

# Xekeway



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## 1. EXECUTIVE SUMMARY.

In this paper I have tried to show how Xekeway, clothing shops, operate in the market. This business was created in 2004 and it has managed to obtain the necessary resources and capabilities to become an efficient company and a survivor in the clothing industry characterized by a very high level of competitiveness.

The company XEKEXAFA S.L, has a commercial brand Xekeway (in the clothing sale sector) and Xafaxafa (in the shoe sale sector).

This enterprise was created by José Francisco Colomer Llorens, and presently it has 3 shoe shops (Xafaxafa) and 4 clothing shops (Xekeway).

They have been trading for several years now in the textile industry. Since then, the firm has change its trading ways, as to achieve to sale fashion clothes at low cost for a demanding public. Their main objective is to assure the best possible price following the latest fashion in the market.

The company's goal is to transmit a commitment to the clients in design, update products, quality and low prices. Moreover Xekeway tries to convey a proximity link with the objective of creating trust, as to obtain a certain emotional relationship with their clients.

Xekeway **trades** a varied collection of cloths and accessories, the brand Xafaxafa also has got an ample collection of shoes and accessories. Thus, their **business** trades both in the textile sector and shoes and accessories sectors. As they like to comment "All our products are seasonal, with regular collection changes, as to always be with the latest fashion and following the latest trends, always keeping an excellent quality-price ratio".

In relation to the company's **prospective buyer**, Xekeway sales clothing for both men and women of all ages. They are targeting a public that values positively the quality - prices of their products. This is why they search for products that are trendy and adapting to the clients' needs and expectations.

Thus, with these two **brands**, the business gets clients' fidelity and also they can obtain updated fashion items to a relatively affordable prices.

So, this company follows a cost **strategy** due to its main objective, which is to have products affordable to most costumers, and to show a good quality-price combination.

Moreover, this company has another objective, to expand and to open many more shops. The different company's franchises can be seen online, on the company's own website.

This paper will analyse all the company's characteristics in each different section.

## 2. CONTEXT ANALYSIS.

### 2.1 Analysis of the firm.

#### **2.1.1 Introducing the company.**

Xekexafa, S.L (Limited Society) started as an autonomous business as Xekeway. Today it has more than 12 years of experience in retailing clothes, shoes and accessories.

José Francisco Colomer is the founder and manager of this company. He lives in the town of Canals (Valencia). He started this commercial business in the year 2004.

The motto that guides this business is more for less (+ x -), always trying to satisfy the costumers needs.

The company has been growing to achieve two characteristic brands for: Xekeway (clothing and accessories) and Xafaxafa (shoes and accessories).

The business has two different types of fashion, seven shops in total. All shops have got low prices, different sales and bargains. Photos 1 and 2 below show Xekeway shops.

- **Xekeway:** Has got four shops addressing the products to a public from 13 years old up to adults. (Operating in Canals, Carlet, Ontinyent and Santa Pola).
  
- **Xafa Xafa:** Three shops where there is a wide range of shoes, jewelry, accessories and suitcases. (Operating in Canals, Ontinyent and Santa Pola).

Illustration 2. Xekeway Shops



Source: Facebook Page Xekeway

Illustration 1. Xekeway Shops



Source: Facebook Page Xekeway

## 2.1.2 Mission, vision and objectives of the company.

- ➔ According to the Company its **mission** is to: “offer the current market trends to the largest amount of people possible, offering affordable and competitive prices”.
  
- ➔ Xekeway vision is to have to re-invest heavily in the business as to obtain new franchises and to be able to expand all through the Valencian territory as to become a referent in the low cost textile sector.
  
- ➔ The current objectives that the company has are:
  - Client loyalty through low cost fashion.
  - To become a well-known brand in the Valencian territory.
  - To continue the company’s expansion by having more franchises.
  - To become the leader in quality-price.

## 2.1.3 Company's resources.

A company's resource is any factor or active that it gives it wealth and which it controls. They can be tangibles (they are a material and they can be measured and quantified, they are countable) and intangibles (they don't have a physical existence, for this they are much more difficult to evaluate).

If we look into Xekeway **tangible resources**, we find the following:

- Xekeway main offices are in L'Alcúdia de Crespins industrial estate with an extension of 450m<sup>2</sup>. Xekeway shops are the following: Xekeway Canals (130m<sup>2</sup>), Xekeway Santa Pola (129m<sup>2</sup>), Xekeway Carlet (364m<sup>2</sup>) Xekeway Santa Pola (205m<sup>2</sup>) Xafaxafa Canals (85m<sup>2</sup>) Xafaxafa Ontinyent (187m<sup>2</sup>) Xafaxafa Santa Pola (209m<sup>2</sup>). This gives a total of **1.759 m<sup>2</sup>**.
- The firm has got the latest equipment needed so the workers can perform the duties (logistics, accountancy...) in a most efficient possible way. Thus facilitating the performers of such chores and obtaining a good organization within all the firm's sections.
- Likewise, the firm has got an all the necessary offices equipment for the day to day business, for example chairs, tables, stationery, etc.
- The company's logistics: it does the transportation of its products from the warehouses to the different shops.
- Lastly, all stock is available in the warehouses.

Regarding the **intangible resources** which the firm has got, we find two types, human and non-human:

### → Non-human Resources:

- Technological resources: Are the ones that allow the company to have an efficient performance in all its activities. The firm has the copyright for its two brands (Xekeway and Xafaxafa). The following photos 3 and 4 show these two brands. Moreover, the company has its own website page, which it helps to prevent plagiarisms by the competition. On top of all this, the company has created a low-cost brand valued by clients. There is also a data base and a system of



programs in all the offices and warehouses helping the management of the company in this way.

- Marketing resources: There is a company's own logo for each of the two brands, and a roll of loyal customers. The company has managed to obtain a good image within the sector in which it operates.

Illustration 4. Xekeway logo



Source: Facebook Page Xekeway

Illustration 3. Xafaxafa logo



Source: Facebook Page Xekeway

## → Human Resources :

- The firm has acquired several important know-hows for competing within the sector through years of experience. Furthermore, the company keeps the same staff since the beginning, and both the company and staff have evolved together, thus obtaining a good quality in their overall performance.
- Moreover, it is a company that has managed to adapt to the different needs of society, for example the fact of trading cloths of the latest design, but to relatively low prices.

### 2.1.4 Company's capabilities.

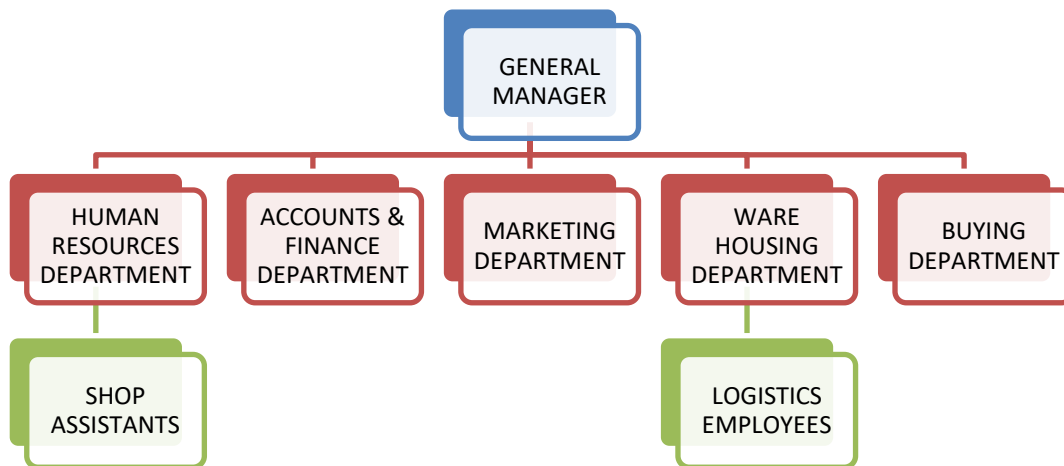
The capabilities that a company has to perform are a specific activity through a combination of all its resources.

Below are some of these capabilities:

- Organization and control: The company has got several hierarchical levels in its decision-making process system. Although the last decision rests in the boss, the

employees can also have a say and there is some flexibility in the carrying-out of the different tasks. This is shown in illustration 5.

Illustration 5. Organigram



Source: Own work.

- Human resources: The company has got fully qualified employees. It has got a rigorous selection process and also offers each worker a series of different update courses which the company pays for.
- Profitability and finance management: This company is self-financing, billing enough to face its out-goings and thus re-investing in each new development.
- Company's philosophy: The company shares its values with the workers. It applies the principle that the workers should be responsible, dynamic and productive individuals. Moreover, the company tries to build into the individual workers task enthusiasm, interpersonal relationships, cooperation, team work and discipline.
- Customer service: The shops assistants are good professional staff when dealing with the clients. The company has got an after sale return system whereby if a customer wants to get back a product it can be done. The assistant will give the customer a voucher, which can be use in any shops of the company.

- Expansion capability: There are projects to create more company's branches. Further details can be found in the company's web site. This project contents plans to expand into the rest of the national territory.

All these resources and capabilities mentioned already here will allow the company to obtain **competitive advantages** in relation to its competitor. Therefore, turning this company stronger within this market sector so highly competitive.

## 2.1.5 Finance Report.

Xekexafa S.L is a corporate company, of the medium type (pyme). It was established on 31/10/2012. It is selling wholesale and small sale. As cited in the annual accounts dossier, "The society will have as its objective the trade, imports, exports and many manufacturing textile products of all styles and types. Wholesale and retail, imports and exports of all types of products, to the exclusion of other products with a different legislation" (31/12/2016).

Looking into the annual accounts for the year 2016, Xekexafa had a turn-over of 917.000 euros. The profits were 8.441 euros for the year.

During this period the company had 15 workers. The amount of workers varies from year to year depending on the high season. For example, in the year 2014 there were 15 employees and 17 in 2016.

Graph 6 below, compares the year 2016 with the two previous years.

