Gap 5 porter

Introduction Gap, Inc. is a leading American specialty apparel retailer based in San Francisco, California. It sells casual apparels, accessories, and other personal care products for men, women, and children. The products of Gap, Inc. include denim, khakis, T-shirts, boxers, casual wear, and others. Currently, the company boasts approximately 150, 000 employees and 3, 139 stores all around the world. Gap, Inc. sustains a large number of brands, namely Gap, Old Navy, Banana Republic, Forth & Towne, Piperlime, and others. These different companies are bought by the parent company in different times.

Started as a general jeans retiling store, Gap, Inc. today has a market value of $13. 32 billions. Throughout its history, Gap, Inc. has established itself as a leader in the industry. What began as one brand has grown to include Gap, GapKids, babyGap, GapMaternity and gapbody. Gap has become a cultural icon by offering clothing and accessories rooted in cool, confident and casual style to customers around the world. The article which title “ Gap Goes Global” in 2006 is about Gap, Inc wanted to franchise its business to overseas.

It announces a franchise agreement with Dubai-based retailer Al Tayer Group to open Gap and Banana Republic stores in five markets in the Middle East. Besides planning on the Middle East outlets, Gap and Singaporean franchisee F. J. Benjamin expect to open stores in coming months in Singapore and Malaysia. Gap is also wish to follow the example set by other American brands that have successfully expanded in Asia and the Middle East, such as Starbucks. Gap's current international expansion strategy of working with local franchisees reduces Gap's financial risks.

Using franchisees, Gap is able to sell its brand and its clothing without the headaches of navigating local real estate markets and hiring armies of store-level employees onto its own payroll. All of Gap's existing overseas stores in Britain, France, and Japan are owned and operated by the company, a setup that has at times proven expensive and unwieldy. Purpose and Values of Gap, Inc “ Gap Inc. is a brand-builder. They create emotional connections with customers around the world through inspiring product design, unique store experiences and compelling marketing.

Their purpose is simply, to make it easy for the customers to express their personal style throughout their life. They have more than 150, 000 passionate, talented people around the world who help bring this purpose to life for their customers. Across the company and embedded inculture, their key values that guide their success are: integrity, respect, open-mindedness, quality and balance. Every day, they honor these values and exemplify their belief in doing business in a socially responsible way. ” Five Forces Analysis Today, retail apparel industry is a very competitive industry to be in.

Porter’s five forces model shows that there is already a low barrier to enter but it is hard to establish a distinct brand name, threat of substitutes is strong for the retail apparel industry, the intensity of rivalry is high since the industry is already facing a fast growth, supplier’s bargaining power is weak because they have limited power, and lastly buyers’ power is strong as they have variety of choices. Threat of New Entrant Although it is not hard to enter the clothing retail business, it is hard to establish a distinct brand name.

Gap faces little threat of increases in price competition by entry of new firms into the market. Smaller boutique-style clothing stores may be able to compete on a local level brand, however such firms likely would not be able to expand, and Gap enjoy a cost advantage in producing staple articles of clothing, such as jeans and sweaters. Due to economies of scale in producing large amounts of clothing, entrants will have extremely hard time producing clothing at cheap enough prices to compete with Gap and its competitors.

Entrants would also have difficulty in finding supplier firms who would produce their clothing at a competitive cost level. Costs drop per unit of clothing produced, and an entering firm would need to order a large amount of clothing in order to enjoy the same economies of scale that Gap enjoys. Brandloyaltyis also important in fashion. Because many consumers have strong preferences for certain brands or styles of clothing, new entrants would find difficulty in increasing the amount of customers they attract to their stores without incurring significant advertising expenses.

Because of their size advantage and economies of scale in advertising, Gap has a significant advertising advantage over all other direct competitors within the specialty apparel market. They can afford to run well-known nationwide television advertising campaigns while other firms in the market do little or no TV advertising. A new entrant trying to steal away brand loyal customers from Gap would need vast advertising resources in order to establish their brand and be competitive, which is unlikely for an emerging firm. Threat of Substitutes There are many substitutes in casual clothing industry.

