

# Methodology and Strategies for Companies in the Process of Internationalization

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## Abstract

This research aims to provide guidance to companies seeking to initiate a process of internationalization, discusses possible strategies and methodologies that can be followed to succeed in this process. It is based on a case study focused on Inditex group, although it is a descriptive research, tries to give a clear focus to consider, on proven theories supported in addition to the strategic and operational structure of our case study. Our main results conclude in determining a variant strategy for each company, but can come from the same schema international diversification, which is crucial part of business development and its main strength should be good management skills.

**Keywords:** Internationalization; Strategy; Diversification; Development; Management

## Introduction

This paper provides a corresponding international business development analysis, what this process entails and also tries to clarify the basis for implementing this process in a business and be successful with it. Taking the knowledge gained from the study case, one of the most successful companies in the world, which, based on their strategies has been developing around the globe, and see if these strategies are shown and can be applied to any company regardless of category.

It is considered vital the research that supports the internationalization processes of a company, because in today's global marketplace, it is increasingly necessary to know how to penetrate countries outside the home of the company, create value and increase it the chances of sustainability in a world whose demands and complexity are increasing.

The research was conducted with the aim to present a representative case internationalization. It is on the company Inditex, best known for its brand ZARA, which is clearly an icon in the shape that it has developed its internationalization process, as it has a unique value and competitive advantage in logistics and distribution, on which it is hardly matched. This is not by chance, but rather of an intense process of investigation of the markets where the firm intends to enter with its shops, and from which has a profile set for its success. Because the firm can succeed in the world, its processes adhere to penetration in markets where it is easier to master. This is just a preliminary investigation determined in each country.

Firms have expanded worldwide with remarkable presence and leadership in their fields, and some private practices have made them to be preferred by their customers, to keep them captive without realizing it, that's it, the purpose of a good strategy marketing, conducted by knowing their customers and in some cases making small changes in a country for cultural reasons or otherwise.

## Justification of the Research

It has been determined to study the particularities involved in the process of internationalization of a company, and it was decided to take the case of Inditex group, who have managed to bring in an exceptional way, its recognized brand "ZARA" worldwide. The firm has an accelerated international diversification in markets of several

countries, developing a single management capacity. In addition, it has taken this study to compare if these schemes are applicable to any company that intends to initiate a process of internationalization.

The following research is based on the decision of internationalization of companies. It justifies the efforts to develop and improve this factor in the expansion of a business, starting from international marketing, which is a major factor in the commercial development of any growing economy starting with their companies. Thus, since the time of globalization that exists today, where competition crosses borders with ease, an investigation when there is a company capable and willing to internationalize is necessary.

These results in greater security by expanding businesses outside the borders, for all possible scenarios the firm may face and therefore precautions are taken and the opportunities are known. It is clearly an invaluable advantage, as investment in research the new market and the possible development of the company, does not compare with the wealth of information that will be obtained from the internationalization process. Thus, it can be prevented any potential problems that could be disastrous for the company.

## Research Objectives

The research proposal has as an objective to analyze the overall level of international diversification and management capacity needed for a sustainable business development, based on the study of Inditex

To achieve the proposed overall goal are needed the following subordinates and specific objectives. To check international diversification, if any, to be measured by the relationship of the business units, depending on brand positioning and sustainability, both as factors of support based on Inditex study. To check a good management

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capacity, measured by the development of its core competencies, depending on brand positioning and support sustainability factor, based on the study of Inditex.

### Research Questions and Hypothesis Approach

To solve the problems of this research, it raises the following questions: What is the level of international diversification and what is the capacity of Inditex management that has based on its business development? What is the level of international diversification that has Inditex group based on their branding and sustainability? What is the management capacity that Inditex group has based on their branding and sustainability? Table 1.

### Hypothesis

Business development, has a supportive relationship with international diversification, and is based on good management capacity. As specific hypotheses: The branding and sustainability are a supportive factor for international diversification, measured by the relationship of the business units. The branding and sustainability are a factor of support for management capacity measured by the development of its core competencies (Figure 1).

### Scope and Limitations

The world economy has been transformed in recent decades by the international business expansion. The development of this fact has mainly occurred through two channels: exports and foreign direct investment. It is why it is vital to have the knowledge to know the reasons why companies go international, and how they make the decision to enter new markets through trade or outward FDI.