## Illustration 6. Company's finances

Local registry filing/Unconsolidated	31/12/2016 EUR	31/12/2015 EUR	31/12/2014 EUR
	12 months Local GAAP	12 months Local GAAP	12 months Local GAAP
Operating revenue (Turnover)	917,090	990,467	895,024
P/L before tax	11,255	7,218	31,685
P/L for period [=Net income]	8,441	5,413	25,348
Cash flow	28,887	23,225	39,802
Total assets	346,540	316,633	299,706
Shareholders funds	-11,054	-19,495	-24,909
Current ratio (x)	0.70	0.61	0.55
Profit margin (%)	1.23	0.73	3.54
ROE using P/L before tax (%)	n.s.	n.s.	n.s.
ROCE using P/L before tax (%)	n.a.	n.a.	n.a.
Solvency ratio (Asset based) (%)	-3.19	-6.16	-8.31
Price earning ratio (x)	n.a.	n.a.	n.a.
Number of employees	15	17	15

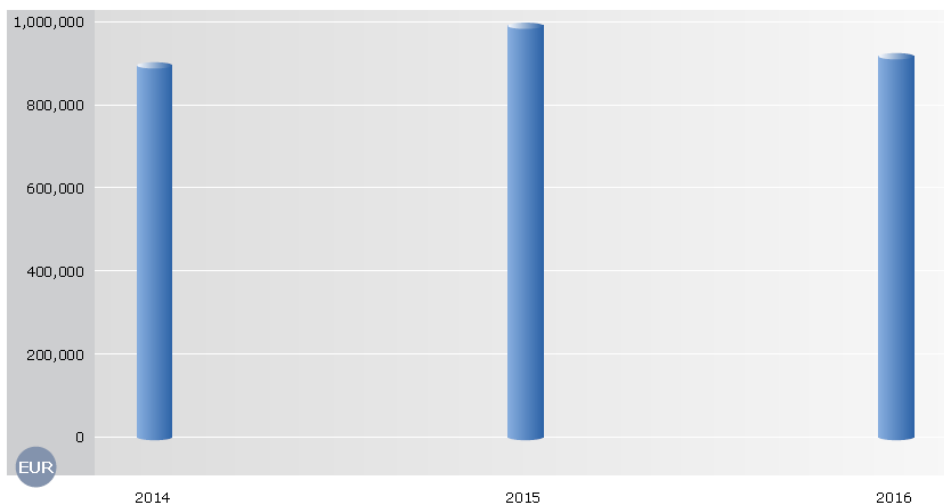
Source: SABI.

As it can be seen, the volume of trading for the 2014-2015 period increased by 95.443 euros, but the 2015-2016 period it decreased to 73.377 euros.

The profit margin went considerably down for the 2014-2015 period by 2.81%. It went up slightly for the 2015-2016 period with an increase of 0.5%.

Next, the illustration 7 shows a graphic relating the variation during these 3 years in the volume business of the company:

**Illustration 7. Operating Income Evolution.**



Source: *SABI*

Moreover, due to the company's balance, we know that the total net amount of both the active and the passive plus its patrimony for the year 2014 was 299.706 euros. There was an increase for 2015 of 316.633 euros and for 2016 it was 346.540 euros. However, the ratio between profits and losses ('pyg') of the company, since 2014 has decreased greatly. For the year 2014, the profits were 25.348 euros, for the year 2015 the profits were 5.413 euros, finally the year 2016 showed profits of 8.441 euros. It can be seen that during this period the company's profits had been alarmingly less.

## 2.1.6 Strategic profile of the company.

The strategic company's profile allows us to analyze which are the strong and the weak points of the company. This profile is based on a criteria form 1 to 5 regarding the main working areas of the company.

In the case of Xekeway, we can find its profile as per table 1, below. This was obtained as a result of an assessment following a deep interview with the company's director.

**Table 1. Strategic profile**

Working Areas Key factors	1	2	3	4	5
<b>Commercial Area</b> - Market share. - Brand image. - Sales staff. - Publicity and advertising.					
<b>Logistics Area</b> - Costs structure. - Quality control. - Goods. - Logistics.					
<b>Finances Area</b> - Finance structure. - Capital cost. - Investment effectiveness. - Finance solvency.					
<b>Technology Area</b> - Available technology - I+D activity. - Technology application.					
<b>Human resources</b> - Social climate. - Level of education. - Level of participation.					
<b>Direction and organization</b> - Direction style. - Organization structure. - Company's culture.					

Source: Own work.

As we can see, the **commercial area** it is situated between 2 and 4. This means there are functional areas within this commercial area which receive more attention than others. Some aspects to improve are the brand image; which has the lowest point mark. This is due to the fact that the company it is more known within the local region range more than outside it. Moreover, although the company has got a point 3 position, it should strengthen its volume of sales and increase its market share.

Regarding **logistics**, the company gives it its importance; nonetheless, it could improve the costs structure and the control quality. Logistics it has a 3 point mark but the company needs to improve in relation to the logistics costs and also in relation to the quality. However, the company looks very carefully into the quality of its service but not so much into the quality of its products.

**Finance area** the company has got more problems because of its profitability from the investments. This is so because the company invests often in its expansion and creation of new shops in areas where it doesn't have a market yet. Sometimes, this is profitable, but in many occasions the company does not cover the costs of opening new shops, because the turnover it's small.

**Technology** appears to be the worst area within the company, 1 point in I+D. This is because the company does not invest enough resources within this area. But, the available technology and its use have 3 points, this is due to the fact that the technology used by the company it is not an old technology. The use of the company's technology is efficient, however this technology is only practical for the current company's business characteristics.

Xekexafa S.L has a high consideration regarding **human resources**. This area has a punctuation of 3 because of the good social and learning atmosphere within the company. All the company employees have a working relationship and also a social relationship. Also the company finances some workers to go on updating courses. Participation level, 5 points its due to the good social climate within the company: the company's workers are motivated and they feel themselves part of the Xekexafa S.L.

The last area, **direction and organization**, it is very important for the company. There is a very well defined management style, obtaining 5 point punctuation. Each worker knows their own place within the company. Likewise, the organization structure and the business culture, with a punctuation of 4, are also quite important within the company,

for everybody works knowing the values that the company holds for achieving what the company is.

## 2.1.7 Marketing mix.

Now we will see the 4 elements that are within the marketing mix of Xekexafa S.L.

### **PRODUCT**

The company trades with **products** that acquires from its suppliers following the fashion and current trends. Both clothing and accessories and shoes the company acquires them according to the fashion demands of its clients, always searching for those items that the costumers expect.

Thus, Xekeway's products garanty that its clients find what it satisfies their needs of following the latest fashion at very reasonable prices.

**Business wise**, we find that the company not only competes within the clothing sector, but also within the shoes and accessories sector. So, the competitors are those shops or fashion brands that trade with clothing, shoes or accessories.

In relation to the **types of products** that the company trades with, they can be classified as following:

Products of high rotation: They are items of fashion that if they are not sold within the season they become old or out dated. For this, the company each month must renew different new items in its stock.

Hook products: Due to the fact that the shops sell items of clothing, accessories like bags, belts, handkerchiefs... and shoes, the selling of one product can attract the selling of other products as to complete the set looked for.

Consumer products: These products are habitually consumed and are produced to a final use without any further work.

Regarding **product dimensions** we see that the company has got the following:



Basic offer: Here the company offers clothing and shoes items to satisfy people's basic wearing needs. But nowadays this is not sufficient for the clients not only see this company's products because there is a huge competition.

Expected product: The company's products due not comply with the need of wearing clothes anymore also they are items of clothing at a low cost, relatively accessible to anyone, all this increases the value of these products competing with other companies products.

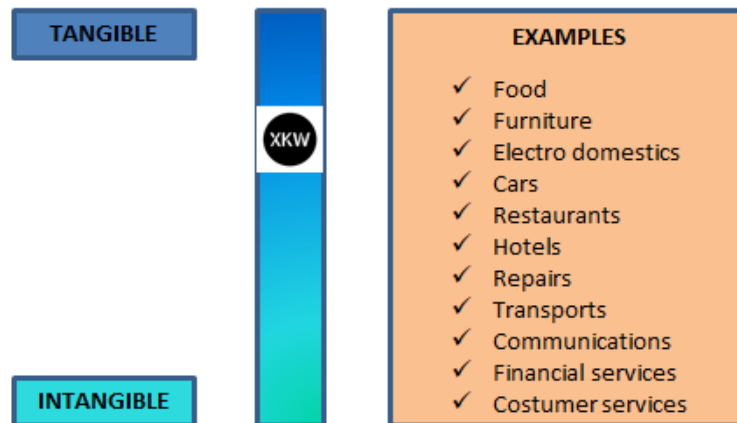
Increased product: Adding to the above characteristics, customers can find items of clothing with the latest fashion designs and possibly the products that they were looking for but at a much cheaper price.

Finally, the last product dimension to indicate is the potential product. Possibly, this does not take place. Clothing or accessories items, having a high rotation, when the consumers lose their interest in them, rarely get a new use of these products. But normally the clients buy new items to substitute the old ones witch they find more satisfactory.

Moreover, we are going to analyze the degree of **tangibility** of the products that the company sells. In this case, trading with the clothing, shoes and accessories products we discard totally the option of intangible products, having clear that we are dealing with totally tangible products.

Figure 8, shows the grades of tangibility for Xekeway, with some examples, as follows:

Illustration 8. Tangibility scale.



Source: Own work.

Finally, let's indicated that Xekeway has to **2 main trading lines** of products, clothing and accessories, whereas Xafaxafa also has two main trading lines, shoes and accessories, therefore it has got a range of 2. Moreover, the company's products have got **2 types**, one for men and the other for women. Below again illustrations 9, 10 and 11 show some of the products offered by the company.

Illustration 9. Xafaxafa women shoes



Illustration 10. Xafaxafa men shoes



Illustration 11. Xekeway accessories



Source: Page Facebook Xekeway

## **BRAND**

The company's brands allow having an individual image regarding fashion accessible to the majority costumers. This gives a great advantage in the current economic recession. For society looks for companies like this one to obtain products within the latest fashion that cover people's needs, both in style and also their financial needs.

**The brand strategy** that the company deploys, it is a strategy of **multiple brands**. The company has got two different brands, Xekeway and Xafaxafa and both brands belong exclusively to this company. Both brands manifest the same image regarding quality-price well balanced ratio. Although, one brand trades in clothing, and the other one in shoes, both brands can have the same accessories in the shops of either brand.

There is a handicap. It is when in one town one only finds one brand. This makes the company, to position itself within the market place, to increment the advertising and marketing expenses. On the other hand, if one shop flops, there is not a negative influence over the others shops.

Contrary wise, in towns where more than one shop is present, the advantage is that it is much easier to publicize the company's shops, but if one shop does not do too well, it can give a bad image to the rest of the shops.

