Zara Case Study

Name:

Institution:

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Part 1: On the Basics

Marketing entails a strategic idea of connectedness with customers. As a customer-oriented philosophy, marketing prioritizes achievement of an organization's goals through the satisfaction of clients' needs and wants. Such a development leads to the acquisition of competitive advantage as the company directs its efforts to identify and meet customer needs and expectations better than the competitors do (Finch, 2012). Finch's definition highlights an organization's connectedness to its customers. Such is the case, as a company will make strategic decisions that reflect consideration of customers' needs through creating products that satisfy those needs.

Zara operates under Inditex. Similar to other companies, Inditex connects with both the existing and potential clients to ensure high movement of its inventory. In a typical business, the selling and marketing concepts define an organization's connectedness with its customers. The selling concept holds that customers will not purchase enough of a company's products when given an opportunity to interact with a company freely. As such, an organization has to indulge and invest in aggressive sales promotion efforts to coax customers into purchasing its products (Northern Arizona University, n.d.). Through this concept, an organization's aim is to sell its products rather than produce and sell products depending on customers' wants and needs. Additionally, the concept assumes that a company has the capacity or sufficient resources to find clients and convince them to buy its products by explaining to them their importance (SME Toolkit, 2016). Based on the description of the selling concept, one can conclude that it hardly creates customer loyalty towards an organization because it focuses on making a sale rather than attracting and retaining a customer. On the contrary, the marketing concept focuses on creating and delivering value to its clients in the target market. A company achieves this by prioritizing constant

communication with the target customers and integrating their needs into the business model through consultative selling (Northern Arizona University, n.d.). Based on the definition of the two philosophies, it is logical to conclude that the marketing concept best defines Zara's connectedness with its customers. Zara, a brand under Inditex, a Spanish apparel company, has its strategy tailored to customers' needs. To keep up with the trends in the fashion industry, the brand prioritizes its consumers' fast-changing tastes and preferences through installing a highly responsive supply chain that supports quick delivery of new fashions into the market (Petro, 2012). With reference to Pedro's analysis of Zara, it is evident that Inditex uses the marketing concept when connecting Zara to the consumers. Rather than concentrate on selling Zara products, Inditex responds to customers' needs and creates what the market wants. Therefore, it does not have to coax clients to purchase products that they do not need.

Unlike with the selling concept in which a company controls the consumer, marketing concept paves a way for the clients to control companies in the market. Such is the case because their needs and wants control the type of products that companies release to the market. With Zara, Inditex places clients in control by engaging them in regular dialogue to learn about their concerns and expectations. Information gathered from the consumers determines the direction of Zara's new strategies (Levine, 2013). Furthermore, Zara designs and creates its products based on comprehension of its customers' needs and wants as opposed to the traditional approach, which entails prediction of seasonal trends (Levine, 2013). Focusing on the customers' wants reveals the extent to which Zara allows clients to control its business model. Moreover, the fact that Zara does not promote its products through the media and fashion shows portrays non-application of the selling concept. Rather, Inditex maintains Zara's leadership position through investing in maintaining historical appeal, beauty, and taking Zara stores closer to the customers (Levine, 2013). Locating stores close to consumers in a target market bridges the gap between a client and Zara's products. Such a

development reduces travel expenses for the customer. This increases his or her rate of cost saving, a move that improves convenience and customer experience.

Target market and market segmentation are some of the primary elements of modern marketing. According to Larsen (2010), a target market constitutes a group of individuals or organizations that a company intends to supply with goods and services that satisfy their needs. With market segmentation, it entails the processes through which an organization divides the target market into different groups depending on factors such as demography, behaviors, and psychology (Larsen, 2010). Through such divisions, marketers understand their target clients better; hence an opportunity to improve the efficiency of their marketing strategies. Furthermore, during characterization of the target market and its segments, marketers consider a variety of features ranging from profitability to market responsiveness (Larsen, 2010).

