Music to your ears

Virgin Entertainment Group, North America silences the competition with IBM listening kiosks from Retail Store Systems

Today's consumers are virtually bombarded with a plethora of products, vendors and channels. And nowhere is the competitive environment quite so crowded as in the entertainment business. Audio CDs. Videos. Books. Games. DVDs – all vying for a piece of your quickly diminishing, undivided attention. Not to mention your precious entertainment dollar.

With so many choices and so little time, what's a discerning purchaser to do?

"Try before you buy" seemed like a good strategy to Virgin Entertainment Group, North America the world's leading multi-channel music and entertainment retailer. A market leader in being customer centric, Virgin was the first to install listening devices in their stores. However, the technology only handled a certain number of items the company chose to promote. How could Virgin Megastores shift the focus to the customer? With more than 200,000 products stocked in store inventory, what kind of sampling system would turn interested shoppers into confirmed buyers?

It took much time and effort, but with Retail Store Systems, Inc. (RSS), an IBM Premier Business Partner working alongside them, Virgin came up with a hit: IBM Kiosks running a Microsoft Windows® XP/Browser-based digital preview application created inhouse. The result is MegaPlay – the most advanced entertainment preview system in the market today, allowing Virgin Megastore customers to access a massive database through an easy-to-use touch-screen interface.

It all seemed to fit with the company's philosophy of making a difference in the customers' eyes and demonstrating value, quality, innovation, fun and staying ahead of the competition.

RETAIL STORE SYSTEMS, INC.

IBM® Business Partner

"The IBM Kiosks reflected the latest state-of-the-art technology and styling."
– Glen Ward, CEO, Virgin Entertainment Group, North America

Delivering what customers want, when they want it

Virgin Entertainment Group in North America operates 22 stores with a square footage between 20,000 and 70,000 each, and foot traffic totaling over 36 million people. The company accounts for up to 40 percent market share in specialty markets like imports and electronica. But its real "category killer" is Virgin Megastores and Virginmega.com – integral parts of a strategy to provide entertainment customers with what they want, how they want it, and when they want it.

"We look for opportunities where we can offer something better, fresher and more valuable to our customers," says Glen Ward, CEO, Virgin Entertainment Group, North America.

The objective with MegaPlay was to provide information that would help Virgin Megastore customers make the right decision. The ultimate goal, of course, was increased sales and solid customer loyalty. After all, why would you risk your dollar on an untried CD at a competitor's store?

A technology innovator

"Virgin has been at the cutting edge of retail technology," says Michael Hess, Vice President, Marketing & Sales, RSS, which began working with the company about six years ago, replacing its PC cash registers with IBM 4694 POS terminals. Since then, Virgin has been gradually consolidating much of its technology to the IBM platform, and relying on RSS to supply the hardware, software and services related to various installations.

Systems integrator RSS delivers enterprise-wide solutions such as store systems, supply chain management, customer relationship management and business intelligence to clients in the retail and distribution industry. "Expert at both retail and technology, RSS works closely with its customers to understand their specific requirements and business processes before recommending any solution," explains Mr. Hess. Working with large multinational retailers, RSS has completed installations in 30 different countries.

IBM Business	
Partner:	Retail Store Systems
Solutions:	Hardware Burn-in and Redistribution, Systems Installation and Rollouts, Application Programming and Development, Project Management
Territory:	North America, Latin America, Europe, Asia
Customer Target:	Retail Industry

Virgin spent 18 months perfecting the infrastructure that would deliver digital content efficiently, then piloted kiosk systems from NCR and IBM. "This was an opportunity to evaluate usability, reliability and ergonomics. Both vendors offered reliable equipment," says Ward, "but Virgin was impressed with the service and support they could obtain through RSS and IBM. "We were also interested in building a stronger business relationship with IBM, as we already have IBM for our POS units and in our back office," he adds. "Another factor was that the IBM Kiosks had just been released, and reflected the latest state-of-the-art technology and styling."

"Our relationship with IBM enables us to provide our clients with state-of-the-art technology, including kiosks that can integrate with other store systems. The durability and reliability of IBM equipment is ideal for the retail market in which we work," says Mr. Hess.

Pick and choose

At each MegaPlay kiosk in Virgin Megastores, customers can preview samples of CDs, DVDs and games, which are downloaded from the Web. All they do is pick up a product from the store rack, scan the bar code and then experience 30-second clips of any track they select. Without the product in hand, they can scroll through a selected inventory to make their choice. Soon they will be able to search by name and artist.

The kiosks, which are now installed in four stores (as many as 20 per site), are in use on average 60 to 70 percent of the time – not bad, considering store hours run past midnight. Virgin plans to roll them out to all its other sites this year.

Converting interest into sales

Beyond the popularity, however, is the revenue these kiosks are generating.

"We don't have the ability to make direct correlation to sales yet, but we assume a relationship when a scanned item is bought within 60 minutes," explains Mr. Ward. "And so far our conversion rate to sales is three times higher with the kiosks."

Meanwhile, Glen Ward reports positive feedback from customers who say they'll keep coming back to a store that offers them choice. "We have always believed that Virgin is the consumers' champion," he says.

With the MegaPlay kiosks supplied by RSS, Virgin Entertainment Group continues to give its customers exactly what they want.