# ZARA

# **Brand Audit**

# **Brand Inventory**

### Company history and current standing

Zara is one of the largest international fashion companies that ventures in the world of fashion with clothes for men, women and children along with accessories, footwear and homewear products. It belongs to the Inditex Group, which is the world's largest fashion group, which

owns other fashion brands such as Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Lefties and Uterqüe. Amancio Ortega founded Zara in the year 1975 in Spain after he decided that he needed to expand his business. Amancio Ortega opened the first store in the coastal town of La Coruña in the northwest of



Spain and today Zara has over 2,000 stores strategically located in leading cities across 88 countries with a creative team which is made up of over 200 professionals.<sup>2</sup> The first store carried low-prices lookalike products of popular, higher-end fashion brands and started gaining

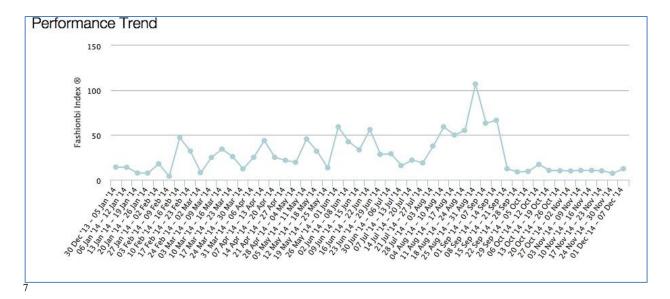
<sup>&</sup>lt;sup>1</sup> http://zarafashion2013.wix.com/zara#!background/c18mg

<sup>&</sup>lt;sup>2</sup> http://www.inditex.com/brands/zara

popularity and success in the 1980's.<sup>3</sup> It was only in the year 1988 when Amancio Ortega decided to enter the international market by opening a store in Oporto, Portugal and Subsequently, new stores popped up in New York (1989) and Paris (1990), the fashion capitals of the world.<sup>4</sup> Today the headquarters are still located in Arteixo, Spain with multiple offices in various continents such as Europe, America, Africa, and Asia.

Currently, Zara is one of the world's biggest brands with a brand value of \$10.1 billion making it the 51<sup>st</sup> most valuable brand in the world.<sup>5</sup> The store has a number of brands in all the world's upscale locations that adds to its brand image. Zara is a brand that strongly believes in innovation, Fast fashion, creativity, flexibility, quality design and rapid turnaround hence it has a highly creative and enthusiastic team of designers. Its strategy is to get as close as possible to luxury brands but at the same time maintain its mid-range affordable prices.<sup>6</sup>

According to the digital marketing agency, Fashionbi, Zara's performance trend for the year 2014 is as follows:



<sup>&</sup>lt;sup>3</sup> http://zarafashion2013.wix.com/zara#!background/c18mg

<sup>4</sup> http://zarafashion2013.wix.com/zara#!background/c18mg

<sup>&</sup>lt;sup>5</sup> http://www.forbes.com/companies/zara/

<sup>&</sup>lt;sup>6</sup> http://zarafashion2013.wix.com/zara#!brand-identity/c1xbv

<sup>&</sup>lt;sup>7</sup> http://fashionbi.com/brands/zara/index

The Fashionbi index combines together market, digital, social and financial data into a single brand performance evaluation framework. This helps us analyze the overall performance of the brand for the entire year. It can be observed from the graph that the brand goes through constant ups and downs but it did the best in the month of September and after that it experienced a downfall.

It is essential to separately analyze the firm's financial report in order to know how the firm is doing financially and to ensure the firm's stable functioning. The following is Zara's income statement for the fiscal years 2009 to 2013:

Fiscal year is January-December. All values JOD millions.	2009	2010	2011	2012	2013	5-year trend
Sales/Revenue	76.7M	89.69M	78.19M	82.98M	79.7M	
Sales Growth	-	16.93%	-12.82%	6.12%	-3.95%	<b>"</b> -
Cost of Goods Sold (COGS) incl. D&A	59.92M	70.16M	70.1M	73.92M	74.77M	
COGS excluding D&A	52M	59.02M	56.72M	60.29M	59.83M	
Depreciation & Amortization Expense	7.92M	11.14M	13.38M	13.63M	14.94M	-0111
Depreciation	7.92M	11.14M	13.38M	13.63M	14.94M	
Amortization of Intangibles	-	0	0	0	0	
COGS Growth	(-	17.08%	-0.08%	5.44%	1.15%	1
Gross Income	16.77M	1 <mark>9.53</mark> M	8.09M	9.06M	4.93M	II
Gross Income Growth	-	16.43%	-58.58%	12.02%	-45.55%	<b>"</b> ,"
Gross Profit Margin	-	-	-	-	6.19%	NA
Net Income	7.02M	9.01M	(867,718)	1.16M	(1.26M)	
Net Income Growth	-	28.24%	-109.63%	233.20%	-208.82%	
Net Margin Growth	-	-	-	-	-1.58%	. NA

Zara has experienced unstable sales revenues as well as net incomes over the years, with a positive growth in the years 2010 and 2012 but a decline in the years 2011 and 2013. The reason for this is the fierce competition the brand is facing along with the constant fluctuations in the fashion industry with all the changing fashion trends.

-

<sup>&</sup>lt;sup>8</sup> http://www.marketwatch.com/investing/stock/zara/financials

At present Zara is concentrating on moving forward with its successful entry into the digital world of online shopping. The brand also continues to expand and manage its online presence with over a million daily visits on the official Zara website and more than 23 million likes on the Facebook.

## **Brand Positioning**

### **Brand identity**

Zara has a completely well defined identity and the officials are doing a great job in promoting that image. Zara stands for style, class, innovation, good quality and fast fashion and we can observe all these qualities in the various aspects associated with the brand.

