Vans, IBM, and RyTE Consulting Surf a Wave of e-business Success

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The Company	Vans, Inc.
The Situation	Vans wanted to create a new, online sales channel for its sportswear, liquify inventory through Web-based sales, and boost brand recognition.
Solution Partners	IBM provided a robust architecture for e-commerce. RyTE Consulting helped design an e-commerce solution to make vans.com an online mecca for young shoppers.
The Bottom Line	Soaring sales, particularly during key holiday and back-to-school seasons
	Increased market penetration with exclusive Internet product lines
	Surfers and board-maestros everywhere are pleased.

The Solution	
Software:	IBM WebSphere Commerce Suite
	Lotus Domino and Notes
	IBM Net.Data
Servers:	IBM AS/400 (4)
Business Partner:	RyTE Consulting, Inc.
The Benefits:	Doubled online sales
	Improved customer service with faster, easier transaction processing
	Increased inventory control
	Created a sleek, customer-friendly Web site

Overview

If skateboarders, snowboarders, and surfers are among your target consumers, an appreciation for speed and a sense of flair are essential to your marketing strategy. When Vans, Inc., www.vans.com, decided to take its hip, stylish sports gear online in early 1999, the company knew it needed to develop an e-commerce site that captured the imagination of its young customer base while accelerating the Web-based clothes shopping experience.

The company has traditionally been successful tapping into the youth market with its stylized lines of shoes, sporting goods, and apparel. "When Vans opened its first store in 1966 on East Broadway in Anaheim, California, there were three styles of shoes, all $4.99 or less," said Vice President and CIO of Vans, Joseph "Jody" Giles. "In the last 34 years, the company has grown to offer 60 different shoe styles, from standard deck shoes to leopard skin sneakers, sold at 140 company-owned shops and an international network of sporting goods and retail stores." Based in Santa Fe Springs, CA, Vans reported $273.5 million in annual revenues last year.

Vans' Business Goals for e-commerce

Create a new sales channel for extreme sportswear, footwear, and accessories
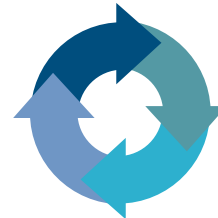
Reduce inventory through online sales

Associate the Vans brand with popular sporting events

Increase the efficiency of its back-end systems

In fall 1998, the company decided to extend its online presence by allowing customers to make purchases directly off its Web site. This case study shows how Vans surpassed its initial expectations for e-commerce by working with IBM and IBM Business Partner RyTE Consulting to develop an enterprise-wide order-processing solution. Teamed with its business partners, the sportswear manufacturer has established a unique online community for sports fans and surf culture, initiated an e-buying frenzy around limited-edition footwear, and created a high-profit sales channel for its leading lines of merchandise.

Step 1: Catch the wave: Establishing an e-commerce vision

Making the leap from brick-and-mortar retail chain to online merchant posed a particular challenge for Vans: How do you bring young customers online when they'd rather be at the beach, the skateboard park, or the ski resort? Although the company had been successful selling its products in the communal environment of the shopping mall, it needed to find a distinctive way to market itself as an online business. "Other high-profile sporting goods and casual wear providers were already established online; Vans knew it would have to fight for the attention of Web buyers," said Giles.

In February 1999, Vans had already positioned itself online with its company site when it decided to pursue an e-commerce initiative. "Our goal was to increase traffic to the site and encourage repeat visits from customers who would be interested in purchasing clothes, shoes, and other items," Giles said.

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>
> *— Jody Giles,*
> *Vice President and CIO, Vans Inc.*

A business plan evolved out of a fairly basic concept — showcase the sports that customers enjoy. "We wanted to incorporate live video of sporting events on our site and cross-promote merchandise with popular ad campaigns that appeared simultaneously on television stations such as ESPN," Giles said. The company had already established itself as the host of the "Triple Crown of Surfing" event and planned similar showcases for other core sports, including skateboarding, snowboarding, and BMX racing, all to be shown online. Giles continued, "In addition to watching the videos, site visitors would be able to browse online catalogs for the latest Vans product lines and order customized merchandise." End goal: Vans wanted to develop a highly advanced e-commerce system with breakthrough technology and video presentation.

