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I. Introduction

The 2003 “Back to Classic” project is designed for Gap to attract their new target segmentation, customers between 15 and 55. In order to appeal to the wide age range, this proposal will present some re-positioning suggestions based on the detailed situational analysis. The new position will differentiate Gap from competitors and make Gap stand out in the existing apparel market again. A series of suggestions among advertising, promotion as well as communications aspects will be included to help Gap to achieve the sales objectives by the end of fiscal year 2003.

We hope that after reading this proposal you will share our confidence that Gap will not only improve the sales performance in the following year, but also strengthen the customer relationships as well as the overall brand image. We believe this “Back to Classic” project will bring Gap back to the glorious position of “American Icon” again in the near future.

II. Situational Analysis

1. Gap Background: Donald Fisher established gap in 1969 in San Francisco. Gap’s products especially fit the needs of the baby boomer generation, who had strong anti-establishment sentiments on both their lifestyle as well as their dressing style. Therefore, Gap became a popular apparel brand.

By 1976, Gap went public, and was regarded as an American icon. In the 1980s, people from Generation X became loyal shoppers at Gap. In 1983, Gap acquired Banana Republic, to target the upscale urban audience. Further in 1986 and 1990, Gap expanded its territory by separately launching Gap Kids and Baby Gap. Later in 1998, Gap launched an online store.

In the 1990s, Gap faced some difficulties in their business. Gap faced serious criticisms for its unregulated labor policies and focused on the homosexual market. Also, people from Generation Y were

not big fans of Gap anymore. Later in 1994, Old Navy was launched by Gap and targeted the family market that provided cheap clothes for everyday wear. Soon, Old Navy took over Gap's sales.

Currently, we believe Gap faces the following issues: The Gap's sales have had continually negative growth in the past 25 months. Although Gap launched more than 200 stores in the U.S. in 2001, it failed to positively contribute to the sales.

Gap's major competitors' sales have positively grown in the past year. In the end of the fiscal year 2001, J. Crew, A&F, American Eagle, and J.C. Penney reported growth in sales by 10%, 8%, 14%, and 1.5% respectively. Aeropostale's sales increased nearly double in the past two years. Also, Gap lost their market share because they could not keep their current target customers (Generation Y). Also, Old Navy cannibalizes Gap's sales.

2. Apparel Industry Overview: Four major formats of apparel stores in U.S.: mall-based specialty store, mass merchant or promotional department store, traditional department stores, and national chain stores. Gap is located in specialty store that rarely has discount. The sale of apparel sales in 2001 is increased by 1.3% from \$182 billion in 2000. Although the price inflation would decrease in 2002, the increasing rate will keep the same growing rate. Brick and mortar stores contribute to 92% of total sales in apparel sector. Specifically, 27% and 20% of apparel sales are from the specialty stores and the department stores, separately.

3. Competitor Analysis (See Table.1 & 2): For Gap, the major competitions come from specialty retailers and department chain store. For wide store locations, no one could compete with Gap, which has 2932 stores. However, financial results showed growths among competitors to some extent, and almost all of them were successfully using catalog and Internet to increase sale (especially J. Crew and

A& F). What's more, according to the report on brand preference, A&F, Aeropostale and AE had good performance; A & F and Aeropostale paid attentions to their store design (signage, music, display and sale force), which contribute to the preferences among teens. Moreover, A & F shared similar consumer segmentation with Gap due to its separate brands that relatively cover 7-14, 14-18 and 18-older. Therefore, when targeting Baby Boomer and Generation X&Y, Gap needs a repositioning.

III. SWOT Analysis(See Table. 3)

1. Strength: Gap, as a historical brand, was relatively more easily to build emotional connection with consumers, especially Baby Boomers and Generations X who were brand loyal. Also, to continue its image as "American icon", Gap provided various selections for people at different ages. What's more, Gap's 2932 stores is a huge advantage over other competitors.

2. Weakness: Gap didn't have a clear positioning strategy, especially when they tried to attract Generation Y (who were price sensitive and had fickle mind). Even though the fast expanding during 2000 to 2001 could bring Gap effective inventory on wide locations, it also led to a dramatic increase in the aspect of operation expense nationwide. Also Gap didn't have a strong leadership at that time.

3. Opportunity: Facing the fact that Generation Y hadn't build any brand preference or loyalty yet, Gap could seize this chance to bond Yers with Gap. What's more, the Gap brand extension to kid and baby could also help them win more potential consumers in the future. In addition to the domestic market, the oversea markets of Gap could further increase its market share.

