

The Business Plan.

FALL/WINTER 2016 FINANCIAL GOALS:

NET SALES.....	\$140,847,787.50
COGS.....	\$81,691,716.75
GM (\$).....	\$59,156,070.75
GM (%).....	42.00%
INVENTORY TURNOVER.....	2.5

COMPANY ANALYSIS:

LOFT and Lou and Grey are two brands operated by Ann Inc. LOFT is known to provide modern, feminine, and versatile clothing for everyday life including home, work, weekends, and more. In 2014, LOFT's net sales totaled \$1,580.7 million, which was higher than \$1,533.7 million in 2013. However, Ann Taylor Inc. is facing challenges, some of which include creating in store and online traffic, competing in a highly promotional retail environment, and increased air-freight costs. Ann Inc. is experiencing a new and exciting opportunity for growth in our newest brand Lou and Grey, which will attract new customers to Ann Inc. Lou & Grey is a lifestyle brand that reflects the trend in women's fashion of blending active and street-wear. Lou & Grey is made for young active women who want clothing that's easy-going, authentic, and effortlessly stylish. Both LOFT and Lou & Grey's primary customer is an affluent female, ranging from age 21 to 50. She is motivated by quality, style, and value, and wants versatile clothing to fit her everyday life.

WEAKNESSES

- Omni-channel retailing
- Weak social media presence
- Women's wear only

THREATS

- Highly promotional retail environment
- High competition and substitute products
- Economic Downturn
- Increase in prices of raw materials, freight costs, etc.

STRENGTHS

- Brand Image and Reputation
- Customer Service
- Shopping experience
- Quality vs. Cost

OPPORTUNITIES

- Diversifying Product Mix
- Opening international stores
- Emerging technologies

S.W.O.T. ANALYSIS

RETAIL STRATEGY ANALYSIS:

Ann Taylor Loft has built an outstanding reputation for providing customers with everyday wardrobe essentials at affordable prices, but we are constantly striving to build a better brand. The core retail strategy for this upcoming year is to offer our customer's compelling product, improving our Omni-channel retail experience, and focusing on operating more efficiently and effectively. As a result, we hope to improve performance, customer satisfaction, and loyalty. LOFT's fashion is modern and stylish but

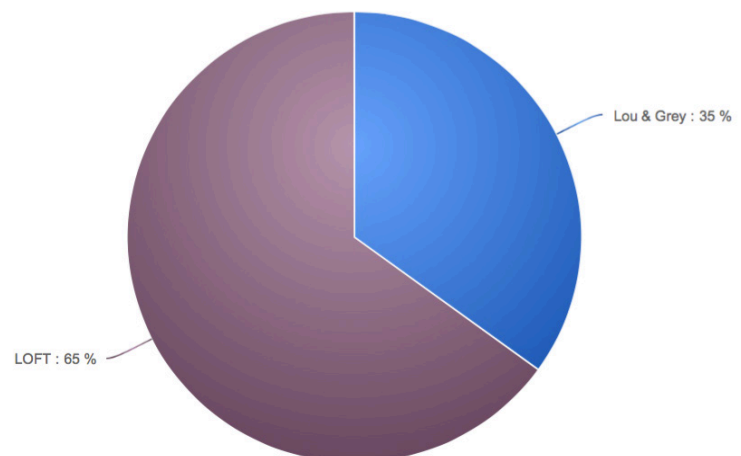
does not focus strongly on trends. Instead, it focuses more easy going, versatile, and classic designs. Trends in knitwear such as animal prints, neon colors, and 70s silhouettes do not fit with Loft's image, but less dramatic trends like open knit tees and winter white are a good fit for the brand. For example, in 2012, LOFT heavily invested in a product assortment with bright colors and few neutrals. As a result, LOFT suffered through a couple quarters of weak sales. LOFT's performance improved once they shifted their product assortment away from bright colors and switched to

soft neutrals with patterns and prints. After working hard to improve their product mix, LOFT continued to perform well into 2013. (Ann, 2014). We plan to satisfy our target market by providing a wide variety knits and tees that come in several silhouettes, fabrics, and colors. We will maintain our signature relaxed look that customers recognize, but also keep the looks updated. We will use a High Low Pricing Strategy that is consistent with previous seasons. All markdowns will be promoted throughout the season and satisfy the needs of our more price sensitive customers.

Our communication mix will be influenced by increased advertising, which will play a large role in promoting our newest line of merchandise, especially for Lou & Grey. With this increase in online and print advertising, the goal is not only to expose the customer to our new goods, but also to increase revenue, recruit new customers, improve inventory turnover, and liquidate some of the older styles through markdowns.

