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Title

"[illegible] Social Media Marketing and Consumer Behavior..."

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Title

"Nike Social Media Marketing and Campaign Analysis"

By

Juliet Ettumannukaran

CAPSTONE PROJECT

Submitted To

NAGINDAS KHANDWALA COLLEGE OF COMMERCE, ARTS & MANAGEMENT STUDIES

EMPOWERED AUTONOMOUS

Department of Business Management

B.B.A. (Honours) in Business Administration

Nagindas Khandwala College of Commerce, Arts and Management Studies,
Mumbai- 400064

FUTURE VARSITY

DECLARATION

I declare that this written submission represents my own original ideas, conveyed my own words. In cases where the ideas or words have been incorporated. I have diligently edited and referenced the original sources. I confirm that I have followed all the guidelines of academic honesty and integrity, and I have not misrepresented, manipulated or falsified any information, data, ideas, or sources in my submission. I understand that breaking the rules above may result in disciplinary action by the institute. It may also lead to legal action from the source whose content has been used without proper editing or without obtaining the necessary permissions.



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Roll no: 84

Date: 18th March, 2024

MALAD KANDIVALI EDUCATION SOCIETY'S

DEPARTMENT OF BUSINESS MANAGEMENT

B.B.A. (Honours) in Business Administration

Certificate

This is to certify that Mr / Ms. Juliet Ettumannukaran Roll no: 84 has successfully completed the Capstone Project as a part of the Third Year Program B.B.A. (Honours.) in Business Administration Semester VI titled **"Nike Social Media Marketing and Campaign Analysis"** during the academic Year 2023-24 under the guidance of Kushal Shah.

Project Guide

18/03/2024

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1.1 OVERVIEW OF ZARA

Zara was founded by Amancio Ortega and Rosalía Mera in 1975 as a family business in downtown Galicia in the northern part of Spain. Its first store featured low-priced lookalike products of popular, higher-end clothing and fashion. Amancio Ortega named Zara as such because his preferred name Zorba was already taken. In the next 8 years, Zara's approach towards fashion and its business model gradually generated traction with the Spanish consumer. This led to the opening of 9 new stores in the biggest cities of Spain.

In 1985, Inditex was incorporated as a holding company, which laid the foundations for a distribution system capable of reacting to shifting market trends extremely quickly. Ortega created a new design, manufacturing, and distribution process that could reduce lead times and react to new trends in a quicker way, which he called "instant fashion". This was driven by heavy investments in information technology and utilising groups instead of individual designers for the critical "design" element.

In the next decade, Zara began aggressively expanding into global markets, which included Portugal, New York (USA), Paris (France), Mexico, Greece, Belgium, Sweden, Malta, Cyprus, Norway and Israel. Today, there is hardly a developed country without a Zara store. Zara now has 2,264 stores strategically located in leading cities across 96 countries. It is no surprise that Zara, which started off as a small store in Spain, is now the world's largest fast fashion retailer and is the flagship brand of Inditex.

It is claimed that Zara needs just two weeks to develop a new product and get it to stores, compared to the six-month industry average, and launches around 10,000 new designs each year. Zara has resisted the industry-wide trend towards transferring fast fashion production to low-cost countries. Perhaps its most unusual strategy was its policy of zero advertising; the company preferred to invest a percentage of revenues in opening new stores instead. This has increased the idea of Zara as a "fashion imitator" company. Lack of advertisement is in also contrast to direct competitors such as Uniqlo and United Colours of Benetton.

1.2 CONCEPT OF ZARA

Zara's aim, according to Amancio Ortega, founder of Inditex, is to democratize fashion by offering the latest fashion in medium quality at affordable prices. What differentiates Zara's business model from that of its competitors is the turnaround time, and the store as a source of information. Zara's vertical integration of design, just-in-time manufacturing, delivery and sales; flexible structure; low inventory rule; quick response policy and advanced information technology enable a quick response to customer's changing demands.

A completely new piece of clothing can be designed, manufactured and delivered in less than four weeks. Changes of an existing garment can be put on display within two weeks, much faster than the competition. Zara internally manufactures its ´live collections´, the most receptive garments to fashion, which account for almost half of its production, and outsources those that are not subject to seasonal variation. About 11,000 new items are launched every year. The store acts not only as a point of sale but also influences the design and speed of production.

It is the end and starting point of the business system. Zara's production cycle starts with customers´ judgments on the new designs of clothes and the information collected by staff members who travel to fashion cities, observing people on the streets, browsing publications and visiting the venues that are frequented by their potential customers. What distinguishes Zara from its competitors is the feedback that Zara's managers get from the customers at the point of sale about new garments or new products that they are interested in.

Store managers report the demands of customers and the sales trends to the headquarters on a daily basis. The design group will use the feedback to create new articles or modifications to the existing goods and then deliver the items to the stores. Every store receives small batches of products twice a week, avoiding large inventories and creating a "climate of scarcity and opportunity". Around 60 percent of its products are permanent and the remaining 40 percent vary continually.

The company estimates that customers visit a Zara store 17 times a year on average, compared to merely four visits for other fashion firms. The outlets are situated in main commercial areas and the interiors are designed to create a unique atmosphere with attractive window displays.

The firm spends only 0.3 percent of its annual turnover on advertising normally at the beginning of the sales season or the occasion of a new store opening. The store is considered its most effective communication tool.

The two key factors in Zara's business model – the time factor and the store as a source of information – demonstrate the company's customer-orientation. Zara continuously adapts to market demands, aiming to deliver a unique service to the customer. The quality of customer service and other variables like the music, temperature and layout are evaluated by using a mystery shopper.

Zara follows a market-based pricing strategy which sets the target prices that the buyer is willing to pay. The budget for the cost of the material, production and suppliers is fixed according to the target price and the profit margin that the management department wants to achieve with that item.



1.3 VARIETY OF PRODUCTS OFFERED

Currently, Zara stores have men's and women's clothing as well as children's clothing (Zara

Kids). Zara Home designs are located in European stores. After products are designed, they take 10 to 15 days to reach the stores. All of the clothing is processed through the distribution

centre in Spain. New items are inspected, sorted, tagged, and loaded into trucks. In most cases, the clothing is delivered within 48 hours. Zara produces over 450 million items per year. Zara also includes accessories, shoes, bags, swimwear and perfumes. In May 2021, Zaralaunched its first beauty line, ZARA Beauty.

1.4 ZARA'S MISSION, VISION & VALUES

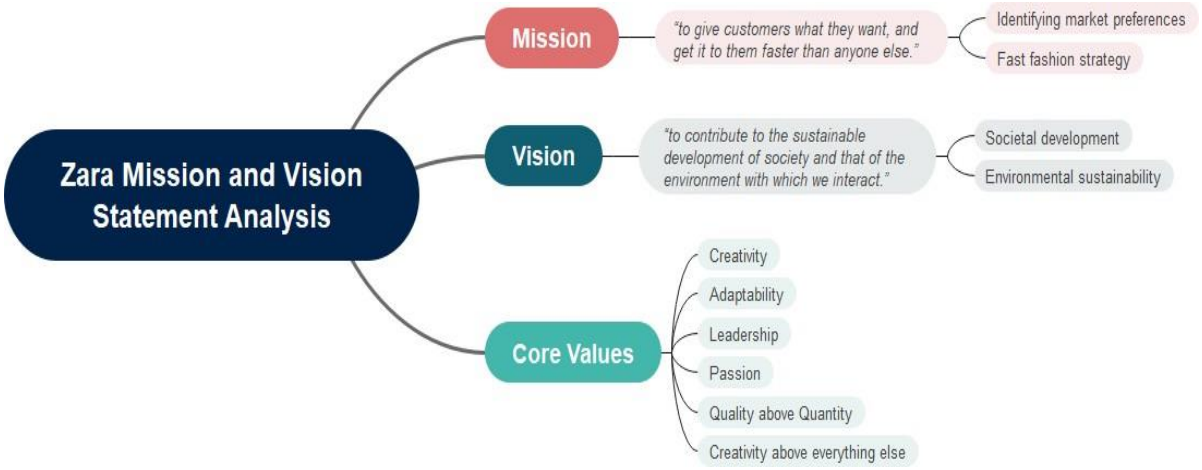
Mission - Zara's mission statement is to "**give customers what they want, and get it to them faster than anyone else**." Such a simplistic, concise, and straightforward statement shows why this company has been so fruitful.

It shows that Zara is more concerned with the likes and interests of its clients rather than simply pushing fashions in the market. That is why the company dedicates more time to learnabout these 'wants,' to inform the designs of its products. Unknown to many competitors, thisis what makes Zara brand unrivalled. The company has also learned that by meeting the demands of the clients when needed, it improves their lives and creates loyalty.

Vision - Zara's vision statement is "**to contribute to the sustainable development of society and that of the environment with which we interact**."

It implies that through its corporate social responsibility, Zara keeps demonstratingits responsibility to improvement of the lives of people. Moreover, the company also supportsa wide range of environmentally-conscious programs to promote the stability andpreservation of natural resources.

Values - Zara's core values include "**beauty, clarity, functionality, and sustainability**." The company uses these as the guiding principles in its operations. As a fashion company, Zara acknowledges the importance of fostering progressive cultures to stay alert and updated with market demands.



1.5 OVERVIEW OF H&M

Hennes & Mauritz (**H&M**) is a Swedish multinational clothing company headquartered in Stockholm. H&M was founded by Erling Persson in 1947 and run by his son Stefan Persson and Helena Helmersson. It is the second-largest global clothing retailer, behind Spain-based Inditex (parent company of Zara). Its focus is fast-fashion clothing for men, women, teenagers, and children. As of November 2019, H&M operates in 74 countries with over 5,000 stores under the various company brands, with 126,000 full-time equivalentpositions.

When Erling Persson opened his first shop in Vasteras, Sweden; The shop was called Hennes (Swedish for "hers"), which exclusively sold women's clothing. In 1968, Persson acquired the hunting apparel retailer Mauritz Widforss in Stockholm, which led to the inclusion of a menswear collection in the product range and the name change to Hennes & Mauritz.

H&M aims to target younger age groups, especially those who age 18 to 30 and are sensitive to the latest fashion and trend. H&M fundamentally advocates for offering quality products with the unbeatable value and a high frequency of launching new products. It has divided its customers based into two distinct groups which are practical customers and trendy customers. The former requires basic and comfortable garments while the latter seeks for fashionable and sartorial products.

The company initiated its famous advertisements in 1998. It got into its first designer collaboration with Karl Lagerfield, the creative director of Chanel. The success that originated from this collaboration motivated H&M to collaborate with a variety of other celebrities and designers including David Beckham, Versace, Jimmy Choo, Stella McCartneyand Madonna among others. The company has adopted designer collaboration into its annual cycle of merchandise development.

1.6 CONCEPT OF H&M

H&M is one of the world's largest fashion retailers and we can say almost every H&M shop is trendy in the world. But why is H&M able to own such a good business, the most essential key for the success is their business concept. H&M focuses on offering fashion and quality at the best price. On one hand, as the fast-clothing manufacturers, the most prominent trait for H&M is the high work efficiency. There is the very short time from the clothing design to be goods in the H&M shops, which is available for consumers to get in touch with the latest and fashion products as fast as possible. On the other hand, H&M pays more attention on saving costs; it chooses the low-cost transportation, which makes the price of H&M cheaper than the Spanish brand ZARA and Japanese brand UNIQLO.

Furthermore, H&M does not own factories, but instead buys products from independent suppliers that are close long-term partners of H&M. It is also the key point for H&M which can sustainably offer considerable products and reduce costs, since H&M advocates contacting with suppliers directly and cut down the middlemen. All in all, fast supply, low cost and stable partnerships contribute the ability for H&M offer the substantial goods at sucha short in a low price for customers.

The store concept of H&M has different uses of colour blocking with displaying mannequins. They emphasise how the store appeals to the customer. H&M stores show that they have the latest trends adapted to their fashions that work. The size of the aisles is very wide which allows suitable amounts of people to be walking through them at the same time and also enables people

to crowd around products E.g., products that have just came out. H&M has also been giving their best shot in order to be transparent with their audience. For instance, in 2013 the H&M group became the first global fashion retailer to publish its supplier list online, a list that has continuously been added to and broadened. In 2019 ,H&M was the first major fashion retailer to bring product transparency to scale, launching a transparency layer on all products on hm.com. Now, their next step is the introduction of the Higg Index Sustainability Profile to their products, which marks a key step in their quest to become more transparent.

They have launched a first version of the Higg Index Sustainability Profile with material environmental performance scores now available on selected products in all the 31 European online markets & the US. This is a major milestone for them and somethingwhich they have been working towards for a decade. They firmly believe transparency is key to transforming the fashion industry and are excited to see this tool further develop so that they can share even more environmental and eventually social data with the customers across their products in the near future.



1.7 VARIETY OF PRODUCTS OFFERED

The core range of products under this fashion brand includes accessories, shoes, bags and clothing like sleeved jersey dresses, basic jumpers, vests, cardigans, pants, jeans, shirts, undergarments, T-shirts, swimwear along with a variety of bottom wears. These wide range

of products plays a very important role to give customers ideas and inspire them to choose things that suits their own style.

Furthermore, they have added H&M Home to their collection. H&M Home is a design-driven global interior brand within H&M Group, offering contemporary decor and home accessories for every style and room. It was first launched online as a home-textile concept in 2009 and has since been extended in many markets through shop-in-shops and online, and in 2018, H&M HOME opened its first standalone concept stores. The assortment ranges from high- quality bed linen and timeless dinnerware to stylish textiles, furniture and lamps.

1.8 H&M's MISSION, VISION & VALUES

Mission - H&M's mission statement is "**to drive long-lasting positive change and improve living conditions by investing in people, communities and innovative ideas**." The statement emphasizes on the manner in which this company offers the world its fashions and designs.

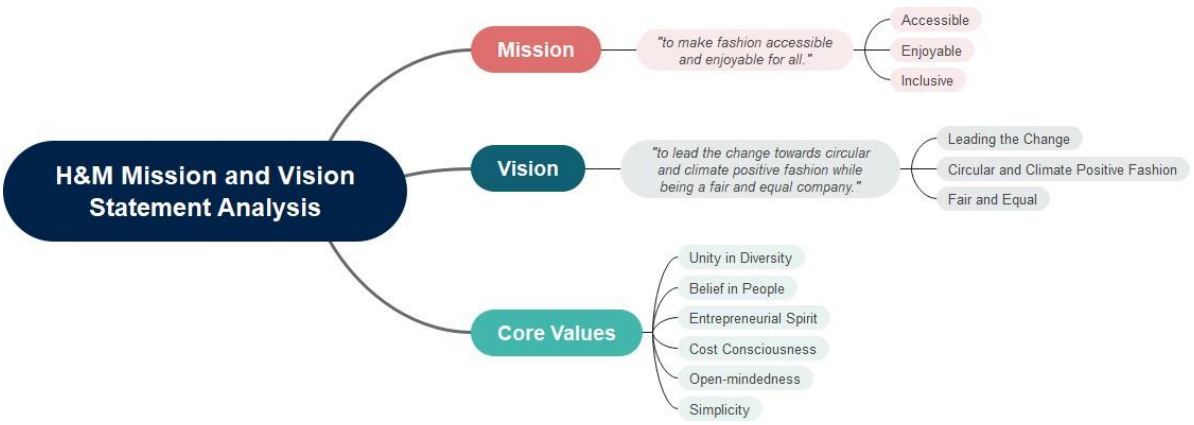
In the first part, H&M shows that the joy and satisfaction of its clients is a priority in all its stores. That is why the company is organized in an impressive way to ensure clients have maximum freedom and comfort while choosing their products. H&M describes its outletsas welcoming for all, not just the clients, and this is what makes it appealing for the clients. To ensure that the company meets the individual needs of everyone irrespective of gender or age and impact their lives, H&M takes great caution in the structuring and display of fashionsfor men, women, and kids. Such elegance makes it easy for all clients to shop and enjoy the aesthetic look they long for.

