



Assignment 2

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Executive summary

According to PESTLE analysis, it can be summarized that the economic and political environment in which Zara UK operates is unfavorable. However, social, technological, legal and environmental situations are full of opportunities and favorable to Zara's growth. Additionally, as per Porter's 5 forces analysis, the industry Zara UK is operating in is averagely attractive. The internal analysis of ZARA has specified the different strengths and weaknesses of this company for both current and future aspects. On the other hand, the role of marketing performed by ZARA has been evaluated by analysing its segmentation. Targeting and positioning strategies. 4Ps has been used to analyse its business strategies in all four significant aspects. The mitigation of identified weakness has been justified by introducing a multichannel platform orientation with increasing e-commerce facilities for interested consumers.

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Introduction:

No organisation is free from competitive turmoil in their respective industries. Every organisation is facing severe market competition and market-crowded situation-related challenges, such as the increasing rise of digitalisation, the increasing need of boosting brand awareness and brand reputation, rapidly changing customer expectations and market trends, high competition and others. In this assignment, an environmental marketing analysis will be conducted by considering critical external and internal environment-related influencing drivers. Zara UK has been chosen to conduct this study.

PESTLE analysis and evaluation of each factor:

Factors	Description	Favourable/unfavourable
Political	• Brexit has negatively impacted the retail industry of the UK. • One of the main challenges Brexit created for the retail industry is integrating trade tariffs, which eventually affected the movements of goods, and imposed the goods to higher prices and lesser availability (Casadei and Iammarino, 2021). • Additionally, Brexit created changes in the labour market, creating extreme	unfavourable

	labour shortage issues in the UK. UK's retail sector is the second sector, which is in extreme need of staff. ● Brexit and the Ukraine-Russia war together have created political instability and uncertainty associated with worsened economic conditions, which have hit the retail sector the hardest (ft.com, 2023). ● There are little to no measures taken by the UK government to deal with surging prices of goods and surging inflation rates. The government is flip-flopping between policies, which reduced the business and consumers' confidence to a great extent (ft.com, 2023).	
Economic	● The interest rate increased to a high of	Unfavourable

	5.25% (bbc.com, 2023). • Food prices are increased by 19%. • The cost of living also increased by 10% (Francis-Devine et al., 2023). • The cost of living increased, accommodation cost, cost of energy and transport, all increased. • Consumer purchasing confidence has been hit hard. • The current change in consumer prices is 7.9%, which was more than 10% in 2022 and is expected that this situation will be normalised in 2025 (Francis-Devine et al., 2023).	
Social	• Consumer purchasing confidence is lowered. • It was -44% in 2022, and currently, it is still	Favourable

	low, -30% (tradingeconomics.com, 2023). • However, 70% of UK adults describe luxury as "premium quality". • People are cutting back their spending in order to afford big-ticket luxury purchases. • However, due to the increased cost of living crisis, for average customers, the luxury purchase is less attainable (intel.com, 2023). • Online shopping and the rise of e-commerce are the two most important drivers to promote the growth of the UK retail industry. • Pent-up demand for novel experiences is also driving luxury purchases. • A renewed appreciation for	
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	material thing experience is also a driver of the luxury market in the UK (mintel.com, 2023).	
Technological	● Investment in technological incorporation of technologies has been seen in the retail industry, such as Artificial intelligence, virtual reality, voice search, visual search and others. ● Increased use of omni-channel marketing, redefined customer engagement, innovation, reshaping of the customer purchasing journey, and analysing marketing trends are the most used aspects of technologies in the UK retail industry (Christodoulou and Cullinane, 2019).	Favourable

Legal	• Data Protection Act (2018) and General Data Protection Guidelines help UK retail industry to strengthen its technological adoption.	Favourable
Environmental	• Increasing awareness of consumers towards sustainability has helped UK retail industry to attract the attention of customers.	Favourable

Table 1: PESTLE analysis

(Source: Created by the learner)

Analysis

Hence, as per the above table, the economic and political environment in which Zara UK operates is unfavorable. However, social, technological, legal, and environmental situations are full of opportunities and favorable to Zara's growth. The current economic situation of the UK is unstable, as well as Brexit and Geo-political crisis (Ukraine-Russia war) have worsened the political instability of the UK, resulting in the government's failure to meet the needs to boost business and consumer confidence in the UK (ft.com, 2023). Hence, the political situation is impacting the current UK retail market negatively. On the other hand, the inflation rate in the UK is too high, and though it is decreasing, still needs a long time to stabilize consumer prices (Francis-Devine et al., 2023). Energy prices have skyrocketed which led to increased prices of retail goods.

