

Disrupting the shredder market

How Auto Feed shredders are changing the way businesses shred



White paper summary

In 2008, ACCO Brands introduced the world's first Auto Feed shredder, under the Rexel brand – saving businesses time and money on their shredding, while offering the paper security they need.

Since then, Auto Feed shredder sales have grown to capture approximately 20% of the B2B shredder market across the UK, Germany and France in 2015.

This white paper explains the trends driving the growth of Auto Feed shredders – and shows why they represent a sales opportunity for office products (OP) dealers.¹

The paper is divided into five sections:

1. Market background

We explain the underlying trends in the shredder market.

2. What businesses want from a shredder

We share some of our research into businesses' shredding needs.

3. Introducing the world's first Auto Feed shredder

We explain how ACCO Brands launched the Auto Feed shredder, and how it meets businesses' needs.

4. A success story: growth in Auto Feed share

We demonstrate the growth of Auto Feed shredder sales in three key European markets.

5. Conclusion: the Auto Feed opportunity

We explore the sales opportunities for dealers who tell the Auto Feed story.

We hope you find this white paper useful.

¹ Source: GfK (B2B Auto Feed and total channel shredder sales retail value, including VAT)

Be on the right side of technology disruption

foreword by Mike Stranders, ACCO Brands

Office products (OP) dealers can sometimes be forgiven for feeling lukewarm about the effects of technological disruption, given the effects that technology has wrought on the traditional stationery market in the past 20 years.

But technology is not always a challenge for dealerships. Savvy dealers know that if you can unearth disruptive and innovative technology products, and recommend those products in a compelling way, then you can create opportunities to grow your business.

The Auto Feed shredder is just such a disruptive opportunity. It takes the relatively inefficient experience of using a traditional shredder – sitting at a desk, manually feeding confidential documents in – and makes it efficient.

With an Auto Feed shredder, clients simply stack their documents to be shredded, shut the lid, and get on with their work – resulting in significant productivity benefits for organisations.

Growth and opportunity

At ACCO Brands, we launched the first Auto Feed shredder, the Rexel Auto Plus 500 in 2008 – and followed it up in 2011 and 2012 with Cross Cut models and in 2014 with a Micro Cut range.

As we explain in this white paper, the market share of Auto Feed shredders has grown consistently in the past few years in key European markets – to the point where it has roughly a 20% share of the B2B shredder market.

This represents a great opportunity for dealers, because Auto Feed shredders command a higher price point than traditional shredders, leading to potential increase in value sales.

Our research also shows that awareness of Auto Feed shredders is still lower than it might be, with one-third of dealers still unaware of the technology and the subcategory. So there's also an opportunity for fast-moving dealers to explain the Auto Feed innovation to business clients.

About this series of white papers

We've launched this series of white papers in order to help you better understand the opportunity from Auto Feed shredders.

This, first, white paper in the series gives you the background on the state of the Auto Feed shredder market.

To put it simply: we want to show you the story of the remarkable growth in the Auto Feed sector, especially given a challenging economic background.

Future white papers will give you strategies on how to sell Auto Feed shredders, outline the key benefits of these shredders, and help you understand the security concerns that businesses face – an underlying driver for all shredder sales.

In the meantime, here's to more innovation – and to being on the right side of technological disruption.



Mike Stranders,
Vice President of Marketing, ACCO Brands Europe

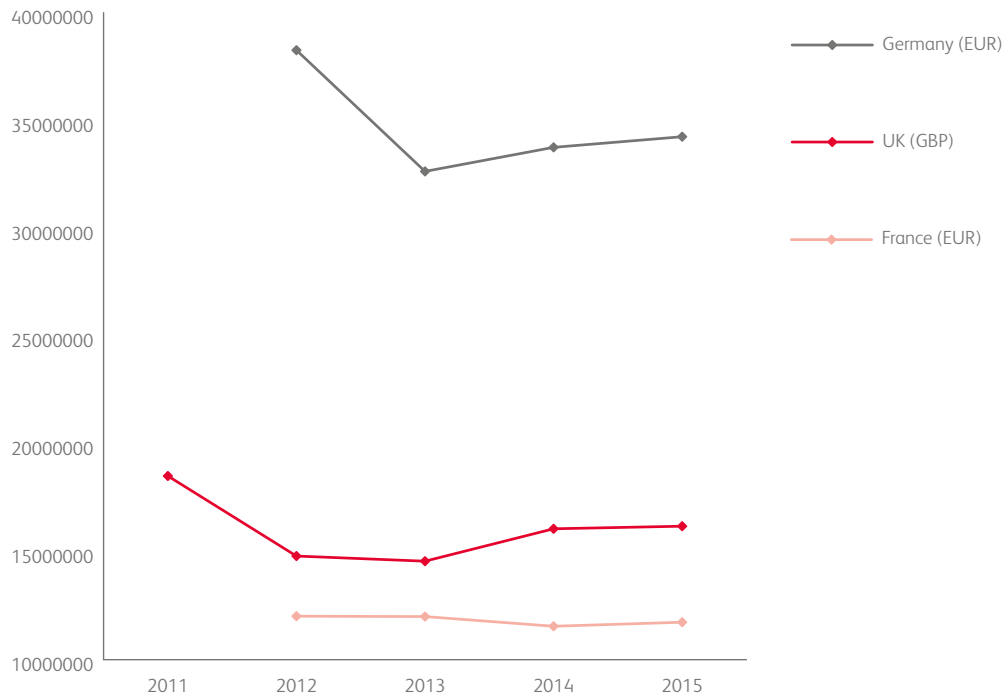
1. Market background: challenges and opportunities

To help put the growth of Auto Feed shredder sales into context, it is important to understand the background for shredder sales in the B2B market.

In recent years, B2B shredder sales have been slowing down. Although sales were largely flat in France between 2012 and 2015 (down just 2.3%), they were down by 10.5% in Germany over the same period, and by 12.6% in the UK between 2011 and 2015.²

Total Channel Shredder Sales Retail Value (inc. VAT)

Source: GfK (B2B Auto Feed and total channel shredder sales retail value, including VAT)



Several background trends may help explain this slowdown. One is weak economic growth in Europe: average real GDP growth across the EU was just 0.9%³ between 2004 and 2014, dragged down by the financial crisis of 2008-09.

Productivity is another part of the challenge. In the UK, in particular, output per hour worked lags behind France, Germany and the US by between 32 and 33 percentage points, according to the UK's Office for National Statistics.⁴

A final possible factor is declining paper consumption, as businesses invest in digital. According to the CEPI, 77.1 million tonnes of paper and board were consumed in member countries in 2014⁵; this represents a fall of about 14%⁶ (on a like-for-like basis) since 2007. The "paperless office" hasn't yet arrived, and business users are likely to need to print sensitive documents for some time to come – but this is a statistic that OP dealers should keep a watchful eye on.

