

Case Study

Abercrombie & Fitch's Brand Reinvention

By Cathaleen Chen

Once a staple among American teens, the retailer faltered in the 2010s amid shifting consumer preferences. But through a strategy built around prioritising customer feedback, pinpointing product purpose and changing the internal structure of the company, the brand's turnaround is taking hold.



Executive Summary

In 2016, Abercrombie & Fitch was the most-hated retailer in the US. That, at least, was the story numerous headlines conveyed that year after the American Customer Satisfaction Index ranked the retailer last in a survey measuring consumer happiness with brands. Internationally, too, the brand lost its appeal as sales slipped year after year.

There were good reasons why A&F had fallen out of favour with consumers. The company's sexualised marketing seemed dated and offensive at a time when people began to celebrate body positivity. Young shoppers had also ditched logos and brand names for a more expressive personal style from fast-fashion newcomers. Once provocative, A&F's shirtless models who stood outside the stores to promote the brand now came across as out of touch.

But by the time the damning survey came out, A&F was already one year into a sweeping turnaround plan. The company's long-standing chief executive, Mike Jeffries, had left the company a few years earlier under a cloud of controversy, leaving a new executive team to forge ahead with a plan to resurrect the once-successful company. A&F discontinued its signature racy ads — the most recognisable of which were black-and-white images of chiselled men shot by Bruce Weber, whose alleged history of sexually abusing models exacerbated A&F's problematic image — and set about overhauling the company, from its merchandising to internal culture.

Turning around the brand was a tall order, and one that would take several years to sway both consumers and industry insiders. To overhaul a brand with such dismal public relations and a diminishing customer base seemed near impossible. As one industry analyst recalls today: "We didn't think they could do it."

By 2021, Abercrombie & Fitch & Co. — which owns the namesake label as well as Hollister, Abercrombie Kids and two smaller brands under the Hollister umbrella — was on the rebound. A recent earnings report trumpeted the group's best second-quarter operating income and margin since 2008, with sales exceeding pre-pandemic levels.

In an industry that is now in a state of flux, other retailers are facing similar challenges to A&F, leaving many desperate to reinvent their tired brands. Abercrombie's ongoing work provides evidence that it can be done. Among US retailers, J.Crew, Banana Republic and Express all unveiled fresh product campaigns in autumn 2021 in an attempt to renew their product assortment and battle years of sales decline.

Victoria's Secret began its own turnaround in 2020, following in A&F's footsteps in eradicating outdated racy marketing that glamourised unrealistic beauty standards for women. Companies outside the US are undertaking rebrandings, too. In the UK, for example, Asos is looking to update its recently acquired Topshop and Miss Selfridge brands, whose former-parent company Arcadia Group filed for bankruptcy in late 2020.

"For a long time, we thought [A&F's] rebrand was impossible," said Janine Stichter, retail analyst at investment bank Jefferies. "What they've achieved is really unique... A lot of it came down to having faith that they're on the right path and giving it time."

Under chief executive Fran Horowitz, who was appointed to the top position in 2017 after a stint as head of Hollister, the company has honed a strategy built around four pillars that fundamentally transformed how the company functions: making customer feedback the highest priority across teams; identifying a specific brand purpose to plan products and transform them into versatile, style-forward pieces with a reputation for quality; breaking down internal silos to improve collaboration and innovation; and adopting a marketing strategy that focuses on social media first.

Horowitz's strategy has also included the sensible big moves one would expect from a new leader. She made a number of key hires and promotions to build a team that now includes Carey Krug, senior vice president of Abercrombie marketing; Corey Robinson, who leads merchandising and design; and global brands president Kristin Scott. Like many

of its peers, the company also eliminated unprofitable stores and updated store formats. As of July 2021, A&F had 733 locations, a fleet that is around 30 percent smaller than 2012, when it boasted 1,100 stores.

This case study unpacks the pillars underpinning A&F's strategy that can be tailored to the turnaround strategies of other companies, taking into consideration that a label that targets an older customer segment, for instance, will have different marketing methods from one that is intended for a Gen-Z clientele.

Every retailer, whether or not it is in need of a turnaround, wants to enhance its products and heighten customer perception. BoF explores just how Abercrombie brought these ambitions to life.

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History and Market Context

The Making of a Great Teen Brand



A&F became known for its young, often shirtless, male models who stood outside stores to promote the brand in the 1990s and 2000s. Getty Images.

Founded in 1892 by topographer David Abercrombie, the original iteration of the Abercrombie & Fitch brand — then known as just Abercrombie Co. — specialised in premium outdoor apparel. It sold camping, hunting and fishing equipment, serving New York City's wealthy elite, from a store in Manhattan's East River waterfront.

In 1904, Abercrombie gained the second half of its namesake when long-time customer Ezra Fitch became co-owner. Throughout the 20th century, the retailer expanded nationwide, attracting a number of notable customers along the way, from presidents Theodore Roosevelt and John F. Kennedy to Amelia Earhart and Ernest Hemingway. Hemingway's widow famously consigned his Beretta hunting gun to Abercrombie & Fitch two years after his death in 1961.

Sales began to fall in the early 1970s, leading the company to file for Chapter 11 bankruptcy in 1976. Two years later, a Texas-based sporting goods retailer purchased the Abercrombie & Fitch name and shifted the business to mail-order catalogues. In 1988, Limited Brands — or

L Brands, now known as Bath & Body Works Inc. — acquired the retailer for \$47 million. L Brands was also the parent company of Victoria's Secret, another classic American mall retailer going through a similar turnaround of its own as a separate public entity.

Under L Brands, A&F focused on American sportswear rather than outdoor gear. It wasn't until the early 1990s that it settled into what most consumers think of the brand as: preppy fashion for teens.

L Brands' then chief executive, Les Wexner, appointed Mike Jeffries to lead Abercrombie in 1992. The executive had been at the helm of Paul Harris, a womenswear label that had gone bankrupt the year prior. At A&F, the new chief executive's goal was to recalibrate the brand to be something entirely fresh and marketable for a new set of consumers. And for some time, Jeffries succeeded.

