

## Case Study: Developing and Building a Brand

### Overview

A global childrenswear manufacturer markets both national and private brand products in department and mid-tier stores. The manufacturer used Enhanced Retail Solutions (ERS) to identify an opportunity which resulted in the launch of a \$30 million hybrid brand at a major retailer. The coordinated efforts of the manufacturer and ERS generated success from the developmental stage through monitoring of the program execution. In the end, the launch surpassed the goals and expectations of both retailer and manufacturer due to the use of innovative and non-traditional methods derived from Enhanced Retail Solutions' products, services and partnership.

### The Enhanced Retail Solutions' Partnership

Using Enhanced Retail Solutions' services, the manufacturer was able to identify a major market opportunity using its products to fill a void in the market for a higher priced, fashion-forward hybrid brand at a major retailer. As it does with all its clients, Enhanced Retail Solutions performed an active and integral role assisting the manufacturer's team, providing information and analysis crucial to the development, management, and monitoring of this new brand.

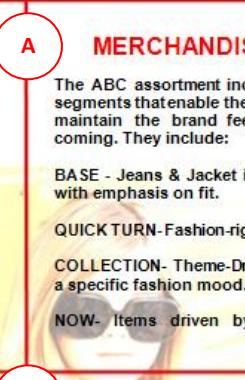
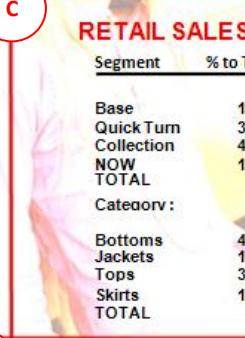
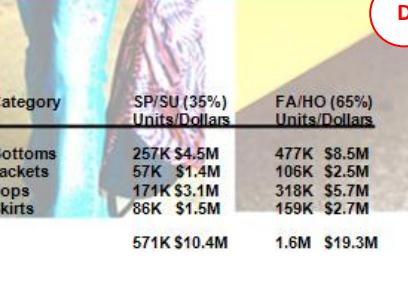
### From A to Z

This case study provides an outline of the strategy and tools employed from the beginning of the process-- selling the brand in, to monitoring performance and providing the retailer with actionable recommendations to constantly improve the business. The report formats, concepts and end results are all true, but for confidentiality reasons we have masked the names of the client and retailer as well as the numbers.

## Selling the Concept to the Retailer

Enhanced Retail Solutions' "Placemat" concept captures the buyer's imagination both creatively and analytically. The placemat is a one page overview designed by ERS in collaboration with the manufacturer that shows everything a buyer needs to know to make an informed decision. ERS injects its deep retail knowledge, best practices and expertise into the concept. This adds perspective that the client alone does not possess. The placemat was a hit with the buyers, DMM's and GMM's when it was presented. It portrayed our client's image as "out of the box" thinkers who could understand and appreciate the retailer's perspective. From the initial meeting, the retailer was able to envision how the brand could be executed.

- A: The merchandise planning and brand positioning information shows the buyer how the brand will "fit" in their current strategy, and available marketing tools.
- B: Planning segments and Pricing strategy provide a recommendation of how to position the brand and items.
- C: The sales forecast provides the buyer and retail planner with an understanding the size of the commitment and payoff of the brand.
- D: A sample assortment recommendation by store shows the impact at store level and saves the buyer and retail planner time in the assortment planning process.

