



**ZARA**

Carolina Lago Barbosa Ortigão de  
Oliveira | 1461

## **Zara: Marketing in Fast Fashion**

A Case-Study

A project carried out for the Nova SBE Masters' Degree, under the supervision of  
Professor Victor Centeno

### Acknowledgements

I would like to begin by thanking my advisor, Victor Centeno, without whom this work project would not have been successfully completed. His patient revision and comments allowed me to construct a cohesive and interesting case-study with the right guidelines for future teaching. His support has, without a doubt, shaped the development of this case-study and the final product presented.

Moreover, I would like to thank some of my colleagues, friends and family who have helped me write this work project as a “good read” with dynamic content that reaches out to many areas besides those of Management and Marketing.

## Abstract

**Title:** Zara: Marketing in Fast Fashion

**Author:** Carolina Ortigão de Oliveira

*“Possibly the most innovative and devastating retailer in the world.”<sup>1</sup>*

Zara was founded in 1975 by Amancio Ortega Gaona, soon becoming the largest and most successful chain of the Galician group Inditex (Industria de Diseño Textil) and a pioneer of the rising fashion category of *Fast Fashion*. Its innovative vertically-integrated strategies, combined with its emphasis on quality and demand-based offer have shaped the world of fashion and brought forth many questions on its future sustainability and growth.

Zara has always relied on its store network for advertising its product offer; allowing its garments to “speak for themselves”. With the continued pressure felt in the industry, management has pressed some concerns about future company growth and creative, innovating solutions must be implemented to guarantee Zara’s future growth. The case-study narrative focuses on these issues and leaves readers with an open question regarding what decision to implement.

**Keywords:** Zara, H&M, Fast Fashion, Marketing, PoS Advertising

---

<sup>1</sup> LVMH Fashion Director, Daniel Piette, 2001 (<http://edition.cnn.com/BUSINESS/programs/yourbusiness/stories2001/zara/>)

## Introduction

The purpose of this Work Project will be to provide an analysis on Zara's business strategy, namely its approach to marketing, in order to extract the main challenges faced by the company given the competitive environment of today's *Fast Fashion* industry.

The author has chosen to develop her work project as a case-study given the believed relevance it will have on future marketing courses and the added-value it may bring to the understanding of how certain companies can survive and sustain their competitive advantages through unconventional strategies in the industries they operate in. The author has also chosen to approach this theme given her interest in the industry studied and the belief that marketing courses could apply more examples on how "real world" companies apply strategies in ways that differ from the academic realm.

As a result, the main intent of the Work Project will be to understand if Zara's current marketing approach is sustainable in years to come, especially when placed against the competitive pressure from its key competitors, namely Sweden's H&M. The main question that is sought to be answered is: "*Can Zara continue to outshine competitors without waiving its unconventional approach to marketing?*"

Zara was founded in 1975 by Amancio Ortega Gaona, soon becoming the largest and most successful chain of the Galician group Inditex (Industria de Diseño Textil) and a pioneer of *Fast Fashion*. The first Zara store opened in La Coruña, Spain, with the intention of "selling fashionable clothing at low prices"<sup>2</sup>. The ability to produce and deliver new garments to stores in less than three weeks gives Zara its capacity to effectively respond to consumer demand within the fashion season. An inspiration to even

---

<sup>2</sup>In HBS Case "Zara: Managing Stores for Fast Fashion", 2010

the most traditional retailers, Zara has continuously shaped the industry; setting new ways “to do business” and proving to be an exception to the rule.

The present work project will have two main sections beginning with the case narrative where the author will describe Zara’s origin, its *modus operandi* and compare the brand’s strategy to its competitors. In this section, the reader will be able to quickly identify what actions need to be taken and, ultimately, answer the proposed assignment questions with the information provided. This part of the work project constitutes the following pages.

In the second and final section, the author delineates a teaching note to facilitate in-class discussion of the case and useful notes on how to approach the main discussion blocks for the class session. For that purpose, this section will not only recommend assignment questions for the case’s resolution but also enlist the main discussion blocks (together with a class plan) that should guide professors when teaching the case, evaluating students’ answers and discussing the case in class. This second section can be found under “Appendix B) Teaching Note”, following the case exhibits, and is as relevant and important as the case narrative.

## Case-Study Narrative

### **ZARA: Marketing in Fast Fashion**

In mid Spring/Summer season 2013, Óscar Pérez Marcote, Director of the Zara Business Unit at Inditex since 2011<sup>3</sup>, sat in his office preparing for a meeting with Inditex CEO Pablo Isla Tejera. The intent of the meeting was to discuss Zara's current strategy and marketing approach in the midst of the competitive pressure experienced in the industry. As Inditex's founder (and Óscar's brother-in-law<sup>4</sup>), Amancio Ortega, had always pressed – senior management should “once a month, come in here thinking that we are near bankruptcy”<sup>5</sup> and come up with aspects within the business units that needed improvement/innovation, to push the group's growth further.

Óscar had been Zara's director for the past 2 years, witnessing the opening of stores in over 10 new markets<sup>6</sup>, the continuous expansion of Zara's e-commerce stores (available in 21 countries by the end of 2013<sup>7</sup>) and the 2012 cutting-edge refurbishment, design and implementation of Zara stores worldwide. He knew that the stores were the key to Zara's business model; the millions of euros invested annually in locating stores and designing each interior carefully explained why Zara needed no further advertising – the stores were the voice of Zara's offer.

Sales had almost stagnated compared to the previous year and stores were opening at a slower rate: something had to change, but what? On the one hand, competition in *Fast Fashion* was growing fierce and competitors were continuously investing in advertising and promotion to expose their offer so Óscar feared that Zara might eventually fall behind. On the other hand, however, there was the fear of harming Zara's brand image (a strong

---

<sup>3</sup> <http://www.modaes.es/empresa/20121108/oscar-perez-marcote-releva-al-nuevo-ceo-de-esprit-en-sus-cargos-en-inditex.html>

<sup>4</sup> [http://cincodias.com/cincodias/2011/01/19/empresas/1295447988\\_850215.html](http://cincodias.com/cincodias/2011/01/19/empresas/1295447988_850215.html)

<sup>5</sup> In HBS Case “Zara: Managing Stores for Fast Fashion”, 2010

<sup>6</sup> Inditex Annual Reports 2011 and 2012

<sup>7</sup> [http://www.inditex.com/en/press/press\\_releases/extend/00001002](http://www.inditex.com/en/press/press_releases/extend/00001002)

one since its beginning in 1975) with heavy advertising, which could have a much higher impact on the overall brand.

### **Fast Fashion**

Zara had been one of the pioneers of this new category in the fashion industry, known for its quick production-to-store operations. In recent decades, the world had begun to observe the rise of retailers such as Zara, H&M, Topshop, Primark and Mango; and there was no telling where innovation would take the industry in the future.

These retailers all had one strategy in common: bringing haute couture and trendy, affordable items to the masses<sup>8</sup>; proving to people that fashion was available for all and not only for those who could afford its exclusivity. The need to “adapt merchandising assortment to current and emerging trends as quickly and effectively as possible<sup>9</sup>” was thus key in this category; retailers would compete not only on prices but also on time-to-market so as to ensure that their offer was the first to reach consumers.

The realization that an effort should be made to understand customer preference and shopping behaviour was crucial for matching consumers’ needs to supply, but not all retailers understood how to do this. Zara was, undoubtedly, the best retailer in this matter; with its efficient supply-chain and integrated communications between points-of-sale and designers, the company was able to force even the most traditional fashion houses to adapt with the fear of losing business to “mass-merchandisers”<sup>10</sup>.

By the end of 2012, the Fast Fashion industry had three top players: Spain’s Zara, Sweden’s H&M and US’ Forever 21. In Europe, however, the battle was between Zara

---

<sup>8</sup> In “Fast Fashion Lessons”, Sull & Turconi 2008

<sup>9</sup> *Ibid.*

<sup>10</sup> In “Fast Fashion: Responses to Change in the Fashion Industry”, Doyle, Morgan and Moore 2006

and H&M, with a slight pressure now coming from Ireland's low-cost retailer Primark and Spain's Mango.

### **Industria de Diseño Textil**

The world's largest fashion retailer, commonly known as Inditex, was created by the Spanish entrepreneur Amancio Ortega Gaona in 1985, 10 years after the opening of the first Zara store in La Coruña. Amancio Ortega had, since very little, established a zest for quality apparel and founded Confecciones Goa, S.A. in 1963 to provide women with quality garments at affordable prices and to put his belief, that retailing and manufacturing should be closely linked, in action. Confecciones Goa, S.A. eventually became Inditex's first garment manufacturing factory.

The group had now grown parent to over 100 companies operating in design, textile, manufacturing and distribution. In the 1990's Inditex began its international expansion while establishing and acquiring new brands. Inditex's IPO in 2001 had reached a 50% increase in stock price by 2002 and Amancio Ortega, who had begun his journey in apparel as an errand boy<sup>11</sup>, became the richest man in Spain (and the fourth richest man in the world by 2014<sup>12</sup>). By the end of 2012, Inditex owned eight fashion retail chains (Zara being its main concept brand) with over 6000 stores in 86 markets worldwide (Exhibit 1 describes Inditex's brands and store concepts), had a group worth of €15 billion and employed over 120,314 people<sup>13</sup> (Exhibit 2 provides key details on the group's performance). More than half of the group's employees were based outside of Spain, with approximately 80% of them being women with an average age of 26.

---

<sup>11</sup> In HBS Case "Zara: Fast Fashion", 2003

<sup>12</sup> <http://www.bloomberg.com/billionaires/2014-03-10/cya>

<sup>13</sup> Inditex Annual Report 2012



Inditex's headquarters were set in one of Spain's poorest autonomous regions, Galicia, with a history in the apparel industry dating back to the Renaissance. A hip but simple glass building in the middle of Arteixo's fields (La Coruña), also known as "The Cube" (Exhibit 4 contains images of "The Cube"), housed the Group's headquarters. Inside, the overall group strategy was set, coordinating common brands' operations and functions (namely, HR, IT, transportation and real estate). Inditex not only stressed a common strategic group vision but also that all garments be produced under the right social conditions; the group believed that having products made under the correct conditions was as important as "*getting the right product to the right place at the right time and the right price*"<sup>14</sup>. Due to Inditex's rapid expansion and successful chains, it accounted for four main operating centres by 2012, all of them in Spain: Arteixo and Narón (both in La Coruña), and Sallent and Tordera (both near Barcelona).

