410-DD3-AS RETAIL SALES

FINAL PROJECT - ZARA

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**INTRODUCTION**

Zara is the biggest fashion retailer in the world. However, as every other huge and successful business, it started small. In 1975 the first store is opened by Amancio Ortega in Galicia, Spain. He realizes hoe the fashion market works, and in the 1980s, he opens more store across Spain. By these years, he changes the design, manufacturing, and distribution process in order to obtain information about new trend in a quicker way. Ortega called this method “instant fashions”, which also includes having groups of designers rather than individuals. By the year 2000 he kept this method and expanded to almost 10 countries including United States, and France (well recognized for its fashion industry).

The object of this paper is to make entrepreneurs think of a strategy to make their company great just as Mrs. Ortega did with Zara. And in order to do that, plenty analysis and information collection of the market must be done. Zara is completely different in the fashion industry. How can a company be different? More effective, more efficient, and therefore, probably more successful than the others in the industry. It’s something to think about and to figure out if one really wants a company to succeed

Even though Zara as a company has a no advertising policy, it would rather open more stores than spend its money on advertising. More than 2150 stores all around the world, to be more accurate, more than 50 countries.

The CEO, Mrs. Ortega, realized that the customers are the ones who should “decide” when to bring in the store new designs. And even though, customers do not say it, sales talk by themselves. Zara is able to bring in store a complete new collection within fifteen days, meanwhile the fashion average is around 6 months.

Nowadays, Zara´s economic activity is unbelievable. Almost 16 billion American dollars in revenue for the year ended 2016. In 2015 Zara was ranked 30 on the inter-brand´s list of the best global brands.

**SECTION 1. PLANNING AND ORGANIZATION OF THE RETAILER**

* **MISSION AND VISSION OF THE COMPANY**

“Inditex's goal is to offer products of the highest quality to all its customers at the same time as striving to develop a business that is sustainable. We are a responsible group and this guides all of our business principles. The Code of Conduct and Responsible Practices stipulates the binding principles that apply in each and every area of the Group's operations both within the company and with the partners we work with.

All of Inditex's processes are inspired by and stem from our Code of Conduct. With this as a basis we have developed stringent product health and safety standards (Clear to Wear and Safe to Wear) as well as labour standards enshrined by the Code of Conduct for Manufacturers and Suppliers (Tested to Wear) and environmental sustainability standards (Green to Wear). These are the foundations of the Group's environmental and sustainable strategy. All of these standards are part of our effort to make products that are Right to Wear.” Words of index group (where Zara makes part of),

* **KEY LEADERS**

Zara is the main brand of the Inditex group which is the world's biggest apparel retailer. This group is also the owner of brands such as Bershka, Stradivarius, Pull and Bear, Oysho, Massimo Dutti, Zara Home, and Uterqüe. However, there are some other companies in the apparel industry that are the competition of Zara. Zara’s direct competition is H&M, Gap and Benetton. However, other companies such as American Apparel, Mango, American Eagle Outfitters, Forever 21, Prada, Primark among others are also leaders in the clothing industry. Nevertheless, Zara and the Inditex group have taken an advantage over their competitors thanks to the quality of their products for affordable prices.

* **HISTORY OF THE COMPANY**

Zara is a Spanish clothing and accessories retailer located in Arteixo, Spain. The company was created in 1975 by Amancio Ortega and Rosalía Mera. After 12 years of work by Amancio Ortega as a textiles maker, Zara opens the first store in La Coruña, Spain.

The first name of the store was "Zorba", however the company had to change its original name to Zara because there was already a bar with Zorba as its name. Zara started selling low-priced clothes and products that were similar to the popular high fashion products. Around the year 1977 the store became successful and the customers were making more purchases of the products. The increase on the profit and success of the store led Zara to expand its market opening nine new stores around other cities in Spain. In 1984, the company inaugurated its first logistics centre in Arteixo, spanning 10,000 square metres. During the following years, Amancio Ortega changed the design, distribution and manufacturing process to reduce the lead time and react faster to trends. Then, in 1988 Zara opened its first store out of Spain in Oporto, Portugal. In 1989, Zara entered in the United States opening a store in New York and the next year in France inaugurating its first store in Paris. In 1992, Zara expanded its geographic reach opening a store in Mexico and the following years opening stores in Greece (1993), Belgium, Sweeden (1994), and Malta (1995), Cyprus (1996), Norway and Israel (1997).

