



CORPORATE SALES



Lands' End: IBM Technology a Perfect Fit for Its B2B Solution

An IDC e-business Case Study

THE RESULTS

"We see the new B2B site as really enhancing the shopping experience for our business customers by giving them the self-help tools they need to have more control over the interaction. It's about giving customers more options."

THE GOAL

NEAR-TERM:	Make it easier for business customers to purchase products from Lands' End over the Web.
LONG-TERM:	Provide business customers with a flexible, highly customized e-commerce environment.

THE COMPANY

VITALS:	Lands' End is a leading direct merchant of clothing, soft luggage and home products. Lands' End generated \$1.3 billion in revenues in fiscal 2000, including \$138 million in online revenues.
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THE SOLUTION

PROFILE:	B2B e-commerce solution
DEPLOYMENT TIME:	9 months (6 months in the design stage, 3 months in the programming/development stage)
IMPLEMENTATION TEAM:	IBM Global Services and Lands' End IT personnel



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The Solution

Core Functionality

- B2B Web-based e-commerce solution

Software

- IBM Net.Commerce
- IBM DB2 Universal Database
- IBM MQSeries
- IBM Net.Data

Servers

- IBM RS/6000
- IBM S/390 Parallel Enterprise Server

Services

- IBM Global Services

Benefits

- Improved efficiency and lower procurement costs for business customers
- Increased customer satisfaction
- Shorter development time and increased flexibility for Lands' End
- Lower customer service costs for Lands' End

One of the world's largest and best-known direct marketers, Lands' End has long been known as a pioneer in the e-commerce arena, having first introduced a transaction-enabled B2C Web site in 1995. The site, www.landsend.com, hosted 38 million visits and generated \$138 million in fiscal year 2000. Despite the sophistication of its B2C e-commerce offering, Lands' End's B2B efforts had lagged considerably behind, despite the fact that revenues from its B2B unit—known as Corporate Sales—accounted for 10 percent of overall revenues.

To bring its B2B capabilities up to speed, Lands' End established an aggressive timetable to commerce-enable its B2B Web site. One of the key challenges faced by Lands' End was the sheer diversity of its customers' needs, reflecting the breadth and underlying diversity of its customer base. Lands' End serves tens of thousands of small businesses as well as 90 percent of companies in the Fortune 500, with its core business built around providing clothing and accessories featuring company logos.

While its vendor selection process was guided mainly by the immediate technical requirements of solution, Lands' End also took into consideration its future need to adapt to rigorous customer requirements. This underscored its need for an e-commerce solutions provider that could deliver a very flexible and scalable architecture. Lands' End selected IBM Global Services to build its solution based on its proven ability to deliver such a solution. Along with members of Lands' End internal IT staff, IBM Global Services spent approximately six months designing the complex solution, and another 3 months deploying it.

The solution includes two distinct elements, both of which are powered by IBM Net.Commerce 3.2 as the core transaction engine. The Corporate Sales site, targeted to small and medium-sized companies, offers a catalog through which companies can order merchandise, check available inventory and pricing, and submit and view their logo online. To target its large corporate customers, Lands' End developed a series of customized extranet sites known as "Online Custom Stores" which are arrayed as separate stores within a "mall" structure. Lands' End has deployed 13 Online Custom Store sites for such high profile customers as Cisco, BellSouth, and Saturn.

Lands' End expects both its Online Custom Stores and its Corporate Sales solution to add significant incremental revenue, since it will lead to the acquisition of more large corporate customers. The customers themselves benefit by having a richer and more customized shopping experience, as well as an increase in the efficiency of their procurement processes. Lands' End also expects to increase its customer retention and decrease its customer service costs by providing its customers with self-service tools.

