J.C. Penney reports hefty 3Q loss

ANNE D'INNOCENZIO - AP Retail Writer - Associated Press

J.C. Penney Co. reported a bigger-than-expected loss in the third quarter on plummeting sales as customers continue to reject its move get rid of blockbuster sales in favor of everyday low pricing.

Friday's report marks the third consecutive quarter of losses and steep sales declines since the mid-priced department store chain get rid of hundreds of sales it used to offer each year and instead cut prices permanently about 40 percent throughout the store. It's a big blow to Penney, which has suffered in recent years as it's failed to keep its stores fresh and its core middle-income shoppers have been hard hit by the weak economy.

The results underscore the challenges Penney's CEO Ron Johnson, the former Apple Inc. executive who came on board a year ago, faces as he tries to change the behavior of shoppers who have grown accustomed in to seeing sales signs of up to 70 percent off. Under Johnson, Penney has been changing everything from its merchandise to its stores. But the centerpiece of his strategy has been to tweak pricing, with the goal of weaning deal-addicted customers off of the kind of heavy discounting that eats away at a retailer's profits.

But customers have not embraced Penney's pricing plan, which it rolled out on Feb. 1. The company has reported mounting losses and sales declines. Investors have sent its shares down nearly 40 percent this year. And critics are questioning whether the chain will ever regain its footing.

Penney, which has acknowledged that it made some mistakes, has done some tweaking. The Plano, Tex.-based company made some adjustments to its pricing in August, just six months after it rolled the plan out. And the company has been changing its advertising to better communicate the plan to customers.

The retailer also has been remaking its stores. It's adding 10 mini-shops with various designers within in stores. The company plans to add 100 shops inside 700 of its 1,100 stores by late 2014. The remaining 400 stores are in small towns and won't feature the full makeover.

Surrounding those shops will be extra-wide aisles that Johnson calls "streets." Along those pathways will be ice cream and coffee bars and wood tables with built-in iPad tablet computers shoppers can use. In the middle of it all, a Town Square will offer activities like Pilates.

Johnson said in September that he's encouraged by sales at the new shops, which are faring better than the rest of the stores.

But Penney still has a long way to go toward revamping its business. The chain said

Friday that it lost 56 cents per share, or $123 million in the quarter ended Oct. 27. That compares with a loss of $143 million, or 67 cents per share, in the year ago period. Revenue dropped 26.6 percent to $2.93 billion in the quarter.

Analysts had expected a 15 cent loss on revenue of $3.27 billion.

Revenue at stores opened at least a year dropped 26.1 percent. Analysts expected a 17.6 percent drop. During the first quarter, that measure dropped 18.9 percent, while during the second quarter, it fell 21.7 percent.

On the news of the poor results, Penney shares fell $1.59, or 7.3 percent, to $20.10 in premarket trading on Friday.

Source URL (retrieved on *12/09/2013 - 4:41am*):
http://www.ecnmag.com/news/2012/11/jc-penney-reports-hefty-3q-loss?qt-video_of_the_day=0&qt-most_popular=0&qt-recent_content=0