

Zara's Organizational Apparatus

What is the key behind Zara's fast fashion success?

Abstract

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Title of the thesis Zara's Organization Apparatus What is the key behind Zara's fast fashion success?		
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Abstract <p>The purpose of this thesis was to analyse Zara's Organizational Structure. Presenting the advantages that made Zara a successful lean supply chain in the fast fashion sector.</p> <p>The thesis incorporated both experimental and theoretical research into its findings. The results indicated that vertical integration was beneficial because it allows managing multiple stages of an operational process. These phases included product design and development, manufacturing operations, logistics, and distribution channels. Organizational effectiveness began with a consistent sourcing strategy, the application of process modularization principles to product design and raw material purchasing. With the aim of ensuring production flexibility and overall supply chain responsiveness, all of this was seamlessly integrated and coordinated by a centralized infrastructure. Based on the results of the investigations, this thesis was going to give a general understanding of how good management planning, supply chain management, and strategic planning could be crucial to a company's success.</p> <p>The thesis can provide specific analysis on the strengths as well as difficulties for changing consumer behavior after the pandemic and offer appropriate practical solutions. The information and statistics presented in this thesis can provide an overview of the flexible operation to which enterprises and individuals, who specifically are consulting about the fast fashion market and wishing to build a lean production cycle like Zara.</p>		
Keywords Logisticc, Fast Fashion, Zara Operation, Lean Supply Chain.		

Contents

1	Introduction.....	1
1.1	Research Background	1
1.2	Thesis Objectives, Research Questions, and Limitations.....	2
1.3	Theoretical Framework	2
1.4	Research Methodology and Data Collection	3
1.5	Thesis Structure.....	3
2	Strategy	5
2.1	What is the Fast Fashion?	5
2.2	Zara Supply Chain Strategy.....	6
2.3	The strategy of combining technology	8
2.4	Marketing and Communication	11
3	Sustainable Management.....	13
3.1	Product	13
3.2	Employee	14
3.3	Supplier.....	15
3.4	Environment.....	17
3.5	Social Responsibility	18
4	Logistic Model	21
4.1	Design Department.....	21
4.2	Commercial Department.....	22
4.3	Supplier Department.....	22
4.4	Manufacturing	22
4.5	Distribution	24
4.6	Information Flow	25
4.7	Reserve Logistic	27
5	Market Research	28
5.1	Overview of the survey	28
5.2	Data Analysis	28
5.3	Summary of Survey	35
6	Future challenges for Zara's supply chain.....	37
6.1	Increased transportation costs.....	37
6.2	Growing demand in Asia and Australia region.....	37
6.3	Outdated point of sales system	38
6.4	Child labor resources.....	39

7	Conclusion.....	40
7.1	Answer the research question	40
7.2	Validity and Reliability	41
7.3	Suggestion for future market	41
8	Summary	43
	References	44
	Appendices.....	49

Appendix. Zara's Survey Questionnaire

1 Introduction

1.1 Research Background

Before the year 2000, the retailers in the fashion business were required to place orders sufficient for the full season, necessitating significant stocks. This leaves insufficient time to comprehend consumer demand and frequently results in price reductions and end-of-season promotions.(Doeringer et al. 2006, 353-377.) These issues have led to the development of a new supply chain model known as "fast fashion." Europe's apparel sector developed fast fashion in response to shifting consumer preferences. rapidly of young customers that desire to follow the latest trends at an affordable price. Zara has become a world-famous brand despite not being on the list of high-fashion labels such as Hermes, Chanel, Louis Vuitton, or Versace. Zara is a casual fashion company with the capacity to capture the latest trends (The Enterprise World Magazine 2021).

Zara, the main brand of textile giant Inditex, is a Spanish retail chain that contributes to more than 75 percent of Inditex's total sales (Ferdows et al. 2003, 62-66). In as little as four weeks, Zara designers can draw a piece of apparel for men, women, and children and have the finished product on shop shelves. Existing goods can be modified in as little as two weeks. Fast production times assist another crucial Zara strategy: putting more products into stores, thereby providing consumers with a vast selection. It produces over 10,000 units annually, compared to the average of 2,000 to 4,000 units for the industry. (Mhugos 2020.) In the first nine months of 2021, Inditex Group's revenue reached €19.33 billion, representing an annual growth rate of 37%. The net profit for the same time was 2.5 billion euros, a 273% growth from 671 million euros in 2020. (Inditex 2021a.) The company's primary objective is to facilitate the transmission of both quantitative and qualitative data between its clients and its product providing activities. Information transfer is facilitated by Zara's organizational structure, operational processes, operational procedures, and manufacturing architecture (Ferdows et al. 2004a, 104-110). Christian Dior and Prada evening gowns are readily available for less than \$100 at Zara due to the company's first secret: the deft adaptation of haute couture into everyday wear.

This thesis examines the variables that have contributed to Zara's success. It provides an overview of Zara's corporate structure, strategy, and product supply cycle, which are the primary reasons behind the company's fast fashion leadership. In addition, the findings of this thesis will shed light on catch-up patterns that influence customer behavior and future supply chain forecasts. The findings could assist companies in these industries in responding to client demand swiftly and with transparent inventory situations.

1.2 Thesis Objectives, Research Questions, and Limitations

The purpose of this thesis is to analyze Zara's organizational apparatus, business operation, and logistic structure. The thesis will estimate the evolution of the supply chain for the fast fashion sector based on the results of the examination. Then, it will illustrate the connection between customer wants and upstream operations are the key to fast fashion merchants' success. This demands the construction and continuing demonstration of an information infrastructure capable of efficiently transmitting factual and anecdotal information from clients and trendsetters to designers and employees. This thesis is to evaluate Zara's business strategy to provide an overview of the company's organizational structure and supply management system. Moreover, it also shows that a flexible supply chain is a viable business approach that other companies can adopt.

The primary objective of this thesis is to determine the most important aspect of Zara's Organizational Apparatus. Consequently, the most important question to ask is:

- What is the key behind Zara's fast fashion success?

The question is to clearly define the significance of the enterprise's organizational structure and logistic model. When a firm has the objective of closely managing the business and regulating the supply of products, they should begin to pay attention to this matter. Considerations pertaining to strategy analysis, strategy formulation, strategy implementation, and strategy evaluation must be made. Because this thesis is the basis upon which Zara's organizational structure and customer image are built.

Nevertheless, there are severe restrictions. The thesis focuses on assessing the organizational structure of the fast fashion market and companies with a similar customer base. Therefore, the findings cannot be generalized to other sorts of businesses, such as haute couture or designer apparel. It offers just theoretical knowledge to any business that wishes to create a tight management apparatus from manufacturing to consumers. The organization's strategic management should be appropriate in light of its specific circumstances. Despite its flaws, this thesis continues to serve as an instructive example.

1.3 Theoretical Framework

The theoretical framework on which this thesis is based defines that Fast Fashion has adopted different rules of fashion seasons led by designers in favor of designers constantly adapting their designs, according to the needs of the consumer (Crofton 2007, 41-53). Zara used vertically integrated design, "just-in-time " production, delivery, and rapid communication between the customer and the designer to quickly enhance the customer

experience at an affordable price. Zara went against the fashion industry's classic pattern of including seasonal clothing created by renowned designers to complete this fast fashion model.

A supply chain is an illustration of a buyer-driven global chain in which income is generated from various combinations of research, design, promotion, marketing, and valuable financial services. High value allows retailers, branded marketers, and branded manufacturers to act as strategic brokers in connecting overseas factories to the market (Ghemawat et al. 2006, 3).

1.4 Research Methodology and Data Collection

For a scientific thesis, dissertation research methods consist of tools, solutions, methods, tricks, routes, expertise, and technological procedures. The technique should be compatible with the study's goal and objectives. This thesis will employ the analytic-synthetic approach as its primary strategy.

This thesis will employ an analytical-synthetic methodology. This method is implemented by the procedure of first analyzing the situation, then summing up the common aspects and drawing conclusions (The University of Texas 2021). It is going to investigate the specific facets surrounding the rapid fashion strategy, analyzing from the various facets to identify common ground, phenomena to determine the essence, and peculiarities to find common ground. After the analysis, the thesis will synthesize the general, the, and the laws of motion through a second round of searching to grasp the nature of the problem with precision and completeness. persuasively draw conclusions

There are numerous data collection methods in qualitative research. Various studies choose the proper form based on their objectives and the characteristics of their subjects. Text-based data collecting will be utilized for this thesis. This is a method of collecting information from public documentation such as review meetings, media releases, personally written documents such as handwritten notes, diaries, and correspondence, as well as electronic agreements.

1.5 Thesis Structure

Based on the research and learning process, the thesis is divided into seven sections that answer the main research question. The structure of the thesis is mentioned in Figure 1.

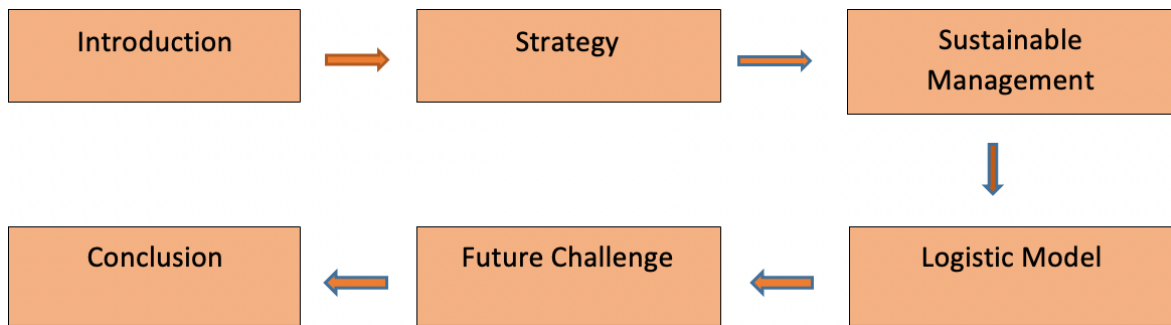


Figure 1 Thesis Structure

The introductory part of the thesis includes general information about the research topic. This section will analyze the research objectives, research methods, types of data collection used in this study as well as the main question for this thesis.

The second part is the strategy of the Zara company. This section will focus on analyzing Zara's fast fashion strategy as well as the company's current situation. Marketing options for this strategy will also be covered.

After analyzing the strategy, Chapter three will discuss Zara's organizational structure. This engine was created in response to the business strategy analyzed in part two. The organizational apparatus from the production stage and employees to the management of issues affecting the environment will also be analyzed in detail.

The fourth part will study Zara's Logistic apparatus. The design of this apparatus was based on the requirements of Zara's corporate strategy and organizational structure. To answer the main question of this thesis, it is important to understand what the logistics of a fast fashion strategy are. The cycle from raw fabric to design, advertising, and distribution to the customer and reverse logistics will be analyzed in detail.

The fifth chapter will analyze the difficulties of the Zara supply chain in the future. This is an important chapter to understand, when thinking about the consequences of emissions from the apparel industry, the increase in transportation costs, the legacy point of sales management systems as well as the workforce. All issues will be clarified in this chapter.

The final chapter summarizes the information of the thesis. This section will provide answers to the main question of the essay, the Validity, and reliability of the essay, and provide a personal opinion about the future of Zara.

2 Strategy

2.1 What is the Fast Fashion?

The phrase "Fast Fashion" is used to describe apparel goods that swiftly adapt to emerging trends. They would be inspired by fashion shows and manufactured and distributed rapidly to stores. (Hayes 2021.) Early in the 1990s, fashion collections are frequently inspired by the designs presented during Fashion Week or dressed by celebrities. In addition, we can only obtain high-end fashion items at premium pricing. Fast fashion retailers such as Forever 21, Gap, H&M, TopShop, and Zara could capitalize on today's ever-changing latest fashion. Figure 2 demonstrates that the quick fashion segment of the apparel industry has broken the traditional fashion pyramid.

