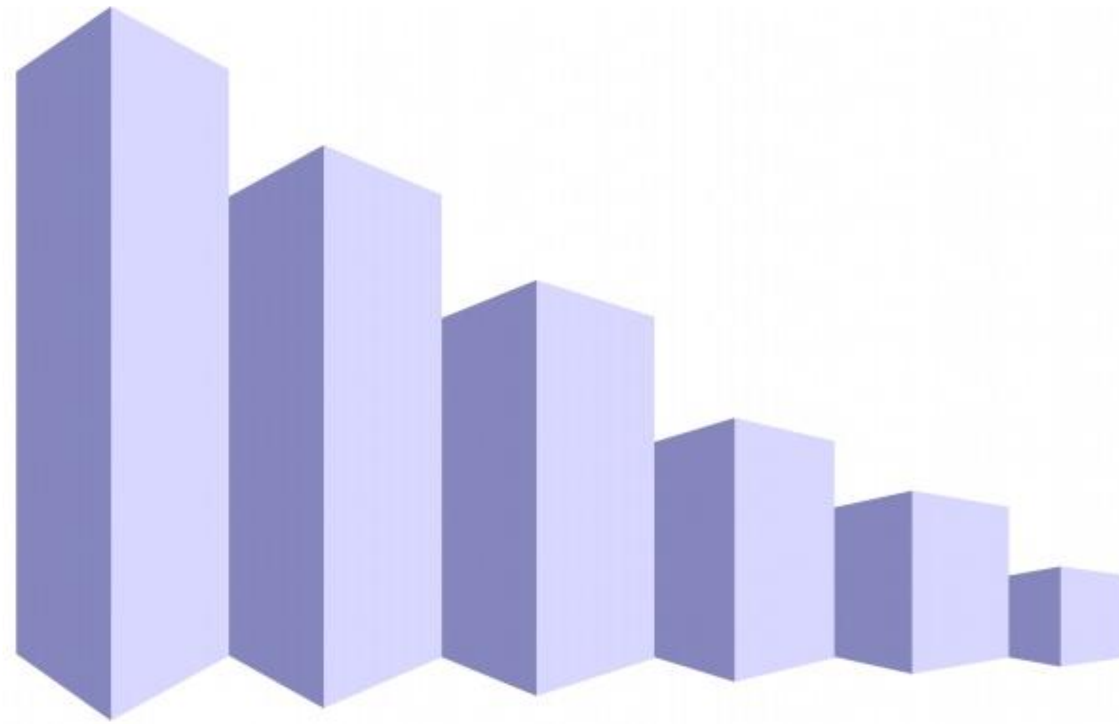
Annual Report: State Of The Industry



May 2015

COPA Business Report

COPA

Annual Report: State Of The Industry

COPA BUSINESS REPORT

THE NUMBERS ALL POINT IN ONE DIRECTION

Office product retail store sales and retail online sales were down $200 million or 8% in 2014; a decrease greater than during the 2008-2009 financial crises. (See *Appendix A - Table 1: Retail Sales* and *Appendix B - Table 2: Commercial Sales* for overview of five year trend.) The decrease was the result of years of lower sales of traditional products. With fewer feet through the front door, all product categories were affected. Retailers like Staples recognized the cumulative effect of lower sales and pulled the plug on a number of stores, while Grand & Toy completely exited the retail market.

The "Paperless Society," predicted for 30 years, has finally arrived.

Even with the increased reporting of hacking and cybercrime, most individuals recognize the benefits and have accepted the potential risk of digital-only records. More than 55% of Canadians had smartphones in 2014; up from 14% only five years ago (Catalyst). Also, 50% of computer sales were tablets in 2014 (InfoWorld).

Tablet and smartphone users are busy on social media Web sites, checking e-mails, Googling, reading\watching news, doing their banking, and snapping photos of precious moments, but how many users know how to print or are actually printing from their smartphone or tablet?

The "Paperless Society," predicted for 30 years, has finally arrived.

Even the taxman (Canadian Revenue Agency) has created a new online email service that allows individuals to receive correspondence through their "My Account" service. Will recipients be printing and filing this correspondence? I think not.

As described in the Technology Adoption Lifecycle, we are now into the late majority with only a few laggards left to convert.

Not So Paperless Office

While businesses have twisted customers' arms and threatened customers with fees for paper statements, they have not made the investments needed to make their own business paperless. Commercial sales continue to grow in-line with the national economy—2.7% in 2014. While overall Canadian cut paper sales dropped by a near record **7.8%** in 2014, cut paper for use in the office grew **7%** in 2014.

