Case Study Report: Abercrombie & Fitch Co.
Issues: Michael Jeffries Statements, Overall Company Branding

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Executive Summary

Abercrombie & Fitch Co., founded in 1892, is an international casual clothing retailer commonly known as A&F. “The Company” is the overarching name for all Abercrombie brands, and includes Abercrombie & Fitch, abercrombie kids brands and Hollister. Since 2012, the Company’s net worth has decreased more than $100 million, and the Company’s cumulative total return is the lowest it has been in 5 years.

While A&F’s Code of Business Conduct & Ethics says that the Company focuses on its dedication to its principles of honesty, integrity, respect, and doing the right thing and also embraces diversity and respects its employees and customers, the numerous unethical cases A&F has been charged with, violate these principles.

A&F has had a history of producing racist and sexist clothing, racist hiring practices and offensive marketing tactics. The ethics case that completely ruined the A&F brand was in 2006 when A&F CEO Michael Jeffries said in an interview, “In every school there are the cool and popular kids, and then there are the not-so-cool kids. Candidly, we go after the cool kids. We go after the attractive all-American kid with a great attitude and a lot of friends. Are we exclusionary? Absolutely. Those companies that are in trouble are trying to target everybody: young, old, fat, skinny.” After the company stood by these comments and never apologized, it only made things worse when A&F was publicized for its commitment to not making plus-size clothing.

When looking at A&F’s ethical issues to in turn recommend new social responsibility programs, one must consider the Company’s current social responsibility report. After so much hatred and complaints, A&F generated a detailed 27-page Corporate Responsibility Report from 2011 that it abides by. The report acknowledges A&F’s commitment to the people, planet and communities where it does business. Its main social responsibility programs cover: diversity and inclusion, philanthropy, sustainability – social, and sustainability – environment.

Due to the fact that the new report details in length how the Company is now diverse and racially inclusive, the only other main issue to look at and recommend a new program for is the issue of the interview.

Internally, A&F must rebrand itself and its standards. To fix their outdated target audience, one that only includes “cool people,” A&F must realign its priorities
from the top down. Everyone must be under the same understanding that the company is aiming to be inclusive towards all customers of all sizes and appearances. This is in aim to counteract the statements made in the 2006 interview.

More importantly, to squash the ethical issue in the eyes of the public, I recommend A&F builds a relationship or a partnership with the STOMP Out Bullying organization. The goal of partnering with the leading national anti-bullying and cyberbullying organization for kids and teens in the United States, involves reputation management. A&F must fix the identity and perception of its organization. The objectives include both informational and motivational objectives. Informational objectives include generating awareness about A&F’s support for anti-bullying, and motivational objectives include increasing the sales of A&F products. The key strategies for this program include giving customers the comfort that A&F’s attitude towards who the “cool kids” are has changed to include every kid.
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Background on Company

Abercrombie & Fitch Co., commonly known as A&F, is an international casual clothing retailer that conducts business through physical clothing stores and online operations. A&F’s global headquarters are located in New Albany, Ohio (Brand Protection, 2016). A&F is ranked 644 on the extended Fortune 500 list and has been continuously decreasing in sales over the last decade (Fortune, 2016).

According to the Abercrombie & Fitch Co. website, “The Company,” which is the overarching name for all Abercrombie brands, includes Abercrombie & Fitch, abercrombie kids brands and Hollister. With these smaller retailers included, the Company operates about 750 stores in the United States, about 180 international stores and has 28,500 employees (Reuters, 2016).

Since 2012, the Company’s net worth has gone from $143.14 million to $35.58 million. In just a four-year span, A&F has lost more than a staggering $100 million. Insiders hold 1.71% of shares, and institutions hold 126.10% of shares. There are 254 institutions holding shares (Yahoo Finance, 2016).

The Company’s cumulative total return is the lowest it has been in the past 5 years. Referenced in the graph below, starting in 2013, investors’ returns have been continuously decreasing (A&F Annual Report, 2015).

A&F’s Five-Year Cumulative Total Returns

Source: A&F’s 2015 Annual Report
Although Aeropostale and American Eagle used to be the companies to watch out for, in 2008, Forever 21 and H&M evolved as A&F’s competitors. In 2013, these companies started gaining popularity, which is most likely the reason there is such a drastic dip in investors’ returns from 2013 onward (CSIMarket Inc., 2016).

According to CSIMarket, Inc., “Abercrombie & Fitch Co. reported, Total Revenue decrease in the 2nd quarter 2016 year on year by -4.23 %, faster than overall decrease of Abercrombie & Fitch Co.'s competitors by -2.18 %, recorded in the same quarter.” The graph below represents the decrease in A&F’s revenue as compared to that of its competitors.

