Strategic Planning and Management in Retailing Does Cases!

The Strategic Planning and Management in Retailing Program faculty always have relied heavily on cases to illustrate the models we use in the program and to give participants an opportunity to apply them. Cases also allow us to present examples from many retail sectors. Increasingly, we have come to write and produce our case materials for both the open enrollment program and custom versions of it. Many of these cases may be of interest to our readers.

Our Summer 2010 newsletter was our first to feature one of our cases: Hennes and Mauritz, the rapidly expanding Swedish fast fashion retailer. This newsletter features one of our most recent cases, the premier off-price retailer in the United States, TJ Maxx. It is available in soft copy from me at larry.ring@mason.wm.edu. This case is organized around the Homans Model and the Pentagon and Triangle Model. In addition to the TJ Maxx case, we have several other recently written cases that can be ordered. They include:

1. *Best Buy 2006–2012: From Customer Centricity to the "Connected World" to???* (authored by John Strong), 2012, 10 pp., W&M-M-178.

2. *Nordstrom 2005–2012* (authored by John Strong), 2012, 4 pp., W&M-M-177.

3. *Whole Foods Market in 2011* (authored by Larry Ring and Vidula Shinde), 2012, 38 pp., W&M-M-176.

4. *Target Stores 2010–Present: An Unexpected Change of Events* (authored by Ron Hess and Sonika Patel), 2011, 6 pp., W&M-M-174

5. *Amazon.com in 2010* (authored by Larry Ring and Matthew Nathan), 2011, 34 pp., W&M-M-173.

6. *T.J. Maxx* (authored by Larry Ring, Ron Hess, Sonika Patel, and Amruta Kanitkar), 2011, 34 pp., W&M-M-172.

7. *Lowe's Stores in 2010* (authored by Larry Ring, Ron Hess, and Amruta Kanitkar), 2010, 28 pp., W&M-M-170.

8. *Target Stores 2006–2009: Fall From Grace or Slight Misstep?* (authored by Ron Hess), 2009, 16 pp., W&M-M-169.

9. *Starbucks (B): Period of Poor Strategic Decisions* (authored by Ron Hess), 2009, 4 pp., W&M-M-168.

10. *Hennes and Mauritz* (authored by Larry Ring and Rachel Hutson), 2009, 21 pp., W&M-M-167.

11. *Zara in 2007* (authored by Larry Ring and Elizabeth Galloway), 2008, 21 pp., W&M-M-164.

12. *Target Stores in 2006* (authored by Larry Ring, Gregory Higgins, and Xiaobing Nie), 2007, 30 pp., W&M-M-159.

13. *Best Buy 1996–2005* (authored by John S. Strong), 2005, 9 pp., W&M-M-158.

14. *The Gap, 1999–2002* (authored by Larry Ring), 2005, 9 pp., W&M-M-156.

15. *The Home Depot, 2000–2005* (authored by Larry Ring, John Strong, and Yelena Shekhovtsova), 2005, 26 pp., W&M-M-154.

W&M-M-172

TJ Maxx[a]

Introduction

TJX Corporation, the parent of off-price retailer, T J Maxx, reported Return on Shareholder's Equity (ROE) of 42 percent on January 31, 2010. This was the highest ROE of all major United States retailers for the calendar year 2009, and was the sixth consecutive year that TJX led the other big U.S. retailers in profitability.

Each year, the question is raised again: Could the company continue to post such outstanding results in the future? TJX had performed very well before the Global Financial Crisis (GFC) and during the GFC. As the world's economies struggled to return to normalcy, many wondered if TJX could continue to thrive or if the more price- and- cost- conscious behavior of other retailers would render off-pricers less effective.

The off-price retail sector had grown faster than most other retail segments, with a CAGR greater than 10 percent during the latter half of the 2000's decade, well above the 4 percent average annual growth rate for apparel retail. This ongoing trend reflected consumer preference for brand-name fashion at prices lower than those found at full-price department stores. The combination of a simultaneously growing demand and supply in the off-price market led to this 10 percent growth in this sector. TJX rode this growth wave as it expanded its operations throughout the U.S., Canada, England, Scotland, and Ireland. TJX owned T.J. Maxx and Marshalls, together known as Marmaxx. Ross Stores was the second-largest off-price retailer in the U. S. in terms of total sales.[12] As the U.S. economy struggled through the impact of the sub-prime fallout and the GFC, consumers cut-back on all apparel and fashion spending. Even as the economy emerged from the recession, retailers across all segments of the soft goods sector predicted that the deal-seeking behavior of consumers would stick around. Therefore, the upscale department stores and the branded retailers were leading with their outlet stores as they battled for the discount-driven shoppers.

[a] This case was prepared by Sonika Patel, MBA 2011, and Amruta Kanitkar, MBA 2010, under the supervision of Lawrence J. Ring, Chancellor Professor of Business and EMBA Alumni Professor and Ron Hess, Associate Professor, as a basis for class discussion. It is not intended to illustrate either effective or ineffective management. Copyright, 2011, by the Mason School of Business Foundation Board.

Nordstrom and Saks Fifth Avenue both increased their outlet store base at a faster pace than their full-line fleet. Macy's planned to enter the outlet concept for its Bloomingdale's nameplate with four outlet locations in Florida. Lord & Taylor focused on its nascent outlet concept after having failed in its attempt to go upscale. They also focused on the online outlet storefront on eBay.com. Burlington Coat Factory invested in improving the store experience after doing a consumer survey. They refreshed 26 stores with new carpet, painting, and fitting room improvement.

A snapshot of this sector showed that Nordstrom was snatching customers from Neiman Marcus and Saks Fifth Avenue (SAKS), and T.J.Maxx and Marshalls (TJX) were stealing market share from almost every store in the mall. And Macy's benefited as much as it got hurt when shoppers headed to off-price discount stores. Full-price stores were trying to make money by expanding their discount outlets as their same store sales growth was declining.

Going forward, some observers wondered if the off-price retailers would be challenged by the full-price retailers tightening their hold on inventories. Also, some thought the widespread adoption of retail technologies and the development of other branded retailers' clearance channels would be a threat to the off-price retailers.

How Off Price Works

The typical off-price customer was a treasure hunter who visited a store like T.J.Maxx as often as weekly in search of getting a great deal on designer outfits and accessories from a previous season or that had been featured at a more prestigious retailer at a much higher price. It is generally assumed that off-price stores sell brand-name clothing, jewelry, luggage' and other items found in conventional retailers, but at far lower prices. They can do this, in part, because they sell merchandise from a previous year or season that a store or brand couldn't sell and unloaded for pennies on the dollar to a liquidator.[3] This is the conventional wisdom.

TJX CEO Carol Meyrowitz says there is more to it than that. She says that 85 percent of what the stores (T.J.Maxx and Marshall's) sell is from the same season and same year it was designed for, and that 85 percent is purchased directly from manufacturers. Much is identical to what the brands sell in department stores and less than 5 percent is irregular.[4]

Meyrowitz says TJX typically deals directly with brands—not with liquidators. Many brands deny such arrangements. "We're absolutely fine with every vendor saying they don't do business with us," Meyrowitz says. "It's a very important part of our relationship. She says manufacturers like doing business with her company because "we're not fair-weather friends. When we buy it, we own it." TJX is there to help when stores buy too much and return unsold merchandise to manufacturers, but also when manufacturers and designers want to lower their per-item cost by making extra money for the company's stores.[5]

History

In 1976, a young and talented merchant, Ben Cammarata, previously general merchandise manager of Marshalls, was offered an opportunity to build a new off-price chain. Under his leadership T.J.Maxx was born, a subsidiary of the TJX Companies Inc.

The first two T.J.Maxx stores opened in Auburn and Worcester, Massachusetts. They offered off-price, upscale apparel for the whole family. T.J.Maxx was an instant hit with customers including middle- to upper-middle-income shoppers, providing the perfect solution to the heightened demand for quality fashions at reasonable prices with an ever-changing fresh assortment and hence earned the slogan “Never the same place twice.”[6]

By the mid-1980s, off–price specialty retailing gained ground, and, by 1986, 35 new T.J.Maxx stores were opened. By 1991, T.J.Maxx was by far the company’s largest division, and posted record sales for the 15th consecutive year since it opened. At the end of 1991, T.J.Maxx had 437 stores in 46 states. Company executives planned to open many more stores, focusing primarily on the sparsely penetrated southwestern United States, as well as expanding several existing stores. T.J. Maxx also planned to follow its success in jewelry and shoes by opening these respective departments at locations that did not carry these items. It also planned to expand its high performance nonapparel categories, such as giftware and domestic items. In addition, T.J.Maxx embarked on an effort to enlarge a number of stores to a larger format ranging from 30,000 to 40,000 square feet. This effort facilitated expansion of all the departments, especially giftware and houseware, as well as other nonapparel categories. T.J.Maxx opened 21 stores during 1996 and closed 30.The chain recorded excellent sales in 1996, an increase of 5 percent from the previous year.[7]

In 1995, Marshalls was acquired, and T.J. Maxx together with Marshalls formed the Marmaxx Group, the largest off-price retailer of apparel and home fashions in the U.S. Despite the similarities in operations, T.J.Maxx and Marshalls retained their distinct identities.

