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Customers.com® Case Study

Duck Head Apparel Goes National on the Web

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Duck Head Apparel Goes National on the Web

By David S. Marshak

Executive Summary

Duck Head Apparel is a brand of casual clothes well known in the Southeastern United States and little known outside that area. The company has traditionally sold through in-store locations of major retailers. In order to create a national following and become closer to its customers, Duck Head has launched an online store, a major departure for a company that has never even had a catalog.

Duck Head was able to bring its online offering to market very quickly with controllable cost and minimal disruption by building on its existing AS/400 and DB2 infrastructure, specifically deploying IBM's Net.Commerce and Net.Data for its e-commerce functionality. Duck Head also made extensive use of IBM Global Services to help bring the application to market in a timely manner.

The results have been extremely positive. Over one-half of the online orders have come from outside of Duck Head's normal territory, and the revenues will enable the site to pay for itself in a very short time. Most important, Duck Head is now poised to take its place as a major national and international brand.

Customers.com Critical Success Factors in the Duck Head Story

☆ Target the right customers	☆ Let customers help themselves
Own the customer's total experience	Help customers do their jobs
✓ Streamline business processes that impact the customer	Deliver personalized service
Provide a 360° view of the customer relationship	Foster community
☆ = Featured in this discussion	✓ = Touched on in this discussion

☆ Target the Right Customers

With its online store, Duck Head is enabling Duck Head enthusiasts to order their favorite casual clothes from any place across the United States. Duck Head will be using the site to incent customer loyalty, something it could not easily do through its retail channels.

✓ Streamline Business Processes That Impact the Customer

Despite the fact that Duck Head had previously bulk-shipped only large orders to its retail distributors, Duck Head was able to restructure its warehouse operations to provide immediate turnaround in directly fulfilling customer orders from the online store.

☆ **Let Customers Help Themselves**

Duck Head is providing 24x7 access to its customers. It is also adding information that makes it easier for customers to get the right fit.

DUCK HEAD USES THE WEB TO GO NATIONAL

Duck Head Apparel has been able to parlay its existing infrastructure to redefine itself as a national brand and get closer to its customers. By using its existing AS/400-based infrastructure and front-ending it with Net.Commerce, Duck Head has been able to present itself to customers whom it had never been able to reach before.

Business Context

Background on Duck Head

The origins of Duck Head Apparel read like a folk tale from a bygone era.

The Great Civil War ended and young men began returning to the plow and shop as America started the task of putting herself together again. That same year, two determined young brothers, George and Joe O'Bryan, took up the challenge and founded O'Bryan Brothers Company. Their mission: Make and sell workwear that would stand up to the toughest jobs and the toughest times. And, with that workwear, came a new innovation, trousers cut and sewn from a closely woven cotton tent material: "Duck," as it was known in those days, that wore, felt and looked different. Duck that led two brothers to Washington to register the name "Duck" as a brand for their garment company. "Sorry," said the Trademark and Registration folks. "Duck is too general. How 'bout Duck Head? That's available." So a unique American brand was born.

Today, more than five million pairs of khaki pants and shorts per year are sold under the Duck Head brand, not to mention the large quantities of knit and woven sport shirts. The vast majority of Duck Head customers are

from the Southeastern United States, and even those who reside elsewhere discovered Duck Head in that area. According to Duck Head COO Court Joel, "We're a Southeastern brand. We get a lot of recognition via people from the North coming South. They buy a pair here, go back North, and want more."

Business Benefits

- Duck Head's online store delivers a 100 percent greater profit margin than traditional sales.
- Duck Head is able to reach new customers outside of its core region, leading to the predictions of 100 percent annual growth of sales over the next five years.
- By building on its existing infrastructure, Duck Head will realize a 100 percent ROI in the first year.

Duck Head Apparel is a subsidiary of Delta Woodside Industries, which acquired the label in 1989. Delta Woodside reported sales for the third quarter ending March 28, 1998, of \$121.5 million and annual sales of \$652 million in fiscal 1997. Gross sales of Duck Head-labeled products were approximately \$90 million in fiscal 1997.

Duck Head, formerly known as a Southeastern preppie brand, has undergone rapid growth in the past decade, from \$20 million in 1989 to its current near-\$100 million revenue mark. The company projects 700 in-store shops by the end of 1998.