The brand has clearly defined vision and mission statements that guide the brand to where it wants to be and how it wants its customers to perceive it. Zara's vision statement is

"ZARA is committed to satisfying the desires of our customers. As a result we pledge to continuously innovate our business to improve your experience. We promise to provide new designs made from quality materials that are affordable." This clearly mentions the firm's importance towards innovation as well as their customers being their top priority. Zara also strives to



provide its customers with the best quality and the most affordable prices. Similarly, Zara's mission statement, "Through Zara's business model, we aim to contribute to the sustainable

\_

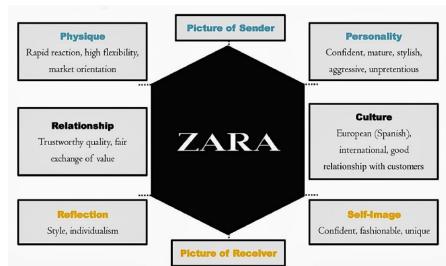
<sup>9</sup> http://zarafashion2013.wix.com/zara#!brand-position/c1q1p

development of society and that of the environment with which we interacts" explains another important aspect that Zara participates in which is Corporate Social Responsibility. <sup>10</sup> The brand stresses on sustainable and environment friendly ways of functioning by using energy efficient lights in their stores and making the stores eco-friendly shops, producing less waste, recycling, using ecological fabric, organic cotton and having an environmentally aware team. <sup>11</sup>

Apart from this Zara aims to get as close as possible to luxury brands but at the same time maintain the mid-range affordable prices that it offers. Although Zara's apparel may be comparatively less expensive compared to luxury designer goods, Zara has never abandoned the

quality and comfort of its final products.

Zara also tries to relate its identity with that of its customers, which helps the customers to better, relate and accept the product. Zara's



customers, help to give shape to the ideas and constantly changing demands emerging in the fashion industry, direct Zara's strategic fast fashion. The relationship with its customers is an important channel of information that reflects shoppers' reactions, desires and demands – its secret to success lies in feedback given from a wide range of people from different cultures and generations.<sup>12</sup>

<sup>&</sup>lt;sup>10</sup> http://zarafashion2013.wix.com/zara#!brand-position/c1q1p

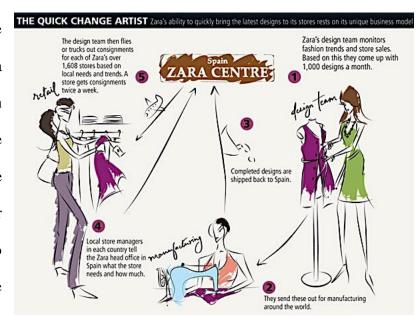
<sup>11</sup> http://www.zara.com/us/en/company/our-mission-statement-c18001.html

<sup>12</sup> http://zarafashion2013.wix.com/zara#!brand-identity/c1xbv

### **Business Strategy**

As mentioned earlier Zara gives first priority to its customers and fulfilling their constantly changing needs. Hence, Zara has adopted the 'Market-oriented Strategy', which means they make modifications in their products depending on the needs and wants of their consumers. Zara's headquarters in Arteixo, which is know as the Cube, introduced the idea of fast fashion around two decades ago. They then developed a developed, efficient and highly

that helps them understand the demands of their customers. Zara delivers new products twice each week to all its stores around the world. This adds up to more than 10,000 new designs each year and it takes the company only 10 to 15 days to go from the design stage to the sales floor. <sup>13</sup> This has



brought a revolution in the world of fashion and gives Zara a competitive advantage over the other brands in the same industry.

### **Marketing Mix**

Zara's marketing mix is based on its market-oriented business strategy. Thus all the aspects of its marketing mix are customer oriented and fast moving. To understand this at a deeper level all the aspects as studied in detail as follows:

 $^{13}\ http://www.forbes.com/sites/gregpetro/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/2012/10/25/the-future-of-fashion-part-2-of-3/2012/10/25/the-future-of-fashion-part-2-of-5/2012/10/25/the-future-of-fashion-part-2-of-5/2012/10/25/the-future-of-fashion-part-2$ 

### • Product:

Zara has four main product lines: women clothing, men clothing, children clothing (Zara



Kids) and accessories. Zara offers formal and casual clothing, shoes and accessories like handbags, jewelry, perfumes and many more for all women, men and children. Women's clothing is the most prominent product among all the Zara products and accounts for almost 60% of he brand's revenue.<sup>14</sup>

Zara prides itself on 'fast moving fashion' with new designs restocked in limited quantity every two weeks at every store around the world. The brand is able to offer around 12 different collections every year compared to its competitors who can only offer around 3 to 4 collections

each year.<sup>15</sup> They do not hesitate to take the unsold products back in order to reshelf them with the new products thus making Zara's product life cycle and shelf life short. In order to avoid wastage they only produce a limited quantity of each type of product. This encourages consumers to frequently visit the stores



<sup>&</sup>lt;sup>14</sup> http://fashionvore.files.wordpress.com/2013/10/zara-report.pdf

<sup>15</sup> http://fashionvore.files.wordpress.com/2013/10/zara-report.pdf

for new designs and to snap up interesting outfits on the spot in order to guarantee themselves a piece as well as stay in fashion. This offers the customers with a sense of exclusivity and helps them stay up to date with fashion.

Recently the brand is venturing into homeware through 'Zara Home' in order to extend its brand. Zara Home offers all the household necessities like bed sheets, couches, towels and other household accessories. But this line is still



developing and it is not as established as the other products. Zara is entering a new market with this product but it still aims on maintaining the same brand strategy and image as Zara fashion.

