

Zara Brand Management and Promotion

Group 9

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Part A. Background

Comprehensive Summary

Brand Identity, Brand Image, and Product Category

Brand Identity

Zara's brand identity is brought to life through its items, typography and graphic, as well as its sound. First and foremost, Zara pulls consumers in through their product. Consumers expect new, trendy items every few weeks to appear in Zara stores or online at Zara.com. This quick turnover of product always keeps consumers wanting more and is the key to Zara's fast fashion identity. Without their quick runway to store process, Zara would just be another fast fashion store. Secondly, Zara utilizes their typography which also functions as their graphic or logo as part of their brand identity. The lettering used for Zara's typographic logo is recognized around the world by shoppers. The logo is used on packaging, front of stores, the top of the website, and consistently on their social media platforms. This is a way to convey the consistent brand identity Zara strives for as well as helps with their marketing. Their brand image is used for customers to associate that logo with their brand which in turn is associated with their fast fashion, buying "now or never" strategy (Thompson, 2012). Lastly, Zara utilizes sound to convey a brand identity to their consumers. In their stores, they play up to date music which reflects the music taste of those in their stores as well as reflects their up to date clothing. It creates a fun environment for the shopper who is always interested in Zara stores because there is always something new, hip, and fun.

Brand Image

Zara's key brand image the brand pushes to the public and their consumers is a brand who takes a "user generated approach" to fast fashion and affordable luxury fashion (Thompson, 2012). Coupled with the exciting personality of Zara's brand identity, the brand image of Zara is a new take on the fast fashion world. The brand focuses everything on the consumer. Zara delivers runway-look alike designs to their consumer then relies on a "global network of shopper feedback" to improve or replace their products (Thompson, 2012). This user friendly approach makes the consumer feel like they are being awarded service of a luxury brand, but at much lower pricing. To further push this brand image of user friendly affordable luxury, Zara situates itself in areas that are crammed with high profile, high luxury stores and designers. For example, Zara is positioned in Chicago in the middle of Magnificent Mile among stores such as Burberry, Nordstrom, and Saks Fifth Avenue all associate with luxury goods in the mind of the consumer.

Product Category

The product category housing the brand of Zara is most notably the Fast Fashion Industry. Zara is named a fast fashion company due to its highly sufficient supply chain mechanisms and fast turnover of fashions. Zara's main philosophy is copying runway looks or street style looks and creating affordable versions to distribute quickly online and in stores. This fast fashion way of thinking works because Zara as a company is vertically integrated and

therefore has complete control over production, design, and every other step of the way. This enables them to quickly design merchandise, manufacture it at low cost, and distribute to the stores to pull the consumers in merely days after the trend came to the forefront of the runway or the fashion world. Zara is taking fast fashion to a whole other level of quickness and efficiency which is causing their competitors such as Uniqlo and H&M to find ways to keep up. Similarly, Zara is pushing fast fashion into the luxury category causing brands such as Burberry to exhibit new runway styles in their stores the day of the fashion show, rather than waiting months as previous years have been. Zara is quickly changing the way fast fashion is done.

Alternatives in Product Category

Zara has multiple different competitors that are available for the 18 to 40 year old segment of the consumer base. One large competitor that they are often compared to is H&M, they cater towards the same target market while also utilizing the same pricing strategy. Both Zara and H&M have reasonable prices and cater towards the fashionable, price conscious consumer. H&M also has a home section similar to Zara, but H&M's home section is more readily available while Zara's home section is only offered in certain places. H&M also offers a variety of designer collaborations which allows consumers to buy designer clothing at a lower price. Another competitor Uniqlo which is not as popular in America and may not be as well-known, but they offer the same product assortment. Uniqlo also offers extended sizes which is reaching an even larger target market. In comparison Zara offers men and kids clothes along with women's clothes which Uniqlo does not offer. Another competitor is Urban Outfitters, while they cater towards the same consumer market but their price point is slightly higher. Urban Outfitters offers a variety of clothing for women and men, they even offer home goods which Zara offers so that makes them in the same market with many of their products.

Existing and Potential Customers

Zara's customer base consists of 18 to 40 year old Women and Men. These consumers often live in cities or urban areas and make a mid-range income. The customers' style is fashion forward and trend conscious, and they are sensitive to having up to date clothing and trends at affordable pricing. They often shop for themselves or for their children, as Zara has expanded into children's wear. These loyal consumers visit Zara often up to 6 times a year to get the new trends. Zara's potential consumers might be H&M supporters, the brand is Zara's biggest competitor, who realize that Zara is more attentive to the customer need for trends, affordable pricing, and accessible locations. Furthermore, with the release of the Zara home collection, this could attract new consumers who want trendy home accessories at good prices, this could also then pull those home consumers into the apparel sector.

Marketing Mix – Price – Place - Promotion

Marketing Mix

Zara has evolved from the traditional marketing mix to new concept of the "4Es of marketing strategy" (Danziger, 2018). The new concept that Zara implores is that Experience replaces the Product, Exchange is the new Price, Evangelism Marketing is the new Promotion,

and Every place is the new Place. As experiential shopping has become the new draw for retail consumers, Zara has morphed their product into an entire experience. Zara “capitalizes on the store experience by continuously offering reasons for customers to visit the stores and catch the hottest trends at affordable prices” (Danziger, 2018).

