

The fast fashion industry in the post-pandemic

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Abstract. After the impact of the coronavirus, the revenue of fast fashion had a sudden decline from 2019 to 2020, but a resumption of the upward trend in 2021. And a prosperous future for the industry is anticipated. However, the fast fashion industry confronts some difficulties such as real-time industry development and the tendency of purchasing some active and casual garments in sportswear brands. To find some solutions, the paper took the famous fast fashion company Inditex as an example and based on the theory of business management and marketing strategies to analyze. The result of the paper showed that the company has a low-efficiency management system, a bad quality of production, and a lack of brand promotion. On this basis, the development of the brand facing the mid-upper or upper class, the more various kinds or functions of garments, and more serious and clear management regulations and rules in the fast fashion industry should be taken into account when types facing the threatens in the post-pandemic era.

Keywords: fast fashion industry, Inditex, post-pandemic era.

1. Introduction

The bar chart about Revenue of the apparel market worldwide in Statista from 2013 to 2026 (in billion U.S. dollars illustrates that the revenue of the apparel industry had fluctuated from around 1500 in billion U.S. dollars for six years before it dropped abruptly to 1395.69 in 2020 due to the pandemic. But it has a considerable rise after that and reaches 1710.94 in 2022. According to the datum, it is assumed that the revenue will keep an upward tendency in the future. Meanwhile, as to the fast fashion industry, a report from The Business Research Company expected that its market size keeps expanding and reach \$99.23 billion in 2022. In the nutshell, though the apparel industry was hit hard by Covid-19, the revenues of the industry rapidly recovered to the pre-size of the market in 2022 and the fast fashion industry has a flourishing future. And Inditex, as one of the most famous fast-fashion retailers also has a sharp decline in its revenue from 2019 to 2020, followed by an upward tendency in 2021. All of the above-mentioned materials indicate that fast fashion might be well-developed in the future. Nonetheless, some problems in Inditex still need to be addressed: the threat from the real-time retailers which shorten the cycle of production and the casual and active sportswear which will replace the fashion garments because of the popularity of the exercise. Therefore, the fast fashion industry is confronted with some serious challenges.

Numerous articles mentioned the main reasons for the existence of the fast fashion industry. Tim Jackson mentioned in 2004 that the influence factors of the emerging fast fashion industry include globalization, advanced technologies, and customer psychology [1]. And the article in 2010 written by Vertica Bhardwaj and Ann Fairhurst also illustrates that the customers' perception is also an essential cause. And the environmental problem is another heated topic in the fast fashion industry. Kirsi Niinimäki, Greg Peters, Helena Dahlbo, Patsy Perry, Timo Rissanen, and Alison Gwilt analysis how the fast fashion industry impacts the chain on the environment, which mainly focuses on the consumption of production, the use of water, and the waste of textile, the chemical pollution, and the emissions of noxious gases [2]. Not only do Rachel Bick, Erika Halsey, and Christine C. Ekenga mention the environmental cost of the manufacturing industry, they but also mentioned workers' low wages and poor working conditions is also one of the problems which need addressing [3]. However, few studies focus on how the fashion company survives under the background of the lockdown during the pandemic while facing a lot of strong competitors.

And the analysis and discussion about the fast fashion retailers' problems are not only vital for the fast fashion industry's post-pandemic development but also beneficial for other apparel companies to

gain experience. Thus, this paper will briefly introduce its market conditions, analyze Inditex's business management and discuss its problems based on the theory of organizational behavior, and summarize the marketing strategies of the famous Spain fast fashion retailer Inditex. Meanwhile, the main purpose of the study is to find the problems of fast fashion retailers by analyzing the business management and trying to find some solutions.

2. Introduction and business model of Inditex

2.1 Introduction of Inditex

Inditex is initially established in Spain, and gradually it spreads to 5 continents, in both hemispheres, north, and south. Inditex's main activity consists of offering the latest fashion trends including apparel, footwear, accessories, and home textiles with high quality, favorable prices, and sustainability standards. And the company contains eight brands including Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, and Uterqüe.

2.2 Inditex's business model

The Fast Fashion Retailer is the system that which consumers can buy fashionable clothes for less costly and the company high-frequently changes the sort of clothing to cater to the fashion trend rapidly [4]. Taking the advantage of horizontal organization to reduce the production cycle [5], the organization structure becomes the largest retailer around the world. As a fast fashion retailer, Inditex has a quick design-manufacturing cycle of nearly 2 to 3 weeks.

