

Bianca Desai

Ross Stores Strategic Recommendation

Ross Stores, Inc., first established in 1982, has always centered around the customer. As an off-price retailer, they maintain cheap products that have high quality and value. Ross prides themselves on the 'unbelievable bargains' their customers find. Their slogan "Ross Dress for Less" is a direct testament to the company mission statement. Department and specialty chains have the same products, however, upcharge them for much more. Ross does not have an online platform and solely utilizes technology to market their products. They cut costs and do not invest in flashy in-store appearances, putting all of their money back into their customer's deals and their community involvements, one of which is the Boys and Girls Club of America.

Valued at 15 billion dollars, Ross Stores Inc, also known as Ross Dress for Less, has made large strides in the retail industry. One of the ways it differentiates itself in an environment of mass production and fast fashion is by establishing its brand as an off-price retailer. Being an off-price retailer essentially means the firm sells quality clothing for cheaper prices. Ross Stores does exactly that, hence its popular tagline 'Dress for Less.' They have an assortment of clothing that are sometimes irregular and secondhand, however the items possess high-quality, are in-season, and sell for a low-cost (Londrigan 146). In 1982, Ross consisted of only 6 stores at the time. The accreditation of the intense expansion of Ross Stores, however, goes to entrepreneurs Stuart Moldaw and Donald Rowlett. These two retail geniuses successfully pioneered 300 stores by the 1990's ("Ross Stores, Inc. History"). Ross has prided themselves on bringing their customers bargains along with an organized purchasing experience. They hold back on spending money on things like mannequins, window displays, or decorative setups in order to ensure great prices for customers ("About Us"). By cutting costs in that area, Ross is able to consistently offer savings of 20%-60% compared to regular store prices ("Overview").

Despite its historic success, Ross struggled during the pandemic. The store's lack of an internet presence had a negative impact on the business despite its capacity to give shoppers cheaper merchandise. Due to Covid-19 restrictions, numerous Ross stores closed due to a lack of online presence. Furthermore, consumer preferences changed as a result of the epidemic. Ross's spring quarter sales were cut in half, and it's summer quarter sales were cut in third as a result (Rivas).

Module 1: Corporate Governance

Role of Board and Management:

The company's senior decision-making body is the Board of Directors, all of the positions of which are voted by the stockholders. Barring certain areas that solely pertain to the stockholders, the Board of Directors is the primary form of leadership. It chooses the executive officers who are in control of the company's operations, serves as counsel to the executive officers, and oversees their performance. The primary responsibility of the board of directors is to use their professional judgement to look after the interests of the firm and its investors.

Ross Stores, Inc. has four officer roles that encompass top management, with members occupying these roles also serving on the board of directors. They include the Vice Chair and Chief Executive Officer, the Group President and Chief Operating Officer, the President and

Chief Merchandising Officer, and the Executive Vice President and Chief Financial Officer. Since November of 2019, Mr. Balmuth is the Chairman of the Board and Senior Advisor of Ross Stores, Inc. The four previous years, he was Executive Chairman of the Board of Directors. Barbara Rentler is the current CEO of Ross Stores, Inc. and also holds a position on the Board of Directors. She was appointed to these roles in 2014, however, has spent many years with the company. She was President and Chief Merchandising Officer of Ross Dress for Less for 5 years and Executive Vice President of Merchandising for 3 years ("Corporate Governance").

As of January 30, 2021, Ross Stores, Inc. had a total of 93,700 employees (O'Connell). There are five sectors in which employees can find work at Ross - stores, retail management, buying, planning, creative and fashion office, supply chain, and finally, corporate. Ross Stores promotes an environment where employees can build their way up the company. In fact, in 2018, 73% of Store Leadership openings were filled by internal promotions, indicating that if an employee shows effort and commitment in their current position, they have a high chance of moving up the ladder. The company has a Career Path laid out for each of their five career areas. For example, for the Retail Career Path, an employee could start out as a retail associate and work their way up to becoming a district manager. Several people that hold influential positions in upper management held these roles before leveling up ("Rewarding Career").

Along with holding a strong leadership team and employee workforce in place, via inspection of official documentation, it is evident that Ross Stores recognizes the competitive nature of their business. In their 10-K form, they have several sections that touch on the dynamic environments of the off-price retail business. One paragraph titled "*Competitive pressures in the apparel and home-related merchandise retailing industry are high*" goes into detail about the increasing efforts made by competitors and all similar entities in the market. One such effort was regarding the new rise of e-commerce. The document states that the e-commerce industry's rapid growth over the previous decade has prompted the introduction of a slew of new competitors, new business strategies, and increased competition from established corporations aiming to launch effective online off-price shopping options. The form also mentioned other competitive factors such as traditional department stores, specialty stores, internet businesses, and catalog businesses ("Form 10-K").

