

West Marine:

New Web Site Launches Smooth Sales Growth

Wohl Associates is a consulting and market research firm whose focus is on new and emerging technology and new market formation

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EXECUTIVE SUMMARY

e-business Case Study: West Marine

West Marine is a major international retailer of boat supplies. In partnership with IBM and Web Emporium, it has implemented a new and greatly improved Web site and increased its Web sales by more than 450% in the first month.

West Marine sees the Internet as a key component of its current and future plans, allowing customers to access product information and place orders, employees to find current information across an enormous and growing inventory of 50,000 individual products, and both customers and employees to be educated on boating- and business-related issues.

West Marine has plans to continue to improve its international invoicing system, deploy in-store kiosks, and institute customer loyalty programs, based on in-depth customer relationship knowledge. For them, the Internet has been Smooth Sailing.

The West Marine e-business Solution

Application

- e-Commerce Web Site for Customer Information and Order Entry
- In-store Kiosks for Supplier Catalogs and Employee Education

Business Benefits

- Web sales increase 450%
- Total sales increase of 550%
- Increased revenue from both domestic and international sales
- Increased customer satisfaction (higher order completion rate)
- Platform for building customer relationship systems
- Zero down time

IBM Technology

- Net.Commerce (now part of the WebSphere Commerce Suite family)
- Net.Data
- DB2 Universal Database
- Netfinity Servers
- AS/400

Business Partner

- Web Emporium

WEST MARINE

Who is West Marine?

West Marine is a global provider of recreational and commercial boating supplies through its more than 220 stores, its catalog, a presence in over 150 countries, and its Web site. Starting nearly 30 years ago as a supplier of rope, West Marine has grown into an important presence in both retail and wholesale boating supply ranks, growing from the west to the east coast and then internationally. It offers nearly 50,000 individual products on a "no hassle guarantee", on a repair, replace, or money back basis, no questions asked. This confident attitude brings West Marine a steady growth of satisfied customers.

What's the Business Problem?

West Marine has already been participating in electronic commerce on the Web for about three years. The company was a very early adopter of the e-Channel. "We wanted to be able to offer all 50,000 Stock Keeping Units (SKU's) on the Web," said Michelle Farabaugh, West Marine's Vice President of the Catalog and Internet Division. "We had some 38,000 on the Web already. Our customers really loved it and wanted more."

The existing site provided some comparison charts for some of the specific products West Marine carries and some that they do not. As West Marine evaluated its site, they found that some 12,000 SKU's were not even listed. It was time to improve.



Planning an Enhanced Web Site

Goals: It was branding discussions that led West Marine to understand what the new site goals would be. While looking at some potential branding efforts, West Marine determined that the new Web site needed to be a robust one that could scale up to 200,000 SKU's. It needed to be leading edge, but West Marine didn't want to deal with raw, bleeding edge, technology. The company was willing to pay someone else to build it so that it could be assured of meeting its goals.

Better Navigation: To find products at West Marine, whether it is in the store, on the Web or in the catalog, most customers use one or more indices, e.g., product names, boat names or types.

Many products have very specific names, and in some cases the names are related to the type of boat that the part is being used for. In a paper catalog, the index tabs were labeled for many customers, not necessarily the customer who is using the book. With the Web, West Marine can index everything that it offers and index each product in multiple helpful ways. That makes finding the right product easier and faster.

Web Marketing: This is a new channel - West Marine calls it the "e-Channel." Everything can be current all the time. West Marine can offer detailed information about all its products without regard to space and printing cost limitations.

"Our goal is to utilize technology to create the ultimate channel," says West Marine's Farabaugh. West Marine wants to take their best sales-people and combine them with the best service people, together with the best in-store experience, to give the customer the ultimate channel, not just in the U.S., but also in the world.

