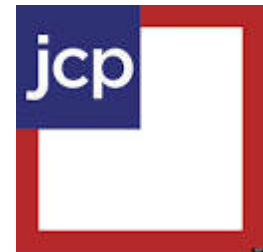


JC Penney

Gabrielle Buchbinder, Joe Conidi, Ruolu Liu



Results of Operations

(in millions)	2012	2011
Total Net Sales	12,985	17,260
Gross Margin	4,066	6,218
Operating Income	(1,310)	(2)
Loss from continuing operations	(1,536)	(229)

Source: JCP 2012 10K

24.8% drop in sales

Stock Price



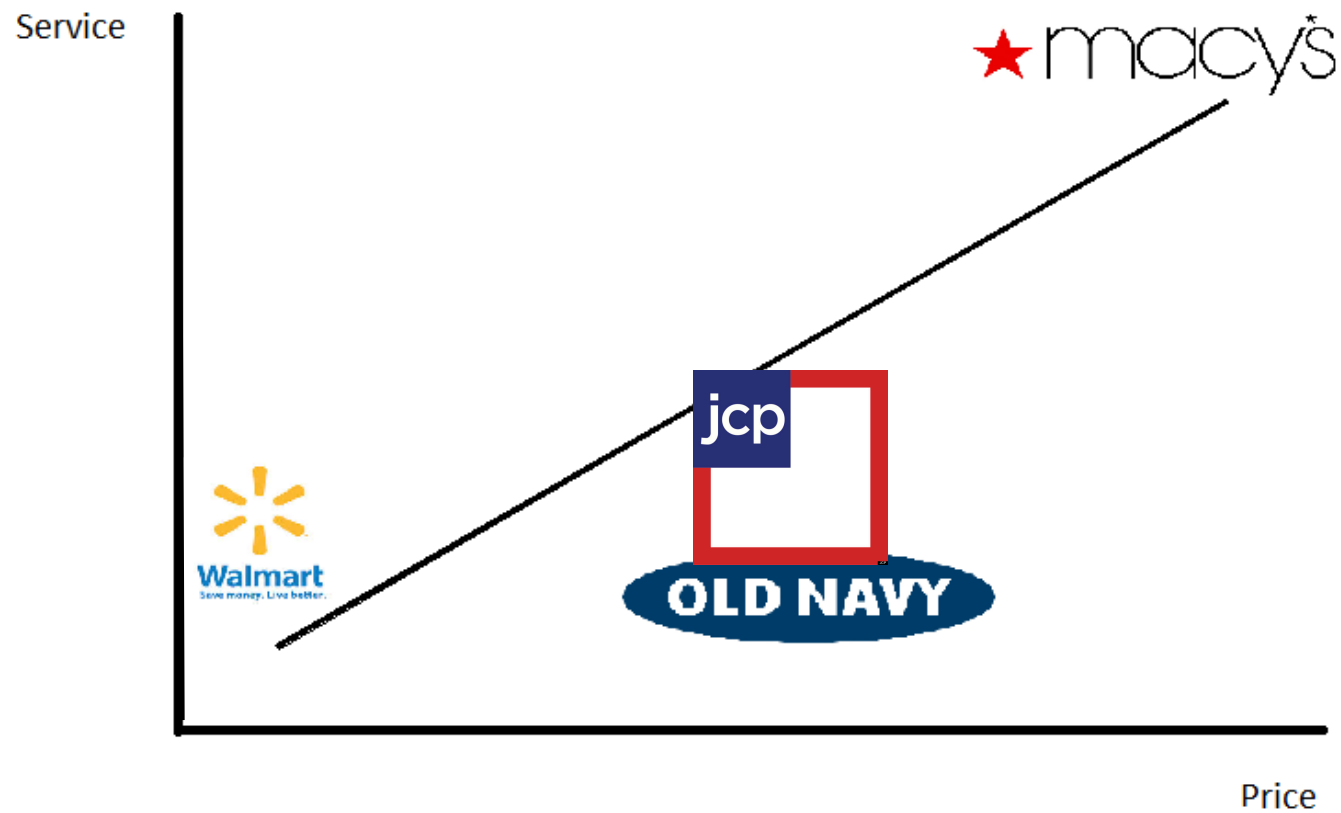
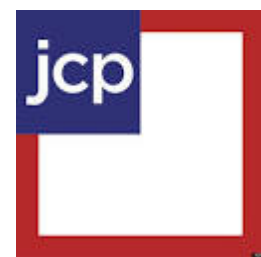
Price as of November 2, 2014: 7.61