Vision - H&M vision statement is "**to lead the change towards circular and renewable fashion while being a fair and equal company**." This statement shows how committed the company is when it comes to maintaining the trendiness of fashions and their affordability. It has the following parts:

To satisfy the first part of its vision statement, H&M (Hennes & Mauritz) remains alert to emerging styles while initiating the creation of new ones. The company keeps all its wide range of brands updated with what is in demand. The fairness and equality of H&M are reflected in various forms such as its welcoming nature, passion towards sustainability, as well as the competitive prices that it tags on their products.

Values - H&M core values comprise "**we are one team, we believe in people, entrepreneurial spirit, constant improvement, cost-conscious, straightforward and open-minded, and keep it simple**." These are essentially the principles that guide theoperations and activities around H&M.

They are attributed to the impressive culture that characterizes this corporation, making it one of the most coveted companies globally.



CHAPTER – 2 RESEARCH METHODOLOGY

2.1 Research Design

2.2 Research Methods

2.3 Geographical location

2.4 Sample size

2.5 Data Collection method

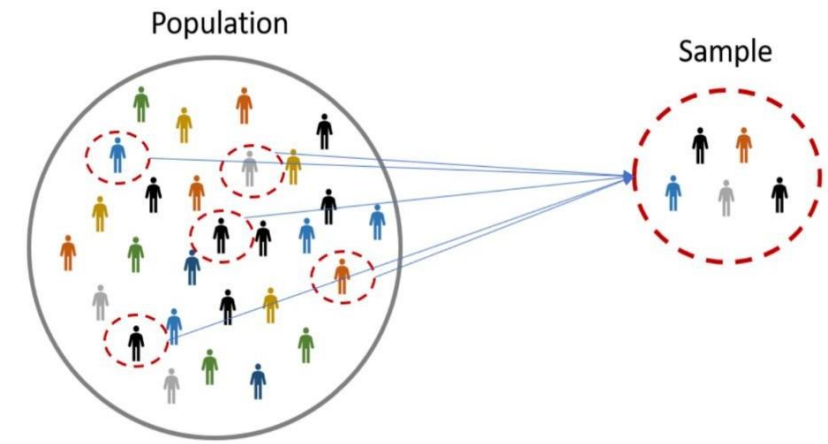
2.6 Objectives of Research

2.1 RESEARCH DESIGN: Descriptive research design has been adopted for this research.

2.2 RESEARCH METHODS: Simple random Probability method has been used for this study.

2.3 GEOGRAPHICAL LOCATION: The geographical location taken for the purpose of data collection & research is Mumbai city in the western suburbs.

2.4 SAMPLING SIZE: The sample size for collecting primary data are 101 responses.The sampling was done through random technique.

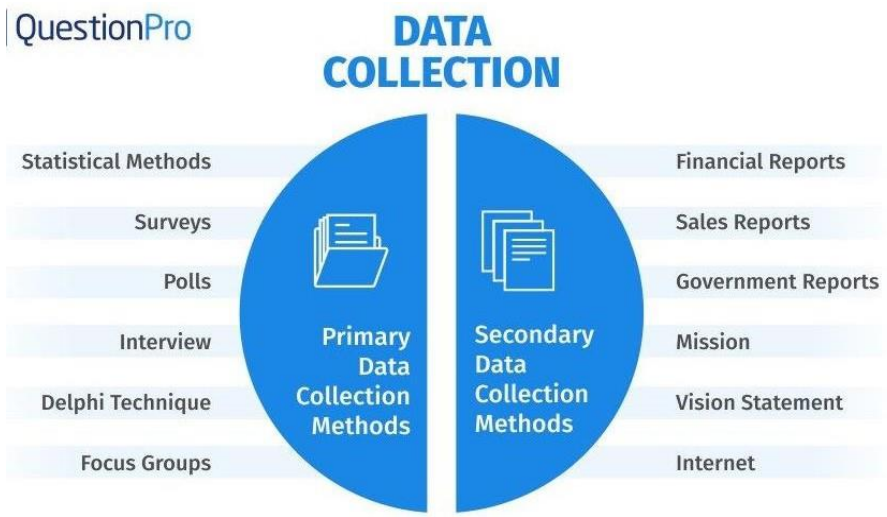


Representing selection of Sample from the entire Population

2.5 DATA COLLECTION METHOD: The data has been collected through a questionnaire/ survey method. The research is based on primary data collected from various respondents**.**

Primary Data: A structured questionnaire was prepared and distributed. The data collected 101 responses by online method (using questionnaire in google forms format).

Secondary Data: Required information has been gathered from various books, journals & published articles and data from internet.



Various techniques of Data Collection

2.6 OBJECTIVES OF STUDY

To study how Zara & Mahindra became one of the largest Fashion retailers across theglobe.

- To study the different marketing strategies used by them in domestic as well as global markets.
- To study the awareness of the two fashion giants i.e., Zara and H&M
- To understand the reason why customers preferred their products
- To understand the dominance of Zara and H&M in the fashion industry
- To understand their product profile & analyse their competitors

CHAPTER – 3 THEORETICAL FRAMEWORK

3.1 STP Analysis

3.2 Marketing Mix

3.3 SWOT Analysis

3.4 Marketing Plan

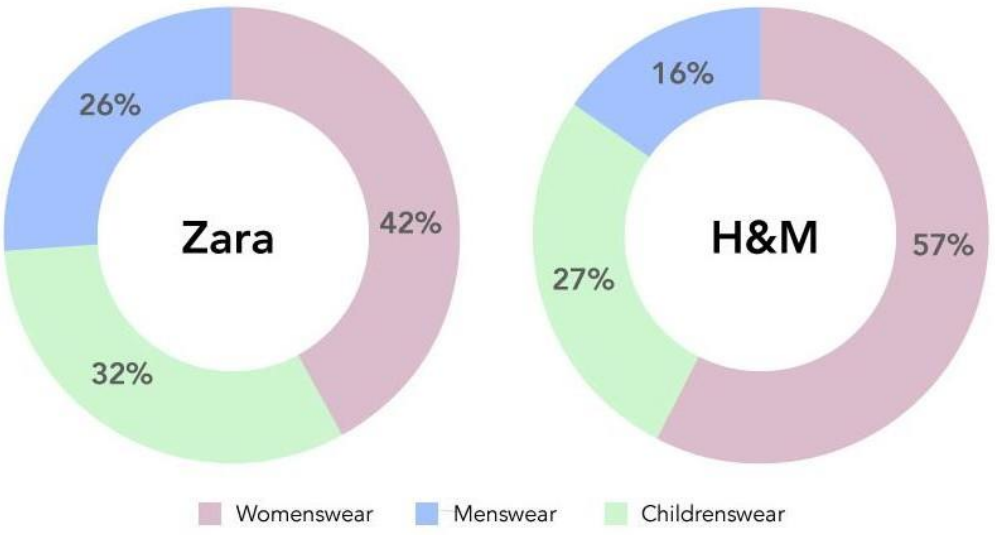
3.5 Supply Chain Management

3.6 Zara vs. H&M

3.7 Competitive advantage

3.8 Competitors

3.1 STP ANALYSIS



Gender wise segmentation of Zara and H&M

- ZARA

- **Segmentation strategy**

The segmentation strategy employed by the fashion retailer Zara is based on the typical demographics of the customers like gender, age and psychographics. However aside from this the company also targets customer based on their sense of fashion and style e.g., contemporary, trendy, classic, grunge, Latino etc. The ethnicity of the brand as well as its target market is

blended by Zara in its product offering which matches a variety of tastes and settings

- **Targeting strategy**

Inditex with its brand Zara has targeted a wide gap in the retail market. The company targets customers that are interested in high fashion, want to be up to date with the latest fashion trends but are not able to afford clothes and accessories from the couture and high-end boutiques. In order to target the market, Zara strategy launches its outlets in high profile locations and provides customers with a turnover time of 4-5 weeks for its new collections made available at a fraction of the couture cost. This, along with the brand persona, the collection of the clothes and accessories and the marketing campaigns pulls the target markets to the Zara stores

- **Positioning strategy**

The main objective for positioning the Zara brand in a market as mentioned by the company is to 'democratize fashion'. The company aims to provide its customers with trendy and high fashion products at lower prices to accommodate their requirements. As a result, the marketing strategy that is employed by Inditex for Zara is to open stores and outlets that provide the Zara experience at high profile locations to set the image of the brand as being trendy, hip, high fashion and accessible.

- H&M

- **Segmentation strategy**

H&M has divided the market into convenient groupings based on gender and age: men, women, teenagers, children and mothers-to-be, which consists of several sub-segments, such as new born (0-6 months), baby (2-18 months) children (18 months - 8 & from 9 – 14), teenage boys and girls (14-18) and men and women (18-45). For women, there is also special sub-segment based on stage of life: maternity wear. Different products and exclusive offerings are produced to satisfy different groupings.

The target customers of H&M belong to the group of fashionable and trendy with price-sensitive mind who are normally frequent buyers. New market niches of mothers-to-be and women in larger sizes are also identified and concentrated marketing is directed for their special needs and wants. Besides, to target special groups who are conscious about manufacturing problems like safety working conditions, children labour, animal testing and models' body figure, H&M has also launched a new category for this group.

- **Targeting strategy**

After segmentation, H&M's targeting is identified. Although H&M targets several market segments with different marketing mix for each and plans to expand globally, its main target consumers are women aged 18 to 45 who are looking for fashionable apparels at affordable price.

- **Positioning strategy**

H&M creates its value proposition "fashion and quality at the best price" and its market positioning can be visualized as how H&M designs its attributes to differentiate from the competitors. Apart from high quality at low price, H&M has extensive market share and fashionable style among its competitors.

3.1 MARKETING MIX



ZARA

Zara's primary focus has been towards style with affordability. This has helped the brand to build a reputation in the fashion industry. Most people adore designer clothes, but the price tags advise them otherwise. That's when Zara swoops in to provide premium quality products with the latest designs at affordable prices. The marketing mix of Zara depends on the following factors:

- **Product**

Zara is the epitome of fashion. Its products are loved worldwide due to their originality, and simplicity. It follows a unique selling proposition: to create the latest trends. Mostly, new styles appear in the stores in a period of two to four weeks, which is then monitored to study the progress of the designs. As a result, an underperforming product is immediately pulled out from the stores to be replaced with a new design.

- **Pricing**

Since Zara banks its sales and reputation on affordability, therefore its product prices always have to meet the reasonable price threshold to continue satisfying its customers. The main focus of Zara is the average customer that wishes to remain updated with respect to fashion without straining its wallet. This is the pivotal reason for Zara being popular amongstmillennials.

- **Promotions**

While majority of the brands depend on marketing to increase brand recognition, Zarapractices the policy of **"zero investment in marketing".** This unique yet surprisingly effective strategy helps the fashion line to advertise opening new stores. The store heavily relies on the importance of brand recognition through word-of-mouth which is satisfied with their attention to each and every detail of their showrooms.

- **Place**

Since Zara believed in spreading its radius as much as possible, it is now present in several nations operating successfully with more than 2000 stores. Furthermore, the leading clothing brand also deals in online shopping which has allowed it to expand exponentially.

H&M

- **Product**

H&M is one of the most trusted apparel brands and has a minimum of 2,786 merchandises under its portfolio. The core range of products under this fashion brand includes accessories, bags, footwear, swimwear and clothing for men as well as women. At least twenty five percent of the company's stock includes fast-fashion products and the newer generation of teens find them to be reasonably priced as well as trendy and chic. Hence, they appeal to the young segment and result in higher sales of products.

- **Place**

The company's head office in Sweden takes control of every aspect of the products, from production to the detailed planning of merchandise. The products are made at nearly 800 factories that are situated in Asia and Europe. The consumers find the H&M retail outlets very convenient, as they are able to shop for different products at one store. The company has expanded at quite a faster rate on locations that are easily accessible as well as which are reasonably priced. They have also taken the advantage of slower economy to secure some high profile and advantageous locations at very realistic prices.

It also has set up a wide network for online sales. The consumer can go through all the products at their leisure and order via internet. This has resulted in huge number of sales.

- **Price**

H&M has adopted a pricing strategy that has broader pricing range to suit every sphere of buyer and merchandiser. In order to maintain a median pricing strategy they have kept a lotof their stock in discounted section. Under this scheme, the volume of their sales will keep onincreasing resulting in larger revenues. The company also offers various discounts and schemes on their core and fresh stocks. It is an obvious fact that the costing for these articles was economical and hence the company was able to afford the discounted price. This also allows the company to keep on restocking their products to current and latest fashions.

The company has proved relentless in its zeal of cutting costs at every possible corner and so their average selling prices are much lower than their competitors are. The executives in the company are also directed to make purchases at the lowest possible rates to maintain low overheads. One of the most important facts is that H&M has been able to supply quality items at lower price ranges because of their strategy of reducing the part of intermediary in all transactions. Earlier this intermediary used to purchase and sell the raw materials for the company at high margins. With their exit, the company has started buying directly from the supplier in bulk amount. This has helped in reduction of cost prices and thus in lower selling prices.

- **Promotions**

H&M has always realized the potential of promotion and marketing and hence has taken special care of all its promotional activities. Their advertisements focus on the apparel image that is qualitative as well as reasonably priced. They have utilized the electronic media of television beautifully by sponsoring many hit and trendy shows like MTV. Many high profile celebrities like Robert Cavalli and Jimmy Choo have been associated with this brand taking it to its present position. Their ads have appeared on famous magazines like Vogue Netherlands, British Vogue and British GQ.

3.2 SWOT ANALYSIS



- **ZARA**

STRENGTHS

- **Pioneer Advantage**

  The focal point of instant fashion is to design, produce and sell at a fast rate. Conventionally, this procedure is lengthy; but for Zara, it is only a matter of 3 weeks. As pioneers, Zara has the most developed, strategic practices in supply network management.

- **Stores**

Zara has outlets in 96 out of the 202 countries it sells in. Zara has the most fashion retail stores in the world, with 2249 locations. The number of retail stores is about double that of Nike, which has the second-highest number of retail stores.

- **Supply Chain**

Zara's supply chain updates its online and retail collections twice a week. Zara's ten logistic centres deliver within 48 hours to any region on the planet. Inditex also has an in-house software development team that is working to increase the company's order fulfilment speed.

- **Team of Designers**

Zara has a design team of 700 trained designers who turn customers desires into designs. Each year, the design team produces 50,000 pieces of work. It also takes them only three weeks to get the designs from the drawing board to the shelves.

- **Investing in Online Retail**

Inditex is investing $3 billion to boost its online sales. The money will go intocreating a fun online shopping experience and integrating the current physical infrastructure. By the end of 2022, the corporation wants to generate a quarter of its income from online sales.

WEAKNESS

Zara's commitment to revising its collection every three weeks sets it apart from other fashion houses. Zara's dedication has earned it a spot on the top of the industry. However, theadvantage comes at a cost. Here's some more information on Zara's weaknesses:

- **Instant-fashion Trends**

Surprisingly, the movement that propelled Zara to the top is also the source of its most serious flaw. Zara's issue is to find a way of balancing sustainability with instant fashion, which is becoming more popular among buyers and policymakers.

