

RETAIL STRATEGY PLAN

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EXECUTIVE SUMMARY

This report forms part one of a retail strategy plan for athleisure label P.E Nation to achieve growth through store presence. A situation analysis was conducted in order to analyse the internal and external environment in which P.E Nation operates. P.E Nation's internal environment was investigated through the use of an OBM to analyse strengths and weaknesses of the brand, and the external environment was evaluated by a macro environment analysis. This took into consideration the political/legal, economic, social/cultural/demographic, technological and ecological factors operating in the macro environment, and these factors were evaluated according to geospace, priority of attention and time of occurrence as short term, medium term or long term factors. This process identified the key external opportunities and threats that would impact P.E Nation, and these were combined with the internal strengths and weakness in a TOWS analysis to determine strategies.

A competitor analysis was undertaken where brands were scored against each other based on value for money; product range, brand image, social media presence and distribution outlets, and this analysis identified The Upside as P.E Nation's largest competitor. A VRIO analysis was conducted to identify P.E Nation's key resources and capabilities, of which critical talent; rapid global expansion and the brand's operation as a new and agile business were identified as comprising its sustainable competitive advantage. Finally a trade area investigation was completed which evaluated Emporium in the CBD, Chadstone shopping centre and Chapel St in South Yarra as potential store locations. Factors taken into consideration were proximity, accessibility, traffic flow, competition and cost, which resulted in Emporium having the highest weighted score.

Business objectives were calculated for annual sales, profit, customer acquisition and image/awareness to in order to determine a financial plan for the first year of operations for the proposed Emporium store. The store's primary, secondary and tertiary target markets were identified and a positioning analysis was conducted which concluded that the store would exist in a gap in the market where there is a value proposition of quality and product uniqueness. From this market positioning, Porter's generic model and the Value Discipline model were applied to identify competitive approach, and this plus the positioning analysis attributed to the establishing of 7P's of marketing strategies. An operations plan was constructed for all the day-to-day activities for the running of the store, and a profit and loss statement was calculated to further the financial planning. Metrics were then established for analysing and evaluating store operations, and an improvement plan was devised to enable the second year of operations to be built on from the first.

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1.0 INTRODUCTION

Fashion retailing is a competitive business where firms must manage how they sell fashion goods and services. It is critical that these firms form retail strategies in order to guide the business and allow that business and its employees to reach intended business goals. Fashion retailers must address the major challenges that face the industry, including how to grow the business whilst retaining loyal customers, to present a unique and creative product offering and how to best serve their customers while earning a fair profit (W1_RCO1). P.E Nation has been identified as a fashion retailer who seeks to achieve growth through store presence, and in order to achieve this goal a strategic retail plan must be enforced.

Strategic planning looks at retail market analysis factors (W3_RCO5), to identify strengths and weaknesses of the firm's internal environment, and opportunities and threats of the firm's external environment. A firm's external environment can be analysed by conducting a PESTE analysis to identify opportunities and threats, and an internal analysis can be conducted using the Osterwalder Business Model to identify strengths and weakness. It is a retail business's internal environment that can serve as competitive advantage and sources of customer value.

1.1 History of P.E Nation

P.E Nation capitalised on the current global trend of health and fitness that has introduced the new 'athleisure' product category. P.E Nation is a women's athleisure label that translates the latest fashion trends into luxe active and street wear. Former General Pants Design Director Pip Edwards and former Sass and Bide Senior Designer Claire Tregoning, who are fashion lovers, fitness enthusiasts and mothers, founded the brand. They designed P.E Nation as the ultimate active wear concept that encapsulates multitasking performance wear for the everyday woman to wear everyday. The brand prides itself on its nostalgic nod to physical education, signature branding, retro detailing and bold, street inspired designs that have the technical performance-wear qualities and casual leisure practicality to suit any active lifestyle (P.E Nation.com 2016).

1.2 P.E Nation Target Market

Co-founder Pip Edwards identifies herself as the brand's target consumer, a woman who leads a busy and active lifestyle and requires her clothing to keep up with her. The P.E Nation target customer is women aged 18-35 who seeks the combination of comfort, performance and fashion and require their clothing to multitask with them throughout the day, taking them from the gym to the street.

1.3 P.E Nation Existing Stores

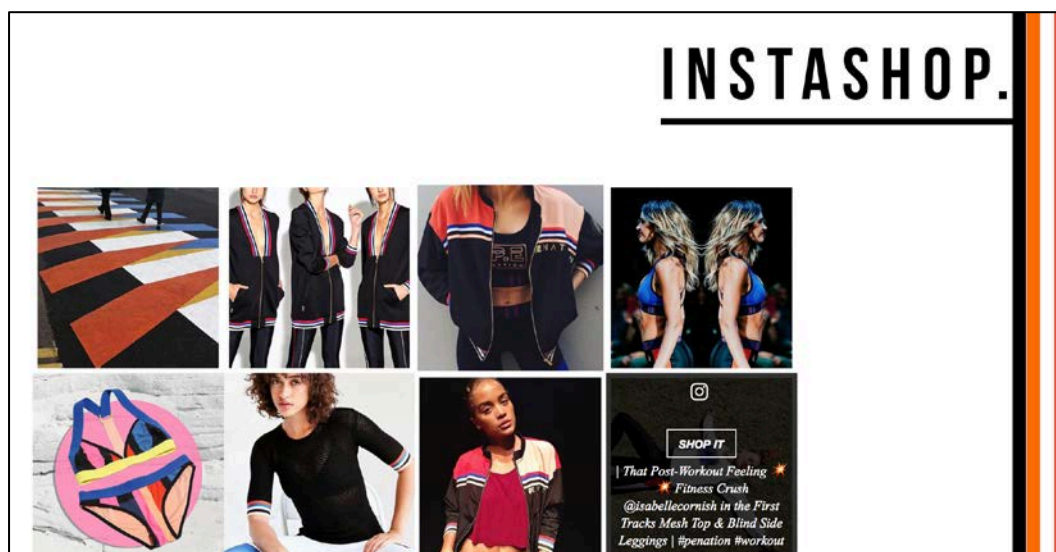
P.E Nation does not currently have any standalone stores, and can instead be purchased through the brand's web store and via both online and physical stockists. In Australia and New Zealand, P.E Nation is sold in physical stores through retail chain General Pants Co, department store David Jones and various boutiques. The brand is available through many online stockist that serve both the Australian and international market, the most predominant being General Pants Co, David Jones, Surfstich, Stylerunner and ShopBop.

1.4 P.E Nation Online Presence

P.E Nation has an established online presence that consists of an e-commerce website, blog and social media. The website is visually dynamic and follows the brand aesthetic, and the homepage is simple and the above the fold display contains all the important information and links. The webpage is well set out and easy to navigate, as the main homepage headings are consistent throughout the various pages.

P.E Nation is actively utilising social media to achieve an online presence. The brand has a lifestyle blog that covers fashion, fitness, beauty and inspiration where readers can gain inside knowledge and behind the scenes information about the brand and its designers. P.E Nation also has a Facebook page with 1200 likes and an Instagram page with 21 300 followers, with a link to their Instashop page (displayed below) where all the outfit items from Instagram can be purchased. The Instashop page can also be accessed from the e-commerce website. The brand also posts pictures to their social media of high profile personalities and celebrities such as the Kardashian family wearing the products.

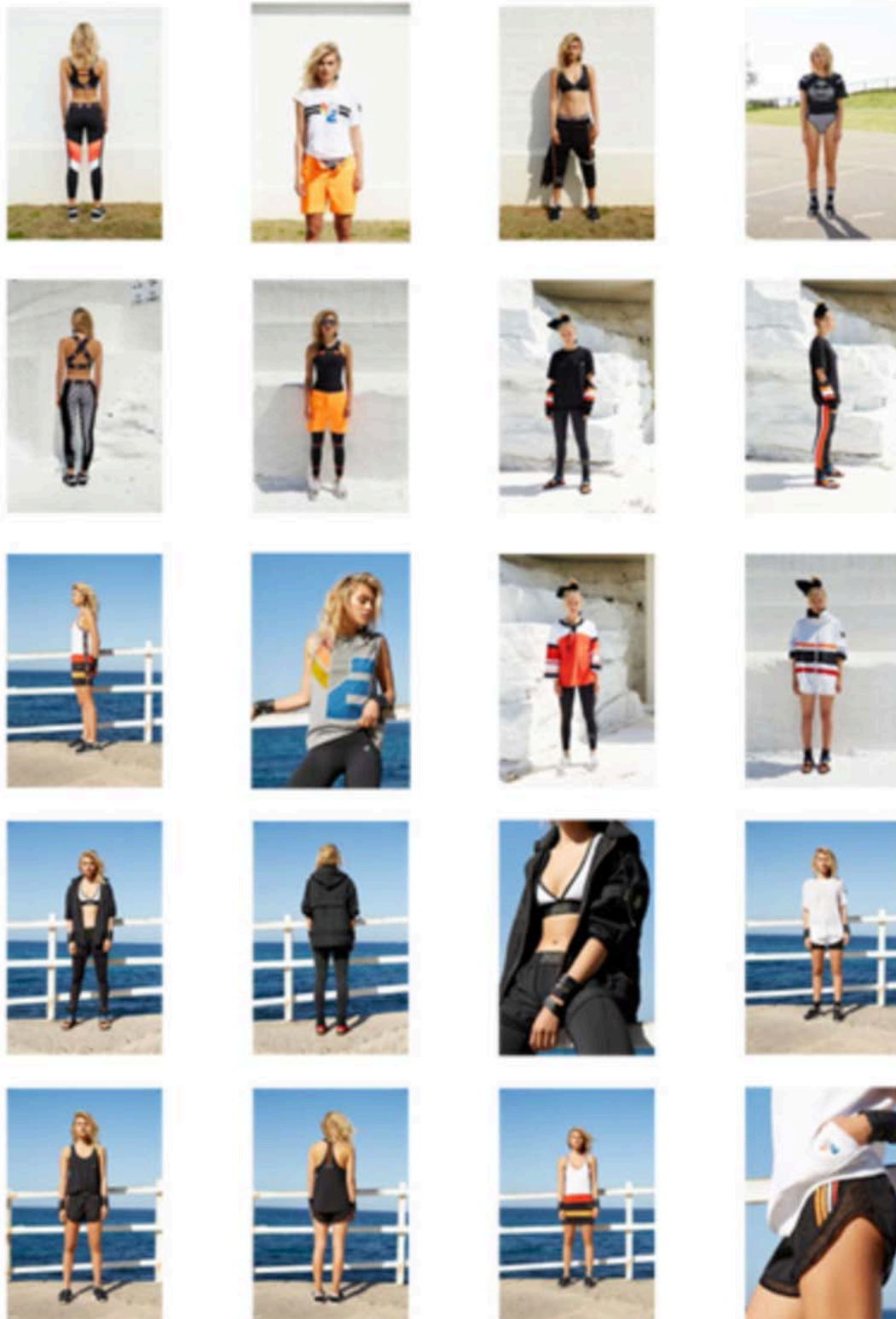
P.E. NATION INSTASHOP (p-enation.com 2016)



1.5 P.E Nation Primary fashion goods / service category

P.E Nation's primary fashion good is women's athleisure apparel, which can serve as both active performance wear and casual wear. This is in fact their only fashion good, as they do not currently sell menswear, accessories or footwear.

P.E NATION FASHION GOODS (p-enation.com 2016)



2.0 SITUATION ANALYSIS

2.1 Osterwalder Business Model analysis

An OBM canvas allows for a microanalysis of P.E Nation's internal environment to assess the functions that create value for the brand (W2_RCO1). Functions that create value are identified as those that offer benefits for product in exchange for cost, including benefits that are intended by the retailer and benefits that are desired by the customer. These functions form what is known as the retail value chain, in which consumers use a variety of aspects to add perceived value to a brand, including product quality, shipping, price points and public image (W2_RCO2).

