

# the sky's the limit

## Over 650 million ft<sup>2</sup> (60 million m<sup>2</sup>) builds big tissue buying power for e-commerce company SiteStuff

By Monica Shaw

**W**hat do major property management companies for commercial and industrial real estate look for in tissue and towel products? Perhaps surprisingly, low cost is not always the deciding factor, especially for Class A properties - those that rank tops in the United States. Most property managers are looking for a value proposition that combines quality, fast delivery, streamlined procurement, cost, and more.

To bring this value to the commercial real estate industry, SiteStuff was formed in 1999, originally serving

a consortium of four major property management companies. The e-commerce company began by offering maintenance, repair, and operating (MRO) supplies through its website, fueled by its online catalogs and an enterprise resource planning (ERP) system.

SiteStuff has since expanded both its offering and the square footage it serves, which now totals more than 650 million ft<sup>2</sup> (60 million m<sup>2</sup>). In addition to MRO products, the company provides a bid management tool that allows property managers and engineers to create and manage the sourcing of service contracts in categories such as security, landscaping, and janitorial. Also, SiteStuff now offers project sourcing services that assist managers with bidding out of capital projects.

Still, MRO products remain the major portion of SiteStuff's business. Within that category, sales for janitorial/sanitary (jan/san in property management lingo) supplies are in excess of \$25 million. According to SiteStuff chief operating officer (COO) Charlie Pace, 70% of these sales are for tissue and towel products, where the company claims to save clients 10-15 % above regional distributors.

To find out what SiteStuff looks for from its tissue and towel suppliers, TW spoke with Pace and vice president of MRO supply, Mike Clark, about its business model. The company has high expectations of the manufacturers whose products appear in its e-catalog, and both Clark and Pace see SiteStuff's centralization of purchases for cross-regional companies as having implications for manufacturers' approaches to pricing.

### CLASS A CLIENTS COMMIT TO E-COMMERCE

SiteStuff's commercial real estate clients must meet certain qualifications to participate in its e-commerce business model. On the client side, a minimum of 10 million ft<sup>2</sup> (0.9 million m<sup>2</sup>) of office space that spans regional boundaries is required. This regional dispersion is necessary so that SiteStuff is not perceived as a competitor for



Standards need to be maintained in commercial premises if valuable tenants are to be retained



**70% of SiteStuff's janitorial/sanitary sales are tissue and towel products**

local distributors, and the space requirements help ensure that clients achieve the desired savings.

"We want to provide a national solution crossing the bounds of many distributors so that we can consolidate that business and bring an efficiency and a standardization to properties across regional territories," says Pace. "Our client base has been very committed to our platform, and we've worked very closely with them."

SiteStuff's original client base included CB Richard Ellis, Insignia/ESG, Jones Lang LaSalle, and Trammell Crow Company, but has since expanded. The client base typically focuses on the commercial office market and corporate facilities.

"Our greatest success is in the Class A office building, because that's where we can truly bring the most value in terms of product offerings," says Clark. "But we have also had significant success with our clients in their B and C properties, as well as with the industrial accounts."

Clients do pay an access fee to use the e-commerce platform - one that Pace describes as nominal. "It has served well in terms of signing new clients and also validating their commitment to roll out our solution," he says.

So what does SiteStuff look for in a manufacturing partner before adding its products to the e-catalog? And, how does this impact its tissue suppliers? As with clients, manufacturers must meet certain criteria.

First, the manufacturer must offer its products throughout the United States. Second, SiteStuff demands competitive market level pricing based on its aggregated spend as one of the largest users of paper towels and toilet tissue in the commercial real estate market. However, it is the third criterion - the value proposition - that SiteStuff scrutinizes most closely.

"We look to our manufacturing partners for support in the field with new product introductions, such as innovative tissue dispensers," says Clark. "Our goal is to provide properties with the most current, efficient, and cost effective products."

In the realm of tissue and towel suppliers, SiteStuff offers products from Kimberly-Clark (K-C), Georgia-Pacific (G-P) and SCA. However, K-C accounts for in excess of 50% of this spend, and SiteStuff has now become K-C's largest national contract in the commercial real estate market segment. Clark attributes this spend level to the supplier's "value proposition."

"Kimberly-Clark has long been recognized as an office building market segment leader, and we make very good use of its field personnel," states Clark. "They have 26 office building market specialists around the country that we tap into for knowledge about buildings, dispensers, cleaning contractors - just a variety of things."

Interestingly, dispensers account for very little of the tissue spend, since most are provided on a leased basis as negotiated by SiteStuff.

"Dispensers are offered to clients on a no-charge basis with the caveat that they commit to use a particular manufacturer's product for a three-year term," explains Clark. "In the commercial real estate market, leased dispensers have become the trend in the last few years."

## INNOVATIVE E-TECHNOLOGY

While clients and manufacturers are critical to the SiteStuff business model, efficient distributors are necessary to link the supply chain, just as much as the e-technology framework.