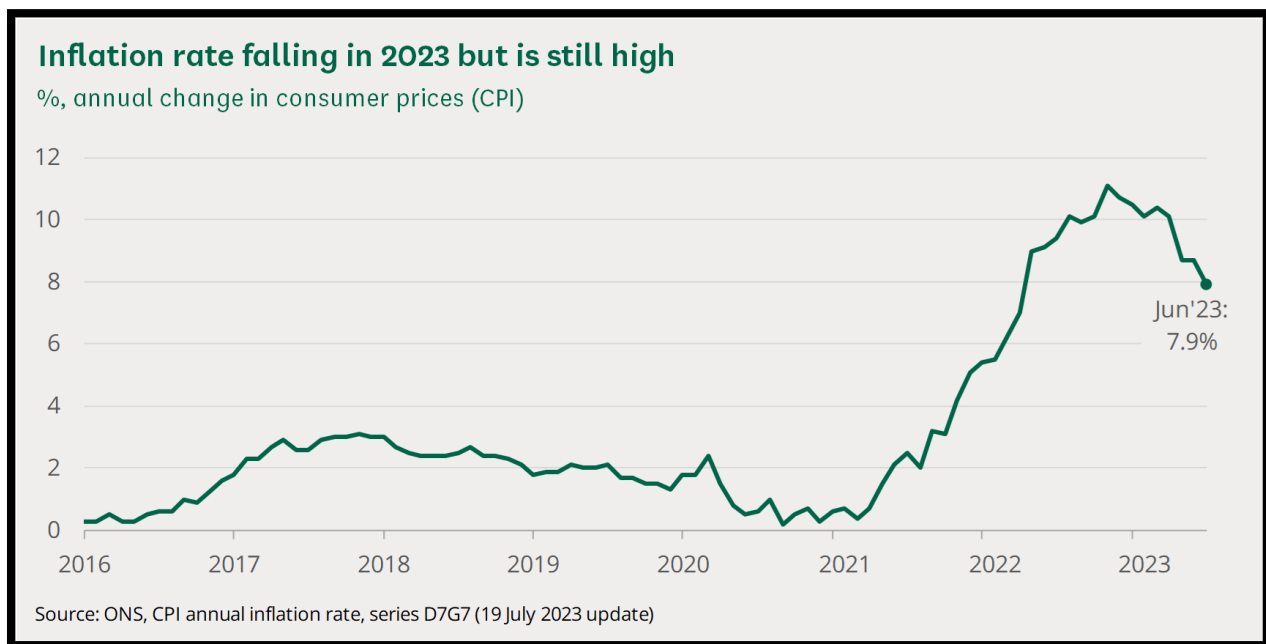


Figure 1: Decreasing inflation rate of UK

(Source: Francis-Devine et al., 2023)

