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National Survey Asks: Can Penney Roll?

Beleaguered retailer J.C. Penney has a chance to turn back the clock: If it resumed its old pricing and inventory, more than half the shoppers who've abandoned the chain say they'd likely come back, and six in 10 of its remaining customers say they'd boost their shopping there.

Still, a national survey on the retailer's chances underscores the damage done. While 53 percent of Americans say they've shopped at J.C. Penney in the past few years, nearly half of them (45 percent) say they've since bailed on the retail giant. The rest, 29 percent of all adults, describe themselves as current Penney shoppers – a vast group to be sure, but far from its former glory.

It could be worse for Penney. This survey, by [Langer Research Associates](#) in association with Kase Capital, finds that shoppers who've stayed with the chain are more frequent, higher-spending, higher-income customers compared with those who've left. Among current shoppers, 45 percent report household incomes of \$50,000 or more, compared with 28 percent of J.C. Penney's former customers.

While upscale shoppers are more apt to have stayed with the chain, its results – including a \$552 million loss last quarter – suggest that there aren't enough of them, and their spending isn't sufficient, to compensate for those who've fled. Indeed, more current shoppers say they've cut their spending at the chain in the past year, 23 percent, than have increased it, 14 percent. (The cut-to-spend ratio peaks among those age 55 and older.)

Still, given their greater affluence and higher, more frequent spending, it's useful for J.C. Penney that 62 percent of current customers say it's very or somewhat likely that they'd shop there more than they do now if it brought back its old pricing policy and selection of items. Among former shoppers, additionally, 54 percent say it's likely they'd come back (and another 7 percent aren't sure, which beats the alternative, calling it “unlikely”).

But Penney still faces the possibility of a lasting deep cut in its customer base even if it moves to restore its past policies. Of those who've shopped there in recent years, 45 percent say they don't do so any more, and 39 percent of them call it unlikely that they can be enticed back – a net potential loss of 17 percent of customers. (About four in 10 of them, though, call it “somewhat” unlikely they'd return to J.C. Penney if it resumed its old policies – a hard sell, but perhaps not impossible. The rest call it “very” unlikely, a more definitive sayonara.)

Again, though, the company at least has retained its best customers. Among Americans who currently shop there, 33 percent say they do so monthly or more, and 22 percent say they spend

more than \$100 on a typical visit. Among former shoppers, by contrast, many fewer say they used to go there at least monthly – 19 percent – and just 15 percent say they’d typically spend more than \$100.

Penney was hammered during the 17-month reign of CEO Ron Johnson, who implemented a “fair and square” no-coupon/no-sale pricing policy, promising everyday low pricing and a boutique, destination shopping experience. It bombed: The company lost 25 percent in annual revenue to \$13 billion in 2012, its lowest since 1987. Its stock lost half its value under Johnson.

Mike Ullman, back in charge after being replaced by Johnson in 2011, has been quoted as saying he doesn’t plan on reverting to the old model. Yet the company recently announced the return of its coupons in newspaper ads, a little more than a year after they were discontinued by Johnson.

Strategy and execution matter as much as customer attitudes. While this survey finds that many customers say they’d return to J.C. Penney or spend more there if it resumed its old policies, there may be other ways of achieving the same end. And a return to those policies, if not deftly handled, may not be enough to draw back dispirited shoppers. A possible path is apparent; the question, as ever, comes down to management.

METHODOLOGY – This survey by Langer Research Associates in association with Kase Capital was conducted among a randomly selected national sample of 1,000 adults, interviewed by landline and cellular telephone, in English and Spanish, from April 17-21, 2013. The results have a margin of sampling error of plus or minus 3.5 percentage points for the full sample, 6.5 points for current J.C. Penney shoppers and 7.5 points for former shoppers, including design effects. All differences reported in this analysis have been tested for statistical significance. Field work was conducted by SSRS/Social Science Research Solutions of Media, Pa.

Langer Research Associates designs, manages and analyzes high-quality probability-based public opinion surveys for media, foundation, association and corporate clients. The company directs polling for the ABC News television network, produces a weekly survey of consumer sentiment for Bloomberg L.P. and specializes in in-depth research on economic issues, health care, public policy, politics and international development, with a focus on best practices in sample and questionnaire design, rigorous statistical modeling and insightful analysis.

Kase Capital is a New York City-based hedge fund founded by value investor Whitney Tilson. It owns J.C. Penney stock and call options.

The full questions and topline results for this survey follow. Additional data and analysis are available from [Langer Research Associates](#) via info@langerresearch.com.

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1. I have a couple of questions about J.C. Penney stores. Would you say that you currently shop at J.C. Penney, you've shopped there in the past few years but not anymore, or you've not shopped there in the past few years?

---- JCP shoppers ----		Not a		No
NET	Current	Former	JCP shopper	opinion
53%	29	24	46	1

2. (ASK CURRENT AND FORMER SHOPPERS) On average how often (do you/did you) shop there? Would you say at least every few weeks, about once a month, every few months or less often than that?

	----- More frequent ----			---- Less frequent ---			No
	NET	Few weeks	1x/month	NET	Few months	Less	opinion
Current shoppers	33%	11	22	67	42	25	0
Former shoppers	19	6	13	81	33	48	0

3. (ASK CURRENT AND FORMER SHOPPERS) On a typical visit, how much (do you/did you use to) spend at J.C. Penney? Would you say less than \$25, \$25 to less than \$50, \$50 to less than \$100 or \$100 or more?

	<\$25	\$25 to <\$50	\$50 to <\$100	\$100+	No opinion
Current shoppers	5%	33	38	22	2
Former shoppers	11	37	35	15	2

4. (ASK CURRENT SHOPPERS) In the past year, has your total spending at J.C. Penney gone up a lot, gone up a little, stayed about the same, gone down a little or gone down a lot?

----- Gone up ----			Stayed	---- Gone down ---			No
NET	Lot	Little	the same	NET	Little	Lot	opinion
14%	6	8	63	23	13	9	1

5. (ASK CURRENT AND FORMER SHOPPERS) About a year ago J.C. Penney changed its pricing policy and its selection of items. If it went back to the way it used to be, how likely is it that you'd (shop there more than you do now/start shopping there again) - very likely, somewhat likely, somewhat unlikely or very unlikely?

	---- More likely ----			---- Less likely ----			No
	NET	Very	Somewhat	NET	Somewhat	Very	opin.
Current shoppers (shop more)	62%	25	37	33	21	12	5
Former shoppers (start again)	54	22	32	39	15	24	7

*** END ***