Name:

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EXECUTIVE SUMMARY

Section 1: Corporate-Level Analysis

The first section will discuss the mission statement of the organization, and its appropriateness. It will also provide indicate the firm's strategic alliances, diversification, subsidiaries, and vertical integration. Further, the section will have succinct graphical representations of financial ratios of the organization, while comparing them with those of other players in the industry. After the analysis, it will provide information on how the Ralph Lauren is doing financially among its peers.

Section 2: Business-Level

This part will provide succinct information about the subsidiary that is making the organization succeed. This will include the subsidiary's SWOT Analysis, competitive strategy, and competencies. It will also consider the subsidiary's external environment, where it will also consider its threats, opportunities, and apply the five forces model, the competitive rivalry matrix, and environmental issues.

Section 3: Ethical Dilemma

This section will provide information about the ethical issues the organization is facing, with clear recommendations of how they will solve the problems using different perspectives.

Section 4: Recommendations

The section will conclude with different recommendations for the organization so that they can break-even.

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SECTION 1: CORPORATE-LEVEL

Part 1: Brief History of the Corporation

Ralph Lauren Corporation is a US company, and commonly known for their clothing lines, and various products under different categories which include fragrances, accessories, apparels and home equipment (Ralph Lauren Corporation n.p). Some of their known brands include Club Monaco, Chaps, Ralph Lauren collection, Polo Ralph Lauren, and Lauren Ralph Lauren. The firm has its headquarters in New York and is publicly traded under NYSE: RL. The corporation was founded in the year 1967 selling ties exclusively, and at the age of 28 years, Lauren who was working for the manufacturing company requested the organization for permission to start his product line.

From his sports interests, he was able to start 'Polo' in the year 1968, which was a menswear product line. He operated from a drawer in the Empire State Building where he did deliveries across the region. By the year 1969, Bloomingdale only sold Lauren's products exclusively, and this was the only time the organization had decided to provide a single designer in-store shop. By the year 1971, Lauren had another line of tailored shirts for women which had the Polo emblem attached to the shirts. This was also the time when the first free-standing store was opened in Beverly Hills, California.

By the year 1977, the company made another milestone by introducing a signature mesh Polo shirt which came in different colors. In the year 1978, the organization introduced their Ralph Lauren fragrances and entered the European market, and by 1981 they were recognized internationally. In the year 2000, their website was launched, and after the acquisition of NBC,

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they named it ralphlauren.com. It is currently headed by Patrice Louvet, who is the chief executive officer and president.

Part 2: Corporate-Level Analysis

Mission Statement

1. Does the corporation have a formal mission statement? Does it define the corporation, provide a vision, and articulate the corporate philosophy? Give examples. If it doesn't have a mission statement, explain the impact on the company of not having one (be specific).

The corporation has a mission statement which it uses to inform all its stakeholders of their operations, aspirations, and what they are currently doing in their different stores. The statement does define the organization as it indicates what they stand for in their production endeavors. Through the mission statement, users can understand that they define themselves as an institution that is geared towards the production of quality products, with a philosophy of uniting people from around the world to take part in their vision. The organization's mission statement is "to provide quality products to all the clients, while trying to improve the logistics, and personnel frequently, to match with the changing needs of the consumers."

The provided mission statement is a short description of the corporation's purpose as to why it is in existence. It presents its main purpose not only to those who are in the organization but the public at large. It articulates the company's plans or vision, and this is illustrated by their desire to have all their stakeholders on board to share their dreams. They, therefore, want to have increased number of clients while providing their offering to be shared by the public domain. In

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addition, the statement from the company ensures that every stakeholder understands the strategies and plans by the management, and it also serves as a blueprint for their future operations.

Since this phrase is part of their public face, it can easily be used in their marketing capabilities, and this can be vital when new members want to know what the organization stands for and their plans. Further, the philosophy created by the statement is portrayed by their continual supply of quality products, and this is a fundamental capability which can increase not only their clientele base but revenues in the long-run. This has been their core character and an essential aspect which they have been using in the process of serving their clients.

In overall, the corporation's philosophy, and vision distinguishes it from their competitors, and it's an enduring belief that supports their processes. It is essential to indicate that such a philosophy of quality production was derived from the founder or the reason as to which the corporation was started. It is, therefore, and enduring aspect that will not only be believed today but in other years to come.

The mission statement defines the organization as one that is in the market to offer quality products to all its clients. They, therefore, are in the business of offering products that are of high quality as opposed to those that will not be considered important by a majority of their clients. The statement provides a forecast of their future as they desire every client to share a part in their dreams. Apart from expansions, the company plans to come up with new operating modalities that will help them to create new revenue streams. Their philosophy of ensuring quality products has been achieved through the introduction of new subsidiaries that currently offer special products to the clientele base.

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The company did not want to make acquisitions or alliances but wanted subsidiaries that were specialized in offering unique products to their clients. With such provisions, the organization can easily increase their streams, and when a subsidiary is not working and providing the needed amounts of money, the parent company can bail them out. This is the best option the organization can use if they want increased profits and revenues in the long-run. In addition, with qualified personnel, they will strategize well, and come up with new modalities that will propel them to a new future that is certain. Despite the competition in the industry, the organization is strong financially and can increase their relevance without problems.

2. Is their mission statement appropriate for them? Explain. If it doesn't have one, write a good one and explain why yours is appropriate.

Organizations are always required to provide missions statements that serve a purpose (Patel et al. 759). Their mission statements should, therefore, seek to fill an existing gap, or cut into the market with new operations and products. In any case, the mission statement will be used to drive business and to explain the long-term objects and current purpose for its existence. The mission statement of the organization is not appropriate because it lacks several elements which are pertinent to an organization's success.

For it to be appropriate, it should provide clear descriptions of their function in the industry, while serving their customers in their areas of operation. It is therefore not enough to say that they want to change the American style, but they should be in a position to mention the different ways such a vision will be achieved. In addition, the target market is not indicated in the mission statement. They should not only include every person on earth but have a particular market that they feel is suitable for their products. After operating for more than 40 years, the

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organization is in a position of knowing the markets that are effective in increasing their revenue streams while fulfilling their overall goals and objectives. This also applies to the regions they endeavor to provide their products in the long-run.

Further, they ought to have indicated their values, and these are aspects that include the issue of customer efficiency, eco-friendly among many others. Such phrases indicate their value preposition and their main principles which they are trying to re-affirm in the process of providing goods and services to their clientele base. Appropriateness of a mission statement lies in its ability to indicate the different technologies organizations are using so that customers can judge for themselves if the products are of high quality instead of just mentioning that they are offering quality products and services.

Lastly, they should consider their internal and external stakeholders so that they can also know their position in the organization. It is also vital for the statement to have a description of their strategic positioning within their areas of operation. If they are good at a particular brand offering, they can use it to promote their business, and this can lead to increased business opportunities for them. Lastly, a financial overhead and forecast can indicate that the business is transparent with their finances and that they are not only concerned with their profit margins but the general public.

Vertical Integration

3. How vertically integrated is the corporation? If it is vertically integrated, is it pursuing a strategy of taper or full integration (or both)? Give examples.

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The organization is vertically integrated, and this is indicated by its business expansions into different steps using similar production paths. They have their manufacturing stores and provide both distribution and marketing channels. With their vertical integration, the organization has managed to reduce their expenses in the past, and turnaround time. However, it is always good to make use of other experts in the market when companies want to increase their awareness and competitive advantage.

The business decided to use this strategy because it ensures access to all the materials they need and are never reliant on a particular supplier for their raw materials and the processes of working on their finished products. The strategy also allows the organization to practice manufacturing procedures that are of high quality. However, the only downside to this strategy is the increased levels of bureaucracy which is required to ensure smooth operations in all the segments of the organization.

The company makes use of the taper integration, and this helps them to rely on few suppliers in the market to provide them with products and services that either requires increased skills set or those that are not commonly required. An example of such a need is the provision of technology software that can ensure succinct labels for their products. This aspect has been given to other outsiders who only come to the organization when new brands are being implemented. Since such a service is not required regularly, the company cannot increase its costs, but can easily increase their profit margins from the expertise they receive. Through this strategy, the organization easily reduces vulnerability, while having enough time to make changes to their supply chain channels. They have several stores around the globe, and with this strategy, they

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easily manage their inventory and inform all their stores of any changes when they occur regarding their operations and brands.

Diversification

4. How diversified is the corporation? If it is diversified, are there gains achieved from relatedness? Alternately, if the company is pursuing unrelated diversification, what benefits or losses is it experiencing from this approach? Explain.

The corporation uses related diversification in its operations. It realized that the link between their performance and diversification was necessary. Being in the high-end fashion industry makes the organization operate at times that are uncertain, with high competition capabilities from several operators in the same industry. Their competition specifically originates from other brands that have entry-level prices, and these organizations often provide their clients with low prices, while selling quality brands. In addition, the increasing online platforms in the industry are killing brick and mortar shops that are in operation, and this is the common selling point of the organization.

The industry has been undergoing increased transformations, and this made it vital for the organization to make use of related diversification to increase their clientele base and revenues (Huq et al. 37). Geographically, the company has poor diversification, as its American segment currently holds 70% of all their business operations. However, they have in the past been coming up with new brands through alliances, for example, in their fragrance segment, and this has allowed them to increase their clientele base and revenues. The organization has also manufactured other new brands for both women and men, and this has helped them to capture a wider gender sensitive market.

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With this type of diversification, the corporation has managed to understand their business better. They are aware of the threats and opportunities that are available and mitigate against the threats promptly. The idea of relatedness will make the company reduce their costs, as they will be operating in forums or manufacturing experiences that they already have experts. Such options will help them increase their revenues and presence in most regions within limited periods.

Strategic Alliances

5. Is the corporation engaged in strategic alliances? If so, discuss the key relationships regarding benefits gained by both partners.

Strategic alliances are important to organizations as they help two or more companies to have a collective objective which can easily be achieved. Such alliances can also help companies to realize their growth potential, and some of such alliances include cross-licensing, co-manufacturing, franchising and joint ventures. Business objectives are achieved through shared goals, and companies can ensure increased revenue growth when they pursue their objectives collectively (Hansen & Stefan 58).

Ralph Lauren Corporation has no strategic alliance currently but considers this vital form of operation in the future through their already published SWOT analysis. The company anticipates ensuring growth through partnering with other organizations to ensure increased clientele base and revenue collection. They, however, desire to venture into the developing nations, due to the low-level participation the industry has had in these regions. With partnerships, the firm can penetrate these markets and have new networks and distribution channels.