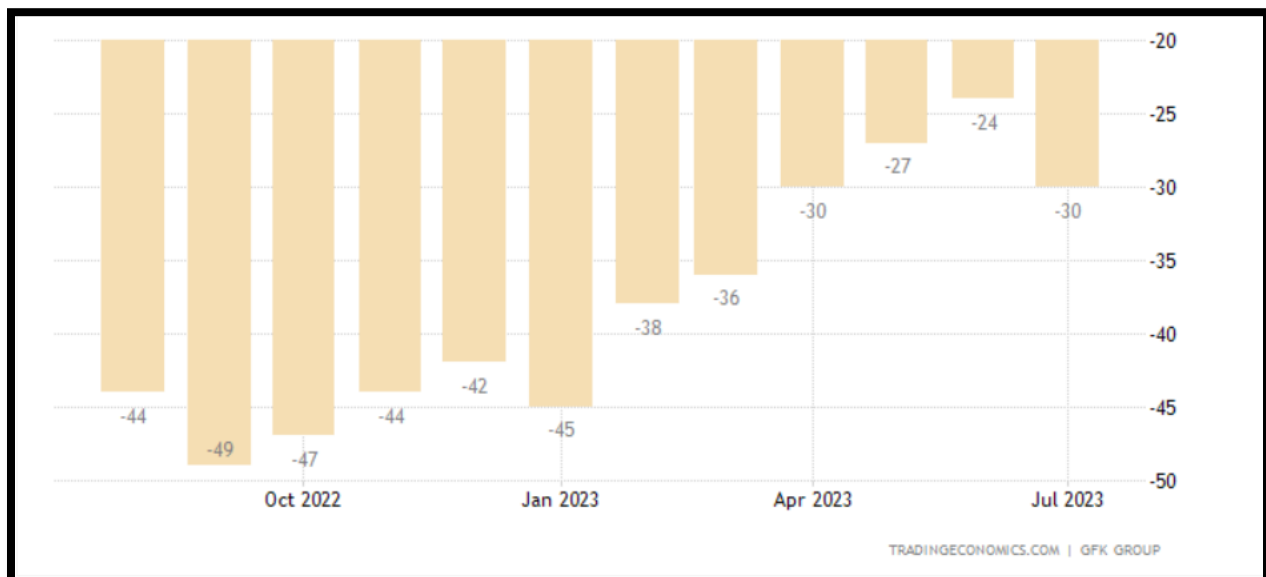


Figure 2: Degraded confidence of consumers

(Source: tradingeconomics.com, 2023)

It is seen that consumer confidence has been severely negatively influenced (-30%) (Tradingeconomics.com, 2023). Thus, the economic situation is also negatively impacted. On the other hand, the rise of online shopping and e-commerce and UK adults' positive attitude to the luxury market is opportunities for this industry. Similarly, Christodoulou and Cullinane (2019) identified that increasing technological adoption by UK retail industry players is also an opportunity, which is promoting the brand reputation and awareness of UK luxury brands.

Porters 5 Forces and Evaluation

Factors	Description	Force strength
Competitive rivalry	The UK's luxury market is overpopulated with competitors like Burberry, Stella McCartney, Ted Baker, Dior, Chanel, Gucci and others. Though different brands deliver different ranges of products, but mostly similar. Differentiation matters case of the luxury brand, and Zara faces intense brand loyalty challenges with other brands. Zara to maintain its competitiveness has to manage its premium, product quality and innovative product delivery capabilities. Additionally, competitiveness also depends on the craftsmanship and design of the top designers (Abalkhail,	Strong force

	2019). Also, Zara faces grave competition from clothing retailers as well as customised wholesalers too.	
Suppliers' bargain	The suppliers' bargaining power is low as Zara has suppliers all over the world, still premium quality suppliers are unique, and this holds some bargaining power. Switching costs or suppliers are high also. On the other hand, all of the suppliers provide similar materials; do not offer distinguished materials (Chen et al., 2021). Thus, it can be seen that suppliers' bargaining power on Zara is moderate.	Moderate force
Buyers' bargain	The bargaining power of customers is moderate. The switching cost is low, as similar price rates are maintained by the competitors too. However, product quality, brand loyalty, product innovativeness, and product differentiation matter in case of consumers decide on which	Moderate force

	brand to buy (Abalkhail, 2019). However, clothing retailers as well as wholesale retailers also hold some bargaining power. Brand positioning as well as product diversification strategies also affect consumers' bargaining power.	
The threat of new entrants	The threat of new entrants is low, as brands need higher economic stability or power to penetrate the UK luxury market. Additionally, brand management cost is too high for start-up luxury brands to survive in luxury market (Chen et al., 2021).	Weak force
Threat of substitutes	The threat of substitution is low, as the quality of substitute products is not high, as well as value for money also degrades in the case of substitute products.	Weak force

Table 2: Porter's 5 forces analysis

(Source: Created by the learner)

Analysis:

Therefore, it can be seen that Zara faces high competition from its rivals, but does not face the threat of substitution or threat of new entrants. Though, the bargaining power of suppliers and customers is found moderate. Thus, it can be said the UK luxury retail market is attractive to some extent (averagely attractive). Swot Analysis

SWOT Analysis:

Strength	Weakness
● Supply chain ● Designer team ● Satisfactory investment in online retail ● Cost-efficient business approach ● A data-driven approach to decision-making	● Maximum dependency on the physical outlet ● Ethical issues in the internal environment ● Reliance on trend forecasting ● Limited inventory management
Opportunity	Threat
● Sustainable business operation ● Expansion of e-commerce ● Implementation of diversification ● Collaboration with high-profile designers	● Competition ● Fluctuation in the UK economy ● Alternation of regulatory aspects ● Disruption in the supply chain

Table 3: SWOT Analysis of ZARA

(Source: Self-Created)

Analysis

The above table has separately represented the internal condition of ZARA by mentioning its strengths, weaknesses, opportunities and threats to the discussed brand which have delivered an in-depth sense of present and future operational situations.

