Sustainable Retailing Performance of Zara during COVID-19 Pandemic

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Abstract

From an international business risk management perspective, the widespread and catastrophic implications of the COVID-19 pandemic on the performance of Zara (Parent company Indetex) are studied and analyzed to contribute to ongoing research on the conventional brick-and-mortar retail business. Brick-and-mortar retail has headed into decline over the last several years, and e-retailing has grown exponentially during the lockdown period of the COVID-19 pandemic. The objective of this study is to understand and highlight the impact of the coronavirus (COVID-19) crisis on the performance of Zara in Saudi Arabia. It was found that consumers’ preferences and purchasing behavior experienced a paradigm shift from the earlier behavior patterns. Because this crisis has caused many businesses to collapse altogether, this study tries to understand the specific factors that were responsible for affecting the overall performance of Zara. This helped generate several key findings. This study also aims to identify the main challenges relating to sustainable retailing at Zara and review how Zara has incorporated sustainability into their business. The concept of sustainability has gained widespread appeal due to growing concerns over environmental externalities. The results from this review also indicate that there is a lack of research on sustainable retailing with respect to Zara in the global market. Further, this review proposes potential digital strategies for Zara to maintain their performance in the global market during the COVID-19 pandemic.

Keywords

Coronavirus (Covid-19), Risk Management, Fashion Industry, Retail Business, Consumer Behavior, E-Retailing, Saudi Arabia
1. Introduction

The sudden outbreak of a coronavirus strain, which outbroke from the city of Wuhan, China, and subsequently spread across the world in a short span of time, negatively impacted economies around the globe. It has adversely affected almost every field, ranging from travel to the purchasing of basic goods, and Saudi Arabia has been no exception. Besides having an impact on world economies, the COVID-19 pandemic has severely affected industries and individual businesses due to government restrictions on gatherings, lockdowns, social distancing mandates, and restricted movement all around the world. Zara also became a victim of this novel virus, which completely shook the fast fashion industry. Zara is a clothing retail brand owned by Inditex, a Spanish textile manufacturer that was established in 1963. Zara’s product offerings include clothing, shoes, accessories, beauty products, swimwear, and perfumes. Zara’s stores have clothing for men, women, and kids as well. Zara was Inditex’s first brand, created after the firm spent a 12-year period operating as a modest enterprise, making mainly dressing gowns and dresses from a single workshop in Coruña, in northwest Spain. Inditex opened its first store in 1975 under the Zara brand in that same town (Inditex, 2020a). At the time, apparel was divided firmly between high street clothing, intended for most of consumers, and designer fashion, intended for the more prosperous. After increasing its production capacity, Inditex opened more stores, initially only in Spain, but then venturing into Portugal in 1988. Later, during a phase of rapid expansion starting in 1989, the brand expanded its reach to the US and France (1990), Mexico and Greece (1992-1993), and Belgium and Sweden (1994). In 1998 and 1999 Inditex established their Zara brand in the Middle East. Similar to other fashion retailers, such as Next, Inditex introduced a home range like bedding, cutlery, glassware and other home decoration accessories under the Zara brand in 2003. The brand’s online retailing efforts began with its home division in 2007 and were followed by its fashion division in 2010 (Inditex, 2020a). Zara’s products are processed in Spain through its distribution center. Newly produced products are sorted, inspected, tagged, loaded into trucks, and delivered to stores. Approximately 450 million individual items are produced annually by Zara (Inditex, 2020b).

