

GAP Consulting Project

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**TEAM 1 BEARS
CONSULTING**



Meet Our Team

Team 1 - Bears Consulting Group



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Agenda

-  About Us
-  Problem Objective
-  Recommendation
-  Issue Tree
-  Methodology
-  Problems Addressed
-  Competitor Analysis
-  Key Takeaways
-  Next Steps
-  Feedback

Problem Objective

Our team will provide a recommendation as to whether or not **GAP** should expand its online sales via **Amazon.com**. Members of this project will assess opportunities and challenges that GAP Inc. may face regarding selling clothing products through Amazon's platforms.



Our team recommends that GAP **should not** proceed in a partnership with Amazon and should explore other options.

Benefits to GAP

Market Strategies

Focusing on 4 Ps and social media, better understanding customers' needs

Market Share

Attracting more customers to buy GAP products

Profits

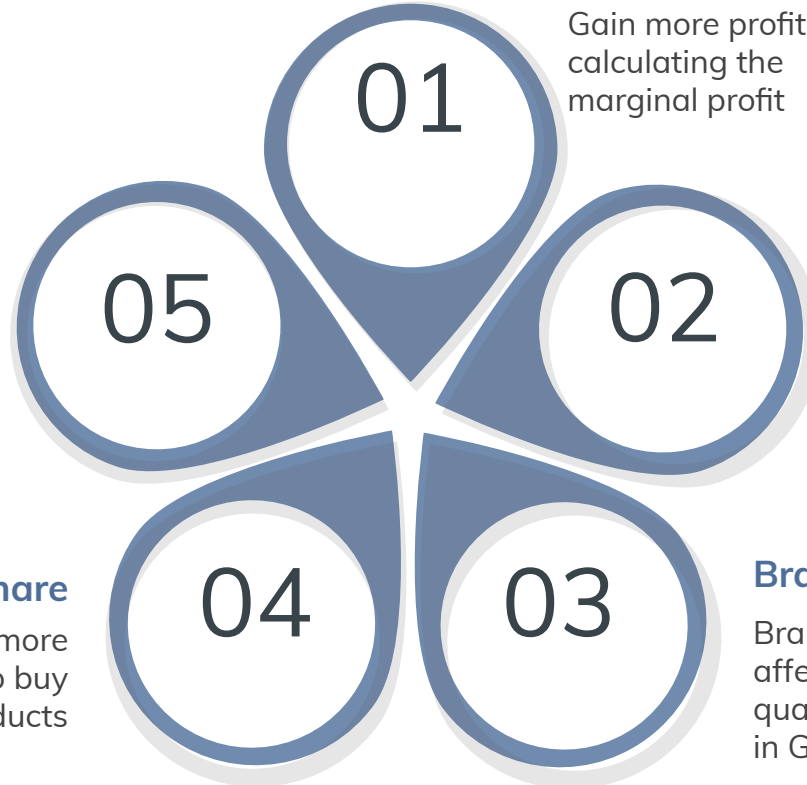
Gain more profits by calculating the marginal profit