The new Abercrombie & Fitch became known for its pricey low-rise jeans, flip flops and polo shirts sporting a logo of a moose silhouette and a collegiate



Under Mike Jeffries' leadership, A&F stores followed strict guidelines, ranging from the brightness of lighting to how clothes were folded — rules which no longer apply. Getty Images.

“Every guy wanted to look like an Abercrombie model, and every girl wanted a shirtless guy.”

— Gabriella Santaniello

flair. The moose is a nod to the brand's sporting-oriented origins, introduced in the early 2000s under Jeffries. A&F wasn't unique in adorning its apparel with logos; Tommy Hilfger, Lacoste, Gap and others did the same in the 1990s and 2000s. A&F's casual East Coast aesthetic wasn't pioneering either. Ralph Lauren and J.Crew both served a similar, albeit more formal style. But Abercrombie was idiosyncratic for how it combined the two components and crafted a successful marketing campaign targeting teens.

Catalogue photos and billboard ads shot by American fashion photographer Bruce Weber featured young, scantily dressed models in sultry poses. Stores adopted strict guidelines around the volume of music (loud), the scent (inescapable cologne), the lighting (nightclub dark) and the appearance of employees (minimal make-up and no black clothing). Every detail came from the top, and every store followed the same rules. Jeffries-imposed rules dictated how clothes were folded and if designated products on the frontmost table sold out, for instance, employees were not allowed to fill it with other items. Garments were rarely available in large sizes.

“Previously, the focus had been on presentation,” said current A&F chief executive Fran Horowitz. “Seeing every stack perfectly folded, every size available — everything was about presentation, including the associates in the stores.”

The positioning was clear: A&F was an elite brand for young, white and beautiful customers. For nearly two decades, it tapped into the cultural zeitgeist, and the business grew year after year. In 1996, the company went public on the New York Stock Exchange while boasting 125 stores and an annual revenue of \$335 million. In 2000, Abercrombie introduced Hollister, a brand aiming to evoke the “optimistic, laidback California lifestyle.” At its peak in 2012, the group's total sales grew to \$4.5 billion and its footprint expanded to more than 1,000 stores in 19 countries in Europe, Asia and North America.

In the 2000s, Abercrombie became a work of marketing genius in a way that made the brand resonate with many people, according to retail analyst Gabriella Santaniello. “Every guy wanted to look like an Abercrombie model, and every girl wanted a shirtless guy,” she said.

But Abercrombie lost its stronghold on consumers just as quickly.

In 2013, Jeffries came under fire publicly when news outlets began circulating a 2006 *Salon* interview in which the chief executive said his brand purposely

excluded certain body types.

“Candidly, we go after the cool kids. We go after the attractive all-American kid with a great attitude and a lot of friends. A lot of people don’t belong [in our clothes], and they can’t belong. Are we exclusionary? Absolutely,” Jeffries said in the interview. “Those companies that are in trouble are trying to target everybody: young, old, fat, skinny. But then you become totally vanilla. You don’t alienate anybody, but you don’t excite anybody, either.”

While these comments didn’t cause widespread offence in 2006, the consumer seven years later was more socially conscious — especially on the internet, where Jeffries’ quotes went viral.

More consequential, however, was the fact that Jeffries’ disparaging statement resurfaced at a time when the company was already starting to falter and its image was losing its former sheen. To be sure, Abercrombie’s strategy had been problematic in the past — the company reached a \$50-million settlement after it was sued for discrimination in 2003 by Black, Asian and Hispanic store employees in California, who claimed they were rejected for sales roles and were allocated fewer hours than their peers.

But for investors, the fact that an old interview caused this much uproar was an incisive sign that the company needed reform.

By 2013, only Aéropostale trailed Abercrombie and Hollister as the least desirable brands among teen girls in the US, according to a survey by investment bank Piper Jaffray published that autumn.

The interview controversy was the final straw after same-store sales slipped for 11 consecutive quarters. Jeffries resigned in late 2014. In lieu of naming a successor immediately, the company created a four-member Office of the Chairman — comprising Horowitz as well as Christos Angelides, then brand president of Abercrombie & Fitch, chief operating officer Jonathan Ramsden and executive chairman Arthur Martinez — which remained in place until Horowitz was named chief executive a few years later.

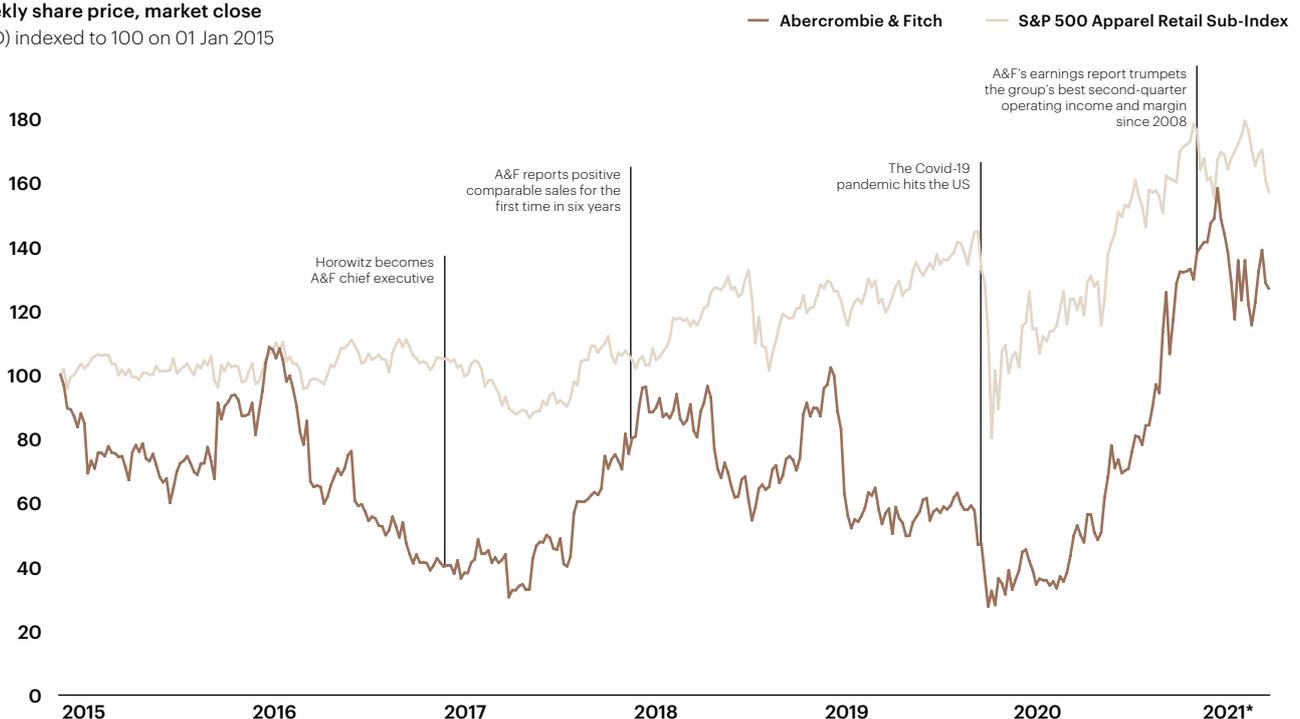
Horowitz kickstarted Abercrombie’s turnaround after Jeffries’ departure but its effects took several years to make an impact externally. A&F’s stock price hit a 20-year low in 2017, dipping below \$10.