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Subsidiaries

6. Which subsidiary is most successful for the corporation? Justify.

There are different subsidiaries for Ralph Lauren Corporation, and while others are successful, most of them are not breaking even. One successful subsidiary is Club Monaco which is casual-retailer owned by the parent company Polo Ralph Lauren. Its success and popularity made the organization to open new shops across the US, because of their increased revenue streams it collected. The subsidiary is based in more than 140 nations around the globe, with major locations in the UK, USA, Hong Kong, UAE, Canada, Sweden, Indonesia, among others.

The success of the subsidiary is associated with its tendency of introducing new collections every month. During these periods the subsidiary alternates their brands by selling casual brands during summer and spring while offering formal brand in winter and autumn periods. It was, however, known for their white and black labels, but this focus was changed to match their operations with the needs and requirements of their clients. It has been known for being the most successful because of their monthly brand collections, higher clientele base among all the other subsidiaries and increasing revenues on a yearly basis.

7. Which subsidiary, if any, detracts from the corporation's success? Justify.

Currently there is no subsidiary that is distracting the parent company from making profits, as they are strategically positioned, and usually make changes to their operations to suit the needs of their clients across the globe. Before any subsidiary is positioned in a particular region, the organization often uses their experts to make revenue forecasts to avoid future

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problems. The company also allows periods of testing before full implementation is done, and this allows them to stop particular streams immediately they realize they will lead to loses in the long-run.

Countries of Operation

8. What are the primary countries where the corporation operates? Why these?

At the end of 2017, the corporation had 520 stores that are operated directly, 100 club Monaco stores, 300, polo factories, and 200 Ralph Lauren stores. During this period they also had 600 concession stalls located across the globe. Their flagship stalls are located in New York, while others are situated in Greenwich, Moscow, London, Manhasset, Milan, and Paris. From statistics, the organization had 21 stores of its own in Europe, with a total of 109 retail stores in 2017 across the globe.

Part 3: Financial Analysis

1. Provide full financial analysis of the corporation over the past three years, including comparisons to leading competitors. At a minimum, the analysis should include at least ten key ratios. All financial information and comparisons must be presented graphically, not numerically (i.e., as a bar graph, pie chart, line graph, or the like). For each ratio provide a graph showing the results for the company and its main competitors. Then write a paragraph or two explaining what we learn about the company from this ratio.

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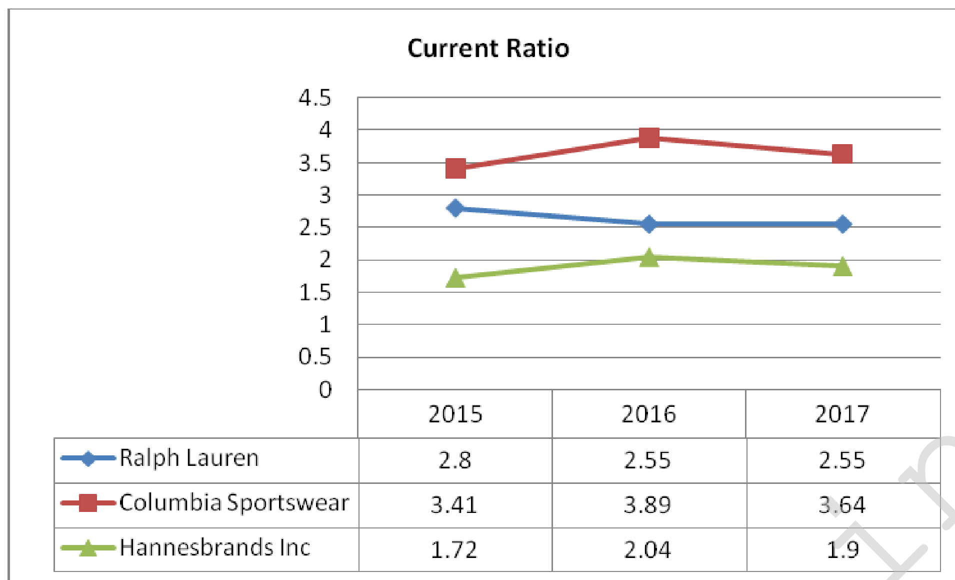
Current Ratio



The current ratio is the key indicator that shows if an organization is in a position of turning its productions to cash in the short-run. Organizations that usually have inventory turnovers that are long or take more time in receiving their receivables can easily have liquidity problems because of the inability to run their various obligations. Businesses differ in their operations; hence the competitors indicated are from the same industry. Healthy business operations usually have a ratio of 1 to 3. When the current ratio is high, the company will manage to offset their obligations when due without problems. Ratios that are under 1 indicate that the firms will not pay their debts when they become due. This will affect their credit worthiness leading to low liquidity. While this is an indication that the financial health of the organization is not good, it does not imply that they are bankrupt because of the several means organizations use to get finances for their operations.

When everything is at equilibrium, creditors who want early payments would desire a low ratio, and this indicates that they will not have problems to pay all their obligations that fall

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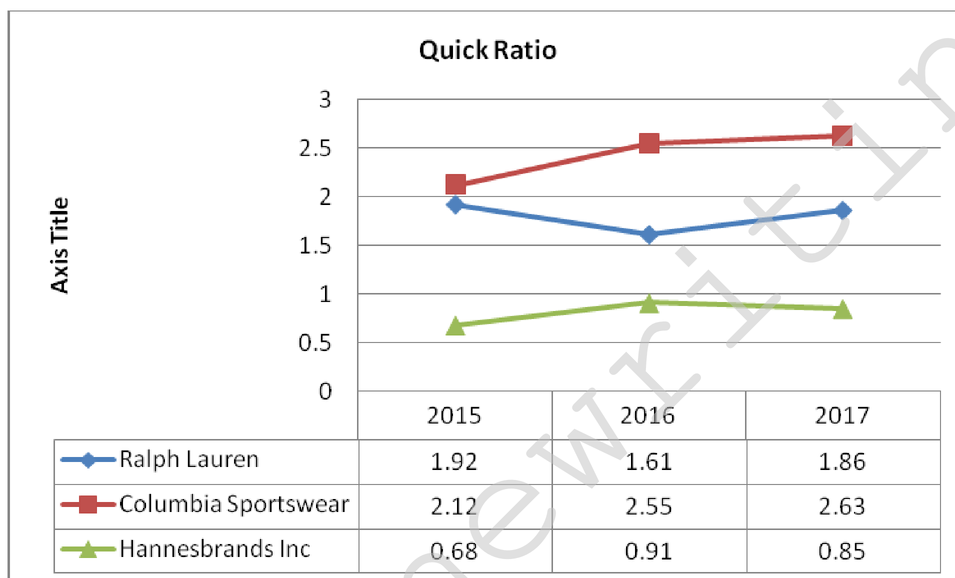
under 12 months. Current ratios for Ralph Lauren Corp. (RL), Columbia Sportswear Company (COLM), and Hanesbrands Inc. (HBI) were investigated for the year 2015, 2016, and 2017. In 2015 through to 217 RL's current ratio was 2.8, 2.55, and 2.55 respectively (Nasdaq n.p). That of COLM was 3.41, 3.89, and 1.72 during the same period. That of HBI was 1.72, 2.04, and 1.90 in the same order as shown in the graph above (Nasdaq n.p).

Quick Ratio



	2015	2016	2017
Ralph Lauren	1.92	1.61	1.86
Columbia Sportswear	2.12	2.55	2.63
Hannesbrands Inc	0.68	0.91	0.85

Quick ratios are commonly known to be conservative when compared to the current ratios of an organization. This is because quick ratios do not include inventories in the current assets docket. The name was derived because various assets like marketable securities and cash are known to be sources of cash that are quick. Inventories usually take time to be converted into liquid cash, and when disposed organizations can take lower prices for them than their book values. As a result, they are never included under assets which can be changed to cash easily. In general, low margins of quick ratios indicate that an organization is struggling with its sales, is taking time to collect its receivables or it is over-leveraged.

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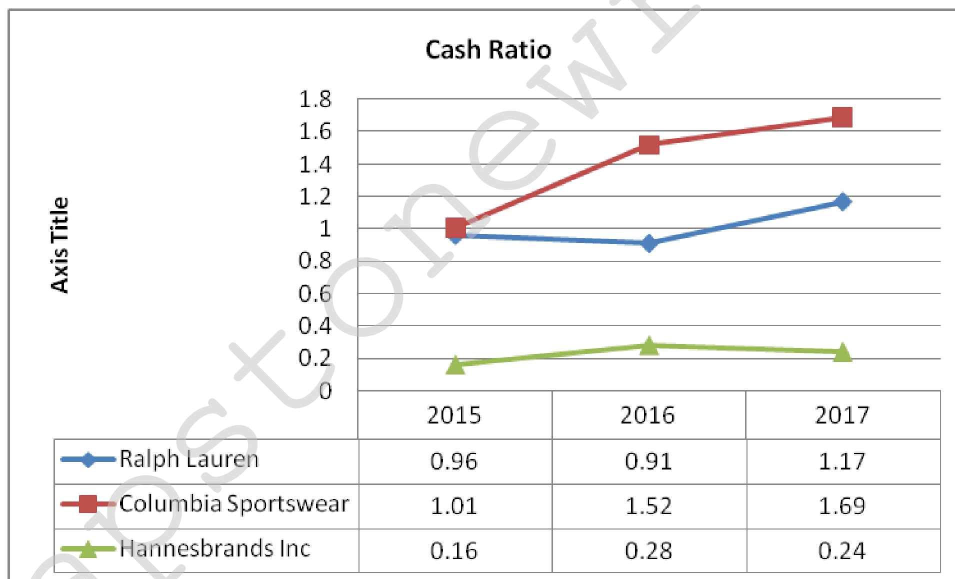
Conversely, a high quick ratio indicates that an organization is at its top level operations where there are increasing sales, and is converting their receivables into cash promptly. Organizations with such high-level margins can cover their bills and obligations on time, and always have cash conversion schedules that are reliable. The quick ratios for the three organizations between 2015 and 2017 were also investigated, and it was clear that RL'S ratio was 1.92, 1.61, and 1.86 during these three years as indicated in the graph above. That of COLM was 2.12, 2.55, and 2.63, while that of HBI was 0.68, 0.91, and 0.85 in the three years respectively (Nasdaq n.p). The three organizations have a quick ratio that is high among their industry peers, and this indicates that their liquidity is better, hence able to offset their obligations easily when they arise.

