JC PENNEY STRATEGIC MARKETING PLAN 2012: PRODUCT STRATEGY

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JC Penney Strategic Marketing Plan 2012:

Product Strategy

By

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MASTER OF SCIENCE

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ABSTRACT

The JCPenney Company has undergone a transition from a value retailer to a streamlined, customer-driven retailer in order to set itself apart from its biggest competitors, Macy’s and Kohl’s. Previously, JCP was focused on general, storewide promotions. Currently, JCP has retooled their image to reflect a standard set of prices and special savings. In this exploratory look at JCP’s merchandising strategy, both previous and new methods are examined and additional steps to improve the returns on merchandising investments are offered. During this study, a detailed examination of JCP’s internal and external environments has been conducted, and an analysis of their consumer trends is presented. Suggestions for improvement in product strategy include the limited expansion of current on-trend or high fashion brands, as well as the acquisition of limited partnerships with new brands. In addition, collaborations with cosmetics and electronics during key shopping dates would benefit the existing infrastructure at JCPenney.
DEDICATION

Thank you to my family and my loving husband for the love and support I needed to complete this work and my education.
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LIST OF ABBREVIATIONS

Abbreviations

1. JCP…….. JCPenney
2. SiJCP……Sephora inside JCPenney
3. RFID…….Radio Frequency Identification
4. EVP……..Executive Vice President
5. NRF……..National Retail Foundation
6. OSAT…….Overall Satisfaction
INTRODUCTION

Within the retail world, it is difficult for a company to dissolve all former designs, marketing plans and store environments to make a fresh start. However, that is exactly what JCPenney did, and has done, several times. Created over 100 years ago, this company has seen changes and complete overhauls with every new CEO. Lately, JCPenney, also known as JCP, has started fresh again with new CEO Ron Johnson and President Michael Francis. Both heads of JCP came from successful innovative companies and are now bringing this success to their new company. The updated changes took effect in February 2012 and have revolutionized the pricing structure within the store. The store has been given new life with new marketing, pricing, store environment, organizational structure, and promotions. All of these changes have been structured around areas that were previously not proving effective to the company’s success.

In the past, JCP offered to its customers at least one price promotion daily. The store was a sea of red sale signs and merchandise markup was getting out of control. JCP gained several exclusive partnerships during the past several years that had poised the company for a huge gain. However, due to the recession, an over-saturation of the market, and an assumed lack of quality in the merchandise from its customers, JCPenney’s success was slipping in comparison to its competitors. Now, JCP is working to shed this former image and focus instead on fair pricing, interesting marketing, and spotlighting the exclusive brands that are offered. With all the exciting plans unveiled by JCP, there are remaining areas that the company has not addressed. These gaps could harm the company in the long run and stunt the innovation it is trying to achieve.
To adequately address and understand the potential issues lingering within the new strategy for JCP, it is imperative to look at where the company has been. In order to understand the newly proposed changes and how they will greatly impact the company, it is essential to evaluate where JCPenney was and where it is going. This research includes an analytical comparison between the former JCP strategy of 2009-2011 and the new 2012 company strategy. The situational analysis will bridge together both eras of JCP and describe the four major environments of the company. Additional research has been given to the new marketing goals and objectives set forth by the company. By reviewing these strategies, any holes or gaps within the plan have been assessed and solutions offered from an outside perspective. The recommendations provided in this research are based on the analysis of the strategic marketing plans created by JCP. In addition to recommendations, this study examines potential risks and challenges of introducing a new strategy as well as a suggested implementation plan. The related risks are fair and congruent with the potential rewards offered by these new recommendations.

Overall, the careful analysis of the JCPenney Company’s strategy and its desire to continually improve the strategy forms the foundation of this research. Through the study of the company’s four major environments, mission statement, and marketing plan from the past and present, gaps can be found and potentially filled.
SITUATION ANALYSIS

Mission Statement

The JCPenney Mission Statement is short, concise, and has remained the same for the past six years: “To drive Sales and Profit growth by ensuring our Customers and our Associates always know they’re first in our Stores by what We do!” (JCPenney 2011a, pg 1). The most important component of the Mission Statement is the desire to drive sales and profit growth for 2011 and 2012. The basic beliefs of the company, however, can be found in this statement. JCP’s mission focuses on sales utilizing customer satisfaction, employee retention, and contentment of both customers and employees. The JCPenney Company was founded on The Golden Rule, do unto others as you would have done unto you, and still maintains a customer and associate-first attitude (JCPenney Company Profile, 2012).

It is important to note where capitalization occurs within the company’s mission statement. The words Sales, Profit, Customers, Associates, Stores, and We are all capitalized to emphasize their importance to the company. In earlier mission statements, the word ‘we’ was not capitalized. In the current statement, the adjustment has been made to focus on upper management and leadership roles in the stores and company (JCPenney, 2011b). This statement reinforces the importance of leadership roles in the company and empowering those leaders to ensure that associates and customers are content. The statement as a whole is successful in establishing the core beliefs of the company and naming customer service as its greatest strength. The mission statement does not comment on the target market or target pricing, however, which are also strong focal points of the company. To fix this shortcoming, the company added the preceding statements to their mission: “We want to take care of the Families and the Fashion Forward that depend on great value and great service. It is our mission to drive Sales and Profit
growth by ensuring that our Customers and our Associates know they’re first in our store by what We do!” This additional declaration creates a more complete sentiment and energizes the company’s motto.

Internal Environment

Distribution for the company focuses on the utilization of both exclusive in-house distribution and selective distribution. Exclusive distribution refers to all private label merchandise and exclusive lines for JCP, while other national brands are distributed through selective distribution. JCP has in-house distribution centers throughout the country to supply to the 1,107 stores nationwide. These centers, along with in-store distribution and stocking, utilize a product identification system known as a Radio Frequency Identification (RFID) system. Other national brand vendors use a system known as SupplierNet. The SupplierNet program allows over 3,000 vendors to access JCP’s accounts payable system to see the current status of payments and shipment allocation (“Say Cargo Express tours J.C. Penney”, 2010). JCP has a very strong distribution practice and a strategy shaped by combining both systems to create a strong integration of information and efficient distribution. This effective system is one of the main strengths of the JCPenney Company.

Within JCPenney’s organizational structure, the company named Michael Theilmann and Thomas Nealon as group Executive Vice Presidents (EVPs) of the Company in 2010, each assuming expanded operational responsibilities (Canter, 2010). This was a very positive change for the company and an indication of strong internal resources. The responsibilities for Theilmann will be the store organization and remain the head of supply chain, human resources, and administration. Nealon’s responsibilities will be the undertaking of JCP.com, IT, strategy, and JCP’s digital ventures organization, which involves the strategy within digital opportunities
and growth projects (Canter, 2010). Both individuals work closely with the merchandising lead teams under Ron Johnson, chairman and CEO, to create a more streamlined distribution and store image. This dramatic change positively affects the system of operations within the store because of the successful Long Range Plan strategies that the two have collaborated on and are currently implementing (Canter, 2010).

Another strong organizational resource that the company possesses is customer relationships. The creation of the JCP rewards credit card and rewards program gives coupon rewards to customers who spend a certain amount with their JCP credit card or another registered credit card in the store or online (JCPenney, 2011b). Many customers have utilized this program and it allows the company to track what purchases are made by consumers and how often (JCPenney, 2011b). This new program will help research consumer behavior in the store in regards to spending habits and the customer environment.

