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Zara

Every Tuesday and Saturday, a big truck pulls up to the curb on the east side of Broadway between Price and Houston Streets to unload its cargo for the Zara store in SoHo, one of its four in Manhattan. Despite Zara's fashionable reputation, the stacks of soft-colored dress shirts and elegant women's jackets came from the 500,000 square-meter warehouse close to Zara's ultramodern headquarters in Arteixo, close to La Coruña,[1] in Galicia, the unfashionable green northwestern region of Spain. According to *Vogue*, the fashion magazine, even French customers of Zara's 70 stores identified the firm as being of French origin. These and other fashion pages had shown Cindy Crawford joining Zara's middle-class customers at a store in Canada, Chelsea Clinton visiting the store in Ankara, the children of the Spanish Royal Family buying regularly at the store on Madrid's upscale Velazquez Street, and tourist buses stopping for sightseeing at the store on Paseo de Gracia in Barcelona.

Zara led the international expansion of its parent, Grupo Inditex, which had continued at an intense rate in the year 2000. In the last five years it had grown from 180 stores, mainly in Spain, to 1,080 stores in 33 countries in three continents. In the last year alone, 150 stores in 9 new countries had been added, "testing the capacity of our team to adapt to the differing characteristics of different markets," according to Amancio Ortega Gaona (aged 65), chairman of Inditex.

In spite of being one of the richest men in Spain, Mr. Ortega Gaona was known for his obsession with keeping a low profile; he projected an image of a simple, hard-working man who enjoyed being among his team of designers. In fact, the international expansion of the group meant that he was now an unrelenting traveler. Zara had achieved an impressive compound annual growth of 26% from 1995–2000, and sales abroad now made up 52% of total revenues, up from 30% in 1995 (see **Exhibit 1** for summary financial performance data). It had experienced different fortunes and followed different strategies from some of its key rivals. The Gap and Hennes & Mauritz (H&M) had both experienced lower incomes, and others like Marks & Spencer were reducing their foreign operations. Zara still sourced 87% of its product from Europe, while the wider industry was globally served by hundreds of low-cost Asian suppliers. One London-based industry expert declared, "In the economics of consumption, vertical integration is passé, but Zara is an exception to the rule."

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[1] Known locally and throughout Zara as *A Coruña*, the city's name in the local *gallego* language. This case uses the Spanish name of *La Coruña*.

This case was prepared by Professor Guillermo D'Andrea, Instituto de Altos Estudios Empresariales (IAE), Buenos Aires, Argentina, in collaboration with Professor David Arnold. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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The new countries that Zara had entered presented very different challenges. These included the very different cultures of Germany, the Netherlands, Canada, Saudi Arabia, and Bahrain, and the "opposite season" effect of participation in southern hemisphere markets such as Brazil, Chile, Argentina, and Uruguay. Future plans promised even greater complexity: the pace set in 2000 of 150 new stores was to be at least maintained, and entries were planned into new countries; Switzerland, Italy, and the Czech Republic would be added in Europe, as well as others in Latin America and Asia (see **Exhibits 2** and **3**). It was believed that integrating new technologies and training should give more autonomy and responsibility to the company's management. Zara was widely praised as a leader in its industry, and its distinctive operating model had produced some impressive top-line results relative to some of its major competitors (see **Exhibit 4**). But of concern to these executives was the fact that Zara's $2 billion revenues were still well behind Gap's $11.6 billion or H&M's $3 billion, in an apparel retailing market which appeared to be increasingly complex and challenging for most of the competing players.

Market Developments—Europe

Zara's home European apparel sector was characterized by increasing downward pressure on prices, more concentrated and powerful retailers, and a greater variety of retail formats, including department stores, chain specialists, hyper- and supermarkets, and mail order operators. The more successful of these chains took business away from small independents, and the most aggressive were expanding their operations abroad, but with varying results in their attempts.

Due to diminishing costs of transportation and the lowering of tariffs and import duties during the 1990s, European apparel companies had substantially reconfigured their supply chains, toward a less integrated and more internationalized model. Looking for improvements in both labor cost and flexibility, the disintegration of these supply chains allowed operating from geographically dispersed facilities. Despite this, there had been little innovation in production processes, and the industry remained labor intensive, especially in the assembly phase. Labor cost in Europe was higher than in other regions, representing 40% of total costs, but when combining productivity and cost, some zones like the North of Portugal were more competitive than the rest of Europe and even Taiwan. Some firms like Hugo Boss were also contracting in Eastern Europe.

All over Europe, chains such as Quelle, Otto, or Karsltadt in Germany and Celio in France were gradually driving small, independent retailers out of the market. The chains' share varied according to the evolution and structure of retailing in each market. Germany and the United Kingdom provided examples of the differing nature of the challenges in each market. The German market was experiencing a liberalization of the so-called blue laws, the long-standing legislation constraining discounting and trading, which was expected to accelerate the modernization of the market. This was expected to attract non-German retailers to address the 55% of the market served by organized retailers. In the United Kingdom, the market was one of the most concentrated in the world: the "multiples," or chain stores, accounted for 74% of apparel sales, partly because commercial retail space is generally available only on 25-year leases, subject to review only every five years, and even then only to review of the level of rental payment.

In France, hypermarkets and department stores dominated the market, with each share approximately 20%, and only 30% of sales were left to independents. Spain and the Netherlands both shared a similar profile where chains were responsible for 47% of sales. In Italy, home of such venerable fashion houses as Armani, Gucci, Ermenegildo Zegna, and Benetton, independent retailers took 65% of sales, and franchised chains accounted for only 18%.

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Another trend, noticeable in the late 1990s, was the increasing pressure on retailers operating predominantly in the mid-market segment. Lacking differentiation, Marks & Spencer and C&A, Europe's two largest clothing retailers, were the highest-profile losers in market share terms, but they were joined by others such as department stores, many inefficient specialist multiples, and in the United Kingdom by home shopping companies. Other major competitors experienced various results in their expanded operations.

The Zara System

While a fabric salesman at a store in La Coruña in 1963, Mr. Ortega Gaona started his business as Confecciones GOA with an initial investment of $83, manufacturing women's intimate apparel. In May 1975 he opened his first store at Calle Juan Flórez, one of the best streets in La Coruña, a strategy he would repeat in the future, positioning the store as "contemporary fashion of medium quality at a good price." In 1985, Industrias de Diseño Textil (Inditex) was founded as a holding company. In 1988, the first foreign store was opened in Oporto, Portugal, and the company undertook its first in-house manufacturing operations. In 1988, Zara B.V. was established in the Netherlands, a first step in the Group's international structure. In 1989, stores were opened in New York and Paris, and in 1990 a new 130,000 square-meter warehouse was built, the arrangements for which included a joint venture with Toyota for a JIT manufacturing system. The following year, Zara Beijing was established for managing supply from SE Asia.

The Inditex Group's passion for fashion was reflected in many aspects of company life. For example, the company's headquarters was a striking minimalist complex, designed by an in-house team, with little fixed furniture, large open spaces decorated all white, with intense, natural illumination (see **Exhibit 5**). Provided with computer and audio-visual language courses, one room was set aside for anybody wishing to learn English, and was next to the in-house travel agent and the room used for debriefing the trend-spotting teams on their return from foreign scouting trips. Though there was an office in the executive section for Mr. Ortega Gaona, this was used mainly for receiving visitors on formal occasions. He would normally be found at the women's design section.

