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Case #2 - Predicting Consumer Tastes with Big Data at Gap

Question: "Was Peck correct in firing his creative directors and replacing them with a big data-driven creative process? Why or why not?"

Big data - it is a term that is being used more and more to describe the gargantuan influx of information that is now readily available to any*one*, and about any*thing*. As the name implies, Big data can be used to analyze anything, from social trends to consumer information. It is used in, for example, understanding and optimizing business performance. By quantifying information about employee performance, a company can boost productivity by improving its employee policies. Or, it can be used to improve the logistics of a supply chain. But big data does not end with business performance. It has use in almost every aspect of day to day life. Smart watches can aggregate information about workout sessions and sleep patterns to determine if you are healthy. Medical researchers can use molecular databanks to decode proteins and viral DNA to understand how to make better vaccines and cure disease. The sporting industry uses video analytics to better understand the opposing team. NASA collects terabytes of data on star systems lightyears away in order to learn more about the universe. Civil engineers can use traffic data to improve the flow rates of vehicles and build better roadways for a potential future of autonomous driving… there are so many applications of big data, it would be impossible to count them. However, it goes without saying that big data *is* the future, and Art Peck, the CEO of Gap, was absolutely right in firing creative directors in place of a big data driven creative process, because maintaining a competitive edge boils down to an understanding the consumer, productivity, and building a consumer model.

Bernard Marr, an internationally best-selling business author, describes on his website: "Companies are keen to expand their traditional data sets with social media data, browser logs as well as text analytics and sensor data to get a more complete picture of their customers. The big objective, in many cases, is to create predictive models" [2]. There is simply way too much information out there to be interpreted by a group of people. People also have implicit biases in their interpretations, a fact that is simply unavoidable. In the case of Gap, a board of seasoned creative directors might have a different outlook on what is a 'trendy' style. "Creative directors were tastemakers, classically trained in design and using their unique eye, attitude, and personality to shape tomorrow's fashions. As arbiters of taste, they provided legitimacy and credibility to new trends with their stamp of approval" [1]. One of the key issues with a creative board is their inability to understand the consumer. They might think that because certain patterns or looks have stood the test of time, it can be repeated in this year's fashion designs. They take what they were taught in design classes and apply it to their jobs. It is not to say that they are doing their jobs wrong, it is more to say that a group of creative directors may not be

capable of adapting to the rapid change of design tastes. They are not aware of the outfits teenagers are raving over when their favorite celebrity posts an “outfit of the day” on Instagram or Snapchat, or the latest viral video where a person was wearing a particular shade of green that caught someone’s eye. Case in point - these small, yet significant data points are almost everywhere, and with an average product cycle time of 10 months, it is important to stay ahead of competitors.

Productivity is key to success in any industry. Automation is rapidly replacing remedial jobs like cashiers, as well as meticulous manual labor like factory work. This is all done in an effort to rapidly produce products or streamline a certain aspect of a business. It stands to reason that eventually automation will be so advanced that it can take over jobs that require more “humanlike” input, such as the role of a creative board. People are not as efficient as an algorithm. A committee might stagnate in a decision making process because of a creative difference between two people. Arguing who is right and who is wrong is pointless, because from an objective viewpoint, nobody is incorrect. However, there is often a more optimal way to approach a solution, and it is often difficult for people to set aside their own personal preferences and biases in order to find it. The bureaucracy of administration causes much of the creative process to come to a screeching halt. Peck saw this as an immediate issue, with notable examples of company administrators finding fault with other departments to explain their failure to meet quotas or deadlines. Gap’s head of merchandising, Michelle DeMartini, elaborates “I am representing the consumer, and [the creative director] is representing the future. And sometimes that creates conflict about what risks we want to take” [1]. The reason why big data is so influential across many industries is because big data has the capability to circumvent much of the conflict of interest that often arises between two administrators. Leaving design choices to a predictive algorithm might not seem like the most ‘human’ of options, but with data analysis becoming evermore advanced, big data is poising itself to be far more superior in terms of predicting future consumer tastes.

Finally, in relation to productivity, is the ability to build a consumer model. According to the case study, prior to Peck’s CEO appointment in 2014, “Gap lagged competitors such as [H&M and] Zara, who could deliver products to stores within four weeks due to their consumer-responsive and decentralized buying process, which allowed individual stores to order small batches of product, wait to see how consumers responded to it, and then airlift additional products to backfill the store’s inventory within days” [1]. Gap’s competitors were successfully using data analytics about purchased products to make assumptions about what consumers would be interested in next. This information includes but is not limited to: the fabric material used, the weave, the color, the print, price, availability, location of purchase (if analyzing fashion interests based on geographical area), time of purchase for certain seasons… the possibilities are nearly endless, and Gap’s competitors were using all of this information and more. In order to retain a competitive edge, Gap would need to use predictive analytics to both develop new products, and sell existing ones. “Digital data streams allow companies to observe their consumers’ purchase journeys and collect a detailed trail of data about their online behavior. The mining of big data could yield many actionable insights to inform managerial decision making, such as identifying

consumers who were more loyal to brands, matching consumers to products they might prefer, or predicting the behaviors or characteristics that could cause consumers to churn" [1]. In analyzing big data, Gap would be able to build better models of consumer behavior and target their audiences more effectively.

It does not go without saying that improvement in company performance might take some time. These monumental changes rock the foundation which most companies are built upon. While Gap's financial results for 2015 and 2016 were disappointing, a data driven strategy is a long term solution. Within time and some tweaking, Gap may be able to perfect its big data entry and finally reclaim its position as a top clothing retailer.

Sources:

[1] Predicting Consumer Tastes with Big Data at Gap (Harvard Business Case Pack)

[2] “How Is Big Data Used in Practice? 10 Use Cases Everyone Must Read.” *Bernard Marr*, www.bernardmarr.com/default.asp?contentID=1076.