

ZARA'S CASE STUDY

The Strategy of the Fast Fashion Pioneer

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Abstract

The Fashion Industry has been changing among the years, and fashion companies are changing the way they do business. They are focusing each day more on the consumers, and what they are looking for at that moment.

Fast Fashion concept is gaining ground in the industry because now it is more important to always follow the latest trends and produce according to that, than to have just two collections per year for a higher price.

Now, consumers are always looking for different products and those companies who can give them that will achieve the success more easily.

Consumers not only are looking for different products, but even more, are using different channels to shop. The online shopping is winning users day by day because now people search for convenience and comfort. However, this behaviour can be different from the different generations, and it is important to know exactly which target it is important to reach and satisfy their desires.

This way, fashion companies need to adapt their business and turn it more technological, to make the shopping experience the more enjoyable as possible.

This Case Study has the objective of study Zara's strategies, from their supply chain until their marketing and communication strategies, and the strategy in the physical stores versus at the online store.

Then the study will focus on the consumer: their behavior according to the different generations and the brand perception according to them. A Market Research, through an online survey, will be conducted in order to help the development of this study.

Keywords: Fast Fashion, Marketing, Strategy, Generations of Consumer

JEL: L1 – Market Structure, Firm Strategy and Market Performance

L81 – Retail and Wholesale Trade; Warehousing; e-Commerce

M31 – Marketing

Resumo

A indústria da Moda tem vindo a mudar ao longo dos anos e as empresas de moda têm vindo a alterar a maneira como fazem negócio. Cada vez mais se focam no consumidor e naquilo que ele está a procura no momento.

O conceito de *Fast Fashion* tem vindo a ganhar terreno na indústria, porque agora é mais importante seguir as últimas tendências e produzir de acordo com isso do que apenas lançar duas coleções anuais por um preço mais elevado.

Agora, os consumidores estão constantemente a procurar produtos diferentes, e as empresas de moda que são capazes de lhes dar isso irão alcançar o sucesso mais facilmente.

Os consumidores não procuram apenas produtos diferentes, mas cada vez mais usam diferentes canais para realizar as suas compras. As compras *online* estão a ganhar utilizadores de dia para dia, pois cada vez mais eles procuram conveniência e conforto. Mas este comportamento pode ser diferente de acordo com as diferentes gerações, e é importante saber exatamente o tipo de target que interessa para assim satisfazer as suas necessidades.

Desta forma, as empresas de moda precisam de adaptar o seu negócio e torná-lo mais tecnológico, de forma a tornar a experiência de compra o mais agradável possível.

Este Caso Pedagógico tem como objetivo estudar a estratégia da Zara, desde a cadeia de abastecimento até as estratégias de marketing e comunicação, e também comparar a estratégia nas lojas físicas com as da loja *online*.

Depois o estudo irá focar-se no consumidor: o seu comportamento tendo em conta as diferentes gerações e a sua perceção de marca. Um estudo de mercado, através de um inquérito *online*, será realizado para ajudar o desenvolvimento deste estudo.

Palavras-chave: *Fast Fashion*, Marketing, Estratégia, Gerações de Consumidores

JEL: L1 – Estrutura do Mercado, Estratégia da Firma e Desempenho do Mercado

L81 – Comércio a Retalho e Grossista; Armazenagem; *e-Commerce*

M31 – Marketing

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*“Work until you no longer
have to introduce yourself.”*

1. Case Study

1.1. Introduction

Zara has always been an interesting case study for many retailers and many other fashion brands around the world. Fashion Apparel industry is constantly changing, and for a fashion retailer to succeed it is crucial to have the ability to follow new trends as fast as possible. Zara since the beginning it is a success because, when the subject it is following trends fast, it was always one step ahead than the competitors.

Since the first day, Zara used an innovative strategy that for many people would not be successful. Well, they were wrong. Their strategy not only was successful but also made Zara the leader of the fast fashion concept.

I chose to develop my thesis about Zara because the way they define their strategies and their ability to grow and improve year after year fascinates me. As a student of Marketing and Management, I want to study how they achieve today's success analysing from the supply chain, employees and store management, till marketing and communication.

Besides following trends, it is important to study and understand each one of the markets, to know exactly which kind of products will sell better than others. So, they need to adapt to each country and each culture to achieve the success around the world.

Then this case study will focus on the consumer. The objectives will be the study of the different generations of consumers, their habits and beliefs. Moreover, then try to understand if their shopping behaviour is different across the different generations.

The last step of this research will concentrate in the brand perception. How consumers perceive the brand? They like the way Zara do business? Is it better than competitors or worse? Hopefully, in the end, those who read this case can understand the magic behind this fantastic company.

1.2. Inditex: The beginning of everything

Inditex, founded by Amancio Ortega and his ex-wife Rosalia Mera, in 1963 went into business as a dressmaker. Just in 1985 was incorporated as the Group's holding company.

The Group established a distribution system capable of reacting to the changes in the market trends quickly, and the focus was always in listening to their customers closely and to offers them the fashions they desire. As the focus was always the customer, the group created an organisational structure that covers all stages of the fashion value chain (design, manufacturing, distribution and sale). (Inditex, 2015).

Nowadays is one of the largest fashion retailers in the world, and has nine brands with different concepts: Zara (1975), Pull and Bear and Massimo Dutti (1991), Bershka (1998), Stradivarius (1999), Oysho (2001), Zara Home (2003), Uterqüe (2008) and more recently Lefties.

Based on the market research made in the context of this thesis, it was possible to verify that 62% of the 595 respondents know Inditex group, while 38% still do not know about the group.

Inditex expanded extremely quickly, so in 2001 their stock market shares began trading. In the beginning, the price of each share was 3,60€, nowadays after a huge increase, the value reached 32€ per share. It was a tough time for the owner of the group because he never wanted to lose his focus: the stores and the customer needs.

In 2015 the Group had over 7000 stores in 91 markets, has already reached 29 online markets and at the end of the same year, the company was evaluated in more than \$100 billion, what makes it the most valuable company in Spain. (Fashionista, 2015).

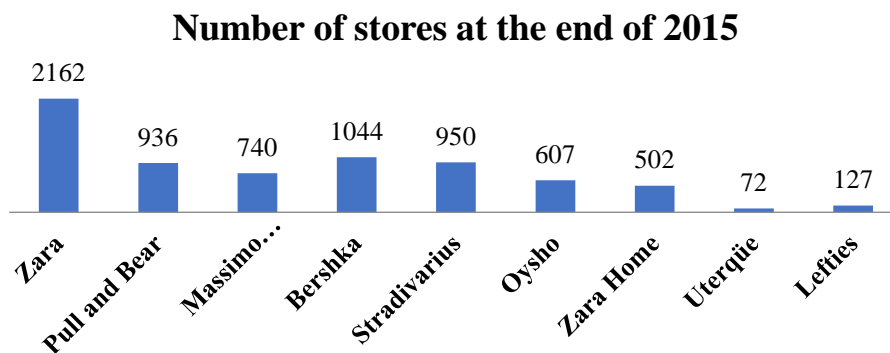


Figure 1 – Number of stores at the end of 2015
Source: Inditex Annual Report 2015

1.2.1. Brands

“Each of the brands has a unique and separate personality, image and offering. However, they do share a single business model, which always places the customer at the heart of all of its decisions.” (Inditex).

Zara, founded in 1975, is the main brand of the group and is always looking to meet the needs of its customers and following the newest fashion trends in the market. The brand tries to do this across all the different ages and cultures. Although, their products are mainly for more classic styles and people.

When we come into a Zara Store, the environment is made for us to spend a lot of time inside. The smell, the music, the lights, everything was carefully thought to give us a pleasant store experience.

Pull&Bear, founded in 1991, was created with the purpose to meet the needs of young fashion lovers. These brand stores are creative installations usually made with recycled objects, with the main aim to create a comfortable space where young customers can enjoy spending time.

Bershka, founded in 1988, is a more urban style for younger customers. Their stores have the purpose of creating a meeting point where customers can find street fashion, music and art.

Stradivarius, founded in 1995, sells casual clothes for men and women and is always introducing new trends designs for casual young customers.

About these three brands (Pull&Bear, Bershka and Stradivarius), as they are made especially for young customers, inside the stores the environment is made exactly for that: loud music, strong smells. Unlike Zara, it is not important to have customers inside these stores for a long time. The aim is for them to see the products, try them and buy it quickly.

Massimo Dutti, founded in 1985, is a more premium brand and represents the elegant and universal style of the cosmopolitan men and women of today. The collections go from the most sophisticated to more casual looks.

Oysho, founded in 2001, has different lines of products, like lingerie, sportswear, sleepwear and beachwear. Their products are carefully created to offer fashion, quality and comfort.

Uterqüe, founded in 2008, is the most luxurious brand of the group and offers high-quality products. From clothing to footwear and luxury accessories, everything is exclusively designed by Uterqüe creative team.

Zara Home, founded in 2003, is a brand specialised in the latest designs for the home.

Lefties is the newest brand of the group and was created to offer the latest fashion trends for affordable prices. It was designed to all the different ages.

One of the objectives of the market research was to determine and study the brand perception of the other Inditex brands and if people know that they belong to the same group of Zara.

As we can see in the graphic, the brands of the group are those with highest percentage: Bershka (78%), Pull&Bear (67,7%), Oysho (53,3%), Massimo Dutti (55,7%), Stradivarius (61,7%), Uterque (25,7%) and Lefties (38,3%). Although, we can conclude that the major part of the respondents does not know which of the brands belong to Inditex. (Attachment 1)

1.3. Zara: Fast Fashion Pioneer

Zara, established in 1975, is the largest brand of Inditex and the sales represent almost two-thirds of the group's total sales (Attachment 2). After Zara's success, it served as an example for the other brands of the group.

Zara was not always called Zara. In the beginning, the owner of Inditex named the store *Zorba*, after the classic film *Zorba the Greek*. However, after realising that there's a bar near the store with the same name, he changed it for Zara – the first brand offering fashionable clothing for lower prices.

The main brand of Inditex had a fast expansion opening stores in Oporto (Portugal, 1988), New York (1989), Paris (France, 1990), Mexico (1992), Greece (1993), Belgium and Sweden (1994), Malta (1995), Cyprus (1996), Norway and Israel (1997), Germany, Holland and Brazil (1999) and in 2004 the Group inaugurates the store number 2000 in Hong Kong, bringing its footprint to 56 countries across Europe, America, Asia and Africa.

Zara is known as the Fast Fashion pioneer. That means that they search for new and innovative trends in the streets around the world. After that, they take the new ideas to the designers so that they can produce them in just a few weeks.

Like Amancio Ortega use to say: "Our inspiration comes not only on the catwalks. My advice to those who want to make the difference is to take a look at the streets. It is on the street that we can find the biggest catwalk. The fashion is on the streets."

The process of identifying trends, produce them and put that new products available for sale, Zara can do this in just two-three weeks. While the other brands and retailer take at least two months. It is estimated that Zara launches 12000 products per year.

Amancio Ortega revolutionised the fashion world as we know it. Nowadays people use to say that fashion history has two separate times: before and after Ortega.

"Zara broke with the classic of having two seasons a year that was established for almost 100 years. Now, pretty much of half of the high-end fashion companies (Louis Vuitton, Prada) make four to six collections instead of two each year. That is absolutely because of Zara." Masoud Golsorkhi, director of the British magazine Tank.

When was ask to the 659 respondents if they know the brand Zara, 100% answered yes. Those, 90,3% are Zara's costumer and only 9,7% are not. Only the ones who are, are going to be studied.

The 595 respondents, on average, evaluated Zara as being good in the following characteristics: products quality, a variety of products, products according to new trends, clothes for all occasions, clothes for different styles, price/quality relation, store design, store environment, employees' assistance and store location. (Attachment 3)

However, why do people shop in Zara, and which are the main reasons to do it?

Based on the respondents' answers, we verify that the main reasons are: the location of the stores, products having a good price/quality relation, products always according to new trends and the stores always have a huge variety of clothes.

The less important reason is the brand loyalty. (Attachment 4)

1.3.1. Shared Situation awareness

Zara achieved today's' success because of their ability to answer fast to the market. This is only possible because they develop and maintain shared situation awareness that is, according to Sull and Turconi (2008): “a team’s ability to recognise a pattern in a fluid situation and use it to anticipate what might happen next”.

Teams develop shared situation awareness in three steps: observing the raw data, spotting patterns to form hypotheses about how the situation might unfold and testing that hypothesis. (Sull and Turconi, 2008).

Store managers across the world are in constant contact with the sales staff, and they keep them informed in real time about what is selling and what is not.

With the customer feedback, designers can identify what they like and what they are looking for. Moreover, with daily data feeds, the fashion teams can start developing the fashion that will be launched in the coming weeks.

1.3.2. The Secret of Zara’s success: Their Supply Chain

Zara’s Supply Chain made it possible for the brand to become the Fast Fashion Pioneer because of their ability to follow new trends and to respond to changes in the demand.

“The original business idea was very simple. Link customer demand to manufacturing, and link manufacturing to distribution. That is the idea we still live by.” José Maria Castellano Ríos, Inditex CEO.

Inditex group committed to the vertical integration model in its operations. When a supply chain of a company is vertically integrated, it means that some stages of production are integrated within the company. They produce a substantial proportion of their products in their own factories, production stages that are more capital-intensive and value-added-intensive (purchase raw materials, design, cut, dye, quality control, iron, packaging, labelling, distribution and logistics); and they outsource the production stages that are more labor-intensive and less value-added-intensive (sewing). (Crofton and Dopico, 2007).



Figure 2 - Zara's Supply Chain

When a new trend is identified, it only takes two/three weeks to design, produce and distribute the new products to the stores.

Most retailers usually replenish their stores on a weekly basis, but not Zara. Zara has regular and small deliveries, twice a week to all the stores around the world. The store managers' order clothes at precise times, and on schedule, new garments arrive. (Bloomberg, 2013).

1.3.2.1. Design Department

Inditex designers go to fashion shows in fashion capitals, they take photos of the runway models and then send that photos to the headquarters. They also examine fashion magazines, visit clubs, colleges and walk around streets to see what people are wearing and identify potential new trends. (Crofton and Dopico, 2007).

Sometimes, when a fashion brand present their collection for the next season in the runway, as Zara is capable of produce new products in a short time, even before that brand launched their products in their stores, similar products are already in Zara's stores.

The cadre of designers sits in the middle of the production, and they work right next to the market specialists and procurement and production planners. The meetings happen in large circular tables, where they analyse the latest fashion magazines and discuss ideas. (Ferdows et al., 2005).

According to Ferdows et al. (2005), getting these three groups together makes the design process faster and more efficient: the designers create and analyze the initial sketches, the market specialists as are always in contact with the store managers receiving information about what is selling and what is not and discussing market prices, the procurement and production planners analyze and estimates the cost of manufacturing.

Store Managers have the responsibility to decide which products will be on sale in their stores and to order the products they think would sell better. (Mcafee et al., 2007).

They must gather information from a wide range of sources, identify patterns and anticipate which models might sell or not, and start developing new fashion for the coming weeks. (Business Strategy Review, 2008).

Approximately 1000 people responsible for the design and development tasks are based in the company headquarters in La Coruña and Barcelona. (Orcao and Pérez, 2014).

1.3.2.2. Commercial Department

After the fashion specialists decide the new designs, they send them to the commercial department to the final decision before the production. The commercial managers analyse the commercial viability of the items proposed, and if they agree with them, the items are going to be produced.

Collections are created, then are extended and modified over time by the commercial teams, each one specially dedicated to a section of the stores (Women, Men, Children) and to a specific collection. (Mcafee et al., 2007).

According to Mcafee et al. (2007), the store product managers' travel a lot to be able to see what people worldwide are wearing, and they try to understand what kind of clothes would be sold if Zara made them. They are always communicating with the design department, to help them react to the fast changes in demand.

Zara's designers usually create 40000 designs per year, from which 10000 are selected for production. (Ferdows et al., 2005).

1.3.2.3. Supplier

When the commercial managers accept the designs, the next step is to negotiate with the suppliers, decide the purchase prices, analyse costs and fix a price for the garment. They also establish the size of the production and launch dates that vary between countries.

Inditex established a strategy of creating clusters of suppliers to provide the widest possible selection of fashion fabrics and avoiding the dependence on any source or supplier. The cluster of suppliers is defined as a geographical concentration that allows a

company to increase the productivity and increase the collaboration among the different agents involved.

In 2015, Inditex counted with 1725 direct suppliers and 6298 factories (Attachment 5), and the production of the suppliers in the various clusters accounted for 91% of the total production. (Inditex, 2015).

1.3.2.4. Manufacturing and Distribution

Zara integrated clothing manufacturing with distribution to be able to respond to changes in customer demand and preferences.

For some products, it is difficult to predict the demand. In case it is necessary to replace those products, buyers in order to answer faster to the market, search them in close countries. This makes the operation more profitable, even if the product cost more initially. (Orcao and Pérez, 2014).

An increased cost can compensate, if this makes an increase in the productivity, in the quality of the products and if it allows the company to have faster access to the markets.

Inditex keeps a significant amount of its production in-house. Their suppliers manufacture the rest. However, the production is divided into specialised activities, and each activity occurs where contributes more to the value of the end product. The place of manufacture is determined by opportunity, punctuality and quality of the service provided. (Orcao and Pérez, 2014).

According to Lu (2014), twice a week, every store around the world receive new products (clothes, shoes) that are always delivered in small batches.

Zara's season's line is constantly changing. Only 50 percent to 60 percent of the products are complete at the beginning of the season. The others are designed and produced in the middle of the season. If Zara identifies that some specific style or design become the new must-have on the streets, they immediately start to produce that new product to put the available in the stores while the trend is still strong. (Lu, 2014).

They like to make sure that in their factories 85 percent of the space is reserved for in-season adjustments. The fact that the major part of the production is made in-house that

allows them to be flexible in the amount, frequency and the variety of new products that are about to get launched.

Since Zara is constantly receiving updated data, if occurs a change in retail order, they can adjust in 40 percent to 50 percent. While usually in the industry, retailers are only able to adjust in 20 percent. This way, Zara avoids having high costs with overproduction. (Ferdows et al., 2005).

1.3.3. Strategy

1.3.3.1. Sustainable Management

At Inditex, they feel committed to selling products that are environmental-friendly, safe and ethical. Sustainability is their philosophy and the base of all decisions they make.

Their purpose is to guarantee the quality and the sustainability of all their products and activities. They call it “Right to Wear”, and it is their major ambition. (Inditex, 2015).

Zara created a label called “Join Life” in order to answer to the sustainable fashion.

1.3.3.1.1. Join Life by Zara

“Fashion is quick and vibrant. Trends change at full speed, and we all want to keep up. In the fashion world, it is said that things come back into style. So we thought: why not bring fabric back too?

That is how Join Life was born: an ambitious program by Inditex that aims to give clothes a second chance, all while supporting social organisations that are deeply rooted in their communities.” (Inditex, 2017).

Zara launched the first line of products, produced and designed considering the environmental concerns, in 2016. This collection was produced with the aim of using sustainable raw materials: organic cotton, tencel (fiber from the wood cellulose sourced from certified socially and environmentally responsible forests) and recycled tissue.

They want to make people aware not only of the importance to use sustainable raw materials but also for the use of animal materials that are carefully treated and materials

from the forests that they say they are committed to protect. About a half of their stores are already eco-efficient, saving water and energy and recycling materials. Although they want to turn all the stores eco-efficient until 2020. It is also important to constantly train their teams to practice sustainable actions. (Zara, 2015).

