



CASE STUDY

Bringing State-of-the-Art Merchandising to one of Brazil's Largest Shoe Retailers

With world class merchandising and supply chain best-practices – driven by cutting edge retail technology – Paquetá is emerging as one of Brazil's leading footwear retailers.

Focusing on Retail Fundamentals

For more than 70 years, Paquetá has been one of Brazil's leading retailers and manufacturers of footwear for men and women. Today, the company's retail enterprise includes four retail banners with more than 170 brick-and-mortar locations, featuring merchandise selections targeting everyone from fashion-forward shoppers to everyday athletes seeking high-performance footwear.

In an effort to accelerate growth in the increasingly competitive Brazilian retail sector, Paquetá initiated "Project

Evolution," an ambitious cross-company initiative aimed at implementing revamped, world-class retail business processes throughout the organization, with cutting-edge new technology at the heart of the effort.

"Merchandise is our retail operation's biggest investment. And investing in the right merchandise in the right quantities at the right time is critical to our customers' satisfaction as well as our own success," says Eduardo Smaniotto, Senior Buying & Logistics Director at Paquetá. "That's why our merchandising

practices were the top priority at the outset of Project Evolution," he adds.

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SENIOR BUYING & LOGISTICS
DIRECTOR, PAQUETÁ

PAQUETÁ

PAQUETÁ AT-A-GLANCE

FOCUS

Name brand and private label footwear

VOLUME

Over 70,000 pairs of shoes per day sold at retail and wholesale

CHANNELS

More than 170 retail stores across four distinctive retail banners

SYSTEMS

Oracle Retail Merchandise Financial Planning (MFP), Oracle Retail Warehouse Management System (WMS)

DIFFERENTIATORS

Analytics-driven merchandising, domestic sourcing, integrated supply chain



Merging Art with Science

In Brazil, retail is often viewed almost purely as an art, with tremendous power placed in the hands of “super buyers” who are authorized by their companies to make large, speculative investments in merchandise based on their past experience, knowledge of consumer trends, and their own retail instincts.

“While we have respect for the artistic aspects of retail, one of our key goals was to diminish this concept of the ‘super buyer’ and put together teams of merchandising specialists who would leverage analytics and data-driven processes to make disciplined, process-driven merchandising decisions,” says Smaniotto.

Setting Aggressive Goals

Smaniotto and his team believed this approach would yield huge benefits in the form of inventory reductions, freeing up working capital to help fuel Paquetá’s continued growth.

“We set aggressive goals in terms of the business improvement we would deliver, especially in the area of inventory reduction,” says Smaniotto, “so when it came to selecting our technology and implementation partners, we went searching for the best.”

To power Paquetá’s data-driven merchandising strategy, the company chose to implement the industry-leading Oracle Retail Merchandise Financial Planning (MFP) application. And to serve as a foundation for executing more nimble inventory decisions, the company chose to simultaneously upgrade its warehouse technology with Oracle Retail Warehouse Management System (WMS).

Partnering for Success

In choosing a systems integration partner to lead the implementation, Paquetá sought for a consulting firm with deep Oracle Retail knowledge, superior retail business expertise, a track record of overwhelming customer success, and the ability to execute in alignment with Paquetá’s implementation philosophy.

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“We believe strongly in a ‘vanilla’ approach to implementation – leveraging the best-practices built into the Oracle Retail software, and customizing only where we have a compelling business case,” says Smaniotto.

After evaluating a number of candidate system integrators, Paquetá chose Logic.

“In addition to meeting all our selection criteria, Logic offered a mature methodology and packaged consulting tools built specifically for implementing MFP and WMS,” says Smaniotto. “Logic also brings extensive experience in customizing the entire Oracle Retail suite – they were able to provide strategic guidance on the level-of-effort versus benefits of the customizations we were considering.”

“We were also impressed with the mix of business and retail technology expertise Logic brought to the project,” adds Smaniotto.