In 1998, TJX launched A.J.Wright in eastern U.S., and went national in 2004 when it opened its first store in California.

In 2002, TJX revenue was approximately $12 billion and grew to $13 billion by the end of 2003. In 2004, the company was ranked 141st in the Fortune 500 rankings with almost $15 billion in revenue.[8]

At the end of 2008, T.J.Maxx operated 874 stores and anticipated further growth opportunities in the U.S., including new stores and expansion of successful merchandise categories.[9] **Exhibit 1** displays the number and location of TJX stores by division.

TJX Companies reported sales on January 31, 2010, of $ 20.288 billion and Return on Net Worth of 42 percent. **Exhibit 2** provides the company’s Income Statement and **Exhibit 3** provides the Balance Sheet.

TJX Company Vision and Values:

According to its website, the TJX Company's long-term **vision** was to grow as a global off-price/value company. The company mission was to deliver great value to customers. The value for customers had four components: Fashion, quality, brand, and price[10]

In 2007, TJX adopted a new **vision**, Company of Choice in which every customer and associate felt valued and found value. A Company of Choice means:

- TJX businesses are each a *Retailer of Choice* for increasingly diverse and international customer and vendor communities
- TJX is an *Employer of Choice* for increasingly diverse and international talent
- TJX is a *Neighbor of Choice* in supporting the neighborhoods and communities where its stores, distribution centers, and offices are located[11]

Since its adoption, TJX had made significant progress to achieve this **vision**. In 2008, as a Retailer of Choice, TJX improved the in-store shopping experience of its customers by providing more bilingual Spanish-English signs and offering larger, family-friendly dressing rooms. As an Employer of Choice, TJX improved its employee benefits offerings and granted same-sex domestic partner benefits to associates. As a Neighbor of Choice, The TJX Foundation and TJX Community Relations invited associates to stores, offices, and distribution centers to recommend organizations with which TJX could partner. This activity made charitable efforts more localized and meaningful for both the TJX associates and customers.

Core Values:

The TJX Companies were committed to the **values** of integrity and treating people with respect, dignity, and fairness. TJX was constantly trying to improve the ways in which it could embrace and leverage the differences among its people. The company believed in delivering value to customers while returning value to its shareholders. At the executive and board level and throughout the organization, the company was committed to strengthening its position as a Company of Choice.[8]

The core values of the company were as quoted below:

"We believe that the diversity within our workforce and vendor base makes us a better company, and realize that our work must continue in order to meet and exceed the expectations of our increasingly diverse customers, associates, vendors, and communities."[9]

Corporate Social Responsibility:

To ensure that the core values of integrity and openness continued to be an integral part of the company culture, TJX introduced a global Corporate Social Responsibility program, Always about **V.A.L.U.E**.[10] Each letter in the word value stood for one of the five tenets of social responsibility that TJX identified as having the most meaning for the company. Those areas were: **V**endor Social Compliance, **A**ttention to Governance, **L**everaging Differences, **U**nited with Our Communities, and **E**nvironmental Initiatives. This program aimed to help TJX to continue to make a positive, sustainable impact with its shareholders, associates, customers, vendors, and communities.

Organizational Structure

TJX's corporate **structure** was very hierarchical with board of directors at the top, including Chairman of the Board Bernard Cammarata and President and CEO Carol Meyrowitz. See **Exhibit 4A** for the complete organization structure led by Meyrowitz**.** Following the board, were the executive officers that include the CFO and senior VPs. The board and executives were further grouped by functions into committees. See **Exhibit 4B** for the business structure of TJX.

Management Style:

The corporate culture at TJX was very family-like and had an open-door policy. TJX was founded on the core values of integrity and treating people with respect and integrity. The TJX culture encouraged respect for each individual which was evident from its philosophy of Remember Everyone Affects Customer Happiness (REACH). This emphasized the company's dedication to providing consumers, vendors, and co-workers with a level of caring beyond what is expected.

Every employee was encouraged to share his or her viewpoint and the open-door policy ensured that all perspectives were heard and valued. The company had four authorized associate groups. These Associate Resource Groups were provided an annual operating budget and a liaison from Human Resources. These were groups to which any associate may belong, offering associates networking and career development support, business information and education, and offering the company ideas to help it achieve its goals as an *Employer of Choice.*

Management Systems: The company provided competitive packages and benefits such as life and home insurance, medical dental, college savings program, and scholarship awards program. Additionally, the company provided on-site day care center, dry cleaning, career development library, and learning and development training classes. At TJX, management believed that a work-life balance was critical to the successes of the associates, and thus encouraged the associates to have one.

Leveraging differences, diversity, and equity was given serious thought and importance at TJX. Company management development courses about leading teams and giving feedback addressed how to manage the differences among associates. Team development programs addressed differences that could impact associates as they worked together. In addition, tailored programs related to leveraging differences and diversity to support a particular group or business unit were created and offered as business objectives warranted. In Canada, a program titled The Equitable Leader was offered to leaders throughout the Canadian businesses. In the U.S., new opportunities for managers to develop core skills for leveraging differences and managing for inclusion were being designed.[12]

Pentagon Components:

Place:

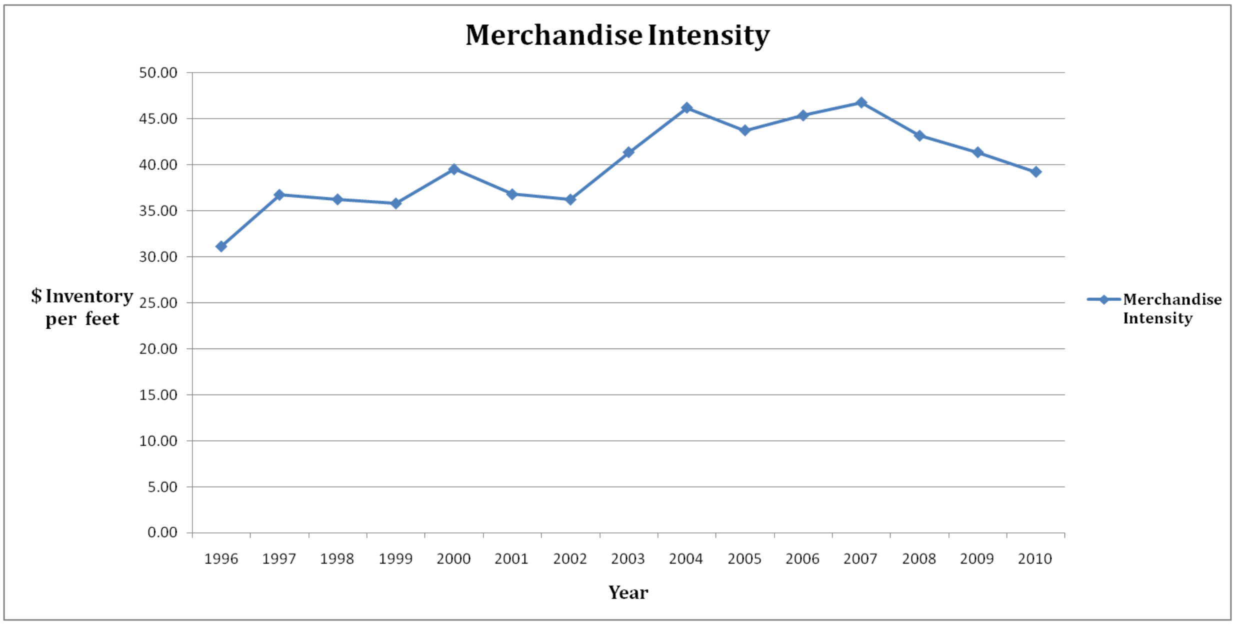
Store Size: By 2009, T.J.Maxx had 874 stores in 48 states in the US. The average year-on-year growth in terms of the number of stores was 3 percent. The average store size was 30,000 square feet.[13]

Store Location: T.J.Maxx stores were generally located in suburban community shopping centers. TJX leased nearly all its store locations generally for 10 years with an option to extend the lease for one or more five-year periods. It had the right to terminate some of these leases before the expiration date under specified circumstances and for specific payments.[14] TJX operated 13 distribution centers in the U.S., two in Canada, and four in U.K. that together accounted for approximately 11 million square feet. All of the merchandise was shipped to stores through one of the large and highly automated distribution centers. In 2010, the company shipped about 1.6 billion units to stores. **Exhibit 5** provides locations for TJX distribution centers for 2010.

Layout and Design: T.J.Maxx operated with a low-cost structure as compared to many other retailers. While the company endeavored to provide a pleasant, easy shopping environment with an emphasis on customer convenience, it did not spend heavily on store fixtures. T.J.Maxx had an open floor plan. The selling space was flexible without walls between departments and largely free of permanent fixtures. As a result, management could easily contract or expand departments in response to customer demand, available merchandise, and fashion trends.[15] The typical store characteristic was its treasure hunt atmosphere. The Runway designer department within the store was set apart with softer lighting, lavender signage, and sleek black and lavender fixtures.[16] Lifestyle signs designating Active shop, Swim shop, or Dress shop were prominently displayed so that shoppers could easily navigate the store.[17]

Product:

Intensity: The high sales-per-square-foot productivity and rapid inventory turnover provided expense efficiencies to the chain.[18]



TJX had an exceptional inventory management system. Maintaining low inventory levels to drive faster inventory turns was one of the key strategies of the company. This enabled the company to maintain higher merchandise margins even during a difficult retail environment. In 2010, the company planned to invest further in its supply chain to ensure that the right merchandise flowed to the right stores at the right time.

