rue21

Head Analysts:
Hannah Corton
&
Meghan Hardy

For:
Professor Shelly Freyn

By:
Mercyhurst University Intelligence Studies Program

RIAP 300

Company Analysis
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Executive Summary

Through the application of a variety of analytical methodologies, this competitive profile aims to establish key trends in the retail industry, competitive position, and potential business strategies of Rue21. Rue21 is a low cost structured retail store that offers an assortment of emerging fashion forward apparel and accessories for girls and guys. The company offers competitive pricing for the newest fashion at a low cost value. Rue21's target customer group lies within the teen range. The company has a widespread selection of styles available and is continuously trying to with hold its competitive positioning within the industry.

This competitive profile is made up of a total of nine sections that are each individually focused on a different factor of Rue21 and their positioning in the retail industry. A *Key Intelligence Topics* section outlines the requirements and tasking obtained to the Mercyhurst University Intelligence Team. This section is also contained with an overview of the guidelines and background information of the competitive profiling project. Periodically throughout the project the analysts constructed analysis of environmental, industrial, and internal factors that are likely to impact the future competitive positioning of Rue21. The *Company Overview* section includes a general guide of findings in relation to Rue21's internal strategies, strengths, and weaknesses. A *Competitor Analysis* section was constructed to highlight the strengths, weaknesses, and strategies of two top competitors of Rue21. *Environmental Analysis (STEEP)* acquired information regarding possible influences of Rue21 and the retail industry as a whole at the macro-level. *Patent Analysis* of new technology is examined to emphasize potential patents that Rue21 should loan or buy in order to gain first-movers advantage in a technologically overflowed industry. *Financial Analysis* comparisons are used to determine the economic conditions of Rue21 in relation to two of its competitors.

At the end of the completed analysis a *Strategic Models* section was used to create suggested possible recommendations for Rue21's strategies. Theses strategies are assembled to successfully recognize and act on opportunities and given threats in the retail industry and the company's internal weaknesses. The analysts used the findings from the prior sections to generate *SWOT analysis, Porter's 9 Forces analysis* and a *Growth Vector Matrix.* These strategic models yield potential strategic business opportunities for Rue21 to benefit from in its competitive industry. Finally, a list of fifteen *Key Findings* and *Strategic Implications* suggest potential approaches of dealing with an assortment of current and possible future scenarios for Rue21.

Key Intelligence Topics

Tasking:

Rue 21 is Retail Company that offers newest and diversified apparel and accessories for both girls and boys. To benefit Rue 21, the company must come up with general strategies that will increase consumer satisfaction, make visible their competitors' threats and weaknesses, and maintain stable growth within the retail industry. The competitive intelligence analysts of Mercyhurst University intend to provide analysis for Rue 21 on the strengths and weaknesses of their competitors, broadening their consumer base, and how to balance growth for new store locations, store conversions, and comparable store sales.

Requirements:

The analyst will tackle the following topics through open source collection:

- *Knowing the competitor's strategies, new products, strengths, and weakness.*
- *Keeping up with social trends of the current and future consumer's fashion preferences*
- *Understanding the market trends in retail industry*
- *Macro factors that are relevant specifically to the retail industry*

According to the collected information, we will answer the following questions:

- *How are other companies using online marketing strategies to increase their sales?*
- *What are the current trends and shifts in retail transportation and supplier methods?*
- *What are the political regulations that could affect the retail market?*
- *What is the effect of the current economy on the retail industry?*
- *Where are the targeted geographic areas of high retail sales?*
- *Are there any shifts or indications in the retail industry regarding consumer spending?*
- *What are the new products in the retail industry that coincide with new social trends?*
- *What are the major competitors marketing strategies and sales techniques?*
- *What are the new technologies in the retail industry that would help manufacturing?*

Methodology:

Open Source Research
Environmental Analysis (STEEP)
Competitor Profiling
Patent Analysis
Financial Ratio Comparisons
SWOT
Growth Vector Analysis
Porters 9 Forces Model

<u>Challenges</u>:
Challenges facing the project team before the completion of the final project

- Limited team size – 2 analysts working in an academic setting, whilst completing other courses.

- Time Limit - Final Product must be completed in 10 weeks, by November 14th 2012.

- Resources – limited to mostly open source information. HUMINT, although possible and extremely beneficial is highly difficult to acquire.

<u>Resources:</u>

- *Personnel:* The project team has five team members who have been trained to use various analytic techniques and have attained experience with analysis, software, IT and other intelligence reports.

- *Institutional:* The project team has access, through CIRAT and the Hammermill Library, to a wealth of documents and databases such as Lexis Nexis, Thomas Net, and Mergent Online and Archives

- *Open Source:* The project team has access to Internet services such as: Google Alerts, Forbes, Standard and Poor, Yahoo Finance, and Business Week.

Administration

Sample

- *Final project will be delivered on November 14, 2012*
- *Final project will be in the form of a written report, an electronic copy and a power point presentation.*
- *Contact information is as follows*
    - Student #1: Hannah Corton
        - *Email:* hcorto98@lakers.mercyhurst.edu
        - *Telephone #:* (443)-834-3638
    - Student #2: Meghan Hardy
        - *Email:* mhardy10@lakers.mercyhurst.edu
        - *Telephone #:* (585)-489-6750
    - Faculty Advisor: Shelly Freyn
        - *Email:* sfreyn@mercyhurst.edu
        - *Telephone #:* N/A
    - Decision Maker:
        - *Email:* N/A
        - *Telephone #:* N/A

Third Party Release Agreement

The project team agrees not to release the final product with any other parties without the consent of the decision-maker.

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Hannah Corton

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Meghan Hardy

Company Overview

Executive Summary:
Rue21 plays a competitive role in the lower end retail industry. The company possesses a variety of strengths that can help them gain a competitive advantage and increase profits. The company also is aware of many risk factors in which could hinder the success of their sales, consumer base, and ability to succeed in the future. The following strengths and weaknesses are seen as crucial factors in Rue21's overall success in the retail industry.

Strengths:

The Company offers a diversified product base available for boys and girls and has a wide capacity to recognize and react to new and changing fashion styles and consumer preference. Rue21 offers a complete arrangement of clothing, accessories, and footwear at a consistently competing great value. Merchandise buying teams are quick at identifying evolving fashion trends and choosing merchandise that will coincide with its consumers appeal[i]. Not only do they offer clothing and accessories for girls, but also have a men's department for age's pre-teens to mid-thirties.[ii]

The Company has high return rates on its real-estate investments. Rue21 bases its store locations around its surrounding competitor's success. They geographically research areas in strip malls and regional malls where there are few competitors offering similar merchandise fashions. They believe there is a large opportunity to expand to nearly 1,500 stores as compared to the current 755 stores. They also plan to renovate current stores so that the layouts can fit one of the company's new line rue21 ect![iii].

The Company offers a balanced sales growth through competitive low prices, innovative stores, and store alterations. Through comparable prices the company seeks to maximize their store sales. Rue21 believes that its marketing and operational ingenuities will continue to increase brand loyalty and better customer service leading to an overall increase in transactions[iv]. Rue21 expects the strategic creativities that are activated by merchandising, planning, allocation, and operations teams to produce equivalent store sales in the remainder of the year comparable to its current financial results[v]. Low prices are the key, with most of the items being under 35 dollars. The company successfully opened new stores while more expensive retail companies such as Abercrombie & Fitch closed sites. [vi]

The Company has consistent opportunities to generate retribution growth. Rue21 believes that they will have continued efforts in driving margin expansion through sales productivities, technology operations, and business procedures, sustained cost correction, and variations in its merchandise. The company thinks economic conditions will allow its own sales to increase and improve sourcing. They are also focusing on a more efficient supply chain along with a better flowing distribution system[vii]. Rue21 has consistent increases in net sales, gross margin, and net income. They have high confidence that they will continue to have the ability to deliver profitable growth during the remainder of

2012[viii].

The Company holds a strong and healthy relationship with its staff. The company believes that the passion and commitment of its employees are crucial to its past, current, and future success. The company stresses the idea of maintaining an exceptional employee base. They focus mainly on nurturing and recognizing its employee's talents and providing management and sales associates with career development opportunities. They keep their employees up-to-date and involved in meetings and advancement training. The employees of Rue21 are not involved in any type of union and there are no labor-related work stoppages. The company believes its "rueCulture" is the key to its overall successfulness and implies that the employee-company relationship is strong[ix].

The Company holds trademarks and a domain name in which they expect to continue to renew and renovate. The company has registered various trademarks, trade names, and logos with the United States Patent and Trademark Office. They hold brand names within their apparel and accessories including; rue21, rue21 ect!, tarea by rue21, Carbon and CJ Black, and Carbon Elements. Fragrance brand names also included at rue21 are rue by rue21, revert eco rue21, CJ Black, sparkle rue21, Pink Ice by rue21, MetroBlack rue21, tarea by rue21, twentyone black, runway21 by rue21, Carbon Elements, Intense by rue21, and rue21 ect!. Rue21 believes that their association with each trademark and brand is extremely valuable to the company[x].

<u>Weaknesses:</u>

Products can be threatened by economic and macroeconomic conditions. The economic conditions that could affect consumer purchases are employment levels, salary, high fuel prices, wages, and high interest and tax rates. When promotional sales are put in effect for customers it can affect operations and cash flow of the company. Material costs affect the macroeconomic part of the company. The price of cotton could negatively affect the sellers, which in the long run would impact our country. Analyst expect up to 10 to 20 percent prices rise due to raw material prices, including cotton[xi]. Also, if there are rising costs of fuel and raw material as well as labor shortages the smaller vendors that are affiliated with Rue21 could change shipment and condition requirements. This would result in lost sales and excessive markdowns. Also, within the stock market, Rue21's stock price fluctuates because of various other competitors and the quarter-to-quarter variations in the company's actual/projected performance[xii].

There could be an increase in competition within the retail industry. Because the retail industry is so competitive, there is a huge range of retailers. Not only are there specialty stores but also there are also traditional corporate retailers that must be competed with. Industries that have more firms tend to be more competitive[xiii]. There is an issue with store name recognition, as consumers know more names such as Target, Wal-Mart, and Kohl's. The Rue21 products are similar to products consumers can find in outlets, discount stores, and the Internet. Competitors may have access to Rue21's business strategy and in-store experience. This would end in loss of a competitive advantage of any sort. There is the potential that the competitors could duplicate or advance products that Rue21 offers[xiv]. Rue21 is currently at a disadvantage because of its lack of online shopping capabilities. Online buying is an emerging trend in the retail industry and without offering this service Rue21 could be left with a lack of competitive edge as compared to its competition.

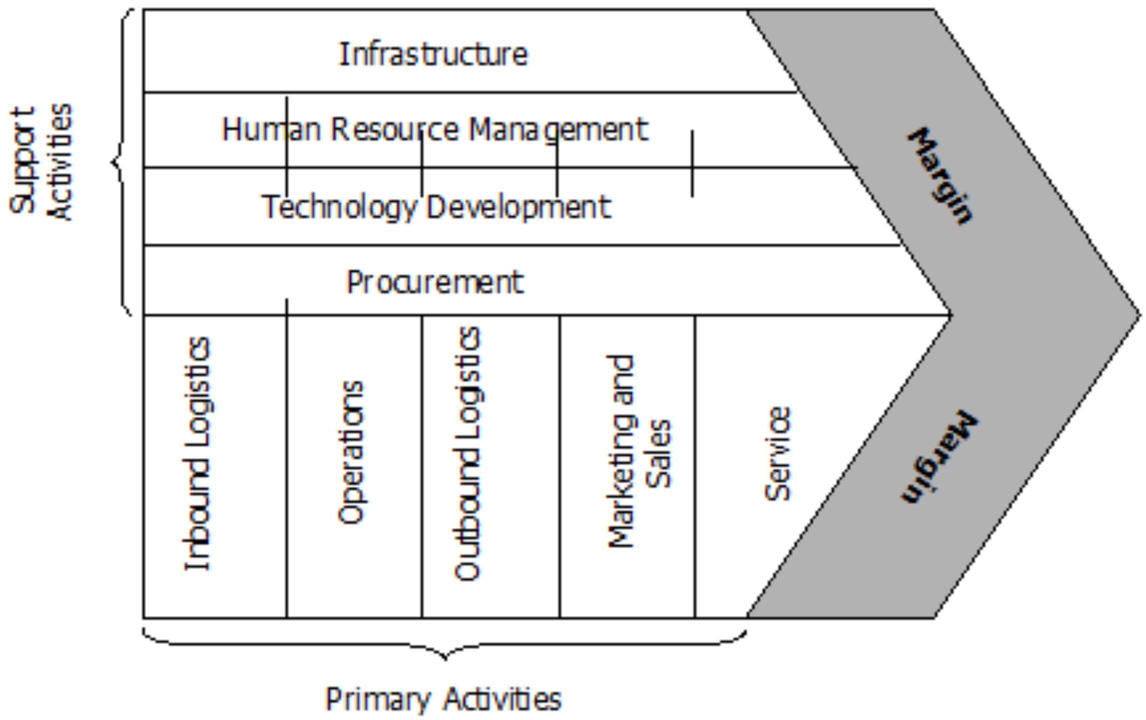
Increase in transportation costs and decrease in profit could happen because of a distribution in Rue21's network. There is only one distribution facility in the whole company in Weirton, West Virginia. All products are shipped to the facility then packaged and then shipped to all the stores. If anything were to happen to this one facility (fire, natural disaster, etc) there could be a huge loss in sales and inventory. Rue21 trusts one independent third party for transportation for all stores. If fuel costs raises it could increase shipping costs. If Rue21 branches out to other transportation companies there is a chance that they will not have as favorable terms as the third-party now[xv].

Company could be held liable for infringing on trademarks intellectual property rights of third parties as well not being able to protect their own trademarks and property rights. Rue21 gets merchandise from sellers that hold intellectual property rights. It puts Rue21 in responsibility for any design copyrights, design patents, or any protected property. Rue21 would have to remove any unlicensed merchandise from the store with a threat of civil or criminal action, which would result in various damages to the company. The company also does not have a strong establishment to protect their trademarks. Especially in foreign countries, it is hard to know their laws and corporate to protect the trademarks. If Rue21 cannot register trademarks or obtain license it could limit the ability to get supplies from less costly (foreign) markets[xvi].

Current management threatening any new investors from creating any corporate decisions. The largest stockholders are the executive officers of Rue21. They currently own 36.8% of the stock but could potentially own more in the future. This means the executive officers have most of the day as to decisions on management and policies. The interest of these executive officers may not agree with all the stockholders' opinions[xvii].

Litigation costs not only financially but brings damage to the company's brand image. If laws change in any way about employment, wages, data privacy, taxes, etc than the company's business could rise in costs. If employees, sellers, or management ever violates these laws, it would hurt the operations of the company. For example, the Delaware law and the anti-takeover provisions could delay a transaction involving management in the company and make it difficult for the stockholders to elect directions that they want[xviii]. Currently Rue21 does not have any major court cases happening. However, if something major were to happen that the company gets sued it could severely damage the company's reputation and image. In a recent survey released jointly by the World Economic Forum and the Fleishman-Hillard public relations firm, three-fifths of chief executives said they believed corporate brand and reputation represented more than 40% of their company's market capitalization[xix].

Value Chain



Porter 1985

Overview:
Based on Rue21's internal key points, the following primary and secondary activities have been denoted as key factors in the company.

Primary Activities:

Sales and Marketing: *Incentives to keep the customers* – within the sales and marketing sect of rue 21 the company is striving to keep their customers to give incentives. They have a monthly deal where they have storewide sales and hand out coupons to their customers[xx]. In the fiscal year of 2012, the company's net income grew more than 28%[xxi]. Rue 21 added eighty-eight stores last year and plans to open another one-hundred this year, focusing on secondary markets such as the Union Gap, Canton, Ohio, Greeneville, and Tennessee[xxii]. The strategy is fast and cheap, stores go up for a cheap price and the clothes go for low prices with new styles. The CEO explores the idea that fast fashion is not a trend its how quickly you react to it. They can react to current fashion and consume the preferences and make it into a trend. If it doesn't work, they take it out of stores and move on. If it is a strong seller, they continue to order it and put it in stores[xxiii].

Outbound logistics: *Distribution*- Rue21's distribution center is based out of Weirton, West Virginia it is the hub for packing and distribution of Rue21's store merchandizing.

The facility is equipped with high tech infrastructure systems with the latest in innovation and material handlings. Rue21 also recently expanded the distribution center to being able to handle over 1,600 stores merchandise, doubling at what it is at currently[xxiv].

Secondary Activities:

Technology: *Playnetwork Media* – Playnetwork announced that Rue21 is their newest customer for their in-store media needs. Playnetwork provides in-store music and messaging for Rue21 to enhance the customer's experience. Among the serviced they provide is promotional text messages for customers who choose to receive them. This also provides Rue21 access to 160GB of new music, messaging and videos. Using Playnetwork services Rue21 can build brand affinity through a user-friendly experience. Rue21 also paired with Fine Line to ensure customer satisfaction with fast service, ordering, and tracking. They are also doing all of Rue21's labeling, tagging, and ticketing[xxv]. The CEO stated that they are implementing changes in technology that will allow employees to spend less time on tasks and more time giving customer service. This includes introducing the holiday season mobile scanner to the stores and improving scheduling templates[xxvi].

Firm Infrastructure: *Legal & management* – refer to Rue21.com for the privacy policy and terms of use for Rue21 as a company. Policies are applied to both the employees and customers. Rue21 has a President & Chief executive officer who is also chairman of the board. Below him there are six senior vice presidents in the following six categories: General Merchandise, Finance, Direction of Stores, Information, Planning and Allocation, and Real Estate[xxvii]. Rue21 is currently rated as having Average Accounting & Governance Risk (AGR). This places them in the 74th percentile among all companies, indicating higher Accounting & Governance Risk (AGR) than 26% of companies[xxviii].

Competitor Profiling

Kohl's

Executive Summary:

Kohl's is a company that first started as a small grocery business and has developed into a widely known chain of department stores offering assortments of apparel and home products. Kohl's began in southeastern Wisconsin, where it first became a department store. It has over 1,000 stores in 49 states. The CEO is Kevin Mansell, who has held this position since 2008. Products offered by Kohl's includes: women's apparel, men's apparel, children's apparel, beauty products, household merchandise, and toys. Kohl's has many strategies that they have been incorporating over recent years. These strategies have been used successfully to increase the company's sales and market. Techniques such as, remodeling stores, increase in graphic designs, constantly being on top in the green movement, and promoting their exclusive store brands, have all contributed to Kohl's competitive edge.

Analysis of the Porter's 4 Forces, has allowed for the analysts to determine a possible responsive action for Kohl's next move. Because the current strategy of Kohl's is in a low-cost structure, in order to sell products Kohl's will have to anticipate how they will react if price wars begin with competing stores. Kohl's also has to constantly alter its company to fit around consumer needs. By continuing to promote their exclusive brands, diversifying their merchandise, and remodeling their stores, Kohl's can continue their plans in successfully fitting the consumer needs. Finally, Kohl's has to adjust a current strategy of having seasonal and regional assortments, and create a company that will produce unremitting revenue yearlong.

Corporate Strengths & Competencies:

New brands are continuously being added to Kohl's department stores. Widespread success has been related to recently launched brands and the growth in previously sold exclusive brands. The differentiation of these Private brands offered at Kohl's drive their total net sale by more than 50%. Vera Wang has launched multiple new collections for Kohl's.[xxix]

In-store shopping experience plays a huge factor in Kohl's overall customer appeal. The practical store layout and location is a convenient factor to the company's competitive strategy. Kohl's is persistent in their remodeling, solid infrastructure, and in-stock positioning.

Low-cost structure is the basis of Kohl's strategy and they plan on continuing to try and offer reasonable prices in order to stay focused on their overall profitability. Elements of this structure include an exclusive store format, lean staffing levels, high-level management information systems, and operating efficiencies that are the products of integrated buying, distribution, and advertising.

Diversified merchandise mix, Kohl's management deliberates style, price, and quality as the most important factors in the industry and base the store selection off of these factors. Therefore a wide range of merchandise is the result of Kohl's required inventory factors.[xxx]

Corporate Weaknesses/Potential Challenges:

Kohl's is seasonal, which could affect the market price of the common stock. The major portion of sales is only realized during back to school and holiday seasons, which are at the end of the year. In result of that, the operating results vary from season to season which could affect the market price of the common stock materially.

The growth in Kohl's E-Commerce business could affect the operating metrics of the business. The growth has resulted in lower sales in the stores and has had a negative affect on the net income as a percentage of sales.

Current cash and funds may not be enough to fund future activities, capital market conditions, or repay debt when needed.

Alterations in Kohl's credit card operations could affect sales. The Kohl's credit card has been sold to a third party, and changes in funding costs could affect profitability.[xxxi]

Kohl's Porter's 4 Forces

Discussion:

Future Goals: Kohl's plans to look at divisions within their stores that have a higher rate of growth within the past five years and rethink how to allocate space and presentation in Kohl's stores in order to remodel them[xxxii]. Kohl's plans to lead the green movement by creating new stores with energy efficiency and operating practices and continue to be ranked number one in green power purchases.[xxxiii] Kohl's plans to donate millions of dollars in order to improve business growth, road improvements, add jobs locally in their home headquarters in Wisconsin as well as nationally.[xxxiv]

Assumptions: Kohl's assumes that their exclusive and private brands will continue to pay off and differentiate them from their competition. In the past success of newly added brands along with continued growth of previously owned brands has helped to increase the overall sales of the company. They assume that this branding strategy will continue to be a success. The company also assumes that Kohl’s cash and their credit card programs will increase awareness of their brands, increase number of customers that shop at Kohl’s, maintain customer loyalty, and increase sales.[xxxv] Recent reports have indicated that trends on online shopping have only been on the rise in recent years. Kohl’s takes in this approach when investing in their online shopping experience for customers. Kohl’s has maintained their environmental mission to be a leading green retailer by focusing on resource stewardship. The company believes that this is a major factor that differentiates their store and products from its competition. They assume that this will always play a factor in customer shopping preference.[xxxvi]

Strategies: Kohl’s plans to create a customer focused innovative approach by differentiating from the competition through hassle-free returns, no exclusions, and sales events. They also have conservative inventory planning by keeping stores less crowded, having focused assortments, improving the gross margin, providing new merchandise and replenishing sizes/colors. Kohl’s provides regional assortments that focus on certain areas climate and lifestyle. They also have seasonal transitions such as their seasonal home division and warmer markets transitions. Finally, Kohl’s runs a low price structure in order to keep their sales high.[xxxvii]

Capabilities: Kohl’s has the capabilities to alter their store format to meet customer needs. They also have the ability to establish relationship with customer-demanded exclusive and private brand names to continue the growth of their stores. Kohl’s is the number one retailer in the United States of national brands such as Lee, Gold Toe, Bali, Dockers and Columbia. Although Kohl’s competitor’s offers these brands, Kohl's has the upper hand with a dominant assortment. Kohl’s plans on continuing store remodels but future economic conditions could lead to smaller net incomes and a falter in overall spending expeditions.[xxxviii]

Competitor Response: Kohl’s can be expected to have low cost competition with other companies. There are multiple companies including Rue21 that compete with Kohl’s to have low cost leadership. Kohl’s will also have to adjust to fit customers needs. Instead of concentrating on seasonal/regional assortments, Kohl’s needs to reach out and become customer focused. If Kohl’s shifts to focus on all-year long sales rather than certain months, it could change their financials.

Kohl's History:

Overview:

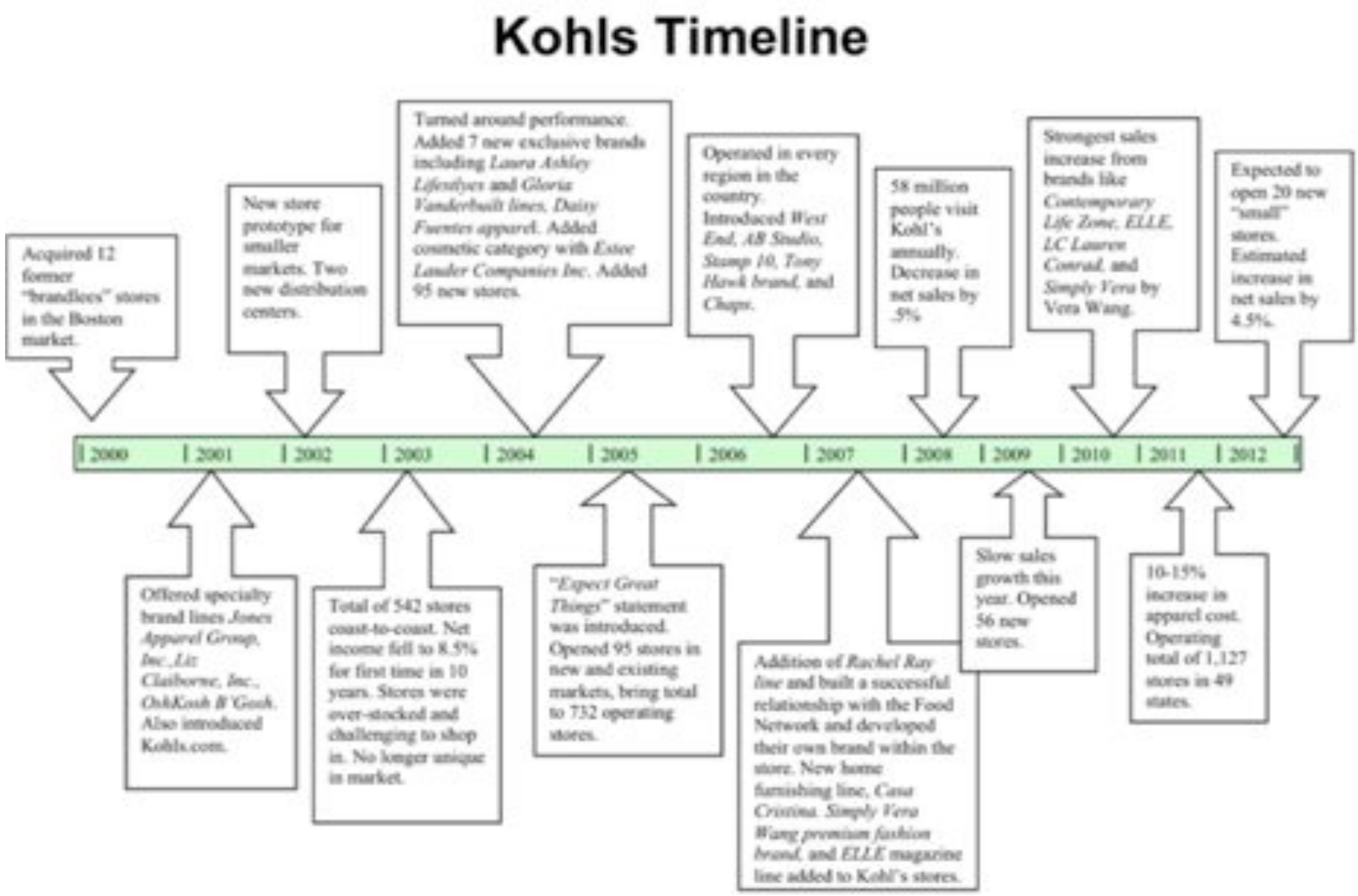
Since 1962 Kohl's has played a trusted role in the American retail industry. Kohl's is ever evolving and always looking for ways to improve as a company. The analysts believe that primarily the past twelve years of Kohl's history is most relevant towards this Competitive Profiling and will be the focus of their profiling.

