IBM

REI optimizes sales with cross-channel commerce solution.

Overview

- **Challenge**
  Maximize revenue across store and Internet channels and provide customers with a more rewarding shopping experience

- **Solution**
  Integrated multi-channel retailing solution featuring buy online/pickup in-store and cross-channel gift registry capabilities

- **Why IBM?**
  IBM provided extensible commerce platform that enables cross channel integration

- **Key Benefits**
  1% increase in store sales, totaling more than $8 million in first year; 100% payback in 6 months for store pickup service; improved customer satisfaction and loyalty; increased share of wallet and customer lifetime value

Founded as a co-op in 1934 by a group of Pacific Northwest mountaineers seeking quality equipment, REI now has more than 2 million members.

Millions of hiking, climbing, camping and paddling enthusiasts make Recreational Equipment, Inc. (REI) their first stop whenever they head for the great outdoors. Such loyalty has played a large role in making the Kent, Washington-based co-op the leading retailer of quality outdoor gear, with $805 million in sales posted last year.

An equally important factor behind the success of REI has been its efforts to make itself as accessible as possible to its customers through multiple shopping channels. Staffed

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– Joan Broughton, Vice President of Multi-Channel Programs, Recreational Equipment, Inc.

Driving profits across multiple channels

Key Components

Software

- IBM WebSphere® Commerce Professional Edition
- IBM WebSphere Application Server
- IBM WebSphere MQ
- IBM WebSphere Studio Application Developer

Servers

- IBM @server® pSeries® 650
- IBM @server iSeries™

Services

- IBM Business Consulting Services
- IBM Software Services for WebSphere

by 7,000 employees, the company has 70 retail stores in 24 states, an online store at *www.REI.com*, a Web-based discount outlet at *www.REI-OUTLET.com*, a call center and catalog sales.

While there is no doubt as to the success of REI's online business — which grew by 19 percent last year— the company has focused on synchronizing its retail channels rather than pitting them against each other. For example, in the recent enhancement of its Web site, REI deployed an in-store pickup service for items ordered on the Web and a multi-channel gift registry to involve customers in both the online and the brick-and-mortar stores.

REI's e-commerce platform — based on IBM WebSphere Commerce, IBM WebSphere Application Server, IBM WebSphere Studio Application Developer and IBM WebSphere MQ — has succeeded in driving increased revenue across REI's channels. The in-store pickup service alone reached 100 percent payback in less than 6 months. The recent applications, which were developed and deployed with the assistance of IBM Business Consulting Services and IBM Software Services for WebSphere, have helped to raise Web sales, while contributing to an increase in overall store sales of one percent, to the tune of more than $8 million.

"Our decision to implement on the WebSphere software platform was based on the extensibility of the platform and its support for integrating Web applications with our other channels and our back-end fulfillment system," says Joan Broughton, vice president of multi-channel programs, REI. "WebSphere Commerce and the WebSphere software platform have helped us build a robust, scalable multi-channel retailing environment which is enabling us to maximize revenues, increase customer lifetime value and offer customers a consistent experience across channels."

Creating a multi-channel strategy

Known for the quality of its pitons, axes, kayaks, tents and backpacks, REI has also been at the receiving end of widespread industry attention for its ability to have implemented a very successful multi-channel retailing strategy. Since the late 1990s, its brick-and-mortar stores have been equipped with Web-based kiosks where customers can access the Web site to order any of the company's 40,000 unique products — far more than can be stocked at the stores.

In synchronizing its sales channels and seeing to it that customers enjoy a seamless cross-channel shopping experience, REI has discovered a profitable strategy. In a 24-month period, for instance, REI found that dual-channel shoppers spend 114 percent more per customer than single-channel shoppers, and tri-channel customers spend 48 percent more than dual-channel customers.

Industry research explains the success of the multi-channel strategy. According to the finding of Usability Sciences Corporation, 86 percent of Web shoppers make their purchases in stores after consulting information on the Web. Stocking its Web site with rich content on product features and specifications to enable comparison shopping, REI has ensured that shoppers are drawn to the site whether they intend to browse, research or buy.

In-store pickup service picks up total revenue

REI Store Pickup service, one of the new Web applications enabled on the WebSphere Commerce platform, allows Internet shoppers to select from the REI Web sites and have the merchandise shipped to a local store without a shipping charge. Compared to similar services offered by other national retailers, REI's service is unique in that it provides customers with a much broader selection of products than is available at many of its stores.

REI ships the merchandise selected by customers on the Web sites along with its bi-weekly replenishment orders for the stores. Much thought went into the design of this system, which combined REI's disparate Web and store fulfillment systems and features an automatic procedure for calculating when the customer's order will be available at the store.

The results have made the effort more than satisfying. "The response to the REI Store Pickup services has surpassed all projections and has contributed to increased sales at the e-commerce sites as well as at REI's 70 locations," says Broughton. Nearly 40 percent of all the orders generated on the REI.com Web site are now delivered to the stores for pickup. And one-third of those customers who chose to pick up orders in the store purchase additional merchandise during that visit at an average order size of $90. These store sales have led to an 800 percent increase in paddling category sales and a healthy 1 percent increase in total store sales.

To ensure that the equipment they buy is rugged enough to withstand hard usage in rough terrain, REI members can research products on its 45,000-page Web site.

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– Joan Broughton

Gift registry with multi-channel touch

REI's new multi-channel gift registry has been well-received by customers, acquiring 6,000 registry lists and thousands more new customers in just the first eight weeks. Gift registries can be set up, monitored and updated through the in-store kiosk, over the phone or at REI.com. While at the store, customers use portable scanners to identify items for their registries. All modifications or purchases to the list — whether made online, over the phone, or in the store — are updated in real time to ensure that product and quantity information is accurate.

"The multi-channel gift registry service is another solid win," says Broughton. "Registries created online bring customers into REI stores to shop. Store-created registries generate demand online. And, as REI customers create registries, they can notify friends and family via e-mail, in many cases introducing new customers to REI."

Working to create synergy

To create high-value, multi-channel customers, REI chose to develop its enhanced e-commerce functionality using WebSphere Commerce and the WebSphere software platform from IBM. "The WebSphere e-commerce platform has turned our Web site into a powerful marketing tool, enabling us to enhance our multi-channel integration for the ultimate benefit of our customers," says Joan Broughton, REI's vice president of multi-channel programs.

To facilitate its multi-channel sales strategy, REI used WebSphere MQ to integrate the Web sites with REI's third-party warehouse management software and other back-end systems on the IBM @server iSeries system.

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For more information

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