Both brands, Xekeway and Xafaxafa, are addressed to a modern and fashion-wise and that searches for all these characteristics with prices that at not abusive, even slightly low. Furthermore, it comprises different group ages; also it offers men and women fashion, these results in attracting a large quantity of consumers of very different tastes. This is one of the brands effects.

## **THE PLASTIC BAG**

The company uses its one personalized plastic bags with the brand logo. See the next illustration, 12.

Despite that the container it's not a usual one, the personalized plastic bags that the company gives away have the following characteristics:

- **Product presentation:** The plastic bags have different sizes, for clothing, for shoes boxes or for accessories. So, if one sees one of these plastic bags can easy tell

what type of product it contains. This is in relation to its size, its design which is characteristic to the fashion clothing the plastic carries.

- Easy handling: These plastic carriers are easy for the costumers to carry the products they have bought when they take them home.
- Resistance: The bags are made of a strong plastic; this makes them difficult to brake because of much weight or to get any hole due to any sharp product.
- Protection: Because the material of the bags is hard and resistant, it helps to avoid any damage within the plastic itself; also it protects the same products of any possible damage.
- Information: All plastic carriers have the individual brand name on them. This allows the costumers to refer back to each brand themselves and thus promoting the company's own products.

Below, it is shown an example of a Xekeway plastic carrier. Illustration 12.

**Illustration 12. Xekeway plastic bag**



*Source: Own work.*

## **LABEL**

The products label give information about each product. This offers information to the clients about the products that they are consuming.

The company's labels for each product show the company's logo on the front of the label and on the back the information is about the price, the bar code of each product and the

company's data (name, address, NIF/'NIN'...). Next, illustration 13 and 14 show an example of label use by the company.

**Illustration 14. Front of the label**



*Source: Own work.*

**Illustration 13. Back of the label**



*Source: Own work.*

## **WARRANTY**

The company has a policy of products returns for all each shops and both brands. Any product if it is faulty can be returned within a period of 7 days from the buying day. This and only when the product was really in bad condition when bought at the shop. Then, in all cases the company will give a new product in good condition to this costumer. Next a receipt example each is shown, illustration 15 where all these conditions can be seen.

## Illustration 15. Product returns conditions



Source: Own work.

When the reason for returning a product it's another one, for instance a change of mind, the company's policy is to give a shopping voucher, not money back. This voucher can be exchanged for any other product of the company of the same price.

### Boston Consulting Group Analysis.

Here we are showing the company's position regarding its two brands products, according to the rate of the company's growth within the industry and/or market and also according to the company's participation within the market.

This analysis of the company's own products position of the two brands within the 'question mark' spot, as it is shown in illustration 16, below:

## Illustration 16. BCG Analysis, Xekeway and Xafaxafa



Source: Google and own adaptation.

This '**question mark**' position of the company is due to the high growing rates within the industry. This is so because it is a sector within the industry in which the costumers, despite the economic crisis, continue with high levels of consumption. However, the relative participation rate of the company within the market is low. Although the growing rate is high, the company faces numerous competitors within this sector, and this explains the company's low participation within this industrial sector in relation to the rest of the other companies.

The company's own products carry reduced profits. It needs to perform large investments to increase each market share. 'Question mark' products can become 'star products' obtaining a better place within the market. But these products can also turn into 'dog products', in this case the business closes down.

The firm, to turn 'the question product' into a 'star product', must invest heavily, without knowing what profitability will be generated. Nonetheless, the firm with time can achieve this, turning the 'question product' into a 'star product'.

## **PRICE**

The price that a product is given, affects the offer and demand factor, this means it is an important element for evaluation.

One of the factors that affect the price is the live cycle of the product. In relation to the firm's products, we can consider that these reach the top when they are launched. This is so because the firm shows in each shop those products that are of the latest design, the ones that are in fashion. This is the time when the costumers more acquire these products. As the fashion changes, and new designs develop, the firm keeps changing the products because those products in the shop reach the end of each live cycle, they become old fashioned and out of date. Another factor affecting the price is elasticity; this is the relation between price and demand. The products low prices of this firm are due to the current situation. The present crisis makes consumers to prefer buying low prices products of a medium quality to higher quality products but of higher prices too.

Businesses deploy 6 stages **for establishing their products prices:**

1. Choosing the goal or objective to follow through the nomination of prices: The firm's goal to obtain its prices is to have a good price quality combination, having relatively low cost prices. By so doing, the firm manages to survive within the market place because it offers similar prices as the

competition does (clothing, shoes and accessories) but at lower prices. Moreover, the firm has got numerous discounts and offers for its products, this allows the firm to increase its markets share. The objective of this company is to achieve the leadership in the low cost fashion.

2. Demand estimate: To analyze client's sensitivities in relation to prices variation. In the case of this firm, clients are very sensitives to these variations of the prices, for these clients look for items of the latest fashion at low cost. For this, the firm has certified in several cases that, when these discounts in prices are given for the bank holidays, sales increase a lot in relation to normal days, when the prices are the same.

3. Cost estimates: Companies need to know their costs, both fixed and variable costs, and also where do each comes from. This firm has got several years of experience that it allows it to know the costs that it generates and also how to reduce them as to increase its total profit.

4. Prices and consumers offers analysis: How the consumers value the company's product characteristics. The clients of this company value the fact that this company offers products totally to the latest fashion, with the prices relatively low. The ratio quality-price is a very good one. But, although the company manages to have low prices, it is needed to see the different prices offered by the competitors, which can also be relatively low prices.

5. Method to select price: The firm uses a price fixing taking in to account the costs and its margin. This way, some profitability versus the investment taken.

6. Final price selection: Finally, one has to account for the impact of other marketing activities. For example brand recognition, which the clients associate to low prices. Also the publicity done on the social networks, where all the offers and discounts that the products have are shown.

Furthermore, there are different strategies for adapting to the prices that the firms use. This firm uses the strategy of discounts for accumulative quantity. This is so



the company calculates, that its shops, per each euro that a client spends, it is accumulative to one point (1 point = € 1). When the clients accumulate a total of 100 points, there is a discount of 4€, and when they have to 200 points there is a discount of 10 €.

## **DISTRIBUTION**

The marketing channels are the ones that present to the clients the products that the firms trade with. Therefore, these channels are most essential for every company. This is so because it is the way to connect the sale of each product with the clients.

In this firm, logistics and distributions have a great role in that they provide the shops with the necessary products and with the right amount of these products. So the clients are well provided.

This company's headquarters are located within L'Alcúdia de Crespins industrial estate. It has got shops with both brands (Xekeway and Xafaxafa) in Canals, Santa Pola, Carlet and Ontinyent. This shows that the logistics of the products is based on the different towns where the shops are, it's highly important.

Regarding the different role that these marketing channels might have the following characteristics a firm will have:

- To get information about current and potential customers.
- To get the orders from the suppliers.
- To store and to transport the products from the warehouses to the shops.
- To transfer the product ownership from the manufacturer to the final costumer.
- To perform marketing activities as to get known by current and potential customers.
- To take the risk in case the product is not sold.

All these functions are carried out by the company; this allows the company to save costs by not contracting outside companies.

This firm manages all the business process, from buying the products to the after sale services, once the products have been acquired by a final costumer.

Moreover, because the products are sold in the own shops, the company always encounters itself in a position of retail selling. This does not require any other intermediary. That is to say that the firm plays the role of intermediary, manufacturer and final customer.

Therefore, we find that the company has a two channel marketing system, this is with not intermediaries. Next, illustration 17, we can see the different levels within the distribution channel within the company.

**Illustration 17. Distribution channel.**



*Source: Own work.*

The firm chooses carefully the suppliers that will act as wholesalers in the selling process of its products. Conditions accorded between the two parts, and then fixed, this way the company makes sure that the products have the right standards expected from the company.

The shops within the company, with its two brands names Xekeway and Xafaxafa, fulfil the roll of retailing. Moreover, the shops assistants offer a service of help in which if the client so wishes, they will accompany the client with all this process until he or she leaves the shop after having paid.

All these shops try to show to the clients, current and potential, the power of these brands, also the good ratio between quality and price that the products in these shops have.

In these shops we can find great variety of products that can fulfil the very different tastes of the consumers. Shops characterize by ample spaces, bright,

with changing rooms and shelves or hangers for shoes and accessories in a way that they show a single design and are very attractive for the shops. Illustrations 18 and 19 next, show what it has just been said.

**Illustration 19. Shelves 1**



**Illustration 18. Shelves 2**

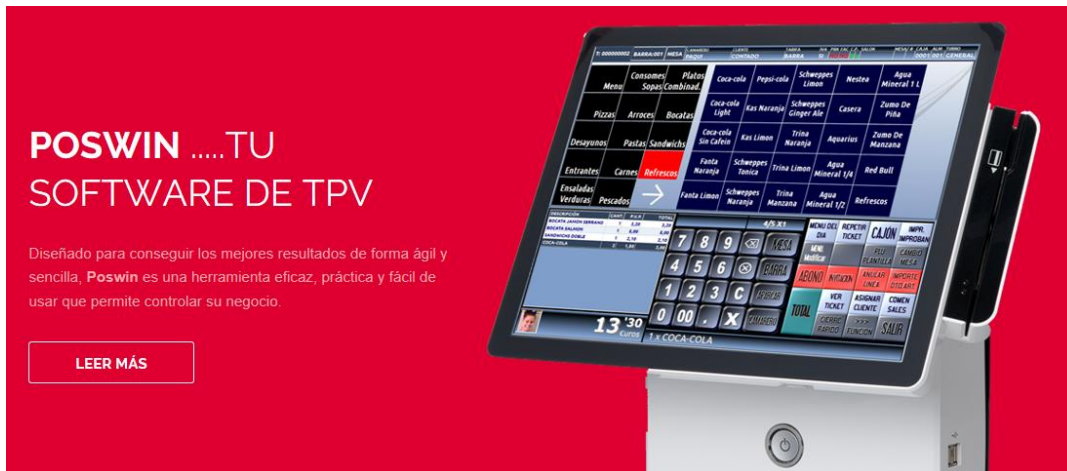


*Source: Page Facebook Xekeway*

Thus, the company characterizes itself with a Contractual Vertical Marketing System, for it bases its contractual deals with its suppliers to carry out the whole buying and distribution process of the products that acquires, and also the process of opening franchises.

