

# Strategic Management of Intellectual Property: An Integrated Approach

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Competitive advantages  
of ZARA

**Global Strategy**

ZARA has a global strategy with a focus on being a leader in the fashion industry. It is a fast-fashion retailer that operates in over 100 countries. The company's strategy is based on being a leader in the fashion industry and being a fast-fashion retailer.

How would you describe ZARA's competitive advantage? How do you think ZARA has achieved this? What are the major advantages and disadvantages of ZARA's competitive advantage?

The global strategy is not only a competitive advantage but also a challenge. It is a fast-fashion retailer that operates in over 100 countries. The company's strategy is based on being a leader in the fashion industry and being a fast-fashion retailer.

**Product** - fast-fashion, high quality  
**Price** - affordable, low cost  
**Place** - global presence, fast delivery  
**Promotion** - social media, advertising

How would you describe ZARA's business model? How do you think ZARA has achieved this? What are the major advantages and disadvantages of ZARA's business model?

Opportunities

Threats

Opportunities

Threats

Can ZARA be successful in the USA? Why?

ZARA is better in high-end fashion than low-end fashion. ZARA has more stores than H&M. ZARA has a better reputation than H&M. ZARA has a better reputation than H&M. ZARA has a better reputation than H&M.

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Can Zara learn something from MAS? Why?

Zara is better in logistics: its production cycle is significantly shorter than that of MAS. Zara has more stores over the world. Zara's target group is big, as we have already mentioned, while most of MAS's consumers are people of middle age. MAS prices are higher.

The only weak point of Zara in this analysis is the lower level of quality. However, we have already proved that this is the part of firm's strategy, which allows it to create differentiated products at relatively low cost. In addition, Zara offers products of both medium and high quality in order to widen its niche.

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**Business model**

The business model of Zara is based on a fast fashion concept. It focuses on quick turnover and frequent updates of its inventory.

**Operational strategy**

Zara's operational strategy is centered on vertical integration and efficient supply chain management.

**Marketing strategy**

Zara uses a minimalist marketing approach, relying on in-store promotions and social media.

**Vertical integration**

Zara controls most stages of its production process, from fabric sourcing to retail.

**Supply chain efficiency**

Zara's supply chain is highly efficient due to its centralized production and distribution network.

**Store expansion**

Zara has a high rate of store expansion, particularly in emerging markets.

**Brand identity**

Zara's brand identity is characterized by a focus on fashion and quality.

**Global Strategy**

Zara has a global strategy which is an international strategy through which the firm offers standardized products across country markets, with competitive strategy being dictated by the home office.



**Global strategy as a competitive advantage**

A global strategy is an explicit or implicit firm's strategy to manage its operations in multiple countries and markets.



**Zara's competitive advantage**

Zara should leverage operational systems to differentiate itself from its competitors. It should focus on speed and quality.

How would you describe Zara's international corporate-level strategy? Discuss briefly what are the main advantages and disadvantages of the company's strategy choices.

**The global strategy is not as responsive to local markets and is difficult to average because of the need to coordinate strategies and operating activities across country borders. Therefore, it implies the higher operational cost.**



**Product** — local preferences, design, trends  
**Price** — different pricing strategies for each territory  
**Promotion** — different promotion strategy for each country  
**Placement** — different store location strategy for each country

How would you describe Zara's business level strategy? Discuss briefly what are the main advantages and disadvantages of Zara's business-level strategy.

**Business level strategy**

Zara's business level strategy is based on a fast fashion model, focusing on quick turnover and frequent updates.




**Scale of the firm**

Zara's scale of operations is global, with a large number of stores across multiple continents.



**Market progress**

Zara's market progress is rapid, with a high rate of store expansion and revenue growth.



Advantages

**Technology cost reduction**

Zara uses technology to reduce costs and improve efficiency in its production and distribution processes.



Indicate which opportunities/threats may continue to arise in the near future.

Opportunities

Threats

**Market expansion**

Zara has opportunities for market expansion in emerging markets.



