

## Zara Gets Fresh Styles To Stores Insanely Fast. How Do They Do It?

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Polka Dots Are In? Polka Dots It Is!

How Zara gets fresh styles to stores insanely fast—within weeks.



*How does Zara get new styles to its stores so fast? www.zara.com*

If you've ever shopped at Zara, the ubiquitous clothing chain, you may have noticed its trendy offerings are not just up-to-the-minute but up-to-the-instant. Its styles swap in and out more often than al-Qaida second-in-commands. A March New York Times story noted that Zara seemed to have knocked off a few looks from the fall 2012 runway shows, which debuted just weeks earlier. "Other chains churn out fast fashion," the story noted, while Zara "attempts the

mind-spinningly supersonic."

How does Zara do it? If you've been reading this series, you've already guessed: operations. Supply chain management is the key to Zara's corporate strategy.

According to Nelson Fraiman, a Columbia Business School professor who wrote a 2010 case study about Zara, most apparel retailers commit six months in advance to the designs for 40 to 60 percent of their seasonal lines. By the start of each season, nearly 80 percent of that season's inventory is committed—meaning a lot of it has already been manufactured.

There are upsides to scheduling far in advance. When you're paying for factory time in China and you don't own the factory, booking the time up front ensures that the factory will have available capacity and that it will be focused on your company's products instead of on some rival's. It also keeps manufacturing prices predictable—no need to pay extra for emergency rush orders.

But there are downsides, too. Once you've made your bets, you need to sit back and hope you guessed right that fuchsia and burlap would be the hot trends of the season. If they aren't? You get stuck with oodles of unsold inventory. There's not much you can do to move it out of your stores except cut prices. If that's not working, you mark the items down even more and waste further money advertising the sale.

Zara, on the other hand, commits six months in advance to only 15 to 25 percent of a season's line. And it only locks in 50 to 60 percent of its line by the start of the season, meaning that up to 50 percent of its clothes are designed and manufactured smack in the middle of the season. If mauve and velour suddenly become the rage, Zara reacts quickly, designs new styles, and gets them into stores while the trend is still peaking.

Zara has this capability because it keeps a significant amount of its production in-house and makes sure that its own factories reserve 85 percent of their capacity for in-season adjustments. For its long-lead items, Zara uses the same foreign factories as everybody else because the costs are cheaper. But for the fast-fashion items Zara produces in-house, it often relies heavily on sophisticated fabric-sourcing, cutting, and sewing facilities nearer to its design headquarters in Spain. The wages of these European workers are higher than those of their developing-world counterparts. (Fraiman describes it as “Eight euros an hour instead of 50 cents an hour.”) But the turnaround time is miraculous: as short as two weeks from an idea in a designer’s head to a garment on a Zara store’s shelf.

This quick in-season turnaround, from production facilities located close to Zara’s distribution headquarters in Spain, lets Zara ship more often and in smaller batches. New styles can hit stores twice per week. If the mauve velour leggings Zara hastily creates in an attempt to chase the latest trend do not in fact sell well, little harm is done. The batch is small, so there’s not a ton of unsold inventory to get rid of. And because the failed experiment is over in a jiffy, there’s still time to try a different style, and then a different one after that. Or to double up on production of a hit—and raise its price in stores. Zara doesn’t need to forecast demand. It can respond to demand as it develops and changes. (One executive told Fraiman that the company was “able to tilt the in-store inventory from equestrian themes to black within two weeks of the Sept. 11 terrorist attacks.”)

Another benefit of the small batches is that markdowns are rare. Without massive piles of unsold clothes to get rid of, Zara can get away with offering fewer discounts. Fraiman’s case study estimates that competitors sell 30 to 40 percent of their items at less than full price while at Zara, it’s closer to 15 to 20 percent. Because customers know that new items are arriving every few days, and in limited quantities that might disappear quickly if the item is a hit, they are motivated to shop frequently at Zara stores—an average of 17 visits per year, compared to only four or five at the Gap, according to Fraiman.

It’s worth noting that Uniqlo, another affordably priced global apparel retailer, has succeeded with an approach that’s almost the exact opposite of Zara’s. Here’s a passage about the Japanese-owned Uniqlo from a New York Times story that ran last month: “Yasunobu Kyogoku, chief operating officer for Uniqlo’s United States division, said the company was able to get [retail] prices that low because it did not change its merchandise plans based on the latest fashion fad. Instead, it books factory capacity in advance, and produces garments at a steady pace year-round, rather than rushing to produce trendy items from specialty factories.” By making well-designed, well-fabricated, basic clothes and managing to sell them incredibly cheaply because its factory costs are reined in, Uniqlo is able to maintain customer demand without chasing every trendlet.

So there’s more than one way to skin the operations cat. You need to find the strategy that fits your company, your product, and your marketplace. And never advance-order a six-month supply of fuchsia burlap rompers.

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