On the SiteStuff website, commercial real estate clients access customized e-catalogs that have been created by SiteStuff using Ariba software. These catalogs allow clients to "bundle" a variety of items on one order and are based on a master catalog that contains 95,000+ MRO products from qualified manufacturers. An Oracle ERP system hosts all financial transactions so that SiteStuff can consolidate invoices for its clients, as well as provide the sourcing capability that determines which distribution partner will fulfill the order.

According to Clark, SiteStuff's distribution partners throughout the country were chosen after painstaking due diligence to determine "the most competent, and the best in class." Recommendations for these partners were often provided by product manufacturers found in the e-catalog, including tissue suppliers. "We recognize our distribution partners as one of SiteStuff's most valuable assets. They are a critical component to the success of

working not only with our clients, but our manufacturer partners as well," says Clark.

Also, distribution partners must be supported by one of two technology platforms offered through Afflink of Tuscaloosa, Alabama, or Network Services in Chicago, Illinois. These platforms provide SiteStuff with a single point of order processing and financial resolution with its distributors.

SiteStuff's careful selection of distributors highlights its emphasis on customer relationship management, as opposed to exclusively focusing on its website and technical capabilities. These relationships are fostered both by responsive distribution partners and by a team of 11 SiteStuff account representatives dispersed throughout six regions of the U.S.

"We recognize that e-commerce technology isn't the sole answer, so we have set clear goals with our distributors to provide clients with the desired standardization of properties in all regions," describes Pace. "To further provide that value, we have our own infrastructure of regional area managers who understand the distribution business and can provide daily contact at our clients' properties."

Based on surveys from organizations like BOMA that regularly show washroom cleanliness and supplies as either the number one or number two factor that building tenants find most important, SiteStuff recognizes the importance of its jan/san offerings. Additionally, a sluggish U.S. economy has left its clients vying for tenants, making tenant retention a top priority.

"Clients have come to realize that washroom maintenance and the quality of the products provided are very important to tenant satisfaction," says Clark. "We see a trend towards a greater spend in the washroom, with a higher quality product going in along with upgraded dispensers, especially in our Class A properties."

Having recognized the value that K-C brings for its clients, especially those with Class A properties, Clark describes SiteStuff's relationship with the tissue supplier as "extremely solid." So why doesn't the company deal solely with that supplier for tissue, towel, and dispenser options?

"We've considered sole sourcing our tissue/towel needs, but it's a very difficult proposition because of the breadth of our clients' portfolios, whether it's a Class A, B, or C property or an industrial portfolio," says Clark. "We found that it's really necessary to find those manufacturers that build niches where others don't."

Still, K-C usually captures SiteStuff's largest property category -- Class A, although SiteStuff constantly assesses the value brought by each of its suppliers.

"Right now, K-C offers us the largest value proposition, and we hope that it will continue to do so," explains Clark. "But we are constantly in dialogue with all manufacturers,

looking for opportunities for our clients and evaluating shifts in the market. It's up to other tissue suppliers to catch up to our value proposition, or it's up to Kimberly-Clark to continue to lead. As long as they continue to lead the way in conjunction with our partnership and our needs and requirements, I think that healthy relationship will remain."

## BIG PICTURE PRICING

Although SiteStuff focuses closely on overall value from its tissue suppliers, price is still a critical factor. The company pays close attention to tissue pricing on a national and a regional basis, benchmarking the most competitive offerings.

Because of the visibility that SiteStuff's technology brings to its national client base with regard to prices, Clark sees a "definite change" in the way manufacturers approach the marketplace and pricing.

"Manufacturers historically have dealt with pricing on a very local basis, generating competitive prices on an as-needed basis," explains Clark. "We buy for over 650 million square feet, so our clients expect to get the most competitive prices in the country. We have a very difficult time seeing how a local circumstance with only a few hundred thousand square feet is offered the opportunity to buy as well or better than somebody who has an aggregated spend of this size, so we demand better prices."

With a big-picture view and the ability to leverage buying power, Clark thinks companies like SiteStuff can potentially eradicate regional differences in pricing for their clients and even the market as a whole. And SiteStuff plans to continue building that buying power; targeting growth in the properties it serves of 150-250 million ft<sup>2</sup> (14 - 23 million m<sup>2</sup>) of floor space annually. **tw**

## About SiteStuff

**Founded:** July 1999

**Headquarters:** Austin, Texas

**Employees:** 63

**Services:** MRO supplies, service bid management, capital project sourcing

**Property served:** 3,000 properties making up ~650 million ft<sup>2</sup> (60 million m<sup>2</sup>)

**Commercial Real Estate Clients:** CB Richard Ellis, Insignia/ESG, Jones Lang

LaSalle Inc., Trammell Crow Company, New Boston Fund Inc., HRPT

Properties Trust, PM Realty Group, Macfarlan Real Estate Services, MC

Lioness Realty Group

**Users:** 6,500

**Transactions-to-date:** 200,000+ MRO purchase orders

650,000+ MRO items

2,000+ requests for proposals