



Gap Inc. A Tale of Growth



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Who We Are

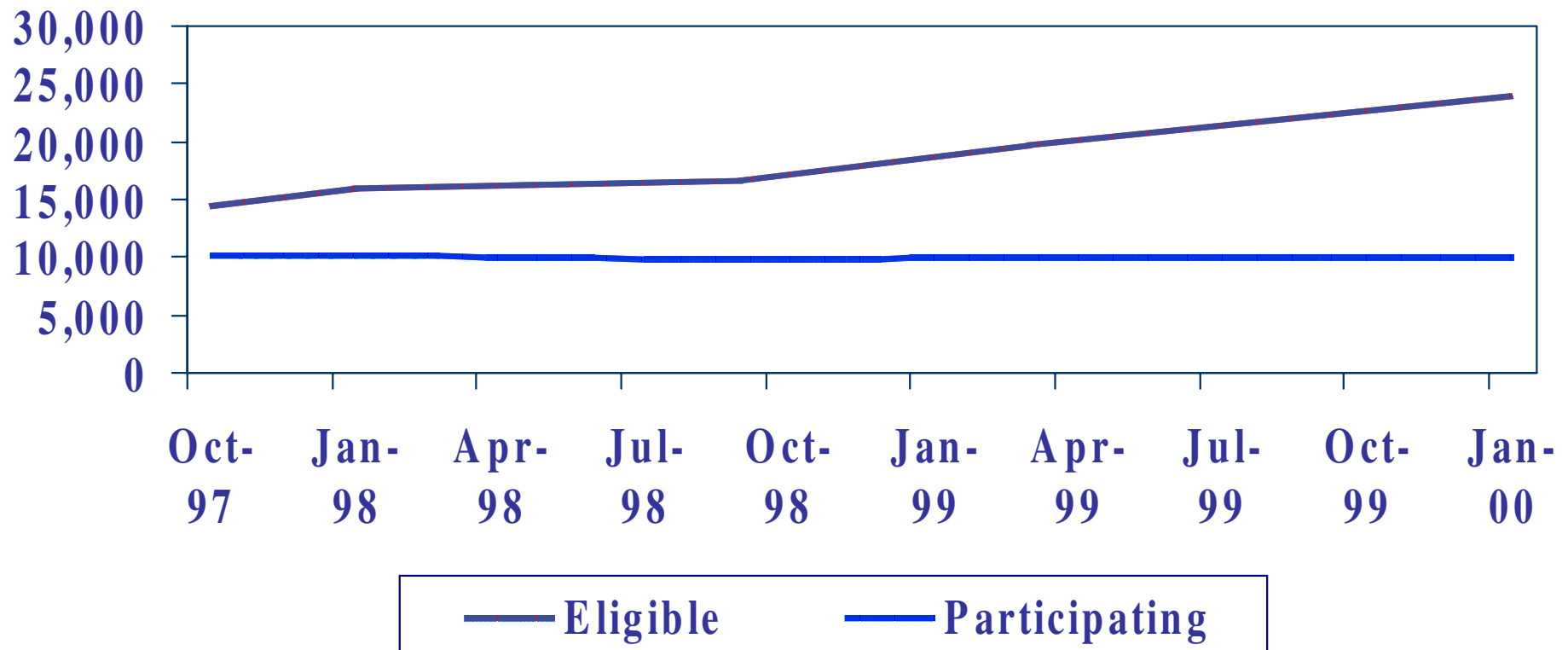
- Three brands: Gap, Banana Republic, Old Navy.
- All over the place:
2,900 stores; 110,000 employees (US).
- Growing like crazy:
400 new stores in 1999; 600 new stores in 2000
25% growth in 401(k) eligible population (1999).
- Young; average age: 25.

Our Plan: GapShare

- Eligibility: age 21, 1 year with 1000 hours.
- Match: 100% up to 4% of pay.
- Immediate vesting (safe harbor 1/1/1999).
- Pre and post tax contributions.
- 8 funds, includes Gap Inc. stock.
- Administered by American Express.

Our Participation Problem

In 2.5 years, participation rate has fallen from
72% to 42%.



Our Participation Problem

Below national averages by age and income.

Age	Gap Inc.	Average
20-29	36%	50%

Income	Gap Inc.	Average
<\$19,999	20%	46%
\$20-29,999	41%	62%

Source: Fidelity Investments

Why We Care

Aon study on workforce commitment found:

- Matched employee savings plans among top 5 benefits in correlation to commitment.
- Having a plan has positive correlation to commitment.
- Correlation is 2.5 times higher if EE has a positive experience with benefit.

Why We Care

Commitment includes both:

- Referral behavior -- recommend products to customers and company as place to work.
- Tenure intentions.

Therefore,

increasing 401(k) participation can help sales, recruiting and retention.

What We Used to Do

- Quarterly paper enrollment.
- Packages bundled to stores.
- Manager delivered package personally to each newly eligible employee.
- Participation reported by division (competition at executive level).

Very messy, but it worked...

What We Do Now

- Packages mailed directly to employee home when eligible.
- Enrollment by IVR or Web (need PIN).
- Participation rates reported by region (competition at Regional Manager level).

Very efficient, but not working...

What We Will Do

Make it personal...with Plan Champions

- Identify plan champions for every store.
- Train champions via national conference calls.
- Champions issue personal pitch and invitation to national conference call with Benefits.
- Train store managers to discuss benefits.
- Employee meetings in major metro areas.

What Else?

- Supplemental communications:
 - Post card at raise time
 - Personalized impact statements
 - Birthday cards
- Evaluate financial advice options.
- Full campaign with video/web in 2/01.
- Whatever else we dream up today!