

Project 2

Introduction to Fashion Marketing

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Introduction

The GAP Inc. is one of the American leading international specialty retailers. GAP Inc. is headquartered in San Francisco, California, the US. Doris and Don Fisher opened the first GAP store in 1969, with the basic idea to make it easier for people to find jeans. The company merchandises apparel, accessories and personal care products for men, women and children through its retail stores, franchised stores, and e-commerce portals. Its products are marketed under various brand names including GAP, Old Navy, Banana Republic, Gap Fit, Gap Body, Gap Kids, baby Gap, Athleta and Intermix. More specifically, the company provides jeans, T-shirts, clothes for use in sports and in daily life, eyewear for both men and women, footwear, bags, and jewelry. The GAP Inc. is now a leading global specialty retailer, a company that distributes its products through its retail stores, internet and catalog stores, and a company that operates wholesale and franchise businesses. In 2013, GAP Inc. followed through with its readjustment strategy with respond to the fast fashion trend, a more versatile consumer base, and an increasing influence on social media marketing As of August 2018, it has 3187 company-operated stores in the US, Canada, Europe, and Asia. Growing globally, GAP Inc. has been developing a variety of marketing strategies to suit over 90 different countries worldwide through 439 franchised stores across the US, Asia, the Middle East, Europe, and Africa.

Analysis

SWOT Analysis

A situational analysis, otherwise known as SWOT, is a structured planning method that helps analyze and determine a company's strengths, weaknesses, opportunities, and threats. A SWOT analysis is broken up into its internal strengths and weaknesses and external opportunities and threats.

Strengths (Micro-environment)

-With the six brands that it operates globally, GAP Inc. has been able to attain a strong product portfolio and brand recognition. Coupled with its wide range of products that target the whole family, GAP Inc. enjoys global customer recognition and loyalty.

-Because of the global reach of GAP Inc., the business is able to record a high inventory turnover ratio. In fact, this is one of the main reasons the company commands a strong financial position in the market.

Weaknesses (Micro-environment)

-The high competition in the apparel and accessories industry is one point of weakness since it implies many customers are learning of new brands that could shift their buying trends. Besides, it also limits the market share of the company.

-GAP Inc. has not fully focused onto penetrating the emerging economy markets and this has limited its ability for expansion and revenue growth.

Opportunities (Macro-environment)

-The growing use of technology in business is company's opportunity. Through effective online campaigns and shopping, the company can easily attract new customers for its products and brands across the globe.

-Considering the good performance of GAP Inc. in operating six major brands is proof that it can still form franchise units and joint ventures with other companies in the industry for greater development.

Threats (Macro-environment)

-The clothing and accessories market is experiencing a very stiff completion between various brands, offering more fashionable products at better prices than GAP Inc.

-GAP Inc. has been struggling to improve its performance as it faces intense competition from lower end fast fashion apparel and also the higher end fine apparel brands. Brands like Zara, H&M, and Forever21 are the main competitors of GAP. These brands are able to consistently improve their store traffic and also improve the inventory turnover. GAP is taking initiatives for revival, but the impact is not visible and is continuously losing customers. The company has launched a transformation program which involves achieving a more flexible and efficient business model. The brand is facing a challenging situation and needs to re-establish its brand identity.

Segmentation/Targeting

GAP Inc.'s target audience is 18-28 year old. This is currently the age where their consumers are either education or are struggling to find jobs in this current economic climate. This will affect consumer behavior as no job means no income, therefore decreasing sales.

Geo-demographic

Demographics such as age are a huge factor when segmenting GAP Inc. Each brand of the GAP Inc. has each own target market as each brand is different. To illustrate, the Old Navy brand the lower middle-to-middle income consumer. More specifically, the target demographics are parents, and to a lesser extent, young adults, and teens. Generally, Old Navy stores are generally the largest of the three GAP brands. Moreover, GAP's target market is more difficult to define as it ranges from lower middle to upper-middle income. More specifically, the target market of GAP is adults between 18 and 35, but consumers range from babies to baby boomers. Namely, it targets people that believe that fashion and style is very important, which of course raises prices as quality rises. Geographic segmentation shows importance for GAP Inc. as well as they are an international company, present in the United States, Canada, Europe, the United Kingdom, Asia, and Africa. Not only do they segment on a large international scale, but they also segment on a smaller scale among cities around the world. GAP Inc. views each of these segments with high priority for their market.

