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Strategic Analysis Report of ZARA

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Executive Summary

This report aimed to analyze whether ZARA's strategies and activities align with business objectives and goals. The mission, vision, and values of ZARA were determined, and had insight into their hopes to achieve and become in the future. The opportunities of online sales channel opportunities and the threat of population ageing have been determined from macro-environmental analysis. Moreover, ZARA's corporate and business strategies have been evaluated by a balanced scorecard to measure its effectiveness. Finally, the recommendation was proposed to enhance the online channels and market strategies for responding to population ageing.

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1. Introduction

Strategic management is the organization that manages its resources to achieve its goals and objectives. It is significant because it facilitates the organization to identify the area that can be improved in their operations, and gives overall guidance by creating action plans to make sure performance goals are fulfilled. The company keeps expanding, and then allocates resources to put the plans into effect (VictoriaUniversity, 2019). Five key stages can help businesses execute their strategies. Firstly, an organization establishes clear and realistic goals. Then, it determines external and internal factors that affect their business and goals. Thirdly, an organization uses external and internal factors analysis to develop its strategies. Once the strategies are defined, the organization follows the action plan for implementation. Finally, the organization evaluates the effectiveness of implemented strategies using defined metrics (Kenton, 2022).

This report analysis ZARA's strategic management in the above five stages. Understanding ZARA's vision, mission, and value determined company objectives and goals. The macro-environmental factors were analyzed for the Hong Kong casual wear industry and explored the internal factors contributing to its business. Finally, ZARA's strategies were analyzed and determined whether they aligned with its objectives and goals, then evaluated their plan's effectiveness.

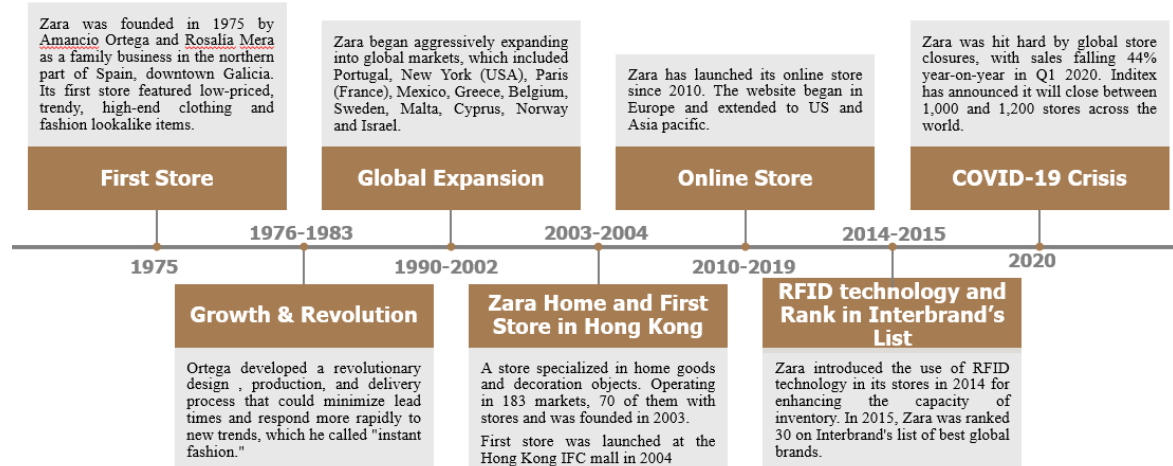
2. Company Background

Introduction of ZARA's brand history with some business milestones. It described the current situation of ZARA and its mission, vision, and value statement for understanding ZARA's objectives.

2.1. Brand History

ZARA is one of the popular brands of fashion players worldwide, it was established in Spain in 1975 and is a member of the Inditex retail group. Amancio Ortega, a Spanish entrepreneur who also controlled Massimo Butti, Pull and Bear, Stradivarius, and Bershka, owned the ZARA brand. Figure 2.1 shows the ZARA's timeline of business milestones.

Figure 2.1: ZARA's milestones (Historydraft, no date).



