

ZARA CASE STUDY

The Zara clothing store was opened in Spain in the year 1975 by Amancio Ortega. Zara was a sub-unit of the Inditex group which was one of the largest retailers in apparels. The Zara store specialises in what is called "fast fashion" which offers on trend fashion to its customers. They sell products including clothing, shoes, swimwear, accessories, beauty products, and perfumes. The first store was opened in the central A Coruna, in Galicia, Spain. The store was first named as Zoraba but was later changed to Zara as there was a pub with the name Zoraba near the store. In the beginning of the franchise, Zara sold imitations of high brand clothes at a cheaper price. The store started designing, manufacturing, and distributing their own designs in the 1980s.

Zara became a global brand around the year 1988 by opening stores in Porto, Portugal. The expansion continued to the United States, France, and many other countries around the world. The online boutique of the store was launched in the year 2010 and was at first limited to Spain, Italy, Germany, UK, France, and Portugal. The online boutique was extended to other countries later in the year. The Zara store reached the Indian market during the year 2010 and was connected online in the year 2017. Zara has 2240 stores in around 96 countries. The Zara stores used RFID chips. They attached the chips to the tags which could be removed during checkout and reused after updating the item. The RFID tags allowed the stores to track the number of items on the racks and restock the items when necessary.

The speciality of the Zara franchise was that it tracked and incorporated customer preferences in their clothing design. It was stocked with the latest trends in fashion that the people wanted with good quality and affordable prices. This made Zara a very successful brand and it usually brings in the highest revenue in the Inditex group estimating to 70% among the other brands under its wing like Bershka, Pull & Bear, Oysho, Zara Home, Uterque, Massimo Dutti, and Stradivarius. Fig.1 shows that Zara has always been the highest profiler to the Inditex franchise. Zara offers a range of fashionable clothes for men, women, and children in its stores. Zara has sales in over 19.5 billion euros worldwide. Zara targets buyers who have high to medium purchasing capacity who stay on top of the fashion trends.

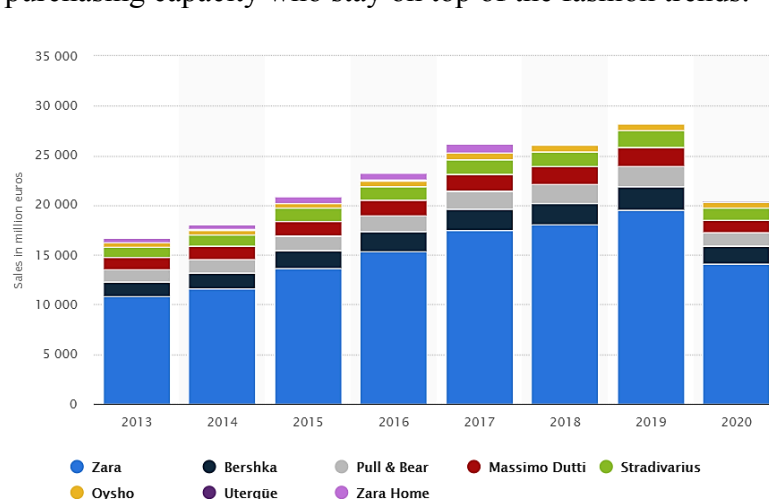


Fig.1: Net sales of Inditex's companies

Owing to the special features of its marketing strategy and success, Zara has become a case study in various fields like marketing, supply chain management, and research trends. A

SWOT(Strength Weakness Opportunity Threat) analysis of Zara has become a very popular case study to help understand its functions. The SWOT analysis of Zara is shown in Table 1.

Table.1:SWOT analysis of Zara

SWOT ANALYSIS			
STRENGTHS	WEAKNESSES	OPPURTUNITY	THREATS
Cost leadership strategy	Centralised distribution system	Global market penetration	Local competitors
Efficient distribution	Doesn't spend much money on advertising	Online marketing	Global competition
Information technology	Zara only has one manufacturing and distributing centre	Distribution centre in US	Zara has very many stores in the European market which will lead to a dent in revenue
Fast delivery of new products and trends			

The strengths of the clothing brand are:

- Pioneer advantage: Zara manufactures and sells clothes a fast fashion, which means clothes that are on trend. Zara identifies the latest trends in just three months owing to the evolved management practices and strategies in the supply management.
- Stores: Zara has over 2249 stores in 96 countries. This makes it the largest retail store holder second to Nike. Zara sells to over 200 markets worldwide.
- Supply chain management: Zara restores the inventory twice a week on both its retail and online platforms. They deliver to worldwide locations in 48 hours.
- Design team: The design team of Zara employees 700 designers who have high experience and are able to produce 50000 new creations in a year. They create new design according to the market trend within 3 weeks and sell them in their stores.
- Online sales: The company has invested in over 3 billion in online sales platform. The online stores allow customers to shop easily and get shipment within 48 hours.

The weaknesses of the clothing brand are:

- Fast-fashion: Yes, the very stand out point of the clothing brand is also one of its weaknesses. Fast fashion does not easily allow for sustainability. As customers are now moving towards fashion sustainability, the store faces problems with the fast fashion technique.
- Physical store reliance: As Zara has more retail stores compared to online reach, the pandemic has pushed the company to promote more online sales and close a few of their retail outlets. This led to drop in sales and Zara was only able to pick up 89% sales because of online reach.
- Expansion to the Asian and US markets: Zara has a smaller number of stores or a weaker presence in these two areas which account to a very high share in the apparel market.

