# Jagged Peak:  The Case For Going Direct

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## ABSTRACT

*This case explores the opportunities and challenges confronting Jagged Peak during its first decade in operation. For nearly ten years, Jagged Peak had grown at a rapid pace despite the absence of a defined competitive strategy or formal marketing plan. Today, Jagged Peak management faces strategic decisions that impact the company's future success and perhaps position the organization as a pioneer in an already saturated e-commerce solutions marketplace. The company does not have a definitive strategy for obtaining or retaining customers. The team that struggled to define their company mission and vision is faced with the challenge of identifying their value proposition and target market. A task that is typically completed during the formation of a business was being re-evaluated nearly ten years after the company's inception -- to define their position in the market.*

**Keywords:**  Marketing Strategy, Value Proposition, Positioning, Direct Selling, Competitive Advantage

## INTRODUCTION

*J*agged Peak's unique service offering as an e-commerce software and fulfillment company provided them with a distinct advantage; however, because of the company's wide breadth of services, they struggled to define their value proposition, their USP (unique selling proposition), and their market positioning throughout nearly ten years of operation. While the company had a roster of powerhouse Fortune 500 clients, the list was too short to enable Jagged Peak to continue to grow, especially considering their shaky financial situation. An economic crisis was upon them in 2008-2010, significantly impacting the retail and consumer goods industry that they served.  Jagged Peak executives were faced with the difficult task to act quickly to make critical decisions that would enable them to align their services with the needs of the market. Their goal was to survive the downturn and help consumer product manufacturers affected by the crisis.

In the summer of 2008, Jagged Peak executives Daniel Furlong, Vincent Fabrizzi, and Paul Demirdjian met at the luxurious Don Cesar Resort in St. Petersburg, Florida, for a strategizing session about the company's positioning as a software firm. CEO, Paul Demirdjian, asked each person to write their vision for the company on a drawing board in the conference center.  The task question seemed straightforward, but because of the complexity of the company's service offering as both a supply chain software provider and a fulfillment company, the team struggled to articulate Jagged Peak's position in the market in just a few short words.  Surprisingly, each person wrote entirely different statements of their vision of the company.

Several weeks later, the team reconvened in Jagged Peak's Tampa conference room for an additional brainstorming conference. As the group reviewed the success of a freshly completed project for a global consumer brand, Chief Operating Officer, Daniel Furlong, experienced a sudden moment of clarity about the company's position. "We help companies sell direct," Furlong proclaimed. The statement was so bold that he and the other executive team members were surprised by his declaration. The company's recently completed projects all had a common theme - assisting manufacturers to establish a direct-to-consumer online sales channel. Furlong's realization would set the executive team on a new path to position the supply chain software and fulfillment company as a leader in the direct-to-customer movement (Furlong, April 2009). However, the team needed help to take this directional guidance and develop it into a full blown strategy.

## BACKGROUND

For Jagged Peak President and CEO Paul Demirdjian, the company's mission was always clear. Jagged Peak was founded based on his aspiration to better serve companies by utilizing the internet to automate all of the customer touch points in order management, from initial customer contact through order delivery.

By the 1990's, Paul Demirdjian had been involved in developing scores of software applications to facilitate process efficiencies and enhance customer service and product delivery. Demirdjian was a local Tampa Bay success story. He arrived in the U.S. from Armenia in 1982, attended the University of South Florida, and worked his way up the corporate ladder to become the CEO of Davel Communications, one of the largest payphone service providers in the US. Despite his personal and career accomplishments, he believed he was only scratching the surface of the potential that web-based technologies held.

Demirdjian's vision for Jagged Peak was inspired by his dealings with an online computer electronics retailer, in the late 1990s. After shopping online for a new laptop and waiting for nearly a month for it to arrive, he contacted the retailer's customer service call center to investigate the whereabouts of his order. The call center employee informed him that she could not locate the order or even determine if the product was in stock. Demirdjian was astounded that the retailer's web portal could not communicate with their order management system for inventory information.

This interaction prompted Demirdjian's realization that there was a growing need for an on-demand, web-based order management solution. He was determined to develop a software application that would allow companies to integrate disparate software applications to create a supply chain software platform that could be used as a single multi-channel system with one database, one administrative environment and one branded customer experience.

To realize this vision, Demirdjian founded IBIS (Internet Business Integrated Solutions) a custom web development services provider in 1999. Demirdjian believed that web sites would move away from simply being informational presentation layers to becoming transaction layers that allowed companies to more closely interact with their customers (Gasperson, 2004). Working from his home, he began building the architecture for what eventually became Jagged Peak's flagship EDGE software application.

