

Thin Red Line¹

Thin Red Line is a shirt retailing company based in West London. It currently has a retail store on Fulham Road, offers a direct mail service, and is in the beginning stages of retailing shirts on the Internet. The firm was born when Hereward Cleghorn-Brown and Tim Haller were offered some unused space in the back-room of Cleghorn-Brown's mother's office, conveniently situated on Saville Row, home of some of the best hand made shirts in the world. A shirt company need only mention that it had an office on this prestigious road and it could add a significant mark-up to the price of its goods.

Haller and Cleghorn-Brown therefore decided to capitalise on this and began their own mail order shirt company from their Saville Row address. Their idea was simple: Good quality shirts for affluent young people at an affordable and competitive price. They created a brochure that was distributed by mail and reinforced through word of mouth. They learned a great deal in the first two years of trading and with their products, premium location and leisure shirts at a good price, their results also improved with experience.

They were soon ready to grow the business with a product that was ready for a retail outlet. By this time the partners had specialized, with Cleghorn-Brown having taken over marketing affairs, and Haller handling the financial aspects of the firm. They borrowed sufficient funds to rent a store in London's fashionable neighbourhood of Fulham, which was an ideal location for their products. There was only one other shirt store in the district, which seemed to be doing very well, and the area was well known for its affluent young shoppers. Thin Red Line invested heavily in store layout and directed their efforts toward reinforcing the premium value of their shirts.

By late 1998 the store had an annual turnover of £250,000 (€360,000) and employed two sales assistants. Its product range continues to expand and has been extended to include cufflinks and boxer shorts. Free collar stiffeners are given away with each purchase, and the company also believes in attempting to explain to customers the more technical aspects of choosing and wearing shirts correctly (see Exhibit A).

Target Market and Current Market Share

While Thin Red line have not commissioned any formal market research in this area, the partners are enthusiastic "do - it - yourself" marketing researchers and strategists. They believed that the target market consists of all business shirt wearers. Further segmentation narrows this focus down to affluent professional men and women aged 20 – 65yrs. The trendy design of the retail store is more geared toward the younger 20-40 age group, reflecting the underlying demographics of the population of Fulham. Thin Red Line also believes that younger people are more prepared to switch brands or try new styles. The firm attempts to concentrate on all 'successful' men and women in established industries (e.g. banking, finance, insurance, and law), where suits and formal dress codes are still in place.

Currently, Thin Red Line estimates to have captured approximately 25-30% of the Fulham Road shirt market. However, it understands that it only has a negligible share of the UK shirt market, and has not really made any impact at all internationally.

¹ Graduate students David Harmston, Jill Schwabl and Rian van der Merwe prepared this case under the supervision of Professor Leyland Pitt as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Competition

Thin Red Line's major competitors span across the UK, and with the advent of the Internet, a number of these have attempted to trade globally. Currently Thin Red Line regards its main competitors as shirt manufacturers and retailers in the UK that are either mail-order vendors, or located in the Fulham area, and which attempt to serve the young/affluent sector of the market.

These would include (with URLs attached):

Thomas Pink	www.thomaspink.co.uk
Charles Tyrwhitt	www.ctshirts.co.uk
Cavenagh	www.cavenagh.co.uk
TM Lewin	www.lewin.co.uk

Cleghorn-Brown and Haller have discovered that the Charles Tyrwhitt website is very successful and turned over about £2 million (€2.88 million) in 1998. This is thought to be as a direct result of Tyrwhitt's exploitation of its extensive mail order database and marketing expenditure, which is concentrated on inserts in magazines such as the Economist and Country Life. All the firm's promotional material features the website and its URL quite prominently. Thomas Pink is thought to be successful for similar reasons, although the firm has recently increased prices to around £55 (€79) per shirt, which moves it further away from the value side of the market.

The Birth of Thin Red Line.com

Cleghorn-Brown has always been fascinated by technology, and the Internet has interested him greatly since 1997. In early 1998, he began investigating how Thin Red Line could utilise the Internet to grow and develop its business. Because choices were hampered by a lack of funds to invest in new projects such as this, he taught himself HTML programming and built a website for Thin Red Line on his own.

By the end of 1998, he had created a non-functional web presence for Thin Red Line. However, it was not until February 1999 that he managed to create a site that let customers browse through pages displaying the various products of the firm on offer. He admitted that he had no strategy for the firm's web presence at this time, and just wanted to see what happened.