Strength

The supply chain of this company has updated both the online and retail collections twice every

week. The satisfactory investment in online retail projects and integration of expert designers has supported this company to produce 50,000 products in one year. The design and production decision has been made reliable and authentic by taking data from social media and customer feedback.

Weakness

Only the recent pandemic situation has pressured the company to reduce its physical outlets. On the other criticism in labour, the practice has been intended to the low wages, poor working environment and exploitation of the employees. As a result, the limitation has been accounted for in inventory management to grasp the changeable trend of fashion business in the UK.

Opportunity

Using eco-friendly raw materials and reduction of waste production have improved the sustainable approach of ZARA (Gheorghe and Matefi, 2021). Similarly, innovation and increase in the product category and the expansion of online business have been considered practical opportunities for this brand to increase its proliferation in the future.

Threat

As mentioned by Jiang (2022), the fast-fashion industry is highly competitive with the integration of H&M, Primark, Mango, and other brands. Besides, the economic downturn in the UK has reduced the potential of consumers. The alteration in trade policy and tariffs has disrupted the fluency of ZARA's supply chain operation. These have increased the scope of facing huge business losses in the future.

Strength	Favourable
Weakness	unfavourable
Opportunity	Favorable
Threat	unfavourable

Table 4: Favourable or unfavourable situation creation

(Source: Self-Created)

The role of marketing within ZARA

Segmentation

ZARA has been selling clothes for men, women, and kids along with the availability of footwear, accessories and luggage. As mentioned by Chen (2022), the targeted demographic segment of ZARA is between the age group 18 to 40 and those people have been belonging to the medium-high economic segment too. The discussed brand has always aimed to perform with fast fashion. Therefore, the company has an immense urge to provide attractive inventory of satisfactory quality. Targeting ZARA has targeted its consumer base by analysing its fashion consciousness. The company has been targeting people who have the impulse to buy trendy clothes. In this aspect, this brand has introduced a segment profile to identify segment members. Therefore, the people who are interested in modern trends published in Vogue are the main target of this brand. On the other hand, the company has implemented a sustainable strategy such as using organic cotton and environment-friendly textiles, paper bags and others to attract consumers who intend to reduce their carbon footprint through daily projection.

