



Higher Technical School of Industrial Engineers and Telecommunications

INDUSTRIAL ENGINEERING MASTER'S FINAL WORK

**THE CONTRAST OF FAST FASHION GIANTS ZARA,
H&M AND UNIQLO**

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ABSTRACT

This work focuses on the comparison of three large companies in fast fashion. These three retailers are the Spanish Zara, Swedish H&M and Japanese UNIQLO. To do this, firstly the history of each of the brands is briefly introduced, followed by the companies' philosophy (mission, vision and values) and financial situation are mentioned. Then, the business model and the marketing mix strategy of the three brands are analyzed. Once all the information is discussed, all the aspects mentioned before are compared for the three retailers. Finally, several conclusions are drawn from the report.

Key words: Fast fashion, Zara, H&M, Uniqlo, Business model, Marketing mix

RESUMEN

El presente trabajo se centra en la comparación de tres grandes compañías de lo que se conoce como *fast fashion* o moda rápida. Estas tres compañías son la española Zara, la sueca H&M y la japonesa UNIQLO. Para ello, primero se introduce cada una de las marcas, comentando brevemente su historia para después hablar de la filosofía (misión, visión y valores) y situación financiera de cada una de ellas. A continuación se analiza el modelo de negocio que tiene cada una de las compañías y de la estrategia de marketing mix que emplean. Una vez se dispone de toda la información se comparan cada uno de los aspectos mencionados previamente. Finalmente, se extraen varias conclusiones del trabajo.

Palabras clave: Moda rápida, Zara, H&M, Uniqlo, Modelo de negocio, Marketing mix

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1. INTRODUCTION

Until recently there was the term “fast food”. However, during the last years, it has increasingly been introduced the concept of Fast fashion. Some large companies have adapted this type of business which consists on developing new fashion in ever shorter cycles.

This report is going to compare three fashion giants: Zara, H&M and UNIQLO, which are examples of this type of business. The comparison is done mainly on three key areas: financial situation, the business model of each of the brands and the marketing mix strategy employed by them.

The choice of this work is given primarily for two reasons. The first of them is the curiosity that generates a so changeable and crowded of brands world as the fashion world is. The second reason is to research more about the Japanese brand UNIQLO, unknown to me until my arrival in Taiwan.

As a first step to do this, the concept of Fast fashion is introduced. This term is essential to understand which brands are included under this denomination and why. Besides, the criticism to this business model is explained together with the current situation of these fast fashion retailers in Taiwan.

Then, each of the brands is analyzed on the aspects mentioned previously: financial status, business model and marketing mix strategy. The companies are introduced through its history. After the analysis, brands are compared using tables and graphs to draw final conclusions.

2. FAST FASHION

Fast fashion is a term that refers to clothing that is made to mimic popular fashion trends from runways and luxury clothing brands¹. This business models offers fashionable clothes at an affordable price².

Fast fashion retailers instead of investing in design are inspired by the most attractive and promising trends spotted at fashion shows³. They then transform these trends into products that can be put on the market almost immediately and the sell them as “cheap fashion” at low prices.

The concept of fast fashion was developed in the 90s, and one of the first pioneers was the Italian company United Colors of Benetton that to succeed on the international market, learned to adapt the colors of their collections to local tastes⁴.

Nowadays, the major fast fashion retailers are Zara, H&M, GAP and UNIQLO. As it is shown in the next figure, Inditex (owner of Zara) is the number one retailer. It leads the ranking followed by Swedish brand H&M.

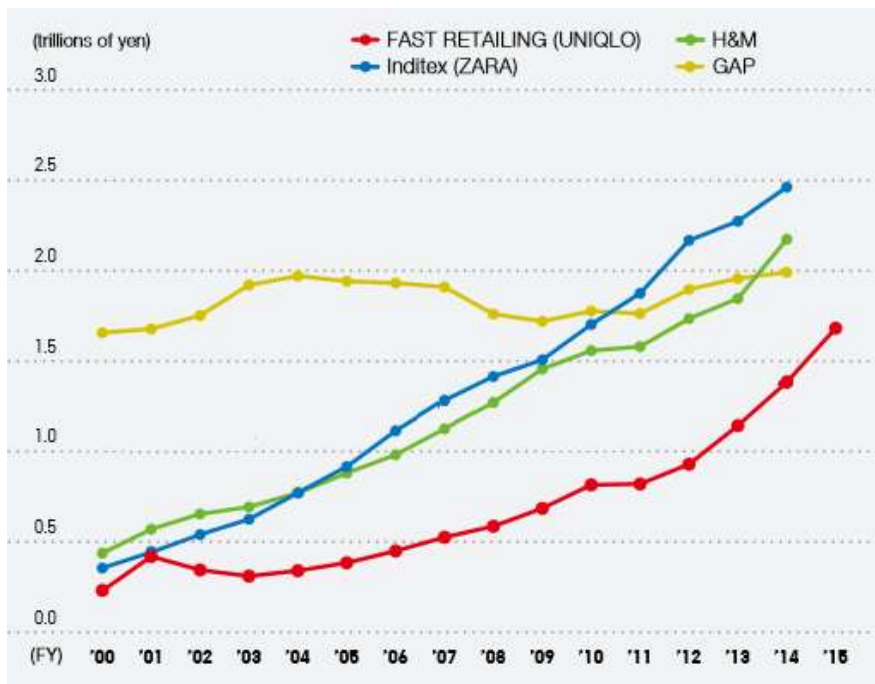


Figure 1 Sales of major Fast fashion retailers

¹ Mohn, E. (2016)

² Caro, F., & Martínez-de-Albéniz, V. (2015)

³ Tokatli, N. (2008)

⁴ Casu, Eleonora (2012)

Fast fashion business model is characterized by three elements:

- Quick response
- Constant turnover in stores
- Affordable prices

Whereas the first two elements, quick response and frequent assortment changes, characterize a fast-fashion supply chain⁵, affordable prices are necessary because fast fashion retailers are supposed to sell “inexpensive fashion”.

Quick response

Fast fashion is successful mostly because of its fast cycles. Styles are created based on runway fashion as quickly as possible. Prototypes are then quickly created and approved. Finally, companies order small batches of clothing and send them to the stores⁶.

This quick answer to fashion changes is known as quick response. Therefore, quick response can be defined as a consumer driven business strategy of cooperative planning by supply chain partners, to ensure the right good, are in the right place, at the right time, using IT and flexible manufacturing to eliminate inefficiencies from the entire supply chain⁷.

As a result of the quick response, the total design-to-market time for an item to be launched it can be reduced to 6 weeks⁸. In contrast, traditional fashion needs around 18 weeks before launching the product⁹.

⁵ Caro, F., & Martínez-de-Albéniz, V. (2015)

⁶ Mohn, E. (2016)

⁷ Sheridan, M., Moore, C., & Nobbs, K. (2006)

⁸ Caro, F., & Martínez-de-Albéniz, V. (2015)

⁹ Hayes, S. G., & Jones, N. (2006)

Constant turnover in stores

Fast fashion introduces the idea that if customers do not buy the garments now, they probably will not be able to buy them tomorrow, ‘Here Today, Gone Tomorrow’¹⁰. Retailers adopt this technique to attract customer and thus make them visit their stores more frequently, and increase the chances of a new purchase. Therefore, collections are not divided into the classical spring/summer and fall/winter categories anymore; there are several sub-collections instead.

Affordable prices

Fast fashion consists of clothing collections that are cheap but are based on luxury brand styles, so those retailers give consumers the opportunity to buy styles similar to *haute-couture* collections for a fraction of the price.

2.1. Criticisms of Fast Fashion

In recent years, fast fashion has received a lot of criticism. More and more associations are claiming that this business model is unsustainable. The reasons can be summed up in three main factors.

The first of all is the negative impact that Fast Fashion has on environment. On the one hand, cotton is the most commonly used fiber in the world but it’s a very chemically dependent plant¹¹. To maintain the crops pesticides and insecticides are necessary and therefore, rivers, groundwater basins and aquifers are polluted wherever cotton is grown. Besides, cotton is a very thirsty plant, for instance, around 20 kilolitres of water are needed to manufacture just a T-shirt and a pair of jeans¹². However, the alternatives to the cotton such as polyester and nylon are not better. They are made from non-biodegrade materials, whose manufactures need a large quantity of energy.

¹⁰ Bhardwaj, V., & Fairhurst, A. (2010)

¹¹ Melillo, Cole (2015)

¹² Sweeny, Glynis (2015)

Planned obsolescence is the second factor that contributes to this issue¹³. As fast fashion's garments go out of style quickly and many of them fade or tear, the life of these products is very short. Therefore, millions of textile wastes are generated each year. This waste is non-biodegradable and as a consequence, it can last in the Earth for more than 200 years until it disappears.

The last factor is the working conditions of the factory's workers. In April 2013, a building named Rana Plaza located on the outskirts of Dhaka (Bangladesh) collapsed killing 1,134 people, most of them women. The building was an eight-story garment factory where clothes for US, Canada and European labels were produced. This event showed the world how hard the workers' conditions were.



Figure 2 Rana Plaza building collapsed in 2013

Besides the bad work conditions, in order to produce cheap garments, salaries to these workers are really low. Furthermore, almost all the employees are exposed to dyes and chemicals. Those products can cause skin or breathing problems, cancer and other health problems and can ultimately lead to death¹⁴.

¹³ Mohn, E. (2016)

¹⁴ Melillo, Cole (2015)

3. FAST FASHION RETAILERS IN TAIWAN



International fast fashion chains continue to expand in Taiwan¹⁵. Uniqlo was the first one; it opened its first store in 2010 in Taipei and has rapidly grown its number of outlets. Other fast fashion players which have also entered Taiwan include Zara which opened stores in Taipei in 2011 followed by H&M, which opened stores in 2015. Over 1,200 people queued for the opening of the first H&M store at the Breeze Song Gao shopping centre in Taipei¹⁶.

Uniqlo remains the largest player in apparel and footwear specialist retailers in 2015. Although it was first established in Taiwan's major cities like Taipei or Kaoshiung, then it moved to smaller cities. Currently, it has more than 50 stores across the country. Taiwan's close cultural links with Japan and a similar taste in fashion have greatly benefited Uniqlo's presence and expansion¹⁷.



Figure 3 Uniqlo opens its flagship store in Taipei (2011)

Due to continuous growth of fast fashion, an expansion of such chains in Taiwan is expected. Large firms from different countries and offering different styles will be established in the near future to continue to attract Taiwanese consumers, regardless of how the economy evolves¹⁸.

¹⁵ Euromonitor International (2016)

¹⁶ H&M Annual report 2015

¹⁷ Euromonitor International (2016)

¹⁸ *Ibid.*

4. ZARA

ZARA

4.1. History

Zara is the major brand of the Group Inditex (Industrias de Diseño Textil, S.A.), which is a holding company that owns Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

It was founded by Amancio Ortega Gaona in 1963, which entered the textile market by producing housecoats and bathrobes, under the name of Confecciones GOA, S.A. During that decade the business grew progressively and the products started to be distributed to other European countries.

In 1975, Zara opened its first shop in A Coruña, northwest Spain, after twelve years under the textile industry. Between 1976 and 1983, Zara spread its business in the domestic market opening new shops in Spain's biggest cities. GOA and Samlor, Zara's first garment factories, make their home in Arteixo, a Galician town very close to A Coruña, in 1977.



Figure 4 Inditex group's HQ in Arteixo (Spain)

In 1985, Inditex was incorporated as the Group's holding company. The Group lays the foundations for a distribution system capable of reacting to shifting market trends extremely quickly.

Zara became an international brand in 1988 when it opened its first shop in Porto, Portugal. In the following years the brand started to open new stores in the United States (New York, 1989), France (Paris, 1990) or Mexico (1992). They still continue spreading all over the world.



Figure 5 Zara's store in Champs Elysées (Paris)

At the same time, new brands were being incorporated to the Group. The brands Pull&Bear and Massimo Dutti joined the Inditex Group in 1991. Some years later, Bershka (1998) and Stradivarius (1999) were created; new brands targeted at teenage customers. The lingerie brand Oysho and Zara Home were incorporated in 2001 and 2003, respectively. Finally, in 2008 they launched Uterqüe, the brand specialized in fashion accessories.

Inditex's shares began trading on 23rd May 2001. That day, Amancio Ortega sold 26% of the company to public investors. The Initial Public Offering (IPO) valued Inditex at €9 billion¹⁹. Two months later, company's shares listed Ibex 35, the benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange. Nowadays, the firm is part of international indexes like Ibex 35, FTSE Eurotop 100 and Eurostoxx 600.

2007 was the year when the company started to move online with the launch of zarahome.com. Three years later, in 2010, Zara launched its first online stores and by the end of the year, the online platform was live in 16 European markets. In 2011 the company launched online platforms for all its brands and Zara began to sell its fashions online in the US and Japan. The company is still launching e-commerce in new markets.

¹⁹ Heller, Richard (2001)

4.2. Mission, vision and values

Mission

The mission is to adapt to what the customers want as quickly as possible, offering them sustainable fashion.

Vision

Inditex's vision is to offer products of the highest quality to all its customers at the same time as striving to develop a business that is sustainable.

Values

- Commitment to sustainable development
- Protection of the environment and natural resources
- Striver to remain transparent
- Ethical and responsible operations' development

4.3. Financial status

Sales

Inditex net sales during 2015 financial year (from February 1st 2015 to January 31st 2016) grew more than 15% to €20.9 billion, with growths in all the geographic areas where the Group's operates.

From all those sales, €13.6 billion are from Zara. As it is shown in Figure 6, 65% of the sales are sold by the major brand of the Group, whereas the rest is divided among the other stores of the company. This means that Zara is the most important retailer. This is because it is the retailer that has first got into new countries and the online store²⁰.

