

Sunbooks' e-business revolutionizes Hungarian book distribution.

Overview

■ **Challenge**

Reduce inefficiencies and costs in the book distribution process; enable faster, more equitable distribution of new releases

■ **Solution**

B2B online distribution system serving publishers, booksellers and Sunbooks' central warehouse

■ **Why IBM**

IBM's reputation in Hungary, the price of the IBM e-business solution and IBM's ability to commit to a short development cycle

■ **Key Business Benefits**

For Sunbooks: 100% ROI in 3 years; \$3 million in revenues generated in 10 months; up to 40% market share in 5 years
For publishers: Ability to adjust supply to actual demand; lower warehousing and transportation costs
For booksellers: up to 40% savings in direct sales costs and 50% in administrative costs; ability to obtain titles 48 hours after printing

■ **Business Partner**

Onyx Ltd. (an affiliate of Magic Software Enterprises, Inc.)



With Sunbooks' online distribution system based on WebSphere® Commerce Suite and DB2® software from IBM, Hungarian booksellers can shop—and keep shop—at the same time.

In Hungary, where free markets and entrepreneurial spirit now reign supreme, centralization seems passé, even counterintuitive. But it is precisely the competitive nature of the market that has brought centralization back in vogue. As Hungarian publishers and booksellers have realized, centralization—in the form of pooled resources and streamlined supply chains—can provide a welcome boost to small businesses and a competitive advantage to large ones.

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—Gabor Renyi, CEO and President, Novotrade Investment Company and General Manager, Sunbooks

Key Components

Software

- IBM WebSphere Commerce Suite, Pro Edition
- IBM DB2 Universal Database™ for AIX® and Windows NT®
- IBM MQSeries® for AIX

Servers

- IBM RS/6000®
- IBM Netfinity®

Services

- IBM Hungary: architectural design and development
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Hungary's traditional book distribution channels source products from warehouses owned by large publishers or by independent wholesalers. Every 10 to 15 days, booksellers make the rounds of as many as 10 of these warehouses, place their orders and pay to have them shipped from the warehouses to their shops. Since the warehouses use the distribution routes that are most convenient for them, stores in the areas farthest from each warehouse receive their supplies last, putting them at a considerable disadvantage when popular new books are released.

More troublesome than the physical inefficiencies is the lack of direct communication between the publishers, warehouses and retailers. "In the traditional bookselling supply chain, publishers have no direct channel to promote their new titles to booksellers. And neither they nor the warehouses can gauge supply in the channel or forecast demand," explains Gabor Renyi, CEO and president of Novotrade Investment Company, a Hungarian holding company with investments in multiple industries.

With 16 years of experience in the publishing industry, and as a wholesaler itself, Budapest-based Novotrade Investment Company in 1997 set out to develop a more efficient and equitable method of distribution. To this end, it established Sunbooks Kft (www.sunbooks.hu), a click-and-mortar company headed by Renyi that combines an online distribution system and a central warehouse—operated by the Hungarian Postal Authority—where multiple publishers can store their inventories. The idea was to consolidate the supply at a single location and catalog it online, making it easier for booksellers to search for titles and place orders. Sunbooks would even ship the booksellers' orders to their shops free of charge. Publishers would benefit from increased market exposure and an improved ability to forecast demand and avoid overruns. They would also be able to reduce their warehouse and transportation fleet costs, as well as the hassle of working with multiple wholesalers.

Over a two-and-a-half-year period, experts from Sunbooks and Novotrade, in collaboration with the Hungarian Postal Authority, carefully mapped out the details of the business model and the various workflows in the Sunbooks system. But when it came time to implement the solution, Sunbooks needed an e-business partner that could move fast. Bypassing vendors such as Remedy (now Peregrine Systems) and Sterling Software, Renyi explains, "We selected

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Developed in just four months by IBM Hungary in conjunction with Onyx Ltd. (an affiliate of IBM Advanced Business Partner Magic Software Enterprises, Inc.), the e-business solution handles everything from marketing and sales to order processing and payment. The catalog search and ordering functions are powered by IBM WebSphere Commerce Suite with IBM DB2 Universal Database, running on two IBM RS/6000 servers. The financial, logistics and reporting business logic, developed by Onyx, resides in the backend enterprise resource planning system—called the Sunbooks System (SBS)—running on an IBM Netfinity server. IBM MQSeries integrates between these two systems, and between the SBS and the inventory management system at the central warehouse.