Positioning

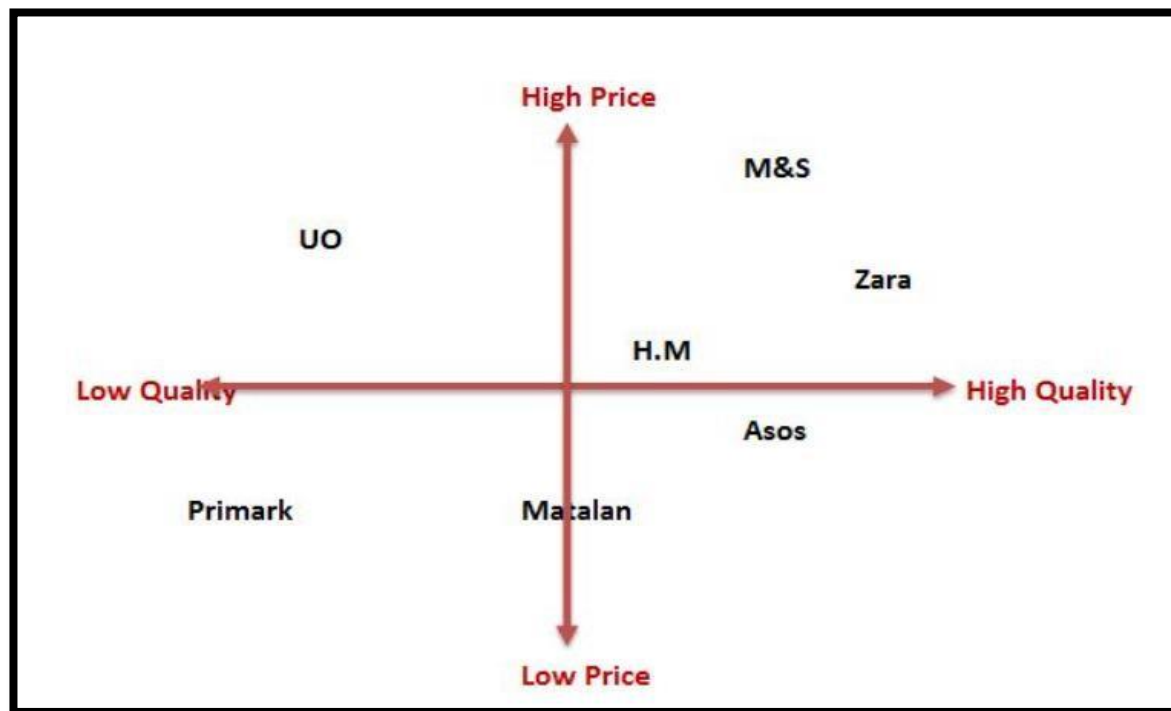


Figure 3: Positioning of ZARA in the Fast-fashion industry

(Source: George-business-review.com, 2023)

The tagline of ZARA's fashion industry is "cheap quick fashion" (Gheorghe and Matefi, 2021). Therefore, the company has operated effectively in the global market with the help of high-profile designers. ZARA has targeted people who are fashion-conscious but unable to afford expensive products. Therefore, the product of ZARA has been produced with an approach of fast design and fast manufacturing. The above figure has provided that the product of ZARA has been considered under high quality but moderate pricing. Thus, the brand has accrued a sustainable position in the associative market with a high attachment of consumers.

Marketing Mix strategies of ZARA

The applied marketing strategies of ZARA have been analysed with the help of 4Ps. As per Nikolic and Kostic-Stankovic (2022), the 4Ps (product, price, place and promotion) usually provides a descriptive idea about the tools and technique which has been used by any business organisation to achieve the marketing aim.

Product strategy

The brand has produced new clothing designs around in years and a limited product quantity has been manufactured before moving on to the next design. Similarly., Mahardika and Santika (2021) have stated that the company has complete control over product quality. ZARA has introduced a wide range in product variety to expand the scope of choice of the consumers

Price strategy

ZARA has implemented an attractive pricing strategy that the customers can purchase fashion products with affordable pricing when it has been compared to the other brands' products in the apparel industry. However, the company has always searched for effective strategies to reduce production costs to make the product easily accessible to the average consumer.

Placing strategy

ZARA is a renowned brand in the fashion industry which is based in the UK. However, the company has expanded its offline business with flagship outlets in London, Madrid, Paris, Tokyo, Seoul and other cities. Simultaneously, the company has increased its online business approach and in this aspect, it has partnered with "multi-brand outlets".

Promotional strategy

ZARA has spent a minimum amount on its marketing projection. However, Duoyan (2021) has

stated that the brand has emphasised a very expensive as well as a highly impressive advertising strategy. In this aspect, the brand has assimilated with social media advertising strategies. The post of ZARA in Facebook status has been observed through 30 million followers throughout the world at a time.

Recommendation

The analysis of the internal projection of ZARA has identified a bunch of weaknesses and threats. Therefore, for mitigation of those constraints with one possible strategic approach, a recommendation has been provided:

- As per Iglesias-Pradas and Acquila-Natale (2023), the brand should go more with E-commerce. However, the online selling operation should be performed through the multichannel platform. Recently, the company has used Facebook for social media marketing and their own website to sell products. There is a need to expand online business by performing through other popular social media channels. Apart from this, email marketing and display advertisements are two other effective ways in this aspect.

Conclusion

It can be summarised that the economic and political environmental in which Zara UK operates, is unfavourable. However, social, technological, legal and environmental situations are full of opportunities and favourable to Zara's growth. By analysing all the issues, it can be recommended that the brand should go more with E-commerce. However, the online selling operation should be performed through the multichannel platform.

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