

International Business Strategy of fast fashion Brands (On the example of Zara)

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Abstract. With the development of social economy, the development of people's consumption concept and the acceleration of the pace of life, some international fast fashion brands in China have developed rapidly, which has greatly impacted local brands. Fast fashion brands, such as ZARA and Uniqlo, occupy a large market share in China due to their marketing strategies. Therefore, this paper analyzes the transnational operation situation of domestic fast fashion clothing enterprises and ZARA's transnational operation strategy, and puts forward suggestions on how to implement transnational operation strategy of Chinese fast fashion clothing enterprises.

Keywords: Multinational brand International business strategy fast fashion.

1. Introduction

The concept of fast fashion originated in the United States in the 1980s. It is a product-oriented way to capture the market and make profits by rapidly transforming the latest fashion designs and trends displayed in fashion shows into affordable clothing items sold in stores. Marketing is the main driver of the fast fashion industry. The purpose of marketing is to promote the fast, low cost and disposable characteristics of fashion consumption. The retail mode of fast fashion clothing can be specifically summarized as follows: the fashion with the latest fashion trends displayed in the international fashion weeks of spring, summer and autumn and winter every year should be redesigned and manufactured at the fastest speed, and the clothes containing the latest fashion elements should be sold to the mainstream consumers at a low price so as to obtain profits.

Fast fashion accurately grasps the requirements of most consumers for clothing to be both cheap and fashionable, and because it will add some imitation of luxury brand clothing in the design to look like high fashion, which fully satisfies consumers' yearning for luxury goods, so it has achieved rapid development in the last 20 to 30 years.

2. The status quo of multinational operation of Chinese apparel enterprises

2.1. Current situation of transnational operation and development of Chinese apparel enterprises

China's textile industry and manufacturing industry are relatively developed, so China's garment industry plays a vital role in China's foreign trade. At present, China's garment industry is expanding and occupies an increasing share of the market. However, more than half of these export shares are processed from imported materials, and many are processed according to patterns, trademarks and paper patterns provided by importing countries. Private label brands are only around 10 percent. Because China has no influential, own fashion clothing brands, it will be called a "apparel manufacturing power" rather than a "clothing power".

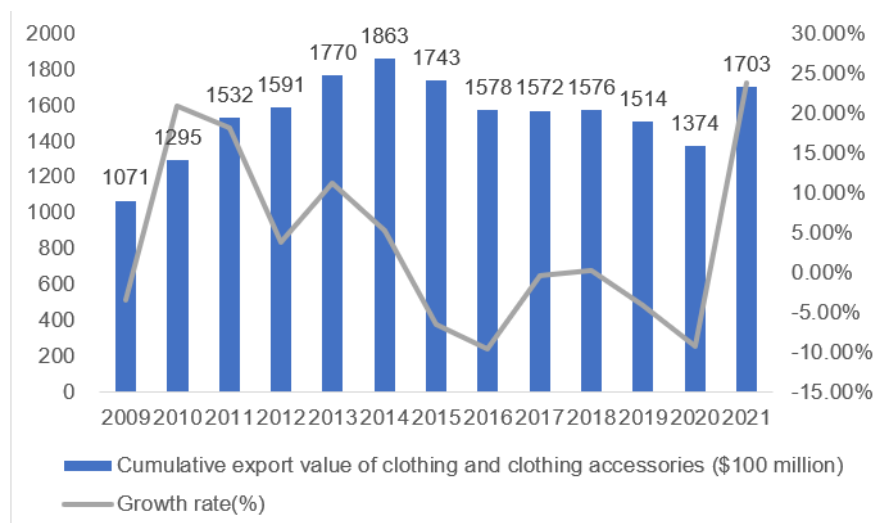


Fig. 1 Cumulative value and growth rate of China's garment exports from 2009 to 2021

The current international situation has made the internationalization process of China's fast fashion clothing enterprises difficult. Among foreign brands, LVMH, GUCCI and PRADA dominate the high-end market, while ZARA and Uniqlo in the middle and low-end market dominate the European and American markets and enter the Chinese market strongly, resulting in increasingly fierce competition. The fierce competition at home and abroad will further hinder the transnational operation of Chinese apparel enterprises.

2.2. Development advantages of Chinese garment enterprises' transnational operation

2.2.1 Abundant labor resources and huge output of fast fashion clothing

China's population ranks first in the world, and its huge population provides unique advantages for the development of China's garment manufacturing industry. As a typical labor-intensive industry, the garment industry's labor price is one of the factors of production cost. According to the report on the hourly wage level of the international garment industry, the price of labor in China ranks the lowest, reaching \$0.96 per person per hour, ranking about 50 in the world. This level is equivalent to 1/37 of Japan, 1/20 of the United States and 1/20 of South Korea.

