

On this day ten years ago we opened store number one. So, on the occasion of our 10th anniversary, it is appropriate for us to talk briefly about our history. A lot has changed. A lot hasn't.

Most of what I'm going to say to you has to do with the future. That's where we're headed. And like our first ten years, the next ten are going to be a heck of a lot of fun. We've got an enormous challenge, and a huge opportunity in front of us.

First things first, some of you want to know "Why is there a Staples?"

Did somebody just wake up one morning and say, "Let's start a company that will be the foremost, low-cost supplier of office products and services." No. That's not what happened.

The answer to "Why there is a Staples," is at the core of our past growth and future growth.

Staples began with a powerful customer need. This continues to be a driving force for us.

A key moment occurred on Fourth of July weekend, 1985. I was working on a business plan for a new venture with Leo Kahn. I needed a ribbon for my Apple 2C printer.

The holiday actually fell on a Thursday. That meant that all the office supply stores had closed Wednesday at 5:00pm and wouldn't open again until Monday morning.

By the time I finally found the ribbon in a leased section of a department store, I was convinced the idea I had been working on was right.

That idea, and the business plan I was writing, was for an office supplies super-store. It would close the huge pricing gap between what small businesses paid, versus what big businesses paid. The same Bic pen that the big company bought for 85 cents, cost the little guy \$3.68.

Did people want to save money? I saw office supplies flying off the shelves at the few warehouse clubs there were then. Their offering was limited to about 50 items but there was a big customer demand.

How big? Research told us that the office supplies market potential was \$85BB and growing 12% to 16% a year. I knew the business could go places.

It seemed clear that if a company could keep costs low, and serve customers by stocking the products they wanted, at the guaranteed lowest prices and give them great service... then that company would have a real future. That hasn't changed; it is truer today than it was ten years ago.

Just because it was true, didn't make it easy. We had to persuade suppliers to sell to us. They didn't understand the customer needs that we did, or they were afraid of offending their current customers, or both. We told them that Staples was going places and that we wanted to partner with them to deliver better service for our customers. That hasn't changed either.

Our desire to reduce costs, improve our execution and service our customers has only increased.

Visual: Time cards from Jay Ward and others

We had a great team of people putting the Brighton store together, just like now. We were changing an industry and we had a passion for doing great things, for being the leaders. Just like each of you.

Getting our first store ready to open, everyone was working seven days a week, 15, 16 even 20 hours a day. It was a mess but all of worked together to get the displays up and the shelves stocked.

Joanne Hamm, a management trainee at the time remembers building an end cap display at one in the morning, six hours before we opened.

Jay Ward, one of our assistant managers remembers the floor so full of merchandise there was no place to put anything. He was worried about the trailer-trucks, lined up at the back door as far as they eye could see, waiting to drop off more product.

Bob DeFeo, our first store manager remembers the thrill he got from driving up and down the Mass Turnpike and seeing how far away he could spot the Staples pylon sign. Considering the mess, he probably liked looking at the outside of the store a lot more than the inside.

Let me show you what it looked like. You can see Mitt Romney, one of our first backers, the night before we opened, telling the team why he believes in staples.

Video: store pre-opening.

We were too pumped and too nervous to care how tired we were. Joanne had less than four hour's sleep. She was so nervous and full of energy she never noticed.

Was it exciting? Ask Joanne or Jay Ward or Bob DeFeo or any of the others who were there, and they will tell you this: whatever it took to get it done, was what we were going to do. That hasn't changed either.

It took 5 weeks to open that store. Today we do it in 10 days, but the excitement is still there.

We opened the Brighton store as planned, exactly at seven a.m. In fact right about now Bob DeFeo, the manager, was probably looking at his watch and wondering where the customers were.

Actually, the first day at our new store was great. We invited a lot of people and they all came. In this next video clip you can see Phil Haughey, our first landlord, and a great guy, saving some money and making retail history with the first purchase from Staples.

Video of store opening.

Joanne Hamm, Bob DeFeo, Jay Ward and everyone else survived that opening day. Jay got all the merchandise off the trucks. Today he is GM at store #45 in North Plainfield, New Jersey.

[I-mag camera finds them in audience. Spotlight picks them out.]

Joanne enjoys firsts; she helped produce our first calendar, she helped generate our first delivery sales and she's now helping us build our EDI initiative. When an item doesn't scan, people call Joanne.

Bob had so much fun he is now our Regional Director based in Washington, DC. Instead of one store to worry about, Bob now has 63. A year from now, he'll have more. We all will.

Bob, Joanne, Jay, would you stand up please. [Lead applause.] Thank you.

We did big numbers that day. We were on top of the world. The second day we had 16 customers. Imagine how that felt.

The third day Todd Krasnow went out and paid 25 small business people to try us. He gave each one \$20 to tell us what they thought. You might say that was our first mystery shopper program. Then, as now, our business was customer driven.

