

ZARA CASE STUDY

THE COMPANY

WHERE EVERYTHING

COMMUNICATES

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TÍTULO SUPERIOR
EN COMUNICACIÓN &
GESTIÓN DE LA MODA

INTRODUCTION

On December 10, 2010 **Inditex** opened its 5.000th store in Rome. The company, worldwide leader in fast fashion since 2007 and now even surpassing giants **GAP.co** and **H&M**, has managed to attain success in strict silence. Or so it seems.

The 5.000th **Inditex** shop is a **Zara** fifth floor and eco-friendly store and the group has 1.688 more around the world.

It is not easy to sell clothes in Italy because the market tends to be protectionist, and national brands are preferred to the international ones. But the Italian clients gave a warm reception to this opening and it seems that **Inditex's** bet was right.

In a brief presentation, the attendees were updated on the recent financial results of the company which already indicated promise of overcoming the competition. After the low profile announcement, a photo shoot took place and the press was invited to a reception to celebrate the event.

The media coverage for the announcement over the subsequent days was unbeatable. The regional and national daily news along with many international news agencies dedicated a broad coverage to the opening of the 5,000th store both in the economy and society sections. It should be noted that 25,000 of the press releases about **Inditex** published annually appear in International newspapers. After a week of attention, **Zara** returned to its quiet existence, under the radar, so as to go unnoticed.

I. INDITEX'S COMMUNICATION AND MARKETING MODEL

Inside **Inditex** Group is **Zara**, the brand that produces the greatest benefits of all and possesses something which attracts a great deal of attention: the complete absence of conventional advertising. Why doesn't **Zara** rely on this marketing tool that has been so successful for other brands? How does **Zara** differ from other fashion brands in the group such as **Massimo Dutti** that uses advertising? How was **Zara** able to attain such popularity among young people without displaying any logos or brand names that make it recognizable and sought after? The answer perhaps can be found in the communication model of the group, one which develops ad intra and projects ad extra in each phase.

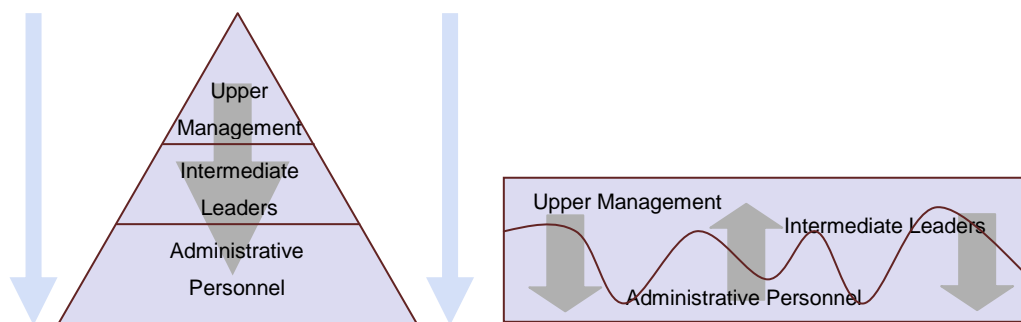
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The same way that business models exist, we can also say that communication models exist. Each company decides which model to adopt, and as a result of that decision, they determine the specific functions and capacities of their communications department.

Traditionally, two communication strategies are commonly practiced in organizations, the pyramid model and the horizontal model.

a. The **pyramid model** reflects a one-way flow of information. In this model communication is understood just “as a tool” that assures the efficiency of the company. Communication is not present at the managerial level in the same way as the rest of the director’s decisions. The lack of formal communication channels may produce feelings of insecurity, and for this reason, employees on this level will try to create and interpret their own communication tools. The managerial team set on the objectives and processes to directors in other departments, and these intermediate leaders communicate with the people on their teams, who head each department. The administrative personnel and the workers, who do not manage others, regularly communicate with their immediate directors, and their opinions are typically not taken into consideration by those in high positions because of the absence of internal processes that allow for involvement in the business objectives.