Cash Ratio



	2015	2016	2017
Ralph Lauren	0.96	0.91	1.17
Columbia Sportswear	1.01	1.52	1.69
Hannesbrands Inc	0.16	0.28	0.24

An organization's cash equivalents and cash to the current liabilities give the cash ratio. This is an important ratio that indicates if an organization is able to offset their short-term obligations on time. The information is vital as helps creditors to understand the amount of debt

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they can extend to an organization when in need. It's a form of liquidity measure, and with a ratio of 1, the organization has similar cash amounts to pay all the liabilities. However, a ratio that is below 1 indicates that the organization has more liabilities hence not able to pay their debts as required. On the other hand, a higher ratio of more than 1, means that the organization has more cash, and liquid, hence can pay their debts and remain with extra cash to run its operations without problems. RL recorded lower ratios in 2015 and 2016, but this changed to 1.17 in 2017(Nasdaq n.p).

The organization during this time was in a good position to operate, as it had enough money to pay their debts, and remain with a substantial amount to be used in their operations. The company can also receive debt offerings from creditors without problems because of the higher cash ratio. COLM, on the other hand, had higher ratios through the years, and this indicates that they are liquid. HBI, ratios have been low, at margins of 0.16, 0.28, and 0.24 from 2015 towards 2017, and this indicates that they are not liquid as required. The organization cannot get funding easily because of their low margins.

The cash ratio for RL was 0.96 in 2015, and this changed to 0.91 in 2016. The organization recorded a higher cash ratio in 2017 of 1.17, and this indicates that it will have a better ratio in 2018 if all their operations are constant (Nasdaq n.p). COLM, on the other hand, had ratios of 1.01, 1.52, AND 1.69 between 2015 towards 2017, while that of HBI was 0.16, 0.28, and 0.24 respectively (Nasdaq n.p).

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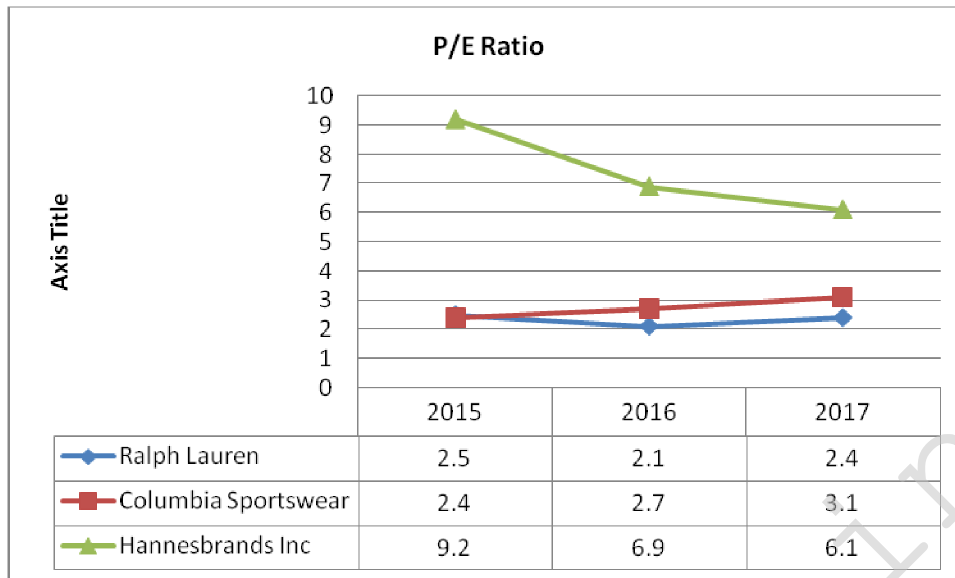
P/E Ratio



	2015	2016	2017
Ralph Lauren	2.5	2.1	2.4
Columbia Sportswear	2.4	2.7	3.1
Hannesbrands Inc	9.2	6.9	6.1

The P/E ratio is commonly seen as the total number of years an organization can take to get the price that has been paid for their stocks. For example, there are organizations that earn $2 for every share in one year, and when the traded is traded at a total of $30, the P/E ratio is said to be 15. Therefore, the company will take 15 years to get back the $30 that was paid, with assumptions that the earnings will stay constant during this period.

However, in the real world earnings are never constant, but if companies can increase their earnings it will take them a shorter period to earn back the prices that have been paid for their stock, but when they decline, this process will take more time. Shareholders usually want the organization to earn back the money faster, as this will assist in ensuring more dividends. Therefore, P/E stocks that are lower are usually attractive than those that are higher, with an assumption of positive P/E ratios. When organizations lose money, their P/E ratio usually becomes meaningless to their operations.

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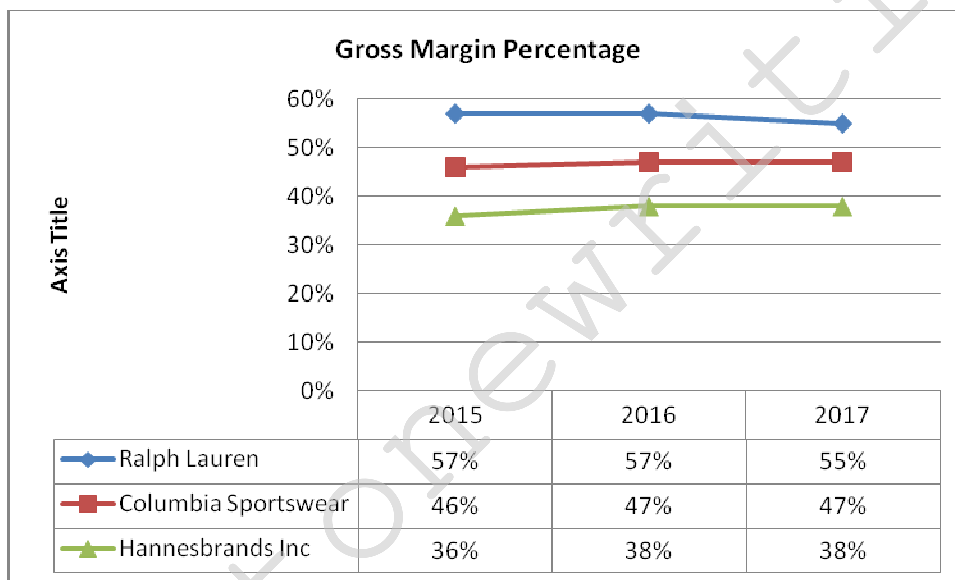
The P/E ratio for RL in 2015 through to 2017 was 2.5, 2.1, and 2.4 respectively. That of COLM was also in the same range at 2.4, 2.4, and 2.7 in 2017. HBI recorded higher margins of 9.2 in 2015, but lower margins of 6.9, and 6.1 in 2016, and 2017 respectively (Morningstar n.p).Since P/E ratio provides measurements of how long money will be reimbursed back to the organization; it can easily be used to all stocks that are traded in various industries without problems. It is thus the commonly used key ratio that most people use when in the process of valuing stocks.

Gross Margin %



	2015	2016	2017
Ralph Lauren	57%	57%	55%
Columbia Sportswear	46%	47%	47%
Hannesbrands Inc	36%	38%	38%

On profitability, the gross margin percentage is a ratio that can indicate the level of competitive advantage in a firm. Competitive advantages that are durable usually lead to higher gross margin percentages, and this is because organizations possess the freedom to adjust their prices that are over the product costs. To understand the profitability level of companies, analysts usually use their gross margin percentages. A greater percentage of more than 40% indicates that an organization's competitive advantage is durable, while that with a margin of below 40% can

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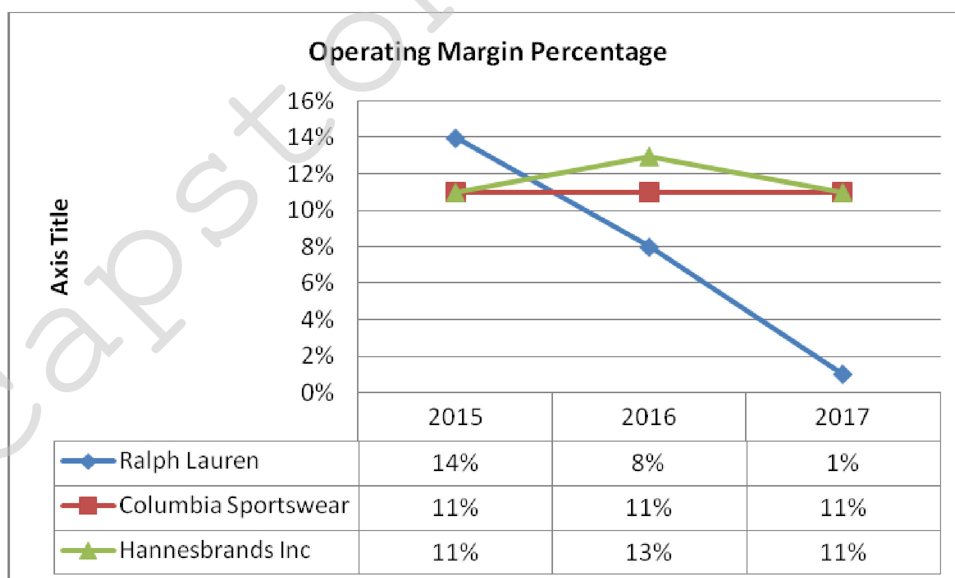
be indicated as having eroding margins in its competition segment. In addition, organizations that have a margin of below 20% usually do not have a sustainable competitive advantage.

Ralph Lauren's gross margin over the past three years stood at 58.89%, and this means that it has a durable competitive advantage. The gross margin percentage for the three organizations between 2015 through to 2017 was also investigated. RL's percentage was 57% for 2015 and 2016, while that of 2017 was lower at 55%. COLM's percentages for the three years was 46% in 2015, and 47% in 2016, and 2017. The percentage for HBI was 36% in 2015, and 38% in 2016, and 2017 (Nasdaq n.p). The gross margin ratio was computed through comparisons of the organizations' gross margins and net sales. Those organizations that had percentages of above 40% sell their inventories on profit and can offset their expenses above the total costs of their merchandise. It is, however, vital to indicate that profit margin ratio is different from gross margin ratio because the latter makes use the cost of goods sold, while the former makes considerations to other expenses.