Ortega developed the processes for designing, producing, and distributing the products in a shorter duration in 1985. Moreover, it could respond to the new trends more quickly. It was referred known as "instant fashion" and evolved into "fast fashion" as we know it today. This relied on information technology and the use of teams instead of individual designers for the critical components of the design. Over the next ten years, ZARA actively expanded into markets worldwide, including those in the United States, the Middle East, and Asia Pacific (Martinroll, 2021).

ZARA wanted to attract a diverse range of customers from all ethnicities and ages. The ZARA brand included the collection of men, women, kids (ZARA Kids), shoes, and accessories. Youngsters may purchase edgier and more fashionable products from their sub-brand ZARA TRF (Martinroll, 2021). It developed its business not only vertically, but also horizontally

expanded its business. It launched a new business line for home goods and decoration objects in 2003 (Historydraft, no date).

ZARA saw the potential of commerce in online purchasing, a general trend in society. In 2010, it operated its online channels to include Ireland, Austria, Belgium, Netherlands, and Luxembourg and Spain, the UK, Portugal, Italy, Germany, and France. From 2011 to 2019, online retailers rolled out to the US, Asia Pacific, and Russia (Historydraft, no date).

2.2. ZARA Today

ZARA has approximately 7,000 shops distributed across 88 countries, with rarely a developed nation without one (Kala, 2018). It is a top premium fashion brand and sells goods for men, ladies, beauty, kids, and the home. The goods included shoes, bags, accessories, knitwear, T-shirts, jeans, pants, tops, skirts, and accessories. It provided a one-stop shop for customers who wanted to purchase formal or informal dressings. ZARA has released new designs over 10,000 per year, and their items are in style yet affordable (MBASchool, 2022).

ZARA was recognized as a leading fashion brand around the world. The company maintained this image by passionately implementing its focused mission and vision statements. It has set a clear, straightforward, and simple mission statement to guide its progress.

ZARA's mission statement – “give customers what they want, and get it to them faster than anyone else.” (Samuel, 2021).

The mission statement highlighted two things: customer satisfaction was their top-most priority, and timely response. The first part of the statement showed that the company needed to identify the market trend and know the customer what they want or are interested in. The second part of the statement indicated that the company produced fashionable products and pushed them into the market before customers changed their minds and competitors rolled out the same type of products.

ZARA's vision statement – “To contribute to the sustainable development of society and that of the environment with which we interact.” (Samuel, 2021).

The vision statement was the outline of the long-term goals of the company. It showed how ZARA prioritizes the wellness of society and the environment, including societal development and environmental sustainability.

ZARA's Core Value – “Beauty, Clarity, Functionality, and Sustainability” (Martinroll, 2021).

ZARA has set its core values guided by the above four simple terms. These four terms guide the company in making comprehensive business decisions and even in the day-to-day running of the business. Beauty was applied in the fashion industry. The company ensures that aesthetics is well utilized and appreciated in making its products. Clarity was applied in all aspects of its communication on social media and shop outlets. Functionality was applied in its products and services. It means that the clothes were wearable in all conditions and not only on the runways where they were displayed. Finally, ZARA has cultivated the image of sustainability in all areas of operation. The company has even set up eco-stores and ensured the production process is free of toxic waste.

3. Macro-Environmental Analysis

The macro-environmental analysis focuses on variables outside of a company's control. The research was limited to the casual clothing market in Hong Kong, with the goal being to develop a strategy that makes the most of these external elements for ZARA's benefit (Vitez, 2022).

3.1 PESTLE Analysis

The PESTLE analysis is a method for identifying and evaluating the external influences that a ZARA must contend with. These pressures come from the political, economic, social, technical, environmental, and legal facets of the Hong Kong business environment (Buye, 2021).

Political

It was the most critical factor in influencing the business environment in Hong Kong.

1. To prevent COVID-19 from spreading into Hong Kong, the HKSAR government was one of the harshest control cities that had experienced mandatory quarantine of incoming tourists in a certified quarantine hotel. HKSAR has kept pace with the economic recovery world and announced in September 2022 the reduction of compulsory quarantine requirements for inbound persons from overseas places (HKSAR, 2022b).