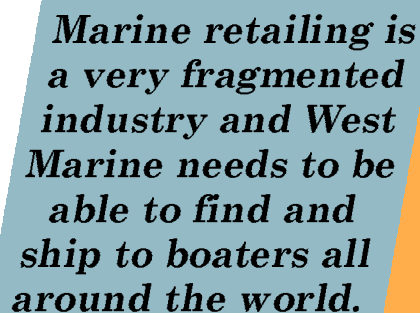
West Marine can see the retail industry going from classic marketing to one-on-one marketing, where each customer is treated as unique. This is a marketer's dream, and the Web is the enabling technology. They can't do that in print. Or at least they can't do it in a cost effective manner. This is perhaps the reason that catalogers have done well on the Internet. "We're reaching the point in our careers where one-to-all-marketing is about over and the real fun is about to begin," exclaims Farabaugh gleefully.

Marketing Globally: This Web site must be an important part of an integrated, worldwide retailing and distribution system. West Marine already reaches over 150 countries with its catalog.

Marine retailing is a very fragmented industry and West Marine needs to be able to find and ship to boaters all around the world. Some of them are in countries that don't necessarily want West Marine to find the local boaters. These countries might have a local supplier to protect, or a local industry, and in some countries West Marine's prices and services are much better than the local ones.

On the other hand, the cost of reaching that market can be prohibitively expensive. For example, in a country like Australia, attending all of the local boating shows and trade events, and getting advertising into the local newspapers can be very difficult. Yet, even without traditional marketing, West Marine's customer statistics show large numbers of customers in Australia. Other countries have similar -- and tantalizing -- results.

West Marine is in a worldwide market. A well designed and executed site on the Web, serving as a basis for global marketing, will let West Marine access customers all over the world.



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Choosing IBM

History: West Marine successfully used an IBM AS/400 system for many years, resulting in a good, ongoing relationship with IBM. Zeke Duge, CIO of West Marine says, "The AS/400 is reliable, scalable and secure, with an OS that has the bugs wrung out of it. With the increase of tools for e-business (such as Java), it is fully capable of supporting our business and growth needs."

The original West Marine Web site went up three years ago. West Marine now thinks of it as a learning experience, based on the then-available tools, although they're fairly certain it produced a profit from its very first day. In fact, one of the things West Marine learned from this first Web implementation was something about customer expectations. After three years, it was obvious that the Web site was not keeping up with the service environment that West Marine wanted. It was time to replace it.

Competition: After an initial evaluation, IBM and Microsoft were the vendors West Marine would choose between to build their site. While they compared function, services, and references, they took the time to attend seminars and executive briefings with each vendor. Each of these vendors had added value for the potential system, making the selection more difficult.

When it was time to make the final decision, it was West Marine's confidence in IBM and its business partner, Web Emporium, that made the difference: confidence that they would be able to build a system, make it scalable and robust, and be able to build it within the allotted time frame. Part of this confidence was based on West Marine's previous relationship with IBM, but they also liked the style and substance of the proposal they received from IBM's business partner, Web Emporium, whose work would be an important element in the successful design and implementation of the new site.

The Implementation Process: System Architecture

West Marine was already using an IBM AS/400 with a JDA database for its order processing and inventory management. Any new system, of course, needed to be integrated with the existing system and its data.

Web Emporium and West Marine selected a system design that combined the existing system with a Web-based product selection and order entry system. This system employs IBM Net.Commerce (now part of the WebSphere Commerce suite family) and DB2 Universal Database software, running on two Netfinity servers. Web Emporium created custom software to integrate the two systems and their data and software. West Marine developed the processes to be used, since this is within their area of expertise.

Site Search and Navigation: Web Emporium developed an application that permits customers to navigate the site and find information on a broad range of products. Comparisons for related products are offered, including specifications, features, and pricing. In the future, Web Emporium will enhance the site with a Product Advisor, which will have information about customer craft (boats) stored in its DB2 Universal Database and will provide advice about the appropriate product to choose.

Order Entry: This system was developed by Web Emporium and employs Net.Commerce and DB2 Universal Database. Reporting controls in the new system prevent orders from being lost.

Web Emporium built an integration module that enables communication between IBM Net.Commerce (running on a Netfinity Server) and the existing JDA Software database system (running on the IBM AS/400). This insures accuracy of product information, critical to West Marine. The system takes nightly feeds from the AS/400 database for product loads and sends order information to the AS/400 for input. Order processing continues to occur on the AS/400. Orders go electronically to the warehouse without manual intervention.