As Zara underwent a situation that it had never experienced before (the pandemic), its ability to ship products to its stores was either halted or severely slowed due to lockdowns. Before the pandemic, Zara had massive daily sales and had been showing significant increases in inventory turnover, which indicated the company was in a healthy financial position. Apart from its physical stores, Zara also has a wide online network. It books online orders, and its shipping is available worldwide. Zara has maintained a website under the domain “zara.com” and has an app with the same name. All the store’s products are displayed on its website and application, and customers can easily make orders through either. However, the coronavirus greatly affected Zara due to the shut-
down of stores and the shift in consumer preferences and spending patterns (Isla, 2020). The Wall Street Journal reported that, due to the coronavirus pandemic, downloads of Zara’s app fell by around 14% in US markets. Consumers prioritized the purchase of staple items and groceries. They held back on discretionary spending because of the uncertainty surrounding their employment. More than 60 percent of consumers report spending less on fashion during the crisis, and approximately half expect that trend to continue after the crisis passes. However, consumers are likely to cut back on accessories, jewelry, and other discretionary categories before reducing their spending on apparel and footwear this is why the fast fashion industry was held back for a shorter span of time (Kohan, 2020).

The aim of this study is to highlight the overall performance of Inditex-Zara’s unique operating model during the COVID-19 pandemic, focusing on the business’ three pillars: flexibility, digital integration, and sustainability. Inditex-Zara’s agile supply chain, production, and retail network, which aim to create ‘world-class’ responsiveness to changing customer demands, are the main reason for their success even during the pandemic. Zara’s holistic approach has, to a great extent, improved its performance in terms of its competitiveness and customer satisfaction; it has also helped it be rapidly responsive to shifts in the ever-changing fashion apparel industry, even during these exceptionally turbulent times. Against the background of this rapidly changing environment, Inditex’s management’s strategy for moving forward had three main components: digitalization, the integration of stores and the online channel, and sustainability (Inditex, 2020c). The findings of the study may be relevant to executives of manufacturer-retailer firms for performing further research.

The paper is organized into five sections. Section 1 offers an introduction to Zara. Section 2 and 3 discuss objectives and research methodology. Section 4 highlights the comparison between Zara’s pre and post-COVID-19 performance. Section 6 focuses on the implications of COVID-19 on changing consumer preferences and on the sustainability issues faced by Zara. Finally, conclusions are discussed in section 8.

2. Objective of the Study

The objective of this paper is to study and evaluate Zara’s retailing performance during the COVID-19 pandemic. Zara is reckoned to be the world’s largest clothing retailer within the industry; an attempt here has been made to study the implications the pandemic has had on its business, both in terms of the closing of its traditional brick-and-mortar stores and in the opening of online stores, which significantly enhanced the company’s performance during these turbulent times. This study also focuses on how the pandemic has impacted consumer behaviors and how ZARA’s state-of-the-art sustainability initiatives have helped it to survive the competition in the global market. Further, this study proposes a new digital strategy to mitigate the risks associated with the pandemic.
3. Review of Literature

3.1. COVID-19 Background

The World Health Organization officially considered the deadly COVID-19 virus on 11 March 2020 (Armani et al., 2020). Although the reasons for its sudden appearance are unknown, on December 2019, the COVID-19 pandemic is believed to have emerged in Wuhan, China. The intensity of the virus varies from individual to individual, ranging from mild symptoms of raised body temperature, dry cough, and shortness of breath to severe respiratory problems in certain critical cases. A large number of such severe cases have caused hospitalizations and even deaths (Zhou et al., 2020b). The operations of many organizations were greatly affected as the outbreak spread across the globe, with impacts on both production and consumption occurring (Ivanov, 2020). The characteristic nature of the pandemic being unprecedented, many businesses were overwhelmed by the pandemic and/or were exposed to huge risk. Ernst & Young (Ernst & Young, 2020) conducted a survey in 2019 and found that out of 500 senior board members globally, only 20% of executives were confident that their companies were ready to respond to a large adverse risk. Although most short- or medium-term impacts of the pandemic are easily recognizable, the long-term implications remain uncertain. COVID-19 has damaged many lean and globalized SC structures (Araz et al., 2020); it was recorded that out of 1000 Fortune companies, 94% have experienced pandemic-driven supply chain disruptions (Sherman, 2020). Because of this, many organizations had to re-design supply chains, improve on their resilience, and reexamine their networking with suppliers to reduce systemic risks.

