**IBM**

Office Depot de Mexico fuels growth, empowers vendors with online store.

In the late 1980s, the office products industry – long dominated by small, independent specialty stores – realized that consolidation was the quickest way to grow. Large, nationwide chains evolved, and the concept of warehouse retailing soon became popular in the U.S., spreading rapidly to other countries. In the 1990s, retailers have recognized another medium for growth – e-commerce.

Today, international superstore chains such as Office Depot, Inc. regard the
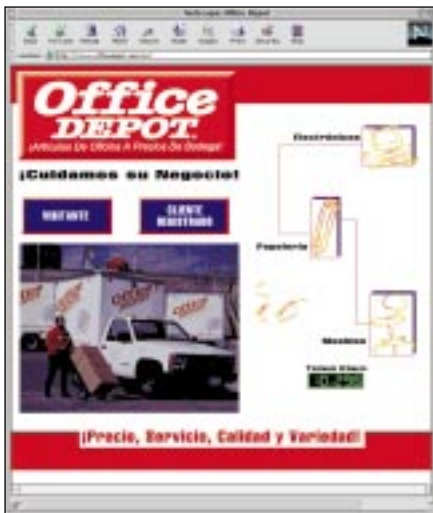
Sales from Office Depot de Mexico's virtual store are expected to outstrip traditional sales channels, as customers grasp the convenience of online shopping.

Internet as the most cost-effective channel for reaching the widest possible market.

"IBM provides complete solutions, and that really shortens the development cycle.… IBM won in cost, performance and technical support."

– Hugo Abaunza, Chief Information Officer, Office Depot de Mexico

Office Depot de Mexico – a joint venture between Office Depot, U.S. and Group Gigante, Mexico – has just unveiled its virtual store at *www.officedepot.com.mx*. The largest office products supplier in Mexico, with 28 retail stores and 2 distribution centers, Office Depot de Mexico has grown at a spectacular rate since it was established in 1994. Last year alone, the company's retail sales increased by more than 150 percent. Says Hugo Abaunza, the company's chief information officer, "To maintain this growth and capitalize on the enormous market potential, we need a flexible and cost-effective sales channel. We expect the virtual store to generate 3 times the revenue of a retail store and cost 30 percent less to manage and operate." On average, informs Abaunza, a retail store does business worth seven million pesos (US $688,660) each month.

Application	Online office supplies store
Business Benefits	300% more revenue than typical retail store; 30% reduction in store operating costs; improved customer service with complete online catalog, ordering; 15% reduction in inventory management costs; improved vendor relationships
Software	IBM® Net.Commerce IBM Net.Data® IBM eNetwork™ Firewall IBM DB2® for Windows NT IBM DB2 for OS/400® IBM DB2 Connect™
Hardware	IBM Netfinity® IBM RS/6000® IBM AS/400®

Powered by IBM Net.Commerce, the virtual store offers an electronic catalog with descriptions, pictures and prices of more than 6,000 products. Customers can place orders, request delivery and make payments online. "The printed catalog contains only ten percent of our merchandize, doesn't list prices and becomes outdated almost before it is

released. In contrast, the electronic catalog is always current and comprehensive," says Abaunza.

Vendors sold on online inventory tracking

Office Depot de Mexico has found another ingenious use for its Web site — as a tool for supply chain management. Suppliers now have secure Internet access to their accounts with Office Depot, enabling them to track inventory, invoices and other account information. They can monitor sales of their products at each retail store, review their product mix, determine optimum stock levels and initiate new orders.

In the past, Office Depot's analysts generated hardcopy reports for the suppliers. Abaunza explains, "By passing on a major part of the inventory management function to our suppliers, not only do we benefit, but they do as well. We've reduced operational costs nearly 10 to 15 percent by providing suppliers online access to inventory data. The suppliers, in turn, can access current inventory status at any time, allowing them to analyze that demand, and then shape new marketing strategies and manage their inventories to match demand. This service has helped us strengthen our vendor relationships."

Selling this online inventory tracking concept to the suppliers was easy, Abaunza discovered. "Our suppliers agreed to finance the development of the Web site in return for this service," he says. "So, in essence, we already have a 100 percent return on investment." The suppliers are equally willing to bear the cost of any enhancements to the service. "For smaller vendors, that adds up to only a few dollars a year," Abaunza says, "so it's way more cost effective than anything they could create."

IBM — from start to finish

Office Depot's virtual store utilizes a wide range of IBM e-business technologies. IBM Net.Commerce residing on an IBM Netfinity server, provides the catalog, shopping cart, customer registration and other functions required to run the online store. For example, using

Net.Commerce Administration Interface, Office Depot can offer products on sale for limited periods. IBM Net.Data enables dynamic connectivity between the online storefront and the electronic catalog, which is stored in DB2 for Windows NT on the Netfinity server. Using Net.Data templates, frequent buyers can define personalized lists of items they usually purchase rather than searching the entire catalog each time. IBM Web server software ensures secure electronic transactions over the Web with its support for industry-standard Secure Sockets Layer (SSL) encryption.

The online inventory tracking facility reconciles Internet orders with products in stock as well as inventory data from retail stores and telemarketing centers. This requires tight integration of the Web application with the back-end transaction systems, which reside on an AS/400 server, with DB2 for OS/400 as their central data repository. "What attracted us most to IBM," Abaunza says, "was its extensive experience in e-business oriented solutions. Thanks to this and, of course, IBM's superior technology, we could take advantage of all the information already in the AS/400. Everyone else was selling us piecemeal solutions for a Web site without any means to integrate it with existing systems." IBM DB2 Connect provides connectivity between the Web server and the back-end database. To protect business-sensitive information, communications to and from the Internet are controlled by IBM eNetwork Firewall running on an IBM RS/6000 server.

The Web site was developed by Office Depot in just eight weeks — record time according to Abaunza — together with IBM e-business Solutions and Services, Mexico. "IBM provides complete solutions, and that really shortens the development cycle," he points out. "We also evaluated the Microsoft Web solution. IBM won in cost, performance and technical support." In the future, Office Depot de Mexico plans to maximize the value of its marketing data by mining it and selling information products to vendors. For now, however, the enthusiastic response to its online store is keeping the company busy.

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