

Case analysis of Zara localization failure in China market

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Abstract. Zara is one of the biggest fast fashion industries in China market, some researchers discovered that during the recent decade Zara was gradually declined but the main reason for Zara's decline is still a lack of a unified explanation. Therefore, our research topic is “Case analysis of Zara localization failure in China market” and in this paper, we have used SWOT analysis to analyze the strengths, weaknesses, opportunities, and threats of ZARA. And our research showed that there is a lot of question that cause Zara to fail in China market such as potential political controversial statement (Xinjiang cotton issue), the acceptance of fast fashion downward in China market, epidemic, competition, and so forth. Furthermore, our suggestion for Zara is to avoid any potential political controversial statement, more focus on the online platform, and do more research on China market.

Keywords: Zara, fast fashion, localization failure.

1. Introduction

What is fast fashion

Fast fashion refers to the quick transition from runway to shop to gain a competitive edge by utilizing customers' desire to follow trends. These outfit designs sometimes take inspiration from celeb or fashion show attire. Customers can purchase hot new styles at reasonable prices thanks to fast fashion [1]. Consumers are drawn to fast fashion companies like Zara, H&M, Forever 21, and Uniqlo because they can quickly produce stylish items at competitive costs. In this transformation, Zara has been a pioneer. When H&M and Forever 21 began receiving new product shipments every two weeks, Zara was able to keep up with the competition by replicating fashion and streetwear trends on a weekly basis [2].

ZARA is a famous Spanish brand and one of the world's four largest fashion chain brands. The only fashion company in the world that can deliver ready-to-wear to more than 850 stores worldwide within 15 days. It is a brand belonging to the Inditex Group. Inditex is the #1 apparel retailer in Spain and the #1 apparel retailer in the world, with more than 2,000 stores in 52 countries worldwide. It owns nine apparel brands including ZARA, Pull and Bear and Massimo Dutti, of which ZARA is considered one of Europe's most successful and research-worthy brands. In addition, ZARA apparel products can be quickly produced and sold in less than two weeks.

The Spanish apparel maker Zara has been in China since the mid-2000s and is a genuine success story before 2020. Its innovative corporate culture and adaptive business model allowed it to grow by 60% between 2007 and 2012. Growth has since slowed but Zara remains a strong presence in the Chinese market. The data has shown that Zara is facing a large amount of shop closures during recent years.

To analysis the reasons for its past success, we need to have a deep look into the fashion industry in the People's Republic of China first. The fashion industry in China is quite saturated, a growing middle-class provides immense opportunities for companies like Zara. The tech industry, in particular, is creating a whole population of people who have the willingness and ability to remain fashion-

current for the sake of social media. China today plays host to hundreds of thousands of programmers, coders, developers, content creators, editors, and more. In addition to professionals in other industries, they create a large market of relatively wealthy and self-conscious individuals. Zara can succeed by exploiting growing opportunities within the demographic.

However, Zara will face serious threats from direct competitors. China is today one of the most lucrative fashion markets in the world and this has attracted both local and international powerhouses. In addition to fighting for market share with H&M, Nike, Forever 21, and Adidas, the firm also has to compete with local entities like Shein and Zaful. There are no real threats from substitutes since Chinese society has always been fashionable and will continue to be like that well into the future. At the moment, the most significant threats will emanate from competitors and the macro-environment with the health of the economy being an issue of concern [3].

2. Zara's Failure

2.1 Potential reasons for its failure

2.1.1 Xinjiang cotton

The started of Xinjiang cotton cause is in October 2020 Better Cotton Initiative (BCI), a non-profit international membership organization, proclaimed in a press statement that the BCI's license will be revoked or denied immediately because "forced labor" and other "human rights violations" in Xinjiang did not adhere to the organization's standards of conduct. Following that in March 2021, many brands vowed to boycott Xinjiang cotton such as H&M, Nike, Adidas, Converse, and Uniqlo. Furthermore, The parent company of Zara, Inditex, previously stated on its website that it has a "ZERO-TOLERANCE APPROACH TOWARD FORCED LABOR" and that Zara does not collaborate with any factories in Xinjiang. However, this statement has since been removed from both the Spanish and English versions of Inditex's website. Nevertheless, the remark was still accessible on Inditex's official website at least until 10:08 GMT on March 24 [4]. Nonetheless, this activity are still aware by people, as evidenced by a piece in the Beijing-backed Global Times and a Twitter by Johnson Yeung, a human rights activist from Hong Kong, both of which expressed worry about multinational corporations like Zara were implicated in violations of human rights. But even ZARA removed the statement about boycotting Xinjiang cotton, it still can not calm the anger of Chinese consumers. During March 2021 a lot of Chinese customers both resisted ZARA on social media and resisted buying any ZARA clothes. Moreover, ZARA has been removed from all e-commerce platforms in China. During that period the sales of ZARA dropped dramatically. Furthermore, The Communist Youth League of China published a Weibo on March 24, 2021 saying that "Make money in China while ostentatiously boycotting Xinjiang cotton" to satirize some international companies.

