



# **Project: Writing Instruments**

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## Reciprocus is delighted to present to you our initial views on potential growth of writing instruments in EMEA market

- Our indicative view is predicted on publicly available information and our knowledge of writing instruments in EMEA region.
- Our high-level research has identified a sustained and substantial overall demand from the EMEA region for writing instruments
- We have identified one main potential growth opportunity in EMEA across our observation – Germany
- This growth is supported by the key driver, which is mainly spurred by the increasing population and literacy level of the nations, along with a steady growth of 4.58% CAGR
- Based on our research, the largest threat is likely the highly saturated and matured market. With changing consumer behavior, price is unlikely the key factor for consumers to consider
- Among the EU28 countries, Germany has the highest import volume of writing instruments from ASEAN countries, especially Malaysia and Indonesia.
- The key drivers include strong demand for ergonomic and durable writing instruments and the emerging trend of adult drawing and coloring.
- Given the exciting prospects in the EMEA market, we would recommend company to explore and expand into other markets (particularly Germany) in EMEA region.

## Business Overview

- **Steady Global Trade:** The global market for writing instruments is projected to grow at a steady rate during 2016 to 2020 and reach US\$ 21.17 billion by 2020, growing at a CAGR of 4.58%.
- **Key Drivers:** The rising use of luxury writing instruments as a status symbol is the key driver for the growth of the US and European markets while the demand for basic writing instruments due to increasing population and literacy level is the key driver for the growth in APAC, Latin America and the Middle East markets.
- **Market Leaders:** The 5 largest exporters are China, Germany, France Japan and Mexico. Indonesia and Malaysia are the largest ASEAN exporters, ranked 12<sup>th</sup> and 13<sup>th</sup> respectively.
- **Region Analysis:** Due to availability of large number of medium and small enterprises in the manufacturing of writing instruments, APAC marked the highest share in global writing instruments in 2015 followed by North America and Europe.

