Degree of Bachelor in Business Administration

Differentiation strategies in the fashion industry

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Abstract

This essay looks at the various differentiation strategies for a company in the fashion industry. The chosen fashion company for this study is Zara. The reason for this is that Zara is a relatively new company which has grown quickly and today has a big market share. The aim of this thesis is to decide which differentiation strategies are the more relevant ones for Zara to attract new customers. This will be done through a discussion and analysis of all five of the differentiation strategies which are; product-, channel-, image-, service- and personnel differentiation. The theoretical framework gives an overview of the differentiation strategies; it also provides the reader with a description of branding, consumer decision process, competitive advantage, strategic customer and key competitors. These marketing factors can be describing and supporting factors to the most suitable differentiation strategy for Zara. The methodology chapter provides a description of the method choices for this thesis; this study is done by a qualitative approach. The methodology chapter also consists of a part about secondary sources, interviews, different question types used in the interviews and source criticism. The empirical findings consist of information gathered from face to face interviews. The interviews where done with three managers of Zara in France, Paris. In the analysis chapter there will be a discussion about the differentiations strategies that are mentioned in the theoretical framework, this will be combined with the empirical information gained through personal interviews with the managers at Zara. There will also be an analysis and discussion about the marketing factors mentioned above. The conclusion will conclude the analysis of the empirical and theoretical parts of this thesis and answer our research question. In the conclusion there is a description and summarize of the various differentiation strategies. In the conclusion there is a description and summarize of the various differentiation strategies discussed in the theoretical chapter. As a conclusion there is a need for improvements to the personnel-, service- and channel differentiation strategies. The needed future improvements will be discussed closely in the conclusion.

Key words

Differentiation strategies, Zara, fashion industry, attract customers

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1. Introduction

The introduction chapter is about the reason for choosing this area of interest and provides background information about the fashion industry, differentiation and the chosen company. This is followed by a discussion about the problems and questions which leads to the purpose and delimitations of the paper.

1.1. Background

Marketing

Marketing is the transfer of information from companies to customers which aims to generate in an exchange of value which gives the company and its shareholders higher returns. (Kotler & Keller 2006) A successful marketing plan can result in more customers find the company and that in turn leads to revenue growth for the company. But marketing is expensive, a successful marketing plan should result in the cost of producing the marketing are covered, and generate a profit beyond that. (Johnson, Scholes, & Whittington 2008) Key factors behind a successful marketing mix are the four Ps: Product, Place, Promotion and Price. The company must have a clear strategy which is in line with the marketing mix to reach the selected segment group. (Kotler, Armstrong, Wong & Saunders 2008)

Differentiation strategy

A differentiation strategy seeks to provide products or services that offer benefits that are different from those of competitors and that are widely valued by buyers. (Johnson, Scholes & Whittington, 2008) The aim of using differentiation strategy is to achieve competitive advantage. This could be achieved, for example like the clothing brand Zara, by offering better products at the same price. A differentiation strategy must be based on two key factors: the strategic customers, the company has to identify their needs and what they will value, and also on the key competitors, to be different, the company has to identify against who it is competing. (Hitt, Ireland, Hoskisson, 2009)
**Fashion industry**

Fashion is a big industry, when it is used in everyday speech usually shopping of clothing, jewelries and shoes that comes in mind. Fashion is one of the biggest industries with a high level of competition which requires companies to differentiate themselves. (Fairhurst & Moore 2003) The differentiation refers to having a unique product but also in the way in which the product is presented on the market. It is not enough for the company to have a beautiful and trendy product; the company must reach out with their product to the costumer and position themselves on the market. This may be one of its biggest challenges for the company due to the fact that the consumer often gets an overload of information about fashion news offered by different companies. Before the company decides what activities, actions and processes will be taken in promotional purpose an analysis of the market, competitors and sales should be done. (Hines & Bruce 2007)

One factor that has become increasingly important in the fashion industry is the brand of the product. The logotype of a product can have a deeper meaning than just to indentify the product and the company who produced it. The brand can be associated with various characteristics such as exclusivity, luxury, good quality and high fashion. (Melin 1999)

**Zara**

The focus of this thesis will be on Zara, the clothing company, which differentiates itself in many areas. Zara is part of the group Inditex, which is the world’s second largest clothing retailer. The group improved its position on the market thanks to its incredible business model, based on innovation and differentiation. Thanks to its innovative approach towards the business development, the Spanish group succeeded in a very fast international expansion. It is now present in 77 countries, with 5,044 stores around the world, including 1,516 Zara stores (Inditex’s website 05/16/2011). Zara, created by Amancio Ortega Gaona (nowadays first Spain’s fortune), opened its first shop in 1975, in La Coruña, Spain. The first idea of the entrepreneur was to sell cheap clothes, inspired from famous French fashion brands. Nowadays Zara has managed to differentiate its image as a brand from its competitors, and has also become one of the most recognized apparel brands worldwide. The clothing has spread its high-fashion/low-cost product message far and wide by establishing some unique and effective practices. The stores are stocked by new designs twice a week, collections are
small to create the impression of exclusivity, and therefore often sold out. Unlike most clothing retailers who relocate their plants, two-third of Zara’s designs are produced in Spain to reduce the time to transport goods to stores, in order to stay at the forefront of fashion. Zara succeeded so well in fast fashion and luring high-paying customers that even luxury fashion brands as Louis Vuitton, Burberry and Gucci have changed their own practices for Zara’s ones! (Rohwedder, Johnson, 2008) This paper will try to explain which differentiation strategies Zara uses to achieve such success, and which improvements can be made.

1.2 Problem discussion

The marketing strategy is supposed to show the long term direction and scope of the company with stakeholders and the environment in mind. In a fast changing industry there is a big challenge to create a long term strategy. There can be a lot of factors changing in the short run that cannot be foreseen.(Johnson, Scholes & Whittington, 2007) How should the company design their marketing strategy to be usable in the long run?

There are different differentiation strategies for the company to chose between, it can be product differentiation, service differentiation, personnel differentiation, channel differentiation and image differentiation. (Kotler & Keller 2007) Further on the company can chose to have a unique marketing mix or retail mix. The retail mix consists of merchandise, price, advertising and promotion, costumer services and store design. (Fairhust & Moore 2003). In order to overcome the different challenges in the business environment it is important to really understand the concept of differentiation. There are many different ways for the company to stand out on the market. It’s important that the way which the company is different is appreciated by the costumers. The usage of differentiation as a marketing strategy is increasing, due to the fact that there are many positive outcomes for the company to be standing out in comparison to their competitors. For example the company can increase the prices of their products in the long run and still keep the costumers because they are delivering more value then their competitors. (McDonald 1996)

Intense competition and fast changes in the fashion industry creates a lot of marketing challenges, one of them is the differentiation aspect. (Law, Zhang & Leung C 2004) The key factor to successful marketing and competing is differentiation. The concept of being unique is far more important today than it was twenty years ago. The company needs to stand out,
because by standing out they take the attention of the customers. (Armstrong & Kotler, 2010) In order to create a competitive advantage the company must differentiate to not be forgotten by the customers or hidden on the market. (Kotler & Keller, 2007) It is not enough to have the best product on the market; this product needs to be presented to the market in the most suitable way. (Armstrong & Kotler, 2010) This is why differentiation is so important. Even if the companies are selling nearly the same product, the consumer chooses to buy it only in one of them, and the differentiation strategy will be the determinant criterion (Franzen, Moriarty, 2009). The most popular clothing chain stores have many similarities with their competitors. This area of interest leads to the following questions, which is the most suitable differentiation strategy for a clothing company? Which elements does the consumers find particularly interesting when choosing to buy a product from a clothing store? And how can some stores be different and more attractive than other ones?

To have a successful business you must stand out and be memorable. The company profit is not only depending on the product, advertisement, branding or price. (Armstrong & Kotler, 2010) Today far too many companies are alike, which makes it difficult for the customer to make a distinction between the company and their competitors. Retailers are surrounded by competitors and the amount of competition is increasing since it is a profitable market. (Hines & Bruce 2007) The fashion interest has increased the last ten years. By doing business in a different way can show commitment to the customers, it show the customer that the company care about their needs and wants. (Fairhurst & Moore 2003) How can a chain store for clothing stand out in comparison to their competitors? What will make their target group care?

To better understand what differentiation strategies means some concepts will be defined in the theoretical part. Differentiation strategies exist in order to bring the companies competitive advantage. In order to understand why they should differentiate themselves, it is important to understand what competitive advantage is. The purpose of differentiation strategies is to attract new customers and retain the current ones. To build differentiation strategies which will bring the largest number of customers, the companies have to first know who their strategic customers are, and understand when and how differentiation influences their decision-making process. Differentiation is also the fact that a company wants to distinguish itself from its competitors. Hence, it is important for the company to find out who its key competitors are, and what it means.
1.3 Research question

Which marketing strategies should Zara use to differentiate itself to attract customers?

1.4 Purpose of the study

Nowadays, a lot of different companies are present on the market. The main purpose with this thesis is to investigate to find out which differentiation strategies are the more relevant ones to attract new customers.

1.5 Delimitations

The research area within marketing strategies and consumer behavior is really wide, that is the reason to the focus on differentiation strategies. To limit the research area the focus is on the fashion industry. The authors wondered what, in the actual world where consumers can find every kind of different clothes, made them choose more one company than another. They wanted to focus only on the company’s point of view and not on the consumers’ one. Thus they decided to choose one company as an example to explain the theories.

This company is Zara, a clothing brand which opens a new store somewhere in the world every week, and which has a lot of differentiation strategies. The focus of the paper will only be on Zara’s current differentiation strategies, and what they should improve to make them more efficient. The author chose to concentrate the research only on the understanding on how Zara is different from the others fashion retailers by showing the differences but not explaining how they work (As an example, Zara needs only two weeks to produce a new design, this is their difference, but it won’t be explained in this paper how do they do to be able to produce a new design so fast). The result of the study will be explained for that company but can also be applied for all the fashion companies in general.
2. Theoretical chapter

The theoretical framework consists of information from books and scientific articles. There will be a detailed description of the various differentiation strategies; they will later be compared with the empirical material to draw conclusions about the most appropriate differentiation strategy for the clothing company Zara.