## THE MERGER

As Demirdjian's vision matured, he recognized the need for additional expertise in fulfillment to address the entire order life cycle—from customer order to delivery. Demirdjian contacted Compass Marketing Services, a nearby St. Petersburg, Florida warehousing service provider founded in 1990 who had mastered process efficiencies and best practices in fulfillment. The formation of Jagged Peak was the result of the merger of these two companies—one an emerging leader in web-based technologies; the other a stalwart, warehousing and fulfillment company.

The founders of Compass Marketing were serial entrepreneurs. Vincent Fabrizzi and Daniel Furlong had a long-standing business relationship. They had previously co-founded Paradigm Communications, one of the Southeast's largest nationally recognized advertising agencies with $60 million in revenues and an impressive list of Fortune 500 clients. Prior to co-founding Paradigm, Fabrizzi was a Vice President and partner at FKQ Advertising, a reputable Tampa Bay marketing firm. Formerly, Furlong was Vice President of Marketing for Dollar Rent-A-Car of Florida. Together, the three entrepreneurs, with a capable CFO, partnered to create a potent combination of technology, marketing, and operations knowledge- a blend of talent that would typically only be found in a Fortune 500 company. The background of these stalwarts is presented in Exhibit 1.

**Exhibit 1: Company Officers**

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**Paul Demirdjian- President and CEO**

Paul Demirdjian serves as President and Chief Executive Officer at Jagged Peak, Inc. Demirdjian has over twenty years of experience in senior management, including executive positions of Senior Vice President of Operations, Chief Information Officer and Director for over ten years at Davel Communications, a publicly held telecom company operating private payphones, operator services, and long distance services. Demirdjian served on the Board since the inception of Jagged Peak in 2000 and is married to Primrose Demirdjian, another board member. Demirdjian attended the University of South Florida and was a member of the Engineering Honor Society (Tau Alpha Pi).

**Vincent J. Fabrizzi** - **Chief Sales and Marketing Officer**

Prior to joining Jagged Peak, Fabrizzi was CEO and Co-Founder of Compass Marketing Services, a logistics and fulfillment services company. Previously, Fabrizzi co-founded Paradigm Communications in 1989 with Jagged Peak's COO, Dan Furlong. Together over the next eight years they built the company into one of the Southeast's largest nationally recognized advertising agencies with over 160 employees, $60 million in revenues and an impressive list of Fortune 500 clients. Prior to co-founding Paradigm, Fabrizzi was a Vice President and Partner at FKQ Advertising where his team was nominated for a prestigious CLIO award for television advertising. He has served on the Board since the launch of Jagged Peak in 2000. He holds a B.S. in Mechanical Engineering from West Virginia University.

**Daniel R. Furlong - Sr. Vice President & Chief Operations Officer**

Daniel Furlong is responsible for the fulfillment operations of the company. Prior to joining Jagged Peak, Daniel Furlong was President and Co-Founder with Fabrizzi of both Compass Marketing Services and Paradigm Communications. Previously, Furlong was Vice President of Marketing for Dollar Rent-A-Car of Florida "The largest Dollar Rent-A-Car franchise in the country." During his tenure, business at the Florida division increased ten-fold. Furlong has served as an officer and a board member since the inception of Jagged Peak in 2000. Furlong graduated from the University of Wyoming with both undergraduate and graduate degrees in Accounting.

**Andrew J. Norstrud - Chief Financial Officer**

Andrew J. Norstrud joined Jagged Peak in October of 2005 and has more than 10 years of management experience with rapidly growing, middle market companies. Norstrud is responsible for the company's accounting and finance functions, operational analysis and he plays an integral role in the development of the company's strategic initiatives. Norstrud oversees the company's investor relations activities and ensures that Jagged Peak maintains the necessary infrastructure for a public entity. Prior to his role as CFO with Jagged Peak, Norstrud was the CFO of Segmentz, an asset light logistics company, which grew by more than 300% in two years, both organically and through the completion of five acquisitions. Before joining Segmentz, Norstrud worked for companies such as Grant Thornton LLP and PriceWaterhouseCoopers LLP. Norstrud's area of experience includes consulting services, financial assurances services, logistic services, technology services and the retail industry. Norstrud earned a bachelor's degree in Business and Accounting from Western State College and he holds a Master of Accounting degree with a system emphasis from the University of Florida. He is a Florida-licensed Certified Public Accountant.
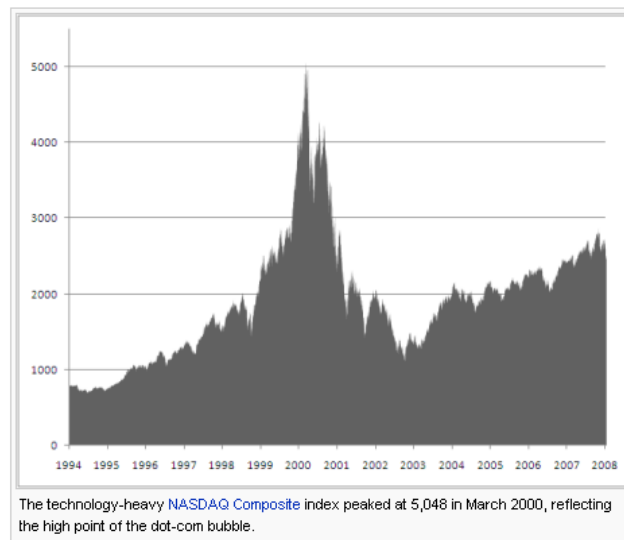
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**THE DOT-COM CRASH – WHAT'S IN A NAME?**

