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PRIVATE LABEL DEVELOPMENT

ZARA PROJECT #1

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History

Born in Galicia Spain, Amancio Ortega Gaona always had the need to do more with his experience while working as a clerk at a ladies apparel store. Ortega first named the brand Zorba with a budget of only 30 Euros. He later on changed the company's name into Zara. Creating the brand in 1963, after all the planning and strategies, he managed to open the first Zara store in La Coruña in 1975. Throughout the years, Ortega managed to open 82 stores in Spain and later on began to open Zara internationally in cities such as New York , Paris and many more.

Inditex is a parent company of Zara which Ortega also owned began its business in 1963 specializing in creating dresses and gowns for further distribution That's how one the world's favourite affordable fashion brand of today was created.

Positioning:

The brands positioning is portrayed as having the latest and current fashion trends that are sold at affordable prices. Often, if consumers do not purchase their products at a fast pace, it might no be available in the long run. Zara's positioning from other companies is relatively similar compared to chain stores such as H&M and Mango due to the fact that those stores sell similar clothing to Zara, following the latest trends happening on the runway and in the fashion industry.

“Exclusive distribution takes place when a supplier grants a distributor exclusivity of the sale of the contract goods or services within a territory, or to a specific group of customers. In exchange, the distributor will usually agree to sell goods or services of the supplier's competitors.”

Mango and H&M are a few of Zara's competitors. This chart will demonstrate the differences between the companies.

	Mango	H&M	Zara
Price	18.00-89.00	1.00-291.00	5.00-322.00
Product	Male and female clothing from trendy clothing to basic clothing.	Male, kids , female, fashionable at affordable cost	Female, male , kids, following fashion trends at affordable prices.
Promotion	Website, facebook, instagram, ,advertising	Website, facebook, instagram, twitter, advertising, collaborations with influencers.	Facebook, twitter, instagram,website, , no advertising, always same black and white theme.
Distribution	"Exclusive distribution"	"Exclusive distribution"	"Exclusive distribution"

Mission statement:

"The customer is at the heart of our unique business model, which includes design, production, distribution and sales through our extensive retail network."

<https://www.zara.com/ca/en/z-company-l1391.html>

"Through Zara's business model, we aim to contribute to the sustainable development of society and that of the environment with which we interact."

S.W.O.T Analysis:

Strengths:

- 1) Zara is known for their unique designs which are elegant, good quality and nice finishing on the garments the company sells. Zara has a wide range of clothing for all genders and ages. They also have permanent lines in the stores such as Zara Trafaluc which accommodates to a younger target market and Zara Basic which is for consumers who are not looking for extravagant clothing but more comfortable and simple clothing.
- 2) Zara has a very strong presence globally with a total of 2,200 stores in counting in 93 countries. In order to keep surviving, Zara should continue expanding its presence globally.
- 3) Zara has an amazing supply chain and the company is known to receive their designs in a matter of 2 weeks whereas other companies receive their products from the manufacturer in 6+ weeks. This makes Zara one of the 'trendy' company's out in the market with products of the latest fashion. This often pushes and convinces the consumer to continue purchasing from the company.
- 4) Due to their design advantage, the company does not normally advertise their products. The company solely relies on their known image of being trendy to attract consumers to one of their store locations. Zara also has a very low cost of operations while having high margins at the same time. The company uses most of its profit on "backwards integration" instead of spending it on advertising their products.
- 5) Zara has a very good physical evidence in their store locations. The store layout is purposely designed in a spacious manner for consumers to be able to breathe and feel comfortable instead of feeling cramped and uncomfortable in the store with too much products being displayed.

Weaknesses:

1) Zara might save costs when it comes to advertising, the lack of doing so will cause the brand not to make more profit when if they did advertise, they can make double the profit and turnover. Even though the company is known globally, it can still attract more consumers by advertising more and will generate a positive word of mouth for the company.

2) Low inventory of products has been a problem for the company for a while. Their stock is moving rapidly and the company does not have a “safety buffer” behind it. Their strategy of low stock usually keeps consumers visiting local stores but once a product becomes popular, the products will not receive probable popularity due to there not being a safety stock or “buffer” for the certain product.

But it also means that if a particular design is a hit with the customers, it won't reach its potential because there is no safety stock or buffer for this design.

3) Zara tends to have a wide variety of products but most of the time, the same type of products just different looks and styles. Consumers tend to shift to their competitors due to the fact that they are often looking for one thing while Zara may have that one thing, just in multiple different styles. Zara is often missing actual focus on their products.

Opportunities:

1) Zara can take the advantage of offering their products on different e-commerce stores to get advanced with the popular online buying trend that is currently happening in the industry. The company can expect a spike in sales if they choose to do that.