### • Price:

Zara believes in offering its customers with high fashion at a low cost. Although if Zara's prices are compared to those offered by other fashion brands like H&M or Forever 21, Zara products are comparatively more expensive but they are much cheaper than the luxury brands like Mark Jacobs or Armani Exchange. Hence, Zara falls in the mid-price range but the reason why they are more appealing to the customers is, they are able to offer the same quality as the luxury brands at a price that is lower than the price offered by the luxury brands.

Prices range from \$79.90 to \$539.00 for both Womenswear and Menswear while the Kids segment has coats starting from \$65.00 and these prices can start from \$30 during a sale. Although it is observed that Zara sells its products at different prices in various countries and earns a high markup prices as follows:

\_

<sup>&</sup>lt;sup>16</sup> http://zarafashion2013.wix.com/zara#!business-strategies/c17c8

ZARA AROUND THE WORLD	AVERAGE
UNITED KINGDOM	31,43%
EUROPEAN UNION	32,92%
UNITED STATES	38,85%
MEXICO	46,96%
HONG KONG	47,79%
CANADA	49,83%
UNITED ARAB EMIRATES	51,95%
CHINA	52,11%
SINGAPORE	66,94%
MALAYSIA	68,33%
SOUTH KOREA	71,73%
COLOMBIA	72,93%
RUSSIA	80,44%
JAPAN	<b>97,49</b> % 17

Zara earns an average mark up of 38.85% in the Unites States whereas it earns an average mark up of 97.49%. This indicates that in spite of such high mark ups the customers still choose to shop at Zara, which ensures customer loyalty and helps the firm earn enough profits.

As a whole, Zara successfully provides high fashion and high quality products at an affordable cost, making its customers' purchases value-worthy.

### Place

Zara has over 2,000 stores that are mainly located at prime retail areas like Ion Orchard, Orchard Road, Times Square, George Street London and others where human traffic is high. Apart from retail stores Zara also has an online store, which increases accessibility to its customers, allowing them to make purchases conveniently on the go. Zara offers shipping in all the 88 countries in which it currently operates.

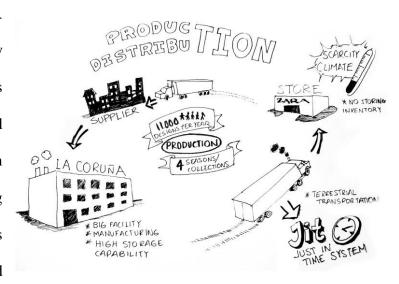
### **Process**

Zara is a vertically integrated retailer, which means that it designs, manufactures and distributes the products itself.<sup>18</sup> Though this strategy is usually considered to cause a number of problems it seems to work with Zara as people in every stage of production are highly trained,

 $<sup>^{17}\</sup> http://zaraforwarding.com/spain/zara-prices-worldwide-comparative-spain-is-the-cheaper/$ 

<sup>18</sup> http://www.marketing91.com/marketing-mix-zara/

motivated and stand for the brand's values. As every stage of production is completely operated by Zara, it secures the brands secrets like its research methods, fabrics used etc. The teams work simultaneously on different types of clothing designs, building and refining previously available styles as well as new ones. Its demand based



production or Just-in-time (JIT) production reduces the amount of inventory available, lowering Zara's storage cost, which makes Zara's outstanding lead-time unbeatable by any brand in the industry at the moment. <sup>19</sup> Furthermore, Zara eliminated the traditional design process, where design and development overrides fabric procurement causing the designers to work with the available fabric, allowing for faster fashion. <sup>20</sup>

### Promotion (Advertising/Marketing Communications)

In spite of being one of the world's largest and most well-known fashion brands Zara doesn't not believe in advertising its brand. Zara uses 0.3% of sales revenue on advertising, minimal when compared to its competitors (3-4% of sales revenue). Zara does not believe in traditional mass-media marketing strategies that is why we never see television or radio advertisements. The brand markets by having stores in prime retail locations so a number of people are reminded about the store. The stores are made to look upmarket and elegant which makes the atmosphere welcoming and grand for the customers. Also the brand makes sure the customers have a power-full store experience by providing the best services thus enabling the

<sup>&</sup>lt;sup>19</sup> http://zarafashion2013.wix.com/zara#!business-strategies/c17c8

<sup>&</sup>lt;sup>20</sup> http://zarafashion2013.wix.com/zara#!business-strategies/c17c8

<sup>&</sup>lt;sup>21</sup> http://zarafashion2013.wix.com/zara#!business-strategies/c17c8

store staff to understand the customers and their needs. This leads to word of mouth which means the pleased and satisfied customers themselves market about the products to their acquaintances by telling them about the excellent services, store atmosphere and product quality. Zara highly depends on word of mouth advertising. A promotional strategy Zara practices is sales and clearances. Most of the Zara stores worldwide have seasonal sales that encourage consumers to shop. The striking thing about Zara is that it has found differences that matter to the consumers and used that to differentiate itself from the rest of the competition. In other words, its key marketing strategy is based on exclusivity, experience, differentiation and affordability.<sup>22</sup>

Although recently it has been observed that Zara has been actively working on its

ZARA



Zara's official website (www.zara.com) is used for online shopping as well as to showcase to customers the brand's the new collections through sections like 'Lookbook' and 'Pictures'. Zara's Facebook page currently has over 23

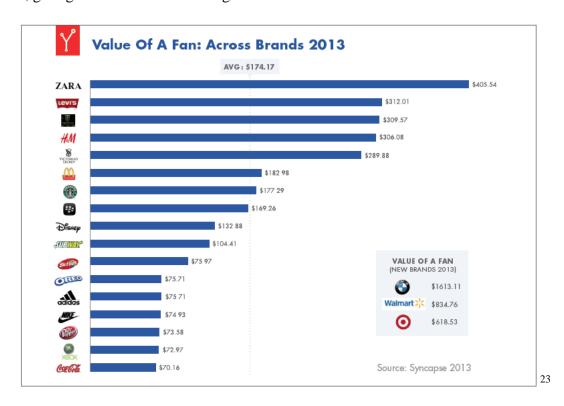
websites as well as social media.

million likes and its twitter page has around 626 thousand followers. According to a study carried out by 'Marketing Mag', a marketing website, each Facebook fan is worth an average of \$174 and Zara's Facebook fans are worth the highest (\$405.54). This means that Zara has a good and trustworthy relationship with its customers through social media sites and they play a vital

-

<sup>&</sup>lt;sup>22</sup> http://www.marketing91.com/marketing-mix-zara/

role in the brands sales and profits. Zara's main competitor H&M has a much lower fan value of \$306.08, giving Zara an added advantage on social media.