To the surprise of Cleghorn-Brown and Haller, the web page enjoyed quite a large number of hits (average of 3,897 per month) during the first six months of 1999, which resulted in a reasonable average purchase size of £85.62 (€123) per online transaction. Cleghorn-Brown began to hope for even more than this from the Internet, and he started to look at various ways of maximising the potential of the medium for Thin Red Line.

Suitability of Thin Red Line to e-commerce

In an attempt to align their thinking on the role of e-commerce in their overall strategy, Cleghorn-Brown and Haller spent a morning in July 1999 completing a checklist contained in a report in the Financial Times entitled "Creating Value through the Internet". This questionnaire had been devised for a firm to assess its e-commerce capability. The partners were surprised at how consistent their answers were when they compared them – with a few exceptions they had both given the same responses.

According to the report:

- If the total score was between 70 and 100, the company is well-positioned to achieve success on the Internet.
- Between 50-70, the firm still has considerable work to do to make the Internet work for it.
- If the score is less than 50, e-commerce is unlikely to be successful and requires a major re-think.

Thin Red Line scored 42.

After the exercise however, Cleghorn-Brown was sceptical about the validity of the checklist. "First", he argued to Tim Haller, "this scoring system has been devised by two Arthur Anderson consultants. I think they just want to make small firms like ours feel that they need to seek more consulting advice!

Second, there are a number of the questions that are not totally applicable to our situation. For example, 'Are you using e-commerce to consolidate your suppliers and cut costs?' That's dumb. Thin Red Line only has one supplier, and therefore our score has been affected accordingly." Tim Haller was less doubtful. "I think this questionnaire does have some utility. It does highlight our current lack of strategic intent towards e-commerce. It also reflects our need to develop an Internet perspective, increase on-line sales and extend our overall site strategy. Perhaps we do need a rethink".

The checklist used, and Thin Red Line's scoring on it shown in Exhibit B. Both Cleghorn-Brown and Haller are firmly convinced that as products, shirts are imminently suited to online shopping. The product appeals to a wide section of potential customers. Generally, Thin Red Line's shirts are bought by professional men who have little time for, or interest in, buying office attire.

Re-orders are done on a regular basis, and customers tend to become very loyal to a brand, if for no other reason than they know what they are getting. Shirts can be displayed and conveyed well visually, as the company had realised in the beginning when it had compiled the brochure. Buying a shirt does not constitute a complex purchase, and therefore a customer will feel happy to re-order a shirt. Shirt sizes are effectively 'graded', and therefore the products within each category are fairly standardised.

Almost the only exception is that Thin Red Line offers arm extensions to their shirts at a price of £9 (€13). Haller believes that brand loyalty is very strong and that purchasers would be unlikely to buy a Thin Red Line shirt unless they had gone to the physical store, and had experienced the shirt. The Internet is not able to offer this experience, but does provide an extremely easy and convenient way to reorder a product. Both partners are convinced that in general, consumers will buy on-line because of increased convenience and customisation.

Thin Red Line's Website: www.thinredline.com

The Thin Red Line website offers a full 'brochure' experience that allows Internet surfers to browse through their current range of products. Despite the relatively large numbers of photographs on the site, the pages open quickly. The website also allows effortless and secure (Secure Server Software "SSL") on-line purchasing with a 'shopping basket' function similar to that used by on-line giants such as Amazon.com and Barnes & Noble. Thin Red Line promises 48hr worldwide dispatch. Any dialogue with Thin Red Line is answered instantly by an automatic response from the firm, and the partners believe that these activities meet the need for immediacy of interaction that Internet users now expect.

The site is quick, clear, and easy to navigate. Selecting styles and colours is simple and adding items to the shopping basket is prompted by "ADD TO ORDER" buttons. The front page of the site is shown in Exhibit C.

Evaluating the Website's Effectiveness

Haller and Cleghorn-Brown concur that the end goal of the website is to promote and facilitate on-line purchasing, to increase sales, reduce costs, and improve profitability. However, they continually talk about the fact that this is not possible without visitors to the site. Their interim objective is to attract and retain visitors to the site. Both Cleghorn-Brown and Haller have become enthusiastic, although admittedly amateur marketing researchers on the site. "While we confess to all kinds of research sins, such as small samples, rushed jobs and an obvious lack of formal marketing research training, Tim and I are rather proud of some of the approaches and results we have achieved and the data we have gathered", says Cleghorn-Brown.

