

Research on ZARA Strategy from the Perspective of SWOT Analysis Method

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ABSTRACT

Though a leader in the fast fashion industry, ZARA encounters, in its development process, a multitude of problems and bottlenecks. In this paper, SWOT analysis is applied to analyze this brand. The results show that: ZARA has lower product prices, unique and numerous designs, high production efficiency, and low production costs; its disadvantages are mainly manifested in low product quality, excessive scale expansion, and bad reputation of plagiarism; the opportunities are mainly the rapid development of AI, the increase in income, and the development of the Internet and e-commerce; the threats are mainly the following strong competitors, and the decline in brand loyalty. In response to these findings, we suggest strategies for the application of AI technology, expansion of scale, product design, product quality, and promotion and marketing in this paper.

Keywords: *Fast Fashion, SWOT analysis, ZARA*

1. INTRODUCTION

Fast fashion, with “rapidity, decisiveness and accuracy” as its main feature, is rapidly emerging, maintaining a very good momentum of development. Fast fashion brands are characterized by the rapid update of products, the design of following international brands and the price of ordinary people, which is a successful new trend in the apparel retail industry in the past 10 years. However, with the emergence of a large number of fast fashion brands, competition in this area has intensified, and the development of the fast fashion clothing brands is confronted with severe challenge. Among the many fast fashion brands, ZARA, a Spanish clothing brand, has grown from a small ready-made shop to a global fashion brand leader in just a few decades, and has become a model in the fast fashion clothing industry. Specializing in fast fashion and its products include clothing, accessories, shoes, swimwear, beauty and perfumes, ZARA is the largest company in Inditex Group and the largest clothing retailer in the world. As of 2017, ZARA manages as many as 20 clothing collections per year. Based on this, this paper will take ZARA as a case study and carry out the research through SWOT analysis with the expectation that it will provide relevant policy implications for the global fast fashion brands and help their rapid development.

2. LITERATURE REVIEW

The current research focusing on ZARA is rich in topics and diverse in approaches. Liu Chang [1] starts from the analysis of the existing supply chain strategy of ZARA and applies RFM analysis phalanx to determine what strategies should be adopted for different objectives to maximize the benefits without weakening the existing competitive advantage, which is bound to help the growth of Chinese apparel retailers. Yin Jingwen [2] analyzes the supply chain management model of ZARA, a world-renowned apparel brand, in light of supply chain management and current issues in the Chinese apparel industry. Cao Ningxin and Zhang Lei [3] aim to study the elements of ZARA's flexible supply chain construction and its implications for Chinese apparel brands. Yang Qian [4] takes the fashion clothing represented by ZARA as the research object, analyzes the development status, product types and strategic positioning of fast fashion apparel and focuses on the uncertainty of ZARA's strategy. In addition, Chen Weizhu [5] uses the business-IT strategy matching model as a theoretical framework to analyze the success of ZARA's IT application and the inspiration it brings to the in-depth application of information technology in domestic enterprises. Firstly, IT can only assist people to make judgments, cannot replace people; secondly, informatization should be standardized and phased, with

