

Macro-environment and micro- environment for topshop



Introduction

As a global marketing manager of Topshop, it is very necessary to think about expanding its global marketing. China is a good choice as it owns a large number of persons. And, alongside changing lifestyles and income growth, China's fashion retail market is booming (Reuters, 2007[Online]). For Topshop, it means many potential customers. But, some other international brands, like Zara and H&M, have opened its market in China for few years and have created customer loyalty to some extent. Then, before entering into Chinese market, it is still need to make a detailed analysis of the whole Chinese environment include internal and external and decide the most suitable entry strategy for Topshop if it wants to be successful.

Situation of Topshop:

Organization overview

Topshop is a U. K. based clothing store chain which is founded in 1964 for young women selling fashion clothes, shoes and accessories and also is a part of the Arcadia Group (Mahalo. com, 2010 [Online]). It is owned by Sir Philip Green and the stores feature Kate Moss's designer fashions (Mahalo. com, 2010 [Online]). Now, the flagship store in London Oxford Street is the biggest fashion store in Europe. It operates in more than 20 countries currently and has over 309 fashion stores nationwide, and 50 stores outside the UK (Oppapers. com, 2008 [Online]). It also has a website where you can buy a lot of the Topshop (Oppapers. com, 2008 [Online]).

SWOT analysis

Strength of Topshop as it belongs to Arcadia Group which managing several successful brands, and has accessed to target market with over 300 stores nationwide (marangonimarketing. blogspot. com, 2008[Online]). It provides numerous choices in product lines and design variety of products with thousands of looks per season creatively (Irina & Klebelsberg, 2008[Online]). Compete with other brands, it also offers free personal style consultants (Irina & Klebelsberg, 2008[Online]). And, internet website makes it attract more customers around the world and make everybody shopping online quickly (marangonimarketing. blogspot. com, 2008[Online]). All of these make Topshop keep trend of awareness and follow the fashion (Irina & Klebelsberg, 2008[Online]).

Weakness of Topshop is that the company is global, but it has a presence in few countries worldwide (Irina & Klebelsberg, 2008[Online]). A large number of staff and products make it difficult to manage and increase the management costs. And, big store space lead to weak customer services. On web shopping, there is no detail and size for accessorizes (marangonimarketing. blogspot. com, 2008[Online]). Moreover, some garments quality is not matching with the price (Irina & Klebelsberg, 2008[Online]).

Opportunities for Topshop are about a large number of people in China which means it can get many potential consumers. Compared with other fashion retailers, it is not just target young Chinese, but also white-collared workers and a part of middle aged persons who follow the latest fashion in China, as this kind of fashion group can afford it and willing to spend on fashion
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(Reuters, 2007). It is easier for attracting Chinese customers and makes them know about this brand by online shopping to increase revenue and profits (marangonimarketing. blogspot. com, 2008[Online]).

Threats always reflected by its competitors, such as Zara and H&M, also are fast fashion retailers who have entered into China and have a status for few years(Irina & Klebelsberg, 2008[Online]). If Topshop wants to be successful in China, it is necessary to show its unique features and improve quality and retain low price and good design, because its competitors cooperate with top designers and fashion icons too (marangonimarketing. blogspot. com, 2008[Online]). What's more, it needs to face some limitations from government policies and to know about the cultural and demands of China as soon as possible.

Key competitors

For Topshop, Zara and H&M are considered international competitors in China, as all of them have some common features as fashion retailing. For example, they are all creativity, quality design and rapid turnaround to adjust to changing market demand (Thinking made easy, 2009[Online]). However, Zara is the closest competitor for Topshop because of the relative higher price than H&M. To some extent, H&M is less fashionable.

Analysis of China:

PEST analysis

In aspects of policies, China insists its way of peaceful development and keeps the stable political situation for a long term which offers a favorable external environment for Topshop to develop its market. And, the

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government also enhances its attention on overseas-funded enterprises and develops a well environment for investment to achieve its goal of investment attraction.

By economics, from 2003 to 2010, GDP in China has increased as a whole (real growth rate showed as the chart below) which means the growth in the living standard. Moreover, this reflects that purchase power has been improved. It suggests that consumers can afford its products at reasonable price if Topshop enter into Chinese.