## Key Revenue Drivers



Emphasis on Education



Enhanced Features



Growing Population



Increasing Workforce



Improving Literacy Rate



Luxury/ Vintage style

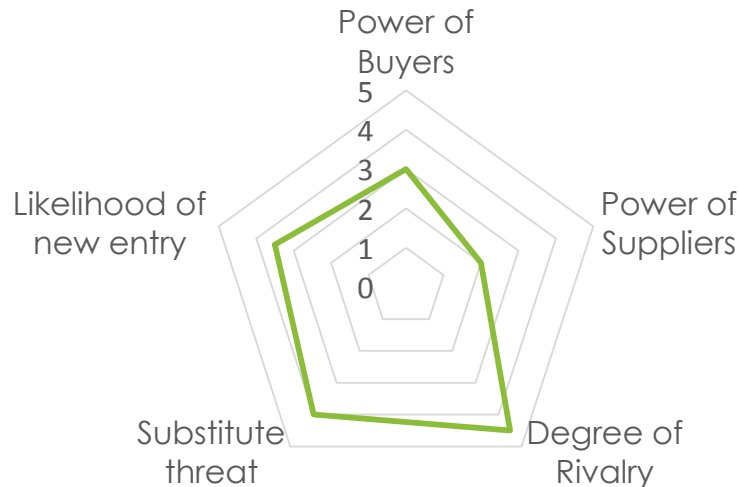


Gifting Preference



Biodegradable and Eco-Savvy

## Porter's 5 Forces Analysis



## Analysis Breakdown

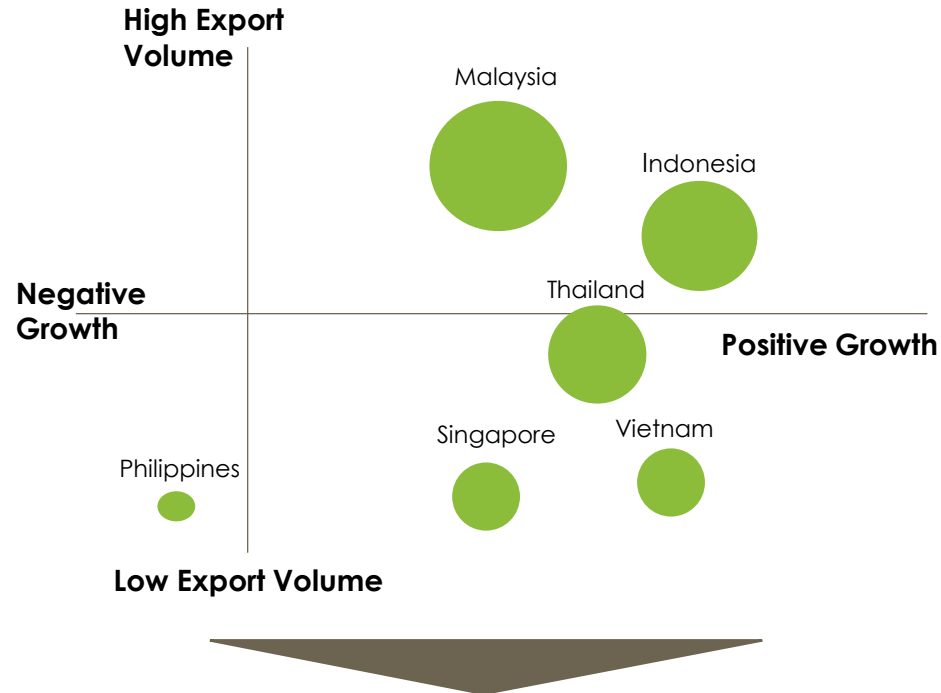
- **Power of Buyers:** Writing instruments are considered daily necessities, thus it exhibits constant and inelastic demand pattern.
- **Power of Sellers:** Components necessary to manufacture pens are abundant. As for luxury writing instruments, suppliers who carry unique materials may have a higher bargaining power.
- **Degree of Rivalry:** The writing instrument market has strong growth and high potential which leads to high degree of rivalry. Key brands such as A.T Cross, Pilot Corporation, Faber-Castell, Montblanc and many other players seek to gain market share via continuous innovations in design and the launching of new writing instruments.
- **Substitute Threat:** The rapid expansion of computerization considerably reduces matters which need to be handwritten. Organizations are working towards a paperless environment and even schools are conducting lessons with computers. However, writing instruments are still a vital part of daily routine of most people.
- **Likelihood of New Entry:** Without legal restrictions and large facilities required for manufacturing, there is a proliferation of writing instrument brands. Most of these new brands do not usually target the luxury writing instrument market.

# Regional Landscape and Analysis

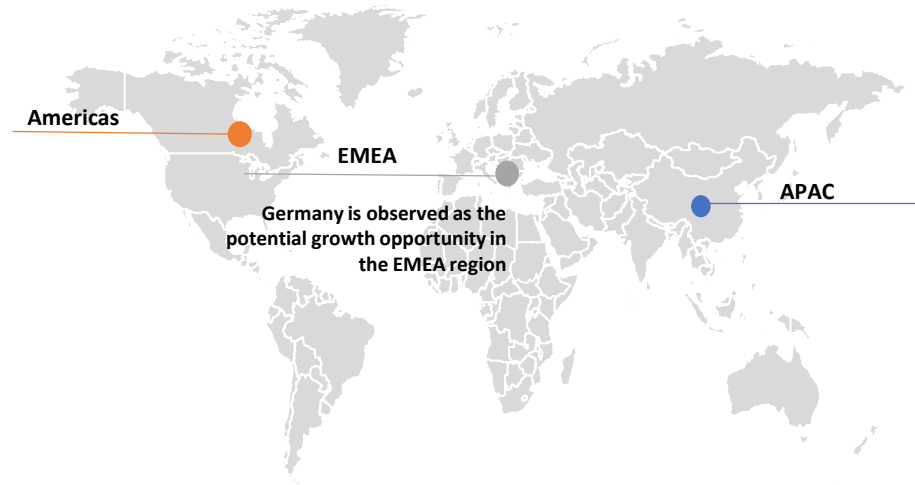


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## ASEAN Exports to Europe: Growth and Volume by Country