► Business Environment

Founded in 1963 as a catalog-based retailer of sailing hardware and equipment, Lands' End has risen to the top tier of direct merchants in the United States with annual sales of over \$1.3 billion for its line of apparel, luggage, and home products. By following the guiding principle that “what’s best for the customer is best for Lands’ End,” the company has been a continuous innovator in using advanced technology to build closer relationships to its customers. This pioneering instinct led to Lands’ End’s early adoption of Web-based e-commerce. Since introducing its first B2C e-commerce site, landsend.com, in 1995, Lands’ End has evolved considerably in its e-business sophistication. For instance, whereas it once offered 100 of its products online, it now sells its entire line over the Web and has built in numerous state-of-the-art e-commerce capabilities, including personalized shopping accounts, through which it seeks to create one-to-one relationships with customers. Innovations such as this have contributed to the overwhelming success of the site, which hosted 38 million visits and generated \$138 million in fiscal year 2000—double the previous year.

e-business Challenge Lands’ End

“Our leadership in the B2C arena pointed to an enormous opportunity on the B2B side, which was one of our fastest growing areas. Our goal was essentially to translate that leadership to the business-to-business division, and to do so within a fairly small window of time.”

— Mike Grasee,
Director of e-commerce,
Lands’ End Corporate
Sales

Since the mid 1990s, a number of traditional catalog retailers have adopted different variations on the Web-based e-commerce model, focusing almost exclusively on the B2C market. A major factor driving catalog retailers toward early adoption of Web-based e-commerce was their unique ability to capitalize on existing processes—such as fulfillment and catalog development—which had a lot in common with the B2C e-commerce business model. The fact that relatively few catalog retailers have significantly addressed the B2B market with a Web-based solution largely reflects the difficulty of meeting their often exacting specifications. However, in the late 1990s, Lands’ End seemed particularly well positioned to address the e-commerce opportunity in the B2B market on the strength of its advanced just-in-time capabilities—developed through close partnerships with its suppliers.

► e-business Challenge

Nevertheless, despite having deployed a state-of-the-art B2C e-commerce solution, Lands’ End had generally lagged in its efforts to commerce-enable its B2B solution—but it was in no way a reflection of the magnitude of the underlying B2B opportunity. Accounting for roughly 10 percent of overall revenues and representing the company’s fastest growing segment, Lands’ End’s B2B business (known as Corporate Sales) was centered around providing customers with products such as shirts, outerwear, hats and accessories, that were customized with the customer’s logo. According to Mike Grasee, Director of e-commerce for Corporate Sales, the unit’s increasing success was a major factor in the decision by Lands’ End’s upper management to put B2B Web enablement on a fast track. “Our leadership in the B2C arena pointed to an enormous opportunity on the B2B side, which was one of our fastest growing areas,” says Grasee. “Our goal was essentially to translate that leadership to

the business-to-business division, and to do so within a fairly small window of time.”

While the promise of vastly increased efficiency was a major catalyst to Lands’ End’s B2B e-commerce enablement efforts, the company’s customers also provided a major impetus. Lands’ End’s Corporate Sales addresses a highly diverse market that includes thousands of small and medium-sized companies, as well as 90 percent of companies in the Fortune 500. As Grasee points out, this diverse base of customers had one major thing in common: an overwhelming interest in adopting a Web-based procurement model. “We saw that all of our customers, whether they were small businesses or Fortune 500 companies, wanted to capture the efficiencies of Web-based ordering—and they wanted it now,” says Grasee.

In addition to the need for a speedy deployment, Lands’ End Corporate Sales also faced the challenge of developing a solution that was tailored to the often divergent requirements of its heterogeneous customer base. Grasee notes that despite the need for rapid deployment, Lands’ End was not about to adopt a “one-size fits all” approach to its B2B solution. “We faced a complex challenge because our larger customers clearly were looking for something different than our small and medium-sized customers,” says Grasee. “For instance, some of our larger customers didn’t want just an extranet linking them to Lands’ End, they also wanted to do business through e-commerce portal providers, such as Ariba or CommerceOne. Our aim was to build a solution that—while enabling everyone to reap the benefits of Web commerce—allowed them to do so in different ways.”

► First Steps

The drive to commerce-enable Lands' End's B2B resources, begun in January, 1999, was led by Lands' End Corporate Sales division with major involvement from Lands' End's marketing, merchandising, sales, and operations organizations, respectively. As Grasee points out, Lands' End's concerted decision not to isolate e-commerce as a stand-alone organization is a measure of the centrality of the Web to the company's service delivery strategy. "The cross functional nature of our Web planning efforts signifies that we do not just view the Web as another sales channel—we're trying to reshape the entire customer interaction around the Web," notes Grasee. "We want to give all of our customers the option to order over the Web."

