

# Analyzing the Strategic Impact of Zara's Branding Strategies on Consumer Engagement and Market Position

Siying Liu<sup>1\*</sup>, Yingshun Huang<sup>2</sup>, Qianhui Pan<sup>3</sup>

<sup>1</sup>College of Foreign Languages, Huaihua University, Hunan, 418000, China

<sup>2</sup>The Grier School, PA Tyrone, 16686, the United States

<sup>3</sup>Shanghai Guanghua Cambridge International School, Shanghai, 201319, China

**Abstract.** Zara is well-known in China as a leader in fast fashion brands. The brand has a large market share among apparel brands and consistently earns big profits. However, as a result of the pandemic, changes in buying patterns, and the growth of indigenous Chinese brands, the development of many overseas fashion companies in China has slowed, besides ZARA. Based on this context, this article explores the Zara fashion brand's traditional strategy, including its profit model, competitive advantages, product functions, and marketing model. At the same time, a SWOT analysis model is established to help evaluate the brand's strengths and weaknesses. The article proposes creative ideas, integrates the general environment, and uses social networks, media, and other technologies in order to carry forward the brand's advantages, make the brand self-reform, and bring the brand as a whole closer to Chinese consumers, which can empower the brand. The suggestions that are provided in this article can fulfill the demands of local customers and maintain sustainable long-term brand growth.

## 1. Introduction

In the current situation of rapid economic and social development, people's living standards have gradually improved, the national consumption level is also higher and higher, people will spend more money in to dress themselves to get material and spiritual satisfaction. And China as the world's largest country in terms of population there is a huge consumer market, the major well-known clothing brands are locked in the Chinese clothing market, they all hope to achieve a certain market share. And these brands generally have their own advantages, according to different brand strategy for different target groups, their clothing style also follow the trend, can be very good to meet the masses of the pursuit of fashion. Among them, Zara as the clothing industry's leading brand is the most representative, it is with a unique brand strategy to quickly occupy the market, so that consumers are increasingly keen on this fast food mode of fashion clothing. [1] In recent years, China's clothing industry has developed rapidly, the local clothing brands have gradually matured and can be connected with the world's leading brands, but due to the lack of experience in brand operations, brand marketing appears very weak, the development of the brand is also therefore stagnant. In order to solve the current development status quo, China's clothing brands can be combined with their own actual situation selective reference Zara's marketing strategy. The current era of the environment has created a fast fashion brand, and fast fashion as a controversial field, the study of its brand has a typical, by analysing the

development of the brand in the public consumption psychology, brand image construction, brand strategy implementation and so on to help the construction of the theory, in the development of the brand presents the characteristics of the problem also has the value of the research. [2] The external environment of brand communication is different from that of the early stage of fast fashion development, from the change of brand image construction and consumer demand, to the updating of product design, to the use of new media, fast fashion has made positive changes to cope with the development of the times, and by analysing the above contents, we can summarize the laws in the process of brand development, optimize the brand operation according to these laws, and improve the related problems so that a good cycle can be formed. Improvement to form a good cycle. Fast fashion has three characteristics: fast speed of new products, low price and keeping up with the fashion trend, it is through the feedback and imitation of the elements of the fashion show, and make them affordable, so that its design and the relationship with the mass consumer market is closer. Fast fashion through diversified marketing to enhance market sales, has a good market adaptability, the clothing market demand changes quickly, just in line with the characteristics of fast fashion, which attracts a large number of young people's favourite. [3] According to the characteristics of the fast fashion field, this paper takes Zara as an example to analyse how to better implement brand strategy. This paper takes fast fashion clothing brand Zara as the background, based on Zara's brand strategy research, through analysing Zara's strengths and

\*Corresponding author: [ebrown51523@student.napavalley.edu](mailto:ebrown51523@student.napavalley.edu)

weaknesses in the Chinese market can understand the challenges and characteristics of the clothing industry, and ultimately for the development of China's fast fashion clothing brands to provide inspiration and constructive advice. This paper will understand the current development status of Zara by reviewing the literature and information related to the Zara brand, and analyse the characteristics of the current fast fashion field by introducing the concept of fast fashion led by Zara, and study Zara's profitability model, competitive advantages, audience, product itself and promotion and marketing, so as to summarise the communication pattern and method mode of Zara brand, and then analyse China's fast fashion brand. The article will analyse the problems encountered in the development of China's current apparel industry and put forward relevant strategies for improvement based on Zara's experience. The whole article will be unfolded through the idea of putting forward the problem - analysing the problem - solving the problem.