Price

Zara is known to be a fast fashion giant with affordable prices that quickly turns catwalk designs into affordable pieces for their consumers. In their extended marketing mix, Zara focuses price as more of an exchange process between them and the consumer. The price at what the consumers want and price to get the consumers coming back. Furthermore, the pricing of Zara products varies by country, for instance Zara clothing is more expensive when bought in the United States versus shopping in Europe.

Product

The product produced by Zara is known to be in stores within 2 weeks of the trend beginning. Often the brand takes “fashion designs from the catwalk or concert stage” and swiftly gets the innovative products in store (Kalb, 2017). Furthermore, as Zara is a vertically integrated company they have complete control over production which permits them to quickly distribute the new designs into their stores.

Place

Zara’s place is everywhere. Zara “delivers the brand experience and products when and where the customer demands it” through brick and mortar stores and a vast online shopping website (Danziger, 2018). The brand has over 2000 stores worldwide with 96 retail brick and mortar markets and 48 online market (Inditex). Furthermore, Zara’s flagship locations are strategically placed to be in areas that appeal to their most loyal shoppers.

Promotion

As a fast fashion chain, advertising is often expected, however Zara doesn’t participate in formal promotion. Their extended marketing mix classifies their promotion as “Evangelism marketing” (Danziger, 2018). This is word of mouth marketing created by the loyal customers of the brand who are passionate about the products and spread the word. Rather than the traditional advertisements and print ads, Zara relies on the “loyalists of the brand” to bring about the excitement (Danziger, 2018). Furthermore, Zara is often promoted through celebrity endorsements of their products. Most iconically, The Duchess of Cambridge has been known to wear many Zara products.

Core Values

According to Zara’s parent company website Inditex, Zara is built on the core values of “beauty, clarity, functionality, and sustainability” (Inditex). Furthermore, the focus of their business model is first and foremost the customer. Zara structured their business around their consumers by creating and delivering for their consumer in a very quick manner as well as making the in store experience unique with Radio Frequency Identification Technology, Self-Checkout, and Interactive Fitting Rooms.

Investigation

Stephanie Diaz Interview (Customer and old employee at Zara)

Why do you shop at Zara?

I shop at Zara because you can't find the same style of clothing with the same quality elsewhere

How do you perceive Zara?

Trendy fast fashion and good quality and European inspired.

How would you define fast fashion and do you think Zara is the top retailer in the category?

Fast fashion is fashion that is in constant change and new product, we receive new merchandise twice a week. We are in the top retailer in the category.

Zara uses Radio Frequency Identification Technology to quickly locate products within the store, have you ever come into contact with this technology or worked with a salesperson who used it to enhance your experience?

We started incorporating RFID in the stores around the USA around 2014 and it is very efficient to locate products and great for inventory purposes, saves a lot of time and we know that time is money

Have you shopped Zara's main competitor H&M? If so, what would you say is their major difference and which store do you prefer?

I have shopped at H&M personally only for swimwear because at Zara we do not carry underwear maybe 1 piece in summer season and swimwear only in the summer collections.

Besides H&M sells these products around the year but I prefer everything else in clothing/shoes/accessories at Zara because it is better quality and more fashion forward.

What qualities do you evaluate Zara on? What qualities do you evaluate other brands on?

I always evaluate other brands by quality

As an old employee of Zara, what do you think makes the store stand out against their competitors?

Zara stands out by its competitors for employees, the opportunities they offer them to grow in the company and other great benefits and the store discount and for customer the quality of the products they offer and up to date, always trendy fast fashion.

Do you believe the store is more customer service oriented or product oriented?

Zara is more product oriented, but have tried to improve and focus more in customer service in the past

How do you think Zara finds their customers? Ads, word of mouth, etc. explain.

I think Zara finds its customers by social media (bloggers) and word of mouth

Once an employee, how do you explain the pricing of Zara's merchandise?

As an employee you get to understand the prices because you see and you are part of the process of receiving the items and even studying the fabrics of each garment to better communicate to

the customer the product they were purchasing, and you can also understand how fast in fashion Zara is no store is as trendy as Zara in my opinion and the opinion of millions that make this store the #1 retailer.

Would you consider Zara to be a good company to work for?

It is a great company to work for if you want to give up your entire life and take it as a career, it is not for everyone.

Lexi Prager Interview (Customer at Zara)

Why do you shop at Zara?

I like shopping at Zara because of their good quality and inexpensive prices. They have quick turnover, so I know I can always find something new for an event if needed. Additionally, I like the organization of the Zara stores. They are organized by color, style and quality. This is useful when thinking about making outfits with the items purchased.

How do you perceive Zara?

I see Zara as a mix e-commerce/department store brand. They fall between Nordstrom's/Macy's and Forever21/H&M. Like I said they are good quality but not expensive. Zara can be have a European vibe in many of their pieces and layout of stores.

How would you define Fast Fashion and do you think Zara is the top retailer in the category?

I think Zara falls perfectly into the Fast Fashion category. I'm not sure if they would be THE TOP retailer to come to my mind but they are 100% the best quality Fast Fashion store I can think of.