Variable	Variable name	Variable description	Indicators
X	Business development	As the company develops its brand in the market which eventually leads to expansion [2].	(X1) Brand positioning and sustainability
Y1	International diversification	As the company diversifies into new markets beyond the borders of their country of origin more quickly and sustainably [3].	(Y1) Interrelated Business Units
Y2	Manageability	This is what gives us the facility to handle all items in our company and is essential to internationalize [4] developed Core Competence. Source: Made by myself.	(Y2) Developed Core competencies

Table 1: Description of variables and indicators.

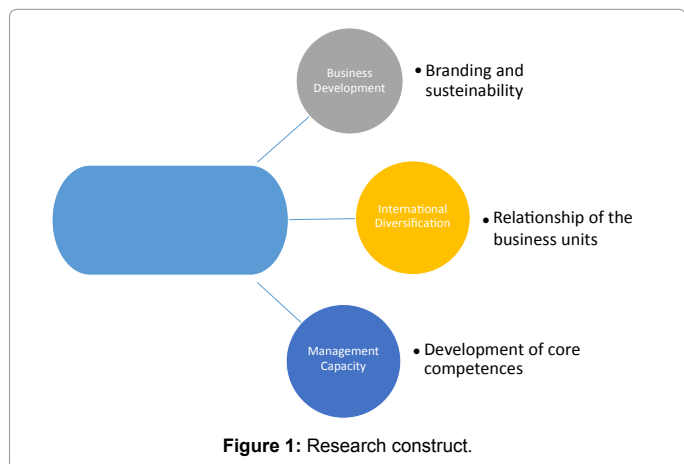


Figure 1: Research construct.

Currently it is referred basically to two streams among can differ including those based on general equilibrium models, within which companies make the decision to internationalize choosing either to export or to invest so as to supply the external market. As the second stream which is based on partial equilibrium models, in this case also the decision of internationalization, the idea of studying other factors that influence the decision was incorporated.

Since this research is descriptive, it mentions various theories and models, although this tries to consider a clear line of development as well as themselves to be successful in the internationalization process some considerations are offered. No model is established or has empirical certainty mentioned here, because it is based on the case study and outstanding literature on the subject, which must take into account that many variables may be different in nature from the practice business, and in the various sectors or markets in which it develops.

### Reference Framework

Referring specifically to the field of marketing study is the identification of eight possible lines of research in the international arena [1]:

- Studies International Marketing environment. This line of research is investigating the impact of economic, cultural, political and legal activities in international marketing variables. The comparative studies of marketing systems analyze the similarities and differences in marketing practices in different countries and regions.
- International Marketing Management. Line that focuses on issues such as international market segmentation, product policy, price, communication and distribution, entry strategies, expansion strategies, investment decisions, parent-subsidiary relationship, etc.
- Prospects for the internationalization process. Studies exploring the behavior and attitude changes experienced by companies in their internationalization process.
- International Marketing Research. Contributions to the methodology of research in the international context.
- Studies buyer behavior. Analyze buying behavior in international markets.
- Study of interactions. Originally this research was concerned with the analysis of the interaction between suppliers and buyers. Later it is extending its scope to the study of the relations of cooperation and partnership between firms in international markets.
- Perspectives on globalization of markets. Collect studies analyzing how the rapid development of telecommunications and transports and the growing convergence on the needs and tastes of consumers is analyzed affecting the design of strategies by international firms.

### Reference Framework

At this point the theories that were analyzed for this research, as well as the basics of these are described. So business development refers to as the company develops its brand in the market, which eventually leads to expansion [2]; or international diversification tells us how the company is diversified into new markets beyond the borders of

their country of origin more quickly and sustainably [3]; also that management capacity is what gives the facility to handle all items in our company and it is essential to internationalize [4].

According to the arguments in this section, the conceptual framework will be discussed, with special consideration in the theory of internationalization and the relevance of specific assets. To do this, it begins by exposing the distinctive features of the theory of internationalization; the global strategy should identify customers and target segments, their specific needs and the geographical configuration of the segments. It is needed to establish marketing programs for global segments and decide a portfolio of businesses and products on an international basis [4].

The classic explanation of the internalization of activities is based on achieving greater control over them, which is only acceptable in terms of efficiency, from a certain volume of activity that generates economies of scale. Otherwise, better solution will be contracting on the market. However, a transaction is internalized only when the benefits outweigh the costs of internalization. It is saving transaction costs, which are high in the market under uncertainty, information asymmetries, and lack of contractors, bounded rationality or specific assets, favoring the risk of opportunistic behavior, which together with the frequency of the transaction cause internalization may be a better solution than the market.