## **2.Profit Model**

Zara is one of the world's most successful fast-fashion chains. With around 80% contribution of Inditex in 2009, it has become the world's third fashion retailer following the steps of H&M and Gap. There are nearly 2000 shops and 500 Zara Homes in 2023 around the world [4], Zara gained great knowledge in how to provide a style that complements the public needs, manages its prices at a reasonable limit, and distributes high-quality clothes efficiently. This was all made possible due to the following business methods: Vertical integration; Rapid product replacement; Zero Spending on Brand Advertising.

### **2.1 Vertical Integration**

Zara's vertical supply chain allows the company to dominate the process of designing, manufacturing, sourcing, and distribution to retail stores. This allows the company to lower risk by flexibly managing any process before distribution. The company begins the integration with designing with quality instead of spending money on product advertisement and establishing brand recognition. All designs of the products come directly from Zara's designers. Moreover, the balance in fabric supply and manufacturing of the product itself contributes to the company's success. Zara has most of their products manufactured while others are retailed. All products are manufactured in Zara's main site in Spain. Most of the products are shipped from the "A Coruña depot", and all stocks are not held for long periods and are sent out to all the Zara stores twice a week. International deliveries, on the other hand, are delivered to the border of Spain, while the logistic provider in charge of that country takes over the distribution to the stores. Afterward, the ideas and design of a product came from the designer. The designer gets the idea of what product to design next utilizing its sales from stores and customers' feedback and comments. [5] The success of Zara is caused by the dominant control in every aspect of the business process, from design to

distribution. By having total control of the process, Zara can quickly adapt to the fast-changing fashion trends and customer preferences, which provides the company with customer demands. This allows Zara to create fashionable clothes within a short period. All the functions of the business work together to produce new collections and designs which are updated and completed every week, this shows the constant production and revision which assures good quality products. Zara shop managers report to designers in La Coruña daily on what has and has not sold. This report is used to determine if a product is to be kept or altered, and whether new lines are to be created.

#### **2.1.1 Zara's Supply Chain**

Zara's supply chain is separated into four different sections: design, manufacturing, distribution, and sale. All four steps will be repeated as a cycle to allow Zara to produce high-quality and plentiful amounts of products. In short, this system is designed for short production cycles, quick response to demand, and reduced number of markdowns. First of all, all designers make their designs in the company's main office in Inditex Spain, and the final design will be reviewed quickly for later process. The main role of management in Inditex is to determine apparel designs and manufacturing locations. Afterward, the finished designs will be transferred to three different locations to be manufactured. The 20% of products made in Asia vary in quality due to the cheaper cost; however, the 60% of products produced in-house and in North Africa/Europe have better quality due to higher cost. Next, after the production of the apparel, the products are sent directly to distribution. It is usually distributed in a distribution center where it holds frequent shipments on small scales. All of these lead to a quick response rate for the company which can successfully transfer the distributed products to decentralized stores for sales.

### **2.2 Rapid Product Replacement**

The fashion clothing Zara produces reaches a wide variety of consumers, from kids to adults, at a high production efficiency. Zara's supply chain allows the company to import new apparel to stores at least two a week. To be more specific, after a product is designed, it only takes about 10 to 15 days for the product to reach nearby stores. And this whole process of identifying consumer needs for imported products will take no longer than 30 days. By catching up with fashion trends simultaneously with customers, Zara can have more opportunities to sell products at its full price than selling at a low discount. In contrast to other companies where they try to predict future trends, which causes slow production speed, Zara uses the pull system, a system that produces and distributes in line with the consumers' wants and needs. Zara's constant trend research allowed the company to follow the hot topics accurately. Two methods that Zara collects consumers' preferences and popular styles is by encouraging employees at a Zara store to document consumer preferences on their personal digital assistant. Another way is to give out surveys and collect data from

social media, 24 hours active, to understand consumers' fashion sense. Ultimately, this information will be passed on to the analysts to work out new ideas and designs within 24 hours. The benefit of having rapid product replacement is that their working capital requirements are reduced because production is always happening.

