

Comparative Analysis of Marketing Strategies of Fast Fashion Brands ZARA and H&M

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Abstract. With the development of the social economy, people's pace of life has accelerated, and the concept of consumption has also been affected. Citizens to a high quality of life, as well as people to clothing inside and outside the high aesthetic requirements. In this demanding environment, fast fashion has shifted to the market and thus formed an important consumer trend. ZARA and H&M have become the most iconic brands of fast fashion. They occupy a large market share in the apparel retail industry through their unique marketing strategies. Therefore, this paper explores the marketing strategies of ZARA and H&M from three aspects: product, price, and promotion. The research methods were literature review and comparative analysis. This paper also compares the marketing strategies of ZARA and H&M to find out the existing problems and put forward suggestions.

Keywords: Marketing strategy; Zara; H&M; fast fashion clothing.

1. Introduction

The 21st century is an era of rapid social and economic development. The rapid iteration of society has led to tremendous changes in people's life attitudes and lifestyles. Fast fashion clothing brands have the main characteristics of fast product design update speed, short time to enter the market, and unique vision to judge the market situation. Fast fashion clothing brands have gradually entered the public's vision.

The Zara brand began in 1975 and has grown from a small unknown workshop to a world-renowned brand. Founder Amancio Ortega organically combines production and marketing [1]. Zara is a subsidiary of Inditex, which is the world's largest clothing retailer. Since its establishment, after a short 20 years of development, Zara has developed from a little-known clothing store to a world-renowned fashion representative. Zara stores have expanded to all parts of the world. Zara is popular because of its unique fashion design and its affordable price range. According to the financial report released by Zara Group in 2021, the net sales volume reached 19.59 billion euros, with a year-on-year growth of 38.6%. It is the core revenue source of Inditex Group, accounting for 70.7% [1].

H&M was founded in 1947 by Erlin Pyerson in Vsters, Sweden. It has a wide range of products, including women's and men's clothing, children's clothing, cosmetics, etc. It currently has more than 3,300 stores in 45 countries worldwide [2]. It owns sub-brands such as H&M, COS, Monki, Weekday, Cheap Monday, and Other Stories, and has released new brands Arket and Nyden in the past two years. Since H&M entered China in 2007, China has become the most important growth market for the H&M Group [2]. At the same time, H&M has further strengthened the implementation of its omnichannel strategy in China. In March 2018, its brands H&M and H&M Home entered Tmall Mall. In addition, H&M is gradually changing its strategic layout, which will accelerate its expansion in the digital space and push digitization to new markets [2].

Although domestic and foreign scholars have conducted much research on fast fashion clothing brands Zara and H&M, few scholars have compared their marketing strategies. Based on previous studies, this paper will analyze the marketing strategies of fast fashion clothing brands Zara and H&M, and compare their marketing strategies from three aspects: product strategy, price strategy, and promotion strategy. Afterward, this paper will also analyze the problems of Zara and H&M in these three aspects of marketing strategies and propose suggestions.

The research method of this paper is a literature review and comparative analysis. The literature is based on the library literature of Macau University of Science and Technology, as well as the analysis of professional journals, magazines, and doctoral papers, so as to obtain the theoretical and cultural knowledge of the era background of the rapid development of fast fashion and establish a strong theoretical source for the overall analysis of fast fashion brands. Through literature review and comparative analysis of various aspects of fast fashion brands in real life, the marketing strategies of two fast fashion brands in terms of products, prices, and promotion are sorted out. Comparative analysis is to choose Zara and H&M as the typical representatives of fast fashion clothing brands, compare and analyze their marketing strategies, find out the problems and give solutions.

2. Marketing Strategies Analysis of Zara

2.1 Product Strategy

Zara mainly uses two product strategies. The first strategy is to introduce new designs quickly, but only in limited quantities. Zara's clothing products pursue various styles, with as many as 12,000 to 20,000 types per year [3]. The variety of styles provides consumers with enough choice space. The variety of styles can timely fill the market vacancy caused by the sales of a certain clothing brand. Each store had only 12 pieces of the same style and a total of five different sizes, fully satisfying the demand for a limited product and forcing consumers to make decisions quickly.

The second strategy is the high fashion degree of the brand, that is, almost all the main styles refer to the fashion elements of the current season of international famous brands. Since the nature of fashion is changeable, Zara needs to shorten the market reaction time as much as possible and reflect the latest popular elements into the fashion style in the shortest time.

2.2 Price Strategy

Zara's target customers are young people aged 25-35, a group of buyers who are fashion-sensitive. But they do not have the ability to regularly buy high-end luxury goods [3]. So Zara still follows the low-price strategy. In order to achieve low prices, it tries its best to reduce the cost of various products. The first is the high inventory turnover rate. Because its products are updated so quickly that its inventory costs are low. Second, Zara's efficient supply chain system reduces raw material and transportation costs, and it also spends less on advertising. These factors can make it maintain high profits on the basis of low prices.