The latest arrangement increased the intention of visitors who wants to visit Hong Kong for tours or join a business event that potentially created opportunities for retail business in Hong Kong.

2. HKSAR issued Consumption Voucher Scheme in phases aimed to stimulate Hong Kong's economy (HKSAR, 2022a). The government encouraged Hong Kong residents to spend more to boost the economy in Hong Kong. Moreover, the people in Hong Kong were almost resuming normal activities in at Post-pandemic environment. Social activities increased, and the demand for clothing also increased. It was another opportunity for casual wears retailer.

Social:

The social component was significant in the corporate world, particularly in the case of ZARA. ZARA has paid close attention to this area of the business as changeable social trends had a significant influence on both supply and demand for the company's goods, putting brands that neglected cultural components of business and marketing in danger of losing their consumers.

1. ZARA emphasized customer co-creation that co-created its products leveraging its customers' input to keep a customer need and market trend.

The brand success was ZARA's unwavering commitment to the consumer. In 2015, the intriguing "pink scarf" tale revealed how ZARA uses user feedback to co-create its goods. Miko, a woman, entered a Tokyo ZARA shop and requested the salesperson for a pink scarf, but the store had no pink scarves. Giselle in Frankfurt, Elaine in San Francisco, and Michelle in Toronto all entered ZARA shops around the same time and requested similar items. Without purchasing any scarves, they all exited the shops. Seven days later, 500,000 pink scarves were sent to stores across more than 2,000 ZARA locations worldwide and began selling pink scarves. Within three days, they were all sold (Historydraft, no date).

2. Additionally, ZARA empowered and educated its front-line workers to be attentive to client demands and desires. The front-line workers carefully listened to client feedback, made notes about suggestions for cuts, materials, or a new line, and kept an eye out for new looks that customers were sporting that may become distinctive ZARA fashions (Martinroll, 2021).
3. Moreover, the senior population (aged 65 or over) was projected to increase from 22% in 2024 to 2034 in Hong Kong, and the percentage of the senior population will increase continually until 2069 (censtatd, 2020). It is a threat for ZARA, focusing only on the millennial generation and youngsters.

Economic:

Hong Kong was slowly resuming its economy after the outbreak. Unfortunately, US Federal Reserve System raised the interest rate by 2.25% from zero at the beginning of 2022 (Rushe and Aratani, 2022). U.S. interest rate hikes impacted Hong Kong directly and pushed up the interest rates. It increased the cost of a mortgage on buildings and caused the intention of consumption to decrease. Moreover, it has increased the cost of borrowing in the market,

increasing companies' operating costs. It affected the atmosphere for consumption in Hong Kong.

Technological:

Over time, technology has advanced quickly. The overall trend of society was driving businesses toward digitization and using technology to meet client requirements. The technology increased the efficiency of internal processes and increased customer satisfaction through online service through new technologies (e.g., A.I., machine learning, etc.). In Hong Kong, 67.1% of consumers use mobile applications to do their shopping (Kemp, 2021). Client happiness, the desire to use our financial services, and maintaining the customer relationship depended on how convenient the online service was. ZARA has put their store online since 2010 and rolled out to the other regions in ten years. Today, all famous casual wear retailers had their online shopping channels to facilitate their customers.

Moreover, ZARA deployed an AI platform for predicting fashion trends and customers' favorites in 2018, and implemented RFID to improve the products inventory and enhance its traceability across the supply chain (Gosselin, 2020).

Environmental:

The customers' environmental protection awareness increased, and this trend had not only in foreign but also in Hong Kong. The company's green policy was considered while evaluating its goods and services. Sustainability and eco-friendly have grown in importance for the business sector.

ZARA has taken steps to reduce the impact of its operations on the environment. Greenpeace has called attention to ZARA's usage of hazardous materials in its production methods. ZARA pledged to eliminate all discharges of harmful chemicals from its entire supply chain and product line by 2020, nine days after Greenpeace's study was published. To promote the Detox Campaign, ZARA became the largest retailer in the world and moved to an utterly toxic-free manufacturing process.

