

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.

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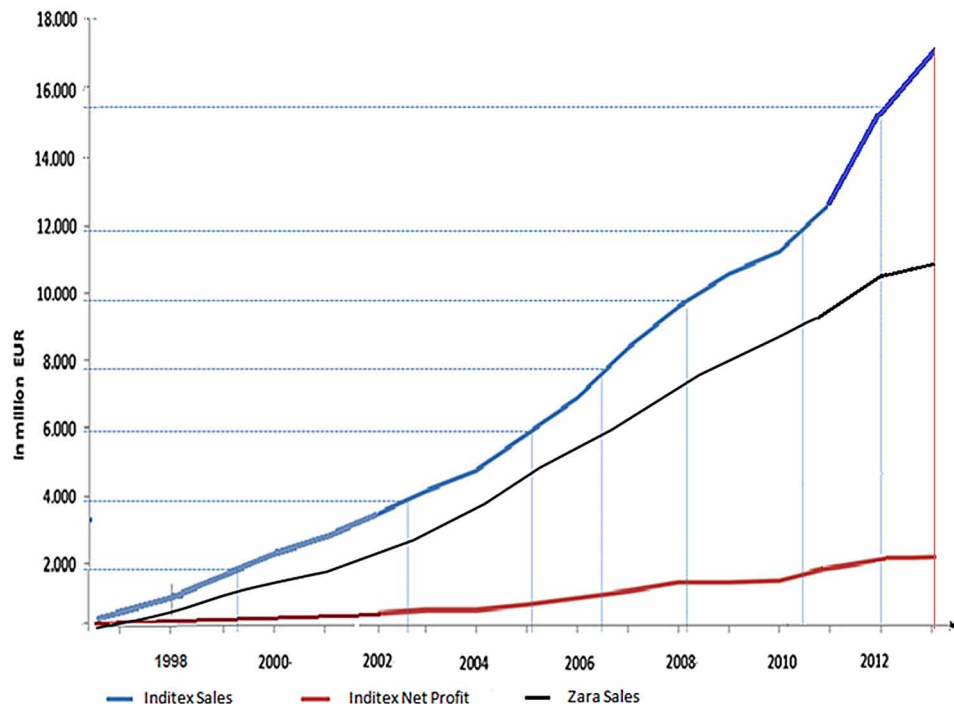
This achievement is the result of a meticulous strategy based on a unique way to manage and influence fashion customers: It relies on a simple but effective concept of offering “fresh and achievable fashion” and the use of the store as the main tool to manage consumer behavior and to build a strong brand.

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

Figure 1. Inditex sales and net income from 1975 to 2013



Source: Inditex annual reports and documents compiled by the author

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