Nine of them actually showed up and decided they liked Staples. Despite all its' flaws, I'd be happy to go back and shop at that store today. We delivered what the customers needed: the lowest prices, a broad selection and a commitment to service. We worked together as a team. We cared. It felt good.

Because we understood our customers and we were committed to giving them what they wanted, we made history. And though customers' needs may have changed over the last ten years, our commitment to meeting those needs has not.

People say imitation is the sincerest form of flattery. Our competitors have flattered the heck out of us. They saw the Brighton store was a money maker and within six months they started making copies.

Office Depot didn't do any research. They just duplicated Staples in every detail. They went to our vendors and said, "Whatever you're selling to Staples, sell to us."

One of our first marketing brochures said shopping at Staples was "h-a-s-s-e-l free." When Office Depot printed theirs up, they didn't even bother to correct the spelling mistake.

"Hassel-free"

Within two years we had twenty competitors. But through the efforts of People like Joanne, Jay, Bob and you, we held our costs down and we kept on growing.

These are just three examples. Look around. You'll see that Staples is loaded with dynamic career opportunities that are even more exciting than when we first began.

Look at Larry Kennedy, who joined us the same week that Bob DeFeo did. Larry started Staples' two person IS department on March 16 and didn't take a day off until Christmas. Today he's Vice President Merchandising and Central Systems. Recently Larry and 250 IS associates finished building the industry's leading solution for SCC. No doubt about it.

Look at the exciting possibilities created by our successes against stiff opposition in opening up California, and in finding that we are effective in smaller markets. Look at the high speed growth and huge success of Business Depot in Canada and the extension of our concept through Staples Direct, Staples Business Advantage and Staples National Advantage.

More than ever before, Staples is loaded with opportunity.

The Brighton store was the first of what our business plan said would be a 24 store chain. In five years we opened over 90. For the last seven years we've opened one store every eight days. We now have stores from Lakeland, Florida to Victoria, British Columbia; from Yuma, Arizona, to Halifax, Nova Scotia.

Today we do business in England, Germany, Canada and the United States.

In the history of business we're one of only nine companies to have reached \$3 BB in ten years.

Spread the word: we've got room for more great people. That hasn't changed and it never will because great people are committed to delivering great customer service.

We achieved this together. Everyone; Stores, Contract and Commercial, Distribution, Marketing, Accounting; everyone, working together produced a terrific result. Give yourselves a huge hand. [Lead applause.]

We've gotten this far because of all your hard work, and because as a team, we've kept our costs low, we continually improved our execution and we've continually raised our standards.

For example: Here's what a telephone wall used to look like.

Visual

Here's what it looks like today.

Visual

Here's what the furniture department used to look like.

Visual

Now look at this.

Visual

When we first opened we sold one IBM typewriter that we couldn't even buy direct.

Visual

Contrast that with the computer wall in our stores today.

Visual

Here's how we used to merchandise consumables.

Visual

And now look at this.

Visual

Here's what the old Staples looked like.

Visual

This new store is double the size of the Brighton store. It's lighter, brighter and -- - like us -- more customer friendly.

Visual

Our fundamentals haven't changed. A lot of other things have.

Have we made mistakes along the way? Yes. We are fast movers because quick action is critical to our competitiveness. We own up and move on. This is part of embracing the need for action and the need for change. And this too, will remain the same in our next decade.

We'll keep the best of Staples: our small company values like agility and innovation, frugality, and entrepreneurship and most important: teamwork. We'll need these strengths to meet our challenge and grow and be #1. And we can do it.

By keeping our focus on the customer and delivering world class service, we will reach \$10BB in sales by 2000. That's our target and as Todd Krasnow will show you, the business is there. The competitive challenge is there too.

And our competition is not going roll over. We expect to see two major opponents lined up against us in every significant market. They are going to fight us for every good location. They are going to do their best to match us on selection and they will do their best to neutralize our price advantage. Our edge has got to be customer service.

What is it going to take to meet this competitive challenge? And why should we?

We have to meet this challenge because our customers demand it. If we don't, they'll shop someplace else. It's that simple - but that's not the whole story.

While the economic and business trends of the last several years have created more customers, like each of us, our customers are time-pressed, cost-conscious and service-hungry.

We have to meet this challenge because we are committed to generating dynamic growth.

We have to meet this challenge because we are committed to creating the dynamic career opportunities that growth produces.

We have to meet this challenge because it is central to our vision, our principles and our values.

Reach under your seats -- taped to the bottom you'll find a card with Staples key principles and our CARE values. Read it. Live it. Share it.

[Pause]

We have to meet this challenge because our vision of a Staples as the foremost low-cost supplier of office products and services is what our customers want.

People look back and say, "Damn, if I'd only bought Staples stock when it was a start up....." That would have been a good idea. No doubt about it. In our first private offering, our stock sold for 31 cents a share. Given our five stock splits, the initial public offering went out at \$2.50 per share. That represents growth of over a thousand percent.

