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# Duck Head doubles sales and profit margins with online store.

The apparel industry is bursting at the seams. With thousands of small and large players vying to capture the attention of fashion-conscious customers, the market is saturated, and profit margins are no longer as attractive as they once were. The oversupply of retail outlets and merchandise is propelling many companies toward e-commerce as a strategy to boost sales without adding to overhead cost. Industry studies[1] estimate that online apparel sales in the U.S. will generate $157 million in revenues this year, surging more than 200 percent to $514 million by 2001.

"In our experience, the AS/400 is one of the most dependable servers in the marketplace today. With all the integrated e-business capabilities it offers, the AS/400 proved to be the most economical way for us to put up a commercial Web site."

— Henry Greene, Manager, Information Technology, Duck Head

It's the kind of impressive growth that no business wishes to lose out on — certainly not a stalwart like Duck Head. Established in 1865, soon after the American Civil War, Duck Head displays a resilience characteristic of the tough, durable khaki-wear it sells. Traditionally dominant in the Southeast, the company — battling intense competition — is now positioning itself as a national brand. Says Information Technology Manager Henry Greene, "Electronic commerce is critical to achieving this objective. In the future, as the number of wired households increases and consumers become more comfortable shopping on the Web, more of our business will be done over the Internet than through any traditional sales channels."

Application	Online apparel store
Business Benefits	100% ROI; 100% larger profit margin than on traditional retail sales; 100% projected annual growth in online sales for next 5 years
Software	IBM® Net.Commerce IBM Net.Data® IBM HTTP Server for AS/400® IBM DB2® for OS/400®
Hardware	IBM AS/400e series
Services	IBM Global Services
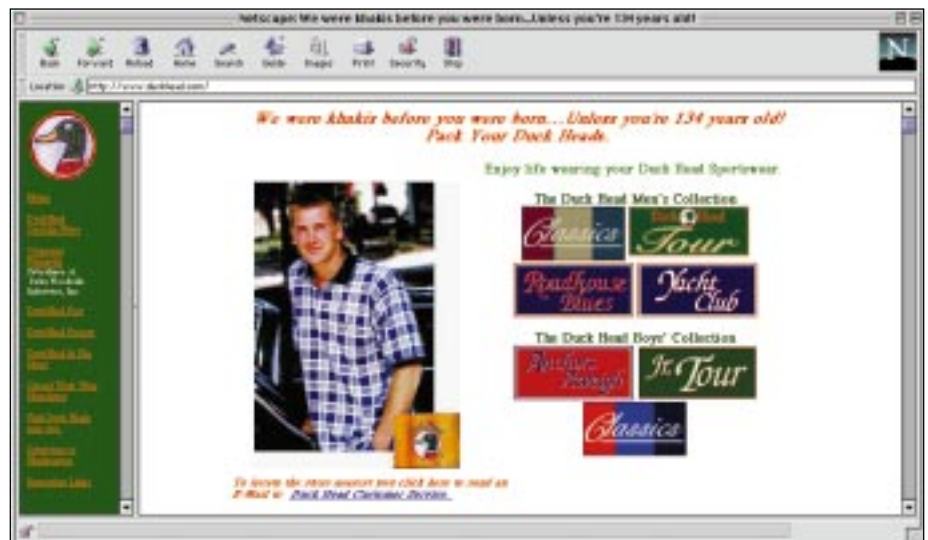
Its online apparel store is helping Duck Head establish itself as a national brand.

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To this end, Duck Head has created an online store, powered by IBM Net.Commerce and the Web-enabled IBM AS/400e series server. Barely two months since the company started selling online, the store is attracting more than 500 visitors a week. That, Greene notes, "is even though we started advertising the Web store only a week ago." By the end of the year, the company will have achieved 100 percent return on investment, and it expects to double online sales every year for the next five years. Profit margins on online sales are twice as high as those on brick-and-mortar retail stores. Greene explains, "The overheads are so low that profitability increases sharply."

The online store offers customers the convenience of 24-hour shopping, 7 days a week. "We were losing customers who wanted to shop after office hours, or avoid the holiday crowds, or just save time by looking for what they need on the Internet," says Greene. "Now we provide round-the-clock service, without requiring additional sales or support staff."

Scalable, economical e-business platform

Duck Head's online store is based on the IBM AS/400e model S40 server, which integrates comprehensive e-business capabilities in one secure platform. Says Greene, "The AS/400 is one of the most dependable servers in the marketplace today. With all the integrated e-business capabilities it offers, the AS/400 proved to be the most economical way for us to put up a commercial Web site." IBM HTTP Server for AS/400, an enhanced version of the former IBM Internet Connection Secure Server, ensures secure Web transactions with its support for industry-standard 128-bit Secure Sockets Layer (SSL) encryption. Utilizing the comprehensive e-mail capabilities of the AS/400e, customers can e-mail their questions to Duck Head's customer service representatives and receive a prompt response. Soon, Duck Head plans to migrate to Lotus® Domino™ for AS/400. "Domino will enable us to automate many more functions, including the e-mail services," Greene points out.

IBM Net.Commerce merchant server software provides services to make shopping hassle-free — an easy-to-search electronic catalog, shopping cart, special offers, local tax calculator, personal address book for sending gifts and more. Says Greene, "We needed to make our Web site convenient, easy to navigate and fast. Net.Commerce provided all the functionality we needed for this. IBM Global Services experts showed us what we could do with it and helped us implement exciting new features." The e-business Global Application Delivery Group, part of IBM Global Services, worked with Duck Head in the design and implementation of the Web site.

Customer profiles, the electronic catalog and all other information relating to the Web site is stored in DB2 for OS/400 on the AS/400e Web server. Online orders are relayed from the Web server, through IBM Net.Data, to a second AS/400e model 620 system at the back end, where they are posted to a central DB2 for OS/400 operations database. Once credit authorization is received, orders are processed and shipped to customers' doorsteps. Greene notes, "We already had DB2 and the AS/400 as the core of our information systems, and we've leveraged our knowledge of these products to our advantage."

The future — business-to-business trade

In the future, Duck Head intends to exploit the Internet's potential for business-to-business trade. Smaller specialty stores have expressed their desire to buy online, directly from Duck Head, rather than from wholesalers. "About 20 percent of our business comes from specialty stores, and so far a little over 10 percent have expressed interest in this — representing $10 million in revenue," notes Greene. Targeting an overall growth of ten percent yearly in the khaki apparel market, Duck Head has set its sights high. Says Greene, "With the market reach and services we can offer customers through the online store, we'll get there in no time at all."

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[1] *On-line Retail Strategies*, Volume One, Forrester Research Inc., April 1998.