

The History of American Eagle Outfitters – Team Digby

American Eagle Outfitters, Inc. (“American Eagle” or the “Company”) is a highly successful clothing store. Since 1977 the Company has established nearly 700 locations in the United States and Canada. The Company was started by the Silverman brothers, Jerry and Mark, who owned and operated Silverman’s Menswear. The Company started out selling brand-name leisure apparel, footwear, and accessories for men and women with a focus on outdoor sports. Although it was primarily focused on being a retail store in the mall, the Company quickly established itself as a top competitor in the mail-order industry.

In 1980, the Silverman brothers ran into financial trouble and were forced to change the name of Silverman’s Menswear to Retail Venture, Inc. (“RVI”) and sell half of the Company’s shares to the Schottensteins--owners of Schottenstein stores, a retailing giant. During this time, American Eagle Outfitters was beginning to catch on momentum.

In 1989, RVI went through major reconstruction and sold 125 of its various stores. After selling off the remaining stores excluding American Eagle Outfitters, RVI was left with only the Company. During the early 1990’s the Company struggled with the recession, dated inventory, and increased competitive pressures -- factors that greatly lagged its financial performances during this period.

In 1991, RVI suffered an \$8.9 million net loss. Faced with incredible financial pressures, the Silverman family sold the other 50% of RVI that they owned to the Scottenstein brothers. In 1992, the Scottenstein hired Sam Forman (previously with Kuppenheimer Clothiers) as the president and COO. Along with Forman, the Company added Roger Markfield (previously with Macy’s and the Gap) into the management mix as the president and “chief merchant.” With the vision of this new management, American Eagle Outfitters revamped their business and focused specifically on their private product offerings for men and women and greater emphasized their outdoors look.

With much success in the following years, an American Eagle Outfitters, Inc. subsidiary was established. The Company went public in 1994 on the NASDAQ stock exchange using the symbol “AEOS”. At the time they had 167 stores in 34 states. That fiscal year was also one of the most successful years to date; earning \$199.7 million in sales. In the second half of 1994, the company carried its financial momentum by opening 55 more stores.

In 1997, sales increased 24.3% to a record high of \$405.7 million and the Company had opened 32 more stores. One year later, American Eagle Outfitters had initiated a monumental move by the adding the AE Clear Card, stores outside of enclosed malls, and created a website to further drive its presence and accessibility.

During all of the success in the late 1990’s the Company was sued four times by Abercrombie and Fitch for “intentionally and systematically copying” things from their clothing line, but the Company won all four cases. The company’s name was then everywhere on TV. In the 2000’s, the Company became the official costumer for the ever popular TV show, *Dawson’s Creek*, and four other teen-oriented films that year. Moreover, the Company sponsored MTV shows and engaged in a great deal of national television advertising.

In February 2006, American Eagle launched Aerie, a sub-brand targeted at girls in the 15-21 age range. It started off as a sub-brand; however, it is now a brand in its own right and has standalone stores separate from American Eagle. In the fall of 2006 American Eagle launched Martin + Osa targeted at both men and women from 28 to 40 years of age. However, this venture was not a success because they ended up closing all Martin + Osa stores in 2010.

In 2007, American Eagle moved to the New York Stock Exchange using the symbol “AEO.” Since then, the Company has continued its success in targeting the youth markets. They have also been strategically expanding geographically. In 2010, American Eagle began to spread outside of North America, opening stores in Dubai, Kuwait, Hong Kong, Russia and Shanghai.

The Business Model of American Eagle Outfitters

American Eagle Outfitters is a leading apparel and accessories retailer that operates more than 1,000 retail stores in the U.S. and Canada. It also has an online presence at AE.com. The Company's customer value proposition consists of offering high quality, on-trend clothing, accessories and personal care products at affordable prices. American Eagle has established a very strong brand name that promises high quality products at more affordable prices compared to its competitors. The Company captures value by targeting girls and guys in the 15 to 25-year-old age group and catering, with haste, to any trends or demands that arise within that age range. Reacting with speed to changes in consumer taste is an integral part of the Company's profit formula.

A vital component of American Eagle's profit formula is resource velocity. American Eagle has succeeded in delivering value by reducing production lead times, which enables them to react more quickly to emerging trends. In part, what has made American Eagle Outfitters so successful is its ability to carry clothing products such as denim jeans, sweaters, graphic-t shirts, fleece, outerwear, and accessories that are part of a current fashion and in style. American Eagle has several key resources and processes that help fuel its profit formula.

A very important key resource for the Company is maintaining its brand, which is known for delivering value through quality and style at a price that is affordable to everyone. The Company has promoted an attitude of being honest, real, and fun. American Eagle has spent a lot of time and money to build this image through advertising both in store and through commercials and magazine advertisements. Employees are an important resource to the Company because they have direct interaction with customers and can leave lasting impressions. The Company's employees are knowledgeable, friendly and engaging. American Eagle facilities are another strong resource to the Company and are both expanding to new geographical areas and being remodeled to meet consumer needs/wants and to maintain a fresh look.

American Eagle has several key processes that provide success for the company and capture value. The customer service that employees provide at American Eagle is excellent. American Eagle also has a hassle-free return policy that is a no-questions-asked policy as long as the customer has a receipt. The employee hiring and training processes are extensive and thorough to help guarantee positive experiences for all American Eagle customers. Another key process for the Company has been marketing. In 2006 American Eagle Outfitters launched aerie, largely personal care products, and became a success to the point where standalone aerie stores exist today. In 2008 American Eagle was also successful in introducing 77kids, which delivered on-trend, high-quality clothing and accessories for kids ages 2-10. These are just two examples of how American Eagle Outfitters is capturing more value through the use of marketing and expanding itself into new market areas.