

INDITEX

Since its modest beginnings in northern Spain 40 years ago, Zara owner Inditex has become the world's biggest clothing retailer. **Gemma Goldfingl** discovers how



Inditex ups the fast

The unseasonably warm autumn has left many fashion retailers with mountains of coats left unsold, but Zara's business model has helped it weather the Indian summer. "This autumn/winter, at the beginning of the season the number of purchases already committed to was very low. This is the essence of our business model," says Pablo Isla, chairman and chief executive of Zara-owner Inditex.

"We will continue making decisions during the season. We have this ability to react during the season."

The fast fashion model that Inditex pioneered has been pivotal to its phenomenal growth from a small manufacturer based in the small town of Arteixo in Galicia, northern Spain, to the world's largest fashion retailer. The group now includes eight brands such as Pull & Bear, Bershka and Massimo Dutti and has more than 6,500 stores in 88 countries.

Inditex was set up in 1963 by Amancio Ortega, now the world's third-richest man. Ortega, who still owns almost 60% of the company, retired in 2011 but is understood to still eat almost every day in Inditex's company canteen.

Ortega opened his first shop in nearby A Coruña in 1974 and the retailer's premise remains the same as it is today: to sell well-made, relatively cheap clothes in the latest fashions, designed and produced by Inditex.

Ortega had originally intended to name the store Zorba after his favourite film, *Zorba The Greek*, and even had the moulds ready to make the shop's sign. However, upon discovering a local bar with the same name, thrifty Ortega used the letters to create the Zara name that is now seen on more than 2,000 stores around the world.

"You can never relax – you have never finished the collection. You are taking decisions all the time"

Pablo Isla, Inditex

Zara has become synonymous with fast fashion. However, Isla – to whom Ortega passed the baton in 2011 – is not a fan of the term. "The concept of fast fashion doesn't completely define what we're doing. We're so much more at Inditex. We are offering the latest fashion trends, high quality and affordable prices," he says.

It sounds simple, but to react to consumer demand and convert designs on the page into clothes in stores in just three weeks requires a nimble infrastructure.

The connection between Inditex's stores, in-house designers, commercial teams and factories is unique. Store managers are the conduit to the customer. They relay sales data and customer feedback to Inditex's commercial team, who then work with the designers in the company's 1,722,225 sq ft head office in Arteixo to tailor the collection to customer demand.

New designs are produced in small batches and can arrive in-store within three weeks. A production run on that scale, combined with rapid production and delivery times, enables Inditex to back its winners and disregard unpopular items.

That results in a rapidly evolving product range. Unlike other retailers, including those that are struggling to sell coats during the mild autumn, Zara does not have one collection a

season but five 'waves' of product every season that enter its stores each week.

"Our commercial teams are always working. You can never relax – you have never finished the collection. You are taking decisions all the time," says Isla.

Stores receive two weekly drops that include new products designed to be on-trend. Fleetness-of-foot is key. Within eight hours of a store manager ordering what they believe customers want, the stock is picked and packed and ready to leave Inditex's distribution centre.

Proximity sourcing

Key to this speed is proximity sourcing. Zara produces 51% of its clothing close to home, usually the more trend-led items. The remainder, more basic items, are sourced further afield in places such as Asia.

That puts it at odds with other global retailers whose production is centred in Asia.

"I remember when we were opening our first store in Taiwan, in Taipei," says Isla. "Typically in our sector you manufacture products in Asia and you try to sell in Europe. In our case, in my store in Taipei we had many labels that said 'Made in Spain' and 'Made in Portugal'."

All products, regardless of where they are produced, come to Inditex's Spanish hub before

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fashion pace

being shipped around the world. Through its centralised logistics, it can deliver products anywhere in the world within 48 hours.

Premium store experience

It is not just Zara's cutting-edge trends that make it a high street favourite. The retailer, which does not advertise, uses its shops as its main marketing tool, and its premium store format elevates it above many other mainstream retailers.

To ensure its shop design is exemplary, Inditex has a mock-up of a high street featuring all of its fascias running down a corridor in its immense headquarters.

Before products go to stores, visual merchandising teams work out how to display them in the model branches. Zara displays products in 'cubes' – areas that house clothing by theme or colour. When the merchandising team is happy with the display, images are sent to store managers to ensure they follow the design.

Fashion goes global

From that first store in A Coruña, Zara has expanded to countries as far-flung as Panama and the Philippines.

Isla believes Zara's model is the key to its suc-

cess. "Fashion trends are more and more global. There is no additional secret apart from the business model and the execution," he says.

Despite its size, Zara is far from maturity. Each year it opens stores in more than 60 countries and Isla believes expansion will continue for the foreseeable future. "Our rate of expansion is 8% to 10% in terms of space growth every year. We'll continue like this for the next three to five years. It has a lot to do with being present in so many different markets," he says.

Despite its global spread, 20% of Zara's sales still come from Spain. However, that could change as its expansion continues. China, where it already has 450 stores and will launch on e-tail platform Tmall this month, is a top priority according to Isla.

"China is a very attractive market for us. First of all, Chinese people like fashion very much. Second, because of all of the economic development in the country China is a very relevant market for us. The idea is to keep on growing in a significant way there," he says.

Zara has clearly come a long way in 40 years, but a consistent business model has remained at its core and has made it as popular in Shanghai as it is in Spain. ■

HOW INDITEX IS EMBRACING TECHNOLOGY

Virtual mirrors and self-service tills could be the future of retail according to Inditex, which is piloting such technology at its Arteixo headquarters.

Its newly developed technology

room features mirrors that allow customers to virtually try on clothing, and a self-service terminal that enables shoppers to remove RFID security tags and pay for items. Inditex has already piloted

the self-service terminal for short periods in some of its stores.

Other technology being explored by the fashion giant includes mobile payment and 3D window projection devices.

