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RETAIL INFO SYSTEMS NEWS

*Timberland's Rosalee Hermens
creates a data-driven enterprise.*

BLOND BOOTS HAVE MORE FUN

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HIP-HOP ERA USING INTELLIGENCE AND INSIGHT



**CROSS-CHANNEL
FUSION AWARDS**

**ONLINE FRAUD
PREVENTION**

**E-COMMERCE
CONVERGENCE**





Rosalee Hermes.
Timberland VP and CEO,
simplifies the complex.

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POST HIP-HOP ERA USING INTELLIGENCE AND INSIGHT

BY DEBBY GARBATO

PHOTOGRAPHED BY MICHAEL SEXTON

The city streets of the early 1990s were inundated with young men in sagging, baggy jeans and untied Timberland work boots. With the seats of their pants almost straddling their knees, it was a biological wonder they could walk.

But walk they did. Like teens and 20-somethings everywhere, this hip-hop fueled urban customer spent much of his time — and disposable income — cruising malls and specialty shops for the trendiest, parent-repelling fashions.

Timberland — along with some jeans companies and celebrity brands — made a bundle because it

was hot, which was a pleasant change of pace for a company that was historically a wholesaler of work and outdoor footwear. The company, best known for its trademark yellow work boots, ultimately reached a high-water mark when revenues soared to \$1.6 billion in 2005.

BACK TO REALITY

Three years ago, the hip-hop style that fueled skyrocketing popularity began to cool down. The kids moved on to the next fad. By fiscal year 2007, sales had dropped to \$1.4 billion.

“We are not going to recapture the ground that was lost,” Jeffrey Swartz, president and chief executive officer of Timberland told a group of analysts during the company’s 2007 earnings call. “There was an overfeeding of a hot market and then a sharp cooling.”

Timberland’s hope of regaining sales momentum, he added, would be found in better targeting traditional customers in outdoor performance footwear and other related products. So, it pursued a 2007 licensing deal with Phillips Van Heusen and an acquisition of the SmartWool brand, which gave it another extension into the apparel market. Timberland also acquired iPATH, a line of skater clothing.

International e-commerce is another major thrust Timberland is pursuing. On the B2B

side, Timberland is using online technology to better serve independent retailers.

To better align its future business footprint, Timberland has closed many underperforming U.S. stores. Across the board, it has reduced its SKU count by 20 percent. And, importantly, Timberland has no debt, noted Swartz.

The re-alignment and stepped up emphasis on efficiency, has meant that Timberland has had to re-focus its technology infrastructure. Since Timberland’s business is comprised of so many parts, this has been a complex undertaking.

Roughly two-thirds of the business is wholesale; the rest is done through Timberland’s stores. About 55 percent of all business is conducted outside the U.S., where its products are sold everywhere from Macy’s, Barney’s and various outdoor chains to the smallest rural or inner city mom and pop outlets.

Throw in its growing e-commerce channel and introduction of new products, and Timberland sounds like it could be a distribution nightmare. “There’s a lot of distribution complexity,” concedes Rosalee Hermens, Timberland vice president and CIO. “In some ways, we are like a holding company, although we’re not.”

CENTRALIZING THE ENTERPRISE

Hermens, who joined Timberland more than two years ago, has been implementing systems to better

TIMBERLAND BY THE NUMBERS

\$1.35 BILLION	2007 REVENUE
6,300	EMPLOYEES
1978	YEAR COMPANY CHANGED NAME TO ITS MOST POPULAR BOOT BRAND TIMBERLAND
550	FRANCHISED STORES WORLDWIDE
200	COMPANY OWNED STORES IN U.S.
70	PERCENT OF SALES FROM FOOTWEAR

“ONE INITIATIVE IS TO GATHER INFORMATION AND LAYER ON THE RIGHT TOOLS TO UNDERSTAND WHAT IS GOING ON IN REAL TIME. WE NEVER HAD REAL TIME DATA BEFORE.”

- ROSALEE HERMENS

integrate and track the complex enterprise. Her team has installed a data warehouse and business intelligence platform to provide real time access to global ordering information. Retail consumer analytics target shoppers with products and promotions. Standardization of global retail management information will soon enable a consistent global analysis of product sell-through. Middleware, which has replaced traditional interfaces, is providing simpler, real time integration. Full implementation of all technologies will take several years.

“We are rebalancing our whole IT approach from being heavily focused on transaction processing to balancing that with intelligence and insight,” says Hermens. “One initiative is to gather information and layer on the right tools to understand what is going on in real time. We never had real time data to work with before.”

The data warehouse and business intelligence system helps analyze SKU productivity and incoming orders by region. It applies this data to the entire supply chain. This enterprise architecture, which replaces fragmented data gathering processes, went live in the first quarter of 2008. Timberland is expanding the system’s capabilities monthly.

Hermens hopes to initiate a program under which key business team members can develop dashboards whenever they expand analytics. “We are going full force into business intelligence and becoming very data driven,” she adds. “This is a major change in how we do business. This really empowers the ‘business guys’ to be the front end.”

