

Services Marketing & Customer Strategy——Abercrombie & Fitch

Case

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Abstract: Services are becoming the dominant economic driver in the global economy and are critical for competitive advantage in companies, from all industrial sectors, all around the world. Even for companies not considered traditional service companies, services represent their primary growth and profitability strategies into the 21st century. For example, IBM and GE, two companies that gained prominence due to their product offerings, now generate approximately 40% of revenues and over 60% of current profits respectively from services. The purpose of this paper is to introduce you to services marketing as a separate and distinct area of marketing thought and practice and help you to understand its powerful influence in competitive markets. It is thus designed to supplement basic marketing and marketing strategy courses by focusing on problems and strategies specific to marketing of services. Specifically, we will focus our attention on understanding four main areas: the service experience and the special characteristics of services, the satisfaction of service customers, the need to integrate marketing, human resources and operations within the service system and the importance of customer management. Strategies used by successful service marketers will be discussed. The emphasis in the paper will be on service universals rather than on any particular industry. It is designed who want to pursue a career in services industries but also in goods industries with service components. It is intended to help you become proficient in analyzing and judging the merits of services marketing strategies and to assist you in making strategic decisions in both business and consumer services industries.

Keywords: Services Marketing; Customer Strategy

1. Introduction

Abercrombie & Fitch (A&F) was founded in New York in 1892 by D. Abercrombie, who was later joined by E. Fitch. Originally it was designed to be an elite outfitter of sporting and excursion goods for the very rich people. Today the company is a specialty retailer that operates stores as well as direct-to-consumer operations.

Inspired by the American East Coast tradition and the exclusivity of the Ivy League, A&F sees itself as an example of preppy, youthful All-American lifestyle that combines classic and sexy ^[1]. The array of products includes casual sportswear apparel, including knit and woven shirts, graphic t-shirts, fleece, jeans and woven pants, shorts, sweaters and outerwear; personal care products; and accessories for men and women.

As of January 2012, the company operates 294 stores, 280 in the U.S. and 14 international with a total of 90,000 employees. Net sales increased a 12% the previous year, reaching \$1,66 billion.

2. Positioning and target

According to the CEO, Mike Jefferies, A&F is positioned as an “aspirational brand, differentiated by combining the highest quality, trend right merchandise with an exceptional shopping experience that stimulates the senses and creates an emotional connection with the customer.”^[2]

The brand wants to be positioned as “casual luxury”, a high quality competitor able to attract customers willing to pay premium prices. Furthermore, the pricing policy is quite rigid with very limited sales reductions. Connected to this strategy is the high-end

location of the stores: always in some of the best renowned shopping streets all over the world, supporting this near-luxury approach for their brand image.

As stated in many company documents, the target of A&F are young adults, male and female between the ages of 18 and 24, specially college students, medium-upper and upper class that rely partly on their parents for financial support. But this description falls short when it comes to a company like A&F. Jefferies defined the target for A&F as follows: “In every school there are the cool and popular kids, and there are the not-so-cool kids. Candidly, we go after the cool kids, attractive, with a great attitude and a lot of friends” [3]. This way of thinking affects deeply the way the marketing strategy of the company, as we will see throughout this report.

3. Customer experience

A&F has a very specific concept in terms of what they want to do with their stores: creating a special, isolated place inhabited by herculean-looking boys and size-0 girls, surrounded by an inviting fragrance, low lighting and loud club-style energetic music. Everything is aimed to create an atmosphere resembling the trendiest club in town, the place where young people are just dying to go.

3.1 Finding the store

A&F always chooses exclusive places for their store locations. In Madrid, they have chosen Plaza del Marqués de Salamanca, which is not exactly a premium location, since it has not the fame or traffic of Serrano or Ortega y Gasset; but it’s quite near those streets and it is still an elegant upper class area that fits into the aspirational and exclusive leitmotiv of the brand.

The classic building is astonishing, and yet for many could go unnoticed, since only a discreet black metal plate announces the existence of the store (Exhibit 1). However, there is a hint that clearly indicates the proximity of A&F: the fragrance. Even one block away from it, you can perceive the intense aroma associated with the brand, guiding consumers towards the point of sale.

Exhibit 1. A&F store façade in Madrid.



