

ZARA

Reference no 603-002-1

Technical assistance

t +44 (0)1234 756410, **e** ecch@ecch.com

North American customers:

t +1 781 239 5884, **e** ecchusa@ecch.com

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Zara

Case study

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This case was written by Professor Kasra Ferdows, Georgetown University, Professor José AD Machuca, Universidad de Sevilla, and Professor Michael Lewis, University of Warwick. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was made possible by the co-operation of Inditex, SA.

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OM 02-10

ZARA



Isabelle Borges, one of the product market specialists in the women's wear department at the Zara headquarters, sensed that they were on to something. The new khaki skirt had sold out in the La Coruña store after only a few hours on the shelves and the store manager, Olga Santos, had just told her that she could have easily sold more. A small batch of 2800 skirts, just enough to "test the waters," had been sent out the previous night to a selection of Zara's worldwide network of 507 stores. Ms. Borges called around a few of the Sevilla stores and discovered that sales there were also very brisk. If these market signals were not enough, she had also spotted a colleague wearing the skirt. "That's always a good sign. Employees here are tough critics," she said. As more and more reports came in from other stores, echoing the same positive customer reaction, Isabelle Borges knew that the skirt was going to be a hit and she quickly set in motion a process that within days had supplied the skirt to Zara stores on three continents.

The capability to respond quickly and efficiently to consumer demands had allowed Zara to offer the latest fashion at reasonable prices in 'upscale' locations such as the Champs-Elysees in Paris and Lexington Avenue in New York. Investor confidence in this capability had, in May 2001, underpinned a 2.3 billion euros¹ Initial Public Offering (IPO) of 25% of Zara's parent company, Inditex. The founder, Mr. Amancio Ortega, who had started his first business in early 60's with 5000 pesetas (€ 30) retained 61.2% of the capital after the floatation, making him the richest man in

Professors Kasra Ferdows (Georgetown University, USA), Jose A.D. Machuca (University of Sevilla, Spain) and Michael Lewis (Warwick University, UK) wrote this case as the basis for class discussion. Cooperation of Inditex is gratefully acknowledged (with special thanks to Messrs. Jose M. Castellanos, Borja de la Cierva, and Miguel Diaz). Aki Onozuka (Research Assistant at Georgetown University) and Pedro Garrido (Lecturer at University of Sevilla) also helped in the research for this case. Certain facts and figures have been disguised.

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¹ \$ = 1.02 euros in July 2002

Spain. By July 2001, Inditex stock had increased 25% over its IPO price, valuing the company over 12 billion euros - more than the market value of Benetton, The Limited, or Next.

Inditex is the most flexible, high-growth retail format in our investment universe. In a clothing sector recently tarnished by the disappointing performances of both H&M and Gap, Inditex is a unique proposition, offering superior performance, low risk, a proven consistent growth record and operational flexibility unmatched in global retailing.

SchroderSalomonSmithBarney
April 19, 2001

How could a relatively small company operating out of La Coruña, a small city in the north west corner of Spain, – one of the most westerly points on the European mainland – have achieved all this? Had Zara discovered something that its powerful and indisputably competent peers, celebrated firms like Gap, H&M and Benetton, had missed? What management system had supported such phenomenal growth in a crowded and competitive market? Was it sustainable as Zara continued to grow and expand internationally?

INDITEX

Amancio Ortega Gaona began working as a delivery boy for a shirt-maker when he was only 13 years old. He later managed a tailor shop where he made nightshirts and pajamas. In 1963, when still in his 20s, he started Confecciones GOA in La Coruña, to manufacture women's pajamas (and later lingerie products), initially for sale directly to garment wholesalers. In 1975 however, when a German customer cancelled a sizable order, the firm opened its first Zara retail shop in La Coruña. The original intent was simply to have an outlet for cancelled orders, but this experience taught Amancio Ortega the importance of the 'marriage' between manufacturing and retailing — a lesson that guided the evolution of the company from then on. As Mr. Miguel Diaz, a senior marketing executive, reiterated in 2001, "it is critical for us to have five fingers touching the factory and the other five touching the customer."

From a starting point of 6 stores in 1979, the company established retail operations in all the major Spanish cities during the 1980's. In 1988 the first overseas Zara store opened in Porto, Portugal, followed shortly by New York City in 1989 and Paris in 1990. But the real 'step-up' in foreign expansion took place during the 1990s when Inditex entered 29 countries in Europe, the Americas and Asia (particularly during 1998 to 2001 when it entered 21 of these 29 countries).

