**Zara**

**Company Perspectives:**   
The Inditex Group is made up of almost a hundred companies dealing with activities related to textile design, production and distribution. Its unique management methods, based on innovation and flexibility, and its successes, have turned Inditex into one of the world's largest fashion Groups. Its vision of fashion--creativity and quality design together with a rapid response to market demands--have allowed for fast international expansion and an excellent response to its sales concept.   
  
  
**Key Dates:**   
**1963:** Amancio Ortega Gaona begins producing housecoats and lingerie in his sister's home in A Coruna, Spain, then later opens his own factory and retail stores.   
**1975:** Ortega launches a new retail format, Zara, which produces low-priced copies of popular fashions.   
**1984:** José Marie Castellano joins the company as CEO and develops a computerized systems for "instant fashions" concept.   
**1985:** The company becomes Industria de Diseño Textil S.A., or the Inditex Group.   
**1988:** The company expands internationally with the opening of a store in Oporto, Portugal.   
**1989:** The company enters the U.S. market.   
**1990:** Inditex enters the French market.   
**1991:** Pull & Bear retail format is launched and 65% of Massimo Dutti is acquired.   
**1995:** The company acquires full control of Massimo Dutti.   
**1998:** The Bershka retail format is introduced.   
**2001:** Inditex goes public on the Bolsa de Madrid.   
**2004:** The company tops 2,000 stores worldwide with plans to open more than 350 new stores during the year.   
  
  
**Company History:**

Industria de Diseño Textil S.A., also known as The Inditex Group, is one of the world's leading and fastest-growing producer and retailer of clothing fashions. Based in the small Spanish town of A Coruna, Inditex operates more than 2,000 stores worldwide under seven retail formats. The most well-known of these is the Zara chain of more than 600 clothing stores, the company's flagship, accounting for some three-quarters of the group's sales. Other retail formats include the youth-oriented Pull and Bear, the higher-end Massimo Dutti, Bershka, Stradivarius, the lingerie chain Oysho, and Zara's Home, launched in 2003 to feature home furnishings and accessories. The company has pursued an extremely aggressive expansion program, more than doubling its number of stores since 1999. In 2003 alone, the company added more than 360 stores and expects to open a similar number in 2004. Setting Inditex apart from competitors such as the Gap and H&M is its extremely short design-to-store turnaround times. The company renews its collection every two weeks, producing some 12,000 items each year from its 16 factories in Spain and elsewhere. By eliminating advertising spending, the company has avoided outsourcing its production to third-party producers, reducing its turnaround times while also maintaining a low pricing policy. Inditex is led by founder, chairman, and majority shareholder Amancio Ortega Gaona. The company, which posted sales of nearly EUR 4.6 billion ($5.1 billion) in 2003, is listed on the Bolsa de Madrid.

**Kitchen Table Designs in the 1960s**

Amancio Ortega Gaono got his start in the clothing business at the age of 13, when he went to work for a local A Coruna shirtmaker delivering the shop's goods, which included lingerie and dressing gowns. Ortega worked his way up to become an assistant manager, then shop manager, by the early 1960s. These positions gave Ortega experience not only in dealing directly with customers but also in purchasing fabrics and other materials for the shop's line of apparel.

Working out of his sister's home, Ortega began developing his own designs. One day in the early 1960s, he hit upon the formula that was to become central to the operations of Inditex: that of reproducing popular fashions using less expensive materials in order to sell high-demand clothing items at lower prices. Ortega left his job and set up in business with just 5,000 pesetas (the equivalent of $25). Legend has it that Ortega's first project was to remake a popular but expensive dressing gown. Ortega cut the pattern himself, then, with the help of his brother and sister, began producing the dressing gown at his sister's kitchen table.

Ortega's first customer was his former employer at the shirtmaker's shop. Before long, Ortega began supplying the dressing gown, as well as a growing range of housecoats and lingerie, to other clothing shops in A Coruna. By 1963, Ortega had saved up enough to open his first factory.

From manufacturing, Ortega soon turned to retail, launching an initial format for his housecoats and lingerie in the early 1970s. In 1975, however, Ortega, then 39 years old, hit upon the formula that was to bring him his biggest success. In that year, Ortega opened a new retail store called Zara, which featured low-priced lookalike products of popular, higher-end clothing fashions.

The store proved a success, and the following year Ortega incorporated his business under the name Goasam and began opening more Zara stores in Spain. Despite the stores' growing popularity, Ortega himself remained decidedly behind the scenes, avoiding the spotlight and developing a reputation for himself as a recluse--no photographs of Ortega were made publicly available until 2001.

**Computing Success in the 1980s**

By the early 1980s, Ortega had begun formulating a new type of design and distribution model. The clothing industry followed design and production processes that required long lead times, often up to six months, between the initial design of a garment and its delivery to retailers. This model effectively limited manufacturers and distributors to just two or three collections per year. Predicting consumer tastes ahead of time presented inherent difficulties, and producers and distributors faced the constant risk of becoming saddled with unsold inventory.

Ortega sought a means of breaking the model by creating what he called "instant fashions" that allowed him to quickly respond to shifts in consumer tastes and to newly emerging trends. Ortega's dream remained unfulfilled, however, until he met up with José Maria Castellano. A computer expert, Castellano had worked in Aegon Espana's information technology department before becoming chief financial officer for a Spanish subsidiary of ConAgra. Castellano joined Ortega in 1984 and set to work developing a distribution model that revolutionized the global clothing industry.