3.2. Buying Behaviour in Pandemic

Throughout the world, consumption patterns have been altered by the pandemic (Grashuis et al., 2020). Fashion retailers were among those to experience substantial shocks to their operations, including those which entered 2020 in a strong position, as Zara did (Marowits, 2020). For some long-established retailers (particularly those already saddled with debt), the pandemic was the final straw leading to bankruptcy, (Friedman et al., 2020; Maheshwari & Friedman, 2020). With seasonally based offerings, fashion retailers held inventories with short shelf lives, and with outlets closed from March through May in many markets, valuable time for selling summer product lines was lost. Serious re-evaluations of strategies are taking place among those who survived the pandemic. With shoppers either prevented from or unwilling to visit physical stores, many fashion retailers have pinned their hopes on their digital channels to keep their revenues flowing, and those without an established online sales platform have found life particularly difficult (Wootton, 2020). Fortunately for them, Inditex has had a long-established digital strategy dating back to 2010 and was well prepared when its customers switched to online shopping in large numbers. The
firm’s objective is to gain more than 25% of revenues through its online channel by 2022 (Inditex, 2020b).

Being an online fashion retailer has not guaranteed automatic success during the pandemic, though. Such firms have complex and geographically dispersed supply chains that have come under extreme pressure from social distancing requirements and staff absences. One example of a strained company is Boohoo, whose supply chain was already being criticized on ethical grounds (Janiaud, 2020). Supply chains are also a potential weakness for Inditex, whose brands, including Zara, have come under pressure for a lack of transparency relating to their suppliers (Dockrill, 2020); this is a vulnerability to which consumers have become increasingly sensitive. The role of physical stores was already posing challenges to fashion retail management who are increasingly trying to emphasize multi-sensory experiences during shopping (Alexander & Nobbs, 2016). The pandemic is likely to have intensified this trend. Zara has been praised for understanding the role of experience, with their approach being described as creating “frictionless shopping in a highly curated product environment offering scarce supply and new styles that rotate rapidly”.

Understanding how consumer behavior has changed because of the pandemic, and evaluating whether this change is temporary or permanent, is a key management task. In the ‘lockdown economy’, loungewear was reported to be selling fast, as was gym wear, as people strove to stay fit despite restrictions (Nagarajan, 2020). This “casualization” trend is seen by some as a longer-term and perhaps permanent shift in preferences (Marowits, 2020).

Many adverse changes within the operating environment would hit retailers in only one or a few of their markets; however, by definition a pandemic is global. Commentators have framed the pandemic as hastening already emerging retail trends, such as the repurposing of shopping malls, the reimagining of the shopping experience, the change in tastes towards informal wear, and the increasing volume of online orders (Grashuis et al., 2020; Nagarajan, 2020; Marowits, 2020). As a result, fashion retailers such as Zara will see their businesses permanently change in the post-pandemic world.

Looking at the field of buying behavior in a crisis context, the majority of studies have been conducted on buying behavior during a financial crisis or recession (Ang, Leong, & Kotler, 2000; Gázquez-Abad, Martínez-López, & Esteban-Millat, 2017; Puellas, Diaz-Bustamante, & Carcalén, 2016). When looking at buying behavior during a financial crisis, a common theme is to regard risk and price. Consumers become increasingly price-aware and risk-averse as they have to worry about both their current and future financial situation due to a recession (Puellas, Diaz-Bustamante, & Carcalén, 2016). Furthermore, shoppers during financial crises start to impulse buy less and become increasingly strategic regarding general purchasing due to their increased risk aversion, which is connected to uncertainty (Hampson & McGoldrick, 2013). Looking at the buying
behavior of consumers during a recession, there is an increased shift towards store brands and promotions offering lower prices on products (Gázquez-Abad, Martínez-López, & Esteban-Millat, 2017). Moreover, spending on “green” items also went down due to price sensitivity (Hampson & McGoldrick, 2013). While consumers do not perceive themselves as spending more time on pre-planning, there is a distinction between different segments. Family households and low-income consumers strongly shift towards buying more store-brand products and using coupons and promotions. However, this could be due to these segments being more risk-averse as a result of their situation. On the other hand, there is a segment that does not care about store-brand products. This segment consists of consumers who put in less preparation during normal market conditions, e.g., they are less likely to make lists or look for coupons and promotions while shopping. This segment consists primarily of high-income consumers (Puellas, Diaz-Bustamante, & Carcalén, 2016).