Order Inquiry: Web Emporium repurposed some of its Net.Commerce enhancements to quickly build this module onto functions already available in Net.Commerce as part of the shopping cart functions. Basically, Order Inquiries are looking for shopping carts being processed.

Special Support: Web Emporium created an application for the Call Centers which allows a customer to access live online chat with a customer center technical services individual while in the shopping cart. A product specialist could intervene (as a participant in a workflow) to make sure that the specific product for any special order will fit the customer request.

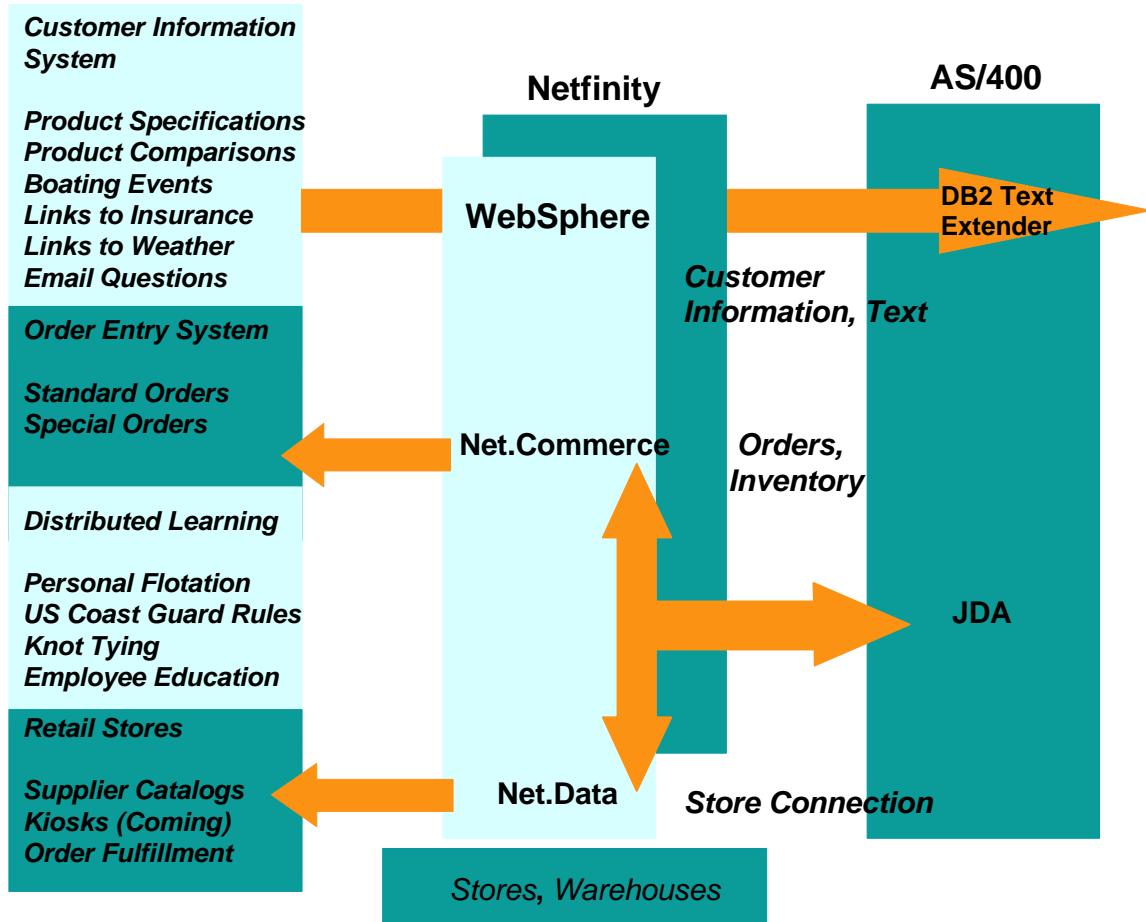
Customer Content Features: In addition to these basic e-Commerce functions, the site also provides:

- An online customer service
- Information on boating events (a calendar style database)
- Weather (via a Web Emporium created link to Weather.com)
- Information on marine insurance (via links to a specialty site)
- The West Marine Advisor repository of articles fosters West Marine community spirit and shares boating expertise between West Marine and its customers
- DB2 database of US Coast Guard Service rules, searchable using Text Extender
- A West Marine course on knot tying, to be delivered via video

Employee/Investor Features: Web Emporium also developed sections for:

- Job postings
- Investor relations
- Company participation in charitable programs and local boating events.