The guiding principle adopted by the company was zero inventories. Distribution operations aimed at a high intensity of short runs, in order to produce saleable products rather than accumulate inventories. Flexible subcontracting was one key element in achieving a system of small orders and more frequent deliveries. The other key aspect was a close monitoring of changes in demand at the retail level.

This combination of low-priced fashion, manufactured and distributed at high speed, and leading operations technology, enabled Zara to translate the latest fashion trends into products on shelves in less than 15 days. Stores ordered and received deliveries twice a week. The company employed a team of trend-spotters, who traveled around the world in search of new designs, and all the stores were electronically linked to headquarters, providing designers with access to real-time information when deciding with the commercial team on the fabric, cut, and price of a new garment.

> Staffed with a team of 200 designers, the collection was renewed every year with 11,000 different items, designed by a team of 200 designers. New products were manufactured in limited quantities and tested at certain stores before they entered full-run production, thus keeping failures in the full range at a rate of 1%, compared to the industry's typical 10%. Each individual garment assigned to a store arrived from the distribution center with its price tag attached (see **Exhibit 6**). Based on the item's performance in-store, it could be re-ordered by either the store or region manager, who were equipped with a hand-held computer that would

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link daily with headquarters. This computer also included the capacity to add comments on inquiries by customers on the current products or new ones they were looking for.

Rather than outsourcing all its manufacturing, Zara produced about half of its merchandise in-house. Following supply policies set at headquarters, fabrics coming from Spain, Italy, Turkey, India, China, or the Far East were cut and colored at the state-of-the-art factory. Using information gathered through the hand-held devices at the stores, product managers decided how many garments to manufacture and which stores would get them. Multifunctional teams administered a flexible just-in-time process at Inditex's 17 factories.

Fabrics were purchased by Inditex (50% of them undyed), cut into the component pieces of garments at the distribution hub, and then sent to a network of 400 small, specialized, local shops in Galicia and northern Portugal to be assembled and sewn. Garments went back to Arteixo for pressing, labeling, and quality control, before being shipped around the world, only 10 to 15 days after the product had been designed. The shops, which received technical, distribution, and financial support from Inditex, were paid by the finished piece. Approximately 80% of the apparel was manufactured in Europe, with Spain and Portugal as the main sources. This allowed the company to manufacture a new line in only three weeks, as opposed to the industry average of nine months, and enabled the company to operate a policy that garments would stay in its stores no longer than one month.

Some of the garments produced in nearby factories came into the 500,000 square-meter. distribution center through tunnels below the old road. They would stay on their hangers as they were taken through the 200 kilometers of air lanes to their allocated order's bay, before being shipped into the trucks for the European stores, or toward the airport for overseas stores, at a rate of 60,000 items per hour. At the lower level of the distribution center, two 400-meter long carousels, adapted from a Scandinavian manufacturer, boxed folded products for each store at a rate of 40,000 per hour. Some 1.8 million garments left the distribution center every week, and the stores received new designs twice a week, compared to the industry average of 6-8 weeks.

Lorena Alba, an industrial engineer, was responsible for managing the logistics of the two weekly cycles that supplied the stores, leaving the distribution center on Saturdays and Wednesdays for Monday and Friday replenishing in the stores. She organized and managed the network of regional distribution centers, coordinating with the imports department for the basic products and with the factories in Spain. She reported that her biggest challenge was keeping the system effective in the context of the chain's 20% to 30% annual growth. Planning 5 to 10 years ahead required participating in the strategic planning and being aware of new requirements coming from the marketing department.

Each season, Zara would plan a core collection, constituting approximately 50% of its forecast requirements. The remaining 50%, some 10,000 items, were sourced opportunistically according to demand trends during the season, and could be at any store in two weeks. Other products had been added to complement the apparel line, including shoes, handbags, underwear, jewelry, and beauty products. Two lines of perfumes completed the offering: Zara Fragrances was a stand-alone line of perfumes, and Zara Textures included a variety to complement each of a number of clothes styles.

The women's apparel collection divided into three categories: Zara Women, for the executive/fashion look; Zara Basic, younger and more informal; and Trafaluc, sporty and young. Menswear was split into four categories: Mens' Line at Zara, Zara Basics, 100Zara (club wear), and Zara Sport.

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Although Zara priced centrally and put prices on garments before they left the central distribution operation, prices varied between countries, the lowest being the ones at the stores in Spain and Turkey. On average, Southern European prices were 10% higher than in Spain, while Northern European and American prices were 70% higher and Japanese prices double the Spanish benchmark (see **Table A**). A summary of Zara´s price positioning in Europe is provided in **Exhibit 7**, **Exhibit 8** and **Exhibit 9.**

Table A Price Comparison by Country, indexed at Spain = 100

	Zara Woman	Zara Basics	Zara Children	Consumption per capita
Spain	100	100	100	100
Portugal	108	108	108	71
Germany	140	140	110	167
France	136	136	120	172
United Kingdom	160	160	100	169
Belgium	139	137	115	176
Mexico	190	180	180	n/a
United States	207	204	204	246
Japan	220	220	200	208
Kuwait	162	160	160	n/a

Source: Company Data/CSFB.

Advertising was used only twice a year, to announce each of the biannual sales in the major newspapers. Season's-end sales were aggressive, with all the season's stock designated for clearance, leaving the stores dramatically empty by the end of each season.

Managing Human Resources

According to Jesús Vega de la Falla, HR Director, culture was an important element in Zara's strategy of differentiation through marketing and operations, but although the company's culture was universally acknowledged as strong and distinctive, it had never been explicitly articulated and written down within the company. It was communicated by a managerial system that emphasized the importance of small things, and of being humble enough for learning from mistakes and accepting criticism. A strong demand for excellence and improvement was present, and everyone was encouraged to express an opinion. There was no formal evaluation period during which employee performance was appraised and recorded, but rather an ongoing acceptance of informal and immediate feedback from colleagues at all levels. The organization chart of Inditex is provided in **Exhibit 10**. Within the company, each unit or operation had to "sell" its services to the others, with no formal requirement to use their services.

This relative informality extended to other areas of human resource management, such as recruitment. Although formal qualifications were respected, they were never given primary importance in job specifications, and greater emphasis was placed upon personal empathy. A training period followed any new appointment, a significant part of it taking place in the stores. All country managers were selected locally, and the new appointee began his or her time in Zara at

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headquarters in Arteixo, spending time in the different departments, understanding the operations and the company culture, including what Mr. Ortega Gaona described as "building the all-important confidence in the company." This would usually last between three to six months, but as CEO José María Castellano Ríos commented, "The training period will last as long as it is required." Once back in market, the new Country Managers would then be in charge of training their store teams, in which they could turn for assistance to the three teams from HQ, which visited stores twice a week, providing field training and taking information from one store to the other.

Overall salaries were capped at 15.6% of costs, and contained a significant portion that varied according to performance. This performance-related element increased as one moved higher in the ranks, and varied according to job requirements: for example, store managers had a substantial part of their income based on their sales achievement, while head office was generally responsible for implementing openings, refurbishments and other property-related matters, as well as for the marketing policy. At the company's IPO in March 2001, 1% of shares, representing approximately $100 million, had been distributed among company personnel.