From this perspective, it is noted that the greater the influence of those factors that enable the opportunistic behavior of the companies with which exchanges are maintained, the greater the transaction costs which the company must incur to protect their rights and, therefore, it preferred to use input methods that involve a high degree of control. The most obvious cases occur when intangibles such as technology or know-how [5], or specific assets [6] assets are transferred.

Based on the eclectic paradigm of Dunning [7], it is known the benefits that can bring a company to develop internationally. This paradigm also takes advantage of these benefits, also called OLI theory for its acronym in English, and referring to these important points: Ownership or property, location and internationalization. This model goes beyond the theory of internationalization and focus the analysis in certain values to succeed.

Besides, it holds and checks the following key assumptions:

"The competitive advantage of a country's enterprises in servicing foreign markets is determinate Both by the ownership advantages of Those enterprises, relative to Those of enterprises of other nationalities, and the location advantages of the Countries in Which They produce, relative to Those of Other Countries -the competitive advantage of companies from one country to foreign service markets is determined by both the advantages of business ownership in relation to companies from other countries, and the location advantages of countries in which occur, in relation to the other countries [8].

The internationalization of enterprises is a complex phenomenon

specifically. The analysis from different points of view has caused a vast study that has settled on an extensive literature on the subject in question, in which it is found books, journals and other research. This helps to enrich the scientific debate and has caused sometimes can produce a certain ambiguity in the presentation of the subject, to the multiple conceptions and the different views that may arise.

Depending on the position taken, it can be differentiated between microeconomic and macroeconomic perspectives and corporate or international strategy theory perspectives. It is taken into account mainly precise definitions of economic terms for better understanding.

Microeconomics is defined as the analysis that deals with the behavior of individual elements of an economy such as the pricing of one product or the behavior of a single consumer or company; and Macroeconomics is the analysis of the behavior of the economy as a whole with respect to the production, income, level of prices, foreign trade, unemployment and other economic added variables [9].

Within the first group, microeconomic and macroeconomic perspectives, it is the theory of international trade, in the second group, business perspective or theory of international strategy a distinction is made between the theory of internationalization of the company and the theory of multinational companies in addition to direct investment abroad. Both the theory of Multinational Corporation, foreign direct investment and the theory of international trade are more oriented towards an economic approach, while the theory of internationalization of the company leans more directing or organizational focus (Table 2).

For the internationalization of a company, it must make an entry strategy, which is usually composed of several individual decisions, among others the choice of products and markets for which they are intended, objectives and goals to be achieved in the target market, to choose how to enter the market, the marketing plan that will be held for market entry, and a control system that will be used to evaluate performance in the target market [11]. Entry strategy must be adjusted to the best resources available to the company, to the objectives that have been marked and the level of demand of the target market. The main tool and concept on which everything that they touch turns around to the company in terms of its international development is the strategic direction. It is this which gives the knowledge to succeed in managing business in any field it is developing and mainly when launching an international adventure. Different models are used and taken into account. But they all have to assimilate that these are variables depending on the strategy that the company will continue, even if has established a methodology prior to undertake internationalization.

One of the most useful and important features of marketing is to plan with quite guarantee of success the future of the company relying on the responses offered to the market demands. It has been said that the environment on which to position is constantly changing and evolving. The success of the company depends largely on the ability to adapt and anticipate these changes. It should be able to understand to what extent and how future changes experienced by the market will

Perspective	Micro economic	Business perspective	
		International strategy theory	
Theories	International trade theory	Business internationalization theory	Multinational business theory and foreign direct investment
Economic orientation	x		x
Organizational or directive focuses		x	

Source: Larrinaga (2005) [10]

Table 2: Theories of internationalization.

affect the company and to establish the most suitable to make the most benefit to the strategies. To do this, the variables to be considered in a strategic marketing plan may be similar to any company, but it should give special attention to items that do have a better understanding of the new market that is intended to enter. Some of these variables can be

- Segmentation of markets.
- Selecting the markets.
- Competition analysis.
- Analysis of the environment.
- Audit of marketing.
- Positioning value.
- Et cetera.