"For example", he continues, "we have calculated a ratio of visitors to hits on the site, as well as a ratio of purchases to visitors" (see exhibit D). Our goal is obviously to increase the ratio of purchases to visitors, but we believe that before we can do this, we need to "up" the visits to hits ratio. And then before we can do that well, we really need to increase the number of hits, which is of course the \$64000 dollar question facing everyone on the net".

"Our ultimate goal is that our website sales should exceed our retail store sales", says Haller. "I budget for revenue in 2000 of £350,000." His analysis of how many additional active visitors to the website would be required to likely convert into £150,000 worth of revenue in 2000 is shown in Exhibit E.

Cleghorn-Brown and Haller have gathered other information that they believe is pertinent to their on-line business. For example, they have established that 58% of the visitors type in the domain name directly, 35% find the site through search engines, and 7% through a Thin Red Line link on other web sites. Some of their current ideas for promoting the Thin Red Line website include:

- Printing the web address and e-mail address on all of the literature, stationary and display advertising. If the prospects believe that they can receive more information about Thin Red Line's products and services then they will visit the site.
- Giving prospects a reason to visit the site. "We would like to offer something of value to prospects, whether it's saving money on a shirt of the month such as Charles Tyrwhitt does, or a 'what's new in fashion', as Pink (Thomas Pink) does, or simply the opportunity to learn more about Thin Red Line", says Cleghorn-Brown.
- Promote the site using traditional media. "Perhaps we should spend more money on print advertising and ensure that the web address and e-mail address are featured prominently", Cleghorn-Brown says. Haller counters, "That's great, where will the money come from?"

Other information gathered by the firm is the fact that visitors to the Thin Red Line website currently stay an average of 1.5 minutes, and that the longer they stay on the site the more likely they are to purchase. The partners agree that keeping people engaged on the web site for longer periods of time is a key to success.

Thin Red Line's target market is a professional between the ages of 25 and 45. The male: female split is 75%: 25% respectively. In order to investigate these issues in more detail, Cleghorn-Brown sent a survey by e-mail to 25 professionals between the ages of 25 and 45. 10 responses were received, 50% male and 50% female. Six respondents were between the ages of 25 and 30, and four are 31 or older.

The respondents were asked to spend 10 minutes surfing the Thin Red Line web site as a potential buyer and then rate a series of statements. The items were rated on a Likert-type scale ranging from 1 = strongly disagree, through 5 = strongly agree. "In summary, I learned the following", says Cleghorn-Brown: 'People felt in control when exploring the site and believed that the website allowed them to control the interaction. People also disagreed that they were aware of distractions on the site, although only a few of them felt that they were totally absorbed in what they were doing while exploring the site.

People also felt that their curiosity was not highly stimulated throughout the interaction, and also that their imagination had not really been aroused by the site. On a more positive note, the site appeared to be interesting to the surfers, but the vote was split on whether the site was fun to explore.' He summarises: "My conclusion at present, based on this small survey, is that the Thin Red Line website is good (7 out of 10 respondents said they would visit the site again) but not brilliant. I would like to find ways of improving the customer's curiosity and interest levels, and to give them more opportunity to have fun on the site."

Current and Emerging Website Strategy

"I think we have to admit that we did not have an entry strategy for our website," Cleghorn-Brown reflects. "I think our attitude has been, 'Let's see what happens'. "But we both have very high aspirations for the site, and like to think that our strategies are now emerging. First, we intend to accelerate overall profits for the firm by getting sales from the website to exceed sales from the store.

Second, we want our branding to become synonymous with the Internet, and not our retail store. Ultimately, we want to get back to our roots and be a mail-order company, but based only on the Internet, with no printing and postage costs in our marketing efforts. We think that the potential savings that derive from on-line versus postal brochure distribution are enormous." Haller adds: "We lose approximately 10% of our mail-order database customers because they move and don't inform us of their new address. E-commerce provides several advantages because we know immediately who is no longer there because of the undelivered email message. This dramatically cuts down on wasted catalogues and postage charges. Furthermore, our competitors are seen as shirt stores or mail-order companies who also have a website, but they are viewed primarily as stores. We want to be perceived primarily as a web-based company with an outlet in Fulham. Perhaps people will want to try on their first Thin Red Line shirt before buying, but after that we want them to reorder the same size shirt on-line, without having to come back in to the store."