In parallel with its overseas expansion, Inditex diversified its retail offering by adding and acquiring new brands in order to target different customer segments. The company introduced Pull & Bear in 1991 to offer low price men's casual wear with a 'sporty' image. The same year saw the launch of the group's most upmarket concept, Massimo Dutti, offering more expensive (although still good value) stylish men's clothing. In 1995, woman's wear was added to both brands. In 1998, the company opened Bershka, targeting very low price but 'cutting-edge' fashion at 14-24 year old young women. In 1999, they acquired Stradivarius, strengthening its market presence in the young woman sector. Finally, in the summer of 2001, Inditex launched a new brand, Oysho, specializing in underwear, sportswear, accessories and cosmetics. By early 2002, Oysho had opened 34 stores in Spain.

Each brand operated independently, with its own stores, ordering system, warehousing and distribution system, subcontractors, and organizational structure. Despite having only a few corporate services (like legal, finance and acquisitions) in common, each of the brands shared a focus on 'fashion at affordable prices', excellent quality, and similar management models for control of supply, production and distribution, and role of store management to maximize speed to market. (See Exhibit 1 for price-fashion brand positioning, Exhibit 2 for the age demographic of Inditex's brands, Exhibit 3 for store sales by brand, and Exhibit 4 for geographic sales breakdown).

By 2002 Inditex had opened 1284 stores in 39 countries, an aggressive expansion program based entirely on internal financing. Even the IPO in May of 2001 brought no additional cash into the company. Zara's growth was based on a business model that allowed it to operate with essentially "negative working capital" — in other words, it could collect its cash faster than it had to pay it out! (See Exhibit 5 for Inditex's income statement and Exhibit 6 for its balance sheet.) As an illustration of the success of the model, Inditex sales grew from € 367 million in 1991 to € 3.25 billion euros and net profit from € 31 million in 1991 to € 345 million in 2001. In 2001 alone, while many companies in the industry were facing downturns, Inditex's sales grew by 27% over 2000, and its profit increased by 32%! In 2001, Inditex's EBITDA and EBIT as percentage of revenues were the highest among its peers (see Exhibit 7).

ZARA

Accounting for 76% of total retail sales, Zara was the largest division of Inditex and followed a strategy of offering 'cutting edge' fashion at affordable prices. By 2002, Zara had 507 stores in 33 countries with the largest concentration in Spain (225 stores), followed by France (67 stores), Portugal (38 stores), Mexico (27 stores), and Greece (20 stores) (See Exhibit 8). While further flung markets such as Japan (5 stores) held long term and potentially substantial growth prospects, Zara remained extremely cautious in the development of these markets. In the U.S. for instance, even though Zara opened its first store in 1989, by 2002 it had only 8 stores.

Zara owned and operated almost its entire store network. In 2001 for instance, only 12 stores were operated as joint ventures (in Japan, Mexico and Germany) and only 31 were franchises (all outside Spain). The franchised stores were generally located in high-risk countries or had developed because local laws (for example regarding ownership of real estate) made ownership impossible or too inconvenient. Similarly, their joint venture partners (like Otto Versand in Germany and Biggi's Group in Japan) were able to deploy considerable experience and expertise in their respective local real estate markets.

Specific retail locations were only ever selected after extensive market research to ensure that Zara's target market segments were of sufficient size in that locality to render the store financially viable. Moreover, Zara always tried to locate its stores in the most upmarket, high traffic, and prestigious locations it could find. Even though such prime retail locations were often very expensive, most of the selling space in a typical Zara store was left empty in order to create a pleasant, spacious and uncluttered shopping environment that invited customers to walk around and browse². The layout of the stores, the furniture, and even the window displays were all designed at La Coruña to give the same image worldwide and a "flying team" from headquarters was usually dispatched to a new site to set up the store³. Even after startup, stores still relied

² The average selling space per store was 908 m² (year 2000 data).

³ The headquarters travel office employed 25 staff simply to make travel arrangements for Inditex employees.

heavily on central staff, located in either La Coruña or their region, to assist with major refurbishment and other construction-related issues. "We want our store managers to focus on sales and customers — not on things like air-conditioning," explained Mr. Borja de la Cierva, Zara's Chief Financial Officer. Location, traffic and layout were particularly important for Zara because it spent relatively little on advertising (In 2001, 0.3% of sales turnover compared with 3.5% by its peers). According to marketing executive Mr. Miguel Diaz, "Our stores and word-of-mouth, do the advertising for us." Further emphasizing the importance of the stores, in June 2001 Mr. Diaz argued that the Internet would not have a radical impact on their retail operations. "[Zara customer's] have to try the dress to see how they look in it. In fact, that is why we don't anticipate a lot of sales through our web page."