New systems have helped the company reduce SKUs. Timberland’s product line is organized by key customer groups, such as hikers, outdoor workers and casual lifestyles. But there has traditionally been much cross over. By better analyzing SKUs, Timberland reduced redundancies. New technologies also simplify and help better coordinate sales and operations planning between the company’s retail and brand sides. They allow sup-

ply to better match demand.

On the shopper side, a proprietary retail consumer analytics system tracks what people purchase, and it generates customer profiles. In-store and online communications can be tailored to purchasing patterns. Timberland’s larger wholesale customers provide sell-through data. Eventually, Hermens hopes to create a unified system to garner such data from smaller accounts.

STANDARDS-BASED MIDDLEWARE

In July 2007, Timberland began implementing standards-based middleware to eliminate what Hermens deems a “spaghetti ball” of point-to-point interfaces. With one warehouse project, middleware culled 103 feeds down to three. Information, which had been run overnight, is now rolled up in real time.

Next, Hermens plans to use a middleware-based system to deal with trading partners. This will allow partners to send information in multiple formats. The middleware will be able to map it “without it being a major piece of work,” says Hermens. “My logistics guy is very excited.” Rollout will take several years.

Independent retailers are a key component in Timberland’s growth plan. While Macy’s recently increased its commitment, many retailers — along with other product suppliers — are concerned about the future of some mall-based stores and other national chains. Many have closed stores.

Independents, on the other hand, can offer a distinct perspective and a differential product mix. “We want to nurture the mom and pops,” says Hermens. “The industry is being squeezed. Will stores like Macy’s make it? Probably. But the traditional department store is under huge pressure.”

Independents, which sell other brands of footwear and apparel, often have limited budgets. Up until two years ago, 50 percent of orders were telephoned in to Timberland’s customer service desk. Then, Timberland implemented online B2B ordering. Today, independents in the U.S. and Canada can place orders online anytime. Hermens says 21 percent of this year’s orders from small retailers were placed after business hours.

“They close their stores around 8:00 p.m. when we’re not open,” says Hermens. “Then, they do inventory, look at the day’s sales and go online and

order. It’s a huge service. Already, 93 percent of users say they are buying more. During the first four months of this year, we did almost as much business as we did in all of last year.”

The system provides total inventory visibility. Retailers immediately learn what is available by size and style and what is down the pike. They can place orders for shoppers seeking hard-to-find sizes or styles. Timberland offers different lines for independents and major chains.

MEETING THE ONLINE CHALLENGE

Another online undertaking involves creation of a three-point, B2B2C system for professional footwear. Timberland wants to partner with organizations whose employees are major purchasers of utilitarian products. Partners could be construction unions or utility companies that would negotiate prices with Timberland. Employees gain access to the site and can purchase regulation steel-toed work boots or other footwear.

On the B2C end, Timberland has been operating a U.S.-based e-commerce site for seven years. Online customers are generally long-time Timberland fans who purchase traditional, core products. Many use the site to replace snow boots and other basics. “They know exactly what they want,” says Hermens. “This is a very loyal customer.” A re-branding and marketing campaign coincided with the beginning of the Olympics. This included the launch of several new lines.

Timberland also has a loyal customer base in Europe. It launched a U.K. e-commerce platform in February 2007. By early 2009, Timberland also will be selling online in France, Italy, Germany and Spain. Pricing will reflect that of local markets. Sites will offer the full Timberland assortment of core products. Timberland also is exploring opportunities in China.

Brick and mortar stores in 83 countries also sell Timberland. They are served by distribution centers in Hong Kong, Japan, Singapore and The Netherlands. In the spring, Timberland launched a standardized global retail management system to centralize information related to non-U.S. sales.

“We were fairly de-centralized overseas,” says Hermens. “We had sales data, but not in a way that a product manager could see how their product was performing around the world. Today, I can give them sell-through they can compare to their merchandising and financial plans. You can see what’s hot and what happens when you switch things around.”

Five years from now, Timberland wants to be known as more than the “yellow boot” company that introduced the first waterproof leather boot with an injection molded sole in 1965. Undoubtedly, the yellow boot will continue to be a major brand icon. But as a complex retailer and wholesaler, Timberland hopes its actions and decisions will stem from a deep set of analytics and real time information. Hermens sums up the future in five words: “enterprise, insight, speed and reduced complexity.” **RIS**

TIMBERLAND TECH TOOL BOX

• DATAWAREHOUSE •
TERADATA

• WAREHOUSE MANAGEMENT •
MANHATTAN ASSOCIATES

• E-COMMERCE PLATFORM •
DEMANDWARE, GSI COMMERCE

• PRODUCT LIFECYCLE MANAGEMENT •
PTC

• B2B E-COMMERCE •
ICONGO

• BUSINESS INTELLIGENCE •
COGNOS, AN IBM COMPANY

• MIDDLEWARE •
WEB METHODS