- **Physical Store Dependence**

Zara's efforts to reduce the number of physical stores were pushed by the pandemic. Zara was able to recover from a large reduction in sales due to COVID-19-related issues thanks to online sales. Even with the increase in online sales, sales are still only89% of what they were in 2019.

- **Expansion to the US and Asia-Pacific**

  Zara has a total of 99 stores in the United States, out of the total 2249 outlets, US stores only account for barely 4.4% of the total. However, the United States is the world's largest apparel market. In addition, Asia-Pacific accounts for 38% of the global apparel market. Zara has a little presence in both geographies.

- **Ethical Workplace Standards**

  Inditex works with 1520 different suppliers across 7108 different plants. Although Inditex deserves respect for developing a strict code of conduct, there is a significant gap in its enforcement. This gap is highlighted by an article in Buzzfeed about the treatment of employees in Myanmar.

- **Prediction Aided by AI Systems**

  Zara is actively working with AI and Big Data companies to develop an AI-enabled market trend prediction system. On the other hand, the current system is still being tested. Once such a system is in place, Zara will have an unrivalled ability in forecasting and satisfy client wants.

OPPORTUNITIES

Zara's ability to quickly capitalize on fashion trends is one of its most significant assets. Zara is in a good position to take advantage of upcoming changes because of this edge. These are some of the opportunities:

- **Rapid Cycle**

  Customers visit Zara's stores an average of 17 times each year, indicating a rapid delivery cycle. This is due to the company's proclivity for reacting to trends as soon as they emerge. Zara currently creates a trend from start to finish in about two to three weeks. The brand should be able to continue these cycles even further in the future.

- **Customization**

  Thanks to AI, collecting data and segmenting the client base after evaluating it is easier than ever before. This enables clients to receive customized recommendations. Zara should use this technology to its advantage.

- **Sustainability**

  More than a third of Millennials and Gen Z look for "sustainable" and "environmentally friendly" labels on clothing, according to the Sourcing General. Thetwo groups together account for half of the population. As a result, Zara must pay attention to and respond to this expanding need.

- **Reselling**

  The resale market, which is currently worth $28 billion, is expected to expand to $64 billion in the next five years. Customers would be able to buy more with less waste if they included a resale plan into their present platform. This promotes consumerism while promoting environmental sustainability.

- **Influential Marketing**

  Influential marketing is the most effective technique for promoting lifestyle companies, according to Unbox Social. Zara's #DearSouthAfrica campaign, which involved 60 micro-influencers, reached an audience of 8 million people. This should serve as a blueprint for the future.

THREATS

In the last segment of SWOT Analysis of Zara, we will delve into the problems the brand might face. In the traditional sense, Zara's largest competitor is H&M, on the other hand, the brand is now also facing a slew of internet-based competitors. But these rivalries are only partof Zara's problems.

- **Competition**

Shein, the world's largest apparel shop with an entirely online presence, is China's fast-fashion behemoth. The Shein app received 10.3 million downloads in September while Zara got only 2 million downloads in the same period, spelling danger for the brand's future.

- **War of Prices**

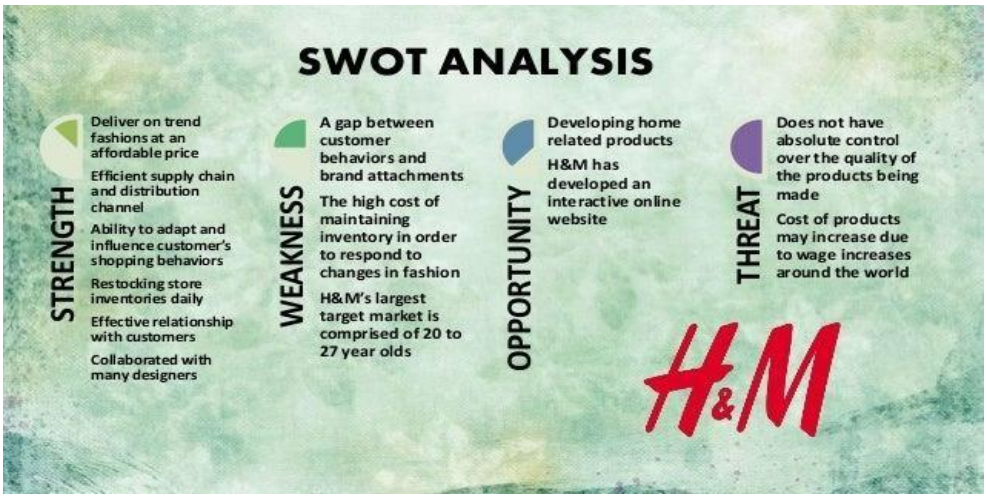
Zara's core niche is fast-fashion, which offers the latest runway trends to clients swiftly and at a low cost. Imitators are conducting pricing wars to drain off Zara's line, but the sector is vulnerable.

- **COVID-19 Pandemic**

Inditex reported a 44% reduction in revenues in the first quarter of 2020. According to Inditex's report, the closure of 88% of its outlets due to the Coronavirus was the primary cause of the reduction in sales.

- **Regulations And Restrictions**

In Spain, Inditex has 13 factories. Only three of the 13 factories were operational in the early months of the epidemic due to the Spanish government's lockdown efforts. The company can expect similar restrictions as Europe and India prepare for a Third wave.



SWOT of H&M

- **H&M**

STRENGTHS

- **A wide range of products**

  H&M has a wide range of product offerings including apparels, cosmetics, shoes and accessories for a wide range of customers. H&M group also have products such as blankets, the collection of vases and pots; candle and candle holders etc.

- **Unique identity for all brands**

  H&M sells its product portfolio through many different brands such as H&M, COS, Weekday, Monki etc. All its brands have a unique identity depending oncustomer target group.

- **Diversified global presence**

  H&M has a strong and diversified presence geographically across the globe. H&M has stores in over 60 countries across 6 continents. H&M has expanded in the recent years in potential markets such as Asia and Africa. Strong global presence enables the company to minimise business risks.

- **Strong financial performance**

  H&M has reflected strong financial performance in the previous financial years. In FY 2015, H&M showed a growth in revenue of 19.4% over the FY 2014. A strong financial performance increases investor's confidence and provides financial flexibility to the company.

WEAKNESSES

- **Dependence on third party suppliers**

  H&M has a wide range of product offerings including apparels, cosmetics, shoes and accessories for a wide range of customers. H&M group also have products such as blankets, the collection of vases and pots; candle and candle holders etc.

- **Following after trends**

  H&M produces affordable clothing and is dependent on many independent suppliers and pick up after trends from luxury brands.

- **Affordable pricing affects quality**

  H&M is popular for making affordable clothing, but that sometimes affects the quality of the clothes and other products of H&M.

OPPORTUNITIES

- **Focus on expansion to improve profitability**

  H&M has been focusing constantly on expanding its store base across the globe. The company added 400 new stores in FY 2016. Such expansion plans can help H&M improve its bottom-line as well as the top-line.

- **E-commerce as a platform**

  H&M is also present on E-commerce in various countries. H&M needs to expand in the E-Commerce platform as well to serve to a larger market. E-commerce can be the future of the apparel industry and H&M needs to make use of the platform to its potential.

- **Expand in emerging markets**

  The emerging markets in the world possess a great potential as far as the apparel industry is concerned. H&M needs to explore the emerging markets like Asia and Africa in order to capitalise on the new demand created.

- **Improving lifestyle**

  The purchasing power and the lifestyle of people are improving across the globe.People are more brand-conscious and thus it provides an opportunity for brands like H&M to capitalise on the need generated.

THREATS

- **Evolving fashion trends**

  Apparel industry is subject to quick changes as trends keep changing quickly. Social media has also played a part in quickening the process of changing trends. H&M has to deliver according to the new trends in the market or else it can lag behind in the industry.

- **E-Commerce allows new entrants**

  E-commerce is an advantage as well as a threat for the popular brands as E-commerce allows newer brands to be present on the same platform as the popular brands and hence such new entrants could affect the business of brands like H&M.

- **Intense competition**

  The apparel industry is subject to intense competition from local as well as global brands. Each company has to be aware of the competition in order to be on par with the new trends and fashion.

- **Rising labour costs in developed countries**

  Rising labour costs affect the cost of production for the industry. Such increasing costs affect profitability for the company.

- **A risk of foreign exchange fluctuations**

  H&M group’s reporting currency is Swedish Krona but most of its sales come from developed economies such as Europe and the US. The threat of foreign exchange rate with respect to the powerful currencies can affect the profitability

3.3 MARKETING PLAN

For Zara, it is not about how much it spends on advertising, but it is all about the customer. How Zara can provide an experience for the customer in every place of existence is what the brand has focused on since day one. Here are five marketing tactics that Zara has implemented to achieve that goal.

- **Focus on customer's experience**

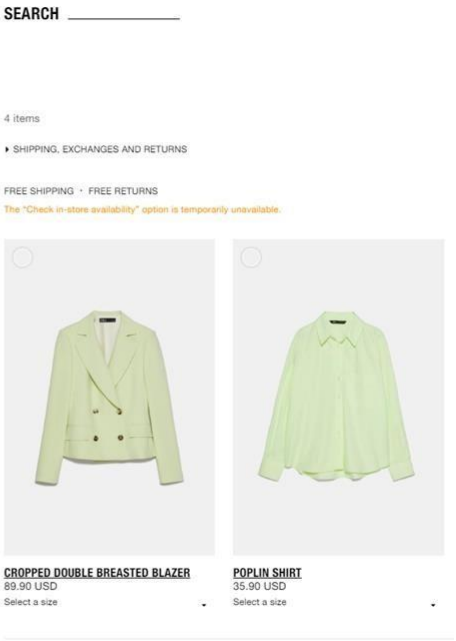


Product used to be the focal point of every business, but not anymore. In the new economy, the customer's experience matters more than the product itself in the mind of the shopper. And Zara fully understands this. It tries to capitalize on the store experience by always offering reasons for the buyers to revisit the stores. A Zara's loyal customer can visit the storeabout six times per year.

Zara’s fast-fashion formula provides frictionless shopping experience in a highly curated environment that offers limited supply and new styles that rotate continuously. Shoppers feel like if they buy items from Zara, other people won't have the same outfit. So not only buyers are trendy, but they are also unique, which sounds pretty cool like being in a cool kids' club.

- **Value for the price**





Many fashion brands try to be innovators and the leaders of a new movement, but Zara takes a completely different approach. It doesn't want to be a trendsetter; it just wants to be a fashion company that customers need. Buyers now want an item's value to be beyond price, with more time-saving and convenience.

Zara has a deep understanding of these values and delivers affordable high fashion items in just two weeks. That translates into a great brand with high values for customers. Throughthis approach, Zara can earn many loyal buyers that are less price-sensitive and return a higher profit margin. Zara is not the cheapest in the fast-fashion industry, but it delivers trend-right products at appealing prices consistently, which makes it have the best-branded value.

- **The power of brand loyalty**



Speaking of loyal customers, Zara's meaningful experience and values tap the potential of frequent buyers to promote the brand. Rather than spending more on pushing marketing out (it only spends about 0.3% of sales on advertising), Zara pulls customers in and turns them into brand evangelists to spread word of mouth about the brand.

On social media channels, Zara has over 28 million Facebook followers, over 39 million on Instagram, and over one million on Twitter. These are used to analyse what is on trend or being said on social platforms. This is used to improve operations, services, and products to keep customers satisfied

Convenient physical store locations



While Zara doesn't spend much on advertising and promoting, it invests heavily in the location and appearance of 2,250 stores around the world. Not only that, but Zara also delivers the brand experience and products when and where the buyers demand it. Through technology and mobile connectivity, shoppers can access inventory not present in their locations conveniently. It currently has 39 online markets.

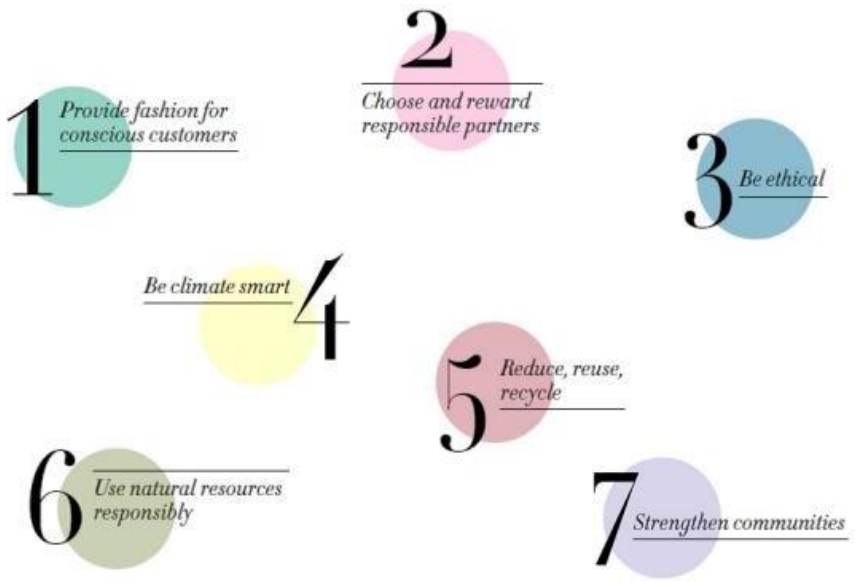
The location strategy of Zara is to put stores in high-street retail areas of major metropolitan cities. The stores are likely to be near high-end fashion brand stores. Zara has the courage to continually strengthen its portfolio by closing underperforming stores and opening new markets, so its flagship stores keep the reputation among loyal shoppers.

- **Data analysis**

Data is and always will be a key factor in big companies' decisions. It is the first-hand ear to the ground on buyers and market trends, as well as a tool to plan the next steps. Zara has a

highly evolved data infrastructure that can analyse what is selling and trending on social media platforms. This is used to improve various aspects of the business from services to product offerings. It is a two-way communication that allows for continual improvement.

Zara tries to connect with customers at every opportunity to provide the best experience possible. This strategy is effective for the company's decision-making process as the brand knows and understands the customer's mind.



