

**Denise Smith Amos
of The Sentinel Staff**

Office-supply dealers predict that their profit margins will decay as discount chains that emphasize price over service expand in Central Florida.

Several of the Orlando area's longtime office suppliers said last week that discounters, such as Office Depot, and warehouse clubs, such as Costco and Sam's Wholesale, have made a dent in their sales. Although they said they feel the impact will be short-lived, they acknowledged that the discounters could force office suppliers to compete on the basis of price alone.

"We have found a decay in our market with regard to the major discounters coming into our industry," said Ken Smith, president of Smith-Wilson Co., an Orlando dealer that specializes in corporate accounts. "It is becoming tougher to maintain the profit margins that the dealer needs to provide good, quality services," Smith said. "The dealers are trying not to allow the industry to be dragged down into a price war." Discounters advertise 20 percent to 70 percent off retail, or list, prices. Regular office-supply dealers may sell some items at full retail, but they also discount heavily for contract customers.

Sam's and Costco, members-only warehouse clubs that offer a variety of items including office supplies, have opened and expanded in Central Florida in the past three years. Costco and Sam's each operate two stores in the Orlando area.

"Their buying power is tremendous and their costs are really low," said Joan Bailey, who owns Bailey Office Products Inc. in Orlando with her husband. "They have changed the market somewhat. You don't know what their impact is going to be over a period of time."

Some office suppliers said warehouse clubs aren't as competitive because they are members-only merchants and because their selection is not large enough to seriously compete against office dealers, who through catalogs and showrooms offer tens of thousands of items.

Then came Office Depot Inc., a Boca Raton chain

of 10 stores that entered Orlando with one store in 1986. The company plans to open 15 stores this year, including at least one more in Orlando, and 18 stores next year. Office Depot recently announced it will hold a \$23.8 million stock offering.

Office Depot has a wider selection than warehouse clubs. It offers about 7,000 different items. The store, with 22,000 square feet of space, is about four times the size of George Stuart Inc.'s, one of the Orlando area's most well-known office-supply retailers.

Office Depot also advertises heavily, marks down prices on certain products that results in a loss but generates store traffic, and buys in large volumes, competitors say. Its no-frills warehouse-style stores are cash-and-carry, although the Orlando store will deliver for a \$10 fee.

"Our business has been growing steadily," said Tom Wyneken, manager of the Orlando store. He would not reveal sales figures.

"We've mainly been exposing ourselves to the market this past year," he said.

In addition to Office Depot, national retailers such as K mart Corp. and Ames Department Stores have announced plans to enter the discount office-supply business.

"Our industry was once undiscovered by the big money; now it has been discovered," Smith said. "The outlook for our industry is not real rosy."

Orlando's established office-supply dealers, most of whom don't operate retail locations, say their trump card is service.

Most bid for contracts or encourage businesses to open accounts with them, often on credit. The dealers also deliver for free, claim to practice a hassle-free return policy and give businesses the ability to purchase in smaller units rather than in bulk, Smith said.

Nevertheless, the threat of competition from large chains has caused some of the independent dealers to adapt new strategies. Smith-Wilson is branching into computer products, for example, while George Stuart is offering facsimile, printing and delivery services.