In order to maintain its online presence and to constantly build growing and trustworthy relationships with the customers Zara has to post meaningful and attractive post as well as pictures. The following wordle summarizes Zara's overall Internet content from its main website and social media pages:

 $<sup>^{23}\</sup> http://www.marketingmag.com.au/tags/zara/\#.VI46f5N4pls$ 



The above word cloud indicates all the words Zara is associated with and gives a perfect description of the brand. Hence, Zara's social media content is effectively communicating the brands image and values it stands for to the end users.

Recently, one of its biggest marketing moments for Zara was an unpaid placement: on the Duchess of Cambridge, Kate Middleton. Kate Middleton has been seen wearing Zara's products like formals, shoes and accessories. One unforgettable look was the day after her wedding to Prince William, when she stepped out in a cornflower blue, pleated polyester dress that cost just £49.99 at Zara.<sup>24</sup> This is a great form of free publicity and promotion for Zara as the Duchess is one of the fashion icons and can influence people's shopping preferences.

Zara has also launched its own app that is available on apple store and android and can be accessed through iPads, tablets, iPhones and other smart phones. This increases the brands marketing platforms and makes it easily accessible for the customers.

### **Target Market**

Zara targets consumers that are young, value conscious and highly sensitive to the latest fashion trends in the industry. An advantage that the brand has over conventional retailers is that they do not define and segment their target market by ages resulting in designs and styles that can reach a broader market.<sup>25</sup>

Although after looking at Zara's price range it can be said that Zara mainly target customers that belong to the medium to high income group levels. Also the brand's highest revenue comes from women's clothing and their highest produced product is women's clothing, which indicates that the brands main target is women who believe in fashion.

Looking at Zara's brand image it mainly targets customers who are highly confident, trendy, classy, fashion enthusiasts and believe in high quality. Zara came up with a word cloud that perfectly describes its target customer an its as follows:

<sup>&</sup>lt;sup>25</sup> http://www.harbott.com/2011/03/03/analysing-zaras-business-model/



This word cloud perfectly describes the various attributes of Zara's target customers and at the same time it clearly explains Zara's image and the qualities the brand stands for.

 $<sup>^{26}\</sup> http://zarafashion 2013.wix.com/zara\#! overall-analysis/c1jpn$ 

# **Competition Analysis**

Zara is a part of the fashion industry that is known for its fierce competition, innovation and fast pace. The fashion industry has a number of brands that target different segments and markets within the fashion industry. Zara aims at targeting customers that belong to the medium to high income group, prioritize product quality, fashion enthusiast and lead a luxurious life. A number of firms like Mango, GAP, Uniqlo and Forever 21 are close competitors of Zara but Zara manages to overcome these brands with its quality and overall brand image. Although a brand that has been Zara's biggest competitor for a while and posses the most threat to the brand is H&M.

H&M and Zara mainly target the same customer base and provoke similar brand identities that make it easier for consumers to switch from one brand to the other. Although the

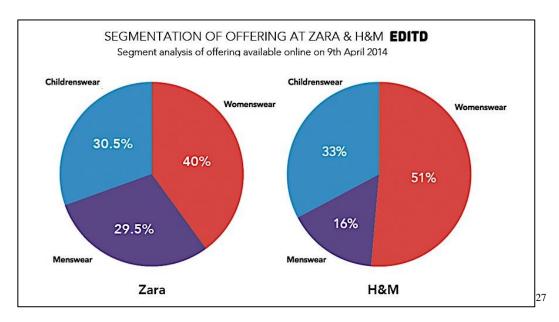
brands have some differences in their marketing mix which makes one brand different from the other and more appealing to a specific kind of customers. The differences are as follows:

Both Zara and H&M provide womenswear, menswear and childrenswear, although they supply these products in different quantities. Almost 51% of H&M's products are womenswear whereas Zara's womenswear constitutes of 40% of its overall product supply.





Zara balances this by supplying more of menswear than H&M and both the brands provide almost the same amount of children's wear. Zara expands its customer base more concentrating on all the three types of segments unlike H&M who devotes more than half of it offering segmentation to womenswear. Apart from these segments, Zara has extended its brand to homeware that is household products, which widens Zara's customer base unlike H&M who is still specializing in the field of fashion clothing and accessories.



Another aspect that is significantly different between the brands is the prices offered. Zara aims at being one of the world's best luxurious fashion brands and hence it mainly targets the upper level of the society whereas H&M aims at pleasing the mid-income level consumers, which causes the following differences in prices:

<sup>&</sup>lt;sup>27</sup> http://editd.com/blog/2014/04/zara-vs-hm-whos-in-the-global-lead/

	TO	PS	DRE	SSES
PRICE	H&M	ZARA	H&M	ZARA
0-10 USD	59		11	
10-20 USD	125	13	34	
20-30 USD	133	73	66	2
30-40 usb	64	51	36	9
40-50 USD	67	130	66	51
50-60 usp	8	24	16	17
60-70 USD	6	20	6	33
70-80 usb		12		18
80-90 usb	2	1		6

As observed in the above pricing chart, Zara's prices belong to the higher side whereas H&M offers lower prices. This boosts Zara's image as a luxurious brand but at the same time it limits a certain segment of the market customers from purchasing Zara's products. On the other hand as H&M provides lower prices that makes its products purchasable for a larger customer base but at the same time the products quality may be questioned. Zara's product quality is much higher than that of H&M or any other competitor of the brand. At the same time Zara is more efficient in bringing out new collections as mentioned previously. This gives Zara a competitive edge over its competitors.

