Eagle Video of New England

A Request for a Proposal to Design and Implement Self-Service Kiosk Rental Systems

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1.   Executive Summary

Statement of Request

Eagle Video of New England is in need of assistance with designing and implementing a solution that will allow them to operate kiosk rental units at various retail locations around the Northeast. As the video industry continues to evolve, it is imperative that our company is able to optimize costs, maximize presence, and continue to evolve to meet consumer demands and remain competitive with increasingly popular online video rental and purchasing services, mail-order services, and digital media sources. These pressures have increased our organization's need to better understand our customer's preferences and habits and make our operations nimble enough to adapt to changes in customer behavior quickly. At the same time, we need to be able to optimize our cost structure and streamline our back-office and in-store operations.

A selection committee has been assembled to help choose the vendor who we believe to be best positioned to help us achieve our short and long-term technology strategies. In order for our selection committee to gauge the vendor's technical capabilities, our team will be providing vendors with a sample database of transaction data from our systems that can be used as the basis for a kiosk interface prototype. The selection committee will also be looking for biographical information about the team that will be available to implement the solution on our systems.

Statement of Confidentiality

Eagle Video maintains a strict policy on maintaining the security of its information and information that belongs to its customers. Due to the sensitive nature of all information contained herein, Eagle Video asks that each vendor or solution provider not discuss this RFP with colleagues outside of the proposal team as well as employees of any other firm. Violation of this agreement will result in immediate removal from the vendor selection process and any future RFPs issued by Eagle Video. The selection committee trusts vendors to keep this information confidential and in return, the selection committee will not share any information you present to us in written or oral form with any competing vendors or solution providers.

Schedule of Response

The formal presentation to the selection committee is scheduled for 15 minutes on December 3, 2010. We would recommend completing all formal contact with the Eagle Video Selection Committee before November 26th.

2.   About Eagle Video

Company Overview

Eagle Video of New England is a privately held retail video rental chain that has been serving the New England market for almost 20 years. Eagle Video is headquartered in Watertown, Massachusetts where 125 of our 4000 employees serve in the corporate office providing support for Eagle Video's 310 stores. Each of Eagle Video's stores keeps its own inventory of Movie DVDs and a small stock of new releases in VHS. About 85% of the revenue from Eagle Video stores comes from rentals and fees related to rentals and new DVD sales, while the remaining 15% is divided among point-of-purchase display items (candy, popcorn, soda, etc.) and used DVD sales.

Eagle Video is a private, family run business founded in 1986 by Joe and Jack Gibson. Joe and Jack are twin brothers who graduated from a local college and, after working in corporate America for several years, decided to found their own business. Over the years, Joe and Jack grew from the original store in Chestnut Hill renting to college students at discounted prices to the 310 stores we now operate. Joe currently serves as CEO and president of Eagle Video while Jack is the COO.

Over the past two years, Eagle Video has seen same-store sales decline on average of 14% per store, with some stores being hit by declines of up to 40%. The declining revenues have also resulted in margins declining by 22% on average at each of the stores. The poor financial results over the past two years has put a lot of pressure on the Eagle Video management team to get lean on costs and find new opportunities to increase revenue at each of the stores. Additionally, Eagle Video has not yet found effective ways to compete with retailers like Amazon or NetFlix, nor with new media sources such as iTunes and Hulu.

Industry

The U.S. video rental industry has recently been dominated by four major players, Blockbuster, Hollywood Entertainment's Hollywood Video, Wal-mart and Netflix. Hollywood operates roughly 1,300 stores in 47 states (including all of New England), while Blockbuster operates 5,200 stores in 24 countries (the majority being U.S.). Eagle Video also faces new threats from companies such as iTunes, which offers downloads of purchased or rented movies and TV shows, and websites run by the major networks, such as Hulu, that offer instant, streaming online videos in return for the consumer watching advertisements. Because of economies of scale, these companies can typically offer lower prices for their products by taking advantage of national presence and volume. For smaller companies to compete, it has become clear that innovative distribution channels are critical to developing and retaining a consumer base.

Eagle Video has the desire to quickly adopt innovative business practices in order to be able to compete against larger competitors. The most recent successful example of this is Redbox, which significantly changed the brick-and-mortar business model by introducing independent rental kiosks. These kiosks can be placed at virtually any location, and carry the most popular and profitable videos available on DVD and Blu-Ray. These can be rented out at a set per-day price to consumers, whose credit cards are charged when the disc is returned. With increased softening of the DVD sales market, this has proven to be a cost effective way for consumers to get their video without paying full retail to buy, or upwards of $5 per day to rent. The independent nature of the kiosks allows the owners to make up for the difference in volume by having an expanded footprint, lower cost of entry of the consumers, and increased marketplace visibility.

3. Problem Statement

Business Imperative

With declining sales, the increased softening of the DVD retail market, and growing competition, Eagle Video recognizes the strategic imperative of adapting current technologies and practices in order to assimilate to modern consumer lifestyles and attitudes. Primarily, this involves transitioning Eagle Video from a traditional brick-and-mortar enterprise to a leaner, more automated, and more modern company. Since Eagle Video does not possess the capital, knowledge, or desire to enter the new media marketplace, we would like to use rental kiosks to increase our footprint and lower our costs.

