



Private Label Sourcing at Staples Brand Group

A case study interview with:

Shawn Auler
Director of Operations and Procurement
Staples Brand Group



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that was easy:

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- Learn how Staples Brands Group drives global sourcing for a multi-billion private label business.
- Learn how Staples Brands Group drives the lowest possible product costs with 99% on-time deliveries across global suppliers and customers.
- Learn how Staples Brands Group uses Arigo STM Suite to track costs and shipments at lowest levels across their supply chain.

Staples Corporate Overview

Staples, the world's largest office products company, is committed to making it easy for customers to buy a wide range of office products, including supplies, technology, furniture, and business services. With 2008 sales of \$23 billion and 91,000 associates worldwide, Staples serves businesses of all sizes and consumers in 27 countries throughout North and South America, Europe, Asia and Australia. In July 2008, Staples acquired Corporate Express, one of the world's leading suppliers of office products to businesses and institutions. Staples invented the office superstore concept in 1986 and is headquartered outside Boston.

Staples brand products are an important part of the company's commitment to offer quality products at a great value. In 2000, Staples brand products represented 7% of total sales. Today, Staples proprietary branded products represent more than 23% of total Staples sales. The company's long-term goal is to grow own-brand business to 30% of total sales.

Staples Brands Group

Staples Brands Group (SBG) is responsible for private label products carrying the Staples brand name. SBG's goal is to deliver iconic products that become distinctly associated with the Staples brand name and that make customers drive past the competition to buy these specific products. The Staples brand strategy is focused on delivering national brand quality with lower prices and better margins. Staples Brands Group is one of the top profit margin business units in the company.

SBG offers a wide range of products from items as simple as pencil leads to complex, engineered products such as ergonomic office chairs. One of the most memorable Staples brand products is the Staples Easy button. Other well known Staples brand products include the MailMate shredder, the One-Touch™ stapler, and the Better™ Binder. Some products, such as notebooks, are fashion items that require different colors for different countries and color changes every year. Staples Brands Group has more than five thousand product combinations offered to customers around the world.



Staples One-Touch™ stapler

Staples Brands Group acts as an independent vendor and competes against national brands bidding for business from Staples channels around the world. SBG currently sells to approximately fifteen Staples businesses across fifteen different countries. Each channel and country has its own set of business challenges. Retail channels have peaks and valleys in demand for key sales seasons. Contract channels can have variable demand when mid-size companies unexpectedly make large purchases that are not forecasted. Staples Brands Group has been using Arigo STM Suite since 1999 to manage global sourcing for this complex set of private label products and channels.

Product Development at Staples Brands Group

Staples brand products go through a complete product development cycle. Products are developed through research and development and long-term brand strategy. Some products are engineered from scratch. Time-to-market can range from 6 months to 24 months for most products.

The brand team starts with product roadmaps with a long-range outlook for key categories and products. The business development team sells the product concepts to global merchants—the regional Staples business units. The merchants decide which products they want. The product development team works with design and sourcing teams to create development plans for the products. They find factories to build the products and quotes are generated. The manufacturing team works with the factories to debug tooling, complete testing, develop packaging, and ensure all testing and audits are completed. The operations team costs the products, generates forecasts, places orders, and lands the products.

Global Sourcing at Staples Brands Group

Shawn Auler is the Director of Operations and Business Replenishment at Staples Brands Group. Her team is responsible for sourcing more than 5000 product combinations across a global supply chain and delivering them to merchants worldwide. They drive more than 80,000 purchase orders every year to 500 vendors worldwide. This results in several million sourcing transactions per year.

SBG's customers are Staples business units, who in turn, sell Staples branded products through retail stores, the internet, catalogs, and contract delivery in 15 different countries. Each customer's channel has its own set of sourcing challenges. Retail has seasonal peaks and valleys in demand. Retail orders can jump from several thousand units per month to several million units per month when a key season, like "back to school," begins. Contract volume is more variable with the potential for large un-forecasted orders. A new contract could exhaust inventory or exceed short-term capacity, and the contracts come with delivery deadlines that have to be met. Localizing products for 15 different countries creates additional challenges balancing small production runs with minimum order volumes.

Staples Brands Group uses Arigo STM Suite to manage the complexity of global sourcing. STM Suite gives SBG the ability to manage sourcing and logistics data at the lowest levels of detail and drive business processes with that data. SBG tracks product information, costing, orders, and logistics. For costing alone, each item is tracked with 25 different levels of costing. SBG can calculate how much it costs to land an item on a per piece basis across a wide range of possible scenarios. SKUs are created early in the product lifecycle so they can develop detailed costing by the time the product is presented to merchants. "We have complete visibility into all the different costing aspects—what it costs to get from point A to point B," says Auler. "Therefore, we're able to land it from anywhere to anywhere and be really accurate in what it costs end-to-end." This gives SBG a huge advantage in competing for business because they're able to estimate landed costs with a high degree of accuracy.

