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**Zara, the Global Fast Fashion Pioneer from Spain**

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Abstract

Zara, a renowned fashion retailer, has gained a reputation for its innovative approach to global supply chain management. Zara is committed to providing affordable luxury clothing, home décor, accessories, and footwear. The company’s unique business model, characterizing them as “fast fashion,” allows them to continuously change their product lines to reflect the consumer market. Their incredibly fast turnaround time and affordable costs for modern and trendy pieces can create value for their customers while keeping inventory costs low. Overall, Zara’s supply chain practices reflect their success as a powerhouse in a highly competitive fashion industry.

Key Words: fast fashion, Zara, global supply chain, business model, inventory, consumer demand, just-in-time, affordable luxury

Introduction

Zara is committed to providing an elevated shopping experience to its customers all over the world. The brand was founded in 1975 in Galicia, Spain, by the Inditex Group, and they now have a major presence in China, France, Russia, Italy, and the United States of America (Jha & Veeramani, 2021). The company’s mission statement aligns with their core values to “give customers what they want and get it to them faster than anyone else” (Pereira, 2023). Their dedication to putting their customers first has led them to excel in the fashion industry. They push themselves to provide the most efficient experience while also providing low costs and high quality. Zara’s efficient supply chain strategies directly contribute to their ability to synchronize production, distribution, and retail operations to meet the evolving and trending consumer demands.

Leadership

Zara is one of the many brands owned by the Inditex Group in Spain. The founder, Amancia Ortego Gaona, and current Chief Executive Officer, Oscar García Maceiras, serve on the board of directors as well as heading multiple brands such as Zara, Zara Home, Massimo Dutti, and Oysho (Board of Directors, n.d.). The company implements a centralized decision-making system by a group of executives straight from their headquarters in La Coruña (How Zara fashions its
supply chain: Home is where the heart is, 2005). This allows for efficient communication channels and a faster manufacturing process if decisions are made immediately.

**Inditex Stock**

Zara is owned and managed by the Industria de Diseno Textil SA, or the Inditex Group, from Spain, and it is not listed in the S&P 500. However, despite not being listed in the S&P 500, Inditex stocks, shown as IDEXF, have been performing well on the European scale. As shown in Figure 1, on March 26, 2024, Inditex’s stock price is worth $48.88. As the many companies under the Inditex Group gain more attention, including Zara, the group’s stock continues to grow at a positive rate and become more valuable. Their diverse range of brands and global presence allow the company to see overall stock price increases as well as revenue. Furthermore, in 2023, the company experienced one of the highest share prices since they went public in 2001 at $40.43, making founder Amancio Ortega the world’s 13th wealthiest person (Saul, 2023). This is evidence that the company is increasingly becoming more valuable, as it is now at $48.88.

![Price down: 1.80% from the previous close price of 49.77 USD as of March 26, 5:20... See more](Industria de Diseno Textil SA)

**Figure 1.** Inditex Group’s Stock Market Price on March 26, 2024.

Source: MSN (2024, March 26)
Zara’s Supply Chain

Zara has flourished by fully integrating their supply chain, leading to success in over 3,000 stores across ninety-six countries (Jha & Veeramani, 2021). Zara has been one of the leading companies to embrace the “fast fashion” business model and continue to implement it successfully. The founder, Amancio Ortega, was one of the first to purposefully take the unconventional business route. The executive’s decisions to manufacture at exceptionally low capacities have allowed them to flourish by being able to make swift changes to product lines to ensure the evolving consumer demand is met (How Zara fashions its supply chain: Home is where the heart is, 2005). As shown in Figure 2 below, a product line can take as little as 25 days to reach retail stores from start to finish. The brand has been known to release at least twenty-four new collections every year and over five hundred contemporary designs in a week to adapt to the evolving trends of their consumer base (Jha & Veeramani, 2021). As soon as their team spots a new trend on social media, their designers get to work immediately to create their own replications. Those designs then get approved and sent to be produced in a matter of days to allow for the finished product to be distributed and sold to their waiting customers. By following this method, they keep store inventory incredibly low, and their product lines become more valuable for customers since there becomes a “first come, first serve” ideology.

Figure 2. Zara’s Fast-Fashion Supply Chain.
Source: The Wall Street Journal, 2020
Providing Value Through the Business Model

Zara focuses on sourcing very low-quality materials to make quick, high-fashion clothing that is on-trend and modern. By outsourcing their manufacturing, they can provide fast and affordable clothing that will give the appearance of high fashion. Their fast-fashioned business model helps them keep their brand current, and their ability to follow market demands allows them to excel. Their target market has been identified as ages 18–40-year-olds looking for budget-friendly and trendy fashion (Pereira, 2023). By closely following social media trends, they can create most of their products seasonally, which provides more value to the customers as they can find new and trendy pieces. Furthermore, this allows the company to keep inventory costs low by continuously changing their product lines, which are more market-driven and that they have forecasted to sell out. Figure 2 shows an example of how fast Zara can conduct their market-driven supply chain to provide value and products to their customers at exceptionally low costs and fast turnarounds.

Figure 3 illustrates Zara’s Business Model.
Zara was an emerging founder of fast fashion, but the highly competitive environment of the fashion industry pushed many companies to follow suit. While the brand’s close competitor, Swedish multinational clothing company H&M,
started in 2008 with more recognition in the industry, Zara has been able to grow and surpass them in brand value (Pereira, 2023). As shown in Figure 4, we can see that since 2018, Zara has gained more brand value, in millions, than its competitor H&M (Statista, 2024). Furthermore, since the 2019 pandemic, Zara has recovered faster than H&M, as H&M is shown to be gradually losing its brand value since the pandemic.

Figure 4. Brand Value Comparison of H&M and Zara 2010-2023.
Source: Statista 2024

Still, the company’s global business model for outsourcing faces threats and new challenges with inflation on the rise. Even with their ability to source high quality for low costs, they are at risk of the costs of labor and raw materials rising and causing instability (Pereira, 2023). Furthermore, the company must adhere to a more sustainable production process to ensure they can match their consumers’ values. Zara, among many other fast-fashion companies, has been historically accused and convicted of practicing unethical labor practices and the harmful dumping of toxins into the environment. However, since 2019, the company has taken steps to improve their labor conditions and provide more transparency in their manufacturing processes (Marvin, 2024).
Conclusion

In conclusion, Zara stands as a powerhouse in the fast-fashion industry, driven by its innovative supply chain strategies and unwavering commitment to meet evolving consumer demands. Zara has redefined the traditional retail landscape through its unique business model characterized by fast turnaround times, affordable luxury product lines, and optimal manufacturing processes. By synchronizing production, distribution, and retail operations with remarkable efficiency, the company has not only maintained its competitive edge but also significantly surpassed its rivals in brand value. Despite facing challenges such as rising inflation and labor costs, Zara’s ability to swiftly adapt to market dynamics and capitalize on emerging trends positions it as a formidable force in the global fashion industry. As Zara continues to expand its global footprint and uphold its dedication to providing value to customers, its supply chain management serves as a testament to its enduring success in the ever-evolving fashion landscape.

References


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