# Majestic Wine dispels competition with hosted IBM on demand solution.

## Overview

■ **Challenge**
Online wine store Majestic Wine had outgrown its initial hardware infrastructure and needed to expand cost-effectively in order to meet peak demand

■ **Why On Demand?**
To respond to customer demands for reliable service and control costs, Majestic Wine needed a resilient commerce solution able to accommodate peak customer activity on a variable cost basis

■ **Solution**
Majestic Wine implemented a hosted e-commerce solution that easily processes peak number of realtime customer wine purchases and better aligns IT expenses with revenue using pay-as-you-go cost model

■ **Key Benefits**
Continuing annual sales growth of 50% with improved conversion rate; ability to launch new associated Web sites using same infrastructure; expanded capacity of Web site at peak periods improves customer experience; hosted system and pay-as-you-go pricing structure help avoid high fixed costs for IT infrastructure



*Majestic Wine's successful multichannel distribution strategy makes local stores responsible for contacting customers and delivering the products ordered online.*

The British online wine industry is enjoying a heady success, with e-commerce wine sales increasing 15 times faster than sales at traditional wine stores. However, heavy demand has also created a competitive marketplace and increased the pressure on sellers to keep systems working smoothly through peak holiday periods. For online wine store Majestic Wine (Majestic), this has required frequent reengineering of its e-commerce channel.

*"As costly as our infrastructure was, it was still inadequate to meet our peak demands. We needed a solution designed for fluctuating demand so that we could serve our customers while still controlling costs."*

*– Jeremy Palmer, E-commerce Director, Majestic Wine*

# Creating a flexible e-business enterprise by leveraging hosted resources on demand

## On Demand Benefits

- Continued annual sales growth of 50% with improved conversion rate
- Improved responsiveness to customers has fueled Web site traffic growth
- Enhanced processing capacity positions company for future growth
- Variable, pay-as-you-go price structure helps avoid high fixed costs and aligns IT expenses with revenues
- By outsourcing IT infrastructure, company can focus on core business and devote more time to marketing issues, such as development of new cross-selling, up-selling offers
- Elimination of manual Web publishing tasks enables staff to work more productively
- Ability to scale to 100,000 page views per day during peak holiday period, a two-fold increase

Based in Watford, U. K., Majestic (*www.majestic.co.uk*) has 113 traditional wine stores throughout the region, as well as its Majestic Online wine store. With 500 employees, Majestic generates £125 million (US$238 million) per year in gross revenue.

Majestic's e-commerce Web site achieved 400 percent return on investment in less than one year, accounting for 30,000 case sales per year. Holiday seasons, however, were not as successful. Although Majestic invested heavily in its e-commerce infrastructure, incurring high fixed costs in the process, the resulting site still couldn't scale to meet peak demands. In fact, it crashed during busy periods causing Majestic to lose customers to competitors. Although the company knew it needed more capacity, it was reluctant to increase its fixed costs for a more powerful online store infrastructure when it knew that sales rates would drop off after the holidays.

"As costly as our infrastructure was, it was still inadequate to meet our peak demands," says Jeremy Palmer, e-commerce director, Majestic Wines. "We needed a solution designed for fluctuating demand so that we could serve our customers while still controlling costs."

### Reliable service at a reasonable cost

To solve these problems, Majestic needed to revamp its e-commerce model to provide its customers with responsive, reliable service year-round, even during peak periods of holiday demand. At the same time, it wanted to leverage a variable price structure to keep costs in line with revenues and to avoid having to pay for expensive equipment during slow periods. By eliminating its technology problems, moreover, it would be able to devote greater attention to the development of revenue-enhancing Web site features such as cross-selling and up-selling campaigns.