However, due to the small production scale and high raw material price in the introduction stage of the product, the unit cost is relatively high. Therefore, Zara has to set a higher price in the introduction stage to offset the high cost, so that the sales amount covers the cost and the enterprise can make profits. But at the end of each quarter, the products become increasingly mature in the market and enter the maturity stage. Based on sales data, Zara identifies the top products of the season and expands the production of popular products. This gives customers who didn't buy the product a second chance to buy. At this time, the production of products has realized the scale effect and the unit cost decreases. The price will decrease with the delay of time, with discounts ranging from 20% to 50% [4]. Meanwhile, Zara makes large price cuts at the end of each quarter in order to stimulate consumption, so that consumers can get price discounts and seize market shares at the same time.

2.3 Promotion Strategy

Zara rarely uses advertising as a way of promotion. Rival brands spend much more money than Zara on promotions. Zara relies on word-of-mouth promotion and social media to attract customers, and its presence on social media is extraordinary. Whenever Zara launches a new product or promotes an event, it only posts on its registered social media accounts, and Zara has 30 million followers on Facebook and 45 million followers on Instagram, which read and spread the news to achieve a wide promotion effect [5].

Zara does spend money on billboard ads. The idea is to attract younger customers. Notably, Zara does not have its own logo on any of its products. Considering this an unnecessary expense, Zara has used the money to open new stores in prime locations around the world, with good results so far.

Zara's unique marketing method lies in the location of its stores, which will be selected as much as possible in the prosperous prime location, usually next to international luxury brands, this way to establish a tall brand image in people's minds, coupled with the use of floor-to-ceiling glass windows and atmospheric decoration style in the design of the store, invisibly establishing a first-class brand image for consumers.

3. Marketing Strategies Analysis of H&M

3.1 Product Strategy

H&M's product line diversification strategy allows customers to find their unique personal style. There are at least 2,786 items in its portfolio. It boasts clothing, accessories, cosmetics, and furniture collections [6]. The abundance of products provides consumers with a variety of choices in the stores, satisfying the needs of a wide range of consumers with different tastes and styles. H&M pays great attention to the concept of product innovation and renewal, and each category of its products has its specific attributes and style, finding the best balance between basic, popular, and high-end fashion [7]. In order to better capture the current trends, H&M has a keen market response. It takes only a few days to imitate the trendy outfits of, for example, the creations of top fashion masters [8]. With only a few short weeks, H&M can quickly complete the process from identifying trends to putting up new trendy items. In addition, H&M also launched high-end brands that focus on different style designs according to different target customers, such as COS, which is famous for its minimalist and trendy design style [9]. H&M also cooperates with different fashion brands to attract customers with unique fashion co-branded designs.

3.2 Price Strategy

H&M uses low prices to attract customers, catering to the business philosophy of offering consumers the best-priced goods. It stimulates sales growth with cheap prices to increase H&M's brand market share. In order to reduce costs, H&M does not build its own factories, using a strategy of producing and sourcing in low-production-cost regions [3]. Moreover, H&M uses small-lot supply in sales to reduce inventory and keep a constant supply of new goods so that the fashion is kept fresh. Also, many products are available for a limited time, for example, limited items for each season. If they miss the first time to purchase, the strategy of supplying small quantities puts consumers at risk of not being able to buy a particular item and missing out [8]. This approach stimulates consumer psychology, creating a sense of urgency, and leading to the opportunity to close the deal. Therefore, the success of this strategy is demonstrated by the fact that items are often sold out within a short period of time after they hit the shelves. For the remaining less popular items, H&M sells them at a discounted price at a specific time, such as at the end of the season or the end of the year, using larger discounts to attract customers and resolve the leftover items in its inventory [8].

3.3 Promotion Strategy

With various effective channels for product promotion and publicity, H&M brings consumers a new experience of consumption according to the current background and trends. First of all, H&M's stores provide consumers with a convenient one-stop shopping environment. For example, Shanghai Huaihai Zhong Road has four floors of stores with a total area of 2,000 square meters, each floor corresponds to the needs of different consumer groups and contains thousands of different styles of clothing [10]. Secondly, H&M's advertising and promotion methods have both traditional media and new mobile media. For example, it uses magazines, Internet, and social platforms. Among them, H&M brand's official social accounts including WeChat, Weibo, Facebook, Twitter, Instagram, etc. also disseminate the promotion information to consumers in real time [2]. At the bottom of H&M's

promotional emails, a social media logo is added so that consumers can subscribe to relevant fashion information through social media, increasing the brand effect [11]. Inviting celebrities and international designers to participate in promotions is also a consistent practice at H&M. For example, inviting celebrities to the opening of new stores attracts the attention of consumers and the press, raising brand awareness through the popularity of celebrities. In the 2018 advertising campaign, H&M also invited the Scarlet Witch character Elizabeth Olsen to perform a mambo dance with a number of supermodels, showing the features of the new range [12].