Each business unit (retail chain) was, however, independently managed with different strategies, product designs, manufacturing models, image, stores and financial results<sup>15</sup>. Performance of older and more successful chains, such as Zara, served as "best practices" to be applied to all brands in order to install a more rapid and effective expansion. Finally, the group promoted high levels of autonomy and responsibility from all employees, regardless of function, and provided continuous feedback on every aspect of operations as a way to construct and enhance its performance; clearly emphasizing the importance of employee opinion and their cultural fit. "*Inditex offers a dynamic and international environment where ideas are valued with a strong bet on internal promotion. We believe in job stability and continuous training.*"<sup>16</sup>

---

<sup>14</sup> In HBS Case "Zara: Managing Stores for Fast Fashion", 2010

<sup>15</sup> In HBS Case "Zara: Fast Fashion", 2003

<sup>16</sup> Inditex's History document, provided by an Inditex employee

## **The “Zara Way”**

Zara was the oldest and most international of all the Inditex brands, having been officially founded in 1975, before the creation of the Inditex Group. Its first milestone began in 1963 with Amancio Ortega’s creation of “Confecciones GOA” selling intimate apparel to women. However, it was only in 1975 that the first store opened, as Zara, with the intention of selling “contemporary fashion of medium quality at a good price”<sup>17</sup>. The brand made its international debut in Oporto, Portugal in 1988 and by the end of 2012 it accounted for over 1900 stores across 86 markets and for 66% of the group’s sales<sup>18</sup>. With a newly designed store concept recently installed worldwide, the brand seemed stronger than ever.

Zara was known, by industry players, to have an extremely particular business model, especially given the fast-growing and quick-response industry it acted in, where most companies outsourced garment manufacture to reduce costs and, supposedly, enable higher flexibility. Zara, however, as a vertically-integrated retail chain, controlled all its garment production and outsourced only “basic” clothing that could be ordered in advance and easily adapted to future required styles.

### *Production & Design*

Contrarily to the rest of the industry, Zara opted to keep around half of its merchandise production in-house under the operations of 20 fully-owned factories. Inditex purchased undyed garments from countries such as Italy, Turkey, India and China with the help of two purchasing offices, one in Barcelona and another in Hong Kong. Fabrics, and non-core items, were purchased as a finished product in small quantities through frequent orders, allowing Zara to quickly react to consumer demand by manufacturing and

---

<sup>17</sup> In HBS Case “Zara”, 2003

<sup>18</sup> Figures stated as per Inditex’s 2012 Annual Report under the assumption that 2013 figures are similar

distributing at a high speed to stores (a new item could be in store shelves only 3 weeks after its need was detected). Moreover, outsourced production came as no obstacle for Zara's quick response system: 80% of all outsourced manufacturing was done in Europe and 20% came from Asia and low-wage countries, where only the less fashionable and basic items were ordered.

Fabrics would arrive at Arteixo, be sent to Zara's factories close by for cut and colour and then to 400 traditional shops in Galicia and Northern Portugal for sewing and assembling. Even though these stores weren't owned by Inditex, the company had close ties to all shops and helped provide them with all their production needs. Once sewing was completed, all products would come back to Arteixo for pressing, labelling, quality control and shipping. As such, regardless of origin, all products would pass through Arteixo before being shipped to stores around the world.

Zara, similarly to other clothing retailers, introduced garments under two main seasons: Spring/Summer and Fall/Winter; however, in contrast to some of its core competitors, it continued to replenish the stores during the year. Zara's apparel collection was divided into three main categories: Women, Men and Kids. All these lines were further complemented by accessories such as shoes, bags, jewellery and fragrances. Zara's main apparel line, Women, was further sub-divided into three main categories: Zara Woman, an executive/fashionable look; TRF, with sporty/young merchandise; and Zara Basic, which provided younger informal looks<sup>19</sup>.

Unlike most retailers that had small and elite designer teams, Zara had a team of 200 designers with a flat organization that would plan and present 50% of the core collection,

---

<sup>19</sup> In HBS Case "Zara: Managing Stores for Fast Fashion", 2010

on a “first guess” basis, six months before the beginning of each buying season. The remainder would be created throughout the year with the help of real-time information that designers would receive from the stores. These 200 designers were responsible for introducing more than 11,000 items per year.

Zara’s products were made to be saleable, produced in short runs so as to allow no accumulation of unnecessary merchandise. Another reason for producing in limited quantities would be to produce the clothes “while they were hot” and test-run new merchandise in best-selling stores before producing for stores worldwide. This flexibility and control prompted Zara to conduct 35% of product design, 40%-50% of purchases of finished goods and around 85% of in-house production only after the beginning of each season; accusing a 1% “failure” rate (compared to the industry’s average of 10%) and making Zara unparalleled competition in the industry<sup>20</sup>.

### *Retailing & Store Operations*

All 1,900 Zara stores received shipments with new items twice a week; centrally managed in Arteixo and ordered by store managers worldwide. Zara had, like all Inditex chains, its own Distribution Centre (henceforth DC): a 40,000 square-metre building located in Arteixo paired with smaller facilities in Southern America. Regardless of origin, all merchandise passed through Arteixo’s DC before being shipped to their respective locations. The warehouse was known as a “*place to move merchandise and not store it*”<sup>21</sup>, most garments only stayed for some hours and none would stay for more than three days. 75% of shipments were made by truck to stores across Europe and arrived typically

---

<sup>20</sup> In HBS Case “Zara: Fast Fashion”, 2003

<sup>21</sup> *Ibid.*

between 24 and 36 hours after the order. Countries outside Europe received merchandise 48 hours after ordering, typically by airfreight or boat.

Store managers had complete autonomy in ordering and managing their stores which included product placement (limited), information to head offices and their employees' uniforms; managers were compelled to manage stores as if they were their own<sup>22</sup>. However, they were aware that production was limited and that, in the case of a shortage in supply, orders would be replenished according to each stores' historical sales, among others performance indicators. For that reason, shelves were sparsely stocked, low on product density (with the objective of selling as little as possible on sale) and with rapidly changing merchandise (merchandise was only allowed a maximum time in store of one month)<sup>23</sup>.

Stores had always been the key to Zara's system: the face of the brand to the world and its main source of information on what consumers wanted. Built with a minimalist environment and big windows; stores were comfortable and designed to "*create an atmosphere of chaos and excitement*"<sup>24</sup>, always located in prime, highly noticeable locations that were fully-owned by Zara (with a few exceptions where cultural and political factors could act as obstacles). Stores averaged at a size of 1,400 square-metres, and were furnished with clear lights, white walls and ceilings in order to draw all the focus on clothing. Store refurbishment occurred every 4 years and window displays were changed every month.

Store displays and interiors were planned at Arteixo where 25 window spaces and a full size 1,500 square-metre store were available to plan and test the next store changes. When

---

<sup>22</sup> In HBC Case "Zara: Managing Stores for Fast Fashion", 2010

<sup>23</sup> In HBS Case "Zara: Fast Fashion", 2003

<sup>24</sup> In HBS Case "Zara", 2003

the final design was closed, pictures were sent to each store manager and a team of designers would then visit each store to implement the store's new concept. Each store environment, however, could and should be adapted to its surroundings, without compromising the overall store and brand image.

### *Marketing*

It was in this particular area that Zara most contrasted with competition. While most of Zara's competition, chains such as H&M and Mango, heavily advertised throughout the year, Zara made almost no investment in advertising. As such, Zara's marketing expenditures would represent roughly 0.3% of revenues, against the industry's typical 3%-4%<sup>25</sup>.

### Point-of-Sale (PoS) Advertising

Zara's main investment in communication was through its PoS and product offer. To that end, the annual collection, individual product quantities and size of production runs were three of the main responsibilities given to Zara's marketing director, alongside definition of product displays and overall store image<sup>26</sup>.

Zara's stores provided commercial teams with the information on consumer demand. It came as no surprise, therefore, that Zara invested highly in locating its stores in prime locations and setting the right environments for their products to "speak". Due to the rapid production cycles, Zara stores were tailored to transmit an environment of "scarcity and opportunity" where usual customers knew to buy products as soon as they saw them because the same item would probably not be there the next day, let alone on their next visit.

---

<sup>25</sup> In HBS Case "Zara", 2003

<sup>26</sup> *Ibid.*

Every element of the stores, even employees, were tailored to never disturb clients. Whole outfit combinations would display the offer in ways that would help clients envision how pieces could match with one another, only one size per item would be on display to show availability and enable the display of more products, tables displaying products were low and synched well with the store dynamic so customers could see “the whole” store upon entering, and employees were trained to only approach customers when called upon.

Finally, the constant arrival of new items would create the need in consumers to visit the stores often in search for the next “bargain”. It was for this reason that Zara’s store visits per customer averaged at 17 times a year, compared to 4-5 for most of its competitors<sup>27</sup>.

#### Public relations

Zara relied massively on word-of-mouth and unpaid public relations; originating from photographs of celebrities that would be often seen wearing Zara clothing (Kate Middleton, for example, used many Zara garments which helped the brand enhance its image). Moreover, consumer studies<sup>28</sup> had proven that Zara’s was cohesive in communicating its brand in line with its proposed corporate identity, thus sustaining that any alteration could harm the brand overall. Consistency was the key to the brand.

#### Online

Zara was, curiously, a late bloomer in the online business. Having had a website since 2010, the brand only began to sell online almost one year later. The brand’s managers had always been hesitant in entering the online realm but with the increasing user activity on the internet, and due to Zara’s high reliance on word-of-mouth, they believed that creating an online site would help increase channels for consumers’ pre-purchase interaction with

---

<sup>27</sup> HBS Case “Zara: Fast Fashion”, 2003

<sup>28</sup> Cheng, Hines and Grime, “Desired and Perceived Identities of Fashion Retailers”, 2007

the brand. Following the same specificity as stores, Zara's sites were simple, white, with outfit combinations that allowed the clothes to speak for themselves (Exhibit 10 shows an example of Zara's current website). In 2011, after observing the effectiveness of this strategy in captivating customers to product offer before the moment of purchase, measures were taken to implement the first e-commerce strategy for the brand.

## **Main Competitors**

### *Mango*

Mango was a women's clothing design and manufacturing company that opened its first store in 1984 on the Paseo de Gracia in Barcelona. Under the command of brothers Isak and Nahman Andic, the fashion retailer accounted for over 11,200 employees and had more than 2,400 stores across 104 countries worldwide by 2012. Similar to Zara, around 82% of employees were women and part of a young team with an average age of 32<sup>29</sup>. It opened its first online store in 2000 (Case Exhibit 11 shows Mango's current website) and only introduced a men's line, H.E. by Mango, in 2008. As Zara, it began its international expansion through Portugal in 1992 with the mission of "*being present in all cities in the world*<sup>30</sup>". Inspired by the world's largest fashion retailer, Mango also decided to keep control over its production process, which was centralized in Barcelona, and invest highly in store and window displays. More recently, Mango attempted to diversify its product offer by including a "plus-size<sup>31</sup>" collection, *Violeta*. The retailer also chose to invest heavily in marketing communications through outdoors and advertisements picturing famous models; two of the most recent campaigns being with Kate Moss and Daria Werbowy (Case Exhibit 13 shows an example of such campaigns).

---

<sup>29</sup> As per the Group's 2012 Annual Report

<sup>30</sup> "Mango Group: Growth and Internationalization" UPC (Universitat Politècnica de Catalunya) Paper, 2009

<sup>31</sup> Plus-sized collections, in fashion, entails clothing for women (typically) with measurements of a larger size than normal. Usually sizes starting at/above 42 in Europe.



### *Primark*

Known as Penneys in Ireland, Primark was founded in 1969 in Dublin by Arthur Ryan, who was its CEO until 2009. The brand was a unique, “low-cost” fashion retailer providing clothing and accessories to women, men and children and their homes.

