

# Macro environment: analysis and overview



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The government plays an important factor in any business' success. With the stability of politics, Singapore government has many policies to support business by providing a stable economy; low interest rates banks and competitiveness of the tax system. It is important element for company to develop their product. Singapore has no restrictions on foreign exchange management and Singapore dollar can covert so it is a positive factor for foreign investors to transfer capital and profits in and out of Singapore. Singapore government does not restrict foreign investors to protect domestic industry for any reason. Thus, companies feel safe to grow and expand its business in Singapore.

## **Economy**

Singapore is well- known as highly dynamic developed country. A stable economy not affected by inflation and fluctuations in the market is one of important factor for company's success. According to the latest report 2010 by the World Bank about the assessment of business environment, Singapore's economy is considered to be the easiest environment for doing

business and investment. Singapore Gross Domestic Product accounts for 0.29% of the world economy about 182 billion dollars. The more development economy, the more amounts of money consumers spending for shopping so this is a favorable condition for development of Zara products.

## **Social and Cultural**

Singapore located in the middle of South East Asia countries which are central of the trade and economics brings a lot of diversity for their culture and social life. Based on the demographical, Singaporean is famous with the multi-ethics people and culture. Total population in Singapore was about 4.99 million in Jun 2009 with 77% of Chinese, Malay 14% and 7.6% of India. Since nationality in Singapore mixed as well as their culture, its immediately effect the culture and habits of the people in Singapore. The traditional family values are still conserved but the younger generation has gradually adapted to the culture and lifestyle of Western Europe. Thus the Zara's product can partially meet the needs of young people for usability design.

## **Technology Factors**

With the development of information technology, it can impact on many kinds of things such as distribution strategies, media strategies, etc.

According to Infocomm Development Authority of Singapore, a total Internet user in Singapore is 3,370,000 as of June 2010, about 77.8% of the population. Company can develop direct sales via the company's website <http://www.zara.com> or use the online advertising methods such as link marketing, banner advertising.

Swot analysis of Zara

## Strengths

Zara's products are designed as a quick fashion. The other fashion usually takes about three to five months to create a new seasonal collection after experts need to predict a new fashion trend that customers want. For Zara, instead of predicting fashion trends, they ask, listen and monitor of what customers want. Each employee is equipped a personal digital assistant to collect customer comments about their products. The data will be collected and sent directly to headquarter. So Zara can be able to distribute the new product to the customers within 2 weeks. Besides that Zara has effective sale system, only those products with the highest demand will be in stores that allow for more popular items to appear in during the season in which its sales are high. To create special and unique designs, Zara use its own fabric and dyes. Zara also has the rare advantage in their clothes because of the amount of inventory is very low, only sold in stores in a limited number and so customers do not always see the same product twice in Zara.

## Weaknesses

Zara does not have a chief information officer must take responsibility for information technology and computer systems that support business objectives. In addition, Zara should spend a large expense for research and development to respond quickly and efficiently the need and want of customer as well as for the fast introduction and frequent of new product. The company must give high costs for the continuous upgrading of production techniques to create their different appeal lines. With that, the company must spend money to train staff in using new production

technologies and that is the cause of cost increases. Along with the use of euro-centric model has caused prices of clothes to climb in some places.

## **Opportunities**

Zara Company has strong opportunity of development in Singapore because the company can expect to increase sale due to the growth of Singapore economy. As a result, the quality of living standard will be increase so Singaporean will have extra money to spend on shopping. Besides that, Singapore has the ability to attract large numbers of tourists to visit and shopping for many different purposes. According to the Singapore Tourism Board, in January 2010, Singapore welcomed a total of 908, 000 tourists, over the same period last year increase by 17. 5%. And the opening of the two integrated resorts in Marina Bay and Sentosa, as well as the Gardens by the Bay in Marina South will be a boost for the tourism industry. Singapore is also home of many great events, for example Youth Olympic Game 2010 from 14 August to 28 August 2010. This is a good business opportunity not only for Zara to sell their product but also for many other service industries.

## **Threats**

The threat for Zara is direct competition. Zara's product toward the target customers are middle and high-class people, there is also the target market of other company like Gap, Guess, Calvin Klein, etc. Key tools used by competitors are price, quality and design. As a result of Zara brand has wide range so it faces competitor at every price point from luxury to cost reduction. The next threat, Zara has only one center of production and distribution worldwide therefore the risk associated with just one centre. Today advertising has become an important part of every business because <https://assignbuster.com/macro-environment-analysis-and-overview/>

it directly affects the sales. Zara's in-store advertisement model may not work going forward. The significant threat to the success of Zara is that while Zara find it difficult to manage the vertical model, local retailers can follow Zara's formula for success and they can emerge.

Objective

### 3. 1 Marketing

Zara's marketing objective is to increase customer equity to enhance customer loyalty and gain more profit. It can be done by:

Improve customer satisfaction

Enhance brand awareness

Increase customer's purchase frequency

Continue to grow by extending the Zara fashion brand

### 3. 2 IMC

Objectives set out what the business is trying to achieve. The main objective of IMC is to inform customer about the arrival of new products, promotions and raise awareness of product within a clearly identified target market as well as create positive feelings for customers in order to encourage purchase intention.