The foundation of the Duck Head product line continues to be knit and woven sport shirts and casual bottoms, which are made in-house. All other men's and boys' classifications are licensed out, a program that has been ongoing since 1994. Licensees include Pine State Knitwear for sweaters, Italian Design Group for small leathers, Gallery Industries for underwear and loungewear, Kentucky Derby for hosiery, Avid Hunting Wear, Mercury Luggage for sport and travel bags, Golden State In-

ternational for watches, McGee Eye Fashion, and RBA Footwear. Today, the total men's, women's, and children's licensee roster has grown to 15 companies generating \$30 million in volume, and this is in addition to Duck Head's own business.

EVOLVING THE TECHNICAL INFRASTRUCTURE: ENABLING TECHNOLOGIES

The Duck Head online store incorporates IBM's Net.Commerce and Net.Data. The site runs on two IBM AS/400e servers: one that hosts the Web site and stores the Duck Head catalog in an IBM DB2 database for AS/400, and one that handles the EDI transactions and back-end production. The IBM HTTP Server for AS/400 (an enhanced version of the former IBM Internet Connection Secure Server), with its support for industry-standard 128-bit Secure Socket Layer (SSL) encryption, ensures secure Web transactions. (See Illustration 1.)

Duck Head also has run STS retail software running on RS/6000 for a point-of-sale retailing system for its retail stores. Connectivity between STS, the Web, and retailers is handled via EDI.

Duck Head is planning to add Domino to its AS/400. The company is planning to integrate Net.Commerce with Domino for automated mail capture/respond and to build a knowledgebase. Domino will also play a key role in managing the updating of the online store's content.

The Business Environment

Duck Head has taken its heritage and created a dominant brand in Southeastern United States. "In fact," says Duck Head president Paul Robb, "in the South, many people don't call them khakis. They call them Duck Heads."

This brand appeals to two distinct types of customers:

- College students and postcollege young professionals
- The older generation population in the Southeast (e.g., golfers) who "wore Duck Heads before they were cool"

These customers have a lot of brand loyalty. According to Janet Kane, senior vice president of Merchandising, "People who go to college in the South carry back brand loyalty. Many who have moved away make it a practice

to stock up on Duck Head clothes whenever they come back or pass through the area."

Duck Head has traditionally sold its apparel through in-store shops in the Southeastern locations of major retail stores such as J.C. Penney's, Belk's, The Proffitt Group, Foley's, Filene's, Hecht's, Kauffman's, and Gottschalks. Duck Head also sells through a small set of specialty stores that get their merchandise through wholesalers.

Duck Head has maintained its indirect sales approach for most of its history. The company has never had a catalog, nor has it accepted orders directly from consumers. In the early 1980s, Duck Head opened a chain of retail outlets to get rid of excess merchandise. According to Henry Greene, Duck Head's Manager of Information Technology, "This initial attempt at selling direct to customers caused some concern from our retailers. But, over time, they have become more accepting." Duck Head currently has 31 outlet stores but does not anticipate increasing this number. According to Greene, "The Web becomes our direct strategy."

Despite the longevity of its most well known product, khaki pants, Duck Head, like the rest of the apparel industry, must keep up with changing styles. According to Henry Greene, "Styles change rapidly. We need to react and be in the marketplace immediately. Three months is too long."

The company is thus constantly adding to its line. For example, it introduced a dressier style of wrinkle-free khakis to address the strong movement for more casual attire in the workplace. In addition, Duck Head is aiming at specific niches, such as "big and tall" boys and boys who are required to wear school uniforms. For the latter group, Duck Head has introduced the "Duck Tucks," which enables boys to tuck the flap with the trademark duck into their back pockets during school and untuck it after school.

The Duck Head brand competes with other brands that can be purchased in retail department stores. These include Dockers, Izod, and Chaps. In addition, Duck Head competes with both general and niche brand clothing stores, such as The Gap. Compared to the other sportswear lines in place, Duck Head isn't designer driven. The merchandise is moderately priced, with sport shirts and bottoms ranging from \$28 to \$38. Sweaters sell for \$30 to \$50 retail.

