

Providing a comprehensive pestle analysis commerce essay



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This paper aims at providing a comprehensive PESTLE analysis of the global presence of ZARA on the world market, but first we have to define PESTLE Analysis.

PESTLE Analysis is a type of situation analysis where we need before starting market decisions or business plans. It is extremely important to identify the external environment. The only way to accomplish our goal is through a PESTLE analysis which contains six factors that influence on a business: Political, Economic, Social, Technological, Environmental and Legal. Besides it is also very important for a company to be fully awake of the actions their competitors take. These kinds of factors change constantly.

It is no surprise why every time we talk about fashion the same name always comes up: Zara. The largest and the most famous Spanish clothing company in the world. There stores covers almost every continent in the world.

The Zara Company was established in 1975 by Amancio Ortega, Zara is the flagship of Inditex (Industria del Diseño Textil, S. A.), the company is located in Galicia, the north-west part of Spain. In a relatively short time frame Inditex has become one of the biggest clothing retailer in the world with 2,692 stores spread across 62 countries worldwide by the end of January 2006. In addition to Zara which accounted for 66 percent of the group's turnover in 2005, Inditex owns seven smaller store brands: Bershka (avantgarde clothing), Pull and Bear (youth casual clothes), Massimo Dutti (quality and conventional fashion), Oysho (undergarment chain), Stradivarius (trendy garments for young women), Kiddy's Class (children's fashion), and Zara Home (household textiles).

Political Factors

The government and political parties are accountable for evolving the political environment in a country. The chief silent factor in a business is government; they can help an industry by using the form of policies. Zara has been present in Spain, and merely one more main distribution centre for Europe. In addition, the political help that is provided for expansion of the business in other countries must be assessed critically. Because European countries have predictable and safe economic environments, Zara has choices to expand its business around Europe.

And these are some of the most important pull factors that give a clear definition of the internationalisation of Zara include:

The 1986 admission of Spain in the EU;

The globalisation of the economy – potential economies of scale;

The homogenisation of consumption patterns across nations – Zara’s believes that “ national frontiers are no impediment to sharing a single fashion culture”

The eradication of export obstructions and the growth of Information Technology. (Lopez & Fan, 2009).

As we know already Zara is a Spanish company so establishing a new branch in another country and all the terms which are related to taxation are political factors for Zara group. The political emphasize on the role of goverment and its effects on our company, and also extent of participation in

a political situation. For example Indian government is willing to provide foreign investment in their nation; The Company Zara was provided an open market by India. However the government of India has its own policy which is to be followed by companies as Zara which formed a joint venture with TATA (Shah, 2011)

Economic factors

Production not transferred to low cost locations:

Zara resisted the famous in industry trend to produce fashion cheaply in countries like China. Zara states that this offers more control as it controls most of its steps on the Supply Chain, the design, manufacture and the distribution of products (CNN, 2001). In the UK, half of what products Zara sells are made in Spain, a quarter in the rest of Europe and another quarter in countries in Africa and Asia. For example, longer shelf life clothing such as t-shirts is outsourced to cheap suppliers mostly in Asia and Turkey (Business Week, 2006).

Zero Advertising Policy:

The rarest company policy is the policy not to advertise. While Zara's competitors mostly rely on expensive advertising campaigns, Zara prefers to invest into opening new stores instead (CNN, 2001).

Producer of nearly 11, 000 items annually:

There is a large product range in the Zara Company. While the competitors of Zara produce about 2000-4000 items annually, Zara produces a whole 11

000 items. In addition brand loyalty is built and an increased number of customer visits as a result of Zara changing its designs every two weeks.

A customer visit in Spain on a high street in Zara is 17 times a year compared to 3 times in the average street stores. (The Guardian, 2002).

Shortening Product Life Cycle:

While the designing of a new product and getting it to the stores by industry takes 6 months, Zara needs just 2 weeks to do the same (Business Week, 2006).

To recap, Zara breaks all the guidelines, but it seems that using this strategy proves to be very successful, because Zara is considered to be one of the largest stores in industry.

Social Factors

Growing of income:

People began to look for a high quality and comfortable life when their disposable personal income rose. A wide market share is provided to Zara from this kind of trend. Personalized consumption turns into the mainstream of society. A major guarantor of Zara's success is " a small amount, variety, cheap."

Fast Fashion:

When talking about the strategy of design, an article in Business world Magazine defines it as follows: " Zara was a fashion imitator. It focused its

attention on understanding the fashion items that its customers wanted and then delivering them, rather than on promoting predicted season's trends via fashion shows and similar channels of influence, which the fashion industry traditionally used." There will be a depreciation of 0.7% of fashion goods every single day. A new product, from its designing to manufacture, logistics operation and the final sale, needs only about 2 or 3 weeks in Zara.

Affordable Fashion:

Fashion has received attention by a growing number of people. However, only a small amount of people can afford it because fashion is a masterwork of top designers. By tracking these fashion elements, the designers of Zara design their own product in order to make it affordable to most consumers (Badu, 2010).

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Conclusion:

Zara has had a very successful history from the moment they opened their small Spanish dress shop, and as we can see now the little-known brand has grown into a leader of the apparel market in less than 30 years. Now the footprints of Zara is nearly everywhere. The big design group, unique strategy, environmental management idea and other operational strategies make Zara success. This PESTLE analysis gives us all the details we need to develop our understanding of the firm. The research has examined the internationalisation process of the firm with a special focus on motives, entry options and international marketing strategies. The main drawback that arises in a single case study is that of limited validity and representativeness

which constrains the potential for making generalisations (Creswell, 1998).

Another limitation is that the study was based solely on secondary data.

However, this case is deemed adequate to provide good insight, and establish the avenue for future studies.