Not such a direct competitor to Zara as Mango or H&M, Primark had slowly evolved from an unknown Irish brand to a fast-expanding European chain acting in 7 countries with over 250 stores<sup>32</sup>. Primark was mostly known for its extremely cheap prices and massive retail stores with bright lighting: “*providing young, fashion-conscious under 35 with fashion basics at value-for-money prices*”<sup>33</sup>. Originally locating stores in cheap, out-of-town and lower income areas, Primark had slowly moved to high-traffic shopping areas and malls across all its countries, and chose to avoid high expenditures on advertising (Case Exhibit 12 pictures Primark’s stores in Portugal).

### *H&M*

Zara’s main competition in the industry came from once “biggest fashion retailer in the world” *Hennes & Mauritz*, also known as H&M. Founded in 1947, H&M began as *Hennes* (Swedish for “Her”) selling only women’s clothes through a store in Västerås, Sweden. In 1968, its founder Erling Persson bought *Mauritz Widfross* to begin sales of men and children’s clothing; finally creating H&M. Its quick expansion into neighbouring countries and, eventually, worldwide, made H&M the largest fashion retailer in the world until 2005, when it was surpassed by Zara. By 2013, H&M accounted for over 2,700 stores in 48 markets, with more than half of its sales coming from outside its home

---

<sup>32</sup> As per the Group’s 2012 Annual Report

<sup>33</sup> FSP Retailer Profiles Report on Primark 2010, found at <http://www.fspretail.com>

country. Similar to Zara, H&M was also part of a bigger group offering fashion through many concepts and H&M was the group's first and biggest brand.

Unlike Zara, however, the company outsourced almost all production and ordered items six to eight months in advance through 900 suppliers. Around a half of production occurred in Europe to enable fast delivery, but time-to-market was still significantly slower than Zara's. The brand had a team of over 160 designers, "*drawing inspiration from every corner of the globe*<sup>34</sup>", which were responsible for covering all the twelve categories available at H&M<sup>35</sup>. It strived to eliminate "middlemen" in the supply chain, employing 100 quality controllers to work with the company's suppliers so as to ensure "*fashion and quality at the best price*<sup>36</sup>".

The brand sustained its competitiveness through its 1,000 to 1,500 square metres stores in high-traffic and premium city shopping areas, with some stores being as large as 4,000 square metres where all the twelve categories were available. Refurbishment, however, occurred less frequently than at Zara. The prices practiced were slightly lower than those of Zara and were prominently displayed across shelves. H&M also invested in being "the sustainable choice", constantly introducing "greener" processes and clothing.

Also unlike Zara, H&M ran very strong outdoor advertising campaigns with famous models (from Naomi Campbell to Pamela Andersen) and had heavy in-store imagery and pricing displays. More importantly, the brand continuously offered limited/exclusive clothing collections in partnership with some of the most influential personalities in the fashion industry; examples of such partnerships were pioneer 2004 collaboration with

---

<sup>34</sup> In <http://about.hm.com/en/About/facts-about-hm/idea-to-store/design-process.html>

<sup>35</sup> In HBS Case "Zara", 2003

<sup>36</sup> <http://about.hm.com/en/About/facts-about-hm/about-hm/business-concept.html>

Karl Lagerfeld and a more recent 2012 partnership with Japanese Vogue editor Anna Dello Russo (Case Exhibit 15 shows an example of H&M's exclusive collections).

By 1998, H&M offered all its garments online and with constant investment in site innovation, especially with the “dressing room” application that allowed customers to visit their local H&M site and try on and combine different garments on virtual models before purchase (Refer to Case Exhibit 16). Even though Inditex had overtaken H&M as the world's largest fashion retailer, both acted in a highly saturated market and were constantly facing challenges in transmitting their brand identity and sustaining what had, until then, made them unique.

### **A Question for the Future**

Even though Zara remained extremely successful in inspiring competitors around the world, Óscar Marcote was hesitant. Sales were slowing down, alongside store openings, and maybe customers had grown tired of only seeing what the brand had to offer in its stores. A member of the team had suggested bringing Personal Shopping to some stores, free of charge. Óscar believed that the idea could have potential, especially in Zara's most premium store locations, but offering a free service like this one could entail costs that revenues might not cover.

Moreover, research had shown that “not being bothered” was one of the aspects that customers enjoyed the most about shopping at Zara in general<sup>37</sup>, so why start now? Innovation across the whole business was still fundamental and seeing smaller retailers like Primark winning over “basics” at a lower cost, pushed Óscar to further reflect on his choice of communication for the brand.

---

<sup>37</sup> Gabrielli, Baghi and Codeluppi, “Consumption Practices of Fast Fashion Products: a Consumer-based Approach”, 2012

Should Zara integrate a completely new communication outlet, such as advertising? Or should he add components to the existing channels, through Personal Shopping, or Zara's website? E-commerce had proven successful and H&M's "fitting room" concept gave the brand an edge in customer interaction, so could Zara do something with the same effect? Or should Marcote rely on Zara's existing communication strategy and merely attempt to improve its efficiency? Many questions spurred through his mind while thinking about this meeting but no clear option appeared to be in sight.

## Conclusion

With this case study, the author intended to provide an interesting read regarding Zara's main business strategies and the challenges it faces to sustain its competitiveness and success in the next years. The main objective was to create a dynamic narrative that would not only push readers to want to discuss the main issues described but that would also provide them with a true learning experience regarding how Zara operates.

Similarly, the teaching note should be used to guide professors in propelling a heated and value-adding in-class discussion with students. Readers have access to this guide in the "Appendix B) Teaching Note".

In conclusion, the author believes that this case-study serves as an example of how companies, regardless of industry, do not always follow strategies that are academically taught. This case thus emphasizes that even though strategies might be theoretically correct, in "real life" decisions are commonly made within *grey* areas and all choices have great fall backs and benefits.

## Bibliography

- Arnold, D., D'Andrea, G.** (2003). "Zara". *Harvard Business School*
- Baykal, J., & Delagarde, M.** (2011). "Differentiation Strategies in the Fashion Industry."
- Bhardwaj, V., & Fairhurst, A.** (2010). "Fast fashion: Response to Changes in the Fashion Industry." *The International Review of Retail, Distribution and Consumer Research*, 20(1), 165–173. Doi: 10.1080/09593960903498300
- Borden, N. H.** (1964). "The Concept of the Marketing Mix."
- Bruce, M., & Daly, L.** (2006). "Buyer Behaviour for Fast Fashion." *Journal of Fashion Marketing and Management*, 10(3), 329–344. Doi: 10.1108/13612020610679303
- Cachon, G. P., & Swinney, R.** (2011). "The Value of Fast Fashion: Quick Response, Enhanced Design, and Strategic Consumer Behavior." *Management Science*, 57(4), 778–795.
- Cheng, R., Hines, T., & Grime, I.** (2008). "Desired and Perceived Identities of Fashion Retailers." *European Journal of Marketing*, 42(5/6), 682–701. Doi: 10.1108/03090560810862589
- Comstock, B., Gulati, R., Liguori, S.** (2010). "Unleashing the Power of Marketing." *Harvard Business Review*
- Cuc, S., & Tripa, S.** (2007). "Strategy and Sustainable Competitive Advantage – The case of Zara Fashion Chain."
- Dopico, L. G.** (2005). "Zara- Inditex and the Growth of Fast Fashion."
- Dutta, D.** (2002). "The Speed of Fashion."
- Dutta, D.** (2003). "The Speed of Fashion Part II."
- Fredriksson, C.** (2011). "Retail and Fashion – A Happy Marriage? The Making of a Fashion Industry Research Design." *Culture Unbound: Journal of Current Cultural Research*, 3, 43–54. Doi:10.3384/cu.2000.1525.11343
- Gabrielli, V., Baghi, I., & Codeluppi, V.** (2013). "Consumption Practices of Fast Fashion Products: a Consumer-based Approach." *Journal of Fashion Marketing and Management*, 17(2), 206–224. Doi: 10.1108/JFMM-10-2011-0076
- Ghemawat, P., Nueno, J.** (2006). "Zara: Fast Fashion". *Harvard Business School*
- Ginman, C., Lundell, C., & Turek, C.** (2010). "Luxury of the Masses: a Study of the H&M Luxury Collaborations with Focus on the Images of the Luxury Designer Brands."

- Harvard Business School.** (1998). Writing Cases and Teaching Notes.
- Hayes, S. G., & Jones, N.** (2006). "Fast fashion: a financial snapshot." *Journal of Fashion Marketing and Management*, 10(3), 282–300. Doi: 10.1108/13612020610679277
- Honeyman, K., & Godley, A.** (2003). "Doing Business with Fashion".
- Joy, A., Sherry, J. F., Venkatesh, A., Wang, J., & Chan, R.** (2012). "Fast Fashion, Sustainability, and the Ethical Appeal of Luxury Brands." *Fashion Theory: The Journal of Dress, Body & Culture*, 16(3), 273–296. Doi: 10.2752/175174112X13340749707123
- Keller, A. A.** (2012). "Zara Marketing Audit." *University of Applied Sciences Zurich*.
- Kotler, P., Keller, K.L., Brady, M., Goodman, M. & Hansen, T.** (2012). "Chapter 18: Managing Process, People and Physical Evidence at the Consumer Interface". In *Marketing Management*, 2<sup>nd</sup> Edition, Pearson, pp. 736-769.
- Levitt, T.** (1980). "Marketing Success through Differentiation - of Anything." *Harvard Business Review*.
- Lopez, C., & Fan, Y.** (2009). "Internationalisation of the Spanish fashion brand Zara." *Journal of Fashion Marketing and Management*, 13(2), 279–296. Doi: 10.1108/13612020910957770
- Lovelock, C., Wirtz, J.** (2011). "Part Two Applying the 4Ps of Marketing to Services" & "Part Three: Managing the Consumer Interface". In *Services Marketing. People, Technology, Strategy*, Global Edition, Pearson, pp. 102-330.
- Lynn, H., Bennett, S., & Joines, H.** (n.d.). "H&M vs. Zara Comparing Marketing Strategies."
- Mazaira, A., González, E., & Avendaño, R.** (2003). "The Role of Market Orientation on Company Performance through the Development of Sustainable Competitive Advantage: the Inditex-Zara case." *Marketing Intelligence & Planning*, 21(4), 220–229. Doi: 10.1108/02634500310480103
- Mcafee, A., Dessain, V., Sjöman, A.** (2007). "Zara: IT for Fast Fashion". *Harvard Business School*
- Miller, K.** (2013). "Hedonic customer responses to fast fashion and replicas." *Journal of Fashion Marketing and Management*, 17(2), 160–174. Doi: 10.1108/JFMM-10-2011-0072
- Pearson, A.** (2011). "The Story of Zara – the Speeding Bullet." *The Strategist's Choice*, 1–3.

