



LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	WOO KA CHEONG MIKE	Student ID number:	2123229
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Strategic Analysis Report of ZARA

Strategies Management
DR TERENCE LI

K.C. Woo (2123229)

UNIVERSITY OF WALES TRINITY SAINT DAVID - MBA HKBM7013 - ASSIGNMENT 1

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1 INTRODUCTION:

Undoubtedly, Zara is number one in its industry. Founded in 1975, Zara introduced "fast fashion" retail to customers across different countries and generations, intending to create a strong sense of responsibility for fashion. Zara has been successful for many reasons. As a worldwide fashion leader, it prioritises consumer needs, which has been a significant factor in its success. Since the company's inception, its customers have driven its culture.

Statista ranked Zara seventh on its list of "world's most valuable clothing & apparel brands between 2001 to 2022". Despite a decrease of 2% to USD13,156 million in 2021, it was also recorded at USD12,997 million, so the position remained unchanged.

Vertical Integration in Zara's strategy management is the key to its success in the "Fast Fashion" business model. However, COVID-19 and geopolitical tensions have adversely impacted their performance in the past two years, particularly in Hong Kong.

The following study examines the relationship between the VMV and Zara's strategic direction. Analysis of internal and external factors using PESTEL, Porter's Five Forces, and the Value Chain. In addition, evaluate the effectiveness of these strategies using the Balance Scorecard. Additionally

Additionally, it proposes strategies for sustaining the company during this challenging time. Recommend the implementation of Zara's strategy.

Consumer Goods & FMCG > Apparel & Shoes

Ranking of the most valuable clothing & apparel brands in the world between 2021 and 2022, by brand value

(in million U.S dollars)

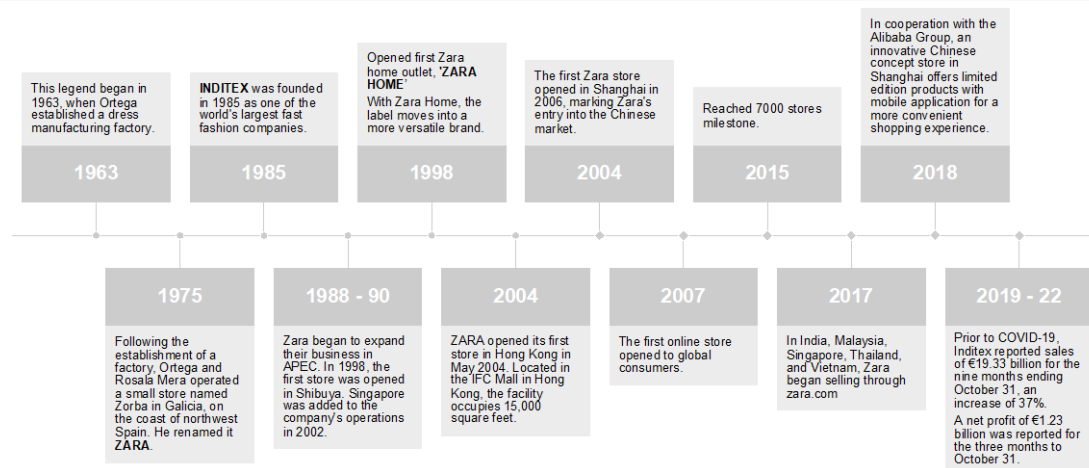


Figure 1. Shows the world's most valuable clothing & apparel brands between 2001 to 2022. (Statista, 2022).

1.1 COMPANY BACKGROUND:

The Inditex Group, one of the world's leading fashion companies, operates stores in 70 countries throughout Europe, the Americas, Asia, and Africa. As well as Zara, the company's most prominent retail chain, Inditex has eight other stores, including Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, and Uterqüe.

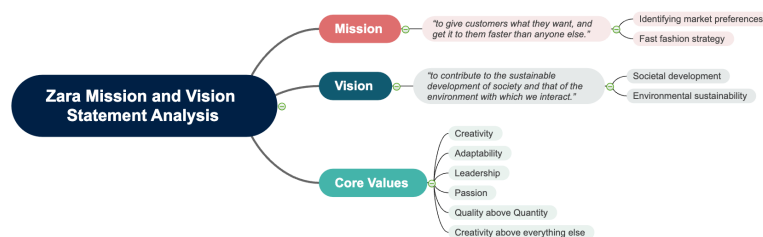
History Timeline of ZARA



(Diagram created by Author, 2022).

1.2. VMV & STRATEGIC DIRECTION:

Strategic Planning is fundamental for a company to thrive and be responsive to its business partners. It provides a mechanism for determining the effectiveness of an organisation's commitment to developing and implementing programs. In addition, when the plan is prepared, it indicates how the strategy will be implemented. As a result, it is aligned with the company's Vision, Mission, and Values (VMV). Additionally, Strategic Planning involves anticipating the outcomes so that current action plans are evaluated based on the external factors that affect the organisation's efficiency.



(Edrawmind, 2022).

