

BA Business Management

Marketing Fundamental

LCBB4004

Student Name Mihail Roussev

Student No.2115133

Table of Contents

Introduction	3
PESTEL analysis	3
Porters Five Forces Model.....	6
SWOT Analysis.....	7
Marketing Mix in Zara	9
Stakeholder Engagement Framework.....	11
Conclusion	13
References.....	14

Introduction

Marketing entails a range of tactics and strategies that are utilised in the business to promote services and products offered to customers. Success and competitiveness of the firm in a given market is directly proportional to various marketing activities undertaken to influence potential and targeted customers. In the modern era, marketing skills, online advertising and social media are regarded as essential aspect that promote successful growth of the business. Since the emergence of global pandemic, marketing is one of critical processes in the modern business which were greatly impacted by new norms and measures that were put in place to manage the negative impacts of Covid-19. This made leaders to assess various issues affecting employees, customers, suppliers and other key stakeholders in order to manage their safety and promote brand image of the business while implementing various support programs from government in the workplace. As a marketing manager in Zara, I am required to conduct external and internal analysis of Zara Plc while considering the impacts of Covid-19 pandemic on the business. The report will focus on relevant theoretical concepts including PESTLE, Porters Five Forces, SWOT analysis, marketing mix and stakeholder's management to assess fundamentals of marketing in Zara.

Zara Plc is the largest apparel retailing company globally that was established by Rosalia Mera and Amancio Ortega in 1975 IN Spain. It offers a range of fast fashion products and services such as perfumes, shoes, clothing, accessories, beauty, shoes amongst others. It has 2,270 stores with over 75,000 employees. It has operations in UK, India, China amongst other countries (Zara Plc, 2021). It entered UK market in 1998 where it has over 3,000 employees in 68 retail stores.

PESTEL analysis

This is strategic framework that allows an organisation in assessing unpredictable influences from the macro environment and how they impact business performance and decision making process as firms lack ability to control such factors (Perera, 2017). They are described below for Zara due to impacts of Covid-19 pandemic:

Political factors include interventions made by the government and how they influence a given sector. The political stability in the apparel retailing market in UK is stable thus positively influencing business activities of Zara. The Covid-19 pandemic has made UK government to introduce some regulations which business must comply with to manage spread of the disease. Reduction in tax policies and VAT rate from 20% to 12.6% due to effects of Covid-19 as a measure to cushion businesses in UK positively supports activities of Zara by 13.2%. The profitability of Zara has been positively influenced Mayoral election in early 2021 which has ensured favourable changes in rules and local policies governing businesses thus

supporting Zara in recovering processes. Foreign trade policies have become unfavourably to Zara since current restrictions on trade across boundaries increases costs of raw materials by 4.5% due to trade restrictions in 2020 compared to 2019. Also, US-China trade wars and view on Covid-19 directly affect retailing market of Zara globally thus lowering profitability (Lee and Carter, 2020).

Economic factors are various changes in the economy which either directly or indirectly influences businesses. As a result of Covid-19 and Brexit, the basic rates taxation reduced to 12.6% in 2021 from 20% in 2019, interest and inflations rates reduced by 0.9% and 2.3% to promote survival of the businesses in UK hence supporting Zara since some operational expenses are reduced. The unemployment rates have increased due to reduced operational or closure of some firms hence huge labour workforce available to Zara since its offering essential commodities (Ha, 2021). The Covid-19 restrictions negatively affected profitability of Zara has it resulted to decreased consumer spending, decrease in demand for certain commodities and high unemployment rates have reduced people expenditure thus limiting its profitability. This result to the need of lowering prices of products and services in order to attract customers.

