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At Gap, Two Brands on Mend, One to Go

By ELIZABETH HOLMES

Gap Inc.'s namesake brand has cut costs, closed stores and beefed up its margins. Now it is time to sell clothes.

While Gap Inc.'s Old Navy and Banana Republic divisions are showing signs of life, the Gap brand itself continues to struggle with styles that consumers find easy to ignore.

The job of turning that situation around falls to Patrick Robinson, Gap's executive vice president for global design. He joined the brand three years ago to much fanfare, but his designs have yet to reverse the slump in receipts. The division reported net sales of \$5.6 billion in 2009, down 14% from 2006, the year before he joined.

This week, Gap is expected to post its first quarterly same-store sales rise in more than five years—the first of Mr. Robinson's tenure. But a rise, for the quarter ended May 1, would come with the caveat that last year's quarter was especially bad.

The question is whether Mr. Robinson can build on the gains and convince people inside and outside the company that a turnaround is under way.

Gap, which last year accounted for nearly 40% of the company's \$14.2 billion in revenue, has been "on the longest slippery slope of all our brands," CEO [Glenn Murphy](#) said at a March 11 conference. "We have not been happy with the performance" since late 2007.

In early February, Mr. Murphy shuffled the ranks of Gap's brand to bring in some reinforcements, naming Pam Wallack, who previously led the Gap kids and baby division, as head of the adult business at the Gap unit.

Mr. Robinson says in an interview that he is aware that the design choices he makes define how people think of the entire brand and intends to stick it out. "I like how big of a challenge it is," he says.

In the late 1990s, Gap grew hugely popular alongside the coming of casual Fridays. But for much of the last decade, the 41-year-old denim-and-khaki brand has been in a rut.

Other divisions are gaining traction. Old Navy, the bargain brand that took a wrong turn into trendier "fast fashion" a few years back, has corrected its course and is seeing success with a renewed focus on its suburban, young-mom core. Banana Republic, which went overboard on dressy, wear-to-work suits, has rebalanced its merchandise to include more casual apparel.



But Gap continues to struggle, particularly with women.

Sara Habel, a 27-year-old stay-at-home mom in Madison, Ala., says she has shopped the brand since middle school. But the neutral color palette that has taken hold in the past few years isn't bright enough for her taste.

"So much of it now is grays, browns and light blues," Ms. Habel says, adding that she would also like to see more feminine items, such as dresses and skirts.

It continues to rely on promotions to get people inside the stores. In March, Gap offered 30% off a new pair of jeans for shoppers who brought in an old pair. In

the last weekend of April, it offered 25% off all regular-priced merchandise in its stores.

"Where's the sizzle?" asks John D. Morris, a retail analyst with BMO Capital Markets. "There are pockets of progress, but it's not consistently across the board."

Mr. Robinson joined Gap in May 2007 and says he made whatever quick updates he could in categories such as sweaters and knit tops to convince women that the brand was worth a look. His longer-term project was the relaunch of Gap denim, which hit stores late last summer.

The design chief spent 18 months reworking the division's blue jeans from scratch. He studied the fit of designer denim, with its \$200-and-up price tags, and recreated the body-shaping, butt-boosting fit at prices as low as \$59.50 for women. The result has been well received by both fashion critics and consumers.

This autumn, Gap will hope for another hit by applying its denim enhancements to the rest of its pants. Mr. Robinson calls it the "big, big next step." It will offer men's and women's trousers that can be worn to work in a limited number of styles and a handful of colors.

When asked about Mr. Robinson's performance on the company's earnings conference call on Feb. 25, Mr. Murphy, the chief executive, said he had "full confidence" in the designer. But the endorsement wasn't unqualified.

"I think he would like to have some redos," Mr. Murphy said, praising Mr. Robinson for being his own "harshest critic." and indicating this is an important year.

"I'm confident that he—his leadership, and his design team—will be able to get things done for us so we'll see the improvements we're all expecting in Gap in 2010," Mr. Murphy said.

Write to Elizabeth Holmes at elizabeth.holmes@wsj.com

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