2.1.2 Acceptance of fast fashion brands in China

The fast fashion sector is highly competitive. Fast fashion retailers must react to the market immediately. ZARA is a quick fashion company that may even complete the design for clothing to be sold in actual stores within 15 days. nonetheless, in order to boost sales while lowering production costs. The majority of the fast fashion business has relied mainly on synthetic materials derived from intensively processed petrochemicals like polyester, acrylic, and nylon. And those materials are very harmful to environment and consumers find certain materials to be quite uncomfortable because they are unbreathable and fade quickly. Moreover, Fast fashion industry has been criticized for promoting a "throw-away" attitude by deliberately making lower-quality disposable clothes and accessories in order to get people to buy more [1]. Furthermore, according to the research of The Pretty Planeteer, every piece of clothing from ZARA has as high as 93% of raw synthetic material which means the quality of the clothes from ZARA is very terrible [5].

Global textile production per person increased from 5.9 kg to 13 kg between 1975 and 2018. The use of clothing on a global scale has increased to about 62 million tonnes annually and is predicted to increase to 102 million tonnes by 2030. Fast fashion companies now make twice as many items as

they did in 2000. Due to the inability to reuse waste materials, the enormous increase in the production of fast fashion businesses has also resulted in an increase in textile waste [6]. And nowadays with the development of China and the improvement of education more and more schools started to instill the idea of protecting the environment which makes more consumers concerned about the environmental pollution problems and the company's like ZARA, H&M, Uniqlo such as fast fashion brands was boycott by the more and more Chinese consumer.

2.1.3 Public opinion: plagiarism

Global clothing company Zara has sparked controversy after independent artists accused the company of stealing their work. Tuesday Bassen, a self-employed artist from Los Angeles at the time, was the catalyst. Fans frequently ask Tuesday Bassen in private messages if she is working with Zara. At first, Tuesday Bassen was utterly perplexed. However, it was then discovered that Spanish apparel company Zara had been advertising with extremely identical designs to her own. Zara stole her ideas. She compared her own work and Zara's items online, uploaded them on Instagram, and then hired a lawyer to accuse Zara of stealing her ideas. Global clothing company Zara has become involved in what appears to be dozens of artworks that have been stolen from more than 20 independent brands, illustrators, and designers [7]. For instance, Christian Louboutin and Celine have sued Zara for, among other things, selling the company's iconic red-soled shoes, which has led to recurrent criticism of Zara for selling copycat designs from both companies on its catwalk presentations. Many parties that have been copied want to sue Zara for this. You're willing to pay a high price for this. The chances of an independent artist succeeding in a copyright action against the retail behemoth, though, are low, according to experts. Because Zara has a very solid track record and enough resources to prevail in every dispute [8].

2.1.4 Epidemic

A new coronavirus, COVID-19, entered the planet in 2021. Most industries have been impacted by the COVID-19 period, which has had a severe effect on the world economy. Zara is now infected with this new virus. Zara has had to contend with the ability to get products to stores being either stopped or greatly hampered by the shutdown due to the unprecedented epidemic. Prior to the pandemic, Zara had a growing inventory turnover rate, solid daily sales, and a stable financial situation. Along with this, Zara has a big internet network. Online pre-orders are available, and they can be mailed anywhere in the world. However, consumers said that they were spending less on fashion during the crisis, with almost half expecting this tendency to continue when the crisis has passed due to store closures brought on by the coronavirus and customers not paying attention to zara products during the epidemic. As a result, the Zara app's downloads in the US market fell by almost 14%. In the first three months of the first quarter, Zara suffered a massive loss of \$481 million as a result of the COVID-19 epidemic. However, in the second quarter, Zara recovered its economy by allowing customers to make purchases online and selling online. Zara's economy recovered to a profit of \$253 million thanks to online sales. Third-quarter normalisation continued. The economy has rebounded even though Zara's online sales rose in the second quarter. Zara's representation in the fashion business, however, faced significant challenges throughout the COVID period, including diminishing profits and surplus inventory [9].