While consumers change their buying behavior during a financial crisis through the use of coupons, promotions, or store-brands, consumers still demand the choice availability they had before the financial crisis. While consumers are willing to choose from a smaller assessment of products in search for lower prices, they are still less likely to buy store-brands during a crisis if they perceive a lack of choice resulting from supermarkets phasing out named brands and only offering store brand products. Additionally, for store-brand products to be successful, there is a need for high-quality products. This is imperative, as increased price consciousness in consumers is inversely related to lower store loyalty (Gázquez-Abad, Martínez-López, & Esteban-Millat, 2017). Loyalty is key if a company wants to achieve success both during and post-recession, as 17% of consumers were found to continue purchasing store-brand products post-recession. Looking specifically on buying behavior in the context of a non-financial crisis, Sneath et al. (2009) found there was an increase in compulsive and impulse buying post hurricane Catrina. Furthermore, empirical data highlights the interconnectedness between emotion and cognition in affecting increases in impulsive behavior. Increased impulsiveness of the consumers was found to be related to their emotional states and their approaches to dealing with stress and depression. Impulse purchases were a way for the consumer to deal with their stress and depression, and thus became a way for the consumers to regain control on an emotional and hedonic level (Sneath, Lacey, & Kennett-Hensel, 2009).

On the other hand, looking at the Middle Eastern Respiratory Syndrome (MERS) outbreak in South Korea, there was a co-dependency between physical and online markets regarding electronic products. Consumers buying electronic products did not feel a need to purchase them physically, as they could receive sufficient information to purchase them online and thus did not need to go to a physical store and risk their health. Conversely, there was no link between a shift in online and physical retail regarding groceries. Additionally, the South Korean
study found that sales revenue of semi-luxury items went down by 22% in June and July, indicating consumers were less willing to buy non-necessity products during the pandemic since an outbreak in 2015 (Jung & Sung, 2017). Another aspect that should be considered is whether the crisis’ context affects general buying behavior or, specifically, creates panic buying (also referred to as panic hoarding). Panic buying is an abnormal buying behavior that can be created during times of disaster and supply shortages (Shou et al., 2011; Tsao, Raj, & Yu, 2019); it can lead to further consequences, such as stock-outages, anxious consumers, and further panic buying (Shou et al., 2011). Looking at panic buying in the context of buying behavior Shou et al. (2011) describes consumer panic buying as an act of buying excess products to avoid a shortage in the future. Consumer panic hoarding occurs for several reasons. The main reason is disruptions in the product supply, which can be caused by several factors, such as natural disasters, labor strikes, government regulations, and others (Shou et al., 2011; Tsao, Raj, & Yu, 2019). This complexity of consumer panic buying and supply disruption results in bulk buying to avoid shortage in the future. It will further result in high demand which might lead to out-of-stock items, which subsequently leads to further panic buying. In order to avoid this behavior, retailers might decide to limit the supply, increase prices, or enforce a purchasing quota on customers. On the face of it, these practices might help in decreasing the demand, though it might also make customers increasingly anxious, leading to more panic buying (Shou et al., 2011). It was also noted that, during supply shortage periods, customers start substituting their missing preferred brands with other brands (Tsao et al., 2019).

3.3. Sustainability and Fashion Industry

Sustainability has gained a lot of attention, from both the business- and the academically-minded, within the fashion industry. Retailing is a significant component of the supply chain that has not been thoroughly explored in academia. This area has assumed importance of late mainly because of its growing complexity. Analysis of sustainable retailing points towards disposable fashion, green branding and eco-labeling, and new retailing opportunities in e-commerce as emerging areas (Yang et al., 2017).

