Gap marketing strategy assignment

Business, Marketing

The Gap is a clothing company that specializes in contemporary, urban clothing with a mold-range pricing scheme. They have stores located all over the globe In countries such as the united States, Canada, France, Germany, Japan and the united Kingdom. Gap was founded in 1969 by a real estate developer who was in search off well- organized and well-stocked jeans store. The store was named after “ the generation gap” and originally sold Levis jeans. In 1974, they developed their own private clothing label and by 1991 began selling only their private label brand. Gap introduced Its website in 1997.

The following year, In 1998, Gap’s stock Increased 138. 4%. In 2000, though, their stock fell 44 (http:/two. Dustsheet. Com/_yahoo/ funds/checked,’1 335261 . HTML) Clothing Is a basic and necessary need, but the companies in Gap’s market segment produce items that satisfy more than this basic need. Their customers are looking for style and quality at a reasonable price. In this specific market segment, major brand forces dominate the retail clothing industry: brand recognition is incredibly Important. Some major players in this Industry who are specific competitors of the Gap are J Crew, Firebombed & Fitch, American Eagle

Outfitters, Structure, and The Limited. These companies target the same markets as the Gap and produce similar styles. The strengths and weaknesses of each player in this industry are largely indistinguishable. J Crew stands out with a strong catalog channel. However, their bricks and mortar presence is weak, which is a problem when bricks and mortar retail reels in nine out of ten dollars spent by the average consumer as noted at www. Redundantly. Com. But within their “ young urban” microcosm, the

Gap stands out with an Innovative and changing product line: Firebombed & Fitch, American Eagle, Structure. ND the Limited have very specific tales that remain constant year after year. The competitive forces, as explained in Porter's framework, apply to the retail industry in all the five areas of rivalry, supplier power, substitutes, buyer power, and entry barriers. In regards to rivalry, there exist no exit barriers, causing more competently. Product differences are few which leads to low switching costs for consumers who can easily shop around. With these low switching costs, substitutes play powerful roles. If consumers can find similar products elsewhere from other competitors, price becomes a strong determinant in the final purchase.

Supplier power is high. For example, suppliers can exert strong influences on the producing industry by selling raw materials for clothing manufacturing at a high price. While suppliers yield substantial power, the buyer's role Is weak because of fragmentation. Finally, barriers to entry Include: economies of scale, high capital requirements for stores, raw materials, and production requirements. And strong brand equity due to consumer brand consciousness and loyalty. Value is created and delivered in the fashion industry through an intricate structure of channel distribution. A visual description of a typical fashion company's value web

Is attached as Exhibit 1 . Although the value web as an entity Is Influential to of the core aspects that affect a customer, as people want clothing that appeals to their particular tastes. This leads to the display and availability of clothing in the actual fashion stores such as Gap. Displays need to incorporate attraction to the products as well as show off the trends of the moment. Also, manufacturers greatly influence the final quality and price of a product, which are often a core concerns for consumers. In today's economy, efficient and quality manufacturing are essential to the success of a fashion retailer.

Another key node on the value web is the logistics supplier. In the Internet e-taller environment, having a strong relationship with efficient and trustworthy suppliers is extremely important for success. Fashion retailers should strengthen these key players in the value web in addition to using their core value concepts in order to utilize the Internet to its full potential. For Gap, there are two value concepts that are especially vulnerable in an Internet economy. First, the fashion industry has low switching costs and decreased loyalty online.

Whereas many Gap customers were loyal simply because they had few other hoicks, now those same customers have more opportunities to " shop around". Gap stores are located all around the country in almost any mall. A typical consumer may only have access to the stores that are located nearby. Now the Internet has made every e-tailor available to anyone, anywhere, from low-end to high-end. Second, the Internet has changed service, credence and experience. One of the advantages of going to a Gap store is the level of service that you receive and the experience that you get.

