

# *Investment Value Analysis of Enterprise: Taking ZARA as an Example*

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**Abstract:** This paper mainly expounds some financial problems encountered in the analysis of corporate investment value by taking the Spanish clothing and accessories brand ZARA as an example. As a leading brand in the field of fast fashion, ZARA will inevitably be affected by social and economic factors such as funds, distribution and development background during its development. This paper uses the very common SWOT analysis method to carry out a very detailed analysis of ZARA company, and at the same time uses the relevant financial indicators and market value analysis method to analyze the internal and external value development process of the company. Finally, as the first generation of fast fashion brand, ZARA's development in the market is not very stable. Although this paper has carried out a more detailed analysis, it contains a lot of theoretical elaboration, so it does not rule out the possibility of other influencing factors.

**Keywords:** ZARA, Investment value, SWOT.

## 1. Introduction

Nowadays, with the development of society, fashion is everywhere, especially fast fashion, which is a major trend in the field of clothing [1]. This trend is a strategic adjustment of the apparel industry in the face of the networking of shopping and the rejuvenation of consumers, with fast, innovative, low price, more styles and less quantity as the main business strategies. The fast fashion sector has been on the rise for the past decade and has grown at a rapid pace since then. As a major trend in the clothing sector, fast fashion has affected a wide range of brands in almost every country, and the brands that have followed this trend include ZARA, Forever 21, H&M, Uniqlo, and Gap, amongst other brands that are popular with the younger generation. For instance, ZARA was founded in Spain in 1975 as a clothing brand and a retail chain that specialized in apparel bearing the ZARA trademark. ZARA is a subsidiary of the Inditex Group (stock symbol ITX). The Inditex Group places a high value on ZARA's economic interest since it is thought to be the foundation of the business's success and competing interests [2]. In the meantime, ZARA is a trendsetter in the fashion apparel industry, operating a more conventional fast-fashion business development model with quick turnaround times. It is the third largest apparel merchant in the world and the top retailer in Spain, with over 2,000 stores across 87 countries. The concept calls for the quick design, manufacture, and delivery of clothing, and the company's highly integrated supply chain allows it to react quickly and effectively to shifts in societal trends.

The focus of this paper is to describe and analyze the economic impact of the fast fashion brand ZARA and its corporate value in the fast fashion sector. The paper argues that today's consumers are faced with a market that is different from any other time. The use of technology and business marketing concepts by companies to enable the development of fast fashion is progressing and this trend is having an impact on the economy and society on many different levels. Although fast fashion is a product of the combination of technology and marketing concepts, the analysis and evaluation of this paper demonstrate that, in addition to making a significant contribution to social development planning, fast fashion brands also have some issues that are detrimental to long-term development. The paper will use the SWOT approach to completely grasp the fundamental development of ZARA. It will also evaluate the economic elements of ZARA in connection to economic factors such as the company's financial indicators and market capitalization.

## 2. SWOT Analysis

This section will use the SWOT analysis to describe the current strengths and weaknesses of ZARA's internal organization as well as the external opportunities and threats that it may encounter. The reason for choosing the SWOT analysis as a method of presentation is that it provides a more comprehensive understanding of the core competencies of the organization and identifies potential weaknesses and challenges that could lead to adjustments in the current strategy and the development of future strategies [3].

### 2.1. Strength and Weakness

ZARA is the flagship chain of the Inditex Group, the world's largest clothing retailer, which operates more than 3,000 shops in 96 markets and sells a wide range of apparel, accessories, shoes, swimwear, beauty and perfume, etc [4]. ZARA's marketing capabilities are very strong and most of its offline shops are located in the more central business districts of the city, where the population is highly mobile and the crowd is dense, and the consumer base is fashionable and avant-garde, which makes ZARA a great success in terms of market revenue. These areas have high population mobility, dense crowds, consumer groups pursuing fashion and avant-garde, and strong consumption levels, which has led to ZARA's great success in terms of market revenue. ZARA's shopping experience is recognized globally for its strong brand image and loyal customer base, and the combination of well-designed physical shops and powerful online platforms meets the shopping needs of a diverse range of customers and increases customer satisfaction.

### 2.2. Opportunities and Threats

Comparatively speaking, ZARA also has some developmental disadvantages, for example, one of the keywords of fast fashion is the need to constantly update the inventory, which may cause the supply chain and transport system to operate incorrectly or even directly lead to out-of-stock situations. And because of the high speed of change and high pressure of inventory turnover in the fast fashion model, products are constantly being updated and then taken off the shelves and put into stock, leading many people to remain skeptical about the concept of sustainability in the fast fashion clothing sector, with the majority of people believing that fast fashion is a serious waste of resources. ZARA is still facing sustainability ecological footprints, even though it has been making changes and making efforts to make its business more sustainable.