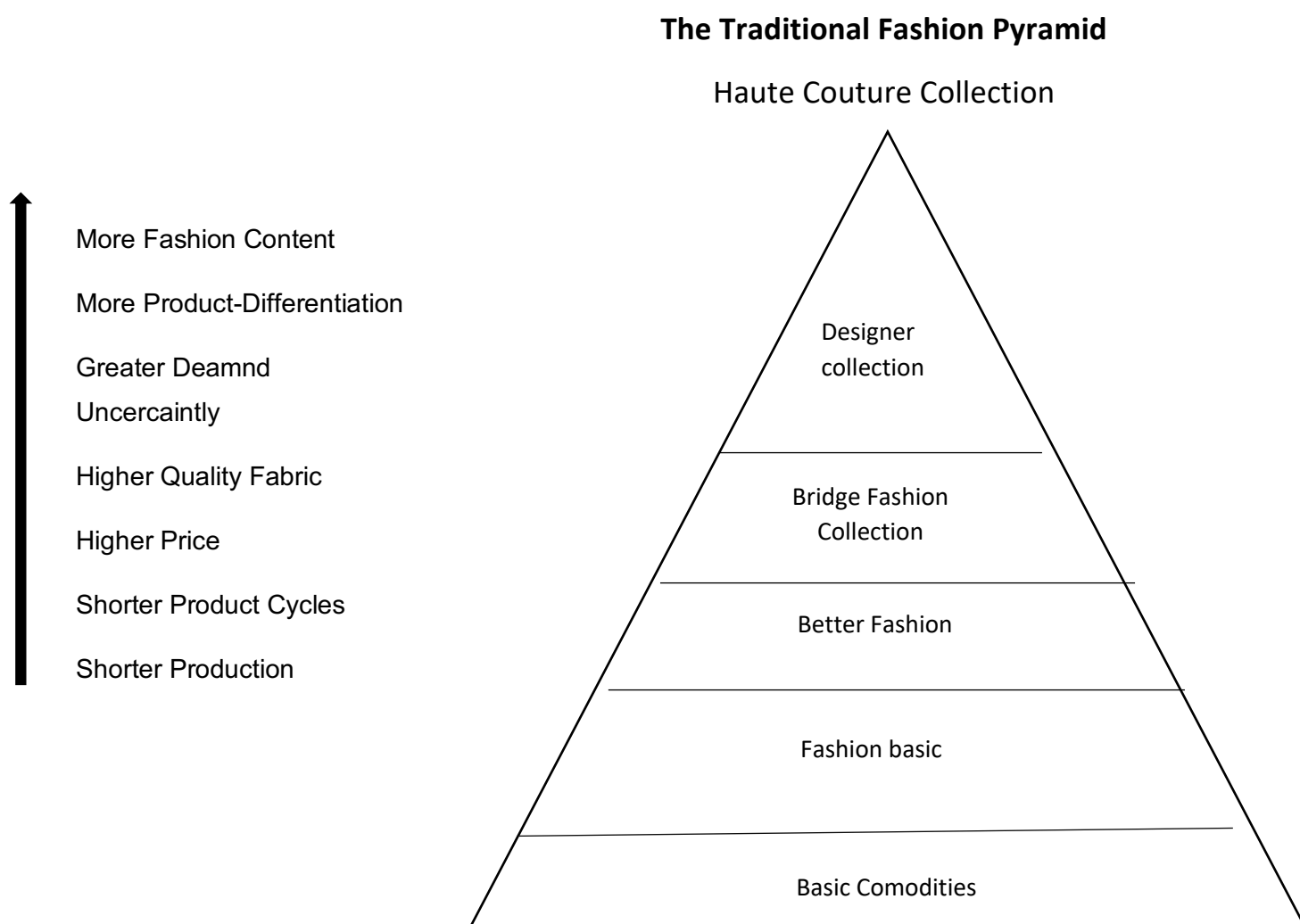


Figure 2 Traditional Fashion Pyramid (Doeringer & Crean 2006)

In the past, before the development of fast fashion, businesses had to make orders that would last them the entire season, which necessitated keeping massive quantities of stock on hand. Fast fashion entrepreneurs deconstruct the fashion pyramid, enabling consumers to acquire more fashion content and product differentiation at reasonable prices. Fast fashion is generally defined by customer requirements, short product periods, and continuous retail production. Moreover, Fast Fashion enables the common customer to get trendy new styles at affordable prices.

Fast fashion became popular due to its low cost and quicker methods of manufacture and distribution, as well as an increase in consumers' desire for new styles. In addition, "fast fashion" refers to clothing that is inexpensive and fashionable, but that transfers quickly from the designer to the retail market in order to keep up with the latest fashion trends, with new collections being released frequently. Retail supply chain management advancements make quick fashion achievable. Fast fashion is "a system of rapid design, production, distribution, and marketing" (Cohen 2011, 12). Agility means being able to change any part of the supply chain at any time to meet the needs of customers every minute of every day.

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2.2 Zara Supply Chain Strategy

In 2004, Ferdows, Lewis, and Machuca wrote an article titled "Quick Accomplishment" in the Harvard Business Review. This report is an interview with Zara's upper management.

The key to Zara's success is its ability to build and maintain an ecosystem that enhances the supply chain as a whole, not just one component. The "independent, rapid" supply chain of Zara is illustrated in image 1.

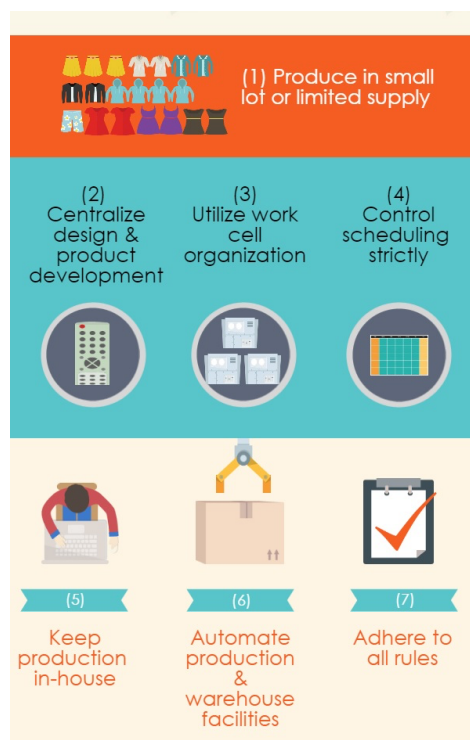


Image 1 Rapid-fire fulfillment (Adapted from Ferdows, Lewis & Machuca 2004, 104-117)

The initial advantage of Zara's supply chain is the minimal production time. Zara's duration to launch a brand-new design on the shelves is approximately 1/3 of the typical time for fashion manufacturers to introduce a new product, which is 6 months. They quickly adapt to the most recent fashion trends and popular consumer items. The extremely responsive, vertically integrated supply chain of Zara permits apparel exports 24 hours a day, 365 days a year, resulting in twice-weekly shipments of new products to stores. Once the product has been designed, it will take around 10 to 15 days to reach the retailer. All apparel is processed at a distribution center in Spain, where fresh items are inspected, sorted, tagged, and placed onto trucks. Clothing items are often supplied to stores within 48 hours. This vertical integration enables Zara to maintain control over processes such as the dyeing of fabrics and the flexibility to process fabrics on demand in order to produce accurate fabrics for new styles based on client preferences. This rapid supply chain has enabled Zara to always have a wide selection of products, launching a large number of new models but in limited quantities. These things are necessary for the business to get the fastest market response, the fastest production turnaround, new customers, less inventory, and the fastest growth in sales.

As a result, Zara cedes little control over its supply chain. Instead of relying on external partners or suppliers, Zara controls its design, warehousing, distribution, and logistics. Moreover, Zara owns practically all of its retail outlets and has a significantly lower manufacturing rate than its competitors. In addition, Zara's design and production processes are housed on a single site adjacent to Inditex's headquarters in La Coruna. The facility has three huge halls: one for women's clothing lines, one for men's clothing lines, and one for children's clothing lines. Instead of utilizing common services, Zara operates these three groups concurrently. All Zara items are sent from its Arteixo or Zaragoza distribution hubs (halfway between Barcelona and Madrid). Each hub ships around fifty percent of Zara's stores, utilizing some of the most advanced and cutting-edge automated methods. Since the majority of garment products are available in 5 to 6 colors and 5 to 7 sizes, Zara's framework includes more than 300,000 new inventory units annually, and each distribution center sends approximately 2,400 units. 5 million in merchandise every week (Ferdows et al. 2004, 104-110). Zara's quick delivery timeframes enable them to supply new things to stores twice each week, a fashion industry record delivery rate (Tokatli 2008, 21-38). In addition, Zara focuses on everything that might boost or reinforce its supply chain's speed and responsiveness. Its primary objective is to facilitate the transfer of both quantitative and qualitative data between its clients and the organizations that offer its products. Organizational architecture, operational processes, operational measures, and even office space at Zara are all intended to ease information sharing. The majority of European retailers will get shipments from Zara within 24 hours, American stores within 48 hours, and Japanese stores within 72 hours. This schedule is strict, therefore shop managers will make purchases at predefined intervals and be aware of the exact arrival date of the goods. A further advantage of maintaining a strong supply chain cycle is the ability to transport minimal inventory (about 10% of sales, compared to 14% to 15% for competitors). (Ferdows et al. 2004, 104-110.) Moreover, due to the low inventory policy, it is not typical for Zara stores to have empty shelves late in the day. In short, Zara's fast supply method has led to a production-to-distribution chain that is streamlined and works well.

2.3 The strategy of combining technology

Digitization is one of Zara's marketing strengths. It has deployed technology in several areas to streamline its operations and generate more revenue. Unlike many other brands, Zara considers customers at its core, focusing on a "co-creation culture" and offering the most suitable collections for each target group. It uses both online and offline channels to find out what buyers like and what outfits are trending in the market. In addition, in order to provide customers with an enjoyable shopping experience, Inditex has implemented several

strategic initiatives to speed up the checkout process, decrease customer wait times, and expand customers' ability to buy, exchange, and return items. Those ways are going to be analyzed in this chapter, namely, personal digital assistants & point of sale and stock keeping units & radio frequency identification.

Personal Digital Assistants and Point of Sale

Personal digital assistants are portable devices that were originally conceived as personal notebooks and are progressively integrating functionality. A standard personal digital assistant consists of an alarm clock, calendar, address book, to-do list, memo pad, and calculator. The data used in Zara's management information system comes from a wide range of sources, including shopping activities, customer experience, logistics, and factory inventory. (Marah 2016.) Zara was able to gather consumer insights on their likes and dislikes by using personal digital assistants. In addition, the archive of personal digital assistants' data will be forwarded daily to The Cube's headquarters. This information is used to improve business processes and anticipate future design trends. Department managers are tasked with using personal digital assistants to place orders and send inventory information to their colleagues whenever new products are received by the store. Zara saves money and time by substituting a personal digital assistant for a fax machine in the order fulfillment process. (Nathan 2017.)

In addition, personal digital assistants are directly linked to point of sales systems. Point of sale refers to the place or time where a sale transaction is completed. The point of sales system is a computer software and hardware terminal used to handle consumer purchases. Sales management software is a set of tools that enables businesses to effectively manage all sales segments, including data entry, inventory management, warehouse management, sales management, order management, customer management, employee management, marketing, and customer service. The point of sales system at Zara stores consists of a variety of components, such as point of sales software, a touch point of sales machine, a receipt printer, and a barcode scanner, all of which work together to facilitate the collection of payments and the creation of invoices for customers. It documents transactions to reflect the amount of cash, merchandise, and models ordered by the customer. When customers place an order or make a purchase, Zara immediately relays that data to the corporate headquarters, where it can be used to track and manage stock levels, popular items, and future needs more efficiently. Multiple point-of-sale terminals are typically set up in a single retail outlet, all with the same overarching goal: to relay all daily sales data from each terminal to the store's primary point of sales terminal. This primary point of sale terminal connects to the end of the quarter via modem in order to transfer aggregate data. As a result,

Inditex is able to swiftly shift to the upstream operations of design, procurement, manufacturing, and distribution, all while continuously keeping track of real-time information on precise inventory status from stores. The achieved level of control permits Zara to determine the rate at which items and data flow.