4. Compare Zara with H&M

4.1 Product Strategy Comparison Results

A product strategy that both Zara and H&M adhere to is to bring in new products quickly but only in limited quantities. The product strategy breaks the seasonal restrictions of the traditional clothing industry. During the same season, they constantly roll out new styles for consumers to choose from. The huge design team travels to various shows and couture weeks, with a strong sensitivity to fashion capture. Secondly, both of them pay attention to the construction of information sharing systems. From the independent data of each store to the idea sharing of collaborative departments, the timely and effective information system shortens the response time of product production and sales, captures the consumer psychology of seeking new and fast, and gets information feedback quickly, thus making it possible to manage products with high updating frequency.

4.2 Price Strategy Comparison Results

Even though both companies adopt the same low-price strategy, they have significant differences in pricing between them. Because the target consumer groups and product supply chains are different. H&M's target group is 15-30 years old with high sensitivity to fashion, while ZARA's is 25-35 years old, more inclined to the group with higher income and education than the former. The difference in the supply chain leads to the difference in the pricing cost, ZARA has its own factory and 50% of the products are manufactured by itself, while the other 50% are outsourced to other suppliers [13]. Whereas H&M outsources the manufacturing completely, the majority of which goes to suppliers in low-income countries. Since H&M's supply chain costs are lower than ZARA's, H&M has a lower price strategy, and the fashion price point is 30-50% lower than ZARA's [13].

4.3 Promotion Strategy Comparison Results

When it comes to promotions, Zara and H&M take quite different strategies. Zara is close to zero advertising strategy, the average annual advertising cost only accounts for 0.3% of the sales, equivalent to one-tenth of H&M. It relies more on the geographical location, window display and layout of its stores to build its image in the eyes of customers, and adheres to experiential marketing to attract consumers to try on clothes directly in its stores. However, H&M will try to increase its popularity through collaborations with well-known designers such as Karl Lagerfeld and SteUa McCartney, star power and print campaigns [14].

Zara and H&M both use social media marketing. Fig. 1 below illustrates that Zara.com and H&M.com, which get the most social media traffic from YouTube and Facebook respectively, could potentially bring new opportunities by engaging their audience through Instagram.

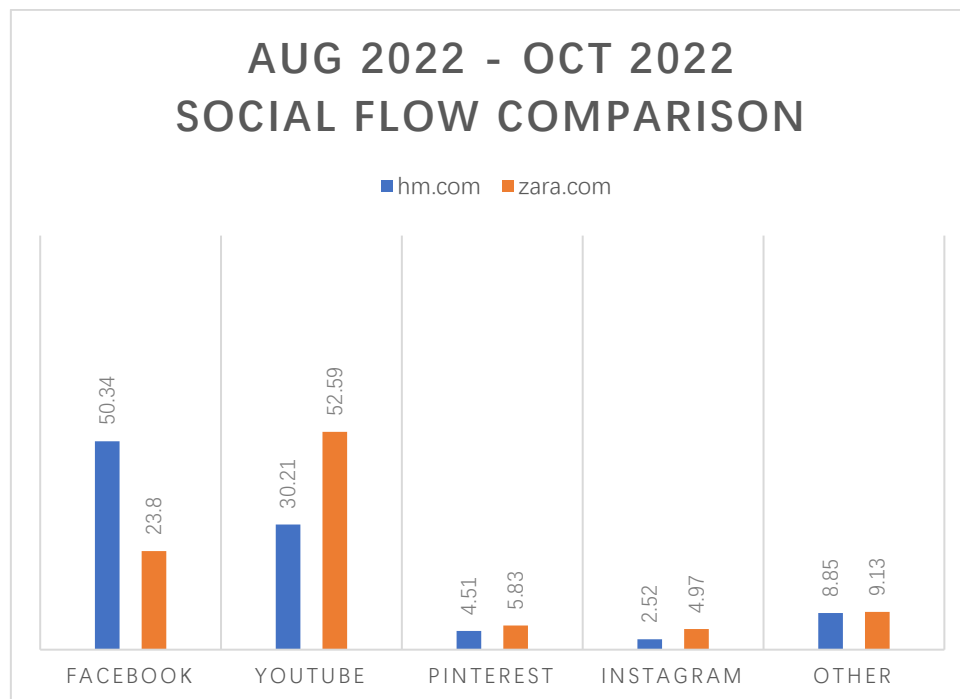


Figure 1. Social flow comparison between Zara.com and H&M.com [13-15]

5. Analyze the Cause of the Problem

5.1 Zara's Problem of Promotion

Since the establishment of the brand, Zara's founders have focused on the expansion and operation of offline stores. Zara lacks advertising and social media operations compared to its competitors. Although Zara has registered an official account on mainstream social media, there are still areas that can be improved in operation. Zara does not make full use of the advantages of social media platforms, but only releases notices on new products, discounts and promotions on the platform. Its main problems are a lack of discussion of hot issues, the brand cannot improve the emotional value of users, and consumers paying low attention to brands. Lack of interaction with fans, high customer churn.