The Internet created a budding new opportunity for retailers in the late 1990s. With the birth of the World Wide Web, investors were predicting the new trend would eliminate distributors and small space retailers by giving consumers the opportunity to purchase products online. Venture capitalists were investing heavily in technology-based start-up companies. Unfortunately, consumers weren't yet ready to adopt this new technology and alter their

buying behavior.  In addition, consumer packaged goods (CPG) companies were not yet willing to disturb their relationships with traditional brick and mortar retailers by establishing a direct to consumer sales channel. While the prospect of retaining the margin lost to distributors was tempting, fear of channel conflict held back many manufacturers from exploring the new world of online retail (Bendix, Goodman, Nunes, 2001).

In the first quarter of 2001, the NASDAQ plummeted after disappointing e-commerce sales reports from the fourth quarter 2000 holiday season.  As seen in Exhibit 2, investors rapidly pulled out of the technology-heavy stock market. The crash wiped out $5 trillion in market value of technology companies from March 2000 to October 2002 ("Will dotcom", 2006).

**Exhibit 2:  NASDAQ Composite of Dot-com Crash**



The technology-heavy NASDAQ Composite index peaked at 5,048 in March 2000, reflecting the high point of the dot-com bubble.

Jagged Peak's name was inspired by the NASDAQ composite index chart that "peaked" in March 2000- the high point of the dot-com bubble. At a time when many high-tech firms were drying up, Jagged Peak struggled to earn the capital to build the promising new company.

**GOING PUBLIC**

In an attempt to both gain access to markets and to provide a fair market valuation for equity partners in Jagged Peak, the company filed as a public entity in 2005.  Some Jagged Peak executives feared that public scrutiny would hinder the company's operational freedom. Despite concerns, the company required this new avenue to gain access to capital that would help them advance in the marketplace. The public offering generated $2 million from an investor firm, with a note payable at the end of 2009.

Prior to the dot-com crash, Demirdjian received a $40 million offer from a venture capitalist firm to acquire the company and its technology platform.  While the offer was tempting, Demirdjian was not willing to relinquish control of the promising opportunity that he and his partners had built.

Following the dot-com crash, the decision to combine the services offered by both a software developer and a fulfillment logistics firm began to haunt Demirdjian and the Jagged Peak executive team. The arrangement was not appealing to investors.  "Warehousing is not sexy to Wall Street," Demirdjian spoke of the lack of commitment from venture capitalists (Demirdjian, 2009).

Potential clients couldn't make the connection between the two vastly different industries. Rather than attempt to convince potential clients of the benefits that fulfillment services could add to their e-commerce software offering, the executives simply hid the fact that they also operated a state-of-the art 100,000 sq. ft distribution center in St. Petersburg and outsourced fulfillment to several other distribution centers in North America (Fabrizzi Interview, 2009).