The logistics of the company is one essential pillar of the company. The center of the logistics is located in the Headquarters of L'Alcúdia de Crespins industrial estate. Here it is also located a huge warehouse which holds all the stock, where the workers do everything related to the logistics, there are also programs totally updated for the control of the different tasks. The program used is Poswin, which thus perform functions related to receipts and bills, multi terminals, costumers control, articles, templates for sizes and colors, stock, level of commissions, cash balance, sending information by Email or SMS, lists, statistics, levels and cards, security, purchases and communications. This program allows agility and improves the control of the management regarding purchases and sales for the company in an efficient way. Bellow, illustration 20 shows Poswin program:

Illustration 20. Poswin program



Source: Google search.

Finally, to mention that the company it has got its own vehicles for the products distribution from the warehouse to the different shops located in each town. This allows the company saving resources as it doesn't have to contract external transport services. The company also does the transportation of its own products to all its shops in a secure manner.

## COMMUNICATION

Marketing communications are the means that help company's informing, persuading and remembering what products are sold and to reinforce its own brands for the consumers.

To obtain this objective, the communication must be effective, and the steps to follow are below:

### 1. **Prospective clients identification:**

The firm's future clients are the people with a low-medium purchasing power, this client looks for a fashion product but with a good quality-price ratio.

Clients perceive the company's products as practically accessible for anyone and they are not out of fashion products, they are of the latest fashion. Garments that could be found in other shops but at a relatively higher prices. Therefore, the clients show a

positive attitude towards the products of the company that satisfy their own needs not only functional or esthetic, but also financial.

## 2. **Communication objectives definition.**

The 3 main objectives for the marketing communication are: informing, persuading and remembering.

- Informing: The company wants that all its products and brands to be recognized in all towns where the shops are and also all around these towns. For this, the company has got its own web page as well as Facebook or Twitter active participation.
- Persuading: The company tries to persuade the clients that there is not need to expend a lot of money to be in fashion, and this is what the company achieves, to offer fashion to low prices, so it creates a difference with the rest of its competitors.
- Remembering: Moreover, the company does all this so the clients remember the company's products and prices through the social networks available in all its shops, and the prices of each of the products.

## 3. **Message design.**

The company tries to show a current and modern image a through a low price, for this it establishes the message. We can see Facebook pictures showing how the company uses nonprofessional models; it uses young people showing the image of people with characteristics and looks similar to the majority of people. Illustrations 21 and 22 show this:

Illustration 22. Model.



Illustration 21. Models.



Source: Page Facebook Xekeway

Furthermore, the company uses attractive advertising within its social networks when it has got discounts, adapting the design and decoration according to its occasion when the discounts are taking place. Next we can see two types of discounts adverts, as the company has done illustrations 23 and 24. One it was done for the birthday of the company's owner and the other one for Christmas time:

Illustration 23. Discount owner's birthday.



Source: Facebook Xekeway Page



Illustration 24. Christmas discount



Source: Facebook Xekeway Page

Within the message format it can be observed some characteristics, i.e., the colors within the adverts should be attractive and happy colors, thus a good image is given and the attention of the followers is obtained.

Moreover, a format with large and attractive writing is used for the client to capture automatically the message that it is shown.

Therefore, due to the company's experiences, it knows how to make a design that can capture the attention of its clients, so it is achieved that the clients can perceive the message that the company can transmit.

#### 4. Communication channels selection.

There are two types of communication channels: the personal and the not personal ones.

The personal ones take place when the message sender and the message receipted communicate to each other directly, whether face to face, by phone or by email.

The **personal** channels by the firm are:

- The shop assistants in each shop, whom normally are from the same geographical area or nearby, where the shops are located. Thus, they are a good source of communication with the area's clients.
- Email (mailing): The company uses emailing to inform its costumers the current tones about new offers that they can find in shops.
- SMS or WhatsApp: The company, as for emailing, sends personal messages by SMS or WhatsApp to all its clients.

Regarding the **impersonal** channels, the ones where the message is taking place without personal contact between seller and buyer. The following are used by the company:

- Printed material: The company prints flyers for promoting its products and discounts available at a time in the shops.
- Audiovisual means: The company has been promoting itself through to advertising on the regional TV channel La Comarcal.
- Display means: The company uses posters and placards in the towns where the shops are located and also in the near towns.
- Electronic transferences means: The company promotes itself through same social networks, i.e., Facebook and Twitter.

## 5. Decision of the communication mix.

Marketing has several types of communication; among them we can find the following: advertising, the promotion of sells, events and experiences, public relations and advertising in general, direct marketing, interactive marketing, verbal marketing and personal sales.

Next, we are going to analyze one by one the influence they have in this company.

### ➤ ADVERTISING

This Company, although it has two brands, one for clothing and another one for shoes and accessories, when advertising it only use the Xekeway brand name for the products of both brand names. This is so because Xekeway is the oldest. Another reason is the proximity of the different shops with either of the brand names; one shop can be next to the other, so the products of each brand



name complement each other. The following two illustrations 25 and 26 show some adverts of the products of both brand names.

Illustration 25. Clothes Ad

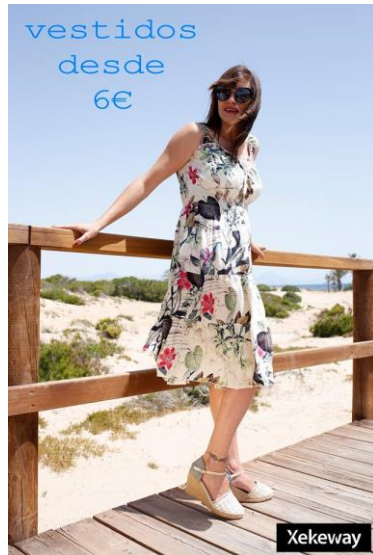


Illustration 26. Shoes Ad



Source: Xekeway Facebook Page

This publicity appears in all the media previously mentioned. The company uses a direct advertising, as the above illustrations show, to announce discounts and new products prices. Or a publicity that it is related with specific events or festivities dates.

The company uses non-professional models that help to identify itself with its customers. It also deploys ads with the attractive colors and large writing that capture the attention of the followers.

### ➤ Commercial events

The Company participates every year in some events that take place near the town where the head office is located. This events help in the promotion of the companys two brands. These are:

- Xàtiva Commercial Fair: It is ADEXA Fair (Asociación Empresarios Xàtiva y Costera). It is described by this organization as “a multi sectorial fair with the purpose of having the maximum representation of commercial sectors within the local region, this way the public could acquire quality products at a low cost”.

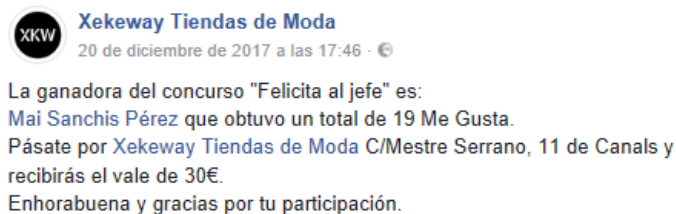
- Outlets in Canals: Every year this town has a commercial outlet where the local shops take place participates with the kiosks along the town's main boulevard, sowing the bargains of their products.

- ADA Animal Protector: By investing in ADA the company participates in this organization activity, Canals and Alcúdia de Crespins. In this way, the company not only takes part in an action for the society, but also in each of the commercial events that this organization does, and the company promotes.

## ➤ **Promoting sales**

The company Xekexafa S.L. is aware of the great influence that contexts and draws have in their clients. Therefore, it has many draws for its clients; these can participate through the pages of Facebook. Here, there are prices and vouchers for products in general or for some products in particular. Next, illustrations 27 and 8 show an example of each.

### Illustration 27. Context voucher.



Source: Page Facebook Xekeway

## Illustration 28. Backpack context.



Source: Page Facebook Xekeway

Moreover, there are also draws in different festivities of the year, for example Christmas time. The following illustration 29 shows the last draws done for the Christmas festivity.

## Illustration 29. Christmas draw.



Source: Page Facebook Xekeway

Finally, the company also participated in one occasion in 3 draws when buying something in their shops, for a visit to the isle of Tabarca. Illustration 30 next, shows

the characteristics of this draw and illustration 31 shows a photograph of one of the winners.

## Illustration 30. Tabarca isle draw

### MEGASORTEO JUNIO

Hola chic@s:

Ya está aquí el verano, y para que puedas vivirlo con felicidad 😊 en Xekeway Tiendas de Moda te hemos preparado las colecciones mas frescas y actuales 🍹👗👠 para que vayas a la última.

También queremos premiar a nuestros clientes. Para ello vamos a hacer 5 SORTEOS DE UN VIAJE A LA ISLA DE TABARCA 🌴 PARA DOS PERSONAS 👯 👯 👯 (Por cada compra superior a 20€ rellena un cupón con tus datos y deposítalo en la urna que hay en nuestras tiendas de Canals, Carlet y Santa Pola. Los sorteos se realizaran cada sabado del més de Junio y el primer sabado de Julio).

El pack incluye:

.-Viaje de ida y vuelta, en lancha rapida 🚤 desde Santa Pola.

.-Comida 🍽️ + bebida 🍹 ilimitada en Restaurante Amparín.

+INFO: [www.viajesantapolatabarca.es](http://www.viajesantapolatabarca.es)

Pasa un día inolvidable, junto a la persona que quieras, entre calas cristalinas 🌊 y un paisaje idílico, y disfruta de la mejor gastronomía de la zona.

COMENTA, COMPARTE Y NOMBRA CON QUIEN TE IRÍAS.

Source: Page Facebook Xekeway

## Illustration 31. Draw winner.



Source: Page Facebook Xekeway

## ➤ **Advertising and Public Relations**

These contexts are destined above all for the members of the company, this is to say, the workers.

For example, the Company has a context for Halloween, when each sales person in each shop can participate.

In this context each worker arranges the shop window for the contest. Once all shops are so decorated, the boss takes pictures of each shop windows display. Then he gathers all the context participants and shows them the photograph taken. Each person has a secret vote, without voting herself, and out of this selection emerges the winner.

The prize usually varies each year. In the last occasion the prize was €100 and two off days for the winner.

This method makes the workers to feel more satisfied and also motivated and they get more involved with the company.