The merchandise intensity graph indicated that the inventory management improved from 2007 to 2010. This meant that less inventory was required per selling square foot. This shows that TJX is tying up fewer dollars in inventory. The table for this graph is in **Exhibit 6** and shows the corporate numbers along with those of each division.

Assortment: T.J.Maxx primarily targeted female shoppers who had families with middle to upper-middle incomes and who generally fit the profile of a department or specialty store customer. T.J.Maxx sold brand-name family apparel, women's shoes, and home fashions and differentiated itself with an expanded assortment of fine jewelry and accessories, all at prices 20-60 percent below department and specialty store regular prices.[19] The jewelry and accessories department performed well and by fiscal 2007, 686 out of total 821 stores completed the expansion of this department.[20] In 2006, better off-price buying was made a key priority and TJX shifted approximately 10 percent of its buying dollars into more off-price, close-out buys. This change improved the flow of great brands at compelling values to the stores every day, upped the "WOW" factor, and increased the excitement of the treasure hunt experience. Merchandising initiatives such as The Runway designer departments featured higher-end designer fashions including overruns, onesies, and twosies. The designer section was tested in 40 T.J.Maxx stores.[21] The Runway assortment focused on higher-priced designer, contemporary, and premium-denim brands which would not play well in all the markets and hence by 2008 T.J.Maxx confined the rollout to 50 stores and was selectively adding more assortments to more stores. T.J.Maxx continued to focus on growing categories such as jewelry, including the addition of staffed jewelry counters, across all the stores. The company also capitalized on the popularity of active wear beyond its functionality for exercising or playing a sport. It offered active wear in both performance and athleisure brands.[22] T.J.Maxx leveraged the downturn in department store sales through opportunistic buying and as a result had more in-season and on-trend merchandise. Dresses in particular were strong sellers for spring and summer. Accessory and jewelry sales were robust as well, especially designer handbags.[23]

Style and Fashion: The Runway department at T.J.Maxx offered designer brands such as Coach, J Brand, Joe's Jeans, Elie Tahari, Vivienne Tam, Vera Wang, Lavender Label, Theory, Moschino, Valentino, Ralph Lauren, and many more.[24] As a consequence, T.J.Maxx was often viewed by customers as very much in fashion and competitive in fashionability with department and specialty stores.

Value:

Price:

TJX Companies followed the off-price business model, which made branded fashion available to customers at a more affordable price. The company operated eight off-price retail chains in the U.S., Canada, and Europe and was known for its treasure hunt shopping experience and excellent values on brand-name merchandise.

TJX Companies was differentiated from traditional retailers because of its opportunistic buying of quality brand-name merchandise. A majority of its apparel inventory and a significant portion of its home fashion inventory were purchased opportunistically and virtually its entire inventory was purchased at discounts from initial wholesale prices.

This off-price model allowed the pricing strategy to be very flexible and allowed the company to react to market trends easily. The opportunistic buying and inventory management strategy helped the company to keep its assortments more current and turn the inventory more rapidly. This model gave it great flexibility to adjust pricing to the current market more frequently than other retailers.

The pricing and markdown decisions were made centrally, using information provided by specialized computer systems. The company generally did not engage in promotional pricing.

Also, the low-cost operational structure of the company allowed it to maintain high margins while offering brand-name merchandise to its customers at a low price. The company focused aggressively on cost savings in areas such as nonmerchandise procurement, operating efficiencies in distribution centers and stores, and efficiencies in supply chain.

Quality:

TJX was able to obtain adequate amounts of quality inventory for its customers irrespective of how favorable or difficult the retail environment was.

TJX essentially sourced its inventories, at substantial discounts, due to order cancellations and manufacturer overruns. This happened regularly in a highly fragmented apparel and home fashion industry. Therefore, there was no compromise on the quality of the product since it was sourced directly from the manufacturer. The merchandise carried either a manufacturer's label or another retailer's label. It was the same quality provided to customers at a more affordable price that created value for the customers. A small percentage of the merchandise was private label merchandise which was produced specifically for TJX by third-party manufacturers.

TJX purchased less-than-full assortments of items, styles, and sizes which attracted the manufacturers toward TJX in the case of unplanned excess inventory. However, the company ensured that its product assortment followed the changing consumer trends. Its efficient inventory cycle helped it manage the quality of their assortment and keep up to date.

TJX competed on the basis of fashion, quality, price, value, merchandise selection and freshness, brand-name recognition, service, reputation, and store location. In order to drive traffic to the stores and to increase same-store sales, the treasure hunt nature of the off-price buying experience required continued replenishment of fresh, high-quality, and attractively priced merchandise in the stores.

It was this quality merchandise mix and affordable pricing that maximized the value TJX offered to its customers.

People:

Service:

Although TJX primarily offered a self-service format, the company trained its store associates to provide friendly and helpful customer service. It also had customer-friendly return policies.

Customer feedback was essential to ensure that they kept coming back to the store. Therefore, both T.J. Maxx and Marshalls had a website that included an email address and a toll-free telephone number that directed feedback, suggestions, or concerns directly to the Customer Service Group of TJX.

TJX had in-house service groups dedicated to answering and facilitating customer inquiries. From time to time, the marketing websites also offered customers an option to fill online customer satisfaction surveys. These surveys gave direct feedback on customer experience, the merchandise mix or the service customers received in the store.

TJX also conducted in-store, customer-service programs to motivate and reward associates, stores, and store districts. These programs helped to educate and motivate quality in customer service so that the customers had a great shopping experience, irrespective of which TJX store they chose to shop.

Employee Climate:

TJX proudly called itself the Employer of Choice, and welcomed talent from diverse backgrounds. By the end of 2009, TJX had approximately 154,000 associates comprising 75 percent women and more than 50 percent minorities. The management team was comprised of about 60 percent women and nearly 30 percent minorities.[25]

TJX's compensation for its executive officers was based on the philosophy of pay for performance. Total compensation was a combination of base salary, short-term and long-term cash incentives, and long-term, equity-based incentives.

TJX had various programs that focused on leveraging new and existing people in the company. The Merchandise Manager Program and the TJX Off-Price Leadership Center focused on the individual development of current talent and new talent brought from outside the organization. For new associates pursuing merchandising and planning careers, the TJX Corporate Merchandise Training Program (CMTP) was the best-in-class, retail-training program. TJX also had a major hub of learning where it focused on strengthening and developing employees in the areas of operations, merchandising, planning, and leadership.[26]

TJX extended its benefits offerings and also granted same-sex domestic partner benefits to its associates. TJX scored 100 on the Corporate Equality Index of the Human Rights Campaign for both 2009 and 2010, earning a special green place in the Human Rights Campaign Buying Guide in both the guide for holiday season 2008 and 2009.[27]

In spring 2010, TJX was ranked No. 6 in the Specialty Retail Category Ranking in Fortune's annual list of Most Admired Companies. TJX moved up three places from No. 9 in 2009.

Customer Climate:

TJX was constantly finding ways to serve its diverse customer base and enhance their shopping experience. To that end, TJX started upgrading stores across all of their businesses. In 2009, TJX started an extensive remodeling program for Marmaxx, and expected to have 700 stores ready by the end of fall 2010.[28]

TJX also added bilingual Spanish-English signs and improved the overall look of their signage. The dressing rooms were made more spacious to help larger families and busy moms shop more conveniently.

At both T.J. Maxx and Marshalls, there was a dedicated group for store planning that worked toward offering a better merchandising mix to their customers. This group identified differences among customers and helped the company to better understand the changing needs of their customers. Also, the stores had no walls between departments, which allowed them to shift product assortments quickly as customers' tastes changed.

<u>Communication:</u>

In 2009, TJX ran an integrated marketing campaign for T.J. Maxx and Marshalls to convince recession-struck women that they could afford the expensive fashion brands.

The advertising spot showed fashion-conscious women chasing their errant friends and cautioning them as they overspent by paying full price for their clothes. The campaign questioned women asking if they are ready to take the first step toward such shopping interventions. One of the reasons why many people did not shop at both T.J. Maxx and Marshalls is because they do not understand the concept of off-price. Therefore, the best way to educate these consumers would be through their friends who know about it. This commercial ran on TV in major markets.

In addition, the company also claimed to save fashionistas $1 billion from January 2009 to April 2009, compared to the department and specialty store prices.[29]

To support the TV communication, TJX also executed some guerilla marketing efforts where actors performed spending interventions. Billboards featuring the TV spots and items currently in stock were rolled out in these nine major cities: New York, Boston, Los Angeles, Chicago, Philadelphia, Washington, D.C., Atlanta, San Francisco, and Miami.

In 2010, TJX continued to push the concept of smart shopping and educated shoppers about the opportunity to save money with new commercials for Marshalls: “Never pay full price for fabulous.” The commercial showed how women could save money on designer cashmere sweaters.

As consumers became aware about this “shopportunity,” TJX hoped to get consumers excited about its products even before they entered the stores. The company also used social media and had about 300,000 Facebook fans for T.J. Maxx and about 270,000 for Marshalls.