² Source: GfK (B2B Auto Feed and total channel shredder sales retail value, including VAT)

³ Source: Eurostat

⁴ Source: ONS. Contains public sector information licensed under the Open Government Licence v3.0 <http://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfirstestimates/2015-09-18>

⁵ Source: CEPI press release. Production of paper and board in Europe in full transformation, July 2015

⁶ Source: derived from CEPI historic statistics report (used with permission)

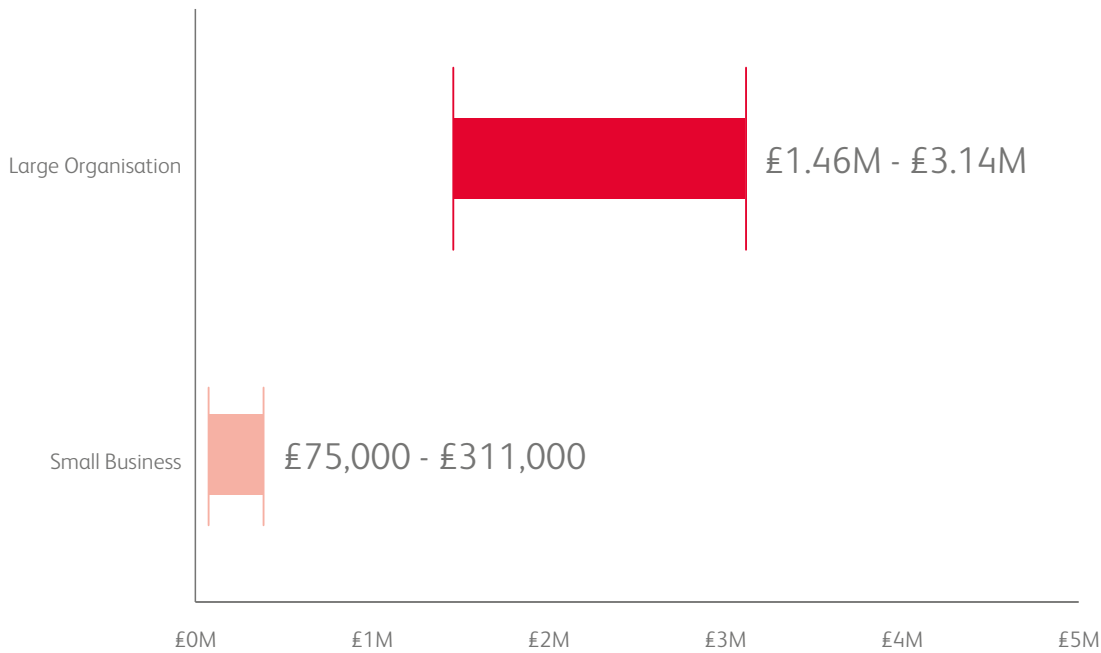
Trends also show opportunities

Despite challenges, one major market trend points in favour of shredders: the increased focus on information security, and in particular the rising cost of an information breach.

The 2015 Information Security Breaches Survey, conducted for the UK government by PwC, put the average cost of an organisation's worst security breach at between £1.46m (€1.84m) and £3.14m (€3.96m) for a large organisation, and between £75,000 (€95,000) and £311,000 (€392,000) for a small business.⁷

Average cost of an organisation's worst security breach

Source: 2015 Information Security Breaches Survey, executive summary.



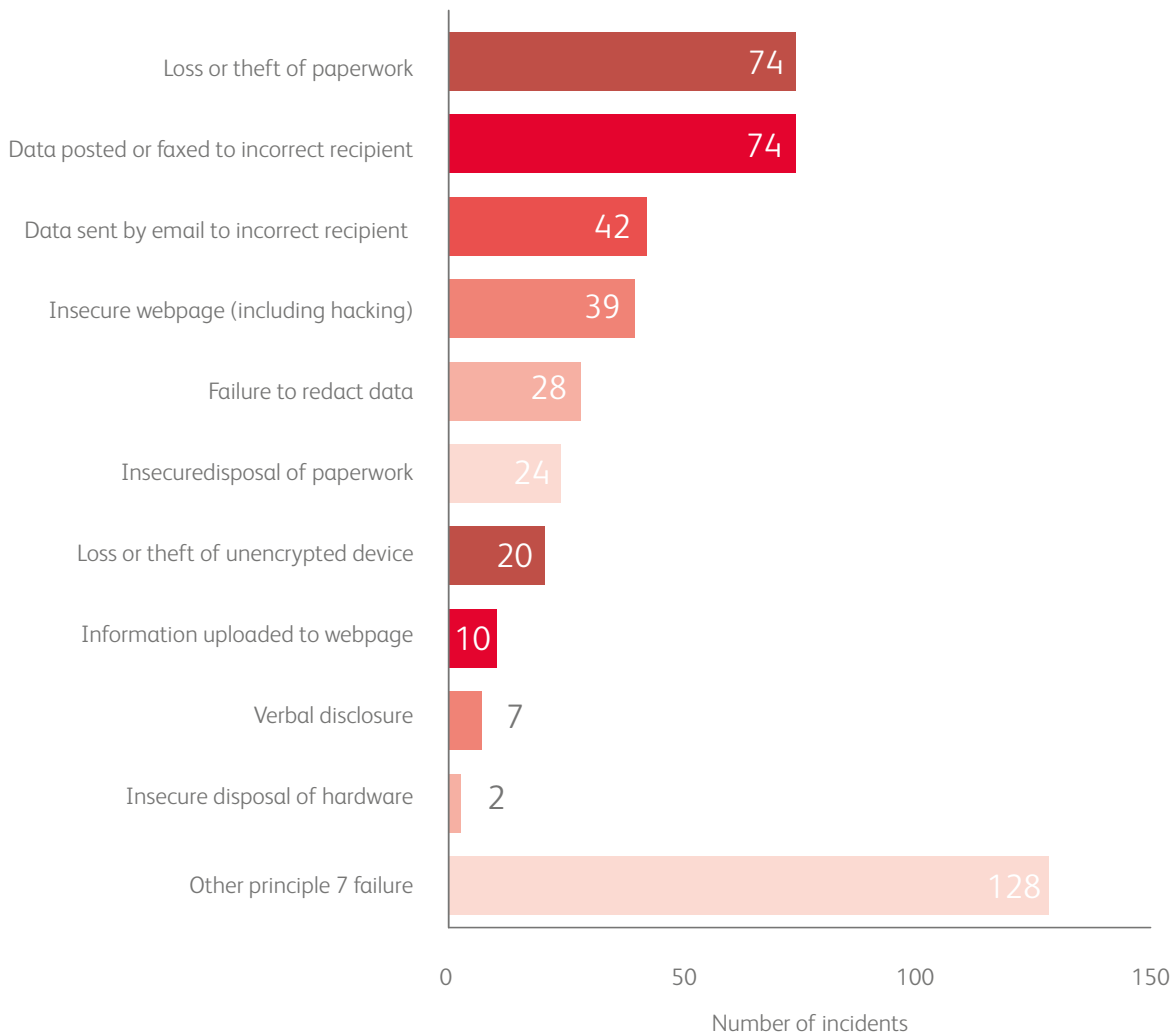
Although this survey is mainly focused on cyber-security, paperwork does still account for many common security breaches. Of 488 incidents recorded by the UK's Information Commissioner's Office between January and March 2016, for example, 74 (15%) were due to the loss or theft of paperwork, and another 24 (5%) were due to its insecure disposal.⁸ Naturally, the ICO still recommends that organisations "shred all confidential paper waste". To put it simply: businesses still need shredders.