This level of service can never be replicated online. In addition, another problem with online fashion retailers is that the customer cannot ray on the articles of clothing. While this may be a problem with new customers, it is not an issue with previously established customers. Otherwise, the Gap's value concepts can only be enhanced online. Clothes can easily be delivered directly to the consumer from Internet sales. Also, transaction costs can be reduced: for every sale online, Gap does not have to maintain bricks-and-mortar stores, hire personnel, or bear shipping costs.

While these costs may be minimal right now, as online sales grow, this may have a serious impact on Gap’s bottom line. An additional benefit of Gap’s online store is ease of searching for particular reduces. The apparel industry is constantly changing. Therefore, marketing strategies and diverse customer segments are also transforming. Key industry trends for the year 2001 include: moves to multi-channel retailing, importance of profitability on the Internet, and a continued interest in using technology to improve bottom line, as explained at www. Redundantly. Bout. Com. Customers have particular needs and wants that are shaping the demand for higher quality at lower prices. And with the new Internet environment, consumers want easy access to price comparisons and demand the latest trends. Since the online world is fast-paced, consumers believe that trends should turn over quickly. Now that more people are shopping online, they goods. Consumers are looking to the Internet for information on apparel more than they previously did. They search for price comparisons and shop around the web to look for sales.

Many consumers search for clothes online and then go to try on the clothing offline. In some other cases, if consumers cannot find the desired article of clothing, they venture onto the Web. Finally, in the new Internet apparel environment, awareness of brands is enhanced for established companies.

On the contrary, newer apparel companies may struggle gaining awareness in a medium that constantly floods consumers with new products. The absence of brand equity creates difficulties for new companies in this industry. Few brands carry the clout Gap does to the online world.

As evidenced at www. Business. Com, Gap, with only two other retailers, was considering one of the top 20 online Internet merchants. Intermediaries (I. E. Manufacturers and retailers) in the apparel industry are transforming to become more customer conscious. By incorporating technology, companies are able to make the brand more accessible to the customer while retreating a stronger image of the brand. This technology enables domestic and foreign manufacturers and inspectors to communicate more effectively, efficiently, and frequently.

Previously, the telephone and fax machine were the primary means of communication among intermediaries, but now information can be exchanged in a cost-efficient and instantaneous manner through the Internet. As noted in the March 30, 2001 Credit Issue First Boston Corporation review, the overall apparel industry trend appears that many teen and young adult retailers " are heading towards the Gap's core territory … The casual preppy theme. For example many retailers have offered up colorful polo shirts since February, which stands to hurt Gap sales because they have only Just begun offering the same pools.

What has recently been happening is that Gap has come into fashion trends late and finds itself at the tail end of a hit. For years Gap has been the store to go to keep up to date on trends, but recent events point to its slipping from being the number one trend leader. Competitors such as Firebombed and Fitch and American Eagle Outfitters have been able to tap into the fashion trends early and reaped a large share of the ales. A March 19, 2001 Credit Issue First Boston Corporation analysis explains this phenomenon further: “ market intelligence is better than ever … Retailers attend fashion shows … Interpreting what they see for their customers. ” Therefore, the newest strategy in the competition game is for a company to find the hottest trend the earliest and quickest, and market the trend heavily before any other store or brand can do the same. New and existing companies in the apparel industry are forced to adapt their marketing mix in response to the new Internet environment. Products must be developed faster in order to cater to the fast-paced demands of today’s Internet consumer. Many big players in the fashion industry are recognizing the need to turn over the trends faster in today’s technology-driven economy.

This is because consumers demand new fashion trends faster than they did in the offline world. Also, world. Therefore, fashion companies must realize that price competition is more prevalent online. Furthermore, channels must be structured online differently than they would be in the offline environment. In the new technological world, shipping ND manufacturing have become bigger players in the value web than previously. Retailers must develop strong relationships with key shipping suppliers and increase efficiency in manufacturing facilities.

Finally, fashion e-tailors must utilize the new Internet environment to improve customer service and transactions. It is the perfect medium to have efficient yet personalized customer service in addition to lower transactions costs. The new Internet setting causes companies in the fashion industry to rethink partnering and strategic alliances. In today's e-economy, companies can gain traffic ND recognition through a few key alliances. Many companies, especially new players, can leverage partnerships to gain brand recognition and necessary traffic to their new site.