“On top of bad health, the product had also lost a lot of lustre,” Horowitz recalled

Exhibit 1: A Bumpy Stock Market Ride

Investor confidence in A&F Co. waned as the retailer struggled. Now, its share price is starting to benefit from its turnaround programme and a post-pandemic market rebound.

Weekly share price, market close
(USD) indexed to 100 on 01 Jan 2015



* Year to October 2021
Sources: Yahoo Finance, MarketWatch

Challenge

Retail in Flux



A&F's image troubles coincided with a time of great flux for the entire retail industry amid intensifying competition from fast-fashion and digital-native newcomers. Getty Images.

The troubles that Abercrombie & Fitch faced in the 2010s were exacerbated by two main factors: shifting consumer attitudes and intensifying competition from retail newcomers. It was this combination that nearly wiped out Abercrombie's logo-heavy teen apparel counterpart, Aéropostale, which declared bankruptcy in 2016. Aéropostale lived to see another day, but under new ownership.

In the decades prior, young consumers bought into Abercrombie's marketing so that they could be part of the "cool kids" club. But this exclusionary mindset faded as Gen-Z came of age. Rather than wanting to fit in above all else, many members of this new generation valued self-expression and body positivity. All the while, the older Millennials who frequented Abercrombie in the 2000s no longer fit the brand's target audience.

At the same time, fast fashion began to invade shopping malls around the world, enticing teenage shoppers with deep assortments of affordable, fashion-driven items. When Abercrombie was still selling logo tees, teenage shoppers were gravitating toward retro-style dresses from H&M and statement accessories from Forever 21. Instagram, in its nascent form, enabled digital native brands to

reach consumers in an intimate way without any physical marketing.

Some of Abercrombie's rivals were moving on and adapting with the times, such as when American Eagle Outfitters' Aerie brand launched its #AerieREAL campaign in 2014, promising that it would no longer Photoshop or airbrush images in promotional content.

When she took the top role, Horowitz and her team had to rebuild A&F's reputation from a deficit at a time of industry flux. The efficacy of brick-and-mortar retail strategies at large were wobbling as digital-native brands challenged even the fast-fashion darlings that emerged just a few years prior. Whereas previously A&F's fleet of stores served as its primary marketing channel, the company now needed to embrace digital to connect with consumers — and that was on top of overhauling its internal culture and core product positioning.

"This isn't something that happens overnight," said Susan Anderson, retail analyst at advisory firm B. Riley Financial. "It's marketing, messaging and merchandising."

Project Rebrand



As part of its broader turnaround strategy, A&F has radically changed its former sexualised approach to marketing in favour of more inclusive imagery. Abercrombie & Fitch.

Large-scale corporate turnarounds, regardless of the sector, require diligent management, careful timing and bold, sustainable strategy shifts. In recent retail history, there is no shortage of examples of rebranding or other turnarounds hitting a wall, from Aéropostale to Topshop.

This makes A&F's turnaround all the more exceptional, say analysts. To be sure, others have rallied their businesses, such as Levi's or PVH-owned Tommy Hilfiger, but few have had to overcome the years of abysmal public relations Abercrombie suffered.

Though still a work in progress, Abercrombie's turnaround shows how companies can shift a brand's image through an arsenal of measures, from refreshing product offerings and store strategies to leveraging digital and social media in new ways to build a bigger customer base, including the coveted Gen-Z.

Abercrombie & Fitch Co. unveiled its formal turnaround plan in spring 2015, which included revamped policies covering everything from the retailer's in-store experience to the hiring of sales associates. In a press release at the time, A&F described a new "customer-centric"

shopping experience that gives store managers autonomy for store-specific product placement while also introducing a management incentive plan based on sales targets.

Furthermore, the company said that it would not hire store associates based on "physical attractiveness" and that an "open-minded" dress code will allow store employees to wear what they want. Instead of being "models" as they had been in the past, store associates would now be called "brand representatives."

Most dramatic, perhaps, was the scrapping of the retail signifiers for which Abercrombie stores were best known. Pilot projects in Europe and Asia that increased the brightness of store lighting were already successful. The company called the changes an "improved sensory experience," adjusting "scent, lighting, music and trees." (A&F's former stores included large potted plants.)