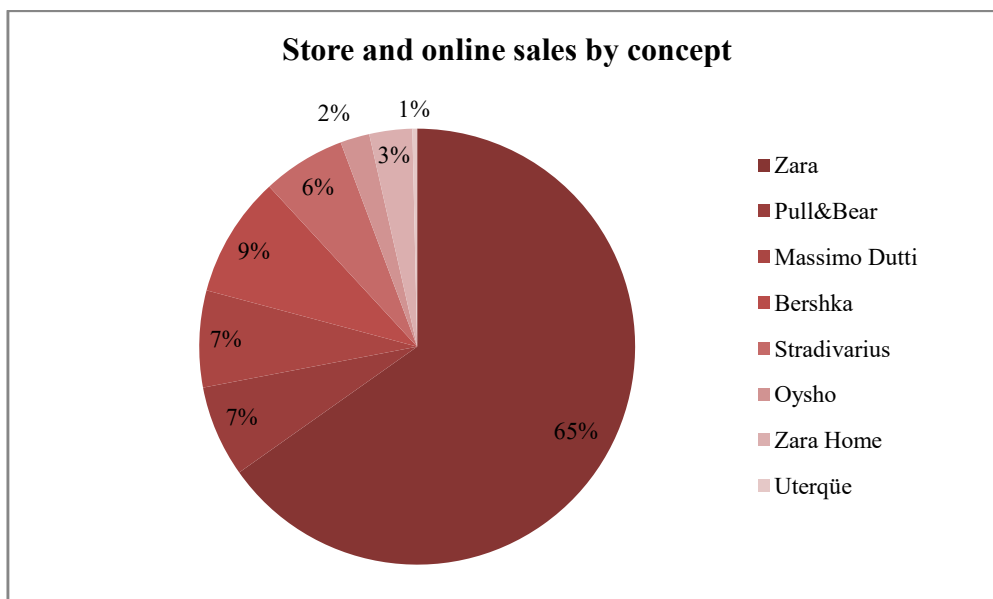


Figure 6 Store and online sales by Inditex's concepts

²⁰ Tudó, N.; Hernández, H.; & López A. (2011)

Regarding Zara's evolution since 2007, 2015 has been the year with biggest increase in sales since 2012. In particular, its sales have grown more than 17%.

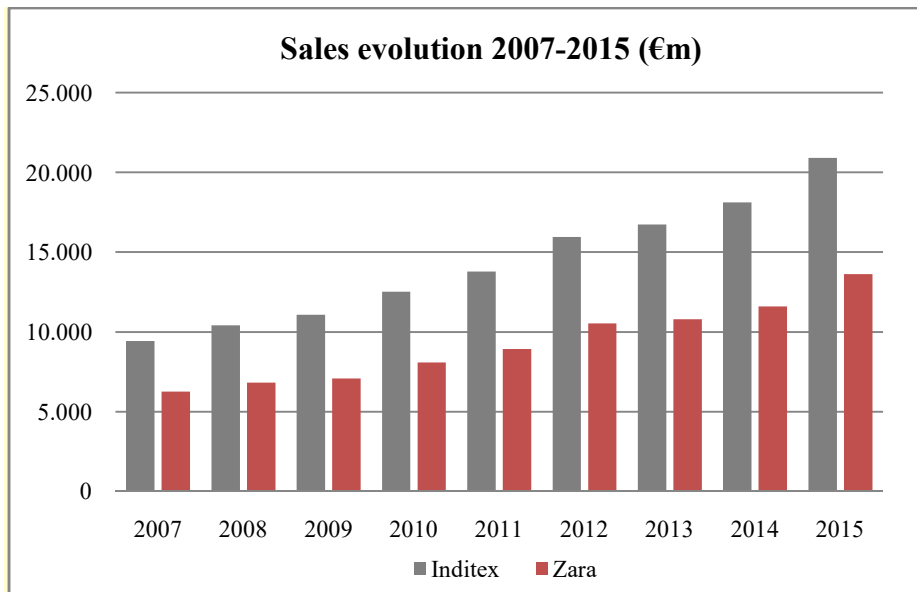


Figure 7 Sales evolution between 2007 and 2015

All Inditex group comes together in the same philosophy that stands on three pillars: increasing sales volume in each of its stores, opening new stores and create other business concepts that complement those that already have.

Net profit

Net income reached to €2.9 billion in 2015, 15% higher than the previous year. This is the best result got by the holding group to the moment.

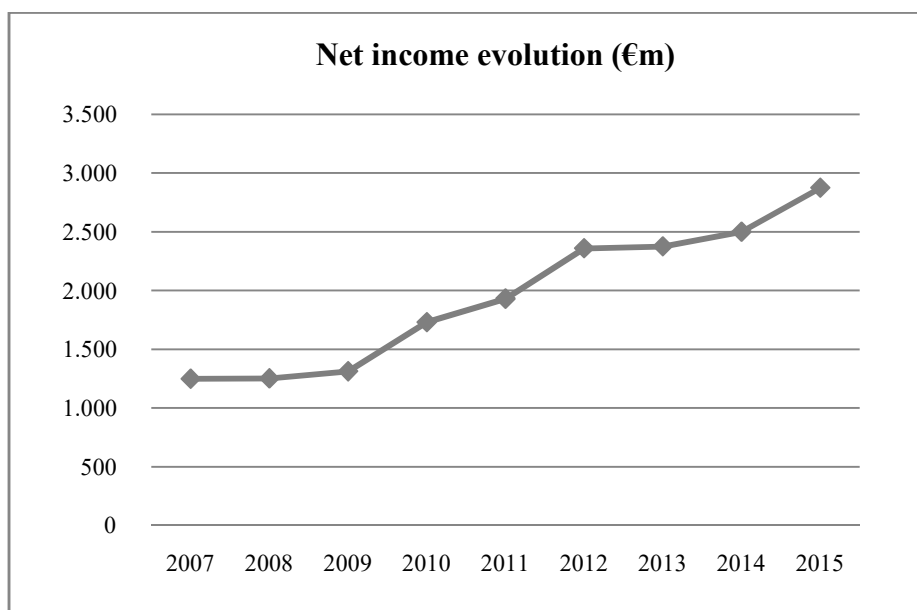


Figure 8 Inditex's net income evolution between 2007 and 2015

Stores

As a result of its international expansion, at the end of 2015 Inditex operated 7,013 stores in 88 markets. The next table shows number of stores per concept and owner.

Concept	Company-owned	Franchised	Total
Zara	1,944	218	2,162
Pull&Bear	803	133	936
Massimo Dutti	638	102	740
Bershka	895	149	1,044
Stradivarius	777	173	950
Oysho	542	65	607
Zara Home	449	53	502
Uterqüe	57	15	72
Total	6,105	908	7,013

Table 1 Number of stores of Inditex per concept and owner

87% of the stores are company-owned whereas the 13% are franchised stores. Sales in those stores have similar percentages: 85% for company-managed stores, 15% for franchised ones.

Zara, the main brand of the holding group, has 2,162 stores all over the world. Approximately, 21% of those stores are located in Spain.

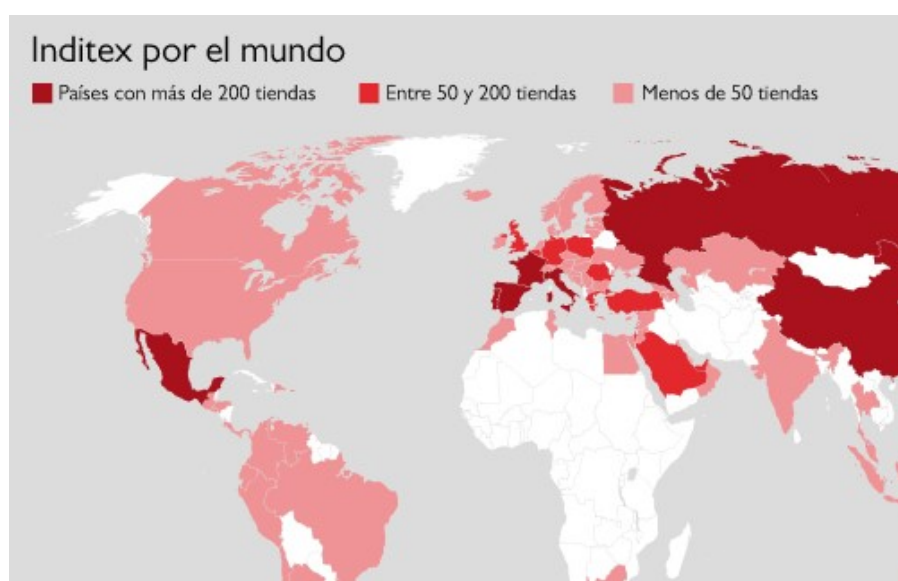


Figure 9 Inditex's stores worldwide

4.4. Business model

Zara's business model is characterized by flexibility, adaptability, customer orientation and continuous innovation. This allows it to respond more quickly to the market needs. Flexibility is guaranteed by the strong vertical integration that owns the company, covering all phases of the fashion business: design, manufacturing, logistics and sales in own stores.

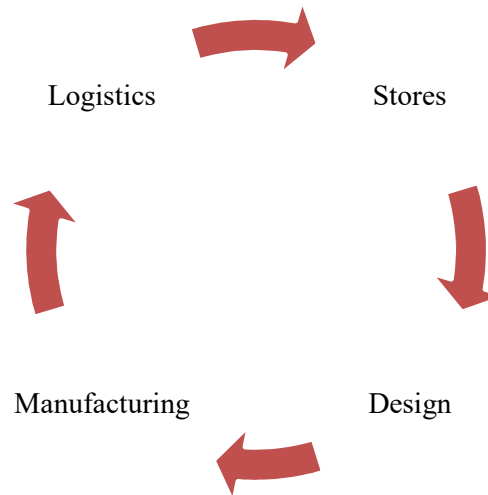


Figure 10 Zara's business model

Although it does not appear in the figure, customers are the engine for all group activity; it is the star of the business model. Company operations start with the demands of the customer being channeled by the store. Customer desire for fashion is not just viewed from the perspective of fashion, but taken into overall account, considering everything that complements the buying experience such as stores.

In these stores is where Zara's business model starts and ends, with the customer as its main asset. These are their main characteristics²¹:

- Privileged locations in main cities
- Meticulously planned show windows
- Uniquely conceived architecture inside and outside
- Precise product coordination
- Excellent customer service



Figure 11 Zara's Fifth Avenue Store (New York City)

Products are shipped directly from logistics centers located in Spain, twice a week using a fleet of trucks and air transport²². Orders have to be placed at predesignated times: stores in Spain and southern Europe on Wednesdays before 3 p.m. and Saturdays before 6 p.m. and in rest of the world on Tuesdays by 3 p.m. and Fridays by 6 p.m.²³. This expedited supply chain makes Zara as much as 12 times faster than competitors²⁴.

²¹ Inditex Annual Report 2010

²² Martínez Barreiro, A. (2008)

²³ Ferdows, K.; Lewis, M.; Machuca, J. (2003)

²⁴ Ferdows, K.; Lewis, M.; Machuca, J. (2004)

Design and production contributed to build a model for rapid response to the market. Zara designs all its products²⁵ for each of its lines (women, men and children). It has a creative team of 300 people including designers, market specialists and product development personnel. Together they produce designs for approximately 40,000 items per year from which about 10,000 are selected for production.

Creative teams obtain their ideas from three different strategies²⁶. First source of information is provided by a designer team that is constantly travelling to international catwalks and visiting the collections of the best couturiers. In this way, they are able to know which garments are trendy with some anticipation.

A second team is made by informants that covers environments frequented by prospective customers such as clubs, cafes or colleges and gets new ideas that complement the previous ones.

The third strategy consists on the analysis of the reports that vendors at all points of sale around the world do²⁷. These reports are done twice during the week and they provide real-time knowledge about products, colors and sizes that are trendier.

As far as production is concerned and going against the mainstream trend of outsourcing, Zara keeps around half of its merchandise production in-house under the operations of 22 Spanish factories (18 of which are located in and around A Coruña complex)²⁸. The other 50% of its products are procured from 400 outside suppliers, 70% of which are in Europe and the rest in Asia and low-wages countries.



Figure 12 Inside of one of Inditex's factories

²⁵ Ferdows, K.; Lewis, M.; Machuca, J. (2003)

²⁶ Alonso Álvarez, L. (2000)

²⁷ Crofton, S.; Dopico, L. (2006)

²⁸ Ferdows, K.; Lewis, M.; Machuca, J. (2003)

The production in Europe mainly takes place in Spain and Portugal where labor force is reasonable cheap. The most fashionable items tend to be the riskiest and therefore are the ones that are produced in small lots in these factories²⁹. The fact that an important part of the activity, including manufacturing in their own centers or by external suppliers, takes place in close proximity enables fast responses to the market. From Asia, Zara procure “basic” products and those for which the region has a clear cost or quality advantage.

An on-going and fluid relationship between store personnel, design teams, and manufacturing teams is essential for being able to react to changes in customer desires with new products in stores as quickly possible.

The competition needs an average of 6 months to design the product and another 3 months to manufacture it and place it in the stores. However, the Galician company, thanks to this relationship, needs for the first case 3 to 4 weeks and for the second case 7 days; i.e. access time to market is reduced in more than 80%³⁰.

Zara’s distribution process is designed to ensure that the store offering is constantly refreshed. All products, regardless of their origin, pass through Zara’s major distribution center in Arteixo (Galicia).



Figure 13 Map of Inditex's distribution system

²⁹ Ghemawat, P., Nueno, J. L., Dailey, M. (2003)

³⁰ Martínez Barreiro, A. (2008)

Then garments are distributed to the stores from each chain's logistics centre. As it has been mentioned, products are shipped twice a week to all stores in the world from multi-million square foot logistics centers in Spain. Each shipment includes new styles.

As it is explained in the section about retailing and stores, shipments are done by truck and plane. The trucks run to published schedules from A Coruña and products shipped by air are flown from either the airport in A Coruña or Santiago³¹.

This system enables a product to get from the distribution centers to the European stores in an average of 24 hours, 48 hours in America and Asia.



