

Penney's Expects Claiborne Sales to Double

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American Living is doing better now that it lowered its prices, according to J.C. Penney.
Photo By Courtesy Photo

PLANO, Tex. — J.C. Penney Co. Inc. thinks its designation as the exclusive retailer of Liz Claiborne merchandise could double its Claiborne business.

Speaking after the annual meeting of shareholders at Penney's headquarters here Friday, Myron E. "Mike" Ullman 3rd, chairman and chief executive officer, told WWD that within five years after its introduction at the firm's stores this fall, Liz Claiborne could reap double the sales of Liz & Co., Penney's top national brand. He declined to reveal Liz & Co.'s volume.

Earlier, he told shareholders, "Liz Claiborne is the most often requested and favorite brand of our core customer."

"We did research before we actually closed [with Liz Claiborne] and we found out that 50 percent of customers shopping for Liz in other formats and companies would actually follow the brand as opposed to the store, so that encouraged us," he said after the meeting.

He also noted the American Living label by Polo Ralph Lauren Corp. is ahead of plan this year and "doing better, especially on the profit side. The customers are reacting better to the merchandise all the time."

The Manhattan store that opened in July is already producing the highest sales per square foot in the company and ranks as one of the chain's top two or three units, he said. In 2009, Penney's sales per net selling square foot were \$206, down from \$223 in 2008, according to the firm's most recent annual report.

Penney's will augment its Sephora expansion with a temporary holiday promotion that will display beauty gift baskets in 200 stores that don't currently carry Sephora, Ullman noted. Penney's has 93 Sephora shops and intends to build another 137 by yearend. Thereafter, the company plans to add Sephora to 75 stores a year, reaching 600 by 2014. Its unit total as of May 1 was 1,109.

Another growth vehicle is the expansion of Mango NMG to 600 units by the end of 2011. Double-digit increases planned for the Web should be supported by a new push to align online merchandise with the stores, he noted. The Web does \$1.5 billion, and is projected to add another \$1 billion within five years.

The ceo also spoke of Penney's new vision to be "America's favorite retail destination for apparel, accessories and home furnishings."

"Instead of being in the top quartile of department store retailers, we have changed our strategy to be the growth leader in our industry, which we think is achievable," Ullman said.

The plan calls for a merchandise mix that "delights customers with a sense of discovery" and a commitment to leadership development that makes Penney "the preferred choice for a retail career," he explained.

The company's two-year-old training program to improve customer service is working, he said, noting Penney's ranked top among department stores for the second consecutive year of an American Express study.

An internal survey of Penney's 150,000 salespeople found that 80 percent were "highly engaged and committed to the customer," he added, and that a growing percentage feel they "have the authority" to do their job and take care of the customer.

"We're quite confident that the growth initiatives we have will resonate with the customers," Ullman said, predicting this year's comparable-store sales would rise in the low-single digits. The company's stated five-year goal, part of a five-year plan disclosed in April, is to reach \$23 billion in annual sales by 2014 from a base of \$18.49 billion last year. First-quarter comps rose 1.3 percent following a 6.3 percent decline last year.

The company will open only two or three stores this year. Late next year it plans to return to central Dallas — the closest urban market to company headquarters — with an off-mall store at a large development under construction about 1.5 miles east of NorthPark Center. Timbercreek Crossing will also feature a unique 320,000-square-foot building with a Wal-Mart unit on the first floor and Wal-Mart's Sam's Club unit on the second.