Miguel Díaz was in charge of Zara's marketing department. He had joined the company in 1989, immediately after graduating with an MBA, and with very little industry experience, he had worked in a variety of roles before being asked to coordinate the 300-strong marketing function. He looked after the two annual collections, defining the content of both the 50% pieces that formed the pre-planned core range, and the 50% that changed more rapidly according to fashion trends. He would decide the size of each production run, and would take into account not only the sales level, but also its relation to the overall desired fashion image he was seeking for the store; on rare occasions, this had involved canceling a hot-selling item even at the risk of a certain degree of temporary customer dissatisfaction. Miguel was evaluated on sales volume and profitability, and coordinated his actions with Zara's retail department for field implementation. He commented: "As things move so fast, there's no one to teach you in a formal way. You need to be proactive and make yourself useful, keep a young mindset, and be open to change."

Fernando Aguiar was Administration and Systems Director, in charge of a team of 35 people. "Our motto is to keep it simple. The key is not in the software, but rather in managing the information effectively. The software should be simple and easy to use." The software developed by his IT team enabled store managers to organize their orders, sorting the products offered in the way they chose. Orders were loaded into hand-held computers, which were filled in with data at the end of each day, and the data sent to HQ, where it was processed so that each brand-marketing department would have the information available early the following morning. A network of 12 servers did all the processing, and only the country head offices were kept on-line, each coordinating with its stores. Mr. Aguiar, who boasted a Doctor of Business Administration (DBA) degree with IT specialization, always emphasized speed in delivering programs over program excellence, teaching his team that "a program is useless unless our customers use it, and there is no point in delivering an excellent program late."

Running the Stores

Since Zara's beginning, Ortega Gaona and his senior executive team had repeatedly emphasized the vital importance of easy communication between the 24,000 people employed worldwide, and in particular between the retail stores and the company headquarters (see **Exhibit 11**). Zara stores would typically have three sections—for women, men and children—were located on downtown streets of big cities, and were characterized by large windows with minimalist fittings. Since the 1980s, when prices were low and quality rather more variable, the stores had developed into more

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fashion-boutique environments during the company's boom in the 1990s. Nevertheless, the roomy and comfortable stores were designed to create an atmosphere of controlled chaos and, thus, a sense of excitement. The stores, which were lower in product density than those of competitors H&M or Next, had grown in average size from 908 square meters in 1996 to 1,200 square meters. in 2000. Inditex ran them all, except in countries with special geographic, cultural, or market characteristics. A leasehold arrangement was preferred, but if necessary the company acquired real estate to ensure prime locations, especially for flagship stores.

Merchandising plans were established centrally, and store managers were required only to implement them, and then to provide feedback based on operations. Also centrally managed was new range allocation to stores; unlike several competitors, Zara did not publish a new range catalogue from which Zara managers could select stock. Twice a week new product introductions were regularly planned to maintain fashion freshness, and replenishment patterns were changed depending on the success or failure of particular lines.

The modular display employed by Zara, built around a core section in which each style was featured with all its various color and outfit options, created some striking presentations of color option blocks. There was a limited product depth (i.e., number of items) presented on the stock floor—often no more than a single item of each size in each color option—requiring stores to maintain a considerable restocking policy. Store design guidelines permitted minor adjustments by store managers, according to its local customers' characteristics. For instance, Zara's 5th Avenue store in New York offered women's fashion on the ground floor; the second floor was devoted to young women, where jeans and tops were kept; and the third floor was dedicated to men's casual and formal outfits. The basement was aimed at kids. A crystal elevator surrounded by stairs helped customers reach the upper floors. Clear lighting, white walls and ceiling, and few photographs, were aimed at creating an elegant atmosphere while emphasizing the clothes.

Windows were changed every month, while store furniture and decoration were changed every two years. Some details were placed according to patterns developed at pilot stores or show rooms for men or women, but each store manager decided merchandise placement within the store. At the headquarters basement in Arteixo, there were 25 window spaces available for work on design, and a full size 1,300 square meter store that was intensely employed for tests of new designs for merchandise exhibition, furniture and displays, and lighting.

A number of policies were in place to stimulate trial and repurchase. Customers could bring merchandise back to any store, and credit was given for returned items according to the prices marked in the original tags, disregarding any later sales promotions. Sales people were dressed in Zara's clothes that were chosen by the store manager and would change twice during the season. Section managers assisted store managers in selecting sales people, and were in charge of their training. They gave special instructions for managing complaints and listening to customers' new requirements, to spot possibilities for new products. If several customers asked for a different color of a shirt or skirt, or a design that some TV personality was wearing, for example, they would be expected to give notice to management, triggering the evaluation for a possible new product at HQ. As a result of these policies, the average Zara woman customer in Spain visited the store some 17 times during the year, resulting in 50 million visitors at the stores in Spain, of which 20% resulted in a purchase.

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Inditex Group Companies and Market Segments

Inditex, the parent company of Zara, controlled and performed corporate functions for a total of five retail chains, not all of which enjoyed the same impressive performance as Zara, the star of the group with a 5% market share based on its position of catering for men, women, and children of the middle classes. As an undoubted success, the other chains regarded Massimo Dutti catering for men and women in the sophisticated medium-high segment. However, the other franchises still needed varying degrees of adjustment. Bershka (women) and Pull & Bear (men & women) addressed the young price-conscious segment; Kiddy's was targeted at kids; and Brettos aimed at the working professional woman.

These brands had been launched after 1989 to improve penetration of the Spanish market beyond that achieved by Zara, which it was assumed would reach saturation at some point. However, in 1999 Zara still represented 78.2% of Inditex net sales. Pull & Bear was created in 1991 to provide basic apparel for young men aged 14 to 28, and had expanded into women's fashion in 1998. Its 229 stores in 10 countries averaged 154 square meters and the franchise achieved 1998 sales of $ 161.24 million[2] of casual fashion and sport styles.

Created in 1985, Massimo Dutti offered men's fashion to a higher age group, 25 to 45. Inditex acquired an interest in 1991 and took over the company in 1995, adding women's fashion for the same target age group. Its 198 stores, averaging 182 square meters, achieved 1999 sales of $184.97 million of high quality and more formal clothing at affordable prices in 12 countries.

Bershka was the most recent outlet, created in 1998 and already selling $125.93 million in 2000. It targeted young women, aged 13 to 23, through 104 stores in four countries, offering disposable fashion at aggressive prices. Its stores, averaging 347 square meters, had CD listening posts and a soda machine, and were designed to provide a social meeting point for its customers, where customers could get a haircut, a tan or a removable tattoo. Its headquarters were located in Tordera, near Barcelona, in the Catalonian region of northeast of Spain, where design and manufacturing control also took place for both Bershka and Massimo Dutti.

In 1999 Inditex acquired control of Stradivarius, a chain of 100 stores of an average 212 square meters, operating across seven countries, selling $67.73 million of the latest fashion to women between the ages of 15 and 25. Its headquarters and distribution center were being built close to Barcelona.

The latest expansion has been into the underwear sector; a new chain, Oysho, was opened in 2001 to offer lingerie, underwear and swimwear to men and women between 18 and 35. Initially 25 stores were opened in Spain and Portugal, and a global expansion of 40 stores a year was planned for the following year.

Major Competitors

The differing performance of a number of major competitors was the result of different strategies in the marketplace. **Exhibit 12** gives the Inditex income statement and balance sheet, and comparative data for three major competitors is shown in **Exhibits 13**, **14**, and **15**. The differing fortunes of Zara's two major competitors—the Swedish Hennes & Mauritz (H&M) and the

[2] Exchange rate : 1 USD = 1,0703 (December 2000).

