

An Exploratory Study of Brand Strategy in Fast Fashion Brand

Using Zara as an Example

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Abstract—Nowadays, fast fashion brand strategy has been paid more attention by academic. It is a big issue that how to use strategy innovation method to improve brand competition capability and brand core value. This study will use Zara which is one of the most famous fast fashion brands in the world as the example to explore the strategy innovation method in fast fashion brand industry.

Keywords—fast fashion brand; branding strategy; Zara

I. INTRODUCTION

Zara is the flagship chain store of Inditex Group owned by Spanish tycoon Amancio Ortega, who also owns brands such as Massimo Dutti, Pull and Bear, Oysho, Uterqüe, Stradivarius and Bershka. The group is headquartered in A Coruña, Spain, where the first Zara store opened in 1975. It is claimed that Zara needs just two weeks to develop a new product and get it to stores, compared with a six-month industry average, and launches around 10,000 new designs each year. Zara has resisted the industry-wide trend towards transferring fast fashion production to low-cost countries. In this assignment theories of marketing/branding to analyze Zara's fashion brand portfolio and future global brand extensions based on a 'globalisation' strategy.

II. HISTORY

In 1975 Amancio Ortega opens a little store in a North East Spanish town and named it ZARA. From then until now, ZARA has become a very famous brand all over the world and owns over 1000 stores in 60 countries of the world.

In modern times, "Fashion has become a vehicle for debates that now lies in the heart of visual and material culture studies" (White and Griffiths, 2000, p5). Zara's strategy is unique in the fashion industry; fast fashion aimed between the traditional top brand and general brands. Zara has established a system of fast fashion - following fashion, moving very quickly when change happens to bring their products to market faster than the competition. As Zara developed fast fashion it became a mainstream operation and on the back of this ZARA has become very popular and has been compared to "Dell in fashion" or "Switch in fashion". In 2005, ZARA was ranked No.77 in the top 100 brands.

Harvard Business School has assessed ZARA as the best investigative value brand in Europe. At the same time, The Wharton School of the University of Pennsylvania said that ZARA is the nonesuch in manufacturing in the future. Zara has been the surveyor's pole in fashion area, because it could lead to the trend of fashion in future.

Zara as a brand has many unique things, for instance, it has a robust finance. In 2005, Zara's income was 44 hundred million EURO and pre-tax profits were 7.12 EURO. An investigation of Morgan Stanley forecast that Zara's basic income per stock will raise 10.9% in every year. While Burberry and other five luxuries brand only have 7.7% rising per year. Due to good financial performance and development Zara's creator Amancio Ortega has become wealthy. In 2007, he was ranked 8th in the Forbes top 100 with an estimated worth of \$24 Billion. Zara is the leading fast fashion brand, has an excellent reputation and generous profits. Zara has developed very fast and in 2005, Zara became one of the 100 most valued brands and exceeded top brands like Armani.

III. CORPORATE BRAND STRATEGY

Understanding people's emotional needs and desires is really, now more than ever, the key to success. (Gobé, Marc, 2001, Pxiv) Zara's marketing strategy focuses on product variety, speed-to-market, and store location. The secret to Zara's appeal is that, although shopping there is inexpensive, it doesn't look cheap. The stores are large, swish and centrally located. (Tungate, Mark, 2005, P50). For Inditex, time is the main factor to be considered, above and beyond production cost. Vertical integration allows us to shorten turnaround times and achieve greater flexibility, by reducing stock to a minimum and diminishing fashion risk to the greatest possible extent. (John D, Roy L, and Masao M, 2006, P74) All information is collected from the internet and using innovative analysis best-selling clothes are identified. Once identified Zara is name able to change their marketing plan very rapidly. Using very small runs the concept of exclusivity and scarcity is generated. "If I do not buy now the next time I come these clothes will have sold out". Even if this design of clothes is very popular, they only offer limited amount too.

