

Understanding and Engaging in the Customer Experience

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Introduction

This report is evaluating the importance of the quality processes and customer service management for the selected organisation Zara. It is introduced the organisation and it is evaluated the business activity by looking at the marketing mix, Porter's 5 forces, Influence of external factors, Ansoff's Matrix, Customer Service in Zara and the impact of Covid-9 virus.

Zara

Zara is a solid brand in the fast fashion retailers and is part of the group Inditex. It is based in Spain and it operates internationally. The organisation was founded in 1875 and from 1988 it started to expand in different markets in order to develop their business. Zara sells products which are chic and stylish and are following the latest trends and has more than 2000 stores in very high number of countries. Zara is focusing on delivering high quality products being able to create a large variety of products weekly. Zara has also work to swift their operations to create a sustainable brand by using non-toxic materials, recycling and by being an active advocate for environmental projects and causes (Zara, 2022).

Marketing Mix

Product

The Product Strategy of Zara is based on selling fast fashion products in brick and mortar stores. Zara's stores have three sections womenswear, menswear and children wear and they produce clothes, accessories, footwear.

With the current pandemic it has also increased the online shopping, but once the restrictions were lifted majority of their stores are now reopened. Zara has a great success and has had increase in the total sales despite the challenging times that all industries faced. It managed to recoup sales after Covid-19 lockdown because it has put in place different strategies such as in-store pick-up. Also because Zara had prior investment in digitalisation it had the required resources to manage an increased number of online sales. The click and collect service was already implemented from 2018 Zara is planning to develop and invest even more in technology towards their business operations.

The fast fashion strategy for their products it was implemented along with the rapid brand development and expansion. Previously it had been offering seasonal collections and any overruns from old collection were discounted. The current product strategy practised by Zara is producing

new designs regularly all year round. Zara is able to offer a variety of designs but they produce only a limited amount. When the stock finishes it informs the customers that is the last chance to have a specific design and that is another strategy to make customers buy as it won't be available anymore. This strategies are increasing the value of Zara's products also because there is a higher exclusivity of the products which is more appealing to the customers. Zara does not outsources the manufacturing, but it has the resources for in-house manufacturing and that reduces the time of production.

Price

The price strategy in Zara is to sell qualitative products are affordable prices. Zara offers a superior quality comparable with high fashion brands, but are more affordable and that is part of Zara's strategy. That is why Zara is trying to minimise cost in order to offer quality products at affordable prices. Some of Zara's products have applied a premium pricing strategy because there are more luxurious materials and designs.

Place

The place Strategy of Zara is to expand the business by opening large stylish stores that represent the organisation. Zara has first expanded its operation in Portugal and after that it started expansion worldwide, being present in all the major capitals such as London, Paris, New York, Rome, Madrid, Saint Petersburg, Tokyo and so on. Zara always choses high impact locations to open their stores and carefully designs modern design to match the business values.

Zara has also developed online shopping and this way it can reach a greater number of customers. Zara has responded to the market changes of increase of online shopping as a change in consumer behaviour being oriented to e-shopping and Zara is very popular with millennials who prefer to browse online. When the pandemic started this helped the organisation to continue its activity.

Promotion

The promotion Strategy of Zara has unique characteristics because the organisation does not invest large amounts of money in advertising, but it prefers to let their products to speak for themselves. That is why Zara always chooses best locations for their stores and have large stores with creative window displays. Zara advertises online which is a less costly strategy using their website and social media platforms. It can be observed that Zara has millions of followers on social media who

disturb their content when new designs are announced. The organisation also invests in billboard advertising which are very engaging for the customers (Inditex, 2022).

It can be observed that the marketing mix for Zara is very different from many other similar organisations. Their strategies are straight forward and it has helped them develop and increase popularity and brand image. Therefore their fast fashion products are highly appealing, also because of frequent production. The superior quality at more affordable prices than high fashion producers are also appealing to the ordinary customers. The prime location of their physical store and the development of e-commerce are contributing to the rapid global expansion. The promotion is even more unique because it is mainly realised through social media, billboards and store window displays.