Zara's Mission Statement:

Zara's mission statement is to **"give customers what they want and get it to them faster than anyone else."** An ideal mission statement should be precise plus straightforward, and Zara's mission statement satisfies both expectations. This statement's brevity and truthfulness perfectly illustrate why Zara dominates in fashion retail.

Zara's mission statement reveals two key components: They understand *the consumer* and *adopt a fast-fashion business model*. Further details will be provided on each of these components.

Understanding The Consumer:

Zara states in its debut that it is committed to satisfying consumers' needs, and Zara is serious about it. Luxurious brands do not care much to recognise the target market's favourites since the beginning. It is common for luxury brands to offer apparel that is in line with their tastes and styles. They're confident their customers will purchase their items without hesitation.

Zara emphasises the beginning of its mission statement that it is committed to giving customers what they want. In contrast, other luxury brands do not attempt to determine the interests of their consumers. It has been a tradition among luxury brands for centuries. Luxury brands design clothing that reflects their aesthetics and anticipates consumers will buy it without hesitation because they're brand enthusiasts.

Zara has adopted a completely different strategy. The Zara brand has an outstanding team of designers, but the company also pays close attention to the consumer's preferences in detail. Zara engages very actively in digital marketing, allowing the company to engage with its targeted customers, and interact with them to gain a deeper understanding of their preferences. At Zara's retail stores, staff keep in mind the preferences and dislikes of their customers. Customer feedback is provided to the design team, so their concerns and opinions are integrated into the upcoming products.

Fast Fashion Business Model:

In addition, the other aspect of the Zara mission statement indicates that the company seeks to meet market demands quickly. The lead time for manufacturing is the number one priority. According to Zara's team, a 500-piece clothing line can be completed within two weeks. The whole process, from the preliminary design phase to the distribution of the products at the point of sale. It is covered in this document. This model became a textbook model of the global strategy for fast fashion.

Zara's Vision Statement:

Zara's Vision statement is "**to contribute to the sustainable development of society and that of the environment with which we interact.**" A company's vision statement outlines its long-term goals and how it intends to achieve them. According to Zara's mission statement, the company places a much greater emphasis on both social and environmental responsibility than on profitability.

Societal Development:

Zara takes its commitment to sustainable development very seriously. It participates continuously in campaigns that assist the less fortunate and sponsors events that benefit society. The fashion industry has expressed concerns about using unethical workers in its factories in undeveloped countries such as China. It has led brands such as Zara to take public stands to promote social responsibility.

Environmental Sustainability:

Zara is also committed to protecting the environment. The company has earned a reputation for its operation in ecological topics. It has extended advocated against overusing plastic and does not apply extraneous labels to its products. Additionally, it is entirely non-toxic in its production.

Zara's Core Values

Several factors are crucial to Zara, but these are the values it has always relied upon when making business decisions and conducting its daily business activities. Zara's core values include "**beauty, clarity, functionality, and sustainability.**"

Beauty:

Zara, as a leader in the fashion industry, requires a desire for beauty and gratitude in all qualities of personal and professional life.

Clarity:

In the highly competitive fashion industry, clarity is a vital component. Zara strives to maintain clarity in information transfer, both internally and externally.

Functionality:

The quality of Zara's products is exceptional in terms of functionality. Even though the clothing is fast fashion, it is well-made and comfortable. It can be worn every day. Compared to the display of luxury brands at the fashion show, it is the opposite.

Sustainability:

In addition to its Join Life collection and an expanding network of eco-stores globally, Zara has consistently advocated sustainability in all facets of its business activities.

Concluding comments:

In developing their strategic objectives, businesses follow similar principles to those outlined in Zara's mission and vision statements. Both statements are complementary and illustrate Zara's strategy as a leading player in the fast fashion industry. For Fast-Moving Consumer Goods (FMCG), the VMV of Zara is regarded as a role model.

2. PESTEL ANALYSIS:

Zara dominates the fashion world as a leader, especially in fast fashion retail. This section presents a PESTEL analysis of external factors influencing a company's strategic direction. PESTEL consists of elements such as governmental factors, financial factors, cultural factors, technical factors, environmental factors, and legal factors. It provides a summary of that macro-environmental analysis. Also, investigate the company's potential future growth in Hong Kong while prioritising factors in the sequence that will significantly impact the company's strategic directions.

2.1. POLITICAL FACTORS:

It has been reported that China has pressured foreign brands to express regret for violating its territorial integrity and the labour issue of Xinjiang cotton; consequently, Zara has withdrawn its statement regarding it. Another critical issue was showing mercy to Hong Kong protestors in 2019. (Bain, 2021).

Givenchy, Coach, and Calvin Klein have already been affected by this trend. Global Times reported that sanctions are being applied not just to present recklessness but also to past behaviours. This incident involved ZARA immediately; in response to the Hong Kong movement, ZARA quickly closed or shortened its business hours. The Global Times quickly criticised the company's intentions and viewed it as a target. It resulted in the Chinese social media strike against Zara following the alleged backing of Hong Kong protests. As a result, ZARA was accused of closing its stores in solidarity without proof. (Jing Daily, 2019).

