

## Case Analysis: J.C. Penney's Strategic Misstep

**INTRODUCTION:** Strategic Positioning attempts to achieve sustainable competitive advantage by preserving what is distinctive about a company. It is important for managers to be aware of their company's strategic position and the effect this will have on their decisions and actions within the company. You are asked to apply your knowledge on this topic to the following case, which focuses on a top manager that failed to recognize his own company's business strategy.

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Understanding a company's strategic positioning is an important job of employees and managers at all levels of a company. Ron Johnson, former CEO of J.C. Penney would likely attest to this fact after being fired in 2013 for making severe strategic errors. Johnson was originally hired as CEO of J.C. Penney because of his success as Vice President of Merchandising at Target and Senior Vice President of Retail Operations at Apple, Inc. Despite Johnson's historical success, his lack of understanding of J.C. Penney's strategic positioning created such severe issues for the company that he was eventually removed from the company.

So, what was Johnson's big mistake? Johnson attempted to drastically reinvent the J.C. Penney brand. On the surface, his suggestions for the company seemed logical. For example, Johnson wanted to replace J.C. Penney's prices with new "fair" prices. He claimed that J.C. Penney and other stores had historically used "fake" high prices, which were then discounted and advertised as being on sale to increase sales. In addition, Johnson wanted J.C. Penney to be a place in which people would "hang out." He envisioned boutiques and coffee bars and began to stock high end products in an effort toward this goal. Johnson believed that the customers at J.C. Penney would respond well to new honest prices and quality products, but in reality, this did away with features that customers loved, like coupons, big sales, and cheap clothes. Because customers no longer received coupons in the mail or saw big signs proclaiming Sale! J.C. Penney's traditionally price sensitive customers felt like they were no longer the company's target market.

J.C. Penney's board of directors concluded that Johnson was out of touch with the company's customers, workforce, and culture. Basically, Johnson did not fit with J.C. Penney and ignored the company's business strategy. Johnson was even reported saying, "We didn't test at Apple" in response to someone questioning him on why he did not perform market tests before making price changes. Johnson failed to realize that J.C. Penney and Apple are two very different companies with different strategic positions.

### Sources:

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