Figure 14 Logistic center in Arteixo (Spain)

³¹ Ferdows, K.; Lewis, M.; Machuca, J. (2003)

4.5. Marketing mix strategy

4.5.1. Product

Zara's collections are designed with the objective of attracting different audiences with different styles. Its apparel collection is divided into three main categories: Women (60%), Men (20%) and Kids (20%)³². All these garments lines are complemented by accessories such as shoes, bags, jewelry, scarves and perfumes³³.

Brand's main line, Women, is sub-divided into three main categories. First one, Zara Woman, offers a fashionable look; secondly, TRF offers merchandise for young people; and the third category is named Zara Basic. In this collection it is possible to find garments which are not going out of fashion such as jeans or plain t-shirts. Zara Basic clothes represent a 60% of the whole production³⁴.

As it is explained in Fast Fashion section, Zara introduces garments in two main seasons: Spring/Summer and Fall/Winter. However, it continues replenishing the stores during the year.

These collections are almost the same all over the world, i.e. around 85-90% of the clothes are the same in different countries³⁵. In contrast, some garments are different depending on the cultural or physical differences between populations. For instance, garments sizes are smaller in Japan and some clothes are special in Arab countries so they can comply with the religion.

³² Ferdows, K.; Lewis, M.; Machuca, J. (2003)

³³ Ton, Z.; Corsi, E.; Dessain, V. (2010)

³⁴ Martínez Barreiro, A. (2008)

³⁵ Ghemawat, P., Nueno, J. L., Dailey, M. (2003)

4.5.2. Price

The marketing department set the price based on information about what they are willing to pay customers for each garment. Then they calculate whether the production costs and margin requirements allow reaching the target price. Therefore, instead of setting the price based on production costs Zara has a market-based price setting³⁶.

These prices are set centrally³⁷, i.e., they are decided in Arteixo, where HQ is located. Zara's pricing strategy is also related to the product and its location. That is, each garment has a different price depending on the country where it is sold.

In Spain an affordable price is established. Therefore, about 80% of the Spanish population can buy clothes from the company³⁸. In the countries of the eurozone (European countries whose currency is Euro) the price is the same as in Spain. However, in the rest of the countries of the European Union, prices are slightly higher. Regarding other continents, Zara is positioned as a luxury brand and so the price is high. The target costumers in these areas are the ones with a higher purchase power.



Country	Original price	Price (€)
Spain	7,95 €	7,95€
Germany	7,95 €	7,95€
Sweden	79 SEK	8,50€
United Kingdom	7,99 GDP	10,50€
Mexico	179 MXN	8,70€
United States	12,90 USD	11,50€
United Arab Emirates	49 AED	11,93€
China	89 ¥	12,14€
Taiwan	450 NTD	12,50€
Japan	1590 JPY	12,90€

Table 2 Price differences between countries for Zara's product

In the previous table it is possible to observe the different prices that the products has depending on the country which is sold. Comparing to Spain, prices are, on average, 7% higher in Northern European, 45% higher in the United States and 62% higher in Japan.

³⁶ Ghemawat, P., Nueno, J. L., Dailey, M. (2003)

³⁷ *Ibid.*

³⁸ *Ibid.*

4.5.3. Promotion

Zara uses a pull-type strategy to attract potential customers to the company. In this strategy, consumers demand the products. Therefore, to succeed in its strategy, Zara needs accurate and quick information on actual demand to minimize time between design, production and supply³⁹. In this way, they are able to offer customers what they are asking for in the shortest time and before its competitors.

Advertising, the most common promotion tool, is avoided by Zara except during sales season⁴⁰. This sale season takes place usually twice a year, in January and July, and prices have on average 15-20% markdown on prices⁴¹. It is usually advertised through brief advertisements in newspapers.

Even Zara has billboards in the major European capitals, the company also have another way to attract customers, which is not done directly by the company. This way is the word-of-mouth technique and it is very effective advertising⁴².

However, the best advertisement methods that the brand has are its stores. As it is mentioned in Zara's business model section, stores are key to Zara, millions of euros are invested annually in locating stores and designing them.

Zara stores are always located in premium places of world's capitals. These places are usually wide streets or commercial crowded areas such as Oxford Street in London, Champs Elysées in Paris, Fifth Avenue in New York or Paseo de la Castellana in Madrid⁴³.

As they mentioned in the annual report, there are three main characteristics of these stores. Firstly, show windows are meticulously planned. They appear to be a luxurious store and they are changed every month. Regarding the inside of the store, they have a minimalist and modern design because the company tries to project the quality of its products through the appearance of its establishment. Finally, garments are carefully located in the store to avoid people pile in front of the counters or shelves⁴⁴.

³⁹ Inditex Annual Report 2015

⁴⁰ Alonso Álvarez, L. (2000)

⁴¹ Ferdows, K.; Lewis, M.; Machuca, J. (2003)

⁴² Alonso Álvarez, L. (2000)

⁴³ Ghemawat, P., Nueno, J. L., Dailey, M. (2003)

⁴⁴ Martínez Barreiro, A. (2008)

4.5.4. Place

Zara and in general, all Inditex group, is vertically integrated, which means that the firm owns and operates organizations at other levels of the distribution channel⁴⁵. Inditex is the owner of both at manufacturing and retailing level.

Zara is also the owner of the distribution channels. Logistic platforms are key components in the business model of the company. In fact, this system enables a product to get from the distribution centers to any country in the world in two days⁴⁶.

All the production is received in the logistics centers spread all over Spain. After that, thanks to an automatic system, clothes are packed in boxes and they are sent to stores all over the world.

Besides all the physical stores they have worldwide, from 2010 it's possible to buy Zara's product via its online store.

⁴⁵ Rosenbloom, B. (2013)

⁴⁶ Inditex Annual Report 2015

5. H&M



5.1. History

H&M is a Swedish clothing brand part of the H&M Group and it is one of the world's leading fashion companies⁴⁷. Today the H&M Group offers fashion under the brands of H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories, as well as fashion for home at H&M Home.

The first store, named Hennes, was opened in Västerås in 1947 by its founder Erling Persson and offered women's clothing. Five years later, in 1952, Hennes was opened in Stockholm and the Group's internationalization started in 1964, when its first store was opened in Norway. In 1968, after the acquisition of Mauritz Widforss, a hunting and fishing equipment store, 'Hennes' added 'Mauritz' to its name and the actual H&M started to produce men and children's clothing.



Figure 15 H&M's first store

In 1974 H&M was listed on the Stockholm Stock Exchange with a great success.

⁴⁷ H&M Annual Report 2015

Its expansion in Europe started in 1976, when the first store outside Scandinavia was opened in London, United Kingdom. This open was followed by Germany and the Netherlands in 1980's. Progress continued in Europe with the opening of the first store in France in 1998 at the same time that H&M online shopping was beginning.

In 2000 the first US store opened on Fifth Avenue in New York together with some stores in Spain. In subsequent years, H&M opens in more European markets.

Four years later, in 2004, H&M initiated designer collaborations starting with Karl Lagerfeld. More collaboration followed with Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Jimmy Choo or Alexander Wang, among others.



Figure 16 Advertisement for the collaboration between H&M and Karl Lagerfeld

H&M started a major expansion of online catalogue sales as of 2006, firstly in the Netherlands and later in Germany and Austria. In 2007 the first Asian stores opened in Hong Kong and Shanghai. Six years later, the first H&M store in the southern hemisphere opened in Chile. This expansion over the world still continues.

Together with the first Asian stores, in 2007, the new concept store COS was launched. A year later H&M acquired fashion firm FaBric Scandinavien AB, which comprised the brands Weekday, Monki and Cheap Monday. Finally, in 2013, the &Other Stories brand was launched in several European countries.

5.2. Mission, vision and values

Mission

The mission of the company is to deliver fashion and quality at the best price today, tomorrow and in the future in a sustainable way.

Vision

H&M vision is that all the operations are run in a way that is economically, socially and environmentally sustainable. Which means the business is helping to meet the needs of both present and future generations.

Values

- Fundamental respect for each individual
- Teamwork, simplicity, entrepreneurial spirit, cost consciousness, straightforwardness and openness
- Striving for constant improvements

5.3. Financial status

Sales

In 2015, sales have developed well for all brands: H&M, COS, &Other Stories, Weekday, Monki and Cheap Monday. As a result, the H&M group's sales increased by 19 percent to SEK 180,861 m (19,711 m€) during the financial year.

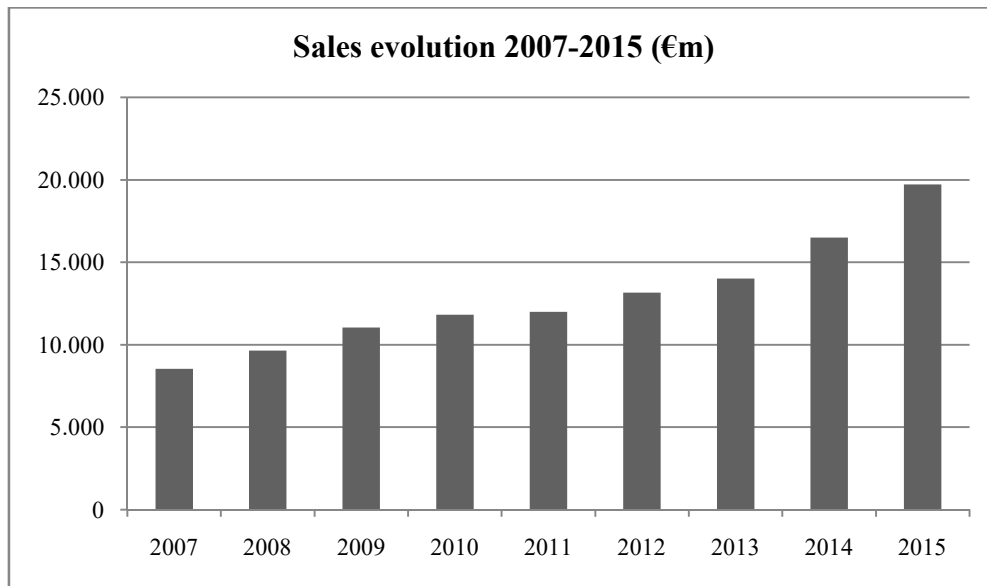


Figure 17 Sales evolution between 2007 and 2015

The full year results published by the company do not provide data of the sales that each brand has.

Net income

Profit for the year after tax increased to SEK 20.9 billion (2,277 m€), which is the highest result to date. This has occurred despite the fact that the strong US dollar exchange rate has made purchasing much more expensive⁴⁸.

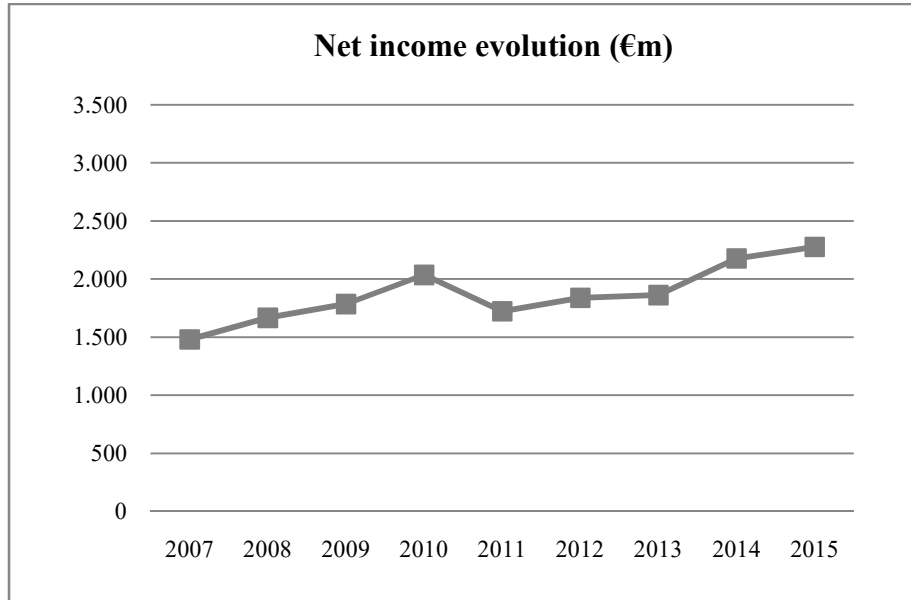


Figure 18 H&M's net income evolution between 2007 and 2015

During 2011, profit decreased compared to the previous years. This was mainly related to the increased purchasing costs combined with the fact that H&M chose a strategy of further strengthening its customer offering and its market position relative to competitors⁴⁹.

⁴⁸ H&M Financial Report 2015

⁴⁹ H&M Financial Report 2011

Stores

2015 was a very expansive year for the H&M group. They opened 413 new physical stores, as well as ten new H&M online markets. They established stores in new markets of India, South Africa, Peru, Taiwan and Macau with a great success. As a result, currently they have stores in 61 markets and offer online sales in 23 of these.⁵⁰

The next table shows information about store count per brand for 2015.

Brand	New stores net during the year	Number of stores
H&M	349	3,610
&Other Stories	13	30
COS	39	153
Monki	14	106
Weekday	-2	20
Cheap Monday	0	5
Total	413	3,924

Table 3 H&M AB's store count per brand for 2015

156 of the group's stores are franchise store, i.e. 96% of the stores are company owned and just 4% are franchised stores.

Regarding the distribution of the stores, 70% of the group's stores are located in Europe and Africa. Asia and Oceania is the second market

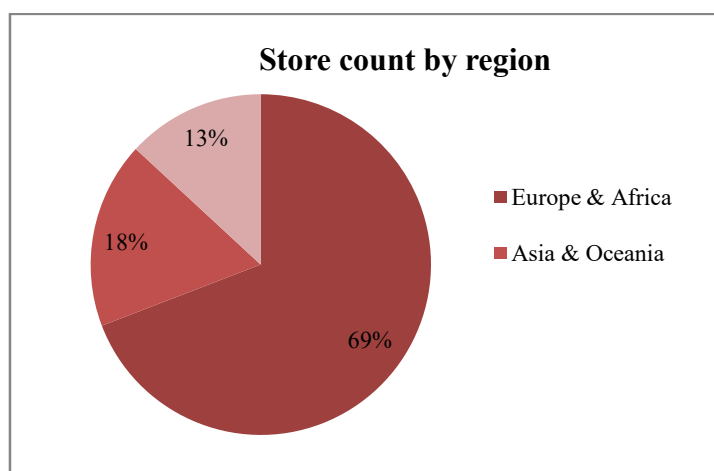


Figure 19 H&M AB's store count by region

⁵⁰ H&M Financial Report 2015

5.4. Business model

H&M's value chain is made up of all parts of the flow, from idea to customers. This chain is characterized by flexible range planning and efficient distribution, which ensure that more fashionable garments and timeless classics can be found in the stores.