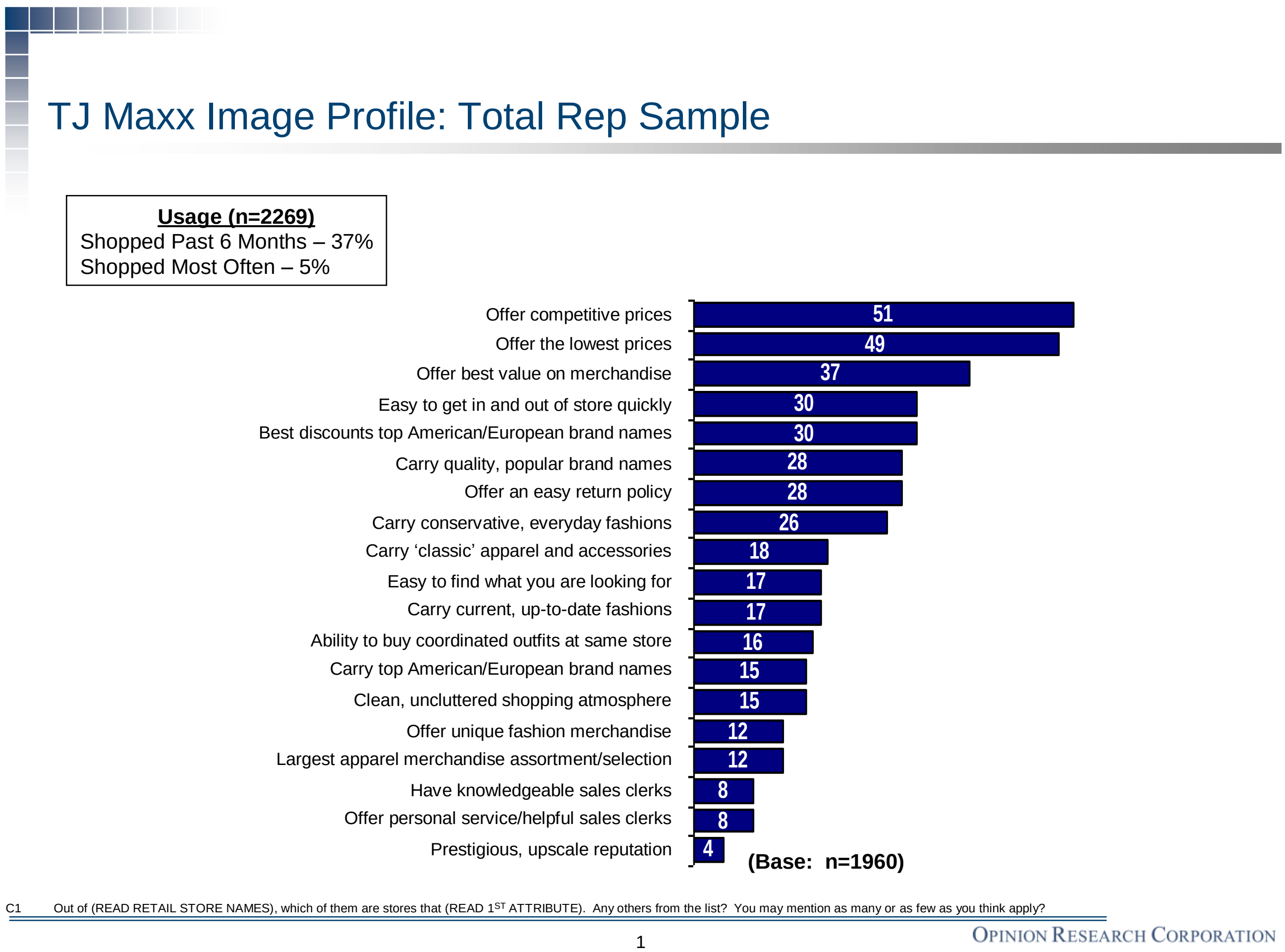
Also, both had a website that allowed shoppers to comment on their products and share their experiences. Additionally, what made these websites more exclusive was the fact that customers could not buy anything online. The website showed the prices and reviews on products but did not include online shopping. This showed how TJX was trying to build a community among its consumers who closely associate with the brand.

However, TJX operated on a low-cost structure model. Therefore, it spent less on its advertising budget as a percentage of sales compared to traditional retailers. This potentially provided competitors with large spending budgets a huge competitive advantage. The advertising costs as a percentage of net sales for TJX had marginally dropped from 2008 to 2010. Advertising expense was $227.5 million for fiscal 2010, $254 million for fiscal 2009 and $255 million for fiscal 2008.

	2010	**2009**	**2008**
Net sales $	**20,288,444,000**	**18,999,505,000**	**18,336,726,000**
Advertising Expense $	**227,500,000**	**254,000,000**	**255,000,000**
Advertising as % of Sales	**1.12%**	**1.34%**	**1.39%**

T.J.Maxx Overall Image

In 2007, Opinion Research Corporation completed a major survey on off-price retailers and their competitors. In that research, T.J.Maxx received significant consideration. The company's overall image on various pentagon components can be depicted as follows:



The Triangle Components:

Systems: The efficient operation of the TJX business was dependent on its information systems, including its ability to operate them effectively and successfully to implement new technologies, systems, controls, and adequate disaster recovery systems.

In 2007, TJX had the largest customer data security breach on record in which 45 million T.J. Maxx and Marshall's customers' credit and debit card numbers were stolen during an 18-month period.[30] In one of its earnings reports, TJX estimated noncash charges of about $21 million after tax. These charges were recorded in fiscal 2009. TJX recorded a reserve that reflected the estimation of probable losses arising from the computer intrusion in accordance with generally accepted accounting principles. This reserve represented the best estimate of total, potential cash liabilities from litigation, proceedings, investigations, and other claims, as well as legal and other costs and expenses, arising from the computer intrusion.[31]

Since discovering the computer intrusion, TJX took steps designed to further strengthen the security of its computer system and protocols and instituted an ongoing program with respect to data security.

Logistics and Distribution: One of the key strengths of TJX included very efficient inventory management systems and distribution networks specific to the off-price business model. The company maintained a liquid inventory position and buyers bought close to the need. The vast majority of the merchandise came directly from the manufacturers with some from retailers and other sources. The company relied heavily on sophisticated internally developed inventory systems and controls that permitted a continuous flow of merchandise into the stores. The expansive distribution infrastructure supported close-to-need buying by delivering the goods to the stores quickly and efficiently.

The company's highly automated storage and distribution systems tracked, allocated, and delivered an average of approximately 11,000 items per week to each T.J. Maxx and Marshalls store. In addition, specialized computer inventory planning, purchasing and monitoring systems, coupled with warehouse storage, processing, handling and shipping systems, permitted a continuous evaluation and rapid replenishment of store inventory. Pricing, markdown decisions, and store inventory replenishment requirements were determined centrally; using information provided by point-of-sale computer terminals and were designed to move inventory through the stores in a timely and disciplined manner. These inventory management and distribution systems allowed TJX to achieve rapid in-store inventory turnover on a vast array of products and to sell substantially all merchandise within targeted selling periods.[32]

In 2001, TJX installed a collaborative logistics application to help optimize its inbound and outbound merchandise transportation process. This tool enabled TJX and its preferred vendors and carriers to collaborate in an interactive, online environment, and helped compress transportation planning and execution processes. This Web- and EDI-enabled application included robust planning and execution capabilities such as purchase order management, centralized transportation planning and load consolidation, carrier selection ,what-if scenario modeling, load tendering, freight payment, exception management, performance monitoring, and analysis capabilities.[33] Additionally, in order to gain better control of its transportation operations, TJX deployed OptiBid Network solution to procure truckload transportation for inbound delivery of merchandise that it delivered to its more than 1,300 T.J. Maxx, Marshalls, HomeGoods and A.J.Wright stores across the U.S. The OptiBid Network considered all critical business factors, including freight variability, network flows, carrier rates, and service levels, and recommended an optimal strategic transportation plan.[34]

Cost Control was key to TJX's ability to offer substantial savings to the customer. Since transportation and logistics accounted for 10 percent of the final product cost in any industry,[35] TJX sought to maximize operational efficiencies by implementing sophisticated logistics and supply chain management tools.

The company was environmentally conscious and was committed to incorporating efficient and environment-friendly initiatives when possible. The Transportation and Logistics Department spearheaded numerous initiatives to reduce fuel consumption and transportation costs through more efficient processes, including improving trailer-loading methods and reducing the number of trucks needed to transport goods.

<u>Suppliers:</u>

*Supplier selection**:***

TJX had a corporate objective to provide great value to the customers. To that end, its suppliers were required to have a clear understanding of TJX's business requirements including:

- Financial stability
- Proven history of successful projects
- Understanding of TJX's business and practices
- Ability to provide high-quality, cost-competitive products and services
- Acting in accordance with all applicable laws and regulations, in addition to maintaining the highest standards of business ethics

For the suppliers, MyTJX.com provided access to secure, convenient and easy-to-use online tools, which allowed suppliers to conduct a number of business activities with TJX, including registering the business.

