



John Kubo, Vice President and CIO

The Wet Seal Inc. accelerates fast fashion with SAS® Size Profiling

For retailers, having the right assortment of merchandise – in the ideal mix of sizes – at each store is a difficult objective to achieve on a consistent basis. Traditional methods of size optimization rely on the use of top-down chain averages. Since there are few average stores, this typically results in early season stock-outs, sales losses and excessive end-of-season markdowns for the same merchandise in different stores. Such size optimization strategies aren't viable in today's hypercompetitive retail world, with ever-increasing customer demands.

Industry

Retail

Business Issue

The Wet Seal needed to optimize its size profiling process at the store level to increase sales and margins, understand and reduce sales losses, and avoid excessive markdowns.

Solution

SAS® Size Profiling

Benefits

With optimized size profiling, The Wet Seal is:

- Increasing same-customer and same-store sales.
- Calculating and reducing sales losses.
- Improving margins through reduced markdowns.
- Keeping store inventory at a manageable level.
- Increasing customer loyalty and satisfaction.

The Wet Seal Inc. is a leading, US-based fast-fashion retailer of contemporary apparel and accessory items, operating 504 outlets between its Wet Seal and Arden B brands. With a low cost of entry for new competitors, the fast-fashion market is a competitive environment, with retailers of all sizes vying for frequent customer and same-store sales of trendy, low-cost clothing and accessories.

To remain competitive in its market, while ensuring customer loyalty and satisfaction, it's necessary for the fast-fashion retailer to optimally stock right-size products in each store. Having the right products helps The Wet Seal increase sales, reduce sales losses and increase margins by avoiding excessive markdowns.

To help accomplish this, The Wet Seal is using SAS Size Profiling to transform historical sales data into accurate projections of future demand by size. Integrated with existing merchandising systems, it applies this intelligence to purchasing and allocation workflows. The result is optimal, store-specific size profiles that match local demand.

“Our stores are smaller compared to some of our competitors, so we just don't have the square footage to house a wide assortment and high quantities of every size,” says Daniel Ryu, Vice President of Planning and Allocation, The Wet Seal. “The SAS solution helps us keep inventory at our stores at a manageable level, while allowing us to maximize sales. With smaller stores,

and a broad selection of fashion, we have to be much better at size profiling and localization.”

The retailer's fast-fashion business model is based on providing customers with a selection of trendy clothing and accessories, while turning over inventory two to three times faster than a traditional retailer. Eighty-five percent of new products in its stores will not be replenished, allowing shelf space for new product lines that are frequently introduced.

“In the traditional apparel business model, they can replenish their stock if they get the allocation wrong the first time,” says Jon Kubo, Vice President and CIO, The Wet Seal. “Because we're a fast-fashion retailer, 85 percent of our product is not replenished. Size profiling is important to us not only for buying the right size breaks, but also because we only get to buy a product once, with the objective of selling through it quickly. On the allocation side, we have to know what the correct sizes need to be per store. The Wet Seal is moving toward a localized, customer-centric approach to pricing, assortment and size at the local store level - size profiling is our first step in doing that. In our market, this is where we will create growth and gain an advantage.”

According to Ryu and Kubo, a key insight delivered by the SAS Size Profiling solution is the ability to calculate lost sales at both the chain and store-specific levels. If a store didn't sell a particular product because it wasn't in stock, the

“We looked for specialized analytical applications that offered automated analytical capabilities, reducing the need for more human resources. SAS Size Profiling is a good example of this. While most retailers rely on manual processes, we look for technologies that augment our limited resources and help raise intelligence about our operations and make decisions on a more automated, efficient and statistical basis.” **Jon Kubo**, Vice President and CIO, The Wet Seal Inc.

SAS solution can efficiently help The Wet Seal look at similar stores in a cluster and imply why the store might have made the same sale.

“We’ve never had that information at a store level,” says Kubo. “When we buy a product now, we can aggregate all the store sizes to know what the exact size breaks will be in the chain. Because we are optimizing sizes, we will improve sales and margins, and reduce mark-downs. These are the biggest benefits we are getting.”

“With SAS we can now understand the sizes selling at specific stores,” adds Ryu, whose planning team creates the size curves that go into the central database and allocation system from which buyers can choose the curves they want to use to calculate size breaks for each store.

“We are pleased to have a tool that can generate the right size curves and do that in an efficient manner,” continues Ryu. “The buying organization has been

very receptive because they benefit from better sell-through of the products that they buy. Store managers and customers are also seeing results from the solution. Negative feedback regarding size availability has reduced drastically.”

To emphasize the positive effect the planning and allocation team’s work with the solution is having on the company’s business performance, and the recognition it has received from the executive management team, Ryu and Kubo point to a recent annual report that states: “We will also continue to improve upon our markdown cadence and size offerings by fully utilizing our markdown and size optimization systems. ...”

According to Kubo, the implementation had a tight deadline, but was delivered on time and on budget. SAS’ industry-experienced consultants delivered the solution in phases and were able to provide early improvements in size profiling calculations.



Daniel Ryu
Vice President of Planning
and Allocation

“Traditional business intelligence in retail has reached a plateau of usefulness,” Kubo says. “We looked for specialized analytical applications that offered automated analytical capabilities, reducing the need for more human resources. SAS Size Profiling is a good example of this. While most retailers rely on manual processes, we look for technologies that augment our limited resources and help raise intelligence about our operations and make decisions on a more automated, efficient and statistical basis.”



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