“Our stores: A place where the life cycle of our collections come to an end. Until we decided to challenge ourselves in a new way: From now on, our stores will not be just the end, they will also be the beginning. A second chance for used clothes. The thing is that sometimes one small gesture is enough to make a big change.” (Inditex, 2017).

In their stores, we can find boxes where we can leave clothes that we are not using anymore, to give that clothes “a new life”. (Attachment 6)

1.3.3.1.2. Product

Inditex products follow the most demanding standards of health, safety and environmental sustainability, from the design till the packaging. They believe that if their products follow these patterns, their customers will feel better wearing them. (Inditex, 2015).

“The main objective of Zara is to democratise fashion. Instead of seeing it as a privilege, we offer affordable fashion, that can get to the streets, inspired by the styles, desires and lifestyle of modern men and women.” Amancio Ortega.

Zara is known as the Fast Fashion Pioneer and the leader. They can identify new trends not just at catwalks, but in the streets, and produce new clothes in few weeks. Zara's stores receive new products twice a week, and they are always producing new ones. Their focus is to find what customer wants, and then make it. (Business Strategy Review, 2008).

The fact that their stores have new products every week is a motivation for their consumers to visit Zara's stores more frequently.

Based on the market research, it is possible to verify that the major part of the respondents visit the stores less than one time per month (37,1%), while 21,8% visit one time per month, 16,1% visit two times per month, 10,4% visit three times per month and 14,5% visit four or more times per month.

About 64,2% of the consumers buy products for personal use, while only 3% buy products to offer. Although 32,8% buy products for personal use as much to offer. (Attachment 7)

They make the weekly delivers in small batches because that way they can reduce the costs of having too many inventories, or even when they run out of stock (Ferdows et al., 2005). In case they launch a collection that did not sell what was expected, having delivered it in small batches, they can change the collection without having high costs.

The respondents use to buy more frequently casual clothes (47,8%) and clothes for special occasions (20,3%), then they buy work clothes (16%), shoes (8,5%), bags and/or accessories (7%) and sport clothes (0,4%) are the product costumers use to buy less. (Attachment 8)

When some product goes out of stock that does not mean that the customers will go to other stores. Once they always have new products, customers will end up buying something else. The truth is that Zara has a policy about unsold products, which are moving them after two or three weeks. (Ferdows et al., 2005).

When some product sells well, they avoid producing a million copies of the same product. They find out why it had had success, and then they develop new products from the first one. This way they avoid that every consumer wears the same piece of clothing. (McLaren, 2013).

Zara is also known as being irreverent, and an example of that is the “Ungendered” line (launched in 2016) that is a line of clothes with no gender. It can be used by women and men (Attachment 9). (Zara, 2015).

1.3.3.1.3. Employees

At Inditex, they believe that there is always room for improvement and that is what enables them to have a continuous growth. They see problems as opportunities, and their most important mission is to search for solutions to that issues.

At the end of 2015, Inditex had 152854 employees of which 87% is staff working in the stores. About 76% are women versus 24% men, and the average age was 30 years old. Inditex stands up for equality and provides the same opportunities for everyone. Inside the group, we can find employees that represent over 90 nationalities, and they also

created different initiatives to hire and integrate people with some disability. (Inditex, 2015).

They put faith in every single employee, and they encourage them to share ideas and thoughts. It is important that the employees show interest in continuously learning something new. The group works hard to be able to provide facilities for work-life balance, for example in cases of pregnancy to make easier for women to return to the job.

Inditex created a training and internal promotions program so the employees can develop and build professional skills and have the opportunity of career growth inside the company. They developed specific mechanisms to identify potential and skills among employees that fit in some position they are looking to fill.

At the end of 2015, Inditex results exceeded the expectations, so they create the “Employee Profit-Sharing Plan” on which all the employees that work in Inditex for at least two years benefited. The Group distributed 10% of that increase in net profits for 78,00 people in 50 different countries. (Inditex, 2015).

1.3.3.1.4. Supplier

At the end of 2015, Inditex Supply chain counted with 1725 suppliers and 6298 factories located in 50 countries (Attachment 5). Working with external suppliers, they always guarantee that every product is manufactured considering the environment and health safety.

In 2013 Inditex created the “Strategic Plan for a sustainable supply chain 2014-2018” that is based on four principal objectives: monitoring, capacity building, continual improvement and commitment to stakeholders. For this strategic plan, the transparency and the constant dialogue with the stakeholders it is crucial to make sure they follow the same working conditions and environmental concerns as their employees.

Traceability of the supply chain is one of the main objectives of Inditex. As they can identify every single product, they can make sure that their manufacture follows the Group's sustainability standards. (Inditex, 2015).

1.3.3.1.5. Environment

Through the years, Inditex has become concerned about the environmental changes and the excessive use of the world's limited natural resources, so they adopted a global sustainability strategy. Nowadays, every management decision is taken considering in the first place the environmental health. (Inditex, 2015).

About half of their stores are already eco-efficient, and they are concerned about reusing and recycling. They call their website "Green Web" because 84 percent of the energy consumed by the website comes from renewable energies that respect the environment. (Zara, 2015).

Inditex has strong sustainability commitments in the long term.

1.3.3.1.6. Social Responsibility

Through the years, Inditex has been contributing to the development of the society. They truly believe that it is their duty to help and participate in community activities. In 2016, they invested 40 million euros in community programs, cooperated 519 social initiatives that benefited more than one million people, and collaborated with 367 nonprofit organisation. (Inditex, 2017).

They use the LBG Model (London Benchmarking Group) to measure the impact of their contribution to the community. According to Inditex they can evaluate whether they generated a positive change in their behaviour, contributed to the development of new skills or improved beneficiaries.

The impacts of their contribution on their beneficiaries can be identified in three diverse groups: connection (people that can report some change as a result of activity), improvement (people that notice an improvement in their lives) and transformation (people that can report an enduring change in their lives). (Inditex, 2017).

Inditex invests in various programs related to education, social welfare and humanitarian help. (Attachment 10)

1.3.3.2. Internationalization

According to Lopez et al. (2008), Inditex opened its first Zara store in 1975 in La Coruña, and during the 80s Zara focused its expansion within the domestic market. The brand decided to expand internationally because the growth opportunities in Spain were limited, and the fashion market was saturated.

The international expansion started with the opening of a store in Oporto (Portugal) and made them realise that they had to adjust the business model to suit new markets. They expanded to the fashion capitals (New York, Milan and Paris) to build brand awareness and to get closer to new fashion trends. (Lopez et al., 2008).

Zara's stores are strategically located in the main streets and shopping areas of each country. After they open the first store (called flagship store), they can get information about the market and acquire experience.

By the start of 2006, Zara was present in 59 countries with more than 850 stores.

1.3.3.3. Marketing and Communication

Unlike their competitors, the largest brand of Inditex spends only 0,3% of its revenue in the advertisement. Their marketing strategy is to invest everything in the stores, opening stores in the main shopping areas of each city. (Taplin, 2014).

The only advertisement they use to do sometimes, it is in local newspapers and fashion magazines, to announce the opening of a new store. (McLaren, 2013).

“We do not publish photographs of our clothes in magazines because by the time the ads are out, the clothes you see will no longer be in the stores.” Amancio Ortega, CEO of Inditex.

Zara does not invest in television or press promotional campaigns. Instead, they invest in point-of-sales and in-store promotions. (Business Strategy Review, 2008).

Their stores are known as stores with big windows and entries that make it impossible for those who pass by not to look. Inside, everything is white and clean, giving that way a great highlight to their products.

1.3.3.3.1. Website and Mobile App

In the past years, e-commerce has revolutionised retail and the number of consumers that shop online has been growing fast. However, the retail industry implemented the e-commerce a bit late compared with the other industries. In the case of Zara, it can be explained because of their business model of fast fashion and what implies to the company (Bjork, 2009). Managing and selling fast fashion online implies a fast response to every request, and in case they have a lot of returns situation, the inventories will increase and can harm the logistic model of Inditex (Bjork, 2010).

At the end of 2015, Inditex had launched 1443 online stores, of which 517 were from Zara. In Portugal, the online store was launched in 2010. (Inditex, 2015).

In Zara's website, we can see that they have more than one wallpaper that is always rolling, with the season editorials. In this case, the SS'17 collection of each section: Woman, Man, Kid and TRF. (Attachment 11)

Companies like Zara are investing a lot more in the online stores lately with the purpose of making the online shopping experience as good as in the physical stores, in a way to attract consumers' attention so they will want to back there. So, it is crucial that the website is organized and the most updated as possible.

In the "NEW IN" section when we can stay updated with the newest products that they launched in the past few days. (Attachment 11)

When we click at "WOMAN" section, we can see that it is organized with numerous sub-sections like the type of product we are looking for, but also some more specific sub-sections like "Trending now" (with the latest trends in the market), "Officewear" (with good suggestions of formal clothes to work), "Going Out" (with great suggestions for a special night), "Special prices" with some cheapest products and many others. (Attachment 12)

For those costumers that want to buy something online, the process is a lot easier and effective. When selecting a product, it is possible to see photos of the product in every perspective, select the size and the colour we want, and add the product to the shopping basket (Attachment 13). In case we have doubts about the size, we can consult a guide that will help us to know which size fits us better. (Attachment 14)

It is available information about the composition and care of each product (Attachment 15), and in case the consumer prefers to buy in the physical store it is possible to know if it is available in some store of the city we want. (Attachment 16)

There is information about the shipping (Attachment 17) and what we need to do in case we want to exchange or return the product (Attachment 18). We can also find in each product "WEAR WITH" that are suggestions of how we can wear the product. (Attachment 19)

Zara still has available the App for smartphones (Attachment 20). With Zara's Fashion App, the ordering process it is a lot easier, and the customer can access to detailed information about the payment and the shipping. This App offers a function where it can read bar codes, that is useful for customers that are shopping and need to find some product in-store or online. (Attachment 21)

The App shopping experience is complemented with a customer service, where the customer can follow the shipping status and ask for assistance if it is necessary. Like on the website, in the App it is also possible for the customer to know if a specific product is available in some store nearby.

At the market research, it was possible to know that about 30,1% of the respondents use just the Website, 8,2% just the Mobile App and 12,9% use both. Although, 48,7% of the respondents do not use any of them.

Those who visit Zara's platform, 43% visit to see new products buy prefer to buy them in the physical store, while just 8,2% visit to see and also to buy them online. (Attachment 22)

The respondents who use to visit the platforms, 26,7% already bought some product online, and 24,5% never did it. The main reasons to not buy products online are: do not try the product before (91,1%), prefer to buy in the stores (52,7%) and do not trust the payment method (15,8%). (Attachment 23)

The main reason why people bought products online is: the product they want was not available at the stores (50,9%), it is easier to buy products from home at any time of the day (22,6%) and because there are more products available online than in the stores (21,4%).

1.3.3.3.2. Social network

Zara is present in the most known social network, and they use it especially to announce the newest campaigns. It is possible to join the newsletter and always keep updated. (Attachment 24)

On Instagram Zara count with 20,5 thousand followers (Attachment 25), on Facebook more than 25 million followers (Attachment 26), on twitter more than 1 million followers (Attachment 27), on Pinterest more than 360 thousand (Attachment 28) and on YouTube more than 36 thousand subscribers (Attachment 29). The Facebook page is by far the most followed social network.

The most used Zara's Social Network is Instagram (16,6%) and Facebook (15,8%). Twitter is the one that is less used (0,3%), followed by Pinterest (2,5%) and YouTube (2,9%). Moreover, 39,5% of the respondents do not follow any of them. (Attachment 30)

1.3.3.4. Customer-oriented

At Inditex, they defend that their brands share the same main objective that is responding to the needs of their customers.

The customers are the centre of Inditex business model. Inditex finds out what customer wants are what are looking for, and they deliver exactly that.

In every process of the supply chain (design, manufacture, distribution) they are always looking for ways to improve the customer service and the customer experience. (Inditex, 2017).

Zara is, according to Power et al. (2001), considered an Agile company. An Agile company is focused on their customers, and their success is based on the close connection between customers and designers. It is crucial to know, in first place who is the customer. And then find out what the need and which goods can satisfy their needs. (Bititci, 2010).

The best way to know exactly what customers are looking for is using the technology, where it is possible to gather information about the products that are selling better and those that are not selling at all.

In Zara, they are always investing and working to make the shopping experience the most enjoyable as possible. They already introduced at some stores in Spain, the self-checkout service. This is making the process a lot easier, and customers are satisfied because they do not have to wait in the line to pay the products anymore. (Attachment 31)

Also, they have some stores with touch screens in the dressing rooms, where the costumers can ask for some product without leaving the dressing room. These new implementations are improving and changing the way people shop. (Attachment 32)

1.4. The Main Competitor: H&M

H&M is a Sweden Retailer Group, established in 1947, founded initially by Erling Persson as “Hennes” a new fashion chain for women with a new concept: sell frequently updated fashion at affordable prices. In 1968, it acquired Mauritz Widforss and became a men's, women's and children's store called Hennes and Mauritz (known as H&M).

At the market research, about 99,2% of the respondents know the brand H&M, while 0,8% do not know.

Nowadays has 161000 employees, 4500 stores in 66 markets, and 41 online markets.

The group has six brands: H&M (founded in 1947), Weekday (founded in 2002), Cheap Monday (founded in 2004), Monki (founded in 2006), COS (founded in 2007) and &Other Stories (founded in 2015). H&M is the main brand of the group, has more than 4087 stores and is present in 66 markets and 41 online markets. (H&M, 2017).

They do not own any factory, so they outsourced production from external suppliers, which about 75 percent are from Asia.

The key factors of its success are the location of the stores, the flexibility of the production and the low prices. Since they have a longer supply chain, it was impossible for H&M to compete with Zara in terms of always selling products according to with the latest trends. That way, they put the focus in competing in low-prices, and their products are about 60 percent cheaper than Zara's. (Taplin, 2014).

H&M spends a lot in advertising, and since 2004 they start to adopt a collaboration strategy with celebrities and famous designers, creating limited editions in their collection. That has been giving the brand a powerful image.

Celebrities like Lana del Rey (Attachment 33), Madonna (Attachment 34) and more recently David Beckham (Attachment 35) were present in H&M commercials.

They already collaborated with designers like Karl Lagerfeld (from the channel) (Attachment 36), Roberto Cavalli (Attachment 37), Jimmy Choo (Attachment 38), Versace (Attachment 39), Balmain (Attachment 40) and Kenzo (Attachment 41).

H&M is considered one of the most internationalised brands, more than Zara is, about 90 percent of its turnover comes from overseas. They followed the same expansion strategy that Zara, going first to markets with a similar culture. (Lopez et al., 2008).

They firstly expand to Nordic Countries in 1964, starting with Norway and Denmark. After, in 1976, they expanded to UK and Switzerland. The mix of cultures in Switzerland made it a reference point to expand to other countries.

Just in the beginning of the 21st century, they expand to the Eastern and Southern Europe. (Lopez et al., 2008).

“When we expand, it is important to listen carefully to the local market. We need to adapt but not at the expense of losing what makes us who we are.” H&M

When comparing H&M with Zara, we can verify that in the major part of the characteristics the respondents evaluated both brands as being equal: a variety of products, products according to new trends, clothes for all occasions, clothes for different styles, price/quality relation, store environment, employees' assistance and store location.

About the quality of products and store design, respondents classify H&M as being worse than Zara. The second highest values make possible to conclude that the respondents classify, in general, H&M as being worse than Zara. (Attachment 42)

1.5. Case Study Questions

Question 1 – Make an analysis of the company considering the SWOT model.

Question 2 – Understand the brand perception awareness of Zara.

Question 3 – Verify if consumers know which brands belong to Inditex, the same group as Zara.

Question 4 – How they defined their strategy that made Zara achieved today's success?

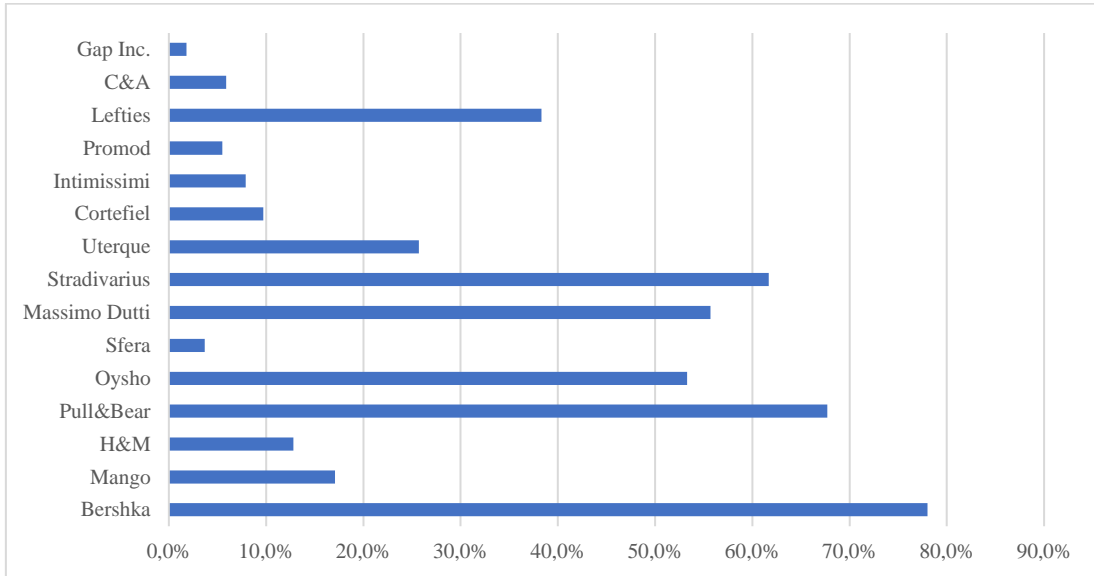
Question 5 – How they adapt their strategy around different countries?

Question 6 – Zara's strategy in the physical store and in the online store.

Question 7 – Study the consumer shopping behaviour (online vs physical store) according to the different generations.

1.6. Attachments

Attachment 1: “Which of the following brands belong to Inditex, the same group as Zara?”



