External Analysis

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Nick Swinmurn initiated Zappos in the year 1999 as a shoe store and it earned a lot of respect and was able to acquire a strong competitive position in the industry. Witnessing the success of the company through its strong cultural values, Amazon acquired the company in 2009. The external environment of a company involves evaluating the industry environment, competitors' analysis. Overall, the external analysis involves a Pestle analysis and Porter's competitive analysis with respect to the global position of the company. The Pestle analysis of Zappos reveals the factors in the external environment that can impact the success and profitability of the business.

The political factors of a country play a vital role when the companies are about to touch new markets. Zappos also has to consider political factors such as the taxation system of the countries. The political situation of the company plays a vital role in determining the business success in a certain country since the trade agreements, restrictions and jurisdictions differ in each country and Zappos is going global. The impact of Trump's administration policies in the US can neither be downplayed nor be ignored in this regard. However, it can take advantage of the political stability of the developed countries, especially the countries in which it operates. An analysis of the economic factors unearths economic stability in the developed markets. The disposable income of people is also increasing which is a positive indication of high spending on retail goods. However, the economic recession of China and Chinese sellers such as Alibaba are a threat to the company.

Social factors also play an imperative role in the success of the company, since people’s choices are changing. Zappos is keeping up with the state-of-the-art fashion trends. The company’s culture of delivering “Wow” through its customers (Kopelman, Chiou, Lipani, & Zhu, 2012). In addition, it aims to keep its vendors, customers and employees happy and satisfied. This makes a positive contribution to the company's profitability and success. The company is also able to maintain its repute as one of the best customer service providers. They have an anticipation of exceptional treatment when they visit Zappos.com. For brands like Zappos, there is a high dependence on technological advancements in order to stay competitive. The Internet has allowed Zappos to stay ahead of the competition as it has adopted the social media and it is recognized to be one of the most successful organisation that implemented IS and technology to bring innovation in the customer service experience. The warehouse management system, website of the company and merchandising planning are all interlinked with each other. IS are employed by the company to calculate accurate merchandise and make updates every day (Rainer et al., 2013).

Legal factors in the pestle analysis are fundamental for any organization since legal obligations are pivotal for any organization. Zappos is already famous in the industry for its integrity and must maintain its repute by meeting the legal obligations. Legal obligations on online businesses are rising including products regulations since it has diversified its portfolio. In addition to that import-export regulations and regulations regarding environmental protection are also considerable. Furthermore, Zappos takes interest in the environmental factors and it directly involves in the corporate social responsibility programs along with its employees to fulfil its responsibilities towards the environment.

Porters five force analysis reveals the competitive position of a firm in the industry. The online retail industry has a high risk of new entrants owing to the low barriers to entry in the industry. The capital requirements are also very low and companies can attain economies of scale. There is also easy access to the suppliers and distribution which makes the on-line retail industry highly competitive. The threat of substitute products is high since customers can buy retail products from other online and brick and mortar stores as well. Some of the customers also prefer online shopping some fear being vulnerable to the risks of online shopping. Price comparison is very easy in this age of internet and wide product selection is allowed via websites, due to which the threat of substitute is moderate (Wang & Zhang, 2015).

However, the bargaining power of suppliers is low because a large number of suppliers are available in the market and the switching cost is also low because of undifferentiated products. Buyers have high bargaining power on account of a lot of information available online and a lot of competitors in the market. Buyers have a low switching cost and variety of alternatives available in the market. There is a lot of competition and no unique differentiated products intensify the competition of rivalries.

 The external analysis reveals that the company faces severe competition in its industry from the competitors since it operates in one of the highly competitive industries. The company has maintained a high position in the market due to its customer-oriented and people-oriented culture. The acquisition of Zappos by Amazon also ensures that the company has access to the latest technologies. In addition, it has been able to cope up with the political, legal and environmental and regulatory issues pertaining to its operations. These issues are common for all the online retailers that seek to extend their operations globally. When it comes to the globalization of operations and diversification of business, Zappos can utilize its strengths to uncap the opportunities in the external environment to remain ahead of its competitors.

# References

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