

Analysis of Francesca's Retail Strategy

A. Retailer Name and Mission

Francesca's is a successful, Houston-based company operating women's specialty retail stores in 45 states. Known for our upscale, fashion-forward apparel and accessories, we are expecting significant growth. (Francescas.com)

B. Target Audience

The primary target consumer is the affluent, fashion-conscious woman age 18-35. She seeks out the latest fashions and values the upscale boutique-shopping environment of Francesca's, although it is a chain. She has a college education with moderate to high income. However, Francesca's believes its broad and eclectic assortment attracts women of many ages and backgrounds. The retailer has multiple stores across 45 states in the U.S., about 50/50 mall and non-mall locations. Stores hold four main categories of merchandise: apparel, jewelry, accessories, and gifts.

C. Retail Format

1. Product/ Service Mix:

Francesca's carries a broad assortment of four merchandise categories: fashion apparel, jewelry, accessories, and gifts. What makes Francesca's unique is that it maintains only a limited amount of inventory of each product, lessening the likelihood that another woman will show up to the party in the same dress as the target consumer. The boutiques stock new merchandise every five days, ensuring customers a fresh visit every time. Francesca's wants the customer's shopping experience to feel like a "treasure hunt" with the limited amount of diverse and eclectic quick-turnover product offerings. Most of the assortment is under the Francesca's label, but they also offer third party brands.

2. Pricing Strategy:

The Francesca's annual report describes its pricing strategy as "value pricing" with prices that "surprise and delight" customers. Francesca's is on the higher-end of pricing for "value" fast fashion, however Francesca's is also on the slightly slower end of fast fashion, and offers considerably higher quality products. The reason Francesca's is successful is because it is occupying a unique market, fast but not too-fast fashion. It's a market in which consumers don't have to sacrifice quality for trend, but also don't have to drain their pocketbooks.

Forever 21 is a common fast-fashion retailer that restocks inventory at a slightly faster rate than Francesca's. In comparison, consumers could pay 60% more for a piece of jewelry at Francesca's, but also receive a higher quality product. Express is another trendy but slower fashion retailer, which offers jewelry at over 50% more than Francesca's prices, locating Francesca's pricing somewhere in the mid-range.

3. Positioning and relative position:

Francesca's occupies the women's fashion market, specifically the four aforementioned categories: apparel, jewelry, accessories, and gifts. According to the retailer's annual report, the largest competitors in this market are national department stores, likely due to their wide variety, deep assortment, and top, recognizable brands. However, Francesca's is unique in its deep assortment but limited inventory of "treasure hunt" product offerings, which fills a gap in the market that department stores can't offer. This unique aspect of the retailer makes its most similar competitors local and regional boutiques, which occupy a smaller part of the market. Francesca's is fairly high in quality, but low to average in price, a good value for consumers. On the fast fashion scale, they are somewhere in the high to mid range. Both these ratings put them in a good spot in the hearts of consumers, knowing they can get a trendy, quality product at a fair price. Also, the warm boutique aspect and personal customer service differentiates Francesca's from the rest of the chain fast fashion market.

4. Advertising and promotion strategy:

Francesca's advertising strategy seems to be focused on in-store marketing and directed at repeat customers. According to Francesca's annual report, the retailer wants its customers to "discover" Francesca's, to fit with its "treasure hunt" boutique atmosphere. Boutique location is a big consideration for Francesca's, and they try to locate themselves in high traffic malls, strip malls, and other shopping facilities. The retailer most highly utilizes online marketing: email marketing, social media platforms (Facebook, twitter, Instagram, Pinterest, and fashion related blogs), and its website. Francesca's typically avoids traditional fashion marketing (TV and print ads) and instead relies on customers to become advocates of the brand and spread information through word of mouth.

5. Location/Site strategy:

As previously mentioned, Francesca's relies heavily on location for customers to discover boutiques. Boutiques are located about 50/50 mall and non-mall sites, with multiple boutiques across 45 states. To decide boutique location, according to Francesca's annual report, a team evaluates shopping venues based on overall productivity, competitive environment, and sales of other related retailers.

6. Channel Strategy:

The brick and mortar store is Francesca's main sales channel, due to the boutique experience being one of the top values in the minds of consumers. In 2013, sales from boutiques represented 97% of total sales. Customers can also shop online at Francesca's website if there isn't a boutique offered in their state.

D. Sustainable Competitive Advantage

1. Sources of advantage and level of long-term sustainability:

a. *Exclusive merchandise:* the boutique and limited inventory concepts are unique to Francesca's, giving them a fairly sustainable competitive advantage as long as they continue to offer trendy merchandise.

b. *Positioning in the minds of consumers:* Francesca's is pretty well positioned in the minds of consumers: they offer a good value, high quality, and on-trend items. As long as Francesca's can continue to offer quality products at relatively low prices, they can maintain their good positioning balance.

c. *Good value:* Consumers pay a low-medium price for high quality products. This is a sustainable advantage if Francesca's can maintain good supplier relations, and keep operating costs down.

d. *Boutique-style customer service:* By offering excellent, personal customer service, the Francesca's boutiques are warm and welcoming, without coming off like a chain store. This is a sustainable advantage because customers will form relationships with boutique staff. Also, each of the boutiques is relatively small for the amount of SKUs offered in each store (hence the "treasure hunt" aspect), which makes it impossible to not have at least one interaction with a boutique staff member during your visit.

e. *Strong online presence:* Francesca's doesn't engage in traditional forms of marketing. The strong online presence is a sustainable advantage as long as Francesca's keeps its content fresh and interesting to consumers.

2. Imitation of competitive advantages:

As stated in Francesca's annual report, their main competitors are local boutiques in regional areas that offer the same welcoming presence and personal staff relations. However, these boutiques cannot offer the fast fashion or recognizable brand names that Francesca's does, therefore giving Francesca's the ultimate advantage. Another possible imitator of Francesca's boutique-style-but-still-fast-fashion concept would be Dry Goods, a smaller boutique chain owned by Von Maur. But, Dry Goods prices are significantly higher than Francesca's, and the store doesn't offer as much of an eclectic selection. The Francesca's concept really is quite unique, which largely contributes to their success.

3. Achilles Heel:

The Achilles Heel of Francesca's retail strategy seems to be the marketing. Although it's justified, (the brand doesn't engage in print or TV advertising because it wants customers to "discover" boutiques) it seems like Francesca's could expand its marketing efforts slightly outside of social media. One main weakness is that Francesca's does not appear to have a loyalty program. Customers can sign up to be on an emailing list, but none of the deals are "A-List customer" exclusive. By implementing a loyalty program, Francesca's

could encourage repeat visits and really lock in customers who like the store but don't have further motivation to make more purchases.

E. Sources

Francesca's site:

<http://www.francescas.com/category/customer+service/about+us.do>

Annual Report: http://files.shareholder.com/downloads/ABEA-67ZODQ/3524555925x0x774475/202390A0-218E-4D69-80D6-4B484A7E5210/FRAN_2013_Annual_Report.pdf

Why Successful Retailers Adopt the Same Winning Strategy:

<http://www.fool.com/investing/general/2014/01/20/why-successful-retailers-adopt-the-same-winning-st.aspx>

Francesca's Investors: <http://investors.francescas.com/AR/2012/who-we-are.html>

Value Fashion Surviving: <http://www.retail-week.com/sectors/fashion/value-fashion-surviving-in-a-tough-sector/5035107.article>

Francesca's Stock Information:

<http://www.nasdaq.com/symbol/fran/competitors>