

2012

Zara Strategic Marketing Plan

MBA-USQ 11: MKT5000

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Summary of Zara current market situation

Zara is a publicly listed company and belongs to the Inditex Group, founded by Amancio Ortega in 1975 in Spain. Zara always continues to bring excitement to fashion and fulfils customer demands. Currently Zara has 1,600 stores in 77 countries and continues to force its logistics system to complete stock rotation every 15 days. Zara needs 14 days to develop a new product and deliver it to stores and launches around 10'000 new designs each year.

Zara is moving forward with its successful entry into the digital world and continues to expand and manage its online presence: over a million daily web site visits and more than 14 million Facebook fans. The online expanding strategy in international key markets as the U.S. and China is one of the hot topics.

Zara's online shops feature all major functions, although does not correspond with Zara's local presentation (prestige image), even more a bit disappointing, especially compared with H&M's creative way to convey fashion online with the dress room function, moreover, by saving outfits or share on Facebook, Twitter, send a link or e-mail. Online expenditure in sales not only increases the economical profit, it boosts the online ranking worldwide and creates an added value of the brand.

The aim of this report is to build a strategic marketing plan for the online shop.

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1 Marketing Plan Objectives



Figure 1: Marketing Objectives

The purpose of this marketing plan is to describe on a specific way how Zara can address the expenditure on global online sales by providing a customer friendly shop portal, which allows an easy ordering process and an cost-effective shipping and return method.

The key of this strategy is based on every single customer who had a satisfied experience by purchasing fashion online and who wants to repeat online shopping.

Furthermore, it's not all about increasing the economical profit; moreover to create an added value of Zara's brand as an intangible asset.

1.1 Market Share Objectives

Based on our marketing audit, we identified H & M as an online benchmark for comparison purpose; therefore we included it in our target setting. The targets have to be achieved between the next 24 months and will be measurable by the Alexa online report.

We selected the traffic ranking as a market share objective in spite of the fact that Zara's ranked positioning has an impact on brand value and which can be measured as an indicator of the global market share.

The market share objective has to be improved from the current global ranking position of 1'498 to the **rank of 1'000**.

The estimated percentage of global internet users who visit zara.com is defined as an additional objective for the reason that it can be broken down into regions for measuring purpose. It will be defined on regional level, which will help to identify the local market issues.

The daily reach (percentage) of global internet users has to be increased from 0.067% **to 0.1%**.



Figure 2: Daily Traffic Rank Trend of Alexa

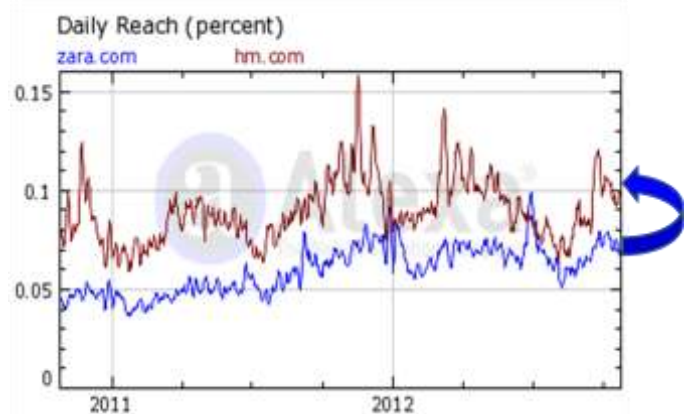


Figure 3: Daily Reach (percent) of Alexa

1.2 Financial Objectives

Regarding the financial objectives we defined merely the sales as a key performance indicator because of the low-budget investments of online sales compared to the expensive flagship stores.

The financial objectives are based on the first half year of 2012 on global level and presented a positive trend in sales of +17% compared to 2011. Our estimated share on online sales was in the first half year of 2011 approx. 5% and rose in the first half year of 2012 to approx. 6%.

| Inditex Sales (million euros) | 1H 2012 | 1H 2011 | % Change 12/11 |
|----------------------------------|---------|---------|-------------------|
| Sales (press release) | 7,239 | 6,209 | +17% |
| Online Sales (estimated) | 434 | 310 | +40% |

Table 1: Inditex's Press release 19.09.2012

In consideration of Zara's proportional sales share of approx. 65% on Inditex sales based on the financial statement 2011, we considered it in our objective. For the online sales calculation of the second part 2012 we estimated 6% of sales and will extrapolate up to 7% sales by the end of 2013.