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Netherlands-based C&A—epitomized some of the changes occurring in the market (see **Table B** for illustrative trends in the German market).

H&M achieved 2000 sales in its 730 stores of over $3 billion—86% from outside Sweden—and a gross profit of 12.3%. In its home market it enjoyed 11% market share from its 115 stores and was particularly strong in the German market, where its 198 stores produced 31% of sales. In spite of the consistent decline of the premium-priced sector of the German apparel market that started in 1995, its proposition of casual fashion at relatively low prices had brought it growth at the expense of other independent specialists and chains, such as C&A.

Founded in 1947, H&M operated in 21 countries. Having initially expanded into neighboring markets in northern Europe, it had continued its internationalization by entering France, where it had opened 30 stores since 1998. By 2000, it had also opened 20 stores in the United States and another 8 in Spain. But, three years after opening, its first-quarter results for 2001 showed losses in its French operation, and it was finding difficulty outperforming the slowing German retail economy. The company was more hopeful of growth in the United States, where it aimed to reach 86 stores by 2003.

H&M's goods were produced between six and eight months in advance by more than 900 suppliers, with 50% of all products manufactured in Europe. They were distributed through warehouses in the Netherlands, Germany, and England, with new ones being opened in Frankfurt and Vienna, and were sold under several brands. Fifty-five designers were in charge of H&M's range, covering 12 categories from traditional men's, women's, and children's lines to more sophisticated collections for teenagers, family, or women's big and tall. To eliminate intermediaries in the supply chain, 100 quality controllers worked closely with the company's suppliers. Almost 20,000 people worked at its stores of between 1,000 and 1,500 square meters, with a few stores as large as 4,000 square meters, such as its flagship outlet in Manhattan's Fifth Avenue. Its competitive prices were aggressively displayed on both shelves and hangers, and H&M ran strong outdoor advertising campaigns, featuring top models such as Naomi Campbell, Linda Evangelista, or Pamela Anderson.

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Table B[3] Comparative Performances in German Clothing Market USD in Millions, unless otherwise stated

	Retail Sales growth in Germany in clothing, footwear and leather goods	C&A Sales (year end December)	% change	H&M Sales (year end November)	% change
1991	n / a	7,889		304	
1992	n / a	7,765	-1.7	396	30.5
1993	n / a	7,816	0.6	523	32.1
1994	n / a	7,342	-6.1	691	32.1
1995	-0.3	6,976	-5.0	771	11.5
1996	-0.9	6,466	-7.3	1,077	39.8
1997	-2.2	5,847	-9.6	1,401	30.1
1998	-1.1	5,704	-2.4	1,775	26.7
1999	0.2	5,292	-7.2	2,195	23.7

Source: BTE, Deutsche Bundesbank, CSFB research

Among other competitors, Netherlands-based C&A aimed to offer quality fashion at reasonable prices and was improving the image of its heavily stocked stores. But lower volume growth and little price inflation outside Southern Europe was pressing it to withdraw from the United Kingdom.

Promod ran 230 stores, averaging 200 square meters, in France and had expanded into Belgium, Spain, Portugal, Switzerland, Germany, and the United Kingdom.

Next operated at the top end of the mass market in the United Kingdom and Eire. Its 337 city center stores, averaging 500 square meters,, sold $1,936 billion in 1999, offering better quality fashion to men and women between 18 and 45 years. Style, quality and value for the money were its strengths. It had failed in its attempts to enter Continental Europe through France and Germany, but was still expanding into the Middle East and Japan, operating 34 stores abroad.

Unlike Next, New Look had managed to cross the Channel, opening 31 stores in France and Germany, but still most of its sales of $539 million came from its 409 stores in the United Kingdom. It offered low price fashion in a modern environment.

Benetton had succeeded in expanding its business abroad, offering "everyday Italian stylish fashion" or basic fashion, but still 34% of its sales of $1,996 billion and 40% of its profits came from Italy in 1999. Its range included sub-brands such as Benetton Kids (for ages 0-12) and the more fashion-oriented Sisley (13% of sales). It ran a fully integrated process from design to manufacturing and controlled the retail end through franchising most of its 7,000 stores.

In 1999 The Gap sold $11.6 billion of basic casual wear through its 3,676 stores, spending around 5% of its revenue on advertising. In addition to the 2,079 Gap stores in the United States, another 529 operated abroad: 184 in the United Kingdom, 160 in Canada, 108 in Japan, 55 in France and 22 in Germany. Gap Kids and Baby Gap broadened the concept, as well as Gap Body, with offerings in sleepwear and personal care. Its more innovative and fashion-oriented Banana Republic stores were

[3] Exchange rate: 1 USD = 1,0703 (29-12-00)

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closer to Zara's style, but operated at higher prices. With 402 locations, Banana Republic offered the complete fashion wardrobe, complete with handbags, shoes, accessories and a narrow cosmetics line, and was aimed at the North American market, with only 13 stores in Canada and the remainder in the USA. Launched in 1994, the Old Navy Division was strongly expanding its number of 666 simple stores of 1,000 square meters, at convenient locations, often in car-oriented, suburban retail malls. Its offer of basic products of fair quality under an "everyday low price" policy was bringing new growth to the company. Old Navy was initiating its own foreign expansion, beginning with stores in Toronto.

With the exception of Benetton, most competitors outsourced the bulk of their manufacturing to emerging economies in regions such as South Asia or Central America, where labor costs were dramatically lower. Arm's-length relationships with subcontractors were usual, replacing them quickly if they became unreliable. Strong brands were built through advertising campaigns. Collections were planned almost one year in advance, and between 45% to 60% were manufactured six months ahead of season; at the start of the season, between 80% to 100% of the season's goods were already displayed in the stores, leaving room for only up to 20% in-season purchasing. End of season sales usually involved 20% to 30% of inventories. Working around two annual seasons of three phases each, stores tended to buy in sufficient quantity and range to cover availability in the most likely fashion outcomes, and this over-buying gave them scale leverage for better buying terms.

International Expansion

Meanwhile, Zara continued to grow internationally. Neighboring Portugal, adjacent to Galicia, the home region of Inditex, was the first country to experience the Zara formula in 1988, but more decisive moves were made in 1989 into the United States, and in 1990 the chain opened it first outlet in Paris, the most competitive market in the world in terms of fashion. Its success there emboldened management in further market entries, including Greece in 1992, Mexico in 1993, and Belgium in 1994, by which time the company was successful and confident enough to open stores simultaneously in all the country's cities of over 100,000 inhabitants. All these market entries were successful. By 2000, the French operation had grown to 64 stores, which included 27 stores in the Paris metropolitan area and outlets in a further 28 cities.

In 1996 Zara started its first franchise operation in Cyprus. In the same year, it also formed a joint venture with Benetton to serve the Italian market. This was dissolved in 1999, however, due to the severe difficulties Zara experienced in obtaining prime retail space, in line with its strategy of locating in prominent city center sites.