Zara uses Radio Frequency Identification Technology to quickly locate products within the store, have you ever come into contact with this technology or worked with a salesperson who used it to enhance your experience?

I have never heard of or experienced this technology. Now that it's been mentioned I do think it is a great idea for their larger stores.

What range of pricing do you expect to pay for your Zara merchandise?

I have seen items at Zara priced as low as \$3. These low cost simple items are great for an overall outfit but are not stand-alone products. The products the I would say are stand alone, staple items I would expect a \$30-60 price range. I know there are other items that are higher than this but overall I would say this is the average I have experienced for single items.

Have you shopped at Zara's main competitor H&M? If so, what would you say is their major difference and which store did you prefer?

I see a higher quality of items at Zara. I also view the target market of Zara as more young adult, whereas H&M seems more teen to me. I also recall a difference in organization in the store fronts and websites. The colors and clarity of stores and sites change the experience one has in the stores.

What qualities do you evaluate Zara on? What qualities do you evaluate other brands by?

In store organization and placement of products are big evaluation points for me when thinking about stores. I appreciate that Zara places items that can be worn together in sectors of the store. I am more likely to purchase in a bundle this way. Evaluation also comes from longevity of previous products purchased, experience in store and first impression of quality of potential purchase item.

How do you think Zara finds their customers? Ads, word of mouth, etc. Explain.

Social marketing: social media, website, emails. Large target ads: billboards, magazines. I haven't seen any commercials, but I feel like that may be a good idea, but commercials are kind of dying out so maybe not. I have been influenced by word of mouth and articles written about the introduction of a European brand in the American market.

Interview Conclusion

When wanting to do the interviews we really wanted to get two different opinions when discussing about Zara. We decided to get an old employee and an avid Zara customer. We decided to do this because we wanted to see if they both thought the same about this well-known company. We discovered through the interviews that they both saw the company as a fast fashion brand with good quality clothing at an inexpensive price. They both believed it was one of the top companies in this type of fast fashion industry. They both believed that their best way of advertising was by social media marketing or by word of mouth. Lexi said that when she was studying in Barcelona that Zara had many billboards because that is where the brand started. When discussing competition they both agreed that Zara had better organization and longevity in their products based on clothing and experiences they have had at H&M. Zara has Radio Frequency Identification Technology when it comes to certain stores and when talking to Stephanie the old Zara employee she said it was very helpful for a fast fashion company because when dealing with new clothing every two weeks it saves a lot of time and money. When talking to Lexi about the technology she had not heard of it but it made her more interested in learning about it and hoping it would be in future stores. Our final conclusion after talking to both of them was that both of them see the brand as a very successful fast fashion brand that is worth your money for a cute trendy European vibe. This is a good outcome when talking about two different types of people when dealing with a brand.

Competitors

Zara's main competitors in the fashion industry are made up of H&M, Uniqlo, and Urban Outfitters. H&M being Zara's topmost competitor that provides the greatest threat to Zara's business. These brands have qualified as competitors of Zara due to their membership of the Fast Fashion Industry. All these fast fashion companies are global brands that serve customers through their international brick and mortar stores as well as their e-commerce sites. Each company has similarities, but each possess individual strengths separating them from industry competitors.

Zara is in competition with H&M to become the top fast fashion retailer. In 2017, Inditex, Zara's parent company, saw a 7% rise in profits. This increase continued into the first quarter of 2018. Conversely, H&M has been struggling. In the first quarter of 2018 H&M saw a decrease in operating profit by 62%. This drop was followed by flat growth in the second quarter of 2018. Even with their stagnate sales growth, Business Insider reported that upon a trip to both stores, H&M offered better deals for shoppers as well as a greater variety in the products being sold. While a greater variety in merchandise sounds like a positive aspect for H&M, the company is facing the issue of having too much clothing in stock. H&M has over 1000 more brick and mortar stores than Zara, but additionally has over \$4 billion worth of unsold merchandise. Zara has found a way around this inventory issue by limiting the amount of each product that is made. This in turn creates a scarcity effect that drives up sales. Part of H&M's strategy in the past is to market designer collaborations with well-known names like Versace and Alexander Wang. This draws in customers who are interested in affordable designs from high end names and offers additional lines from their usual offering of mostly plain basics. H&M is leading the way for sustainable fashion. In an article from the Harvard Business School, author Megan Schwartz explains, "With a goal of using 100% renewable energy in its own operations, H&M has already made notable moves: in 2016, 96% of their energy came from renewable sources, up from 78% in 2015" (Team, 2016). H&M facilitates a garment collection program that provides customers with a 15% discount to donate no-longer-worn items, which are then recycled into the production of new clothes. From 2013-2017, the program has collected 40,000 tons of clothing with the goal of collecting an additional 25,000 tons by 2020. This garment collection program reduces the climate impact of production. On top of the creation of the program, H&M has also established multiple partnerships with organizations that are key in creating sustainable changes in the industry. Their partnerships include companies like Canopy, Better Cotton Initiative, and Cradle to Cradle Products Innovation Institute. In the last month alone, H&M has taken a pledge to fight plastic waste in the fashion industry. With the growing trend of eco-consciousness this may have a positive effect on their sales in the next quarter.

