



## Will J.C.Penney rebrand lure back-to-school shoppers?

**Apparel gets a style boost with better brands, mini-shops; prices were lowered 40%**

By Tanya Mannes

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If you visit a J.C.Penney store today, you might not recognize the dowdy old department store of years past.

The clothes look more stylish and the prices are lower. Gone are the cluttered aisles, the signs screaming “sale” and the paper coupons in weekly ad circulars. Boutique-like areas of the store highlight brands like Levi’s and Buffalo. Some employees can even ring you up using an iPad.

But will the changes be enough to lure customers this back-to-school season? With \$84 billion at stake, this time of year is critical for retailers, second only to the holidays in consumer spending.

CEO Ron Johnson has been leading a rebrand since February, the most sweeping evolution in the chain’s 110-year history. A veteran of the retail powerhouse Apple, he knew that a constant parade of clearance sales had trained customers to only buy things once they were marked down. And while J.C. Penney, which has six local stores in San Diego County, once had loyal fans, its brand value eroded over the years and the merchandise looked stale.

Under Johnson’s leadership, the Plano, Texas-based chain switched to a controversial “everyday low price” strategy. That effort has hit some bumps, but the prices remain about 40 percent lower than they used to be, with

no coupons. A pair of Arizona Jean Co. skinny jeans priced at \$17 today might have cost around \$26 last year, for example.

Now the stores are pumping up the style factor. They're unveiling attractive mini-shops with better brands and trendy fashions approved by Project Runway judge Nina Garcia.

"We don't want to be followers, we want to be leaders - and that's pretty exciting," said Robyn Galichon-Webb, store manager at J.C.Penney in Westfield Parkway mall in El Cajon. "We're refocusing more on the customer and making sure they have a good experience."

So far, the chain has struggled to get customers to pay attention, shown by its low stock price, which is currently trading around \$21, down from around \$40 at the beginning of the year. In May, the company reported a 20 percent sales drop in its first quarter compared with the same period in 2011. The company is scheduled to release its second quarter report this Friday, and Forbes contributor Walter Loeb believes that sales will continue to be depressed, forcing the chain to close some stores.

That's why this season is so important to get customers back. Nearly 60 percent of families with children will hit department stores for back-to-school shopping, according to a survey by the National Retail Federation.

J.C.Penney really has changed. With clean graphics and a new square logo, the stores look lighter and brighter, and some have been renovated. In addition to lower prices, there's a new price matching guarantee. For the month of August its salons are offering free haircuts for children in kindergarten through sixth grade. Brands are being corralled in mini-shops that "pop" visually and include:

- All-American denim: Levi Strauss & Co and The Original Arizona Jean Co.
- European fashion: MNG by Mango and i jean by Buffalo
- Cosmetics: Sephora, with a huge selection of fragrances, makeup and skin care

Customers shopping last week at Westfield Parkway Mall liked the changes and the lower prices.

"I was comparing the Levi's 501 jeans to (those at) Sears, and they're \$4 to \$5 more at Sears," said Steve Gebert, 54, of San Diego. "I like J.C.Penney. I like the strategy so far - I hope it can work."

Sherri Sarginson, 40, was browsing apparel racks with a friend. "I like that you don't have to hunt for coupons," said the La Mesa resident. She likes the mini-store concept. "If you're looking for a specific brand and you know what size you are, it's easier to shop by section."

Future mini-shops in apparel and home goods include Liz Claiborne, Martha Stewart and an in-house brand, jcp. Over the next few years, J.C. Penney plans to have more than 100 shops in each store surrounding a town square-like community gathering place.

J.C.Penney spokeswoman Sarah Holland said that the company is hearkening back to its roots.

"More than a century ago, James Cash Penney founded our company on the principle of the Golden Rule: treat others the way you'd like to be treated - fair and square," Holland said. "His legacy continues to this day, as we focus on boldly transforming the retail experience across our 1,100 stores and jcp.com to become America's

favorite store.”

Technology is a big part of the rebrand. A handful of employees have been trained with iPad checkout systems on the sales floor. The next step will be RFID (radio frequency identification) technology to allow self checkout, scheduled to roll out nationwide in spring 2013. And WiFi is coming soon.

Some observers question, though, whether the company can pull it off, noting that customers had trouble understanding the new pricing. J.C.Penney recently brought back clearance sales after acknowledging that customers were confused by the three-tier pricing system.

“We are moving from our previous pricing structure - everyday, month-long and best - to simply offering great low prices ever day,” Holland said. “Moving forward, we’ll price it low and keep it that way every day.”

The big factor? Time.

“It’s the right strategy for the wrong company,” said Denise Lee Yohn, a San Diego branding consultant who works with national retailers and restaurants. “First, JCP is a public company and has not earned enough shareholders’ confidence. Unlike Apple which was able to get The Street to cool its heels with some big, albeit isolated wins back in the late 90’s, JCP shareholders have demonstrated their impatience with the lack of results. The strategy needs time - something the company does not have.”

Yohn said that J.C.Penney made a mistake thinking it could change shoppers’ habits. “Today’s consumers have been trained to shop for sales, and in this economic environment in particular, discounts have proven to be the strongest purchase driver,” Yohn said. “Instead of thinking it could change people’s behavior, JCP should have tapped into their deal mentality with flash sales, instant rewards, VIP programs, and other technology-enabled tactics. “

Branding expert Patrick Hanlon, writing July 30 in Forbes, was optimistic about the company’s chances, despite the missteps. “Ron Johnson has surrounded himself with the brightest and most illuminating minds in fashion, retail, marketing, merchandising, human resources, and finance, to help cross-pollinate and ladder good-better-best ideas into an architecture of superb transformation,” Hanlon said.

Holland said that the company understands its transformation will take time. “We are re-imagining every aspect of our business and completely redefining the jcpenny brand to create a shopping experience that customers cannot get anywhere else,” Holland said. “Our transformation is a marathon, not a sprint.”

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