**MODULE: INTERNATIONAL MARKETING**

**PART II: ASSESSMENT**

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# 1.0 Introduction

As an international marketing manager working in the fashion industry, the current market potential of Inditex i.e. a Spanish multinational operating in the clothing industry. The report will analyse the unique selling proposition of Inditex that separates it from other brands like PVH, Gap, H&M, and Outfitters among others. It will also delve into the external considerations that might affect the operations of Inditex, in the form of its new brand releases, brand choices, apparel styles, and other factors. Different trends within the fashion industry will be examined to gain more perspective within the context. In the end, a separate distinction between customer types and competitor strategies will be distinctly discussed and compared with the previous analysis on Inditex. This will help in the evaluation of success stories centring on the organisation of Inditex, and how it sets them apart from other companies working in the same sector.

# 2.0 Analysing and describing the USP of Inditex and other brands

## 2.1 SWOT Analysis

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| --- | --- |
| **Strengths** | **Weakness** |
| * Inditex has committed to an integrated business model that allows them to maintain integration in different levels of production, sales processing, and distribution. This translates to a value proposition for clients, and a committed supply chain that works through 7504 offline, and 45 online markets (Gonzalez-Rodriguez, 2017). * Robust operation management helps build a unique selling proposition for Inditex. For instance, the company has been sourcing 100% cotton through cellulose fibres, and sustainably recycling polyester and linen that will be further developed by 2025 (Inditex.com, 2017). * The company has been using different innovations, like RFID or radio frequency identification to put brands in operations. It also eases the workforce regularly and integrates their store inventory. | * The Brick and Mortar stores of Inditex have not grown in the last few years. Despite integrating both its online and offline stores, the company has fewer growing stores in Europe or Africa (Riano and Molina, 2021). * Lesser management of effective marketing campaigns has prevented Inditex to broach its unique selling proposition over its chief competitors like H&M, Gap, or Outfitters. |
| **Opportunities** | **Threats** |
| * As Inditex continues to rely on technology, the dependence on AI or artificial intelligence within the fashion industry of Europe has grown by 53.3% in the last few years. The company can use this experience for developing new methods of distribution in Kenya (Mahmood, 2022). * Inditex has expanded its store space by 8-10%, and 95% of its new stores have modern concepts that can be unique for customers within the European market and the market of Africa. The same is yet to be brought about by Gap, Outfitters, and others. | * The competitive pressure is constantly at a high within the fashion industry. These include new arrivals as well, such as Organic Basics, ASKET, Veja, and others. * Operational costs associated with building the fashion brands are said to grow by 5% by 2025. |

**Table 1: SWOT Analysis**

## 2.2 Green marketing process

The green marketing theory was laid down by K Peattie and A Crane in 2005, considering that there are generally three phases that leading fashion brands have to consider (Groening et al., 2018).

**Phase 1: Ecological green marketing-** during this phase the fashion organisation could focus on marketing activities that look to sort environmental issues. For instance, with Inditex looking to implement recycled cotton that is 100% organic, even its brands including Zara and Pull & Bear are said to limit the production of fibre by 2025 by reducing it to 160 million tonnes (In.fashionnetwork.com, 2021).

**Phase 2: Environmental green marketing-** in the next fashion the fashion companies intend on investing in clean technology that involves using innovative products such as artificial intelligence implementation and RFID by Inditex. Similarly, their competitor brand the form of Gap signed a deal with Enel green power to promote emission reduction by 50% by 2030 (Gap Inc, 2021). The other brand of Inditex which includes Stradivarius has also decided to promote less emission in its production.

**Phase 3: Sustainable green marketing-** the final phase allows the fashion company to bring together a budget that can cover both ecological and environmental green marketing costs, with limited waste. For instance, Inditex has reduced 14% of its industry dependence including 3781 litres of water that is jointly accepted by other brands including Zara, Pull & Bear, and Stradivarius (Lopes, 2021).

The above consideration explains that the apparel industry can become sustainably conscious if brands were to plan their environmental concerns through their marketing campaigns. However, the competition is set to remain intense.