Uniqlo is concentrated in Japan. Their distribution strategy separates them from other fast-fashion competitors. Uniqlo is focused on introducing its products into stores as a function of demand, not quantity. This strategy allows them to easily respond to changing trends in Japanese fashion without having the backstock problem of H&M. However, Uniqlo is tailored to

Japanese styles which limits the appeal for Western distribution and could be the reason for the relatively small amount of stores in the United States. Zara does not stress advertising as part of its branding strategy and instead takes what would be used on advertising and puts it towards opening new stores. Uniqlo advertises widely, even using sporting events to appeal to the general population. Another separating factor is that Uniqlo manufactures its clothing within Japan. The company briefly used cheap labor in China when Japan experienced a recession in the 1990s but has returned to Japanese manufacturing. The company's owner-founder, Tadashi Yanai, is a hands-on leader. He has a heavy influence on the company. Mr. Yanai has created a flat organizational structure that encourages employees to make suggestions. The culture he has created supports innovation, customer experience, and well translated goals. This innovation that Tadashi Yanai facilitates allows Uniqlo to set itself apart from competitors. One of their signatures is HeatTech. HeatTech is a fabric that is able to turn moisture into heat, using air pockets in the fabric to retain that heat. This fabric is very thin and allows for designs that are unlike anything seen before in warmth clothing. The in-store experience is unmatched. Everything is micro-managed from folding technique to the way salespeople return charge cards. Every day employees practice the ways they are taught to interact with shoppers, complete with six standard phrases. The company is in the midst of building a Uniqlo University in Tokyo that will train 1500 new store managers annually.

What sets Urban Outfitters apart is occasionally what hinders it. Urban Outfitters creates eye-catching, sometimes crass merchandise that stirs conversation. One creation that made for negative backlash was a blood-stained Kent State sweatshirt. Another production that seemed to have struck gold was their anti-Trump shirts reading "IDK, Not Trump Tho" and "Vote Trump 20NEVER". This kind of propaganda resonates with their target market - the millennials. These street inspired styles are unique and draw attention. A lot of people today want their clothes to make a statement and stand out- exactly what Urban Outfitters offers its consumers. This goes beyond clothing and beauty. In addition to home goods, Urban Outfitters sells off-the-cuff books like, *Practical Magic: A Beginners Guide to Crystals, Horoscopes, Psychics, and Spells*. This makes the merchant a one stop shop for all gift needs. Another competitive edge held by Urban Outfitters is the addition of restaurants and bars in their stores. The store in Brooklyn offers two bars and a restaurant and allows you to drink while you shop. This practice has been adopted to try to lure in customers that would otherwise shop online. Urban Outfitters also partners with well-known beauty and clothing brands to further expand its market. You can find not only Urban brand clothing, but Adidas, Calvin Klein, Benefit Cosmetics, and more. This draws in people who are looking for more than just a store brand. A disadvantage of Urban Outfitters is that it is priced higher than competitors like Zara or H&M. The target market is aimed at younger people and they would prefer more affordable fast fashion than the Urban Outfitters price tag.

SWOT Analysis

Strengths

One strength that is readily apparent within in Zara is their design advantage. Because of their strong store aesthetics, unique designs, relevant trends and colors, and functionality, Zara rarely has to advertise its products. Through their strong design advantage that consumers have come to know Zara for, the the brand is able to completely rely on its trendy image to pull the customers to its stores. Their lack of advertising and strong image is the reason that Zara has very low cost of operations and at the same time has high margins. Zara works through a backward integration method. By the money they save on mass market advertising, they are able to invest and focus on improving backward integration on the supply chain, to then drive up Zara's sales even further. This idea becomes another strength itself, low cost of production and high profits. They do not have to rely strongly on quality since their prices are so reasonable. The magnitude of the store and high name recognition allow this store to drive sales through the roof from its large customer base and low prices of trendy designs.

Weaknesses

One weakness that Zara has to work with is its lack of advertising. Although the brand's low advertising may lead to a cost advantage, the lack of advertising also prevents potentially higher profits. The company already is recognised with a strong name and image, Zara could broaden their customer base by simply advertising who they are. This would be especially useful in counties that the brand image is not quite as highly recognised. Adding more advertising could pull in more customers and generate a lot of positive word of mouth for the brand. Another weakness within Zara is its low quality reputation. Although the designs are trendy and overall well perceived, their quality and social impact remain a weakness. Because they focus mainly on low cost trendy items some customers may view this as a lack of quality within their products. Also, because their brand is so large, and their manufacturing practices must compensate for low costs, the company is considered "fast fashion" and therefore becomes difficult to reduce its impact on the environment. This can be seen as a deterrent to shop here to many potential customers.

Opportunities

A huge opportunity for Zara is the brand's scope for global expansion. Zara has more than 2,200 stores in 93 markets worldwide. The company has a presence in all of the four major continents. The brand should push for more expansion in Asia and Africa, as these developing countries are full of potential for an affordable brand like Zara. Zara has the opportunity to enter into new market segments and expand those areas where they haven't. Market expansion has been slow in the United States, as there are only 85 Zara stores here, many of them are clustered to the East Coast. Another opportunity for Zara is the growth of omnichannel retailers. Online marketing and ecommerce allows for the brand to tap into new markets, as well as provide a sufficient online portal for existing customers to build their relationship with Zara.