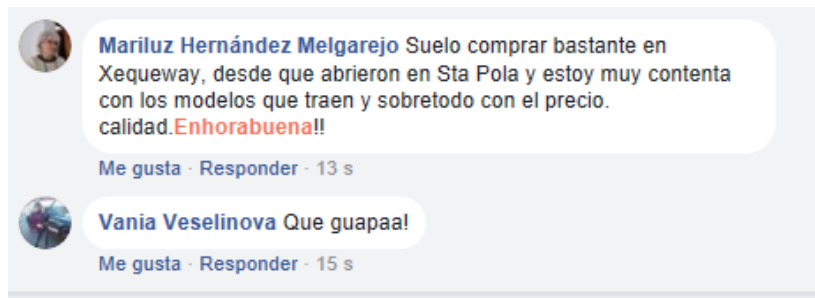
Furthermore, this gives a better image towards the costumers, as the shops workers are in constant contact with these clients. Thus, a happy worker can work happily and offering a good service. This in turn, it gives a satisfactory rapport with the client.

## ➤ **Marketing from mouth to mouth**

The shops are located in towns which are not large, so mouth to mouth marketing is something very usual for the company. For this, giving a good image to its clients is very important. For, if a good service is given, a lot of people from the nearby towns will shop in these shops. It is a great advantage on the one hand, for getting known is really easy in these towns through the mouth to mouth information. On the other hand, it is a great inconvenience for it is possible to give a good image as well as a bad image.

Moreover, the company allows the clients to express themselves freely by using the Facebook pages. They do comments and give opinions about the company. Following illustration 32 shows an example of a client's comment.

## Illustration 32. Client's comments



Source: Page Facebook Xekeway

### ➤ Personal sales

This last method is about the face to face interaction between the seller and the buyer. Here, the seller informs about the products, answering any doubt and persuading the client to decide what to buy. For this, personal sales are one of the most efficient ways of selling.

The company is aware of this and in this case it is the shop assistants the ones that do the personal sales. This is why the company has got paid courses to train correctly the shop assistant.

Lastly, to indicate within this communication mix, that exists a series of **factors** that affect this mix. For instance, the type of market of the product, which in this case would be only commercial. This is so because retailers buy products from the wholesalers and these products are sold to the final clients.

Another factor to be considered is the available resources, here the company must analyse which are the expenses for establishing a margin of profit that allows for a profitable business.

Furthermore, another factor it's the mental perception of the clients. In this case the company encounters a favorable situation due to the fact that the society looks for a good quality-price relation. Xekexafa S.L. has managed to implant this image to its clients. Besides knowing what the clients like and their preferences regarding fashion

Finally, the life cycle of the products as a factor has to be taking into account. This will influence the publicity of the products. In the case that a product is new, the publicity will be showing the new collection about this product, showing

this new product to the clients. On the other hand, if the product it is in its last stage, the company will carry out an advertising as a last effort for the clients to buy it, for instance informing of a discount for this product.

Therefore, the company applies a **pull strategy**, for it directs its efforts of promotion and publicity towards the final clients, so these clients will ask for these products to the company and so the company will ask to the manufacturers. Illustration 33 it's about this pull strategy:

**Illustration 33. Pull strategy**



Source: Own work.

## 2.2 External analysis

Within this analysis, by using some analysis technics, we are going to identify which are the factors within the market environment that affect the functioning and managing of the company.

### **2.2.1 PESTEL Analysis.**

This analysis consists in identifying what factors of study about the market environment are affecting the functioning of the company, in this way it would be possible to improve the impact created by these factors. Table 2 shows a summary about the characteristics of each of these factors:



Table 2. PESTEL analysis.

<p style="text-align: center;"><b>POLITICAL-LEGAL</b></p> <ul style="list-style-type: none"> <li>- Political instability.</li> <li>- Economic-financial crises.</li> <li>- Local and national policies.</li> <li>- Catalonia's Independence.</li> <li>- Temporary contracts.</li> </ul>	<p style="text-align: center;"><b>SOCIO-CULTURAL</b></p> <ul style="list-style-type: none"> <li>- Population decrease.</li> <li>- Population emigration.</li> <li>- Governments cuts.</li> <li>- Terrorists attacks.</li> <li>- Society changing habits.</li> </ul>
<p style="text-align: center;"><b>TECNOLOGICAL</b></p> <ul style="list-style-type: none"> <li>- Digital and communication applications.</li> <li>- Surveillance technology.</li> <li>- Electronic gadgets.</li> </ul>	<p style="text-align: center;"><b>ECOLOGICAL</b></p> <ul style="list-style-type: none"> <li>- Normative compliance and eco taxes.</li> </ul>

Source: Own work.

Next, we are going to see the factors that influence the company in depth.

➤ **Political - legal:** These factors belong to the political arena and they affect the company's work.

- Nowadays there is not much political stability due to the disagreements between the different main political parties because of a high level of corruption and ideals in opposition.

- The economic and financial crisis currently on going in this country, it affects the level of conception which diminishes considerably, this affects the company's sales. Looking at the data offered by INEM (National Statistics Institute) the annual average rate per household per person, the reference and period are shown in table 3 (2016 and 2017 not yet shown), it is possible to see that the amount goes down every



year, for both women and men. If our example is for the data in relation to women, in the year 2013 there is a drop of euros 1.420, when compared to 2012; the drop in 2014 is of euros 946 and finally for 2015 it is euros 127. Although, the difference is reducing, the tendency regarding the average rate is decreasing from one year to the other, and it does not increase.

**Table 3. Net annual income rate, average, per household per person, reference and period. 2013 base.**

	2015	2014	2013	2012
<b>Women</b>	€23.288	€23.415	€24.361	€25.781
<b>Men</b>	€27.878	€27.951	€28.434	€29.119
<b>Coefficient (Women/men)</b>	83,5%	83,8%	85,7%	88,5%

Source: National Statistics Institute

- The different local and national policies will affect the legislation that the company must follow.
- The critical situation in Catalonia, due to the Independence demand, will also affect the general situation in the country.
- Although, during the last few years the unemployment rate has fallen, there is a huge quantity of temporary contracts that affect the society's consumption. For people don't feel secure about the national economy and thus they reduce their expenditure. As we can see from the study done by the INEM, table 4, the unemployment rate has been reduce in 2014 from a 25.73% to a 23.70% in the year 2015 to a 20.90% rate and finally in 2016 it has been reduce to the rate of 18.63%.

**Table 4. Unemployment rate for different groups by age, sex and regional autonomy. Rates.**

	TOTAL			
	2016T4	2015T4	2014T4	2013T4
<b>Both sexes</b>				
<b>National</b>	18,63	20,90	23,70	25,73
<b>Men</b>				
<b>National</b>	17,22	19,49	22,80	25,04
<b>Women</b>				
<b>National</b>	20,25	22,52	24,74	26,53

*Source: National Statistics Institute*

Furthermore, INEM also shows the % in the increment of temporary labor contracts, where we can see, table 5, next, that in the year 2014 this type of contracts have increased by 0.5% in relation to the previous year. A 1.5% in 2015 in respect to 2014 and a 0.8% more in 2016 from the previous year.

**Table 5. Temporary contracts of employment**

	TEMPORARY CONTRACTS: TOTAL			
	Percentage			
	2016T4	2015T4	2014T4	2013T4
<b>Both sexes</b>				
National Total	26,5%	25,7%	24,2%	23,7%
<b>Men</b>				
National Total	26,1%	25,6%	23,9%	22,8%
<b>Women</b>				
National Total	26,9%	25,8%	24,6%	24,6%

Source: National Statistics Institute

- **Socio-cultural:** Those are society factors that a changing constantly, and affect the company's decisions.
  - In Spain, the growth rate of the population in 2017, study done by the INEM, will know that this increment is of 0.9% during the year 2016. This is the first rise in annual terms since 2011. Next table 6 shows the results of this study:

**Table 6. Resident population in Spain (2012-2017), evolution**

	2012	2013	2014	2015	2016	2017(*)
Total	46.818.216	46.727.890	46.512.199	46.449.565	46.440.099	46.528.966
Spanish	41.582.186	41.655.210	41.835.140	41.995.211	42.022.582	42.104.557
Foreigners	5.236.030	5.072.680	4.677.059	4.454.353	4.417.517	4.424.409

(\*) Provisional data

Source: National Statistics Institute

- Furthermore, much Spanish population, especially young people emigrate to other countries looking for jobs of a better quality. Nonetheless, according to another study don't by the INEM, emigration has been dropping since 2013 to 2016, that is from an 11.43% to a 7.05% rate. Below table 7 shows this evolution:

**Table 7. Emigration Rates, foreign destination (per 1000)**

Total	2016	2015	2014	2013	2012
National Total	7,046755	7,409473	8,619712	11,424470	9,549710

Source: National Statistics Institute

- Another important factor affecting the country is the general economic crisis. There has been a series of cuts that have diminished the Government's investments.
  - The current terrorist attacks around the world are also affecting the economic situation of the country.
  - Society's tastes and fashion are volatile; thus, the company must be constantly informed about what it is that the society wants and its products demand.
- **Technological:** These factors mark the changes and development that take place within the science and technology.
- The changes in the communication infrastructures are allowing the company to constantly publicize itself using different digital applications, it's on web page, emails... All of this helps the company to be in constant communication with its clients.
  - The surveillance technology used by the company, warehouse and shops (alarms, cameras...) it is of a great advantage for the company.
  - Lastly, to mention all the electronic gadgets, computers, telephones, monitors... used in the shops. Also all the applications that help to speed up the day to day activities of the company.

- **Ecological:** This refers to any policy in relation to the welfare of the environment.
  - Nowadays, to guaranty the natural environment it is very important for the society and thus also for the companies. This company must comply with all norms that are related to improve the natural environment. This also involves the Eco taxes.

## 2.2.2 PORTER Analysis.

This analysis is about the 5 forces within the micro economy. Any change within these forces will affect the company's situation.

Next, illustration 34 shows an outline of these 5 forces:

Illustration 34. PORTER'S 5 forces



Source: Own work.

Next I will analyse the company's situation in relation to each 5 forces:

➤ **Clients negotiating power:** Xekexafa sells its own products in its own shops; this is a competitive advantage for the company. Because it reduces the competition for these products, for they are not distributed in other establishments. Moreover, there is not logistic dependency, for the company does this.

However, the company's selling products and not unique, for nowadays there are numerous shops trading clothes, shoes and accessories to a relatively affordable price.

Although the company is very well known by clients within the area and these clients know the good quality-price relation offered by its products, clients negotiating power is quite high. For the company is aware that its products can be easily substituted by other shops. This is why the company tries to offer several services facilitating client's returns and the shopping of its products.

