One Stop Shopping

DXL's **David Levin** on building a chain from scratch.

"It's been an intense few years: liquidating one chain and building another from scratch. We closed 250 Casual Male stores and we now have 101 DXL stores, one in every major market; we opened more than 50 in 2013 alone. We're in the $400 million volume range which is good but it could be better...

"Our customers clearly love the new one-stop shopping concept: we've seen double-digit growth in stores open more than a year; they prefer to shop in an environment that's designed for them and we're really the only ones that do it. Because we're a destination store, it takes time to get the word out, but it's working: the average ticket in Casual Male was $100; at DXL it's $160.

"We've raised AUR by training our sales associates in wardrobing (selling multiples). Second, by increasing our clothing penetration: tailored is the fastest growing part of our business by far. It's in the low 20 percent to total now and a nice-size ticket, but there's still room to grow. At Casual Male, we'd show suits in two swatches; at DXL we have a full clothing department, plus made-to-measure and on-site tailors.

"And third, by growing our penetration of brands which brings in new label-conscious customers who are both younger—our average age is down 3 to 4 years to 46—and trimmer—sizes 42 and 44 now generate 44 percent of our sales vs. 35 percent last year. This smaller waist-size (end-of-rack) guy can shop anywhere, but his selection is limited in most other stores. Only JC Penney and Dillard's have dedicated B&T areas in-store.

"We've managed to steadily build our roster of great names over the past few years: we have a Polo shop in every store; we carry Calvin Klein, Nautica, Tommy Bahama, Tommy Hilfiger, Peter Millar, Cole Haan, Ugg, Kenneth Cole and Lucky. Where possible, we try to get top brands on an exclusive basis: we have True Religion, Brooks Brothers and Lacoste. We used to go knocking on doors, now brands see the growth opportunity and come to us. Think about it: over the next few years, we'll give them 250 full-price doors to showcase their product, much more than the opportunity in department stores. That, plus our outlet business: we're starting to convert some to DXL and we have a few more scheduled for 2014. Our luxury strategy hasn't changed: we'll keep Rochester stores in our major metro markets: New York, London, Beverly Hills and San Francisco. Although we did convert Chicago into a DXL, and we're opening a DXL in Manhattan this June.

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"We're also investing in advertising. We had very aggressive radio and TV campaigns in 2013 and we're doing more in 2014, including a fabulous new commercial that launches end-April. This is all paving a path for the future: it's expensive now, but it will cost the same to advertise 250 stores as is does 101.

"As for our online strategy, e-commerce is now 20 percent of total volume and growing at a nice rate. Now that we're out of the catalog business, the internet will pick up the slack for a fraction of a cent per e-mail vs. $1 per catalog.

"Another key tactic going forward is shrinking our stores from an average 10,000 sq. ft. to 8,200 sq. ft. which should help productivity. We now do just under $200 a sq. ft. Our goal is $230 to $240 which some of our stores are already achieving. It's a matter of building awareness. Thank goodness our investors are patient: they get it, they understand the potential of the stock. We still have very low debt: we're funding capital expansion through cash flow. But this business is not for the faint of heart: you sometimes need to take a few steps back to move forward. Our earnings have certainly been challenged by closing and start-up costs, not to mention weather issues (just yesterday, we had 24 stores that didn't open because of snow). But it's moving forward and the stock will continue to improve as we get further into the transition." ■