

Extended Essay in Business Management

Zara's marketing strategies

To what extent can Zara's success be attributed to its marketing strategies?

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Introduction

In this extended essay, I will answer the research question, "To what extent can Zara's success be attributed to its marketing strategies?". Founded by Amancio Ortega, one of the wealthiest men in the world¹, Zara is a successful fashion label (owned by Inditex) and a curious case study, because of its particular marketing practices.

From its beginnings, as a local clothes store in Spain to nowadays, with over two thousand stores in 88 countries, Zara has become one of the biggest international fashion companies and the 18th largest retail company globally².

Zara's mission statement is "*bringing attractive and responsible fashion and improving the customer's experience*"³. To understand this phenomenon, it is necessary to analyze how Zara manages to achieve this objective. To do so, I will first understand Zara's economics and how it evolved in the past years, then dissect the company using marketing tools and investigate how it can deliver its promise to buyers.

Zara is known for its fast-fashion approach. Unlike the luxury brands that bring the public two collections per year, Zara delivers more than 12 collections yearly, translating tendencies into authentic clothing with affordable prices. This "concept" sold to the client requires a lot of operational strategies: all the mechanisms of the company must work like a Swiss watch.

¹ **Forbes** (2022). Billionaires 2021. *Forbes*. [online] Available at: <https://www.forbes.com/billionaires/>.

² **Marcotte**, D. (2021). 2021 Top 50 Global Retailers. *nrf.com*. [online] 24 Mar. Available at: <https://nrf.com/blog/2021-top-50-global-retailers>.

³ **www.inditex.com**. (n.d.). *Zara website*. [online] Available at: <https://www.inditex.com/itxcomweb/es/home>.

At the same time, the brand has a not conventional advertisement policy, which is the most known way of using marketing to promote a brand. Nevertheless, the marketing sector goes beyond public advertisements, such as propaganda. An example is the use of the 4Ps, a concept created by Professor Jerome McCarthy in the early 1960s⁴.

Zara seems to be a conjunction of good practices, from a special relation with the customer through marketing strategies to an internal operational engagement to deliver its promise, keeping its leadership in a changing market full of competitors.

Curiously, I didn't have the opportunity to take Business and Management (B&M) classes in the IB. But, as I would like to do a B&M university in Spain, and as a huge fan of Zara's clothes, I found it interesting and valuable at the same time to study by myself and discover how a local Spanish company was able to transform itself into one of the biggest retailers in the world.

Indeed, it's hard for a small clothes store to make history in the fashion world, only a few high couture labels did it. But none of them is affordable for middle-class families, while Zara is. All in all, by using business management tools, I will investigate how Zara joins a fast fashion delivery and product strategy, plus a non-advertising plan, to transform these elements into a successful formula.

⁴ **Kotler**, P. (1999). *Kotler on Marketing*. Free Press, p. 94.

Methodology

This paper was based on secondary sources to gain information about Zara's marketing and operational strategies. These sources include articles and reports from online business journals, magazines, and financial statements that will be presented throughout this essay.

This information gave a general comprehension of Zara, which will be analyzed with Business and Management tools to identify which factors contributed to its success. The theory from the Business and Management syllabus will be used to do this analysis by reading and studying business books.

Firstly, I will examine Zara's financial statements (which are public information) to confirm its so-called outstanding performance. I will use a trend analysis of profitable ratios to check how the business performs through the years and adapts to the challenges of 2020's covid pandemic scenario.

To acknowledge Zara's marketing strategy, its marketing mix tools will be analyzed using the 4P's⁵ approach (Product, Price, Place, and Promotion) and how this model evolved to a more powerful one (the 4E's -Experience, Exchange, Evangelism and Every Place) that puts the customer at the center, around which Zara focus.

However, to understand not just the situation itself (financial and marketing model), but the way that Zara acts on a day-to-day basis, I will use the 3C's approach⁶ to comprehend how Zara configures the Company to interact

⁵ **Perreault**, W.D. and E Jerome Mccarthy (2002). *Basic marketing: a global-managerial approach*. Boston: Mcgraw-Hill.

⁶ **Ohmae**, K. (1991). *Mind of the strategist: the art of Japanese business*. New York: Mcgraw-Hill.

successfully with Customers and Competitors, supporting the process that makes possible the delivery of fast-trend products all over the world, maintaining quality and prices.

Once I analyze the marketing strategy and the company configuration to support it, I will arrive at the Unique Selling Proposition of Zara and specify its winning zone.

Finally, I will put all the information together and try to conclude about the main aspects that allow Zara to be an outstanding player in the fashion business. Therefore, I will have the capacity to answer this paper's question: To what extent can Zara's success be attributed to its marketing strategies?

Development

Background

Zara is one of the world's leading fashion businesses, but what many may not know is it was founded in 1963, in a small town in Spain, as a workshop for making new fashion items. Twelve years later, Amancio Ortega opened the first Zara store in La Coruña with the purpose of bringing the customer close to the most desirable clothes in the market for an affordable price⁷.

The public liked it so much that Zara opened almost 3.000 stores globally the next few years, with presence in 215 markets. As Zara grew in clients, employees, and subsidiaries, Mr. Ortega founded Inditex, a corporation that holds Zara and other labels.

Over the years, Zara has maintained its first core objective: "know which products the customers want and offer them at the right time and place"⁸.

Zara financial performance

During this research, it was a common opinion that Zara has an outstanding financial performance. However, a deeper understanding was necessary to learn about the financial strengths and weaknesses. All the information was taken from the public reports of Inditex⁹ and collected by me in an Excel spreadsheet, as explained in Appendix 1.

⁷ www.inditex.com. (n.d.). *Zara website*. [online] Available at: <https://www.inditex.com/itxcomweb/es/home>.

⁸ Inditex (2021). *INDITEX ANNUAL REPORT 2021*. [online] Available at: https://static.inditex.com/annual_report_2021/en/documents/annual_report_2021.pdf.

⁹ www.inditex.com. (n.d.). *Finance*. [online] Available at: <https://www.inditex.com/itxcomweb/en/investors/finance#accounts-reports>.

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As we see in *figure 1*, both Zara’s **sales revenues** and **net profit** have been growing year after year.