TJX focused on leveraging differences and embracing diversity even at the supplier level. In 1992, a supplier diversity program was started which encouraged the purchase of goods and services from minority- and women-owned businesses whose products and services met the need of the TJX.[36]

*Relationships**:*** TJX had more than 14,000 vendors that spanned 60 countries. In 2009, establishing new vendor relationships remained TJX's priority. With a merchant organization of more than 600 people, TJX believed in supporting vendors, and worked hard at maintaining long-standing relationships with vendors.[37]

TJX paid its vendors promptly, typically within 30 days, while other retailers took 60–90 days. TJX didn't try to negotiate with vendors for additional deals if the items were not sold. In a credit-strained environment, this was a critical selling point. These aspects not only helped TJX establish superior relationships with vendors but also gave it a competitive advantage in getting a wider selection of items.[38]

TJX has 700 buyers around the world that are part of what CEO Carol Meyrowitz calls a supplying machine. The company works with many factories and agents and maintains offices in countries including Italy, India, and China, she says. Buyers work with about 14,000 vendors in "a million different ways," says Meyrowitz, who calls it "opportunistic buying."[39]

<u>Competition:</u> TJX dominated the off-price retail category with two of the largest retail chains, T.J.Maxx and Marshalls. Consumers were always looking for value. The retail trend was moving toward consumers looking for bargain prices on department store-type branded, designer clothing. Hence, off-price retail stores like T.J.Maxx, Marshalls, and Ross were strong performers. Some of the big off-price retailers competing against TJX were Ross, Filene's Basement, Burlington Coat Factory, S&K, Syms, Steinmart, DSW, and Overstock.com (online).

Ross: This company operated 922 Ross Dress for Less stores and 52 dd's DISCOUNTS in the U.S. At both these chains, the company was focused on executing its off-price strategies to target the value-driven consumer. These stores offered everyday savings of 20 to 70 percent off department and specialty store regular prices. Ross Store's off-price business model helped achieve strong financial results in FY2009 (sales and earnings growth of 8.6 percent and 17 percent, respectively) in spite of a tough economic and retail climate. Sales for the year ended January 31, 2010, were $7.2 billion. Ross Stores Income Statement is presented in **Exhibit 7** and its Balance Sheet is in **Exhibit 8**.

Ross Stores offered a variety of merchandise. The mix of store products based on sales was as follows: ladies accessories (32 percent), home accents and bed and bath (23 percent), men's accessories (14 percent), fine jewelry, accessories, lingerie, and fragrances (12 percent), shoes (10 percent), and children's (9 percent). In addition to these categories, the company offered small furniture and furniture accents, educational toys and games, luggage, gourmet food and cookware, watches, and sporting goods. Ross Stores offered a large selection of brand names within each classification with a wide assortment of vendors, labels, prices, colors, styles, and fabrics. The company carried brand-name items ranging from GUESS, Michael Kors, Calvin Klein, DKNY, Lucky Jeans, Express, Ralph Lauren, Nike, Lacoste, and Timberland. A diversified product offering increased the company's cross-selling opportunities and enhanced its revenue generation.

An effective purchasing strategy was the key to the company's off-price business model. Ross Stores had strong vendor relationships enhanced by the strategic location of buying offices in New York City and Los Angeles. The company sourced its merchandise from a network of approximately 7,200 merchandise vendors and manufacturers for both Ross and dd's DISCOUNTS.[40]

Just like TJX stores, Ross stores were conveniently located in community and neighborhood shopping centers in heavily populated urban and suburban areas. Depending on the size of the market, Ross stores were clustered to benefit from economies of scale in advertising, distribution, and field management.

The store layouts and the shopping experience at Ross stores were very similar to those of T.J.Maxx or Marshalls. The company believed the key to its success was the organized, attractive, easy-to-shop, in-store environments at both Ross and dd's DISCOUNTS that allowed customers to shop at their own pace. The stores promoted a self-service, treasure hunt shopping experience. The layouts were designed to promote customer convenience in their merchandise presentation; dressing rooms, checkout, and merchandise return areas. Each store's sales area was based on a prototype single-floor design with a racetrack aisle layout. A customer could locate desired departments by signs displayed just below the ceiling of each department. The customers were able to select among sizes and prices through prominent category and sizing markers, promoting a self-service atmosphere. At most stores, shopping carts were available at the entrance for customer convenience. All cash registers were centrally located at store exits for customer ease and efficient staffing.

Ross used point-of-sale (POS) hardware and software systems in all stores that minimized transaction time for the customer at the checkout counter by electronically scanning each ticket at the point of sale and authorizing personal checks and credit cards in a matter of seconds. In addition, the POS systems allowed Ross to accept debit cards and electronic gift cards from customers.

Ross understood the significance of systems and technology, and continued to invest in both to drive growth. Some of the recent initiatives included:

- Rollout of demand forecasting software and related process changes designed to strengthen merchandise planning effectiveness for Ross. This initiative was expected to drive a gradual increase in store sales productivity and profitability by improving their ability to plan, buy, and allocate product at a more local level.

- Implementation of additional supply chain enhancements to support expansion and improvement of the supply chain network. They also implemented a new labor time and attendance system at all distribution centers.

- Completion of the rollout of new tools to better support the continued growth of the import business. These new tools provided merchants with greater visibility into item cost components and inbound movement of import products.

- Enhancements to POS systems were made to reduce customer transaction and wait times.

- Implementation of enhanced labor scheduling capabilities to give the stores the ability to better align the workforce with in-store activities.

- Upgrading of loss prevention software to allow for greater in-depth analysis and reporting. The company also invested in additional store video surveillance systems to provide centralized remote monitoring.

- Implementation of new online tools to assist the stores in their recruiting and hiring efforts. These new tools were designed to help the store managers expedite the hiring process and increase the quality of hiring decisions.

Ross had four distribution processing facilities, two in California and one each in Pennsylvania and South Carolina. They shipped all of their merchandise to the stores through these distribution centers, which were large, highly automated, and built to suit the specific off-price business model.

In addition, they owned one and leased three other warehouse facilities for pack-away storage. They also used other third-party facilities as needed for storage of pack-away inventory. Ross also utilized third-party cross docks to distribute merchandise to stores on a regional basis. Shipments were made by contract carriers to the stores from three to six times per week, depending on location.

In terms of communication, Ross relied primarily on television advertising to communicate the Ross value proposition: brand-name merchandise at low everyday prices. Ross management believed that television was the most efficient and cost-effective medium for communicating everyday savings on a wide selection of brand-name bargains for both the family and home.

For 2010, Ross planned to maintain tight controls of both inventory levels and operating expenses as a part of its strategy to help maximize profitability.[41] **Exhibit 9** compares TJX and Ross in terms of sales, margin, and profit. **Exhibit 10** compares TJX and Ross and others on the Strategic Profit Model. **Exhibit 11** compares TJX and Ross on the Strategic Resource Model.

Loehmann's:

Loehmann's, a chain of upscale off-price department stores, was known for its Back Room.[42] Company sales in 2009 were $422 million.[43] Fashion-conscious women went there to find designer clothes for prices lower than those in department or specialty stores. It carried a wide spectrum of looks favored by customers with classic to contemporary lifestyles. Store departments included ladies sportswear, dresses, career and casual collections, shoes, accessories, including handbags and jewelry, plus men's, juniors, and children's.

Loehmann's had more than 45 stores spread across 12 states and Washington, D.C., in the U.S. It had grown to include a large flagship store in Manhattan and one in Beverly Hills. The stores were filled with collections from top designer brands such as Calvin Klein, Diane Von Furstenberg, Kenneth Cole, Dolce & Gabbana, Valentino, Nicole Miller, Anne Klein, Donna Karan, Michael Kors, and more.[44]

Loehmann's offered a Size Search in-store service that helped find and ship appropriate-sized items to customers and in select large stores where it also offered free personal shopping service. Loehmann's also had an Insider Club for its customers. The club provided members extra savings opportunities, advance notice of sales and new designer arrival updates. Plus, Insider Club Gold members enjoyed additional exclusive benefits, including 10 percent off purchases every day for a low annual fee of $25.[45]

Loehmann's went public in 1962 and since then had been on a financial roller-coaster. In 1983, it was acquired by Associated Dry Goods and was later sold to a Spanish investor group, Sefinco Ltd. In 1996, the company went public again and, in May 1999, it declared Chapter 11 bankruptcy. In 2004, Loehmann's was acquired by Arcapita, who sold it to Istithmar, a private equity firm based in Dubai, in 2006.

On November 15, 2010, Loehmann's filed for Chapter 11 bankruptcy again after failing to reach a debt extension with its creditors. It also announced the closing of at least eight stores.[46]

Filene's Basement:

Filene's Basement, founded in 1909 by Edward Filene, was a Massachusetts-based chain of specialty stores offering assortments of fashionable, branded, and private label merchandise. The retailer operated about 25 upscale off-price stores in major cities such as Boston, New York, Washington, D.C., and Chicago. It distributed and replenished through a 470,000-square-foot distribution center in Auburn, Massachusetts. The stores offered off-price designer and brand-name apparel, shoes, jewelry, and home goods for men and women.