Operating Margin Percentage



	2015	2016	2017
Ralph Lauren	14%	8%	1%
Columbia Sportswear	11%	11%	11%
Hannesbrands Inc	11%	13%	11%

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Similar to the gross margin percentage it is always vital to have an organization maintain its operating margin over a period. When considering companies from a similar industry, organizations that have operating margins that are higher are usually considered as being efficient in their operations. In addition, such higher margins can also indicate that the company in question can withstand tough times, and continue with its operations without problems.

The operating margin for RL was 14% in 2015, 8% in 2016, and 11% in 2017. That of COLM was 11% through the three years, while that of HBI was 11% in 2015, and 2017, but higher in 216 at a margin of 13% (Nasdaq n.p). When compared to the EBITDA, the operating margin can easily be changed by making adjustments on the rates of depreciation, and amortization. However, during high competition levels, organizations can have low operating margins, but this never affects the profits and revenues of the organizations directly. This is thus an important margin which indicates if an organization is facing problems in its operations.

If the rate of the goodwill-to-asset ratio is higher in an organization, this means that it is recording high amounts of goodwill, and this is an assumption made when the assets are considered to be constant. It is always a good idea for assets to have an inclining and increasing margin, but when they are emerging from the intangible asset segment, such increases are never considered to be good for the company.

Further, all the organizations had a low goodwill-to-asset ratio below the 1. Mark. This is a good indication for them as they can utilize their tangible assets to increase their profit levels and not their intangible portion. From the information companies with high goodwill-to-asset ratio have been in the process of aggressively acquiring other organizations, or have been experiencing decreasing levels of their tangible asset portion. However, when large amounts of

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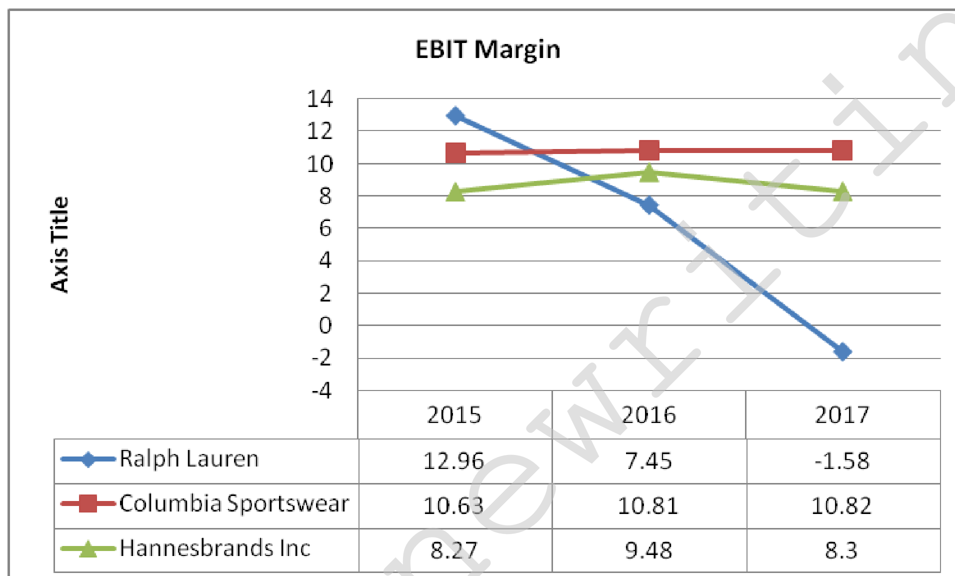
money are attributable to assets like goodwill, the organizations risk their intangible asset being cleaned out if they are to record impairments on their goodwill. Decreases indicate that the organization had increased their tangible assets as required. Assets are usually different when comparing industries, hence the need for this ratio among competing organizations in an industry. Such comparisons indicate how the companies are managing their goodwill portion.

EBIT Margin



	2015	2016	2017
Ralph Lauren	12.96	7.45	-1.58
Columbia Sportswear	10.63	10.81	10.82
Hannesbrands Inc	8.27	9.48	8.3

The net debt to an organization's earnings before any interests of amortization and depreciation usually measures an organization's leverage level, and this is usually calculated taking liabilities that are interest bearing minus the liquid cash in the organization. It indicates the total number of years an organization will take to clear their debt when EBITDA and debt are constant. A negative ratio can easily occur when an organization records increased cash amounts when compared to their debt levels.

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This is a popular ratio that analysts use because it provides information on a company's position to reduce the amount of debt that they have while operating. Ratios between 4 and 5 usually 'raise the alarm' in the organization because it indicates that they are not in a position to repay their debts as required. Such an organization cannot receive more debt from investors for their improvements, and this can affect their cash margins. Firms in distress usually desire more cash from financiers to continue operating as going concerns and this often applies when they have new strategies to implement or the overall plan of purchasing equipment to ensure efficiency in their operations.

The debt to EBITDA needs to be compared across organizations in the industry to determine their health and future operations. Also, the process of horizontal analysis can also be used to find out the creditworthiness of an organization, and how they use their assets to increase their revenues streams after one year. Ralph Lauren had margins of 12.96, 7.45, and 7.45 from 2015 towards 2017, and this indicates that they can easily pay off their debts when required. The organization can also secure funding from other investors when they want to increase their asset levels, and this will ensure better and efficient operations. When calculations for this ratio are done, analysts are supposed to use previous year's results which are representative of their current operations.

The EBIT margin for RL in 2015 was 12.96 and reduced to 7.45 in 2016. The organization had a negative margin of -1.58 in 2017 (Morningstar n.p). During the same period, COLM had margins of 10.63, 10.81, and 10.82 during the same period, while that of HBI was 8.27, 9.48, and 8.30 respectively (Morningstar n.p). The organizations can pay off their debts with ease, and they can secure funding when they are in distress. Such organizations financial

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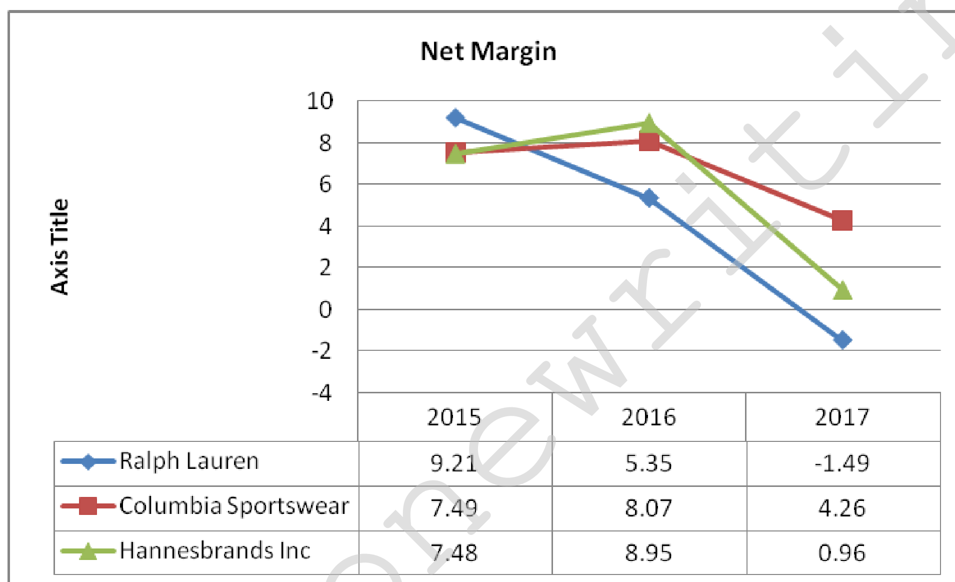
health is said to be fine, and this is because the comparisons have been done to all those firms that operate from the same industry. A company like Hanesbrands was found to have a higher margin, and this indicates that they will have problems paying back their debts. They can, therefore, be denied funding from other investors, and this can easily affect their operations and profit margins. With minimal ratios, the other organizations can compete effectively and continue saving for future improvements.

Net Margin



This is an important ratio of an organization's net profits to their revenues. It is usually expressed as a percentage, and commonly able to indicate the total amount of money collected in an organization. The money should be converted into profits, and this is done in the normal business processes, where they convert their raw materials into products that can be sold in the market. Net margin differs across companies, and industries because of the different financial capabilities companies have while in operation. The total asset level of an organization is vital, as this can be transformed into cash when ideal policies and strategies are put in place. When

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organizations want to know how their cash conversion operates they usually use net margin as a mirror towards their future operations.

However, margins that are low never indicate that an organization will make low profits, as different industries have margins that they consider normal. Ralph Lauren has in the past years delivered increased amounts of returns to their investors while operating under margins that are above the 5% mark in 2015, and 2016, but changed to a negative margin of -1.49 in 2017. The net margin for RL was 9.21 in 2015, 5.35 in 2016, and -1.49 in 2017, while that of COLM was 7.49, 8.07, and 4.26 from 2015 towards 2017. The margin for HBI was 7.48 in 2015, 8.95 in 2016, and 0.96 in 2017 (Morningstar n.p).

In contrast, different operators like contractors usually have lower margins but increased profits because of the minimal overheads that they have in their operations. However, when such a contractor calculates the total profit margin they have acquired in a year, they will find that it is low when compared to a larger organization, hence the disparity. Ralph Lauren has branches all over the world, and currently is increasing more stores in the US. This puts the firm in a better position even if they have low net margin percentages. Their overall profits will increase with time as the different stores work towards converting their assets into cash.

To find the net margin of an organization, the revenues of the organization are added, and to find the total profit margin, all the expenses in the period are deducted. The cost of goods and taxes are also deducted for purposes of finding the profit margin only. When dividends are paid, the organization will also be required to subtract them, without considerations to common stock dividends. Net profit is then divided by revenue, and the ratio is multiplied by 100 to find the net margin percentage.

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From the analysis of the organizations under study, it was clear that Ralph Lauren Corp had negative net margin in 2017. This does not necessarily mean that they have low profits, but an indication of low utilization of their revenues to ensure increased cash. However, other organization had positive net margins, and this indicates that they are in good health financially, and can easily increase their revenue streams through the collected total profits. These organizations can easily secure financial support from outsiders, and this will increase their profit levels in the future. Those with negative margins will need to make changes to their operations if they want better results and more profit levels.