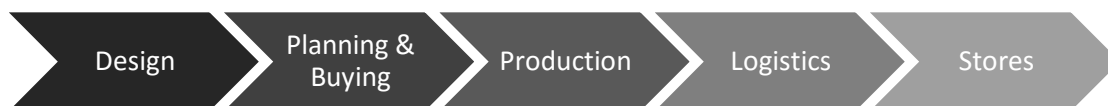


Figure 20 H&M's business model

Design is centralized at the Stockholm headquarters and includes a team 160 in-house designers and about 100 pattern makers⁵¹ that work together with buyers to create a broad range that offers fashion for everyone⁵². The centralization of design allows for minimal time-to-market and the design team has direct contact with 21 production offices around the globe⁵³. This allows for a rapid-response manufacturing process to capitalize on design trends immediately.

The designer team ideas are inspired from diverse influences: travel, art exhibitions, films, magazines and music, street styles, fashion shows and trend seminars⁵⁴. Besides, catwalk shows of well known designers, media and competitors also play an important part in forming future collections⁵⁵.



Figure 21 H&M's design office in Stockholm

⁵¹ H&M From idea to store (2016). *Design process*.

⁵² H&M Annual Report 2014

⁵³ Regnér, P.; Yildiz, H. E. (2014); H&M Sustainability Report 2015

⁵⁴ H&M From idea to store (2016). *Design process*.

⁵⁵ Peterson, Hayley (2014)

After designing collections, each of the concept team determines inventory levels for different styles⁵⁶. Concept teams consist of designers, buyers, assistants, pattern makers, a section manager and a controller and they are responsible for producing just the right mix of garments, accessories and other products⁵⁷.

Demographics and geography also influence the distribution of products: high-fashion items such as the limited editions produced in small quantities are sold mainly in big cities or certain stores in key markets. Thus, they reduce the risk that it won't sell. However, basics are ordered in larger volumes and more widely distributed⁵⁸.

H&M does not own factories, but instead buys products from independent suppliers that are close long-term partners of H&M⁵⁹. The brand has 850 suppliers mainly in Asia and Europe. Some years ago, a small part of the production was placed in Africa⁶⁰. In addition to manufacturing products, these suppliers source fabrics and other components needed⁶¹.



Figure 22 Woman in a Bangladeshi factory that supplies H&M

⁵⁶ *Ibid.*

⁵⁷ H&M From idea to store (2016). *Planning and buying.*

⁵⁸ Peterson, Hayley (2014); H&M From idea to store (2016). *Planning and buying.*

⁵⁹ H&M Annual Report 2015

⁶⁰ H&M Annual Report 2015

⁶¹ H&M From idea to store (2016). *Production process.*

Thanks to its network of 21 production offices, which are placed close to its suppliers, H&M is able to react quickly⁶². These offices work with both the buyers in Sweden and the production facilities. They ensure that products are delivered at the right time and at the agreed price. The production offices also check that manufacturing takes place under good working conditions⁶³.

As mentioned before, manufacturing is primarily outsourced to low-cost countries with approximately 70% of production in the Far East and South Asia and the remainder in Africa, Europe and the Middle East⁶⁴.



Figure 23 Location of H&M's suppliers

Several sub-collections that are trendier and have a shorter lead time are produced in Europe whereas longer-lead items are manufactured in Asia⁶⁵. This strategy allows them to be more sensitive to changes in fashion.

Lead times vary from a few weeks to six months⁶⁶. A product that has been manufactured in Asia usually has a lead time of three months. However, it can be as high as six months for some products. For a product being produced in Europe the lead time can be 2-3 weeks, although 6 weeks is more common⁶⁷.

⁶² Petro, Greg (2012)

⁶³ H&M Annual Report 2015

⁶⁴ Peterson, Hayley (2014)

⁶⁵ Petro, Greg (2012)

⁶⁶ H&M From idea to store (2016). *Production process*.

⁶⁷ Peterson, Hayley (2014)

Once products are finished, they are shipped to one of H&M's distribution centers around the world. Transportation of goods is usually done by sea and rail, but also by road and air⁶⁸. More than 90% of the volume is shipped via ferry or rail because they are relative clean transportations⁶⁹. Because of their environmental sustainability strategy, H&M customizes the transport packing according to the quality and environmental requirements⁷⁰.



Figure 24 H&M's logistic center

H&M controls virtually all logistics internally except for external contractors handling transportation⁷¹. The integrated logistics function is a key business process for H&M because it ensures being at the right place at a right price. As a result of the integrated distribution channel, each H&M store receives new shipments daily. Stores are replenished as required from a central warehouse. Thus merchandise store-keeping is minimized⁷².

Summing up, as it is said in the 2015 report, “the group achieves the best prices by having in-house designers, having no middlemen, utilizing economies of scale, buying right product from the right market, being cost-conscious in every part of the organization and by having efficient logistics”⁷³.

⁶⁸ H&M Annual Report 2015

⁶⁹ H&M From idea to store (2016). *Logistics and distribution*.

⁷⁰ Shen, B. (2014)

⁷¹ Regnér, P.; Yildiz, H. E. (2014)

⁷² *Ibid.*

⁷³ H&M Annual Report 2015

From the distribution centers, finished goods are transported directly to the stores and to regional replenishment centers⁷⁴. The stores are the heart of H&M and they offer the customer inspiring shopping experiences⁷⁵.

The company always positions its stores in the best locations, whether in a city or a small town shopping centre⁷⁶. Each store is unique but easily recognizable. Interiors provide a functional and flexible framework that invites customer to step inside. For instance, store's interior decoration, lighting, colors and clothes displays are changed depending on sales and customer preferences⁷⁷.

According to sustainable policies, worldwide stores accept old clothing for reuse and recycling instead of throwing them away⁷⁸.



Figure 25 H&M's first store in Australia

⁷⁴ H&M Annual Report 2015

⁷⁵ H&M From idea to store (2016). *Our stores*.

⁷⁶ Regnér, P.; Yildiz, H. E. (2014)

⁷⁷ H&M From idea to store (2016). *Our stores*.

⁷⁸ H&M Annual Report 2015

5.5. Marketing mix strategy

5.5.1. Product

H&M's creates sustainable fashion for all⁷⁹. For that purpose, it has several lines: Women, Men, Kids, Divided, &Denim, Underwear and Sportswear. H&M's fashion for women is the largest of the collections and it includes everything from the latest trends to updated fashion classics⁸⁰.

Men's collection comprises from tailored suits to easy everyday favorites. Divided line wants to attract young men and women and it offers the latest fashions and Kids apparel line offers garments in sizes from babies to 14 years. &Denim line includes jeans for men and women and all age ranges because "jeans are a key item in the fashion wardrobe"⁸¹.

These collections are supplemented with accessories such as scarves, belts, hats, jewelry, footwear and bags; and also, with cosmetics like make up and skincare products. Finally, H&M Home provides fashion for every room in the house offering towels, curtains and other home textiles⁸².

As Zara and other fast fashion retailers do, H&M offers two main collections each year, one in spring and one in fall⁸³. Within each season, there are several sub-collections that allow H&M to continually refresh its inventory.

In order to attract different audiences, H&M has recently introduced an Islamic fashion collection following the Italian brand Dolce & Gabanna or Japanese Uniqlo⁸⁴.



Figure 26 Advertisement of the last campaign of H&M. Fashion for Muslim women.

⁷⁹ H&M About (2016). *Fashion for all: collections*.

⁸⁰ H&M Annual Report 2015

⁸¹ *Ibid.*

⁸² *Ibid.*

⁸³ Petro, Greg (2012)

⁸⁴ Albisu, Javier (2016)

5.5.2. Price

H&M is characterized because it offers fashion at the best price, i. e., the price of its garments is cheaper than other fast fashion retailers like Zara. H&M products have a low-medium price range with an average price-point of 20€⁸⁵.



Country	Original price	Price (€)
Spain	24,99 €	24,99 €
Germany	24,99€	24,99 €
Sweden	249 SEK	26,77€
United Kingdom	19,99 GBP	25,96€
United States	29,99 USD	26,84€
Taiwan	999 NTD	27,75€
Japan	2999 JPY	24,38€

Table 4 Price differences between countries for H&M's product

Table 4 shows the prices of the same top in different countries. Comparing the value of the garment worldwide, it is observable that its price is around 25€.

Promotion

Each year H&M launches some big campaigns supplemented with smaller ones that generate interest in the season's new collections⁸⁶. It spends around 5% of its revenues on advertising⁸⁷ and these promotions are done during the whole year, not just during sale season.

Campaigns have a large-scale promotion range that includes product catalogue, TV-commercials, billboards and in-store advertising (physical and online store). Besides, it uses various social media as Twitter, Instagram or Facebook to reach as wide as possible⁸⁸. In August 2010, the company launched an app for iPhone and Android.

⁸⁵ Lund, Sine E. (2015)

⁸⁶ Ye, Lupeng; Wu, Jieying (2009)

⁸⁷ Regnér, P; Yildiz, H. E. (2014)

⁸⁸ Lund, Sine E. (2015)

H&M has always given its advertising campaigns a sophistication air connecting them to cinema or music stars as well as people from the catwalk industry. In this way, they are able to provide a line of glamorous affordable fashion⁸⁹. For instance, singers as Beyonce, Lana Del Rey or Katy Perry, football players like Beckham or international models as Eva Herzigova have starred advertisements.

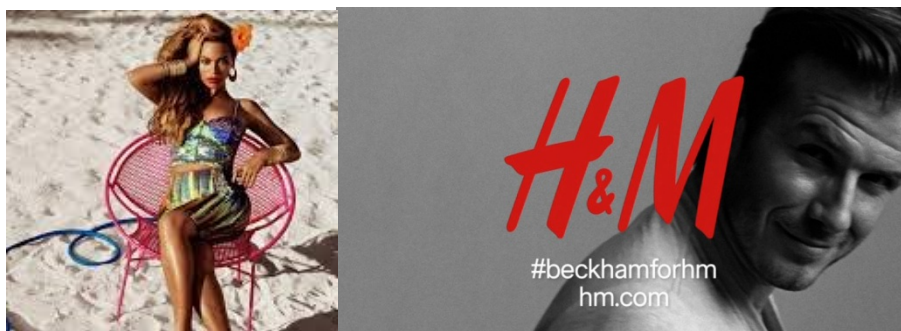


Figure 27 Beyonce and David Beckham starring H&M's ads

However, in the last years, H&M has captured customers' attention thanks to its collaborations. These collaborations started in 2004 when Karl Lagerfeld, head designer and creative director of the fashion house Chanel, designed a special collection for H&M. The garments were sold out almost immediately in 500 worldwide stores⁹⁰. The last designer collaborating with the Swedish firm has been the French house Balmain getting a great success too despite the price of the clothes –garments price went from 15€ to almost 500€⁹¹.



Figure 28 Balmain collection for H&M.

⁸⁹ Cardenal, L. M. (2009)

⁹⁰ EFE (2014)

⁹¹ El Mundo (2015)

Place

Although it does not have all its activities vertically integrated, it owns the distribution channel of its products. Garments are shipped directly from the warehouse to the store.

H&M is accessible and visible on a global scale for all ages and cultures because of its online and physical stores, which are located in 61 countries worldwide (online store in 23 of them). First online store was opened in 1998 and its land-stores are always placed in strategic streets in the commercial areas of cities.

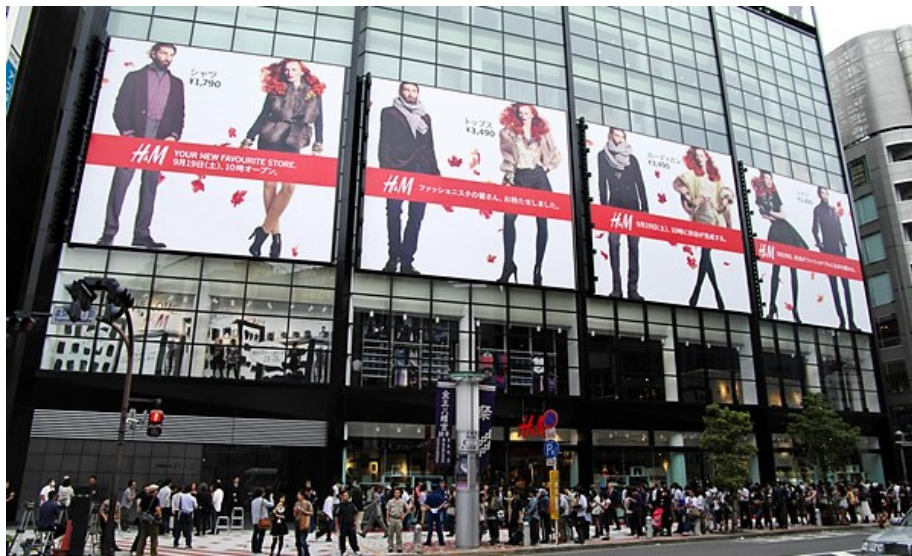
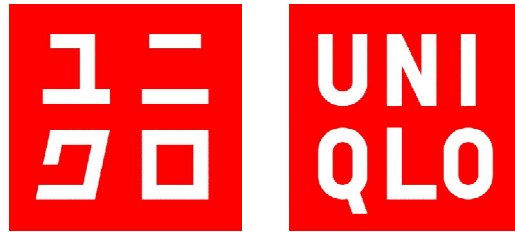


Figure 29 H&M store in Shibuya District (Tokyo)

6. UNIQLO



6.1. History

UNIQLO is a clothing apparel company, which was originally founded in Yamaguchi, Japan in 1949 as a textiles manufacturer. Now it is a global brand with over 1700 stores around the world⁹².