System Architecture



The Implementation Process

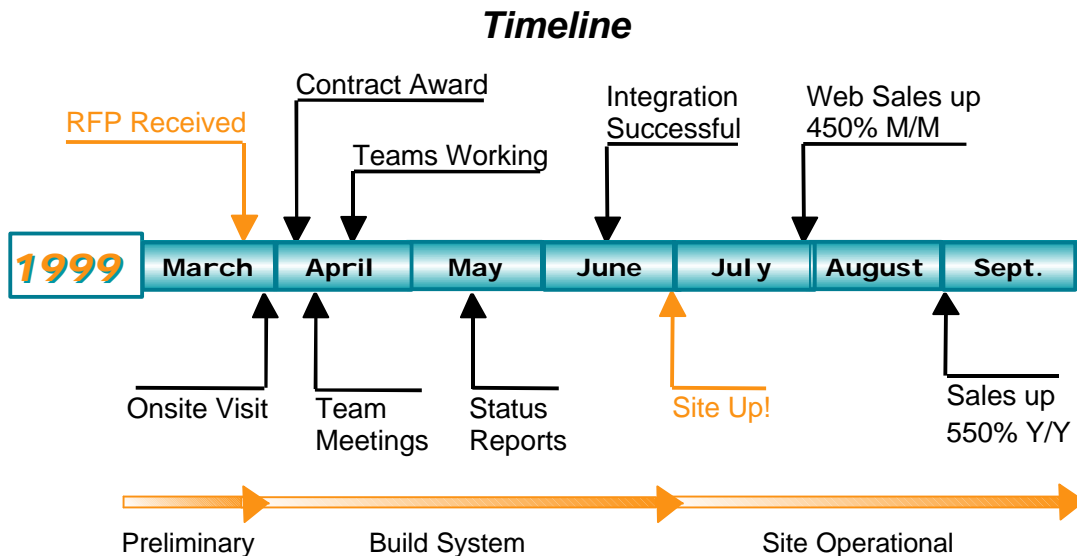
West Marine selected July 1st, 1999 as their target date to have a new Web site. The RFP went out in March.

Many of the respondents to the RFP had their own process for building a Web site. For example, Function A must be done before Function B can be started. Function B must be completed before function C can begin. This means the system is built one step at a time. Orderly, but slow.

But in this case, Web Emporium had 90 days in which to build the West Marine system. In four days, Web Emporium responded to the RFP. They clearly spelled out what West Marine needed to do to be able to meet this aggressive schedule.

When it was all said and done, 75 days later West Marine's new Web site went live. "About two weeks before the live date, I was nervous because things seemed to be a little ragged—yet, suddenly everything started to come together and we were on our way," Michelle Farabaugh recalls.

The Web Emporium plan was so sound that there were actually very few problems. The framework Web Emporium erected was so substantial that "Once we went live we never looked back," Farabaugh remembers. The new site took over the functions of the old site immediately and ran significantly better. And for the first time West Marine is actually approaching zero percent down time. The interfaces to the back-end AS/400 are sound and the firewall is working well.



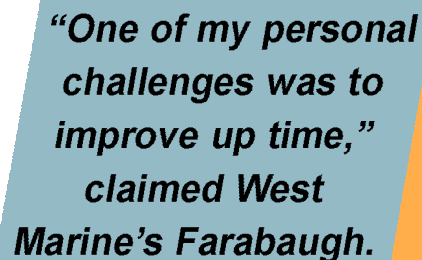
Business Results: Goals

Before its launch, West Marine's executives pointed to a pile of complaint letters and told Ms. Farabaugh that one of the main goals in investing in a new Web site was to reduce that pile. That meant addressing issues like:

- Improved Up Time
- More Robust and Stable Site
- Handling complete on-line ordering transactions, including international orders

"We've achieved that and more," Farabaugh claims. "One of my personal challenges was to improve up time. That was successful. This is a very stable site. It is very robust."