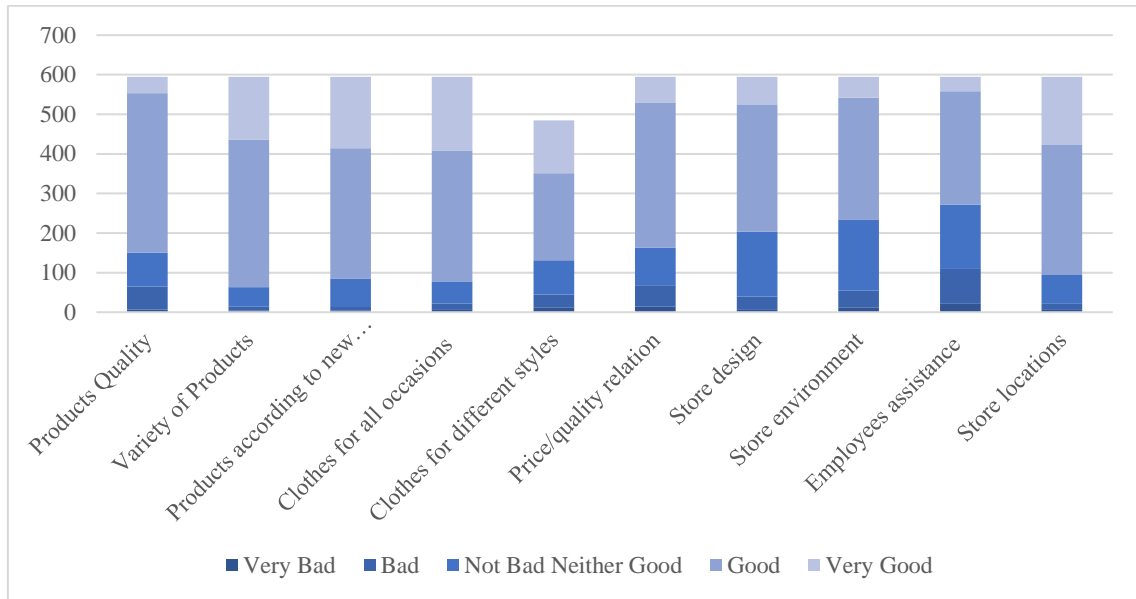
Graphic 1 – Brands awareness of Inditex' brands by the Consumers
Source: Market Research

Attachment 2: Contribution of each brand to the sales of Inditex

	Net Sales (million €)	Net Sales (%)
Zara	13.628	65,2
Pull and Bear	1.417	6,8
Massimo Dutti	1.498	7,2
Bershka	1.875	9
Stradivarius	1.289	6,2
Oysho	452	2,2
Zara Home	666	3,2
Uterqüe	75	0,4
Lefties	?	?

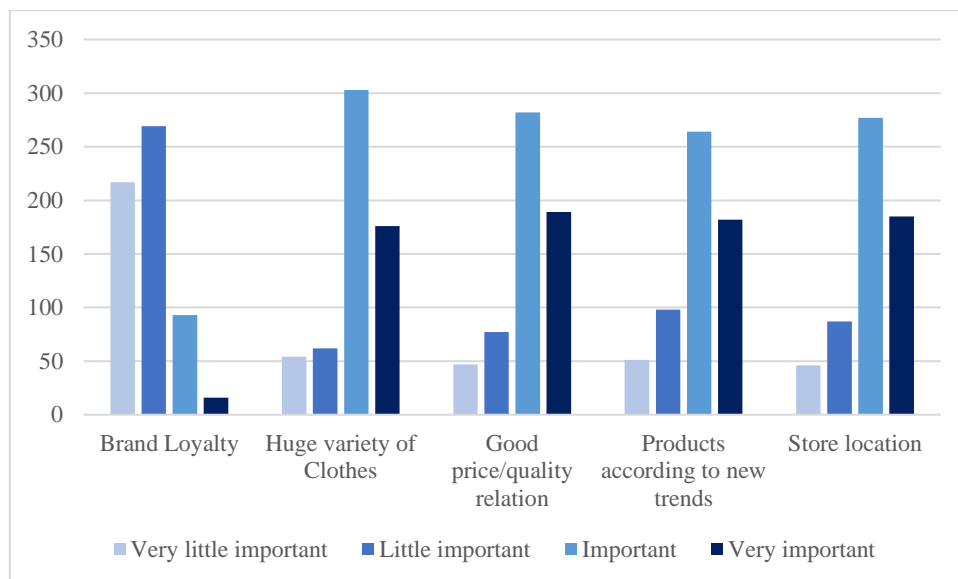
Table 1 – Contribution of each brand to the sales of Inditex
Source: Inditex Annual Report 2015

Attachment 3: Zara's characteristics according to the respondents.



Graphic 2 – Zara's characteristics according to the respondents.
Source: Market Research

Attachment 4: Reasons why people use to shop in Zara.



Graphic 3 – Reasons why people shop in Zara.
Source: Market Research

Attachment 5: Number of suppliers with purchase and factories in 2015

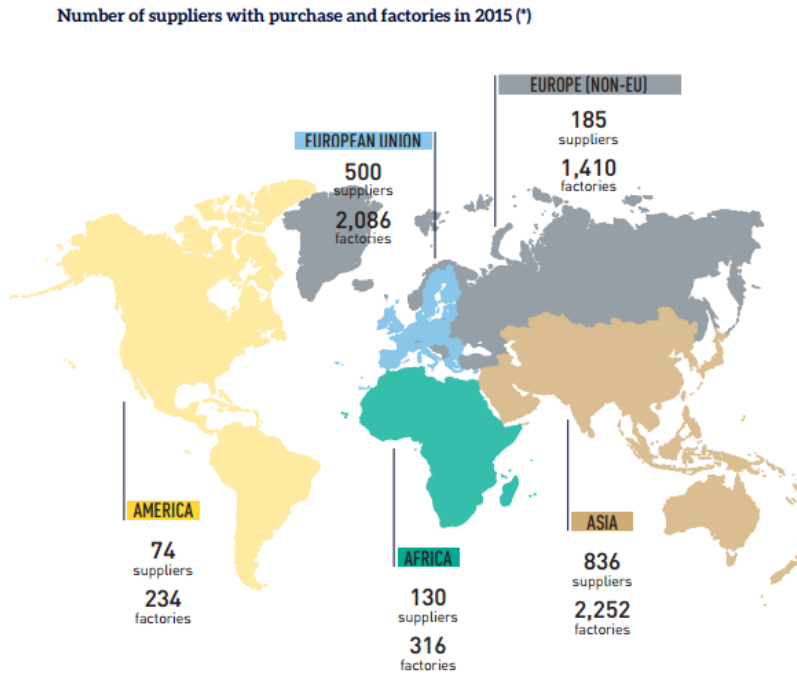


Figure 3 - Number of suppliers with purchase and factories in 2015
Source: Inditex Annual Report 2015

Attachment 6: Join Life boxes to recycle clothes.

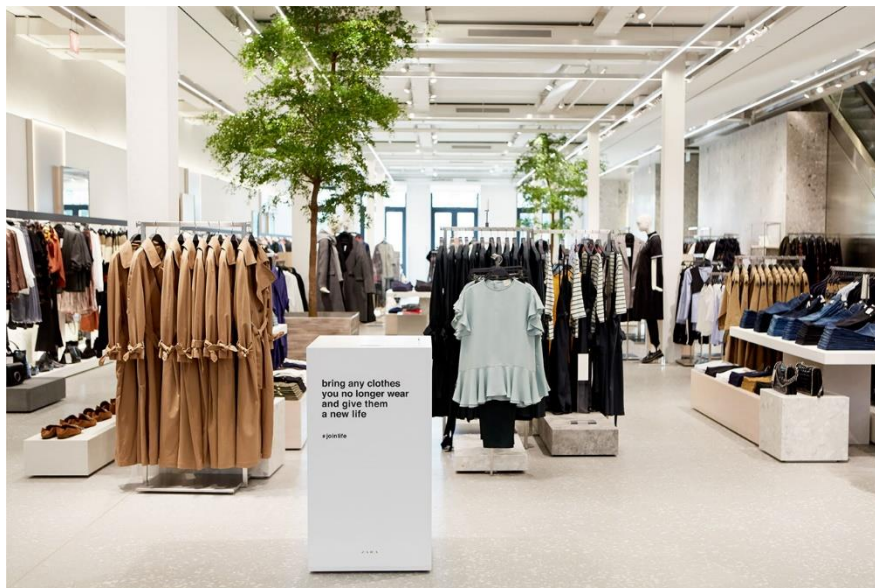
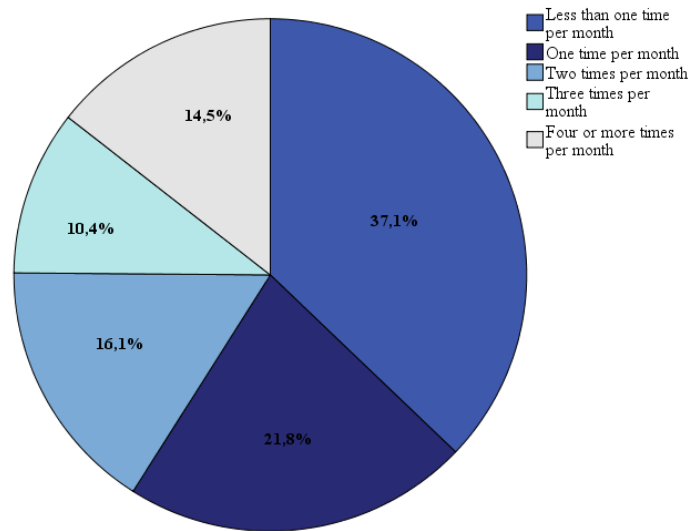
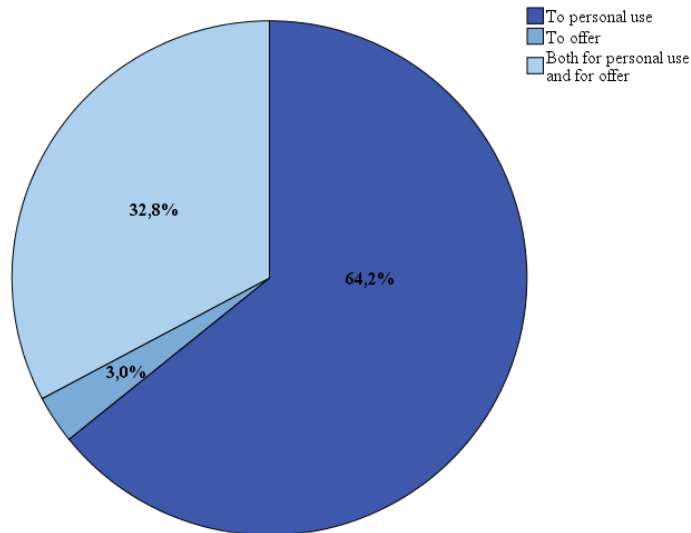


Figure 4 – Join Life boxes.
Source: Zara's Official Website.

Attachment 7: How frequently people use to visit Zara's store and the main reason to shop.

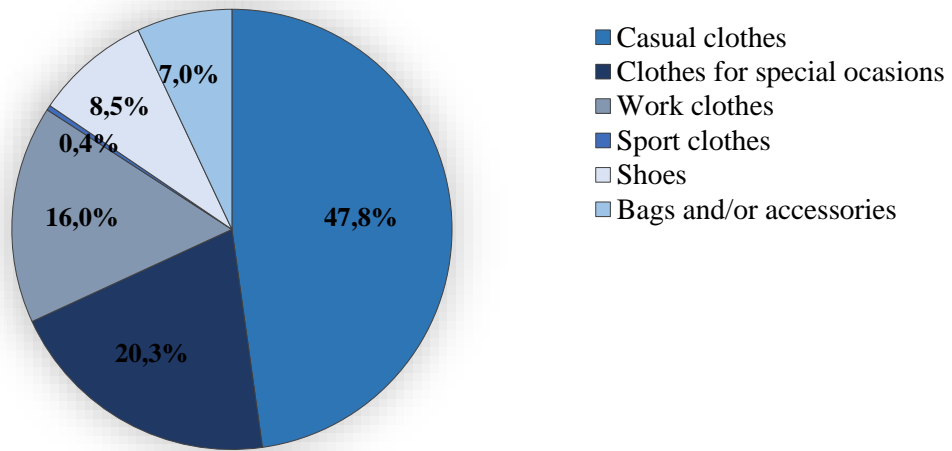


Graphic 4 - How frequently people visit Zara's store.
Source: Market Research



Graphic 5 – Reasons to shop in Zara.
Source: Market Research

Attachment 8: What people use to buy in Zara.



Graphic 6 – What people buy in Zara.
Source: Market Research

Attachment 9: Zara Ungendered Line.



Figure 5 - Zara Ungendered Line.
Source: Zara's Official Website

Attachment 10: Inditex Support to Community

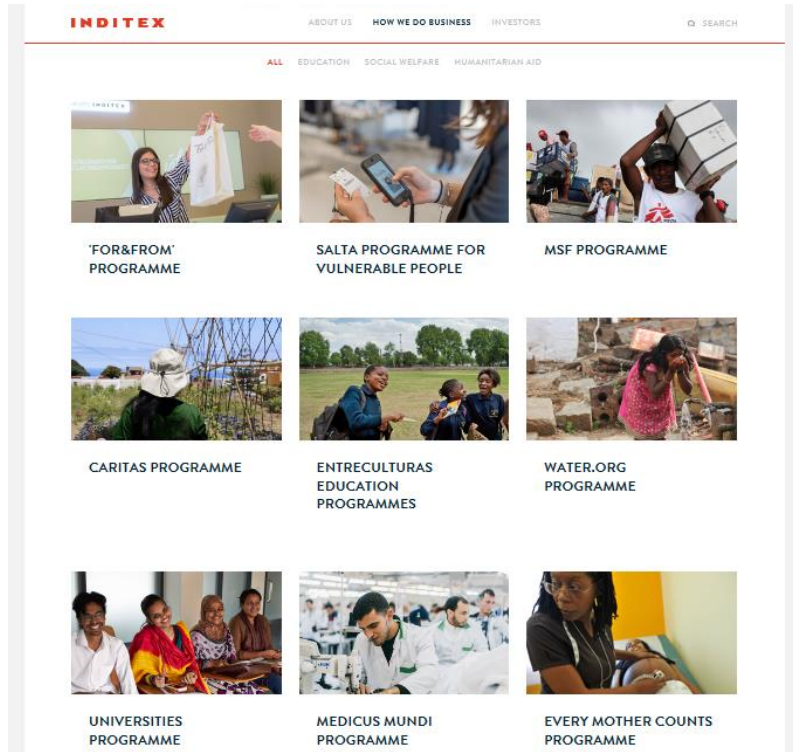


Figure 6 - Inditex Support to Community
Source: Inditex Official Website

Attachment 11: Zara's Website - Initial page

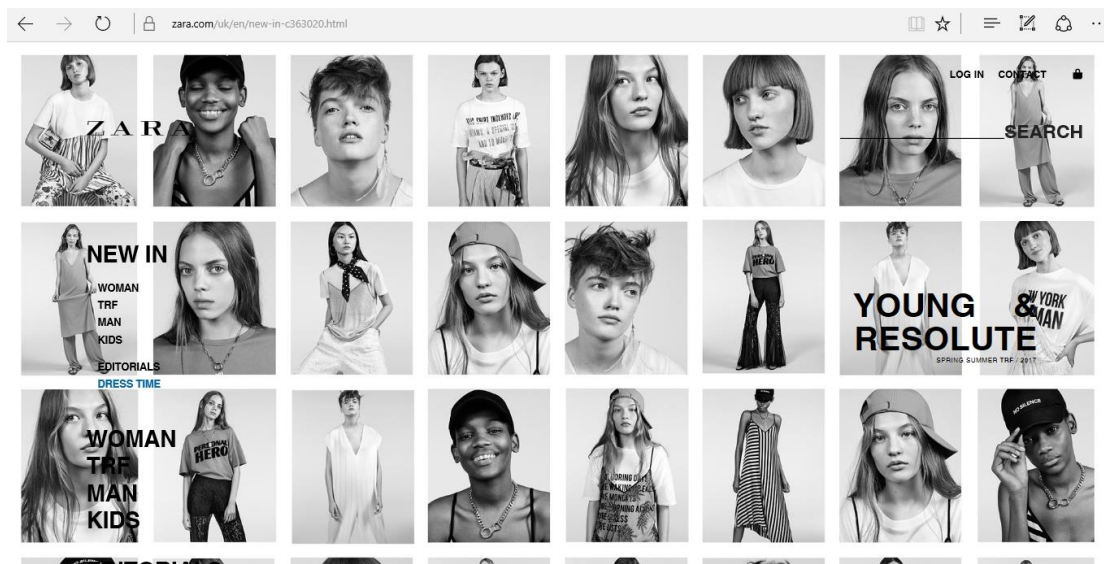


Figure 7 - Zara's Website - Initial page
Source: Zara's Official Website

Attachment 12: Zara's Website – Woman section

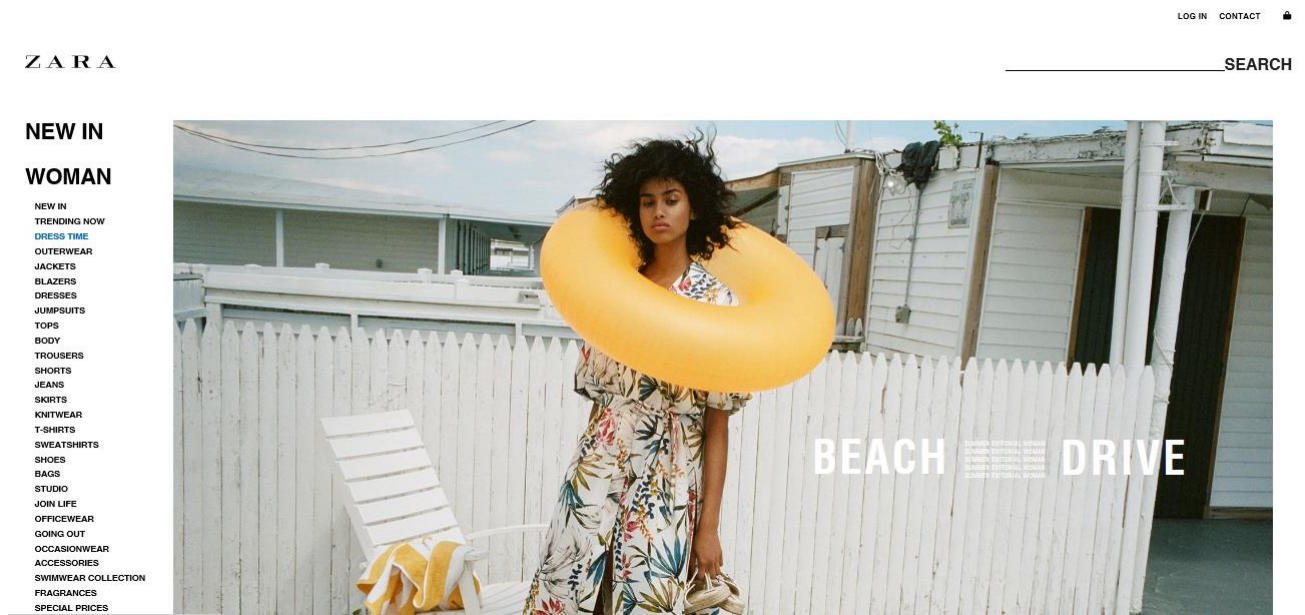


Figure 8 - Zara's Website – Woman section
Source: Zara's Official Website

Attachment 13: Zara's Website – Process to buy a product

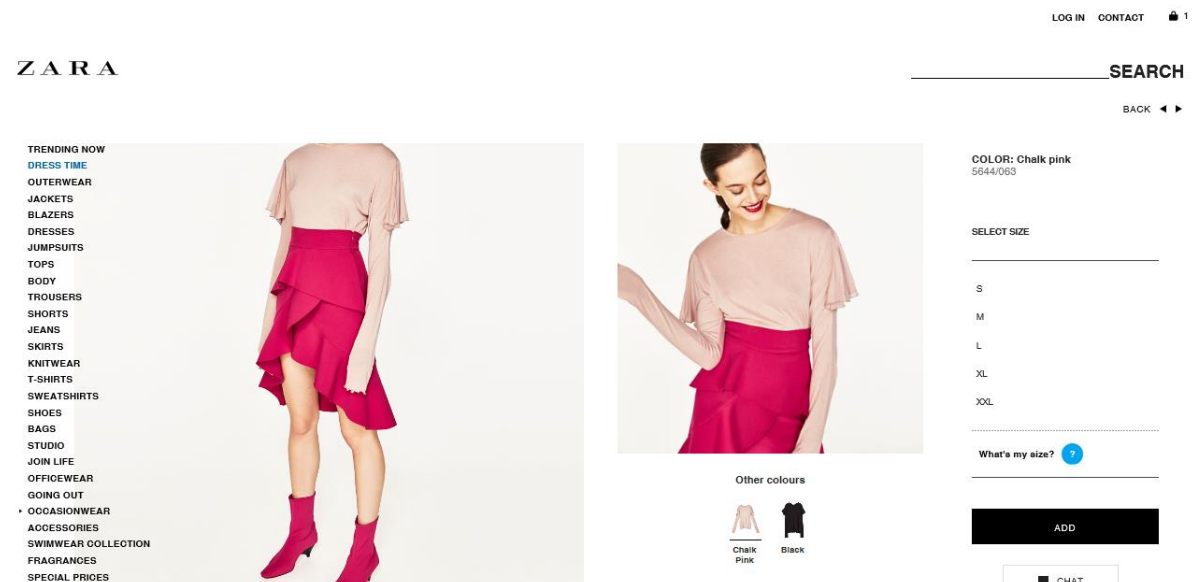


Figure 9 - Zara's Website – Process to buy a product
Source: Zara's Official Website