3. Analysis of Inditex's business management

3.1 Organization culture and the related problems of Inditex

Hofstede's model of culture dimension describes that companies or organizations in different countries may have different values because of their national culture [5]. The initial organization culture analysis was via four scopes. They are concluded by comparing the values of more than 100,000 employees and managers in 64 national subsidiaries [6].

Power Distance refers to the acceptability of less powerful people of institutions, companies, or organizations in a country while confronting distributing power unequally [5]. Connected to the annual report, Inditex is the low Power Distance company. A significant example is that Inditex's value is the open communication and collaborative work in the Annual Report 2021.

Hofstede also assumes that the cultural dimensions are related to each other. In this theory, Individualism has been correlated strongly with Power Distance [5]. Therefore, as a low Power Distance company, Inditex is also an individualistic company. This can be illustrated briefly by Inditex's horizontal organization which emphasizes individual decisions and encourages individuals to achieve some success. It also benefits the cooperation to innovation which is significant for Inditex, the fashion company. And when it comes to the scope of Uncertainty Avoidance which is the tolerance of uncertainty, the character of innovation can also explain it [5].

The third scope is Masculinity or Femininity traits. In contrast to the term "Masculinity" which stands for being assertive and tough, Hofstede uses the term "Femininity" to refer to being modest and tender, which emphasizes the sensitive and emotional elements [5]. And Nakata and Sivakumar have provided a new definition of Femininity based on Hofstede's: Femininity focuses on the customer's specific demand and their ideas [7]. Being a customer-centric organization can clearly illustrate this point. To communicate and connect well with customers, stores become the paramount section of the company and nearly 86% of employees work there. The previous section has shown that Inditex is a Femininity company.

However, although Inditex is, a low power distance, individualism, low uncertainty avoidance, and Femininity company, is friendly to employees, it may have a negative effect on decision making. And

as a fast fashion group, it is essential for Inditex to improve its management efficiency. Hence, how to clarify the responsibility of each employee is a factor that Inditex should consider.

3.2 Leadership Style of Inditex

Ralph and Ronald in Purwoko et al divided leadership style into three kinds: Autocratic leadership style, Democratic Leadership Style, and Leadership Style Laissez Faire (free) [8]. Based on some reports, it describes that the new leader of Inditex Marta Ortega Pérez is a democratic leader. She used to say that she will be planning to visit each store location as much as she can and be wherever she is needed to help her employees instead of using her authority to lead them. And on Inditex's website, they mentioned that employees have their voice and be given the responsibility. As above mentioned, employees became decision-making members in Inditex which might improve high quality and high quantity of work in the long term. But it is also time-consuming to discuss some projects, and many discussions will be boring and meaningless. In addition, it is difficult for leaders to manage.

3.3 Incentive Mechanism

Inditex provides a lot of incentive policies. For example, Inditex's remuneration comprises a fixed and variable component, and it considers employees' professional skills, experience, dedication, and responsibility. Variable remuneration is mainly linked to the Company's results and employees' performance. Taking their most famous brand Zara as an example, full-time employees at Zara can buy 25% off on regular-priced products and part-time employees or interns can receive 10% off on products. And these multiple incentives are beneficial to achieving an overall improvement in project performance [9].

However, there are many indicators to assess their value salaries, such as sales, profit margin, revenue, etc. And the indicator which has the most impact on incentive pay will get the most attention from employees. But it may not be the best indicator for Inditex. For example, if employees can gain the most benefits from their profit margin, they may ignore sales which are significant for a fast fashion retailer.

3.4 Marketing strategies of Inditex and the difficulties

Young people, especially millennials, are Zara's main customer group. And Zara Home's target consumer is women in the age group of 18-34. As for Bershka, the main consumer is the younger shopper like teens and nearly 20-year-old people. Stradivarius, a casual and imaginative style brand, is also a brand targeted at young people. Pull&Bear is a youth-oriented company, and it mainly caters to adolescents and young adults. And the target consumers of Massimo Dutti are the upper middle and upper-class women between 25-45 years old and men between 25-50 years old. Therefore, Inditex's main target consumer is the young people between the age of 18 and 35. And only on brand, Massimo Dutti caters the middle-aged people.

And the organization of Inditex is catering to the demand. The employees in Inditex are a total of 165,000 from 177 nationalities, and the employees' average age is 29.3. In this team, women occupied 76% of Inditex. In the nutshell, the main group of employees in the company is the young women who have a passion for following the tendency and fashion industry.