<p><b>A BRAND POSITIONING</b></p> <p>ABC will provide Tween fashion collections to Retailer XYZ.</p> <p>The combination of design, driven by Contemporary fashion, and the power of A#1 Advertising and imagery enables ABC to fill a void in the mid-tier market.</p> <p>The creative factors behind ABC have enabled it to consistently maintain a high level of fashion credibility in the market. This same strategy will be employed for ABC.</p> 	<p><b>ABC</b></p> <p></p> <p>Driven by ABC fashion and A#1 Advertising, ABC offers a completely new shopping experience for the consumer who is tuned into fashion-right merchandise.</p> <p>ABC embraces hip, fashion savvy tweens who are always looking for the latest looks. A powerful combination of great fit and the latest fashion style gives ABC instant appeal.</p> 	<p><b>MERCHANDISE PLANNING</b></p> <p>The ABC assortment includes 4 distinct planning segments that enable the sales floor to consistently maintain the brand feel and keep fresh fashion coming. They include:</p> <p><b>BASE</b> - Jeans &amp; Jacket in multiple washes/finishes with emphasis on fit.</p> <p><b>QUICK TURN</b>-Fashion-right tops and bottoms</p> <p><b>COLLECTION</b>- Theme-Driven merchandise that fits a specific fashion mood.</p> <p><b>NOW</b>- Items driven by current fashion trends.</p> 																																																																													
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## Monitoring Performance

Enhanced Retail Solutions knows in today's retail environment the manufacturer is held more accountable by the retailer for their brand's performance. Our expertise enables us to provide our clients with a quick and complete study of the business from both a high level and a very detailed level and provide actionable recommendations. We do this in 3 stages:

### 1. Week to Week Tracking (High Level)

Each week, ERS provides its clients, like this manufacturer, with a tracking report for sales; sell through %, and margins for each sku, and the collection in total. It provides a quick way to compare the performance between items.

- A: The report includes the current and previous 2 week's sales (unit and dollar) performance. This helps establish a baseline of average weekly sales.
- B: The Sell Through (ST %) reflects each item's turnover and is the key measurement used by retailers to determine how good an item is. A high sell through is generally better, although it can also indicate that inventory levels are too low. In this example the sleeveless crew is the #1 item, and is almost completely sold through after 7 weeks. Conversely, the double wash jean is not selling as planned. Using this information ERS recommended making adjustments to the next season's assortment to capitalize on the trends.
- C: The average unit retail for both the current week and for the life of the item (LTD) shows at what price each item is being sold. If the current week AUR is lower than the life to date AUR, it generally indicates promotional activity has taken place. After 7 weeks it can be seen that no promotional activity has taken place (the week and LTD AUR are close). This retailer's benchmark is to be 80% sold through after 12 weeks and this line should easily meet that benchmark.
- D: At the end of the day it's the gross margin (GM %) that matters. By tracking the sales every week and monitoring promotional activity using ERS' services, more accurate predictions of where the gross margins will be at the end of the season can be generated. If margins are forecasted to fall below expectations, actions can be implemented to minimize the shortfall in profit. Based on the performance shown in the ERS week-to-week report, markdowns will be minimal and the product line's margin goal of 48% will be met.

STYLE	DESCRIPTION	# WEEKS	Units						Dollars						LTD AUR	LTD GM%			
			WK 1	WK 2	WK 3	LTD TOTAL	OH	ST%	LTD ST%	# STORES	WK 1	WK 2	WK 3	LTD TOTAL	OH	AUR	GM%		
L12345	Purple Top	7	1515	1163	829	8749	2992	21.7%	74.5%	425	\$22,697	\$17,399	\$12,419	\$131,042	\$44,851	\$14.98	54.9%	\$14.98	54.9%
L23456	Sleeveless Crew	7	877	415	185	3636	382	32.6%	90.5%	245	\$13,106	\$6,211	\$2,759	\$54,382	\$5,725	\$14.91	56.8%	\$14.96	56.9%
M24567	Red Top	7	1086	806	545	6500	2517	17.8%	72.1%	425	\$18,436	\$13,669	\$9,228	\$110,310	\$42,763	\$16.93	48.0%	\$16.97	48.1%
PS4687	Happy Dress	7	737	687	537	4097	3445	13.5%	54.3%	426	\$14,720	\$13,727	\$10,715	\$81,776	\$68,865	\$19.95	63.4%	\$19.96	63.4%
J456123	Double Wash Jean	7	224	192	206	1281	2543	7.5%	33.5%	125	\$4,028	\$3,454	\$3,708	\$23,045	\$45,750	\$18.00	53.1%	\$17.99	53.0%
UI3248	Skinny Pant	7	476	416	278	2411	2482	10.1%	49.3%	125	\$7,114	\$6,233	\$4,159	\$36,097	\$37,205	\$14.96	55.2%	\$14.97	55.2%
<b>TOTAL COLLECTION</b>		<b>4915</b>	<b>3679</b>	<b>2580</b>	<b>26674</b>	<b>14361</b>	<b>15.2%</b>	<b>65.0%</b>			<b>\$80,101</b>	<b>\$60,693</b>	<b>\$42,988</b>	<b>\$436,652</b>	<b>\$245,159</b>	<b>\$16.66</b>	<b>55.5%</b>	<b>\$16.37</b>	<b>55.0%</b>

