

Research on the Business Model and Brand Strategy of Fast Fashion Brands—Taking ZARA as an Example

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Abstract: With the young people's pursuit of fashion, some successful clothing brands accurately grasp the needs of customers, enhance their brand value and create a unique business model. This paper will take fast fashion brand ZARA as an example, use literature analysis method to accurately explore its business model and brand strategy, summarize ZARA's advantages from the perspectives of ZARA's history, designer strategy, supply chain and marketing strategy, and conduct a comparative study with Uniqlo, which is also a strong fast fashion brand. Compare two brand companies in the same supply chain system of different sales models. Finally, through the analysis of the two main problems ZARA faces, the paper proposes the direction worth studying in the future, summarizes the successful experience and puts forward effective suggestions.

Keywords: ZARA, fast fashion brand, supply chain

1. Introduction

At present, the research on fast fashion brands mainly focuses on the efficiency analysis of supply chain. How to design, produce, and turn goods around quickly is currently the most intensively studied part. In the fast fashion brand, the position of the supply chain is particularly important, which is the standard to consider whether a fast fashion brand is qualified. In addition, the advantages reflected in other brand strategies should not be ignored. At present, the research on fast fashion brands has not explored the sales strategy and marketing strategy too deeply, and there is almost no research in the background of the rapid development of e-commerce. Therefore, this paper will start from the historical source of ZARA, and explore ZARA's designer strategy, supply chain system, marketing strategy, and sales model compared with Uniqlo. Combined with the market situation in recent years, this paper will put forward key research questions and put forward my personal reasonable suggestions on how ZARA ADAPTS to the era of the rise of e-commerce. This paper will use literature analysis method to collect various data and news and current affairs to make reliable analysis, and use comparative analysis method to study the different sales models of ZARA and Uniqlo, two giant fast fashion brands under the same supply chain system, and comprehensively analyze their advantages. This article hopes that it is recommended to provide inspiration for entrepreneurs or people who are interested in business models, provide effective help for ZARA's future development, and point out a clear direction to achieve future business model research.

2. ZARA's Category Strategy

The source of ZARA began in 1975, apprentice-born Amancio Ortega founded the first ZARA clothing store in La Coruna, northwest Spain, which was then a small family retail store. In the next decade, he opened branches in various cities in Spain, Amancio Ortega's fashion concept was also recognized by the public, and ZARA gradually gained wide attention. In order to gain a firm foothold in the future market, ZARA established INDITEX as its parent brand in 1985, paving the way for its future development. Then, in 1988, ZARA took its first step in expanding overseas, opening its first overseas store in Portugal. Now ZARA has become a leading global fashion brand. As of 2019, ZARA has more than 2,000 stores worldwide, covering 86 countries and regions[1]. It can be said that ZARA is developing rapidly. It ranks 41st in Forbes 2020 Global Brand Value ranking, with a brand value of \$14.7 billion, making it the sixth largest clothing brand in the world and the first in Spain. In the beginning of 2000, as ZARA shares continued to rise, many brands and enterprises began to imitate ZARA's fast fashion business model.

2.1. Designer strategy

Designers are the core of clothing brands, and ZARA's strategy for designers is very distinctive. First of all, from the customer's point of view, mainstream consumers pay most attention to nothing more than two points: affordable and good-looking. In order to meet the needs of customers, ZARA founder Ortega has many ideas. Ortega believes that fashion should not always be the object of people's pursuit but also become a product that caters to people's aesthetic. As a result, ZARA's young designers began to rush to various shows, exhibitions, movies, and even artist stages to get design inspiration. ZARA is different from other luxury brands, it has a large professional designer volume, more than 400, and a designer average age of 25, which makes their products more fit young people's aesthetic. They made a quick response to fashion design of shows, seizing the fashion trend, and then imitating brand design to follow the trend of fashion sheets tasted, meeting the customer's pursuit of trend[1]. At the same time, because the majority of ZARA's clothing is imitation, the cost of the designer is low in comparison to other clothing brands that require a designer to pay high salary fees; ZARA can pay two, three, or more designers at the same time, saving a lot of overhead. So, letting civilians embrace top fashion is ZARA's brand strategy.