- Persson, M.** (2007). "Extreme Business-Models in the Clothing Industry - A Case Study of H & M and ZARA."
- Prada, M., & Sander, J.** (2009). "From Prada to Zara: Is the global recession out of fashion?" *Strategic Direction*, 25(3), 9–11. Doi: 10.1108/02580540910936305
- Roberts, M. J.** (2012). "Developing a Teaching Case."
- Rodriguez-donaire, S., Casi, E., & Carbonell, X.** (n.d.). "Mango Group: Growth and Internationalisation."
- Royo-Vela, M., & Casamassima, P.** (2011). "The Influence of Belonging to Virtual Brand Communities on Consumers' Affective Commitment, Satisfaction and Word-of-mouth Advertising: The ZARA case." *Online Information Review*, 35(4), 517–542. Doi: 10.1108/14684521111161918
- Rust, R. T.** (2010). "Rethinking marketing." Doi: 10.1037/e641332009-010
- Soloaga, P. D., & Monjo, M.** (2010). "Zara: The Company Where Everything Communicates"
- Sull, D., & Turconi, S.** (2008). "Fast Fashion Lessons." *Business Strategy Review*
- Ton, Z., Corsi, E., Dessain, V.** (2010). "Zara: Managing Stores for Fast Fashion". *Harvard Business School*





Carolina Lago Barbosa Ortigão de Oliveira |  
1461

# APPENDIX

## **Zara: Marketing in Fast Fashion**

A Case-Study







A Project carried out for the Nova SBE Masters' Degree, under the supervision of

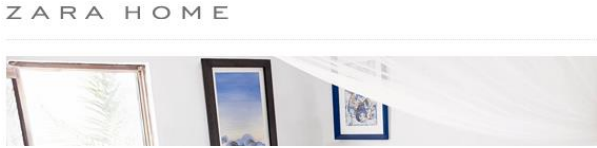
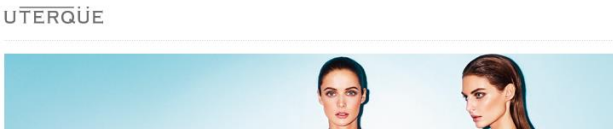
Professor Victor Centeno

30.05.2014

## A) Case Exhibits

### Exhibit 1 Inditex Chains

<p>ZARA</p>  <ul style="list-style-type: none"> <li>❖ 1925 stores in 86 countries</li> <li>❖ Created in 1975</li> <li>❖ Accounted for 66.11% of Inditex's sales in 2012</li> <li>❖ 5 new markets in 2012</li> <li>❖ For women, men, youth and infants up to age 50</li> <li>❖ "Zara is always striving to meet the needs of its customers at the same time as helping to inform their ideas, trends and tastes."</li> <li>❖ Website: <a href="http://www.zara.com">www.zara.com</a></li> </ul>	<p>PULL&amp;BEAR</p>  <ul style="list-style-type: none"> <li>❖ 816 stores in 59 countries</li> <li>❖ Created in 1991</li> <li>❖ Accounted for 6.8% of Inditex's sales in 2012</li> <li>❖ 11 new markets in 2012</li> <li>❖ For men and women, aged 14-28</li> <li>❖ "(...) to meet the needs of young fashion lovers. Pull&amp;Bear's collections have a laid back and fun feel to them."</li> <li>❖ Website: <a href="http://www.pullbear.com">www.pullbear.com</a></li> </ul>
<p>Massimo Dutti</p>  <ul style="list-style-type: none"> <li>❖ 630 stores in 60 markets</li> <li>❖ Acquired by Inditex in 1991</li> <li>❖ Accounted for 7.11% of Inditex's sales in 2012</li> <li>❖ 10 new markets in 2012</li> <li>❖ For men and women of ages 25-45, and more recently children.</li> <li>❖ "(...) epitomises elegant and universal style that connects with the independent, cosmopolitan men and women of today."</li> <li>❖ Website: <a href="http://www.massimodutti.com">www.massimodutti.com</a></li> </ul>	<p>Bershka</p>  <ul style="list-style-type: none"> <li>❖ 885 stores in 62 markets</li> <li>❖ Created in 1998</li> <li>❖ Accounted for 9.31% of Inditex's sales in 2012</li> <li>❖ 6 new markets in 2012</li> <li>❖ Younger male and female targets, ages 13-23</li> <li>❖ "(...) innovative fashion retail concept which targets the youngest hipsters in the market."</li> <li>❖ Website: <a href="http://www.bershka.com">www.bershka.com</a></li> </ul>
<p>Stradivarius</p>  <ul style="list-style-type: none"> <li>❖ 780 stores in 52 markets</li> <li>❖ Acquired by Inditex in 1999</li> <li>❖ Accounted for 6.03% of Inditex's sales in 2012</li> <li>❖ 7 new markets in 2012</li> <li>❖ For casual young women at attractive prices, ages 18-35</li> <li>❖ "Stradivarius takes a youthful and feminine approach to fashion."</li> </ul>	<p>OYSHO</p>  <ul style="list-style-type: none"> <li>❖ 524 stores in 35 markets</li> <li>❖ Created in 2001</li> <li>❖ Accounted for 1.97% of Inditex's sales in 2012</li> <li>❖ 4 new markets in 2012</li> <li>❖ Women, ages 15-35</li> <li>❖ "At Oysho, customers can find fun yet sophisticated and feminine underwear, as well as"</li> </ul>

❖ Website: <a href="http://www.stradivarius.com">www.stradivarius.com</a>	modern yet casual outerwear, comfortable loungewear and original accessories.” ❖ Website: <a href="http://www.oysho.com">www.oysho.com</a>
 <p>❖ 357 stores in 35 markets ❖ Created in 2003 ❖ Accounted for 2.2% of Inditex’s sales in 2012 ❖ 5 new markets in 2012 ❖ Latest designs for the home ❖ “Zara home is constantly refreshing its product range throughout the year.” ❖ Website: <a href="http://www.zarahome.com">www.zarahome.com</a></p>	 <p>❖ 92 stores in 18 markets ❖ Created in 2008 ❖ Accounted for 0.46% of Inditex’s sales in 2012 ❖ 1 new market in 2012 ❖ Sophisticated and eloquent women, ages 30-50 ❖ “Uterqüe is a sophisticated fashion accessory brand which boasts excellent quality at attractive prices. Its collections also include clothing and leather garments and are all designed exclusively by Uterqüe's creative team.” ❖ Website: <a href="http://www.uterque.com">www.uterque.com</a></p>

Source: Inditex website (<https://www.inditex.com/en/brands>) and 2012 Annual Report

## Exhibit 2 Inditex Historical Financials

	2013	2012	2011	2010	2009	2008	2007
<b>Turnover (in millions of euros)</b>							
Sales	16,700	15,946	13,793	12,527	11,048	10,407	9,435
Interannual Variation	4,7%	15,6%	10,1%	13,4%	6,2%	10,3%	
<b>Zara Net Sales</b>	<b>10,804</b>	<b>10,541</b>	<b>8,938</b>	<b>8,088</b>	<b>7,077</b>	<b>6,824</b>	<b>6,264</b>
<b>Interannual Variation</b>	<b>2%</b>	<b>18%</b>	<b>11%</b>	<b>14%</b>	<b>4%</b>	<b>9%</b>	
<b>Zara Net Store Openings (number)</b>	<b>66</b>	<b>120</b>	<b>113</b>	<b>131</b>	<b>88</b>	<b>159</b>	<b>186</b>
<b>Results and cash flow (in millions of euros)</b>							
Operating profit (EBITDA)	3,926	3,913	3,258	2,966	2,374	2,187	2,149
Operating profit (EBIT)	3,071	3,117	2,522	2,290	1,729	1,609	1,652
Net income	2,382	2,367	1,946	1,741	1,322	1,262	1,258
Net income attributable to the parent company	2,377	2,361	1,932	1,732	1,314	1,253	1,250
Cash flow	3,256	3,256	2,613	2,540	2,060	1,864	1,747
<b>Financial structure (in millions of euros)</b>							
Net Assets attributed to the parent company	NA	8,446	7,415	6,386	5,329	4,722	4,193
Net financial position	NA	4,097	3,465	3,427	2,380	1,219	1,052
<b>Other relevant information</b>							
Number of stores	6,340	6,009	5,527	5,044	4,607	4,264	3,691
Net openings	331	482	483	437	343	573	560
Number of markets with commercial presence	87	86	82	77	74	73	68
Number of employees	128,313	120,314	109,512	100,138	92,301	89,112	79,517
<b>Financial and management ratios</b>							
ROE	27%	30%	28%	30%	26%	28%	33%
ROCE	35%	39%	37%	39%	34%	36%	43%

Source: Compiled and calculated by casewriter from Inditex’s 2011 and 2012 Annual Reports and 2013 Financial Results report, available at: [http://www.inditex.com/en/investors/investors\\_relations](http://www.inditex.com/en/investors/investors_relations)

**Exhibit 3** Inditex Management Structure

<b>Name or company name</b>	<b>Office</b>
Antonio Abril Abadín	General Counsel and Secretary of the Board
Marco Agnolín	Director of BERSHKA
Lorena Alba Castro	Logistics Director
Eva Cárdenas Botas	Director of ZARA HOME
Carlos Crespo González	Internal Audit Director
José Pablo del Bado Rivas	Director of PULL & BEAR
Jesús Echevarría Hernández	Chief Communication Officer
Ignacio Fernández Fernández	Chief Financial Officer
Begoña López-Cano Ibarreche	Human Resources Director
Abel López Cernada	Import, Export and Transport Director
Marcos López García	Capital Markets Director
Juan José López Romero	Procurement Director
Luis Maseres Ghiloni	Director of UTERQUÉ
Gabriel Moneo Marina	IT Director
Javier Monteoliva Díaz	Legal Director
Jorge Pérez Marcote	Director of MASSIMO DUTTI
Óscar Pérez Marcote	Director of ZARA
Felix Poza Peña	Corporate Social Responsibility Director
Ramón Reñón Túñez	Director General Adjunto al Presidente y Consejero Delegado (Deputy General Manager)
Carmen Sevillano Chaves	Director of OYSHO
Jordi Triquell Valls	Director of STRADIVARIUS

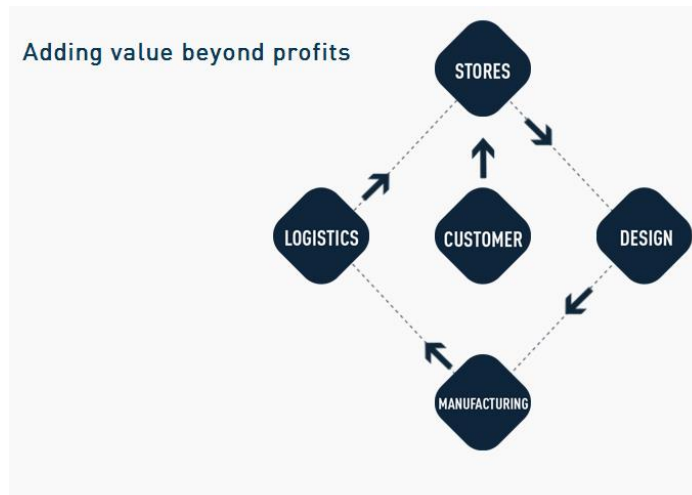
Source: Inditex 2012 Annual Report

**Exhibit 4** “The Cube” – Inditex and Zara HQ in Arteixo, La Coruña



Source: [http://www.inditex.com/en/media/multimedia\\_gallery/facilities](http://www.inditex.com/en/media/multimedia_gallery/facilities)