The OBM canvas for P.E Nation (Appendix 2) identifies the brand's value proposition in terms of customer segment products and services offered by aiming to satisfy customer needs, problems and pains by providing pain relievers and gain creators. P.E Nations aims to deliver value to their target consumers, who are women that lead active and busy lifestyles and require function but also fashionable clothing to meet their needs. These needs involve the desire to look good, and to also juggle the many jobs and tasks that their active lifestyle demands in the most comfortable way possible. These consumers don't have a lot of time to dedicate to shopping, and relinquish inconvenience and having to wait. The products and services offered by P.E Nation are their goods and services mix (W3_RCO3), which consists of women's athleisure apparel including tops, bottoms and outerwear. This mix is a unique offering because of the retro, tomboy, street-inspired aesthetic of P.E Nation's products, which delivers value by making customers feel special and buy into the status of a unique, retro label. These products are available online and in-store via stockists, and additional services provided by the retailer include a blog and shoppable Instagram page.

The following internal strengths and weaknesses have been identified from P.E Nation's OBM canvas.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Unique product offering/brand image• Outsourced manufacturing, distribution, logistics• Partnership with General Pants Co through Co-founder Pip Edwards• Sold through department store David Jones• High social media interaction on Instagram• Partnerships with high profile public figures• Online retailing lowers operation costs	<ul style="list-style-type: none">• Currently no standalone store• No international physical store stockists• Product range only caters to women• No transparency for supply chain or financial reporting• No footwear/accessory lines means customers cant buy whole outfits• No loyalty programs

2.2 Environmental Analysis

A PESTE analysis was conducted to identify the opportunities and threats of P.E Nation's external environment. Appendix 3 details the relevant factors associated with the political, economic, social, ecological and technological macro environment relating to P.E Nation, and groups them according to global, regional, national and local scale. Appendix 4 divides these factors according to what is considered to have a short term (0-1 year), medium term (1-3 years) or long term (3-5 years) effect on P.E Nation's brand operations, and each factor was also given a ranking out of 5 for the degree of impact followed by the probability of occurrence. The factors that received the highest ranking were then listed as an opportunity or problem for P.E Nation as shown in Appendix 5, and were chosen based on which factors related the most to P.E Nation's brand.

2.2.1 Statement of Problems and Opportunities

Factor En7 (Australian market is small compared to rest of the world) was identified as an opportunity for P.E Nation, as Australia's small market makes it ideal to test the waters for new strategies to see if they will be successful before attempting to take those same strategies global where there is a higher risk of failure. This factor was also considered a threat because in order to achieve large growth it would need to move into international markets where there is a large target market. It was also for this reason that factor Eg2 (US annual worldwide retail sales \$8.69 trillion) was identified as an opportunity, as P.E Nation should expand to the US market with growth strategies in order to capture the market early and have a chance of competing with larger retailers.

Factor En5 (Consumer confidence/expenditure) was evaluated as both an opportunity and threat for P.E Nation, as although consumer confidence is high and they people are willing to spend money on items such as clothing, consumer confidence can rapidly change with the state of the economy, which has proven to be unpredictable in the past. Factor Sg6 (Global trend – health and fitness) was also identified as both an opportunity and threat, because the increasing popularity of the trend means that more retailers are launching active wear lines which is leading to a saturated market where competition is very high. However this is a current opportunity for P.E to fully take advantage and exploit this trend to maximise sales and create long-lasting consumer relationships that can be maintained if and when the trend loses popularity.

Factor Tg1 (Social Media) was considered to be a huge opportunity for P.E Nation due to the nature of the brand being predominantly online it allows additional platforms to reach and

connect with consumers. Social media is also a critical promotion tool in the age of smartphones, and serves as another option to create and maintain long-term customer relationships. Factor Tg5 (Thrust for Innovation) was identified as both an opportunity and threat because P.E Nation has the chance to invest in research and development to increase their value proposition by creating new and exciting products and strategies that appeal to consumers in the age of technology who seek innovation and newness. This is however also a threat as P.E Nation must ensure they do not fall behind in the race for innovation, and must continually introduce new products to keep up with their competition.

Factor Eng1 (Sustainability – Consumer demand/overconsumption) was seen as a threat as P.E Nation do not make public any information regarding the transparency of their supply chain and what sustainable measures they have in place. This is an issue because as sustainability grows in popularity, more consumers are becoming educated on where their clothing comes from and what impact it has had on the environment. If P.E Nation cannot provide this information they face the risk of being boycotted by consumers who are passionate about the environment. This is the same reasoning for factor Sg1 (Ethical practices – pressure to implement in supply chain).

Factor En2 (Low inflation rates) was identified as an opportunity as low inflation rates mean that P.E Nation can avoid unnecessary costs. Similarly, factor Eng3 (Low interest rates) was identified as an opportunity because when interest rates are low it is a good time to take out loans for investments. Both of these factors result in positive economic impacts for P.E Nation.

2.2.2 Drivers of Change

The key factors from this table were used to influence drivers of change for P.E Nation, which are the most critical factors that the brand must respond to in the next year's timeframe. These drivers of change are social media, the size of the US market and the global trend of health and fitness. Social media is an important tool for connecting with consumers on a personal level, as it is a type of marketing and promotion that is accessible 24/7 and able to be used however the consumer wishes. Social media has no physical or geographic boundaries, and the opportunities for growth via this platform are endless. An example of how this platform can be utilised effectively can be seen with the Queensland start up HiSmile, who turned over \$10 million in just 18 months which they credit to the influence of bloggers and digital influencers on social media (Dias 2016).

The size of the US market is an enormous opportunity that P.E Nation can facilitate as a driver of change for expansion. In Australia, P.E Nation has a potential target market of 24 million (ABS 2016) compared to the US who has 321.5 million (United States Census 2015). The shared cultural customs and demographic factors between Australia and the US mean that international expansion to that location would have little obstacles. Finally, the global health and fitness trend has evolved into a multi-faceted global healthy-living industry, which has been estimated at approximately \$6.2 trillion (Magner 2015). This lifestyle trend is one of the fastest growing markets in fashion, and the athleisure market in Australia currently sits at \$319 billion, up 17% on last year, and by 2020 this figure is expected to increase to \$423 billion (Magner 2015). The health and fitness trend is showing no signs of slowing down, and P.E Nation can capitalise on this trend by exploiting its growth and aligning it with an expansion strategy for the brand.

2.3 TOWS Analysis

The TOWS analysis considers internal strengths and weaknesses and external opportunities and treats to combine them to form strategies for growth. The best combination for growth is to combine an internal strength and external opportunity, to exploit what the firm does well. Appendix 6 details the TOWS analysis, and some of P.E Nation's key strengths include the unique product offering and brand image, co-founder Pip Edward's partnership with General Pants Co and the brand's partnerships with high profile public figures. P.E Nation's key opportunities were identified as expanding product lines, and to look into expanding markets, particularly into the US where there is a high number of target consumers. Strategies that were developed from P.E Nation's internal strengths and external opportunities include collaborating with high profile individuals and brands to grow consumer base, exploit the General Pants connection by stocking P.E Nation products at General Pant's new store in New York to increase the market and continuous research and development to expand product lines and introduce new products to sustain competitive advantage.

2.4 Competitor Analysis

In order to create successful strategies, a retailer's strategy mix must be evaluated which consists of store location, operating procedures, price tactics, products offered and promotional methods (W5_RCO1), and these factors have been addressed in the following competitor analysis. It is necessary for a brand to be aware of its competitors to identify its brand or store strategic positioning in relation to those competitors (W5_RCO2). This strategic positioning consists of three main aspects; functional aspects to solve problems

and provide benefits to customers, symbolic positions to enhance self-image and social meaningfulness and experimental positions which provide sensory and cognitive stimulation.

2.4.1 Brand Choice

Stussy was chosen as a competitor for P.E Nation because it is a well-known global street wear brand that shares a similar image that revolves around signature branding that is easily identifiable and bold, street inspired designs (Stussy 2016). Stussy's product lines feature casual, relaxed silhouettes, and its active wear range is no different, offering work out gear that can also function as casual wear. For this reason, Stussy targets a similar market to P.E Nation, and the brand's more premium active products retail for similar prices. In addition, Stussy is also sold through General Pants stores which means they share a distribution channel.

Studio by General Pants is an active wear line developed by urban retail giant General Pants Co. It is considered a brand competitor because it too brings an everyday element to traditional active wear, especially with casual outerwear pieces. Studio by General Pants merges the functionality and practicality of work out gear with fashion through the use of contrast colours, mesh panels and bralette style crop tops (General Pants 2016). As it is a secondary brand of General Pants, it carries the same grunge 90's atmosphere and also shares General Pants Co online and physical stores as a distribution channel.

The Upside is a luxury active wear label created by Australian fashion icon Jodhi Meares, and was born out of Jodhi's inability to find supportive performance wear that could also keep her looking stylish, which is similar to P.E Nation co-founder Pip Edwards motivation. The Upside promotes a healthy living philosophy that combines practical and stylish fashion for a chic look to take the customer from work to play to the gym (The Upside 2016). What makes The Upside an even tougher competitor is its rapid growth from a pop up store to premium stockists across Australia and the globe both physical and online, and extensive exposure and publicity due to celebrity and public influence.

Adidas Stella Sport was chosen as a competitor for P.E Nation because not only is Adidas a well-known sports brand that is known for performance, but they have also more recently been involved in collaborations with high profile celebrities and fashion icons such as Pharrel Williams, Rita Ora and Stella McCartney (Adidas 2016). These collaborations encouraged Adidas to also be known for more youthful, fashionable ranges that focussed on athleisure just as much as performance wear. In particular, the Stella Sport collaboration with Stella

McCartney causes increased competition, as they share similar styling to P.E Nation regarding retro colours and silhouettes.

Tory Sport is a subset of the clothing label Tory Burch that is described by the designer as combining style and function. The line is influenced by iconic 70's inspired active styles that have been made contemporary with timeless silhouettes, fresh colours and graphic prints (Tory Sport 2016). This throwback inspiration is reminiscent of P.E Nation's 90's styling, which would be popular with a similar target market that enjoy retro fashion. Tory Sport also caters for functional active that blurs the lines between active and leisure.

2.4.2 Factors and Weighting

Value for money was chosen as a factor because price is always a critical factor for consumers who tend to opt for lower priced products. Value for money considered the both the price of the product and the features or benefits it had. Price and features were scored separately and ranked out of 6 compared to the other brands, where a high score was given to low price and a high score was given to a high number or type of features (Appendix 7). The scores were then added up and converted to a score out of 10. For the purpose of this analysis, a middle of the range pair of exercise tights was chosen from each brand to ensure consistency. Value for money was weighted third highest at 20% as the focus of the brand is on the image and product range, however price still plays an important role as consumers often shop within a budget (Appendix 12).

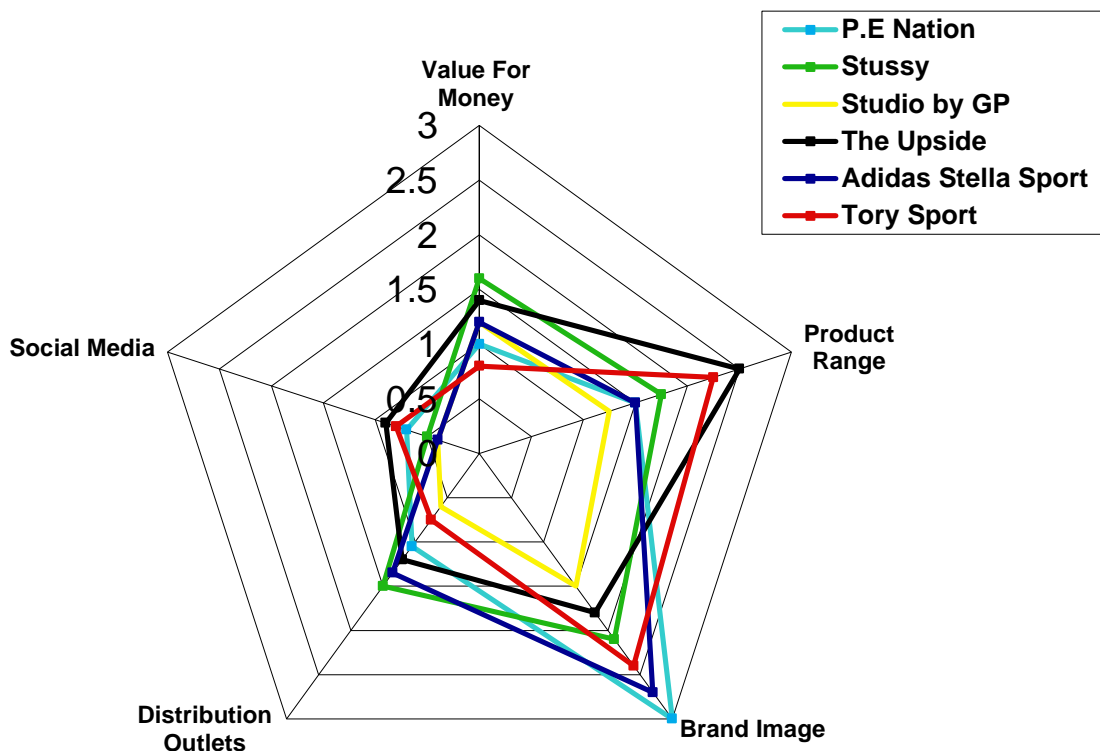
Product range considers the number of available products for that brand as listed on the brand's own website, as well as category percentages that make up the total range (Appendix 8). A high score was given to brands that had a large product range and a balance where tops were the majority, followed by bottoms and then outerwear. Product range was weighted the second highest at 25%, as a high importance was placed on having a large choice of product to choose from to suit the target customer who requires multifunctional clothes, and the ability to mix and match to form different outfit combinations would be viewed highly (Appendix 12).