Transforming Merchandise Processes

With the technology selected, and the team in place, Paquetá was ready to break ground on the implementation. One of the first key steps was to define the business processes that would be utilized within the merchandise planning function.

Even with a “vanilla” implementation philosophy, the configuration options available within Oracle Retail MFP are almost limitless, and it takes a methodical approach to tailor the software to the needs of an individual retail business. With 4 banners, 132 sub-categories of merchandise, and more than 89,000 SKUs to plan and manage, the challenge of configuring Paquetá’s planning system was not insignificant.

Working with Paquetá’s in-house business analyst, and within the LogicWorks implementation framework – designed specifically for leveraging Oracle Retail’s out-of-the-box business processes – the team methodically mapped, tested and implemented the desired business processes within the Oracle Retail MFP system.

“Merchandise financial planning is a multidimensional exercise. We had the option to implement processes that ranged from simple to sophisticated – Logic helped us focus in the areas that would yield the biggest business results, and helped make sure that our desired processes could be executed without adding additional headcount to our planning and buying teams,” says Smaniotto.

MERCHANDISE PLANNING: BEFORE AND AFTER	
Before	After
No single version of the truth	Consistent, shared KPIs
Individual Excel spreadsheets	Standardized reporting and planning
Too many meetings, not enough decisions	Structured, data-driven meetings by department
Excessive inventory, poor visibility into future demand	25% inventory reduction, weekly inventory projections
Poor controls on purchases	Weekly open-to-buy management, purchase order controls
“Super Buyers” hold merchandising power	Planners and buyers work as equal partners

Working with Logic, Paquetá utilized Oracle Retail’s Merchandise Financial Planning application to transform its merchandising team and significantly improve its return on inventory investments.

Benefitting from Cutting-Edge Retail Technology

After months of concerted effort by the Paquetá and Logic teams, both MFP and WMS went live – on time and on budget. It wasn’t long before Paquetá began to see major benefits from the new processes and systems.

Almost immediately, the company’s buying and planning teams were benefitting from alignment around the data and metrics provided by the planning system. With inventory planned and projected at weekly levels, and buyers adhering to weekly open-to-buy budgets, planners and buyers began working hand-in-hand to meet inventory goals based on these shared KPIs.

Achieving Impressive Results

After the first year with MFP in place, the Paquetá team achieved an impressive 25% reduction in inventory levels – representing tens of millions of dollars in liberated inventory investment. This year, the team expects to reduce inventory by an additional 34%, beating the targets for inventory reduction set forth by management.



“Prior to implementing the planning software, we made decisions with limited, conflicting data. Because we had poor visibility into the future, we would buy extra inventory for fear of running out and losing sales,” says Smaniotto. “Now we have the data that helps us predict what inventory we’ll need, buy efficiently, and free up capital.”

Furthermore, the new warehouse management system has increased inventory accuracy at Paquetá’s two distribution centers, and enabled the Paquetá team with total visibility to inventory across both warehouses.

“Logic played an instrumental role in helping us beat our goals for reducing inventory and improving sell-thru,” says Smaniotto. “We have an advantage in that we can source all our merchandise locally – making smaller orders and staying in tune with the changing demands of our customers – thanks to Oracle Retail and Logic, we’re now in a position to capitalize on that opportunity and deliver a superior shopping experience for our customers.”



Striving for More

With their merchandise financial planning and warehouse management systems in place, Paquetá will next focus on implementing technology to optimize their markdown strategy, conduct item and assortment-level planning, and improve the accuracy of merchandise allocations to the company’s stores.

“It’s called ‘Project Evolution’ because our goal is to continually improve and grow our business – we’re excited to continue partnering with Logic well into the future to help us successfully achieve our mission,” says Smaniotto.

ABOUT LOGIC

Global retailers trust Logic to achieve their vision of success. Dedicated exclusively to Oracle Retail, Logic blends technology and retail business expertise to implement, experience. Logic has offices in the USA, Latin America, Europe, India, Asia-Pacific and the Middle East.

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