A typical Zara store had women's, men's and children's sections, with a manager in charge of each. Women's wear accounted for almost 60% of sales, with the rest of the turnover equally divided between men's wear and children's wear. The store manager was usually also the head of the women's section. Zara placed a great deal of emphasis on the training of its sales force and correspondingly emphasized internal promotion. Store employee remuneration was based on a combination of salary and bonus derived from overall store sales. This system was intended to encourage employees to collaborate on improving total store rather than just their individual sales performance. Although store managers were responsible for the "profit and loss" of their respective stores, La Coruña continued to control prices, transfer costs, and even a certain amount of merchandizing and product ordering. In practice, the critical performance measures for the store managers related to the precision of their sales forecasts (communicated through the ordering process) and sales growth. A simple yet key measure followed by senior managers was the rate of improvement of daily sales from year-to-year — for example, sales on the third Wednesday of June 2001 compared to the third Wednesday of June 2000.

Zara's strategy required generation of a great deal of product variety throughout the year. "We are in the *fashion* business — not clothing. Our customers buy our products because they like it — not because it is Zara," explained Mr. Diaz. To its customers, Zara stores were places where you could always find something new and of limited supply. As part of this fashionably exclusive (yet low cost) image, stores held very low levels of inventory — typically only a few pieces of each model — and this meant that a store's entire stock was often out on the shop floor. The garments were not displayed in the usual way (i.e. skirts together, pants together, shirts etc.) but often mixed together to encourage customers to buy combined outfits. However, as a result of the low inventory policy it was not unusual to find empty racks by the end of a day's trading and therefore stores were completely reliant on regular and rapid replenishment of newly designed products.

OPERATIONS

Creating a supply chain that allowed Zara stores to offer cutting edge fashion at affordable prices required the firm to exert a strong influence over all stages of design, production, distribution, and retailing of clothes.

Design and Order Administration

Zara designed all its products itself. In 2001, Zara had 260 in the "commercial team"—consisting of designers, "market specialists," and "buyers"—at its La Coruña headquarters. About 100 of them were considered to be designers (although it was difficult to pinpoint the exact number because many members of the "commercial team" participated in different tasks. The average age of the

"designers" was 26. Together they designed approximately 40,000 items per year from which about 10,000 were selected for production. The firm tried hard to encourage a collegial atmosphere amongst its designers (i.e. there were no design 'prima donnas') and design inspiration was sought from many different sources (trade fairs, discotheques, catwalks, magazines) all around the world. Extensive feedback from the store network also formed an integral part of the design process.

The designers for women's, men's and children's wear sat in different halls in a modern building attached to the Inditex headquarters. In each of these big open spaces, the designers occupied one side, "market specialists" occupied the middle part, and "buyers" (procurement and production planners) occupied the other side. There were several big round tables in the central area of each hall for impromptu meetings and comfortable chairs and racks of the latest fashion magazines and catalogues around the walls. One entire side of the hall, floor to ceiling windows overlooked a pleasant countryside view. There was an air of informality and openness.

Designers first drew out design sketches by hand and then discussed them with colleagues — not just other designers but also the market specialists and planning and procurement people. This process was crucial in retaining an overall "Zara style." The sketches were then redrawn using a CAD system where further changes and adjustments, for better matching of weaves, textures, and colors etc., were made. Critical decisions were made at this stage, especially regarding selection of the fabric. Before moving further through the process, it was necessary to determine whether the new design could be produced and sold at a profit. The next step was to make a sample, a step often completed manually by skilled workers located in the small pattern and sample making shop in one corner of each hall. If there were any questions or problems, they could just walk over to the designers and discuss and resolve them on the spot.

Each of the Market Specialists, like Isabelle Borges, had a responsibility for dealing with a number of specific stores in a country or region. As experienced employees, who had often been store managers themselves, they recognized that it was crucial to establish personal relationships with the managers of stores assigned to them. They were in constant contact, especially by phone, with these managers, discussing sales, orders, new lines and other matters. Store managers relied heavily on these discussions with Market Specialists before they finalized their orders. Augmenting their extensive phone conversations, store managers were supplied with a specially designed hand-held digital device to facilitate the rapid and accurate exchange of market data.

The third group in the hall was the "buyers" who managed procurement and production planning. They were also experienced staff in charge of planning the order fulfillment process. They planned procurement and production requirements, monitored warehouse inventories, allocated production to various factories and third-party suppliers and kept track of shortages and oversupplies.

The final decision of what, when, and how much to produce was normally made by the relevant designer, market specialist, and procurement and production planners. Like their peers in the industry, these teams worked on next season's designs but, simultaneously and continuously, also updated the current season's designs.