An additional decision working against the company was their location. Investors were skeptical to provide funds to a technology firm that wasn't based in Silicon Valley. Tampa Bay is not known as a technology hub, hence; it was a challenge to convince investors that a superior software product could come out of Florida. (Demirdjian, 2009) Despite naysayers, CEO Paul Demirdjian holistically embraced innovation as Jagged Peak's growth strategy and was committed to remaining in Tampa Bay.
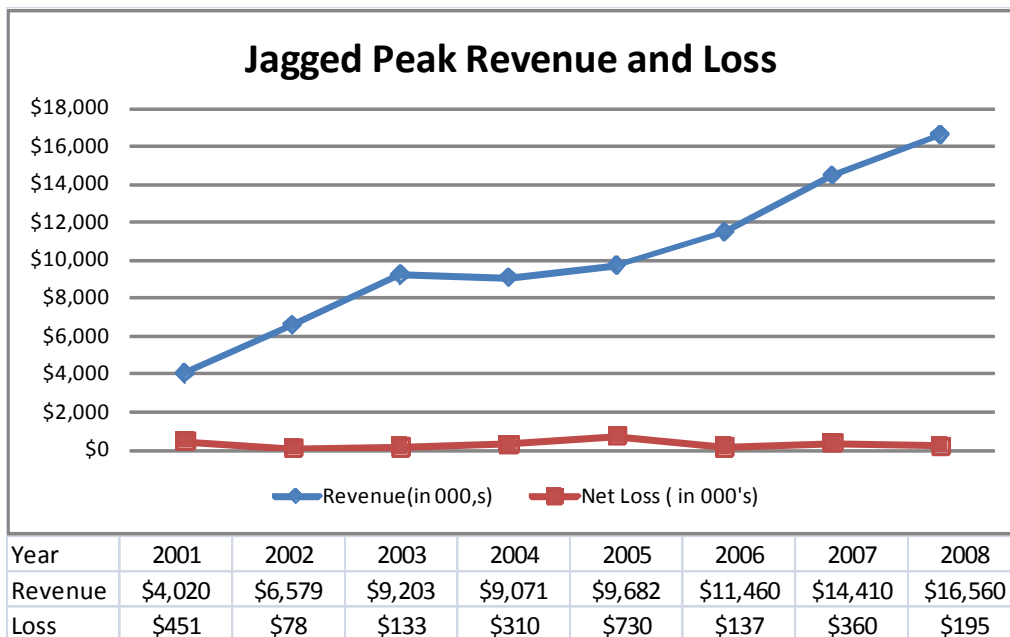
## TECHNOLOGY STRATEGY

The company culture paralleled Demirdjian's tenacious, forward thinking leadership style. He and the other board members reinvested almost every dollar earned from sales revenue into R&D for enhancements of the EDGE software platform.

Technology firms traditionally have an exceedingly high burn rate while developing software applications and require a large amount of capital in the early stages of operation. Jagged Peak took a different approach. Rather than devote large sums of money to additional human capital for R&D, the company utilized downtime between large client projects to focus on enhancements of the EDGE platform. They also utilized client customized projects to enhance the software. When a client required a new module or feature enhancement, the Professional Services team would develop the solution and then build the new feature into the next version of the software application.

Supply chain software firms competing with Jagged Peak were not as fortunate to receive such a rapid return on their R&D investment. Profit Center Software invested more than $77 million in developing their platform only to go out of business in less than four years (Systemax, 2009). While their revenue continued to climb, they consistently lost money as seen in Exhibit 3.

**Exhibit 3**



| Year | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|------|------|------|------|
| Revenue | $4,020 | $6,579 | $9,203 | $9,071 | $9,682 | $11,460 | $14,410 | $16,560 |
| Loss | $451 | $78 | $133 | $310 | $730 | $137 | $360 | $195 |

## PRODUCTS AND SERVICES

Jagged Peak was originally founded as a software company with fulfillment capabilities and eventually expanded its service offerings to provide a more complete ecommerce solution.

### Software

Jagged Peak's EDGE is an enterprise-level business management software platform that lets users manage every aspect of their demand chain. It contains order management system (OMS) functionality, but also manages the entire demand side of the supply chain. In other words, the software manages the activities that take place during and after the order process. The software platform contains advanced functionality required to conduct Internet-based business and also consolidates demand that originates in any other demand channel, including electronic data exchange (EDI) and point-of-sale (POS). EDGE can apply the most complex demand management decision rules and delivers perfect orders to the appropriate systems.

Jagged Peak's ability to offer flexible business models differentiated their solutions from other providers and allowed them to add large multi-national consumer products companies to their clientele. Many large software providers required heavy capital investments of their clients for IT infrastructure, software development and on-going maintenance fees for their appliance software models. Jagged Peak's on-demand, software-as-a-service (SaaS) model provided clients with a more flexible and affordable e-commerce business model. The cost savings was an order of magnitude of ten for many of Jagged Peak's clients.

In 2008, Fabrizzi looked for additional ways to differentiate Jagged Peak and create supplementary income for the firm during the economic crisis. He saw Jagged Peak's unique ability to provide affordable, off-the-shelf, web-based software solutions as a new opportunity for product marketing. Fabrizzi launched an effort to market the EDGE solutions as software products that solved a variety of business problems. The rationalization for this new strategy was that while companies weren't willing to make large capital investments in software applications but could reduce administrative costs by implementing turn-key, web-based solutions to manage business processes.

**EDGE FF -** friends and family private online marketplace
**EDGE M3** - marketing materials management
**EDGE DAM** - digital asset management
**EDGE PWR** - product warranty registration
**EDGE ROM** - repair order management (reverse logistics)
**EDGE B2B** - business to business e-commerce
**EDGE B2C -** direct-to-consumer e-commerce

### Fulfillment Services

In addition to software deployment, Jagged Peak also offered a flexible fulfillment business model. Clients that utilized Jagged Peak's multi-channel software could choose to utilize their own fulfillment center or one of Jagged Peak's nine third party distribution centers. While fulfillment services did not generate a large source of income for Jagged Peak, the flexibility of this option for clients provided Jagged Peak with a distinct advantage over ecommerce software providers.

