

## Success Stories: Ideas for Potential Players

Wholesale / Retail

# ZARA

Sales / Services

## ZARA JAPAN CORPORATION

### *Armed with a Fast Marketing Response*



*The ZARA Store on Ginza Marronnier St.*

The Spanish Inditex Group is Europe's largest apparel corporation, boasting over 4,200 stores in 73 countries and consolidated sales of more than 9.4 billion euro. The Group has eight brands, of which Zara is the star, with more than 1,500 retail outlets worldwide, accounting for the bulk of the group's sales.

Zara entered the Japanese market in 1997, entering into a joint venture with Japan's BIGI Group to establish Zara Japan. Zara's basic policies are the same the world over. Stores

are located in prestigious areas of a city, the interiors and exteriors are harmonious with their surroundings, and a high priority is placed on maintenance. The first Japanese outlet opened in Tokyo's Shibuya area in 1998.

Rarely using advertising, a novelty in the fashion industry, Zara steadily established a network of stores that includes outlets in Yokohama, Kyoto, Nagoya, Sapporo, Fukuoka, Osaka, Hiroshima, Sendai, Kawasaki, Kawaguchi, Chiba, Kanazawa, Utsunomiya, Kobe, Matsuyama, Takamatsu, and Shizuoka.

Jesús Echevarría, Chief Communications Officer (CCO), Inditex, S.A., says "Japan and Japanese customers have one of the highest knowledge and sensibility for

fashion. No one related to the fashion movement can develop their business without being in contact to the Japanese market. That is why Inditex began its commercial operations in Japan in 1998 with the opening of the first Zara store in Tokyo. Since that moment, Zara's commercial activity in Japan was extended to the main Tokyo's shopping districts and, progressively, to the main cities of the country. At the time Inditex started operations in Japan, our company already had a wide international presence which proves that there are not

- 1997 Zara Japan is formed as a joint venture of Inditex Group, Europe's largest global apparel manufacturer, headquartered in Spain, and Japan's BIGI GROUP.
- 1998 The first Zara shop opens in Shibuya.
- 2005 In December, 100% ownership is transferred to Inditex.
- 2009 As of March 19, Zara operates 28 retail outlets nationwide: Sapporo Parco, Sendai, Natori, Tokyo (Shibuya, Harajuku, Roppongi Hills, Ginza, Shinjuku, Ikebukuro, Venus Fort, Tachikawa Isetan, Musashi Murayama, Kichijoji), Yokohama (Queens East, Yokohama Motomachi, LaLaport Yokohama, Kohoku Tokyu), Lazona Kawasaki, Kawaguchi, Nagareyama, Kanazawa, Osaka (Umeda, Shinsaibashi), Nagoya, Kyoto, Hiroshima, Fukuoka (Canal City, Tenjin Nishidori), Utsunomiya, Kobe, Matsuyama, Takamatsu, and Shizuoka.



*Jesús Echevarría, Chief Communications Officer (CCO), Inditex, S.A.*

ZARA

frontiers for fashion.” Echevarría continues, “For Inditex, Japan is a prime commercial location. It is one of the most competitive markets for retail sector, something that always contributes to company’s know-how and continuous innovation, but it is also one of the most valuable scenarios in the World for the observation of new trends, a key activity for our sector. Currently we operate 41 stores and Japanese market is one of our priorities in the Asia-Pacific region.”

According to Inditex, the Group’s business model is characterized by a highly integrated vertical structure. In contrast to the model that has been adopted by competing international corporations, the Group handles all the processes required in the apparel industry—design, production, logistics, distribution to retail outlets—on its own. This model is based on a desire for structural flexibility and a belief that the customer should come first in every aspect of the company’s operations. The main elements of this vertical structure can be seen in the retail outlets. The stores are designed with an eye for detail, providing a comfortable venue for the customer to encounter fashion. At the same time, it serves as a site for acquiring the information needed to adjust supplies in response to demand. The key to this business model is fulfilling the customers’ wishes as soon as possible. For Inditex, time is the most important element, the element that they consider ahead of costs. Their vertically integrated structure not only makes it possible to shorten the response time but also allows flexibility and keeps the size of inventories to a minimum, thus controlling the significant source of risk in the fashion industry as much as possible.

What makes the collections a success is that Inditex creates opportunities for many people to review the collections, continually incorporates changes in fashion, and offers new designs that respond to customers’ wishes. Making use of the flexibility of its business model, Inditex tries to deliver new products to its stores in as short a time as

possible, responding to changes that occur throughout the season.

The models for each season (more than 30,000 of them last year alone) are developed together by the creative departments of the various brands. The sources of inspiration for the 300 designers (of whom 200 work just for Zara) include not just the trends that control the market but the wishes of customers, based on information gathered at the retail outlets.

The greater part of production takes place at Group-owned plants that perform all the processes, from procurement of cloth to marking, cutting, and finishing. Most of the sewing is subcontracted to specialized sewing plants in the northwestern part of the Iberian Peninsula. The majority of the company’s outside suppliers are in Europe, and in most cases, they receive cloth and the parts and components needed for making clothes from Inditex. Although the actual percentage varies with the season, 63% of production in 2007 took place in Europe, while 35% took place in Asia. Wherever they are manufactured, the clothes are collected at each brand’s distribution center and regularly and frequently shipped out to all the stores around the world at the same time. It takes less than 4 days for a shipment to reach Tokyo from the logistics center in La Coruña, and in addition, shipments are sent in exactly the amounts needed twice a week.

Japanese customers account for the highest rate of repeat business among Zara clientele in all countries.

#### Japanese Operation

Established : August 1997  
 Capital : ¥3.5 billion  
 Employees : 1,400 (as of January 2009, includes contract workers and part-time workers)  
 Business : Importation and sales of products from the major Spanish apparel manufacturer Zara  
 Location : Fujiwara Building 6F, Ebisu Nishi 1-10-11, Shibuya-ku, Tokyo 150-0021 Japan  
 URL : <http://www.zara.com>  
 Parent company : Inditex S.A. (Spain; over 80,000 employees)