As part of an overall effort to define the requirements of the solution begun in 1999, Lands' End conducted a number of focus groups among different groups of customers. One of the key findings of the focus groups was that large customers wanted a certain degree of customization in their interaction with Lands' End. As a result of these findings, Lands' End concluded (among other things) that its solution must be flexible enough to create a customized experience for its larger customers, while also satisfying the less rigorous needs of its smaller customers. Soon after, in the spring of 1999, Lands' End commenced its vendor selection process.

► Decision Criteria and Process

While its vendor selection process was guided strongly by the near-term technical requirements of solution, Grasee notes that Lands' End also took into consideration its need to adapt to an increasingly demanding set of customer requirements. "In our industry as a whole we've seen that customer demands for e-commerce solutions are becoming much more rigorous and are rapidly changing, which dictates the need for flexibility," says Grasee. "This means that we have to position ourselves so that we cannot only keep up with our customers' constant efforts to push the envelope in Web-based commerce—but also to help anticipate their needs. In light of this, we realized that we needed an e-commerce solutions provider that could deliver a very flexible and scalable architecture. Our search pointed to IBM as that vendor."

According to Dave Corrigan, Business Systems Specialist for Lands' End Corporate Sales and a key player in the selection process, the strengths of IBM Net.Commerce (now known as WebSphere Commerce Suite) matched closely with Lands' End's need for a rapid, highly customized deployment. "Our research indicated that Net.Commerce was a stable and scalable platform, capable of handling a high volume of transactions," says Corrigan. "The fact that the IBM product had several features that we knew we could quickly and easily customize was a big plus. Easy customization was a must because we knew that customization was a must for our customers in order to provide them with the ideal shopping experience."

Key Decision Criteria In Selecting IBM

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Simon Chappell, a Lands' End IS Programmer Specialist that worked alongside IBM Global Services in the solution's development, concurs. "The framework of Net.Commerce 3.2 gave us a lot of functionality out of the box, which was ideal given the extreme time constraint that we are under to get the solution out and working," says Chappell. "We were also impressed with Net.Commerce's very advanced database schema. We found it very helpful to have a complete and robust data structure with which to work, instead of having to work from scratch, which would have cost us time that we couldn't afford to lose."

In addition to the functionality of Net.Commerce, Corrigan sees the breadth of IBM's experience with similar companies as a major influence on its selection. Corrigan also points to the success of previous partnerships with IBM—at earlier stages of Lands' End's e-business evolution—as a factor. He specifically cites the example of IBM MQSeries, which Lands' End successfully deployed on the B2C side to link to the company's CICS-based order system to check the inventory status of each item before it can be ordered online. Another example is IBM DB2 Universal Database, Lands' End's core database management system which runs on IBM S/390 Parallel Enterprise Server. According to Corrigan, the proven robustness, reliability and maturity of DB2 and MQSeries—which will also play a role in Lands' End's B2B solution—instills confidence in the ability of IBM technology to get the job done.

Corrigan sees a broad range of benefits, both short-term and long-term, resulting from Lands' End's pervasive use of IBM technology throughout its e-business infrastructure. "By adhering to the principles of IBM's Application Framework for e-business, we guarantee not only our ability to leverage our existing infrastructure investments, but also our ability to adapt and build our systems more rapidly," says Corrigan. "When you are putting together a solution where time is a factor, the ability to develop quickly and easily is very attractive. For this reason, IBM's Application Framework for e-business proved to be very timely given our situation."

► The Lands' End B2B Solution

Lands' End's B2B Solution at a Glance

User Profile

- For Corporate Sales site, small and medium-sized businesses
- For Online Custom Store sites, Fortune 500 companies

Transactional Services

- Realtime access to inventory status information
- Online ordering
- Realtime access to pricing information
- Ability to submit and view logos online

Customer Services

- Lands' End Live employs "click-to-talk" technology allowing customers to speak with a customer service representative during an online transaction.

