The Gap Inc. Harvard Case Solution & Analysis

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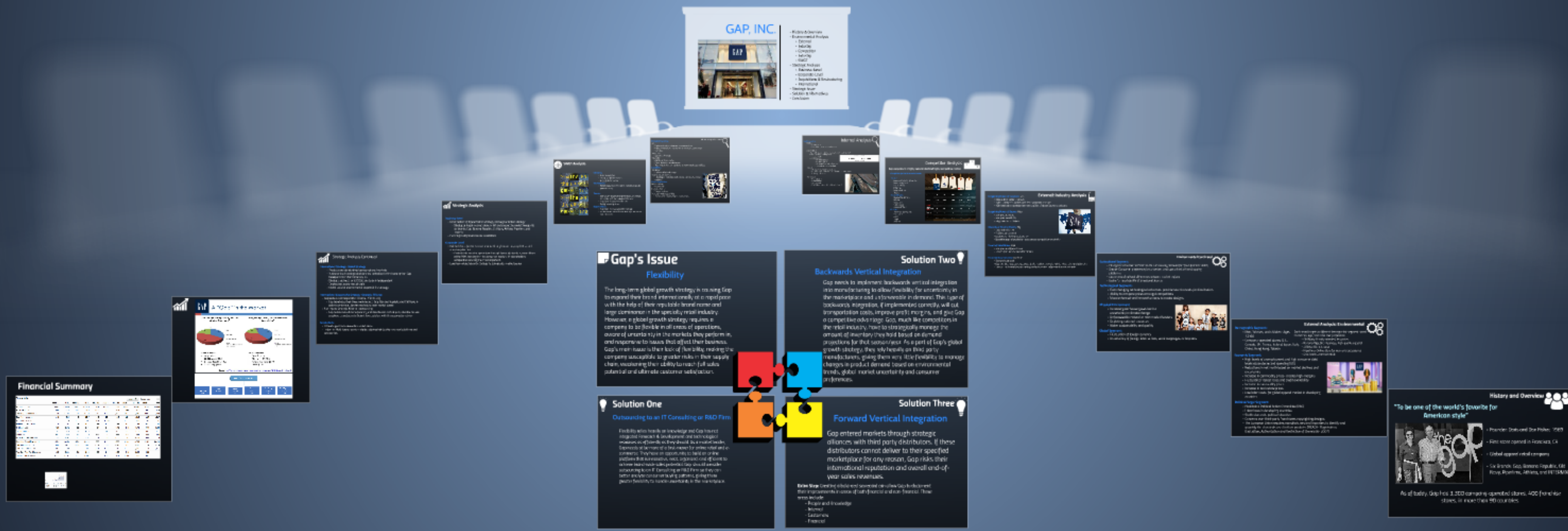