Social factors include social aspects that impacts individuals with shared features in form of income and education levels, population, preferences, beliefs, cultures, lifestyles amongst others. The Covid-19 has negatively influenced social aspects in relation to Zara. The high death rate associated with Covid-19 reduced population growth rate thus reducing the number of customers and possibly affecting preferences of certain commodities which are highly valuable by ageing population (Ha, 2021). For UK, the demographic population for younger people remain almost the same but ageing population decreased thus the need of Zara to increase products and services that fits modern lifestyle and social trends. The changing trends from consumers due to changing cultures and income levels as a results of Covid-19 have negatively impact profitability of Zara thus assessed adequately to ensure specific products and services demanded by consumers are offered (Lee and Carter, 2020).

Technological factors are various improvement that are associated with using modern equipment, processes, procedures and highly skilled workforce. Due to Covid-19 restrictions that limit physical movement, Zara invested £453 million specifically on new technology digital marketing to promote online shopping and delivery which has increased to 43%. Also, creativity and innovation was essential to enable Zara in changing its operations in various stores to accommodate new complicated programs from the government in managing the pandemic. It also forced managers and leaders to allocate more resources in research and development to establish customer behaviour and their specific requirement thus increasing

operational expenses which could have been utilised to focus on marketing opportunities for expansion.

Environmental factors include various aspects in the ecology in form of pollution, weather, CSR amongst others that influence the decision-making process in the business. Since the emergence of the Covid-19 pandemic, Zara has set initiatives that aims at promoting sustainable society and improve its environment. In January 2021, it launched Remove, Reduce, Reuse and Recycle plan with objective of reducing operational expenses to manage negative impacts of Covid-19. Further, there are measures to reduce pollution by eliminating use of non-recyclable plastics so as to remain a compliant organisation. The hygienic and cleanliness aspects in various stores have improved drastically as a result of complying with Covid-19 measures thus supporting new norms in the workplace.

Legal factors entail various legal frameworks that guide operations of each business and ensure ethical aspects are adhered to while offering products and services that meet set standards. Covid-19 pandemic influenced existing regulations while introducing new regulations to contain spread of disease within apparel retailing sector. Zara as fast fashion business has been forced to adhere to new requirements by consumer laws while offering basic commodities and managing health concerns associated with the spread of Covid-19 and handling of products. Increase use of online shopping has promoted the need of Zara to comply with GDPR regulations concerning personal data for both consumers and employees. Further, Covid-19 has promoted flexible working thus allowing some staffs to work from home in order to reduce the number of people working in a given workplace at a given time to curb its spread (Kotler and Armstrong, 2020).



Source: Lee and Carter (2020).

Porters Five Forces Model

Porters Five Forces model was formulated as a strategic framework that enables an organisation to assess and determine its position in a given market while identifying right strategies which can be implemented to enhance its competitiveness (Riley, 2018). Zara can use this model to assess various forces in the market and determine effective ways of adjusting its operations in order to realise business objectives. Further suitable actions can be implemented to ensure activities of competitors are managed as a result of Covid-19 pandemic.

Low threat of new entrants. The apparel retailing market in UK have existing brands which are highly established and competitive hence limiting new entrants from entering such market. It is very difficult for such new entrants to attain desired competitiveness due to inability to establish economies of scale. According to Riley (2018), new entrants encounter challenges in determining suitable channels for distribution which are needed to attain business goals. They also encounter financial barriers which limits the business from engaging in business activities. For Zara to maintain its competitiveness in the sector, it needs to engage in segmentation of customers and diversify its services and products during marketing to reach more customers compared to its competitors through meeting specific customer needs.