International giant brands are forced to align themselves with sensitive topics surrounding Chinese authority and boundary claims. Combined with ZARA, Inditex operates hundreds of outlets in China, which is only second in terms of its number of stores compared to the Spanish market. These brands have been prompted to make statements regarding Chinese territorial integrity, as well as the belief that Hong Kong demonstrates. In 2018, Zara was targeted on Chinese forums for mentioning Taiwan as a country which China claims as the same territory. A request was made for China to remove the list of countries from its official website. (Reuters, 2019).

The Chinese have a significant bias based on a different perspective than the Western world. The boycott can quickly escalate if they feel uncomfortable. Foreign brands may take this as a signal that Beijing expects more loyalty to its political perspectives. As a result of these challenges, Zara was compelled to apologise to China for its divergent viewpoints in a short period. In the long term, it may be possible to convince management to reconsider their expansion plans or shut down their business.

2.2. ECONOMIC FACTORS:

A pandemic outbreak almost happened at the end of 2019 as Hong Kong experienced the movement. The restrictions and quarantine accelerated the demise of the retail sector. Inditex has reported closing 1,200 stores worldwide, including IFC and Hong Kong airport retail shops. Since 2019, retail sales in Hong Kong have plummeted to a record low. Compared with 2018, it decreased by 32.8%, marking a continuous sixteen months of shrinking performance. However, Hong Kong ranks the highest in real estate costs besides New York and Tokyo. Thus, fashion retail had relatively high overhead costs. (Liu, 2020). Business sustainability in the retail industry seems very difficult in this situation.

2.3. ENVIRONMENTAL FACTORS:

It is no secret that the "fast fashion" industry is one of the world's most significant pollution sources. According to a report in Denmark, approximately 92 million tonnes of waste are disposed of in landfills annually. Furthermore, the U.N. Environment Programme (UNEP) has also emphasised the industry's liability for 20% of global water leakage and 10% of greenhouse gas releases. At an Inditex shareholder's meeting, the company declared it would use eco-friendly, compostable, reprocessed cotton, fibre, nylon, and polyamide materials in all product lines. The group intends to eliminate all non-renewable plastics by 2023. In addition, Inditex has planned to make all Zara retail stores "eco-efficient" by upgrading to green power by 2019. The goal of converting 80% of the company's factories, warehouses, and offices to energy-efficient systems by 2025. These initiatives demonstrate a tendency toward the eco-friendly, socially responsible organisation. Nowadays, have become ever more concerned about the environmental impact of their purchasing decisions, according to a 2017 Nielsen report. Thus, eco-friendly fashion has become a significant issue within the industry, prompting fast fashion retailers to make eco-conscious improvements. (Sally Ho, 2020).

As the leader in fast fashion, Inditex is the primary target for Green Peace enthusiasts; however, Zara has made significant efforts to achieve its vision of being a sustainable brand.

2.4. SOCIAL FACTORS:

As social creatures, humans are surrounded by other individuals who significantly influence their lives. This motivation to integrate into the community also affects their shopping behaviour. Zara targets females between the ages of 20 and 40. Despite offering regular products, Zara Women developed apparel and accessories specifically for this segment. The chart indicates approximately twice the female population of Hong Kong in 2022; therefore, the client base is a perfect fit.

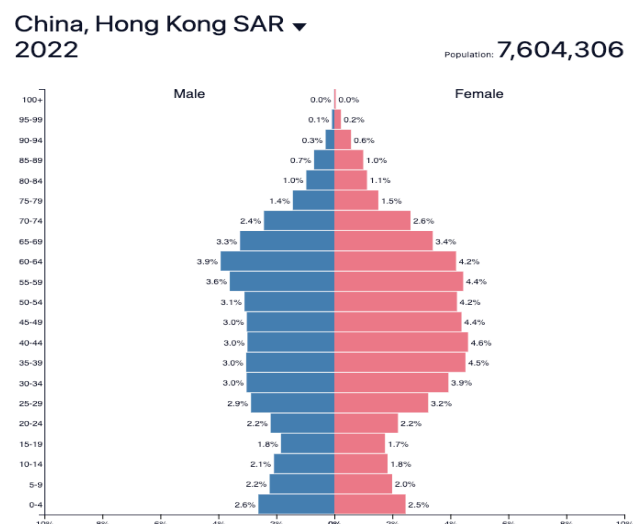


Figure 2.4. Shows the Population of H.K. by gender from age 0 to 100 in 2022. (Populationpyramid, 2022).

2.5. TECHNOLOGICAL FACTORS:

Hong Kong has the most convenient internet service compared to the rest of the world. It provides an advantage for online marketing and e-commerce with its high-speed wi-fi service or 5G at low cost. In the fashion industry, the use of social media has changed the nature of marketing campaigns. Consumers' shopping preferences evolve as they follow KOLs and interact in the metaverse. Since these consumers tend to purchase based on peer recommendations through social media, and feedback is more relevant to them than advertisements, Zara's word-of-mouth strategy is well-suited.