Problem



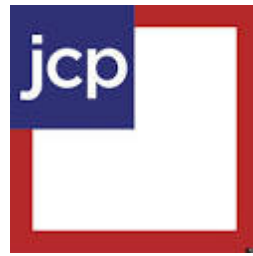
- Problem: JC Penney has been operating consistently at a loss.
- Shrinking middle class
- Stuck in the middle between Macy's and Wal-Mart

“JC Penney doesn't have a good vibe, it feels tacky and cheap. I'm not in any way drawn to the store.”



Positioning

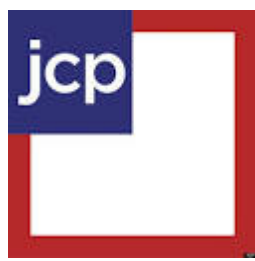
	Point of Difference	Point of Parity
Dept. Stores	Price	Assortment
Clothing Stores	Assortment Price Service	Assortment Price Service
Mass Merch.	Service	Price



Positioning Statement

For cost-conscious Americans that take pride in their appearance, JC Penney offers stylish, quality clothing at an incredibly affordable price.

While other department stores are focused on squeezing every last dollar out of the customer, JC Penney is dedicated to providing fashionable clothing at reasonable prices and bettering their shopping experience through their friendly, one-of-a-kind staff.



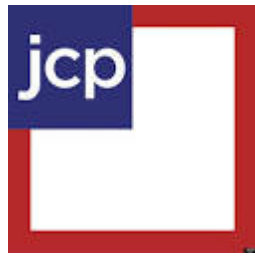
Brand Champion-Female

Tracy, her husband, and two kids (a daughter aged 6 and a son aged 8) live in Monticello, Illinois. Tracy is a stay at home mom who spends her days cooking, cleaning, running errands, and spending time with the ladies of the 50 Shades of Grey book club. She studied at the University of Illinois Urbana Champaign, where she was an English major. Tracy likes Bath and Body Works soap, but uses exclusively Yankee Candle candles. She buys lipstick and cardigans from Target, but hates the lack of service at the store. During the weekends, Tracy takes her son to soccer practice and avidly supports his team by participating in fundraisers. Although she and her husband have the occasional rift and she doesn't truly understand how to file taxes, Tracy and her family live a comfortable suburban life. She is always looking for the best bang for her buck and will take advantage of any and all sales and coupons. Savvy about deals and a member of most loyalty programs, Tracy loves JC Penney because of its commitment to high quality at low prices. She values good, timely service, and earning her approval is equivalent to earning her loyalty for life.

Brand Champion



Can I speak to the manager?



Brand Champion-Male

John lives in a nice cul-de-sac in Iowa City, IA with his wife and teenage daughter. His typical outfit during the week includes khaki pants and a button up shirt. A communications major from Iowa State University, John is an office worker who enjoys watching football on the weekends and eating Tostitos with chunky salsa. When told to shop for himself, John is a bit lost and confused. He doesn't understand brand names or the difference between a straight and bootcut jean. He would much rather spend his disposable income on digital cameras and computer cords, but loves buying clothes for his wife as long as he isn't spending too much. John values a good price and efficient service, and often finds himself returning to the same places to shop.

What's the
difference?