- Not printing and mailing statements is a cost savings.
- Telling the chairman he can't have a hard copy could be career ending.

RETAIL SALES 2014

Statistics Canada:

- Office supplies, stationery store sales were down 0.7% while all other store types saw at least a 1.7% increase in 2014 (Statistics Canada, Quarterly Retail Commodity Survey).
- Sales of stationery and office supplies, as a commodity, were down 3.5% at all major retailers such as Walmart *(Statistics Canada, Survey of Large Retailers)*.

COPA Market Research Data:

- Total sales at office product resellers were down 5.2%—the worst quarter in the last 15 months (COPA's Q1 2015 Legacy Report).
- Writing instruments, "The traditional office product," was down in all categories and sub-categories *(COPA's Data Factory 2014)*.

Statistics Canada's Quarterly Retail Commodity Survey clearly shows that Office Supply stores which are the major component of the miscellaneous store retailers (NAICS #453) are the only store type to show lower sales in 2014 than 2013.

RETAIL SALES (x 1,000)	2013	2014	VARIANCE	%
TOTAL COMMODITIES	**$484,009,575**	**$506,581,754**	**$22,572,179**	**4.7%**
Motor vehicle and parts dealers	$111,751,911	$120,277,340	$8,525,429	7.6%
Food and beverage stores	$107,720,750	$109,587,309	$1,866,559	1.7%
General merchandise stores	$61,059,327	$64,841,709	$3,782,382	6.2%
Gasoline stations	$61,406,674	$64,212,710	$2,806,036	4.6%
Health and personal care stores	$34,985,204	$37,260,420	$2,275,216	6.5%
Building material and garden equipment and supplies dealers	$27,458,004	$28,314,269	$856,265	3.1%
Clothing and clothing accessories stores	$27,169,419	$28,234,201	$1,064,782	3.9%
Furniture and home furnishings stores	$15,349,860	$15,964,978	$615,118	4.0%
Electronics and appliance stores	$14,656,199	$14,902,944	$246,745	1.7%
Miscellaneous store retailers*	**$11,607,761**	**$11,522,926**	**-$84,835**	**-0.7%**
Sporting goods, hobby, book and music stores	$10,844,466	$11,462,948	$618,482	5.7%

**NAICS 453: Office supplies, stationery, gift stores, and florists*

The drop in sales of stationery and office supplies as a commodity was not unique to OP retailers. **Statistics Canada's Survey of Large Retailers** was down 3.5%.

SALES BY LARGE RETAILERS*	2013	2014	VARIANCE	%
Stationery, office supplies, cards, gift wrap and party supplies	$869,781	$839,761	-$30,020	-3.5%
Computer hardware and software	$2,349,534	$2,423,376	$73,842	3.1%

**The Large Retailers program provides a commodity breakdown of national retail sales for a panel of about 80 large retail enterprises participating in the Retail Commodity Survey. Note: Includes Walmart and all major grocery and clothing stores. It does not include Staples, other OP retailers or dollar stores.*

COPA's Q1 2015 Legacy Report shows all 2014 and Q1 2015 categories down. *Appendix A provides details for all categories and sub-categories for the last 5 years.*

COPA'S Q1 2015 LEGACY REPORT	QUARTERS					VARIANCE	
Quarter	**2014-01**	2014-02	2014-03	2014-04	**2015-01**	Q1 2014	%
Grand Total	**$958,495,727**	$848,617,759	$968,750,475	$925,709,199	**$908,511,336**	-49,984,391	-5.2%

All categories of writing instrument sales were down in 2014, and the trend continues in 2015 *(COPA's Q1 2015 Data Factory Report)*.

