

Marketing analysis essay



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Recommendations regarding the marketing efforts for both firms is included. A brief history of each firm, J. C. Penny and Kohl's, is included in this report. The past two years are presented more in depth, with a focus on J. C. Penny's marketing endeavors under the tutelage of Ron Johnson. J. C. Penny's Flanagan and market performance during this period is contrasted with Kohl's performance. Similarly, Kohl's recent creation of the position/title: "Chief of Customer Relations" is reviewed as best as possible, given its contemporary nature - there is little information at this time. Working with this much information is the burden of filtering and vetting the true value of the information. As an industry, the retail textiles industry has a long and sometimes disconcerting history. Team Textiles recommends that J. C. Penny take advantage of their long standing presence in the American business community by creating marketing campaigns that appease the existing, long-term, discount promotional driven customers while stores continue to be modernized - per the Ron Johnson model that was in mid-stream at the time of his leaving.

Additionally, ICP can take advantage of their huge catalog/ailing customer database to encourage e-commerce through a well developed website used in concert with social media outlets that provide ICP with a "conversational" level of interaction with customers. The long term goal being to have the stores remade to appeal to the millennial generation, while regaining the customers lost during the Johnson years. Once the stores have been made ready and the millennial are finding their way to ICP, the ICP e-commerce can be used to interact with and gain millennial shopper interest.

For the purposes of this report we will be comparing and contrasting one of the most venerable preventatives of the textile and apparel retailers. Now, the industry is having to divine how to continue to meet the consumer demands of the "Baby Boom" generation, while at the same time enticing the "Millennial" generation. Somewhere on this fine line between these two generations lies "Generation-X". Introduction/ Executive-summary: Team Textiles chose to research the retail department store industry.

Specifically, textiles and fashion apparel industry. Direct competitors; given their similar product selection, pricing structures, promotional methods and levels, and common location election(s). Team Textiles' market perspective at the beginning of this research effort was that Kohl's has been growing and gaining positive consumer feedback over the past two years. During those same two years ICP has struggled to meet their marketing and financial goals.

Recently, ICP fired their star studded CEO Ron Johnson, formally Apple's retail marketing chief executive. Jars press releases regarding Johnny's hiring in 2010 gave reasoning that mirrors Jars firing of Johnson: innovative, creative, entertaining, significant changes to marketing and customer relationships. Through a comparison/contrast study, of ICP & Kohl's, Team Textile will attempt to reveal key elements of successful marketing endeavors for the retail department store industry.

Given that the changes made by ICP, specifically with regards to their marketing, resulted in such calamitous results, the most likely path to successfully demonstrate successful and failed marketing endeavors will be

through a micro-environmental review. The primary source(s) for data were secondary sources. For primary research, a survey was published through www. Surveying. Com, Backbone, and a fashion apparel blog site. The survey media limits demanded that the survey be limited to ten questions.

Therefore, the survey was limited to questions that attempt to differentiate consumer shopping preferences between ICP and Kohl's. The value of this survey is related to Jars marketing attempt at repositioning their stores as offering an affordable, entertaining and contemporary shopping experience that addresses the interests of the millennial generation, without alienating the older, more established, customer base. Purpose: This report seeks to analyze the marketing endeavors of J. C. Penny (COP) and Kohl's repositioning(s).

The goal is to recommend a marketing direction that will allow textile and apparel retail department stores to appeal to the millennial generation while maintaining their current baby-boomer generation customer base. J Penny: James Cash Penny's first business, a small dry-goods store in Icemaker, Wyoming, opened in 1902. J Penny named his first store the Golden Rule. The store name reflected J Penny's personal and business values. The Golden Rule store provided working families with blue jeans, work clothes, fabrics and sewing supplies. In 1907, J. C.

Openers partners sold their shares of the Golden Rule stores to J Penny. This change of the Golden Rule business structure allowed J Penny to follow his dream of expanding the stores throughout the west. Within two years of taking the helm, in 1909, J Penny had established Golden Rule's first

headquarters office in Salt Lake City, Utah. By 1912, J Penny had grown his company to 34 Golden Rule stores with annual sales greater than \$2 million. The chain name was changed to J Penny Company in 1913, and the next year, the headquarters were relocated to New York City.

According to The State Historical Confidence, Service, and Cooperation. ”

The company demonstrated smart advertising: Just treatment of customers, and good products at affordable prices. In 1958, J Penny stores discontinued their traditional policy of cash only and accepted credit selling. With the acceptance and availability of customer credit, J Penny began to emphasize apparel and expanded the range of hard and soft goods offered. Additionally, J Penny stores began to offer more fashionable merchandise. In 1968-69 J. C. Penny became a global company, opening stores in Belgium and Italy.