The second major wave of internationalization started in 1998, and the following three years saw expansion into 21 more countries, including openings in the two largest European markets still not covered—the United Kingdom and Germany—the latter via a joint venture with Otto Versand, the country's (and the world's) largest catalog retailer, which enabled rapid openings in Berlin, Frankfurt, Stuttgart, Duesseldorf, Cologne, and Munich. Also included in this phase of expansion were openings in several countries in South America, and another joint venture in Japan. As well as the Zara joint venture, two franchise agreements controlled by Inditex were signed for the Japanese markets, one for Pull & Bear and the other for Zara. In another 14 countries, including all the Middle East, operations were exclusively through franchises. All the remaining countries were covered exclusively under an ownership basis. Denmark, Austria, Andorra, and Qatar had been opened in 2000, and Lebanon and Kuwait were the next destinations selected in order to further penetrate the attractive Middle East market.

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As a general policy, Zara entered new markets by opening a single store, the performance growth of which was carefully monitored, to determine whether the expansion should carry on. In line with the company's policy, no advertising was done to announce any store opening.

In 2001, 52% of revenues came from foreign markets, and industry experts believed that margins were significantly higher than in Spain, up to 57%.

New Challenges

There was considerable debate in the fashion retailing world about the sustainability of Zara's distinctive concept of design-on-demand retailing. It had operated counter to a number of tenets of industry wisdom: instead of making a few hundred different products a year, Zara came out with more than 10,000, and in two different seasons at the same time for its stores in the northern and southern hemispheres; it achieved this by planning only 50% of any season's range ahead of time, and it ran no advertising outside its six-monthly sale periods. "Possibly the most innovative and devastating retailer in the world" was the verdict of Daniel Piette, the influential fashion director at LVMH.[4]

Vertical integration had historically been considered a negative by retailers, who considered it an inhibition from seeking the lowest production costs, and pressure on the business to operate in order to suit its manufacturing capacity rather than consumer demand. On entering new markets, it hired country managers and trained them for up to a year, having leased space for new stores that remained closed until the team was ready. In general, these seed investments in new markets were recovered slowly, compared to industry norms, due to the low key/no advertising policy the company followed.

The formula wasn't always successful, as in the case of Japan or the Pull & Bear store closed in China in 1999. Also unsuccessful was the expansion into Argentina, where customers hurt by recession did not find prices as low as they had expected from the company's reputation, due to import duties and an artificially strong currency rate.

The further the group went from its heartland, where it had faced modest competition, the more it would stretch its centralized model. Operating in South America was counter-seasonal, adding complexity to the system's efficiency. A huge distribution center had been established in the outskirts of Buenos Aires to help supply the southern cone region (Chile, Argentina, and Uruguay). Should special collections be manufactured for these markets, or should they be furnished with past-season products?

The stores in the United States were successful, but they were all located in New York, considered unrepresentative of much of the rest of the country and therefore a poor guide for further expansion. Furthermore, if the stores in the United States were to be expanded, new local production facilities may have to be established, since much of the American textile industry had been closed down as production moved to South East Asia. How should the company expand in this market? Should the huge North American market be the next move, especially in face of H&M's announced plans for having 85 more stores in New England by the end of 2003?

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[4] LVMH – Louis Vuitton, Moet Hennessy. *The New Yorker*, September 18, 2000.

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A more general issue being debated in the company was whether to rely more on franchises, rather than assuming all the risk of opening new markets. Should the company define a new model for its further international expansion?

Finally, senior executives of Inditex continued to worry about whether the group would be able to reproduce its successful expansion of Zara with its other formats. When it opened, the Bershka outlet had been aimed at the medium-to-high women segment, and then re-targeted to women teenagers of lower income, following the L2 model of The Limited. Deep Blue Jeans—its jean brand sold at Pull & Bear—had opened stores in Spain for buyers looking for a place specializing in jeans. Some of the other brands had already started moving abroad. Pull & Bear was in 10 countries, Massimo Dutti in 12, and Bershka and Stradivarius in 7 countries each. But still Zara provided 78% of total revenues. Were they differentiated enough to challenge the local suppliers in each market? There was always the issue of diluting management attention, as each business demanded designing its own strategy for expanding.

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Exhibit 1 Summary Financial and Store Performance Data, 1995-2000

	Number of Stores	Stores in Spain	Stores Abroad	Turnover	Sales in Owned Stores and Franchises (VAT excluded)	Sales in Stores Abroad (%)
2000	1,080	692	388	2,422	2,414.00	52%
1999	922	603	319	1,988	1,954.57	48%
1998	748	489	259	1,846	1,743.61	46%
1997	622	433	189	1,307	1,232.31	42%
1996	541	399	142	1,212	1,125.50	36%
1995	508	391	117	1,142	1,065.02	30%
Variation 00/99	17%	15%	22%	22%	24%	
Average Growth 99/95	16%	11%	28%	24%	26%	

Source: Inditex Group Financial Report 1998/2000/CSFB 2001.

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Exhibit 2 Inditex: Store Numbers by Country

	Opening Year	Own	Franchises	Total	%
Spain	1975	646	46	692	64.1%
Portugal	1988	78	26	104	9.6%
United States	1989	6	0	6	0.6%
France	1990	64	0	64	5.9%
Mexico	1992	30	11	41	3.8%
Greece	1993	19	0	19	1.8%
Belgium	1994	13	8	21	1.9%
Sweden	1994	0	5	5	0.5%
Malta	1995	0	2	2	0.2%
Cyprus	1996	0	8	8	0.7%
Israel	1997	0	23	23	2.1%
Norway	1997	0	1	1	0.1%
Great Britain	1998	7	0	7	0.6%
Argentina	1998	8	0	8	0.7%
United Arab Emirates	1998	0	5	5	0.5%
Japan	1998	6	11	17	1.6%
Kuwait	1998	0	4	4	0.4%
Lebanon	1998	0	4	4	0.4%
Turkey	1998	4	0	4	0.4%
Venezuela	1998	4	0	4	0.4%
Bahrain	1999	0	1	1	0.1%
Brazil	1999	5	0	5	0.5%
Canada	1999	3	0	3	0.3%
Chile	1999	2	0	2	0.2%
Germany	1999	7	0	7	0.6%
Holland	1999	0	2	2	0.2%
Poland	1999	0	2	2	0.2%
Saudi Arabia	1999	0	11	11	1.0%
Uruguay	1999	2	0	2	0.2%
Andorra	2000	0	1	1	0.1%
Austria	2000	3	0	3	0.3%
Denmark	2000	1	0	1	0.1%
Qatar	2000	0	1	1	0.1%
Total		908	172	1,080	100 %

Source: CSFB/Inditex Group Financial Report 1998/2000.

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Exhibit 3 Number of Stores by Chain, 2000

Store Chain	Total Stores	Stores Outside Spain	Franchises	Sales Area (´000 sq. m.)
Zara	449	229	27	408
Pull & Bear	229	64	30	35
Massimo Dutti	198	61	78	36
Bershka	104	21	2	36
Stradivarius	100	13	35	21
Total	1,080	388	172	536

Source: Inditex Group Financial Report 1998/2000.

Exhibit 4 Comparative Performance Indicators, 2000

	Operating Margin/ Sales (%)	Inventory Turnover
ZARA	14.7	10.67
GAP	10.6	7.18
HENNES & MAURITZ	12.3	6.84

Source: GAP, ZARA , H&M Annual Reports 2000.

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Exhibit 5 Headquarters INDITEX GROUP

Source: Inditex.

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Exhibit 6 Garment Tag

Source: Inditex.

