

ANN TAYLOR

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Solution

- We suggest Ann Taylor refocuses itself using a concentrated market coverage strategy while further increasing consumer perceptions of exclusivity and tailoring.

Using the logic of the Problem Solving Format, we believe Ann Taylor needs to refocus itself using a concentrated market coverage strategy. This would entail dropping the Ann Taylor Loft brand to enhance the company's exclusive image strictly through the original Ann Taylor brand. The Ann Taylor Factory Store may still be kept according to our analysis with the stipulation that the outlets only carry overstock of the same well-tailored clothing found at Ann Taylor stores. To complement this concentrated market coverage strategy, Ann Taylor can further differentiate themselves by increasing consumer perceptions of exclusivity and tailoring.

Market

- Overall Market: Clothing
 - Types of Clothing:
 - Athletic
 - Casual
 - Dress
 - Formal
 - Intimates
 - Outdoor

- Focus Market: Dress Clothing

We begin our analysis by defining our market, which is clothing. This market can further be divided by the following categories: athletic, casual, dress, formal, intimates, and outdoor clothing. We chose the focus market of dress clothing because this allows us to eliminate options that are not substitutes for Ann Taylor such as an intimates clothing store like Victoria's Secret or an athletic apparel store like FootLocker. Within this focus market Ann Taylor's main competitors, which can be seen as substitutes for our brand, become Banana Republic, Brooks Brothers, Donna Karen, Liz Claiborne, and the more generic local specialty store.

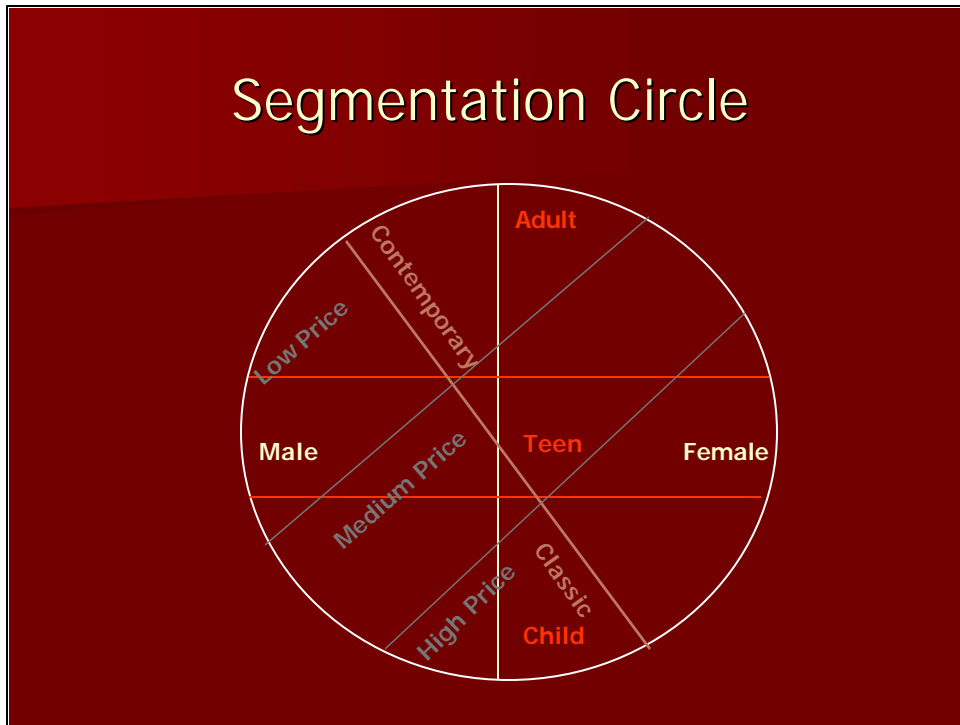
Segmentation Variables

- Demographics
 - Gender
 - Age
- Benefits Sought
 - Style
- Marketing Mix Sensitivity
 - Price Sensitivity

To determine our market coverage strategy, we need to consider the variables by which our focus market can be segmented. These variables are ones that any company could potentially use to segment the focus market of dress clothing. The segmentation variables relevant to us are demographics, benefits sought, and marketing mix sensitivity.