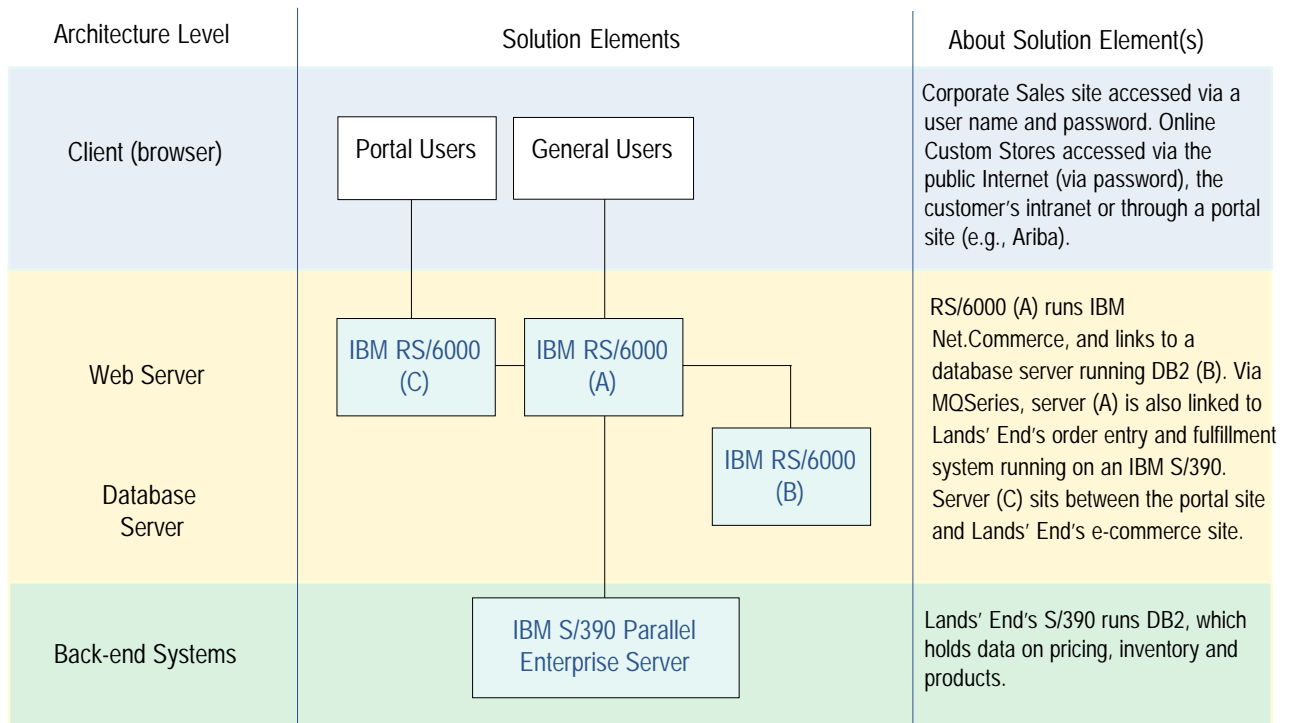
Lands' End Corporate Sales adopted a two-pronged approach to address the unique needs of its two key audiences: small and medium-sized customers and large customers. Both solutions relied on IBM Net.Commerce 3.2 as the core transaction engine, and were designed and developed by IBM Global Services specialists working alongside Lands' End IT staff. The Corporate Sales site, targeted to small and medium-sized companies, offers a catalog through which companies can order merchandise, check available inventory and pricing, and submit and view their logo online.

To target its large corporate customers, Lands' End developed a series of customized extranet sites known as "Online Custom Stores." Hosted by Lands' End, Online Custom Store sites run on a single instance of Net.Commerce 3.2, and are arrayed as separate stores within a "mall" structure. Lands' End has deployed 13 Online Custom Store sites for such high profile customers as Cisco, BellSouth, and Saturn. In addition to hosting the site, Lands' End provides corporate customers with a range of secure access methods, including access through the public Internet or through the customer's intranet. Another innovative aspect of the Online Customer Store is its ability to enable customers to access their site via Ariba's e-commerce portal. Corrigan believes that these innovations stand as an example of Lands' End willingness to "push the envelope" for its customers, as well as IBM's ability to develop a creative solution. "IBM Global Services really rose to the challenge of developing a flexible security framework that can accommodate the different types of configurations that our customers wanted," says Corrigan.

