

Polo ralph lauren overview and analysis



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Singapore is the home of the global luxury lifestyle brand's first luxury boutique in Southeast Asia as well as shopping paradise with many shopping areas to explore and satisfy every styles and needs. It is a country with consumers who have more knowledge about every brand; international tourists prefer to shop at duty-free market. In Singapore, customers can find all the famous brands from around the world. The Polo Ralph Lauren known as a strong brand with considerable awareness among consumers. According to Interbrand, the company's brand is ranked 95 in the world since 2002

General company overview

Polo Ralph Lauren was launched by Ralph Lauren in 1967 when he worked for Beau Brummell Neckwear and they agreed to sell Ralph Lauren's tie in Empire State Building. In 1968, he established Polo Fashion Company. Polo is the name of one of the popular horse racing. Horse racing is a sport that's usually only for nobles. Therefore, Ralph Lauren identified target customers who have a relatively higher income and passion for sporting. This is a desire and goal that Ralph Lauren was determined to meet with his Polo brand. By 1969, he had a boutique store within the Manhattan department store Bloomingdale's. In 1971, the first stores of Polo Ralph Lauren fashion appeared in Beverly Hills. In 1981, Lauren became the first American designer open shop in London. Today, Polo Ralph Lauren has grown to be a well-known brand, not only for tie but also for all fashion items particularly fashion for men.

Polo Brands

Polo by Ralph Lauren: provides a complete menswear wardrobe with distribution through Ralph Lauren stores and Department stores.

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Polo Sport: A line of men's active sportswear

RLX Polo Sport: Complete in the sports apparel market by offering clothing for running, skilling, cycling etc.

Polo Golf: This collection of men and women's golf wear

Blue Label: classic women's weekend wear.

Macro Environment Analysis

The external analysis of a company allows the company to get a clearer picture of the threats and opportunities in the external environment of the company. From the results, the company can provide suitable strategies to exploit opportunities and eliminate threats.

Political and Legal environment

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 convert so it is a positive factor for foreign investors to transfer capital and profits in and out of Singapore. Singapore has applied British legal system. However, the Singapore company law now also contains many different points. Foreign investors are not required to participate in the activities of joint venture or franchise. 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 a developed country with a dynamic business environment. All business ideas can easily turn into the reality because Singapore has open business environment, low corruption, high financial transparency, price stability. Besides, the economy is very little interference from government and it only takes 1 to 2 days to set up business in Singapore. Since 2002, the tariff is under 1% so it helps to attract more business investment as there are very few products are taxed.

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 also has been awarded the second World's Freest Economy from The Heritage Foundation, Index of Economic Freedom, 2010. The Gross Domestic Product (GDP) in Singapore expanded by 18.8% in 2Q2010 and GDP growth for 2010 is expected at 13 to 15%.

A stable economy not affected by inflation and fluctuations in the market is one of important factor for the success of a company. The more development economy, the more amounts of money consumers spending for shopping so this is a favorable condition for development of luxury items as Polo Ralph Lauren products.

Social and Cultural

Singapore located in the middle of South East Asia countries, such as Malaysia, Indonesia and Brunei which is 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-ethnics 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 products of Polo Ralph Lauren can partially meet the needs of young people for usability, youthful and self-motivated design.

Technology Factors

Technology has made positive contributions to modern live, help improve productivity and quality of life. 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 (IDA), Total Internet Users in Singapore is 3,370,000 as of June 2010, about 77.8% of the population.

Table 2. 4. 1 Singapore Internet Usage for Transactional Activities by Age Group

15-24 yrs

25-34 yrs

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35-49 yrs

50-59yrs

60yrs & up

Government/Organizations/Authorities

2%

11%

10%

10%

9%

Online Banking

7%

23%

21%

24%

20%

Purchasing/Ordering Goods & Services

2%

2%

2%

3%

1%

Source: The Infocomm Development Authority of Singapore (2008)

Internet users tend to use search engines to find product information and find websites through search engines. There is about 10% of Singaporean who using Internet for purchasing and ordering goods and services.

Therefore, company can develop direct sales via the company's website

<http://www.ralphlauren.com> or use the online advertising methods such as link marketing, banner advertising.