In consideration of Zara's newly launched online shop in China on the 5th of September 2012 (Inditex press release 2012) we are estimating a significant increase in online sales. The level of ambition will be defined in **EUR 840m** by the end of 2013.

| Zara Sales Target (million euros) | 2H 2012 | 2H 2013 | % Change 13/12 |
|---|---------|------------|-------------------|
| Zara's total Sales by aprox. 65% of Inditex Sales | 10,000 | 11,500 | +15% |
| Online Sales (estimated) | 600 | 840 | +40% |

Table 2: Financial Objectives

The online shop strategy has to be extended by online channels, media and social network to reach not only Zara's customers, moreover to attract new customers around the world and to create brand awareness.

1.3 Sustainable Responsibility Objectives

Through its business model, Zara wants to help the sustainable developments of the society and the environment in which it interacts. This commitment to is a part of the Inditex group corporate social responsibility policy.

A new strategy for a sustainable business will be to create a product line for a charity purpose, financed by its sales turnover. As a side effect this will create an additionally brand awareness and highlight Zara's sustainable responsibility.



Figure 4: Charity collection

2 Marketing Plan Strategy

Zara's target customers are interested in high fashion and want to be up to date with the latest fashion trends, but are not able to afford clothes and accessories from the couture and high end boutiques, which influences the online marketing strategy.

2.1 Selection of Target Market

One of the target markets will be China, currently 3.2% visitors by country for Zara.com and based on the GDP growth in Asia, it will increase. The market target defined by the visitors from China has to achieve 8% by end of 2013.



Figure 5: Visitors by Country for Zara.com

By considering the google.com and facebook.com as the major up- and downstream on zara.com page, it presents a more specific online target market from search engine or social media. On one hand, the upstream visitors from Google and Facebook have to achieve 10% and on the other hand, the downstream to H&M of 2% has to be reduced to 1.5% by end of 2013.



Figure 6: Up- and downstream site of zara.com

2.2 Positioning in Target Market

Zara's goal will be to provide its customers with trendy and high fashion products at lower prices to accommodate their requirements.

2.2.1 Specialization

Zara is specialized on the complete stock rotation every 15 days, high development of new designs in only 14 days and launches around 10'000 new products each year. The online shop has to be improved in functionality, process handling, shipping and return service. First the presentation of the shop has to be developed in multi functionality as well with dress room option. Furthermore it needs a more fancy look by multi-functionality and in addition i-Phone and i-Pad applications.

2.2.2 Differentiation

Zara's differentiation and competitive advantage is dominated by cost-prize leadership, fast rollover of new products and strong branding. Because of the advantage of Zara's strong brand it is inalienable to define a life style spirit by generating Zara's world on social media. Zara's outstanding range of fancy, trendy products needs to be reflected over social media. For example a Facebook contest where a customer can win a photo shooting with Zara. Every customer of Zara can be starlet and appear as a shooting star for social media campaign. The USP has to be developed into Zara's world where every customer can be a star.

2.2.3 Segmentation

Zara's segmentation of customers who are most appreciated is on a demographic point of view, a female women up to 35 years of age, who prioritize fashion as lifestyle, who earns up to \$60k per year and graduated school. Furthermore, on psychographic aspect Zara's customers are ambitions and want to demonstrate it by fancy trends, have dreams in life and want to look as a V.I.P.

2.2.4 Concentration

Zara's is focused on new product launches and global expenditures. On a global online sales strategy, the investment could be held on a lower-budget; however, the logistics and the supply chains must be build into the e-commerce strategy. The implementation of social media such as Facebook, Youtube etc. is also necessary to reach the ideal Zara customer worldwide.

3 Marketing Plan Mix



Figure 7: Zara Marketing Mix

3.1 Promotion of the Online Shop

In the competitive clothing industry, Zara has successfully built a worldwide famous brand by a unique management system of design, production and supply chains. The "fast fashion" concept and operation allow Zara to always provide the most fashionable clothes to their customers and the always renewing collections definitely help build a brand loyalty.

Zara is focussing on internet online marketing opportunities such as e-commerce strategy and social media to promote traffic on Zara.com as well as attracting visitors to the online shop. From the original focus on the central European market Zara is expanding to the Asian market.