One of the best resources that JCP has is the company’s chairman and CEO, Ron Johnson. This CEO has brought in better teams and stronger, more assertive Long Range Plans to pitch the company for growth. Some potential changes in resources include active changes in the distribution centers and supply chains. The changes would most likely involve a shift to a total RFID system use, requiring a transition period for the company. This shift would positively affect consumers and the company offering more efficient shipments and consistent filling of popular merchandise (Swedberg, 2010).

In review of the positive aspects of the current and anticipated cultural and structural issues of the JCPenney Company, the greatest positive is customer orientation. The customer first environment of the JCP Company makes creating and implementing marketing strategy more successful because the main focus is the customer (JCPenney, 2011a). Another positive
aspect of the company is in regards to its skilled long-term planning team. As stated earlier, Michael Theilmann and Thomas Nealon were promoted to EVPs of the Company to expand and assume operational responsibilities. These EVPs successfully created integral Long Range Plans designed to be recently implemented within the company (Canter, 2010). This also relates to other positive changes in key executive positions. Both Theilmann and Nealon are working with the merchandising teams to unify the buying processes and distribution (Canter, 2010). These are very promising changes that poise the company for strong growth in the coming years.

There are some negative aspects, however, within the culture and structure of the JCPenney Company. In reviewing the negative aspects of the company’s current and anticipated cultural and structural issues, both general employee satisfaction and employee morale were found to be quite low with a very high turnover rate. This is a large negative because associate turnovers cost the company over one thousand dollars for every employee that quits immediately after training. After that, the costs rise exponentially when long-term employees leave (JCPenney, 2011b). Another negative aspect for the company is the difficulties with handling the many changes it has experienced over the last decade. Although the company has adjusted with many changes in the nation and within the company itself, these changes were not immediately accepted and caused difficulty. This is a very large negative for the brand because change is essential to all strategic development. Additionally, short-term planning within the company is not as strong as its long-term planning skills. Short-term planning is not utilized as often, or as effectively, as long-term planning within the company. This is also reflective of the opposition to change. Overall, the structure of the company tends to be supportive of the current marketing strategy, but resistance to change could prove to be problematic to the plan. However, with time, the new plan is expected to be accepted and embraced by all levels of employees and consumers.
Marketing Strategy

CustomerFIRST Survey

The current marketing goals for the JCPenney Company are based on four priorities: customer focus, associate focus, sales growth, and profit growth (JCPenney, 2011a). These goals directly follow the current mission statement of JCP. Specific customer focused objectives rely on the online CustomerFIRST survey, a link to which is printed on the bottom of customer receipts. The survey scores of customers are translated into benchmark percentage goals for all JCP stores. In this survey, customers rate their overall satisfaction with the store after shopping. The Overall Satisfaction (OSAT) score is the most important to the store and was recently raised from 60% to 65%.

One marketing goal is to achieve a 68% for Courtesy and Respect, which correlates to how consumers perceive associate behavior. The Greet Score asks whether or not a customer was greeted by at least one employee before checkout and the benchmark is 68%. The final Thank Score asks the customer if they were thanked by the employee after checkout. This score was raised to 95% in 2011 (JCPenney, 2011b). Other customer focused objectives concern the store environment, also measured using the CustomerFIRST survey. JCP’s goal for ease of finding merchandise in the store should be at or above 45%. Pricing and signing accuracy goals are to be 95% or better and store cleanliness should be 48% or higher. Final customer focused objectives are availability of associates for checkout, which should be at least 48%, and the speed of checkout, which should reach 55% or more (JCPenney, 2011b).

JCPenney’s associate focused objectives, within the CustomerFIRST survey, include lowering turnover to 60% and receiving 100% on certification for participants of the training
program. Both of these objectives focus on retaining new hires and making sure that employees are trained in store policies quickly and efficiently.

The number one sales growth objective is for sales to meet or exceed the profits of the previous fiscal year. Another major objective is to improve sales on year-to-date sales trends while maintaining the store’s core standards compared to district and regional performances. A new objective for 2011 was to score at least 15% for email captures regarding the JCP Rewards program created last year. A final sales growth objective is that JCP.com online referrals must exceed 50% (JCPenney, 2011b). The referral program is an updated version of JCPenney’s catalog department, where consumers can place an order through an associate at the point of sale.

Profit growth is an additional objective currently utilized by JCPenney Company. Productivity for the “Door to Floor” team must reach a minimum of 105 units of merchandise per hour (JCPenney, 2011b). Other objectives focus on commission based departments meeting the standards of the Profit Plan consistently over the fiscal year. Another commission based objective is that care plans, which are the repair, replacement, and adjustments packages added on to sales, reach at least 30% in fine jewelry and 35% in the furniture department (JCPenney, 2011b). Shrinkage control must be less or equal to the standard goal of the company, which is 2%. Final objectives focus on expense management and include leverage salary cost ratio to the profit plan and leverage general expenses ratio to profit plan (JCPenney, 2011b). The current status of the scores for several key stores can be seen in Table 1. The scores on average are high in most areas and many factors play into the success or failure of objectives.
Table 1: JCPenney Average Selection of Store Objective Scores from 1/1/10 to 10/30/10.

<table>
<thead>
<tr>
<th>Areas of Focus</th>
<th>JCP Fargo, ND</th>
<th>JCP New York City, NY</th>
<th>JCP Orlando Park, IL</th>
<th>JCP Dallas, TX</th>
<th>JCP Roseville, MN</th>
<th>Benchmark Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey Participants for total year</td>
<td>2,875</td>
<td>7,556</td>
<td>2,755</td>
<td>6,884</td>
<td>4,328</td>
<td>3,000</td>
</tr>
<tr>
<td>Customer Focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSAT</td>
<td>63%</td>
<td>67%</td>
<td>65%</td>
<td>64%</td>
<td>61%</td>
<td>65%</td>
</tr>
<tr>
<td>Courtesy &amp; Respect</td>
<td>64%</td>
<td>58%</td>
<td>67%</td>
<td>70%</td>
<td>58%</td>
<td>68%</td>
</tr>
<tr>
<td>Greet</td>
<td>64%</td>
<td>65%</td>
<td>68%</td>
<td>68%</td>
<td>60%</td>
<td>68%</td>
</tr>
<tr>
<td>Thank</td>
<td>98%</td>
<td>94%</td>
<td>95%</td>
<td>95%</td>
<td>96%</td>
<td>95%</td>
</tr>
<tr>
<td>Ease of Finding Merchandise</td>
<td>42%</td>
<td>39%</td>
<td>45%</td>
<td>48%</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Pricing &amp; Signing Accuracy</td>
<td>94%</td>
<td>95%</td>
<td>95%</td>
<td>94%</td>
<td>94%</td>
<td>95%</td>
</tr>
<tr>
<td>Store Cleanliness</td>
<td>49%</td>
<td>38%</td>
<td>45%</td>
<td>48%</td>
<td>40%</td>
<td>48%</td>
</tr>
<tr>
<td>Speed of Checkout</td>
<td>55%</td>
<td>52%</td>
<td>55%</td>
<td>55%</td>
<td>57%</td>
<td>55%</td>
</tr>
<tr>
<td>Availability of Associates</td>
<td>47%</td>
<td>47%</td>
<td>49%</td>
<td>50%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>Associate Focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover rate</td>
<td>60%</td>
<td>72%</td>
<td>63%</td>
<td>60%</td>
<td>67%</td>
<td>60%</td>
</tr>
<tr>
<td>Certification</td>
<td>100%</td>
<td>99%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Sales Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Email Capture</td>
<td>14.2%</td>
<td>15.7%</td>
<td>16.1%</td>
<td>15.4%</td>
<td>14.9%</td>
<td>15%</td>
</tr>
<tr>
<td>Referrals to JCP.com</td>
<td>56%</td>
<td>52%</td>
<td>50%</td>
<td>50%</td>
<td>51%</td>
<td>50%</td>
</tr>
<tr>
<td>Profit Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care Plan: Fine Jewelry</td>
<td>30.2%</td>
<td>29.9%</td>
<td>30.1%</td>
<td>29.1%</td>
<td>32.4%</td>
<td>30%</td>
</tr>
<tr>
<td>Care Plan: Furniture</td>
<td>N/A</td>
<td>N/A</td>
<td>34.4%</td>
<td>32.9%</td>
<td>34.7%</td>
<td>35%</td>
</tr>
<tr>
<td>Door to Floor Productivity</td>
<td>107</td>
<td>105</td>
<td>108</td>
<td>105</td>
<td>104</td>
<td>105 units/hr</td>
</tr>
<tr>
<td>Shrinkage</td>
<td>0.4%</td>
<td>2.9%</td>
<td>1.5%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2%</td>
</tr>
</tbody>
</table>