Psycho-behavioral characteristics

GAP Inc. offers iconic American style to customers of all ages in the middle or upper income. Since 1969, customers have looked to GAP for updated, casual clothing and accessories that help them express their own personal sense of style. Modern shoppers are looking for moderately priced but good-quality clothing and accessories. Today, GAP continues to be best destination for wardrobe essentials such as T-shirts, hoodies, great-fitting pants, and denim. GAP Inc. has become a cultural icon by offering clothing and accessories rooted in cool, confident, and casual style to customers around the world.

Differentiation/Positioning

The image that GAP Inc. have created in people's minds is a positive one, as it is considered to be a clothing retail company that sell high-quality products at relatively moderate prices. Throughout the years, GAP has earned the reputation of that offers high-quality and up-to-date clothing with reasonable price. To differentiate their products, GAP Inc. not only added additional stores such as Old Navy, Banana Republic and Intermix, but they also added more fashionable apparel in order to meet the needs of the younger consumers. However, they tried too hard and had to eventually face not only failure but also loss of interest from their existing customers. That is why it launched a new back -to -basics campaign in order to attract again the customers that it lost.

GAP Inc. utilizes multichannel and e-commerce strategies except of differentiation strategies. For instance, customers even if they make purchases online they can return the products to stores, and because of the GAP's Inc. well-established brand and reputation, the customers feel more comfortable to make purchase online. In addition, GAP Inc. established new markets, focusing on stylish value driven product, and keeping value-drives tightly controlled in the house. So, by incorporating technology into Web sites they could enhance the customer experience.

Competitors

In order to be successful in the family clothing industry, retailers must successfully develop new product lines which reflect the latest fashion trends and distribute them as quickly as possible. In addition, competition among the retail store industry has force retailers to focus more on building brand and aggressive advertising in order to maintain brand loyalty. On the competitive front, GAP Inc. has four major competitors in the U.S. family clothing industry, TJX Companies Inc., Ross Stores, Abercrombie & Fitch, and American Eagle Outfitters. Moreover, ZARA, H&M and FOREVER 21 in the world. Further, strategically retailers must also take into consideration that consumers not only purchase apparel from family clothing stores but also from department stores, big-box stores, men, and women stores, as well as children's and infant clothing stores thereby widening the competitive market and develop a strategy plan with that in mind.

POSITIONING



Value Proposition

Value proposition is the set of benefits or values GAP Inc. promises to deliver to consumers to satisfy their needs. Value proposition in GAP Inc. is the more for the same option, which offers consumers more benefits but charges them the same price. The more for the same proposition is often used to boost a company's position above. Customers are drawn to the company that provides the lower price and still offers the same product because they do not have to sacrifice the high quality they desire for a higher price. The good news is that the GAP, Banana and Navy brands all enjoy residual positive brand equity. The trick, for each of the three aging brands, is to evolve the brand's core value proposition to make it relevant to a new generation of customers, but without alienating too many of the older brand loyalists.

Product strategy

Gap Inc. has basically five brands. Those brands are “GAP, Old Navy, Banana Republic, Piperlime, Athleta and Intermix brand names “The GAP. Inc.” Also, the company under its brands sells products such as apparel, accessories, and footwear. More specifically, it sells jeans, pants, capris and shorts, skirts and dresses, outerwear, sweaters, shirts and T-shirts, active wear, swimwear, sleepwear undergarment, bags, shoes, belts, socks, hats, cold weather gear. Those products are trendy and fashionable, of high quality and of good design. The brand wise products can be seen as below:

-GAP: Trendy shirts, t-shirts, denim apparels, sunglasses, etc., basically for summer and spring seasons.

-Banana Republic: This is slightly premium segment dealing in better craftsmanship and luxurious materials. The products include clothes, sunglasses, accessories, footwear, bags, and perfumes.

-Old Navy: Widespread types of apparels, with target of lower middle to middle income consumer

-Athlete: sports apparel including yoga, tennis, skiing, and seasonal sports.

Thus, the wide range of products by Gap Inc, with different brand names, help target the customers of both mass market and premium segment.

GAP Inc. Pricing Strategy

In US markets, Gap is the market leader in its segment. Apparel industry is highly competitive and hence it is following a competitive pricing strategy in its marketing mix. Its major competitors are American Eagle outfitters, Urban Outfitters Inc. and Macy’s Inc. GAP Inc. protects its market share by optimizing cost for offering reduced prices for quality products. The demand for products, offered by GAP is quite inelastic (clothing being the basic need), although the market is quite price sensitive. People buy apparels that are more affordable to them. With this in mind, GAP Inc. shifted its focus towards a wider target segment since 2014. It optimized its operations for decreased cost and reduced prices. The supplier power in this industry is also limited due to many options available. The new pricing strategy of GAP Inc. integrates the combination of psychological and product line pricing techniques. It achieved this through localizing the inventory of its retail stores. Thus, transportation cost was minimized. Thus, it maintains its competitive edge for pricing through optimized operations.