In 1988, headquarters were relocated from New York City to Plano, Texas. By 1995, J Penny Company had expanded to Mexico and Chile. By the early 21st century J Penny was operating approximately 1 , OOH stores in the United States. J Penny celebrated 100 years in retail in 2002. In 2006, J Penny demonstrated that their traditional innovative retail growth is alive and well, by developing a partnership with the the highly regarded cosmetics chain Seaport. This collaboration brought Seaport outlets into select J Penny stores.

The success of the Seaport model of a store within a store encouraged J Penny to engage other exclusive brands: In 2008, the brand, American Living by Ralph Lauren, Linden Street and Fabulously were launched in select J. C. Penny stores. In 2010, J Penny made the bold move of ending their well established catalog business, pushing customers to engage in the company's

website. Given J Penny's customer base at that time, this move created a likely cost of a statistically significant portion of their traditional customers.

One year after pushing customers towards e-commerce, J. C. Penny announced that Ron Johnson, formerly of Apple, was hired as the new CEO in 2011. J. C. Penny press releases at that time stated that Johnson was being brought on board to guide the company through significant, innovative, modern, entertaining changes. The goal at that time was to get the attention and interest of the millennial generation. Johnson is responsible for Apple's astounding retail marketing and store development from 2000 - 2011. He is considered to be a master of marketing and development.

Johnny's slavish commitment to providing high customer value and service experiences have made significant contributions to the success of Apple, as a retailer, ND set the bar for many industries. Johnson brought many Apple-sis changes to J. C. Penny, even going so far as to change the name from J. C. Penny too more contemporary name: ICP. ICP, it's a testable name on the order of " LOL", " BRB", " TTYL", etc. The goal was to reposition and re-image the company. The results did not meet the timeline returns that JSP board expected.

As the company became more " millennial", traditional customers dropped out at a rate faster than the millennial customers Jumped on board the ICP train. Ironically, Ron Johnson was fired for making changes that were too significant, innovative, modern and entertainment based, as demonstrated by a greater than 30% decline in sales. Affordability that customers deserve. The book, Main Street Merchant; The Story of the J. C. Penny Company, by

Norman Basely, states that James Cash Penny once said, " A man is not cut out to be a merchant unless he feels deep inside him no other job will fit him...

This is my Job, my life's work. I can't give it as much as I give me, but I can give it the best I have and all I have"(231-214). It is clear that James Cash Penny was very dedicated to his company and that may explain why it has grown and come what it is today, disregarding current problems. The key to ICP is the customer service oriented roots of the company that have allowed ICP to survive the economic booms and busts of the industrial revolution, two world wars, and several recessionary economic periods.

Having survived these travails, ICP is sure to not only survive this recent upset; but to rise to the front of the retail industry that they helped to create.

Kohl's: In 1962, Max Kohl opened the first Kohl's Department Store in Brookfield, Wisconsin. It began as a small grocery business, which grew into the largest supermarket chain in the Milwaukee area. Max Kohl then expanded into general retail. He positioned Kohl's between higher-end and discount department stores. Kohl's sold everything from candy to engine oil to sporting goods. In 1972, Kohl's had five department stores.

By 1980, Kohl's had grown to 39 stores in Wisconsin, Illinois and Indiana. During 1986, Kohl's management team spent time refocusing product lines and maintaining their concept of a oriented retailer selling moderate-priced merchandise. " At this time Kohl's had 40 stores with annual sales of \$300 million and 5, 000 associates. In 1987, the company dropped low margin departments such as candy, sewing supplies and sporting goods and

concentrated on higher margin merchandise like linens and Jewelry. In 1988, Kohl's purchased 26 locally owned department stores in the Michigan, Chicago, and Minneapolis markets.

During the period 1988 through 1992 Kohl's increased sales revenue from \$388 million to \$1 billion. In 1992 Kohl's became a publicly traded company. Over the next 7 years Kohl's tripled their number of stores to 259. The increased number of stores brought sales revenue up to \$4.56 billion. During this period, the company also began to phase out electronics from their merchandise. By 2000, Kohl's was operating 298 stores and was exploring brands that were relatively upscale from what they had previously offered. Additionally, they entered the e-commerce environment with Kohl's Com.

In 2003, Kohl's net income fell for the first time in ten years, decreasing 8.5 percent to \$581 million. Kohl's suggests that they failed to display high standards in inventory levels and content, customer shopping experiences and marketing. Their stores were overstocked and difficult to shop. Some merchandise they acquired was not what consumers were looking for, and their marketing strategies were no longer unique in reducing inventory levels and improving in-store operations, as well as improving store design to make it easier for customers to shop and notice various brands.