2.6. LEGAL FACTORS:

There is no doubt that Hong Kong is a shopping paradise for fast-moving consumer goods (FMCG). This segment benefits from tax-free policies. The number of visitors from China to Hong Kong was approximately 2,500,000 per year before Jan 2020. (CEIC, 2022). Visitors benefit from a lower price without paying VAT and enjoy currency exchange rates of nearly 20 per cent. As a result, this legal factor contributes to the rapid growth of the retail market. Although this advantage suddenly disappeared in the last 30 months, it may reappear gradually following the border opening.

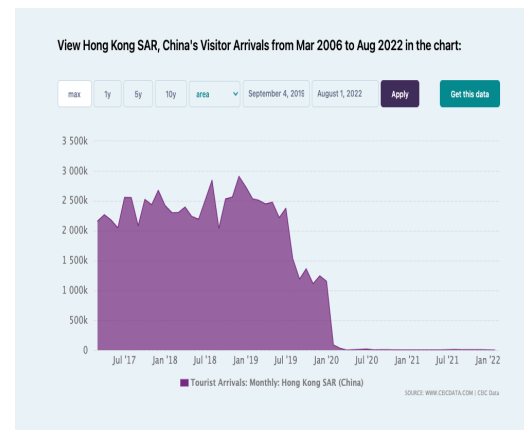


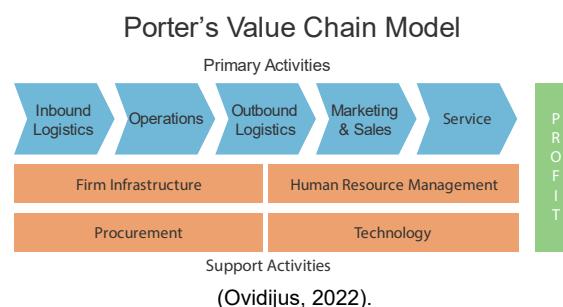
Figure 2.6 Shows visitors to H.K.'s arrival from China from Mar 2006 to Aug 2022. (CEIC, 2022).

Concluding comments:

PESTLE analyses, as mentioned above, provide information about external factors for evaluation. Among all threats, political factors are the most significant, thus affecting the economy. Zara's current threats come from political factors that adversely impact the economy. The opportunities continue to stem from social factors and the popularity of social media.

3. PORTER'S VALUE CHAIN:

The Porter's value chain, created by Michael Porter and widely used for nearly 30 years, is a critical method for categorising or organisation into appropriate operations. By focusing on their areas of strategic strength, businesses can increase revenue or decrease operating expenses.



3.1. PRIMARY ACTIVITIES:

Primary activities provide the company with a competitive advantage during the initial stages of operation. (Tarver, 2021).

3.1.1 INBOUND LOGISTICS:

Zara's inbound logistics department handles initial components for production, assigning them to the appropriate division and maintaining records concerning components, resources, and final products.

Zara founded its factory A Coruña in Spain, surrounded by textile factories since 1980, and implemented just-in-time (JIT) (Banton, 2022). operations in the early '90s to achieve total control. From raw materials to end products, it has facilitated Inditex Group's development of a production system that allows self-sufficiency. To facilitate JIT operations, the majority of items are manufactured in Spain and Europe. This process was to ensure the components in the primary stage had storage in the warehouse prior to production. They set up their factories or suppliers without specifying colours or patterns. It allows them to adjust to minor changes in the market, like reordering explosives models, which are underestimated. During Covid-19, most brands suffered from insufficient supply from Asia, especially China. In this area, Zara has a significant advantage due to their inbound logistics strategy.

3.1.2. OPERATIONS:

H.Q.s for Zara are in Spain, where the company's main operations are coordinated. In this setting, they can maintain a direct line of communication with upper management, the sales and marketing team, designers, and the purchasing department. Consequently, modifications can be made instantly, as well, to achieve the product launch just in time (JIT).

Additionally, Zara offers three distinct product categories: men, women, and children, with a strong focus on merchandise for women. As a result, these approaches provide assurance that each collection is capable of adapting to shifting fashion trends as well as providing suitable alternatives independently of one another. Nevertheless, It does not affect the operations from the initial design to the final product.

3.1.3. OUTBOUND LOGISTICS:

Zara's product launches are scheduled at the beginning of the fashion seasons, which are connected to the four seasons in Spain and the rest of Europe. The apparel industry's production is greatly affected by the changing seasons. During the summer, sales of winter clothing declined significantly, and in the winter, short sleeves are difficult to sell. Therefore, it is distinguished from seasonal items and regular items.

In this process, Zara store managers play a key role. Their inventory quantities are closely monitored. A high level of accuracy can be achieved by analysing large amounts of data. Thus, understanding customer expectations and sales records is a crucial aspect of their success.

