

Resource analysis of prada group using vrio term paper sample

[Business](#), [Company](#)



The PRADA

The Prada Group is a company that was started by a family of two Miuccia Prada and Patrizio Bertelli as a family business in 1930s. The company expanded over years to become one of the leaders in the world's design, production and distribution of commodities for luxury uses. The main luxury commodities that the company deals in include; handbags, footwear, small goods of leather, goods that are designed for ready-to-wear purposes, eyewear, accessories and fragrances. Most of the international most prestigious brands are owned by the Prada Group. These brands include; Prada, Car Shoe, Miu Miu, and Church' s (Carroll, & Buchholtz 2011). This Group operates in over 80 countries globally where their businesses are run through over 265 DOS, a network of multi-brand stores in which their selection is at the high-end, around 40 franchising and department stores for luxury goods.

Analysis of the VRIO model content:

The VRIO Framework is an appropriate tool of examining the internal environmental analysis of business firms. And be able to evaluate how PRADA's capabilities and resources can be internally viewed in order for the firm to gain an advantage that is competitive. VRIO is a combination of syllables whereby each stands for an independent word as follows;

V - Value of the firm

R - Rarity of the firm

I - Imitability of the firm

O - Organization of the firm

The VRIO model of resource analysis is a concept applied by companies in different industries in determining their competitive advantage based on their resources and resource allocation (K. G. Saur Verlag GmbH & Company, 240). Therefore, in this paper, this model of resource analysis would be used in determining the competitive power and advantage of the PRADA Group based on their resources both internally and externally.

- Analysis of the current and recent economical events of Prada Company:

The PRADA Group deals in design, production and distribution of commodities used for luxury along with clothes. The main economical events in PRADA Group just like in any other company of this kind would be basically in the production, distribution and marketing sectors. The recent research that was carried out in the industry that deals in the design, production and distribution of commodities used for luxury purposes indicated that the future designs and models of wear lies within the hands of the upcoming generation which is held by young people in the society (Reilly & Norton, 2003).

Based on the above stipulation, the core focus of the PRADA Group in the production sector has been mainly to work closely with young people.

Therefore, the limited time put in place for an individual to work with the PRADA Company is an average of 20 years. According to the company's own claim is that, the highest level of design and model specialization in addition to brand dedication runs through a smooth transfer of knowledge to the youths or specifically a generation that is younger and active in making up good looking or rather modern looks.

The distribution sector in PRADA Group has experienced quite a number of recent economical practices and events that are new even to the company its employees and general management group. The use of different and independent distribution firms confirmed to be very expensive and ineffective due to low competence in the market (Barney, and Hesterly, 346). Therefore, PRADA Group has set up Directly Operated Stores run and operated under the company's management. These stores have reduced on costs for hiring another firm to carry out distribution for the company. At the same time, has enabled the company to be in touch with final suppliers and consumers so as to access first hand information pertaining to the customers desired designs, changes and prices. This is indeed a recent and new event in the company's economy since it has control of most of its operations from production to marketing. Thus recent research confirmed that Prada Group has approximately 65% of its distribution done by their own consolidated retail channels while only 35% is distributed by partly owned and independent wholesalers (Barney, 2001).

The Prada Company has introduced new styles in imaging and communication systems. The communication type used by a company that deals in any luxury commodities facilitates effective development and maintenance of the company's brand image that is unique and powerful. Therefore, recently, the company introduced editorial coverage that is strong for its specific brands. This act has facilitated easy visibility of the brands covered with unique and strong editorial outlook in the market place. In addition to that, the labels on these companies' brands are designed with full collaboration of specialized and professional artists hired by the company.

The resources table

This is about the analyzing the resources of the PRADA group focusing on their impact to the group, and their comparative implications. The table is drawn using a VRIO analysis model.