4. Threat: The threats mainly came from three aspects, including the economic environment (spending for apparel decreased by 6% in U.S.), the fierce competitions in apparel industry, and the criticisms about out-sourcing issue of Gap.

IV. Strategic Marketing Plan Recommendation

1. Target Audience: Gap current target audiences are those customers between 15 and 55. Teenagers and young adults (Generation Y) are usually brand switchers. They usually do not have stable purchasing patterns and it's hard to make them become loyal customers. They are more price-sensitive as well as fashion sensitive. Middle ages (Baby Boomers and Generation X) are more stable customers. They have special emotional and historical connection with Gap, and used to be loyal customers. They prefer more classic and basic style products, especially semi-casual clothing.

2. New Positioning: For Gap target customers between 15 and 55, Gap is the brand of apparel that offers the customers the classic, fashionable and affordable clothes that meet their different needs and have exceptional value.

In order to avoid overlapping with Old Navy and other major competitors, Gap has to find its niche in positioning. Price will be focused to differentiate Gap with Old Navy. Thus, we recommend to keep the same positioning status on price dimension (affordable but not too cheap), but to push Gap toward to a little more fashionable position. We propose to reposition Gap as an “affordable classical-fashion” brand that can fit all the needs and wants from Gap target customers (See Chart 1).

3. Sales Goals and Objectives:

Objectives: (1) Stop the decrease of the negative sales performance in the fiscal year 2003; (2) Increase domestic sales by 15% during fiscal year 2003 (See Chart 2); (3) Maintain the market share 2.8% (See Table 4); (4) Reposition the overall Gap brand: Back to classic by the end of 2003; (5) Win back the Baby Boomers/Generation X; (6) Increase/Strengthen the brand loyalty of Generation Y.

Gap had reported negative growth in domestic sales during the past 25 months. The sales of fiscal year 2001 is 5% less than 2000. We forecast the reduction in the domestic sales maintain 5% in fiscal year 2002. Hence the sale of 2002 is $95\% \times \$5.2 = \4.9 billion. Based on the sales of 1999, 2000, and 2001, the sales of 2002 and 2003, ideally, should be \$5.5 billion, and \$5.65 billion, respectively (See Table.1). Although Gap could not meet the ideal sales in 2002, we forecast, through our IMC campaign, Gap's sales in 2003 will return to the previous trend. The domestic sales in 2003 will be \$5.65 billion, which is 15% increasing as compared to \$4.9 billion in 2002.

4. Advertising and Promotion Plan: The entire Gap brand will be promoted as well as the different product lines (Gap Basic and Gap Classic). "One store for all ages" will be the overall Gap brand advertisements concept, so customers will get a sense that Gap starts to offer apparel for teenagers to middle age adults. In the meanwhile, Gap Basic and Gap Classic will be promoted separately, so we can precisely reach our wide range of target audiences.

(1) Advertising Plan

a. Advertising Objectives:

- Build Gap new brand image through advertising by differentiating Gap from other competitors and avoid cannibalization internally with Old Navy.
- Recall the image of "American icon" among old generations (Baby Boomers and Generation X) in order to win back and reinforce their brand loyalty.
- Emphasis "Classic is the new fashion" among young generations (Generation Y), and gradually help them build brand preference with Gap.

b. Message Strategies: Gap, as a high-involvement transformational brand, the advertising will

concentrate on both Gap as a brand and individual product lines. By adopting affective strategies, we came out three taglines. “Back to Classic” is focusing on promoting overall brand image. We will select model from both old and young generations appear in the same ads to show Gap is store for all ages (version 1-See Exhibit 1 & 2). “Classic is the new fashion” will focus on Gap Basic product line. Young models will be selected in this version (version 2- See Exhibit 3). “Welcome back, old sport” will focus on Gap Classic product line. Middle-aged models will be selected in this ads version (version 3 See Exhibit 4). Different messages will be delivered vary in different channels based on target audiences’ media preference. In this way, Gap could invoke not only current consumers’ emotions related to Gap, but also the potential consumers’.

Celebrity endorsement in advertisements is an effective way to present affective messages because choosing right celebrities could help Gap attracts different targets. What’s more, we will suggest using common customers as models in order to emphasis their resonation with Gap.

c. Media Selection:

Due to the characteristics and media preferences of our target audiences, Gap’s media selection includes TV, Print (Catalog & Magazine), Outdoor and Online.