3.2 Opportunities and Threats

The above analysis was essential to consider the macro-environmental analysis for any brand to run its business successfully. The brand can carefully set strategies for the factors that can negatively impact its business to ensure its success—the above analysis for ZARA to identify the short-term and long-term opportunities and threats. ZARA should plan to take advantage of opportunities and reduce threats' impact. Table-3.1 summarizes the short-term and long-term opportunities and threats.

Table-3.1: ZARA's short-term and long-term opportunities and threats.

	Opportunities	Threats
Short-Term	Consumption Voucher Scheme	Keeping the fashion trends for customers.
		Hong Kong raised the interest rates.
Long-Term	Reducing of compulsory quarantine requirement.	Customers' environmental protection awareness increased.
	Consumer changed a shopping behavior to use online or mobile application.	Population ageing in Hong Kong.
	Leverage AI to predict the fashion trends.	

(Source: constructed by author)

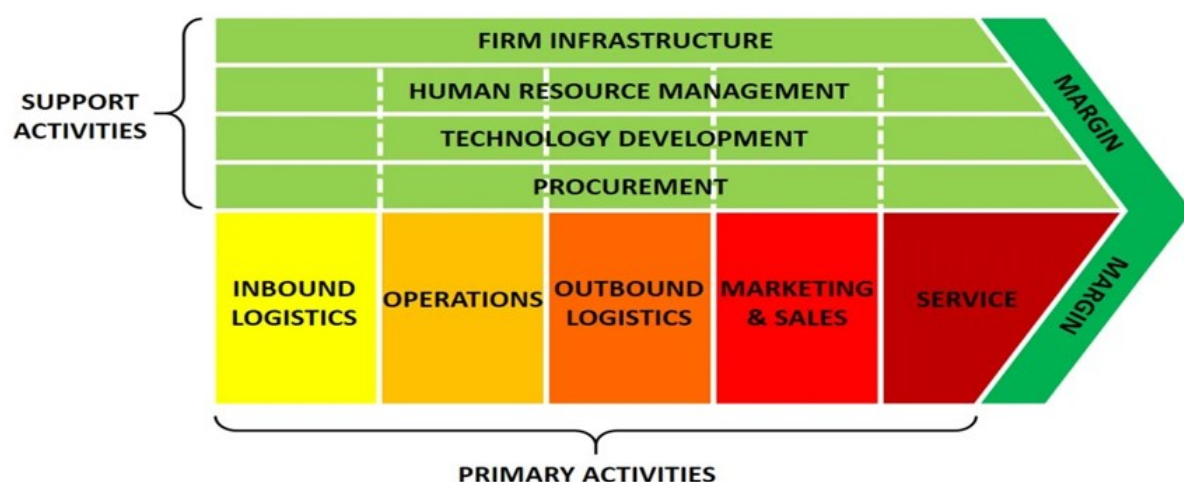
The consumption voucher scheme is a short-term opportunity for ZARA. The resident of Hong Kong had the extra money from the consumption voucher scheme, which aimed to stimulate the economy in the post-pandemic era. The intention to consume on clothing is increased because the social activities were being resumed slowly. ZARA should catch up on this opportunity in Hong Kong. Even though Hong Kong raised the interest rates as a short-term threat, it only affected some people who had mortgage loans. The overall is in favorite to economy in Hong Kong. The other short-term threat was keeping fashion trends for customers. Otherwise, customers may switch to the other brand or products. However, it is also the opportunities to enhance the internal processes for shortening the time-to-market, and AI's capabilities for predicting fashion trends.

