



that was easy.<sup>sm</sup>

**THE MARKET**

We all need them, we all use them, and no business can function without them. They are office products. Funny thing is, for something so crucial to our daily lives, we probably don't give inkjet cartridges, pens, and paper a second thought — until we run out. Staples® has been keeping the desk drawers of businesses stocked since 1986. That's when the company opened the world's first Office Superstore. With more than \$13 billion in sales, more than 1,600 stores in seven countries, and delivery businesses throughout the United States, Canada, and Europe, Staples is the world's biggest seller of office products to small home-based offices and Fortune 500 companies alike.

**ACHIEVEMENTS**

Staples is known around the world as a groundbreaking retailer with a record of fiscal outperformance. Staples is earning as much praise for its leadership in the areas of corporate governance, environmental stewardship, and social responsibility.

In 2004, *Business Week* magazine named Staples one of its 50 best-performing companies in the S&P 500. Staples is the first in the office products industry, and one of the first companies nationwide, to have its call centers certified by J.D. Power and Associates for customer satisfaction excellence. And *Business Ethics* magazine put Staples in the top 50 of their 100 Best Corporate Citizens of 2004.

Staples sells more than 2,000 products made with recycled content, has comprehensive recycling programs running in all its facilities, and 10 percent of the power it uses comes from renewable energy sources. Two



years ago Staples issued the industry's first Environmental Paper Procurement policy, hailed by environmental groups as a major step in cutting the use of virgin fibers in paper production.

Always the innovator, Staples has married its environmental programs with the company's commitment to the community. Staples Recycle for Education has raised \$1 million for classrooms across the country. The program donates one dollar for every inkjet or toner cartridge customers return to Staples for recycling. Another program donates 10 percent of the price of every case of Staples® brand recycled paper to the Boys & Girls Clubs of America.

The Boys & Girls Club is the single biggest recipient of grants from Staples Foundation for Learning™. Created in August 2002, the



Foundation provides grants to groups that offer education and job training to people from all walks of life, especially disadvantaged youth. Since its inception, the Foundation has awarded almost \$3 million to 139 nonprofits in 92 communities throughout the United States. At its inception, Staples Foundation for Learning gave \$500,000 to "Campaign 3 p.m.," the after-school program of the Boys & Girls Clubs of America. In September 2003

Staples renewed its commitment to the Club, promising to give \$2.5 million over three years to expand its Torch Club program, a character- and leadership-development program.

**HISTORY**

It all started with a broken printer ribbon. During the Fourth of July weekend in 1985, Staples founder Tom Stemberg, a former supermarket-chain executive, turned his personal frustration into a new retail category. Stemberg was writing a business plan when his printer ribbon broke. His regular supplier, the neighborhood stationery store, was closed for the holiday. Other stores farther away did not stock Tom's ribbon. During this fruitless search he realized that what the world needed was a supermarket for office supplies.

Until Staples, small businesses and consumers paid a premium for office supplies at the neighborhood store. Large companies could negotiate huge

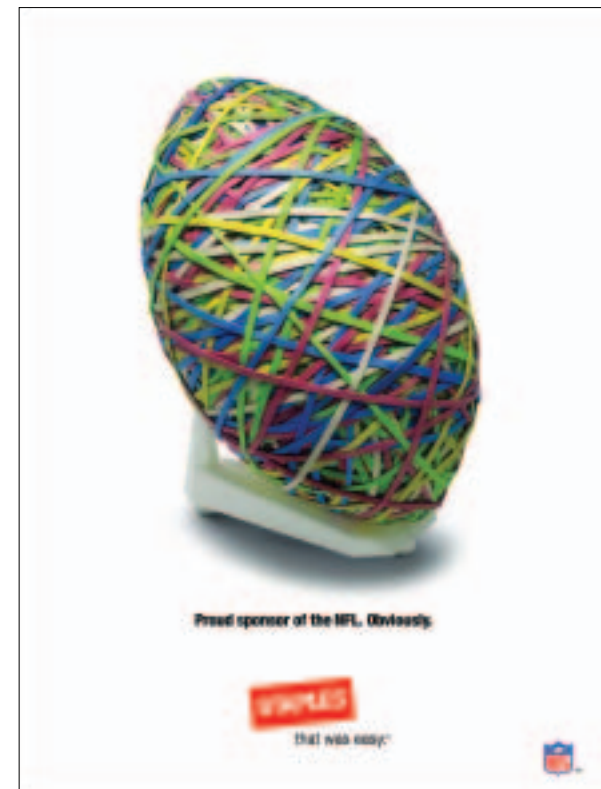
discounts with contract stationers. Staples was created to give the same deep discounts to people operating small businesses.

Staples, Inc. opened its first store in Brighton, Massachusetts, on May 1, 1986. The combination of convenience and low prices was such a success that some 20 competitors launched similar retail concepts over the next two years. Though most looked a lot like Staples, few could copy the original's staying power. Only two other office superstores remain in business. They are not, however, Staples' only competition. Retailers ranging from mass merchant discounters to the corner pharmacy all sell some office supplies.

With so many companies racing Staples for market share, growth came fast and furious. One year after opening its doors, Staples was expanding into New York City. By 1990 Staples had jumped to the West Coast and was operating in Los Angeles.