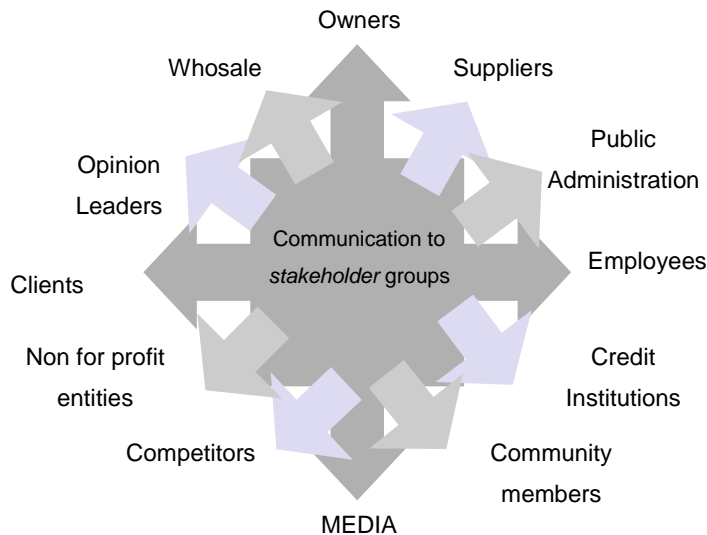
b. In the **horizontal model** communication corresponds to a management commitment from the executive level. The Board of Directors is responsible for the key communication messages on all levels. Through a Stakeholder approach, all the people interested in the company are taken into consideration starting with the

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shareholders and employees and including the clients, suppliers, distributors, mass media, credit institutions, neighborhood communities, and non-lucrative organizations and associations. The horizontal approach allows anyone inside the company the opportunity to offer valuable information, and their opinion is taken into account.



Source: extracted from the book *“Como gestionar marcas de moda. La importancia de la comunicación”*. Paloma Díaz Soloaga. CIE Dossat and Interbrand. 2007

In this type of company the organizational structure is usually less complex than in others, as a result of possessing just a few levels of structured communication and shared responsibility. This model even affects the physical organization of the offices, meeting rooms, and common areas.

The communicative flow is simple and, even though there are adequate channels to organize communication, it is possible to exchange information with high and mid-level management and intermediate leaders quite easily. In these types of companies, a hierarchy exists, such as the one in the pyramid model, but the communication circuit is bi-directional and communication between departments is fluid. With this model, the director of the communication department is always on the same level as the other area directors.

Inditex decided to incorporate the second communication model which is easier to practice than it appears. In part, this is due to the workforce of the company that grows exponentially every year, because of a deliberate decision not to create a

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complex organizational chart with an infinite amount of tasks and people to manage. This ultimately results in diluting responsibilities and affects the elasticity of the company. In **Inditex** every store manager is responsible for a business unit similar to a small to medium sized business of about 100 employees. The focus on the client and the product requires that the group is constantly re-inventing itself to avoid falling into obsolescence. Because of this, it is necessary to facilitate communication as much as possible, maintaining a direct line of communication between the store manager and other points of contact such as the design team, a salesperson responsible for the zone and the window designers. One example could be that **ZARA** communication director is always available immediately when an international journalist calls. The final goal ultimately is to create a communication matrix for this purpose. One of the main targets of the Communication Team, composed of 15 people, is to eliminate communication barriers.

But more than the communication approach, **Inditex** also seeks to generate a strong sense of belonging for the more than 92,000 employees in the group. To gain this goal they use traditional tools like the internal publication, a newsletter named **IN**, which incorporates a part of the company name and also emphasizes the concept of “inside” the motto of the group.



*IN, the Inditex
internal
newspaper*

Another tool is an Intranet posting news and services that the group offers to its employees as well as a specific web page for their suppliers.

