Research on Business Performance Management Based on Corporate Strategic—By Ann Inc. as an Example

ZHUANGYUAN LI and LIQIN ZHANG

ABSTRACT

The aim of this research is to discover the process of strategic management by using Ann Inc. as the analyzed target. The research will systematically looks at Ann Inc. and offer some recommendation from a strategic level after analysis.

Firstly, the report starts from the macro environment and use the SWOT and Five Force model to analyze. By adopting the SWOT analysis towards Ann Inc., the report points out the whole status of company’s operation. What’s more, Michael Porter’s five force model is used in order to a further analysis as a strategic framework which is made to predict how an industry behaves, grows and responds within a competitive environment. After the environmental analysis from internal and external, the report mainly focuses on 4 issues of the Ann Inc. since 2015. How to sustain indefinitely in such risky and uncertain specialty retail environment to maintain the whole company as the vital issue is identified. In addition, the competitors, product brand and management team are also analyzed and identified. Through the comprehensive analysis, the report recommends for detail strategies and focus on the Ann Inc.’s future development.

BRIEF INTRODUCTION OF ANN INC.

Overview of Ann Inc.

“At Ann Inc., we share a profound commitment to our client. For more than half a century we have evolved with the need of real women who lived full, active lives.” This is the summary of Ann Inc. said by Kay Krill on the official website. As one of the leading US-based specialty retailers, Ann sells women's apparel, shoes and accessories. It was founded in 1954 by Robert Liebeskind, started in New Haven and had grown to an iconic brand across North America. In 1991, Ann Taylor went public on New York Stock Exchange. In May 2015, Ann Inc. was bought by the parent company of Lane Bryant, Ascena Retail Group (ASNA).

Currently, the company owns three main brands to satisfied niches within the female consumer. Ann Taylor, a high-priced classic dress clothing brand for busy socially upscale women, is aimed to unleash confidence, femininity and feeling of success – making her shine. As a high-quality collection of beautiful wear now pieces,
Ann Taylor stores had been the wardrobe source since 1954. The total wardrobe strategy, personalized client service, efficient store layouts are the main factors attracted the main consumer segment. Ann Taylor LOFT brand, offering more casual classic dress clothing to the appropriate price-sensitive, launched in 1995. It was meant to offer more casual and cost-conscious. After a few years of operation, some stores of LOFT moved to a new division and developed to a new brand—Ann Taylor Factory. With generally 25-30% off than the Ann Taylor brand, it offers the overstock of classic dress and casual-dress clothing from both the Ann Taylor and LOFT brands to price sensitive consumer.

TABLE 1. Key Factors of Ann Inc.

<table>
<thead>
<tr>
<th>Employees</th>
<th>19,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (USD Million)</td>
<td>1,280.2</td>
</tr>
<tr>
<td>Web Address</td>
<td><a href="http://www.anninc.com">http://www.anninc.com</a></td>
</tr>
<tr>
<td>Head Office</td>
<td>Times Square New York 10036 USA</td>
</tr>
<tr>
<td>New York Ticker</td>
<td>ANN(Now Changed to ASNA)</td>
</tr>
</tbody>
</table>

ENVIRONMENTAL ANALYSIS

Porter’s Five Forces Analysis


<table>
<thead>
<tr>
<th>Porter’s Five Forces</th>
<th>Ann Inc.’s perspective</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threat of Substitutes</td>
<td>High</td>
<td>There are little costs for customers to switch retailers. Sluggish discretionary spending makes customers become more cost conscious. If the price of goods declines, substitute goods which are more collectable like jewelry and purses become more attractive.</td>
</tr>
<tr>
<td>Bargaining Power of Customers</td>
<td>Moderate</td>
<td>Ann Taylor can leverage its separate brands to buy in significant quantities from the same vendor. A number of suppliers are available to switch to. There are moderate costs in switching manufacturers.</td>
</tr>
<tr>
<td>Bargaining Power of Suppliers</td>
<td>Moderate</td>
<td>Ann Taylor relies on third-party manufacturers in order to meet customer needs. The company purchases from a wide range of suppliers, and no single vendor is responsible for large portion of Ann’s purchases.</td>
</tr>
<tr>
<td>Intensity of Existing Rivalry</td>
<td>High</td>
<td>Ann Taylor competes with local, national, and global department stores, specialty and discount store chains, independent retail stores, and online businesses that market similar lines of merchandise. The company’s franchise also faced with competition in European, Japanese, Chinese, and Canadian markets from established regional and national chains.</td>
</tr>
<tr>
<td>Threat of New Competitors</td>
<td>Low</td>
<td>The large cost of acquiring of property and building up of inventories consistently serve as barrier of entry. Existing businesses can significantly benefit from economies of scale for purchasing power.</td>
</tr>
</tbody>
</table>
SWOT Analysis

