

Would You Have Gussed This Is the Apparel Retailer Consumers Are Most Loyal to?

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Source: Flickr user Roderick Eime.

To put it mildly, Americans love shopping for clothes and accessories.

How do I know? Because according to data aggregator Statista, the total dollar amount of clothing store sales in the United States has grown from just \$85.4 billion in 1992 to a whopping \$178.5 billion in 2013. Furthermore, more than 95,000 people are currently employed by the retail industry.

Take my word for it: Americans love to shop for the latest in fashion!

Unfortunately, there are tens of thousands of retail apparel stores for consumers to choose from, complicating their choice. As has been observed in a number of industries, too much choice can actually be overwhelming, and a detriment to sales. This is where having strong brand loyalty comes into play, as it creates a loyal customer base that retailers can count on.

Of course, measuring brand loyalty isn't cut-and-dried in the apparel industry. So for that, we'll turn to Brand Keys and its 19th annual [Customer Loyalty Engagement Index](#).

Why brand loyalty matters

Brand loyalty plays two key roles for apparel retailers.

Source: American Eagle Outfitters, Facebook.

First, loyal customers serve as brand ambassadors, sometimes without even realizing it. Think about teens bearing the **American Eagle Outfitters** logo across their shirts. It serves to identify the wearer with that brand and its culture, but it also sends a not-so-subtle message to that wearer's friends that they too should probably consider buying American Eagle branded clothing. This type of advertising will almost always hit home with consumers better than any traditional online, TV, or print ad.

Also, loyal customers tend to be less reliant on deep discounts in order to make their purchases. Understandably, when we're talking about the retail world, we're probably talking about a consumer that hardly buys anything without a sale. However, a customer that's loyal to an apparel brand is more likely to make spur-of-the-moment purchases -- even of items that aren't on sale -- than wait out a piece of clothing or an accessory. Thus, loyal customers tend to provide retailers with their best margins.

For its part, Brand Keys interviewed more than 36,000 consumers across the U.S. and Canada, ranking 16 apparel retailers in the process. Let's have a quick look at which surprising brands disappointed, and ultimately which apparel retailer is delivering the best brand loyalty.

Thanks, but no thanks

As should probably be no surprise, the three worst performing apparel retailers were **Aeropostale**, **American Apparel**, and **Abercrombie & Fitch**, which ranked 14th through 16th, respectively.

Aeropostale has lost its branding identity and is being forced to clear out inventory on a regular basis using steep discounts. Couple this with the fact that the company announced the closing of 75 stores in 2014 -- and it could shed another 50 to 75 stores in 2015 -- and you catch the vibe that its long-term survival is somewhat in question. That's certainly not a great formula to drive consumer loyalty, even if the prices are attractive.

Dov Charney, former CEO of American Apparel. Source: Flickr user Dovcharney.

American Apparel is also struggling with store closures and potential solvency issues. But, unlike Aeropostale, you can also add former-CEO drama to the mix. Following former-CEO Dov Charney's second firing in a year this past December -- this time for alleged misconduct -- the brand image of American Apparel has been all but destroyed. And don't think Charney went away quietly; he's currently seeking \$40 million in damages via a lawsuit against his former company for breaching its contract with him.

Source: Abercrombie & Fitch, Facebook.

But, the bottom of the barrel belongs to Abercrombie & Fitch, which, in 2014, saw longtime CEO and PR nightmare Mike Jeffries step down. As a brief reminder, Jeffries' tenure was highlighted by a jaw-dropping PR gaffe about once every two years, including the introduction of padded bikini tops for eight year-olds and commentary made to website Salon in 2006 that essentially vilified Abercrombie as an exclusionary brand just "for the cool kids." I strongly believe Jeffries' exit is a good thing for investors, but the damage to the brand will take a long time to repair.

Close, but no cigar

On the other end of the spectrum, two brands performed remarkably well, but just didn't have enough to claim the top spot.

L Brands' Victoria Secret finished third in Brand Keys' retail apparel loyalty rankings by simply dominating in the lingerie category. If you want the explanation for its success, look no further than its ability to emphasize its direct-to-consumer business and engage female customers arguably better than any other brand.

Source: Flickr user Eternity Portfolio.

A surprising second-place finisher when it comes to retail brand loyalty is **Gap**-owned Old Navy. It's worth noting that Gap's Banana Republic also tied for fourth, so this was a pretty strong showing for Gap all around. Old Navy's strong brand engagement has arisen from its push away from TV advertising and toward other content mediums (e.g., online ads, social media, and so on) that give the company a better chance of reaching its teen audience -- and the cost-conscious parents of those teens. Old Navy's global 14% same-store sales increase in March would imply these changes are working.

The apparel retailer commanding the best brand loyalty is...

But, would you have guessed that retailer J. Crew, owned by privately held TPG Capital and Leonard Green & Partners, is the retailer consumers tend to be the most loyal to? I know it wasn't a brand on my radar when I was thinking of best brand loyalty among retailers, so it's certainly a

Source: J. Crew, Facebook.

At the core of J. Crew's growth and its ability to attract consumers is its reliance on data analytics. J. Crew's CEO Mickey Drexler believes in getting out on sales floors and manually assessing turnover trends, then utilizing in-store sales data to back up his observations in order to correctly predict hot-selling trends months in advance.

J. Crew has also successfully engaged its customers via social media in order to grow its customer base and retain its existing customers. As J. Crew has noted in its filings with the Securities and Exchange Commission, its social media-engaged customers spend twice as much as the average J. Crew customer, signaling just how important it is for J. Crew to make the effort to reach out on all social media platforms and channels.

Lastly, J. Crew succeeds in courting and keeping customers better than any other apparel retailer because Drexler approaches the company not as a retail outlet to sell apparel, but as a design company first, and a retailer second. By listening to its consumers and relying on innovation to drive its success, J. Crew has done a phenomenal job of captivating a vast retail audience.

Although you can't directly invest in J. Crew, as an investor, you can take the lessons of its CEO Mickey Drexler and apply them to find potentially intriguing investments. For instance, a second-place finish for Gap's Old Navy and a third-place finish for L Brands could be the perfect impetus for you to consider looking into these retailers as possible investments.

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