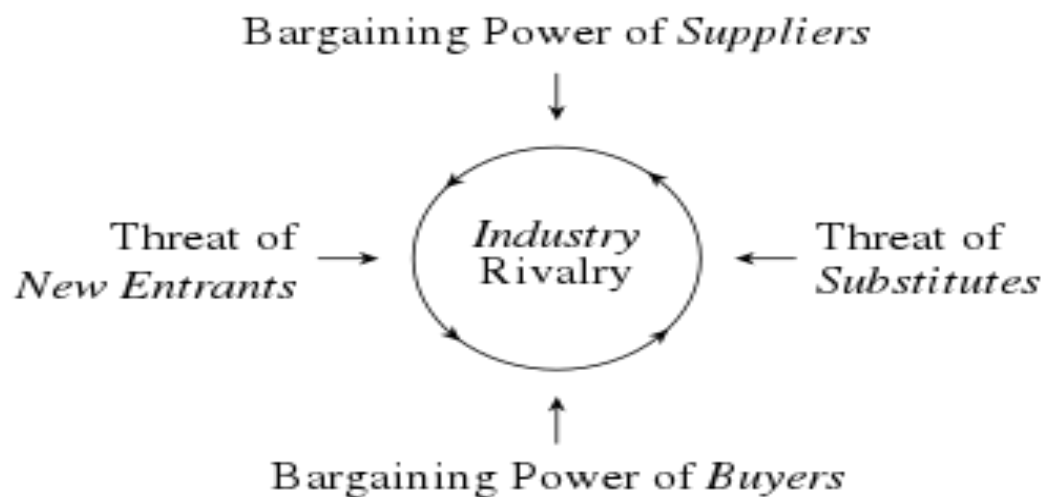
Availability of suppliers with lower power to bargain. The apparel retailing sector has numerous suppliers with similar raw materials hence giving them lower power to bargain among existing firms. For this case, potential buyers like Zara have higher bargaining power hence able to switch from one supplier to supplier while looking suitable suppliers who can offer quality materials that are affordable. It is essential for Zara to select suppliers who are situated near its stores, create positive relationship and qualify various suppliers for particular raw material (Barney and Hesterly, 2015).

Many consumers with high bargaining power. Since apparel retailing sector offers essential commodities, there are many buyers in the market who have greater influence on prices of commodities. It is easier for such consumers to move from one business to another so long as their specific demands are met. For this case, Zara should use approaches like target positioning, differentiation and segmentation with aim of attracting available customers in the market to manage changing retailing market as a result of Covid-19 pandemic (Riley, 2018).

High threat from substitute products and services. The potential customers encounter large number of substitute products and services from various organisations apart from Zara such as H&M, Fast Retailing, UNIQLO, Reformation amongst others. Such companies are established and committed to meet customer needs during Covid-19 pandemic hence Zara should focus on strategies like target positioning, differentiation and segmentation to make its

products and services unique from available substitutes and thrive in the competitive market due to decreased number of customers (Aslem, 2019).

High competition from existing rivals. The apparel retailing market has many firms which are well established to offer products and services in the market. Even though Covid-19 has influenced operations of retailing market, such firms are offering basic and fast-moving commodities thus the need of different organisations to enhance their competitiveness. For Zara to manage such competition, it needs to offer quality products and services at affordable prices than its competitors. Since each organisation is aiming at becoming market leader in the retailing market, it should support activities like strategic positioning, differentiation and various aspects of marketing mix to attract more customers globally (Blythe, 2021).



Source: Riley (2018).

SWOT Analysis

This is a simple and effective tool of planning strategies that enables the company to analyse the strength, weaknesses, threats and opportunities it is facing (Teece, 2018). This analysis is essential to Zara in analysing its status following impacts of Covid-19 in the retailing sector.

Strength

Zara is an established brand with strong financial turnaround due to effective leadership of Oscar Perez which has managed to increase operating profits to £1.8 billion in 2021 thus an improvement from £1.6 billion made in 2020 due Covid-19 pandemic and decrease from £2.9 billion made in 2019 (Zara Plc, 2021). The company has good market share of 3.9% in UK for apparel market ahead of its competitors like H&M at 2.9%. It has experienced strong performance of 5.5% growth despite Covid-19 in the last three months to boost its sales due

to highly skilled workforce (Duoyan, 2021). It offers diverse range of fast fashion commodities thus allowing customers to meet their needs in one store. It has over 3,000 employees and widely distributed company globally in 68 stores within UK.