TV commercials will run on both national network and cable channels to reach wide range of target audiences. Especially during the TV shows that have the same target segmentation with Gap, such as American Idol for old generations and Survivor for young generation. The TV commercials will launch two versions, separately target young generations and old generations.

Print ad includes catalog, Free Gap membership newspaper/magazine, and general magazines. In addition to Gap seasonal catalog, we will send to Gap member newspaper/magazine each season. The

content will be focusing on emotional connections with loyal customers, rather than simply showing new products. For example, adding a story of “7-day Gap loyal consumer’ choice for different occasions”. What’s more, magazine ads will publish based on different audience with certain version. For example, fashion magazines (version 2 ad) for young generation, such as on Cosmopolitan, and Vogue; GQ and People magazines (version 3 ad) for old generation.

Outdoor ads, as a tradition for Gap, will be the different size of billboard located at bus stations, ship-flag stores, shopping districts, etc. Outdoor ads can target wide range of publics; therefore, the version 1 of ad will be used.

Since online advertising is a trend in apparel industry and based on young generation’s media preference on Internet, online ad will mainly target Y generation. Online ad will be divided into Banner and Keywords. Banner will be posted on Gap official website and portal websites (Yahoo!), and Keywords bidding on search engine (Google).

2. Promotion Plan

a. Coupon: Coupons will be designed in three types: free sample give-away, discount coupon, and time-limited price-off coupon. Both the discount and free gift coupons will be delivered in 3 ways: direct mail (sent with flyers), electronic delivery, and at store (right after customers purchase). Birthday coupons can be a direct way to motivate customers’ purchase intentions and increase brand awareness, especially for price-sensitive young generation.

b. Membership Program: Gap membership should be maintained well. This is the way to collect loyal customers’ information, including purchase frequency and product preferences. Also, by providing members “member-only” services, Gap members will have big chances to turn into loyal customers.

c. Contests: Gap will run a contest to let consumers share their moments with Gap. By emailing their pictures of them wearing Gap either in past or recently, the most representative and creative consumers will have a chance to win a prize, such as being the Gap model with celebrities the next season.

d. Events Promotion: Event marketing will be focused in some flagship stores in big cities only. The purpose is to create buzz and increase people's awareness toward Gap's new positioning. Three kinds of events will be designed: Gap fashion show, and in-store VIP appreciation night.

Gap fashion show will be hosted outside the Gap flagship stores, and invite regular people as models from teenagers to middle ages to wear Gap products to have a catwalk. For the in-store VIP appreciation night, limited VIP customers will be invited to hang out with Gap high executives, designers, celebrities, and fashion magazine editors to join the VIP event.

e. Store Layout, Atmosphere, and Feature Ads: The store layout needs to be clear for separating Gap Basic and Gap Classic. Even though these two product lines will be included in the same store, the display design should be modified with different lines. For example, Gap Basic can include some posters with young models on the wall (feature ads). Also, the discount clothes should be put in the end of aisles and new products should demonstrate in the front door as well as the new posters. For the building store atmosphere, applying the store music can increase the customer purchase involvement.

3. Public Relations

Conducting Corporate Social Responsibility (CSR) project is a win-win strategy. By benefiting the society, Gap will earn positive brand image and reputation. Gap should choose one project first to build credibility in this area. The "human rights" could be a good choice, since Gap had some issues about labor; supporting and protecting equal labor right in factories can be a project to permanently support.

V. Media Allocation and Media Plan (See Chart 2)

1. Media Allocation: TV will be the Primary media, and the secondary media include Print, Outdoor, and Online. According to the division sale from 2000 to 2001, compared with Old Navy and Banana Republic, Gap (domestic and international market) counted about 52% to 49% of its total sale. Also, Gap is facing a repositioning issue, which needs more budgets to achieve. Therefore, Gap will share about 60 percent of the total advertising budget. Based on the ad spending in 2001 and new media selection, TV will still count about 60% of the total spend, which followed by magazine (18%), outdoor (12%), catalog (7%), and online (3%). Because online Channel will mainly use to target young generation, the ad spends on Gap basic will slightly higher than Gap Classic. Moreover, we suggest that the ad spend on product lines and brand image is respectively 66% and 34%.

2. Media Plan: Sale of Gap follows a seasonal pattern, which launches new apparels in during different seasons and reaches its peak before holiday season. Thus Gap will adopt seasonal priming pattern to launch different series advertising extensively before each “New arrival” season.