# 3.0 Analysing the fashion market of Europe

## 3.1 Pestel Analysis

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| **Political** | * The EU adheres to textile regulations under No.1007/2001 for the distribution of fibre and related labelling, including the marking fibre composition for textile products. Also, another consideration of the regulation enforcement is containing less than 80% of the weight of textile fibres including raw, semi-worked, semi-manufactured, and made-up products (Ec.europa.EU, 2021). * The European Union's pledge in moving toward a global tax reformation, bringing fairness, transparency, and stability through the corporate tax framework, is said to account for 15% agreed upon by 44 countries in Europe (Fibre2fashion.com, 2021). However, certain minimum thresholds will be applied towards calculating that rate after the income is taken into account. |
| **Economic** | * The European apparel industry has amassed amounts close to $498.10 billion by 2022. This gradual growth centring the market is said to be around 2.72% CAGR which is further expected to grow by another market volume of $270.60 billion beyond 2022 (Statista, 2021). The highest clothing earnings have been received from Germany. * Consumer prices within the Euro-currency countries are set to rise above 7.5%, and this has affected the mentality of apparel brands like Inditex, Zara, H&M, and Gap to set pricing that can help them absorb the brunt of incurring costs set around the market (McCann, 2022). |
| **Social** | * The European apparel market is composed of both generation z customers and millennials, but 70% of the market is dominated by young customers or fast fashion preferring groups. Since 2020, Western Europe has seen a rise of 18.75% with 59.3 million customers aged around 18-25 purchasing through mobile applications (YPulse, 2021). * The millennial customers, on the other hand, aged around 26-41, comprises about 74% of the sales contributions who have customised their tastes and devoted 25% of their spending towards new stylish collections (YPulse, 2021). However, most of the same customers will want to buy new clothing only when there is a discount in the market. |
| **Technological** | * Most fashion manufacturers and brands have decided to optimise their internal operations. Therefore, the management of valuable data has become easy with most organisations resorting to enterprise resource planning software, and predictive consumer behaviour is also used for developing big data applications (Cbi. EU, 2019). This is considered a new trend for most apparel brands in Europe. * Online shopping handles including social media, and D2C schemes have increased by almost 250% enabling the fashion choice makers to expand platforms close by investing €4 billion in investments (Cbi. EU, 2019). |
| **Environmental** | * The EU has harmonised the impact on the environment, especially while sourcing textile raw materials that are set to give targets to renowned apparel brands including the likes of Inditex, Gap, Outfitters, and others by reducing the clothing to about 2-10% (Šajn, 2019). * Up to 30% of the clothes distributed within Europe are set to go to incinerators, and mixed with household wastes. However, the new mandate within the regulation emphasizes a 3% reduction every quarter by apparel companies. That will ensure that companies do not compromise on increasing their fashionable collections and at the same time adjust the volume of clothes developed in a year (Šajn, 2019). |
| **Legal** | * The EU's REACH regulation restricts the use of artificial chemicals for the development of apparel collections, these are inclusive of zero discharge of hazardous chemicals that can be occasionally used by brands during supply shortages. |

**Table 2: PESTEL Analysis**

# 4.0 Evaluate trends in the fashion industry

Different fashion trends affect the apparel market within Europe, and this can be explained in the below manner.

Firstly, the suits of women both knitted and not knitted, sales have grown by 1.24 billion dollars which contributes to 11% of the apparel collections. On the other hand, collections for men including suits both knitted and non-knitted come to about 580 million dollars, accounting for 5.2% of the European industry. Other clothing collections include T-shirts, pullovers, sweatshirts, and others that comprise 700 million dollars that account for 6% of the industry (Fashionunited.UK, 2021). This shows in terms of choices the consumers have options when they choose the European apparel brands. These comprise the apparel stores and consumers also have the option to venture into both online and offline considerations.

