



Cisco **success stories** customer profile

Office Depot

“We’re a young company, our doors first opened in 1986. As a \$12 billion company, our goal is to be the most compelling place to work and shop, and on that basis I’m convinced we’ll be a compelling place to invest.”

— Bruce Nelson, CEO Office Depot

Background

Office Depot is a gorilla in its market space. Today the world’s largest seller of office products, the company opened its first store in Fort Lauderdale, Florida in October 1986. Within five years another 173 stores were open for business. In January 1998, the company launched its first public Web site, and in August of that same year completed its acquisition of Viking Office Products, securing Office Depot’s position as the leading provider of office products and services worldwide. By the end of 2000, there were 1,020 stores in the United States, Canada, and nine other countries as well as eleven Web sites established in nine countries.

Office Depot takes orders through virtually every channel including stores, catalogs, phone, fax, direct

EXECUTIVE SUMMARY

BACKGROUND

Founded in 1986, Office Depot is the world’s largest seller of office products and an industry leader in every distribution channel, including stores, direct mail, contract delivery, the Internet, and business-to-business electronic commerce.

CHALLENGE

With business growing exponentially across multiple sales channels, Office Depot needed a technology strategy to help manage its growing business efficiently, effectively, and profitably.

SOLUTION

Through its strategic relationship with Cisco, Office Depot has begun to implement a robust, enterprise-wide network infrastructure to power an e-business model that will enable cross-functional collaboration and 24/7 access to real-time information.

RESULTS

Office Depot is reaping rewards in reduced cycle time, more scalable, cost effective business processes, and improved accountability across its enterprise – the latter yielding more effective capital spending while still providing for strong business growth.

sales, and the Internet. Its national business-to-business delivery network includes over 2,000 trucks, 25 domestic delivery centers, more than 60 local sales offices, eight regional call centers, a state-of-the-art public Internet site and a customized Internet site for corporate customers.

While most would consider it primarily a retail company, Office Depot is actually a very complex business model that employs an equally complex IT infrastructure. Given the high tech methods Office Depot uses to service its customers and manage inventories, the company has been uniquely innovative in the development of its densely interwoven sales channels.

Office Depot’s company-wide philosophy mandates that customer satisfaction is inherent in everything it does. The company fosters an environment where recognition, innovation, communication, and the entrepreneurial spirit of each employee are encouraged and rewarded. Strongly committed to maintaining its

leadership edge, Office Depot is focused on the future with the goal of becoming a totally integrated, global IT organization, completely connected via networked systems.

Challenge

On the Web since 1995, Office Depot has carved an e-commerce presence now second only to Amazon.com. In seeking a technology strategy to support its rapidly expanding business, Office Depot began looking for ways to internalize the power of the Internet.

The first challenge was simply keeping up with ever increasing transaction volumes. Tracking all its inventories, invoices, outstanding bills, and custom sales arrangements is a tedious but critical task. In addition, Office Depot needed a way to disseminate timely and accurate information globally to its more than 48,000 employees worldwide.

The company wanted a means to truly empower its workforce while at the same time increasing accountability and ownership. It needed an efficient network that would inspire cross-departmental collaboration and allow for the development of customized business accounting and analytical tools.

As Bruce Nelson, Chief Executive Officer of Office Depot, explained: "Through technology we can give our employees access to more comprehensive information more quickly than we could in the past. And we can deliver it at a lower cost. Technology provides the power to make better decisions more quickly and cost effectively by eliminating the steps and reducing the errors that are inevitable with all paper-based, manual processes.

"Our ultimate goal is to streamline our entire business and rededicate the savings to improve customer service."

Solution

Initially, Office Depot chose Cisco to provide the bandwidth and universal connectivity needed to move toward a more robust, 24/7 enterprise-wide infrastructure. "Our initial relationship with Cisco was simply that they were our business partner, providing infrastructure components that enabled us to grow our company from a network perspective," said Bob Conklin, who manages Office Depot's entire technology infrastructure. "Now we've raised that relationship up a notch. They are engaged with us at both executive and operating levels applying techniques and best practice solutions."

Building that relationship began with Cisco visiting Office Depot and sharing with senior management the advantages and processes of what Cisco calls the "virtual close" – the ability to close the books on a company within 48 hours. It was this unique application that caught the attention of Office Depot executives.

"The real economic value of a virtual close comes from transforming operating processes such that there is continuous interaction across a company's business processes," said Charlie Brown, Executive Vice President, CFO. "The Internet-enabled processes we're putting in place create an increased level of financial and business integration and a more accountable culture within the company. It's the linkage that's truly valuable."

According to Rob Koch, Vice President of Corporate Finance, Office Depot's first initiative after meeting with Cisco was to pursue real time access to reliable, pertinent business intelligence across departments. Next was to set up a simple, intuitive electronic process for integrating controls and capturing metrics within the Finance Department, which requires input from multiple sources to generate key reports. The third step was to implement methods to enable front line accountability and ownership.

