**Zara Customer Relationships Marketing**

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Zara: The Technology Giant of the Fashion World

One global retailer is expanding at a dizzying pace. It's on track for what appears to be world domination of its industry. Having built its own state-of-the art distribution network, the company is leaving the competition in the dust in terms of sales and profits, not to mention speed of inventory management and turnover. Wal-Mart you might think? Dell possibly? Although these two retail giants definitely fit the description, we're talking here about Zara, the flagship specialty chain of Spain-based clothing conglomerate, Inditex.

This dynamic retailer is known for selling stylish designs that ' resemble those of big-name fashion houses, but at moderate prices. "We sell the latest trends at low prices, but our clients value our design, quality, and constant innovation," a company spokesman said. "That gives us the advantage even in highly competitive, developed markets, including Britain." More interesting is the way that Zara achieves its mission.

FAST-FASHION—THE NEWEST WAVE

A handful of European specialty clothing retailers are taking the fashion world by storm with a business model that has come to be known as "fast-fashion." In short, these companies can recognize and respond to fashion trends very quickly, create products that mirror the trends, and get those products onto shelves much faster and more frequently than the industry norm. Fast-fashion retailers include Sweden's Hennes & Mauritz (H&M), Britain's Top Shop, Spain's Mango, and the Netherland's Mexx. Although all of these companies are successfully employing the fast-fashion concept, Zara leads the pack on virtually every level.

For example, "fast" at Zara means that it can take a product from concept through design, manufacturing, and store-shelf placement in as little as two weeks, much quicker than any of its fast-fashion competitors. For more mainstream clothing chains, the process takes months.

This gives Zara the advantage of virtually copying fashions from the pages of Vogue and having them on the streets in dozens of countries before the next issue of the magazine even hits the newsstands! When Spain's Crown Prince Felipe and Letizia Ortiz Rocasolano announced their engagement, the bride-to-be wore a stylish white trouser suit. This raised some eyebrows, given that it violated royal protocol. But European women loved it and within a few weeks, hundreds of them were wearing a nearly identical outfit they had purchased from Zara.

But Zara is more than just fast. It's also prolific. In a typical year, Zara launches about 11,000 new items. Compare that to the 2,000 to 4,000 items introduced by both H&M and Gap. In the fashion world, this difference is huge. Zara stores receive new merchandise two to three times each week, whereas most clothing retailers get large shipments on a seasonal basis, four to six times per year.

As part of its strategy to introduce more new items with greater frequency, Zara also produces items in smaller batches. Thus, it assumes less risk if an item doesn't sell well. But smaller batches also mean exclusivity, a unique benefit from a mass market retailer that draws young fashionistas through Zara's doors like a magnet. When items sell out, they are not restocked with another shipment. Instead, the next Zara shipment contains something new, something different. Popular items can appear and disappear within a week. Consumers know that if they like something, they have to buy it or miss out. Customers are enticed to check out store stock more often, leading to very high levels of repeat patronage. But it also means that Zara doesn't have to follow the industry pattern of marking products down as the season progresses. Thus, Zara reaps the benefit of prices that average much closer to the list price.

THE VERTICAL SECRET TO ZARA'S SUCCESS

Just how does Zara achieve such mind-blowing responsiveness? The answer lies in. its distribution system. In 1975, Amancio Ortega opened the first Zara store in Spain's remote northwest town of La Coruna, home to Zara's headquarters. Having already worked in the textile industry for two decades, his experience led him to design a system in which he could control every aspect of the supply chain, from design and production to distribution and retailing. He knew, for example, that in the textile business, the biggest mark-ups were made by wholesalers and retailers. He was determined to maintain control over these activities.

Ortega's original philosophy forms the heart of Zara's unique, rapid-fire supply chain today. But it's Zara's high-tech information system that has taken vertical integration in the company to an unprecedented level. According to CEO Pablo Isla, "Our information system is absolutely avant-guard. It's what links the shop to our designers and our distribution system."

Zara's vertically integrated system makes the starting point of a product concept hard to nail down. At Zara's headquarters, creative teams of more than 300 professionals carry out the design process. But they act on information fed to them from the stores. This goes far beyond typical point-of-sales data. Store managers act as trend spotters. Every day they report hot fads to headquarters, enabling popular lines to be tweaked and slow movers to be whisked away within hours. If customers are asking for a rounded neck on a vest rather than a V neck, such an item can be in stores in seven to ten days. This process would take traditional retailers months.

Managers also consult a personal digital assistant every evening to check what new designs are available and place their orders according to what they think will sell best to their customers. Thus, store managers help shape designs by ensuring that the creative teams have real-time information based on the observed tastes of actual consumers. Mr. Ortega refers to this as the democratization of fashion.

When it comes to sourcing, Zara's supply chain is unique as well. Current conventional wisdom calls for manufacturers in all industries to outsource their goods globally to the cheapest provider. Thus, most of Zara's competitors contract manufacturing out to low-wage countries, notably Asia. But Zara makes 40 percent of its own fabrics and produces more than half of its own clothes, rather than relying on a hodgepodge of slow-moving suppliers. Even things that are farmed out are done locally in order to maximize time efficiency. Nearly all Zara clothes for its stores worldwide are produced in its remote northeast corner of Spain.

As it completes designs, Zara cuts fabric in-house. It then sends the designs to one of several hundred local co-operatives for sewing, minimizing the time for raw material distribution. When items return to Zara's facilities, they are ironed by an assembly line of workers who specialize in a specific task (lapels, shoulders, and so on). Clothing items are wrapped in plastic and transported on conveyor belts to a group of giant warehouses.

Zara's warehouses are a vision of modern automation as swift and efficient as any automotive or consumer electronics plant. Human labor is a rare sight in these cavernous buildings. Customized machines patterned after the equipment used by overnight parcel services process up to 80,000 items an hour. The computerized system sorts, packs, labels, and allocates clothing items to every one of Zara's 1,495 stores. For stores within a 24-hour drive, Zara delivers goods by truck, whereas it ships merchandise via cargo jet to stores farther away.