

In Focus: Retailing



Chad Kessler, AEO

MARKETING

American Eagle Talks Realness With Gen Z

- Chad Kessler talks product, stores, brand values and enriched customer connections.

Despite a resurgence in consumer confidence and spending, the specialty apparel segment of retail is a highly competitive space where missteps in marketing, brand message or product can cause shoppers to buy elsewhere.

As a result, retailers must be always on top of their game. For AEO Inc., which has delivered consistent and robust top- and bottom-line growth for the past four years, the recipe for success lies in delivering high product quality, personalized in-store experiences and maintaining brand relevance to its core customers. Here, as part of an ongoing series of executive interviews, Tim Boerkoel, founder of global executive search and strategic consulting firm The Brownstone Group, talks with Chad Kessler, global brand president of American Eagle, about his leadership approach and how the company has succeeded by staying true to the brand and putting customers first.

Timothy Boerkoel: While many brands in the market are struggling, American Eagle is and has been enjoying some positive growth stories. As the brand has evolved, what have you seen change, and what are the points of differentiation you and your team are focused on?

Chad Kessler: Today American Eagle is a \$3-plus billion brand with a \$1 billion digital business and the leading specialty retail brand for our core 15- to 25-year-old customers. Yet we have a lot of runway ahead. To continue to drive growth, we've focused on the classic retail principles of product, innovation, quality and value. That includes putting the customer at the forefront, giving them the products they're

looking for and making sure that we offer the best merchandise in this space. Our jeans business is a great example of where we've led with innovation and have clearly set American Eagle apart in the market. We are number one in jeans with our core customers and in second place across all demographics. We got here with a clear focus on our customers and by truly offering the very best style, fit, quality, innovation and value as well as providing them with the best in-store customer experience. American Eagle sells more than \$1 billion in jeans annually, and we are focused on building that business further and leveraging our competitive strength to fuel our brand even more.

We also have updated the brand platform to make the customer connection as strong and as relevant as possible. The brand has always stood for inclusion, and we've broadened that to incorporate diversity and empowerment. We see in the results that those efforts, combined with our industry-leading products, are driving strong customer response.

T.B.: You've shared previously how American Eagle's consumer base has shifted from being predominantly Millennial to now Gen Z. The brand is not alone in this challenge, but seems to have made the transition quite well. Given that you've mostly had youth-oriented customers in your career, how have you managed to capture this fresh new audience most recently?

C.K.: I'm really excited to see the changes that come with the Gen Z customer. I think it's a great generation whose core values and beliefs are very fortuitously aligned with American Eagle's. This is a generation that really understands that they have spending power. They want to align with brands that they believe in and that are aligned with them.

American Eagle's marketing aims to resonate with Gen Z as well as align with their values.

Our brand platform of individuality, inclusion, diversity and youth empowerment is well suited to this incoming generation. We've really tried to crystallize those values in our "AE x ME" brand platform and have seen success in communicating that to our customers. This generation prefers in-person experiences. They know their money is valuable, and they want to spend it on merchandise that brings both value and quality, but they also want to touch and feel the product. They want to interact with people when they're researching the product and trying it on. As we further build our store experiences, and consistently lead with the very best product offering, I believe that we will be set up for continued success with Gen Z.

T.B.: So in order to stay relevant to young consumers, physical retail remains a strong focus?

C.K.: Yes, we've invested quite a bit in our stores over the last few years, making sure that we have the best associates out in the field that can provide the best experience and customer service and that we're keeping our more than 1,000 stores attractive and nice places to shop. As we build on the strength of our successful jeans business and expand into lifestyle categories, we are building new store experiences as well as updated fitting rooms. These offer a more seamless experience where the customer can interact with the associate and build outfits and shop for everything they need all in one place. Denim customization in our new stores allows customers to personalize their jeans with unique back patches, and we've had in-store events where you can paint, bleach and make the jeans your own in a completely new way.

Overall, we are making the stores more engaging and allowing the customer to have greater impact on both the outfitting and the product. Once they select a product, we empower them to make it their own.

T.B.: As you've kept up with the Gen Z customer, have you adapted your personal approach as a team leader? What are some of the internal trends that you're seeing and capitalizing on?

C.K.: When we talk about this new generation of customers, we know they are looking to have input and some control over brands and products. First and foremost, I believe my role is to build the right team, a team of people who want to engage with our customers and who want to help build the brand vision of American Eagle. Once we have the right players in place, I then have to trust and empower the team and hold them accountable for results and for delivering on the brand's platform. There's no way that I can micromanage every decision that's being made. It would slow us down and not allow for the level of customer engagement and product innovation that is so important. Instead, I focus on building and developing the best team, making sure that we're marching in the right direction and empowering the team to help further build the brand and drive it forward.

This approach also affects how we think about the customers, too. As I mentioned, this new generation really does want to have an impact on the brand. They want to participate and shop brands where they feel aligned with the values, but they also want to feel like they have a part in creating the brand.

In our marketing, we aren't casting models in our campaigns anymore. Instead, we have our real customers in the campaigns. We hold in-store contests to engage customers and then we let these real-life customers style their own outfits. They show up to the photo shoot and build outfits that reflect their own styles. This is then reflected in our stores and our marketing campaigns. It's what "AE x ME" is all about; letting customers express who they truly are in our campaigns. We are turning over control to our consumers in a way that retail has not done in the past. In doing so, we believe we will build a stronger connection to them, and them to the brand.

T.B.: In your other executive merchant roles – specifically at Urban Outfitters, Coach and Abercrombie & Fitch – are there any experiences or learnings that have been incorporated into your current leadership style?

C.K.: I've spent my entire career focused on the youth customer, and I find this consumer dynamic and fun. I love being in this ever-changing part of the industry, and I've had such great opportunities to work with so many amazing retailers. Working with [American Eagle Outfitters chief executive officer] Jay Schottenstein to build on the success of American Eagle, and having worked with Roger Markfield [chief creative officer of American Eagle Outfitters] in the beginning was just great. Earlier experiences working for Dick Hayne, Lew Frankfort, Reed Krakoff, Mike Jeffries...and the companies they led taught me so much about building brands, making great products, learning from the customer and much more.

What these brands and legendary retailers have had in common is the understanding that it's all about the product, the brand and the focus on the customer. As the world changes and evolves, sometimes we can get distracted from the core principles of retail. As we think of different channels or various marketing techniques, it always comes back to knowing what the customer is looking for, and offering them the highest quality and value while staying true to your brand.