Sales Last Five Quarters	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Variance	Variance %
Writing Instruments	**$33,241,548**	**$29,554,139**	**$50,957,862**	**$28,313,179**	**$31,459,488**	**-$1,782,060**	**-5.7%**
Pens	**$15,101,947**	$13,109,134	$17,642,440	$12,933,995	**$14,268,012**	-$833,935	-5.8%
Markers	**$11,090,717**	$10,287,714	$15,074,915	$9,701,799	**$10,810,164**	-$280,553	-2.6%
Pencils	**$2,959,242**	$2,596,298	$7,216,311	$2,176,401	**$2,734,058**	-$225,184	-8.2%
Refills	**$1,358,464**	$1,086,886	$1,701,889	$1,122,792	**$1,291,957**	-$66,507	-5.1%
Sharpeners	**$1,066,350**	$845,135	$2,897,405	$802,859	**$879,062**	-$187,288	-21.3%
Fine Writing	**$625,128**	$638,937	$529,512	$729,770	**$514,365**	-$110,763	-21.5%
Erasers	**$512,765**	$525,030	$2,338,278	$372,186	**$475,105**	-$37,660	-7.9%
Storage	**$275,312**	$249,890	$2,854,639	$234,570	**$272,979**	-$2,333	-0.9%
Novelty	**$148,350**	$122,084	$572,444	$139,280	**$118,663**	-$29,687	-25.0%
Chalks	**$89,852**	$82,212	$126,370	$95,677	**$90,149**	$297	0.3%

COMMERCIAL, CORPORATE AND GOVERNMENT SALES

Corporate office product sales saw a **3.4%** increase in 2014. But, the largest sales categories are cut paper and toner—the same top categories as 15 years ago (*Appendix B provides details of for all categories and sub-categories for the last 5 years*). Demand for office products was driven by the health of the economy, corporate profits, and commercial office construction and vacancy rates. But, although the worst effects of the recession are over, commercial resellers' will continue to battle against declining demand for core office products.

If individual retail customers have turned away from traditional office supplies, companies will not be far behind.

IT'S NOT IF…IT'S WHEN!

Do nothing and 2014 will repeat itself in retail sales. Commercial sales will follow retail sales the day after the "Print my emails!" executive retires. The market for traditional office supplies will not disappear tomorrow, but retailers and vendors need to be working on multiple strategies.

- Costs need to be managed to remain profitable.
- Contracts, such as real-estate, need to be shortened due to uncertainty and to provide flexibility.
- In the short term, new products, with volume, are needed to maintain lower delivery costs and efficiency.
- Assortment needs to be rationalized with suppliers and commercial customers to reduce inventory costs and maintain buying power.

New Web sites, retail tools or distribution centres are not the answer. Traditional products are going away. Every company will have its own, unique plan, but first they need information and options.

> *When one door closes, another opens; but we often look so long and so regretfully upon the closed door that we do not see the one which has opened for us.*
> \- Alexander Graham Bell

The Canadian Office Products Association (COPA) will be focusing on three main themes over the coming months and years, welcoming new non-traditional members and helping members with continued success.

1. **Beyond Office Supplies**
   Go deeper into organisations. Build on your contacts and distribution capabilities.

   a. Breakroom and food supplies
   b. Cleaning, washroom, and janitorial supplies
   c. Commercial-only products: Manage health and safety issues, product warnings, and MSDS.

2. **Manage the Mix**
   Companies and government departments don't need 100, or even 25, writing instrument SKUs. How many SKUs can you afford to carry as volumes of traditional products drop? Will retail clients and companies be willing to pick-up the cost?

3. **(Near) Paperless Solutions**
   The challenge is not developing solutions; good solutions already exist. The challenge is replacing paper, toner, inkjet sales and their by-products with profitable solutions.

   Many companies have tried going paperless. All have failed to some degree. What will you respond when you get the call: **"We're going paperless….can you help?"**

Working Together.

COPA IS PART OF THE ANSWER

www.copa.ca | www.copa.ca/market-data

COPA provides a host of business support resources, cost-saving programs and networking opportunities. We have been a proud membership community for the nation's resellers and manufacturers of office products for over 80 years.

The association was incorporated in the Province of Ontario and is governed by a volunteer Board of Directors. Members of COPA include businesses that sell products for the office to the end consumer (known as dealers), as well as firms that manufacture and/or distribute those products (known as suppliers and wholesalers). COPA also includes companies classed as manufacturers' sales agents.

Through our various initiatives, COPA is able to supply the type of information members require to strategically position themselves within an ever-fluctuating market.

Data Factory

The COPA Data Factory is suite of business insights products that provide subscribers and members with exclusive market intelligence.

Category Performance Report

These are quarterly reports providing visibility on category or SKU level performance, including insights into product trends based on a multitude of dimensions (colour, volume, etc.).

Data Dimensions

- Sales in units and $ value
- Commercial and retail breakout
- Item level details (pack counts, colours, attributes, UPC, etc.)

Sales data is provided by member resellers.