2.1. Differentiation strategies

2.1.1. Product differentiation

It is a marketing concept which was first proposed by Edward Chamberlin in 1933, in the Theory of Monopolistic Competition. The product differentiation is the process by which a product is distinguished from others (competitors’ products, or the firm’s own products), by making it more attractive to a particular target market. (Anderson, De Palma, Thisse, 1992)

The differentiation is due to buyers perceiving a difference, therefore, the differences do not have to be very big, and differentiation can just be made by a different packaging, advertising campaign, sales promotion or distribution chain. The difference can also be made by the product itself; the main sources of differentiation for products are:

- Differences in the product’s functional aspects
- Differences in quality
- Differences in price (Hoyle, 2005)

The company can also play with the availability of its product. It can choose to produce just a few number of the product, to produce it just a few times a year, or to sell it just in few special stores in order to make it to more rare.

Differentiation also can be based on price. Goods are considered as packages of characteristics which make them easier to be compared. Observed prices and observes characteristics are, most of the time, related. The difference among prices depends on the characteristics that are embodied in the product. (Rosen, 1974) If a company wants to differentiate its product by its price, it has to have different characteristics.
The purpose of differentiation is to show that the product is unique, and therefore, valued by customers. Instead of selling a product whose comparisons with substitutes will be made only on price, the company can also differentiate its product with substitutes on non-price factors. This will bring the company competitive advantage, and, to benefit from this advantage, the company can make advertisement targeted on the uniqueness of its product, it is called unique selling proposition. (Moine, Lloyd, 2002)

When the customer has understood that the product was different from those the competitors offer, this will develop a preference or brand loyalty. This is the long term purpose of product differentiation, to make the customer loyal to the brand in order to change the demand curve (a graph showing the relationship between the price of a particular product, and the number of this product the consumers are able and willing to buy for this given price) of the product. This will give the company the power to change the prices of its products. (Dwivedi, 2006)

There are two main types of product differentiation:

- Horizontal: based on characteristics, but the quality is not the same. It is when different products are sold at the same price but when consumers don’t evaluate them at the same level of quality.
- Vertical: based on characteristics and the quality is clear. It is the opposite of horizontal differentiation. In the case of vertical differentiation, consumers evaluate products which are sold at the same price, as being the same level of quality. (George, Joll, Lynk, 1992)

If a company produces goods which are different from its competitors’, those products will be imperfect substitutes for each other. This will give the company the opportunity to act as a monopolist concerning its own products. Due to the fact that it reduces the sensitivity to competitive moves, differentiation will bring the company potential for monopoly profits and hence provides it with the incentive to differentiate its products. (Beath, Katsoulacos, 1991)
2.1.2. **Service differentiation**

It is easier to differentiate products because their variables are tangible than services. But when the product cannot be differentiated, adding valued services, or improving their quality can be the key to competitive success. According to Bruhn and Georgi (2006) services are processes which have six characteristics:

- Services are intangible
- They are perishable
- Not transportable
- They are produced and consumed simultaneously
- They can differ from one customer to the other
- They are co-produced by the customer

According to those characteristics, services have to be really well prepared they cannot be taken back or modified. In services marketing, 7 P have to be combined in order to create the best service possible, according to Nargundkar (2006) they are:

- Product, which regards the design of the service
- Price, which is about the influences on pricing
- Place, for the distribution channel and supply chain management
- Promotion, which concerns the different types of medias which can be used
- Process, which can determine the customer’s satisfaction
- People, whom deliver the service
- Physical evidence, which means that services are intangible.

Services have a huge influence on whether the customer will come back or not, this is the reason why service differentiation is really important for all companies. (Bruhn, Georgi, 2006) There are few different factors which can be used for service differentiation:

- Ordering ease: to differentiate itself, a company can facilitate the way to place an order; it can be, for example, with the use of online orders.
- Delivery: the company could also improve its way of delivering the service to customers. The different factors can be, for example, the covering speed, the accuracy or the customer care.
- Installation: It refers to the work that must be done to make a product operational. To differentiate itself, the company can deliver good installation services to thank the customers for their purchase.

- Customer training: as the installation, the customer training can be delivered by the company. They are for example the explanations on how to use the new good.

- Customer consulting: It refers to data, advising services and information system that are offered to buyers by the company. To differentiate itself, the company can, for example, provide research or data about the product they sell on their website.

- Maintenance and repair: this last service is a really important one, it helps customers to keep purchasing products in good working order. It is an important consideration for many customers and the companies should provide maintenance and repair services to differentiate themselves from others companies. (Kotler, 2000)

The quality of the service is also very important. It has recently been related to customer satisfaction, which is one of the main goals a company should have. According to Wetzels, de Ruyter and van Birgelen (1998) quality can be classified in two different categories:

- The technical quality: it is the quality of the result or the outcome which is perceived by the customer, the service he actually receives.

- The functional quality: it is how a service is provided. The quality of the delivery of the service.

Even if some recent research showed that the technical quality was more important to the customers than the functional quality, the way a service is provided can make the difference on if a customer will come again or not. This difference is usually made by the people working in the store (Wetzels, de Ruyter, van Birgelen, 1998).

### 2.1.3. Personnel differentiation

Nowadays, on a market where technologies, systems and products are easily copied by competition, companies should focus on people for sustainably superior performance. They have to be reactive, flexible and responsive to changing customers’ needs. Hence, companies should concentrate their efforts on training their staff. (Armstrong, 2005)
The sales force is, with business administration, one of the major components of the commercial team of a company. The sales force is responsible for the commercial activity with prospects and customers with whom they are in direct contact. They thus represent a powerful driver of revenues because and have a significant impact on the company’s success. There are two different kinds of sales force:

- The sedentary or indoor sales force, including inside and store sellers
- The traveling or outdoor sales force, composed of staff moving on the ground and representatives. (Zoltners, Sinha, Lorimer, 2009)

The quality of services depends on the way it is delivered. The more the sales force will be trained and listening to the client’s expectations, the more the client will be satisfied and willing to comeback. There are few skills the staff members should develop to provide the best service quality:

- Developing knowledge, experience and qualification
- Being adaptable to changing technology
- Improving patience, tolerance and empathy (Gerber, Bothma, 2008)

But nowadays, these characteristics are asked to most of the workers, so to differentiate themselves from other organizations, companies should also ask their workers:

- To be trustworthy and responsive
- To be reliable and courteous
- To be competent and dedicated to give a human face to the organization. (Moore, Pareek, 2010)

To be sure to have the best staff, companies should spend a large amount of money in recruiting the right candidate. The company’s performance is conditioned by its ability to hire the good employees and by the formation which is given to them. The training is the most important part of personnel differentiation and should increase the employee’s technical and relational qualifications, in order to make them able to meet all customer expectations. (Chamak, Fromage, 2006)
2.1.4. Channel differentiation

Channel differentiation refers to that companies can achieve competitive advantage through the way they design their distribution channels. Channel differentiation looks at various ways the firm distributes, sells or offers its products to its customers. This type of differentiation includes expertise of the channel managers and the performance of the channel in ease of ordering, service and personnel. It is more about logistics then marketing but it’s still an important aspect in differentiation on the market. Standing out in the way which you offer your products in the market can be an expellant way in gaining costumers attention. (Kotler & Keller, 2007)

Distribution channels consist of a lot of different actors, a broad categorization is wholesalers, retailers, customers and users. Each of these has specific obligations towards the others. These obligations must be fulfilled in order for the channel to function properly. (McCalley, 1996)

Channel differentiation is about positioning the company on the market. The choice of channels is mainly about which product that will be available to which customers. Webster (1979) argues that the distribution strategy should correspond with the marketing strategy. The starting-point of the distribution strategy should be on the same level as the service level the company has against their customers. Complications arise when company try to select a simple and effective distribution system while, at the same time preparing the most effective marketing programs for a competitive market. (Abrahamsson & Berge, 1995)

The tasks in the marketing channel are these:

- communication,
- selling,
- shipping and storing,
- servicing (Abrahamsson & Berge, 1995)

To manage and control the channel is important for the company. The company needs to begin the process of deciding the appropriate differentiation strategy by analyzing the end-customer’s needs. Further on, the company needs to determine channel objectives and goals. After this, the company needs to determine the coverage, exposure and support of the channel. And finally the company can determine the most suitable differentiation strategy for the channel. (Friedman & Furley, 1999)
A well-functioning distribution channel prevents the gap between producer and consumer. The gaps that are prevented are: time gap, geographical gap, quality gap, variety gap and communication and information gaps. (Friedman & Furley, 1999)

Channel differentiation is a new way in differentiating the company from their competitors. Historically the companies have mainly prioritised product differentiation. According to Friedman and Furley (1999) there is a simple formula that explains why channel differentiation is of great importance;

Add more channels= make more sales.