Solution

Solution: Tactics

Location

- Suburbs

Décor

- New Layout
- Service

Assortment

- Moderate Depth
- Brand Labels

Price

- High-Low
- Sales plan

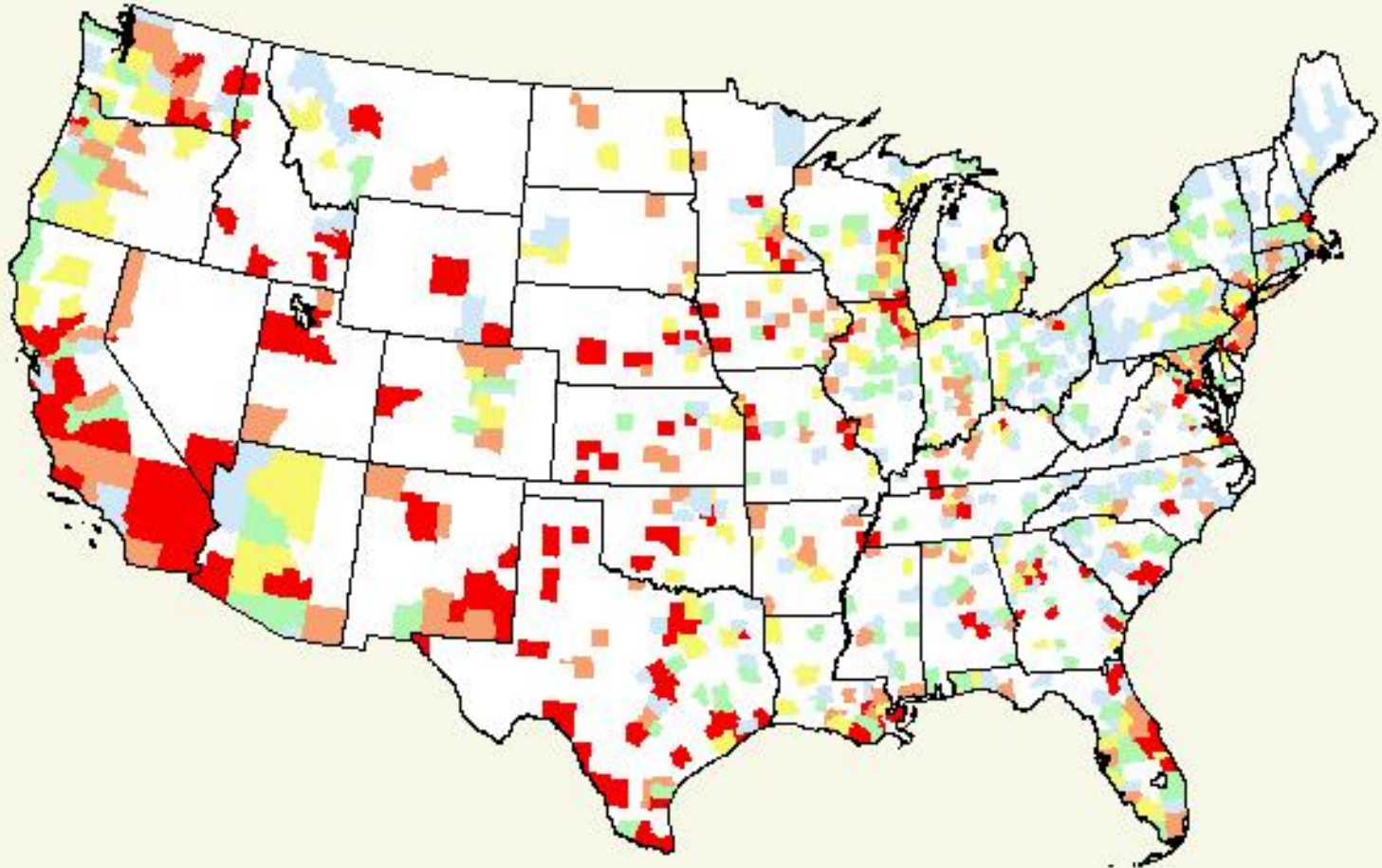
Clean It Up and Lean It Up

Location

- Suburbs
- Middle Class areas
 - Income \$50,000-\$75,000
- Example target location:
 - Sarpy County Nebraska (area code 68128)
 - **White Picket Fences**
 - Median Income: \$53,631
 - Orders from sears.com
 - Goes to ice hockey games
 - Reads Parenting
 - Some college

nielsen
.....