a focus; thirdly, technical solutions should start from the inside; fourthly, process optimization should be taken as the key point; fifthly, business process must be effectively integrated with IT. Based on brand image evaluation theory, Qie Kexin et al. [6] proposed a brand image of ZARA "Civilian Fashion" consisting of four dimensions and 21 indicators, as well as four hypotheses on the relationship between brand image and consumer purchase behavior, and built corresponding theoretical models and empirical tests in combination with perceived value and consumer behavior theory. The results show that subjective value, communication value and product image all have a positive influence on consumer purchasing behavior, and that apparel brands should build and communicate a "civilian fashion" brand image by being close to customers, communicating culture and building products to improve brand recognition and competitiveness. Li Xuechao and Zhang Qiyue [7] analyze the significance of ZARA's brand innovation culture to the development of design innovation in China. The study suggests that ZARA should enhance the status of design from the aspects of education and enterprise, firmly establish the awareness of design innovation-driven development, and also assume corresponding social responsibilities to participate in solving social problems, thus forming a virtuous circle among enterprise, society and nature. Lu Ying [8] analyzes the O2O model development of ZARA's fast fashion brands, summarizes and draws lessons from its experience, and then puts forward improvement strategies for the O2O model development of China's fast fashion brands. Based on the characteristics of fast fashion apparel, Ning Ke [9] takes ZARA as an example to analyze the implementation of every aspect of its R&D design, production and manufacturing, finished products warehousing until the shelf sales under the guidance of cost leadership strategy from the perspective of business process reengineering concept and information technology application, and concludes the impact of this cost management strategy on ZARA's acquisition of competitive advantage. Yan Di [10] systematically analyzes ZARA's brand strategy of 3Vs (value customer, value proposition, value network) through detailed and informative research on ZARA, and concludes that vertical integration of production, strong design and development ability, and rapid response to fashion are ZARA's unique business model and the way to make profits. Liang Chenzhang [11] applies Michael Porter's five forces model of "industry competitive characteristics" to study the competitive situation of ZARA. In the basis of the STP marketing theory, Tian Qing [12] gives marketing recommendations for the ZARA brand and proposes the further development of the ZARA brand based on the four guarantees of organization, personnel, technology, and system. In addition, Li Wenchen [13] draws some inspirations of ZARA's marketing strategy in China for Chinese local

apparel brands based on the analysis of the marketing strategy of fast fashion brand ZARA, which is to say that in order to gain an advantage in the competition, Chinese local clothing brands must make some achievements in brand effect, design talent training, rapid supply chain construction, international operation and other aspects, so as to improve the competitiveness of Chinese clothing brands and make the clothing industry bigger and stronger. Wu Xinlu [14] looks for the inspiration that ZARA can bring to cost control in China's fast fashion apparel industry through the experience and effect of ZARA's cost control, and puts forward the promotion suggestions for cost control in China's fast fashion apparel industry. Li Sa [15] introduces ZARA's business process in China in terms of store expansion rate and distribution area, and points out the current status of ZARA's operation in China, which mainly includes the number of stores, product lines and the current status of technology application, and further analyzes ZARA's marketing environment in China from the perspectives of macro environment, industry competition environment and ZARA's own internal competition environment.

In addition, there is also literature conducting research on other fast fashion brands. Through the elaboration and comparative analysis of the operating model of H&M international fast fashion brands, Dong Hanxi [16] summarizes and organizes its reference to Chinese fast fashion, identifies the problems existing in the development of Chinese clothing brands and proposes feasible measures to solve them, that is, only by developing correct and appropriate business strategies, establishing a good brand image, Chinese enterprises can stand the test of time and the choice of the market. Guo Leya [17] takes the example of leading domestic clothing brand Metersbonwe and foreign brand Uniqlo to discuss the rules and methods that fast fashion apparel should master in carrying out the merchandising of their products. Using marketing theories such as STP and 4P, Xiaoxing Peng [18] analyzes whether and how digital marketing strategies for fast fashion apparel brands can be innovative in the era of big data.

3.SWOT ANALYSIS

SWOT, also known as Strength crisis analysis, Strengths and weaknesses analysis, SWOT or Dawes Matrix, is a method of analyzing a company's competitive situation and is one of the basic analysis methods of marketing. By analyzing strengths, weaknesses, opportunities and threats of enterprises, it is possible to conduct an in-depth and comprehensive analysis of a company's competitive advantages and position its competitive advantages before formulating development strategies.

3.1. Strengths of ZARA

Lower product prices. ZARA is targeting young and middle class customers who pursue fashionable products at affordable prices. However, there are not enough brands in the market to achieve the perfect match between quality, style and price. ZARA's biggest advantage is its unique design approach to making high-end fashion affordable, offering quality products that are as fashionable as high-end fashion brands, but at a lower price. This means that ZARA attracts the young fashionistas by offering similar styles to the big international brands, at affordable sportswear prices, and even attract a larger customer base and a higher level of loyalty.