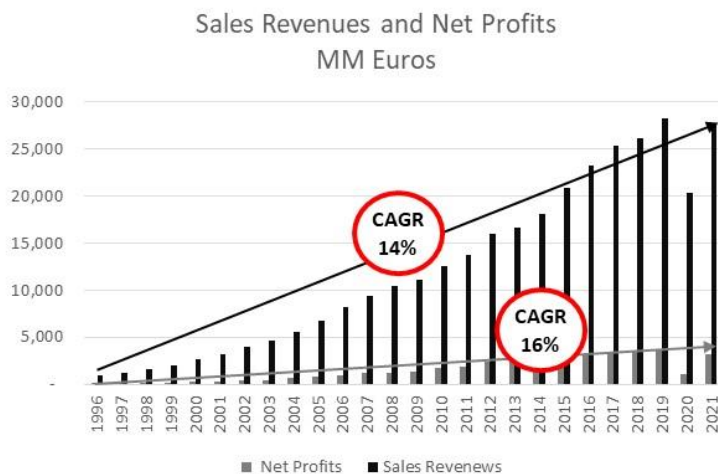


Figure 1 - Sales Revenues and Net Profit Trend

Source: Data from Inditex financial website < www.inditex.com/itxcomweb/en/investors/finance#accounts-reports>. See collection process in **Appendix 1**

For the past 25 years, the CAGR¹⁰ (Compounded Annual Growth Rate) is 14% and 16%, respectively, considered a very high return for a company with more than ten years in the market. However, 2020 was the first year of the Covid

pandemic, and as is well known, all business (especially non-essential goods sales) has suffered from quarantine.

The **Net Profit Margin** (proportion of net income over sales) and the **ROCE ratio** (Return on Capital Employed),

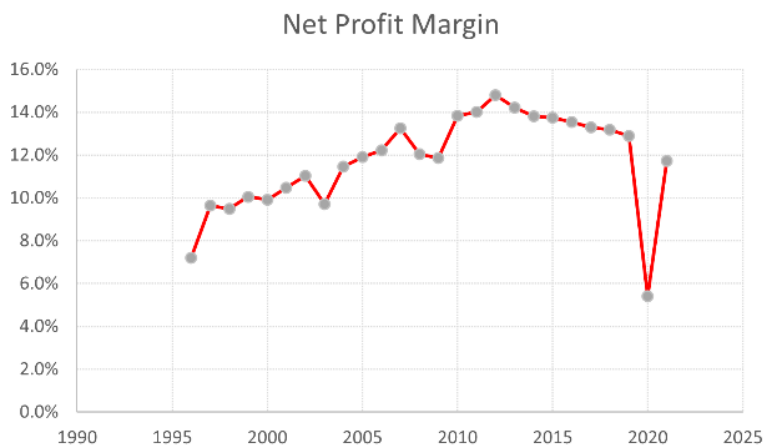


Figure 2 - Net Profit Margin

Source: Data from Inditex financial website < www.inditex.com/itxcomweb/en/investors/finance#accounts-reports>. See collection process in **Appendix 1**

¹⁰ **Fabozzi**, F.J., Anson, M.J.P. and Jones, F.J. (2013). *The handbook of traditional and alternative investment vehicles: investment characteristics and strategies*. Hoboken, N.J.: Wiley, p.489.

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reduced drastically in 2020, as seen in *figure 2 and figure 3*. But in 2021, it picked up rapidly, to the same levels as before the pandemic.

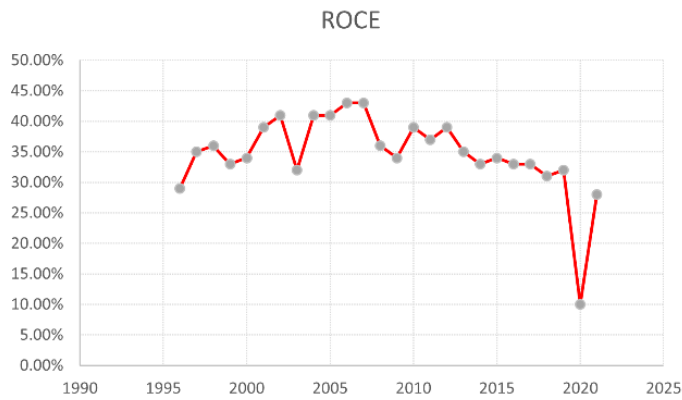


Figure 3 - ROCE Ratio

Source: **Data from Inditex financial website** <
www.inditex.com/itxcomweb/en/investors/finance#accounts-reports>. See collection process in **Appendix 1**

The vaccination rollout in the second quarter of 2021 enabled restrictions to be lifted boosting the economic recovery.

According to Zara’s 2021 Annual Report, “the technological

infrastructure, digitalization initiatives and integration on the physical and digital stores have enabled Zara to continue operating as normal in this context”.

This outstanding performance can be seen when comparing Zara’s financial performance with its competitors.

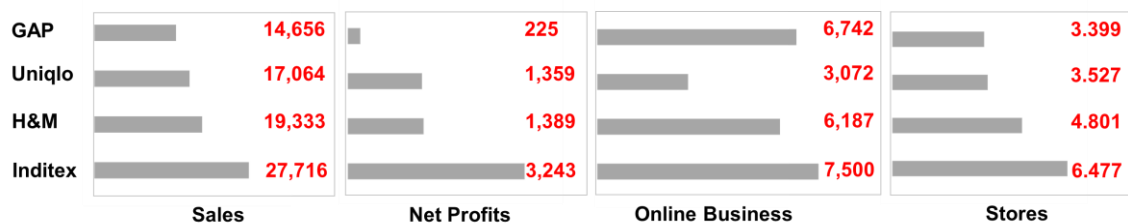


Figure 4 - Zara and Competitor’s Financial Performance 2021

Source: **Each company Website. H&M:** <[HM-Group-Annual-and-Sustainability-Report-2021 \(hmgroup.com\)](https://www.hmgroup.com)>; **Gap:** <[Gap Inc. - Financial Information - Annual Reports](https://www.gapinc.com)>; **Uniqlo** <https://www.fastretailing.com/eng/ir/library/pdf/ar2021_en_sp.pdf>; **Inditex** <www.inditex.com/itxcomweb/en/investors/finance#accounts-reports>. See collection process in **Appendix 2**

As shown in Figure 4, Inditex (Zara's holding), shows better financial numbers and ratios than its main competitors. Zara outstands the competition in every economic aspect, despite the Covid crisis.

