

Zara: Responsive, High Speed, Affordable Fashion

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Abstract:

In 1975, the first Zara store was opened in La Coruna, in Northwest Spain. By 2005, Zara's 723 stores had a selling area of 811,100 m² and occupied privileged locations of major cities in 56 countries. With sales of 3.8 billion euros in financial year 2004, Zara had become Spain's best-known fashion brand and the flagship brand of 5.7 billion euros holding group Inditex. Inditex's stock market listing in 2001 had turned Amancio Ortega, its founder and a self-made man, into the world's 23rd richest man, with a personal fortune that Forbes magazine estimated at US\$12.6 billion. Zara strived to deliver fashion apparel, often knock-offs of famous designers, at reasonable costs to young, fashion-conscious city-dwellers. Zara used in-house designers to present new items of clothing to customers twice a week, in response to sales and fashion trends. Thus the merchandise of any particular store was fresh and limited. To produce at such short notice required that Zara maintain a vertically integrated supply chain that distributed the clothes through a single state-of-the-art distribution centre. Unlike its competitors, 70-80% of Zara garments were manufactured in Europe. In 2005, Pablo Isla was appointed the new Inditex Chief Executive. With plans to double the number of its stores by 2009, the rapid pace of growth was necessitating changes. First, Zara had opened a second distribution centre to increase capacity. Second, expanding into more distant markets meant that the number of items carried had increased to 12,000. Would Zara's business model be able to scale up? Or would the resulting complexity compromise its speed advantage? Would Pablo Isla be able to maintain the focus that Zara had established?

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