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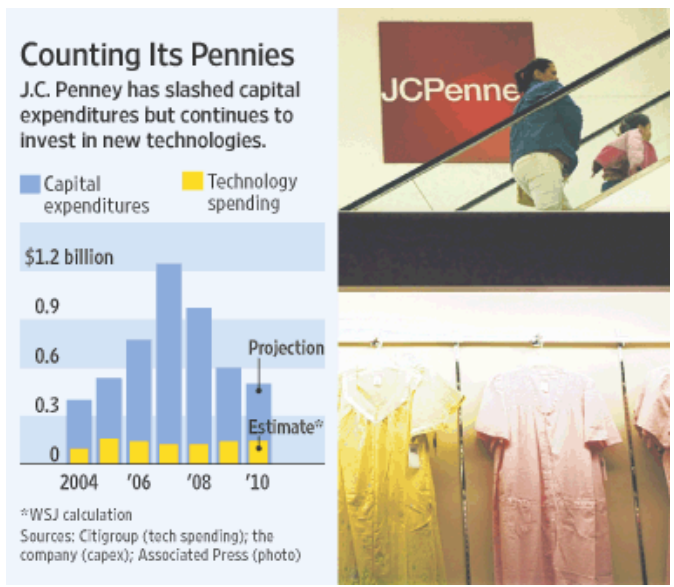
# J.C. Penney Spends to Get Ahead on Mobile Shoppers, Other Trends, Other Trends

By RACHEL DODES

J.C. Penney Co., betting that better control of inventory and stronger online sales will underpin its growth, is spending heavily to speed up its supply chain and overhaul its website.

The Plano, Texas, department store chain is boosting its tech spending for a second straight year, even as it has cut its broader capital spending in half over the same period as it scaled back store openings.

This year the retailer is adding mobile and interactive features to its e-commerce site, such as product review tie-ins to services like Twitter and Facebook and delivering targeted promotions to shoppers with smartphones.



The 108-year-old retailer isn't just being trendy. The company's online growth has slowed in recent years and it's counting on Internet sales, now just 9% of its \$17.5 billion in annual revenue, to deliver \$1 billion in sales growth over the next five years.

"This is the next generation of how to make things better, and how to be a better competitor," says Chief Executive [Myron E. Ullman III](#). "People who are going to survive are working on this."

Mr. Ullman has invested in programs to unify online and store pricing and shorten product cycles. Penney's new "City Streets" private-label apparel line for teens goes from factory to stores in as little as three months. An initiative called "door to floor" enables store

managers to know what's being delivered in trucks 24 hours in advance, which speeds up turnaround times.

After cutting IT spending last year by 8%, retailers are poised to spend \$23 billion this year, according to Forrester Research, taking outlays back to pre-recessionary levels and giving a boost to companies like [International Business Machines Corp.](#) that sell gear, software and consulting services.

[Kohl's Corp.](#) is spending \$100 million on e-commerce, including the addition of a new distribution center to fill online orders. Specialty players like [Talbots Inc.](#) and [The Children's Place Retail Stores Inc.](#) are investing in inventory allocation systems to tailor their style and size assortment by region.

The investments are aimed at keeping sales up in an era of lean inventories and discounts, as well as capitalizing on growth in e-commerce. Jill Puleri, world-wide retail industry leader at IBM Business Services, says she is seeing a pickup in spending on software that helps companies better tailor promotions to existing customers.

"This is a case of necessity being the mother of investment," Forrester analyst Andrew Bartels says.

Penney's moves are part of a broader plan to overhaul the company's infrastructure, an effort that began in the throes of the recession and which remains the retailer's biggest capital-expenditure project this year. The company says its tech spending will rise 3% to 4% this year. It wouldn't give an exact figure, but Mr. Ullman says "hundreds of millions" of dollars have been allocated to IT since early 2009.

J.C. Penney spent \$139 million on technology last year, according to Citigroup. That was about 23% of its capital expenditures, which totaled \$600 million.

Penney has also been trying more experimental technologies such as radio tags to monitor individual products as they pass through the supply chain, a move that the company hopes will improve its ability to keep the right goods in stock.

"A lot of what we're spending on right now isn't that visible to the consumer," Mr. Ullman says.

Within the next 18 months, Penney shoppers will be able to receive location-specific promotions on their mobile devices when they walk into a store. They'll also be able to get deals and see product reviews in stores by taking pictures of bar codes with their phones.

In 1993, Penney became the first large bricks and mortar retailer to start selling online, a natural extension for its long-established catalog business. By 2005, Penney had become the first apparel and home furnishings retailer to exceed \$1 billion in sales on its website. But online sales have been flat at around \$1.5 billion a year for the past three years.

One problem is until 18 months ago the Web and store divisions operated separately, so they emphasized different goods. But retailers have learned consumers who approach the company through more than one channel spend more money and visit stores more often than single-channel customers, so showcasing a consistent assortment across channels is a priority.

This year the company's website, which was developed internally, is being redesigned by [Art Technology Group Inc.](#), a software vendor that will enable the site to offer interactive features, including social media, and translate product information from the Web to mobile devices.

"As recently as two or three years ago there wasn't as much transaction or buying" on cellphones, says Tom Nealon, Penney's chief information officer, but that's changing really rapidly." Coda Research Consultancy, a market research firm, estimates that U.S. mobile commerce spending will grow to \$24.8 billion by 2015, compared with a projected \$2.4 billion in 2010.

"I've always thought of Penney as being early adopters on technology," says Citigroup analyst Deborah Weinswig. "They're willing to try things and make mistakes."

—Elizabeth Holmes contributed to this article.

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