Since there are a wide variety of products that people can choose, they could either be substituted by sporting products, business apparels, cheap clothing materials, and others. On an industry level, there is no popular substitute for clothing. A booming economy where individuals have more disposable income may lead them to buy more clothing. In the reverse situation, demand for new clothing will likely drop if the economy is performing poorly. Because there are no substitutes for clothing, an increase in price by one firm will cause consumers to purchase clothing from another firm.

If prices rise throughout the industry, consumers will buy less clothing. Bargaining Power of Suppliers In retailing industry, the power of suppliers varies depending on the company itself. As per Gap, Inc. , the suppliers have limited power. The annual report states that no suppliers supply more than 3% of the company’s demand. This gives Gap, Inc. power to set the price of its raw materials. Supplier power is concentrated in the firms who supply the raw materials for clothing production and the factories that are contracted to produce them.

There are many sellers in both markets, and the power they possess is limited since demanding a higher price will cause the clothing manufacturer to buy the raw materials elsewhere. For instance, Gap contracts factories in over 60 different countries; if one factory is asking too high a price to produce their clothes, Gap can take their business elsewhere. Only if a factory holds a certain expertise in producing a certain type of clothing will they hold much power over the firm selling the clothes. Bargaining Power of Buyer The buyers have variety of choices to make in the retail clothing industry.

Since there are various competitors and substitutes in the company, the buyers might move shopping around. Hence, the companies have to work harder to retain the clients. Intensity of rivalry between existing competitors Gap Inc. operates within the specialty retail apparel market, a market which contains several large direct competitors, such as American Eagle Outfitters, Abercrombie and Fitch, J. Crew and Aeropostale. Because of the nature of the fashion industry, independent specialty stores and boutiques can compete with these larger brands on a localized level.

It is worth mentioning that superstore retailers such as Target and Wal-Mart sell low-priced, lower-quality clothes, so they could also be considered as indirect competitors to Gap. Clearly, there are a large number of apparel retailers, and a smaller, though still large, number of direct competitors to Gap within the specialty retail industry. This competitive landscape lends itself to a high level of price competition. The company is bound to encounter tough rivalry not only from established local brands but from other American casual-clothing labels, including Esprit, Levi Strauss, Tommy Hilfiger and Ralph Lauren.

Competition, therefore, arises in fashion. Firms want to appeal to as many consumers as possible while keeping those already loyal to the brand happy with the style of clothes the firm offers. The winning style maintains the brand loyal customers association with the firm’s image, while attracting new buyers. A mistake in fashion, however, will lead some loyal customers to abandon their brand, and will fail to attract new customers. Strategy Gap, Inc used international expansion as a strategy to expand their product all around the world. Gap Inc. perates more than 3, 100 stores in the United States, the

United Kingdom, Canada, France, Japan and Ireland. In addition, Gap Inc. is expanding its international presence with franchise agreements in Asia, Europe, Latin America and the Middle East. Conclusion Based on the article from The Financial which title “ Gap Inc. Expands Global Presence through New Franchise Agreement to Serve Customers in Israel” in 2009, it is proven that Gap, Inc has go Global using franchising in 14 countries. Gap Inc. has opened 89 Gap and 32 Banana Republic franchise stores in 14 countries around the world.

Gap franchise stores are open in Bahrain, Greece, Indonesia, Korea, Kuwait, Oman, Qatar, Malaysia, Russia, Saudi Arabia, Philippines, Singapore, Turkey and the United Arab Emirates. In addition, Gap Inc. has signed and announced agreements to open Gap and Banana Republic franchise stores in Bulgaria, Croatia, Cyprus, Romania, Egypt and Jordan. REFERENCES Brendan, S. , Michael, M. , (2005), Gap, Inc Strategic report, SageGroup, LLP, Retrived from economics. pomona. edu/jlikens/... /Reports/Gapreport. pdf Company information, purpose and values, Retrieved from http://www. gapinc. om/public/OurBrands/brands_gap. shtml Masaaki, K. , (1999), Gap Inc. Rachel, T. , (2006), Gap Tries on European Style, Retrieved from http://www. businessweek. com/globalbiz/content/jun2006/gb20060608_179268. htm Louise, L. , (2006), Gap Goes Global, Retrieved from www. businessweek. com Gap Inc. Expands Global Presence through New Franchise Agreement to Serve Customers in Israel, Retrieved from www. finchannel. com

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