3.2 Price

Zara is providing fashion for people with a lower income, therefore the prices are very reasonably that everybody can afford it. Cost effectively influences also the supply chain management which requires a fast decision making process.

3.3 Place / Distribution

The constant flow of updated data mitigates the so-called bullwhip effect—the tendency of supply chains to amplify small disturbances. A small change in retail orders, for example, can result in wide fluctuations of factory orders after it's transmitted through wholesalers and distributors. In an industry that traditionally allows retailers to change a maximum of 20 percent of their orders once the season has started, Zara lets them adjust 40 to 50 percent. In this way, Zara avoids costly overproduction and the subsequent sales and discounting prevalent

in the industry. However, it will not allow having all products online. The decision making process, of which products will be distributed online, needs to be defined up front. The supply chain has to evaluate the stock availability by forecasting sales and consider the needed production capacity.

Another important point is the shipment process to the customers and the return handling process. As a high priority, the shipment costs have to be above a minimum ordering volume free and the return guarantee has to be customer friendly oriented. An additional service for express (24 hours) delivery, which will be charged correspondently, must be installed in addition.

3.4 Product

Zara's position in the affordable fashion industry clearly states it's not a luxury brand. The target customers are eager to purchase fancy fashion while still sensitive to the prices. They want to be different and unique. The most important thing is (instead of more quantities per style) that Zara produces more quantities of styles. Zara will also consider new product and develop features such as a product line for a charity or VIP presents in its collection.

4 Marketing Research

Zara's research teams constantly monitor external developments by attending as consumers on catwalks, at airports, shopping areas, sport events, movies and other events. The team, which consists of passionate designers, experienced market specialists and production planners, are able to annually create approximately 40'000 new designs of which about 10'000 are so quickly selected and put into production.

5 Budget and Revenue Statements

The budget in sales will be broken down for each region by a specific marketing plan for regional purpose. The marketing expenditure budget for end of 2012 is estimated by EUR 48m and for the end of 2013 by ERU 60m. It includes IT development, maintenance of the online shop, social media advertisement and customer research.

| Online Budget (million euros) | 2H 2012 | 2H 2013 |
|----------------------------------|---------|---------|
| Sales budget | 600 | 840 |
| Marketing budget | 50 | 60 |

Table 3: Online Budget

6 Implementation Plan

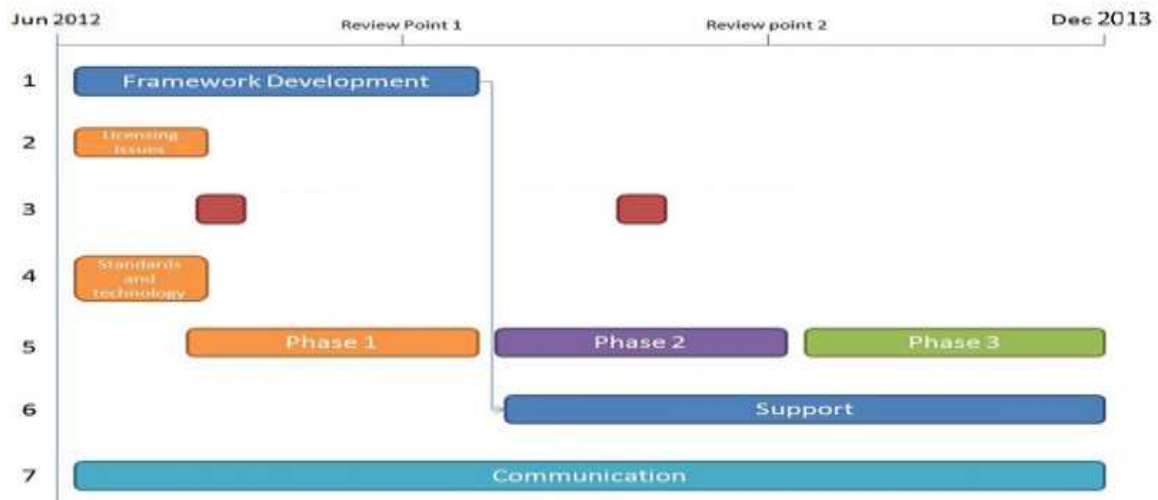


Figure 8: Zara Implementation plan

By starting with the redesign of the online shop, the first project will be the framework development on the e-commerce strategy by the end of year 2012. The second / fourth step includes the licence issuing / IT standards on global immigration. The third step includes hiring new staff to support the marketing team.