Taking everything into account, the financial performance exhibited in 2021, considering the still pandemic, the non-seen before levels of inflation in all continents, and the shortages in the chains of supply demonstrated Zara's capacity to overcome the worldwide crisis by its **adaptability**, adjusting its internal strategies to the changing scenarios.

Zara marketing mix tools: the four P's

According to Professor Neil Borden of the Harvard Business School, the company's actions that influence the buyer constitute the "marketing mix" and should be properly managed¹¹. Later, Jerome Mc Carthy proposed a marketing mix with four components: Product, Price, Place, and Promotion, each of them covers the company's path of actions and should be used to draw the marketing planning¹².

This relationship between the company and the consumer has evolved in today's global economy, adding digital media and value into the equation. As Pamela Danzinger wrote in Forbes Magazine, Zara has evolved to the new 4E's of marketing strategy, where Experience replaces Product, Exchange is now Price, Evangelism substitutes Promotion, and Everyplace is the new Place. In Zara's philosophy, all is about interacting with the customer.

¹¹ Kotler, P. (1999). *Kotler on Marketing*. Free Press, p. 94.

¹² Kotler, P. (1999). *Kotler on Marketing*. Free Press, p. 94.

Product Strategy

The base of any business is the product, which must be different enough to make the buyer pay for it.

Zara's portfolio includes clothing for men, women, and children, with contemporary designs. It offers from jeans to suits, bags, and accessories, either formal or casual. This variety is unique and makes Zara a one-stop solution for everyone.

Marketing segmentation is the approach to the market using different criteria to determine customer groups. Using this approach, companies identify the specific needs of each group and develop products for them. Even though this strategy can be attractive, it is not mandatory. Zara seems to apply an undifferentiated market segmentation with the same proposal to attract as many clients as possible.

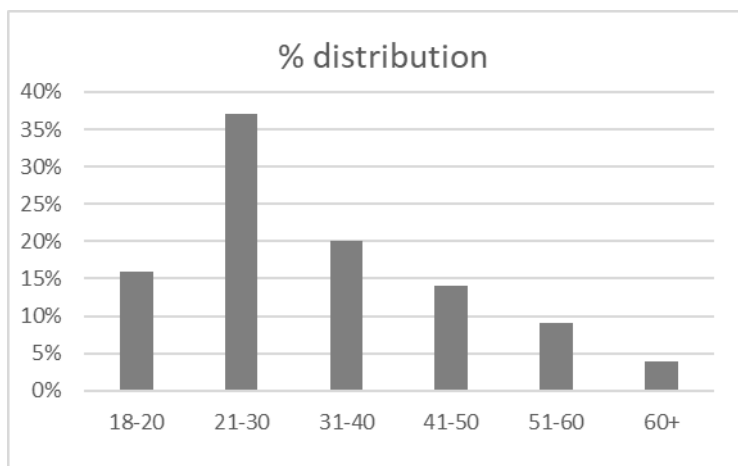


Figure 5 - *Distribution of Zara's sales by age*

Source: Start blog (2022). Who is Zara's Target Market? Zara Brand Analysis – Customer Segmentation, Marketing Strategy & Competitors. [online] Start.io - A Mobile Marketing and Audience Platform. Available at: <https://www.start.io/blog/who-is-zaras-target-market-zara-brand-analysis-customer-segmentation-marketing-strategy-competitors/>.

Zara customers are of every age, as shown in figure 5. Kids and Home lines complete the market segmentation.

However, the differential approach of Zara is what is called fast fashion. Zara refreshes the stock constantly, launching over

60 thousand collections per year and over ten thousand products and sending material to the stores at least twice a week.¹³

To do so, designers' work is dynamic, based on the best fashion trends, and at the same time, on analyzing of the client's reaction to what is being offered in the stores. To this purpose, central departments keep an open and continuous line with the stores, which gives periodic feedback about the newest arrivals.

According to Shelley Kohan, professor at the Fashion Institute of Technology, the success of the fast fashion formula is the capitalization of the store "experience", offering reasons for clients to visit the stores.

Summing up these arguments, **Zara has high-trend products that rotate rapidly, giving the customers a unique experience.**

Price Strategy

Price is the only marketing element that produces revenues and not costs. Companies try to maximize the price: find the right price to get higher profits (not too high because clients don't buy, not too low to cover costs and get a margin).

Zara's price strategy is also based on the client: how much the client is willing to



Figure 6 - Prices around the World

Source: **Zara Forwarding**. (n.d.). Zara prices worldwide comparative: Spain is the cheaper. [online] Available at: <https://zaraforwarding.com/spain/zara-prices-worldwide-comparative-spain-is-the-cheaper/>

pay for the product or value-based pricing. It aims to offer stylish clothing at a reasonable price to make fashion available for the middle classes.

Also, Zara manifests that they set prices independently in each

¹³ www.inditex.com. (n.d.). Zara website. [online] Available at: <https://www.inditex.com/itxcomweb/es/home>.

market. Doing so, the company optimizes its costs, which vary from country to country due to shipping costs, customs duties, transportation, and specific costs in each country. For example, *figure 6* shows the prices of the same product in different markets.

But Zara goes further: understanding that price is not the only variable for the customer, but also is time and convenience. The customer must feel the “**exchange**” with the company. It’s not only about buying the cheapest fast-fashion garment but a ***branded value trend-high product at appealing prices and in the quantity, format, and time he needs.***

Place Strategy

In the client-based model of Inditex, communication with the client is developed only through the stores, so the Place strategy is crucial. The image of Zara is linked with the space in which clients meet fashion. The company doesn’t want to incentivize the purchase of a determined article, but to interpret the client’s wishes. That is why they do not have any advertising tools, and the only publicity is made through the shopwindows and showcases, in charge of transmitting to the public what is happening inside the stores.

To create this “magic place”, there are two main issues that Zara addresses: the constant transformation of its **shopwindows** and the **interior layout**.

About the store’s facades, these are some examples of the facades around the world in the pictures below.



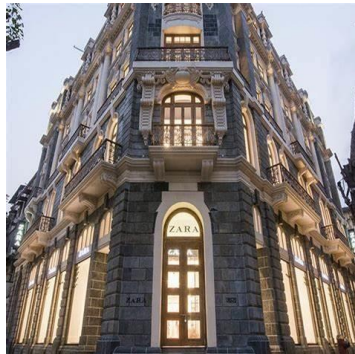
London Zara's building



Madrid Zara's building



New York Zara's building



Mumbai Zara's building



Brussels Zara's building



Zara inside a London shopping

Figure 7 - Zara buildings around the world

Source: Google searches performed on February 12, 2023.