Sustainability is a niche area, but some believe that sustainable development could become a means of competitive advantage. The main trends in sustainability and retail research include analyzing the conditions in which the sustainability initiatives give better results to retailers; observing how sustainability actions influence different types of brands; and performing international and cross-cultural analyses.

The prominent changes that have occurred in this competitive environment necessitate redefining of their value proposition. Sustainability and circular economy principles are influencing the perceptions of new generations of consumers in the fashion world (Gazzola et al., 2020).
4. Research Methodology

The paper studies the effect of the COVID-19 pandemic on the retailing performance of Zara in Saudi Arabia. This study is descriptive in nature and uses secondary data for its detailed analysis. The secondary data was collected from Ministry of Commerce websites, research reports, magazines, newspapers, and other sources, so as to critically analyze the current situation in Zara’s retail space in the Kingdom as well as the impact of pandemic on consumer behavior. The main data sources used in the study were reviews of various published case studies, blogs, and online news articles, the company’s annual reports from 2017 through 2020, and the company’s website. This study is probably the first attempt of its kind in the Kingdom of Saudi Arabia to explore the impacts of the COVID-19 pandemic on a retailer.

4.1. Zara’s Online Operations Pre- and Post-COVID-19

In the first quarter of 2020, Zara-owner Inditex suffered a net loss of 229 US million dollars after a successful second quarter largely helped to mitigate a disastrous start to the year. Due to the abrupt impacts of the COVID-19 pandemic, the first three months saw a huge loss of 481 million dollars, while the second quarter bounced back to a profit of 253 million dollars. The third quarter continued to trend towards normalcy. Although Zara’s online sales increased, the overall fast fashion industry suffered a decline in profits and excess inventory during the pandemic (Kohan, 2020).

Similarly, the Inditex group of companies, including Zara, saw its sales significantly impacted. During the financial year 2019, more than 7,100 suppliers invoiced the group for over €5.1 billion of services and goods. On the other hand, the worldwide tax contribution during 2019 also increased, 6.75 billion, representing a 9% from the previous year (Isla, 2020).

Table 1 & Figure 1 shows Zara’s online sales trend. Its online sales were exceptionally high in 2020 as compared to the previous years (Inditex, 2020a). Online sales increased 74% during the same period, a trend similar to that seen by other businesses during the pandemic, as customers moved online.

Pablo Isla, Executive Chairman of Inditex holds the opinion that trading in the current quarter has witnessed a gradual return to normalcy with online sales continuing to grow sharply and store sales gradually recovering. It is reported that the recovery and strong performance are due to the hard work, engagement

| Year | Online Sales in Billion € |
|------|--------------------------|
| 2017 | 2.5                      |
| 2018 | 3.2                      |
| 2019 | 4.0                      |
| 2020 | 6.2                      |
and creativity in Inditex partly and partly due to the critical importance of their integrated store and online platform strategy. It rests on the three key pillars flexibility, digital integration and sustainability. Inditex’s experience of online making up for falling store sales is part of a growing trend that has been identified and quantified by the Centre for Economic and Business Research (CEBR). It finds that half of retailers adopting a unified commerce or omni channel approach saw their total number of transactions remains consistent during the pandemic thereby meaning that the reduction in sales volumes from stores was offset by online channels.

During the pandemic, about 87% of Zara’s’ physical stores were closed. (Inditex.com) In spite of the overall decline in fashion industry sales, Zara gained significant traction with its online sales, which became the starting point from which it would regain lost momentum. People preferred ordering online, and avoiding the coronavirus, to heading to public places to shop. Online shopping helped Zara retain the trust of its customers and regain its profitability. Zara’s international presence in over 86 countries gives it a strong competitive edge. The company has grabbed a huge market share and captivated many consumers with its quality products and attractive offers.