 In 2002, Zara starts building its distribution centre in Zaragoza, Spain. Also, the company opens its first stores in Finland, Switzerland, El Salvador, the Dominican Republic and Singapore. The following year, Zara opens Zara Home stores, a chain specialized in homewear. Also, there is the inauguration of Zara's second distribution centre to complement the distribution facilities located in Arteixo. Zara inaugurates stores in Slovenia, Slovakia, Russia and Malaysia. In 2004, Zara opens stores in China (Hong Kong), Morocco, Estonia, Letvia, Rumaia, Hungary, Lithuania and Panama. In that year the company counted with stores in 56 countries across Europe, the Americas, Asia and Africa. In 2006, the company implemented a Environmental Strategic Plan in order to pay attention to the protection of the social and natural environment. It also continued opening stores in new countries such as Serbia, Continental China and Tunisia. In the following year, Zara launched its first online store which was zarahome.com. Also, the company opened its store number 1,000 in Florence, Italy, and it opened establishments in Croatia, Colombia, Guatemala and Oman. In 2010, Zara opened an eco-efficient store in Rome, Italy. The company started selling products online in September, 2010 and by the end of the year the online platform was present in 16 European markets. The next year, Zara had a presence in 82 markets. The company launches online platforms for all its brands and Zara begins to sell its products online in the United States and Japan. In 2013, the company expanded its online market going to Canada and Russia. The following year the company improves and strengthens its expansion with the growth of its offline and online activity. E-Commerce is launched and the expansion of the stores continues. The company starts its online activity in two new online markets: South Korea and Mexico. Finally, in the year 2015, the company reached 29 online markets and it added 330 stores. At the end of the year Zara was ranked 30 on Interbrand’s list of best global brands.

* **COMPARISON BETWEEN THE ACTIVITIES IN THE PAST AND PRESENT**
* **PAST ACTIVITIES**

Zara started focusing on selling textiles to the public. The store started manufacturing clothes and low-priced products as a clothing store. At the beginning they were just working in basic clothes for both women and men. The sales were carried out at the store and the sales people were the ones in charge to make the clients purchase a product. The products were manufactured locally and there was no international presence.

* **PRESENT ACTIVITIES**

Armancio Ortega changed the manufacturing and distribution process in order to be more efficient and reduce the lead times and satisfy the customer needs in a faster way. Zara went international and started purchasing and manufacturing products in different countries in Asia. The store started Zara Kids in order to sell clothes for children. Also, Zara started a toxic-free production in order to contribute to the environment.

Zara started using information technologies which made the store collect and analyze the data in order to be more successful at selling products according to trends and the information given by its clients. The company ships new products twice a week. Zara launches E-Commerce. The store sells products through its website. Clients can customize some products and order them online. Usually the delivery takes 48 hours for the customer to receive his product.

* **SOCIAL MEDIA PRESENCE**

Zara counts with its own website where customers can make purchases of the products. However, the store counts with a large presence in social media having accounts on platforms such as Instagram, Facebook, Twitter, YouTube and Pinterest. Zara interacts with the customers through the use of social media. The company posts pictures and videos of its products and people can see them if they have accounts on those platforms. The clients can see the trends or new products that the Zara launches and they can follow the company to keep in touch with it.

The numbers of followers on each platform are huge as we can appreciate in the following description. Zara has 16.6 millions of followers on Instagram; 25,240,726 likes and 24,825,926 followers on Facebook; 1.23 million followers on Twitter; 34,672 subscribers on YouTube and 347,578 followers on Pinterest.

