Gap Inc. Executive Summary

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Introduction:

Peck's decision to eliminate the position of Creative Director was incorrect. Despite his shift towards big data predictive modeling, it did not yield the improvements he desired. To examine the effects of Peck's decision on the Gap, Old Navy, and Banana Republic brands, we will analyze some of the publicly available data on the web. Specifically, we will examine Gap brand portfolio 10-K's, Google Trend data, and perform sentiment analysis on Gap reviews.

Analysis:

Google Trends:

By using the Google Trends web interface, we were able to examine the search interest for all Gap portfolio brands. With Google Tends, numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term[1]. We split the Google Trends data into pre-2015 and post-2015 datasets. By splitting the data, we were able to fit two separate regression lines for the pre and post periods and check if the regression slope is statistically different from zero.

We further enhanced this portion of our analysis by also testing if the difference in coefficients for each pair of datasets were statistically different from each other. This was done by interacting

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[1] Trends.Google.com

the *Date* variable in us google trends data with a binary variable we created to differentiate the pre and post periods.

Yahoo! Finance

Using *Yahoo! Finance* stock data allowed us to create a graph of the percent change in Gap Inc. Stock price over time. We used another company, American Eagle, that has a similar market cap to Gap as a benchmark for stock performance.

10-K's: The net sales of Gap exhibited consistent fluctuations around a similar value throughout the examined period. Notably, the operating margin experienced a significant reduction over the years, indicating a change in operational efficiency. In contrast, American Eagle Outfitters adhered to traditional methods involving creative directors, maintaining a different approach. The divergence in strategies between Gap and American Eagle Outfitters underscores the need for exploring alternative avenues for revenue growth and operational efficiency in the highly competitive retail market. CEO Peck's decision to terminate creative directors at Gap aimed at reducing operating costs, which is reflected in the declining operating margin. The impact of this decision resulted in a slight increase in gross margin since 2015. While Gap's decision to reduce operating costs through creative director terminations had a positive impact on the operating margin, it did not significantly boost net sales. This comparison prompts businesses to consider a holistic approach, balancing cost reduction with revenue generation strategies to thrive in the evolving retail landscape.

Sentiment Analysis:

Customer reviews from Trustpilot indicate negative sentiments towards GAP Inc., potentially linked to the firing of creative directors. In contrast, American Eagle Outfitters has an overall

positive sentiment possibly due to the presence of a creative director. These sentiments suggest GAP Inc. faces challenges in customer satisfaction and brand loyalty. The shift away from creative directors to a data-driven approach may raise questions about meeting customer preferences and brand identity.

Art Vs Science

Big data and predictive analytics have revolutionized marketing by providing valuable insights and enabling data-driven decision-making. Big data will be useful for setting prices, forecasting future sales, analyzing product performance etc. This is a crucial component of marketing because it will make the brand more competitive. The only downside is that if we get incomplete or inaccurate data it can lead to flawed prediction and unreliable insights.

The term science in marketing should be used more in the context of production and branding. Big data in marketing is more of a science on how to set prices, distribute merchandise etc. When interacting with customers and their emotions, the 'art' of marketing should take precedence. Customer satisfaction depends on communication with customers and gaining their opinions on items. The creative aspect of marketing can also be reflected in art. Both are important because the science in marketing can be in surveys or statistics to determine want the consumer wants, but it takes art to create those surveys and come with questions that are compelling with the consumers.

Final Recommendation:

Our recommendation is for Gap to continue leveraging data analytics for trend prediction and product development, but not phase out the role of Creative Director entirely. It's crucial to strike a balance between data-driven decision-making and creative vision. While data can inform product development, creative input remains essential for maintaining a unique brand identity and staying ahead in the fashion market.