Exhibit 7 Price Comparison Between Three Different Garments (USD)

Company	Suit	Shirt	Slacks
H&M	110	9	
C&A	156 to 220	9 to 33	22 to 73
New Look	119	15	46
GAP	NA	29	70
Next	220	37	82
Zara	130	26	33
Kookai	275	27	73 to 92

Source: Inditex.

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Exhibit 8 Price Comparison of a Pair of Jeans in Different Geographical Markets

Country	Prices in Local Currencies		Prices in U.S. Dollars	Difference Compared with Spain (%)
Spain	3,995.00	pesetas	24.87	0
Portugal	4,990.00	escudo	25.78	4
Greece	8,950.00	drachma	28.45	14
Italy	59,900.00	Italian lira	32.04	29
Turkey	1,490,000.00	Turkish lira	32.46	31
Hungary	7,990.00	front	32.68	31
Poland	135.00	zloty	32.70	31
Germany	65.00	mark	34.42	38
France	219.00	French franc	34.58	39
Saudi Arabia	129.00	Saudi riyal	34.81	40
Belgium	1,395.00	Belgian franc	35.81	44
Mexico	399.00	Mexican peso	42.91	73
United States	44.00	U.S. dollar	44.00	77
Japan	5,800.00	Yen	54.52	119

Source: Inditex.

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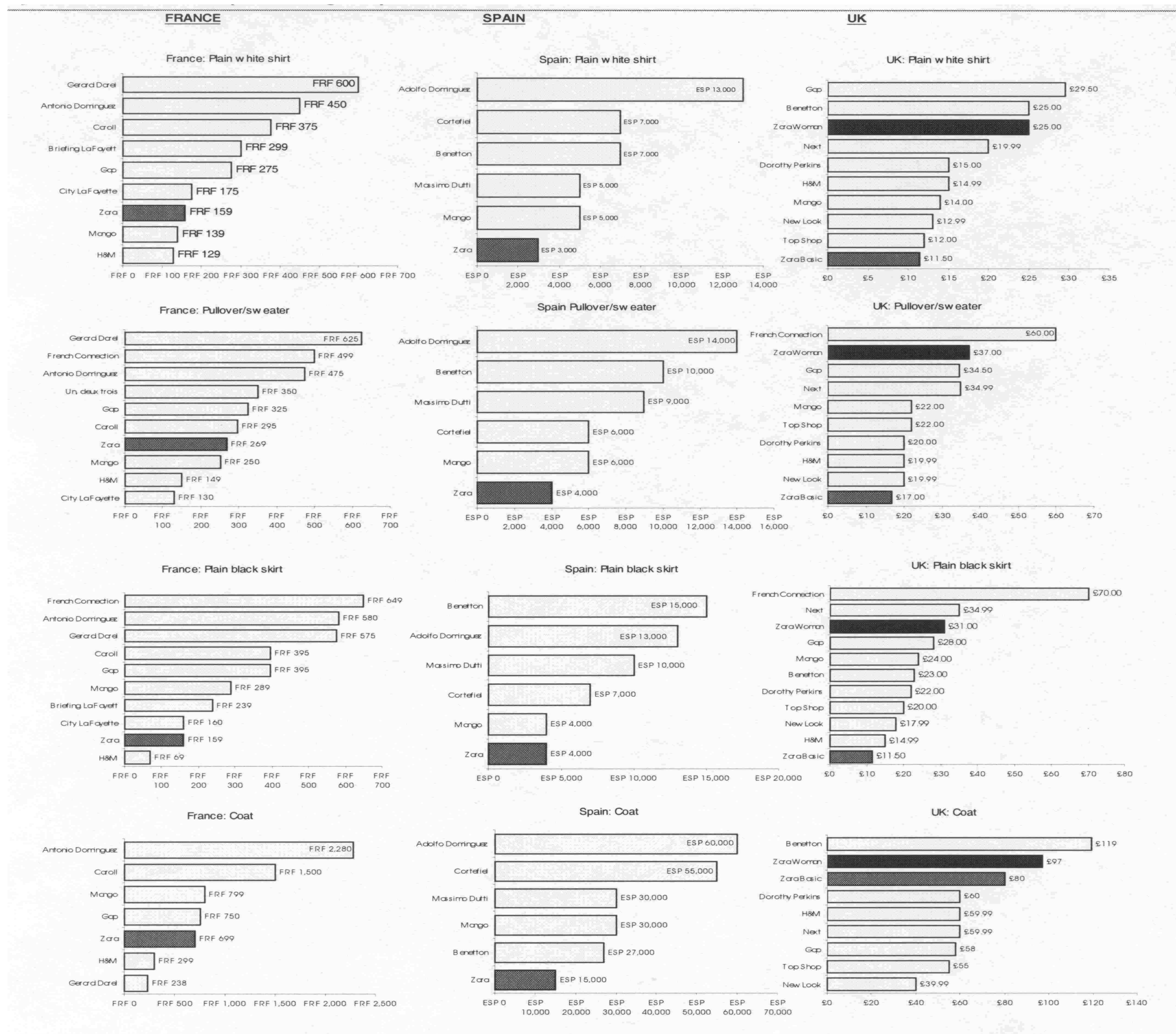
Exhibit 9 Price Positioning in SPAIN, FRANCE and UNITED KINGDOM



Source: Inditex Group Financial Report 1998/2000/CSFB.

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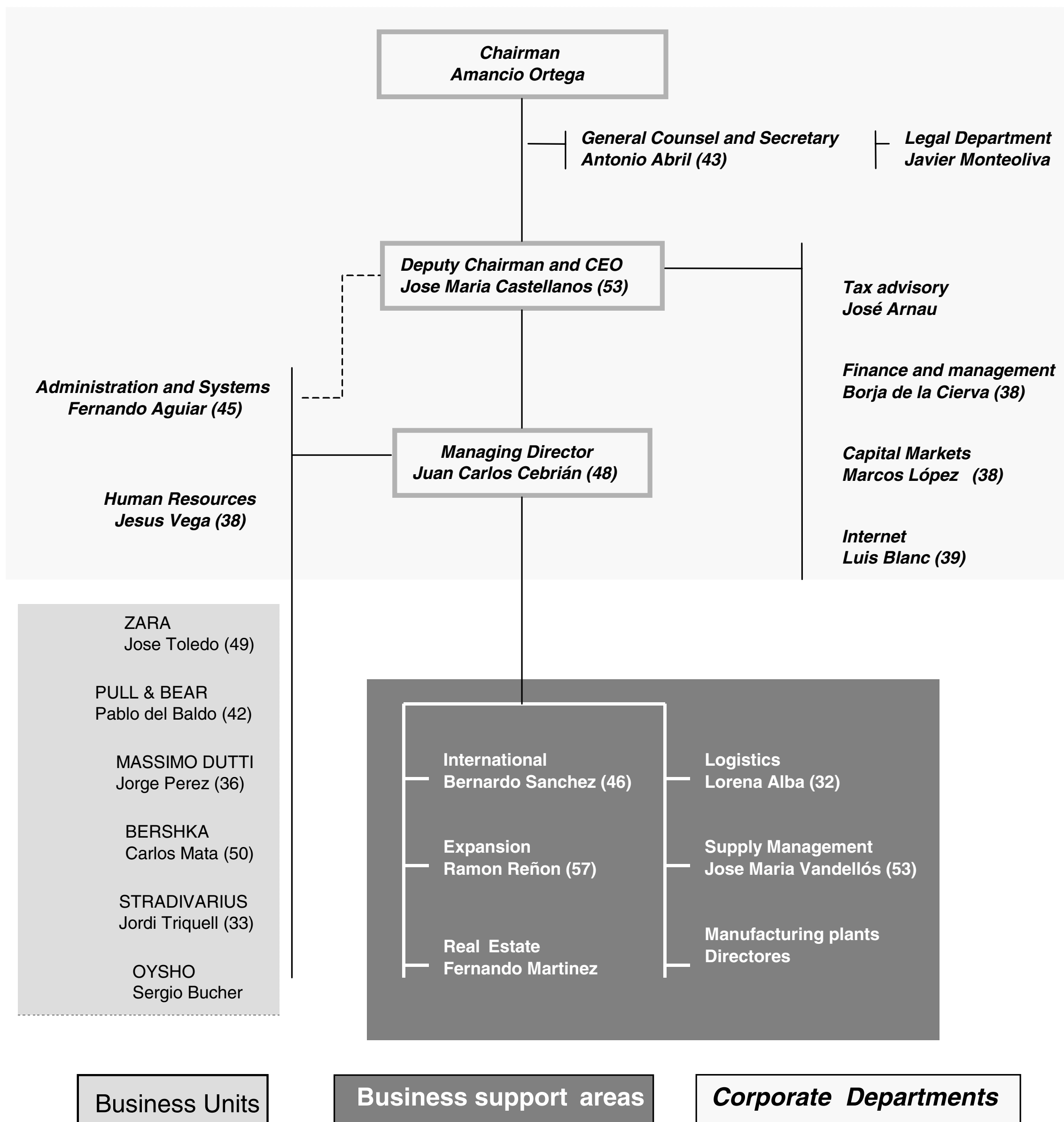
Exhibit 10 Inditex Organization Chart