Attachment 14: Zara's Website – Size guide

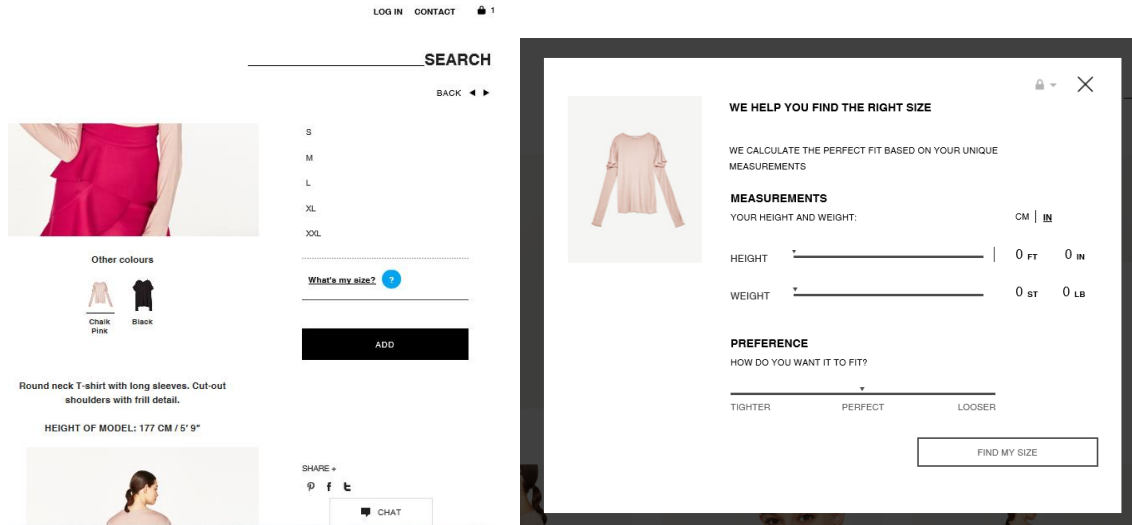


Figure 10 - Zara's Website – Size guide
Source: Zara's Official Website

Attachment 15: Zara's Website – Product composition and care

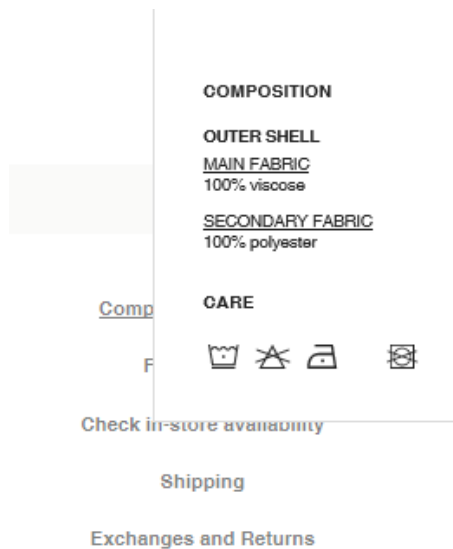


Figure 11 - Zara's Website – Product composition and care
Source: Zara's Official Website

Attachment 16: Zara's Website – Check availability in the store

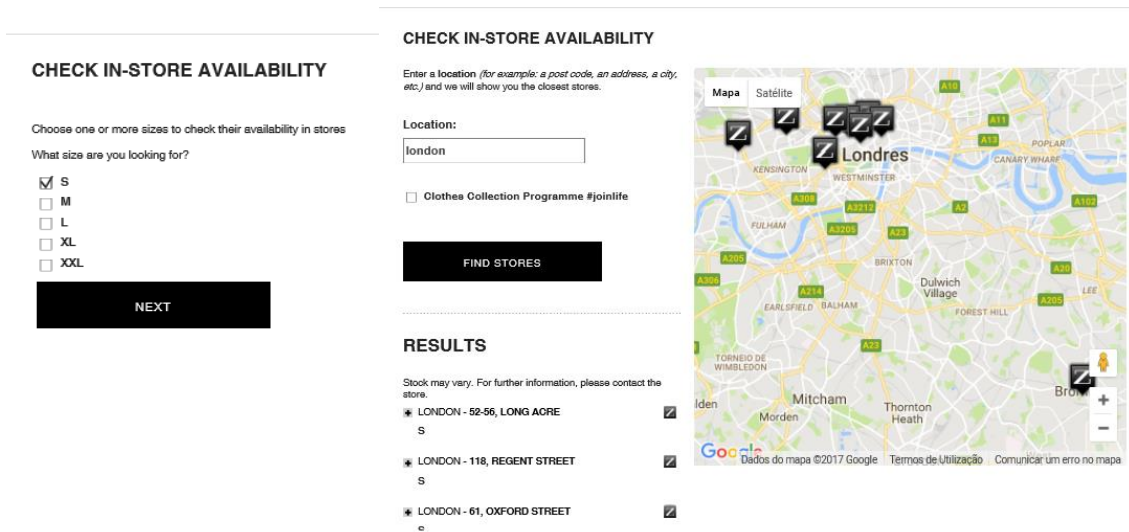


Figure 12 - Zara's Website – Check availability in the store
Source: Zara's Official Website

Attachment 17: Zara's Website – Shipping information

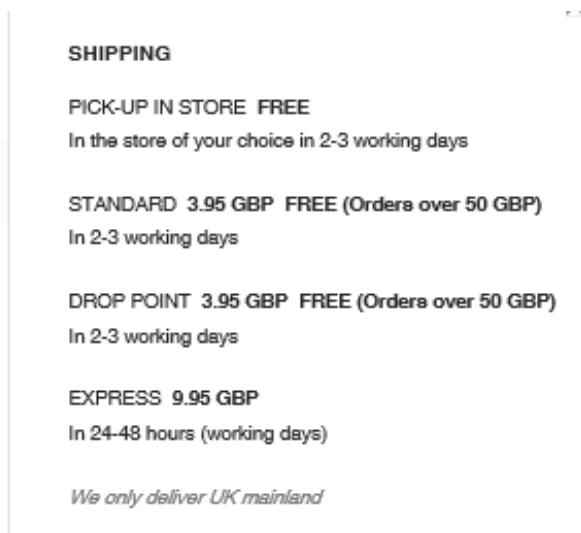
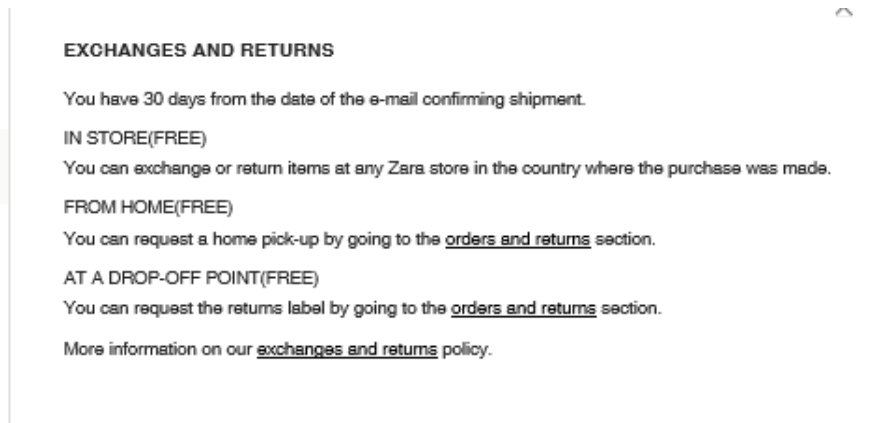


Figure 13 - Zara's Website – Shipping information
Source: Zara's Official Website

Attachment 18: Zara's Website – Exchanges and Returns information



Shipping

Exchanges and Returns

Figure 14 - Zara's Website – Exchange and Returns information
Source: Zara's Official Website

Attachment 19: Zara's Website – “Wear with” suggestions

WEAR WITH



Figure 15 - Zara's Website – “Wear with” suggestions
Source: Zara's Official Website

Attachment 20: Zara's App for Smartphones

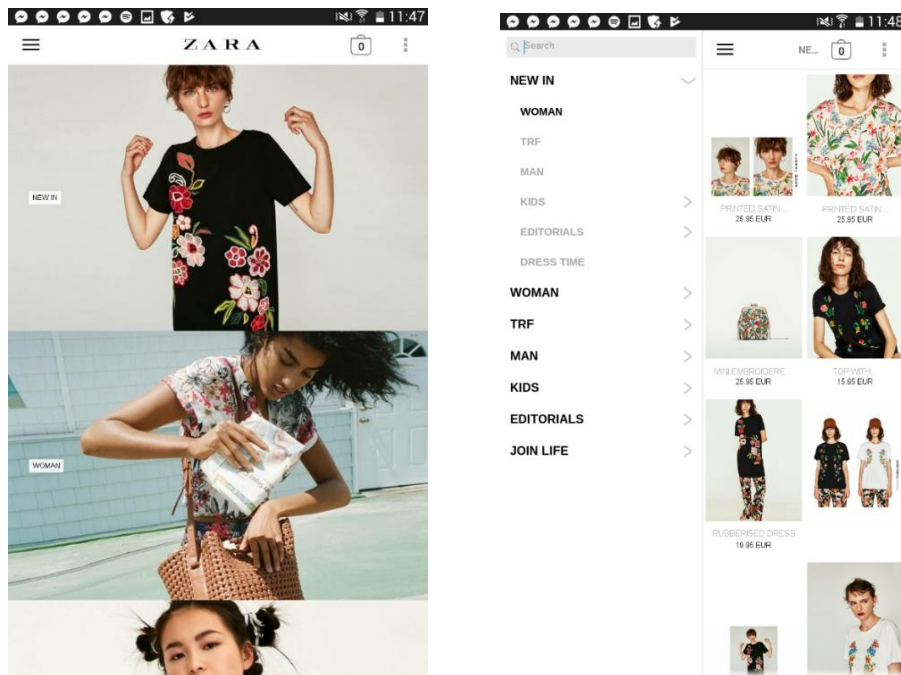


Figure 16 - Zara's App for Smartphones
 Source: Zara's App

Attachment 21: Zara's App for Smartphones – Bar Codes reading

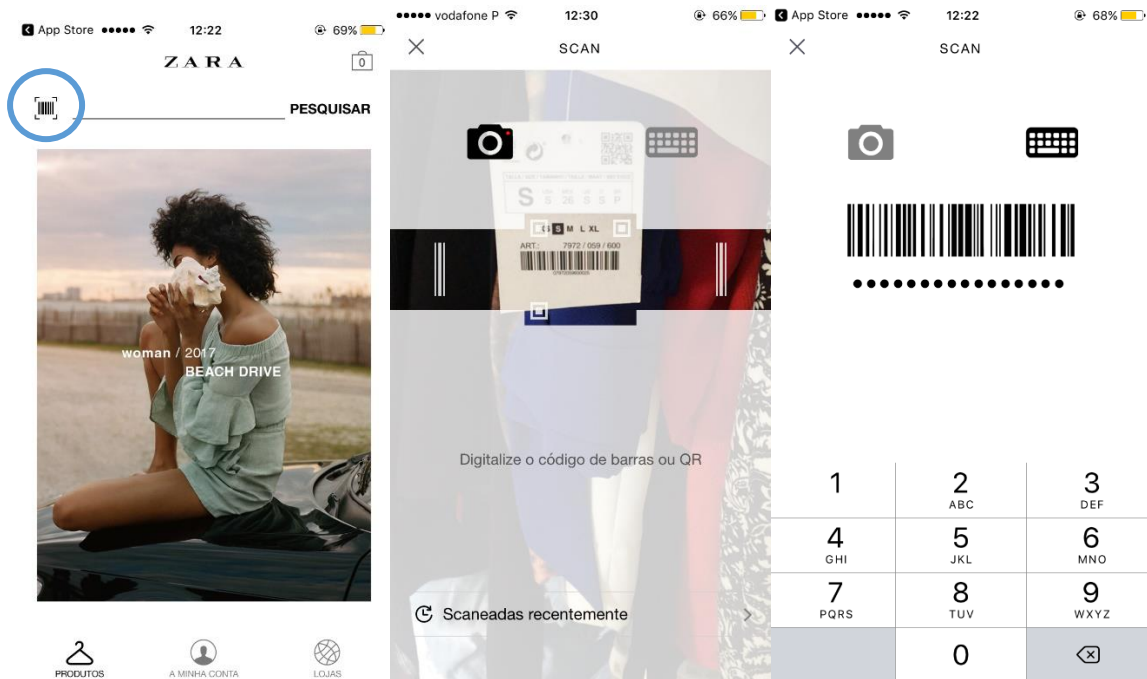
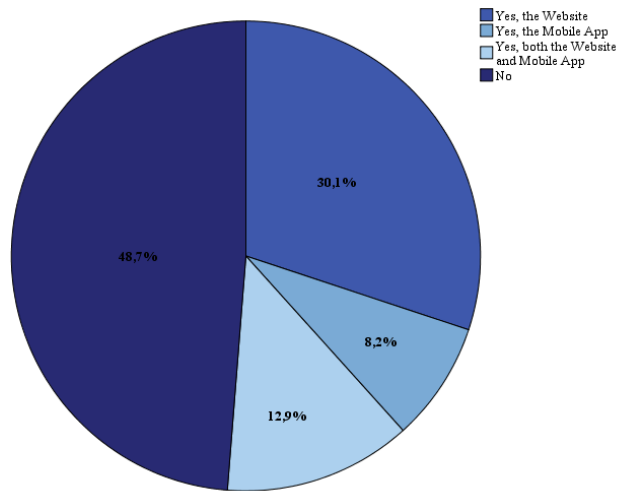
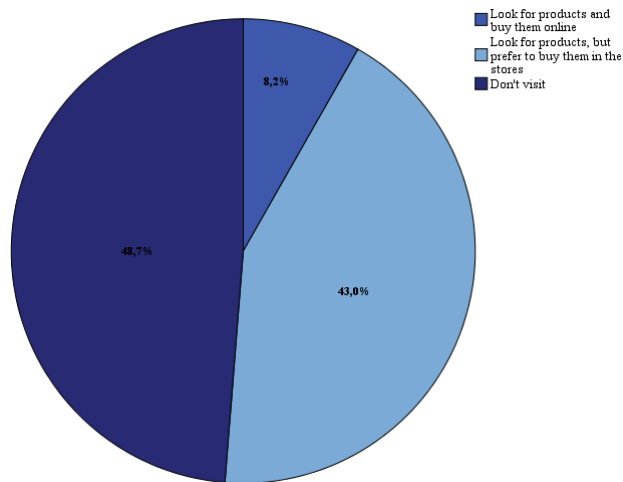


Figure 17 - Zara's App for Smartphones – Bar Code reading
 Source: Zara's App

Attachment 22: Do people use Zara's online platforms and why they use it.

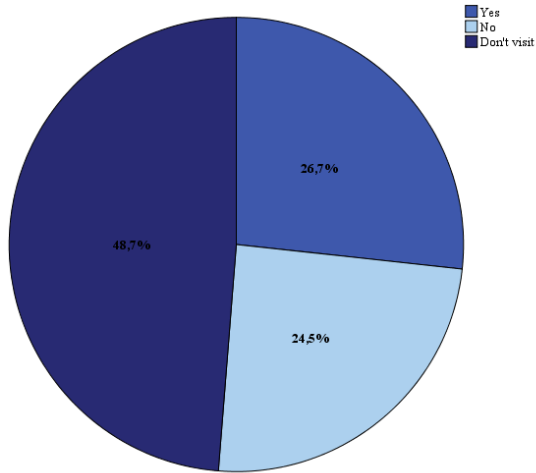


Graphic 7 – Do people use Zara's online platforms?
Source: Market Research

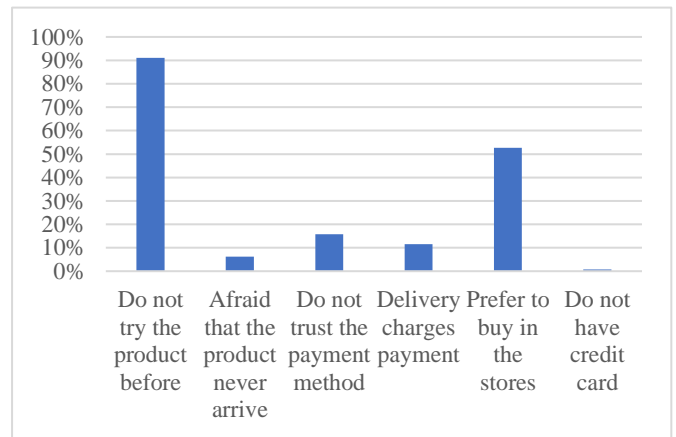


Graphic 8 – Reasons why people use Zara's online platforms.
Source: Market Research

Attachment 23: If those who visit, already bought something online. And if not, the main reasons why they didn't.