The company was known for its distinctive, low-technology automatic markdown system. The way the markdown originally worked was that "every article was marked with a tag showing the price and the date the article was first put on sale. Twelve days later, if it had not been sold, it was reduced by 25 percent. Six selling days later, it was cut by 50 percent and after an additional six days, it was offered at 75 percent off the original price. After six more days, or a total of 30, if it was not sold, it was given to charity."[47] The days between each markdown were eventually increased to 14 days and the system was followed only in select Filene's Basement stores.

In early 2009, the economic crisis had an effect on the chain, prompting the owner, Retail Ventures Inc. to close 11 of the chain's 36 stores. Prior to closing the stores, Filene's Basement had annual revenues of around $300 million. However, the closings did not help the company and, on May 4, 2009, the company filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware.

In June 2009, the company was acquired out of bankruptcy by rival off-price retailer Syms Corporation. Syms maintained many long-held Filene's Basement traditions, such as the annual Running of the Brides, as well as the Filene's name and many of the company's employees.

In 2010, Syms Corp, unveiled three new stores in Manhattan, Westchester County, and Long Island with a fusion name fbSY (pronounced fib-see). The company believed that the name made sense in the age of twittering and text messaging.[48]

Filene's Basement became the victim of two industry trends that developed during the GFC: regional retailers going bankrupt; and apparel retailers having less resilience in the tough economy than retailers of more essential goods, such as food.[49]

Full Price Retails Stores

Since the beginning of the GFC, many full-price department stores slowed down the rollout of regular-priced stores, and concentrated more on their wallet-friendly outlet stores. Bloomingdale's planned four outlet stores for 2010, Neiman Marcus opened three new Last Call stores in 2009 and invested further in 2010, Saks Fifth Avenue closed some regular stores and opened five Off5th stores in 2010,[50] and Nordstrom added 20 new Nordstrom Rack stores.[51]

Many retail executives and economists believed that unemployment would take about five to six years before it returned to its more normal 6 percent rate. Therefore, aspirational customers would continue to feel the pinch. Many thought that retailers should keep pace with the economy and that lower price points seemed to be a good strategy. Hence, the investment by luxury retailers into more cost-conscious formats such as outlets was good news for consumers.

However, December 2010 told a somewhat different story. U.S. consumer confidence increased to a six-month high, coinciding with stronger holiday sales which indicated that the economy was gathering momentum.

Nordstrom reported an increase in same-store sales of 8.2 percent year to date. Total retail sales improved 13 percent to $7.31 billion from $6.47 billion for the same period in fiscal 2009.[52] However, the company's expanded clearance division saw comparable sales drop. Sales in Nordstrom's Rack division jumped 18 percent, but same-store sales were down 2.2 percent.[53]

Neiman Marcus profits were driven by full-price selling, which indicated that wealthy and high-income consumers felt more confident. A more robust stock market since summer could have contributed to a faster recovery in spending. Neiman CEO Karen Katz believed that "with leaner inventory comes an aura of exclusivity, and our customers seem to understand that it may no longer pay to wait for the markdowns if it's something they really want."[54]

Saks Fifth Avenue posted a 5.7 percent gain in revenue at same stores. However, Off5th, which sold discounted designer clothing, did not perform as well as the rest of the company, reflecting a trend other full-price retailers have noted.

"Luxury consumers are buying again as the stock market improves, while less-affluent customers have not returned to pre-recession spending levels."[55]

Conclusion

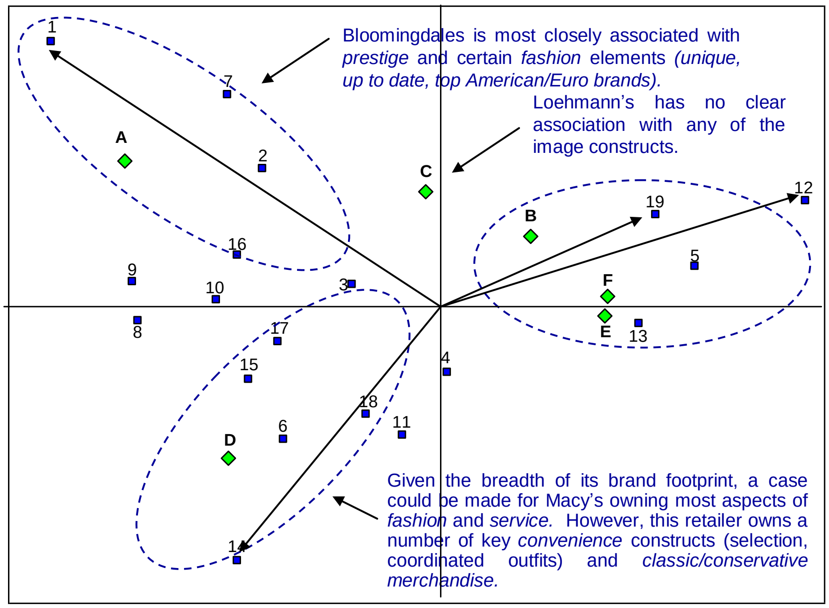
TJX Companies, and T.J.Maxx in particular, had a spectacular run. The company was the leading large U.S. retailer as measured by Return on Net Worth in both the good times before the GFC and during the GFC as well. Now, as the economy had begun to improve, some analysts again questioned whether the company could continue its success.

T.J.Maxx competed with other off-pricers and with discount department stores Wal-Mart and Target; with moderate or promotional department stores Sears, Penney, and Kohl's; with traditional department stores such as Macy's; with upscale department stores Bloomingdale's, Neimans, Saks, and Nordstrom; and with specialty apparel stores H&M, Ann Taylor, Old Navy, Chico's, and the Gap. All had become sharper in their pricing since the GFC, putting further pressure on T.J.Maxx to maintain its differentiation.

The Opinion Research Report cited earlier mapped T.J.Maxx in competitive space against some of the most significant of its competitors in the major cities of New York, Boston, Washington, and Chicago as of 2007, just before the onset of the GFC. It looked as follows:

Looking at all markets in aggregate, TJ Maxx (F), Filene's Basement (B), and Marshall's E) achieve linkage to several *price-value* elements: *best discounts on American/Euro designer brands, best value* and *competitive prices*—however, the store shares this perceptual space.

Competitive Positioning: Total Rep Sample



Key

- **A. Bloomingdales**
- **B. Filene's Basement**
- **C. Loehmanns**
- **D. Macys**
- **E. Marshalls**
- **F. TJ Maxx**

1. Have a prestigious, upscale reputation
2. Carry top American and European designer brand names
3. Carry quality, popular brand names
4. Make it easy to get in and out of the store quickly
5. Offer competitive prices
6. Make it easy to find what you are looking for
7. Offer the most unique fashion merchandise
8. Have knowledgeable sales clerks
9. Offer personal service/helpful sales clerks
10. Provide a clean, uncluttered shopping atmosphere
11. Offer an easy return policy
12. Offer the lowest prices
13. Offer the best value on merchandise
14. Have the largest overall apparel merchandise assortment/selection
15. Have the ability to buy coordinated outfits at the same store
16. Carry the most current, up-to-date fashions
17. Carry "classic" apparel and accessories
18. Carry conservative, everyday fashions
19. Offer the best discounts on top American and European designer brand names

- Though Bloomingdales is most closely associated with key *fashion* characteristics, its "claim" to these constructs appears modest.

26

OPINION RESEARCH CORPORATION

Before GFC, there was pretty clear differentiation between the off-pricers and the others. The question now was whether that would continue to be true after the GFC, or would consumers and other retailers have permanently changed their behavior?

Exhibit 1: TJX Store Locations

STORE LOCATIONS

We operated stores in the following locations as of January 30, 2010:

Stores Located in the United States:

	T.J. Maxx*	Marshalls*	HomeGoods*	A. J. Wright
Alabama	18	4	2	–
Arizona	11	14	6	–
Arkansas	8	–	1	–
California	81	114	34	7
Colorado	11	7	4	–
Connecticut	25	23	10	7
Delaware	3	3	1	–
District of Columbia	1	1	–	1
Florida	67	71	33	3
Georgia	37	27	10	7
Idaho	5	1	1	–
Illinois	37	41	17	19
Indiana	17	10	2	8
Iowa	6	2	–	–
Kansas	6	3	1	–
Kentucky	10	4	3	2
Louisiana	9	10	–	–
Maine	8	4	3	–
Maryland	11	23	7	7
Massachusetts	47	49	21	20
Michigan	33	20	11	8
Minnesota	12	12	8	–
Mississippi	5	3	–	–
Missouri	13	12	6	–
Montana	3	–	–	–
Nebraska	4	2	–	–
Nevada	7	8	4	–
New Hampshire	14	8	5	1
New Jersey	31	40	23	8
New Mexico	3	3	–	–
New York	48	62	24	21
North Carolina	29	20	10	–
North Dakota	3	–	–	–
Ohio	38	18	9	8
Oklahoma	4	4	–	–
Oregon	8	5	3	–
Pennsylvania	39	31	12	6
Puerto Rico	–	16	6	–
Rhode Island	5	6	4	2
South Carolina	19	9	4	–
South Dakota	2	–	–	–
Tennessee	25	13	6	3
Texas	43	66	15	–
Utah	10	–	2	–
Vermont	4	1	1	–
Virginia	31	25	8	9
Washington	15	9	–	–
West Virginia	6	3	1	–
Wisconsin	17	6	5	3
Wyoming	1	–	–	–
Total Stores	890	813	323	150

* Includes T.J. Maxx, Marshalls or HomeGoods portion of a superstore.