Nevertheless, on peak shopping days/hours there is a much simpler way of finding the store: you just have to follow the queue of customers who are waiting to get in (Exhibit 2). Depending on the amount of people inside the store, the customer should have to wait in line until he gets in. Store managers, permanently connected via walkie-talkie, control the traffic of people. There are two main reasons behind this decision:

- To avoid spoiling the customer experience with a lot of people flooding to items. In order to maintain consistent service

quality, managers are aware that the store cannot admit an unlimited number of people.

- Strengthening the aspirational positioning. In the same way that youngsters usually queue to enter the trendy clubs in town, it is logical that they have to wait to enter a place as exclusive as A&F. Indeed, as part of the service strategy of A&F and the “club environment” they intend to create, the customer wait is an important part of the beginning of the experience, increasing expectations and excitement before getting in.

Exhibit 2. A&F queues on peak days/hours



3.2 Getting into paradise

Once people are done with the queue, they will find that everything is designed to make a “wow” effect and delight target customers. After going through the huge portal of the building, the customer is greeted (either in English or Spanish) by a shirtless athletic young man with a perfect white smile. We noticed that early in the morning there is just a model guy at the door wearing A&F clothes. It is only from 12 pm to 6 pm that they have the shirtless guy at the entrance.

Obviously, the impact of this strategy is not the same in male or female customers, although it is effective in different ways for both of them:

For females it represents the ideal man, the one they dream of, and A&F makes it possible.

For male customers, it represents a man they aspire to be, an idealized version of themselves and A&F help them become.

Besides, on many occasions, next to the shirtless guy they place a beauty model girl outfitted in A&F clothes. She causes exactly the same impact created by the shirtless guy, only in the opposite direction.

3.3 Transforming physical evidence into a experience: a club-store

The first surprise comes with the interior design of the store: huge, with large murals depicting athletes -once again reinforcing the ideal that the brand wants to represent, and to which clients aspire-. Three floors linked by a wooden staircase, Greek-style statues, wooden shelves inspired by the classic American Adirondacks style and some plants complete the interior look. Everything is state-of-the-art decoration that impacts the customer from the very beginning, making him feel through the physical evidence that this is a special place for special people, not a regular clothing store.

One of the first aspects to strike customers is the darkness prevailing in the store. Most parts of it are not even lit, reinforcing the association with a nightclub. There are, however, spotlights pointing to items and some of the pictures. This strategy drives customer attention only where the brand wants to generate memories: the items it sells and the ideal it represents. However, this type of staging

is not pleasant for every store visitor. People over 30 usually feel uncomfortable in this environment and their pragmatism triumphs over the “wow” factor that young people feel once in the store.

The electro music playing is very loud -just like in a club-. Youngsters are excited about that as they associate it with a life-style they aspire to have. However, parents that come to the store with their children are not so happy with this beat intensive kind of music. The volume is sometimes unbearable, reason why only youngsters find it appealing. Indeed, the music, as well as the light, serves as a natural filter in order to "reject" people that are not the target of the company.