Secondly, in the European apparel industry, intelligent textiles are still among the preferences of leading brands including Inditex, H&M, and others. These developments have provided exceptional results for the organisations, having features such as UV filters, anti-bacterial, repellants, and biodegradable gifts. Furthermore, the same innovation technique assists companies to develop different apparel styles including jeanswear, beachwear, activewear, and others (Audaces, 2021). The clothing brands are leaning towards functional fabrics for creating clothing brands, and for this many organisations have decided to go forward with ultra-efficient screens, and state-of-the-art applications that can synchronise with mobile applications. This becomes important to establish a digital sales strategy incorporating design efficiency. In certain cases, the Europe-based fashion brands also largely depend on 3D printing technology. That involves the construction of covers that help in designing and custom pieces of clothing through a 3D printer. Internet transactions have begun to represent over 5% of the GDP of countries in Europe, and for the same reason, virtual and augmented reality are also helping apparel brands to project their collections before consumers reach stores (Audaces, 2021).

Thirdly, more brands still cling to traditional advertising outlets for promoting fashionable apparel brands and collectables in Europe. The other leading companies in the form of Inditex, H&M, and Gap create their online channels to support the generation Z customers. These customers are between the age of 18-25, and allows designers to pre-tape digital displays of different fashion item designs online (Firstpost, 2021). Some chief fashion houses have also established staging shows that can be expensive for most fashion companies to accommodate, however, to keep the interest of their growing customers representing the same group. The companies tend to rely upon the strategy more largely. Fashion brands spend within $150 to $350 billion for ensuring that customer experiences improve (Firstpost, 2021). These account for their responses to social and environmental issues and revolve around controversial issues like using deeply held views. For instance, certain customers might prefer the affiliation or the brand’s take on the current issues including the problems ranging between Russia and Ukraine (Amed et al., 2019). In such cases, the brand's position becomes an important factor before distribution to the customers. The same young empowered customers will take these factors in mind before making their brand choices. This separates them from the normal millennial customer groups who might have a different opinion altogether on brand positions. Therefore, brands are mindful of the developments that occur within the fashion industry.

# 5.0 Define customer groups and relevant competitors

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| **Competitors of Inditex** | **Customer groups** | **Overall Analysis** |
| Gap | Millennials (aged 26-41) | This fashion retailer dealing in clothing and other accessories has decided to target the millennials by providing a limited edition artist collection for mobile shoppers and is growing in popularity. As an effective feature for mobile shoppers, the company offers up to $600 billion in loyalty rewards, social referral bonuses, and others (Jaekel, 2021).  The company is also re-branding its collection, through the 'Gap remix project page' that is located all over the application. This is to help millennial shoppers in improving their seamless sharing experiences with communities. However, the organisation is yet to figure out a similar strategy for its offline segments (Jaekel, 2021). |
| PVH corporation | Baby boomers (aged 57-75) | The PVH corporation essentially targets the baby boomer groups, mainly because most of the other brands tend to ignore them largely. However, 72% of the populace representing the same group prefer clothing brands, whereas the other 28% prefer fashionable accessory items (Fibre2fashion.com, 2021).  While shopping for apparel around 42% of the old customers said they liked to purchase fashion brands through cross-borders. Meanwhile, 27% buying from PVH corporation explained that previous experiences mattered to them in terms of purchasing clothing (Fibre2fashion.com, 2021). That also helped in swaying ratings that were worked around by the corporation to ensure better feedback management. |
| H&M | Generation Z (aged 18-25) | H&M has developed initiatives in the last few years, to engage the pulse of buying among its generation z customers. The company on average spends up to $3.4 trillion, accounting for the 7% of the total household spending used by the generation z customers. According to the research by OC&C, the company’s turnover or net sales maximised by 12% generating a revenue of $50.4 billion, with financial items falling by 11% in the last few years (Howland, 2021). The company has still managed to keep ahead of its generation Z customers, perceiving their tastes and creating a collection that can suit their ideals in a better manner (Howland, 2021). |
| American Eagle outfitters | Generation Z (aged 18 to 25) | Approximately 48% of generation z customers prefer American Eagle outfitters in Europe, due to their racially diverse collection offers. The reputation has been carried on by the brand helps them to address the needs of 14% of Americans settled in different European countries and 26% of Africans who are located in different parts of France, Germany, or the Netherlands (McKinnon, 2021). |

**Table 3: Competitors and their customer groups**

# 6.0 Evaluate the success story of Inditex through customer groups

Different facets have helped contribute to the reputation of Inditex within the context of Europe. These can be carried out by demonstrating the factors with evidence.