(JCPenney, 2011b)
Products

The products that the JCPenney Company is focused on in the current marketing strategy are power brands. These are mostly private brands exclusive to the company along with a few national brands. The most important power brands to the JCPenney Company are:

- St. John’s Bay
- A.N.A
- Bisou Bisou by Michele Bohbot
- Stafford
- MNG by Mango
- Liz Claiborn
- Allen B. by Allen Schwartz
- Decree
- Arizona
- Linden Street
- Cindy Crawford
- Cooks
- American Living by Ralph Lauren
- Studio
- Ambrielle
- Worthington
- Olsenboye by the Olsen twins
- Super Girl by Nastia Liukin
- Sephora
The new mainstay of the company is a strategy of offering “good/better/best” options to consumers (JCPenney, 2011b). Overall, most of the power brands successfully speak to the target customer and are very effective in bringing consumers into the store to make a purchase. However, the American Living and Studio brands have not proved successful and these two brands are hindering the company rather than helping.

**Pricing**

The current pricing strategy for the company relies on value pricing coupled with strategic markdowns. JCP has completely reformatted its pricing strategy that is now deemed the “Fair and Square” approach. Everyday items in the store are now denoted with a red sticker and a low price. Special monthly values that remain at a lower price for the entire month are denoted with a white sticker and are priced slightly less than those with the red tags. Finally, blue stickers denote “best value,” a new term that indicates clearance merchandise at its lowest value before liquidation. The company offers “best value” items on the first and third Friday to coincide with the average payday (Mohammed, 2012). All sales promotions, coupons and door busters have been eliminated from the company’s pricing strategy. This is a complete overhaul for a company that formerly relied very heavily on promotional pricing to drive sales. In the 2011 sales year, JCP offered 582 promotions (JCPenney, 2011b). Constantly offering coupons on top of weekly sales creates consumer disinterest; the idea that there will always be a sale or a better sale next
week keeps consumers from continual shopping (Quelch, 2008). The new format that JCP has adopted alleviates the former problems faced by continual promotional pricing.

Promotion

Promotion for the company was previously focused on merchandise value and in-store sales. As listed in the former pricing strategy, promotional sales were a very large part of JCPenney’s marketing strategy. Current promotional endeavors have been utilized such as the company’s collaboration with the magazine People’s StyleWatch. The collaboration between JCP and People’s StyleWatch has created in-store displays that highlight merchandise that was featured in the magazine (Dishman, 2010). Additionally, JCP has utilized the “Who Knew” campaign aimed at young adults and women in their thirties showcasing fashion forward apparel that was once not associated with the JCPenney Company. Finally, more product placements in magazines like Seventeen, Teen Vogue, Glamour, and People as well as television shows such as E! News and Extra have been closely targeting more fashionable consumers (JCPenney, 2010a).

In a society of shifting priorities, JCP has attempted to keep up with the new social concerns and to use them towards appealing to newer, younger demographic. Recently, JCPenney partnered with comedian Ellen DeGeneres to appear in television advertisements for the company. This caused many of the more traditional customers of JCP to question their purchasing decisions, primarily due to personal feelings about Ellen DeGeneres’ sexual orientation. JCPenney did not back down from their offer to Ellen. The company recently ran their first ads with the television persona during the Academy Awards, a program with a large viewing audience. Placing the ad strategically during the Oscars allowed JCP to reach the demographic that is most likely watching Ellen’s daytime TV show, the household shopper. JCPenney’s partnership with Ellen has illuminated a shift in the target market for JCP. While the
company used to cater to the middle-aged demographic with sales and coupon flyers, the new JCP is determined to win over the younger demographic by aligning themselves on the side of divisive political and sociological issues that the younger generations support. JCP is still catering to its middle class household shopper target by using Ellen, who has a very successful daytime TV talk show with a large viewership. The incorporation of Ellen as a spokesperson and the expansion of certain areas of the store, especially the inclusion of the successful cosmetic chain Sephora inside the stores themselves, has aided JCPenney in courting the 18-35 year old female demographic (Sorescu, et al., 2011)

Even JCPenney’s new statement of “We want to be our customer’s Favorite store” ties in with the sentimentally-driven choice of target market. By making the store appeal in ways outside of simply showcasing the merchandise in the store, JCP is attempting to convince its customer that supporting the store is supporting the company, and that supporting the company is something that they want to do. JCP believes that their company and the consumer community are linked in that the consumers’ achievements directly impact the success of the company (Altman, 2004). By supporting JCP stores, the purchasing customers send a message that they approve of what JCP is doing with their policies and social decisions. The company's goal is not for its customers to consider JCPenney as the coolest store, the cheapest store, or even the best store. They want customers to feel good about going to a JCP store; they want it to be their favorite experience (JCPenney to Reinvent Pricing, Identity and In-Store Experience, 2012).

The main competitors for the JCPenney Company are Kohl’s and Macy’s. These retailers are the most competitively matched in price, products, and awareness. Between the three stores, JCP’s performance ranks lowest in regards to sales volume, but has still made a profit for the fiscal year so far. Reviewing each firm’s nine month quarterly statement revealed that net sales
were the lowest by almost 4%. JCPenney’s market share is in jeopardy with Macy’s strong quarterly finish. Analysts predict that Macy’s will take market share this year (Talley, 2010). However, JCP is very closely matched with Kohl’s in performance of power brands and of net sales. As for company awareness, JCP has spent much more on promotions and advertisements than Kohl’s, but less than Macy’s. Performance of the industry as a whole is expected to be up by 4.5% overall (Talley, 2010). However, JCP is not living up to the 4.5% gain. A major cause for this declining performance is the economy. Middle income customers are hardest hit by the recession and retailers that are catering to them are struggling as well (Bureau of Labor Statistics, 2011). Additionally, discount retailers like Target and Wal-Mart are taking away a large portion of sales because of convenience (Blair, 2010).