It can be considered that Zara practices innovation that helps them staying ahead of competition. It has great design capabilities and in-house manufacturing makes available in trend design very fast. The organisation focuses on customer and this is what their brand image represents.

Porter's 5 forces

Zara has been affected by the pandemic during 2020 like many other business. After only two years it has been able to recoup to pre-pandemic number of sales because it was able to fulfil the customers needs better and more rapidly than competition.

The Porter's 5 forces analysis for Zara it emphasises the competitiveness of the industry and the impacting factors. This analysis looks at organisation position in the industry and assess the forces such as threat of new entry, threat of substitutes, bargaining power of buyers, bargaining power of suppliers and competitive rivalry and assesses a variety of factors such as competitors, customers, suppliers, financial strength, alternate solutions.

Threat of New Entrants

Zara is a market leader for the fast fashion industry and the threat of new entry is low to moderate. The focus on the customer, the strong brand image, product differentiation and capacity to practice economy of scale are constituting barriers to entry for new players. Through economy of scale Zara is able to reducing cost and offer affordable prices for their products. This can be difficult to achieve for new entrants. Through Zara's value proposition and superior quality Zara creates brand loyalty and although there is a low and easy switching cost, the brand differentiation and affordable prices

are helping Zara to be a strong player within the industry. The new entrants will have to provide unique and differentiate strategies to enter in competition with Zara. Also new entrants will find hard to imitate Zara's capabilities to benefit of demand scale due to the large market share. Zara is a global presence and that would require massive resources for a new player to achieve.

Threat of Substitutes

The retail industry is quite diversified and the product substitution is high. There are a variety of organisation who sell different products, at different prices and different quality. Despite that substitution by need is unlikely because Zara is able to create value and the relevant substitutes threat are in fact Zara's competitors.

Bargaining Power of Customers

In the fast fashion retail industry the bargaining power of customers is moderate. It can be said that the customers have indirect bargaining power that pressurises Zara to come with new differentiated design for their products in order to maintain the interest of their customers. The bargaining power of the customers can vary because of the different market where Zara operates. The switching cost is not very high and that is why Zara is forced to remain relevant for the customer. Innovation and product differentiation is important for the fast fashion retail industry. Zara puts great emphasis on satisfying the needs of the customer and for that purpose one of the sources for their design is to approach customers and takes in consideration their views. Zara puts great effort in keeping the customer satisfied and practicing competitive pricing. The customer-centric approach and work on improving the overall customer experience is creating competitive advantage. Also Zara uses a vertical integration approach to the supply chain in order to roll new trends and increase customer satisfaction. The low switching cost give the customers and indirect bargaining power and is the organisation interest to maintain a competitive price.

Bargaining Power of Suppliers:

The bargaining power of suppliers in the selected industry is low. Zara varied list of suppliers and that is why it is not dependent on a group of suppliers. The suppliers receive a low percentage of the profit and it is Zara who dictates the prices. The materials can be purchased from different suppliers and that gives more Edge to Zara as the threat of forward integration registers low levels, because it requires large number of resources for investment. Zara has shaped between supplier being cost oriented and wanting to implement forward integration. Zara's capabilities to produce in-house is

another factor that reduces dependency on the suppliers. However, it can be dependent on the suppliers from developing countries regarding cost of labor force.

Competitive Rivalry

The fast fashion retail industry is quite competitive and the main competitors of Zara are: H&M, Mango, Marks and Spencer, Gap, Uniqlo, Next and so on. With the latest growth of e-commerce Zara faces new competition such as Asos, Very etc. The industry include various fashion retail players that focus on different segments or have various sizes and different strategy models. Zara has managed to develop and popular and trusted brand and has created customer loyalty by maintaining qualitative and differentiated design for their products. Zara's brand and customer loyalty along with its distinguished product offerings helps it to compete with its rivals. The current value of the brand surpasses \$10 billion (Forbes, 2019). The business model of Zara is the designing and production of fast fashion, with frequently in trend products at affordable prices. Rolling out new product in a consistent way is increasing the customer satisfaction and it is increasing the brand value. The fierce competition in forcing the players from the industry to provide innovation at fast pace and to maintain affordable prices. The advantages of Zara relate to its efficient supply chain, innovation and sustainability strategies, customer centric approach and exclusive product offerings (Rao, 2014).