Weaknesses

There are several complaints in Zara which were reported by customers after changing its operations due to new measures for containing Covid-19 thus tarnishing its brand image such as long and slow-moving queues, inability to trace products in shelf amongst others. There was shortage of products as a result of panic buying that made Zara to rationalise its items thus unable to manage change in unexpected demand. In 2020, Zara was fined £23,000 for rude staffs and chaotic stores (Ha, 2021). It has on several occasions failed to adhere to safety guidelines for clothing products thus forced it to recall certain products from the market. Lack of motivation has resulted to high turnover rate among its staffs thus influencing quality output.

Opportunities

Increase in fast fashion commodities sales was promoted by containment measures which aimed at preventing physical movement due to Covid-19 thus making people to focus in shopping online. This can be utilised further to improve profitability of Zara in apparel market. High unemployment rates due to shut-down or reduced operations from other sectors offering non-essential commodities ensured Zara benefits from such workforce since it engage in offering essential commodities. Blythe (2021) identified the need of becoming a social retail store that can prevent wastage through selling all unsold inventory from previous stock at affordable rates. This will minimise operational costs and attract more customers. There are emerging economies which Zara can enter in Brazil, parts of Africa and Asia to expand its activities and meet more customers. Developing technology is creating opportunities which business can utilise to support marketing activities during global pandemic in form of YouTube, Instagram, Facebook, LinkedIn and Twitter thus enhancing positive image of the business (Grant, 2018).

Threats

COVID-19 Pandemic forced Zara to shift most of its operations to online services as various measures limited its customers from visiting the stores. The expenses related with Covid-19 amounted to £348 million thus a big threat to growth of the company (Zara Plc, 2021). Zara is facing high competition from other brands like Marks & Spencer and H&M which are established brands in apparel market thus big threat to operation of the firm during this harsh and uncertainty period of Covid-19 pandemic. There are alternatives products and services offered by Zara thus giving customers wide variety which they can choose from especially if

they offer best features that are not offered by Zara hence making them to consider other products and services offered by competitors. The drastic changes in business environment in apparel market in form of political instabilities, regulations that are constantly changing, interest rates and changing population offer greater threat towards survival of business. Economic recession is a greater threat to Zara especially with the current case where there is change in its operations thus negatively affecting stability of the firm.



Source: Duoyan (2021)

Marketing Mix in Zara

This refers to set of actions which are developed and implemented by the business with objective of promoting various services and products to the targeted customers and realise set goals (Malhotra, 2015). The following is marketing mix for Zara in managing effect of global pandemic.

Products

These are commodities that are offered by business to customers with aim of meeting their specific needs. With global pandemic, Zara experienced customer changes thus need for ever expanding product lines like clothing and accessories and decreased demand of non-basic product lines such as perfumes. Also, it has expanded product line to sell products from established brands apart of its to meet changing demands after global pandemic. The range of products in various stores is determined with nature of customers (Lancaster and Reynolds, 2018).

Price and pricing strategies

Zara is utilising cost leadership with the objective of offering high quality products and services but at lower price possible to manage negative impacts of Covid-19. Also, it lowers operational cost through engaging in economies of scale and collaborating with suppliers to make supply chain more effective. Moreover, intense competition from brands like H&M and Mark & Spencer influence pricing strategy of Zara by also lowering prices of its products and services thus creating price wars and attract reduced number of customers as a result of Covid-19 (Ha, 2021)

Place/ Distribution strategies

Zara utilises both online and offline distribution channels to reach customers. It has over 70 offline stores even though some experienced reduced operations after Covid-19. Zara Direct is online business whose activities increased twice in 2020 compared to 2019 after emergence of Covid-19.