**Market segmentation**

**Demographic segment-**As more of the fashion brands put their money on generation z or the younger generation customers aged around 18-25. The brand Inditex has decided to lay more emphasis on millennial customers as they venture around the market. That means people over 35 are the target of the brand. This is because the millennial population is growing largely across the world with 92 million people (Dowsett, 2019).

**Behavioural segment-** Inditex has managed to integrate smartphone and tablet-based networks for 96% of the same customers, as ideally, Millenials are trying to use modern-day technologies for ensuring they can toggle through numerous collections and at the same time use their digital cards for payments. Due to their basking in a more digital world, the globalised generation fined it much easier to operate using one click of a button. The same habit has worn off on the millennial market overall. The total sales amassed by Inditex is seen to be 62% mainly from the millennial market itself (Luxetalent.de, 2018).

**Geographic segment-** Generally nowadays fashion organisations believe that simply opening apparel, fashion accessories, and other factors for distribution stores is inadequate to compel customers in arriving at the stores in large numbers. The store space equally becomes an important factor, and Inditex might have increased its total stores across Europe by 297 new shop openings in France, Germany, Belgium, and others. The main driving opportunity around these stores is the adequate spacing that has helped the company to accommodate numerous fashionable items (Luxetalent.de, 2018). The idea has worked for its apparel collections that inspire customers to visit stores largely. It has helped the company to drive its revenue growth by 7% as well, with the help of its operating margins that has also gone up to 19.5% from 16.3% in 20.

**European expansion:** The European expansion for Inditex has been engaged through online activities, with Zara present in almost 38 countries. The quality of the Zara brand provides customers with the assurance of trust and other brands like Pull & Bear, Massimo Dutti, Oysho, and others are also developing their portfolios for customers online (Inditex.com, 2021). The company is trying to develop a better stock management system that might help them to make the same brands available in the physical stores (Ecommerce News, 2018). In that way, customers can access the full inventory with the help of online order fulfillments if the brands are not available in the store at the time of their visit. This helped Inditex to fulfil up to 7000 brand collection distributions each week.

**Customer satisfaction:** Due to the variety of brand offerings provided by Inditex, it has managed to tramp up its revenue in the last nine months in Europe by compiling €19.5 billion. This is also courtesy of the year-on-year profitability distribution of 37%, and an integrated business model that assures quality and commitment for teams on both fronts. The online sales through executive conversations showed year-on-year growth of 28%, while 124% growth is administered from other mediums including physical stores (Dowsett, 2019). It can be said that the organisation has fulfilled their promises in Europe, and has also rewarded them with customer trust.

# 7.0 Recommendation

It is recommended that to expand to Kenya, Inditex must use these two pricing strategies to ensure customers engage the firm's collections.

Firstly, penetration pricing has to be used by Inditex for attracting customers through new collections and offerings (Niu et al., 2019). This would give a chance to the brands of the company in the form of Pull & Bear, Massimo Dutti, and Oysho to interest the millennial masses of Kenya.

Secondly, another pricing strategy will be value-based pricing, which would look to engage customers through the value they encourage (Niu et al., 2019). This can be better integrated when Inditex uses innovative technologies to make a stylish appeal for stylised collections.

# 8.0 Conclusion

The report concludes that Inditex being a leading fashion distributor in Spain, can invest in improving its unique selling proposition. That means that its brands of Pull & Bear, Zara, and Oysho can also thrive if they are affiliated with green marketing strategies. For this reason, the report considered the internal and external factors and how to connect them with the trends in the fashion industry as a whole. In the end, the report concluded that overall Inditex has managed to please its masses largely through both offline and online promises. However, to expand to Kenya, the company has to work with two specific pricing strategies that can strengthen its ability to broach brand promise.

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