Step 2: Bring in the business partners to make good on that vision

When Vans introduced its concept for an e-commerce initiative, the company had already been working with RyTE Consulting, Inc. of Brea, CA, for more than five years. RyTE had helped with the customization and implementation of a J.D. Edwards enterprise resource planning (ERP) system that managed many of Vans' internal operations, including distribution and inventory. RyTE had also helped Vans to move its company Web site onto an IBM AS/400 server infrastructure and develop an online "find your local store" service for customers.

J.D. Edwards had already connected Vans' internal systems to its warehouse and product stock departments, and the company wanted RyTE to ensure integration between its back-end and front-end systems for e-commerce. "We already had a longstanding relationship with RyTE when we decided to make the next evolutionary step online," said Giles. "We looked at other consulting companies for e-commerce, but RyTE had been vital to the establishment of our Web presence and we knew we could trust them to navigate us into e-commerce and integrate our business processes and systems."

Countdown to Success

Q4 1998	Vans and RyTE Consulting meet to discuss new e-commerce strategy for company Web site.
Q1 1999	IBM brought in as a strategic partner for Vans' e-commerce initiative.
February 1999	Vans approves e-commerce framework designed by RyTE on the IBM AS/400 platform.
March 1999	RyTE installs IBM WebSphere Commerce Suite on new AS/400; core business systems continue to run on Vans' original two AS/400s.
April 1999	WebSphere Commerce Suite configured to Vans' business operations; shoe line mapped to electronic catalog.
June 1999	Vans formally launches e-commerce site.
Q2 1999	Fourth AS/400 installed to consolidate all of Vans' Web applications.
Q4 1999 – Q1 2000	Online sales soar during critical back-to-school and holiday seasons.
January 2000	Vans extends online catalog to include accessories and sports gear.
Q2 2000	Vans debuts online sporting events, including "Triple Crown" series, and experiences a 59% click-through rate from online stunt video. In 2001, Vans plans to extend "Triple Crown" series to include other extreme sports.

Vans' management team met with RyTE in February 1999 to discuss Vans' goals for e-commerce. The company's specialties — clothes and shoes — are highly individualized retail purchases that a store customer usually tries on for fit, comfort, and appearance. If a product isn't in the stock room in a given style and size, the sales attendant can inform the customer immediately and present other options. "Vans wanted to

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provide the same level of realtime service online," said Rod Davis, president of RyTE. "They wanted to develop a robust, scalable e-commerce solution that worked closely with its inventory and distribution systems. Vans knew that total integration with distribution was critical to filling its orders quickly and accurately."

By understanding Vans' need to move stock on older product lines and generate consumer buzz with its Web site content — as well as Vans' technology need to create an integrated architecture — RyTE helped the company to conceive an e-commerce solution with the necessary power and functionality. "It was hard to predict the incredible success of the site, but from the start Vans knew it needed a robust infrastructure to handle high volumes of traffic and an extensive product catalog," said Davis.

Step 3: Build on a reliable platform

From the project's early stages, IBM technology was critical to RyTE's architectural plans. "IBM was a natural fit for Vans, given what we wanted to accomplish," said Giles. "And e-commerce was a natural extension of the IBM installation already in place at our company."

By early 1999, Vans was indeed an IBM AS/400 shop, with many of its core business applications in the U.S. and Europe running on two AS/400 servers. The company used Lotus Domino and Notes to automate sales transactions and provide calendar, news, and human resource applications to 1,300 employees worldwide. The company also used IBM's Net.Data to develop order-entry and customer service applications for its sales force. "IBM's technology was familiar to Vans, and robust enough to handle the traffic if the company wanted to grow its online product offerings or further develop its site. Also critical was the AS/400's proven reliability when supporting other applications," said Davis.

