

Executive Summary

Abercrombie & Fitch was founded in New York in 1892 and reinvented in 1992 under the direction of CEO Michael Jeffries. The popular image of the brand made it possible for them to expand internationally and today, it operates with 285 stores world-wide, in North America, Europe and Asia.

Based on the SWOT analysis, our strategy is constructed to keep the company's strengths, which are mainly their in-store experience and the high quality clothing. It is further constructed to tackle their weaknesses, which is a lack of adaptation to regional cultures, a lack of product variation and a too narrow target group focus. Cultural adaptation and the implementation of a specialized press department will prevent the threat of bad press, which has been a problem in recent times. The new strategy mainly proposes a change in the marketing mix and an organizational restructuring in order to reach the overall goal of shifting the brand image to a more positive one.

Product, physical environment and promotion are the three main areas of the marketing mix that are affected. A&F will introduce regional collections to diversify its products and launch a collaboration with Converse in the third financial year. Regarding the physical environment, the signature A&F scent, lighting and music will be adapted to the different local cultures, according to what is perceived as suitable for the respective region. The promotion will move away from the sexualized image

towards a lifestyle-focused advertising. Moreover, the strategy proposal will also impact the company's current organizational structure. The focus lies on empowering the A&F employees and making on-site decision-making processes more efficient by decentralizing the organization.

Furthermore, the new strategy manages to combine the formerly used brand values of the American heritage and casual luxury with the newly defined values of cultural embracement and complete inclusion. It also aims at broadening the target group in order to create a more open and friendlier brand community.

Financially, the master budget will not have a major effect on the company's performance. Alterations caused by the strategy implementation are calculated in the operational budget and include costs concerning the operational and organizational plan. The total costs for the fiscal year 2014 amounts to approximately \$842.000. In the second year, the cost for the strategy drops to \$567.000. As far as the financial budget is concerned, the net income for the fiscal year 2014 decreases of 1,1% due to the strategy implementation. However, net income shows a growth of 2% in the following year, indicating that the strategy has a positive effect on the company's financial stability.

To conclude, this strategy proposal is meant to strengthen the core business to prevent further decline and guarantee its position on the market.