

The rivalry among
existing firms: strong



**ASSIGN
BUSTER**

The Rivalry among existing firms: strong The office supply industry has a large number of players with a high diversity of rivals. Competition is very fierce between them because the office supply industry is so diverse in product and services they provide; they include high volume office supply, warehouse clubs, online retailers, copy and print businesses, discount retailers and local and regional contract stationers. The large number of competitors in this industry, along with a lack of product differences, with low switching cost for buyers and the ability of the buyers to shop around the internet for the best price.

Had made this industry growth to become very slow. source <http://360.datamonitor.com/Product?pid=4CA55D31-18F9-44E1-BB86-D1E5E5306887>

Rivalry Figure 9: Drivers of degree of rivalry in the office services & supplies market in the United States, 2010 Players range in size and product diversity; they include high-volume office supply providers (e. g. Staples), warehouse clubs (e. g. Costco), copy and print businesses (e. g. FedEx Office), online retailers (e. g. Amazon. com), ink cartridge specialty stores, discount retailers, as well as several local and regional contract stationers.

The large number of players, along with low-cost switching for buyers, low product differentiation, easy expansion by utilizing the internet, and poor market growth in recent years, intensifies rivalry amongst incumbents. This is ameliorated somewhat by the diversity displayed in the product portfolio of some players, such as online retailers and discount retailers, who operate in other markets and are therefore not solely reliant on the revenues generated from the office services and supplies market.

Relatively low storage costs and the non-specificity of players' assets lowers barriers to exit and eases rivalry. Overall, rivalry is strong.

FIVE FORCES ANALYSIS

The office services & supplies market will be analyzed taking retailers of paper, storage, stationary, and office services, such as photocopying, printing and binding as players. The key buyers will be taken as businesses, and manufacturers of paper, storage, stationary, and equipment for photocopying, printing and binding as the key suppliers. Summary

Figure 4: Forces driving competition in the office services & supplies market in the United States, 2010 The market is highly fragmented with players ranging from multinational high-volume office supply providers to local stationers. The abundance and diversity of buyers weakens buyer power, whilst low-cost switching, low product differentiation, and high price sensitivity strengthen it. Such factors, along with low brandloyaltyand easy access to suppliers and distribution, also contribute to the high likelihood of new entrants.

Suppliers are numerous, and low differentiation, along with some backwards integration by players who sell their own branded goods, weakens supplier power. The large number of players, along with low-cost switching for buyers, low product differentiation, easy expansion by utilizing the internet, and poor market growth in recent years, intensifies rivalry amongst incumbents. Buyer power Figure 5: Drivers of buyer power in the office services & supplies market in the United States, 2010 Buyers are numerous and diverse.

This, along with the importance of the products and services provided by players to buyers, weakens buyer power. Buyers can range in size from sole proprietors to multinational corporations and buyer power is boosted by larger buyers with greater financial muscle. Large businesses put office services and supplies out to tender bids while smaller businesses can negotiate discounts through trade associations. However, buyer power is sustained by low customer loyalty, low switching costs, low level product differentiation and high price sensitivity, giving customers a wide choice of retailers.

The internet has made cost comparison easier, raising price transparency and increasing competition. Overall, buyer power is moderate. Supplier power Figure 6: Drivers of supplier power in the office services & supplies market in the United States, 2010 Suppliers are numerous and diverse with a large array of goods. This scale of competition from low cost economies in the Asia-Pacific places restraints on other suppliers. Players tend to have several suppliers, and this, along with low switching costs, weakens supplier power, particularly in instances where larger players have greater negotiating power.

On the other hand, suppliers can offer their products to a wide range of customers, and this serves to increase their supplier power. There are elements of integration within the industry as global players sell their own branded goods. For example, Staples own branded goods represented about 23% of their sales in 2009. The lower pricing of such activities undercuts the power of other suppliers. Overall, supplier power is moderate. New entrants

Figure 7: Factors influencing the likelihood of new entrants in the office services & supplies market in the United States, 2010

Most office supplies are commoditized products, which have little brand loyalty. This, along with low enduser switching costs, little government regulation, and easy access to suppliers and distribution channels, is conducive to the entry of new players into the market. Larger players benefit from scale economies that allow them to compete with high-volume office supply providers that lead the market. Larger players with greater financial muscle would be able to negotiate better contracts with suppliers and therefore achieve better profit margins.

Entry can be achieved on a smaller scale by focusing on a specific product range (e. g. an ink cartridge specialty store) or by developing an online retail shop. Poor growth in recent years, with stagnant growth forecast for the 2010-2015 period, decreases the threat of new entrants into the market somewhat. Overall, the threat of new entrants is strong. Substitutes Figure 8: Factors influencing the threat of substitutes in the office services & supplies market in the United States, 2010

Many modern companies are taking strategies to minimize costs and the environmental impact of their operations by moving towards a paperless office format: switching costs are not excessive, as most companies have already invested in appropriate ICT systems. This, therefore, constitutes a serious challenge to those operating primarily with paper-based office products. Storage and stationary may also be influenced by switching to a paperless office format. Office services such as photocopying, printing and binding may be substituted by electronic forms of communications.