⁷ Source: 2015 Information Security Breaches Survey, executive summary. Commissioned by HM Government. Contains public sector information licensed under the Open Government Licence v3.0. <http://www.pwc.co.uk/assets/pdf/2015-isbs-executive-summary-digital.pdf>

⁸ Source: ICO. Contains public sector information licensed under the Open Government Licence v3.0. <https://ico.org.uk/action-weve-taken/data-security-incident-trends/>

Data Security Incidents by Type

Source: ICO. <https://ico.org.uk/action-weve-taken/data-security-incident-trends/>



Compliance with data protection rules is also likely to be high on businesses' agenda. The existing EU Data Protection Directive requires that "appropriate technical and organisational measures" are taken to protect unauthorised use of personal data – which, in practice, means businesses are already obliged to dispose of personal data appropriately and securely. A new EU General Data Protection Regulation is also likely to come into effect as early as 2018⁹; under these new rules, data protection authorities can fine companies up to 4% of their global annual turnover for non-compliance.¹⁰

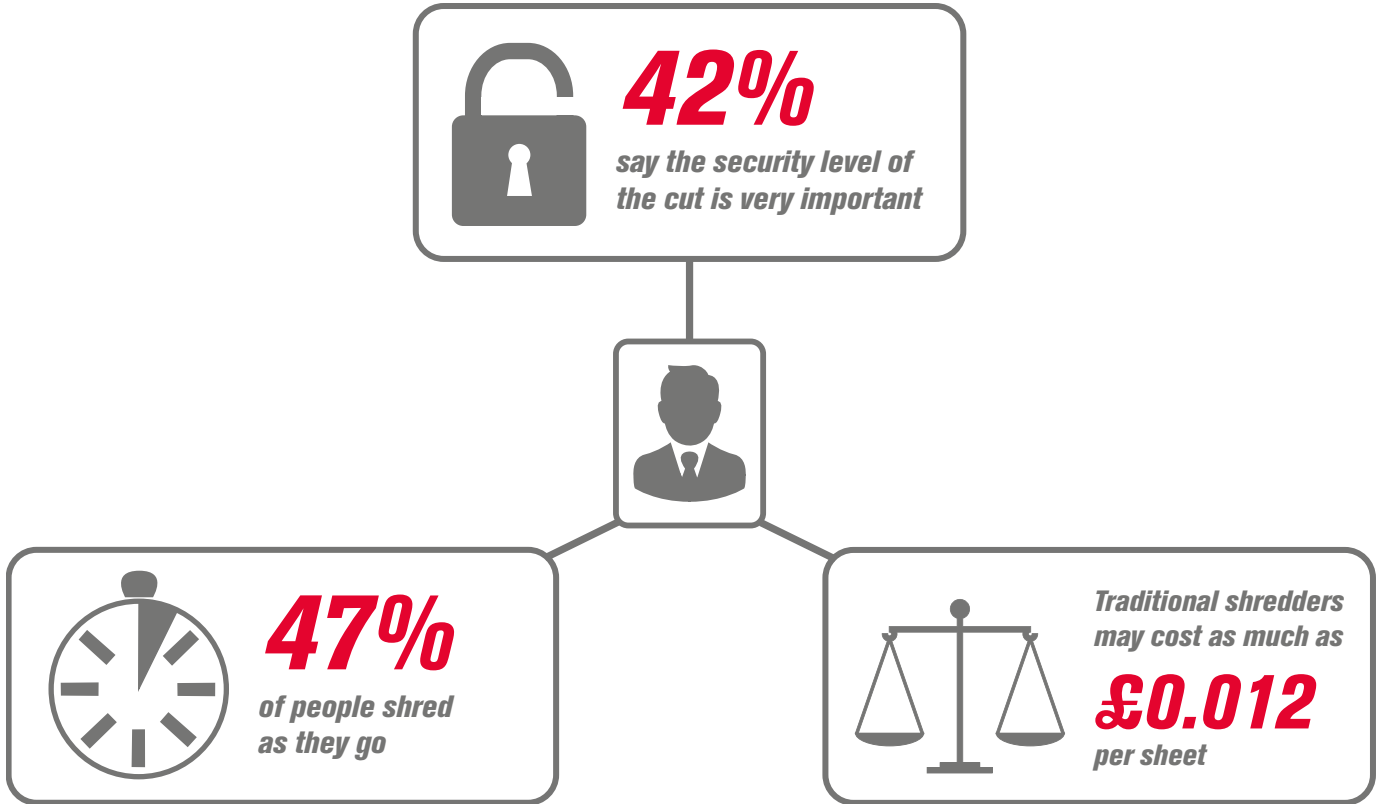
The second important background opportunity is businesses' need to be productive in the slow-growth environment they are operating in. If a shredder can save users time, for example, then it can be more cost-effective for an organisation to use it in the long run. This important trend underlies one of the key advantages of Auto Feed shredders.

⁹ Source: European Commission. http://ec.europa.eu/justice/data-protection/reform/index_en.htm

¹⁰ Source: European Commission press release. http://europa.eu/rapid/press-release_MEMO-15-6385_en.htm

2. What businesses want from a shredder

In recent years, ACCO Brands has conducted extensive research into what businesses want from their shredders. It is possible to divide businesses' main needs into three main categories: security, productivity and value for money.



Security

When businesses are asked how they choose a shredder, security is naturally a key consideration – not surprisingly, considering their obligations with regard to confidentiality and data protection.

A 2010 US survey of small office users, conducted by Deep Blue Insight,¹¹ found that 42 % of people say the security level of the cut is a “very important” part of decision process when choosing a paper shredder.

¹¹ Source: Evaluating Auto Feed Shredders. Prepared for ACCO Brands by Deep Blue Insight

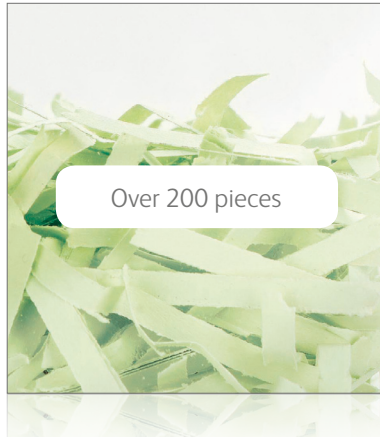
Security cut types explained

- Each cut type shreds an A4 document into a number of pieces
- The larger the number of pieces the greater the security level
- The greater the security level the more you can fit in the bin before it is full