Under Castellano's computerized system, the company reduced its design to distribution process to just 10 to 15 days. Rather than placing the design burden on a single designer, the company developed its own in-house team of designers--more than 200 by the turn of the 21st century--who began developing clothes based on popular fashions, while at the same time producing the company's own designs. In this way, the team was able to respond almost immediately to emerging consumer trends as well as to the demands of the company's own customers--for instance, by adding new colors or patterns to existing designs. State-of-the-art production and warehousing procedures, as well as the installation of computerized inventory systems linking stores to the company's growing number of factories, enabled the company to avoid taking on the risk and capital outlay of developing and maintaining a large back inventory.

The leaner, more responsive company--which adopted the name of Industria de Diseño Textil S.A., or Inditex, in 1985--captured the attention of Spanish shoppers. By the end of the decade, the company had opened more than 80 Zara stores in Spain. The company's instant fashion model, which completely rotated its retail stock every two weeks, also encouraged customers to return often to its stores, with delivery day becoming known as "Z-day" in some markets. The knowledge that clothing items would not be available for very long also encouraged shoppers to make their purchases more quickly.

The success of the Zara model in Spain led Inditex to the international market at the end of the 1980s. In 1988, the company opened its first foreign store in Oporto, Portugal. The following year, Inditex moved into the United States. Success in that market remained elusive, however, and at the beginning of the 2000s, the company had opened just six U.S. stores. A more receptive market for the Zara format existed in France, which Inditex entered in 1990. The company quickly began adding new stores in major city centers throughout the country.

Through the 1990s, Inditex added a steady stream of new markets. The company entered Mexico in 1992, Greece in 1993, Belgium and Sweden in 1994, Malta in 1995, and Cyprus in 1996. In the late 1990s, Inditex stepped up the pace of its international expansion, adding Israel, Norway, Turkey, and Japan (the latter in a joint-venture with a local partner) in 1997, then, in 1998, moved into Argentina, the United Kingdom, and Venezuela. While the bulk of the group's stores remained company owned, in certain markets, such as the Middle East, starting in 1998, Inditex's expansion took place through franchise agreements with local distributors. By 2000, Inditex had added another dozen or so countries to its range of operations, including Germany, the Netherlands, and Eastern European markets including Poland.

**Multiple Retail Formats in the New Century**

At the same time as Inditex pursued its geographic expansion, it also began expanding beyond its flagship Zara retail format. The company launched the Kiddy's Class children's wear format as a subgroup of the main Zara concept in the early 1990s. In 1991, the company added an entirely new retail format, Pull & Bear, which began providing "urban" fashions. By the beginning of the 2000s, the Pull & Bear chain had grown to 300 stores in nearly 20 countries; it also produced its own offshoot format, Often, targeting the 20- to 45-year-old men's segment, in 2003.

Inditex went upscale in 1991 when it bought 65 percent of the Massimo Dutti group. Inditex took full control of Massimo Dutti in 1995 and began building it into a chain of nearly 300 stores in 23 countries. While Massimo Dutti appealed to a more sophisticated men's and women's fashions market, the company targeted the young female market in 1998 with the creation of a new format, Bershka. That retail chain quickly evolved into a network of more than 200 stores operating in 11 countries.

Inditex continued adding new formats at the turn of the 21st century. In 1999, the company acquired Stradivarius, a youth fashion chain present in nine countries. In 2001, Inditex added its lingerie format, Oysho. In 2003, Inditex moved beyond the garment trade for the first time, launching its own home furnishings concept, Zara's Home.

Meanwhile, Inditex had begun a corporate evolution as well. As Ortega approached retirement, and no members of his immediate family appeared likely to succeed him in the business, the company looked to the public market to ensure its future. In 2001, Inditex listed its stock on the Bolsa de Madrid, one of the most successful initial public offerings of the year. Ortega's sale of more than 20 percent of his holding in Inditex made him Spain's wealthiest man, with a fortune estimated to be worth more than EUR 4.6 billion.

Inditex moved to a new corporate headquarters in Arteixo, outside of A Coruna in 2000. In 2002, the company began construction on a state-of-the-art logistics center in Zaragoza. At the same time, Inditex continued adding to its array of international markets, opening stores in Luxembourg, Iceland, Ireland, Jordan, and Puerto Rico in 2001; Switzerland, Finland, El Salvador, and Singapore in 2002; and Hong Kong in 2003. By mid-2004, Inditex's global operation spanned more than 2,000 stores, and its sales had neared EUR 4.6 billion ($5.1 billion), making it one of the world's leading clothing retailers.

**Principal Divisions:** Bershka; Massimo Dutti; Zara; Kiddy's Class; Oysho; Pull & Bear; Stradivarius; Zara Home.

**Principal Competitors:** The Gap Inc.; Hennes & Mauritz AB; Benetton Group S.p.A.; Vivarte; Gruppo Coin S.p.A.; Kiabi S.A.; La Redoute; Charles Vogele Holding AG; Peek und Cloppenburg KG; Somfy International S.A.; Cortefiel SA; Mango S.A.