## Exhibit 5 Inditex's Business Model\*



\*Business Model valid for Zara

Source: Inditex S.A., business model demonstration available at: [http://www.inditex.com/en/our\\_group/business\\_model](http://www.inditex.com/en/our_group/business_model)

## Exhibit 6 Inditex's Support and Operating Centres



Source: Compiled by author, based on Inditex S.A., Press Dossier pp. 19, available at: [http://www.inditex.com/en/media/press\\_dossier](http://www.inditex.com/en/media/press_dossier)

## Exhibit 7 Inditex Timeline

<p><b>1963</b> Amancio Ortega, founder of Inditex, launches a clothing manufacturing business. Over a decade the business steadily evolves to a number of owned textile factories, selling merchandise across Europe.</p>	<p><b>2001</b> Launch of the Oysho lingerie brand. Inditex goes public and listed on the stock market on the 23rd of May.</p>
<p><b>1975</b> Zara is founded with a store in La Coruña's central street.</p>	<p><b>2003</b> 1st Zara Home store opening. Inditex inaugurates its 2nd Zara distribution centre, Plataforma Europa, in Zaragoza (Spain), supporting the Arteixo's logistics hub.</p>
<p><b>1976</b> Zara's store network expands to major Spanish cities after the acceptance and success of its concept.</p>	<p><b>2004</b> Inditex's 2000th store opens in Hong Kong, bringing its presence to 50 countries worldwide.</p>

<p><b>1985</b> Inditex is founded as the head of the corporate Group.</p> <p><b>1986</b> Group manufacturing companies sell all their output to Zara and lay the groundwork for a logistics system capable of addressing expected rapid growth.</p> <p><b>1988</b> Opening of first international Zara store in Oporto.</p> <p><b>1989-1990</b> Inditex expands to US and France, opening stores in New York (1989) and Paris (1990).</p> <p><b>1991</b> Pull&amp;Bear chain is created and launched. Inditex acquires 65% of the Massimo Dutti Group.</p> <p><b>1995</b> Inditex buys 100% of Massimo Dutti's share capital.</p> <p><b>1998</b> Launch of the Bershka chain, targeting a younger female market.</p> <p><b>1999</b> Inditex acquires its 5th concept store, Stradivarius.</p> <p><b>2000</b> Inditex's HQ moves to a new building in Arteixo, La Coruña.</p>	<p><b>2007</b> Inditex adds 2 new logistics platforms in Onzonilla (León) and Meco (Madrid), now accounting for 8 logistics platforms in Spain</p> <p><b>2008</b> Fashion accessories concept store Uterqüe is launched. Inditex opens its 4000th store in Tokyo.</p> <p><b>2009</b> Inditex signs joint venture with the Tata Group to open stores in India in 2010. Bershka, Stradivarius and Pull&amp;Bear open first stores in China.</p> <p><b>2010</b> Inditex reaches 5000th store, launching a new eco-efficient Zara store in Rome. Start of online sales through Zara.com, available in 16 countries by the end of the year.</p> <p><b>2011</b> All Inditex chains have online stores.</p> <p><b>2012</b> Refurbishment of Zara's store image worldwide. Inditex opens its 6000th store.</p> <p><b>2013</b> Zara opens 1st store in Algeria. Inditex continues to expand its brands online in new markets.</p>
--	--

Source: Compiled by author, based on Inditex S.A., Press Dossier pp. 19, available at: [http://www.inditex.com/en/media/press\\_dossier](http://www.inditex.com/en/media/press_dossier)

## Exhibit 8 Zara Store Locations

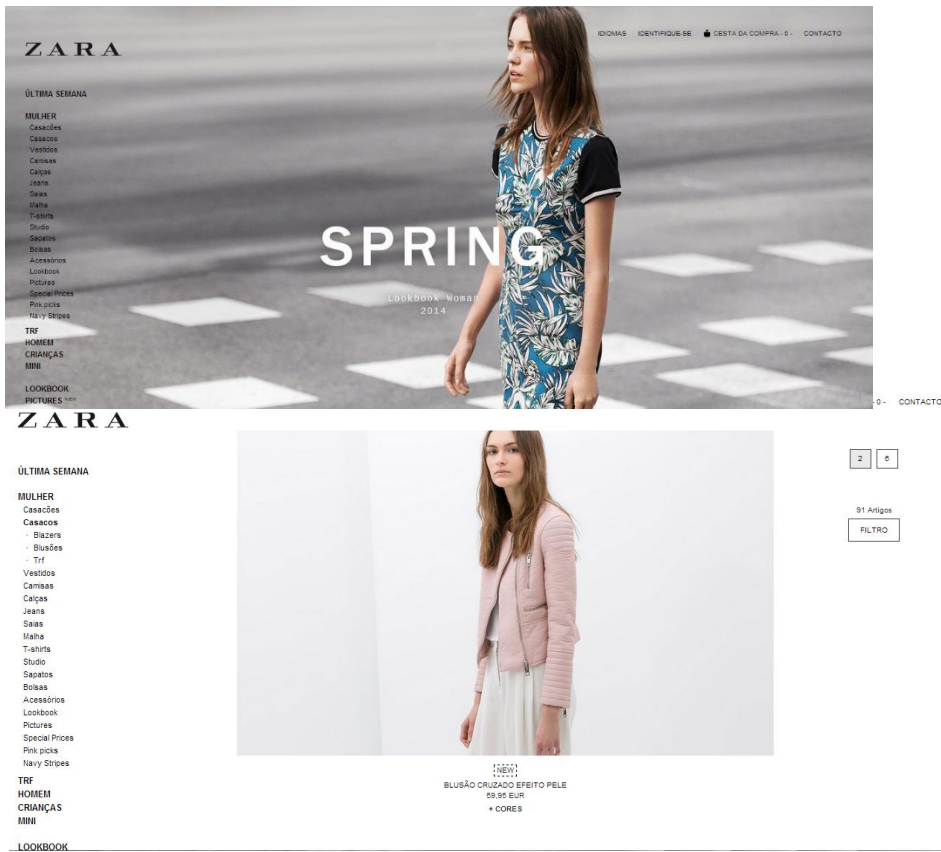
	2012	2011	2010	2009	2008	2007
Europe	1,296	1,280	1,245	1,204	1,188	1,092
Americas	219	207	199	188	173	149
Asia & Rest of the World	410	343	279	216	159	120
<b>Total</b>	<b>1,925</b>	<b>1,830</b>	<b>1,723</b>	<b>1,608</b>	<b>1,520</b>	<b>1,361</b>

Source: Inditex, S.A., Annual Reports from 2007 to 2012, available at: [http://www.inditex.com/en/investors/investors\\_relations/annual\\_report](http://www.inditex.com/en/investors/investors_relations/annual_report)

