

It took 25 years to turn a small Spanish dressing-gown manufacturing company into the toast of the retail fashion industry. Commentators and competitors alike have found much to praise in Inditex's approach to making and selling clothing, which involves creating affordable catwalk-inspired products within days of them appearing at fashion shows. It is a model that many high street retailers are striving to emulate. Inditex, the parent company of the Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius and Oysho brands, is still mostly owned by the Ortega family despite going public in 2001. And it has always taken a long-term approach to business. A unique approach to supply chain management is at the heart of the firm's success. Between 2000 and 2010 most clothing retailers outsourced production to Asia, and it typically took between six and nine months to get clothes from design to shop. Inditex has pared this down to between two and five weeks. It does have operations in North Africa and some parts of Asia, but it manufactures about half its clothes in north-west Spain. An important element in its approach is the co-location of designers, factories and distribution centres at its headquarters site in La Coruna. The group employs over 128,000 professionals in 87 countries representing 150 nationalities. The close working relationships between different teams – from those in the retail outlets to those in corporate areas such as finance and human resources – is seen internally as an important part of the company's customer orientation. Inditex also takes what might appear to be a counter-intuitive approach to production. Rather than seeking economies of scale through predicting future fashion trends and producing in mass to meet demand, it makes its clothes in deliberately small batches in order to create a scarcity value. When the company first opened stores in the UK shop assistants had to explain to customers used to waiting for end of season sales that once stock sold out it was usually gone for good. New lines and products are delivered to stores twice a week. One of the ways that Inditex out-performs competitors is in the low number of items that end up in sales and are therefore sold at a discount. Shop staff at the firm's 6,000 retail outlets are encouraged to provide feedback to headquarters on the latest trends they observe and what customers are requesting in store. Inditex regards itself as a company that innovates continuously, and this extends to every aspect of the business, from the fashion items to the environment in its stores. The other leading firms in the fast-fashion end of retail, such as Gap, Uniqlo and H&M, have enjoyed substantial growth and their business models have proved successful around the globe. But increasing pressure on margins, volatile commodity prices and environmental concerns could spell the end of the fast-fashion phenomenon. Gap and H&M are more vulnerable to such changes than Inditex because of their outsourced manufacturing model. H&M has many suppliers in Asia and has seen costs rise as a result of increasing wage levels in China. On the other hand, H&M has benefited from strong links with designers such as Karl Lagerfeld and Stella McCartney, as well as celebrities like Madonna. All the leading firms in this sector have a strong portfolio of brands – Gap, for example, owns Banana Republic, Old Navy and Piperlime. Sources: BBC, 2004; The Economist, 2009; Inditex, 2014; Foroohar, 2006; Datamonitor, 2014; Gap Inc., 2014.