

ANSWERS TO COMPREHENSIVE CASE QUESTIONS

PART ONE COMPREHENSIVE CASE

Abercrombie & Fitch Co.: Looking to the Future

1. What can *any* retailer learn from this case?

Any retailer can learn the following from this case:

- The importance of foreign markets to a retailer, particular Asian markets
- Refusing to offer discounts as a strategy to maintain a brand's luxury image
- The importance of correctly assessing fashion trends and quickly adjusting product offerings
- The need to watch lease costs due to reducing sales expectations for new stores
- The impact of the walking self-advertisement through use of large prints of the retailer's name, logo, initials and date of establishment
- The need for cost controls
- The need to continuously optimize a retailer's supply chain using such industry benchmarks as lead time and turnaround time
- The increased importance of online sales and social media channels

2. How could A&F enhance the total retail experience at each of its store brands?

A&F can increase the total experience at each of its store brands through:

- Increasing customer service
- Showing how clothing can be coordinated
- Making the stores more attractive through use of music, videos, and attractive displays
- Offering the assistance of personal shoppers to evaluate a consumer's selections, and to suggest coordinated clothing assortments
- Using salespeople to locate desired merchandise at nearby stores, if the good is out-of-stock at the local store
- Encouraging store personnel to wear A&F clothing in the store
- Utilizing fashion shows with local college students as models
- Having in-store fashion clinics

3. Describe several uncontrollable factors that impact A&F.

A&F is affected by such uncontrollable factors as:

- Consumer acceptance of its fashions, colors, styling, etc.

- The local and national economy
- The value of the U.S. dollar versus foreign currencies
- Supply chain disruptions (such as hurricanes, earthquakes, etc.)
- Unionization of store personnel
- Labor practices of suppliers that can affect A&F's image (such as the use of underage workers)
- The ability or inability of A&F to secure and renew leases in favorable retail locations
- Weather conditions in peak sales periods
- The presence and growth of a strong competitor
- Changes in minimum wage laws
- High vacancy rates in shopping centers where A&F has store locations

4. Analyze A&F's overall retail strategy, based on the steps discussed in Chapter 3.

- Situation analysis-- A&F has adapted its overall strategy based on the economic downturn, increased competition from department and discount stores, and opportunities in international expansion
- Objectives-- Based on sales growth, sales per square foot, market share, gross and net profits
- Identification of consumers-- A&F has multiple brands (Abercrombie & Fitch, Hollister Stores, and Gilly Hicks & Abercrombie kids stores as well as a Web site to appeal to distinct markets;
- Overall strategy—A&F use multiple store formats, has international expansion plans, and is able to quickly adjust its product offerings
- Specific activities—A&F has control over rental costs, uses walking self-advertisements, has store expansion (domestic and international) plans, sells via the Web, uses social media, and seeks to optimize its supply chains.
- Control-- A&F looks as such controls as sales per square foot, profit margins, control of operating expenses, market share goals, adherence to projections

5. What kind of loyalty program(s) should A&F offer? Present details in your answer.

A&F should develop a loyalty program based on a scannable membership card. This enables A&F to:

- Look at longitudinal data across a large group of consumers
- Customize offerings based on a customer's purchase history
- Offer different levels of incentives based on a customer's level and type of purchases
- Offer special promotions to A&F's best customers (as opposed to all shoppers)

6. What recommendations would you suggest to A&F as it looks to the future.

As it looks to the future A&F needs to:

- Assess its product offerings. In addition to its current products it needs to consider jewelry, watches, fragrances, coats and jackets, etc.
- Better integrate its Web and store operations
- Develop a strategy for international growth
- Better assess fashion trends
- More quickly respond to fashion trends
- Further improve the in-store experience (videos, music, returns processing, waiting times at cash registers, parking availability, etc).

7. Look at Table 1 and note at least five key points to be learned from the data in that table.

Key points that can be learned from Table 1 include:

- For Abercrombie & Fitch stores: increases in total revenue will largely come from same store sales increases and additional stores
- For Abercrombie & Fitch stores increases in profitability will largely come from higher gross profit margins
- For Hollister stores, sales growth will largely come from same stores sales increases and new stores
- For Hollister stores increases in profitability will come from higher profit gross margins
- Despite fast growth in sales and gross profit dollars, the gross profit margins of Internet and catalog orders are not forecast to improve

PART TWO COMPREHENSIVE CASE

Retailing Around the Globe

1. What can *any* retailer learn from this case?

Any retailer can learn the following from this case:

- Convenience stores are operating at different life cycles in different countries throughout the world
- The importance of attracting high caliber and dedicated personnel through paying higher wages and career opportunities to retail employees
- The role of technology in creating efficiencies
- The importance of loyalty rewards programs
- The effective use of apps
- The use of continuous improvement programs
- The importance of price optimization software
- The importance of planning for the store of the future (alternate fuels, online ordering and pickup services, gym facilities, chef pods)
- Anticipating and adapting to new worldwide regulations