**Exhibit 9** Example of Zara's 2014 Store Display in Portugal

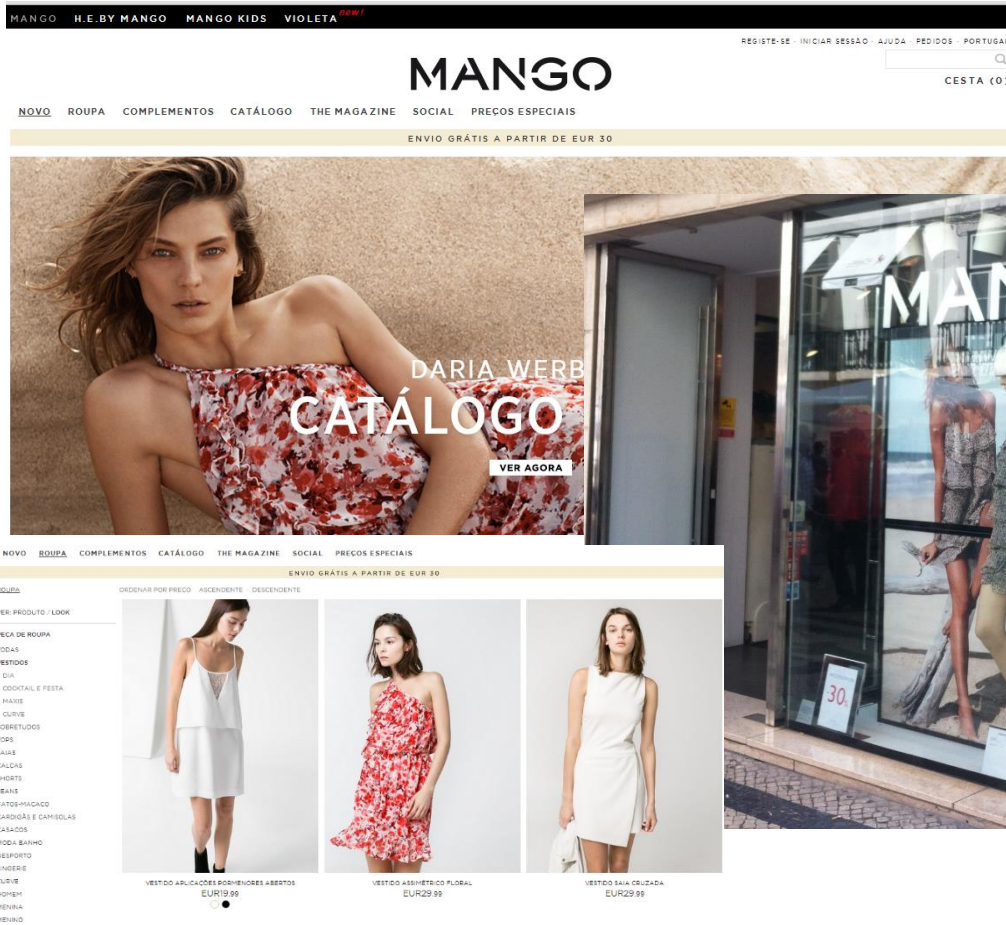


**Exhibit 10** Zara's Website in 2014



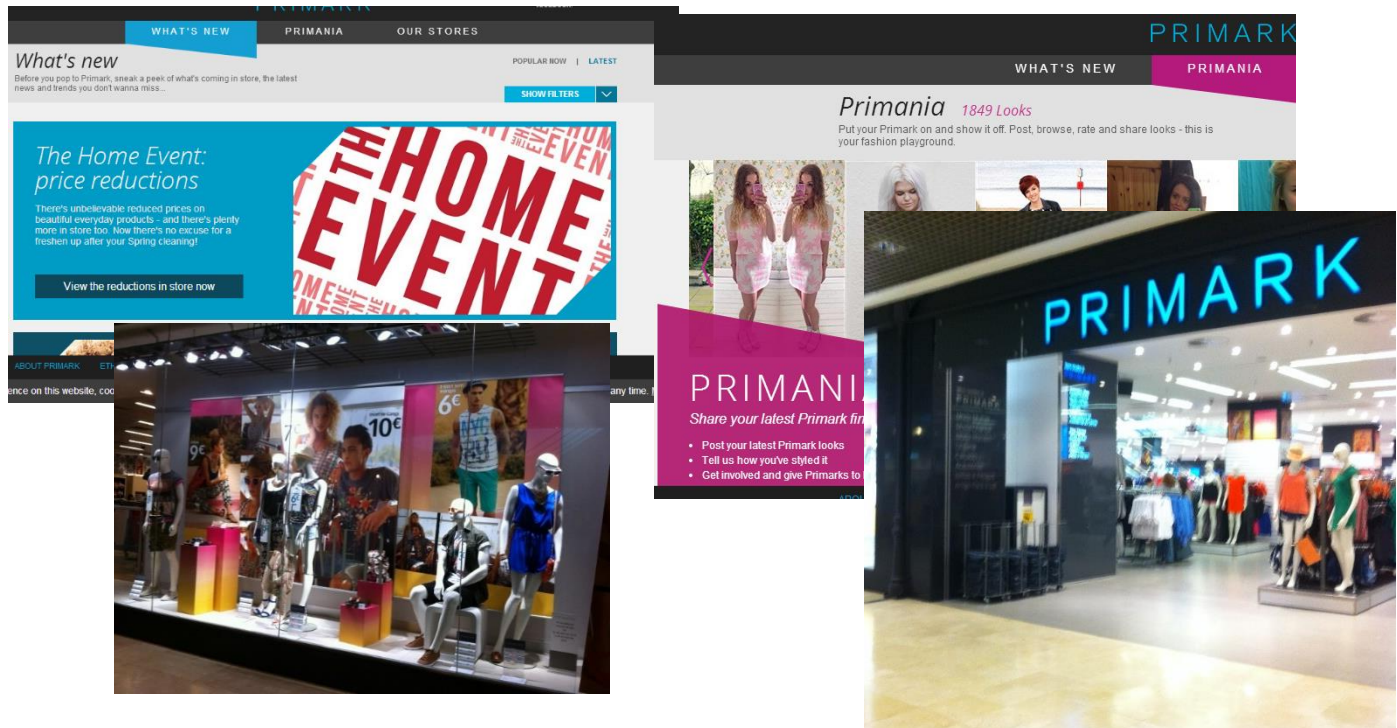
Source: Zara's website (<http://www.zara.com/pt/pt/mulher-c390001.html>)

## Exhibit 11 Mango Website and Store Display



Source: Mango website in 2014, available at: <http://shop.mango.com/PT/mango>

## Exhibit 12 Primark Website and Store Display



Source: Primark website in 2014, available at: <https://www.primark.com/en/whats-new>



## Exhibit 13 Inditex and Key Competitors in 2012

(Values in Millions of Euros)

	Inditex	H&M <sup>a</sup>	Mango	Primark <sup>a</sup>
Net sales	15,946	13,475	1,690	4,250
Cost of sales	-6,417	-5,458	NA	NA*
Gross profit	9,529	8,017	NA	NA*
Gross margin	59.8%	59.5%	56.4%	NA*
Operating expenses	-5,605	-5,199	NA	NA*
Other net operating income (losses)	-12	NA	NA	NA*
Operating cash flow (EBITDA)	3,913	NA	0,209	NA*
EBITDA margin	24.5%	NA	12.4%	NA*
Amortization and depreciation	-796	NA	NA	160
Operating income (EBIT)	3,117	2,427	0,132	443
EBIT margin	19.5%	18.0%	7.8%	10.2%
Taxes	-764	-60	-0,019	0
Net income	2,367	2,486	0,113	443

Other Relevant Information				
Employees	120,314	72,276	12,211	43,000
Number of Markets Present	86	48	104	7
Sales in Home Country (%)	21%	6%	17%	NA
Number of Store Locations	6,009	2,776	2,598	484
Stores in Home Country (%)	32%	6%	NA	7%

Source: Compiled and calculated by the casewriter from the Groups' 2012 Annual Reports.

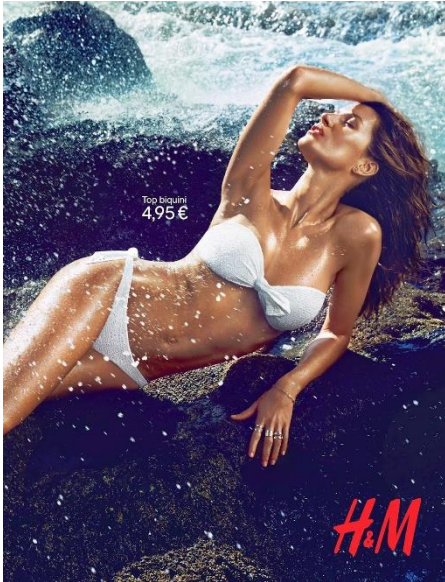
<sup>a</sup>Converted to Euros for H&M (from Swedish Kronor, SEK) and Primark (from British Pound Sterling, GBP)

\*Information merely available for Associated British Foods Group

## Exhibit 14 Current Competitors' Advertising Campaigns



Source: Mango's 2014 Spring/Summer Campaign with model Daria Werbowy, available online, on outdoors, magazines and at Mango.com (<http://shop.mango.com/PT/mango/social>)



Source: H&M's 2014 Summer Campaign with model Gisele Bündchen, available online (<https://www.youtube.com/watch?v=bl768oyt71U>), on outdoors, magazines.

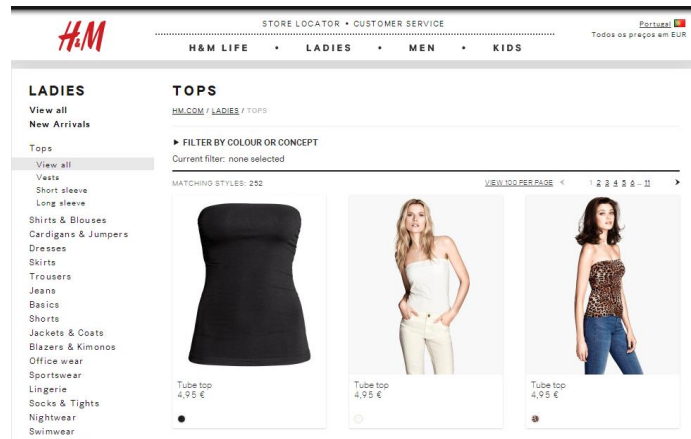
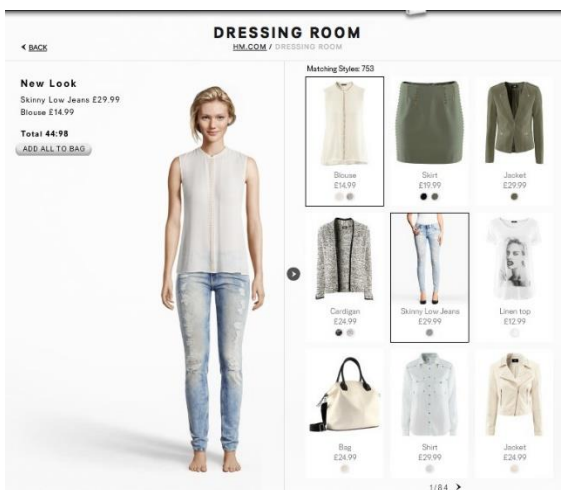


Source: Primark Spring/Summer 2014 Collection, available online and on social media (<http://www.primark.com/en/whats-new/article/301>, spring/summer-2014-womenswear-collection)

## Exhibit 15 H&M's Exclusive Collections



## Exhibit 16 H&M's Online "Dressing Room", website and store display



Source: Extracted from website (<http://poqstudio.com/2013/02/virtual-fitting-rooms-are-they-a-gimmick-or-an-essential-tool-for-fashion-ecommerce/>), but formerly available at: <http://www.hm.com/gb/dressingroom/LADIES>

Website available at: <http://www.hm.com/pt/subdepartment/LADIES?Nr=4294963730>

## B) Teaching Note

In this section, the author will propose a class plan to guide in-class discussion and assign relevant questions for complete comprehension and analysis of the case.

### **Case Overview**

Zara's innovations in IT, supply chain management and merchandising has pushed it to become one of the most recognizable names in the world. The brand has set the industry's norms and become a miraculous "exception" in the world of fashion.

However, in the beginning of 2013 the brand faces severe pressure in its sales due to the ever-changing dynamics of its industry, the economic constraints set by the European recession and the force of its competitors, specifically the Swedish fashion retailer H&M. Unlike its competition, Zara had never pursued an intensive advertising-based strategy, focusing more on consumers' demands and their experience with the brand in its points of sale.

How can Zara guarantee and sustain its growth in the following years? Should it seek advertising opportunities regardless of its initial standpoint on the matter? Or should it seek other alternatives that will enhance customer experience with the brand? Once again proving that heavy advertising isn't key for company growth. These are some of the questions pointed out during the case that will encourage in-class debate and allow students to apply their course knowledge in order to come up with creative strategies/solutions for Zara to sustain its competitive advantage and growth.

### **Teaching Approach**

The presented case study is most adequate for teaching in marketing courses under a Masters' program. In the case of it being taught at Nova SBE, this case study is suitable for the first semester Masters' course of "Marketing in a Dynamic World", currently taught by Professor Victor Centeno or Professor Jorge Velosa.

### Learning Objectives

This section is useful to guide the course's professor in organizing and prioritizing class discussion. The key learning/teaching objectives set the main points students should apprehend upon reading and analyzing the case.

After reading, analyzing and discussing the case in class, students should be able to:

1. Learn how to analyze and delineate the key success drivers of Zara's business success and rapid growth;
2. Understand how unique brand elements can impact a brand, its business model and the marketing tools used (i.e. comprehend that even the "right" choice/decision isn't perfect);
3. Develop a critical analysis on business models and marketing strategies used within the fashion industry;
4. Evaluate the dilemma faced by Zara's management given the brand's standpoint.

### Assignment Questions

The following are recommended assignment questions that should be given to students to allow better case comprehension and analysis before class discussion<sup>1</sup>.

**AQ1** What is unique about Zara? Reflect on the difference between crucial and nice-to-have elements.

- a. What can be changed and what needs to be retained?
- b. What is Zara's positioning in 2012? You may consider brands within the Inditex group for the positioning map<sup>2</sup>.

**AQ2** How is H&M different from Zara?

**AQ3** If you were Óscar Marcote, what recommendations would you make to Pablo Isla?

- a. Will these recommendations persist in 5 years' time?

### **Case Analysis**

#### Relevant Theory or Academic Literature

Explaining case-studies through the concepts of marketing is a defying task that, given the vastness of the field, cannot be entirely explored within a 90 minute class, let alone a 12 page case-study. However, the main intent of this section is merely to suggest frameworks and tools that may be useful for the analysis of the case-study and resolution of the assigned questions.

---

<sup>1</sup> Assignment questions may be altered or replaced. This is strictly for the class professor to decide.

<sup>2</sup> A proposed Positioning Map is available to the professor in **Exhibit TN2**

Relevant Theory is thus provided in **Exhibit TN1** for a full comprehension and analysis of the case in question.

### Teaching the Case

A class plan is suggested to aid in class discussion and prioritization of topics to be reflected upon. This case is intended for a 90 minute class. Students should be requested to read the case beforehand, ideally on the previous course session<sup>3</sup>. The course's professor should also give out the chosen assignment questions for delivery on the day of the session in which the case will be discussed.