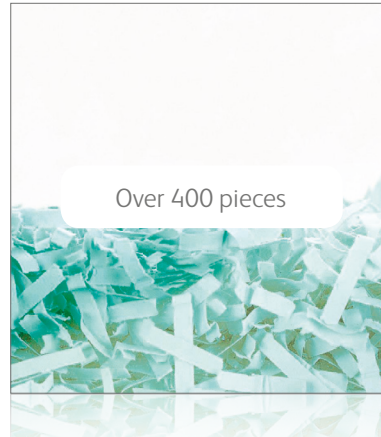
Strip Cut P-2
Basic Security



Cross Cut P-3
General Security

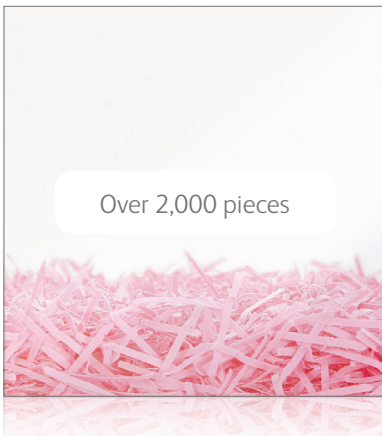


Cross Cut P-4
Confidential Security

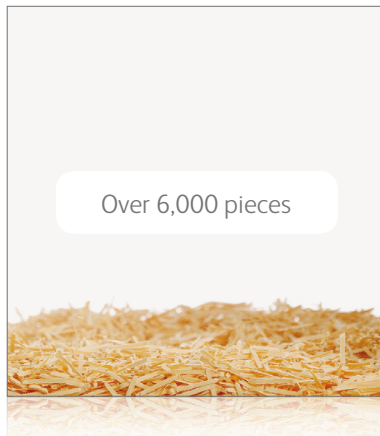


P-3 and P-4 are ideal for home use or any corporate environment requiring confidential security. P-2 offers basic security for documents without any sensitive information.

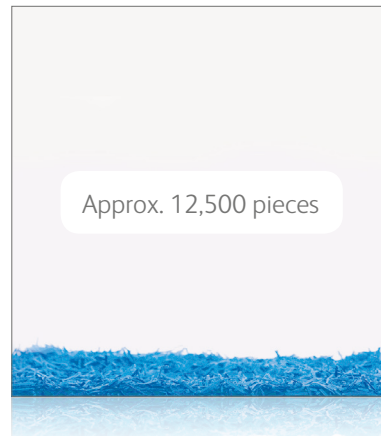
Micro Cut P-5
High Security



Super Micro Cut P-6
Ultra High Security



Top Secret P-7
Top Secret Security



Ideal for legal, financial, government and other high security environments

Productivity

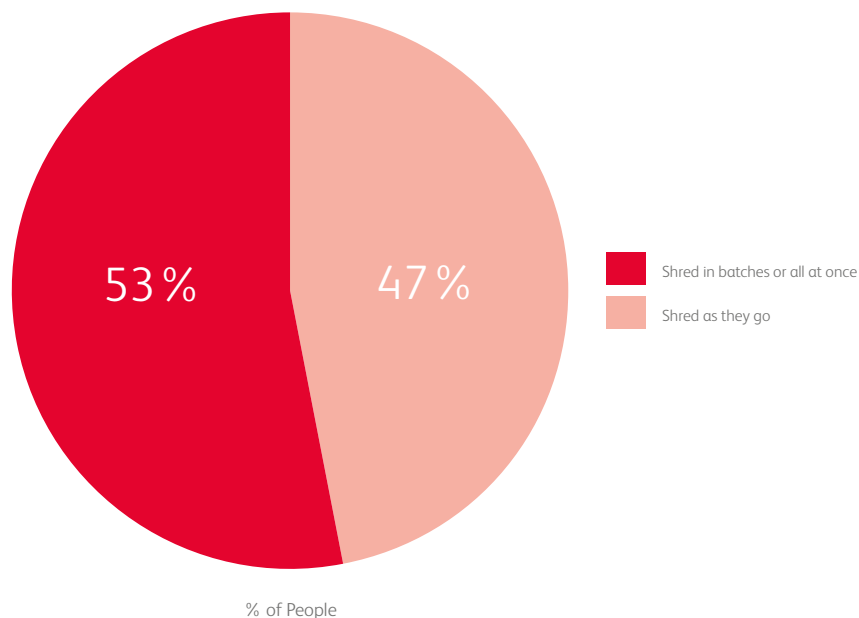
While security is a key part of buying a shredder, users have several frustrations with traditional, manual-feed shredders.

For example, the 2010 survey of small office users in the US said the biggest problems for users were having a shredder that jams (64 %) and taking too long to shred a stack of documents (48 %). Other frustrations include frequent stopping for the shredder to cool down (46 %) and frequent bin emptying (43 %).¹² Issues such as these have a knock-on impact on an organisation's productivity.

The research also shows that traditional, manual-fed shredders do not suit the way that many business users shred. While 47 % of people "shred as they go" – shredding a document immediately whenever the need arises – as many as 53 % either have an area where they keep documents that need to be shredded, or have a routine about filing documents and tend to shred in batches.¹³

Shredding Preferences Relating to Security and Productivity

Source: Evaluating Auto Feed Shredders. Prepared for ACCO Brands by Deep Blue Insight



To achieve a balance between security and productivity, organisations also need to assess the size of shredder they need. The increasing number of businesses employing home-based workers, creates a need for smaller shredders for the home office. But there are also varying sizes of office within security-conscious environments: a small marketing team might need a shredder aimed at 5–10 users, while a shared-use area at a large law firm might need to cater for 20 users or more.

Value for money

Value for money is always important for businesses. Organisations with a traditional shredder may pay as much as £0.012 (€0.015) per sheet for their shredding – which can add up over a shredder's lifetime.¹⁴ This means there is a strong incentive for organisations to find more cost-effective solutions for shredding.

¹² ¹³ Source: Evaluating Auto Feed Shredders. Prepared for ACCO Brands by Deep Blue Insight

¹⁴ Source: Calculations based on total sheets shredded during shredder life test. Labour hours based on Intertek independent performance testing, shredding 500 sheets using an Auto Feed and comparing it against a competitor manual feed shredder. Based on average EU hourly wage from OECD

3. Introducing the world's first Auto Feed shredder: ACCO Brands leads the way

In 2008, in order to meet consumer needs, ACCO Brands introduced the world's first Auto Feed shredder: the game-changing Rexel Auto Plus 500.