Discussion:

- 2000: Operated in 25 states with 298 stores and 43,000 Associates. Targeted new markets in the Northeast and planned to move in the New England area. Same-store sales were increased by 9% and revenues were up 35% to $6.15 billion[xxxix].
- 2001: Entered Atlanta market with 15 new stores and added 6 new markets around the United States. Upgraded brand offerings from commissioning specialty lines. Up to 60,000 Associates with a net income of $7.5 billion and same-store sales up 6.8%. Introduction of Kohls.com gave online shoppers same service levels as in store experiences. Also opened a 500,000 square foot fulfillment center in Ohio[xl].
- 2002: Ten-year anniversary as a public company, marking the increase of 420 stores in 32 states from the previous 76 stores in 6 states, ten years prior. In this year the company entered the Boston and Houston markets and expanded to New Hampshire, Nashville, and Rhode Island. Net sales were up $9.1 billion and same-store sales up 5.3%[xli].
- 2003: Current CEO was appointed chairman of the board of directors. The company obtained coast-to-coast presence after the opening of 28 new stores this year, in California. The continuation of the company's southwest expansion was evident in new stores around Nevada and Arizona. Revenues were up 12.7% but net income was down 8.5% and same-store sales were down 1.6% for the first time in ten years[xlii].
- 2004: The Company focused on turning its performance around alike the previous years and managed to reduce inventory levels and improve in-store operations. This allowed the company to achieve record sales back up 14% to $11.7 billion in net sales. Kohl's also added seven new exclusive brands, a cosmetic branch, and 95 additional stores[xliii].
- 2005: Opened an additional 95 new stores, making the company operate in 41 states with a total of 732 stores and 107,000 Associates. Kohl's also opened its eighth distribution center this year in Georgia. Net sales increased 14.5% to a record of $13.5 billion[xliv].
- 2006: Northwest expansion helped the company open 85 new stores. Kohl's now operated in every region in the United States and sales grew to $15.5 billion making Kohl's ranked top amongst its peers. A new innovated store design was introduced to broaden customer appeal[xlv].
- 2007: Chief operating officer and director retired after 16 years and the company welcomed a new senior executive vice president. The company planned to open 100 new stores this year[xlvi].
- 2008: By this year surveys claimed that over 58 million people were visiting Kohl's annually. The company's efforts were focused primarily on improving customer service scores and they added 75 additional stores. Kohl's believed that reasons for a decrease in their net sales by 0.5% from 2007 were due to economic conditions

throughout the year[xlvii].

- 2009: The Company completed 51 new store models were and opened 56 new stores. Sales growth was slower than previous years and total net sales were $17.2 billion[xlviii].
- 2010: Net sales increased by 6.3%. Strongest increases in sales derived from specific national brands such as Contemporary Life Zone, ELLE, LC Lauren Conrad and Simply Vera by Vera Wang. Kohl's also opened 30 new stores[xlix].
- 2011: This year marked Kohl's store operation total of 1,127 in 49 states, including every large and intermediate sized market in the United States. Opened 40 new stores and net sales were $18.8 billion and increased 2.2% from 2010. Experienced 10-15% increase in apparel costs[l].
- 2012 Outlook: Expected to see increase in costs for consumers during first six months of the year and a decrease in the remaining six months. Expected to have an increase in net sales 4.5%. Approximated to open 20 new "small" stores[li].



Top Management

Executive Summary:

Many of the management employees of Kohl's have high experience in the retail industry. All of the management has had experience within multiple positions throughout the Kohl's company before being promoted to their current position. All top management is within middle-aged range and older. Although they could have experience, they could be blind to new strategies and techniques used in the market today. Also, there is a connection between Kevin Mansell and John Worthington both working for May Department Stores. This could become an issue if they only use what they've learned from May Department Stores. Perhaps, the connection between Mansell and Worthington could affect the way they run the business.

Kevin Mansell

CEO

Age

- 59

Education

- University of Missouri[lii]

Career

- 1975- Mansell began his career in retailing as he had a number of positions in the Venture Store Division of May Department Stores.
- 1982- He joined Kohl's Corporation as Divisional Merchandise Manager. The next nine years his responsibilities grew taking on jobs such as Merchandise Planning and Micromarketing.
- 1987-1998 Mansell served as Executive Vice President of Merchandising and Marketing.
- 1999- Mansell was put as Director of Kohl's Department Stores Inc. and also appointed President of Kohl's Corporation.
- 2008- He became CEO at Kohl's.
- 2009- Mansell became chairman of Corp.

Salary

- Total Annual Compensation: $1,300,000

Kenneth Bonning

Senior Executive Vice President

Age

- 54[liii]

Education

- No education data available

Career

- 19 years of retail industry experience.
- 1996-1998- Bonning was an Associate Partner of Accenture, Ltd.
- 1998-2000- He was employed as Senior Vice President of Zany Brainy (educational toy retailer).
- 2001- Bonning joined Kohl's as Senior Vice President: Logistics, Facilities, and Store Planning. http://www.macroaxis.com/invest/manager/KSS--Kenneth_Bonning
- 2004- He became Executive Vice President of Logistics

Salary

- No salary data available

John M. Worthington

Chief Administrative Officer

Age

- 48

Education

- No education data available

Career

- Prior to joining Kohl's in 1993, Worthington worked with Famous-Barr, a division of The May Department Stores Company
- He served as the northeast region senior vice president and has held many store operations positions during his experience at Kohl's.
- 2005- He became Executive Vice President and Director of Stores of Kohl's Department Stores.
- 2007- Worthington became Kohl's Chief Administrative Officer as he supervises store administration, merchandise presentation, and store operations.

Salary

- Total Annual Compensation: 900,000[liv]

Donald A. Brennan

Age

- 50

Education

- No education data available

Career

- 21 years of retail industry experience.
- 1982- 2001 He served as Senior Vice President and General Merchandise Manager of Burdines Department Stores (division of Federated Department Stores, Inc.).
- 2001- Brennan joined Kohl's as its Executive Vice President-Merchandise Planning & Allocation and Executive Vice President.
- 2004- He became General Merchandise Manager (Men's and Children's).
- 2010- Brennan serves as the Chief Merchandising Officer http://www.forbes.com/profile/donald-brennan/

Salary

- Total Compensation: $900,000[lv]

Jon Grosso

Age

- No age data available

Education

- No education data available

Career

- Before joining Kohl's in 2002, he served as Regional Vice President of operations with Macy's
- He has been Senior Vice President and Territory Manager of Kohl's Corporations.
- 2007- Grosso has been Executive Vice President of Store Operations of Kohl's Corporations[lvi]

Salary

- No salary data available

Jeff Manby

Age

- No age data available

Education

- No education data available

Career

- Before joining Kohl's, Manby was Divisional Merchandise Manager of children's in a division of May Department Stores Company.
- He has been Senior Vice President and Divisional Merchandise Manager: men's.
- 2007- Manby was named Executive Vice President and General Merchandise Manager of Men's & Children's of Kohl's Corporation[lvii].

Salary

- No salary data available

Products and Services

Women's Clothing/Accessories- Women also shown to buy more updated sportswear as it had low double-digit increases[lviii]. They sell multiple types of shoes such as casual, dressy, and athletic shoe wear from brands of Mudd, Dana Buchman, Lauren Conrad, and many more. Kohl's offers a variety of women's dressy and casual attire from dresses to pants. They also offer plus size clothing. Also for women, intimate clothing is offered in brands such as Hanes, Apt. 9, Cuddl Duds, and barely there[lix].

Men's Clothing/Accessories-Van Heusen will be introduced in 2012 for men's sportswear, dress shirts, and accessories[lx]. Trends saw an increase in men's sportswear and basics. They sell coats and jackets, fleece, dress shirts, pajamas, jeans and pants, hats and gloves, and casual ware for men. The men's department uses brands such as Dockers, Marc Anthony, Tony Hawk, Nike, and Levi's[lxi].

Juniors' Clothing/Accessories- They are launching Princess Vera Wang (a juniors' lifestyle collection) available only at Kohl's. Jennifer Lopez's collection launched in many departments including dresses, handbags, jewelry, and shoes[lxii]. The junior department provides dressy, casual, and athletic wear from brands such as Angels, Candie's, Mudd, and Soffe. The junior department offers all types of clothing, shoe ware, accessories, hats and plus size clothing[lxiii].

Beauty- Kohl's expanded the ELLE and Simply Vera by Vera Wang brands into the beauty business in hopes to grow opportunity. Different types of make up and beauty products are offered at Kohl's in the brands of Sexy Hair, Conair, American Beauty and Olivia Care[lxiv].

House ware- Kohl's has a partnership with Food Network and LIFE+style. Kohl's employees design for these brands in aspects of color, pattern, and texture. They also develop technical product specifications and select manufacturers and marketing plans for the brands[lxv]. Rue 21 does not offer house ware products or furniture therefore competitive intelligence is not applicable for this department.

New Toy line- Kohl's has expanded in-store and online toy collection. Kohl's and Kohls.com will offer multiple popular toy brands, including Disney, Fisher-Price, Hasbro, and Leapfrog. Kohl's customers will have a 40% larger toy selection at Khols.com and 25% larger toy selection in stores nationwide[lxvi].

Online- Kohl's has offered online shopping since 2001. The online site offers more than what is seen in stores. It focuses on extending sizes, product line extensions, and web-exclusive product lines. The website is easy to navigate while complementing the in-store focus[lxvii].

Expanding Market- Kohl's is conducting sales productivity test in fifty stores in Houston, Atlanta, and Salt Lake City. Kohl's plans to expand there house products in theses three locations as well. They plan to add two more markets to twenty more stores. Then plan to read all tests through the balance of the year and make changes to the remodels and new stores based on the results of this test. The changes will not take place until 2013[lxviii].

Kohl's Marketing Activities and Trends

Executive Summary:

Kohl's marketing activities such as a decrease in future store openings are likely to be effective. The company is already coast-to-coast and with store sales down in recent months, any expansion within the market will most likely not help the company's profit. Trends in Kohl's Cares are likely to continue in the future. The promotional effects that Kohl's Cares has had on the retail market and national audiences will only continue to help promote Kohl's sales and humanitarian efforts. Expansion activities in Kohl's design facilities will help to increase its brand clientele and have a more widespread consumer base.

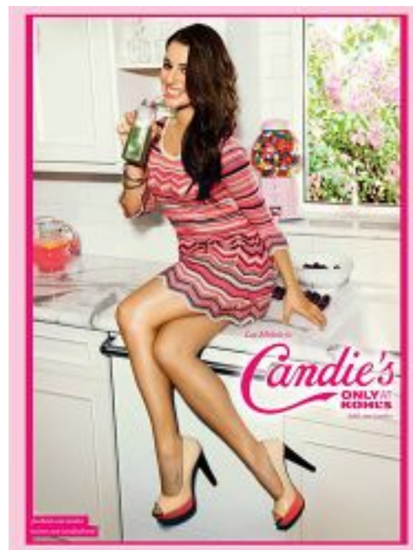
Marketing:

Kohl's Cares is a primary factor in the company's overall marketing appeal to the American retail market. It is a voluntary program that focuses on the support of children's health and education, environmental initiatives, and women's health specifically directed towards fighting breast cancer[lxix].

Kohl's takes on "Green Power" for sixth year in a row. The department store has received awards from the U.S Environmental Protection Agency (EPA) for the sixth consecutive year. The company demonstrates committed green

power doings towards helping the nation's overall green power market. Kohl's has acted in a number of "green" efforts including the offset of 100% of their energy use having 200 solar locations by 2015. The Chief Administrative Officer of Kohl's claims that this will demonstrate to partners how to institute successful green programs of their own. Kohl's is seen as the number one green power retail company for EPA and number [lxx]two on the National top 50 lists of green purchasers. Kohl's operates over 120 solar locations in 10 states and possesses over 700 Energy Star locations (over half of Kohl's overall stores). This green power is a part of Kohl's Cares marketing strategy[lxxi].

Kohl's recent expansion in design facilities in New York and California support the company's "retail exclusive" brand strategy. The company's exclusive store brands account for 51% of the sales at Kohl's in third quarter of 2011. Kohl's expansion of design offices could be used to help manage current exclusive brand sand welcome more in the future. Kohl's mentality behind exclusive brands is to make sure that the store is committed to high-class brand availability at compelling values to customers. The company is already home to 140 designers and support associates that manage design and development programs of Kohl's 13 brands. Kohl's exclusive brands thus far include: *Simply Vera Vera Wang, Princess Vera Wang, Food Network, ELLE, Elle Decor, Dana Buchman, Candie's, Chaps Home, FILA Sport, Jennifer Lopez, Bobby Flay, LC Lauren Conrad* and *Rock & Republic*[lxxii].



Candies is a major brand hosted in all Kohl's stores. The brand is specified towards Junior's clothing line and has recently added Lea Michele from the hit TV show "Glee" as its spokesperson. The actress is promoting the new Candies Beauty line which features nail polish, lip-gloss, and fragrances. Candies by Kohl's is popularly promoted through TV commercial and magazine advertisements[lxxiii]. Kohl's has commonly used a variety of famous teen idols to help promote the Candies collection such as Brittney Spears, Vanessa Hudgens, and Hayden Panettiere.

Kohl's Cash is a widely heard marketing phrase used by Kohl's customers and employees. The company offers "Kohl's Cash" coupons to customers when they spend their first $50 purchase. The initial value in Kohl's cash is $10 and an additional $10 is rewarded with each $50 spent beyond that. Marketing for Kohl's cash can be found online at Kohl's.com or in other types of advertisements. Kohl's Cash is only available to be redeemed or earned during specialty events.[lxxiv].

Kohl's recent business remodeling has shown activity towards hopes of inspiring growth from recently low sales. The company believes that it has lost its competitive edge regarding low prices and merchandise value. Trends in consumer dollar competition are resulting in recent marketing activities for Kohl's to be based around a more conservative strategy. Trends are evident in a more reduced pace of new store openings along with store remodels in the near future. Kohl's strategy to regain its previously loyal customer base will be to include a more intensive marketing technique with sharper prices[lxxv].

Social Media:

Kohl's Facebook page is used to keep customers up to date with sales, fashion trends, and new products online and in the store. The Facebook page also allows fans to enter sweepstakes and learn about Kohl's Cares support. Overall it is an extremely effective way to increase customer's awareness and is a crucial factor in Kohl's marketing techniques. Kohl's also has a twitter account however they are not up to date so it serves little to no purpose[lxxvi].

Operations

Executive Summary:

Kohl's Corporation continues to invest in remodeling its stores and creating new stores. Kohl's is different through distribution from Rue21 because it has multiple locations where as Rue21 has one. The colder regions of the United States tend to perform better than more warm. Also, there is more Kohl's store of the East United States.

Amount of stores– There will be 12 new stores, which will create 15,000 jobs. Because of new technologies, Kohl's has been able to improve the efficiency of their payroll organization. Of the operating stores, there has been a reported lower cost as a percentage of sales. As of September 2012, Kohl's operates 1,146 stores in 49 states as well as online-shopping[lxxvii].

Remodeling- Kohl's completed 100 remodels in 2011, 85 in 2010, and 51 in 2009. The remodeling has been cost effective and has benefited sales and customer service[lxxviii].

Distribution-Kohl's had nine retail distributors. A small amount of our merchandise is delivered directly to the stores by vendors or their distributors. The retail distribution centers are all located within the United States and ship merchandise to each store by contract carrier several times a week. They also operate fulfillment centers in Monroe, Ohio; San Bernardino, California; and Edgewood, Maryland that service our E-Commerce business. For the future. They expect to open a fourth fulfillment center in Texas[lxxix].

Regions- The cold regions, Mid-Atlantic, Midwest and the Northeast, significantly outperformed the warmer South Central, Southeast and West regions. The Midwest and the Northeast regions reported small increases. The Southeast and South Central regions and West saw decreases[lxxx].

Strategies

Executive Summary:

Kohl's has many different strategies to hope to increase their sales as well as their customer value. Kohl's has been a leader in the green initiative by moving to solar stores. They plan to find the categories that their customers want and increase their inventory. With remodeled stores and new staff, Kohl's plans to create new ideas that grow the company.

Increase graphic elements- Kohl's wants to create signs that will appeal customers to various departments other than just women's apparel. Along with the signs, they want to promote brand names and product lines rather than one specific product to broaden what the customers want. Also, change the ads so that customers see the price clearly[lxxxi].

Solar power- Kohl's is the second largest user of green power in the US. Its department stores is installing solar panels at 30 more stores, expanding its already existing solar program by 25 percent. These solar panels supply 20 to 50 percent of the store's energy. This will create 150 stores with solar energy in all across 13 states[lxxxii].

Price, Promotion, Products- Kohl's believes their best opportunity is making changes internally within the company. They need to generate more stores for store sales and value the customer more within the right product categories. Kohl's plans to communicate the customer value through merchandise assortment[lxxxiii].

Remodeling Stores- Kohl's plan to look at categories that have a higher rate of growth within the past five years and rethink how to allocate space and presentation in Kohl's stores. The plan is to not spend more money on remodeling but utilize the money that they are already spending in a different improved way[lxxxiv].

New Infrastructure- There is a new executive team supporting the online business to keep it improving. Also, a new executive was brought on to run the young female businesses (Juniors and Children)[lxxxv].

General Financial Performance

Executive Summary:

It is likely that Kohl's stock will continue to have an increasing return rate in the future. However the company's revenue growth is not very likely to shown as high of improvements as compared to previous years. Although it is likely that Kohl's will still remain in a solid position in the retail industry.

Discussion:

Kohl's stock (KSS) has shown consistent increases since it first went public in 1992. The company's stock has been well above the Standard and Poor 500 and the Dow Jones. Since 1995, Kohl's stock has been constantly surpassing both indicators. The only major dip shown in KSS was in the economic crisis during 2008. Even during this slow economic time Kohl's still managed to surpass both the S&P and the Dow Jones by over 1000%. Kohl's stock hit it's highest in April 2007 when it total $78.38 per share. The lowest amount per share that Kohl's has ever experienced was $1.95, the day that the company went public in May 1992[lxxxvi].

Kohl's key expenditures include remodeling and expansion programs along with seasonal and new store inventory purchases. Recent capital expenditures have increased in recent years. From 2010 to 2011 an increase of $801 million, Kohl's believes this was a result of new store spending, remodels, and the company's third fulfillment center/call center. The 2012 capital expenditures prediction is as followed: 21% new stores, 17% remodels/relocations, 16% distribution centers, 24% computer hardware and software, 14% store improvements, and 8% other. Compared to 2011 expenditures the major differences will fall within fewer new stores and more remodels. The total capital expenditures should reach $825 million in 2012, a decrease from the previous year[lxxxvii].

The company's debt has been remarkable considering the conditions of this slower economic time. They have maintained the same debt total since 2007; the company's credit rating has remained at $1 billion. In 2011 the company produced a free cash flow of $1.1 billion, increasing from $900 billion the prior year. The increase was due to higher cash generated by operating activities. Kohl's free cash flow represents the ability to generate additional cash flow from future business operations. The total free cash flow in 2011 was $1,139 million and the prediction for 2012 is $1 billion[lxxxviii].

Current Events/ Recent Key Events

Kohl's opened 12 new stores in **September of 2012**. The stores are spread out in ten states including Connecticut, Georgia, Iowa, Kansas, Maryland, Massachusetts, North Carolina, South Carolina, Virginia, and Washington. Only one of these twelve stores follows the mass-space format, which Kohl's usually models. The remaining eleven stores are 64,000 square feet of less making them a smaller-format as compared to Kohl's normality. The store openings have created 1,500 jobs. Nine of the new stores were built conferring to the "gold-level standard" in the U.S Green Building Council's Leadership in Energy and Environmental Design[lxxxix].

Kohl's Cares along with TED awarded 18 teachers in the beginning of **October 2012** for the opportunity to have their "most impactful and influential lesson" presented in an animated video on TED's website. The TED website was built from Kohl's $1.25 million contribution. The teacher awards demonstrate Kohl's commitment to children's education countrywide[xc].

At the end of **September 2012** Kohl's announced a new designer partnership with Derek Lam. Lam is the second designer for the Kohl's collection called DesigNation. DesigNation is a limited-edition collection by Kohl's that features new designers with international inspiration. Lam's collection will range from $36-$98 and will be available in stores from April through May 2013.

With the **2012 holiday shopping season** near Kohl's has projected that they will be hiring more than 52,700 associates nationwide to help promote exceptional customer service. This holiday sales associates hiring is up 10% from 2011 in hopes of assisting holiday business in stores and growth in e-commerce. Additionally Kohl's has estimated the hiring of 5,700 seasonal jobs at distribution centers and over 30 seasonal credit operation jobs[xci].

Kohl's has reportedly continued on its path of comparable store sales throughout September. The overall year to date sales as of **September 2012** increased 0.8% but comparable store sales decreased 0.9%. Regardless Kohl's feels comfortable with its overall total sales of $1.6 billion in September 2012[xcii].

KOHL'S Cares®

Committed to Kids' Health and Education

Competitive Analysis

Wet Seal

Executive Summary:

Wet Seal is a contemporary mall-based retail store that has been in existence sine 1962. The company has 550 branches and offers apparel and accessories, both of private labels and brand names. Wet Seal focuses on its fashion forward appeal for teenage girls online and in their stores. Since 2007 Wet Seal has faced hasty growth in online sales and new customer interchanges. Wet Seal primarily uses Facebook and Twitter to express attraction to its target age group of 13 to 19 year olds. Wet Seal is affiliated with the branch of stores named Arden B., which gives the company a larger margin with the retail market. The company's top management all shares two unique qualities that are not seen in Rue21, a younger age range, 45 to 54, and relatively new job positions within the company. These two qualities could separate Wet Seal from their competition with fresh, young, and innovative new marketing ideas and strategies.

Analysis of the Porter's 4 Forces has emphasized competitive advantages that Wet Seal has over Rue21. The analysts have determined Wet Seal's future goals, current strategy, capabilities, and assumptions and have formulated possible actions that Wet Seal may take next. Since Wet Seal has been hurting financially during the past year, when sales began to spark at the end of September the company took few assumptions. They assume that current triggers in sales will continue growth of once declining financials since the idea that low cost clothes will always be demanded. Wet Seal's current strategy stresses production for a large clientele at bargain prices. The company is planning on having a more conservative approach towards business opportunities as a result of resent financial decline.

Rue21 needs to apprehend the competitive differences between Wet Seal and themselves. It is crucial for decision makers to understand the capabilities and locations of Wet Seal stores so that they can strategically locate Rue21 stores as competition. Differentiation needs to be more strongly enforced to customers of the advantages when shopping at Rue21 over Wet Seal. Both companies share a low cost structure so Rue21 to gain leadership over the primary consumers, they will need to take into consideration Wet Seals possible next moves, current strategy, assumptions, and capabilities. Overall, Rue21management will need to carefully deliberate the competitive profile of Wet Seal and plan immediate reactions and future responses to competition deriving from Wet Seal.

Corporate Strengths & Competencies:

Experienced management team is in place within Rue21 administration. The top management is young but mature enough to make drastic decisions from past experiences in the retail industry. Their CEO, Steve Benrubi, is only 45 but has experience in multiple industries and climb the ladder through Wet Seal management.[xciii]

Fast fashion at affordable prices is the marketing technique portrayed through Wet Seal marketing. This is what primarily makes Wet Seal a competitive threat.

Strong Brand Positions in Wet Seal and Arden B divisions is the foundation behind customer loyalty at the store.[xciv] The concept of owning another store branch also gives Wet Seal a more diversified customer base.

Corporate Weaknesses/Potential Challenges:

Decline in sales throughout the past year has put a huge target on the companies back for competition like Rue21 to overcome Wet Seal in sold products.

Financial hardships throughout the past 5 years have led to the company an experience of decline within their net sales and annual revenue.

Foreseen decline until the holiday season is claimed by the company and only hopes of sale increases is around holiday shopping season.[xcv]

Wet Seal's Porter's 4 Forces

Discussion:

Future Goals: Wet Seal is not as financially sound as it has been in the past, resulting in the company planning on managing business conservatively in the near term during the difficult economic environment. Wet Seal is also looking to improve real estate, store operations, improve the merchandise margin, the physical distribution and transport of products, as well as to improve the information system. Finally Wet Seal now needs to start realizing the comparable store sales growth opportunities that they have.[xcvi]

Assumptions: The Wet Seal Inc. prides itself on providing their consumer base with affordable pricing and trendy fashion in both apparel and accessories. The store advertises that it is a leading specialty retailer of fashionable and contemporary apparel and accessory items in the retail industry.[xcvii] Wet Seal assumes that they will remain in this leadership position. Social media aids in advertising strategies including Facebook, Twitter, and Instagram are helping online sale growth. Wet Seal assumes that these marketing techniques will be the only necessity in promotion strategies.