- **Stable demand for luxury writing instruments:** The demand for writing instruments in EU28 is generally stable.
- Countries such as Italy, Germany, Poland, Romania are expected to maintain steady annual growth due to higher demand of stylish and ergonomic writing instruments.
- **Emerging opportunities in ASEAN export market:** Despite the stable demand for writing instruments, EU28's import volume from ASEAN is considered relatively small as compared to major players such as China, US and Japan.

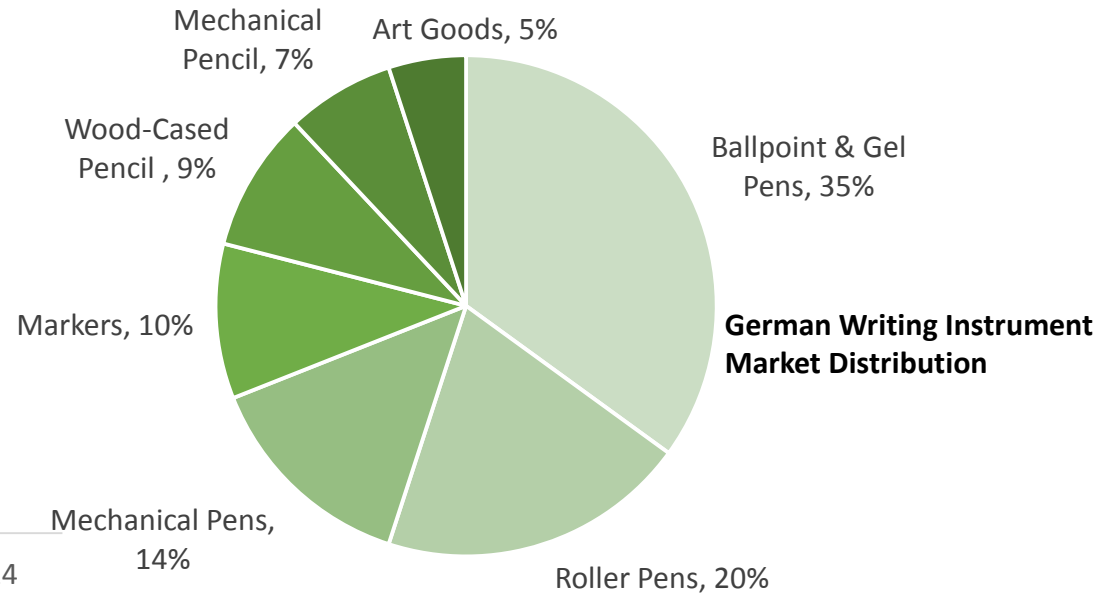
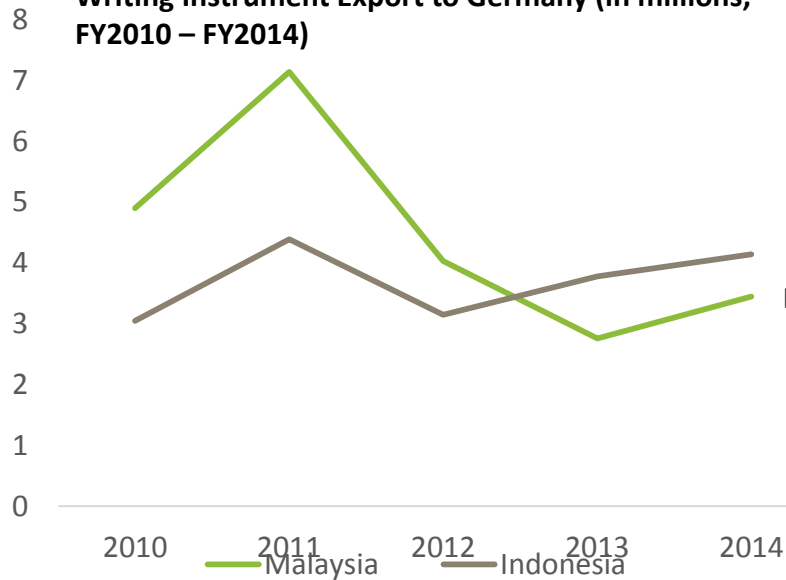


