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# A tale of 2 traditional mall-based retailers: Abercrombie delivers strong Q4 results, while Foot Locker delays its growth plan

Article

**The success story:** **Abercrombie & Fitch Co.**'s Q4 sales rose 21% and its profit more than tripled thanks to its ability to deliver the on-trend dresses, tailored pants, and activewear favored by Gen Z and millennial consumers.

- The retailer has delivered five straight quarters of revenue growth. That's a stark contrast with many other US mall-based apparel retailers, such as **Gap Inc.**, which have struggled to keep customers coming back.
- It also marks a dramatic turn of fortune for a retailer that was trading at one of its lowest share prices on record just four years ago. That stems from its 180-degree turn away from its dimly lit stores featuring shirtless male greeters to an inclusive lifestyle brand offering restrained styles that suit a variety of occasions and age groups.
- The retailer achieved that shift by leaning into social media and influencer marketing to reach its target demographic, as well as investing in ecommerce, closing underperforming stores, and opening more off-mall locations.

**The plan:** Abercrombie's results reflect a retailer that has executed well on the Always Forward Plan it mapped out in 2022.

- The plan projected that by the end of fiscal 2025, it would generate $4.1 billion to $4.3 billion; it generated $4.28 billion last year, two years ahead of schedule.
- The retailer's success stems from its ability to have "thousands of associates across the world aligned and executing a focused playbook every single day, one that is rooted intimately in knowing our customer and then meticulously building the product, voice, and experience to match their needs," said CEO **Fran Horowitz** during the company's earnings call.

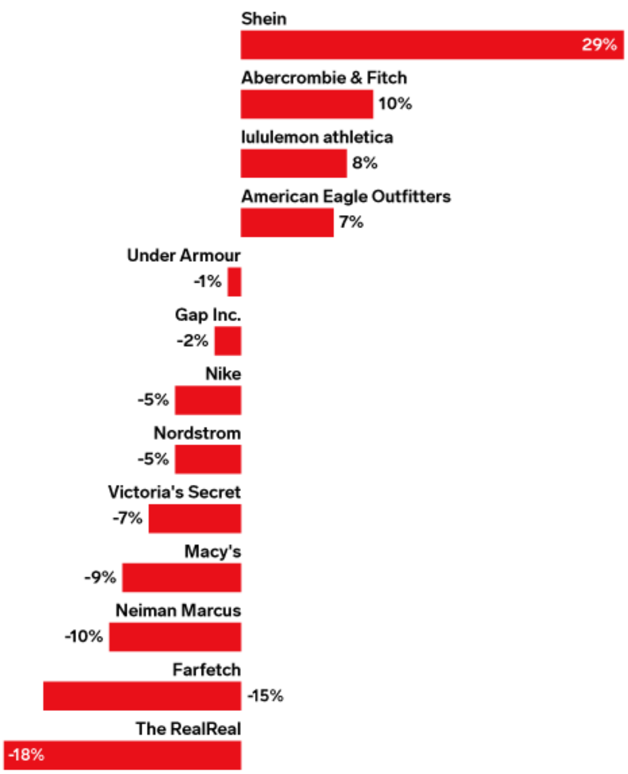
**The contrast:** While Abercrombie thrives, another traditional mall-based retailer, **Foot Locker**, struggles.

- The company mapped out a plan last year to boost sales to $9.5 billion by 2026 by adjusting its store mix, diversifying its brand mix, and investing in (and expanding) its loyalty programs. However, its disappointing results drove it to push its sales target timeline out to 2028.

- The retailer, which reported its 2023 sales fell 7% YoY, believes its path forward will stem from deepening its reach into sneaker culture and reducing its reliance on **Nike**.
- But it is concerned about consumers pulling back on discretionary spending. For fiscal 2024, Foot Locker expects adjusted earnings per share between $1.50 and $1.70, short of the $1.40 to $2.30 per share that analysts expected. It also expects sales to be between 1% lower and 1% higher.

**The big takeaway:** Turnaround plans are difficult to execute, particularly during a time when many consumers are thinking twice about nonessential purchases. Convincing consumers to open their wallets and spend requires retailers to have a deep understanding of their target customer base and to invest in marketing and advertising to shift perceptions.

**Holiday Season* Retail Sales Growth, by Company, 2023**
*% change*




*Note: seasonally adjusted year over year; *Nov 1, 2023-January 2, 2024*
*Source: Earnest Analytics as cited on company blog, Jan 10, 2024*
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