Graphic 9 – If already bought something online.
Source: Market Research



Graphic 10 – Why never bought something online.
Source: Market Research

Attachment 24: Zara's Official Website – Join the newsletter

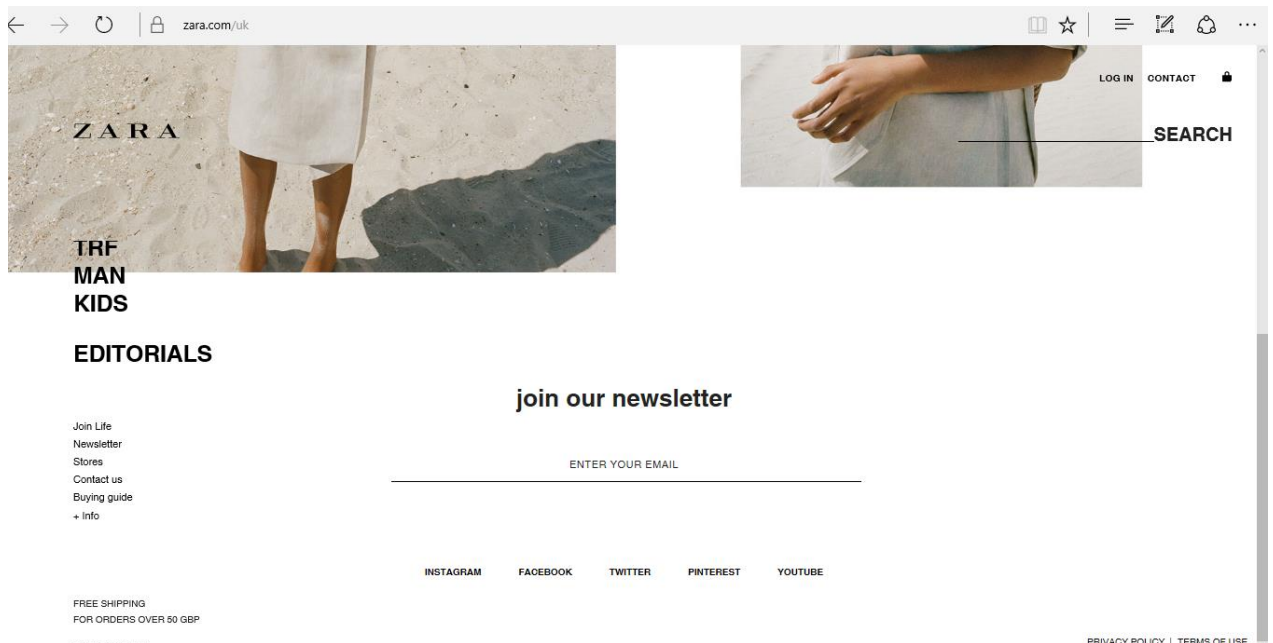


Figure 18 - Zara's Official Website – Join the newsletter
Source: Zara's Official Website

Attachment 25: Zara's Social Network – Instagram Account

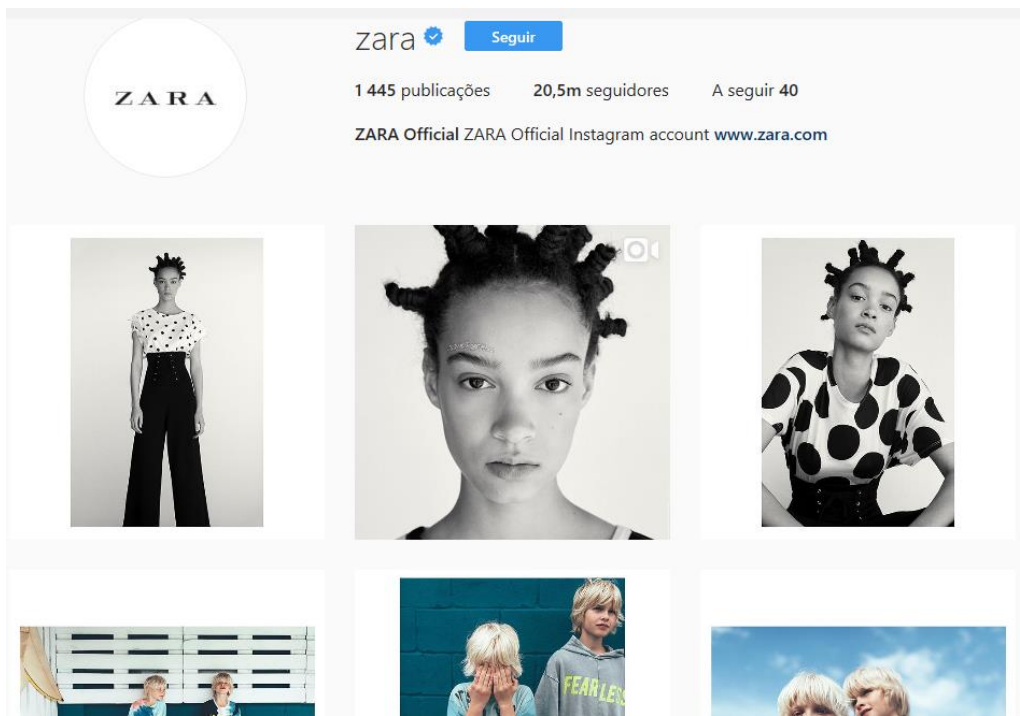


Figure 19 – Zara's Instagram Account
Source: Zara's Official Instagram

Attachment 26: Zara's Social Network – Facebook Account

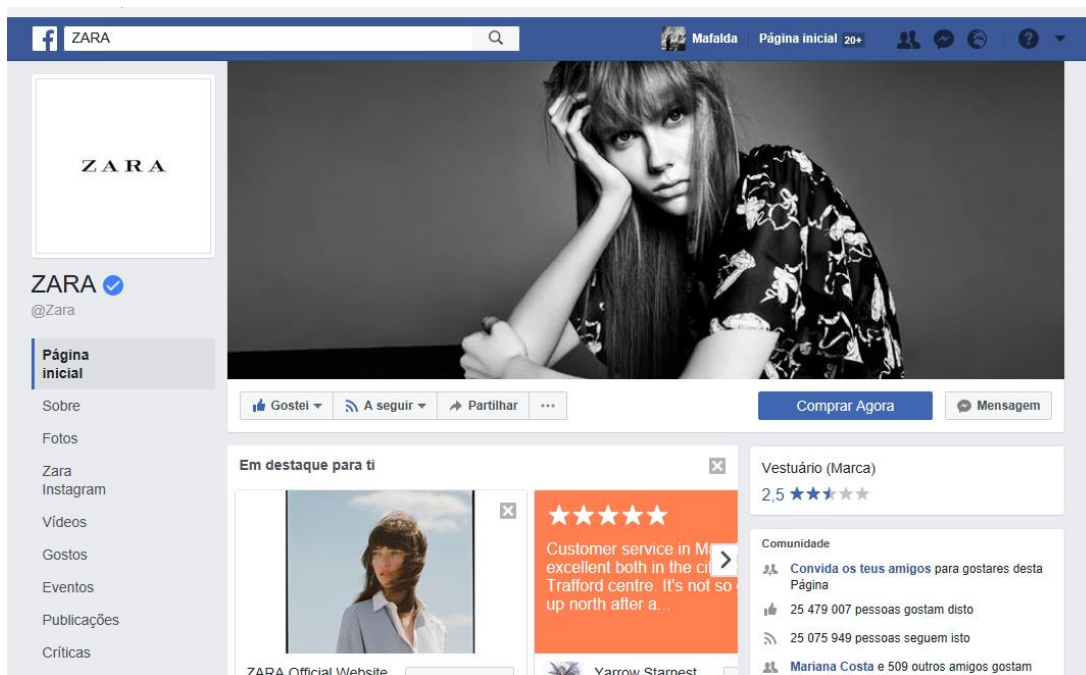


Figure 20 - Zara's Facebook Account
Source: Zara's Official Facebook

Attachment 27: Zara's Social Network – Twitter Account



Figure 21 – Zara's Twitter Account
Source: Zara's Official Facebook

Attachment 28: Zara's Social Network – Pinterest Account

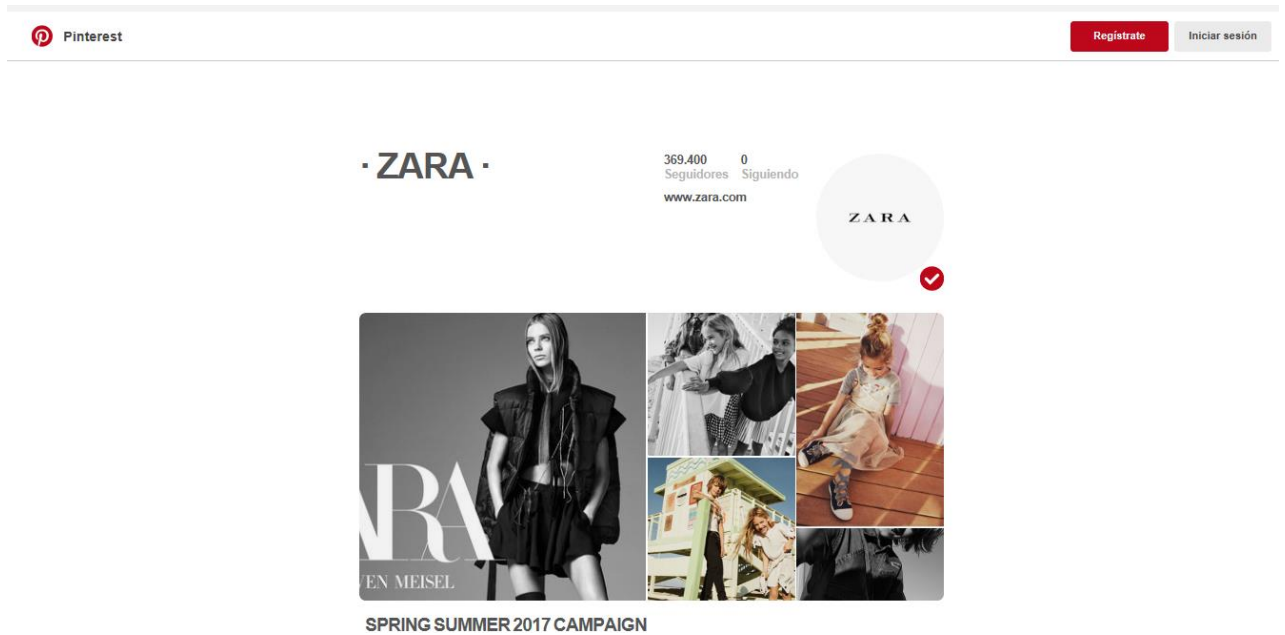


Figure 22 – Zara's Pinterest Account
Source: Zara's Official Pinterest

Attachment 29: Zara's Social Network – YouTube Account

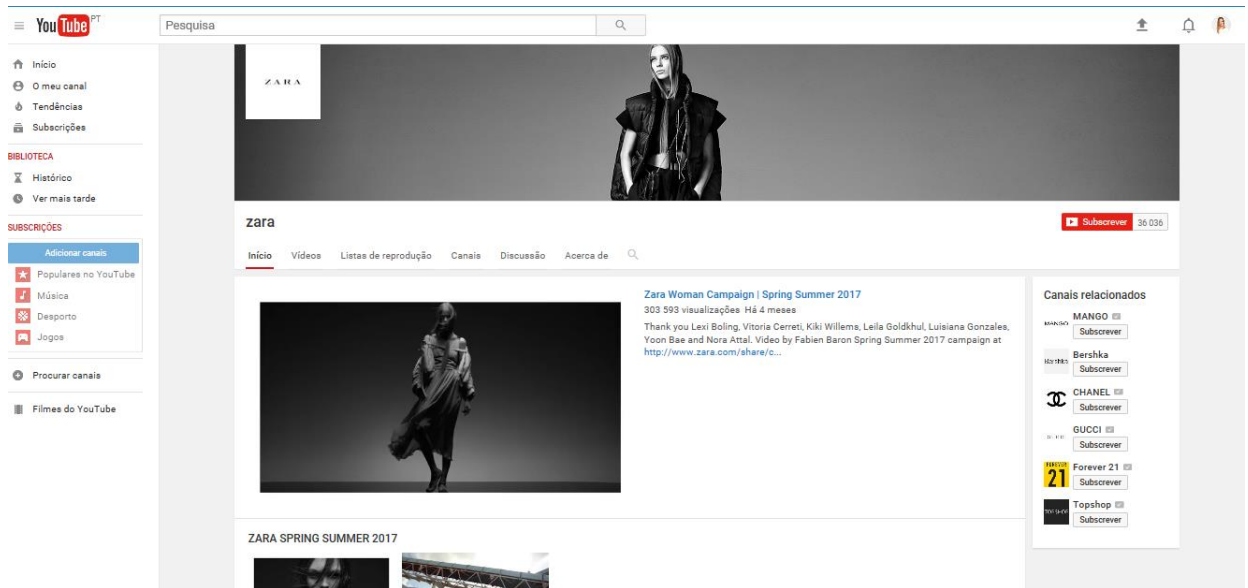
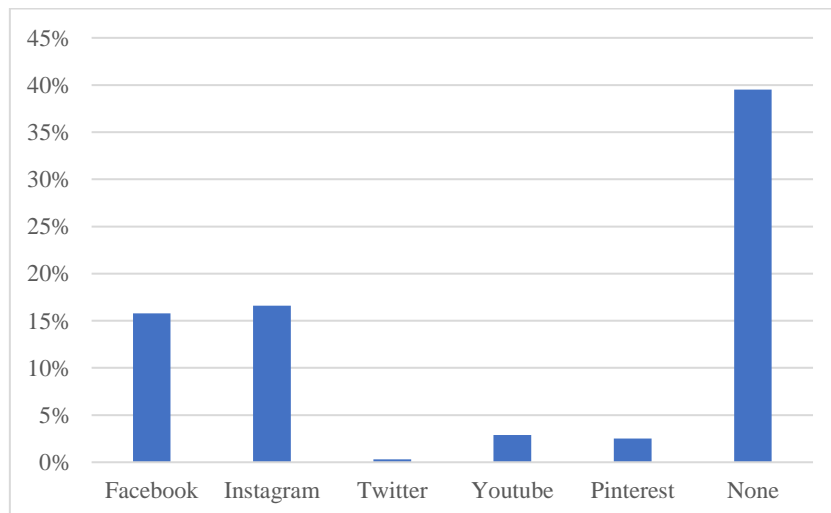


Figure 23 – Zara's Youtube Account
Source: Zara's Official Youtube

Attachment 30: From all Zara's social networks, which one do people follow more.



Graphic 11 – Which Zara's Social Networks do people follow.
Source: Market Research

Attachment 31: Self-checkout service.



Figure 24 - Self-checkout service.
Source: Google

Attachment 32: Dressing room touch-screen.



Figure 25 – Dressing room touch-screen.
Source: Google

Attachment 33: H&M collaboration with Celebrities – Lana Del Rey

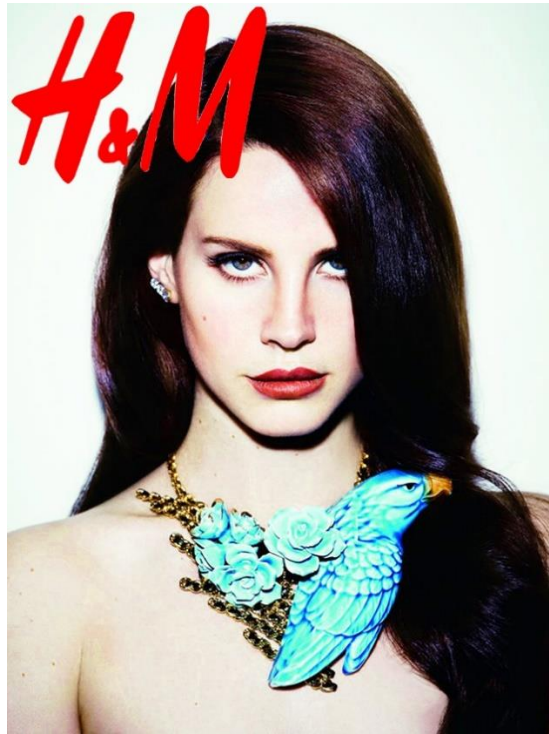


Figure 26 – H&M collaboration with Lana Del Rey.
Source: Google

Attachment 34: H&M collaboration with Celebrities – Madonna



Figure 27 - H&M collaboration with Madonna.
Source: Google

Attachment 35: H&M collaboration with Celebrities – David Beckham



Figure 28 - H&M collaboration with David Beckham..
Source: Google

Attachment 36: H&M collaboration with Famous Designers – Karl Lagerfeld

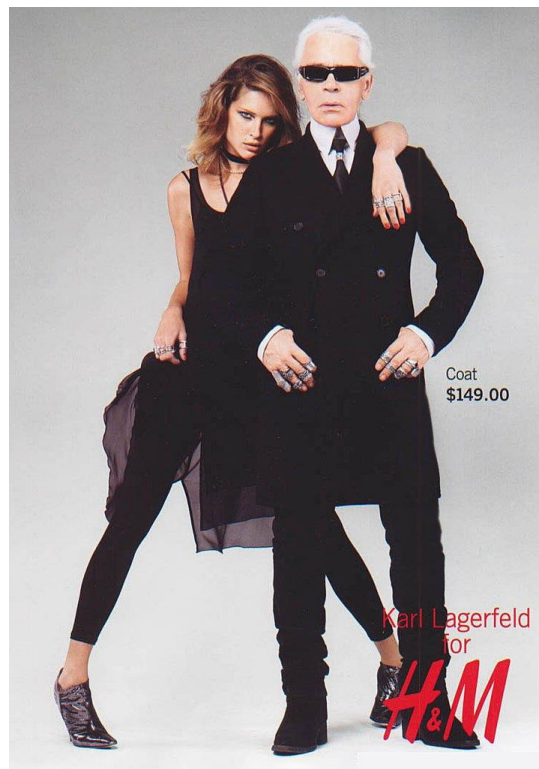


Figure 29 - H&M collaboration with Karl Lagerfeld.
Source: Google

Attachment 37: H&M collaboration with Famous Designers – Roberto Cavalli



Figure 30 - H&M collaboration with Roberto Cavalli.
Source: Google

Attachment 38: H&M collaboration with Famous Designers – Jimmy Choo



Figure 31 - H&M collaboration with Jimmy Choo.
Source: Google

Attachment 39: H&M collaboration with Famous Designers – Versace



Figure 32 - H&M collaboration with Versace.
Source: Google

Attachment 40: H&M collaboration with Famous Designers – Balmain



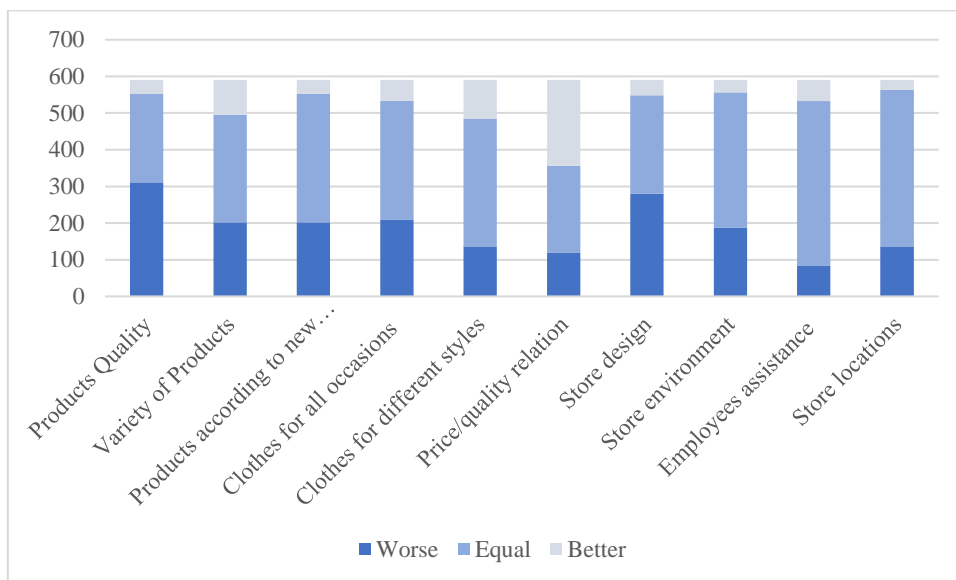
Figure 33 - H&M collaboration with Balmain.
Source: Google

Attachment 41: H&M collaboration with Famous Designers – Kenzo



Figure 34 - H&M collaboration with Kenzo.
Source: Google

Attachment 42: H&M characteristics comparing with Zara's.



Graphic 12 - H&M characteristics comparing with Zara's.
Source: Google

2. Academic Notes

2.1. Target

This case study was developed mainly for undergraduate and master students in the areas of Marketing and Management which aim is help them developing knowledge about the retail industry, the management of a big company and to let them know everything about Zara and Inditex.