Unique and numerous design styles. With a team of hundreds of designers and buyers who travel around the world for fashion weeks and shows, they select the most popular styles and quickly send them to ZARA's headquarters in Spain, where they are modified and repackaged in the ZARA style. As a result, ZARA quickly launches over 10,000 new fashion items each year, and they design up to 50,000 styles, from which they select the best pieces to bring to market. Other brands usually launch only two to three thousand new designs a year, so there is a big gap between the number of designs of other brands and that of ZARA. In terms of design, ZARA is committed to building high-end brand image, effectively improving the taste of clothing design, blurring the boundary with "luxury and big brands", and winning the middle and high-end consumer groups with high cost performance through design advantages. In addition, the unique design approach gives ZARA products exclusivity and reduces the chance of clashing with others.

Highly efficient production. In the fashion industry, design is usually conducted in developed countries, while production is done in developing countries with advantage of low cost but also the disadvantage of slow processing. However, 80% of ZARA's products are produced in Europe, and half of the production is done in its owned factories or the factories under its control. Although the cost is 15%-20% higher than outsourcing, the high efficiency it brings to the company effectively reduces the risk of inventory overstocking, thus maintaining a relatively stable profit margin. In other words, ZARA has broken the traditional pattern of "design in the first world, processing in the third world", and has increased its production efficiency so that a product can be designed, selected, dyed, cut, sewn, ironed, shipped, and put on the shelves in as little as 3 weeks.

Lower production costs: ZARA's marketing costs are very low. It does not carry out large-scale advertising, nor does it have any star marketing strategy. Instead, it pays attention to store location selection,

store layout and display. In addition, since ZARA's style design is mainly based on imitation of major brands, in which they innovate and surpass, this allows ZARA to save on design costs. Although there is a large amount of money paid out every year due to title lawsuits, this cost is within reach.

3.2. Disadvantages of ZARA

Lower product quality. In usual, fast fashion products cannot last for many years. In addition, ZARA's doesn't pay much attention to its product quality. As a result, its quality of the product has been worrying and it has repeatedly been the target of local industry and quality control departments. In April 2012, Greenpeace sourced 141 samples from 29 countries and regions around the world, including Arman, Victoria's Secre, C&A, Calvin Klein, ZARA, H&M, etc., and found that ZARA's clothing contained the most harmful substances. The China Beijing Consumers Association has also decided to write a letter to ZARA's Spanish headquarters, hoping that the head office can urge ZARA Beijing to take the quality of its products seriously and take effective measures to solve and improve the existing quality problems to safeguard the interests of consumers.

The overexpansion of scale. ZARA has a high expansion rate in the world, with 2,200 franchised stores in 56 countries and regions, 90% of which are ZARA direct-sale stores. Moreover, it has started the "sinking" layout on a global scale, that is, from the global first-tier cities to the second and third-tier cities expansion layout mode. However, ZARA's sales performance has only been impressive in first-tier cities, while stores in second and third-tier cities are basically on the verge of losing money due to lower material consumption levels. Such overexpansion leads to increased inventory and decreased profits. In addition, although the market is becoming saturated in some areas, with less room for profit, ZARA's expansion has not stopped.

The bad reputation of plagiarism. Since ZARA has made a lot of profits through imitation, it has to bear tens of millions of infringement costs each year. Some media ridiculed that ZARA used infringement fees as copyright fees. For example, ZARA copied illustrations from New York designer Adam J. Kurtz, prompting artists to complain. In September 2013, the Internet was besieged with Weibo posts alleging that ZARA's latest fall/winter campaign had been copied from Louis Vuitton, Saint Laurent, Stella McCartney and other brands, and that the high-priced brands were being copied by the low-priced ZARA. ZARA's plagiarism is not only a big impact on high luxury brands, but also on ZARA itself, although it will gain high profits in the early sales, but in the long run it will make the brand image in the minds of the audience greatly discounted, seriously affecting the brand's future development.