Ansoff's matrix

Market Penetration

Zara is practising market penetration strategy by opening new stores in different locations and by providing fast fashion products on a constant basis. The high number of the stores opened worldwide are indicative elements that Zara's market penetration is helping the organisation expand its business. Zara's market penetration strategy has enabled the organisation to become a global leader and stay competitive.

Product Development

The innovation in Zara regarding unique and frequent designs are contributing to the organisation's growth. The product development in Zara involves great resources and Zara allocates high number

of resources in order to have talented designers, qualitative materials and effective distribution channels to ensure the product development strategy is benefiting their growth strategies. Zara has grown in terms of developing new product lines as well as improving or bringing innovation in the already existing products. From the fast fashion retailers Zara has the shortest lead time in the world from collecting information to design, production and making available their products in the market. Zara is able to have a product development cycle of 14 days. It takes one month for Zara to complete the cycle of creation to manufacturing and having the products ready in their stores. This approach has enabled the firm to introduce approximately 10,000 new designs every year. This aspect shows that Zara has adopted a product-oriented approach. Zara has developed the product range from clothing to footwear, accessories and perfumes. This growth-oriented product development strategy has contributed massively towards the reputation and success of Zara as a successful international fashion brand (García-Álvarez, 2015).

Market Development

Zara considers that market development is essential for a sustained growth. Being involved in the market development helps the organisation to achieve its objectives and growth strategies. In the current competitive market the brand expansion is contributing to the success of the business. Zara first market to develop market development was Portugal. Nowadays it operates in different continents and has a very wide spread position geographically. It is a popular brand in Europe, America and Asia and Zara understand the importance of growing markets that sustains international growth. This expansion has contributed to the brand image and to Zara's success as an international brand (Mo, 2015).

Diversification

Zara has chosen to diversify their products by creating the Zara Home brand which is separated from Zara with different store allocation, but it benefits of the brand name of Zara. The Zara home store is not related to the apparel products but is a strategy of the organisation to diversify their products. This unrelated diversification has provided growth to the organisation. It has also helped the organisation to develop product and market strategies.

Customer service

The fierce competition within the industry has led to the increase of customer service management significance. Choi (2013) considers that the elements of customer service can include product

alteration, personal selling, repair, refund, or exchange, gift-wrapping, and the inclusion of a variety of payment methods as some of the fundamental issues that constitute customer service. The customer service had registered continuous improvement as Zara has allocated great resources to deliver high quality customer service from training the staff towards it to ensuring in store ambient and attractive product display. Zara has a strong position in the market being ranked in the first 100 most valuable brands globally. The performance of the organisation is attributed to the efficient strategies out in place by Zara. To increase customer satisfaction Zara has started to focus on providing high levels of customer service and had developed a customer policy towards that, which refers to the empowerment of the customer to control the course of interacting with the firm.

Zara is training their staff to offer personalised customer service which is considered to be crucial in ensuring customer loyalty. It has been observed that personalised customer service is creating a sense of identification with the brand values and Zara is realising that by integrating electronic customer-relationship management system. The usage of technology helps to increase the customer service and to enhance the organisation competitiveness (Lee, 2014).

Zara has invested in digitalisation of the organisation and has acquired various technologies to communicate with the customers. Zara is using Radio Frequency Identification system to identify and track individual products within its logistics systems and offer the customer the required information. The investment in the e-CRM technology has enlarged Zara's capability to offer a prompt and effective service to the customers before and after the purchase.