Business Opportunity

Duck Head introduced its advertising Web site two years ago to help generate customer traffic in the retail stores. The site was designed to emphasize the Duck Head brand, with its look and feel mirroring the merchandise setups within retail stores.

In January 1998, Duck Head began thinking in terms of a commercial Web site, and, late last spring, the company committed the resources to make it a full-fledged commercial Web site.

Duck Head’s management saw four key opportunities that would be addressed by an online store:

- **The Ability to Go National and Perhaps International.** Duck Head saw the opportunity to increase its market, to serve both customers who are no longer in

the Southeast and potential customers who have not yet heard of Duck Head. In addition, Duck Head management questioned the long-term viability of a strictly regionally-known brand in today’s era of national and global competition.

- **The Ability to Provide Customers with the Convenience of 24x7 Shopping.** According to Henry Greene, “We were losing customers who wanted to shop after office hours, avoid holiday crowds, or just save time by looking for what they need on the Internet.”
- **The Ability to Get Closer to Its Customers.** Greene says, “We felt that we had to get closer to the consumer. If you are not satisfied as a consumer, we needed to know that and offer the products to fit your needs. We can’t have a better focus group than the actual customer buying the product. In addition, going

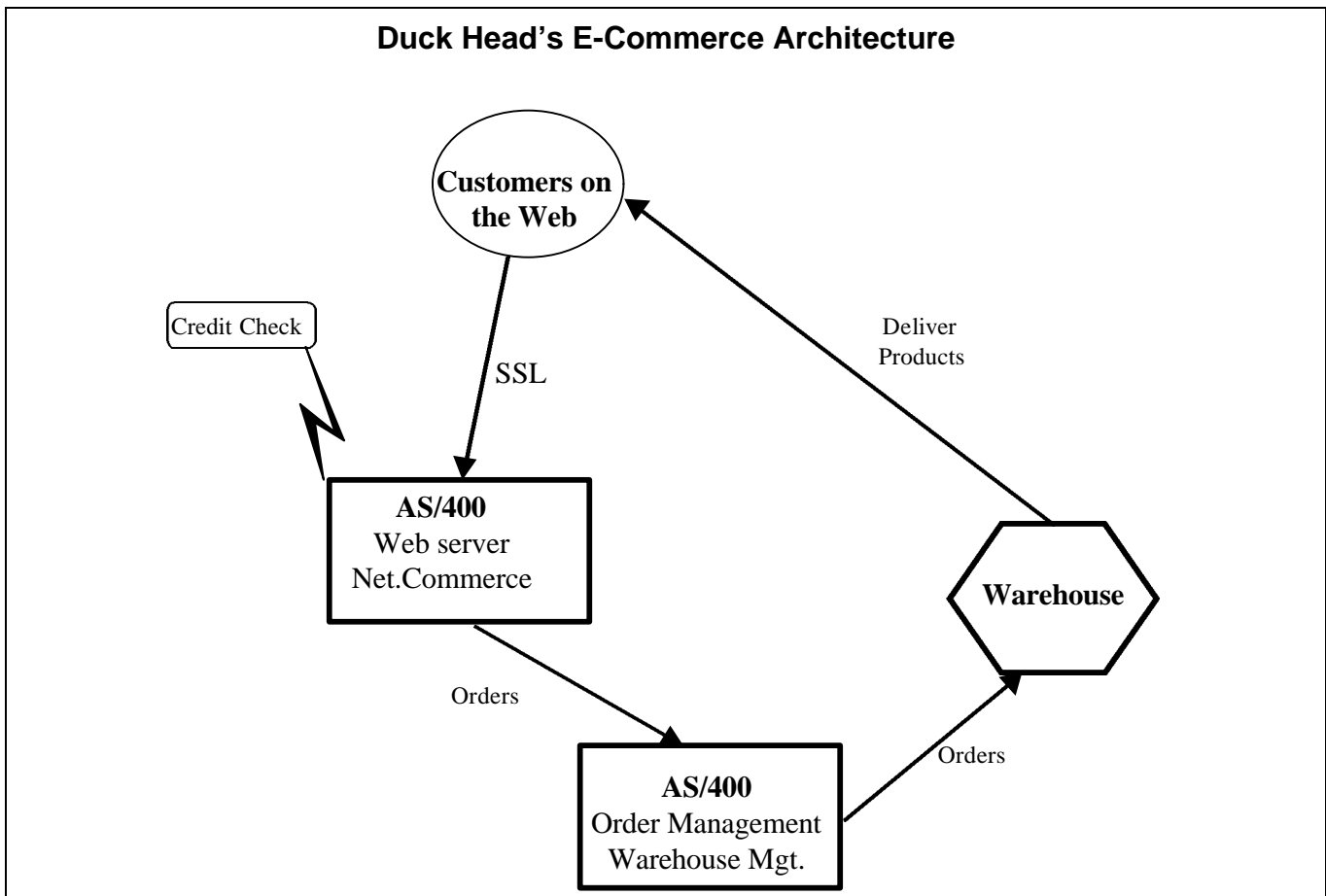


Illustration 1. Orders from the online store are transferred to the Duck Head merchandising and warehousing systems. They are then delivered from the warehouse to the customer.

direct allows us to reinforce brand identification and loyalty with our customers.”

- **The Ability to Create Another Sales Channel.** Greene comments, “We need to take advantage of every channel out there if we are going to survive.”

EVOLVING THE TECHNICAL INFRASTRUCTURE: INFORMATION ASSETS

The Duck Head online store is built on the original marketing site and still uses many static HTML pages that are stored on the AS/400. The commerce application, according to senior programmer/analyst Richard Troxell, is reading files in DB2/400 and generating Web pages from the data, which includes product name, price, location of the picture, shipping weight, dimensions, descriptive information, style number, available colors, and available sizes.

Online orders are relayed from the Web server through IBM Net.Data to a second AS/400 and posted to a central DB2 orders database. Once credit authorization is received, orders are processed and shipped to the customer’s doorstep.

Duck Head is currently building a new database on the AS/400 that will be an order management system in order to give the company a complete view of all of its customers.