Because stores are Zara's main marketing avenue, the whole building, from the outside to the inside design, creates an appealing and unique shopping experience. All the locations are carefully chosen, and the architecture is always spectacular, from renovated old buildings, to bright new ones. Even inside shopping malls, the architecture of the stores outstands.

When visiting the interior of the stores, they also look similar. All the places are big and clean, with white and light colors prevailing. The design and the distribution are thought to make contact between the client and the product direct and unlimited. Shops always have a unique perfume that identifies with Zara: white rose. This cent marketing strategy plays with the customer's senses,

relaxing them and making the experience more enjoyable. The low and chill out music also helps to create this relaxed atmosphere.



A 37,000 sqft Zara store in an England shopping center.



Dubai Zara store



Milan Zara store

Figure 8 - Inside Zara stores

Source: Google searches performed on February 12, 2023.

Zara is evolving into a new client experience model, in which shoppers have self-service checkouts and dedicated refund tills, clothes can be appreciated with one hand while seen in Zara's app with the other hand, and the attendant is there to answer fashion questions and to write down any suggestions, that go back to Zara's headquarters immediately. Also, the staff is well-trained to display the best pick of the week, cleanly and attractively.

Regardless, the 21st century's commerce is where the customers are: "everyplace". To do this, as Schumpeter explained in The Economist Magazine,

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Zara refashioned its business model, investing in technology that synchronized the strategy between online and offline commerce. Zara continues to strengthen its portfolio of stores, closing unprofitable ones and focusing on empowering the online business.

After shutting down some stores, Zara ended 2021 with 2.500 open shops in 200 markets distributed around the world, as shown in the map below¹⁴.

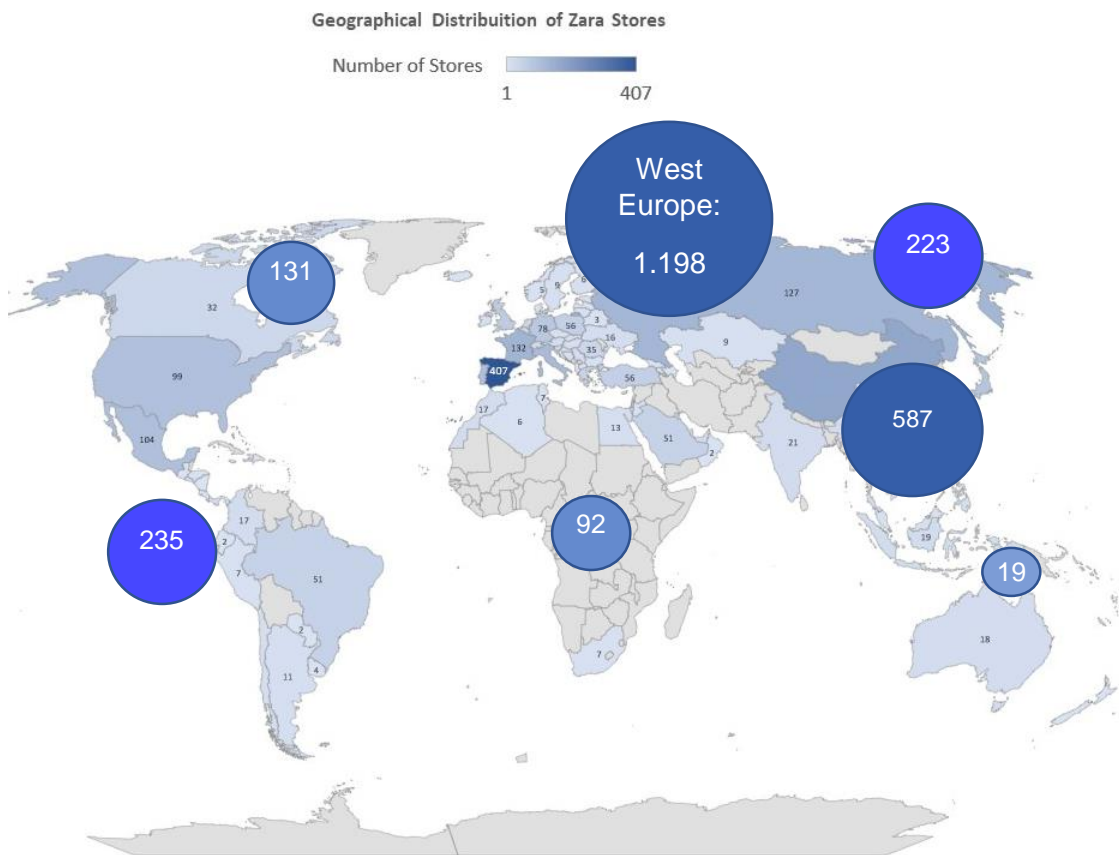


Figure 9 - Zara's stores distribution worldwide

Source: Data from Inditex financial website <www.inditex.com/itxcomweb/en/investors/finance#accounts-reports>. See collection process in Appendix 3

¹⁴ Inditex (2021). INDITEX ANNUAL REPORT 2021. [online] Available at: https://static.inditex.com/annual_report_2021/en/documents/annual_report_2021.pdf.

Promotion Strategy

Promotion includes communication tools that “talk” to the potential buyer. There are five categories¹⁵: advertising, sales promotion, public relations, sales force, and direct marketing.

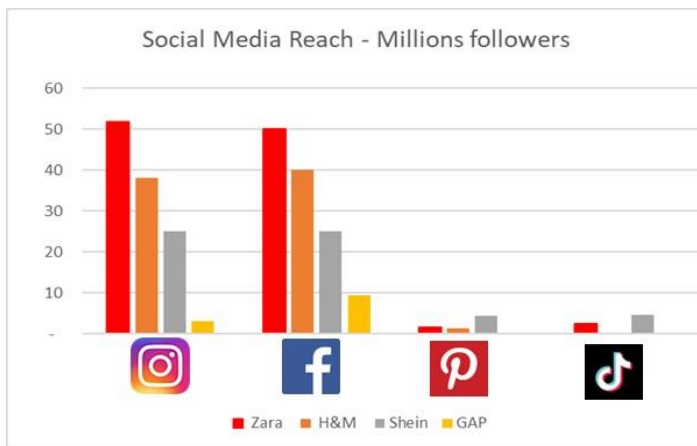


Figure 10 - Social Media Reach

Source: Social media research performed on January 20, 2023

Although Zara doesn't use this traditional advertising, such as TV, magazines or outdoors, Zara's social media reaches more public than its competitors. According to Rodrigo Perez-

Vega, from Henley Business

School, “Before most brands had embraced social media as a platform that purchase – Zara was already building up significant fan bases and investing in high quality social content”.