And at the same time, Zara specializes in “fast fashion”, cranking out some 11,000 different models a year. Zara’s brand conception is “throw away”. They created a new conception that Zara’s clothes are worn 10 times and then thrown away. Ideas are a new kind of currency altogether—more powerful than money. (Gobé, Marc, 2001, P xiv) Zara’s product managers said ‘we do not invent trends, we follow them. Styles, colours, fabrics – we do not guess any of these things. So we follow them through magazines, fashion shows, movies and city streets.’ Zara has been able to achieve excellent financial status due to its core competencies that provide the chain with a competitive advantage over traditional retailers in the industry.

IV. ZARA SWOT ANALYSIS AND THE SITUATION IN CHINA

A. Strengths

Zara has been a successful business model that differs from that of traditional retailers. Zara is able to be flexible in the variety, amount, and frequency of the new styles. Zara’s business model, has allowed the company to successfully develop a strong merchandising strategy (Herrerros). This strategy has led Zara to create a climate of scarcity and opportunity as well as a fast-fashion system which increases the frequency and rapidity with which consumers visit the stores and crucially buy the products. Therefore, creating a climate of scarcity allows the company to sell more items at full price. This strategy minimizes Zara’s total cost because it reduces 15-20% of markdown merchandise compare to a traditional retailer. Furthermore, most companies will make extensive use of their existing networks to build the market profiles and develop information bases. (Doole, Isobel, 2004, P120) Zara’s unique quick response system, composed of human resources as well as information technology, allows Zara to respond to the demand of its consumer better than the competition. So Zara could earn more money and grasp the chance during the course of competition. Because Zara has centralized distribution facility gives the chain a competitive advantage by minimizing the lead-time of their goods. Zara also has an advantage over its competitors due to its low advertising costs.

The fashion industry in China is no more than 20 years old. Although it has developed very quickly the market is still not very mature. In recent years, lots of brand has been in China and they wanted to have a sent in this big market. Zara also went into China fashion market. Zara has lots of special advantages in China. Firstly, their fast fashion conception and their fast-reflective chain. They are all the advantage which could exceed other brands. For example, at the beginning of Zara has been to China fashion market, they always offer the size bigger than customer’s need, because Asian’s shape is more slender than European. So the size of XS or S is always sold out when they came to store. Secondly, Zara’s design is all following the trend of fashion. They could bring the new fashion trend into China.

B. Weaknesses

Although Zara has a successful business model that differs from that of traditional retailers, it also has

disadvantages that can affect its sustainable growth. The company Inditex’s pays their most attention to Zara. In the future, if Zara has some problem in their merchandising chain, Inditex’s will have to totally wrong with their firm’s strategies and may possibly face an internal meltdown. Zara also has an inability to penetrate the US and China apparel market. In my opinion, this situation that Zara has not been able to develop a strong supply chain strategy in China and US, like they have in Europe.

Zara’s strategy also has some weaknesses. Vertical integration often leads to the inability to acquire economies of scale, which means they cannot gain the advantages of producing large quantities of goods for a discounted rate. Zara’s speedy and recurrent introduction of new products incurs increased costs as well. They have higher research and development costs. Traditional retailers do not experience higher costs in all of these areas.

As we know, most of Zara’s product is made in Spanish and send them to every country retails. It will make their cost raising. In generally speaking, factories in Europe case high labour cost than Asia’s. If Zara could have a factor in china and made their product in China, it will save lots of many during the delivery and labour cost. Moreover, the conception of “throw away” is different to Chinese traditional thinking. In our traditional culture, we always wear a clothes many times until it will not be wore, because our traditional culture is saving culture which is totally different with throw culture. So Zara’s conception is not very suit for the situation of fashion marketing in China. For example, H&M’s product also do not pay more attention to quality in their clothes. However, when H&M came into the fashion marketing in Japan, they establish a factory which is made clothes for Japan marketing, because Japanese attach importance to clothes’ quality. They change their products strategy in Japan marketing. Therefore, I think Zara could copy H&M’s way in Japan.

