Behind United Stationers' Transformation to Essendant

Bonus Article by Eric Smith, Associate Editor

Associate Editor Eric Smith recently attended Emerge Core Live, United Stationers' trade show and conference for customers and suppliers in Nashville, TN. During the show, CEO Cody Phipps conducted a media roundtable to outline the strategy behind United Stationers' plan to reposition the company and its partners to Essendant as it adapts to what Phipps calls an "evolving industry." The Deerfield, IL-based distributor plans to refocus on its core businesses – office products and jan-san – while also expanding its product line.

As smoke machines erupted and T-shirt cannons launched freshly logoed apparel into a crowd of suppliers and customers at the United Stationers show earlier this month, CEO Cody Phipps announced bold plans to reposition the company and its partners under a new brand, Essendant.

Phipps presented the overview of a major transformation not only in name but also in culture, as the company prepares to roll out a common operating and IT platform for United Stationers and brands such as Azerty, LagasseSweet and ORS Nasco.

The reason behind the revitalized brand, according to Phipps, was the need to adapt to an "evolving industry" now being shaped by four forces – the digital workplace; the shift from brick-and-mortar to e-commerce; the blurring of traditional channels; and the convergence of B2B and B2C.

"Simply put, all customers want an Amazon-like experience when they shop online," Phipps said. "That's coming to the B2B space and we have to be prepared for it."

In roundtable session later that day, Phipps further outlined the company's rationale for repositioning under the name Essendant, a word that combines workplace "essentials" with the notion of "ascending." It also moves toward phasing out the word "stationers," though Phipps said the company isn't abandoning the office products line it has long been known for.

Instead, Phipps said, the company plans to strengthen its core of office and jan-san supplies while also broadening its scope, a process United Stationers began before unveiling its new look and moniker. The company made two acquisitions last year, including auto parts distributor MEDCO. Office products now make up 56 percent of its total portfolio, down from 90 percent when Phipps joined the company a decade ago.

"We're so much more today than an office products wholesaler. We see this as a journey to tell the

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story of who we are and where we're headed," Phipps said. "We're expanding and diversifying. We're not trying to race with Amazon or Grainger or Staples and have more SKUs than anybody else because they're in the millions. What we want to really focus on is that fast, most convenient solution for workplace essentials. That's where we think we bring something."

Phipps understands that companies like Amazon and Grainger are "bringing massive scale, common systems and common e-commerce architectures" to the industry and driving change for all players. He also acknowledges the challenges within the office products sector, which has seen a digital revolution as workers perform tasks using iPads and smartphones instead of day planners and Rolodexes.

"The office products side of the industry is a zero-sum game," Phipps said. "It's not growing; in fact, it's contracting, so there are a lot of players chasing a shrinking pie share. I think we're doing to see more consolidation as a trend. I think we're seeing it across the industry right now with the big getting bigger and the small re-evaluating. We're seeing it accelerate with the national channel players. Consolidation is happening as fast as I've ever seen in my 12 years in the industry."

One of the biggest chapters in the office products sector's consolidation story is taking place right now with the proposed merger of Staples and Office Depot. The deal was a hot topic all week at Emerge Core Live, and during the media roundtable Phipps said he worries mostly about the scale of the transaction.

"How do we remain competitive? That's why you see us moving to a common operating and IT platform," he said. "We can't afford to run multiple subscale businesses anymore. We've got to get them on a very common, very efficient platform that is very easy to do business with. That's our move there. We're expanding what we can do while some of the industry is narrowing."

Phipps said e-commerce is top of mind for Essendant, which plans to build on the momentum United Stationers generated in recent years. In fourth-quarter 2014, for example, the company boosted its overall online sales to 10 percent of total revenue after seeing double-digit growth (15 percent) in the e-commerce channel, which Phipps said should continue improving at a similar pace.

"That's the area that we're targeting for differentiation," he said. "It's a good indication of our strategy. We said we want to win the shift online. We've said we think we're well-positioned to do that."

Though United Stationers' evolution into Essendant is underway, with new branding beginning immediately, the formal name change won't happen until June with shareholder approval. This journey will be long, lasting until the middle of 2016 and some layoffs are expected, but Phipps is confident this move was necessary to remain competitive.

"It's a never-ending battle to reposition our portfolio as the markets change," he said. "I feel really good about where we're going."

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