West Marine wanted to be able to do the complete purchase transaction on-line. That means not just offering a shopping cart function, but also being able to accept the credit card processing transaction entirely on its own. For a global company like West Marine, of course, that's not just in the United States, but also for international orders, since about 30 percent of West Marine's business comes from outside the United States. From the first day the new Web site went live, West Marine was able to handle international orders immediately and correctly.



“One of my personal challenges was to improve up time,” claimed West Marine’s Farabaugh.

The Web Emporium/West Marine Partnership Built the Web Site

Web Emporium was IBM's partner on the bid. West Marine's attraction to this partner was a major factor in the selection of the vendor. Once the connection to its internal system (AS/400) was decided and Web Emporium's capabilities were understood, West Marine felt very comfortable with its decision.

The goal was to build the site in 90 days. How did Web Emporium and West Marine accomplish this in 75 days?

- Web Emporium reduced the amount of time required by reusing its extensive library of Net.Commerce enhancement routines. Web Emporium plans to license and sell some of this code later this year.
- West Marine already had a site, so this was a replacement, not an initial site. Base expectations were already established. Also, with some Web experience, Web Emporium did not have to take time explaining Web basics.
- West Marine and Web Emporium took a group-oriented approach with the effort. They functioned as one team to get the job done. If they got stuck on one part of the effort, they were able to put it aside and work on other parts until the problem could be resolved.

Of course, there were some negatives.

- Data integration items were more complex than expected.
- The schedule prevented having enough time to do adequate discovery up front.
- Working as a partner, Web Emporium was able to postpone some of the difficult problems and concentrate on what was critical to launch - and what could be finished on time.

"One of the biggest positives was how well everybody met their deadlines," says Marshall Freiman of Web Emporium. "As partners, we worked together and finished functions ahead of time so that when glitches occurred, we would have the time to fix them," he continues.

The working relationship has been great—Web Emporium thinks of itself as a full partner of West Marine. "We spend lots of time with them and many times our employees are spoken to as if they were West Marine employees," Freiman remarks. Web Emporium is working on four projects with West Marine. The relationship is so close that Web Emporium can

just call them up and explain what the problem is and, together, they will focus on solving the problem, not on wasting time fixing blame. That is the mark of a full partnership.

Launching: The Business Benefits of West Marine's New Site

West Marine decided to have a low-key, soft launch of the new site. There would be zero advertising to herald the availability of the new site. Some of this could be traced to West Marine's skepticism, as to when and how well the site would start up, but this quiet period provided a wealth of information on how the new site would be received once West Marine did promote it.

Increased Business, Decreased Barriers

- With no ads, and no emphasis that this was a new site, the July month-to-month completed deals were 450% higher than June's.
- Suddenly West Marine discovered one of the historical major inhibitors to doing business with their company. They were losing their customers part way through the catalog buying process. The Internet provided an easier, quicker way to find products and complete a transaction; that meant more transactions were completed.
- West Marine can now take and ship orders to and from anywhere in the world. International sales are up substantially. West Marine's total sales, including their Web site, were up 550%, two months after the new site came up, over that month in the previous year.
- Internet-entered sales are going through the roof. As the first month progressed, results got better, week-by-week. The first quarter is usually West Marine's slowest time of the year. In 2000, West Marine did the same business in one week of the first quarter that it previously did in the month of December. This new Web site is significant to West Marine's long-term business plans. The ROI on the site was 100% and it brought in a 450% increase in Web business.
- The new site is approaching zero percent down time.

Using Technology to Make Training Easier: Boating is a seasonal business. From two store associates in January, West Marine grows each year to approximately 15-20 people per store in June. Training these seasonal employees so that they can find the right product for each customer is not always easy. Many of West Marine's stores have a four-foot file of vendor information, requiring regular updating. Ideally, West Marine would like to make the information available to associates throughout the system without having to file updates in every one of their 240 stores. This is an opportunity for technology to help with store operations, via an Intranet application or by extending and repurposing customer product information on the Web site.