China GDP (indexmundi. com, 2010)

In social, China is a country with a large population which means many potential consumers for Topshop. And, it targets except young, also includes white-collared workers (Reuters, 2007). In China, they are both paying more attention on fashion products and brands. It is not difficult for Topshop to be a new focus as a famous international brand.

About technologies, in China, E-commerce becomes more and more popular nowadays. In comparison, shopping online is more perfect in such a developing country. It is easier to set up its own network platform to advertise and sell products for Topshop. It is also a useful way to attract consumers.

The theory of Porters diamond

(Value based management. net, 2010)

The four point of the diamond contributes towards global success as the picture shows (Henry, 2008). Factor conditions as China has large populations and have a low labor costs. And, perfect network it creates make it successful in business, especially for selling. Demands conditions as various customers' demands in China make Topshop to innovate and provide an insight into future global trends for Topshop stay in a better position to exploit (Henry, 2008). To cooperate with Chinese suppliers provide Topshop with the most cost-effective inputs and communicates with local suppliers can make Topshop to learn about new fashion features to shape new styles (Henry, 2008). The structure of Chinese market is complex and multilevel with a large and various demand (Xinhua, 2009 [Online]). With this feature, it may work well in retailing industries. For Topshop, as a fashion retailer, it is driven by a need of fashionable and trendy for providing products to meet demands variety which suit for current Chinese market (elegman. com, 2005 [Online]). And, the existed strong competitors create pressures for Topshop to update to compete successfully (Henry, 2008).

The theory of Porters Five Forces

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The five forces as the picture shows are used to analyze for assessing the competitive environment (Henry, 2008).

The threat of new entrants depends on entry barriers and the reaction of existing competitors (Henry, 2008). For Topshop, if entry barriers are high, the threats of new entrants will be low. For example, as a global brand, Topshop already has a large-scale, to some extent, it can achieve economies

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of scale to decrease its costs, gain more profits with stronger proclivity.

Then, if new entrants without enough strength, it will be difficult to entry into the industry and the threats will be low for Topshop.

Bargaining power of buyers, buyers always want lower price and more services and bargain for high-quality (Henry, 2008). Topshop has to face to the forces come from buyers, if products can not satisfy customers' demands, they will find other products to replace which leads to the loss of customers. This asks Topshop to make products with reasonable price and high quality.

Bargaining power of suppliers, sometimes the costs of Topshop based on its suppliers. It is unnecessary to worry about if Topshop has many suppliers because it has opportunity to choose one which can offer lower costs. But, if fewer suppliers can provide goods and services for it, the profits may be decreased as suppliers will ask for high costs and there is no space to choose.

Threat of substitution, there are products and services can meet similar needs, if Topshop cannot meet customers' demands, especially for price, they will choose another one (Henry, 2008). It has to under the pressure and adjusts its price for maintaining its customers and profits.

The intensity of rivalry, Zara is the closest competitor for Topshop as the similar price and products, so it has to face a strong competition. And, both them target young persons. The competition also is reflected to gain customers.

What makes China attractive to invest in

China keeps its stable political situation by peaceful development and offers a favorable environment to attract investment of foreign-funded enterprises. And, a large number of populations which suggests many potential customers make it attractive for Topshop to invest in. Moreover, it is worth investing as the attitude for following the fashion is enthusiastic and people also willing to spend on it (Reuters, 2007). Though it has to face the pressure of competition, Topshop still can maintain its competitive advantage with reasonable price, good design and high quality.

Available market entry strategies for Topshop:

Exporting is one of entry mode strategies for Topshop as it can make goods and services in UK and sells them in China. This method provides an opportunity for Topshop to acquire international experience for decreasing its risk exposure and resource commitments (Henry, 2008). But for Topshop, a famous international brand, has expanded its market in many other countries, it has already owned enough experience and strength to undertake risks. Exporting may waste a long time for it to entry into China, because it relies on local distributors and some of them have less ability to marketing and promoting international products (Henry, 2008). Then, it is not a suitable strategy for Topshop.