- PRADA Group Resource analysis by VRIO Model:

There is need for a company like PRADA Group to be in a position where it can apply their resources and determine their competitive advantage in the industry. VRIO is an analysis mechanism whose integration is based mainly on two theoretical frameworks; the view based on the resources of company and the company perspective that is positive (Weisberger, 357). The VRIO is considered as a primary tool that enables any firm in any industry around the world be able to accomplish performing organizational internal analysis. VRIO is an important tool used in the establishing the competitiveness of a resource, it brings out the essence of knowing whether a strategy is fit, to be able to deliver. Divide the kind of resources used as either tangible or intangible.

Financial resources enable the firm to know the equivalents, capacity, its borrowing, and equivalents. Physical resources for example modern plants, favorable manufacturing sites and art machinery, technological resources are trade secrets and innovations. Human resource and skills as intangible resources those are essential. The firm can maintain a strong customer relation by creating a department to deal with customers. This is the resources that give them competitive advantage.

Value creation:

The resources capability of the PRADA group has it as strength which enables the group to enter and explore opportunities around it. For example the opportunities to exploit legal and the political situations, technological change are crucial opportunities. Also it concerns checking in the PRADA group's capabilities by initiating an insight in the value chain. This will mean to conduct an analysis by doing a step by step path and the essence of each product value in the firm. According to this, it means the resources of the company like PRADA can either be the firm's strength or weakness. This depends on the ability of the firm to withstand or neutralize external threats. In the case of PRADA Group, being a luxury dealing firm, the strengths of this company in the regions where it operates such as Canada, United States of America and other states, is considered valuable. On the other hand, the strengths of this company can be considered to be less valuable mainly when the company introduces its products in other parts of the world where they are not yet known or not really required. With this knowledge, PRADA group should come to an understanding of the value of its products in the new regions and therefore, be able to develop a different strategy of business that would enhance the promotion of its products.

PRADA Group has been successfully undergoing regional expansion and this clearly implies that the firm's resources are valuable. In addition to that, the firm has put down a well analyzed plan of dealing with external threats when entering new regions. Therefore, based on this information, the value of the resources of PRADA and its capabilities have generally manifested themselves in lower production costs and higher revenue just the moment it

started neutralizing external threats and exploiting all of the available opportunities. The management team of the PRADA Group has been using the Value-Chain Analysis as a mean of identifying the resources for example human resource , raw materials for manufacturing bags among others and capabilities of the firm that are valuable. Based on the fact that the industry in which the company operates have different business activities, the activities of the value-chain that PRADA Group engages in has enabled the firm to end up developing new market trends and strategies as the firm expands for example creating new outlets. In order to evaluate PRADA's value chain activities the management team of this company has been using The Generic Value Chain which was developed by McKinsey and Company.

Rarity

The letter " R" as in the VRIO model stands for Rarity which refers to the value of the organization's resources and capabilities which can be said to be rare in that these capabilities and resources are currently under the " control" of small firms that compete with this firm which is PRADA Group in this case. For rarity to exist the supply of the resources should be short and be able to exist for a long time in order to achieve a competitive advantage. Though communication will be a challenge for example, knowing the native language for efficient marketing is a challenge. The value of the resources and capabilities of small competing firm to PRADA is very low in that it has less influence. This gives PRADA resources Group a greater opportunity of surviving and prevailing in the industry because the value of and capabilities controlled by small competing firm is very minimal and less influential to the market served by PRADA Group. Advanced technology to use in the

production process is crucial resource. The firm can use the identified resource that is scarce to their advantage to win the market for example having high skilled personnel than its rival firms.

In case where a number of firms that compete possesses certain resources and capabilities that are valuable, the resources would unlikely be used as a competitive advantage source for any company among the competing firms. This is not the case with PRADA Group, since the firms in the industry possess distinguished resource value thus giving PRADA a greater opportunity and potential to withstand competition because of the greater value of its resources giving it higher competitive advantage, for example the raw materials like leather and textile. (K. G. Saur Verlag GmbH & Company, 240). This is based on the fact that the; how rare the firm's valuable capabilities and resources to have the strength of generating the company's competitive advantage varies based on situational change, then the situational change in the luxury industry favors the strategies, resource and capabilities of PRADA group thus making it more competitive than other firms in company. PRADA Group has a greater competitive advantage over other firms that compete with it just because its resources and capabilities are very unique

