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How Zara Grew Into the World's Largest Fashion Retailer (By SUZY HANSEN)

Galicia, on the Atlantic coast of northern Spain, is the homeland of Generalissimo Francisco Franco, but is otherwise famous for being a place people try to leave. For much of the 20th century, hundreds of thousands of *gallegos*, as they are called, emigrated to countries as far away as Argentina to escape Galicia's rural poverty. Today, however, even as Spain teeters on the edge of economic catastrophe, the Galician city La Coruña has attracted notice as the hometown of Amancio Ortega Gaona, the world's third-richest man — he displaced Warren Buffett this year on the [Bloomberg billionaire index](#) — and the founder of a wildly successful fashion company, Inditex, more commonly known by its oldest and biggest brand, Zara.

Ortega has never given an interview, according to his communications department, nor does he attend award ceremonies or parties. He rarely allows his picture to be taken. Pablo Isla, who took over the company when the 76-year-old Ortega stepped down as chairman last year, rarely gives interviews or waves to the camera, either. In fact, the public face of Inditex is its soft-spoken communications director, Jesus Echevarría, who, as I discovered during a recent visit to the Inditex complex, is perhaps the only communications director on the planet who all but apologizes whenever he must answer questions about Inditex's runaway success.

The company's outward modesty reflects its surroundings. La Coruña is a quiet place, typically European in its humdrum perfection: tidy highways and compact cars, clean taxis, no need to worry about tipping. The week I visited in late July, the conservative national government was threatening to implement a new austerity plan, and unemployment among people under 30 in Spain hit 50 percent, but the city seemed calm. Restaurants were busy, beaches packed. People dozed on La Coruña's seaside boulders, while their dogs leapt in the water. The city is a little more than 300 miles from Madrid and 555 miles from Barcelona. It's an odd location for an aggressive, global company like Inditex.

The campus (located in the industrial area of Arteixo, next door to La Coruña) consists of corporate headquarters for the entire company, as well as headquarters for Zara and Zara Home, two of Inditex's eight brands. There are also factories and a distribution center where clothes are loaded onto trucks to be sent around the world. The factories are directly across from the corporate offices. The main building, where I waited for my hosts, somewhat resembled a hospital waiting room, with rows of plain boxy black chairs and little else. Apart from a single poster of a fashion model, nothing adorned its white walls. No flowers, no words, no ads, no fashion magazines, no style. The setting felt appropriate for the age of austerity, even if Inditex is one company in Spain that is actually thriving.

Inditex is a pioneer among "fast fashion" companies, which essentially imitate the latest fashions and speed their cheaper versions into stores. Every one of Inditex's brands — Zara, Zara Home, Bershka, Massimo Dutti, Oysho, Stradivarius, Pull & Bear and Uterqüe — follow the Zara template: trendy and decently made but inexpensive products sold in beautiful, high-end-looking stores. Zara's prices are similar to those of the Gap: coats for \$200, sweaters for \$70, T-shirts for \$30.

Inditex now makes 840 million garments a year and has around 5,900 stores in 85 countries, though that number is always changing because Inditex has in recent years opened more than a store a day, or about 500 stores a year. Right now there are around 4,400 stores in Europe, and almost 2,000 in Spain alone. Inditex's main rivals are way behind. Arcadia Group, which owns Topshop, among others, has about 3,000 stores worldwide; H&M, based in Sweden, has 2,500 (when you include its smaller lines of stores); and Mango, based in Spain, 2,400.

In an Inditex conference room, Echevarría gave me a multimedia presentation about the company. The number of stores in different countries popped up on the screen — including 289 in China and 45 in the United States. Since the time of our meeting, in late July, Inditex has reached 350 stores in China and opened another in the United States. The company's march appears to be as inexorable as the passage of the seasons. But can Inditex survive its own expansion?

“When we open a market, everyone asks, ‘How many stores will you open?’” he said. “Honestly, I didn't know. It depends on the customer and how big the demand is. We must have the dialogue with the customers and learn from them. It's not us saying you must have this. It's you saying it.”

The roots of Inditex go back to 1963, when Ortega, the son of a railway worker, started a business making housecoats and robes in La Coruña. In 1975, he opened his own store in town. He called it Zorba, after the 1964 film “Zorba the Greek.”

“I don't think they were thinking of making history, just that it was a nice name,” Echevarría said. “But apparently there was a bar that was called the same, Zorba, like two blocks away, and the owner of the bar came and said, ‘This is going to confuse things to have two Zorbas.’”

They had already made the molds for the letters in the sign, so they just rearranged them to see what they could find. They found Zara.” The holding company Inditex was created in 1985.