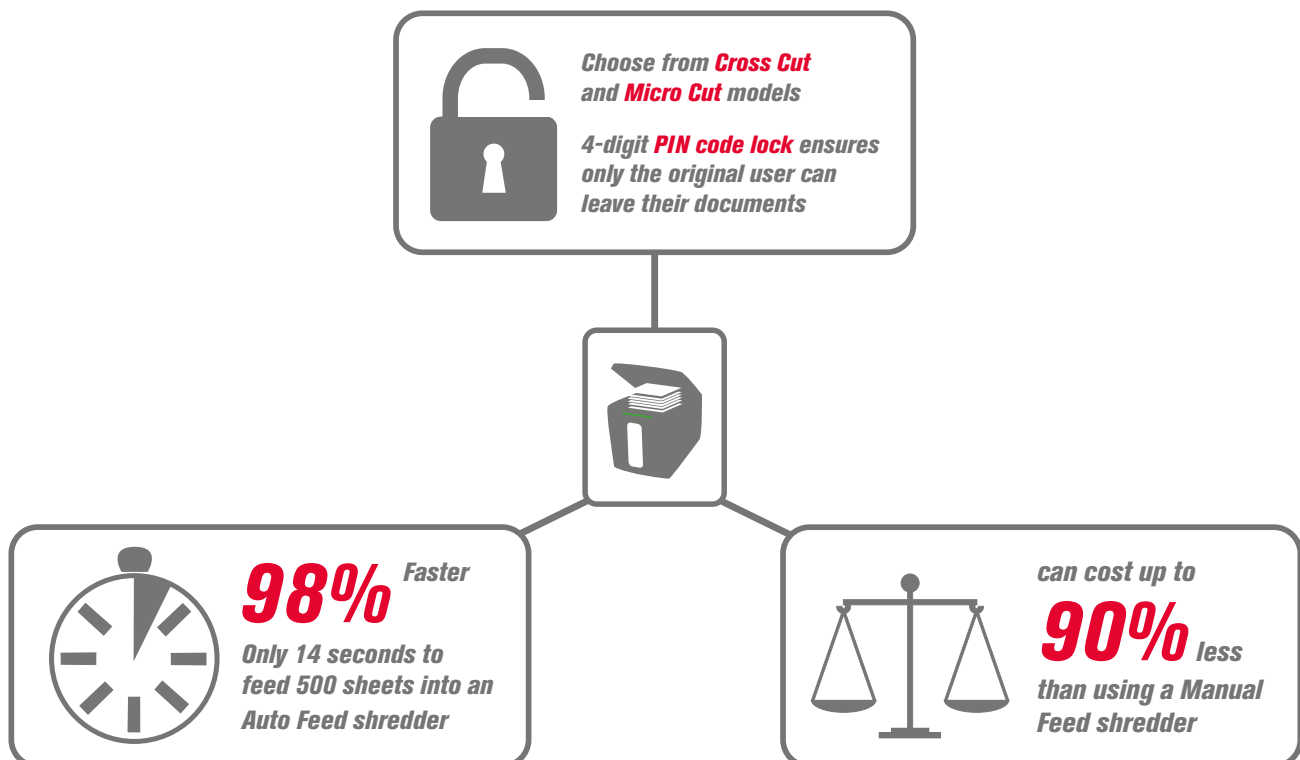
This Auto Feed shredder changed the way that business people shred. Instead of spending time feeding documents manually into a shredder, a busy executive could simply stack the documents to be shredded, close the lid – and let the machine shred the documents automatically.

From 2011, starting with the Rexel Auto+ 100X, we introduced a range of award-winning Cross Cut models, which can shred from 60 to 750 sheets of paper – suitable for anyone from the single user to more than 20 people. After the launch of the range, Auto Feed shredders won the EOPA 2013 award for “Technology Product of the Year”.

Then in 2014, we went one further – and launched a range of four Micro Cut models – the 100M, 300M, 500M and 750M. These Auto Feed models, which can shred from 100 to 750 sheets, shred the paper into more than 2,000 tiny pieces, which increases the amount of shredded paper the bin can hold before needing emptying. As of spring 2016, Rexel is the only brand of Auto Feed shredders to offer a complete Micro Cut range.

How Auto Feed shredders meet client needs

But Auto Feed shredders aren't merely ground-breaking and award-winning. Importantly, they meet client needs of security, productivity, and value for money:



Security

With an Auto Feed shredder, clients' paper is shredded immediately and on-site.

Clients can choose from **Cross Cut** and **Micro Cut** models in the range – so they can shred to confetti instead of salvageable strips.

Micro Cut models are suitable for legal, government, HR, financial and other high-security environments.

A four-digit custom **PIN code** locks the lid and ensures that only the original user can leave their documents to be shredded in confidence.

Productivity

ACCO Brands research shows that it takes an average of **14 minutes and 25 seconds** to manually insert 500 sheets of paper into a traditional, manual-feed shredder.

But it takes only **14 seconds** to feed the same sheets into an Auto Feed shredder. That makes an Auto Feed shredder **98 % faster**.¹⁵

To support the way clients choose to work, they can choose from a **wide range of shredders** – from a single-user model for home offices (the Auto+ 60X) right up to models aimed at shared areas with 20 or more users (the Auto+ 750X or Auto+ 750M).

Value for money

A Rexel Auto Feed shredder can cost **up to 90 % less** than using a manual feed shredder, at just £0.001 (€0.001) per sheet – potentially saving a large business up to **€25,000 per year** in employee productivity terms.¹⁴

The Rexel Auto+ 500X has been tested beyond **3 million sheets** – so clients get the durability they want, too.

Clients achieve this value for money even though the **price of an Auto Feed shredder is higher than for a manual-feed shredder** – increasing potential margins for dealers.

¹⁴ Source: Calculations based on total sheets shredded during shredder life test. Labour hours based on Intertek independent performance testing, shredding 500 sheets using an Auto Feed and comparing it against a competitor manual feed shredder. Based on average EU hourly wage from OECD

¹⁵ Source: Intertek independent testing, June 2012, comparing the Auto+ 500X to a traditional feed shredder at a similar price level

4. A success story: growth in Auto Feed shredder share

Since ACCO Brands introduced its Rexel Auto Feed shredder range, Auto Feed shredders have demonstrated strong value growth in all three of the major European shredder markets – Great Britain, France and Germany.

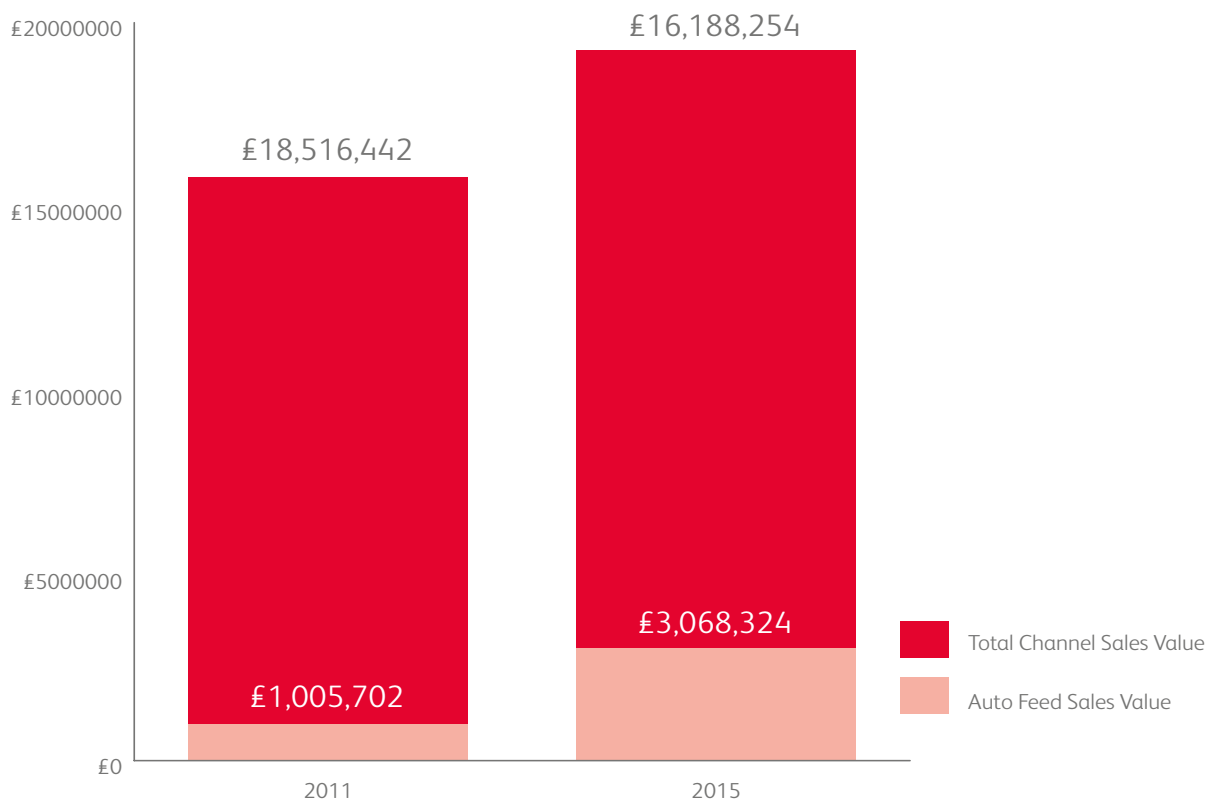
This was true even though total B2B shredder sales slipped slightly in all three markets during the periods of measurement.

