

The History of Men's Wearhouse – Team Digby

Men's Wearhouse, Inc. ("Men's Wearhouse" or the "Company") is one of North America's largest specialty retailers of men's apparel and is publicly traded on the NYSE. The Company was founded in 1973 by George Zimmer in the Westchase area of Houston, Texas and has grown from one original store to 1,239 stores nationwide. The Company operates under the names Men's Wearhouse, K&G Superstores, Moores Clothing for Men, and Twin Hill Corporate Apparel.

The first Men's Wearhouse store was opened by George Zimmer and his college roommates in 1973 after Zimmer had spent six months in Hong Kong as a salesman for his father's coat manufacturing business. The first Men's Wearhouse store sold \$10 slacks and \$25 polyester sport coats. By 1975, the Company had two stores and had aired its first TV commercial. In the 1970's it had been unheard of for retail companies to have TV commercials and Men's Wearhouse was one of the first companies to break into this sphere. By 1981, Men's Wearhouse had 12 thriving stores in Texas and began its nationwide expansion by entering the San Francisco Bay Area.

Though the Company was expanding rapidly, its sales were not growing in the way that Zimmer had hoped or foreseen. In 1986, he recognized a problem. The Company's marketing campaign was based around TV commercials that involved a short, loud, bald guy jumping out from behind coat racks and pitching the Company's cheap priced suits. Zimmer realized that this was not the type of image he wanted to project about the company and decided to go on the air himself and show the nation that he stood behind his suits. The slogan that is still used today was then born: "I guarantee it" was said in the air by the Company's president and the nation responded by believing him.

In 1992, with 100 stores now to its name, Men's Wearhouse went public on the New York Stock Exchange. The Initial Public Offering brought in \$13 million, which allowed for a more rapid expansion nationwide. After the IPO, the Company began to grow by approximately 50 stores each year for the next eight years, topping \$1 billion in revenues in 1998 and reaching 500 stores by 2000. In 1999, Men's Wearhouse started making acquisition both in the U.S. and in Canada. The Company acquired Moores, The Suit People, which became Moores Clothing for Men. At the time, Men's Wearhouse's US market share was 5% while Moores' Canadian market share was 25%. The Company also acquired Atlanta-based K&G Men's Superstore, which became K&G Fashion Superstore, a discount retailer.

In the year 2000, Men's Wearhouse began expanding its tuxedo rental business nationwide after a year-long, successful test in Seattle stores. The Company was also named one of the "100 Best Companies to Work for" in America by Fortune Magazine for the first time. The Company continued to make this list every year for the next ten years. By 2006, the Company had cemented its position as the leading tuxedo rental company in the U.S. with the purchase of 509 AfterHours Formalwear and Mr. Tux tuxedo rental.

By 2011, Men's Wearhouse has become one of the largest specialty retailers of men's apparel, with over 1200 stores in the country. One out of every five suits bought in the U.S. is from a Men's Wearhouse location. George Zimmer has also chosen to hand over the title of CEO to President and COO Douglas Ewert. Zimmer remains with the Company as executive Chairman of the Board and will continue to be the face and voice of Men's Wearhouse.

The Business Model of Men's Wearhouse

At the core of its business model, Men's Wearhouse has a primary focus on creating an enjoyable shopping experience for the unpretentious shopper. By simplifying the shopping process while also providing a vast spectrum of products, the Company is effective in attracting and retaining those customers who don't want to spend too much time on finding what they need. The Company's business model can be analyzed through four different elements: its customer value proposition, profit formula, and its key resources and processes. Do note: in many ways, these elements do overlap and often work hand-in-hand with one another.

Customer Value Proposition:

The Company has a straight forward customer value proposition: it offers quality clothing at cheaper-than-competitor's prices in a painless shopping experience. After many years of consistently satisfying customers, the brand has successfully associated its name with bargain prices, good quality, and great customer service. In addition to the commercials featuring Mr. Zimmer, the Company has been engaging more into various Internet media channels to further solidify their brand image. The goal in the next few years will be to parallel the brand image of K&G Superstore - a weakly established brand - to that of the Men's Wearhouse Business.

Profit Formula:

Because Men's Wearhouse's customers are typically price sensitive, the Company puts a great deal of efforts in lowering costs so that it can offer attractively low prices. Men's Wearhouse aims to strategically locate its stores in shopping plazas as opposed to malls and avoids opening stores in high end neighborhoods. The latter point is effective because by doing so the stores are significantly more convenient to access for its target customers. Most of its customers are middle to upper-middle class and are mostly not living in high end neighborhoods. Overall, this strategy has been effective in minimizing the amount of rent and taxes the stores need to pay and in turn, the Company has been able to offer attractive prices.

Also notable: after 37 years of running an "everyday low prices" model, the Company has recently shifted to a promotion intensive approach. An example of such a strategy is a Buy One Get One (BOGO) promotion.

Resources:

Mr. Zimmer has built his business model around the concept of having happy employees. He believes that these types of employees are friendlier and are able to attract and attain more customers. Furthermore, customers who have received a pleasant experience at a Men's Wearhouse store are more likely to become long-term returning customers. As part of the Company's initiative to boost employee satisfaction, full-time employees at the Company receive a three week paid sabbatical on top of their vacation days for every five years working. In addition, on average, store managers receive about the same level of company equity as higher paid managers. As a result of these incentives, the Fortune has consistently ranked the Men's Wearhouse as one of "Top 100 Companies to Work for" in America.

Process:

From a process perspective and in line with its profit formula, the Company has pushed to outsource its manufacturing facilities to cheaper countries. For example, Men's Wearhouse relocated one of its manufacturing facilities of a suit line from Italy to Korea, a move that significantly reduced the Company's production costs. This line of suits is currently sold at less than half the price of the identical suit at JoS. A. Bank, one of the Company's main competitors.

Continuing with its business model of reducing costs to offer attractively low prices, the Company is now in the process of shutting down a high number of stores. Its internal studies have shown that there is a level of cannibalism occurring amongst Men's Wearhouse stores that are located too near one another. The stores are essentially stealing customers from one another. This process should prove to rapidly lean out the Men's Wearhouse stores and remove those that are performing poorly.