Stride Mark [Shoe Brand Company]

Stride Mark is a leading footwear brand selling athletic and casual shoes. It has over 500 retail stores and sells through major ecommerce platforms. Annual revenues are around $1 billion, but profits have declined from $150 million to $100 million over the past 3 years due to increasing costs and stagnant growth. The retail stores account for 75% of revenues but have seen flat same-store sales growth and declining margins. E-commerce sales have risen steadily but are still only 25% of revenues. The cost increases are largely due to higher retail rent and staff expenses. What key areas would you want to explore to understand Stride Mark's decline in profitability?

Candidate: Thank you for meeting with me today. I understand Stride Mark has been facing declining profits over the past few years. Could you provide some background on the company and its current situation?

Interviewer: Stride Mark is a leading footwear brand with over 500 retail stores and a presence across major e-commerce sites. Our annual revenues are around $1 billion.

Candidate: What is Stride Mark's product portfolio - does it focus on athletic shoes, casual shoes, or both? What are the key customer segments?

Interviewer: We have a diverse portfolio of athletic and casual shoes targeting men, women and kids across income levels. Our focus is the mass market.

Candidate: And what is the sales mix between retail stores versus e-commerce?

Interviewer: The retail channel generates about 75% of our revenues. E-commerce is currently 25% but growing steadily.

Candidate: Thanks for the overview. To understand the profit declines, I'd like to analyze revenue and cost trends over the past 3 years. Could you share Stride Mark's financial performance during this period?

Interviewer: Revenues have been largely flat at around $1 billion annually. However, costs have risen from $850 million to $900 million, resulting in declining profits. Here is the data

	2018	2019	2020
Revenue	$1 billion	$1 billion	$1 billion
Variable Costs			
Cost of Goods Sold	$350 million	$350 million	$350 million
Labor Costs	$300 million	$325 million	$350 million
Marketing Costs	$100 million	$100 million	$100 million
Fixed Costs			
Rent	$75 million	$90 million	$100 million
Overhead Costs	$25 million	$35 million	$50 million

Candidate: This is very helpful. Flat revenues indicate issues like lack of same-store sales growth. What factors have driven the cost increases?

Interviewer: Primarily higher rental costs for our retail stores as well as increased labor costs due to minimum wage hikes.

Candidate: Got it. Would it be possible to get a profitability breakdown of the retail versus e-commerce channels? I'd like to analyze which one is more profitable.

Interviewer: Sure, I can share that data. The retail stores are still profitable, but e-commerce is break-even.

Candidate: Understood. It seems the retail network, being the larger channel, is likely driving the overall profit declines and requires deeper analysis. We should boost e-commerce as it has growth potential. Do you track same-store sales for retail?

Interviewer: Yes, same-store sales have been flat over this period. No real growth.

Candidate: That confirms the need to boost same-store sales to drive retail revenue. On costs, it seems rent and labor are major factors. I'd recommend optimizing the retail footprint to cut rental costs and improve staff productivity to optimize labor spend. Does this seem like the right approach?

Interviewer: Yes, that makes sense. Rightsizing the retail presence and optimizing labor will be key to getting costs under control and restoring profitability. Your recommendations address our major issues.

Stride Mark Shoe Company [Footwear Company]– Detailed Case Analysis

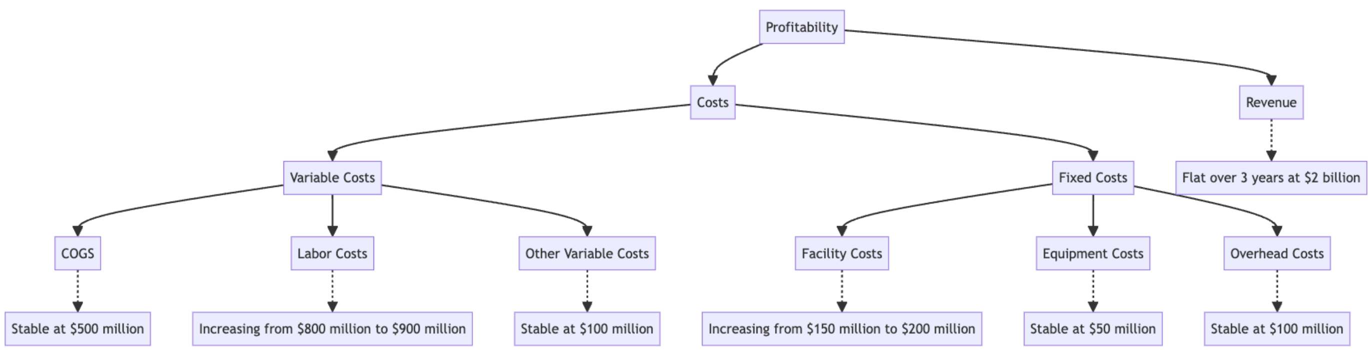
Candidate Notes:

- Declining profitability driven by flat growth and increasing costs.
- Larger retail channel requires deeper analysis.
- E-commerce channel has growth potential.

Case Facts:

- Leading footwear brand with 500+ stores and e-commerce presence.
- $1 billion in annual revenues, profits declining due to stagnant growth and rising costs.
- Retail stores account for 75% of sales but flat same-store sales growth.

Approach/Framework:



Recommendations:

- Improve Retail Performance
  - Optimize retail footprint to cut rental costs
  - Improve staff productivity to optimize labor costs
  - Revamp merchandising to boost same-store sales
- Boost E-Commerce Channel
  - Enhance online assortment and merchandising
  - Leverage data analytics to improve personalization
  - Integrate retail and online for omni-channel experience
- Enhance Organizational Agility
  - Streamline product development for faster launches
  - Enable more local input into product assortment
  - Empower stores to customize branding and promotions

Observations:

- Need to integrate retail and e-commerce for seamless experience
- Product innovation and speed-to-market needs improvement
- Declining retail store performance requires turnaround