Stock Keeping Unit and Radio Frequency Identification

In order to provide customers with an enjoyable shopping experience, Inditex has implemented several strategic initiatives to speed up the checkout process, decrease customer wait times, and expand customers' ability to buy, exchange, and return items. First, Inditex installed the radio frequency identification technology in all of its Zara stores in 2016, followed by all of its other brands in 2020. Radio frequency identification is a technology to identify objects by radio waves. Then both devices operate on the same frequency and that frequency commonly used in radio frequency identification technology is 125Khz or 900Mhz. A radio frequency identification device is composed of two main components, a reader device, and a chip-based code generator. In which the reading device is attached with an antenna that receives and transmits electromagnetic waves, and the device that transmits the radio frequency identification code is attached to the object to be identified, each radio frequency identification device contains a certain code so that it does not overlap. Radiofrequency identification technology enables goods to be automatically highlighted and quickly and precisely located, improving product protection as soon as it is installed with security. According to the Inditex Annual Report 2021b, the company is going to launch digital and interactive defensive equipment that is based on radio frequency identification. In addition, this concept not only makes it easier for store employees to mix and match items and show off whole outfits but also gives customers a more appealing and understandable display of the number of products available to them.

Second, the stock keeping unit software compares the total number of orders from each store to the total number of stocks keeping units in the warehouse. The stock keeping unit means a unit that classifies inventory by classifying goods that are similar in shape or function based on a sequence of numbers and/or letters. Or simply commodity code. When a store places an order for a specific stock keeping unit, the application easily distributes available stock to fulfill that demand. When there is a difference between how much is made and how much is used, the app points out the trend and makes business decisions about how to distribute the products.

2.4 Marketing and Communication

Advertising on television or in newspapers is not a priority for Zara. Instead, they direct their funds towards in-store promotions and point-of-sale advertising. This strategy is on full display in the showrooms' dedication to presentation. Their businesses are well-known for having large windows and attractive entrances that encourage visitors to take a glimpse inside. The atmosphere is bright and white, which highlights their items perfectly. In order to sell "luxury but affordable goods," Zara places its stores near more expensive fashion retailers and is always prepared to close underperforming stores and enter new markets. Zara wants to ensure that its flagship stores continue to have a positive reputation among its most devoted customers. Any store manager in Spain is allowed to address the issue directly with their clients. (Kalb 2016.)

In addition, Zara is capable of providing brand and product experiences upon request. In recent years, e-commerce has disrupted the retail industry, and the number of people who purchase online has increased rapidly. Those factors, including controlling and selling fast fashion online, a quick response to every request, and a high rate of returns, might cause Inditex's logistics model to deteriorate if inventory inventories expand (Bjork 2010). By utilizing technology and mobile connectivity, customers can quickly access inventory that is not physically present at their location. By emphasizing the company's key qualities for the consumer, Zara can establish a positive reputation and brand image. Companies such as Zara have invested significantly more in their online stores recently to make the online shopping experience comparable to that of physical stores, thereby attracting consumers' attention and encouraging them to return. Accordingly, the website must be well-organized and as current as possible. We can observe on Zara's website in 2022 that their wallpapers are always updated with seasonal publications. In this instance, Season 2022 is configured for each sector: Woman, Man, and Child. In the "NEW IN" section, we are able to update their most recent products from the last few. Then, when we click on the "Women" section, we see that it has many subsections, such as the type of product we are looking for and some more specific subsections, such as "Trends" current (latest market trends), "Workwear" (great tips for smart work), "Outings" (great tips for special nights), "Products" specials," and some of the most affordable products to mention. The method is simpler and more efficient for people who like to shop online. When selecting a product, you can inspect the product image from any angle, select the desired size and color, and then add the item to the shopping cart. If we have questions about the size, we may consult the manual, which will tell us which size is optimal for us. It is information about the ingredients and care of each product, and consumers who prefer to shop in physical places can determine whether the product is widely available. decide whether to accept it. Besides that, we also can look for shipping

information as well as instructions for exchanging or returning an item. Each product also includes "What to Get" recommendations about how to wear the thing. Zara still offers a mobile application. With the fashion app from Zara, the ordering procedure is streamlined, and users have access to payment and delivery information. This app has a feature that can read barcodes, which is very helpful for shoppers who need to find specific items in a store or online.

Zara invests significantly less in promotional advertising than the average apparel retailer. Zara spends only 0.3% of its revenue on advertising, but its opponents allocate an average of 3.5%. Their marketing plan is to expend everything on retail branches in the city's primary shopping districts (Taplin 2014). To celebrate the opening of a new store, the only advertisement they occasionally run is in local newspapers and fashion publications. "We do not publish images of our clothing in magazines since by the time the advertisements are published, the featured items will no longer be available in stores." Arancino Ortega, Inditex's CEO Zara focuses mostly on store expansion and word of mouth. Zara engages clients and transforms them into brand advocates to spread word of mouth.

3 Sustainable Management

3.1 Product

From their designs to their packaging, all Inditex products are compliant with the most stringent health, safety, and eco - efficiency standards in the industry. That customers will feel more convenience in their purchases if they adhere to these guidelines is a central tenet of the company's manufacturing practices. Zara's current success can be attributed to several factors, but one of the brand's greatest strengths is its dedication to the customer at every stage of the product development process. When it comes to fast fashion, Zara is widely recognized as a forerunner. Zara was ranked number 24 on Interbrand's 2017 list of the best global brands. In a nutshell, Zara prioritizes four qualities: aesthetics, integrity, utility, and durability. Zara's success is driven primarily by the fast and slow changing page trends, which are reflected in the company's collection. It's unusual for name-brand clothing to succeed in retail, but Zara has done so from the get-go because the company solved the problem of balancing carefully considered fashion with an appropriate launch window. It took some time and effort to get this branded product's setup to the level of quality that the asking price necessitates, but it's now up to speed with the latest web design trends. In just a few weeks, they can spot emerging styles from the runway and the streets alike and put them into production. Every week, Zara stores get two deliveries of fresh merchandise, and the company is constantly turning out new designs. Their main concern is discovering and satisfying the needs of their customers. (Mhugos 2020.) Customers are encouraged to frequent Zara locations more frequently because of the consistent flow of new merchandise.

Zara adapts to what its customers want at any given time, while other retailers focus on trying to anticipate their monthly purchasing behavior. Moreover, almost products sold at Zara come in a limited edition. By affecting the amount for a type of designer, Zara creates not only the truth that "not everyone can own the product," but also an "artificial" limited supply. Comparable to the theory that applies to all commodity fashion, luxury fashion, the less accessible it is, the more desirable it becomes. If a particular design doesn't catch on with consumers and generates slight interest, this can help reduce the likelihood that a large number of items will be produced. Products that are no longer usable must be thrown away. Its entire retail assumption depends on the constant production and speedy restocking of new products. In a flash, Zara can transform a fashion trend into a marketable product. In proportion to the number of new products it creates, Zara's rate of innovation is rapid. The "commercial team" at Zara's headquarters consists of nearly 300 people, including designers, store managers, and buyers. About 40,000 new designs are produced each year by this group, from which 11,000 are chosen. This equates to twelve to sixteen collections,

significantly reducing the length of high fashion retailers' fall and spring lines. Even when compared to other fashion brands, Zara introduces a significantly larger number of new products annually. As an illustration, every year, stores like H&M and Gap release between 2,000 and 4,000 brand new products (Tokatli 2008, 21-38).

3.2 Employee

At the end of the year 2021, Inditex had 165 042 employees, with 87% of them working in stores. Women make up roughly 76% of the workers, while men account for just 24%; the average age is 30. Inditex is an organization that actively promotes and practices equality of opportunity. There are employees of more than 90 different nationalities working for the organization, and they have also developed several programs to help people with disabilities find employment and participate fully in the company's activities. (Inditex 2021b.)

The success of Zara can be attributed in part to the company's brand, which provides training and autonomy to employees and store managers. As a result, they put their faith in each employee and appreciate their suggestions. These employees are especially sensitive to the demand of the customers, as well as their appearance when they visit the store. Employees at Zara are trained to recognize and respond to even the most nonverbal signals from customers that may indicate the beginning of a new fashion movement. Mirror reports that employees at Zara have paid close attention to customers not because of stealing or forgetting to return an item, but rather to get a sense of how their feelings about the clothing. In contrast to other traditional fashion brands, Zara alters its merchandise every two weeks when a branch manager sends a request to headquarters. Each store's sales data and an analysis of customer reactions inform these suggestions. Zara understands that in its global retail chain, the quicker the response, the better the chances of successfully delivering the right product at the right time.

Store employees play a crucial role in analyzing customers' requirements, and this training can increase sales, thereby boosting employee compensation. Zara is known for its unique workplace culture as well as its abundance of young professionals. Approximately two-thirds of Zara's management team is inspired by the company's mission, and the company frequently deals with businesses operating on a tight budget. Young people are encouraged to take risks, make an effort to learn, and deploy quickly, which is something that other brands do not take kindly to. The firm believes that there is always room for improvement which has propelled Inditex to the heights of success today. They stare at challenges as opportunities, with problem-solving as their top priority. Inditex has established an internal training and advancement program to provide employees with opportunities for professional growth and advancement within the organization (Inditex 2021c). They have

developed systems to help them find candidates with the potential and skills necessary for certain open positions. Employees should demonstrate a hunger for knowledge by always seeking out new information. The team works diligently to be able to provide work-life balance facilities, such as making it easier for pregnant women to return to work.

In a nutshell, the success of Zara's customer-centric culture can be attributed in huge share to the company's dedicated staff. Staff members are given flexibility in the organization's management and are taking responsibility for its success through the establishment of transparent cost, profit, expansion targets, and the provision of appropriate rewards.

3.3 Supplier

Zara's design headquarters are located in Spain, and it maintains close ties with offices and purchasing systems worldwide such as Hong Kong, Beijing, and Barcelona. Inditex Asia Ltd and Zara Asia Ltd source fabric for Zara, which are both headquartered in Hong Kong. These two subsidiaries purchase manufactured and fashion materials mainly from Asian vendors (Inditex 2021d). Zara also collaborates with Fibracolor, an Inditex-owned dyestuff manufacturer, and acquires 20% of its output to permit rapid modifications in its printing and dyeing processes.

As stated in their 2021 business strategy, Inditex collaborates with 1790 suppliers in 44 different nations. 59% of the factories Inditex utilizes are located within 100 kilometers of its headquarters in Arteixo (Spain, Portugal, Morocco, and Turkey). These factories are primarily located in Spain, Portugal, Turkey, and Morocco. These nearby manufacturers supply the garment products that belong under the fashion category. Approximately 41% of all factories producing clothing fall into the basic category, and the majority of these are located in either Asia including China, Bangladesh, India, Pakistan, Cambodia, and Vietnam, or South America including Brazil and Argentina (Smith 2022). Spanish factories account for 50% of production, while those in other parts of Europe and Asia particularly China, India, Pakistan, Bangladesh, Cambodia, Vietnam, Turkey, and Morocco, account for the remaining 50%. The dedication of Zara to its suppliers is manifested in the responsible management of the firm's supply chain, to foster growth and assist the company in its objective to alter the industry. In addition, the Workers at Center 2019–2022 strategy for Zara focuses on supply chain workers. Inditex established the "Strategic Plan for Sustainability Supply Chain" with four primary objectives: monitoring, capacity building, continuous improvement, and stakeholder engagement. (Inditex 2020.) The success of Zara's long-term strategy, open communication, and collaboration with key constituencies depends on the company's commitment to the same respect for workers' rights and environmental protections as its

employees. Working with external suppliers, Zara constantly ensures that each product is manufactured with safety for human health and the environment. In order to establish a sustainable manufacturing environment in each region, Zara relies heavily on supplier clusters that account for 97% of production and serve as platforms for cooperation and dialogue. In Figure 3, we will see Zara's supply clusters in 2021.