5.2 H&M's Problem

In recent years, H&M has ignored the differences while actively increasing its brand share in the market and building branches in different regions. The most obvious point is the issue of product sizing. H&M ignores the differences in customary sizing in different regions and uniformly uses the European size of 32-42. This makes it difficult for Asian consumers who use the habitual S, M, L sizes or 160-180 sizes to adapt. Moreover, while Asian consumers select and buy products, it is easy to make errors due to the unfamiliar Euro size, which influences consumers' willingness to buy. This decreases the chances of closing the product and thus the revenue that can be obtained.

Compared to other fashion retail stores, which are followed by a shop assistant upon entry, H&M stores are self-service, where consumers walk in and shop freely. The two problems with self-service are that consumers cannot find the products they are looking for quickly and that the sizes are not updated in a timely manner. Since there is no clear section in the H&M store, consumers need to spend more time selecting the style they need. Even because there is no shop assistant to consult, customers may need to wander through all the product areas to find their desired products, which takes a lot of time and energy. The same applies to the lack of timely size updates, which may lead to consumers abandoning their purchases and reducing their willingness to buy.

6. Suggestions

6.1 Suggestions for Zara

Firstly, Zara needs to participate in social topics on social media, which can attract more flow. Zara can publish content related to its own products on micro-blog before the new product launch node, and bring the trending topics of the day so that more target audiences and potential customers can see it, so as to achieve the role of brand drainage and customer acquisition. Moreover, Zara can actively undertake social responsibility for public welfare and build a good brand image. In recent years, the topic of clothing environmental protection has attracted more and more attention. Zara can produce recyclable clothing, or recycle consumers' old clothes for redesign and reuse, so as to make a contribution to environmental protection. Zara should also continue to output high-quality content on social media, strengthen the interaction with users, establish a stable relationship between brands and users, and enhance brand loyalty among users. More importantly, Zara is capable of inviting celebrities to endorse their own products or use the ability of fashion bloggers to bring goods to enhance brand influence [15].

6.2 Suggestions for H&M

While expanding globally, it is necessary to conduct market research related to the region, and H&M can decide whether to open a store or make changes based on the information collected and analyzed from local market research. For example, H&M can improve product sizing in advance to address the size differences in various regions. The common European sizes and local sizes can be marked out at the same time for different consumer groups to choose from so that all customers can find their own suitable sizes. In terms of consumer psychology, this comprehensive improvement can make consumers feel more favorable toward the brand, and increase customer adhesion and loyalty, which can enhance the brand's reputation more effectively.

On the basis of self-service, H&M stores can properly increase the number of shopping guides in case consumers ask for some specific needs. In addition, the layout of the store can be marked with signs to make the zones clearer and more obvious to help consumers find the products they need. In order to update the information related to product size, H&M stores can add several easy-to-use machines to search for sizes based on the availability of shopping guides. These machines are linked to the number of inventories in the background and can be effective in situations where a large number of customers make shopping guides overloaded. In another case, when the customer is shy and does not want to ask the shop assistant, he/she can use the size checker to search and buy at the cashier. Moreover, the service staff of H&M stores can be standardized to train the attitude of consumers, the description of products, and the skill of clothing matching. When the service staff uses a good attitude to introduce products related to consumers and assist customers to buy matching goods, it can make consumers have a pleasant experience.

7. Conclusion

Through a comparative analysis of the marketing strategies of H&M and ZARA, this study finds that the only way to gain a steady foothold in the clothing retail market is to take a quick and accurate response to market trends. Both H&M and ZARA have adopted a "variety, less" product strategy that allows them to quickly update their products according to fashion trends, thus capturing the psychology of consumers. Although pricing is different due to cost differences, both brands have identified their target customer groups, and H&M and ZARA use different channels in their promotion strategies, but both have adopted social media marketing to attract audiences due to the rapid development of the Internet. Timely information updates and accurate marketing strategies are keys to the success of H&M and ZARA, which are worthwhile for Chinese clothing retailers to learn. Upon finding the right brand positioning and target consumer groups, Chinese companies need to react quickly to fashion trends, be aware of the sales of their products and make adjustments in time

to achieve benefit growth. The current study does not take into account the impact of pandemics. Due to the rapid development of the digital market in contemporary society under the pandemic, this topic could be added to the marketing trend for in-depth research in the future.

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