Supply Chain

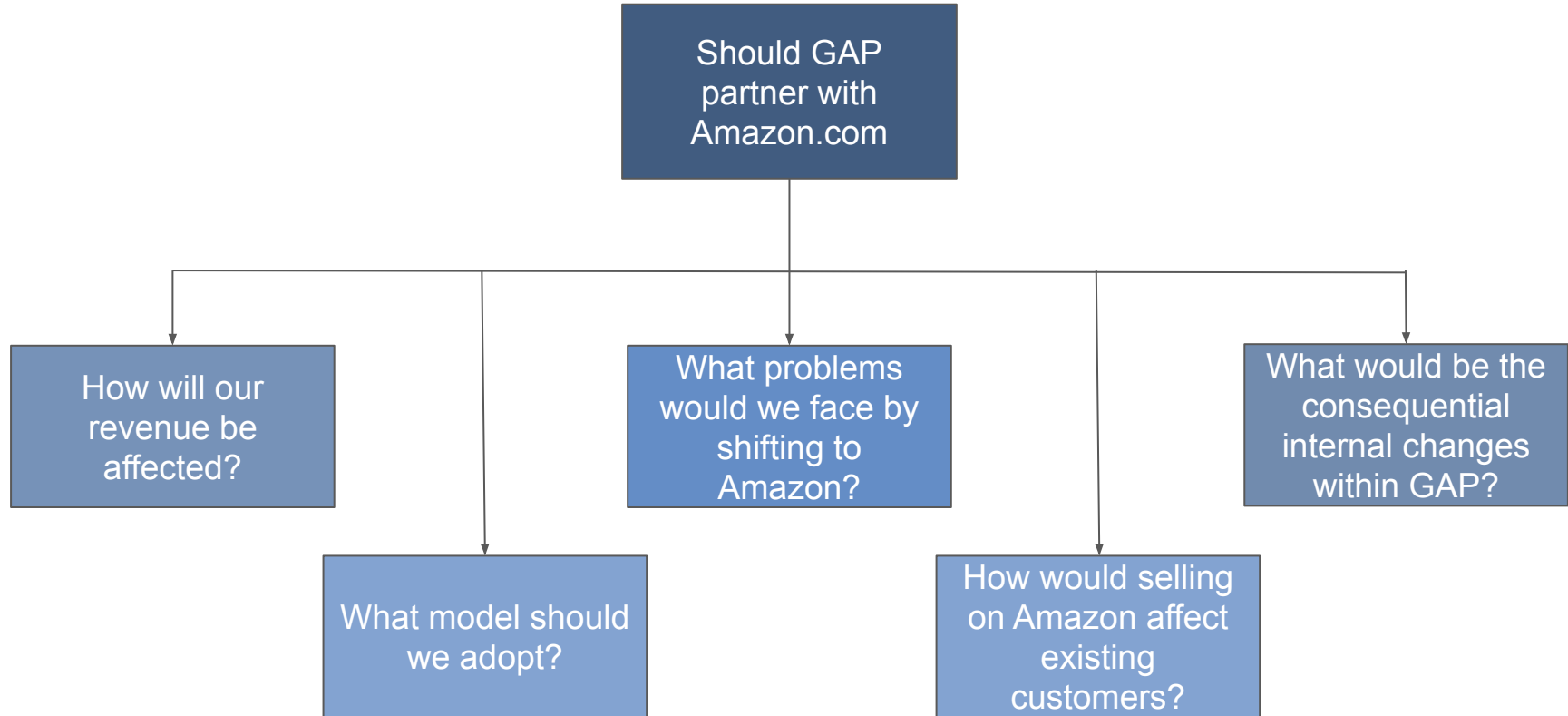
Improve the effectiveness and efficiency of GAP's supply chain

Brand Reputation

Brand reputation is not affected by providing higher quality products and services in GAP's own website



