**Predicting Consumer Tastes with Big Data at Gap**

**Synopsis.** In summary, the case covered Gap’s transition into utilizing Big Data for predicting consumer behavior. Art Peck was appointed CEO of Gap Inc. in 2015 with a goal to turn around the struggling business through analytics. As the fashion industry turned away from brick and mortar stores due to the rise of digital shopping platforms, the company was in dire need of change. Peck faced challenges internally from designers, not liking the amount of influence one individual has as a creative director. Through Google analytics, Google trends, social media, and customer sales database, Gap could construct a more collective and creative ecosystem to identify trends and insights that didn’t depend on one person’s creative process. Shortly after being appointed CEO Peck fired the head of design, marking a turning point as Peck utilized predictive analytics for selling existing products, adding new products, and enhancing its supply chain.

Peck began his digitization of Gap by making all of their in-store inventory available for purchase online. Traditionally, predicting customer preferences posed a challenge to retailers as such preferences are dynamic and new trends are constantly changing. Peck combatted this stigma via analytics of Gap’s ecommerce platform. Despite the rise of online shopping, 80% of Gap customers preferred to shop at their physical stores to try the clothes on before purchasing them. To accommodate this, Gap incorporated an augmented reality feature into their platform that served as an alternative to physically trying clothes on at the store. Through analytics, Gap created new products by both identifying spoty trends in the market and the sales performances of a given product. Analytics enhanced Gap’s supply-chain, cut down the product development cycle by 8-10 weeks and identified approximately 450 brick-and-mortar stores to close. Peck’s implementation of analytics allowed Gap to pivot their business from a design-dominated operation to a data oriented business model.

**Additional Research.** Data oriented business models yield several advantages. For one, data analytics allows for the prediction of future style trends. One reason for Gap’s decline is due to their larger size, they are unable to get new products in store quickly. As a result, smaller competitors or more vertically integrated competitors who can get the latest trends in store much faster will always beat them in sales and public perception. The use of prediction allows Gap to circumvent this issue and get the latest styles to consumers faster. An additional advantage is that the analytics allows for significantly more efficient spending. For example, analytics would allow for identification of the best advertising metho~1qds to meet Gap’s target consumers. In theory, by adding analytics into the business model, Gap will be able to keep up with more nimble companies while also remaining monetarily efficient.

**Questions.** Gap’s struggles during 2017 can be attributed to a combination of two factors: The decline of the traditional brick-and-mortar retail system that Gap had previously thrived on, and the ephemeral nature of the creative directors hired to course correct as Gap continued to struggle in the advent of digital shopping. Peck was correct in firing his menagerie of creative directors and instead adopting a decentralized system based on data analytics. In the previous system, one reliant on the whims of individual talent to generate trends, Peck was rightfully afraid of the fallibility of these individual leaders, and how year-to-year sales might be affected by the successes and failures of these individuals. Additionally, by utilizing big data, Gap was better positioned to catch trends as they appeared, as real-time user feedback directly fed the design team information on what clothing designs were currently appealing to the public eye.

While the big data approach is important in certain areas like marketing and inventory management, it can drastically change the image of a company if utilized in product creation. Gap Inc.’s brands Gap and Banana Republic are positioned to offer a more classic clothing selection and a big data approach would shift their selection towards a more trendy offering. Additionally, Banana Republic has a clear understanding of their market and designers know what their customers are looking for so it does not make sense to replace the creative directors with a big data approach. In comparison, Old Navy is a perfect brand to compete with fast fashion brands as it positions itself as a lower cost, trendy brand. Companies like Zara and H&M have grown in popularity over the past few years and have done so on the back of data analytics. They have been able to utilize consumer insights to rapidly bring items to shelves at low costs. Old Navy would greatly benefit from following a similar business model and would be able to utilize big data the best out of Gap Inc.’s three brands.

Gap Inc.’s Product 3.0 is built on a strong foundation but falls short in many ways. Peck’s plan to utilize real time data in managing inventory and marketing is an important business decision which should decrease product waste throughout the company. Additionally, Peck’s use of data in e-commerce recommendations has a strong likelihood of increasing sales as it has seen success in dozens of other online businesses. Peck’s most controversial decision was to replace all of Gap Inc.’s creative directors with analytics based product development. While the use of big data to influence product development is important in the modern age, the complete replacement of all creative directors dilutes brand identity. An improvement to Peck’s Product 3.0 would be in the addition of creative directors who have final say over what products make it to production. This reduces unnecessary risk and allows for greater control over the product line.

Big data/predictive analytics is more useful in capturing trends that already exist in the market, rather than cultivating new trends that consumers will follow. In general, predictive models are best used to understand historical data, and predict outcomes that follow those historical trends, rather than predicting new trends entirely. As fashion is somewhat cyclical, in that trends tend to repeat themselves, predictive analytics may serve a key role in identifying the resurgence of old trends. However, truly novel ideas in fashion will not be detected by big data/predictive analytics. As the world becomes more oriented towards big data, it is important to understand this distinction: with data science, we can understand customer behavior empirically, suggesting clothes that they might find appealing based on historical data. However, the art design behind those clothing articles will always be an integral part of the business. Therefore, “Art” should rule when trying to direct the market, not capture it, whereas “science” is important in understanding the current design landscape.

**Conclusion.** With the rise of eCommerce, Gap’s push toward Product 3.0 and away from traditionality is a forward thinking operation that poses great value, although lined with risky costs. The necessity for analyzing customers on an individual level must be the central focus of the organization as there will be a time when current fads come to an end, and the collective tastes of consumers must be looked at to gain a better insight as to where the fashion sector is heading.

Links:

Additional\_Information: https://www.cnbc.com/2018/04/11/gap-ceo-art-peck-big-data-gives-us-major-advantages-over-competitors.html