Integrated Marketing and Customer Choice: West Marine is integrating its Web activity with its stores to allow all customer sales on a store kiosk to be credited directly to that store. This will allow customers to have access to the full inventory and use self-service (which some prefer) while recognizing the role of the store and its staff. Some 20 percent of West Marine's customers purchase from the Internet today; the remaining 80% are still buying from the stores. West Marine is also adding the ability to enter an order via Internet or fax and fulfill the delivery through the store. (Think of this as a Japanese-style solution, since many Internet shoppers in Japan want physical delivery of their product via a store, so they can see their purchases before accepting them.) West Marine does not want to force customers into channels they might not want. Rather, West Marine wants to give them options.

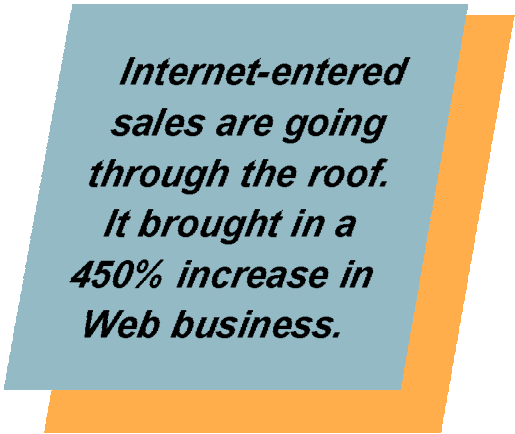
Special Orders: West Marine has been driven by the printed catalog for several years. There is some cannibalization when West Marine also offers customers access via the Web, but the Web is bringing in more new customers than that transferred business represents. One good example is the special order. This business is very difficult to explain in print and it's even more difficult to process these orders without errors. On the Web, special orders are easy to do.

West Marine has some interesting experiences with special orders. One customer from Germany was having a hard time finding a replacement part for a prism. West Marine's specialists determined not only that the part was repairable, but also that there was a qualified repair person in Germany who could do the work. The customer saved time and money, so he's more likely to be a West Marine customer again and again.

International Invoices: While all agreed there should be an on-line invoice with tariffs and shipping included in the final version, the handling of international prices and these more complex functions were originally deferred.

- In the United States, most prices are listed without Shipping, Handling, and Taxes but in most of Europe, the Tax and Shipping is in the price listed, called a Fully Loaded Price. In order to calculate shipping, each item must carry its shipping characteristics (size and weight are easy, but tariff is another story) and whether it is shipped from the East Coast or West Coast warehouse. Each line item in an invoice must be priced with the loaded price.

Most of these more complex international functions for processing orders are now complete.



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Future Plans

Of course, no system is ever "complete," so West Marine has continuing plans to improve its Web site, in partnership with Web Emporium.

Stores: West Marine will continue to remodel existing stores, will continue to build new stores, and will be doing more retail experimentation. For instance, West Marine will be installing freestanding kiosks in all their stores. Remember the phrase Michelle Farabaugh used about "the best sales associate being available to every one?" West Marine will use kiosks to deliver a best sales kit later in 2000. Customers visiting the stores can also use the kiosks to search for products on their own or to enter orders.

Integrated Marketing and Technology Convergence: In the next 12 months, West Marine will be looking at true convergence using Internet technology to accelerate this convergence. West Marine will be using the technology to provide better service as well as better knowledge on the part of the customer and West Marine's own personnel. For instance, there is some customer information which West Marine could offer all locations, such as credit card information and information about past purchases.

Loyalty Programs: West Marine has implemented a customer loyalty program, called West Advantage, where each customer's buying history is made available to that customer. That would help so that when a customer is looking for a particular part, West Marine can be more likely to cross reference correctly to the customer's boat.

"I could go on and on about the things that we are planning on doing," Farabaugh notes, "now that we have a robust complete site to use as our connection to the customer."

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