C. Opportunities

The best way for Zara to maintain their sustainable growth is to seek new opportunities in the apparel market. With changing consumer behaviours as a result of gLocalization especially in China and U.S. department stores suffering, there are growth options available for specialty retailers.

In china, Zara’s stores are only in Beijing and Shanghai and there is not amount of number. Furthermore, there is only one flagship store in shanghai. So in my opinion, as Zara company could set up more stores in the other cities in China, like Guangzhou, Tianjin and so on. As we know, Zara has created a special manage and sell model which is called fast fashion. It could help Zara enter to all over the corner of the world. At the same time, Zara is always following the fashion trend closely and they have their special reflect chain, so they could more quickly make their products and send them to everywhere than Zara’s competitor, like H&M, GAP.

Another market opportunity for Zara is to invest in Internet shopping especially directed toward the China market. Nowadays, as the modern technology development,

internet has been played an important role of our daily life. People are all busy with their study or work, so lots of them do not have enough time to go to shopping centre and spend lots of time to choose what they want to buy. If Zara could establish their on-line shopping in China, even in all over the world, I think it will bring a large number of benefits for their company. And on-line shopping is more convenient to time less people. I think from those two methods, Zara could keep their sustainable growth in future.

D. Threats

The European switchover to the common currency called the euro has created the potential threat for the Spanish Zara chain. Zara's direct competition may be their largest threat, especially when expanding into new fashion market. Almost any retailer can be a threat to Zara due to their wide range of merchandise categories. Zara offers clothing and accessories for men, women, maternity, children, and baby. Many other retailers also offer goods to one or all of those merchandise groupings, like GAP. A final threat to Zara is the issue of cannibalization. Zara's extensive location strategy involves putting multiple Zara stores that carry the same products in the same cities. That means Zara is trying to sell the same exact products to the same customers that live in this city.

As in China, there are lots of success fashion brand. I think they are the biggest threats for Zara. Firstly, they have owned their customer already. Secondly, they have been long time in fashion market in China and they are more familiar with the situation of fashion marketing in China than Zara. At the last but not the least, they have their factory or they have found a cooperating associate in China. It could help them save a bound of delivery fee. For example, the most famous brand is Only and Vero Moda. They belong to the same Denmark fashion company and enter into China earlier than Zara. Their product is also suit for young person and their price is cheaper than Zara. Along with the glocalization process, a large number brand will enter China and they will become the competitor to Zara, like H&M, GAP and MANGO.

V. FURTHER BRAND EXTENTION BASED ON GLOCALIZATION

Glocalisation (or glocalization) is a portmanteau of glocalization and localization. By definition, the term "glocal" refers to the individual, group, division, unit, organization, and community which is willing and is able to "think globally and act locally." The term has been used to show the human capacity to bridge scales (from local to global) and to help overcome meso-scale, bounded, "little-box" thinking. (Sarroub, Loukia K., 2008)

In the 1980s, Levi pointed out that the world had become a big global market or "global village". As globalization spread, there are more and more opportunities to make cultures communicated and globalized. It is like injecting some new blood into the fashion industry and creating a new face in fashion. With the fast global development, the mixing of oriental and western culture blurred boundary of design and different disciplines. Our fashion industry has become

more abundant and complicated. Globalization leads to faster change whilst increasingly global marketing is promoting fashion as the symbol of a successful modern life. Within the context of globalization it is now more important than ever for fashion retailers to manage the brand and keep it rising consistently. As we know, as the economic development, warm weather in Europe, discounting pressures in key markets, currency fluctuation in the Americas, and underperformance of some brands were given as the reasons for this slowing of growth. (George and Levitt, 2002; Scaher 2003)

A. Product

Warren Keenan has a separate product model which adapt to the international marketing to three kinds. Firstly, Straight Extension - put the product into a new marketing without modification. Secondly, Product Adaptation - modify the design and function to adapt to the newly adopted market. Finally, Product Invention - which has 2 formats; Firstly, Backward Invention - refresh old merchandising and make it adapt to the new market and secondly, Pure Invention - create a new product for the new market.

