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The Big 3: Fast Fashion (SPA) Brands and Strategies



- ·Fast-catching fashion trend
- ·Efficient inventory management



- ·Heattech, AIRism
- ·Concentrating on development of high utility fabrics
- ·Relies on long-term trend



- ·80 % of products produced in advance
- ·Effective use of 700 partner companies

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Comparative table of 3 major global SPA brands

Brand	ZARA	UNIQLO	H&M
Mother Company	Inditex	Fast Retailing Apparel	H&M Hennes &
		Co.	Mauritz AB
Home Country	Spain (1975)	Japan (1984)	Sweden (1947)
(Founding Year)			
Sales	\$21.6 B	\$9.1 B	\$18.8 B
	(as of 1/31/13)	(as of 8/31/12)	(as of 11/30/12)
Stores	6,009 stores around	2,222 stores around	2,800 stores around
	the world –Inclusive	the world – Inclusive	the world
	other brands such as	other brands such as	
	Bershka, Pull&Bear,	GU, Theory,	
	Stradivarius, Massimo	Princesse Tam.Tam	
	Dutti and Oysho		
Trend Analysis	*80% of its designers	*Focus on material	*Utilize global
	involved in designer	development instead	fashion trend
	collection	of fashion trends	forecaster such as
	*20% involved in		WGSN
	street & celebrities		
	fashion		
SCM – Supply	*Secure fabrics in	*Secure fabrics in	*No company-owned
Chain Management	advance	advance	factories
	*14 company-owned	*No company-owned	*Partner companies
	factories	factories	secure fabric and
			produce
Store Management	*Unified VMD	*Grant priority over	*Locally customized
	*Headquarter	franchise license to	VMD
	distributes VMD	well-performed store	*Wait until available
	manual twice a month	manager	for the best store
			location

^{**}Sources: Sales and number of stores are based on annual report of each company, and Business Week. VMD: Visual Merchandising Display

Introduction

It is the heyday of fast fashion (SPA: Specialty retailer of Private label Apparel). Past clothing companies forecast fashion trend by sending their designers to fashion shows twice a year, and they spent 9 months to a year to design and produce clothing for the following year. In contrast, SPA brands are introducing clothing items that embody the latest trends at affordable prices on a weekly basis. The three leading global SPA brands are Zara, Uniqlo, and H&M (Big 3). Although the Big 3 companies are constantly competing with one another in sales, brand recognition, and market share, each employs distinct and unique strategies. Despite the differences in each company's approach to providing the trendiest clothing to consumers, fashion

trend analysis, supply chain management (SCM), and store operations are at the core of the Big 3's strategies. This report analyzes and compares the core strategies utilized by the Big 3.

ZARA

Zara of Spain best fits the general definition of SPA. Zara has over 1,900 stores worldwide (6,009 stores if Pull & Bear, Bershka and other brands are included) and introduces minimum two newly-designed items per week – 10,000 new items in a year. Only 15–20% of Zara's total production is pre-made while 80-85% is produced according to the market reaction.

This is perhaps the reason why Zara is the most responsive to fashion trend among the Big 3. Due to high inventory turnover ratio, consumers may not find on Zara floors the items that they have seen in the previous week. Of course, Zara undoubtedly uses this tactic as a marketing tool to attract consumers.

Zara employs 80 designers, of which 80% concentrate on runway designer collections and 20% on analyzing up-to-the-minute street and celebrity fashions. In addition, product managers and store managers share consumers' responses every week. It takes Zara merely three weeks to pick out a trend and move onto production.

To minimize cost, Zara secures fabric in advance while delaying the finalized design as long as possible. Then, the prepared fabrics are processed in its own 14 cutting-edge facilities in Spain. By owning its production factories, Zara has eliminated the need to rely on other companies while keeping the production process flexible. Next, the finishing touches are made in over 300 facilities in countries such as Portugal.

The last factor which contributes to Zara's success is its store presentation. Each store is identical to the others regardless of location. This uniformity is achieved through distribution of instruction manuals every two weeks and strict enforcement of the Visual Merchandising Display (VMD) in each store.

UNIQLO

Japan's Uniqlo deploys a completely different strategy from Zara. Some argue that Uniqlo is not an SPA brand because of its commitment to developing long-lasting clothing items. Uniqlo is not sensitive to trends in fashion. Instead, it puts much efforts in establishing time-enduring trends. Rather than working on short term fashion trends, Uniqlo's strategy revolves around developing unique fabrics which last for a long time. "Airism" in summer and "Heattech" in winter seasons best represent Uniqlo's philosophy of ingenuity and originality. Contrast to

Zara's lavish one-piece dresses, Uniqlo produces jeans, under garments, jackets, and children's clothes that are casual but are of high quality.

Uniqlo's designers work as project teams to develop new fabrics before studying fashion trends. Once the laboratory develops a new fabric, designers in Tokyo, New York, Paris, and Milano begin to make designs that fit the new fabric. The time it takes from development of fabric to product distribution is inevitably longer than competing SPA companies. Producing large quantities of a handful, selected items is definitely an advantage, however, because of cost reduction.

Uniqlo secures its fabric in advance by developing new materials in cooperation with partnering companies. Since Uniqlo does not operate its own production factories, 90% of its overall production comes from China.

For store locations, Uniqlo actively searches for areas with high potentials. By awarding high-achieving store managers with priority right in opening new franchise stores, Uniqlo successfully retains its employees.

H & M

H&M of Sweden uses strategies which are a mixture of Zara's and Uniqlo's methods. H&M produces 80% of its clothes in advance and introduces remaining 20% based on the most current market trend. H&M offers trendy clothes similar to Zara's, but it also offers diversified items on children and accessories like Uniqlo. Hence, H&M is considered a hybrid of Zara and Uniqlo.

H&M tends to rely on outsourcing from design to production. Although H&M's core operation relies on its designers, creative directors, and pattern makers to stay on top of the latest trends, it also uses the services of fashion trend forecast companies such as Worth Global Styles Network (WGSN).

The most prominent characteristic of H&M is its ability to operate efficiently with partner companies. H&M utilizes over 700 partner companies in over 20 different countries as if they are its own. Thirty production oversight offices of H&M are also strategically located for easy contact with the partner companies. H&M shares its information with the partner companies on the latest fashion trends and the internal matters of the company. Unlike Zara, H&M does not own factories and does not strive to secure fabrics in advance. Instead, its partners secure fabrics on behalf of H&M. With this method of operation, H&M simply has to place an order with one of the partner companies which already have the necessary fabrics. Once H&M finds a desired location for a new store operation, the company waits until the space is available. Similar to

Zara, H&M features uniform stores worldwide. Some stores, however, feature elements and components that are specifically tailored to that region.

Conclusion

The global Big 3 SPA brands are growing fast by developing their own unique strategies to build competitive advantage over the others. Young Joon Cho of L.E.K, a global consulting company, says, "Each of the Big 3 SPA brands has achieved success through its own growth process, market positioning, and brand concept. Aspiring SPA brands should go beyond improving their efficiency in distribution and must work on differentiating themselves from competitors just as the Big 3 have done."

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