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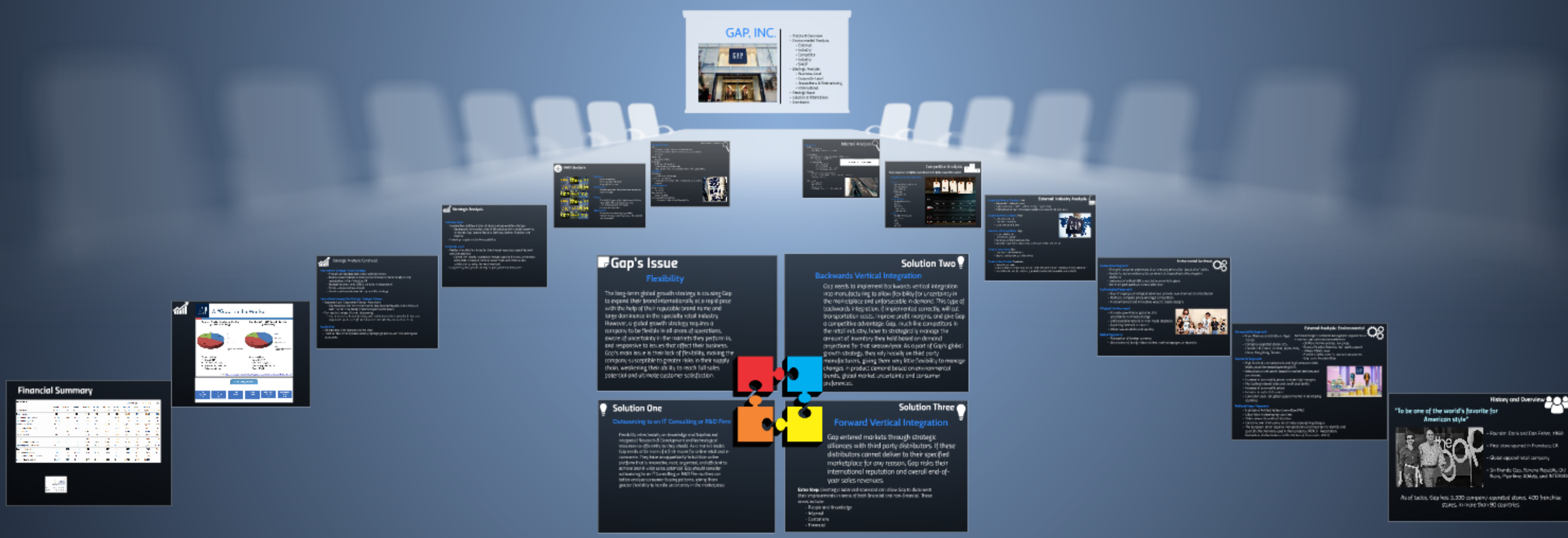
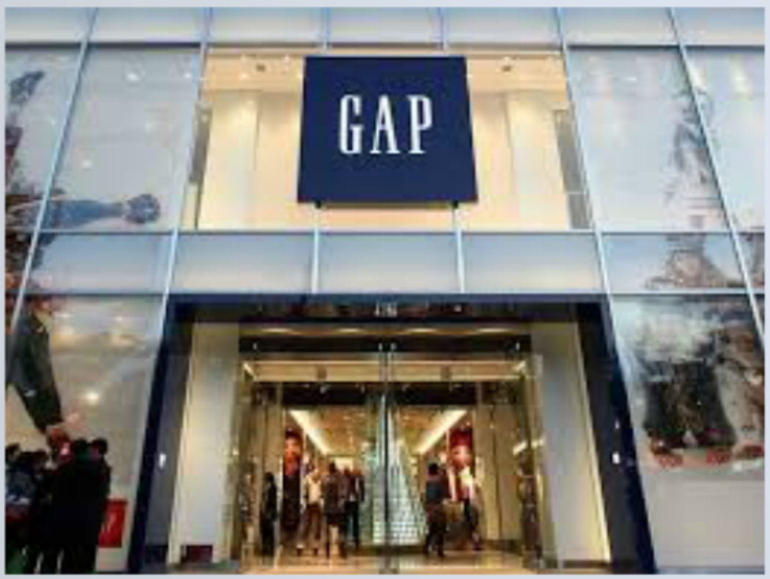


GAP, INC.



- History & Overview
- Environmental Analysis
  - External
  - Industry
  - Competitor
  - Industry
  - SWOT
- Strategic Analysis
  - Business-Level
  - Corporate-Level
  - Acquisitions & Restructuring
  - International
- Strategic Issue
- Solution & Alternatives
- Conclusion

ble Resources:

Internal Analysis Continued

Tangible Resources:

Internal Analysis

History and Overview

"To be one of the world's favorite for American style"

- Founder: Doris and Don Fisher, 1969
- First store opened in Francisco, CA
- Global apparel retail company
- Six Brands: Gap, Banana Republic, Old Navy, Piperlime, Athleta, and INTERMIX

As of today, Gap has 3,300 company-operated stores, 400 franchise stores, in more than 90 countries.

External Analysis: Environmental

Demographic Segment:

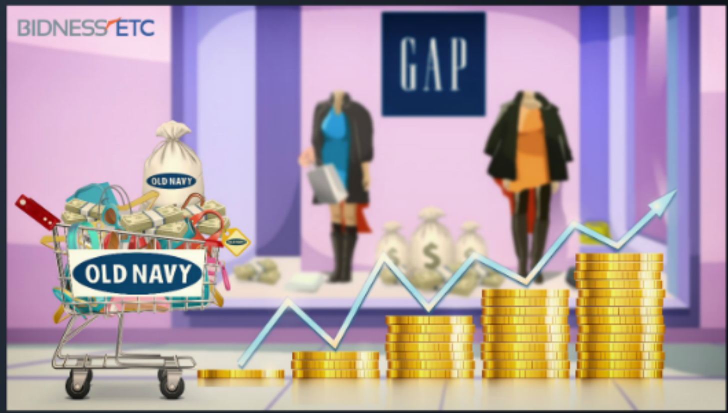
- Men, Women, and children- Ages 12-60
- Company-operated stores: U.S., Canada, UK, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan

Each brand targets a different demographic segment based on income, age, and consumer preference.

