CASE STUDY

Trans World Entertainment

Iron Mountain Recreates Proprietary Music and Video Software for Trans World Entertainment with Technology Escrow and Verification Services

CUSTOMER: Trans World Entertainment (NASDAQ: TWMC), based in Albany, NY, is one of the largest specialty music and video retailers in the United States.

CHALLENGE: Trans World worked with a software developer partner to create a proprietary listening-viewing station (LVS) that allows customers in its stores to sample a CD or DVD by just swiping the barcode at the LVS. Management knew this was a competitive edge that needed to be protected.

SOLUTION: Trans World chose to establish a technology escrow agreement with Iron Mountain to protect its intellectual property. The agreement included verification services to ensure that the software could be accurately recreated, should circumstances occur that require it to be so.

BENEFIT: Technology escrow and verification services, furnished by Iron Mountain, protected the LVS software source code.

THE CUSTOMER
Trans World Entertainment (NASDAQ: TWMC), based in Albany, NY, was founded in 1972 and today operates nearly 900 specialty music and video retail stores. The company’s stores include mall locations, operated primarily under the FYE brand, and freestanding locations under the names Coconuts Music and Movies, Strawberries Music, Wherehouse Music, CD World, Spec’s and Planet Music. Additionally, Trans World has an online presence with multiple e-commerce sites, including fye.com.

Trans World licenses many different kinds of software to help it to run its business, and in some cases, software solutions also provide a competitive advantage by differentiating Trans World from its competitors. This was the case with Trans World’s Listening-Viewing Station, or LVS. The LVS allows store customers to swipe the barcode on a CD or DVD and hear or see a sampling of the content. LVS was launched nation-wide in 2002, enabling customers to “try before they buy” and instantly sample any of thousands of music, movie and game titles. More than 12,000 LVS units were rolled out to 550 stores across the country in 2002, and later in 2004, richer content and functionality were added to further enhance this selling tool.

THE CHALLENGE
In the highly competitive entertainment industry, retail stores compete fiercely for customers’ dollars and mind share. Because the LVS at Trans World’s stores offered something to customers that no other store had, management at Trans World knew that it needed to be protected.

Trans World’s Director of IT, Roy Simmons, was responsible for the protection of this system. With 20 years of experience at Trans World, Simmons had assumed responsibility for many IT initiatives, but this was one of the most strategic because it was a client-facing system supporting the marketing goal of engendering customer loyalty.

“I would definitely use technology escrow and verification services from Iron Mountain again. Considering our investment in the software, the cost to protect these assets is trivial.”

— Roy Simmons, Director of IT, Trans World Entertainment

Simmons initiated a technology escrow agreement with Iron Mountain as part of the software licensing agreement. In addition to escrowing the software source code, Trans World went a step further and used Iron Mountain’s verification services to ensure that the software source code deposited into the escrow account could be recompiled and executed. Simmons stated, “Trans World invested a considerable amount of effort and funds into the LVS; the cost of escrow and verification services was insignificant in comparison.”

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THE SOLUTION

Trans World’s LVS was an instant success. Customers, who listened to CDs or viewed movie clips in the stores, were more likely to purchase the product after sampling it. And, Trans World found that customers were more likely to return to one of its stores because of the LVS. Trans World’s strategic advantage was working as planned.

However, in an unforeseen turn of events, the software developer that created the proprietary LVS solution for Trans World went out of business.

Due to the escrow deposits and verification of the source code, Trans World had everything they needed to recreate, maintain and continue operating the LVS application. This unusual circumstance was certainly not planned for, and was beyond the control of Trans World, yet they were prepared for the unexpected and were able to continue to provide the popular LVS to customers without interruption.

An escrow account with Iron Mountain protects licensees by allowing them to gain access to their developer’s source code under specific conditions outlined in the escrow agreement. The conditions of Trans World’s escrow agreement stated that if the developer ever ceased to do business, then Trans World could request a release of the software source code so that they could operate and maintain the LVS.

Because the value of an escrow arrangement is heavily dependent on the quality of the escrow deposit materials, Simmons also arranged for Level 3 Verification Services with Iron Mountain. A thorough inspection of materials provides assurance that, in the event of a deposit release, Trans World would be able to more quickly and effectively read, recreate and maintain the LVS in-house. Simmons recounts, Iron Mountain was very helpful through the entire verification process. They worked with the software vendor and made sure everything was in order and that the LVS application could be recreated.”

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