

The logo change at Gap North America

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This case is intended to be used as the basis for a class discussion rather than to illustrate effective or ineffective handling of a management situation.

On October 10, 2010, the President of Gap North America, Marka Hansen, sat in her office and had to make a decision that would define the future of the Gap brand – a brand within the Gap Inc. house of brands. Just the week before, on October 4, she had launched a new logo on the Gap's US online-store website. The new logo was met with massive consumer protests online. Countless alternative logo designs were posted online as suggestions for a new logo to replace the logo introduced by Gap. What was intended as a rejuvenation of the brand had turned into a brand crisis that alienated thousands of customers and drew harsh criticism from public commentators. In the face of these pressures, Marka Hansen issued a press release on October 7, in which she affirmed her decision to roll out a new logo for the Gap brand and announced plans to consider designs submitted by consumers. A quick decision was needed now: should she insist on the new logo proposed by Gap, should she find a new logo based on consumer submissions, or should she give in and reinstate the old logo?

Gap's history

Gap was founded by Don Fisher and his wife Doris in 1969 in San Francisco as a single retail store that sold discounted Levi's jeans and records to teenagers and young adults (Gap Inc., 2014a). The store's name "Gap" was short for generation gap (Pollack, 1986). In the ensuing years, the Fishers opened more stores and expanded their range to include t-shirts and sweaters. After years of fast growth, the company went public in 1973 (Gap Inc., 2014b). Starting with a single store in 1969, the Fishers owned 25 stores in 1973, and more than 400 by 1979 (Walker, 2011; Brown, 2009)[1].

In the first couple of years after its inception, the company flourished, because jeans were the uniform of the youth. Don Fisher and his wife launched the Gap label in 1972 in order to broaden their range of goods. They wrote retail history by being the first ones to use the store name as the name for their label (Gap Inc., 2014b). Over the years, the demand for jeans began to slow down, because the teenagers of the baby-boomer generation had grown up and were not replaced by the same number of new teenagers. In addition, Gap faced growing competition from department stores and other specialty stores (Pollack, 1986).

Mickey Drexler was hired as Chief Operations Officer in 1983. He revamped the company and accomplished what analysts called "one of the most remarkable turnarounds in retailing history" (Pollack, 1986). He had Gap's 500 stores remodeled and redecorated, introduced better store lighting, used table displays rather than shelves, launched new advertising campaigns, and had both the company's logo and its own clothing line redesigned in order to re-attract the baby-boomer generation (Brown, 2009). Sales started to skyrocket again (Pollack, 1986). Gap gradually reduced their range of non-house brands in favor of their own label (Cohen and Ciampi, 1991). After having offered unisex jeans, t-shirts, and jackets for many years,



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Gap started to design separate collections for men and women in 1987 (Barmash, 1991). They also began to extend their brand portfolio: In 1986 (Pollack, 1986) and 1990[2], Gap launched GapKids and babyGap, respectively, offering clothing to children from newborns to pre-teens.

Between the late 1980s and early 1990s, Gap experienced exponential growth. Sales more than doubled between 1988 and 1992 (Morris, 1992). In 1991, Gap discontinued the sale of Levi's merchandise – their last non-house brand (Cohen and Ciampi, 1991). At that point, Gap was second to Levi's in terms of sales in the US apparel sector (Beckett, 1993). Gap had become such a popular brand in the early 1990s that even Vogue magazine's 100th anniversary issue of 1992 featured models dressed in white Gap jeans and shirts on its cover (Gap Inc., 2014c).

Gap's clothing was known for its good quality and value, and consumers appreciated the clean, well-lit shop spaces. However, shoppers also began to perceive Gap's clothing as generic (see footnote 1). 1992 marked the first year of decline after a decade of growth. An industry-magazine headline read: "Is the Gap over?" (Pogoda and MacIntosh, 1992), after Gap's stock price had dropped more than 40 percent within one year. Gap's success formula of basics and casualwear had worked for many years, but had been copied too many times, in particular by mass marketers Kmart (Duff, 1993) and Target, direct competitor Limited, and catalog retailer J. Crew (Pogoda and MacIntosh, 1992; see footnote 1). One commentator noted: "We are at the peak of the casual apparel cycle [...] we have had five years of filling closets with t-shirts, jeans and sweats" (Morris, 1992). The market was oversaturated with jeans, khakis, t-shirts, and sweaters (Pogoda and MacIntosh, 1992; Tyrer, 1992). Mounting inventory forced Gap to mark down many items, which further tarnished the brand's image[3].