VI. Budget

If Gap keeps 5% reduction rate in 2002, and then this year’s sales will be \$4.9. The Advertising Elasticity Coefficient for Durables indicates that an increase in sales by 10% in ad spend for the year would increase sales by 3.6%. Therefore, the negative growth in sales by 5% would need an ad spend increase $-5\% / 3.6\% = -1.4 \times 10\% = -14\%$ in ad spend over the original spending of \$102.3 in 2001, which would be \$88 million (See Table 5).

We forecast Gap’s domestic sales in 2003 will be \$5.65 billion that is 15% growth as compared to \$4.9 in 2002. Thus, we wish to increase Gap’s ad spend to achieve 15% increase in 2003’s sales.

Following the Advertising Elasticity Coefficient for Durables, the ad spend in 2003 will be \$125 million (See Table 5).

VII. Evaluation

A panel survey and two focus groups will measure our campaign's effectiveness on consumers; the sales and market share in 2003 will also evaluate our campaign's effectiveness. The result of evaluation will contribute to adjustment on media budget, and media plan. We will randomly select 1,000 consumers from the Baby Boomer and the Generation X, and Y, respectively.

Pre-test aims to measure respondents' brand awareness, brand recognition and recall, brand preference, their purchasing intentions and behavior, as well as demographic information. Two successive waves will be conducted in the middle and end of fiscal year 2003, respectively to measure any shift in participants' attitude, intention, and behavior.

Two focus groups will be conducted a year after the campaign's launch. Based on the result of our panel survey, we will invite those respondents who report relatively rapid changes, as well as participants who have nearly no modification. Through focus groups, we can acquire target audiences' acceptance and evaluation about our campaign, as well as the deeply understanding on components' effectiveness.

Appendix:

Table. 1 Competitors overview

Catalog [↕]	Website [↕]	Store [↕]	Strategy [↕]	Oversea [↕]	Store Design [↕]	Target [↕]	Brand preference [↕]	Sale [↕] 2001 [↕]
✓ [↕]	✓ [↕]	40 outlets 150 stores [↕]	Expand stores rapidly [↕]	Japan [↕]	N/A [↕]	N/A [↕]	↕	sale↑; [↕] store [↕] sale↓ [↕]
✓ [↕]	✓ [↕]	491 [↕]	Separate brands [↕]	N/A [↕]	design, furniture, fixtures & music [↕]	Age: [↕] 7-14, [↕] 14-18, [↕] 18-older [↕]	Share of mind with teens-No.1; [↕] Frequent place to shop: No.1 [↕]	sale↑; [↕] Sale per sq. ft↓ [↕]
N/A [↕]	N/A [↕]	278 [↕]	Not after fashion & Smaller Store [↕]	N/A [↕]	signage, lighting, music & sales force [↕]	Age: [↕] 11 - 20 [↕]	No.5; [↕] No.5 [↕]	↑ [↕] Doubled [↕]
N/A [↕]	✓ [↕]	678 [↕]	High quality & affordable prices [↕]	Canada [↕]	N/A [↕]	Age: [↕] 16 - 34 [↕]	No.3; [↕] No.2 [↕]	↑ [↕]
✓ [↕]	✓ [↕]	1,075 [↕]	shopping mall anchor [↕]	North & South America [↕]	N/A [↕]	Family income: [↕] 30,000 - 80,000 [↕]	↕	↑ [↕]

Table. 2 Competitors ad spending & media channels

Brand	Media Channels	Expenses	Compared with previous year
J. Crew	TV & Catalog, & Online ad	\$60.8 million	↓
A & F	Catalog & mailing & in-store photos, & print ads in national magazines;TV	\$30.7 million	↑
Aeropostale	short film; TV , print ad	1% of its sales	N/A
American Eagle	Direct mail & Print ad & Online ad	45.3	↑
J.C. Penny	TV, radio and print media	\$1.08 billion	N/A

Table. 3 SWOT analysis

<p>Strength</p> <ul style="list-style-type: none"> ✓ Baby Boomers & Generations X were brand loyal; ✓ Gap have wide categories which could cover all ages; ✓ Gap is a historical brand that easily creates emotional attraction with consumers; ✓ Gap is treated as “American Icon”; ✓ Wide locations of Gap physical store; ✓ Effective inventory 	<p>Weakness</p> <ul style="list-style-type: none"> ✓ Gap didn't have a clear position; ✓ Lack of strong leadership; ✓ Poor sale performance in past 25 months; ✓ Low attraction to Generation Y; ✓ Quick expansion led to increase of operation expense.
<p>Opportunity</p> <ul style="list-style-type: none"> ✓ Generation Y were not brand loyal; ✓ Brand extension(Gap Kids; Gap Baby); ✓ International Market; ✓ 92% sale came from physical stores. 	<p>Threat</p> <ul style="list-style-type: none"> ✓ U.S economic decrease (partially due to 911) ✓ Intense Competitions among apparel industry; ✓ Criticisms of out-sourcing.

