

THE WALL STREET JOURNAL.

Abercrombie & Fitch Turns to Predictive Analytics to Spark Sales, Cool Factor

March 10, 2014

By Clint Boulton

In an effort to reverse its slide among young consumers, Abercrombie & Fitch Co. ANF +0.12% is implementing technology to speed up its supply chain and get new products to market faster. But the company's operational structure will need to adapt to a quicker pace to catch up with the fast-fashion retailers that are eating away at its sales, says a retail analyst.

Abercrombie's sales, particularly for its Hollister brand, have waned. Hollister sales, excluding new or closed stores, fell 14% for the fiscal year ended Feb. 1. Sales of the company's flagship brand fell 10% over the same period. Inditex SA's ITX.MC -0.80% Zara, Forever 21, Hennes & Mauritz AB's HM-B.SK +0.39% H&M and others in the so-called fast fashion market are pressuring Abercrombie & Fitch. Fast fashion retailers design and make apparel quickly and cheaply, allowing consumers to embrace current clothing styles at a lower price.

Abercrombie is repositioning Hollister as a fast fashion brand and using predictive analytics software from First Insight Inc. to accelerate its apparel design, buying and pricing decisions.

Despite the new analytics tool, Abercrombie's current product design and selection process, in which clothing designs must be vetted by several company managers before receiving approval, could interfere with plans to bringing new products to market faster, said Matthew McClintock, an analyst at Barclays Capital. "There are so many levels of management to make a decision," he said.

This approach contrasts to the operations of fast-fashion retailers such as Zara, where store managers funnel information about hot-selling products to their product designers, who quickly craft samples to send to production.

Currently, most clothing retailers, including A&F, test new concepts by trying out limited runs in stores. Even if their instincts are right, it takes them longer than they'd like to get hot new products into their stores in appropriate quantities. The new software allows retailers to feed their ideas, including cut, color and pricing, to an algorithm that uses sentiment analysis to predict if the ideas will be a hit. The software can shave three months off the typical nine-month production cycle, according to First Insight CEO Greg Petro.

"With this information we will be able to own the right fabric ahead of time, which will shorten lead times and get product to stores faster," said Gillian Galner, group vice president of merchandising at Abercrombie & Fitch.