

Suit Wars: Men's Wearhouse versus JoS. A. Bank

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Background of Company



- August 1973 in Houston, Texas
- 1992 Incorporation of K&D Men's Center
- 1999 Incorporation of Moore's Clothing
- June 2013 fired Founder Ziemer
- "Had difficulty accepting the fact that Men's Wearhouse is a public company with an independent Board of Directors"
- June 10, 2014 Acquisition of Jos A. Bank
- 1,700 stores
- \$1.5 Billion estimated combined annual revenue

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Economic Analysis

U.S. Bureau of Economic Analysis

GDP: \$16.2 Trillion
 Inflation: 1.5%
 Unemployment: 7.4%

Source: Bureau of Economic Analysis, Department of Commerce

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Source: Bureau of Economic Analysis, Department of Commerce

Physical Environment

Major Locations

- Atlanta, GA
- Boston, MA
- Chicago, IL
- Dallas, TX
- Denver, CO
- Detroit, MI
- Houston, TX
- Los Angeles, CA
- Minneapolis, MN
- New York, NY
- Philadelphia, PA
- Pittsburgh, PA
- Portland, ME
- San Antonio, TX
- San Diego, CA
- Seattle, WA
- St. Louis, MO
- Tampa, FL
- Wash. DC
- Wichita, KS

SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Employee centered corporate culture • Excellent customer service • High customer satisfaction 	<ul style="list-style-type: none"> • Limited specialty retailer of men's suits • Limited specialty retailer of menswear • Quick alterations and dry cleaning in most areas

Firm's Structure

Multidivisional Structure

- Strategic Business Unit Form
- Retail Segment
- Men's Wearhouse, Men's Wearhouse and Tailors, Moore's Clothing for Men, K&D, and Jos A. Bank
- Corporate Support Segment
- Tailors, Dressmaker, Altercarts, and Wally
- Release brands in each category leads to reduced competition in merchandising, distribution, advertising, and back-office support functions

- ### Core Competencies
- Dedicated Employees**
- Employee centered corporate culture
 - Excellent customer service
 - High customer satisfaction
- Specialty Retailing**
- Limited specialty retailer of men's suits
 - Limited specialty retailer of menswear
 - Quick alterations and dry cleaning in most areas



Questions?

Leadership

Strategists

Strategist	Role	Key Contributions
Joe A. Bank	Founder	Established Men's Wearhouse as a leading men's apparel retailer.
John J. Ziemer	Former CEO	Expanded the company's footprint and introduced new brands.
Michael J. Ziemer	Former CEO	Continued the expansion and growth of the company.

Board of Directors

Director	Role	Key Contributions
Joe A. Bank	Chairman	Provides strategic vision and oversight.
John J. Ziemer	Member	Offers industry expertise and guidance.
Michael J. Ziemer	Member	Provides financial and operational insights.

Recommendations

- Digital Advertising and Social Media Branding
- Streamline the Jos A. Bank website
- Global Expansion

Porter's Five Forces



- #### Threat of Entrants
- Low: Men's Wearhouse has a strong brand identity and loyal customer base.
 - High: New entrants can enter the market with a unique value proposition.
 - High: Large Market Share, More Stores, More Locations, More Sales
- #### Threat of Substitutes
- High: Customers can choose other retail options.
 - Low: Men's Wearhouse offers a wide range of products.
 - High: Men's Wearhouse offers a wide range of products.
 - High: Men's Wearhouse offers a wide range of products.
- #### Bargaining Power of Suppliers
- High: Men's Wearhouse has a strong relationship with suppliers.
 - Low: Suppliers can negotiate better terms.
 - High: Men's Wearhouse offers a wide range of products.
- #### Bargaining Power of Buyers
- High: Customers can choose other retail options.
 - Low: Men's Wearhouse offers a wide range of products.
 - High: Men's Wearhouse offers a wide range of products.
- #### Intensity of Rivalry Among Competitors
- High: Men's Wearhouse has a strong brand identity.
 - Low: Men's Wearhouse offers a wide range of products.

