

## ZARA: Staying Fast and Fresh

In early 2011, despite a successful decade of continued growth, fashion retailer Zara's CFO Miguel Díaz was anything but complacent. When asked about the future, Díaz responded:

Challenges abound. At the pace stores are being added in the rest of the world, the inevitable question is whether we should open our first major distribution center outside Spain. Another concern is that the prices of raw materials and labor are not going down, in part because the cost structure in Asia is changing. The old textile model in which each year better garments were produced at lower costs will not hold on forever, and we have to remain alert to these changes.

Zara, the flagship brand of the Spanish retail conglomerate Inditex, was one of the leading retailers of fast-fashion, churning out frequent in-season assortment changes of knockoffs of popular runway styles and trendy fashions. The company had received a lot of attention for its centralized distribution model. In the past 10 years, Inditex and more specifically Zara had been studied by MBA students, the world over, to understand its success in distribution and supply chain efficiency. Numerous cases had been written by academics to better understand Zara's operations, marketing, information systems, and overall strategy, but the same authors had always questioned Zara's long-term sustainability. (See **Exhibit 1** for a brief survey of previous cases.) Nevertheless, Zara's net sales reached €8,088 million in 2010, representing an increase of 14% over the previous year and right in line with the average growth it had shown over the last decade. (See **Exhibit 2** for a graphical representation of Zara's growth and significant events.)

### Inditex

In 2010, Inditex founder Amancio Ortega Gaona was considered by Forbes Magazine to be the 9th richest man in the world, but his life did not begin that way. Ortega began his career in 1963 as a clothing manufacturer in A Coruña, Spain making garments for wholesalers. The way the story goes, in 1975, after a customer cancelled a large order, Ortega decided to open his own store as an outlet for unsold products. It was to be called Zorba, following the popular film featuring Anthony Quinn, but that name had already been taken by a nearby store. In a quick display of his decision making, Ortega reused the billboard letters and came up with the name Zara. Through his own store, Ortega learned firsthand what customers wanted and realized that it often did not

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Professor Felipe Caro prepared this case as the basis for class discussion. The content does not engage the responsibility of the Inditex Group. The case is not intended to serve as primary source of data, endorsement, or a description of adequate/inadequate managerial practice. Special thanks to Katherine Helfet and Paige Hosler who helped in the writing process. This project was supported by the Easton Technology Leadership Program.

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