Issue Tree



Methodology

Primary Research

Our team conducted a market survey about GAP and got 127 responses



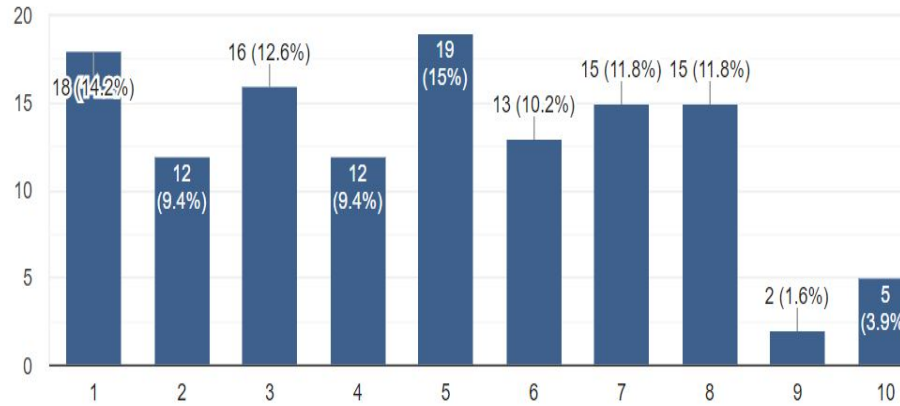
Goal

Secondary Research

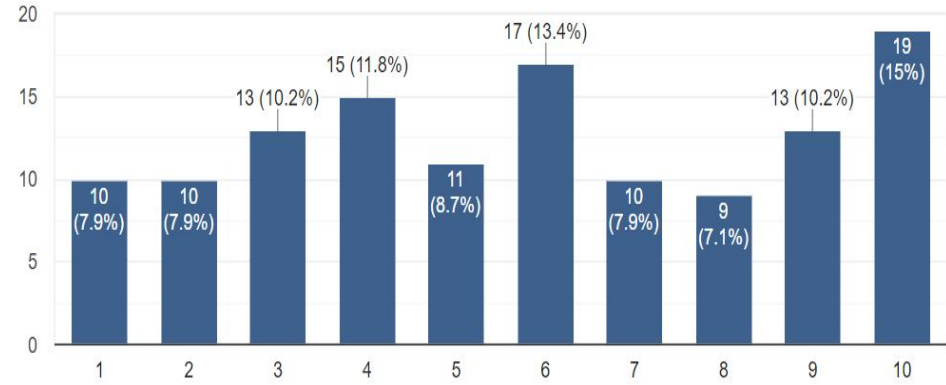
Our team analyzed case studies and gathered information from credible sources and University Library databases

How will **revenue** be
affected?

How will our profits be affected?



How likely are customers to buy clothes on GAP Website?



How likely are customers to buy clothes on Amazon?

- 51% responded that they would prefer to buy GAP products on the GAP website
- Majority responded that they would buy clothes on Amazon

How will our internal costs be affected?



Shipping & Returns



Logistics
Management

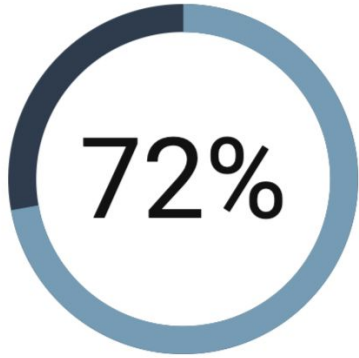


Cloud Storage

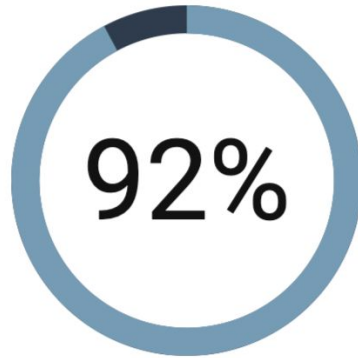
- To sell on Amazon, there's a professional subscription of \$39.99 per month. There's also a referral fee that sellers pay on each item sold, 17% per item
- Shipping costs will increase over time
- Amazon offers over 500 TB / Month of cloud storage for \$0.021 per GB- other cloud storage options

Problems anticipated
by shifting to **Amazon**

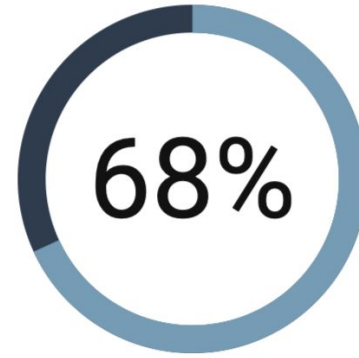
How relevant are GAP products for Amazon Customers?



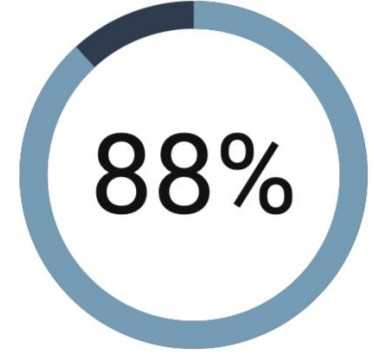
Prefer physical stores over shopping online



Said "Recommendations" affect their decisions



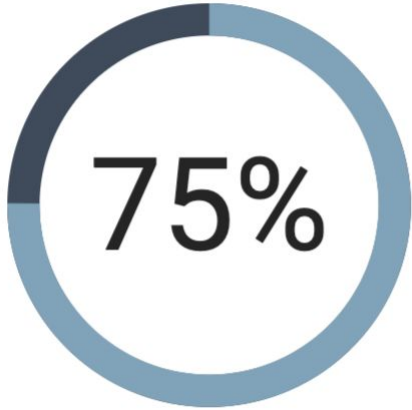
Use "Price Filters" while shopping online



Said they are willing to go out of budget

- Majority of the customers still prefer shopping in physical stores over shopping online
- Of the 28% people who shop online, a huge number can be persuaded by other products in "Recommendations"
- Almost two thirds of the online audience have a price range in mind but are willing to go overboard with the budget for good quality products

What Customers said?