At the headquarters in Arteixo, a little town near La Coruña in the North of Spain, there are more than 3,000 employees. The complex appears to be a mother ship surrounded by eucalyptus and gulls, which give this massive building a theme park character. The mild climate and the beautiful natural environment allow people from 27 nationalities to work together in an atmosphere of enormous creative vibration and remain there an average of 3 years. The working hours pass quickly, and the information generated in that corner of the planet, alienated from the trepidation of the cities

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where **Zara** clothes are sold, never ceases to amaze those who visit the headquarters for the first time.

This attractive working climate is brimming, with interesting work. Only in this way could a team be retained in a rural location near a small provincial Spanish city.

But the key is also in the design of a thorough internal communication plan, which emanates from an insightful vision of the company. The founder and first CEO Amancio Ortega, does not have his own office and prefers to mingle daily with employees, use to have lunch very frequently in the same place as the designers and those responsible for the products. This environment symbolizes a horizontally cut business structure versus a hierarchical and vertical structure.

Even employees under 30 years old get a sense that their opinion is taken into account for improvement in the processes of creation and production.

This commitment between employees justifies the fact that 44% of newly hired people in the company are advanced through internal promotion. More striking is that 75% of store managers are former salespeople. The idea of giving responsibility to the employees makes the link with the company stronger so that they can truly share 100% of their goals.

II. THE STORE

“Customers encounter Zara through the retail stores which are its best advertising Shops spread throughout cities worldwide bring their idea of fashion to the streets and are an authentic hallmark of the brand, always with an original and distinct feature”

José Froján-Director Architecture Department for **Zara**

Jesús Echevarría, Director of the Communication Department, perfectly defines the importance of the store for **Zara** and especially for their Communications Department: *“The stores are the heart of **Zara**. All areas- production, logistics, Human Resources... everything revolves around the store and, therefore, so does the internal and external communication”.*

Everything at **Inditex** is carried out from the headquarters in Arteixo. The essential channel of communication between them is the “Terminal” popularly known as “the kiosk”. It is in these machines where the information relative to the product is received as well as that related to Human Relations. This information indicates how

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to manage the store; it is the most useful but not the most valuable tool for a store's performance.

An important customer service attitude in the **Zara** stores is to "listen to the client". This goal carries many implications. In first place, confronting business with great humility: occasionally something can happen that upsets the customer, and this can be difficult to deal with. If this occurs, it is necessary to rectify the situation and they do so. But to avoid this happening as much as possible, the best action is to listen to the customer since he or she consumer communicates in many ways, not only with words. The most eloquent way is through their buying behavior. That is to say, the simplest way to listen to customers is to pay attention to the merchandise purchased, notice which products are bought over various seasons, and try to watch what they like and what they don't. In this way, since all the business is conducted through their own stores and not franchises, appropriate customer relations are guaranteed, in a way that allows the entire company to be in tune with the client.

A. THE STORE AND ITS DESIGN

Zara imitates the luxury companies: choosing the best locations in the main cities, showing just selected looks in their windows and through a sophisticated merchandise display inside the stores.

For this reason determining a location to open a **Zara** store is a complex process involving a series of factors and knowledge from past experience on which **Inditex** vehemently insists. These factors pertain to location, image, window displays and interior design. **Inditex** has an internal team of architects and designers in charge of building all new stores and guaranteeing homogeneity in distribution and display, despite the extensive variety of locations.

Occasionally, stores have been opened in characteristic buildings of the city as is the case of Palazzo Bocconi, in Rome, Cine Capitolio in Elche, Spain or the Convent of San Antonio El Real in Salamanca, Spain which is considered one of the greatest restorations carried out by **Zara**, something that in terms of investment return will never be cost-effective and that was undertaken to strengthen the image of the brand.

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Zara Store in Elche, Spain



Zara Store in the Fifth Avenue, New York



Zara Store in Tenjin, Fukuoka, Japan

These places which are part of the historic heritage of the cities have been carefully restored. They are part of the memory of several generations, and because of this, *“Zara assumes the responsibility to restore these buildings with great respect and sensitivity, always preserving their identity and allocating the necessary resources. These projects always begin with reference to the legal documentation, finding the original building materials or looking for others similar, preferably native to the region. For these decorative elements are always restored or replicated”* says Froján.