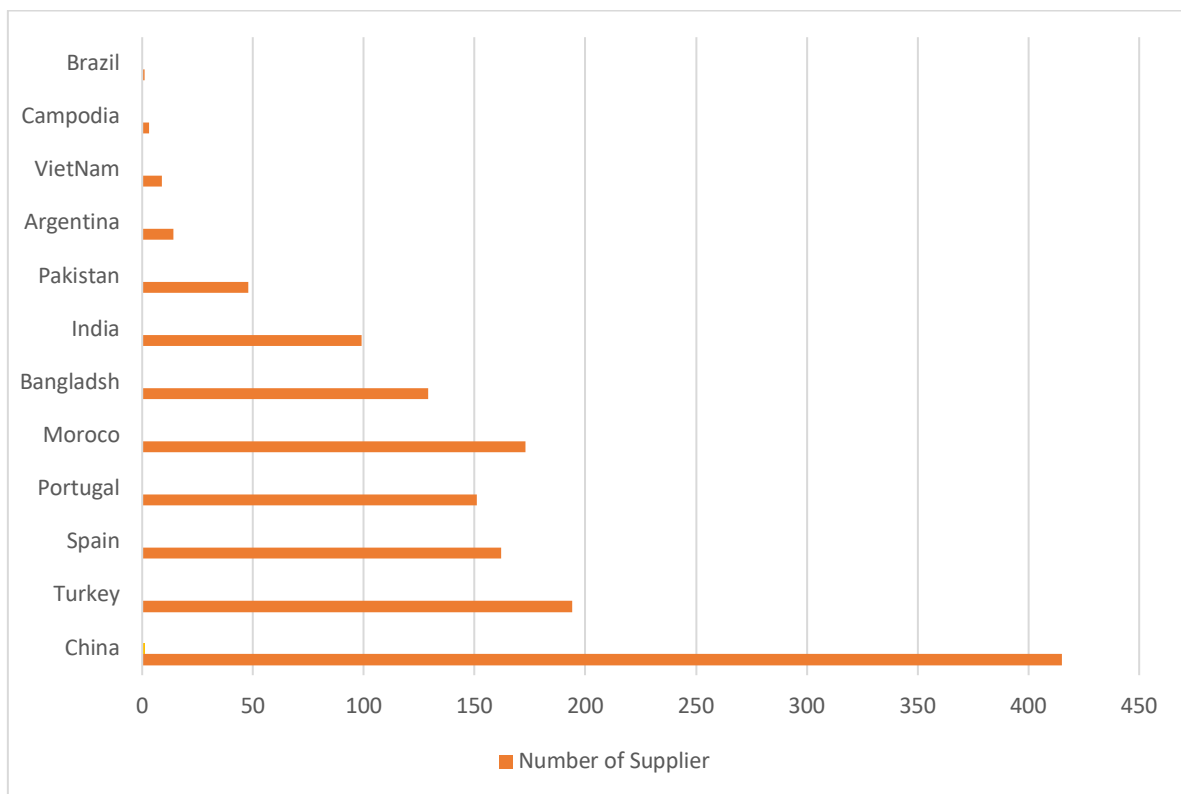


Figure 3 Number of product supplier factories of the Inditex Group in 2021 by country (Smith 2022)

At Inditex, China was the most prolific source of suppliers in 2021, with 415 supplier clusters producing various types of garments and apparel. Additionally, the company has suppliers and factories in Portugal and Turkey, as well as in Spain. A distinctive aspect of Zara's supply chain is that many of the factories producing its goods are situated in markets near the company's headquarters in Aretino, including Spain, Portugal, Morocco, and Turkey. In particular, Turkey is the second largest supplying area, exceeding Spain in terms of the number of suppliers last year, with 189 partners compared to 186 in Spain. With over a hundred local partners, Portugal, Morocco, India, and Bangladesh are the next largest suppliers for the business. After China, India, and Bangladesh have the largest labor forces in the world, with over 275,000 employees in India and over half a million in Bangladesh respectively. Furthermore, out of the 159 suppliers the company works within the Asian market, 99 are based in India, 48 are based in Brazil, and the remaining 10 are based in Vietnam

and Cambodia. There are a combined 15 supplier clusters in Argentina and Brazil in South America.

3.4 Environment

There has been widespread concern about the environmental impact of the fashion industry, with some claiming that it is even more damaging than the emissions of cars (Dottle et al. 2022). Inditex has implemented a global sustainability strategy in response to environmental changes and the excessive consumption of the world's limited natural resources. Inditex has signed the United Nations Global Compact every year since it was created in 2001, demonstrating a consistent dedication to human rights and environmental protection over the course of the past two decades. Inditex is collaborating with scientific experts, leading ecological and social organizations, and distinguished corporate partners to alter the fashion industry and its future once again dramatically. (Inditex 2022a.) Figure 3 will display Inditex's dedication to environmental protection.

Our Main Goals

2022 / 100% of our electricity from renewables

2023 / 100% free of single use plastics for all our customers

2023 / 100% more sustainable cotton (organic, BC, and/or recycled cotton)

2023 / 100% sustainable man-made cellulosic fibres from more sustainable sources

2025 / 100% more sustainable linen and recycled polyester

2040 / Inditex reaches Net Zero Emissions

Figure 4 Inditex Main Goal with Environment (Inditex 2022a)

The Zara company is making strides to adopt an eco-friendlier lifestyle. By 2025, the brand might achieve 100 percent sustainable development in every category. This is the most recent statement from Inditex, Zara's parent company. Inditex Sustainable 2022 states that transitioning to innovative, organic, or recycled raw materials is essential to bringing about industry-wide change, lowering emissions, and increasing the consumption of safe energy and water at Zara. The best designs are always circular. First, 100% organic cotton, linen, recycled polyester, new polyester, and wood-based viscose will be used in all designs. In

addition, Inditex is a pioneer in creating innovative recycled fibers like Infima with the goal of reducing waste and funding research into new recycling methods at MIT, one of the world's foremost research universities (Massachusetts Institute of Technology). They are also financing new businesses, such as the CIRC Company, which has developed a technology that will make it possible to recycle polyester/cotton blend textiles at a commercial scale. Additionally, Inditex's long-term cooperation with the Textile Exchange, the Global Fashion Agenda, and the Ellen MacArthur Foundation contribute to the development of a sustainable society and environmentally friendly materials. In that case, all Zara stores will have renewable energy systems. As a bonus to reducing consumption, absolutely no power is wasted.

Afterward, Inditex had already obliged to reduce carbon emissions throughout the company's supply chain and other operations to achieve Net Zero by 2040. To further improve sustainability, they aim to decrease supply chain water usage by 25% by the year 2025. Additionally, Zara stores will have access to clothing recycling bins. In this showroom, customers can donate their gently used clothing. Zara will gather the old product line and repurpose the materials for new designs. Picture 2 will show a typical recycling bin.



Image 2 Old fashion donation box in Zara stores (Queenanie 2019)

3.5 Social Responsibility

From 2016 to 2021, Inditex has made a substantial contribution to societal growth. They consider it a moral need to provide a hand and take part in social activities. According to an announcement on Inditex's official website, the company invested 40 million euros in community projects in 2016, engaged with 367 non-profit organizations, and participated in 519

social activities that helped more than one million people. Their participation has had three distinct effects on their beneficiaries: connection (those who report some change as a result of the activity), improvement (people who observe an improvement in their lives), and transformation (people that can report an enduring change in their lives). (Inditex 2016.) Figure 4 displays various Inditex investment schemes relating to education, social welfare, and humanitarian aid.



Figure 5 Inditex Achievement for Community 2021(Inditex 2021e)

Moreover, Inditex has strong long-term sustainability commitments. In the past three years, Inditex has collaborated with over 400 Nonprofit organizations, including the United Nations High Commissioner for Refugees (ACNUR), Médecins Sans Frontières (MSF), and Water.org, to handle activities primarily concerning social welfare, education, and relief emergency. Additionally, Inditex collaborates with leading environmental organizations to protect global biodiversity. One example is the LEAF Alliance, a national program that brings together businesses and governments in an effort to raise \$1 billion for tropical and subtropical forests. Inditex has demonstrated its commitment to restoring and protecting natural systems through its renewable agriculture and sustainable sourcing project in India, which spans over 300,000 acres. (Inditex 2022a.) Figure 5 illustrates Inditex's connections to the local community.

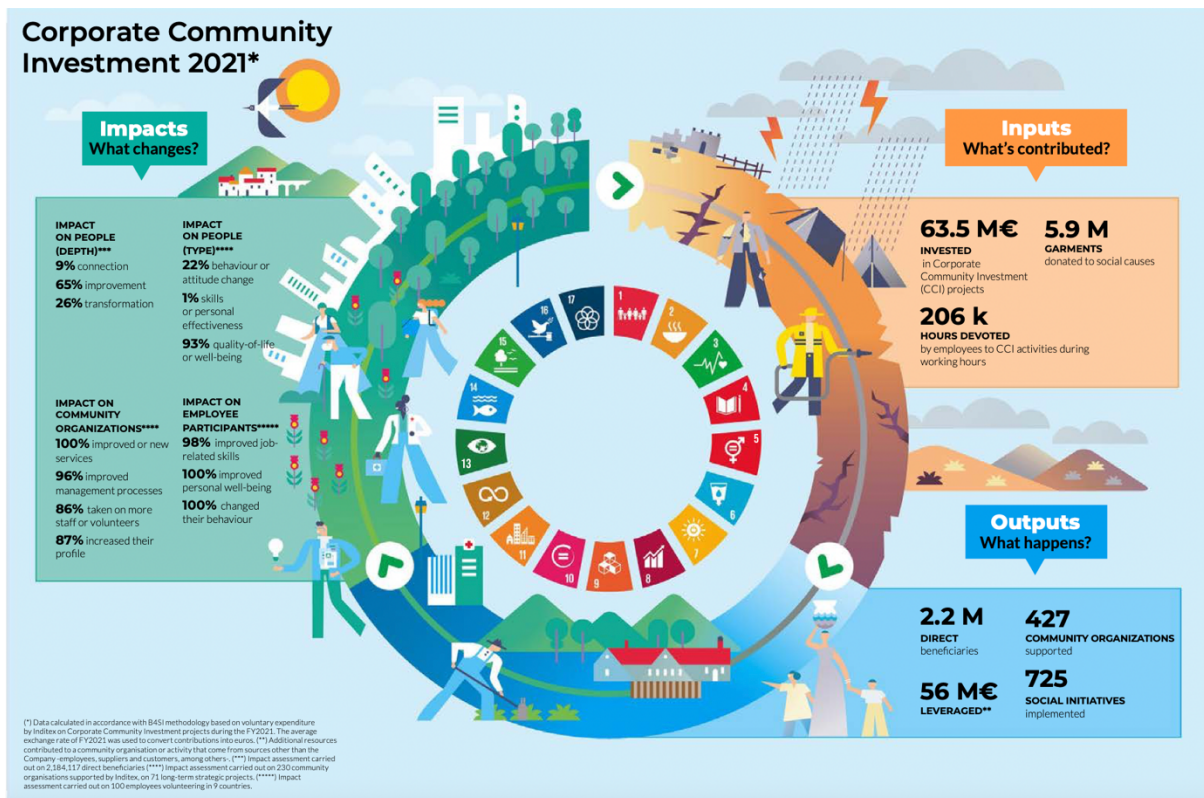


Figure 6 Corporate Community Investment in 2021 (Inditex 2021e)

Inditex offered 725 social projects in 2021, compared to 703 the previous year, to support the MBA Spain Immersion Program and other programs that benefited greatly the School of Management or the Inditex Scholarship. There have been almost 2.2 million participants helped by these programs. Their annual giving to the community has averaged over 63.5 million euros, with a particular emphasis on the Sustainable Development Goals (SDGs) that are most directly relevant to their work. As of the year 2021, Inditex had provided funding to 427 different nonprofits and other community groups. Charity contributions totaled \$439, \$421, and \$413 in 2020. Additionally, in terms of leverage, our social activities in 2021 reached 56 million euros more in resources than they would have without the contributions of third parties such as workers, and consumers.

4 Logistic Model

4.1 Design Department

Although many brands focus on "creating trends," Zara follows them in a flexible and adaptable way. In addition to its designs, the majority of Zara's clothing is based on high-end brands. The designers of Inditex attend fashion displays in fashion capitals. They photograph the models on the runway and forwarded those images to the headquarters. In addition, they analyze fashion publications, explore clubs, and universities, and walk the streets to see what individuals are wearing and anticipate new prospective trends. (Crofton et al. 2007, 41-53) The design staff at Zara is not tasked with creating new products, but rather with recombining existing fashion aspects to generate new products. In other words, they recreate fashion rather than create it.