For prompt delivery to the store, Zara's vendors apply labels during the production process. Fast delivery of goods is a major aspect of Zara's *Outbound Logistics management*. Spanish domestic distributions are made within 24 hours, and international shipments are made within 40 hours. Ultimately, the idea is to simplify the process to achieve its mission statement, which is to **"give customers what they want and get it to them faster than anyone else."**

3.1.4. MARKETING & SALES:

Unlike its competitors, Zara does not make a significant investment in advertising. Instead, it is focused on word-of-mouth marketing. As Zara controls most of the production process, contracts are not an option. As a result, they can respond to market shifts more quickly than their competitors. They also reduced the loss of off-season products through prompt discounts. (Bigcommerce, 2022)

Fashion is available for a limited time to entice customers to come back to the store looking for the latest products or discounted items. It is a strategy that encourages customers to buy early while stocks last or to take advantage of the discount. It is designed to keep inventories at a low level. To sustain and enhance its leading edge, Zara keeps their marketing budget relatively conservative. Zara, on the other hand, owns most of its stores. These stores are located in the busiest commercial districts, Central, TST, and CWB, where customers can walk in easily.

3.1.5. AFTER SALES SERVICES

Zara emphasises the development of quality products at affordable prices to minimise after-sales service. The company also focuses on maintaining customer loyalty through a positive shopping experience. It is rare to see long lines at their stores. To achieve this, the sales representatives undergo extensive training to assist the buyers in a hurry or sometimes promptly react to client issues and requests.

3.2. SUPPORTIVE ACTIVITIES:

Supporting activity is intended to assist the primary activity in differentiating itself in the marketplace. (Inchange, 2022).

3.2.1. FIRM INFRASTRUCTURES:

Zara has developed its systems to accommodate and facilitate its distinctive business model of fast-paced operations, flexibility, and independent leadership. Thus, the I.T. department is the key infrastructure that facilitates numerous processes, such as evaluation systems for retail outlets and supply chain and logistics.

Zara's vision is defined by the CEO, Mr Amancio Ortega, who works closely with the executives at the H.Q.s at A Coruña. They are accountable for corporate strategies, human resources, technology, logistics, and property management. The COO leads the teams developed under these headquarters to analyse changes in the marketplace, sales and operation plans, product profiles, and regulations applicable to divisional, store, and H.R. managers. Leaders at the local and regional levels play a key role in the O-chart. They are responsible for maintaining the outlet's brand identity and visual appearance. It includes updating stock levels and the visuals of the shops and product displays.

3.2.2. HUMAN RESOURCE MANAGEMENT:

H.R. is responsible for managing problems outside of operational activities. Specifically, they establish guidelines for the learning and developing of existing employees and orientation training for recruits.

3.2.3. PROCUREMENT:

To avoid the time-consuming process of supply consolidation, approximately 65 per cent of garments are non-dyed and prepared before the design is confirmed. Most of its primary components are purchased in Europe and others through its APEC office. Also, they source various components and some end products from third parties, which are relatively cheaper. They control numerous textile factories in Spain and operate a large industrial complex in A Coruna. They must customise items quickly to stay in line with their sales strategy.

3.2.4. TECHNOLOGY:

Companies' overall performance is heavily dependent upon big data analytics. (Techtarget, 2022). Compared to its competitors, Zara is performing exceptionally well in technology development. Transmitting data seamlessly from store managers to H.Q.s allows them to manage their entire distribution network. The company invested substantially in I.T. before expanding into developing analysis devices and technology, which enables sales representatives to gather real-time information and make prompt adjustments. (EdrawMax, 2021).

4. EVALUATE ZARA'S CORPORATE AND BUSINESS STRATEGY:

In 2022, Zara was ranked 28th among the most valuable European brands and 83rd on BrandZ Top 100 most valuable global brands. In the fast fashion industry, both were ranked no.1. (Rankingthebrand, 2022). Zara's core values include Creativity, Adaptability, Leadership, Passion, Quality over Quantity, and Creativity over everything else. It is how Zara has led to this level of success; these values are built into and reflected in its corporate and business strategies.

4.1. CORPORATE STRATEGY:

A long-term corporate-level strategy addresses a broader scope of operations and determines the direction and development of the company. (Cascade, 2022).

Vertically integration strategy:

Its vertically integrated supply chain allows it to produce clothing continuously for 365 days non-stop, offering freshly made products to stores every three days. From scratch to shipment, the outlets usually take less than two weeks. The hub in Spain consolidates all apparel, where incoming products are carefully examined, categorised, labelled, and delivered. It generally takes two days to distribute to retail outlets.

The vertical Integration allows Zara to monitor processes like colouring and have fabrication resources at its disposal to meet consumers' needs with the latest fashions. Every year, Zara releases 12,000 newest products and manufactures more than 450 million pieces of merchandise. To ensure that the warehouse is not overburdened due to the regular updating of onsite inventory, the supply chain must be extremely well-organised.

Market penetration strategy:

It involves offering products currently available in established segments to capture a larger market share. In other words, it's how a brand (that exists already in the market with a product) can grow by expanding to compete its rivals.

