



Analysis: Gap Raises the Bar on Digital Revolution with New CEO Appointment

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By Les Berglass

The appointments of new chief executives of major brands always cause a stir, but Gap Inc.'s recent announcement that Art Peck would succeed Glenn Murphy hit Wall Street like a truck. Why? Because the investment community wanted a more predictable, standing CEO—it likes stability. But the truth is, this is a positive and revolutionary change.

Peck has successfully run Gap's digital presence, which is not only the most important ingredient for the position, but, in this case, the prerequisite for success. Peck represents a critical shift. He is the first digital-pedigreed CEO to lead a sizable, branded specialty retail business. Stop squirming and raise a glass, folks, the digital revolution has hit the corner office.

Peck's appointment wasn't a status quo move. But Gap's problems won't be solved as long as the status quo is in place. In fact, no retailer can truly succeed these days without an Art Peck in a leadership role, even if it's not as the CEO.

This isn't to say that Murphy hasn't been a good CEO for the Gap. There is no question he fixed a wounded animal and brought the Gap back to being a formidable global player, but there's more work to do. If you're 40 or older, you remember the Gap as an iconic brand, as much a part of your teen experience as Pearl Jam and John Hughes movies. But someone only ten years younger sees the Gap as a commodity, a stop-over on their way to a more exciting name brand.

And what about the 80-million strong millennials, who make up 25% of the consumer population? They may view the Gap as a secondary line to Athleta, the company's highly successful athletic apparel collection. So what is Gap today? How can it reclaim its iconic status? And what can other retailers learn from the Peck appointment?

We can start by tuning into the right numbers.

The percentages are deceiving in retail. With 85% of the business driven by brick and mortar and only 15% online, it's easy to think our attention should be tied to stores. But that 15% packs more punch than any other consumer because the segment that is buying online is the future. It's not enough to keep your finger on the pulse of this customer; they ARE the pulse. The talent that moves at their speed and watches them, that engages them and understands them, is the unsung future leader of retail. This executive lives where the customer lives. Most of us do not.

Although Peck is the first digital guy to rise to the CEO level, he isn't the first to cross the retail border. We've seen this upward mobility at Patagonia, a model in the American brand landscape. Dmitri Siegel, a creative guy--Yale Fine Art, an instructor for RISD--did such a bang-up job as head of digital for the outdoor retailer that they made him CMO. John Koryl, who was president of digital for Neiman Marcus, was eventually promoted to overseeing stores as well.

The future of retail isn't in digital leadership because these folks understand technology any better than anyone else; it's for the simple reason that they understand the consumer who lives there—and that's the key.

Apple stole the sexiness that retail used to have, and we need to get it back. But the only way to do it is through vision--not prior history. The leaders of retail today shouldn't be the CEOs of yesterday. The new guard will likely be the ones down the hall, the ones you can't find on Google. They may even have an art degree.

Gap was wise to hire Murphy when it did. His expertise in cost cutting, international growth and additional brand acquisitions—the smartest—traditional CEO stuff—was exactly what the brand needed back then. But now Gap needs something else. It needs a guy like Art Peck who, without a lot of fanfare, understands who really holds the keys to retail success, and how to start their engines.

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