2.2. Learning Objectives

The main goal of this thesis is to study the strategy of Zara as being the Fast Fashion Pioneer. In this way, this case study was developed with the following educational objectives:

- Understand the Fast Fashion Concept;
- Comprehend that the main strength of Zara is the Supply Chain, and know how to explain the process;
- Understand everything inside the company: supply chain, management, marketing strategy, the importance of the consumer, sustainability concerns;
- Know a bit more about the main competitor H&M;
- Understand how they face cultural differences around the world;
- Comprehend if the shopping behaviour is distinct around the different generations;
- Study Zara's online strategy;
- Understand the brand perception awareness of Zara, according to their customers;
- Understand if people know which brands belong to Inditex.

2.3. Literature Review

2.3.1. Retail Industry

Retail is the process of selling goods or services to a final consumer. First, the demand is identified and then satisfied through the supply chain.

Powerful retailers' groups have been changing in the past years, using their buying and bargaining power to ask for flexibility in production networks and low costs from suppliers (Gereffi, 1996).

According to Sels & Huys (1999): "Instead of clothing manufacturers *pushing* fairly standardised products through the chain, a greater variety of products are now *pulled* through the chain by retailers. Smaller quantities of more varied goods and more sophisticated products replenishments schedules enabled retailers to respond more accurately to consumer purchasing behaviour."

The Apparel industry was an industry characterised by standardised production for a mass market, supplying many retailers usually with products for two to four seasons (Taplin & Winterton, 1995). However, many retailers looked for ways to significantly lower their operation. With an increase in the number of seasons with a lower number of goods, they were able to reduce the time between the order and the sale and so reducing the inventories (Sels & Huys, 1999).

For a retailer to be successful, they have to identify the trends and be able to adapt quickly to the changes in such a dynamic market. Retailers have been using technology as a method to better identify these new trends in the market, with stores data that can give them access to real-time sales information and order smaller quantities of goods much more frequently. This can reduce the inventory costs and keeps retail prices low.

Sandberg, in his article *Business trends and logistics challenges in the Western European retail industry* (2011), identified some Business trends in retail companies from Western Europe:

- **Geographical Expansion:** Eastern Europe markets, with a higher GDP-growth, have less competition than Western Europe markets;
- **Private Labelling:** private labels have made consumers loyal to the stores;
- **Specialisation of different store concepts;**

- **Consolidation and vertical integration:** This strategy can help companies reducing costs and improve efficiency, reducing transportation costs and turnaround time.

According to Bushman (1993) and DeWulf (2005): “Private labels are brands owned by the retailers and sold exclusively in their stores, being part of retailers’ business”. The use of private labels by the retailers can give them a strategic differentiation and turn it into a competitive advantage.

Private labels are giving the retailers a contribution in capture higher market shares, achieving higher profits and also offering to customers’ products similar to others in the market but at fair prices (Hoch and Banjeri, 1993).

The introduction of private labels can bring many benefits for the retailers and become important for the retailers’ business:

- Strategic benefits like improving the store image, loyalty and differentiation (Ailawadi et al., 2008; Corstjens and Laj, 2002; Burt, 2000);
- Increasing in the revenues (Ailawadi and Harlam, 2002; Hoch and Banjeri, 1993);
- The bargaining power over manufacturers increase (Gomez and Benito, 2008; Pauwels and Srinivasan, 2002; Farris and Ailawadi, 1992).

2.3.2. Logistics

Logistics has become more important and, for retail companies without unique production or lucrative patents, logistics can give to the company a sustainable competitive advantage (Sandberg, 2011).

Logistics is defined as “the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods including services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.” (CSCMP, 2012).

However, logistics also have some challenges that made retailers change their strategies. Sandberg identified the following:

- **Extended domain of control:** Like Inditex, in the past years the retailers have extended their domain of control in the supply chain;

“For retailers, it is no longer a question of buying from companies or placing orders with shippers; it is rather a question of managing a process which covers everything from the sources to the delivery to the stores.” (Renko and Ficko, 2010).

- **New requirements on logistics capabilities:** Inditex, for example, has the control and integration of all operations in the production chain, a frequent renewal of goods in the stores, a reduced design-to-retail cycle and the whole centralization of distribution (Tokatli, 2008; Rohwedder and Johnson, 2008; Tokatly and Kizilgün, 2010);
- **Use of technology:** Developing technology will make all the logistics operations in retail companies more efficient and will improve logistics performance;
- **Support of geographical expansion.**

“For logistics to be efficient, it is crucial to have a fast transport. Inditex optimises the transport methods and redefines the routes established by the logistics departments of each of the group’s brands to make distribution costs for the goods as inexpensive as possible.” (Orcao & Pérez, 2014).

The air transport has become the most used transport method because make the process of bringing fashion to the market faster.

2.3.3. Fashion Industry

The textile sector has a really strong competitive environment, and if a company wants to survive in it, they need to adapt and improve themselves more and more every day. To a company have a good performance, they need to focus on four processes: operations strategy formulation and deployment, new product development, new process development and supply chain management. (Bilalis, N. et al., 2006).

Usually, the channel of distribution is composed of five agents: designer, manufacturer, wholesaler, retailer and consumer. The **designer** identifies trends and creates them, and then the **manufacturer** is responsible for produce that items. The **wholesaler** is the one that keeps high quantities of products to sell to the **retailers** in smaller quantities. The retailer is the final agent that sells the products to the end user, the **consumer**. (Bickle, 2011).

According to Godin (2008): “In a successful fashion company, the marketing efforts do not support the organisation. The organisation supports the marketing.”

If the company's marketing is not carefully defined, the company's goals will not be achieved. A good marketing is essential to the company's success. Marketers have the job to send the message and express the fashion to the customers. (Bickle, 2011).

As Bickle wrote in her book *Fashion Marketing: Theory, principles & practice* (2011): “Marketing messages have to be clear, believable, understandable, memorable and able to create a relation between the needs and the wants of the consumers.”

2.3.3.1. Fashion and the Entertainment Industry

Fashion is about to see and to be seen. Celebrities, actors, musicians, television personalities and all the famous people are most of the time dressed for some known brand and the purpose is only that: to be seen wearing that brand. Shows like the Oscars or the Grammys are seen not only for the awards but also because of the Red Carpet. Everyone wants to see what celebrities are wearing and how they wear it. Fashion specialists are always looking and analysing the clothes, accessories and the hair looks that celebrities use. Fashion become one important part of the success of a personality. Moreover, for the designers and retailers, become a way of selling and promoting their brands. (Bickle, 2011).

According to Bickle (2011): Several brands and companies look for a celebrity to endorse them. Celebrity endorsement is a common marketing strategy, where celebrities use their status to promote a brand. Also, several celebrities end up developing their own lines of fashion. This is an effective strategy because celebrities have numerous fans that are always following their lives: where they go, what they drink, and their hobbies and of course, their closet.

In the past few years, fashion bloggers became the biggest web revolution. They turn into developers and trend communicators. From fashion to lifestyle and beauty, everything can be found on a fashion blog. Brands are using bloggers to promote their products/services more intimately since bloggers can build a loyal and trust relationship with their followers. (Santos, 2014).

2.3.4. Fast Fashion

“The fast fashion business model involved stocking inexpensive fashion-forward items in limited quantities that would encourage frequent store visits and purchases. These retailers are fashion-orientated, spotting trends and copying new designs from fashion shows, so then they can produce it quickly in their own retail outlets.” (Reinach, 2005).

In recent decades retailers have changed the fashion industry, adopting a new strategy known as Fast Fashion in which they bring new trendy and affordable items to the market. This new strategy describes the ability of retailers to adapt to new trends as fast as possible. (Sull & Turconi, 2008).

According to Sull & Turconi (2008): “Fast fashion retailers have replaced the traditional designer-push model with an opportunity-pull approach, in which retailers respond to shifts in the market within just a few weeks” while in the industry the average time is six months.

The fast fashion retail business has been growing since the past years due to the increasing demand for fashion and luxury lifestyle. Consumer behaviour starts to change. With a larger social mobility, an increase in middle class and of the urbanisation, and a growth of shopping malls it led to a creation of a less exclusive ‘fashion system’ (Entwistle, 2000). Lifestyle and trends in fashion are constantly changing, so the retail companies started to be flexible adapting to different customer demand.

According to Zukin (2005): “Advertising, merchandising and marketing sustained a culture of consumption. Brand awareness is now pervasive, and consumerism has become a rite of passage for most teenagers as they learn who they are by what they wear.”

Fast fashion retailer to succeed must have ‘situation awareness’ as Sull and Turconi (2008) call. That means to identify trends but have the ability to change the preferences of the consumers and create a need that didn’t exist before. “They must refresh their inventories more frequently if they hope to capture the fast fashion crowd.”

2.3.5. Strategy

According to Michael Porter (1996), we can define a strategy based on three different topics: creating strategic positions, making trade-offs and creating a fit among the company's activities. "Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value."

The strategy is about creating a valuable position, choosing to perform different activities from rivals. That strategic positions can emerge from three different ways: variety-based positioning (when a company produce specific products or services using different activities), needs-based positioning (when the same customer has different needs in different occasions) and Access-based positioning (when the needs of customers are similar, but the way to reach them is different). (Porter, 1996).

However, defining a strategic position is not enough to have a sustainable advantage because competitors can easily imitate it. That is why we can talk about the importance of the second topic: trade-offs.

According to Porter (1996): "Trade-offs are essential to strategy. They create the need for choice and purposefully limit what a company offers." Trade-offs can appear on three different occasions. First, if there is an inconsistency between the reputation of the company and the value of the service they deliver. Second, from the inflexibility regarding resources and people that are needed for different situations. And third, trade-offs can appear because of the limits on internal management.

Trade-offs will help the companies to choose what to do, and what not to do.

At last, Porter defines strategy as the creation of a fit between all the activities of a company. This fit will improve the operational effectiveness of a company, as gets harder for competitors to imitate. When some activity has a poor performance that will reduce the performance of all the others. As well if some activity improves, that will improve all the others. (Porter, 1996).

2.3.6. Branding

Branding is used by the company as the main strategy to build a sustainable advantage and to differentiate from the competitors. A successful branding has a lot of advantage, as well as if the branding goes in the wrong way it can bring huge damages for the company.

O'Malley (1994) defined a brand as: "A name, symbol, design, or some combination which identifies the product of a particular organisation as having a substantial, differentiated advantage."

One of the most relevant aspects of Branding is the brand personality because when companies build an emotional link between the brand and its consumer, the easiest it is to achieve the brand loyalty. (Baum, 1990).

Scott MacStravic (1999) identifies seven different approaches to branding, with different potentials and limitations:

1. **Smoke-and-mirrors branding** that focuses on advertising and is usually used with products that have no advantages except in perception itself;
2. **Features-based branding** that put the focus on things that the seller is proud of. However, it happens that it can be interpreted in different ways, with different consumers;
3. **Event-based branding**, focusing on events that happen. However, like the previous approach, it can be interpreted in different ways among consumers;
4. **Attribute-based branding**, when desirable and positive attributes are used in branding;
5. **Results-based branding**, based on results that already happen or that can happen in the future. All the customer wants results, but promising them can be risky;
6. **Value-delivered branding** that focuses on the benefits and the costs delivered;
7. **Value-gained branding** that focuses on the impact that the product had on the life of the consumers.

Larry Percy and John Rossiter (1992) explain that when a company is defining an advertising strategy, they must be careful about two important points: brand awareness and brand attitude.

2.3.6.1. Brand Awareness

According to Percy and Rossiter (1992), brand awareness can be described as “a buyer’s ability to identify a brand within a category in sufficient detail to make a purchase”.

One crucial point in communication is when consumers can recognise a brand at the purchase moment. Although it is crucial to the companies to know the difference between recognition and recall. Brand recognition is when the brand awareness comes first. In the purchase moment, the buyer when recognises the brand has reminded the type of product they need to buy. When we talk about the brand recall is the opposite. The buyer has in mind the category of the product they need. In the purchase moment, they recall one or more brands to make the decision. (Percy and Rossiter, 1992).

According to Percy and Rossiter (1992): “The important thing to understand is that brand awareness is a function of whether or not recognition of the brand drives category need (recognition awareness) or whether category need drives brand awareness (recall awareness).”

2.3.6.2. Brand Attitude

Percy and Rossiter (1992) look to Brand Attitude as “a buyer’s overall evaluation of a brand with respect to its perceived ability to meet a currently relevant motivation”.

They defend that the way a consumer evaluates a brand is related to the current motivation. Consequently, they describe four characteristics to better understand the brand attitude: It depends on in the current motivation of the buyer, it involves cognitive and affective components, the cognitive component can contain benefit beliefs and that the brand attitude is a relative construct. (Percy and Rossiter, 1992).

2.3.7. Market Fashion Globally

For a company that decides to market globally achieve success, it is crucial that they can adapt to distinct cultures and the capacity to reach the consumer acceptance for its products and services. Merchandise is being worked to discover the best way to adapt to the distinct cultures of each country. Even if the product stays the same, the marketing message needs to be adapted. (Bickle, 2011).

The process of entering in the global marketplace is complex, so there are some steps that should be followed in this process. Bickle (2011) identifies nine sequential steps to be taken in the process:

1. **Review Global Marketing Environment.** The company should understand all the governmental regulations involved in each country, as well as the cultural as social characteristics.
2. **Decide to enter the Global Marketplace.** The company have to decide if they are ready to take this step, or if they are not. Moreover, if they are, they have to develop specific skills for it.
3. **Select the Global Marketplace.**
4. **Decide how to enter the Market.** Decision-based on the risk that the company is willing to take.
5. **Select a Global Marketing plan.** Companies can use the standardised marketing mix, or they can adapt to the needs of the target market.
6. **Select a Global Marketing organisation.**
7. **Implement the Global Marketing plan.**
8. **Evaluate the results of the Global Marketing plan.**
9. **Make decisions to further Global plans.**

According to Bickle (2011): A company should always take the community into consideration when they are planning their marketing. To better understand the culture of a specific country, is important to understand also the national holidays so they can respect their beliefs and plan things in the best way.

Make a deeper study about that country, is helpful to decide if they should launch some product or nor. For example, the colours can have different meanings in different countries. Once the company understand the culture, the company can reach consumers (Bickle, 2011).

2.3.8. Ways of Shopping

Bickle (2011) in her book "Fashion Marketing" identifies three types of selling avenues: brick-and-mortar stores, direct marketing and e-retailing.

Brick-and-mortar retail refers to organisations with a physical presence (store, building). Several consumers prefer to shop in brick-and-mortar stores because they feel more familiar with the physical shopping activity (Curah, 2003). This is the dominant form of shopping fashion (Bickle, 2011).

Direct Marketing is a way to sell through direct mail, telephone, catalogue retailing, mail-order, flyers and newspapers (Ostrow & Smith, 1988). Direct Marketers depend on a database, with all the current consumers, potential consumers and persons who fit in the target market (Bickle, 2011). This is a convenient way of shopping, once consumers can make order 24 hours a day, seven days a week, and they can make it in the comfort of their homes (Mathwick et al., 2001).

E-retail is when retailers sell products or service via the Internet, and even though is seen as a direct marketing channel, is considered an independent channel because it has become one of the most used channels (Bickle, 2011).

Sophia, Wang and Wang (2006) support that online stores have some advantage compared with brick-and-mortar stores, once that they offer to the consumers a larger range of products and services and are more convenient when it comes to delivery and payment arrangements.

Although, those who are big fashion followers, like to search for products in various retail locations. They feel the need to buy clothes that are unique and different from everyone. This is named cross-channel shopping. (Bickle, 2011).

2.3.8.1. Online Shopping

Since 1980, the world has changed with the introduction of the Internet, and because of its characteristics has been growing since then. Ko et al. (2004) and Koyuncu and Lien (2003), talk about the internet as a useful way to communicate, entertain and educate. On the other hand, is also changing the way consumers shop.

Online shopping is seen by the consumers as a convenient way to shop, but also a way to save time (Pate and Adams, 2013).

The Internet is also changing the business world, making possible to retailers to offer a wide range of products and services, to all consumers in any point of the world (Lim, Yap and Lau, 2010). Nowadays there are many online shopping websites, although Gupta (2013) emphasise that eBay and Amazon.com are the largest online retail corporations that have taken online shopping to an entirely new level.

In the beginning, consumers used the internet mainly to purchase airline tickets, make hotel reservations, purchase movie tickets and books. Nowadays people are using online shops mostly to buy apparels, cosmetics, accessories and shoes (Dhanapal et al., 2015).

2.3.9. Generations of Consumers

Many researchers have been studied consumption behaviours. Schewe et al. (2000) defend that generational cohorts are the best way to segment the market, because not only the age is important, but also the consumer motivation, values and beliefs.

According to McCrindle and Wolfinger (2010): “a generation can be seen as a group of people born in the same era, shaped by the same time and influenced by the same social markers – a cohort united by age and life stage, conditions and technology, events and experience”.

These events and experiences will reflect in their values relating to job, money, tolerance and even sexual behaviour (Meredith and Schewe, 1994). Consequently, the values, beliefs and expectations will influence purchase patterns and shopping behaviours (Parment, 2011, 2013). A good understanding of a certain generation is essential to know exactly how to reach them (Smith and Clurman, 2010).

Gurau (2012), identified three cohorts: Baby Boomers, Generation X and Generation Y. And more recently a new generation was born, the Generation Z.

Baby Boomers are those who born between 1946 and 1964. They give value to individualisation, self-expression and optimism (Walker, 2003; Bailor, 2006) and usually define themselves by their careers, having the idea that we should have just one just in our life (Musico, 2008).

The boomers feel attracted to new products and technologies that can make things easier and that will make them save time. This generation are the main consumers of travel, expensive restaurants, second homes for vacations, personal trainers, etc. (Moore and Carpenter, 2008).

According to Williams and Page (2011): “They will be less price sensitive if they believe they are getting a superior product and good value”.

Generation X was born during 1965 and 1977, and they reached adult ages during complicated economic times (Regnier, 2009). This generation grew in a time where both parents work a lot, and many couples were facing divorce, so they became independent since young (Barford and Hester, 2011). They are pessimistic, sceptical and use to question the conventional (Moore and Carpenter, 2008).

When we talk about purchasing behaviour, Generation X want to know which features the product has and why that features are important (Himmel, 2008). They are known as being disloyal to brands and as consumers, they look for convenience (Williams, 2005).

Generation Y (known as the Millennials) born during 1977 and 1994 grew during a period of economic growth, strong development of the social media and reality television (Parment, 2011). They are defined as being confident, optimistic in a way that they like to take positive actions when things go wrong (Kim, 2008).

For Millennials, survive is to be online, so the technologies are present in everything they do: friendships, social interactions, civic activities and hobbies (Palfrey and Gasser, 2013). They do not see shopping as the simple act of purchasing, but as a way of entertainment and they use to make decisions faster and with less deliberation (Parment, 2009).

This generation wants products that can match with their personality and lifestyle (Phillips, 2007) and when it comes to brand loyalty, it has quick changes according to the changes in trends (Reisenwitz and Iyer, 2009). The Millennials are seen as the key for e-commerce, being the ones that spend most on it, even though having less income than the previous generations (Forrester, 2012).

Generation Z was born after 1994. According to Williams and Page (2011): “Their parents marry later and are less likely to get divorced. They face global terrorism, the

aftermath of 9/11, school violence, economic uncertainty, recession and the mortgage crisis.”