Customer Environment

The current customer of JCP is described in the JCPenney Company 2011 Business Improvement Plan. This consumer is a middle income white female with children and a significant other (most likely her husband) within the age range of 35-54 (JCPenney, 2011b). This customer resides in the suburbs of major and small cities. The consumption habits of this customer are based within the key family consumption role. The consumer is typically the decision maker in the purchase process for the family unit; she is the “buyer” “decider/gatekeeper” and “disposer” (JCPenney, 2011b). The values and lifestyle of this customer indicate that they have a strong family orientation and that the activities that she partakes in are mostly family related. The buying habits for these consumers are occasional shoppers who focus on larger promotional events to purchase and utilize coupons or promotional deals, even if it means spending more to get a discount (JCPenney, 2011b).
Although this is the core customer for the JCPenney Company, another potential customer would also suit the changing store. This customer is a young adult white female between the ages of 22 and 29 who is either in college or has recently completed college. This customer base would soon be entering the workforce and have disposable income, but because of the recession it would not be a large income. This is a great potential consumer for JCP especially with the addition of lines such as Sephora, Allen B., Bisou Bisou, and other contemporary brands. This consumer would also fit into many of the promotional campaigns that JCP is introducing. Overall, this customer could help invigorate the store. At the same time, however, this customer base could inhibit other consumers from continuing to shop. Elderly women who currently shop at JCP may be put off by excessive contemporary brands and changes within the store. JCPenney must carefully include this new market of customers to ensure the continued comfort of older consumers.

The products offered at JCP stores furnish homes and clothe the family. Clothing is the number one merchandise sold at the store. Constant changes in apparel, whether fashion or climate related, creates a strong usage rate for consumers shopping at the store. Women’s apparel is the most frequently shopped location in the store and produces the most sales. The average JCP customer will shop and purchase in the store once every three months (JCPenney, 2011b). The consumption rate is moderate and there is a constant disposal of clothing merchandise. Consistent change in products offered provides a benefit to the consumers that want to refurnish their home, family, or self. Most purchases by the current customer include items for the whole family (JCPenney, 2011b). Most products are purchased as a solution and sales are not based on complementary goods.
The greatest purchase preference for the current consumer is in-store purchasing. This is followed by internet purchasing and finally catalog purchasing. Online purchasing has increased by 3.0% over the last year and is continuing to grow (JCPenney, 2011b). Most consumers purchasing through the catalog are aged 55 and older.

As previously stated, JCP currently employs the use of “everyday value” or “fair and square pricing.” This has greatly affected when consumers make their purchases. Weekend shopping has greatly diminished and more volume is sold during the weekdays or the first and third weekends of the month. This reflects that the current consumer will likely purchase during the week or come to the store on the first or third Friday to see new markdowns. Updated pricing has been developed by looking at an item’s price from the previous year and adding all of the previous promotional discounts on top of the sale price. Therefore, products are now constantly at their lowest price instead of once every month or two based on the former promotional schedule (Reda, 2012). Pricing and merchandise offerings are the two main reasons that consumers select JCPenney’s products.

The JCP Company also offers strong customer service, which has kept consumers returning to the store to make purchases (JCPenney, 2011b). JCP has been first in customer service for department stores for three years in a row by the NRF (National Retail Federation) Foundation/American Express. This honor has been proudly proclaimed by the retailer and none of its direct competition is within the top 10 (NRF, 2012).

Private and exclusive brands are another large reason that customers choose JCPenney over the competition. Offering brands including MNG by Mango, Sephora, and Liz Claiborne has greatly differentiated the company from its strongest competitor, Kohl’s.
Due to a perception of low quality, potential customers may choose not to purchase JCPenney’s merchandise. Consistent low prices on products gives some buyers the impression of low quality goods. In addition, the desired younger demographic is not the primary target market and are less likely to shop at a store aimed at older women. A large competitor of JCPenney is Target, where low prices for perceived quality goods can be found. Target has a very loyal following among the younger demographic, which may be inhibiting them from shopping at JCP (JCPenney, 2011b). Other fast fashion retailers like Forever 21 and H&M are growing and moving into more malls, which also take away from the younger demographic.

There is potential to convert customers to shop at JCPenney by updating the target consumer and updating stores to reflect the consumer’s additional needs. Also, eliminating brands that are not performing well or are found uninteresting to consumers and replacing them with brands aimed at the younger market could entice customers into stores. Finally, eliminating unnecessary sales, which lowers the perceived quality of merchandise, by slightly reducing the original ticket price should gain consumers. This pricing technique would raise perceived quality while maintaining a low price point for customers.

External Environment

The major competitors of the JCPenney Company are Macy’s Inc and Kohl’s. Following the earnings and profitability of the last three quarters, Macy’s was the strongest competitor. Macy’s has consistently performed and exceeded its previous year’s profits. However, Kohl’s is the closest in competition to JCP in all regards. The characteristics, price, promotion and products offered at Kohl’s are almost identical to those found at JCP stores. The major difference between Kohl’s and JCP is the lack of customer service found at Kohl’s stores. Macy’s characteristics and products are slightly different from JCP stores and offer slightly
higher end merchandise and the price is reflective. Also, Macy’s utilizes its historic appeal in its very successful promotions. JCP has the history, but does not have the historic reputation of being a premier department store like Macy’s. Another strength that the Macy’s company possesses is premier location and sponsored events. The Macy’s Thanksgiving Day Parade is extremely popular and well known, as is its historic store in Herald Square. Although Macy’s does offer customer service, however, it is not as exceptional as that found at JCPenney. An additional strength for Macy’s is its endorsement deals with celebrities and designers. A recent series of holiday commercials for Macy’s, which featured a variety of celebrities and designers, amplified the store’s appeal and its awareness to consumers. Macy’s offers occasional promotional sales, yet not nearly as many as JCP or Kohl’s. The major weakness of Macy’s is its higher price point. It does create a sense of higher quality, but economic problems affect consumer purchasing habits. A strength for Kohl’s is offering low price points comparable to those offered by JCP. Additionally, Kohl’s has started a campaign that highlights its own successful collaboration with celebrities and designers.

In terms of economic growth and stability within the global market, inflation and the recession have had a major impact on all retailers. The global economic crisis has impacted distribution, supply, raw materials, and the way in which consumers now shop. Value oriented shopping has become the standard for most Americans. The middle income bracket has been the most effected by the recession in regards to job loss (Bureau of Labor Statistics, 2011). The current unemployment rate is 9.3% and the youth unemployment rate is 19.1% (Bureau of Labor Statistics, 2011). The youth demographic is an important consumer market for the JCPenney brand, but is faced with dramatically high unemployment. The recession is starting to slow and even show some improvements, but consumers are still cautious. Additionally, due to the global
economic crisis, other countries that have relied on inexpensive exports to distribution centers are becoming phased out by larger more industrialized competitors, like China, India, and Bangladesh (Gereffi & Frederick, 2010). This crisis has raised awareness of countries that need support during these times and the impact that apparel retailers have on the global economy. The impact on retailers is social responsibility and to minimize distribution, raw material, and supply costs as much as possible. The MFA/ATC restricted exports to the major consuming markets with quotas on the volume of certain imported goods, which hindered many smaller countries from exporting through large buyers like the US and the EU. This also created a stronger selling market from China to buy all exported goods from smaller countries and resell them to large buying nations (Gereffi & Frederick, 2010). This is ethically wrong, but many retailers continue to participate in this because of the low purchase costs. Other trends within the economic growth are the celebrity, designer, and brand collaborations. These mergers and collaborations are very popular during tough economic times because consumers can purchase designer concepts at a fraction of the cost by selling them in department stores or discounters.

The most recent political trend that affects the retail industry has been President Obama’s agreement to extend tax-cuts to all level incomes for the next two years. This deal also extends unemployment benefits for qualified individuals (Wilson, 2010). Both of these deals are helpful for the recovering middle class. Although the decision was received with mixed messages from the Democratic Party, over half of Americans are pleased with the outcome (Wilson, 2010). People with middle class incomes will receive a larger tax cut and break for the next two years, which will result in more disposable income to spend at retail stores.