H&M's marketing strategy (Source – trendsurvivor.com)

- **H&M**

They collaborated with other top brands to establish a fresh style. H&M collaborated with Karl Lagerfeld in 2004, Versace in 2011, Alexander Wang in 2014 and the collaboration with Balmain is the most triumphant to date**.**



H&M x Balmain

They also collaborated with the celebrated Indian designer Sabyasachi in 2021. The collection was named **Sabyasachi x H&M**



Sabyasachi x H&M

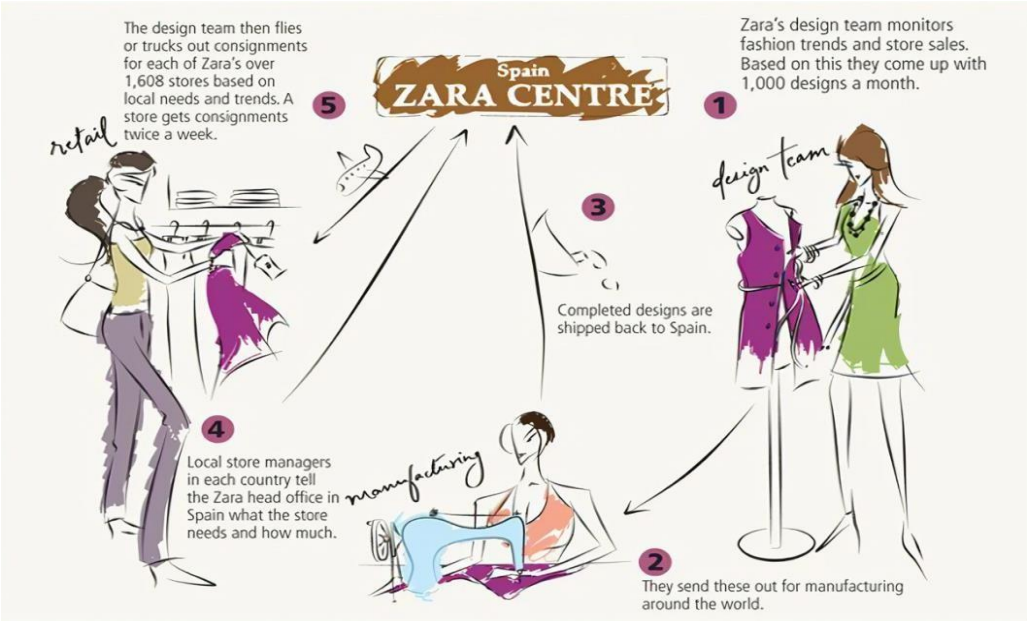
Before releasing the season's collection, they fuel the people's curiosity by promoting it on social media platforms. The brands mostly target the teens, to get their attention, they make sure their brand pops up in every online platform and publicize it by the influencers with a large following. They feature models in different skin colour and sizes, giving the notionthat fashion pertains to everyone irrespective of their skin colour or size**.**

H&M’s campaigns always make people go awed with their inklings, ideas and modern clothes at an affordable rate. Considering the risk factor in having a campaign outdoors,H&M took a distinct step and are conducting campaigns on digital platforms. In 2015 they launched a campaign 'H&M Conscious' to promote sustainability initiatives.



They work towards a more sustainable fashion future which is something we all care about. It is an approach to managing their business based on the vision that all their operations should be run in a way that is economically, socially and environmentally sustainable. Hennes & Mauritz celebrated the launch of its second Conscious Exclusive collection with cool fashionable parties which was all over the fashion blogs too.

3.4 SUPPLY CHAIN MANAGEMENT



- ZARA

The key to Zara's ability to establish an agile Supply Chain rests on the following unique approaches:

- **Procurement Methodology**

Zara's Procurement team doesn't work on the number of finished clothes but on the quantity of raw materials needed to manufacture the clothes. This helps reduce waste, as you can re-use fabric but not resell a piece of clothing that didn't meet the expectations. A great example of how sustainability can be improved in parallel to cost reduction.

- **Deep Collaboration**

Supplier relationships are key and suppliers are all close to Zara factories and collaborate tightly, so Zara can order on an everyday-need basis.

- **Production Feedback**

Everyday store managers give customer feedback to the market specialists, who then pass the information along to production & design teams. This rapid feedback loop enables a quick and agile response to the market.

- **Local Manufacturing**

Zara presents a drastically different approach than its competitors. Instead of outsourcing all of its production to Asia or Eastern Europe, it decided to manufacture its products in Galicia for items with a more instable demand. While lower cost production could be achieved in other regions, the faster time to market, reduced transportation costs and low exposure to changing tariffs and politics outweigh that one factor. This reduces overall supply risk, with a narrower set of risks than posed by more extended, global supply chains. This also helps reduce the overall carbon footprint through significant reduction in transportation.

- **Spare Capacity**

Zara voluntarily keeps up to 85% of its plants idle, in order to optimize the response to demand changes all around the world. Another interesting approach, quite different to competitors that try to maximize utilization.

- **Demand Forecasting**

Zara reaps the benefits of very efficient inventory management models that help them determine the exact quantity of items needed for every store. They ship very small batches twice a week. As a result, it creates a sense of scarcity, very few items are unsold,and if the experiment fails there is much time (thanks to their very responsive Supply Chain) to try other different styles. This eventually helps Zara find the right product almost every time.

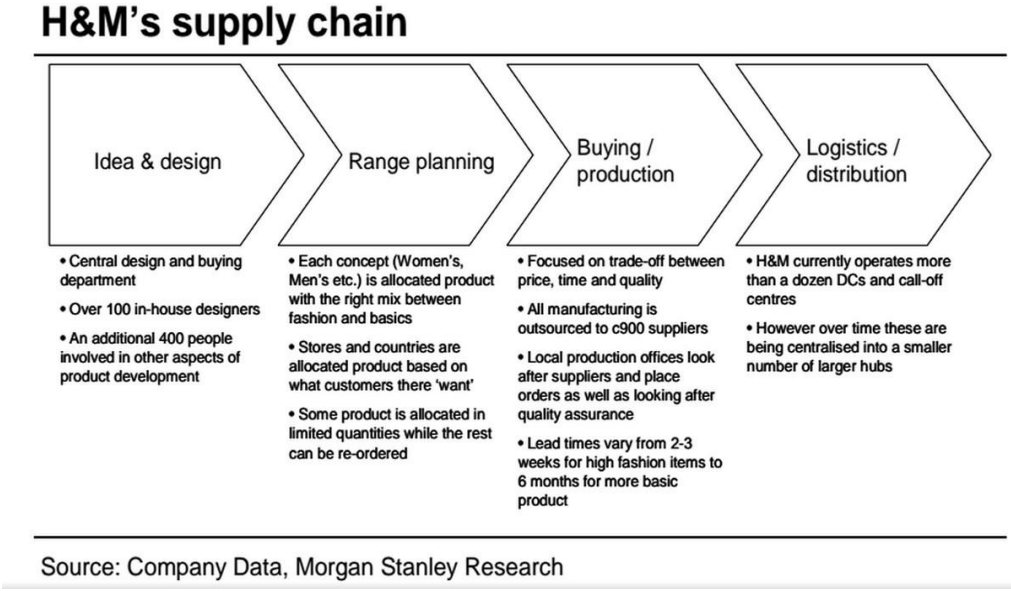
- **H&M**

H&M controls each stage of its supply chain as an importer, wholesaler and retailer. The continuous development of IT offers excellent support for the logistics of H&M.Transportation is under contract with third parties while H&M handles stock management manually. The bulk of the flow of goods is routed and transmitted through its terminal in Hamburg, Germany and then distributed to various distribution centres in various countries. When goods arrive at these locations, they are inspected and then allocated either in the store or in a centralized storage room called a 'call off warehouse'.

The most admirable characteristic of H&M is its ability to collaborate efficiently with its partners. Not having any factories of its own, it utilises over 700 partner companies in more than 20 countries, relying on a network of external suppliers to manage its buying and production. H&M purchases garments from around 750 suppliers, with 60% of production taking place in Asia and the remainder mainly in Europe.

The company relies on IT integration between the central national office and the production offices. Communication between the various departments takes place electronically, especially in regards to design and product development.

With these manufacturing operations in their supply chain, H&M has managed to reduce the average lead time by 15-20% through their continuous developments in the buying process. Flexibility and short lead times have reduced the risk of buying the wrong items and allowed H&M stores to restock quickly with the best-selling products at affordable prices.



3.5 ZARA vs. H&M

When making outfit choices, several brands come to mind. These could be brands like H&M & Zara. These clothing brands are known for quality and style. Also, they are fast fashion brands, meaning a vast population is drawn to them for their quick offering of new trends, especially at cheaper rates. Therefore, let's look at the H&M vs Zara comparison of these two fast fashion giants, ZARA vs. H&M.

Looking at the H&M vs Zara fast-fashion business, it's been very lucrative for them. No matter what these companies focus on, they have one thing in common as a competitive advantage: the customers' preferences. As people want what's trending and at the same time desire to have it quick, these companies have to employ a speedy process. Both H&M and Zara seem to offer low-end market apparels that are alike with high fashion standards. They make these very fast and at a low price.

In addition, both brands ensure that their supply chain effectively responds to demands quickly. When supply doesn't come quick, it can badly affect sales. A common one is when the customers lose interest in the apparel, they waited so long for because of the new trends that might have come up. Therefore, the cost of the goods, buying cycle, and, more importantly, market timing builds up the fast-fashion concept of H&M vs Zara brand.

Let's compare these two brands with different marketing categories. This way, we can know what makes them different, especially in their strategies to boost sales.

KEY DIFFERENCES BETWEEN H&M VS ZARA BRAND

- **Pricing System for H&M vs Zara**

The H&M brand emphasizes offering their quality products cheaper as a means to keep customers trooping into their shops. They are known to offer huge discounts very often, unlike most of their competitors.

On the other hand, Zara offers their products at a reasonable price as long as they match the quality. They don't under-price to keep people trooping in. Similarly, they give discounts but not as much as the H&M brand. Instead, they focus more on the quality of what they offer. They create value around their products which stirs the feeling that what you're buying is worth the price.3

- **Target Market for H&M vs Zara**

These two fashion giants create their target market based on psychographics and demographics. Focusing on an individual's lifestyle, interests, and social status falls under thepsychographic segment. However, considering their customers' gender, age, income, class, etc., is a demographic way of segmenting their market.

H&M's brand targets primarily women, particularly those aged between 20-35 years. These are the younger, working females that still have so much love for what's trending.

On the other hand, Zara still targets the younger population but expands more demographically. They offer clothing and accessories for both genders, particularly about 18-40 years of age. However, this is just their target market, and this brand offers both articles of clothing for younger kids.

- **Promotion for H&M vs Zara**

H&M is always making regular promotions for their products. Their advertising is quite versatile. They reveal a lot about their products through various means including, TV commercials, prints, billboards, banners, social media, and many more. The brand puts a lot of emphasis on promotion.

A common thing about the Zara brand is that they don't fancy advertising. You'll see no banners, no billboards, and no form of promotion. They consider investing in building more stores far more important than advertising their goods. However, the company employs the system they call evangelism. So, instead of taking their brand to their consumers as advertisements, they bring their consumers into their brand. They nurture their customers as brand influencers, allowing them to boost operations and, more importantly, do the storytelling.

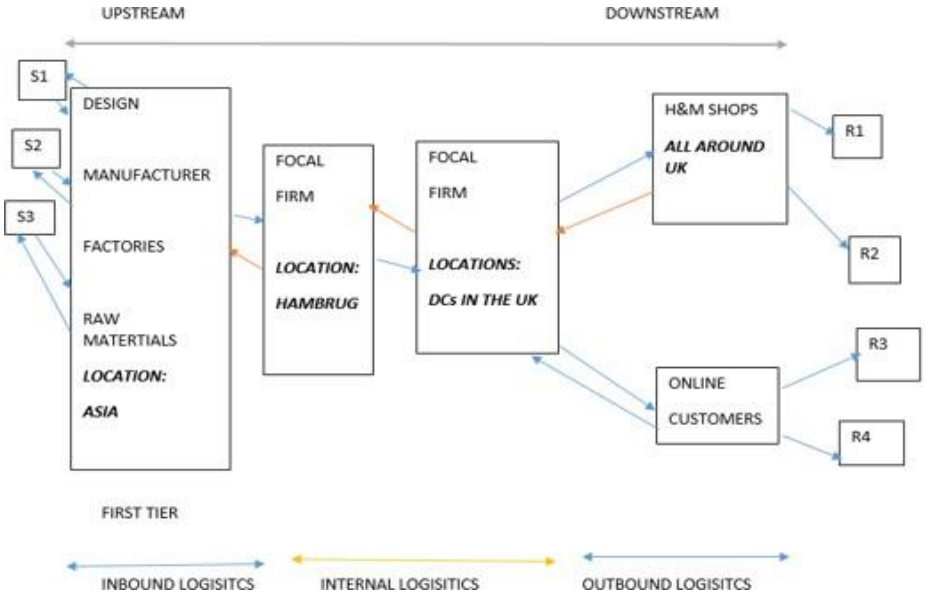
- **Product Distribution for H&M vs Zara**

Zara gets goods on its shelves much faster than H&M. The brand doesn't have any factory of its own. Instead, they buy from other distributors. About 60% of H&M products come from places like Cambodia or Bangladesh, which are cheaper.

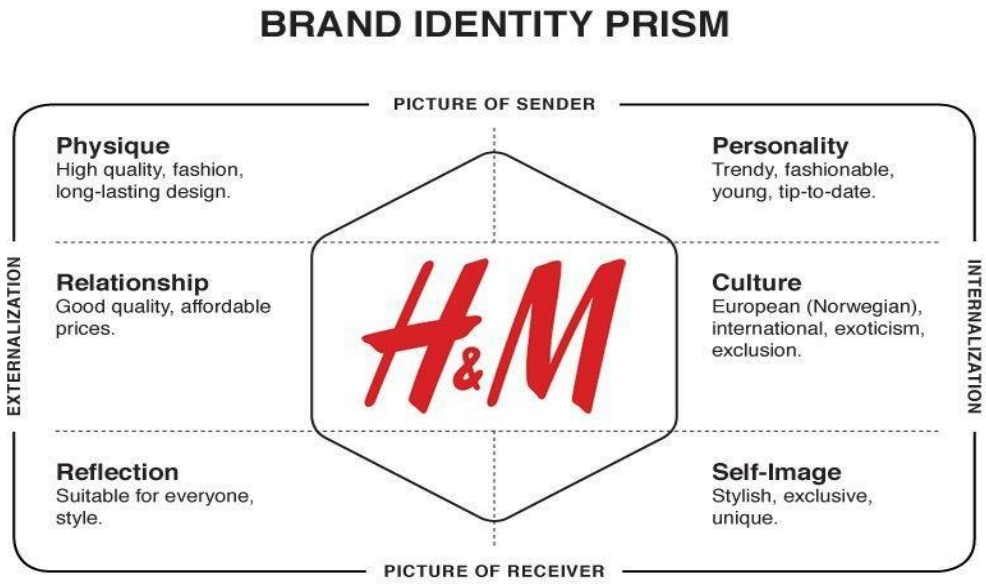
However, these places are far from them, so leading times are always longer. This makes this brand have several orders from customers pending. This situation creates problems for the brand, especially in sales.

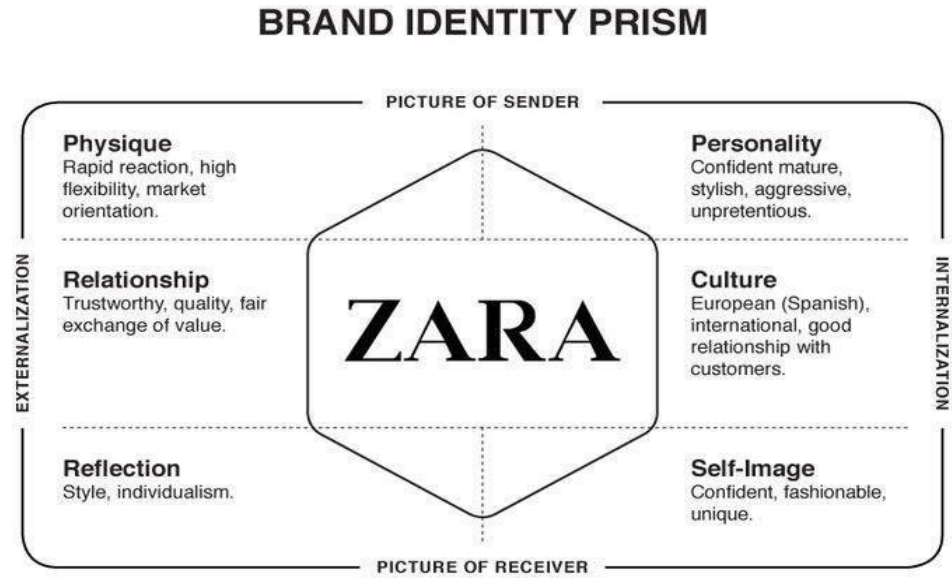
This also makes them have more unsold goods in stock, unlike Zara. These goods' value is more than $4 billion. This could also be why the H&M company focuses more on giving discounts as one of their pricing strategies. Interestingly, the gross profit made by both brands is almost the same, despite H&M making cheaper purchases. So, in essence, they lose the advantage that comes with buying from cheaper places.