The advantage of having a many distribution channels is that it is easier for consumers to buy products from more sources. The product is more available. The disadvantage with adding to many new channels is that it is costly for the company and it can make the company positioning themselves at the wrong market, targeting the wrong customers. As a conclusion channel differentiation can help the companies to focus on their best opportunities, but an important factor is that the chosen channel differentiation corresponds with the marketing strategy of the company. (Friedman & Furley, 1999)

**Online shopping**

Customers want to be in charge when it comes to how, when and why they are buying. Retailers must listen and redesign their retail alternatives around customer lifestyles in order to be successful. Online shopping is a relatively new way in differentiating the distribution channels of the company. This new phenomena is giving the customer the opportunity to compare products through description about product attributes, reviews from other customers, prices and evaluate different retailers. This information is presented online and is easy accessed by the customers. (Ståhlberg & Maila, 2009)

One of the strength of internet shopping is the wide supply of products. This can also be perceived as a disadvantage of the customers, 19% of the online shoppers feel overwhelmed by all of the products offered. The positives overweight the negatives when it comes to online shopping; one positive effect is that it is easy and convenient for the customer. The shopper feels as if they can evaluate their different options in peace and quite. Customers appreciate the ease, the convenience and the privacy. The customer groups that can not visit a store because of time or geographical constraints now have the same possibilities as the other
customers. The companies can through internet reach those customers that do not live close to
the store location. (Ståhlberg & Maila, 2009)

An important factor in online shopping is that customers online are demanding higher level of
product description before making a purchase decision. The choice of the information
presented has a major impact on the purchasing decision. Online shopping highly depending
on how much effort the customer is willing to put into the shopping experience. If the
customer is not willing to put a lot of effort into evaluating different products, the products
that are listed first have a bigger chance of being bought. (Ståhlberg & Maila, 2009)

Atmosphere

The customer’s perception of the actual store is an important element of the channel
differentiation. The internal marketing mix consists of factors that can explain the attraction
value of a store. The mix consists of: presentation of the store, personnel, physical
distribution, pricing strategy and productivity in the store. A successful mix of these factors
can convert created interest into actual purchasing. A store can also attract the attention of the
customer by being unique in the design of the store. The customer perception of the store is
mostly based on the knowledge that the customer already have about the specific brand. When
it comes to the fashion industry the customer is likely to have favourites. There are special
brands and stores that they will look at first when they are shopping. The emotional aspect is
playing a big part of the shopping experience. (Barr & Broundy, 1990)

The perception of the store is affected through the five senses; seeing, hearing, smelling,
tasting and touching. On the basis of this the customer makes personal choices. That’s why
the physical demonstration of a store is so important. A shopping environment is the perfect
way in communicating the values of a brand. The customer will use all of their senses to get a
feeling about the company. (Solomon & Bamossy, 2007)

There are different external factors that are deciding how the store design should be for a
specific company. The store design depends on the following factors: industry, target group,
their range of products, location and size of the company. (Barr & Broundy, 1990)

Atmospherics is a concept regarding the effort to design buying environments that produce a
certain feeling for the buyer that increase consumption willingness. The atmosphere can be
described through sensory terms. It is important to make a distinction between intended
atmosphere and perceived atmosphere. Perceived atmosphere might vary between different customers and the intended atmosphere is the company’s attempt to create a certain feeling. The main factors that affect the senses can be categorized. The main visuals include: colour, brightness, size and shape of the store. The main aural is volume. The nose is affected by scent and freshness. The touch responds to softness, smoothness and temperature. (Kotler, 1973) Figure 1 shows the causal chain in connecting atmosphere and purchase probability.

![The Causal Chain Connecting Atmosphere and Purchase Probability](image)

Figure 1: Atmospherics as a marketing tool, Kotler (1973) page 54

### 2.1.5 Image Differentiation

A company's image can be described as the overall perception of the company. The image can be enhanced by promotional activities, environmental factors, competitor’s actions or by non-paid for activities, such as word of mouth. Image is formed as a result of all the experiences, values and the impression that external actors have about the company. The company may have many stakeholders, all with different backgrounds, so it cannot be expected that all stakeholders have one and same image. In other words, one company has multiple images. (Markwick & Fill, 1995)

Designing sustainable and strong brands has been of great significance on the commercial market. A strong brand is the company's most powerful asset and the importance of it is recognized by various companies (Melin, 1999). Kapferer (2004) argues that the brand is a significant actor in the society, and the company can include the brand as part of the business capital. A strong brand is a great way to give your product or service an identity. The brand can be a combination of words, images and sound. An effective image does three things for a
product or company; it establishes the product's planned character, it differentiates the product from competing products and it delivers emotional power. (Kotler & Keller, 2007)

Armstrong and Kotler (2008) states that when competing products are alike, buyers may perceive a difference based on brand image. The image is a powerful tool to use for differentiation. The same shirt can have different demand because of the logo on the chest. A strong image does not arise on one day; it takes a significant amount of time to build.

A company brand image should represent the products benefits and the company positioning on the market. Too create the desired image for the company requires strategic thinking. The image represents the promise that the products will perform to expectations of the customers. A good brand that processes good image would make the customer feel uncomfortable buying from any other brand. (Maguire, 2002)

According to De Charnatony, McDonald & Wallace (2011) the importance of the product and brand can vary depending on the purchase situation, product category and the level of engagement from the customer. The challenge for the image manager is to offer a unique and attractive value that best satisfies the customer's needs and desires. (De Charnatony, McDonald & Wallace, 2011)

The brand of a company is a way in enhancing desired image. A brand can be a symbol, text, image or a combination of them that defines the product and the company on the market. (Melin, 1999) It is considered to be an intangible asset to the company and can have lot of different functions; it can be information provider, identity keeper, image creator or risk reducer. (Kotler & Keller, 2007) The content and feature of brands are regulated by laws. According to Johnson, Scholes, and Whittington (2007) innovation and branding are the core to the company’s strategy. The brand is a valuable asset for many companies, because it often gets associated with the company's values and standings. Branding is a powerful tool that focuses on all of the factors in the marketing mix. A successful brand combines an effective product, identity for the products and additional customer value of the brand. (Melin, 1999)

A new area of interest for researchers is the concept of brand equity which is the value added to products reflected in how customers respond to the brand. It’s very difficult to measure brand equity, but it is of great impotence for the managers in the company to have the knowledge about their brand equity. (Kotler & Keller, 2007)
Brand awareness refers to the fact on which extent the brand is recognized by customers and the target market. Brand loyalty refers to how loyal the customer is to the specific brand when it comes to repurchasing and word of mouth. This occurs when the customer feel that the brand have the right price, quality and image. To have brand loyal customers can increase the revenues and also reduce the expenses in terms of expenses to attract new customers. (Easey, 2009) Brand loyalty also creates barriers of entry for competitors and result in a higher willingness to pay by the customers, usually 20-25 percent. For the company the creation of a strong brand is one of the main challenges, it requires strategic thinking and market knowledge. (Vaid, 2003)

The customers expect that all interactions with the brand should provide them with benefits. Customers often chose a product over others because they are associated with a certain lifestyle. If the customer feel as is the brand matches desired lifestyle, this might increase the customers’ willingness to pay. A company challenge is to maintain and manage the relationship between the customer and desired lifestyle. (Forney, Park & Brandon, 2005) The brand is a powerful symbolic asset to achieve a social identity. Certain brand names have become so powerful that they are at the same level or even more valuable than the product itself. For example you wear a Rolex, not just a watch. (Vaid, 2003)

A brand differentiates the product from other products designed to satisfy the same need. Consumers may evaluate an identical product differently because of the brand. Further on, there are a lot of different ways to differentiate a brand. It can be through; brand promise, brand personality and brand positioning. Brand promise refers to the promise that the brand give to the customers. Brand personality refers to the identity that the brand gives the physical products. Brand positioning refers to where the company position themselves when it comes to quality, prices and target group. (Vaid, 2003)
2.2. Competitive advantage

Competitive advantage refers to the company’s ability to perform in one or another way that competitors will not or cannot match. (Kotler, Armstrong, Wong & Saunders 2008)

Michael Porter, who is a leading authority on company strategy, urges companies to build a sustainable competitive advantage. Sustained competitive advantage is advantage over competitors in the long run and is gained through core competences and unique resources. (Kotler & Keller, 2007) Core competences have three characteristics: they make significant contribution to perceived consumer benefits, they have an application on a widely verity of markets and it is difficult for competitors to imitate.

Not all differences are worthy to promote. Too decide which differences that are valuable to promote there are seven important criteria. (Kotler, Armstrong, Wong & Saunders 2008) According to Kotler, Armstrong, Wong & Saunders (2008) many companies have introduced differences and failed these tests.

- Important, the specific difference must deliver a highly valued benefit for the target customers.
- Distinctive, the difference is not offered by competitors of the company.
- Superior: The difference is superior to other ways that customers might obtain the same benefits.
- Communicable: the difference is available and visible to the end buyer.
- Pre-emptive: The difference is not easy copied by competitors.
- Affordable: Buyers can afford to pay for the difference
- Profitable: The company will make a profit on the difference and can introduce it profitably to the customers. (Kotler, Armstrong, Wong & Saunders 2008)

Identification of strategic capabilities might lead to sustained competitive advantage. There are different tools for analyzing and identifying strategic capabilities. It can be done through: the value chains, activity maps, benchmarking and SWOT. Value chains and activity maps line up the different activities in the company, and help to give an overview of where the value is created and perceived by the costumers. It also helps to identify critical success factors. Benchmarking can be classified into; industry, best-in-class and historical. Benchmarking is when the company compares themselves to other in the industry or others
that are leading in one specific function or compares past performance with current ones. (Johnson, Scholes & Whittington, 2007)

If the company hopes to endure they must constantly come up with new ways to differentiate themselves. Moreover, the competitive advantage must be seen as a customer advantage. There are only a few competitive advantages that are sustainable. Most advantages are copied or outdated in the long run. Company must focus on building customer advantages, then they will deliver high consumer value and satisfaction, which leads to more purchases and higher profit. (Kotler, Armstrong, Wong & Saunders, 2008)

2.3. Strategic customer

The strategic customer is the person at whom the company’s strategy is primarily directed to. They have the most influence over which goods or services are purchased and demanded, and therefore they represent the target audience for product development in the company. (Johnson, Scholes & Whittington, 2007)

It is important to indentify the strategic customer otherwise managers can end up targeting the wrong customers, which can result in big unnecessary expenses. The starting point of the company’s strategy is provided from the desires of the strategic customer. If the company find and target the strategic customer it can result in money and resources are saved and used for the right purpose. In the long run it can even lead to higher profits and also increase the customer satisfaction. (Johnson, Scholes & Whittington, 2007)

Marketers must try to understand their customers. (Kotler, Armstrong, Wong & Saunders 2008) The marketer must try to understand the customer objectives and motivation priorities. An understanding of the strategic customer will be done through segmentation. (Johnson, Scholes, & Whittington 2008) Segmentation is identification of customer groups that respond differently than other customer groups to different offerings. Segmentation can be done through categorization of customer characteristics such as: sex, age, lifestyle, occupation and geographic. A strategic customer analysis can also be done through categorizing the customers based on their relationship to the company. The categorisation can consist of: primary customers, secondary customers, trends and needs. (Armstrong & Kotler, 2010)
2.4. **Key competitors**

As cited in part 2.1, differentiation is the fact that a company wants to distinguish itself from its competitors. Hence, it is important to find out who the key competitors of the company are, and thus to know what key competitors means.

