

Name: Shantanu Gupta

Student Number: 218200234

MIS782 Assignment 1 – IT Portfolio Theory

**Q1a. Identify various IT assets and their business value returns mentioned in the case study using the IT Portfolio theory.**

<b>Asset</b>	<b>IT Portfolio Asset Class</b>	<b>Business Value</b>
Google Analytics, Google Trends, Social Media	Informational Asset	General trends which item is popular, which keyword is following, which country see that product more
135,000 employees ,50 countries retail location	Infrastructural Asset	Brand Value to the company , reputation
Gap Managed five brands	Infrastructural Asset	How big is the company is
Digital Capabilities	Transaction Asset	Providing Omni-channel facilities through phone, tablet, and website & giving seamless interaction online & physical stores.
Voice of the customer like feedback, Word of the mouth, Instagram, Pinterest, social media analytics	Informational Asset	Liking or disliking of your product by people
Augmented Reality App	Transactional Asset	Attract more customers & add more traffic to your app that may in turn get you the sales
E-mail programs to provide relevant, personalized messages to consumers like geosniffing	Informational Asset	To attract more customers to buy our products from platform, Stick the customer to our websites
Using Data Mining	Strategic Asset	Advances Competitive Position in the market: - 1-New Product Development 2-Pice Optimization
Supply Chain Integration	Informational Asset	It connects your supply chain partners & ensure that right information is available to the right person at the right time
Some manufacturing units shifted from Asia to the Caribbean, Implemented fabric platforming	Transactional Asset	1- Deep Discounting 2- Managing time from design to store
Television advertising and store-window merchandising	Transactional Asset	Connects to the local people
Selling with Amazon, Selling through third party online retailer like Zalando etc.	Informational Asset	Getting customer data, taste & preferences

HR System, ER System, Payroll system	Informational Asset	Help in managing better integration with different departments There are many vendors are providing these modules. Like-SAP,ORACLE
Computers ,printers, servers, shared computing resources, factories, Head office, retail shops in different counties, inventory, raw material	Infrastructure Asset	Capital Asset of the firm
Partnering with Zalando, china's tobac,Jd.com	Strategic Asset	New market entry without investing huge money,getting local tastes

**Q1b. To what extent does this organization have an IT portfolio which provides a balanced view of value, risk and return?**

The main objective of the Gap was to improve operational efficiency, reduce the redundant cost, & improve profitability. In this case, the appropriate investment for the Gap either would be in transactional or informational IT investments or both. But we have to design a portfolio in such a way that IT investments are aligned with both business objectives, and operating model so, that you can maximize the return & minimize the risk. So, I think that Gap should invest more in Transactional or Informational rather than Strategic and Infrastructure. And that's precisely what Gap is doing under the leadership of peck.

So, let us look what the transactional investments are done by Gap Company. They are:-

1- Removing the top creative directors from the company by through substitution through analytics technology. In turn, Gap is increasing the throughput in the similar costs.

2-As the company is struggling with the product development, so he cut back investment in television and store-window merchandising. Increase the investing more in online platforms like Google analytics, trends, selling with Amazon, partnering with third-party sellers like Jd.com, China's tobacco, Zalando to get local tastes of that country rather than investing huge capital investment on the shop.

3- Reducing the complexity and costs, as the conventional method is that the fabric & designing depends on the one's artistic vision or maybe gut feeling of some creative design members. So, it depends only on in the vision and hands of some members. Besides that cost involved in designing, sending fabric, buying fabric, approval of the fabric takes time as these directors are engaged with other companies also. It delays in the manufacturing time.

So, the peck is more focused towards improving the quality, with better fashion predictions like color, material, shapes with predictions algorithms, clear brand vision, believe in the word of mouth publicity & social trends. As we know that that the transactional investment is least risky but we get the lowest return also. But, this will not yield the competitive advantage to your firm.

To improve profitability & to get some competitive advantage the gap has also made IT investment in the informational. So, let us look what the transactional investments are done by Gap Company. They are:-

1- Supply Chain management system-In case study they shifted its manufacturing plant from Asia to the Caribbean because shortened the time from designs-to-stores. It is only possible when there is a correct information is available to the right partner at the right time for analysis & another managerial decision making.