A target market and its segments portray various traits. The first feature is that a target market or its segment should be measurable. In such a case, it should be easy to identify customers who belong to a specific segment or the target market. As such, marketers can quantify the segment or target market in terms of clients' age, population, and incomes among others (Pride & Ferrell, 2016). Zara targets male and female clients aged between zero and 40 years with 65% of their clothing line targeting adult female customers followed by males at 20%. However, the department for children's apparels is growing fast currently and comprises 15% of Zara's target market. Although Zara makes fashionable clothes that are cheap, its target audience is young men and women who are also young in their careers. High mobility of its products also means that the brand targets middle-income earners (Harbott, 2011). Furthermore, Zara sets up its stores close to high-end luxury stores in highly populated locations, which shows that the brand intends to venture into a populous market to increase the chances of attracting as many clients as possible (Levine, 2013).

With the profitability feature, a market segment should be large enough to support economies of scale as the brand or company strives to fulfill customers' needs and wants. Furthermore, the product price range should be reasonable in a way that majority of the target customers can afford and generate profits to the company. Currently, Zara produces and sells about 10,000 new designs annually (Petro, 2012). Furthermore, its sales have grown to over 13 billion Euros per year from 9.4 billion Euros in 2008 (Levine, 2013). The high number of units sold per year accompanied by the tremendous growth in Zara's sales is an indication that the brand has fair prices that attract a high number of clients who make actual purchases; making it possible for the brand to enjoy economies of scale in production. As a result, its prices reduce significantly, despite the high quality of its products.

With market responsiveness, the target market or segment should respond to the products tailored towards the target customers' needs. As such, the brand's performance in the market depends on consumers' purchase behavior (Larsen, 2010). Zara's target audience responds to its products positively. The fact that customers in the target market take the time to respond to the brand's surveys shows that they appreciate its products. Furthermore, Zara's relatively high sales denote that customers in different markets purchase its products, a move that marks positive market response. However, Zara's success can be attributed to its innovativeness. To penetrate or protect a market segment, Zara ought to integrate continuous creativity and innovativeness into its products while focusing on the needs and expectations of the target clients.

Zara is a globally recognized brand. Although I do not hold any position in the brand or Inditex, I would want to own a position in the marketing department. The position will offer me an opportunity to position Zara's products in the market against the competitors in terms of excellent quality and timely delivery. Therefore, to maintain the position, competitors such as Chanel, Prada, Versace, Gucci, and Burberry should be outgunned.

Part 2: On the Marketing Mix

Zara's marketing mix relies highly on the nature of the brand's supply chain. With its fast-moving clothing line, Zara uses in-house production model in which its internal teams undertake production of clothes, footwear, and accessories (Moutinho, 2016). Staying away from outsourcing its manufacturing processes makes it possible for Zara to control its activities, hence retain a quick response to the diverse and constantly changing consumers' fashion needs. Zara's clients operate in a highly dynamic fashion and textiles industry. Unlike most of the competitors, Zara indulges in an innovative process to create new designs rather than depend on imitations. As a result, its customers get unique products that will remain trendy for the longest time possible. Currently, Zara dispatches approximately 10,000 new designs each year while its competitors, such as Benetton and H&M, produce approximately 2,000 designs (Petro, 2012). Together with fast response to customers' fashion needs, offering such a high number of new designs gives them an opportunity to choose from a wider variety of designs that suit their needs and tastes. Such a response to clients' concerns depicts the extent to which Zara fills the prevailing gaps in the fashion and textiles industry. Apart from declining the use of external resources through outsourcing, Zara enjoys cost saving through using cheap labor in Galicia and Portugal (Petro, 2012). This contributes to low production costs, which account for the relatively low prices of Zara products.

With pricing, Zara provides reasonable prices that rhyme with a country's rate of inflation. However, customers in different countries find the prices to be fair and relatively constant because Zara uses a uniform pricing model for all its stores (Levine, 2013). Affordability of its products, despite their high quality, stems from optimization of the training and development costs. Furthermore, the company lacks a product promotion policy, as is the case with a majority of the competitor brand. Although the zero advertising policy

decreases the brand's exposure to the public, it minimizes operating costs that increase the products' prices (Moutinho, 2016).

