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**Critical Analysis of Strategic IT Alignment at Vermont Teddy Bear**

A company’s IT infrastructure is crucial in its use to support operational needs and maintain competitive edge. To do so, the infrastructure must strike a balance between this and the financial constraints, as well as the long-term growth of the organization. Vermon Teddy Bear faces challenges surrounding its IT infrastructure due to its outdated and bloated, inefficient systems.

**Business Background and Issue Identification**

Vermont Teddy Bear has a distinct supply chain built around its multiple brands. This includes Teddy Bears, PajamaGrams, and Calyx Flowers. These separate brands create three different areas of competition in the market of gift items. Notably, VTB also relies on a seasonal business model; demand for their products increases exponentially during major holidays with a tradition of gift-giving, e.g. Christmas and Valentine’s Day. Their new CIO, Bob Stetzel, is entering his new position at a time of downsizing and in November, just under a month away from when the peak winter season begins.

Stetzel notes that the IT systems he is introduced to lack a good architecture and change control documentation. Inefficiencies are noted due to systems being interconnected with unoptimized middleware. A lot of these systems are incorporated without cohesion due to the aforementioned lack of documentation and an overall plan and scope. These drawbacks present a risk to customer retention in a growing e-commerce landscape. Overall, VTB’s IT infrastructure lacks proper strategic alignment and optimization.

**Mission, Strategy, and Organizational Structure**

VTB’s mission is to provide high-quality gifts and customer experience, while maintaining a consistent brand recognition. To achieve this, their strategic focus marks four key areas. First: direct-to-consumer sales utilizing e-commerce and catalog marketing. Second: taking full advantage of seasonal demand spikes through operational flexibility. Third: differentiating their product from competitors. Fourth: expanding market presence by utilizing its brand recognition and opportunities for cross-selling. VTB’s business model relies heavily upon its reputation. However, the developing e-commerce environment presents new changes in customer purchasing habits, and a greater need for fast fulfillment and a consistent experience (Dimoka et al.). This puts more pressure on the company’s IT systems to provide effective management of order fulfillment and consumer data analytics.

VTB functions with a trimmed-down IT department and separated management structures divided between their mainline business, PajamaGrams, and Calyx Flowers. The IT infrastructure is fragmented and relies on a conjunction of legacy systems, middleware, and one-off systems implemented without an overarching strategy. Operations are mostly functional but face severe bottlenecks that hold back effective order processing, data management, and customer relationship management (CRM). Stetzel must redesign these systems and strategic alignment in order to better adapt to market demands and stay ahead of the competition.

**Porter’s Five Forces Analysis**

VTB faces a high amount of competition from online retailers, department stores, and specialty brands similar to their own three. These competitors become a larger threat when they have better optimized logistics and supply-chain efficiencies. New entrants into their market are less of a threat due to VTB’s operational scale and superb brand recognition, however e-commerce removes a large barrier for market entry of smaller and agile competitors (Berthold). Substitutes for their products are already present in the market, as there are numerous alternative gift options for each of their brands’ products. Because of this, VTB is facing pressure to maintain a unique value proposition. Supplier bargaining power is a strong force for their business as they rely upon a global supply chain for raw materials and manufacturing, with PajamaGrams creating the highest necessity between their brands. The bargaining power of customers is accentuated by the high threat of substitutes, as they can easily choose alternatives, positioning costs and CRM as critical differentiators (Anshari et al.).

**VTB Stakeholders**

* John Gilbert, the CEO, who is focused on growth and making sure investments into IT are aligning with strategic goals.
* Bob Stetzel, the CIO, who is responsible for the modernization, cost balancing, implementation, and operational impact of the IT department.
* Board of Directors, who are focused on financial growth, return on investment, and the long-term competitiveness of VTB.
* Employees, which includes the IT staff who work in tandem with the CIO, and the business teams effected by the functionality of the IT infrastructure and the organization.
* Customers, who expect a seamless shopping experience, details, and reliable product delivery. Their experience and relations are critical.
* Suppliers, who depend on efficient supply chain management, along with inventory and order fulfillment. IT capabilities are a key influencer to these efficiencies.

**Solutions**

One solution that was identified is the implementation of a full enterprise resource planning (ERP) system (*ERP (Enterprise Resource Planning) - Tech-FAQ*). ERP would standardize the IT infrastructure at VTB, improving functional efficiency and reducing the reliance on middleware. Data integration would be enhanced across sales, inventory, and customer service, while providing long-term scalability and an improvement on decision-making through enhanced analytics (Rauth Bhardwaj). However, introducing an ERP system necessitates a high cost and lengthy timeline. The detail and extensive changes may foster employee resistance and operational disruption during the transitional phase. Due to this, a return on investment may take several years to materialize. Overall, the result would be improved operational efficiency and much better data visibility, but this only will occur after applying a large financial burden on the company, potential additional bottlenecks, and a long training and adoption period.

A second solution would be to optimize the pre-existing middleware and make an incremental upgrade of systems. In comparison to other solutions, this has simplicity to it and involves a lower upfront cost and faster implementation. Business continuity would be maintained and not face major disruptions due to changes, and critical bottlenecks would be addressed immediately while making room for phased upgrades (Red Hat). This solution does not fully eliminate long-term inefficiencies though and may require an increased maintenance workload due to ongoing patchwork solutions. This also neglects the threat of competitors, as these incremental improvements may not match the IT advancements of other competitors. In summation, this solution makes short-term improvements without significant financial strain, but it is a less comprehensive solution and will require future investments in alternative systems.

The third alternative would be to instead focus on investment into advanced CRM and business intelligence tools. This would enhance customer targeting, cross-selling opportunities, and marketing ROI. It would strengthen the critical brand-engagement and customer retention that VTB needs to stay ahead through data-driven insights (Anshari et al.). Through this, long-term revenue would be set for growth by deepening customer relationships. Unfortunately, this solution does not address the IT infrastructure’s core inefficiencies, and instead involves the further fragmentation of it to achieve business goals. The sales and marketing teams would benefit from improved customer insights and personalization, but it is somewhat of a continuation of the previous flaws in the IT department; adding individual systems on top of each other without a cohesive architecture.

After review of these solutions, the best alternative is the second: optimizing existing middleware and incrementally upgrading systems. VTB has had a recent history of down-sizing and has limited financial resources to be directed towards sweeping changes. They also face the challenge of the rapidly approaching peak season, where any disruptions could be devastating to the business. Middleware optimization provides immediate relief for the present IT bottlenecks while allowing a phased transition toward long-term IT modernization. Improvements would be made while maintaining and potentially enhancing system stability during the holiday season without major operational disruptions. Should additionally resources and opportunities become evident, this solution could also be combined with elements of CRM improvements to support marketing initiatives and enhance customer experience.

**Conclusion and Next Steps**

Vermont Teddy Bear should prioritize stabilizing existing systems through middleware optimization while also gradually preparing for ERP implementation when risks are lower and better prepared for. The company should conduct a thorough audit of IT to identify and create documentation of middleware dependencies. Critical system fixes must be prioritized to guarantee reliability during the upcoming peak season and reduce maintenance workload. The other solutions can be prepared for with a long-term, phased roadmap to incorporate ERP and CRM investments over a timeframe with less risk involved.

If VTB follows this strategy, short-term operational stability in its IT infrastructure will be achieved, and the road to long-term strategic growth can be paved, while mitigating financial and functionality risks. This will help secure and develop its status as a leader in the gift industry.

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