UK

Between 2011 and 2015, the value share of Auto Feed B2B shredder sales in the UK rose strongly from just 5.4% to 19.0%.¹⁶

UK Auto Feed and Total Channel Shredder Sales Retail Value (inc. VAT)

Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)



The CAGR (compound annual growth rate) of the auto-shredder sales value was 32.2% per year over this period, even though total shredder sales fell.

The figures were the more remarkable because, according to GfK/Boss, sales of B2B office machines as a whole – not including computer hardware, computer accessories or personal electronic equipment – fell by 10% in the UK between 2014 and 2015 alone.¹⁷

¹⁶ Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)

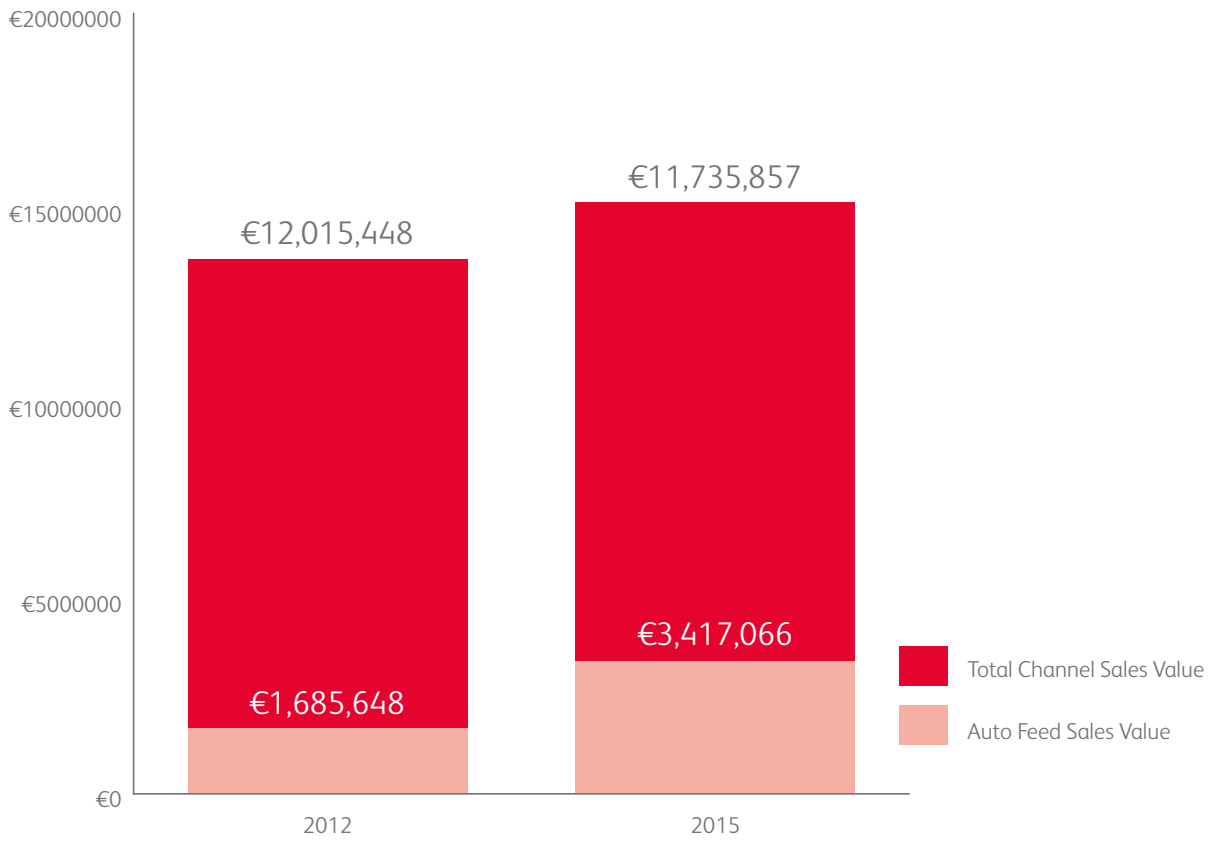
¹⁷ Source: Boss/GfK Market Tracking Office Total Store Report (OTSR), B2B, December 2015

France

Auto Feed shredders also showed a growth story in France. Between 2012 and 2015, the value share of Auto Feed rose from a high base of 14% to reach 29.1%.¹⁸

France Auto Feed and Total Channel Shredder Sales Retail Value (inc. VAT)

Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)



The CAGR for auto-shredder sales was 26.6% per year over this period, against a background of slightly falling overall shredder sales.