For more information, please contact Sam Moncada, president of COPA, at 905-624-9462 ext. 228 or smoncada@copa.ca.

Appendix A

TABLE 1 - RETAIL SALES

(X1,000,000)	Mix (a)	Sales	Yearly Variance				Sales	Mix (a)	5 Years Variance	
CATEGORY	**2010**	**2010**	**2011**	**2012**	**2013**	**2014**	**2014**	**2014**	**Sales**	**%**
Business Machines	**12.0%**	**$315**	**-5.8%**	**-7.33%**	**-5.44%**	**-5.37%**	**$ 246**	**10.7%**	**-$69**	**-21.9%**
Calculators	1.2%	$30	-7.4%	-11.15%	-4.04%	-8.96%	$22	0.9%	-$8	-28.1%
Copiers, fax, multi-function devices	3.3%	$85	-2.3%	-1.16%	0.12%	-4.26%	$79	3.4%	-$6	-7.4%
Presentation Products	0.6%	$16	-5.0%	-20.47%	-11.97%	-10.39%	$9	0.4%	-$6	-40.4%
Shredders	0.6%	$16	-7.4%	-16.95%	-1.29%	-10.66%	$11	0.5%	-$5	-32.2%
Sundry	6.4%	$167	-7.2%	-7.75%	-8.70%	-4.52%	$125	5.4%	-$42	-25.4%
Computer Supplies	**43.7%**	**$1,147**	**0.1%**	**2.87%**	**-0.39%**	**-7.57%**	**$1,088**	**47.3%**	**-$59**	**-5.2%**
Computer Accessories	1.6%	$42	9.9%	24.75%	9.08%	-0.39%	$62	2.7%	$20	48.9%
Computer Hardware	**13.5%**	**$354**	**7.7%**	**10.71%**	**4.40%**	**-9.39%**	**$399**	**17.3%**	**$45**	**12.8%**
Computer Software	4.7%	$124	-10.7%	-10.10%	-4.37%	-14.00%	$82	3.6%	-$42	-34.0%
Inkjet Supplies	**12.2%**	**$321**	**-2.0%**	**1.23%**	**-1.00%**	**-5.38%**	**$298**	**13.0%**	**-$23**	**-7.1%**
Storage	4.0%	$106	-1.5%	-3.03%	-9.43%	-10.76%	$82	3.6%	-$24	-22.8%
Toner Supplies	5.3%	$138	-2.4%	-1.56%	-1.31%	-4.89%	$125	5.4%	-$14	-9.8%
Sundry	2.4%	$62	-7.9%	-11.55%	-18.82%	-2.38%	$40	1.8%	-$22	-35.4%
Furniture	**6.0%**	**$156**	**-8.5%**	**-10.25%**	**-9.06%**	**-17.09%**	**$97**	**4.2%**	**-$60**	**-38.1%**
Chairs	2.6%	$69	0.2%	-10.62%	-5.17%	-11.41%	$52	2.3%	-$17	-24.8%
File Cabinets	0.9%	$22	-9.6%	-10.30%	-12.20%	-22.44%	$12	0.5%	-$10	-44.8%
Workstations	0.6%	$15	-32.7%	113.34%	-16.92%	-30.13%	$13	0.6%	-$3	-16.7%
Sundry	1.9%	$50	-12.6%	-38.85%	-9.47%	-17.48%	$20	0.9%	-$30	-60.1%
Office Supplies	**17.8%**	**$469**	**-1.5%**	**-2.40%**	**-3.48%**	**-5.12%**	**$412**	**17.9%**	**-$56**	**-12.0%**
Binders, Accessories & overs	3.4%	$88	-2.0%	-5.11%	-6.63%	-6.16%	$72	3.1%	-$16	-18.5%
Filing & Storage	3.2%	$85	-2.3%	-0.06%	-2.13%	-6.49%	$76	3.3%	-$9	-10.7%
Office Essentials: Consumables	1.8%	$46	-3.9%	-1.06%	-2.09%	-1.48%	$42	1.8%	-$4	-8.3%
Office Essentials: Non-consumables	2.2%	$57	-3.2%	-1.58%	-1.39%	-6.15%	$50	2.2%	-$7	-11.8%
Writing	3.7%	$97	-0.5%	-2.48%	-4.36%	-4.94%	$ 86	3.7%	-$11	-11.8%
Sundry	3.7%	$96	0.6%	-3.00%	-2.91%	-4.32%	$87	3.8%	-$9	-9.3%
Other	**12.4%**	**$325**	**-0.7%**	**1.23%**	**0.64%**	**-13.70%**	**$284**	**12.3%**	**-$41**	**-12.7%**
Food & Beverage	0.4%	$11	5.8%	33.31%	13.92%	-7.19%	$17	0.7%	$6	49.2%
Janitorial & Sanitation	0.5%	$12	10.5%	29.85%	-6.40%	-7.73%	$15	0.7%	$3	23.9%
Other	3.5%	$91	-2.6%	-2.14%	-4.49%	-41.60%	$48	2.1%	-$43	-46.9%
Services	8.0%	$210	-0.9%	-1.05%	2.39%	-3.77%	$203	8.8%	-$7	-3.4%
Paper Products	**8.2%**	**$215**	**-4.4%**	**-5.87%**	**-4.75%**	**-6.20%**	**$173**	**7.5%**	**-$42**	**-19.6%**
Envelopes	0.9%	$25	-7.0%	-7.47%	-3.30%	-5.77%	$20	0.8%	-$5	-21.6%
Fine Other Technology	2.6%	$67	-5.4%	-6.42%	-4.70%	-7.99%	$52	2.3%	-$15	-22.4%
Fine White Commodity	1.4%	$37	-5.8%	-11.39%	-4.79%	-8.02%	$27	1.2%	-$10	-26.9%
Pads	1.4%	$38	-0.1%	5.84%	-4.18%	-2.14%	$37	1.6%	-$0	-0.8%
Sundry	1.8%	$48	-4.1%	-9.63%	-6.05%	-6.43%	$37	1.6%	-$12	-23.8%
Grand Total	100.0%	$2,627	**-1.9%**	**-0.88%**	**-2.11%**	**-8.07%**	$2,300	100.0%	-$327	**-12.5%**