This shows why the company is one of the most successful companies in the world. It is the evidence that Zara has many customers who like its products and follow the store via social media. This social media presence helps Zara’s marketing strategy to promote its products through different accounts and have a larger target market which more potential customers.

**SECTION 2. ANALYSIS OF THE RETAILER**

* **IMAGE OF THE COMPANY**

Zara is seen as being very successful with their brand identity, the success to this is a well implemented synergy between the positioning, personality and communication of brand. The positioning of Zara is to be produce fast fashion at an affordable price in other word it will recreate designer’s product that we see in fashion week at an affordable price in a large quantity. The personality of the brand is the be fashionable, young, surprising, and be trendy whether you are looking for street fashion or classier. Zara brand communication is mainly setting their store in high-traffic location where there is a lot of boutiques, retail store. They also strongly use widow shopping with attracting and strong fashion appeal. Zara are also frequently the store design in order to always promote the store since they are not advertising their brand through ads.

* **TRAINING PROGRAMS**

When you are getting hired to work at Zara on your first day the company will give you a booklet to read explaining the Brand identity that Zara is trying to show case as well as how Group Inditex operate between their brand. You will get a tour of the store showing you the different department, who are the managers/responsible for each department and will meet the Gm of store at the end. The first thing you will need to learn at Zara before stepping on the floor and Zara puts a big emphasis on it is the 6 minimum of customer service you need to offer when dealing with clients. As soon as the 6 minimums are being thought to you, you will be put on the floor where you will be taught how to fold the cloth in the store, how to manage your section, the second part of the training is learning how the stock room is designed if your trying to find an article, how the people in the stock are operating. The third step of the training is getting familiarised with the different technology the store is using in order to functionate in the store when a customer is looking for certain items. Employees will have access to ipods and walkie-talkie in order to communicate between staff that are on the floor and the stock. The third part of your training will be at the end of the day when it is time to close the store employees are taught how to close their section, how cloth should be folded during the close, how the face-out should be presented and styled as well as how the hanger should be place in order to have them all facing the same way. After two week of working in the store the manager will offer you an optional cash training that goes on for a week where you will learn how to operate transaction, opening and closing of a cash**.**

**ETHICS PROJECTED BY THE RETAILER**

Zara brand ethics is recognized for having supply chain transparency meaning that a vast part of the Inditex group production take place near the head office located in Spain. Inditex opted for this strategy to have a better control of the company supplying them the product. Zara Is a member of the Sustainable Apparel Coalition that have for goal to reduce the environmental and social impacts of the fashion industry. One the most well know goal is to reduce energy usage during production process and also reducing greenhouse gas emissions of 2005 by 20% for the year 2020. Zara also implemented programs that ensure the deliver of salary of their workers working in their supply chain is enough to meet the living wages of their respected country, and they are also part of a group created by the Ethical Trading Initiative to increase the wages the workers earn from working in supply chain buildings.

**COMMUNITY ENGAGEMENT**

In order to help the community, the group inditex has developed a model of Investment in social programmes based on its commitment to improving global welfare and strengthening the communities that have links with the brand.  This approach to investment in social programmes means that Inditex engages voluntarily in socially responsible practices that create value within the community and the company in general.

This commitment, articulated around investments in causes championed by non-profit entities, is focused primarily on education and employment programmes and humanitarian aid.

In 2015, Inditex's investment in social programmes totalled more than €35 million, up 36% on the previous year and accounting for more than 1% of the Group's net profits, with 1.01 million direct beneficiaries, 361 charitable organizations supported and 456 projects carried out. During 2015, Inditex developed social programmes in 44 countries.[[1]](#footnote-1)

* **ATMOSPHERE OF THE STORE**

The display window at the front of the Zara store has a few main functions, including helping attract and draw shoppers inside and allowing them to see the type of merchandise offered in addition to sending a visual message of the store image.