### 2.3 Zero Spending on Brand Advertising

Zara has used almost no advertising or endorsement throughout its entire existence. Preferring, instead, to invest a percentage of its revenues in opening new stores instead. Zara has a very unique approach to marketing compared to its competitors. It spends a meager 0.3 percent of sales on advertising compared to an average of 3.5 percent by competitors. [6] The brand's founder, Amancio, has never spoken to the media nor has they in any way advertised Zara. This is indeed, a truly successful brand where customers appreciate and desire the brand truthfully, and are strongly driven by the brand experience rather than brand popularity. Instead of advertising, Zara displays the stores as the key elements of its marketing strategy. By choosing to be in the most prominent and populated locations in a city, Zara ensures high customer traffic for its sales. Its window displays, where they showcase the most outstanding pieces in the collection, are also an important communication tool designed by its specialized team. A lot of time and effort is put into the window displays since it showcases the company's style and work ethic. Moreover, Zara's work ethic is reflected in its employees who are required to wear Zara "uniforms" to reflect socio-economic differences in the regions they are located. This shows the focus of the mass market with attention to consumer needs.

### 3. Target Market

Defining the target audience is important in figuring out the right marketing technique. Hence, this section is to drill into the specific demographic of Zara's consumers. Generally, Zara's target age distribution is between adults aged 18-40, including both men and women. Zara's target market is largely focused on Millennials and Gen Z, who are both fashion-conscious and tech-savvy. Zara was quite successful in their target audience, earning an e-commerce revenue of \$6.7 billion USD in the year of 2021 [7]. Zara's customers are mainly middle-aged adults, aged 21-30, which is increasingly high compared to the general population's adults aged 20-30. Moreover, Zara's fashion clothing tends to skew more towards female consumers than male in the US with 69% female shoppers and 31% male shoppers. The Zara Kids line taps into their parents who are looking for stylish yet affordable kid's clothing.

### 4. Market Analysis

Market analysis is crucial in determining the capabilities and opportunities of a company. This paper will look into brief pros and cons of the company's strategies and methods of distributing products and marketing. The SWOT analysis is used widely by analysts, where it

examines the strengths, weaknesses, opportunities, and threats. Each category goes into detail on the specific topics that ultimately analyze the company's performance. On the other hand, the 4Ps is a "marketing mix" that allows companies to achieve their targets more efficiently. It is divided into product, pricing, plan and distribution, and promotional and advertising. The last section will be focused on a comparison of Zara with another major fast-fashion brand—H&M, which is extremely different in its methods of production and distribution.

### 4.1 SWOT Analysis

SWOT, is a method of analyzing a company's competitive situation and is one of the basic analysis methods of marketing. By analyzing it, the company is able to conduct an in-depth and comprehensive analysis of its competitive advantages and position its competitive advantages before formulating development strategies.

#### 4.1.1 Strengths

Zara has high-efficiency production and allows new trendy fashion items to be displayed in stores as soon as possible to follow consumer needs. As mentioned before in this paper, the high production rate allows Zara to market without relying on star endorsement and brand advertisement. Zara produces low-price items that are accessible for most consumers, especially the youth. Its unique approach to making fashion affordable, offering high-end fashion with high quality at a low price, attracted a lot of young fashionistas by providing a similar style to the bigger, more expensive fashion brands. Zara has unique and numerous styles. Mainly relying on the company's supply chain, Zara has managed to have more available time to manage a research team on customer preference through social media and email surveys. The flexible styles allow the company to attract people with a broad range of fashion interests.

#### 4.1.2 Weaknesses

Zara has lower quality products compared to expensive brands. In April 2012, Greenpeace sourced 141 samples from 29 countries and regions around the world and found that ZARA's clothing contained the most harmful substances. Zara has an overly extended scale, in terms of franchised stores. The performance statistics of Zara stores located in major cities are doing well. Yet, the store located in more rural areas might not operate in expectation. The second and third-tier places with Zara stores are threatening the company greatly. Also, due to following popular trends, Zara has a bad for for plagiarism. For instance, ZARA copied illustrations from a New York designer, Adam J. Kurtz, which led to hot discussion and debate from the original artist. Moreover, it was found that Zara has also copied bigger brands like Louis Vuitton, Saint Laurent, Stella McCartney, and other brands in their design.