To create a competitive marketing strategy, the firm has to analyze its competitors. The first step is to do a competitor analysis; it is the process by which marketing managers try to identify the firm’s key competitors, their strengths and weaknesses, but also their objectives, strategies, and their reaction patterns. The second step is to develop competitive marketing strategies which position the company against its competitors and give it the strongest possible strategic advantage. Competitors can be defined as other companies which sell similar products at similar prices and to the same customers. (Armstrong, Kotler, 2010)

The competitor analysis starts with identifying the current and potential competitors. To find who the competitors are, the managers can ask a list of questions:

- Against whom the firm is competing? Who are the most intense competitors? Who are the less intense, but still serious competitors?
- Is it possible to group these competitors into strategic groups (companies which use the same strategy)?
- Who are the potential competitive entrants? Do they have barriers to entry (obstacles that make it difficult for a company to enter a given market)? If yes, which are they? Can the firm do anything to discourage them? (McLoughlin, Aaker, 2010)

When the competitors are identified, the company has to evaluate them. This is the heart of a good competitive strategy. The company has to gather a lot of information about competitors in order to compare them. This includes the competitors’ market share, sales, cash flows, cost and profit levels, return on investment, organizational culture, production processes, products portfolio and product quality. But it also includes customer base, distribution channels, level of brand loyalty, attitude to risk, marketing capabilities, management capabilities, financial capabilities, human resource capabilities, and their previous pattern of response. And when the company has gathered all these data, they are analyzed and the competitors are classified into strategic groups, and the company can find who the key competitors are and build their competitive strategy. (Gilligan, Wilson, 2009)
2.5. The consumer’s decision-making process

As written earlier, the purpose of differentiation strategies is to attract new customers and retain the current ones. Hence, to build differentiation strategies which will bring the largest number of customers, the companies have to understand how differentiation influences the consumers’ decision-making process, and thus what it implies.

When they buy something, consumers follow the consumer decision-making process. It is a five steps process which uses consumer behavior to understand how consumers make them decisions. A lot of internal and external factors affect all the steps, like sociological, cultural, psychological and individual factors. But sometimes the consumer does not follow the steps in this order and can end the process at any time. (Lamb, Hair, McDaniel, 2009)

The five steps are as follow:

- Need recognition: It is when consumers are exposed to internal (occurrences you experience) and external (influences from other sources) stimulus and are hence faced with an imbalance between actual and desired states.

- Information search: When they know what they need or want, consumers start to look for information about what alternatives are available to satisfy it. They can find internal (the consumer’s memories) and external (from the outside environment) information.

- Evaluation of alternatives: After gathering the information about the different alternatives available, the consumers have to evaluate them to find which brand or product is the most appropriate.

- Purchase: When the consumers have decided which alternative is the best, they have to decide where and from whom they are going to make the purchase. A lot of different issues are settled, and the actual purchase takes place during this stage if the consumers do not decide to terminate the decision process.

- Post purchase evaluation: After the purchase, the consumers evaluate the product bought, to see if it meets their expectations. The consumers can be satisfied or not, and this will influence their way of communicating with potential buyers, and repurchase
the brand or not. (Pride, Ferrell, 2006) Figure 2 shows the steps in the consumer decision process.

Figure 2: Consumer decision process, Fashion marketing, Third edition, Easye M., page 71
3. Methodology

*In this part it will be described which methods that have been used for this study and the reason for this. The research is based on a qualitative method. Further on there will be a critical discussion about the validity and reliability of the methodology choices.*

3.1. Qualitative research

Bryman & Bell (2007) explains that a business research method is a procedure to collect and analyze data. There are many different ways to search for information and collect materials for a study. Two basic approaches are the quantitative and qualitative methods.

Bryman & Bell (2007) states that qualitative research focus more on words instead of numbers in the collection and analysis of data. A deductive approach was used, which means that theory is directing the research. Qualitative studies have an interpretative approach, the focus is on the individuals and it aims to understand and describe how it shapes its reality. They also explain that qualitative studies often get a lot of criticism saying that the research method is too subjective, hard to replicate if needed, have problem with generalisation and have a lack of transparency.

A qualitative approach was chosen because the authors want to explore how Zara should differentiate on the market. They want to find the underlying factor to an efficient marketing strategy and since a qualitative study is designed to investigate causal relations this method will give a broader perspective. The research question is more suitable for a qualitative research in order to gain deep knowledge about Zara to understand the different components that influence and develop the strategy. It is easier to get detailed responses in personal interviews and to ask follow up questions if needed. (Cho & Trent 2006)

Many researchers and scientists argue to the fact that reliability and validity is not relevant as a criterion for qualitative studies. This is because these concepts are best suited as a criterion for measurement, which is quite the opposite from qualitative research. In order for these fundamental concepts to fit with qualitative research they have been divided into extern and intern. Further on, researchers and scientists have found alternative concepts for qualitative research; credibility and authenticity. (Cho & Trent 2006)
Reliability is referring to if someone else can do the research and get the same answer. In other words, the responses should not be a coincidence. Validity tells if the concepts used really measures the concept in question. A measure to strengthen the reliability is to share parts of the investigation with the interviewed and involved individuals, this can strengthen the fact that good interpretation is made of the interviewed material. Further on, the material could be shared with colleagues and tutors to strengthen to what degree the conclusion is acceptable. The supervisor, examiner and other students read the paper to have their say on it. (Bryman & Bell 2007)

The most common qualitative research methods are; focus groups, depth interviews and observations. (Bryman & Bell 2007) The interview was chosen, because there were some specific questions for which Zara’s managers’ answers were needed. Focus groups were not possible since it was not possible to gather all Zara managers in one room for a discussion. Observations were not appropriate in consideration of our research question. Answers and interpretations about the marketing strategy and the future of the company were waited. The interviews gave the opportunity to ask follow-up questions. It also gave the opportunity to see any facial expressions and body language. Further on, a survey would not give the opportunity to go in deep and the managers may refuse to take a part of the survey.

3.2 Litterature, scientific articles and secondary sources

A secondary source is information that is available on a particular area, but not primarily collected for that study. It involves collecting information that someone else collected the past. Secondary sources are any type of information that exists in both printed form and through various media. It includes anything from books, annual reports to news and websites on the Internet. A disadvantage with the usage of secondary sources is that it might not be the same understanding of social context as the original researcher. This can lead to complications when the interpreting the data. Benefits with this kind of sources is particular time and money saving and it is possible to get high quality data. (Bryman & Bell, 2007) The sources were examined carefully to meet the requirements for validity and reliability. Recognized sources such as textbooks and scientific articles were used most of the time.
This study is to a large extent based secondary sources in order to capture data that does not show up at interviews. Parts of articles and books were processed to generate a theoretical framework. Scientific articles are sought and collected from the Linnaeus University Library's database. Information published on the company website was also used. It is important to recognize who created the document and for what purpose. An approach called grounded theory was used when analyzing the qualitative data. That meant there was a close relationship between data collection, analysis and the theory was the result of our investigation. (Bryman & Bell 2007) All the results cannot be generalized to all other fashion companies, but most of them can be interesting for others in the same industry.

### 3.3 Interviews

Interviewing is a primary procedure of data collection in qualitative research. Interviews can be done with one person at the time or with couples. They can be done face to face, through phone, e-mail or letter. (Fontana, Prokos, 2007) There are seven different types of qualitative interview styles; semi structured interviews, unstructured interviews, in-depth interviews, qualitative research interviews, informant interviews, focused interviews and non-directive interviews. The two main types are semi structured and unstructured interviews. For this study semi structured was the most suitable. There was an open research question, which makes it more appropriate to do a qualitative interview with many open questions. Semi structured interviews is good when you want respondents’ views and experiences and the information gained is often rich. Semi structured interviews consist of open questions which leads to open answers. (Becker & Bryman 2004)

According to Bryman & Bell (2007) a semi structured interview is when the researcher has a list of questions on fairly specific topics to be covered; this is also called an interview guide. The questions might not follow the way they were outlined on the schedule which makes this interview process more flexible. A personal semi structured interview was made so that it was possible to get answers to specific questions. This interview style also gives the interviewed the opportunity to create their own answer. It is important to remember that open questions are more difficult to code and more time-consuming than closed questions. It was tried to have a structure through the interviews by having semi structured instead of unstructured interview. We had a given agenda and open-ended questions that will facilitate answering our
research question. It is important to not have leading questions that can influence the interviewed person. (Bryman & Bell, 2007)

Further on, it may have been some factors that influenced our interviews. It may be that the respondent was influenced by us as interviewers, by example, our gender or our age. When we decided upon the questions we wanted to make sure that they followed a specific theme, which is our chosen area of interest. (Bryman & Bell, 2007)

First step in the interview process is to get familiar with the chosen topic (Bryman & Bell, 2007). A lot of Internet and literature reading was done to find the background information for the research question. After this, an interview was conducted with the responsible for the marketing at Zara in three different stores in Paris, France. Through this was examined her view of the marketing strategy today and her ideas about what could be improved. Interview questions were designed in advance, but these could be supplemented by unprepared follow-up questions to get answers clarified. During the interviews we took careful notes. The result from the interviews will be presented later in the empirical findings.