➤ **Suppliers negotiating power:** The company doesn't produce any items, it acquires them through its suppliers and then it sells them. This means that the suppliers negotiating power towards the company is relatively low, because there are a large number of factories making these products.

The company has got some fixed suppliers, but it also buys some products to other new suppliers, with the trading conditions that these suppliers impose.

If the usual suppliers that trade with the company rise the prices, the company can look for other suppliers trading with the same products at a lower price for wholesale items.

Therefore, in principle these suppliers negotiating power can influence the costs for the company, but this company has got the ability and flexibility to look for other suppliers that can guaranty the same quality at a low a cost of these products.

➤ **New competitors threat:** Because the company trades with quite ordinary products, there is a great threat from new competitors.

Within the clothes, shoes and accessories industry there is a great easiness for new competitors to enter into the industry, because there are practically not barriers for this.

Moreover, it is a quite attractive sector for, despite the economic crises, the clients continue buying these products, whether for its utility or for esthetics.

Another factor that influences the roll of new competitors is the existence of commercial centers. This is because the new competitors consider more attractive to have a business in these commercial centers, because there is a concentration of costumers which has stronger possibility for these consumers to enter into the shops.

As direct competitors we find them in any shop trading with the clothes, shoes and accessories in the same towns as this Company does, for example Canals, Carlet, Ontinyent and Santa Pola, or the nearby towns.

➤ **Threat of substitute products and services:** As mentioned earlier, the Company trades with products that can be easily substituted. There are many small, medium and large enterprises or shops that sell these types of products. The company follows a low cost strategy for the sale of each product. Then this allows to reduce those products that are substitute products in relation to the original product, but not the prices. Nonetheless, the threat of substitute products is very high for the company. And not only because of all other manufacturers or shops that sale legally these products, but also because of those vendors that sell in any kind of market illegally these products. Even so, the company has got a client's high loyalty, also a great investment in promoting its products through the social networks or taking part in the events previously mentioned. All this is what allows the company to face up the substitute products that are appearing from the competition.

➤ **Rivalry with the existent competitors:**

We find direct competitors, any shops trading with clothes, shoes and accessories in the same localities as this company, for example Canals, Carlet, Ontinyent and Santa Pola or the nearby towns.

On the other hand, we find as non-direct competitors within the same low-cost industry, for the Xekeway and Xafaxafa brands, all the other large and well-known brands. This fact puts the company in a very difficult position for competing against world famous names.

Furthermore, all these famous brands are well established within the commercial centers in towns very near to the towns where the company's shops are situated.

This facilitates the substitution of the products that the company has got for these brands.

Some competitor's brands for the company are world renown, for example:

- Shana: This brand belongs to SHANA RETAIL S.L. This company has got a vast array of clothes, shoes and accessories, with sizes from XXS to XXXL. Some of the items are t-shirts, different tops, dresses and uniforms, blouses and shorts, jerseys, sweaters and trousers, leggings, skirts and shorts, jackets, coats and body warmers. Among accessories one can find bags and packs, shoes and socks and handkerchiefs. All these types of items are the same as the ones offered by the Xekexafa S.L. company.

Regarding prices, the garments sold by Shana are from €5 to €25. Whereas the prices offered by Xekexafa S.L. are from €1 to €50. This makes Shana a great competitor in relation to products categories as well as prices.

The following illustration 35 shows the logo of Shana's brand:

**Illustration 35. Shana's brand**



*Source: Google search*

- Sfera: This is the brand of Sfera Joven, S.A. company. It sells low cost clothes, with a personal and different touch in its garments.

The Sfera brand has got two different groups products. Women clothes that like Xekeway, sells coats and jackets, shirts, dresses and skirts. The other section is about accessories and bags and shoes too. Within this women cloths section Sfera includes lingerie (pajamas and underwear). The company Xekexafa does not have



this type of clothing. But both companies have a similar men sections, coats, trousers, shoes. However Xekexafa company does not have men's underwear section. Finally, another section that Xekexafa does not have and Sfera does it is the baby's section. Regarding prices, both companies are pretty similar, Sfera prices range from €4 up to some €50.

Sfera's brand logo is shown in the following illustration 36:

**Illustration 36. Sfera's logo**



*Source: Google Search.*

- Okeysi: This is a Chinese brand with a great variety of different styles for all types of looks. It is addressed to female's fashion at low prices.

In relation to the different types of products, Okeysi like Xekexafa offers dresses and uniforms, skirts, shoes, trousers, plus hoes and accessories. However Xekexafa has got a clear advantage over the Okeysi brand and it is that it has got a male's section whereas the Chinese brand has not any, for it only sales clothes for women.

Referring to prices, the Okeysi company offers prices from €3 up to €30. This is more or less similar to the prices that Xekexafa has to offer.

This is Okeysi logo illustration 37:

Illustration 37. Okeysí's logo

# OKEYSI

*Source: Google search.*

- INDITEX group brands: This is one of the largest distribution Company in fashion, having the following brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

All these brands are major Xekexafa competitors. This is so because they cover all categories of products that this company trades with plus other different ones. However, prices can be lower, the same or even higher than Xekexafa prices. These means that this group of companies delivers many different kinds of clothes and prices, those adapt themselves to all types of clients, whereas Xekexafa has got a very restricted public.

Illustration 38 shows some brands logos of INDITEX:

Illustration 38. Inditex brands logos

# PULL&BEAR      Bershka

# ZARA

*Source: Google source.*

- C&A: It is one of the longer standing and innovative textile company, created by Clemens y August Brenninkmeijer.

This C&A company sells both fashion for man and women, for example: jackets and coats, jerseys, trousers, dresses... On the other hand, C&A differs from Xekexafa in that it has got different collections for example skiing, sports clothes, maternity clothes... On the other hand does not trade with shoes like Xekexafa does. Both companies sell accessories too. Thus, C&A has got a clear advantage in the clothing section due to its variety; however Xekexafa has a clear advantage in the shoes section.

In relation to prices, C&A's range varies between €3 to €60 more or less, similarly to Xekexafa Company.

Next, the C&A's logo, illustration 39:

Illustration 39. C&A's logo



*Source: Google source.*

- Primark: PRIMARK TIENDAS S.L.U., has got a wide range of products of all types, household products, clothes and beauty accessories and other products.

Primark as a firm offers products for men and women and also shoes, as it does Xekexafa. However Primark has got a great competitive advantage in both products and prices. This is so because this company has got the products already mentioned like Xekexafa does, but it also has got a section for children, another section for the household and finally one section for beauty products.

Regarding prices, Primark is worldwide renowned for its low prices, these prices range from 1€ to €20. All of this makes Primark a big competitor in relation to Xekexafa.

The following image 40 shows this company's logo:

Illustration 40. Primark's Logo



PRIMARK®

*Source: Google source.*

### 3. DIAGNOSIS.

#### 3.1 SWOT (Strengths, Weaknesses, Opportunities and Threats).

This SWOT analysis is about evaluating the external impacts on the company affecting its internal characteristics (Strengths and Weaknesses), also it is about the company's external characteristics (Opportunities and Threats).

The following, table 9, shows a summary of each of these characteristics:

**Table 8. SWOT analysis**

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>- Power over suppliers.</li> <li>- Low prices.</li> <li>- Own shops and brand support.</li> <li>- Good image.</li> <li>- Own transport.</li> <li>- Experience within the sector.</li> <li>- Web page and social networks.</li> <li>- Efficient logistics system.</li> <li>- Trading with different products.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>- Problems with the quality of products.</li> <li>- Online sales rise.</li> <li>- Difficult identity → high competitors.</li> <li>- Lack of mobile phone app.</li> <li>- Essential high rotation of products.</li> <li>- Non beneficial company's image.</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>- Clothing is a human necessity.</li> <li>- World events in which the company takes place.</li> <li>- Internet information (use of cookies).</li> <li>- Population aging.</li> <li>- Personal image interest.</li> <li>- Branches.</li> </ul>	<p><b>TREATHS</b></p> <ul style="list-style-type: none"> <li>- Global markets.</li> <li>- High competition.</li> <li>- Economic crises.</li> <li>- Climate change.</li> <li>- Consumers' constant changes.</li> </ul>

Source: Own work.

Next, an analysis of each one of these characteristics:

➤ **Threats:**

- The opening of global markets facilitates nowadays the trading of any product in any place, therefore, many customers prefer buying items abroad and this entails a considerable reduction of potential costumers for the company.
- There are more and more companies dedicated to the fashion industry, this makes the share of the market to become smaller.

- The current economic crisis here in Spain has turned many people unemployed, which means that there is reduction in salaries. Thus, the current consumers spend less when shopping; they only get the necessary items.
- The climatic change taking place during the last winters results in a considerable drop of sales for the company. This is so because it is hotter than it should be, and therefore winter clothing does not sell. And the consumers keep the clothing that they already have from other seasons of the year.
- The constant changes in the consumers tastes forces the Company to a permanent observation of the latest fashion and so to innovate along with these fashions.

➤ **Opportunities:**

- Despite the economic crisis, the company's products continue to sell because clothing is a human necessity, and therefore, despite a decrease in the quantity of buying the company's products, these continue to be sold.
- The external events, in which the company takes part, as mentioned above, have allowed the company to promote its brand and its products.
- Nowadays, it is found a grate opportunity in the information that it is possible to obtain through the internet about the clients. For example, by using cookies, these record the clients' searches, thus getting to know their tastes and interests.
- There is a larger population of old people, the majority of the population are of old age and they are in general the ones with a higher purchasing power.
- Social trends and the use of the internet bring an increase in the interest of the personal image, and fashion is the main sector covering this necessity.
- Having commercial branches has resulted in an expansion and growth of businesses in an easier manner all over the world.

➤ **Weaknesses:**

- It is considered a weakness for this company the fact that its products are relatively low in price; this is so because it follows a low-cost strategy. To do this the products must be acquired at a low price. In turn, this policy can have a problem of quality in some of the products bought. Thus, it can also lower the value of the product in a significant way for the clients.
- The use of new technology has resulted in a significant rise in online selling of fashion products. This means that for a company that it does not uses internet for trading it is at a great disadvantage, so the result is a loss of plenty potential clients.
- Nowadays it is very difficult within the sector trading clothing items to make a difference in the company's products, because there are many companies trading the same type of products.
- A lot of other companies have the possibility of using mobile applications where it is possible to check any kind of information. But this company has not such a service, making it much more difficult to keep the loyalty of current customers in relation to the latest company's novelties.
- It is a most that the products vary regularly, because the fashion sector is changing constantly due to the many different consumers tastes.
- The company's image could be affected due to the fact that it has not any initiatives regarding the ecology or the environment.