Strategies: Wet Seal is pursuing the competitive strategy of low cost in the retail industry. In addition to Wet Seal's bragging rights of bargain prices, they also feature the most recent trends in clothing. The mall-based store competes with other low cost retail stores that produce for a broad consumer base and fight for the lowest costs in the industry. A disadvantage to this low cost strategy is the quality of the clothes produced and competition between other stores such as Kohl's, Forever21, and Rue21 with similar strategies. Although the apparel and accessories are bargain steals and trendy, the quality of the merchandise is poor. Wet seal recently partnered with pop sensation Carly Rae Jepsen as part of their new marketing campaign strategy. Carly launched her CD *Kiss* available at all Wet Seal store locations for a special discounted price. The company hopes that this spokesperson strategy will attract additional customers.[xcviii]

Capabilities: Wet Seal's strengths reside in the widespread location of stores in the US. They own 504 stores in 47 states and are continuing to grow opening 12 new stores by the end of 2012. They operate and were established in Foothill Ranch, California. This is where their main warehouse is located and where the clothes and products are shipped. Wet Seal Inc. also owns Arden B stores, which have a higher age of targeted customer. This expands the combined target age for both stores from ages 13-35, thus increasing the customer base in order to bring in more revenue.

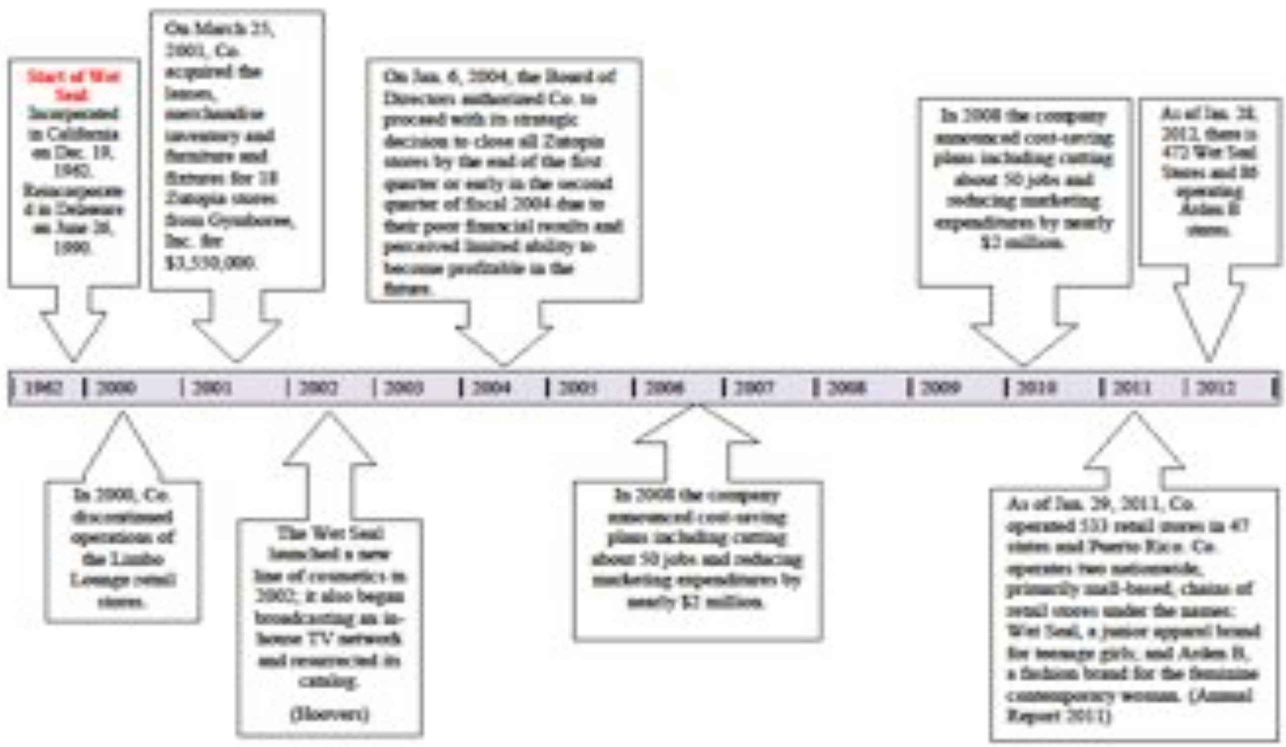
Competitor's Response: Wet Seal is projected to open more stores within the next year because of their future goals of changing real estate and their want to build more. In order to compete with their competition and the market, Wet Seal will have to maintain competitive prices. Especially with Rue 21 competing for the lowest price as well, Wet Seal will have to be strategic in having low cost products. With new spokesperson Carly Rae Jepson, Wet Seal will have to find ways to advertise and market her and their brand.

Wet Seal's History

Executive Summary:

Wet Seal was incorporated in California in 1962. Since then, the company has morphed itself into one of today's trendiest mall-based retail stores. Wet Seal operates about 550 stores in the US and Puerto Rico combined.[xcix] The store targets 13-19 year olds, selling apparel and accessories, both brand name and private labels in their stores and through their website. The company boasts about its affordably priced fashion and trend-focused apparel for teens. Wet Seal expanded their target audience to another crowd (25-35 year olds) through their Arden B contemporary fashion chain reaching 80+ stores. Since 2007, Wet Seal and Arden B stores have experienced rapid growth in visitor traffic and website sales.[c] The company continues to grow using marketing strategies through social media networks like Facebook and Twitter.

Wet Seal Timeline



Top Management

Executive Summary:

The rue21 team analyzed 5 key executives of major competitor Wet Seal Inc. Most of the executive officers are new to their positions. However, all of the officers have many years of experience in the retail industry. Also, each executive has more than one management title in the company. The executive officer's ages range from 45 to 54, which is a young group of officers compared to rue21 and Kohl's. Having a young CEO and top management could bring a new perspective to the business, especially could be affective when reaching out to their young consumer base.

Steven H. Benrubi

Co-Principal Executive Officer, Chief Financial Officer, Principal Accounting Officer, Executive Vice President and Corporate Secretary, Wet Seal Inc.

Age

- 45

Education

- Received his BA Degree with a Major in Accounting at Hillsdale College

Career[civ]

- Served as Treasurer of Champion Enterprises, Inc
- August 2003-served as Vice President and Controller of CKE Restaurants, Inc., The Parent Company of several fast food restaurant chains including Carl's Jr. and Hardee's.
- June 2005- September 2007- became Corporate Controller and Vice President of Wet Seal Inc.
- Sept 2007- Became Chief Financial Officer and Executive Vice President of Wet Seal Inc.
- July 2012- Became Co-Principal Executive Officer of Wet Seal Inc.

Salary

- Total Annual Compensation: $438,630.00

Kenneth Duane Seipel

Co-Principal Executive Officer, President and Chief Operating Officer, Wet Seal Inc.

Age

- 51

Education
- No Education data available

Career [cv]
- More than 25 years of retail industry experience
- Earlier in his career, Mr. Seipel held various merchandising and operations management roles with Target Corporation, Shopko Stores, Inc. and J. C. Penney Company, Inc.
- Served as an Executive Vice President for stores, store design and operations at Old Navy division of Gap, Inc.
- Served as President, the chief merchandise/marketing officer and Strategy Consultant of Pamida, Inc.
- August 2009- October 2009- Served as an Interim Chief Executive Officer of Pamida, Inc.
- March 2011- became President and Chief Operating Officer
- July 2012- Co- became Principal Executive Officer of Wet Seal Inc.

Salary
- Total Annual Compensation: $464,423.00

Sharon Hughes

President for The Arden B Division and Chief Merchandise Officer for The Arden B Division, Wet Seal Inc.

Age
- 52

Education
- No Education data available

Career [cvi]
- 1938- April 1990- served Saturday’s (a chain of clothing stores) in various capacities, most recently as General Merchandise Manager
- May 1990- Joined Wet Seal
- May 1990- March 1994- Merchandise Manager of Wet Seal.
- March 1994- Became Vice President of Merchandising
- February 2001- Became Senior Vice President of Merchandising for Zutopia division of Wet Seal Inc.
- February 2008- November 2009- served as a Consultant to lead the Arden B merchant team
- November 2009- Became President and Chief Merchandise Officer of Arden B., Inc.

Salary

- Total Annual Compensation: $485,000.00

Harriet Bailiss Sustarsic
Chief Merchandise Officer and Executive Vice President

Age
- 54

Education
- No education data available

Career[cvii]
- 1980-1996-held various merchandising and management positions in the specialty and department store retail sectors
- 1996-2003- held management positions at Charlotte Russe Holdings, Inc., or Charlotte Russe
- 2001- named President and Chief Merchandising Officer of Charlotte Russe.
- 2004-2006- became Vice President and General Merchandise Manager for Guess
- 2006-10- became Senior Vice President and General Merchandise Manager for the North American Guess Retail Division
- November 2011- was appointed Executive Vice President and Chief Merchandise Officer, Wet Seal Division

Salary
- Total Calculated Compensation: $265,876.00

Barbara L. Cook
Senior Vice President of Store Operations

Age
- 53

Education
- No education data available

Career[cviii]
- 1976-1999- managed positions in the apparel and grocer retail sectors
- Served as Regional General Manager of UK Starbucks Coffee Company
- 2002-2005- became Managing Director for the Retail Division of T-Mobile

- 2005-2007- became Managing Director of Europe Gap, Outlet and Banana Republic for Gap Inc.
- 2007-2011-became Senior Vice President of Gap Stores and Operations in North America
- November 2011- became Senior Vice President of Store Operations of Wet Seal Inc.

Salary

- No salary data available

Products & Services

Women's Apparel: Included in this category are the majority of the items in the store. Prices range from around $10.00-&24.00, which is significantly less than many other trendy stores that exist in malls around the country. Offered in stores is anything from athletic wear to homecoming dresses, a wide variety that gives customers the confidence that they can shop at Wet Seal and find exactly what they are looking for. [cix]. Additional to the Wet Seal brand, the company also created the store brand Arden B and Blink. Arden B is a more sophisticated brand with a separate store that typically has higher prices compared to the Wet Seal [cx]. The Blink brand entails denim products that can be purchased both at Arden B and Wet Seal stores[cxi].

Accessories: Wet Seal offers a variety of accessories in stores and online. Including jewelry, hair accessories, scarves, belts, handbags & wallets, hats, and sunglasses[cxii].

Shoes: Ranging from $3 to $50, average cost is around $15 to $30. Styles range from ballet flats, tennis shoes, flip-flops, boots, high heels, wedges, and slippers[cxiii].

Services: Wet seal offers a rewards credit card that benefits the customer who uses it. The card is an actual credit card that requires approval through the company. Once the consumer is approved they can use it at the store to pay for their items. For every purchase, the card gathers points that get the customer extra savings and access to sales that regular customers do not have access too. This is a good tool to use, although not many people are interested in opening credit cards with retail companies because of the fear of bad credit. For those who can afford it, it is a very beneficial tool that can be used in shopping[cxiv].

Marketing activities and trends:

Social Media: Overall, social media sites have helped to improve consumer awareness for Wet Seal. Wet Seal has used social media to allow their customers to easily access information in nearly all facets. The company has linked their Facebook account with all of their other social media accounts to ensure that the company is achieving maximum consumer exposure through marketing ads for Wet Seal[cxv].

- Wet Seal has a company Facebook page that is open to the public for viewing. On this site the company primarily shares customer feedback on given products. The Facebook page also gives a "behind the scenes" approach for its customers. This site covers many areas of Wet Seal that are currently happening. As of right now, the current holiday will be Halloween, so the page's cover photo is Halloween themed with graphic tees containing quirky sayings designed to catch the customer's eye. Among the many features of this page is a section designed to display options for the consumer called "Friday Fashions." Items such as "sweaters" for example are shown in the photos along with a sale price and suggestions for the customer depending on their style. Also advertised on the site was a post regarding the hiring of new models for their advertisements. This is very useful due to the large amount of people exposed to this Facebook page via the Internet. Wet Seal as a Facebook page wishes for their customers to interact with the website, posting polls and open-ended questions for the consumer to answer if they feel comfortable.

- Also linked to the Facebook account is a Social Network called Instagram. Instagram is a network designed to share photos customized with special filters and light settings. By using Instagram, the company can take photos of models and clothes, accessories, and product, and put them through a photo filter to make them look more attractive. Instagram is a widely used media network that is compatible with both iPhones and Droids, giving the company an even broader spectrum of viewers.

- Another social media site that is used is Pinterest. Pinterest is a site that allows the user to "pin" certain pictures of items they like to an electronic pin board. Wet seal uses this to pin photos of fashion trends to their

boards. In addition, the account is linked to the Facebook page so users can see it on more than one site.
- The final major social media site used by wet seal is Twitter. This site is mainly used for consumer interaction. This account "retweets" many tweets sent to it in regards to customer satisfaction.
- Overall, social media sites improve consumer awareness so they are able to access information in nearly all facets of social media. By linking the Facebook account to all other social media accounts, the company can be sure they are achieving maximum consumer exposure to marketing ads and opportunities to shop at Wet Seal[cxvi].

Marketing:

- Wet Seal is a store designed to target girls from the ages of 13 to 19. This age group is a particularly "trendy" age group. At this age girls are always looking for the newest developing fad. As challenging as this age group is to please, it is important to the company to be able to track and predict what girls will want to wear. They have trendy styles that change often in attempt to offer the latest fashion trends at a lower price than their competitors. Although Wet Seal also owns Arden B, the majority of their revenue comes from the Wet Seal stores. Both divisions deliver fashionable, trend appropriate apparel and accessories that can be used for many different occasions. Feedback from stores is sent to corporate managers in order to reassure trends or order for change. The company believes in-store employees have the best eye for what customers like, and they value their opinion[cxvii].

- Wet Seal runs promotion and coupons almost all the time. If there is not online deals then there are always sales in the stores. It can always be guaranteed that you can purchase something at Wet Seal that is not at full price, which is a successful tool in drawing the customer into the store. Another strategy used is making the current fashions only slightly less expensive than the sale items, which are more outdated. The consumer will then be more likely to rationalize the price and purchase the more expensive item because it is only slightly more expensive than what they originally were willing to pay[cxviii].

Operations & Capabilities

Wet Seal inc. headquarters is located in Foothill Ranch, California. As of August 25th 2012, there were 469 stores in 47 states, DC and Puerto Rico. The company was founded in Newport Beach, California in 1962 and has grown ever since. Since Wet seal's primary location is in California this is where the largest store concentration is inhibited. The main warehouse for Wet Seal is also located in California. Other than California, high store concentrations can be found in New York and Florida. Wet Seal plans to open several new stores in 2012 in California, Illinois, South Dakota, New York, New Jersey, Florida, Mississippi, Hawaii, Texas and Virginia.

Strategies:

Ensuring Quality for Supplier/Manufacturer: Wet Seal has a strong, yet strict policy with its suppliers and manufacturers as well as with its social workplace. Within both, all of the vendors and suppliers partnering with Wet Seal must fill out the Supplier-Manufacturer security questionnaire for every factory that they deliver merchandise to. By filing out these forms it allows Wet Seal to see the difference between each of their manufacturing distributors across the country. [cxix]

Jon Kubo:
-Vice President and CIO
(http://www.sas.com/success/wetseal.

Control Costs: Wet Seal has a reputation for ensuring low cost products. By lowering prices they hope to increase their sales that have been declining within the last few months. Also certain products produced for Arden B and Wet Seal have been made in the United States which helps save costs for shipping and distribution.

SAS Size Profiling; In order to remain a competitor within the market, while also ensuring customer loyalty and satisfaction, Wet Seal has decided to start using the SAS Size Profiling to transform sales data into accurate projections of demand by size. By doing this it will allow inventory to be turned over two to three times faster as well allowing 85% of new products in stores to be replenished faster. Created by both Jon Kubo the vice president and CIO, and Daniel Ryu, vice president of planning and allocation, stores are now able to understand the sizes selling at a specific store and base their distribution off sizes to specific stores. "Traditional business intelligence in retail has reached a plateau of usefulness…we look for technologies that augment our limited resources and help raise intelligence about our operations."[cxx]

Expanding Global Presence: Wet Seal is beginning to expand its market internationally by now offering international shipping to 40 different countries. This allows for international buyers to browse and shop Wet Seal using their currency, and also allowing no additional payments to be required upon delivery of order. By doing this Wet Seal is hoping to increase their sales to help strengthen the company.[cxxi]

Wet Seal General Financial Performance:

Executive Summary: The Fiscal Year for the company Wet Seal ended January 31st, 2010. The company reported that the net sales fell 5.4% to $5.6 million while the net income tripled to $93 million. Wet Seal reports that comparable store sales growth declined every month in 2009, except during the winter and summer months, due to back to school and Christmas shopping.[cxxii] Despite having the store sales growth and net sales decline every month in 2009 the company opened eight new net-stores in 2009 and expects to keep opening 25-40 stores in 2010.

Discussion:

Throughout the past five years Wet Seal has been experiencing declines within their net sales, and annual revenue. Wet Seal just recently announced its net sales and comparable sales for the end of its five-week period, which ended September 29, 2012. As shown in the chart below there is a significant decline in sales from last year to this year.

Progress is starting to show within the company because of the sales within the e-commerce, which rose 15% in the fiscal month of September. This is the second consecutive month in which sales have increased. Steven H. Benrubi of Wet Seal headquarters stated, "Our September consolidated comparable store sales reflect progress from our comparable store sales decline of 18.3% in fiscal August…currently forecast sales for the fiscal third quarter to be slightly better than our initial estimate of a decline from 14% to 18%."[cxxiii]

	Net Sales % Change from last year In Millions	Comparable Store Sales % Change This Year	Comparable Store Sales % Change Last Year
Wet Seal	$41.3	-8.7%	-12.6%0.0%
Arden B	$7.0	-16.3%	-13.6%-2.2%
Total	$48.3	-9.9%	-12.7%-0.3%

Days Range: 3.15-3.20

52 Week Range: 2.42-4.63

Net Income: $21.7 million

Next Earnings Date: November 12, 2012

Current Events/Recent Key Events for Wet Seal

Executive Summary:

The Company Wet Seal was founded in 1962, with headquarters based out of Foothill Ranch, California. Wet Seal is a retail store that sells fashionable and contemporary apparel to girls within the teenage age group. Within wet Seal there is another retail chain that is Wet Seal's higher end partner store known as Arden B. Arden B offers a variety of higher end, classier business type apparel for the college age and older women. Both Wet Seal and Arden B have websites where apparel from both stores can be purchased.[cxxiv]

Recent event concerning Wet Seal Shareholders and their Motives: The struggling retail company Wet Seal is currently in a dispute where the company is urging its shareholders to reject the, "Clinton-Groups" plead to replace current experienced management with people who are less qualified.[cxxv] The Clinton Group states that, "the performance over the last five years has been unnecessarily poor…the board made missteps in its hiring and its strategy." The Clinton Group thinks that if they replace six of the seven current board members with their own people than there will be a greater degree of stability. Wet Seal is urging shareholders to revoke or withhold their consent to allow Clinton Group to replace these board members.

Firing of Wet Seal CEO: After only 11 months on the job, Wet Seal decided to fire its CEO, Susan McGalla. Throughout her 11 months on the job she oversaw 11 straight months of sales declining, as well as dealing with what was stated in the previous paragraph regarding Wet Seal's top shareholder the Clinton Group calling for the company to be sold. Wet Seal's stock has been declining nearly 50% for the past year. It was reported that second-quarter same-store sales are expected to be the lowest at the end of this quarter.[cxxvi]

Current Events:

- Since January 29, 2011 there was a total of 558 stores; 472 Wet Seal and 86 Arden B
- Continuing to have new store openings in 14 different cities throughout the 2012-year.
- Certain articles of clothing from Arden B were actually manufactured within the United States.
- For about a year Wet Seal has been dealing with declining sales, especially for the month of September there was a 12.7% decline.
- Store sales for a five week period which ended on the 29th of September was down 12.7%
    - September 29, 2011 sales were only down 0.3%
- Total Sales decreased 9.9% for the month of September
- August 2012 experienced a greater sales decline being at 18.3% at the end of its fiscal month.
- Company claims that they will continue to be in a decline, until the time of holiday shopping where they hope sales will pick up[cxxvii]
- Wet Seal launches a Facebook and Twitter page to keep customers up to date on the latest deals and fashion as well as allowing customers to voice their opinions about the store.
- In August 2012, Wet Seal launched an exclusive partnership with Pop Sensation Carly Rae Jepsen.[cxxviii]

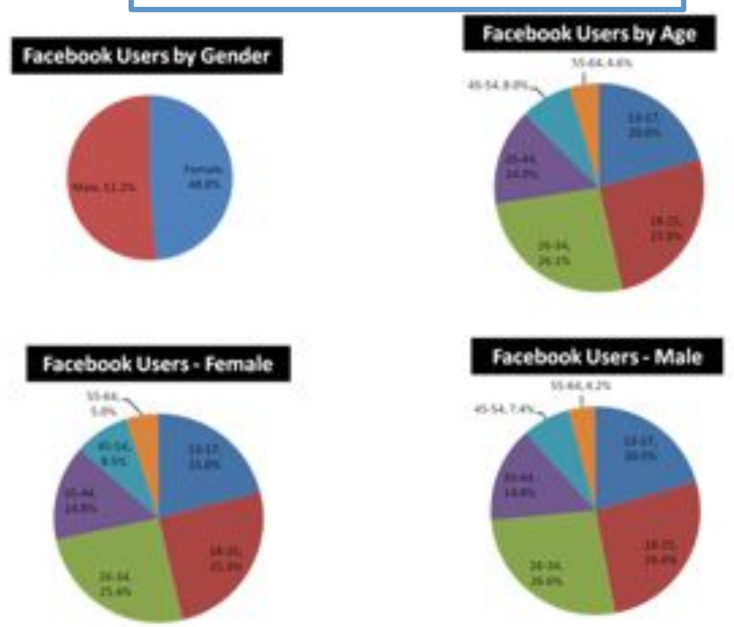
Environmental Analysis (STEEP)

Executive Summary:
With consumer spending slightly on the rise, the retail industry can be optimistic on a rise in retail spending. Because the unemployment rate is decreasing, there are high hopes that eager employees will continued to be hired and will then be able to spend their own money. With more people spending money, Rue21 has to be interested in the social aspect of STEEP. They need to consider the baby boomer increase as well as becoming a more customer-focused company. New technology that keeps tracks of the customers will help a company know what products and strategies to adopt. There is an obvious shift to online shopping and marketing; this is through computers or mobile phones. Politically, the current election could play a huge role on the industry depending on who wins and their strategy to fix the economy. New online shopping laws could also affect the way consumers spend and the way the company operates their sites. Companies also are starting to adjust to the climate change and ecological issues by creating environmental friendly tactics such as solar stores. Rue21 needs to continue monitoring macro environmental trends and apply them to their current strategies.