Table 2 compares the performance of the 3rd quarters of 2019 and 2020. In Q3 2019, sales were €7000 million, but they decreased to €6052 in Q3 2020. Similarly, gross profit also decreased, from €4254 to €3661. EBITDA was also down, moving from €2255 in Q3 2019 to €1848 in Q3 2020. Net income declined to €866 from €1171. However, the 3rd quarter report also disclosed a 10% operating expenses, and Zara incurred extraordinary additional expenses totaling €135 million due to the coronavirus in 3Q 2020. However, due to its healthy operating performance and active supply chain management, Zara gained momentum and moved back towards its previous financial performance trend in last quarter of 2020. Due to healthy working capital, Zara’s cash position increased to 7% and reached a historic high (Inditex, 2020a). Due to COVID-19 restrictions, Zara was forced to close 90% of its stores from February through April, resulting in a
Table 2. Comparison of quarterly performance of sales in 2019-2020.

| €Million   | 3Q20  | 3Q19  | 20/19 |
|-----------|-------|-------|-------|
| Net Sales | 6052  | 7000  | (14%) |
| Gross Profit | 3661  | 4254  | (14%) |
| EBITDA    | 1848  | 2255  | (18%) |
| Net Income| 866   | 1171  | (26%) |

Table 3. Comparison of number of stores (2019-2020).

| Brands/Stores | Ending April 2020 | Ending April 2019 |
|---------------|-------------------|-------------------|
| ZARA          | 2138              | 2128              |
| ZARA KIDS     | 126               | 128               |
| ZARA HOME     | 587               | 595               |
| PULL & BEAR   | 955               | 972               |
| MASSIMO DUTTI | 750               | 761               |
| BERSHKA       | 1097              | 1103              |
| STRADIVARIUS  | 996               | 996               |
| OYSHO         | 673               | 673               |
| UTERQUO       | 90                | 91                |
| **Total**     | **7412**          | **7447**          |

BREAKDOWN OF FINANCIAL RESULTS

|                        | 2019    | 2020    |
|------------------------|---------|---------|
| NET FINANCIAL INCOME   | 4       | 4       |
| LEASE FINANCIAL EXPENSES| (33)   | (39)   |
| FOREIGN EXCHANGE GAINS (LOSSES) | (6) | (2) |
| **Total**              | **(35)** | **(36)** |

Source: Company.

quarterly loss. The decline in sales slowed afterward, though, with sales at 34% in June.

With many stores closed, the inventory was not selling at the same pace and it is unlikely that e-commerce sales can make up the loss in revenue due to the shutdown of stores Zara reported 51% of its stores were closed temporarily all over the world, while its 156 online markets continued to operate. Table 3 shows a pre-and post-COVID-19 comparison of Inditex stores (2019-2020). Inditex, which has nearly 7500 stores across the world, has spread out at a rapid rate over the past decade and a half opening stores in 96 different countries. By the end of the first quarter, only 965 of its stores were open during the pandemic and during that time, online sales increased by 95%; online sales were up 50% overall during the first quarter. Before the lockdown, it had already focused on expanding its online business. However, its decision to double down on this suggests that it is expecting e-commerce to play a more important role in the
long run.

Many new omni channel initiatives were launched in the first six months of 2020, which resulted in smaller stores being shut down and integrated into larger format locations. The company launched a ‘Store Mode’ using Zara App that allowed 25 stores across Spain to offer new features to customers, such as ordered products being ready to be picked up within 30 minutes.

Figure 2 shows INDITEX’s Omnichannel sales, which increased significantly after the first quarter of 2020 directly and were directly impacted by the pandemic; the overall decline rate in sales continued to decrease. Between 1000 and 1200 stores were closed, many of them small-scale stores which delivered fewer than 260,000 euros of profit. These stores could be replaced by online or peripheral stores and would not affect the Indetex’s turnover after closing down. In fact, this step of closing stores is related to the parent company’s strategic decision to transform stores and cut down on internal expenditures at the same time.