- Organisation structure: The current organisation structure followed by Zara limits the company from expanding the business model to incorporate other new and different product segments.
- Artificial Intelligence powered prediction: There is an AI enabled system on progress which can predict customer preferences. After it is deployed however, Zara will have unmatched potential in the market for fulfilling customer requirements.

Some opportunities for the clothing brand:

- Rapid delivery cycle: As of now, Zara responds to customer trends in 3 weeks' time. An opportunity to further decrease that time may benefit the store.
- Personalization: Zara can provide personalised fashion to its customers with the help of AI technology.
- Eco-friendliness: Eco-friendly and sustainable clothing options are becoming the latest trends among the new generations. Zara has to prepare and respond to that trend as 50% of the population is made up of millennials and Gen Z.
- Resale: The resale market is set to grow from 28 billion dollars to 64 billion dollars in 5 years. Resale allows for consumerism and promotes sustainability by allowing the consumers to buy more and have less wastage.
- Influencer marketing: The current trend in social media is influencers. They engage people into various trends. Like their #DearSouthAfrica campaign which involved 8 million people influenced by 60micro influencers, Zara can invest in this trend to promote their stores.

Threats to the clothing brand:

- Competition: Rivals like H&M, Shein, and other fashion retailers offer stiff competition to Zara both online and offline.
- Price wars: Imitations are offered at a cheaper price compared to the original brands. This is also a threat to the clothing line.
- Sustainability: Now people are moving towards more nature friendly clothing. Zara has to move the fast fashion trends to an eco-friendlier approach.

Zara is known for its fast fashion. Zara's unique supply chain management is one of its many capabilities. The brand changes the designs of its clothing every two weeks whereas its competitors change it in two to three months. The company has its supply chain heart and distribution centre, "The Cube", create new designs that are trending in the market. The company has professional scouts who scout for new fashion trends in gatherings and clubs. They send the design to the cube, and the cube manufactures and supplies the products to the various stores. The company does not manufacture clothes in large abundance. This creates a sense of urgency among the customers to buy the latest trends as when the stock gets cleared they may not find it again. The Zara outlets place orders for stocks every two weeks, giving the cube accurate forecasts about the success of the trends.

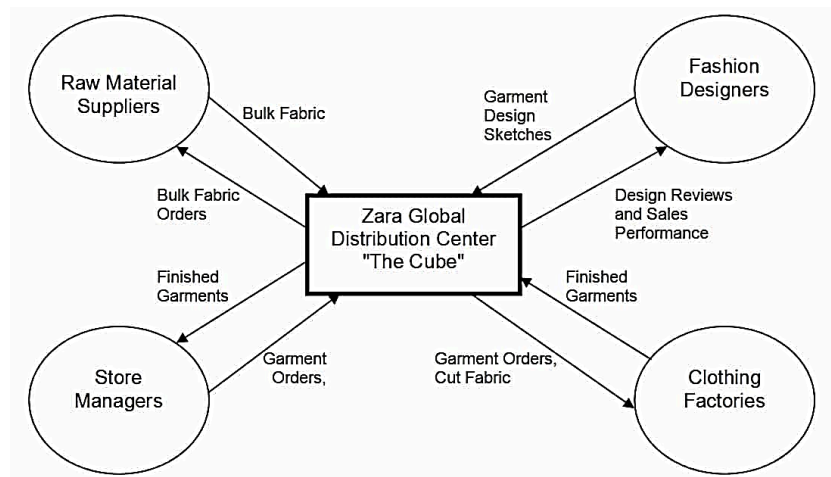


Fig.2: Zara's supply chain model

The supply chain model followed by Zara allows it to have maximum control. Fig.2 illustrates the supply chain model of Zara. The manufacturers buy only four to five types of materials in bulk, but the order of fabric materials changes every year. After buying the fabric the cube does the cutting and dyeing of the fabric according to the designs. The new orders are ready to be distributed to the outlets. The designated team of designers quickly respond to the taste of the customers and deliver fashionable trends. The sale is aimed mainly at women in the age group of 24-35 and the stores are located at places where there is a high concentration of this age group. The prices are not set according to the manufacturing expenses but rather the demand of the market.

Zara follows an omni-channel business strategy/ a vertically integrated supply chain. It means that Zara uses the supply chain to deliver on customer experience. It does not outsource its manufacturing aspects but rather has the cube to take care of production. This allows Zara to meet the customers demand at the right time. It is known to have the designs seen on the runway in its stores in a matter of two weeks. The omni-channel strategy makes it deliver the products to the right place at the right time. Zara follows agile management making it adapt to the market quickly. Because Zara has high control over their supply chain, they are agile and flexible in production. As it does not outsource the manufacturing process, they cut back on costs dedicated to that. The company cuts out advertising cost as it focuses its revenue more towards opening other store locations rather than advertising. Zara relies on its designs and trends to attract and retain customers rather than advertising on billboards.