Working with IBM Business Partner Morpheus eBusiness Solutions (Morpheus), Majestic created a new Majestic Online wine store with processing capacity that can be adjusted to meet peak holiday demands. Customers receive split-second responses to all their requests, including realtime order tracking, even during the busiest periods. Majestic pays for its capacity on a variable basis, which saves the cost of paying for underutilized capacity year-round. "If our revenue declines, our costs do too," says Palmer. "Since our overall IT expenditure is less, we have more money to invest in marketing to generate demand, which we then meet simply by expanding our capacity. This is exactly what we did during the last holiday period, when we were able to handle half a million hits to our site. As a result, our Web site traffic has increased this year, largely because of our flexible, on demand IT solution. And our revenue growth has continued to increase at an annual rate of 50 percent, with an improved conversion rate due to the new Web site."

With its scalability and cost issues resolved, Majestic can focus on further initiatives to grow its business. For instance, it is creating personalized offers to customers to complement their previous purchases. Majestic is also taking advantage of automatic publishing systems, enabling its small staff to take on higher-value marketing roles. "Our reliable new system frees our small staff to focus on our core business," says Palmer.

### Saving costs with variable capacity IBM @server

Morpheus, which has had a longstanding relationship with Majestic Wines, was a key collaborator in the development and success of Majestic Online. Berkshire, U.K.-based Morpheus develops solutions that leverage the power of the Web for corporate clients in the retail, distribution and insurance industries. Morpheus implemented Majestic Online and hosts the Web site, strategically supplementing Majestic's in-house staff and maximizing the value of its limited resources.

Morpheus ported Majestic's existing Web store — based on IBM WebSphere® Commerce Professional Edition and IBM @server® iSeries™ — to the latest version of WebSphere Commerce software and to a resilient iSeries 825 server with Capacity on Demand. "With Capacity on Demand, we can double the number of processors we use without paying for the additional capacity until it's needed," says Palmer. "After the peak season, we can return to our baseline, reducing our costs and aligning IT expenses with revenues."

### Robust flavor of profits

Majestic Online offers wines and other premium beverages at the same prices available at Majestic stores. WebSphere Commerce provides the transaction framework for taking orders and checking out customers, retrieving product and customer data from IBM DB2® Universal Database™. Once the customer orders, IBM WebSphere Application Server transmits the request to the local Majestic store. The local store calls the customer, delivers the wine and becomes responsible for maintaining the customer relationship. The solution utilizes Java™ servlets and JavaServer Pages for the business logic and front-end presentation, providing a scalable, open standards architecture for easy, low-cost maintenance. Morpheus used IBM WebSphere Studio Application Developer to create the Java classes.

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**Key Components**

*Software*

- IBM WebSphere Commerce Professional Edition
- IBM WebSphere Application Server
- IBM WebSphere Studio Application Developer
- IBM DB2 Universal Database for iSeries

*Servers*

- IBM @server iSeries

*Business Partner*

- Morpheus eBusiness Solutions

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*– Jeremy Palmer*

With the Commerce Accelerator component of WebSphere Commerce, Morpheus created easy-to-use publishing templates that business managers can leverage to publish Web pages. Furthermore, to personalize the Web site, Morpheus used the business rules in IBM WebSphere Personalization to create up-selling and cross-selling offers. "We've had the personalization and publishing capabilities for a while, but didn't have the time to use them. One of the great benefits of the new IBM WebSphere solution is that it gives us back the time that we were spending on solving our scalability problems," says Palmer.

**Reliability under pressure**

Having investigated other off-the-shelf and homegrown solutions for increasing the scalability of its Web site, Majestic chose the IBM solution because it was very satisfied with the results generated by its former Web site. "There's always a limit to capacity, and we're pleased that our previous IBM online commerce solutions brought us the explosive growth that we have experienced," says Palmer.

The new WebSphere and iSeries infrastructure has handled transactions unfailingly as daily Web page views to the Majestic site increased almost two-fold during a recent holiday period. "The page views peaked at 100,000 per day," says Palmer. "WebSphere and the iSeries performed to perfection."

To leverage the success it has experienced with wine enthusiasts, Majestic now has a new Web site that will specialize in high-value wines. "With our new resilient IBM WebSphere solution, we have the ability to concentrate on leveraging our core marketing strengths," says Palmer. "We're confident that the coming holiday seasons will bring good cheer for both our customers and ourselves."

**For more information**

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