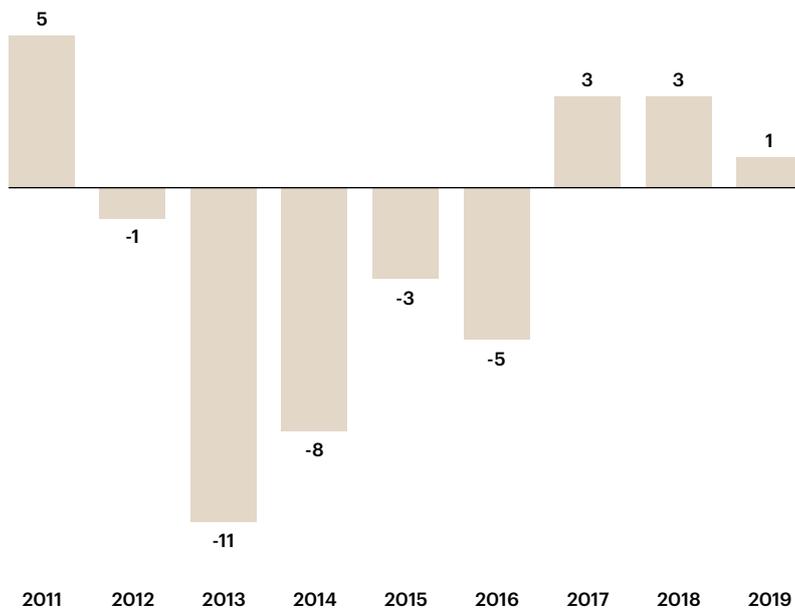
There was another big change, according to the press release: "By the end of July [2015], there will no longer be sexualized marketing used in marketing materials including in-store photos, gift cards and shopping bags. Hollister will no longer use shirtless lifeguards for store openings and events. A&F will no longer use shirtless

Exhibit 2: Retail Transformation Takes Shape

A&F Co. began to see its comparable sales recover in 2017, driven by store improvements and Hollister’s strong sales.

Abercrombie & Fitch comparable sales (fiscal 2011-2019)

Percentage change (year on year)



Source: Abercrombie & Fitch

Note: Comparable sales are calculated on a constant currency basis and include store and online sales. Abercrombie & Fitch has not disclosed comparable sales for 2020 and Q1 and Q2 2021 owing to store closures.



A&F has invested heavily in modernising its products, aimed at Millennials who wear jeans to the office and dresses to brunch. Abercrombie & Fitch.

models for store openings and events.” The exception, it added, will be A&F’s Fierce cologne, famous for the chiselled male torso that adorns the bottle.

“We wanted to make a really clear declaration: no more shirtless guys, no more overtly sexy marketing — that was a deliberate move, very early on in 2015,” Horowitz said.

Over the next six years, the company invested heavily in modernising its products, including differentiating the assortments of Hollister from A&F, which had been similar in the past. Abercrombie still zeroed in on the same consumers who bought their logo tees in the 2000s — except now, they were 20-something professionals who wore jeans to the office and dresses to brunch. Hollister, meanwhile, focused on teens with similarly style-forward products at a lower price point.

A&F’s most decisive improvement so far has been making good on its initial promise: prioritising customer expectations. Unlike under Jeffries, where A&F told its customers what to buy and how to wear it, today the roles are reversed. Every new collection is now dictated by customer feedback through surveys, focus groups and other channels.

In 2017, two years after it made its turnaround announcement, the company began to return to positive comparable sales, driven by Hollister. The Abercrombie brand inflection point arrived in the final quarter of 2019, when comparable sales were up 8 percent year on year. The company’s net sales grew 3 percent that quarter, to about \$1.2 billion. So far in 2021, both brands are exceeding 2019 sales performance, while the company’s share price has risen 400 percent since its 2017 low.

01 — A Consumer-First Approach



Consumer-facing teams at A&F visit stores regularly to talk to shoppers and salespeople to gauge their feedback. Getty Images.

Before joining Abercrombie & Fitch in 2014 to oversee the Hollister brand, Horowitz built a career as a buyer, and later retail executive having worked for the likes of Bergdorf Goodman, Ann Taylor Loft and Saks Fifth Avenue. At struggling Abercrombie, she and her team needed to answer three critical questions: Who is the Abercrombie & Fitch customer? Who is the Hollister customer? And what needs can these two brands serve in the lives of these customers?

“The first thing we had to do was really decide, did we have one brand or did we have two brands?” Horowitz said. “Before I started [at the company], I shopped the brands, went to malls, and while I was doing that I discovered the [two] brands really morphed into one. If you walked into a Hollister and then an Abercrombie, the products were pretty much the same.”

By conducting extensive customer research, from focus groups to store visits to countless customer interviews, Horowitz and her team learned that each brand could indeed have distinct identities. In differentiating their respective value propositions, A&F could prevent cannibalisation and articulate much clearer business objectives.

Through these learnings, the company decided that Abercrombie’s forte would be serving post-college professionals in their 20s, while Hollister would be a global teen brand.

When A&F began its turnaround in 2015, the company did not have a formal customer insights team. When consumers did give feedback, it was largely ignored by corporate gatekeepers. Today, the company has an entire team dedicated to customer insight and its work informs the decisions of every customer-facing team, such as design and marketing.

Horowitz said that, when she joined the company, she found “reams” of product feedback on jeans from male customers who wanted a zipper fly rather than the button fly on every pair of Hollister and Abercrombie jeans. As soon as the retailer made the shift to zippers, denim sales grew and have continued to grow year after year.

“The status quo [before] was that we weren’t focused on a customer target,” said Carey Krug, who became the head of Abercrombie marketing in 2018. Previously, she was chief marketing officer at David Yurman. “We were designing for everybody which meant that we were designing for nobody, and so from a marketing perspective, we didn’t have a clear point of view.”

The company even floated potential brand purpose statements to customers, according to global brands president Kristin Scott, by soliciting feedback on details as specific as word choice. (Scott joined the company in 2016 as president of Hollister and became global

“The customer is at the centre of everything we do... It’s been a terrific mindshift.”