Production

Zara produced a larger share of its sales than almost all its competitors (with the possible exception of Benetton). According to the analysts at Morgan Stanley and Company, "... owning manufacturing and using it as a means to excite and stimulate customer demand is a key competitive advantage and one that Inditex knows how to use to achieve optimum results." Zara produced approximately

50% of its products in its own network of 22 Spanish factories (18 of which were located in and around its complex in La Coruña) and used subcontractors for all sewing operations. These factories generally worked a single shift and were managed as profit centers. The other half of its products was procured from 400 outside suppliers, 70% of which were in Europe, and most of the rest in Asia. Many of the Suppliers were in Spain and Portugal, and their proximity allowed quick response to Zara's orders, especially critical for fashion products. From Asia, Zara procured "basic" products and those for which the region had a clear advantage. With its relatively large and stable orders, Zara was a preferred customer for almost all its suppliers.

The make or buy decisions were usually made by the procurement and production planners. The key criteria for making this decision were required levels of speed and expertise, cost-effectiveness, and availability of sufficient capacity. If they could not obtain desired prices, delivery terms, and quality from Zara's factories, they would look outside. However, such decisions were made carefully, paying great attention to minimizing the risks associated with the particular fashion and the sensitivity of speed to market.

For its in-house production, Zara obtained 40% of its fabric supply from Inditex's wholly owned subsidiary, Comditel (Zara accounted for almost 90% of Comditel's total sales). Over half of these fabrics were purchased undyed to allow faster response to mid-season color changes. To facilitate quick changes in printing and dyeing, Zara also work closely with Fibracolor (a dyestuff producer also part owned by Inditex - Zara bought 20% of its output). The rest of the fabrics came from 260 other suppliers, none accounting for more than 4% of Zara's total production in order to minimize any dependency on single suppliers and allowing quick response from them.

The purchased fabric was then cut by machine. A typical factory had 3 or 4 cutting machines with long tables, where typically 30 to 50 layers of fabric were laid out under a top paper layer. The cutting pattern was generated by the CAD system (which automatically minimized fabric waste), checked by skilled operators, and then drawn by the machine onto the top layer (so that cut pieces can be identified later). After a final visual check by the operator, the machine then cut the multiple layers into hundreds of different small pieces. Operators then packed each piece into a separate clear plastic bag (with the identifying paper layer on top) to be sent to sewing subcontractors. This was a time consuming and laborious task that had to be done carefully because it was very easy to mix up the pieces.

Zara used subcontractors for all sewing operations. Subcontractors themselves often collected the bagged cut pieces, along with appropriate components (like buttons and zippers) in small trucks. There were some 500 sewing subcontractors in close proximity to La Coruña (in the Galicia region) and most worked exclusively for Zara. Zara closely monitored their operations to ensure quality, compliance with labor laws, and especially adherence to the production schedule. Zara believed that outsourcing a highly labor intensive operation, like sewing, allowed its own factories to remain more focused and provided more flexibility to change production volumes quickly. Subcontractors then brought back the sewn items to the same factory, where each piece was inspected during ironing (by machine and by hand). Finished products were then placed in plastic bags with proper labels⁴ and then sent to the distribution center. A system of aerial monorails connected ten of the factories in La Coruña to the distribution center. Completed products procured from outside suppliers were also sent directly to the distribution center and Zara controlled their quality by sampling.

⁴ All the labels, including one showing multiple prices in local currencies, were added at this stage. A value conscious customer would easily see that the prices for the same piece varied considerably from one country to another — Japanese prices were almost twice the Spanish ones.

Distribution

All products passed through Zara's major distribution center in La Coruña. The five-storey, 500,000m² distribution center employed some of the most sophisticated and up-to-date automated systems that were developed in-house with the help of a Danish supplier. With a workforce of 1200, the distribution center operated four days per week with the number of shifts depending on the volume of products that had to be distributed. Orders for each store were packed into separate boxes and racks (for hanging items) and were normally ready for shipment 8 hours after they had been received. Interestingly, although in June 2001 the distribution center was only operating at around 50% of its full capacity, Zara's management was thinking of expanding in anticipation of future growth. "Don't ask me to give you the financial justification for this decision," joked Mr. de la Cierva, Zara's Chief Financial Officer. In addition to the central distribution center, Zara had three other small warehouses in Brazil, Argentina, and Mexico to cope with distance and different seasons in the Southern Hemisphere⁵. In October 2001, Inditex announced construction of a new logistics center in Zaragoza (Spain). The new center represented an investment of € 100 million and was expected to become operational by mid 2003.