A regulatory change which greatly impacted retailers that rely on credit card usage and applications was the U.S. government passing the consumer friendly Credit Card Accountability,
Responsibility and Disclosure Act, or Credit CARD Act for short. This was part of the U.S. government’s recently enacted credit card reform. Provisions within the act prohibit arbitrary interest rate increases on credit debt and require penalties to be proportionate to the violation. This is a huge issue for store-branded cards because they are strong promotional selling points to customers. Additionally, the store credit cards track purchases and can inform marketing decisions and consumer purchase patterns. Stores that partner with larger credit card companies are most affected, which includes JCP. Companies that have profit-sharing deals with the banks gain a portion of the interest fees accumulated, which can make up a substantial profit margin.

The latest trend in technological advancements for retailers is using mobile technology to increase their exposure to consumers. The creation of smart phones and more advanced mobile devices has created a new outlet for retailers to showcase promotions and offers to customers. JCP has created several programs that are compatible with smart phones, including a mobile commerce site, location based check-in offers, enhancements to its mobile apps, mobile coupons and an iAd platform application through Apple (JCPenney, 2010c). The mobile commerce site offers customers easy phone access to JCP.com to purchase merchandise as well as the “Find Near Me” button that utilizes GPS capabilities to locate the closest store. The location based log-in offer presents customers with a special discounted purchase when the consumer accesses the promotion through mobile media on the phone. Other mobile enhancements include a fully interactive JCP.com experience adapted for smart phones. Mobile coupons can be utilized on all phones with texting capabilities and offers the consumer a weekly text coupon to take to the store. Finally, the iAd is an interactive mobile ad that can be accessed only though the iPad or iPhone, which features games, coupons and interactive activities to create an easier shopping experience (JCPenney, 2010c).
One of the biggest sociocultural trends affecting the retail industry is the amount of young adults seeking higher education after high school (The College Board, 2011). It has practically become the norm for high school graduates to attend some sort of trade school or college. The graduates of college will earn 66% more than those who only finish high school (The College Board, 2011). The increase in education also increases student debt and more people competing for the small amount of positions available. One of the desirable consumers for the JCPenney brand is young adults either in college or graduated from college. Unfortunately with the economic situation, these individuals are struggling.
MARKETING GOALS AND OBJECTIVES

The current marketing goals for the JCPenney Company have dramatically changed over the past months. These new goals reflect the desire to change not only the promotional structure of the company, but the image, store environment, and consumer target market. The current goals, however, still follow the mission statement set by the company several years ago.

JCPenney’s goal for customer satisfaction is to remain first and continually grow as a customer oriented retailer to ultimately become America’s favorite store. Several objectives have been set by the company to achieve this goal.

- One objective is to continue to focus on customer satisfaction and loyalty by remaining first in customer service as ranked by the NRF Foundation/American Express for department stores and to raise the overall ranking to 3rd over the next fiscal year (JCPenney, 2012b).
- Another objective related to customer satisfaction is to raise the OSAT score to 70% by the end of the next fiscal year (JCPenney, 2012b).
- A final objective is to raise the accessibility in the store and ease of finding merchandise to at least 60% by the end of next fiscal year (JCPenney, 2012b).

To attain the aforementioned objectives, JCPenney’s new format is designed to alleviate the main concern of consumers. The largest issues found from a consumer focus group and CustomerFIRST surveys included too many promotional devices which left the idea that merchandise was not high quality, that products were not worth the price, that pricing and promotions were confusing, and that the store did not meet the needs of the consumers (Cotte & Ritchie 2005). The updated in-store environment has been rolled out to showcase advertised merchandise in a very dramatic and easy way. The use of a monthly color allows consumers...
looking for monthly values to easily find them by looking for the color blocked areas (JCP Life, 2012).

Goals for associate satisfaction are to create and hire more loyal employees and empower them to serve both themselves and the customers better. The objectives are as follows: to raise the associate retention/overturn score to 62% over the next year, to create and utilize a slightly longer training program for associates that includes expansion opportunities, and to develop very specific in-store training to prepare them for the new store structure that has recently been rolled out (JCPenney, 2012b).

One area affecting associate satisfaction was that continual price changes and never-ending promotions were found to be just as confusing to associates as to customers. This data was discovered in the resignation survey that associates take when leaving the employment of the store (JCPenney, 2011b). Another area of concern seen by associates was the store’s organizational system. When surveyed, most employees did not know who to directly report to or who the manager of the department was. Flattening the organization structure has helped to simplify the management team for associates (“Remaking JC Penney's Organizational Culture”, 2007).

Another goal reflects the need to address the target markets of the JCPenney brand. The main focus is to expand the young, trend-forward family market in apparel and accessories. A secondary focus is to continue to satisfy the primary target market with well selected merchandise and promotions. The objectives for both of these focuses follow (JCPenney, 2012b).

• Increase awareness of the JCP selections with commercial advertisement similar to Target campaigns and integration of new spokesperson Ellen DeGeneres (JCPenney, 2012a).
- Increase promotion for contemporary brands in television placements, magazine placements, and traditional advertisements by 5% over the fiscal year (JCPenney, 2012b).

- Consistent growth of power brands like Liz Claiborne, Sephora inside JCPenney, and A. N. A. 15% over the fiscal year (JCPenney, 2012b).

Integration of the desired target market will be affected by the new company roll out.

Changing the shape of JCP and assuring consumers that it is no longer the same store will be a key element in gaining new markets. Currently, the primary target market is the most effected by the changes and likely to return with continual growth of power brands and the newly integrated pricing system.

Additional goals are to grow sales and profit over the year and objectives of these are as follows.

- Increased online referrals in store from 50% to 55% over the course of the year.

- Increase in sales of the home department by 2% over the course of the year.

- Meet or exceed EBIT (earnings before interest and taxes) from the following fiscal year.

A main desire and undertaking for the company is to grow their online service JCP.com.

Increasing gift registry, referrals, and online orders placed in the store are additional growth areas for the company. Currently, JCP registry is only 5-9% of online activity and only 12% in-store activity (JCPenney, 2011b). The desire to increase online presence is a goal of many retailers as of late, due to more consumers shopping online because of the convenience of the process (Clodfelter & Overstreet, 2010). Furthermore, registry and online sales are a huge growth opportunity because of the limited penetration of sales in these areas.

Past goals and objectives of JCP were focused solely on the overhaul of the brand. The major immediate change has been the pricing/promotional reformat. This change alone has
dramatically changed the look and feel of JCP. New initiatives are designed in a way to straddle the fence between gaining new customers and keeping loyal consumers happy. Maintaining the loyal JCP customer has been a tricky element throughout the process. To do this, JCP has not altered its product strategy from the past several years. This has involved integrating some new brands, while maintaining power brands and not eliminating any brands in the process.