Imitability:

The " I" in the VRIO analysis model stands for imitability which refers how costly it is for an organization that lack or possess certain resources and capabilities that are valuable would face a disadvantage of cost in developing or obtaining them, in comparison to other companies that already have resources of that type, in which will provide them a competitive

advantage that is sustainable (Weisberger, 357). The PRADA Group is advantaged when it comes to competitive advantages mainly because other competing companies in the industry have cost disadvantages whenever they try to develop and acquire the resources that are needed. On the other hand, PRADA Group has no disadvantages of cost when developing or acquiring the resources needed for daily operations, thus this approach of imitation has helped in generation of competitive parity in the industry.

The imitation in the industry served by PRADA Group occurs in the two main ways indicated below:

- Direct imitation or duplication: this is a case where a firm performs direct imitation or duplication of the resources that are under possession of another firm with an aim of gaining competitive advantage. The production means used by PRADA Group are very unique and the resource used is very expensive thus making an attempt by another firm or company in the industry dealing in the same products to imitate their resources and capabilities incur high costs. Thus making PRADA Group to retain its competitive advantage and also obtain competitive advantage that sustainable since the competing firm that imitates the product of the company to spend a lot in producing the products and therefore, ends up selling the products at higher prices than PRADA itself thus many customers would still go for PRADA commodities which are of high quality and goes at a reasonable price. This further implies that in a case where the cost of imitation or product duplication is not very high, then there are greater possibilities of the firm's competitive advantage being short-lived or temporary.

- Substitution: this is an imitation type which is applied in a case where there are substitution resources existing in the industry and if the firm that intends to imitate it does not face any cost disadvantages during the time obtaining them. In this case, the competitive advantage of the firm will be temporary. The products produced by PRADA Group are unique and therefore, any firm trying to imitate them would incur very much cost compared to producing original products and therefore, making competing firm to seek other alternative means such as producing original products therefore, this enables PRADA Group to retain and sustain its competitive advantages (K. G. Saur Verlag GmbH & Company, 240).

Organization:

The "O" in the "VRIO" model stands for organization whereby in this case refers to how the business firm is organized on the basis of fully exploiting the competitive potential of the company's resources and capabilities, in which the company enhances its full realization of the company's competitive advantage. Therefore, there is greater need for the company to have an organizational structure that is appropriate, control of the company's management system, and policies of compensation. It revolves around aspects like formal reporting system, management control system, and management policies. It may be taken in the essence of the employees monitoring themselves and check on their progress. PRADO has successfully attained this by incentivizing the workforce on the way they behave and suggests a particular way through the compensation policies. Motivational activities like the salary increments, bonuses and additional holidays.

Foreign Country Where PRADA Group should Market its Products:

In planning for the new market target in foreign country PRADA focus goes to the upcoming markets. Also check on sociopolitical governance, market heterogeneity, and the undeveloped infrastructure.

Mission

Our core goal is to develop and grows the company spreading it wide and far and to become a bigger organization both locally and worldwide. Our main objective is to achieve customer satisfaction. Considering we are bigger company we have considered taking the business abroad to other foreign countries . to expands our market. Our fist target is based in Africa, South Africa. Below are details of the foreign country before we do the expansion. South Africa is a state located in the southern tip of Africa. The country is divided into nine provinces. It has a coastline line of about 2798 kilometers. To the north is neighboring countries, Namibia, Zimbabwe and Botswana; to the east is Swaziland and Mozambique while Lesotho is inside South Africa itself.

Geography

Area is at 1, 219, 912 kilometers square kilometers it is located along two oceans, Atlantic and Indian oceans. The country's between longitude of 16 degrees and 33 degrees east. The interior is a flat shape and a shrub land, the southern part is place for agriculture. It has a temperate climate. Winters occur in between June and august the areas to the south provide wine it has Mediterranean climate.

Population

South Africa's population is estimated to be about 51 million it is the 24th largest country by area in the world and 80% Of the population is are black.