The scale of operations in the existing central warehouse was impressive. In 2000, the distribution center shipped 130 million pieces — i.e. about 400,000 pieces in a typical day. Three-quarters of all these shipments were to stores in Europe. Around 300,000 new items (SKUs or "stock keeping units") were introduced every year (10,000 new products in typically five to six colors and five to seven sizes). Fashion garments represented around 80% of Zara's products and the rest were more basic items. But even a simple white shirt was likely to change slightly from year to year: the fabric, collar, buttons, cut, pockets etc. Contractors, using trucks bearing Zara's name, picked up the merchandise at La Coruña and delivered it directly to Zara's stores in Europe. The trucks ran to published schedules (like a bus timetable) and it was therefore possible to plan shipments without making special demands for transportation. For example, an order for a store in The Netherlands would catch the truck leaving La Coruña at 6 a.m. on Thursday. It was also easy to schedule a pick up at a specific destination for transport back to La Coruña (for example a shipment from China to be picked up at the port of Rotterdam).

Products shipped by air were flown from either the airport in La Coruña (10 kilometers away) or the larger airport in Santiago (70 kilometers away). Typically, stores in Europe received their orders in 24 hours, in the United States in 48 hours and in Japan in 48 to 72 hours. Speed was clearly an over-riding concern; as one of the senior managers put it: "For us, distance is not measured in *kilometers*, but in *time*." For example, Japanese orders were on the truck to Santiago airport the morning after receipt, taken by air from Santiago to Osaka (via Madrid) the next day and picked up by a third party contractor and delivered to the Zara stores by the following day. The goods could be displayed as soon as they were taken out of the truck because they had already been labeled and priced.

Compared to similar companies in the industry, shipments at Zara were almost flawless—98.9% accurate with less than 0.5% shrinkage.

⁵ Because Southern Hemisphere seasons follow European ones, Zara managers thought initially that they could simply continue to sell what they had already introduced in Europe. They found however that Argentines and Brazilians also wanted new designs — not "last summer's" models. So, expansion to the Southern Hemisphere necessitated a further increase in the number of new products that Zara designed per year.

Retailing

Stores usually placed their orders and receive shipments twice per week. Orders had to be placed at pre-designated times: stores in Spain and southern Europe on Wednesdays before 3 p.m. and Saturdays before 6 p.m. and in rest of the world on Tuesdays by 3 p.m. and Fridays by 6 p.m. If a store, say in Belgium, missed the Wednesday deadline, then it would have to wait until Saturday. "We are very strict about these deadlines. Orders must be on time," emphasized Mr. Diaz.

Most items did not stay in the stores more than two weeks. Zara sought to minimize the risk of oversupply by keeping production volumes low at the beginning of the season and reacting quickly to orders and new trends during the season. "Pre-season inventory commitment" is the level of production and procurement that has to be committed in the supply chain before the start of the "season" — for example in late July for the fall/winter season. The industry average was 45% to 60% of the anticipated sales during the season; at Zara it was only 15% to 20%. Zara waited until the season started before making more commitments. The "in-season commitments" at Zara were 40% to 50% whereas the industry average ranged from almost nothing to a maximum of 20%. As a result, the Zara supply chain had to be able to react faster but worked with more precise forecasts and more reliable market information.

Those items that remained on the shelves for more than two or three weeks were normally taken out of the store and shipped to either other stores in the same country or back to Spain. "We try to keep this below 10% of store's stocks," Mr. de la Cierva explained. In practice, only an inconsequential percentage of the items were actually sent back to Spain. Rapid movement of new products through the stores, and the knowledge that some of the products may not be replenished, together created an additional incentive for customers to buy on the spot (because if a customer chose to wait, the item might be sold out and never be made again). All this meant that Zara managed to carry less overall inventory per unit of sales than its competitors (see Exhibit 9) and had less unsold items that had to be discounted at end-of-season. In an industry where the average product fetched only 60% to 70% of its full price, Zara managed to collect 85%.

FUTURE EXPANSION

In 2001 Zara was opening new stores at an average rate of one per week. Total number of stores was expected to grow from 507 in early 2002 to 600 by end of 2003. The new stores were planned to be bigger-- the average for stores opened during 2000 was more than 1,376 m² --allowing Zara to showcase its ever-expanding range of products. Almost 90% of the new stores would be opened outside Spain and many would be fully owned by Inditex. However, the number of joint venture stores was expected to grow from 12 in 2001 to 52 by 2003, and franchised stores from 27 to 50. In other words, one-third of the new stores to be opened in the two-year plan would be joint ventures or franchises.