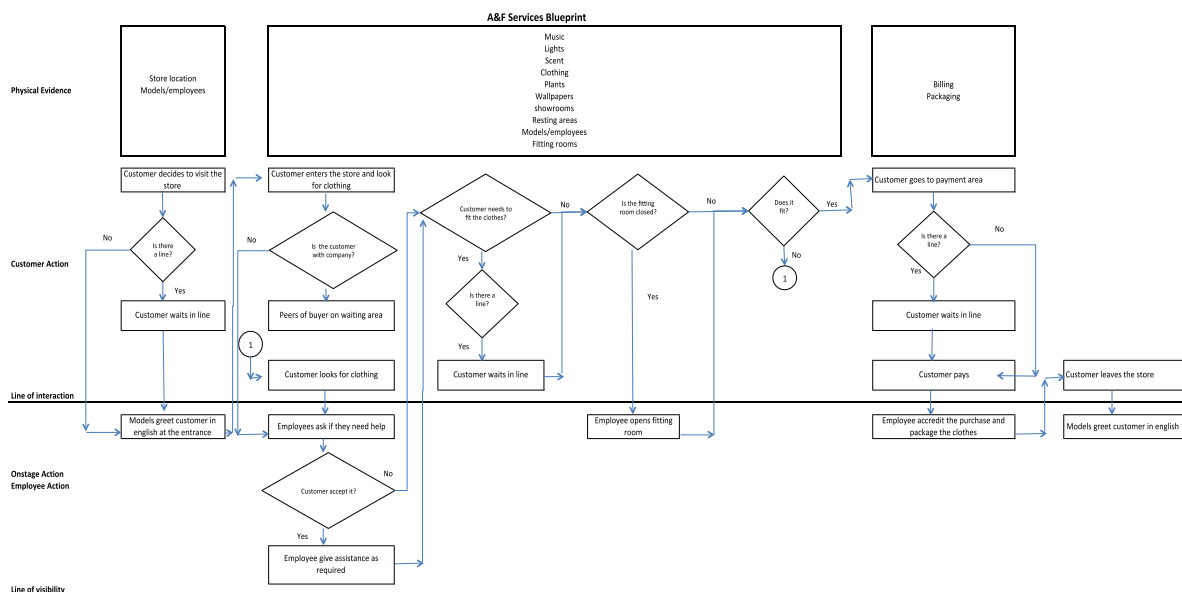
The aroma spread all over the place makes a strong statement. The scent of Fierce cologne invades the rooms with a self-affirmative and inviting aroma. The perfume is sprayed all over the store every 30 minutes, while it is open to the public. According to scientific research [4], smell is the sense more capable of awakening memories. In the case of A&F, filling the store with this scent will recall a memory every time someone smells the fragrance. However, the aroma is often too strong and might be tiring, leading to a negative reaction: limited duration of visits (a fact that might be intentional since there are queues outside waiting to enter).

3.4 In-store experience

In the case of A&F, the employees themselves also have an important role in the physical evidence of the experience and they can even be considered as the most important tool of marketing.

As shown in Exhibit 3, the first contact that the customer has with the employees is a welcome smile from the shirtless guy or the beauty model when entering the actual store. This clearly has an impact on the target segment once they can have the opportunity to interact with cool people who seem unreachable on a day to day basis. The job task for this position is well defined: greet every customer when he goes in and out of the store making him feel welcomed and exclusive to be noticed by the models at the entrance.

Exhibit 3. Service blueprint



But beautiful girls and handsome guys are not limited to the entrance. Once inside, every sales associate seems built with the same pattern: young, attractive, athletic, pearly white smile, dressed in shorts or miniskirts. Indeed, the job position for the store is officially known as models. The company clearly defined the profile needed for the service, requiring outgoing personality and good communications skills.

But this doesn't end here. Not only associates are good looking, but also managers and back-office staff. It is obvious that there is a strict company policy regarding the look of the employees, showing that they care a lot about the physical evidence of their service, and that everyone working for A&F must comply with this, since it is one of the main aspects reinforcing the aspirational aspect of the brand, making it absolutely coherent with the message they spread.

Generally speaking, about 30 sales associates are present in the store at the same time, which might seem a lot given the relatively

small size of it, but there are a couple of reasons that could explain it:

It is a way to ensure the high quality of service, even though it obviously means higher labor costs.

It creates a relaxing and crowdie atmosphere in case the store is not fully packed with customers. Sales associates feel relaxed serving customers; they dance within rhythm of the loud music and communicate among themselves like friends do in the club. No doubt, all this is done on purpose. With the club environment, this is a good complement to make feel that the place is crowded and fun with all the models around smiling and willing to talk.

It is also noticeable the investment of the company on training to develop a customer focus and detail oriented personnel. The line of interaction with the customer is well defined, since in every room the customer gets into, there is always a sales associate ready to greet and offer extra help on the clothing search. Again, this reinforces the "club feeling", where everyone is cool and nice. But it goes beyond that: some marketing researches show that greeting the customer and giving him a very personal treatment decreases the risk of shoplifting.

If the customer accepts the associate's offering, the employee looks for the color, size or model and even gives advice about similar clothes. If the items are in a different area, the employee will lead the customer to the proper room and look for the correct size to handle it to the client. Again, this shows a very strong effort by the company in training their sales associates to be kind, product-knowledgeable and helpful for the customers, increasing the perceived value.