Social:

- **It is likely that products designed for the baby boomer wave will be likely to take over the marketplace with successful sales.**
  - This is and will continue to be a fast growing category, as the first wave of the baby boomers will turn sixty in the upcoming years. This group of people continues to demand more products that are relevant to their lifestyles. Products that keep them looking and feeling young will benefit the most. Business need to cater to this group because the make up a large number of the consumer population. In 2030, it is estimated that the population of baby boomers will reach 57.8 million, which will make up for 42.29% of the entire population of the United States.[cxxix]
  - The baby boomer market is enormous and broadly diversified. Manufactures and retailers should

Image Source:
http://trak.in/tags/business/2011/05/07/facebook-india-statistics-april-2011/



be on the lookout for new strategies that align with the rapid changing needs of the country's most influential consumer group. Baby boomers are known to be big spenders and invest heavily in consumer-packaged goods. Studies done on key shoppers and high potential customer habits can allow retailers/manufactures to

customize responses to consumer needs through new products and marketing programs.[cxxx]

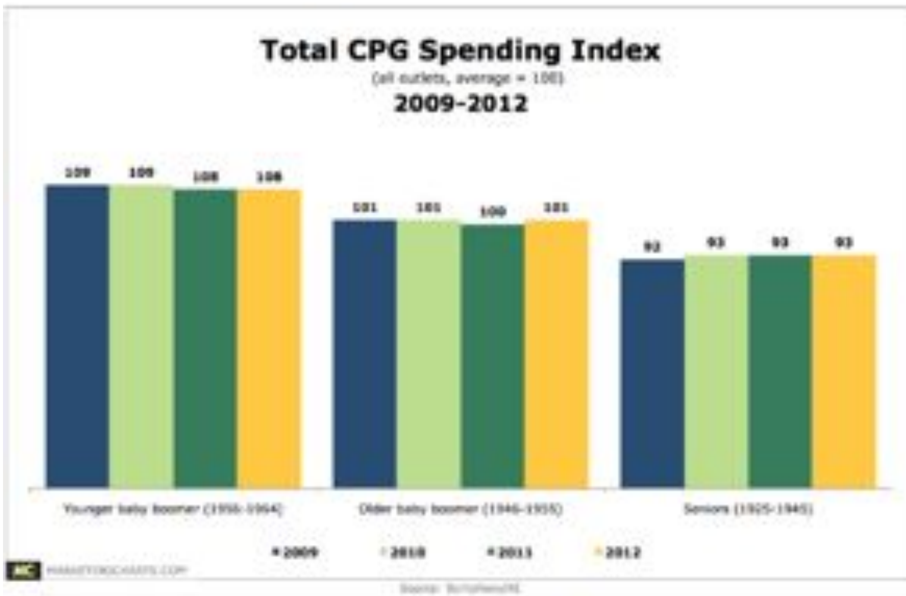
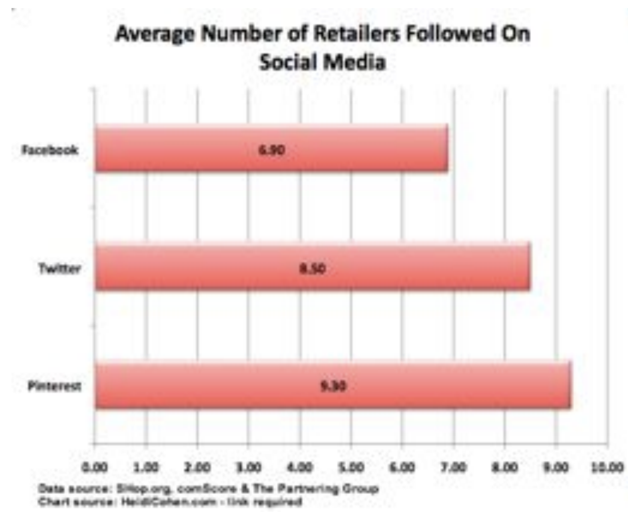


Image Source: http://www.marketingcharts.com/wp/topics/demographics/younger-boomers-outspend-older-boomers-seniors-on-cpg-23454/

- **Social media is currently fueling the retail marketplace's widespread advertisements and will only continue to be the most widespread form of marketing.**
    - If Facebook were a country, it would be the third largest in the world.[cxxxi] Having said this, it is important for companies to think about using this tool to attract more customers into their stores, or online websites. Social media sites for retail businesses like Facebook pages can redefine the definition of window shopping to the point where a consumer can find exactly what they need online and purchase it without ever leaving the comfort of their home. For people who do not like to online shop they can always go to the store confident that the retailer will have what they desire. Oftentimes sites such as YouTube can be used to produce videos giving the customer how-tos on the latest fashion trends. Facebook, Twitter, Pinterest and Instagram are among the most popular sites used by retail companies to lure consumers to their products.[cxxxii]

- Based on prior studies it appears that one-third of shoppers are most likely to buy a product directly off of Facebook or Twitter. Pure interaction within social media can do create powerful marketing advantages for a retailer. Retailers can use three key tips in order to focus on a more successful social strategy; Listen to what consumers say about your products, actively attract consumers to follow your brand via social network, and engage directly with your best customers and involve them in merchandising decisions.[cxxxiii]



- **Consumers enjoy feeling informed about products and differentiated from other customers as far as feeling important.**
  - Consumers are increasingly demanding the need for tailored and more personalized products. It is hard to tract the trends for where the "post-recession" customer is going to spend their newly available money. Along with more personalized products customers are more informed about product reviews and competing prices. Consumers want more products at any time and through any network.[cxxxiv]
  - Upcoming consumers are within the ages of 1982 and 2000, known as the Millennial. This age group of consumers is a generation raised on high-speed and instant data. Millennials are multi-taskers who are also savvy-shoppers and expect to get the most value for their dollar. Retailers are faced with the constant challenge of satisfying this generation with the right prices and selection of products but also find ways to keep customers engaged in their company.[cxxxv]

Implications: Social trends based primarily around social media will continue to greatly affect marketing techniques and new product designs for Rue21. The company needs to recognize the ways that they can benefit from social media and use this to their advantages. Qualities in consumers like age, product preference, and price flexibility can all help to greatly alter profit margins and help increase net sales.

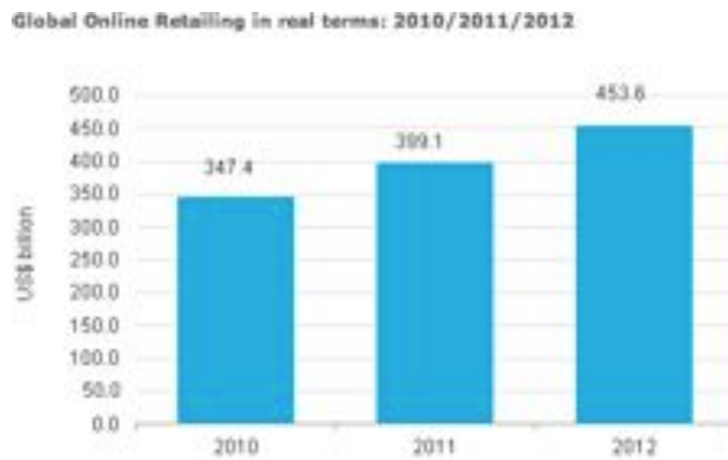
Technological:

- **Retail companies are likely to increase technology in order to satisfy their customer service and value for the company.**
  - Adding technology to stores will add attraction and gain customer focus. Implementing CD-ROMs that allow employees to make special orders for the customer right then and there. Hands-on and interactive kiosks are being provided to allow customers to experience the products and

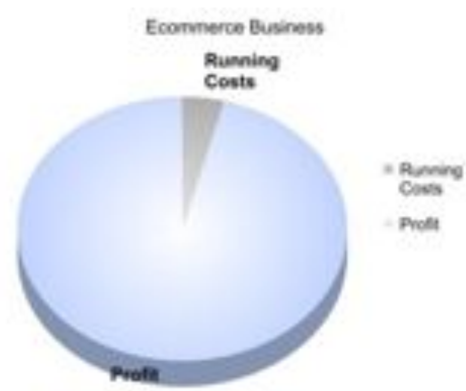
understand them in detail.[cxxxvi] Companies are allowing customers to receive receipts through their mobile phone or email.

  - Increase in Customer Relationship Management software that tracks customers by retailers. Companies can monitor people's purchasing behavior as well as monitor social media sites to see what other information their customer's share.[cxxxvii] 80% of small business owners agree technology creates financial opportunities for their businesses.

- **The industry is likely to grow their online sector as consumers start to move to online shopping.**



  - Consumers are moving to predominately buying online. Consumer spending has increased from 347.4 billion in 2010 to 453.6 in 2012.
  - According to Euromonitor International's Annual Study 36% of respondents buy an online item at least once a month, 45% of respondents read reviews of products once a month, and 16% globally buy groceries online once a month.[cxxxviii]



  - The globalization of online shopping is increasing so fast that language translation such as WordLens is growing to reach more consumers. Companies are targeting certain countries and planning strategies to reach them.
  - E-commerce is increasing as well as more payment options such as PayPal or Google Wallet. This allows retailers to interact with consumers practically any time.[cxxxix]

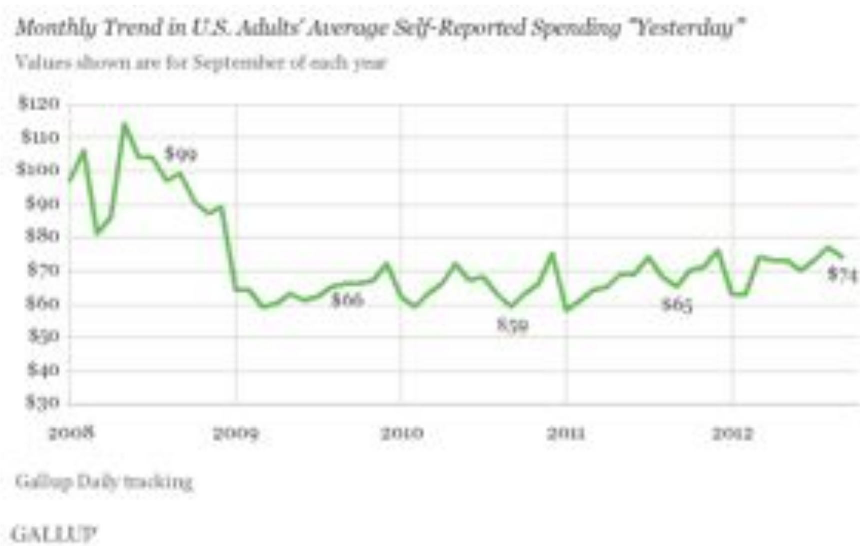
Image Source:
http://www.ecommerce-web-hosting-guide.com/advantages-of-ecommerce.html

- **Industries are marketing online on social networks/ sites or mobile devices in order to promote their business and products.**
  - Social gestures are increasing dramatically as at a click of a button a Facebook/ Twitter used can share information on businesses' promotions or sales to all of their friends on the social network site.[cxl]
  - Companies offering deals and rewards online to attract new customers. Also, using sites such as Google Alerts in order to find out what consumers are saying about certain companies or products.[cxli]
  - Companies sending texts for promotions and sales for the customer to redeem. This is happening through proximity marketing; companies are using location detection technology in order to send consumers near by vendor sales.[cxlii]

Implications: With the growing impact of online shopping and marketing, companies will have to adjust or grow their online sector. With an increase of connection of online, it is becoming easier and more efficient for companies to have a larger online department. Through phones and computers, companies are able to put promotions, sales, and products out to satisfy the consumer. Companies should shift to a more high tech focus for the future as new products come out that allow them to truly understand the customer.

Economical:

- **It is likely that consumer spending will begin to increase in the upcoming months even as the uncertainty of the economy continues to rise.**



  - Consumer spending was on a slight increase for the months of July and August, the highest level in nearly four years. But once the month of September came spending dropped from $77 to $74. Even though spending decreased for a period of time it is now again on the rise.[cxliii]
  - Retail sales jumped 1.1% last month, which produced the best two months of sales in two years. Consumers are beginning to spend money but at a more normal pace that is consistent with the economy.[cxliv]

- Although, instability in the economy is still occurring because 50% of Americans are optimistic still about the direction of the economy[cxlv]

- **With the continuing decline of unemployment rates nationwide from 9.8% in January 2011 to 7.8% in July 2012. It is shown that the country's economy is slowly but surely recovering.** [cxlvi]
  - The economy may be able to continue its incline by the current positive trend that is going on with that of new workers becoming employed. Predictions show that the unemployment rate could fall below 8.0% and stay there in the near future.[cxlvii]

  - With the unemployment level decreasing, this is showing a good sign for companies who are looking to pick up these eager to work Americans. Also, by hiring these new workers companies are able to keep down the cost of labor.[cxlviii]

- **Because of consumer confidence being on the rise, retailors need to begin to start thinking about the long term and what needs to be done financially to keep consumer spending up.**
  - Consumer spending is the US economy's biggest engine. Retail sales during the month of September rose 1.1%. With this month being the end of the third-quarter, there is now momentum building up to strengthen the start of the fourth quarter.[cxlix]
  - The consumer confidence level has been at its highest level since before the recession. This is because with stronger spending and confidence numbers, along with falling unemployment and rising home sales, mark real improvement in the consumer economy.[cl]

Implications: Consumer spending will be on the incline in upcoming months because of the economic stability that is occurring throughout the country. Businesses are likely to have a better outlook about the future of their companies. With the declining of unemployment rates within the US, this shows how the country is turning around their economic crisis and improving it. As of right now the unemployment rate is on the decline coming off of a period of time where it was uncertain whether or not the economy would remain settled. This is helpful within the retail aspect because more Americans will be either looking for places of employment or be willing to continue to spend more money. When retailors see that the consumer confidence level is on the rise, they should automatically think of what needs to be done to keep that confidence at that high of a level. Retailors need to grab the consumer's attention and make them want to spend money on their products.

Ecological:

- **Companies and corporations are not required to provide energy performance measurements and/or data on energy usage, water, and waste. However, with public interest turning to a more 'green' economy, corporations are likely to be encouraging new policies on regulating energy usage.**

Image source: http://www.ucsusa.org/clean_energy/our-energy-choices/renewable-energy/how-solar-energy-works.html#The_Future_of_Solar_Energy

  - Five major U.S. cities and two states have enacted energy performance measurement and disclosure policies to date. In 2011, more than 3,000 companies, including 404 Global 500 firms, willingly reported their carbon emissions, water management and climate change policies to Carbon Disclosure Project in 2011.[cli]
  - In a survey of 766 chief executives through out the world, 93% see sustainability as important for the future of their businesses, 88% accept that they must drive new requirements through their supply chains, and an astonishing 81% say they have already integrated sustainability into their businesses.[clii]
- **Solar energy installations at commercial properties drove market growth in 2011 and are likely to continue to grow in the upcoming year due to its technical improvements, basic supply, available incentives, and demand economics.[cliii]**

  - Fossil fuel prices will continue to rise and interest will turn to solar energy. U.S. fossil fuel spending is likely to grow, totaling an estimated $23 trillion between 2010 and 2030.
  - Turning to an alternative source of energy will reduce America's dependence of fossil fuels, which will also help combat global warming. Without action, carbon dioxide levels would double in the next 50 to 100 years, increasing global temperatures by 1.8 to 6.3 degrees Fahrenheit.[cliv]

- Many states support solar energy and are making it affordable to companies by providing tax and production incentives as well as loan and grant programs.[clv]

- **Climate change is likely to continue being a fast and growing concern in the environment world.**

  - Climate change is a result in the change in average temperature, pollution, and human influences. [clvi]
  - Companies are drawing in consumers by their attention to the environment. Consumers prefer companies that practice greater social responsibility and are looking for greener solutions.[clvii] IBM uses design and manufacturing processes that have an extended the life of their retail products.[clviii]
  - Bank of America has gone green by decreasing their use of paper by 32% and runs a recycling program that recycles 30,000 tons of paper each year. Busch now saves 21 million pounds of metal per year by trimming an 8th of an inch off the diameter of its beer cans.[clix]

***Implications**:* Corporations and companies volunteering information on carbon emissions, water management and climate change policies will intrigue investors who favor an eco-friendly economy. [clx] Also, installing solar energy will provide cheaper and more efficient energy in the future while other fossil fuel prices are growing. It will be necessary for businesses to grow their ecological sector in order to remain a top competitor.

<u>**Political/Legal:**</u>

- **It is highly likely that political crisis will cause increase competition for more aggressive opportunities in top-line growth and maintaining bottom line strength in operational efficiencies.**
  - Government debt crisis in Europe and the United States along with high unemployment, rising inflation, and stock market unpredictability has lead to decrease in consumer confidence. Overall their usual lower income shoppers who have been cutting back on spending over the past year have affected lower end retail stores.
  - Luxury stores have surprising only showed increases in sales growth. Online buying trends have been shown in higher-income consumers, which could lead to lower traffic, revenue, and profits in stores for 2012.[clxi]

- **It is highly likely that the results of the upcoming political election for presidency will play a crucial role on the future of small businesses.**
  - Depending on how the election swings, *small businesses may continue to hurt or shift into a more growing community*. The United States GDP is made up of 3% franchise businesses. The small business sector employs millions of workers and makes up the "American Dream". Uncertainty

  - regarding health care, the economy, and the availability of investments are all burdening topics within small businesses.[clxii]
  - Small businesses in America provide for 55% of all jobs meaning that they play a huge role in U.S sales. Over 600,000 franchised small businesses in America account for 40% of retail sales and provide jobs for over 8 million people. While corporate America has been downsizing, small business "start-ups" is doing just the opposite.[clxiii]

- **It is likely that Legal regulations enforced by the IRS could be likely to change within the next decade due to budget cuts.**
  - Enforcement strategies and priority trends could be implicated such as more computer matching and mail-driven compliance programs, increased compliance rates to 90%, increased tax document matching and mail audits, regulate and deputize tax professionals, focus on high yield assessments, and mandating disclosures.[clxiv]

- **It is likely that taxes implicated on online shopping will be affective by the end of 2012.**
  - A new rule is currently going through Congress that could allow states to collect taxes on online sales. An average sales tax rate of 9.6% could be added onto the consumers total by 2016. Two bills that are currently being deliberated by congress include the Marketplace Equity Act and the Marketplace Fairness Act. As of current non-online state taxes, state governments are losing billions of dollars yearly. Both bills contain exemptions for small businesses but positivity is not certain.[clxv]
  - Retailer groups are being more confident that the bill for online sales tax will pass; the only question is when it will be activated. Growing pressures from governors around the country are impacting the confidence levels of the success of the bill passing Congress. Retailer's hard lobbying effects on the issue should demonstrate to Congress that the bill should not be passed. Regardless of retailer's views the bottom line comes down to what Congress views as a states' rights.[clxvi]

Implications: Future changes in political leadership could lead to budget cuts that will alter the micro and macro levels, affecting the retail industry drastically. Because of changes due to budget cuts, small businesses could have a completely different dynamic operationally and strategically. Along with political leadership issues, retail laws may be changing drastically within the next two years. Including state tax on online taxes could greatly affect the profitability of net sales online. Rue21 should be on the look out for this legislation passing because they may be eligible for state tax on their online products.

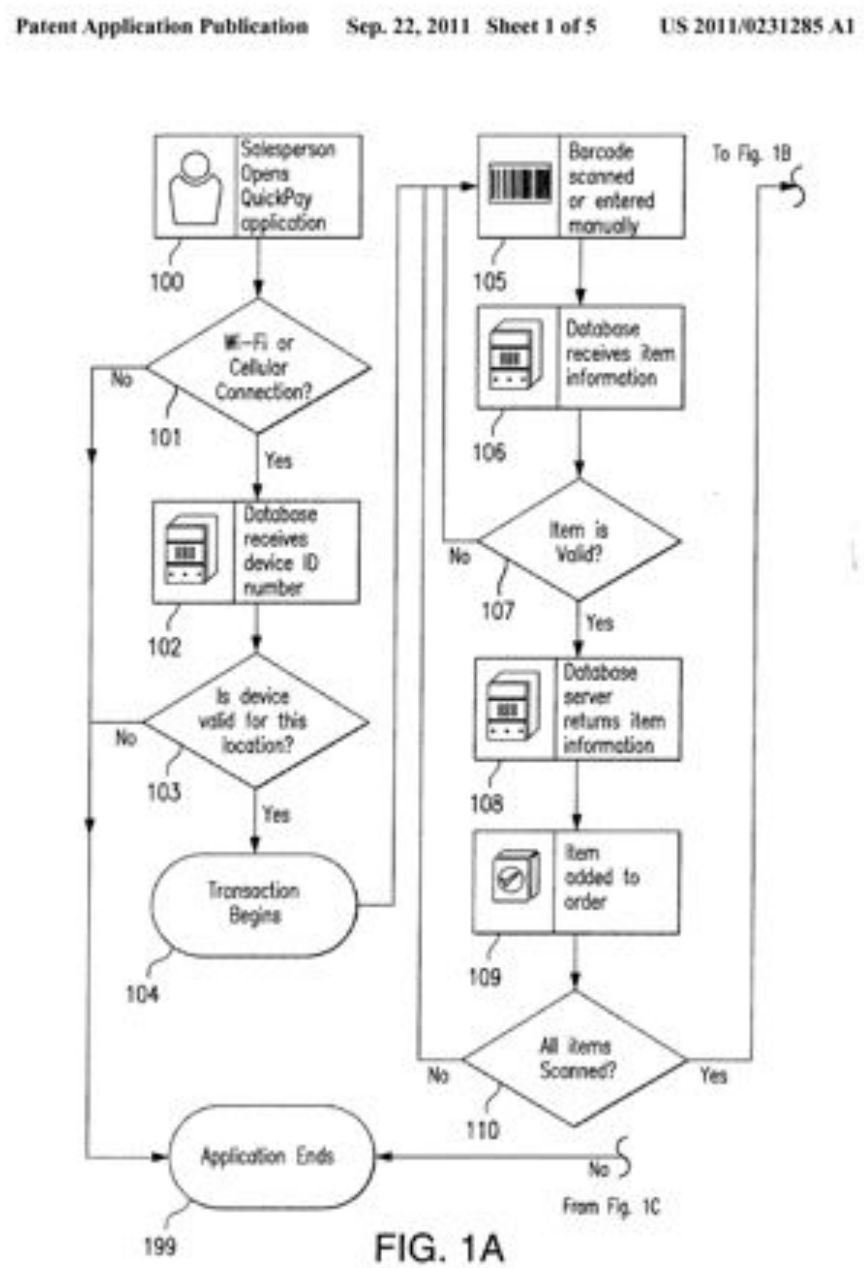
Patent Analysis

Executive Summary:

Analysis of new technology patents has been conducted and discussed below. No patents have been issued in the name of Rue21, Kohl's, or Wet Seal, therefore technology patents that could be useful to these companies has been researched. All patents recognized are of great value to the retail industry and could give Rue21 or any company a competitive edge with first mover's advantage by offering the technology incorporated with the following patents. Most recent patent applications have been examined and determined to be of possible value in the retail industry once issued. The highest referenced patent researched was for the intelligence-shopping cart. This patent would most likely be most beneficial for Rue21 to purchase because it is on the rise and useful, as shown by the high number of references.

New Technology Patents:

- **Retail Mobile Point of Sale (POS) Software Application**
  - **US Patent #:** 2011/0231285 A1
  - **Publication Date:** September 22, 2011
  - **# Citations:** Pending
  - **# References:** Pending
  - **Assignee:** APP MASTERS LLC
  - **Inventor:** Karl Englund, Dennis Carson, Arthur Matiossian
  - **Summary:** A portable electronic device intended to make quicker, mobile, and more efficient checkouts. Includes a memory and processor; the memory accumulates instructions that are part of a retail mobile software application. When the instructions are implemented by the processor cause the mobile device to first conduct an item search request. The device receives information such as item description and the price of the item. Mobile software allows additional items to be added to the order and to be selected. Help from the mobile software application displays payment options. Credit card or cash options are available via the mobile device. Cash options trigger an on site cash registers to open and credit card payments are received on the mobile device. Payment confirmation receipts are received by the application and options for printable or electronic receipts are available. Product returns can be conducted through the device through scanning the barcode of the receipt. Or without a receipt through Paymaster Mobile Software which can locate the purchase through customer email address, product serial number, or credit/debit card number. The invention allows great degrees of measureable personal customer attention, mobile checkouts throughout the store, no waiting lines, and an improved experience along with gratification.



Abstract: A portable electronic device includes a memory and processor. The memory stores instructions, which are part of a retail mobile software purchase software application. The instructions, which when executed by the processor cause the portable

electronic device to first transmit an item search request. The device receives item information including item description and item price and also receives an item selection to purchase the item. The retail mobile software creates an order including the selected item and may add other selected items to the order. The retail mobile software application displays payment options for the order and receives a payment option selection for the order including the selected item. The retail mobile software application receives payment confirmation for the order including the selected item and displays receipt options for the order including the selected item. The retail mobile software application generates an electronic receipt for the order.[clxvii]

Key Implications: Rue21 could benefit greatly by the retail mobile point of sale software application. If the company chooses to utilize this invention, it could boost its competitive advantage over competing businesses like Kohl's and Wet Seal. This device would greatly set aside Rue21 from other stores that its customer base would normally shop at. The device allows for quick checkouts, which could invite customers to shop in stores as appose to online shopping. The mobile device allows the shopping experience to be more enjoyable and quick especially during the holiday season. With this device sales associates will be able to spend more of their available time else where in the store and not just in checkout stations. The device speeds up the checkout process so that employees can roam around the store organizing inventory, helping customers, and restocking items. This device allows checkouts to be mobile and move accordingly around the store while completing transactions. In conclusion, Rue21 may want to look further into leasing or possibly purchasing this patent.

- **Customer Relationship Management System For Physical Locations**
  - **US Patent #:** 2011/0276382 A1
  - **Publication Date:** November 10, 2011
  - **# Citations:** Pending
  - **# References:** Pending
  - **Assignee:** None
  - **Inventor:** Jayant Ramchandani and Asif Ghias
  - **Summary:** A method for extracting information about a customer including recognizing the person through a wireless system upon entrance in a location and locating the person within the same physical structure. The method is used for interacting with a person, outputting personal information, personal preferences, and past transactions. A system could be in place by a physical wireless object carried by a person/customer. A wireless interface communicates with the object and a computer device correlates the identification of the object with the given person. An output device outputs the information collected to the given person. The method provides solutions for enhancing customer experience; it enables targeted marketing and sales promotions for individual customers. For the first time, a method is designed to extend the full abilities of e-customer-relationship-management system to a customary business. This method provides extremely improved customer focus and presales, sales, and post-sales service. Overall the method greatly intensifies customer relations and customer loyalty.