Said they would buy GAP products if they were less expensive

30 out of 127 respondents gave suggestions about what will make them buy GAP products

Key suggestions by Customers:

- 1 Make the products less expensive (37%)
- 2 Increase the varieties/options (33%)
- 3 Enhance the quality (23%)
- 4 Make better fitting products (7%)

- A major factor why customers do not prefer GAP products is because the products are often sold above market value

Effects of Product Returns

Facts:

1 In US alone, return deliveries will cost \$550 billion by 2020, 75.2% more than four years prior

2 41% return due to variations in products, 42% have returned a product in last 6 months, 89% have returned in last 3 years

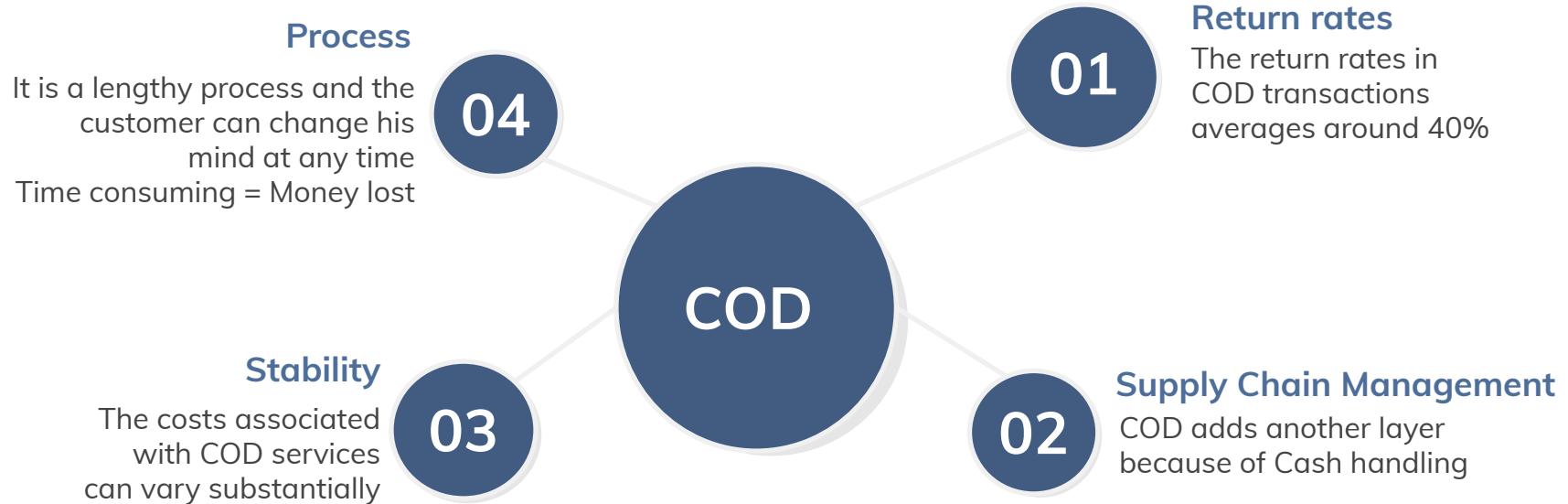
3 “Return and Repair” process accounts for 10% of total supply chain costs

Top reasons for returns:

- Size too small: 30%
- Size too large: 22%
- Changed my mind: 12%
- Style: 8%
- Not as described: 5%
- Defective: 5%
- Other or not specified: 18%

- Product returns costs a substantial amount to the company in the form of logistics
- When previously returned products are sent to the next customer, the quality perception changes

Effects of Cash-on-Delivery (COD)

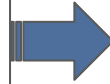


- It will prove expensive if buyer returns the product as the company pays two-way courier charges
- It stretches the online retailers' cash collection cycle

Effects of Cybercrime

Facts:

- 1 Statista estimates that card-not-present (CNP) fraud will grow by 14 percent annually up to 2023
- 2 Recent survey revealed that some companies are losing in excess of \$5 million in stolen data and few have survived losses that exceed \$100 million
- 3 Overall, cybercrime is estimated to harm the global economy to the tune of \$2.1 trillion by 2019
- 4 US government recently announced that 45% of Americans have scaled back on their online activity due to fears of security and privacy



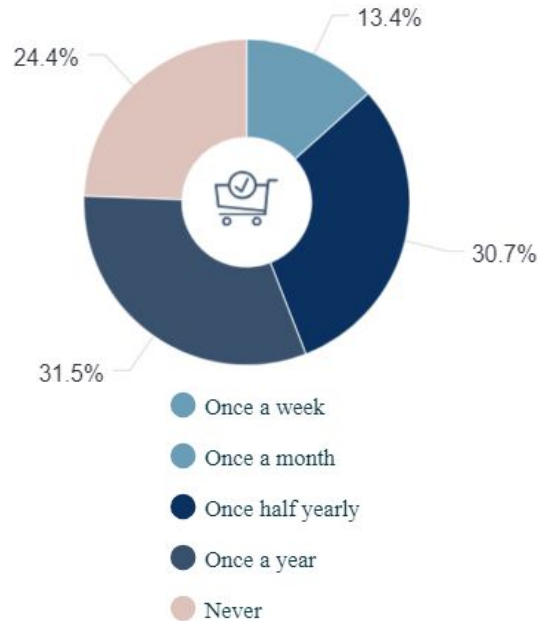
Effects on Brand:

- **Damage to Reputation**
- **Damage to intellectual property**
- **Cost of protection**
- **Loss of sales**
- **Loss of competitive edge if the strategies are stolen**

- If a Brand falls victim to Cybercrime, it incurs loss both in the form of money and the trust of Customers
- Customers will not only have their data stolen but this also will have an impact on job losses

Effects on **existing** **customers**

Effects on purchasing habits of existing customers



Are affected by tried and returned products



Prefer shopping when GAP products are on sale

- Customers prefer shopping GAP products on yearly and half yearly basis
- About 61% people are affected by tried and returned products
- About 96% people prefer shopping when GAP products are on sale

How is selling on Amazon impacts customers?

Apparel trends on Amazon:

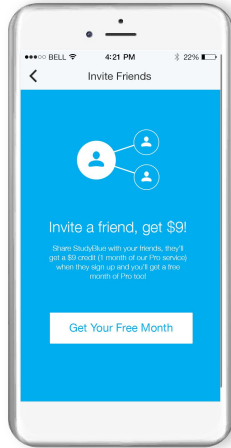
- 1 By 2002 Amazon expanded into apparel experimenting in all kinds of ways from its acquisitions of Shopbop in 2006 and Zappos in 2009 to the launch of flash-sales site MyHabit in 2011
- 2 Large number of customer do not purchase clothes on Amazon for **fashionable products** considering the failed experiment focused on shoes and accessories called Endless, which it killed in 2012.
- 3 Even after experimenting with fashion labels there is a long way to go for Amazon to change their image from a place to buy basic clothing to stylish and fashionable clothes.

"Amazon is generally thought of as a very good brand for fulfillment of needs, but not so much for aspiration," says Jason Goldberg, vice president of commerce and content at digital agency Razorfish.

- The most popular reason for shopping on Amazon is that it provides easy/convenient shopping experience
- GAP must analyze the risks involved in selling on Amazon in terms of customer perspective, where we see the major population considers Amazon as a basic apparel brand instead of a fashionable one

Changes within **GAP**

Marketing Team



“Our social media strategy and store environment is what gets people in.”

-Larry Meyer, Executive Vice President of Forever 21



Direct engagement with customers



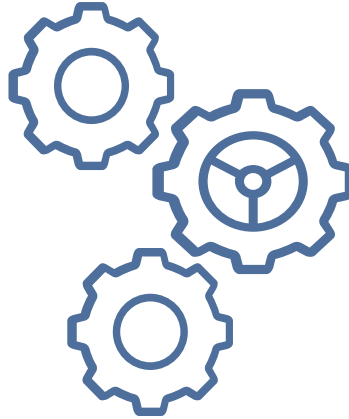
Clear strategy around discounting

- Focus on the “4 P’s” of marketing: Product, Price, Place, Promotion
- Use social media to promote our products and place (i.e. store environment) and enhance direct engagement with customers
- Have a clear strategy around discounting