2.2. Supply chain and marketing strategy

The supply chain is equivalent to the blood vessel of an enterprise, which makes all departments closely connected. The most successful aspect of ZARA is undoubtedly the establishment of a world-renowned high-speed supply chain system, which has also become the core competitiveness of ZARA. It only takes 20 minutes to adapt the design after getting fashion inspiration, and then print, draft, produce and transport. It only takes about 10 days to sell in stores, which is several times faster than traditional clothing brands. At the same time, ZARA also maintains a very high replacement rate, replenishment twice a week, three weeks of comprehensive replacement for new, every store around the world update within two weeks, even the best-selling style will not stay on the shelf for more than four weeks[2]. This sales model improves the return rate of consumers, making consumers think that ZARA has new products at any time. At the same time, compared with other clothing brands, ZARA each number of clothing is very small; it stimulates customer consumption, improves customers attention to the "scarce" products, and lets consumers produce "if I don't buy it, it will sell out" psychology, so ZARA's pursuit is the diversity of products rather than winning by products' volume. This 'more styles, less quantity' strategy makes ZARA to produce around 12,000 different styles of clothing each year, which is as many as five times the number of traditional clothing

industries[3]. ZARA sacrifices the cost of transportation to be "fast", and ZARA always believes that speed is more important than cost. As a result, all long-haul shipments by air, rather than traditional shipping, are available to arrive in stores within 24 hours in Europe and only 36 to 72 hours around the world. This brings very high transportation costs to ZARA, but it provides the greatest value for the brand strategy, making "fast" a synonym for ZARA. Moreover, it is interesting that ZARA's clothes must be ironed neatly before being packed and transported, so that the clothes can be put on the shelves as soon as they arrive at the store, and successfully meet customer needs in the shortest time.

ZARA spends much less on marketing than it does on transportation. ZARA does little without advertising, which costs only 0-0.3% of its sales, compared with an industry average of 3.5%[4]. ZARA believes that stores are the best advertising, and that word of mouth and customer experience are more important than advertising[5]. Therefore, the ZARA stores are generally located in high-end business districts and bustling transportation hubs. With ZARA's unique eye-catching signature, it can immediately leave a deep impression on consumers. Although the cost of opening a shop in these busy areas is extremely high, ZARA always leaves spacious space in the store to create a relaxed and pleasant shopping environment for customers. The response created by this comfortable customer experience is undoubtedly far beyond the value brought by traditional advertising.

3. The comparison of ZARA and Uniqlo's sales model

Uniqlo is the largest clothing chain store in Japan. ZARA and Uniqlo are compared to explore their different sales models. First, ZARA and Uniqlo adopt a flexible supply chain, that is, an integrated business model from product design to production, logistics and sales. Their flexible supply chain formation history is different. Uniqlo founder, Tadashi Yanai, initially ran a custom suit shop and later sold casual clothing and women's clothing, but was not particularly successful. Until 1984, Yanai expanded its store size, remove service staff and became a self-service shop, becoming the first Uniqlo retail warehouse. This kind of retail warehouse was deeply loved by people at that time, but with the increasing number of Uniqlo stores, there were not many suitable suppliers to supply. At the same time, due to the lack of suppliers, the goods on the store shelves lacked consistency. Therefore, after the 21st century, Uniqlo began to carry out its own commodity design and management and completed the transformation from stores to a flexible supply chain. While Amancio Ortega, the founder of ZARA, initially ran a clothing manufacturer called GOA. However, the clothing store connected with GOA did not know much about consumers, but it always mentioned some unreasonable design needs. Therefore, GOA decided to produce and sell by itself, resulting in the birth of the first ZARA store, which completed the transformation from design to flexible supply chain. We all know that clothing is seasonal products, and consumers usually buy clothes that they can wear immediately or that they can wear for nearly a month. A season has three months, so the shelf life is three months. This seasonal factor creates volatility in demand for clothing, with high prices at the beginning of the season. At the end of the season, goods are unsalable and prices fall. So the traditional clothing industry always sold the products at a clearance price at the end of each quarter and turned inventory into cash to put the money toward the purchase of new products for the next season. Clearance activities mean lowering the price of goods. The price reduction rate of the traditional clothing industry is about 35%, which leads to the overall gross profit shrinkage, and the flexible supply chain is used to solve this problem. The flexible supply chain greatly reduces the turbulence of consumers after the supply chain, is gentle, digesting the fluctuation of demand, so as to control the price reduction rate of goods. Therefore, Uniqlo and ZARA use the flexible supply chain to control the price reduction rate of goods at about 25% and 10% respectively, far lower than the traditional clothing industry, greatly reducing the losses. First of all, the main style of Uniqlo is the basic model, which does not distinguish the age of users nor is it affected by the trend. Whether it is