4.2. BUSINESS STRATEGY:

Business-level strategies enable a business to demonstrate its distinctive strengths, maximise its advantage, and integrate the various aspects of its business. By optimising the coordination between divisions and defining guidelines for achieving an overarching goal, the company will be able to evaluate its performance regularly. (indeed, 2020).

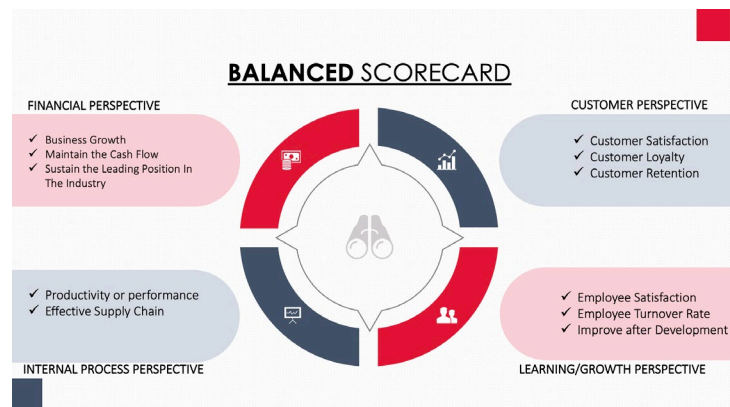
Best-cost strategy:

Zara's best-cost strategy (Integrated strategy) involves providing high-quality products at an affordable price. Companies distinguish themselves from their rivals. The company does not spend much money on marketing and instead focuses on expanding its store network. Their innovative approach has earned them recognition as one of the world's leading retail brands.

There is strong competition for Zara in Hong Kong from H&M and Uniqlo. However, Zara offers a wider selection and a more affordable price than theirs.

4.3. BALANCE SCORE CARD:

Balanced Scorecard measure performance by accounting, non-financial and integrated approaches. This metric allows companies to gather information from different perspectives rather than relying on a small number of numerical measures. Thus, they can see the whole picture and analysis the strategies for aligning the VMV of the company. (BSI, 2022).



(Diagram created by Author, 2022).

Financial perspective:

In Inditex's annual report, 16%+ EBIT margins (Seekingalpha, 2022). Zara contributed 70% of the group's revenue in 2021. See *Appendix A*. And as reported by REUTERS in June this year, Inditex reported a net profit of 760 million euros (\$812 million) for the first quarter, which met market speculation. The company's sales increased by 36 per cent to 67000 million euros, exceeding prior COVID-19 records, while its cost of goods sold reached a decade-high. With a market cap of more than 70,000 billion euros, Inditex's shares have increased by 5 per cent. (Corina Pons, 2022). The business grew tremendously post-pandemic and maintained a leading position among its competitors (outlined in section 5). As a result of the company's sound working capital management, its free cash flow to revenue is favourable, and its dividend yield is attractive at 4.15%, the financial perspective is positive.

Internal process perspective:

People refer to Zara's products as "fresh-baked clothes". Production and supply chain efficiency contributed to this achievement. JIT strategies (and more stylish items) satisfy customers' immediate needs. Other competitors use the 4Ps strategy to guess what the market wants, but Zara already offers what brand lovers wish. A low inventory level is also critical to high performance, as determined by big-data analysis. Zara manufactures approximately 13,000 items per year, more styles vs items per style. The latest techniques are always available to fill the gaps left by out-of-stock styles. Thus, it increases the customer's likelihood of making a purchase. (Swifterm, 2021).

Customer perspective:

Zara adheres to its mission statement of "give customers what they want and deliver it faster than anyone else." The company treats its customers as if they were a queen and is grateful for the feedback. Zara collects extensive data and product expectations from its customers to provide them with relevant ideas to integrate into their product lines. Providing such a customer experience increases brand loyalty by drawing customers into the brand.

Learning and growth perspective:

Modern trends often begin modestly but quickly gain popularity. The Zara frontline staff is trained to observe and respond to minor customer signs to meet this high level of customer expectation. As Zara recognises, the more promptly it responds, the more likely it is to be able "to give customers what they want and get it to them faster than anyone else."

Inditex's recruiting website begins with the slogan "Where passion meets purpose". Company culture is characterised by the motto "Life in Inditex, not work," a powerful statement filled with energy and humanity. The company also emphasises the diversity of its employees, with 76 per cent of young women expressing their enthusiasm in ZARA's DNA.



A CAREER WITH INDITEX IS MORE THAN A JOB – IT'S A LIFESTYLE OF PURPOSE, PROMISE AND ENDLESS INSPIRATION. WE AIM TO POSITIVELY IMPACT MILLIONS OF PEOPLE AROUND THE GLOBE, STARTING WITH THE LIVES OF THE THOUSANDS OF MEMBERS OF OUR OWN TEAM, REPRESENTING OVER 177 NATIONALITIES.

Aside from this, the company is committed to offering every employee the support and development path to maximise their potential through ongoing training, additional programs, and personal growth. Inditex (2022).

