

Brand history and overview of gap



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Since the day Founders Doris and Don Fisher open the first Gap store in San Francisco in 1969, Gap as a small local brand developed rapidly to be a global fashion brand nowadays. As one of the largest selling apparel brand in the world, Gap Inc. has become a very powerful international retail brand, which has nearly 165 thousand staffs and more than 4000 stores all over the world, which including 3100 outlets in U. S. A., U. K., Canada, France, Japan and Ireland. The sales data arrives USD 142 hundred million in 2009 (company report). Gap's success has been due to its customers services and focus on product ranges and social issues which resulted in clearly American young clothes brand. The campaign about ethical issues and social responsibilities also created Brand's culture values and society values.

Seeing from the brand's history, before the second store opening in San Jose, Calif, Gap met a strategic problem, until it changed the target market to the young people, emphasized the shopping environment and diversify the products, the brand became famous in the domestic market. After that, Gap grew dramatically in the 1980s and 1990s. The GapKids, babyGap, gapBody, GapOutlet, Gap Maternity line were born, the first Gap stores and flagship stores opened in London, Vancouver, Paris and Tokyo outside in the United States respectively. It became the second-largest selling apparel brand in the world in 1992. By 1997, it opened the Online-selling on its official website, that was the vital beginning of the brand's successful Web-Marketing. Until today, the franchise stores and the on-line shopping of Gap already cover more than 50 countries in the world (company report).

After 1999, the powerful competitor-ZARA, which belongs Inditex group, became the largest selling apparel brand in the world, exceeded Gap by the

annual sales date with 22 hundred million Euro. In this past-fashion period, facing so many strongly competitors, H&M, American Apparel, Uniqlo and Zara, Gap uses the effective and flexibility strategies to enter on global marketing.

2 Global Strategy

2. 1Competitive strategy

Uppsala Model

The Uppsala model is to describ how firms increase the global markets by a low-risk and low-market commitment way to enter the similar market at first, then expand to new markets gradually (Hollensen, 2008). The Uppsala model can clarify three models in the internationalization process of the compan(Johanson & Wiedersheim-Pual, 1975, Johanson & Vahlen, 1997).

Establishment pattern

The first one is Establishment, which is identified four different stages to represent the increasing resources commitment:

Stage1: No regular export activities

Stage2: Export via independent representatives

Stage3: Establishment of a foreign sales subsidiary

Stage4: Foreign production/manufacturing units (Hollensen, 2008).

From 1969 to 1986, Gap gained abundant market experiences and market knowledge from its domestic market. In 1987, the Gap store was established in London, that means the brand started to exploit its foreign markets with the Uppsala model, which revealed the strong support for this theory of internationalization in its early stages as a US firm (Jeryl Whitelock, 1983). After two years, Gap developed the second foreign market-Canada, opened store in Vancouver. Through operating these two markets with similar conditions, after the market became stable, it spread the experience to the particular market (Jeryl Whitelock, 1983), a flagship store was entered the Asia fashion market, starting in Tokyo (company report). After these successful developments in global markets, the company owned sufficient resources, such as powerful global marketing knowledge and experiences, which called market-specific knowledge (Hollensen, 2008), to plan larger internationalisation steps, more and more franchise stores and outlet stores were opened in new countries (Jeryl Whitelock, 2002), such as Singapore, Saudi Arabia and Russia, covered the main cities of Asia-Pacific, Europe, America, the Middle East and Africa (company report).

Dynamic pattern

Obviously, the market knowledge affects the market commitment and current activities, in other side, the market knowledge and market commitment are influenced by current activities and commitment decisions alternately (Johanson & Vahlne, 1990, in Johanson & Associates, 1994).

This interaction evinces another pattern of Uppsala model – Dynamic model, which is divided into two aspects – state aspects and change aspects. The

two aspects consist of four factors: market commitment, market knowledge, current activities and commitment decisions. (Johanson & Vahlne, 1990, in Johanson & Associates, 1994).

The internationalization process of firm

(Johanson & Vahlne, 1990, in Johanson & Associates, 1994 (p. 84.))