The authors were aware that there were negative aspects of the chosen method. The outcome was influenced in part by interpretations, and also of how respondents interpret the questions. (Becker & Bryman, 2004)

To write a list of questions to guide the interview it is possible to use different types of questions. They will then help during the interview, to be sure not to forget any question. The questions can be open-ended or closed-ended, prompted or spontaneous; the lists of questions can be structured or unstructured.. There are a lot of different possibilities in constructing a interview guide. For the list of questions it was chose to write open and spontaneous questions in a semi structured interview guide to be able to lead the interview and get the answers we need for the paper.

*Open-ended questions*

Open-ended questions are questions which have a large range of possible answers that are not suggested in the question. Respondents are supposed to answer with their own words and give an answer as complete as possible. Most of the time, in conversations people use open-ended questions in order to make the respondent talk about a specific topic. (Brace, 2008)
This is the reason why it was chosen to use only closed questions, to make the survey look as much as possible like a conversation. Hence, the respondent feels free to answer even further than the questions asked and give more information than in closed questions. Moreover, in this way he can also give unscheduled information and bring new questions to continue the survey.

**Spontaneous questions**

Open-ended questions are always spontaneous; hence no prompted questions were asked. In spontaneous questions, the respondent is not given few possible answers between which he has to choose. Most of the time, this kind of questions is used when the list of questions writer is not sure about the range of answers, and when he prefers to have the response in the respondent’s own words. (Brace, 2008)

As for the open-ended questions, spontaneous questions were chosen to let the respondent express himself with his own words, and the purpose was to not give him any prepared answer, so he is not influenced by others thoughts, and just tells what he thinks about a specific subject.

**Sub-questions**

Sub-questions are questions for which the answer is independent from the major question. They are subsidiary questions which directly derive from the main research question and which should help to answer the main question. They are all independent one from the other, so the respondent does not need to know the answer of other sub-questions to answer one. They should help to make the research topic more specific. (Jansen, van der Velde, Anderson, 2004)

Sub-questions were used during the interview to have more precise answers. All the respondents could not answer all the questions, so this way they still could answer some of them. It was also easier to follow what they were saying because sub-questions were more detailed than main questions.
Semi structured questions

In semi structured interview guides, the different questions are all asked in the same order to all subjects, so the structure does not affect their answers. (Wood, Ross-Kerr, 2011) The purpose of semi structured questions is to increase the reliability of the study. This is done by asking, word for word, the same question to all respondents to be able to compare their answers afterwards. (Nargundkar, 2008)

Semi structured list of questions were written to be able to compare the answers of the respondent. The authors wanted to have precise answers so they chose to ask the questions to few Zara managers. To be able to cross their information to have the more precise answer possible, the exactly same questions were asked to all of the respondents.

3.4 Reliability, Validity, Authenticity and Credibility

The validity concerns weather if the concepts really measure the concept in question. Another concept that is important is replication. (Bryman & Bell 2007) We have chosen to carefully describe how we proceeded in our study, to make it possible to replicate the study. To ensure validity and reliability the method was carefully examined and described. A detailed description was done to make sure that possible deficits will be visible. A critical discussion was also included about our methodology choices. To ensure the validity the authors have returned to the research question and the purpose of this thesis. This was done to ensure that they are actually investigating and answering what was asked.

Reliability concerns whether the measurements in the survey is reliable, it means that if anyone else would do the interviews and get the same answer. The responses should not be a coincidence. (Bryman & Bell 2007) To ensure reliability under the interview was asked follow up questions to check that the answers were understood as the respondent wanted them to be understood. The processing of the interviews and translation from English to French has been done carefully.

Creditability is concerning for which purpose the article was written and who the author was. (Bryman & Bell 2007) The written material that we have collected is credible because our main sources are scientific articles and course literature. The source authenticity is concerning
weather the source is true or false. (Bryman & Bell 2007) The material was collected in the university library and therefore there is no reason for us to doubt that the source is real.

3.5 Operationalization

The interviews were made between the 14th and the 28th of April. They were made in France because we already had contact there with a manager of one Zara. It was also easier to make them in Paris because they are 113 Zara in France, including 22 Zara in Paris whereas there are only 8 Zara in whole Sweden. (Zara’s website 05/02/2011) And according to Bryman & Bell (2007) it is important to have as many respondents as possible, to get more complete answers. At the beginning the sample chosen was the managers of the 22 Zara. They were contacted by phone to schedule the meetings, but only four of them answered positively. The others said they did not have time, and on the day of the meeting, one of them said it was a busy week and that he would finally not be able to answer the questions, the sample was then reduced to three managers.

The list of questions comported eight questions, including two questions with sub-questions, and most of the time the interviews lasted around fifteen minutes because the managers had to work and did not have a lot of time to answer the questions. During the interviews, the questions were most of the time asked in the order written on the list, but they were open questions and the list of questions was semi-structured. According to Brace (2008) it is better to let the respondents answer with their own words, so the purpose was to follow their answers to make the interview look like a dialogue to incite them to feel comfortable and hence, make them answer as much as possible.

To get answers to the research question, the questions for the interviews follow the theoretical research that had been made. For example, the question 3 ‘How the company differentiates itself from its competitors?’ and question 4 ‘Is Zara more focalizing on low prices or on high quality?’ provided answers about the part 2.1 on differentiation strategies. questions 1 ‘Who are Zara’s targets?’ and 1.1 ‘Which segment is targeted?’ were about Zara’s strategic customers. question 2 ‘Who are Zara’s main competitors?’ corresponded to the part about key competitors, question 8 ‘Why would you choose Zara?’ was about the decision-making process and question 5 ‘Zara doesn’t make advertisement, so which means of communication
3.6 Source criticism

Source criticism is fundamental for any type of study that includes secondary sources. A general rule is that primary sources are more reliable than secondary sources. It is very important to always have in mind who the original author is, and for what purpose is the text written. There are some criteria that can be used for determining whether the source is reliable and if it meets the standard of good quality. Another important concept is Authenticity, which means that the source is what it purports to be, that it is not a fake. (Thurén, 2005)

As the trends and values are evolving every day, a general rule is that the source is more credible the more contemporary it is. Therefore it is important to look at the year of publication and to use updated literature and, as much as possible, the latest editions of the books in order to make the research more current and reliable. Sometimes a source can be more relevant even though it is aged. It is important to find out if the source is still credible and if it is the most relevant source. (Thurén, 2005) In this paper a source from 1974 is used because what is written in this article is still relevant, difference among prices always on the differentiation strategy of the company.

It is impossible to get a full description of something. In other words, there must be a selection between all the secondary sources available. Source criticism criteria can help to determine which sources are more credible and relevant. There are some other factors that can influence the study when secondary sources are used. The interpretation of the meaning of the source may differ between reader and original author. (Thurén, 2005)

There are four different criteria for source criticism:

- Authority refers to who the author is behind the source, the authors’ qualifications and if the publishing journal is reliable.
- Objectivity refers to the purpose behind the source. This criteria means that you as a reader need to be observant if the source want to inform of sell something, if it consist...
of fact or personal oppositions. It is important to check the references mentioned in the sources, especially if it’s a website.

- Reliability is concerning the content of the source. It is important to check if the fact and references that is mentioned actually is correct.
- Timeliness refers to the time of the source and if it’s outdated or current. (Linnaeus University, University library, 2011-05-03)

Internet is a really large source of information, but we also know that it is not always reliable. For this reason, it better to use only books and scientific articles during the research. There is an exception in our paper for Zara, because their website is updated very often but they were always confirmed by scientific articles about Zara (cf secondary data) to be sure they were relevant.

There are some other factors that can influence the study when secondary sources are used. The interpretation of the meaning of the source may differ between reader and original author. Another important fact is that if a claim is scientific does not mean it is automatically true. Furthermore, it is important to keep in mind that the author’s experiences also affect what they write.
4. Empirical findings

The empirical findings available are from the qualitative study which was done in the form of semi-structured interviews. The interviews took place in three Zara stores in Paris. The empirical findings also consist of information collected from Zara’s press dossier and Inditex’s and Zara’s websites.

4.1.1 Primary data: the interviews

The first question asked to Zara’s managers was who Zara’s targets are. Aline is the first manager who answered the questions. She works in Zara Boulevard Hausserman in Paris, France. She said that Zara targeted every woman. The second respondent was Stéphane, the manager of Zara rue de Rivoli in Paris too. He also said that Zara’s targets were young women. The last respondent was Nadège, the manager of Zara la Défence in Paris, and she had the same answer as the others managers. Aline added that the segment targeted was women between 15 and 85 years old, whereas Nadège said mostly women between 20 and 40 years old. Stéphane completed his answer by adding that Zara’s customers were mostly students or working women who earn an average salary.

The next question was about Zara’s main competitors. The answers were quite the same from all the different respondents. All of them answered H&M and Gap, Aline added Mango and Nadège Benetton.

In the third question, Zara’s managers were asked how the company differentiates itself from its competitors. Aline talked about their products, explaining that they are copies of famous fashion dressmakers sold ten times less expensive. Stéphane talked about the low prices, he also said that they receive new products twice a week, remove designs which are not good sales and send them back to Spain to have only nice products in the department store. Nadège said that Zara is a trend creator which makes the products rarer by producing small series of each design.

The fourth question was whether Zara more focuses on low prices or on high quality. Aline said they are focusing on both of them, but Stéphane said that they focus more on low prices. He explained that they have simple designs, hence easy to produce, that they never have stock
in the stores and finally that they are produce in a very large number to reduce producing costs. However, Nadège said that the purpose of Zara is to make fashion affordable for everyone, and hence that they are focusing on prices, but she added that the quality is also very good.