Present Situation

Category	Value
Revenue	\$1.5 Billion
Profit	\$100 Million
Market Share	15%

Present Strategy

- Focus on core competencies
- Expand into new markets
- Improve operational efficiency
- Enhance customer experience
- Invest in technology
- Strengthen financial position

Culture

Men's Wearhouse has a strong corporate culture that emphasizes employee development and customer service. The company is committed to providing a supportive work environment and opportunities for growth.



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Porter's Five Forces



Threat of Entrants

- Low
- Solid Reputation, Strong Customer Loyalty, Long History, Decline of Men's Suit Retail Industry
- Year round promotions, Credit Card programs
- Merger = Larger Market Share, More Stores, More Options, More Sales

Threat of Substitutes

- High
- Many alternatives of men's clothing



- August 1973 in Houston, Texas
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- June 2013 Fired Founder Zimmer
 - "Had difficulty accepting the fact that Men's Wearhouse is a public company with an independent Board of Directors"
- June 18, 2014 Acquisition of Jos A. Bank
 - 1,700 stores
 - \$3.5 Billion estimated combined annual revenue

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Economic Analysis

Physical Environment

Economic Analysis

U.S. Bureau of Economic Analysis

GDP

- Q4 2013 **+2.6%**
- Q1 2014 **-2.9%**

Real Personal Consumption

- Q4 2013 **+3.3%**
- Q1 2014 **+1%**

Barnes Report: Worldwide Men's & Boy's Clothing

- 2014-2015 Men's Apparel Industry: **-3.6%**
- 2014-2015 Retail Industry: **+6%**

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Men's Wearhouse Q1 2014 Fiscal Report

- Total Net Sales: **+2.3%**
- **+4.8%** above Q1 2013
- \$630 Million Revenue
- Total Gross Margin: **+2.2%**
- Corporate Apparel: **-1.9%**
- Advertising Expense: \$4.3 Million

Sociocultural Analysis

Style Changes

- Birth of "Aloha Fridays" --> Casual Fridays
- Dockers' Successful Marketing Ploy
- 5 Generations in the Workforce
 - Millennials Vs Generations X & Y

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Diversity

- Houston Office
 - 35 different countries
 - Multiple Languages
- Strategists
 - 5 Female, 15 Male
- Experience
 - Macy's, J.C. Penney's, Foot Locker, Vitamin Shoppe, Limited Brands, Wal-Mart
- Education
 - Law Degrees, MBAs, Ph. D., CPAs

Physical Environment

Energy Sustainability

- 2010 Survey of 766 CEOs
 - 93% Very Important - Somewhat Important
 - 50% spend \$50 Million annually in energy costs
 - 59% expected ROI on energy sustainability measures within 3-5 years
- Men's Wearhouse
 - LEED Certified Houston Office
 - Light Sensors
 - Energy Star Appliances
 - Energy Efficient Lighting in Retail Stores
 - Appliance recycling for employees

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Demographics, Technology & Global Analysis

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Target Audiences

- Middle to Upper-Middle Income Males
 - High Quality Products
 - Lower Prices
 - Reward and Credit Card Programs
 - Name Brands: Calvin Klein, Kenneth Cole, etc
- Younger Male Audience
 - Tuxedo Rentals
 - Prom Season

Technological Advances

- Growth in E-Commerce
 - +18% overall in Retail Division
 - \$51 Million online sales for Men's Warehouse
- Smartphones
 - Reviews, Product Pricing, Coupon Redemption
- Intelligent Digital Advertising
 - Demographic Targeting
 - Search & Site Retargeting
 - Mobile Geo-Fencing
 - International Shipping

Global Outlook

- Acquisition of Jos A. Banks
 - 1,700 retail stores
 - \$3.5 Billion Annual Revenues
- International Shipping
 - BorderFree
 - Over 100 countries