Based on 4P strategies (product, price, promotion, place), Inditex, as the fast fashion group, its products are the latest style at affordable prices. This is evident in the case of Zara. The statistics from the Reviews in 2019 show that the brands of Inditex have some slight differences. In general, all of the brands have the highest sales of accessories. And the style of T-shirts which is casual occupied a large proportion of the casual and imaginative brands Stradivarius. And Zara which focuses on women's, men's, and children's T-shirts and shirts also takes over nearly 24.5% of the assortment. And T-shirt is the second moneymaker after the accessories in the youth-oriented brand Puller Bear. As for Bershka, T-shirt is the most significant part of sales, accounting for 19%. But Massimo Dutti's T-shirts have a little proportion of the sales which accounts for only 9%. The main reason is that it's

a brand catering to the mid-upper class and upper class. Casual clothing isn't the main need for their targeted consumers. This is the reason why the sales of outerwear occupied the second-largest part.

According to the above-mentioned analysis, the sales of the productions in Inditex are also affected by their conceptions and target consumers of the brands. In the table H&M and Zara price architecture of loungewear products from the Edited, the average cost of a Zara garment is just over 35 dollars which is much cheaper than the traditional apparel company. And in the scope of promotion, the main way of Inditex for promotion is some social media like Facebook, Twitter, or Instagram which seem to be relatively inexpensive. Inditex invests a lot of money in its video and photography work. In the 2021 annual report, Zara has a partnership with two famous fashion photographers Steven Meisel and Fabien Baron to advertise their spring and autumn campaigns. Through the Tribute collection, it pays a tribute to global photography icon, the late Peter Lindbergh. As for the brand targeting the young people Pull&Bear, it is not only promoted by games but also by some channels like Twitch that the hoster of live streams includes La Noche del Ropas, the most popular content creators for Generation Z: By Carlitos. Innovation and technologies are emphasized by Oysho in its sports collection. Inditex advertises the collection by some sports competitions including the Women's Race and Formentera Half-Marathon in Spain, the Race for the Cure, and San Silvestre Vallecana race in Madrid. Thus, the promotion of Inditex is mainly based on the target consumers and the kind of garments.

As for the place, Inditex is an integrated retailer whose luxuries and modern stores are designed without the help of a third-party vendor. And offline stores are generally located in the shopping mall which expanded from Spain to other countries. The location of these stores attracts a lot of people. But Inditex's store has been heavily affected by the pandemic. Compared with the statistics in 2020, over 90% of stores were closed in the first quarter of that year due to the lockdown and restricted mobility. Considering the background of Covid-19 and the younger target customers, Inditex is also developing its channels of online shopping. And nowadays there are two types of Inditex stores, offline stores, and online platforms.

However, with the background of the epidemic, fast fashion has some difficulties in its market. Many real-time retailer stores appeared in the market. The 2020s, the year after the pandemic, witnessed that the new real-time fashion retailer SHEIN has kept an upward tendency by nearly 250% which means that the company gain excellent profits during this arduous period and might replace Inditex's leading position in the apparel industry. It is different from some fast fashion retailer, which has a quicker design-manufacturing cycle of nearly 5 to 7 days than the Fast Fashion Retail's production cycle. And the reason is that real-time retailer offers suppliers shorter payment terms (for 30-45 days) than Global industry billing practice (for nearly 90 days). For this reason, Inditex should provide some measures to shorten the production cycle. Meanwhile, the customers also tend to buy sports clothes instead of fashionable garments. It can be proved by the datum from the Brand Finance Apparel 50 2022 report that the sportswear brands all achieve significant value growth. For example, Puma's brand value increased by 13% up to US\$4.5 billion, and Lululemon's increased by 28% up to US\$4.2 billion.