Sometimes new buildings have been erected, as in the case of the Motomachi store in Yokohama or the Tenjin store in Fukuoka. These projects are researched thoroughly and are normally affected by a great deal of constraints including legal issues, associated with the regulations of each country and municipality, and aesthetic issues, related to the impact that the store may have on the vicinity which

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is a commercial reference for cities. *“Because of its magnitude, it is necessary to collaborate with local experts –external architecture studies, construction companies and various material providers- which contribute to their experience and carry out proposals adapted to the culture, the shopping habits, and the expectations of the future clients”.*

In 2008 around 937 million Euros were invested in the opening of new stores. However, contrary to “urban legends,” only 200 of the 3,000 stores that the **Inditex** group possesses are owned, the remaining are rented properties. The general policy is to rent, since in most markets where **Zara** has a presence buying a commercial premise is inconceivable. The **Inditex Group** only has properties in Spain and Portugal, some in Belgium and a few in Italy where premises were acquired in the late 80's and early 90's, when good real estate conditions could be leveraged.

When the group initiates a presence in a new country, their primary interest is in the capital city or most important city, and always in the best commercial areas, the so called golden miles. They do not open many stores at the same time; they start gradually so as to test the market. When a city is considered under control with 3 or 4 stores, the decision is made to open another store or two, depending on the country. The location of the first store is so essential that sometimes the opening of a store in a new country is delayed, even years, until suitable premises are found.

In Spain the penetration level of the **Zara** brand is very high, and this is why the decision was made to open stores in small localities, bearing in mind that the size limit should never be under 1,200 – 1,300 m², which is the space necessary to better display the products. .

Zara thinks in terms of “commercial space” which explains why some places have shops very close together. In these cases to avoid cannibalization between shops of the same brand, they create different concepts: a “boutique type store”, a store that specializes in a particular type of clothing such as dresses or casual clothes for a younger and more daring audience and so on. This is achieved through the different collections that the brand designs to offer a segmented product to its clients. The consequence is that in **Zara's** fitting rooms, you can find the young professional, the high school girl, the mother, and the university student all side by side.

In strategic terms the **Inditex** Department of Development is the one proposing the possibility of opening a new store to each brand of the group. It is offered equally to all brands and they then decide if the commercial premises that are available are appealing to them. The expansion team knows the resources that each brand has

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and it is the client's job to determine the need to grow: this explains how the center of Madrid has three **Zara** stores on the same street and in a space no longer than 200 meters; each of them frequented by a significantly different kind of public. The explanation is to think in terms of "commercial space" demanded by the clients.

Although every shop has access to the same supply of articles, each one is unique and special. Each store is managed by making its own requests, which are a consequence of the essential adaptation to cultures, shopping habits and diverse settings.

Understood as "meeting spaces between fashion and client", the stores challenge themselves to adapt to particular needs. The same way the product does, the stores seek to be permanently relevant and because of this, every four or five months partial renovations are implemented and every year and a half the entire space is renovated. Total renovations are carried out in a city or a country gradually, one store at a time, so that all shops in the same region are not being renovated at the same time. The homogeneity in design and speed is guaranteed through their own team of experts who travel all over the world managing these refurbishments.

B. VISUAL MERCHANDISING

Inside **Zara** stores, the window displays and the internal arrangement of the product play a key role. The Communication Department considers the displays as a client magnet. For this purpose they have expert teams of display designers and product coordination in the Galician headquarters. In each region or country there is also someone managing window displays, who coordinates the shops in the area according to established guidelines from headquarters.

The windows are also planned well in advance. The team of designers creates three window images for the year: one for each season and a Christmas special. Afterwards, these displays are implemented in all **Zara** stores around the world, supervised always by the corresponding Visual Merchandiser Manager.

Before the start of each season, the team in charge for displays meets to analyze their windows. They start with the idea that has been envisioned by at headquarters where normally some of the international teams participate too in the design. The result is sent to all of the stores in images for implementation.