Brand image was chosen as a factor because this is P.E Nation's current competitive advantage as this image is unique in the market. This factor uses P.E Nation's brand image of a retro, multifunctional, street inspired athleisure as a basis to measure the other brands, rather than the brand's image as a regular active wear label (Appendix 11). This factor was weighted the highest at 30% as customer brand perception was decided as the most important consumer decision making criteria, and from the customer's perspective the status or image received from wearing certain brands is highly valued (Appendix 12).

Distribution outlets was chosen as a factor because P.E Nation is a predominantly online brand who uses this online function as a means of rapid expansion. A high score was given to brands to have multiple distribution outlets including online, standalone stores, and both physical and online stockists (Appendix 10). Distribution outlets were weighted the second lowest at 15%, due to the nature of P.E Nation being online and offering international shipping, it is easily accessible no matter the location of the consumer (Appendix 12).

Social media was chosen as a factor because online platforms are becoming a popular way for brands to interact with their consumers on a more personal level. A detailed social media analysis can be seen in Appendix 9, where the brand was analysed according to the number of social media platforms, whether they had links on the company’s website, and interaction level was based on the number of Instagram posts in one week. High scores were given for a large number of platforms where they were all linked on the brand’s website and a high level of interaction. Social media was weighted the lowest at 10% as the other factors were deemed to have more of an impact on a consumer’s decision-making process (Appendix 12).

ADJUSTED COMPETITOR RADAR CHART



2.4.3 Results

The raw scores given for the competitor analysis resulted in P.E Nation coming in third with a total score of 35, behind The Upside with 40 and Stussy with 37 (Appendix 13). The raw radar chart in appendix 15 shows that P.E Nation had the highest unadjusted score for brand image, however it fell short in the other categories. The brand scored the second lowest for both product range and value for money due to its small range, high price point and low features, however it scored third for social media because of its regular Instagram posts and fourth for distribution outlets as the brand has no physical stores.

After the weightings had been applied to each competitor factor, the adjusted scores can be seen in table form in Appendix 14 and in the above adjusted radar chart. Overall, The Upside had the highest adjusted score of 7.8, which can be attributed being the best in class performer for product range, which was weighted high. It also received very strong ratings for social media where it had the largest interaction, and above average ratings for distribution outlets and value for money. Studio by General Pants was the worst performing brand according to the adjusted scores where it received 4.95, due to its average rating for brand image, product range and value for money, which were the highest weighted factors.

Overall, P.E came third according to the adjusted scores, however it received the highest overall score for brand image, which is worthy to note as this factor was identified as the most critical as the brand's image is unique. P.E Nation received average scores for product range and value for money due to the limited number of products available and the fact that less expensive brands had similar or better product features and benefits. P.E Nation received above average scores for social media and distribution outlets because although the brand only has two social media platforms, it has a high level of interaction and even though there are no standalone stores, the brand can be found in multiple physical stockists in Australia and New Zealand via General Pants, David Jones and boutiques, as well as being available online on Australian and International online stockists.

2.5 VRIO Analysis

A firm's retail management and staff capabilities are a critical aspect of strategic planning (W3_RCO2). These capabilities can be unique strengths in the form of management, merchandising or store management. A microanalysis of P.E Nation was conducted to discover the brand's unique resources and capabilities in order to distinguish what aspects of the brand offer sustainable competitive advantage. The competitive advantages that are considered to be sustainable can be used as a basis for strategy formulation and

implementation to achieve above-average returns. Using this VRIO framework, a resource or capability will be considered valuable if it allows firms to neutralise external threats or exploit external opportunities, rare if it is possessed by few or none of its competitors identified in the competitor analysis, costly to imitate if it cannot easily be obtained or must be obtained at a high cost and organised to be exploited if the firm is structured to obtain the full benefits of that resource or capability.

VRIO FRAMEWORK

Resource/ Capability	Valuable	Rare	Costly To Imitate	Organised To Exploit
Unique Design Aesthetic	Yes	Yes	No	Yes
Personal Brand Identity	Yes	No	Yes	Yes
Critical Talent	Yes	Yes	Yes	Yes
Rapid Global Expansion	Yes	Yes	Yes	Yes
New Agile Brand	Yes	Yes	Yes	Yes

2.5.1 Chosen Resources/Competencies and Judgements

The critical talent of P.E Nation is centred on co-founders Pip Edwards and Claire Tregonning, who between them have extensive knowledge and experience that they bring to the brand. Edwards has a law and commerce degree and began her career in finance before entering the fashion industry where she has worked in styling, designing, buying, PR and marketing. Tregonning has a design degree and has extensive design experience as a design assistant, creative director and senior designer. Both are actively involved and hands-on with P.E Nation not only as co-founders, but the entire process from initial design to final product, marketing and PR. The pair has a strong friendship as well as a working relationship, and it is this aspect combined with their unique combination of skills, experience, connections and exposure that solidifies their role as a dynamic team. This level of critical talent is possessed by few of their competitors, and is considered costly to imitate and obtain because critical talent is in high demand and with it comes very high salaries.

P.E Nation's rapid global expansion is a sustainable competitive advantage because since launching in March with 45 stockists, in just five months the brand achieved global expansion. As of the August 1 2016, P.E Nation is available in four stores in New Zealand and 18 online stockists. These stockists include My Theresa in Germany, Selfridges in the UK and Shop Bop in the US (P.E. Nation 2016). This rapid global expansion is both valuable

to the brand and rare because of the ability to exploit external opportunities and due to the fact that the majority of new businesses fail in the first year of operation. P.E Nation's initial growth has been far greater than that of its athleisure competitors and it is very costly to imitate due to the resources and capabilities needed.

The third sustainable competitive advantage for P.E Nation is that they are a new, agile brand. Having launched only recently in March 2016, the brand has a perceived 'newness' that still remains from the initial hype surrounding the brand's launch. It is not rare to be a new brand in the athleisure market, however P.E Nation as a brand is far younger than its main competitors and it is extremely rare for a new brand to be so agile in a rapidly evolving market. P.E Nation has been able to thrive on the health and fitness trend, and adapt to the lifestyle athleisure focus by securing sneaker collaboration with Reebok and expanding to menswear next year. Similarly, a large amount of financial capital is not required to start a new brand, however it is extremely costly to imitate a new and agile brand because it cannot easily be obtained.

Of the remaining factors, P.E Nation's current unique design aesthetic was evaluated as a temporary competitive advantage due to the fact that it can be obtained or imitated by other firms at a relatively low cost. The brand's personal brand identity was also identified as a temporary competitive advantage because competitor active wear brand Lorna Jane is built around the profile of a person. In addition, competitors Nike and Adidas have collaborations with athletes and celebrities, which result in those brands also being identified by personalities.

The VRIO analysis identified that P.E Nation currently enjoys a sustainable competitive advantage in the athleisure sector of the active wear fashion market based on a combination of well-chosen and well-executed resources and competencies to provide above average returns. This combination is comprised of: critical talent, rapid global expansion and the brand's operation as new and agile.

2.6 Location decision within Melbourne

Store location is an integral part of a retailer's strategy mix (W5_RCO1). It is critical that P.E Nation's first brick and mortar store be located in an area of Melbourne that represents the brand aesthetic and would generate the maximum number of sales. In order to identify the most suitable location, a trade area analysis (W6-RCO1) was conducted to systematically analyse three potential store locations against a set of location factors.

When selecting the potential new store locations, the type of stores and locations (W6-RCO4) was also a factor taken into consideration. Both isolated stores and planned shopping centres had advantages as store locations for P.E Nation, so a minimum of one of each was used in the location analysis to compare types of stores, not just locations. Isolated stores have the advantage of less competition, lower rental costs, increased visibility and flexibility. In comparison, planned shopping centres offer well-rounded assortments, a strong suburban population, pedestrian traffic and one-stop family shopping.

2.6.1 Location Factors and Weighting

To ensure the most appropriate location is chosen with the right factors, a site evaluation checklist (W6-RCO5) was developed in order to measure each location against the same set of criteria. Each location factor was chosen based on relevance to P.E Nation as a brand and included: proximity, accessibility, traffic flow, competition and cost factors. Each factor was evaluated and assigned a weighting according to the importance of that factor for the P.E Nation brand and target customer. Refer to Appendix 16 for what each factor considers, why it was chosen and how each one was measured.

Competition was given the highest rating of 27% because similar store groupings encourage consumers to consider all options, and being located close to competitor stores means that P.E Nation is viewed as a contender in the highly competitive athleisure market. Traffic flow was weighted 24% as the second highest factor because a larger number of people in the area would mean an increased possibility of them entering the store, and therefore a higher possibility of sales. Proximity received a rating of 20%, because the target customer has kids and leads a busy lifestyle, so they would prefer one-stop-shop destinations. In addition, being located close to other major stores or mass transit would increase traffic flow and consumers frequent those major areas. A 16% weighting was given to accessibility because although the target customer values convenience, it is not believed to be a critical decision making factor. Cost was allocated the lowest weighting of 13% because it was decided that location benefits outweighed cost benefits, and high costs for rent and operations would be considered worthwhile if the other factors were achieved.

TRADE AREA ANALYSIS – WEIGHTED SCORES

Factor	Weighting	Location					
		Emporium, Melbourne CBD		Chadstone Shopping Centre		Chapel St, South Yarra	
		Raw Score	Adjusted Score	Raw Score	Adjusted Score	Raw Score	Adjusted Score
Proximity	20%	9	1.80	8	1.60	5	1.00
Accessibility	16%	7	1.12	7	1.12	6	0.96
Traffic Flow	24%	9	2.16	7	1.68	4	0.96
Competition	27%	9	2.43	7	1.89	5	1.35
Cost Factors	13%	5	0.65	7	0.91	8	1.04
Total	100%	39	8.16	36	7.20	28	5.31

2.6.2 Location Analysis

The trade area analysis was conducted and each location was given a raw score out of 10 for each factor before being converted to a weighted score according to the weight percentage allocated to each factor. It is evident by the final weighted score that the Emporium located in Melbourne's central business district is the most appropriate for P.E Nation's brand and strategy.

Emporium received the highest score for competition because stores in Chadstone that sell athleisure include one store each of Adidas, Nike, Lorna Jane, General Pants Co and New Balance. In comparison, Emporium has all of those stores except Adidas, and in addition has Glue Store, Puma and Rebel Sport, and Adidas products can be purchased in Glue Store. Due to the high density aspect of Melbourne's CBD, a P.E Nation store in Emporium would also be located in close proximity to competitor stores on Bourke St Mall, in Melbourne Central and in the QV building. The CBD's high density is also the reason why Emporium scored the highest for proximity, as it is located very close to these various shopping areas but also to Myer, David Jones, Target and Big W. Emporium is also located next to the major transit hub of Melbourne Central train station, and major tram routes located on Swanston St, Bourke St and Elizabeth St.