In 1993, Gap hired experienced designers and started to add more fashionable items to their unisex basics (see footnote 3). Gap extended their product line to include activewear (Monget, 1994), footwear[4], and personal-care products (Larson, 1994). They expanded internationally to Canada, the UK, France, Germany, and Japan (Palmieri, 1994). By 1997, Gap had become a valuable global brand on par with megabrands, such as Nike, Starbucks, and Coca-Cola[5]. Gap continued to expand aggressively, focussing on flagship stores in cities, such as San Francisco, Chicago, and New York, and strengthening their presence in their five foreign markets. They diversified into intimates by launching GapBody and focussed on smaller US markets (Ryan, 1998). Especially the casual-Friday trend of the 1990s and the subsequent demand for khakis and polo shirts fuelled Gap's growth in menswear[6]. Gap's impact on US consumer culture even surfaced in a 1995 novel by Douglas Coupland, who is also the author of the iconic novel *Generation X*. In his novel *Microserfs*, the main characters discuss the ubiquity and indistinctiveness of Gap clothing. Throughout the 1990s, Gap opened hundreds of new stores in the USA and abroad, despite declining sales in the USA (Barton and Springett, 1998)[7].

Many female shoppers perceived Gap's female clothing range as unfeminine, androgynous, and in need of an update (Foley and Young, 2004). Gap undertook efforts to focus less on basics and more on fashion, yet customers still associated Gap with basics and felt that Gap was offering the same things year after year (Young, 2001). Around 2002, Gap was teetering on the verge of bankruptcy after years of breakneck expansion (Weitzman, 2002a). Their main customer base consisted of shoppers aged 25 and over, since teenagers and young adults had long turned to trendier stores (Foley and Young, 2004). Gap announced a major turnaround in 2002, including a move away from trendy fashion and a return to casual basics (Weitzman, 2002b), after they had realized that their new focus on fashion alienated loyal customers rather than attracting new ones.

A new CEO, Paul Pressler, was hired in 2002. He had no fashion experience, but managed to cut costs, reduced debt, invested in operations technology, and improved margins. However, he was not able to turn around the decline in sales Gap had been facing since 2000 (Sage, 2007, 2009). In 2007, Gap found themselves in a position where their clothes had flopped for several years in a row, coupled with low consumer spending and a weak US economy (Lorinc, 2008). A magazine asked: "Can the Gap be saved?" (Frazier, 2007). Gap was facing falling profits, net sales, earnings per share, return on equity, and average sales per square foot (Lorinc, 2008) and had been reducing the number of stores for years (see Exhibit 1).

Gap had come to face fierce competition from other US retailers, including casual-preppy Abercrombie & Fitch, their cheaper clone American Eagle, low-end Aéropostale, and more upscale J. Crew (Moin, 2010). Between 2003 and 2008, for example, J. Crew's revenues surged

by 50 percent, as they benefitted from Gap's loss of customer focus (Haiken, 2009). Around the same time, quirky American Apparel began to appeal to urban hipsters with sweatshop-free basics in up to 37 different colors and with better fits (Rosenfeld, 2007). Gap also faced serious competition from US denim manufacturers, such as Levi's, Lee, Joe's, 7 For All Mankind, and Guess, all of which offered premium denims with better cuts than Gap's (O'Donnell and Walbaum, 2009). In addition, Gap lost market share to two European rivals that had successfully entered US turf: Zara, owned by the Spanish fashion giant Inditex, and Swedish H&M (Lorinc, 2008). Zara had more distinctive styles (see footnote 6), and H&M was seen as trendier than Gap, partly because of their high-profile collaborations with Karl Lagerfeld, Stella McCartney (Wilson, 2005), and pop star Madonna (Capell, 2006) in the years 2005-2007. Both H&M and Zara also became known for their high-end-fashion knock-offs (Rohwedder, 2004).

Another new CEO, Glenn Murphy, was hired in 2007. He remodeled stores and optimized store space by integrating the sub-brands GapKids, babyGap, and GapBody into the Gap stores rather than operating separate stores for them (Poggi, 2008). Most importantly, he announced a brand makeover in 2007 and hired a new creative director, Patrick Robinson (Koenig, 2009)[8]. In their 2008 annual report, Gap described themselves as follows:

Clean. Classic. American design. These words described Gap four decades ago and still hold true today. At our best, we inspire customers with individual style and make classics relevant for today through our use of bold color, emotional details and great fits. With a clear brand vision and effortlessly cool product, Gap is re-connecting with its target customer – men and women ages 25 to 35 looking to express their unique, personal style.