In Arteixo headquarters there is a prototype space that reproduces a **Zara** store. This is where the team of designers plans the interior and the type of windows that will then be created in all shops around the world. The base is established from here,

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that is to say, the decorative elements –furniture, decorations, and mannequins - that each manager will use to dress the windows taking into consideration their locality and customer profile. This is the reason why the displays in London and NYC have the same theme but are different since they each reflect the heart and soul of the city. A client that travels from one country to another would not perceive, on first sight, the subtle differences between both, thanks to the common base.

Window displays are partially renovated every week reflecting newly received products: some garments are changed, but the essence is maintained through the decoration, the furniture and the mannequins. Additionally, every season window displays are completely modified, creating new sceneries.

C. STORE MANAGERS

“The figure of the Store Manager has a great deal of importance in the organization, they are like our directors. Most of our managing directors are responsible for the points of sale. Many of our shops have a hundred people on staff and generate income at a SME level; therefore their business responsibility is very high. After all, the Store Manager is the one responsible for the proper functioning of one of the most important business tools of the group: the flow of information in the market, which travels from stores to the design groups. If this doesn't work, the business doesn't work. At the same time they have to manage the Human Resources that represent 80% of the company, the store staff”. With these words Raúl Estraderas, from the Communication Department of **Inditex**, makes the importance of store managers in the organization clear, as well as the great responsibility of their work.

One of their main functions is to order the product from headquarters. They use a device called *Casiopea*, to do the orders in which they can see the sales of each garment in the shop, and the products available, with the possibility of requesting these for their shop. They don't work on standard orders, they adapt themselves to what each shop requests, and the concept of stock is eliminated, producing mostly by demanded product.

Each store receives orders twice a week. Part of the products that arrive are selected from headquarters and sent to all stores in order to have a common collection in all of them. The other part is specific for each shop, depending on their orders and, therefore, on the client's tastes. It is here where the store manager plays an important role: she will have to know client profiles, be aware of what they demand as well as the market trends. They do not receive a pattern beforehand; it is

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only experience and logic that helps them make these orders. The assistant manager can also help with this job, and will substitute for the manager on holidays and during breaks and absences.

However, this is not the only function of a store manager and her assistant manager, because another key mission is to send on information on the market to headquarters. She must screen the information from clients so as to consider what is relevant and what is anecdotic before passing on the data to the commercial department. The team will use this information for the updating of their collections.

Next in command under the manager assistant are the section managers. The collections are divided in Women, Men and Child, and within Women there are Woman, Basic and Trafaluc. The section managers are responsible for the coordination of those areas, the response to client questions and the maintenance of fitting rooms.

Finally, we find the saleswomen who are in charge of submitting orders for the store or section which has been assigned to them. Their function is also crucial, as they can closely observe the buying behavior of the customers.

Above all these positions is the Coordinator of Store Managers, who depends on the department of Store Direction. There are Store Directors for countries or regions that can cover a few countries when there aren't many shops, or only one city or country when the concentration of shops is larger. Their function is to help the Store Managers to make decisions guided by the knowledge of what's happening in headquarters and in similar stores. Their mission is as well, to act as a link between the store and headquarters. Generally, these Store Directors have previously been Store Managers and know their functions very well. They are aware of what is happening in all stores in the area or country that has been assigned to them. They know well all the production process and the supply chain of the company.

Formation of all workers is highly recommended from the department of Human Resources, to achieve the homogeneity of all stores and to ensure their main goal: orientation towards the client. Because of this, each post has its training plan, in which the concept of store is emphasized greatly. Also, they constantly appeal to internal promotion and, as mentioned above, most of the Store Managers come from this procedure. At the same time, when opening a new shop, it is better to move the employees from other stores than to start with new personnel, at least until there has been a run through of the new point of sale.

