



PRESENTED BY: GROUP 9

ABOUT THE COMPANY

- Flagship brand of Spanish retail conglomerate, Inditex.
- Founder: Amancio Ortega
- Centralized distribution model.
- Business Model: Local expansion in 1980s followed by vertical expansion
- Growth from 2000 to 2010
 - Stores in 33 countries to 80 countries
 - No of employees quadrupled
 - 3 brands added
 - CAGR of 37%

Gap

- Based in San Francisco
- Jeans, t-shirts, khakis
- Buying Model for manufacturing and production
- Failed to make the brand fashion forward.
- Revenues declined from 2004 to 2009.

Hennes and Mauritz

- Founded in 1947 in Sweden.
- Specialty apparel retailer
- Delivered to large marketplace
- 100 in-house designers
- 700 independent suppliers in Europe and Asia.
- Launched online shopping portal in Sweden, Norway, Denmark, Finland, Netherlands, Germany, Austria and UK.

COMPETITIVE LANDSCAPE

Fast Retailing

- Founded in 1963 in Japan.
- Main Brand: **Uniqlo**
- Inexpensive basic clothes
- CEO, Tadashi Yanai doubled the revenues.
- Entered foreign markets to gain market share.

Benetton

- Founded in Italy in 1965.
- World leader in providing knitwear in early 1980s.
- Credited with utilizing differentiation in production of clothing.
- Decentralized operations
- Sales increased by less than 2% from 2000-2010

ZARA'S KEY TO SUCCESS

Customer orientated and fashion trends

- **Deep personal relationships with store managers to better understand customer needs.**
- **Designs are based on current style trends due to rapid production and short lead time.**

Procurement and production

- **Layout of Zara's headquarters provides Commercial and procurement and production planners to work next to one another.**
- **Zara produces 3-4 times more products than a traditional retailer.**
- **Operators uses CAD systems to minimize waste.**

ZARA'S KEY TO SUCCESS

Distribution

- **Distribution begin at the store level:**
 - **Point-of-sale data captured daily and transmitted to Zara's headquarters.**
 - **Twice in a week order placed by each store.**
- **Items reach destination store within 48-72 hours.**

Retailing

- **Products changes quickly at stores as Zara takes only 2 weeks to produce and get it to stores.**
- **Zara creates a special store experience.**
- **Offers fashion forward pieces in small quantities.**

ZARA' STRATEGY

CLOSE RELATIONSHIP WITH MANUFACTURING AND RETAILING

- Continuously receives feedback from customers and manufactures accordingly.
- Large open working areas to facilitate team work amongst different departments.

OUTSOURCING LABOUR INTENSIVE WORK

- Roughly 50% products are manufactured in-house. Rest come from outside suppliers.
- It believes that if an item can not be produced at an optimum price then look for an outside manufacturer.

RETAINED BEST STORE ASSOCIATES

- Gives store associates autonomy over their product line.
- Believes that giving responsibility leads to loyalty and dedication.

INTERNATIONAL EXPANSION BY ZARA

- There are over 2000 Zara stores located across 88 countries.
- Domestic stores of ZARA now account for 19% as compared to 22% in 2010 and 37.5% in 2002.
- Ways of entering a foreign market-
 - ✓ Wholly owned stores
 - ✓ Joint Ventures
 - ✓ Franchises
- Zara tested new countries without bearing significant risk.
- Zara entered US in 1987, China in 2006 and India in 2010.
- From 2007-2010 focused its expansion in Asia.
- In the span of these 4 years, Zara opened 71 stores in China.
- In India, a 50-50 partnership with TATA.

CHALLENGES FACED BY ZARA

- No mode of advertisement to popularize the company.
- Zara's low cost fashion model was successful in Europe and Asia but was facing challenges in the U.S. Market due to lack of North American style in their segment.
- Problem of obesity in most of the regions and the company focused mainly on market of slim people, so it lose its market as people tend to be obese.
- Fashion trend by them sometimes either becomes old or sometimes futuristic. So, the company had limited share to the recent demand of fashion.
- Another major threat for Zara was that it had lack of distributors for its product and services, due to which the brand's products were not available with ease to each and every place.
- Limited number of their retail showrooms.

ZARA'S FUTURE STRATEGY

□ Zara successfully sustained 10 years of organic growth, but can it do it again? Where should it focus its efforts and what should drive its expansion from here?

YES, it can do so by:

- Increasing online presence through more advertisements.
- Should focus on penetration in US markets.
- Diversification of products.

□ Should Zara localize its operations in China given that it will quickly become its second largest market? Would opening a warehouse in China jeopardize Zara's success with a centralized distribution model?

- Yes, it can open warehouse in China but for that it has to deal with various infrastructural problems.

□ If environment regulations become more stringent, would that present a threat or opportunity for Zara ?

It would be an opportunity because-

- Zara is implementing an eco-friendly management model in their shops.
- It aims at reducing energy consumption by 20%.
- It has also reduced its CO2 emissions in spite of the increase in the number of stores