Emporium also scored the highest for traffic flow due to the large number of people that frequent the CBD on a daily basis. Emporium and Chadstone scored equally for accessibility. This factor took into consideration the P.E Nation target customer, who leads a busy lifestyle and values convenience. Chadstone Shopping Centre has 9000 free parking bays, as opposed to no parking at Emporium and city parking prices are expensive. However Emporium's score was increased due to its central location in Melbourne and access to public transport, including trams, busses and trains. Chadstone's score suffered,

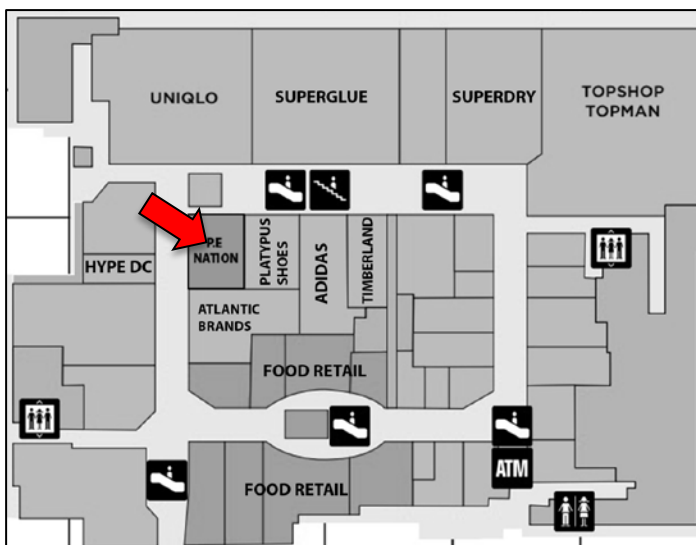
as there is no tram or bus routes nearby, and the closest train station is an approximate 15 minute walk. Chadstone is also located in Melbourne's southeast suburbs, which is inconvenient for those living in the north or western suburbs.

Emporium suffered in terms of the cost factor, which was the only factor where Chapel St received the highest score. Melbourne CBD has extremely high rental costs, however Emporium is a relatively new establishment which houses more premium brands, which further drives up rental costs. South Yarra scored the highest for cost as it the area with the least expensive rent, due to a 30% decrease in foot traffic in recent years. This has caused the area to decrease in popularity, and many brands such as Orotan have decided to close their stores on Chapel St, resulting in vacant shopfront that are struggling to find businesses to lease them.

2.6.3 Specific Site

The below floor plan displays the potential chosen site for P.E Nation's first stand alone store to be located on the lower ground floor in the Emporium Mall in Melbourne's CBD. The lower ground floor was chosen because it is where the majority of the sports stores are located, which have also been identified on the floor plan. In addition, food retailers and large international retailers Uniqlo and Topshop are also located on this floor, which would aid to drive foot traffic. Higher-level floors were ruled out because that is where more premium or luxury brands are located, which does not fit the aesthetic of P.E Nation.

FLOOR PLAN – EMPORIUM LOWER GROUND FLOOR



3.0 OBJECTIVES

This section details the business objectives for the proposed P.E Nation store located in the Emporium. The objectives involve predictions for sales, profit, and store image/awareness and customer acquisition and are based on the first year of operations from the launch of the store in July 2017. These business objectives are a critical component needed to micro manage the store for its first year of operations, and act as quantifiable and measurable goals that can be regularly monitored to ensure the objectives are met at the end of the financial year. The objectives were based on conservative rather than radical predictions to ensure their ability to be met and surpassed, and followed the S.M.A.R.T criterion for goal setting which means they are specific, measurable, achievable, realistic and timely (Top Achievement 2016).

3.1 Sales Objective

P.E Nation’s Emporium store will aim to achieve an estimated annual sales value of \$1 099 387 in its first year of operations for the financial year from July 2017 to June 2018.

The average of three different calculation methods were used to estimate the \$ annual sales value for the proposed P.E Nation Emporium store which can be viewed in the table below. Please refer to Appendix 17 for a breakdown of these calculations.

AVERAGE ESTIMATED \$ ANNUAL SALES			
CALCULATION METHOD	Break Down Method	Build Up Method	Area Yield Method
ESTIMATED \$ ANNUAL SALES	\$1 218 833	\$1 207 752	\$1 049 400

TOTAL \$1 158 661

3.2 Profit Objective

P.E Nation’s Emporium store will aim to achieve an estimated annual profit value of \$83 553 in its first year of operations for the financial year from July 2017 to June 2018.

The calculation for this objective can be seen in the table below. Operating profit was sourced from Appendix 42

CALCULATING ANNUAL PROFIT				
\$ Annual Sales Estimate	x	Operating Profit %	=	\$ Annual Profit Estimate
\$1 158 661		7.6%		\$88 058

3.3 Customer Acquisition Objective

P.E Nation's Emporium store will aim to acquire 526 new customers in its first year operations for the financial year from July 2017 to June 2018. Based on this number, approximately 44 new customers are required each month in this financial year.

The Emporium store will serve as P.E Nation's first physical retail location, therefore it is critical to acquire customers to build an initial consumer base that can continue to grow over time. Customer acquisition is so important for retail brands because it is simply not enough to rely on existing customers to continue to visit particular stores, and both the brand and store must actively acquire new customers in order to facilitate company growth by increased sales and customer reach.

The below table details the number of new customers that are required in the P.E Nation Emporium store's first year of operations in order to reach the profit objective.

CUSTOMER ACQUISITION								
First Year Profit	÷	Av. Transaction Value	=	Number of Customers in first year	÷	12 months	=	Number of customers per month
\$83 553		\$158.88		526		12		44

In order to acquire 44 new customers each month in the first year of store operations there are a number of strategies that can be utilised by the P.E Nation Emporium store. These strategies follow the A.B.C formula to acquire, build and care. The Acquire element involves new customers making a purchase, which can be achieved through marketing, word-of-mouth and increasing in-store foot traffic, which would have a positive effect on conversion rates.

The Build aspect of A.B.C refers to building customer loyalty, which can be done in a number of ways. Loyalty programs could involve signing up to a P.E Nation Membership Program where customer can earn rewards for expenditure and gain access to exclusive sales and promotions. Consumer engagement through social media and personalised emails can build positive consumer relationships which in turn increase a customer's connection towards a brand and their subsequent brand loyalty. The final element of A.B.C

is care, which relates to a consumer's post-purchase experience. This can be achieved by having an appropriate return/exchange policy, and genuine and attentive sales staff that can offer detailed product knowledge, sincere customer service and build a rapport with customers such as learning the names of regular shoppers. It is essential that customer acquisition be monitored and measured to ensure the annual target is reached, and this can be done by using a customer database to track this information.

3.4 Image (Awareness) Objective

P.E Nation's Emporium store will aim to launch in July 2017 and achieve a NPS of 30% after the first three months of operation, 50% after six months of operations and 70% after twelve months of operation respectively.

The Emporium store will serve as P.E Nation's first physical retail location, therefore it is critical to increase consumer awareness in order to facilitate visibility and subsequent sales. This awareness is measured by consumer data collection research, and one of the ways to do so is using the Net Promoter Score (NPS). This approach defines the core economics and cultural values that affect every aspect of an organisation's business system and competitive strategy (Bain and Company 2016). The NPS is the foundation of a measurement framework that is tightly linked to the customer journey and it has been shown through extensive research that firm's NPS acts as a leading indicator of growth (Net Promoter Network 2016). A firm that has a greater NPS than its competitors is likely to outperform the market, and improving this score will increase awareness and business performance.

3.4.1 Calculating the Net Promoter Score

The NPS is calculated by evaluating customer surveys that ask the question 'On a scale of 0 – 10, how likely would you recommend P.E Nation to friends or colleagues?' Those that scored P.E Nation a 9 or 10 were considered promoters, who are loyal enthusiasts who will keep buying products and referring others to the brand and fuelling growth. Passives were people that scored P.E Nation a 7 or 8, and these are considered to be satisfied but unenthusiastic consumers who would be vulnerable to competitor offerings. Those that scored P.E Nation between 0 and 6 are considered to be detractors; because these are customers are unhappy and can potentially damage the brand and affect growth through negative word-of-mouth (Net Promoter Network 2016). The NPS is then calculated by subtracting the percentage of detractors from the percentage of promoters, to give a score out of 100 (Appendix 22).

3.4.2 Net Promoter Score Predictions for P.E Nation

P.E Nation will launch with the goal of having a NPS of 30% of the target market after the first three months of operation. Over time, the store will aim to increase awareness by increasing promoters, decreasing detractors and eliminating passives to achieve a NPS of 50% after 6 months of operation and 70% after 12 months of operation. If this goal were to be achieved, P.E nation would secure net 7/10 target consumers who act as brand advocates and would actively recommend and promote the brand to others.

4.0 TARGET MARKET

A primary, secondary and tertiary target market has been identified for P.E Nation. These three target markets are very similar and share a number of comparable factors. The market for P.E Nation is females aged 18 – 35 with a medium to high disposable income which displays a willingness and ability to purchase products with a mid to high price point. Common values shared between the target markets are that they lead a very busy lifestyle, and are actively involved in health and fitness. All three target markets share the same appreciation for fashion and style, enjoy unique clothing that represents their personality, and they are not afraid to express themselves through their clothing. The number one requirement from the clothing they purchase is comfort, followed by quality, which is a factor they are willing to pay for. All identified markets have limited time to spend on shopping, and are frustrated by their busy schedules and the lack of clothing options that allow them to multitask and combine functionality, style and performance.

Primary Target Market



Pip Summers

"Wake up with determination, go to bed with satisfaction"

Age: 26
Work: Creative Studio Manager
Income: High Personal Income
Family: Engaged
Location: Melbourne, VIC
Character: Competitive

Personality



Values/Interests

- High performance
- Maintaining a fit and active lifestyle
- Keeping up with the latest trends

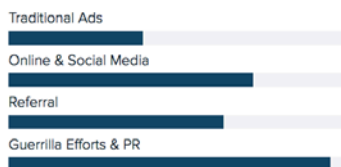
Goals

- Build a strong and successful career
- Run a full marathon
- Beat her personal best at the gym

Frustrations

- Extremely busy and time poor
- Workaholic
- Doesn't like corporate clothing

Preferred Channels



Secondary Target Market

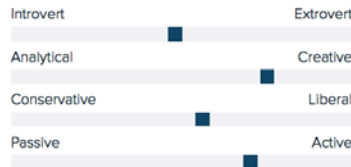


Olivia Ford

"Live in the moment and don't sweat the small stuff - you only live once"

Age: 19
Work: Fashion Design Student
Income: Medium-High Household Income
Family: Single
Location: Sydney, NSW
Character: Spontaneous

Personality



Values/Interests

- Her education
- Socialising with friends
- Unique, up and coming fashion brands

Goals

- Graduate university with honours
- Travel the world
- Healthy diet and regular exercise routine

Frustrations

- Confined to a regular schedule
- Juggling full time study and part time work
- Generic, mass market clothing

Preferred Channels



Tertiary Target Market

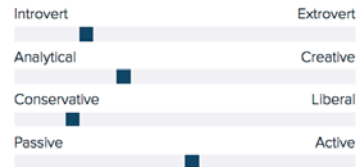


Julie Wilson

"Sometimes you just have to learn to live with organised chaos"

Age: 33
Work: Stay At Home Mum
Income: Medium-High Household Income
Family: Married, 3 kids
Location: Perth, WA
Character: Methodical

Personality



Values/Interests

- Children are the #1 priority
- Quality time with her husband
- Going to yoga with other mums

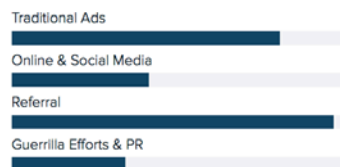
Goals

- Be an active part of her children's lives
- Be a positive role model
- Keep up with hectic lifestyle

Frustrations

- Clothes that are uncomfortable
- Limited time for herself
- Stress from multitasking all the time

Preferred Channels



4.1 Primary Target Market Persona

Pip Summers is an outgoing, independent individual who strives to be successful and well-known for her career. She lives in a modern two bedroom apartment in South Yarra, that she rents with her fiancé and pet dog who she loves to spoil. Although she is a workaholic, Pip also values her personal fitness and follows a strict diet and exercise routine that sees her at the gym five times a week and regularly jogging with her dog. Between work and exercise, Pip has very limited free time and she makes sure she uses it wisely. Pip keeps a diary to manage her engagements, and her weeks are planned in advance to ensure the most efficient use of her time. Pip takes a high interest in her personal presentation and dedicates a portion of her high personal income to purchasing high quality, unique clothing that makes her stand out from the crowd. She does the majority of her shopping online as she often doesn't have time to go shopping during the day and try things on. Pip doesn't like corporate clothing, and the creative nature of her job means she also has freedom to express herself through her wardrobe. Her personal style consists of bold colour choices, relaxed silhouettes and comfortable, high quality fabrics. Pip needs her clothing to be uniquely stylish, and functional to keep up with her busy schedule, and loves athleisure pieces that can take her from the gym to the workplace.

