



**Scott Zucker**  
Vice President of  
Merchandising Operations

## Family Dollar accelerates growth in down times

Merchandising initiative helps rocket one of the fastest-growing US retailers to the top of the S&P 500

### Industry

Retail

### Business Issue

Increase sales by ensuring that each store stocks exactly what its customers need and keeps them coming back for more.

### Solution

SAS® Integrated Merchandise Planning

### Benefits

Improved same-store sales (Family Dollar led the S&P 500 at a time when many retailers were struggling), reduced inventory, a more efficient supply chain and more tailored planning based on customer demographics.

As retailers worldwide battle the recession, one chain has actually come out stronger. Charlotte, NC-based Family Dollar led the S&P 500 in stock appreciation and has garnered national attention for continued positive revenue, earnings and same-store sales increases. The company uses SAS® Integrated Merchandise Planning to help achieve its revenue goals.

In today's tough economy, families are turning to Family Dollar to supply more of their everyday needs. To ensure that each store stocks exactly what its customers need – and keep them coming back for more – Family Dollar launched “Project Accelerate,” a three-year transformation that ultimately will lead to a better shopping experience for customers, improved productivity of its inventory and enhanced efficiency in its supply chain.

At the heart of Family Dollar's transformation are merchandise planning applications from SAS, “Utilizing SAS and improved decision processes, we've had a reduction in inventories, an increase in inventory turn and better visibility into merchandise planning,” says R. James Kelly, President and Chief Operating Officer for Family Dollar.

“SAS enables the Family Dollar merchandising organization to quickly create integrated merchandise financial plans we can share and adjust collaboratively on an almost real-time basis,” says Scott Zucker, Vice President of Merchandise Operations for Family Dollar.

Now more than a half-century old, Family Dollar began as a Charlotte chain selling clothing remainders from Carolina mills. Nothing cost more than \$3. It grew to a nationwide chain in the 1990s, expanding into urban areas, and now boasts more than 6,600 stores in 44 states. Along the way, it added food staples like milk and orange juice, and started stocking name-brand products. Family Dollar stores are sized like a small grocery store – more selection than a convenience store, but easier to get to than a big-box retailer.

### One merchandising plan does not fit all

About five years ago, company officials became alarmed at decelerating same-store sales growth and declining operating margins. Expansion had exposed flaws in its merchandising processes. “When you are opening 500 stores a year and a distribution center every 18 months you can't be highly differentiated store-to-store,” says Zucker.



Family Dollar typically created three to five plans based on store size but could not yet tailor local assortments to customer preferences. “It was mostly a one size fits all,” Kelly says. With close to 7,000 stores, tailoring to local customers' preferences becomes even more difficult. Using only spreadsheets, Family Dollar couldn't customize its approach or react quickly to market-

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place changes, says Mike Laurenti, Vice President of IT Solutions Delivery. Planners spent more time gathering information than analyzing it. Each department had its own way of calculating important statistics “We would see an underperforming category but we couldn’t see what was driving that,” says Robert George, former Chief Merchandising Officer for Family Dollar.

And while the company knew further customizing would be necessary, it couldn’t figure out how to do it while maintaining the lean staffing approach at the store level that helps it stay profitable. “We needed greater complexity at the corporate office and less at the stores,” George says, noting that a tactic of giving store managers several options for stocking simply didn’t work.

### **A companywide transformation**

Family Dollar employed IBM Global Services to provide input into the technology, process and staff re-organization needed to create Project Accelerate. “We needed a system that was flexible and that tied into our financial systems,” Zucker says. “We also needed a vendor that would work with us, and a partner with a history of managing vast amounts of data. We believed SAS was the leader in analytics.” SAS could also deliver the solution in a Windows environment,

“which reduced cost by a factor of four to five times what we would have paid to implement this on a different platform,” Laurenti says.

The system needed to manage 8.5 terabytes of SKU data. “The amount of data coming in can be paralyzing. SAS Merchandise Data Integration was able to load the data in half the expected time frame and scale to meet Family Dollar’s needs. SAS gives us the ability to roll up data to the level that allows us to make fact-based decisions,” Zucker says.

Now planners can drill all the way down to which stores sell more spray deodorant vs. roll-on. “SAS doesn’t give us new data, it allows us to analyze the data in a way that is quickly actionable,” says Jody Crozier, Director of Merchandise Support.

SAS revolutionized the retailer’s ability to move fast. Instead of planners requesting information from IT, planners now have a desktop tool that allows them create a report in an hour that indicates what needs to be ordered, relocated or priced to move. Instead of quarterly reporting, staffers are creating weekly reports. This timely access to information allowed the Company to quickly change direction when gas prices shot up in 2008 and its customers turned from discretionary spending to needs-driven consumable

spending. “SAS helped us better understand the spending shifts, and we were actually able to cancel some orders in response to customer demand,” says Sheri Raznick, Division Vice President of Merchandising and Supply Chain Solutions.

With SAS, it’s much easier to stock and market seasonal goods. “Seasonal items have such a short life cycle and we’ve been able to bring in the product close to the right window and sell it through in a tight time frame. SAS gave us that capability,” Zucker says. SAS is also instrumental in helping the company minimize out-of-stocks. “Customers have expectations for finding products, and we need to meet that expectation.”

### **Next steps**

SAS has been in use for two years and Family Dollar continues the roll-out of SAS® Merchandise Assortment Planning started earlier this year. Early indications lead company officials to say they believe assortment planning will be a key to driving revenue. “That’s where we’ll see meaningful revenue growth,” Kelly says.

“Our financial results are being impacted by SAS because SAS allows us to make decisions more quickly and at a much lower level of detail,” Zucker says.



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