UNIQLO is the flagship label of the Fast Retailing group. Fast Retailing is a Japanese retail company that owns UNIQLO, GU, Theory, Comptoir Des Cottonniers, Princesse Tam.Tam, Helmut Lang, J BRAND and PLST.

The company started in 1949, when Men's Shop *Ogori Shoji* was founded in Ube City, Yamaguchi Prefecture (Japan) by Hitoshi Yanai. The main source of turnover was high-quality gentlemen's formal wear⁹³. In 1972, Yanai's son, Tadashi, joined his father's company.

In 1984, after Tadashi Yanai became the managing director, the first UNIQLO (Unique Clothing Warehouse) store opened in Hiroshima. The men's clothing store was conceived as a casual shop, but in 1985 it became a Specialty store retailer of Private label Apparel (SPA).



Figure 30 First UNIQLO store en Hiroshima

⁹² UNIQLO Annual Report 2015

⁹³ Reboux, B. (2014)

The chain grew rapidly in size and in 1991 Ogori Shoji changed its name to Fast Retailing Co. At that time, all Fast Retailing Co. stores were rebranded as UNIQLO⁹⁴ and because of the Japanese economic recession, UNIQLO's cheap clothes got popular fast⁹⁵.

In 1998, the first UNIQLO urban store was inaugurated in Harajuku district of Tokyo, the center of the fashion for the city's young people⁹⁶. The first floor of this store offered fleece clothing in many different colors; this was the start of the "fleece boom" which made the company one of the most famous brands in Japan.

1994 was the year when Fast Retailing listed its shares on the Hiroshima Stock Exchange. Some years later, in 1997, the group listed its shares on the second section of the Tokyo Stock Exchange and finally, in 1999, they listed its shares on the first section of this Stock Exchange. Nowadays, Fast Retailing Group operates in Tokyo and Hong Kong Stock Exchange.

A year later, in 2000, online store opened for business. First overseas UNIQLO store opened in London as the first step toward global expansion in 2001. This expansion abroad was followed by Shanghai (2002), Seoul and New Jersey (2005). In 2006, the first UNIQLO store was opened in France (La Defense, Paris).

In 2003, Uniqlo and Toray Industries, Japan's biggest maker of synthetic fibers, launched a new unique creative line called Heattech. It immediately became a great success.

In 2004, Fast Retailing invested in Link International Co, Ltd. the developer of Theory brand apparel and the next year, the group acquired management control of Nelson Finance S.A.S., the developer of the Comptoir des Cotonniers brand. During 2006 Petit Vehicule S.A.S., the developer of the Princesse Tam.Tam brand became a subsidiary and established Establishes GU Co., Ltd. to develop the low-priced GU casual clothing brand. Finally, in 2012 Fast Retailing acquired majority control of J Brand Holdings, a leading contemporary fashion brand based in Los Angeles, California⁹⁷.

⁹⁴ Reboux, B. (2014)

⁹⁵ Durisin, Megan (2013)

⁹⁶ Reboux, B. (2014)

⁹⁷ UNIQLO Annual Report 2015

The same year, in 2012, UNIQLO appointed Novak Djokovic as Global Brand Ambassador. This was after signing in 2011 a sponsorship agreement with professional tennis player Kei Nishikori.



Figure 31 Novak Djokovic and Tadashi Yanai

Currently, Fast Retailing and UNIQLO continue with the expansion over the world opening new stores in more and more countries and developing online stores.

6.2. Mission, vision and values

Mission

The mission of the company is to create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.

Vision

The company vision is to enrich people's lives through unique corporate activities, and to seek to grow and develop the company in unity with society.

Values

- Approaching issues from the customer perspective
- Embracing innovation and challenge
- Respecting and supporting individuals to foster both corporate and personal growth
- Committing to ethical standards and correctness

6.3. Financial status

Sales

Fast Retailing achieved record results in fiscal 2015 with consolidated revenue rose 21.6% year on year to 13,586 million euro.

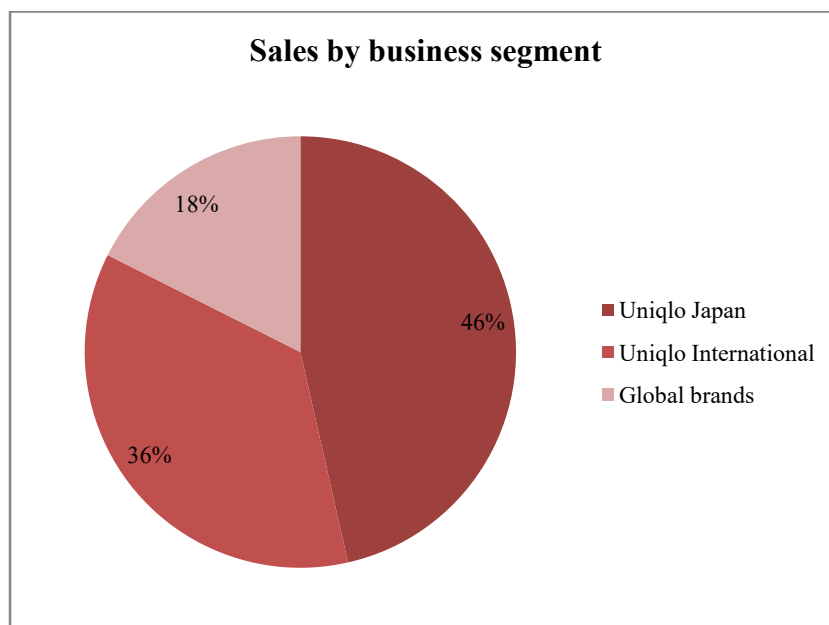


Figure 32 Fast Retailing sales by business segment

As it is shown in the Figure 31, UNIQLO Japan and UNIQLO International provide almost 70% of total revenue and that is why it is the main brand of Fast Retailing group. UNIQLO achieved record results in fiscal 2015. It is important to notice that Global Brands includes GU, Theory, Comptoir des Cottonniers, PTT and J Brand.

Significant gains in revenue at UNIQLO International proved the main driver of Group growth, with continued robust same-store sales growth generating especially strong performances from Greater China (Mainland China, Hong Kong and Taiwan) and South Korea. Strong sales of Fall Winter items increased revenue at UNIQLO Japan. Revenue also increased significantly at Global Brands thanks to an extremely strong performance from GU⁹⁸.

⁹⁸ UNIQLO Financial Report 2015

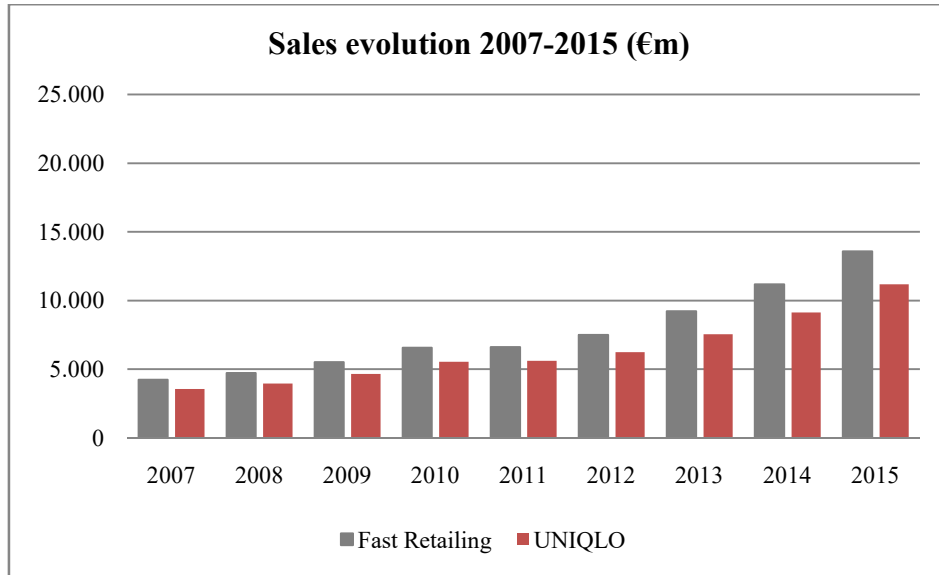


Figure 33 Sales evolution between 2007 and 2015

Net income

Net income reached to 888.82 million euro in 2015, 48% higher than the previous year. This is the best result got by group to the moment.

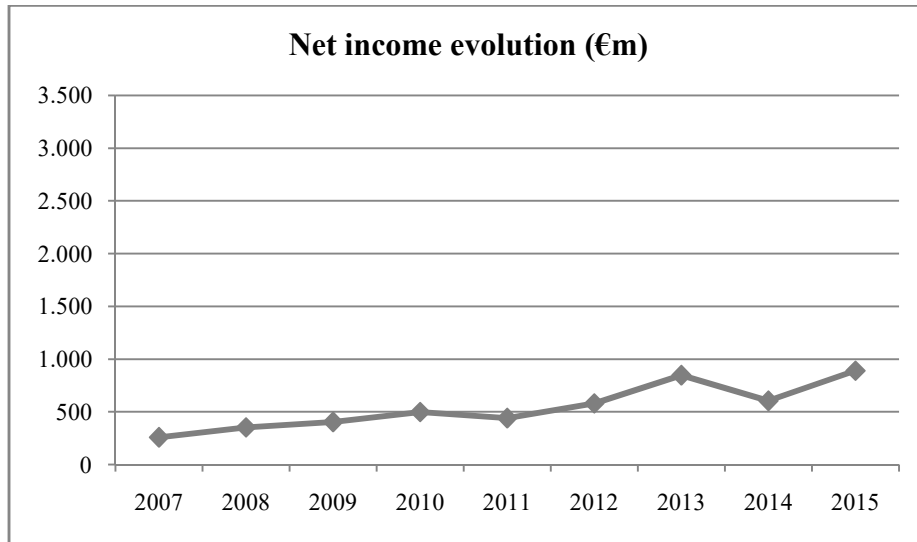


Figure 34 Fast Retailing's net income evolution between 2007 and 2015

During 2014, net income decreased by 13.6% to 602.20€ million, because a loss at J Brand premium denim operation⁹⁹.

⁹⁹ UNIQLO Financial Report 2015

Stores

During fiscal 2015, Uniqlo Japan opened 36 stores, while 56 stores were closed or converted to employee franchise stores, resulting in a total of 811 stores (excluding 30 employee franchise stores).

UNIQLO International added a net 165 stores (opened 182 and closed 17) for a final total of 798 stores. That represents a net increase of 93 stores in Greater China, 22 in South Korea, 23 in Southeast Asia, 5 in Australia, 5 in Europe and 17 in the United States.

Business segment	2014	2015
Uniqlo	1,485	1,639
Uniqlo Japan	852	841
Uniqlo International	633	798
Global brands	1,268	1,339
Total	2,753	2,978

Table 5 Number of stores for 2014 and 2015

90% of the stores are company-managed whereas the 10% are franchised stores.

Business segment	2015
Directly operated stores in Japan	1,444
Directly operated stores overseas	1,240
Franchise stores	294
Total	2,978

Table 6 Number of owned and franchise stores

6.4. Business model

UNIQLO established an SPA (Specialty store retailer of Private label Apparel) business model. This model incorporates the entire clothes-making process from procurement of materials, product planning, design, development and manufacture through distribution and retail to inventory management. The business model enables it to develop unique in-house products, control procurement costs, and flexibly adjust production to suit demand.



Figure 35 UNIQLO's business model

The first stage of the SPA business model is about planning. Planning includes designing the product and choosing the right materials for it.

UNIQLO's R&D centers continually research the latest fashions and lifestyles from around the world as well as look for new materials. There are fashion designers in Tokyo, New York, Milan and Paris, garnering first hand information on fashion trends¹⁰⁰

Concept meetings are held one year before a product's intended launch. On these occasions, R&D designers meet with representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Then UNIQLO's R&D centers prepare designs and refine samples until each product is finalized. These strategic decisions are taken in the company headquarters in Japan¹⁰¹.

Regarding procurement of materials UNIQLO can secure stable, high-volume supplies of top-quality materials at low cost by negotiating directly with materials manufacturers and placing large-volume orders. The materials used for the core items are particularly important. In-depth research and experimentation generates multi-layered improvements in the functionality, feel, silhouette and texture of clothes.

¹⁰⁰ Bloomberg (2006)

¹⁰¹ Reboux, B. (2014)

Merchandisers play a vital role from product planning through production. After meeting with the R&D designers, merchandisers then apply the concepts for each season to product plans, materials and designs. Next, they decide the product lineup and volume for each season, paying close attention to a detailed marketing strategy. One other important task for merchandisers is to decide when to increase or reduce production during a season. Any decisions about adjusting production in line with demand are made jointly with the product planning department.

Despite being a Japanese company, about 70% of its clothes are manufactured in China¹⁰². To control the production process, UNIQLO currently deploys about 400 staff and textile takumi (skilled artisans) to production offices in Shanghai, Ho Chi Minh City, Dhaka, Jakarta and Istanbul.



Figure 36 UNIQLO's production offices location

Production managers visit partner factories each week to resolve outstanding issues. Customer concerns regarding quality are communicated immediately to production departments, and then improvements are made.

Once products reach the warehouse the Inventory Control department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis, and dispatching necessary inventory and new products to fulfill product orders.

¹⁰² Durisin, Megan (2013).

From the warehouse, products are shipped to the stores. As mentioned before, UNIQLO Japan had 841 stores at the end of August 2015. Since the opening of the first store outside Japan in 2001, UNIQLO International has expanded to 798 stores.



Figure 37 A UNIQLO store during sales

Customers can buy UNIQLO's products both online and in-stores. Online sales in Japan totaled ¥32.4 billion in fiscal 2015, or 4.2% of total UNIQLO sales. Online sales are also doing well in places including Mainland China, Taiwan, South Korea, Britain, the U.S., Australia and Singapore.

