

# Brief

## For those too busy:

The latest research, thinking  
& news on growth pace and delivery  
from around the world

## 'Freshly baked clothes': Zara as a case history of fast response, pace and delivery

### Multinational fashion retailer with a business model designed entirely around speed of response

Companies that maintain long-term sustainable growth, pace and delivery are not common. We looked at Zara, the clothing retail multinational – as an unusual example of a business that has built its entire business model on speed of response – to see what wider lessons can be learnt beyond the context of that industry.

As he started building his business, Amancio Ortega Gaono, the founder of Zara and its parent Inditex, said he believed that consumers would be treating clothes as they would yoghurt, bread or fish – to be consumed quickly rather than stored in cupboards. His highly successful retail business provides 'freshly baked clothes', with the whole organisation designed around reducing response time. Zara continues to deliver high growth, net margin and return of capital rates for the sector, frequently ahead of H&M, Benetton and Primark.

What can we learn from Zara's approach? There appear to be four essential features:

- 1. Fast, frequent information including lead indicators.** Leaders at the centre look at weekly sales data from around the world. They also ring store managers directly every week to ask what shoppers are wearing and buying and to listen to on-the-ground views. They do no forecasting of demand or fashion trends and focus entirely on observing what is happening now, and responding to it extremely fast
- 2. Fast decisions are made across boundaries.** Members of design, sales, procurement, production-planning and logistics teams work together and agree how to respond to that week's data and feedback. There is no bureaucracy, and no working through management layers, or delegating up and down
- 3. Everyone knows their role, and can execute fast.** Once a decision is made, all the teams know what to do and trust others to play their part in a very clear, disciplined and highly synchronised process designed as a whole system. Jobs have clear boundaries and do not overlap. As a result people waste no time having to negotiate or fit with others. This produces an industry-beating 30 days average from making a decision on a new clothing design to having it in the shops. This is against an industry average of 3 to 12 months
- 4. A single, clear success criterion for making new decisions – understood by everyone.** The business model says that speed of response and execution is the number one criterion (even at the expense of higher cost and other factors), because it drives their sales and profits. Everyone knows this criterion, and so it speeds up, simplifies and aligns all the day-to-day decisions that everyone makes.

Everything from the design of the HQ building (airy open spaces to make working in large teams practical and enjoyable), to the design of the supply-chain, is based around business model and speed-of-response.

### Business results: faster sales, lower discounts, higher customer loyalty, higher margins

Zara sells out of products fast, and only discounts 18% of them (sector average 30-40%). Because stock changes so frequently, loyal consumers visit stores an average of 17 times a year, (sector average 4 times a year). Net margins are double digit (near the top of the sector) with high growth rate for two decades.

Not all organisations can set themselves up in such a single-minded way, but if speed to execution is critical to your business model, there are some lessons to be learned here.