Question five is about Zara’s advertisement. As Zara doesn’t make any advertisement, it was asked to the managers which means of communication does the company use to attract customers. Aline answered the arrangement of the stores. She said they try to have a lot of space in the stores because they want their customers to feel comfortable. She explained that nobody likes to be tightened while shopping, and with their arrangement the customers come back because they know they won’t be upset by the other customers and the lack of space. For Stéphane the answer was that the Medias are always talking about Zara. He said that there are a lot of articles about the company; people are interested in Zara, the group Inditex and its amazing ascension and that this makes free advertisement for them. He also said that they don’t need to spend money on advertisement because newspapers, Internet blogs and even some books talk about Zara. He completed his answer by saying that he thinks the most important means of communication are they are Internets blogs and fashion magazines. He explained that they show pictures of stars and besides show a normal girl wearing Zara or other fashion companies clothes which look like as much as possible as the star’s ones. He said that this gives idea to a lot of girls and women to come have a look in Zara. For Nadège, the most important mean of communication is the showcases. Therefore, before opening a new store the company works a lot on where it is going to be located. She said that as they don’t make advertisement the showcases have to be spectacular to incite the customer to come inside the store. She added that to arrange them they receive pictures from a Zara in London and do the same showcases in their stores.

The next question was if there is any change planned for Zara’s marketing plan. Anile said she was not allowed to answer this kind of questions, and Nadège said she doesn’t know anything about it yet. However, Stéphane answered that the group is opening new stores every day, nad hence that they have to have a continuous growth. For him maybe few improvements will be made, but nothing scheduled yet.

Question seven was about Zara’s objectives for the next years. Aline said she was not allowed to answer this question either. Stéphane explained that the company would like to continue the internationalization of the brand and that they are also opening stores in medium-size
cities, whereas before the stores were only situated in main cities. He said it was a new way to reach more customers. Nadège said that the plan was just to continue to evolve and open new stores, and that it was really important for Zara. She added that the group Inditex is already opening one or two stores a day, everywhere around the world.

The last question, number eight was why the respondent would choose Zara. Aline said that Zara has wonderful products and that she sees them the whole day and can tell they are really good quality. Moreover, she added that she really likes the designs, and that it is really pleasant to feel being at the forefront of fashion. Stéphane said that he really likes the store atmosphere, and not only because he works there. He even added that it was actually the reason why he chose to apply for a job in Zara and not in another clothing retailer. He said that in Zara’s stores there is space, and so it was easy to feel relax and important at the same time. Nadège said that she likes what Zara represents. For her the brand was made for active women who like to take care of their appearance. She added that in the stores there are a lot of different women but they all seem to feel good about themselves. Moreover, she said that when she talks with her friends, she knows they all like Zara. To conclude she said she thinks nearly all the women who know Zara like it, and it is important what people think when they look at her and that when she wears Zara’s designs, she is almost sure it will please.

### 4.1.2 Secondary data

The fashion industry is a fast changing market. (Hines & Bruce 2007) The company survival will depend on the company flexibility and timing in responses to the market changes. (Easey, 2009) Zara has become one of the biggest fashion brands. Zara’s success is because of their business model, which is mainly about having fast responses to the demands on the market. (Inditex’s annual report, 2009)

Zara is a division of the group Inditex, which is one of the world’s largest fashion retailers. Thanks to its innovative approach towards the business development, including but not limited to the 14-day new product development, the Spanish group succeeded in a very fast international expansion. It is now present in 77 countries, with 5,044 stores around the world, including 1,516 Zara stores. (Inditex’s website 05/16/2011)
Zara, the largest division of Inditex, was created by Amancio Ortega Gaona (nowadays first Spain’s fortune and Chairman of Inditex’s Board and Executive Committee) in 1975, in La Coruña, Spain, which became nowadays the home city of the group headquarters. The first idea of the entrepreneur was to sell cheap clothes, inspired from famous French fashion brands. Even if this concept was accused of copying, the brand knew immediate success and the group hires nowadays 100.138 employees. To continue its growth, the company began selling its products online in September 2010 and the online store is already available in 16 countries. (Inditex’s website 05/16/2011) As a truly a global brand, Nowadays Zara has managed to differentiate its image as a brand from its competitors by following a business model composed of five keys. The first one is the customer, followed by the stores, then comes the design and production, the logistic, and finally the teams. (Zara Press Dossier, 2009)

The steps from design to sale are well integrated. The products will be sent to the logistical centre before being sent to Zara’s shops. The most important thing is that the stores are stocked with news twice a week. After the products are designed, they are tested in some of the stores. This is done to investigate the demand and see if the products are being profitable. All of this is done before the final production of the products. The business plan is to create products that are demanded by the customers. Job tasks that are included for the design team is; keeping up with the latest trends on TV, the red carpet for celebrities, internet and fashion magazines. (Zara Press Dossier, 2009)

The production is mainly done in Europe but recently Zara have opened a production factory in China. In total Zara have 20 productions factories, majorities of these factories are located around the headquarters in Spain. The distribution strategy that Zara is using is just in time system, which means that the firm only produces what is required, in the correct quantity and at the correct time. This means that stock will be minimized and only demanded products are produced. The company has established a unique way in innovating products, but also a unique way in distributing products. Their supply chain has made them famous worldwide. Their business model is based on innovation and flexibility, which is the key to success in the fashion industry. (Zara Press Dossier, 2009)

The clothing company has spread its high-fashion/low-cost product message far and wide by establishing some unique, yet effective practices. The company has managed to achieve great
brand awareness, even though the advertising is kept to the minimum. (Inditex’s annual report, 2009) To compensate it, Zara strategically opens stores in heavily trafficked, high-end retail areas where a taste for trends is whet and wallets are wide open. The stores are stocked by new designs twice a week, collections are small to create the impression of exclusivity, and therefore often sold out. (Rohwedder., Johnson, 2008)

The company has managed to achieve great brand awareness even if they are not advertising. Zara is not using traditional advertisement as a way to communicate with their customers; instead they are using word of mouth, their Facebook page and in-store advertisement. Today Zara have managed to differentiate their image brand from their competitors. (Zara Press Dossier, 2009).

With such a rapid expansion, Zara has a lot of competitors. The company’s main competitors are H&M, Benetton and Gap. They are clothing companies which sell quite the same products as Zara and around the same price. Moreover, they are targeting the same consumers. (Liarte, 2004) Mango is a more recent company on the market but it could become one of the most important competitors to Zara. They have the same strategy to copy high fashion designs in a short period of time to sell at a low price in their stores, thanks to very flexible and responsive supply chains. (Saure, Zeevi, 2009) Figure 3 shows the competition in the fashion retail industry.

![Figure 3: Successful Business Models in the Fashion Retail Industry, 2008, N. Pahl, W. Mohring, p18](image-url)
The personnel of Zara have been evaluated in different European countries. At a Swedish website where customer can evaluate different companies the following results were given: Of the total 29 responses about the Zara, 22 responses were negative. Of the negative responses, 18 where regarding bad service, rude personnel and bad treatment from the personnel. The figures below show the answers of the customers.

Figure 4: Satisfied customers versus non satisfied customers. Customer perception of Zara, Website (05/20/2011)

Figure 5: The total shows unsatisfied customers, divided into unsatisfied because of personnel and unsatisfied because of other factors. Customer perception of Zara, Website (05/20/2011)
5. Analysis

In the analysis the theoretical part meets the empirical findings. In this part the differentiations strategies will be analyzed. Further on, key competitors, strategic customer, customer decision process and competitive advantage will be discussed and analyzed. The analysis will give the basis for the conclusion and recommendations.

5.1 Differentiation strategies

5.1.1. Product differentiation

Zara’s product differentiation strategy is mostly based on both high quality and low prices. They want fashion to be affordable for everyone; this is the reason why they provide low prices products. But they also want fashion to remain a bit rare, thus they only provide a little number of each design in each store. Another important part of their differentiation strategy is that they do not want to be seen as a low quality brand; hence they create products of high quality. They also want to stay at the forefront of fashion and add new designs to their collections twice a week. But they also want to differentiate themselves by the fact of selling only nice products; in this purpose they also change the stores’ organization twice a week and remove the products that do not sell well. This way, when customers enter the stores, they only see nice, rare, high quality, low prices products.

According to the theoretical part, products can be different by their functional aspect, by the price or by the quality. Zara is already differentiating itself by the quality and the price, but they cannot change the functional aspect of the clothes. Thus their differentiation strategy about products seems to be the best they can have. Indeed a lot of clothing companies try to reach this goal, to combine low price and high quality products.

5.1.2. Service differentiation

Zara provides different services, as most of the clothing companies. They have a retouching service in which the prices are not really expensive, for example a hem costs between three and six Euros. They also provide an after sale service and offer their customers to exchange their products if they are not satisfied, or even to refund them. The problem is that a lot of
consumers complain about those services, mostly about the after sale services. It is the same problem for each company which sells so many products and have so many stores, in the total number of customers, some are not happy with their purchase.

Services are part of the company, and it has a huge importance on consumers’ opinions. Thus, Zara should work on its after sale service. It is normal to find some consumers who complain, but it is better if they don’t. But most of the time the problem does not come from Zara’s policy, but from Zara’s sellers. In service differentiation, Zara is not really on top, but the best way to change that is to work with the personnel, and remind them that the customer is king.

5.1.3. Personnel differentiation

As said in the previous paragraph, Zara’s customers sometimes complain about the after sale service. This is mostly due to the lack of tact of the sellers. Most of the time the customers say that the sellers are haughty and impatient but the problem can come from the fact that they are not really well paid, they always earn the legal minimum. This problem is recurrent in a lot of fashion stores, the staff is usually well trained, but at the end of the day they are tired and irritated. Fortunately, it is not always the case, this problem does not appear in every store and they are solutions.