The company has a Customer Center that deals with more than 270,000 comments and requests annually. Appropriate departments act on them to improve products, stores and services.

6.5. Marketing mix strategy

6.5.1. Product

UNIQLO's objective is to offer a mixed array of affordable, innovative, stylish and high-quality clothing¹⁰³. For that purpose it creates garments for men, women and kids complemented with accessories and underwear.

To differentiate its products UNIQLO sells basic items in a wide array of colors. As it is explained by it the brand's design director: "more than trends, consumer need functionality"¹⁰⁴. The impressive range of colors offered is one of Uniqlo's key selling points. The president of the company said in an interview: "why not 50 colors instead of 10?"¹⁰⁵. It was an innovative and efficient idea appreciated by customers¹⁰⁶.

Heattech, as mentioned before, is the result of collaboration between UNIQLO and Toray Industries, Inc. and it was developed in 2004. Heattech is a unique highly functional line of innerwear that offers amazing comfort¹⁰⁷. It is made by fibers that provide thermal insulation by converting the vapor generated by the body into heat and retaining this heat between micro-thin strands of fiber¹⁰⁸. Heattech has been applied to products such as socks and leggings¹⁰⁹ getting a great success among customers and becoming the bestseller of the brand¹¹⁰.



Figure 38 Ad for advertise UNIQLO'S Heattech products

¹⁰³ Fintell, D., Morimura, T. (2012)

¹⁰⁴ Chu, Jeff (2012)

¹⁰⁵ *Ibid.*

¹⁰⁶ Reboux, B. (2014)

¹⁰⁷ Teresa, S. S. (2014)

¹⁰⁸ Reboux, B. (2014)

¹⁰⁹ Fintell, D., Morimura, T. (2012)

¹¹⁰ Reboux, B. (2014)

6.5.2. Price

The clothes are cheap and aimed to be affordable to every consumer¹¹¹. However, the price of certain more stylish garments such as UT t-shirts are higher. Besides, when introducing in a new country UNIQLO uses a penetration strategy¹¹², with end prices being slightly higher than in Japan.

UNIQLO transformed the concept that Japanese consumer had over basic garments' price when they started selling jeans at 25€. Because of this, other brands were forced to lower the price of their pants just to be competitive¹¹³

Promotion

Each season, UNIQLO conducts promotional campaigns for core products. During the campaigns, UNIQLO advertises these core products' unique qualities and noteworthy features on TV and in other media. In Japan, for example, weekly flyers in the Friday edition of national newspapers, which are delivered to most households, promote the apparel that will be discounted through Monday¹¹⁴.

Besides, at the end of each season, merchandisers and the Marketing Department help coordinate the timing of markdowns and limited-period sales (typically 20 to 30% off the regular price) to ensure that inventory sells out¹¹⁵.

In order to create a brand identity, it has hired celebrities (including actors Orlando Bloom and Charlize Theron, and Japanese football player Keisuke Honda) to appear in commercials¹¹⁶. Furthermore, Novak Djokovic, the world's number one male tennis player, is the brand's Global Ambassador and the clothes he wears are sponsored by UNIQLO.

¹¹¹ Durisin, Megan (2013)

¹¹² Fintell, D., Morimura, T. (2012)

¹¹³ Motokawa, T. (2003)

¹¹⁴ UNIQLO Annual Report 2015

¹¹⁵ UNIQLO Annual Report 2015

¹¹⁶ Reboux, B. (2014)

In the way to become a well known brand UNIQLO has collaborate with several designers. The collaborations started in 2009 with Jil Sander, a German luxury fashion designer and they were followed by Celia Birtwell, Ines de la Fressange or Lemaire, the creative director of Hermès¹¹⁷.



Figure 39 Billboard advertising Ines de la Fressange collection's for UNIQLO

UNIQLO, as a progressive company, has incorporated digital strategies in order to communicate with and motivate customers¹¹⁸. As a consequence, you can find the brand in Facebook, Twitter and Instagram.

Place

UNIQLO utilizes a one-level marketing channel system; good travel directly from manufacturers to retail stores. As mentioned before, they have a SPA business model, which means that all the stage are vertically integrated, from design and production to retail level.

This retail stores are both physical stores and online. The stores are often hard to miss, for instance, in New York City, one of the stores is located in the Fifth Avenue and it has 89,000 square feet¹¹⁹.

¹¹⁷ Vogue UK (2016)

¹¹⁸ Reboux, B. (2014)

¹¹⁹ Durisin, Megan (2013)

7. COMPARING BRANDS

7.1. Mission, vision and values

As it can be seen, Zara's mission is more focused on logistics aspects and H&M's in prices, while Uniqlo's mission is much more focused on the consumer experience and value provided. Likewise, it is noted that sustainability is only present in the mission of Zara and H&M but it is not such a fundamental aspect for Uniqlo.

Vision is a general statement of the firm's intended direction; it shows what future plans the companies have. It is observed that both Zara and H&M emphasize the sustainability as the main aspect in future plans. Whereas, Zara's vision maintains the focus on logistics, "offer products at the same time", H&M highlights the importance of the future generations. In contrast, Uniqlo is more centered in the customer's live, trying to develop the brand as the society does.

Regarding each companies values, it is remarkable that only Zara's values are related to sustainability and environmental care whereas H&M is more focused in the human labor. Uniqlo focuses also in their employees and customers. Besides, in their values for the first time it is introduced the idea of doing the things ethically.

"Fast fashion" concept has clashed with a society increasingly concerned with the sustainability of the planet. "Throw-away" culture that underlies this type of business is not, at the beginning, the best way to conserve the planet's resources.

It is for this reason that H&M and Zara are constantly trying to send a message about the sustainability of its production, which respects the planet's resources and also cares about workers being covered by not slavery working conditions.

However, Uniqlo, which has a business model less fast and which is not as well known as H&M and Zara, does not pay much attention to sustainability. Instead, it focuses more on customer satisfaction. It seems logical to think that if the Japanese brand continues with its international expansion, because its introduction in countries more aware of environmental issues will also entail a change in the company that will force it to convey this message.

	ZARA	H&M	UNIQLO
Mission	To adapt to what the customers want as quickly as possible, offering them sustainable fashion.	To deliver fashion and quality at the best price today, tomorrow and in the future in a sustainable way.	To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.
Vision	To offer products of the highest quality to all its customers at the same time as striving to develop a business that is sustainable.	All the operations are run in a way that is economically, socially and environmentally sustainable. The business is helping to meet the needs of both present and future generations.	To enrich people's lives through unique corporate activities, and to seek to grow and develop the company in unity with society.
Values	<ul style="list-style-type: none"> • Commitment to sustainable development • Protection of the environment and natural resources • Striver to remain transparent • Ethical and responsible operations' development 	<ul style="list-style-type: none"> • Fundamental respect for each individual • Teamwork, simplicity, entrepreneurial spirit, cost consciousness, straightforwardness and openness • Striving for constant improvements 	<ul style="list-style-type: none"> • Approaching issues from the customer perspective • Embracing innovation and challenge • Respecting and supporting individuals to foster both corporate and personal growth • Committing to ethical standards and correctness

Table 7 Summary of the mission, vision and values of each company

7.2. Financial status

As it is shown in the chart below, sales from the year 2007 have increased steadily in the three companies. The company which has led the sales during the analyzed period has been Inditex, followed by H&M and Fast Retailing.

Although in 2009, it is noted that sales of the first two companies, Inditex and H&M, are equal, from 2010 on, Inditex sales begin to increase comparing to the Swedish brand. This is due mainly to the release of the group in the online market. The biggest difference occurs during 2012 sales, while in 2015, the difference between Inditex's and H&M's sales is very small.

Even though Fast Retailing, UNIQLO's owner, has a much lower level of sales than its competitors, it is very significant that in less than 10 years the brand has managed to triple these numbers. If it follows that trend may soon be at the height of the Fast Fashion brands in Europe.

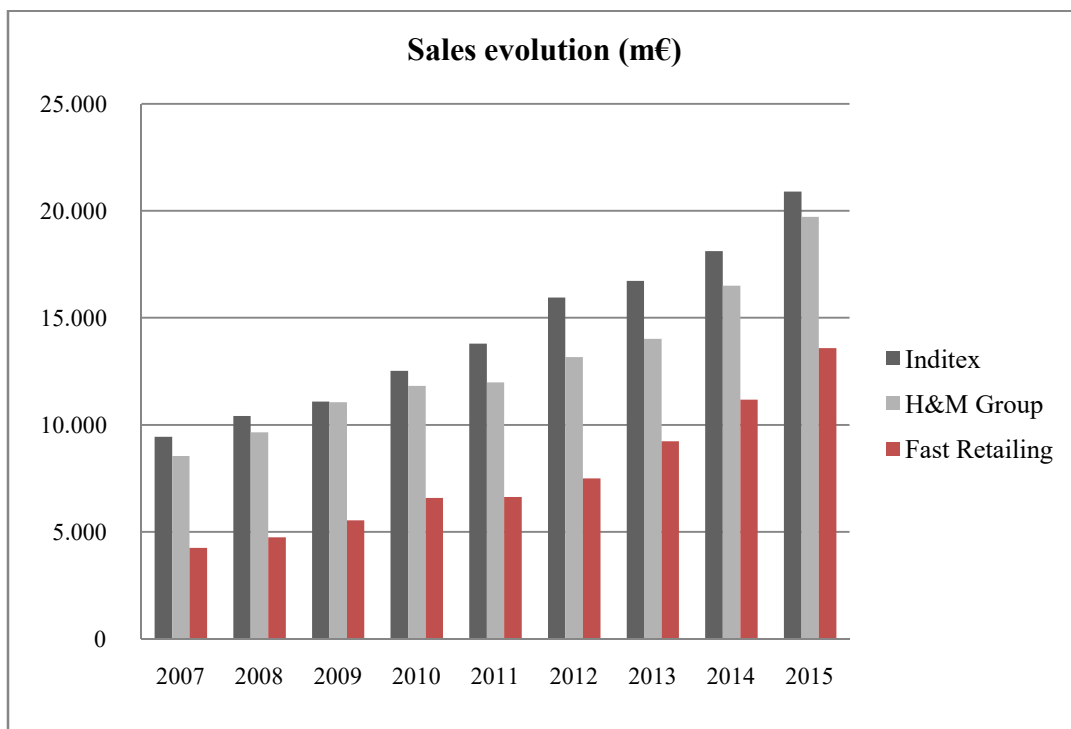


Figure 40 Sales evolution from 2007 to 2015

This second graph shows how the profit of the brands' owner groups has evolved in the same period of time.

Between 2007 and 2015 Inditex has had a positive evolution of its profits, from 1,250 m€ to 2,875m€, i.e., it has doubled its profit in 8 years. On the contrary, H&M has a positive evolution of its benefits until 2010 and it will not be above of the profit obtained this year until four years later.

Once again, a great rivalry between Inditex and H&M Group is observed. Inditex exceeded in 2010 for the first time the Swedish company, possibly and as mentioned previously, due to the online marketing of products. Since then, the group has followed an unstoppable rise of profit, leaving behind H&M.

In a lower position it is found Fast Retailing Company, whose benefits are smaller than European companies. The profits chart shows a line without large spikes, broken only in 2013, when it reaches a profit of 845 m€. During 2014, because of a poor operation in one of its brand, it suffered a big break on profit, recovering a year later, in which returns to profit levels of 2013, its best year in the range of studied years. Forecasts for 2016 suggest that this rise in profit will continue.

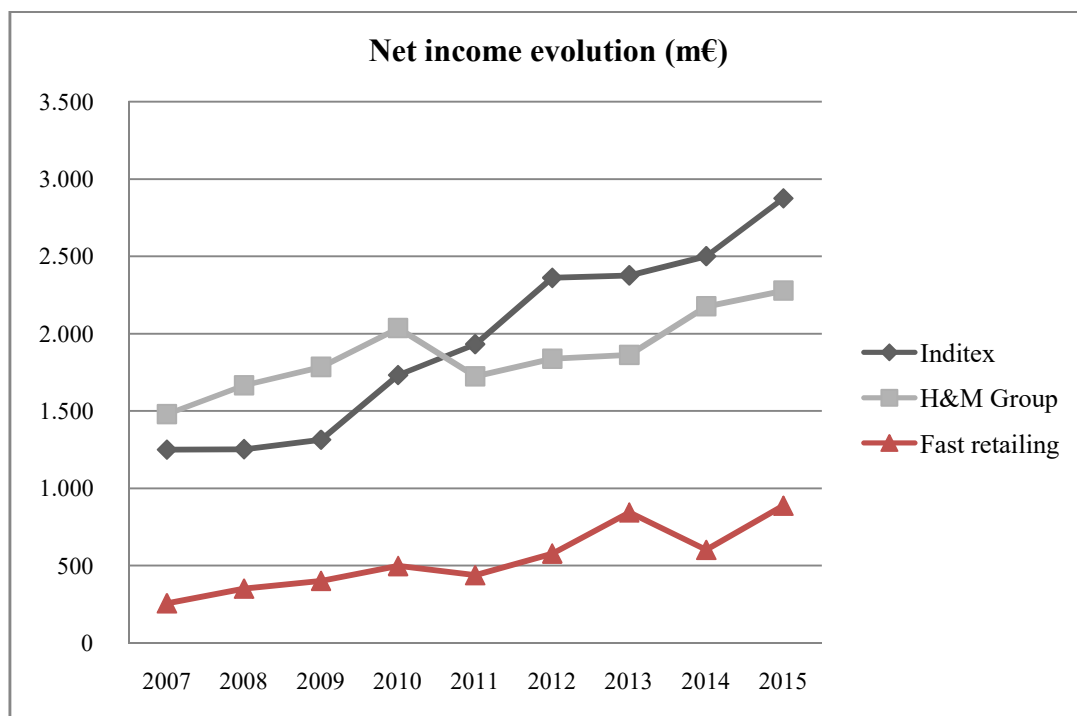


Figure 41 Net income evolution from 2007 to 2015

Finally, the number of stores that each of the brands which are being compared it is shown. H&M is the first one in this ranking with more than 3,000 stores worldwide followed by Zara and Uniqlo.