The fifth step includes the new online shop implementation itself, the first phase will consider the project evaluation by the end of 2012, the second phase will implement the redesigned IT setups offline by mid of 2013 and the third phase will release the new redesigned online shop by end of 2013. In addition, the sixth step will consider the project support by beginning of 2013 and hiring of new staff to the team.

Step seven, which is the communication ongoing over the complete implementation phase, is based on a weekly meeting.

7 Metrics and Controls

The implementation will be monitored on a monthly reporting and forecasting. The global budget is broken down by region, so that the cost allocation and resources can be evaluated in details. On a weekly meeting the project will be discussed with the regional marketing leaders. On a monthly reporting meeting the results will be analysed and necessary steps will be taken in the headquarter.

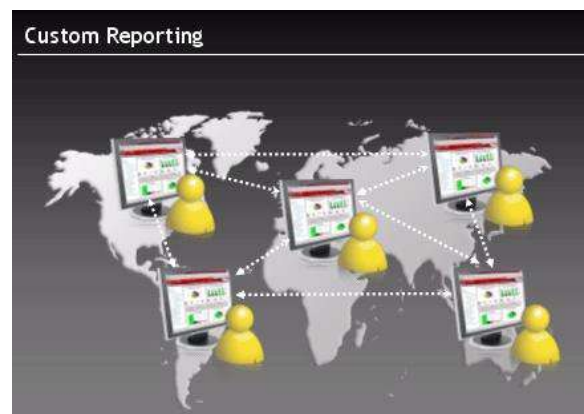


Figure 9: Zara Marketing Controlling

8 Contingency Plan

The transparency on online marketing generates problems of visibility to the competition. The risk of IT collapse is covered on a global backup system, however there is still a risk of new technology, were we have to define a new IT structure to cover the markets and customer needs.

9 List of References

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Wikipedia list of countries by real GDP growth rate

http://en.wikipedia.org/wiki/List_of_countries_by_real_GDP_growth_rate

World Economic Outlook Update June 2012

<http://www.imf.org/external/pubs/ft/weo/2012/update/02/index.htm>

Zara website <http://www.zara.com/webapp/wcs/stores/servlet/home/ch/de>

10 Appendix

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10.3 Online Shopping Customer Experience Study

Online Shopping Industry Snapshot

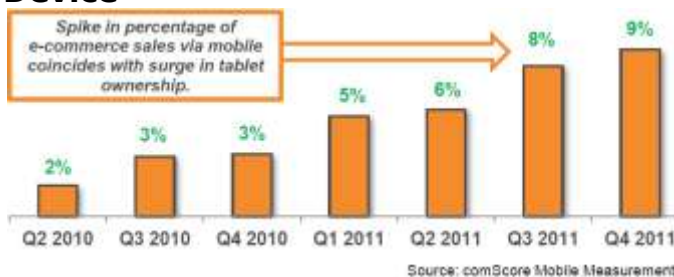
About 75 million people, or one-third of the total Internet population, buy goods online to be shipped to them over the course of a quarter. Of those, about one-third make 1 transaction and half make 1-2 transactions. About a quarter make 3-5 purchases, and the other quarter make 6 or more.

