

A Model for Fast Fashion --- Zara's parent identifies trends and quickly moves garments from sketch pads to stores

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Abstract:

[...]of Inditex's speedy conception and nearby production, it can get new clothes to stores in as fast as two weeks. Inditex uses warehouses only for online sales. "Since the beginning, the idea has been to understand what the customer wants first and then have an integrated manufacturing and logistics system to be able to deliver it to them quickly," Inditex Chairman and Chief Executive Officer Pablo Isla said in an interview.

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Full text:

A black, high-collar women's wrap coat, fastened with a metal ring, was hung out for sale one recent morning at Zara's flagship store in New York.

"Customers asked for hardware this season," the manager said, holding out the ring. That kind of feedback, he added, can inspire a new style that reaches his store within weeks.

This coat took 25 days.

The garment's journey from design workshop in Spain to retail display rack in Manhattan, traced by The Wall Street Journal, offers an inside look at the fast-fashion model that has made Zara's parent company, Inditex SA, the world's biggest fashion retailer by sales.

A designer and pattern maker at the Spanish company's headquarters, in the small industrial city of Arteixo, took five days to fashion a prototype of the loose-fitting winter coat, based on discussions with Zara store managers of what women were seeking.

A second pattern maker, cutters and seamstresses then worked 13 days to produce 8,000 of the coats. During the next six days the coats were ironed, labeled, tagged, checked for quality and trucked to Zara's logistics center in Zaragoza and from there to Barcelona's airport. The next day one of the coats was on a truck from John F. Kennedy Airport to the Fifth Avenue store, to sell for \$189.

The company's ability to respond quickly to customer taste has long been the subject of industry study. Now its American rivals are emulating some of the short cuts that have helped Inditex expand to more than 7,000 stores in 92 countries and earn 20.9 billion euros (\$22.1 billion) in sales last year, double what it earned in 2008.

One way that Inditex speeds production is by making 60% of its garments in Spain and nearby countries.

Retailers such as J.C. Penney Co. are now turning to closer suppliers in Central America, relying less on those in Asia. That, along with some streamlining in design and logistics, has cut delivery time of some J.C. Penney-brand items from nearly 10 months to about eight, the company said.

Former industry leader Gap Inc., whose annual sales have been stagnant for the past decade, is moving some of its manufacturing from Asia to the Caribbean. It also is speeding up conception of some garments, sometimes approving new items for production within 24 hours.

A spokesman for J.C. Penney said it doesn't comment on other retailers. Gap declined to comment on Inditex. But experts say it would be hard for competitors to replicate the Inditex model without a more thorough overhaul of the way they design, manufacture and distribute their products.

The Spanish retailer's rivals might move production closer to home, but they "just don't have an organization set up to react quickly to what is trending," said Liz Dunn, founder of Talmage Advisors, a retail consulting firm.

"Simply put, the reason for Inditex's success is short lead times: the ability to offer designs to the customer that

other retailers do not yet have," Societe Generale analyst Anne Critchlow said, adding that this allows the company to charge more than competitors. "Think of Zara not as a brand, but as a very speedy chameleon that adapts instantly to fashion trends."

Every creative decision about the women's wrap coat -- as all other Zara garments -- flowed quickly from impromptu discussions at Inditex headquarters, in an open workspace slightly bigger than a soccer field. Designers and commercial staff sit side by side there, in electronic and telephone contact with Zara store managers around the world. Store managers, often flown in to consult, viewed a mock-up of the coat and helped shape its design. There were no formal meetings.

As a result of Inditex's speedy conception and nearby production, it can get new clothes to stores in as fast as two weeks. By contrast, at Sweden's Hennes & Mauritz AB, known for its trendy H&M designs, 80% of its garments are ordered several months in advance, according to Societe Generale. H&M declined to comment. Inditex says its centralized distribution ensures that once produced, a garment will reach the store that ordered it. Other retailers' products are often sent in bulk to warehouses, then distributed to stores, increasing the chance that unsold items will get stuck somewhere, retail analysts say. Inditex uses warehouses only for online sales.

"Since the beginning, the idea has been to understand what the customer wants first and then have an integrated manufacturing and logistics system to be able to deliver it to them quickly," Inditex Chairman and Chief Executive Officer Pablo Isla said in an interview.

Analysts say the Inditex model will come under strain as the company expands its global reach, especially into China's growing retail market. "You are not going to be as close always to your sources of supply," Ms. Dunn said.

While Inditex is constantly analyzing ways to become more efficient, Mr. Isla said the company will never abandon its centralized-inventory system.

The women's wrap coat is one of more than 50 of its kind shipped to the Fifth Avenue store in small batches this fall. They are selling briskly, the manager said. As they go, he orders more from headquarters.

To give shoppers a sense of exclusivity, Inditex says no more than 25,000 of the coats will be made, even if they sell out. Besides, stores must make space for newer items that arrive from Spain twice a week throughout the year.

At the Fifth Avenue store, the manager pointed to the newest hot item, a red and black flannel shirt with a pussy bow. "Customers said they want the rocker look with a touch of femme," he said.

Imani Moise in New York contributed to this article.

Retailer Inditex
Charts Own Path

Zara's parent didn't shift to

Asia, like its competitors;

big decisions are made at home

ARTEIXO, Spain -- Inditex SA's fast-fashion model was developed long before the internet and social media universalized fashion trends and made the strict twice-a-year collection releases obsolete.

Founder Amancio Ortega, whose fortune is estimated by Forbes at \$79.4 billion, began working as a shirt maker's delivery boy at age 14 after dropping out of school to help his struggling family.

In 1963, when he was 27, he and members of his family started their own garment-making business.

He opened the first Zara store in 1975, after realizing he could do better than the retailers who were buying his clothes.

In 1988 he began expanding Inditex, Zara's parent company, beyond his native Spain but refused to follow Western competitors in shifting most production to distant parts of Asia.

Mr. Ortega kept all decisions about design, manufacture and distribution centralized in this small industrial city. Inside company headquarters -- a glassy cube attached to a semicircular low-rise building -- bare walls and subdued decor reflect the Inditex motto: "The company doesn't speak; the customer speaks for the company." None of its eight brands -- including Zara, youth-oriented Pull & Bear, and higher-end Massimo Dutti -- advertises.

On a recent day at lunchtime, the hallways were swarming with twenty-something-year-old employees in baggy jeans, oversize long blazers and Adidas Stan Smith shoes.

Jesus Echevarria, Inditex's communications director, said 150 languages are spoken across the company, which employs more than 150,000 people world-wide.

Of the 600 designers, 350 work for Zara at the headquarters, creating more than 18,000 designs a year.

-- Patricia Kowsmann

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