2-The second alignment that I seek is that they investing highly in the Informational investment especially in digital transformation tools like the augmented app, google analytics, trends, focusing on real-time data, purchasing e-commerce data that will help in controlling in better in the inventory control, new releases, & reorder. As this gives the freedom of more discounted pricing & reducing over-wastage of inventory.

3-Besides, more focus is given to the customer purchase data, its own data from its websites, and also from e-commerce websites will providing them relevant, customized messages on the basis of geo-locations, IP & history of that customer.

But, as we know that the Informational investment is we get the high rate of return but also highly risky. In order to avoid high risk, we need check whether the firm is Tech-savvy or not.

From my recommendation, it is not good for the Gap to invest in the strategic as this requires the development of new capabilities/innovation. From this, they are the highest rate of failure and this time the gap does not accommodate losses as the company positions are not good from last 15 years.

1-Business & Technical skills of IT staff-When you visit the career section of the Gap website they have a different technical post like the analyst, cyber security engineer, the software engineer. When you read the job profile description they are hiring 5-6 years of experience in retail.

2-Digital transformations-Improving customer experiences by investing more in Omni channel platforms, besides making an augmented app with the help of Google & Avametrics & the salesforce.

3-Top management is also committed to its IT skills.

So, from we can conclude that the employees had experience in successfully adopting and exploiting IT investments in the past. And a company who had integrated technology into a range of business activities. Therefore, this was an IT savvy firm that could take on the risk of implementing a complex analytic system.

I think the transactional & analytic investment is aligned with both the business objectives & operating model.

**Q2a.Based on the Resource based view of the firm (RBV), develop a list of resources and capabilities that the organisation has access to?**

#### **A. Resources**

Resources	Type of Resources	Notes
-----------	-------------------	-------

Brick-and-mortar shops,3954 company operated stores, Partner with Zalando, China's tobacco,Jd.com	Tangible-Physical	
Profitability resources like gross profit margin, operating margin, net profit margin, return on total assets, earning per share etc., Leverage ratio like debt-to-assets, debt-to-equity ,long-term debt etc. ,USD \$2 billion e-commerce business	Tangible-Financial	<ul style="list-style-type: none"> <li>On the financial report of 2016</li> </ul>
Trademarks & service marks like Gap, Gap Kids, baby Gap, Gap Maternity, Gap Body, Gap Fit, Banana Republic, Old Navy, Athleta, and Intermix trademarks and service marks	Intangible-Trademarks	<ul style="list-style-type: none"> <li>Registered with U.S.A patent</li> </ul>
135,000 employees, & upper management like Arthur Peck, Mark Breitbard, Paul Chapman, Steve Sunnucks, Stefan Laban, Marissa Web, Randy Antin, Sonia Syngal	Tangible-Human	<ul style="list-style-type: none"> <li>Website</li> </ul>
Gap, Banana Republic, Old Navy, Athleta, Intermix	Intangible-Brand	<ul style="list-style-type: none"> <li>Website</li> </ul>
Offer financial incentives, work-life integration and benefits like safety, financial benefits, community investments, diversity etc.	Structural & Cultural resource	<ul style="list-style-type: none"> <li>Website</li> </ul>

## B. Capabilities

Capabilities	Type of Capabilities	Notes
Benefits & perks like volunteering, tuition fee reimbursement	Managerial System	<ul style="list-style-type: none"> <li>Website</li> </ul>
Jobs like technical, supply chain engineering, design, merchandising like business analytics	Skills and Knowledge	
Managing & maintaining IT software like Google analytics, google trends, salesforce, augmented reality app etc.	Technical Systems	

Gap supply chain engineering & inventory management processes	Values & norms	
Gap incorporated policies like Animal welfare ,anti-corruption, climate policy etc.	Values & norms	<ul style="list-style-type: none"> <li>• Website</li> </ul>