Although Zara lacks in effectively marketing its products whereas H&M is doing an excellent job of marketing its products through the use of mass media, discounts, celebrity endorsements, print advertisements and many more. H&M is adopting all the new marketing

<sup>&</sup>lt;sup>28</sup> http://editd.com/blog/2014/04/zara-vs-hm-whos-in-the-global-lead/

strategies to promote itself to a larger audience. Even brands like Mango, GAP and Uniqlo invest great amounts of their revenue towards marketing and advertising their products.

Below is a summary of the comparison between the various aspects of Zara and its competitors Mango and H&M:

OMPETITOR ANALYSIS								
	ZARA	MANGO	H <sub>0</sub> M					
Product	Male, Female, Kids Fast Fashion (up-to-the minute trending wear produced in weeks) Designer style at non-designer prices	Male, Female Trendy and practical wear ~70% Basic and ~30% Dressy	Male, Female, Kids Urban casual wear Fashionable and practical designs					
Price	Mass-tige (Luxury for the mass)	Mass-tige (Luxury for the mass)	Value-for-money					
Distribution	Exclusive Distribution: 7 Retail Outlets, only in town	Selective Distribution: 4 Departmental Stores, 8 Retail Outlets, both town and neighbourhood	Exclusive Distribution: 2 Retail Outlets, only in town					
<sup>p</sup> romotion	Website Facebook Window display Store location as marketing strategy (No campaigns, advertising, celebrity endorsement) Consistent black and white theme	Website Facebook Print advertisement Celebrities Endorsement (e.g. Penelope Cruz) Manifolding shows with designers	Website Facebook Print advertisement Collaboration with renowned designers (e.g. Stella McCartney, Karl Lagerfield)					

The above chart effectively shows the differences and similarities between Zara and its competitors.

 $^{29}\ http://zarafashion 2013.wix.com/zara\#! competitor-analysis/c14m9$ 

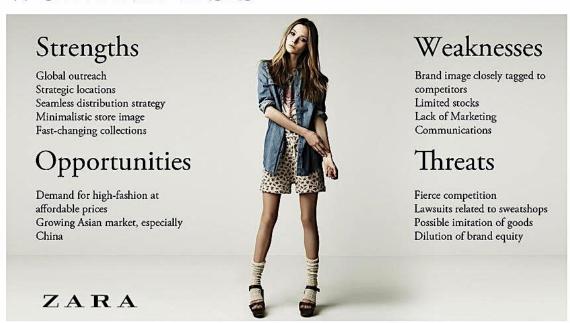
# **Brand Analysis**

After studying and analyzing various aspects of the brand Zara and its competitors now the brand can be analyzed as a whole. Using business analysis tools like SWOT analysis, Perceptual mapping and general comparisons with the brand's competitors, Zara's brand value will be judged.

### **SWOT Analysis**

After closely analyzing the aspects that make the brand Zara it is essential to closely study which of the aspects act as strengths or weaknesses and the brand's external opportunities and strengths.

# **SWOT ANALYSIS**



<u>Strengths:</u> The brand has stores all around the world hence it has a global outreach. Zara's marketing strategy of locating all its stores at prime locations in order to gain the consumers attention acts as a huge benefit for the brand. Another strength is the brands seamless distribution strategy. Zara has a well-organized distribution channel that works efficiently in order to bring

out the brands new collections every two weeks. The stores have a minimalistic image that encourages the end users to keep shopping at Zara stores. And lastly, one of Zara's biggest strengths is its fast changing collections that gives it a competitive advantage over the other brands and forces the consumers to visit the stores more frequently.

Weaknesses: Zara has a number of weaknesses that the brand needs to work on. One of the biggest weakness is that all the brans in the fashion industry and that are close competitors of Zara are trying to showcase the same brand image as Zara. This eliminates the brands individuality and discourages brand loyalty. Another weakness for the brand is its limited stocks. Though the brand believes in fast fashion, which is proving to be a great marketing strategy, the limited stocks may discourage the consumers from shopping at Zara. The next weakness is the lack of marketing. No matter how well known or luxurious the brand is they have to effectively market their products which is something Zara needs to adopt. Zara invests only 0.3% of its revenue towards marketing, which is insufficient for a brand like Zara. The brand also has communication issues not only externally because of the lack of branding but also internally as it owns most of its production processes and has a narrow structure.

Opportunities: Zara's biggest opportunity is the growing demand for high fashion products at a lower price. As most of the high fashion brands continue increasing prices, Zara has been able to maintain a low to medium level pricing range. Another opportunity is growing markets in the Asian countries like China and India. This provides the brand with great opportunity to expand its global customer base. A general growth in the demand for high fashion products all around the world is a great advantage to the brand.

<u>Threats:</u> Zara's biggest threat is the fierce competition is the fashion industry. Zara's competitors are brands like H&M, GAP, Mango, Uniqlo and many more, who target the exact same customers as Zara and provide closely similar products. Due to the minute differences in the

brands it is easy for the customers to switch from one brand to the other. Another threat is the lawsuits related to sweatshops where Zara was accused of making its employees work for more that 13 hours a day and degrading working conditions.<sup>30</sup> A disadvantage of being in a fiercely competitive market is the chance of product imitation, which is a high possibility in the fashion industry. Lastly, the dilution of brand equity is a major threat for Zara as it is essential for each of the brand's product types to have individuality and gain equal importance.