Net profit is a margin that is vital in an organization and can provide information on how an organization is operating and its future success. The ratio can indicate how profitable a firm is while in its operations, and how well the strategies that have been put are working to its advantage. When organizations have poor strategies their profit margin levels are always low, and this indicates that their total expenses and taxes are on a higher level, hence the need for realignments. In addition, since net profit margins are indicated as a percentage, analysts can easily determine their success levels when compared to other operators from the same industry. Businesses can, therefore, forecast their profits based on the total revenues they get in a period.

Earnings per share and net income are commonly utilized by firms when they want to understand their valuations and profitability but are never reliable as required. The main reason for this is that those earnings that are reported by an organization can easily be manipulated by auditors to make a firm look profitable when they want to increase their chances of getting financial support from other investors. Net margin trends are not easily manipulated by firms, as they are long-term projections that are made to understand the financial health of a particular

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organization. In the finance world, net margin is a ratio that is often followed, as it gives a glance of an organization's future.

Most investors and shareholders seek to understand a firm better by looking at its net margin because it's a ratio that shows how an organization is converting their revenues to gain increased cash and profits for the shareholders. One important aspect that should always be understood is that net profit is not a measure which can indicate the total amount of money an organization earned during a particular period. This is because there are a lot of expenses that are non-cash in the income statement which include amortization and depreciation. A cash flow statement is thus an important tool that organizations need to use when they want to understand the total amount of money they generate in different periods.

Accountants should scrutinize every change in net margins, and when they decline there could be various problems like low sales or poor services because of bad management styles. Net margin can, therefore, be used to make comparisons between different organizations which operate from a single industry, and this is termed as the margin analysis. It is, therefore, a percentage of total sales, and has never been considered to be an absolute number.

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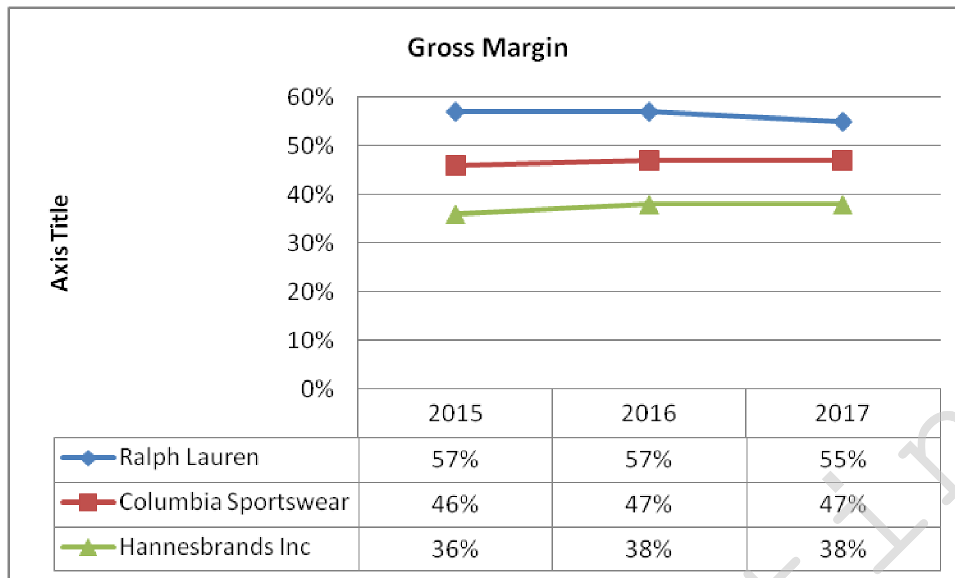
Gross Margin



The health of the organizations can easily be determined by looking at the gross margin. This is another important ratio that simplifies the balance sheet which is analyzed to ascertain the financial strength of the organizations in this industry. The ratio is utilized to find out how firms have been operating over the past three years, hence able to determine its future operations. Solvency is being in a position to pay off debts in case the owners decide to sell their company to other investors. It looks at a company's equity of the organization when compared to the different assets that are available for use to ensure continuity. When determining the ratio, the net worth of the organizations under study was divided by their assets, and measurements indicated as a percentage.

When the percentage is high, it means that the organization is not fully owned by any financial institution or investor through debt facilities. Ratios that are below the 70% margin usually put the organization at risk, and may not allow it to borrow funds to continue with their

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operations as required. When an organization has a ratio of for example 50%, it only has half of its ownership with the parent company, and another organization with the remaining percentage already owns it. The values of equity to assets and debt to assets should always equal 100% when added.

An organization's financial leverage should be higher for it to operate and function appropriately. Lower margins give owners minimal control of their organization, and this can affect their turnover in the long-run. This is because the organization will be required to follow instructions from other interested parties who only want to receive interest as opposed to ensuring better outputs.

The balance sheet got its name because of the balances that are made between the assets and liabilities. The asset section usually holds all the measures that are economically resourceful to the organization, while the left side has a collection of responsibilities to the organization. All the assets can easily be converted to liquid cash, and the items in this section include all the raw materials, inventory, real estate, and cash among many others.

The equity segment, on the other hand, is the difference between the liabilities and assets. An example can be total equity of an organization premises which can be the property minus any mortgages that have not been paid by the organization. In essence, a ratio is a simplified approach to how the organizations look at their balance while considering what it owns and that of other investors.

While looking at this ratio, investors and other stakeholders can easily understand if their organization is operating optimally or working towards clearing their debts. A percentage of

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100% is ideal, but a lower margin can also not be a cause for worry. The percentage is never an issue that should bring about concerns, but how the organization compares with others from the same industry.

The gross margin of an organization is its revenues when the cost of goods are deducted, and divided by the total revenues within a certain period. The higher the margin, the better as the organization can retain more dollars from their sales. RL has a good margin in both years and was able to retain 0.57 of their revenue sales in 2015, and 2016. The company increased its margin in 2017; hence more money was retained for every dollar spent. COLM, on the other hand, was able to retain 0.46 dollars for every sale made in 2015, and 0.47 in 2017. HBI had relatively lower amounts retained of 0.36 in 2015, and 0.38 in 2016, and 2017 (Nasdaq n.p). Both organizations had better margins and were able to retain some amount of money after every sale was made.

The gross margin for RL was 57% in 2015, and this margin was maintained in 2016. In the year 2017, the gross margin reduced to 55%. COLM, on the other hand, had margins of 46% in 2015, while those of 2016, and 2017 stood at a high margin of 47%. HBI, on the other hand, had margins of 36% in 2015, but similar margins of 38% in 2016, and 2017(Nasdaq n.p). It is vital to note that this ratio can vary across companies, and this is due to their makeup and overall positioning. However, organizations that have smaller equity to asset ratio can operate with a higher return on assets, and this can help them leverage their finances easily. Ralph Lauren is better placed from the solvency ratio and can be able to increase their output because they own more shares, hence able to make changes when they are required without having to locate other investors' opinion.

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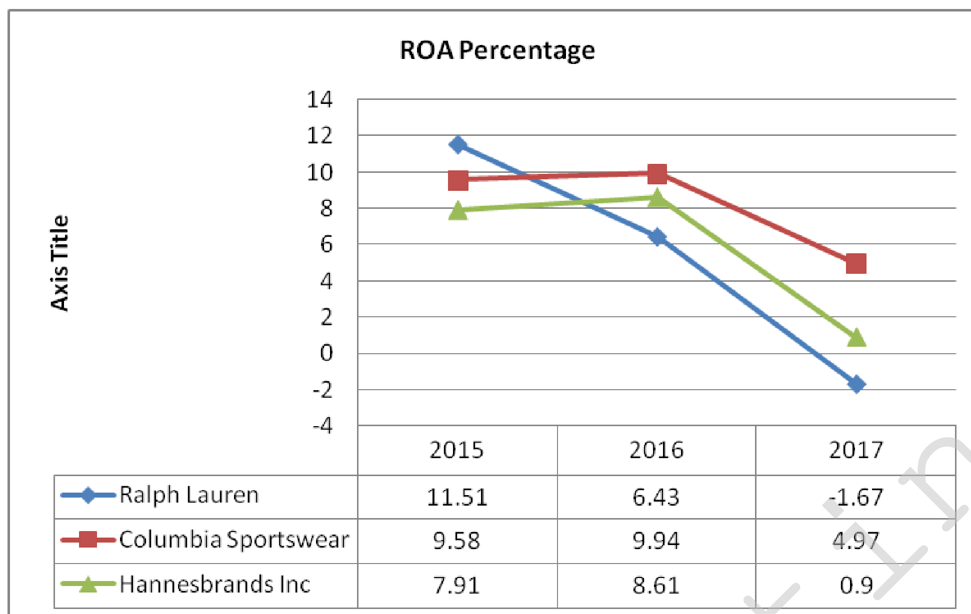
ROA %



The ROA percentage ratio is usually used by organizations to find out the income that is collected after utilizing various assets in a period. This is a profitability key ratio that first measures the total net income of an organization by the total assets, with comparisons made on net income to the average assets. It is, therefore, a ratio that provides measurements of how an organization can efficiently take care of all their assets to ensure increased profits in a particular period.

Assets from an organization often have one role, and this is usually to ensure increased revenues and profits. This ratio becomes vital for not only investors but managers as they are made to understand how investments in the form of assets can be transformed into profits in the long-run. This ratio can easily be seen as returns on investments because capital assets are considered to be the largest portion of investment for almost all organizations. In this case, the organization will first invest some money into assets, and the overall return will now be

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considered to be the profit portion of the investment done. This is an important ratio because it provides measurements of how an organization is profitable through their asset management. When organizations have a positive and high ROA, they are seen as being better financially and can easily increase their revenues and clientele base without problems.

When such high margins are achieved, investors can easily increase their funding capabilities because they understand that such organizations utilize their assets well when in the process of increasing their profit margins. High ratios also indicate profit trends that are upward, and it is commonly useful when organizations from a similar industry are evaluated.

In addition, this ratio is defined by a majority of the investors as net income divided by its total assets. The net income portion is arrived at after tax deductions and used in the income statement. The assets, on the other hand, are found on the balance sheet, and commonly include cash and other cash equivalents which can be inventories, capital, land and company receivables. Organizations that have merged or bought will include a different goodwill portion, and this will represent the increased total amounts that the organization paid over the total book value when it was being acquired.

Most assets usually have different swings over a period, the average of assets over those periods are often used. Therefore, ROA of four months should make use a net income for this same period, and divided by the averaged assets in the same period. ROA is often a ratio but commonly represented as a percentage to ease the work of comparisons when different organizations are concerned.