2.1.5 Competition (Guochao brand)

Third-quarter normalisation continued. The economy has rebounded even though Zara's online sales rose in the second quarter. Zara's representation in the fashion business, however, faced significant challenges throughout the COVID period, including diminishing profits and surplus inventory. Li Ning dealt Zara a devastating hit in the Chinese market and the economy following the rising of the national tide. The "National Fitness Plan," "The Thirteenth Five-Year Basic Plan for the Development of the Sports Industry," and other initiatives have been introduced in China. the growth of the sports sector. Li Ning's market will be worth 315 billion yuan in 2020, and its five-year growth rate will be 14%. In 2025, it's anticipated that the industry scale's compound annual growth rate will

reach 9.2%. Sporting goods are the focus of Li Ning's technologies. Li Ning promotes strategies to mass produce its own goods, which are reasonably priced and can cover consumers' basic needs. Li Ning additionally assisted the CBA with Expanding brand influence with stars. Customers believe in the national tide brand Li Ning because of these circumstances. Zara, on the other hand, is exceedingly pricey, not included in most people's everyday spending, and much less useful than Li Ning. Consumers and the nation as a whole are starting to believe in Guochao's power as a result of Li Ning's success. Li Ning now controls the whole Chinese market as a result. Because of this, people are paying less attention to Zara, and sales have drastically decreased. Due to the lack of a market, shifting consumer attitudes, and COVID 19, Zara lost \$481 in 2020. These can demonstrate how Li Ning's ascent in the Chinese market has significantly increased Zara's rivalry.

2.2 Suggestions for Zara

2.2.1 To avoid any potential political controversial statement (in China)

First, Zara should learn more about China's policies and regulations. For example, plagiarism has been sued many times, which requires a lot of fees. Second, Zara should improve the relationship with consumers and better understand the psychological activities of consumers. Zara has been on the black list many times, indicating that its products are of poor quality and the fabric is not up to standard. If he can really design something that consumers are happy with and use something good without cheating them, he will also have a foothold in the fast fashion market. When faced with these problems, the correct attitude should be given in a timely manner, and an apology should be issued. Correcting in time and doing better is the foundation of success.

2.2.2 Focus on the online shopping platform

A combination of online and offline development is best, rather than focusing on online shopping. Although the technological development of the external garment industry in China occupies a dominant position. Owners access online product and customer information profiles and send the data to head office where they can get better sales analysis and customer preferences. According to their own professional characteristics, determine the next batch. The trend and quantity of the product concerned can achieve the maximum sales rate and can also be effective in reducing inventory. After collecting more customer information, introduce more hot items, more clothes, less popular items and the supply of clothes for physical stores. ZARA has more than 200 groups of professional designers, launching more than 12,000 products per year.

On the Internet, customers may easily view the newest clothing online, as well as view the upper body effect of models, making it very convenient to make purchases. The advantage of shopping online is that you don't have to stand in line or worry about whether the store is stocked. Although the growth of online stores is beneficial to consumers' convenience, there will also be many unethical enterprises that make fake items and harm the reputation of the brand, making it more crucial to fortify the brand's official website on the Internet. Offline experience, fitting, online purchase and other new models are more popular, and the balanced development of online and offline also helps enterprises to develop more steadily. No matter where people can freely choose to buy channels. Zara can reduce the opening of offline physical stores in first-tier and second-tier cities, and should open more stores in fourth-tier and fifth-tier small cities to occupy the market, because Zara's price is not high in third-tier and fourth-tier cities, but it can also afford the price. Zara's in-store service enables consumers in remote areas to pick Zara after enjoying services and experiencing products in the store, which not only increases customer loyalty to the company but also increases product awareness. Furthermore, Zara can effectively extend the length of the channel to choose agents for product sales in the cities that are not covered, and can choose either exclusive agents or a number of agents depending on the actual state of the local market. Agents will have a better understanding of local marketing channels and social customs than Zara manufacturers, so they can enter the local market as soon as possible and earn more profits without too much cost consumption [10].

2.2.3 Do research on Chinese people's preference

Research on Chinese preferences will help Zara better understand Chinese consumers and make more Chinese consumers choose Zara. When a foreign garment enterprise enters China, there will be many problems such as cultural differences and conflicts similar to imitation. Doing more research can help avoid being sued for more damages. Get to the heart of the Chinese consumer and know what they like and produce what they like. It can even guarantee the quality of the products so that more consumers choose to trust the company and build a higher image. To investigate the requirements of different age groups of Chinese people on the style of clothing, as well as the choice of fabric. They want to know what kind of clothes they want to buy and the psychological activity of wearing certain styles of clothes. Research does not know to study the external, but also study the investigation of psychological activities in all aspects to explore.

Zara implements the whole industrial chain from design, production, transportation, and sales, to after-sales and other links, and strives to produce every garment to give full play to its due value, to make every demand of customers as extreme as possible. The huge world is the team for customers to generate diversity, so that customers have more choices, reduce production risk and cost. They rely on new media advertising and other ways to communicate with customers, timely absorb customers said design inspiration and direction, for customers to design satisfactory products [11].

3. Conclusion

Overall, the failure of Zara in China is mainly caused by the exterior reasons such as the environment, Chinese market, or the acceptance from the public. In order to deal with these problems, we suggest Zara to have deeper research into Chinese culture, especially in politics.

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