Also, the distribution system has made them famous in the fast-fashion world as they can control the number of goods they produce and the supply. Therefore, they don't have issues with numerous unsold goods in stock. It takes about a day to distribute to their stores in Europe due to their robust distribution network. Moreover, it will take about 40 hours to deliver to the US branches.



H&M's product distribution channel





3.6 COMPETITIVE ADVANTAGE OF ZARA and H&M

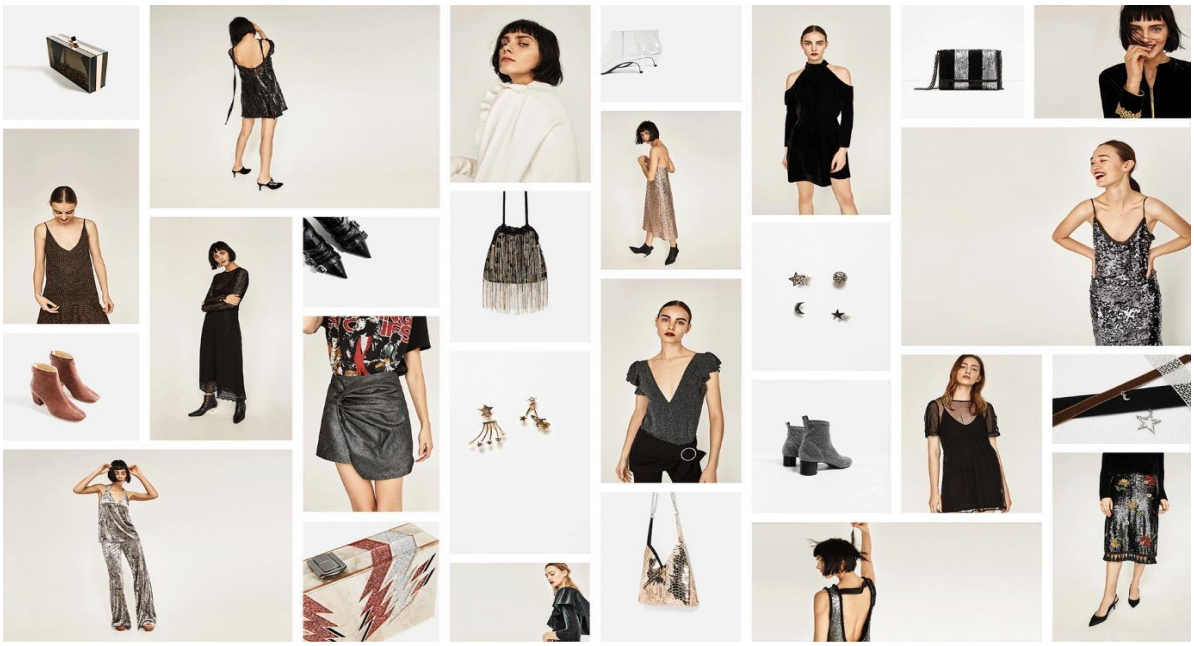
- ZARA

- **Creating scarcity of products**

Unlike other brands, Zara doesn't produce many copies of a single design. It creates a sense of scarcity in the mind of their shoppers. This compels the customers to make a buying decision quickly thinking it might go out of stock soon.

- **Novelty in designs**

Zara is never repetitive in its designs. They bring new patterns and colour combinations in their apparel. Bringing new designs throughout the years ensures enough footfalls in their showrooms. Thus, more purchases.



- **They take feedback seriously**

Imagine a brand selling products exactly how their customers want. That is Zara for you. Instead of thrusting their opinions on your buying decisions, they create fashion that is designed by none other than their customers. Employees at Zara stores are told very seriously to note down every feedback that customers give. The online platforms regularly analyse this feedback and the brand comes up with exactly what their customers want. Smart, isn't it?

- **Location of Zara stores**

Most of the luxury brands tend to keep their stores exclusively near to people with high-end choices. In the national capital of India, you can see the prominence of so many designer houses in South Delhi and the reason is obvious. However, Zara begs to differ. They locate their stores in city centres where all types of audience can approach them.

Zara increases its expenditures on physical locations by 6-8% every year. In 2011 itself, the company purchased some prime real estate on Fifth Avenue for a whopping price of $324 million. Speaking about this strategy, a marketing consultant Masoud Golsorkhi says, "The retail strategy for luxury brands is to try to keep as far away from the likes of Zara. Zara's strategy is to get as close to them as possible."

Zara has over 2,000 stores worldwide and their products are also available on nearly 40 online stores. It reflects that more places your brand is present; greater will be your brand presence and recognition. For example, even if you go an entire year without seeing McDonald's commercial, you will be eating frequently at their dinners.

- **H&M**

- **Established itself as the go-to place for cheap, fast fashion**

H&M's business concept is clear, simple and unpretentious -- "fashion and quality at the best price". H&M produces clothing for men and women and children that is informed by the latest trends in fashion and style.

H&M sells everything you would need -- classic basic pieces, swimwear, elegant clothing for a prom night with accessories and shoes to match, even lingerie and sportswear -- at affordable prices.

Daily shipments of new merchandise are made to H&M's 3,900 stores in 61 different markets, keeping customers always coming back with more to see.

- **Conscious, targeted and inclusive advertising**

H&M's advertising campaigns are produced in their Stockholm headquarters, but the regional marketing teams make a conscious effort to tailor campaigns to what works in these local markets.

Models with different looks, styles, cultural and ethnic backgrounds are regularly featured, to show customers that the brand focuses on all-inclusivity. For example, in their 2015 campaign called "Close the Loop", their main star was Mariah Idrissi, a 23-year-old Londoner, who donned a hijab for the video - the first for H&M

Their videos feature plus size models, an amputee and many other diverse individuals. Teen Vogue praised the campaign as "showcasing an incredibly diverse group of people, each following their own fashion rules, or not following any rules at all."

- **Environmental focus with H&M Conscious**

H&M CEO Karl-Johan Persson speaks of the campaign's objective as "ultimately making fashion sustainable and sustainability fashionable." Sustainability has become the talk-of-the-century, with every individual stakeholder becoming more conscious of the repercussions of their daily actions on the growth of our planet.

With the launch of the H&M Conscious collection, H&M pledged to make choosing sustainable options accessible and affordable to the average consumer. To generate even more hype over the campaign, H&M engaged influencers with large social media followingto write about the Conscious collection on fashion and lifestyle blogs. Directly targeting the teen to young adult demographic, these influencers are integral in generating hype and WOM for H&M's campaigns.

- **Collaborations with luxury brands to make luxury fashion affordable**

Every year, H&M launches a capsule collection with an internationally recognised designer house. When high-end style meets high-street prices, fashion aficionados go absolutely crazy.

Starting with Karl Lagerfeld x H&M in 2004, designer collaborations have become a mainstay in the fashion empire, with Versace x H&M in 2011, Alexander Wang x H&M in 2014, and the most successful collaboration to date -- Balmain x H&M.

The success of Balmain x H&M rode off the waves of the world's obsession with the Balmain-clad Kardashian-Jenner clan, the prelaunch Instagram photos of celebrities flaunting their exclusively sent pieces, and the commercial success of Kendall Jenner dancing in the iconic Balmain structured blazer

3.7 COMPETITOR ANALYSIS

1. UNIQLO



- Uniqlo is a Japanese fast-fashion retailer founded in 1949. The company has a strong foundation in technology and innovation, which has helped it become a leadingindustry force.

- Uniqlo offers high-quality products at an affordable price, and they are constantly expanding their product line to meet the needs of their customers.

- In addition to their retail stores, Uniqlo also operates an online store that allows customers worldwide to purchase their products.

2. GAP



- Gap is one of the most popular clothing brand names in the world. It was founded in 1969 by Donald and Doris Fisher. They opened the first Gap store in San Francisco, and it was an immediate success. The company's mission is to "provide clothing and accessories that are both stylish and cheap."

- Gap has always been a pioneer in the fashion industry. They were one of the first companies to offer affordable, premium-quality clothing. And they continue to update their inventory regularly, so customers can always find something new and exciting.

- One thing that sets Gap apart from other clothing brands is its commitment to sustainability. They use eco-friendly materials and production methods, and theywork to reduce their carbon footprint.

- They support numerous charities and work to create opportunities for underprivileged youth. Overall, Gap is a well-rounded brand with something for everyone. So, if you're looking for stylish, affordable t-shirts and hoodies, Gap is worth checking out.

3. FOREVER 21



- Forever 21 was founded in 1984 by the husband, and wife duo Do Won and Jin Sook Chang. The store started as a small retailer in Los Angeles and has expanded to become a global brand.

- Forever 21 is known for its trendy clothing options and has become a significant competitor to Zara. Some of the brand's most popular products include denim, dresses, and accessories.

- One of the things that set Forever 21 apart from other fast fashion brands is its foundation. The company is committed to giving back to the community and has partnered with various charities over the years to support causes such as education and cancer research.

- Forever 21 also focuses on sustainability, using recycled materials in its products whenever possible.

4. GUCCI



- Gucci is an Italian luxury fashion and leather goods company founded by Guccio Gucci in Florence in 1921. The company sells a wide range of products, including clothing, accessories, luggage, watches, perfume, and home furnishings. Gucci is also the fastest-growing luxury brand.

- The company has a foundation that Frida Giannini started in 2012. The foundation's goals are to "support creativity and craftsmanship in Italy; promote young designers; and help preserve the country's cultural heritage."

- Gucci also has a wide array of products that it sells. These products include clothing, handbags, watches, sunglasses, shoes, and perfumes. Gucci is also the fastest-growing luxury brand.

5. MANGO



- Mango was founded in 1984 by brothers Isak and Nahman Andic. It started as a small family business selling women's clothing from a small store in Barcelona. It has since become a leading fashion retailer, with over 2,000 stores in over 100 countries.

- Mango's product range includes clothing for women, men, and children and accessories, home decor, and beauty products. It offers a wide variety of styles, from formal wear to casual streetwear. Mango also has a strong online presence, with an extensive e-commerce store that sells to customers worldwide.

- What makes Mango stand out from the competition is its focus on quality and trendiness. Its clothes are always up-to-date with the latest trends and are made from high-quality materials. Mango also offers good value for money, with lower clothing prices than many other leading fashion retailers.

MARKS AND SPENCER



- Marks and Spencer (M&S) is a leading British retailer founded in 1884. The company operates over 700 stores in more than 40 countries and employs over 78,000 people. M&S sells a wide range of products, including clothing, home furnishings, food, and wine. M&S has a rich history dating back more than 130 years. In 1884, Michael Marks and Thomas Spencer opened a small penny-bazaar in Leeds, England. Thestore was successful, and the pair soon opened additional stores across the country. Then, in the early 1900s, M&S began selling clothing, which became its main productline.

- M&S has been a dominant force in the British retail industry for many years. However, in recent years the company has faced increasing competition from rival retailers such as Zara and Next. As a result, M&S has been forced to adapt its business model and offer new products and services.

- Despite the challenges posed by competitors, M&S remains a leading retailer with a strong brand identity. In addition, the company has a large customer base and attracts new customers with its wide range of products and services. As a result, M&S is well-positioned to compete in the global retail target market and will likely remain a significant player for many years to come.

Chapter – 4 Literature Review

4.1 Zara-Inditex and the Growth of Fast Fashion

4.2 Understanding internationalization patterns of Zara

4.3 Zara's Secret for Fast Fashion

4.4 Sustainable Fashion Supply Chain: Lessons from H&M

4.5 Internationalization Process of Fast Fashion Retailers: Evidence of H&M and Zara

4.1 Zara-Inditex and the Growth of Fast Fashion by Stephanie O. Crofton

In Essays in Economic & Business History, Vol. 25 (2007)

Inditex describes its business model as “creativity and quality design together with a rapid response to market demands” and the “democratisation of fashion”. To deliver rapid response to customer demands and a reasonable-prices, Inditex abandoned the fashion industry traditional model of seasonal lines of clothing designed by star designers, manufactured by sub-contractor months earlier, and marketed with heavy advertising. In contrast the Inditex holding company operates over 100 subsidiaries, including Zara vertically integrated designed, just-in-time production, distribution, and retail sales to speed communication from customers to designers. This article represents the fast fashion model, its historical development, and its prospects. This model showed how the fashion industry has changed over the years.

Zara spots a trend and 30 days later it’s in their stores. In the tax offers a new collection each season, these collections account for only 39% of sales the other 61% is produced in season, changing the colours, cards, fabrics of existing designs as well as adding completely new ones. The shorter designed to retail cycle allows and a text to bring more styles the word stores and to update them constantly. While many competitors of ship products to storesevery 12 weeks, Inditex does so twice a week. The innovative Spanish producer believes that changing its offerings quickly gives them scarcity value, leading the customers to visit their stores more often.

4.2 Understanding internationalization patterns of Zara by Matic M & Vabale V Aalborg Universitet (2015) (June) 102

The following dissertation focuses on analysis of internationalization patterns of Zara, which is considered being one of the world's largest fast fashion companies. For the analysis, three internationalization patterns have been chosen: entry modes, scope and pace of internationalization. The goal of the research is to find out what factors have influenced Zara's decisions regarding market selection and choice of entry strategies, and analyse pace of Zara's foreign expansion. The research is carried out in accordance with systems approach, thus admitting the interrelations structures might have on each other and believing that internationalization patterns of the firm can be observed from an objective perspective. At the same time, the systems approach does not deny that each party might have its own perception of the reality.

At the beginning of research, relevant theories applicable to the case study are compiled. The most prevalent internationalization theories are reviewed in order to provide a better understanding of internationalization of MNEs. From this perspective, following factors are chosen: psychic distance from home to host markets, attractiveness of markets, particular business and institutional conditions. At the end, analysis of the most important markets on a regional base is performed in order to reveal main factors influencing Zara's internationalization choices in terms of markets and entry modes. Additionally, Zara's pace of internationalization is analysed. Finally, the comparison with the main competitors is carried out in order to compare Zara's business model with competitors and underline Zara's competitive advantages that helped to become one of the world's leading fashion companies

4.3 Zara's Secret for Fast Fashion by Kasra Ferdows, Michael A. Lewis and Jose A.D. Machuca Excerpted with from "Rapid-Fire Fulfilment," Harvard Business Review, Vol. 82, No.11, November 2004.

With some 650 stores in 50 countries, Spanish clothing retailer Zara has hit on a formula for supply chain success that works by defying conventional wisdom. This excerpt from a recent Harvard Business Review profile zeros in on how Zara's supply chain communicates, allowing it to design, produce, and deliver a garment in fifteen days. In Zara stores, customers can always find new products—but they're in limited supply.

There is a sense of tantalizing exclusivity, since only a few items are on display even though stores are spacious (the average size is around 1,000 square meters). A customer thinks, "This green shirt fits me, and there is one on the rack. If I don't buy it now, I'll lose my chance." Such a retail concept depends on the regular creation and rapid replenishment of small batches of new goods.