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With ROA, organizations can be able to know their operations better, and higher ROA levels indicate better management capabilities. However, the ratio is best used with organizations that have similar capitalization levels, and increasingly high capital intensive organizations cannot get a better or higher ROA. The return on assets percentage for RL in 2015 towards 2017 was 11.51, 6.43, and -1.67, while that of COLM was 9.58, 9.94, and 4.97 during the same period. HBI had relatively higher margins of 7.91, 8.61, and 0.90 during this period (Morningstar n.p).

The organizations were able to convert their assets into increased profit margins, and this can be attributed to some issues which might include their administration management, the process, and strategies they employed while dealing with their clients. When organizations have better solutions to their problems, they are usually found to increase not only their profits but the different processes they use to convert their assets into cash. Ralph Lauren Corp thus has minimal opportunities for increasing their revenue streams, and this is attributed to their major problem of not having the needed expertise to increase their profit margin levels.

2. Is the corporation in a strong financial position? Explain. Basically, you need to analyze what all of the ratios, when taken as a whole, tell us about the overall financial health of the company.

Companies with strong financial strength are always able to withstand slow business operations and any recessions. Such organizations can also compete effectively in the market because they will have enough time and resources to withstand market pressures that always slow down businesses. The debt burden of an organization can hinder its operations, as they will always decrease their profit margins when paying off their loans as opposed to increasing their customer presence and revenues. A current ratio of between 1 and 3 indicates that an

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organization can easily turn their inputs into cash without problems. Ralph Lauren had a ratio of 2.07, and this is a clear indication that they can easily transform their productions into cash in the short-run. With these conversions, the organization can then increase their revenues by ensuring increased technological and financial support to other stores and branches.

In addition, with a quick ratio that is low at 1.58, the organization is not able to increase its sales within short periods when compared to its competitors. This was because the organization focused on new projects, and more money was spent on their developments. The increments led to a lower ratio, which changed to a higher ratio when the stores stabilized. This indicates that even though the ratio is low, they were increasing their streams, and this is a good condition for companies' future forecasts and profit margins.

Further, with a gross profit margin of more than 40%, Ralph Lauren is an organization that can compete effectively in the market, and this can increase their revenues in the long-run. The durable competitive advantage indicates their financial strength which is positive and high among other players in the industry. They can, therefore, use the excess cash at the disposal to improve their operations leading to greater success now and in the future. Similarly, the company had a higher gross margin percentage of 10.11, and this is an indication that it can withstand hard economic times and convert their assets into cash without problems.

On debt repayment issues, the company had a debt to EBITDA of 1.68, and this is an indication that they can easily pay off their debts within short periods. Early repayments of such debts will ensure more money in the future which can be used for other development projects. They can also request more funding from investors, and this will ensure better liquidity ratios. The money can be used to expand their operations, and this will ensure increased clientele base

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and revenues in the long run. The organization also had a significant net margin percentage, and this will enable them to convert their operations into profits easily. In overall, the company financial health is good, and investors can provide funding to them without problems. This is because they have better conversation capabilities, and are also able to increase their asset segment in the short-run.

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SECTION 2: BUSINESS-LEVEL

Part 1: Internal Analysis

1. Identify the business' key strengths. Why are these strengths?

Club Monaco is an online and retail clothes outlet giant with close to 35 stores in North America and a presence in over 15 countries including some in Canada, Asia, Middle East and Europe. The company is owned by Ralph Lauren which is a leader in the fashion industry. The company enjoys a strong financial base and access to top-notch designers and professionals from the parent company. Club Monaco is an international retailer specializing in private labels. The corporation offers various categories of wear including vintage, modern, urban-casual and office wear.

Club Monaco specializes more in promoting the experiences, comfort, and quality of its clothes than building its brand. The store targets a wide range of customers between the age of 20 and 60. Their main target is the working-class women living in urban cities who desire trendy but professional clothing. The store caters to both middle income and upper-middle-income clients. Its garments are mainly season neutral. Club Monaco offers generous discounts to purchasers and offers better quality garments than other stores for the same price. Their online portal is optimized, easy to use and offers timely and reliable delivery.

The store ships orders worldwide at fair rates. The customer service is easily reachable. Club Monaco has a very active and efficient email marketing strategy. Club Monaco's email strategy criteria include a broad shopping catalog, a shopping menu, precise mails and mobile optimization. The company has adopted a strong social media awareness strategy with a

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presence in almost all mainstream social media sites like Facebook, Instagram and Twitter. The store offers a free 60- day return policy with a guarantee of a refund for the same.

2. Identify the business' key weaknesses. Why are these weaknesses?

Club Monaco's global presence is less significant compared to some global brands like GAP, H&M, and Zara especially in big markets like Europe. Customers prefer companies with a more significant global presence as they equate this with quality and fashion sense. The company has a much less aggressive advertisement and branding presence compared to more established global apparel brands. This may make the company lose out on its target market. The company may lose existing clients and fail to acquire new ones. Club Monaco adopts a rather low key market penetration strategy which subjects it to more fierce competition from other brands.

The company mostly specializes in chic wear; this makes it lose out on the market for men and children apparel. Further, it adopts an urban-casual style. Adopting a single style limits the company to a single segment of the markets consumers. Club Monaco operates a separate inventory for the physical retail stores and their online store. As such, customers may view the companies as different. In some instances, an item may be out of stock on their website but is available in the physical stores.

Also, the companies return policy is faulty. Since the physical stores and the online retail store are two different companies, a customer is not allowed to return items purchased online to the physical stores but instead are expected to return the goods to the distribution center. This again is inconveniencing to the customer and only ends up confusing them the more.

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3. What are the distinctive competencies of the business and how is the business leveraging them?

Club Monaco banks on its exclusivity to gain competitive advantage. The store specializes in lifestyle wear targeting young urban youth who value fashion, art, music and traveling. The company designs high-quality garments tailored to the highest standards using standard materials. The clothes complement their wardrobe by providing versatility and sophistication. Club Monaco utilizes subtle patterns on its garments as its head designer focuses on improving old patterns.

The company's website features a culture club page that promotes its specialty in the urban lifestyle. Club Monaco competes with high-end specialty retailers offering lifestyle wear as well. By providing high quality and making their products available, Club Monaco can cut a niche for itself amid the high competition offered by more established companies.

4. What is the generic competitive strategy pursued by the business? Explain.

Club Monaco adopts a differentiation focus generic competitive strategy. The company specifically targets consumers in the age bracket of 20-50 who prefer urban-casual lifestyle wear. Club Monaco has capitalized on the preferences of consumers who love fashion, art, music, and traveling and would like to incorporate it into their wardrobe. They offer a versatile and high-quality collection of items which is updated frequently. The company earns a premium for its specialty.

5. Does the business possess the appropriate distinctive competencies to pursue the generic competitive strategy identified above? Justify

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Club Monaco has the needed competencies to ensure increased competitive strategy while operating in the industry. The company has a team specializing in observing and designing trendy outfits suitable for the youthful fashion forward urban-casual lovers. Their lead creative director, Caroline Belhumeur, is a celebrated designer of women clothing. Club Monaco's design team is constantly innovating new trends and gets its inspiration from old and vintage patterns which are increasingly fashionable nowadays.

Consequently, Club Monaco has curved a loyal following from customers who adore its style. Further, Club Monaco has not expanded rapidly and is taking time to develop its products rather than build its brand, a key distinctive characteristic of companies pursuing the differentiation focus generic competitive strategy

Part 2: External Analysis

1. Identify the business' key opportunities. Why are these opportunities?

Club Monaco does not have a presence in many countries. As such, it has the opportunity to explore other countries. The company can leverage its domestic reputation to explore its presence in other countries notably Scandinavian countries, France, Australia, Germany, South America and South Africa. These countries have a large population of its target market and have a relatively high purchasing power. Consequently, the company could boost its revenues, its presence, and brand name.

Also, the company can expand its range of products to include other niches such as official wear and sportswear which have a relatively high demand. As such, the company will

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expand its target market hence effectively spread risks. Spreading risks will help the company weather revenue fluctuations in low seasons.

2. Identify the business' key threats. Why are these threats?

The company is subject to competition from companies specializing in the lifestyle garments niche. Companies such as Vince, Theory, and banana republic and J. crew offer urban-casual wear of high quality. Companies like J. Crew enjoy brand loyalty and have a larger customer base. They offer a wide variety of wear from children, men, and women wear. Also, notably, they offer weekend wear which is directly a threat to Club Monaco. Consequently, Club Monaco is exposed to the risk of brand switching as other brands offer a wider variety to choose from.

Additionally, there is a changing consumer opinion with emerging new brands. Customers take long to leave their old trusted brands and switch to new ones unless they are offering distinctly new and far much better products and experiences. The changing perception may affect the speed at which Club Monaco penetrates the market. A lot of resources may be spent on brand visibility, but not much progress may be achieved unless the company works on changing consumer perception of new brands.

Further, factors such as high taxes, cultural differences, different preferences, high inflation may impede on efforts to globalize. This may require heavy capital investment in resources to successfully penetrate global markets. Club Monaco's return policy poses a threat to customers cannot return online purchased items to the brick and mortar stores. Notably, competing companies such as J. Crew and Theory have integrated inventory control systems

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which it possible to return goods purchased online or in physical outlets to any store the customer may find convenient.

Also, Club Monaco garments are usually made of cotton, silk, and linen, on the other side, new market entrants such as Sandro, Maje and Kooples are differentiating their fabric to include more manufactured fabrics such as polyester. These companies are also offering urban lifestyle garments for their customers and thus a threat to Club Monaco's existence. As such, club Monaco should strive to incorporate other forms of fabric such as silk to improve its relevance.

3. Is the business as a whole dealing effectively with environmental opportunities and threats? Explain.

Club Monaco is not effectively utilizing its opportunities to expand to other regions, diversify its products and its target market. Club Monaco has stuck to the urban-casual style has have given other types of wear like office wear and children wear a wide berth. Club Monaco is only located in fifteen countries which is a significantly low presence for a global company. Notably, it is not present in countries like Australia and France which have a large market for chic and urban casual wear.

The market diversification of club Monaco is wanting when compared to that of companies like Zara who have a presence in 88 countries and own 6500 stores. However, recently, Club Monaco diversified its wear to include men's casual wear. Also, recently, Club Monaco opened new outlets in the Middle East in Saudi Arabia. Club Monaco has not integrated its inventory control system to provide convenience to customers. Its online sales are almost

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exclusive to its website and are rarely be found in larger sites like Amazon and Shopify. Club Monaco's response to the environmental opportunities and threats is more reactive than proactive. The management should do more to anticipate threats and opportunities and address them in good time.