Source: Inditex Group Financial Report 1998/2000.

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Exhibit 11 Average Number of Employees

Year	2000	1999	1998	1997	1996	1995
Total	18,197	13,984	11,968	8,408	6,464	5,627
Spain	11,806	8,529	7,637	5,897	4,573	4,158
Abroad	6,391	5,455	4,331	2,511	1,891	1,469
Last year variation	30%	17%	43%	29%	15%	
In Spain	38%	12%	30%	29%	10%	
Abroad	17%	26%	72%	33%	29%	
Average annual growth 1999/95	26%					
In Spain	20%					
Abroad	40%					

Source: Inditex Group Financial Report 1998/2000/CSFB.

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Exhibit 12 Inditex S.A., Income Statement and Balance Sheet[5] (USD 000)

	2000		1999		1998		1997	
Net Operating Revenues	2,421,782		1,988,414		1,845,607		1,306,787	
Cost Of Goods Sold	1,198,124	49.5%	968,407	48.7%	971,574	52.6%	682,511	52.2%
Gross Margin	1,223,658	50.5%	1,020,007	51.3%	874,033	47.4%	624,276	47.8%
Operating Expenses (Income) (Personnel, R&D, Depreciations and other operating expenses)	868,554	35.9%	730,066	36.7%	597,637	32.4%	418,367	32.0%
Operating Profits	355,105	14.7%	289,941	14.6%	276,396	15.0%	205,909	15.8%
Other Incomes (Expenses)	4,954	0.2%	3,212	0.2%	-275	0.0%	206	0.0%
Financial Exp (Income)	12,948	0.5%	6,019	0.3%	6,856	0.4%	5,238	0.4%
Pretax Income	347,111	14.3%	287,134	14.4%	269,266	14.6%	200,877	15.4%
Income Tax	99,031	4.1%	84,198	4.2%	86,968	4.7%	64,635	4.9%
Net Income	248,079	10.2%	202,936	10.2%	182,297	9.9%	136,243	10.4%
Asset	1,952,091		1,731,699		1,515,971		1,047,746	
Current Assets	556,011	28.5%	470,856	27.2%	447,433	29.5%	294,060	28.1%
Cash + Investments	188,827	9.7%	160,696	9.3%	173,339	11.4%	144,649	13.8%
Inventories	226,965	11.6%	184,139	10.6%	180,188	11.9%	109,703	10.5%
Other Current Assets	140,219	7.2%	126,021	7.3%	93,906	6.2%	39,708	3.8%
Non Current Assets	1,396,080	71.5%	1,260,843	72.8%	1,068,538	70.5%	753,686	71.9%
Prop Plant & Equip Net	968,759	49.6%	850,860	49.1%	766,552	50.6%	532,720	50.8%
Other Assets	427,321	21.9%	409,983	23.7%	301,986	19.9%	220,966	21.1%
Liabilities	1,952,092		1,732,228		1,515,972		1,048,809	
Current Liabilities	620,853	31.8%	539,087	31.1%	508,237	33.5%	292,800	27.9%
Accounts Payable (Short Term)	529,348	27.1%	423,942	24.5%	405,626	26.8%	245,771	23.4%
Debts (Short Term)	89,724	4.6%	113,671	6.6%	100,969	6.7%	46,158	4.4%
Other Short Term Liabilities	1,781	0.1%	1,474	0.1%	1,642	0.1%	871	0.1%
Non Current Liabilities	246,726	12.6%	320,436	18.5%	238,071	15.7%	187,213	17.9%
Debts (Long Term)	214,696	11.0%	284,274	16.4%	212,880	14.0%	176,137	16.8%
Other Long Term Liabilities	32,030	1.6%	36,162	2.1%	25,191	1.7%	11,076	1.1%
Equity	1,084,513	55.6%	872,705	50.4%	769,664	50.8%	568,796	54.2%
Common Stock & Surplus	1,084,513	100.0%	872,705	100.0%	769,664	100.0%	568,796	100.0%
Retained Earnings		0.0%		0.0%		0.0%		0.0%
Other Equity		0.0%		0.0%		0.0%		0.0%
Full time average employee	18,196		13,984		11,968		8,368	
Sqr Meters	536,592		440,775		329,518			

Source: Inditex Group Financial Report 1998/2000.

[5]

Date	31/01/2001	31/01/2000	31/01/1999	31/01/1998
Exchange rate 1USD = Spanish Pesetas	179.64	170.29	145.57	155.01

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Exhibit 13 GAP Inc., Income Statement (USD 000)