In terms of product design and development, this is a tough and labor-intensive stage. From the design phase to the showroom, Zara just needs 3 days, whereas other retailers can spend up to fifteen days (Petro 2012). To achieve this speed, there must be tight communication and cooperation among the company's multiple divisions. There are more than 300 workers in product design and development in Spain. Monthly, they should develop 1,000 new designs, with an average of 1-2 samples per individual every week. The entire team is divided annually into three tasks. Firstly, the collection for the following year is designed by a single team based on basic market suggestions. The second task is A selection of variations on the collection that match the season's most current fashion trends. The transformation of the third mission is dependent on the market's supply. (Eggertsen 2019.) The team of designers then works with market specialists, procurement, and production planners at the center of the production process. According to Ferdows et al. in 2005, putting all three groups together promotes the design stage more efficiently, and quicker designers develop and analyze early designs. Moreover, market specialists are in constant contact with store managers to learn what's selling and what's, aiming to debate market prices, procurement, and production planners estimate manufacturing costs. In addition to traditional market studies, Zara analyzes fashion trends through a succession of emails and phone calls from stores. This is the data acquired when the research team observes what teenage people are wearing at universities, discos, streets, amusement parks, etc. One designer from Zara told Business Insider, "We go to the fairs in Paris and Italy, look around, and then choose what is excellent content for us" (Hanbury 2018). Occasionally, when the fashion brands reveal their collection for the upcoming season on the runway, Zara's ability to produce new products quickly means that similar things are already available in its stores before the brand debuts its wares.

4.2 Commercial Department

After the fashion experts determine on the new model's designs, they will present it to the procurement team for final approval before production. Commercial managers are in charge of the finished product. While keeping the store's operations running smoothly, they analyze data on product performance. They push for calculated product moves that boost revenue without compromising the quality of the brand. They contribute their thoughts and suggestions to the design team in order to enhance product choice. Then, they will develop a strategy how to best allocate time and materials for managing floor-wide changes and coordinating between teams. The commercial division can take sales data and turn it into eye-catching window displays. They have a firm grasp of the shop's requirements and if the proposed items are commercially viable, they will be produced after being reviewed by trade managers. The commercial team develops and refines collections throughout time, with each line catering to a different customer demographic namely women, men, and children. They are knowledgeable about the work of today's top designers and fashion houses, so they can interpret the inspirations behind upcoming collections.

4.3 Supplier Department

After the design has been approved by the trade managers, the next step is to bargain with the supplier, establish the purchase price, evaluate the costs, and finally, set the retail price. The quantity made and the date of release are also decided on a national rather than international level. Half of Zara's fabric stock is kept in its "grey" undyed state until after the company receives specific customer order specifications, at which point the fabric is dyed in-house to the desired color (Aftab et al. 2017, 121). As a result of an inaccurate estimation of quantity for fabric necessities, the network will either be unable to supply the required volumes due to capacity constraints or will have costly unused spare capacity. Therefore, purchasing fabric in advance not only enables the apparel production process from the long lead time of fabric manufacturing but also enhances adaptability by allowing them to react to midseason color changes more quickly. Then, within 5 days of an order being placed, the fabric supplier ships the fabric directly to the factory (Mhugos 2020).

4.4 Manufacturing

Suppliers deliver raw materials to Zara's manufacturing center. The majority of Zara's items are manufactured in nations such as Spain, Portugal, Turkey, and Morocco. Zara produces nearly half of its staff at 11 company-owned facilities in Spain, Portugal, and Turkey, particularly in Galicia and the northern regions of Portugal and Turkey, while some competitors

outsource all production in Asia. Zara owns the majority of its production machines, as opposed to outsourcing them as other competitors have done, in order to maintain control over the manufacturing process.

Zara's defining characteristic is that it should always produce fast-fashion models in a very short amount of time; consequently, these needs are highly unexpected and constantly changing. Zara's "just-in-time" or lean business model defies the rules of the fashion supply chain by maintaining low stock and regularly updating its designs. The store managers order new clothing twice a week at specific times, and the new clothing arrives twice a week on time. To achieve this, Zara has a greater manufacturing presence than most retailers. Recruiting workers as far away as in Asia costs only 0.4 Euros per hour, whereas hiring people in the neighborhood of Spain costs approximately 21 times more, approximately 10 Euros per hour. Due to this flexibility, Zara has the ability to determine how much merchandise each branch requires, minimizing inventory, reducing shipping costs, and increasing revenues. The factories of Zara modify the amount of clothing almost precisely based on quantity, allowing them to enhance output at branches with a large volume of purchases and decrease it when customer demand decreases. It is occasionally feasible to halt manufacturing when necessary to cooperate with Zara's supply chain. Within fifteen days, Zara can get new designs, allowing it to adapt to client demand by making more of its most popular items and discontinuing its least popular ones.

One of the distinguishing characteristics of Zara is that Inditex has 11 logistics hubs positioned near the headquarters of each of its eight brands in Spain. Image 3 shows that these 11 Zara-owned plants are located within a 16-kilometer (10-mile) radius and are connected to the distribution center through underground monorail linkages.

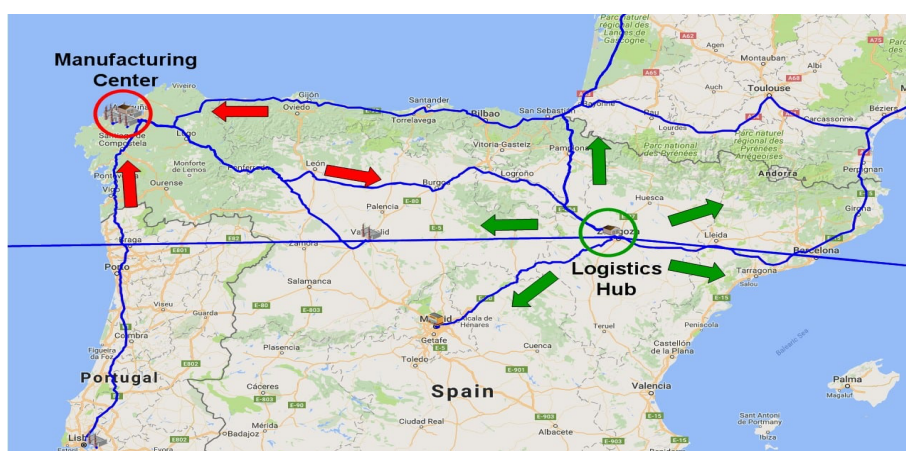


Image 3 Zara Clothing company supply Chain (Adapted from Mhugos 2020)

The eleven manufacturing facilities of Zara are connected via underground tunnels. These high-speed single-track subterranean tunnels (about 211 kilometers of track) are utilized to convey cut fabrics to these plants for dyeing and assembling. A monorail system is utilized by manufacturing plants to return produced goods (approximately 50,000 outfits per week from each factory) to distribution centers for shipment to shops (Butler 2013).

4.5 Distribution

To ensure that its products get to customers as quickly as possible, Zara also invests heavily in the distribution phase. Zara's distribution center, known as "The Cube," is located in Arteixo, Northwest Spain, along with the company's headquarters and 11 production facilities (Caro et al. 2015, 237-264). Underground tunnels with high-speed rails (approximately 200 kilometers or 124 miles of track) connect Zara factories to The Cube in order to carry cut fabrics to factories dyeing and assembling clothing. The monorail system will then transport the finished product back to the Cube for distribution to stores. Zara's distribution and operations resemble a continuous chain and are fully automated via a monorail connection. This 211-kilometer track was designed by Inditex to be buried in the earth and operate at high speeds. It is used to transport the cut fabric to factories for dyeing and assembly, and then back to The Cube after passing through distribution and logistics centers (Butler 2013). Image 4 will illustrate a schematic representation of Zara's entire supply chain.

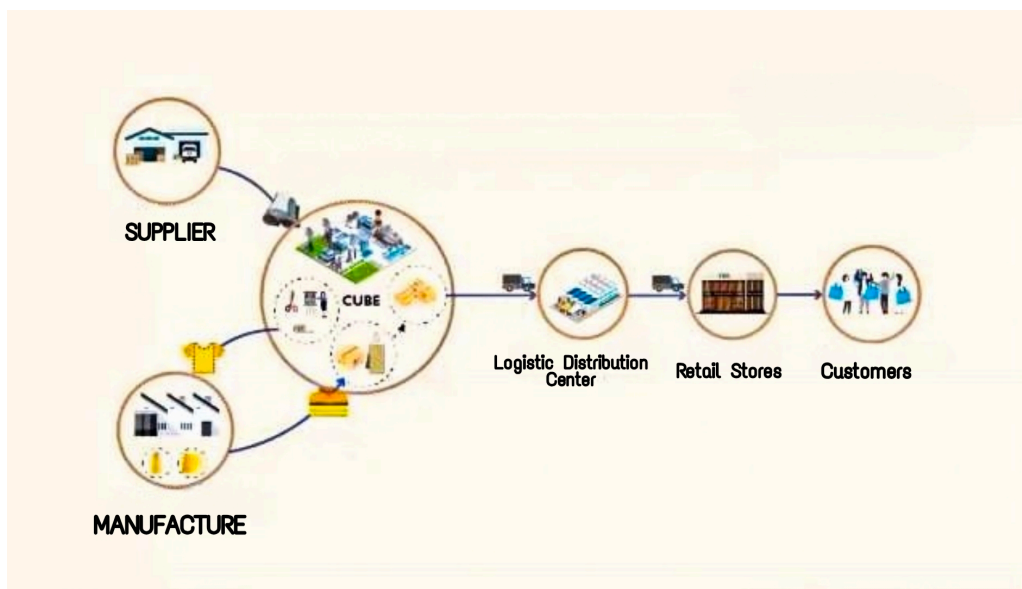


Image 4 Primary Product Process at Zara (Dao 2022)

By connecting their factories, Zara is able to quickly ramp up or slow down production as needed, reducing the need for storage space. Unlike its competitors, Zara doesn't have to

consider much on yearly fashions. They appropriately place smaller wagers on short-term trends. Evidently, for Zara, speed is of the greatest priority, and distance is not measured in kilometers but in time. Twice per week, stores place orders and receive deliveries. Using inventory optimization models as a guide, each retail store receives a customized product selection twice per week, typically within 2-4 days of placing an order, depending on the store location. In comparison, it typically takes Zara's competitors two to four weeks to ship their products from a distribution center to a regional warehouse in each country. Their primary objective is to reduce shipping costs by utilizing inexpensive shipping methods and avoiding duplication of shipping routes. Instead of shipping back to a few centralized distribution centers like Zara, they ship locally-made goods directly to local distribution centers.

In addition to rail transportation, Zara combines folding and hanging garments. Because Zara desires to respond quickly to consumer needs, but it must also be rich in quality and variety. Typically, hanging products are regarded as more advanced. 20%–25% of Zara's products are shipped by air, while the remainder is transported by sea and truck. Approximately 65% of Zara's apparel is shipped folded, while the remaining 35% is shipped hung. (Chu 2005.) The Cube stores clothing for a few hours to three days because the distribution center is not a storage facility but rather a center for moving goods. The objective is to produce and deliver only what stores need at the exact time they need it. Within eight hours of receiving an order from a retail store, the distribution center coordinates the shipment of garments in the exact size and style requested (Chu 2005). After the logistics distribution center has arranged the products, they will be shipped directly to the stores. Two times per week, they are transported by truck to retail stores in Europe and by air to distant markets (Mhugos 2020). Since all items shipped to the store are pre-priced and tagged, store managers can display them without ironing them as soon as they are unloaded from the delivery truck.

Zara also owns ninety percent of its stores, giving it control and the ability to deal with unforeseen problems at any stage of the supply chain as quickly as possible, which is also exceptional. The hyper-responsive supply chain of Zara. Instead of spending money on advertising, businesses will, like Apple, decorate their stores and sell quality products to promote word-of-mouth marketing.

4.6 Information Flow

Supply chain management advancements cannot be ignored. Information flow also contributes to the development of supply chain management's responsiveness. Figure 6

displays the input from the client to the factory, as well as the output from the Cube Control Centre to the factory and store.



Figure 7 Zara's Information Process (Adapted from Dao Phuong Linh 2022)

Zara retains 90% store ownership and controls the retail chain through integrated technology in order to quickly adjust to fluctuating customer demands (Sull et al. 2008, 4-11). Orders and customer feedback are the primary sources of information that guide Zara's decisions. The stores will provide The Cube Center with sales reports and order requests derived from customer information. In addition, Zara uses a personal digital assistant application based on these orders. Zara uses this application to collect customer information. The collected information will be stored on a portable device. All customer information will be transferred to the Cube's headquarters, where designers will create subsequent designs based on the information provided by customers. Zara will then make a purchase order and send a quotation to the supplier at The Cube once all customer orders have been fulfilled. The supplier returns the confirmation form and invoice to Zara if accepted. In the case of unsatisfactory materials, Zara will send the supplier a quality complaint and a request for technical modification. The required materials are shipped to a nearby factory along with the product's specifications, detailed designs, and requirements. After the release of the final product, the factories will send a report along with the final product to the Cube Center. Then, Zara will provide the delivery plan to the logistics distribution center in order to coordinate retail store transportation. In addition, Zara will receive shipment information reports from the logistics center. Zara will send this information to stores for store managers to capture the schedule. For stores, they will sell products and send customers purchase confirmations and invoices.