If the customer does not need help, the employee just stays in the room with two main tasks:

Waiting to greet and help the next customer.

Making sure that everything in the room is in place, organized and wrinkleless. In fact, every time the customer takes clothes out of the shelf, looks at it and then put it back, the employee immediately folds it over again and puts it back on place, assuring the perfect, clean and organized look of the room. (Exhibit 4)

Exhibit 4. Typical look of a shelf.



3.5 Paying for aspirations

When the buying process is done, the customer goes to the payment area, and depending on the amount of people in line, he needs to wait once again to get to the cashier, where there are also good looking employees attending the customer gently, charging the items bought and packaging them.

Supporting the whole concept of "club store", the payment area is located in the middle floor, possibly to avoid crowds of people queuing in the ground floor. That would affect negatively the concept of the store. Indeed, the payment area has a fairly large room with less lighting than the rest, so that from outside you cannot appreciate that there are people paying and lining with products in their hands.

Something interesting to outline is that, once the customer is done with the buying, there is no pressure to leave the store. In each one of the visits made by the group members, as customers we stayed more than one hour going around, looking in different sections, just chatting on the hallways and sitting on the waiting area. However there is always someone ready to attend any request.

During the service experience at the stores, the entire requests made to the personnel were resolved promptly: different sizes, different models, different fragrances and return policies. The only request that was not covered, was at the fitting room, which seems that clearly the employee has been trained not to leave the area assigned and does not have the tools or authority to help the customer when he has the need to try a different size or color of the clothe being fit.

4. Service recovery and policies

4.1 Preventing service failures

After many visits to A&F in Madrid, it seems clear that the most common approach towards service failures is trying to avoid them at all costs.

Employees are aware all the time of the road taken by clients. If they seem to be disoriented or in need of help, there is always an associate around to ask. Obviously, the great number of employees in the store (more than 30) is also supporting this policy against possible service failures.

Every time a client touches an item, the employee is around, and keeps close to rearrange it discreetly, once the client has gone.

There are always two to four employees cleaning up every corner and each mirror, so there is not a minimum spot that could affect an order qualifier of the store: cleanliness.

In the fitting room, associates lock the door from the outside once the customer has entered, so that no one can open, avoiding embarrassing situations. In addition, they hang on the door of the fitting room a sign with the number of items inside, to control over possible theft.

With all these measures, A&F is at all costs trying to prevent service failures, but also customers' dissatisfaction as a consequence, through the permanent control over operations.

4.2 Encouraging customers' complaints

There is little proactiveness when it comes to encourage customers leaving complaints or suggestions:

There is no suggestion box.

During all of our visits, nobody asked if everything went well or not.

There is not a clear communication channel with the brand, with the exception of social networks, where customers can write in the Facebook wall, which is in English and does not feel very inviting to complain.

4.3 Managing exceptions & complaints

The final topic is analyzing what the policies of the company are regarding an important subject for the retailing such as exchanges and refunds, and how they manage exceptional situations.

The returning policy of A&F is clearly explained and printed at all the tickets customer gets after making a purchase. The policy makes possible to return any product around the world if the customer is not satisfied and the product is in its original condition. If a customer presents a purchasing ticket he will receive a full refund for the item. But if the product price has been reduced, there are only 14 days to receive the full refund. In case the customer is not able to present a purchasing ticket, A&F makes a refund anyway but not in actual money. Customer receives a gift card for that sum which could be later redeemed in any A&F store. So if the price has been reduced at the moment customer claims for the refund, he will get a gift card only for that decreased price but not for the original one.

The challenge is therefore to analyze what is the reaction of the employees when the client does not comply with these policies

100%.

Return # 1: without ticket purchase

To check how the return policy works we bought a EUR 38 T-shirt and tried to refund it one month later and without a purchasing ticket. The response of the employee was simply following the rules: "without purchase ticket we cannot do cash refunds". After insisting, and once the cashier understood that we do not have a ticket he kindly suggested a refund with a gift card of EUR 19 (the price for the T-shirt on that day).

Once he said that, we tried to "find the lost ticket" to get full money refund. Despite the fact that we came 30 days after the purchase (not in 14) we got the full refund in cash from the smiling cashier.