JCP has the unique opportunity to re-create its image, branding, style, store environment, pricing, and promotion; in fact, every aspect of the store is changing except for the products. This is an area of huge growth opportunity for JCP to consider moving forward on. After JCPenney’s current changes are implemented and seen by consumers, the novelty is likely to wear off. What can JCP do to shift the focus from ‘here’s what we did’ to ‘here is where we are going?’ The merchandise offered to consumers is the key to the new image of JCPenney. With the opportunity for new assortments and interesting product models, the company could maintain the attention of consumers and build new loyalty within a changing target market. The goal of a successful product strategy for JCP would be to offer additional products without eliminating existing brands. To execute this process, a new product strategy must be implemented with a drastic change to the merchandise of the store.
MARKETING STRATEGY: PRODUCT STRATEGY

JCPenney’s current product assortment is very similar to its 2009-2011 plans. Major emphasis on apparel, accessories, and shoes from private brands has been the standard for the company, while home furnishings had an attempted restructuring with limited success (Sloan, 2010). In its current product strategy, there are gaps that can be filled and opportunities to take advantage of. Looking at the company’s current marketing scheme of monthly prices and monthly advertisements, the use of limited time merchandise would greatly impact in-store activity year-round. This marketing also has roots in the traditional department store design. Looking back, department stores in the 1950s and 1960s offered rotational lifestyles that changed based on season and holiday (Lipson & Cannon, 1952). The opportunity arises to create a store that is somewhere between Target and Marks & Spencer, which is a currently underutilized store environment. With all its reinvention, JCPenney could create a bridge between discount and luxury. The proper assortment of products is essential in creating this updated store environment. Offering a monthly merchandise assortment that fits the needs of consumers for each month would combine the strength of fast fashion with the needs of a traditional department store. All this is possible while creating the new image of JCPenney.

Returning to Traditional Department Store Needs

During its reinvention, JCP needs to utilize its strongest asset at the moment, Michael Francis, the new president of the company. Francis has a strong background in a traditional department store with his work in Marshall Field’s and in the reinvention of Target (Mattioli & Zimmerman, 2011). Products featured at JCP should follow that of past department stores and offer a wide variety of products. They should also implement the creation of vignettes within
each department, crossing brands and departments to create a unified multidimensional shopping experience.

Product expansion should be made in the areas of electronics, home/outdoor furnishings (soft and hard), and cosmetics. Offering electronics that are high quality during essential gifting months like Father’s Day, Christmas/Holiday, and Back-to-School will create a one stop shop for customers. Trendy products like e-Readers have been featured at JCP during Holiday season in the past; however the response has been lack-luster due to the anonymity of the brand (JCPenney, 2011b). Developing partnerships with Amazon’s Kindle or Barnes and Nobel’s Nook e-Readers could be featured in the store during the gifting months or year-round with special values or offers during peak gifting times. Along with trendy products like e-readers or tablets, the standard electronics like digital cameras and televisions would also make a strong statement within the store.

Another area of expansion would be the home/outdoor furnishings. These products are mostly offered online, if at all. In-store displays of outdoor activities and sporting equipment could intermix with apparel that supports the theme. Running merchandise that fits with the monthly theme is essential to the success of expanded merchandise, especially outdoor furnishings or activities. It is also important to again rely heavily on trend brands or well trusted brands of equipment. Additionally, regions will need to be taken into account with the merchandise. An example of a well merchandised zone would be Region 5 (Central US reaching from the Dakotas/Montana to Nebraska) having cross-country skis from Wagner during November to January (Steiner, 2011). Summer outdoor activities that are self-contained games like croquette or bocce ball would also suggest a strong outdoor statement. The most important
aspect of expanding/creating these departments will be the partnerships with the distributors and the potential brands.

A very successful partnership between JCP and Sephora to create Sephora inside of the JCPenney store is a perfect area to expand. The expansion of SiJCP’s within JCP stores are incredible with over 100 new stores planned to be opening in 2012. Offering a greater selection of products within major volume locations would increase interest and awareness of both JCP and Sephora. Also, this would enable them to compete with Macy’s expanding “Impulse Beauty,” which has assortments of prestige beauty products similar to a free standing Sephora (Associated Press, 2010). Offering more prestige and specialty brands that are harder to find like Dior or Laura Mercier will have a strong first impression on customers looking for quality products. Raising the quality of merchandise available in the store with home, electronics, and cosmetics also opens the door for more prestigious temporary partnerships.

Using the Strength of Fast Fashion

Offering the products in a fast fashion approach (quick acquisition, limited stock, and no replenishment) fits with the current form of marketing JCP is utilizing. Monthly merchandise focus-pads are created within the store currently, yet independently from each division. Taking a page from H&M or Target and developing a short-term partnership with celebrities or fashion designers would greatly complement the current marketing scheme (Murphy & Baker, 2009). JCPenney can achieve the goal of overhauling the business and consumer perspective by integrating in affordable luxury. Fast fashion has become a way for consumers to acquire luxury during the economic recession. One of the most arguably successful and anticipated launches over the last year was Target’s collaboration with Missoni (Target’s Missoni Moment, 2011).
As for JCP, they could use the opportunity and shift focus from major fashion designers to sporting equipment giants or luxury cosmetics companies.

Utilizing the model of fast fashion and employing it into monthly needs in the areas of electronics or outdoor activities could revolutionize what JCP offers. As mentioned earlier, JCP could partner with Amazon or Barnes and Noble to carry the most popular e-readers during November and December. The Kindle or Nook could be featured in the monthly catalog for the normal pricing, but without shipping costs or hassle. In order to create a strong interest in the monthly product launches, JCP could advertise them as a limited time product with a limited quantity. The main areas and offerings that JCP could expand to achieve maximum penetration in sales for products include seasonal outdoor equipment and furnishings, trend electronics, apparel, accessories, and luxury cosmetics.

The areas of apparel and accessories are currently highly marketed and most stores are utilizing that product strategy. Most of the competitors for JCP are offering collaborations with designers or celebrities, either in short-term contracts or longer engagements. JCP does currently offer a few different collaboration brands such as Olsenboye by the Olsen twins and I Heart Ronson by Charlotte Ronson (JCPenney, 2010b). An apparel or accessory collaboration should be first month-long partnership to set a new precedence in the store. Starting with an already popular idea will inform consumers of the new style of product offered. Then, after testing the apparel market, moving in to the areas of seasonal interest (like outdoor activities or electronics) will have already set store expectations and consumer expectations (Cooper, 1984).

Finally, offering cosmetic collaborations and electronics during holiday and gift giving seasons will yield the highest awareness to this process and will gain the most attention in media and with consumers. Collaboration between JCP and the distributors of the desired brands is
incredibly important in acquiring the correct amounts of product at the appropriate time. Some issues have been involved with Sephora in sending in the appropriate products or featured products to the JCP stores to match marketing media (JCPenney Hotline Online Communication, 2012). The most important aspect of introducing new products into the store assortment is to maintain the new image of JCP with every decision.

Maintain New JCPenney Image

The new image of JCP is heavily reliant on the idea that they will become the family’s favorite store. JCP has already released a statement that they are actively searching for American-made products to be used within the store (Speer, 2012). Aggressively acquiring US brands and distributors will help the economy as well as help associate JCP with quality US products. Short term partnerships can be forged with US companies to create continuity between each month’s new set and new product array.

Another way to maintain the continuity with the new image of JCP is to offer monthly changes that are designed to fit in to the consumer’s life. The format of a one stop shop will help achieve this goal. Assortments based on monthly needs or wants will help simplify shopping for the consumer and it will imbed the idea that every month JCP will have new, fresh, and needed inventory. Currently, the average shopper for JCP visits the store three times per year (JCPenney, 2011b). Introducing monthly rotational products will bring consumers into the store much more frequently. Plus, the current marketing format features the new catalog advertisement that has the month-long values on essential items each month (Speer, 2012). The rotational products that are designed with the month in mind would fit perfectly into the existing marketing plan. The following product strategy for JCP will maintain loyal consumers, gain new trend-forward consumers, and maintain the newly cultivated image of the company.
RISKS AND CHALLENGES

As with all plans and potential gains, there are associated risks or challenges that must be addressed and acknowledged prior to implementation. The suggested recommendations to JCPenney’s current product strategy are potentially high risk because of the estimated cost, timeline, and the interest level of the target market.

