



Office Depot's E-Commerce Evolution

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EXECUTIVE SUMMARY

Office Depot Inc., founded in 1986, is currently known as one of the leaders in the office supplies industry. Office Depot's distribution channels include stores, direct mail, contract delivery, and electronic commerce. In the mid-1990s, three major office supplies retailers (Office Depot, Staples, and Office Max) dominated the office supplies market. The entry barriers to the new entrants were extremely high due to the three retailers' extensive distribution networks and physical stores. The competition among these retailers was also fierce in cities where all three stores existed. In 1997, Office Depot first introduced B2B e-commerce for larger corporate customers and realized that OfficeMax had already launched B2C e-commerce for the general public. In 1997, the executive committee of Office Depot worked with retail analysts and concluded that a full-scale move to e-commerce was an opportunity it must seize. To maintain the lead in the e-retailing race, Office Depot quickly launched B2C e-commerce in January of 1998. This case study investigates critical factors managers should take into consideration in adopting new e-commerce strategies and technologies that will leverage corporate resources.

Keywords: B2B e-commerce; B2C e-commerce; e-commerce implementation; e-commerce managerial issues; e-commerce strategy; e-retailing; e-tailing; electronic retailing

COMPANY BACKGROUND

Office Depot is known as one of the leaders in the office supplies industry. Office Depot sells business machines, computers, computer software, and office furniture, while its business services include copying, printing, document reproduction, mailing, and shipping (http://www.vikingdirect.com/eu_content/eucorp/content/comp_history.htm). Office Depot's customers include individual customers, small office/home offices (SOHO), and medium-/large-sized businesses located in the US and in 20 other countries around the world. Office Depot sells its products through multiple distribution channels, including more than 1,000 office supply stores, direct mail, global Internet sites, B2B e-commerce, and sales forces. Office Depot operates under the Office Depot®, The Office Place®, Viking Office Products®, Viking Direct®, and 4sure.com brand names.

While Office Depot is one of the leaders in the office supplies industry today, its beginnings were quite modest. Office Depot was founded in Delray Beach, Florida in 1986 and opened its first store in Fort Lauderdale. By the end of 1990, Office Depot had 173 stores in 27 states. That same year, Office Depot merged with The Office Club, Inc., becoming the largest office products retailer in North America. Domestic growth, however, was only one aspect of Office Depot's expansion in the early years. Office Depot expanded international markets as well. In early 1992, Office Depot acquired H.Q. Office International, Inc., which included the Great Canadian Office Supplies Warehouse chain in western Canada. Expanding steadily, Office Depot also opened new retail stores in Israel and Colombia under international licensing agreements.

As Office Depot expanded internationally, it also began to extend beyond its traditional markets. In 1993, Office Depot entered the contract stationer business by acquiring two market leaders: Wilson Stationary & Printing Company and Eastman Office Products Corporation. The merger of six additional contract stationers followed these acquisitions during 1994. Office Depot continued its steady international growth between 1995 and 1998. In 1998, Office Depot merged with Viking Office Products, a public company and the world's leading direct mail marketer of office products. The addition of Viking to the Office Depot organization not only vastly expanded Office Depot's international presence, but also made the company the leading provider of office products and services in the world.

In 1998, Office Depot began to leverage e-commerce aggressively, launching the first of a number of new public Web sites, www.officedepot.com. The Web site established Office Depot as the industry's e-retail leader, expanded its domestic e-commerce capabilities, and extended the range of products and services the company could offer its customers. In 1999, the company launched its first European e-commerce site, www.viking-direct.co.uk, in the UK.

In 2000, chief executive officer David Fuente stepped down, and Bruce Nelson was appointed the new chief executive officer. Nelson immediately undertook several new management initiatives geared to make Office Depot a more compelling place to work, shop, and invest. With a deliberate focus on improving the company's US retail operations, expanding its international business, and growing its world-class e-commerce business, Office Depot made dramatic improvements in the management of its supply chain, inventory, and warehouse operations. Office Depot's timeline, recent financial performances, and management structure are included in the Appendices at the end of this case.

SETTING THE STAGE: EMERGENCE OF E-COMMERCE

In the mid-1990s, three major office supplies retailers (Office Depot, Staples, and Office Max) dominated the office supplies market. Staples, Inc. launched the office supplies superstore with the opening of its first store in Brighton (Boston), Massachusetts in May 1986. Office Depot and Staples were two of the three largest office supplies superstores in the country, competing in approximately 40 metropolitan areas. Of-

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