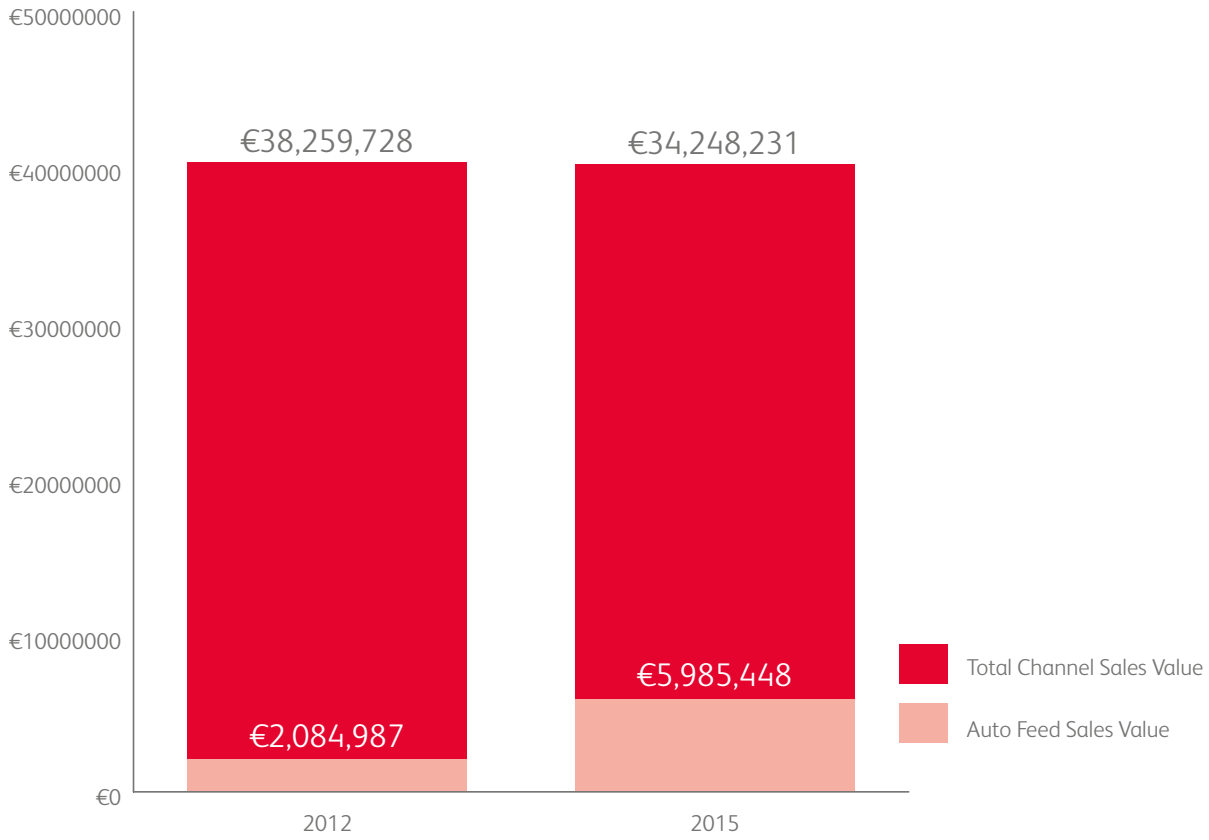
¹⁸ Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)

Germany

In Germany, Auto Feed shredders accounted for a value share of 5.4% in 2012, but this had risen to 17.5% by 2015.¹⁸

Germany Auto Feed and Total Channel Shredder Sales Retail Value (inc. VAT)

Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)



The CAGR for auto-shredder sales was a healthy 42.1% per year over this period, once again against a backdrop of falling shredder sales.

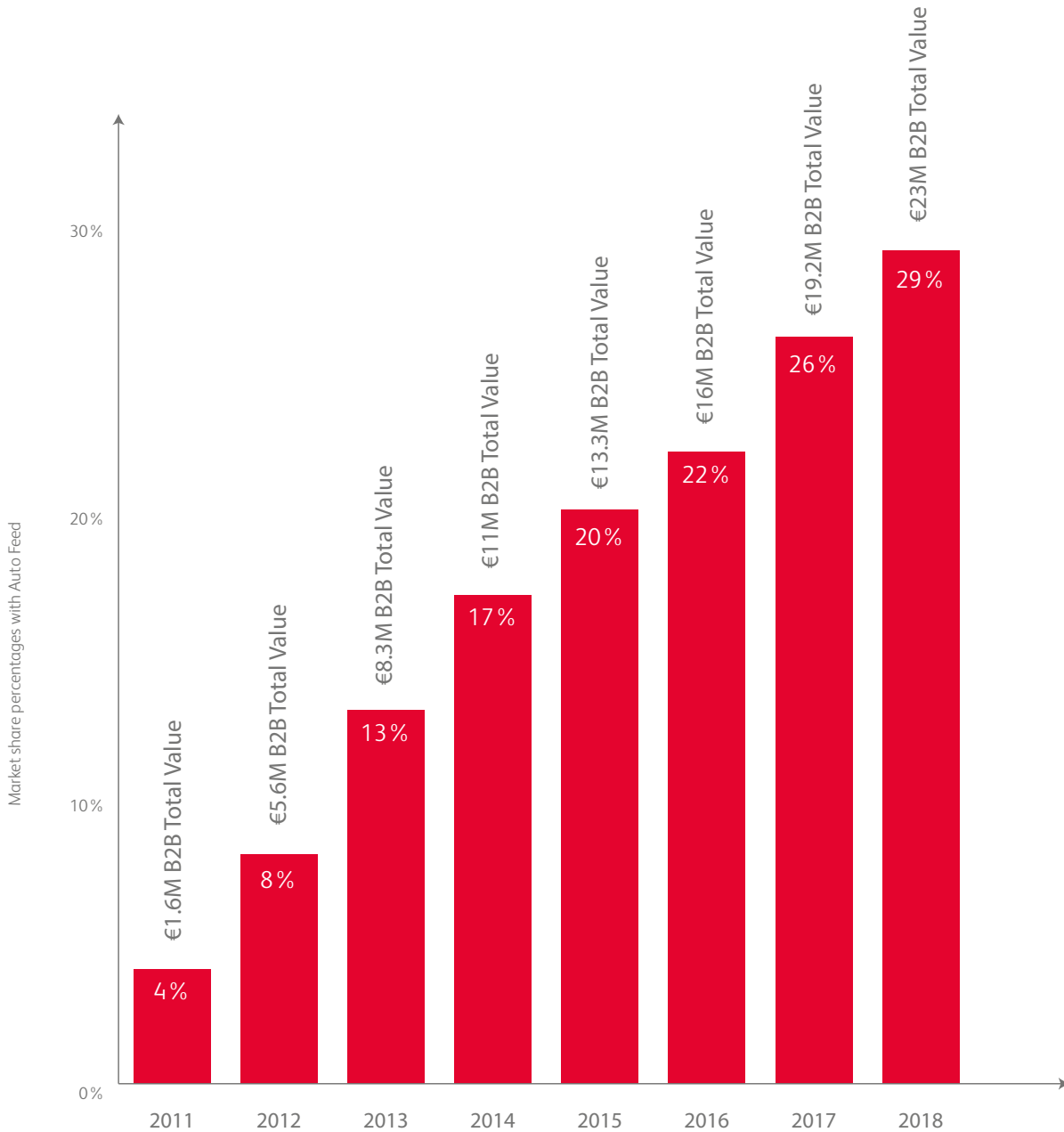
¹⁸ Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)

Projected growth

Taking the three markets together, we see that Auto Feed shredder share has grown from a base of 4% in 2011 to 20% in 2015.¹⁸ Extrapolating forward, it is possible to predict that Auto Feed shredders could account for almost a third of the B2B shredder market by 2018.

Evolution of the Auto Feed Market

Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)



This creates an opportunity for dealers. With Auto Feed shredders taking a consistently growing share of the market, dealers who can communicate their benefits to clients will be a step ahead of the competition.