Reliance on joint ventures and franchising was common practice in this industry. It helped to cope with overseas expansion, securing financing, reducing risks, and lowering the demand for close attention to day-to-day operations in far-flung stores. In 2001 Benetton, a successful pioneer in the innovative management of the fashion retail supply chain, had almost 6500 franchised stores in 120 countries. Unlike Zara however, Benetton did not own the inventory at its franchise stores. As Zara continued to open more stores in more countries, would it have to adopt a similar policy? If it did, would this and other potential changes adversely affect Zara's tightly controlled supply chain, the system that had enabled it to achieve better results than almost all of its peers?

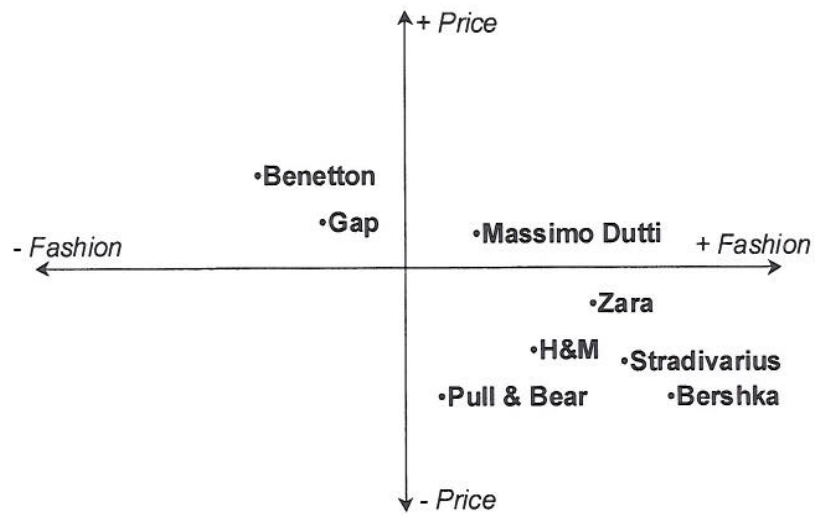
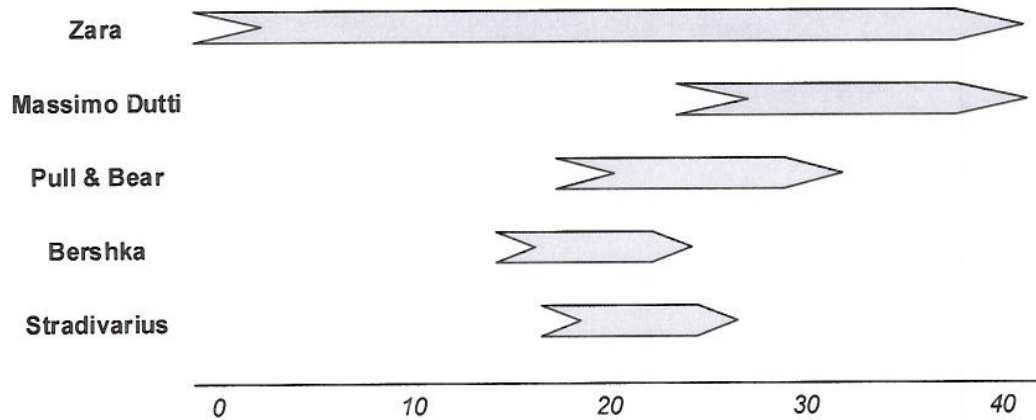
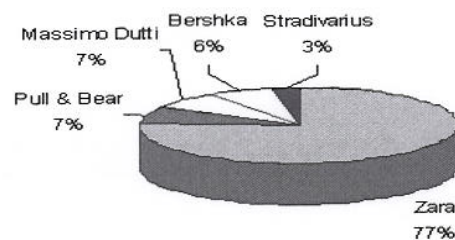
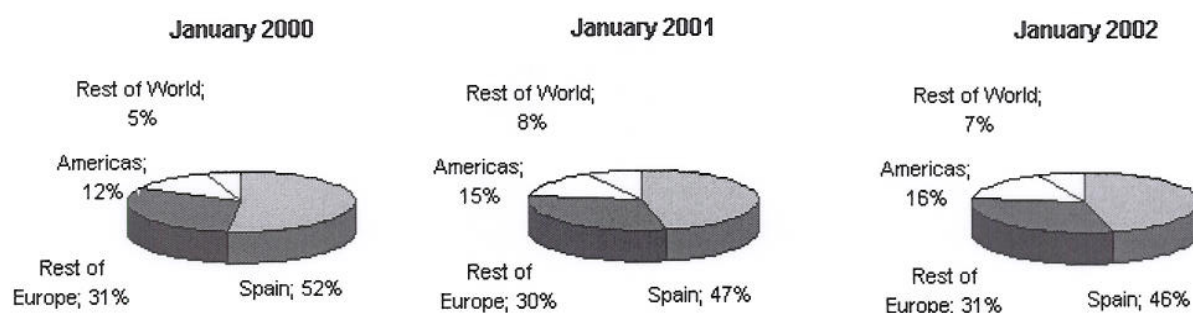
Exhibit 1 Price-Fashion Brand Positioning**Exhibit 2** Target Age Demographic of Brands**Exhibit 3** Store Sales by Brand (2001)