Since introducing the Corporate Sales site, Lands' End has added a number of major enhancements to enrich the online experiences of the small and medium-sized companies using the site. For instance, the site's Lands' End Live™ feature is an advanced customer relationship management solution that employs advanced "click-to-talk" technology to allow customers to instantaneously initiate an online session with a Lands' End customer service representative in the event they encounter a problem. Another major enhancement was the integration of the Web-based e-commerce platform with Lands' End's legacy order-entry system, replacing a manual process by which orders were manually keyed into the system. Lands' End has also recently introduced the ability to determine realtime order status and e-mail distribution of newsletters. Enhancements to the corporate-focused Online Custom Stores include the addition of global ordering capabilities (available to those outside the United States) as well as state-of-the-art logo technology that enables a customer to place more than one logo on a particular product. IBM Global Services played an important role in implementing these enhancements.

Lands' End's B2B solution runs on three IBM RS/6000 servers: two that are located on the premises of Lands' End's ISP, and one that is located at the Lands' End site. Of the ISP-resident servers, one (running Net.Commerce 3.2)

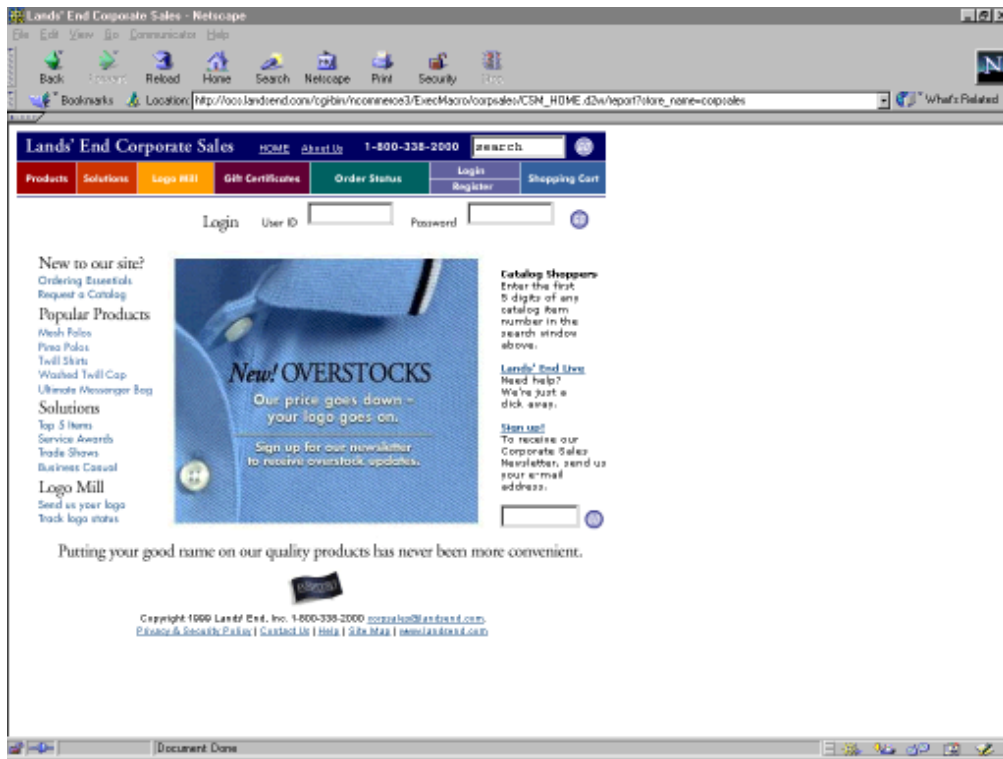
**Figure 1:
Basic Architecture of the Lands' End B2B Solution**



Source: Lands' End and IDC

functions as a commerce server, the other (running IBM DB2 Universal Database) functions as a database server, and contains tax and ship data. These servers are linked via a leased line to Lands' End's main order entry and fulfillment system running on an IBM S/390; the system also houses DB2 databases that contain data on product, inventory and pricing. The realtime linkage between the Web front end and the back-end order entry and fulfillment system is enabled by IBM MQSeries middleware.

