

INTERNATIONAL BUSINESS



ZARA

PRESENTED

BY

CHIBUEZE DURU

STUDENT NO: 1709607

ZARA

GENERAL INFORMATION



- Leading Chain Store of Inditex Group of Companies
- The First Zara store was established in Spain in 1975
- There are 2200 stores in 96 countries of the world
- Zara generated about \$13 Billion in May 2018
- Zara is positioned #46 Most Valuable Brands in the world
- Zara adopts high fashion styles from catwalk and sells these products at an affordable prices



CORE COMPETENCIES OF ZARA

Core competencies are the capability of a company to create competitive advantage using its resources.

- Zara has Fast and highly skilled Design Team
- Fast fashion brand image
- Frequent introduction of new products in the market at affordable prices

MAIN STRATEGIC CHALLENGES

- **Rising Production Costs** – Due to the rapid-rising cost of raw material and higher wage demands in host countries
- **Transnational Strategy/Cultural Implications** – Zara must Comply with local regulations in the host countries where it operates. It is not an easy task to keep to ambiguous rules and different regulations in different countries.
- **Logistical and Business Set-up Implications** - A very crucial issue for Zara having a production base in Europe. Difficult to function in emerging markets, shipping costs pushes up prices. So will be more profitable if Zara should develop production and logistics support in newer regions.

PROS AND CONS OF ZARA

Pros

- Zara have attractive prices matched with up-to-date designs
- By following big designers it creates a sense of exclusivity
- Fast delivery of new products make Zara fashion low cost favourite store.

Cons

- Has a customer perception of low quality providerLow quality
- Spends minimal investment on advertisement





VALUE CHAIN COORDINATION

Zara uses a business model that enables it to achieve a significant strategic advantage.

- By linking demand to manufacturing and manufacturing to distribution.
- Creating artificial product scarcity makes customers frequently and immediately purchase products they like.
- Cost leadership strategy has enabled Zara to have a large database of loyal and satisfied customers.



ZARA'S MARKETING APPROACH

- **Store location:** Very essential ensuring the visibility of its stores as the first meeting point with potential customers.
- **Store window:** This where Zara advertises the next season's designs.
- **Interior design and store image:** Has to be right every time making the customer comfortable and is renewed every six months.
- **Goods display:** Zara displays its goods in a way that they show off the best trends, fabrics and colours
- **Customer service:** Their are staff trained to capture vital information for future adjustments. (zara.com).

ZARA ALIGNMENT OF INFORMATION SYSTEM STRATEGY WITH BUSINESS STRATEGY.



- Managers relate daily with designers updating them with customer preferences through PDA.
- Zara use information obtained from customers to determine the products to keep, modify or discontinue.
- Zara has a very efficient system that coordinates the entire process of manufacturing and distribution. An automation that enables new product designs to be created and distributed quickly.

THE BUSINESS STRATEGIES OF ZARA



- The main business strategies of Zara is cost leadership and differentiation. This strategies together are called integrated cost leadership and differentiation. Through these strategies, Zara achieved the possibility of producing at a low cost thereby, creating an image of fashion low cost company. The vertical integration strategy is the key for the company to balance between low cost and differentiated products. The adoption of these strategies has gained Zara competitive advantage over its rivals. (zara.com).

SUMMARY OF ZARA STRATEGIES



- ***Integration Strategy***- Zara adopts Forward Integration linking all across the globe. with their headquarters in Spain.
- ***Penetration strategy***- The approach they use especially in Europe and America by improving their online store and quality customer service in their outlets.
- ***Diversification Strategy***- Zara sells various types of accessories complementing their main apparel business. Zara practices related diversification.
- **International Strategy – *Transnational Strategy***

INTERNATIONAL MARKET ENTRY STRATEGIES



- **RISK ASSESSMENT** in case the firm exits the market.
- ***Own subsidiaries:*** Zara adopts this strategy especially in European and American markets where they have almost have the same culture.
- ***Joint ventures:*** Zara adopts this strategy where there is an entry barrier that requires co-operation with a local company in the host country.
- ***Franchising:*** Zara uses strategy to entry method to enter **high-risk countries that** are culturally distant with them.

ZARA'S INTERNATIONAL MARKETING STRATEGIES

- During the initial stage of internalisation of Zara adopted **ethnocentric orientation** whereby “subsidiaries practice the same system. A replication of the Spanish stores in all subsidiaries. However, this approach was culturally unacceptable in some of their host countries.
- Therefore, Zara changed to **geocentric orientation**, allowing subsidiaries to adopt local cultures that replicate the home market culture.



GROWTH RATIO



- Zara in 2017 had a 16% growth.
- 22% of net income growth.
- An increase of 13.47% in earning per share growth.

CONCLUSION

Would you say they deserved more resources to exploit? – YES

- Form the end of yea financial statement of Zara, it emerged that the company had growth ratio 16% showing that Zara improved in the management of their assets and debts. They are also good in management of their expenses enabling them to boost up their income. For this reason, I would support that they deserve more resources to exploit.



• **THANK YOU**

REFERENCE

- Zara.com. (2018). ZARA Official Website. [online] Available at: <https://www.zara.com/> [Accessed 28 Aug. 2018].
- Zarahome.com. (2018). Zara Home New Collection | Official Site. [online] Available at: <https://www.zarahome.com/us/> [Accessed 28 Aug. 2018].
- thredUP. (2018). Zara at up to 90% off retail! thredUP has the largest selection of Zara Women's clothing. Find Zara Tops, Pants and Skirts at thredUP. – Up to 90% off at thredUP. [online] Available at: <https://www.thredup.com/products/women/zara> [Accessed 28 Aug. 2018].
- Forbes.com. (2018). [online] Available at: <https://www.forbes.com/> [Accessed 28 Aug. 2018].