2.2.2 A vast domestic market and ranks first in international competitiveness

China has the largest population in the world and the largest clothing consumption market in the world. The soaring economy has also brought with it an increase in purchasing power. The purchasing power of consumers in the southeast coastal area of China is relatively high, while the purchasing power of people in the northwest area is not fully developed. Therefore, China's clothing consumption market is broad, and the development potential is huge, and the development prospect of the clothing industry is relatively good.

At the same time, the competitiveness of China's garment industry is relatively strong, and the export volume is also increasing year by year. According to statistics, the ratio of export surplus of China's garment industry to the total import and export volume of fast fashion garment industry is 0.89, that is, the competitiveness coefficient of China's garment industry is 0.89, and the closer the value is to 1, the more competitive the industry is. Therefore, China's garment industry is highly competitive in the world.

2.2.3 A long national history and profound cultural deposits

Fast fashion clothing industry can show the material and spiritual civilization of human beings. China's splendid national culture of five thousand years has laid the foundation for China's clothing culture. Integrating fashion into Chinese national culture can create our original brand of "new Chinese style".

2.3. The not unique competitiveness of core competitiveness of enterprises

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2.3.1 Abundant labor resources and huge output of fast fashion clothing

Although Chinese enterprises have comparative advantages in garment manufacturing and cultural deposits, there are still many problems and deficiencies exposed in the process of transnational operation and development of Chinese garment enterprises. Analysis of their own development shortcomings, in-depth understanding of these problems, can play a role in preventing small and gradual, so as to promote the implementation of transnational business strategy more smoothly.

2.3.2 Weak innovation ability of enterprises

Most domestic production for the "OEM" and "OEM" OEM production, this model can make the garment enterprises in our country the independent innovation ability of a recession, for not understanding the international trend, at the same time, OEM will make excessive dependence on foreign enterprises in China, can't improve product design ability and the ability to develop original.

2.3.3 Lack of own brand building

China's fast fashion clothing brands are far away from foreign consumers, resulting in a very low exposure rate of the brand. Most of them are "doing clothes" for other world famous brands, with very low profits. Therefore, if Chinese apparel enterprises want to go abroad and get rid of the plight of low-end production, they must set up international famous brands, actively implement brand strategic planning and enhance their own brand building.

3. Case analysis of ZARA's transnational business strategy

3.1. Introduction to ZARA clothing brand

In recent years, as one of the world's four major fast fashion brands, ZARA has taken advantage of the trend of "fast food culture" and created a sales miracle in the clothing retail industry. Founded in 1975, ZARA has grown from a small store to more than 2,000 stores around the world. With a development history of more than 40 years, ZARA has become the first clothing company in Spain and the third in the world. The company has an extraordinary ability to capture and absorb fashion trends and put them on hangers at a low price in less than 20 days.

3.2. History of ZARA

In 1975, Amancio Ortega, a former apprentice, opened a small clothing store called ZARA in a remote town in northwestern Spain. Today, ZARA is a global fashion leader with more than 1,000 stores in over 60 countries and regions.

ZARA brand is shrouded in too much halo, some people call it "Dell computer in the fashion industry", and some people evaluate it as "Swatch watch in the fashion industry", but it is not for nothing, its beautiful financial figures are a better comment. In 2005, ZARA made a pre-tax profit of 712 million euros on global revenues of 4.4 billion euros. In a research report, Morgan Stanley forecast that ZARA's earnings per share would grow at an average annual rate of 10.9 percent through 2014, compared with 7.7 percent for the top five luxury groups, including Burberry. Thanks to ZARA's strong financial performance and growth momentum, Amancio Ortega, the founder of the brand, has seen his wealth rise along with the stock market value and was ranked the eighth richest person in the world by Forbes in 2007, with a total wealth of \$24 billion.

3.3. Analysis of the implementation of ZARA's international business strategy

3.3.1 Product strategy

3.3.1.1 More styles, less quantity, complete product structure

ZARA's product categories include men's wear, women's wear and children's wear, which has completely covered the needs of contemporary family members. Every year, ZARA will produce a large number of clothing styles, the number of up to 10,000 to 20,000, an average of at least 30 styles per day, to meet the needs of customers with new efficiency at the highest speed.

3.3.1.2 High fashion of the brand

ZARA's new product development team is composed of 200 young members with an average age of 30 in its Spanish headquarters. The team is divided into three categories: designers, marketing experts and production managers. They take inspiration from Paris Fashion Week and the catwalks, mimicking them while cutting out unnecessary luxury details for everyday wear. At the same time, to ensure new efficiency, ZARA spends less time on its own original designs and more on inspiration from imitation.