Zara's designers create approximately 40,000 new designs annually, from which 10,000 are selected for production. Some of them resemble the latest couture creations. But Zara often beats the high-fashion houses to the market and offers almost the same products, made with less expensive fabric, at much lower prices. Since most garments come in five to six colours and five to seven sizes, Zara's system has to deal with something in the realm of 300,000 new stock-keeping units (SKUs), on average, every year.

4.4 Sustainable Fashion Supply Chain: Lessons from H&M by Bin Shen

In Donghua University,12th September (2018)

H&M, the Swedish fast fashion company, has constructed its sustainable supply chain in developing eco-materials, providing safety training, monitoring sustainable manufacturing, reducing carbon emission in distribution, and promoting eco-fashion. Moreover, based on the secondary data and analysis, we learn the lessons of H&M's sustainable fashion supply chain from the country perspective: (1) the H&M's sourcing managers may be more likely to select suppliers in the countries with lower degrees of human wellbeing; (2) the H&M's supply chain manager may set a higher level of inventory in a country with a higher human wellbeing; and (3) the H&M CEO may consider the degrees of human wellbeing and economic wellbeing, instead of environmental wellbeing when launching the online shoppingchannel in a specific country.

H&M launched the clothing conscious collection initiative worldwide in 2013 and promotes sustainable concept in ethical consumers in retailing. Consumers can return the old apparel products (any brand and any condition) to all H&M stores across 54 countries. In return, consumers can get a 15% off coupon for their next purchase. By offering rewards, less ethical consumers are encouraged to return the old apparel products. Hence, it could be said that green retailing was successfully launched at H&M.

H&M is sufficiently representative to show how a fashion company adopts sustainablepractices in a supply chain. However, a fashion supply chain is complex and dynamic. One company cannot represent the whole of the fashion supply chain. For future research, thetopic of a sustainable fashion supply chain should receive prolonged attention.

4.5 Internationalization Process of Fast Fashion Retailers: Evidence of H&M and Zara by

Canadian Centre of Science and Education

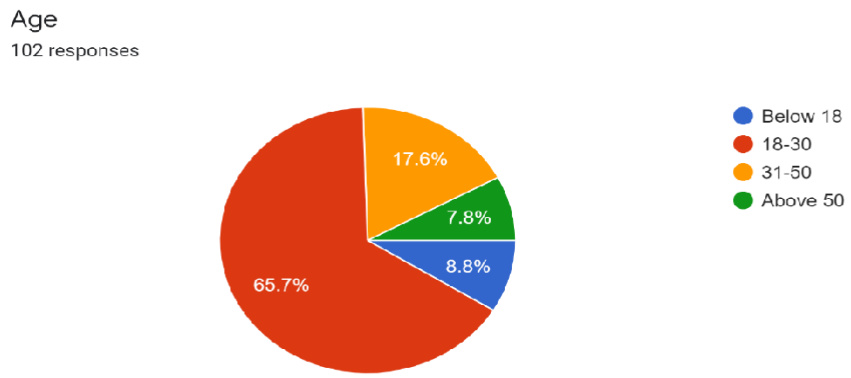
In International Journal of Business and Management; Vol. 10, No. 3; 2019

The fashion apparel industry has evolved significantly over the last two decades driven by the internationalisation and rapid rise of global fast fashion retailer brands. This research seeks to introduce and explore how two internationalization models-Incremental and Rapid Internationalization-can be applied to two representative global fast fashion retailers (Zara and H&M). It seeks to apply these models on the basis of three perspectives - "knowledge sharing, resource-based view and psychic distance". The result suggested that H&M and Zarado not entirely correlate with the expectations of Incremental and Rapid Internationalization Models.

It aimed to critically introduce and discuss how they represent global fast fashion retailers - H&M and Zara - align with these two models through a multiple-case study. Based on this, two conclusions can be drawn in this research. Firstly, both H&M and Zara did not entirely correlate with the expectations of Incremental and Rapid Internationalization Models. This appears to be significantly different from what has been mentioned in the literature review, which concluded that Zara was a born-global fast fashion retailer and H&M was a traditional/gradual global one. Secondly the two fast fashion retailers' adoption of the Rapid Internationalization Models were not adopted completely independently; while to a large extent, the Incremental Models were still relevant, especially in their early expansion stages. These findings remain speculative and provocative and would therefore contribute to the existing literatures in fast fashion retailing.

Compared with H&M, a relatively larger proportion of Zara's international activities and strategies aligned with the expectations of Rapid Internationalization Models as a born-global fast fashion retailer, while part of it remained relevant with the Incremental Models.

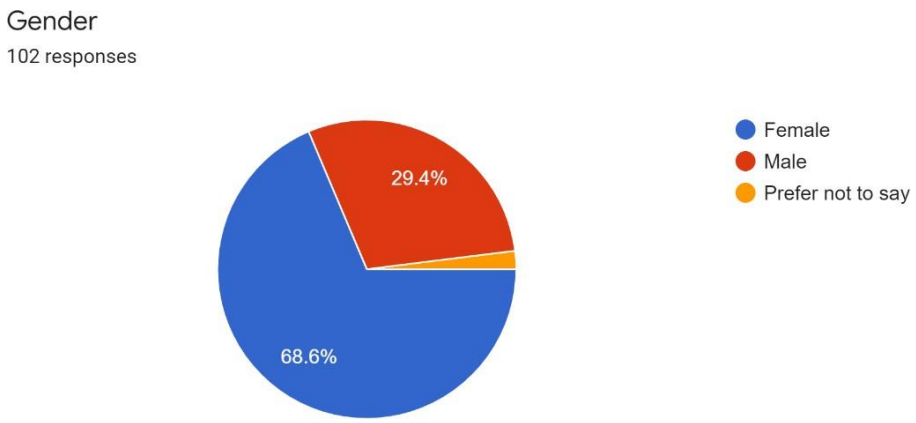
CHAPTER – 5 DATA ANALYSIS, INTERPRETATION AND PRESENTATION



INTERPRETATION

- 65.7% of the respondents are between the age group pf 18-30
- 17.6% of the respondents are between the age group of 31-50
- 8.8% of the respondents are below 18 years
- 7.8%b of the respondents are above 50 years

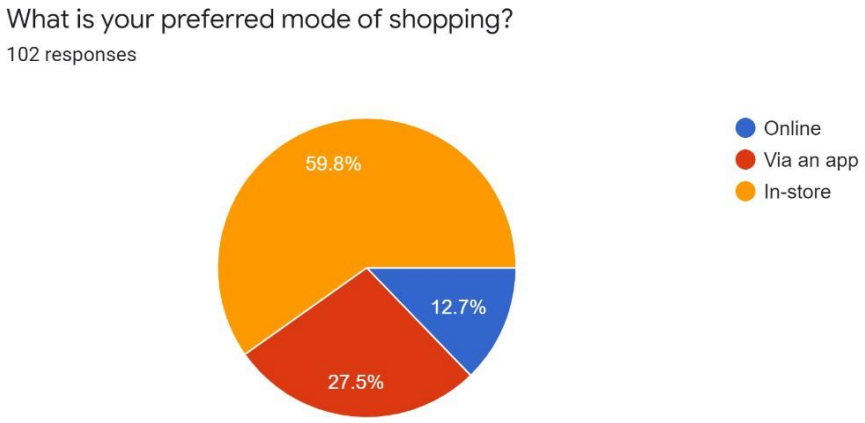
Majority of the respondents are between the age group of 18-30 which represents all the young individuals and the next highest set of respondents are of the age group 31-50 which represents working population. The rest are a mixture of teenagers & senior citizens.



INTERPRETATION

- 68.6% of the respondents are Female
- 29.4% of the respondents are Male

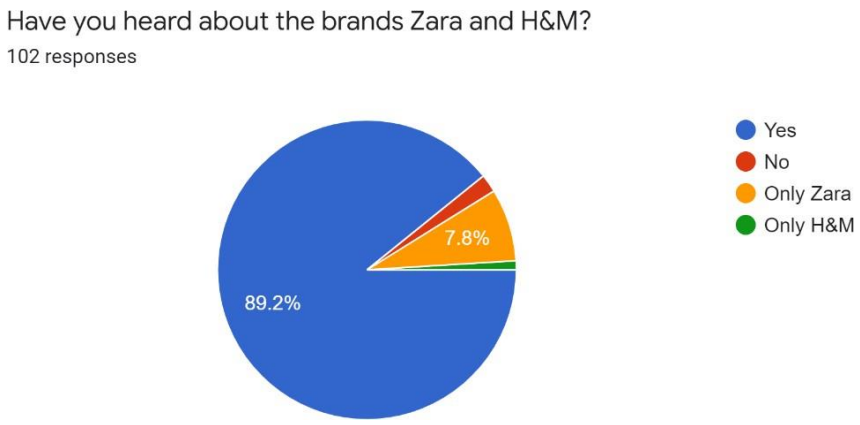
Majority of the respondents are female and the rest are male.



INTERPRETATION

- 59.8% of the respondents chose “In-store” as their preferred mode of shopping
- 27.5% of the respondents chose “Via app” as their preferred mode of shopping
- 12.7% of the respondents chose “Online” as their preferred mode of shopping

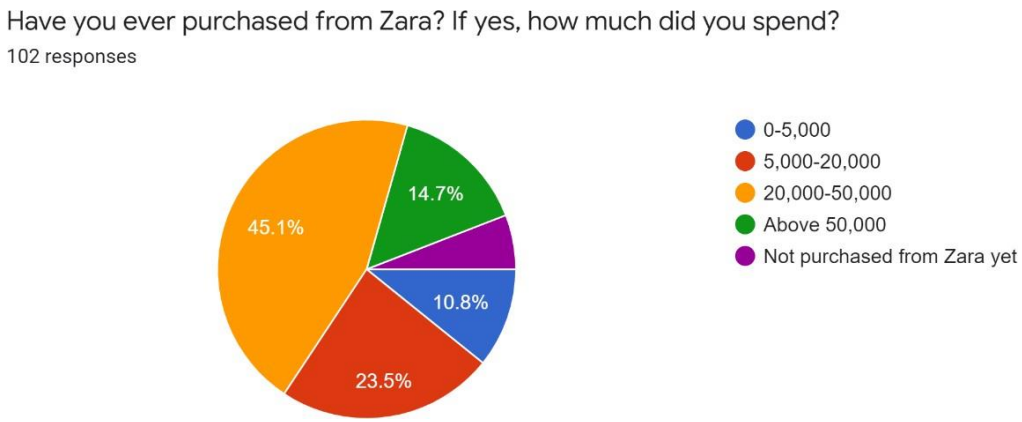
Majority of the respondents prefer the in-store method of shopping which enables them to try and then purchase the product. Next set of respondents prefer shopping via app which saves them time as well as energy. The rest prefer shopping from Online website.



INTERPRETATION

- 89.2% of the respondents have heard about the brands Zara and H&M
- 7.8% of the respondents have only heard about the brand Zara

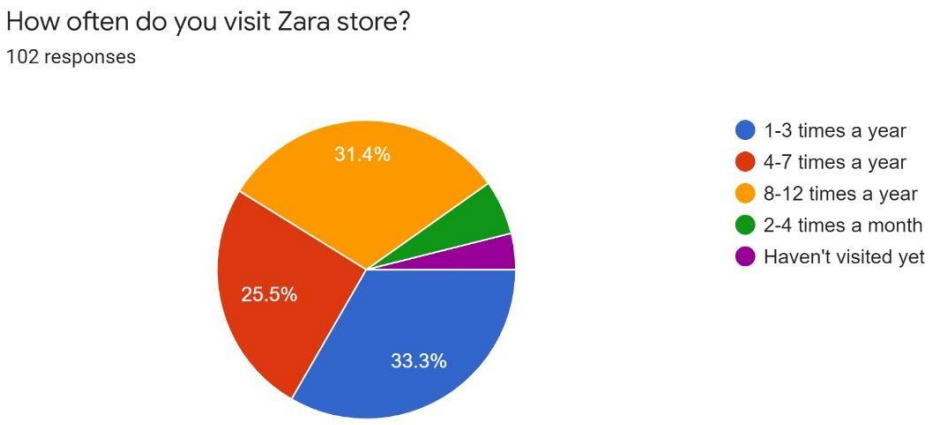
Majority of the respondents are familiar with both the brands although a small percentage is only familiar with Zara.



INTERPRETATION

- 45.1% of the respondents have spent between 20,000-50,000
- 23.5% of the respondents have spent between 5,000-20,000
- 14.7% of the respondents have spent above 50,000
- 10.8% of the respondents have spent between 0-5,000
- 5.9% of the respondents have not purchased from Zara yet

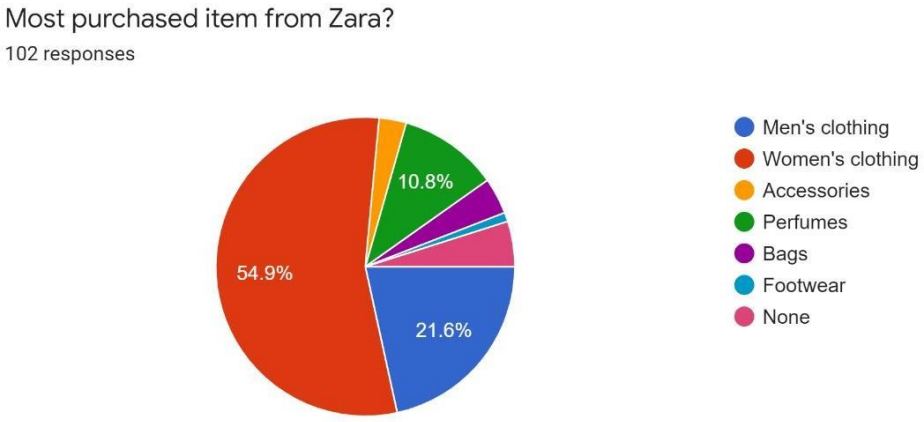
It could be analyzed that majority of the respondents have purchased goods from Zara and have spent between 20,000-50,000. The next majority of people have spent between 5,000- 20,000, followed by individuals spending above 50,000 as well. Although there are individuals who have just spent between 0-5,000 in Zara or haven't purchased anything at all.



INTERPRETATION

- 33.3% of the respondents visit the Zara store 1-3 times a year
- 31.4% of the respondents visit the Zara store 8-12 times a year
- 25.5% of the respondents visit the Zara store 4-7 times a year

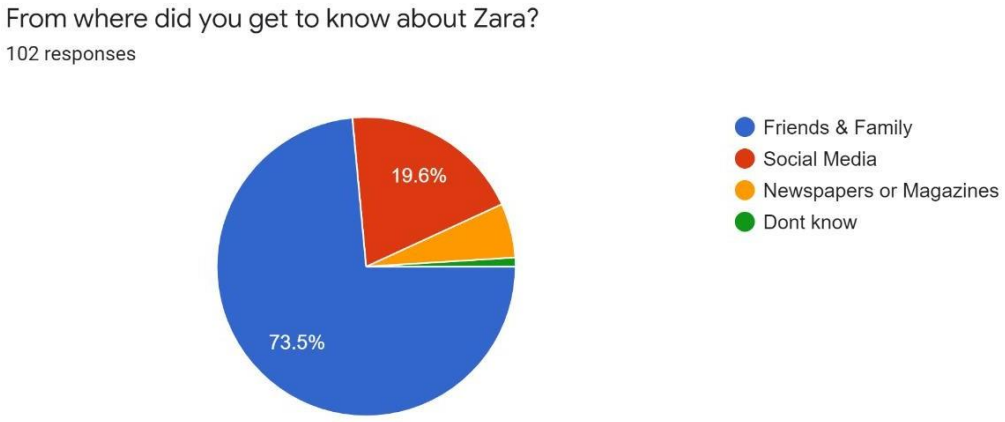
Majority of the respondents have either visited the Zara store 1-3 times a year or 8-12 times a year. Certain percentage of people have also visited the store 4-7 times a year.