4.2. Zara Customer’s Purchasing Behavior in Pandemic

Understanding customers’ behavior types plays an important role in helping businesses achieve and maintain high levels of customer satisfaction (Syakkhoni et al., 2017). One of the issues with fast fashion in general, and Zara in particular is, is that shopping is often occasion-based. When consumers cannot physically visit the stores, impulse-based shopping is significantly reduced. Also, with fewer gatherings occurring, and with people having fewer interactions in general, occasion-driven shopping has experienced a decline. Another issue is that Zara’s products are highly seasonal in nature, and due to this there may be some latent demand when things become normal. The COVID-19 pandemic changed customer behavior, shifting it towards greater dependence on online shopping and electronic modes of payment methods during lockdown and quarantine. As stores begin to reopen, the coming period is likely to redefine how consumers shop and how retailers need to prepared for this change.

Source: INDITEX financial report.

Figure 2. Comparison chart of INDITEX Omnichannel sales (2019 & 2020).
Consumers have become habituated to online shopping during this period. Moreover, data on pre-and post-pandemic customer behavior demonstrates that online shopping trends have unequal impacts between genders and have particularly influenced educated females.

Zara will outperform its competitors during the COVID-19 pandemic because the factors which drive fast fashion consumption are still prevalent. Zara became famous because of its responsiveness and shorter production lead-times (i.e. weeks rather than months). It can move from style sketches to garments in stores in just two weeks. Zara does, though, need to rebrand their production and avoid over-production. They will continue to churn out new collections every three months because fashion is something people quickly get bored with. So, in order to survive the competition, they have to design efficient marketing strategies and maintain their position in the e-commerce sector.

4.3. Building Sustainability in Zara

Today, consumers have varied buying preferences and changing attitudes based on brands and retailers’ social responsibility or commitments to ecological concerns. Consumers have become more conscious about buying eco-friendly products, as they are now more mindful about the scarcity of natural resources due to the pandemic. Sustainability concerns are now redefining consumer behavior, even as disposable packaging is preferred due to health and safety concerns as it can be recycled. Most consumers share an emotional relationship with eco-friendly products or organizations that they consider environmentally healthy.

Across the world, consumers have begun purchasing more apparel and other products from companies that are actively engaged in sustainable practices. Previously, the fast fashion industry was heavily criticized for producing products that have negative impacts on the environment. Zara has been struggling to improve the life cycle of its products and is working to incorporate more sustainable practices into its production. However, during the current pandemic, sustainability has become even more important to both consumers and companies. Under normal circumstances, the fast fashion business is difficult to predict due to quickly changing trends, and fashion products tend to have very small product life cycles. But given the current economic conditions, socially restricted practices, and the sustainability mindset of consumers, Zara’s fashion forecasting has become even more challenging (Kohan, 2020). In 2020, Zara continued its sustainability practices and was meeting its planned targets. They made progress by lessening or eliminating their plastic consumption and they increased the proportion of sustainable raw material used in their products and processes. Zara continues to prioritize its sustainability goals and objectives. It also maintained an eco-friendly management style for its offices, stores, and facilities. The company is actively involved in two major social welfare projects. The first involves a corporate aid policy directed at refugees, and the second helps entities
who assist the people or groups that are at risk of social exclusion during the pandemic.

At Inditex’s last annual general meeting, the boards set up a sustainability committee and formulated new targets and goals for sustainable development across the companies, including Zara, that are under the purview of Inditex. These targets generally include the reduction or elimination of plastic bags by both the company and consumers and the use of totally recyclable raw material for the production of fashion products (these include viscose, cotton, and polyester) by 2025 (Marketscreener, 2020). Inditex (Zara) uses organic cotton and is among the top four users in the world. By 2025, Inditex is set to make use of sustainable, recycled, or organic cotton, linen, and polyester in all its clothing. Also, Inditex has committed itself to protecting biodiversity, helping with climate change, and reducing its water consumption and energy usage.