#### *Discussion Block 1: Zara (20 minutes)*

The class should begin with a discussion on the actual brand. The author would suggest beginning with a question similar to: "Who has shopped at Zara?" Undoubtedly most of the class will acknowledge they have shopped at Zara at least once. Subsequently, the professor could ask students *why* they had chosen to shop at Zara. Moreover, the professor should dwell on the notion of the augmented product and reverse positioning. What is the downside of buying at Zara? Does Zara offer everything the other chains do? Is there a balancing act?

Relevant talking points:

- What Zara represents – i.e. consumers' perception of the brand. Students may lean toward the following:
  - Style
  - Quality
  - Good price-quality ratio
  - Clean, simple image
- The "*Zara Way*", interesting discussion topics could be:
  - Zara's design-to-manufacturing system
  - Store operations

#### Zara's Design-to-Manufacturing System

A possible board plan for this section could begin with listing the main elements of each part of the production process<sup>4</sup>:

- Design
  - Real-time design with feedback from stores
  - Flat organization

---

<sup>3</sup> The gap between when students are requested analyze the case and the in-class discussion is dependent on the course's scheduling. Normally at Nova SBE, courses have a one-week gap.

<sup>4</sup> Please note that other elements might arise, these are merely suggestions of important elements that should arise in the discussion.

- Buying
  - Fabrics from close by countries
  - Fabrics bought undyed
- Production
  - Vertically integrated operations
  - In house production (over 50%)
  - “Produce while hot”
- Distribution
  - Zero inventories
  - Production to shop in 3 weeks

The professor might then ask how stores operate, key discussion points here would be:

- Store appearance/display
- Product placement
- Store location
- Store orders
- PoS advertising
- Communication between stores and HQ

Finally, the professor should ask students to suggest a Positioning Statement for Zara. This will be helpful in introducing the next discussion block (a possible Positioning Statement can be found in **Exhibit TN1**).

*Discussion Block 2: Brand associations and Marketing Strategies of Zara and H&M (30 minutes).*

Now concerned with Zara’s main competitor, the professor should begin by spurring a discussion on the main differences between Zara and H&M. The professor might ask the same questions as in *Discussion Block 1* but directed at H&M:

- “Who has shopped at H&M?”
- “How is H&M different from Zara?”
- “What’s unique about H&M?”
- “What is H&M’s Positioning Statement?”

This will allow students to understand the differences between the brands through what they represent and develop a Positioning Map based on those differences – positioning statements can be written beside each other so as to show the key differences between the brands.

A proposed positioning map for the brands can be found in **Exhibit TN2** and should consider not only Zara’s main competitors outside Inditex but also within Inditex. Possible positioning axes could be “Affordability” and “Trendsetter/Follower” and/or “Affordability” and “Target Age”. These two positioning maps will enable a fuller comprehension of the market.

For the marketing approach, students, and the professor, could construct a table where a comparison between the marketing tools used, namely the 7Ps, could be visible (please refer to **Exhibit TN3**). To that end, the professor might initiate discussion by asking: “How do Zara and H&M use marketing?”

#### *Digression: The Role of the Online World*

Another interesting point that could arise from class discussion, besides the fundamental differences between the brands’ associations, could be:

- Is online important for these companies?
- If so, in what ways? – with this question the following two main aspects should arise:
  - E-commerce
    - H&M’s “dressing room”
  - Social Media Interaction
    - Facebook, Instagram, Blogs, etc.

This extra discussion step could help students analyze the uprising trend of the online world in the fashion industry, specifically in the Fast Fashion category where customers are younger and tend to be constantly seeking information and feedback on products. The *twist* of this digression might enable students to better envision possible strategies for Zara, considering (or not) current strategies pursued by its main competitors.

#### *Discussion Block 3: Future Steps (30 minutes)*

To begin this final discussion block, the professor should pursue discussion by asking students:

- Why is it important for Zara to understand its customers?

A list of students’ suggestions should be made on the board. For this question, what is important is the perception of students toward the importance of consumers’ presence in the production/design process and how this became a key element of Zara’s operations. The professor might also ask:

- Do you believe consumers know that they are part of the design process? Did *you* know this before reading the case?

The next step would be to detect the possible strategies/recommendations and evaluate their impact on Zara’s current business. The possible strategies are:

1. Attempt to improve productivity and efficiency of current general marketing mix/strategy;



2. Implement a completely new strategy, possibly through advertising such as:
  - a. Catalogues
  - b. Social media
  - c. Traditional Media (Magazines, TV, radio, etc.)
3. Innovate on certain areas of the current strategy:
  - a. Personal Shopping

Note: Regarding the last strategy, students should, ideally, be able to evaluate not only the impact on the brand's identity and perception but also the financial impact of such a decision. Unfortunately, information on store sales in Portugal and employee costs were not accessible to the case writer. However, future improvements on the case might enable access to said resources and thus, a more thorough analysis of this option.

To debate the options presented, the professor could divide students into three groups, each defending one of the strategies. The students would be required to discuss between themselves the main advantages and disadvantages of their assigned option (during 15 minutes) and then present to the class why their strategy would be the "right decision" (5 minutes).

The following pros and cons for each strategy should be mentioned<sup>5</sup>:

1. Attempt to improve productivity and efficiency of current marketing mix/strategy;
  - a. Pros
    - i. Acting on current elements of the marketing mix would allow the brand to maintain its standpoint on advertising, ultimately keeping its unique brand identity unharmed;
    - ii. Given Zara's intertwined communication between HQ and stores, store managers could be asked to assign some employees to suggest improvements on their activities;
    - iii. Possibility of broadening the scope and reach of Zara.com through social media and the website without a need to add resources.
  - b. Cons
    - i. Zara's current strategy is highly saturated
2. Implement a completely new strategy, possibly through advertising;
  - a. Pros
    - i. Increase Zara's "high-end" perception in countries where Zara is more expensive;
    - ii. Opportunity to divulge Zara's simple, clean look through discrete ads that would enable a higher connection to the brand without compromising the brand's identity.
  - b. Cons
    - i. Zara's customer base expects a certain level of "mystery" to the brand which, if unveiled, could harm the brand's perception and identity;

---

<sup>5</sup> These are mere guidelines for discussion points, more points should come up in the discussion.

- ii. The costs incurred in when using advertising might not have a proportional positive effect on the brand's sales.
- 3. Innovate on certain areas of the current strategy (i.e. Free personal shopping services in selected stores);
  - a. Pros
    - i. Zara's main objective is to increase customers' positive experience in-store, which would be enhanced with this option;
    - ii. In many high-end store locations, customers usually expect this service;
    - iii. Zara's target segment is relatively young and may sometimes require advice on the appropriate clothing for a certain occasion but can't afford the service if charged.
  - b. Cons
    - i. Zara's customers aren't used to being "bothered" by sales people and might interpret a personal shopper as an intrusion to their shopping experience;
    - ii. The costs of offering the service for free might not increase the amount spent per person as people may merely use it as an experiment to buy what they would already buy;
    - iii. If the service is free then it will harm the service's perception and effectiveness as customers will feel as if the employee in charge of the service has no true knowledge on the subject.

Finally, the teacher should conclude the discussion block by asking students which recommendation they would make, based on each groups' arguments. On the board, the teacher may list the three options and count the number of votes for each option.

*Class conclusion (10 minutes)*

As a final block, the professor should briefly ask students what they thought of the case and summarize the main discussion points of the class. Finally, and merely as an attempt to spur students' interest on the case post-class, the teacher might ask a final question such as "How serious is the competitive pressure coming from Mango (similar to Zara's model)? And Primark (lower-cost model)?"

C) Teaching Note Exhibits

**Exhibit TN1**      Relevant Theory

**Positioning<sup>6</sup>**

For a brand to define itself within a category, it needs to set a certain image in the mind of its target audience so as to establish brand preference over its competitors. Brands may achieve this distinctive image through focusing on a feature or benefit that is valued by its consumers and distinguishes it from its competitors

---

<sup>6</sup> Information on Positioning was based on Professor Victor Centeno's "Marketing in a Dynamic World" course slides on Positioning.

(competition-based positioning), or it can choose to focus on how it can add value and bring relevance to its consumers through its brand personality and essence (customer-based positioning).

### *Competition-based Positioning*

As above mentioned, in competition-based positioning the brand's goal is to find a feature or benefit that not only brings value to its customer base but also distinguishes it within its category. To that end, through consumer insight on preferences and purchase motivations, brands target their individual competitive strengths to prove that they have what consumers look for but also have points of difference that make it unique, and better, than the other category members. Simply put, the main elements of competition-based positioning are:

- Category membership/points of parity, to establish a frame of reference regarding what the brand has to offer. These are aspects that all brands within the category *must* have to belong in the category (points of parity);
- Superiority within the frame of reference, to emphasize the brand's point of difference. These are aspects that the brand has that are unique and favourable when compared with what others within the category offer.

### *Customer-based Positioning*

Contrarily, when a brand chooses to position itself based on what is relevant and important for its consumers', its intention is to show the essence and personality behind the brand. Thus, a brand focuses not just on the attributes it owns (quality clothing) but also on functional and emotional benefits that might push consumers to prefer its offer (affordable prices and fashionable items) together with its unique brand essence ("always in style" and for trendy men, women and children). This process is also known as *laddering*, i.e. it's important to show the attributes of the brand but it's essential to show *how* the brand can make consumers' lives better. The brand's essence should, therefore, be at the core of the brand's positioning but its personality (trendy, high fashion), values (simplicity, chic), benefits (fashionable and affordable) and attributes (quality clothing) also have to appear evident.

## **Positioning Statement<sup>7</sup>**

The positioning statement serves as a summary of the desired positioning of the brand. As such, the main elements of a brand's positioning statement entail:

- Frame of reference (what is the need?)
- Point of difference (what exactly are they looking for?)
- Target group (what kind of people have that need?)

For the Zara brand, a possible positioning statement could be:

- Zara is a clothing and accessories fashion brand (frame of reference)
- For men, women and children (target audience)
- That brings the most fashionable and trendy clothing at affordable prices (point of difference)
- Because they know where their items come from and guarantee the best quality. (reason to believe)

Students' proposed positioning statements must, thus, answer:

- Who is the target?
- Why should the brand be considered?
  - What category does it belong to?
  - What does it allow the target to achieve?
- Why should the brand be chosen?
  - How is it different from other category members?
- How will the brand help achieve targets' goals?

## **Marketing Mix (4Ps & 7Ps)**

A Marketing Mix typically includes the different decisions that a company must consider regarding its product-to-market strategy. In 1960, EJ McCarthy first mentioned the 4Ps of the Marketing Mix to define the different decision areas where companies should focus on when getting their product/service to consumers<sup>8</sup>.

These decision areas typically have the objective of: meeting the customers' needs correctly, charging the right price for the product, getting it to the right/most accessible place for customers and selecting the right communication and promotion strategies to make sure consumers understand and prefer the company's offer<sup>9</sup>.

In summary, the four decision areas (also known as 4Ps) are: Product, Price, Promotion and Place.

---

<sup>7</sup> Information on Positioning was based on Professor Victor Centeno's "Marketing in a Dynamic World" course slides on Positioning.