From a finance perspective, Office Depot wanted to ensure more accurate and timely data, which would allow for more reliable forecasting and eliminate unwanted surprises. The new network solution would also greatly enable cross-functional collaboration and the sharing of ideas and analyses. By moving to an Intranet business model, Office Depot expected an increase in efficiency, accuracy, and accessibility.

Results

Today, the Internet is a value-added enabler for Office Depot's entire enterprise. In addition to harnessing its power to ensure continued e-commerce dominance, the company began applying Internet-enabled processes internally, as well. To accomplish this, the company's mainframes have taken on an expanded role as servers fueling Internet-based applications, with Cisco gear helping balance the additional traffic. "The idea is to reengineer everything we possibly can to create efficiencies and accountability across the business," explained Bill Seltzer, Executive Vice President and Chief Information Officer.

“With the networking capability now in place, we’re seeing a massive increase in cross functional partnerships and collaboration,” Koch said. “We’ve been able to unlock content from what had been very proprietary storage structures. We’re reducing complexity by using the Web to enhance workflow.” Cathy Kollman, Director of Accounts Payable, is experiencing the results of this first hand. “In our Accounts Payable organization alone the cost benefits will outweigh the technology investment through reduced headcount and streamlined processes.”

Office Depot has implemented a powerful Internet-based system called Total Document Management (TDM). With TDM, invoices are sent to a central outsource location where they are scanned into the network, drastically reducing the touch points of document handling. This has had a profound impact on internal reimbursement processes, reducing cycle time from four weeks down to 72 hours. Furthermore, end users have complete visibility into the life cycle of an invoice, from receipt through payment.

In the near future, Office Depot plans to have all invoicing handled through TDM, from the largest accounts down to contracted maintenance organizations. This almost instantaneous system of document management has enabled the Finance department to virtually eliminate its dependence on week-old reports in favor of daily updates available throughout the network.

Office Depot has reduced transaction costs by eliminating many of its paper transactions. And the connectivity delivered through the network infrastructure allows the company to outsource much more than was previously possible.

Lance Cook, Senior Manager, Business Analysis, took a fresh approach to empowering the financial organization. “We meet with business accountants, analysts, and others from the financial group and take them through a training and skills development process where we actually teach them how to build the tools our group builds,” Cook explained. “This raises the technical skill set of the entire Finance organization, allowing them to customize the online tools at their disposal while teaching them practical project techniques.

“Those closest to the customer now have more control over how situations are handled, streamlining the process and reducing costs,” Cook added. “Because they’re in the trenches, they know what needs to be done. By increasing their technical skill set and

capitalizing on the robust network infrastructure, we enable them to reengineer these processes themselves.”

The network also augments Office Depot’s real-time management of inventories, an important factor in managing the business cost-effectively. “When an order comes in on our Web site or through a call center, and when we perform ongoing replenishment, the transaction hits our core supply chain applications and environments,” Conklin said. “It’s not a separate Web front end that sends a batch transaction and later depletes the inventory or alerts the supply chain.” This instantaneous inventory management improves Office Depot’s supply chain processes dramatically.

Using the network to manage business case justification of capital and discretionary spending is another major win for Office Depot. “Because accountability is built into the system, we’ve significantly increased our spending effectiveness,” Brown said. “Today, there is also increased communication across the company before projects are launched and much better alignment with Office Depot’s business needs.”

Fundamentally, the network has enabled Office Depot to begin developing a highly accountable and empowered grassroots culture. The automation of the mundane has become the value added, freeing employees from tedious activities and transferring high value activities back to the company. “The payback is that people feel connected to the mission here,” said Dan Depace, Director of Sales Accounting. “We’re seeing many ideas coming forward on how to put more and more things on the Web.”

Those suggestions are coming from the CEO, as well. “Bruce provides great leadership and encouragement for exploiting the technology,” Brown said. “He’s often heard asking: ‘Have you thought about putting that on the Web?’ He realizes the many benefits in becoming a Web-enabled company and challenges everyone, starting with his direct reports, to help Office Depot become a Web-enabled company. His leadership is changing the culture.”

“In addition to the benefits of building more effective processes, we have also increased our ability to recruit highly talented people because they want to be part of an innovative company,” Brown added. “And we can make, as Jack Welch says, a very large company seem small again.”

One of Office Depot’s next initiatives is to complete rolling out e-learning platforms for all employees while continuing toward

the goal of instantaneous dissemination of information across its 48,000 employees. Whatever may come, Office Depot is not waiting to react.

“You have to find ways to relentlessly improve your business and technology is an enabler that lets you do that,” Nelson said.

“It gives your employees the ability to focus on the important issues.

“Cisco has played an active role in getting us to think in terms of an e-business model, to raise questions about our readiness for it,” he added. “They’ve helped by sharing their own experiences with us. In the truest sense, we collaborate together and the results speak for themselves.”



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