### **Perceptual Map**

Below is a perceptual map for Zara and the brands the firm thinks is its biggest competitors. This perceptual map is based on the dimensions Couture and price.



Zara's officials made this perceptual map at the end of the year 2013. Zara lies in the middle in the high price and high couture section and its closest competitors are H&M, Mango and Armani Exchange.

 $<sup>^{30}\</sup> http://www.vogue.co.uk/news/2013/04/04/zara-faces-sweatshop-allegations-in-argentina$ 

<sup>31</sup> http://zarafashion2013.wix.com/zara#!perceptual-map/cr8v

As mentioned in the promotions section, Zara is concentrating on it Internet presence and in today's revolutionized marketing world social media following plays a vital in a brand's success. Below is the list of all the major fashion brands and their respective level of fan following on social media websites like Facebook and twitter:

No.	Brand	Fans*	No.	Brand	Fans*	No.	Brand	Fans*
1	Converse	36,847,240	18	Puma	9,586,311	35	Topshop	4,014,517
2	Victoria's Secret	24,764,312	19	Forever 21	9,341,530	36	Bebe	3,396,951
3	Zara	18,828,892	20	American Eagle	9,053,454	37	Asos	2,952,644
4	Levi's	18,452,767	21	Aeropostale	8,947,026	38	Threadless	2,893,785
5	Burberry	17,097,957	22	Abercrombie & Fitch	8,002,371	39	Christian Louboutin	2,778,794
8	H&M	17,081,580	23	Dolce & Gabbana	7,729,499	40	Urban Outfitters	2,475,710
7	Nike	15,506,000	24	Old Navy	7,670,998	41	Nordstrom	2,339,606
В	Louis Vuitton	15,000,459	25	Calvin Klein	7,638,751	42	American Apparel	1,983,660
9	Adidas	14,275,868	26	Ralph Lauren	7,187,773	43	Versace	1,869,692
10	Christian Dior	14,154,112	27	Tommy Hilfiger	6,671,848	44	Charlotte Russe	1,740,731
11	Lacoste	11,928,512	28	Michael Kors	6,504,769	45	DKNY	1,537,902
12	Gucci	11,689,784	29	Hugo Boss	5,141,442	46	banana republic	1,151,142
13	Macy's	11,634,701	30	Guess	5,040,534	47	Stella McCartney	900,621
14	Vans	11,480,018	31	Coach	4,951,234	48	BCBG	839,278
15	Chanel	11,298,155	32	Armani	4,815,054	49	Neiman Marcus	819,023
16	Hollister	10,952,746	33	Tiffany & Co	4,810,034	50	Bergdorf Goodman	429,713
17	Kohl's	10,521,126	34	Gap	4,687,610			

<sup>\*</sup> Fan count is a sum of each brand's Facebook and Twitter fans

3

Zara ranks number 3 among all the fashion brands by beating luxury brands like Louis Vuitton, Dior, Christian Louboutin and many more. This is a great advantage for the Zara and it indicates that Zara is successfully promotion itself on social media.

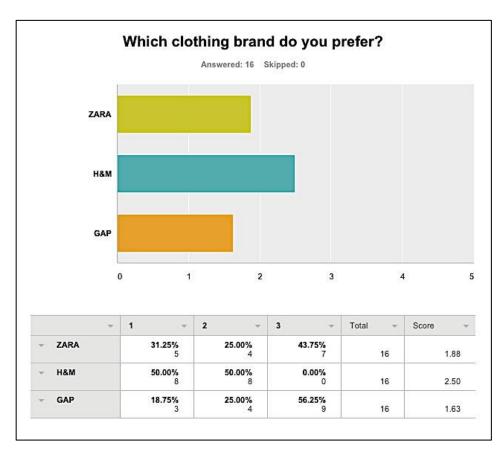
Zara's brand value has definitely increased over the years although the firm's profits are not experiencing a constant growth. In order to ensure this Zara may have to make a few changes in its marketing, pricing and extension strategies.

<sup>&</sup>lt;sup>32</sup> http://room214.com/best-practices/the-worlds-top-50-fashion-brands-in-social-media

# **Brand Exploratory**

An online survey consisting of six questions was given to a randomly selected sample of sixteen people who belonged to the age group 18 - 30 years old. The aim behind conducting this survey was to better understand the consumers as well as receive a more realistic and dependable view on Zara's strategies, their effectiveness and an overall point of view about the brand and its competitors. The received results are as follows:

When asked to rank their clothing brand preference majority of the sample ranked H&M as number one whereas around five ranked Zara as their number one. The difference between the



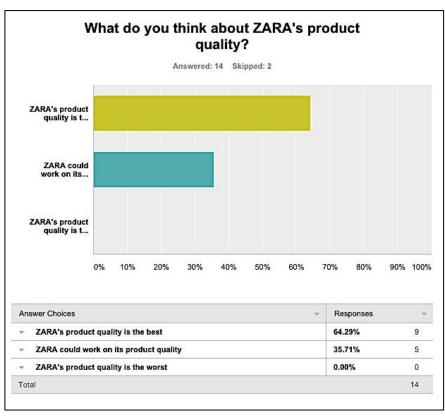
and H&M is just 0.62

(2.50 – 1.88) and the difference between the final scores of Zara and GAP is 0.26

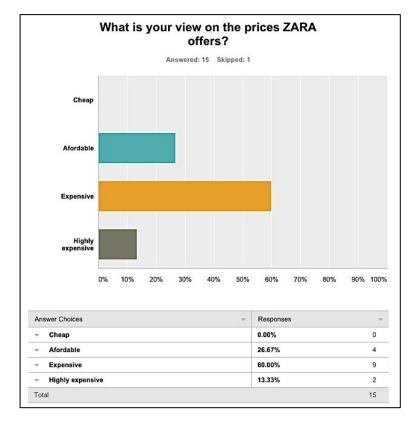
(1.88 – 1.63) thus indicating that Zara faces high competition and it has to make changes in its strategies to gain

the preference of the consumers. Zara's aim should be to receive a number one ranking from 75% of the consumers and a 0% for third ranking.