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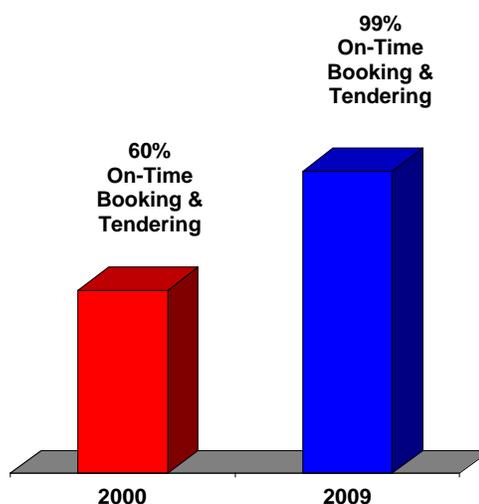
With such a large number of items in their product line, choosing the right factories is critical to deliver high quality products at the right price and on time. Factories must meet rigorous product protocols with continuous testing and audits throughout the product lifecycle. Testing is performed by internal SBG teams and independent third-parties. Factories must also meet a wide range of regulatory and social compliance requirements. "We go to the n-th degree to ensure that products are tested properly because we're extremely serious about the product quality that we put our name on," says Auler. When a new product or factory is turned on, it triggers the start of testing and audits. This activity is triggered out of



STM Suite. Automated workflow gives quality teams visibility to all orders and they schedule inspections and audits based on that information.

All orders go through STM Suite. Staples Brands Group can quickly see open orders, what's shipping, what's tendered and who is manufacturing. In the early 2000's, Staples Brands Group had some delivery issues. Only 60% of orders were being booked and tendered with carriers on time. Using STM Suite to track shipment details, SBG can quickly see when problems occur and implement corrective actions immediately. Today, Staples Brands Group is achieving 99% on-time booking and tendering.

STM Suite improves Shipment Tracking for Staples Brand Group



With almost 500 vendors, Staples Brands Group uses “scorecarding” to make it easy to compare and track vendor performance against on-time metrics. SBG uses a reporting tool to pull data from STM Suite and generate monthly vendor scorecards. The reporting tool tracks vendor performance against booking dates, tendered dates, physical ship dates and physical receive dates. Vendors must meet certain criteria or take corrective actions.

STM Suite features an open architecture that made it easy to integrate SBG's scorecard reporting tool. Auler says, “The platform that STM Suite is built on is very easy to connect, adapt, and expand.” After Staples acquired Corporate Express in 2008, the Staples Brands Group moved 1700 Corporate Express private label products to their STM Suite system. In less than 8 weeks, Staples Brands Group was able to take responsibility for sourcing, replenishment, validating suppliers and tracking quality for those Corporate Express products. “On-boarding” 1700 products in less than 8 weeks is another example of how the open architecture in STM Suite supports SBG's business.

Finally, Auler sees a lot of value in using STM Suite to improve two-way communication with vendors and merchants. STM Suite gives customers and vendors the ability to login and see the status of their orders. “STM Suite has enabled our growth and ability to sell to more customers around the world,” says Auler. “Instead of creating and sending reports to them through email, we just have them login to the system and they can see their data in real time. There's a lot of value-add to improve communication between our factories and customers.”

Advice for Other Retailers

The ability to have visibility and control over your product, costing, import, and tracking data at the lowest levels is a powerful tool for the Staples Brands Group. Auler says, “if you don't have the data, you lose a huge advantage.” Controlling that detailed data gives SBG the ability to dig down to understand the status of any item, to know when things are going wrong, and to understand how they got there. She adds, “That's what STM Suite give us. It lets us track at the lowest level, at the factory level—how is this product forming, how is the vendor performing, is it being shipped on time, what is my costing, and why does this product suddenly cost more than this similar product? To have that visibility and data has been absolutely critical to our success.”

For those retailers that are managing their sourcing and supply chain through spreadsheets and email, Auler sees STM Suite as an important solution to help businesses grow. Before Staples Brands Group deployed STM Suite, they used spreadsheets, email, and a Microsoft Access database to manage their global sourcing. When evaluating potential sourcing solutions, STM Suite was the only solution that could



handle all of their transactions at a detailed level on an international basis. “To sustain growth in Staples Brands Group, it’s critical that we’re able to understand every aspect of our supply chain,” says Auler. “I’ll be honest with you. STM Suite has helped us grow immensely in terms of the number of transactions that we manage. We’ve come so far in terms of the being able to manage the millions of transactions that we handle instead of throwing more bodies at the problem. And if something goes wrong with a spreadsheet, we would be really stuck. Today, we’re able to track everything down to the lowest levels with our data stored in a SOX-compliant environment.”

For the management team perspective, it’s all about compliance—being able to import from anywhere and ship to anywhere, to deliver product at the lowest cost, on time, while meeting the legal and regulatory requirements with the proper documentation. “STM Suite is the only system that can give us the ability to track at the lowest level, know what our product costs are, and track our international shipments around the world,” says Auler. “We’re able to bill and pay, to have multiple costs throughout a transaction and know exactly what transaction we’re billing and paying a supplier on. And we have the visibility to know that we’re in compliance with the product, the laws, and the proper documentation—all in one system.” For the Staples Brands Group, Arigo STM Suite has been the only solution capable of meeting their needs for global sourcing.

About Shawn Auler

Shawn Auler is the Director of Operations and Business Replenishment for the Staples Brands Group. She is responsible for global sourcing for Staples brand products. She has been involved with global sourcing at Staples for more than 14 years.