Patent Application Publication Nov. 10, 2011 Sheet 2 of 17 US 2011/0276382 A1

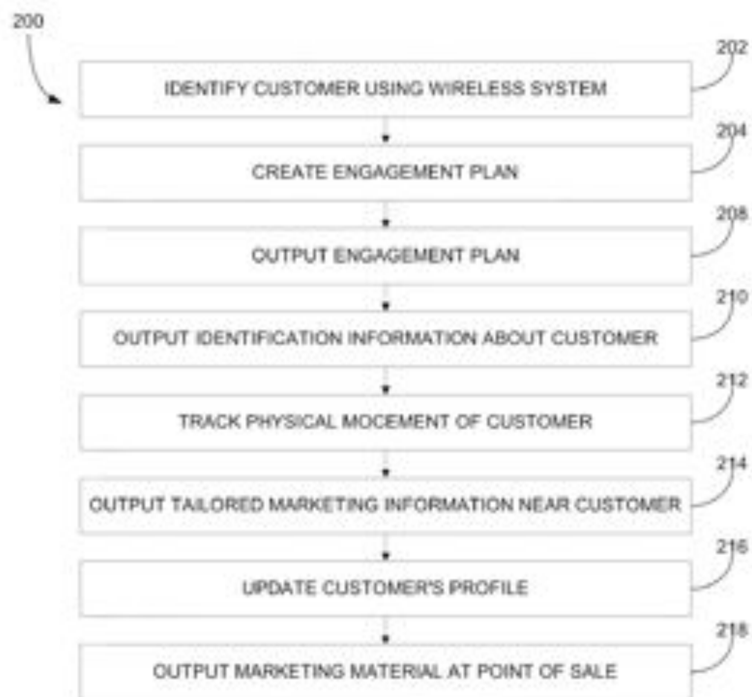


Fig. 2

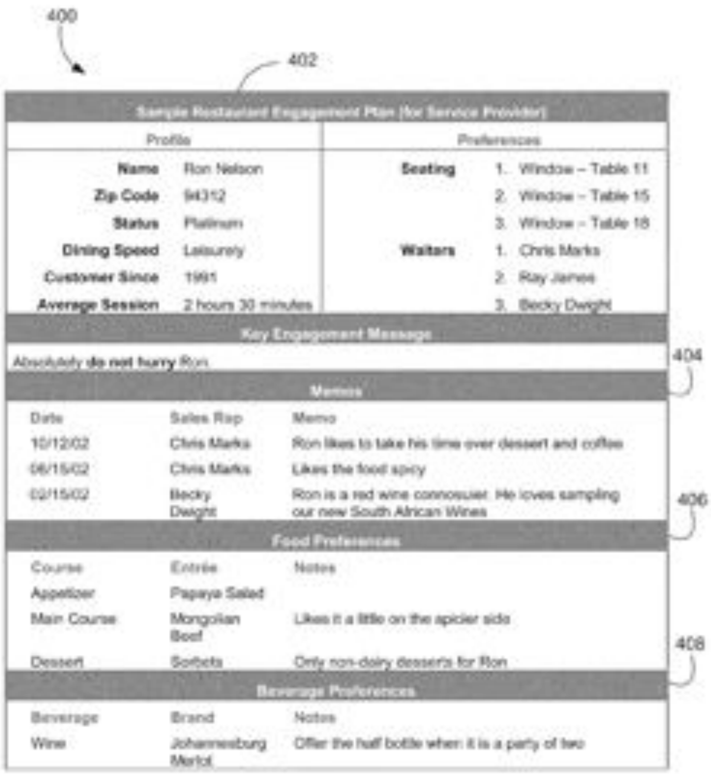


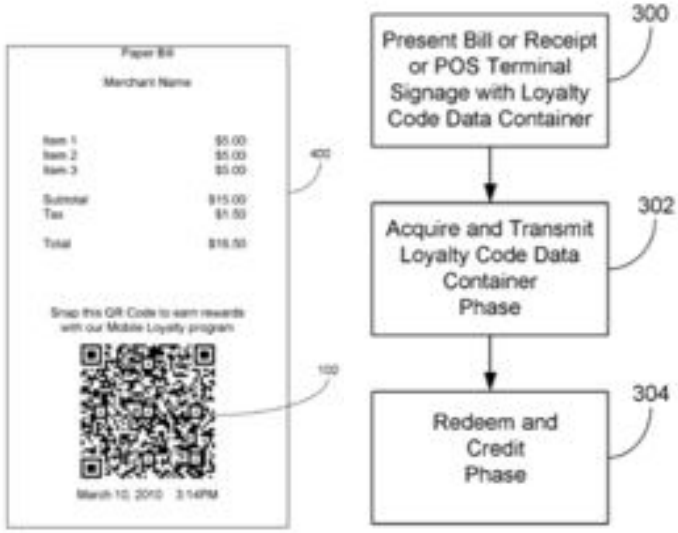
Fig. 4

Abstract: A method for outputting information about a person includes identifying the person utilizing a wireless system upon entry into a physical location and also includes locating the person within the physical structure An engagement plan is retrieved based on the identification of the person and output The engagement plan has information useful for interacting with the person The engagement plan is created based at least in part on personal information of the person the preferences of the person and the past

transactions of the person A system for outputting information about a person such as a customer includes an object carried by the person which is capable of being identified by a wireless system A wireless interface communicates with the object A computing device correlates the identification of the object with the person An output device outputs information relating to the person.[clxviii]

Key Implications: The method above is purposed for stores to have a tool specified for improving customer relationship management as soon as a customer enters the door. Rue21 could greatly benefit from using this invention by learning more about its customers, which would lead to greater customer satisfaction, loyalty, and an increase in sales. Maintaining customer profiles helps to highlight product areas in which the customer would be most interested in and be more likely to purchase. With the addition of customer profiles, proper customer service can be implemented. Customer feedback, experience, pre-sales service, communication, and corrective actions can be acted on quickly and efficiently with this method. Up-sells can be provided with customer transaction history and incentives to remain loyal to a store are activated with a new method of customer relationship management. Overall Rue21 may want to invest in leasing or purchasing this patent.

- **Mobile Retail Loyalty Network**
  - **US Patent #:** 2011/0307318 A1
  - **Status:** Application
  - **Publication Date:** December 15, 2011
  - **# Citations:** Pending
  - **# References:** Pending
  - **Assignee:** N/A
  - **Inventor:** Jeffrey LaPorte, Nigel Malkin
  - **Summary:** A customer loyalty system that allows customers to use personal technology such as smart phones and other mobile devices to partake in a customer loyalty program. When a customer makes a transaction, the supplier's point-of-sale (POS) system conducts a coded image that contains transaction information associated with the operation. The POS system can print the code image onto a transaction report that the customers can photograph/scan the code with their mobile device. Using either a customer loyalty program application or a general code reader application, the code can be recorded and loyalty points are rewarded to the customer.



Abstract: A loyalty network enables customers to use their mobile devices to participate in a merchant's customer loyalty program. When a customer conduct's a transaction, the merchant's point-of-scale (POS) system generates a code image containing transaction information. The POS system may print the code image on a transaction record (such as a bill or receipt) provided to the customer, and/or may display the code image on a display screen. The customer can then photograph/ scan the code image with their mobile device, which sends the transaction information and authentication information to a loyalty program server. The loyalty program server may use this information to credit the customer's loyalty program account and may, in some cases, interact with the POS system to enable loyalty program credits to be redeemed. In some embodiments, the transaction information may alternatively be conveyed to the mobile device using Near Field Communications.[clxix]

Key Implications: The point of this patent is to take a customer focused approach tied with technology. With this patent, customers can track and use their customer loyalty card right through their mobile device. This patent would have an effect on the retail industry because it would increase the efficiency of a company's customer loyalties strategy. It also correlates with the trend of the increase of use of mobile devices in order to promote marketing and sales. Further on Rue21 should look into investing in a lease on this patent to receive customer feedback and better operate their stores.

- **Affiliate marketing system and method for retail stores**
  - **US Patent #:** 7644862
  - **Publication Date:** January 12th, 2010
  - **# Citations:** 30
  - **# References:** Pending
  - **Assignee:** GoFiniti, LLC

- **Inventor:** Devon A Rolf
- **Summary:** An invention generally directed for retail stores that affiliates marketing systems and methods that combines use of physical retail store and an online website. The invention is implicated to increase sales of retail stores without increasing inventory. The method is possible with the assignment of a unique store identifier to a retail store being presented and a website address in combination with a product offered for sale in the physical retail store. By entering the identity of the retail store, a commission for the given purchase is allocated to the retail store.
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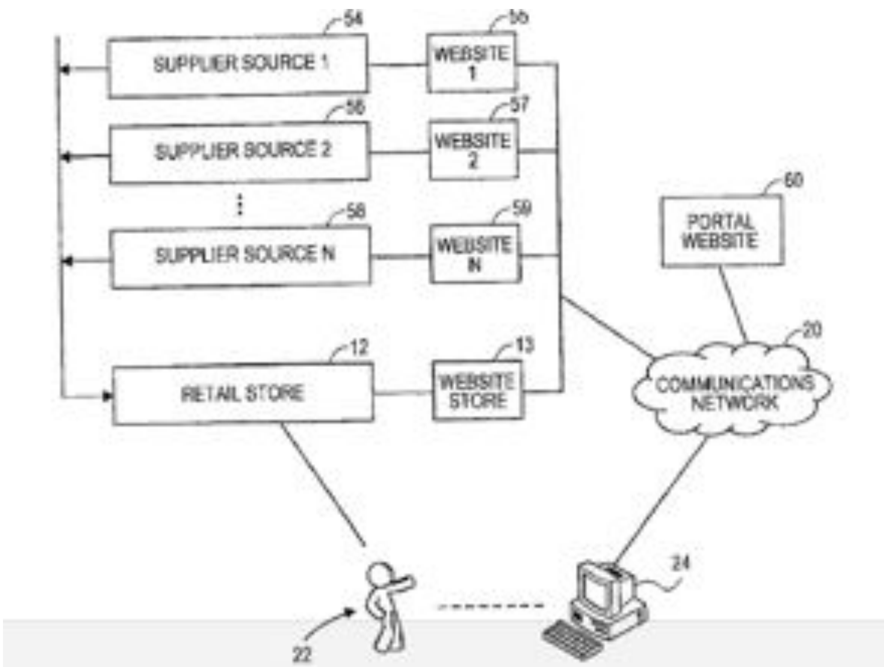
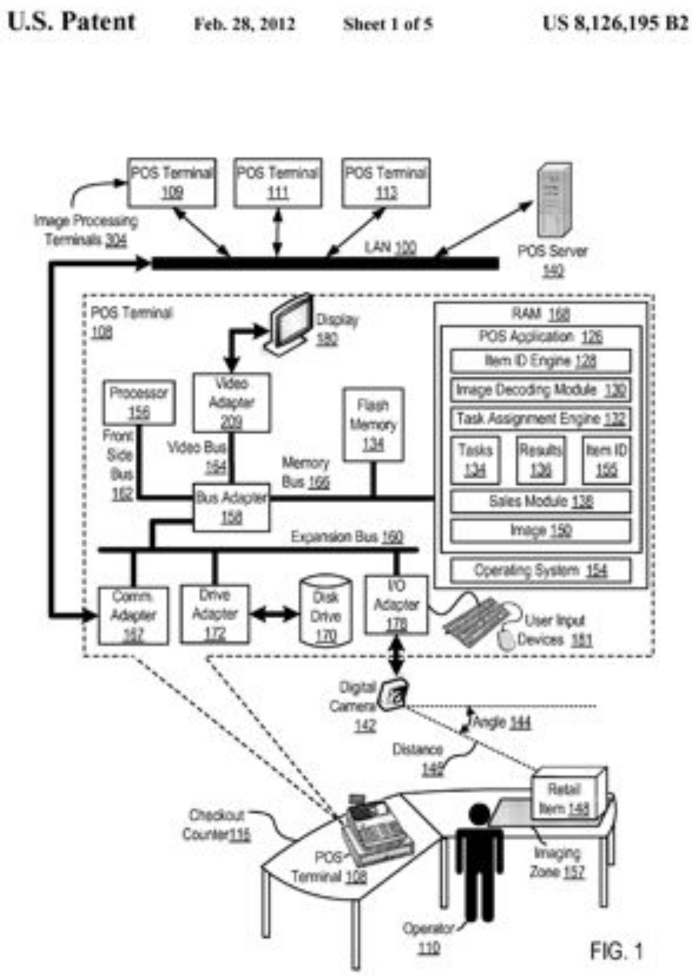


Abstract: An affiliate marketing system and method for retail stores involves assigning a unique retail store identifier and a website address in conjunction with a product offered for sale in the retail store. A purchaser of the product may access the website and make a purchase. By entering the identity of the retail store, such as by entry of the unique retail store identifier or by selecting the retail store from a list, a commission for the purchase is allocated to the retail store.[clxx]

Key Implications: This patent allows retail stores to increase their sales without having to increase their inventory. It allows consumers to view other products from the company's website as soon as they are interested in a product. The retail industry could especially use this to market more of their products and increase their revenue. They will be able to reach more consumers and create a closer customer service. This patent could benefit Rue21 and could be looked into further to lease or purchase.

- **Graphical retail item identification with point-of-sale terminals**
    - **US Patent #:** 8,126,195
    - **Publication Date:** February 28th, 2012
    - **# Citations:** Pending
    - **# References:** Pending
    - **Assignee:** International Business Machines Corporation
    - **Inventors:** John D. Landers Jr., David J Steiner, Paul M. Wilson, Kimberly A. Wood
    - **Summary:** This patent focuses mainly on inventory and point-of-sale techniques in the retail industry. This patent can help stores manage their inventory while also managing their customers from mobile check out stations. What this device is designed to do is be able to recognize an item from taking a picture of it, decoding it and then recognize the item and be able to provide information on sold items.



Abstract: Graphical retail item identification including receiving from a digital camera an image of a retail item to be identified decoding by an image decoding module the image into one or more image processing tasks assigning by a task assignment engine the one or more image processing tasks to one or more of the POS terminals the one or more POS terminals characterized as image processing terminals executing the image processing tasks by the image processing terminals including reporting results of the image processing tasks to an item identification engine and identifying by the item identification engine upon completion of the image processing tasks by the image processing terminals the retail item.[clxxi]

Key Implications: Rue 21 can use this to determine how many of a certain item they still have left in inventory, and can assist when deciding when and how many items to order for shipment. This can be used for the customer as well. An employee can simply use the system to find the item the customer is looking for and can provide information on whether it is in stock or not. If Rue21 leased this patent they could gain a competitive advantage. Rue21 could advertise this patent as technology that is only offered by Rue21.

- **System and method for automatic association of retail items to support shopping proposals**
    - **US Patent #:** 7,346,559
    - **Publication date:** March 18th, 2008
    - **# Citations:** 14
    - **# References:** 4
    - **Assignee:** International Business Machines Corporation
    - **Inventors:** Reiner Kraft, Joerg Meyer
    - **Summary:** The invention enables online retail businesses to propose automated online shopping advice to a customer based on their current browse or selected items. An online shopping site can make suggestions for best match items that could hypothetically eliminate the need for store assistants, customer service, or online chat advice. The invention automatically pairs up the customers selected items with a web page or content that enhances the customer's potential sale with the match up of other associated products that are previously linked by a formerly determined rule set. Overall the shoppers experience is generally more enhanced.

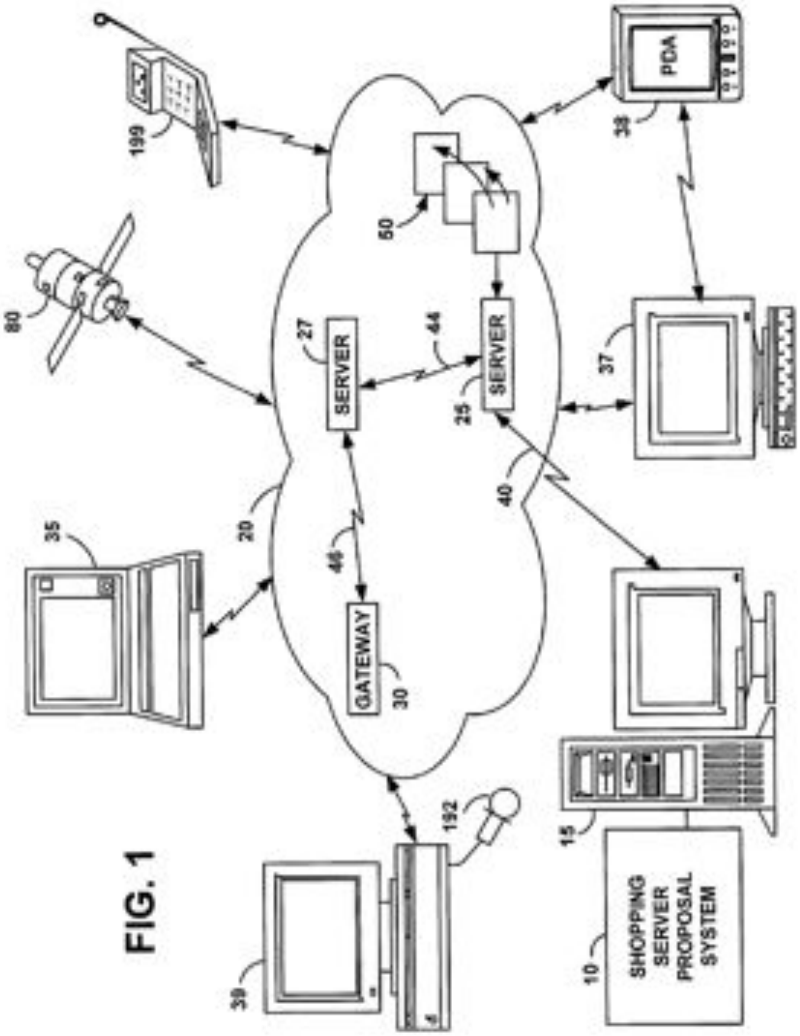


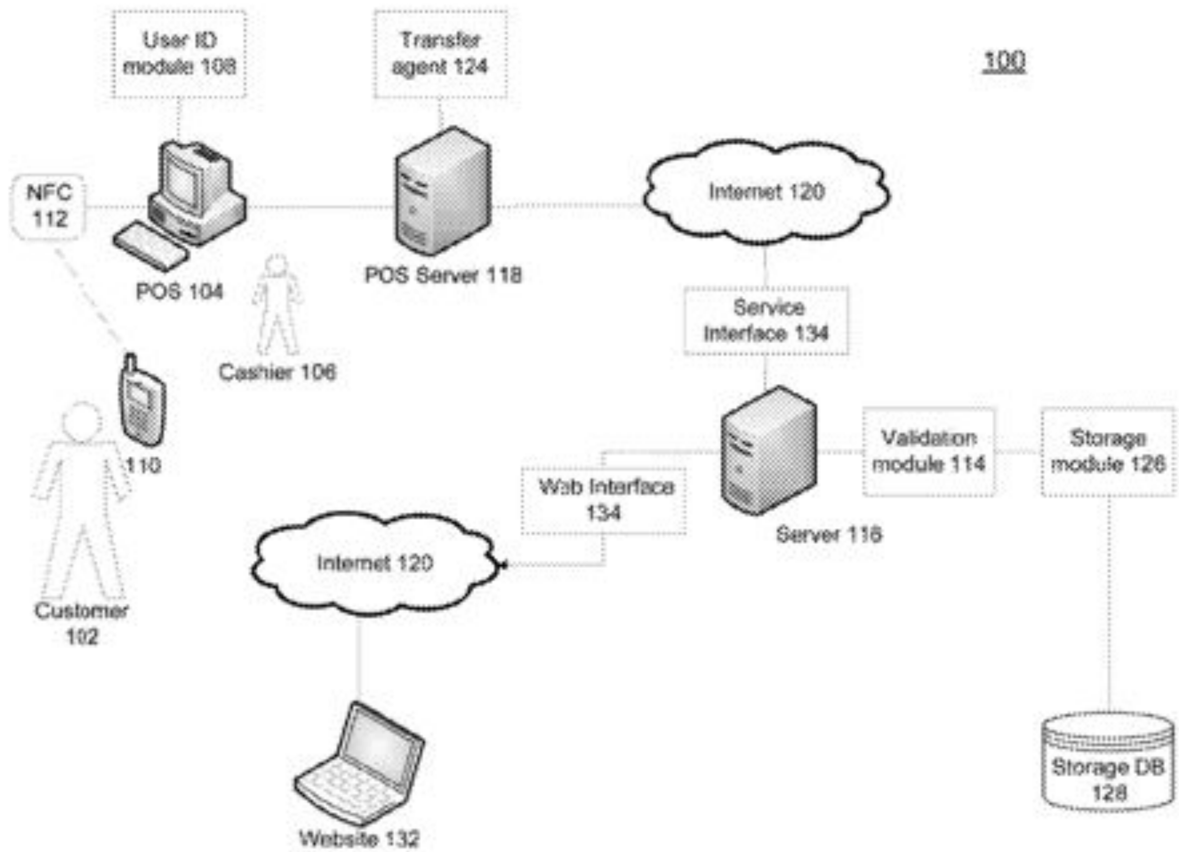
FIG. 1

Abstract: A shopping server proposal system includes a mechanism that enhances the online retailer's existing database system with the necessary information to provide the desired services The existing catalog of items is analyzed based on a set of predefined rules for a given retail store This analysis determines which of the items in the catalog are related to other items in the catalog The result of this analysis includes new relations of

the catalog items that are written into the retailer's existing database system The mechanism for assembling this information based on a set of predefined rules is independent of the retailer or the retailer's industry The provides retail businesses with a competitive edge by enabling them to offer automated shopping advice to solve the shoppers problems of finding related and matching items and by providing a list of related items based on the selected item's properties. [clxxii]

Key Implications: Rue 21 can greatly benefit from this patent. The more products the customer is exposed to, the better chance there is that he or she will buy more. If this system displays clothing that is much like or that matches, there is an even higher probability that the consumer will purchase the newly shown goods. This can also add the effect of an associate being at home with the consumer helping then choose clothing, giving the customer an all-over successful and positive experience. Rue21 should lease this patent to gain a competitive advantage and maximum exposure.

- **Electronic Receipt System**
  - **Application #**: 13/251,480
  - **Publication Date**: April 5, 2012
  - **# Citations:** Pending
  - **# References:** Pending
  - **Assignee**: Obniverse Group, LLC, New York, NY (US)
  - **Inventors**: Jay Pravin Patel, Washington, DC (US); Tomas E. Diaz, Windermere, FL (US); Sachin Chand Jaitly, New York, NY (US)
  - **Summary:** A method includes receiving, at a user identification module of an electronic receipt system in electronic communication with a point of sale terminal, a user identifier transmitted from a mobile communication device to a near-field communication enabled communication device associated with the point of sale terminal. The method also includes verifying, by a validation module of the electronic receipt system, an enrollment status of the user identifier; and based on results of the verifying, transmitting, by a transfer module of the electronic receipt system, the user identifier and data characterizing an electronic receipt to a receipt storage module of the electronic receipt system.

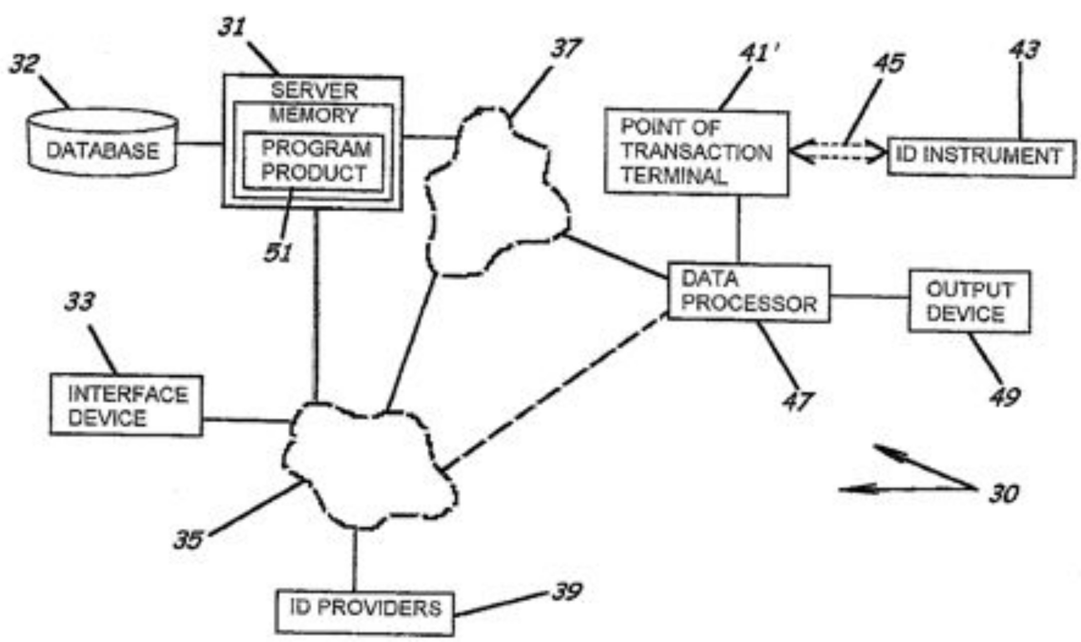


Abstract*:* A method includes receiving, at a user identification module of an electronic receipt system in electronic communication with a point of sale terminal, a user identifier transmitted from a mobile communication device to a near-field communication enabled communication device associated with the point of sale terminal. The method also includes verifying, by a validation module of the electronic receipt system, an enrollment status of the user identifier; and based on results of the verifying, transmitting, by a transfer module of the electronic receipt system, the user identifier and data characterizing an electronic receipt to a receipt storage module of the electronic receipt system. [clxxiii]

Key Implications: Technology and social media are going to continue to grow creating more of a demand for more information accessible by phone and/or computer. Consumers will have the ability to receive receipts via email rather than a printed slip at time of purchase. Rue21's reputation includes their ability to remain trendy and with that so must their customer service. If rue21 were to adopt this system, they could have a first mover's advantage over their direct competitors and grow their consumer audience with the aid of technology.

- **Retail Point-of-Transaction System, Program Products, and Related Methods to Provide a Customized Set of Identification Data to Facilitate a Transaction Using Electronic Coupons**

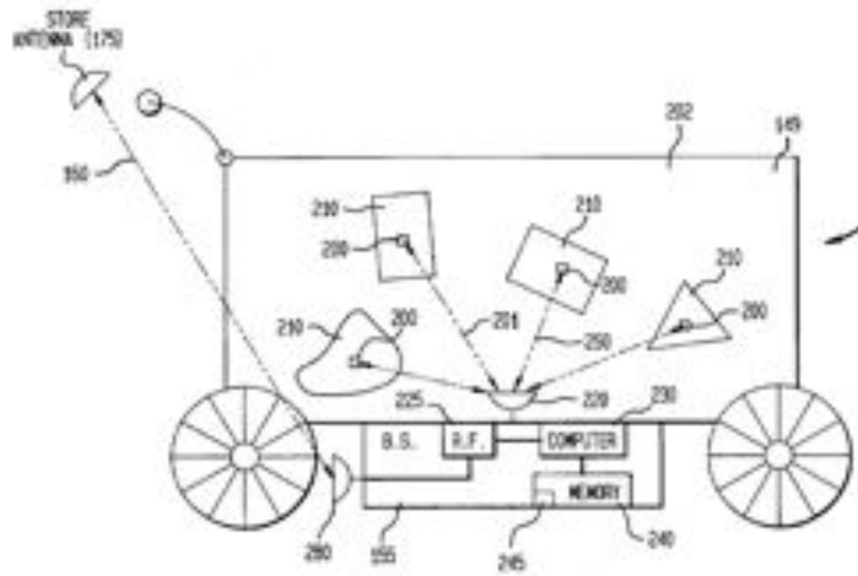
  - **US Patent #:** 8,225,995 B1
  - **Publication Date**: September 10, 2010
  - **# Citations:** 50
  - **# References:** Pending
  - **Assignee**: None
  - **Inventor**: Frank Joseph Gangi, Fairview, TX (US)
  - **Summary:** Retail point-of-transaction systems, program products, and related computer implemented methods to provide a customized set of identification data to facilitate a retail sales point-of-sale transaction which includes the use of one or more electronic coupons is provided. The retail point-of-sale system can include a computer having memory and configured to facilitate one or more transactions each of which include the use of one or more electronic coupons through a retail point-of-transaction terminal positioned remote from, and adapted to be in communication with, the computer. The computer can also include a set of instructions that when executed by the computer cause the computer to redeem one or more electronic coupons for one or more retail transactions responsive to a customized set of identification data provided by the computer responsive to a data profile derived from a set of personal data of at least one of a plurality of remotely positioned users.



