

EXHIBIT 5-1

*Retail Markets for Women's Apparel*

Retail formats	Fashion segments				
	Ultra	Moderate	Traditional	Updated	Designer
Specialty stores		Charming Shops		Limited Gap	
Department stores		Mervyn's	J.C. Penney A&S Burdines Rich's	Bloomingdale's Neiman Marcus Saks	
Discount stores	Wal-Mart Kmart		Target		
Off-price stores		Pic N Save	Marshall's Loehmann's	Steinmart	
Catalog		J.C. Penney	Lands' End	Spiegel	

### BUILDING A SUSTAINABLE COMPETITIVE ADVANTAGE

The final element in a retail strategy is the retailer's approach to building a sustainable competitive advantage. A sustainable competitive advantage is an advantage over competition that can be maintained over a long time. Exhibit 5-2 shows some approaches a retailer can use to gain an advantage over its competitors. The list isn't exhaustive. Any business activity that a retailer engages in can be a basis for a competitive advantage.

But some advantages are sustainable over a long period of time, while others can be duplicated by competitors almost immediately.<sup>8</sup> For example, it would be hard for Star Market to get a long-term advantage over Stop & Shop supermarkets in Boston by simply offering coffee at lower prices. Stop & Shop would probably realize quickly—within hours—that Star had lowered its prices and match Star the next day if it found the lower prices were attracting customers. Similarly, it's hard for retailers to develop a long-term advantage by offering broader or deeper assortments. If broader and deeper assortments attracted a lot of customers, competitors could simply go out and buy the same merchandise for their stores.

Establishing a competitive advantage means that a retailer builds a wall around its position in the retail market. This wall makes it hard for competitors outside the wall to contact customers in the retailer's market. If the retailer has built a wall around an attractive market, competitors will attempt to break down the wall. Over time, all advantages will be eroded due to these competitive forces; but by building high walls, retailers can sustain their advantage, minimize competitive pressure, and boost profits.