**EXTERIOR ATMOSPHERICS**

|  |  |
| --- | --- |
| * **Storefront**
 | Glass fronts especially in new buildings |
| * **Marquee**
 | ZARA is written in Black, White, Silver, or Gold letters; Looks minimalistic |
| * **Entrances**
 | 3 entrances, 2 are very wide. All entrances have security guards (Most of the time) |
| * **Display windows**
 | Latest trends are on display & changes are made every day |
| * **Size of building**
 | At least 2 story tall |
| * **Visibility High visibility**
 | Always located in prime location having high footfall numbers |
| * **Accessibility**
 | Since always located in prime localities, easy accessibility is ensured |

Zara uses the typical Free-Form Layout to make the customer feel more at home and the browsing experience easier. There are free standing fixtures and mannequins within the store, which are designed to grab the attention of shoppers and help guide them through the store.

Zara is divided into four departments:

* **Zara Men**
* **Zara Women and TRF**
* **Zara Kids**
* **Zara Home (not all locations have one)**

Zara uses bright lights in stores to highlight all the vivid colors, fabrics, and designs used on the merchandise. Zara strategically places spotlights aiming at the walls since the wall is one of the most valuable areas at Zara. The right side wall is usually considered the highest sales area as customers have a tendency to turn to the right when entering the store. In addition, Zara places its best selling merchandise, which is Zara Women, within that area. The merchandise usually displayed in this featured area are; the season’s hottest trends, or an entire shelf to highlight shoes.

**INTERIOR ATMOSPHERICS**

|  |  |
| --- | --- |
| * **Flooring**
 | White or light cream ceramics are used  |
| * **Lighting**
 | Combination of ambient and track lighting. Light have yellow hue  |
| * **Walls**
 | They are plain, designed or textured walls are avoided to ensure merchandise take center stage  |
| * **Temperature**
 | Store interior is always cool and welcoming  |
| * **Fitting rooms**
 | Trial rooms are located towards the furthest side, away from the entrance  |
| * **Personnel**
 | Sales personnel are very helpful. They ensure that customers needs are taken care of  |
| * **Cleanliness**
 | Cleanliness is always spot on |
|  |  |

* **STORE LAYOUT**

|  |  |
| --- | --- |
| * **Floors**
 | Two  |
| * **Layout**
 | Boutique layout or Free from layout  |
| * **Traffic flow**
 | Wide passages is kept between racks, shelves and other fixtures  |
| * **Signage**
 | On top of racks and suspended form the ceiling  |
| * **Department Location**
 | Best selling merchandise is placed towards the right side of entrance; as research says that customers turn right when entering the shop |

* **ONLINE STORE (ZARA’S PRESENCE ON THE WEB)**

In September 2010, Zara first launched their e-commerce website in Spain, UK, Portugal, Italy, Germany, France to straighten out their problem as the sales dropped by 1,5% and also to compete with competitors that have an online store. As the online shopping trend rise, Zara expands their online store available to other countries such as; US, Canada, China, Japan etc… which allows them to increase their sales. According to Inditex (Zara’s head company), their online sales soared by 42% (€ 553 million) in 2014. Although online sales only account for 3% of overall sales, the internet now represents 20% of the company’s growth over the past year.

Main advantages of Zara’s e-commerce website:

* It allows customers to purchase items (Ex: specially when their sale season starts people can purchase items in advance and don’t have to line-up in store)
* Consumers are able to see which stores have items in-stock
* Consumers are able to see upcoming seasonal products
* Prices are cheaper online than their retail store (specially during their sale season)

**SWOT ANALYSIS**

|  |  |
| --- | --- |
| **Strengths*** Global outreach
* Strategic locations
* Seamless distribution strategy
* Minimalistic store image
* Fast-changing collections
 | **Opportunities*** Demand for high fashion at affordable prices
* Growing Asian markets; especially China
 |
| **Weaknesses*** Brand image closely tagged to competitors
* Limited stocks
* Lack of Marketing
* Communications
 | **Threats*** Fierce competition
* Lawsuits to sweatshops
* Possible imitation of goods
* Dilution of brand equity
 |