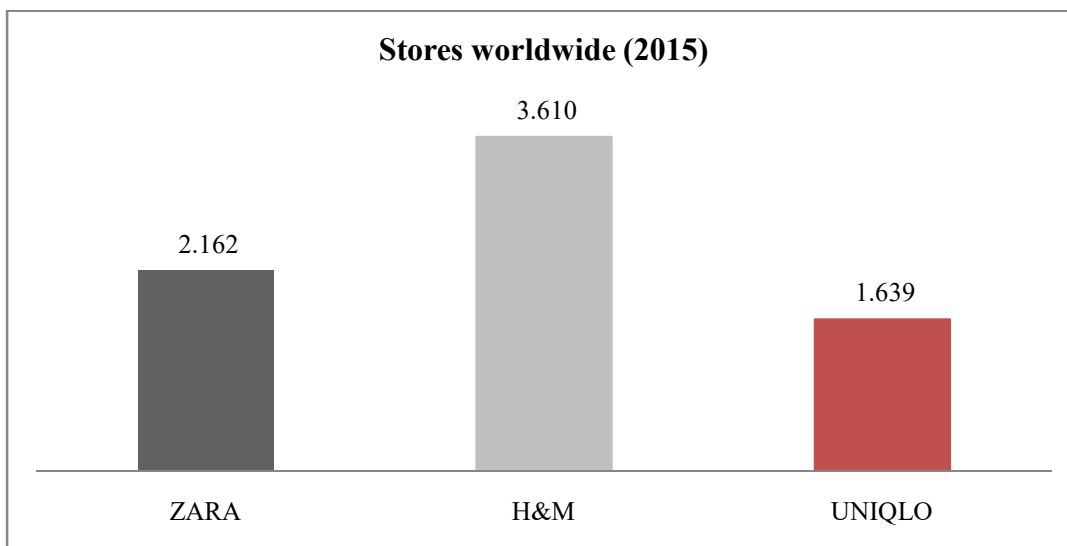


Figure 42 Number of stores worldwide (2015)

Of all Zara stores that currently exist, 21% are located in Spain where the first store was opened in 1975. It was not until 1988 when it began its international expansion by opening stores in Portugal and a year later in New York. Currently the group is present in 88 markets.

H&M has 176 stores in Sweden, representing 5% of the total. The company began its expansion in 1976 when it opened its first store in London. The birth of Zara and the beginning of the international growth of H&M coincide in time. It was not until 2000 when they opened their first store in USA. Today, the group is present in 61 markets.

Finally, UNIQLO is the company with fewer stores. Of these, about half they are located in Japan and the rest they are in different parts of the world. Its expansion began in 2001 when it opened its first store in London. Currently, it is possible to find UNIQLO's clothes in 16 countries.

In view of the international expansion evolution of these three companies, it is possible to conclude that while H&M has probably peaked in terms of market presence, Zara still has room for growth. Without doubt, the emergence of UNIQLO in countries where it is not present can lead to a change in Fast Fashion markets leadership.

7.3. Business model

Business model can be defined as the unit of analysis that captures the value creation potential arising from the design of transactions between a focal firm and external stakeholders such as partners, vendors, and customers¹²⁰.

Therefore, to make the comparison of the business models easier, the activities of the firms have been divided into 5 groups: Design, Production, Logistics, Stores and Customers.

Design

The three companies create their own collections. Zara and H&M have this phase centralized in its headquarters which are located in Arteixo (Spain) and Stockholm (Sweden), respectively. Both companies have approximately 300 employees engaged in designing garments we will wear next season. These teams include designers, pattern makers and marketing staff.

Both European companies get ideas for their creations through various strategies such as analyzing trends in international fashion shows or watching street styles. In the case of Zara, it also obtains information through the weekly reports each store makes about sales and products. In this way, they know which items are succeeding and what design lines should they follow. H&M keeps constant communication with its 21 production offices to make changes in collections.

Zara and H&M are characterized by the large number of designs they can generate in a short period of time. Zara, for instance, creates in a year 40,000 sketches; of these, 10,000 are selected to produce them.

Uniqlo instead has a completely different strategy. It has designers in major fashion cities such as Paris, London, New York or Milan, where they get inspiration for new products. Meetings to launch a new garment holds a year before it is to be marketed. Decisions on production quantities are taken together with the planning department.

¹²⁰ Amit and Zott (2001)

Production

Zara and UNIQLO have vertically integrated systems and therefore, they are owners at the manufacturing level. H&M, however, it has its production outsourced; it buys products from 850 independent suppliers.

Both Zara and H&M follow a similar strategy for producing its collections. Both companies have a percentage of factories near their HQ. In the case of the brand of Inditex group, 50% of production is manufactured in 22 Spanish factories. Normally, these products are more stylish and trendy and are produced in small batches. In the case of the Swedish company, 25% of the production is made in European factories. As Zara does, in those factories most sophisticated designs are produced in small batches.

Thus, as they produce near the distribution points, both companies ensure they can quickly and effectively respond to market changes. That is, they are able to increase the production of successful garments or eliminate the product if it does not get a certain level in sales.

The remaining production is manufactured mostly in Asian countries like Bangladesh or China. In these factories, less fashionable products are manufactured, basic garments. These clothes do not go out of fashion and therefore do not need a quick response. In addition, the production in these countries reduces the total cost of the final product.

Japanese brand UNIQLO produces 70% of its collections in China and has also production companies in the capitals of Southeast Asian countries: Dhaka (Bangladesh), Jakarta (Indonesia), Shanghai (China), Ho Chi Minh (Vietnam) and Istanbul (Turkey). UNIQLO does not give as much importance to quick response in fashion as the European brands do. Therefore, it has no factories in the country.

Because of the strategy of manufacturing in places where labor is cheap, UNIQLO is able to produce at lower prices. It also negotiates directly with materials suppliers and therefore is gets also a better price.

Logistics

This stage is one of the most important in the activities the brands have. Each of the companies follows a different strategy as far to this concept is concern.

For instance, Zara has logistics centers throughout Spain and all products are shipped from their countries of manufacturing to these centers before being scattered around the world. Products are shipped twice a week using fleets of trucks or by air transport. Each shipment includes new designs. Thanks to Zara's system it is possible for a product to be available in 24 hours in Europe and 48 hours in the rest of the world.

H&M however, has several distribution centers in different countries around the world. The products, therefore, go to the distribution center which is closest to the country where they are going to be marketed. Garments' transportation is usually done by sea or train because the pollution that is created is less than when using planes. All logistics of the brand is controlled virtually. Thanks to this system, H&M stores receive shipments daily with new clothes.

For Japanese brand UNIQLO little information about this issue is available. The Inventory Control department maintains an optimum level of stock in stores by monitoring sales and inventory. It does it with a weekly basis. The stores receive shipments every week according to these levels of inventories.

Stores

Zara, H&M and UNIQLO have stores in the best locations of major cities. These premises are a claim to the consumer. According to H&M, stores are the "heart" of the brand and seek to inspire the customer through shopping experience. Each store is unique but easily recognizable. The Swedish company also offers the consumer the possibility to leave in the store clothes that are not going to be used anymore so they can be recycled and reused.

In the case of Zara, and as explained in marketing section, stores are an advertising medium. Therefore their windows are carefully planned and both the interior and exterior architecture are unique.

Finally, UNIQLO has flagship stores in major cities of the countries in which it operates. These stores have an average of 1,600 square meters.

Customers

The three companies are very aware of the importance of the customer. Zara and H&M take into account the buyer from the design process of garments to the experience of acquiring that product in store. Zara defines customer as the engine for all company activities. In the case of H&M, it is clear that the relationship with the consumer of its products should be friendly and courteous.

UNIQLO has a Customer Center that deals with more than 270,000 comments, requests and suggestion that are received annually. Appropriate departments act on them to improve products, stores and services.

	ZARA	H&M	UNIQLO
Design	<ul style="list-style-type: none"> • Zara designs all its products for each of its lines. • It has a creative team of 300 people including designers, market specialists and product development personnel. • They produce designs for approximately 40,000 items per year; only 10,000 are selected for production. • Creative teams obtain their ideas from three different strategies. 	<ul style="list-style-type: none"> • Design is centralized at Stockholm and includes a team 160 in-house designers and about 100 pattern makers. • The design team has direct contact with 21 production offices around the globe • The designer team ideas are inspired from diverse influences. • After designing collections, each of the concept team determines inventory levels for different styles. 	<ul style="list-style-type: none"> • There are fashion designers in Tokyo, New York, Milan and Paris. • Concept meetings are held one year before a product's intended launch. • Top-quality materials at low cost by negotiating directly with materials manufacturers. • Decisions about adjusting production with demand are made with the planning department.
Production	<ul style="list-style-type: none"> • Zara keeps around half of its merchandise production in-house under the operations of 22 Spanish factories. • The most fashionable items are produced in small lots in these factories. • The other 50% of its products are procured from 400 outside suppliers in Europe and Asia • From these regions, Zara procure "basic" products. 	<ul style="list-style-type: none"> • High-fashion items such as the limited editions are produced in small quantities and sold in big cities. • Basics are ordered in larger volumes and more widely distributed. • H&M does not own factories; it buys products from independent suppliers. • They have 850 suppliers mainly in Asia (70%) and Europe. • H&M has 21 production offices placed close to them. 	<ul style="list-style-type: none"> • Vertically integrated business model. • 70% of its clothes are manufactured in China. • They have production offices in Shanghai, Ho Chi Minh City, Dhaka, Jakarta and Istanbul. • Production managers visit partner factories each week to resolve outstanding issues.

Logistics	<ul style="list-style-type: none"> • Products are shipped directly from logistics centers located in Spain, twice a week using a fleet of trucks and air transport. • Each shipment includes new styles • The product is available in the European stores in an average of 24 hours, 48 hours in America and Asia. 	<ul style="list-style-type: none"> • Products are shipped to one of H&M’s distribution centers around the world. • Transportation of goods is usually done by sea and rail. • H&M controls virtually all logistics internally except for external contractors handling transportation. • Each H&M stores receive new shipments daily 	<ul style="list-style-type: none"> • Inventory Control department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis. • It displays new products by every week.
Stores	<ul style="list-style-type: none"> • Privileged locations in main cities. • Meticulously planned show windows. • Uniquely conceived architecture inside and outside. • Precise product coordination. • Excellent customer service. 	<ul style="list-style-type: none"> • The stores are the heart of H&M. • They offer the customer inspiring shopping experiences. • Stores placed in the best locations. • Each store is unique but easily recognizable. • Stores accept old clothing for reuse and recycling. 	<ul style="list-style-type: none"> • Impressive flagship stores in the best locations of main cities. • Large format stores with at least 1,600 square meters.
Customers	<ul style="list-style-type: none"> • Engine for all group activity; it is the star of the business model. • Operations start with the demands of the customer. • Customer desire for fashion is taken into overall account, considering everything that complements the buying experience such as stores. 	<ul style="list-style-type: none"> • Customer is always their focus, from the design process to the shopping experience. • It’s natural always being friendly and courteous to customers. 	<ul style="list-style-type: none"> • The company has a Customer Center that deals with more than 270,000 comments and requests annually. • Appropriate departments act on them to improve products, stores and services.

Table 8 Summary of the business model of each brand

7.4. Marketing mix strategy

7.4.1. Product

The first dimension of the marketing mix is the product. As it can be seen in the table, all companies offer fashion for men, women and children. Both H&M and UNIQLO also offer sports and underwear lines. Zara does not sell that kind of garments because Oysho, another brand of the Inditex group, does it. The same applies to the line that H&M has for home products; in the Inditex group is Zara Home which sells such products.

As far as accessories concern, Zara and H&M give much more importance to them than the Japanese company. In the stores of those European brands it is possible to find all complements for a perfect look. These accessories include jewelry, shoes, bags, scarves hair accessories, cosmetics and perfumes. However, the number of accessories in UNIQLO is much lower and it is mostly limited to basic garments such as socks or handkerchiefs.

In general, H&M and Zara's collections are much more elaborate. They resemble more closely to the designs of *haute couture* designers' collections and provide a more careful style. UNIQLO however, has focused its strategy on providing consumer daily commodities. While some of its collections have actual and sophisticated products, the brand is characterized by basic garments created in a wide variety of colors.

The collections of these brands are the same worldwide. Zara modified some of them to fit better cultures and religions of different countries. The same applies to H&M and UNIQLO, which for instance, have decided to create specific collections for Muslim women.

From this first dimension it is important to notice the change in the strategy that has followed the Japanese fashion brand UNIQLO. They have gone for basic and comfortable clothing. They have changed the trend of updating collections continuously to be fashionable for a more durable fashion that keeps an own style.

7.4.2. Price

Both H&M and UNIQLO have as key principle being its clothing affordable. They offer cheap products so they can be available to any consumer. Therefore, prices remain more or less similar worldwide. In the case of UNIQLO, prices outside Japan are usually a little bit higher. As to H&M is concern, there are not notable differences between the price a garment has in Sweden or in the United States.

However, Zara's pricing strategy is completely different. In Spain, the country of origin of the company, prices are affordable for the almost all the population. This strategy is maintained in all European countries whose currency is euro. Instead, outside these countries, the brand is positioned as a luxury brand and therefore, product prices are higher. The price increase is most noticeable in Asian countries such as Japan or the United Arab Emirates.

Once again, it is clearly shown how each company follows its own strategy when setting this second dimension of the marketing mix. Zara is the one that has a greater differentiation in this regard. It positions their prices depending on the country where the product is marketed.

7.4.3. Promotion

The third dimension of marketing mix is promotion. As it is seen in the table, in this aspect there are also several differences between companies.

