

## THE PRODUCTION METHOD ADOPTED BY ZARA AND ITS IMPACTS ON CONSUMER DECISION MAKING

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### ABSTRACT

**Z**ara, a Spanish company in the textile sector, considered as a benchmark in the segment, largely due to their current economic model and production, was accused of using slave labor in 2011. In order to produce articles of clothing and accessories, the company began hiring cheap labor mostly of Bolivian and Peruvian origin, who performed the work in the hopes of better living conditions. This study claims to identify the buying behavior of consumers of the Spanish company, and analyze the existence of any direct influence of the 2011 incident on the potential buyer's buying decision process. A qualitative survey of thirty women familiar with the Zara brand through the use of questionnaires and collecting views of consumers was conducted. After analyzing the collected data, it was concluded that the discovery of labor in conditions similar to slavery practiced by Zara affected at some level, the decision to purchase the majority of consumers interviewed. Nevertheless, the financial indicative of the Spanish brand continued to show positive results, which confronts the tendency of a conscious consumption behavior of contemporary society and the psychological issues of the individual and the collective as vanity, greed, and sexuality.

#### Keywords:

slave labor; Zara; outsourcing; exploration; fastfashion; sweating system; sweatshop.

## 1. Introduction

Zara is a network of clothing and accessories belonging to the Inditex Group, based in Spain. The first store in Brazil was opened in 1999, when the purchasing power of the middle class of the country was rising, in São Paulo at Shopping Morumbi. The company has more than 40 stores located in major Brazilian cities, of which 11 of them are in the city of São Paulo. Over the years, the company has been increasing its presence in the country and, today, already has 46 Zara stores in shopping malls in several states: Amazonas, Maranhao, São Paulo, Rio de Janeiro, Parana, Minas Gerais, Rio Grande do Sul, Pernambuco, Bahia, Santa Catarina, Espírito Santo, Goiás and the Federal District (Werneck, 2013). In addition, the company is known for releasing versatile and elegant pieces combined with affordable prices for their Brazilian consumers.

Even as one of the most profitable companies in the world, in August 2011, conditions akin to slavery at a sewing workshop in São Paulo was featured in the main publications of Brazil and worldwide media. Three times, the inspection team of the Regional Labour and Employment of São Paulo (SRTE / SP) found workers in precarious situations producing the Zara brand parts (Hashizume, 2011).

In compulsory labor slavery, the employer submits the worker to forced labor, exhausting journeys, to degrading working conditions, limited worker mobility due to debt contracted with the employer overtly surveilling the workplace, seizes documents and personal objects of the worker, in order to retain it in the workplace (Refosco, 2011).

Currently, there was a change in consumption habits due to economic, technological advances or environmental awareness. The slowdown in consumption changed some consumer attitudes and changed the perception of what is required and desired in a product (Micheletti, 2003). Consumer behavior can be characterized by mental and emotional activities in the selection, purchase and use of goods and services to satisfy needs and wants (Richers, 1984). It is essential to understand consumer purchasing behavior as well as their needs and wants (Kotler, 1998).

## 2. Theoretical Framework

### 2.1 Model Business of Zara

The Spanish company is based on a business model that prioritizes the expansion of its stores, while maintaining selling points close to each other, and the diversity in their product offerings, where the accessories and the clothes sold in the brand's stores have a wide range, and offers renewed weekly.

Zara took the lead of the European segment of clothing after facing traditional businesses and established in numerous markets, using various options that lead to competitive advantages, such as status, customer value,

superior product quality, high brand value and positive reputation. It is considered that its success is due in large part to the introduction of new management methods in apparel retailing. This is especially since they are one of the innovative networks in the implementation of systems based on just-in-time method, that is, a reorganization of the seated productive environment on the understanding that the elimination of waste aimed at continuous improvement of production processes, developing parts or items comprising a product according to your demand, reducing inventories, waste and costs (Barreiro, 2008).

As a result, they exert strong control over the supply chain, for about half of sales is purchased from the Asian manufacturers low cost. Furthermore, only between 15% and 25% of Zara products are produced before the station, another 50% to 60% at the beginning and the remainder is done during the own station. Thus, a team of about 200 designers are responsible for nearly 40,000 annual creations, volume much higher than the main competitors can launch (Lobo, 2013).

The shops of the Spanish company are met twice a week through outsourced transport services. Thus, about 80% of Zara's employees work in stores, 8.5% in production, design, logistics and distribution, and the remainder in typical management activities (Venanzi, 2011).