Hong Kong was resuming to normal in the post-pandemic era and the compulsory quarantine requirement had been reduced. The tourists and visitors who visit Hong Kong intention that will be resumed in long-term. Moreover, the online and mobile shopping behavior, and leverage technology are long-term opportunities to reduce sales of cost, such as retail shop, labor. However, the communication channels with customers have been reduced if relies on technology too much. This is the threat that lose its customers' input for keeping a customer need and market trend. The other threat was customers' environmental protection awareness increased and the cost of sales may be increased to fulfil the compliance requirements of environmental protection. It was also the opportunities to gain the reputation of company from customers if the products were compliant with international standards on the environmental ordinance. The population ageing in Hong Kong is the other long-term threat and ZARA should plan in advance to satisfy this population group. However, this provided the opportunity to extend their target customer group for business expansion.

4. Value Chain Analysis

The internal analysis looked at internal aspects to see if they support and complement the business plan. For looking at internal aspects, Porter's Value Chain was used. It was a group of actions taken as part of the business's procedures and integrated to produce goods or services (Tarver, 2021). The main activities included Inbound logistics, operations, outbound logistics, marketing and sales, and service that made up the value chain. Four further support activities were divided into primary activities to support these five core activities.

Figure-4.1: Porter's Value Chain (de Bruin, 2018).



(Source: <https://www.business-to-you.com/value-chain/>)

ZARA's time-to-market (TTM) of fast fashion was around 15 days (swifterm, 2021). It needs very strong internal processes to support and correlated the processes with each other's for achieving these capabilities. The Value Chain of ZARA was analyzed as follow and determined their **Primary** and **Support Activities** in Value Chain.

Inbound Logistics:

ZARA had extremely fast supply chain network. There was a sizable, highly automated distribution hub in the center of the ZARA supply chain. Only a few types of fabric were purchased in bulk by ZARA, and the company handled all in-house garment design, cutting, and dyeing. Fabric producers may quickly transport large amounts of fabric to ZARA's distribution facility in this way. The business bought unfinished fabric from vendors in Portugal, Greece, Spain, and Italy. These vendors can fulfill orders five days after placement (Hugos,

2020). Eleven apparel manufacturers operated by ZARA are located close to a distribution center. Both completed items and raw materials flow via the distribution center to the apparel manufacturers and the retail outlets. ZARA's plants may thus change their production rates swiftly (Hugos, 2020).

Outbound Logistics:

ZARA preferred to transport and distribute goods using cutting-edge technology. Everything went through the distribution facility and was prepared for shipping. The business can quickly ship clothing to retail locations worldwide: one day for Europe, two days for China and US, and three days for Japan. The goods were transported to Europe by truck and shipped to other markets by air freight. Transport was essential for completing supplies to outlets that would take two weeks (Hugos, 2020).

Operations:

The core design team for ZARA was based in its Spanish headquarters, where they could readily integrate with the procurement department to make quick revisions and choices. The men's, women's, and children's halls make up the design and production center. ZARA has made it a point to operate three concurrent but functionally separate product lines. For each garment line, various teams were in charge. The management information flow was direct, quick, and unaffected by issues with other product lines, which made the whole supply chain more efficient and responsive (mbaknol, no date).

ZARA's **Primary Activities** developed a robust supply chain and benefited from several benefits. First, the supply chain enabled it to quickly respond to fashion trends and provide new products to clients in a few weeks. Second, ZARA's factories are close to distribution center, so large numbers are produced unnecessary. If the style did not perform as well as anticipated, ZARA had not a significant loss because there was little stock that needed to be reduced. Thirdly, this supply chain approach was more expensive, but the inventory can be reduced and increased profits margins (mbaknol, no date).

The drawback of this supply chain was that because ZARA controlled all its distribution channels, it was impossible to grow to remote areas because it was so expensive to get these items there.

Marketing & Sales:

A wide range of clients was able to develop a passion for fashion thanks to ZARA. It had a brilliant marketing plan that allowed it to stand out and get more recognition and customer loyalty. ZARA was targeted at all age groups and the marketing method focused on the customers which was their key strength (Avada, 2022). ZARA's primary consumer base is made up primarily of young people, particularly millennium generations. ZARA nimbly offers the latest trends at reasonable costs, realizing that customers want fashionable clothing that is both stylish and cost-effective. The employed cloth is still of a high enough caliber; yet the caliber was not diminished. ZARA has successfully positioned its goods as a hip, reasonably priced, and quickly evolving fashion brand for the younger crowd.

