THAS THE ZARA BUSINESS MODEL RUN IT’S CAUSE?
Zara Business Model & Understanding Zara Business Strategy

When Zara ‘hit’ the High Street in the 80/90s and then exploded in the 2000s it was seen as a revolutionary business model but has it now run its course?

The following article does not reflect my personal views but I include them as a context for my question.

There is no doubt that Zara have been successful and certainly they have executed their strategy brilliantly. However was their strategy ever good for the world and environment? It was clearly good for Zara shareholders!

As we face a potential environment and climate crisis has the Zara model run its course?

I have always believed that a positive vision is critical to future success, however it is also important that values are key to qualifying the ‘morality’ of the vision.

About Zara, Founders and Facts

Zara is strongly pronounced by every one. Well this is what seems to be a rage these days in the up-market society of Mumbai. That leads one to wonder how Zara’s business model compares that of traditional retailers of fashion accessories and thus this post and I must say this is one of the finest business models I have seen recently for a completely offline company and yeah I was bored of writing about stupid internet business model examples.

Business model of Zara is impeccable in terms of design to outlet efficiency which leads to their immense cost savings and Zara’s business strategy in terms of positioning themselves as a premium brand is also helping them gain significant traction within the middle class mall buyers of the country. Let’s see business model of Zara in detail.

Zara Founders, Owners:
Zara is a Spanish clothing and accessories retailer based in Arteixo, Spain. The company was founded in 1975 by Amancio Ortega and Rosalía Mera. It is owned by the Inditex group, which incidentally is one of the world's largest fashion retailer. Inditex also owns smaller brands such as Massimo Dutti, Pull and Bear, Bershka, Stradivarius, Oysho, Zara Home, and Uterqüe. Zara contributes to 90% of the company's revenues (2016). Funny story about the founder is, because of the fluctuation in the stock markets, he became the richest man on the planet for couple of minutes and then was back at number 2. His net worth as of 2016 is approx $75 Billion.

Zara's Business Model is one of the finest the fashion retail industry has ever seen. When majority of the large retailers like GAP and are struggling in many operational capacities, business model of Zara is giving them handsome returns in the form of 20% yoy growth in majority of the segments (Store vs Store, QoQ etc).
Before knowing the exact business model of Zara, we must know one thing from the fashion industry i.e. FAST FASHION (similar to FMCG – Fast Moving Consumer Goods).

Fast Fashion & Zara Business Model
Fast Fashion – Similar to FMCG – this fashion comes and goes. Primarily targeted towards YA crowd to MA crowd i.e. Young Adults and MA – Middle Aged, this fashion never goes out of style – it simply goes out of stock.
Basic assumption here is that the girl / lady buying the stock will never wear it more than 6–8 times on an outing. So the quality is in such a way that it withers out within 2–3 months.
One also means that the impulsive nature of the buy transaction is highly impulsive, thereby girls know that what ever I am seeing today may not even be in stock in the next 15 days, so if I like it to the extent of buying it later – I might as well buy it now. BRILLIANT!

Business Model of Zara
H&M, Forever 21, Topshop and Primark are also pioneers of Fast Fashion but there is something about Zara's business model that has catapulted it from zero to TOP and the rest of the fast fashion companies have remained where they are or are dwindling.

Lot of advantages that Zara Business model has. They quickly spot new fashion trends, they always replenish the format of stock requirements which reduces discount wastage on leftover stock and artificially drives demand to the sky, quick churning of the stock which keeps latest coming back for new customers. They are also extremely responsive to factors like the weather, and competitor trends and designs.

Zara business model is factory set up which means their factories push out the newest products to the stores with ZERO customization option and no products are ever made to order.

Zara Business model is a very supply chain-intensive business model. From the first design up to the final production and ultimately distribution to the stores happens all within 7 days.

How does Zara Work

Zara Business Strategy is pretty clear and straight forward. Roll over the inventory at such a fast pace that consumers are actually scared that if they like anything – will it stay till the next visit so that they buy it off immediately on seeing.

They do this in a continuous loop:

1. Fashion spotting newest trends based on fashion, weather etc.
2. Design
3. Produce in Factories
4. Ship to Stores
5. Sell to Consumer & REPEAT

Zara Business Strategy on Production and Supply

Zara's team of designers has about 200 professionals. 12,000 different models for sale in its stores. Some of the factories are owned by the company, and an equally wide range of external vendors help Zara to fabricate a model and to have it ready for sale worldwide within approximately one week.

Zara Business Strategy on Positioning

- Zara Business Model spends NEAR ZERO on DIGITAL ADVERTISING. They rely on viral spread of designs.
- Zara Business Strategy of Fast Fashion
- Zara has a global trend spotter feedback system to quickly alter and improve clothing lines and produce new designs within a week.

Zara Business Strategy of Supply Chain

Zara focuses on fast fashion items being produced close to Spain to reduce turnaround time, while outsourcing longer shelf-life products.

Zara Business Strategy of Store Fronts

Zara places stores in high footfall premium locations, often near luxury brands, even at higher cost.