All of Kohl's efforts seemed to have worked as they had record sales that year of \$11.7 billion, a 14 percent increase. In 2004, they also introduced more brands of In-home products, Laura Ashley Lifestyles and Gloria Vanderbilt lines, as well as a new apparel line from celebrity, Daisy Funnies.

They also partnered with the cosmetics company, Este Lauder. In 2005, Kohl's introduced their new positioning statement, "Expect Great Things". At this time, they opened 95 stores, upgrading their total to 732 stores in 41 states. In 2006, Kohl's updated their store design, aiming to broaden customer appeal.

They used outside showcase windows to display the latest fashions, and creative merchandise displays to highlight the newest trends, in an attempt to encourage shoppers to browse every department. Today, Kohl's continues to grow as a family and value oriented department store, and introduce collections of increasingly exclusive brands such as Simply Vera, Vera Wang, Ell, Rachel Ray, Case Christina, Tony Hawk, and Candies. Kohl's Inc. Claims that their history illustrates that they have a strong and successful foundation that will give them a bright future of opportunities.

Facing the ebbs and flows of business through 2010-2012, Kohl's was proactive, expanded their distribution channels, developed green business practices, built a series of cause-related marketing campaigns, and increased consumer perceived value. Over the past couple of years Kohl's has continued to grow and tried to keep p with the latest trends in the textile industry. This has included anything from selling affordable celebrity created clothing lines to selling name brand clothing like Nikkei and Levies at competitive prices. Department stores such as Kohl's and Macy's practice high-low pricing by having frequent sale days, early-bird savings, and bonus earnings for store credit-card holders" (Armstrong Jolter 260). Kohl's offers "fast- moving shopping goods" (Armstrong Jolter 325) that has attracted many consumers over the years, which led to job creation and company

innovation from 2010 to 2012. Current Retail Industry Trends: Today retail industry has witness some very dramatic changes over the past few years and department stores within the industry are struggling to keep up with these changes. Since the U.

S economic recession in 2008-2009, the market for department stores has slowly began to recovery (" Department stores industry', 2013). It is predicted that the recovery is going to continue in the next few years (" Department stores industry', 2013). With this recovery, department stores are looking to get ahead and grow into other markets around the world. The largest growth will be forced on emerging markets like China, India and Brazil but mainly forced on China (" Department stores industry', 2013). In the years 2011 and 201 5, the degree of growth for stores is going to expect not just in the U.

S, but all over the world (" Department stores industry', 2013). Report Linker is reporting that in North America the " expected to come closer to yearly growth of 2% over the four-year due to the American recession. Since the recession, American consumers confidence has drop and is slowly improving but this has forced retailers to " adapt by opening account outlets to offer lower prices to consumers unwilling to purchase full price goods, and also in an effort to shift old stock and bring in new customers" (" Department stores industry', 2013).

Today department stores are also struggling to remain competitive with online retailers, discounts stores, and hypermarkets. A major force in the industry this year is how can a store stay competitive. Every type of store is

battling each other like never before and with the fast growing online retailers who are taking more and more customers out of stores (“Retailing stores market research -industry trends”, 2013).

In order for major market leader departments stores to stay competitive, they need to adapt an international expansion, diversify their channel distribution, and change their retailing format to better fit the needs of consumers (“Department stores industry”, 2013). Kohl’s Performance 2010
In 2010, new government regulations forced Kohl’s to change their store credit card terms. At the time, company spokespersons warned the public that communicating the new terms to customers was expected to cost Kohl’s \$40 million in the second half of the year 2010 (Whap Sage 1). Kohl’s outperformed both J.

C. Penny Co Inc (P. N) and Dillard’s (ADS. N) in 2010, as measured by same-store sales growth (Whap Sage 1). Kohl’s built a strong public relations campaign during the 2010 holiday season, creating public awareness that Kohl’s hired 40,000 seasonal employees. This was an 18% increase over the 2009 holiday season hiring efforts. Given the tough recessionary times this was good news for the unemployed and helped Kohl’s to build general good will in many communities. Throughout 2010 Kohl’s delivered value to consumers despite significant economic, regulatory, and competitive threats.

Summary of current marketing and finances: Using ICP and Kohl’s most recent quarterly reports, combined with articles and public announcements from the company(s), this report attempts to determine the true marketing success of each company. Through individual financial analysis of ICP and

Kohl's, the companies will be compared against one another in order to gauge their relative overall marketing success. Jars most recent financial filling clearly demonstrate significant financial problems. ICP reported a net loss of \$985 million for 2012 CO Penny (1)).

