

# BUILDING A SEAMLESS RETAIL SYSTEM

SUPERIOR AUTOMATED SYSTEMS HELP PERRY ELLIS MEET CUSTOMER DEMANDS.

**S**uccess in the fashion industry requires both innovative design ideas and attention to the smallest details of supply chain management, brand management, and sales expansion—creativity alone won't get your fashions into stores and onto the backs of consumers. In the fast-paced fashion industry, many companies are challenged as they try to balance the business and creative sides of their enterprise.

BY DAVID A. KELLY

PHOTOGRAPHY BY BRIAN SMITH





Luis Paez, CIO of Perry Ellis International, at the company's Miami headquarters

## >>SNAPSHOT

**Perry Ellis International**  
[www.perryellis.com](http://www.perryellis.com)

**Location:** Miami, Florida

**Revenue:** US\$864M

**Employees:** 1,960

**Oracle products:** Oracle Retail, including Retail Merchandising, Retail Price Optimization, Retail Point-of-Sale, Retail Store Inventory Management, Retail Allocation, and Retail Data Warehouse; Oracle E-Business Suite, including Financials, Human Resources, and Payroll; Oracle Database

Yet success is just what Perry Ellis International has achieved—not just for one season but year after year. From its start in 1969, Perry Ellis has grown into a portfolio brand company with estimated revenues of US\$910 million to \$925 million in 2008. Approximately 94 percent of its business is wholesale, with 6 percent direct e-commerce and retail through company-owned Perry Ellis and Original Penguin retail stores. Even with increasingly turbulent economic times, Perry Ellis has averaged revenue growth of 20 percent over the past five years.

But success at this level hasn't been easy—especially with 15 clothing categories, 29 different brands, 7 distribution channels, and a global supply network of more than 100 companies. Staying on top of changes in clothing styles while providing high-quality apparel to a wide variety of retail outlets takes vision, focused management, efficient operations—and the right information and IT systems that can support the dynamic decisions required in a fast-moving industry.

“Perry Ellis is a good example of a company that's looking to span the various operating models—from retail to wholesale to manufacturing—that had been separate in the past,” says Robert Garf, vice president and general manager of retail strategies at AMR Research. For Perry Ellis, that operating platform is based on Oracle technologies—from underlying Oracle databases that hold corporate information to Oracle Financials and Oracle Human Capital Management for accounting and payroll to multiple Oracle Retail components for managing everything from inventory allocation to point-of-sale and pricing. That strong foundation is providing a base for Perry Ellis' continued growth and profitability.

“We've proven that in difficult times, we can deliver and will continue to do so. Our end goal is to always satisfy our consumer and at the same time make sure we satisfy our customer—the retailer,” says Luis Paez, CIO of Perry Ellis. “We're very effective, very productive, and we're always looking for ways to make the company more efficient.”

### **GROWTH LIMITED BY EXISTING SYSTEMS**

Based in Miami, Florida, Perry Ellis is a leading apparel designer and distributor, with brands such as Perry Ellis, Jantzen, Original Penguin, Savane, and more. Its distribution channels include regional, national, and international department stores, mass merchants, and specialty stores, as well as its own retail outlets. Its key customers include Macy's, Wal-Mart, J.C. Penney, Kohl's, and Sears. In addition, Perry Ellis creates and sells goods under private-label programs for various retailers as well as licensing some of its brands to third parties for the manufacture and marketing of items such as footwear, outerwear, fragrances, and more.

From a business perspective, this means that Perry Ellis isn't just managing one brand; it's managing many brands, distributed across numerous channels. In effect, it has a “family of brands” strategy in which it builds and maintains brands with distinctive styling and pricing for each product category. Perry Ellis contracts with more than 100 suppliers spread out across the globe to manufacture its products.

Perry Ellis has a strategic focus on expanding its international sales and its direct-to-consumer Perry Ellis and Original Penguin stores—during the past few years, approximately 40 of these stores have been opened in outlet malls throughout the United States. “Opening up retail stores and going direct to the consumer certainly elevates the brand because Perry Ellis can really control the consumer interaction,” says AMR's Garf.

The company also has aggressive 10 percent annual revenue growth goals. However, like many wholesalers, Perry Ellis has limited control over its key channels. In particular, customers such as large department stores have increasingly turned to private-label sales to increase profits. To continue to expand its branding and retail reach, Perry Ellis needed to streamline and update its retail IT infrastructure. Until recently, Perry Ellis had a series of mature, internally developed retail systems with poor scalability and heavy maintenance costs. It also had limited consumer contact and knowledge due to its traditional focus on wholesale markets. In order to meet its goals, Perry Ellis needed a scalable and more efficient retail solution to support growth of its Perry Ellis and Original Penguin stores as well as an infrastructure that could support acquisitions and dynamic growth.