— Fran Horowitz

brands president in 2018.) These focus groups consisted of a “student council” for Hollister, made up of customers and super-customers who sign up to be “brand agents” — akin to campus ambassadors for high schools — and an internal board of young Millennial employees for Abercrombie. Even Abercrombie Kids held a focus group with 8- to 11-year-old customers.

“We got amazing insight on whether [some of] the words didn’t feel right or the whole concept felt off,” said Scott.

The result was valuable. Through customer feedback, A&F cemented specific core purposes for both brands. For Abercrombie & Fitch, it’s outfitting 20-something customers for a four-day weekend. For Hollister, it’s “the liberating spirit of the endless summer,” Scott said, an attitude exemplified by the last day of school. By evoking very specific and sentimental moments in time as the brands’ mission statements, A&F can identify granular product needs and build out a comprehensive strategy, from design and messaging to the timing of marketing materials.

Heeding consumer feedback became a work of continuous improvement. Under Horowitz and Scott, every consumer-facing team at A&F conducts store visits every week. Hollister employees even attend high school football games and sneaker conventions to meet potential teen consumers. In her first two years at the company, Scott estimates she visited 200 locations.

Once inside a store, corporate employees chat with both salespeople and shoppers, gauging the answer to questions such as which products are receiving the most interest, what services could make the shopping experience more convenient, and what aspects of the store itself need improving.

“The majority of the feedback is around the product, but sometimes it’s around operational things or tools [sales associates] need to make the experience better for our customers,” Scott said. “As we’re working on our seasonal strategy, it’s filled with customer feedback.”

Even at the height of the pandemic, Scott added, corporate staff held regular online meetings with regional or district managers to field their insight on their local markets.

These qualitative consumer insights are turned into actionable feedback that can be tested across different markets. To facilitate this, A&F’s customer insights team is housed within the larger data and analytics department at company headquarters to ensure a seamless meshing of quantitative and qualitative research.

Committing to this customer-first approach was a foundational move for A&F’s rebrand because it paved the way for the company to recalibrate every other part of the business. From design and merchandising to IT and HR, the customer-first ethos dictated how the retailer would operate from there onwards.

“Whether it’s IT or marketing or real estate, every employee today knows the customer is at the centre of everything we do,” Horowitz said. “It’s been a terrific mindshift.”

02 — ‘One Dream, One Team’



Under Fran Horowitz, A&F has overhauled its internal culture with the help of a playbook she calls “one dream, one team.” Abercrombie & Fitch.

While Abercrombie & Fitch had identified the primary goal of its rebrand — to listen to and serve the customer — putting it into practice was impossible without first aligning its 40,000-member workforce, including retail associates, on their new shared objective.

Organisational silos are a common problem among retail companies. Running a truly collaborative organisation requires a “significant shift in culture and management,” Horowitz said.

For instance, the company previously housed the merchandising, planning and design teams in separate parts of its sprawling, 21 million-square-foot campus in New Albany, Ohio. But these departments together control the retailer’s products, a process that ideally entails a high level of collaboration.

The solution? Put the teams together, literally. Today, the three teams are based in the same building, on the same floor. Another example was Horowitz’s decision to move regional store managers. Rather than having them in the New Albany campus, Horowitz based them in their respective regions so they have greater oversight on the markets they control. The company has tackled even smaller silos within individual teams, such as

sharing content among digital email marketing and in-store marketing.

She also made sure the product and marketing teams work in lockstep, collectively setting goals and agreeing what needs to happen to reach them. The collaboration among all teams is dictated by the playbook, or as Horowitz puts it: “One dream, one team.” Each brand under A&F Co. has its own playbook, which defines its product, voice and experience. Created through in-depth, cross-functional meetings, each brand’s playbook serves as a guide to execute strategy for the year. Horowitz introduced the playbook concept while she was president of Hollister in 2015. Today, these collaborative efforts also include off-site leadership summits, where team leaders connect and align on areas of focus. The first workshop was held in 2018.

Further alignment on these goals happens regularly through cross-function playbook milestone meetings, Horowitz said.

“I don’t think there is very much of a line anymore in terms of content we create and content that our influencers create. It’s really breaking down the silos of the team,” said Krug. “We are always thinking on all channels.”

03 — The 96-Hour Weekend and Beyond



Unlike the logo hoodies and graphic tees that used to dominate sales, now A&F's most popular products include high-waisted jeans and bodysuits. Abercrombie & Fitch.

Once Abercrombie & Fitch established its brand purpose via extensive customer outreach, next up was bringing it to life.

The brand conceived its four-day weekend concept in 2018. As a mission statement, the four-day weekend idea became foundational to not only its merchandising strategy but also its marketing tactics. In short, it's a corporate directive for every consumer-facing tenet of the business. For designers and planners, this means creating collections to outfit shoppers for their long-weekend trips. For marketers, it means highlighting the value proposition of this product assortment in ads and other forms of promotion.

"The Abercrombie customer is a young, mid-20s Millennial, and the most important thing for [this customer] is the long weekend," Horowitz said. "We are here to outfit them in all aspects of their long weekends, whether it's a wedding celebration, parties with friends or going out to bars."

The goal, she added, is to "cover their lifestyle for the whole 96-hour weekend."

The beauty of the four-day weekend concept was that it laid out explicit occasions for which customers would shop at the retailer. Instead of selling

moose-logo hoodies without a specific occasion in mind, the brand now had the directive to dress their customers for specific events, such as a wedding held on the long Memorial Day weekend in May in the US or travelling to a friend's retreat during the Labor Day weekend in September.

The concept became a useful guiding light for merchandising — now designers knew exactly what categories of products on which to focus. The before-and-after picture is stark. Back in 2012, for both men and women, moose-logo hoodies and graphic tees dominated sales. Fast forward 10 years, the most popular products include high-waisted jeans and a seamless bodysuit for women alongside plain T-shirts and skinny jeans for men.

