



## **A New Approach**

A Case Study: Gap, Inc. and (RED)™

At a time when consumers and advocates are demanding more socially responsible corporate behavior, are companies actually embracing opportunities to positively impact society, or is it simply window dressing?

The strategy of marketing a brand or product while supporting a cause to increase sales is not new, but there is a new spin on the approach. Traditionally, cause marketing campaigns have been initiated by companies looking to promote a brand or product by aligning with a nonprofit organization whose cause illustrates characteristics of the brand or product. But (RED)™, a nonprofit organization founded by musician Bono and activist/politician Bobby Shriver, was created expressly with the intent of engaging the private sector to raise awareness and money to support The Global Fund. The organization is more like a strategy that not only creates a marketing opportunity for companies but ensures some level of corporate social responsibility is committed by the company through the products it produces for (RED).

### **The Story**

In 2006, U2 lead singer, Bono partnered again with his DATA co-founder, Bobby Shriver, activist and nephew of President John F. Kennedy to create (RED)™, an organization committed to supporting The Global Fund and a strategy to engage companies in marketing a cause by selling products created uniquely for the program. By harnessing the power of the world's best marketing companies and partnering to brand products to raise money and awareness, Bono and Shriver believed they could help reduce the number of Africans dying each day of AIDS, a preventable, treatable disease. The PRODUCT (RED)™ campaign is the offspring of the organization (RED). Companies partner with (RED) licensing the (PRODUCT) RED trademark and launching major integrated commercial efforts encompassing national and global product launches, retail, marketing and online activities. A percentage of each (PRODUCT) RED product sold is given to The Global Fund, and 100% of the (RED) contributions go to financing grants.

The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002 with the support of UN Secretary General Kofi Annan and the world's leaders to dramatically increase resources to fight three of the world's most devastating diseases and address the challenges of improving African health services. As a partnership between governments, civil society, the private sector and affected communities, the Global Fund represents an innovative approach to international health financing. Since its creation, the Global Fund has become the dominant financier of programs to fight AIDS, TB and malaria, with \$10 billion invested in 136 countries.

Gap Inc. has been committed to working in and supporting the development of Africa for many years. In particular, Gap has maintained manufacturing facilities in Lesotho, a sub-Saharan country in which it is estimated that at least one out of every three people is infected with HIV.



Gap launched its five-year commitment to (RED)<sup>TM</sup> in 2006, starting with a line of t-shirts in UK stores in the spring, and then a broader product line in North American stores October 13<sup>th</sup>, 2006. The collection is rooted in Gap's iconic product categories including t-shirts, hoodies, jeans, and tote bags and features items badged with subtle yet distinct details inspired by (RED). One vintage-style T-shirt from the collection is being manufactured in Lesotho, a country in Africa, from 100% African cotton. The Gap INSPI(RED) t-shirt was the best selling item across the entire Gap brand in October 2006. Half of the profits from sales of the Gap (PRODUCT) RED<sup>TM</sup> collection go to The Global Fund to finance programs that help African women and children affected by HIV/AIDS. To promote the collection, Gap has launched an advertising campaign featuring celebrities photographed by renowned photographer Annie Leibovitz. Featured celebrities include Steven Spielberg, Jennifer Garner, Chris Rock, Penelope Cruz, Christy Turlington, Don Cheadle, Mary J. Blige, Dakota Fanning and Apollo Ohno.

### **Gap's Participation**

Neither (RED)<sup>TM</sup> nor Gap discloses revenue or total contributions by company or product but estimates suggest that between the launch of Gap PRODUCT (RED) in 2006 and January 2007 Gap has contributed about \$3.9 million to The Global Fund through its PRODUCT (RED) sales. Over this same period, Gap PRODUCT (RED) sales are estimated to have generated approximately \$7.8 million in revenue. During this period, Gap sales have remained stronger than the industry average but have not increased.

Of all of the (RED) partners, Gap's marketing launch was the most expensive with an advertising budget of \$7.8 million.

Total revenues for Gap have decreased over the last three years, from \$16.3 billion in 2005 to \$15.9 billion in 2007. However, this is consistent with general trends in the retail sector; Gap's gross profit margin in 2007 was 1.1% higher than the industry median.

### **Results**

The relationship between (RED)<sup>TM</sup> and Gap Inc. demonstrates a successful cause marketing relationship with an embedded corporate social responsibility (CSR) component. Typical cause marketing relationships are generally not sustainable as the life of a marketing campaign is limited. But the twist of a CSR component affords the program more staying power than its older and possibly obsolete grandfather of collaboration strategies alone.

The (RED) partnership provides value for Gap as its PRODUCT (RED)<sup>TM</sup> items continue to sell and as the alignment with (RED) and The Global Fund position the company as more socially conscious. Its practices and its long time support of social responsibility already demonstrate a commitment to CSR. Participation in this campaign provides the visibility Gap was not achieving previously to (RED). Its culture along with the PRODUCT (RED) campaign has helped Gap recruit and retain employees.

Recent allegations in the British press of forced child labor in India being used in the manufacture of apparel for its Gap Kids chain gained the company greater visibility than its CSR commitment. Gap's managing of the accusation allowed the public insight into the company's savvy and spun light in a dark situation. Along



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with other commitments to its global communities where it has factories, Gap announced plans to strengthen its commitment to eradicating the exploitation of children in the garment industry.

Even with the program's success, the sluggish retail industry may prove to be more strenuous on the company's revenue and could cause a reduction in marketing, slowing the overall benefit to the program. Long term sustainability of Gap's (RED) partnership past the five year commitment remains to be seen while the economy and the retail industry attempt to recover from a few tough years.

While the program's value is clearly mutually beneficial, The Global Fund might be enjoying slightly greater benefits as its corporate support has increased more through (RED)<sup>TM</sup> than any other past corporate support in the history of the organization. The organization has been able to leverage Gap's strong brand and market share to reach consumers. Through the retail setting, the Fund has educated a new, young and non-traditional portion of the population about its cause and excited interest by associating itself with Gap's brand.

Since its launch, (RED) has contributed more than \$60 million to The Global Fund, more than 10 times the amount businesses have contributed since it was founded in 2002. The visibility Gap provides through its marketing, as well as the marketing from other (RED) partners, has helped increase overall support of The Global Fund. Awareness of the organization, its mission and the need in Africa has increased over the past 18 months.

