

**Bridging The Gap**

By

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**Abstract:**

This paper explores the history of Gap and how the management leadership brought the company to its position in the modern market. The company has struggled to bring in sales and increase stock prices since the beginning of the 21st century. Is this linked to poor management?

Dedicated to fashion

**Acknowledgment:**

Significant research and discussion has been published surrounding the Gap. This work is expansive, detailed, and thought provoking. I am grateful for the opportunity to engage with this information while doing research for this assignment.

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**Firm History and Mission:**

Since its inception, Gap Inc. has existed within the world of trends. The company makes decisions: sometimes ahead, other times behind but always in connection to trends. This driving mission carried the Gap successfully for three decades but something changed at the turn of the twenty first century and since then the Gap has struggled to perform.

In 1969 Don and Doris Fisher founded the Gap. They each had the same stake in the company, a bold move for female representation. The name represented the brand mission: Bridge the gap between young liberal baby boomers and their conservative post war parents. As America entered the seventies, fashion trends were shifting. The post World War Two environment meant casualization was on the rise and affecting wardrobe choices everywhere. Casual Friday meant khakis were welcome in corporate offices once a week and the overall attitude shift meant jeans and t-shirts were welcome on the streets. The Fishers launched the brand selling just Levi's jeans and vinyl records. This combination highlighted the general cultural shift happening in America with the rise of 'rap culture' (CNBC). The company was about inclusivity from the beginning. Don and Doris each individually owned equal stake in the company and the store carried inclusive (at the time) sizing inspired by Don's height. By their three year anniversary, 1972, Gap opened over 25 stores across the United States. The brand continued to grow quickly (Gap History):

1974 Gap launches their own label and sells the line in-store.

1976 The Gap Stores Inc. goes public releasing 1.2 million shares at \$18 a piece.

1978 Gap launches *Gap Fashion Pioneers*, an in house label of jeans and corduroys.

1980's Gap Inc. began purchasing other brands including Banana Republic.

1991 Gap makes a monumental announcement: The stores will not sell Levi's products anymore.

1992 Gap worn on the cover of Vogue. The stock price rose to \$59 per share. (Gap History)

### **Strategic Plans and Direction:**

Entering the 21st century, the company struggled to make satisfactory sales and relied heavily on other brands in the parent company portfolio to stay afloat (Old Navy, Banana Republic, Athleta, etc.). Stock prices reflected this and in 2019 The Gap Inc. announced a plan to separate Old Navy. Ultimately the plan was called off the following year. What the future holds for the Gap is unclear (Biron).

### **Mission Statement:**

*Current:* To democratize fashion and make shopping fun again. To bring incredible style and quality to families the world over (JobSage).

*Overall:* The mission of Gap is to bridge gaps in the fashion world.

### **Firm Culture:**

Fairness and equality are part of the founding of the Gap. The company has been at the forefront of many cultural shifts in the nation. In the late sixties it was common for women to be in powerful positions in the workplace. Many chose or were expected to return home and raise the children after stepping in to fill positions while the men were at war. Those who did work often held traditional female positions: Teaching, nursing, secretarial work (allsaintsacademyunstable.org). Doris maintaining an equal share in the company to her husband made a clear statement about the Fishers' position on equality long before the trend.

At the beginning of 2014 conversations surrounding minimum wage were taking place around the nation. President Barack Obama urged congress to raise the federal minimum wage to \$10.10 per hour and named minimum wage as one of his top priorities. At the same time, businesses and retailers asked congress to keep minimum wage at \$7.25 per

hour. In a bold move, Gap separated from the large group and voluntarily raised the company's minimum wage to \$10 per hour. Through an interview with chief executive Glenn Murphy, the company made it clear this was not a political move but rather an opportunity to improve their advantage over competitors (Banjo). Regardless, President Obama applauded the decision and visited a midtown manhattan location during an New York City visit (Bashan).

The company culture has stayed consistent. The brand values the individual people involved and makes decisions to reflect that. The Fishers left a strong legacy of influence on the brand because their values were reflected from the very beginning.

### **Structure and Organization:**

The Gap has a typical corporate structure. The leadership consists of three main branches.

1. Executive Leadership Team
  - a. CEOs, CFOs, CPOs
2. Board of Directors
  - a. Various directors including the Interim Chief Executive Officer and Executive Chair of the Board
3. Board Committee Composition
  - a. Audit and Finance
  - b. Compensation and Management Development
  - c. Governance and Sustainability
  - d. Independent Members Not on a Committee
  - e. Non-Independent Members



## Article: What The Heck Happened to Gap?

### **Summary and Why this Article:**

The article clearly and simply identifies two main issues with the Gap brand:

1. Competition and over expansion
2. Leadership Mistakes

Both problems are the direct result of poor management in the company and the loss of a clear brand vision. The Gap was an in store brand that relied heavily on the popularity of shopping malls in the eighties and nineties. As shoppers moved online, malls closed leaving Gap to struggle. Gap closed stores around the nation and by 2020 had made an official announcement to close thirty percent of the already slimmed down portfolio by 2024. This process might have been further expedited by the Covid-19 pandemic. Additionally the brand faces heavy competition from retailers both in and outside its own portfolio (department stores). It is a tricky position, and the Gap relies on brands like Old Navy, Athleta, and Banana Republic to buffer the effect of its struggling sales. But it is these same brands that attract consumers away from Gap because they connect better with them (Meyersohn).

### **Why the issue is important:**

This disconnection of Gap from its core consumers is possibly caused by the high turnover of executive staff. Chief Executive Officers struggle in the position. During the nineties Mickey Drexler, nicknamed the Merchant Prince, served as president and then CEO. He is credited with having turned Gap into the powerhouse brand it was at the turn of the century. It was under his guidance that the stores started carrying khakis in response to the casual Friday phenomenon and created the foundation for Old Navy. While these decisions

made the brand relevant again the company lost its connection to their core customers. Despite many attempts including celebrity collaborations and advertisement campaigns, the Gap has never fully recovered. Drexler eventually stepped down in 2002 (Meyersohn).

**How will this problem affect the company:**

The Gap is suffering the effects of these two issues clearly and consistently. Stock prices and sales are down and have been for over twenty years. Last ditch efforts like the collaboration with Kanye West's Yeezy line fail to bring in considerable profits (Meyersohn). Before the line was pulled in 2022 amid global controversy, the line had not performed anywhere near the intended sales lifts the partnership was intended to bring (Meyersohn). The last all time high stock price was in 1992 when the shares each sold for \$59. The price has come nowhere near that and currently hovers under \$15 sometimes dipping below \$10.

**Relevant changes and Reflection:**

- *Re-create strong identity*

The Gap must reconnect with a core audience. The company first started to bridge the gap between kids and their parents. Identifying gaps in the fashion world and creating products to fill them will help the brand create and reconnect with their core consumers and increase sales.

- *Bring in committed leadership that understand and will lead the company to success*

This reconnection will only be possible if the company can build a strong and committed leadership team who are focused on the brand and its mission: Bridging the gap.

**What I learned and Conclusion:**

The importance of maintaining strong brand identity and leadership is at the core of Gap's issues. This iconic brand is quickly closing the gap between its good decades and bad. Although important equality and representation has only brought the company so far and if the leadership cannot save the brand soon the company will be forced to close its doors. It is only a matter of time before the larger portfolio can no longer support the Gap.

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