children, the young, the middle-aged, or the elderly, it is the same audience. ZARA focuses on fashion, and fashion shows the value only through the collocation of coats, jackets, bottoms and accessories. By contrast, Uniqlo has few styles and a relatively fixed style each year. It may buy the ones it saw last year. So most of Uniqlo's customers are buying with a specific and clear purpose. Like someone who wants to buy a pure white short sleeve, or a pair of jeans, or a hooded hoodie. There are not many optional styles for Uniqlo in each category. Once the demand of users fails, it is very likely that they cannot find other substitutes for consumption, and the shortage of stock is undoubtedly a very poor shopping experience for users. In the book of Uniqlo founders, we can see three major improvements in user experience after Uniqlo went public. And one of them is to address the shortages. In order to avoid the worst user experience, Uniqlo's flexible supply chain model is to produce 10, sell 9, and sell the excess 1 for price promotion, to ensure that the basic goods have sufficient stock and yards. ZARA is completely different on the other hand. ZARA has no fixed style and is difficult to guess, so consumers generally come to ZARA with a very vague purpose. Like someone who wants to buy clothes for the summer, or someone who wants to buy a coat. And users feel that ugliness is also a very poor shopping experience. In order to avoid this poor shopping experience, the ZARA type has become its unique manufacturing concept. After the goods are clearly clarified by the goods that customers want, it is not too late to add production according to the needs of customers. Specifically, the managers of ZARA stores report the operation of their stores to the headquarters at least twice a day. During this process, they must find out the style of customers' favorite clothes, and then the designer will design and improve them according to the customers' preferences. Therefore, the flexible supply chain model of ZARA is to produce 9 and sell 10. When a customer sees a style he wants and hesitates for a moment, he cannot find it when he waits a few days to buy it again. What he likes but does not buy is the extra one designed into the model. Therefore, ZARA first produces in small quantities and puts these products on the shelves. If consumers like it, they will continue to add it. If consumers do not like it, they will immediately stop production, so as to avoid the backlog of unsalable products. The core force of this model is speed. With the help of the flexible supply chain model of ZARA, each piece of ZARA fashion can be completed in two weeks from the designer's idea, design, printing, and making to the store, while each addition only takes three weeks. So ZARA only produces goods for three weeks with the help of a flexible supply chain model. This greatly optimizes the loss caused by overproduction, and can also just meet the needs of customers, achieving the ultimate operational efficiency.

4. The dilemma ZARA faces

4.1. ZARA has been accused of copying

However, there have been some problems in the growing process of ZARA. As more and more luxury brands become more aware of their rights, the fast fashion industry is facing serious challenges by relying on imitation designs to maintain new models. In November 2015, OTB, the parent company of Diesel, won a lawsuit against ZARA's parent company, Inditex Group, for copying the design of its Diesel jeans and Marni sandals[6]. Although ZARA's parent company, Inditex, did not admit the plagiarism, the court ruled that the plagiarism and infringement were valid, and ZARA had to recall the products from the market and pay a fine. Plagiarism has become a problem for ZARA. Since 2015, it has almost copied so many big names. Such as Balmain, Valentino, Celine, Yeezy, et al. In July 2016, an independent designer from Los Angeles took to social media to accuse ZARA of copying his work. However, ZARA is arrogant to respond, because it has a strong confidence, and its sales reached 15.4 billion euros in 2016, which is the main pillar of Inditex Group[7]. The reason for their success is no secret, and the name of the fashion porter is ZARA's very clear brand strategy. Therefore, although there are tens of millions of dollars in infringement fines paid every year,