4.2 Secondary Target Market Persona

Olivia Ford is a creative fashion student who lives with her mum, dad and two sisters at their large family home in Kew. Olivia studies is at university three days per week for her studies, and in addition works part time as a retail sales assistant three days per week. Olivia's main priority is achieving excellent results for her studies, and in her spare time she enjoys hanging out with her friends and playing netball for her local team. She sometimes finds it difficult to juggle her studies and work, and gets bored with her regular routine. Olivia is very spontaneous and likes to leave her weekends free so she can make last minute plans with her friends and family. Olivia has aspirations to travel the world and is currently saving up to travel Europe for three months with her four best friends after she finishes university. Being a fashion student, Olivia keeps up to date with all the latest trends, however she doesn't always follow them as she has her own personal style. She doesn't like generic, mass market clothing and prefers to shop at boutiques and vintage stores. Olivia spends her money wisely, investing in high quality new fashion pieces and mixing them with vintage items to create unique outfits. Olivia likes to browse online and shop in-store so she can try things on before she buys, and her favourite items to wear are sneakers, caps and oversize jackets.

4.3 Tertiary Target Market Persona

Julie Wilson is a stay-at-home mum who has her hands full with three kids, aged 9, 5 and 2. Julie and her husband recently bought their first home in Albert Park, which has five bedrooms and a large backyard with a pool for their two dogs. Julie used to be a lawyer, and has temporarily put her career on hold to raise her family. Her husband is also a lawyer, and he earns a high disposable income that supports the family. Julie's kids are her number one priority, and she spends her days driving her eldest two children to school and after school activities and spends her day looking after her two year old. Julie's weekends are spent doing family activities, and she cherishes the rare time that she gets to spend with her husband. When she gets the chance, Julie likes to catch up with the other mums from school for coffee or at yoga, but she often feels stressed from her busy schedule and has limited time for herself. Julie is quite conservative, and her clothing choices reflect this. Julie only wears classic silhouettes that cover the majority of her body and are age appropriate; however she isn't afraid to experiment with colour as this is how she likes to stay young and trendy. Her clothing must be functional to keep up with her as she is constantly multi-tasking, and her number one requirement is comfort, followed by quality as she likes her clothing to last a long time.

4.4 Positioning Statement

An organisation's positioning statement serves as its internal marketing guideline to define the primary market, what will be communicated to the primary market, how the brand should be positioned against competitors and the perceived customer value against competitors. Brands utilise the positioning statement tool to develop marketing messages and creative efforts in order to clarify that brand's positioning strategy and align all marketing, sales and product development teams. The purpose of positioning statements is to give focus to a brand's marketing messages and attract customers to that brand who understand what they are buying into.

P.E Nation's positioning statement has been constructed using the template in seen in Appendix 23 and has been identified as the following:

“ To the active and time poor female who seeks multifunctional clothing, P.E Nation is the athleisure brand with high quality and unique performance wear that is both stylish and functional, unlike other mass market active brands who do not offer a unique brand image and aesthetic influenced by retro street style. ”

4.5 Positioning Map

An important consideration for the P.E Nation store is where it will be positioned in the market, which is crucial to establish the brand's competitive approach and marketing strategy (Learn Marketing 2015). Positioning maps can be used to display where existing brands are located in the market, and then P.E Nation has the choice to either fill a market gap or actively compete against its existing competitors.

4.5.1 Brand Choice

Four brands were chosen to compare positioning to P.E Nation. The positioning evaluation was based on competitor brands in the same location as the proposed P.E Nation store, and for this reason only brands within the Emporium complex were used. Adidas Stella Sport and Stussy were brand competitors identified in the previous competitor analysis in section 2.4, and they have also been included in the positioning map as location competitors as both brands are available on Emporium's lower ground floor, Adidas Stella Sport from the Adidas store and Stussy from the Super Glue Store. Studio by General Pants Co, The Upside and Tory Burch Sport are brands that are not available in the Emporium, so for the positioning map two new brands were chosen that are location competitors for the proposed P.E Nation store. The first location competitor was Nike, as there is a large Nike store located on Level 1 of the Emporium. The second additional location competitor was Ivy Park, as it is available at both Topshop and the Super Glue store both located on the same floor as the proposed P.E Nation store in the Emporium. These two additional brands were chosen for their sporting focus and because their product offering and brand image is similar to that of P.E Nation in that there are many functional and stylish pieces that fit the athleisure trend.

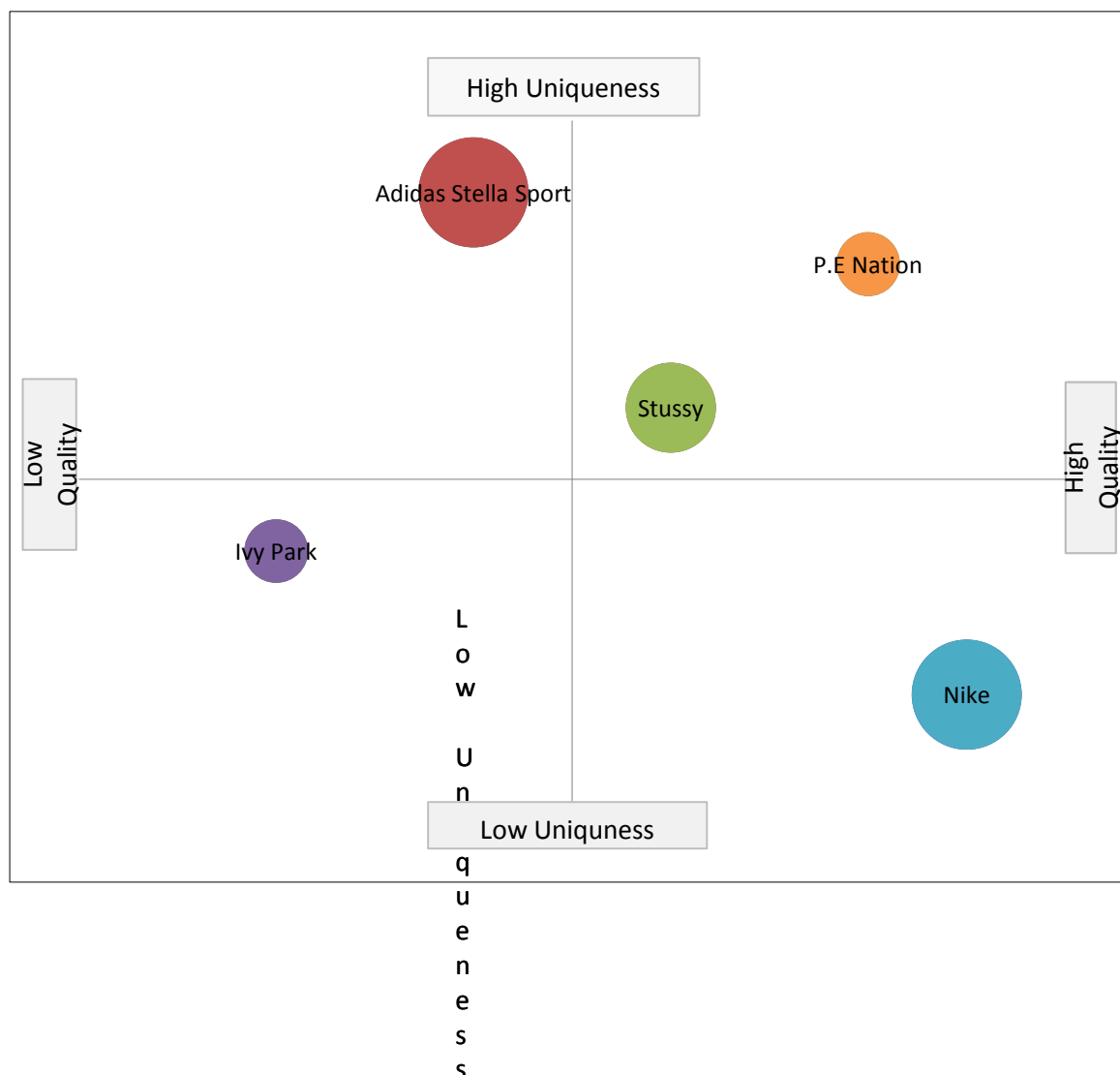
4.5.2 Factors and Scoring

The chosen factors for the positioning analysis were based on the two most important considerations for the target market when making a purchase decision, and these have been identified as quality and product uniqueness. Quality was chosen as one of the factors because the P.E Nation target market has a medium to high disposable income, therefore they have the willingness and ability to purchase higher priced items. For the positioning map, the quality factor took into account the price of the products from each brand and the perceived quality the customer would receive based on that price. For the purpose of this analysis, a middle of the range pair of exercise tights was chosen from each brand to ensure consistency. A high score was given to brands with higher prices and therefore a higher perceived quality, and a low score was given to brands with lower prices and therefore lower perceived quality.

Product uniqueness was chosen as the second factor because a common aspect identified in the primary, secondary and tertiary P.E Nation target markets was the desire for unique clothing that is seen to be different or rare compared to generic or mass-market clothing. For the positioning map, product uniqueness took into the style of the brand and its products, which considered design aesthetic and trendiness. A high score was given to trendier brands with unique style, and a low score was given to the least trendy brand with generic style.

The scoring system that was used for the positioning map was a rating that compared each of the brands against each other for the factors of quality and product uniqueness. The ratings were allocated based on the intuitive sense of where each of the brands was positioned against its competitors in the collective minds of the identified primary, secondary and tertiary target market. The analysis for the positioning map can be seen in Appendix 24 for quality and Appendix 25 for product uniqueness.

PE NATION POSITIONING MAP



4.5.2 Results

P.E Nation has been identified as having the second highest quality product behind sportswear giant Nike due to the brand's use of performance fabrics, which is understandable as Nike's market share and high capital mean it can invest a large amount of resources into research and development for quality features and benefits. P.E Nation was followed in quality by Stussy, then Adidas Stella Sport and finally Ivy Park, which due to the low price points must sacrifice quality.

In terms of product uniqueness, P.E Nation also came in second but this time behind Adidas Stella Sport. Even though P.E Nation is unique in its 90's tomboy styling and street influence, the brand's signature retro colours and details are shared by Adidas Stella Sport, who has the additional benefit of the Stella McCartney collaboration which adds a lot of value for fashion consumers and as sporting collaborations with high profile fashion designers are rare. Adidas Stella Sport also has fashion forward silhouettes that are youthful and dynamic which were unmet by any of the other identified competitors. P.E was followed in product uniqueness by Stussy who utilises signature branding, Ivy Park that is inspired by dance wear and finally Nike, whose focus on performance mean that its products lack uniqueness in design as they are made for function.

It is evident from the positioning map that P.E Nation exists in a gap in the market where there are limited competitors offering a similar value proposition for athleisure. Although Nike was identified as having better quality products and Adidas Stella Sport with more unique products, P.E Nation sits in a healthy medium that combines the two for a unique offering of both quality and product uniqueness. This positioning is extremely effective for P.E Nation as its consumers do not easily compare it to other brands in the market, and this position is critical to facilitate the brand's competitive strategy approach.

5.0 COMPETITIVE STRATEGY APPROACH

The way that brands decide to approach competitive strategy is crucial in order to remain relevant in the saturated fashion retail landscape and actively challenge competitor brands. For competitive strategy to be the most effective, brands must ensure that the strategies they choose are in line with the brand and represents that brand image and values. Positioning drives strategic approach, and for P.E Nation it is important that the brand engages in strategies that match where the brand is positioned in the market.