Strength

(1) Consistently Emphasize the Value Concept
   Targeting at different customer groups, both the Ann Taylor brand and the LOFT brand stick to its value concept that appeal to different customers and has significantly better value proposition. In addition, Ann Taylor Factory and LOFT Outlet stores, which offer past-season best sellers from the Ann Taylor and LOFT merchandise collections, increase the potential customer base.

(2) Effective Celebrity Effect
   Celebrities including Christina Hendricks and Rachel Bilson have been invited to be the faces of the brand, which helps to build brand image by reinforcing brand recall and brand perception. Effectively employ the celebrity effect and marketing strategy to increase sales

(3) Stable Growth in Sales and Profits
   Ann Inc. experienced a stable growth in both sales and net profits in the fiscal year of 2015. The company reported revenues of $1,280.2 million during 2015, indicating an increase of 3.3% over FY2014.

Weaknesses

(1) Dependent on 3rd Party Manufacturers
   The company is vulnerable to default risk in its manufacturers, for examples, delay in ship orders or below standard quality.

(2) Narrow Margin in Contrast to Competitors
   The company's net profit margin was 2.7% for FY2015, which was far lower than that of its major competitors-during the same period-GAP reported a net profit margin of 6.2% and American Eagle Outfitters reported a net profit margin of 3.7%. Lower net profit margin indicates higher risk and lower operational efficiency compared to competitors.

Opportunities

(1) New Distribution Channels
   Increasing popularity in e-commerce has become a new motivator of sales growth.

(2) Increasingly Price Sensitive Customers
   The economy decline has increase customers’ price sensitivity, which will increase the potential customer to go to ANN’s outlet stores.

(3) Growing Customer Base In Terms of Demographics
   Data from the US Census Bureau has shown that population of females aged 45–64 years will cease its declining from 2000 to 2008 and grow from 2010 to 2015 by about 3% per annum.

(4) Helped by the Ascena Retail Group
   After merging by Ascena Retail Group, Ann Inc. owns more opportunities to expand the brand and increase the sales.
Threats

(1) Fierce competition in grabbing market share
The company faces stiff competition from companies such as American Eagle, Gap, Abercrombie & Fitch, Aeropostale and Urban Outfitters. The competition for sales, for favorable store locations, for lease terms and for qualified associates may threaten company’s market share.

(2) Bad Economy Could Hurt Ann Taylor
Macroeconomic conditions have worsened, and the retailing environment was threatened by slowing consumer demand and increasing labor cost.

ISSUES IDENTIFIED

The Brand Challenges
The company faces stiff competition from companies such as American Eagle, Gap, Abercrombie & Fitch, Aeropostale and Urban Outfitters.

![Figure 1. Comparison of Different Specialty Clothing Retailers Using BCG Model.](image1)

![Figure 2. Comparison of 3 Year Operating Margin Averages.](image2)
From both Figure 1 and Figure 2, we can see that when compared to major competitors, Ann Inc.’s performance is not impressive in terms of both market share and growth rate. The problem of Ann Inc. is how to compete with those firms for investors.

**The Brand Identity**

The company had five separate concept stores: Ann Taylor, LOFT, Lou & Grey, Ann Taylor Factory and LOFT outlet. Ann Taylor, the company’s original brand, provided sophisticated, versatile, and high quality updated classic. Any such plan is subject to risks such as client acceptance, competition and product differentiation. There is no assurance that these merchandise offerings or concepts will be successful. Ann Taylor LOFT was a concept that appealed to women with a more relaxed lifestyle and work environment and who appreciated the more casual LOFT style and lifestyle and compelling value. Certain clients of Ann Taylor and Taylor LOFT are cross-shopped both brands. In addition, Ann Taylor Factory was the company’s newest division. The merchandise in these stores was specifically designed to carry the Ann Taylor Factory label. Lou & Grey is a separate section in the Ann Taylor and LOFT, and experiencing with children’s clothes and sleepwear.

**The Existed Problem**

Problem: (1) The brand identities between Ann Taylor and LOFT were not clearly. The analysts speculated that customer might turn away from Ann Taylor in order to buy at LOFT, even though the Ann Taylor was tried to provide the consumer with a comfortable and outstanding shopping experience, but LOFT also sold more relaxed but still tailored items at a lower price than AT.