Psychic distance pattern

Psychic Distance is another important model of the Uppsala Model, which is the key element to affect the communication between the firm and the customers. This factor is involved with the socio-culture distance, including the different between the home and target country in language, political systems, marketing infrastructure, legal, level of education, etc. From the early stages of international market expansion to the latest, the psychic distance in the target market become more greater, with the increasing of geographic diversification (Arto Ojala, Pasi Tyrväinen, 2009).

The internationalization process of Gap started from the same language or near geographic countries, after the markets share became bigger and stable, then developed another long geographic distance countries with the different culture background (Company report). Psychic distance pattern reflected distinctly in the process of Gap's global development.

Internationalization of the firm: an incremental (organic) approach

(Adapted from Forsgren and Johanson, 1975, p. 16)

2. 2 Segmentation and Positioning

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In the internationalization process, market orientation is an important step for the brand operates successful. Retailer should make a market research, understand the determinants of the segmentation selecting, analyse the segmentation criteria by geographic, demographic, behaviour and psychographic, for the different consumer groupings in the exist and potential markets (Nicholas Alexander, Anne Marie Doherty, 2009).

Segmentation is a effective way to identify the specific target markets to increase company's profits, brand's visibility and service development (Alan M Zuckerman, Tracy K Johnson, 2002). For the segementation, the goal of market and financial are decided by firm for three to five years to planning and researching critically (Peter Doyle , 1985).

After Gap enter the steady stage in its domestic markets, the GapKids line was opened in 1986 for the child markets, then after 4 years, another line, babyGap, was born to target the more specific market in child market. is the infant market. Following this, the new lines: gapBody, GapOutlet and Gap Maternity were other segmentation strategies of Gap company (Company report)

The segmentation of markets bring a wide range of products in different style for customers choosing, also the different price levels. The domestic market's segmentation would affect the international market segmenting. Because the retailer would prefer to reduce risks in new markets by transfer or use the domestic experiences (Nicholas Alexander, Anne Marie Doherty, 2009). So, the other segementing line of Gap could be see in oversea stores, such as franchising stores and outlet. Likewise, these lines introduce some

new collections occasionally, for the changing markets and culture distance. For example, the “ Bath and Skin Collection” was launched in GapBody stores in 2007, the products is classic, the packaging is more feminine, to target the sophisticated but young woman market (Julie Naughton, 2007).

After segment the specific markets, retailer should communicate with new markets and customers, to display the correct image and positioning, to avoid the misunderstanding of brand which could lead to failure of the new markets entering (Nicholas Alexander, Anne Marie Doherty, 2009). Once Gap entry the new foreign markets, the Ad campaign through TV, journals and events all exhibit and express the positioning and images which the strategies planed. The key words for people talking about Gap, are young, leisure, positive and jeans.

an advertisement for GAP in Singapore (Admin, 2009) AD Campaign for GAP in Japan(new-fashion-world, 2009)

The relationship between market selection and entry mode is interactional, like a cycle, market selection is followed by market entry, after selecting the specific market, market entry methods are insituted step by step. Similarly, retailer choose entry methods could decide new market’s moving direction (Nicholas Alexander, Anne Marie Doherty, 2009).

So, different foreign market selections lead to Gap chose the different mode and strategies for entering in different countries.

Observable market selection/market entry decision making process

(Doherty, Alexander, 2007)

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3 Culture in Foreign Country

Culture plays a significant role in the international global marketing that produces obvious effects in consumer's behaviour and consciousness, also the communication between the target markets and firm. Culture in global marketing is defined as a complex source which includes knowledge, belief, art, morals, law, custom, habits, etc. Different culture in the different country has different levels to manage. One difficult problem in internationalization progress is how a company understand the exotic culture in foreign market and utilize the values in marketing strategies (Hollenson, 2007)

The culture of individual firm is influenced by the industry culture, when the national culture affects the business or industry culture. The values of the culture is determined layer by layer, finally impact individual decision making. But, the culture was divide into the high context and the low context, to distinguish the extent of the value from different country (Hollenson, 2007)

4 Entry Methods

Flagship Stores

Open flagship stores in the new foreign markets, is an essential way for luxury brand to entry into international market. The key effects for this entry mode is the communication. Flagship store is the symbol of brand's image, transmitting concept , value and culture from brand to customers.(Nicholas Alexander, Anne Marie Doherty, 2009)

Japan and China are the biggest high-end market in the world. Gap open its first flagship store in the overseas market in Tokyo, Japan in 1996 (company report) and open others flagship stores in Shanghai, Beijing in China in 2010 (China Weekly News, 2010). These two countries are also considered as the high context cultural countries, the accuracy of communication between Gap and target marketing is difficulty and important. So, Building the distinguishing of brand by flagship stores mode to enter markets is the strategy selected in global development.

