

Abercrombie & Fitch: An Upscale Sporting Goods Retailer Becomes Leader in Trendy Apparel

Summary: Learning the basics and target market of Abercrombie and how they have been catering to needs of customers since 1892. Seeing how AF has had to change and the troubles they've dealt with during that process.

The Facts:

- November 2005 AF opened its 36,000 Sq ft store on 5th Ave
- Consumers either loved or hated the company, its products, and its image
- Feb 2007 retailer operated 944 stores in 49 States, District of Columbia and Canada.
- 8,500 full-time and 77,900 part-time employees
- 2006 Revenues were 3.32 billion, Net Income 422.2 million
- Apparel Magazine rated them 3rd in term of profitability among other retailers.
- Teenagers primary target market
- Focused on 3 main issues with competitors
 - a) maintain high prices and high-quality merchandise
 - b) cultivate customer loyalty through various membership programs
 - c) promote their own private-label brands
- Offered products to meet their customers needs through different life stages
- American Eagle Outfitters, the Gap, and J. Crew were its main competitors.
- AF founded in 1892, was originally and outdoorsmen store, a few presidents and famous explorers purchased goods.
- Did a good job catering to the needs of customers when new fads came about.
- Went through many senior executives, encounters criticism from shareholders, was investigated for insider trading, and sued for making misleading statement of monthly and quarterly sales figures. (2005)
- Hollister a new AF store/brand
- Busy season during the spring and fall, they were able to maintain its high prices without resorting to discounts.
- Kept down its administrative expenses and negotiated lower fees from its suppliers. High prices and low costs comprised a formula that clearly worked.
- Adults had a negative image of AF, AF brand and some of its merchandise were protested and pulled from the shelves. (Inappropriate t-shirt with phrases, and scandalous girl underwear.)
- 2005 AF purchased merchandise from approximately 246 factories and suppliers located around the globe, primarily in SE Asia and Central and S. America
- Prosecuted factories who were making fake AF products.
- Managers at the retailer considered AF to be a maturing brand w/ opportunities for expansion in prime locations in the US and with greater potential overseas.
- Social responsible practices
- Corporate values = nature, friendships, and having fun
- Target audience was college students, designed to encourage teamwork and creativity
- Great headquarter facility
- Store managers visited frats and sororities to recruit sales people or brand reps.
- Employee handbook that discussed standards of service and appearance
- 2000 California Department of Industrial Relations received complains from several AF employees who said they were forced to buy and wear the company's clothes on the job
- 2002 AF settled lawsuit w/ out admitting any wrongdoing putting out \$2.2 million – employees received reimbursements
- Overtime lawsuit, discrimination lawsuit – against minorities, \$50 million went to the discrimination lawsuit

Conclusion: Abercrombie's growing competition is forcing them to improve its customer service. As well as re-evaluating the needs and preferences of its target market. Hiring top managers to help CEO Jeffries along with the process, as well as talk about expanding into the European and Asian markets.