4. Apply the five forces model to the industry in which the business is based.

   What does this analysis tell you about the nature of competition in the industry?

Club Monaco operates in the retail and online garment industry. This section will apply the five forces model on the company to evaluate its position in the industry.

a. Rivalry among competitors

Rivalry in business increases with the number of competitors. Club Monaco is a specialty wear company focusing on chic and urban casual wear. The company targets middle-income and upper middle-income clientele. Owing to the attractiveness of the niche, the company faces a lot of competition from companies like Vince, theory, banana republic and J. Crew. Its competitors are more established in the industry and are earlier entrants.

Further, they offer a variety of wear for children, men and office wear. Club Monaco leverages on high quality, fair pricing and the goodwill of loyal extant customers. Nevertheless, there is a need for Club Monaco to diversify to other forms of wear to gain an edge in the market and diversify its risks.

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b. Threat of new entrants

The specialized garment industry is lucrative. There are few barriers to entry, and the industry is relatively low capital intensive. The market is open to global companies who are leveraging economies of scale to enter. New companies rely on skilled staff, capital availability and accessible distribution channels along with employing advanced technology, a variety of preferences and affordable prices. Further, entrants have managed to build a name for their brands through aggressive marketing, price discounts, giveaways and strategic location of stores.

c. Bargaining Power of Buyers

The purchasing power of buyers is closely intertwined with the industry's ability to dive prices and quality. In the garments industry, an increase in price should follow a commensurate increase in quality. Failure to match price and quality provides consumers an opportunity to influence prices. The industry is heavily dependent on the consumer's prices. If Club Monaco improves the quality, it can attract better prices and vice versa. However, if the company improves the quality and overprices the items, customers will migrate to its competitors.

d. Suppliers Bargaining Power

The company suppliers' bargaining power functions in a similar way to the buyers' bargaining power. Club Montana will buy from the supplier that offers the best quality at the most affordable price. The rules of a perfect market apply; it is assumed that Club Monaco has perfect market information about prices and availability of supplies. However, the prices are tied what other companies offer for the same products. A supplier will provide goods to the highest paying buyer with the best terms of payments. When the forces merge, an equilibrium price will

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suffice. Club Monaco should frequently monitor and evaluate its relationship and terms with suppliers to make sure it maintains them.

e. Threat of Substitute Product

A substitute product is one that offers similar values as the ones Club Monaco offers. Substitutes significantly impinge on the price offerings of a company. One must favorably price their products to maintain their market. Club Monaco has a loyal customer base as they offer high quality and stylish clothes. However, if Club Monaco raises its prices significantly and fails to match the value offerings, it will lose its clientele to companies offering the same products like banana republic and Theory. Garments are easily substitutable as many companies offer almost the same items.

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5. Using the Competitive Rivalry Matrix, plot each of the business' main competitors (with a minimum of one in each quadrant) and briefly explain your logic for each one.

Market Commonality			
	High	**Substitute Competitors** Sandro, Maje & Kooples	**Direct Competitors** Vince, Theory & Banana Republic
	Low	**Indirect Competitors** Nike, Adidas	**Possible Competitors** J. Crew
		Low	**High**
	Resource Similarity		

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a. Direct competitor:

The direct competitors of Club Monaco are Vince, theory and banana republic. They offer the same range of wear as Club Monaco. Their specialty is urban- casual wear. Vince, Theory and banana republic also offer similar prices, run online stores and have physical stores in almost all locations Club Monaco operates.

a. Possible competitor:

A likely competitor for Club Monaco is J. Crew which offers an almost similar product range with Club Monaco. J Crew sells high-quality weekend wear targeting middle and higher middle-income customers. However, J. Crew does not specialize in urban-casual wear. It offers a wider variety including children and men wear.

b. Substitute Competitors:

Stores like Sandro, Maje and Kooples, are new market entrants selling urban-casual wear. The stores, however, use a different fabric from that of Club Monaco. Sandro, Maje, and Kooples incorporate synthetic fibers like polyester in their products.

c. Indirect Competitors:

Nike and Adidas are indirect competitors as they do not share a common market with Club Monaco. Nike and Adidas specialty are in sportswear and shoes.

6. Drawing on the matrix and past actions within the industry, what competitive actions/reactions do you foresee in the near future?

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The industry is competitive, and new entrants are emerging more often. The specialty store primarily competes with other high-end stores whose operations are done online. One of their competitors has become a strong pillar which is operating in the same industry. The organization has its operations online and also offers similar products to those being offered by Club Monaco. To stay afloat the company needs to increase its relevance in the market by opening new stores in several places to increase their clientele base and revenues in the long-run (Smith et al. 1051).

The organization should also offer similar products but first look for professionals who can help them understand the needs and desires of their clients. This will help them to be sustainable and operate longer without having slow business periods. They, however, compete effectively through their quality productions and location advantages. With the help of their parent company Club Monaco cannot become insolvent because of the financial and technical support that they always receive. Their modest style is increasing their sales, and with proper strategies, they can easily increase their profit margins without problems. With the increasing competition in the industry, the company should consider diversifications which will help them become more competitive in the market.

Part 3: Overall Business-Level Analysis

1. Does the business have a sustainable competitive advantage? Justify.

Club Monaco lacks a competitive advantage that is sustainable in their areas of operation. Several companies are offering similar items and substitute products. There is a high threat of competition from these companies which when not managed well may force Club Monaco to close down. Club Montana does not have bargaining power with the suppliers or the buyers and

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hence cannot determine prices. If Club Monaco sells low-quality products or fails to price their goods fairly, they will lose their customers thus endangering its existence.

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SECTION 3: ETHICAL DILEMMA

1. Describe in detail an ethical issue they are currently facing. This can be at either the corporate or business level. Be sure to explain why this is an ethical dilemma.

In November 2017, several customers complained about Club Monaco breaching sales agreements entered. In a particular case, a customer purchased a coat which was advertised at a discount on their site. The company promised free delivery of the coat within 5-7 working days. However, six days later, the customer noted that there were no tracking movements on her order. She called to find out the progress with the order. The customer service agent expressed regrets that the coat was out of stock but managed to trace one from a front store. The agent later then informed the customer that the order was ready for dispatch and proceeded to forward the tracking number to the customer. Several days, later, the customer tracked the movements of the order and found out that it had not left the store. Frustrated, she canceled the order.

The case fits the criteria of an ethical dilemma. The company failed to honor a sales agreement it entered with the customer. Further, the customer care agent lied about dispatching the order to the client's location. The company did not follow up the order in both cases and did not bother to inform the client beforehand that they could not meet her order. Ethics requires the company to apologize for the incident and proceed to deliver the items ordered. Club Montana acted in complete disregard for their code of ethics.

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2. Using an evaluative framework, analyze all aspects of the issue looking at it from different perspectives, and provide your recommended solution.

a. Recognize an Ethical Issue:

Club Montana failed to deliver on its agreement. While this is not tantamount to an ethical issue, failure to follow up with the client and apologizing for the same is. Further, the Company's customer care agent lied about dispatching the order to the client. After that, the customer care agent neither followed up to express regrets for failure to meet the order nor ensured that the coat was delivered.

b. Get the Facts:

Ethics demands that a company meets its obligations. Failure to meet should be met with official communication expressing regrets or offering compensation. Club Monaco sold a coat that was out of stock. On following up, the customer care agent lied. Ultimately, the customer canceled the order out of frustration and did not receive her order, an apology or compensation.

c. Evaluate Alternative Actions:

1. Club Monaco could pursue an action that offers most good and least harm under the Utilitarian Approach. In this case, the company should offer apologies to the afflicted and ensure that they deliver the coat.

2. The second option is to pursue an action that respects the plight of all shareholders. In this case, Club Monaco should offer apologies to the clients and refund their money.

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3. The justice approach requires that Club Montana takes actions that will treat everyone fairly. In this case, Club Montana should ensure that they deliver the coats, offer compensation and apologies to the customers and punish the customer care agent or the party who did not play their part in the delivery. Further, Club Montana should ensure that in future, only items available in stock are advertised.

4. The other option available is for club Monaco to act within their values. This is a virtue-based approach that calls for the exercise of respect, integrity, dedication, and humility. In this case, the company will repeal its terms and conditions to state that goods that are not in stock cannot be advertised. Further, Club Monaco will instigate procedures that ensure that customers are treated with utmost respect, dignity, and dedication. The customers would be compensated and their goods delivered. Measures will be taken to avoid future recurrence of the problem both in the retail and online platform.

5. Make a Decision and Test It:

In this case, the fairest decision is E. acting on their values ensures that the customer is treated well and feels valued. This way, the company will not lose the customer. Additionally, the customer will be satisfied with the delivery, compensation and will be assured that in future there will be no such incidences.

7. Act and Reflect on the Outcome:

The claim, in this case, was ignored by the company. As a result, the customer got frustrated and vowed to never transact with Club Monaco again. However, the company can solve this issue by offering sincere apologies, following up with late orders, keeping the

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customer informed of the progress of delivery and admitting when they erroneously post out of stock items.

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SECTION 4: RECOMMENDATIONS

Make specific suggestions to improve the competitive position of the corporation.

What should strategic managers do to improve the company at the corporate-, business-, and (if possible) functional-levels? Your recommendations should be in line with your analysis; they should flow directly from the previous sections. Be sure to discuss how changes at one level will impact changes at the other levels (corporate, business and functional). The recommendation section needs to be written in as persuasive a fashion as possible as if the real decision-makers were the audience.

Club Monaco should consider diversifying both their products and geographical market. Currently, most of its operations are in the USA and Canada. Only recently did the company venture into Europe. The company should leverage on the offerings of globalization and pursue viable locations worldwide to boost their revenues and brand name. The company should include children and men wear as they form a significant part of the market and are profitable.

The organization is doing well and is currently increasing their market share and revenues without problems. They should continue operating in their target markets while providing similar products without making any other brand and subsidiary additions. This will allow them to taste new markets across the globe, where such opportunities are not yet availed. The corporation's traditional shop operations will be welcome in these regions where online capabilities are still in their infant stages.