Exhibit 4 Evolution of Sales Breakdown by Geographic Region**Exhibit 5 Inditex Income Statement**

	1991	1998	1999	2000	2001
	<i>Million euros</i>				
Turnover	366.9	1614.71	2035.07	2614.7	3249.8
% Change (over previous year)		40	26	28	24
CGS	-213.2	-799.88	-988.41	-1277.04	-1563.1
Gross Margin	153.7	814.83	1046.66	1337.66	1686.7
As % of sales	41.9	50.5	51.4	51.2	51.9
Operating costs	-33.8	-291.97	-415.37	-402.73	-489.8
Labor costs	-50.9	-254.04	-322.23	-413.47	-492.6
Total operation expenses	-84.7	-546.01	-737.6	-816.2	963.3
Capitalized expenses	10.2	56.83	101.39		
EBITDA	79.2	325.66	410.45	521.46	704.5
As % of sales	22	20	20	19.7	21.7
Depreciation	-10.5	-79.91	-96.49	-124.47	-158.2
Provisions	0.0	-3.69	-14.39	-6.67	6.7
Net non-cash items	-10.5	-83.6	-110.88	-131.14	-169.8
Operating Profit	68.7	242.06	299.57	390.32	534.6
As % of sales	18.7	15	14.7	14.9	16.5
Net financial income/cost	-10.6	-6	-6.16	-13.98	21.3
Associates	0.7	0.31	0.58	0.26	
Goodwill	-3.7	-0.55	-3.4	-10.46	17.1
Operational profit after fin ost	55.1	235.83	290.59	366.14	496.2
Extraordinary income	-2.5	-6.84	1.83	2.67	-1.1
PBT	52.6	228.99	292.42	368.81	495.1
Taxes	-21.5	-79.09	-86.17	-106.92	149.9
Tax rate (%)	-41	-33	-29	-29	-30
Net Profit	31.1	152.9	206.25	261.89	345.2
Minority interests	0.0	0.24	-1.48	-2.68	-4.8
Net Attributable income	31.1	153.14	204.77	259.21	340.4

Exhibit 6 Inditex Balance Sheet

Million euros

	1991	1998	1999	2000	2001
Fixed Assets					
Intangible Assets	49.4	214.9	262.1	303.3	352.0
Intangible Assets and Rights	49.4	282.2	342.58	398.8	472.5
Accumulated Amortization		-67.3	-80.7	-95.5	-119.7
Provisions	0	0	0	0	0.9
Start-up Expenses	10.1	0.5	0.5	2	0.6
Goodwill	4.3	1.2	98.1	89.1	72.1
Tangible Fixed Assets ⁶	129.1	670.7	870.8	1045.9	1228.3
Land and Structures	61.0	260.4	304.2	372.9	378.3
Technical Installations and Machinery	86.4	300.3	425.5	531.7	683.9
Furniture	n.a.	26.9	40.7	46.1	61.9
Computer Hardware	n.a.	5	7.1	8.4	15.3
Other TFAs	5.2	5.6	4.1	3.6	41.6
Advances and Construction In Progress	7.7	74.8	89.4	83.3	47.3
Provisions		-2.4	-0.2	0	0.0
Long-Term Financial Investments	13.6	29.1	35.3	44.5	81.3
Holdings in Cos Carried by Equity Method	6.3	9.1	8.1	9.1	23.8
Long-Term Investment Securities	4.6	3.4	5.1	12.4	8.5
Other Loans	3.3	15.5	21.1	20.9	49.2
Provisions	-0.6	0	-0.1	-1	-0.1
Treasury Stock		1.1	1.1	3.1	0.4
Total Fixed Assets	206.6	916.3	1266.9	1484.8	1734.8
Current Assets					
Inventories	33.2	157.6	188.5	245	353.8
Accounts Receivable	8.9	75	121.6	145.2	184.2
Customer Receivables	1.0	42.1	58.8	71	96.0
Other Receivables	8.8	34.8	63.7	75	89.5
Provisions	-0.9	-1.9	-0.9	-0.9	-0.1
Cash and Cash Equivalents	27.3	151.7	164.5	203.9	309.1
Short-Term Investment Securities	2.8	75.1	33.4	62.8	46.3
Other Loans		10.9	16.6	22.1	6.0
Cash	24.5	65.6	114.5	119	256.8
Other Current Assets	0.6	25.7	31.4	28.7	23.0
Deferred Charges	0.6	18.6	24.1	22.5	16.5
Accruals		7.1	7.4	6.2	6.6
Total Current Assets	70.0	410	506	622.8	870.1
Total Assets	276.6	1326.3	1772.9	2107.6	2604.9