1 – TJX Annual Report 2009

Exhibit 2: TJX Income Statement

The TJX Companies, Inc.

Consolidated Statements of Income

Amounts in thousands except per share amounts	January 30, 2010	January 31, 2009 (53 weeks)	January 26, 2008
	Fiscal Year Ended		
Net sales	$20,288,444	$18,999,505	$18,336,726
Cost of sales, including buying and occupancy costs	14,968,429	14,429,185	13,883,952
Selling, general and administrative expenses	3,328,944	3,135,589	2,997,263
Provision (credit) for Computer Intrusion related costs	—	(30,500)	197,022
Interest expense (income), net	39,509	14,291	(1,598)
Income from continuing operations before provision for income taxes	1,951,562	1,450,940	1,260,087
Provision for income taxes	737,990	536,054	477,655
Income from continuing operations	1,213,572	914,886	782,432
(Loss) from discontinued operations, net of income taxes	—	(34,269)	(10,682)
Net income	$ 1,213,572	$ 880,617	$ 771,750
Basic earnings per share:			
Income from continuing operations	$ 2.90	$ 2.18	$ 1.77
(Loss) from discontinued operations, net of income taxes	$ —	$ (0.08)	$ (0.03)
Net income	$ 2.90	$ 2.10	$ 1.74
Weighted average common shares—basic	417,796	419,076	443,050
Diluted earnings per share:			
Income from continuing operations	$ 2.84	$ 2.08	$ 1.68
(Loss) from discontinued operations, net of income taxes	$ —	$ (0.08)	$ (0.02)
Net income	$ 2.84	$ 2.00	$ 1.66
Weighted average common shares—diluted	427,619	442,255	468,046
Cash dividends declared per share	$ 0.48	$ 0.44	$ 0.36

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2 – TJX Annual Report 2009

Exhibit 3: TJX Balance Sheet

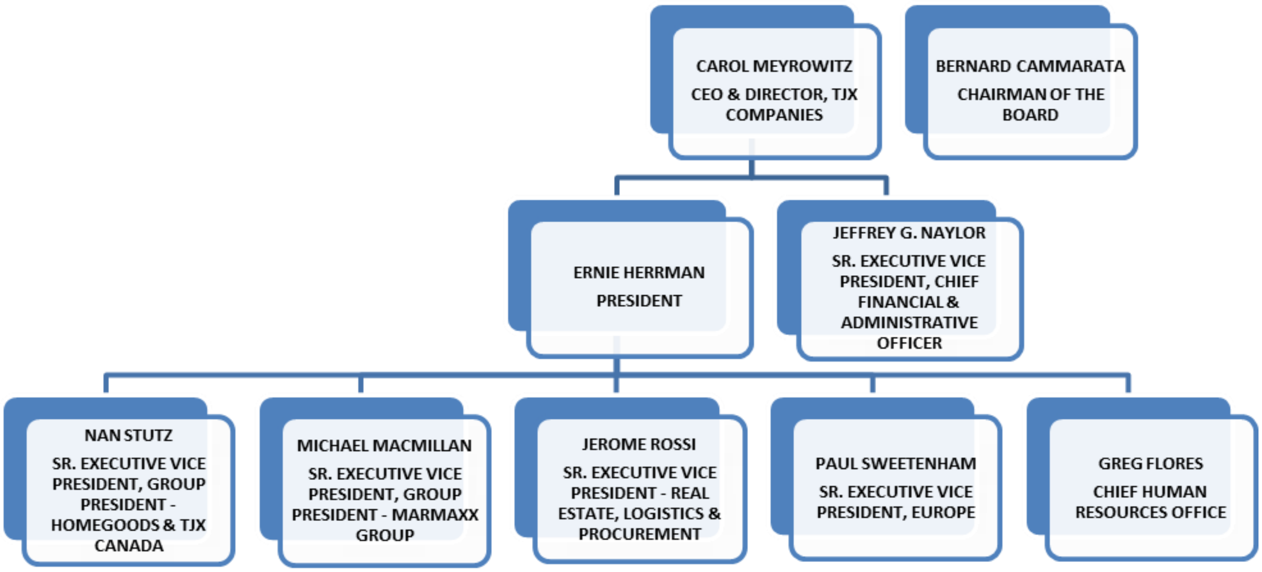
The TJX Companies, Inc.

Consolidated Balance Sheets

In thousands	Fiscal Year Ended January 30, 2010	Fiscal Year Ended January 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	**$1,614,607**	$ 453,527
Short-term investments	**130,636**	—
Accounts receivable, net	**148,126**	143,500
Merchandise inventories	**2,532,318**	2,619,336
Prepaid expenses and other current assets	**255,707**	274,091
Current deferred income taxes, net	**122,462**	135,675
Total current assets	**4,803,856**	3,626,129
Property at cost:		
Land and buildings	**281,527**	280,278
Leasehold costs and improvements	**1,930,977**	1,728,362
Furniture, fixtures and equipment	**3,087,419**	2,784,316
Total property at cost	**5,299,923**	4,792,956
Less accumulated depreciation and amortization	**3,026,041**	2,607,200
Net property at cost	**2,273,882**	2,185,756
Property under capital lease, net of accumulated amortization of $19,357 and $17,124, respectively	**13,215**	15,448
Other assets	**193,230**	171,381
Goodwill and tradename, net of amortization	**179,794**	179,528
TOTAL ASSETS	**$7,463,977**	$6,178,242
LIABILITIES		
Current liabilities:		
Current installments of long-term debt	**$ —**	$ 392,852
Obligation under capital lease due within one year	**2,355**	2,175
Accounts payable	**1,507,892**	1,276,098
Accrued expenses and other current liabilities	**1,248,002**	1,096,766
Federal, foreign and state income taxes payable	**136,737**	—
Total current liabilities	**2,894,986**	2,767,891
Other long-term liabilities	**697,099**	765,004
Non-current deferred income taxes, net	**192,447**	127,008
Obligation under capital lease, less portion due within one year	**15,844**	18,199
Long-term debt, exclusive of current installments	**774,325**	365,583
Commitments and contingencies	**—**	—
SHAREHOLDERS' EQUITY		
Common stock, authorized 1,200,000,000 shares, par value $1, issued and outstanding 409,386,126 and 412,821,592, respectively	**409,386**	412,822
Additional paid-in capital	**—**	—
Accumulated other comprehensive income (loss)	**(134,124)**	(217,781)
Retained earnings	**2,614,014**	1,939,516
Total shareholders' equity	**2,889,276**	2,134,557
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$7,463,977**	$6,178,242

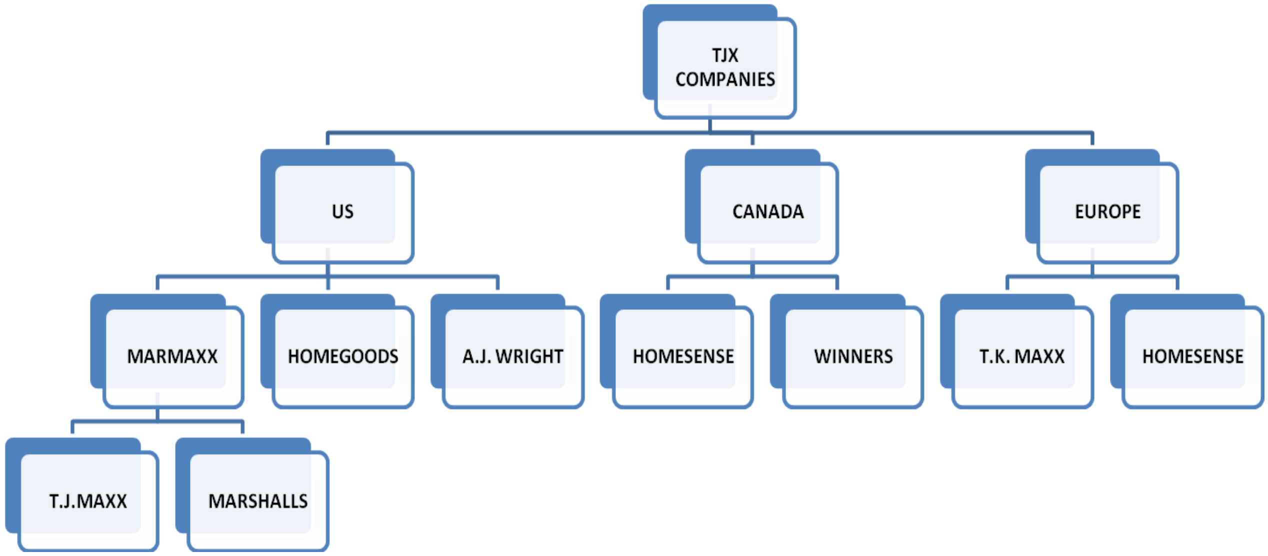
3 – TJX Annual Report 2009

EXHIBIT 4 A: Management Structure: (Organization Chart)



4 – Derived by case writer from – http://findarticles.com/p/articles/mi_m0EIN/is_1999_June_23/ai_54963101/