5.1 Michael Porter’s Generic Strategy

An organisation’s profitability is determined by their relative position in the market, and the fundamental basis of long-term above average profitability is sustainable competitive advantage (Decision Support Tools 2016). Michael Porter developed the Generic Strategy framework as a tactic for businesses to follow in order to penetrate a market and sustain a strong advantage over competitors. Porter identified that there are two main types of competitive advantage that an organisation can possess: low cost or differentiation. When these types of competitive advantage are combined with the scope of activities for which a firm seeks to achieve them, it produces three generic strategies to achieve above average performance in an industry. These are differentiation, cost leadership and focus, of which the focus strategy has two variants: cost focus and differentiation focus (Ahmed 2014).

(APPENDIX 28)	ADVANTAGE	
TARGET/MARKET SCOPE	Low Cost	Product/Service Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (Low Cost)	Focus Strategy (Differentiation)

5.1.1 Application of Model

P.E Nation’s scope is considered to be narrow as the brand targets a defined market segment. This segment is fashion conscious females aged 18 – 35 who lead very active and time-poor lifestyles, who seek high quality performance active wear that is both stylish and functional. P.E Nation’s advantage is the unique product that represents a retro, 90’s street style aesthetic with bold colours and fashion forward silhouettes. When P.E Nation’s narrow scope and advantage of unique product is combined using Porter’s model, it is evident that P.E Nation pursues a focus strategy of differentiation. P.E Nation successfully targets a niche market where the brand understands the dynamics of that market and the unique needs of the customers within it, which allows P.E Nation to develop well-specified products for that particular market. When brands are able to serve their target market uniquely well, they are able to develop strong brand loyalty among their consumer base, which in addition makes the market segment less attractive to competitors (Mind Tools 2016).

A key element of the differentiation focus strategy is to make sure the brand offers extra value as a result of only serving a particular niche market (Mind Tools 2016). The ‘something extra’ that P.E Nation offers is increased differentiation through the deep understanding of its consumer needs, which it provides in product styling and function. P.E Nation can continue

this strategy in the future by constantly developing new and unique products to serve its niche market, whilst not losing sight of the narrow market segment it targets.

The advantage of Porter's model is that it gives wisdom to encourage an organisation to identify itself within one of the boxes and choose one particular strategy. This is a key aspect, as businesses who try to use more than one strategy, for example implementing both cost leadership and differentiation, run the risk of confusing consumers by promoting mix messages. However Porter's model also presents a disadvantage in that it is quite simplistic, as once an organisation has chosen a competitive strategy it does not inform how to achieve it. For example, P.E Nation's generic competitive strategy has been identified as focus differentiation using Porter's model, however it does not state to what degree the brand should be different and offer uniqueness. Additional models can be utilised to define P.E Nation's competitive strategy further.

5.2 Values Discipline Model

A model that aimed to build on Porter's generic strategy model is the Value Discipline model by Treacy and Wiersema. This model uses three generic value disciplines of product innovation, customer intimacy and operational excellence to identify measure competitive advantage (Value Based Management 2016). The product innovation factor considers if the best product is available at the best value proposition, customer intimacy measures how well you know your customers and operational excellence looks at the efficiency of business.

5.2.1 Competitor Choice

Adidas Stella Sport was identified as P.E Nation's greatest competitor in terms of location because of proximity, as the stores are located on the same floor of the Emporium complex and are only separated by one store (Hype DC). Adidas is household name for athletic apparel compared to P.E Nation that was launched in June 2016. For this reason, shoppers that are browsing in Emporium seeking active wear may be more likely to walk into Adidas, and when they do enter the P.E Nation store it is very easy for customers to compare the stores in terms of products and prices.

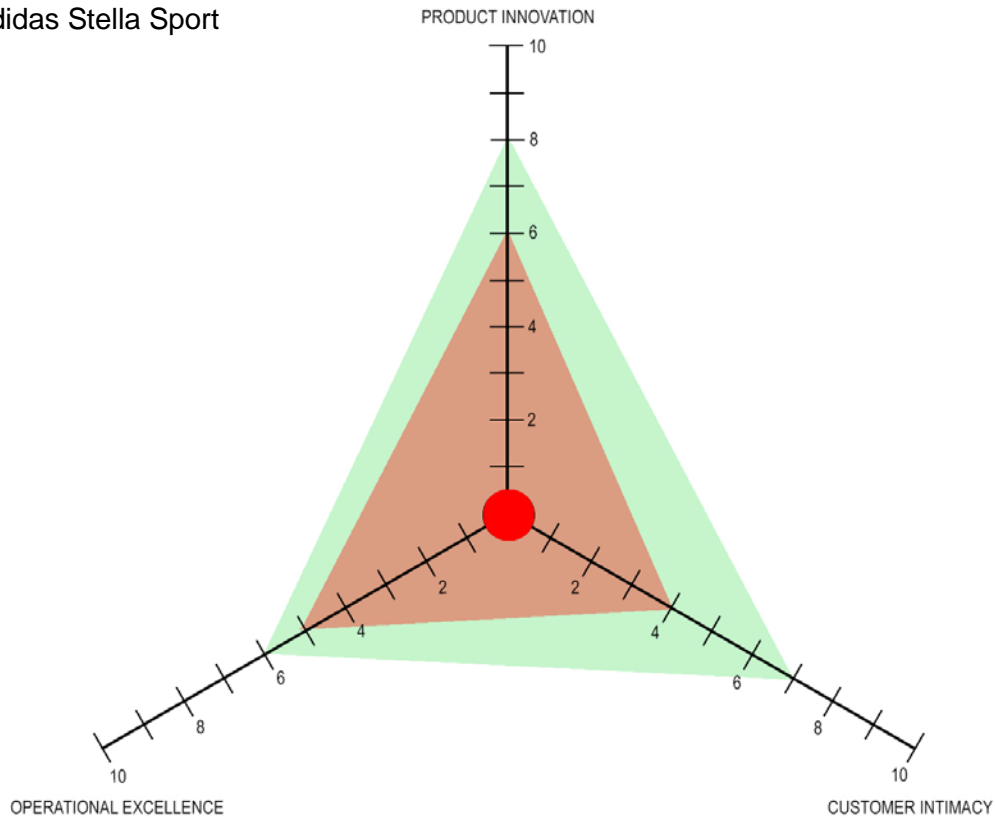
5.2.2 Results

For the purpose of using this model to evaluate P.E Nation and Adidas Stella Sport, the three factors of product innovation, customer intimacy and operational excellence were analysed at store level based on that brand's Emporium store. Each factor was measured for both P.E Nation and Adidas Stella Sport and detailed in Appendix 29 and plotted on the

below graph. It is evident from viewing the green P.E Nation triangle and the red Adidas Stella Sport Triangle that P.E Nation scored higher for all three categories.

VALUE DISCIPLINE MODEL – CURRENT POSITION

Green – P.E Nation
 Red – Adidas Stella Sport



For the factor of product innovation, P.E Nation scored an 8 because it was identified as having very good product and value proposition. The P.E Nation store stocks the entire range of products available online which reduces customer dissatisfaction if they cannot find the item they seek. Being the first physical store, the store manager has the power to dictate what product is available, visual merchandising, store layout and policies they wish to follow. The brand also offers a high value proposition as identified by Bowman's strategic clock, and the narrow market segment means the brand can focus on its small market to deliver on their wants and needs. In comparison, Adidas Stella Sport scored a 6 for product innovation because only a small amount of the Stella Sport range is available in the Adidas store and they vary greatly to the offering online. Adidas Stella Sport has a lower value proposition than P.E Nation as identified in Bowman's strategic clock, due to the lack of product features for mid-market prices. Adidas Stella Sport caters to a broader market, and in store the product loses its uniqueness because other Adidas product is very colourful so the Stella

Sport items do not stand out. In addition, Adidas Stella Sport is a part of the larger Adidas chain, where because of the size of the company, store managers must follow strict policies and guidelines to ensure consistency across the brand.

For customer intimacy, P.E Nation scored an 8 due to the size of the store. A smaller store would mean there is a more intimate environment where staff can better provide one-on-one service to customers. As this will be the first P.E Nation store, any customer who seeks to shop in the bricks and mortar store will go to the Emporium store, which means there are more likely to be regular customers. Staff would be able to get to know these customers on a more personal level, and can offer the best solution to solve customer issues as store management would have the power to dictate individual solutions to meet specific customer demands. In comparison, Adidas Stella Sport scored a 5 because the Adidas store is much larger in size, and there is a higher traffic flow. Because the store is busier, more staff would be required which means regular customers are likely to be served by a different sales assistant each time. The larger store size and higher traffic flow would also mean that it is harder to get to know customers, as sales assistants have less time to spend with each customer and the experience is not as personal. In addition, in larger stores where there is limited staff, more emphasis is placed on sales and achieving store budgets rather than offering an intimate customer experience.

For operational excellence, P.E Nation scored a 7 due to its efficiency in business operating as a smaller store. Due to the store size, less capital is required for expenses such as rent and maintenance. In addition, cost of salaries would be much less as less staff is required to operate the store and less logistical management is needed which would result in the lowest total cost for activities at store level for P.E Nation. In comparison, Adidas Stella Sport is in the Adidas store which is a much larger store that requires a lot more staff and a larger management team to oversee the employees. The size of the store would mean that the rent and maintenance cost is much higher, and in addition the Adidas store may require additional services such as cleaners and security.

5.2.3 Strategies Based On Model

Treacy and Wiersema argue that a company must choose one of the value disciplines to focus on, where in a perfect world it would be the best in this field. However this doesn't mean that the other two value disciplines should be disregarded, but the company can aim to be merely average in these areas (Value Based Management 2016). The model identifies P.E Nation's area of strength as operational excellence due to its smaller store size, however there exists some room for improvement for the remaining two value disciplines.

Ideally P.E could improve all three of the disciplines, but limited resources mean that it must improve the factors slowly. Appendix 30 displays the desired improvements for P.E Nation, which surrounds product innovation and customer intimacy.

Customer intimacy can be improved by doing research on other brands that have high customer intimacy in order to see how P.E Nation can adapt. Staff training can focus on creating a more personal environment for customers and getting to know them better, which can also be achieved through a loyalty program. In addition, the store can have a good set of policies in place for dealing with customer issues and solving their problems, such as an effective return policy. P.E Nation's value proposition is that the brand is unique and offers products that stand out and are different. P.E Nation can improve the product innovation value discipline by creating new and exciting product, such as introducing new product lines for footwear and accessories or collaborating with high profile brands that represent the brand.

6.0 MARKETING STRATEGY

A brand's choice in marketing strategies is driven by its positioning in the market and its competitive approach (Professional Academy 2016). The 7P's of the marketing mix have been used to facilitate marketing strategies for each of the principals.

6.1 Product Strategy

P.E Nation's merchandise assortment strategy for the Emporium store will follow a general strategy where merchandise will be the same as the online store in order to maintain consistency across the brand (W9_RCO1). This is essential because the current online merchandise assortment caters to the target market by stocking only three apparel categories for women (tops, bottoms and outerwear), offers the target market good choice in these categories, facilitates customer loyalty, reduces customer disappointment and is less costly than wide assortment strategies (W9_RCO3)

6.1.1 Objective – Provide limited product categories but a large assortment in each category

6.1.1 Strategy – Narrow and deep assortment strategy

The Treacy and Wiersema model identified that P.E has room to improve for product innovation, and the brand can use this opportunity to grow the brand as well. P.E can introduce a footwear product category which could broaden the target market, increase value proposition and facilitate sales through add on's. This strategy would also remain in

line with the brand's current image and positioning, and the footwear options will be sports shoes. This product innovation will coincide with the launch of the store

6.1.2 Objective – Improve product innovation value discipline

6.1.2 Strategy – Introduce footwear product category

6.2 Pricing Strategy

Price is a powerful tool for brand positioning as there is a gap between having the desire to purchase a product and actually having the capacity to pay for it. The pricing options, policies and strategies employed by a company must represent the target market as they require the capacity to pay for those products, and it must be decided whether pricing objectives will stand against competitors and whether it will aim to maximise sales or profit (W12_RCO1).

It is critical that product prices remain consistent across the brand's various channels to maintain brand integrity, and prevent consumers from avoiding channels to get a better price.