This is a significantly greater loss than Jars 2011 loss of \$152 million. Jars negative income situation is the result of a significant downward trend in the company's sales after a failed attempt to reliance the brand; which end up costing them. In 2011, ICP reported \$17, 260 million revenue in comparison to their reported \$12, 985 million revenue for 2012. This \$4, 275 million reduction in revenue over a 12-month period is substantially greater than the negative net income reported for the same fiscal period.

Over this same time period, Jars general expenses and costs did not significantly changed (fig. 1). This implies that Jars negative net income can be attributed to reduced sales and venues. Of where Jars finances are headed. Cash and cash equivalents have dwindled over the last three years. At the end of 2010 ICP reported cash holdings of \$2, 622 million. Cash holdings were reduced to \$1, 507 million in 2011. As of 2012, ICP is reporting cash holdings of \$930 million. This level, 64% drop over two years, of cash holding reductions requires context to comprehend how ICP will be impacted.

As seen in J. C. Openers 2013 1st Quarter Earnings Call Transcript, indicates that a majority of added expenses and cash distributions are being invested in Jars store conversion marketing plan. Ken Hannah the company's Executive Vice President and Chief Financial Officer says " we incurred \$72 million in restructuring charges in the quarter, \$28 million of which was

related to store fixtures including increased depreciation for fixtures being replaced in the home department and other fixture write-offs.

Another \$28 million associated with reductions in home office and stores and \$16 million in management transition expense in the quarter. " A lot of the cash coming in is going back into the store and investing in its future, this could mean brighter days are in the future for J. C Penny as they are trying to regain the market share they once had. As for Kohl's, their current financial status is a different story. According to the 2012 10-K form, their net income over the last three years has remained fairly stable.

Kohl's net income levels were \$1, 120 million in 2010 then rose to \$1, 167 in 2011 and dropped to \$986 million in 2012. The slight drop in 2012 is a drop but not a huge one to be overly concerned over. The last three years have had steady sales; 2010 net sales were \$18, 391 million, 2011 was \$18, 804 million and 2012 was \$19, 279 million. The growth for 2012 is that their sales levels are very stable and indicate a healthy company. These numbers are representative of the financial data for 2012, most things are remaining stable or fluctuating normally.

There doesn't appear to be any huge upheavals or large areas of growth or decline. Overall, Kohl's is remaining constant and continuing to do well in the market. (See references for full financial statements and 10-K report (fig. 2). Comparing the two company's financial statements, it is clear to see that Kohl's is the frontrunner's. With more stable finances and less downward trends, Kohl's is able to pep moving forward without the issues J. C. Penny is

having. J. C. Penny has been having obvious trouble for years and their finances have clearly been affected in a negative way.

J. C. Penny is having to spend more money in order to be able to make money which has not been doing enough to help their current situation. Because Kohl's hasn't had to revamp or overhaul much of anything, they have had a better chance at keeping in the race instead of trying to keep their head above water like J. C. Penny. S.O.O.T. Analysts: strengths, weaknesses, opportunities, and threats.. For Jars S.O.O.T. analysis, one of their biggest strengths is their celebrity marketing. They have recently brought in Ellen DeGeneres, who is a high-level celebrity and well-respected in Hollywood.

Another strength of Jars is their longevity and history. Their final strength is their customer base. Although they may have lost customers because of their recent marketing failures, they still have a large customer base and many people are aware of the company. As for their weaknesses, they have failed to do research on their customers wants and needs in order to make changes to the company. A second weakness is the store layout and design. The layouts of some stores are sending mixed messages to customers. Another big weakness for ICP, is that they fail to attract the younger generation of customers.

But ICP still has an opportunity to change this weakness. A big opportunity they have is to continue to change with society in their way of marketing. They have an opportunity to keep their public aware of what is going on within the company. Another opportunity they have is to convert their old catalog consumers into online shoppers. Along with any company they still

have threats in the industry. Some of the threats they face are new regulations with store cards and customer loss due to getting rid of the famous catalog.

As for Kohl's, their strengths are their exclusive brands, the Kohl's cash, store card, and their cause-related marketing with the Kohl's Care campaign. Information systems is one of Kohl's competitive advantages. Information and technology is a strategic ingredient at Kohl's. The retail market is constantly changing and the need for great Information Systems (IS) talent has never been stronger. Along with their increasing number of associates, store formats, market segments, and technology, the demand for IS services is growing.

Over the next few years, Kohl's will use technology to drive sales, make critical business decisions and satisfy their customers. They invest in the best technologies and train their associates on enhancing collaboration, providing scalability and developing world class systems. But they also have some weaknesses, which include: the slowing down growth rate in sales, the Kohl's, and their inventory. As for their opportunities, they have a chance to open more stores internationally.. But as for threats they face in the market, they are similar to Jars new regulations for holders card.