Daniel Furlong's extensive knowledge in creating operational efficiencies in the fulfillment business helped the company provide exceptional value and savings to their clients. Using least-cost routing and optimized shipping carrier methods, Jagged Peak was able to offer next-day delivery to more than 80% of U.S. households with ground freight costs. The optimized carrier method helped one multi-national consumer brand to bank hundreds of thousands of dollars in freight savings while delighting their customers with next-day delivery on all orders.

**Aces**

Jagged Peak exploited the knowledge from their fulfillment business by creating a unique methodology that measured the components of the customer experience as they relate to order fulfillment. The innovative metrics was called ACES, for Achieving Customer Experience Superiority.  The executive team realized the added benefits that the ACES model could provide to position the company as experts in the fulfillment business and utilized the knowledge to publish white papers to introduce the new methodology and illustrate how to implement the metrics using the company's EDGE software platform. Furlong and CFO Andrew Norstrud presented the new concept at the National Conference for Order Fulfillment in Las Vegas in March 2009.

The executive team had hoped that ACES would garner attention from industry analysts such as Forrester, Gartner Research and Accenture who provide research and consulting services for companies seeking ecommerce and technology platforms.  However, without a significant public relations effort and investment in analyst tours, the ACES methodology would go unnoticed in the industry.

**AcroBoo**

In 2008, Jagged Peak created a new division, AcroBoo Commerce, to help companies sell products online through anonymous web storefronts- a solution that would minimize channel conflict for companies with traditional retail storefronts.  AcroBoo created a wide variety of web stores that marketed niche-based vertical product lines of everything from hunting and sporting goods to mechanical tools to lingerie. The no-risk solution allowed manufacturers and distributors to promote their product online but not disrupt their traditional retail channel.  This new service provided Jagged Peak with a new revenue stream as well as allowed them to experience first-hand the challenges that come with online retailing.

**eMarketing**

In promoting the line of retail web stores, Jagged Peak team uncovered several issues that came with developing an online sales channel.  First, the web stores required an audience in which to market its niche products. To drive traffic to the websites, Jagged Peak implemented cost-effective search engine marketing tactics such as social networking and bookmarking and article syndication. Within days of launching the new retail websites, the stores were generating traffic and revenue.

**eChannel Management**

While the stores were generating revenue, they were not generating significant margins due to the highly competitive online market. Developers created an application that would help monitor competitive online product pricing.  This new technology helped the team uncover another problem that manufacturers face when implementing an online sales strategy.

Many distributors and resellers were in a fierce pricing battle to win consumer sales.  In addition, low-priced grey market and counterfeit products were being marketed in the same channel as authentic items. In a weak economy, consumers benefited from low priced items but retailers were earning measly margins which affected their ability to offer quality customer service (Pereira, 2008). Ultimately, consumer brand images were suffering and manufacturers that did not have a minimum advertised pricing (MAP) policy could do nothing to stop declining margins.

As Jagged Peak experienced the challenges that online retailers experience, they realized that they had uncovered a new source of value for their clients as well as for their internal benefit. Competitive companies were emerging to offer e-marketing and pricing policy enforcement services that would help manufacturers gain control over their brand. The executive team began promoting the company's e-marketing and brand protection solutions to new clients as added value services that would lead to discussions about other Jagged Peak services.

## BRANDING AND PROMOTIONAL STRATEGY

Jagged Peak was a self-funded start up, and as such, had little money for brand building. The sales and marketing budget to build brand recognition was near non-existent, as was the company's marketing presence in the marketplace. Jagged Peak was competing with technology firms with multi-million dollar sales and marketing budgets who could afford to sponsor e-commerce trade show events and invest in expensive industry analyst tours to position their company as experts in the marketplace.

Vincent Fabrizzi's dealings as a former advertising executive shaped his opinion about large advertising expenditures. "The old adage is, 'half of money spent on advertising is wasted. You just can't tell which half'," said Fabrizzi. Rather than rely on flashy advertising campaigns or large investments in trade show event marketing, the executive team at Jagged Peak focused their efforts on vertical consumer goods markets.

### Direct Selling

Fabrizzi utilized his relationships from past dealings in advertising to get Jagged Peak's foot in the doors of several multi-national corporations including Tag Heuer, Swatch, and Nestlé. The company offered beta programs to high-profile clients in exchange for the rights to utilize their names on testimonials and promotions to establish brand credibility with other Fortune level companies.

Jagged Peak's clientele were satisfied with the company's ability to provide affordable, rapidly deployed solutions with second-to-none support. Fabrizzi was convinced that the most dependable way to grow the company was through direct sales efforts. "I'll call up every CEO in the CPG industry and let them know that we have a solution that can allow their businesses to grow," Fabrizzi stated.