Within demographics, we thought needs and wants would be different according to gender and age. Both men and women purchase dress clothing, and the market can also be segmented by age differences depending on whether children, teens or adults are looking for dress clothing. Within benefits sought, the style needs and wants offer another way of segmenting the focus market. Specifically, a company could offer dress clothing for those seeking a contemporary look or for those seeking a classic look. The market can also be segmented based on marketing mix sensitivity, with offerings to those who are willing to pay low, medium or high prices for dress clothing. An example of this variable would be Target, Dillard's, and Ann Taylor respectively.

Segmentation Circle



Using the aforementioned segmentation variables, a segmentation circle was formed as a visual representation of how any market can be segmented for any competitor. More importantly, this circle is a way of choosing our market coverage strategy. A competitor could potentially offer a brand to satisfy any one of these segments through a concentrated strategy, offer multiple brands to multiple segments via a differentiated strategy, or perhaps hit all of these segments with a single brand using an undifferentiated strategy. Dillard's, for example, offers dress clothing to all segments of the market through their undifferentiated market coverage strategy.

Market Coverage Strategy

- Ann Taylor is currently using a differentiated within a concentrated market coverage strategy.
 - Ann Taylor, Ann Taylor Loft, Ann Taylor Factory Store

- We recommend Ann Taylor refocus themselves with a concentrated market coverage strategy.
 - Target market of adult women looking for high-priced, classic dress clothing

According to our segmentation circle, Ann Taylor is currently using a differentiated within a concentrated market coverage strategy. Ann Taylor is concentrated in that they only offer dress clothing to the female segment. Further, they are differentiated within this concentrated strategy because they currently offer three brands to satisfy niches within this female segment. The Ann Taylor brand offers high-priced classic dress clothing for adult women, while the Ann Taylor Loft brand offers more casual classic dress clothing to the moderately price-sensitive. The Ann Taylor Factory Store brand offers the overstock of classic dress and casual-dress clothing from both the Ann Taylor and Loft brands to price-sensitive consumers.

Through our analysis, we recommend that Ann Taylor refocus themselves with a concentrated market coverage strategy. As previously mentioned, the company should keep their original Ann Taylor brand to offer dress clothing to the concentrated market of adult women looking for high-priced, classic dress attire. Therefore, they should eliminate the Ann Taylor Loft brand. Ann Taylor may keep their Factory Store as long as they only sell overstock from the Ann Taylor stores and maintain the same brand name and quality as clothes in the Ann Taylor stores.

Needs and Wants

- Price
- Style
- Convenience
- Service
- Atmosphere
- Selection
- Tailoring
- Sizes
- Comfort
- Specialization
- Exclusivity

The needs and wants of the dress clothing market determine consumers' purchasing decisions. Ann Taylor must understand these needs and wants in order to discover which are most important when consumers are deciding among competitors within this target market. This will allow Ann Taylor to position their brand effectively.

The price of dress clothing is important to the consumer. People expect the quality of the clothing to warrant the price they pay. The target market also finds the style of the dress clothing important whether they are looking for contemporary or classic dress attire. Next, the convenience of the purchase along with the service and the atmosphere found within the store is important to the target market. Having a comfortable atmosphere that has sales representatives ready and willing to assist their customers is another want of our market.

The selection, tailoring, sizes, and comfort of the dress clothing are all factors the target market is looking for in a brand. The amount of the selection and clothing sizes available in the store is a need people want fulfilled. The comfort and tailoring is especially important in the market because dress clothing is worn through long work days and needs to have good workmanship along with a nice fit and feel. Along with workmanship, fit, and feel, tailoring also encompasses both the number and quality of fabrics offered.

Finally, a store that is specialized for women, men, or both women and men is important to dress clothing shoppers. The idea of a store that specializes specifically in one gender is a need of the consumer. This goes hand-in-hand with the exclusivity of the store and the brand. The number of labels and locations where the label can be found is a need the target market addresses. Consumers may want to buy clothing that can only be purchased at an exclusive location or they may be indifferent to where the brand can be found.