Table. 4 Market Share in the U.S. Apparel Sales (2001)

Gap	J. Crew	A&F	Aero	AE	JC Penney
2.8%	0.43%	0.8%	0.17%	0.7%	9.6%

Table. 5 Ad Spend

	2001	2002	2003
Sales(billion)	\$5.2	\$4.9	\$5.65
Adspend (million)	\$102.3	\$88	\$125*
Advertising/sales ratio	1.97%	1.80%	2.21%

Exhibit 1&2- Advertising sample “Back to Classic”



Exhibit 3- Advertising sample “Classic is the New Fashion”



Exhibit 4- Advertising sample “Welcome back, old sport”



Chart 1. New Positioning

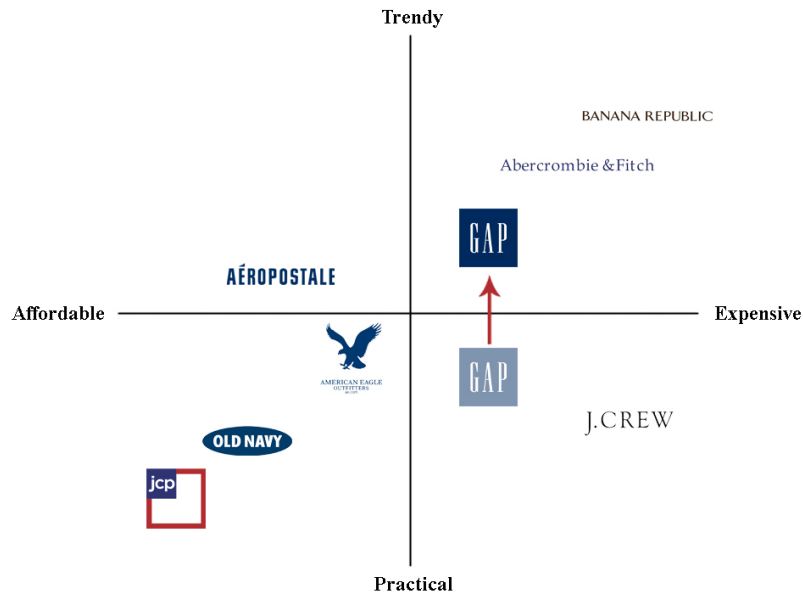


Chart 2. Sales Forecasting

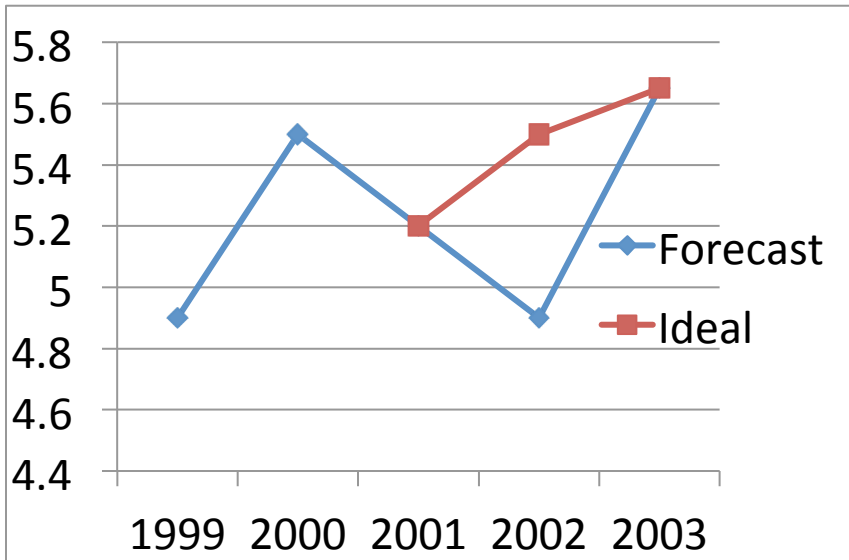


Chart 3. Media Allocation