At the same time it was examining the opportunities of selling directly to customers via the Web, Duck Head clearly wanted to make sure that any initiative it pursued would be, according to COO Joel, “complementary to our relationship with our big retailers.” Joel goes on to emphasize that the retail channel would continue to be the primary method of distribution for Duck Head. “We do not underprice or compete with our retailers. The online store is aimed at the customer who is buying on the Internet. We are competing with other online stores, not with the malls.”

In fact, according to Joel, the commercial Web site should, in the long run, drive more traffic to the retail stores. “This is part of a strategy to establish the brand outside of the region. The more the brand is out there, the more it sells for everyone. This is not only noncompetitive but becomes an impetus for retailers’ sales.”

Of course, this doesn’t mean that traffic and sales on the site would not be the key measure of success. According to Henry Greene, success will be measured in “Orders. Orders in general and particularly orders from outside of the Southeast U.S.”

The e-business Initiative

Organizational Decisions

The Duck Head e-business initiative has been seen from the beginning as strategic to Duck Head’s current and future business. Decisions about the site are being made by the MIS Review Committee, which includes Duck Head president Paul A. Robb, CFO Scott Grassmyer, COO Court Joel, and MIS Director Henry Greene. According to Greene, “This group owns the site.”

The execution of the site belongs to MIS. A retail planner who works for the COO makes the product selection for the online store. Customer Service owns the content and plays an active role on the site. For example, every e-mail from the Web site goes to the Customer Service group.

According to Greene, decisions about the site are a team effort. “A typical meeting [includes] everyone in MIS who has to do with the Web, the retail planner, the director of Distribution, and the director of Customer Service.”

Two key organizational decisions for Duck Head were:

- To bring the Web site back in-house from its outsourced site and build the new commercial site on top of its existing infrastructure
- To engage IBM Global Services e-business Global Application Delivery Group to implement and customize the commerce solution

Greene elucidates, “We started on the Web in advertising mode. Shortly after, our management group pushed to get commerce to get some ROI. Initially, we had our Web site hosted. We’ve now brought it in. Because of the in-house skill—we’re an AS/400 shop, and all of our core application software is running on AS/400—we chose the AS/400. We went to IBM and purchased Net.Commerce, with IBM Global Services helping us get off the ground. IBM’s been very valuable to us in bringing up the site in terms of software, hardware, and inte-

gration skills. In addition, there has been significant knowledge and skill transfer from IBM.”

