

# Focus on the Customer

**An Interview with Tom DiDonato,  
Executive Vice President, Human Resources, American Eagle Outfitters**

**EDITORS' NOTE** *Tom DiDonato assumed his current post in July of 2005. DiDonato joined American Eagle Outfitters with more than 20 years of experience in Human Resources. His most recent position was that of Chief People Officer at H.J. Heinz. He joined Heinz in July 2001 as Vice President, Human Resources for Heinz North America. He was then promoted to Vice President of Global Leadership and Development for Heinz World Headquarters in December 2003 while continuing his role as VP HR for Heinz North America. Prior to that, DiDonato held executive human resource positions with Philip Morris Companies, Inc., PepsiCo, and Merck-Medco Managed Care, L.L.C. (a division of Merck).*



Tom DiDonato

**COMPANY BRIEF** *American Eagle Outfitters, Inc. (AEO, Inc.) offers high-quality, on-trend clothing, accessories, and personal care products at affordable prices. The American Eagle Outfitters® brand targets 15- to 25-year-old girls and guys, with 938 stores in the U.S. and Canada and online at [www.ae.com](http://www.ae.com). [AE.COM](http://AE.COM)®, the online home of the brands of AEO, Inc., ships to more than 60 countries worldwide.*

**How much of an impact did you see at American Eagle Outfitters as a result of the economic crisis, and how is the business positioned to move forward?**

Like most retailers, we saw a significant impact. Traffic in the malls diminished, so you had a smaller pie and your challenge was to get a bigger piece of that smaller pie. But as we thought about our predicament, we made a conscious effort to control our own destiny – we got smarter. At American Eagle, we were able to address issues that, in boom times, you overlook. We made a lot of adjustments in how we do business, and put a more intense focus on our customer: getting more involved with our customer at the college level; being more attentive to what they were saying and changing our assortment as a result; and bringing more newness to the stores. It was a very tough period to go through, but it's part of the reason we're doing so well now. Our company learned an enormous amount during that period of adversity.

**In terms of locations, do you feel you have the right mix and do you foresee opportunities to go into new markets?**

Yes. American Eagle has several brands: aerie, our intimates and dorm-wear brand; 77kids, our newest brand for kids ages two to 10, which is going to open their first store later this year; and Martin+Osa, which has 28 stores and is targeted to the 28- to 40-year-old customer. On the international front, the company has a franchise agreement with M.H. Alshaya, a leading international retail operator in the Middle East. Alshaya will open a series of American Eagle Outfitters stores throughout the Middle East over the next several years, with the first opening early this year. We are continuously evaluating other international opportunities as well.

For American Eagle, we have nearly 940 stores in North America in terrific locations. Our flagship strategy is also a very important one for the AE brand. To that end, we recently opened a great store on 46th and Broadway in the heart of Times Square, with 15,000 square feet of external LED screens. That is probably the best marketing initiative we've had all year. Strategic real estate planning is also an important part of our new concept development plans.

**We often hear of high turnover in retail, but this is a brand known to train people to the culture of the company. Is it challenging to attract and retain diverse talent?**

The fact that we're in Pittsburgh has helped us retain talent. We also have a large design office in New York.

We recruit nationally and people come to Pittsburgh from all over the country. They see our location, which is in a cool part of downtown Pittsburgh with a lot to offer, and they start to discover Pittsburgh and grow roots here. A lot of this happens because of our culture and the growth opportunities for them on a professional basis, but the location also helps – they work hand in hand.

We also have one of the best work environments you can have in New York City. Our design center is built 100 percent to inspire creativity and to provide a work environment that is second-to-none in our industry. It's a beautiful center with lots of room to lay down

product, to be inspired, and to work in a collaborative fashion – it's very open. All of these things contribute to our success in retaining people. There is nothing better than a good culture combined with success.

**This also seems to be a company that, from the leadership on down, is heavily engaged in the community. How critical is that to the culture, and is that something that's driven throughout the organization?**

It is, and I love that. The AE Foundation is part of the company, and we encourage all of our associates to do something for the community. Last year, we achieved 100 percent participation – that is what we strive for every year. We have such a dedicated group. We're a younger company, but even the people who may not be young chronologically inherently think young, and it's amazing how much people want to give back. We gave \$150,000 last year to Children's Hospital of Pittsburgh, which now has a waiting area for teens named after us. We have a big affiliation with JumpStart, an organization focused on early education for underserved children, as well as Big Brothers Big Sisters and the Student Conservation Association. Our associates are extremely generous with their time, even after hours and on weekends. It's all part of feeling like you're part of something bigger than just the company.

**Was retail something of interest to you early on? How did you end up in the business?**

The first 24 years of my career were in consumer packaged goods – I worked with PepsiCo for years, General Foods and, before I came here, I was the Head of Human Resources at Heinz. I got a call to meet with American Eagle, and was reluctant knowing nothing about retail, but I met with Jim O'Donnell (CEO) and his team, and at the end of the day, I felt I would thrive in this dynamic, ever-changing environment, in a company with a lot of growth potential, with a real diverse group of individuals.

I had no idea I would ever be in retail. I always loved clothes and going to the mall, but that didn't make me a retailer. But being in this business, it's contagious. I can talk to my kids about the coolest kind of jeans, about what looks are coming in for next season – it takes a middle-aged guy and makes him able to relate a lot easier to his teenagers. It's a fun business. ●