CUSTOMER CASE STUDY

VIRGIN MEGASTORES TRANSFORMS THE CUSTOMER EXPERIENCE THROUGH POWERFUL CONVERGED NETWORKING

EXECUTIVE SUMMARY

CUSTOMER

- Virgin Entertainment Group

INDUSTRY

- Retail

BUSINESS CHALLENGE

- Enhance customer shopping experience by implementing 200 Virgin Vault Kiosks
- Reduce voice communications costs while increasing features and manageability.
- Implement IP telephony to enhance communications and flexibility while adding more voice mail capabilities.
- Consolidate telephony services into a single, centralized co-location site.
- Achieve better visibility into the status of each store's technologies.

NETWORK SOLUTION

- Cisco 3750, 3560, 2811, 1760, 4507 switches; ACNS serving content to kiosks; Collaborative Communications solutions including Unity server, IPCC Express, Cisco IP phones

BUSINESS VALUE

- Significant cost savings and higher revenues through a converged MPLS network, as well as increased reliability, flexibility, and redundancy.
- Sophisticated management of high-bandwidth applications across geographic areas.
- Greater ease of use for associates

Founded in the UK in the 1970's by entrepreneurial trailblazer Richard Branson, Virgin Entertainment Group is the world's leading multi-channel music and entertainment retailer. Its retail group, Virgin Megastores, runs 17 outlets in the United States, with the goal of making its stores major destinations by offering experiential, interactive shopping to customers through a wide variety of music and DVD media and games, in-store appearances by major stars, highly available store personnel, and cutting-edge shopping technologies. Virgin has created over 200 companies worldwide, employing over 25,000 people. Virgin's total revenues around the world in 2002 exceeded $ 7.2 billion US.

BUSINESS CHALLENGE

Today's retailers are focused on enhancing the customer's shopping experience. A leader in this area is Virgin Megastores, which aims at making every visit a multimedia, cutting-edge shopping extravaganza. In the last few years, its flagship store in Manhattan's Times Square and a high-profile location in Hollywood have become major tourist destinations as well as favorite shopping venues for local residents.

However, in such a fast-paced environment, staying on top brings its own challenges. "Our main goal in 2005 was to maximize the customer experience by improving our listening stations," said Robert Fort, Director of Information Technology for Virgin Entertainment Group, North America. "Up to this point, we only had analog-based stations using CD players behind the scenes. Customers could only access up to four titles per station, and frequently had to wait in line to listen to the most popular titles. Such a limited presentation was not in line with our vision for the stores."

At the same time, Virgin decided to upgrade its phone systems within the stores in order to achieve significant cost savings, increase features, improve manageability, and make employees more accessible to customers. Salespersons were still using older key systems on the public telephone network, with limited voice mail, high maintenance and long distance costs, and sometimes unreliable service. It had become clear that the network was not where it needed to be to allow for potential growth.

In order to lay the groundwork for the future, however, the company found that it needed to rethink its technology foundation. "We were dealing with a number of the typical problems you see with older systems," said Ken McNeil, Senior Manager for Administration and Support. "On the data side were some older switches and routers, and Virgin was using a carrier that was slow to respond to outages and didn't provide the type of network we needed, where each site had its own Internet connection.

On the voice side, there were unmanaged switches at every store, and we had no way of accounting for individual phones: We couldn't efficiently grow or shrink depending on the store's growth. We found that we didn't have a good vision of what was happening at any time within our stores, so we were in a very reactive state."

As a retailer, Virgin needed to add one more constraint to the project—the store network could not be impacted in any way during the critical holiday shopping season. Therefore, the first phase of the kiosk and phone implementation in Hollywood and New York, and the relocation of the network central systems from Atlanta to a co-location facility in Irvine, California, all needed to take place within five weeks. The program would then be extended to the other 15 stores after the holidays were over.

Virgin and its systems integrator began considering vendors to implement a network that could provide the IP-based flexibility, wide bandwidth, security, management, and sheer power needed to drive its upgrade initiatives. "We started looking around at other companies that had already implemented similar solutions, and everyone kept pointing back to Cisco," Fort said. "It seems to be the backbone to most of the solutions we saw. Ultimately, we realized that we could use the Cisco solution ourselves, integrated with our current software, for a rapid and cost-effective solution."

"Statistics say that each kiosk in this type of environment is estimated to help sell about one-and-a-half to two extra CDs a day. We have more than 200 of these kiosks, so that is a significant lift in sales."

— Robert Fort, CIO, Virgin Entertainment Group, North America

NETWORK SOLUTION

CISCO INTELLIGENT RETAIL NETWORK DEPLOYED TO MEET VIRGIN'S CRITICAL BUSINESS OBJECTIVES

Virgin's new solution is based on the Cisco Intelligent Retail Network—comprised of Cisco's premier routing and switching, wireless, telephony, and security product features—to streamline business operations, improve visibility through the supply chain, and enhance the customer experience to meet business-critical objectives. This robust network is designed on the principles of the Cisco Service-Oriented Network Architecture (SONA) to accelerate applications, business processes, and profitability for corporate enterprises. It fills the gaps left by Virgin's previous environment, providing greater reliability, redundancy and disaster recovery, and better monitoring and administration of kiosk-critical issues such as bandwidth.