Gap's flagship store in Tokyo (Leoyan, 2010)

Organic Growth

Organic growth is a popular mode used by internationalizing retailers to reproduce the experiences and organization that the brand gain from domestic markets in the overseas markets. This mode is performed in the geographically close markets that reducing the language or cultural problems. Retailer accomplish the management and development in the domestic company under the high-control (Nicholas Alexander, Anne Marie Doherty, 2009)

The first part of Gap's internationalization progress was developing England and Canada markets, which is the geographically close markets for the United States. Used this high control. low risk strategy. Gap expanded rapidly from 1987-1992, as the second-largest selling apparel brand in the world (Company report).

Compared with other entry methods, organic growth is a high cost but high control strategy. It is an expensive way to offer the financial outlay in the early age (Nicholas Alexander, Anne Marie Doherty, 2009)

Franchising

Franchising is a market developing strategy, which lead to the speedy expansion in global progress. As defined a mode between the franchisor and the franchisee, through the legal agreement to sell the product and service, including brand's name, intellectual property right, business pattern (Nicholas Alexander, Anne Marie Doherty, 2009)

Gap started its first franchise store in 2006 in a few countries, Malaysia, Singapore & United Arab Emirates. But after one year, a mass of franchise store and outlets was opened in the following three years (Company report). Together with its franchise partners, Gap Inc. has opened 89 Gap franchise stores in 14 countries around the world (Business Wire, 2009). Some of these countries are the high context cultural countries and long geographical distance countries." The advantages of this mode for retailers and brand are low risk, limited financial outlay, rapid expansion across marketing and the presence of local market knowledge (Nicholas Alexander, Anne Marie Doherty, 2009)."

Gap's franchising store in Korea (SuzyQuzy, 2007)

Joint Ventures

Joint ventures is implemented in retail company in the recent days. It produces benefits for each partner, providing the chances and knowledge to

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recognize the market and player from each side. (Nicholas Alexander, Anne Marie Doherty, 2009). To cooperate with the Shanghai Yi Shang Network Information Company is the key strategy for Gap to enter and develop the E-marketing in China.(China Weekly News, 2010). Joint ventures may reduce the new problems in the new market in the early stages of the firm expansion, In addition, this internationalization strategy builds the effective image in the new market and the relationship with domestic businesses. (Nicholas Alexander, Anne Marie Doherty, 2009)

Internet

E-marketing is one of the important entre strategy for firm's global development, which is the simple and direct way to build the relationship with target customers, to obtain the details from them, such as purchase behaviour, age, gender, interest, etc. Through this method , information of product sales, the reflection of marketing, the best place for new stores are the important first step in new market expanding. Indeed, the high profile with low cost is another vital element of its advantage. (Nicholas Alexander, Anne Marie Doherty, 2009).

The online store at gap. com was established in 1997, also the Gap Maternity, Gapkids, gapbody, babyGap were launched in the follow years. By2005, Gapinc. com is honored with a WebAward by the Web Marketing Association. Net sales for Gap in2009 is 3, 8 billion USD.(company report). In 2010, Gap started its online selling in the UK, which contains a ' Hello UK' message on its website, although the UK market is the first foreign market for Gap.(InternetRetailing. net, 2010), as part of its overseas e-commerce

operations expanding, for the broader turnaround effort.(Wall Street Journal, 2009)

5 Marketing Mix

When a brand start its internationalization strategies, by way of seeking further market share and enhancing larger profits, the decision of standardisation or adaptation for new markets is an important step to market aboard. (Demetris Vrontis, Alkis Thrassou, Iasonas Lamprianou, 2009). Market standardisation involve the strategy for a special products or collection, market adaptation relate to policy changes. (J. J. Boddewyn, D. M. Hansen, 1977).