### PR

Despite the company's limited marketing plan and budget, Jagged Peak garnered attention in the media. Deloitte and Touche listed Jagged Peak among America's fastest growing technology companies in 2001 and 2002. The company was also ranked third among the Florida High Tech Corridor's "Fast 50" companies in 2001.

### Web Presence

By 2008, nearly 70 percent of Jagged Peak's $15 million sales revenue was generated from a single client. The executive team came to the realization that they needed to make a commitment to increase company visibility within the industry, despite budget woes. To enhance the company's presence on the web, the lean marketing team utilized the similar techniques as implemented for the AcroBoo web stores. Natural search engine marketing, public relations, and social media were economical methods to increase traffic to the corporate website for lead generation. Unfortunately, the Jagged Peak corporate site was so expansive and confusing that the company's message was lost in translation. While the 389-page website explained in great detail the intricacies of Jagged Peak's service offering, it did not convey the message that potential clients and media needed to observe. What business problems do Jagged Peak's services solve?

In mid-2009, the company made a commitment to internally update and compress the website to ensure that Jagged Peak's unique selling proposition was concise, compelling, and wouldn't be overlooked by the media, industry analysts, or potential clients. The new website would include a bold new statement about the company's new positioning to help manufacturers sell direct and provide content that would attempt to convince non-adopted companies to accept the new direct-to-customer strategy. The marketing team would create link-building blogs and articles to drive search engine traffic back to the corporate site.

### The Competition

Ecommerce sales in the US grew in double digit percentages from 2000 to 2008 (Exhibit 4).

**Exhibit 4: Estimated Quarterly U.S. Retail Sales (Not Adjusted): Total and E-commerce**
(Estimates are based on data from the Monthly Retail Trade Survey and administrative records.)

| Quarter | Retail Sales (millions of dollars) | | E-commerce as a Percent of Total | Percent Change From Prior Quarter | | Percent Change From Same Quarter A Year Ago | |
|---|---|---|---|---|---|---|---|
| | Total | E-commerce | | Total | E-commerce | Total | E-commerce |
| 1st quarter 2009(p) | 841,857 | 30,171 | 3.6 | −12.9 | −17.7 | −11.6 | −5.7 |
| 4th quarter 2008(r) | 966,931 | 36,662 | 3.8 | −3.9 | 16.9 | −8.7 | −5.0 |
| 3rd quarter 2008 | 1,006,578 | 31,351 | 3.1 | −2.7 | −2.7 | 0.7 | 4.6 |
| 2nd quarter 2008 | 1,034,377 | 32,233 | 3.1 | 8.6 | 0.7 | 2.0 | 8.6 |
| 1st quarter 2008 | 952,071 | 32,011 | 3.4 | −10.1 | −17.1 | 3.3 | 12.5 |
| 4th quarter 2007 | 1,059,500 | 38,599 | 3.6 | 6.0 | 28.8 | 4.4 | 17.6 |
| 3rd quarter 2007 | 999,721 | 29,961 | 3.0 | −1.4 | 1.0 | 2.5 | 18.0 |
| 2nd quarter 2007 | 1,014,367 | 29,673 | 2.9 | 10.1 | 4.2 | 3.0 | 20.7 |
| 1st quarter 2007 | 921,235 | 28,464 | 3.1 | −9.2 | −13.2 | 3.0 | 17.4 |
| 4th quarter 2006 | 1,015,112 | 32,810 | 3.2 | 4.1 | 29.3 | 3.2 | 22.4 |
| 3rd quarter 2006 | 975,225 | 25,380 | 2.6 | −1.0 | 3.2 | 4.0 | 19.0 |
| 2nd quarter 2006 | 985,108 | 24,588 | 2.5 | 10.2 | 1.5 | 5.9 | 21.7 |
| 1st quarter 2006 | 894,091 | 24,236 | 2.7 | −9.1 | −9.6 | 7.1 | 24.3 |
| 4th quarter 2005 | 983,737 | 26,808 | 2.7 | 4.9 | 25.7 | 5.1 | 22.3 |
| 3rd quarter 2005 | 937,949 | 21,333 | 2.3 | 0.8 | 5.6 | 7.5 | 25.1 |
| 2nd quarter 2005 | 930,616 | 20,205 | 2.2 | 11.4 | 3.6 | 6.9 | 24.8 |
| 1st quarter 2005 | 835,062 | 19,500 | 2.3 | −10.8 | −11.0 | 5.1 | 22.4 |
| 4th quarter 2004 | 936,446 | 21,917 | 2.3 | 7.3 | 28.5 | 7.1 | 24.0 |
| 3rd quarter 2004 | 872,340 | 17,051 | 2.0 | 0.2 | 5.3 | 5.0 | 23.6 |
| 2nd quarter 2004 | 870,834 | 16,187 | 1.9 | 9.6 | 1.6 | 6.3 | 25.4 |
| 1st quarter 2004 | 794,720 | 15,932 | 2.0 | −9.1 | −9.8 | 7.2 | 29.2 |
| 4th quarter 2003 | 874,493 | 17,671 | 2.0 | 5.3 | 28.1 | 4.9 | 24.2 |
| 3rd quarter 2003 | 830,692 | 13,799 | 1.7 | 1.4 | 6.9 | 4.8 | 27.3 |
| 2nd quarter 2003 | 819,232 | 12,913 | 1.6 | 10.5 | 4.7 | 3.6 | 27.1 |
| 1st quarter 2003 | 741,060 | 12,336 | 1.7 | −11.1 | −13.3 | 3.3 | 27.2 |
| 4th quarter 2002 | 833,877 | 14,226 | 1.7 | 5.2 | 31.3 | 0.7 | 31.0 |
| 3rd quarter 2002 | 792,657 | 10,836 | 1.4 | 0.3 | 6.6 | 4.8 | 38.9 |
| 2nd quarter 2002 | 790,486 | 10,163 | 1.3 | 10.2 | 4.8 | 1.5 | 29.2 |
| 1st quarter 2002 | 717,302 | 9,700 | 1.4 | −13.4 | −10.7 | 1.8 | 22.4 |
| 4th quarter 2001 | 827,829 | 10,860 | 1.3 | 9.5 | 39.2 | 4.4 | 19.2 |
| 3rd quarter 2001 | 756,128 | 7,801 | 1.0 | −2.9 | −0.9 | 1.2 | 12.6 |
| 2nd quarter 2001 | 779,011 | 7,868 | 1.0 | 10.5 | −0.7 | 3.4 | 29.1 |
| 1st quarter 2001 | 704,757 | 7,922 | 1.1 | −11.1 | −13.1 | 1.3 | 41.8 |
| 4th quarter 2000 | 792,622 | 9,112 | 1.1 | 6.1 | 31.5 | 3.1 | 72.6 |
| 3rd quarter 2000 | 746,875 | 6,928 | 0.9 | −0.8 | 13.7 | 5.3 | NA |
| 2nd quarter 2000 | 753,211 | 6,094 | 0.8 | 8.2 | 9.1 | 7.2 | NA |
| 1st quarter 2000 | 696,048 | 5,586 | 0.8 | −9.5 | 5.8 | 10.9 | NA |
| 4th quarter 1999 | 768,726 | 5,280 | 0.7 | 8.3 | NA | 8.8 | NA |