Module 2: External Analysis

Porter's 5 forces:

Threat of new entrants:

New competitors in the apparel store industry provide innovation and new ways of doing things. This may put pressure on Ross Stores to lower prices, cut costs, and provide new value propositions to customers. For new entrants, the fashion sector is not difficult to enter, however, may be difficult to maintain. To maintain its competitive advantage, Ross Stores, Inc. must handle all of these issues and create efficient ways of staying fresh while also bringing value to its consumers. In this industry, new entrants come in the form of fast fashion. With trends of fast fashion bolstering several newer companies, the ability of new retailers to create products at bulk for low prices is increasing. Fast fashion refers to a massively lucrative and sometimes unethical business model that involves mass-producing trendy apparel and high-fashion items at a low cost. This often involves the exploitation of the labor force ("Ross Stores").

Bargaining Power of Suppliers:

Almost every company in the apparel business obtains its raw materials from a variety of sources.

Bargaining power of suppliers indicates how much control the suppliers possess over the entities they conduct business with. The apparel industry is filled with suppliers, making the availability of suppliers easy to access. Clothing brands may choose to engage in backwards integration and buyout or merge with their suppliers. Often, brands build connections with specific suppliers. These factors indicate the bargaining power of suppliers is low. To garner a strong placeholder in the market, it's important to create supply chain processes in connection with several suppliers. Additionally, conducting trials with unique, fresh designs and materials will be beneficial in case raw material prices fluctuate. This will allow the ability to transition between suppliers if needed (Singh).

Bargaining Power of Buyers:

The buyers in the apparel industry are consumers. Like all consumers, they look for high value at low prices. Oftentimes, the smaller and more strong a consumer base is, the larger amount of power they have. A large consumer base lowers bargaining power and allows for more efficient firm processes ("Ross Stores").

Threats of Substitute Products or Services:

Industry profitability decreases when a new product or service meets comparable client wants in different ways. If a substitute product or service provides a perceived value that is vastly different from the industry's current offerings, it poses a significant threat. (the fernfort university source). That being said, the threat that substitution poses in the apparel industry is very low. It is difficult to substitute clothes with something else. The saturated nature of the apparel industry shows that consumers have many options and can easily substitute one brand with another. Hence, the 'substitution' is more about the 'competition' (Bush).

Rivalry amongst existing competitors:

If there is fierce competition among current participants in a sector, prices will fall and the industry's overall profitability will suffer. Ross Stores, Inc. competes in the highly competitive apparel industry, and specifically the off-price retailer industry. Tough competition can have a negative impact on an organization's operational long-term profitability. In the off-price retailer arena, there are several large players including TJ Maxx, Marshalls, and Ross (Pocesta).

Module 3: Internal Analysis

An internal analysis can be conducted utilizing several frameworks and baselines, however, this section will focus on the VRIO (Value Rare Inimitable Organization) model. As you can see in Figure 1, Ross Dress for Less has a sustained competitive advantage due to their inability to be imitated by other entities. There are written descriptions below and the figure will provide a visual representation of the VRIO assessment process.

Valuable:

Ross Stores possesses several valuable resources and capabilities.

Ross sells brand-name and premium products at everyday cheap rates, typically 20 percent to 60 percent less than most department and specialty stores' usual prices. Along with this, Ross employs a 'treasure hunt' style of shopping where customers shop for special 'finds' or 'steals' (items of significant low cost). By deeming the value of the product more than the cost, customers are more likely to return and have an enhanced, enjoyable shopping experience (Garcia).

Rare:

Few other organizations have the capabilities that Ross Stores does.

Behind T.J.Maxx/Marshalls and ahead of Burlington Coat Factory, Ross is the second-largest "off-price retailer" in the United States. The company's management employs off-price purchasing practices that allow it to provide items at deep discounts. Ross offers factors that are difficult to replicate - access to a variety of brands, a wide spectrum of styles and trends, and immense savings. They offer brands from department stores such as Calvin Klein, American Eagle, and Adidas (to name a few) (Kyle). Consumers can boast these brands while purchasing them with significant discounts. They also offer a wide variety of products, from clothing to accessories to perfumes to jewelry. Figure 2 shows the merchandise mix of Ross Stores (Management).

Inimitable:

Ross Stores is inimitable. Other entities would find it very difficult to recreate. This is partly due to the time it took to establish in the first place along with the intricate business connections Ross relies on. Ross offers a myriad of brands, and these deals have been developed via their purchasing department for a long time. The steady supply of fresh merchandise stems from Ross Stores' experience in the area.