MQSeries also plays a critical role in facilitating the linkage between the Lands' End server and the Ariba site. This linkage was necessary to fulfill the demands of a major customer that required that its employees could access through Ariba, which was its "normal" procurement method. Customers accessing their Lands' End Online Custom Store site via Ariba (or Commerce One) see the Lands' End site as a "punch-out," with the Lands' End page viewed as a frame within the Ariba browser interface. While most aspects of the portal-based transaction are similar to a traditional transaction—i.e., Net.Commerce serves as the commerce engine and the S/390 provides critical data to the transaction such pricing and inventory—the data flows are somewhat more complex, since the Ariba site sends data in Extensible Markup Language (XML) format. To accommodate this, Ariba transaction data is sent



through in XML format to the third IBM RS/6000, which performs the conversion from XML to MQSeries (with an XML message format). To facilitate the transaction, IBM Global Services wrote a custom middleware application (in Java), which assists in queuing messages being sent to the Lands' End order entry and fulfillment system.

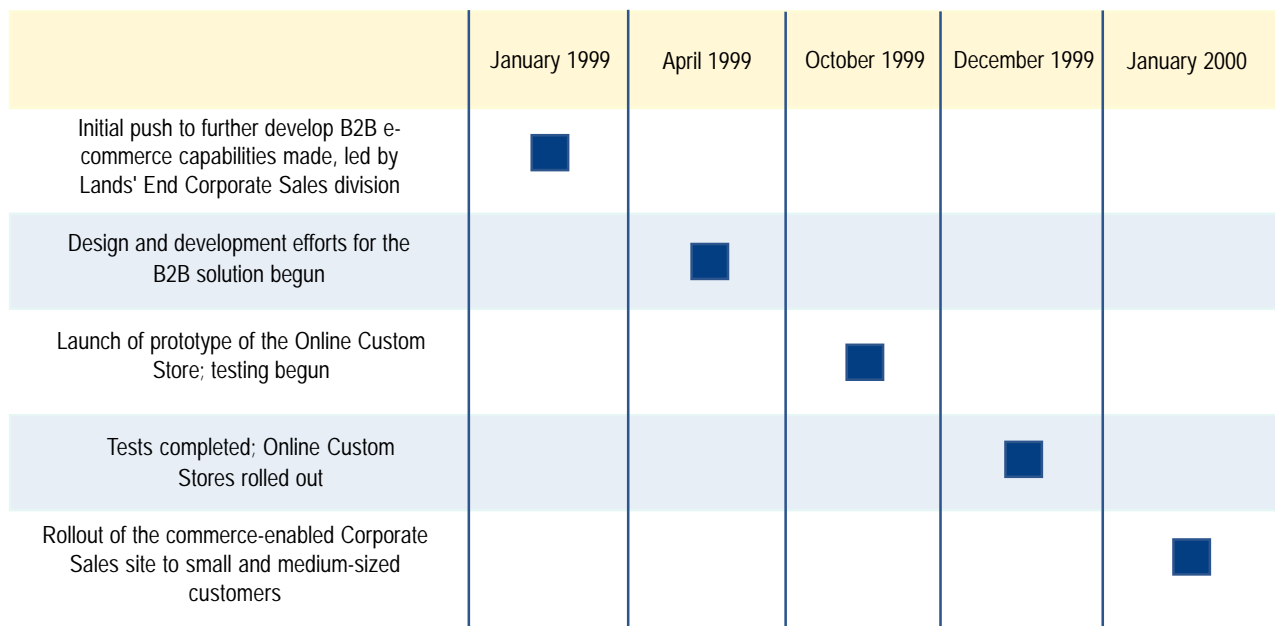
► Implementation Approach and Timetable

After spending the first quarter of 1999 defining the requirements of the solution, Lands' End began working with IBM Global Services in April, 1999. Design and development efforts lasted from April to September, 1999, with the Corporate Sales and Online Custom Store initiatives proceeding on parallel development tracks. A prototype of the Online Custom Store site was launched in October, 1999. After testing and monitoring the site, Lands' End began rolling out various Online Custom Stores starting in December, 1999. The commerce-enabled Corporate Sales site was made available to small and medium-sized customers in January, 2000.