"The 96-hour weekend [gave us] really clear brand guardrails on what we are going to offer, and it gives our customers a reason to come to us," said Corey Robinson, senior vice president, Abercrombie design and merchandising. Robinson had been with the company as a merchant since 2006, and was promoted to senior vice president of merchandising in 2018. His current role, which he assumed in 2020, encompasses design in addition to merchandising.

“Too many times brands will do these big reveals with big campaigns but don’t follow up with anything. Customers can smell that and they don’t like it. And if they feel duped, you lose them.”

— Gabriella Santaniello

So with a 25-year-old Millennial customer in mind, for instance, dresses became an essential category at Abercrombie.

“This 25-year-old gets really excited [about] brunch, so we put together a collection of dresses that are essentially brunch dresses,” Robinson said, “and we really turned around the dress category.”

In August 2021, A&F launched a collaboration with wedding planning website The Knot, which included an exclusive line of wedding attire, such as jumpsuits and matching sets for women and blazers and trousers for men.

As part of the company’s new customer-centric approach, Robinson’s team regularly updates product sizing and fit based on product feedback from customer reviews. When shoppers say a certain fabric was too rigid and not flattering on certain shapes, for instance, they source a stretchier material. In 2019, the retailer launched a casualwear collection called SoftAF as well as new denim-fit technology called Curve Love, which addressed the recurring problem of a pair of jeans fitting over hips but leaving a gap at the waist. In 2020, it also introduced extended sizing, offering waist sizes 23 to 37 for women, including lengths from extra short to long. Under Jeffries, the largest size sold to women was (US) 10, which typically has a waist size of 30 to 32 inches.

“It’s a huge shift from where we were. Icons and logos aren’t a meaningful part of our business anymore,” Robinson said. “[Customers] are buying the product because they love the fabric, or they love the fit.”

These changes, for the most part, have been made without fanfare. Instead of big marketing campaigns, Abercrombie’s strides relied on a steady stream of product improvements — something that customers are clocking slowly but surely, according to retail analyst Santaniello.

“They’ve taken a ‘nose-to-the-grindstone’ strategy, being diligent and making these quiet changes because they know customers want them to be authentic,” she said. “Too many times brands will do these big reveals with big campaigns but don’t follow up with anything. Customers can smell that and they don’t like it. And if they feel duped, you lose them.”

A&F’s merchandising strategy is showing signs of success because it is rooted in one overarching directive — the four-day weekend — and a subsequent stream of meaningful product improvements inspired by customer feedback.

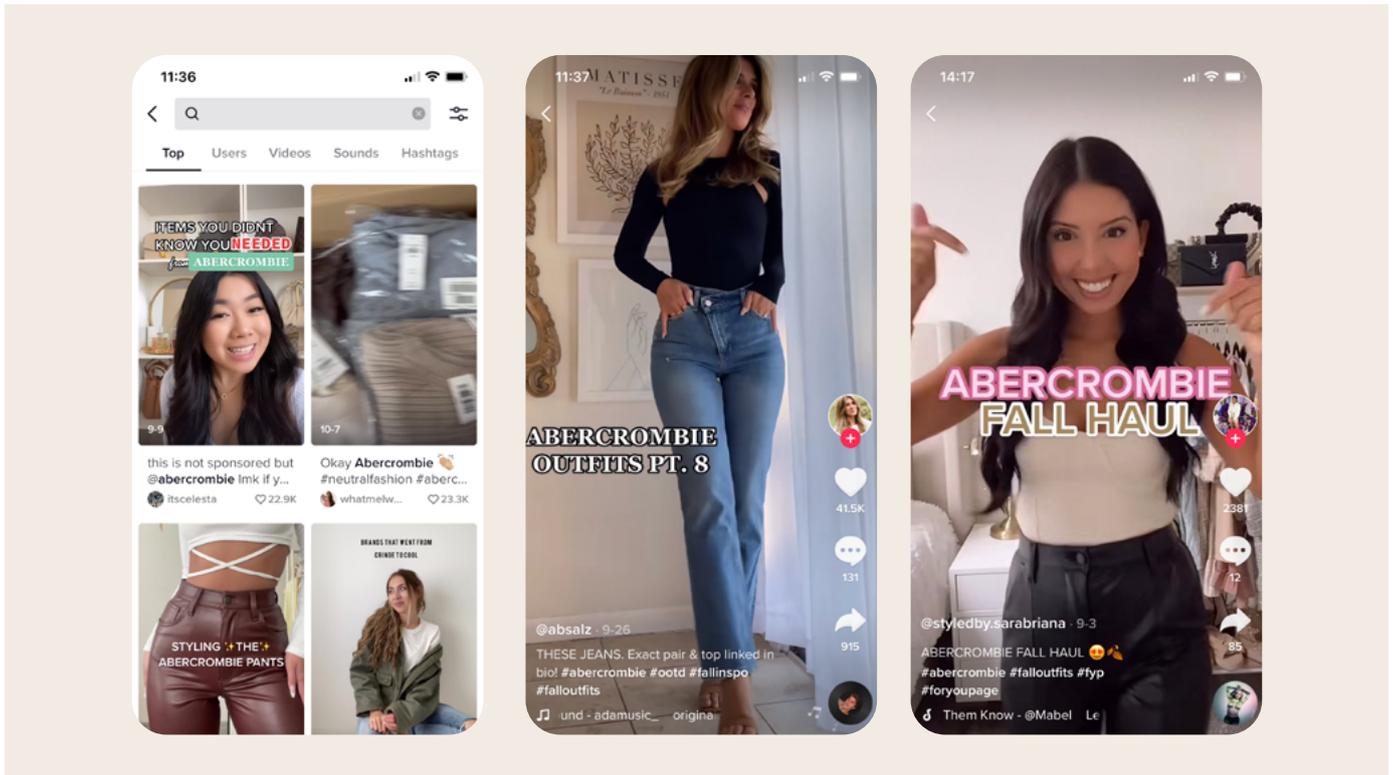
The company is also benefitting from charging a higher price point than

competitors because of its product quality and targeting an older consumer with more spending power, according to Stichter of Jefferies. A pair of A&F jeans costs just south of \$90, similar to Levi’s and substantially more expensive than American Eagle Outfitters and Gap. Higher prices result in higher product margins. The company’s gross margin rate so far in 2021 is 64 percent — up from 59 percent in 2019.