When analyzing sales promotion, Zara uses the shopwindows and its website to announce any kind of sale. The use of the same sales promotions worldwide gives the brand a unified and serious appearance.

¹⁵ Kotler, Philip, “On Marketing”, 1999, p,106

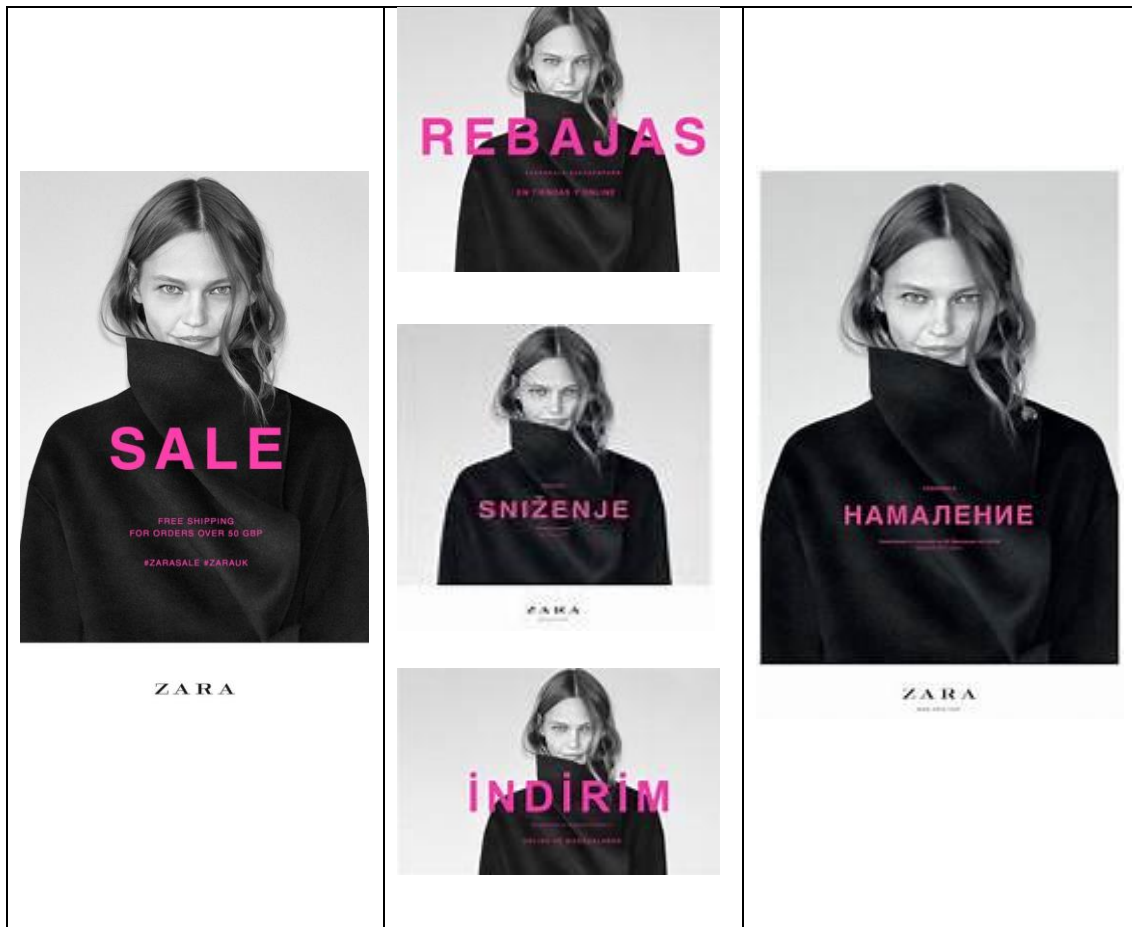


Figure 11 - *Zara sale promotion around the world*

Source: Google searches performed on February 12, 2023.

Nevertheless, the top Zara promotion strategy is their own clients. Shopper frequency at Zara is 2x to 3x higher than average buyers. These loyal customers become “**evangelists**” who promote the brand with their networks.

All aspects considered, Zara created a particular mix of marketing tools for itself. While the company does not use traditional advertising, the other three P’s act as promotional tools. What Zara sells is a product that changes every two weeks, at a differential price, and gets to the client through very strategic places. The three components acting together present the client with a unique and irresistible experience.

Zara situational analysis: the 3C's

The 3C Analysis was developed by Kenichi Ohmae, a Japanese business strategist who believes in a popular philosophy of his country: “Hito-Kane-Mono”, or “People-Money-Things”¹⁶. Inside a business company, he translated this philosophy into “Customers, Competitors and Company”. These three factors are closely related, and if they are well-balanced, they can bring a competitive advantage to the company.

Shortly, Ohmae said that business success is based on:

- The needs of the customer.
- The strengths of the corporation, and
- The products and services offered by competitors.

Customer



Figure 12 - **Inditex Business Model**

Knowing the consumer, their desires, incomes, likes, and dislikes improves the success of any company's marketing strategy. In the case of Zara, this knowledge lies in its core. As Figure 12 shows, the activities like design, production, logistics, and sales in stores or online are based on what

Source: **INDITEX ANNUAL REPORT 2021**. (n.d.).
[online] Inditex. Available at:
https://www.inditex.com/itxcomweb/api/media/9f9bb2e5-99da-4127-8337-4f829b874628/inditex_annual_report_2021.pdf?t=1655306372533.

¹⁶ Ohmae, K. (1991). *Mind of the strategist: the art of Japanese business*. New York: McGraw-Hill.

the client wants. As the company declares in the 2019 Annual Report¹⁷:

“Customers are not only those who currently buy from us, but those who may in the future. Our customers are all people looking for responsible, sustainable, and quality fashions”.

Zara’s clients like trendy products and will buy more when they go out of style. For them, Zara maintains its strategy of “everyplace”, and not only “place”: luxurious and well-located physical stores (which are adding augmented reality experiences) combined with an increasingly well-designed website.