Promotional strategies

Promotional activities of Zara are enhanced due to strong brand image. It utilises aspects like newspapers, television and other media platforms to reach targeted customers. It is among top brands in UK that utilises traditional advertising in retail sector which has spent more than £32.6m in 2021 due to increase need of marketing after Covid-19. There is also online advertising that is used in Zara as promotional technique and offers like buy one get one free to certain products and points obtained whenever they shop in its stores for owners of Clubcard (Duoyan, 2021). This has improved customer loyalty because personalised discounts are offered.

Process in Zara

This is defined as a group of activities that are undertaken in order to attain certain objective. Business process in Zara is standardised to ensure various activities are attained such as production, human resource and marketing. Covid-19 changed normal processes in various stores into promoting online ordering, self-service machines to enable customers make payment and online recruitment due to restrictions imposed on social distance (Ha, 2021).

People of Zara

Zara UK has over 3,000 employees globally who perform different activities from marketing, production, finance amongst others. Such individuals have necessary skills required to promote growth and success of the organisation. They are competent and huge resources such as finances have been invested towards employee training and development. Even

though the company has been rewarding employees adequately, emergence of Covid-19 pandemic made it to reduce motivational activities as it aimed to lower operational costs and meet demands of customers.

Physical evidence

They include a number of non-human elements and tangible representation of the organisation. Zara has adequately designed its website to look unique and easier to use for many customers who have turned from offline to online shopping as a result of Covid-19 restrictions. For this case, Zara has attracted most customers since it is easier to navigate products and services offered and order them. The website is easier to operate and very fantastic mainly after increase need of online marketing due to restrictions introduced by various governments to contain global pandemic (Douyan, 2021).



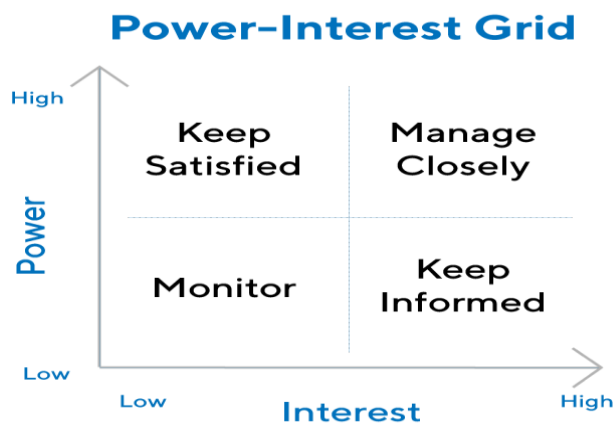
Source: Kotler and Armstrong (2020).

Stakeholder Engagement Framework

In this model, stakeholders are analysed in a systematic way before commencement of the project by grouping them based on their power, interests, participation level and reason for communicating with them (Hill et al, 2017). Zara has many stakeholders thus the need of identifying them as part of strategic planning with aim of ensuring their involvement in business activities before actual commencement (Grant, 2018). It is easier to attain business goals when all stakeholders are involved in business activities because diverse contribution can be

combined to attain common objectives and possible issues managed by team members (Teece, 2018).

At the initial stage of analysing stakeholders in Zara, the management team undertakes brainstorming to identify all stakeholders available in the organisation. This allows the business to group stakeholders into primary stakeholders that comprise of employees, customers, shareholders and suppliers and secondary stakeholders such as the government, trade unions, media groups and regulatory bodies. The stakeholder's matrix below indicates how stakeholders are engaged in the business to attain set goals as indicated below.



Source: Teece (2018).

From the above matrix, Zara values stakeholders such as shareholders and customers because they have high interest and power. For this case, all business activities are undertaken to satisfy them because Covid-19 scare away possible shareholders from investing adequate funds required while customers are scared away from purchasing products and services due to various restrictions and high unemployment rates from reduced business operations and laid down (Barney and Hesterly, 2015). For those stakeholders who have high power but low interest such as suppliers and the government, Zara are required to communicate to them on continuous way but such communication can be cut off in case it doesn't yield positive results. Covid-19 pandemic makes government to identify regulations aimed at protecting business while supplier's experiences decreased demand from businesses due to decreased operations.

