

JCPenny

by Jarroyo419 Jarroyo419

Submission date: 16-Feb-2021 08:25AM (UTC+0800)

Submission ID: 1510340074

File name: Strategic_analysis_of_JCPenny_Company.edited.docx (85.21K)

Word count: 1377

Character count: 7183

Strategic analysis of JCPenny Company

Student's Name

Institutional Affiliation

Date

Strategic analysis of J.C. Penny Company

Introduction

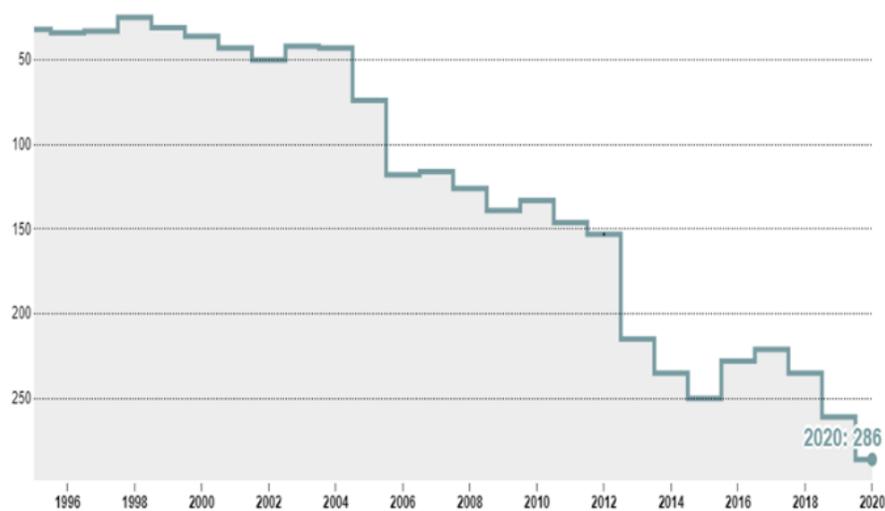
The company chosen for this assignment is J.C. Penny, an American departmental store that sells conventional merchandise, jewelry, footwear, apparel, accessories, and beauty products. It ranked 286 in Fortune 500 companies in 2020. The total return to investors in the last five years is -29.6%. Citing the effects of coronavirus, the 118-year old department store filed chapter 11 bankruptcy protection in May 2020. During the same period, J.C. Penny announced the closure of 242 stores, among the many stores it has closed in recent years. Clearly, the company is on its deathbed. The company faces stiff competition from companies offering similar products like Gap, Kohl's, and Macy's (Ofek et al. 2016). This has had devastating impacts on the company. A huge task lies ahead of turning the financial situation of the company around. Something has to be done to salvage the situation. This paper offers strategies for achieving a sustainable competitive advantage in the marketplace and increasing this nearly dead company's financial performance.

Current financial plan

Fortune 500 ranking

From the diagram below, we can see that the company's position in the Fortune 500 rankings has been dropping every year. The latest ranking was in 2020, where it ranked 286, its worst in history.

J.C. Penney Rank History



Activate
Go to Settings

J.C. Penny Finances from 2010-2018

Year	Revenue (in mil. USD)	Net income (in mil. USD)	Total Assets (In mil. USD)	Employees	No. of stores
2010	17,556	251	12,581	154,000	1,108
2011	17,759	389	13,068	156,000	1,106
2012	17,260	-152	11,424	159,000	1,102
2013	12,895	-985	9,781	116,000	1,104
2014	11,859	-1278	11,801	117,000	1,094
2015	12,257	-717	10,309	114,000	1,062
2016	12,625	-513	9,442	105,000	1,021
2017	12,547	1	9,118	106,000	1,013
2018	12,505	-116	8413	98000	872

The table above proves the financial crisis that J.C. Penny has been experiencing in at least the last eight years. The revenue and net income have been decreasing since 2010. Similarly, the assets and number of employees have been dropping drastically. The company has also closed numerous stores. This information shows that the company has been facing financial difficulties, and in May 2020, it filed for bankruptcy.

Competitive strategies

One of JCPenny's strategies to turn its fortunes around and avoid the imminent closure is by pursuing a merger with another company. One of the possible mergers it could pursue is eBay and Amazon because they are currently doing very well. Other possible solutions would be Kmart, Macy's, and Target, but they are also experiencing a financial decline. With the merger, the company can regain its market share. Mergers have been helpful to collapsing companies, a situation in which JCPenny is in now (Byron, 2017).