Organized:

The firm's deployment and use of their core competencies makes it difficult for rivals to catch up or strategically adjust. Ross Stores, Inc. has evolved from a six-store business to a \$15 billion evaluated company in the last 30 years. Their business model is sturdily constructed and their

off-price approach has allowed us to keep adding new stores around the country, surpassing traditional retailers. Ross has developed systems with several designers that face issues such as overstocking, customer preference changes, and seasonal fluctuations. Ross is able to work with designers to sell their items at such a significant discount. If a brand has an excess of clothing, it may typically sell it at a discount to bargain retailers like Ross in order to focus on the next season. Frequently, these big-box stores will purchase products with a buy-back clause from a designer. This means that after a given amount of time, the designer will have to rebuy anything that hasn't been sold. The excess merchandise isn't wanted by the designers, so they're delighted to sell it to deep-discount stores like Ross at a great price (Erickson).

Final Recommendation:

During the pandemic, Ross struggled. Despite its ability to offer consumers cheaper products, the store's lack of an online presence took a toll during the pandemic. With minimal internet presence, several Ross stores shutdown due to Covid-19 restrictions. On top of this, consumer interests altered; during the pandemic, lounge wear items such as yoga pants were in high demand. To be clear, *only* these items were receiving attention and being purchased. As a result, Ross's spring quarter sales were slashed in half, and its summer quarter sales were cut in third.

My recommendation for Ross Stores is for them to focus on enhancing their virtual shopping experience. In the past, it has been tough to replicate the "treasure hunt" in-person customer experience in online platforms. However, because more consumers have been engaging in internet shopping in general, it is important to create an enticing online discount shopping experience. For example, TJX Companies, the parent firm of a number of off-price retailers including TJ Maxx, also invested in Marshalls' first ever e-commerce site in recent years. When asked about the topic of off-price retailers and their website shopping in an interview with Fortune, Simon Property Group CEO David Simon said that, "we know our outlets are going to continue to thrive, but the reality is that some element of that will go online."

Establishing an online shopping presence for Ross is no easy task and will require more than just establishing a platform that merely delivers amazing offers. Unlike outlet mall shopping, when it comes to shopping at off-price retail stores, consumers do not have a preplanned idea of what they are looking for. The e-commerce website will have to keep the retention rate high despite consumers having no idea what kind of products or brands they will be able to access. Ross will also have to figure out how to get shoppers who like rummaging through racks of goods for good discounts to go online to discover those same deals.

One way Ross can implement their treasure hunting experience in their online platform is by implementing flash sale sites. Flash sale sites have no predetermined things to sell. Rather, anything customers are willing to buy will be sold for a limited amount of time. According to Tiffany Hogan, a Kantar Consulting analyst, flash sale sites have gotten the closest to replicating the in-store treasure hunt experience online, with their very limited-time discounts making shoppers feel like they stumbled across a wonderful deal.

Logistics will be another difficulty for off-price e-commerce sites. Because off-price sites offer leftover items from other companies, they do not have an idea of what merchandise will be available for sale months in advance, which makes creating a content plan to market such products more challenging. To strategically face this issue, Ross can focus on delegating the majority of logistical duties to the brands. Ross can implement the vendors and brands it works with into the website, allotting them with the responsibility of handling the orders. This responsibility allocation will help Ross differentiate themselves from their competitors. For

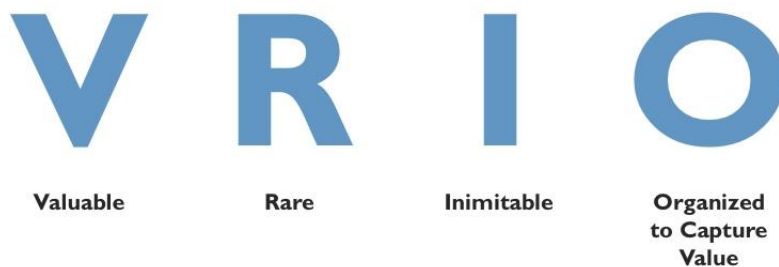
example, Marshalls' and TJ Maxx's websites only allow buyers to filter by price, color, and style rather than more complex attributes such as the brands they want.

Because outlet and off-price buyers don't always know what they want, a good creative and content will be necessary to attract online shoppers. As seen in Figure 3, Ross has a segment on their website that displays content from social media shoppers who highlight low-price steals they found. Many of them use the hashtag #yesforless which allows for stronger brand recognition. This content will help new consumers see the value add Ross brings to the table and should be continued in parallel with the new e-commerce enhancement efforts (Hensel).