Abstract: Retail point-of-transaction systems, program products, and related computer implemented methods to provide a customized set of identification data to facilitate a retail sales point-of-sale transaction which includes the used of one or more electronic coupons is provided. The retail point-of-sale system can include a computer having memory and configured to facilitate one or more transactions each of which include the use of one or more electronic coupons through a retail point-of-transaction terminal positioned remote from, and adapted to be in communication with, the computer. The computer can also include a set of instructions that when executed by the computer cause the computer to redeem one or more electronic coupons for one or more retail transactions responsive to a customized set of identification data provided by the computer responsive to a data profile derived from a set of personal data of at least one of a plurality of remotely positioned users.[clxxiv]

Key Implications: Department stores have begun to send out coupons redeemable at time of purchase to their consumer base and in order for Rue 21 to compete with its mall-based competitors they must consider new installations that are popular with their tech-savvy customers. By giving rue21 customers this ability, it will increase store traffic especially by the younger audience who are purchasing the most up to date phones.

- **Intelligent Shopping Cart**
  - **US Patent #:** 5,729,697
  - **Publication Date:** March 17, 1998
  - **# Citations:** 10
  - **# References:** 60 +
  - **Assignee:** International Business Machines Corporations
  - **Inventor:** Mario Schkolnick and Robert Jacob Von Gutfeld
  - **Summary:** The intelligent shopping cart is an invention that relates to the field of radio frequency tagging. By using RF technology it will assist shoppers by recognizing certain items that they may have with the RF tags on them. This is a way of maintaining or tracking inventory on the shelves as the costumer removes items. The market basket also has an attached passive tag. The scanning process is done though means of one or more antennas placed throughout the store at various locations. These antennas send out signals over various time intervals. Even though the intelligent cart has all of this new technology where it is able to scan and process certain items, customers still have to go through the main checkout and complete that process before exiting the store.



Abstract: Present apparatus is a mobile shopping cart that can keep track of objects selected and carried in cart and provide a customer using the cart information the total price of the items carried The cart has a radio cart base station with a cart antenna connected to radio frequency cart transceiver Various novel embodiments of the invention produce a radio frequency field the shopping cart that is used to communicate with frequency tags on objects carried in the cart The tags information about the respective carried object to the tags are attached A program function executed by cart circuit and or computer controls the cart transceiver interrogate radio frequency tags within the radio frequency field i.e. inside the cart to gain information about the objects Tags on objects external to the cart are not.[clxxv]

Key Implications: In addition to providing costumers with an easier way to shop, the Intelligent Shopping Cart could also be useful to store owners who would be able to take store inventory a lot easier and more efficiently just based off of what the costumers take off the shelves.

- **Retail System combining retail stores with electronic product ordering**
  - **US Patent #:** 7467098
  - **Publication Date:** December 16, 2008
  - **# Citations:** 2
  - **# References:** 2
  - **Assignee:** Microsoft Corporation
  - **Inventor:** Sergey N. Razumov
  - **Summary:** A system that combines a computer executed product-assembling system for allowing customers to order all merchandise

available for ordering through a product ordering system. The product provides right product mix on the selves but avoid stocking the retail stored with excessive amount of products.

U.S. Patent Dec. 16, 2008 Sheet 1 of 7 US 7,467,098 B2

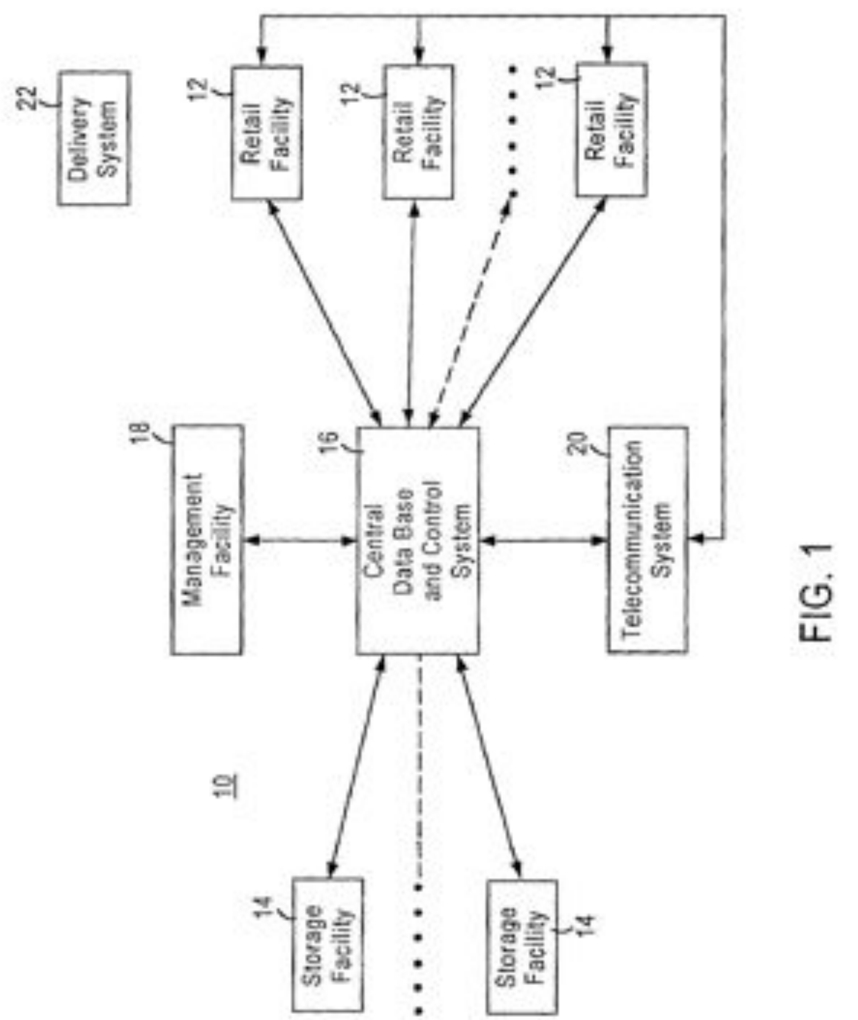


FIG. 1

Abstract: A novel retail system that combines a computer product ordering system for enabling customers to order products available in the retail system and a plurality of

stores for selling a limited number of items selected the products available for ordering through the product ordering system A computer implemented management provides coordinative merchandise management in the product ordering system and the retail stores The retail includes a plurality of retail facilities including the stores and having product ordering terminals and product obtaining areas for enabling customers to order products. [clxxvi]

Key Implications: This product is useful in the retail system because it allows for easier shopping for the customer. Customers are able to order the products that they want even though there may be a limited number available. The computer-implemented management system coordinates merchandise management in the store which allows more effective system of ordering merchandise.

Financial Analysis

Overview: Analysis of Rue21's financial ratios can help to determine areas of strengths and weaknesses. Key trends can be seen within liquidity, solvency, efficiency, profitability, and capital market/shareholders return. Liquidity is used to address is a company has enough current assets to meet the payment schedule of its current debt. Solvency is related to debt to equity and assets. Efficiency is a section focused on how a company is preforming pure internally. Profitability is relevant to net income and margins. And lastly capital market/shareholders return is related to stocks and earnings per share of the company. Additional comparisons of Kohl's and Wet Seal's financial ratios have been included to determine benchmarks and competition ratios to increase the overall confidence of the Rue21 financial analysis and the retail industry.

Rue21 Financial Analysis

Rue 21's Financial Ratio	2009	Change 1	2010	Change 2	2011
Asset Turnover	2.8	0.1	2.9	-0.47	2.43
Avg Inventory Period	93	-15	78	4	82
Accounts Receivable	0.006	0.001	0.007	0.003	0.01
Debt to Equity	N/A		N/A		N/A
Debt to Assets	N/A		N/A		N/A
Current Ratio	1	0.2	1.2	0.2	1.4
Quick Ratio	0.09	0.24	0.33	0.15	0.48
Return on Assets	10.38%	2.98%	13.36%	0.11%	13.47%
Return on Equity	104.69%	-53.39%	51.30%	-15.63%	35.67%
Profit Margin Ratio	3.22%	0.97%	4.19%	0.57%	4.76%
EPS	0.55	0.41	0.96	-0.95	0.01
P/E Ratio	N/A		29.20	-4.82	24.38

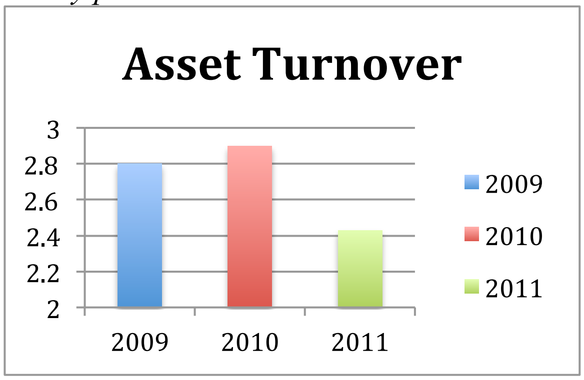
Executive Summary:

Rue21's financial stability is hard to analyze due to lack of available information in he income and balance sheets provided. Based off of the financial information given, Rue21 seems to be preforming strongly with its liquidity. Only positive results are given based off of the ratios, this is a strong sign that the company has enough current assets to meet the payment schedule of its current debts. Leverage and solvency cannot be determined because of no specific numbers given for Rue21's debt. The company's profitability is at a strong point and continuously showing improvement through growth in return rates. However the return on equity ratios imply a need for greater return rates on equity. Activity and efficiency rates imply that the company is not using its assets appropriately. Capital market ratios for Rue21 determine strong stock growth for Rue21.

Activity and Efficiency:

Asset Turnover Ratio:

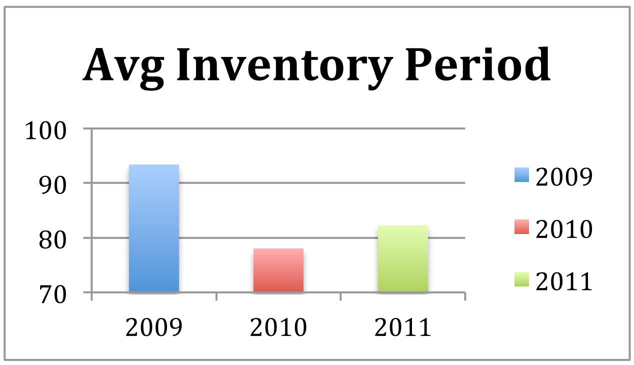
This ratio indicates how well a business is using its assets. It is better to have a higher ratio between the numbers. With an increasing ratio, it means the company has less money put into its assets. It determines how the company is doing internally.



Rue21's asset turnover began to increase in 2009-2010 but then declines by .47 in 2011. Rue21 has been overall been inefficient when referring to utilizing its assets to generate new sales volumes from 2010 to 2011. This is most likely related to little experience in a saturated industry and lack of resources available to alter the company's business strategy.

Average Inventory Investment Period:

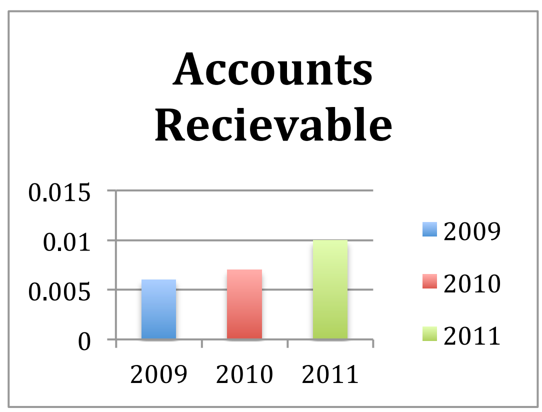
This determines the amount of days in year it takes to convert a dollar of cash (used to purchase inventory) to a dollar of sales. There is less cash available if there is a longer average inventory investment period. Therefore, the company wants a smaller number in this ratio.



Rue21 had reduced its days from 2009 to 2010 by about 15 days but then added 4 days in 2011. From 2009 to 2011, overall the company is converting inventory to cash more quickly.

Accounts Receivable Ratio:

This number indicates the amount of sales that payment has not been collected for yet. It shows increases in accounts receivable. This number should be low because it means that companies are decreasing the amount of money that other parties owe to them.



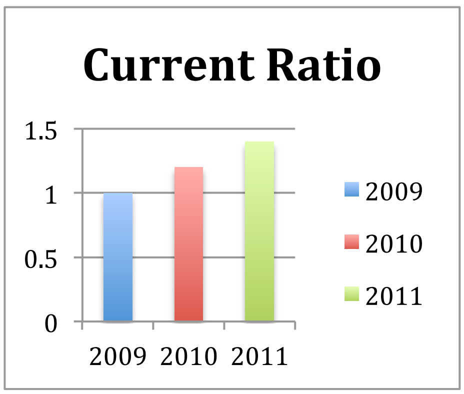
Rue21's Account Receivable ratio has decreased each year by .1% and then .3% in 2010. Because the changes are so small, the company is doing a good job for getting paid for all its work.

Key Implications:
Rue21's activity and efficiency ratios determine that the company is not utilizing its assets but it is keeping a consistent low number when reducing its inventory. By keeping the inventory investment period low it impacts the company's cash flow in a successful way. The company has generated more income per dollar of capital than 60% of the companies according to the "The Street Ratings" review. [clxxvii]

Leverage and Solvency:
Cannot be analyzed, 10K SEC filing does not reflect long tem debt for this company.

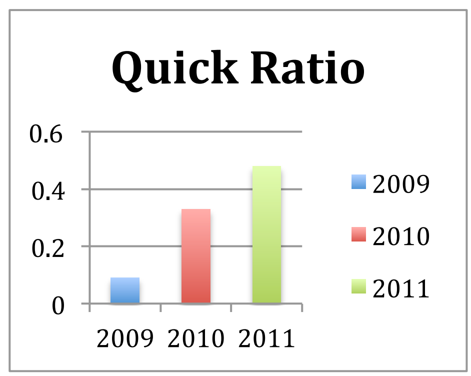
Liquidity:

Current Ratio:
This number determines if the company has enough assets in order to pay off scheduled current debts. The higher the ratio the better off the company is. The ideal current ration is 2:1 (good financial strength) and the minimal is 1:1 (poor financial strength). The lower the ratio the more potential risks the company has.



Rue 21's current ratio has increased each year by 0.2 every year from 2009 to 2011. The current ration in 2011 is 1.4:1 still not reaching the satisfying 2.0 level. This indicates that Rue21 is sufficiently paying off its short term obligations at a satisfactory rate.

Quick (Acid-Test) Ratio:
The quick ratio shows the best measurement of the liquidity of the company. The focus of this ratio is high liquid assets. A 1:1 ratio is considered pleasing and a higher ratio is desired.

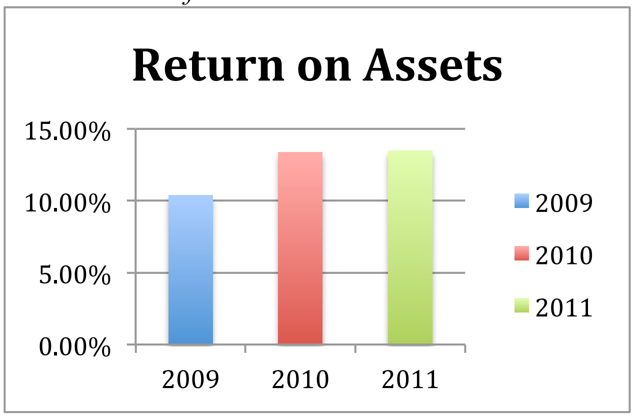


Rue 21's quick ratio has come closer to 1:1 each year from 2009 to 2011. The quick ratio in 2011 sits at 0.48 and will hopefully continue to increase. This is an issue and indicates that the company should further invest in its ability to meet its obligations.

Key Implications:
Rue 21 is trailing the retail industries' averages in current ratio (2.4) and quick ratio (0.48). However, each year they are increasing in each ratio. If the company continues to increase they will eliminate potential risks as well as increase the working capital.[clxxviii]

Profitability:

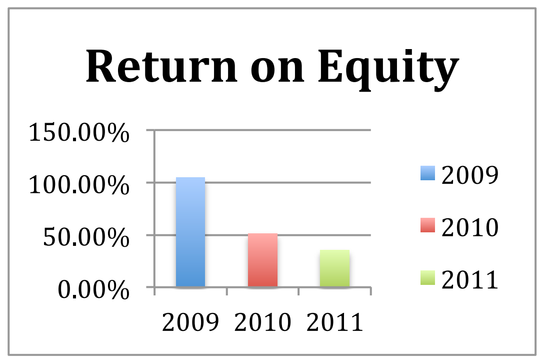
Return on Assets Ratio:
This formula indicates how well the business is using its assets to increase their income. A higher ratio is better for the company.



Rue 21 has increased its return on assets each year from 2009 to 2011. It had a positive return in 2009 by 2.98% and then 0.11% in 2010. The company's return on assets ratio in 2011 was at 13.47%, which was a continuous increase from 10.38% in 2009. This means that Rue21 is efficient at using their current assets to generate earnings.

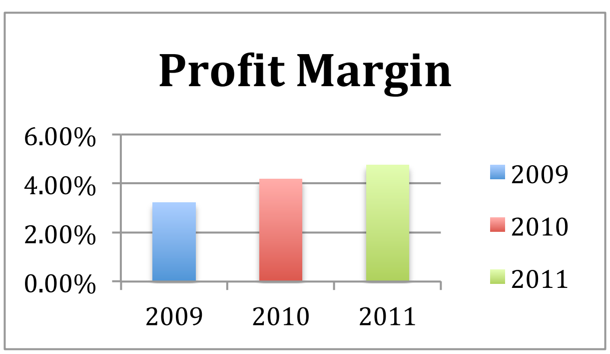
Return on Equity Ratio:
This return on equity ratio shows the return the company is providing. A higher percentage is preferred.

The return on equity ratio for Rue21 has gone down dramatically throughout 2009 to 2011. From 2009 to 2010 the percentage took a huge fall by 53.39% and another 15.63% drop in 2010. This means that the company is lacking in generating positive return rates to its shareholders. However compared to the industry it is greater than the ROE average of 19.4%.[clxxix]



Return on Profit Margin Ratio:
This ratio indicates the amount of money that a company makes per one dollar of sales. It this ratio decreases, it could be a indicator that the company's costs are rising. A company wants a higher ratio.

The profit margin ratio for Rue21 has increased each year from 2009. The profit margin is at 4.76%. It is continuingly to be effective in using its assets to produce revenues. The current average in the industry is 2.7%, which me ans Rue 21 is fairly well as far as their margin.[clxxx]

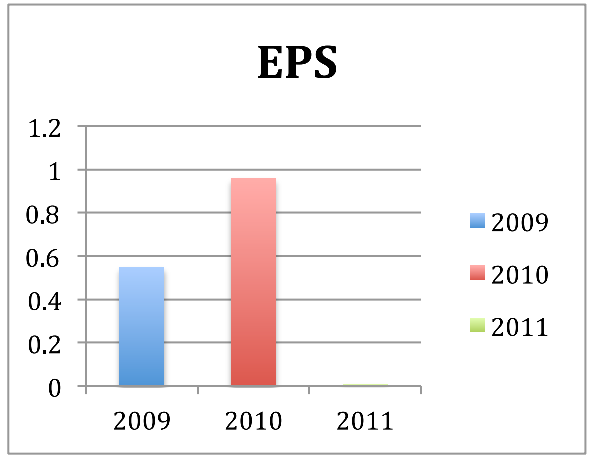


***Key Implications**:*
Over the past two years Rue 21 has been profitable. Rue 21 should feel confident with their profit margin constantly growing and the profitability of the company. Rue 21 should have more sales dollars available to put back

into their company. However, Rue21 should have a concern for their return on equity because it's decreasing at a rapid rate. This implies that the company should better their investment appeal to stockholders through higher return rates, in order to generate higher profits from shareholder's equity.

Capital Market/ Shareholders Return Ratio:

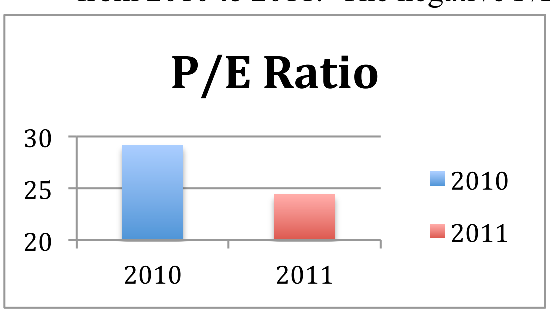
Earnings per share (EPS):
EPS ratio signifies how much net income earned for each share of common stock. The higher the number in EPS is the better. It is the most popular financial data that analysts evaluate.



The company's EPS started to increase from 2009 to 2010 by 0.41 leading to a rate of .96. The next year the EPS dropped by 0.95 to a pitiful .01. This decrease can correlate with the decreases in the return on equity. Rue21 should try to maintain their EPS as it was in 2010 at .96.

P/E Ratio:
The P/E Ratio shows the market price of one dollar of earnings. When a company has a high P/E, it has high projected earnings. The company wants a high P/E ratio.

The information available for the P/E ration for Rue 21 is that it dropped 4.82 to 24.38 from 2010 to 2011. The negative P/E can be a result of the detrimental earnings made during the correlating years. It is still higher than the average P/E in the retail industry of 16.20.[clxxxi] However Rue21 will have to turn earnings more positive in order to increase its P/E.



Key Implications:
Rue 21 is overall doing well with their stock. They are growing more than most companies based on "The Street Ratings" and are projected to keep growing in a positive manor. The company's shares have driven up by a sharp 35.24% over this past year as investors begin to recognize positive factors of the company.[clxxxii]

Kohl's Financial Analysis

Kohl's Financial Ratios	2009	Change	2010	Change2	2011
Asset Turnover	4.4	-1.3	3.1	0.2	3.3
Avg Inventory Period	97.5	1	98.5	-2.3	96.2
Accounts Receivable	Not given		Not given		Not given
Debt to Equity	44.50%	6.1	50.60%	-27.4	23.20%
Debt to Assets	23.70%	3	26.70%	-4.4	22.30%
Current Ratio	2.03	0.2	2.23	-0.21	2.02
Quick Ratio	0.23	0.69	0.92	0.31	1.23
Return on Assets	5%	1.8	6.80%	3	9.80%
Return on Equity	13%	-0.4	12.60%	4.5	17.10%
Profit Margin Ratio	5.40%	0.4	5.80%	0.3	6.10%
EPS	1.11	0.23	1.34	0.28	1.62
P/E Ratio	11.37	8.09	19.46	-4.31	15.15

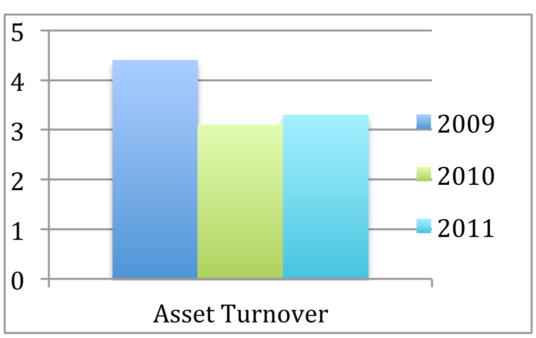
Executive Summary:

Kohl's appears to have a strong financial structure within the retail industry. There are limited indicators that imply high risk factors for Kohl's financial future. There are positive decreases in Kohl's leverage and solvency such as debt to equity and debt to assets while comparing 2011 to 2010. Kohl's has ideal leverage and solvency rates while in compare to the industry. Declines in the company's P/E ratio and current ratio within the past year are minor and most likely due to over investments in minor projects. Decrease time periods for average inventory periods in the past year indicate more traffic in stores and a quicker return on product costs. Liquidity ratios are positively increasing which implies a solid usage of money for short-term and long-term needs. Kohl's should focus on increases in its profitability since the company has conflicting ratios, which could lead to future debt. Capital market share ratios for Kohl's are extremely strong and better off than most of the other companies in the retail industry.

Efficiency:

Asset Turnover Ratio:

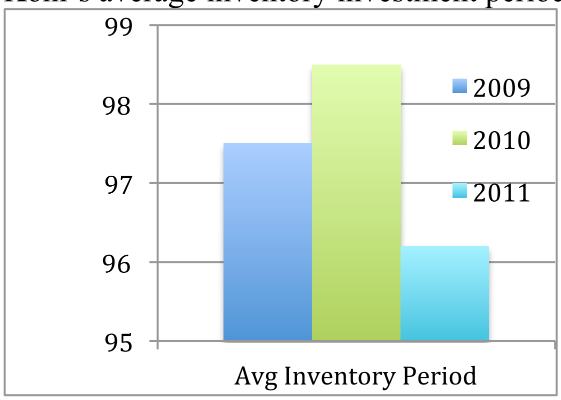
This ratio indicates how well a business is using its assets. It is better to have a <u>*higher ratio*</u> *between the numbers. With an increasing ratio, it means the company has less money put into its assets. It determines how the company is doing internally.*



Kohl's asset turnover has showed decreases from the 2009 to 2010 fiscal year by 1.3. But from 2010 to 2011 increases of .2 in asset turnovers occurred which implied the situation to be less concerning. Regardless of the small increase, Kohl's is still down 1.1 in

2011 than they were in 2009. The company is still experiences fairly high ratios in asset turnover rates, which implies a lower profit margin and a satisfactory rate of how well Kohl's is using its assets to generate sales.