The development team was comprised mainly of IBM Global Services staff working alongside Lands' End developers. To streamline the effort, the development process was split into two teams working in parallel. The first team, known as "Team Middleware," was primarily responsible for integrating

the solution with Lands' End's back-end systems. The remaining members of the IBM Global Services team worked on the e-commerce front-end portion of the solution, with the key issues being the shopping flow, the look and feel, and the linkage between product presentation and data tables. As Corrigan points out, this approach—while necessary to shorten the development cycle—presented major challenges due to the overall complexity of the project. “Ultimately, we had to make sure that the solution all came together into a unified, coherent and robust platform,” says Corrigan. “On this and other measures I would declare the engagement a success.”

Figure 2:
Implementation Timetable for the Lands' End B2B Solution



Source: Lands' End and IDC

Business Results

As Mike Grasee explains, Lands’ End views the business results of its e-commerce enablement efforts as both “offensive” and “defensive” in nature. “In the case of our Online Custom Store efforts, the fact that our major customers were clearly asking for this type of solution makes it appear to be a *de facto* defensive strategy—meaning we won’t lose their business,” says Grasee. “However, we see the bigger payoff manifesting in our long-term revenue growth, which we see as a direct outgrowth of our investments in e-business technologies.” A clear example of this is Lands’ End’s recent acquisition of the Cisco account, which was directly attributable to Lands’ End customized e-business capabilities. “They liked our flexible technology as well as the way we did business,” says Grasee.

While Grasee also expects the Corporate Sales solution to add significant incremental revenue, he sees a number of other benefits percolating into various parts of the Lands’ End value chain. “We see the new B2B site as really enhancing the shopping experience for our business customers by giving them the self-help tools they need to have more control over the interaction,” says Grasee. “It’s about giving customers more options.” He also points out that these new self-service features promise to yield a host of cost savings for the customer since, for example, they don’t have to mail or fax a logo. “It’s cheaper and faster for the customer, and it’s better for them as well.”

Figure 3:
Overview of Lands’ End’s Business Results Achieved













Business Process Area	Nature of Benefit	Description or Metric
Customer Service	Strengthened Relationship	Increased customer satisfaction
Sales and Marketing	Increased Revenue	Increased revenue via new customer acquisition
Customer Service	Cost Reduction	Reduced customer service costs for both order processing and post sales.
Application Development	Reduced Cycle Time	Net.Commerce allows faster deployment and enables rapid, easy customization.



Source: Lands’ End and IDC

Grasee also expects these self-service capabilities to reduce Lands' End's customer service costs, which will allow it to pass on lower prices to its customers.

According to Grasee, one of the more subtle, yet powerful benefits to emerge from Lands' End's custom development efforts is an upward escalation in the features and functionality available to its entire customer base. "The benefit of trying to keep pace with our most sophisticated, leading-edge customers is that we are able to better serve all our customers," says Grasee. "It enhances our relationship with all our customers." A good example of this is an online utility called the "Team Sizing Tool," which forecasts different size distributions (e.g., small, medium, large, extra-large) for a particular team based on historical Lands' End statistics. "This is a great example of a tool that was developed for a single customer but now benefits all of our customers."

Figure 4:
Expected Contribution to Lands' End ROI by Value Chain Segment

Cost Reduction or Cost Avoidance			
Improved Productivity			
Reduced Cycle Time			
Strengthened Relationship/ Increased Satisfaction			
Enhanced Revenue			
Value-Chain Segment =>	Lands' End	Small and Medium-Sized Customers	Large Corporate Customers