## *2.2 The FastFashion Model*

The fastfashion model stands out because of its short life cycle of the parts that will be sold in stores, demonstrating rapid change, and high-frequency options of pieces of clothing offered to end users, which allows these generally perceive the presence of constant innovations in showcases these stores. Moreover, it is considered a practice used by department stores, accompanying the main trends of fashion, for quick and continuous production of news, which can generate for these major networks revenues increase. The main reason for using this model is the fact that companies realize that consumers have come to expect the settlements, and had to seek a new retail model. Thus, fastfashion involves the consumer product design, in that it is produced what the consumer wants (Morelli, 2010).

As the stock of retail stores that have a fastfashion system is limited, the consumer usually ends up buying a particular product for fear of losing the opportunity to have it. In the case of Zara, the fast turnover of goods means less promotions and sales, maintaining a higher profit margin than the main competitors.

Thus the fastfashion system combines rapid production with a design enhanced capacity to develop products that reveal the latest fashion trends. For this reason, it is important to keep a small inventory and constant monitoring at the point of sale, to control what should continue to be produced and what should come out of production. With new fashion trends constantly emerging, consumer preferences also change very fast, and that requires the retailer fastfashion rapid creation and production to maintain its success in the market (Sternquist, 2011).

The company, the time between the conception of a new piece and its delivery in trading volume in stores is only three weeks. The network launches 11,000 new products per year, while the main competitors launch on average 2,000-4,000 pieces per annum (John, 2006).

With all the features listed, it can be said that Zara has become one of the greatest representatives of fastfashion around the world, to renew both the men's clothing as the female once a week. The supply chain quickly brings another advantage: the new merchandise released by the network hit stores only twice a week, which makes the company solicits customers, making them, in a way, anxious and eager to acquire the company's products (Smith, 2014).

Another detail to carry out a successful strategy for consumers is the fact that Zara try not to display at the point of sale, more than four units of each product to pass an image of value and scarcity. Thus, the logistics company ensures that all stores, regardless of their geographical location, can receive

new items twice a week. Moreover, every three days store is rearranged so that the products are constantly changing place. With this, the brand aims to move the environment, stimulating a constant differentiation in the layout of sales outlets.

The main feature of the business model employed by the brand is the vertical integration, i.e. the link between the organization functions, which are held by the company. Thus, it can be said that Zara has the "power" to have control of all phases of the fashion business: design, manufacturing, logistics and distribution. This form of organization allows great ability to adapt supply to customer demand, which reduces the risk of high inventories (Shimamura, 2012).

### *2.3 Sweating System Process*

The process of sweating system, which directly relates to precarious work scheme is based on how workplaces merge with residences, in which individuals, exercising some sort of function in these locations, working under extreme oppressive conditions, for very low wages, too extensive and exhaustive days, and minimal or non-existent health and safety conditions.

The sweating system, is generally developed at sites called "sweatshops", characterized by housing many families and / or persons at the same time, overcrowded, at the same place where the long and exhausting working hours occur. In addition, in these places, the payments are made by each piece, being undervalued and in precarious conditions of hygiene and work safety (Kelley, 2005).

In 2014, Zara was reported to be performing in Argentina, a type of work regime such as the sweating system, in which dozens of people (mostly men and including children) produced hundreds of pieces of clothing units from the Spanish brand working daily, about 16 uninterrupted hours (usually from 7 am to 11 pm), showing that the working conditions found in these workplaces even resemble the characteristics of slave labor.

Workers found in sweatshops were mostly Bolivian, forced to inhabit these places (shown as crowded, dirty, cramped, dark, with few windows, with improvised beds and no ventilation), and share with their family, which earned each, about \$ 140.00 per month.

In addition to Argentina, Brazil was also recently found to be a country that had the presence of sweatshops, which were located in the cities of Americana (SP) and São Paulo (SP). A few years earlier to the case of Argentina, more specifically in 2011, Zara was reported to be performing a kind of sweating system with dozens of workers, mostly Peruvians and Bolivians, who sewed pieces of Spanish clothing in three outsourced

workshops in São Paulo state, with conditions similar to those found in the "homes" in Argentina.