### 2. Mid Season Performance Tracking

Enhanced Retail Solutions analyzes each season by SKU to allow our clients to optimize and fine tune their assortments. This includes benchmarking each category and item's performance against the total, reviewing store level performance, and determining the demographic characteristics of the top selling doors. Partnering with our client's design department ensures opportunities and trends are acted upon, and the retailer can adjust the distribution of products to stores.

#### *Item Performance Quartile Report*

ERS' item performance analysis report ranks and quartiles items based on their sales and sell through performance for the first 6 weeks of selling (full price sales). A benchmark is determined and 4 quartiles are established around it. The data are presented in both numeric and visual formats for easy understanding.

A: ERS helps the manufacturer fine tune next season's assortment increasing items in the 1st quartile, and reducing items in the 4<sup>th</sup> quartile. The visual representation of the data provides the manufacturer's design team a simple way to see trends. In this case it is clear that tops did better than bottoms. Based on this report ERS recommended the manufacturer request the retailer add 2 additional fleece items and reducing the number of jeans for holiday replenishment. This was implemented and productivity in the following period went up.

Style	Category	Description	1st 6 wks	1st 6 wks \$	% Units Sold	Total	Total Sales	QUARTILE
			Units Sold	Sales	wks 1-6	Sales	\$	
X1	Sweater	Crochet Sweater	10780	\$209,968	81%	13337	\$238,797	1
X2	Sweater	Striped Sweater	12246	\$265,007	95%	12870	\$271,313	1
<b>Total Sweaters</b>			<b>23026</b>	<b>\$474,975</b>	<b>88%</b>	<b>26207</b>	<b>\$510,110</b>	
X3	SS Knit Shirts	Screen Print Tee	21983	\$323,118	85%	25868	\$356,503	1
X4	LS Knit Shirts	Screen Tee with Mesh	12075	\$176,440	73%	16461	\$209,873	1
X5	LS Knit Shirts	Pique Polo	7378	\$106,906	38%	19336	\$191,938	3
X6	LS Knit Shirts	V-Neck Top	17756	\$261,116	85%	20864	\$290,972	1
<b>Total LS Knit Shirts</b>			<b>37209</b>	<b>\$544,462</b>	<b>66%</b>	<b>56661</b>	<b>\$692,783</b>	
X7	LS Woven Shirts	Camisol	8864	\$190,405	69%	12864	\$229,882	2
X8	Jackets	Fleece Jacket	12444	\$241,395	76%	16345	\$289,564	1
X9	Capri	Belted Capri	3377	\$84,170	13%	25991	\$394,230	4
X10	Pants	Stone Jean	7375	\$106,906	30%	24517	\$423,983	3
X11	Pants	Stone Jean Light	13413	\$277,115	56%	23835	\$436,827	3
X12	Pants	Jean with Belt	16986	\$321,732	64%	26734	\$524,629	2
X13	Pants	Jean with Embellishment	4997	\$406,191	10%	48322	\$750,907	4
X14	Pants	Torn Jean	14764	\$294,486	65%	22804	\$410,485	2
X15	Pants	Rock Thrown Jean	12673	\$252,836	53%	23834	\$404,029	3
X16	Pants	Medium Wash Jean	16715	\$333,348	60%	27993	\$499,402	3
X17	Pants	Skinny Fit Jean	27343	\$545,569	62%	44210	\$810,479	2
<b>Total Pants</b>			<b>114266</b>	<b>\$2,538,183</b>	<b>47%</b>	<b>242249</b>	<b>\$4,260,741</b>	
<b>Total All Categories</b>			<b>221169</b>	<b>\$4,396,708</b>	<b>54%</b>	<b>406185</b>	<b>\$6,733,813</b>	
					QUARTILE 1		71%	
					QUARTILE 2		60%	
					QUARTILE 3		27%	
					QUARTILE 4		11%	