* **SECURITY – CONTROL OF LOSSES AND THEFT**

ZARA is committed to the security of its stores since they need to have a real control of losses and theft in order to be a successful business and not to lose more than it earns. There are many actions that ZARA undertakes to avoid losses as an integrated campaign. Some of those measures on regards of security are listed as follows:

* Education of employees about retail theft

Reducing retail theft begins with communication. Educated employees know about the effects of retail theft on the business. They are loyal employees aware of the problem and prompt them to be pro-active about reporting incidents and will be aware of not being part of the problem. If employees see a person that is behaving suspiciously, they could ask the person if they need assistance. This alerts the potential shoplifter to the fact that they are being watched, which makes them less likely to commit a crime. Also employees at ZARA have a radio to communicate each other and with security guards. The radio is used for inventory purposes as well.

* ZARA stores layout

One practical way to deter retail theft is to arrange the store to be as anti-theft as possible. In this sense ZARA keeps its stores open and visually accessible.

* Security Mirrors

Security mirrors are another way to keep track of people shopping at ZARA and their activities. Security mirrors are placed around the stores to aid in the monitoring and prevention thefts.

* Basic Video-Surveillance System

Security cameras are meant to check on customers and employees. They also provide an obvious visual deterrent to would-be shoplifters.

* RFID Tags

RFID tags are basically a radio-frequency identification tool that are attached to the clothes and products. There are various options, ranging from stickers, which can be placed on almost anything, to pin-tags, often used on clothes as seen in the picture to the right.

* Electronic Article Surveillance (EAS)

It is an anti-shoplifting system used by ZARA where RFID tags are attached to the item of clothing or merchandise. If customers attempt to leave the stores, the alarm will go on when RFID Tags and the EAS enter in contact.

* Security Guards

Security guards are also hired at ZARA as a good retail-theft prevention choice. Educating general employees to spot shoplifters/other dishonest employees is helpful but when things get busy, people get distracted and therefore security guards are also available at the stores.

* Inventory Management

The first step toward retail theft prevention must include inventory management and sales tracking. ZARA uses an inventory management software that is cross-referenced with the inventory count.

* **STORE PROMOTIONS**

ZARA has a strong control on promotions. This is due to the fact that the inferred message ZARA wants to provide is being a luxury brand. That is way at ZARA prices are usually high compared to other clothing stores. However, it is possible to identify stores’ promotions related to the change of seasons. Only 15 – 20% markdown sale of season volume. Sales promotions are controlled by other departments such as marketing and advertising.

* **REFUND/EXCHANGE/RETURNS POLICY**
* Returns and exchange policy

ZARA accepts returns or exchanges of any product (Except for the products listed below) which customers are not completely happy with provided you return it within one (1) month of the purchase and provided it is returned to ZARA in the same condition as when it was received by the customer. Customers must include with any product return or exchange all original boxes, labels, product instructions, hang tags, tags, documents, receipts and wrappings. Any product which is returned damaged or which is not returned in the same condition as when received will not be accepted for return or exchange.

ZARA is unable to accept returns or exchanges of:

1. Customized items
2. Music CDs/DVDs with respect to which the original wrapping has been removed; and
3. Jewelry for use in body piercings, or underwear or swimwear if the hygiene seal has been removed, or cosmetic products if they have been used or if hygiene seal is broken.

Customers may return a product for a refund in one of the following ways: (i) to any ZARA store in Canada that carries the line of the product you wish to return, (ii) to any Canada Post mailbox or post office, or (iii) by Canada Post pick up arranged by you. The last case must be informed to ZARA by a form found in the web site. None of the above options will entail any additional cost to the customer.

* Refund General Policy

Refunds will be credited to the customer’s original method of payment and, except as otherwise set forth herein, will be equal to the cost of the goods plus applicable taxes. Except as otherwise set forth herein, shipping and handling charges are not refunded.

**SECTION 3. CONCLUSION**

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