3.3.1.3 Accurate product positioning

According to market research, big cities are more sensitive to fashion, and the degree of renewal is faster, while small cities pay more attention to the practicality of clothing. Therefore, ZARA has targeted to adopt the marketing strategy of combining fashion style and basic style. In first-tier developed cities like Beijing, Shanghai, Guangzhou and Shenzhen, the stores are mainly popular fashion style and adopt the marketing mode of limited supply. In third-tier and fourth-tier cities, basic style is given priority to to meet customers' pursuit of comfort and practicality.

3.3.2 Pricing strategy

3.3.2.1 Accurate and rapid pricing

ZARA has a perfect information collection system, which determines the preliminary price of clothing based on market research and the market price of other similar products in the database. Once the price is determined, it will be directly priced according to the Gini coefficient of the country where it is sold and Spain, and then the products will be directly transported to local stores for sale, accurate and fast. ZARA implements a step-based pricing model, with the price ladder arranged from mature series, basic series to leisure series in turn. According to the pricing standards of different ranges, ZARA caters to various consumer groups.

3.3.2.2 Affordable price

ZARA's target customer group is young consumers with certain consumption power, but their income is not enough to buy luxury brands. Therefore, "fast fashion" brand perfectly conforms to this consumer group, and the design of luxury brand can be bought at a affordable price, which is exactly what contemporary urban youth yearning for fashion are pursuing. They believe that "no matter how fashionable things are, if no one consumes them, they will only be overstocked", and sell them at a price of 15% ~ 25% for designer brands, making their products affordable to customers

3.3.3 Sales channels

3.3.3.1 Perfect distribution system

ZARA has unique distribution system, unlike other clothing brands, from product design, development, production and manufacturing to distribution stage all alone, everyone strictly control the supply chain, is the world's only can finish the design in two weeks alone to sell clothing enterprises, so efficient production chain is unmatched by any a clothing company. ZARA has 22 factories, which can quickly produce according to the actual market demand, while ensuring efficiency, it can also reduce unnecessary inventory.

ZARA has more than 20,000 choice buyers, and its own designers and external designers add up to nearly 40,000 people. These designers mix in various fashion circles and gathering places of young people to get inspiration, and then imitate their designs to bring forth new ideas.

Clothing production is from India, the Far East and other places to buy cloth, and then sorting and finishing, through this way, control the cost of raw materials. However, most of ZARA's clothing is locally produced in Europe. Although the cost is much higher than outsourcing, it shortens the time, effectively reduces the overstock cost caused by inventory, and maintains a relatively stable profit.

ZARA has extremely efficient optical sorting equipment that can sort 60,000 pieces of clothing per hour, which are then packed and delivered to stores by logistics personnel. At the same time, the headquarters has also established an efficient direct distribution center, which plays the role of turnover as a hub station, and distributes the goods to the stores in the shortest time.

3.3.3.2 Implement the strategy of two-way online and offline sales channels

ZARA has physical stores in 77 countries, where consumers can make offline purchases and experience real products and services. At the same time, Zara can also choose to shop online. The group has opened 22 online shopping platforms to meet the preferences of consumers who like to shop online.

3.3.3.3 Promotion strategy

ZARA is unique in its sales promotion, generally offering discounts only at the end of the season and the end of the year, and the number of items on sale is only one fifth of the total, while other clothing stores can reach more than one third. ZARA's unique marketing methods lies in its storefront location, will choose as far as possible at the heart of the prime locations, usually chosen by the international luxury brands, through this way to set up lofty brand image in people's heart, plus in the design of the store, adopt the decoration style of be born glass window and atmosphere, virtually to consumers set up the first-class brand image. Follow the fashion trend, the pursuit of fashion, the speed of update is very fast.

3.4. "Xinjiang cotton" negative case

In order to "make China out of Xinjiang" with the concept of "forced labor", the anti-China forces made every effort to slander and suppress Chinese cotton enterprises by issuing reports, holding hearings and other tricks, and also pressured Nike, Adidas and other well-known European and American enterprises to cooperate with their performances, including Inditex, the parent company of Spanish fashion brand Zara. The company once published a statement on its official website that it has "zero tolerance for forced labor", saying that the company confirms that it has no business ties with any enterprises in Xinjiang.

After the outbreak of Xinjiang cotton incident, the member brands of BCI led by H&M, such as "Street Rat", suffered a dismal business in the regional market of China, Zara was also hit hard, while UR, also a domestic fast fashion brand, enjoyed a strong momentum and a bullish market performance.