Services:

ZARA had several ways to make customer satisfaction. The customer did not need to wait for a long time and assistance was unnecessary in the shops. It is because a large portion of customers was youngster who wanted to complete the purchase as soon as possible. So, the staff can provide quick response for the other customer who have requests and inquiries (edrawmax, no date).

Technology Development:

ZARA's business strategy, which mainly relies on technical innovation and consumer experience, has been successful. To improve internal operations and the customer experience, ZARA implemented new technologies in a variety of areas such as artificial intelligence (AI), augmented reality (AR), and big data (Gosselin, 2020).

ZARA has released an AR app designed to make clothing come to life in shops. Users of the app may view virtual fashion models strutting their thing and fresh studio collection while they strolled about in the store by aiming cameras at sensors embedded in windows (Gilliland, 2018).

The company used AI to facilitate customers more quickly and efficiently navigate the store to explore. The products were similar in color, pattern, and shape that will be popped up to the customer in one “click”. Moreover, AI and big data were used to forecast fashion trends, measure clothing volume in boxes, and improve stock inventory (wideeyes, 2018).

Procurement:

ZARA purchased raw materials through branch offices and regional divisions. Additionally, the corporation purchased several items and inputs from outside vendors that often operate in low-cost input marketplaces. As part of their business model, ZARA owns multiple factories and textiles in Spain that they use to create their own created products quickly. This allows them to maintain a steady supply of merchandise for sale (edrawmax, no date).

Human Resource Management:

The fast responsive and fashionable trends are the key strength of ZARA, human resource management (HRM) was facilities in its business operations. Each store had a person in charge who was responsible for reporting on sales and all customer contacts, allowing them to act quickly. HRM presented a successful, up-to-date, and youthful impression of the business. Employees see their employer as innovative, creating a specific profile strongly associated with the shop. Moreover, HRM motivated employees to skill up, continuous training, and attend shows and exhibitions to contact with fashion trends (ukessays, 2019).

Firm Infrastructure:

Due to ZARA's unique business strategy emphasizes rapid production and change, so the organization has set up its infrastructure to adapt to and support this feature. The flat organizational structure of ZARA's business aids in maintaining a tight eye on its operations and level of quality. Vertical integration may bring a company and its customers closer together. It regulates input delivery timings, prices, and quality. It also governs input access (mbaknol, no date).

ZARA's **Support Activities** were supporting front-end operations. The procurement and firm infrastructure contributed to control costs of inventory, fabric, and quality. ZARA was skilling up their employees continue to keep them fashionable sense, and its technology was catering to the customer experience and made their satisfaction. However, ZARA have not enhanced too much on online shopping channel. Especially, consumer behaviors have changed after the pandemic hit in the world. The consumer moved to online channels to purchase their needs during a pandemic. ZARA had online sales of 14% in 2019, 32% in 2020, and 25.5% in 2021 (Inditex, 2022). It is challenges for ZARA to sustain its business and global expansion.

5. Strategies Analysis

ZARA formulated the strategies at corporate and business levels based on its intent (Vision, Mission, and Value), environmental factors, and competitive advantages. The follow was analysis ZARA's corporate and business strategy was analyzed in follow and evaluated its effectiveness.

5.1 Corporate Strategies

ZARA is running growth strategies that were keeping their global expansion and diversifying their products. It opened new stores in Shanghai (retailinasia, 2022)., Austria (Norman, 2022)., and Battersea in 2022 (Fish, 2022). Moreover, the Group planned to integrate its online and offline operations for global expansion (McKinnon, 2021). ZARA's products are not only casual wear but also have suits, shoes, sportswear, accessories, home decoration, cosmetics, etc. (zara, 2022).