Utilizing the key relationships with channel members and partnerships will help established fashion companies adapt to the new Internet economy. But, a benefit to the companies is the fact that basic core competencies still remain competitive advantages even in the new environment. Gap's core competencies center around their brand equity and highly developed processes. Its name alone can successfully launch new, trendy products. However, Gap also carries a standard, classic line of clothes that customers have come to expect during any season and within any Gap store.

This is how Gap segments its customers: those who want a consistent look year-to-year, and those customers who want the latest trends. Gap's brand recognition value is high with over 2, 079 stores nationwide, and additional 530 stores globally. It is a standard brand name for the midrange fashion conscious consumer. Because Gap is a well-established bricks and mortars company, their processes are efficient and dynamic. For example, Gap stores are on detailed schedules for store splays, inventories, and new product launches. Every store receives an identical binder that explicitly details the display and product placements.

Front window displays are changed weekly. They restock shelves with new products every six weeks, keeping the retail ahead of imitators in the fast-paced fashion industry. All the core competencies are positive for the company, but there are threats that can hurt the company. For instance, negative word of mouth can cause severe consequences to Gap's brand name. Since Gap outsourcer most of their manufacturing, they're open up to attack because of their manufacturers' actions. For example, a situation occurred to Mike concerning their use of sweatshops that caused a great deal of damage to the Mike name.

Gap has taken steps to counteract the causes of bad publicity by requiring manufacturers to sign codes of conduct and strictly enforcing those rules. Has invested a lot of thought and research in their resources and there is not too much that can be substantially threatened. Gap's inventory processes, in fact, are much stronger compared to others in the industry. Not only do they maintain a consistent style year to year, they also have new lines that come out very often. Those who wish to enter the retail clothing industry will find moderately high barriers to entry.

It is extremely difficult to set up brand equity and image. Launching your own store and clothing line, like Gap, takes incredible capital and time investment. In the online world, it is much easier for new or small retailers to showcase their products; however, it is difficult to get online attention and recognition. The nature of online retailing sets up a playing field where smaller, lesser known retailers may have set up functioning websites and folded without the public ever knowing. Even big name online retailers, like Pets. Mom, did not survive despite their brand recognition.

As we have mentioned earlier, Gap’s inventory processes are very defined and strong. These processes also give them an edge on competitors trying to copy Gap’s styles or trends. Gap changes out their inventory every six weeks. Even if competitors are able to catch on to Gap’s short turnaround, there is no way to avoid being behind the times. Gap, through their extensive market research and market persuasiveness, is so in tuned to their customer segments that they effectively set the trend. Gap has invested a lot of money to become one of the biggest trend-setting brands.

Although the Gap has a successful position on the Web, there are definite strategies that can be implemented to improve their online business. Our proposed marketing business plan involves Customer Relationship Management, growth strategies, incentive offers online, improved web design, and increased market research. At this point in time, Gap is a product-focused company. Gap needs to capitalize on the available technology of the Internet and transform its marketing efforts to focus on the consumer. Therefore, the company should shift from a Product Management system to a Customer Relationship Management system.

Customer Relationship Management allows a company to cater to the unique and evolving needs of the specific customer segments. Currently, the Gap does not have extensive customization available on its website. Gap needs to create more ways of catering to each individual consumer. A pyramid approach would be optimal for the Gap. Much like the Dell triangle, the Gap would segment consumers and provide the most customization for the top small percent of the pyramid. These are the repeat customers that have highest volume of purchases, which would be the best group to provide customization.

We suggest that the Gap use the technology of the Internet to tore information on each consumer and generate a unique site for the consumer every time that they log on. The site will greet the consumer by name upon log in and target the consumer for their preferences. For example, the Gap would keep a database of my buying patterns, such as the fact that I always look for sale items, and also note the size that I normally buy. The Gap would be able to establish more customization that makes the site unique to the individuals. As retailers know, growth does not come from loyal customers.