**Revenue Growth In 2016: A&F Vs. Competitors**

![Graph showing revenue growth comparison between A&F and its competitors](chart by amCharts.com)

Source: CSIMarket Inc.

A&F is internationally dependent meaning that it relies on international countries for its merchandise. More specifically, A&F gathers and exploits its products from about 150 vendors located throughout the world, primarily in Asia and Central America (Reuters, 2016).

A&F sells a variety of products including: casual sportswear apparel, knit tops and woven shirts, graphic t-shirts, fleece, jeans and woven pants, shorts, sweaters and outwear, personal care products, and accessories for men, women and children (A&F Annual Report, 2015).
A&F’s diverse products in its three brands cater to most populations both locally and globally. More specifically, “Abercrombie & Fitch,” is known for its designs that suggest simplicity and casual luxury; “abercrombie kids” is known for its made-to-play comfort and durability for kids clothing; and lastly, Hollister, inspired by the Southern California lifestyle, is known for its laidback Cali clothing line (A&F Annual Report, 2015).

Abercrombie & Fitch corporate hierarchy includes a Public Relations Department, public_relations@abercrombie.com. Michael Scheiner heads the public relations department as the Vice President of Marketing & Communications for Abercrombie & Fitch Co. Scheiner reports to Fran Horowitz who is the company’s president and chief merchandising officer (Garcia, 2016). Scheiner has been working for A&F for nine years as Senior Merchant, Director of Marketing and Public Relations, Senior Director of Corporate Communications, as well as his current position. Scheiner attended the University of Miami’s School of Business (LinkedIn, 2016).
Ethics Code

Abercrombie & Fitch’s code of ethics focuses on the company’s dedication to its principles of honesty, integrity, respect, and doing the right thing (Code, 2015). The company calls its Code of Business Conduct & Ethics the “Code.” The Code also includes that A&F embraces diversity and respects its employees and customers. A&F’s unethical cases that will be discussed violate all of these principles. One thing from the Code that A&F has reflected throughout its history though is that it does not punish retaliation. Customers and employees are to feel comfortable making reports against the company without worrying about negative consequences. Among all of the unethical actions A&F has taken over the years, it looks like the company is finally pulling through to truly reflect the ethical principles it stands by.
The Ethics Case

Abercrombie & Fitch Co., which was founded in 1892, has evolved into a company devoted to sex appeal. It has been faced with unethical allegations throughout its history, which have slowly picked away at A&F’s reputation and business. The unethical cases include sexist, racist and size-discriminating apparel, firing processes and marketing.

In 2002, A&F sold T-shirts that were racially insensitive to Asians. The shirts included caricatures with slanted eyes, conical rice-paddy hats and slogans such as “Wong Brothers Laundry Service – 2 Wongs Can Make It White.” The shirts were eventually recalled after a major backlash. Hampton Carney, an A&F spokesperson, released an official statement in response to the removal of the T-shirts where he said “We personally thought Asians would love this T-shirt” and then followed up with “We poke fun at everybody” to try and make light of the situation (Christians, 2013).

In 2005, A&F again sold offensive T-shirts, but this time, with sexist slogans on them. Some shirts read “Who needs a brain when you have these,” “The Freshman 15” (which was written above a list of 15 boys names) and “My Lucky Number is 3. Bring a Friend.” A&F also sold male T-shirts that read “Female students wanted for sexual research” and “Show the twins” (Beautiful Magazine, 2016).

In 2004, a 60 Minutes episode from CBS noted that A&F had become a company with an image of “party-loving jocks and bare-naked ladies living fantasy lives” (CBSNews, 2004). While this wasn’t something to holler about, the company’s racist-hiring process was. In the episode, Anthony Ocampo, a former Abercrombie sales rep who worked during his Christmas break from Stanford University, spoke up about the racial discrimination he faced at A&F. When he returned home in the summer, he assumed his job would still be available, but when he showed up for work, he was told, “We’re sorry. We can’t rehire you because we already have too many Filipinos working at this store.” This wasn’t the first time A&F had been charged with making explicitly racist comments. Another former A&F employee was hired as an in-store “model,” someone who walks around the store in the brand’s clothing. These in-store models were known for being attractive and skinny and even shirtless if the model was a man. The anonymous employee stated “There was only one black “greeter” in the large shop at the time, who was the first in five years, and another black model was told he did not get the job because he did not look ‘exotic’ enough” (The Independent, 2015).
In November 2004, these cases rose to the surface, and A&F was charged for its discriminatory hiring and firing practices. A&F eventually settled the $50 million class-action discrimination lawsuit. The lawsuit came about after nine former employees joined together and claimed to have been fired or hidden because they did not fit the “Abercrombie look” enough to fit in the public. This included women, African Americans, Asian Americans, and Latinos (Christians, 2013).