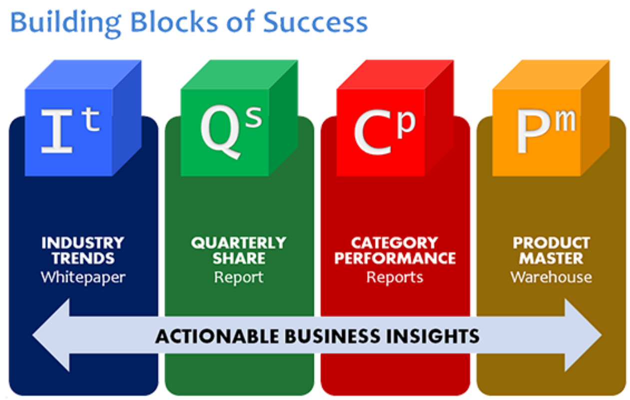
Appendix B

TABLE 2 - COMMERCIAL SALES

(X1,000,000)	Mix (a)	Sales	Yearly Variance				Sales	Mix (a)	5 Years Variance	
CATEGORY	2010	2010	2011	2012	2013	2014	2014	2014	Sales	%
Business Machines	**7.3%**	**$126**	**1.62%**	**0.6%**	**0.7%**	**4.3%**	**$135**	**7.6%**	**$8**	**7.3%**
Calculators	0.8%	$13	1.06%	-3.5%	-5.1%	-7.3%	$11	0.6%	-$2	-14.2%
Copiers, fax, multi-function devices	0.7%	$12	-1.78%	4.8%	10.0%	20.1%	$17	1.0%	$4	36.0%
Other	4.4%	$75	1.18%	0.4%	4.3%	3.4%	$82	4.6%	$7	9.6%
Presentation Products	0.8%	$14	12.24%	-0.9%	-21.0%	10.7%	$14	0.8%	-$0	-2.7%
Shredders	0.6%	$11	-4.98%	4.6%	2.7%	-3.8%	$10	0.6%	-$0	-1.8%
Computer Supplies	**28.2%**	**$483**	**2.67%**	**0.8%**	**0.1%**	**3.5%**	**$519**	**29.3%**	**$32**	**7.3%**
Computer Accessories	1.0%	$18	26.22%	1.1%	-5.6%	17.0%	$25	1.4%	$7	41.0%
Computer Hardware	1.6%	$28	30.88%	7.2%	34.1%	44.3%	$77	4.3%	$44	171.3%
Computer Software	0.4%	$6	0.73%	1.1%	-7.6%	5.3%	$6	0.4%	-$0	-1.0%
Inkjet Supplies	3.3%	$57	0.17%	-5.8%	-9.6%	2.4%	$50	2.8%	-$7	-12.7%
Other	1.5%	$26	7.07%	-2.2%	-7.8%	5.4%	$26	1.5%	$0	1.8%
Storage	1.6%	$27	-9.62%	-9.9%	-2.4%	-3.2%	$21	1.2%	-$6	-23.1%
Toner Supplies	18.8%	$321	0.04%	2.3%	-1.0%	-3.6%	$314	17.7%	-$7	-2.3%
Furniture	10.6%	**$181**	-9.33%	0.3%	1.9%	-1.9%	**$165**	9.3%	-$15	-9.1%
Chairs	2.7%	$46	6.57%	2.0%	3.4%	11.0%	$57	3.2%	$10	24.7%
File Cabinets	1.7%	$29	-7.51%	4.5%	-4.7%	2.4%	$27	1.5%	-$2	-5.7%
Other	3.6%	$62	-27.69%	-4.8%	-3.6%	-13.4%	$36	2.0%	-$24	-42.5%
Workstations	2.6%	$45	-1.41%	1.0%	9.7%	-8.0%	$45	2.5%	$0	0.5%
Office Supplies	28.2%	**$483**	-3.09%	-2.6%	-3.8%	-1.7%	**$432**	24.4%	-$47	-10.7%
Binders, Binder Accessories & Presentation Covers	4.8%	$83	-3.69%	-3.4%	-7.7%	-3.9%	$69	3.9%	-$13	-17.5%
Filing & Storage	5.7%	$98	4.11%	-1.5%	-3.2%	-4.3%	$93	5.3%	-$4	-5.0%