The Gap needs to focus some of their marketing efforts on acquiring new customers. They could do so y developing alliances with portal-type sites such as greetings. Com. There, consumers can be asked to buy a gift certificate to Gap. Com (not redeemable in offline stores) to be sent along with the greeting card. Online alliances are preferable to online banner ads and random advertising because a relationship with established online services and tillers is the best way to get a Gap ad seen. The click-through rates for banner ads are not convincing enough for us to suggest that the Gap increase online banner advertising.

In addition to advertising online with trading partners, the Gap should advertise offline for the online store. Every media produced offline, including displays in the offline store, should have the web site listed, thus pointing consumers to the online store. The Gap may also consider putting a terminal in the offline stores that has a small computer with Gap. Com constantly running. Sales associates can point consumers in the offline store to the terminal if they need a different size, or if they want to ship an item to a friend.

Offering incentives online can also increase the customer base, persuading loyal and new consumers to utilize the Internet site. For example, every fifth purchase online loud merit a certain percentage off the final purchase price or even free shipping. Also, the Gap should consider offering some products and product lines online only (for example, Gap currently offers their maternity line only online). This can entice consumers into shopping online in addition to their offline stores. Overall, anything that causes consumers to venture into the online world to check out the new items on Gap. Mom would be good for the growth of the online customer base. Another marketing tactic is to alter the design of the website to meet the needs of the constantly evolving Gap consumer. Currently, Gap. Mom allows consumers to see the various styles of clothing with color choices shown to the side, but consumers cannot change the color of the item in the picture (for example, consumers could click on different colors and patterns for the same shirt and the shirt changes accordingly). See exhibit 2. Most buyers want to see what a certain article of clothing would look like in different colors, which is an option that Gap. Mom’s competitor, Screw. Com, offers. Gap. Com could also allow consumers to put clothes together on a model and view 360 degrees of the outfit, thus persuading people to make virtual outfits. Other sign changes to Gap. Com could be an addition of a search engine. This gives consumers a quick way to find specific articles of clothing. Another added design feature for the quick shopper could be a page with price listings by clothing category, or the ability to see the price on the first page instead of making consumers go through multiple pages to find the price.

A final marketing strategy in our proposed plan is for Gap. Com to increase market research to understand consumer-buying habits. Are they price conscious? What do able to understand their consumers' behavior in depth. Therefore, information could enhance the quality of customization, which will benefit the company. If the Gap makes longer strides to understand their customer base, they can capitalize on areas where they are strong and change areas of weakness. Our proposed marketing plan encompasses many benefits with a few costs.

The plan satisfies consumers because increased customization will mean more attention to specific customer needs. The proposed Customer Relationship Management tactic will create more of a one-to-one marketing structure that will in turn benefit the consumer. One cost to this change in management style is the capital needed to set p customization online and also the changes that must be made in the structure of management within the company. Employees will have to get used to a restructuring, which can cause a short period of dissatisfaction or frustration.

But, the company as a whole will benefit from the restructuring because it will increase retention rates. The online incentives and improved web page design will benefit the consumers directly by giving them good deals and creating an easy-to-use web site. The online incentives will benefit the company by increasing the loyal customer base and the improved web design may increase sales and retention. The trading partners with Gap will benefit by increasing traffic to their sites, and association with the Gap brand is positive for alliances.

One of the most apparent and serious threats to Gap. Com is the threat of centralization. If Gap. Com becomes the standard, then their offline stores will be severely hurt. This is why Gap is facing a great deal of resistance within the organization. Store managers whose salaries and promotions depend on store sales will not want to promote or support Gap. Com because that will steal from their revenues. Another issue is the technological needs to satisfy the in-depth customization and database requirements that are essential to our e-business plan.

In order to take on this new strategy, Gap will have to make a large initial investment to improve their technological capabilities to accommodate the customization. Internet speed must also be taken into consideration. Only eight million out of 100 million Internet households have broadband. This can lead to customer frustrations, as the sites become more picture intensive. This, however, is actually a benefit for Gap. Com as their primary customer base is concentrated in these households that do have broadband service