Ortega wanted to maintain his own manufacturing business in La Coruña, so from the beginning his business model differed from the norm. A traditional ready-to-wear fashion company in the West sends the designs for its clothes to independent factories in countries like China and India, where the labor to make them is cheap. These clothes are then shipped back and stocked in stores in spring and fall, with smaller shipments throughout the year.

But a brand at Inditex will make a fall collection, for example, and then ship only three or four dresses or shirts or jackets in each style to a store. There's very little leftover stock, few extra-smalls or mediums hiding in the back. But store managers can request more if there's demand. They also monitor customers' reactions, on the basis of what they buy and don't buy, and what they say to a sales clerk: “I like this scooped collar” or “I hate zippers at the ankles.” Inditex says its sales staff is trained to draw out these sorts of comments from their customers. Every day, store managers report this information to headquarters, where it is then transmitted to a vast team of in-house designers, who quickly develop new designs and send them to factories to be turned into clothes.

More than half of Inditex's manufacturing takes place either in the factories it owns or within proximity to company headquarters, which is to say in Europe or Northern Africa. Inditex owns factories in Spain and outsources production to factories in Portugal, Morocco and Turkey — considered costly labor markets, typically. The rest of its clothes are produced in China, Bangladesh, Vietnam and Brazil, among other countries. The trendiest items are made closest to home, however, so that the production process, from start to finish, takes only two to three weeks. Inditex's higher labor costs are offset by greater flexibility — no extra inventory lying around — and on faster turnaround speed.

That means that if Inditex stores in London, Tokyo and São Paulo all have customers responding enthusiastically to, let's say, sequined cranberry-colored hot pants, Inditex can deliver more of these, or a variation on hot pants, sequins or that cranberry color, to stores within three weeks. The company tries to keep the stock fresh; one promise its stores make is that you will always be buying something nearly unique. Merchandise moves incredibly quickly, even by fast-fashion standards. All those thousands of Inditex stores receive deliveries of new clothes twice a week.

In this way, says Masoud Golsorkhi, the editor of Tank, a London magazine about culture and fashion, Inditex has completely changed consumer behavior.

“When you went to Gucci or Chanel in October, you knew the chances were good that clothes would still be there in February,” he says. “With Zara, you know that if you don’t buy it, right then and there, within 11 days the entire stock will change. You buy it now or never. And because the prices are so low, you buy it now.”

Inditex owes none of its success to advertising. That’s because Inditex doesn’t advertise. It hardly even has a marketing department, and it doesn’t engage in flashy campaigns, as its competitors do, teaming up with fashion designers like Stella McCartney, Karl Lagerfeld, Martin Margiela and Marni. Zara’s designers are completely anonymous; some would say this is because they are copiers rather than designers.

The marketing Inditex does do is all about real estate. The company invests heavily in the beauty, historical appeal and location of its shops.

“The high street is really divided according to brand value,” says Golsorkhi, who is also a consultant for fashion brands. “Prada wants to be next to Gucci, Gucci wants to be next to Prada. The retail strategy for luxury brands is to try to keep as far away from the likes of Zara. Zara’s strategy is to get as close to them as possible.”

For example, in Istanbul, where I live, Zara, Uterqüe and Massimo Dutti can all be found on Tesvikiye Caddesi, a tony and heavily trafficked avenue. They are one street away from Cartier and Hermès and Chanel. But Inditex is even more ambitious than that when it comes to finding valuable real estate. In 2003, Inditex built a Zara in the San Antonio el Real, an 18th-century convent in Salamanca, and in a historic cinema in Elche (also in Spain). The company likes special buildings. Last year, it paid \$324 million to buy space at 666 Fifth Avenue in New York, according to the company, a building best known for being the most expensive ever sold in Manhattan.

“In New York, they did one page saying they were opening — in The New York Times,” Echevarría said. “But it’s not a campaign; it’s an announcement; it’s information. 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.”

In the last five years, Inditex’s overall sales have grown to 13.8 billion euros a year from 9.4 billion euros. Profit has risen to almost 2 billion euros a year. The company expanded to 110,000 employees in 2011, from around 80,000 in 2007. In short, while Spain has been suffering through real estate and debt crises (following the global financial crisis), Inditex has prospered. Echevarría said that is because the customer is always determining production — not the other way around. Every piece of clothing the company makes has, in a way, been requested. A business model that is so closely attuned to the customer does not share the cycle of a financial crisis.

Fast fashion has also become more hip in recent years; even celebrities like Kate Middleton have been photographed wearing Zara. “It’s generally the way the retail market is going — it’s not just Zara,” says Isabel Cavill, a senior analyst with Planet Retail, a consulting firm based in London. “There’s a bit of cachet in picking up something that looks like £500 for £50.” If people compliment your nice dress, you can proudly boast that you got it for a steal.