For stakeholders who have low power but high interest such as media groups and employees, Zara engage them by ensuring they are communicated on the frequent basis even though the business and such stakeholders experience no issue in their engagement process. Covid-19 makes employees' salaries to reduce and others forced to work from home. Zara however communicate continuously to the stakeholders such as trade unions and regulatory bodies

who have both low power and interest even though no further efforts are made to communicate after certain period of time with aim of lowering expenses to support business manage Covid-19 pandemic.

It can be noted that management team in Zara need to understand influence of each stakeholder to the business, how to communicate with them while involving each stakeholder and listening to their ideas. To engage them fully, ideas from such stakeholders should be welcomed, effective tools that can be utilised in communicating with them developed and specific tools which motivates them to be effective in their roles determined as the organisation is recovering from the negative impacts of Covid-19 pandemic (Kotler and Armstrong, 2020).

Conclusion

In conclusion, the report has clearly conducted the analysis of both internal and external business environment of Zara. Such analysis is very essential because it enables Zara to understand various factors that can influence decision making processes and business performance during Covid-19 pandemic. The marketing team has important role of promoting brand image of the organisation, enhancing competitiveness of the firm, increase business sales through reaching customers and determining suitable strategies which Zara can use to enter a given market and manage negative impacts of the global pandemic. Teamwork among various stakeholders should be embraced and supported in Zara to manage changing impacts in apparel retailing market.

References

- Aslem, K.J (2019). *Applied Strategic Marketing: A step by step approach*, 1st ed, Routledge
- Barney, J. B. and Hesterly, W. S. (2015). *Strategic Management and Competitive Advantage: Concepts and Cases*. 5 ed. Essex: Pearson Education Limited.
- Blythe, J. (2021). *Essentials of Marketing (7th Ed.)*. Pearson.
- Brassington, F. and Pettitt, S. (2018). *Essentials of Marketing with My Marketing Lab (3rd ed.)*. Pearson.
- Bryson, J.M. (2017). *Strategic planning for public and non-profit organisations: A guide to strengthening and sustaining organisational achievement* (Vol. 1). John Wiley and Sons.
- Duoyan, H. (2021) April. Research on ZARA Strategy from the Perspective of SWOT Analysis Method. In *2021 6th International Conference on Social Sciences and Economic Development (ICSSSED 2021)* (pp. 201-205). Atlantis Press.
- Grant, R. M. (2018). *Contemporary Strategy Analysis*. 10 ed. NJ: John Wiley & Sons, Inc.
- Ha, J. (2021). *Zara Strategic Analysis*. 5th Edition. SAGE
- Hill, C. W. L., Schilling, M. A. and Jones, G. R. (2017). *Strategic Management, Theory*. 12 ed. Boston: Cengage Learning.
- Kotler, P. and Armstrong, G. (2020) *Principles of Marketing*, 16th edition, London: Prentice Hall.
- Lancaster, G. and Reynolds, P. (2018) *Marketing*, 4th edition, New York: Palgrave Macmillan.
- Lee, L., and Carter, S. (2020). *Global Marketing Management: changes, new challenges and strategies*. Oxford, UK: Oxford University Press.
- Malhotra, N.K. (2015). *Essentials of marketing research: A hands-on orientation*, London: Pearson.
- Perera, R. (2017). *The PESTLE analysis*. Nerdynaut.
- Riley, J. (2018). Porter's Five Forces Model: analysing industry structure. Retrieved 22 November 2021 from http://www.tutor2u.net/business/strategy/porter_five_forces.htm
- Zara Plc. (2021). About us, available at <https://www.zaraplac.com/about-us/our-businesses/> (Accessed 11 December 2021).