➤ **Strengths:**

- Thanks to the company's power over its suppliers' costs can be reduced and the profits margin can be risen with easiness.
- The company can allow itself to stablish lower prices pretty similar to the cheaper prices in relation to the competition.
- As the company trades its products in its own establishments, this allows the company to reduce intermediaries, and thus final costs. The company's own shops only have products with the company's brands. This fact strengthens the company. It also allows it to offer all kinds of personal information about the company and its products to the consumers.

- The quality-price ratio of the products, plus the service being offered by the shops assistants within each of the shops, has made it possible for the consumers to have a good image about the company.
- Having the right own transport for the products brought to the warehouses, and later on to get them to its own shops without any other transport company, allows the company to save transport costs.
- The company's manager's experience gives him a good knowledge of the clients likes and dislikes. Does it help in the fluidity of the different processes (administration, sales, etc.). Therefore, the whole process is optimized from the selling moment to the client post service in a cheaper and more satisfactory manner.
- The company's web page and social networks, likes Facebook, have allowed the company to get to be known more and more and to obtain more potential costumers.
- As mentioned above, the company's logistics system has got a big efficiency and facility to store in a good way all its products within its facilities.
- The company not only trades with clothing, its main activity, it also trades with shoes and accessories which helps to increase its sales considerably.

## 4. OBJECTIVES.

- OBJECTIVE 1 → To reduce by 10% structural costs in 2018. Reducing the personal of hiring external jobs as to reduce the company's costs during the year 2018 when comparing it with the year 2017.
- OBJECTIVE 2 → Company's organization, measuring the knowledge level of workers tasks, within a scale of 1 to 5. There should be a 100% knowledge from the workers' part. Defining clearly which are the tasks for each worker and the place that each worker occupies within the company, during each month of the year 2018.
- OBJECTIVE 3 → Brand acknowledgment, measuring the number of residents in each town that know the company. There should be knowledge about the



company's brand of at least 80% of the population in these towns. During the months of May, June, July and August of 2018.

- OBJECTIVE 4 → Incorporating the possibility of on-line buying-selling on the company's web page, trying to increase the sales at minimum a 20% during the month of August of 2018.
- OBJECTIVE 5 → To gain importance, as part of the franchises project, with the aim of expanding in many more localities and geographical areas during the month of October 2018. Thus, having 3 new franchised shops, minimum, in provinces outside the Comunidad Valenciana, i.e., Madrid or Barcelona.
- OBJECTIVE 6 → To increase the company's profits by a minimum of 5% within the next 5 years.

## 5. STRATEGIES.

- **Generic strategy in relation to the desired competitive advantage:**  
Xekexafa company uses a generic strategy of leadership in costs, achieving a great position due to its prices versus the competition. Thus, it manages that its prices are relatively low compared to other companies trading the same products. Or at least, if Xekexafa prices are not lower, it tries for them to be as similar as possible to the ones from other companies. Moreover, by reducing its costs, the company although applies a policy of low prices, it can obtain a benefit margin all the same. Furthermore, by offering low prices in its products, and this is due to the similar businesses nearby not having so lower prices, the company keeps the clients loyalty in the towns where its shops are.

- **Competitive strategies in relation to trading and the competitors:**

- **Competitive strategy in relation to trading:** According to this approach, companies can follow 4 different types of strategies: explorative, analysis, defending and reactive. This company it is not considered in the first category, for it is not a pioneer innovating and developing products and markets.

Equally the second category does not apply to this company, for the company examines the changes that take place within the trading market.

The reactive strategy it doesn't apply to this company, because the company takes in to account the changes that are produce in the trading market.

Finally the company does follow a defending strategy. This can be seen through its low prices policy. The company trades to make it difficult for the competitors to enter into this market sector. This is a defending strategy in relation to the competition.

It is also a stable company, in that it does not usually makes to many changes. The company's top preoccupation is to survive in the market place.

- **Competitive strategy regarding the competition:** Within this focus it also can be found 4 different types of strategies: strategy of leadership, challenging strategy, follower and specialist.
- The leadership strategy it does not apply in this case, the company is not a pioneer in this sector. Likewise the challenging strategy because the company it is not situated in any second place. Equally the third strategy, that of specialist, it doesn't apply, because the company is not the only one offering the services within the located towns, there are also other shops selling clothes, shoes and accessories. Therefore, Xekexafa uses the strategy of the follower. The company tries to get along within the market, without attacking any other competitor businesses.
- **Development or investment strategies:** Within this approach the company has got 2 different types of strategies:
  - **Its own market penetration strategy:** Here the company trades to increase the level of market penetration where it operates and with the same products with which already it is trading. With this strategy the company tries for the current clients to buy more products than the company already sells to them. Also to attract clients from the competitors, as well as to attract possible potential clients. Through the opening of a new franchises program, the company is trying to grow internally opening more shops and incrementing the number of shops in more neighboring towns.

- **Vertical integration strategy:** The company that buys its products from a wholesaler does an ahead integration. By so doing the company has its own shops and controls the whole process, from the buying of its products from the wholesalers to the selling of these products to the final consumer. This strategy allows the company to manage its prices to the prices of the costs without being forced to having prices that can badly damage the company in relation to obtaining its commercial margin.

## 6. MARKETING ACTIONS.

- As to achieve **OBJECTIVE 1**, reducing structural costs by 10% in 2018, the boss must analyse and have an exhaustive following of each of the workers tasks. Or if any of the tasks are not done by the workers, they can be contracted outside the company.
- To obtain **OBJECTIVE 2**, the company's organization by measuring the level of knowledge that the workers have over the different tasks within a scale of 1 to 5, the boss must design some questioners and with the questions regarding each department, so each workers from each department will evaluate each one of the questions, anonymously, this within a scale of 1 to 5. Finally the boss must evaluate if each one of the workers has got the sufficient information for performing the tasks and responsibilities
- As for **OBJECTIVE 3**, brand popularity measuring the number of residents in each locality that know the company, the boss must carry out a commercial investigation through a question in the streets of these localities where the shops are located. 50 people of each town will be questioned, if they know the company. Next, the obtained percentage will be compared to the census of the total population.

- For **OBJECTIVE 4**, incorporating the possibility of on-line shopping in its webpages, in view of increasing its sales by a minimum of 20%, it is needed the hiring of a computer analyst. This professional will operate this option within the company's web page. Once this service can be available, the next step will be to hire an external logistic company to do the home deliveries.
- To accomplish **OBJECTIVE 5**, gaining importance in the franchises project as to continue expanding in many more localities and areas, the boss must have more publicity also about this project for potential interested people to get to know the existence of this project. Moreover, the company could participate in some events specifically designed for franchises. An example, the Expofranquicia Fair in Madrid, which it takes place annually in April.

Bellow, two photographs show the Madrid Expofranquicia Fair, Illustration 41:

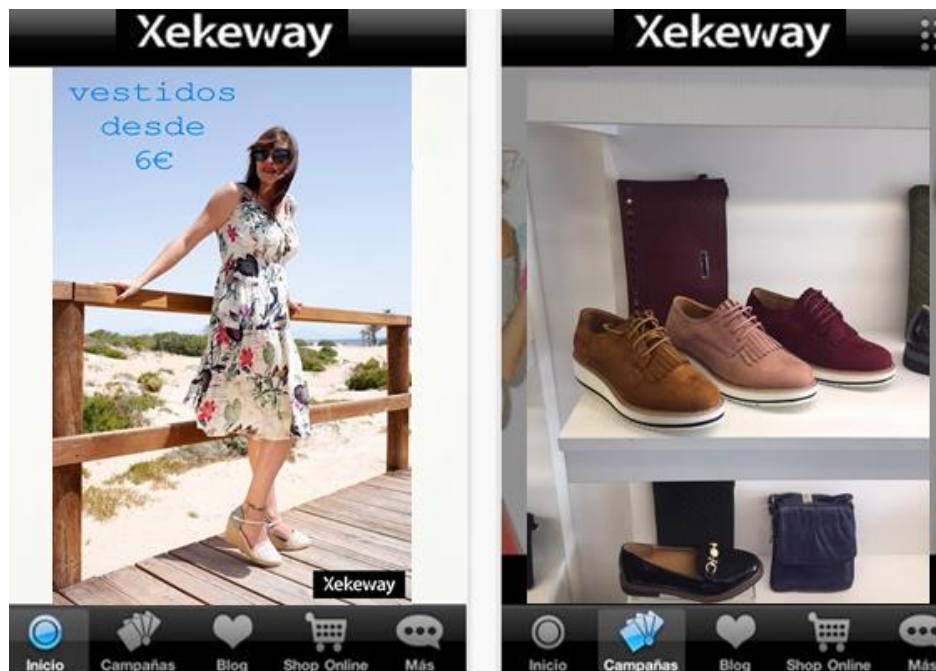
**Illustration 41. Expofranquicia Fair**



*Source: Google search.*

- To achieve **OBJECTIVE 6**, increasing profits by a minimum of 5% within the next 5 years, this will have to take place annually during the next 5 years over the company's gained profits. Hoping that thanks to the actions taken as mentioned in this section, the financial situation will get better for at least a 5%.
- Moreover, the company could create a **mobile phone application**. With this the clients would be able to access any information about the company's products and opportunities. The following illustration shows an example of a possible design for such an application:

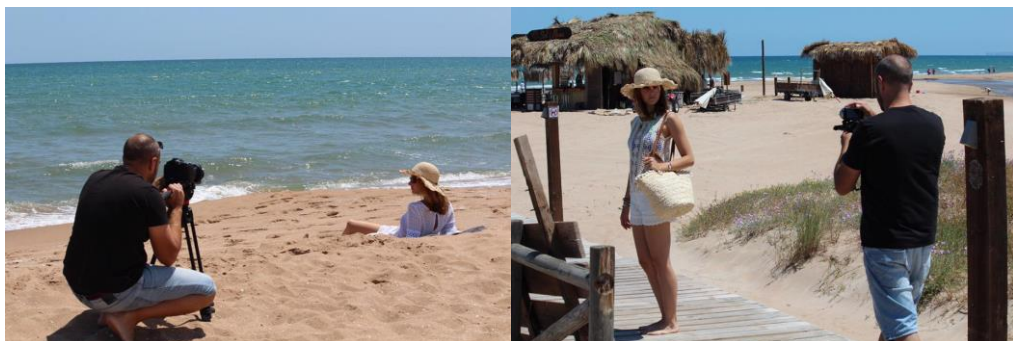
Illustration 42. Example of mobile application design



Source: Google search and own adaptation.