Total U.S. Internet Population – Purchasers of Shippable Goods



Source: comScore e-Commerce Measurement

Percentage of Total e-Commerce Dollars Spent via Mobile or Tablet Device



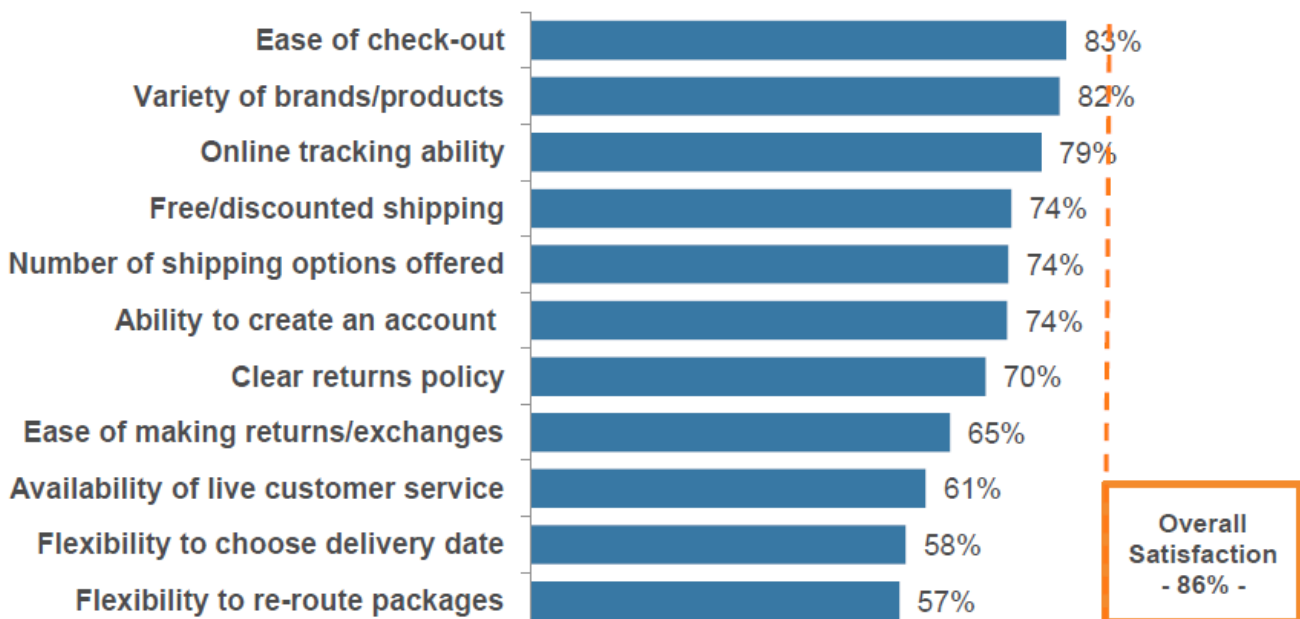
Source: comScore Mobile Measurement

Mobile and tablet e-commerce has exploded in the past year. At the end of 2010, mobile e-commerce was 3% of total e-commerce. Just a year later, mobile e-commerce was 9% of e-commerce. Retailers must move quickly to adopt these new platforms to meet the evolving expectations of savvy consumers.

Online Shopping Experience and Satisfaction

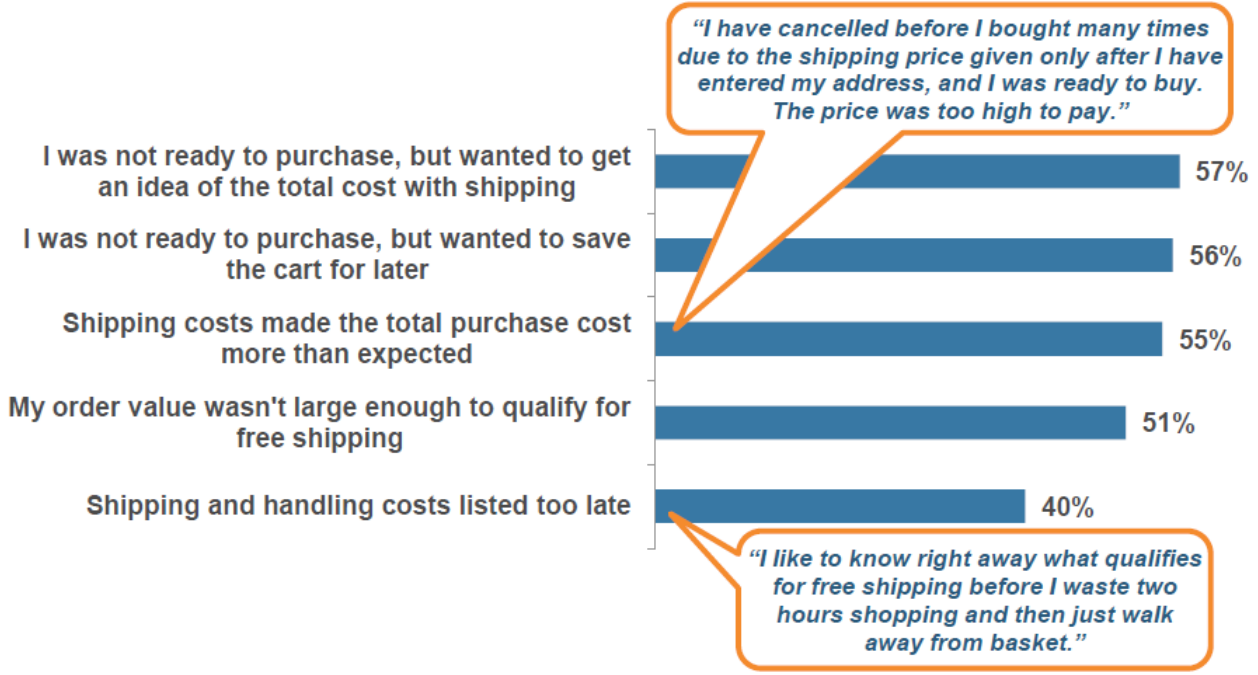
Consumer satisfaction with online shopping overall is high, at 86%. Online shoppers are most satisfied with ease of check-out (83%), variety of brands/products (82%), and online tracking ability (79%). Online shoppers are least satisfied with flexibility of shipping, including flexibility to choose delivery date (58%) and re-route packages (57%), and the ease of making returns and exchanges (65%). In addition to ease of making returns and exchanges, there is also room to improve customer satisfaction by having a clear returns policy. Logistics services can directly impact 6 out of 11 of the aspects that influence a customer's shopping experience.