-  Major Contribution
-  Moderate Contribution

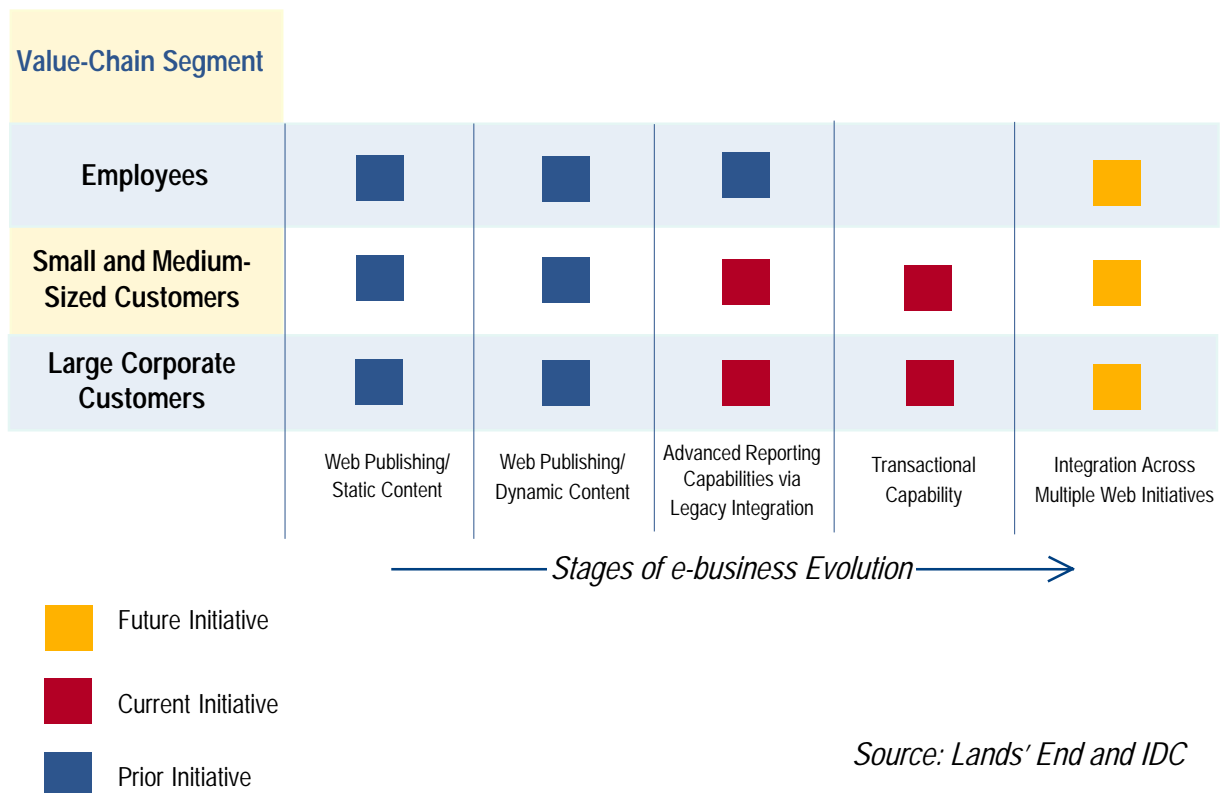
Source: Lands' End and IDC

Case Epilogue

Lands' End expresses the utmost satisfaction with IBM Global Service's performance during the engagement. As Corrigan notes, the depth and breadth of the experience of IBM Global Services represents the team's single greatest asset. "We have been working together with IBM Global Services for the past 15 months, and what strikes me most about the initial launch as well as the ongoing enhancements has been IBM's ability to draw from its deep experience with other similar projects to provide resourceful, creative thinking on how to build the site," says Corrigan. "They also understand the importance of an easy-to-use site for someone in our business, and that if the site doesn't measure up, then we fail." On the technology side, Corrigan adds that Net.Commerce has significantly exceeded his expectations for stability, degree of customization and scalability. Corrigan also lauds the availability record of the IBM solution, citing its uptime rate of better than 99.9%.

In the future, Lands' End plans to continue rolling out Online Custom Stores, and to do so faster and better. In so doing, the company plans to push the envelope even further in helping its large corporate customers create customized B2B shopping experiences. The key to success, notes Grasee, is a

Figure 5:
Lands' End's e-business Evolution and Value Chain Focus



continued focus on flexibility and speed. “We will continue to anticipate additional customer requests for customization, which provides them with more value and solidifies our relationship with them,” says Grasee. “Thanks to IBM, I’m confident that our B2B solution will provide us with the flexibility we need to keep pace with our customers’ needs.”

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