Case Study: Vermont Teddy Bear

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Executive Summary

Vermont Teddy Bear is an evolving company founded in 1981 by John Sortino. His company began pushing a small pushcart to a recognized brand in the gift industry. The company's initial success was driven by Sortino's Bear Gram, a service for purchasing and personalizing custom teddy bears. Over the years, VTB experienced many challenges in target markets, leadership, and operational capabilities.

Bob Stetzel was employed as the Chief Information Officer at VTB in 2009. Hoping to replace and modernize systems, he was concerned to see a lack of documentation and centralization within the company. Bob identified that a layoff of employees has posed serious concerns to the IT department. Siloed individuals have the information needed. That being said, it is important to highlight the need for documentation. Furthermore, Bob was concerned about solutions to middleware issues and proposed an on-premise ERP. The idea of this would simplify many issues but is high cost and has lengthy implementation times. A Cloud ERP system could improve IT processes and increase IT's performance.

VTB's SWOT analysis reveals that its strengths lie in adapting and innovating processes. VTB has undergone many changes and challenges before Bob's hiring, and it shows the company is lucrative. Weaknesses describe the IT infrastructure and the importance of having more centralized operations and documentation regarding it. Gilbert's visit was also one to reveal potential opportunities in the industry. An addition of classic teddy bears could be a competitive move for the company. Lastly, a description of entrants will mention the threats to VTB along with mentions of production issues.

Introduction

Bob Stetzel is the current CIO of VTB working to tame complicated middleware. Maintaining an efficient IT department means smooth technical operations for business requirements. However, Bob Stetzel discovered many challenges and is stuck determining a solution. This case study discusses Vermont Teddy Bear's business model analyzing products sold and target markets, the operational capabilities and challenges, proposed suggestions, and a SWOT Analysis of the organization.

Vermont Teddy Bear's Business Model & Operational Capabilities

Vermont Teddy Bear was founded in 1981 by John Sortino (Gogan & Lewis pg. 62). John sold teddy bears from a pushcart in an open-air mall in Burlington, Vermont. The beginning of VTB targeted adult couples, especially in the 1990s. Sortino introduced the Bear-Gram service, allowing customers to call and create personalized orders. Consumers were given various color options and over 100 costume choices. Once shipped, consumers would receive a decorated hat box and a note from "The Bear Counselor." This received a tremendous response from the market, increasing revenues from $2 million to $17 million in 1993. Additionally, Vermont Teddy Bear raised $10 million in its public offering while ranking 21 in Inc. Magazine's listing of fastest-growing public companies (Gogan & Lewis pg. 62). Based on this information, it is evident that VTB's early business model was very successful.

The upcoming years proved successful, but the Bear-Gram experienced numerous challenges. Radio advertising and toll-free calls generated many orders during Valentine's and Mother's Day (Gogan & Lewis pg. 62). However, Bear-Gram had issues maintaining relevance. As a result, the market audience has shifted from adults to children. Teddy bears were found in stores such as Bloomingdale and FAO Schwarz. Unfortunately, these expansions came with a price that sales did not cover.

The period of 1997-2009 outlines significant changes in Vermont Teddy Bear. In 1997, leadership changed with Elisabeth Robert as the new CEO. Company stores were shut down and a new line titled “Make-a-Friend-for-Life” was created with Zany Brainy (Gogan & Lewis pg. 62.). This resulted in sales of $21.5 million in 1999. Interestingly, there is a change in demography and peak seasons for VTB. As stated before, the primary seasons included Valentine’s and Mother’s Day. The bears seemed targeted towards couples, with men mostly buying them. From 2001-2003, about 65% of sales were from men and Valentine’s Day had 30% of annual sales. To increase women's sales, VTB created a gift bag boutique. Eventually, this led to the acquisition of Calyx and Corolla. However, the upcoming years are detrimental to VTB. VTB dropped several product lines leaving Bears, PajamaGrams, and Calyx Flowers. There were also a couple of layoffs between 2008 and 2009 with one occurring right before a worldwide stock crash (Gogan & Lewis pg. 62).

To give some industry background, VTB relied on three industries: Teddy Bears, PajamaGrams, and Calyx Flowers. Teddy Bears offered a selection of colors and outfits for consumers. As for PajamaGrams, it competed in general gifts and the global apparel industry. Production was outsourced to factories overseas which posed some challenges to VTB. A shortage of items could mean late orders, especially during peak holidays. Lastly, Calyx Flowers is a high-end floral company that competes with thousands. The industry as a whole declined. Mass merchandisers offered low prices with limited selection while florists purchased from wholesalers. Calyx purchased directly from growers and ensured that flowers would be given special care during shipping. Overall, these three industries impact VTB greatly.