NA Not Available. (p) Preliminary.

[1]E-commerce sales are sales of goods and services where an order is placed by the buyer or price and terms of sale are negotiated over an Internet, extranet, Electronic Data Interchange (EDI) network, electronic mail, or other online system. Payment may or may not be made online.

Note: For information on confidentiality protection, sampling error, sample design, and definitions, see www.census.gov/mrts/www/nrely.html.

Consumer goods retailers realized that ecommerce was not a fad but a source of sales growth and customers. The explosive growth of ecommerce caught most direct marketers by surprise. From 1996 to 2001, retailers dealt with the new sales channel through minimal budgets and handed the merchandising responsibility to their IT departments. In 2004, companies started transferring ownership, along with sizable budgets, to their merchandising and marketing professionals and the ecommerce sales channel became a major revenue stream. Jagged Peak's unique combination of e-commerce software and fulfillment services began to make sense in the eyes

of entrepreneurial retailers who wanted to extend their demand chain to the web. Global consumer brands like Tag Heuer and Nestlé approached Jagged Peak to assist them in implementing their ecommerce software platform.

Retailers weren't the only sector to take note of the powerful combination of services.   Global delivery companies such as UPS and FedEx began to extend their offering to include supply chain solutions that could fulfill retailers need for multichannel and fulfillment services by integrating with third party software providers.  E-commerce software companies that had previously only offered web design and shopping cart functionality were investing in enhancements to their software platform and added outsourced fulfillment services (Demandware) to their solution offering. The competition had finally caught on to the web-to-ship concept and began to take advantage of the opportunities that the ecommerce channel presented.  Other than Jagged Peak, no other e-commerce provider could offer a complete, flexible, and affordable ecommerce solution that covered all of the necessary components of the e-channel, including fulfillment services. Other hosted solutions providers existed that had capabilities to outsource fulfillment, but these providers required that clients relinquish control of their brand and allow the ecommerce company to sell their products in branded online web stores.  Nevertheless, gaining visibility in the shadow of established outfits like ATG and GSI Commerce was a difficult task for Jagged Peak. Jagged Peak was a small fish (100 employees) competing in a very large pond of competitors with thousands of employees.