	2000		1999		1998		1997	
Net Operating Revenues	13,673,460		11,635,398		9,054,462		6,507,825	
Cost Of Goods Sold	8,599,442	62.9%	6,775,262	58.2%	5,318,218	58.7%	4,021,541	61.8%
Gross Margin	5,074,018	37.1%	4,860,136	41.8%	3,736,244	41.3%	2,486,284	38.2%
Operating Expenses (Income) (Personnel, R&D, Depreciations and other operating expenses)	3,629,257	26.5%	3,043,432	26.2%	2,403,365	26.5%	1,635,017	25.1%
Operating Profits	1,444,761	10.6%	1,816,704	15.6%	1,332,879	14.7%	851,267	13.1%
Other Incomes (Expenses)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Financial Exp (Income)	62,876	0.5%	31,755	0.3%	13,617	0.2%	-2,957	0.0%
Pretax Income	1,381,885	10.1%	1,784,949	15.3%	1,319,262	14.6%	854,224	13.1%
Income Tax	504,388	3.7%	657,884	5.7%	494,723	5.5%	320,341	4.9%
Net Income	877,497	6.4%	1,127,065	9.7%	824,539	9.1%	533,883	8.2%
Asset	7,012,908		5,188,756		3,963,919		3,337,502	
Current Assets	2,648,050	37.8%	2,197,790	42.4%	1,871,824	47.2%	1,830,947	54.9%
Cash + Investments	408,794	5.8%	450,352	8.7%	565,253	14.3%	913,169	27.4%
Inventories	1,904,153	27.2%	1,462,045	28.2%	1,056,444	26.7%	733,174	22.0%
Other Current Assets	335,103	4.8%	285,393	5.5%	250,127	6.3%	184,604	5.5%
Non Current Assets	4,364,858	62.2%	2,990,966	57.6%	2,092,095	52.8%	1,506,555	45.1%
Prop Plant & Equip Net	4,007,685	57.1%	2,715,315	52.3%	1,876,370	47.3%	1,365,246	40.9%
Other Assets	357,173	5.1%	275,651	5.3%	215,725	5.4%	141,309	4.2%
Liabilities	7,012,908		5,188,756		3,963,919		3,337,502	
Current Liabilities	2,799,144	39.9%	1,752,879	33.8%	1,553,103	39.2%	991,548	29.7%
Accounts Payable (Short Term)	1,067,207	15.2%	805,945	15.5%	684,130	17.3%	416,976	12.5%
Debts (Short Term)	1,029,904	14.7%	168,961	3.3%	90,690	2.3%	84,794	2.5%
Other Short Term Liabilities	702,033	10.0%	777,973	15.0%	778,283	19.6%	489,778	14.7%
Non Current Liabilities	1,285,525	18.3%	1,202,832	23.2%	837,137	21.1%	761,968	22.8%
Debts (Long Term)	780,246	11.1%	784,925	15.1%	496,455	12.5%	496,044	14.9%
Other Long Term Liabilities	505,279	7.2%	417,907	8.1%	340,682	8.6%	265,924	8.0%
Equity	2,928,239	41.8%	2,233,045	43.0%	1,573,679	39.7%	1,583,986	47.5%
Common Stock & Surplus	341,928	11.7%	719,858	32.2%	398,912	25.3%	339,670	21.4%
Retained Earnings	4,974,773	169.9%	4,172,796	186.9%	3,121,360	198.3%	2,392,750	151.1%
Other Equity	-2,388,462	-81.6%	-2,659,609	-119.1%	-1,946,593	-123.7%	-1,148,434	-72.5%
Full time average employee	119,520		100,800		79,920		58,320	
Sqr Meters	2,917,726	0	2,229,963		1,744,438		1,424,081	

Source: Economatica/GAP Annual Report 2000.

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Exhibit 14 Hennes & Mauritz Income Statement and Balance Sheet (USD 000)[6]

	1999/2000		1998/1999	
Net Operating Revenues	3,009,190		3,280,953	
Cost Of Goods Sold	1,487,747	49.4%	1,547,329	47.2%
Gross Margin	1,521,443	50.6%	1,733,624	52.8%
Operating Expenses (Income) (Personnel, R&D, Depreciations and other operating expenses)	1,150,099	38.2%	1,194,800	36.4%
Operating Profits	371,344	12.3%	538,824	16.4%
Other Incomes (Expenses)		0.0%		0.0%
Financial Exp (Income)	-23,379	-0.8%	-21,012	-0.6%
Pretax Income	394,723	13.1%	559,835	17.1%
Income Tax	-143,330	-4.8%	192,729	5.9%
Net Income	538,053	17.9%	367,106	11.2%
Asset	1,551,392		1,670,343	
Current Assets	1,051,897	67.8%	1,297,848	77.7%
Cash + Investments	533,913	34.4%	803,812	48.1%
Inventories	439,595	28.3%	424,624	25.4%
Other Current Assets	78,389	5.1%	69,412	4.2%
Non Current Assets	499,495	32.2%	372,495	22.3%
Prop Plant & Equip Net	489,950	31.6%	363,589	21.8%
Other Assets	9,545	0.6%	8,906	0.5%
Liabilities	1,551,422		1,670,400	
Current Liabilities	299,723	19.3%	378,471	22.7%
Accounts Payable (Short Term)	91,433	5.9%	104,824	6.3%
Debts (Short Term)	208,290	13.4%	273,647	16.4%
Other Short Term Liabilities		0.0%		0.0%
Non Current Liabilities	76,818	5.0%	80,894	4.8%
Debts (Long Term)	4,140	0.3%	5,082	0.3%
Other Long Term Liabilities	72,678	4.7%	75,812	4.5%
Equity	1,174,881	75.7%	1,211,035	72.5%
Common Stock & Surplus	185,840	15.8%	194,259	16.0%
Retained Earnings	989,041	84.2%	1,016,776	84.0%
Other Equity		0.0%		0.0%
Full time average employee	20,680		17,652	
SquareMeters	579,805			

Source: Hennes & Mauritz Report 1998/2000.

[6] Exchange rate:

Date	Exchange 1 US$ = SEK
30/11/2000	8.5
30/11/2001	10.12

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Exhibit 15 Benetton Group income statement and balance sheet (USD 000)

	1999		1998	
Net Operating Revenues	1,995,941		1,993,914	
Cost Of Goods Sold	1,116,659	55.9%	1,175,830	59.0%
Gross Margin	879,282	44.1%	818,084	41.0%
Operating Expenses (Income) (Personnel, R&D, Depreciations and other operating expenses)	561,435	28.1%	583,500	29.3%
Operating Profits	317,847	15.9%	234,584	11.8%
Other Incomes (Expenses)	11,659	0.6%	-4,603	-0.2%
Financial Exp (Income)	-39,483	-2.0%	-10,074	-0.5%
Pretax Income	290,023	14.5%	219,907	11.0%
Income Tax	95,908	4.8%	68,157	3.4%
Net Income	194,115	9.7%	151,750	7.6%
Asset	2,655,790		2,685,658	
Current Assets	1,643,042	61.9%	1,902,304	70.8%
Cash + Investments	425,679	16.0%	700,696	26.1%
Inventories	343,851	12.9%	347,749	12.9%
Other Current Assets	873,512	32.9%	853,859	31.8%
Non Current Assets	1,012,748	38.1%	783,354	29.2%
Prop Plant & Equip Net	501,733	18.9%	401,190	14.9%
Other Assets	511,015	19.2%	382,164	14.2%
Liabilities	2,655,790		2,685,658	
Current Liabilities	925,318	34.8%	922,734	34.4%
Accounts Payable (Short Term)	529,206	19.9%	485,478	18.1%
Debts (Short Term)	396,112	14.9%	437,256	16.3%
Other Short Term Liabilities	0	0.0%	0	0.0%
Non Current Liabilities	606,408	22.8%	608,895	22.7%
Debts (Long Term)	542,006	20.4%	543,410	20.2%
Other Long Term Liabilities	64,402	2.4%	65,485	2.4%
Equity	1,124,064	42.3%	1,154,029	43.0%
Common Stock & Surplus	327,436	29.1%	317,311	27.5%
Retained Earnings	629,038	56.0%	684,217	59.3%
Other Equity	167,590	14.9%	152,501	13.2%

Source: Benetton Group Report, 1999.

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