Germany

Population: 81.4 million  
Total GDP (2015): US\$ 3.35 trillion  
Writing Instrument Import (2014):  
US\$ 412.4 million  
10-Year CAGR: 1.59%

# Opportunities Spotlight and Analysis

**Writing Instrument Export to Germany (in millions, FY2010 – FY2014)**



Why Germany?

- **Increasing Sales Growth:** Despite the high level of maturity and saturation in German writing instruments, sales growth is seen in 2016. The growth is mostly driven by higher demand in specific and semi-professional products as adult consumers pay closer attention to factors such as ergonomics, durability and general product quality.
- **Emerging Trends:** There is an emerging trend of adults spending their leisure time drawing and coloring as a form of stress relief. This could contribute to further growth of the writing instrument market in Germany.
- **Competitive Landscape:** Faber-Castell AG is the leading player in the German writing instrument market, holding 12% of the market share. It is able to thrive in the German market due to long tradition and good reputation over there. Being able to cater to various needs and demands with their wide variety of products are also key reasons to their current market positioning.

## Competitive Analysis: Germany

- Faber Castell is the world's leading manufacturer of wood-cased pencils with a varied range of products to cater various needs and demands.
- Global presence in 4 continents (Europe, North America, Latin America, APAC)
- Created a competitive edge via pioneering environmental friendly and socially responsible practices to achieve business sustainability



- Staedtler, one of the oldest industrial companies in Germany, takes advantage of the great tradition of Nuremberg pencil-makers
- Global presence with 6 manufacturing plants, 3 of which are in the EU and 21 foreign sales subsidiaries.
- Huge investment on R&D to enhance design and functionality of their writing instruments (latest being the WOPEX pencil in 2009).



- Edding AG is a listed German company manufacturing writing instruments as well as customizing them.
- Global presence in around 100 countries, mainly covering the European region.
- Recent business strategy involving splitting the organisation of the international marketing and sales activities into business-to-business and business-to-customer.



- The Lamy brand has been in existence since 1952 and demonstrated its powers of innovation over the years. Lamy has an annual production of 7 million pens and turnover of 90 million euros.
- Global presence around the world with its flagship store located in Germany.
- The design of Lamy writing instruments, packaging and advertising received countless of awards

## Conclusion:

We have shortlisted Germany as our key potential opportunity, which, in our opinions, generally fits company's business strategy. We are open to exploring other markets in the EMEA region as well.





## About Reciprocus

We specialize in assisting small and medium-sized businesses with expansion into overseas markets:

- Selecting and Structuring Route to Entry;
- Mergers, Acquisitions, Joint Ventures;
- Distributorships, Franchising and Licensing;
- Capital Raising.

For more information about our practice, visit our website at: [www.reciprocus.com](http://www.reciprocus.com).



## IE Singapore Assistance

The Singapore Government co-funds up to 70% of the third party professional fees for internationalization activities under the following schemes:

**Market Readiness Assistance Grant:** Market assessment, market entry and business matching activities.

**Global Company Partnership Grant:** Market research, scouting for overseas partners and due diligence activities.

More information available at:  
<http://www.iesingapore.gov.sg/Assistance>.



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