

# University of the central punjab



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## UNIVERSITY OF THE CENTRAL PUNJAB Strategic Marketing ASSIGNMENT NO:

## 3 BATA Pakistan A little Introduction It was originally established in

Czechoslovakia by Thomas Bata in 1894. He was actually engaged in no formal shoe making business. He decided to visit Michigan for observing how Ford Motor company were making auto mobiles in assembly line production. He observe and took that idea and started applying all those same lines for production of shoes on large scale. As he started doing so, a revolution came over there in shoe making industry. In 2002 Bata was the largest organization in world of footwear industry with 14 billion pair of shoes produced and sold. Company has 75 footwear factories and tanneries in 95 countries. In Pakistan Bata had started its business in 1942 near Lahore.

SWOT ANALYSIS Strengths \* Bata is multinational company with strong image and recognized in the world. \* It was a part of a big Organization and very much strong in terms of finance. \* Its biggest reason behind success was its retail network although it was competed by Servis later. \* One of the reason of success was its footwear for whole family. \* Company has its own retail outlets on which company has full control. \* Company was targeting middle and lower middle segment of the country which was a big part of the population. Weaknesses \* It could not control its other departments, like tanneries and Tube and tyre production. \* It could not sustain leadership for long time. \* It has set its image as for middle and lower middle class, which could not be changed immediately. \* It has sold too much in the whole sales on credit which was not controlled. \* Advertisement was not made through proper planning. Opportunities \* It was the best opportunity for BATA to avoid defects and heavy costs by partnership with small manufacturers. \* It could target to upper middle class and elite class. \* Use of Internet and TV

channels for proper advertisement to hit the market. \* Ecommerce could be used for advertisement and provide online purchase platform for potential buyers. Threats \* Due to defects in the footwear and non proper checking some customers were getting dissatisfied with the products which was big threat to BATA. \* There were lot of competitors were entering in the market. \* Low price competition was a major threat for BATA specially imported footwear from china on affordable price for lower segments. \* Due to political instability Bata together with other formal manufacturers were facing lot of problems, which were beyond prediction parameters. \* Changing fashion and preferences was also a big threat for BATA to tackle. Porter Five Forces Threat of New Competition Profitable markets which are yielding high return can attract new firms to enter and can create problems for existing firms and can lead all the firms into competition resulting in lower profits with perfect competition environment. In this case lot of new companies are getting into business like shafi group, Servis, China and other players. Bata was facing all this and in this scenario BATA had to perform with extraordinary to survive. Threat of Substitute Products In this industry, There are no substitute products. If any new firm enter into the market or existing can manufacture footwear. But China has emerged as a big player in footwear market in the world. China was somewhat playing to cover the substitute products but in footwear market it also have footwear but on difference in prices. Bargaining Power of Suppliers Bata Pakistan was importing its raw material from outside Pakistan with somewhat obtaining inside Pakistan. After this BATA has started its own tanneries after increase in the prices of tanneries. After some time it has made its subsidiary Company which was closed later due to heavy loss. But now suppliers are much more in numbers so bargaining

power of suppliers is not a big issue for BATA. It is being easily handled.

**Bargaining Power of Buyers** Pakistan is the country where major segment of population is based on lower class and lower middle class. Due to availability of large variety of footwear in the market, the consumers have so many choices that they bargain for prices. In this scenario China has played an important role. China has introduced a large variety with very much affordable price of artificial sole made shoes which is the biggest reason for increased bargaining power of customers. Rivalry among Existing Competitors Before China get into the market there were already large number of formal and informal manufacturers in the Market. They were introducing different varieties and growing in numbers. Bata was failed to control effectively its two manufacturing departments. And servis was growing in its other manufacturing departments like tyre and tubes and it was a big reason for making them sound financially. There are also lot of small informal manufacturers in the market which were manufacturing and covering about 80% of market share.

**PEST ANALYSIS Political Factors** Due to instability in Politics in Pakistan almost all of businesses were facing lot of problems. For example GOVT increased sales tax rate to 25% which was practically applied only on formal sector of businesses. In this scenario BATA once decided and came to know that " Now it is difficult for us to survive". They were in difficulty even to survive on this type. Although sales tax was decrease to 15% but still it was a big issue at that time to operate on that return. Unpredicted political environment can lead to wrong decisions which can influence the organizations badly. Many of the GOVTs could not complete their time due to military interruptions. One GOVT devise policies while other terminates those polices which create very much trouble for

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businesses. Environmental Factors Footwear industry in Pakistan plans for 6 months. There are two big seasons in Pakistan Summer and winter. There are some regions where Winters are long and same is with summer. Now it depends upon industry how to operate. More population is living in Punjab and Sindh. Which have almost same seasons. Monsoon has little season of about 1.5 to 2 months. Which is considerable in decision making about season. Social Factors It is all about Demographics of population. Population growth rate is 3% per annum. In 2002 population was 140 million with annual consumption of 150 million pair of shoes. Market is going more fashion conscious. Fashion is something must be followed by footwear industry but it has a little life. Manufacturers have to pay attention to this segment but it has a little or short span of time. Which could cost firms too much for gaining a little. Females are 53% now which are more conscious about fashion. New trends get in and get out from market within no time. But firms have to devote time and cost to gain and survive. Technological Factors Pakistan is a developing country and adopting new ways of modern production or manufacturing, retailing, servicing, merchandising, distribution handling, controlling, and managing the resources and people. Technology is the most crucial factor that determines the growth of the organization, or country. The more use of technology the more productive use of resources. Bata is also on the way to success by adopting new technology. But it depends on the people, organizations, Governments how they perceive the technological advancement. But still there is lot of deficiency in obtaining the required level of technology. BATA has adopted new technology for making shoes. But due to large SKU's Bata have to contract with local small and informal manufacturers to fulfill demand.