Licensing is another way for Topshop to entry into China with less resource commitments. It is attractive for small firms as it requires little capital (Chee & Harris, 1998). It can make Topshop to enter China quickly and fairly and help to access market knowledge, distribution and contact with customers immediately (Chee & Harris, 1998). It also invests with a low cost. But,
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Topshop will have a less and direct control for its products and also make licensee is able to imitate its products and become its competitor (Henry, 2008). To some extent, it may enhance the stress of competition in Chinese market because of it is common for customers in China to choose imitation which is similar with what they wants of a lower price. It is easy to be replaced by imitation for Topshop.

Franchise is particular form of licensing which can make Topshop enter into China rapidly with minimum investment (Chee & Harris, 1998). Benefits of franchise as franchisee can provide local market knowledge which similar with Licensing. And, Chinese market may be more receptive to this strategy by a large area because of it involves local ownership and employment (Henry, 2008). The disadvantage is about lacking of trust and understanding between Topshop and its franchisee (Henry, 2008). The successful of franchisee means mutually beneficial for both side, not just for Topshop or its franchisee.

Joint venture is a new company which is created by Topshop with its partners if it chooses this form. It differs from licensing as Topshop can take a managerial role and participate in operation and control its product line (Chee & Harris, 1998). Partners will share the risks and costs of investment. Other benefits as joint venture can help greater familiarity with the local environment, especially for cultural of Chinese market. This enables joint venture to be more aware of culture sensitive. By joint venture, Topshop may benefit from government support and with a local partner (Chee & Harris, 1998).

Strategic alliance is sharing some resources and capabilities of Topshop with its two or more separated organizations (Henry, 2008). Their common aim is to learn from its partners. They all need to grow and develop based on their strategic objectives. It is beneficial because the opportunity to build new skills that Topshop can get from its partners (Chee & Harris, 1998). But, it is difficult to identify each company's boundaries and ownership is also not clear. For a long-term strategy, Topshop cannot show its obvious features to attract customers and establish a superior position.

Wholly owned Subsidiaries is the strategy can make a total control for Topshop. This entry involves the greatest commitment of resources with the highest risk (Henry, 2008). The unique resources and the distinctive capabilities provide for competitive advantage of Topshop (Henry, 2008). The drawbacks is just about Topshop has to undertake the most risk compared with other strategies.

Conclusion:

Through analysis of the situation and competition environment of Topshop and China, and think about some available strategies for Topshop entering China, Wholly owned Subsidiaries is the most suitable entry strategy for Topshop to choose. The decision depends on the vision of Topshop and its attitude towards risks and available investment capital. For Topshop, though it needs to face the highest investment cost and the most risk by strategy of wholly owned subsidiaries, it also can get the greatest returns based on this mode (Henry, 2008). Topshop can maximize the control of products line, operation and managements in China with this strategy. And, to expand its new market in China by this way can fully reflect competitive advantages of <https://assignbuster.com/macro-environment-and-micro-environment-for-topshop/>

Topshop with enough capital. This entry mode provides a chance for Topshop to make a full use of local resources to produce, to some extent, helping to decrease the cost. Moreover, comparative low labor cost in China makes Topshop to save investment cost on human resources, combined with its enough capital and competitive strength, it is real to reduce the threats if new entrants.

By the development of business, it is not just open one store in China of Topshop, so wholly owned subsidiaries make Topshop can control its business in China and prepare the foundation for its future development. As a famous global brand, some suppliers are also in China, to choose wholly owned subsidiaries as an entry strategy make it close to the source of raw materials (Henry, 2008). Based on its local suppliers, it is easier to catch up the local fashion trend by communicating with its suppliers and serve the market better to satisfy local needs.

What's more, a base established in China can help to avoid government policies and barriers to trade which is better than exporting (Chee & Harris, 1998). Other strategies like joint venture and licensing are common choice for other retailing. Then, Topshop choose wholly owned subsidiaries helps it enter into China rapidly and show its strength. And, in the initial period, Topshop choose wholly owned subsidiaries as entry modes can help to introduce other series products of Topshop gradually, such as Topman, to expand its market share at the right time.