

# Zara fast fashion key factors marketing essay



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CUSTOMERS: They notice customers desires and then the design process is launched. ' This is a quick process which enables them to lower the costs by using a react policy instead of a forecasting one

STORES: Particular attention for their stores, which are their main advertising medium ' in fact their advertisement budget is 0, 3% of the net income (H&M and Gap 3-4%). They prefer publicity coming from their main street and unique stores rather than an expensive advertising campaign.

EMPLOYEES RESPONSIBILITY: Bottom up process in which Zara's headquarters leave the responsibility of choosing clothes to the store managers ( they know the local market ina better way). Moreover their wages are 70% variable and this encourages them to sell more in a good competitive way

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**\_VERTICAL INTEGRATION:** This is why they are doing so well and why they can be associated to FAST FASHION. Their vertical integration allows them to design and finish goods which you can find into the store in 4-5 weeks' **HIGH TURNOVER OF THEIR PRODUCTS.** Thanks to this impressive response capability, Zara is able to follow fashion instead of betting on it' this means that the entrepreneurial risk is minimized to a level that no one other competitor would ever reach' this rapid product turnover creates a climate of scarcity and "opportunity that must be caught" in Zara's retail stores.

## **Strengths**

### **Weaknesses**

Vertical integration

Lower quantities of goods produced means that there's a rapid product turnover. This creates an artificial sense of scarcity among consumers and allows Zara to sell more merchandise at full price, lowering costs via reducing markdown merchandise

85% of styles produced in-season - very updated products, capturing the latest trend;

Incredibly short lead times (time from design to sale)-: average of 15 days

Unique quick response system: store managers as the most important people in the company

Custom-built IT support, allowing very quick and efficient transmission of sales and trends information from stores to the HQ;

Extremely low advertising costs;

Store design creating a unique shopping experience

Broad market segmentation

Inability to penetrate the American market: differences in tastes, weak supply chain strategy in America

Unable to acquire economies of scale by producing large quantities for a discounted rate: higher costs arising from vertical integration

Higher costs of training personnel and of changeover of production techniques due to changes to garments being made in-season, as well as new styles being introduced

## **Opportunities**

### **Threats**

Explore other world markets

Expand into Internet retailing

Offer different styles in different stores within the same city to avoid cannibalisation of own sales

Cannibalization. Zara's extensive location strategy involves putting multiple Zara stores that carry the same stock in the same cities. That means Zara is trying to sell the same exact merchandise to the same people that reside in that city.

## **NINTENDO BLUE OCEAN STRATEGY**

According to businessweek. com, in a list compiled by A. T. & Kearney

Nintendo is ranked as #1 in the 2009 most profitable companies ' its sales have risen 36% annually over the past five years and its value growth averaged 38%.

### **KEY FACTORS**

-EMPLOYEES RESPONSIBILITY: They bought a very expensive software called Xylo just to help their employees with a private online network of work/life products to develop their work (even at home) in a better way. And according to the Financial Times Nintendo is totally repaid because every employee generated an average a \$1. 6 million each for them.

-SUSTAINABLE MARGINS AND COST LEADERSHIP: They invested in a product which has guaranteed them a positive relationship between sells and costs from the first year ( this allowed them to generate positive cash flows which enabled them to invest in R&D), instead Sony and Microsoft are profitable only from this year( they actually lost lots of money). Also the suppliers found it easy to develop games for an easier console. Nintendo made a huge strategic bet that less is more in the global console gaming market. The Wii console is the low budget alterative to the Play Station 3 and the Xbox (see Figure 1.). It doesn't boast blistering chip speeds or cutting edge graphics. By not investing significant amounts of money in technology like Blu-Ray technology (typical to the Sony Playstation) the Wii was profitable from day one (Bremmer, 2006). Referring back to the target market, by targeting new generation families with a product that provides fun, educational and

entertaining activities through a cost leadership strategy, Nintendo is sure to please by providing families with more affordable fun, without the need to leave the house.

-INNOVATION: They have a continuing emphasis in innovation and that's why Wii and Ds outsold their competitors Ps3 and Psp from Sony and Microsoft Xbox360). They are always one step ahead of their competitors. They basically invented a brand new way to conceive the games with their new motion controller. ' Which was perfect to last even during a crisis.( where there's lack of time' there's no need to master small buttons, and lack of money' it costs 249\$ instead of 500/600\$ of xbox 360 and ps3).

Nintendo's strategies always embed their core value: ' creativity'. This is typically reflected in the case of Wii. Wii had accumulated a sales volume of 70. 93 million worldwide, as of March 31, 2010 (Nintendo Co., Ltd., 2010, p. 23). This is a remarkable sales result. Why is Wii so attractive to consumers?

The most creditable feature of Wii is its multifunctionality. Distinctive from other game consoles, it allows the players to emulate a variety of actions, like shooting arrows and hitting tennis balls, to achieve objectives in the games. This is a truly fresh and unique experience for video game players. They praise Wii, and are desperate to get one without much regards to its price. Word of Mouth Marketing was achieved in this process. The achievement of Word of Mouth Marketing was welcomed by Nintendo, because the extensive share of information between players and their friends can bring significant results that even multi-million dollars advertisements can not bring (Trout, J., 2006). But in the end, credits belong

to Nintendo's core value of 'creativity'. Without creativity, they could not develop products with preeminent functionality, and there would be no way for them to claim the leading position in the market.