In operation since August 2000, Sunbooks has generated approximately \$3 million in revenue in its first 10 months and expects to achieve a 100 percent return on its investment within 3 years. So far, 486 publishers and 571 retailers—representing 1,165 individual stores throughout Hungary—are registered members of the system. Members can access from a database of 11,871 titles and a warehouse containing 1.1 million books, all ready for 24-hour delivery to any store in Hungary.

“You don’t have to have a book on the shelf in order to sell it,” Renyi often tells booksellers. “An average bookshop carries approximately 4,000 titles. With Sunbooks, a bookshop can more than double its virtual inventory and dramatically increase sales.”

And as their sales grow, booksellers can save up to 40 percent on the cost of selling and reduce administrative overhead by as much as 50 percent.

The integrated e-business: poetry in motion

As a new title rolls off the printing presses, the publisher logs on to the Sunbooks Web site and enters the name and author of the new title and posts a cover image, abstract, pricing, discounts and other information. The information is stored in DB2 Universal Database on an RS/6000 server at Sunbooks, which is connected to the Internet outside Sunbooks’ firewall.

“Now that we have the basic model completed, we can use WebSphere Commerce Suite to create new Sunbooks-type systems in other languages, using local tax rules, currencies and other standards.”

—Jeno Kunovits, Project Manager, Sunbooks



Sunbooks not only helps publishers distribute their titles; it also helps them coordinate promotional activities such as book signings.

At this point, Sunbooks member-bookellers logging on to the site through their Web browsers will be instantly notified of the soon-to-be-released title. They can preorder the title using the ordering functions in WebSphere Commerce Suite. By monitoring the preorders in realtime, the publisher can adjust the print run to minimize oversupply. In the meantime, MQSeries routes the new title information to the SBS application and to another DB2 database, both residing behind Sunbooks' firewall on Netfinity and RS/6000 servers, respectively.

Sunbooks Project Manager Jenó Kunovits comments on the value of using DB2 on both the Web site and the backend: "We had experience with Oracle, but we were convinced that DB2 would provide a more scalable solution and better integration with the rest of the software, ultimately leading to better system response times."

When books are printed, the publisher fills out a form on the Web site to notify the Hungarian Postal Authority warehouse that the books are ready to be picked up. This information is also passed through the firewall to the SBS, which uses MQSeries Gateway to route it to the warehouse management system through a leased-line connection.

Within the next 24 hours, the Postal Authority transports the books to its 11,000 square-meter warehouse and updates the status of the title to "orderable;" the update is then passed back through MQSeries to the SBS. Booksellers that preordered the title can now confirm their orders and have them delivered within 24 hours.

Sunbooks may become international bestseller

Publishers that have joined the Sunbooks system are realizing significant benefits. Booksellers are now placing orders more frequently—every other day, on average. Moreover, the value of the average order has doubled in the past five months. As a result, Renyi says, "We estimate that we will capture 35 to 40 percent of the book distribution market in 5 years."

Next, Novotrade is planning to sell the Sunbooks model to postal authorities in Slovakia, Poland and the Czech Republic. "Now that we have the basic model completed, we can use WebSphere Commerce Suite to create new Sunbooks-type systems in other languages, using local tax rules, currencies and other standards," says Kunovits. "And even if the other postal authorities have completely different warehouse management and logistics systems, MQSeries provides a unifying service for routing messages between those systems and the Sunbooks system."

"This is the first B2B e-business in Hungary," Renyi notes in conclusion. "With IBM's help, it will be the most successful e-business as well."

For more information

Please contact your IBM marketing representative or IBM Business Partner.

Visit us at:

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For more information about Sunbooks, visit:
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