Increasingly, H&M and Mango have raced to keep up with Zara. But the Inditex effect is not confined to cheap, fast fashion. It has forced — or inspired, depending on how you look at it — people to spend their money in a different manner. In Zara, every purchase is an impulse buy; there’s no longer any saving up for that gorgeous leather jacket in the window. You are buying clothes not because you love them, but because, at \$50, those hot pants are as cheap as Sunday brunch for two — and likely to be gone in a matter of days. It’s a way of consumption that has conditioned buyers to expect this up-to-the-minute trendiness and variety in higher-end labels as well.

“They broke up a century-old biannual cycle of fashion,” Golsorkhi says. “Now, pretty much half of the high-end fashion companies” — Prada and Louis Vuitton, for example — “make four to six collections instead of two each year. That’s absolutely because of Zara.”

The Inditex brands exist in a dizzying fashion time frame, where the latest trend seems to be wilting on a woman a few hours after she buys into it. The public relations person who gave me the rest of my tour of the Inditex premises — and requested not to be named, presumably in accordance with Inditex’s modesty rules — wore sleek black pants with zippered ankles, a loose yellow blouse and a black blazer with an upside-down V cut out of the back. She looked sharp and shiny as a penknife. I wore a dress that was at least six years old, which basically means I showed up for my fast-fashion tour in a poodle skirt.

The Zara headquarters is a huge airplane-hangar-size open space, with regional sales managers sitting at a line of desks running down the middle, designers on either side of them. The managers field calls from China or Chile to learn what’s selling, then they meet with the designers and decide whether there’s a trend. In this way, Inditex takes the fashion pulse of the world. “The manager will say, ‘My customers are asking for red trousers,’ and if it’s the same demand in Istanbul, New York and Tokyo, that means it’s a global trend, so they know to produce more red pants,” the P.R. person said.

I remarked that it must be interesting to see what is fashionable in Turkey but not in New York and vice versa. I imagined that different nationalities still had different tastes, at least in terms of fashion. But I was wrong.

“Actually, the customer is more or less the same in New York and Istanbul,” she said. “There are differences, like Brazilian girls like more brilliant colors, whereas in Paris they use more black. But in general when you find a fashion trend, it’s global.”

Earlier, Echevarría told me that neighborhoods share trends more than countries do. For example, the store on Fifth Avenue in Midtown New York “is more similar to the store in Ginza, Tokyo, which is an elegant area that’s also touristic,” he said. “And SoHo is closer to Shibuya, which is very trendy and young. Brooklyn now is a wildly trendy place to go, while Midtown — well, no New Yorker is actually shopping on Fifth Avenue now.” The buyers there are suburban tourists, he meant.

I recalled how I returned to my hipsterish Istanbul neighborhood after a trip to Brooklyn not long ago and discovered that the Turks were all also wearing those huge scarves wrapped around their necks eight times. I was surprised by how fast a style traveled across the globe, because I don’t see many Turks reading fashion magazines. But it isn’t just magazines that tell us what to wear. People like Ortega do. Or, more accurate, we tell each other, through the conduit of his Inditex stores and others like them.

On my tour, I also visited the mock Zara and Zara Home stores that were set up inside the headquarters. The fall collection, about to be introduced around the world, sat in the storefront.

There were lots of studs in brassy gold, military colors, skulls, white lace shirts and animal prints that, the spokeswoman said, “have been trendy since last season and will continue a little bit, but just until Christmas.” A trend can last a half a year, but some are finished in a month. “They thought that animal prints would finish by summer, but it kept going,” she said. “In the beginning of this season we had fluorescent colors. It was a trend in April and May, and it was very successful and then that was it.”

We stopped in at Zara Home, which the representative said operated just like the clothing stores. (Last month, the company introduced Zarahome.com in the United States, as well as Massimo Dutti, a higher-end clothing brand.) I was dubious that people throw away and replenish dishes and rugs the way they do miniskirts, but she assured me they do, especially when it was trendy. (I noticed skull-patterned stuff again.) Then we went to Zara Kids. It occurred to me that the avalanche of inexpensive clothing would likely put an end to the custom of hand-me-down baby clothes. Why deal with someone else’s stains when you can buy new (and on-trend) for \$25?

“The trends for kids are the same for adults,” the spokeswoman said.

I looked at a jacket. “So I guess these Chanel-looking boxy things are in style for everyone.” She nodded. “Skulls for kids, too, huh?”