compared with the huge benefits, the fine is completely negligible and can be regarded as a cheap copyright fee of ZARA for the product. The design of the big brands and the low price are exactly what most consumers who follow the trend of shopping need, and they will not care whether the design is infringing. Secondly, ZARA can be so confident because the patent of fashion products itself is difficult to define. Gucci, for example, has sued Forever21, a clothing brand like ZARA, for copying. But the result was a federal court in California ordering Gucci to revoke the patent registration[8]. Therefore, ZARA in the face of this challenge, ZARA just looked at these punishments in a different light, and did not change its original business model, so that ZARA can still become a strong player in the industry.

4.2. ZARA under the impact of e-commerce era

However, with the rapid development of the e-commerce industry, whether ZARA, which focuses on offline stores, will be impacted by the e-commerce industry has become the most important problem faced by ZARA. At present, the mainstream customers of ZARA are some young people and some commuters. They often do not have much time for offline shopping, and most of them are busy with study or work. Therefore, with the development of e-commerce, online shopping for clothing has become a common shopping way for them. This will lead to a large decrease in the customer flow of offline stores, which is highly likely to make the offline sales profit of ZARA stores with large spaces to improve the comfortable experience for customers not be able to keep up with the high store rent. Although ZARA has opened its own official store online, ZARA's models do not cater to Asian aesthetics. Asian consumers will not arouse a strong shopping desire for ZARA online stores, but choose the same alternative brands that meet their requirements for the perception of models. This has caused ZARA to lose some Asian customers who choose to shop online.

5. Suggestions for ZARA

Although ZARA has achieved ultimate success in the business model of "fashion porters,"the" 14-day extreme speed supply chain," and the "sell first production" sales strategy, with the development of The Times, all aspects need to be improved accordingly. First, improving the diversity of models in ZARA's online stores is an extremely important task. In the shop, should be divided into different countries or continents, according to different countries or continents to the aesthetic and perception of the model selection. For example, the ZARA shop operating in Europe and the United States should choose models in line with the European and American aesthetics. ZARA stores in Asia should choose models that fit the Asian aesthetic. Because online shopping does not allow you to try on clothes, you must rely solely on visual cues. So this can enable customers to compare themselves to models with their favorite styles, allowing them to fantasize about whether they look good in their clothes. Models that meet their own aesthetic standards can more easily resonate with customers and generate an impulse to buy. Second, fast fashion brands like ZARA need a variety of top bottom collocations to reflect their value, but because consumers do not know how to match to look good, this paper suggests that ZARA offline stores be equipped with at least a clothing collocation divisioner so that those who don't know how to match can get help and advice. This greatly improves consumers' satisfaction when buying fashion, and stimulates consumers to shop offline. In a word, the problem that ZARA faces now urgently needs to be solved and followed up on; otherwise, it will not be able to adapt to the current era of the rise of e-commerce, and its previous achievements will be lost.

6. Conclusion

In a word, this paper has conducted a comprehensive analysis and research on ZARA, and concluded that ZARA pursues imitative power and freedom in terms of designers. In terms of supply chain, it has the characteristics of "fast, quantity and many types". Unique in marketing, with a unique concept to reduce costs to a minimum. In terms of sales mode, ZARA also controls the production quantity of different styles, and adjusts the production quantity through customer feedback to avoid unsalable products and reduce costs. Meanwhile, when ZARA faced the "copying" controversy, it maintained its enormous profits by treating the fines as cheap royalties with remarkable business acumen. At the same time, with the development of the era of e-commerce, ZARA's practice has become the main difficulty at present. Future research needs to focus on the impact and correlation of online shopping on ZARA. This paper mainly analyzes ZARA based on theoretical knowledge, but its shortcoming is the lack of data-based calculation and analysis. In the future, ZARA's stock market and financial statements can be disintegrated in more detail, so as to provide ZARA with a strategic plan more adaptable to the times and create more favorable development value for fast fashion brands.

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