**Operational efficiency**

Zara can improve operational efficiency through technology and process optimization.



**Customer loyalty**

Zara can build customer loyalty through personalized marketing and excellent service.



**Brand differentiation**

Zara can differentiate its brand through unique designs and quality.



Disadvantages

**High operational costs**

Zara's fast fashion model involves high operational costs due to frequent inventory updates.



**Market saturation**

Zara's rapid expansion has led to market saturation in some regions.



**Quality concerns**

Zara's focus on speed and low cost has led to quality concerns among consumers.





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## *A high level of strategic flexibility*

- Zara has built its strategy around consumer trends, embracing the fast-changing tastes of its customers.
- Most of production capacities of ZARA are located in Europe.

**50%** of the products Zara sells are manufactured in Spain

**26%** in the rest of Europe

**24%** in Asian and African countries and the rest of the world.

*High level of vertical integration is a part of Zara's operation*

Zara delivers new products twice each week to its **1,670 stores** around the world. This adds up to more than **10,000 new designs** each year. It takes the company only 10 to 15 days to go from the design stage to the sales floor.



Jose Maria Castellano,  
CEO of Inditex

"The fashion world is in constant flux and is driven not by supply but by customer demand. We need to give consumers what they want, and if I go to South America or Asia to make clothes, I simply can't move fast enough."


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## *A low cost of inventory*

This advantage is cost competitive advantage.

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*The company keeps  
low inventory in  
stock.*



*By this measure  
the company  
keeps low cost of  
inventory.*

Each store in Spain is supposed to be visited on average 3 times a year by an average customer, but ***Zara is visited 17 times.***

# A strong on-line strategy

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Zara has a strong online appearance in the fashion market.

They have more than **6 000 000** friends on the **facebook**.

The screenshot shows the Zara website interface. At the top, the 'ZARA' logo is on the left, and 'LOG IN | SHOPPING GUIDE' and 'SHOPPING BAG (0)' are on the right. Below the logo is a navigation menu with categories like 'NEW THIS WEEK', 'WOMAN', 'TRF', 'MAN', 'KIDS', 'LOOKBOOK', 'MAGAZINE', 'CATALOGUE', 'VIDEO', 'STORES', 'NEWSLETTER', 'PRESS', 'COMPANY', and 'CONTACT US'. The main content area is titled 'WOMAN / COLLECTION / KNITWEAR' and shows '54 products'. There are filters for 'CHARACTERISTICS', 'COLOUR', 'SIZE', and 'PRICE'. The product grid displays several items, including a 'LONG KNIT JACKET' for 19.99 GBP, a 'V-NECK JERSEY' for 14.99 GBP, and a 'FINE STUDIO JERSEY WITH SHOULDER DETAIL' for 29.99 GBP. Each product has a 'Colours' link below it.

The managers expected *on-line retail to grow to \$ 144 b to 2014* and hoped to see a *10% rise in revenue linked to its online store*

*Individual price policy for each market the firm operates on.*

*Zara imposes a price that an average consumer is ready to pay for the item (psychological limit) and the price of competitors (competitive limit) on the relevant market. The final price of the product is a combination of these criteria.*

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**It allows the firm to maximize its profit.**

Splurge or Save



Chloe



Zara



\$1,345



\$189

## ***A big market niche***

- The firm does not have a particular target group and offers a wide range of products to the customers.
- It provides a portion of segmentation in order to make purchases easier for clients.
- The segmentation is by: **Age** (*TRF, Zara Man/Woman, Zara Kids*) and **Gender** (*Zara Woman, Zara Man*).

Z A R A H O M E

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*Marketing & Advertising cost reduction*

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*Zara's advertising investment is 0-.3% as compared to traditional retailers who expends 3 – 4%.*

# ZARA

*relies mainly on its stores to project their image. For that reason, Zara has a department, which exclusively works in acquiring global prime real estate locations. In addition, this department is responsible for the frequent refurbishing of store layouts, as well as the creation of a common window display for Zara's global stores.*