ZARA has a lot of prospects in the broader economy as well. For instance, customized designs can be made to fit the requirements and tastes of various clients, and information can be gathered and combined depending on past purchases and web surfing behavior. As many of the same fast fashion brands and even companies in other industries have continued to grow and develop based on growing

into new markets, which can enhance the core and potential of the business, extending into new markets is also a fantastic chance for growth. Of course, incorporating regional cultures and customs into designs is another excellent way to boost sales potential. Since there are opportunities for growth, there is no lack of some real challenges. With the rapid development of today's fast fashion and the emergence of many new brands, competition between brands is becoming more and more intense, which may include price, quality, style and other aspects of competition. In addition, there is a great potential for a decline in consumer loyalty to the brand [5].

### 3. Financial Indicators and Market Value Analysis

As of June 2024, Inditex has a market capitalization of approximately \$149.35 billion, making it one of the most valuable companies in the world, while ZARA, as its influential subsidiary company, ranks second only to Nike in terms of its own brand value among global fashion brands [6]. As shown in the figure 1, based on the data shown in the relevant financial report, which illustrates that the company's current revenue (TTM) is \$39.07 B. In 2023 the company made a revenue of \$38.18 B an increase over the years 2022 revenue that were of \$32.90 B. The revenue is the total amount of income that a company generates by the sale of goods or services. ZARA, as a major contributor to the group's interests, has played a role in continuously expanding its share in the global market [7].

**Revenue history for Inditex from 2009 to 2024**

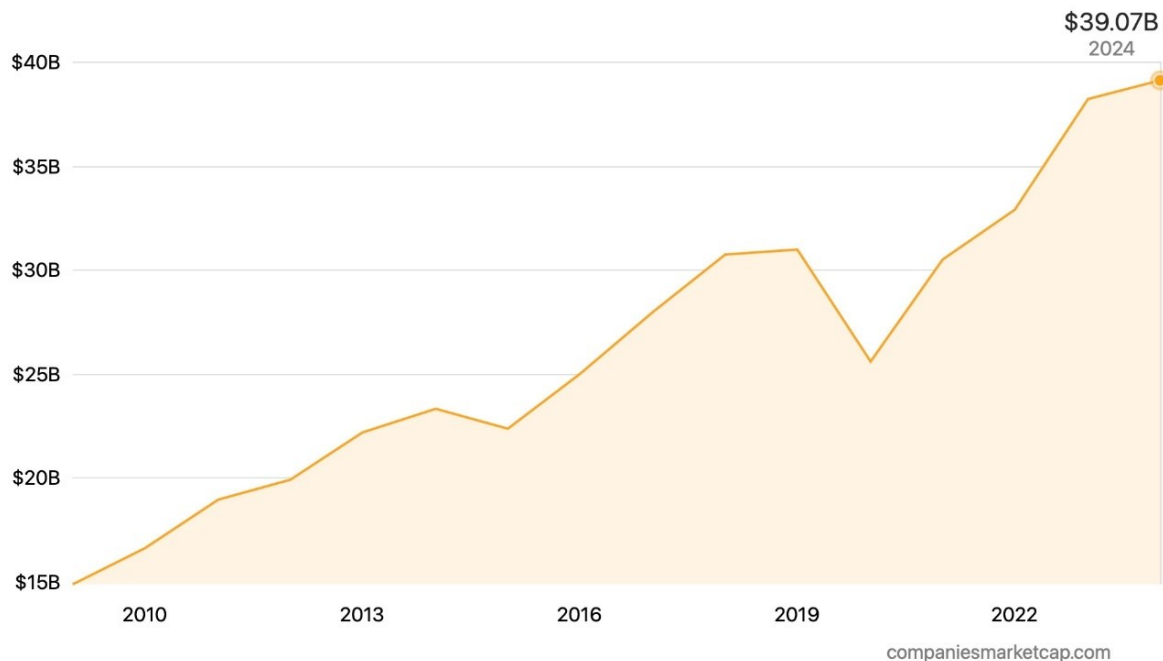


Figure 1: Revenue history for Inditex from 2009-2024

As shown in Figure 2 the most recent financial report from Inditex states that the company's current earnings (TTM) are \$74.6 billion. The company's earnings in 2023 are \$71.2 billion more than its \$51.8 billion in 2022. The earnings displayed on this page are exclusive of EBIT.

