



Partnering to Achieve “Lowest Total Delivered Cost”

Jay Baitler
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As the head of Staples Contract Division (www.staplescontract.com) over the past decade, Jay Baitler, executive vice president with Staples, has been a strong advocate for supply chain innovation and for Supply Chain’s strategic function within the enterprise. He tirelessly has urged Procurement to take a “lowest total delivered cost” approach to supply management, focusing on both the soft-dollar (or back-end) savings generated by process improvements as well as hard-dollar (or product) savings.

Jay Baitler is responsible for overseeing Staples Contract division, including its business-to-business e-commerce operations, catalog operations, sales and marketing, and supplier relationships. Staples Contract is Staples’ fastest growing business, with industry-leading double-digit growth for the past seven years. The business serves midsize companies through Staples Business Advantage and Fortune 1000 companies through Staples National Advantage. A 30-year industry veteran, Baitler is sought after as a procurement expert by financial executives at Fortune 1000 companies and has been recognized for driving operational excellence in feature stories in top industry publications, including *Supply & Demand Chain Executive*.

Baitler notes that procurement executives today are continuously challenged to find new ways to reduce costs. But while surveys have shown that the majority of these executives believe they already are focusing on lowest total delivered cost, the actual strategies they are applying to reduce costs at times run counter to LTDC. “For example, too few enterprises are effectively working

with suppliers to lower their costs and share in any cost decreases,” Baitler says. “And many companies are missing out on the potential savings that they could achieve by collaborating with suppliers in other ways besides price to lower commodity costs.”

In working with Staples Contract clients, Baitler recommends pursuing both internally and externally focused strategies for achieving lowest total delivered cost. Internally focused strategies include enforcing compliance policies that allow companies to concentrate their spend with a reduced number of suppliers while eliminating maverick, or off-contract, spend; reducing order numbers so that the supplier’s total cost to serve that company remains at the lowest possible level; and automating routine transactions so that both supplier and buyer can benefit from reduced labor costs and increased transactional efficiencies.

When looking to extend their LTDC strategies beyond their companies’ own “four walls,” Baitler says, procurement executives should work to shift more of their spend toward suppliers that are willing to collaborate to identify true costs of transactions, that can assist the buying organization in driving out costs, and that offer value-adding solutions to help the buying organization manage spend and achieve lowest total delivered cost.

For example, Staples is now working with many customers to reduce costs by applying spend management techniques to untapped areas of opportunity – such as copy and print, furniture, technology and jan san, break room and warehouse supplies. One Staples customer, a large tech company, has a dedicated Staples representative



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who walks into each department's supply cabinet every two weeks with a spend management report in hand to identify products Staples can provide them for better value. This includes everything from pens to ping pong tables. Working with a large financial services customer, Staples brought a team of people into each of the company's 21 offices to gather onsite data to support spend management. Then they created a comprehensive program to consolidate spend in all categories, reducing the customer's total costs significantly. "More companies are finding that there is true lowest total delivered cost benefit in consolidating more of their supply needs with Staples, in addition to the reliability of our supply chain and award-winning service," said Baitler.

Baitler notes that price will continue to be an important filter that can get a supplier on a short list, and that other factors may influence a buying decision, too, such as supplier diversity or corporate social responsibility goals. But in summing up Procurement's challenge in achieving LTDC, Baitler calls on procurement executives to avoid taking a price-only approach and look to partner with select suppliers to achieve lowest total delivered cost. "Procurement must be willing to work with preferred vendors

to understand their cost structures and seek ways to reduce shared costs," Baitler says. And, importantly, Baitler urges procurement executives to educate their corporate leadership on the value of lowest total delivered cost, so that Procurement's achievements in lowering the enterprise's total costs are fully understood — and rewarded.

Staples Contract — Your Partner for Lowest Total Delivered Cost

Today, Staples Contract, Staples' fastest growing business, is viewed as a strategic supplier that constantly strives to help procurement professionals achieve lowest total delivered cost programs. Serving as business process experts, Staples Contract sales consultants enable customers to create cost-efficient supply chains through innovations in demand management, vendor consolidation and increased internet penetration. In addition, Staples Contract's strong offering of environmentally preferable products and diversity suppliers makes it easy for Supply Chain to align purchasing with the organization's corporate values.

Staples Contract also continues to drive vendor consolidation by serving more of its customers' supply needs. In 2006,

Staples Contract launched its Digital Copy Services, which enables businesses to get high-quality copy and print services delivered and have them consolidated with their office supplies program.

Recognizing Supply Chain's critical strategic role within its own organization, Staples launched in 2006 its Summit supply chain improvement initiative for its North American Delivery businesses. The initial Summit projects aim to reduce inventory storage requirements and current logistics expense levels, coupled with long-term goals to improve gross margins and increase inventory turns from 12 to 15+ over time.

Likewise, Staples Contract continuously innovates new technologies to streamline its own and its customers' supply chains. "We regularly hold input sessions with our Customer Advisory Boards to help us listen and respond to customers' needs and spur the design of new e-procurement tools, producing better ROI and compliance," says Jay Baitler. "As a result, our StaplesLink.com Web site leads the industry with 90 percent of Contract orders placed online."

For more information, please visit www.staplescontract.com