ZARA's corporate strategies are in line with its vision statement and aim to appeal to and earn the loyalty of its customers across the world. It has helped society and the environment flourish sustainably. The Group invests over USD 50 million in social and community programs and projects annually. For instance, by offering more than 200 permanent work opportunities across 15 locations, its "for&from" program has made it possible for those with physical and mental impairments to integrate into society. The Group also tried to ensure that its operations' environmental effect complied with UN Sustainable Development Goals (UNSDGs). By 2025, it has promised to eliminate waste, consume less water, energy, and other resources, and solely market sustainable clothing. The Group has also been extending its waste reduction program, which includes 2,299 collection stations in 46 cities for consumers to drop off their gently used apparel, accessories, and footwear (Martinroll, 2021).

5.2 Business Strategies

ZARA combined several strategies in business-level strategies. ZARA launched the first store in Hong Kong in 2004 the first mover of fast fashion in Hong Kong (HKSAR, 2004). Their major competitors UNIQLO and H&M has launched their first store in Hong Kong in 2005 (HKSAR, 2005). and 2007, respectively (H&MGroup, 2007). It has gained market share and position in the best locations. Moreover, their pricing became the price index of fast fashion in

Hong Kong. ZARA used four strategies for its competitors. The vertical integration strategy controls its operations through precise data acquisition and forecasting, seamless modifications, and reliable quality in its products. The supply-chain approach was mentioned in the previous section for reducing the cost and had shorter lead times. These two strategies supported ZARA to use the best pricing approach pricing strategy. The fast time-to-market (around 15 days) offers clothing collections that are a combination of high quality and affordable. T ZARA adopted the differentiation strategy was creating a sense of scarcity with its products and its non-presence in fashion shows where fashion retailers usually display their products.

5.3 Evaluation of Strategies of ZARA

ZARA adopted the above strategies for operating their business. Their strategies' effectiveness should be measured by financial and non-financial indicators, and the benefits delivered to all the ZARA's stakeholders (EMBAPro, 2021).

Balanced Scorecard was subjective to evaluate the performance of strategies by considering financial and non-financial objectives. It was a collection of success objectives and results related to four success factors: financial, customers, internal process, and learning/growth (Tarver, 2022). The Balanced Scorecard was adopted for performance measurement of ZARA, which was an integrated approach to assess the performance of the business strategy. Figure-5.1 shows the measurement objective(s) of each factor.

Figure-5.1: Balanced Scorecard of ZARA



(Source: Constructed by Author)

Financial Perspective:

ZARA's financial growth and cash flow improvement were used as criteria for evaluation from a financial perspective. The profits, cash flow, ROE, and ROCE were better than in 2020 and almost the same as pre-COVID-19 environmental (Inditex, 2022b). Table:5-1 compares the financial metric between pre-COVID-19 and post-COVID-19.

Table:5-1 Financial Metric over the last four years (Inditex, 2022b).

(Millions of euros)	2021	2020	2019	2018
Net Profit	3,250	1,104	3,647	3,448
Cash Flow	6,531	3,864	6,695	4,378
ROE	21%	8%	25%	24%
ROCE	28%	10%	32%	31%

(Source: constructed by Author)

Customer Perspective:

The service level for responding to their customers was 98% in 2020, 92%, 97% and 9,6% in 2020, 2019, and 2018, respectively. The percentage was better than the last three years.

The customer complaint figure was used to determine the customer's satisfaction. The Group have received 5,288 cases in Spain in 20221, which 4,814, 6,436 and 6,586 cases in 2020, 2019 and 2018, respectively (Inditex, 2022b). The complaint cases of 9.8% were higher than in 2020. Keeping in mind that the business was affected by the pandemic in 2019, the number of orders decreased, and the number of complaints naturally has potential decreased. The figure was compared with pre-CONVID-19; the complaint cases of 17.8% lower than in 2019. Overall customer satisfaction was increased.

Internal Process Perspective:

ZARA's supply chain processes can react quickly to new fashion trends and provide the latest products to customers in a few weeks' time. Moreover, it never made large quantities, so ZARA did not have a significant loss if the style did not sell as well as expected. ZARA's time-to-market (TTM) of products was around 15 days (swifterm, 2021), while the industry standard was up to 6 months (Nguyen, 2020). It needed a very strong correlation between internal processes and quick decisions in its operations to achieve these capabilities.

