



# Tiendas E. Wong boosts profits with Peru's first online supermarket.

When market research by Tiendas E. Wong, the largest supermarket chain in Lima, Peru, revealed that the company could attract 130,000 potential customers over the Internet, it lost no time in developing Lima's first virtual supermarket, [www.ewong.com](http://www.ewong.com). Tiendas E. Wong's quick response to an emerging trend – Internet retail – will help it accelerate growth to 15 percent in 1998, far greater

than the 2 percent overall growth of the Peruvian economy.

With 13 supermarkets and 5 hypermarkets – stores with floor space exceeding 10,000 square meters (107,000 square feet) – Tiendas E. Wong, a \$450 million company, commands a 67 percent share of the Peruvian retail market. And that slice will expand with its new online supermarket.

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– Marco Suarez, Deputy General Manager, Tiendas E. Wong

<b>Application</b>	Online supermarket
<b>Business Benefits</b>	Up to 50% increase in profit margins; 50% reduction in operating costs; 100% ROI in 5 years; stronger brand value; improved customer service
<b>Software</b>	IBM® Net.Commerce IBM MQSeries® on AIX® IBM DB2® Universal Database™ IBM Net.Data® IBM eNetwork™ Firewall IBM HTTP Server
<b>Hardware</b>	IBM RS/6000®



Tiendas E. Wong is breaking new ground in Peru with the country's first online supermarket.

## *It's about business, not just technology.*



*IBM Net.Commerce enables Tiendas E. Wong to simulate a realistic supermarket environment on its Web site.*

Powered by a wide range of IBM e-business technologies, including IBM Net.Commerce, IBM MQSeries and IBM DB2 Universal Database, the Web store is expected to generate \$2 million in revenue by the year 2001. According to Deputy General Manager Marco Suarez, this is a significant amount, since the Internet is still in its infancy in Peru. "More important than absolute revenue growth are the many ways in which our online supermarket will help us improve customer service as well as reduce operating costs by nearly 50 percent," Suarez notes. "This saving will boost our profit margins by 33 to 50 percent."

The Internet, explains Suarez, has inherent advantages that make it a customer-oriented, cost-effective channel for retail marketing. "Manpower costs and rental payments form the largest chunk of our operating costs," he says. "For our Web site, we require fewer sales representatives, and store rental costs are eliminated." In addition, a Web site is accessible around-the-clock, enabling customers to shop at their convenience. "Because of these advantages," Suarez says, "the Internet will be the way business is done in the future."

The Web store is expected to achieve a 100 percent return on investment in five years. However, the real gains from Tiendas E. Wong's e-business initiative, Suarez says, will not be monetary, but rather "derived from greater brand value and market perception of Tiendas E. Wong as a technology leader."

### **Dynamic Web sites for dynamic markets**

Tiendas E. Wong's Web site uses a wide range of IBM e-business technologies. IBM HTTP Server powered by Apache, residing on an IBM RS/6000 server, drives the Web site, helping ensure secure electronic transactions over the Internet with its support for industry-standard Secure Socket Layer (SSL) encryption. IBM eNetwork Firewall software, running on another RS/6000 server, protects business-sensitive information by controlling communications to and from the Internet.

The catalog and shopping cart are delivered by IBM Net.Commerce, which provides advanced catalog search utilities to help customers find the products they're looking for quickly. The electronic catalog – with information on more than 15,000 products, including price lists, product features, promotional offers and tax rates – is stored in DB2 Universal Database on the RS/6000 Web server. Profiles of online customers and their order information are also stored in DB2. Connectivity between the online storefront and the electronic catalog is enabled by IBM Net.Data.

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*– Marco Suarez*

“Net.Commerce allows us to simulate a very realistic supermarket environment on our Web site,” says Suarez. Though the Web site went live only two months ago, Tiendas E. Wong has already created a focus group to provide feedback and suggest changes that would help accommodate customer needs better. “We will be modifying our Web pages regularly,” Suarez explains. “Only a product as flexible as Net.Commerce, with its easy-to-use templates, can enable us to make such frequent changes.”

### **Preserving and enhancing existing systems**

Since Tiendas E. Wong had an existing order processing system – based on Microsoft® SQL Server running on Windows NT® – to support its telephone order and retail store operations, the company desired that its Internet application be integrated with this back-end system to leverage the information already available in it. This was made possible by IBM MQSeries on AIX, which provides vital connectivity between the ordering system and the Internet application. Says Suarez, “It was important to us that we be able to make the best use of past investments. MQSeries did this very effectively.”

The DB2-based electronic catalog – a subset of Tiendas E. Wong’s main product catalog that lists more than 40,000 products and is stored in Microsoft SQL Server – must be updated regularly. Any changes to the main product catalog are recorded in a transaction log, where they are detected by MQSeries and updated nightly to DB2. In addition, MQSeries instantly conveys customer orders from the Web server to the back-end order system, where sales representatives can access them. “Because of this, we can process every order within two hours,” notes Suarez. “This improves our customer service significantly.”

### **The A to Z in e-business solutions**

The virtual supermarket was created in five months, with IBM Global Services assisting Tiendas E. Wong developers in its design, development and implementation. “The most important advantage IBM offers is its people – we need their technical expertise to provide an efficient service to our customers,” says Suarez. “We knew that our work would not be over once the Web site was created. The Web site will continue to evolve. With IBM behind us, we’re confident that we can exploit the full potential of electronic commerce in the future.”

Suarez also comments that, while other vendors claim to offer similar technology, few have the credibility that IBM does. “IBM has a proven track record, and we knew we would get dependable, high-performance technology,” he says. Venturing into untested waters, the complete solution that IBM brought to the table did much to alleviate Tiendas E. Wong’s apprehension about deploying new technology. “A single vendor solution has many advantages,” Suarez adds. “The hardware and software are well integrated, and everything works as it should.”

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*The electronic catalog available on Tiendas E. Wong’s Web store lists more than 15,000 products.*

## Exploring the frontiers of information technology

The online supermarket is one more feather in Tiendas E. Wong's cap, winning it the award for "Creativity in Service of the Client," awarded every year by the Peruvian University of Applied Sciences. Tiendas E. Wong has also won recognition for being the first supermarket chain in the country to mark its products with bar codes and implement cross-docking – a modern method of inventory management in which products are moved from the supplier's dock through distribution centers without putting them in long-term storage, thus reducing inventory and speeding up the flow of products to consumers.

This emphasis on customer service and operational efficiency has Tiendas E. Wong already planning new business intelligence applications. Suarez explains, "The data accumulated in our transaction systems and Web application can be analyzed to understand customer behavior and identify their needs better." A task force has been set up to evaluate several products for data warehousing and data mining. "We're looking at IBM Intelligent Miner™ very closely," Suarez informs. "And with DB2, we already have the infrastructure for a data warehouse."

By March 1999, Tiendas E. Wong will also be ready to implement IBM Payment Suite,™\* which incorporates the industry-standard SET Secure Electronic Transaction™ protocol, to handle payment transactions over the Internet. "The main concern customers have today is security of their personal information transmitted over the Internet," Suarez points out. "With this, we will have the most secure mechanism of electronic commerce available today. This will certainly attract more customers to our Web site and give them the confidence to buy online."

Next on Suarez's agenda is dazzling customers with a 3-D online store. "This is not as far fetched as it may sound to some," Suarez quips. "The day is not so far off when customers will forget they're not in a real store but strolling through a 3-D virtual store. I know IBM scientists are already working on this, and I'm quite sure they'll be among the first ones in the door."

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For more information on  
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