IBM

Leading European retailer introduces IBM Payment Suite to German market.

Since its inception in 1881, the Karstadt Group, based in Essen, Germany, has grown to include 240 retail stores worldwide, a travel agency and a mail-order business. Total 1997 revenue was $15 billion. As a way to further expand its market share with minimal expense, Karstadt implemented its "my-world" Web site, strategically positioning itself for the future of electronic commerce. It estimates that by the year's end the site will generate $3.5 million in online revenue.

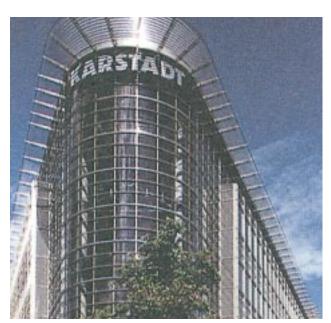*"IBM has a clear and convincing e-business strategy, which is missing from other IT suppliers. Experience and reliability will allow IBM to be our preferred supplier for any upcoming e-business solutions."*

—*Ragnar Nilsson, Chief Information Officer of the Karstadt Group*

"We see my-world as a way to gain experience in the e-business arena," says Ragnar Nilsson, chief information officer of the Karstadt Group. "In parallel to our existing business, we want to explore the wide range of electronic commerce, mainly with the virtual shopping mall, which is part of the my-world site."

More than 10,000 users visit the my-world site each day. As a result, Karstadt receives a steady stream of e-mail feedback. In response to user requests, Karstadt has added chat rooms, information services and Web-based magazines to my-world, in addition to the online shopping mall.

"Under the new my-world cyberbrand, we plan to grow market share by offering exceptional customer services such as quick delivery and SET Secure Electronic Transaction™ payment transactions, adding new services like grocery delivery and implementing new technologies such as data mining, which will allow us to get

Application	Multi-purpose Web site, including online storefront with secure credit card payment
Business Benefits	$3.5 million expected revenue, increasing 400 times by 2005 to $1.35 billion; 10,000 visitors a day
Software	IBM® DB2® UDB IBM Payment Suite IBM Payment Server™* IBM Payment Gateway™* IBM Consumer Wallet™ IBM AIX®
Hardware	IBM RS/6000®
Services	IBM Global Services

Karstadt is enhancing customer loyalty through "my-world," its multi-purpose electronic commerce Web site.

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more information about our customers, so we can customize offerings, thereby enhancing customer loyalty," Nilsson says.

Money well spent

With research projecting that as much as five percent of the German retail market will involve online shopping over the next few years, Karstadt has formed a separate division to research and develop electronic commerce solutions. While Karstadt attributes less than one percent of its overall revenue to my-world today, it expects that number to rise to five percent by 2005, equaling $1.35 billion, nearly 400 times the revenue currently generated.

Karstadt executives believe the money spent to stay on the cutting edge of technology is a sound investment, and they expect to break even on their initial investment within the next three years. "e-business will be a key component for our retail industry," Nilsson explains. "We've invested in it so we can gain early experience and build up customer acceptance."

Welcome to my-world

In looking at how to approach the site, the research team knew they didn't want just another online catalog, but a new business model based on bringing together a network of brands with a strong service base. Karstadt chose to implement its Internet offerings in a two-phased project. The first step was the installation of Cyberb@rs, which launched in 1995, and its online mall, which debuted in October 1996.

Cyberb@rs, which are Internet cafes within Karstadt department stores, were introduced during the first phase to serve as the connecting link between the physical store and the Internet shopping experience.

For a small fee, customers can sit at the Cyberb@ar terminal and access the entire Internet, including Karstadt's my-world site where they can download games, e-mail friends, hold video conferences and purchase goods online in the my-world shopping mall. Currently, Cyberb@rs serve about 3,500 visitors every day.

Karstadt implemented IBM Payment Server to run the my-world virtual shopping mall, which is the core of its e-business solutions. The result has been an interactive and cost-efficient Internet-based shopping service that boasts more than 800,000 products and services available 24 hours a day through any standard Web browser.

Repeating success

Phase two, which was completed in 1997, included a relaunch of the my-world site, implementing the SET™ protocol to provide security-rich payment transactions.

The IBM Payment Suite software solution is the foundation for the my-world site. IBM DB2 Universal Database™ pulls information from Karstadt's merchandising system to provide shoppers with product choices. Once shoppers select the items and add them to a virtual shopping cart, IBM Consumer Wallet takes over, providing organization and control of electronic payments. It uses the SET protocol to verify both the acceptability of credit cards and the merchant identification and ensure security of consumers' credit card information. IBM Payment Server software acts as the online cash register that allows Karstadt to accept forms of electronic payment. Finally, IBM Payment Gateway software seamlessly connects Karstadt's financial systems with the Internet by routing, approving and managing online transactions.

In its first year, my-world received two million visits from around the globe. However, for the time being, Karstadt is providing delivery only within Germany, so it can better focus on the needs of the local market.

"IBM provided us with the basic technology," Nilsson says. "IBM Global Services accompanied us in all project phases, being our most competent partner."

In the future

As German customers become more accustomed to electronic payment systems, Karstadt is ready to expand the scope of its SET implementation to include more credit card users. IBM Payment Suite will allow Karstadt to handle other forms of electronic transactions as well, including transactions in the business-to-business arena. To bridge the language barrier and broaden global horizons, Karstadt plans to introduce English, French and Spanish to the site this year and eventually broaden the delivery area to include Austria, Switzerland and the rest of Europe.

Meanwhile, Karstadt and IBM are continually planning enhancements. "IBM has a clear and convincing e-business strategy, which is missing from other IT suppliers," concludes Nilsson. "Experience and reliability will allow IBM to be our preferred supplier for any upcoming e-business solutions."

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