Zara should work on personnel differentiation. Of course some customers say that the sellers are really professional and class, but not all of them. This is the problem, the customers who are not happy with a brand will criticize it to whoever wants to listen to them and this generates really bad advertisement for the company. As explained in the theoretical part, sellers should be patient, tolerant and empathic. Maybe Zara should more focus on the formation of their sellers, and insist on the fact that they are the ones who convey the brand image. They should also pay their employees a little bit more, or find a bonus system to keep them motivated all day long.

5.1.4. Channel differentiation

Channel differentiation refers to that companies can achieve competitive advantage through the way they design their distribution channels. For a clothing company it is the question whether the products are mass-produced or customized, if the boutiques are in every city or
only in the big cities, if the products are available online and the location of the store. Today Zara is internationally spread all over the world. The goal for the future is to continue the internalization of the company. The distribution channels of Zara are well organised. As the manager at Zara pointed out, the stores are stocked with new designs twice a week and the company responds quickly to changes in customer demand. For this to be successful, it is required to have a well functioning distribution channel with good communication.

Today 75% of the products are produced in Spain. This can be a disadvantage, because it affects the prices of the products in other countries, especially if it is a long distance between manufactory and the store. An example, in USA the products are almost twice the price than in Spain, this is due to tariffs and quotas which affect the store prices. Zara’s basic concept of providing quality goods to a low price is not fulfilled because of the extra expenses that occur when shipping the goods to other countries from the manufactory. In the future the company might have to open more manufactory locations to maintain a low price abroad.

Today Zara is mainly located in big cities. In Sweden the stores are only opened in Stockholm, Malmö and Göteborg. This can be a disadvantage because the targeted group is also in the smaller cities. The advantage of this is that Zara can find out if there is any demand for the products in Sweden before opening more stores. The 3rd of mars 2011 the online shop for Zara opened in Sweden, which makes it easier for the customers to access the products if they are from smaller cities. This is also a good way for Zara to investigate if there is any demand in smaller cities, and if this demand is large enough to open a store in the future.

Zara’s worldwide expansion as a chain store, with the image of offering high quality clothes to a low price has positioned the company on the market. The competitors are big and established companies such as H&M and Gap. Their strategy is to be available for all of these women; their marketing strategy is corresponding with their distribution strategy which is an important factor for success.

5.1.5. Image differentiation

The branding process is a way in building the company image. A company's image can be described as the overall perception of the company. Zara’s business idea is to in an international market offer high quality goods to a low price. Zara’s main competitors are
H&M, GAP and Mango. By positioning themselves in the market, they are affecting the consumer’s perception of the company. Zara’s main competitors have similar market positions; they target the same customers and have similar business ideas. There are some factors that make Zara stand out as more exclusive. As the manager at Zara mentioned the clothes are not mass-produced and products that do not sell well are taken away from store. The collection is changed every second week. This makes the products stand out as more unique in comparison to H&M products which are mass-produced. This also makes the customer more willing to buy the product immediately instead of thinking and reflecting on whether to buy or not. In the store you can also get the feeling of exclusivity, as the manager mentioned there is a lot of space between the clothes and the store is bright and the personnel is wearing all black.

Fashion is based on create a need when there in fact is none, the industry create desire for a product that is not needed to fulfil the basic human needs. The brand is of great importance in every industry, but in the fashion industry the costumer gets in contact with the brand before the product. For example a customer that is walking in the street and decides to walk into a store, this is often because of the recognition of the store and brand. Another marketing activity that is important for the company image is advertising. Today Zara don’t have any advertisement. Someday they will need to have it to stay on top. The competitors of Zara are spending a lot of expenses on advertisement which is enhancing their image and creating brand awareness.

A strong brand gives the product an identity, which is very important in the fashion industry. Because fashion products need to deliver something else besides being a physical product, the clothes need to have an identity. For example an identical shirt can be evaluated differently if it has a Ralph Lauren logo or not.

The image of Zara is to be available for women everywhere, regardless to their income. As mentioned in the theoretical chapter a brand can build a relationship to the customers, and the brand awareness is very high to the Zara as a brand. As mentioned in the theoretical chapter, brand loyalty can increase the prices of the products in the long run with 20-25 percent. This is might not be a suitable strategy for Zara because their image is low price and high quality, and increasing the price would also affect their position on the market. Zara would be start to compete with the luxury fashion companies if this where their strategy.
5.2 Competitive advantage

Zara is a fast fashion company that is leading in the fashion industry. The company has created a long-lasting competitive advantage through their distribution channels. Their channels are being copied by other leading luxury companies such as Gucci. Their distribution channel has created customer satisfaction and is unique. The company is providing the latest trends in a short time to a price that is affordable to a big customer group. Their low price and high quality strategy is desired by majority of the companies in the same industry. Beside from their business strategy, they have also a carefully prepared finance plan. Instead of spending a lot of expenses in advertising the company has reinvested in store locations. Their unique way in doing business is creating a barrier for other companies that want to enter the industry and already existing competitors have to keep up with their intense strategy. The customer demand is main priority in their business strategy. Other companies have focused on either quality or price. Zara’s way in providing both these demanded factors have provided a sustainable leading position.

5.3 Strategic customer

Zara have chosen to target a big segment group. The company is focusing on women between 20-40 years old. These women have an average salary and a fashion interest. The big size of Zara’s target group is the main reason for their success. The company has targeted a group that has a demand for the latest fashion trends, quality products and is price sensitive. Zara has a big focus on what is demanded from the customers. The customer feels as if Zara’s products represent the lifestyle that they desire or they actually have.

Zara has a big focus on what is demanded of their target group. If products does not sell well these are taken away from the store so that the company image will not be destroyed, further on, the collection changed twice a week.

5.4 Key competitors

Zara’s main competitors are H&M, Benetton and Gap. They are clothing companies which sell quite the same products as Zara and around the same price. Moreover, they are targeting
the same consumers. The most important competitor is H&M because they both try to produce high fashion and low prices products, whereas Benetton and Gap’s products are a bit less fashion and a bit more expensive.

Mango is a more recent company on the market but it could become one of the most important competitors to Zara. They have the same strategy to copy high fashion designs in a short period of time to sell at a low price in their stores.

Pull & Bear, Bershka, Straduvarius and Massimo Dutti could also be seen as Zara’s competitors. Indeed, they are also high fashion and low prices products, but they are part of the group Inditex as Zara. So the group decided not to place its different brands on the same market. The other brands are all around Zara but they do not represent the same type of products as Zara.

To continue such a growth, Zara should keep an eye on its competitors. Even if Benetton and Gap are targeting the same customers, they do not offer as fashion products as Zara, however H&M does. It is Zara’s main competitor but they have quite opposite strategies for advertisement, the organisation of the stores or the values the brands want to convey. For the moment the market is separated between them, but they are both fighting to gain new market shares, so Zara must be careful and continue to develop new strategies to be able to fight back against H&M. Zara should also beware of Mango which has the same target and is also starting to open stores around the world. The war between competitors is never over and Zara should continue to develop new strategies if it wants to stay the world largest clothing retailer.

5.5 The consumer's decision-making process

When consumers passed the first step, which is the need of recognition, they reach the second one: the information search. It is in this step that Zara comes up. When consumers start to look after what alternatives are available, they try to know more about the different clothing companies and their products. According to Zara’s customers, a lot of different factors can influence their decision, and why they chose Zara. Some of them like the products, others like the brand and its image, some of them like discovering new products very often and others like the organization of the stores.
The decision factors are unique to each person, thus Zara has to work on every aspect which can enter the decision-making process. They have to work on the brand image, the products themselves, the stores and everything else to be sure to be competing in all fields so all the consumers have a good reason to choose Zara.

In this second step, the decision can come from the consumers’ memories, this is the reason why Zara has to be performing in each field, so the consumers are happy why their previous purchase and decide to come back to Zara. But the decision can also come from the outside environment, and therefore Zara also has to be nice with their current customers because they are talking about their feelings about the brand and their previous purchase, so they could give bad information about Zara to potential customers. The outside environment could also be fashion blogs, magazines or advertisement, so the company is not allowed to make any mistake which could provide back feedback to potential customers and make them choose another brand.

In the other steps of the decision-making process, the company has a smaller role to play. Indeed, during the evaluation of alternatives the consumers compare the information they gathered and choose to come to Zara or not. The purchase is when the consumers actually come to the store and the post purchase evaluation comes after, if the product met their expectations or not, during those steps the decision has already been made by the consumers.

As a conclusion, if Zara wants to attract new customers, the company has to improve its position in the consumers’ decision-making process. Its role is the most important during the second step, and the only way to incite consumers to choose Zara is to improve the company at as many levels as possible. The company can improve the products, the stores or its image for example, to multiply the chances to reach as many consumers as possible.
6. Conclusion

In conclusion part the answer to the research question is given. The conclusion shows the understanding we have gained of what a differentiation strategy is, and what role it have in an established clothing company. All the differentiation strategies that are mentioned in the theoretical chapter are analyzed with the empirical data that is collected through interviews and secondary data. The analysis of the differentiation strategies is concluded to answer our research question.

The first discussed differentiation strategy is the product differentiation. Zara’s big success as a fast fashion company is partly because of the product. The clothes are high quality, trendy and afforded to a low price to the customers. There are a lot of companies trying to reach the goal of low price and high quality. It is a key to success and fast recognition of target group in every industry.

The service differentiation of Zara needs improvement; surveys have shown that customers are not satisfied with the situation after purchase. There are a lot of customer complaints about rude employees, how the customer gets threaded at the store and how complaints about the products are handled. The Zara personnel need a reminder about Zara’s ground policy that the customer is their main priority.

