

Zara store

Business



Sara's core competence is recognizing and assimilating the continuous changes in fashion.

They're very good at this because there's a very good communication within the company. Store managers send information about the customer demands and new fashion trends to the headquarters on a daily basis. So if there's a new trend, Zarals able to adapt their products or design new articles immediately. If a design doesn't sell within a week, it's withdrawn from the shops, further orders are cancelled and a new design is developed.

This is only possible because of a good communication between stores and headquarters. All stores receive goods twice a week and each shipment contains new articles, in this way they avoid having large inventories so less stock costs. Another core competence is their flexible business model.

They're able to adapt to changes during a season, reacting to them by bringing new products to the stores in a very short time. It only takes Zara 2 weeks to develop a new product and distribute in which is enormously fast in comparison to other clothing companies.

Their key to global competitiveness is their ability to adapt the offer quickly and precisely to the customers' desires. Zara first wanted to grow in their own market by opening stores in each city in Spain with more than 100,000 inhabitants. After this they expanded to Portugal. After their expansion to Portugal Zara realized that they had to adjust their business model to suit the new international markets. They kept expanding to markets with minimal cultural differences from the Spanish market like South-America and almost the rest of Europe. They kept expanding to different areas.

After deciding which country they are going to enter, Zara follows a pattern of expansion strategy known as 'oil-stain'. Oil-stain strategy is basically to dominate strongly in one place, then spread across the surface of the country. Zara does this by opening a strategic store, called the flagship store. This store is located in a strategic area with the purpose of getting information about the market and acquiring expertise. This will guide them in later expansion.

The company has been able to shorten the PL, which means greater success in meeting customer preferences.

Every four weeks almost the whole product line is changed. Because of this, customers are more likely to visit the stores more often. VALUE CHAIN: Zara controls most of the steps in the supply chain, designs and produces and distributes itself. Their clothing is manufactured for 50% in Spain, 26% in the rest of Europe, 24% in Africa and Asia. The outsourced activities are their logistics system is based on software produced by the company's own team.

It's very efficient which means that the time between receiving and ordering (only in Spain) only takes hours.

So if one store experiences a lot of success on one product, they can easily order a whole new stock of the successful product and it will be there in 24 hours which is very efficient. People often call it 'fast fashion': because of the very efficient communication system, Zara can respond to different customer demands very quickly. THE MARKETING MIX APPLIED TO Zara Product: Zara provides high quality, fashionable clothing to each man,

women and children. Price: They provide their clothes against a reasonable price Place: Zara has 5, 500 stores in 82 countries.

They're the leaders in providing high quality, fashionable clothing against a relatively low price.

Promotion: They invest almost nothing in advertising. EXTERNAL ANALYSIS
Zara is one of the largest fashion companies and operates in 82 countries with approximately 5, 500 stores. It's the most successful and popular SUB of the Inedited group. Zara provides the Inedited group with approximately 82% of the total net income. Their headquarter is located in La Corona, Spain.

From there it almost operates all the steps of the supply chain. PEST analysts:

As a multinational company, Zara is mainly influenced by ECONOMIC factors such as the economic recession. It suffers under the instability of the EURO as well as several countries suffering from instability. Spain, where their headquarters are located, is part of the PIGS (Portugal, Ireland, Greece and Spain) which is a collection of countries with a high debt and high unemployment rate. This is a rather bad situation, but still Zara remains very strong.

When it comes to SOCIO-CULTURAL, Zara is very strong. They offer adapted products to each country where they distribute their product.

This is often called the ' ecological approach' a combination of globalization and localization which means that they distribute in a lot of different

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countries and everywhere they adapt themselves to the local customer needs. A crucial factor to global clothing companies. They also have a very efficient communication system between local store managers and headquarters, because of this system there's a very fast communication so they can quickly react to new customer demands and trends.

POLITICAL factors: because Zara outsource certain activities to low-cost developing entries they are often accused of child-labor and 'slavery'.

SOOT ANALYSIS, after analyzing Sara's internal and external factors, we can start creating a SOOT analysis. **STRENGTHS:** Sara's biggest strength is that they almost control their entire value chain. Because of this they can respond to customer demands very quickly and efficiently. They can develop and distribute new articles in only 2 weeks time while most of the companies need a lot of time for this. **WEAKNESSES:** Because of the strong internal value chain, Zara isn't able to respond quickly and efficiently to external factors.

Also the costs of the centralized value chain are very high.

OPPORTUNITIES: Zara is very dependent on their use of technological infrastructure (the almost perfect communication system etc...).

These days, technology is developing more and more which can lead to even more efficient systems for Zara. **THREATS:** Of course there are several large competitors such as H and Gap. Inc. One of the largest threats, but this is for most of the companies, is the current economic recession. Because of the unemployment, inflation etc.

.. People are starting to cut in their spending in buying clothing.