Culture

The people are in diverse cultural practices, the country does ceremonies during the selection of president's wife, and also people intermarry. There are a variety of ethnic groups for example the chosen. There are arts in South Africa of the old writings, caves and their form of literature. They play football and cricket. There is populous culture, it has a large media in Africa, and there are musicians for example Brenda Fassie among others.

Economy

World Bank considers the South Africa as middle economy country, since 1994 the country's economy has been growing there is low employment growth rate and low GDP in earlier years. It has a mixed economy. It is a place for tourist destination which generates more income. It is growing in terms of technological advancement. It has been experiencing brain drain which has greatly affected the economic growth. The GDP is about 24% per capita incomes. It supplies natural resources like coal, minerals. It has relatively improves infrastructure. In 2009 GDP grew by 2%. The country focuses in reducing inflation. GDP composition by sector is: Agriculture, 2. 4 %, services, 32. 2% and industry, 64. 9 %(2012). Major international trade partners are china, USA, United Kingdom among others.

Political environment.

South Africa normally holds election in a peaceful manner. The major political part ANC, African national congress is dominant and the country is stable politically. In the recent elections, 2009 it won by 65. 9%. It has capital cities Cape Town, for seat of parliament, Pretoria for legislative and Bloemfontein for supreme courts. In law it uses English common law. It protects the people from unfair treatment both I corporate world and normal situations.

Foreign relations

It is a founder member of UN. As union of South Africa, it is a founding member of AU as well. It has made agreements with various countries for example Japan, china. In 2010 it signed agreement with being.

SWOT analysis

Strengths

- Experience
- High morel
- Efficiency in delivery
- Reliable PR

Weaknesses

- update of technology
- inability to cover wider areas in short time
- lack of media support and getting contacts

Opportunities

- less competing firms
- great business environment

When to enter

There are two ways of entering the country

- The first mover – this is type of company to be in the country
- The late mover – it is where you wait for other companies to enter first and watch how they do.
- I shall choose to be the first mover since the PRADA group will be the first in the country. Other than being in Italy.

The importance of being the first mover is:

Since it is my own, the management and control is in my hands hence I can move it to the top.

- Gain loyal customers
- Employ more experts to the company
- Since the PRADA is new in the country other than the main one in Italy, profit will be high

Entry objectives.

South Africa annually receive various visitors from all over the world especially tourists during summer, the business will boom as the population will be on the rise and demand for our products will be high, we shall increase production and the outlets, South Africa is a developing country

and one of top performers in economy. Also to change the trend of fashion in South Africa, foreign the country will be clients a well.

How to enter

First we need to consider if it is equity or none-equity mode

I shall be selling my products to the clients directly to be considered as equity. In South Africa the essence of partnership is not must therefore I shall sell the product directly and open a wholly build subsidiary. For example locate it in Pretoria and Cape Town since they are major cities.

Marketing mix decisions the (4Ps)

The goal is to create a high profits and customer relation the company is to use the tools, price, product, place, and promotion. The marketing mix is tactical controllable marketing tools which s blended by the firm to get the response it desires.

Product involves the kind of the fashion trend that is on the market , the products PRADA offers the handbags , shoes , wallets men clothing's and shoes , it shall be offering affordable products and fashionable , south Africa has little such markets that design for customers the products.

Conclusion: Based on this paper, it can be realized that the PRADA group is organized to exploit the internal conditions from the grounds of its resources and capabilities (Barney, and Hesterly, 346). Therefore it can as well be seen that in a case where the firm is not effectively and professionally organized, then the company is likely to miss its opportunity to strive for the best position in the industry.

PRADA Group is advantaged and has greater competitive advantages

because the cost of imitating its products by other competing firms is too high and its achievement is difficult. This has enabled PRADA Group to sustain and retain its competitive advantage for the resources possessed by PRADA are very valuable compared to the resources of other competing firms in the industry (Weinberger, 357). The VRIO model of resource analysis has been of great importance since it has facilitated the creation of a decision-making framework for the PRADA Group as well as students that deal in studying resources analysis at international level. In addition to that, this model also enables students to better and effectively analyze business situations and cases which is the main goal of this course (Barney, and Hesterly, 346)

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