The company has been going after young clients who spend most of their time on their phones, pulling customers into the brand using high-end technology, which is irresistible for millennials. At the beginning of Facebook, Zara was one of the first firms to use this social media more than just to create brand awareness. As a Harvard Business study reveals¹⁸, Zara used this vehicle to enhance relationships that increase loyalty via trust, customer satisfaction, perceived value, and commitment. The study results show that customer satisfaction is the strongest determinant of loyalty.

In the New York Times, Echeverria said, “The company does not talk about itself. The idea was that the client was to talk about the company. It was not to say how good it could be. The customer would say that if it was deserved.” And Zara seems to master this perception and experience from the customer.

¹⁷ **Inditex** (2019). *INDITEX ANNUAL REPORT 2019*. [online] Available at: https://static.inditex.com/annual_report_2019/en/documents/annual_report_2019.pdf.

¹⁸ **Gamboa & Gonçalves**, 2014, Harvard Business School, “Customers loyalty through social networks: lessons from Zara on Facebook”

Competitors

Zara's traditional competitors include the Sweden H&M, the Japanese Uniqlo, the American fast-fashion retailer GAP, and the Chinese online store Shein.

The closest competitor H&M still bases its strategy on pushing the brand and products out to the clients. With a sales model based on traditional stores, H&M has not created a brand embedded in customers' minds. Therefore, it depends on its own promotion strategy to promote its clothing. In addition, this company has 80% of the sources of the chain supply from Asia. This organizational structure does not allow the company to respond quickly to changes in demand, which is a crucial advantage in times of stagflation, as we see in 2022.¹⁹

On the other side, Shein, a new Chinese brand founded in 2008, focuses only on e-commerce, influencing a whole generation of Gen Z-ers. According to Morgan Stanley, an American bank, the company is the largest apparel retailer in the world. Its success seems to rest on the mix of three successful forces: a trusted supply chain, a data-driven design, and expertise in the social-media cycle.

It seems like "Shein is the online version of Zara", according to Allison Malmsten of Daxue Consulting. However, Shein is not focusing on middle-aged women, who prefer the physical experience of trying clothes on. It does not consider the post-pandemic effect, by which people want to leave the house and stroll around. And it does not commit to sustainability (in fact, Bloomberg published that 95.2% of Shein clothing contains new plastics²⁰). Lastly, Shein is generating a lot of

¹⁹ **The Economist.** (2022). *Fast fashion is in party mode.* [online] Available at: <https://www.economist.com/business/2022/06/09/fast-fashion-is-in-party-mode>.

²⁰ **Dottle, R.** (2022). *Rachael Dottle - Bloomberg.* [online] Bloomberg.com. Available at: <https://www.bloomberg.com/authors/AU1nEMcaHjc/rachael-dottle> [Accessed 6 Feb. 2023].

questions because of its lack of transparency, mainly about the working conditions in the factories, and the source of raw materials.

All in all, it appears that Zara continues to have a strong position in front of its competitors, and it will maintain it so, as long as it continues to innovate for the client's benefits.

Company

As we concluded above, Zara's marketing success is understanding the client's desires, designing, and delivering lots of clothing collections at reasonable prices to its thousand stores.

To do this, rapid design, production, and delivery to stores become critical. Designing and producing hundreds of pieces every month has created a significant barrier to entry for anyone who wants to compete.

Zara has used a combination of technology to listen to the customers' needs, lots of talented designers, vertical integration of the production process and the supply chain, and an efficient distribution network, plus an innovated system to connect all the steps with physical and online stores.

A team of more than 700 designers work together to bring life to more than 50.000 garments a year, taking only five weeks to transform a design into real cloth.

With a high level of vertical integration, the company has more than 55% of the factories near the headquarters in Spain, reducing the time to get a new design into shops. Zara does not keep big inventories; it produces goods in small batches, which creates value: better to buy now in case it is gone tomorrow. The company also has an efficient logistic net, delivering by truck to Europe and by air to the rest of the world.

To organize production, inventory, and distribution, information is essential: the more you know about the customers' needs and the supplier's situation, the more you can plan and reduce risks. This efficient integration of the store/online operations during the storage, transport and distribution processes is made possible thanks to new technology tools (such as an inventory management system based on radio-frequency identification (RFID) of each garment)²¹.

This integrated business model gives Zara a unified and up-to-date view of the client's demands. The whole company is organized to fulfill Zara's main objective: to provide customers with what they want, faster than anyone else.

Zara's Winning Zone and its Unique Selling Proposition

The Unique Selling Proposition (USP) is the strategy of telling the customers what unique benefits a company offers that help differentiate it from the competitors.

After analyzing Zara's marketing strategies, the winning zone of the company can be identified by understanding what the customers want and what Zara offers them that the competition does not. ²²

²¹ **Inditex** (2021). *INDITEX ANNUAL REPORT 2021*. [online] Available at: https://static.inditex.com/annual_report_2021/en/documents/annual_report_2021.pdf.

²² **Levitt** (1986). *MARKETING IMAGINATION NEW EXPANDED EDITION*. New York: Free Press.

