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Executive Summary

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.
Macroeconomic Outlook of the Industry

**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 12th and 13th 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
Industry Outlook and Analysis

Porter’s 5 Forces Analysis

- **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.

Analysis Breakdown

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Regional Landscape and Analysis

- **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
- Writing Instrument Import (2014): US$ 412.4 million
- 10-Year CAGR: 1.59%

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

- **High Export Volume**: Malaysia, Indonesia, Thailand
- **Positive Growth**: Singapore, Vietnam
- **Negative Growth**: Philippines
- **Low Export Volume**: Malaysia, Indonesia, Thailand

Germany is observed as the potential growth opportunity in the EMEA region.
Opportunities Spotlight and Analysis

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.
Opportunities Spotlight and Analysis

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.

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.

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