They should also research other companies which operate in their industry and make alliances with those which can bring greater good to their operations. Such organizations will

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need to be those that have been in operation for longer periods, with increased expertise and knowledge of the market. With their four product categories, the company can find new areas of expansion, and this can only become possible if they make alliances.

At the corporate level, the organization should ensure skilled personnel who understand issues that pertain to logistics, and more so individuals who have worked in the regions the new stores are located. Knowing the nations will help managers provide succinct information to the organization, and this will help them have better plans. With good governance, the business segment will improve, as they will easily reduce the debt levels, and ensure easy conversion of cash from their raw materials. The company should also consider their pricing, and ensure that they are competitive and able to attract more clients in the short-run. This will improve their revenue streams, and help them provide high-quality products. With enough funding, the organization will easily open new branches because of the technical support they receive from their parent company.

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Appendices

Appendix I: Ratios

Ralph Lauren corp.				**Columbia Sportswear**			**Hanesbrands Inc**		
	2015	**2016**	**2017**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Current Ratio	2.8	2.55	2.55	3.41	3.89	3.64	1.72	2.04	1.90
Quick Ratio	1.92	1.61	1.86	2.12	2.55	2.63	0.68	0.91	0.85
Cash Ratio	0.96	0.91	1.17	1.01	1.52	1.69	0.16	0.28	0.24
P/E Ratio	2.5	2.1	2.4	2.4	2.7	3.1	9.2	6.9	6.1
Gross Margin %	57%	57%	55%	46%	47%	47%	36%	38%	38%
Operating Margin Percentage	14%	8%	1%	11%	11%	11%	11%	13%	11%
EBIT Margin	12.96	7.45	-1.58	10.63	10.81	10.82	8.27	9.48	8.30
Net Margin	9.21	5.35	-1.49	7.49	8.07	4.26	7.48	8.95	0.96
Gross Margin	57%	57%	55%	46%	47%	47%	36%	38%	38%
ROA %	11.51	6.43	-1.67	9.58	9.94	4.97	7.91	8.61	0.90

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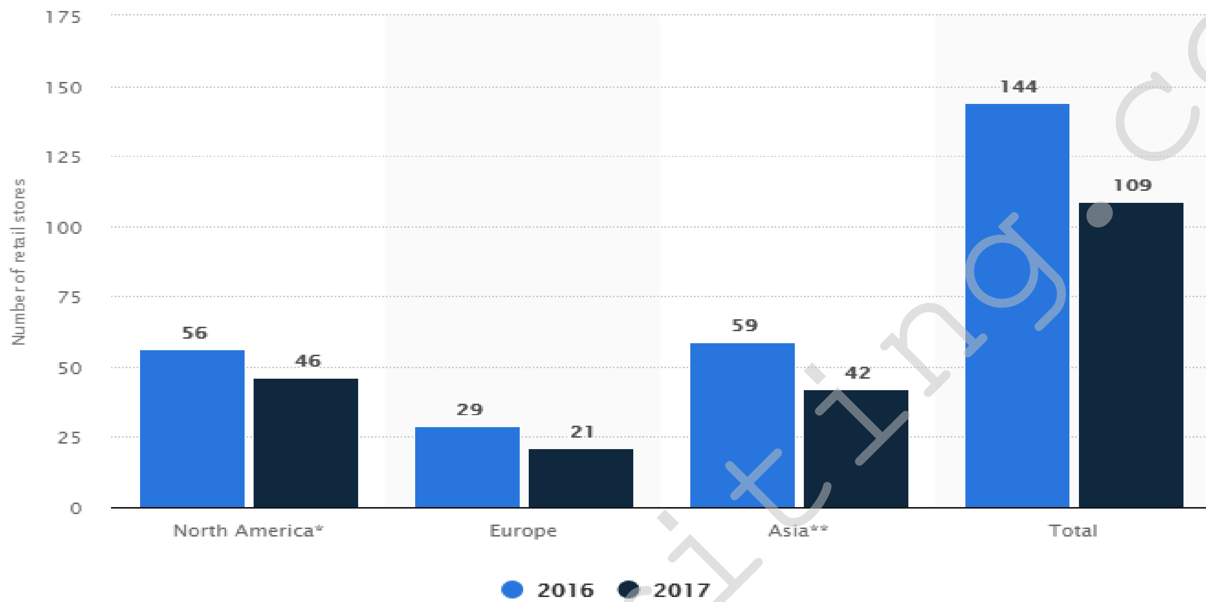
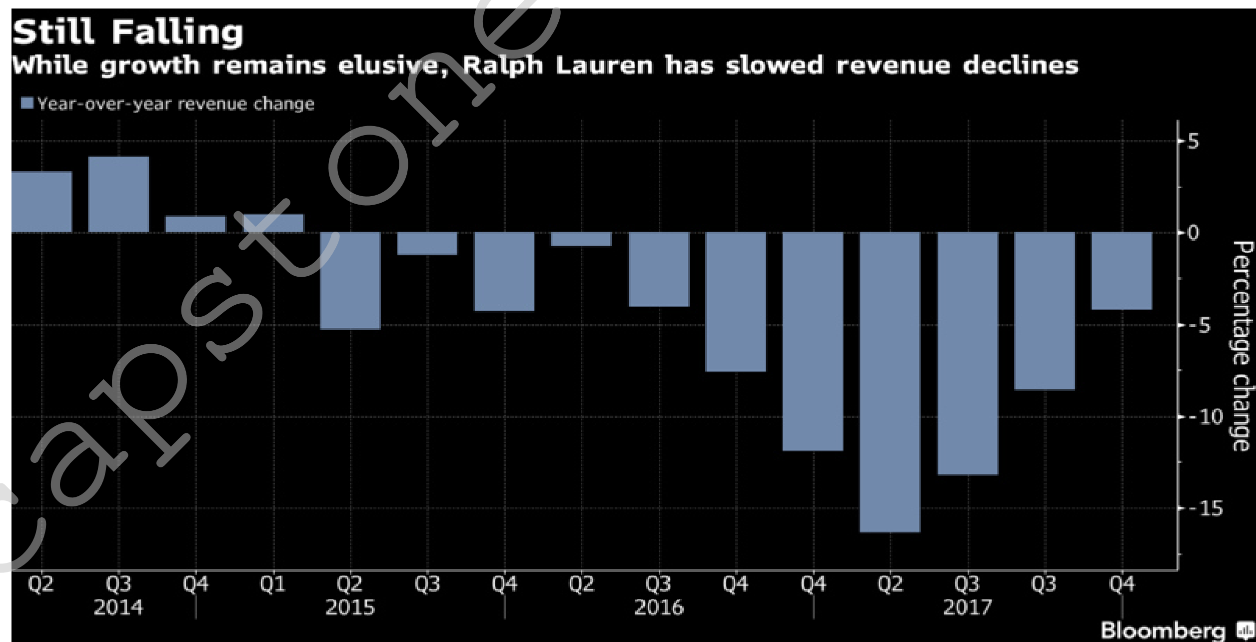
Appendix II: Graphs

Graph 1: Countries of Operation



Graph 2: Revenue Change



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Graph 3: EPS versus Consensus

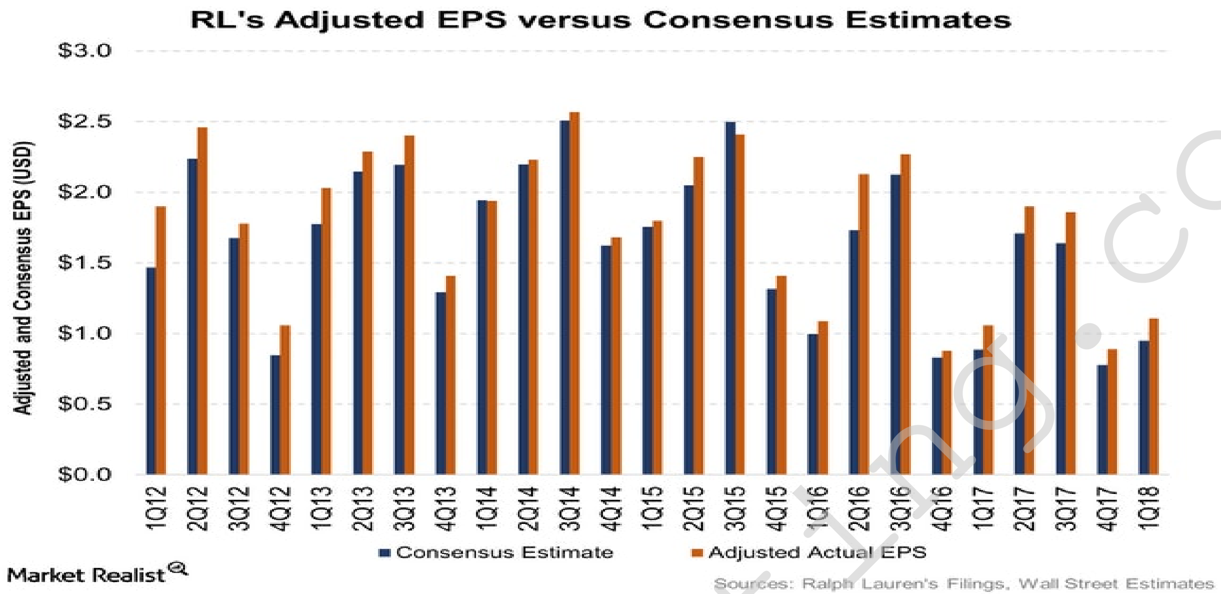

Table 1: Constraints

Constraints

- Interest Coverage Ratio
  - Ralph Lauren's Pre Tax Interest Coverage ratio = 4.18
- For large non-financial service companies with market cap > $ 5 billion

Interest coverage ratio			
>	≤ to	Rating is	Spread is
8.50	100000	Aaa/AAA	0.40%
6.5	8.499999	Aa2/AA	0.70%
5.5	6.499999	A1/A+	0.85%
4.25	5.499999	A2/A	1.00%
3	4.249999	A3/A-	1.30%
2.5	2.999999	Baa2/BBB	2.00%
2.25	2.49999	Ba1/BB+	3.00%
2	2.2499999	Ba2/BB	4.00%
1.75	1.999999	B1/B+	5.50%
1.5	1.749999	B2/B	6.50%
1.25	1.499999	B3/B-	7.25%
0.8	1.249999	Caa/CCC	8.75%
0.65	0.799999	Ca2/CC	9.50%
0.2	0.649999	C2/C	10.50%
-100000	0.199999	D2/D	12.00%

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