A

The information is presented in both a raw data format, as well as a visual representation.

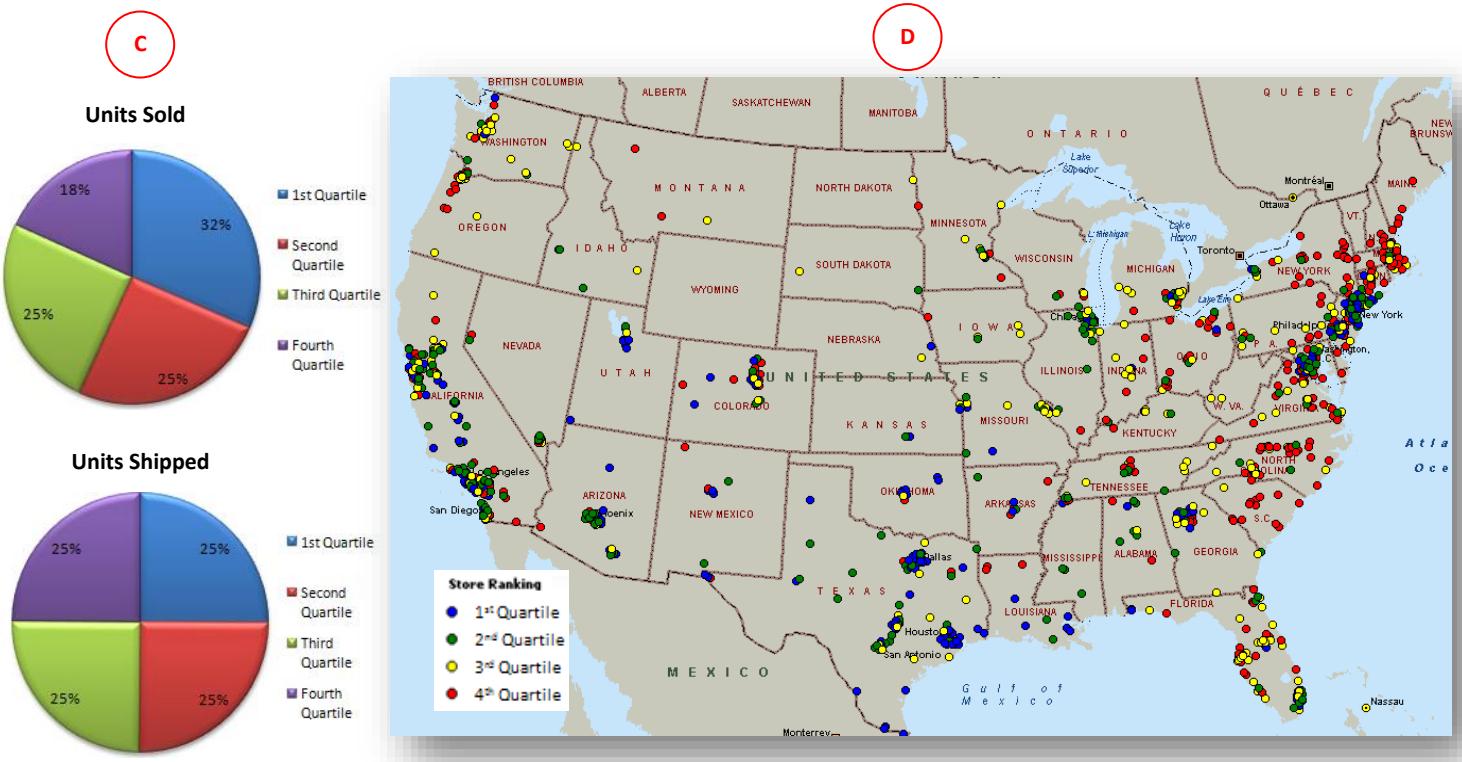


### Contribution to Sales by Store Rank

ERS next ranked stores based on performance and quartile them, just as we did with items. This shows whether all stores are equally productive, or if imbalances exist. From this analysis, ERS recommended allocation changes (reducing the store count to 800, and increasing shipments in the top 500 stores). After reviewing with our client, the retailer implemented the changes and productivity increased over time.

- A: Stores in the first quartile make up 31.5% of sales, but received only 25.1% of the inventory. These stores require more inventory.
- B: The fourth quartile only makes up 18.2% of sales, yet received 24.9% of the inventory. These stores currently have more inventory on hand due to their slower rate of sale. The stores in this quartile need to be reviewed for elimination or reduced allocation.
- C: The graphs visually show how the first quartile represents a larger percent of the sales, against almost equal shipments to all stores.
- D: Enhanced Retail Solutions' Geographic mapping of stores in each quartile visually shows if certain regions of the county are performing better than others. Blue representing the top quartile-- it becomes evident the Southwest and West have more blue than most other areas. The Northeast also has pockets of strong performance.