Another strategy that the company can use to revert its misfortunes is by embracing and expanding its social media platforms. According to Tonya (2017), social media marketing has become a common strategy to many companies, and JCPenny should embrace it. Nowadays, companies are using social media platforms such as Facebook, Twitter, LinkedIn, and Instagram to market their products. Tonya (2017) suggests that the company should learn from Amazon, which is now the biggest online shopping company. J.C. Penny can use social media platforms for advertising its products and allow its customers to shop online. Social media also helps connect different age groups and genders. In a world where Millennials make the biggest portion of the population, social media marketing provides the century's best marketing strategy. J.C. Penney should hire younger internet-savvy employees to look at the top trending topics and try to incorporate them in advertisements. While Facebook is the world's most popular social media site,

Twitter has grown a significant following for the past decade to become the number one growing social media site. Creating a hashtag that will trend on Twitter is a great way to get a different audience to notice the company (Byron, 2017). With the current pandemic, more and more people are withholding their money due to not knowing where any more will come from, so coming up with new ways to reach customers is important. The company can use social media platforms to learn its strengths and weaknesses, hits and misses. A lot of information can be gathered from the platforms. By looking at the comments section, the company can know what the customers need. The company can also understand the needs of the customers so that it can fully satisfy those needs. The trending issues in the market can also be gotten from the comments section. The company can also learn what its competitors are doing right so that it can replicate it. The criticism from the followers and customers can also make the company improve its services and come back to the market stronger. E-commerce and telemarketing go hand in hand with social media marketing. The company should consider using these strategies to revive its operations. History seems to favor e-commerce for the company. The company's ⁴ e-commerce storefront hit the one billion dollar mark in 2005 (Byron, 2017).

Another way JCPenny can gain strategic and financial positioning is to cut down the retail items' prices. With the way the economy is, there is not much of a difference from each retail store. Most of them sell the same products and at a similar price. For example, if the industry value for a particular shoe is 50 dollars, then JCPenny should sell the same shoe in their stores for 45 dollars (Holst & Hansen, 2017). Although such measures may be difficult to implement due to different partnerships that dictate the price of items, with the potential threat of all of its closed stores, something has to give. Penny's ads should promote the low cost of products to provide potential customers a good idea of the future direction the company plans to head in.

Plan to implement the strategies

The best strategy to implement would be implementing the social media aspect. Compared to other methods, embracing social media in marketing would turn the situation of J.C. Penny around. Getting exposure on social media will make the company attract new customers across the globe. The merger option is the least applicable. Making a merger can be quite difficult because the other partner may not be willing to enter the merger. Considering that the other similar companies like Macy's, Target, and Gap are also experiencing financial problems, it can be difficult to partner to a merger. The other alternative is Amazon, which is doing very well, which means it is equally difficult to secure a merger. Reducing the prices of the commodities is a considerable option. However, reducing the pricing might put the company in further losses since customers will shift to cheap alternative products. Lowering the price of products is a strategy mainly used by businesses seeking to enter the market, but the strategy cannot be replicated to a dying company. The company is bound to make more losses. This leaves social media marketing as the best option to implement. Since the company is already popular with most people, J.C. Penny can follow trends and make jokes on current events to engage on the internet. This move would salvage this general merchandise company from its imminent death.

I believe that despite the seemingly inevitable death of J.C. Penny if this strategy is applied effectively, the company will bounce back and return to its profit-making ways. Despite the company's financial woes, it is not late to salvage the situation. Penny can still reinvent itself. The company does not have a major debt repayment due until 2023, thus, it is too early to call it quits (Sun, 2020). It is still possible to turn things around.

References

- Byron, E. (2017). America's retailers have a new target customer: the 26-year-old millennial. Wall Street Journal. Retrieved in, 18.
- Holst, M., & Hansen, S. (2017). Competing for Survival: A Turnaround of Department Store JC Penney.
- OFEK, E., STEWART, K. S., & SNIVELY, C. (2016). JCPenney: Back in Business.
- Sun, L. (2020, January 19). 3 Ways J.C. Penney Can Still Reinvent Itself. Retrieved September 28, 2020, from <https://www.fool.com/investing/2020/01/19/3-ways-jc-penney-can-still-reinvent-itself.aspx>
- Tonya G. (2017). "J.C. Penney targets millennials with a return to the appliance business." Archived from the original on July 2, 2017. Retrieved March 2, 2017

JCPenny

ORIGINALITY REPORT

8%

SIMILARITY INDEX

2%

INTERNET SOURCES

0%

PUBLICATIONS

6%

STUDENT PAPERS

PRIMARY SOURCES

1

Submitted to Coventry University

Student Paper

4%

2

Submitted to Southern New Hampshire University - Continuing Education

Student Paper

2%

3

www.thecommunicationfactory.com

Internet Source

1%

4

en.wikipedia.org

Internet Source

1%

Exclude quotes On

Exclude matches Off

Exclude bibliography On