<sup>8</sup> Source: [http://www.mindtools.com/pages/article/newSTR\\_94.htm](http://www.mindtools.com/pages/article/newSTR_94.htm)

<sup>9</sup> Source: <http://businesscasestudies.co.uk/business-theory/marketing/the-marketing-mix.html#axzz30r2801bi>

Initially, a company must decide what Product/Service it will offer to meet customer wants and needs in the marketplace. For such to happen, companies must define the key functionalities of its products/services and the unique attributes that will differentiate its offering from competition. Specifically within a service, such as Zara's, it is important to not only define the core product (clothing) and how it will meet consumers' needs and wants but also supplementary services (such as in-store help from employees) that will augment the product offering<sup>10</sup>.

Subsequently, when Pricing its product/service a company must bear in mind if there are current price points for the same offerings and how much value will the given product/service bring to consumers. This process will enable companies to price products/services within a given range and justify said pricing through the product/services' unique traits and functionality.

To bring products/services to consumers in the most accessible ways, companies must look at which Places, or channels, are most adequate. As such, companies must look at the current channels used in the industry and at the trends in consumer purchasing, i.e. where they can expect consumers to shop (traditionally in retail, physical stores were the only option but recent consumption patterns tend to show that e-commerce is gaining momentum).

Finally, the way a brand chooses to communicate its product/service's message to consumers is as important as how the product fits consumers' needs and wants, how much value it brings to consumers and where it is displayed for consumers to purchase. To that end, the company must not only know how to position its brand/product/service within the market but also choose communication channels that show *how* its offering can add value to consumers and is different (and preferable) from competition.

More recently, a "more complete" version of the Marketing Mix was introduced which added decision areas to companies' implementation plans. This new version added three Ps to the existent four: Physical Evidence, Processes and People. Even though these new Ps might not be useful in all industries, the author strongly believes that, due to Zara's peculiar marketing strategy and the fact that the brand provides a service, these

---

<sup>10</sup> Source: "Services Marketing. People, Technology, Strategy".

decision areas within the Marketing Mix become of high importance. This is a factor that students should be able to apprehend from the case reading and interpretation: Zara relies massively on Physical Evidence, its Processes and its People (from store employees to office employees) to execute its main competitive advantages and strengths.

Physical Evidence, also known as *experience environment*, is the environment in which the service is offered to consumers. From the buildings chosen to the furnishing, layout, colour, and staff uniforms; physical evidence aims to create an ambiance where the desired brand image is communicated. Thus, any tangible item, and surroundings, that might impact consumers' experience with the service must be carefully planned and designed in order to provide the most compelling shopping experience. To that end, decisions on store image, store smell and the feel of the items being sold must be taken in order to push consumers to shop at that store<sup>11</sup>.

At the core of consumer experience, Processes are designed to engage the company with consumers' processes and create value so as to provide a *mutually beneficial experience*. For that to happen, procedures must be implemented to shape how the service will be delivered to consumers. It is thus critical to not only operate a service that meets consumers' needs and the company's objectives but also to deliver it in a way, and through personnel, that will increase consumers' level of satisfaction and loyalty with the company<sup>12</sup>.

Lastly, a major contributor to the level of consumer satisfaction is having the right People in charge at the *customer interface*. Service personnel can be crucial for customers to form impressions on the overall brand image and, as such, companies need to train them and establish objectives so as to ensure that almost all interactions turn into positive experiences (and that negative experiences can be easily handled and resolved).

A resumed table on the key issues within each "P" follows and highlights the factors that students should consider when answering **AQ3**<sup>13</sup>.

"P"	Key issues/questions
<b>Product</b>	What do our consumers want? What needs do they need satisfied? What does our product/service have that will meet these needs and wants?

<sup>11</sup> In "Marketing Management", Pearson 2<sup>nd</sup> Edition

<sup>12</sup> *Ibid.*

<sup>13</sup> The author compiled the issues with the help of Kotler, Keller, Brandy, Goodman and Hansen's "Marketing Management", Pearson 2<sup>nd</sup> Edition.

	How is our product different from competitors’? In what sizes, colours, and styles should we present it?
<b>Place</b>	Where do consumers shop for this product/service? How can we get our product/service there? How do competitors do it? How can we be different or more efficient? Do they prefer physical shops or websites?
<b>Price</b>	What value does our product/service bring to consumers? What are competitors charging for similar products/services? How will our price compare with competitors’? How will we justify this difference? How price sensitive are consumers?
<b>Promotion</b>	How can our message be transmitted to consumers? How are products/services in this area typically promoted/communicated? How are our competitors doing it? How does that influence consumer preference? How can we differentiate our message?
<b>Physical Evidence</b>	How do existent stores look like? How have our competitors differentiated between them? How can we show our image and message through physical stores? Which buildings, store layouts and furnishing should we use? What features do consumers value the most in stores? How can store environment influence consumers’ shopping experience/behaviour?
<b>Processes</b>	How is this service delivered in the industry? How do our competitors design their processes? How will staff and consumers perform the service? How can we differentiate service delivery? How much of the service should be visible to consumers? How customized should our process be?
<b>People</b>	How do store employees influence consumers’ shopping behaviour/experience? How should our people communicate and act in the store? How should they interact with consumers? How are competitors doing it? How do they differentiate themselves in this area? How can we train our staff to accomplish the tasks?

## **Exhibit TN2**          Zara’s Positioning Map

For a more thorough and complete view of the market where Zara acts, students should be able to construct a map which translates the idea of the fast fashion industry (similar to the ones below). It is important that, in this question, students understand the difference in perception within Inditex’s brand portfolio and main competitors. Thus, the key understandings that the professor must look for are:

- Students realizing that Zara and H&M are trendsetters when compared to the rest of the group;
- H&M is slightly more affordable than Zara: in line with Stradivarius, Pull&Bear and Bershka;
- Mango and Zara are perceived as having similar pricing strategies;
- Massimo Dutti and Uterqüe are the least affordable;
- Primark is the most affordable of all the brands.



The second positioning map allows readers to understand the offer of each brand regarding gender, whilst maintaining the “Affordability” axis. Here, one can see that the only brands that do not currently offer male clothing are Uterqüe and Stradivarius. However, it would also be useful for students to understand that Zara, H&M and Primark have a more established male brand than Mango, Massimo Dutti and Bershka.





### Exhibit TN3 Zara vs. H&M Marketing Mix Comparison

Applying the learnings of **Exhibit TN1** on the Marketing Mix, this table was constructed to guide professors when looking at students' answers to **AQ3**. The table lists the main differences in the Marketing Mix of each brand and uses the 7Ps due to the extreme relevance of Physical Evidence, People and Processes in the experience sold by the brands<sup>14</sup>.

	<b>Zara</b>	<b>H&amp;M</b>
<b>Product</b>	<ul style="list-style-type: none"> <li>- Fashionable and trendy clothing and accessories for men, women and children.</li> <li>- High quality garments at affordable prices.</li> <li>- Fresh inventory quickly distributed to stores every 3 weeks.</li> </ul>	<ul style="list-style-type: none"> <li>- Affordable, fashionable garments, accessories, underwear and beauty products for men, women and children of all ages and sizes.</li> <li>- Medium quality, trendy garments at low prices.</li> </ul>
<b>Place</b>	<ul style="list-style-type: none"> <li>- Over 1,925 stores across 87 different markets worldwide.</li> <li>- 1,400 square-metre stores, located on high traffic streets, city centres and relevant/premium fashion districts.</li> <li>- Online store and website available.</li> </ul>	<ul style="list-style-type: none"> <li>- Over 2,500 stores across 43 markets worldwide.</li> <li>- 1,800 square-metre stores, located on busy areas, city centres and high traffic streets with other relevant fashion brand.</li> <li>- Online store and website available.</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>- Price range from 3.95€ to over 150€, depending on product category, target segment and product quality.</li> <li>- Prices set centrally at HQ, market-based, with an average 40% increase for Northern European countries, 10% for other European countries, 70% for the Americas and around 100% for Asia and similar countries (due to costs of international distribution).</li> </ul>	<ul style="list-style-type: none"> <li>- Price range from 1.50€ (accessories) to over 200€ (exclusive collections), depending on product category, target segment, collection and product quality.</li> <li>- Cost-based pricing but more or less equal worldwide (a 15.95€ shirt in Europe will cost \$15.95 in the USA).</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>- Two relevant sales seasons with an average 15-20% markdown on prices.</li> <li>- No advertising, focus on powerful word-of-mouth and free PR of public figures using their pieces.</li> <li>- PoS Advertising.</li> <li>- Interaction with target via social media.</li> </ul>	<ul style="list-style-type: none"> <li>- End-of-season and mid-season sales with around 30-40% markdown on prices.</li> <li>- Massive advertising on outdoors, TV, magazines and social media with influential models and public figures of the fashion industry.</li> <li>- Interaction with target via social media and website.</li> </ul>
<b>Physical Evidence</b>	<ul style="list-style-type: none"> <li>- 1,400 average sized stores in city centres and fashion districts.</li> <li>- Clean, white interiors – simple, to let “product speak for itself”.</li> <li>- “Runway” feel, store mannequins dressed in outfit combinations (product blocks) to suggest pieces that might be used (and bought) together.</li> <li>- Product placement varies every 3-4 weeks.</li> </ul>	<ul style="list-style-type: none"> <li>- 1,800 average sized stores in city centres and fashion districts.</li> <li>- “Chaotic” interiors, with great emphasis on product pricing and sales.</li> <li>- Product placement varies once/twice per season.</li> <li>- Abundance in product display (many sizes and colours).</li> <li>- Store mannequins also dressed in different outfit combination to suggest</li> </ul>

<sup>14</sup> The information listed on this table was the product of the author's consumer knowledge of the brands and bibliographic research made for the development of the case-study.

	<ul style="list-style-type: none"> <li>- Scarcely displayed products – to create sense of “scarcity”.</li> <li>- Online store “decorated” similar to physical stores: white, clean, and with emphasis on the product itself.</li> </ul>	<ul style="list-style-type: none"> <li>pieces that might be used (and bought) together.</li> <li>- Average 2-3 floored stores, especially in city centres and relevant fashion districts.</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>- Highly attentive employees; employees should note important customer requests for specific garments.</li> <li>- Employees trained not to “bother” and solicit customers; should only talk to customers when approached with any inquiry.</li> <li>- High sense of fashion and fashion pieces, thus able to share feedback on trendiness of current collections and suggest modifications.</li> </ul>	<ul style="list-style-type: none"> <li>- Scarcely staffed, employees not easy to find on all floors.</li> <li>- Employees may prompt customers on their needs/wants at any point.</li> <li>- Employees are knowledgeable on store offer.</li> <li>- Sense of fashion and fashion pieces, although no known linkage exists between store employees and HQ.</li> </ul>
<b>Processes</b>	<ul style="list-style-type: none"> <li>- Store customers request or ask whether pieces exist in other colours, or are still available.</li> <li>- Store employees retrieve customer feedback/requests of existent collection, report back to store manager.</li> <li>- Store manager sends daily reports on sales and feedback to designers and merchandise department which, in turn, suggest and design new garments for production.</li> </ul>	<ul style="list-style-type: none"> <li>- No concrete process is noted in-store or between the store and HQ/designers of store offer.</li> </ul>