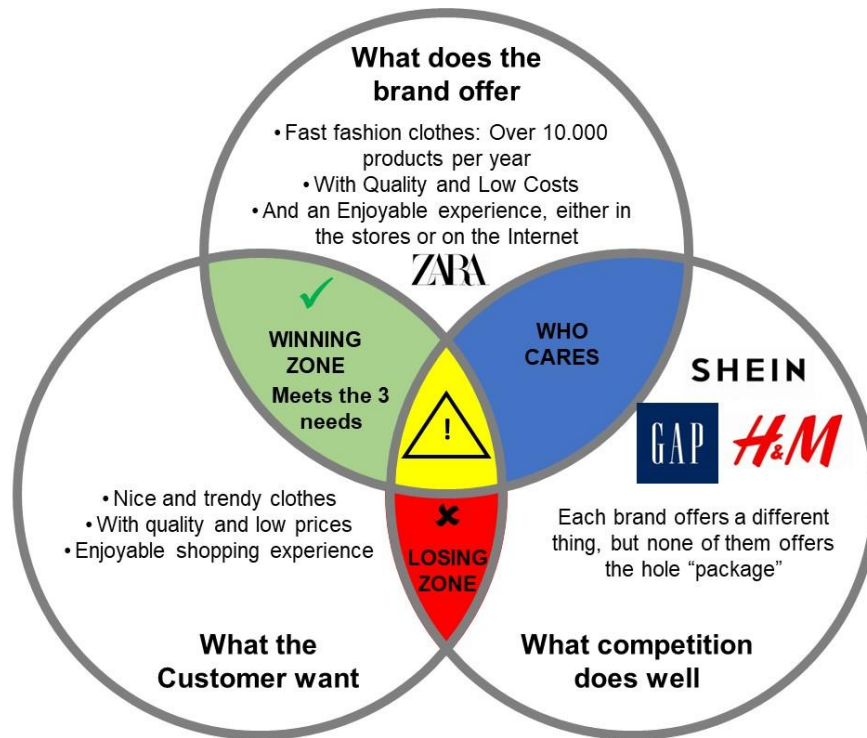


Figure 13 - *Winning Zone Diagram*

Source: Diagram design based on the Unique Selling Proposition theory

This identified winning zone is called the Unique Selling Proposition of Zara: **the company offers fast fashion clothes with quality and fair prices while giving the customer an enjoyable shopping experience.**

Conclusion

Over time, Zara has developed a unique business model. For almost 60 years, Zara's mission has remained the same: to satisfy clients' expectations, offering what they want at the right time and place. To perform this, Zara chose a specific marketing strategy to promote the brand using the other tools available: price, product, and place.

However, what distinguishes Zara from the competition is its integrated business model and the ability to adjust it to the latest trends. Therefore, as seen in the financial analysis, the company can cope with the pressures of a pandemic, inflation crisis, competition, and recession.

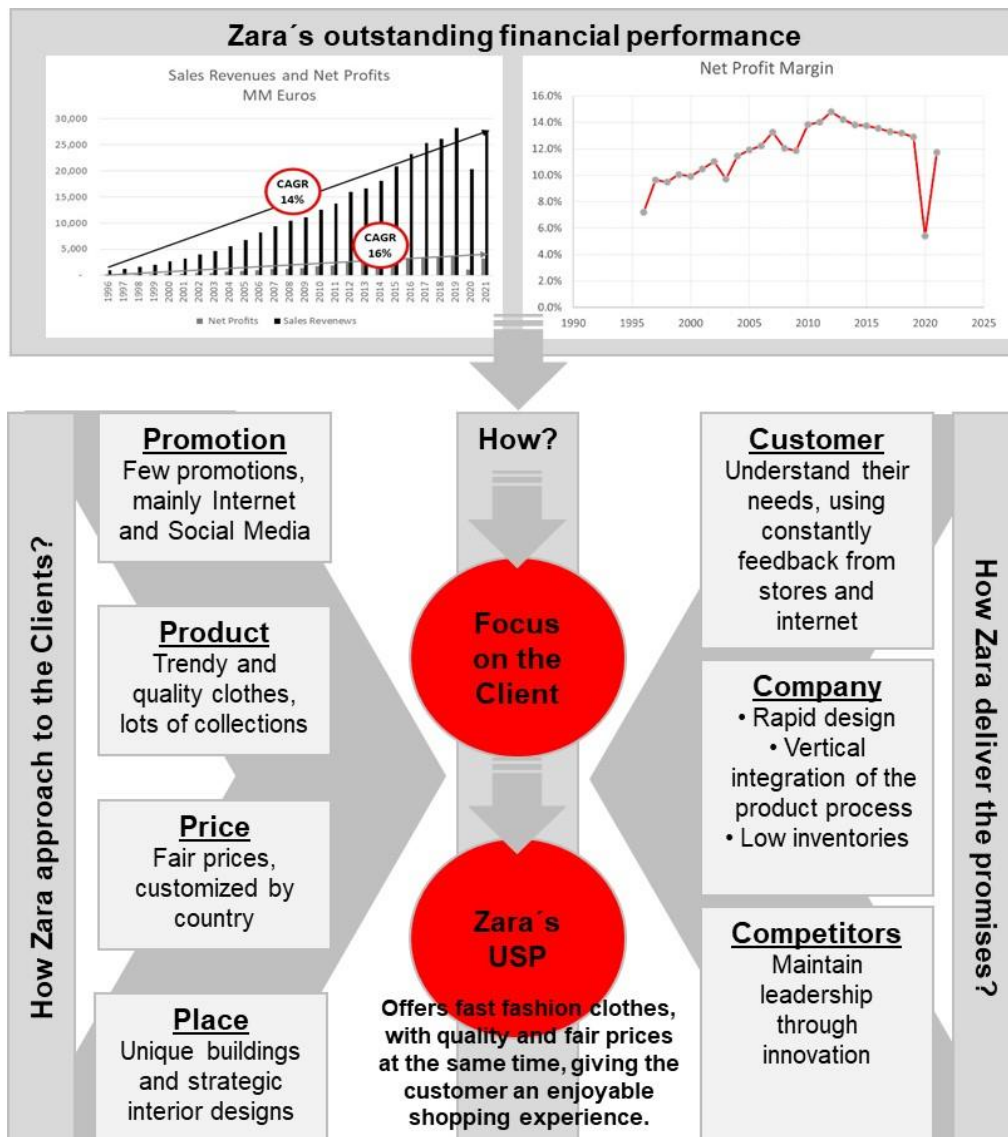


Figure 14 - Zara's strategies Mind Map

All these studied aspects are illustrated in a mind map in figure 14.

In conclusion, the answer to this paper's question, "To what extent can Zara's success be attributed to its marketing strategies," is that the marketing strategy has a high degree of importance in Zara's business. The company has chosen specific marketing elements, as concluded in the 4P's chapter. No advertising, no segmentation, but to sell high fashion clothes to everyone that change every 15 days at an affordable price, presenting the customer with an exceptional shop experience. The company believes so deeply in this strategy that the whole business is structured to make it happen, using the operational structure

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(designers, manufacturing, logistics) to differentiate themselves from the competitors, creating a Unique Selling Proposition, and delivering their promises.

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Appendix 1

Financial information

To analyze Zara financial performance during the years, I researched on Inditex website all the Annual Reports available. With the information of the reports, I created an Excel spreadsheet typing all the information I would use. The result table is above. Using this data, I designed the graphics showed in Figures 1, 2 and 3.