Threats

Zara's biggest threat could possibly be their fierce competition. Millennial consumers are less loyal to brands and switch up their favorite brands quickly. Zara has competition from high end brands (Chanel, Ralph Lauren, Hermes International) as well as fast fashion competitors (H&M, Gap, Mango). Another threat to Zara comes with their integration in various international markets. Currently, Zara's designing, production, distribution, and retail stores are operating close together. Expanding the brand around different regions (America, Asia, and Africa), requires addressing different fashion trends at a time. It would be really hard to take sizes/trends of one region to another, due to different climates, sizing, and trends.

Part B. Execution of Strategies

Brand Planning Assessment

How would you characterize the positioning of this brand?

Positioning for this brand is high fashion designs and trendy styles for low priced. They know that their customers want up to date styles for a low cost. They are a fast fashion market, so they focus on reaching a large customer base for a low cost, and high profits. Their target market is large and diverse. They have categories for men, women, and home. Its main market is in Europe, but also has heavy market in South America, Asia, and in North America. Zara is more of a product- oriented brand because they change out their inventory twice a week and focus their advertising on the fact that they are a fast-fashion brand that changes frequently.

What key marketing activities have been used to build brand equity?

In order to build brand equity, Zara depends on more unique ways of marketing their products to their consumers such as Word of Mouth Marketing, Social Media Marketing, and Endorsement Marketing. The primary method of marketing Zara uses is Word of Mouth marketing done by their most loyal customers. They first build this loyalty with their customers by delivering consistent, on-trend merchandise at reasonably low prices. This quick turnover of affordable, trendy products makes consumers keep visiting the stores and the websites again and again which builds their loyalty to the brand. This loyalty then permits consumers to spread the word of the brand and the products they get to their peers and those they associate with. This Word of Mouth Marketing is a continuous cycle that reaches more and more customers every day. Furthermore, Zara relies on Social Media Marketing to reach their loyal consumers as well as get the attention of social media users. By being active on social media, Zara is able to display their new merchandise that hits stores every two weeks, which then entices consumers to start shopping whether it is online or in store. This creates a suspenseful draw on social media because consumers are always looking for new products on Zara's social media platforms whether that is for Women's lines, Men's lines, or Children's lines. Lastly, a key piece to build

brand loyalty and brand awareness through marketing activities is the brand endorsement by trusted celebrities. One primarily famous consumer of the Zara brand is Kate Middleton, the Duchess of Cambridge. This promotion of the brand by a famous, trusted fashion icon puts a seal of approval on the brand that consumers can trust. This is a way that consumers associate this renowned fashion icon with the brand, which if consumers trust that celebrity or fashion idol, they will be drawn to shop the brand.

What are the greatest opportunities to further enhance that positioning?

Zara has a multitude of opportunities that can be used to enhance its positioning of a product oriented, trendy brand with low priced merchandise. To start with Aaker's Brand Equity Model, Zara's perceived quality of the brand's products is moderate quality for a low price. Customers know they are not getting extremely well made clothing, but clothing that will serve its purpose until the next trend comes along. Zara's positioning is built on this moderate quality at low pricing which is how they have soared to the top of the fast fashion world. The brand must upkeep their vertical integrated operations to maintain this perceived quality around the world.

Furthermore, Zara has prominent brand awareness within the fast fashion category. As a pioneer of the quick inventory turnover and fast fashion structure, Zara is known as a successful brand within the fast fashion world. Zara can use this momentum of awareness to spread to more sectors of consumers to enhance their trendy, product oriented positioning. Since they are recognizable in this category, they can build on the consumer base by offering more products, more lines such as their Zara Home or Zara Kids which will expand their business and enhance their overall brand positioning among customers and stakeholders.

Zara's Brand Association is another way the brand can optimize their positioning and build on it to draw in more consumers. Zara's name, logo, and their typography are all one in the same but it used on everything and everywhere. This brand image is what makes Zara memorable to consumers or potential consumers. Consumers see that logo on bags, store fronts, websites, and even merchandise. This is basically a walking advertisement for Zara. The Brand Associations through the logo used on everything makes the name stick in the mind of their consumers and those who are curious of what the brand is. This memorability can lead to more consumers wandering into a Zara store, asking a Zara consumer what the brand is, or purchasing products from Zara's e-commerce site. Furthermore, the brand associations of Zara can also be linked back to their overall positioning of trendy, low priced, moderate quality merchandise. The consumer base links the brand to trendy goods at valued prices, associates the brands with experiences in Zara stores used their technology to locate items, or even the prominence of Zara internationally and the differing experiences in a store abroad or domestic. This positive brand association will help expand the consumer base because the Zara name in itself pulls people in and spreads the overall word of what the company is and does in the fashion world.