### **A FOUNDATION FOR GROWTH**

At the same time that Perry Ellis was trying to expand its brand and reach out to consumers through new e-commerce and retail outlets, the company was also facing changes in its traditional business. For example, department and chain stores have continued to consolidate, a process that has resulted in reduced sales opportunities for companies like Perry Ellis. In addition, retailers are increasingly relying on suppliers that can provide everything from design expertise to advanced technologies to help increase sales. Lastly, retailers are looking for strong brands to help build differentiation. In order to be successful, Perry Ellis needs to address not only its internal information and retailing needs but these challenges as well.

Perry Ellis also wanted solutions that could help it partner more closely with its traditional retail customers to provide greater customer insight and an improved ability to deliver stronger brand and in-store experiences. It also wanted a foundation for providing consolidated and updated data to its

employees to help them identify and proactively react to sales and pricing trends.

“We’re seeing both retailers and their suppliers partnering closer than they ever have before by sharing demand information in a bidirectional way,” says Garf. “Retailers are sharing more transaction and consumer information to help manufacturers with their sales and operations planning activities, while suppliers are sharing supply chain event and inventory information to help retailers better understand the status of products and how they’re filling the channel.”

The result for Perry Ellis has been a gradual shift over to an IT infrastructure for its retail and wholesale businesses based on Oracle Retail applications, including Oracle Retail Merchandising, Oracle Retail Price Optimization, and Oracle Retail Allocation. By implementing new retail software and processes, the company expects to save more than US\$20 million a year.

Perry Ellis’ transition from custom applications to packaged applications isn’t surprising. “Retailers are moving aggressively toward packaged software applications to manage their operations,” says Garf. “It’s a dramatic shift. For the first time ever, according to our research, retailers now have a majority—60 percent—of third-party applications in their portfolio versus homegrown applications. This shift tells us that retailers and vertically integrated manufacturers are looking to packaged applications to run their businesses.”

For companies like Perry Ellis, this shift will open up new opportunities as companies such as Oracle offer ever-broader product lines. “We believe that the next wave of investment by the software community will actually bring together these parts, so that organizations will be able to manage their vertical operations from retail to wholesale to manufacturing,” says Garf.

### REAL-TIME CUSTOMER INSIGHT

Perry Ellis is in the process of rolling out Oracle Retail Point-of-Sale to its Original Penguin stores and Perry Ellis stores. “We already rolled out store inventory management, and that’s working well,” says Paez. “The Oracle Retail Point-of-Sale application we’re rolling out will let us have almost a real-time view of the inventory. That will help enable our e-commerce business, since it will give our warehouse a more realistic view of what the inventories are at individual stores.”

Although Perry Ellis’ Oracle Retail rollout is still in process,



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it’s already had a noticeable impact. “So far, our deployment of Oracle Retail has created tremendous productivity for our users,” says Paez. “Now they can spend their time focusing only on the exceptions, so they can spend their time where it’s really needed.”

For example, approximately half of all of Perry Ellis’ replenishment programs are fulfilled by automatic allocations, meaning that its retail system helps decide what needs to be shipped to each store. Instead of being out of stock on popular or fast-selling items, automatic allocations can ensure that each store is fully stocked, without the need for Perry Ellis employees to manually review and order items.

By simply focusing on the exception situations, such as when a store has too much inventory of

a given product, rather than managing each individual order, Perry Ellis can provide higher value and faster response for its customers. Based on initial numbers, Perry Ellis expects its new retail software and automatic replenishment capabilities to help increase sales by 15 to 20 percent.

“We’re focusing on increased visibility into our inventory levels, so that managers can understand and react to unusual amounts of product at our stores or in our warehouse,” says Paez. “Increasing our visibility and focusing on exceptions is helping us grow our business. Until now, we’ve had to worry about how many stores we were going to open because our previous software had a lot of limitations and a lack of visibility. Now our management team feels comfortable that we can open more stores without any issues.”

Without the automation provided by Oracle Retail applications, Perry Ellis employees would have to spend more time deciding which products to allocate to which stores, a much more time-consuming (and expensive) process. Now, Perry Ellis can open new stores without necessarily having to increase the staff dedicated to managing the inventory allocation process.