Quartile	# of Stores	Sales Units	% Units to Total		Average Unit Retail	% Sales \$ to Total	% Units to Shipped		% Units to Total	
			Sales \$	Total			Total	On Hand	Total	
<b>A</b> 1st Quartile	375	156732	31.5%	\$2,255,231	\$14.39	31.6%	198453	25.1%	41721	14.2%
Second Quartile	375	125632	25.3%	\$1,824,511	\$14.52	25.6%	198263	25.1%	72631	24.7%
Third Quartile	375	124235	25.0%	\$1,800,892	\$14.50	25.3%	197526	25.0%	73291	25.0%
<b>B</b> Fourth Quartile	375	90699	18.2%	\$1,245,265	\$13.73	17.5%	196524	24.9%	105825	36.1%
<b>TOTAL</b>	<b>1500</b>	<b>497298</b>		<b>\$7,125,899</b>	<b>\$14.33</b>		<b>790766</b>		<b>293468</b>	



### Store Group Demographics Report

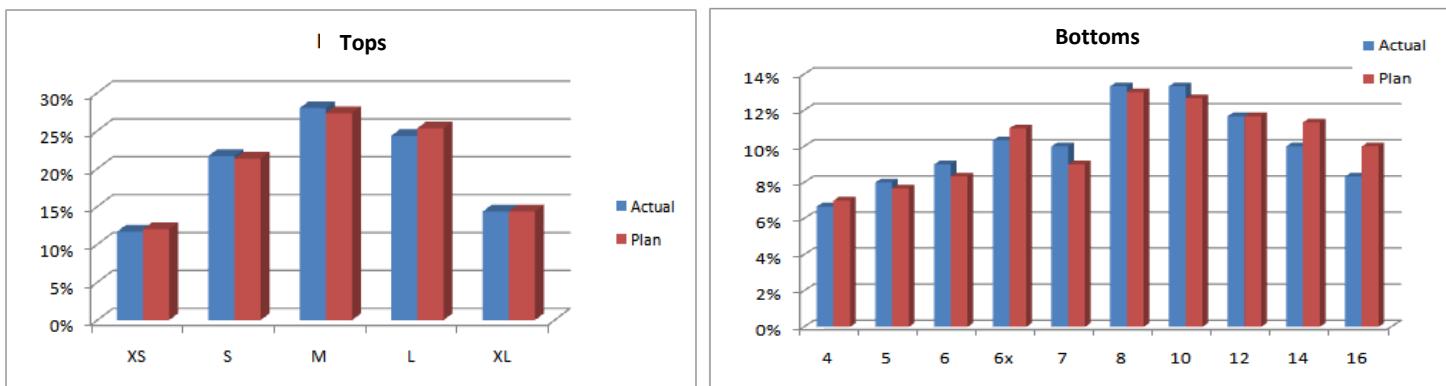
This ERS report shows the demographic characteristics of the store's communities for each quartile. By understanding the communities in each of the store groups, ERS assists the manufacturer to fine tune the assortment mix, design and store distribution to fit more closely with the strongest buying demographic profiles. The retailer found this report extremely compelling, especially since it showed that the brand was capturing their target consumer. The divisional merchandising manager summed it up best when she said, "We appreciate that you have studied our business more than other vendors and even more than we have".