This generation not only is completely addicted in technologies, but they are shaped by the technology (Simon, 2009). They are known as confident and optimistic, and they believe that they can create impact in the world (Matthews, 2008).

When it comes to consumer behaviour, they think a lot about what they are going to wear. Not only the fashion, but the music, cosmetics and video games are essential to feeling like they can fit in the society. Some researchers' belief that this will be the generation with less healthy habits and overweight. (Matthews, 2008; Grier et al., 2007; Hawkes, 2007).

They are the generation that will continue the trend of technology use and are the first generation that is independent in that use. They do not need anyone to teach them how to gather information (Williams and Page, 2011).

2.3.10. Store Experience

For retailers to succeed and have a competitive advantage, it is crucial to build and maintain strong relations with their customers. One way to make them loyal and keep them satisfied is creating a good shopping experience inside the stores.

The customer experience involves various elements like store atmosphere (store design, store layout, music, lights, space) (Yoon, 2013; Baker et al., 2002; Bitner, 1992), the quality of the salesperson service, quality of the merchandise sold and the enjoyment from shopping (Das, 2014). All these attributes will add value to the store, will generate customer satisfaction and customer loyalty (Labeaga et al., 2007). Doing this, a retail store can create a strong advantage, differentiating from the competitors (Kumar and Kim, 2014).

Retailers have to carefully manage every part of the shopping trip like every contact points, store layout, products exposition, employees properly trained, store atmosphere (Kotler et al., 2009), because all these elements have to influence on shoppers' happiness and satisfaction. Moreover, once they are satisfied, they are more likely to spend more time and more money in the store.

It is known that consumers go shopping not just because they need something, but also for enjoyment or even social interaction. (Ratneshwar, Mick and Huffman, 2000; Tauber, 1972; Arnold and Reynolds, 2003; Fiore and Kim, 2007; Puccinelli et al., 2009).

Wagner's (2007) did a study where it defends that the same shopping experience can have different impacts on life satisfaction across shoppers. Attributes like pricing, store atmosphere, salesperson service can have a different impact on values like the quality of life, happiness, satisfaction, joy.

Retailers create shopping attributes according to a specific shopper segment (e.g. Huddleston et al., 2009). Moreover, customers with different characteristics can give different importance to attributes like price, store environment, courtesy of personnel and product assortment. (Carpenter and Moore, 2006).

2.3.10.1. Visual Merchandising

Visual Merchandising is the most important Marketing tool that can turn the store experience in a moment of pleasure and enjoyment (Davies and Ward, 2005). Also, is the best way to communicate what the brand is, and when is done in the correct way, can attract many customers and create an advantage compared with the competitors (Rahma and Purwanegara, 2013).

According to Mills, Paul and Moorman (1994) visual merchandising is “the presentation of a store/brand and its merchandise to the customers through the teamwork of store's advertising, display, special events, fashion coordination, and merchandising departments in order to sell the goods and services offered by the store/company.”

Some important components of visual merchandising are store-window, the layout and organisation, lights, temperature, colours, music and fragrances.

The first impression costumers get about some store, is through the store window. This component is essential for a shopper to decide if they want to go inside the store, or if they do not (Rahma and Purwanegara, 2013). Store-windows should be designed with the purpose of showing what the brand represents (Sen et al., 2002).

Stores should be organised to show to costumers a clear route where they can look for the products, and if these routes are not so full, it can turn the shopping experience much

more enjoyable. It is also important that the products be always available for clients, so the store does not lose that sell (Tlapana, 2009).

The lights are one of the factors that contribute more to the visual merchandising; they can highlight specific products and attract more attention of the consumers. Lights also contribute to consumer behaviour and the mood inside the store (La Giusa and Perney, 1974).

The positioning of the lights, the colours, the music and the fragrance are aspects that attract customers, giving them positive emotions that contribute to the creating of a relationship between the customers and the brand (Spangenberg et al., 2006).

2.4. Methodology

Exposed the main ideas about this case study, it is important to explain the methodology used to explore this study.

I used Secondary data and Primary data, to collect information about the company and their consumers. Firstly, about Zara, it was important to understand everything inside the company: their supply chain, the strategies (product, employees, suppliers, management, sustainability concerns and internationalisation), marketing and the way they communicate. And secondly, understand the importance that the consumers have to the company, and study their consumer behaviour taking into account their generation.

The **Secondary Data** is the data that has already been collected and published by other people. I collected data from books, academic papers, Inditex and Zara's website and annual reports, articles from magazines and newspapers, and all the information available on the internet that was useful for my research.

The **Primary Data** is the data that was collected by me to improving my research with different information. I did an online survey to measure the consumer behaviour (online shopping and physical shopping) and the brand perception.

The survey has closed questions and open questions to study the directed and spontaneous notoriety, respectively.

The analysis and resolution of this case study require a set of quantitative and qualitative information in order to have a more in-depth analysis.

The quantitative tools used in this case study were as follows:

- The contribution of each brand to the Inditex total sales;
- The number of stores at the end of 2015, of each brand of the group.

On the other hand, the qualitative tools will help us understand better the resolution of the case:

- The history of the mother company Inditex is essential to know how everything began;
- A short presentation of each brand, with the year of foundation and the concept, is important to know better the company;
- The history of Zara and how they started their expansion will help us understand how they achieved the success;
- The development of each area of Zara is the best way to understand the company as a whole;
- The history of H&M, the main competitor of Zara, will help us comprehend the differences in the way they defined their strategies;
- The strengths and weaknesses, main challenges and adversity of the company are important elements in analysis to help the construction of the SWOT analysis;
- The Literature Review is important to deeper understand the tools behind the case.

2.5. Animation Plan

Lecture Phase	Task	Action Plan	Time
1st: Class	Develop the student's interest for the case study.	<ul style="list-style-type: none"> ▪ Distribution of the case study to the students; ▪ Brief introduction of Inditex and Zara history; ▪ Brief study about Zara's strategy; ▪ Creation of work groups. 	90min
2nd: Homework	Understand the case.	<ul style="list-style-type: none"> ▪ Individual reading and comprehension of the case; ▪ Complementary research for the resolution of the case; ▪ Initial group analysis. 	120min
3rd: Class	Understand the case; Zara's Strategy.	<ul style="list-style-type: none"> ▪ In-class discussion of the first impressions of the case; ▪ In-class discussion about Zara's strategy in the physical stores; ▪ In-class discussion about the evolution of their online presence. 	90min
4th: Homework	Understand the case.	<ul style="list-style-type: none"> ▪ Additional research (academic papers, books) to a deep comprehension of the case; ▪ Deep analysis of the case study, and discussion in group. 	120min
5th: Class	Study the generation of consumers; Case Study questions presentation.	<ul style="list-style-type: none"> ▪ Study and discussion about the different generation of consumers: baby boomer, generation X, generation Y and generation Z; ▪ Presentation of the Case Study questions. 	90min
6th: Homework	Case study resolution; Presentation preparation.	<ul style="list-style-type: none"> ▪ Additional research (academic papers, books) for the resolution of the case; ▪ Resolution of the questions; ▪ Preparation of the presentation. 	120min
7th: Class	Case study presentation and discussion.	<ul style="list-style-type: none"> ▪ Group presentation of the resolution of the case and discussion; ▪ Debate between groups; ▪ Final conclusions by the teacher. 	120min

2.6. Animation Questions

- ❖ **Question 1** – Which are the main points of Zara’s Strategy?
- ❖ **Question 2** – What are the main strategies of Zara in their physical store?
- ❖ **Question 3** – How Zara has increased their online presence, and what strategies they use online?
- ❖ **Question 4** – Study the consumer behaviour taking in consideration the different generations.

2.7. Case Study Proposal Resolution

The following questions are examples of key topics of interest, and students should mention in the resolution of the case study.

- ❖ **Question 1: Make an analysis of the company considering the SWOT model.**

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Strong Supply Chain Management ▪ In-house production ▪ Stores strategically located ▪ Situation Awareness ▪ Fashion for Affordable Prices ▪ Collections that are always changing 	<ul style="list-style-type: none"> ▪ No investment in Advertising ▪ Low inventories in-store ▪ No collaboration with well-known fashion designers
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Growth of Online Market ▪ Growth of Fashion Market 	<ul style="list-style-type: none"> ▪ High competition

Strengths

Strong Supply Chain Management - Zara adopted vertical integration in its supply chain, it means that the major part of the stages of production takes place in their factories. This way, Zara can follow new trends and respond to the fast changes in the demand in a quick way. Unlike most of their competitors, Zara just take two/three weeks to design new products, produce and put them available at the stores.

In-house Production - The major part of the production takes place inside their own factories. Zara controls the design stage, production, distribution centres and transportation. The in-house production allows them to be flexible in the amount, frequency and the variety of new products that are about to get launched.

Stores strategically located - Their marketing strategy is to invest a huge amount of money in their stores, opening in the main shopping centres of each city.

Situation Awareness - The thing that can differ Zara from the competitors is their ability to recognise a pattern in shopping behaviours and with that, be clever enough to anticipate what is going to happen next. What people are going to look for to buy next? Through sales data and customer feedback, they defined the fashion that will be launched in the coming weeks.

Fashion for affordable prices - Zara sells high-end fashion and the latest fashion trends for affordable prices.

Collection that are always changing - Zara's season's line constantly changes. At the beginning of each season, only 50% to 60% of the products are completed. The rest is design and produces in the middle of the season.

By identifying new trends, Zara is able to produce that new trends. Even if they launched some products that in the end did not sell what was expected, they have the opportunity to modify that product and launched new ones.

Weaknesses

No investment in Advertising - Zara, unlike their competitors, spends only 0,3% of its revenue in the advertisement. They rather invest everything in their stores.

Low inventories in-store - Zara's store receives goods twice a week, deliveries in small batches because it is a way to reduce the cost of having too many inventories. However, on the other hand, they have few quantities of each product. When a client goes to their stores looking for a specific product, and that product are not there anymore, they can lose that sale.

No collaboration with Fashion Designers - Unlike their major competitor, H&M, Zara does not invest in collaborations with well-known designers and celebrities.

These collaborations create a lot of interest in customers, especially young costumers, in buying that product. What can be a serious threat to Zara.

Opportunities

Growth of Online Market - World are getting technological, and people are changing the way they shop. Brands are investing even more in the online, because it is a market that is getting more users year by year.

Growth of Fashion Market - The Fashion Market is continuously growing and changing.

Threats

High Competition - Fashion Industry is growing year by years, and more brands are being created among the years. This way the competition is always growing.

❖ Question 2: Understand the brand perception awareness of Zara.

We all know that Zara is one of the most powerful and successful brand in the fast-fashion market. However, it is important to find out how people perceived the brand and why they use to shop in Zara.

Percy and Possiter (1992) identified Brand Awareness as “a buyer’s ability to identify a brand within a category in sufficient detail to make a purchase”.

At the Market Research, 90,3% of the respondents are Zara’s customer and just 9,7% are not. It was possible to verify that the main reasons why people use to shop in Zara are: the location of the stores, a product with a good price/quality relation, products always according to new trends and the fact that the stores always have a huge variety of clothes.

But how do people perceive the brand? According to the market research, on average the respondents evaluated Zara as being good in the following characteristics: products quality, a variety of products, products according to new trends, clothes for all occasions, clothes for different styles, price/quality relation, store design, store environment, employees assistance and store location.

❖ **Question 3: Verify if consumers know which brands belong to Inditex, the same group as Zara.**

Inditex has nine different brands: Zara, Zara Home, Bershka, Stradivarius, Pull&Bear, Oysho, Massimo Dutti, Uterque, Lefties. Zara is, with no doubt, the most powerful brand of the group and also the one that people know better.

At the Market Research, one of the main objectives was to find out if people know which brands belong to the same group of Zara's.

Of all the brands presented in the question, the ones that have highest percentage are the ones that belongs to Inditex: Bershka (78%), Pull&Bear (67,7%), Oysho (53,3%), Massimo Dutti (55,7%), Stradivarius (61,7%), Uterque (25,7%) and Lefties (38,3%).

Although it was possible to conclude that the major part of the respondents did not know all the brands of the group.

❖ **Question 4: How they defined their strategy that made them achieved today's success?**

After Zara verify that the consumers' shopping behaviours were changing, they found the opportunity to become the pioneer at the fast fashion concept.

They are always looking for new trends in the main streets of each city, in the catwalks, magazines, television and so on. They find out what consumers wants at that moment, and in a really fast process, they produce that new trends and put them available in the stores with affordable prices.

Zara created a new era in the fashion market, and their fast way to create fashion and to always follow the latest trends, made high-fashion brands change their strategy.

They can identify trends, design, produce, and distribute to every store in two/three weeks. Every week, Zara's stores have new products and always according to the latest trends.

As their supply chain operates according to a vertical integration, Zara having control in the major part of the production stages, it is possible to make this process in a way that none of the competitors can follow. They centralised the production in Spain and

Portugal, close to their headquarters in Spain, what allows the company to be flexible in the lead times, quantities and frequency.

❖ **Question 5: How they adapt their strategy around different countries?**

In each country, we can find diverse cultures and beliefs, different tastes and styles. For a brand to expand successfully, it is crucial to always take the community into consideration.

Zara shops receive goods twice a week. Each delivery is adapted to local demand regarding models, sizes, seasons and other requirements. (Orcao and Pérez, 2014)

If Zara wants to succeed in every market, they must adapt their collections to the different tastes and trends in each market. They create similar content for all countries, but they follow the rules in the different countries and adapt to the local behaviour and culture.

For instance, according to a Zara designer, Chinese women prefer clothes in pastels tones to favour their pale skin. On the other hand, European women prefer stronger colours. Although, they still have similar tastes. (The Economist, 2012)

As Bickle (2011) said, even if the product is the same, the marketing message needs to be adapted to make possible to reach the consumer acceptance.

❖ **Question 6: Zara's strategy at physical stores and at online stores.**

Zara does not invest in advertisement. Their marketing strategy is to invest everything in their stores, opening them in the main shopping areas in each city.

Their stores have big windows that make everyone that pass by to look, and consequently to enter inside. Inside, everything is white and clean, and all the environment is wisely planned. The lights carefully disposed to highlighting strategic products they want to sell more, the music, the smell. Everything is made to turn the shopping experience enjoyable.

They are working in order to put their stores the more technological as possible. Spite the fact that they plan to make every store eco-efficient until 2020, Inditex is implementing new services in their stores to make the shopping experience better for their customers.

Zara already introduced at some stores in Spain, the self-checkout service. This is making the process a lot easier, and customers are satisfied because they do not have to wait in the line to pay the products anymore.

They also implemented touch-screens inside the dressing rooms, so it is possible for the customers to order different sizes without leaving the fitting room.

Inditex is slow down the physical expansion and is working on the e-commerce presence. The world is becoming technological, more and more every day. So, it is crucial to a brand to follow that trends to keep the success.

The group is working growing in their online presence, but without forgetting the importance of their physical stores, and they are trying to integrate both services. Customers can purchase products online, but they can pick their order at the nearest store.

Customers are buying more online, instead of at the physical stores. For comfort, convenience, and the facility of the process. However, both ways of shop can complement each other.

They are investing a lot online in order to make the online shopping experience as good as the physical one. Their platforms have a great organisation and are always updated.

When we select some product in the online store, it is possible to see photos of the product, in different perspectives and is available a size guide to help us choosing the best size for us.

Zara starts to sell its products online in September 2010 and nowadays is present in 45 online markets. Their online store has been improving over the years, in order to make the shopping experience the more satisfactory and simple as possible.

❖ Question 7: Study the consumer shopping behaviour (online vs store) according to the different generations.

In the past years, researchers have been studied consumption behaviours. This study has been made according to generational cohorts that, according to Schewe et al. (2000) is the best way to segment the market because they share not only the same age but also the consumer motivation, values and beliefs.

Starting with the “Baby Boomers” (more than 52 years), that according to Williams and Page (2011), “are less price sensitive if they believe they are getting a superior product and good value”.

We verify at the Market Research that the major part does not visit Zara’s online platforms. The ones who visit usually is just to see the new products because they prefer to buy in the stores. Those who already bought something in Zara’s online platform, did it because there are more products available online or because the product they wanted was not available at the stores anymore.

Then we have the “Generation X” (age between 38 and 52), that according to Williams (2005) always look for convenience.

The major part does not visit the platforms and the ones who visit usually do it just to see the new products, but prefer to buy them at the physical stores. The majority of those who visit already bought something online and they did it because was easiest and more convenient or because the product they wanted was not available at the stores anymore.

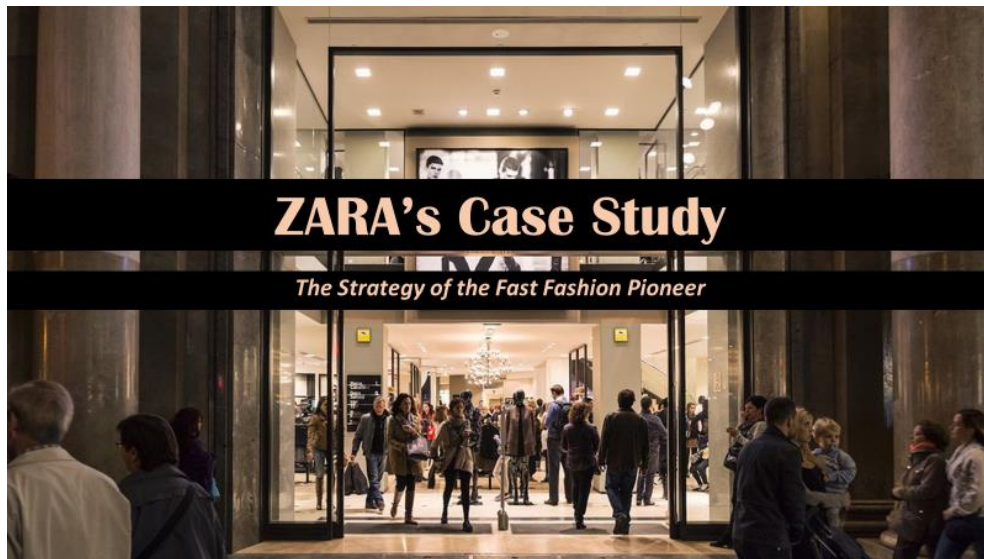
After we have the “Generation Y” or the Millennials (age between 21 and 37), that see shopping as a way of entertainment (Parment, 2009) and are seen as the key for e-commerce (Forrester, 2012).

The major part usually visits Zara’s online platform, and despite the fact that the majority of them visit just to see the new products, a lot of them use it also to shop. The reason for them to buy products online is that is easier and more convenient and because the product they wanted was not available at the stores anymore.

Finally, we have the “Generation Z” (age below 21) that are the generation shaped by the technology.

The major part visits the platforms and uses it just to see the new products because they prefer to buy them at the physical store. Moreover, the majority never bought any product online.

