How Zara turned ‘chic cheap’ into a global fashion revolution

The big idea: How does a Spain-based “chic cheap” clothing chain create a global fashion footprint that revolutionizes the industry? Zara, the flagship retailer of the fashion group Inditex, used keen awareness of trends, company logistics, manufacturing and supply chain management to drive vast global growth.

The scenario: Mass-fashion retailers like Zara evolved in the 1980s with promises to democratize luxury. After sourcing new looks from a variety of sources, the retailer turned heads by offering the latest trends at the lowest possible price — fast.

Traditionally the design world revolved around two fashion shows a year. The shows generated orders that were then manufactured on secured demand, with virtually no risk-taking on items sold. Items ordered were produced on newly procured fabrics and designer teams started working on the next season’s collections and styles after the shows were complete. Competitive pressures for new fabrics and complex collections among fashion brands kept lead times long. Many mass retailers replicated the template, in which in-house designer or corporate buyer demand determined the merchandise produced on six- to nine-month lead times. Zara did not.

The resolution: Zara studied customer demands. Store managers around the world worked with the Spain-based Product Store Team assigned to their region. Store managers’ opinions and forecasts were valued, as they had the closest connection to customers. The product managers factored in regional demand, supply, design considerations and lead times. Nearly 50 percent of Inditex’s products were sourced from nearby locations, allowing three- to five-week lead times — a process that could take competitors nine months. Zara cut waste by ordering fabrics in just four colors and by delaying printing and dyeing until items were close to Inditex factories.

The layout of Inditex’s 20,000 square-foot headquarters in Spain was also team-oriented. Product Store Team members were in the center of the hall, and to the left sat the sourcing team, with the design crew on the right. Working together, the teams fine-tuned functions for maximum efficiency. Inditex also maintained maximum flexibility, with some finished products sourced from manufacturers, while other subcontractors sent their digitized, finished design to production facilities owned by Zara or its affiliated manufacturing network.

Zara designs were made using in-stock standard fabrics immediately available for delivery, providing a continuous stream of new merchandise to stores. This way, Zara smoothed out peak and trough activity, kept inventory fresh, and made products orders-of-magnitude faster than peers before considering other supply- and-demand chain improvements.

The lesson: By keeping product design, production, distribution and retailing processes simple, Zara followed fashion trends while offering unparalleled value. Zara’s focus on store-level sales trends and its grip on each stage of the supply chain enabled it to deliver product designs to its stores quicker. The efficiency also meant fewer fashion misses and markdowns — and happier customers. In a year, Zara was able to design 20,000 products, while its competitors designed 1,000 to 2,000. Zara saw enormous global growth, and Inditex replicated parts of its promising business model in seven other of its retail brands.

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