Investment

Duck Head’s goal was to limit costs by leveraging its existing infrastructure investment as well as reusing the marketing Web site that had already been deployed. According to Greene, Duck Head’s online store was able to go live in six weeks with an investment of one internal person (senior programmer/analyst Richard Troxell) and the participation of IBM Global Services.

Building an Online Store

Duck Head began work on the online store in the spring of 1998. The target market would be twofold:

- Current Duck Head customers
- Web shoppers in general

According to Greene, “The goal from day one [was] easy, quick, and fast to get online, buy, and get out.”

Duck Head’s strategy for building its store was to leverage its existing site and infrastructure to quickly enable customers to order from the Web. The existing site was used to provide the same merchandising look and feel as the in-store locations. (See Illustrations 2 and 3.)

The commerce functions were added by using IBM Net.Commerce on the existing AS/400 platform. According to Henry Greene, Duck Head chose this platform for several reasons.

- **Existing Investment and Skill Set on the AS/400.** “I think staying on the AS/400 platform was a very wise



Illustration 2. Duck Head’s online store maintains the strong Duck Head branding messages.

decision for the company to make. Net.Commerce has performed as advertised. Basically, we took people we already had.”

- **High Level of Security.** “The AS/400 provides as good a security set as you’d find anywhere.”
- **High Availability.** “One of the biggest factors that has reinforced my decision on AS/400 is uptime. With NT and Novell, it is not *if* they are going to crash, it is *when* they are going to crash. We now have a 24x7 business out there.”
- **Ability to Scale.** “We are starting small but planning for increased traffic to the site. We are building the system to be able to handle considerably more volume.”

- **Low Cost of Ownership.** “Our objective is to centralize and minimize the administration.”

IBM Global Services did much of the development and integration with the existing product and order databases (also on the AS/400).

Since Duck Head did not have an existing catalog (a rare situation among companies moving to Internet-based commerce), new processes had to be created to populate and update the online store. The company built a formal process. As described by Greene: “The retail planner for the stores and site proposes a product for the Web. This is approved by the COO. Right now, this is done by phone. A product can be added (or removed) in 10 minutes. We’d like to formalize the content-management process in Domino.”