Concerns and Suggestions Over the Current IT Infrastructure

Bob Stetzel was hired in November 2009 just in time for peak season. As a result, he had to take quick action to learn VTB's IT architecture and capabilities (Gogan & Lewis pg. 64). During his work, he soon learned that five IT employees had been laid off from 2008 to 2009 which posed some concerns. The individuals laid off were experts in narrow specialties within VTB. This left Bob concerned as these individuals walked away with important knowledge of the company's IT infrastructure. This information was not documented and poses many concerns for IT.

Documentation is crucial to IT infrastructure, especially for software. Tilak Mitra, a Certified Senior IT Architect at IBM, verifies the importance. Software documentation serves as the blueprint for systems built (Mitra, 2008). One thing mentioned is the different architectural views: functional, operational, and decisional. Using these captures the development of the system and communicates information. Furthermore, documentation creates tangible artifacts, leading to standard templates. Templates help follow standards such as best practices and help follow business and IT goals. Stetzel is aware that lack of documentation is an issue. That being said, Stetzel should develop a system for documentation and communication. Mitra's point of standard templates is a great solution. When documenting, Stetzel should require employees to discuss goals and plans regarding an application. Using this will create organization and standard procedures for current and future employees.

Another notable issue is in response to middleware and centralization. Stetzel soon learned that, besides a lack of documentation, many core applications were connected via middleware (Gogan & Lewis pg. 65). Some connected to core enterprise applications within VTB and others ran independently. During a meeting with Gilbert, it was discussed that Stetzel needed to figure out what the middleware was and how to use it. Without proper documentation, Stetzel and his team may break the process, disrupting operations. The idea of investing in an ERP was mentioned, but it is costly and would not be completed until winter 2011 (Gogan & Lewis pg. 69). However, it would simplify some of the current issues by eliminating complicated middleware

By today's standards, a Cloud ERP could serve as a potential solution. According to Oracle, Cloud ERPs are software-as-a-service applications that help businesses centralize data from interconnected systems (Hickins, 2024). Using these services is generally easier to implement and update as opposed to on-premise ERPs. Stetzel was worried about the length of time and costs of ERPs. However, implementing Cloud ERPs can take as long as several weeks to a few months whereas on-premise ERPs can take a year or more. Furthermore, Cloud ERPs offer lower operating costs. Businesses only pay for the number of employees using the ERP applications. Another company, SAP, agrees with Oracle's information. According to SAP, a recent survey showed that 63% of businesses selected a Cloud ERP ("What is Cloud ERP?"). That being said, it is clear that this is a great option. It might not be Stetzel's ideal solution, but it does provide tangible progress much sooner.

SWOT Analysis

Strengths: Vermont Teddy Bear is a lucrative company and has many strengths. One strength is the ability to adapt and innovate. Background on this company has shown that VTB has experienced many challenges and persevered leading to millions in sales. It is also clear that VTB knows when to make changes. The origination of this company seemed to target couples (primarily males) into buying a teddy bear for their partners. Peak seasons took most of the sales and VTB had to innovate and make changes to target markets.

Weaknesses: As stated, IT infrastructure is Vermont Teddy Bear's biggest weakness, specifically with documentation and centralization. Siloed information is a concern for Bob and is making it difficult for the IT team to further operations. His team doesn't know how some of the software works and is reluctant to as it could disrupt operations.

Opportunities: While VTB is experiencing weaknesses, there are opportunities to improve processes. The implementation of documental procedures creates efficiency and will lead the path for future employees. Another opportunity involved John Gilbert's experience at the toy fair. During his visit, he saw lots of interest in classic toys, and board games, and a huge interest in teddy bears. This presents potential opportunities for the company. The idea of classic toys could be appealing to older audiences, especially with teddy bears.

Threats: Vermont Teddy Bear is renowned in the toy and gifting industry. However, it does face threats. The threat of new entrants is one example. Build-a-Bear is another dominant company in the teddy bear market. Vermont Teddy Bear will need to keep up with marketing and emerging trends to compete with similar companies. Production issues are also a threat. Most companies outsource materials. In the event of a shortage of materials, VTB faces threats of being unable to fulfill orders and meet goal numbers.

Conclusion

Vermont Teddy Bear has demonstrated to be a successful business maintaining identity within target markets. Despite current challenges, the company is continuing to persevere and has opportunities to expand its market. Bob Stetzel has shown great effort in learning about the IT department of VTB. The recommendations listed in this document offer opportunities for more efficient and streamlined processes for VTB.

Works Cited

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