¹⁸ Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)

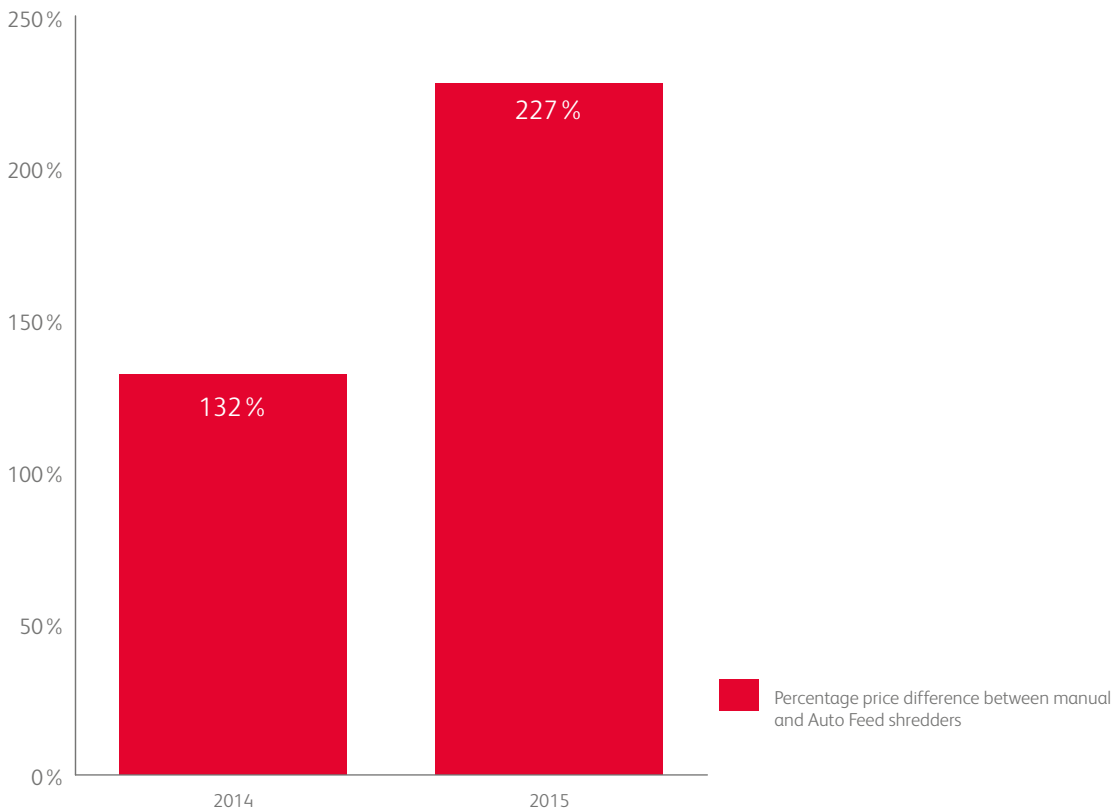
The Auto Feed price point difference

One very attractive point for dealers is the fact that Auto Feed shredders sell at a significantly higher price point than manual shredders.

In 2015, the average Rexel Auto Feed shredder sold in Germany, France and the UK in the B2B channel had a price point 227% greater than a manual shredder¹⁹ (that is, it was sold for more than three times the price). The previous year, the equivalent price difference had been 132%²⁰, so the gap between Auto Feed and manual feed has been increasing.

Increase in percentage price difference between manual and Auto Feed shredders from 2014 - 2015

Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)



This means there is the opportunity for higher margins for dealers – and also an opportunity to encourage businesses to trade up to Auto Feed from existing manual models.

Auto Feed shredder awareness

Despite the growth in Auto Feed shredder sales, ACCO Brands research conducted in 2015 shows that one-third of UK office products dealers were still unaware of Auto Feed shredders.

Yet awareness is rising. Aaron Blom from distributor JGBM (see Distributor interview), for example, notes that where once people didn't have an understanding of the benefits, now they do.

Since ACCO Brands introduced Rexel Auto Feed shredders, other companies have responded. Although Rexel remained one of the leading brands in the Auto Feed shredder market in 2015, competition in the sector should drive awareness still further.

^{19,20} Source: Derived from GfK data (B2B Auto Feed and total channel shredder sales retail value, including VAT)

How awareness of Auto Feed shredders is growing

Distributor interview with Aaron Blom, JGBM

When new technologies arrive on a market, it sometimes takes a while for the market to realise how disruptive it is – and it seems Auto Feed shredders were no exception.

“When Auto Feed shredders initially came out, people didn’t really understand what the difference was,” says Aaron Blom, key account manager at distributor JGBM, “and why clients would spend an extra £100, £200, to buy a machine that was Auto Feed.”

“But now they’ve seen them – and there’s enough on the market to see that they’re working.”

Productivity benefit

The main benefit that resonates with clients, explains Aaron, is the time that an Auto Feed shredder can save.

“If you’ve got a customer, and you can tell them that their staff can walk up and put their paperwork in, lock it, and they’re not standing there for 15 minutes feeding in paper – it makes a big difference.”

And it helps the customer’s bottom line. “Bosses are going to look at it and say: ‘If I don’t have to pay someone to stand and feed their shredder; I’ve got them back at their desk working.’”

The fact that shredding can be done immediately on-site is another big sell. “Although they’ve still got to have someone empty the bins, a lot of businesses have turned away from off-site shredding because with an Auto Feed shredder, they know it’s going to be shredded on-site.”

Direct experience

In a sector with long memories and strong brand loyalty, Blom says it’s the direct experience of seeing a shredder in an office that can help the Auto Feed message get through.

“You can read all statistics you like about how they’re selling, and how wonderful they are, but it’s seeing how an Auto Feed shredder works in practice, and realising how beneficial it can be, that helps a customer develop awareness.”

5. Conclusion: backing up the Auto Feed story

In any market, businesses thrive by combining innovation with a strong focus on customer benefits – and the OP sector is no exception.

By recommending Auto Feed shredders, dealers can educate their business clients about an innovation that can save time and money – while helping clients meet their all-important security needs.

In this white paper we've shown how ACCO Brands launched the world's first Auto Feed shredder, under the Rexel brand – and how Auto Feed shredders have grown to take a significant share of the total B2B market, at a time when overall shredder sales slowed down.

We've seen how this growth has happened despite the fact that awareness of Auto Feed was still at a relatively low level in 2015.

While no one can predict the future, we think this means there may be more room for more growth in the Auto Feed shredder market – as more dealers and clients become aware of Auto Feed, and let others know about their benefits to business.

We also think that means there's a sales opportunity for dealers who join with us – and tell the Auto Feed story.

Promotions make selling Auto Feed even easier

Yet for all the benefits that Auto Feed offers, we understand that business customers will always seek extra incentives to buy. That's why we've introduced two offers to help you make shredder sales.

100%
SATISFACTION
GUARANTEED
OR YOUR MONEY BACK

One is our **Buy & Try** offer. If customers aren't completely satisfied with their machine during the 60-day trial period following registration, they are entitled to a full refund from us. That way, we help take the risk out of the switch to Auto Feed – while expressing our confidence that Rexel Auto Feed shredders will meet clients' needs.


Cash back
on Auto Feed Shredders

At the same time, we're also offering a **Cashback** offer. Customers can now claim up to £100 Cashback directly from Rexel when they purchase models in the range.

So that's two more reasons to help your clients choose Auto Feed.

Download a Dealer Pack

To take part in our Auto Feed promotions, please download a dealer pack from www.rexeurope.com/cashback.

You'll find a full range of marketing tools for dealers, including our **Cashback** and **Buy & Try** offers – to make it even easier to sell Auto Feed shredders.



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