A return to the original department store format is the first recommendation, which would set JCP apart by creating a store that is somewhere between a discounter like Target and a higher end department store like Bloomingdales. The inherent challenge with this implementation is whether or not the market is interested. It is imperative to determine if the consumer market would support a hybrid store environment as described in the recommendations. Currently, JCP is striving towards this uncharted retail atmosphere by changes that the company has already made to its pricing, marketing, and store environment. One area to consider before moving ahead with this recommendation should be to consult with suppliers to determine the practicality of introducing new areas to the store. Additionally, the company should consider conducting a broad market study to examine if consumers are interested in a middle ground one stop shop.

A second recommendation suggests creating partnerships between JCPenney and trendy brands or customer favorite brands within the new market areas. This recommendation is formatted to the model of fast fashion. This is a moderate risk recommendation because it involves incorporating a second company into the assortment mix for only a limited period of time. Fast fashion partnerships have been extremely successful for many retailers and brands, however it is still important to research the top brands and to make it worth their time to work with JCP. With the excitement surrounding JCP’s new re-launch and the trend forward CEO and President, the company will probably not have an extremely difficult time courting potential
brands. The company’s recent highly successful partnership with the cosmetic chain Sephora has opened the door for JCP to partner with designer and trend forward brands. What is potentially challenging about this recommendation is the ability to allocate and merchandise products in the appropriate time and within the set budget. Allocation and supply chain can be tricky to navigate with multiple companies and over 1,000 stores nationally (JCPenney, 2011b). It will also be important to work with the partnering brands to collaborate merchandise that fits into the JCP image.

The last recommendation is focused on implementing the new product changes to fit into the current image that JCP has created. Offering the monthly rotational merchandise is a moderate to high risk because of allocation/buying, supply/distribution costs, and consumer interest. Most retailers are set on seasonal merchandise changes and occasional between season merchandise. The buying process for merchandise is usually selected for the upcoming season in the beginning of the previous season. This modification to choosing merchandise and dispersing merchandise could prove challenging for JCP. Although the supply chain for the company is currently quite efficient, it will have to reformat to accommodate the new merchandise and new brands. Consumer interest is an area of focus that can also be risky. Research needs to be conducted on the attractiveness of monthly rotational merchandise that is limited in stock and assortment. While many retailers have had successes with this type of product assortment, it needs to be determined if it will be as successful at JCPenney.

Overall, the recommendations offered to the company’s current product strategy are both high risk and high reward. JCP should research and conclude if the potential gains outweigh the challenges offered with these suggestions.
MARKETING IMPLEMENTATION

To implement these recommendations into JCPenney’s marketing strategy, several changes will need to occur. First, initial research is required as to what products will be most utilized by consumers, specifically seasonally affected merchandise, and what brands consumers are most interested in. This is the most important part of implementation because it will lay the ground work for offering the correct products and the timing at which the products will arrive in stores. The next step in implementation is to partner with the most desirable brands and agree upon contracts between JCP and the newly acquired temporary brand. Then, distribution centers and allocation of product needs to be created and agreed upon. This step may take some time to properly implement due to differing headquarters of collaborative companies and their distribution centers. Once distribution and allocation is finalized, the store environment team will need to establish specific locations, pricing, signage, and marketing for these products. The marketing departments will also need to adjust the monthly advertisement catalog and other media advertisement to raise awareness of the new collaborative products. A selection process will need to take place after marketing has finalized plans. The store selection process should take into account which stores will have the best penetration of market, highest overall volume, and if there is a “need” basis for the products to be rolled out. The final phase of implementation will be in store rollouts executed by the store teams. A detailed listing of implementation activities is provided in table 2, where all time assumptions and budget requirements have been established by the current cost structures and rollout timelines featured in JCPenney’s 2011 business model.
<table>
<thead>
<tr>
<th>Specific Tactical Activities</th>
<th>Person/Department Responsible</th>
<th>Required Budget</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Activities</td>
<td>JCPenney legal department,</td>
<td>$1.2M</td>
<td>1. 1 Month</td>
</tr>
<tr>
<td>1. Research trends and consumer needs for outdoor activities, electronics, and prestige cosmetics.</td>
<td>Marketing, Buying team, Customer Insights team, Selected store managers, Distribution sites, and Supply Chain leader/team</td>
<td>2. $100M</td>
<td>2. 4 Months</td>
</tr>
<tr>
<td>2. Start the negotiation process with desired brands.</td>
<td></td>
<td>3. $25M</td>
<td>3. 4 Months</td>
</tr>
<tr>
<td>3. Negotiate distribution costs, allocation, and availability of merchandise.</td>
<td></td>
<td>4. $500,000</td>
<td>4. 1 Month</td>
</tr>
<tr>
<td>4. Store environment team will design in store set up/planogram for new products.</td>
<td></td>
<td>5. $25M</td>
<td>5. 2-3 Months</td>
</tr>
<tr>
<td>5. Marketing departments now need to integrate new partnerships into aggressive advertising and media marketing tools.</td>
<td></td>
<td>6. $500,000</td>
<td>6. 1 Month</td>
</tr>
<tr>
<td>6. Store selection process will begin to decide which locations will best suit the new product assortments.</td>
<td></td>
<td>7. $2.5M</td>
<td>7. 1 Month</td>
</tr>
<tr>
<td>7. In store roll out and merchandising can begin.</td>
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</tbody>
</table>
SUMMARY

The JCPenney Company considers its customers as its number one priority and has provided them with an abundance of sales and promotions. Today, JCP has further expanded its brands into on-trend fashions and partnered with successful product lines such as Sephora within JCP stores. In doing so, JCP has positioned itself to serve a wider range of consumer’s wants and needs. Recently, the company has undergone a transformation from a barrage of constant sales and discounts to a more streamlined, manageable set of monthly promotional specials. Overall low prices have replaced sales and coupons of the past. Consequently, the company has updated to a trendier look, while attempting to keep up with competitors such as Macy’s and Kohl’s. Although much of JCP’s new look and pricing has assisted the company in appealing to target demographics, additional merchandising steps could still be taken. Creating additional partnerships with high-end, trend-forward, or well established brands is not only popular, but would continue to elevate the image of JPC. Expanding the stores’ products with new brands and new merchandise in areas such as outdoors, electronics, home furnishings, and cosmetics could move JCP into a position where their stores would cater to more of their customers’ needs. Utilizing directed research into new products and brands, signing new brand partnerships, and implementing targeted store rollouts of updated merchandise would allow JCP move its new image forward and increase its presence in the lives of its customers. The unique opportunity to completely reinvent the image of this 101 year old store is being undertaken and the possibilities of this department store have never looked brighter. Innovation will be the number one resource for the JCPenney Company to succeed during these tough economic times and beyond.
REFERENCES


Reda, S. (2012). New strategy is a breath of fresh air for JCPenney. Retail’s BIG Blog, National Retail Foundation.