But the firm should never lose focus, because it has to build planning on an international strategy, and this will make more complex some analysis, so the concepts and tools are complicated but remain the same. In this sense and motivated because companies currently move in a highly competitive market, they require, therefore, the continuous analysis of the different variables SWOT, not only of the company but also of competition in the market. In this context, the companies according to their resources and capabilities should make appropriate marketing strategies that allow them to adapt to this environment and gain competitive advantage.

## Methodological Framework

Given some theses and articles on this topic from which are collected some of the projects and how the problem of internationalization is dealt, it has been treated in this project which in turn, has been documented various methodologies to reinforce the ideas and outstanding theories leading to solve the specific problem at hand.

First, it is considered a paper published in the journal Business Tec, prepared by Arnaldo Araya Leandro [12]. In this text can be distinguished several central ideas and how theories from various authors are modeled to provide guidance to the reader of the reason those companies internationalize. Also it gives a clear reference between different types of international companies that exist, such as exporters, multinational, transnational or global companies. It also takes into account several theories that are virtually essential when entering a process of internationalization. Even these theories are listed and their main tenets are mentioned.

The classical theory focuses on the importance of comparative advantages between countries. The product life-cycle theory focuses on the analysis of the interdependence between the stage of product life and internationalization. Uppsala model focuses on the study of the internationalization process of companies. Porter paradigm evaluates the analysis of the advantages of location in the country of origin. Strategic theory focuses on the analysis of the interdependence between the stage of product life and internationalization. Internationalization theory on application of the approach of transaction costs to the mode of internationalization of companies. Paradigm Dunning focuses on the classification of the factors in internationalization ownership advantages and internalization location

This work is very clear in establishing the differences between each type of international business, marks the highlight of every type of company in terms of concentration, adaptation and learning, taking into account to be the lowest to the highest degree of internationalization,

from the exporter to the transnational, through the multinational and global.

Another research that was reviewed was the contribution of IESE Business School, University of Navarra, led by Joan et al. [13], same that was made for the Spanish Confederation of Managers and Executives, in a clear attempt to clarify the points key to initiate the Spanish companies with internationalization processes, given the economic crisis at that time the country was experiencing.

This publication addresses some of the history that Spanish companies have experienced particularly in processes of internationalization, making success stories of these same companies and displays them as a clear example of some of the methods that can be used and that other companies of the country continue along this path, clearly focused on Spanish companies statistics, this publication refers to the share of world trade, all focused on increasing these figures, and also mentions the fact that isolation weakens companies by so it is imperative internationalization as the future of business depends on it.

The paper mentions that companies should have clear goals to be achieved with internationalization and have arguments to face this process, for although the benefits are rough, the risks are too. Forms have such opportunities as business recovery, optimization of global presence, and the time to internationalize, more and better opportunities for mergers and acquisitions. The challenges are to handle differentiation in the country destination, consumer fragmentation, managing people of different origins and local competition country. After establishing the criteria that are taken for internationalization, the publication defines two different types of arguments, reactive and proactive.

Reactive is defined as opportunistic internationalization and act according to such factors as:

- Unbalance the fall in domestic demand.
- Outputting excess production.
- Diversify risks.
- React to the entry of foreign competitors.
- Saturation of the domestic market.

Then, there are explained the proactive arguments of internationalization strategy such as creating global value that act based on as many factors as they are:

- Find less mature markets and with more growth potential.
- Exploit the opportunities and attractiveness of emerging markets.
- Leverage economies of scale and scope.
- Move certain activities and even entire parts of the value chain to more competitive locations in either costs or capabilities.
- Acquire and/or apply new skills and resources.
- Learn from the particularities of different customers and markets, the capabilities of global competitors in the industry or sector, and even the cultural diversity of the equipment itself in global companies.

After that take into account different strategies for creating global value, among them the triple triangle A, which considered three key factors. These are:

- Adaptation (accommodate differences). Adaptation strategy seeks to increase revenue and increase market share by adapting the products or services of the company to the local market.
- Aggregation (overcoming differences) .The aggregation strategy aims mainly to economies of scale by creating regional operations and sometimes global.
- Arbitration (exploiting differences). Arbitrage strategies seek to exploit differences between national or regional markets, to turn them into opportunities to optimize the resources available.