As we know, Zara has their big information system. It could help Zara collect lots of fashion information from all over the world. The newest fashion trend and design conception could be directed to the design centre through Zara's system allowing Zara's products to keep on top of fashion trends. Inditex creates most of its products range with a team of in-house designers, typically turning out 10,000 new items per year from a base of 40,000 design ideas. And the strategy of Zara that less amount of products and more style offer more choice to their customers and make sure customers to keep the interesting to their merchandise. However, in the branch of fashion marketing in china, Zara's conception of "throw away" has against the traditional culture of ours. Our culture is saving culture, so in my opinion, Zara need to pay more attention to their clothes' quality.

B. Price

Despite the increased role of non-price factors in modern marketing, price remains a critical element of marketing mix. (Philip k. and Kevin Lane, k., 2006, P461) Zara has good design as the top brand and has the cheaper price. That is why Zara could continue rising speedily. Market leaders, attacked by lower-priced competitors, can choose to maintain price, raise the perceived quality of their product, reduce price, increase price and improve quality, or launch a low-priced fighter line. (Philip k. and Kevin Lane, k., 2006, P453) Owing to the delivery costs Zara's price in China is a little bit higher than in Europe. And Chinese income on average are not higher than European. So it will have a contradiction between selling and buying and customers and retails.

Nowadays, fashion marketing in china develops very fast. It will be more and more international brand enters this marketing and competition will be more and more vehement. This is a critical problem for Zara. Firstly, Zara must reduce delivery and labour fees. They could establish a factory in

China. Secondly, Zara could establish their on-line shopping system. It could help company to low down difference and help customers know the price in other countries' retails, so it very convenient customers to compare the price between different countries' retails.

C. Place

Zara's stores are seen all over the world always in the most important shopping place as Zara wants to satisfy all of the customers' needs. And Zara has created a special chain which could help them to collect information and change the products as soon as possible. Until now, Zara has not developed their website merchandising, because the company thinks website merchandising will not estimate the expense of deal during the merchandising process. And as for fashion marketing in China, I think Zara could open more stores and flagship store in different cities and establish their own on-line shopping system. It could help Zara pronounce their products as a type of free advertisement.

D. Promotion

Communication adaptation – use the local marketing Strategy, with modifications, as the international marketing strategy. If Zara change both their products and promotion method, it will be called dual adaptation.

A further differentiator of Zara to traditional fashion retailing is their very low spend on marketing. Zara neither advertises nor supplies samples to magazines photo shoots, because the gorgeous decoration in their store, good shopping environment and all kinds of merchandise is the best advertisement. A great deal of attention is given to product presentation and window display. Zara's advertising expenditure is claimed to be 0.3 per cent of sales and dedicated to supporting the annual sales and new store openings. Publicity and communication is 'mouth to ear'. As for Zara in China, if they establish their on-line shopping store, it will help Zara make a good brand image. Meanwhile, an excellent website is a type of advertisement, in respect that it could transfer their newest product and the trend of fashion area. In my opinion, using website as a promotion is very a fast and effective method and could save amount of money.

VI. CONCLUSION

Zara is a very famous fashion brand all over the world and it is also a very successful example of fashion industry recently years. Inditex Company has created the Fast Fashion model, between the traditional top brand and general brands. Furthermore, Zara's unique quick response system, composed of human resources as well as information technology, allows Zara to respond to the demand of its consumer better than the competition. Zara has not been in the Chinese fashion arena for very long. Zara is likely to face many problems, like improve the brand's popularity and so on. Zara could through their successful experience in the other countries and change some of strategy to fit the fashion marketing in China.

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