Because it has smaller stores, Perry Ellis doesn’t have as much margin for error as a larger store might. “Oracle Retail is a foundation for growth and for taking advantage of what we already have in our store investments, since it allows us to just raise the sales per square footage. It’s very important for us, since we don’t have 10,000-foot stores,” says Paez. “We have small stores, anywhere from 3,000 to 5,000 square feet, so there’s not much room for inventory. Having the right inventory in the right place at the right time becomes critical because we can’t have a lot of depth on any SKU.”

## BUILDING BRANDS ACROSS CHANNELS

Because Perry Ellis has a mixture of channels—from its retail stores to its wholesale operation to e-commerce—it needs to be able to fulfill customer demands in a variety of ways. Although it has different systems designed to address these different channels, its inventory information is one of the common threads.

“The advantage of doing both wholesale and retail is that we go through one design season, through one planning season, and everything is done together so we don’t have to do things multiple times,” says Paez. “The common system, though, is inventory, so any change in inventory is reflected in all our systems. They get connected through inventory in order to create transparency between our two businesses.”

One of the opportunities for Perry Ellis as it rolls out its new Oracle-based retail platform is to make it easier to help the company’s traditional partners, such as large department stores, by becoming an even more effective information expert. By coming to the table with real, proven, quantitative data and analysis about what’s selling and where, and with suggestions on pricing adjustments, Perry Ellis can help its partners become more successful at selling products. In effect, Perry Ellis’ IT retail infrastructure upgrades are designed to help its customers become more-effective channels for Perry Ellis.

Perry Ellis’ goal with its Oracle Retail strategy is to reach every single store to which it sells merchandise. By analyzing sales trends locally by store, the company can make sure its brands are being properly matched to markets. “We’re always looking for trends,” says Paez. “We can pay marketing companies to tell us how our brands are doing, but the bottom line is that we have the facts and we like to analyze those facts to see the trends at every location. For example, is there a particular income level or ethnic group that’s driving sales trends? We use geographical information systems, statistical software packages—geographic and sales data to find out everything we can to help target inventory and sales.” By using that data and knowledge of the current sales climate, Perry Ellis can help both its retail stores and wholesale partners match the right products to the right locations.

“We work today to have the right inventory at the right store at the right time for more than 12,000 stores. We go to every single store that we do business with and try to manage what’s being sold, how it’s being sold, at what speed it’s being sold, whether we have to move the merchandise to another store, and other considerations,” says Paez. “We do it all today—we just believe we can do it better with Oracle Retail. Oracle Retail is helping us to have the inventory at the right stores at the right time.”

As it continues its rollout, Perry Ellis expects to be able to use Oracle Pricing to obtain a significant return on investment (ROI) by enabling closer collaboration with its customers and enabling it to identify which products should be marked down

by what percentages. It’s all part of a process enabling Perry Ellis to respond to its consumers more quickly.

“The ultimate goal of anybody within the value chain is to become demand driven—meaning, driven by a better understanding of what the consumers want and ultimately being able to translate that effectively into action and fulfilling the demand,” says AMR’s Garf.

## AGILITY IN CHANGING TIMES

Lean economic times can disrupt profitability and make it more difficult for organizations to grow. But Perry Ellis has weathered the changes remarkably well, profiting while others have floundered. One reason is Perry Ellis’ approach to technology.

For Perry Ellis, good technology and a strong technology vision are a critical part of its success, but Paez and other Perry Ellis executives know that technology is simply an enabler. At the end of the day, their success won’t be defined by deploying a particular technology but by what its consumers see and feel

when they shop for clothes. By using the right technologies in the right way, Perry Ellis can enable its wholesale partners and its retail stores to proactively respond to changing fashion trends while building its brand and moving more products.

As an IT leader, Paez knows he needs to be able to respond

quickly to business changes. That’s why his Oracle infrastructure is so important. “One of the keys to all the things that happened quickly and the reason I’m able to execute and take pride in our department and tell our managers that whatever their question, we can always answer it, is because all of our IT infrastructure is built on an Oracle database,” says Paez. “That’s why we can easily talk across applications without going through the trouble of importing and exporting data or taking extra steps.”

For Perry Ellis, helping its wholesale partners and retail stores keep one step ahead of fashion trends and consumer desires comes down to having an agile IT infrastructure to support rapidly changing market conditions.

“From our sales order system down to our warehouse to our e-commerce system, they’re all running under an Oracle database,” says Paez. “It’s what gives us flexibility and the agility to move fast.”

And in the fashion world, moving fast makes all the difference. <>

**“Retailers are moving aggressively toward packaged software applications to manage their operations.”**

—Rob Garf, Vice President, AMR Research

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