3.5 Suggestions for Inditex's development in the market

Facing the problem of real-time industry replacement, the fast fashion industry can gain some experience online from its opponents. To be more specific, the international B2C real-time retailer SHEIN's main business is selling garments via easy-to-use e-commerce websites and applications which will make them very little money on the offline stores and cater to Generation Z's reliance on the Internet. This experience might have already been taken by Inditex. It gradually turns its main business from offline stores to online platforms, and many reports mentioned the closedown of its stores in some busiest places of cities to decline in the loss caused by the operation of the offline stores. Thus, to overcome these problems, the fast fashion company Inditex should take into account the development of its online platforms. And the luxury brand might also provide some inspiration for the fast fashion Industry to take some advantages. According to the research by Wen Peiyu, luxury fashion companies are rising while fast fashion companies are mainly reducing their price. Fast

fashion which must focus on following the tendency always confronted with the risk that their apparels are easy to be obsolete [10]. However, the luxury company won't consider this factor under the background of epidemic and lockdown. The emergency mechanism for luxury brands will explain it. For example, the main consumer of luxury brands, the Asian people, prefers to buy some luxuries abroad to get a discount. But with the influence of the epidemic, it is difficult for customers to go abroad and they have to purchase the more expensive products in their countries. In the meantime, the buyer may feel that the price of the garments might be more and more expensive. Consequently, the customers will have a desire to purchase the goods. Even if the consumers complain about the rising price, it is only an opportunity cost and the sacristy of the productions will be demanded more than the supply. Therefore, the emergency mechanism can be taken into consideration by the fast fashion industry. Though it can't be impacted by the mechanism because of the brand hierarchy, the principle can be taken as a reference. According to the principle of the high-demanded production sacristy, reducing the number of popular productions which is no more than the threshold value of the amount might be beneficial to improve the price of garments. And the most important method is that fast fashion companies like Inditex should consider improving their brand hierarchy and the quality of the productions. Connected with the real-time industry's low quality and brand hierarchy with high-speed transportation, a fast fashion company can invest some money in the brand facing the upper-middle and upper class like Massimo Dutti while improving the quality of the textiles and the ability to design in the brand to take the advantage of these fields. The high demand for sportswear which might replace the fast fashion industry's position in the market should also be considered. Inditex has set up a brand that mainly focuses on the field of sports but the market share is much less than the other famous sports brands. Under this situation, promotion and advertisement are necessary, and the fashion company should also invest more in the types and designs of their sportswear as an advantage. Additionally, the company can design some fashionable garments which are suitable for both sports and daily life.

Besides considering the macro environment, Inditex's business management is quite open and democratic which means that decision-making and boss-leading is a nodus. It is proposed that the company might come up with some regulations and rules to clarify the leaders' rights and responsibilities. The advisable centralization exerts a beneficial influence on the management of the company and productivity. For example, they can build some systems to supervise the production process and can gain information about transportation, marketing, and manufacturing immediately. All in all, Inditex has a relatively relaxed working environment which might impact their employees' working efficiency. The company needs to set up a system to supervise the employees and their vendors. And the high working efficiency certainly shortens the cycle of production which exerts a beneficial influence on solving the challenge of the real-time industry's advantage in their high-speed production and transportation.

3.6 Marketing strategies of Inditex and the difficulties

The statistics from the Retviews in 2019 show that the brands of Inditex have some slight differences. In general, all brands have the highest sales of accessories. And the style of T-shirts which is casual occupied a large proportion of the casual and imaginative brands Stradivarius. And Zara which focuses on women's, men's, and children's T-shirts and shirts also take over nearly 24.5% of the assortment. And T-shirt is the second moneymaker after the accessories in the youth-oriented brand Puller Bear. As for Bershka, T-shirt is the most significant part of sales, accounting for 19%. But Massimo Dutti's T-shirts have a little proportion of the sales which accounts for only 9%. The main reason is that it is a brand catering to the mid-upper class and upper class. Casual clothing isn't the main need for their targeted consumers. This is the reason why the sales of outerwear occupied the second-largest part.

According to the above-mentioned analysis, the sales of the productions in Inditex are also affected by their conceptions and target consumers of the brands.

4. Conclusion

The study has analyzed the business management and marketing strategies of the fast fashion company Inditex to discuss the problems and the solutions in the post-pandemic. The paper has addressed two questions, including the threat from the real-time industry and the sportswear company. Drawing on the theory of organizational behavior, the analysis of the target consumers, and the 4P Marketing Theory, the paper summarizes that the company might have some potential risk on their management, and they should have some development on their quality of production and the promotion of their brands. However, the study also has several limitations. More empirical studies on the fast fashion Industry need to be conducted. For instance, lack of the quantitative data and mathematical as a tool for analyzing the influence of our suggestion might be further tested and refined in the future. By way of closure to this study, there are some suggestions for further research: The sustainable supply chain of fast fashion which is closely connected with the fast fashion industry might be considered, and the specific advertisement and promotion method of the fast fashion industry to developing their brand hierarchies is worth discussing.

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