Average Inventory Investment Period:
This determines the amount of days in year it takes to convert a dollar of cash (used to purchase inventory) to a dollar of sales. There is less cash available if there is a longer average inventory investment period. Therefore, the company wants a smaller number in this ratio.
Kohl's average inventory investment period is staying steady around 97 days from 2009 to 2011, which is high. Kohl's should have a quicker turnaround rate from when the inventory arrives on their selves to when it is purchased. If Kohl's had smaller investment period than they would have more available cash. Although from 2010 to 2011 the inventory period went down by 2 days, the company should be looking for smaller rates.



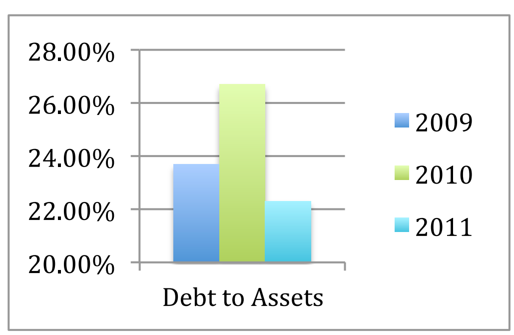
Accounts Receivable Ratio:
This number indicates the amount of sales that payment has not been collected for yet. It shows increases in accounts receivable. This number should be low because it means that companies are decreasing the amount of money that other parties owe to them.

Kohl's company does not provide any statistics for accounts receivable other than $0. This would indicate the most ideal ratio but it is very unlikely that they have all payments collected.

Key Implications:
Kohl's efficiency ratios conclude that the company is producing fairly well, but it is hard to assess since the company does not seem to have any accounts receivable. If the company does not have any accounts receivable, this implies above average ratios. Ratings shown for purchasing Kohl's stock suggests that the company is a 10/12 for a strong buy. Kohl's is doing nearly twice as well as compared to industry averages of only 4.7. [clxxxiii]

Leverage and Solvency:

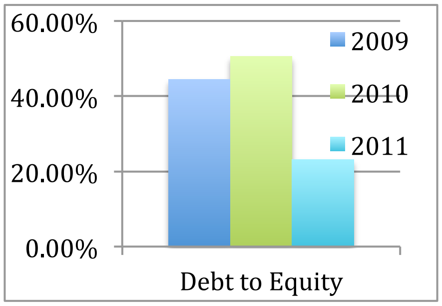
Debt to Assets:
This ratio measures the percentage of assets financed by creditors compared to those financed by the owners. A lower ratio is preferred (no more than fifty percent).



Kohl's debt to assets has stayed around 24% in the past three years. This is a good ratio to have since the benchmark is 50%. This is generally a low ratio which measures that percentage of assets financed by creditors compared to those financed by the owners.

Debt to Equity:

This ratio measures funds provided by creditors versus the funds provided by owners. A lower ratio is preferred in this area. A rising Debt to Equity indicates increases in debt.



Debt to Equity for Kohl's has not been very stable during the 2009 to 2011 time period. In 2009 the company was at 44.5%, then up to 50.6% in 2010 and dropped drastically in 2011 at 23.2%. Kohl's most recent ratio for equity debt should try to be maintained by the company through more funds received by creditors and less funds owed. There has been no steady trend with Kohl's debt to equity since it have been so unstable in the past three years.

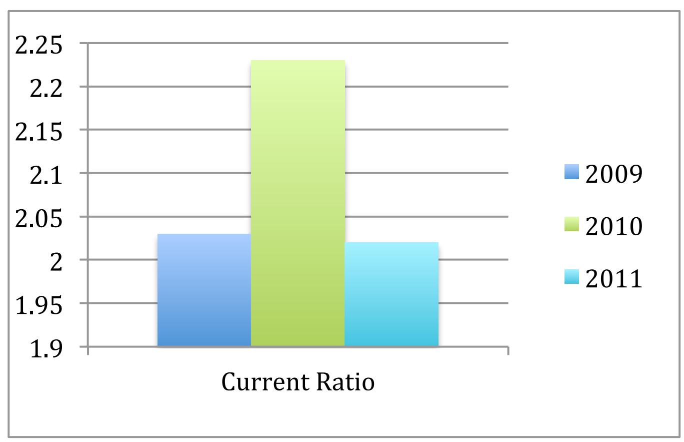
Key Implications:

Kohl's leverage and solvency ratios remain around industry averages. The company should continue to lower both debt to assets and debt to equity ratios as much as possible to gain a greater profit. As compared to industry benchmarks, Kohl's debt to assets is radically lower than the industry.[clxxxiv]

Liquidity:

Current Ratio:

This number determines if the company has enough assets in order to pay off scheduled current debts. The higher the ratio the better off the company is. The ideal current ration is 2:1 (good financial strength) and the minimal is 1:1 (poor financial strength). The lower the ratio the more potential risks the company has.



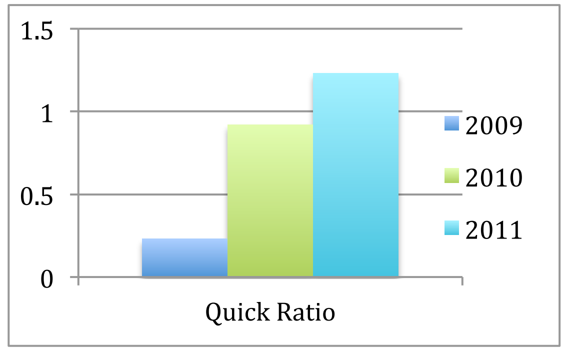
Kohl's current ratio is firmly staying above 2 during 2009 through 2011, which is extremely satisfactory, as 2:1 is the ideal ratio.

Quick (Acid-Test) Ratio:

The quick ratio shows the best measurement of the liquidity of the company. The focus of this ratio is high liquid assets. A 1:1 ratio is considered pleasing and a higher ratio is desired.

Kohl's quick ratio is continuing to increase by increments of .69 going from 2009-2010 and .31 from 2010 to 2011. Hopefully Kohl's can maintain a continuous growth or at least maintain the 2011 ratio of 1.23. This ratio shows substantial improvements within the past three years and a shift of assets turning into liquidity. This is good for the company because it means that they are not being tied up in inventory.

Key Implications:
Liquidity ratios have merely increased in the past three years. Although they are not as high as industry averages, the company is trailing closely behind. Its current ratio is greater than industry averages, which indicates that minimal risks are present for the company.[clxxxv]

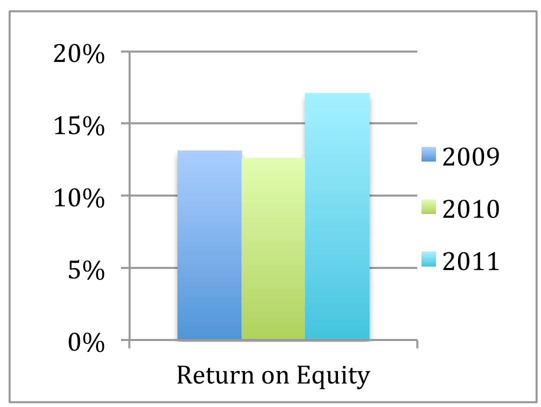


Profitability:

Return on Assets Ratio:
This formula indicates how well the business is using its assets to increase their income. A higher ratio is better for the company.

Kohl's return on assets is continuing to increase from 2009 straight through 2011. The company was at 5% in 2009 and in 2011 increased its ratio to 9.8%, which is a good indicator of how the company is doing internally.

Return on Equity Ratio:
This return on equity ratio shows the return the company is providing. A higher percentage is preferred.



The return on equity ratio for Kohl's went down in 2010 but than increased in 2011 from the previous year. Generally retail companies have a desired average equity between 10% and 30%. Since Kohl's falls between this range during the given years, this indicated that the company has enough profit to return dividends to owners and also have extra funds for future growth of the company. The most current ratio was 17.10% in 2011, 12.60% in 2010, and 13% in 2009. Kohl's should try to increase its ROE by utilizing investments in a more proficient way to generate more income.[clxxxvi]

Return on Profit Margin Ratio:
This ratio indicates the amount of money that a company makes per one dollar of sales. It this ratio decreases, it could be a indicator that the company's costs are rising. A company wants a higher ratio.

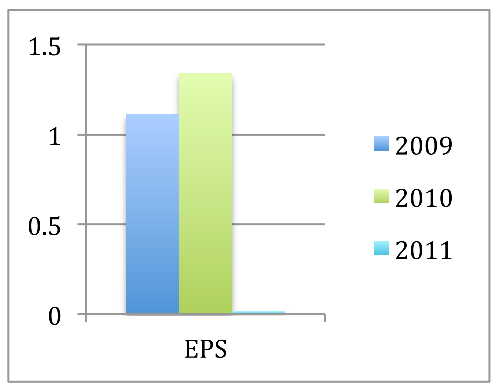
The profit margin ratio for Kohl's has increased each year from 2009. The profit margin is at 6.1%. It is continuingly to be effective in using its assets appropriately to produce desirable revenues. Average return on profit for the retail industry is around 2.7%, which implies that Kohl's is doing better then the average retail company.[clxxxvii]

Key Implications:

Kohl's profitability ratios are somewhat conflicting, although return on assets and return on equity are both increasing mainly, profit margin has only dropped since 2009. Kohl's should begin to focus on decreasing profit margin and more specifically on keeping costs down as this limits their ability to adjust prices based on competitor retaliation. Currently the company is only making $0.61 per $1 of sales.

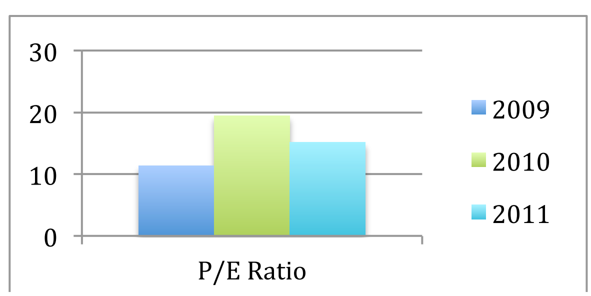
<u>Capital Market/ Shareholders Return Ratios:</u>

Earnings per share (EPS):
EPS ratio signifies how much net income earned for each share of common stock. The higher the number in EPS is the better. It is the most popular financial data that analysts evaluate.



Earnings per shares of Kohl's corporation have increased annually since 2009. The company is increasing each year by about .25, which is great for company assets. For 2011 EPS was at $1.62 , a fair earning but the company should hope to continue its growth in this area for the future.

P/E Ratio:
The P/E Ratio shows the market price of one dollar of earnings. When a company has a high P/E, it has high projected earnings. The company wants <u>a high P/E ratio</u>.



The given information for Kohl's P/E ratio indicated that projected earnings dropped by 4.31 from 2010 to 2011. The company-experienced growth in this area from 2009 to 2010 by 8.09 by could not maintain this value. The average retail P/E is 16.20, which Kohl's is staying near with 15.15 currently, but it needs to ensure no further drops in P/E ratios in the coming year.[clxxxviii]

Key Implications:
Kohl's stock is growing from 2009 in earnings per share; most recently the company is at \$1.62. A higher EPS would be ideal but within the past 5 years of stock growth, Kohl's has been 11% higher than comparisons to the industry. The companies P/E ratio is not as high as past years and lower than the industry. The company should seek for fresh strategies to have higher projected earnings.[clxxxix]

Wet Seal Financial Analysis

Wet Seal Financial Ratio	2009	Change	2010	Change	2011
Asset Turnover	2.31	-0.70	1.61	-0.01	1.6
Avg Inventory Investment	22.9	3.70	26.6	3.3	29.9
Accounts Receivable	3.0%	5.5	8.5%	-5.2	3.3%
Debt to Equity	48.9%	-16.7	32.2%	1.5	33.7%
Debt to Assets	32.6%	-8.3	24.3%	0.09	25.2%
Current Ratio	2.8	4.31	7.11	-3.07	4.04
Quick Ratio	2.9	0.2	3.13	-0.17	2.96
Return on Assets	3.29%	0.6%	3.9%	-0.5%	3.4%
Return on Equity	3%	-0.1%	3.3%	1.2%	4.5%
Profit Margin Ratio	1.4%	0.1%	1.5%	0.6%	2.1%
EPS	$0.30	0.62	$0.92	-0.8	$0.12
P/E Ratio	7.78	12.16	19.94	-15.62	4.32

Executive Summary:

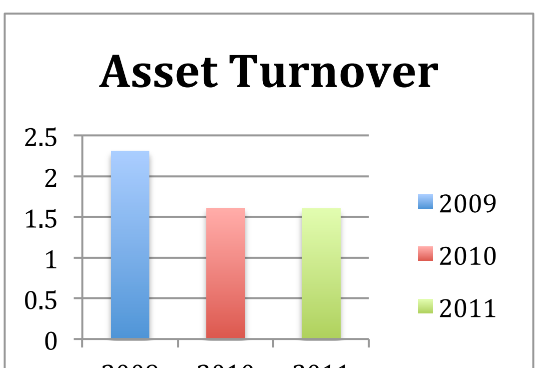
Wet Seal is not a major threat to Rue21 financially. The company shows very few strong points within the past year and a majority of threats. An overall weak leverage summary will most likely create issues for Wet Seal's solvency and debt in the future. There are indicators that the company is extending more credit to its customers than it is receiving, in order to sell more products. Liquidity rates are fairly strong for Wet Seal but have also shown negative results from 2010 to 2011. The company has not been very profitable overall which could be related to high costs of goods sold.

Efficiency:

Asset Turnover Ratio:

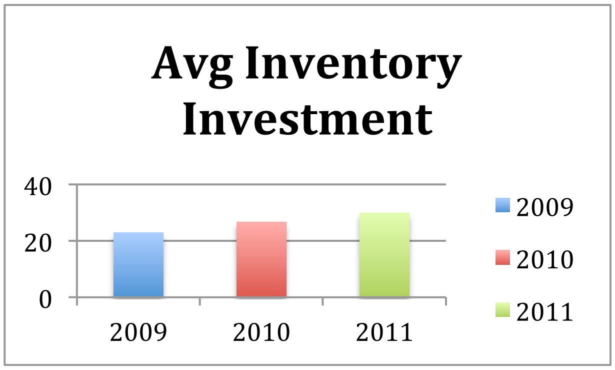
This ratio indicates how well a business is using its assets. It is better to have a higher ratio between the numbers. With an increasing ratio, it means the company has less money put into its assets. It determines how the company is doing internally.

Wet Seal shows signs of an excess amount of money tied up in assets for each dollar of sales revenue. From 2009 to 2010 rates went down by .70 to 1.61 and from 2010 to 2011 the decreases another .01 ending up at 1.6. Two years of continuous decreases in asset turnovers is not a good sign for the company. Wet Seal may have over invested in equipment, warehousing, and other fixed assets.



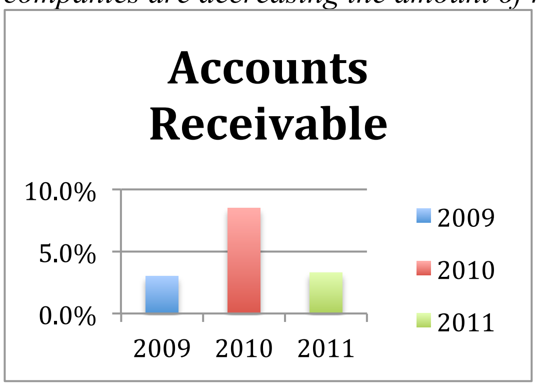
Average Inventory Investment Period:

This determines the amount of days in year it takes to convert a dollar of cash (used to purchase inventory) to a dollar of sales. There is less cash available if there is a *longer average inventory investment period. Therefore, the company wants a <u>smaller number</u> in this ratio.*



Average inventory investments for Wet Seal is relatively low, around 25 days. However trends of increasing ratios, indicates a longer period of time that inventory sits without being sold. Therefore implying that Wet Seal must convert their inventory to cash at a quicker rate.

Accounts Receivable Ratio:
This number indicates the amount of sales that payment has not been collected for yet. It shows increases in accounts receivable. This number should be <u>low</u> because it means that companies are decreasing the amount of money that other parties owe to them.

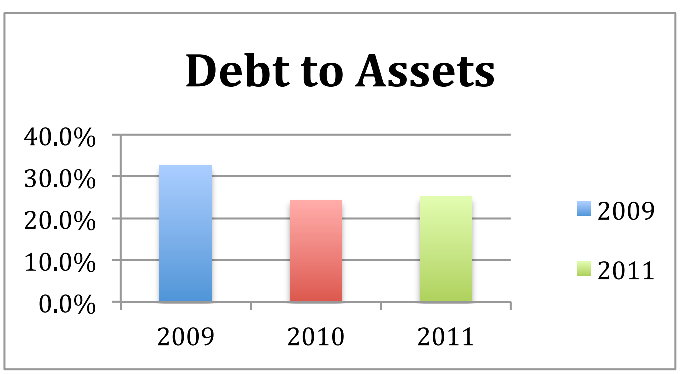


Accounts receivable for Wet Seal experienced an unfortunate increase in 2010 up to 8.5% but decreased to almost the same low ratio, as it was previous in 2009. This is a negative aspect for the company because it means that the company is not being paid for their work and money is tied up in accounts receivable.

Key Implications:
Wet Seal should focus on reducing its average inventory period. The reduction of inventory along with increases in asset turnover and accounts receivable may indicate that the company is selling its inventory on credit to its customers. If customers of Wet Seal begin to experience financial hardships, the company may find itself struggling to collect owed money from its customers. Wet Seal should work on these specific internal factors to be a more profitable company and avoid future financial problems.

<u>Leverage and Solvency:</u>

Debt to Assets:
This ratio measures the percentage of assets financed by creditors compared to those financed by the owners. A <u>lower ratio</u> is preferred (no more than fifty percent).

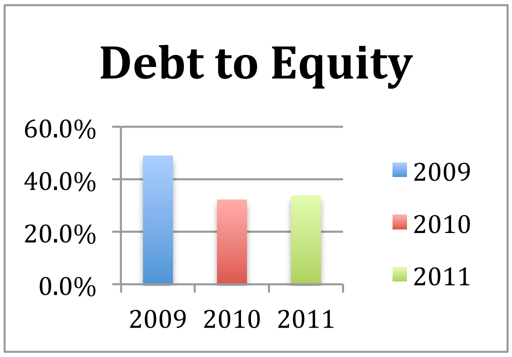


Debt to assets have stayed mostly the same from 2009 to 2011, Wet Seal has stayed below the benchmark of 50%. But they did come close in 2009 with 48.9%.

This could indicate future hardships when trying to payoff debt. The trend of an increasing debt to assets is bad for the company because it means that a high number of assets are financed by creditors compared to the amount financed by the company itself.

Debt to Equity:

This ratio measures funds provided by creditors versus the funds provided by owners. A <u>*lower ratio*</u> *is preferred in this area. A rising Debt to Equity indicates increases in debt.*



Wet Seals debt to equity is at 33.7% in 2011, which is much better compared to the 48.9% it was at in 2009. This is a good signs for the company because it implies that the amount of funds provided by creditors are decreasing as compared to funds provided by the owners of the company. A falling debt to equity ratio also designates that debt is decreasing for the company.

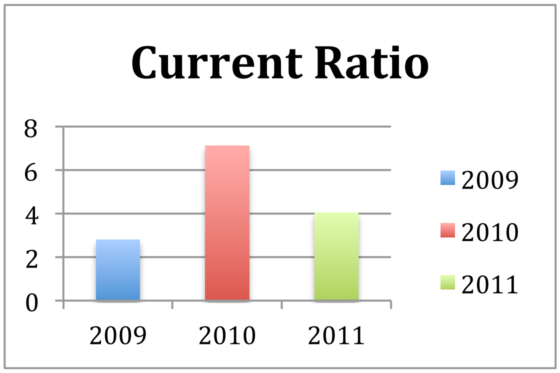
Key Implications:

Wet Seal does not seem to have an issue with debt in the retail industry. They have managed to stay relatively stable through out the past three years. Therefore this is an area of strength. However the company should not settle with its current debt performances and should try to decrease its current debt to become more profitable. Wet Seal's solvency rates are not a problem currently but could develop into an issue and threaten the long-term viability of the company.

<u>Liquidity:</u>

Current Ratio:

This number determines if the company has enough assets in order to pay off scheduled current debts. The <u>*higher the ratio*</u> *the better off the company is. The ideal current ration is 2:1 (good financial strength) and the minimal is 1:1 (poor financial strength). The lower the ratio the more potential risks the company has.*

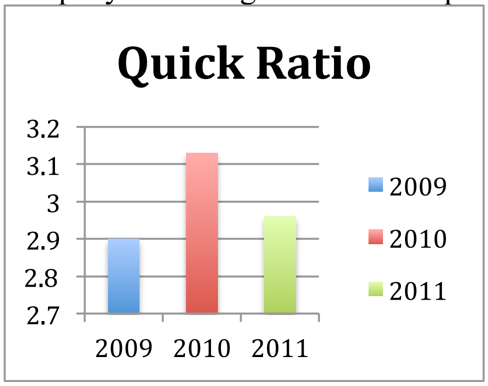


Wet Seal has an excellent current ratio regardless of the decrease from 2010 to 2011. The ideal ratio is anywhere above 2:1, and wet seal has 4.04:1.

Quick (Acid-Test) Ratio:

The quick ratio shows the best measurement of the liquidity of the company. The focus of this ratio is high liquid assets. A 1:1 ratio is considered pleasing and a <u>*higher ratio*</u> *is desired.*

Wet Seal's quick ratio increased after 2009 by .2 and decreased after 2010 by .17, which is fairly drastic. The company should not be very concerned because this denotes that the company is shifting its assets to liquidity and not staying tied up in inventory.

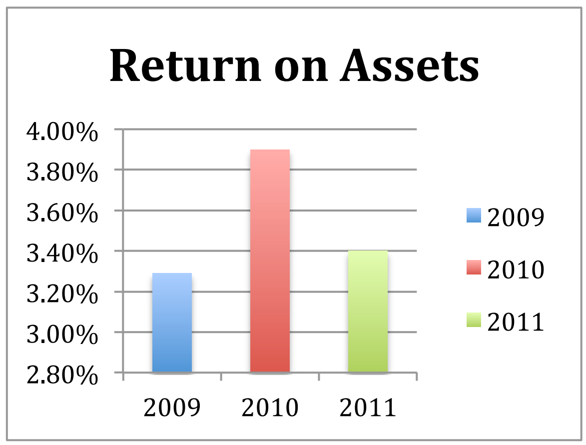


Key Implications:
Wet Seal preforms strongly in the liquidity category, with excellent ratios. The company shouldn't need to focus on liquidity. This implies an area of competition regarding to Rue21 and the rest of the competition within the retail industry. Wet Seal has enough current assets to meet and maintain the payment schedule of its current debts. Minimal liquidity risks are at stake for the company.

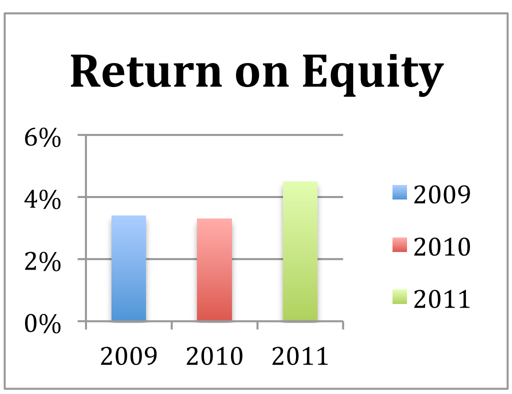
<u>Profitability:</u>

Return on Assets Ratio:
This formula indicates how well the business is using its assets to increase their income. A <u>higher ratio</u> is better for the company.

Wet Seal maintains a return on assets ratio around 3.5%, they should aim to have a higher ratio in the future to indicate progress within the retail industry. A higher ratio denotes success internally in relation to how well the company is using its assets to produce more income.

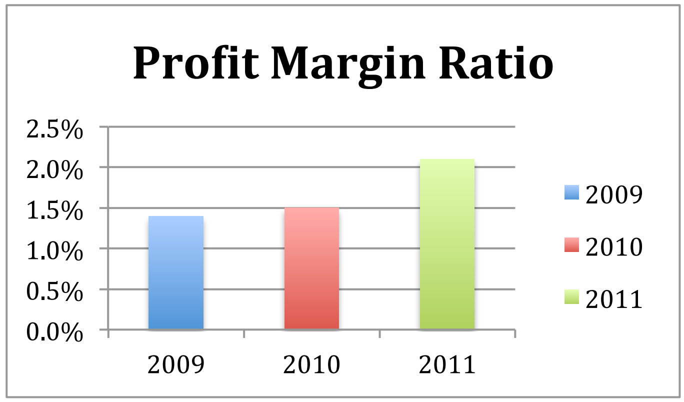


Return on Equity Ratio:
This return on equity ratio shows the return the company is providing. A <u>higher percentage</u> is preferred.



Return on equity ratios for Wet Seal are mediocre but should try to increase in the future. An increase after 2010 raised the ratio up to 4.5% but scores are still drastically lower than desirable ratios for the retail industry, which are aimed around 10% to 30%.[cxc] Wet Seal should aim to increase this ratio so that they have excess funds for improvements within the company.