Supply Chain Management



[Amazon's] supply chain boasts an impressive marriage of IT systems, warehouse automation, labour productivity and an almost infinite product range with complete synchronisation. (Heywood)



[Zara's] clothes are supposed to encourage individuality and reflect the profile of specific groups of customers at specific places. (Tokatli)

- Ensure unique selection of products for different profiles of customers in different locations
- Perfect e-order fulfillment and be as innovative as possible in these changes
- Reimagine and synchronize our processes with three key ideas in mind: ease of cross-border commerce, place the customer in the center of our strategy, and perfect the omnichannel supply management chain

Different selling **models** on Amazon

Selling via Amazon: Third Party Seller vs. Wholesale Model

Third-Party Seller

- Controlled pricing and better customer relationship
- Ship the product directly from its own warehouse or provide inventory to Amazon and have Amazon fulfill the orders
- Amazon traditionally charges its third-party sellers a commission rate of 15%

Wholesale

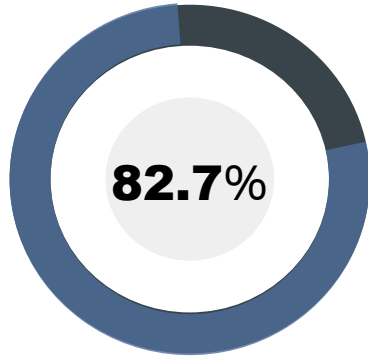
- Sell items to Amazon
- Amazon would decide how to sell, price, and fulfill the products to consumers

“As Amazon evolves, it looks more and more like an online convenience store with traditional retail markups. It has everything - but it’s getting too crowded. If you have a great product and know how to sell it, customers will find you, wherever you sell.”

-Stephan Aarstol, founder and CEO of Tower Paddle Boards and the No Middleman Project

Customers' Preference

When prices are different on Amazon and GAP Website



Said they will buy whichever is offering a lower price

When asked Amazon or GAP Website?

1

Majority of the customers prefer just a lower price and nothing more

2

Most of the customers don't care if they are buying from Amazon or Gap website

➤ Price is important than the place

Competitor Analysis

	Zara	H&M	Uniqlo	Forever 21
Website	www.zara.com	www.hm.com	www.uniqlo.com	www.forever21.com
Stores	Zara has more than 2,200 stores in 93 markets worldwide, but the expansion is slow in US	H&M has more than 4,420 stores in 71 markets worldwide. H&M expects to close 170 shops and open 390 new ones in 2018	Uniqlo has about 50 stores in US. Struggling in US market because of the policies.	Forever 21 has over 600 stores.
Amazon	Zara does not sell on Amazon	H&M does not sell on Amazon	Uniqlo does not sell on Amazon	Forever 21 does not sell on Amazon
Social Media	Zara has more than one million followers on Facebook, Twitter, and 24.3 million followers on Instagram, highly dependent on visual elements	H&M has more than 36 million followers on Facebook, 29 million followers on Instagram	Uniqlo has about 0.91 million followers on Facebook and 1.97 million followers on Instagram	Forever 21 has about 15.4 million followers on Facebook and 16 million followers on Instagram

Key Takeaways

Majority population still prefers buying in stores and competition is fierce in online shopping

The marketing team should shift the majority of its marketing to direct engagement with customers, i.e. social media

Product returns, Cash-on-Delivery and Cybercrime are all dangers of e-commerce and affect profits

Supply chain management needs perfect e-commerce practices and simultaneously synchronize omnichannel management system

Based on the comments made by customers, GAP would be more attractive at lower prices

Customers prefer better products on lower price. Selling on Amazon will cost more and not help in converting new customers

Next Steps for GAP

Based on our recommendation to not sell on Amazon and results of primary and secondary research, we advise GAP to proceed with following steps:

Marketing Strategies

Revisiting marketing strategies of GAP and focus more on increasing visibility on social media

Providing seasonal discounts and sales will help convert more customers

Discount Strategies

Costs & Pricing

Review the pricing and costs of products offered

Modify the supply chain process to meet a fast moving market

Supply Chain Process

Contact Information



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Feedback