INTERPRETATION

- 54.9% of the respondents have purchased women's clothing the most from Zara
- 21.6% of the respondents have purchased men's clothing the most from Zara
- 10.8% of the respondents have purchased perfumes the most from Zara

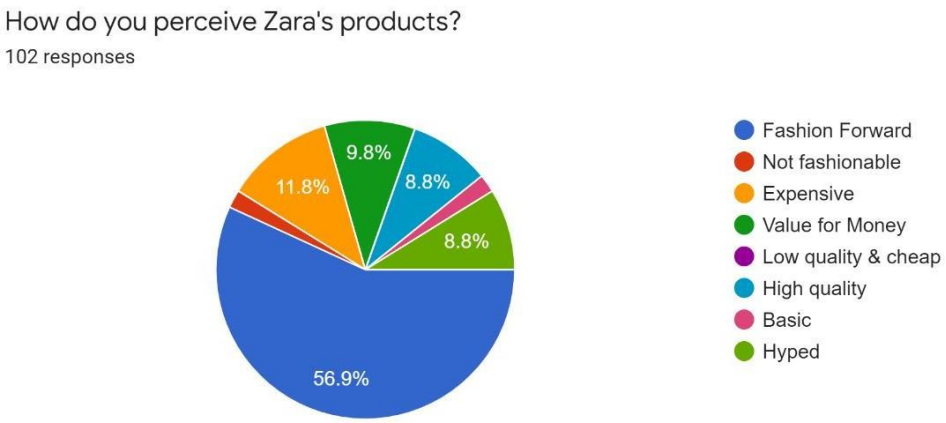
It could be concluded that majority of the respondents have purchased Women's clothing from Zara followed by Men's clothing. A handful of people have also purchased perfumes from Zara.



INTERPRETATION

- 73.5% of the respondents get to know about Zara from their Friends & family
- 19.6% of the respondents get to know about Zara from social media

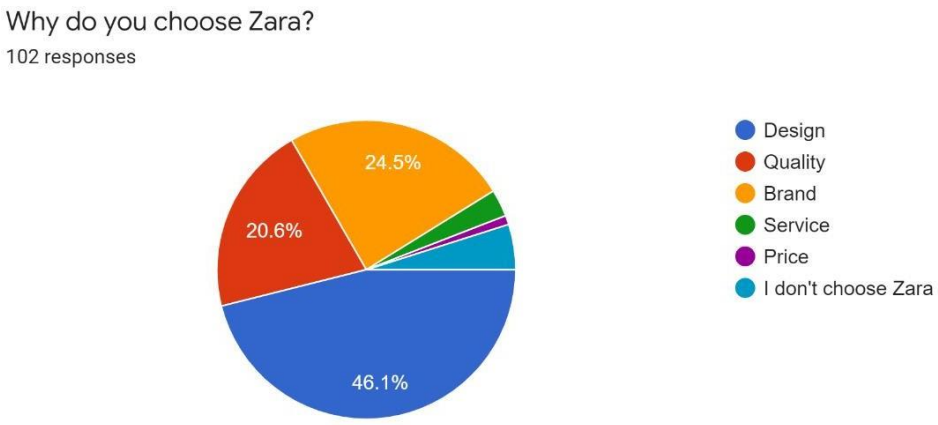
Majority of the respondents have got to know about Zara through their friends or family which means word of mouth publicity. The rest have got to know about them through the help of social media maybe through various influencers.



INTERPRETATION

- 56.9% of the respondents perceive Zara's products as Fashion forward
- 11.8% of the respondents perceive Zara's products as Expensive
- 9.8% of the respondents perceive Zara's products as Value for money
- 8.8% of the respondents perceive Zara's products as High quality
- 8.8% of the respondents perceive Zara's products as Hyped

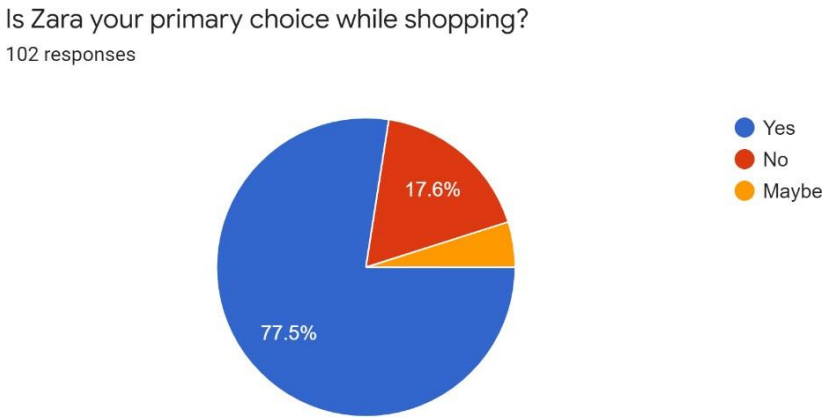
It could be represented that majority of the respondents perceive ZARA's as a fashionforward which is the reason why it is on the top today. The rest individuals have a mixed opinion wherein they perceive it as Expensive, Value for Money, High quality as well as hyped.



INTERPRETATION

- 46.1% of the respondents choose Zara because of its Design
- 24.5% of the respondents choose Zara because of its Brand
- 20.6% of the respondents choose Zara because of its Quality

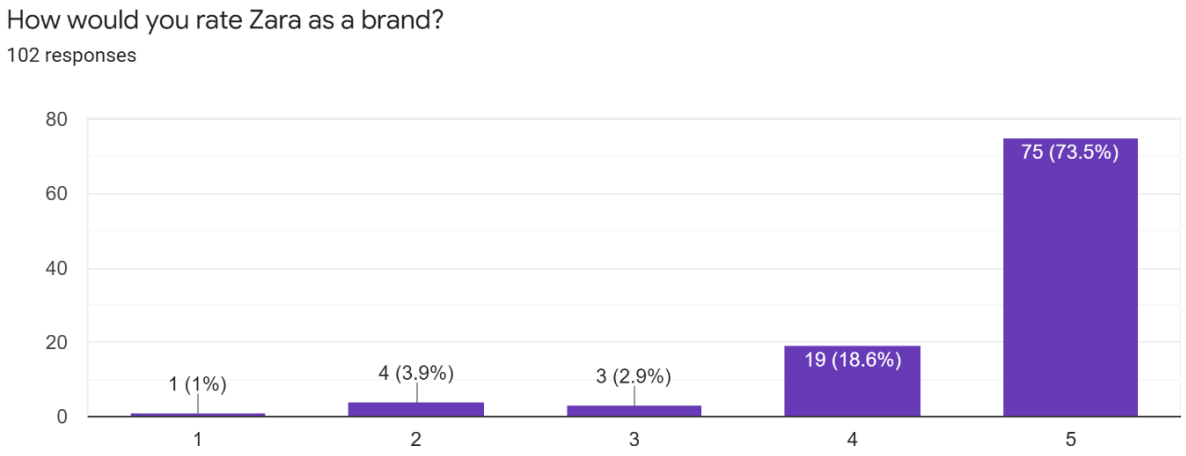
Majority of the respondents choose Zara amongst other competitors due to its unique design. Others prefer it due its high quality and the brand image that it provides the consumers with.



INTERPRETATION

- 77.5% of the respondents agree that Zara is their primary choice while shopping
- 17.6% of the respondents disagree that Zara is not their primary choice while shopping

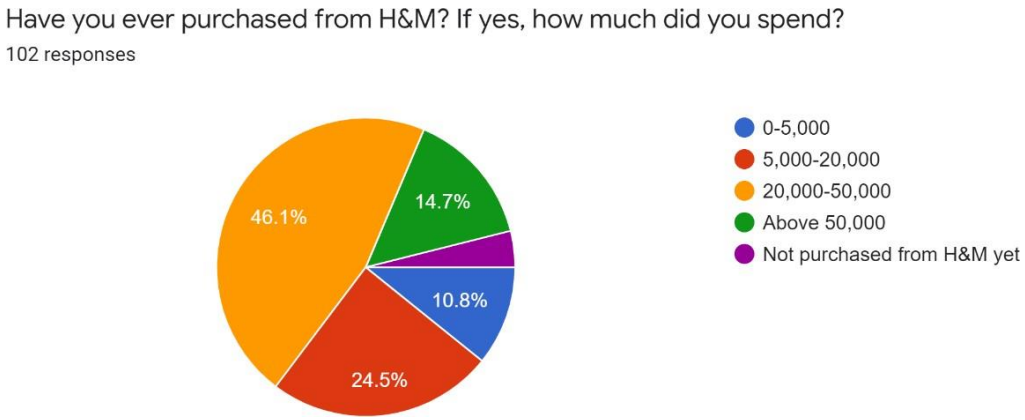
Majority of the respondents agree that Zara is their primary choice while shopping whereas others disagree with the statement and might prefer the competing brand in order to shop.



INTERPRETATION

- 73.5% of the respondents rated Zara as an excellent brand
- 18.6% of the respondents rated Zara as a good brand
- 3.9% of the respondents rated Zara as under average brand
- 2.9% of the respondents rated Zara as an average brand

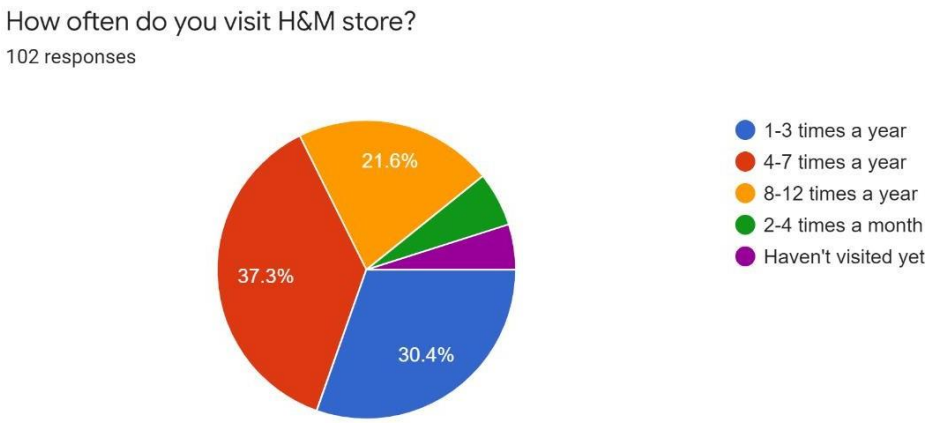
It could be concluded that, Zara is considered as an excellent brand by the respondents with an absolute majority due to its high-quality products with unique designs. Others consider it as a good brand, along with that a segment of respondents also feel that it is under average or average and it might have scope for further improvement.



INTERPRETATION

- 46.1% of the respondents have spent 20,000-50,000 in H&M
- 24.5% of the respondents have spent 5,000-20,000 in H&M
- 14.7% of the respondents have spent above 50,000 in H&M
- 10.8% of the respondents have spent 0-5,000 in H&M

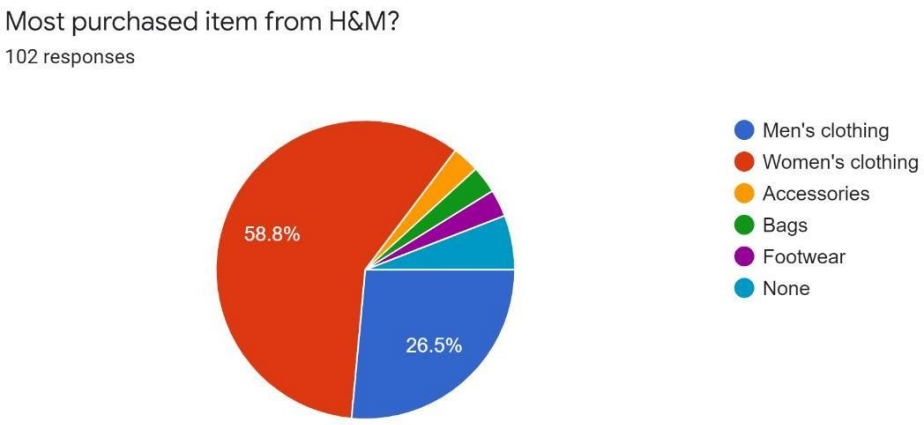
It could be analyzed that majority of the respondents have purchased goods from H&M and have spent between 20,000-50,000. The next majority of people have spent between 5,000-20,000, followed by individuals spending above 50,000 as well. Although there are individuals who have just spent between 0-5,000 in H&M or haven't purchased anything at all.



INTERPRETATION

- 37.3% of the respondents have visited H&M store 4-7 times a year
- 30.4% of the respondents have visited H&M store 1-3 times a year
- 21.6% of the respondents have visited H&M store 8-12 times a year

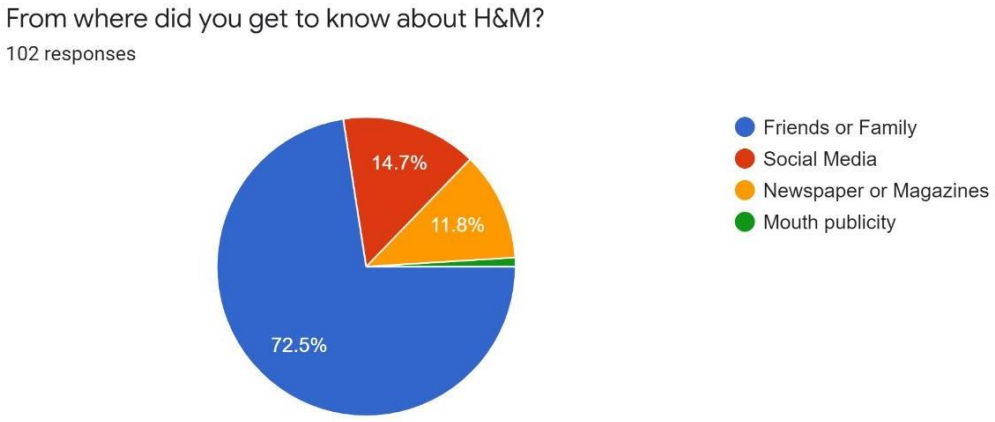
Majority of the respondents have either visited the H&M store 4-7 times a year or 1-3 times a year. Certain percentage of people have also visited the store 8-12 times a year which represents the shopaholic set of people.