Problem: (2) Krill announced that Ann Inc. should be developing an exclusive beauty business. The company introduced that Ann Taylor label fragrance and bath and body products as a separate department within Ann Taylor store for the 2007, and launched the beauty products in the LOFT division since 2008. It shows that Krill wanted the company to step into cosmetic area. We believe that this plan will make consumer confused about the original value of these two brands.

**ALTERNATIVES AND RECOMMENDATIONS**

Under the current market conditions, some future plans are proposed to create future growth for Ann Inc. As what might be the expectation of some brand Consultants, “branding is more than just product, the most successful brands in any category never fail to cater and reward their core customers all the time”. The strategies of Ann Inc. must focus on the key consent which is to satisfy and meet the needs of its core customers and keep the sustainable competitiveness.

**Strategy 1: Further Strengthen Product Differentiation**

To further strengthen the product differentiation is the first and most important strategy, especially the Ann Taylor and LOFT. As Ann Inc. consistently emphasized, the value concept that appeal to customers, which means commitment to the evolving needs of business women, would allow the company to escape from the problem of
cannibalization within the brands. The two main brands, by targeting at different customer groups, both the Ann Taylor and the LOFT have significantly better market shares and growth rates. For instance, the Ann Taylor tends to the upscale and high-end side, while the LOFT attracts to the younger and less expensive side. In addition, Ann Taylor Factory and LOFT Outlet stores, which offer past-season best sellers from the Ann Taylor and LOFT merchandise collections, increase the potential customer base.

The core concept underlying this strategy is to build complementary brands by integrating industry chain, expanding the two main brands. The requirement is the product ranges should be expanded gradually with complementary effect, which means that all the brand extension should focus on enhanced brand identity. For instance, the different collection lines, will meet the needs of different aspects of a woman’s life, from wedding (celebration collection) to daily work (business casual), all become a part of life style recognition.

Strategy 2: Consolidation of Distribution Channels and Supply Chain

The channels can be divided into two parts: the stores and online-selling platform. Firstly, the company gradually increases the number of stores in US markets to reach new clients by “opening more new stores, relocating stores, or expanding the size of existing stores.” The location of stores will be set to attract place where the local people’s need is not fully satisfied. The market positioning tends to close to the local business women, thus increasing the number of stores in important locations. Furthermore, to build concept store and tailor the design of stores to enhance the user experiences and services. The new concept stores will give them more options and easier shopping for styles that fit their busy lives, from day to night, workday to weekend. The designs of stores are very fashion and create comfortable shopping experiences. Customers will feel more like a visit to stylish friend home. Secondly, another distributing channel, the internet channel is also very important. Increasing popularity in e-commerce has become a new motivator of sales growth, which increases price sensitive customers.

In addition, in order to solve the problem that the growing sales volume put stress on the internal distribution system, the company has to improve the current centralized distribution system and after that build a new distribution line to support the supply chain. The result is better affordability, efficiency and flexibility.

Strategy 3: Expanding the International Market

Ann Inc. should pay attention to go into the international market, start from the Canadian Market. The Ann Inc. Company entered the Canadian market with its first stores in Toronto. There would be more stores opened in Canada. The reasons behind penetrating into Canadian Market will be discussed. The most important factor is that the fierce competition in the US market will grab market share tightly. As the result, the potential growth of Ann Inc. in US market will have an upper limit. The company faces stiff competition from companies such as American Eagle, Gap, Abercrombie & Fitch and Urban Outfitters. The competition for sales, for favorable store locations, for lease terms and for qualified associates may threaten company’s market share. Another factor is that the Canada is the close country to US, the transport and tariff cost will be minimized compared to other foreign countries. In addition, the market is large and the business culture in Canada is close the US, there would be less constraints to promote the stylish brand value in such market.
Strategy 4: Perfect Talent Training Mechanism

The fourth plan is to absorb more talents through the leadership training and mentorship opportunities projects. Ann Inc. should improve the staff incentive mechanism through combination of training and entertainment. Provide the motivation system to give the employee the sense of self-actualized and fulfillment in the job, increasing the job commitment and job satisfactory.

CONCLUSIONS

After analyzing Ann Inc.’s current situation and identifying main issues, four strategies can be developed considering its future development. Although the global economy is currently suffering a recession, Ann Inc. can continue its excellent business performance in the future if the four strategies above are adopted. It is high time for action for this dominant industry leader.

REFERENCES