Key opportunities and threats of Polo Ralph Lauren

Opportunities

The Polo Ralph Lauren company has strong opportunity of development in Singapore because the company can expect to increase sale due to the recovery of global market as well as Singapore economy. The rapid growth of the economy has lifted the standard of living of many Singaporean as a result people will have extra money to spend on shopping.

In addition, Singapore attracts a large number of tourists to visit and shopping for many different purposes. The key tourism drivers for Singapore are travel and Mice (meetings, incentives, conventions and exhibitions). In 2008, Singapore's tourism industry welcomed 3 million business and MICE

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visitors and revenue of approximately \$ 6 million because they were very capable high spending consumers. According to the Ministry of Trade and Industry, Singapore has welcomed 2, 835 visitors and top five visitor leading market belonged to Indonesia, China, Australia, Malaysia and India. With 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 the host for many important events such as Youth Olympic Game 2010 from 14 August to 28 August 2010. It is expected to receive about 3, 500 athletes from 170 countries and territories. This is a good business opportunity not only for Polo Ralph Lauren to sell their products but also for many other service industries.

Threats

Polo Ralph Lauren's product toward the target customers are middle and high-class people. There is also the target market of other company like Tommy Hilfiger, Guess, Calvin Klein, etc. Competitors have used some key tools such as price, quality and design. Therefore, Polo Ralph Lauren has expanded range of brand so it faces competition in each price point from discount to luxury. And the price of Polo Ralph Lauren is quiet expensive than competitors. For example: The new Lauren line will feature jackets from \$230 to \$250 and pants from \$119 to \$139, whereas Calvin Klein will offer pants and skirts priced at \$125.

Competitive Analysis of the Industry

Michael Porter's " Five forces" was used to analyze the competitive environment. The five forces are rivalry among existing firms, threat of new entrants, substitute products or services, bargaining power of suppliers and

bargaining power of buyers. The stronger each of these forces, the more difficult companies are in their ability to raise prices and earn higher profits.

Rivalry among existing firms

“ In most industries, corporations are mutually dependent. For a competitive movement of one firm, it can be expected to have a noticeable effect on its competitors and thus may cause retaliation” (Wheelen, 2010, pp159).

Growth in the apparel industry will boost competition and help eliminate the weaker competitors. To be able to survive in the market, companies need to continuously improve product quality, diversified models and customer care services. Polo has threatened by competition from Guess and Tommy Hilfiger. For the luxury range designers, Prada, Gucci and Versace are the direct competitors of Ralph Lauren. However, with the power of Ralph Lauren brands, loyal customers and designed in classic American style that allows it to mitigate the threat. Ralph Lauren targets the upper price point range where consumers are light price sensitive, so competition is less fierce. For the Polo Ralph Lauren, the threat of rivalry from competitor is moderate.

Table 4. 1. 1 Polo Ralph Lauren Competitors

Polo Ralph Lauren Brand

Competitor

Men’s Purple and Black Label

Giorgio Armani, Hugo Boss Collection

Ralph Lauren Collection

and Women's Black Label

Giorgio Armani, Calvin Klein, Hermes

Blue Label (Men's and Women's)

DKNY, Calvin Klein

Polo by Ralph Lauren

Lacoste, Armani Exchange, DKNY, Van Heusen

Lauren by Ralph Lauren

DKNY

RLX

Prada Sport

Polo Golf & Polo Tennis

Nike, Reebok, Adidas, etc.

Threat of new entrants

“ Normally, new entrants to an industry bring to it new capacity, a desire to gain market share and substantial resources. They are, therefore, threats to an established corporation. The threat of entry depends on the presence of entry barrier and the reaction that can be expected from existing competitors” (Wheelen, 2010, pp159). An entry barrier is created to prevent a company to enter an industry. It requires considerable resources to launch market and distribute products in this industry, not to mention a

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recognizable brand. There are many difficult factors for new entrants such as suppliers, distributor's channels, product diversification, product differentiation and the ability to negotiate with retailers. Thus, they must spend lots of time and money on building brand and raising customer knowledge. With a strong reputation, the risk for new entrants of Ralph Lauren is considered to be low.

Threat of substitute products and services

“ A substitute product is a product with some differences but can satisfy the same need as another product” (Wheelen, 2010, pp160). With the numerous brands at different price points ranging from the low end to the high-end black and purple label, the company's products can meet all the needs of customers. It is considered that the threat of substitutes for Polo Ralph Lauren would be low since there are no considerable apparel substitutes that would cause customers to switch to another industry.