- Old Navy: Family-oriented, low prices
- Banana Republic: Business, high-quality apparel
- Athleta: Athletic wear
- Piperlime: Online store for women's accessories
- Gap: Iconic American Style

Economic Segment:

- High levels of unemployment and high consumer debt levels cause decreased spending (US).
- Reductions in net worth based on market declines and uncertainty
- Increase in commodity prices- creates high-margins
- Fluctuating interest rates and credit availability
- Increase in commodity prices
- Increase in real estate prices
- Low labor costs for global apparel market in developing countries



Political/Legal Segment:

- Maintain a Political Action Committee (PAC)
- Labor laws in developing countries
- Stable domestic political situation
- Concerns over third-party franchisees copyrighting designs
- The European Union requires manufacturers and importers to identify and quantify the chemicals used in their products. (REACH- Registration, Evaluation, Authorization and Restriction of Chemicals- 2007)

External: Industry Analysis

Bargaining Power of Suppliers: Low
- Diverse distribution channels
- High quantity of suppliers with less bargaining leverage
- High levels of competition between suppliers reduces cost for producers

Bargaining Power of Buyers: High
- Low product value
- Low price sensitivity
- Large number of buyers

Intensity of Existing Rivalry: High
- Large industry size
- Fast industry growth
- Customer switching costs are low
- Specialty apparel production costs across competition are similar

Threat of Substitutes: High
- Low product differentiation
- Easy to produce low cost alternatives

Threat of New Entrants: Moderate
- Economies of scale
- Gap provides necessary resources to distribution channels maintaining a strong relationship
- New online channel for purchasing products creates unforeseeable new entrants

Competitor Analysis

Gap competes in a highly concentrated and highly competitive market.

Competitors for the three main brands:

The Gap
- American Eagle Outfitters, Inc.
- American Apparel
- Chico's FAS, Inc.
- JC Penney
- Aeropostale Inc
- Macy's

Banana Republic
- Abercrombie & Fitch
- ANN Inc.
- Nordstrom
- Ralph Lauren
- Urban Outfitters

Old Navy
- The TJX Companies, Inc.
- Ross Stores
- Kohl's
- Target
- Walmart

Ticker	GPS	ANF	URBN	LULU	LB
Revenues	$16.3bn	$4.3bn	$3.04bn	$1.6bn	$10.8bn
Historical Revenue Growth (3yr CAGR)	3%	6%	11%	31%	4%
Revenue Growth Forecast (FY 15)	4.5%	0.06%	10.4%	16.2%	6%
Historical EPS Growth (3yr CAGR)	13%	-8%	5%	34%	14%
EPS Growth (FY 15)	11.2%	47.7%	14.6%	2.2%	10.4%

Internal Analysis

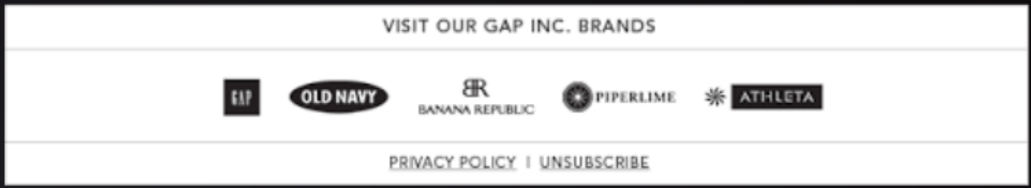
Tangible Resources:

Financial

- Common stock
- Cash collections from merchandise sales

Organizational

- Board of Directors: independent perspective on the business and oversight of company management
    - Size: 10
- Executive Positions
    - President and CEO
    - Division President
    - Corporate Executive Vice President
    - Corporate Senior Vice President



Physical

- Well designed company-owned stores
- Distribution facilities are kept up to standards and codes related to the region it resides

Technological

- Mobile platform
- Personalization
- Omni-channel,
- Loyalty and customer relationship management