
Buckle up, fast fashion is here

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The arrival of Zara throws a cat among the struggling retail pigeons, writes Julian Lee.

Sales are barely keeping in line with inflation, shoppers are increasingly going online to overseas competitors and some of the biggest names in global fashion are circling these shores waiting for the right moment to strike. A casual observer could be forgiven for asking who would want to be in retail these days?

Well some believe there's plenty of life left and a decade after it first sent its scouts Down Under, the Spanish fashion chain Zara finally opens for business in Australia next week.

Shoppers have greeted the news with a level of enthusiasm that borders on the devotional. "Zara's coming to Australia, thank fxxk for that! Somewhere decent to shop!" is how one shopper, Ch4nster, hailed the news on Twitter. There's nothing like pent-up demand.

For those who are not in the know - and they are getting fewer by the day - Zara is something of a phenomenon in retail fashion globally. Starting with one store in 1976 in an unglamorous corner of western Spain its parent company, Inditex, now has an empire of 1700 stores in 77 countries and annual sales of €8 billion (\$11 billion).

What sets it apart from competitors is its ability to cherry-pick fashion ideas, have them made in good quality materials and in the stores within a fortnight. Garments are made up in its factories in Spain, Morocco and Asia, and then shipped to its stores all over the world. Once on the shelf that line can be overhauled, tweaked or scrapped, depending entirely on the continuous feedback it receives from store managers and staff. The garment, or a new one, can be back in stores within days.

Because Inditex controls the production and distribution process, it can afford to be very competitive on price; indeed its founder, the reclusive billionaire Amancio Ortega, who started out with just 40 of his own dollars, talks about "democratising fashion".

But not everyone will be celebrating its arrival in Sydney's Westfield Pitt Street and Melbourne's Bourke Street. With retail sales growing at an anaemic 2.5 per cent and overseas websites nibbling at their heels, the appearance of Zara spells only more trouble for the \$12 billion Australian fashion retail industry.

And, says one seasoned retail watcher, it is ill-prepared to meet the challenge. "Australian retailers have lived in isolation, existing on high margins and low volumes and running reasonably inefficient enterprises," says the retail consultant Stephen Kulmar. "That is going to have to change if they want to stay in business. It's been easy for them up until now."

Kulmar says the minimum 26 drops of new stock that Zara delivers to its stores each year will inevitably put pressure on domestic retailers to respond or see their customers, who are always on the hunt for something new, go elsewhere. The average Australian fashion chain is used to making about 10 stock changes a year, he says.

Further pressure will be placed on incumbents on price and service; the latter being an element of its offer that Zara believes gives it an edge over the competition. Its staff are trained to serve customers but also to act as the company's eyes and ears on the ground when it comes to spotting trends that can then be fed back to Zara's 250 designers in Spain.

"Shoppers have been looking for a reason to buy and haven't found it yet. Zara will give them that reason to go back [out and shop]," says Kulmar, the founder of Retail Oasis.

If that wasn't enough for domestic retailers to worry about, the fact that the Americans, Swedes and Japanese are also scouting for sites in Australia should be, says IBISWorld's retail analyst Ed Butler.

Australia's strong economy has attracted the attention of well-known international names such as Banana Republic, Hennes & Mauritz (H&M), Uniqlo, Victoria's Secret and Old Navy, all of which are reportedly considering opening stores.

"Over the next five years the entrance of a number of international players will significantly change the industry's landscape," Butler says.

Witchery, Country Road, Cue and to a lesser extent Sportsgirl are all considered the most vulnerable to Zara. Country Road's creative director, Sophie Holt, believes her company will retain a home-town advantage. "It's a challenging retail environment at the moment but the fact our brand has a history and an Australian heritage is absolutely a benefit for us and great collateral," she says. "There is the most unbelievably loyal following and love for it because it's part of Australia."

David Jones chief executive Paul Zahra says Zara's arrival can only be a good thing for local retailers because it "adds interest". Because of its prime location in the Westfield shopping mall Zahra predicts it will attract more shoppers who in turn might visit his store.

But he seeks to correct what he sees are some misapprehensions about Zara; that unlike Australian designers like Dion Lee or Josh Goot it is not a trendsetter but a trend follower. "They are wholly private label whereas we are a house of international brands. They don't bring new designs but

they take trends," says Zahra.

Zara says it is bringing in lines that have been designed and developed to cater for the southern hemisphere, though at this point it is unclear if the clothes will be the same as those found in its South American stores. It will not make the same mistake Gap made, bringing in ranges that were perfect for a winter's day in New York but not so good for a summer in Sydney. Nor do fashionistas expect Zara to make the same mistake as another Spanish chain, Mango, when it dumped unsold or unwanted stock from around the world in its stores.

Eva Timbs, who shops for a living, says today's shopper is far more savvy and educated about fashion than she was five years ago. Australians are also less forgiving, especially of those retailers who will try to "gouge" them.

"No one likes to be taken for a fool these days," says Timbs, a Sydney wardrobe consultant. "The consumer is much too smart for that now. I can go onto the internet, order something from Saks Fifth Avenue and have it within three days. And often it's much cheaper."

A Zara spokesman said: "As in the rest of the world, Zara will offer Australian customers latest trends design in high quality products at affordable prices."

Online shopping represents 5 per cent of all retail sales of which about half is estimated to be from overseas websites, but retail experts like Kulmar and Butler are predicting it will grow rapidly in the next three to five years. Only now are some mainstream retailers embracing online retailing, after the King Canute-like response of the likes of Gerry Harvey, Bernie Brookes of Myer and Solomon Lew, who called for the current \$1000 GST-free threshold to be lowered to curb shoppers buying online from overseas sites.

Westfield is launching a marketing campaign to push shoppers to its online retail store - quite literally a virtual mall that is home to 100 shop names - to remind them that they can shop 24 hours a day, seven days a week.

Even the industry can see the inevitable and is nervously eyeing events in Britain and the US where online retail sales make up 11 and 8 per cent of total sales respectively. Says Country Road's Holt: "The e-commerce thing is the other big change in retailing, which is just as big, if not bigger, than the arrival of international brands here, so the challenge is really to embrace that with big and better online stores."

Even Zara is getting in on the act. After years of explosive growth when it was opening a store at a rate of one every 36 hours, it changed tack and in the last quarter of 2010 launched online stores in the six countries that make up about 40 per cent of its sales: Germany, Britain, France, Italy, Spain and Portugal. It is too early to say whether the online world of Zara will match the success of its stores but when the Spanish behemoth moves the fashion world sits up and takes notice.

with Georgina Safe