### 4.1.3 Opportunity

Zara has increased the development of artificial intelligence (AI technologies). The rapid development potentially assisted the designing stage of the vertical integration. To be more specific, activities like clothing styling, clothing color matching, garment sampling, and virtual fitting can all be done by AI instead of relying on manpower. Zara can also rely on the increase of commonwealth because as the economy continues to develop, Zara can have more opportunities in its target audience purchase abilities. As the Information Era proceeds, Zara can eventually reply more on e-commerce. With the rapid development of technology around the world, Zara can use social media to promote its products with quicker connections and direct feedback from consumers. This avoids wasting time on connecting with consumers individually.

### 4.1.4 Threats

Due to the lack of brand identification, Zara might suffer from a decrease of consumers. As time changes, people’s consumption choices might vary too, since a lot of youngsters value brand fame and recognition a lot more than before. Therefore, the loyalty of customers is normally not high. As shown in Table 1, Zara has strong competitors in this industry. Since Zara produces a variety of clothes, from men's wear, women's wear, to children's wear, its competitor comes from all sorts of big and small clothing retail stores. Moreover, though Zara is known for their low price fast-fashion items, its competitor H&M produces efficiently with almost 20-30% lower prices than Zara. [8] It is also worth the mention that the growth of Shein, founded in Nanjing in 2008, has become the largest fast-fashion retail store by 2022. The prices of Shein’s clothing are extremely low, a lot cheaper than Zara's, and since Shein mainly operates online, therefore, the business thrived during COVID times.

**Table 1.** SWOT content

SWOT	Content
Strength	Efficient production Affordable high-end products Varies and exceptional designs
Weakness	Low-quality products Overly extended scale Plagiarism
Opportunity	Development of AI Increase in income E-commerce
Threats	Lack of brand identification Strong competitors

### 4.2.4 Ps

In order to determine the marketability of a product, companies have to hold 4 Ps analysis, also known as the “marketing mix”. The four Ps are separated into: product, pricing, place, and promotion.

### 4.2.1 Product Strategy

The products from Zara vary greatly. It is commonly known to sell retail fashion and fast-fashion items; however, it also provides consumers with other choices like shoes, purses, accessories, etc. Moreover, Zara Home, founded in 2003 with about 400 stores opened worldwide [9], gives customers furniture choices. Zara is a well-known fast fashion brand with a total sale of \$13 billion USD, therefore, granting them the 3rd largest international fast-fashion brands. The company values unique and high-quality design at a low price, which means that the production and distribution process has to be very efficient. In addition, the company’s efficiency in its supply chain and design process, allows Zara to differentiate from other competitors. In many other cases, their low price has become a symbol for many fast-fashion companies.

### 4.2.2 Pricing Strategy

Most consumers will be able to afford products from Zara due to its affordable pricing and variety of clothing styles. On the other hand, this might mean that the company might be putting in too much supply cost in order to satisfy customer values. If more Zara stores began to experience a decline in profit, Zara should consider increasing their product prices, so it is more expensive for ordinary customers. This is definitely achievable because their products are still considered high-end fashion.

### 4.2.3 Place and Distribution Strategy

Choosing a sustainable place to distribute Zara apparel is really important because it can affect financial performance since the company does not rely on any brand advertisement. Zara started their small expansion by establishing some stores in Portugal and India. Then it soon spread throughout the world, with around 2000 stores in cities and suburbs. Granted, Zara then became one of the top fast-fashion brands. Besides from physical store expansions, Zara has also managed to create online outlets, making its products more accessible. Online channels are a great way to market to the younger generations who spend a lot of time on social media. This method ultimately creates a better connection between the brands with a wider range of consumers by keeping a strong online presence.