STORE GROUP	WHITE	AFAM	ASIAN	HISPANIC	MALE	FEMALE	FEMALE 7-11	FEMALE 12-16	MED HH INCOME
1st Quartile	66.0%	9.1%	8.0%	28.3%	49.1%	50.9%	3.6%	3.9%	\$53,624
Second Quartile	72.7%	9.0%	6.2%	19.0%	49.0%	51.0%	3.6%	3.7%	\$53,492
Third Quartile	79.7%	8.8%	4.1%	10.2%	48.9%	51.1%	3.4%	3.5%	\$50,167
Fourth Quartile	83.8%	8.2%	3.0%	5.8%	48.8%	51.2%	3.3%	3.5%	\$49,158
US Average	75.1%	12.3%	3.6%	12.5%	48.9%	51.1%	3.4%	3.6%	\$41,994
Retailer Average	65.2%	9.0%	4.0%	15.2%	48.8%	51.1%	3.3%	3.6%	\$50,125

- A: This report compares the demographics for each Store Group's quartile to the US Average and Retailer Customer Demographic Average. Generally, a 5% difference is considered significant. In this case, top performing stores are located in communities with a high percentage of Hispanics (28.3% vs. 12.5% and 15.2%) and high income levels (\$53,624 vs. \$41,994 and \$50,125). From this analysis, the manufacturer increased product levels in stores located in Hispanic markets.
- B: Evidenced by this ERS report, stores located in communities with a higher White population did not perform as strongly. ERS recommended a decreased inventory in stores in the 4<sup>th</sup> quartile which had the highest White population.

### Product Size Analysis

Size forecasting is very important, as it can lead to lost sales or high markdowns. ERS reviewed the planned (shipped) ratio by clothing sizes with sales ratio for each size during the first 6 weeks of sales (full price). In this case, ERS does this for both tops and bottoms, though any product categorization can be examined. Overall, the ratios between planned and sold are very close; therefore, ERS recommended no action be taken in reconfiguring size pre-packs.