INTERPRETATION

- 58.8% of the respondents have selected women's clothing as their most purchased item from H&M
- 26.5% of the respondents have selected men's clothing as their most purchased item from H&M

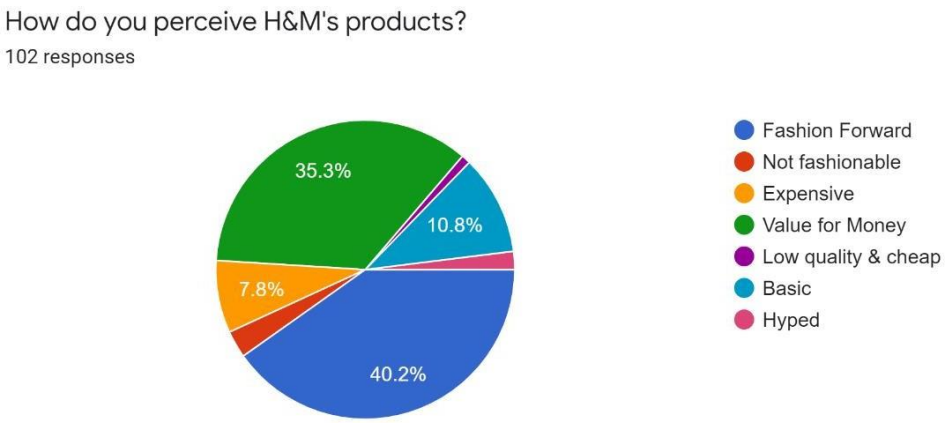
It could be concluded that majority of the respondents have purchased Women's clothing from H&M followed by Men's clothing.



INTERPRETATION

- 72.5% of the respondents got to know about H&M from their Friends or Family
- 14.7% of the respondents got to know about H&M from social media
- 11.8% of the respondents got to know about H&M from newspaper or magazines

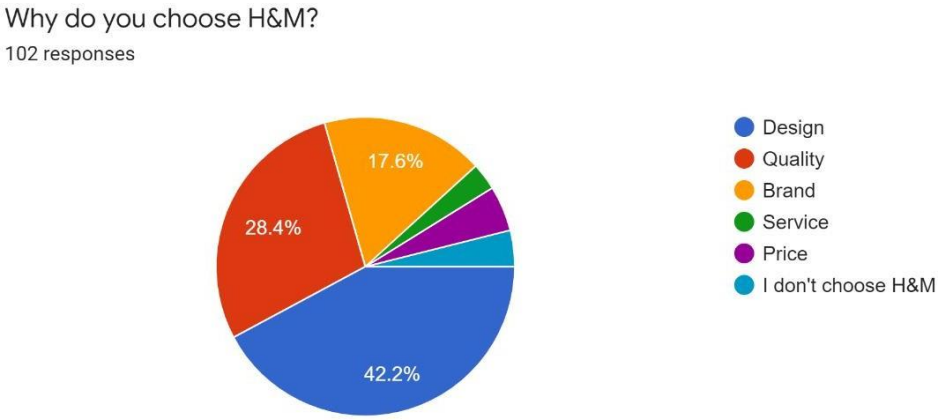
Majority of the respondents have got to know about H&M through their friends or family which means word of mouth publicity. The rest have got to know about it with the help of social media maybe through various influencers. The rest became aware by reading any article published in newspaper or magazine.



INTERPRETATION

- 40.2% of the respondents perceive H&M'S products as fashion forward
- 35.3% of the respondents perceive H&M's products as Value for Money
- 10.8% of the respondents perceive H&M's products as Basic
- 7.8% of the respondents perceive H&M's products as Expensive

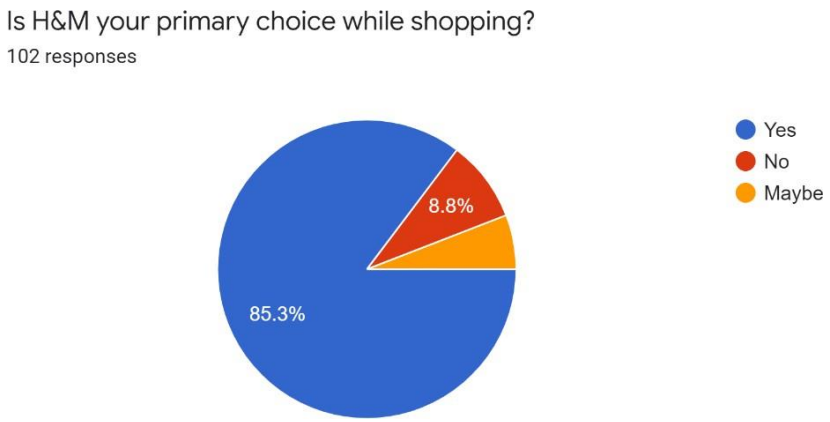
It could be represented that majority of the respondents perceive H&M's products as a fashion forward which is the reason why they at the second position today. The rest individuals perceive it as Value of money which indicates the satisfaction of the consumers. Some also have a mixed opinion wherein they perceive it as Basic & Hyped.



INTERPRETATION

- 42.2% of the respondents choose H&M due to its Design
- 28.4% of the respondents choose H&M due to its Quality
- 17.6% of the respondents choose H&M due to its Brand

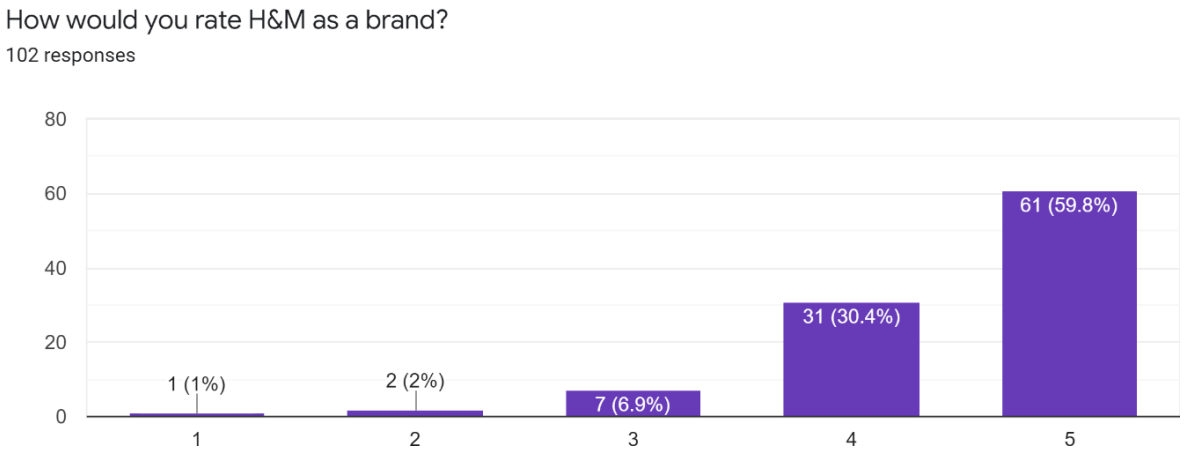
Majority of the respondents choose H&M amongst other competitors due to its unique design. Others prefer it due its high quality and the brand image that it provides the consumers with.



INTERPRETATION

- 85.3% of the respondents have accepted that H&M is their primary choice while shopping
- 8.8% of the respondents have accepted that H&M is not their primary choice while shopping

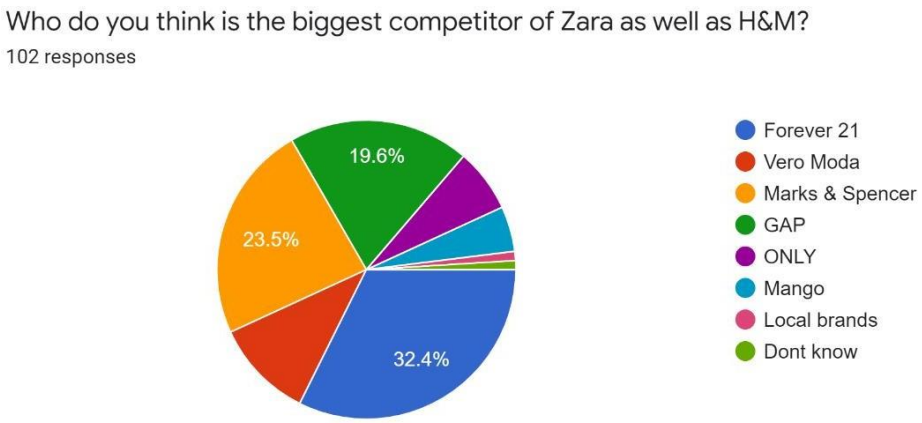
Majority of the respondents agree that H&M is their primary choice while shopping whereas others disagree with the statement and might prefer the competing brand as their go to shopping brand.



INTERPRETATION

- 59.8% of the respondents rated H&M as an excellent brand
- 30.4% of the respondents rated H&M as a good brand
- 6.9% of the respondents rated H&M as an average brand
- 2% of the respondents rated H&M as a below average brand
- 1% of the respondents rated H&M as an unsatisfactory brand

It could be concluded that, H&M is considered as an excellent brand by the respondents with a majority due to its high-quality products with reasonable pricing policy. Others consider it as a good brand, along with that a segment of respondents also feel that it is average or under average and it might have scope for further improvement.



INTERPRETATION

- 32.4% of the respondents think that Forever 21 is the biggest competitor of ZARA and H&M
- 23.5% of the respondents think that Marks and Spencer is the biggest competitor of ZARA and H&M
- 19.6% of the respondents think that GAP is the biggest competitor of ZARA and H&M

The above chart indicates that the majority of the respondents prefer Forever 21 as the biggest competitor of Zara and H&M. On the other hand, a small segment also feels that Marks and Spencer would prove to be a good competitor to these giants. Certain percent of the respondents are also of the opinion that GAP is amongst the biggest competitors of Zaraas well as H&M.

CONCLUSION

When we talk about top-branded fashion stores, the very first thing that strikes our mind is either H&M or Zara. Being the fast-fashion clothing & accessories for men, children, women and teenagers, H&M became the second-largest global clothing retailer after Zara.

In general, H&M and Zara have different capacity management strategies. H&M has buffer inventories for 80% of its products & manages capacity constraints by creating collaborative partnerships & introducing new technologies. However, Zara only operates with actual demand and manages the uncertainty with demand capacity planning system, which ensures their flexibility and cost efficiency. Both strategies bring competitive advantage but have different levels of performance giving way in terms of speed and flexibility to Zara's approach as H&M lead-times twice as much as Zara's.

Zara's approach is certainly untraditional and has served it well. Supply Chain leaders should assess whether specific aspects are as suitable to their business as to Zara. With the growing pressure for more agile, stable and sustainable Supply Chains, Zara certainly offers interesting lessons to consider. How organizations work with their supply chain and manage supplier relationships is going to be key to getting businesses back to growth in the post- pandemic world. Zara's success can be attributed to her mastery of the fast-fashion game. Fast fashion, however, is proving to be a double-edged sword as environmental and ethical issues mount.

Speaking of H&M, they should make changes from low to higher entry strategies during they make investment. Internalization of entry mode able to aware those from risk, commitment from those resources, evolve with the international knowledge accumulation on investment location. Last but not least, image of a company is very important for every company. This is because it will affect their expansion in the future and communication within those brokers. Till now, H&M image is still in every people mind because it is quite strong enough. Everyone also think that H&M is a type of Fashion Company. So, a great image of a company will really will bring confident to those buyers.

RECOMMENDATIONS

There is no doubt that Zara as well as H&M have certainly been successful in establishing itself as leading global retailers. However, there are still certain areas in which the companiescan improve and make the brand formidable against any changes in the business environment.

- Zara's focus on Spain as its centralised distribution centre has many advantages in terms of rapidly responding to market demand. However, if Inditex wishes to pursue its strategy of focusing on Asia or the US as a geographical area for growth, being solely located in Spain might prove to be a disadvantage in terms of managing their supply-chain. Furthermore, as Asia is growing to be its biggest supplier of fashion products after Europe part of the stock actually travels the distance Asia-Europe twice.
- Zara also needs to diversity its stock geographically to a greater extent so thatshopper traffic is increased and cannibalization of its other stores does not occur. Even though Zara's business model is not the most cost-effective model possible in the global fashion apparel industry, a change of it is not recommended as it would impede other competitive advantages. Instead, it would be recommended to invest in constant innovation of its production techniques to make them more cost effective. Zara should also be wary of its competitors springing into the market and their strategy.
- Unique approach of advertising and marketing within the business model of Zara adds an additional factor to their success. A 0.3% of total income is spent on marketing and advertising. This amount is significantly less than the competitors of Zara who are spending 3-4% of their total revenues on advertising and marketing. In this age of communication and technology it is very hard to run a business without marketing and interaction with existing or potential customers. At the moment Zara ismore focusing on the development of its stores on the prime locations on the high streets which is also a good strategy but it cannot be replaced with a well-organized professional marketing campaign which can bring thousands of customers to the storein days.

Speaking about H&M, the following improvements could be further made by them in order to expand their business and boost their sales.

- While introducing new products to the market they should initially lower the price than the competitors for gaining market share.
- Selling products on social media will enable the company to achieve more salesbecause social media has become a part and parcel of daily life all over the world. Online shop and social media pages should be linked to provide users with an easy navigation
- H&M should sell its products to large retailers with a large customer base to increase the sale of its products
- Various digital marketing techniques, social media advertisements, promotionalevents, etc. should be done continuously for spreading brand awareness among people.

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ANNEXURE

- Questionnaire

- Name

- Age group
    - Below 18
    - 18-30
    - 30-50
    - Above 50
- Gender
    - Male
    - Female
    - Prefer not to say

What is you preferred mode of shopping?

- Online
- Via an app
- In store

Have you heard about the brands Zara and H&M?

- Yes
- No
- Only Zara
- Only H&M

Have you ever purchased from Zara? If yes, how much did you spend?

- 0-5,000
- 5,000-20,000
- 20,000-50,000
- Above 50,000
- Not purchased from Zara yet

- How often do you visit Zara store?
  - 1-3 times a year
  - 4-7 times a year
  - 8-12 times a year
  - 2-4 times a month
  - Haven't visited yet

- Most purchased item from Zara?
  - Men's clothing
  - Women's clothing
  - Accessories
  - Perfumes
  - Bags
  - Footwear
  - None
- From where did you get to know about Zara?
- Friends & Family
  - Social Media
  - Newspapers or Magazines

- How do you perceive Zara's products?
    - Fashion forward
    - Not fashionable
    - Expensive
    - Value for Money
    - Low quality & cheap
    - High quality
    - Hyped
- Why do you choose Zara?
    - Design
    - Quality
    - Brand
    - Service
    - Price
    - I don't choose Zara

- Is Zara your primary choice while shopping?
    - Yes
    - No
    - Maybe

- How would you rate Zara as a brand?
    - 1 being unsatisfactory
    - 2 being under average
    - 3 being average
    - 4 being good

- Have you ever purchased from H&M? If yes, how much did you spend?
    - 0-5,000
    - 5,000-20,000
    - 20,000-50,000
    - Above 50,000
    - Not purchased from H&M yet

- How often do you visit H&M store?
    - 1-3 times a year
    - 4-7 times a year
    - 8-12 times a year
    - 2-4 times a month
    - Haven’t visited yet

- Most purchased item from H&M?
    - Men’s clothing
    - Women’s clothing
    - Accessories
    - Bags
    - Footwear
    - None
    -
- From where did you get to know about H&M?
    - Friends & Family
    - Social Media
    - Newspapers or Magazines

- How do you perceive H&M’s products?
    - Fashion forward
    - Not fashionable
    - Expensive
    - Value for Money
    - Low quality & cheap
    - Basic
    - Hyped

- Why do you choose H&M?
    - Design
    - Quality
    - Brand
    - Service
    - Price
    - I don’t choose H&M

- Is H&M your primary choice while shopping?
    - Yes
    - No
    - Maybe

- How would you rate H&M as a brand?
    - 1 being unsatisfactory
    - 2 being under average
    - 3 being average
    - 4 being good

- Who do you think is the biggest competitor of ZARA as well as H&M?
    - Forever 21
    - Vero Moda
    - Marks & Spencer
    - GAP
    - ONLY
    - Mango
    - Other