

Example 5

Tommy Hilfiger Jeans

I. My product and firm

A. Product/service: Product – women's ready to wear clothing

1. Women's Tommy Hilfiger jeans
 - a. Premium brand of jeans
 - b. Marketed in leading department and specialty stores
 - c. Targeted market – spirited youth
 - d. New Target Growth Market - + sizes

B. My company: Tommy Hilfiger USA Inc.

1. Headquarters in New York
 - a. 25 W 39th St., Fl. 11 New York, New York 10018
 - b. Most of market in U.S. but also markets clothing to
 - i. Japan
 - ii. Europe
 - iii. South and Central America
2. Women's Category Sales Since fiscal 1998
 - i. Women wear has tripled to \$538.3 million
 - ii. Women wear comprises 29% of consolidated revenue
3. Department stores dedicate twice as much floor space to women's products
 - a. The market for plus sizes is growing at a rate of about 10% a year
4. Plus sizes
 - a. 33% women: size 16 and over, 80% U.S. adults 25 and up: overweight
 - b. Trying to include larger sizes to increase customer base
 - c. 14-plus category is one of the fastest growing segments in women's apparel today
5. Operations Data (in millions)
 - a. Net revenue - \$1,876,721
 - b. Gross profit - \$803,632
 - c. Income from operations - \$185,729
 - d. Net Income - \$134,545
 - e. Diluted earnings per share -\$1.49
 - f. Weighted average shares and share equivalents outstanding -\$90,000
6. Image Size
 - a. Bloomingdales, Boscov's, Buckle, Burdines, Dayton's, Dillard's, Filenes, Foley's, G.R. Herberger's, Hecht Company, Hudson's, Kaufmann's, Lord & Taylor, Macy's, Proffit's, Robinsons-May, Youngers
7. Product Categories
 - a. Men's/Women's Sportswear, Junior Jeans, Men's/Women's Jeans, Children, Women 14-22, Big & Tall, Home, Men's/Women's/Children's shoes, Watches

II. My Buyer – Women's Wear Buyer

A. The buying firm: Youngers

1. Responsible for
 - a. Purchasing of women's wear
 - b. Maintaining appropriate inventory levels
 - c. Achieving profit guidelines
 - d. Controlling inventory costs
 - e. Merchandising of women's wear

Wetco

- f. Advertising of women's wear
- 2. Department store
- 3. Headquarters address
 - a. 701 Walnut St. Des Moines, IA 50309
- 4. Owned by Saks 5th Ave
- 5. Distribution centers
 - a. Green Bay, WI and Ames, IA
- 6. 50 stores in Midwest
 - a. Iowa, Nebraska, South Dakota, Illinois, Wisconsin, Michigan, Minnesota
- 7. Target market: middle to upper class consumers
 - a. Hometown store
 - b. Value friendships
 - c. Responsible for being a good sharing neighbor
 - d. Niche - premium department store in second tier cities

B. Buyer's needs

1. Increase Profits

- a. Maximize Sales \$ Profits per Sq Ft or retail space
 - i. Line extension in Tommy Hilfiger women's jeans line
 - aa. Plus size market segment, currently unmet need in segment, competition doesn't meet it
- b. Control Inventory Costs
 - i. Upgrade overall sales dollars in women's jeans category
 - aa. Upgrade consumers from every day brands to Tommy
 - Higher profit margins on Tommy jeans
 - Higher retail prices/sales

2. Buyer's Customer's needs

- a. Lack of plus sizes in designer jean products
 - i. People who make more money, tend to be more overweight
 - ii. Need for professional clothes in plus sizes
- b. Greater selection in premium/preferred Tommy label

C. What has transpired between Tommy and Younker's recently

- 1. Number of SKU's (number of items carried)
 - a. 7 SKU's in 5 styles of Tommy Jeans
- 2. \$500,000 annual sales, plus 12% vs. YA (year ago)
- 3. One previous meeting about Tommy line extensions
- 4. Sent brochure on plus size line
- 5. Added 2 new flanker (variation on existing line) lines in early fiscal 02'
 - a. Percent of increase 30% in flanker related segments

III. The buyer's options

A. Your own product/service – (Women's Tommy Hilfiger jeans TOM, \$50-60/pair)

1. Strengths

- a. Signature jeans
- b. Excellent quality
- d. Brand recognition, desired product
- e. Emerging lines of jeans
- f. Many product lines

2. Weaknesses

- a. Expensive
- b. Rapid store expansion, department store weakness threat
- c. Limited store distribution (only finer department stores)
- d. Only available at certain outlets
- B. Direct competitor number one – (Polo Ralph Lauren Corp. RL, \$50-60/pair)
 - 1. Strengths
 - a. Brand recognition, desired product
 - b. Desirable tailoring
 - d. Many product lines
 - 2. Weaknesses
 - a. Doesn't currently carry plus sizes
 - b. No emerging lines of jeans
 - c. Keeping up with inventory concerning current customer needs
- C. Direct competitor number two – (Liz Claiborne Inc. LIZ \$45-65/pair)
 - 1. Strength
 - a. Launched plus-size line
 - b. Good quality products
 - c. Many product lines
 - d. Recent diversification strategy to strengthen their foundation
 - e. Extend what they do well - better serve other consumers in other venues
 - f. Maintain independent banner stores
 - 2. Weaknesses
 - a. Not marketed towards spirited youth
 - b. Well known brand but not as prestige to young buyers
 - c. Source of supply not as good
- D. Indirect competitor – (Levi Strauss & Co. \$25-35/pair)
 - 1. Strengths
 - a. Inexpensive
 - b. Widespread distribution base
 - c. Strong brand recognition
 - 2. Weaknesses
 - a. Not premium brand of jeans
 - b. Not preferred prestigious brand
 - b. Not a fashion jean
 - c. Everyday work jean