First, Zara does not use conventional advertising methods such as ads in television or newspapers. It uses shops as lure and for this reason they are always located in the best places of the cities: Paseo de la Castellana (Madrid), Fifth Avenue (New York City) or Champs Elyseés (Paris). It is only advertised during sales period in January and July in billboards and newspaper brief advertisements. In addition, word-mouth technique is essential to the success of this brand.

This strategy contrasts with the one that H&M and UNIQLO have. These companies are committed to traditional advertising via commercials in television, newspapers and social networks and in the case of H&M via catalogue too. These ads are often starred by big stars from the world of fashion, cinema or sports as Orlando Bloom and Charlize Theron for UNIQLO or Beyonce and Beckham for H&M:

Besides, both brands make collaborations with different designers and personalities from the world of fashion. H&M was the forefather when in 2004 it launched a collection designed by Karl Lagerfeld, head designer of the French brand Chanel. UNIQLO began them in 2009 with German Jil Sander.

On the other hand, Uniqlo has as its brand ambassador to tennis player Novak Djokovic, world's number one tennis player. His whole equipment is manufactured by the Japanese brand.

As for markdowns in price, all companies make at least two distinct sales seasons during the year, one in January and other in July. Zara usually has 15-20% markdowns in prices whereas the reduction in UNIQLO is around 20-30%.

In this aspect of the marketing mix strategy it is also clear that each brand has a different way of doing things. Zara is widely the most different compare to the other ones.

7.4.4. Place

This dimension refers to where can be found the products. It refers to both the composition of the distribution channel that it is used and logistic systems.

Both Zara and Uniqlo have vertically integrated all its processes. That is, they own from design and manufacturing of garments to the stores where they are sold. However, H&M has outsourced production, and therefore, it only owns the design and sale of products (including distribution). This idea is shown in the following scheme.

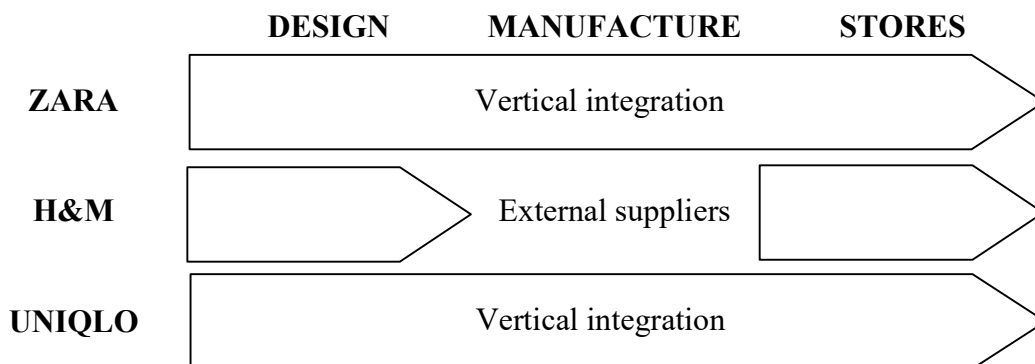


Table 9 Scheme to show the property of different stages

In the case of Zara, distribution logistics is a key success factor. All products that are sold pass through logistics platforms in Spain and from there they are spread to the world. The products are available in 24 hours in Spain and 48 hours in the rest of the world.

All companies sell their clothes both in physical stores and online. The first to open an online store was H&M in 1998 followed by UNIQLO, which did it in 2000. Zara was the last to join the internet market. It did it in 2010, but since then has continued unstoppable opening online stores worldwide. Currently, Zara is present in 30 online markets followed by H&M (23 countries) and UNIQLO (16 countries).

As for physical stores, the three brands have both company-owned and franchised stores. In the case of Zara, franchises account 13% of its stores, while UNIQLO's franchise stores are 10% of the total. H&M is the company that has more stores worldwide; even so, it is the one that less franchise stores has, just 4% of the total.

	ZARA	H&M	UNIQLO
Product	<ul style="list-style-type: none"> • 3 main categories: Women (60%), Men (20%) and Kids (20%). • These garments lines are complemented by accessories (shoes, bags, jewelry...). • Women, is sub-divided into three main categories: Zara Woman, TRF and Zara Basic. • Collections are almost the same all over the world. Some garments are different depending on the cultural or physical differences. 	<ul style="list-style-type: none"> • It has several lines: Women, Men, Kids, Divided, &Denim, Underwear and Sportswear. • These collections are supplemented with accessories (hats, jewelry, footwear and bags) and cosmetics like make up and skincare products. • H&M Home provides fashion for every room in the house. • Adaptability to other religions (Islamic fashion clothes). 	<ul style="list-style-type: none"> • It creates garments for men, women and kids. • Collections complemented with accessories and underwear. • UNIQLO sells basic items in a wide array of colors. • Heattech is the bestseller of the brand. • Heattech has been applied to products such as socks and leggings.
Price	<ul style="list-style-type: none"> • Market-based price setting. • Prices are set centrally, decided by HQ. • Each garment has a different price depending on the country where it is sold. • In Spain an affordable price is established. • In other continents, Zara is positioned as a luxury brand. 	<ul style="list-style-type: none"> • Price of its garments is cheaper than other fast fashion retailers • H&M products have a low-medium price range with an average price-point of 20€. • Value of the garment worldwide doesn't change much. 	<ul style="list-style-type: none"> • The clothes are cheap and aimed to be affordable to every consumer. • Price of certain more stylish clothes is higher. • In a new country UNIQLO uses a penetration strategy with prices slightly higher than in Japan.

<p>Promotion</p>	<ul style="list-style-type: none"> • Zara uses a pull-type strategy. • Advertising is avoided by Zara except during sales season (January, July), having 15-20% markdown on prices. • Billboards and word-of-mouth technique for advertising. • The best advertisement methods that the brand has are its stores, always located in premium places. 	<ul style="list-style-type: none"> • Each year H&M launches some big campaigns supplemented with smaller ones. • It spends around 5% of its revenues on advertising. • Large-scale promotion range: catalogue, TV commercials, billboards, in-store, social media. • Sophistication air to their advertisements; starring by singers, models or sports players. • Collaborations designing special collections (Lagerfeld, Balmain). 	<ul style="list-style-type: none"> • Each season, UNIQLO conducts promotional campaigns for core products on TV and in other media. • Markdowns are typically 20 to 30% off the regular price. • It has hired celebrities like actors Orlando Bloom to appear in commercials. • Novak Djokovic, the world's number one male tennis player, is the brand's Global Ambassador. • Collaborations with several designers (Lemaire, Jil Sander).
<p>Place</p>	<ul style="list-style-type: none"> • Vertical integration. Zara is the owner at manufacturing and retailing level. • Zara also is the owner of the distribution channels. • Logistics platforms are key components. • Franchise and company-owned stores. • Both physical and online stores (since 2010). 	<ul style="list-style-type: none"> • Owner of the distribution and retailing level, not at manufacturing level. • Franchise and company-owned stores. • Both online and physical stores (since 1998) 	<ul style="list-style-type: none"> • All the stages are vertically integrated, from design and production to retail level. • Franchise and company-owned stores. • Both physical and online stores (since 2000). • Physical stores have a premium location.

Table 10 Summary of the marketing mix strategies of each brands

CONCLUSIONS

As it has been demonstrated, fashion brands Zara, H&M and Uniqlo have completely different strategies both in the business model and in the marketing mix.

Regarding the business model, Zara has built its strategy around consumer trends and therefore, it is able to quickly adapt to the changing tastes of its customers. To this end and, as explained throughout the report, the Spanish brand has developed a very efficient supply chain that allows the marketing of new fashions as soon as the trend is created. In short, Zara's strategy is based on speed and flexibility.

UNIQLO's model is totally opposite to Zara's one. UNIQLO identifies styles with products that do not go out of fashion. That's why most garments are basic clothes produced in a variety of colors. Furthermore, these products have a manufacturing process slower than garments from Zara or H&M. This strategy has achieved incredible results and has made a clear edge over its competitors. It can be said that Japanese brand UNIQLO's strategy is characterized by timelessness and variety of colors.

H&M has a hybrid model between Zara and Uniqlo. The brand has a response time bigger than Zara does. However, trends are more present in a chain store than Uniqlo stores. The Swedish company has managed to combine a compromise between response to fashion trends and longevity, working with long-term suppliers to reduce possible risks. Summarizing, H&M's strategy is based in speed and adaptability.

The same applies to marketing strategies. Each company has a different strategy. Uniqlo and H&M have very similar strategies, except for the product they sell. Both companies maintain a low price on their products and invest heavily on advertising. Promotion strategies that they follow are also quite similar: collaborations with other designers, ads starred by worldwide known cinema or fashion celebrities, use of social networks...

Zara, however, spent little money on advertising. Its stores are the major advertising claim together with word of mouth technique, key to its expansion throughout the world. It also has a different pricing strategy depending on the country.

In short, the differences between companies can be summarized in 5 main aspects: adaptation to changing tastes, financial status, investment in advertising and presence in physical stores and online. Figure 43 shows a radial graph with the results; numbers 1,2 and 3 indicate if the dimension is poor, medium or strong for the company.

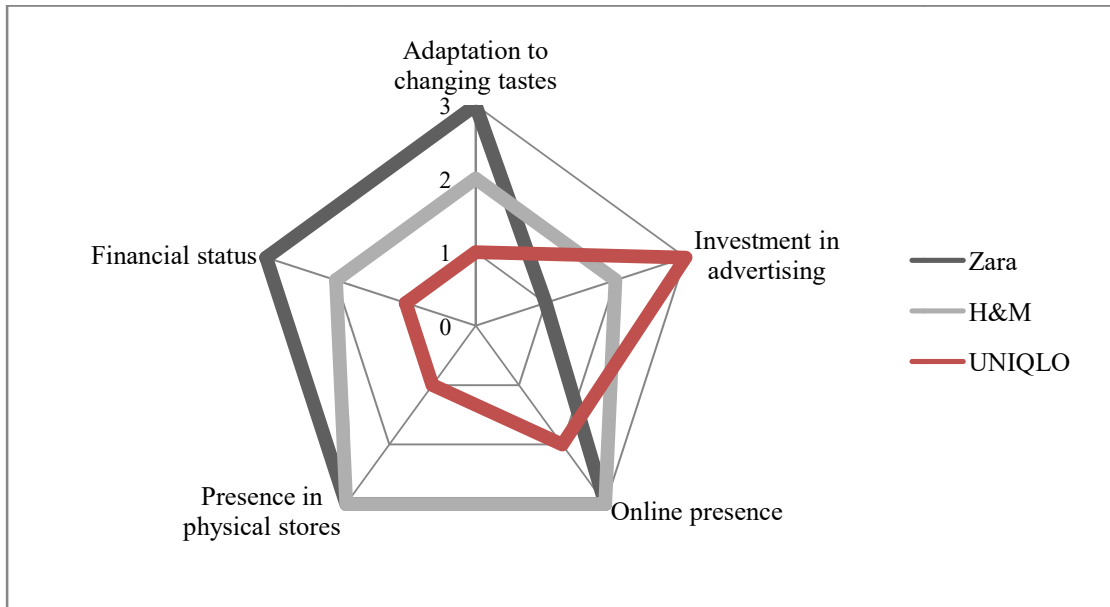


Figure 43 Summary of the main contrasts between brands

The three companies have realized that to be successful is not enough to guess the next collection. Zara, H&M and UNIQLO know that understanding customers' needs and values is the most important thing. This is observed both in the philosophy of each company and in the business model: everything is designed by customers and for customers.

To better understand the wants and needs of the client, the three companies have incorporated identification systems of preferences. The most important of the three companies is a deep understanding of the desires and needs of its customers. Thus, in the sale process, it is observed that when customers do not like a garment, the production of it stops immediately. It can also happen the other way around; a pledge of success is replenished very quickly in points of sales.

This idea about customers together with the concern aroused in the society of this kind of fashion being unsustainable has done that all companies include tools to face these criticisms in their business. The concept of "fast fashion" leads to increase in consumption and, therefore, many more waste is generated and that the production chain generates heavy pollution. In addition, for the price being affordable, products must be produced at low cost and this is not always linked to respect of working conditions and workers' rights.

"Sustainability" is one of the biggest concerns of today's society and, aware of this, the large companies studied here have introduced elements into their mission and vision to show to the consumers their commitment to preserve the planet and respect the rights of workers.

Trends in the future

Zara is reducing the expansion of physical stores while online sales continue to rise. The Spanish brand plans to prioritize major stores in key locations of major cities¹²¹. In the case of Barcelona, Zara is finalizing the enlargement of its flagship store on Passeig de Gracia.

In the case of H&M, the Swedish company will continue to open online and physical stores at a steady pace¹²². It is going to try to open more traditional shops in the city center and in shopping centers. Following the example of Barcelona, the brand is considering opening a new location on the same street as Spanish rival.

Finally, about Japanese brand UNIQLO, it could say it has everything to do. It aims to become the world's largest company outperforming its competitors Zara and H&M. Having regard to the trend showed by the economic charts, this does not seem anything crazy. The company prepares its entry into the Spanish market by opening a new store in Barcelona¹²³. The flagship store of the company will be located exactly in Passeig de Gracia.

What can we think about the future of these companies in a medium-term? Its future is tied to the buying habits of consumers, increasingly concerned about sustainability, good practices and time.

¹²¹ García, J. (2016)

¹²² Verbergt, M. (2016)

¹²³ Modaes (2016)

This last factor, in my opinion, is going to be one of the decisive factors in a medium term. Not long time ago, shopping online in Spain seemed a “crazy” thing, but today is a clearly growing market. Now the great struggle of shopping online is how to serve the product in the shortest possible time.

This immediacy in customer satisfaction, together with the development of technologies such as drones, it makes us see a future in which the customer will choose a product from home, will give a click, and he will get it in few hours. As a consequence, large companies will continue to increase sales without having physical properties.

In the case of the Asian company UNIQLO, the main challenge is the expansion to European and American market and from there, it is assumed that the acceptance of a fast and timeless fashion will also fill the void left in this segment by its other competitors, Zara and H&M. Therefore, the brand will be well received by customers. Once this step and, after a settling period, it should reach a point where the three big companies equalized virtually their results.

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