GAP Inc. Distribution Strategy

GAP Inc. has got an extensive distribution network ensuring a strong presence worldwide. The products can either travel from company to wholesaler to retail or to the direct GAP stores, for consumers to buy from them. There are 3700+ store locations operated by GAP Inc. itself. Most stores are open round the year. Most of the stores are located in USA itself. The retailers use both online channels and offline channels in integration. GAP allows its customers to shop for multiple brands on the same site. It has increased its focus over internet sales channel. Even third party online channels like amazons, are open for GAP Inc. customers, to buy apparels or merchandises Customers also have the luxury to find the address of the nearest store to their location from the official website. One differentiating factor is that GAP products even if bought online can be returned on the stores to increase convenience. GAP Inc. is recognized all over the world. It is easily available brand in most metro cities of the nation’s worldwide. Although, self-operated GAP stores are less in number (only 20%of total), the online presence and third party stores have enabled GAP’s presence around the world.

GAP Inc. Promotion and Advertising Strategy

GAP Inc. uses various sales promotions techniques, that can be summarized as below. GAP Inc. offers various hard and e-gift card which can be used for buying across all sites and stores. Even online gift cards, get delivered in around 3 days, with the option of personalized message. Presenting the product in the best way, through mannequins display or boards and posters with trendy tag lines is one of the main sales promotions techniques used by GAP Inc. Print and media advertising is very extensive form for promotion. It is the main tool to deliver message to the target customers. GAP has used viral marketing in controversial manner, many times like stationing support for interracial family through its ads, which caused lots of discussion around the topic, gaining popularity for the brand name. These stories attract a lot of attention. Some other tactics also include organizing competitions and gifting GAP accessories and merchandise as gifts. GAP has also increasingly associated itself with CSR activities, to be recognized as a responsible and concerned brand, as its target group, the young generation are becoming more and more opinionated. GAP's Athleta brand introduced its Girl's apparel line with commercial ads focused on women empowerment and focusing on 'Power of She' to introduce equality at the most impressionable age of 6 to 14. Hence this completes the marketing mix of GAP.

GAP Inc. Marketing communication's strategy

Marketing communication mix comprises print and media advertising, sales promotions, events and experiences, public relations, and direct marketing as discussed below.

Advertising

GAP Inc. uses print and media advertising extensively as one of the main tools to communicate the marketing message to the target customer segment. In 2015, the company spent USD164 million on measured media in the U.S., a 26.4% decline over 2014. The most popular platforms used by GAP Inc. include magazines and journals, TV, radio, and banners on city centers. In 2016, GAP's Athleta brand released its first TV advertisement with the campaign 'Power of She' focused on female empowerment supporting the debut of the Athleta Girl apparel line, which targets ages 6 to 14. Moreover, viral marketing represents an important additional tool within GAP Inc. marketing strategy and the company has a history of using viral marketing in a controversial manner. Specifically, the company's Twitter campaign included an image of two white girls in poses that look quite painful, next to a third white girl using a smaller black girl as an armrest. The campaign caused a massive controversy and debate attracting thousands of retweets and likes, the story being covered by more than 214 news articles. Another instance of GAP marketing campaign involved an image of a happy interracial family, causing debates on social media platforms about the issue of interracial marriage.

Sales Promotion

As a fashion, apparel and accessories retailer, GAP Inc. uses various sales promotions techniques. The use of sales promotions by GAP has the following patterns:

- Loyalty cards— Each brand within GAP Inc. portfolio – GAP, Old Navy, Banana Republic and Athleta offers its own gift card, as well as electronic gift card. A gift card by any above brand can be used across all GAP Inc. sites and stores. Once applied online, a gift card can be delivered within 3 – 5 business days in a special envelope with a personalized message.
- Point of sale materials such as posters and display stands in stores is one of the main sales promotions techniques extensively used by GAP Inc. The fashion, apparel and accessories retailer is experienced in presenting the product in its best way or show the customer that the product is there in each store across its brands.
- Money off coupons. Although GAP Inc. brands do not offer money off coupons directly from their website or in their stores, discount coupons for GAP Inc. products can be purchased from a range of third party websites. Apart from above, the company seldom uses additional sales promotion techniques such as competitions and free gifts.

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