Merchandising is a never-ending work in progress, Robinson said. To that end, the company continues to develop size-inclusive features, taking learnings about waist sizing and applying them to other categories. By listening attentively to what customers are saying, the retailer can pivot toward relevant categories, such as sweatpants at the height of the pandemic, then move on as needed. Customers today, for example, are much more interested in buying clothing for social occasions rather than loungewear, Robinson said.

“We’ve mapped out that long weekend, but we always look for holes in our assortment, different things that we aren’t offering,” he added.

04 — A TikTok Phenomenon



Thousands of organic posts that discuss or review A&F products have circulated on TikTok, thanks to the company's social-first marketing strategy. TikTok.

In a video that has been viewed nearly 90,000 times between June and October, TikTok user Allison Jacobsen laments the days she would walk into an Abercrombie & Fitch store and immediately feel self-conscious about not being thin enough to wear its products.

“When I was a teenager, I used to hate Abercrombie because I so wanted to wear their clothes,” the 37-year-old says in her post, holding an iced coffee and addressing her viewers in TikTok’s signature casual tone. “Everytime I go in, I’d have to wear the biggest size because their sizes ran so small and basically I had to stop going in there because I just figured they didn’t have anything for me.”

But her story takes a turn. “Fast forward 20 years and I decided to go into Abercrombie,” she continues, ducking her head to reveal a recent mirror selfie of her in the store’s fitting room, donning an orange tank and a pair of high-rise straight leg jeans.

“Are you kidding me?” she exclaims. “Twenty years later, Abercrombie is redeeming themselves. We’ve come full circle.”

Jacobsen’s video is one of thousands of organic Abercrombie-related posts (meaning that the company did not solicit

or pay for the content) that circulated on the platform in recent months. It’s the result of A&F’s “social-first” marketing approach spearheaded by Krug, the head of Abercrombie marketing.

When Krug joined the company in 2018, A&F had a presence on social media but still relied on its vast store network to be the primary source of sales. Though it knew who its customers were — 20-something professionals — the objective now was to discover where they hang out and showcase the brand in its new form.

“How do we show up in the spaces that they’re engaging in?” Krug said. “The answer was 100 percent in the digital space.”

Krug began by crafting an influencer strategy that deployed both “nano and macro” influencers who showed their followers Abercrombie’s new look. In 2016, the company reported 353 revenue-producing influencers (RPIs) through either organic or paid efforts. RPI refers to influencers whose shoutouts to A&F have generated measurable revenue for the company. As of October this year, it has counted more than 7,500 RPIs. Oftentimes, its sponsored content will create a ripple effect of heightened organic activity.

Jacobsen, for one, was inspired to visit the retailer after seeing others on Instagram and TikTok posting about Abercrombie, she said. “Abercrombie is definitely trending right now,” she added. “I’ve heard from a lot of people that they really love their jeans.”

Today, the company’s “social-first” strategy represents a significant portion of its overall marketing tactics, Krug said, and has grown since its launch in early 2019. Then, the focus was on Instagram, but since the pandemic, A&F has also invested in TikTok.

In September 2020, A&F had no employees solely dedicated to TikTok, Krug said. Now, every member of Abercrombie’s influencer team touches TikTok in some way, with some focusing entirely on increasing the brand’s presence on the platform.

A robust digital strategy, nonetheless, must work in tandem with traditional customer acquisition tactics, such as in-person events and other advertising channels like television. A&F has hosted influencer events that incorporate brick-and-mortar shopping elements, such as its collaboration with Instagram influencer Jen Reed, which included an in-person shopping experience with products also available online.

Earlier in 2021, A&F Co. launched a new brand called Social Tourist with TikTok stars Charli and Dixie D’Amelio, available for purchase online and in Hollister stores. To promote the label’s product drop in June, the D’Amelios hosted the company’s first-ever live TikTok fashion show, recruiting others in their TikTok collective to showcase items.

A&F’s “social-first” marketing approach is anchored to its overall priority to always put the consumer first, according to Krug. It’s this close relationship that allowed the brand to be nimble when TikTok suddenly emerged as a major marketing tool in 2020. It also sheds light on how the company considers other marketing channels, such as television streaming.

“We know that our customers are watching streaming [content] on a traditional TV but they likely have a second screen at the same time,” Krug said. Therefore, the goal is to create two levels of advertisements – Instagram and Hulu, for instance – that complement each other.

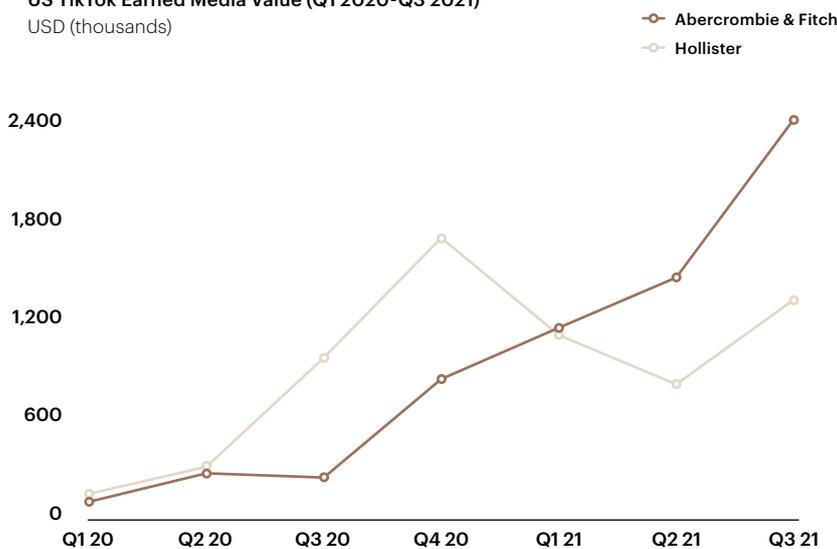
Cross-functional collaboration is another critical component to A&F’s marketing strategy. Development of the Curve Love denim collection, for instance, involved marketing intel alongside merchandising and design. As part of soliciting customer feedback, the company invited five of its influencer partners to work with the merchandising team to try out some of the fit solutions. When the collection launched, these influencers were among the first to promote it on social media.

