Welcome!
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Research Mentor: Dr. Mona Sinha
Zara: Facing Fast Fashion Challenges in China
An International Marketing Case Study

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The Company
At home & in China

- Focus on fast fashion that is affordable
  - Replicate high fashion looks faster than competitors
  - As fast as looks are created, they are replaced
- As of 2019, there are over 2,250 Zara stores around the world
- Revenue(2018): $28 billion (12% generated online).
  - Europe- 45%, Asia- 23%, Spain- 16%, USA- 15%
- The Company in China
  - As of 2019, there are 229 Zara stores operating in China.
  - 11,680 employees.
Fast Fashion Industry

146.46 billion-yuan in operating income.
14.171 billion-yuan in net margin.
Gross profit at 55.2%
3.7% of the market share for fast fashion.

Operating income 170.505 billion Yuan.
23.417 billion for their net margin.
Gross profit rate at 57%
29.8% of the market share.

112.571 billion yuan in operating income.
Net margin of 3.025 billion.
Gross profit of 48.2%
22.3% of the market share

The highest number of fashion stores in China.
Dropping 122 and 247 stores respectively

6,673 stores
2017 closure of megastore → Rebranding and positioning

Fast fashion clothing items are quickly going out of style → Not customizable.

Zara = "throw-away" shopping.

High level of competition in quality and pricing.
About China

- China's population is 1400.1 million
- GDP: $13 trillion and 7.1% corresponded to the clothing industry
- GNI per capital is $14,358
- Minimum wage in Shanghai is 2480 yuan monthly
- Middle Class income is from 7500 to 280000 yuan
Highly collectivist society ➔ Seek affiliation, acceptance and admiration.

Highly pragmatic, masculine, and restricted ➔ Limited time for leisure.

"Face" is important.
Customer

Demographics
- Growing Middle class & college students.
- More disposable income
- More purchasing power.
- Women are higher contributor to sales.

Psychographics
- Consumption is primarily online.
- Seek “value for money” product.
The Marketing Mix
Product

- International style
- Over 12,000 different styles each year
- Products are consistently focused on customers
  - "pulling people in, not pushing product out."
- Simplistic fashion
Price

- **Concept:** Offer product with fashion design and a reasonable price
- Zara’s prices are less expensive than other luxury fashion brands.
- Use of value-based pricing approaches
  - Strategy focused on customers' perceptions of value rather than company's costs to set price
Distribution

- Vertical Integration allows SCA
- Intricate Supply Chain produces expedited results
- E-commerce is important in the Chinese Market
- Slow Growth in China
- COVID-19 is effecting fast fashion
Communication

- Using specific media platforms allows them to strategically reach their target audience.
- To expand their market they have created an international platform.
- They use a multichannel approach to be versatile.
Case Questions

- **Competitive Challenges**: Describe Zara’s competitive challenges in China from direct competitors such as UNIQLO, H&M, HLA and local DAPHNE and Belle International.

- **Environmental Scanning**: Conduct a SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis for Zara in China.

- **New Strategy**: Recommend changes to the marketing mix to help Zara succeed in China.