The personnel differentiation is connected to the service differentiation in this case. The customer experience of shopping at Zara is largely depending on how the personnel are treating them. Research and surveys have shown that the personnel in Sweden are perceived as rude and brutal. The customers describe a feeling of “I am never coming back here”. Another important fact is when searching in Google for “rude personnel” (in Swedish) the first result is Zara. This should be taken into consideration of the managers at Zara. It’s not good to have an image of rude personnel that make the customer feel uncomfortable. There is only one way in solving this; to change the working conditions for the personnel and make them feel less stressed. Their working environment should make them feel good and satisfied, so that this feeling can be transferred to the customers.

The channel differentiation is referring to weather Zara can achieve competitive advantage through their distribution channels. Zara have achieved great success through the unique way in which they design their distribution channels. As mentioned in the analysis 75% of the
products are produced in Spain. Even though they have 20 production factories these are mainly located around their headquarters. The company should open more manufactory plants to be able to maintain low prices. This can be one of the reasons that the company is not as popular in USA as in Europe. The basic concept of delivering high quality to a low cost has is not fulfilled. The opening of the online shop is a great way in examine whether there is a demand in smaller cities before opening stores there.

Image differentiation refers to the external actor’s perception of the company. Zara has succeeded with what many companies thought was impossible; they have successfully mediated their company image to their customers without any advertisement. In the future the company might have to do advertising to be able to continue to stay on the top. Their advertisement should focus on what majority of customers are not aware of: the fact that the collection change two times in a month. This would make the customers visit the stores more often.
7. Delimitations

In this part are described the delimitations encountered during the project.

For the research a qualitative approach was used, hence reliability is more relevant than in quantitative approach. The answers were nearly the same from the different persons interviewed, and if Zara’s strategy doesn’t change, the answers will stay the same. The only thing which was expected at the beginning and could not be done was to interview more Zara managers to have more relevant answers, but the others did not accept to answer the questions. But those information are reliable because they were asked to the qualified persons, and in the interview guide it was never asked any questions about their personal opinions, they were all focused on Zara’s concrete operation.

The questions were also sent by email to Zara’s headquarters and to the managers of their website, but they both said that they received too many demands like that, and hence they did not have time to answer them. They were also asked by phone to six Zara stores and to Zara’s marketing manager but they also said they did not have time to answer. They all said that most of the answers were available on their website, or Inditex’s website, this is the reason why these websites were used to get information for the paper.
In this chapter are described suggestions of further research concerning differentiation strategies for companies of the fashion industry.

For further studies it would be interesting to conduct new surveys on a larger quantity of respondents, it would give more complete and precise understanding of the pattern that has been touched upon in this study. It could also be interesting to expand the investigation to the whole Europe, or even to the whole world to be able to compare the differentiation strategies used by Zara across the world.

Furthermore, it would have been interesting to do this study in a combination of both consumer and company perspectives to see if the companies’ expectations correspond with the perception of their consumers. The focus could also be put on the consumers instead of the company in order to find out how they perceive the differentiation strategies implemented by the companies, and to what extend this changes their behavior.

In order to get more information, it could also be interesting to do the research on different companies and to cross-check information. This would permit to be sure that Zara is not a particular case, and that the others companies work in the same way, or in contrary, what is interesting and different for each of them.
9. Reflection

This last chapter of the thesis will discuss our own reflections regarding the study.

The managers at Zara responded very uncertain and hesitant to participate in the interviews. Maybe it's because marketing strategies have a high security and priority in most companies or they did not have the time. The managers replied that they had a lot of requests for this type of study, and they get enquired to participate in interviews every day. We experienced withdrawalness as soon as we mentioned the term business strategies.

We made the conclusion that the content from these three interviews gave us enough basic data that was needed. The information from the interviews has been used well through the thesis. The interviews gave us a basis to investigate further and collect empirical data of what was said. We believe that the results of these interviews and gathered empirical material can be useful for other companies in the same industry.

In order to develop the thesis further, more interviews could be done to get more perspective on the leading international fashion company. However, we believe that the interviews that where conducted in Europe's leading fashion city, Paris, provided us with enough information.

During the journey of writing this thesis we have come to realize that differentiation strategies were a much broader subject than we though. There are actually a lot of ways for a company to differentiate itself from its competitors, and many different areas to analyze before starting to build a differentiation strategy. It is also interesting to see how much the image of the brand influences the consumers’ behavior, and thus the importance of differentiation for every company. Moreover, the study was focused on the fashion industry and we enjoyed making research on this area because it is really broad and it was interesting to focus on one company to put the theory in practice.

We also appreciated to work on this thesis together. We both were really interested in the same areas so it was easy to find the domain search for the thesis. Moreover, we made a lot of research and thus did not hesitate to correct one the other in order to write as complete and precise results as possible.
10. Sources

Books


groupe Liaisons SA, Rueil-Malmaison


**Scientific articles**


**Websites**

Customer perception of Zara: http://www.rejta.se/omdome/616041/Zara+Sverige+AB (05/20/2011)

Inditex’s web site: www.inditex.com, (04/20/2011)

Linnaeus University source criticism: http://lnu.se/ub/sok-och-skrivhjalp/kallkritisk-bedomning (07/05/2011)


Zara’s website : www.zara.com (05/05/2011)
11. Appendix

*Interview of Aline, manager of Zara Boulevard Hausseman, Paris, France*

Question 1: Who are Zara’s targets?

- Every women!

Question 1.1: Which segment is targeted?

- Women between 15 and 85 years old.

Question 2: Who are Zara’s main competitors?

- H&M, Mango and Gap

Question 3: How the company differentiates itself from its competitors?

- Our products are copies of famous fashion dressmakers, but which are sold about ten times less expensive.

Question 4: Is Zara more focalizing on low prices or on high quality?

- Both of them.

Question 5: Zara doesn’t make advertisement, so which means of communication does the company use?

- The arrangement of the stores. We try to have a lot of space in the stores because we want our customers to feel comfortable. Nobody likes to be tightened while shopping, and with our arrangement the customers come back because they know they won’t be upset by the other customers and the lack of space.

Question 6: Is there any change planned for Zara’s marketing plan?

- I am not allowed to talk about it.

Question 7: What are Zara’s objectives for the next years?

- I am not allowed to answer that either.
Question 8: Why would you choose Zara?

- Zara has wonderful products. I see them the whole day and I can tell they are really good quality. Moreover, I really like the designs, it is really pleasant to feel being at the forefront of fashion.

*Interview of Stéphane, manager of Zara rue de Rivoli, Paris, France*

Question 1: Who are Zara’s targets?

- Our targets are young women.

  Question 1.2: What type of consumers?

- They can be students or working women who earn an average salary.

Question 2: Who are Zara’s main competitors?

- Gap (American) and H&M (Swedish)

Question 3: How the company differentiates itself from its competitors?

- We have low prices, we receive new products twice a week and we never let in the store a product which is not a good sale. We send it back to Spain so customers only see good products in our department store.

Question 4: Is Zara more focalizing on low prices or on high quality?

- Zara focuses more on low prices. We have simple designs, so they are easy to produce, we never have stock in the store and the designs are produce in a very large number to reduce producing costs.

Question 5: Zara doesn’t make advertisement, so which means of communication does the company use?

- The Medias are always talking about Zara. There are a lot of articles about the company; people are interested in Zara, the group Inditex and its amazing ascension. This makes free advertisement for us. We don’t need to spend money on advertisement, newspapers, Internet blogs and even some books talk about Zara.
Question 5.1: Which are the more important?

- I think they are Internets blogs and fashion magazine. They show pictures of stars and besides show a normal girl wearing Zara or other fashion companies clothes which look like as much as possible as the star’s ones. This gives idea to a lot of girls and women to come have a look in Zara.

Question 6: Is there any change planned for Zara’s marketing plan?

- As the group is opening new stores every day, it has to have a continuous growth. So maybe few improvements will be made, but nothing scheduled yet.

Question 7: What are Zara’s objectives for the next years?

- We would like to continue the internationalization of the brand. We are also opening stores in medium-size cities, whereas before the stores were only in main cities. It is a new way to reach more customers.

Question 8: Why would you choose Zara?

- You will think I say that because I am working here, but I really like the store atmosphere. Actually, this is the reason why I chose to apply for a job in Zara and not in another clothing retailer. In Zara’s stores you have space, you feel relax and important at the same time.

*Interview of Nadège, manager of Zara la Défence, Paris, France*

Question 1: Who are Zara’s targets?

- In Zara our public is mostly women.

Question 1.1: Which segment is targeted?

- The ones aged between 20 and 40 years old.

Question 2: Who are Zara’s main competitors?

- H&M, Gap and Benetton.
Question 3: How the company differentiates itself from its competitors?

- We are a trend creator. And to make our products more rare, we just produce small series of each design.

Question 4: Is Zara more focalizing on low prices or on high quality?

- The purpose of Zara is to make fashion affordable for everyone, so we are more focusing on prices, but the quality is also very good.

Question 5: Zara doesn’t make advertisement, so which means of communication does the company use?

- The most important thing is the showcases. Therefore, before opening a new store the company works a lot on where it is going to be located. As we don’t make advertisement, the showcases have to be spectacular to incite the customer to come inside the store. To arrange them we receive pictures from a Zara in London and do the same showcases in our store.

Question 6: Is there any change planned for Zara’s marketing plan?

- We don’t know anything yet.

Question 7: What are Zara’s objectives for the next years?

- Continue to evolve and open new stores, it is really important for Zara. The group Inditex is already opening one or two stores a day, everywhere around the world.

Question 8: Why would you choose Zara?

- I like what Zara represents. This brand was made for active women who like to take care of their appearance. In the stores you can meet a lot of different women but they all seem to feel good about themselves. Moreover, when I talk with my friends, I know they all like Zara. Actually, I think nearly all the women who know Zara like it, and I think it is important what people think when they look at me and when I wear Zara’s designs, I am almost sure it will pleases.