IV. Objectives

- A. Primary goal: have buyer add one style of plus size jeans
- B. Minimum goal: present and make buyer aware that Tommy now carries plus sizes for women, educate buyer
- C. Optimistic goal: have buyer carry two styles of plus size jeans

I. Objections

1. I am so swamped with the holiday season I'm not able to get these items into the database fast enough.
2. I understand all of the numbers you are showing me related to growth in plus sizes but I'm just not confident that Younkers customers match those numbers, I'm not sure this merchandise will sell well enough.
3. With Christmas being so close I can't allocate store personnel's time to get the new merchandise placed into the Tommy section of the store.
4. My inventory dollars for the remainder of this year are already spent.
5. I already have my Christmas ad space set up. I can't get the new merchandise in the Christmas ad.
6. You can't get this new merchandise to me in time for Christmas.
7. I can't tie up any more of my inventory dollars with these high priced jeans.
8. I can't be giving up space from Levi to put in Tommy jeans; I don't have space, where am I going to put them?
9. Tommy doesn't sell; I do all my volume in Levi.
10. Sure we can do business. But I need a little kickback to make it worth my time and trouble.
11. I believe we might be able to do business if you are willing to start seeing me socially.
12. Liz Claiborne just came out with a brand-new product ~~that seems superior to yours.~~ [REDACTED]
13. Sorry I just don't do business with women.
14. Why don't you just see me on your next trip?
15. I'd like to talk it over with my supervisor, the head buyer.
16. My supervisor is in a meeting right now so we can't close the sale just yet.
17. I need time to think about the line extension that you have proposed.
18. We're not interested in this new merchandise line idea.
19. I don't like the design of this new merchandise line.
20. I need more information.
21. Why do you feel that Younkers needs to add plus sizes to the Tommy line, we seem to be doing fine now?
22. Why did you wait so long to present these items to me if you want them in by Christmas, these should have been presented last February.
23. Won't we just dilute the sales that Tommy already has with these new items?
24. Will these new items take up inventory space for other valuable items?
25. With all of our Christmas orders placed, I'm not sure we have space at the warehouse at this late date.

II. Responses

1. No problem, I will be glad to spend the next two days, if necessary with your administrative assistant getting all of those things done OR Well, I have already prepared for you right here, all of the numbers and data information that I know need to be entered into your system.
2. Our data would indicate that the trends we see are broad and serve all classes of department stores. However, we understand your concern and to put you at ease we will guarantee (if it doesn't sell back we will buy it back) the sale of these plus size products.
3. We have hired some part time employees to accomplish this project by November 15th.
4. No problem, we are going to do one thing for you in relation to this issue. We are going to give you 180-day terms on your initial stock orders.
5. Well what we can do for you is provide you a full page, full color insert for all of our Tommy products to place into your normal ad at our production and insertion cost.
6. We have ample supply for all customers already in our distribution centers, so it will be delivered on time.
7. Mr. Iwen, for every pair of Tommy Jeans you sell, your return is 100 percent profit and that profit is \$30 per pair. For every pair of Levi's you sell you make 35 percent profit or \$7.50 per pair, so your return on inventory dollars for Tommy is much greater.
8. Mr. Iwen, as you know we at Tommy maintain an entire Tommy department and that is where we will market these jeans. We will take it out of our own space.
9. Tommy and Levi are not comparable. Levi is not selling to the same market we are. Levi is not a premium-selling jean, we are.
10. Mr. Iwen, as you know Tommy has never operated that way in the past and we don't intend to get involved in that sort of buyer incentives. I will however, provide you with 180-day terms and solid guarantees to your stores.
11. It is company policy at Tommy that we cannot mix social and business relationships. My position with Tommy is very important to me and I cannot jeopardize that.
12. Superior in what way? I'm providing 180-day terms, guarantees, working it into our square footage, ad production etc.
13. (Say calmly) I'm sorry that you feel that way, but there are laws against those kinds of biases, is it necessary to involve your superior here?
14. I can't wait that long, holiday season is very important and you are going to need these items and your competitors will be carrying them. You will need them to get your share of the profit and you won't have to pay us for six months.
15. Mr. Iwen, as we have discussed, time frame is very critical here. Let's pick up the phone and call him in here right now.

[REDACTED]
Tommy Hilfiger Jeans

16. Well let's call his administrative assistant right now and set a time for all of us to get together later today.
17. Mr. Iwen, as you know the Christmas holiday season is extremely important to not only your business but ours. We need to get these items on the shelf as soon as possible to maximize your holiday profits.
18. You need to know that every other Saks 5th Avenue division has agreed to put these plus sizes items in. With Younkers impending merger with Carson's and the moving of your headquarter from Ames to Milwaukee, it is most likely in your best interest to get on the bandwagon here.
19. We have spent 400,000 dollars on consumer panel research including panels in the upper mid-west to gain the right designs. Also to assure that these designs are what the consumers prefer.
20. What other information do you feel you need? I have given you the market background, design background, ad program... if you feel you need more information on these issues I would be more than happy to provide any further information to give you a better insight.
21. Well, 14-plus category is one of the fastest growing segments in women's apparel today. It would benefit your profit margin sales to carry plus sizes.
22. The events of 9/11 have made sales in clothing categories unstable and hard to predict. We at Tommy feel that recent month's data have showed some stabilization and that is why we want to move forward now.
23. No these are plus sizes. These are new customers to Tommy and the need for plus sizes are increasing.
24. I am going to add a riser to one of the existing tables of merchandise that we at Tommy already have. This will then also be at the premium eye level position.
25. If that is a problem lets utilize you're over the dock program and Tommy will store these items in nearby outside storage facilities OR We can direct ship this product to the stores.