The sample highly believes in Zara's product quality around 64.29% of the respondents think that Zara's product quality is the best, 35.71% thought they could work on the quality and none of the respondents through that Zara's quality is one of the worst in the industry. Thus we



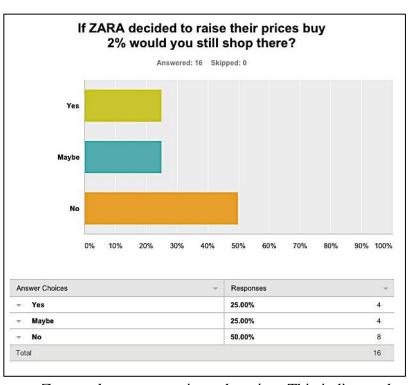
can conclude that Zara's efforts towards providing high quality products are recognized by the end users and hence the firm should continue with the same.



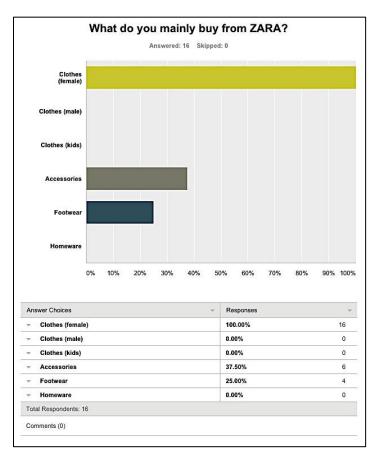
Most of the respondents expressed that according to them Zara's prices are relatively high that is they feel that the products are expensive. Although around 27% of the respondents feel that Zara's products are affordable. Hence Zara is mainly targeting the medium to high-level income groups with its pricing strategy. They could decrease their prices to

some extend in order to appeal to the lower income group and increase its customer base.

The next question judged Zara's customers' brand loyalty. Around 50% of the respondents said they would stop buying Zara products if the prices were increased by 2%. Although around 25% each said



they will definitely continue to shop at Zara or they may continue shopping. This indicates that Zara has a moderately loyal customer base but in order to become market leaders and ensure

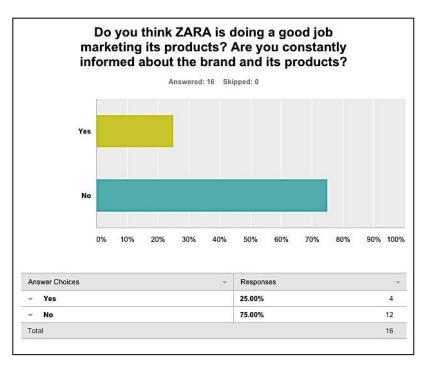


profits Zara has to increase its customer loyalty.

mentioned earlier, Zara's most popularly product category is women's clothing, followed by accessories and then footwear. None of the respondents selected men's clothing, Zara kids or Zara Home products. This may be because of the error in the target sample or these products do need more improvement and the customers need to be informed about

them trough advertising, catalogues or other means of marketing communication.

When asked about Zara's marketing strategy and how successful the brand is in informing its consumers, the response was negative. Around 75% of the respondents think that Zara is not effectively



marketing its products and they are not informing their customers about their products. This clearly indicates that Zara needs to adopt a new marketing strategy.

The results from this primary marketing research cannot be trusted completely as a number of errors may have taken place like biased responses, time constraints, sample error or misunderstanding of questions. But they study provides a rough idea about the consumers view points on various aspects related to Zara and assists in understanding the brands weaknesses and identify areas of improvement.

### **Recommendations**

Zara is a fast growing brand in a highly competitive industry. It is essential for the brand to constantly monitor its customers, competitors and market in order to create a mark in the world of business. Zara executes some highly effective strategies like strategic store placement, constant launching of new collections, high product quality and constant social media presence. Although the brand has not been experiencing constant growth in its revenue and its market share has been stagnant for a while. Hence Zara needs to make a few changes in its marketing, extension and expansion strategies.

Throughout this paper it was observed that one category in which Zara lacks behind is its marketing. A global brand like Zara should increase its expenditure on marketing from 0.3% to at least 3%. The brand can advertise its products on television, radio, mass emailing, sponsorships and celebrity endorsements. An increase in Zara's marketing activities will help the consumers to know the brands products in a better way and at the same time new customers can be reached easily. Increased marketing will also help customers to relate and develop a better relationship with the Zara, thus solving the problem of low customer loyalty. This will increase the brands customer base as well as increase customer loyalty and in return raise revenue and profits, which will compensate the increased expenditure on marketing.

Zara's extension strategy of entering the world of household goods through Zara Home is a unique and beneficial one. Although Zara needs to further promote this new business extension to earn its benefits. Further, Zara should think of extending its brand to the food industry by launching its own chain of high scale restaurants or by opening coffee shops. The coffee shops can be placed near Zara's current stores so that the tired shoppers can go get drinks or coffee from the coffee shop and continue shopping. This will be a win-win situation for Zara. Although the food industry has high competition and high risk levels.

Zara has a great opportunity of expanding in the Asian countries like China and India as these countries are growing in size as well as economically. Hence the demand for high-level luxurious brands and fashion is increasing in these economies. This will help Zara to spread its risks, grow globally and increase its revenue as a whole.