## Q2.b How do you think that resources and capabilities add value and rarity for Gap?

The Gap Company can achieve success only if they are able to exploit opportunities & prevent threats that exist in the external environment. According to RBV definition, the company should have certain unique & intrinsic feature of the firm. I think best resources that can be exploited is the investment in analytics. The Gap Company will gain the temporary advantage and sustain it over the short period of time. My explanation is that:-

1- Valuable: I think the firm will able to exploit analytics as an opportunity because it will give a lot of insights that really able to create value for the company like the price optimization, demand prediction, retailers get a real understanding of seasonal, demographical, buying trends, which will help in predicting discount efficiency, forecasting trends in the future, prediction of customer churn rate, target market, etc.

2- Rare: If you see that only competitor with Gap is Zara as this brand don't have the creative director and they mainly rely on data-driven technology. But when you see the exhibit 7 that only 6% non-millennials will shop in coming six months in Zara while 29% in Gap. If you go for millennial then only 13% will buy clothes in Zara but in the Gap, it is 35%. That survey clearly states that in the next six months both the millennials (50%) & non-millennials (60%) will not buy clothes in next coming 6 months. Even Gap subsidiaries like Old navy somewhat higher percentage. As Zara is not able to exploit analytics fully, so the only player in the market that controlling analytic resource is the Gap. Others retailer are not using these big data skills as they are more relying on the creative directors or the gut feeling of some managers or designers. They are disliking the Zara product. So, the Gap management has exclusive access to analytics that can translate into the real competitive advantage.

3-Inimitable-It is easily inimitable as there are lots of vendors in the market that are providing these retail analytics service that will enhance the overall shopping experience. So, after the 6 months if the firm B sees that the firm A has using analytics service to increase their revenue & profitability. So, that firm B also hires the third - party analytics vendor like the latent view, shark analytics etc. Competitors will duplicate these analytic capabilities like Google trends, analytics, augmented app and many more. It will be a cost disadvantage if the firm trying to duplicate the retail analytics software because they need to set up the IT infrastructure for that as they need to hire more technical skill staff, as well as licenses associated with the software, managing & maintaining software etc. So, Gap Company is the retail company, not an IT company. I think it is not relevant for them to make own analytic software.

So, the company is in temporary competitive advantage till now.

## References:

Case writers, Gap Inc. 2016 10-K, Available at:

<http://investors.gapinc.com/phoenix.zhtml?c=111302&p=irol-SECText&TEXT=aHR0cDovL2FwaS50ZW5rd2l6YXJkLmNvbS9maWxpbmcueG1sP2lwYWdlPTExNDc5MTE0JkRTRVE9MCZTRVE9MCZTUURFU0M9U0VDVEIPTI9FTIRJUkUmc3Vic2lkPTU3>( Accessed 9 April 2018)

Case writers, Gap Inc. 2016, *Financial Report 2016*, Available at:

<http://www.gapinc.com/content/dam/gapincsite/documents/GPS%202015%20Annual%20Report.pdf>( Accessed 9 April 2018)

Deepa Mani /Coursea (2018) *Digital Transformations* Available at:

<https://www.coursera.org/learn/digital-transformations/lecture/c0Oe1/a-portfolio-approach-to-managing-it-investments> (Accessed 9 April 2018)

Deepesh/Digital Vidya (2017), *Data Analytics in Retail Industry: A Complete Guide*, Available at:

<https://www.digitalvidya.com/blog/data-analytics-in-retail-industry/>(Accessed 9 April 2018)

Gap Inc. (2018) Available at:

<http://www.gapinc.com/content/gapinc/html/aboutus/gapincexectives/gapincexecutives.html>(Accessed 9 April 2018)

Gap Inc. (2018) Available at:

<http://www.gapinc.com/content/attachments/gapinc/GPSEarnings/Global%20Footprint.pdf>(Accessed 9 April 2018)

Israeli and Avery/HBS(2018), *Predicting Consumer tastes with Big Data at Gap*, Available at:

<https://services.hbsp.harvard.edu/services/proxy/content/77284697/77284699/6559bcf78b1025d94f494b7e40dd6538>(Accessed 9 April 2018)