When positioning IBM WebSphere Commerce Suite as the right platform technology for Vans, Davis also cited IBM's track record in developing successful, large-scale e-commerce solutions. "The work IBM had done on e-commerce sites for L.L. Bean and others established a record of superior performance in this market," said Davis. "These sites allowed Vans to visualize the high level of customer service and site performance it could expect from WebSphere Commerce Suite."

"IBM and RyTE had already established an infrastructure for e-business within Vans and established our presence online. The next stage for Vans was to take that functionality to our Internet customers," said Giles.

Why IBM?

Vans' Checklist for Solution Selection

Speed ✓

Proven performance on competitive sites ✓

High satisfaction based on existing relationship ✓

Fit with Vans' existing infrastructure ✓

Reliability ✓

Step 4: Guarantee system integration: The key to success

RyTE used IBM technology to develop a design for Vans' e-business that would integrate the e-commerce application with the company's core business systems and processes — accounting, distribution, warehousing, and order management. Integrating these systems and processes created a Web front-end that allowed Vans to take orders, match those orders with inventory, and fill orders in a seamless, automated commerce environment.

Both RyTE and IBM had already worked with Vans on the enterprise-wide installation of its J.D. Edwards system and had the experience necessary to link e-commerce functionality to the rest of the company's infrastructure. "We knew that realtime integration with Vans' distribution system would make their e-commerce solution a success," said Davis. "You have to understand the customer's business and the customer's industry to develop a practical e-business solution. In the case of Vans, we had already been working with them for several years. We knew their operations inside and out."

Online shoppers at www.vans.com can use the site's interactive visuals for 360° views of products such as snowboarding boots.

RyTE and IBM planned to move Vans' Web site from existing IBM AS/400 servers that managed all of the company's business systems to a new AS/400 that is dedicated exclusively to running the company's Web site and e-commerce. Vans already had two AS/400s installed to manage its retail store operations and electronic data interchange (EDI) transactions with its suppliers. "In order for a commerce site to be successful, you need to get all of the plumbing right," said Davis. "We knew the AS/400 could manage all of Vans' e-business needs, including some of the more sophisticated site content and catalog materials the company intended to run."

Step 5: Launch the system

Once Vans approved the e-commerce framework, RyTE's consultants worked with representatives from IBM's laboratories in Toronto to integrate the latest WebSphere Commerce Suite technology into the solution. "We wanted tight integration between e-commerce and J.D. Edwards, and we wanted the entire system to run on AS/400," said Giles. "I looked at other vendors at this time, but none of them could offer the proven performance or the guaranteed interoperability that we knew IBM could provide." Installation of WebSphere Commerce Suite on the AS/400 was completed in March of 1999.

RyTE then worked with the marketing and IT departments at Vans to configure the e-commerce system with the company's business model and develop an online catalog that was both fast and easy to use. Vans knew that its young customer base would have little tolerance for a slow system or a purchasing process that required too many screen changes or transactions. "If the sales process takes even a few seconds too long, you're going to risk losing the customer," said Giles.

"Greater speed equals more orders," agreed Davis. "We've found there to be a direct connection between a site's ease-of-use and the number of orders that are actually processed." The IBM AS/400 model 720 could provide Vans with the additional processing power it would need to handle high volumes of orders quickly.

On June 11, 1999, Vans launched its e-commerce initiative with IBM Payment Server, a technology installed to secure the payment process over the Internet, and a sales catalog that included a limited selection from the company's shoe line. Just after going live, Vans immediately started taking orders. In the following days, RyTE engineers worked with IBM e-commerce and development teams to ensure that the company's order-processing systems could scale to accept a

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rapidly increasing number of credit card orders. RyTE also met onsite with Vans to ensure system performance. Within three months, Vans was processing more than 250 orders a day through its site.