4.7 Reserve Logistic

In terms of sustainable logistics, the organization of the reverse logistics of returned packages and their return to the commercial circuit plays a crucial role. Zara has made several improvements to their reverse supply chain to become more sustainable.

First, Zara can purchase customers' used or donated clothing at a low price so that they can reuse the materials. This not only increases customer loyalty but also creates a green brand image for the business by maximizing value capture and reusing raw materials. If the fashion industry wants to create a closed loop, it must reconnect consumers with its products' points of production and consumption (Seuring 2013, 1513-1520). Because of the process of recycling, Zara has gained a competitive advantage in the marketplace by lowering its environmental impact and resource consumption. Secondly, for unused products with stamps and invoices and a purchase date of fewer than 30 days, the package will be opened and inspected, and the full value of the product will be recovered. These items are to be ironed, folded, and repackaged. They are then returned to the normal flow of logistics.

5 Market Research

5.1 Overview of the survey

The survey included ten multiple-choice questions, which were answered by 82 participants. Google Forms were used to design the questionnaire. Data was gathered in order to investigate survey participants' experiences with Zara. The responses of various people demonstrate their diverse experiences with Zara in particular and the fast fashion market in general. The results will be divided into four main content parts. The first part consists of questions 1 and question 2 which will draw conclusions regarding Zara's potential customer group, and customer segmentation based on age and gender. The second part consists of questions 3 and question 4, showing conclusions related to customers' habits to better understand how often they go to the store and through what means they know Zara. The third part consisted of questions 5, question 6, and question 7, aimed at assessing brand awareness and commercial performance where customers were asked to answer several questions about in-store characteristics and experiences. Part 4, including questions 8, questions 9, and questions 10, will provide customers' views on product selection, and compare Zara with general stores and with competitors, this will help Zara have a better overview of its product strategy.

The goal of this survey is to evaluate Zara's strategy, and whether it is still successful, market behavior and people's purchasing behavior can be analyzed using this data to make a market assessment. This will allow for future challenges that Zara may face, as well as contribute to the conclusion's answer to the research question. The detail of the questions will be included in an appendix. While the answers were described in both tabular and graphical formats, which were then summarized and analyzed in the following subchapter.

5.2 Data Analysis

- **Part 1: Responses information**

The survey will verify about participants' gender and age in the first two questions. These two questions were asked in order to survey the product consumer market while also determining whether Zara's current business strategies are appropriate for the current market. Figure 7 shows the results of the age question, while figure 8 shows the results of the gender question.

How old are you?

82 câu trả lời

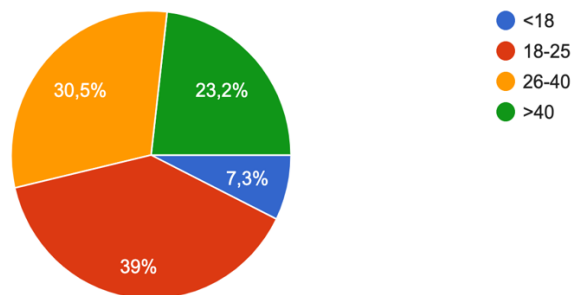


Figure 8 The age of respondents' response

What is your gender?

82 câu trả lời

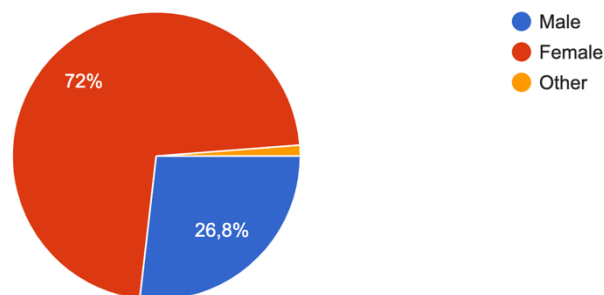


Figure 9 Respondent's gender

The number of participants is 82 people, with women accounting for 72% of those who took part in the survey and men contributing for the remaining 26%. 39% of respondents were between the ages of 18 and 25, and 30% were between the ages of 26 and 40. Furthermore, much smaller groups of those over 40 (23,2%) and under 18 (7,3%) followed. In summary, through the first 2 questions, the survey shows us that the majority of Zara's potential customers belong to "Generation Z", who are from 18 to 25 years old, and "Generation Y" or Millennials, who are from 26 to 40 years old.

- **Part 2: Customers' Habits and Awareness**

In this section, questions 3 and 4 will address customer "loyalty," how frequently they visit Zara, and how they noticed Zara. These two questions are intended to assess the effectiveness of Zara's marketing strategy. Figure 9 illustrates the frequency with which customers visit the store.

How often do you shop at Zara?

82 câu trả lời

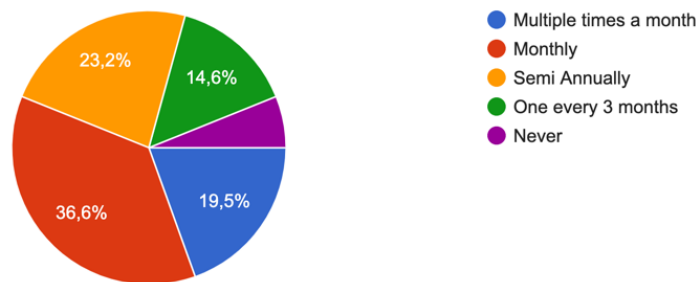


Figure 10 Frequency of visits to the store

Question 3 is intended to assess Zara's marketing strategy as well as its ability to retain customers. However, this result was surprising because Zara is believed to be a 'store with weekly customers'. The combined proportion of "Monthly" (36.6%), "Semi Annual" (23.2%), and "Multiple times a month" (19.5%) responses was 79.3%. Meanwhile, only 14.6% of participants said they only make purchases at Zara once every three months. The argument here is that 5 of the 82 participants stated that they had never purchased Zara products. The outcomes of question 3 show that the participants were aware of Zara and that shopping at Zara became one of their daily enjoyments. Then, figure 10 will seek to learn more about the initial factor that attracted 96% of participants to Zara.

How did you get aware about the brand?

82 câu trả lời

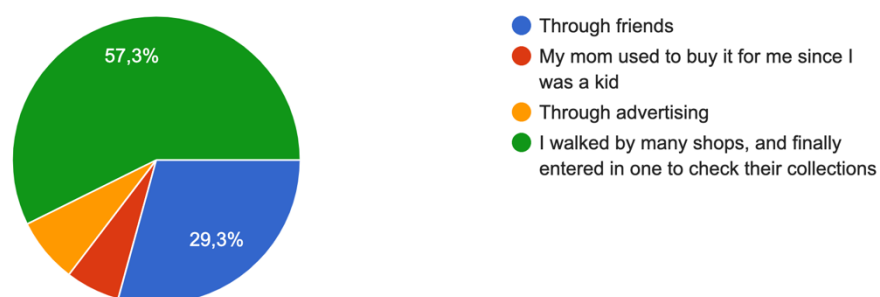


Figure 11 Customers' first awareness of Zara

Not indeed, more than half of the participants were attracted to Zara because of its location and the way its products are displayed. Zara, as mentioned in section 2.4, uses its prominent city location to build its stores and instore displays as key elements of its marketing strategy to attract customers. The company's outstanding collections will be

displayed on banners and screens throughout the store. Furthermore, the majority of participants (29.3%) chose "through a friend" as the second factor. This figure demonstrates that Zara's Word of Mouth Marketing strategy was a great achievement. The other two factors, advertising and Zara's awareness since childhood account for only 7.3% and 6.1%, respectively.

- **Part 3: Brand awareness**

The primary goal of this part is to discover how and why consumers evaluate Zara's image. Figure 11 from the survey demonstrates that for the individuals' previous order, the percentages of favorable and bad experiences were roughly identical, at 53.7% and 47.3%, respectively.

Considering the overall value of your last purchase, was it...
82 câu trả lời

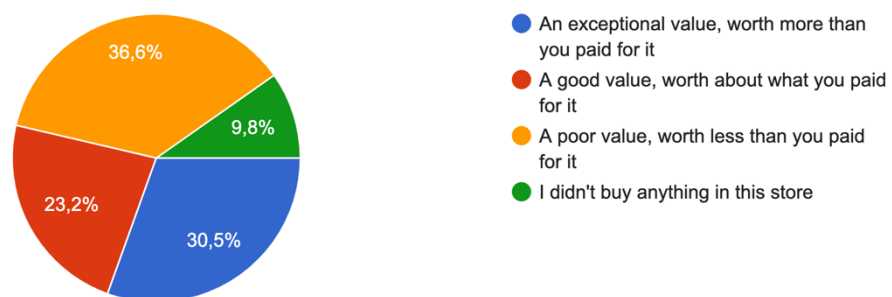


Figure 12 Customers' comment

Regarding the relationship of price, quality, and trends, consumers were asked to compare Zara with its competitors in question 6. Surprisingly, the majority of participants thought that Zara was stronger than the competition in both price and trend aspects. About 70 to 77 answers are agreeing that Zara is the leading brand in terms of fashion trends and product prices in the fast fashion market. However, in terms of product quality, the number of people who think that Zara's product quality is lower than that of its competitors is three times as

many as those who think otherwise. Figure 12 provides a metric for this comparison.

In comparison with other stores, ZARA products are..

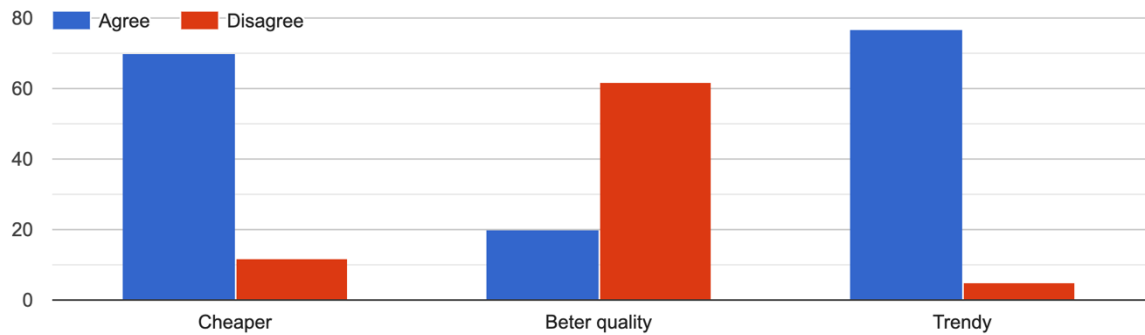


Figure 13 Comparison with competitors

It can be seen that consumers are conscious of Zara as a cheap fast fashion store but are not very conscious of the quality of the brand. The next figure 13 explores more about what Zara's strengths make customers satisfied and become a leading brand in the fast fashion field.

What do you like about ZARA ?

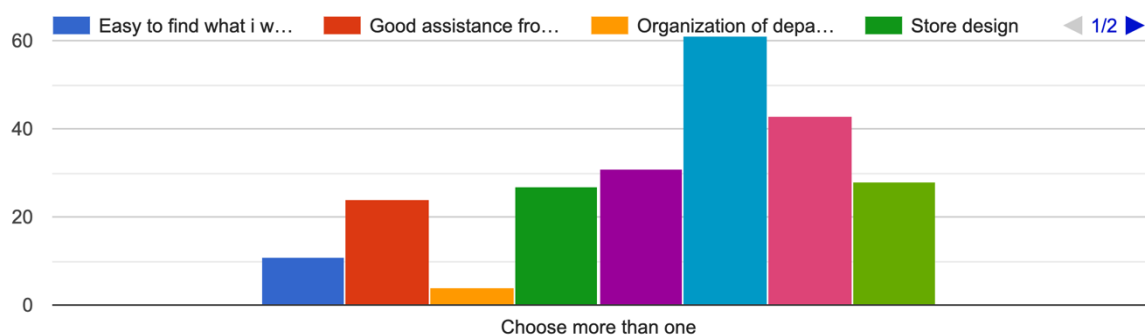


Figure 14 Customers' awareness of Zara products

It can be verified that out of a total of 82 respondents to the survey, the 2 main reasons people use to shop at Zara are fashion trend updates with 61 votes and diverse collections according to season with 43 votes. Besides, about 30 people chose to shop at Zara because the price is reasonable and the style is constantly changing. With nearly the same number

of votes, there were about 27 people who considered other characteristics such as good staff service and store design. However, the minority of participants also chose Zara over the others because the store always had what they wanted and the organization of the departments in the store.