On this powerful foundation, Cisco supports 200 new Virgin Vault Kiosks, a series of IBM Anyplace kiosks running Virgin's proprietary kiosk software, which give shoppers the ability to sample more than 250,000 CDs, 11,000 DVDs, and 7,000 games. For example, a shopper interested in the latest Star Wars film can instantly preview the soundtrack CD, watch the video trailer, or view reviews and screen shots from the DVD. The main content is stored at company headquarters and is hosted to the stores as needed via the Cisco Application and Content Networking (ACNS) software, an integrated caching and content-delivery platform, and a pair of 4507 switches. However, most of the content is actually cached at each location and distributed locally using the 566 Content Engine appliance and Cisco's Integrated Service Router (ISR).

"It's essentially a huge, scalable cache in each of our stores," Fort explained. "If we were actually to try to have each of our listening stations repeatedly download samples from our data center, the network bandwidth requirements and demand on our central systems would have been cost prohibitive. With Cisco's ACNS solution, we are able to cost-effectively implement a cache at each store which ensures quick response times and improves the whole experience for the customer." Besides music sampling, Virgin's kiosk allows customers to search for additional information on any of these products, such as artist bios, album credits and reviews. Centralized networking additionally allows Virgin to take advantage of a consistent set of security, traffic management, and availability policies.

Virgin's new Cisco Collaborative Communications IP telephony solution is now also centralized at a co-location facility in Irvine, which serves as the call processing center for all the U.S. stores. Running on the MCS-7835 server, Virgin's new phone system utilizes Cisco IP Contact Center Express to automatically route calls, monitor and balance system loads, and manage redundancy. Cisco CallManager, the software-based call-processing component of the Cisco IP telephony solution, extends telephony features and functions to Cisco IP phones. All employees are equipped with these phones (a 7940 for associates and the 7960 model for managers), which are enabled with Cisco Unity Unified Messaging. Unity allows Virgin to centralize voice mail, offer employees new features not previously available to them, and provide telephone consistency from store to store.

Virgin has also installed two backups to this new system to ensure absolute integrity of phone calls: a Cisco 2811 router as the gateway to a public telephone network switch and a Cisco 1760 router plugged into the network. The remote routers run Cisco's Survivable Remote Site Telephony (SRST) as an additional backup call manager for triple redundancy.

"With this new network, we have cleaned up our routing and have a better understanding of what's going on at any time with our network," McNeil said. "We're rebuilding our base to grow in any direction the business needs us to go."

BUSINESS VALUE

ACHIEVING COMPETETIVE ADVANTAGE AT A LOWER COST

Virgin's new kiosk listening stations proved to be an enormous hit with customers from the moment of their introduction. "Days after the first 100 listening kiosks had been deployed, I walked into our Times Square store," Fort said. "People were lined up with headphones on, bopping along, singing the lyrics, enjoying the experience. It was both humbling and exciting to realize that I was face-to-face with our customers, and the technology had to work, and it was working. It was an incredible experience."

Studies show that Virgin can expect to see increased sales revenues due to the promotional impact of the new kiosks. However, the network upgrade has already allowed the company to achieve a significant cost reduction: The savings that the store achieved by making the transition to the MPLS network has paid for the new systems. In addition, originally, conservative estimates showed that the store might save $700,000 per year by using IP-based voice technology. "All store-to-store calls, and store-to-home office calls, are essentially free, since they are on the data instead of the public telephone network," McNeil pointed out.

The new system has additionally yielded significant productivity gains. "For example, we've been able to develop a standardized dial plan that all our employees can easily follow, which saves us a lot of time," McNeil added. "We are also very happy with the quality of the calls," Neither do employees have to take the time to administer the manual backend system of the old analog kiosks, but are able to focus more of their attention on customers and providing customers with up-to-the-minute product information.

NEXT STEPS

For the future, Virgin is poised to implement a variety of new technologies on its powerful Cisco network. Plans include deploying IPTV, which will allow stores to broadcast live music events or to deliver in-house promotional broadcasts to other stores when a starring artist comes to visit a site. The company also plans to explore new customer loyalty applications deployed over the network and adding new features to the kiosks that respond based on customers' buying patterns.

"Virgin is committed to being a leader in using advanced technology in the retail space. Our customers are comfortable using technology and are demanding better service than ever before," Fort concluded. "Based on the Cisco Intelligent Retail Network, we are able to introduce an unprecedented new range of services as well as an intensely satisfying experience in our stores."

FOR MORE INFORMATION

To find out more about Cisco Solutions and Services, go to: www.cisco.com

To find out more about the Intelligent Retail Network go to: www.cisco.com/go/retail

This customer story is based on information provided by Virgin Entertainment Group and describes how that particular organization benefits from the deployment of Cisco products. Many factors may have contributed to the results and benefits described; Cisco does not guarantee comparable results elsewhere.

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