

American eagle outfitters inc

[History](#)



The purpose of this paper is to research and analyze company and market data on the American Eagle Outfitters Inc. (AEO) so as to undertake a holistic corporate analysis on its financial and business aspects.

The aim of this corporate analysis exercise then is to effectively measure the future viability of the company for stock investors, both present and prospective.

Brief History

According to the company website (2009), founded in 1977 by Mark and Jerry Silverman, American Eagle Outfitters operates out of Pittsburgh, Pennsylvania retailing clothes and accessories.

The original concept that the Silvermans had was to diversify their existing menswear business. The chain showed positive growth through the decade of the 1980's, and by 1989, had 137 retail outlets in 37 American states.

Most of these stores were located in shopping malls. Round about this time, the owning family decided to divest their other interests and focus on AEO exclusively. However, the business reorganization did not succeed and the Schottenstien family, already a part owner in the business, bought out the Silverman family interest.

The change in management brought with it new ideas and a new strategy. At the heart of change was the targeting of a new niche : casual clothing for men and women under private labels.

The company continued its growth and after a successful IPO (1994) and the infusion of fresh talent, the company refined its target market to focus more on women and age groups between 15-25. By 2008, the company boasted <https://assignbuster.com/american-eagle-outfitters-inc/>

sales of \$3 Billion and a retail network of 1101 stores under the brand names of Aerie, AEO Direct, 77 kids and Martin + Osa.

Products & Branding

According to Rue tors (2009), “ Some of the best selling products of American Eagle Outfitters are Low-rise jeans, Polo Shirts, Graphic T-shirts (with the AE logo and year established), and swim wear.” Broken down, the company offers a number of products including clothing and different accessories such as hats, swim wear, belts etc, each being furnished under a separate brand name.

Whereas Aerie focuses largely on the 15-25 year old segment, Martin + Osa focuses on casual clothing for 28-40 year old adults. 77 kids focuses on infants aged 2-10 years while AEO Direct is an on line delivery mechanism offering more choice and flexibility in size and design as compared to the AEO stores.

Planning & Budgeting Concerns

According to Mian (2009), “ the prime planning and budgeting concern for the company remains anticipating demand and working out a strategy to meet it while avoiding stock outs or high levels of inventory while at the same time ensuring that costs of production are kept at a bare minimum” (P. 45). Like most clothing and accessories retailers in America, including Nike, AEO uses own but largely third party vendors to stitch inventory.

These third party vendors are mostly found in countries with low labor costs. Examples include Mexico, China, South Asia & South East Asia. The problem here is to comprehend and take care of issues like exchange rate

fluctuations, macroeconomic policies in these countries effecting vendors and the overall Geo-political environment. Thus, a sound PEST analysis is necessary to make the demand and supply elements for the company's products to be effectively anticipated and for an equilibrium to be reached.