EXHIBIT 4 B: Structure of TJX Companies: (Business Structure)



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5 – Derived by case writer from – TJX Annual Report 2009

Exhibit 5: TJX Distribution Centers

DISTRIBUTION CENTERS		
Marmaxx:		
T.J. Maxx	Worcester, Massachusetts	494,000 s.f.—owned
	Evansville, Indiana	989,000 s.f.—owned
	Las Vegas, Nevada	713,000 s.f. shared with Marshalls—owned
	Charlotte, North Carolina	595,000 s.f.—owned
	Pittston Township, Pennsylvania	1,017,000 s.f.—owned
Marshalls	Decatur, Georgia	780,000 s.f.—owned
	Woburn, Massachusetts	472,000 s.f.—leased
	Bridgewater, Virginia	562,000 s.f.—leased
	Philadelphia, Pennsylvania	1,001,000 s.f.—leased
HomeGoods	Brownsburg, Indiana	805,000 s.f.—owned
	Bloomfield, Connecticut	803,000 s.f.—owned
A.J. Wright	Fall River, Massachusetts	501,000 s.f.—owned
	South Bend, Indiana	542,000 s.f.—owned
TJX Canada	Brampton, Ontario	507,000 s.f.—leased
	Mississauga, Ontario	669,000 s.f.—leased
TJX Europe	Milton Keynes, England	108,000 s.f.—leased
	Wakefield, England	176,000 s.f.—leased
	Stoke, England	261,000 s.f.—leased
	Walsall, England	275,000 s.f.—leased

6 – TJX Annual Report 2009

Exhibit 6: Merchandise Intensity

Merchandise Intensity														
Selling Square Footage	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
TJ Maxx	17610	17340	17400	18120	18960	19830	20610	21390	22350	23130	23970	24630	25410	26220
Marshalls	15872	14528	14752	15200	16160	17120	18624	20128	21536	22304	22880	23936	24832	25792
Home Goods	550	525	575	875	1275	2025	2800	3550	4550	5400	6275	6750	7225	7950
A.J. Wright	0	0	0	150	375	625	1125	1875	2475	3250	3800	3225	3225	3375
Total Footage (in '000s)	**34032**	**32393**	**32727**	**34345**	**36770**	**39600**	**43159**	**46943**	**50911**	**54084**	**56925**	**58541**	**60692**	**63337**
Inventory (in $ millions)	1059	1190	1187	1230	1453	1457	1563	1942	2352	2366	2582	2737	2619	2,532
Merchandise Intensity ($/ft2)	**31.13**	**36.74**	**36.24**	**35.80**	**39.51**	**36.79**	**36.23**	**41.36**	**46.20**	**43.74**	**45.36**	**46.76**	**43.16**	**39.98**

7 – Derived by case writer from – TJX Annual Reports 1996–2009

Exhibit 7: Ross Stores Income Statement

Consolidated Statements of Earnings

($000, except per share data)	Year ended January 30, 2010	Year ended January 31, 2009	Year ended February 2, 2008
Sales	$ 7,184,213	$ 6,486,139	$ 5,975,212
Costs and Expenses			
Costs of goods sold	5,327,278	4,956,576	4,618,220
Selling, general and administrative	1,130,813	1,034,357	935,901
Interest expense (income), net	7,593	(157)	(4,029)
Total costs and expenses	6,465,684	5,990,776	5,550,092
Earnings before taxes	718,529	495,363	425,120
Provision for taxes on earnings	275,772	189,922	164,069
Net earnings	$ 442,757	$ 305,441	$ 261,051
Earnings per share			
Basic	$ 3.60	$ 2.36	$ 1.93
Diluted	$ 3.54	$ 2.33	$ 1.90
Weighted average shares outstanding (000)			
Basic	122,887	129,235	135,093
Diluted	125,014	131,315	137,142
Dividends			
Cash dividends declared per share	$ 0.490	$ 0.395	$ 0.320

8 – ROSS Annual Report 2009

Exhibit 8: Ross Stores Balance Sheet

Consolidated Balance Sheets

($000, except share data)	January 30, 2010	January 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	$ 768,343	$ 321,355
Short-term investments	1,754	798
Accounts receivable	44,234	41,170
Merchandise inventory	872,498	881,058
Prepaid expenses and other	58,618	55,241
Deferred income taxes	—	14,093
Total current assets	1,745,447	1,313,715
Property and Equipment		
Land and buildings	239,688	201,385
Fixtures and equipment	1,189,538	1,073,990
Leasehold improvements	536,979	509,971
Construction-in-progress	21,812	72,839
	1,988,017	1,858,185
Less accumulated depreciation and amortization	1,045,018	906,529
Property and equipment, net	942,999	951,656
Long-term investments	16,848	38,014
Other long-term assets	63,339	52,126
Total assets	$ 2,768,633	$ 2,355,511
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 658,299	$ 536,745
Accrued expenses and other	259,582	238,516
Accrued payroll and benefits	218,234	170,878
Income taxes payable	51,505	9,120
Deferred income taxes	2,894	—
Total current liabilities	1,190,514	955,259
Long-term debt	150,000	150,000
Other long-term liabilities	174,543	156,726
Deferred income taxes	96,283	97,157
Commitments and contingencies		
Stockholders' Equity		
Common stock, par value $.01 per share Authorized 600,000,000 shares Issued and outstanding 122,929,000 and 127,346,000 shares, respectively.	1,229	1,273
Additional paid-in capital	681,908	626,117
Treasury stock	(36,864)	(30,819)
Accumulated other comprehensive income (loss)	170	(1,174)
Retained earnings	510,850	400,972
Total stockholders' equity	1,157,293	996,369
Total liabilities and stockholders' equity	$ 2,768,633	$ 2,355,511

9 – ROSS Annual Report 2009

Exhibit 9: Company Comparison

COMPANY COMPARISON - SALES, NET INCOME, PROFIT MARGIN						
	TJX 2009	TJX 2008	TJX 2007	ROSS 2009	ROSS 2008	ROSS 2007
Sales (in millions)	$ 20,288	$ 19,000	$ 18,647	$ 7,184	$ 6,486	$ 5,975
GM%	26%	26%	26%	26%	24%	23%
GM$	$ 5,320	$ 5,003	$ 4,930	$ 1,857	$ 1,530	$ 1,357
Net Income	$ 1,214	$ 881	$ 772	$ 443	$ 305	$ 261

10 – Derived by case writer from – TJX Annual Report 2007–2009, ROSS Annual Report 2007–2009

Exhibit 10: The Strategic Profit Model

COMPANY COMPARISON - RETURN ON NET WORTH					
COMPANY	ROS	ATO	ROA	LEV	RONW
TJX 2009	5.98%	2.72	16.26%	2.58	42.00%
TJX 2008	4.63%	3.08	14.25%	2.89	41.26%
TJX 2007	4.21%	2.78	11.69%	3.10	36.21%
ROSS 2009	6.16%	2.59	15.99%	2.39	38.26%
ROSS 2008	4.71%	2.75	12.97%	2.36	30.66%
ROSS 2007	4.37%	2.52	11.01%	2.44	26.89%
MACY 2009	1.49%	1.10	1.64%	4.53	7.45%
MACY 2008	-19.30%	1.12	-21.69%	4.77	-103.38%
MACY 2007	3.39%	0.95	3.21%	2.80	9.01%
TGT 2009	3.81%	1.47	5.59%	2.90	16.21%
TGT 2008	4.53%	1.43	6.46%	3.22	20.78%
TGT 2007	4.63%	1.38	6.39%	2.91	18.61%
JCP 2009	1.43%	1.40	2.00%	2.63	5.25%
JCP 2008	3.09%	1.54	4.76%	2.89	13.77%
JCP 2007	5.59%	1.39	7.76%	2.69	20.91%

11 – Derived by case writer from – TJX Annual Report 2007–2009, Ross Annual Report 2007–2009, Macy Annual Report 2007–2009, Target Annual Report 2007–2009, JC Penny Annual Report 2007–2009

Exhibit 11: The Strategic Resource Model

STRATEGIC RESOURCE MODEL FOR 2006 VERSES 2009				
	TJX 2006	TJX 2009	ROSS 2006	ROSS 2009
GM% = GM/Sales	**24.08%**	**26.22%**	**22.49%**	**25.85%**
SI Index	**6.74**	**8.01**	**5.30**	**8.23**
GMROI = GM/INV	**1.62**	**2.10**	**1.19**	**2.13**
Merchandise Intensity=INV/Ft Sq	**$ 45.36**	**$ 39.98**	**$ 56.42**	**$ 36.81**
Sales/Ft Sq	**$ 305.75**	**$ 320.33**	**$ 298.80**	**$ 303.13**
GMROF = GM/Ft Sq	**$ 73.62**	**$ 84.00**	**$ 67.20**	**$ 78.35**
Service Intensity=Ft Sq/FTE	**455**	**411**	**521**	**520**
Sales/FTE	**$ 139,237**	**$ 131,743**	**$ 155,592**	**$ 157,549**
GMROL = GM/FTE	**$ 33,527**	**$ 34,546**	**$ 34,991**	**$ 40,722**

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12 – Derived by case writer from – TJX Annual Report 2006 and 2009, Ross Annual Report 2006 and 2009

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