# **Work Cited**

- "Zara." Zara. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!background/c18mg">http://zarafashion2013.wix.com/zara#!background/c18mg</a>.
- "Grupo Inditex." *Zara*. N.p., n.d. Web. 14 Dec. 2014. <a href="http://www.inditex.com/brands/zara">http://www.inditex.com/brands/zara</a>.
- "Zara." *Forbes*. Forbes Magazine, n.d. Web. 15 Dec. 2014. <a href="http://www.forbes.com/companies/zara/">http://www.forbes.com/companies/zara/</a>.
- "Zara." Zara. N.p., n.d. Web. 14 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!brand-identity/c1xbv">http://zarafashion2013.wix.com/zara#!brand-identity/c1xbv</a>.
- "Zara Fashionbi Index ® | Fashionbi." Zara Fashionbi Index ® | Fashionbi. N.p., n.d.
   Web. 15 Dec. 2014. <a href="http://fashionbi.com/brands/zara/index">http://fashionbi.com/brands/zara/index</a>.
- "Zara Investment (Holding) Co. Ltd." ZARA Annual Income Statement. N.p., n.d. Web.
   15 Dec. 2014. <a href="http://www.marketwatch.com/investing/stock/zara/financials">http://www.marketwatch.com/investing/stock/zara/financials</a>.
- "Zara." Zara. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!brand-position/c1q1p">http://zarafashion2013.wix.com/zara#!brand-position/c1q1p</a>>.
- "Our Mission Statement-Company | ZARA United States." Our Mission Statement-Company | ZARA United States. N.p., n.d. Web. 12 Dec. 2014.
   <a href="http://www.zara.com/us/en/company/our-mission-statement-c18001.html">http://www.zara.com/us/en/company/our-mission-statement-c18001.html</a>>.
- "The Future Of Fashion Retailing: The Zara Approach (Part 2 of 3)." Forbes. Forbes Magazine, n.d. Web. 15 Dec. 2014.
  <a href="http://www.forbes.com/sites/gregpetro/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/">http://www.forbes.com/sites/gregpetro/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/</a>.
- "ZARA." -3-CONTENTS (2012): n. pag. Web. 2012.
   <a href="http://fashionvore.files.wordpress.com/2013/10/zara-report.pdf">http://fashionvore.files.wordpress.com/2013/10/zara-report.pdf</a>>.

- "Zara." Zara. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!business-strategies/c17c8">http://zarafashion2013.wix.com/zara#!business-strategies/c17c8</a>>.
- "Zara Forwarding from Spain." Zara Forwarding from Spain. N.p., n.d. Web. 15 Dec.
   2014. <a href="http://zaraforwarding.com/spain/zara-prices-worldwide-comparative-spain-is-the-cheaper/">http://zaraforwarding.com/spain/zara-prices-worldwide-comparative-spain-is-the-cheaper/</a>.
- "Marketing Mix of Zara." *Marketing91com*. N.p., n.d. Web. 14 Dec. 2014.
   <a href="http://www.marketing91.com/marketing-mix-zara/">http://www.marketing91.com/marketing-mix-zara/</a>>.
- "Tag Archives: Zara." *Marketing Magazine*. N.p., 24 Jan. 2014. Web. 15 Dec. 2014.
   <a href="http://www.marketingmag.com.au/tags/zara/#.VI46f5N4pls">http://www.marketingmag.com.au/tags/zara/#.VI46f5N4pls</a>.
- "How Zara Grew Into a Multi-Billion Dollar Brand Sans Ads | CMO Strategy Advertising Age." *Advertising Age CMO Strategy RSS*. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://adage.com/article/cmo-strategy/zara-grew-a-multi-billion-dollar-brand-sans-ads/243730/">http://adage.com/article/cmo-strategy/zara-grew-a-multi-billion-dollar-brand-sans-ads/243730/</a>>.
- "Analysing Zara's Business Model « Business Thoughts." *Technology In Business RSS*.
   N.p., n.d. Web. 13 Dec. 2014. <a href="http://www.harbott.com/2011/03/03/analysing-zaras-business-model/">http://www.harbott.com/2011/03/03/analysing-zaras-business-model/</a>.
- "Zara." Zara. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!overall-analysis/c1jpn">http://zarafashion2013.wix.com/zara#!overall-analysis/c1jpn</a>.
- "Zara vs H&M Who's in the Global Lead? |." *EDITD*. N.p., n.d. Web. 15 Dec. 2014. <a href="http://editd.com/blog/2014/04/zara-vs-hm-whos-in-the-global-lead/">http://editd.com/blog/2014/04/zara-vs-hm-whos-in-the-global-lead/</a>.
- "Zara." Zara. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!competitor-analysis/c14m9">http://zarafashion2013.wix.com/zara#!competitor-analysis/c14m9</a>>.

- "Zara Accused Of Using Sweatshops." *Vogue UK*. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://www.vogue.co.uk/news/2013/04/04/zara-faces-sweatshop-allegations-in-argentina">http://www.vogue.co.uk/news/2013/04/04/zara-faces-sweatshop-allegations-in-argentina</a>>.
- "Zara." Zara. N.p., n.d. Web. 15 Dec. 2014.
   <a href="http://zarafashion2013.wix.com/zara#!perceptual-map/cr8v">http://zarafashion2013.wix.com/zara#!perceptual-map/cr8v</a>.
- "The World's Top 50 Fashion Brands in Social Media." *Room 214*. N.p., n.d. Web. 15 Dec. 2014. <a href="http://room214.com/best-practices/the-worlds-top-50-fashion-brands-in-social-media">http://room214.com/best-practices/the-worlds-top-50-fashion-brands-in-social-media</a>.
- **Survey Link:** https://www.surveymonkey.com/s/BX26CBC