Creative Director Robinson wanted Gap to sell “super-cool American classics” and clothes that are “casual with a clean, modern edge” (Mower, 2008). He presented his first Gap collection at the New York Fashion Week in 2008. Fashion magazine *InStyle* praised Gap's second New York Fashion Week presentation in 2009 as “fresh, colorful and casual,” “a new take on dressing down,” and a “redefinition of the Gap brand as the go-to for every day, effortless dressing[9].”

Gap re-launched their 1969 premium denim collection with better fitting jeans in more stylish washes for the company's 40th anniversary in 2009. The redesigned 1969 denim turned out to be a huge success (Zmuda, 2011). A headline in fashion magazine *InStyle* read: “Gap's New Jeans Fit Like a Dream![10].” To brand their new denim collection even better, Gap opened three “1969 stores” in New York, Los Angeles, and London (Pasquarelli, 2011)[11]. In 2009, Gap enlisted Stella McCartney to design a collection of children's wear for GapKids and babyGap (Jones, 2009). The collection was such a hit that even petite women wore the garments originally designed for girls (La Ferla, 2011). Despite these efforts, the Gap brand gradually fell from rank 29 in 2000 to 84 in 2010 on *Interbrand's Best Global Brands* ranking (see Exhibit 2).

Gap's logo history

In the first 20 years of operation, Gap's logo consisted of lower-case letters in a rounded font. In 1988, this logo was replaced with a completely new logo, consisting of white, all-capital letters in a serif font on a navy-blue square (<http://logos.wikia.com/wiki/Gap>). This logo was also used for the Gap sub-brands (GapBody, GapKids, babyGap) in an extended format. In 2010, Gap introduced a new logo, replacing the iconic blue-box logo with a logo consisting of three black letters in Helvetica font and a small gradient, blue square partially behind the letter P against a white background (<http://logos.wikia.com/wiki/Gap>).

While most of Gap's clothing did not spot the brand name, Gap offered a line of casualwear with the brand name written on it in a font typically used for college apparel, which was not the same as the brand logo's font. It was unclear when this logo for clothing had been introduced, but there is evidence that it had been used at least since the early 1990s (www.autostraddle.com/top-ten-stupidest-t-shirts-we-wore-in-the-early-90s-98333/).

The launch of the new logo in 2010

On Monday October 4, 2010, a new logo replaced the old logo on the Gap North America online store without any promotion. The change did not go unnoticed by consumers and the news media.

On October 5, the parody Twitter account @GapLogo was set up and managed to accumulate more than 3,000 followers and 490 tweets within a few days. Representing the voice of the logo, the parody account made sarcastic comments and replied to tweets made by other Twitter users about the new Gap logo. The logo change was also reported by news channels, such as CNET, Associated Press, and NPR, and spread to many other newspapers, TV networks, news websites, and blogs. The new logo was called, among other things, unsightly, banal, boring, cheesy, ugly, unsophisticated, uncreative, devaluing, cheap, tacky, hideous, appalling, and ordinary. In response to the storm of criticism from consumers and industry professionals on social media, Gap posted the following message on their Facebook page on October 7:

October 7

Thanks for everyone's input on the new logo! We've had the same logo for 20+ years, and this is just one of the things we're changing. We know this logo created a lot of buzz and we're thrilled to see passionate debates unfolding! So much so we're asking you to share your designs. We love our version, but we'd like to see other ideas. Stay tuned for details in the next few days on this crowdsourcing project.

The post received 1,090 comments, and people were beginning to post logo suggestions on their own blogs (<http://blog.iso50.com/20224/gap-redesign-contest/>) or started their own logo-design contests (<http://99designs.com/logo-design/contests/design-better-gap-logo-community-project-54693>; <http://imjustcreative.com/my-interpretation-of-the-helvetica-gap-logo-design/2010/10/10>). On the same day, Marka Hansen published the following post on her blog at the Huffington Post, in which she affirmed her intention to replace the old Gap logo with a new logo and announced a logo contest:

October 7

The Gap's New Logo

This past Monday, without a lot of fanfare, we introduced a new logo on our gap.com site, and I wanted to take this opportunity to explain our thinking behind this decision.

I've been president at Gap brand for the past three years, and I've been living and breathing the changes we've been making on our journey to make Gap more relevant to our customers.

You've seen this evolution through many of our products, such as the 1969 premium denim and the new black pants, and more modern stores in many locations.

The natural step for us on this journey is to see how our logo – one that we've had for more than 20 years – should evolve. Our brand and our clothes are changing and rethinking our logo is part of aligning with that.

We want our customers to take notice of Gap and see what it stands for today.

We chose this design as it's more contemporary and current. It honors our heritage through the blue box while still taking it forward.

Now, given the passionate outpouring from customers that followed, we've decided to engage in the dialogue, take their feedback on board and work together as we move ahead and evolve to the next phase of Gap.