6.2.1 Objective Maintain consistent prices across physical store, online store and stockists

6.2.1 Strategy Stockists guided by recommended retail price and there is very little room for movement

Although product prices will remain consistent across all channels for the recommended retail price, the store manager of the physical store will possess the power to offer discounts on product that is damaged or faulty. This authority is exclusive to the Emporium store and facilitates the clearing of stock from the store where there is limited storage space

6.2.2 Objective Retail store staff has the ability to discount damaged items

6.2.2 Strategy Flexible Price Policy that can only be implemented by the managers. Please refer to Appendix 31 for the detailed flexible price policy

It is important that P.E Nation ensure the store makes a profit on the product it sells in store to achieve annual profit goals. For this reason, the sell price of products must cover all costs of production plus ensure a profit is made

6.2.3 Objective Ensure mark up on products reflects the brand's profit goals

6.2.3 Strategy Utilise a cost plus pricing strategy with a key stone mark-up of 68%

Different price levels will appeal to different segments of the target market, and the customer will pay a higher price for greater features and benefits, and this form of price discrimination to assist in maximising turnover and profits

6.2.4 Objective Highlight the value added features, benefits and quality of each product, which is valued by the target market

6.2.4 Strategy Product Line pricing model (W12_RCO2). Pricing different products within the same product category at different price points depending on that product's features, benefits and quality

6.2.5 Objective During promotional periods, markdowns that are applied to items will remain permanent to remove slow selling items from the inventory.

6.2.5 Strategy No Temporary Mark Downs

Product that doesn't sell well within its planned sales period takes up valuable space on the shop floor and in storage. This product needs to be marked down to facilitate sales to help clear the product and make room for new product. The store will follow a structured sell through strategy that is based on target sales ratios, and when these target sales are not met by an item for its selling period it will be marked down based on its actual sales ratio

6.2.6 Objective Mark down old product that isn't selling well in order to make room for new product and free up storage space.

6.2.6 Strategy Aim for 100% Sell-Through (W12_RCO5) for an item after a 6-7 week selling period. Please refer to Appendix 32 for a breakdown of the sell through strategy

6.3 Place Strategy

6.3.1 Objective Have easily accessible stock to ensure product can be replaced quickly to keep the store faced up

6.3.1 Strategy On-site stock room

6.3.2 Objective Maintain good styles and size range numbers of product in order to keep the store faced up and to prevent stock-outs

6.3.2 Strategy Stock to sales ratio is 4:1

As P.E Nation is operating on a set key stone margin, increases in production costs would mean the sell price of items would need to increase which would be negative for brand image. A lean supply chain would maintain the cost price of products to ensure consistent retail prices and prevent cost increases being absorbed by the profit margin

6.3.3 Objective Supply chain must be as lean as possible to maintain consistent sell prices

6.3.3 Strategy Lean supply chain

Regular inventory delivery on an allocated day is suitable for a smaller sized retail store, as deliveries can be planned for and completed when more staff is available. This ensures stock is received and put away and the store is faced up for the busy late night and weekend trade. In addition, regular deliveries mean the store has a constant flow of product to maintain the stock to sales ratio and prevent stock outs

6.3.4 Objective Maintain stock to sales ratio

6.3.4 Strategy A Deliveries will occur on Thursdays each week

6.3.5 Objective Clear out old sale stock from shop floor to make room for new stock

6.3.5 Strategy A Marked down stock that is not selling well will be transferred to the online store to be sold. This limits the amount of stock in store that has been aggressively marked down to maintain brand image and ensure the sale section in store remains small

6.4 Promotion Strategy

6.4.1 Objective Gain brand awareness and traction for store launch

6.4.1 Strategy A A marketing and advertising strategy will be utilised that aims to increase brand awareness and promote the launch of the Emporium store. The brand's social media platforms will be used to promote the launch, and signage on the location site in Emporium while the store is being fit out will serve as three months of advertisement for local consumers.

5.4.2 Objective Product innovation to coincide with store launch

5.4.2 Strategy P.E Nation will introduce its first sneaker to coincide with the launch of the store. The sneaker will be available for purchase exclusively in the Emporium store for the first four weeks of operation, where it will then also be made available through the online store

6.4.3 Objective Limited promotional periods

6.4.3 Strategy The only large promotional periods during the year will be the end of financial year sale and Boxing Day sales. This is because the store will focus on selling full price produce, and regular discounting does not match the brand's positioning. This strategy allows old stock to be cleared during these periods, and instead a small sale section will be maintained in store, but with no sale signage

6.4.4 Objective Utilise social media for brand awareness and customer acquisition

6.4.4 Strategy P.E Nation will use its social media platforms to actively promote the brand. These currently include Facebook and Instagram, however the brand will also launch a YouTube Channel for video content and Pip Edwards will use her own personal social media platforms to increase brand awareness

6.4.5 Objective Increase consumer-retailer interaction and establish a brand community

6.4.5 Strategy Implement email subscription. Customers will be invited to 'Join the Nation' by signing up to a customer database where they will receive emails regarding new product arrivals, trend forecasts, exclusive promotions etc. This creates an additional channel of communication between the consumers and the brand with facilitates positive relationships and brand loyalty

5.4.6 Objective Facilitate brand loyalty and reward VIP customers

5.4.6 Strategy Implement VIP Program. Building on the previous strategy, customers who sign up to the database will also receive rewards based on their expenditure. Customers who spend \$500 - \$700 per season will receive a \$40 gift voucher, customers who spend \$701 - \$1000 per season will receive a \$60 gift voucher and customers who spend \$1000+ per season will receive an \$80 gift voucher. The seasons run from July – December and January to June and the gift voucher will be in the form of store credit that will be emailed to the customer at the end of that season

P.E Nation's secondary target market was identified as students as females within this age range have especially embraced the health and fitness trend. By offering this segment an additional promotion, it helps the brand to be popular with the younger market, which is good for brand image. This secondary target market would also have the least disposable income, so it helps attract them into the store with a value-based offer

6.4.7 Objective Increase capture of younger segment of target market

6.4.7 Strategy 10% discount for students

6.5 People Strategy

6.5.1 Objective Create a positive store culture that is inviting and personal

6.5.1 Strategy Only hire employees that fit the brand culture. They must be happy, friendly, have a good disposition and be committed to the job. Most importantly employees must have a keen interest in health and fitness and be passionate about the brand and clothing to

provide genuine service. This is crucial as customers will vibe off the employees and they are the physical connection between the brand and product

6.5.2 Objective Maintain high standards for staff and ensure they are meeting the needs for the brand

6.5.2 Strategy Monitor and evaluate employees regularly to identify areas of strength and weaknesses, which can be improved by setting goals, staff training and incentive programs

6.5.3 Objective Control Loss

6.5.3 Strategy Theft will aim to be minimised by ensuring a manager is always present during store operation. Only the store manager and assistant manager have the authority to open and close the store and handle the banking procedures. In addition, security cameras will be fitted in store

6.6 Physical Evidence Strategy

6.6.1 Objective Store is easily accessible and simple to navigate

6.6.1 Strategy The proposed Emporium store will have a simple floor plan with wide aisle spaces to follow the minimalism approach, help keep the store tidy, reduce areas for theft and meet requirements for disabled and wheelchair access. Please refer to Appendix 34 for a proposed store layout

6.6.2 Objective Minimalist approach to store fit out and VM

6.6.2 Strategy As P.E Nation's products are mostly bright primary colours with contrasting patterns, a minimalism approach to the store fit out in terms of fixtures and fittings will ensure the store is aesthetically pleasing, and this will help it look less cluttered. Product displays will involve suspended racks for tops, bottoms and outerwear and footwear will be displayed on the floor underneath hanging clothing. The walls will be white brick, fixtures and fittings will be wood, mannequins will be black and colourful sporting imagery will line the walls. The. Please refer to 32 and 33 for proposed store fit out and VM options

6.7 Process Strategy

6.7.1 Objective Establish a closed loop customer journey/experience

6.7.2 Strategy Encourage social media following and sign up to loyalty program and add to database to connect the post-purchase experience to pre-purchase experience

6.7.2 Objective Pre-purchase process must encourage customers to enter store

6.7.2 Strategy Store will be easily accessible, and located in a high traffic area. In addition, the store has increased frontage due to its corner location, meaning it can maximise window space for displays and signage

6.7.3 Objective When customers are in store they receive genuine customer service and a unique customer experience that is memorable and without errors

6.7.3 Strategy All stages of the in store purchasing process will be maximised for customer satisfaction. Customers will be greeted within the first minute of entering the store and offered assistance if needed. Customers will be engaged in genuine conversation and assisted in picking items if needed. In the fitting rooms, staff will provide knowledgeable styling advice and genuine opinions, and when paying for items customers will be encouraged to sign up to the data base and made to feel like an appreciated customer.

6.7.4 Objective Customer's post purchase experience is reminiscent of their in-store experience

6.7.4 Strategy Provide after sales service through free repairs and a good returns policy. When customers sign up to the database, they receive their purchase receipt via email so it is never lost, and this email would also invite the customer to rate their purchase experience so it can be monitored and improved

7.0 OPERATIONS PLAN

7.1 Store Operations

Operations management is the effective implementation of policies, procedures and tasks in order to satisfy consumer, employee and management and maintain employee efficiency, consumer mobility and product inventory control (W8_RCO1).

7.1.1 Trading Hours

The trading hours for the proposed P.E Nation store will follow the current store hours for the Emporium. The trading hours can be seen in Appendix 35. The store will open daily at 10:00am and close at 7:00pm, except for Thursday and Friday where due to late night trading in the city the store will close at 9:00pm.

7.1.2 Holiday Operation

The holiday trading days for the proposed P.E Nation store will follow the current store hours for the Emporium. The holiday trading days can be seen in Appendix 36. The store will only

close for Good Friday, ANZAC Day and Christmas Day, however the remaining holidays may experience reduced trading hours.

7.2 Human Resources

Human resources are the personnel and employees that play a vital role in the success of a fashion business, and this human resource function is required to be planned and assessed to influence employee behavior, attitude and performance (W7_RCO1) and it involves many functions including recruiting and selecting, training, compensating and supervising (W7_RCO3)

7.2.1 Required Employees

The number of staff required for efficient management and operation of the proposed P.E Nation Emporium store has been estimated based on the size of the store, the assumed daily foot traffic and trading hours. The required staff members and their employment status can be seen in the table below. A store manager and assistant manager are required to form the store's senior level management, and by having two management personnel it ensures that a minimum of one of them is present to open and close the store and supervise the day's shifts. One part time member is required to work shorter shift to cover breaks and busy period on weekends and late night trade. Two casual sales assistant will be required to cover shifts in the event that another staff member calls in sick and for busy periods such as weekends and late night trade.

7.2.2 Employee Roster

An example weekly roster can be seen in Appendix 38. This roster is an example for a regular week, and it is important to note that additional hours for staff training before and during store operation will be updated for those particular weeks as mentioned previously. This roster also displays the minimum staff requirements for quiet trading periods, so for busier months such as November and December in the lead up to Christmas the casual staff can receive more hours and holiday casuals can be hired as needed.

7.2.3 Employee Culture

P.E Nation's Emporium store will run on the notion of 'healthy body, healthy mind, healthy spirit.' This mantra will be used to communicate the brand's values of an importance on keeping fit and active to function at the fullest potential. Employee culture is so important to the day-to-day running of the store as staff is in direct connection to the customers and they must function as brand advocates. By achieving a positive store environment and happy employee culture, staff will be excited to go to work and represent the brand. Principals that

will make up the employee culture will be to turn up with the right attitude, commit to the role and have fun.

7.2.4 Employee Selection

Employees for the store will require many attributes to represent the brand correctly (W7_RCO5). They must be analytical to solve problems, be creative to come up with solutions, be decisive to take action, be flexible to adapt to the task at hand and have excellent communication skills. Position advertisements will communicate these attributes that are required, and only people that meet the required will be hired. An example recruitment advertisements for the assistant store manager can be seen in Appendix 37.

7.2.5 Training

All staff members will be required to attend a two-day training session prior to the opening of the store where they will learn about the product, learn how to use the POS system and participate in team building, customer service, styling and loss prevention workshops. Once the store has opened, every three months a training night will be held at the store after hours to maintain employee standards. These training sessions will cover new policies and procedures and team building, customer service, styling and loss prevention workshops. All store staff members will be encouraged to attend these training sessions and this time will be added to their weekly pay.