Duck Head Online Promotions

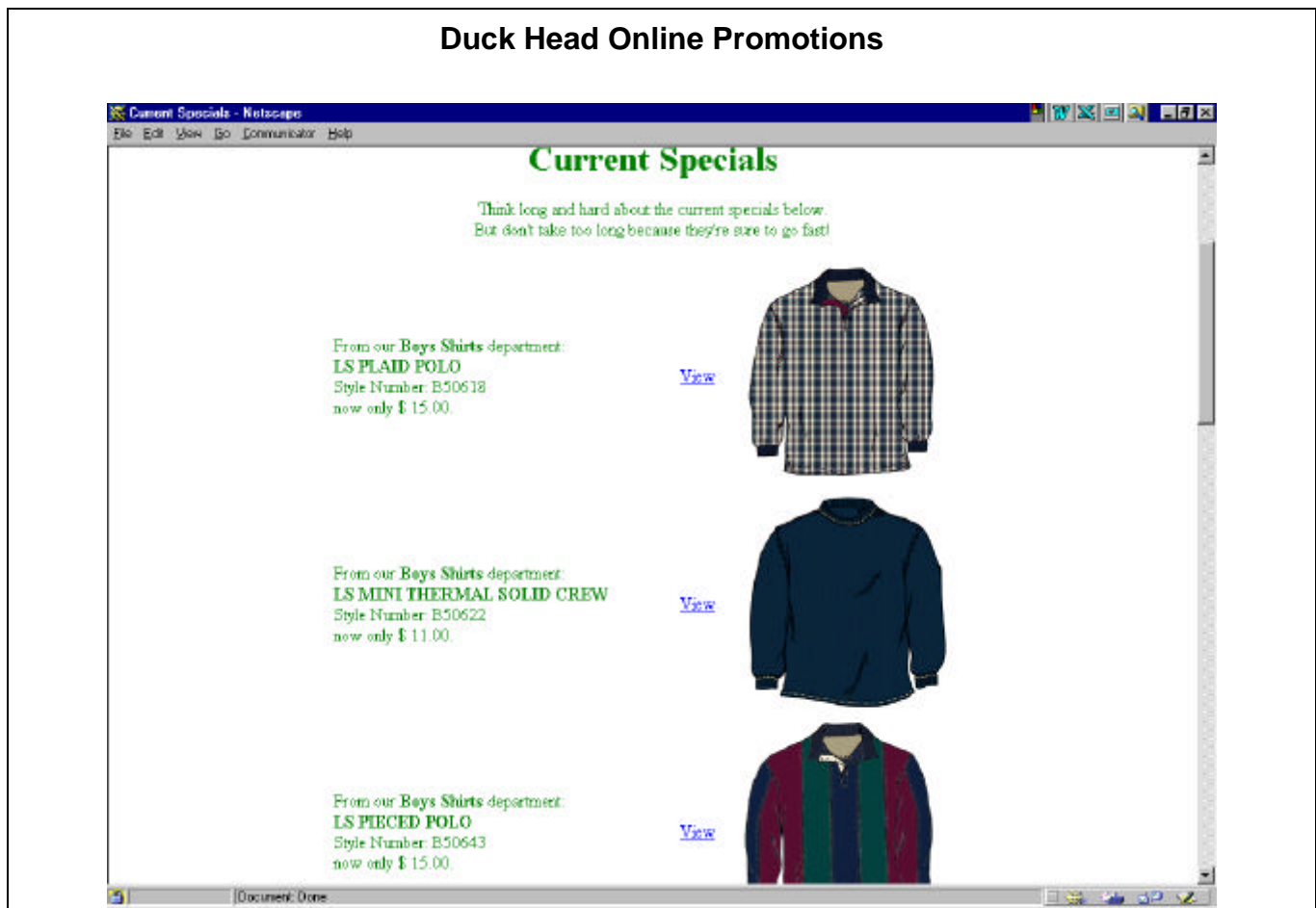


Illustration 3. In addition to selling its merchandise at retail prices, Duck Head's online store offers customers specials and closeouts.

Challenges

Duck Head faced two key challenges in bringing up the online store: merchandising and fulfillment.

The major merchandising issue is how to sell apparel via a computer screen. According to Janet Kane, garment display is “limited by the scale of the photo image, whether it’s on the model or not. And fine patterns are difficult to display. But the biggest stumbling block is you can’t touch the thing.” Duck Head’s ability to deal with this issue is evolving, though Kane reports initial results have been good: “We knew we’d get more returns because customers can’t try anything on. But our return rate has been less than 5 percent, which we feel is phenomenal.”

The fulfillment issue was of particular concern, since this was Duck Head’s first attempt at direct shipment to its customers. Joel notes, “We needed to make sure we could execute. We needed to be able to ship the same day. We had to restructure our warehouse, since it was used to shipping in bulk. This was a manageable issue since heretofore everything was EDI, so the only difference in processing was the size of the order. We never did have a serious problem implementing.”

Joel attributes this success to making sure everything functioned before trying to draw customers to the site. “We didn’t try running before we were walking. We did not do any advertising until we were up for two months. People found us. We recognized the intricacies of the technology and made sure everything worked. Above all, we did not want customers to be disappointed.”

Promoting the Site

Duck Head is well aware that having a compelling merchandising and commerce site is useless without proper promotion. Duck Head is leveraging its in-store presence by putting the Web URL on all garment tags. The company is also promoting the site in its own stores, dropping a postcard-sized ad for the site in every merchandise bag.

According to Greene, the company is also “testing advertising on Yahoo!, using banners in areas where we’d be recognized, such as golf, outdoors, NFL, ACC, SEC. This is driving people to our site. Sales have picked up. We will evaluate this soon.”

And on a broader note, Duck Head has just begun a massive \$10 million advertising campaign to promote the Duck Head brand.

Results

The Duck Head online store went live in August 1998. In just a few months, it has produced significant results for both the company and its customers.

For customers, according to Greene, “Duck Head now offers the convenience of 24-hour shopping, 7 days a week. [The site] also makes Duck Head products available to those who heretofore could not purchase them. The vast majority of people buying our product on the Web are outside of our [geographic] area. I suspect that many have bought Duck Head in this area and are re-discovering us.”