The unethical case that completely tarnished A&F’s brand, however, was in 2006 when A&F CEO Michael Jeffries said in a Salon interview, “In every school there are the cool and popular kids, and then there are the not-so-cool kids. Candidly, we go after the cool kids. We go after the attractive all-American kid with a great attitude and a lot of friends. Are we exclusionary? Absolutely. Those companies that are in trouble are trying to target everybody: young, old, fat, skinny.” At 61 years old, Jeffries was known for his hurtful words and undeniable efforts to look like his target customers (dyed hair, perfectly white teeth, golden tan, bulging biceps, wrinkle-free face, and big lips). He then said, “We hire good-looking people in our stores because good-looking people attract other good-looking people, and we want to market to cool, good-looking people. We don't market to anyone other than that.” Jeffries has stood by this motto since he became CEO in 1992 (Salon, 2006). He has never apologized for his comments.

To further drive this idea of only marketing to a particular audience, Abercrombie & Fitch made a commitment to not making plus-size clothing. The teen retailer did not carry XL or XXL sizes in women’s clothing and had women’s pants only up to a size 10 (Lutz, 2013).

This was until 2013 when A&F was faced with so much hatred that it agreed to stock larger sizes for women’s and men’s clothing, but nonetheless, the company only uses thin models (Schlossberg, 2016). In 2013, a former A&F headquarters employee explained heavier female designers were forced to wear men’s jeans and hoodies in the workplace (Cosmopolitan, 2013).

A&F had to shape up because its previous narrow-mindedness no longer fit in today’s society. In 2013, according to Business Insider, more than 67% of the apparel purchasing population fits the label “plus-sized,” and that number is only increasing. With competitors such as Forever 21 and H&M that offer cheaper clothing and many
more sizes for different body types, it is no wonder Abercrombie & Fitch was in serious monetary trouble (Vauhini, 2014).

Finally after two decades of rude and discriminatory comments, CEO Michael Jeffries retired as Chief Executive in 2014 at 70 years old (Fortune, 2014).

A&F was finally taking steps to improve the horrible reputation it has built until lawsuits arose. Earlier this year, the company was faced with a lawsuit from more than 62,000 former and current employees who claim to have lost wages because they needed to purchase mandated apparel to wear to work. A&F also faced wrath when a young Muslim woman spoke out after she was allegedly denied employment for wearing a hijab. The case went to the Supreme Court where they ruled in her favor (Herman, 2015).

Since then, A&F has taken further steps to improve itself. The company has abandoned many of its rules – now allowing employees to paint their nails and wear their hair up – and has removed its in-store shirtless models. Additionally, in fall 2015, A&F started a campaign to show its new fashion designs, quality and style starring Neelam Gill. The company is now targeting older consumers, from 18-25, who are more socially conscientious. Although this was a good move to take, A&F still has a long way to go (Schlossberg, 2016).
Current CSR Communication Program

Abercrombie & Fitch’s most recent Corporate Responsibility Report, “A&F Cares,” is from 2010-2011 and is highly detailed throughout its 27 pages. The company acknowledges that it is committed to the people, planet and communities where it does business, and these things are what define A&F’s mission and vision. The company’s main social responsibility programs cover: diversity and inclusion, philanthropy, sustainability – social, and sustainability – environment.

In terms of diversity and inclusion, A&F acknowledges that it celebrates being diverse to make the work environment a “wonderful” one for employees as well as customers (Jeffries, 2011, p. 7). To ensure the company is staffing itself with diverse talent and an inclusive mindset, A&F has developed numerous strategies focused on: Leadership Commitment, Employee Engagement, Measurement and Accountability, Communication, Training and Education, and Policy Integration.

To focus on diversity internally, A&F has developed and launched a comprehensive training curriculum for all associates and management. The curriculum includes e-learning based programs, skill building courses and theatre-based learning to bring light to real world scenarios. These scenarios are meant to provide insight on how to handle issues with cultural awareness and cross-functional teams. Additionally, A&F created a bi-annual diversity week program where every associate is challenged to “re-discover the ‘why’ behind the initiative and their responsibility in ‘how’ to drive it through corporate culture” (Jeffries, 2011, p. 8).

