

# THE WALL STREET JOURNAL.

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## Got a Better Letter Opener?

*Staples Solicits Inventive Ideas From the Public for Products It Can Brand, Sell Exclusively*

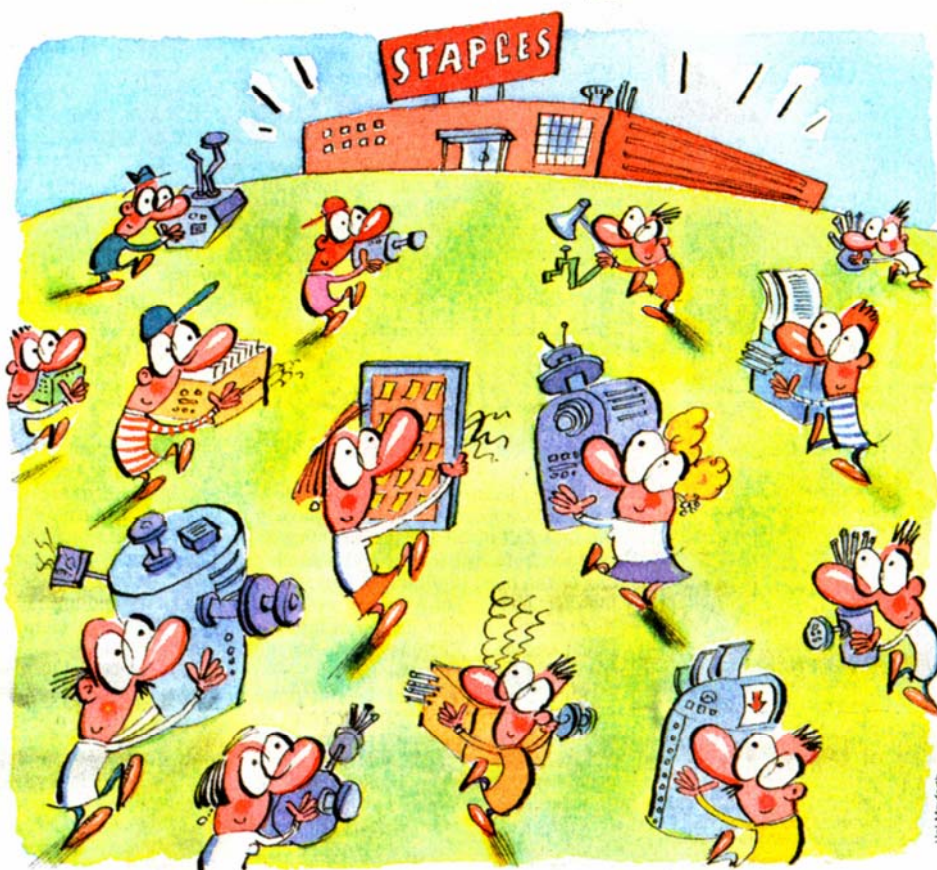
By WILLIAM M. BULKELEY

**N**EIL GRIMWOOD once missed a meeting because a Post-it note he'd stuck on his computer as a reminder fell off. That inspired him to invent a small rubber disk with strong adhesive on the back to serve as a stick-anywhere, mini bulletin board to which lists, photos and other papers can be affixed with push pins or thumb tacks.

In 2004, after years of fruitlessly marketing what he called StickDots to large companies, the Marina del Rey, Calif., inventor entered a Staples Inc. contest for inventors called InventionQuest. Winners of the contest receive \$25,000 and up to an 8% royalty. Mr. Grimwood didn't win, but the office-supply chain sometimes grants contracts to runners-up. In this case, the company agreed to carry the product under the Staples brand name, rechristened it TackDots and now sells packets of eight for \$3.99.

The contest is part of a broad effort by Staples to develop a stable of exclusive products to differentiate its own-brand line from those of competitors. The strategy appears to be working; Staples-brand products, which carry a higher profit margin than other goods, accounted for 18% of Staples's \$16.08 billion in revenue last year, up from 11% four years ago. Chief executive Ron Sargent says he expects that to rise to 20% this year.

The exclusives designed by independent inventors remain a small part of Staples's overall financial picture. And some inventors like Mr. Grimwood, who says he has earned just over \$5,000 in royalties from his product, complain that Staples doesn't market their products hard enough. (Staples declined to comment on Mr. Grimwood's complaints.) Nevertheless, the annual contest, now in



its third year, continues to attract customers—10,000 last year—who have ideas for improving even the most mundane of office products.

Nancy Garner, a teacher in New Bern, N.C., created the Handy Strap stapler, which has a removable base and a Velcro strap on the back that makes it easy to staple paper on bulletin boards, as teachers frequently do. Eric Gibbons, a painter and author from Bordentown, N.J., invented a stick-on dimpled plastic button that holds a compact disk in place inside a binder. DigiDots will go

on sale in the fall. Adrian Chernoff, a former car designer who now invents full time in Boulder, Colo., invented Rubber Bandits, extra long rubber bands with an attached write-on label for organizing and identifying stacks of envelopes.