Don't look back.

Look ahead.

In many ways, we are still a start-up.

We've only scratched the surface of the opportunity that surrounds us.

By the end of the year 2,000 when we're a \$10BB company we will have **NN** stores in North America and our international expansion is just beginning. Think about that, the next time someone asks you whether there are still fast-track opportunities at Staples.

If we meet our challenge and deliver the kind of numbers that I know we can, our stock can grow to five times its' current price over the next decade.

In our first decade we changed the office supplies business for ever. We set a standard that provided every customer with an in-stock, low price alternative.

Over the past decade we've kept the lid on costs, we've grown and we've continually raised our execution standards.

We started out just trying to serve the little guys, trying to get them the same prices as IBM. Now we service the little guys and IBM and Ford and Pepsi.

Now we need to deliver a new level of service that shows every customer -- inside the organization and out -- that we value them and we care about meeting their needs. Like a start-up, we need to prove that we care every day in every way.

It's not a program; it's a basic part of who we are.

Like Bobbi Lohiser, for example

Live I-mag. Bobi Lohiser.

Bobbi spent a fair amount of time on the road last year since she helped open most of the new stores in Michigan, Indiana, Illinois and Ohio. In between openings she conducted in-store training; her typical work week was 80 hours. She was always available to provide friendly, knowledgeable assistance to the stores and she made a real difference.

Bobbi taught more than facts: she taught customer service and she taught it by example. That's the Staples Way. Way to go, Bobbi. [Lead applause.]

Caring about customers -- inside and outside Staples -- has led us to make many changes in our organization and systems: foremost among them Jack Bingleman and Ron Sargent now run Superstores and SCC as autonomous units.

To better meet your needs, reduce costs and increase efficiency we're also improving both our retail and SCC technology infrastructure and distribution

systems. Ten years ago we had a line of trucks stacked up at the back door. Today our distribution network covering North America is the most efficient in the industry.

Our training is light years ahead of where we were when we started. You'll hear more about initiatives this morning from Cathy Wells. You'll also hear about our growth plans from Joe Vassalluzzo and John Wilson.

I think when we've finished this meeting you will see and believe that we are doing everything in our power to make Staples a better, more customer-focused organization.

You will see that we have the ability to take over the #1 position in this industry.

With my responsibilities I can only be on the front lines one or two days a week. Whether it's an SCC office, or a store, or a distribution center you are there every day. The associates there are looking to you for guidance and feedback.

When we first started up we could get everybody in the company around our second-hand conference table for a "Stake in Staples." It was important that everyone knew where they stood and what was going on.

That hasn't changed. As big as we have grown, it is still the single most important thing you can do for your associates today.

In the associate survey you completed last Fall, associates from all across Staples told us that increasing direct communication with their immediate supervisors was more important to them than increasing their pay. [Pause]

I don't know what that tells you, but what it tells me is that Staples associates want to do the best job they can, because they care. They want to meet the competitive challenge by delivering world class service. They want to be #1.

They're saying that it's up to you to set the example. It's up to you to let them know how they're doing. Catch people doing something right. Then they can do it again. And again. And again.

How do they want you to communicate with them? The same way you want us to communicate with you: honestly and to the point.

As people close to me know, I want the same thing. When you get larger, more and more people tell you what you want to hear, as opposed to the truth.

The more unfiltered truth I hear, the better.

The more willing people are to take on problems and try to fix them, the better I like it. Don't you feel the same way? Actively encourage it. Set an example.

Some things we communicate without trying. In our business the customer is instantly aware of what we do. You sound glad to talk with them when you pick up the phone...or you don't.

You walk into a store, and it feels like a happy storeor it doesn't.

Somebody greets you or they don't. Merchandise is attractively displayed, or it isn't. Orders are complete and correct or they're not.

Every action we take communicates our values every day. And the customer sees all. That hasn't changed. It never will.

We need to recommit ourselves to out-executing the competition in every single aspect of the business.

We have no reputation that we can coast on. Like a start-up, our execution is what impresses our customers.

Devon Whitney Live I-mag.

It's hard to impress a customer who's already irate ...and by the time they call Jack Bingleman's office with a complaint they can be extremely irate. Devon Whitney answers every single one of those calls.

She is always congenial, always patient and considerate. She ensures that each customer is fairly treated and goes out of her way to work with the GMs and customers in resolving complaints. Devon is caring. She knocks herself out every day on behalf of our customers. Thanks Devon. That's Service Excellence.

[Lead applause.]

That's the kind of committed people we need to meet our challenge. That's the kind of people you are. You're the best in the world. I'm proud to say that hasn't changed.

I'm tremendously pleased to be moving into the next decade with all of you.

Will there be bumps in the road? Yes. Let's deal with them and move on. Live reality, but dream the dream.

See all our associates delivering world class service and keep on moving forward.

See us as #1.

That's where the fun is.

That's where the future is.

That hasn't changed.

Thank you.