For Duck Head, the Web site is bringing in new customers and incremental revenue. And, according to Greene, by building the site on existing infrastructure, this has been accomplished without massive investment. “Now

IBM's Value

IBM's definition of e-business is IT + Internet, that is, leveraging the power of existing systems and the opportunity of the Internet to transform a company's business.

IBM identifies four specific areas of value that it provides to its e-business customers:

✓	It's about business, not just technology.
✓	Start simple. Grow fast.
✓	Build on what you have.
✓	Expertise you can trust.

In the Duck Head Apparel case, IBM's major contribution spanned all four areas of value. According to Paul A. Robb, president and CEO, “Our partnership with IBM is a dynamic step forward in Duck Head's mission to market its casual clothing worldwide. The keen competition in the marketplace demands that we move with the times. Duck Head's IBM alliance builds on our heritage and uses new technology to provide customers with casual, authentic clothing.”

we provide round-the-clock service without requiring additional sales or support staff.”

Measuring Success

In the first few months of being online, even before Duck Head did any significant advertising, the site was attracting more than 500 visitors per week, over 50 percent of whom come from outside the Southeast. According to Greene, “We’ve even had some from Canada and England.”

Although 500 hits per week may not seem significant compared with some of the most popular Internet sites, this is virtually all new business for Duck Head. And, reports Greene, it is business that is extremely profitable, with costs being lower and profit margins being twice as high as on sales through its traditional channels.

“We are already receiving extremely positive results from the Web site.”

“We are already receiving extremely positive results from the Web site,” according to Robb. “Based on the initial sales, we believe the software will pay for itself within three months, [and] the total solution within a year.” This translates into a 100 percent ROI. And Duck Head conservatively projects a 100 percent annual growth of Web sales for the next five years.

Future Directions

Continuous Improvement

Duck Head is actively enhancing its commerce site. The online store currently has about 75 products and is used to promote the best sellers. Duck Head is planning to increase its range of products and colors.

Duck Head is also reacting to the customer input directly from the site. The predominant e-mails that the company receives have to do with terminology, for example, “Tell me what you mean by ‘relaxed fit’.” This information, specific to the Duck Head fit, is now being added to the site. According to Kane, this should increase customer satisfaction and reduce returns.

Improved Processes with Retailers

Duck Head’s online store is only one of its e-business efforts. The company is actively working on establishing an electronic business-to-business relationship with its retailers. The goal is to allow quicker, more frequent replacement of items. Greene notes, “Today, if they buy all their shorts at the beginning of the season they miss out on the opportunity to replenish popular items.” In addition, Duck Head intends to enable small specialty stores, which make up about 20 percent of Duck Head’s current business, to buy directly online from Duck Head rather than go through wholesalers.

The long-term goals for Duck Head’s business-to-business initiative are:

- Make the process better, reduce costs, and increase flexibility of the order/replenishment cycle
- Understand better what people are buying in time to produce a product to impact the market

Leverage the Duck Head Brand

Today, Duck Head manufactures its core line of men’s casuals, and licenses other items bearing the corporate name and logo. According to Greene, Duck Head would like to become the online destination for Duck Head enthusiasts to purchase other branded items, including women’s and children’s apparel and items such as luggage, shoes, watches, leather accessories, and backpacks. “With the IBM software we can open up an unlimited number of stores with *our* mall.”

Reinforce Customer Relations

Creating a Duck Head branded destination site also enables the reinforcing of its relationship with the company’s customers. Joel comments, “The site gives us tremendous possibilities for personalizing for customers, identifying our best customers, and rewarding them.” And Greene adds, “We plan to have a Duck user group with some kind of offering or advantage to those who belong.”

LESSONS LEARNED FROM THE DUCK HEAD STORY	TAKEAWAYS FROM THE DUCK HEAD STORY
<ol style="list-style-type: none">1. You don't have to have a catalog to open an online store.2. Make sure that you don't disappoint your first and best customers.3. Build on your existing infrastructure, particularly if you can leverage existing expertise and relationships.4. Integrate your commerce system with legacy systems for data and processes.	<ol style="list-style-type: none">1. Use the Internet to extend your market. This can be geographic, as with Duck Head, or it can be new demographics.2. Use the Internet to go direct. Use this to complement your existing channels.3. Use your commercial site to attract enthusiasts. Reward them and create a community to which they will return.

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