Bargaining power of suppliers

“ Influences of suppliers come from their ability to raise prices or reduce the quality of purchased goods and services” (Wheelen, 2010, pp159). In a diverse market, if the numbers of suppliers is smaller to supply a variety of customers, suppliers will have relative power that can be used to influence price. Supplier's power in some aspects of this industry is high since a large portion of Ralph Lauren revenue comes from licenses. Therefore, the financial viability and operational ability of licensees are depended on by Polo Ralph Lauren. The same applies to many of Ralph Lauren's manufacturers in Asia which are affected by the potential of political instability or workers rights violations. Generally, the threat of suppliers is

high since major brands compete for manufacturers and switch manufacturers is costly.

Bargaining power of buyers

The customer is the key factor in the buying process. They decide where to buy the product and the price they want to pay for it. They can choose what to buy and from what company. Therefore, the companies should create value and set a price that customer is willing to pay for. Buyers affect an industry through their capacity to reduce the prices, deal for higher quality or more services and play competitors against each other. Polo Ralph Lauren's revenue mainly came from wholesale (about 50.9% of Fiscal Year 2010 sales) that supplies its products through several department stores in the wholesale channel. When the buyers order product's quantity and they could integrate backwards and control this channel of distribution hence the threat of buyers can be considered moderate. The revenue of retail segment is about 45.5% of Ralph Lauren's total revenue in Fiscal Year 2010 as retail sales grew to \$2.2 billion. Ralph Lauren's retail segment runs through the chain of 326 retail and factory outlet stores as well as online stores. The individual buyer has no influence on the price of the products offered.

Core Competencies of Polo Ralph Lauren

Jay Barney is considered as the father of the modern Resource- Based View. According to this theory, the company can sustain a competitive advantage through heterogeneity of firm- level differences. So in order to maximize returns, companies must change the mode of management, selection strategies with the important task of indentifying, developing and deploying key sources.

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Value: when they enable a firm to conceive or implement strategies that improve its efficiency or effectiveness. It allows the firm to differentiate products or services and create unique value. Polo Ralph Lauren is a strong brand that has been known for many consumers. Companies earned higher profits from their products than other apparel companies because of the loyalty associated with the brand. Customers are not only bought products with good brands but also have products with high quality that are designed based on the classic American style but still very elegant and durable. Besides, it has a portfolio of products at different price points from popular products to the high-level design.

Rare: valuable firm resources possessed by large number of competing firms cannot be sources of either a competitive advantage or a sustainable competitive advantage. Competitors do not have access to the resource. Good quality has created long-term reputation for Ralph Lauren. Polo Ralph Lauren has a very wide range of products but each one has lasted for years, their craftsmanship is very hard to find. The company also has special product lines such as products designed specifically for the Olympic Games or Ralph Lauren Polo handmade woven design silk tie which cannot find in other companies.

Imperfectly inimitable: because of a combination of three reasons: unique historical conditions, causally ambiguous, social complex. Competitors cannot easily copy or reproduce the resource. Scott Davis defined that “Lauren apparel becomes part of who the customer is by striking a deep emotional chord with that customer. Ralph Lauren’s customers feel good about themselves”. The emotional value aims the brand transcend other

brands. Other companies can be able to copy the design of clothes but not the feeling. Until now the product of Polo Ralph Lauren still remains the most powerful design and favors with the general public.

Non- substitutable: There must not be strategically equivalent valuable resources in term of being rare or imitable. Equivalent resources that may allow similar strategy are not readily available. With the criteria “ Fashion is a part of lifestyle”, Polo Ralph Lauren’s products have created the excitement for consumers through the design and its brand thus these products must reflect the consistency and long-term use. The feelings and experiences are not easily forgotten. The objective of the company is constantly creating a change in style but not losing their unique.

Conclusion

This assignment conducts a research on Singapore external environment in order to continue to develop Polo Ralph Lauren in Singapore. This is a big favorable environment but high competitive. Ralph Lauren is one of the largest corporations in the world of fashion business that has made every effort to satisfy the target customer in order to reinforce existing market share and market growth in Singapore. Ralph Lauren also has to face many threats from the competition in branded manufacturers and new entrants join into the market but with the advantage of strong brand, it is not a difficult problem to overcome.

(2741 words)