5. CONCLUSION:

Zara's success became a role model in fast fashion and even the retail industry. It has primarily been driven by its capability to react swiftly to taste in its latest mechanises in a short period. To respond to rapid change in fashion trends, the company build up a unique and effective supply chain cohesion with the stores and the management in headquarters to ensure the JIT delivery meets the expectation of the customers. In addition, people play an integral role in the success of ZARA. It has developed a strong company culture. From its employees with company DNA to its customers, ZARA cherishes them all.

Thus, although COVID-19 negatively impacted the economy, Zara could still sustain its business and regain momentum quickly post-pandemic.

6. RECOMMENDATION:

Brands are engaged in fierce competition with each other. In a way, it is like a competition between athletes. Some extraordinary and legendary sportsmen are referred to as GOAT (Gods of All Time), such as Michael Jordan versus Reggie Millar in NBA, Tiger Woods vs Phil Mickelson on the PGA Tour, and Pete Sampras vs Andre Agassi. The matchup between Roger Federer and Rafael Nadal 20 years ago will never be forgotten. Eventually, they all have the same ending, whether they retire or step down from their podium and are replaced by their successors. We can also see the curtain fall on Kodak, Nokia, Sharp, and Benetton's reality. The brands vanished because of their steadfast commitment to their business models and strategies, both corporately and commercially, and their so-called unique products during their golden age. Nowadays, people mention some of these names only in memories.

With its vertical integration strategy and strong supply chain cohesion, Zara has succeeded in staying at the forefront for over half a century. The concept is like that of the above champions. There is a desperate attempt by the newcomers to take over.

6.1. ADVICE ON IMPROVEMENT:

Lululemon (Lululemon, 2022), the Canada-based yoga apparel company, has benefited from the modern healthy lifestyle trend. It took 30 years to reach \$41 billion in 2022. It indicates a threat and an opportunity for ZARA to capture market share from its client base.

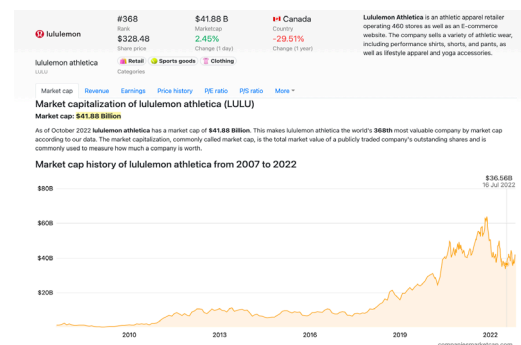
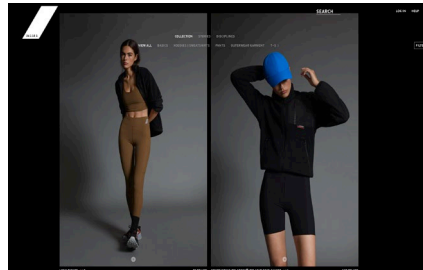


Figure 6.1 shows the market cap between 2007 to 2022 of lululemon. (Companiesmarketcap, 2022).

Strategy advice to ZARA at the corporate level:

After partnering with a local sport-specific brand, Joma, ZARA launched functional sports sneakers (Pérez, 2021). and clothing line “zara-athleticz” in 2021. It is a milestone for the company to step into this area to provide sports enthusiasts with functional apparel. (ZARA.US, 2021).



(ZARA.US, 2021).

The collection covered the latest trends in sports such as hiking, running, golf, and padel (Head, 2022). In the gym collection, ladies can find yoga apparel. Furthermore, Zara competed successfully against Lululemon on the tennis line. Early this year, Lululemon debuted its first tennis line at the Australia Open, endorsed by Canadian no.1 tennis player Leylah Fernandez (Tennis, 2022). The companies also launched sneakers for their fans, increasing fan loyalty and providing them with a talking point on social media.

With Joma's advantages in sports equipment, Zara should pursue a horizontal integration strategy to maximise its market share. Currently, the stock value of Joma is \$68.5 (as of 09:52 AM CET. Market open.) The previous high was \$209.5 in December last year, the P/E ratio is 1.8, and the company's market value is \$2.5 billion (TradingView, 2022). The specialist recommended that the shareholder sell strongly, which means it is relatively cheap now and will be easy to merge.

Through the acquisition of Joma, Inditex will have access to professional product development in sports equipment and the loyal customers of Joma in the sports marketplace. Joma is a Spanish brand that sponsors Spain's Royal tennis team in the David's Cup and other international competitions. The sponsorship of the Spanish national team came with a bonus. Not one but two national heroes. Rafa Nadal, the historical 22-time grand slam winner, aka King of Clay. The new world number one, Carlos Alcaraz, age 19, is the youngest ever. They are both sponsored by Nike but wear Joma for all activities (press conferences, prize presentations, etc.) other than matches. Their combined endorsement of over \$12 million by Nike annually (KeCy, 2022). Despite the exposure of the new tennis collection from this acquisition, surely the potential revenue will bring in to Inditex.