### 4.2.4 Promotional and Advertising Strategy

Zara’s approach to this factor is truly unique. When other companies are spending tons on marketing through TV commercials and celebrity endorsements, Zara relies on inexpensive but high-efficiency methods by utilizing social media frequently. For instance, if Zara wants to do any promotion of new apparel, all it is required to do is to make a Facebook post, then 31 million followers would immediately tune into the announcement.

## 5.Product

### 5.1 Feature

Para's product approach can be succinctly summed up in three points: cutting-edge design, quick iteration, and relatively low price. [10] ZARA has a very powerful team of new product designers with a sensitive and accurate understanding of fashion. The designers watch fashion shows and star parties all the time so that they can get inspiration from fashion shows in Milan and Paris, identify popular fashion trends, and imitate the fashion of the trend. Furthermore, ZARA releases new clothing into stores in just 2 weeks. Zara offers the public the latest fashion at incredibly quick speed and relatively affordable costs in contrast to traditional production techniques, which have a production cycle of 4 to 12 months, has won over many fans [11].

### 5.2 Brand current situation

Take Zara's Chinese market as an example. It makes sense that the demand for apparel will rise as domestic per capita consumption levels rise and people's purchasing power dramatically rises. Nevertheless, figures show that Zara's market share and number of outlets have dramatically declined in recent years. Therefore, it is conceivable that price increases are the primary means through which brand income grows.

The author believes that this phenomenon is significantly related to the consumption downgrade caused by the decrease in income of some customers after the new coronavirus epidemic in 2020. [12] Zara's products pay more attention to design. In order to reduce costs, they do not have good control over the quality of clothes. According to the content released by the quality department, the wool content in a casual Zara pair of pants is nearly half less than the label and is replaced by relatively cheap acrylic and polyester. The phenomenon of reducing the labelled content and replacing it is also very common at Zara. A Zara employee said that the price of cotton has soared in recent years and that the cost of ordinary materials is low. Substituting materials and reducing content can bring greater profits to the company. The major consumer groups currently, however, place greater value on product quality than brand in recent years. More and more people are paying closer attention to picking items with greater cost performance and better quality, especially in light of circumstances like the pandemic and high-rate inflation. In the garment sector, consumer choice is particularly noticeable. This highlights Zara's shortcomings in terms of product quality, which have an impact on clothing sales.

### 5.3 Suggestions

In response to this phenomenon, the author gives several suggestions. First of all, improving product quality is a must at present. Brands should strengthen the selection of product raw materials and product quality testing. For brands, this means more market research is needed.

Brands need to collect the quality of materials provided by different raw material suppliers in different countries for more stringent screening and analysis and take into account the efficiency and cost of logistics transportation generated in the supply chain. On the basis of not significantly increasing the cost, select fabrics that are relatively more durable, comfortable, and cost-effective. In addition, the final product quality inspection should also be strengthened to reduce consumer complaint rates. Increasing after-sales service can also help provide consumers with brand loyalty and retain customers. In addition, on the basis of improving quality, brands should continue to innovate in clothing design to expand brand advantages and attract consumers to purchase. Therefore, the author recommends that brands use social media, combined with digital technology, to analyse the degree of discussion on social media topics. Gain insights into hot trends, combine current hot topics and discussion points, and design clothes that are more in line with the needs of local consumers. In China, a large portion of the consumer population commutes and works. In 2023, 'urban core' will have become a hot topic of discussion among young people. The number of interactions for this keyword on social media, like 'red book', is more than 40,000. Among the clothing previously put on Zara's shelves, only a relatively small amount of clothing meets the needs of this group of consumers. Therefore, the author recommends increasing the number of clothing designs and shelves in this part.

## 6.Market Campaign

### 6.1 Advertisement

Regarding advertising and marketing: Zara invests very little in traditional advertising and marketing. Traditional fast fashion brands spend about 3%–4% on advertising every year, while Zara's investment is 0–0.3%, which is almost negligible. This greatly reduces marketing costs and is a strong brand advantage. Savings on advertising costs have almost become another source of profit for it.

### 6.2 Physical stores

It is worth mentioning that Zara usually opens its stores in high-end business districts and bustling transportation hubs. Although the cost of opening a store in these places is high, But Zara always leaves a spacious space in the store to create a relaxed and pleasant shopping environment for customers. In terms of store layout, watches and clothing in Zara stores are generally not stacked according to product type, but watches, trousers, leather bags, and accessories are put together. Make it easy for customers to buy a whole set of things at once.