Inditex denies that it copies other designers. Yet in The New York Times last March, [Alexandra Jacobs](#) described a visit to the new Zara store on Fifth Avenue in New York, where she was reminded of Prada, Alexander Wang, Balmain and many other high-end brands. Christian Louboutin took Inditex to court for selling the company’s signature red-soled shoes but lost, mainly because Inditex takes care to change its designs just enough to evade copyright laws.

“To the luxury brands, they are copycats, they are like mushrooms feeding off the main body of fashion,” Golsorkhi says. “I was of the same mind myself, but I have grown out of that because I realize that the fashion companies also copy each other. In the end, no one’s original.”

H&M also delivers frequent shipments of new items and imitates the latest trends. But even H&M offers original collections by famous fashion designers. Inditex has discovered it doesn’t need to.

“They have done process innovation very well,” says Nelson Fraiman, a professor at Columbia Business School who has studied the Inditex model. “Product innovation? No. But tell me one Chinese company that has done product innovation very well. They are brilliant at process. I think you should give a cheer for process innovation.”

Expansion, however, poses a threat to Zara’s process by putting stores far from the factories and logistics center in Europe. Echevarría said the company very carefully selects the cities where it opens new stores. Remember the slide presentation showing only 45 stores in the United States compared with hundreds in other countries? There are reasons for that. Foreign brands have a long history of failing miserably here.

“The United States is a graveyard of European retailers,” says José Luis Nuño, a professor of marketing at I.E.S.E. Business School in Madrid. “Everyone who has gone there has struggled. Laura Ashley has shut down and even Benetton is declining. The U.S. is really complex because it’s about putting stores in shopping malls in the middle of nowhere. Fashionistas live on the East and West coasts. Then everyone else dresses in the Gap and Walmart and T. J. Maxx. If you really wanted to cover the U.S., you would have to open 300 stores, and they would have to focus all their energy to make it work.”

There’s also the delicate matter of sizing.

“Would you expand in the United States?” Fraiman asks. “Zara to me is a European store for European style; it’s very fashion forward. And what is the problem in America? They don’t fit in the clothes. So why do it? Having to make larger sizes makes production so much more complex.”

Expanding in China, however, will make production more complex and also require heavy investment. The company plans to open more than 400 stores there this year. “Even opening three stores a week is very aggressive,” Fraiman says. “Their factories in La Coruña have a finite capacity to respond quickly. You open more and more stores, and you don’t have flexibility of the last-minute response. Once they have a big thrust in China, then what happens is that they will have to take the whole model” — the processing of customer reactions, the quick-turnaround design teams, the logistics platform — “and replicate it in China.” But the bigger Inditex gets, he says, the more it will lose control over quality and efficiency.

Still, Asia remains central to Inditex's plans, and the prospect of more than a billion Chinese consuming clothes at the fast-fashion clip worries some critics of the industry model. According to Elizabeth Cline, the author of "Overdressed: The Shockingly High Cost of Cheap Fashion," Americans buy 20 billion garments a year, an average of 64 garments a person. When the Chinese are consuming at the same rate, that's more than 80 billion garments a year. Golsorkhi says that fast fashion hasn't changed the amount of labor needed to make clothes or the waste created by their production. Your new fluorescent miniskirt might only cost \$40, but Bangladeshi workers still work for low pay in poor conditions to make it. Inditex says it works with unions and other organizations "to have the most respectful supply chain" and audits all of its partners every year, but like most major fashion companies that outsource the manufacturing of their clothes, it has received its share of complaints about factory conditions.

"The reality is: a T-shirt is a T-shirt is a T-shirt," Golsorkhi says. "It costs the planet the same thing whether you have paid £200 for it or £1 for it. It does the same amount of damage. A T-shirt is equivalent to 700 gallons of water, gallons of chemical waste, so much human labor.

But it used to be that we could do with three T-shirts a year. Now we need 30. Sometimes it's actually cheaper to throw away clothes than to wash them. That has got to be wrong." It also may not be good for business in the long run.

"Eventually, there aren't going to be resources to sustain fast fashion, so to me it seems to be a very vulnerable business model," says Alex McIntosh, the business and research manager at the London College of Fashion's [Center for Sustainable Fashion](#). "Production costs will also get more expensive, and they won't be able to keep this up. Value-based companies don't have margins to absorb that additional cost. And then they will need to convince customers to spend more for clothes again."

At the end of my tour, I went to one of the Inditex factories. There were about 100 workers, I was told; huge machines do much of the work. Hundreds of bright red three-quarter-length coats were hanging throughout the building, almost ready to be shipped. A line of women stood at ironing boards, smoothing out the wool-blend, looking for defects and, the spokeswoman told me with emphasis, attaching security tags. Inditex had discovered that if that task was left to the employees in the stores, it would take an extra few intolerable hours to get that trendy red coat from Galicia into your closet.

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