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**OFFICE DEPOT BEGINS NORTHEAST EXPANSION
WITH NEW STORES THAT FEATURE THE COMPANY'S
INDUSTRY-LEADING M2 RETAIL FORMAT**

*Marketing, Merchandising and IT Innovations Make M2
Less Expensive to Open, More Efficient to Operate and Easier to Shop*

Delray Beach, Fla., October 21, 2004 – Small businesses and personal users in the Northeast will now have more than one primary option when it comes to shopping for office supplies as Office Depot (NYSE: ODP) begins its expansion into the area with the opening of new stores in N. Attleboro, MA; Nashua, NH; and Largo, MD. These stores, which are among the more than 40 that the company will open in various parts of the Northeast this year, feature Office Depot's industry-leading Millennium 2 (M2) format.

"The Northeast is the country's least saturated market for office supply superstores," noted Rick Lepley, Executive Vice President of North American Retail at Office Depot, in explaining the decision to expand in an area in which, historically, the company has had a limited presence: "The region contains roughly one-third of the nation's Gross Domestic Product (GDP) and offers high concentrations of small- and medium-sized businesses. But to successfully enter the market, we felt a differentiated and lower-cost retail model was required – and that's where M2 comes in."

According to Lepley, the M2 format was developed from the ground-up by a cross-functional task force given one very specific mandate: Reinvent the retail model by creating a format that is less expensive to open, more efficient to operate and easier to shop.

"As we roll out these new stores, customers in the Northeast -- for the first time -- will have a choice, an alternative to the only place they've been able to purchase office supplies," Lepley said. "And what they will find is an Office Depot store that represents a true 'destination experience' – one that is warm, colorful and exciting, and reflects the latest thinking in everything from product layout and signage, to replenishment and service.

Lepley added: "With M2, we are able to offer our customers the most enjoyable and satisfying shopping experience in the industry, because the format is intuitive, logical and designed specifically for the way people make purchase decisions."

For example, Lepley noted that products are grouped in highly visible, strategically located “pods,” with core supplies at the outer perimeter of the store (signed for optimal visibility and easy purchase) and furniture and technology at the center (to better support consultative sales).

According to Lepley, the extensive research conducted for M2 indicated that customers want two specific things when shopping at an office supply superstore:

“For basic supplies, they want convenience, including help in getting oriented, the ability to find everything on a shopping list and fast checkout. For technology and furniture, they want information and advice, including assistance and support from knowledgeable staff and the ability to touch and try out various product options. M2 executes beautifully on both of these fronts.”

Lepley noted that the initial feedback from customers has exceeded expectations: “Our tracking shows higher overall satisfaction scores, easier product selection, faster checkouts and improved service levels – all areas that we believe will lead to increased traffic, a larger market basket and broader attachment rates across multiple categories.”

According to Lepley, the development of the M2 format plays a central role in addressing the company’s primary corporate strategy: Realigning its North American real estate portfolio. Lepley identified several retail initiatives that are designed to achieve this objective:

- Increase the number and speed of new store openings;
- Remodel older stores to accelerate comparative growth; and
- Utilize the Kids “R” Us sites purchased from Toys “R” Us to enter new markets.

“In 2004, Office Depot is embarking upon one of the most ambitious expansion plans in company history,” Lepley said. “We expect to open 80 new stores this year, and 100 more in both 2005 and 2006 -- after increasing our total store count by only 12 (after factoring in both openings and closings) since 2000. In fact, we have already opened more than 30 M2 format stores across the country.”

“We are also committed to remodeling a good portion of our retail base over the next few years,” Lepley added, “because Office Depot has the oldest stores in the industry (with an average age greater than eight years), and it is proven that newer stores drive sales and ‘comp’ better.”

“Most importantly, we will leverage the M2 format along with our recent purchase of Kids ‘R’ Us locations to give us immediate access to large areas of the country in which we do not currently have a strong retail concentration, such as Massachusetts, New York, New Jersey and Pennsylvania, as well as enhance Office Depot’s presence in existing core markets,” Lepley added.