The interesting part is that the employee seemed to have the authorization required to manage this situation at all times. This indicates that not only do they have a clear policy "in the book", but also, they obviously have policies for the exceptions. By acknowledging the possible incidences in the services they are able to provide a rapid response for the customer's request. Given that, after all, it's probably written in the operations manual, the employees are empowered to manage these situations, without having to call a manager.

Return # 2: ticket purchase, but damaged object

The next challenge was to return an object with the original ticket purchase arguing that it was damaged (a little "scar" done on purpose). When we asked for the full refund, the response was immediate that there was no problem to settle the issue. It seems liked the cashier again had the authority to take the object and do the refund while apologizing for the inconvenience. This is probably because, although the item was damaged, having the purchase ticket makes the process "follow under the standard procedures", so in the end, it worked as a regular refund.

Return # 3: without ticket purchase, but damaged object

The most difficult challenge was to ask for a full refund of an item which was apparently damaged and without the ticket purchase. After explaining the case, the employee said that they could not do refunds without the purchase ticket. He argued that what he could do was give us a gift card equivalent to the price of the item (their policy for exceptions). After insisting twice that we were not interested in the gift card, he called the manager that initially offered the same deal. After a last attempt and the threat of asking for the official complaint book, the manager decided to make the exception, take the item and offer the full refund.

Regarding this topic, it seems that the company follows a policy of authorization organized by levels, with very clear policies, and policies for exceptions, but when something out of the expected happens, manager comes into the game. It is also clear that the ultimate goal with this kind of complaint management is preventing customer dissatisfaction. They do not want anyone to see an angry customer making a complaint formally, and that is when the manager comes into action to settle the issue.

In any of the three cases, the treatment was always excellent while A&F never tried to make excuses or blame the customer for the incident.; The store sought to find a solution within the policies of the company, and even made an exception when the discomfort was evident.

It is clear that A&F has a proactive approach to the matter of service recovery, but they also have a good reactive policy, which enables the store to respond when an unexpected problem arises, and give the expected solution.

5. Relationship with customers

A&F knows very well what kind of customer it wants to bring to the store, and all its marketing efforts are oriented to attract this particular customer to the point of sale. At the same time, similar strategies succeed in repelling those that are not part of that target or that "should not use the brand".

5.1 Attracting right customers, rejecting wrong ones

The store itself is obviously the most important marketing communication tool to attract. A large amount of its marketing investments are intended to create this special trendy atmosphere, recruit and train people who meet the profile of the store.

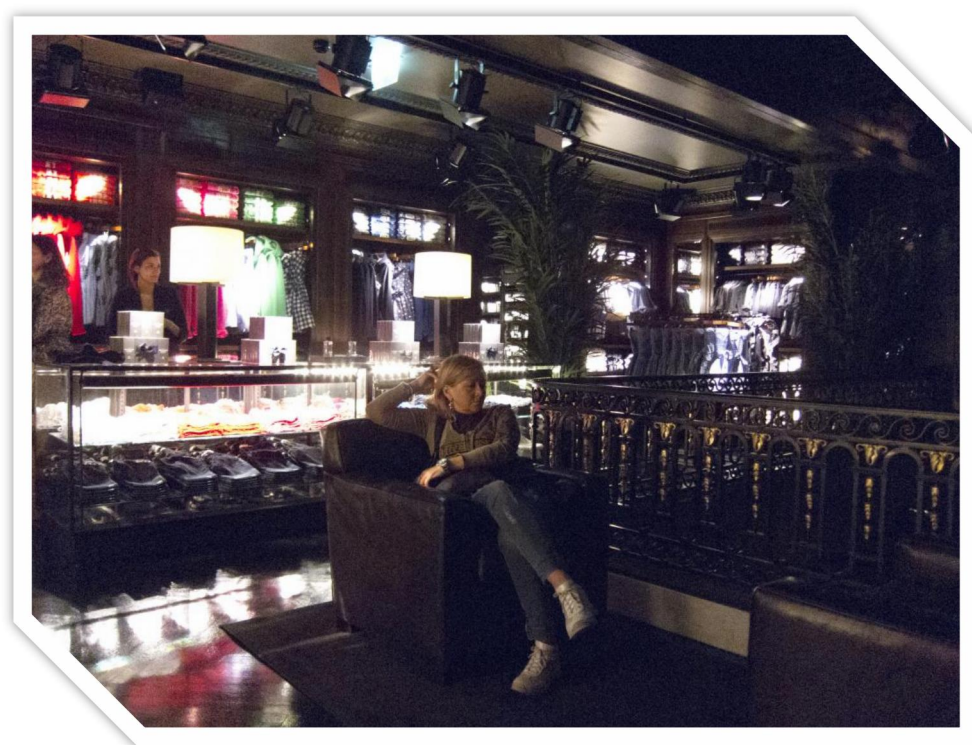
It is undeniable that the shirtless boys, the beautiful girls and the ambience attract a young audience. However, in the case of Madrid, it is not so clear if it is attracting those college students A&F wants to target, since the majority of customers are under 18: people who would like to enter clubs, but are unable to do so, and might be using the A&F store as a substitute for that experience.