Lastly, Brand Loyalty is a primary factor that is the biggest opportunity to enhance Zara's positioning. The consumers of Zara are some of the most loyal fast fashion shoppers. Zara relies

on their loyal shoppers to advertise their brand through word of mouth. This is their primary source of advertising, through their loyal consumers. This is where the brand can locate their biggest opportunity. Through building on relationships with consumers in each and every store, Zara can expand their loyal consumer base and therefore their advertising base all the time during their operations. The customer is loyal to the brand for a number of reasons often including customer service due to the Radio Frequency Identification Technology that locates products within the store almost instantly, the convenience of Zara especially in Europe where Zara is located on almost every shopping street, the quality of Zara whereas the brand produces moderate products that are on trend yet versatile for every consumers, and the price of the products because today consumers want affordability. These reasons for loyalty can be expanded upon in order to satisfy existing consumers and bring in new customers which will then enhance the brand's overall positioning.

Perceptual Map



A perceptual map is often used by companies to assess perceptions of customers and potential customers in comparison to the competitors within the product category or product industry. For Zara's perceptual map, we focused on the points of quality and price for the map of the brands within the Fast Fashion industry only. These factors were chosen based on the

interviews with a loyal consumer, Lexi, and a previous employee, Stephanie. Both the consumer and the employee emphasized that they come across “higher quality of items at Zara” (Lexi, 2018) and because Zara’s “style of clothing” and “quality” cannot be found elsewhere for the price they offer (Stephanie, 2018).

Throughout the research, Zara’s company strategy revolves around their pricing structure. They strive to offer low prices for trendy items that are of moderate quality that the consumers expect. The moderately priced products offer the price the consumers want, and the price is what gets the customers coming back into stores or the e-commerce site. Lexi the consumer interviewed stated that she expected Zara to have price range of “\$30 to \$60” (Lexi, 2018). Zara on the perceptual map is located almost at the centerfold at moderate price and moderate quality but positioned slightly higher on the pricing line. Zara is placed here because they offer products that are of moderate quality because the quality isn’t too extreme due to the quick turnover of product. The brand delivers the expected moderate quality the consumer expects for products that are new in store every other week. Sometimes the products are even seen in stores quicker than every other week as mentioned in Stephanie’s interview, she stated that Zara received “merchandise twice a week” which would enable consumers to see the product even quicker, but the higher quality has to be sacrificed in order to get products in quicker. As mentioned in the Marketing Mix research, the pricing of Zara products often vary by country as Zara is more prominent in European cities, however, overall the pricing is moderate which is coupled with moderate product quality.

For the perceptual map, we compared Zara to many of their competitors in the Fast Fashion industry as well as competitors that are seen as alternative brands in the perceptions of European consumers. We started by placing Zara’s main competitors of H&M, Uniqlo, and Urban Outfitters. The first brand placed was H&M as they are the main competitor of Zara. H&M as mentioned previously is a prime competitor of Zara due to their presence in the fast fashion arena, their similar quick turnover of product, and on trend merchandise that reaches a variety of different consumers. One alternative benefit that H&M possesses that Zara doesn’t was mentioned in the interview with Stephanie that “H&M sells these products [swimwear] around the year” which is something that Zara does not as they are focused on their quick turnover mindset (Stephanie, 2018). H&M is seen on the perceptual map at a midpoint between moderate and low price and moderate quality. The brand is very similar to the quality of Zara but offers a little bit different of pricing strategy. The prices seen at H&M are slightly lower than Zara sometimes seeing basics starting at \$1.99. H&M does have some segments of clothing such as their workwear that is more moderately priced. However, as a fast fashion giant, the quality is only moderate in order to quickly distribute new products to all of their stores internationally and domestically.

Uniqlo is yet another competitor facing Zara is a prominent brand in the mind of consumers and potential customer, which is the reason we plotted it on the perceptual map. The brand is seen having moderate to high quality but at a moderate to lower price. The pricing is

positioned higher than that of H&M but lower than Zara. The quality exhibited by Uniqlo is rather superior for a fast fashion brand. The products last a considerable amount of time and retain their shape, aesthetic appearance, fit, and feel. Yet despite the superior quality for fast fashion, the brand still offers lower prices to their consumers often ranging from \$5 to \$50 for basics to jackets respectively. Among these factors, Uniqlo offers a threat to Zara very based in basics for consumers. As Uniqlo focuses on higher quality basics, many consumers will go to this store for their classic products, but visit Zara for more on trend, fashion forward styles. Urban Outfitters is seen on the perceptual map at a price point higher than moderate but lower than high price. Urban Outfitters often has very on trend merchandise, similar to Zara, but offers a higher average pricing structure for their customers. The pricing is a wide range starting close to \$25 and exceeding \$150. The basics are even highly priced starting around \$25. Some consumers would argue that Urban Outfitter has too excessive of a price tag for the merchandise and the quality they offer. We concluded that Urban Outfitters merchandise is moderate quality which may not be good enough in the minds of their consumers. However, Urban has many loyal consumers that acclaim their fashion forward, bohemian, edgy clothing despite the higher price tag. Urban is similar to Zara and its competitors because it is another fast fashion brand that quickly brings in new merchandise as new trends are seen in the fashion world.

After placing Zara's main competitors, we focused on displaying other companies that would be alternative brands in the minds of the consumers including Forever21, Mango, Asos, and GAP.