Segment Spread



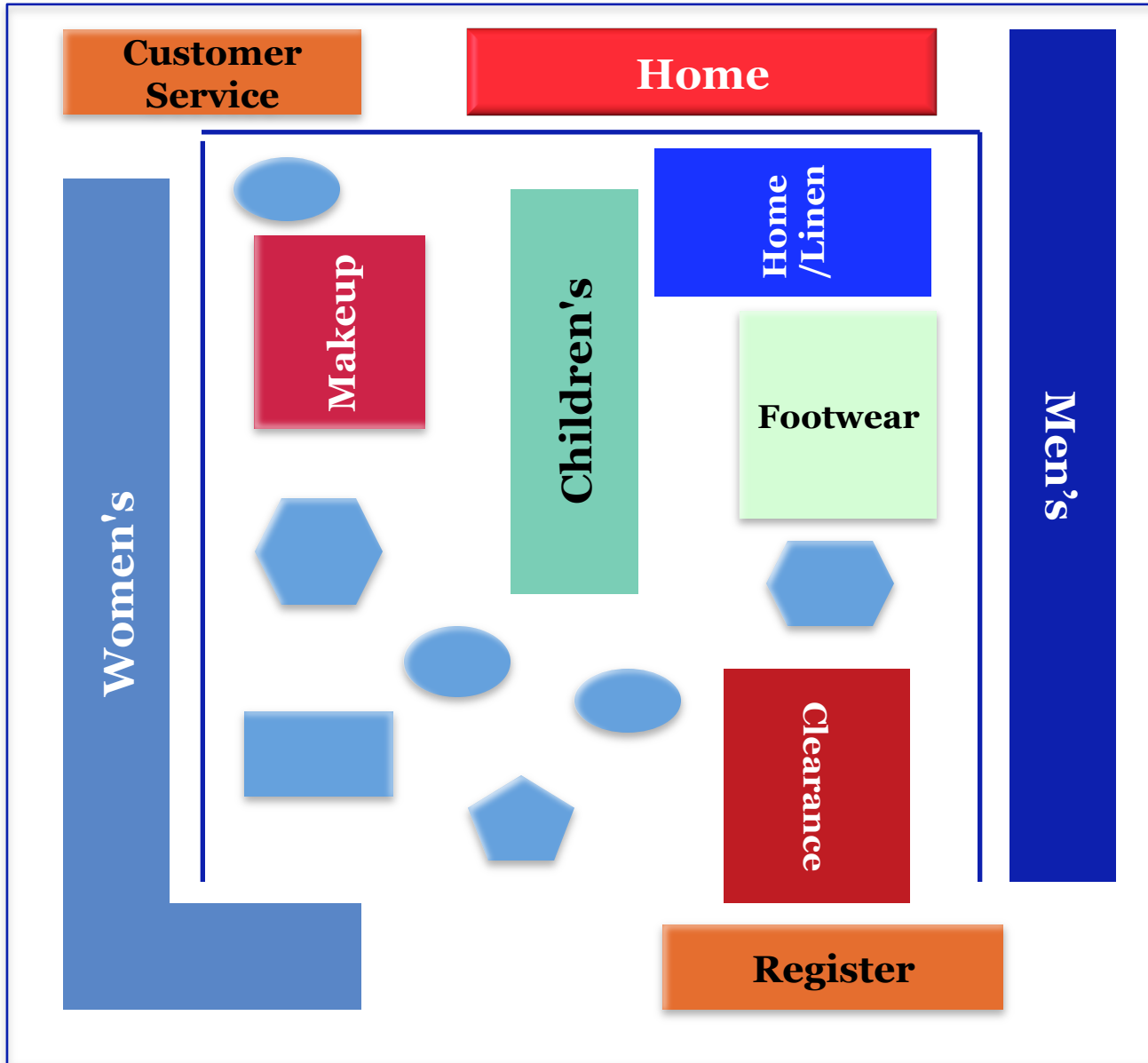
Top Locations for Segment

- Manassas Park City, VA
- Liberty County, GA
- St. John the Baptist Parish, LA
- San Benito County, CA



Décor

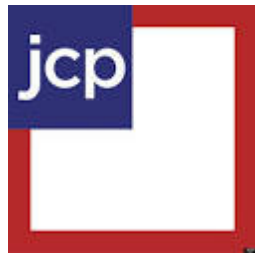
- Clean materials
- Colors
 - Off whites
 - Dark blues
- Strategic temperature