Maybe this is influenced by the minimum age difference between USA and other countries. While experiencing a club may be exciting and forbidden for a 19-year old in the U.S., it is very common in Spain.

Although it may seem a paradox, the queues to enter the store are an important way of attracting customers. As with the latest fashion club, this creates a sense of exclusivity encouraging further desire by customers entering A&F. At the same time, not surprisingly, this serves as a strategy of rejection to those people who are not willing to enter, even more to older people, who prefer to devote his time to other activities.

The music, fragrance and darkness are elements that immediately reject a large amount of people that clearly are not the target for the brand. However, because of the kind of audience that is actually visiting the store, it is possible that this strategy is not working as expected, and brings more parents into the store than the company would like. Possibly that is why they have had to put several sofas at the entrance and in the hall of each floor, so that parents can find a bit of peace between the loudness and excitement of the store. (Exhibit 5)

Exhibit 5. Relax sofas –for those not so comfortable-.



Another element, related to rejection of unsuitable customers is the kind of clothing, and in particular the sizing of it. All man shirts are muscle fit, which automatically excludes a large part of the population. Those are not clothes that fit especially well to not gym-built bodies. The vast majority of jeans, both for women and men, are super skinny fit. Again, this does not reflect the average-sized Spanish, sending a clear message.

Finally, there is also an effort of marketing by advertising with large billboards in cities that host brand stores, as well as promoting in magazines and PR. At the opening of the store in Madrid, a group of 100 half naked male models posed in front of the entrance, attracting many customers and the media, immediately spreading word of mouth.

5.2 Retaining customers

Despite the fact that the store does not have any kind of loyalty programs or membership cards, there is a sense of belonging to an elite club. The great experience and customer service are responsible for keeping customers happy, and thus retaining them. However, there is a danger that the target customer decides to not return after realizing that other store visitors are not as exclusive as they should, and the experience can become tiring, once the surprise factor is gone.

6. Recommendations

Based on the group's experience and the results from the survey mentioned above, we agreed on some recommendations to improve the quality of the service of Abercrombie & Fitch Madrid.

6.1 Chill Out Room

In order to make parents and whoever comes to the store together with the target client, feel more comfortable and to increase their willingness to spend more time inside the store, we recommend that A&F creates a special room for them to stay while the actual client is having the shop experience. This room would be providing sofas and the music would not be so loud. Also the scent would not be so strong and it would be less dark. This also protects the experience, because the whole "club" concept would be changed if the store is fully packed with parents around. This could be a nice way of having them in ambiances more appropriate.

6.2 "Light Hours"

Understanding that many clients come with parents or grandparents to the store and that these are not very pleased with the usual in store experience, A&F should establish 2 hours per day (10am to 12pm) to encourage parents and grandparents to come to the store and spend more time there. Doing that, A&F can easily influence the purchasing behavior and consequently increase sales.

6.3 Improve the service in the fitting room area

Understanding that having only three fitting rooms inside the store is part of the company's strategy, A&B should improve the quality of the service provided in this area. More people should be assigned to help customers once they are trying their clothes on. That would speed up the process and add value to the shopping experience.

6.4 Implement a parallel process for payment

Since the time spent to do the payment was a major issue that appeared in the survey, A&F should implement a parallel process to speed up this part of the experience.

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