### 3. Methodology

A qualitative research with non-probability sampling trial with thirty women familiar with the Zara brand was held. The consumers' profile is women aged 20-50 years old, located geographically in the neighborhood Tatuapé, São Paulo - SP, Brazil, with complete/ incomplete undergraduate education. Data collection was conducted during the months of August and September 2015. The female gender restriction provided more consistent results, as the company's main marketing strategies are targeted at women.

The initial approach involved the collection of basic data from respondents: sex and age. The questionnaire involved thirteen closed questions about familiarity and preference of consumers regarding the consumption of fashion and specifically the relevant attributes in buying decision. The collection of delicate information, such as the purchase of products made by slave labor, required the allocation of some topics to the end of the questionnaire so that respondents would exceed the initial suspicion and would be willing to give information without bias.

Finally, it was requested that the consumers talked about their personal opinions and impressions about the production method adopted by Zara and the influence of these methods in their purchasing decisions.

### 4. Analysis of Results

#### 4.1 Consumer Shopping Behavior

Fashion changes seasonally, adapting itself to the wishes of consumers, and it is this transformation is what ensures the pace of the textile industry production moving a complex industrial and commercial structure that serves as its base. Currently, the fashion seeks to meet the consumers' expectations, functioning as a symbolic field to feelings and needs ranging from vanity, love, greed, snobbery to sexuality. Thus, many psychological factors of the individual or the collective, economic, sociological and technical factors determine the limits of creation and production (Aguiar; Martins, Matos, 2010).

Because of this insatiable search to find and to show the world through using "the new", a new stage in the fashion system is generated: the Age of Consumption. This is marked by the inseparable relationship between the individual, society and merchandise where the relationship with the objects remain in the background interesting only what this is means within the daily life of all individuals, guiding their steps. And that eagerness to individualize and to be ahead makes it difficult or even cancels personal styles, which are in the background and feed the thoughtless consumption, functioning more as an antidote to cure the seat of emotions.

Allied to this, the consciousness of belonging to a group, makes the individual references its own identity or life, this reference created from the subjective feeling of belonging to a group. This feeling is what contributes to a group of people to feel and act as a group, allowing them to be identified (Martín-Baró, 1997).

In contrast with the global post-recession scenario, there was a change in consumption habits due to economic, technological advances or environmental awareness. The slowdown in consumption changed some consumer attitudes and changed the perception of what is required and desired in a product.

Somehow, the consumer is no longer an ambitious aspirant, but rather seeks value for money: it became

fashionable to be rational (Refosco et al 2011.). This perception is highlighted in the passages where respondents show concern with the production method adopted by Zara.

Although the target audience of the Spanish company includes men, women and children, 78% of the company's revenue is generated by middle-class women (O'Shea, 2014). In order to measure the familiarity between the consumer and the segment in which Zara is located, it was noted that almost all respondents reported buying their own clothes, which emphasizes their independence and female autonomy achieved over the years. The predominant shopping frequency is monthly, which reinforces the pride of the psychological symbolism of these women. In addition, interviewees revealed not receive direct influences from celebrities, vendors, experts or relatives in their buying processes. In other words, they follow their own desires and opinions when buying their clothes. Thus, the process of purchase decision from the selected sample shows itself as independent, since a large number of consumers said that the only person that influences the choice of their clothes, are themselves.

In their purchasing decisions, the low price is of extremely important to consumers, and, even if to a lesser extent, the values and principles adopted by an organization. By collecting personal impressions, it was noticeable that many consumers expect a harmonious balance between low prices and social responsibility as the best offer value that a company can provide. The data is subject to discussions in contemporary consumer society.

#### *4.2 Social Responsibility versus Individualism*

In this context, it is possible to wonder how to reconcile fashion with environmentally sustainable development if, due to individualism, the subject is unwilling to consider the public interest, and to renounce acquired privileges (Lipovetsky, 1989). Undoubtedly, the actions for a sustainable world depend on the collectivity, which represents a major challenge both for fashion and for human society.

In the 80s, the price of products was justified by the value of creation, of the creator or even of the brand and were part of consumer's imagination. Currently, due to the amount of information available, consumers have become more demanding and sensitive to prices, however, they are less influenced by the brands (Lipovetsky, 2005). Given that, 50% of women disagreed on some level that brand is an important attribute when buying clothes, while 17% show up as neutral on this issue.

The introduction of the social responsibility concept in the companies, in order to contextualize the consumers and inform them about the theme: "Social responsibility is when companies on a voluntary basis, adopt attitudes, behaviors and actions that promote well-being to their internal and external publics" registered interest by most consumers to assert that social responsibility adopted by companies influence on their

purchase decision (Fabio Eon, 2015).