Whilst Zara is providing high levels of customer service it should focus more on post purchase customer service in order to ensure that customers will return to the store. Another element to take in consideration related to the customer service is the method used to deal with complaints. A fast timely response is an indication of a good customer service. The customers will be impressed by rapid action and issue solving from an organisation and this should be realised by an effective system channeled to headquarters. It should be considered multiple channels of communication such as social media, organisations website and direct contact. Spread of information and word of mouth can have great influence nowadays and a positive or negative experiences could be easily shared at large levels. Developing market intelligence will help the brand image improvement. Zara is known to have an effective response to customers complaints, but due to the large size of the organisation that still needs to be improved (Orsburn, 2012).

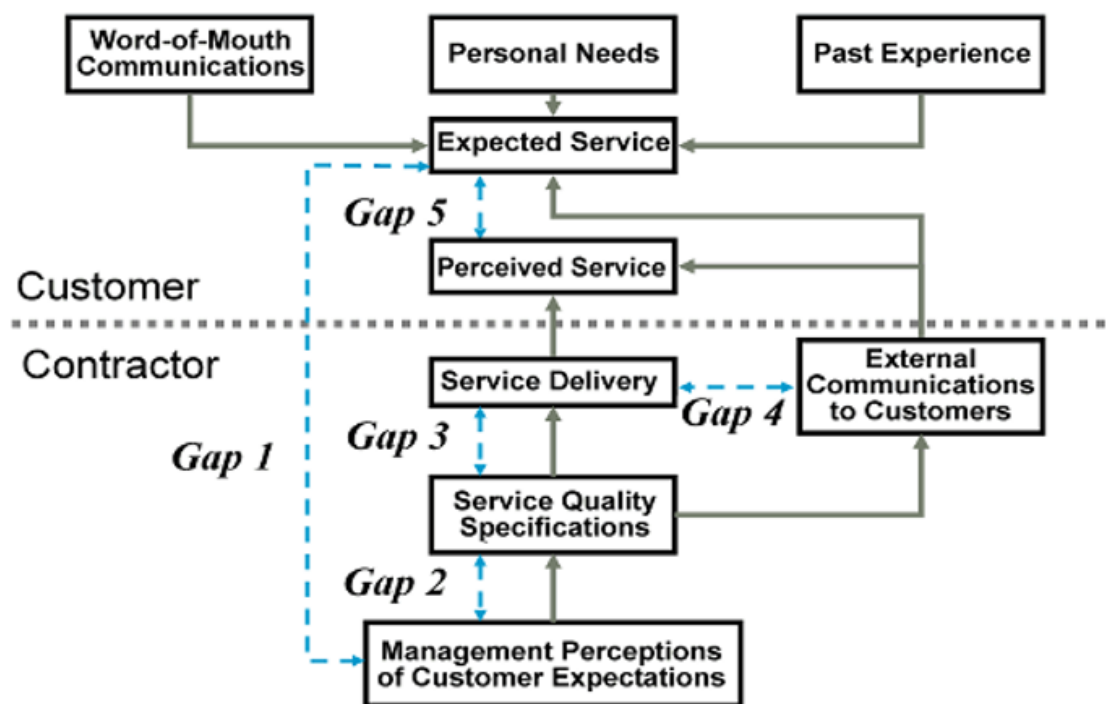
Zara trained its staff towards customers service provision and intends to offer a unique shopping experience online and in their stores. The staff training towards customer service is an integrated part of the staff training and it aims to enhance the skills and knowledge as a customer service

representative. This customer-centric approach is helping Zara, but because it operates in numerous markets it should take more in considerations the cultural differences from the different countries. Zara lacks a cultural approach in the provided customer service and it should take advantage of developing more this approach.

