

Zara internationalization analysis

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ZARA-Internationalization Analysis When it comes to internationalization strategies, ZARA is the perfect case to look at. By putting in practice a set of different strategies, ZARA has accomplished great positioning worldwide and is one of the most recognized brands in the apparel market. Listed below are the main internationalization strategies ZARA has used to become one of the leading clothing brands in the world. Operating Filial

When ZARA first started opening stores outside of Spain, at the end of the 1980's and beginning of the 1990's, they looked for markets that resembled the Spanish market, had a minimum level of economic development and would be relatively easy to enter. The entry into the market would be decided by a team of economy experts from the headquarters that, after analyzing the micro and macro components of the market that affected ZARA directly, would say whether to enter or not. This analysis was made to see how much alike was the international market to the Spanish one.

This allows them to, successfully, have the same products in the international market and the local market, distribute the same products between both markets, apply same decisions taken by the head offices and save money and time on flexibility between the international and local market. These key factors, allowed ZARA to have more control of its operations and an easier management. It is no coincidence then, ZARA's first European stores (outside of Spain) opened with high success in countries like Portugal, France, Greece, Belgium and Cyprus.

Joint Venture A joint venture can be defined as an agreement between two or more companies through which they compromise to build a new firm to

achieve a certain purpose. This kind of strategy allows the company to expand with limited capital investment, and therefore, to limit the risk too. The company can also be benefited from the partner's experience in a certain field. Making joint ventures with public foreign corporations can allow the company to start prosperous relationships with that certain market, and use them in the future.

It was not clearly seen how could this alliance benefited Benetton due to the fact that they're one of ZARA's very strong enemy; but Benetton admitted that because of this potential competitiveness, they would prefer to have some control into this new ZARA venture and also to have it as a partner and not as an enemy in the Italian market. Franchise ZARA has 31 franchised stores in 12 countries. The company use franchises in countries that are risky, small, or with significant cultural differences or administrative barriers that feeds the desire to invest in this market.

ZARA in their franchises, has very strong financial partners, franchises are well established and are usually for five years. ZARA charged its franchisees from selling their products a fee that varies between 5% and 10% of its sales. The company offers its franchisees complete access to business services, which are human resources, logistics and training, all without any cost and allows them to return to 10% of merchandise. Some of the advantages that a franchise offers to ZARA are, less investment and less risk, standardization and relatively little scrutiny.

Franchise also has its disadvantages, difficult to find local investors and seek to ensure the policy coherence in the image. But if a company like ZARA that

is so big and recognized around the world use a franchise as an investment decision, is because the benefits are more than the losses. Manufacturing Contracts Autonomous Filial ZARA is an exclusive and dedicated local market, it has strong relationship to the country where is located. It is relatively autonomous but not at the same level as the qualified filial and is considered a small replica of the parent company.

While management stressed that ZARA used the same business system in all the countries which it operated, there was some variation in retailing operations at the local level. The first store opened in each market, usually a leader store for the market, played a particularly critical role in refining the marketing mix by affording detailed insights into local demand. The marketing mix that emerged there was applied to other stores in the country as well. Pricing was also part of this market based mix. However if a decision was taken to enter a particular market, customers effectively bore the extra cost of supplying it from Spain.

ZARA had historically market local currency for all the countries in which it operated on each garments price tag. The higher prices outside did imply a somewhat different positioning for ZARA overseas, particularly in emerging markets. For example in Spain about 80% of the citizens can afford ZARA. It's different in Latin-American countries like Mexico for cultural and economic reasons because the average income in Mexico is \$3000 compared to \$14000 in Spain. The Mexican people who buy in ZARA are the upper class and the middle class, which is the class that knows fashion that is accustomed to buying in Europe, or in the United states.

In Mexico ZARA's are targeting 14 million inhabitants compared to 35-36 million in Spain, but 14 million is more than enough to put in a network of stores there. Differences in positioning also affected the stores which products were sold and ZARA's overall image. For example in South America, ZARA's products had to present a high-end rather than a mid-market image and it was emphasized that they were "made in Europe". However, the image presented was never one of "made in Spain". Qualified Filial A qualified filial is a unit with great strategic relevance in the entire corporation.

It acts in coordination with other units of the multinational corporation, mostly influencing them with strategic behavior and their expertise on a specific technology. Thus, a qualified filial has to be a center of excellence. In ZARA, the international distributing centers can be considered as qualified filials, for distribution is one of the key factors in ZARA's selling process. International distributing centers are located in Argentina, Brazil and Mexico, where shipments are consolidated from the main distributing center in Arteixa.

Working under Just in Time policies and systems, distributing centers have a great responsibility linking the stores with Arteixa, and at the same time, implementing distributing strategies that affect them. These centers allow a rapid flow of information and merchandise to the different stores, so keeping their levels of excellence are vital for the process. This is why ZARA invests on their ongoing improvement to keep up with technology as it improves and making it a flexible and reliable system so it doesn't fail.