- The company could take advantage of some significant dates, for example during the summer, and **launch a publicity campaign** on magazines and the internet. For example, bikinis and clothes and accessories for the summer time could be promoted. These are some photographs about a summer campaign done last year, illustration 43:

Illustration 43. Summer campaign



Source: Facebook page.

- Another action that could be taken by the company is **personalized mailing**. By so doing, costumers are offered the possibility of a subscription to the company's email, so the users would be able to receive offers and novelties on the products. This action could also include other promotions and special discounts for those subscribing members. This will increase the client's loyalty. One example of such a mailing is this:

"Congratulations Carmen, Xekeway presents you with a 5% discount in your next purchasing. Valid up to 27/04/2018. Enjoy it with us".

- To improve the social image of the company, a type of **containers** could be located in each shop of the company. These containers would be for people to leave there any unwanted clothes. These clothes would then be given to some charity organization, NGOs or Caritas.

- 4Ps actions:

- **Product:** The company must differentiate its own products from the rest, for there are very many companies trading these products. For this, the company could innovate adding other types of products different to the fashion textile sector. But without going too far from what the company already has. For example, to offer a line of accessories for the household, sheets, pillows, mantels, serviettes... By so doing, the company could introduce itself into a new sector different to the fashion sector. Thus, the risk would be lessen as to not depend on one single sector.

Furthermore, as mentioned above, these are products of high rotation, if they are not sold in a short time they become outdated. The company acquires these products on demand from the clients. Therefore, another action for avoiding this factor to a minimum, it is having in the shops a section selling items that take longer to be sold, and so trying to sell them to an even lower price.

Moreover, because the company trades not only with clothes but also with shoes and accessories, it could take advantage of this situation for creating in its shops different clothes and accessories to increment the possibility of



crossed sales – mannequins, shop windows, for instance. For the products that the company sells are hook products, for with clothing there are also accessories and shoes that can be combined or added for giving a value to the look.

- **Price:** This is a very important factor for the products of this company. Low prices are the most attractive characteristic for the clients consuming the products of this company. Xekexafa competes in prices and tries to be a leader in this sector.

The high costs of the company's structure make it impossible for the company to be the leader regarding prices. For this, through the action of reducing costs of the company's structure, objective 1, it could be possible to obtain this competitive advantage being price leaders within the geographical areas where the company is established. That is, selling the products at half prices.

The company should also make use of the different seasons of the year for introducing its discounts and offers, for example on "black Friday". The attention is given so the consumers can shop taking advantage of the bargains offered those days. The consumers are very sensitive to the variations of the prices in their products; this means that actions taken within this variable must be significant and appealing.

- **Distribution:** For this company distribution is most important. It is the company that has its own distribution channel for its own products to the different shops.

Nowadays, the company does all the transportation of the products by itself. This is so because it sells its products physically through its own shops. However, if the action of including internet sells was to be implemented, the company would not be able to continue with its own transportation system. Petrol expenses would increase; therefore the company would need to employ an external company to do this transportation. Thus, the company would have to find out the best possible company to do this transportation.

The company would cease to be the only agent in the buying, distribution and selling of its products to the final client. An implementation of the on-line selling will mean that the company would not be the sole distributor of all its

products up to the final client. This could also have a positive effect. The fact of working with an external agent to the company could be beneficial to the company through the different opinions coming from the outside company.

Or even, for the company to start manufacturing its own products. Of course, by so doing the company could lower its costs in the long term. And also, to achieve an increment in the exclusivity of its products.

Moreover, as already mentioned, the company has got a great power over its suppliers. This allows for purchasing power that reduces the costs of the products, plus financing out new suppliers which could offer the possibility of obtaining these very same products in better conditions and lower prices.

Thanks to the action, already mentioned above, that is evaluating if the workers have got sufficient knowledge in relation to the different working task and the level of these tasks, the company can improve the quality of service given in the shops. As mentioned above, the shop assistants give a helping service to the clients during the selling of the product. This means that the quality of the product would rise.

- **Communication:** Presently, the company only has a web page with not on-line purchasing option and also an active Facebook page. For improving communication, with the objectives already cited above, the company would be much more known and will notably gain in the quality of communication with its clients.

Thanks to the mailing option taken and to the SMSs and via WhatsApp as part of the campaigns done on the company's Facebook, the clients would at all moments be informed about the latest products offered by the company, as well as about other promotions and discounts given by the company. All this will notably increment the company's sales. For once the clients are well informed, they will participate much more in all the promotions and discounts that will be addressed to them.

Furthermore, when doing advertising and promotions of its products and shops, the company should take good care of the message form. In this way, it would be possible to keep the attention of the public to which this message is directed to. The message needs to be clear. To do this, the campaigns done previously in specific seasons can be useful, in relation to



the form of the message, not only an appealing one but also adapted to a specific public as to get the right attention by this targeted public.

## 7. ACTION SCHEDULE.

			June	July	August	September	October	November	December	April 2019
Objectives (nº)	Action	Responsible								
1	Reducing structural costs by 10%	Owner								
2	Company's organization	Owner and workers								
3	Brand recognition	Owner								
4	Increase sales by at least 20%	Owner								
5	Franchises project	Owner and marketing department								
6	Rising profits by 5%	Owner								
#1	The mobile phones app	Marketing department								
#2	Launching publicity campaign	Marketing department								
#3	Personalize e-mails	Marketing department								
#4	Containers	Owner								

- Objective 1 → The owner will dedicate the month of June for analyzing worker's tasks. The month of July it is for deciding which tasks would be more convenient to be contracted by external companies.
- Objective 2 → The owner will carry out the questioners during the month of June. In July the workers will complete them and will give them back to the owner. Finally the owner will analyse the results during the month of August.
- Objective 3 → During august the owner will take the commercial investigation on 50 people from town. During the September month the evaluation of the results given will take place.
- Objective 4 → Also during September the owner will contract a computer programmer for the installation of an on-line selling system. Also to contract an external transport company.
- Objective 5 → The marketing department could dedicate the month of October and November to focus in the launch of the publicity about the franchises project. Moreover for April next year, the owner should participate in the Expofranquicia fair.
- Objective 6 → The owner should analyse during October, November and December months the annual analysis of the company for the next 5 years.
- Objective #1 → The marketing department should dedicate the month of July for the creation of a mobile phone app.
- Objective #2 → The department of marketing could make use of the month of August (Summer), the month of October (Halloween) and the month of December (Christmas) for launching its advertising campaigns.
- Objective #3 → The marketing department should send every two months the personalize mailing from the month of June.
- Objective #4 → The owner should supply with the containers all its shops during the month of June too.

## 8. BUDGET.

The budget, according to the economic date given by Orbis, up to 2016, will have that the net income for 2017 was similar to 2016, at about €8.441. Therefore, for stabilizing the budget on the actions and objectives from before we will take into account the obtained net income.

It could be the following:

- For having the on-line trading option, a web page, I have sourced for the cheapest internet option. A budget of about **€900** could be established, for the prices range between €850 and €1.000.
- To have adverts on the locale magazines there is a price of some €50. Thus, the company could invest even if it is for just two ads. One for promoting the franchises and the other one using the launching of the publicity campaign as mentioned earlier on. To this effect the company will invest a total of **€100**.
- For having a mobile phone application, after searching on the internet, the prices found vary from €1.500 up to €5.000. This means, that a minimum budget of **€2.000** must be had.
- At about **€200** should be directed for the purchasing of the necessary materials to do with the containers that will be use to collect clothing for charity.
- Finally, for having the personalize mailing done, for the budget depends on the quantity of e-mails sends, some **€1.000** would be allocated, that is some €84 per month.

In total, the company will have an investment of about **€4.200**. Taking into account that an income of some €8.000 as expected, the company would be evaluating, as these investments are taking place, if it is beneficial for the company increasing the income by more than €8.000. If so it would continue investing the rest as planned, if these investments cannot be done in one year, they will continue during the following years.

In this instance it is possible to apply the known formulae of return of the investment,  $ROI = [(Income - Investment) / Investment] \times 100 =$

$$= [(8.441 - 4.200) / 4.200] \times 100 = 100,98 \%$$

It can be observed that the forecast investment return will be quite high, 100% of the investment, therefore the company could possibly face these costs, more so having into account that these costs are directed to increase the selling rate. This in turn, will increase the incomes.

## 9. CONTROL.

- In relation to objective 2, measuring within a scale from 1 to 5 the knowledge of the workers about the tasks again from 1 to 5, the final results will have to be analysed. If some obtain 3 points or less, if it is one worker, then the owner will have a chat with them to explain in depth the doubts. If there are several workers in this situation, the owner will have to invest in some work shop sessions for these workers to get the right information.
- After the first investment on publicity, a new questioner will be needed. This action will be in relation to objective 3, the residents of the towns. If the percentage has increased by at least a 20% in the company's recognition by the local people, more investment in the advertising local magazines will continue.
- Moreover, in relation to the investment on the franchises publicity, the company will continue investing in such advertising, if at least 2 more clients ask for more information about the company's franchises project.
- Referring to the investment on the web page, to incorporate the option of on-line shopping, if by so doing a minimum of 20% increases in sales, the company will continue investing to improve the quality of this option. This is because it is expected to be the most profitable investment due to the fact that nowadays consumers are using much more this facility of shopping on-line.
- The number of downloads to the mobile application would be taken into account plus the control of the number of visits by the clients, to check if this service is useful to the clients. If the number of downloads is about 20 per month and the number of visits are some 1.000 visits per month, this investment will continue

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to improve this application. If not the company would consider to stop investing in this application.

- Regarding mailing, if this investment obtains an increase of visits to the shops or more answers by the clients, by at least a 40%, there will be a bit more investment in the mailing as to increase the number of messages sent.
- To analyse if the corporate image of the company has improved thanks to the investment done with the containers through questionnaires done by the clients.
- In relation to objective 6, to increase profits by at least a 5% within the next 5 years, if it is seen that this does not happen, an analysis on what previous investments have not risen will be done. Also an analysis would be carried out about the betterment of such investments on these actions, or otherwise to abandon such investments.

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