Overall, the threat of substitutes is moderate. Same source Office Depot, Inc. Table 10: Office Depot, Inc. : key facts Head office: 6600 North Military Trail, Boca Raton, Florida 33496, USA Telephone: 1 561 438 4800 Fax: 1 800 685 5010 Website: www.officedepot.com Financial year-end: January Ticker: ODP Stock exchange: New York Source: company website D A T A M O N I T O R Office Depot is engaged in the supply of office products and services. The company offers national branded and private labeled office products which includes business machines, computers and office furniture.

Some of the private brands are Office Depot, Niceday, Foray, Ativa, Break Escapes, Worklife and Christopher Lowell. The company conducts its business through three business divisions: North American retail, North American business solutions and international. The North American retail division sells a range of branded and private branded merchandise including office supplies, business machines and computers, computer software, office furniture and other business related products and services. These products are sold through the company's chain of office supply stores in the US and Canada.

The stores operated by the division also contain a copy, print and ship center which offers graphic designing, printing, reproduction, mailing, shipping, and other services. In 2008, Office Depot started PC support and network installation services to provide in-home, in-office and in-store support for the technology needs of the customers. By the end of 2008, the company operated nearly 1, 267 office supply stores in the US and Canada. Store replenishment is handled through cross dock facilities and the bulk

merchandise is sorted and shipped within a day. By the end of 2008, the company operated 12 cross dock facilities.

The North American business solutions division sells nationally branded and private brand office supplies, technology products, furniture and services through various channels: dedicated sales force; catalogs and internet sites. The division's direct business is tailored to service small and medium sized customers. These customers can order products from the catalogs through phone or through the company's websites. The North American business solutions division employs a dedicated sales force for the contract business which serves predominantly, medium sized to fortune 100 companies.

The sales force LEADING COMPANIES United States - Office Services ; Supplies 0072 - 2115 - 2010 © Datamonitor. This profile is a licensed product and is not to be photocopied Page 29 offer customers allied services of providing information, business-tools and problem solving. In addition, the division undertakes government contracts through a multi-state contract available to local and state government agencies, school districts, higher education and non-profit organizations across the US.

The division operated 20 distribution centers at the end of 2008 and it fills in the contract and direct business orders through inventory maintained in these distribution centers. The international division offers office products and services in 48 countries throughout North America, Europe, Asia and Central America. Office Depot offers its products through wholly-owned and majority owned entities or other ventures in 38 countries. This division sells its products and services through direct mail catalogs, contract sales forces,

internet sites and retail stores. Office Depot operated 162 retail stores in France, Japan,

Hungary, Israel, Sweden and South Korea, as of January 2009. In addition, the company operated 98 stores under licensing and merchandise arrangements in South Korea and Thailand. Office Depot participates in the joint venture Office Depot de Mexico which operates 186 stores in Mexico, Costa Rica, El Salvador, Guatemala, Honduras and Panama. This division established regional headquarters for Europe/ Middle East and Asia to support its operations in these geographies. The company offers its products in the international market through more than 35 websites which cater to various geographical locations.

It offers products through catalogs in 14 countries. Office Depot operated 43 wholly owned and majority owned distribution centers by the end of 2008 for providing inventory to fill in the orders of its international division. Source <http://www.community.officedepot.com/envpolicyqa.asp> Clarifying Q ; A | Who are Office Depot's Stakeholders? | | Office Depot is committed to working with its stakeholders - our suppliers, employees, customers, shareholders and the conservation science community - to promote and advance environmental stewardship.

This said, Office Depot will maintain an open communication channel with other organizations that wish to contribute to our process of continual improvement - a communications channel and process in which contributions are considered within the framework of conservation science, so that we may continue to strengthen our environmental performance by internalizing

appropriate, scientifically based improvements to our environmental policies and programs.

Office Depot's work with the conservation science community reflects our desire for a collaborative, scientific approach to identifying and addressing the issues of environmental stewardship. Why Does Office Depot engage its Stakeholders and what is Office Depot's approach to stakeholder involvement? Office Depot's approach is one of inclusion and consultation for the mutual benefit of the environment and our stakeholders.

Office Depot actively promotes the responsible use of our natural resources by working with these stakeholders in the ongoing pursuit of improvements and innovation that promote and advance the principles of environmental stewardship in ways that:

- Produce solutions with integrity and purpose;
- Are responsible, transparent, accountable, realistic and actionable;
- Produce results that are tangible, measurable and reportable; and,
- Reward innovation and leadership.