(Charles, 2016)



(Joma, 2022a)



(JOMA SPORT, 2022)

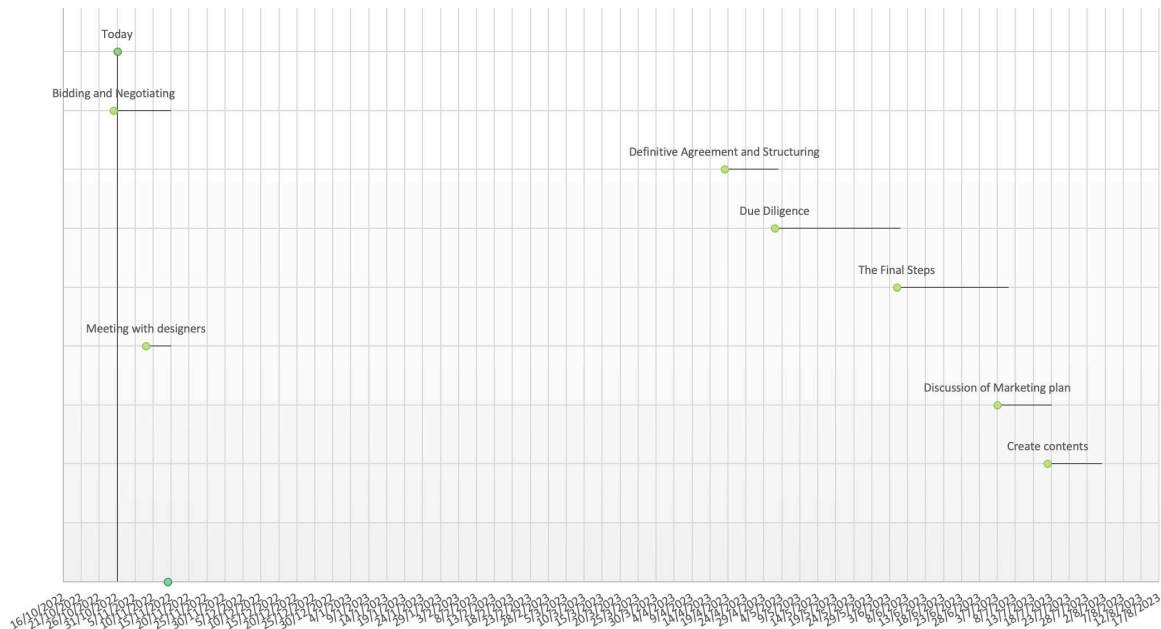
Strategy advice to ZARA at the business level:

Followed by the acquisition and product development strategy at a business level. In conjunction with Joma's professional expertise and Inditex's existing value chain, this will significantly expand sportswear products. By utilising this strategy, the company will be able to attract Spanish customers in Europe and the United States.

6.2. IMPLEMENTATION:

Acquisitions usually take one to several years to complete. Numerous merger procedures must be followed, including preparation, merger contracts, investigation, public consultation, and notification. Dan Doran (2022). It's easier to project the product strategy for ZARA to consider, which they're proud to deliver their products to consumers within a month.

Grand chart and the schedule of the proposed strategy for ZARA



No.	Start Date	End Date	Task
1	30/10/2022	18/4/2023	Bidding and Negotiating
2	18/4/2023	2/5/2023	Definitive Agreement and Structuring
3	2/5/2023	5/6/2023	Due Diligence
4	5/6/2023	5/7/2023	The Final Steps
5	8/11/2022	3/7/2023	Meeting with designers
6	3/7/2023	17/7/2023	Discussion of Marketing Plan
7	17/7/2023	31/7/2023	Create contents
8	17/7/2023	31/7/2023	Product Samples
9	1/8/2023	1/8/2023	Public Announcement
10	1/8/2023	14/8/2023	Orientation for Joma's team
11	2/8/2023	16/8/2023	Marketing campaign launch
12	16/8/2023	17/8/2023	Product launch

Life is full of surprises, and planning may not always meet our expectations. An alternative plan must be prepared if something goes wrong, as has happened with COVID-19 during the last two years. The acquisition process takes time to complete. Zara already developed a sports clothing line in Europe and the United States, so it would be a brilliant idea to launch Zara-athleticz in the APEC market to test the acceptance of customers, gather information from their outlets to forecast the success rate, and gain leverage to drive the merger forward.

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10. Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular retail concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by retail concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and profit before taxes by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and to Group Management.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

2021					
	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	19,714	2,178	5,955	(131)	27,716
Profit before taxes	2,838	330	991	39	4,199
Amortisation and depreciation	2,040	233	623	5	2,901
Segment total assets	23,693	1,426	3,826		28,945
ROCE	25%	32%	37%		28%
Number of stores	2,489	971	3,017		6,477

2020					
	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	14,234	1,773	4,503	(107)	20,402
Profit before taxes	965	112	316	7	1,401
Amortisation and depreciation	2,029	265	753	(2)	3,045
Segment total assets	21,370	1,266	3,782		26,418
ROCE	9%	11%	11%		10%
Number of stores	2,653	1,005	3,171		6,829

Appendix B.