Servqual model

ServQual

Source: Zeithaml, Parasuraman & Berry, Delivering Quality Service



Reports on discrimination had put Zara under the spotlight and the organisation has worked towards that by using a coding system for different customers who are were caught shoplifting. This system can be considered as offensive by some customers and it can be considered as practical. By applying the Servqual model it can be observed that there is a gap in the customer service training for Zara's staff. The biased approach to using the special orders coding system to prevent shoplifting is protecting the business, but it can be easily create misunderstandings which can create decline in the number of the customers. It is recommended for the organisation to look at different approaches towards the raised matter. For that purpose it needs to emphasise more the equity and equality concepts and by developing and implementing a cross-cultural training program. This way

Zara could benefit more of the cultural differences and embracing by inserting adjustments and create a more successful customer service provision.

Customer experience has gained great weight for the business activity and a long-term strategy is helping the organisation to benefit of a positive reputation. It is not easy to identify the best strategy for how to provide excellent customer provision especially when the organisation operates internationally and the market characteristics are diverse. That is why organisation may struggle at times and are not able to offer a consistent customer service. Organisations should put extra effort in delivering high levels of customer service because lack of customer service can miss revenue opportunities or even lead to brand image damage.

Zara should develop a customer service blueprint to be adopted at all levels to increase customer service and it should focus on entailing physical evidence for Zara's stores and adoption of effective modern interior design which will make the customers want to spend more time in the store.. Another focus should be on the online presence and the shopping experience and that could be improved by assisting customers if required and having an efficient delivery system. Staff is the most important elements for customer service because is the first and most direct communication of the customer with the organisation. That is why courtesy and respect is a must for making the customers appreciate the service more. The staff in Zara is trained to provide help and assistance and that is part of Zara's customer service strategy which is essential for developing repeat purchase behaviour.

Another element to look at is to continue the technology integration in its activities and towards assisting the customer in order to have a more efficient customer service provision. Zara's ability to make enquiry in real time about stock information and product availability at other stores helps the customer towards its shopping experience, but also it helps with the distribution systems. Technology makes the customer service more easier and faster and more helpful.

The online shopping through Zara's website is creating a positive customer service experience because it gives the customer ability to track their order and help them fully informed. Zara uses a delivery firm contractor for home deliveries. Zara's website has an interactive and easy to access interface and this increases efficiency of the e-commerce experience (Shabir, AlBishri, 2021).

Impact of Covid-19

The Covid-19 outbreak originated from China as impacted the economies around the world and had stopped the activity of many business during lockdowns. The fast fashion retail industry has been

affected by the pandemic because majority of the stores were closed and with the rise of restrictions there was a limited number of customers allowed in the store due to social distancing measures, therefore the traffic was reduced. Zara had benefited of the already established online shopping system. The brand's online retailing efforts began with its home division in 2007 and were followed by its fashion division in 2010 (Inditex, 2022).

Zara's ability to shop products during restrictions were stopped or very slow and that affected the business activity and implicitly the customer service. The wide online network of the organisation had benefited Zara, but the spending preferences of the customers were influenced by the pandemic and the impact on the economies worldwide. The Wall Street Journal reported that, due to the coronavirus pandemic, downloads of Zara's app fell by around 14% in US markets. Consumers prioritised the purchase of staple items and groceries. They held back on discretionary spending because of the uncertainty surrounding their employment. More than 60 percent of consumers report spending less on fashion during the crisis, and approximately half expect that trend to continue after the crisis passes (Modern Retail, 2022).

The effect of pandemic on the customer experience for Zara's customers had determined a change in the way of interaction during lockdowns. Implementing social distancing and the masks wearing had made the customer experience more rigid, but customers were happy to enjoy in-store shopping (Shabir, AlBishri, 2021).

Conclusion

Zara has a strong business model and despite little changes imposed by the pandemic, Zara continued its activity to deliver high quality levels for customer service. The recommendations related to the improvement of different elements such as technology, adapting to local cultures, avoiding misrepresentations and developing a more effective staff training would benefit Zara and would make the customer service more efficient and then will increase the performance of the organisation.

It can be concluded based on the analysis of the external and internal factors related to customer service management, Zara has a successful activity and has managed to develop a solid and positive brand image.

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