“All of this together has created a groundswell – a grassroots effort,” Krug said. “We joked that we were the best-kept secret [in retail] but now we’ve gone to, ‘Abercrombie is back.’”

Exhibit 3: Learning to Be TikTok Savvy

A&F became a TikTok favourite as the social media platform boomed in popularity.

US TikTok Earned Media Value (Q1 2020-Q3 2021)
USD (thousands)



Source: Tribe Dynamics

Note: Earned Media Value measures engagement with social media content about a brand that is created by a third party.

Looking Ahead

Earlier this year, Abercrombie & Fitch Co. reported its best second-quarter earnings since 2008, posting \$865 million in net sales, up 24 percent compared to the same period in 2020 and 3 percent above the second quarter of 2019, thanks in part to a higher average unit retail price. In addition, more than 40 percent of sales took place online — up from 33 percent in 2019. Gross profit margin rose too, expanding 450 basis points from 2020 and 590 basis points since the second quarter of 2019 to 65.2 percent.

For the second half of 2021, A&F said in August it will continue to “right size” its physical footprint, closing or renovating underperforming stores while opening new locations in emerging markets. For instance, the company closed its Savile Row flagship in London last year, but reopened a smaller, less tourist-reliant location on Regent Street this September. In December, it will also open a new store in Chicago’s Southport Corridor. The new store prototype is bright and full of windows — a departure from the

shuttered, musky shops of the 2000s. And whereas every store used to look the same, today’s are tailored according to location. Local managers are also able to organise the merchandise in their stores as they see fit, and leases allow for more flexibility, such as providing a space that can accommodate shopping events, according to Scott.

The company continues investing substantially in e-commerce and technology this year, with \$100 million of expenses in 2021 earmarked for “digital and technology” as well as real estate and maintenance, A&F chief financial officer Scott Lipesky said in the company’s recent earnings call. In July, it named its first ever chief digital officer, Samir Desai.

Product improvements and breaking the cycle of discounting are other ongoing projects for the brand, said Horowitz. In that spirit, the company aims to keep average unit retail levels high, but much depends on whether overall demand remains robust. After all, A&F was hardly the only retailer to see sales boom this past summer. A number of retailers posted higher margins and increased sales in the second quarter as the US and other Western markets recovered from the Covid-19 pandemic.

There is still much uncertainty in general. “We don’t know where the consumer will go and how much of the spending right now is just [making up] for 2020,” said B. Riley Financial’s Anderson. Still, A&F is in good shape to withstand industry-wide headwinds, she added.

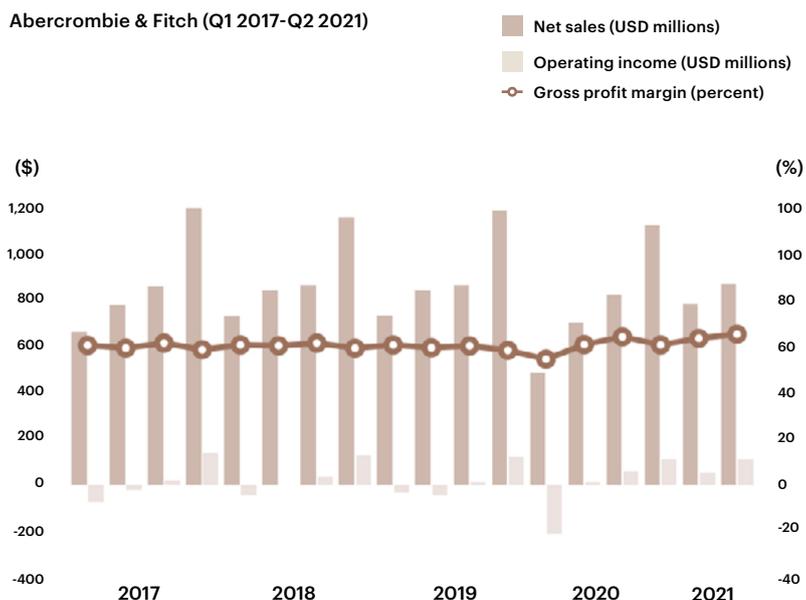
The company expects momentum to last through the rest of 2021, it said in a forward-looking statement, proving to other struggling retailers that a turnaround is possible, even in today’s climate of disruption and volatility.

“Retail was built for people who are very agile and fluid,” Horowitz said. “I’m thrilled with what we’ve been able to accomplish.”

Exhibit 4: A&F Co. Turns a Corner Despite 2020’s Challenges

Pricing discipline and other turnaround measures help steady A&F margins.

Abercrombie & Fitch (Q1 2017-Q2 2021)



Sources: Abercrombie & Fitch and YCharts

Further Reading

- The Business of Fashion, [Can TikTok's Biggest Stars Build Abercrombie's Next Brand?](#)
- The Business of Fashion, [What Abercrombie & Fitch's Reality Check Says About the State of Retail](#)
- The Business of Fashion, [Abercrombie & Fitch Looks to Hollister for Lessons in Tapping Gen-Z](#)
- The Business of Fashion, [J.Crew, Gap, Abercrombie & Fitch: The Trouble With America's Most Beloved Mall Brands](#)
- Fortune, [Abercrombie and Fitch Is The Most Hated Retailer in the US](#)
- Bloomberg, [Abercrombie's Hot Salesclerk Policy Is Over](#)
- Bloomberg, [The Aging of Abercrombie & Fitch](#)
- Bloomberg, [Abercrombie Tones Down Nightclub Vibe to Win Back Teens](#)

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