MERCHANDISE CLASSIFICATION: SWEATERS & LONG-SLEEVE KNITS

	NET SALES	% OF SALES
TOTAL	\$140,847,787.50	100.0%
LOU & GREY	\$ 49,296,725.63	35.00%
LOFT	\$ 91,551,061.88	65.00%



The Buying Plan.

ASSORTMENT PLAN: LOU & GREY LONG-SLEEVE KNITS

ASSORTMENT FACTOR	ELEMENTS	% DISTR. (\$)	BOM STOCK (\$)	% DISTR. (UNITS)	BOM STOCK (UNITS)
STYLE	TUNICS	25%	2,885,147.40	25%	84,777
	MIXED MEDIA	35%	4,039,206.36	35%	118,688
COLOR	TEES	40%	4,616,235.84	40%	135,643
	WINE	15%	1,731,088.44	15%	50,866
	GRAY	15%	1,731,088.44	15%	50,866
	WHITE	15%	1,731,088.44	15%	50,866
	BLACK	21%	2,423,523.82	21%	71,213
	MAUVE	16%	1,846,494.34	16%	54,257
	OLIVE	18%	2,077,306.13	18%	61,039
SIZE	XS	17%	1,961,900.23	16%	54,257
	S	21%	2,423,523.82	17%	57,648
	M	27%	3,115,959.19	35%	118,688
	L	19%	2,192,712.02	17%	57,648
	XL	16%	1,846,494.34	15%	50,866
PRICE POINTS	\$19.50	10%	1,154,058.96	17%	59,183
	\$29.50	25%	2,885,147.40	29%	97,802
	\$34.50	25%	2,885,147.40	25%	83,627
	\$44.50	20%	2,308,117.92	15%	51,868
	\$49.50	20%	2,308,117.92	14%	46,629

MARKET

RESEARCH :

Gap and Talbots are the direct competitors of LOFT and Lou & Grey. The Gap and Talbots stores we visited are located at 7064 and 6874 East Chase Parkway in Montgomery, Al. Gap Inc. is a direct competitor of Ann Inc. because they have similar **pricing strategies**, retail locations, and strong store brand images. However, Gap has a broader target market than LOFT. It caters to teenagers, college students, working professionals, and has clothing for men, women, and children. Gap also extends their marketing through seasonal commercials and advertising campaigns. The merchandise mix at both LOFT and Gap is trend conscious but also simple, comfortable, and classic. Gap's carries a higher assortment of sweaters and fewer knits than LOFT. Gap and LOFT have very similar price points. In order to differentiate its **product assortment** from Gaps, LOFT could offer sweaters with more embellishment and details on their apparel.

Lou & Grey is a lifestyle brand focused on the niche market of athleisure clothing. Gap has an assortment of loungewear similar to Lou & Grey.

However, Lou & Grey is held to a higher standard for stylish comfort. Additionally, Lou & Grey stores have a more upscale and boutique-like atmosphere compared to Gap stores. For example, each Lou & Grey has unique displays, interiors, and décor unlike Gap stores which feel more uniform and standard. Gap also runs major advertising campaigns unlike Lou & Grey.

Lou & Grey's **merchandise assortment** is lower for sweaters and higher for knits than Gap. Lou and Grey has higher price points for long sleeved knits, but similar prices for sweaters. Lou & Grey's assortment of sweaters and long sleeved knits will have a softer hand and trendier styles to **differentiate** itself from Gap merchandise.

Talbots is also a direct competitor of LOFT because they have a similar merchandise mix and price points. Both LOFT and Talbots only have womenswear, but Talbot's target market is aimed at an older **demographic**. Additionally, Talbots marketing strategy is weaker than LOFTS.

Compared to LOFT, Talbots has a smaller assortment of sweaters and a greater assortment of knits. Overall, the **price points** of Talbots are sig-

nificantly higher than LOFT for both sweaters and knits. Their assortment is very plain, so incorporating fashionable but subtle prints and colors into our assortment will differentiate us more from Talbots. Lou & Grey and Talbots differ from each other the most from all the competition. They have different retail strategies and **target markets**. Lou & Grey's look stays more up to date and appeals to a younger target market. Talbot's higher prices and basic merchandise assortment is more appropriate for older women. This is reflected in the way both brands merchandise their apparel and communicate to their customers. We feel like the assortment at Lou & Grey does well at differentiating itself by offering trendier athleisure wear and offering lower price points.