Measuring Success

During its first 16 months of operation, Vans tracked the mounting success of its e-commerce initiative, including an increase in orders processed online and a spike in site traffic as its e-catalog grew more extensive. Giles explained how enhanced online content and e-purchasing services have impacted business to date.

▶ **Increased Web site traffic.** Since moving its Web site onto the AS/400 with WebSphere Commerce Suite, Vans has seen its online traffic soar with a number of attention-grabbing e-vents such as the "Triple Crown of Surfing" with high-resolution video stream and beachside reporting. An online stunt video has drawn more than 4,000 viewers to date; 59% of those viewers clicked-through to the Vans Web site. "That click-through rate is awesome," said Giles. "We were able to sell a lot more shoes thanks to that video." Another live Web cast featuring the opening of a new skateboard park attracted 2,000 visitors to the site. Giles continued, "With IBM WebSphere Commerce Suite we can instantly judge the success of our marketing campaigns."

▶ **Faster order processing.** Vans booked and shipped five times as many electronic orders in August 2000 as in August 1999. "I've done more online sales in the first six months of fiscal year 2000–01 than I did in all of 1999–00," said Giles. "The IBM technology has allowed us to process more orders faster. The online shop is now one of our most profitable outlets in the world. We've significantly upgraded our processing power and consolidated our server infrastructure for international operations in a single U.S. office. Without the AS/400, we would not have had the power in place for such a vertical leap in business."

▶ **New channels for promotion.** The new e-commerce system offers Vans an aggressive new way to entice customers to its online store. Vans has developed an HTML-based marketing campaign to alert customers via e-mail of special product offerings. Customers are placing orders online for limited-edition products and voting online for new fashions they would like to see designed.

▶ **Inventory reductions.** Vans' online catalog offers remainders and moves product lines that have been discontinued. "We're also using the Web site to introduce highly-customized products in limited editions," said Giles. Those niche offerings included leopard skin sneakers and other must-have accessories for the extreme athlete and the extremely fashion-conscious. Recently, the manufacturer produced a limited run of 2,000 shoes to fill orders placed by online shoppers. "As a result, we had zero inventory for the product," said Giles. "Integrating the e-commerce Web site with our inventory systems also allows us to register stock shortages and guarantee that supply meets demand."

How IBM and RyTE Helped Vans Surpass its e-commerce Goals

Create a new sales channel for extreme sportswear, footwear, and accessories

Since RyTE Consulting helped launch Vans' e-commerce initiative on IBM WebSphere Commerce Suite in June 1999, online sales have increased to more than 250 orders per day

Reduce inventory through online sales

Specialty shoe lines produced in limited quantity for online market, reducing inventory tracked on IBM technology to 0%.

Associate the Vans brand with popular sporting events

Launch of online stunt videos powered by an e-commerce system on IBM draws 4,000 attendees.

Increase the efficiency of its back-end systems

RyTE and IBM work with Vans to boost its order-processing power and consolidate all of its servers for international operations in one U.S. office.

Conclusion

Vans has succeeded in making its Web site a highly trafficked destination point for anyone interested in extreme sports, fashions, and equipment. Savvy marketing campaigns combined with a high-performance, content-rich e-commerce offering have made the company's site a lucrative business venue open to customers around the world, 24x7x365. Working closely with RyTE Consulting and IBM, the company has developed an infrastructure for e-business that:

▶ Integrates its business systems to improve internal supply chain execution

▶ Speeds order processing

▶ Develops new sales channels to reach customers

▶ Provides a template for retail e-business success

"Our e-commerce business has grown to become a significant source of revenue for Vans," said Giles. "RyTE and IBM have helped us develop a unique new connection with our core customer base while helping us to rethink old ways of meeting demand with supply. These companies are helping us to use the Internet as an integral marketing and sales tool. We know we've been successful when we're able to design the products that our customers tell us they want."

IBM