n.a. = not available

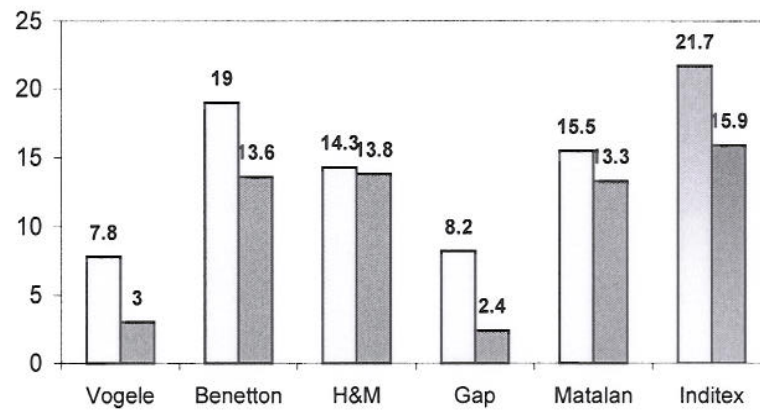
⁶ The 1991 figures in this section are not net of depreciation.

Exhibit 6 - Continued
Inditex Balance Sheet

Million euros

Current Liabilities					
Payable to Credit Entities	27.5	88.3	116.3	96.9	118.5
Payable to Companies Carried by Equity Method	1.6	1.4	1.4	1.8	1.1
Trade Payables	63.7	215.6	276.1	322.9	426.3
Other Payables	39.5	139.3	157.8	248.6	288.3
Deferred Revenues	0.3	2	1.9	2	4.9
Accruals		0.1	0.1	0.1	0.0
Total Current Liabilities	132.6	446.6	553.6	672.4	839.1
Net Current Assets	-62.7	-33.6	-47.6	-49.6	31.0
Total Assets Less Current Liabilities	144.0	879.7	1219.3	1435.2	1765.8
Long-Term Liabilities					
Payable to Credit Entities	17.6	168.6	207.8	165.5	138.2
Other Payables	7.3	17.7	83.1	66.3	65.0
Provisions	0.6	12.5	21.1	21.3	55.4
Total Long-Term Liabilities	25.5	198.8	312	253.1	258.6
Net Assets	118.4	680.9	907.3	1182.2	1507.2
Shareholders' Equity					
Share Capital	4.3	92.6	92.6	93.5	93.5
Reserves	67.7	419.7	564	784.5	1044.2
Translation Differences	-0.3	7.9	31.9	34.9	8.1
Income for the Year	30.8	153.2	204.6	258	340.4
Total Shareholders' Equity	102.5	673.4	893.1	1170.9	1486.2
Minority Interests	15.9	7.5	14.1	11.3	21.1
Shareholders' Equity Plus Minorities	118.4	680.9	907.2	1182.2	1507.2
Tangible Fixed Assets					
Land and Structures	61.0	302.5	348.4	429.1	442.8
Installations and Machinery	86.4	464.4	642.3	800.1	1042.9
Furniture	n.a.	40.5	60.3	69.9	94.1
Computer Hardware	n.a.	13.5	18.8	23.3	34.3
Other TFAs	5.2	21.3	23.3	6.8	46.2
Advances and Construction in Progress	7.7	74.8	89.4	83.3	47.3
Total	160.4	917	1182.4	1412.6	1707.6
Accumulated Depreciation					
Structures	n.a.	42.1	44.2	56.2	64.5
Machinery and Installations	n.a.	164.1	216.8	268.4	359.0
Furniture	n.a.	13.6	19.5	23.8	32.2
Computer Hardware	n.a.	8.5	11.7	14.9	18.9
Other TFAs	n.a.	15.7	19.2	3.3	4.7
Advances and Construction in Progress	n.a.	0	0	0	0.0
Total	31.3	243.9	311.3	366.6	479.3

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Exhibit 7 EBITDA and EBIT Margins**2001****2000**