### 3. Annual Performance Review

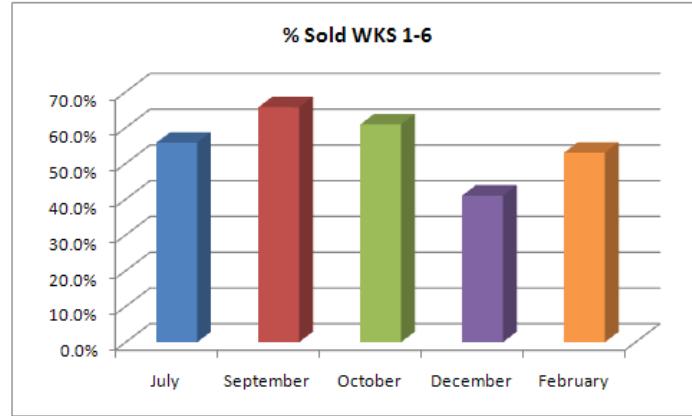
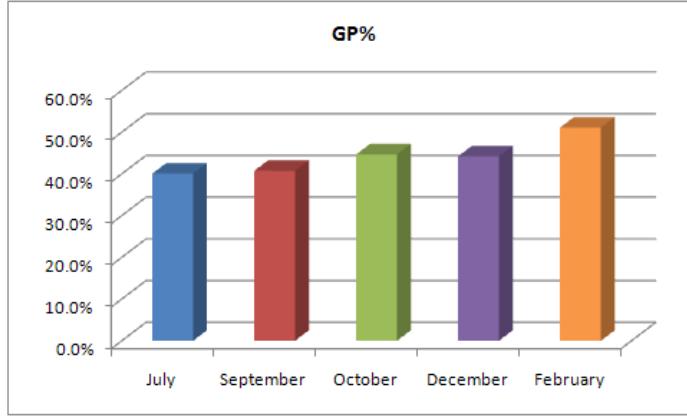
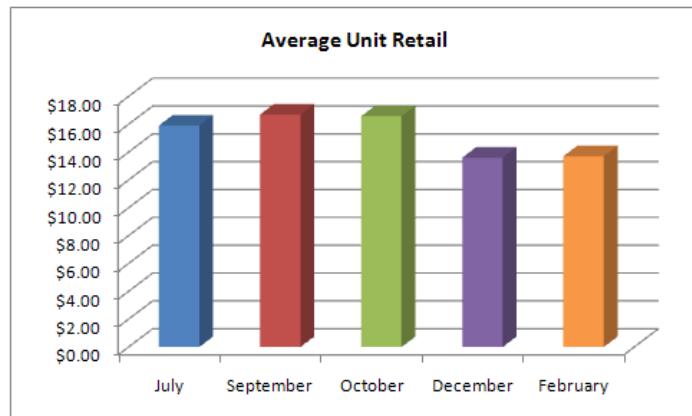
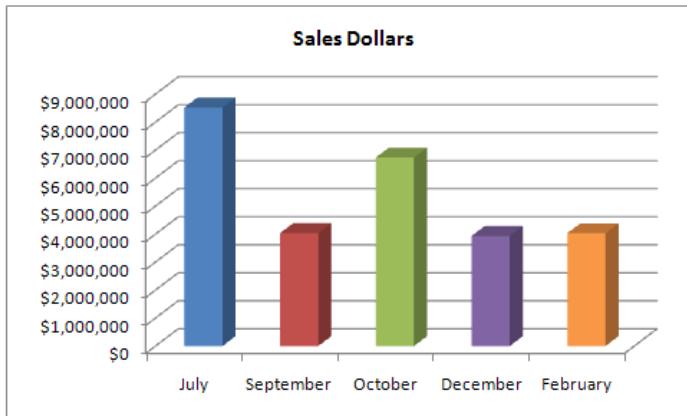
On an annual basis, Enhanced Retail Solutions recommends a formal review of brand performance with its client and their retail partner. The key people involved include the sales account manager, product manager, company principal, buyer, assistant buyer, and Divisional Merchandise Manager. This review combines a recap of the total business by ship date with some of the mid-season reports.

#### *Performances by Season Recap*

The performance-by-season recap reviews the sales, productivity and profitability of each ship period. Simply stated, it is a summary of the various item performance reports. As ERS monitored and made recommendations from the very first shipment, it is evident the brand's performance has improved. Gross profit has steadily increased.

Ship Date	Units	Dollars	AUR	GP\$	GP%	% Sold WKS 1-6
July	535000	\$8,519,000	\$15.92	\$3,413,000	40.1%	55.8%
September	242000	\$4,032,000	\$16.66	\$1,643,000	40.7%	65.7%
October	406000	\$6,733,000	\$16.58	\$3,008,000	44.7%	60.9%
December	289000	\$3,930,000	\$13.60	\$1,738,000	44.2%	41.0%
February	294000	\$4,029,000	\$13.70	\$2,058,000	51.1%	53.0%
	1766000	\$27,243,000	\$15.43	\$11,860,000	43.5%	