INDUSTRY

TRENDS :

Athleisure is trend in the fashion industry that combines active wear designed to be worn for anywhere the day takes you. This trend will positively impact our Lou & Grey brand because it is becoming increasing popular and acceptable for young women to wear stylish loungewear (like the apparel offered at Lou & Grey) throughout their

everyday activities. The key to the brand's success is its focus on "Clothing for a comfortably confident life" that perfectly embodies the huge new trend towards Athleisure ("Our Story", 2015). Consumers buying athleisure are looking for clothing to fit their lifestyle that combines style and comfort, fashion and function, and work and weekend all in one. Marshal Cohen, chief industry analyst for The NPD Group, Inc. says, "Casual and 'Athleisure' have taken on a life of their own. This is no longer a trend—it is now a lifestyle that is too comfortable, for consumers of all ages, for it to go away anytime soon (Adamczyk, 2015)." \$2 billion out of the \$323 billion US consumers spent on apparel, footwear, and accessories last year was spent on the Athleisure lifestyle (Powell, 2015). According to Adamczyk, the industry can expect the Athleisure trend to be robust in 2015 and beyond

(2015).

PRICING PLAN:

LOFT will be implementing a 70% Initial Markup, consistent with the markup percentage provided by LOFT manager Anna Cook. This figure will be used for the sweaters and long sleeve knits department in the Fall of 2016. LOFT offers many frequent sales and markdowns, so in order for us to maintain our profit goals, we must implement this high IMU percentage. According to additional information obtained from Auburn LOFT manager, markdowns are made not according to specific color or style, but sales performance of individual garments. If a certain style is not selling according to expectation, the garment is usually marked down by ten percent and the price changed to reflect a price ending in ninety-nine. In addition to this markdown due to poor performance, ongoing promotional discounts, such as store coupons, are applicable to the already-discounted item. Because of the high markup percentage, we can afford the frequent markdowns we provide and still meet our gross margin goals.

The IMU% we will use for Lou and Grey Top's is 59.07%. This is the markup we need to achieve our gross margin of 47% as well as our sales plan. We are confident that this markup will bring success for the season because the local LOFT in Auburn, AL has a markup of 70% and brings in sufficient business. LOFT has a very simple markdown strategy. Instead of running large blowout promotions, we run very small markdowns consistently throughout the year. For our merchandise line, we will conduct a weekly analysis and make adjustments based upon sales. If our merchandise does not sell as expected, we will implement even deeper markdown. These markdowns will usually come after the holidays pass. We will run a clearance blowout sale, 50%-75% to liquidate inventory and prepare for new merchandise to hit the sales floor for spring.

BUYERS: Moriah McDougald, Whitney Knox			
DEPARTMENT NAME: Ann Taylor LOFT			
CLASSIFICATION NAME: Sweaters and Long Sleeve Knits			

Department Strategy Form	Last Year 2011	Planned 2012	% Change
Total Department Sales	\$135,140,750	\$140,847,788	4.22%
Classification Sales		\$91,551,062	
% Gross Margin		43.00%	
\$ Gross Margin		\$39,366,957	
% Reductions		46.00%	
\$ Reductions		\$42,113,488	
Planned Inventory Turnover	-	2.35	
Planned GMROI	-	168%	
Actual Average Inventory (@retail)	-	\$41,032,588	
Actual Inventory Turnover	-	2.23	
Initial MU%	-	70.00%	

Detailed Reduction Plan:	Percent	Dollars
*Markdowns	40.00%	\$36,620,425
*Discounts	4.00%	\$3,662,042
*Shrinkage	2.00%	\$1,831,021
*Total Reductions	46.00%	\$42,113,488

Planned GMROI =		Gross Margin \$	X	Net Sales \$	
		Net Sales \$		Avg. Inventory at Cost	
		168.32%	\$39,366,957	X	\$91,551,062
			\$91,551,062		\$23,388,575
		Net Sales			= Inventory Turnover
		Avg. Inventory at Retail			
		\$91,551,062		=	2.23
		\$41,032,588			

	Line	Aug	Sep	Oct	Nov	Dec	Jan	Total
Percent of Sales by Month	1	10.00%	12.00%	16.00%	18.00%	24.50%	15.00%	95.50%
Monthly Sales	2	\$9,155,106	\$10,986,127	\$14,648,170	\$16,479,191	\$22,430,010	\$13,732,659	\$91,551,062
Percent of Reductions by Month	3	15.00%	14.00%	14.50%	16.00%	23.00%	17.50%	100.00%
Monthly Reductions	4	\$6,317,023	\$5,895,888	\$6,106,456	\$6,738,158	\$9,686,102	\$7,369,860	\$42,113,488
Stock/Sales Ratios	5	3.61	3.26	3.2	2.85	2.15	3.2	-
Beginning of Month Stock (BOM)	6	\$33,049,933	\$35,814,775	\$46,874,144	\$46,965,695	\$48,224,522	\$43,944,510	-
End of Month Stock (EOM)	7	\$35,814,775	\$46,874,144	\$46,965,695	\$48,224,522	\$43,944,510	\$32,354,534	-
Additions to Stock	8	\$18,236,972	\$27,941,384	\$20,846,177	\$24,476,176	\$27,836,100	\$9,512,544	-