It is evident the most desired dress clothing would meet all the needs and wants of the target market, but often people sacrifice one need or want to satisfy another. For example, some consumers will sacrifice a lower price in exchange for well-tailored clothing due to it being

Buyer Behavior Flow Chart



By carefully examining our target market's needs and wants, a buyer behavior flow chart was created. This chart is useful for determining the decision making process consumers go through when choosing among all brands offered in the dress clothing industry. The evaluative dimensions at the top of the buyer behavior flow chart are most important to dress clothing consumers, while those at the bottom of the chart are more important for positioning.

This flow chart begins with the need for dress clothing. Once this need is realized, the consumer must first decide whether a classic or contemporary style of clothing is desired. Next, a price range is determined by each consumer. While consumers tend to have a set amount they are willing to spend on dress clothing, the price range they can afford must still be decided as low, medium, or high. An example of low-priced dress clothing would be found at Target, medium-priced clothing at Younkers, and higher-priced dress clothing would be found at Ann Taylor.

Next, the selection of the clothing provided by the store is thought of as low, medium, or high. For example, Ann Taylor is seen as having a high selection of dress clothing because it carries only this type of clothing. The specialization of the store is the next step in the buyer behavior flow chart. A consumer's options include shopping in a store specializing in women's, men's, or both men's and women's clothing. For example, some women want to search for dress clothing in a store that specializes in women's clothing. Ann Taylor would fit into this decision. After a consumer decides upon the level of specialization they desire, he or she must decide on the brand's level of tailoring, which includes the options of low, medium, or high. The tailoring encompasses the feel, fit, and workmanship of the clothing. For example, Ann Taylor would be considered if a person desired a high level of tailoring. It is imperative to point out that tailoring and pricing are not always positively correlated, so it is a necessary decision for consumers to make. For example, it is possible to find well-tailored and poorly-tailored clothing at a medium-priced store like Younkers. The last decision a consumer would make is whether he or she desires dress clothing possessing a low or high level of exclusivity. In order for consumers to select Ann Taylor, they would choose classic, high-priced dress clothing with a high level of selection. Consumers would then choose a women's only store which offered a

Evaluative Dimensions

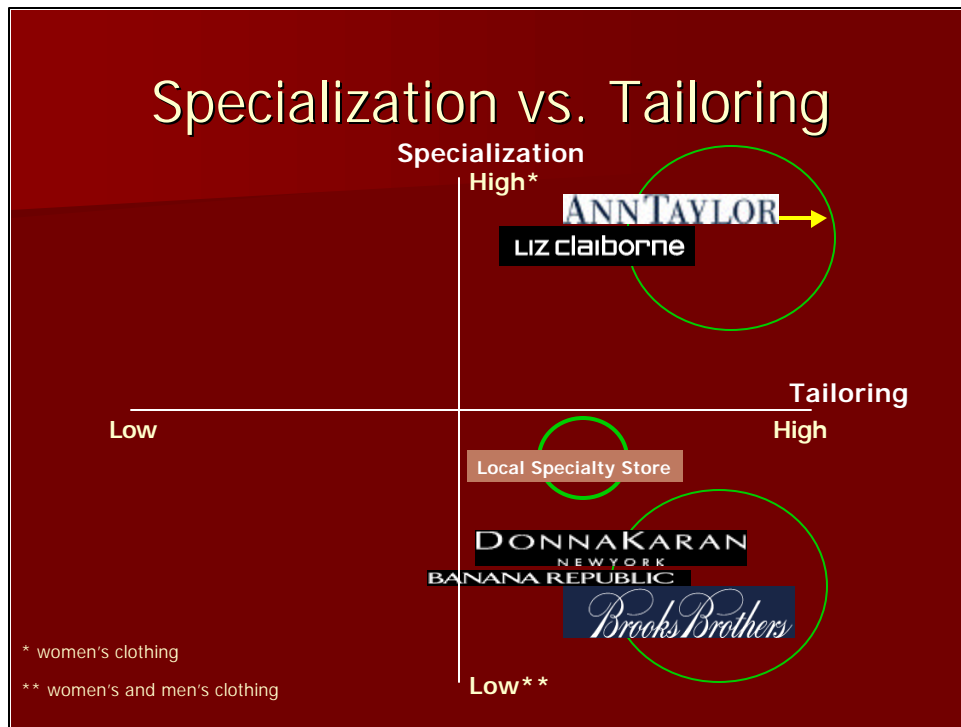
- Style
- Price
- Selection
- Specialization
- Tailoring
- Exclusivity

Our evaluative dimensions are derived from our buyer behavior flow chart. While all the evaluative dimensions are important to the decision making process, the most crucial dimensions for positioning against our competitors are specialization, tailoring, and exclusivity.