However, Zara's centralized distribution system entails its primary weakness. In case of a technical problem, the whole system can collapse and push the brand out of the market. Unlike other brands, Zara operates like a company. As such, it is responsible for controlling its suppliers, distribution channels, retail stores, and the production process (Moutinho, 2016). Such an operation model exposes the brand to unpredictable challenges that could be catastrophic to its survival when they occur.

Zara can implement various strategies to solve its marketing problems and explore opportunities that arise from rapid changes in the local and global fashion and textiles industry. First, Zara should prioritize collaborating with some of its stakeholders, such as suppliers and distributors. Additionally, the brand can collaborate with other brands that operate under Inditex to diversify its market. Market diversification will shield Zara from unpredictable risks of a centralized distribution system (Pride & Ferrell, 2016). Moreover, it is through collaborations that Zara will identify opportunities in the market and come up with creative ideas on effective ways of investing in the identified opportunities and help in creating and managing relationships with vendors and clients. With the issue of zero advertising policy that limits Zara's exposure to the public compared to its competitors, Zara should collaborate with its parent company, Inditex, to evaluate the extent to which the policy affects the brand's competitive advantage. However, similar to other brands, Zara can hardly control the external environment that affects its operations. Therefore, while assuming roles of a company because of its vast resources, it can evaluate its objectives, strengths, and strategies to acquire sufficient information on ways of improving its operations and develop sustainable competitive advantage (Moutinho, 2016). Nevertheless, evaluation of strategies

concentrates on production and marketing strategies because of their significance to the brand's profitability.

While operating in an innovative industry, Zara has to integrate customer and climate aspects into its solutions to marketing problems to gain competitive advantage. In business, climate entails internal and external factors that affect a company's operations (Pride & Ferrell, 2016). For example, if Zara decides to decentralize its distribution system, it will have to use advanced technology to ensure efficient delivery of raw materials to its factories and timely distribution of finished products to retail stores to avoid losing sales. Such a change calls for comprehensive training of employees to ensure proper coordination of the production and distribution processes in line with the company's policies and government regulations (Pride & Ferrell, 2016). Nevertheless, throughout the production and distribution of goods and services, Zara ought to prioritize customers' needs and concerns. For example, a decentralized distribution system should not be lengthy, as it will cause delays in the delivery of goods to retail stores. However, a constant and timely flow of new products to retail stores will motivate clients to make repeat purchases. Nevertheless, in upgrading some of the processes, Zara should consider its competitors' operations to understand their patterns and implement better processes to outdo them (Moutinho, 2016).

Part 3: On Consumer Buying Behavior

Prior to purchasing an item, buyers make comprehensive purchase decisions that undergo different stages. The first step entails need recognition in which buyers highlight a need or problem that triggers them to purchase a given product (Claessens, 2015). Continuous changes in the fashion industry trigger Zara customers to buy its products. Such is the case as the clients focus on keeping up with the latest fashion trends in the market. However, the stimuli can be classified as external because the client can hardly control the trends. Nevertheless, Zara is a relatively luxurious brand that cannot be linked to satisfying

clothing as a basic need. Therefore, it is appropriate to conclude that external stimuli, which entail changes in fashion trends, push Zara's customers to recognize a need for relatively high-end clothing. Information search entails the second phase of the buying decision process. At this point, interested persons search for additional information concerning their items of interest. Such information equips them with the knowledge of the brand's products and the available alternatives (Claessens, 2015). Zara hardly promotes its products through fashion shows, print, or online media among other traditional product promotion platforms. As such, it is likely that interested and potential clients search for information about the brand from its website, publications on the Internet, and details from friends and family. Furthermore, others visit Zara stores from where they get instant feedback concerning their problems in relation to the brand's products (Levine, 2013).