Satisfaction with Aspects of Online Shipping Experiences



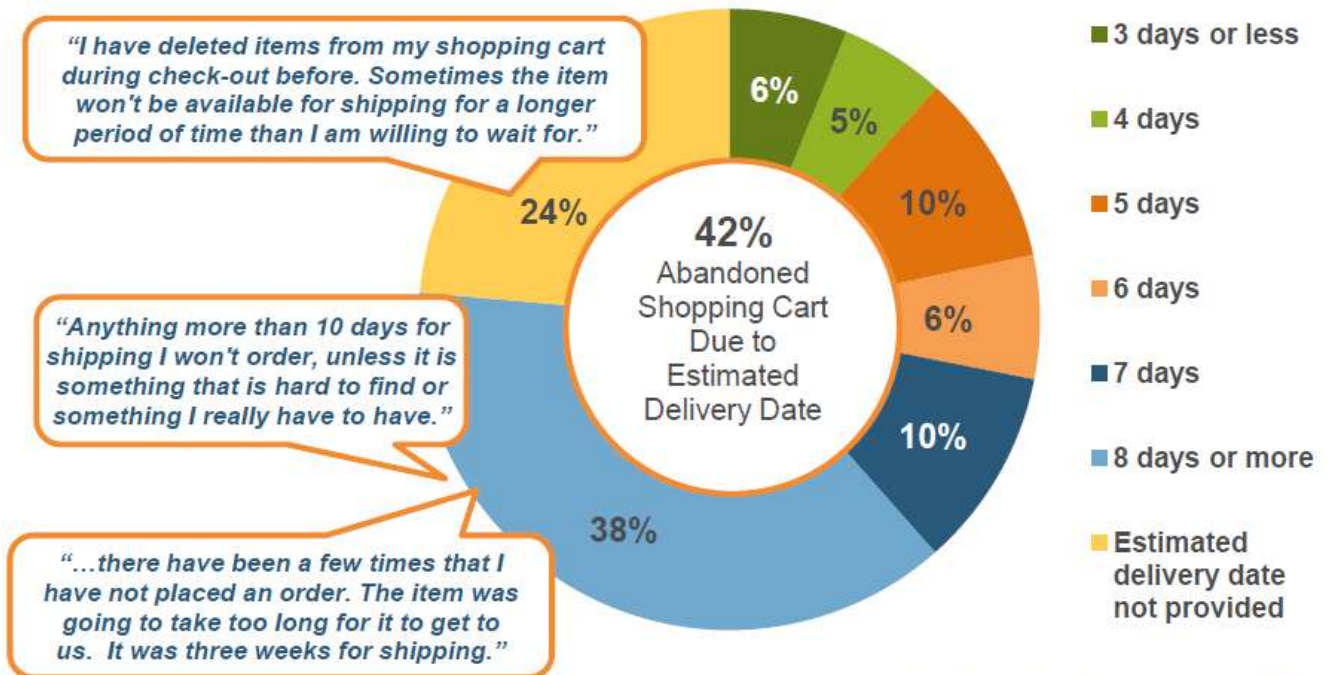
Base= Total Respondents (n=3,128)