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D. POS ADVERTISING

As we have seen so far, **Zara** puts a lot of importance on the point of sale. One of the fundamentals in the store is: Point of Sale Advertising, a set of images that inside and outside the store, illustrates a brand concept through the models. **Zara** knows the sector it moves in well: trendy fashion. For this reason they choose the models that they use well, amongst the best top models of the moment. The choice is always elegant, with a discreet profile but with the best of qualities. For an expert in fashion it is easy to recognize strategies, to relate the brand with the fashion and glamour from the latest catwalk trends. It is not a mere coincidence that over time they have worked with Gisele Bundchen (summer 2000), Amber Valetta (winter 2001-02), Stella Tenant (summer 2002), Kate Moss (winter 2003-04), Daria Werbowy (summer 2005).



Gisele Bundchen (summer 2000), Kate Moss (winter 2003-04), Daria Werbowy (summer 2005).

Neither is a coincidence that these models were already the image for luxury fashion brands and cosmetics such as Louis Vuitton, Dior, Chanel or Estee Lauder.

The consequence is that the interior of **Zara** stores is very powerful in terms of image. Big posters and banners hung throughout the space provide a singular visual impact for the fashion and latest trends' clientele.

III. THE PRODUCT

Along with the window displays, the internal coordination of the product represents another of the fundamental aspects for the store image. The arrangement of the product is the responsibility of the Visual Merchandising team. As explained previously, this arrangement is settled in the experimental store in Arteixo, and then

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photographed and sent to all the stores through the “kiosk” or fax. This team is constantly analyzing the placement of products sent updates every week, and in each new season, there is a complete renovation.

The product coordinators want to create an elegant shop, where buying is as pleasant as it can be. They also seek the complete look or possible combinations for one or various garments of a sub-collection, to make it easier for the clients. Generally, there is little product displayed for image purposes, also to ensure that there is a wide variety.

The consequence of that “economy” in the arrangement of the products in the stores welcoming image: special, elegant and diaphanous. The product is never found “accumulated” in big columns and normally it is possible to “see” the whole shop upon entering the store, so that your vision is not interrupted by columns, displays and walls full of clothes. The tables that decorate the store and serve as a means for clothing display are low, so that they do not obstruct the customer view from seeing the whole shop with ease and visual cleanness.

The product is the core element in **Zara** stores and everything moves around it: the window displays, the store coordination and the constant renovation of the product so as to be ahead of client tastes. During 2005 more than 25,000 references were designed and more than 400 million garments were distributed contrasted to the 140 million units distributed in 2000.

During product creation process teams work with two seasons at the same time, autumn-winter and spring-summer. Each season starts with a new collection, a previous bet that the designers have been working on for a year and a half in terms of colors, fabric and prints, which is considered the basic collection. Afterwards, new and small collections are going to be created “along the way”. For this, designers work on three fronts:

1. A team that works on a future collection (a year and a half previously) following the basic lines of the Market.

2. Another team that when a new season approaches, works to adapt the collection to the season latest trends, marked generally by the international runways.

3. And last, a third team that works upon the reconversion of the collection that is in the shops at that moment. This team selects the ideas from everywhere - discarded clothing from the basic collection for that same season, to the latest trends (even fads) marked by street events around the world.

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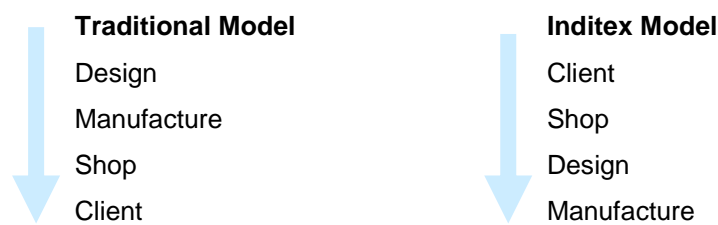
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Opposite to what is thought and, despite that sometimes **Inditex** engages the services of trend forecasting, inside the group a team of the so-called “Cool hunters” does not exist. Generally, all designers, Store Managers and personnel are the authentic trend hunters travelling frequently and constantly committed to the impact of fashion. They never disconnect from working on collecting ideas which makes their work environment a creative frenzy. These ideas are subsequently purified, discarding those that are not workable.