The marketing mix is define as the controllable tool for retailer to satisfy the market requirement which is also an important concept for marketing theories. (Mohammed Rafiq, Pervaiz K. Ahmed, 1995). Marketing mix is separated into 7 factors, call 7Ps, including product, price, place, promotion, people, physical evidence, and process (Booms and Bitner, 1981)

the 7Ps components of the marketing mix(Booms and Bitner, 1981)

Pricing

In the global environment, price is a difficult element in marketing mix, because comparing the price in foreign markets with domestic is affected by many factors. The government policy, ability to control costs, product range and distribution.(Mike Easey, 2009). The changes of expanding about fabric, accessories, labour, manufacture, real estate in distribution chain have vital effects on final price decision. Particularly, in fashion business, the prices for <https://assignbuster.com/brand-history-and-overview-of-gap/>

clothes changing mainly depend on the administration and communication, because of the profits (Mike Easey, 2009).

In 2008, under the global financial crisis, Gap decided cutting its TV advertising, also planned will not increase any more media spending in TV ads, to facing the financial crisis next year. The cutting save the expending fees for brand then make customers obtained more discounts (BizJournals.com, 2008).

Distribution

In this fast fashion environment, distribution is playing an important fundamental part for a brand to operate successfully. The effective distribution depend on rapid turnover of products and unnecessary delay (Nicholas Alexander, Anne Marie Doherty, 2009).

Zara, a fashion brand of Inditex Group, which is one of the strong competitor of Gap. Its sales exceeded Gap's, led to Inditex Group as the world's largest apparel retailer, by its fast distribution channel. (Hollensen, 2011).

Promotion

For products, plenty of information need to be presented on customers. The illustrates is very significant for brand's image. (Nicholas Alexander, Anne Marie Doherty, 2009). Promotion could be defined as marketing communication in marketing mix, focus on the information communicate smoothly in order to satisfy customers also presented the correct image (Mike Easey, 2009). There are many ways of fashion advertising: television advertising, outdoor advertising, magazine advertising, radio advertising, <https://assignbuster.com/brand-history-and-overview-of-gap/>

celebrity and sponsorship advertising and internet advertising, such as facebook (Nicholas Alexander, Anne Marie Doherty, 2009). With the brand operate globally, the marketing communication in a position to internationalization to adapt to the global markets (Mike Easey , 2009).

GAP advertising campaignfor Japan (AMB, 2009).

From the picture, the models from different countries with different colours, though this is the Ad for Japan, but it accords with the global image of Gap.

Product

Product factor of the marketing mix is the basic of marketing, which could be defined as anything that give satisfaction to the customers in the shopping place. (Mike Easey, 2009). All products have four stages^{1/4} marketplace (Development, Introdyction), growth, maturity and decline. It is the history of sales and benefit of product in these four stages (M. T. Cunningham, 1969).

New producet play an important role in fashion process, which constantly satisfied customers new requirement and desire, to target the specific market segments to suffice the basic need of consumer, such as status (Mike Easey, 2009).

Product Life cycle (M. T. Cunningham, 1969)

In 2009, Gap launched its 1969 Premium Jeans line to target the market share of designer denim and face the more stylish competitors (Los Angeles Times, 2009). Also in 2010, Gap has introduced a new pant style, Premium Pant collection for male and female, which included seven women's styles and six men's style, to target more specific its denim business (WWD, 2010).

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6 Conclusion

Global fashion market is a highly competitive market, with the strong competitor from domestic or abroad. Since Gap started its internationalization process in 1987, Gap used its global marketing experiences to expand its market share persistently. This paper highlighted its global strategies over the past twenty years in the industrialized economies across the world.

Gap is well known about the importance of brand core values in advertising, product quality, price social events and its global brand identification. The strong franchising network built its worldwide location, making the internationalization expand easily and fast. Diversified product lines and brand extensions, such as GapKids, and GapMaternity for a wide range of segmentations lead to brand retain the huge numbers of existing customers and attract more potential target customers. However, facing the more stylish competitors, Gap clothes have less attractive in style and trends, and the step of following fashion trend is slow. In distribution processes, because almost clothes are produced in the third-party company, which causes products shortage easily, for example shipment delay. That will cause the costs increasing and profits reducing. So, an effective and controllable distribution process is the key factor affecting global marketing of brand.

But under the market expanding in Europe and China, with more flagship stores and outlet stores opened, there will have more opportunities for Gap. For example, the E-marketing, that will be the main strategy for new markets' income.