To start, Forever21 is notorious for low quality and low price, but is often purchased for only a few wears often for a specific event or occasion. Therefore, Forever21 is placed at the directly in the cross between low price and low-quality sector of the map. Although the quality and price are remarkably different from Zara, we chose to place this brand because it is a prominent entity in the fast fashion world and therefore is another store that Zara consumers often look to for trendy merchandise. The extreme low quality and low price of Forever21 creates a gap in the perceptual map that could lead to a new market for one of the brands, such as Zara creating a low priced line targeted at pre-teens, teens, and young adults as Forever21 does.

Mango, being a brand started in Spain like Zara, is a closer threat in the European fast fashion sector. As Zara is primarily internationally based, we chose Mango because it is often a competitor or alternative brand in fast fashion for European consumers. As Zara does, Mango produces fun and trendy merchandise for women and men. The brand itself has some crossover with the fast fashion industry, but primarily is a more higher quality positioned fast fashion brand with a higher price point and higher quality merchandise. The brand often aligns itself with supermodels and celebrities to amplify its status. We wanted to emphasize by putting Mango on the map that Zara's competitors often vary based on the geographical location. We found that in the SWOT analysis, Mango is a competitor that threatens the profitability and retainment of Zara consumers. Although it is a fast fashion company and mainly is facing fast fashion brands competing for their consumers, internationally it faces different price points and different fashion

sectors. As both Mango and Zara offer trendy, new merchandise to the same gender categories, consumers may begin to shop at both locations, especially internationally.

Furthermore, GAP was placed on the perceptual map because it was yet another brand that came to light in the SWOT analysis that posed a threat to Zara's success and profitability. As another fast fashion brand, GAP targets many of the same consumer groups as Zara such as women, men, and kids. GAP is positioned at having a moderate price and a higher quality. GAP clothes are often durable and perform as consumers expect which gives them the title of higher quality. The price range is higher than that of Zara often charging over \$100 for denim and around \$15 for a basic tee. However, GAP often implores many sales to not only pull consumers into the store but offer different price points which then appeals to a more widespread audience. Overall, GAP may not be as fast at merchandise turnover as Zara or display as trendy of merchandise, but it is globally accessible as is Zara, but is more dominant in rural and suburban areas, which is something Zara lacks.

Lastly, Asos was plotted on the perceptual map due to its European presence, it is a substitute brand for Zara by many of the consumers. Asos offers an array of trendy merchandise that mimics the trends of today, just as Zara does. However, Asos is rather opposite of Zara on the basis of the perceptual map factors. Asos is plotted at having relatively low quality for a moderate to high price tag. The quality of Asos garments are not well as they often do not fit as they should, rip, tear, and shrink. Yet despite these issues, consumers still pay a pricier amount for them. The consumers are paying for the trendy new merchandise that is flipped almost as quickly as Zara merchandise. Although Asos is not necessarily similar to Zara in quality and price, it is often a go to site and store for consumers that also shop at Zara. Both brands target similar age groups in Europe with very similar fashion conscious and fashion forward styles. We wanted to use Asos in order to plot a European company that would pose an international threat to Zara and its consumers.

Brand Recommendations

Shifting Focus to Customer Service

Zara has a strong brand presence in the retail market. The brand does have a few areas that could possibly grow their brand and profits even further. One recommendation that would improve presence and profits would be shifting brand focus to customer service. One way they could do this is by providing a personal styling service. Personal styling has shown to be very successful in many other competing brands such as H&M, Dillard's, and LOFT. If Zara were to add a personal styling sector of their customer service, this would give them a competitive advantage against other competing brands that do not provide this service. By bringing in personal styling into their stores, mobile app, and online, Zara would become more personable with their consumers and therefore build their loyal consumer base. This is important because loyalty customers are the consumers who they rely on for advertising of the brand. Primarily, Zara could use their app to allow consumers to take pictures of product and virtually try them on as well as work one on one with personal stylists on the app or on the website to suggest products to the consumer. Although it would likely be an high cost transition, Zara could hire a sector of employees devoted to assisting consumers in styling. By asking a shopper questions, looking at their previous orders, or reviewing their wishlists, these employees who would be knowledgeable of the Zara inventory would push products that would satisfy that specific consumer or would enhance a particular product in their cart or their wishlist. For example, if a consumer had a pair of pants in their cart and was utilizing the personal styling feature, the personal stylist would suggest a multitude of tops, jackets, shoes, and accessories that could be word with the pants being considered to be purchased. This recommendation would not only make the brand more personable and friendly, but make it more accessible to consumers since the inventory is constantly changing.

Another section on their customer service that Zara could focus on is small ideas that make shopping at their store more convenient to customers such as pick up in store and free shipping. This would motivate customers to shop at Zara due to its convenience. The other benefit to this would be with the mass influx of inventory online and instore every few weeks would allow a comfortable convenience to their shoppers. Rather than searching through the entire store each visit for a specific item, bag, jewelry piece, or pair of shoes, consumers can find it easily online and pick it up in store with ease. This would not only satisfy the consumer but bring them into the store which would entice them to buy more items and therefore creating more profit and more consumers who will revisit the store.