	MM Euros	MM Euros	MM Euros			
YEAR	Net Profits	Revenews	On line	Net Profit Margin	ROCE	Nro de Tiendas
1996	73	1,009		7.2%	29.00%	541
1997	117	1,217		9.6%	35.00%	622
1998	153	1,615		9.5%	36.00%	748
1999	205	2,035		10.1%	33.00%	922
2000	259	2,615		9.9%	34.00%	1,080
2001	340	3,250		10.5%	39.00%	1,284
2002	438	3,974		11.0%	41.00%	1,558
2003	447	4,599		9.7%	32.00%	1,922
2004	639	5,569		11.5%	41.00%	2,244
2005	803	6,741		11.9%	41.00%	2,692
2006	1,002	8,196		12.2%	43.00%	3,131
2007	1,250	9,435		13.3%	43.00%	3,691
2008	1,253	10,407		12.0%	36.00%	4,264
2009	1,314	11,084		11.9%	34.00%	4,607
2010	1,732	12,527		13.8%	39.00%	5,044
2011	1,932	13,793		14.0%	37.00%	5,227
2012	2,361	15,946		14.8%	39.00%	6,009
2013	2,377	16,724		14.2%	35.00%	6,340
2014	2,501	18,117		13.8%	33.00%	6,683
2015	2,875	20,900		13.8%	34.00%	7,013
2016	3,157	23,311		13.5%	33.00%	7,292
2017	3,368	25,336	2,534	13.3%	33.00%	7,475
2018	3,448	26,145	3,137	13.2%	31.00%	7,490
2019	3,647	28,286	3,960	12.9%	32.00%	7,469
2020	1,104	20,402	6,529	5.4%	10.00%	6,829
2021	3,250	27,716	7,068	11.7%	28.00%	6,477
CAGR	16%	14%				
Covid	-70%	-28%	78%			

Appendix 2

Competitors Performance

To analyze the competitors' financial performance, and to compare to Zara's, I needed some basic financial figures of their annual report. To get that information, I researched each website (H&M, Uniqlo and Gap) and found their annual reports. The information was typed in an Excel spreadsheet, showed above. Then, it was plotted in the graphic illustrated in Figure 4.

2021-12-31	Sales	Net Profit	Online Business	Stores
Euro mm	27,716	3,243	7,500	6,477
SEK mm (0,09715)	199	14	64	4,801
Euro mm	19,333	1,389	6,187	4,801
USD mm (0.8792)	19,408	1,545	3,494	3,527
Euro mm	17,064	1,359	3,072	3,527
USD mm (0.8792)	16,670	256	7,668	3,399
Euro mm	14,656	225	6,742	3,399

Appendix 3

Zara stores distribution worldwide

To see the geographic diversity of Zara business, I looked for information about the distribution of its stores around the world. I found the information in Inditex' Annual Report. The information was digitized in an Excel spreadsheet, as presented above. The MAP illustration of Figure 9 was made using the Map Graphic function of Excel.

Continent	Country	Number Store
EAST EUROPE	Albania	2
WEST EUROPE	Germany	78
WEST EUROPE	Andorra	2
ASIA	Saudi Arabia	51
AFRICA	Algeria	6
LATINOAMERICA	Argentina	11
ASIA	Armenia	3
LATINOAMERICA	Aruba	1
OCEANIA	Australia	18
WEST EUROPE	Austria	14
ASIA	Azerbaijan	3
ASIA	Bahrain	3
WEST EUROPE	Belgium	33
EAST EUROPE	Belarus	3
EAST EUROPE	Bosnia and Herzegovina	3
LATINOAMERICA	Brazil	51
EAST EUROPE	Bulgaria	7
NORTEAMERICA	Canada	32
LATINOAMERICA	Chile	13
ASIA	China	172
ASIA	Hong Kong	14
ASIA	Macau	3
ASIA	Taiwan	11
ASIA	Cyprus	13
LATINOAMERICA	Colombia	17
ASIA	South Korea	42
LATINOAMERICA	Costa Rica	3
EAST EUROPE	Croatia	12
WEST EUROPE	Denmark	4
LATINOAMERICA	Ecuador	2
AFRICA	Egypt	13
LATINOAMERICA	El Salvador	1
AFRICA	United Arab Emirates	21
WEST EUROPE	Slovakia	5
WEST EUROPE	Slovenia	4
WEST EUROPE	Spain	407
NORTEAMERICA	United States	99
EAST EUROPE	Estonia	3
ASIA	Philippines	9
WEST EUROPE	Finland	6
WEST EUROPE	France	132
EAST EUROPE	Georgia	5
WEST EUROPE	Greece	48
LATINOAMERICA	Guatemala	4
WEST EUROPE	Netherlands	34
LATINOAMERICA	Honduras	3

Continent	Country	Number Store
WEST EUROPE	Hungary	12
AFRICA	India	21
ASIA	Indonesia	19
WEST EUROPE	Ireland	10
WEST EUROPE	Iceland	1
ASIA	Israel	27
WEST EUROPE	Italy	115
ASIA	Japan	84
ASIA	Jordan	5
ASIA	Kazakhstan	9
ASIA	Kuwait	12
EAST EUROPE	Latvia	4
ASIA	Lebanon	6
EAST EUROPE	Lithuania	7
WEST EUROPE	Luxembourg	4
EAST EUROPE	Republic of North Macedo	3
ASIA	Malaysia	8
WEST EUROPE	Malta	4
AFRICA	Morocco	17
LATINOAMERICA	Mexico	104
WEST EUROPE	Monaco	1
EAST EUROPE	Montenegro	1
LATINOAMERICA	Nicaragua	1
WEST EUROPE	Norway	5
OCEANIA	New Zealand	1
ASIA	Oman	2
LATINOAMERICA	Panama	3
LATINOAMERICA	Paraguay	2
LATINOAMERICA	Peru	7
WEST EUROPE	Poland	56
WEST EUROPE	Portugal	104
LATINOAMERICA	Puerto Rico	3
ASIA	Qatar	11
WEST EUROPE	United Kingdom	66
WEST EUROPE	Czech Republic	6
LATINOAMERICA	Dominican Republic	5
EAST EUROPE	Romania	35
EAST EUROPE	Russia	127
EAST EUROPE	Serbia	11
ASIA	Singapore	8
AFRICA	South Africa	7
WEST EUROPE	Sweden	9
WEST EUROPE	Switzerland	22
ASIA	Thailand	14
AFRICA	Tunisia	7
ASIA	Turkey	56
WEST EUROPE	Ukraine	16
LATINOAMERICA	Uruguay	4
ASIA	Vietnam	2

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