Mr. Sargent says his ambition is to make the chain's own products "the top national office products brand," outselling such venerable brands as 3M Co.'s Scotch tape and Post-it notes, and Bic Corp.'s pens. While rivals Office Depot Corp., of

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Hal Marforth

# Staples Seeks Bright Product Ideas

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Delray Beach, Fla., and OfficeMax Inc., of Itasca, Ill., also sell private brands, they don't all highlight those chains' names.

Since Mr. Sargent became chief executive in 2002, Staples has surpassed Office Depot to become No. 1 in the office superstore market. It has increased sales 11% a year and earnings per share 26% annually.

The major office-supplies retailers increasingly are competing with their suppliers, exploiting the fact that the chains' names are often better known than those of product manufacturers. With their catalogs, weekly newspaper inserts and ubiquitous superstores, the chains spend a lot more on marketing than most office-product makers can afford.

"We're the ones that have the relationship of trust with the customer," says Chuck Rubin, president of North American retail for Office Depot. "There's no better way to assure that than to make it ourselves."

Office Depot doesn't break out its private-brand portion, but it set 18% to 20% as a goal for last year, and Mr. Rubin hopes it will go even higher.

With office-product companies now outsourcing most of their manufacturing to countries like Mexico and China, the chains can contract the same overseas factories to obtain essentially equivalent goods. Staples has hired 100 buying agents in Shenzhen, China. To track quality, it submits products to testing labs and monitors returns by customers every month. "Our rate is very slightly lower than national brands if you look at all products," says Jevin Eagle, senior vice president, Staples brand.

To develop its brand, Staples has launched in-house product- and packaging-design departments. Unusual for a retailer, it has filed for 50 patents in the past two years.

Mr. Eagle is optimistic about a new, quiet paper shredder that sells for \$169. Staples's product designers observed people using shredders in small businesses like doctors' offices and found they often didn't use the machines until after office hours because the machines were so noisy. "This is a breakthrough in noise," Mr. Eagle says.

Staples's reputation for innovation got a boost last year after it paid to provide the judges on an episode of the Donald Trump show, "The Apprentice." The contestants' task was to develop a useful desk organizer. The winning product from the episode, which had been filmed several months earlier, went on Staples's shelves the next day and promptly sold out.

Mr. Sargent says Staples's exclusive products have helped it persuade grocery stores to carry its office products. Staples now stocks office supplies in 540 of Royal Ahold NV's Giant and Stop & Shop superstores, and the concept will soon be tested at Safeway Inc. on the West Coast. The

## In Stores Now

Staples has received 22,000 ideas from amateur inventors in the past few years. An assortment of products that made it to shelves:

### Staples Rubber Bandits

Extra long rubber bands with a write-on label  
**Invented by:** Adrian Chernoff  
**Introduced:** May 2005  
**Price:** \$2.99



### Staples WordLock

A combination lock that uses letters  
**Invented by:** Todd Basche  
**Introduced:** June 2005 **Price:** \$5.98



### Staples Handy Strap Stapler

Has removable base and a Velcro strap on the back  
**Invented by:** Nancy Garner  
**Introduced:** July 2005 **Price:** \$9.99



### Staples TackDots

Small rubber disc with adhesive on the back  
**Invented by:** Neil Grimwood  
**Introduced:** May 2005  
**Price:** \$3.99

grocers are hoping Staples's unique product offerings will help them compete with Wal-Mart Stores Inc., Mr. Sargent says.

The first winning invention was WordLock, a combination lock that uses letters to form easily memorized words, unlike most number-based combination locks. It has become Staples best-selling lock, and the inventor, Todd Basche, a former computer-software engineer from Los Altos, Calif., says after a year of sales he has collected enough royalties to offset the \$35,000 he spent patenting and prototyping the device. But Mr. Basche, who has been trying to make some changes in the three-year deal he signed with Staples, says Staples is threatening to buy from another supplier if he won't accept different terms when the current deal expires. "Now that it's successful they want to negotiate a new deal," he complains.

Staples says it wants to continue stocking WordLock and the two sides are negotiating.

Mr. Grimwood, the 59-year-old inventor of TackDots, says he had hoped to retire off sales of his product. But he says it's often out of stock in stores and doesn't get featured in catalogs or weekly fliers. He says he tried urging brand and store managers to promote the product more, but "they said don't contact us."

Then there are inventors like Sarah

Pantaleo, a 22-year-old Philadelphia college student who won the contest last year for a compact-disk organizer. Ms. Pantaleo says she's content just getting her product marketed under the Staples brand. "The idea I can walk in and see my product on the shelf is enough for me," she says.