

Chapter 5

Managing and Influencing Consumer Behavior to Become a Worldwide Leader in the Apparel Industry

Eric Viardot

Escuela de Alta Dirección y Administración, Spain

ABSTRACT

This chapter details the various strategies used by Zara, a leading apparel company, to manage and influence the behavior of its customers. The chapter starts with a brief history of Zara and an overview of the apparel industry. Then it details how Zara delivers realistic and achievable fashion for its customers, and it analyzes the revolutionary concept of “fresh” fashion that Zara has been the first to implement in the fashion business. Next, the chapter provides an in-depth analysis of the pivotal role of the store and the employees in the marketing strategy of Zara for managing and influencing its customers’ purchasing behavior. Afterwards, the chapter considers the unique advertising and branding strategy of Zara and the influence of its strong and powerful brand on the fashion consumers. Finally, the chapter reflects on the challenges that Zara is currently facing with its expansion strategy in the Chinese market and on the Internet where consumers may have different expectations and behaviors.

INTRODUCTION

In 2013, the Spanish group Inditex has managed to be once again the unconditional worldwide leader in the apparel industry for the sixth year in a row. This is quite spectacular in the fashion business, known to be as versatile as its customers and where it is difficult to stay as the top for a long time. The revenue growth was quite spectacular up to

27% compared to the previous year. Furthermore, Zara, the flagship brand of Inditex, has achieved for the first time to become the most valuable apparel brand worldwide, ahead of Nike, H&M, and Ralph Lauren, in the 2013 ranking of global top brands by Millward Brown.

This achievement is the result of a meticulous strategy based on a unique way to manage and influence fashion customers: It relies on a simple

DOI: 10.4018/978-1-4666-6547-7.ch005

but effective concept of offering “fresh and achievable fashion” and the use of the store as the main tool to manage consumer behavior and to build a strong brand.

A BRIEF HISTORY

In 1975, Amancio Ortega opened the first Zara store on a street in downtown La Coruña, Spain. The expansion strategy which turned the small Spanish clothing firm into the undisputed worldwide leader in apparel can be divided into three phases: First came national expansion inside Spain, then international expansion in Europe, the US and Latin America (1988-2003), and finally the global surge in Asia and the rest of the world. There were about 1,750 Zara stores in 80 countries. Zara was also extremely successful in China and an online Zara shop was planned to be launched in the summer of 2012 for the winter season opening in China. As illustrated in Figure 1 the rise of Zara and Inditex has been extraordinary, from 1991 to 2003 Zara sales grew more than 12-fold from €257 million to €3.220 billion. From 2003 to 2008, the company managed to double in size yet again. By August 2008, sales edged ahead of Gap, making Inditex the world’s largest fashion retailer and Zara the leading brand worldwide in the apparel industry.

From 1991 to 2011, the compound average growth rate was about 18.5%, meaning that Zara had managed to double its size almost every 4 years! This commercial success reflects the importance of growth in the Zara culture. The founder Ortega likes to repeat that “a company that does not grow will die.” Ortega stepped down as CEO in 2011 leaving his seat to Pablo Isla, but he is still very much involved in the company’s strategic decision making. In 2012, Zara sales were still up by 18% but in 2013 they grew only by 2%, a first in the history of the brand, but 2014 was starting good with an increase of 12% year to year in February (Brooke, 2014).

THE COMPETITION

The apparel industry is still very fragmented geographically, but Zara’s main global competitors are H&M, Gap and Benetton.

Hennes & Mauritz AB, also known as H&M, is an apparel and accessories store founded in 1947 in Sweden known for offering the latest fashion trends. H&M is the world’s second biggest-selling clothing retailer and it has proven to be a very aggressive competitor for Zara. H&M specializes in taking advantage of the season’s latest looks inspired by design houses around the world and offering women, men, and children contemporary clothing styles at low prices. Targeting the 18- to 34-year-old market, the company manufactures affordable, stylish clothing. H&M operates more than 2,500 stores in 43 countries, with more than 200 stores in the U.S. Its brand has strong recognition worldwide.

Gap built its iconic casual brand on basics for men, women, and children. It first started offering jeans, khakis, and T-shirts and had become the standard fashion in the U.S in the 1990’s from hip teens to suburban moms to Sharon Stone, who wore a Gap turtleneck to the Oscars in 1995. The group expanded with the urban chic chain *Banana Republic* and chic at a discount *Old Navy*. The diversification was initially successful but things went wrong in the mid 2000’s as the brands went too deep in their concept and frustrated customers who switched to fresher competitors.

Gap experienced a drop in revenues and market share as well as financial losses. Since then, it seems that Gap has struggled to recapture customers who had abandoned it though it has had some hit products such as the Perfect Black Trousers in 2010 or the special collections in collaboration with *Stella McCartney*. In 2011, Gap operated about 3,200 stores worldwide. It has sold over 150 stores in the US because of the competition of specialty retailers such as *Abercrombie & Fitch* and low price fashion specialists like H&M and Zara.

19 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/managing-and-influencing-consumer-behavior-to-become-a-worldwide-leader-in-the-apparel-industry/121955

Related Content

The Role of Responsive Leadership in Meeting Customer Needs During Crises: A Case Study on a Higher Education Institution in the UAE

Hamdy Ahmed Abdelaziz and Mohammed Abdelraouf Elsheikh (2022). *International Journal of Customer Relationship Marketing and Management* (pp. 1-18).

www.irma-international.org/article/the-role-of-responsive-leadership-in-meeting-customer-needs-during-crises/289207

Effectiveness of Customer Relationship Management Program in Insurance Companies: An Indian Exploration

Vikas Gautam (2011). *International Journal of Customer Relationship Marketing and Management* (pp. 42-56).

www.irma-international.org/article/effectiveness-customer-relationship-management-program/56123

Electronic Word of Mouth (eWOM) and Makeup Purchase Intention Among Gen-Z Females: The Serial Mediating Effect of Brand Image and Brand Integrity

Sheena Lovia Boateng (2021). *International Journal of Customer Relationship Marketing and Management* (pp. 17-35).

www.irma-international.org/article/electronic-word-of-mouth-ewom-and-makeup-purchase-intention-among-gen-z-females/275229

Cybermedicine, Telemedicine, and Data Protection in the United States

Karin Mika (2009). *Online Consumer Protection: Theories of Human Relativism* (pp. 347-369).

www.irma-international.org/chapter/cybermedicine-telemedicine-data-protection-united/27745

The Factors Driving Continuance Online Shopping in Saudi Arabia: Regional and Behavioral Differences Among Women

Talal Al-Maghrabi and Charles Dennis (2010). *International Journal of Customer Relationship Marketing and Management* (pp. 11-34).

www.irma-international.org/article/factors-driving-continuance-online-shopping/43547