List of Figures:

Figure 1:

Systematically identify **resources** and capabilities that may serve as a key source of **competitive advantage**



To be the basis of a **sustainable competitive advantage**, a resource or capability must meet these criteria

Figure 2:

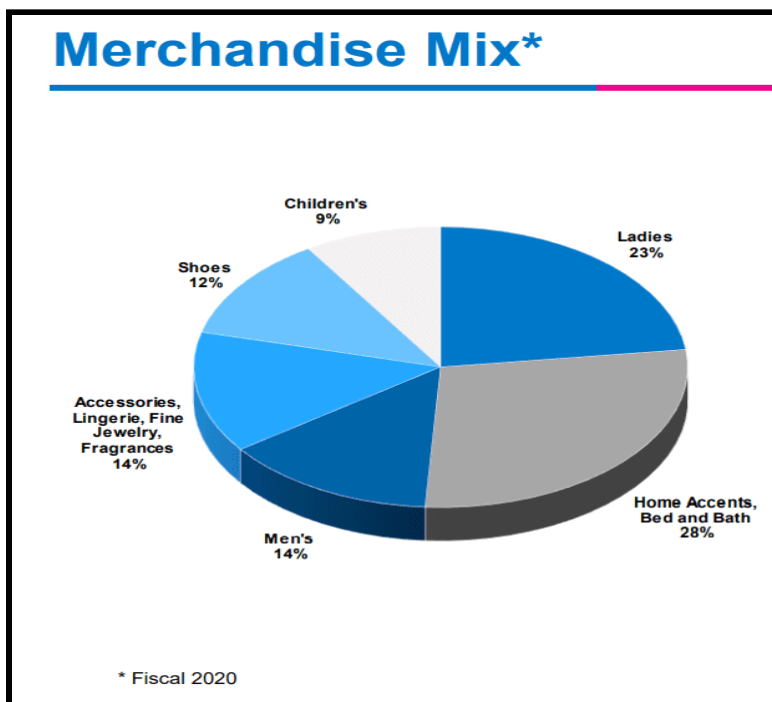
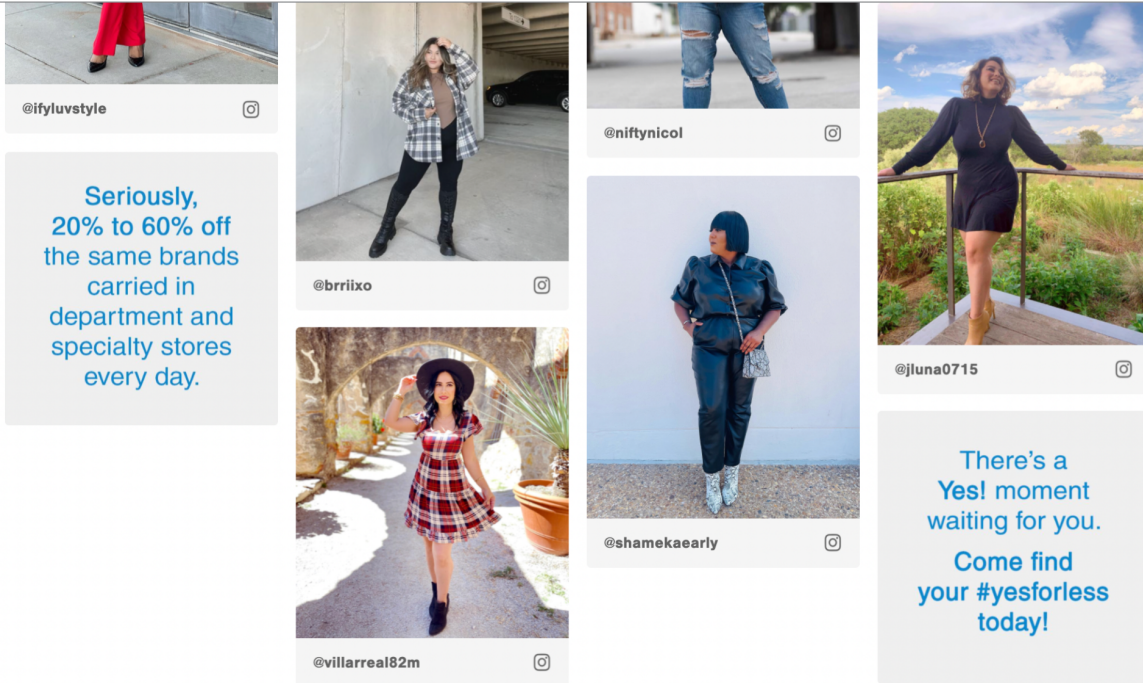


Figure 3:



[Found In-Store](#)

[Store Locator](#)



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