Positioning Maps

- Specialization vs. Tailoring
- Specialization vs. Exclusivity

As found from our buyer behavior flow chart, the bottom three evaluative dimensions can be used to construct positioning maps. We have mapped specialization vs. tailoring and specialization vs. exclusivity. The purpose of our positioning maps is to develop a better understanding of where Ann Taylor is perceived compared to its competitors as well as where they want to be.



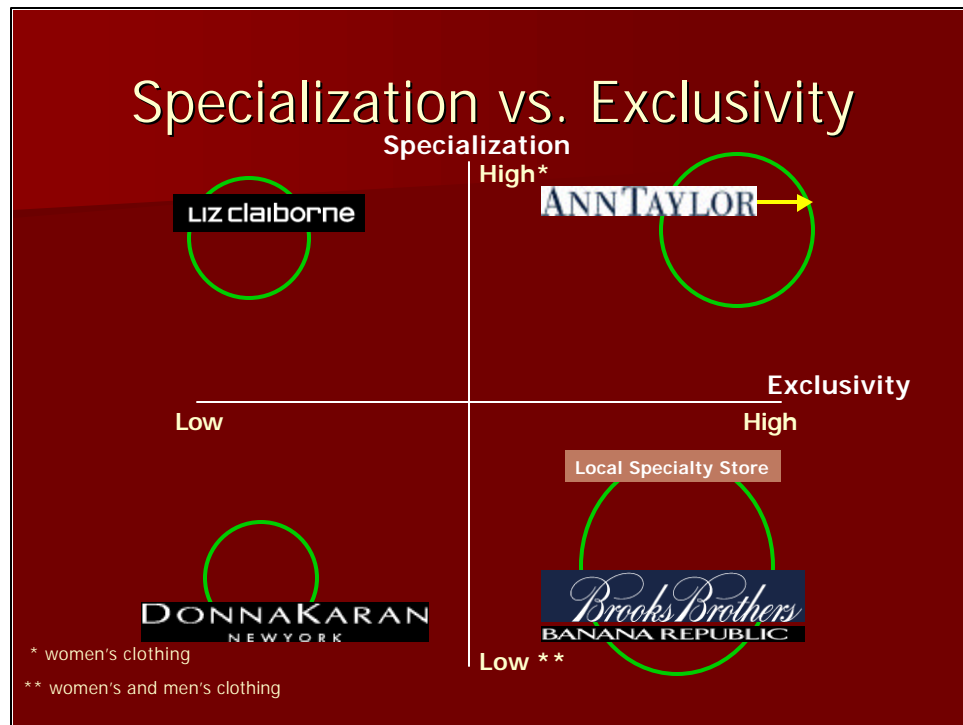
The first evaluative dimensions mapped were specialization vs. exclusivity. After considering other dress clothing brands that consumers wear, we feel that Ann Taylor's main competitors are Banana Republic, Brooks Brothers, Donna Karan, Liz Claiborne, and Local Specialty Stores. By using these two dimensions we mapped all competitors and Ann Taylor. We found that Donna Karan, Brooks Brothers, and Banana Republic were all positioned within the bottom right quadrant, and there is significant preference for well-tailored clothing found in stores offering both men's and women's dress clothing. Local specialty stores vary from store to store, but we feel they also fell within this lower right quadrant by offering fairly well-tailored dress clothing and providing either women's only or men's and women's dress clothing. However, the preference for these levels of evaluative dimensions is much smaller. In the upper right hand quadrant, Ann Taylor and Liz Claiborne are both specialized in women's dress clothing, but Ann Taylor is perceived as having a slightly higher level of tailoring. The preference for these levels of evaluative dimensions is also high as indicated by our larger preference circle. Overall the competitors have a fairly high level of tailoring but we feel that Ann Taylor and Brooks Brothers hold the highest level of tailoring. The lower and upper left quadrants do not show any direct competitors because we feel dress clothing that has a low level of tailoring is not desired by consumers.