Overall, the majority of respondents rate Zara as good in terms of new trending products, clothes for every occasion, price, store design, customer care, and store location. Zara has successfully built its brand image. With its flexible logistics system and vertical production chain, Zara has built a distinctive image with consumers through its ability to keep up with fast-changing fashion trends, and shorter lead times with a variety of styles. more designs. This keeps consumers constantly visiting Zara stores because if they are only a week late, all the clothes in a particular style or trend will disappear and be replaced by a new trend. However, it is worth noting that there are still a majority of consumers who consider the quality of Zara's products to be inferior to that of other competitors. The survey raised the challenge of whether Zara should focus on product quality instead of producing fast items at cheap prices.

- **Part 4:**

This part 4 aims to study the behavior of fast fashion consumers both in terms of product and marketing. It will address the behavioral characteristics of fast fashion consumers after the recent Covid 19 pandemic and analyze their satisfaction when applying these behavioral theories to Zara. Figures 14 and figure 15 will provide information on future consumer behavior and their recommendations to Zara.

What are your considerations when buying a product ?

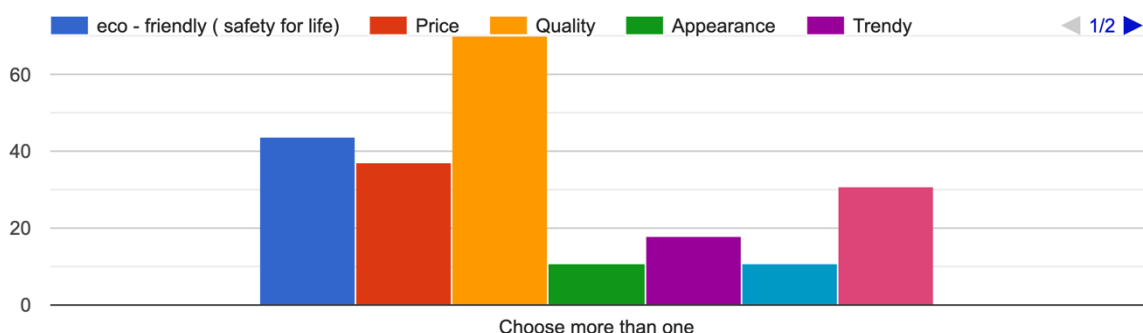


Figure 15 Customers' consideration

What do you think Zara should improve in the future?

82 câu trả lời

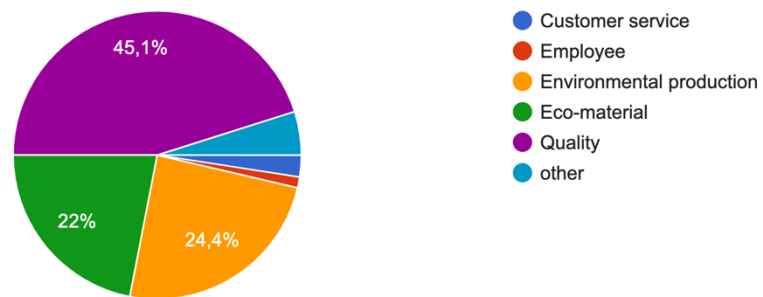


Figure 16 Customers' suggestion for the future improvement

These two data tables have one common characteristic. More than 80% of survey respondents chose that they would consider the company's product quality, environmentally friendly materials, and green production when choosing to buy products and hope that Zara will improve in these aspects in the future. This further proves that green consumption and sustainable consumption are no longer strange concepts, but are gradually becoming more popular in daily life and are promoted more strongly after the global pandemic Covid 19. In addition, about 35% of the participants answered that they would consider the price of the product and whether the company uses child labor or not. However, it is surprising that nowadays, considerations of design trends and delivery times no longer strong influence on customers' purchasing decisions. Additionally, they also expressed their satisfaction with Zara's staff and customer care. The next figure 16 summarizes the level of customer satisfaction with Zara after analyzing the brand's strengths and weaknesses before.

Based on your experience with Zara's products, how likely are you.. ?

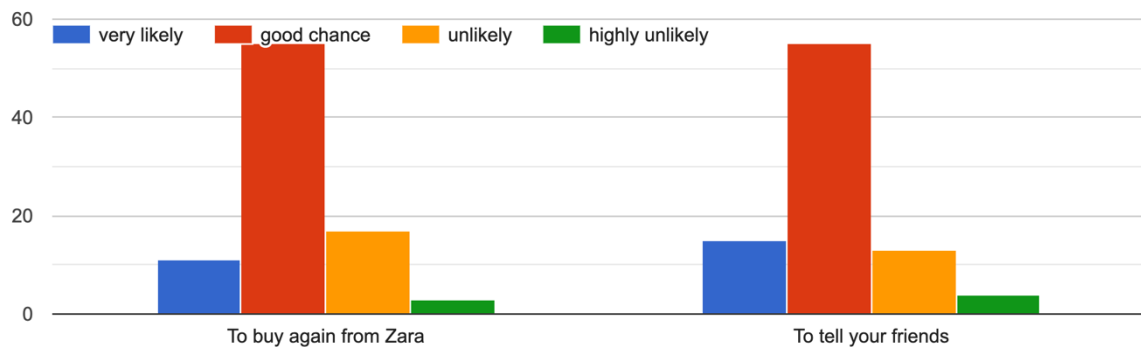


Figure 17 Customer satisfaction

If the previous 9 questions are intended to summarize the behavior and thoughts of consumers towards Zara and the fast fashion market. Then this final question 10 aims to examine customer loyalty and their "voluntarily promoting", in order to conclude whether Zara's current strategies are still successful. Figure 16 shows that nearly 60 participants all replied that if given a good opportunity, they would return to purchase and recommend it to their friends. Here, the good opportunities they refer to are promotions, and campaigns to promote new collections and their usage needs. Besides, the number of people who are always willing to return to the shop, and refer friends and the number of people who refuse to do this is almost equal, about 15 people.

5.3 Summary of Survey

To sum up, there are 10 questions in the survey, and there are 4 key themes. The initial theme is to classify the survey participants' ages and genders in order to get accurate customer relevant conclusions. The results revealed that the participants were Gen Z, aged between 18 and 40, who matched Zara's primary customer base. The second theme is to better understand how frequently they visit the store and what attracts them in the first place. The goal of this section is to evaluate Zara's marketing performance. The outcomes are what Zara aimed for while developing its marketing plan. The majority of them responded that Zara's first appeal was due to its location and recommendations from family and friends. This could demonstrate that Zara's strategy of exploiting the store's location as an advantage over rivals rather than focusing on social networking site promotion. This also contributes to consumers' curiosity about new clothing models, and they need to visit the store on a frequent basis to experience the products, which helps to improve customer loyalty.

However, the negative responses also emerged from the study that they had never visited a Zara store. In the present 4.0 era, Zara's Gen Z customers are knowledgeable and frequently utilize electronic information technology. They have little time for inperson shopping and are adept at spotting market trends, so they will prefer online shopping when the epidemic situation worsens. Therefore, if Zara maintains its existing marketing plan, this could become a barrier down the road.

The third theme was a brand assessment where customers were asked to provide their opinions on the appearance, feeling, and experience of Zara's goods and services. The findings indicate that shoppers believe Zara to be a low-cost fashion company that quickly updates trends and continuously changes collections in accordance with the seasons. This outcome demonstrates the success of Zara's lean supply chain from raw materials, production, and product distribution. Contrarily, the present impediments to Zara's success include the company's product quality and ecologically responsible production methods. Perhaps since the COVID 19 pandemic has influenced society's consciousness, with many moments of solitude. Most consumers have become aware that their shopping activity is the finest way to exhibit responsibility, support, and dedication to the ideals they believe in. This message might be interpreted as a prodding for Zara to get ready for future ambitions by taking greater environmental responsibility and developing open, sensible methods of implementation. Last but not least, the fourth theme will examine how people perceive and behave when they shop today. Contributing to the definition of company strategy, which will help to answer the research issue of this thesis. In general, as the result, Zara can only currently satisfy a small number of clients' demands for sustainable fashion items, such as affordability, trend, and flexibility. An unfavorable sign is when products do not meet expectations in terms of product quality, green production methods, or materials manufactured in accordance with sustainable standards. However, the overall result is the majority of them will still be eager to return and suggest Zara goods if given the chance. In summary, Zara has gained a significant following of devoted clients in the fast fashion industry because of its incredibly quick manufacturing lines, reasonable costs, and advantageous location. In addition, although the need for sustainability was evident in the wake of the pandemic, it is now the primary element impacting Zara's capacity to build strong relationships with customers who constantly demand improvements in product quality and safety. This is an era that consumer activists have long fought for, and now brands must adapt to meet the future.

6 Future challenges for Zara's supply chain

6.1 Increased transportation costs

The crisis between Ukraine and Russia has had a significant impact on the logistics business and Zara in especially. As stated in the previous section, Zara's business model relies mainly on the offering of high-quality goods at reasonable rates. The majority of means of transport utilized in Zara's supply chain, primarily air and road transportation, utilize natural fossil fuels. However, the tension between Russia and Ukraine is affecting the Zara supply chain, which is very fragile after the "hit" of the COVID 19 pandemic. Costs associated with transport and logistics are significantly impacted by oil prices. Because Ukraine closes its flights and airlines avoided flying over Russia, the air transport situation becomes more complicated, resulting in higher fuel costs. The supply of platinum compounds, aluminum, sunflower oil, crude oil, and steel, among other goods and raw materials, is often interrupted. It is expected that this source of energy will become increasingly scarce in the future years. Consequently, shipping costs will increase. (Jacobs 2022.) According to the International Air Freight Association, air freight rates have increased by 150% compared to pre pandemic levels after this conflict occurred.

Even though Zara's supply network was primarily located near the Cube's headquarters, it was nevertheless impacted by rising oil prices. Fortunately, Zara has started exploring network and transportation alternatives in preparation for the problem of growing transport fuel prices in 2017. Zara is constantly working to enhance its shipping procedures in order to make them as effective as possible. Inditex's annual report mentions this as a step towards sustainability, but it also protects the corporation against oil price volatility. The corporation has standardized its packaging supplies in an effort to increase packing efficiency all along the distribution process. In addition to facilitating the transport of a greater quantity of goods in a single shipment, this development also enhances the capacity of individual packages. The usage and promotion of more environmentally friendly packaging are also on the rise, all with the aim of reducing garbage accumulation. (DiGiamarino 2017.)

6.2 Growing demand in Asia and Australia region

Inditex is unconcerned about slow sales in Europe because Zara's profits have increased significantly due to the company's expansion into Asia and, soon, Australia. The rapid expansion of Inditex's retail presence in Asia and Australia is a part of the company's broader strategy to expand its business globally. By the end of the year, Zara plans to open 425 stores across China, in addition to an online store that will go live in September of next year. The fast fashion chain is planning to open four locations in Australia. (Bizclik 2020.)

According to Interim Results 2022 from Inditex show a 29% increase in Zara's profits during the first quarter of fiscal 2022. Zara had 5,618 stores across 84 countries as of the 30th of April, with 464 of those stores having opened during the first quarter.

Growth in Asia and Australia is likely to continue as a result of the continents' large consumer bases and rising per capita incomes. From a business perspective, this is a positive development, but it poses a significant supply chain challenge for Zara. Due to the aforementioned increase in sales, it is highly questionable whether or not a centralized logistics approach in which all products flow through the two main distribution centers in Spain remains the most efficient solution. Integrating a second distribution center that serves the Asia Pacific region is another option. Site selection, data storage, and transportation will all become more complicated as a result.