## Earnings history for Inditex from 2009 to 2024

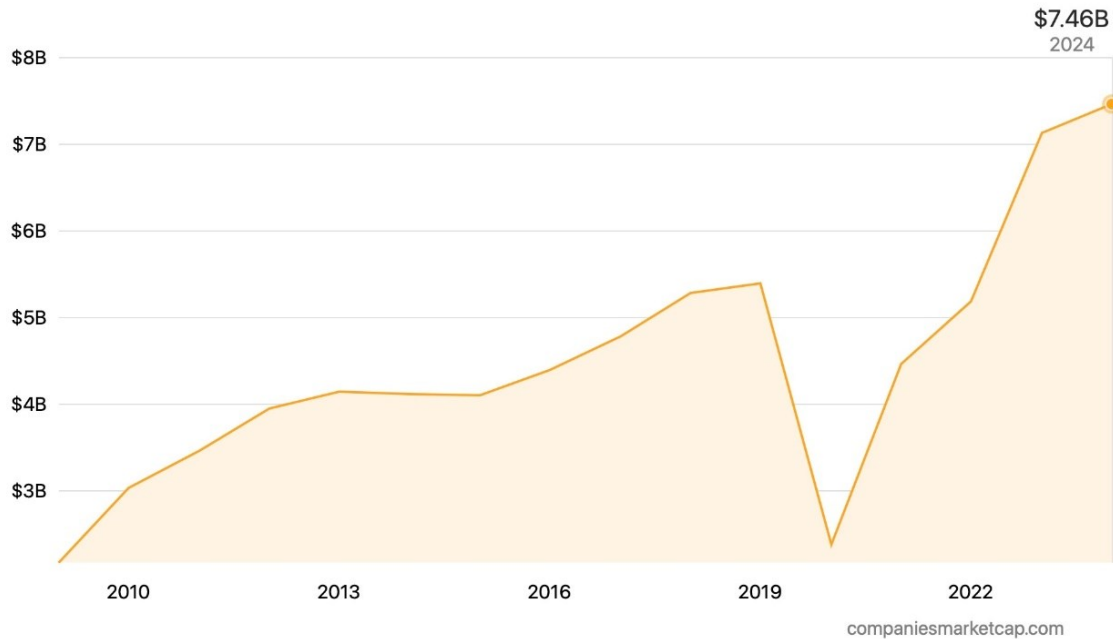


Figure 2: Earning history for Inditex form 2009-2024

Finally, in terms of P/E Ratio, ZARA's P/E ratio is 35.14, while the P/E value of the whole industry is 49.6, ZARA's P/E ratio is lower than that of the whole industry and the difference is 14.46. This proves that ZARA is undervalued, and being undervalued means that it is more valuable to invest in because it has more room for upside later has more upside in the later stage. In other words, ZARA presents a more favorable situation from both financial point of view and company policy, so investors are willing to pay a higher premium to buy ZARA's stock [8].

ZARA's current financial analysis shows relatively strong revenue growth and outstanding profitability. In the long run, ZARA will not only remain the industry leader in fast fashion, but also improve the financial position of the parent group.

## 4. Suggestions

In general, ZARA's development in all aspects is still considerable. However, if ZARA want to make better improvement and development on the existing basis, also need to formulate relevant future development strategies and make some corresponding efforts. First of all, ZARA should further introduce digital supply chain management strategies and use digital labor to reduce labor costs [9]. Secondly, digital transformation, in today's digital era ZARA can optimize its online shopping platform to improve the user experience, which will also allow it to organize its back-office customer data and analyze customer preferences in order to enhance the consumer shopping experience. Thirdly, it is important to establish a unique and sophisticated supply chain strategy in order to prioritize access to emerging fast fashion products, improve customer-centric marketing strategies and properly address the challenges of the digital marketplace [10]. Secondly, it is important to implement the concept of sustainable development, which is crucial for the long-term development of the enterprise, and try to use more environmentally friendly raw materials, while reducing consumption and carbon emissions to promote the circular economy. Technological innovation is also a very important part of the combination of fashion and intelligence, such as through the introduction of online fitting rooms and other technological innovations to attract consumers. ZARA,

as a leading fast-fashion brand, should propose innovations in technology to enhance brand competitiveness to a greater extent on the basis of attracting customers.

## 5. Conclusion

To sum up, as one of the leaders in the fast fashion industry, ZARA's economic development is basically in a state of steady growth. When it comes to the key factors of its success, including flexible supply chain management, rapid introduction of new styles and a very strong brand positioning, with the continuous demand of global consumers for fast fashion, ZARA's current development has a very long-term prospect.

Of course, ZARA, like other developing companies, encounters a variety of influences from socio-economic circumstances and consumer habits. The company's internal economy and external economy are facing different degrees of problems, high intensity of competition, environmental and sustainable development issues, consumers' attitudes and views on related issues are all limiting factors for its development. However, if ZARA Group can grasp the right development trend, it will achieve greater success.

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