Department	Units	Dollars	AUR	GP\$	GP%	% Sold WKS 1-6
Tops	688000	\$9,800,000	\$14.24	\$4,702,000	44.7%	70.6%
Bottoms	1078000	\$17,443,000	\$16.18	\$7,158,000	44.2%	44.6%
	1766000	\$27,243,000	\$15.43	\$11,860,000	43.5%	



### Rack Productivity Report

Another key measurement of performance at retail is turnover. More specifically, at this retailer it is defined as units and dollars sold on each rack. In this ERS report, items are grouped by how they are merchandised at store level. This product line's productivity expectation is 100 units and \$1,400 per rack. Those targets were exceeded in all but 1 ship period (September). By constantly fine tuning the assortment and allocation by store, ERS' client and the retailer were able to increase productivity over time.

		# Stores	Sales	Sales \$	GP%	GP\$	Units/Rack	\$/ Rack	GP\$/ Rack
<b><i>July Ship</i></b>									
Rack 1	Tops & Bottoms	1500	181459	\$3,179,166	36.3%	\$1,154,037	121.0	\$2,119.44	\$769.36
Rack 2	Tops & Bottoms	1500	202482	\$2,988,346	44.7%	\$1,335,791	135.0	\$1,992.23	\$890.53
Rack 3	Tops & Bottoms	1500	151409	\$2,351,602	39.2%	\$921,828	100.9	\$1,567.73	\$614.55
<b><i>September Ship</i></b>									
Rack 1	Tops & Bottoms	1500	98052	\$1,497,409	36.7%	\$549,549	65.4	\$998.27	\$366.37
Rack 2	Tops & Bottoms	1500	143445	\$2,535,335	43.2%	\$1,095,265	95.6	\$1,690.22	\$730.18
<b><i>October Ship</i></b>									
Rack 1	Tops & Bottoms	1200	118841	\$2,124,395	49.7%	\$1,055,824	99.0	\$1,770.33	\$879.85
Rack 2	Tops & Bottoms	1200	130618	\$2,335,304	45.4%	\$1,060,228	108.8	\$1,946.09	\$883.52
Rack 3	Tops & Bottoms	1200	156726	\$2,274,114	39.3%	\$893,727	130.6	\$1,895.10	\$744.77
<b><i>December Ship</i></b>									
Rack 1	Tops & Bottoms	1200	150926	\$2,088,273	42.9%	\$895,869	125.8	\$1,740.23	\$746.56
Rack 2	Tops & Bottoms	1200	138043	\$1,842,968	45.7%	\$842,236	115.0	\$1,535.81	\$701.86
<b><i>February Ship</i></b>									
Rack 1	Tops & Bottoms	1000	141589	\$1,863,842	48.3%	\$900,236	141.6	\$1,863.84	\$900.24
Rack 2	Tops & Bottoms	1000	152269	\$2,165,272	53.4%	\$1,156,255	152.3	\$2,165.27	\$1,156.26
<b>Average</b>							<b>115.9</b>	<b>\$1,773.71</b>	<b>\$782.00</b>

### Conclusion

For over 2 years, in partnership with our client, Enhanced Retail Solutions has proven that consistent, disciplined analysis of the business in great detail has an extremely high payoff. To date, this brand has grossed over \$40 million dollars with a gross profit of 43.5%, well above the industry average for this category. 55% of its inventory sells within the first 6 weeks of going on the sales floor. Not only is the brand gaining momentum, but ERS' client has become a "trusted advisor" to the retailer. Traditionally, manufacturers monitor their brands performance at a very broad level, if at all. Since ERS' recommendations are based on analytical research; we eliminate risky guessing. ERS concentrates on the analytics and recommendations to allow our client to do what they do best: Design and create fashionable merchandise. By analyzing each store and each sku, ERS locates and maximizes opportunities that would have otherwise gone unnoticed. Enhanced Retail Solutions works with each client every step of the way. We are part of their team. We are able to increase client profitability by increasing productivity within the stores. It is one of the most successful brands this retailer has ever had.