7.2.6 Compensating

Staff will receive above award rates for their wages and salaries. This choice has been made to motivate employees and keep them committed to the brand. In addition, staff will receive a seasonal wardrobe allowance to purchase full price product to wear during their shifts. This ensures they are representing the brand and staff act as walking mannequins to promote product. The wardrobe allowance is calculated based on the staff's member's employment status, and the season is from July-December and January – March. The details for wardrobe allowances can be seen in Appendix 39.

To keep employees motivated to perform at their fullest potential, the store will have an employee incentive program that rewards staff for exceptional behaviour and performance. A list of the rewards programs that will be run can be seen in Appendix 40.

7.2.7 Supervising

Performance evaluations are a way to monitor and measure staff performance according to pre-determined metrics. Performance evaluations will be conducted every three months for

all store employees, and will form the basis of goals for the employee to work on which will be re-evaluated at the following evaluation. A copy of the employee performance evaluation can be seen in Appendix 41.

7.3 Store Security Plan

Store security is a crucial element for inventory management that involves the handling of merchandise, inventory functions during non-store hours and acceptable percentage inventory damage (W8_RCO3). The store is protected by an alarm that is monitored by a third party security company. The alarm must be activated within 30 minutes of the time of store closing. In the event that the alarm is triggered or has not been set by the designated time, the security company notify the store manager and Emporium security. Only the store manager and the assistant manager have access to the alarm code, which ensures at least one of them is present for store opening and closing.

The retail store is monitored by external security cameras in Emporium and internal security cameras located in the P.E Nation store. The security footage is recorded by a third party security company and the footage is available by request from either the store manager or Emporium security. The store entrance is protected by a deadlocked glass door that only the manager and assistant manager have the keys to access it, which ensures at least one of them is present for store opening and closing. The door to the stockroom is protected by a passcode combination that is known by the store manager, assistant manager and other staff members as required. This passcode is able to be changed at any time by the store manager or assistant manager.

7.4 Merchandise Plan

Considerations involved in devising merchandise plans involve predicting sales for overall company projections, product-category projections and item-by-item projections for fashion merchandise forecasting and merchandise innovativeness planning (W10_RCO3). Elements of this innovativeness planning consider the target market, brand image, competition, amount of investment, profitability, risk and constrained decision making. In addition, to predict fashion adoption for P.E Nation it must be considered if the fashion satisfies the needs of the customer, if its compatible with the customer's lifestyle and if the fashion is oriented towards the mass market or a market segment (W10_RCO4).

Items for the merchandise plan were chosen based on their probability for being best-sellers. A number of factors were considered when choosing the products, including having a range

that was a good mix of basics, fashion and icing pieces, a good range of price points to appeal to segments of the target market, a good mix of tops, bottoms and outerwear and a range that would cover both summer and winter seasons as the merchandise plan was for the whole year.

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	SEASON TOTAL
SALES	Plan	\$8,922	\$10,706	\$10,706	\$17,843	\$24,981	\$44,608	\$7,137	\$7,137	\$7,137	\$7,137	\$12,490	\$19,628	\$178,433
	% of Season	5%	6%	6%	10%	14%	25%	4%	4%	4%	4%	7%	11%	100%
REDUCTIONS	Plan	\$1,875	\$1,875	\$1,875	\$1,875	\$1,875	\$13,127	\$1,875	\$1,875	\$1,875	\$1,875	\$1,875	\$5,626	\$37,507
	% of Plan MD	5%	5%	5%	5%	5%	35%	5%	5%	5%	5%	5%	15%	100%
BOM STOCK	Plan	\$38,660	\$40,445	\$40,445	\$47,582	\$54,719	\$74,347	\$36,876	\$36,876	\$36,876	\$36,876	\$42,229	\$49,366	\$535,299
EOM STOCK	Plan	\$40,445	\$40,445	\$47,582	\$54,719	\$74,347	\$36,876	\$36,876	\$36,876	\$36,876	\$42,229	\$49,366	\$44,608	\$541,247
PLANNED PURCHASES @ RETAIL	Plan	\$12,581	\$12,581	\$19,719	\$26,856	\$46,484	\$20,265	\$9,013	\$9,013	\$9,013	\$14,366	\$21,503	\$20,495	\$221,887
PLANNED PURCHASES @ COST	Plan	\$8,047	\$8,047	\$12,611	\$17,176	\$29,729	\$12,961	\$5,764	\$5,764	\$5,764	\$9,188	\$13,753	\$13,108	\$141,911

	Plan	
Planned Sales		\$178,433
%Initial Markup	36.04%	
%Reductions	21%	\$37,507
%Maintained Markup	23%	
%Markdowns	15%	
%Staff Discount	5.0%	
%Shortages	1.0%	
%Cash Discount	0%	\$-
%Gross Margin	23%	
%Controllable Exp	10%	\$17,843
%Total Expenses	15%	
%Profit	8%	\$13,561
%Contribution	13%	
Stock Turnover	3	
Avg Stock	\$59,478	
Basic Stock	\$29,739	

7.5 Gantt Chart

The following chart detail all activities that are required for pre launch and launch of the Emporium store, and also the activities that will take place throughout the year

		MONTH														
		Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
ACTIVITY																
PRE LAUNCH	Store fit Out															
	Recruit Staff															
	Staff Training															
	Launch Planning															
LAUNCH	Store Launch															
	Launch Promotion															
PROMO	Boxing Day Sale															
	EOFY Sale															
STAFF	Training Workshops															
	Performance Evaluation															
MONITOR /EVALUATE	Risk Analysis															
	Control															
	Analyse Improvements															

7.6 Risk Analysis

Policies are required to control security loss, to implement procedures to prevent loss and theft, opening and closing the store and stock take (W8_RCO4). It is crucial that retail stores take the necessary measures needed to protect themselves against various risks and hazards. A detailed list of potential hazards, existing control measures, level of impact (rated out of 10, 1 for low impact and 10 for high impact), preventative measures and who is responsible can be seen in the table below.

Potential risk/hazard	Who/What is at risk	Existing control measures	Impact rating	Preventative measures	Responsibilities
Low customer turnover	Loss of sales and profit	Staff incentives for sales, marketing plan	7	Motivate staff to meet daily/weekly budgets	All staff are responsible for sales but overseen by manager
High employee turnover	High marketing costs	Employee Performance evaluations, above award wages, incentive programs, wardrobe allowance	5	Maintain positive employee culture and open communication between staff and management	Manager is responsible employee culture and recruitment
Theft	Profits	Loss prevention training for staff, security cameras, alarm system, locked doors	6	Regular training, using customer service to reduce theft opportunities and only managers have keys/alarm codes	All staff are responsible for minimising theft but overseen by manager
Accident – customer injury	Customer safety, Profits, reputation	OHS measures, insurance	9	Any potential hazards must be reported to the manager	All staff are responsible for reporting potential hazards
Accident – employee injury	Employee safety, Profits, Employee Loyalty	OHS measures, insurance	9	Regular OHS training, any potential hazards must be reported to the manager	Manager is responsible for the safety of all staff
Natural hazard e.g. flood	Facilities, customers, employees	Building structure meets requirements, staff emergency training	10	Cannot be prevented	Manager is responsible for safety of all staff
Fire	Facilities, customers, employees	Fire extinguishers, fire plan, staff emergency training	10	No smoking on site, no open flames	Manager is responsible for safety of all staff

8.0 BUDGET

PROFIT/LOSS PROJECTION

The below table shows the profit and loss projection for the first year of store operation from July 2017 to June 2018.

Revenue	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Sales	\$57,933	\$69,520	\$69,520	\$115,866	\$162,213	\$289,665	\$46,346	\$46,346	\$46,346	\$46,346	\$81,106	\$127,453	\$1,158,661
% Sales by Month	5%	6%	6%	10%	14%	25%	4%	4%	4%	4%	7%	11%	100%
Less cost of goods sold													
Beginning Inventory	\$173,798	\$208,558	\$208,558	\$347,597	\$486,635	\$868,992	\$139,039	\$139,039	\$139,039	\$139,039	\$243,318	\$382,356	\$3,475,967
Purchases	\$21,899	\$26,278	\$26,278	\$43,797	\$61,316	\$109,493	\$17,519	\$17,519	\$17,519	\$17,519	\$30,658	\$48,177	\$437,973
Transportation	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$48,000
Merchandise available for sale	\$199,697	\$238,836	\$238,836	\$395,394	\$551,952	\$982,485	\$160,558	\$160,558	\$160,558	\$160,558	\$277,976	\$434,533	\$3,961,940
Ending inventory	\$180,425	\$216,510	\$216,510	\$360,849	\$505,189	\$902,123	\$144,340	\$144,340	\$144,340	\$144,340	\$252,595	\$396,934	\$3,608,493
Cost of Goods Sold	\$19,272	\$22,327	\$22,327	\$34,545	\$46,763	\$80,362	\$16,218	\$16,218	\$16,218	\$16,218	\$25,381	\$37,599	\$353,447
Gross Profit	\$38,661	\$47,193	\$47,193	\$81,321	\$115,450	\$209,304	\$30,129	\$30,129	\$30,129	\$30,129	\$55,725	\$89,854	\$805,214
Expenses													
Salaries	\$10,602	\$12,722	\$12,722	\$21,203	\$29,685	\$53,009	\$8,481	\$8,481	\$8,481	\$8,481	\$14,842	\$23,324	\$212,034
Rent	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$14,368	\$172,416
Insurance	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$5,098	\$61,176
Utilities	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$1,641	\$19,692
Depreciation	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$24,324
Interest	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$2,027	\$24,324
Advertising	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$6,797	\$81,564
Office Supplies	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$1,699	\$20,388
Maintenance	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$3,398	\$40,776
Total Expenses	\$47,657	\$49,777	\$49,777	\$58,258	\$66,740	\$90,064	\$45,536	\$45,536	\$45,536	\$45,536	\$51,897	\$60,379	\$656,694
Net Profit before start up													\$148,520
store fit out													\$277,500
capital investment													\$600,000
Net profit													\$471,020

9.0 CONTROL

9.1 Evaluation Plan

As a store manager it is important to measure required details to effectively monitor and evaluate the performance of the store to plan the action which should be taken. A list of the factors to be measured and how they will be evaluated can be seen in the table below.

WHAT WILL BE MEASURED	WHAT METRIC WILL BE USED	HOW OFTEN WILL IT BE MEASURED	HOW WILL IT BE ANALYSED	WHAT ACTION SHOULD BE TAKEN	WHO IS RESPONSIBLE FOR THE ACTION
Sales	Sales (\$)	Daily, weekly, monthly and annual figures will be recorded	Total sales (\$), Conversion rates, average transaction value	Managers will actively communicate figures to staff, training will focus on meeting budgets	Store Manager
Sell-through	Sales (\$)	Weekly	Calculate variance between actual and planned	If positive, consider rewards for staff and incentive program. If negative, consider training in sales, product knowledge, and motivational techniques	Store manager or assistant manager
Order efficiency	Lead time	Monthly	Arithmetic mean and range	If within targeted range, status quo, if outside of target range (7-14 days), determine origin of delays, then address on case by case basis	Store Manager
Staff performance	Sales budgets and metrics on employee evaluation	Daily sales budgets Employee evaluation every three months	Daily sales budgets will be set for each staff member at the beginning of each day	If positive consider rewards for staff and incentive program. If negative, consider training for required areas, and goal setting	Store Manager
Theft	Lost sales (\$)	Daily, weekly, monthly and annual figures will be recorded	Weekly cycle counts, monthly stock audits, seasonal stock-takes	Staff training will focus on loss prevention, increased customer services reduces opportunity for theft	All staff are responsible for minimising theft, overseen by managers

9.2 Improvement Plan

Research and development is an ongoing analysis of trends and issues in which short term, medium term and long term factors must be considered to improve products, services, store operations, promotion effects and manage competitors and customers (W8_RCO5).

The Edwards Deming approach will be used in order to analyse year one of store operations to make improvement for the following year. Deming states that management is based on a cycle of seasons or years, and upon analysing the cycle if the results have been positive or negative the necessary measures will need to take place to reward or improve for the next year.

The store manager will monitor the above aspects in the control plan to decide how to improve performance for year two of operations. By having certain standards, this ensures that the level of improvement is maintained from cycle to cycle on an incline and doesn't slip backwards.