A year later Staples was going international, expanding into Canada. In 1992 Staples leapfrogged the Atlantic, opening stores in the United Kingdom and Germany.

Staples now has more than 200 stores in Europe and has expanded into Portugal, the Netherlands,



and Belgium. By the time Staples celebrated its 10th anniversary it was one of only six companies in U.S. history to achieve annual sales of \$3 billion within a decade of startup.

The biggest driver of Staples growth has been the small-business customer. Small businesses wanted the convenience of delivery, so Staples introduced a catalog in 1989. In 1998 the company took the wraps off its award-winning eCommerce site, Staples.com®, and became one of the first retailers to truly integrate its Web site into its retail stores. That same year Staples acquired Quill Corp., a direct marketer respected for its customer service. Together these companies make up Staples Business Delivery™ and specialize in serving small and medium-sized businesses and professional offices.

The business model that Tom Stemberg implemented in 1986 is now one of Staples' fastest-growing divisions. Serving Fortune 500 companies and large regional businesses, Staples Contract is revolutionizing procurement for big businesses. It combines impeccable service with the efficiency of tailor-made eBusiness platforms. Customers get the advantage of customized services and pricing, along with centralized tracking and billing. Using StaplesLink.com®, Contract customers can check real-time availability of inventory, company-specific contract pricing, and line-item shipping status.

Staples latest acquisition is its European Catalog Business, which dramatically expands Staples presence in Germany, the Netherlands, Belgium, Portugal, the United Kingdom, France, Italy, Spain, and Sweden.

**THE PRODUCT**

Staples has more than 1,300 retail stores throughout the United States and Canada, offering everyday

low prices on more than 7,000 office products and business services. Staples guarantees to have an array of ink or toner cartridges in stock, and Staples associates are trained to help every customer shop with optimum efficiency and ease. In select locations, Staples operates its stores 24 hours a day.

The typical Staples superstore is about 20,000 square feet and, in addition to its enormous range of supplies, offers a Copy & Print Center, Build-to-Order computer capabilities, and a UPS Authorized Ship Center. Staples.com kiosks allow customers to shop online while in store, ensuring they need never leave without the product they came to buy. In fact, several Staples stores have undergone a recent redesign to make it even easier for customers to locate products and check out quickly, with minimum hassle.

Staples North American Delivery consists of Staples Contract, Staples Business Delivery™, and Quill. Staples Business Delivery is a unified selling channel that combines Staples.com and Staples catalog

businesses to serve small to medium-sized businesses. Staples operates 25 fulfillment centers and a fleet of 500 delivery trucks throughout the country. Staples.com is an award-winning eCommerce site that features 45,000 products, from basic office supplies to the latest in technology. Customers have the convenience of ordering from their home or workplace. Delivery is free for most orders of \$50 or more, and in most cases, delivery is next business day. Staples.com offers many shopping tools to help make the shopping experience easy. For instance, customers can create lists of frequently ordered items as well as email reminders for consumable products like printer cartridges and paper.



**RECENT DEVELOPMENTS**

In 2003, Staples launched Invention Quest!™ in search of the next great office product. This nationwide competition resulted in more than 8,000 entries and an award ceremony at NASDAQ in New York. Invented by Todd Basche, the winning product was The WordLock™ — a combination lock that uses easy-to-remember words instead of numbers — and will be available in Staples

stores early in 2005. Meanwhile, Staples annual Invention Quest competition demonstrates Staples' commitment to making it easy to innovate. Also in 2004, Staples announced the new One touch™ stapler, a revolutionary stapler that uses staple gun power to staple as many as 20 sheets of paper at once — with just a touch of the finger.

**PROMOTION**

Staples has a history of using humor in its commercials to connect with customers and reinforce its accessible and people-friendly brand personality. In 2003, Staples took a fresh look at how the

brand was being presented in store, in promotions, and in all internal communications. The result was the launch of a national advertising campaign supporting a new brand promise: Staples makes buying office products easy. The campaign has included national network and cable television advertising that aired during the Major League Baseball playoffs, prime-time premieres, Monday Night Football, the NFL® on CBS, and other major destination television events. The new brand positioning and tag line, that was easy<sup>sm</sup>, has been prominently featured in print, online, and radio advertising; in Staples stores and catalogs; and on www.staples.com. In 2004, Staples aired its first-ever Super Bowl ad during Super Bowl XXXVIII.

**BRAND VALUES**

In pioneering the office supply superstore industry, Staples changed the way people thought about and purchased office supplies. The company's



original mission — to slash the cost and hassle of purchasing office supplies — was a message that small businesses identified with. Today, all over the world, the Staples name is synonymous with great prices and great selection — making buying office products easy. Customers can shop Staples however they choose, either by walking in, calling in, or logging on. In a phrase: Staples: that was easy<sup>sm</sup>.

**THINGS YOU DIDN'T KNOW ABOUT STAPLES**

- As of July 2004, Staples employed more than 59,000 people.
- Staples cofounders Tom Stemberg and Leo Kahn were once fierce competitors in the supermarket industry.
- CEO Ron Sargent has been with Staples since 1989. He too came from the grocery business. His first job: stocking shelves in his hometown store.