-BLUE OCEAN STRATEGY: They had expanded the market with their products'Wii fit and Brain training. Now also women and old People play with consoles! They succeeded in creating a whole brand new videogames market in which they have no competitors and so they didn't have to create a price war with their products. " Nintendo is not fighting against Sony and Microsoft.

Its real enemy is the indifference that many people still feel towards gaming..." (-President Satoru Iwata, Towns, 2006)

In order for Nintendo to capture and retain profitable market share, it would be thought to be possible by achieving higher profitability than their competitors. However, as the insight above suggests, Nintendo have structured business strategy upon the mission to go out and reach the people that would not consider themselves to be gamers). This dramatically increases the size of the total addressable market for Nintendo marketing, and their intuitive strategies have meant that Nintendo touches many more people than the typical ' gamer' - with more profits to match.

The mission to touch those indifferent to gaming, the company adopted the The Blue Ocean Strategy which is centred upon creating a market where there initially was none and going where no other organisation has gone yet (Rosmarin, 2006).

To reach this untapped market, Nintendo adopted an all inclusive, gender and age-neutral stance to gaming. This was achieved by going against the grain of competitors and including women in their audience, welcoming women by introducing a feminine aesthetic in product marketing (for example the Wii and the DS are visually light, curvy, bright, people based products) and focusing on gaming/entertainment content that appeals to both sexes (for example the Wii Fit, Brain Training and Nintendogs). This can be contrasted to the gaming content of competitors in the market Sony and Microsoft, which are typically associated just with 'competition content' (Marketing Magazine, 2008).

The SWOT analysis of Nintendo

## **STRENGTHS**

## **WEAKNESSES**

Nintendo's strengths include a well established brand name, well known franchises, ability to manufacture goods at a low price and innovative products as will be discussed later in this report.

Since its computer gaming establishment in 1977 Nintendo has maintained a strong and brand image. This has been supported by their success in quality products such as previous market leaders the Super Nintendo Entertainment System and Nintendo 64.

The franchises that Nintendo possess such as their gaming icons, Mario, Donkey Kong, Zelda, etc have enabled them to maintain customer loyalty and recognition. These franchises have also allowed Nintendo to touch on other markets i. e. toy market.

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Nintendo's two major weaknesses would be their dependence on outside contracted manufacturers and lack of games compared to its competitors. Ironically, one of Nintendo's strengths would also constitute as one of their biggest weaknesses. The dependence on specific manufacturers leaves Nintendo vulnerable if those manufacturers were to fail or suffer any difficulty in producing the required amount. The inability for manufacturers to supply goods on a timely basis would significantly impact on Nintendo's performance as the switching costs between competitors within the industry are relatively low. The unavailability of products would ultimately constitute in loss of market share.

## **OPPORTUNITIES**

### **THREATS**

The main opportunity that Nintendo are exposed to is that the world evolving to which more people are becoming more technologically compatible. People are introduced to technology at an earlier age and are becoming more computer orientated.

Another opportunity for Nintendo would be the online gaming support system. It is anticipated that the sale level of gaming consoles will decrease as the number of online gaming subscriptions will increase . This includes the possibilities of introducing newer systems or even upgrading current products to align themselves with current online innovations and to potentially compete against upcoming new competitors.

There are a number of threats that Nintendo may or have come across which include counterfeit products, competitors implementing motion detection additions and new companies planning to branch into the gaming industry.

Counterfeit products are an issue to which will affect the sales of games. Even though extensive measures have been implemented to prevent such from happening, with time, the market will also manage to find ways around any security imposed.

It has already been demonstrated that new technologies have been implemented by competitors which will “ provide intuitive gaming experiences at almost the same level as Nintendo”. That being said this poses as a threat to one of Nintendo’s competitive advantage being product differentiation.

The ever advancing technology market has allowed companies to enter into the gaming market. A major threat would be newer companies indulging into this market with even more advance peripherals and capabilities . A potential threat could be Apple which already have the motion detection and touch screen technology implemented into their iPhone and iPad.

Sony took a risk putting the Blu-Ray player into the PS3, whilst Microsoft only offered the HD-Dvd drive as an extra peripheral so they could charge less for their console. This is often touted the main reason the Blu-Ray standard won. There were 5million PS3s in the market and less than 1million HD-Dvd players when Toshiba decided to pull the format.

“ I always emphasise the Nintendo goal of putting smiles on the faces of everyone we touch whenever I visit our Global companies, both in Japan and throughout the world, and I think I’m getting the message across. I want everyone at Nintendo to know I expect everything that they do, their every action, to lead to this goal.... Although our employees are all over the world... we are all unified to achieving Nintendo’s corporate mission” (- President Satoru Iwata, CRS Report, 2009).

As Mr. Iwata said, ‘ Nintendo works to put smiles on the faces of everyone we touch’ (President Satoru Iwata, CSR Report, 2009), which shows that, Nintendo sincerely cares about the video game players, and always strives to bring unforgettable experiences to these consumers through continuous innovation and improvement. This is one of the secrets behind their success.

## CROSS COMPARISON

Why they thrive during recession.

What do they have in common

Particular focus on:

Good relationship and communication within the company.

Long term orientation

Strong commitment for a good brand image

[WiiStrategyCanvas. jpg]