6.3 Outdated point of sales system

In order to share information between their headquarters and warehouses, Zara has been using point of sale systems in all of their stores for the past decade. The store or commerce manager could use the system to handle orders and replenish stock at any time, and it would perform effectively and quickly. Managers, however, have complained that the equipment they have at their disposal does not permit them to verify inventory levels at other locations. Moreover, Microsoft no longer supports the DOS format, which means Zara's point of sales system can no longer be updated. Zara's present point of sale system is fully functional, and it supports the company's day to day operations well. However, there are significant drawbacks to continuing to use this outdated system. The point of sale system is similar to a private network within the store, so the manager cannot check the stock levels of other locations to see if a certain item of apparel is available. The only way to find out if the ensemble is available elsewhere is to physically phone each store. Zara runs the danger of being unable to expand if their hardware providers upgrade their systems to the point where DOS is incompatible. There is concern that hardware manufacturers will upgrade their machines, rendering them incompatible with DOS, as the present system has become antiquated. Additionally, quickness and adaptability are fundamental to Zara's business approach. With this model, the system will inevitably become obsolete. It is also problematic because information about sales and stock levels is not sent to Zara headquarters in real time. Instead, at the end of each workday, staff copy the day's sales totals from each terminal onto floppy disks and send them by dial up modem. (Mcaffe et al. 2007, 10.)

By comparing the drawbacks of the new IT system to Zara's brand image, the deployment of the new operating system and point of sales terminal is advantageous for Zara. The first

is that Zara can gain an edge over rivals who have been slow to adopt new technologies, or at least keep pace with them. Another reason is that Zara tries to respond quickly and positively to the needs of its target customers, which helps it identify customer trends in advance.

Therefore, the decision of whether or not Zara should improve its IT capabilities depends on the level of risk the firm is willing to incur in order to learn new technology in comparison to the old, currently functioning system. Zara has to calculate how much it will cost to upgrade the system and create a plan to teach all staff how to utilize the new technologies. Though the possibility of encountering technical issues and roadblocks grows with each upgrade, the rewards are worth it. Zara's opponents may have changed and begun adopting newer technologies, but they will have the upper hand or at least remain competitive due to these advancements. Because of its decentralized structure and strong value chains frameworks, like Linux, Windows, or UNIX, Zara is also able to recognize patterns and take care of customer needs. Zara will be able to expand its capacities and capabilities with the help of these models. Modern operating systems like Windows and UNIX, as well as a variety of physical layer protocols, are supported by accessible point of sale terminals. The HP Intuit retail solution, which runs on the Windows operating system, is an example of this

6.4 Child labor resources

Even though Zara manufactures 60% of its garments in-house and locally, the remaining 40% are nevertheless obtained from a huge variety of global vendors. Some suppliers are located in Asia and South America, which are distant regions. Zara might not be able to closely monitor these vendors. In order to enhance their profit margins, certain suppliers may employ unethical manufacturing methods. In 2013, Zara was accused of utilizing child labor and sweatshops to manufacture their clothing in Argentina (Alexander 2013). Such regional differences in the supply chain hinder Zara's ability to exert control over its suppliers. Consequently, despite tight criteria and social checks, Zara may have problems obtaining alignment with these vendors. These incidents have had a significant influence on Zara's brand image and indicate that their current social audit and assessment processes may not be sufficient to attract the attention of their suppliers.

7 Conclusion

7.1 Answer the research question

Success for Zara has come from the company's ability to adapt swiftly to new styles as they emerge in the fashion industry. Inditex's CEO, José Maria Castellano Ros, made the following statement: "Zara's original business plan was straightforward: Integrate supply chain management with customer demand. We continue to entertain the notion." New designs are developed, manufactured, and shipped to the store within one to two weeks based on the most current fashion trends. By rapidly releasing new collections inspired by emerging fashion trends, Zara is able to stay ahead of the competition. Zara concentrates its efforts on these three primary tactics to ensure the continued healthy growth of the brand.

A shorter lead time is the first strategy. Zara is able to meet consumer demand for the latest fashion trends by keeping production times low. Distribution Central is at the center of Inditex's plans to embrace a vertically integrated model and production management operations. Having a vertically integrated supply chain means that a corporation controls all aspects of production from raw materials to finished goods. Because of their commitment to vertical integration, Zara is able to maintain oversight over processes like fabric dyeing, bespoke fabric processing to deliver on demand, metric specific materials for trending trends. Additionally, this lessens the effect that demand swings have, and it does away with the necessity for storage facilities. They create a substantial amount of their products in their own factories, utilizing value added and capital intensive production steps such as the procurement of raw materials, design, cutting, dyeing, quality inspection, ironing, packing, labeling, distribution, and logistics. Sewing, for example, is an example of a production activity that is both labor intensive and low value and hence is often outsourced. (Crofton 2007, 41-53.)

The second tactic is to reduce production, which will result in an increasing trend of limited availability. Zara generates the perception that "not everyone can own the product" and an "artificial" scarcity by limiting the production of a given style. The same logic that makes limited edition premium fashion so appealing also applies here. There is less potential for wasteful overproduction if fewer units are made available for sale in the event that a particular design fails to catch on with consumers. Instead of having to constantly lower prices, Zara only conducts two "conditional" deals a year. A small number of the brand's products, priced at roughly 50% of the competition, will also see price reductions.

Increasing the utilization of design patterns is the third strategy. Instead of increasing the quantity of each design, Zara generates approximately 12,000 new designs annually. There is regular two way communication between store managers and floor staff around the world, so employees are always kept up to date on what's selling and what is not. With customer feedback, designers are able to determine what customers enjoy and are seeking. There will always be replacements in stock if a popular style suddenly becomes unavailable. This implies that customers have a greater variety of choices and a better shot at finding the perfect product for their needs. As a rule, Zara only allows its fashions to be on sale for around a month. Customers are encouraged to frequent Zara boutiques on a regular basis by the fact that if they wait even a week, all of the clothing in a given style or trend will be replaced by the newest trend. On the other hand, the constant introduction of innovative products and trends keeps buyers coming back for more.

7.2 Validity and Reliability

This thesis collects information from both primary and secondary sources. Firstly, through secondary sources, the thesis has provided data from reliable sources such as printed books, articles, reports, journals, and the Internet. This information source helps this thesis exploit the aspects and information of the problem that need to be studied extensively. Second, the primary source of information is collected by examining survey responses. This source of information is very authentic and factual.

This thesis considers reliability and validity as ways to demonstrate the rigor and reliability of quantitative and qualitative research. Thus, the survey results were recorded and thoroughly evaluated to ensure their validity as the original data. However, this thesis still collects a small part of the information from long-standing sources, leading to the fact that the thesis cannot fully reflect the status of the problem. In general, the thesis and results are considered valid and reliable.

7.3 Suggestion for future market

The results of this thesis do not provide enough data for Zara to make changes in their production and operation system. Nevertheless, they may use it in their marketing campaign and consumer market promotion, which are appropriate in current fast fashion consumer behaviours. In below, the thesis suggests some potential recommendations for future market.

In terms of strategy, Zara's competitive advantage of offering the newest fashion trends at affordable prices continues to occur, but it cannot maintain its only strength. In an effort to

undermine Zara's competitive advantage, competitors are decreasing prices and enhancing their business strategies throughout the world, particularly in Europe. In addition to H&M and Mango, Gap, and Topshop are also competing for a share of the fast fashion retail sector. To effectively compete and sustain its strategic advantage, Zara should shift its priority from pricing to quality. Zara could invest in establishing a solid brand positioning through attractive communication. In addition, Zara should adopt, integrate, and utilize digital and social media channels in its future communication and marketing plans. As stated previously, Zara spends little on advertising, instead, "premium" retail sites are used as a marketing technique. However, brand communication is essential for recruiting new customers to sustain the company's growth. Zara depends heavily on word-of-mouth marketing and social networks instead of advertising. Moreover, Zara's social media platforms, such as Facebook and YouTube, are only updated newsfeeds and not interactive platforms for consumers. Their YouTube videos have very few views in comparison to their number of subscribers. This is a vacancy that Zara must fulfill as the reach and influence of social media expand.

Regarding products, in an interview with Forbes Magazine, Karl Hendrik Magnus, senior partner at McKinsey in Frankfurt (Germany) and leader of the Apparel Group, stated "Consumers have seen how vulnerable the world is, and the entire epidemic crisis has increased awareness of social and environmental sustainability among those who were previously uninterested in the topic" (Islam 2020). According to McKinsey's analysis, a return to consumption patterns before the crisis seems doubtful. McKinsey gathered information from 6,000 consumers in the United Kingdom, Germany, France, and Spain. After stores reopen, more than 16% of consumers will seek products with a greater emphasis on sustainability, while 20% expect to reduce their overall expenditure for the remainder of the year. 45% of consumers will appreciate firms that are upfront about their production processes. However, the sustainability programs that directly target Zara's clients are a major concern. Closing the Loop, the company's program for collecting used clothing is only available in five of the ninety-three markets in which the company is operative. South Africa is not one of these markets (Inditex 2017). It was discovered through primary research that the "Join Life" sustainable clothing line is not offered in South Africa. In contrast, both of H&M's comparable efforts are available in the South African market, providing them a competitive edge over Zara. Consequently, if Zara implements these activities in South Africa, they will be able to satisfy consumer demand for more ecologically conscious purchases and create a sustainable brand approach in their local market.

8 Summary

In summary, the purpose of this thesis is to conduct a comprehensive evaluation of Zara's supporting infrastructure. After analyzing and gathering material, the research questions will be answered in section 7.1, with the major question "What is the key behind Zara's fast fashion success?". The thesis utilized secondary data that the author had gathered from printed and electronic sources. In addition, primary data also had been gathered through surveys to address the research topics.

The first section provides an overview of the study's context, research topics, methodology, and overall structure. Zara's administration and organizational structure are thoroughly investigated in Sections 2, 3, and 4. Zara's supply chain is not a single agile process, but the organization is highly agile and efficient. By utilizing rapid reaction, Zara intends to eliminate both excess inventory in the supply chain and the risk involved with forecasting since product specifications are not finalized until close to delivery. Current market information is provided in Sections 5 and section 6. It not only demonstrates that Zara's adaptable supply chain is responsible for its success, but it also demonstrates the challenges Zara may have in the future. Answers to the thesis's primary research question and its sub questions are provided in the final chapter. Zara's supply chain is vertically integrated and customer centric, which contributes to the company's success. Zara has been so successful because of its well organized production, which strikes a fair mix between in-house and outsourcing, resulting in short production times and a larger part of the market. In addition, this chapter includes recommendations for further study. The future strategic advice is to expand the current brand strategies and other brand extensions to the South African market. These recommendations are meant to help Zara gain an edge in the South African market, where competitors like H&M are gaining popularity because of their lower prices.

Overall, the results show why Zara, a fast fashion company, is so popular all over the world. They are always looking for the next new thing to try. Zara has infinite growth potential, but it must take into consideration the expansion of the consumer market and the careful management of the supply chain process.

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Appendices

Zara's survey questionnaire:

How old are you? *

- <18
- 18-25
- 26-40
- >40

1.

What is your gender? *

- Male
- Female
- Other

2.

How often do you shop at Zara? *

- Multiple times a month
- Monthly
- Semi Annually
- One every 3 months
- Never

3.

How did you get aware about the brand? *

- Through friends
- My mom used to buy it for me since I was a kid
- Through advertising
- I walked by many shops, and finally entered in one to check their collections

4.

Considering the overall value of your last purchase, was it...

- An exceptional value, worth more than you paid for it
- A good value, worth about what you paid for it
- A poor value, worth less than you paid for it
- I didn't buy anything in this store

5.

In comparison with other stores, ZARA products are.. *

	Agree	Disagree
Cheaper	<input type="radio"/>	<input type="radio"/>
Beter quality	<input type="radio"/>	<input type="radio"/>
Trendy	<input type="radio"/>	<input type="radio"/>

6.

What do you like about ZARA?

- Easy to find what i want
- Good assistance from employees
- Organization of departments
- Store design
- Reasonable price
- Trendy clothes
- Clothes for all accasions
- Constant update of new clothes

7.

What are your considerations when buying a product?

eco - friendly (safety for life)

Price

Quality

Appearance

☰ Trendy _____

Shipping time

Child labor

8.

What do you think Zara should improve in the future? *

Customer service

Employee

Environmental production

Eco-material

Quality

other

9.

Based on your experience with Zara's products, how likely are you.. ? *

	very likely	good chance	unlikely	highly unlikely
To buy again from ...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To tell your friends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10.