Office Essentials: Consumables	5.4%	$92	-24.59%	-0.7%	-4.6%	0.5%	$66	3.7%	-$24	-28.2%
Office Essentials: Non-consumables	3.3%	$56	1.85%	-7.7%	-7.6%	4.7%	$51	2.9%	-$5	-9.0%
Other	3.8%	$64	4.08%	-3.1%	0.8%	-4.3%	$63	3.5%	-$2	-2.8%
Writing	5.2%	$90	3.40%	-0.8%	-1.8%	-0.2%	$90	5.1%	$0.5	0.6%
Other	**5.6%**	**$97**	**13.42%**	**2.0%**	**16.9%**	**14.8%**	**$150**	**8.5%**	**$48**	**55.2%**
Food & Beverage	0.4%	$8	26.55%	35.6%	32.0%	31.0%	$23	1.3%	$14	197.0%
Janitorial & Sanitation	2.7%	$46	21.80%	12.1%	15.0%	13.3%	$82	4.6%	$33	77.8%
Other	2.1%	$35	0.48%	-23.8%	0.5%	10.8%	$30	1.7%	-$5	-14.7%
Services	0.4%	$7	9.74%	5.8%	60.5%	9.9%	$15	0.8%	$7	104.8%
Paper Products	20.0%	**$343**	1.80%	-2.8%	5.2%	3.9%	**$372**	21.0%	$26	8.2%
Envelopes	1.7%	$29	-5.81%	-4.4%	-4.0%	-2.4%	$24	1.4%	-$4	-15.6%
Fine Other Technology	3.4%	$59	12.88%	5.6%	2.8%	0.0%	$72	4.0%	$12	22.6%
Fine White Commodity	**12.1%**	**$208**	**-2.00%**	**-5.4%**	**5.5%**	**7.0%**	**$218**	**12.3%**	**$9**	**4.7%**
Other	1.5%	$25	0.02%	-13.9%	16.6%	3.2%	$26	1.5%	$1	3.6%
Pads	1.3%	$23	19.40%	8.5%	8.7%	-1.6%	$32	1.8%	$8	38.5%
Grand Total	100.0%	$1,714	0.13%	**-0.8%**	1.4%	2.7%	$1,772	100.0%	$53	3.4%

COPA Data Factory Reports
COPA offers a suite of benefits and products that provide members and subscribers with "at cost" market intelligence.

Our industry update, monthly business report, exclusive quarterly data factory reports, and the soon coming annual business report can help you get into the planning mood.



MORE INFORMATION

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GET INVOLVED

Your Association is as strong as you make it: We need your participation, skills and talents!

- Join a committee or the Board of Directors
- Blog, Tweet
- Write or co-author a paper
- Attend meetings and events

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