Zara has also had issues with being actively involved in child labor. They were accused of using forced labor and child labor in Brazil in 2011. They were accused of creating hostile work environments and of using child labor in the production of their clothing and other products in order to cut down their costs. As per a report, Zara forced laborers to work 16 to 19 hours a day and compelled them to live in factory housing where there was even not a single window present. They were not allowed to go outside or leave the factory. Laborers worked in an inhumane and hazardous work environment under unsanitary and cramped conditions. Workers were also severely underpaid for their tireless efforts. The Brazilian Ministry of Labor and Employment imposed a heavy penalty on Zara for its illegal practices in 2011 (Dumas, 2011).

The advantages offered by sustainability are multifold. Sustainable practices are attractive to Generation Z, whose members have a keen interest in sustainable products. Retailers are mindful of these preferences. This shows in their level of commitment to investing in eco-responsible products. As of now, there are no global standards for defining sustainability in the apparel industry. This means there is more work to be done in the standardization of metrics for sustainable fashion.

4.4. Digitalization of Zara Retail

Since 2012, Zara’s owner has been designing its digital strategy which offers an advantage over its competitors like Hennes & Mauritz, who are lagging far behind in their online transformations. Since 2007, when the Inditex group’s first official website was created, Inditex has made huge efforts in expanding its online platform. When Zara’s official website was established in 2010, it quickly covered core markets like China and the United States. Being the core brand of the group, Zara’s online strategy in China is often criticized. In 2012, Zara opened its official website in China, but because online products were no cheaper than in-store ones, price-sensitive consumers did not go for them.”

Although Zara officially entered the Chinese market in 2007, the failed
The group’s online sales increased by 76% in the third quarter of 2020 and online visits in the first three quarters of 2020 exceeded 3.4 billion, representing a year-over-year increase of 44%. Inditex expects online sales to account for more than 25% of total sales by the end of 2022. **Figure 3** shows some of Inditex’s digital trends I (2017 to 2022).

To achieve their goal, Zara will need to think digitally and engage its customers through its online store, online communities, and social media.

### 5. Study Limitations and Research Gap

This study is mainly descriptive based on secondary data. Future studies can be considered using the same model with empirical approaches. While the present study considered only four constructs, future studies could extend the considered constructs and deliberate on other constructs too. Data-based future studies can be done using questionnaires to assess issues both at the micro and macro levels, focusing on specific stores rather than generalizing them. There are very few studies on consumer behavior towards fashion and trends that rapidly change (Barnes, Lea-Greenwood, 2006). Understanding the extent to which changing fashion affects consumers’ purchase behavior and satisfaction levels will allow retailers to tailor their strategies accordingly and improve profitability.

### 6. Conclusion

Zara is an international clothing brand known around the world for its wide variety of quality products and economical prices. Zara has introduced new innovative fashion concepts and they renew their collection on a regular basis while incorporating information on the latest trends and consumer demands. In 2010, Zara established an international presence in more than 50 countries through the launch of its online website. They also launched their online presence in the Middle East, including Saudi Arabia. The conventional brick-and-mortar retail
business has experienced a downward trend while e-retailing growth has accelerated, especially during the COVID-19 pandemic. The spread of the coronavirus negatively impacted Zara’s global sales due to the temporary shutdown of the outlets and the enacting of social restrictions. Due to a fear of COVID-19 and uncertainty around employment, the peoples’ preferences shifted towards spending on staples like groceries and healthcare products instead of attire. However, later in 2020, in Saudi Arabia, Zara’s online sales increased due to the peoples’ preference to shop online in order to avoid the pandemic. Zara’s overall online sales have increased in 2020 over previous years. Zara in Saudi Arabia is also actively engaged in sustainable development projects. They have pledged to eliminate plastic consumption and to incorporate reusable materials in their products. Zara Saudi Arabia also collects used clothing to reuse and recycle in various markets in collaboration with different NGOs.

**Conflicts of Interest**

The authors declare no conflicts of interest regarding the publication of this paper.

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