Currently, we feel that Ann Taylor is perceived as highly specialized and offering well-tailored clothing, but the yellow arrow indicates that we want to increase the perception of high tailoring. This will move Ann Taylor's perceptions further away from Liz Claiborne and more in within the designated

Meaning of First Positioning Map

- This positioning map (Specialization vs. Tailoring) shows there is a significant demand for well-tailored, specialized dress clothing.
- Ann Taylor is perceived as providing well-tailored, women's dress clothing. The yellow arrow indicates Ann Taylor should increase perceptions of tailoring to further differentiate themselves from their competitors.

The first positioning map gives us an understanding of where the demand lies within the dress clothing market and where Ann Taylor is in relation to our first two important evaluative dimensions. According to the map, there is significant preference for brands offering both well-tailored men's and women's dress clothing and for brands offering well-tailored women's dress clothing. Ann Taylor can further differentiate themselves within the preference circle for well-tailored women's clothing by further increasing perceptions of tailoring.



The second evaluative dimensions mapped were specialization vs. exclusivity. These dimensions are important because consumers decide on the level of exclusivity and specialization they prefer in dress clothing.

We placed Liz Claiborne in the upper left quadrant because there is a preference for a brand specializing in women's clothing that can be found at several locations. There is also a preference circle in the lower left quadrant that represents dress clothing that can be found at less exclusive locations offering both men's and women's apparel. Donna Karan offers dressing clothing to satisfy these preferences. The preference circles found within these two quadrants are smaller due to a fewer number of consumers preferring these levels of specialization and exclusivity. A larger preference circle exists in the lower right quadrant for a brand specializing in men's and women's clothing found exclusively at their stores. Both Banana Republic and Brooks Brothers are lower within the preference circle because they both offer women's and men's clothing. Local specialty shops vary from store to store, but for our purposes we felt they fell into the quadrant of low specialization and high exclusivity. The last preference circle is found in the upper right quadrant consisting of highly-exclusive clothing that is specialized for women. Ann Taylor is within this medium-sized preference circle. We feel in order for Ann Taylor to further position themselves directly within the preference circle, they must move consumers' perceptions further to the right as more exclusive. Thus, the yellow arrow indicates our proposed change in preference.

Meaning of Second Positioning Map

- This map (Specialization vs. Exclusivity) shows there is a significant demand for exclusive dress clothing found at a store specializing in women's clothing.
- Ann Taylor possesses both exclusivity women's specialization and is perceived as such, but the yellow arrow indicates Ann Taylor should further increase perceptions of the exclusivity evaluative dimension.

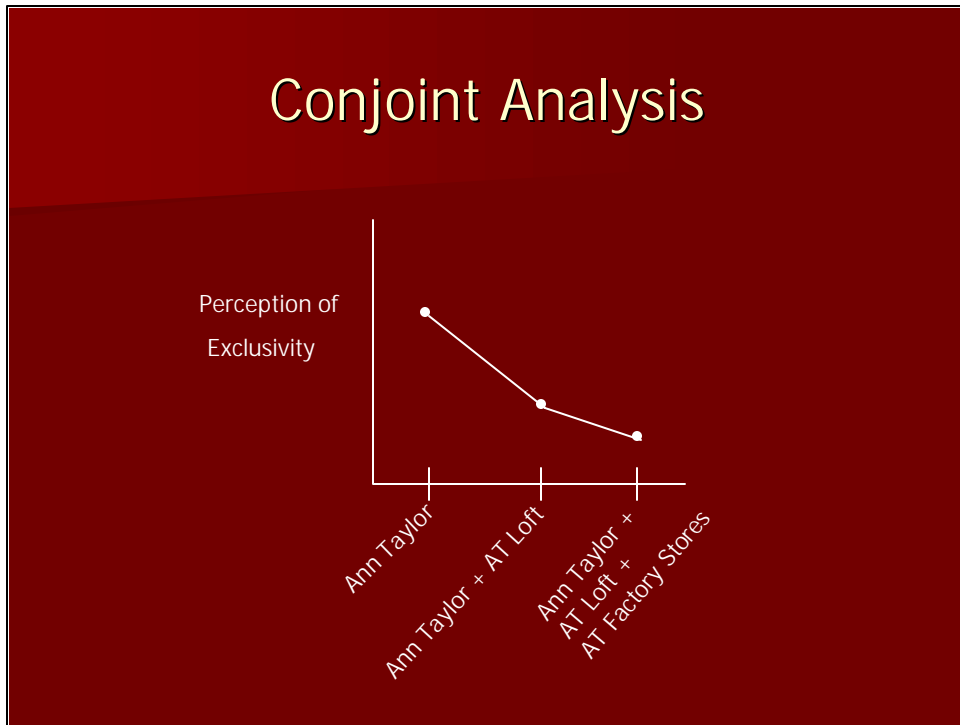
The second map shows there is a demand for dress clothing within all quadrants. There is a significant demand for dress clothing that is very exclusive and specialized in both men's and women's clothing. Ann Taylor is positioned within the slightly smaller preference circle for an exclusive brand specializing in women's clothing, but could reposition itself as more exclusive within this preference circle.