2.8. Resolution Slides



INDEX

- I. Inditex: The beginning of everything
- II. Zara: Fast Fashion Pioneer
- III. Case Study Resolution

ZARA

I Inditex: The beginning of everything

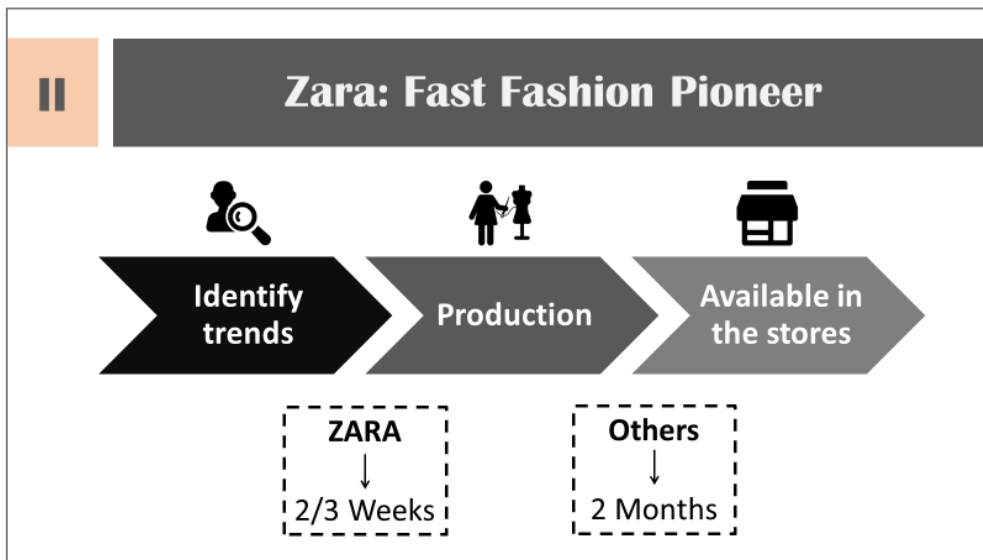
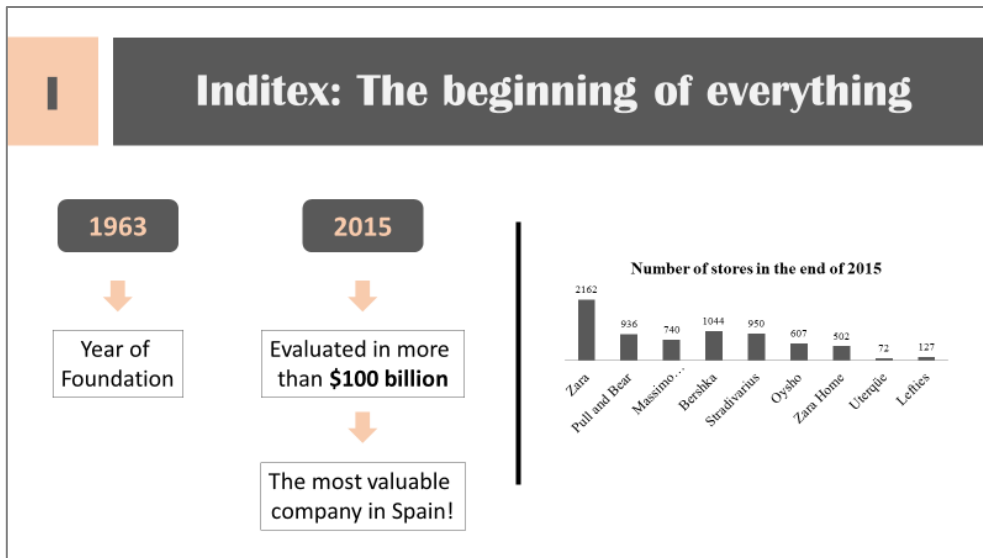


↓
9 Brands

ZARA stradivarius oysho

PULL&BEAR lefties UTERQÜE

Massimo Dutti Bershka ZARA HOME



III Case Study Resolution

QUESTION 1: Which are the main points of Zara's Strategy?





QUESTION 2: What are the main strategies of Zara in their physical stores?

QUESTION 3: How Zara has increase their online presence, and what strategies they use online?

QUESTIN 4: Study the consumer behavior taking in consideration the diferente generations.


III Case Study Resolution

QUESTION 1 Which are the main points of Zara's Strategy?

 <p>Situation awareness. Observing data, looking for new trends in the streets and receiving consumer feedback, they are able to know what people are looking for.</p>	 <p>Supply Chain – Vertical Integration Some stages of production are integrated within the company. A part of the products they sell are produced in their own factories.</p>
 <p>Leader in Fast Fashion. In 2/3 Weeks, they identify trends, produce and put them in the stores.</p>	 <p>Twice a week, each store of the world, receive new products.</p>

III Case Study Resolution

QUESTION 2 What are the main strategies of Zara in their physical store?



Their Marketing Strategy is to **invest everything in their stores.**


↓

- ✓ Open stores in the main shopping áreas of each city;
- ✓ Stores with big Windows that draws attention to all who pass by.

Case Study Resolution

QUESTION 2 What are the main strategies of Zara in their physical store?

- ✓ Inside the stores everything has neutral colors and is clean.
- ✓ The environment is carefully planned to give the consumer a enjoyable shopping experience: the lights disposed strategically to highlight important products, the music, the smell.




Case Study Resolution

QUESTION 2 What are the main strategies of Zara in their physical store?

They want to turn their stores the more technological as possible:

- ✓ Until 2020 every store will be eco-efficient;
- ✓ Already introduced in Spain the self-checkout service;
- ✓ Implementation of touch-screens in the dressing room, where consumers can order some product without leaving there.



Case Study Resolution

QUESTION 3 How Zara has increased their online presence, and which strategies they use?

2010

↓

Start to sell products online

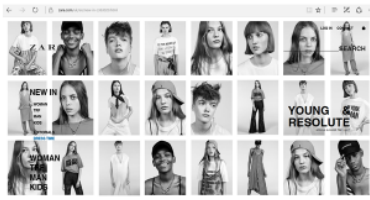
2017

↓

Present in 45 online markets

They are investing a lot and working in order to make the online shopping experience as good as in the physical stores.


Their website is super organized and always updated. And they are always creating new tools to make this shopping experience easier and better. For example, we can find, in each products, suggestions to "wear with".




III

Case Study Resolution


QUESTION 3 How Zara has increased their online presence, and which strategies they use?




Customers can have information about the payment and shipment.



They have available a customer service, where customers can follow the shipping and talk with an assistant in case they need it.



In the App, they have a barcode reader, and customers can use it inside the stores to search for some size for example.



It is possible, when looking for some product, to search if it is available in some store nearby.

III

Case Study Resolution

QUESTION 4 Study the consumer behavior taking in consideration the diferente generations.

	www Visit platforms?	If visit, why?	Buy online?	If buy, why?
Baby Boomer	Major part doesn't	To see the products	Major part doesn't	There are more products available online; The product wasn't available at the stores
Generation X	Major part doesn't	To see the products	Major part doesn't	The product wasn't available at the stores; Convenience

III

Case Study Resolution

QUESTION 4 Study the consumer behavior taking in consideration the diferente generations.

	www Visit platforms?	If visit, why?	Buy online?	If buy, why?
Generation Y	Major part visit	To see the products	Major part use to buy	The product wasn't available at the stores; Convenience
Generation Z	Major part visit	To see the products	Major part doesn't	There are more products available online; The product wasn't available at the stores.

2.9. Contribution to Management

The Spanish retailer Inditex has nine brands, which of Zara is the most important one. Amancio Ortega, the founder, is seen as the man that revolutionized fashion industry and made high-fashion brands changed the way they do business.

Inditex was the pioneer in the Fast Fashion concept. They are always spotting new trends, and are able to respond to the changes in the market in a fast way. In two weeks, they identify trends, produce and distribute the new products to every store around the world. Their business never stops running. Every day, they receive feedback from each store manager and they study that data and create new strategies for the next products they will sell.

Every store of the group receives new products twice a week, so the consumers are encouraged this way to visit their stores more frequently.

Fashion companies are changing the way they produce and sell products too. They stopped to have just two collections per year, to frequently have new products in their stores.

The fashion industry is constantly changing and improving. People are changing their priorities and also the way they shop. If fashion companies want to survive in it, they need to adapt and improve themselves more every day. (Bilalis, N. et al., 2006).

Inditex are improving their business year by year, and nowadays is the most valuable company in Spain while their founder Amancio Ortega is now the richest man in the world.

One interesting fact about Zara, is that they do not invest in advertising and even that does not prevent the brand to achieve the success. Their marketing strategies are always around their stores, and inside them the environment is carefully planned to give the consumer the best shopping experience as possible.

This case study aims to give students a deeper understand of Zara's strategy and what made them achieve today's success, how they adapt it to different countries and different cultures, their strategy inside the stores, how they are improving their online presence, understand the brand perception according to their consumers and to study the consumers behavior taking in consideration the different generations.

If a brand wants to get global, they need to carefully study the market they want to go in. Their culture, beliefs, behaviours and tastes. They launch an identical collection to every country, but they adapt each one to the local trends and customers, in order to reach every person acceptance.

Consumers have changed, they are looking for new types of products and services. World is getting technological, consumers too. Online shopping is seen by the consumers as a convenient way to shop, but also a way to save time (Pate and Adams, 2013). And nowadays people are using online shops mostly to buy apparels, cosmetics, accessories and shoes (Dhanapal et. al, 2015). They are changing their priorities, and now buy products online is more frequent because is easier and more convenient.

Nowadays Zara does not have much more opportunities to expansion physically, they are already presents in 94 markets. Although, they are improving their online presence and reaching new markets, being already present in 45 online markets. (Inditex, 2017).

Talking about the consumer behavior, and taking in considerations the results of the market research, the last two generations (generation Y and generation Z) have similar behaviour relatively to the online shopping. Almost all of them usually visit Zara's platforms and a lot use to shop online, because it is easier and more convenient. In fact, it is possible to see more products available online then in the physical stores.

On the other hand, the older generations (baby boomers and generation X) do not visit Zara's online platform that much, and those who do is just to see products but prefer to shop in the physical stores. Some already bought something online, but just because the product they wanted was not available at the stores anymore.

Comparing to the major competitor H&M, Zara has a better way to do business. Products have better quality, stores are more enjoyable, and they have more products available and always according to the latest trends.

Zara is always one step ahead the competitors, and it is difficult for any other brand to keep up with their business speed.

Making this study about Zara made me love the brand even more, and hopefully I can be able to trasmit that passion to those who read this thesis and made them see Zara the way I do!

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4. Attachments

Attachment 1: Market Research – Online Survey

Caso Pedagógico ZARA

O meu nome é Mafalda Costa e sou finalista do Mestrado em Gestão na ISCTE Business School.

Este inquérito online foi criado no âmbito da minha Tese de Mestrado sobre a ZARA, para recolher informações sobre os consumidores da Zara e também para estudar a perceção da marca.

A minha tese será um caso pedagógico, em que o foco será o estudo das estratégias que permitiram à Zara alcançar o sucesso de hoje.

O inquérito demora apenas alguns minutos e agradeço desde já a sua colaboração no desenvolvimento deste estudo!

Parte 1 – Indústria do Retalho

1. Que marcas de loja de roupa conhece? (Indique, no máximo, 10 marcas)
2. Conhece a marca Zara?
 - Sim
 - Não (Se não, é direcionado para a última parte e o inquérito termina)
3. É cliente da Zara?
 - Sim
 - Não (Se não, é direcionado para a última parte e o inquérito termina)
4. Com que frequência visita as lojas da Zara?
 - a. Menos de uma vez por mês
 - b. Uma vez por mês
 - c. Duas vezes por mês
 - d. Três vezes por mês
 - e. Quatro ou mais vezes por mês
5. Visita as lojas da Zara maioritariamente:
 - a. Para ver os produtos
 - b. Para comprar os produtos
 - c. Tanto para ver, quanto para comprar
6. O que costuma comprar nas lojas da Zara? (Escolha, no máximo, três opções)
 - a. Roupa Casual

- b. Roupa para ocasiões especiais
- c. Roupas de trabalho
- d. Roupas de desporto
- e. Sapatos
- f. Malas e/ou acessórios

7. Avalie as seguintes razões pelas quais costuma comprar artigos na Zara:

	Muito pouco importante	Pouco importante	Importante	Muito importante
Lealdade à marca				
Novidades todas as semanas				
Grande variedade de roupa				
Produtos com uma boa relação preço/qualidade				
Produtos alinhados com as novas tendências				
Qualidade do Atendimento				
Ambiente da loja (Música, Luzes, cheiro, etc.)				

8. Avalie a Zara nas seguintes características:

	Muito fraca	Fraca	Indiferente	Boa	Muito Boa
Qualidade dos produtos					
Variedade dos produtos					
Produto sempre de acordo com as novas tendências					
Roupa para todas as ocasiões					
Roupa para diferentes estilos					

Relação preço/qualidade					
Design da loja					
Ambiente da loja (Música, luzes, cheiro, etc)					
Assistência dos funcionários					

Parte II – Moda e os Meios de Comunicação

9. Antes de comprar algum produto costuma procurar pelas novas tendências em blogs de moda e/ou revistas?
 - a. Sim
 - b. Não (passar pergunta 11)

10. Se sim, que em que meio procura mais frequentemente?
 - a. Blogs de moda
 - b. Revistas de moda
 - c. Redes sociais (Instagram, Facebook, Pinterest, etc)
 - d. Programas de Televisão

11. Que redes sociais utiliza?
 - a. Facebook
 - b. Instagram
 - c. Twitter
 - d. Youtube
 - e. Pinterest
 - f. Nenhuma

12. Relativamente à Zara, que meios utiliza? (Escolha mais que uma opção, se for o caso)
 - a. Facebook
 - b. Instagram
 - c. Twitter
 - d. Youtube
 - e. Pinterest
 - f. Aplicação móvel
 - g. Website
 - h. Nenhuma

Parte III – Loja Física vs. Loja Online

13. Prefere comprar produtos:
 - a. Na loja física
 - b. Online

14. Costuma utilizar as Plataformas online da Zara?
 - a. Sim, o website
 - b. Sim, a aplicação móvel
 - c. Sim, o website e a aplicação móvel
 - d. Não (Passar pergunta 20)

15. Costuma visitar as Plataformas online da Zara:
 - a. Para ver novos produtos e adquiri-los online
 - b. Para ver novos produtos, mas prefiro adquiri-los nas lojas físicas

16. Com que frequência visita as Plataformas online da Zara?
 - a. Menos de uma vez por mês
 - b. Uma vez por mês
 - c. Duas vezes por mês
 - d. Três vezes por mês
 - e. Quatro ou mais vezes por mês

17. Alguma vez comprou algum produto através dessas Plataformas?
 - a. Sim (Passar pergunta 18)
 - b. Não
 - 17.1 Que motivo(s) o levam a não adquirir produtos online? (Selecione, no máximo, três opções.)
 - Não experimentar o artigo
 - Receio que o produto não chegue
 - Insegurança no método de pagamento
 - Pagamento dos portes de envio
 - Prefere comprar na loja física

18. Que produtos comprou online? (Escolha mais que uma opção, se for o caso)
 - a. Roupa casual
 - b. Roupa para ocasiões especiais
 - c. Roupa de trabalho
 - d. Roupa de desporto

- e. Sapatos
- f. Malas/acessórios

19. Porque razão decidiu adquirir o produto online?

- a. Há mais produtos disponíveis online do que nas lojas físicas.
- b. É mais fácil pois posso comprar os produtos em casa, a qualquer hora do dia.
- c. O produto que eu procurava já não estava disponível nas lojas físicas.
- d. Outra: _____

Parte IV – Grupo Inditex e Concorrência

20. Conhece o Grupo Inditex?

- a. Sim
- b. Não (Passar pergunta 21)

20.1 Se sim, diga que marcas do grupo conhece.

21. A Zara pertence ao grupo INDITEX, um dos maior retalhistas de moda do mundo. Quais das seguintes marcas pertencem ao mesmo grupo?

- a. Bershka
- b. Mango
- c. H&M
- d. Pull and Bear
- e. Oysho
- f. Sfera
- g. Maximo Dutti
- h. Stradivarius
- i. Uterque
- j. Intimissimi
- k. Promod
- l. Lefties
- m. C&A
- n. Gap Inc.

22. Na sua opinião, quais são os maiores concorrentes da Zara?

- a. Bershka
- b. Mango
- c. H&M
- d. Pull and Bear

- e. Oysho
- f. Sfera
- g. Maximo Dutti
- h. Stradivarius
- i. Uterque
- j. Intimissimi
- k. Promod
- l. Lefties
- m. C&A
- n. Gap Inc.

23. Conhece a marca H&M?

- a. Sim
- b. Não (passa a ultima secção)

24. A H&M é a marca considerada como sendo a maior concorrente da Zara a nível internacional. Avalie as seguintes características da H&M, quando comparadas com as da Zara.

	Pior	Igual	Melhor
Qualidade dos produtos			
Variedade dos produtos			
Produto sempre de acordo com as novas tendências			
Roupa para todas as ocasiões			
Roupa para diferentes estilos			
Relação preço/qualidade			
Design da loja			
Ambiente da loja (Música, luzes, cheiro, etc)			
Assistência dos funcionários			

Parte V – Dados pessoais

Género

- Feminino
- Masculino

Idade

- < 21 anos
- 21 – 37 anos
- 38 – 52 anos
- > 52 anos

Ocupação

- Estudante
- Desempregado
- Empregado por conta própria
- Empregado por conta de outrem
- Reformado

Habilitações Literárias

- 1º Ciclo
- 2º Ciclo
- 3º Ciclo
- Ensino Secundário
- Ensino Superior
- Mestrado
- Doutoramento

Zona de residência: _____

Attachment 2: “Do you use Zara’s online platforms?”

Source: SPSS - Market Research

Idade * Costuma utilizar plataformas zara Tabulação cruzada

Contagem

		Do you use Zara’s online platforms?				Total
		Yes, the website	Yes, the mobile app	Yes, the website and the mobile app	No	
Age	< 21 years	12	4	8	15	39
	21 - 37 years	128	41	56	141	366
	38 - 52 years	24	3	12	82	121
	> 52 years	15	1	1	52	69
Total		179	49	77	290	595

Attachment 3: “Do you visit:”

Source: SPSS - Market Research

Idade * Costuma visitar para Tabulação cruzada

Contagem

		Do you visit:			Total
		To see new products and buy them online	To see new products, but to buy them in the physical store	Do not visit	
Age	< 21 years	2	22	15	39
	21 - 37 years	34	191	141	366
	38 - 52 years	8	31	82	121
	> 52 years	5	12	52	69
Total		49	256	290	595

Attachment 4: “Do you rather buy:”

Source: SPSS - Market Research

Idade * Prefere comprar Tabulação cruzada

Contagem

		Do you rather buy		Total
		Physical Store	Online	
Age	< 21 years	38	1	39
	21 - 37 years	342	24	366
	38 - 52 years	118	3	121
	> 52 years	66	3	69
Total		564	31	595

Attachment 5: “Have you ever bought something in Zara’s online platforms?”

Source: SPSS - Market Research

Idade * Alguma vez comprou plataformas Tabulação cruzada

Contagem

		Have you ever bought something in Zara's online platforms			Total
		Yes	No	Do not visit	
Age	< 21 years	9	15	15	39
	21 - 37 years	116	109	141	366
	38 - 52 years	25	14	82	121
	> 52 years	9	8	52	69
Total		159	146	290	595

Attachment 6: “Why did you buy online?”

Source: SPSS - Market Research

Idade * Porque comprou online Tabulação cruzada

Contagem

		Why did you buy online?					Total
		There are more products available online than in the physical store	It is easier and convenient, because we can shop at home	The product was not available at the store anymore	Other	Do not buy	
Age	< 21 years	4	2	3	0	30	39
	21 - 37 years	23	25	61	7	250	366
	38 - 52 years	2	8	14	1	96	121
	> 52 years	5	1	3	0	60	69
Total		34	36	81	8	436	595