### APPENDIX 1

**Appendix 1: Appendix Table 1. Listing of Power Brands for Competitors.**

<table>
<thead>
<tr>
<th>Companies/Departments</th>
<th>Women’s Apparel</th>
<th>Men’s Apparel</th>
<th>Home Wares</th>
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<tbody>
<tr>
<td><strong>JCPenney</strong></td>
<td></td>
<td></td>
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<tr>
<td>• St. John’s Bay</td>
<td>• Stafford</td>
<td>• American</td>
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<tr>
<td>• ANA</td>
<td>• J. Ferrar</td>
<td>• Living</td>
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</tr>
<tr>
<td>• Allen B.</td>
<td>• Irreverent</td>
<td>• Studio</td>
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<tr>
<td>• Liz Claiborne</td>
<td>• American</td>
<td>• Linden</td>
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</tr>
<tr>
<td>• Bisou Bisou</td>
<td>• Living</td>
<td>• Street</td>
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<td>• MNG by Mango</td>
<td>• Liz</td>
<td>• JCP home</td>
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<tr>
<td>• American Living</td>
<td>• Claiborne</td>
<td>• collection</td>
<td></td>
</tr>
<tr>
<td>• Alfred Dunner</td>
<td>• Decree</td>
<td>• Cooks</td>
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</tr>
<tr>
<td><strong>Macy’s</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Alfani</td>
<td>• American</td>
<td>• The Cellar</td>
<td></td>
</tr>
<tr>
<td>• American Rag</td>
<td>• Rag</td>
<td>• Tools of</td>
<td></td>
</tr>
<tr>
<td>• Charter Club</td>
<td>• Club Room</td>
<td>• the Trade</td>
<td></td>
</tr>
<tr>
<td>• International Concepts</td>
<td>• Tasso Elba</td>
<td>• Hotel</td>
<td></td>
</tr>
<tr>
<td>• JM collection</td>
<td></td>
<td>• Collection</td>
<td></td>
</tr>
<tr>
<td>• Style&amp;Co.</td>
<td></td>
<td>•</td>
<td></td>
</tr>
<tr>
<td><strong>Kohl’s</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Simply Vera</td>
<td>• Chaps</td>
<td>• Casa</td>
<td></td>
</tr>
<tr>
<td>• Elle Contemporary collection</td>
<td>• Sonoma</td>
<td>• Cristina</td>
<td></td>
</tr>
<tr>
<td>• Abbey Dawn</td>
<td>• Croft &amp; Barrow</td>
<td>• Bobby Flay</td>
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<td>• Daisy Fuentes</td>
<td>• Urban Pipeline</td>
<td>• Food</td>
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<td>• Candie’s</td>
<td></td>
<td>• Network</td>
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<td>• Chaps</td>
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<td>• Simply</td>
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<tr>
<td>• LC</td>
<td></td>
<td>• Vera</td>
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</tr>
</tbody>
</table>

(Company profiles and brand identification, 2012)
## APPENDIX 2

**Appendix 2: Appendix Table 2. NRF Foundation Customers’ Choice Awards Top 10 for 2008, 2009, 2010 and 2011.**

<table>
<thead>
<tr>
<th>Year/Rank</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>L.L.Bean</td>
<td>L.L.Bean</td>
<td>Zappos</td>
<td>Amazon.com</td>
</tr>
<tr>
<td>2</td>
<td>Overstock.com</td>
<td>Overstock.com</td>
<td>Amazon.com</td>
<td>L. L. Bean</td>
</tr>
<tr>
<td>3</td>
<td>Zappos.com</td>
<td>Zappos.com</td>
<td>L. L. Bean</td>
<td>Zappos</td>
</tr>
<tr>
<td>4</td>
<td>Amazon.com</td>
<td>Amazon.com</td>
<td>Overstock.com</td>
<td>Overstock.com</td>
</tr>
<tr>
<td>5</td>
<td>Lands' End</td>
<td>QVC</td>
<td>Land’s End</td>
<td>QVC</td>
</tr>
<tr>
<td>6</td>
<td>Newegg.com</td>
<td>Coldwater Creek</td>
<td>JCPenney</td>
<td>Kohl’s</td>
</tr>
<tr>
<td>7</td>
<td>JCPenney</td>
<td>HSN</td>
<td>Kohl’s</td>
<td>Lands’ End</td>
</tr>
<tr>
<td>8</td>
<td>QVC</td>
<td>Land’s End</td>
<td>QVC</td>
<td>JCPenney</td>
</tr>
<tr>
<td>9</td>
<td>Coldwater Creek</td>
<td>JCPenney</td>
<td>Nordstrom</td>
<td>Newegg</td>
</tr>
<tr>
<td>10</td>
<td>Nordstrom</td>
<td>Kohl’s and Nordstrom</td>
<td>Newegg</td>
<td>Nordstrom</td>
</tr>
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</table>

(NRF, 2012)
APPENDIX 3

Appendix 3. JCPenney Logo 2012

(http://www.jcp.com)
<table>
<thead>
<tr>
<th>Preface to Question or Scale</th>
<th>Question</th>
<th>Additionally Requests</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Using a scale where 10 means Extremely Likely and 0 means Not At All Likely...</td>
<td>How Likely are you to recommend JCPenney to a friend?</td>
</tr>
<tr>
<td>2</td>
<td>Please rate your satisfaction with… Highly Satisfied, Satisfied, Neither Satisfied nor Dissatisfied, Dissatisfied, and Highly Dissatisfied</td>
<td>Your overall experience at this JCPenney store</td>
</tr>
<tr>
<td>3</td>
<td>A multi-tab pull down menu with the choices: Merchandise Purchase, Exchange or Return of Merchandise, Gift Card Purchase, JCPenney Charge Card Payment, Salon Visit, Optical Visit, Portrait Visit, Other</td>
<td>Which of the following best describes the purpose of your visit?</td>
</tr>
<tr>
<td>4</td>
<td>Yes or No</td>
<td>Did you visit the restroom?</td>
</tr>
<tr>
<td>5</td>
<td>Please rate your satisfaction with… Highly Satisfied, Satisfied, Neither Satisfied nor Dissatisfied, Dissatisfied, and Highly Dissatisfied</td>
<td>The styles offered at JCPenney, The courtesy and respectfulness of the associates, The overall cleanliness of the store, The availability of assistance, The availability of sizes, The cleanliness of the restroom</td>
</tr>
<tr>
<td>6</td>
<td>Please rate your satisfaction with… Highly Satisfied, Satisfied, Neither Satisfied nor Dissatisfied, Dissatisfied, and Highly Dissatisfied</td>
<td>The aisles being uncluttered, The look and the feel of the store, The personal attention you received during checkout, The brands offered at JCPenney, The attractiveness of merchandise displays, The speed of checkout</td>
</tr>
<tr>
<td>7</td>
<td>Options available are 1-5</td>
<td>Please select “2” for this item</td>
</tr>
<tr>
<td>8</td>
<td>Yes or No</td>
<td>Did you experience a problem during your visit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>This question leads consumers to another question or further into the survey depending on response</td>
</tr>
<tr>
<td></td>
<td>Question</td>
<td>Options</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>9</td>
<td>Please rate your satisfaction with… Highly Satisfied, Satisfied, Neither Satisfied nor Dissatisfied, Dissatisfied, Highly Dissatisfied, and N/A</td>
<td>If you brought the problem you experienced to an associate’s attention, please rate your satisfaction with how well that problem was resolved. If you did not bring the problem to an associate’s attention, select N/A</td>
</tr>
<tr>
<td>10</td>
<td>Based on this visit, what is the likelihood you will… Highly Likely, Likely, Somewhat Likely, Not Very Likely, and Not At All Likely</td>
<td>Return to this JCPenney store in the next 3 months?</td>
</tr>
<tr>
<td>11</td>
<td>Yes, No, and Do not recall</td>
<td>Were you thanked by an associate during your visit?</td>
</tr>
<tr>
<td>12</td>
<td>Thank you for your feedback. For the following question(s), please rate your level of agreement with each statement, Strongly Agree, Agree, Neither Agree nor Disagree, Disagree, and Strongly Disagree</td>
<td>JCPenney is a place where I feel welcome</td>
</tr>
</tbody>
</table>

(http://www.jcpenney.com/survey)