Core Benefit Proposition

- Ann Taylor provides well-tailored and highly-exclusive women's dress clothing.

Based upon the results drawn from each positioning map, we arrive at our core benefit proposition. This statement establishes the meaning Ann Taylor should have in the mind of a consumer: Ann Taylor provides well-tailored and highly-exclusive women's dress clothing.

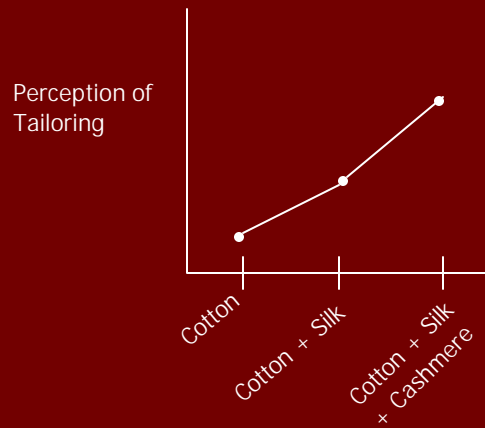
Conjoint Analysis



To illustrate how we could increase perceptions of exclusivity and tailoring, it is necessary to perform conjoint analysis. A product design technique, conjoint analysis graphically illustrates how the perceptions of evaluative dimensions change based on increasing or decreasing discrete variables. As a result, conjoint analysis can distinguish which product features influence the perceptions of the consumer the most, and then the ones that do this at the lowest cost can be chosen.

On the first conjoint graph, we have found that the number of brands is negatively related to consumer perceptions of exclusivity. Therefore, as the number of Ann Taylor brands increases, the perception of exclusivity decreases. The addition of the Ann Taylor Loft brand decreases consumer perceptions of exclusivity more drastically than the addition of the Factory Stores. Ann Taylor's current differentiated strategy is decreasing consumer perceptions of one of the variables that should set Ann Taylor apart from competition.

Conjoint Analysis



On the second conjoint graph, we established that the number and quality of fabrics offered is positively related to the consumer perceptions of tailoring. Therefore, as the number and quality of fabrics offered increases, the perception of tailoring also increases.

Results of Conjoint Analyses

- In order to increase customer perceptions of exclusivity and tailoring, Ann Taylor should illustrate those product features which most influence these perceptions.

After conducting our conjoint analyses, we see that in order to increase customer perceptions of exclusivity and tailoring, Ann Taylor should illustrate those product features which most influence these perceptions.

Product Strategy and the 3P's

- Price: Skimming – Slightly higher than direct competitors
- Place: Selective Distribution – only available in Ann Taylor stores
- Promotion: Pull & Push
 - Pull: advertising in elite fashion magazines
 - Push: personal selling and customized service in wardrobe selection

The product strategy is our core benefit proposition, and from this the 3 P's of price, place, and promotion can be derived. Using our core benefit proposition, it only makes sense for Ann Taylor to use price skimming, selective distribution, and pull and push promotions. This will allow the company to further position itself in regards to consumers' perceptions of specialization, tailoring, and exclusivity.