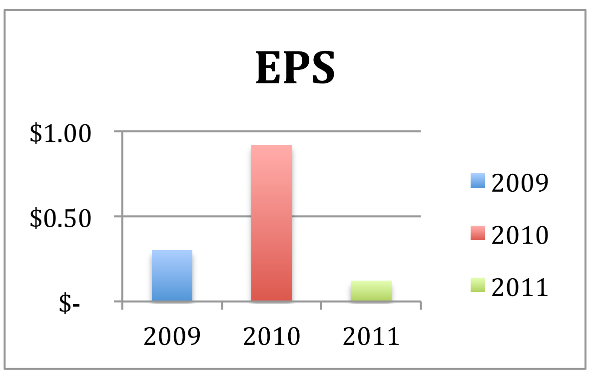
Return on Profit Margin Ratio:
This ratio indicates the amount of money that a company makes per one dollar of sales. It this ratio decreases, it could be an indicator that the company's costs are rising. A company wants a higher ratio.



Wet Sea has a lower return on profit ratio due to its high cost expenses. Although positive increases have been evident since 2009, the company needs to focus on continually raising its return on profits. Past acquisitions have lead to a slowly increasing profit margin and activity during the next coming years will indicate where the company will be headed profitability wise.

***Key Implications**:*
Wet Seal needs to improvement in its profitability. Its ratio's are quite low indicating low revenues and not very valuable assets. The company has been unprofitable probably due to factors such as little positive results in the cost of goods sold. The company needs to focus on decreasing its profit margin, increasing its return on equity, and increases returns on assets.

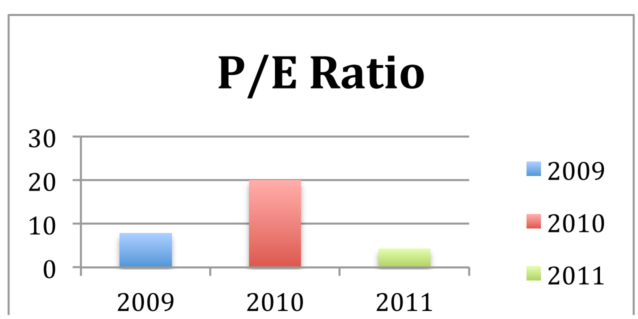
<u>Capital Market/ Shareholders Return Ratios:</u>



Earnings per share (EPS):
EPS ratio signifies how much net income earned for each share of common stock. The higher the number in EPS is the better. It is the most popular financial data that analysts evaluate.

Wet Seal's EPS is fairly low and is not a threat in the stock market. If Wet Seal want to make more revenue through stock they need to be more profitable all around. Their EPS is at $0.12, which was a decrease from 2010 by $0.80. The highest the company's EPS has been in the past three years was $0.92 in 2010. Wet Seal should try to alter its earnings per share ratio so that the have higher revenue made from stocks.

P/E Ratio:
The P/E Ratio shows the market price of one dollar of earnings. When a company has a high P/E, it has high projected earnings. The company wants <u>a high P/E ratio</u>.



Wet Seal's P/E ratio is very low and a high risk factor. In 2011 the ratio was at $4.32 per every $1 earnings. The company should greatly focus on this ratio. A huge drop from 2010 to 2011 from $19.94 to $4.32 greatly hurt the company's projected earnings.

Key Implications:
Wet Seal's capital market/shareholders return ratios are very poor. The company relies too heavily on second half of the fiscal year boosts and does not make enough revenue all year round. Wet Seal is not a big threat to Rue21 in terms of stocks since they posses a low EPS and a low P/E.[cxci]

Strategy Models

Executive Summary:

The following strategies analysis includes a 9-forces model, SWOT analysis, and growth vector matrix. At the end of their research, the analysts compiled all of their key findings using these models and concluded the overall key strategies for Rue21. Comparisons with Rue21's competitors helped the analysts to determine which strategies would work in their given market place and also give them a competitive advantage.

Kohl's competitive profile highlights the importance of Kohl's strategy and decisions possibly affecting Rue21. Since both companies share a low cost structure, prices wars could potentially erupt. Rue21 decision makers can compare Kohl's strategies, future goals, and capabilities to their own in order to adjust or react to their competitor response. Rue21 decision makers can also look at the assumptions within the retail industry such as, online spending and the green movement. Using all of this information Rue21 can either alter their current strategy or finds way to incorporate new insight found through competitive profiling.

Rue21 needs to define the competitive differences between Wet Seal and themselves. It is crucial for decision makers to understand the capabilities and locations of Wet Seal stores so that they can strategically locate Rue21 stores as competition. Differentiation needs to be more strongly marketed to customers of the advantages of shopping at Rue21 over Wet Seal. Both companies share a low cost structure. In order for Rue21 to gain leadership over the primary consumers, they will need to take into consideration Wet Seals possible next moves, current strategy, assumptions, and capabilities. Overall, Rue21management will need to carefully deliberate the competitive profile of Wet Seal and plan immediate reactions and future responses to competition deriving from Wet Seal.

The following models will further examine and explain Rue21's potential future strategies in relation to competitive profile and current retail trends. The stated strategies in each model are found to be of the highest priorities, which were determined by the analysts.

Porter's 9 Forces Analysis

Porter's 9 Forces Model

Competitive Rivalry within the Retail Industry

Power of Suppliers
Medium
-Many suppliers to choose from
-Suppliers affect quality of materials
- Huge amount of patents in retail industry

Rivals amoung competition
High
- Lots of online presence by retailers
-High amounts of promotions
-Extensive product offerings
-Many advertising campaigns and spokespeople
-Similar sized retailers

Threat of Entrants
Medium
-Low cost of products
- No customer loyalty/ brand identity
-Lots of advertisement
- High amount of competition
-Low switching costs

Power of Buyers
Low
-Low differentiation in products
-Multiple companies for consumers to go to
- High access to comparing prices to competition
-Low switching costs

Threat of Substitute products/services
Low
-Little to no product substitutes
-Thrift stores and online shopping

Economic
Low
-Increase in consumer spending
-Decline in unemployment rate
- Consumer confidence is increasing

Political/Legal
Medium
-Small business will continue to hurt due to recent election
-Strict federal regulations in meat industry

Social
High
- Increase in social media in order to market business
-Increase in customer service
-Increase reliance on online sites such as Facebook to purchase

Technology
High
- Technology increase for customer service
- Shift to online shopping
-Use of Internet, mobile device, and TV to promote store and products

Executive Summary:

The 9 Forces Analysis focuses on the key factors of the retail industry environment through internal and macro-environmental aspects. Major threats to Rue21 include technological factors, social shifts, and existing competitive rivalry. Technology in the retail industry along with all industries is tremendously growing and impacting companies. Due to increase in online shopping and marketing as well as the promotion through mobile devices, TV, and Internet, technology is becoming a top concern for the industry. Another macro-environmental factor that affects the retail industry and Rue21 highly is social shifts. There is an increase in the need for social media to market, in customer service, and Internet sites such as Facebook to endorse products and sales. Finally a main threat is the rivalry among competitors. This is a high threat because the company needs a powerful competitive strategy, more advertisement, and a stronger competitive advantage. Additionally, the market is highly saturated which makes competition even more critical.

Discussion:

A high area of concern for Rue21 is the existing competitive rivalry. The retail industry is highly competitive in relation to the amount of similar companies, which makes this a high threat for Rue21. Rue21 needs to create a better competitive strategy in order to contend better against their competitors such as Kohl's and Wet Seal. In addition to this, they need to add to their advertisement perhaps by using a promotional celebrity, such as Kohl's has with Jennifer Lopez. There are a variety of companies for consumers to choose from that will give them a low price. However, Rue21 remains competitive through their low priced variety of products. This is highly competitive so extensive use of advertisements, promos, spokes people along with growth in online sales.

Rivals amoung competition
High
- Lots of online presence by retailers
-High amounts of promotions
-Extensive product offerings
-Many advertising campaigns and spokespeople
-Similar sized retailers

Another high threat for Rue21 lies within social factors. There is an increase in social media because of business marketing techniques. For example, businesses are using commercials, Facebook, Twitter, Instagram and more to promote their products and sales. Rue21 still has to do a better job advertising their sales and putting themselves out there as much as their competitors. Businesses in the industry have to adapt to the rise of social media. It is a huge threat because it gives a way for businesses to communicate with their customers. It is much easier to see the opinions of customers now online and through social media, which can lead to their reputation being at stake.[cxcii]

Social
High
- Increase in social media in order to market business
-Increase in customer service
-Increase reliance on online sites such as Facebook to purchase

Technology
High
- Technology increase for customer service
- Shift to online shopping
-Use of Internet, mobile device, and TV to promote store and products

Technology is an even higher threat as customers start to shift to online shopping. Because Rue21 does not have an online shopping sector they are at a huge disadvantage to their competitors.[cxciii] Consumers are predominately online and without offering online shopping capabilities by Rue21, they can only be affected negatively and possibly be losing customers.[cxciv] Rue21 also needs to be aware of the increase in products that will increase customer service such as hands-on kiosks and online/mobile receipts.[cxcv] The industry is also increasing in using mobile devices and social media to increase sales, promotions, and rewards.[cxcvi] Rue21 has to be able to keep up with the fast increasing technology changes within the retail industry.

SWOT Analysis

Executive Summary:

An analysis of Rue21's strengths, weaknesses, opportunities, and threats (SWOT) can assist in creating create combinations of possible future strategies. The primary focus of SWOT is to determine ways in which a company should evolve business strategy to address various threats or opportunities while considering current capabilities. The following model summarizes Rue21's key strengths and weaknesses. The threats and opportunities for Rue21 were determined by the analysts, based off of prior competitive profiling, macroenvironmental analysis, and industry analysis.

The strategies stated are constructed to most benefit Rue21's success in the retail industry. Most impactful strategies for Rue21 to act on would be included in the weaknesses/opportunities and weaknesses/threats strategies. Rue21 would have drastic changes in sale opportunities if they added the capability of online shopping to its customers and incorporated a celebrity spokesperson in cohesion with its promotional campaign.

Legend:
Green= Positive
Red= Negative
Yellow= Combined Strategies

SWOT Analysis and Strategies	**Strengths** o Offers competitive low prices o Diversified products o Long term success in growth and profitability o Ability to preserve loyalty to its strong brand loyalty.	**Weaknesses** o Online sales increase; which Rue21 does not have the capabilities thus far to offer. o Poor quality in products o Lack of advertisements
Opportunities o Growth of online promotional programs such as through twitter, Facebook advertisements, and automatic text messages. o Growth of lower cost retail needs during the current economic environment.	**Strengths/Opportunities Strategy:** -Use technology to advertise low cost products and diversified product range through comparisons to competing companies. -Addition of distribution centers to reduce transportation and shipping costs.	**Weaknesses/Opportunities Strategy:** -Using technology to promote Rue21 to its primary client base and increase customer awareness while addressing the company's lack of advertisements. -Add the capability of online store purchases. -Create a competitive intelligence department to stay on top of consumer/competitor trends and remain competitive.
Threats o Competitors have well known spokesperson (Wet Seal) o Competitors have celebrity brand names (Kohl's i.e. Candies ect) and/or well-known brand names. o Products can be threatened by economic and macroeconomic conditions dependant upon consumer spending trends.	**Strengths/Threats Strategy:** -Increase availability of diversified products in stores with well-known brand names and/or celebrity brand names to increase customer base. -Maintain low costs in products and business model to decrease any possible threats in rapidly changing economic and macroeconomic conditions.	**Weaknesses/Threats Strategy:** -Incorporate an integrated marketing campaign with a well known and established /idolized celebrity. Use social media, youtube, magazine ads, contests, and promotional campaigns to incorporate our spokesperson with sales opportunities. Along with brand names to attract maximum customers. -Maintain low cost leadership position by establishing a stronger internal cost reduction program. -Focus on improving quality, while maintaining low cost.

Strengths and Opportunities Strategy:

After thoroughly evaluating both the Rue 21's SWOT, two strength/opportunity strategies have been developed**. By using the implementation of technology to advertise the low cost products that Rue 21 provides, the company can see great benefits.** The use of technology refers to putting more money into marketing and use commercials more frequently, both on TV and online on sites such as Facebook and Twitter. Direct messages and promotions from Rue21 sent ritually to consumer cell phones could also lead to a more affective marketing technique. Trends in "text message marketing" show results that imply this marketing technique is most effective. SMS alerts can save businesses lots of money and time while additionally reaching a wide spread audience[cxcvii] Rue 21 offers a wide diversity of products ranging from clothing to formal dresses, shoes and accessories. Using this to their advantage they can advertise complete outfits with both shoes and accessories that the consumer can purchase all in one trip, making it simpler and easier for the consumer. The complete outfit sets could be advertised in magazines or television commercials to promote the company's diversified products.

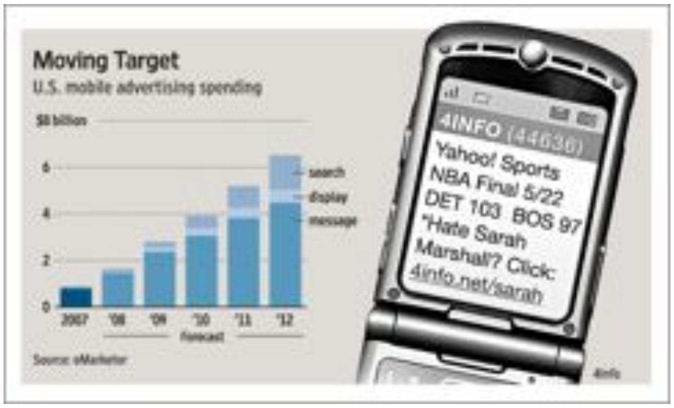


Image Source: http://emerging-advertising-media.wikispaces.com/Text+Message+Ads

A second strategy that would benefit the company would be **the addition another distribution center.** An intelligence department can track competitors and their actions, to better predict in what ways the competitor's future and past actions can be related to Rue21's success. The macro-environment factor is also a key indicator of success rates for any company that should to be monitored to determine trends. The macro-environment can determine outside factors that may be affecting sales other than solely competition. Such as consumer spending based upon political regulations like clothing tax increases or increased gas prices that would affect Rue21's shipping costs and overall product prices. Another benefit would be by watching both competitors and the market; Rue 21 can be inspired to make proactive changes before their competitors. This can assist in identifying the top and most recent trends in the retail industry and possibly act on them before their competitors. A competitive intelligence department would give Rue 21 the advantage it needs to create more revenue and eventually give them the capabilities to better their company, products and customer relations. An additional distribution center would decrease Rue21's transportation costs. Currently Rue21 only operates one distribution center for all of its stores. Overall an additional distribution center would bring down costs of shipment and get in-style clothing items onto their shelves more efficiently.

Strengths and Threats Strategy:

Rue21 prides itself in low cost pricing to a young and loyal consumer base. In addition to low cost Rue21 focuses on selling the most current trendy attire, creating a combination of affordable fashion. Through careful financial analysis, rue21's strategy has proven itself successful allowing the company to continue to grow and remain profitable. **With technology growing at such a fast rate, Rue21 must adapt to this new technological culture especially by reaching out to their customers through social media. Rue21 could benefit greatly by hiring a spokesperson popular in the younger crowd to promote a clothing line through the store.** Studies done on the benefits of celebrity endorsements indicate affiliated repayments of established credibility, ensured attention, associative benefits, and psychographic connections.[cxcviii] By doing this, the company would increase their consumer base and already loyal customers. Having a celebrity brand name added to the product line would also create more in store-traffic and interest from loyal buyers. Unlike rue21's competitors such as Kohl's and Wet Seal who are affiliated with celebrity merchandise like Candies© and pop-star Carly Rae Jepson, Rue21 has no celebrity endorsements.

If Rue21 could maintain their low pricing on new brand name products then they would also decrease any possible threat in changing economic and macroeconomic conditions. The company could adopt new diversified/celebrity-inspired lines while staying true to the Rue21 culture of low-priced up to date clothing. Development of a company wide cost reduction program could research the most logical and affordable shipping routes, vendors, and various cut backs in unnecessary spending.

Why Customers Prefer to Shop Online Rather Than Stores During The Holidays

Image Source: http://community.geeks.com/techtips/online-shopping-and-cyber-monday/

Weaknesses and Opportunities Strategy: Rue 21 is a retail company that has store locations all across the nation. Within the stores they sell a variety of items from clothing, shoes, accessories, and even their own fragrance line. Yet, within the past few months Rue 21 has been noticing a decline within their sales. The cost of total revenues as well as the percentage of sales devoted to costs of goods sold has only increased slightly within the past three years.[cxcix] **An increased usage of technology to promote and advertise Rue 21 to its primary client base would lead to sales and revenue increases.** Rue 21 currently does not allow customers to purchase items online, you can only simply add the items you wish to purchase on a wish list, and buy the items in a local store. This is a huge weakness to the company. By allowing customers to purchase items online Rue 21 customers would then have the option of purchasing clothes from their own home instead of going to the actual store.

Another way that technology could be used to help Rue 21 increase revenue would be by going mobile. The company could send out texts to the customers who sign up for it and notify them about upcoming sales in the store as well as sending them promo codes for coupons. [cc] Adding more technology within the company increases customer awareness about sales and promotions.

A second strategy would include **the development a Competitive Intelligence department.** Through the addition of a CI department Rue 21 could eliminate possible vulnerabilities to Rue21 from increased competition in retail industry. Competitive Intelligence focuses on external events and trends with a strong focus on competitor's activities and likely intentions. When a competitor comes out with a new product the Rue 21 CI team would be there to figure out what the product is as well as being able to report back to the company on it. By eliminating these weaknesses from Rue21's current establishment as well as adding the opportunities of growth in sales, revenue, and customer appreciation, great benefits could come for Rue 21.

Weaknesses and Threats Strategy:

After analyzing Rue21's weaknesses such as limitations and faults within the company in comparison to threats such as unfavorable situations, trends, or potential changes in Rue21's current environment, two collaborated strategy have been constructed. The first strategy contains **finding a way to incorporate an integrated marketing campaign with an idolized celebrity.** After analyzing Rue21's weaknesses of possible increase in retail competition and lack of advertisements, the strategy stated above would address these issues. Additionally, threats to the company are also addressed in this strategy by focusing on points such as competition having the advantages of a celebrity spokesperson and well-known brand names available in their stores. The benefits of partnering with a celebrity spokesperson could give Rue21 the competitive push that they need. Studies conducted in 2010 state that celebrity endorsements increase sales up to 20% and even increase stock within the same day of introduced endorsement by .25%.[cci] Using social media such as Facebook and twitter to advertise promotional campaigns endorsed by a celebrity could greatly increase customer awareness and overall appeal of the company. The advantages of celebrity endorsement advertisements on television dramatically increase the chances of consumer memory therefore leading to a higher potential for the Rue21 brand name to reach the conscious mind of consumers.[ccii] The strategy of adding well-recognized and desired brand names to the Rue21 product line would also help to attract customers with a previous brand loyalty. Through initially using a brand named product within Rue21, previously loyal customers to the added brand could be lured into the store. Therefore leading to a new consumer group to have access to the Rue21 environment and possibly gaining new customer loyalty in return.

A second strategy that Rue21 could enforce is **the maintaining of its low cost products to keep customer base but to increase the quality of its products.** A development of a cost reduction center would also help Rue21 to find the most efficient spending methods. Rue21 could also act on this strategy by increasing the price of its products by a minimum amount or even decreasing sales or clearance periods. This would allow Rue21 to increase its margins with greater revenue coming in and therefore allowing the products to be made with better quality. This strategy could change outsider's view of the company based on prior ideas of the company's reputation. Changes in product quality could also help Rue21 to adapt to constant changes at economic and macro-environmental levels. Rue21 could also become a more competitive company with these changes being enforced.

Vector Growth Model:

Product / Market	Present Products	Improved Products	New Products
Existing Market	Market Penetration: • Maintain low cost structure to compete in market with promotions and advertisements.		Product Extension: • Add well-known brands to product portfolio.
Expanded Market			
New Market	Market Development: • Regionally diversify store locations outside of urban areas.	Service Extension: • Develop online shopping capabilities to increase consumer base.	

Legend:
Green= 1st Priority
Blue= 2nd Priority
Red= 3rd Priority
Purple= 4th Priority

Executive Summary:

Rue21 has concentrated its efforts mainly in maintaining a low cost structure and has focused on market penetration. In order to increase its profits, Rue21 would need to successfully diversify its store locations, develop online services, and add brand names to the store. Both online services and store diversification would entail entering a new market but the rewards would lead to ongoing prosperity for the company in the long run. Adding new products into the existing market like brand names would also be valuable to the company's hopefulness in growing its client base.

Improved Products and New Market: Service Extension

Currently Rue21 des not have the technological capabilities or capacity to provide online shopping on its website. This could be the source of a lower sales increase within the most recent years and will most likely greatly affect sales negatively with the coming years. Online sales are already flourishing and predictions of the number of online shoppers in America are projected to grow from 137 million in 2010 to 175 million by 2016.[cciii] **It would be very beneficial for Rue21 to develop online sales accessibilities in the very near future to keep up with preferred consumer shopping method trends.**

Present Products and Existing Market: Market Penetration
Rue 21 is a company that is known for its consistently low cost items. According to one of Rue 21 store managers the, "low-cost clothing, and cute styles" are what is resonating well with those price-conscious customers.[ccxiv] With the present products and existing market Rue 21 should keep their stature of lost cost market penetration. **It is highly likely that Rue 21 will come up with new strategies to maintain a low cost structure and increase sales while maintaining its reputation of being a "tween-to-tween retailer with a cheap-and-cheerful value fashion market.**[ccv]

Present Products and New Market: Market Development
Rue21 has a strong and dominant presence in predominately urbanized areas. If Rue21 were to branch out to rural areas and not stay primarily in an urban environment, they could greatly increase their customer base. Demands for low cost clothing products will always be present in consumer spending. Therefore, it is likely that by expanding rue21's store locations to more rural areas, the company could increase both their consumer audience and profit. **It would be highly beneficial for Rue21 to continue to their urbanized market presence along with slowly building their store geographic locations to more rural areas.**

New Products and Existing Market: Product Extension
In order to support new growth for Rue 21 it is suggested that they implement a program with their clothing involving a well-established brand. This would be beneficial because new customers could recognize the established brand and ideally be attracted to shop at Rue21. Pairing a store like Rue 21 with a brand that has higher quality products may then in return lead to a better overall image for the company. It is known that in order to gain customer loyalty, customers look for three things value, convince, and quality. Brand loyalty is defined as "shopping a brand repeatedly and preferring it over other brands".[ccvi] If Rue21 had the addition of a well heard of brand to there store than they could gain previously brand loyal customers to shop at their store. With proper implementation, the company could potentially see great gains in revenue in the future. **It would be beneficial for Rue21 to extend its brands outside of the Rue21 Inc. and invest in well-known brands to attract new customers.**

Key Findings and Strategic Implications

A= Highest Impact to Company and Strategy Development
B= Medium Impact to Company, Potential Effect on Strategy
C= Low Impact, Informative

Key Finding	Sources	Implications for Rue21	Impact
1. Rue 21 bases its profit off of low price products that are based off of their young, trendy, diversified market.	Company Overview Strategy Models SWOT	Rue 21 should maintain a low-cost structure because it gives them a competitive advantage. Keeping current trends throughout their products helps them continue to reach their customer base.	A
2. Rue 21 does not have online shopping, a huge growing sector in the retail industry.	Company Overview STEEP Strategy Models	Rue 21 should consider getting an online sector since consumers are shifting to online shopping. There is no doubt that an online sales site would benefit Rue 21.	A
3. The big effect of social media on Rue 21 and the retail industry on companies' sales and marketing techniques.	STEEP Strategy Models	Rue 21 needs to use key social media tactics such as, Facebook, Twitter, and Instagram to their advantage to market products and improve sales.	A
4, The increase of technology in the retail industry has a big effect on how well the company is doing.	STEEP Strategy Models Patent Analysis	Rue 21 needs to stay up to date on the recent technologies being used in the retail industry. These technologies are increasing sales, customers, and competitiveness.	A

5. Electronic Receipt System	Patent Analysis	Rue 21 should take into consideration this patent because it allows customers to receive receipts online. This patent could be valuable to Rue 21 in order to remain competitive and trendy.	B
6. Rue 21 has a stable stock growth and relationship with shareholders.	Financial Analysis	If Rue 21 can maintain this positive relationship with shareholders, they will be likely to continue to increase their stock, ultimately opening them to more opportunities.	B
7. Rue 21 does not have a spokes person in their marketing technique.	Company Overview Strategy Models	It would benefit Rue 21 to have a spokes person since their competitors both do. A spokes person could help Rue 21 in sales and marketing.	B
8. Rue21 does well in the weak economy.	STEEP Company Overview Financial Analysis	Rue 21's low-cost structure can thrive in a downward economy. However with recent increases in the economy, it could affect Rue 21's financials.	C
9. The ecological issues are causing companies to go with the green movement.	STEEP Competitor Profile	With the environment becoming a growing consumer concern, Rue 21 should consider creating more green incentives throughout their business.	C
10. Recent political changes could affect Rue21 strategic moves.	STEEP Strategy Models Company Overview	Since the recent election just ended, it is likely that small businesses will continue to suffer. Any new laws could affect the way companies can run their business.	C

11. There is a need for competitive intelligence sector in the huge retail industry.	Strategy Models	The growing need for competitive intelligence sector in a business is increasing rapidly. It would be beneficial for Rue 21 to get a CI	B
12. Rue 21's competition, Kohl's, has new and specialty brands.	Competitor Profile Strategy Models	New and specialty brands have helped Kohl's sales. If Rue 21 adapts a similar strategy it could help their profit.	B
13. Wet Seal is not a big financial threat to Rue21 according to recent ratios.	Financial Analysis	Wet Seal has not been profitable from 2009-2011. Rue 21 can learn from the mistakes of their competitors.	C
14. Rue 21 only has one distribution center in Weirton, West Virginia.	Company Overview Strategy Models	Rue 21 should contemplate getting more distribution centers in order to decrease shipping costs.	B
15. Rue 21 stores are located in primarily urban areas.	Company Overview Strategy Models	If Rue 21 branches out to rural areas it may increase their consumer base and increase their profit.	C

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