From this online dialogue, it's clear that Gap still has a close connection to our customers, so tapping into this energy is right. We've posted a message on the Gap Facebook Page that says we plan to ask people to share their designs with us as well. We welcome the participation we've seen so far.

We'll explain specifics on how everyone can share designs in a few days.

Thank you to everyone who has already shared feedback. I'm excited about continuing the conversation and believe passionately in where we're taking our brand.

Source: www.huffingtonpost.com/marka-hansen/the-gaps-new-logo_b_754981.html

On the following day, the company published a short message on its Facebook page, in which they directed Facebook users to Marka Hansen's blog post and invited them to voice their opinion. This post received a total of 762 comments. Countless new logo designs appeared online, although Gap had not yet announced, how and where consumers could submit their designs.

Between October 8 and October 10, people continued to voice their anger about the new logo on social media. Comments from advertising and marketing experts criticizing the new logo and the logo-change process abounded in all major newspapers (MacMillan, 2010).

A quick decision was needed. Should Marka Hansen insist on implementing the new logo proposed earlier, should she start a selection process for a new logo based on consumer submissions, or should she relent and reinstate the old logo that consumers seemed to be so attached to?

Notes

1. "The Gap," *Business Week*, March 8, 1992.
2. "Gap debuts clothes for infants," *The Associated Press*, January 30, 1990.
3. "Business brief: Gap's more fashionable apparel boosts retailer's fourth-period profit by 66%," *The Wall Street Journal*, March 4, 1994.
4. "Gap won't expand merchandising of footwear to all of its stores," *Footwear News*, May 30, 1994.
5. "Mind the Gap," *The Observer*, April 19, 1998.
6. "Can Gap be saved," *USA Today*, January 24, 2007.
7. "Gap's more fashionable apparel boosts retailer's fourth-period profit by 66%," *The Wall Street Journal*, March 4, 1994.
8. "New designer fills in the Gap," *Philippine Daily Inquirer*, October 25, 2009.
9. "Gap," *InStyle*, 2009, www.instyle.com/awards-events/spring-fashion-week/new-york-fashion-week#89593
10. "Gap's new jeans fit like a dream!," *InStyle*, August 6, 2009.
11. "Gap Inc. at Bank of America Merrill Lynch Consumer Conference", *CQ FD Disclosure*, March 11, 2010.

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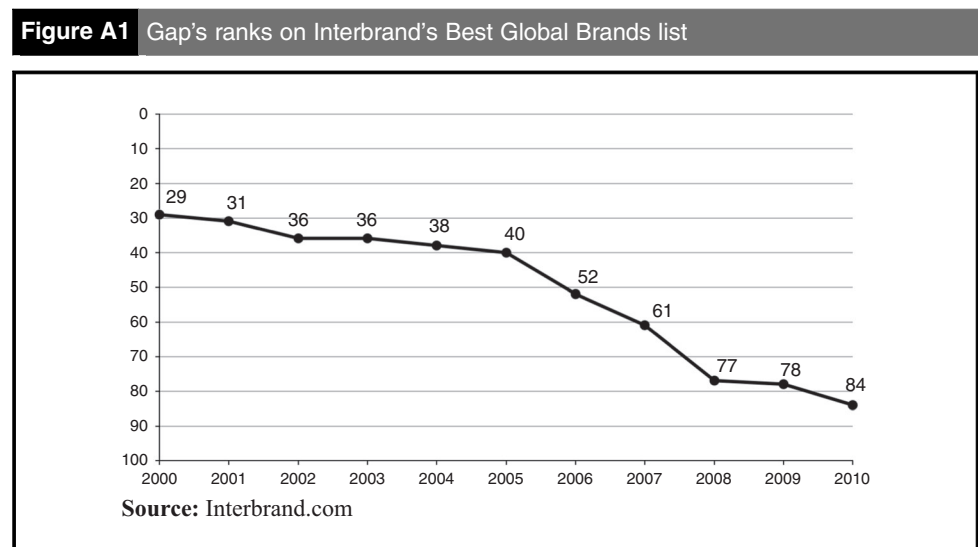
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Exhibit 1

Table A1 Gap North America fundamentals							
	2004	2005	2006	2007	2008	2009	2010
Number of stores at year-end	1,396	1,335	1,293	1,249	1,193	1,152	1,111
Net sales (in million USD)	5,098	4,767	4,494	4,146	3,840	3,508	3,454
Change in comparable store sales	+1%	-5%	-7%	-5%	-8%	-7%	-1%

Source: Gap Inc. annual reports (2004-2010)

Exhibit 2



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