In January 2009, Forrester Research published an evaluation of the ecommerce solutions marketplace (Exhibit 5). The study provided a valuable tool for ecommerce software companies as it outlined the requirements that online retailers use when evaluating a new software platform. Among the key factors included were "improved business management tools, a need for improved system and business process integration, and a low cost-high ROI." Despite the ability to meet all of the required factors, Jagged Peak's EDGE software platform was not even mentioned in the study. The top performers in the study were ATG and IBM, whose "market presence" was rated "strong" despite the "weak" rating in cost benefit.  (Walker, 2009) Failure to mention Jagged Peak was presumably due to lack of brand recognition in the market.

**Exhibit 5:  Forrester Research - B2C eCommerce Platform Solutions Q1 '09**
*Jagged Peak, noticeably absent from research.*

## RETAIL INDUSTRY FACES THE 2008-09 RECESSION

In 2008, the retail industry was battered by the turbulence of the world economy. Consumer confidence was at an all-time low and, conversely, retail unemployment was at a ten-year high (Consumer Confidence, May 2009). Nearly 148,000 U.S. retail stores shut their doors, and an additional 73,000 were expected to close in 2009 (Davis, 2009).The economic conditions produced panic amongst multi-channel consumer and luxury goods brands as they were forced to search for new ways to bridge the gaps left by store closings in their supply chain.

The executive team at Jagged Peak began taking calls from clients who were considering implementing a direct-to-customer online sales channel to circumvent their weakening retail sales channels. At the onslaught of the online retail era, companies were hesitant to go around their traditional retail channels for fear of channel conflict, however; as the economic crisis struck the retail industry, Jagged Peak's consumer brand clients were more afraid of being left behind than of causing conflict amongst their trading partners.

By the second quarter of 2009, other ecommerce solutions providers such as Digital River saw the same opportunity in assisting consumer brand manufacturers to establish a direct online sales channel. Jagged Peak may not have been innovators in the new direct-to-consumer (D2C) trend but they were certainly early adopters in the movement. The challenge would be for the company to convince the non-adopters that the D2C was a viable option to fuel growth in their business while industry research continued to indicate that either consumers or manufacturers were not yet ready to adapt to a direct-to-customer strategy (Mulpuru, 2009).

## A NEW DIRECTION

In 2009, Jagged Peak was approached by a global consumer products company with a difficult challenge that would provoke the realization of the company's competitive advantage. The executive team's word-of-mouth promotional strategy was what led the client to contact Jagged Peak. The client had made a commitment in their Canadian market to open up a new online sales channel to distribute coffee products and had searched for nearly two years to find a single solution provider to set up a new distribution center, create B2B and B2C web stores, and provide order management, warehouse management, and transportation management systems. This scope of services would normally require sourcing several providers to develop the integrated software system, set up the new distribution facility, and manage the on-going maintenance and IT infrastructure. The client's target deadline was imminent when they finally approached Jagged Peak with their challenge.

Jagged Peak was able to solve the company's problem and deliver on budget and on time- within sixty days of project initiation. This was a feat unheard of in the industry. While other providers were promoting their fast, sixteen-week deployment, Jagged Peak was able to reduce the time-to-market in half. In addition, the Jagged Peak solution was a tenth of the cost of other multiple component software solutions.

Having completed this project with ease, Dan Furlong realized that they had uncovered their competitive advantage in the market. They could provide solutions faster and more affordable than any other multi-channel software and fulfillment provider in the industry. In addition the low-cost solution essentially eliminated the risk that manufacturers faced when attempting to build a multichannel ecommerce solution. This differentiation could be a catalyst to help companies establish a direct sales channel and rapidly speed their go-to-market time.

## THE TASK AHEAD

Jagged Peak had accomplished what many industry analysts had purported to be impossible- to connect multiple execution points—from initial customer contact through final order disposition in real-time, with a single solution. The executive team had come to a realization about their competitive advantage in the market and decided to strategically align all functions of their business towards the same objective- to help manufacturers establish a direct online sales channel. But they still struggled with issues that could keep them from taking the lead in the industry.

*Brand Recognition* - will new companies trust Jagged Peak as a leader in the industry with limited exposure in the marketplace, and no clear strategic vision or direction?

*Channel Conflict* - will companies hesitate to circumvent their traditional retail channels to establish a direct online sales channel?

*Growth* - can the company establish economies of scale fast enough to service multiple clients?

*Strategy* - could the company align their new goals in time to take advantage of the emerging trend to sell direct?

*Marketing Research* - had the executive team completed enough research on the direct-to-customer channel to ensure that the strategy would be successful?

The executive team would need to respond quickly to benefit from their potential opportunity to build competitive advantage in the market place.

## AUTHOR INFORMATION

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