2) The company can profit by expanding their market due to the fact that new markets often give new business and will most probably be profitable for Zara. Zara should always be on the lookout for new and emerging markets where money is being spent and where people are willing to spend on a good brand like Zara in order to dress

fashionably. *“Such market expansion insures the clothing brand against saturation in developed countries where the competition is too high.”*

Threats:

1) Like other companies, Zara has competitors in the same market they are currently in. Companies such as H&M, Vero Moda and Mango are amongst the few companies why have similar designs and products being sold in their stores which consumers also like purchasing. Even though Zara is considered to be affordable for a great quality for clothing compared to the other brands which a slightly higher in price, their competition leads to a saturation in their segment which will eventually affect the margins of the company.

2) Zara only offers their products in their own store and the company does not have a “shop in shop” type of stores or just smaller displays in general. Competitor companies get most of their sales based on that, therefore Zara should increase their reach by considering creating smaller “shops” for their consumers. If Zara does not follow with this , the competitor companies will affect the brand equity.

3) Zara’s unique brand proposition is often why consumers shop at their local stores. Due to the fast fashion industry and the fact that the company constantly follows it , this can cause consumers to shop at their local stores more often. Another option can if their consumer base is increased, creating designs and being different from other companies will make it more and more difficult. Therefore that being said, Zara needs to decide as a company of they should be advertising more.

CONSUMER PROFILE

-Age: 19-26 years old

-Demographic:

Zara’s demographic target market young adults between the ages of 20’s to mid 30’s their target are they type of people whom need to dress maturely as they did there previous younger years. In other words they want a more mature target base .

The majorities of fast fashion companies tend to want to target younger generations given that through this the manufacture is affordable allowing a younger market to be able to afford their products. Though it is still fast fashion and the quality isn't the greatest people in their 20's and mid 30's will still lean towards the company given trendiness and affordability.

-Lifestyle:

Zara's customer wants to be fashionable at an affordable price , the majority of their customers go to work or go out well dressed. As for work they are usually supervisors, junior managers and skilled manual workers. They work in busy areas so are able to pop in to Zara during their lunch breaks or every two weeks to see what is new in store given they are always changing styles given its known for its fast fashion . They are single, engaged or newly married so don't have children yet. Most of these shoppers are in the office but enjoy the weekends by shopping or going out with co-workers.

Zara retails its products in a very broad way which has all its new collections and products at the entrance all through its store allowing customers to see the variety of products although through this they also integrate basic zara pieces which allow you to mix and have a selective choice of items to buy most of the clearance deals are found in the back of the store though they do tend to have some scattered around the store ex shoes near some displayed outfits which will then drive you to either create an outfit or bring you to the sales section which adds more to their sales. The way they place their products is all conducted through strategic thinking to benefit them and the customer.

VERTICALLY INTEGRATED

Zara has many advantages due to their vertical integration strategy, in which they have all the control of their production and their supply chain. The benefits of vertical integration come from the greater capacity it gives organisations to control access to inputs (and to control the cost, quality and delivery times of those inputs).

The virtuous circle this approach sustains includes more frequent shopper visits to stores, fewer sales on markdown and faster cash conversion cycles. From a supply sense perspective, Zara's fast fashion operation obliges its in-house design and production teams to work with a limited set of pre-selected fabrics and materials. This may limit creative freedom when designing products, but it also eliminates months of lead time and tiers of supplier hand-offs from the network. Awareness of capacity, cost, availability and lead time is therefore far better than for competitors, who rely on distant supply bases in Asia or Latin America and have higher risks of a production issue. .

❑ ZARA MAN

Zara Man is the line for the male clientele. Trendy, classic and comfortable at the same time, this line offers a variety of products; underwear, outerwear, perfumes, shoes, etc. The pricing is the same for the entire brand, their clients like affordable clothes that represent themselves and is comfortable at the same time.

❑ ZARA WOMAN

The main line is Zara woman, beauty, clarity, functionality and sustainability are the pillars of the line. Made for woman who likes to dress well and classy for her daily life, zara offers comfort without losing the classy look suit ladylike.

❑ TRAFALUC

Under Zara woman, the brand also has a TRF or Trafaluc. Which is ZARA's younger line aiming at dishing out louder, trendier pieces for the younger women who are not afraid to dress boldly, thrifty, different and less classic. This line is also more affordable because is targeted for a younger clientele wanting to follow outlandish trends, with bold colors, patterns, designs etc. The line is more based on products such as tank tops, dresses, jeans, shorts, not like Zara Woman that is more suit ladylike.

❑ ZARA KIDS

Zara has a line for kids, girls and boys, dressed by their moms. Offers playful clothes for the kids with a pinch of style in their clothes, when it comes to kids clothes, moms like to buy Zara kids due to the prices and comfortability for their young children.

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