"We are now thinking about re-branding everything with www.thinredline.com as the major brand signal (boxes, bags, shirt labels, letterhead, etc)," adds Cleghorn-Brown. "Coupled with media attention, we want to promote this change of perception. From this relaunch, we are hoping to receive 10,000 new registrations, which can be used to create a more detailed database. We think this would be a bold but potentially sound move."

Haller reflected: "Instead of letting things simply keep evolving like this, I think the time has come to sit down for a few days, away from the hustle and bustle of the store. Let's involve our supplier, and even the assistants – after all they talk to, and help customers who buy shirts. My uncle has a huge room in a renovated barn, on his farm in Oxfordshire. It would be ideal. We could even have an agenda". "Now that would be something!" Cleghorn-Brown countered. "Maybe we would even stick to it!"

Exhibit A

Six Reasons to Shop With Us – From the Thin Red Line Website (www.thinredline.com)

THIN RED LINE
SAVILE ROW LONDON

- Plain Shirts
- Check Shirts
- Striped Shirts
- Herringbone Shirts
- Ladies' Classic Shirts
- Ladies' Fitted Shirts
- Cuff Links
- Special Offers
- Fabrics & Sizes
- Information
- Contact Us
- Home

Six Reasons to Shop with Us!

1.

Five-piece for ultimate comfort, not five-piece, hand-torned collar comes with removable brass collar stiffeners.

2.

Four piece split yoke, essential if a shirt is to lie correctly across the shoulders.

3.

Cross stitched placket fastenings so they do not fall off.

4.

Two cuff-link positions, to shorten your sleeves by half an inch if required.

5.

Side gusset adds strength and flexibility to the side seam. Long tails ensure your shirt stays tucked in.

6.

Shoulder tuck (allows the sleeve to be lengthened by one inch if required).

Extra: **Free Brass Collar Stiffeners** with every Shirt 

Exhibit B

The Financial Time e-commerce Checklist as Completed by Cleghorn-Brown and Haller (averaged).

Question	Possible Answers	Score
Do you have a strong "customer proposition"?	We have a unique proposition, which has clear benefits to the customer and has already been successfully test-marketed.	20 points
	Our customer proposition is good, and we believe it will be received positively by customers when it is launched.	10 points
	Ours is essentially a 'me too' offering – but it seems to work for our competitors.	5 points
	Score out of 20 (insert your score here)	5
Is senior management fully committed?	Senior Management is committed to fundamental changes and our company has already appointed a senior executive to lead our e-commerce initiatives.	15 points
	Senior management understands e-commerce and appears to be prepared to make changes to make our e-commerce initiatives work.	8 points
	Senior management has an elementary understanding of e-commerce but our e-commerce initiatives are only being driven by one or two middle managers.	4 points
	Score out of 15 (insert your score here)	8
Have you adapted your sales and distribution (or procurement) processes for 'cyberspace'?	With the help of our key customers, we have fundamentally redesigned our key processes and have carefully planned the implementation of these changes to ensure that our e-commerce offering will work effectively.	15 points
	We have agreed to make some changes to our key processes such as sales and distribution.	8 points
	Our existing processes are more or less the same as before. Although there may be some teething problems, we're sure we'll be able to work through issues as they arise.	4 points
	Score out of 15 (insert your score here)	8
Are you providing valuable content for your customers?	Our Internet site is one of the most innovative in the industry and is updated constantly using a variety of in-house and externally commissioned content material.	10 points
	We regularly update our site with new material although we have never considered going to external providers to improve range and quality of our content.	5 points
	Our Internet site is well designed and easy to navigate. We provide information on our products and services and we even have a picture of our CEO on the site,	2 points
	Score out of 10 (insert your score here)	2
Are you using e-commerce to consolidate your suppliers and cut costs?	Since agreeing to introduce e-commerce for procurement, we have planned to halve the number of suppliers we deal with, and our procurement costs through obtaining more favourable rates from our remaining suppliers.	10 points
	We will probably reduce the number of suppliers as a result of implementing e-commerce in our company.	5 points
	Our policy is to maintain a wide range of suppliers in order to maintain competition between them	2 points
	Score out of 10 (insert your score here)	2