According to Colin McDowell (1995, p. 28) "We need more fashion than the clothes, not to cover our nakedness, but to dress our self-esteem." New design proposals, with longer life cycles for products and educational movements for a more intellectualized consumption will be instrumental in reshaping the fashion system. A new sign begins to take shape, based on "It is fashionable to preserve." Society begins to have an attitude of rejection for excessive and reckless consumerism:

*"I heard what had happened and for about a year not I didn't purchase in any Zara stores. However, I was with a friend who went to the store to exchange a piece of clothing and I saw a piece which interested me and I noticed that the price was below the brand average, then I tried it on and bought the product. I didn't even remember what occurred due to the fact that news are constantly on rotation, but I still disapprove the attitude of the company." (B.E.Z.M, 2015).*

*"I wish there was some sort of punishment and change in the way Zara makes clothes because I like the clothes there, however, I decreased my shopping there as a result of labor in subhuman condition." (H.S, 2015).*

*"Being aware of slave labor directly influences in my buying decision, upon becoming aware of the incident I did not shop at the store anymore." (B.H, 2015).*

Even though the data was collected, most interviewees said they did shop at Zara in the last three years, during the time the company was already using slave labor in its management model. By the time of the interview, one of the women had no knowledge of the incident, which did not influence directly in her purchase decision process. However, after being notified of the incident, the consumer said she intended to no longer make purchases at Zara. The respondent reported that she takes into account the brand as an important aspect in the purchase decision process, but she is also attentive to the price of products purchased,

that is, she acquired a piece of clothing at Zara recently because the prices was lower price than usual, therefore more accessible to her budget:

*"I believe that the discovery of this working method involving the Zara has influenced negatively many people when buying brand products. I do not remember very well the company's statement at the time, but I believe there is no plausible justification for this type of production and while I remember the case whenever I go to a store of this brand, I cannot say I stopped shopping*

*at the store." (T.R.C, 2015).*

In the questionnaire, the respondents were asked to rank the attributes offered by Zara in order of preference. The quality of products ranked first in the memory of consumers. The design and price are listed below. The brand came in third place, as the service and the values/principles of the company were the least remembered by consumers. Data collected emphasize the contradiction between sustainable thoughts of consumers and how they actually behave when they face prices below average and pieces with sophisticated designs.

Finally, when stated that in 2011, inspection teams from the federal government in São Paulo caught foreign workers subjected to slave-like conditions producing items for Zara, over 50% of consumers said that the incident has affected their purchase decision. According to specific information collected, most women changed their buying behavior in Zara stores. Despite declaring to reduce the number of purchases and positioning themselves against the company's production methods, the main target audience from Zara, keep buying, even if occasionally, mainly due to price and design of products offered by the brand:

*"I stopped buying just after the discovery. Sometimes we know the company's values, but not what happens in practice. I disagree with the practices adopted by Zara, so my number of purchases were reduced "(M.C, 2015).*

*"When I buy clothes I do not think about the method adopted for making them. I think if I knew that the clothing was made with slave labor, I would not buy, independent to pricing." (T.L, 2015).*

## 5. Final Considerations

By observing the results of research, it can be concluded that although most consumers

assert to worry socially with the values adopted by a company and condemn the production methods adopted by Zara, many of them prioritize low prices and design products. In most cases, consumers show surprised and outraged by the company's actions related to labor. However, this concern does not have much credibility as they continue consuming, even in smaller proportions, with no intention to boycotting the company. Severe punishments have great importance, since they can be considered the only effective way to reach large companies and make them change their position.

In Zara's case, the punishments were applied and the company faced a long and everlasting process in order to preserve, in a way, his trademark. Most large companies reveal an exclusive worry about their image, while it would be preferable that they actually adopted social responsibility and well-being of its stakeholders in their management models, rather than taking actions that disguise their offenses.

After profile analysis of the interviewed consumers, it was possible to register a pattern among them. Consumers who were more adept to fashion consumption, present no major changes in their buying habits when companies commit serious offenses, as in the case of Zara. The most concerned with the social responsibility adopted by organizations feel hit and show themselves willing to change their buying

behavior and follow their values, in order to show the company that they repudiate their incorrect attitudes. The conclusions were based on a specific group of women who gave interview, it is not possible to generalize for the whole society.



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