However, Inditex appears to have quietly removed the statement from its website. The statement has now disappeared from both the English and Spanish pages of Inditex's website. The statement was still on Inditex's website at least until 10:08 GMT on March 24, according to a Google snapshot.

Today's China is a different place, and consumer awareness is growing. "With frequent overseas travel and expanding horizons, a new generation of young Chinese consumers is emerging from being offended and unaware, and is becoming able to identify injustices in social marketing and speak out through social media," Yu said. For overseas brands to truly crack the Chinese market, they also need to truly integrate into and respect the Chinese market. Only by treating consumers more delicately, thoughtfully and equally can they maintain and consolidate their brand image and continue to occupy a place in the Chinese market."

4. Inspiration for the transnational operation of Chinese fast fashion clothing enterprises

This farce has a very profound educational significance for international brands. It is time for international brands to reflect on and correct themselves. But it also shows that the Chinese consumer market is becoming more and more rational, domestic brands continue to mature, the rise of the national trend, consumers before the brand worship foreign and foreign consumption mentality is also changing. Although the momentum is good, but the domestic brand must be in peace, cherish the present historical opportunity, do not let the "national tide" become "national scene". In today, the domestic brand to do a good job stronger, must do the following things.

4.1. Stand in the perspective of customers, improve the shopping experience

Shopping guides in clothing stores in China are more cajoling services, which will give consumers a very uncomfortable shopping experience. We can imitate the shopping experience of ZARA, first of all, the location of the stores is generally located in busy streets, usually close to international luxury brands. Secondly, the store decoration has a sense of design and adopts the prevailing light luxury style, which gives customers a good visual impression and attracts customers to stay and visit the store. Each store has a large fitting room where customers can choose clothes to try on independently. This kind of inductive service, rather than cajoling, is lacking in the fast fashion market in China. From the perspective of customers, the shopping experience can be improved.

4.2. Improve marketing products

In order to provide standardized quality products, it becomes important to control the technology and production of fast fashion clothing processing plants. Although ZARA releases tens of thousands of clothing styles each year, each item only has 12 pieces, including five sizes of clothing, this "less is more" hunger marketing measures, which is very good to stimulate consumers' desire to buy. In China's fast fashion consumer market, we should find marketing measures in line with our own brand, organize relevant personnel to conduct market research, and then formulate reasonable prices and marketing means according to the needs of target consumers to improve the purchase volume, so as to speed up the recovery of funds and expand the reproduction of enterprises.

4.3. Do well in brand construction and development

Domestic fast fashion apparel companies have ambiguous positioning in terms of product positioning and trends. For example, Sime Semak and Metersbonwe, which were popular in the country before, have started the trend of casual fast fashion clothing in China. Domestic fast fashion clothing companies have copied and imitated a lot without considering the product style and market positioning of their own brands. At the same time, regional agents and joint ventures participate in the market too early, which leads to problems in the operation and management of agents, damage to brand image and gradual loss of market.

At present, China's fast fashion clothing industry has gradually shifted from volume expansion to brand building. Brand enterprises need to do a good job in brand construction and development, establish the brand image in the minds of consumers and the company's brand connotation, feel the information conveyed by the brand, so that consumers will have a corresponding impression when they see the brand. For example, Uniqlo represents simple and versatile, while ZARA is a fashion pioneer.

4.4. Modern marketing

In the development of commodity marketing, it is very important to transform the audience into communicators, influencers and even customers. Most Chinese enterprises use traditional marketing, the marketing cost is high but the efficiency is general, the company can not adjust the marketing strategy flexibly. ZARA's social network marketing can not only enhance user interaction on the

Internet, but also make users more likely to get coupons to spend in brick-and-mortar stores in a new way, which helps increase sales in offline stores. Domestic fast fashion apparel companies should actively implement modern marketing such as social networks, pay attention to consumer experience, and increase the interaction between customers and brands.

5. Summary

This paper first retrospects the history of the transnational operation of China's garment industry, discusses the current situation and problems of the transnational operation of China's garment industry, and finally puts forward the countermeasures for the transformation and upgrading of garment enterprises and the transnational operation. In short, it is true that China is a big country in garment production and manufacturing, but on the whole, the level of the garment industry is low and there is a lack of clothing brands with high added value. Domestic clothing enterprises urgently need to create a popular market, influential and innovative competitive clothing brand. From Uniqlo, H&M, ZARA and other clothing brands, there are many experiences worth learning for Chinese enterprises, especially in the aspect of marketing strategy. Only by drawing excellent experience and seeing their own shortcomings can we promote the better development of China's clothing industry.

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