Point of Sale Systems

Eagle Video has identified a regional hardware manufacturer who can provide the kiosks, however we require a software vendor to provide the software design and development services. The kiosks are built around a Linux thin client loaded with a browser to ensure simple operation, high uptime, and ease of development. The kiosk is equipped with a cellular 3G wireless connection that connects to a central database, which will be located at Eagle Video's headquarters. This database will hold the current video inventory, number of videos in stock, critical information about the videos, as well as customer information that allows corporate to track rental habits and correctly charge their accounts.

To gauge the depth and thoroughness of each vendor's capabilities, Eagle Video is asking for working prototype of the kiosk's user interface. This prototype of a single kiosk will be connected to a sample of our current video database. This prototype should include functional login, search, checkout, and rental return screens, as well as an administrative and maintenance login that gives Eagle Video the ability to maintain the video and customer data through a web form. Any additional functionality that displays the capabilities of your firm can also be included; however this is secondary to the base functionality.

Database

To ensure the success of the self-service kiosk, a robust database must be implemented to keep track of sales, inventory and customer trends. Additionally, the kiosks' database will be utilized by Eagle Video for ad-hoc reporting needs. Eagle Video's current video database is experiencing slow transactional and reporting times. When creating ad-hoc database queries, as is the current practice for the marketing and development departments, users have noted that figuring out how to join certain tables is a difficult, arduous, and highly error prone process. This leads to long lead times for compiling analytical data and also for increased overhead in the time spent on this activity. Adding to this problem is the fact that these queries can take anywhere from 20 minutes to 3 hours to run. Consequently, some of these queries during business hours because of live data processing. This results in a loss of productive time during the work day because of data delays.

Respondents will be given Eagle Video's current database schema with appropriate test sample data. It is important that further database structure is built to enhance the needs of Eagle Video to better track and manage customer and movie data. Mitigating poor transactional times and creating well structured tables will be a substantial improvement to Eagle Video's infrastructure. Going forward, Eagle Video IT will handle the migration of necessary customer data to new kiosk database design. Respondents need to demonstrate how their additional database design can provide the efficiency and ease of use that Eagle Video is looking for. This should include how ad-hoc queries can be created and how customer data can be mined for valuable information by different departments. Additionally, respondents should highlight how data integrity of transactions will be kept in the event of system failure or user error.

Please note: Although this database will ultimately be used for multiple kiosks operating concurrently, for purposes of this RFP, vendors are only asked to optimize it for a single kiosk operations. Eagle Video understands that table structures, data structures, and existing data will need to be altered and enhanced to accommodate multiple kiosks in a production environment; however this work is not necessary for the prototype.

Business Intelligence

As part of our IT strategy, Eagle Video is interested in leveraging customer data to better tailor our advertising and target our marketing efforts. Respondents should analyze the customer data that Eagle Video has been collecting and construct draft structures of reports that demonstrate how Eagle Video can increase revenue and/or decrease operating costs through better understanding of our customers. For example, Eagle Video believes that certain rental locations have different rental patterns than others. We would like to be able to optimize how each kiosk is stocked to maximize inventory turns.

Eagle Video plans to initially stock kiosks based on national trends and past box office performance. The promotions department, however, believes this may not be the optimal strategy, and a more customer-focused approach that considers popular actors, directors, and genres on a store by store basis may increase stock utilization rates. Eagle Video will

need further data analysis on customer rental habits before being able to make an informed decision on this.

Eagle Video is also interested in personalized recommendations as part of the effort to improve customer satisfaction and loyalty. The success of recommendation engines at online retailers such as Amazon.com and Netflix has illustrated the potential of this marketing strategy. While Eagle Video is a "brick and mortar" retailer, customers may opt to receive an automated email detailing the new releases of the week. Eagle Video believes that if we can group customers by the genres, actors or other factors that they prefer, the emails could be designed to highlight a new release in that genre, increasing the value of the email alerts to the customer and ultimately enhance rental rates and revenue.

Finally, Eagle Video understands that the respondents may have substantial previous experience with business intelligence strategies in the retail industry. Therefore, all respondents are invited to demonstrate solutions based on their own analysis, experience, and proprietary technologies that they believe would address the business issues facing Eagle Video.

4.   Instructions and Logistics

Instructions

Eagle Video would like to see the vendor provide the selection committee with two deliverables for evaluation purposes:

1. **Prototype:** We have provided the vendor with a sample database that provides a set of actual transaction data from one of our stores for a given period of time. We would like the vendor to create a working prototype of a point of sale kiosk or other point of sale solution to show the selection committee. The prototype should demonstrate proposed solutions for both back-end and front-end issues as outlined above.
2. **Oral Presentation:** We would like all responders to present at a central location on December 3, 2010 to convey their findings and show our process improvement committee a demo of the prototype. Currently only 10 minutes have been allotted to the presentation and demo and an additional 5 minutes have been allotted for Q&A. Additional details on the presentation will be provided closer to the response deadline.