Political Legal

Acquisition of Jos A. Banks

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- Men's Wearhouse
 - Year round low prices
- Jos A. Bank
 - Frequent, short term discounts to boost sales
- Jos A. Bank initiated acquisition of MW
 - MW submitted counter offer
 - Jos A. Bank rejected
- Jos A. Bank initiates acquisition of Eddie Bauer
 - \$825 Million Deal
 - Attempt by Jos A. Bank to thwart a hostile takeover and attempt to increase bid by MW
- MW increased bid to \$1.2 Million
 - Jos A. Bank counters with \$1.8 Million
 - Both parties accept
 - FTC approves takeover by the Hart-Stock-Rodino Antitrust Improvements Act 1976
- June 18, 2014 Finalized

Firing of Founder

- Zimmer Issues Ultimatum to Board of Directors
 - New CEO Ewert Vs Founder Zimmer
- Zimmer claims Board tried to silence him
- BOD claims Zimmer had difficulties letting go of decision making powers

Present Situation

Table 1. Net Sales and Operating Income from Retail and Corporate Apparel (Figures in thousands of dollars)

	2013	2012	2011
Net Sales			
Retail	2,226,422	2,248,849	2,139,193
Corporate Apparel	246,811	239,429	243,491
Total Net Assets	2,473,233	2,488,278	2,382,684
Operating Income (Loss)			
Retail	120,247	194,679	189,995
Corporate Apparel	9,381	3,889	-4,563
Operating Income	129,628	198,568	185,432

Table 2. Retail Breakdown

	2013	2012	2011
Net Sales			
Retail Clothing Product	64.10%	68.00%	68.00%
Tuxedo Rental Services	16.70%	16.30%	15.80%
Alteration and Other Services	5.90%	6.10%	6.00%
Total Retail Sales	90.00%	90.40%	89.80%
Corporate Apparel	10.00%	9.60%	10.20%
Total Net Sales	100.00%	100.00%	100.00%

Table 3. 2009-2013 Men's Wearhouse Financials (Thousands of dollars)

	2013	2012	2011	2010	2009
Total net sales	2,473,233	2,488,278	2,382,684	2,102,664	1,909,575
Total gross margin	1,089,010	1,108,148	1,048,927	898,433	798,898
Operating Income	129,628	198,568	185,432	101,671	69,376
Net earnings attributable to common shareholders	83,791	131,716	120,601	67,697	46,215
Diluted net earnings per common share attributable to common shareholders	1.7	2.55	2.3	1.27	0.88
Cash Dividends declared	0.72	0.72	0.54	0.39	0.3

Table 4. Balance Sheet Information, 2010-2014 (All figures in thousands of dollars)

	1-Feb-14	1-Feb-13	1-Feb-12	1-Feb-11	1-Feb-10
Balance Sheet Information					
Cash and cash equivalents	59,252	156,063	125,306	136,371	186,018
Inventories	599,486	556,531	572,502	486,499	434,881
Working capital	479,808	560,970	544,108	497,352	486,341
Total assets	1,555,230	1,496,347	1,405,952	1,320,318	1,234,152
Long-term debt, including current portion	97,500	0	0	0	43,491
Total equity	1,023,149	1,109,235	1,031,819	983,853	904,390

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Table 5. Comparison of Men's Wearhouse with Competitors (All figures in thousands of dollars)

	Year end 2013			
	Men's Wearhouse	Dillards	JC Penny	Macys
Total number of Retail Stores	1124	296	1,094	840
Net sales	2,473,233	6,531,647	11,859,000	27,031,000
Operating Income	129,628		-1,420,000	2,678,000
Net Income	83,791	323,671	-1,388,000	1,486,000
Total Equity	1,023,149	1,992,197	3,087,000	6,249,000
Diluted EPS	1.7	7.1	-5.57	3.86