Learning/Growth Perspective:

The strategies of ZARA aligned the company goals. Toxic-free materials produced their products to commit to the sustainable development of society and the environment. The vertical integration and supply chain strategies facilitate the new products produced and distributed to stores in 15 days. It is committed to their customer getting what they want faster.

The above evaluation from financial and non-financial perspectives shows ZARA's current strategies that overall benefits delivered to the organization's stakeholders.

6. Conclusion

ZARA was the first mover of fast fashion players in Hong Kong. The Group's corporate and business strategies facilitated the brand's rapid growth in Hong Kong and successfully created product differentiation from the other fashion players y. The macro-environmental analysis has been performed to determine ZARA's short-term and long-term opportunities and threats A. The organization has already used some opportunities for facilitating their business such as online shopping and AI technology in their fashion prediction. ZARA also was a pioneer of environmental protection in the garment industry to address a long-term threat: society's demands for environmental protection.

ZARA has recommendations for enhancing and sustaining their business in the next section. It aimed to use the opportunities while the economy was resuming in Hong Kong in the post-pandemic era and reduce the impact of the threat. The contingency plan will be proposed if the global economy has any dramatic change in the future.

7. Recommendation

The economy of Hong Kong is resuming slowly and will gradually regain its economic growth momentum. The customer's shopping behaviors have been changed to use online channels during the pandemic. ZARA should enhance its online channel to facilitate its customers. Firstly, speeding up the integration plan that integrates its online and offline operations (McKinnon, 2021). The store investment will continue to play an important role in ZARA's strategy which is capacity to reach customers from the best locations worldwide. Secondly, ZARA was a 70% increment in online sales from 2019 to 2021. The growth in online sales demonstrated the importance of the company. The virtual fitting mobile application is proposed for enhancing the customer's online shopping experience on mobile. The customers are uncertain which one will fit them while selecting the products on the mobile application. The virtual fitting application can address this issue and reduce returns. They are having the opportunity to try-before-you-buy online increasing customer satisfaction with ZARA's products.

Population ageing is the other issue in Hong Kong. ZARA should start to plan for the senior age group and include it in its marketing strategy. The segment needs to be enlarged to include the senior age group in the STP model, products, and promotion of the 4Ps should cater senior age group.

The suggested implantation plan for the above recommendations is shown in Figure-7.1.

Figure-7.1: ZARA Implementation Plan for 3 Years.

Task Name	Owner (Dept.)	2022	2023				2024				2025		
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Integration for online and offline operations													
Develop a interface for connecting inventory and POS system.	IT												
Digitalization for offline operations (e.g. inventory, etc.)	Sales & Marketing												
Integration for two operations													
Staff Training for new operations flow	HR												
New operation flow launch													
Development for Virtual Fitting Mobile Application													
Program Coding	IT												
Import Product Pictures	Sales & Marketing												
UI Components	IT												
Integrated into ZARA's mobile shopping application	IT												
User acceptance test (UAT)	Sales & Marketing												
Staff Training for using a new application	HR												
New application launch													
Development for new marketing strategy for senior age group													
Perform marketing research	Sales & Marketing												
New STP planning	Sales & Marketing												
New 4Ps planning	Sales & Marketing												
Develop the products for senior age group	Design and Production												
Pilot run in market	Sales & Marketing												
Fine Tuning the marketing strategy	Sales & Marketing												
Products is rollout on market													

(Source: Constructed by Author)

Contingency Plan:

The above recommendations are based on the economy continuing to improve worldwide. If economy do not predict as expected, ZARA needs to slow down the store investment and may need to close some stores with low revenue in the worst situation. The organization developed its online channel continuously because it had growth in sales during economic depression. It has the potential to make revenue in this situation and the cost of the operation is lower than the store. The new marketing strategy for the senior age group should be kept continuously but ZARA can extend the projects schedule for slowing down the whole process, thereby reducing the investment in that situation.

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