To focus on diversity internationally, A&F has developed diversity initiatives through keynote addresses at the Diversity Business Forum at the University of London and a Global Diversity Conference in Madrid. A&F also extended its Building Cultural Dexterity training course to its Hong Kong office to keep an internal focus on A&F associates abroad.

To focus on diversity externally, A&F has aimed to build relationships with external partners through recruitment. Partners include the Human Rights Campaign, The National Society of High School Scholars and The Asian Pacific Islander Scholarship Foundation. Since 2004, A&F’s Office of Diversity & Inclusion has given more than $4 million to various initiatives that support academic excellence, leadership and promote inclusion (A&F Cares External Initiatives, 2016).
The last aspect noted in the diversity and inclusion part of A&F’s social responsibility programs is the company’s overall demographics. Since 2006, A&F has been awarded by the Human Rights Campaign a score of 100% on its annual Corporate Equity Index. Since 2010-2011, 40% of A&F’s senior leaders have been female, two of the three Executive Vice Presidents have been female and one third of the Board of Directors have been female (A&F Cares Company Demographics, 2016).

A&F’s 2010-2011 Corporate Responsibility Report notes A&F’s in-store population was more than 50% people of color, in-store models that self-identify as colored quadrupled since 2004, and the number of people of color steadily increased from about 800 to 1,100 stores.

Company Demographics From 2005 To 2010

Source: A&F Corporate Responsibility Report, 2010-2011, p. 10

In terms of philanthropy, A&F shows its commitment to the communities where it does business through monetary and product donations, as well as through hours of volunteer work with numerous causes. The company aims to give back to its headquarters’ local community in Columbus, OH, and nationally through non-profit organizations.

Some philanthropic initiatives include donations to two nationally renowned hospitals in Central Ohio (Nationwide Children’s Hospital and The Ohio State University Hospital/The Arthur G. James Cancer Hospital of The Ohio State University); monetary donations to help in the relief and aid of rebuilding the country.
after the 2010 Haitian earthquake; The A&F Challenge, which raises money to benefit organizations and charities in central Ohio; donations and volunteer work with Room to Read, an organization that provides libraries, literature and education for girls; and annual fundraisers and holiday charity drives (Jeffries, 2011, p. 11-13).

A&F also discusses its programs involved with sustainability – social. This part of A&F’s social responsibility addresses the company’s commitment to international human and labor rights to ensure A&F products are only made in safe and responsible facilities. The company requires that the highest values of human rights be “upheld at our headquarters, in our stores and within our supply chain” (Jeffries, 2011, p. 14). A&F’s approach to social sustainability is dense and involves its partnership with the Business for Social Responsibility and the HERproject. These initiatives allow A&F to promote transparency, knowledge sharing, collaboration between buyers and suppliers, and to improve women workers’ health in supplier factories.

The final social responsibility program for A&F is sustainability – environment. A&F acknowledges that while it may not have direct control over the manufacturing and logistics supply chain, it can and is committed to reducing greenhouse gas emissions, advocating for more attention to environmental stewardship with its partnering companies and evolving to reduce waste through conservation, collaboration and carbon emissions programs.

By reducing, reusing and recycling, A&F has developed many short-term environmental stewardship initiatives (Jeffries, 2011, p. 20). This includes taking a look at the energy A&F uses and exploring ways to reduce consumption, challenging employees to do their jobs more efficiently, working with industry partners to limit waste, engaging in the industry to collaborate on broader goals to have a measureable impact, and tracking carbon emissions with the help of The Carbon Disclosure Project and extreme consultants.

Under the “reduce” section of A&F’s initiatives are programs for water conservation, energy conservation, energy efficiency and power management, server virtualization, energy-star certified equipment, printer management, and desktop management.

A&F “reuses” products through an office repo program. This program allows A&F to collect unused/unneeded office items and redistribute them. This can mean
donating used furniture to the Furniture Bank of Central Ohio or donating 100 slabs of leather to the Columbus College of Art and Design. A&F also started its own FreeCycle board on campus to allow associates to post ads for items they no longer want or need.

Lastly, A&F has made “recycling” a major focus for its corporate campus. Paper recycling bins and mixed recycling bins have been placed throughout the campus, and the distribution centers are equipped with conveyors to take cardboard boxes to a compactor. From 2009 to 2010, A&F recycling amounts increased 20% (Jeffries, 2011, p. 25). Additionally, as a collective group, A&F saved 21,180 cubic yards of landfill space, the annual disposal of 27,000 Americans.