The Best Friend

- Employees that are like Tracy and John
- Smiling, friendly, knows the store, style guide
- Don't cling
- Point of Difference- PRESENCE





Promotions

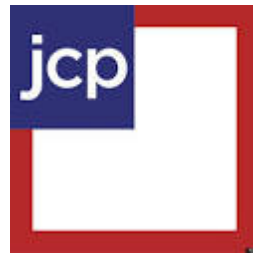
- TV
 - Family Guy, Simpsons, Once Upon a Time, CSI, Desperate House Wives
- Magazine adds
 - People, Home and Garden, Southern Living
- JCPenney Goes Green
 - Twice a year
 - Return the “green” bag and get 5% off next purchase

**style
selection
service**



for not a penney more

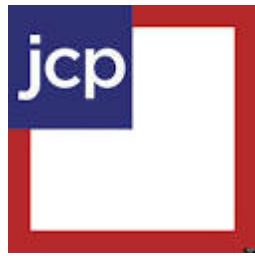




Assortment

- Moderate amount of categories with moderate amount of depth (average selection of brands, average price range)
 - More categories than Gap, More depth than Target
 - One stop shopping- clothes for any occasion, at several price & style options
- Mostly private label (St. John's Bay) & discount brands
- Notable exceptions such as Sephora, Joe Fresh
 - Big name brands draw new customers





Price

High/low pricing strategy

- Low margins but...
- High quantity of sales

JC Penney will not put anything on sale for less than 50% of its market value

- Unless the item is from a previous season/year
- Any sale that JC Penney has must ensure that it receives a margin of at least 33%

Any Item that is out of season/year will be placed in clearance section, where sales of less than 50% are allowed



Results

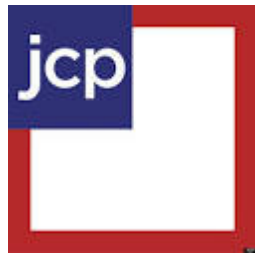
Results

Decreased margins

Increased sales

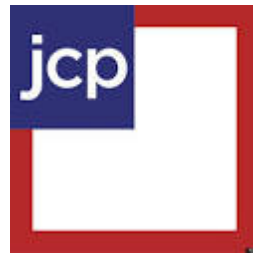
Happier customer experience

More customer loyalty



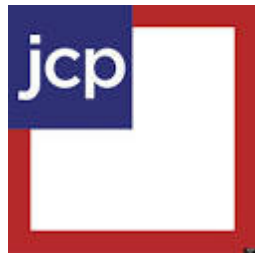
Assumptions

- JC Penney has the capital to remodel stores
- Customers will forget previous biases
- Returning customers will accept changes



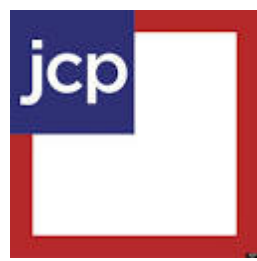
Future Research

- Remodel 3 existing JC Penney's to our proposed standards
 - Liberty County, Georgia, one in Manassas Park City, Virginia, and one in El Paso, Texas
- Match each “test” JC Penney to another in a city with similar demographics and customer segments, the “control”
 - Sarpy County, Nebraska, St. John the Baptist Parish, Louisiana, San Benito County, California
- After a year, evaluate the additional changes in sales and profits in the “test” JC Penneys relative to those of the “control” JC Penneys
- Using this information, determine potential effectiveness of our proposed plan



Exit Interviews

- To determine whether our assumptions were correct, we would station interviewers outside of the new, “test” JC Penneys during high traffic periods
- Ask customers:
 - If their previous perception of JC Penney affected their experience
 - If the customers believed the changes made were favorable
 - If so, which did they like the most?
 - If not, which did they like the least?



Solution: Recap

Location

- Suburbs

Décor

- New Layout
- Service

Assortment

- Moderate Depth
- Brand Labels

Price

- High-Low
- Sales plan



For cost-conscious Americans that take pride in their appearance, JC Penney offers stylish, quality clothing at an incredibly affordable price.

Thanks JCPenney!



Clean It Up and Lean It Up

Questions

style

selection

service



for not a penney more