Combined with the psychological feelings of consumers, although many people will hang out on bustling commercial streets, not everyone can afford luxury stores. Therefore, when they see Zara stores with lower prices for comparable products and nice decorations in shopping malls, people are more willing to go in and make purchases. The superior geographical

location and unique in-store display make Zara extremely attractive without advertising. However, the author still suggests that Zara can increase advertising on social media during the annual discount season to attract more consumers and reduce inventory accumulation while controlling costs.

## 7. Conclusion

Zara can stand out among many fast-fashion brands. Its success lies in its precise control of brand positioning. It keeps up with trends and consumer needs, embodying the concept of customer demand as the center. Its relatively efficient and complete supply chain system allows it to quickly follow market changes and adjust brand strategy and product supply, laying the foundation for the brand's success. Being highly sensitive to changes in consumers' psychological needs, a series of measures have been taken to further improve the brand's influence. Reasonable revenue and expenditure arrangements greatly reduce production costs and increase brand profitability. In order to further improve brand effectiveness and increase revenue, brands should make some improvements to their own shortcomings while giving full play to their own strengths, for example, by discussing brand quality issues. In addition, it should be combined with current trends, rational use of new media technology, brand innovation, and enhancing brand image. Brands should always pay attention to society's discussion topics about the brand in order to understand society's evaluation of the brand. Social media is an important medium for understanding how your brand is perceived by the outside world. Brands should strengthen their monitoring of social media comments and be good at using advanced digital algorithms to help brands monitor social media discussions in order to propose reasonable countermeasures. In addition, you can also use social media to build a sense of interaction between customers and the brand through comments, likes, votes, etc., to help increase brand stickiness and enhance customer brand loyalty. Brands should not only market their products but also let customers feel the goodwill of the brand in a more sincere way, so that customers are more willing to recommend the brand to more people, achieving positive and natural brand promotion! The author believes that only brands that keep pace with the times and have humanistic sentiments can achieve a better future through marketing!

## Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

## References

1. Gross, A. M., Wolters, P. L., Dombi, E., Baldwin, A., Whitcomb, P., Fisher, M. J., ... & Widemann, B. C. (2020). Selumetinib in children with inoperable plexiform neurofibromas. *New England Journal of Medicine*, 382(15), 1430-1442.
2. Pinto, E. B., & Fernandes, G. (2021). Collaborative R&D the key cooperation domain for university-industry partnerships sustainability-position paper. *Procedia Computer Science*, 181, 102-109.
3. Linden, A. R. (2016). An analysis of the fast fashion industry.
4. Statista. (2023) Zara Stores <https://www.statista.com/statistics/674434/number-of-zara-stores-worldwide-by-region/>.
5. Palladino, A. P. (2010). Zara and Benetton: Comparison of two business models.
6. Mahardika, P. D., & Santika, W. (2021). Strategies For Creating Competitive Advantage Through Product Development, Design and Quality (Case Study on the ZARA Brand in Badung Regency). *American Journal of Humanities and Social Sciences Research (AJHSSR)*, 5(1), 279-284.
7. Ghiasi, S. (2023). TikTok as a communication platform for brands.
8. Duoyan, H. (2021). Research on ZARA strategy from the perspective of SWOT analysis method. In 2021 6th international conference on social sciences and economic development (ICSSSED 2021) . pp. 201-205.
9. Dobre, Baron, O. (2015). The business model of the largest retail chains. *Annals of the University of Petroşani. Economics*, 15, 17-28.
10. Han Yiqiang (2018) Research on Management Strategy of "Fast Fashion" Brand: Taking ZARA for Example. *Journal of Jiangsu Vocational and Technical College of Economics and Trade*. 04: 28-31.
11. Gao Xing. (2010) Discussing the Brand Competitiveness of ZARA Clothing Products. *Journal of Shandong Textile Economy*. 08: 28-40.
12. Sun Hao, Mao Zhonggen, Wang Zehao. (2020) Consumption downgrade: False Images and Their Warnings. *Journal of economics and management*. 34(03): 19-26.