After acquiring sufficient information, a buyer proceeds to evaluate the available alternatives to determine the brand that has a higher possibility of satisfying his or her need efficiently (Claessens, 2015). With Zara, a majority of the clients evaluate the brand based on impulse buying. Such is the case as its store managers require customers to visit the stores physically to ensure that the products match with their specifications. However, with a majority of Zara's stores being close to high-end luxury clothing stores, customers get an opportunity to compare the quality of the competitors' service delivery and that of Zara. It is from such observations that they rank Zara compared to its competitors. In making the actual purchase decision, a customer picks the preferred brand out of those ranked in the previous phase. Apart from the satisfaction of a particular need, factors such as changes in economy and price stability influence an individual's attitude towards a certain brand (Claessens, 2015). Zara has thrived in adverse economic changes across the world. Such a development gives potential and current clients confidence concerning the brand's stability. As such, they decide to purchase its products because they are aware that the brand's sufficient resources

will support and sustain its products during adverse economic changes. Additionally, Zara has relatively stable prices because it has a common pricing model for all its stores in different parts of the world. Often, stores adjust prices based on a country's inflation rate at different times of the year (Levine, 2013). Such stability shields customers from thinking about extreme price changes within a short duration. In the fifth stage, marketers evaluate a customer's post-purchase behavior to determine satisfaction or dissatisfaction levels (Claessens, 2015). After a purchase, Zara sends out its team to carry out a survey from clients concerning their experience with the brand. Through such surveys, Zara's employees gain knowledge of ways to improve their marketing strategies and the brand's products in future.

In reviewing a brand's market adoption rate, one evaluates various factors. First, an individual assesses a brand's relative advantage, which defines the degree to which clients perceive an innovation that is integrated into a product to be better than its actual outlook (Pride & Ferrell, 2016). Zara's relative advantage is strong. As a fast moving clothing line, Zara stores place new orders at least twice per week and designers focus on creating new and unique products that match the people's needs (Petro, 2012). Clients appreciating such a production model depict the extent to which they perceive Zara's innovations to be superior. The lack of complaints about the frequency in which Zara products are released in the market also characterize perceptions about the excellence of the brand's innovations.

Furthermore, Zara has a high compatibility. In the adoption process, compatibility defines the degree to which the existing and potential consumers conceive a brand or its products as consistent with their experiences and values. Many of Zara's clients are loyal because they make repeat purchases, despite some of the stores experiencing regular returns of some products. Their loyalty to the brand reveals the extent to which it is consistent with their values. Such is the case as Zara designers do not rely on speculations, but conduct comprehensive market research to know people's needs, tastes, and preferences before

designing apparels and accessories (Levine, 2013). However, Zara should improve on communicability and divisibility. Its innovations cannot be used as short-term experiments, especially when dealing with a new market. For example, because of the lack of standardization, Zara struggles with fitting difficulties. The brand's general fit do not accommodate fashion needs of curvier and plus size women; thus making the brand suitable for women with low waist-hip ratios (Kang, 2014).

Part 4: On Branding and the Product Lifecycle

Zara's vision entails satisfying customers' desires. The brand commits to innovating its business processes to improve customer experience. With a promise of new and quality designs at an affordable price, it is evident that Zara's vision prioritizes clients' needs and concerns (Inditex, n.d.). Zara reflects the personality of youths and middle-aged adults who have the confidence to actualize their self-esteem levels. Thus, with the brand offering quality and relatively cheap designs, its position is that of a high quality yet affordable lifestyle.

Zara is in the growth phase of the product lifecycle. At this phase, a brand or product experiences increased consumer interest accompanied with sales increase and a rise in the number of competitors (Pride & Ferrell, 2016). Apart from the rapidly growing product line for children, Zara experiences a significant growth in its sales volume per year. Moreover, the brand also faces competition from new and old competitors in the high-end fashion sector. However, the brand needs to maintain constant innovativeness to ensure that customers remain connected to it (Petro, 2012). With reference to the brand management model, Zara will implement various strategies to uphold its brand. As a brand that prioritizes customer needs through innovativeness, Zara will stay close to social media to ensure that it dispatches more information to people about its products. It is relevant for Zara to integrate technology into its marketing strategy to reflect the brand's personality of relatively young and technologically savvy clients.

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