When purchasing fabrics for the basic collection, they also buy raw fabrics that allow last minute printing, and adapt the collection very quickly to the stores’ demands.

The shops and the designers work together to facilitate the shipping of garments to the stores twice per week. At Arteixo, **Inditex** has various factories that cover all the processes in the production of garments and that, due to the proximity between them, help speed up the process.



Own source

The aim is to have all stores always updated, renewing the product every two weeks so as to generate in the client a sense of permanent freshness. To manage this they play with small collections, small quantities of each item are produced) that allow the constant renovation of the store and create a sense of scarceness forcing the consumers to return to the point of sale quite frequently.

All this is possible due to a very flexible production model. Against traditional models that would start with design and finish with the client, at **Inditex** they start with the client and finish with production.

At Arteixo the first thing that is taken into consideration is the reaction that clients have when entering the **Zara** store. From there, they study the offer so that it is varied and liked by the customers. As a conclusion they change the traditional fashion concept of season, and due to customer interactions they are constantly introducing new items added to a base collection. This easy idea requires a flexible structure, agile enough, to make this happen.

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The traditional model is turned upside down and the store becomes the heart of the process, the one that collects all the information received by its clients and that in turn communicates it to headquarters. The information is passed on to the commercial teams which will be the ones that determine what might be, or won't be, liked. New patterns are designed and are sent to the factory, over and over again: the commercial teams are the ones that determine tastes for each country or region –if the consumer prefers dresses to a two piece set, or if skirts win over trousers, or if the trends they seek are rabid or stylish-. All stores do a daily analysis of what the client is selecting, and this way, there is a permanent change in the collection, based on demand.

However, this would not be possible without the support of an extremely efficient logistics department which has to allow on-time distribution to all **Zara** stores twice a week while responding to the individual orders of each of them. In **Inditex** storage doesn't exist and 90-95% of what is being fabricated passes directly through logistics for its distribution.

The logistic system at **Inditex** is designed to ensure that the merchandise takes 24 hours to get to the stores from the distribution centre and 48 hours for those in America or Asia.

IV. COMMUNICATION OF IPO

Inditex decided to deal in the financial stock market on May 7, 2001. This decision was an important step moving **Inditex** from a family business to the internationalization process. By the time it was publicly traded, the group had about 1,000 stores in 33 countries.

Entering the stock market involved an important communication effort, since this was an ideal opportunity to provide visibility to the brand. In the case of **Inditex**, the issuing of the IPO's was managed in collaboration with the Advertising Agency Tiempo BBDO. An intensive advertising campaign was planned throughout national and international media, with presence in written press of general information and economic journals.

A television campaign was also organized and broadcasted in prime time. As a result, not only did they manage to join together all the expected shareholders and a



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ZARA CASE STUDY: THE COMPANY WHERE EVETHING COMMUNICATES

Paloma Díaz Soloaga and Mercedes Monjo

long waiting list, but they also demonstrated to the society at large the financial potential of the company. The campaign, which was directed primarily to prospective investors, transmitted an image of solvency and reliability to a sector of the market that was little accustomed to fashion.

This action, despite not following a premeditated plan and not deliberately pursued, managed to reinforce the idea that in communication, their audience is businessman and readers of the economic pages. Actually **Inditex** treats conventional advertising like a tool, only necessary when creating a brand image. In the case of **Zara** they don't think it's necessary. They believe that the brand does not need to stand in a territory which is different from the competition. This does not mean that the group rejects this communicative formula that, in fact, other brands of the group like **Massimo Dutti** employ, but only that they do not consider it useful for the development of the **Zara** model.

At the same time, **Inditex** considers the management of relations with shareholders essential. It manages this relationship through financial public relations. A new shareholder in the group will receive a welcome letter, an Annual Report of the company which gathers three volumes of financial activity of the Group, an activity report, and a report informs the investor to the Ordinary Shareholders Meeting. Meetings with analysts are also held in which they communicate the performance of the company in the international market and future growth possibilities.

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