Reasons for Abandoning Shopping Cart



Base= Respondents that have abandoned their cart (n=2,625)

Estimated Delivery Time Provided (of those who abandoned their cart due to delivery date)



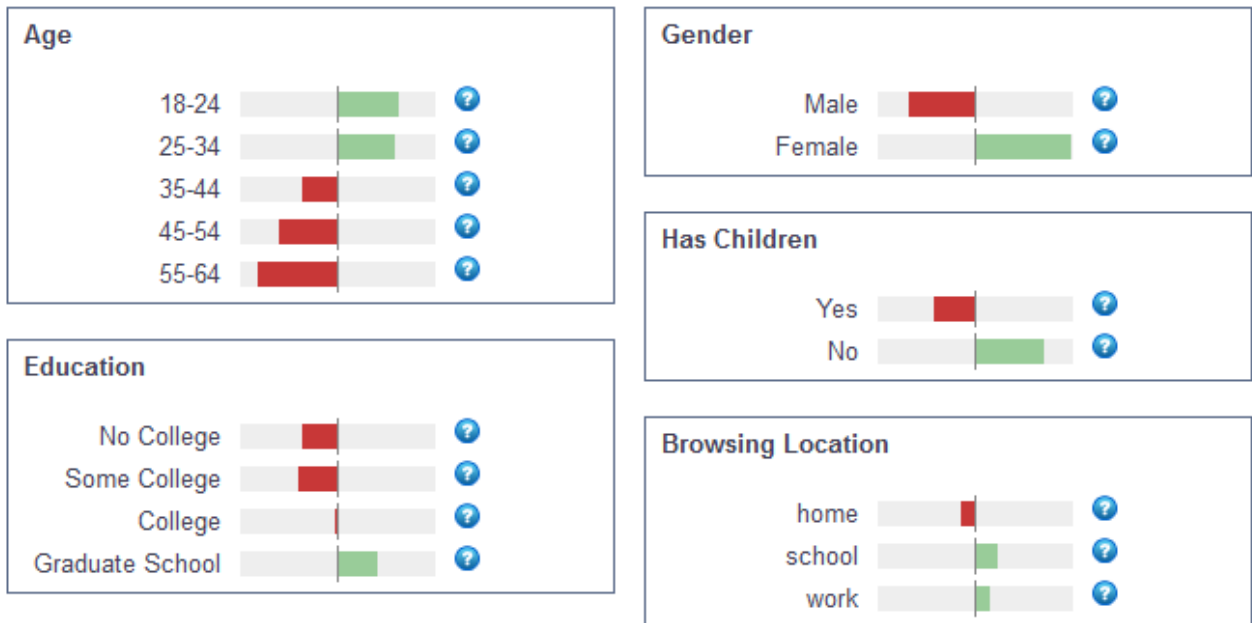
Base=Total Respondents (n=3,128)/Respondents that abandoned due to delivery date (n=1,331)

10.4 Alexa Online Research

Alexa, August 2012. (online research outline)

Audience Demographics for Zara.com

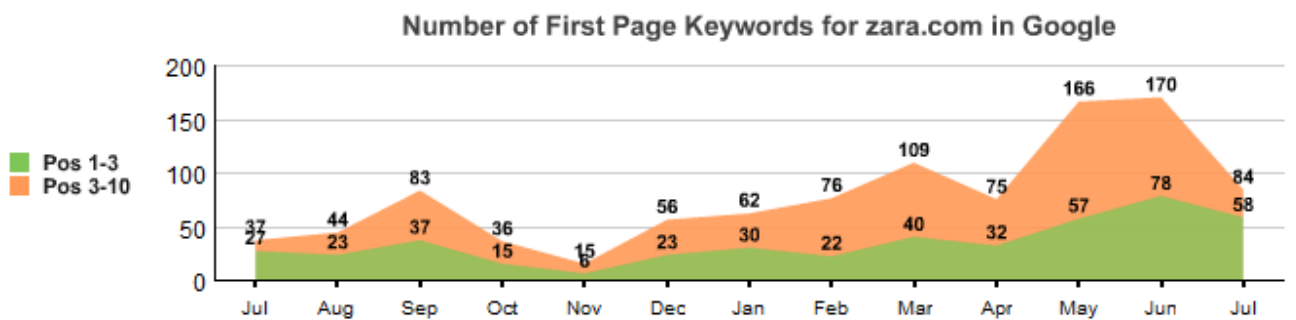
Relative to the general internet population how popular is zara.com with each audience below?