Question	Possible Answers	Score
Do your customers contribute to your e-commerce offering?	We have designed our offering with the help of our customers who have the flexibility to design and order their own products, while we have been able to reduce costs in our traditional distribution channels.	10 points
	Our customers can provide us with the feedback which we will use as an input to our design process.	5 points
	We have a good traditional web site that is generating leads for us.	2 points
	Score out of 10 (insert your score here)	2
Have you created links to other sites or alliances with other companies?	We have researched our offering in great detail and have created formal alliances with a number of other organisations. This generates a 'club' atmosphere among our customers and builds loyalty to our Internet site	10 points
	We have started to create links with a number of organisations to make our e-commerce offering more attractive to customers.	5 points
	Our web site should generate a reasonably high volume of traffic.	2 points
	Score out of 10 (insert your score here)	5
Are you thinking big, starting small and scaling quickly?	We have an ambitious end game, resources committed to a number of options and will invest heavily in successful ventures.	10 points
	We are ambitious but only investing in one option to achieve our objectives.	5 points
	We are testing the water with an e-commerce venture and will see how it goes.	2 points
	Score out of 10 (insert your score here)	10
	Overall score (out of a maximum of 100)	42

Exhibit C

The Thin Red Line Website (www.thinredline.com)

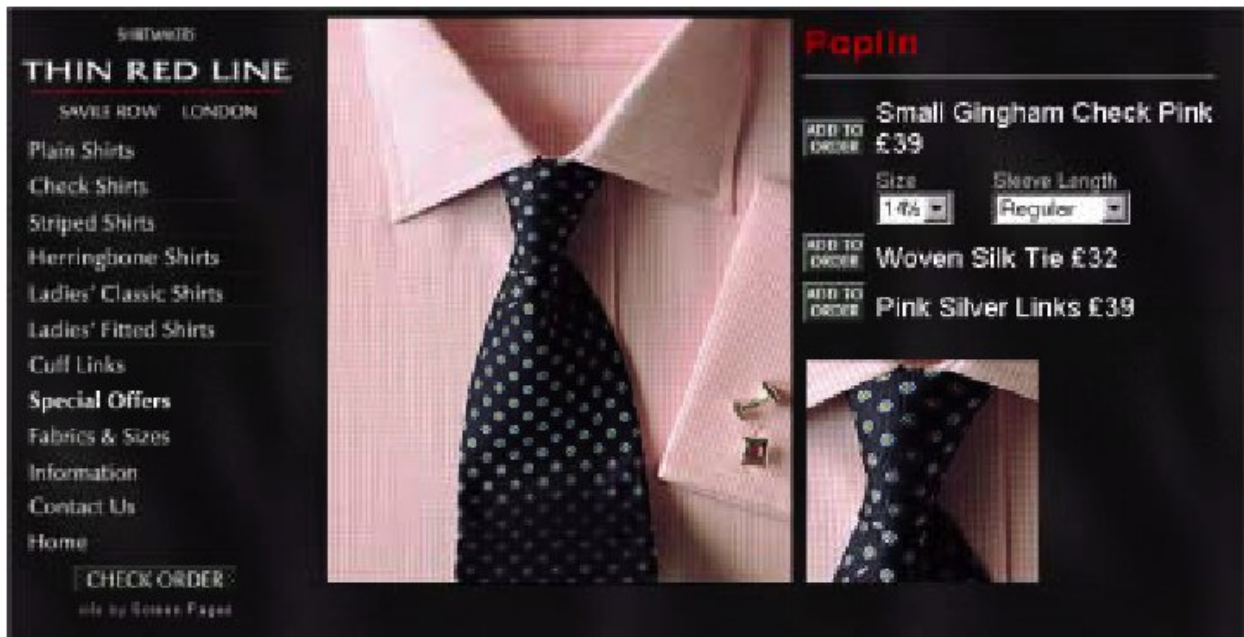


Exhibit D

An analysis of surfer activity on Thin Red Line's web site using an average from May through August 1999:

$$\text{Contact Efficiency} = \frac{\text{Active visitors to the site}}{\text{Hits on the site}} = \frac{1481}{3897} = 38\%$$

(Active visitors are considered to be those who go beyond the first page)

$$\text{Conversion Efficiency} = \frac{\text{Purchases}}{\text{Active visitors}} = \frac{12}{1481} = 0.8\%$$

Exhibit E

Tim Haller's Estimates on Additional £150,000 Revenue from the Website in 2000

Revenue Goal: £150,000

Average Spend per customer: £85.62

of annual purchasers required: 1,752

current # of purchasers per month: 146

of additional active visitors needed per month (at a .8% conversion efficiency): 18,249

of additional hits needed per month (at a 38% contact efficiency): 48,024

The current monthly average number of active visitors is 1,481 and the current average number of monthly visitors is 3,897.