

# Why American Eagle Outfitters' supply chain bet is starting to pay off

## Article

**The trend:** There are a number of signs that **American Eagle Outfitters'** push to bulk up its supply chain expertise to offer other retailers a vertical logistics solution is starting to pay off.

- The retailer cut down on its shipments per order and reduced its delivery times by 13% in Q1.

- It also recently added high-profile clients **Fanatics** and **Saks Off Fifth** and announced a partnership with **Pitney Bowes** to facilitate last-mile delivery from warehouses to consumers.

**The retailer's logistics push:** Last year the retailer bought **Quiet Logistics** and third-party logistics company **AirTerra** in an effort to create a communal supply chain platform that it and other retailers can leverage as the ultimate “frenemy network,” **Shekar Natarajan**, chief supply chain officer, told CNBC.

- The combined network, which American Eagle calls **Quiet Platforms**, helped the retailer avoid its first year-over-year decline since Q4 by contributing roughly three percentage points to the company's revenues growth.
- Meanwhile, **the company's retail sales were weaker than expected** as it faced a number of challenges—a difficult year-over-year comparison, rising inflation, high freight costs, and a stronger-than-anticipated pivot to other discretionary categories—that led it to miss on both revenues and EPS.

**The B2C2B push:** American Eagle's business-to-consumer-to-business push takes a page from **Amazon** while taking it on.

- Amazon built up a cloud computing infrastructure to help it boost the speed of its software engineering before it leveraged that same infrastructure for Amazon Web Services (AWS).
- Similarly, **American Eagle built up its logistics infrastructure to reduce the number of packages per order and shorten its delivery windows.**
- Yet unlike Amazon, **it requires scale from other merchants to maximize those returns.** By pooling midsized retailers' resources, it and its customers can achieve “Amazon-like scale, Amazon-like costs, and Amazon-like capabilities,” Natarajan told CNBC.
- Quiet Platforms offers a range of services including inventory management, facilitating returns/restocking, and freight. These, it argues, enable its clients to focus on product, marketing, and customer experience rather than logistics, which is difficult to navigate as a midsized merchant.

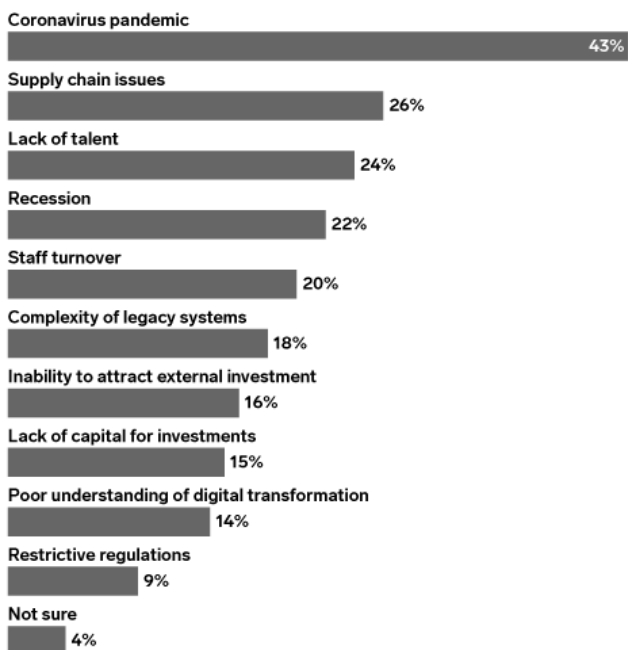
**Why it matters:** Amid a challenging retail environment, retailers benefit from a diversified revenue stream.

- No retailer demonstrates that more than Amazon, which uses AWS and its rapidly growing advertising business to minimize the impact of its low-margin retail sales.

- While logistics is a critical ingredient to retail success, it is not without significant challenges.
- That's evident as supply chain issues were the second-most cited barrier to US business decision-makers achieving performance ambitions, according to an April Proactis survey.
- That provides an inroads for Quiet Platforms, assuming it can find ways to distinguish its offering from competitors—including a similar service offered by **Walmart**.

**Barriers to Achieving Performance Ambitions Next Year According to US Business Decision-Makers, Dec 2021**

*% of respondents*



Source: Proactis, "Proactis eRecovery," April 26, 2022

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