CASUAL MALE

Has Big Plans for Big Guys

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Big and tall men have big problems—including finding clothes that fit. In fact, with nearly half of American males boasting waist sizes of 42 inches and higher, plus-sized men may be the largest underserved apparel market in the United States. Casual Male is on track to remedy that problem.

The Casual Male retail business has been operating for about 25 years, but it changed hands in 2002 when its current owners bought it out of bankruptcy and renamed their company as Casual Male Retail Group. By that time, Casual Male was already the largest specialty men's clothing retailer in the U.S. big and tall market. However, it wasn't well poised for further growth, according to Dennis Henreich, the company's executive vice president, COO and CFO. For one thing, it focused on only a subset of its potential market—middle-aged men with 50-plus-inch waists and little interest in style—and its stores were small, crowded and largely self-service.

systems at a glance

- **Data warehousing and business intelligence**: QuantiSense
- **Retail POS and customer relationship management (CRM)**: Epicor
- **Warehouse management**: PKMS (Manhattan Associates)
- **Merchandising**: JDA Portfolio Solutions
- **Product lifecycle management (PLM)**: e-SPS (NGC)
- **Order management**: RedPrairie
- **Marketing**: PlanSystem3 (QuadSystems)
“Guys like choice and convenience,” says Casual Male’s Dennis Hernreich. The company’s new DestinationXL stores and website aim to give big and tall men plenty of both.

“The company didn’t have the size breadth it needed to have,” Hernreich explains. “It didn’t have the systems to manage those sizes or the practices needed in the stores, and most important, it didn’t have the breadth of merchandise.” To address the entire big and tall market, which Hernreich says is made up of “guys from all walks of life,” a retailer must cater to customers young and old, big and bigger, contemporary and traditional, value-oriented and luxury-oriented.

The company set about broadening its portfolio in 2004 by acquiring Rochester Clothing, a luxury-oriented big and tall chain. Over the next few years, it expanded its e-commerce and catalog sales to include a broader range of lifestyles, added a low-end BT Factory Direct line, and started upgrading its systems and its in-store customer service. By 2007, its too line had grown to $464 million and profitability had also improved, but “we weren’t satisfied with that growth,” Hernreich says.

**Necessity breeds invention**

Then the recession began, and, like many other companies, Casual Male pulled back on its strategic initiatives and began using excess cash to pay off debt rather than to expand its market share. To reduce expenses, it combined several Casual Male stores with poorly performing Rochester stores, even though conventional wisdom dictated keeping the two customer bases separate. “At that point, financial priorities trumped anything else,” Hernreich says. “And sure enough, it worked. The customer base actually cross-shopped, and the overall average ticket went up by 40 [percent] to 50 percent. We never thought this could happen!”

This serendipitous discovery led Casual Male to invest in in-depth market research (whose findings Hernreich summarizes as, “Guys like choice and convenience”) and then to design a new type of store — now called DestinationXL — based on that research. The new stores would be bigger and more attractive, with a wide assortment of merchandise clearly laid out by lifestyle, and with service-oriented staff trained to help customers assemble complete wardrobes appropriate for their lifestyles. The preferred locations for the stores would not be in malls — “You might just as well open one in a cemetery,” Hernreich says — but in nearby locations with convenient parking.

The four DestinationXL stores that opened in 2010 in Houston, Las Vegas, Chicago and Memphis were immediate hits, generating 120 percent of the sales
in the 12 stores they replaced. The company quickly began building more. Twelve new stores opened in 2011 showed that DestinationXL stores could be slightly smaller than originally planned (the standard size now is 8,000 square feet) and that they could succeed in smaller markets. In the first half of 2012, 13 new stores were opened in markets that included Minneapolis, Oklahoma City, Milwaukee and Indianapolis, and customer response continued to exceed expectations, with the average purchase about 40 percent higher than in Casual MaleXL stores. In August, the company announced it was accelerating its schedule for rolling out DestinationXL stores and closing Casual MaleXL locations. All Casual MaleXL stores are now slated to be closed by the end of 2015, two years ahead of schedule.

The company’s complement of 441 stores will be consolidated into 225 to 250 stores in a few years, most of them DestinationXL stores. (Outlet stores and a few high-traffic Rochester stores will not be converted.) DestinationXL will also become the primary brand for the company’s direct sales, which now account for about 20 percent of revenues. A new DestinationXL e-commerce site was launched in 2011, bringing several existing websites together and making it easier to shop for a wider selection of products with a single shopping cart.

Casting a wider net

The DestinationXL strategy has boosted margins (and vaulted Casual Male from No. 36 on the Apparel Top 50 list in 2011 to No. 5 in 2012), but it’s only a beginning. To date, the company has managed to capture more of its existing customers’ wallet share, but it has not attracted a significant new customer base. Hernreich estimates the company’s total addressable market at 35 million (about two-thirds of all the big and tall men in the United States), but only 17 percent recognize the DestinationXL name, only 8 percent have ever been in a DestinationXL store, and fewer than 5 percent are on the active database. That leaves a great opportunity to grow market share.

Casual Male especially hopes to reach “end-of-the-rack shoppers,” a younger and somewhat less hefty group (waist sizes between 42 inches and 46 inches) that accounts for 65 percent of the big and tall market but only 20 percent of the company’s current sales. These men typically shop in nonspecialty stores, but because the selection in their sizes tends to be limited in such stores, Hernreich says “they’ll find an item here or an item there; it may match, it may not.” Despite their frustration with clothing shopping — and the fact that DestinationXL could make their lives easier — they tend not to pay much attention to ads from clothing stores.

To catch the attention of these end-of-the-rackers and other potential customers, Casual Male has crafted what Hernreich calls a “reasoning message that solves their frustration” and, with the help of newly hired chief marketing officer Derrick Walker, is about to test an integrated TV, radio and digital advertising campaign in five markets. In 2013, it will apply these test marketing results to a national campaign that is designed to raise its share of the big and tall market from 11 percent today to between 15 percent and 20 percent over three years.

The right stuff

A key to the success of the DestinationXL strategy is QuantiSense software. Since 2007, Casual Male has used QuantiSense inventory management software, and it expects to increase its use of QuantiSense business analytics tools. Each DestinationXL store carries 2,000 styles — a vast increase over the 600 in each Casual MaleXL store — and the assortment of styles and sizes varies from store to store depending on the area’s demographics, climate, and lifestyles.

Using the QuantiSense solution, the company developed a central repository of all its merchandising intelligence that ensures that “everyone is looking at the same thing and talking the same way — that’s critical,” Hernreich says. By analyzing the repository information, merchandisers can make decisions about what to buy and what to ship to particular stores. Exception reporting helps them focus on items that are overstocked or understocked or on unbalanced store assortments, identifying potential changes that could have a high financial impact.

Each store is graded from A to F for each of more than 125 fashion categories, based on sales data relative to overall volume. A store’s ranking in each category determines the depth and breadth of the assortment it receives for that category. For example, the West Cleveland store sees a high demand for pocket t-shirts, while some other stores have a stronger demand for polo shirts. “It’s not for us to judge why,” Hernreich says — but it is important to keep the West Cleveland store well stocked with a broad assortment of pocket tees.

“The worst thing is for a guy to drive 30 miles to a store and find out that we don’t have his size,” Hernreich says. “That’s a terrible experience. We work hard to prevent that.” Today, for a customer not to find what he is looking for is a Casual Male store is almost unheard-of.

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