As mentioned previously, millennial shoppers are the prime target of Zara's merchandise. Millennial shoppers are moving past the hype and are looking for sustainability, meaningful brands. Therefore, Zara could use their newly improved customer service philosophy to hook those millennial consumers that want a brand they can connect with and rely on. In this day and age, Fast Fashion companies forget the basis of relationship marketing and business, these

brands focus on quick turnover and distribution of cheap, trendy merchandise. Although this may work sometimes for brands such as Forever21 where consumers expect very little service, Zara is a higher-end fast fashion brand. In order to compete on the higher end, moderate scale of fast fashion, Zara needs to differentiate itself from other fast fashion giants. By utilizing this array of customer services, Zara will not only build on the loyal consumers they already have, but expand the loyalists of the brand.

Collaborations

Another recommendation that would improve their brand profits and presence is to collaborate with designers and social media influencers. When it comes to millennials, they love to get influence from their favorite social media stars or celebrities. They spend hours on YouTube watching videos of their favorite people, and when they see their idols purchasing certain brands or using products that they are partnering with there is a greater chance they will use those brands instead of another. Many YouTube stars or celebrities have partnerships with brands that either have them in commercials using their products or doing a sponsored YouTube video that gives their viewers a special percent off code for that specific brand. Zara should take the opportunity of this type of partnership with influencers to gain more customers. The social media influenced culture today has had stars like Gigi Hadid partner with Tommy Hilfiger, and social influencers like Olivia Jade or Liza Koshy partnering with Princess Polly, Sephora and The Giving Key. They have had the opportunity to give their viewers money off when they purchase from their stores as well as had opportunities to make their own versions of products. Zara could take either of these options and make greater opportunities for their company. The brand can either partner with Youtubers to do clothing hauls that allows viewers to see what kind of clothing their store has to offer while giving them a discount on their next purchase or they could utilize a celebrity or influencer and do a collaboration line to allow customers to buy products that were influenced or made by their idols. These collaboration techniques and partnerships via collaboration lines are becoming extremely popular in the millennial shopping world. As millennials are the target as the Zara customer, this recommendation to utilize social media and influencers to expand their customer base will hopefully be beneficial and bring in more consumers, more business, and more profit.

Furthermore, as H&M is a prominent competitor with Zara not only with their products and prices but also the consumer base. This recommendation would help Zara compete with the brand on another level. H&M has utilized collaborations in the past years which has brought in a ton of popularity and profit. Most notably, H&M has partnered with Karl Lagerfeld, Stella McCartney, Balmain, and most recently Moschino. These collaborations draw a lot of attention as they utilize high profile designers or brands. By doing these partnerships, a new base of consumers flock to H&M stores and e-commerce sites who are a fan of the designer and love the fact they can buy designer merchandise at an H&M price. Moreover, Zara by participating in collaboration lines with well-known brands, designers, or influences could bring in more

popularity among different segments of consumers as H&M has done the past decade. H&M's success of these collaborations has been talked about often in the fast fashion industry, and this recommendation would help Zara compete and give them an edge.

Zara would be able to take the collaborations one step further than just partnerships with brands, designers, or influencers by using YouTube and Instagram influences. These two fields are becoming popular pathways for creative entrepreneurs to earn a living and show their creativity via media. These influencers often have an extremely large following on many different social media platforms. Therefore, by utilizing these influences, Zara could reach a wider segment of consumers who maybe are not aware of the brand Zara or what the brand was all about.

Eco-Conscious Line

Customers everywhere today are starting to demand sustainability, economical sourcing, and environmentally conscious lines from their favorite brands. Zara has started to quietly dabble in this arena with their 'Join Life' line released back in 2015, however the line has yet to take off or been promoted at all. One of our recommendations would be to create an Eco-Conscious line that would be able to compete with H&M's widely known Conscious lines. Zara got off on the right track with the Join Life line using sustainable materials and releasing the names of where this manufacturing is occurring, but they can take it further to satisfy more consumers. With this new conscious line, Zara first needs to widely promote it or H&M will always outshine them in the sustainability sector. They need to make a widespread social media campaign to get the attention of their consumers and most loyal followers. By doing so, they can utilize their prime forms of marketing, Word of Mouth and Social Media, to further spread awareness of what they are doing. Rather than just using a few sustainable materials, Zara can promote creating a line from recycled plastic, using old clothing or water bottles recycled into textiles. They could take that one step further and create a recycling program where consumers can bring in old clothes or textiles that Zara could use in their new Conscious lines.

Zara as a company has moved toward a more transparent supply chain with their vertical integration, but being in the fast fashion arena alongside brands like H&M, Forever21, ASOS, and Topshop potential consumers and observers of the fast fashion category do not think these brands are doing any good on the economy but making a larger footprint for themselves and slowly making the economy worse. With this Eco-Conscious brand recommendation, Zara could be the pioneer of turning around what potential consumers think about the effects of fast fashion and the brand could curb those negative perceptions. By using their credible social media platforms and loyal consumers to spread the word of the new responsible line, others will begin to get curious of what Zara is making and flock to the stores or the website to try out the new sustainable products. This is yet another way of getting new customers into the store or online. The eco-conscious line will spark many consumers interest who are leaning toward more socially responsible companies and will then begin to trust Zara as a brand. Promoting the small things

like the recycling of fabrics, sustainable materials, lightweight components, and a smaller carbon footprint will all set apart Zara's eco-conscious line from their competitors.

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