Ann Taylor should utilize price skimming by setting price standards slightly higher than their main competitors. By offering prices above the competition, Ann Taylor will position their clothing as being better tailored and reinforce their exclusive image.

In order to further emphasize exclusivity, Ann Taylor should use selective distribution. The company should continue to make their clothing available only in Ann Taylor stores. Ann Taylor should eliminate its Ann Taylor Loft Stores. By having a chain that offers a less expensive line of clothing bearing the Ann Taylor name, the company is reducing the exclusivity of Ann Taylor's image. Elimination of the Loft will allow the original Ann Taylor stores to move back into the perception of offering highly-exclusive clothing.

Ann Taylor should also use both pull and push promotions. The pull promotion will reflect Ann Taylor's core benefit proposition of offering well-tailored, highly-exclusive women's dress clothing. It will target consumers through an extensive print campaign featuring advertisements in elite magazines. The push promotion will also be used as customers receive personal selling and customized services in selection of their wardrobes upon shopping at Ann Taylor.

Message of Pull Promotion

- Ann Taylor provides well-tailored and highly-exclusive women's dress clothing.

When advertising, it is essential that Ann Taylor communicates its core benefit proposition to its customers. Ann Taylor should develop a print advertising campaign to reflect the belief that the company offers well-tailored, highly-exclusive women's dress clothing. By selecting media such as elite fashion magazines like *Elle* and *Vogue*, Ann Taylor will nonverbally convey exclusivity of their clothing through magazines that are by definition exclusive.

Business Model

- Ann Taylor sells low volumes with high margins.
- A combination of well-tailored clothing, selective distribution, and sophisticated atmosphere enable Ann Taylor to sell their products at a high prices.

Ann Taylor's business model is derived from the price and place marketing variables while also incorporating profit margins. Ann Taylor sells a low volume of merchandise at high prices in their stores. The combination of well-tailored clothing, exclusivity, and a sophisticated atmosphere create an overall theme customers find valuable. The customers' perceptions of the Ann Taylor brand allow the company to charge higher prices which, in turn, create high margins for the company.

Magic Strategies

- Actions that cannot be matched.
 - Establish a joint venture with another exclusively owned store.
i.e.) Merle Norman Cosmetics Studios

- Actions that probably cannot be matched.
 - To celebrate its 50th anniversary in 2004, a limited edition “Ann Taylor” dress could be reintroduced. Promotions could highlight the classic style of the first bestselling dress.

Ann Taylor should implement MAGIC strategies to protect this marketing plan from competitors. This defense can be achieved through an action that cannot be matched. In order to achieve this MAGIC strategy, Ann Taylor should establish a joint venture with another exclusively-owned store such as Merle Norman Cosmetics Studio. The two companies could promote their products together and offer benefits exclusively applied to their businesses in order to gain consumers. While a competitor might form a joint venture with another store, it would not be able to offer Merle Norman cosmetics to its customers. By doing this, both Ann Taylor and its partner store would be able to increase customer awareness and sales.

Another MAGIC strategy Ann Taylor should utilize is an action that probably cannot be matched with a product promotion inconsistent with competitors. This particular strategy capitalizes on the 50th anniversary of the Ann Taylor stores in 2004. Ann Taylor could reintroduce a limited edition “Ann Taylor” dress that would be a replica of the original design. This would enable Ann Taylor to showcase their clothing’s classic design while also reminding its customers that their brand has serviced the public for five decades. Since the original dress was not patented, competitors could potentially capitalize on this endeavor. However, since the dress is a direct reflection of the Ann Taylor name, the likelihood of a competitor using this MAGIC strategy is highly unlikely.

Conclusion

- Ann Taylor should move to a concentrated market coverage strategy to satisfy their market niche.
- Ann Taylor should further increase consumer perceptions of the aforementioned evaluative dimensions.

Encompassing the strategies used in the Problem Solving Format, we recommend Ann Taylor move to a concentrated market coverage strategy to satisfy their market niche of adult women looking for high-priced, classic dress attire. By implementing the aforementioned MAGIC strategies, Ann Taylor will be able to further increase consumer perceptions of the company as offering an exclusive line of well-tailored clothes in a specialized market.