Tons Recycled From 2008 To 2010

Source: A&F Corporate Responsibility Report, 2010-2011, p. 25

A&F’s stakeholders should be divided into internal and external stakeholders to look at their differing benefits from these programs. Internally, because the overall brand is taking action to be inclusive and diverse, stakeholders will feel more comfortable being their own individual selves. Additionally, by having programs in place for sustainability – social, factory workers and supply chain workers’ working conditions will improve. By giving district manager surveys, diversity essay submission and social media and training programs, as outlined in A&F’s 2010-2011 Report, internal stakeholders have a number of platforms to give A&F feedback. Often times when people are able to have their voices heard, as they will with these programs, change is made and people are happier.
Externally, A&F stakeholders will feel many benefits from these programs. In terms of external stakeholders in the local Columbus, Ohio, area as well as the other cities where A&F has a store presence, people will feel the monetary and community-development improvements that are direct results of these programs. Additionally, customers will feel the benefits of these programs by being acknowledged as a diverse audience. This will allow more customers to feel comfortable purchasing A&F products. Lastly, non-government organizations will feel the benefits of these programs through monetary donations and the continual advancements being made in those developing communities.

Given the multitude of ethical issues that arose for Abercrombie & Fitch from 2002 to now, it is important to consider what is in the company’s social responsibility report before recommending a social responsibility program.
A&F’s Ethical Issues

If we are to break down A&F’s ethical issues into parts, the most predominate issue throughout A&F’s history has been racist hiring processes. In numerous situations, employees and in-store models filed reports against A&F, which eventually resulted in a massive lawsuit. With this in mind, when I looked at A&F’s 2010-2011 Corporate Responsibility Report, “A&F Cares,” I was pleased to find that a lot of the report talked about “diversity and inclusion” and had descriptive programs that have been put in place to ensure A&F employees and in-store models are racially diverse. As long as A&F continues with these programs and can provide statistics like it has to show that the company is a diverse one, I think this ethical issue is taken care of.

The other main ethical issue that officially broke A&F’s reputation was the interview conducted in 2006 with CEO Michael Jeffries by Salon. The unethical statements made in this interview are not discussed at any point in A&F’s Report, and A&F still stands by the harsh and offensive words it exclaimed in the interview, so this is the ethical issue where I will recommend a social responsibility program.

In the interview, Jeffries stated that A&F is an exclusionary brand. He stated that the companies who are in trouble are the ones that target young, old, fat and skinny people, so A&F has a more specific target – “the cool kids” and the “attractive all-American kid” (Denizet-Lewis, 2006).
Proposed CSR Communication Program

Internally, A&F must rebrand itself and its standards. The reason why the CEO of A&F said these statements at the time is because it was the image that the company wanted and stood by, but in a society like today, there is no room for such outward customer discrimination. To fix this outdated target audience, A&F must realign its priorities from the top down. All higher-ups and associates must be under an umbrella understanding that the company is now aiming to be inclusive towards all customers of all sizes and appearances. This is just a suggestion for how to move the company forward in a way that would counteract the statements made in the interview.

More importantly, to squash this ethical issue in the eyes of the public, I suggest that A&F builds a relationship and partners up with the STOMP Out Bullying organization, which is the leading national anti-bullying and cyberbullying organization for kids and teens in the United States. STOMP Out Bullying “focuses on reducing and preventing bullying, cyberbullying, sexting and other digital abuse, educating against homophobia, racism and hatred, decreasing school absenteeism, and deterring violence in schools, online and in communities across the country” (STOMP Out Bullying, 2016). With more than 10 million people committed to STOMP Out Bullying, A&F should join those numbers.

The goal of this program, to partner with and donate to the STOMP Out Bullying organization, involves reputation management. A&F must work on changing the identity and perception of organization because it is struggling to gain the trust of its customers. In order to see success within the company again, A&F must make efforts to right the wrongs it has committed.

The objectives of this program are two-fold in that they can be divided into informational and motivational objectives. Informational objectives include: to generate awareness about A&F’s support for anti-bullying, to tell customers that A&F is concerned with issues such as bullying and wants to put an end to them, and to inform customers that A&F supports every kid and markets its clothing to everyone. Motivational objectives include: to increase the sales of A&F products, to improve customers’ attitudes towards A&F brands, and to get a more diverse customer base to buy from A&F brands.

The key strategies I would recommend for this social responsibility program are to utilize the organization to show customers worldwide that A&F is truly
apologetic for the hurtful words it has advertised in the past, to give customers the comfort that A&F’s attitude towards who the “cool kids” are has changed to include every kid, and to build upon A&F’s already-strong external partner base.
References


