/67	30/67	18/67	N/A	N/A	23/67	N/A	N/A
Economy Rank	411/706	105/706	405/705	484/705	273/706	N/A	N/A	341/706	N/A	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2003	12.96	N/A	N/A	371.63	10.56	17.40	39,252.18	0.05
2004	11.84	N/A	N/A	445.43	9.74	15.05	43,374.35	0.04
2005	11.92	N/A	N/A	471.11	9.62	15.38	45,317.21	0.04
2006	11.03	N/A	N/A	510.92	9.13	14.97	46,635.92	0.04
2007	11.79	N/A	N/A	540.28	8.59	14.48	46,385.54	0.04
2008	10.88	N/A	N/A	524.91	8.48	15.07	44,527.22	0.04
2009	10.72	N/A	N/A	522.77	8.32	14.06	43,479.62	0.03
2010	10.52	N/A	N/A	522.46	8.32	14.44	43,468.49	0.03
2011	9.94	N/A	N/A	520.54	8.34	14.84	43,404.50	0.03
2012	10.42	N/A	N/A	522.54	8.32	15.00	43,471.41	0.03
2013	10.31	N/A	N/A	544.87	8.11	14.60	44,215.11	0.03
2014	10.20	N/A	N/A	570.30	7.90	14.14	45,040.43	0.03
2015	10.12	N/A	N/A	579.19	7.82	13.66	45,321.35	0.03
2016	10.27	N/A	N/A	561.76	7.97	13.79	44,776.02	0.03
2017	10.32	N/A	N/A	555.46	8.02	13.79	44,574.45	N/A
Sector Rank	46/67	N/A	N/A	56/67	23/67	29/67	53/67	43/67
Economy Rank	678/706	N/A	N/A	173/706	584/706	338/705	374/706	416/706

Figures are inflation-adjusted 2012 dollars. Rank refers to 2012 data.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

CARBON PAPER Paper coated on one side with a layer of a loosely bound dry ink or pigmented coating, usually bound with wax.

DIE-CUT PAPER Paper that has been cut to size, including a range of sizes and shapes. The usual size is the A4 sheet of paper.

WHOLESALE BYPASS A popular trend within retail and manufacturing industries, where producers supply goods directly to stores.

IBISWorld Glossary

BARRIERS TO ENTRY Barriers to entry can be High, Medium or Low. High means new companies struggle to enter an industry, while Low means it is easy for a firm to enter an industry.

CAPITAL/LABOR INTENSITY An indicator of how much capital is used in production as opposed to labor. Level is stated as High, Medium or Low. High is a ratio of less than \$3 of wage costs for every \$1 of depreciation; Medium is \$3 – \$8 of wage costs to \$1 of depreciation; Low is greater than \$8 of wage costs for every \$1 of depreciation.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using 2012 as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND The use of goods and services within the US; the sum of imports and domestic production minus exports.

EARNINGS BEFORE INTEREST AND TAX (EBIT) IBISWorld uses EBIT as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding tax and interest.

EMPLOYMENT The number of working proprietors, partners, permanent, part-time, temporary and casual employees, and managerial and executive employees.

ENTERPRISE A division that is separately managed and keeps management accounts. The most relevant measure of the number of firms in an industry.

ESTABLISHMENT The smallest type of accounting unit within an Enterprise; usually consists of one or more locations in a state or territory of the country in which it operates.

EXPORTS The total sales and transfers of goods produced by an industry that are exported.

IMPORTS The value of goods and services imported with the amount payable to non-residents.

INDUSTRY CONCENTRATION IBISWorld bases concentration on the top four firms. Concentration is identified as High, Medium or Low. High means the top four players account for over 70 % of revenue; Medium is 40–70 % of revenue; Low is less than 40 %.

INDUSTRY REVENUE The total sales revenue of the industry, including sales (exclusive of excise and sales tax) of goods and services; plus transfers to other firms of the same business; plus subsidies on production; plus all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); plus capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED The market value of goods and services produced by an industry minus the cost of goods and services used in the production process, which leaves the gross product of the industry (also called its Value Added).

INTERNATIONAL TRADE The level is determined by: Exports/Revenue: Low is 0–5 %; Medium is 5–20 %; High is over 20 %. Imports/Domestic Demand: Low is 0–5 %; Medium is 5–35 %; and High is over 35 %.

LIFE CYCLE All industries go through periods of Growth, Maturity and Decline. An average life cycle lasts 70 years. Maturity is the longest stage at 40 years with Growth and Decline at 15 years each.

NON-EMPLOYING ESTABLISHMENT Businesses with no paid employment and payroll are known as non-employing establishments. These are mostly set-up by self employed individuals.

VOLATILITY The level of volatility is determined by the percentage change in revenue over the past five years. Volatility levels: Very High is greater than $\pm 20\%$; High Volatility is between $\pm 10\%$ and $\pm 20\%$; Moderate Volatility is between $\pm 3\%$ and $\pm 10\%$; and Low Volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees of the establishment.

At IBISWorld we know that industry intelligence is more than assembling facts

It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets

Arm yourself with the latest industry intelligence

Assess competitive threats from existing & new entrants

Benchmark your performance against the competition

Make speedy market-ready, profit-maximizing decisions



Who is IBISWorld?

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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