3.3. Opportunities for ZARA

The rapid development of AI. In recent years, the third generation of AI algorithms, represented by deep learning, has begun to develop rapidly, and it can be applied to clothing styling, clothing color matching, garment sampling and virtual fitting. ZARA can further improve customer service by investing in AI and developing technologies such as virtual fitting.

Increase in income of the population. The continued economic development of the country and the increasing purchasing power of the target population base is one of the main opportunities for ZARA. In China, for example, the increasing income, decreasing Engel coefficient and increasing affordability in recent years will be an important opportunity for ZARA's development in the Chinese market. In addition, any developing country in the world that shows rapid development represents a potential and huge market for ZARA.

Development of Internet and e-commerce. With the rapid development of Internet technology in China, the consumption pattern of clothing industry also faces important opportunities. ZARA was one of the first fast-fashion brands to open an e-commerce business in 2012, and initially adopted a self-built e-commerce model by opening its own e-commerce website, but after making little profit from its self-built website, it has adapted to the development of e-commerce in China. ZARA's e-commerce layout not only helps centralize effective inventory management, but also enables the flow of information and capital.

3.4. Opportunities for ZARA

Strong competitors. The threat of competition in the fashion industry is increasing. ZARA has a wide range of products, including almost all types except clothes for the elderly, such as men's, women's, baby, maternity and accessories. This has also resulted that it has rivals all over the market and almost any clothing brand will be in competition with it. The Swedish fashion brand H&M is the most similar to ZARA and is the most threatening rival to it. The prices of H&M are about 20-30% lower than that of ZARA. In this case, ZARA is in a passive state in the market competition among the fast-fashion clothing brands that contain trend elements.

ZARA's target consumers are highly educated young people between the ages of 20 and 35, who love to pursue fashion, are quicker to adapt to the latest fashions, have a higher recognition of fashion products, and more importantly, are more sensitive to fashion elements. However, if ZARA does not have its own brand characteristics and only follows the new style of other brands, the college students may pay less attention to ZARA, not be loyal to the brand and pursue some

new brands instead, which will threaten the future development and survival of ZARA.

4. CONCLUSION AND POLICY RECOMMENDATIONS

4.1. Conclusion

ZARA is a leader in the sustainable development of the fast fashion industry. In this paper, we draw the following conclusions through SWOT analysis (see Table 1): first, ZARA has the advantages of low product price, unique and numerous design styles, efficient production, and low production cost. Secondly, ZARA's disadvantages mainly lie in its low product quality, excessive expansion of scale, and its deep involvement in plagiarism. Thirdly, the current opportunities for ZARA are mainly the rapid development of AI, the increase of residents' income and the development of Internet and e-commerce. Fourthly, ZARA's main threats are the strength of its competitors and the decline of brand loyalty.

Table 1 SWOT strategy

SWOT	Content
Strengths	Low product price, unique and high quantity design, high production speed, low production cost.
Weaknesses	Lower product quality, overextension of scale, deep involvement in plagiarism
Opportunities	The rapid development of AI, the increase in resident income, the development of Internet and e-commerce
Threats	Strong competitors, threats from brand loyalty

4.2. Policy Recommendations

Based on the above conclusions, this paper makes the following policy recommendations: First, take advantage of the rapid development of AI to develop more personalized services for customers and enhance their shopping experience. Secondly, we should focus on the market in popular cities and business districts instead of blindly expanding our stores according to our ability. Third, strengthen the product design innovation, and gradually get rid of the copying and blindly follow the product design model, to carry out their own design style product series, to deepen the brand image and enhance customer loyalty to the brand. Fourth, pay attention to the quality of goods, the choice of materials in the product can choose a little better material,

appropriate to improve product quality, so as to improve the brand's reputation in the hearts of customers. Fifth, the key to successful promotion lies in publicity, making full use of the development of the modern Internet, based on mobile social media to promote the brand.

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