Penney reports massive loss for 4Q

ANNE D'INNOCENZIO - AP Retail Writer - Associated Press

Boy, it just wasn't J.C. Penney's year.

The mid-priced department store chain on Wednesday reported another much larger-than-expected loss in the fiscal fourth quarter on a nearly 30 percent plunge in revenue in the latest sign that shoppers aren't happy with the changes it's made in the past year.

The results mark a full year of massive quarterly losses and revenue declines that miss Wall Street estimates since J.C. Penney Co. began a turnaround strategy that included ditching most of its coupons and sales events in favor of everyday low prices, bringing in hipper designer brands such as Betsy Johnson and remaking outdated stores.

The quarterly performance also puts additional pressure on CEO Ron Johnson, the former Apple Inc. executive who was brought in about a year ago to turn the stodgy retailer that was losing money into a hip and profitable company that can compete with the likes of Macy's or H&M. In the past year since Johnson rolled out his plan, though, even once loyal customers have strayed away from the 1,100-store chain.

Teresa Cansell, for instance, used to make the 45-mile trek from her farm near Leon, Kan., to a Penney store in Wichita about once a month. But since Penney started making changes last year, she's only been twice. And on her latest trip in December, she walked out empty handed because she couldn't find a leather jacket she wanted.

"I loved the old J.C. Penney. I liked the coupons," Cansell, 53, said. "I used to go to Penney every time I got them in the mail. I would buy a ton of stuff."

Penney's results show that other shoppers feel the same way. During the fourth quarter that ended Feb. 2, Penney's revenue at stores opened at least a year — a figure the retail industry uses to measure of a store's health — dropped 31.7 percent.

That's on top of hefty drops in the previous three quarters of 26.1 percent in the third, 21.7 percent in the second and 19 percent in the first. And it's steeper than the decline of 26.1 percent Wall Street had expected.

Penney, based in Plano, Texas, also widened its loss to $552 million, or $2.51 per share, up from a loss of $87 million, or 41 cents per share a year ago. Excluding charges related to restructuring and management changes, Penney's adjusted loss for the quarter was $427 million, or $1.95 per share.

Total revenue dropped 28.4 percent to $3.88 billion. Analysts had expected a loss of

23 cents on revenue of $4.08 billion, according to research firm FactSet.

Penney's results for the full year reveal just how much the company is struggling to shore up its business.

For the fiscal year, Penney lost $985 million, or $4.49 per share, compared with a loss of $152 million, or 70 cents per share, in fiscal 2011. And the company's revenue fell nearly a quarter, or 24.8 percent, to $12.98 billion from the previous year's $17.26 billion.

"It's the worst performance I have ever seen by a company in one year," said Walter Loeb, an independent retail consultant.

Wall Street hasn't been any happier than Main Street with Penney's changes.

On the quarterly news of its quarterly results, which were reported after markets were closed for the day, Penney shares fell nearly 9 percent, or $1.89, to $19.27 in after-hour trading.

In total, investors, who initially sent Penney shares soaring 24 percent to about $43 after the company announced the everyday pricing plan in late January of last year, have pushed them down by about half since early last year and the company's ratings are in junk status.

It's not the way Johnson had hoped things would go when he took the top job at Penney in November 2012. A couple of months later, on Feb. 1 of last year, Johnson launched a new pricing that was designed to wean customers off the markdowns they'd become accustomed to, but that ultimately eat into profits.

He got rid of the nearly 600 sales Penney offered at various times throughout the year for a three-tiered strategy that permanently lowered prices on all items in the store by 40 percent, offered monthlong discounts on select items and periodic clearance events throughout the year. He also got rid of the word "sales" from the company's marketing and rolled out colorful ads that featured dogs and children.

But customers weren't responding to the changes, so Johnson had to tweak his strategy. The latest change started this month when Penney began adding back sales events. The company also started putting price tags on half of its merchandise that show customers how much they're saving by shopping at Penney. The chain also rolled out ads to showcase that people can save money by shopping there.

In addition to those changes, Johnson has said that Penney is starting to see some positive results from its makeover of stores with sectioned-off shops that feature different brands. The company said the reception has been warm to the 10 mini-shops that it rolled out this fall, including those for Levi's brand and Penney's new JCP line of casual clothes. Other brands, including Joe Fresh, will be rolled out in coming years.

The worry on Wall Street is that Johnson won't be able to turn around business fast

enough to finance the transformation of its stores. But customers like Ricky Rodriguez, from Fort Worth, Texas, offer hope for Penney.

"I feel like the guy section is getting more hip," said the 27-year-old who recently bought a dress shirt for $25 at Penney. "I've been going there every other week."

Source URL (retrieved on *03/08/2014 - 11:38pm*):
http://www.ecnmag.com/news/2013/02/penney-reports-massive-loss-4q?qt-video_of_the_day=0&qt-most_popular=0