Advanced Demographics for zara.com

Audience breakdown by income, ethnicity, age, education, gender, children and browsing location.

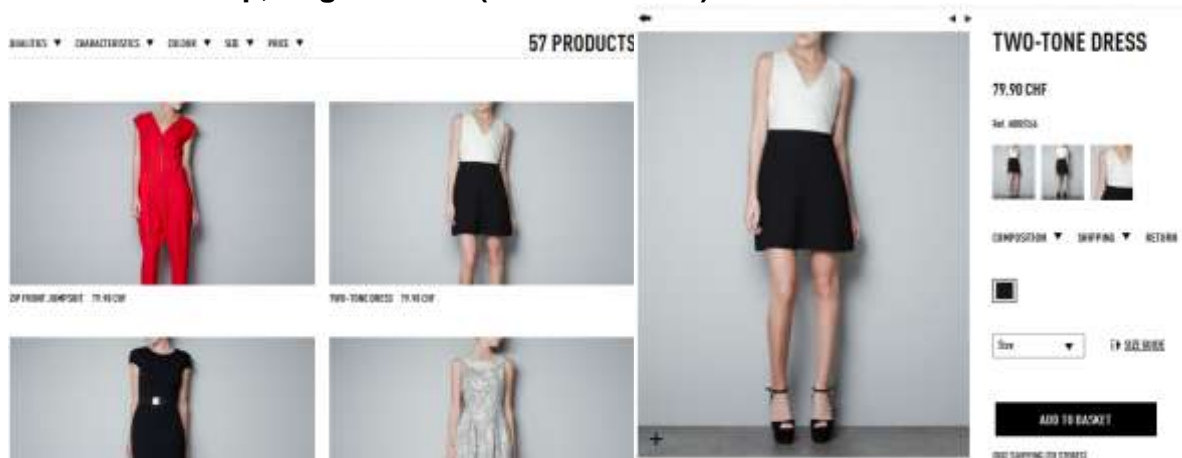
Figures 1) Appendix III)



Figures 2) Appendix III)

10.5 Zara Online Shop

Zara Online-Shop, August 2012. (outfit research)



| | | | | | | |
|---------------------------|---|-----------|----|---|-------------------------------|---|
| | STUCCO MID-HEEL ANKLE BOOTS Ref: 15118/151/15703 | SAND | 30 | 1 | 118.80 CHF | X |
| | RACER BACK DRESS Ref: 07712/054/42002 | DEEP BLUE | 3 | 1 | 79.90 CHF | X |
| | ROBOTS DRESS Ref: 07521/044/25102 | OFF WHITE | 3 | 1 | 98.90 CHF | X |
| Total products: | | | | | 1,015.70 CHF | |
| Estimated shipping costs: | | | | | 8.80 CHF | |
| TOTAL | | | | | 1,015.70 CHF | |
| | | | | | <small>* VAT included</small> | |

PROCESS ORDER

1. SHIPPING 2. PAYMENT

SHIPPING METHOD.

- Pick-up in store: In the store of your choice in 4-6 working days. Free
- Standard: In 4-6 working days. 7.95 CHF
- Express: In 2-3 working days. 17.95 CHF

INVOICE ADDRESS

SHIPPING ADDRESS

13. EXCHANGES/RETURNS POLICY

Returns in the exercise of the right to cancel your purchase

General policy: If You wish to cancel the Contract within the period specified in Clause 7 above, You can make a return to us at any of the ZARA stores in your country or by giving the products to the courier arranged by us. You should send the product in the same package received by following the directions on the "RETURNS" section of our website. You should contact us through our web form to arrange for the product to be collected at your home address. Neither option will entail any additional cost to You. You

7. YOUR RIGHTS TO CANCEL "COOLING OFF".

If You are contracting as a consumer, You may cancel a Contract at any time within 3 days, as of the confirmation of the dispatch of your order. In this case, You shall receive a full refund of the price paid for the products in accordance with our Returns Policy (see below Clause 13).