To ready the M2 concept for introduction, Lepley teamed with Chuck Rubin, Executive Vice President and Chief Merchandising/Marketing Officer, and Patty Morrison, Executive Vice President and CIO. Together, the store operations unit, marketing and merchandising organizations, and IT group, set forth to completely revamp existing processes and ways of doing business.

“We looked at M2 as a rare opportunity to begin with a clean slate,” Rubin said, in noting that almost every aspect of the retail environment was scrutinized, analyzed and dissected. “The result is a series of innovations that make M2 unlike any other format in the retail industry.”

According to Rubin, these advancements include:

Graphics and Color Palette

- New color scheme is vibrant and cheerful, and incorporates a contemporary color palette featuring bright orange, lime green, aqua and purple
- New way-finding system (versus lifestyle graphics) improves the shopping experience by making it easier to navigate the store and find what you want

Store Layout

- “Pod” structure assures easy navigation
- Modularity of format adapts to different store sizes/shapes, yet provides a consistent customer experience
- Low center fixtures offer clear sight lines
- Open format allows employees to find and assist customers more efficiently, while at the same time allowing customers to easily seek out employees for assistance
- Sales floor reduced by 10% without significantly sacrificing SKU count
- Combined check-out and copy areas with cross-trained front-end labor creates a unified service offering
- Redesigned copy area utilizes 50% less space while maintaining full functionality

Fixtures

- High steel at outer walls and increased shelf depth maximizes holding power at point of sale
- Holding power reduces perceived out-of-stocks and number of employee product “touches”
- Planogramming tech assortment into designated top-stock locations reduces replenishment time/labor

Bulks and Pegs

- High-velocity items are bulk-stacked to reduce labor and reinforce value statement
- Number of pallets on sales floor increased five fold
- Number of pegs reduced by 50% to improve labor allocation away from the products and towards the customer

Packaging

- Move to “display ready” trays minimizes stocking and zone recovery labor
- Selective use of gravity-fed or spring-loaded shelving keeps products organized

Information Technology

- Interlock scanners provide extra security
- All PCs are fully imaged to increase functionality and reduce number needed on sales floor
- Wireless (RF) technology on PCs increases flexibility

As Lepley noted, M2 is more than just an evolution in marketing and merchandising: “To make it a practical solution that Office Depot could roll out as our new store format or utilize as part of our remodel program, M2 had to demonstrate efficiencies of operation.”

“To justify the launch, we needed to address the financial aspects that govern retail, including costs associated with opening, maintaining and staffing a store,” he said. To that end, Lepley concluded by indicating that the company made significant progress in several areas, such as:

Costs

- New store build-out costs are less expensive
- Remodel costs are in the range of \$250,000 to \$300,000 as opposed to the \$350,000 to \$400,000 typically associated with Office Depot remodels
- On average, M2 remodels will have a lower incremental sales hurdle
- M2 offers a broader roll-out opportunity for the portfolio of Office Depot stores
- The modularity of the M2 format dramatically reduces the number of unique planograms as well as overall store planning complexity

Information Technology

- IT setup costs are reduced by 40% with virtually no reduction in functionality
- Annual IT maintenance costs are expected to be reduced by 45%

Labor

- Reallocation of labor to value-added selling activities can positively impact conversion, average order value and overall customer satisfaction

EDITORS NOTE: For more information on M2, including background materials, digital images and a fly-through of the store, please visit our Internet Press Kit at <http://mediarelations.officedepot.cc/M2/>

About Office Depot

With annual sales of more than \$12 billion, no one sells more office supplies to more customers in more countries than Office Depot. Founded in 1986 and headquartered in Delray Beach, Fla., the company conducts business in 23 countries and employs nearly 50,000 people worldwide.

Office Depot is a leader in every distribution channel – from retail stores and contract delivery to catalogs and e-commerce. The company is the world's number three online retailer – on track to generate \$3B in sales for FY'04. In North America, Office Depot has 923 retail stores in addition to a national business-to-business delivery network supported by 22 delivery centers, more than 60 local sales offices and 13 regional call centers.

The company's common stock is traded on the New York Stock Exchange under the symbol ODP and is included in the S&P 500 Index. Additional press information can be found at: <http://mediarelations.officedepot.com>.

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