It is noteworthy a great contribution in this publication to denote that the main case study "ZARA" uses a strategy of Arbitration in its operations. This strategy is best suited for vertical or functional organizations that follow the movement of products or orders through its organization, as in the case of sophisticated logistics systems and commercial export ZARA handling in all its stores worldwide. Also, this publication mentions that it is very important to consider the internationalization strategy and aligned with the business strategy for development in general, because one thing invariably depends on the other, and if they are not aligned this can lead to great difficulties in the process of internationalization and business development. The main recommendation to know how successful it can be to internationalize, is that the strategy is based on the competitive advantage of the service or product, because here is going to derive the full potential it has in the new international market. Also it mentions that should consider the strategy to follow, four archetypes are taken in which can be located the position of the company. These are participant, adapter, creator, and assimilator. Regarding entry strategy must be selected a less risky and then go to evolve as positioning the company.

The article notes the importance of prior analysis to meet the strategic goals of the company abroad, their capacities and resources to deal with this process. Much highlights the fact that one should consider the input method because it can be done alone or in partnerships, taking more or less control over the operations, and the choice of strategy is based on the activity to internationalize, the purpose of the company and conditions of the destination country.

Keep in mind that all companies face obstacles that can be overcome to internationalize, but to neutralize them should be identified correctly. There are three different types of entry barriers. These are barriers of country, internal market barriers and organizational barriers. There is a direct relationship between the risks and the chosen form of internationalization; some barriers are more common in organic growth strategies and other inorganic structures.

Another consulted research is the doctoral thesis entitled "Market Orientation and Process of Internationalization of Enterprises" prepared by Dr. Julia Martin Armario [14] now for the University of Málaga, Department of Economics and Business Administration in the year 2003. This thesis investigates the relationship between the degree of market orientation of the company and its development and involvement in international markets and can be framed in the research that study perspectives on the process of internationalization.

Theories about the internationalization of the company that make up this thesis, and by which they were founded all related analysis to the internationalization process are listed below, but there are also particular models upon which these theories are based and that they will strengthen their claims, which are also mentioned:

### The economic approach

This set of papers is called input modes literature, whose stated objective is to analyze the proper choice of input mode from a company in a particular foreign market. The make of the theory of internalization, in turn, is based on two pillars: the theory of transaction costs and the eclectic paradigm.

### The sequential approach

Under this approach it is encompassed a series of models based on the common assumption that the internationalization of the company evolves sequentially and consistently along an organizational continuum [15], through a series of stages, varying in number and nature from one model to another. The most prominent sequential models are the model of Uppsala, the theory of stages of development and innovation model, currently known as one, sequential internationalization process theory.

### The strategic approach

The basic premise of this approach is to maintain a balance between external and internal factors of the organization, leaving behind a deterministic view and admitting the existence of a continuous connection between the company and its environment [16].

**The focus of the theory of globalization.** This theory is based on the idea that all sectors of activity are in any position on the continuum defined by two extreme types of sectors: multi domestic and global industries and sectors [17,18].

### The network approach

Under this approach, the markets are set up as networks of relationships between organizations [19], so that the degree of internationalization of the network in which the company is involved has strong implications for the internationalization of the same.

**The focus of management.** Under this heading are reviewed a number of different types of jobs that share the idea that the top management of the company is the main factor explaining the process of internationalization, where the model follows international adaptation and also draws on internationalization international start-ups.

### The internationalization of the company from the theory of resources

Internationalization strategies involve the identification, protection and exploitation of specific assets and capabilities of enterprises so as to achieve, positions of competitive advantage in foreign markets.

Here are some references regarding investigations of internationalization of companies that have been made, of which could be obtained similarities and knowledge to develop their own research. Also it is made mention of them to demonstrate prior knowledge on this subject.

### Method

This research is supported by methods and theories tested in common business practices of most companies that have already ventured into internationalization processes, which have developed through trial and error a variety of approaches and practices for better international development business and adapting it to global markets. It is considered a qualitative approach because internationalization is geared to processes and guidelines related to culture, beliefs, politics, and individual factors in each country, in addition to being qualitative

relies heavily on the different perspectives that managers give to these processes.

The context of the research is designed under standards applied and cases, as explained above, and gives some certainty to each method that should be taken into account in the process of internationalization. Specifically, it is developed in the context of the case study Inditex, as this is the pacesetter to analyze, assess and verify certain strategic and operational theories. Clearly, it can give a current assertive assessment for development and international success gives them all authority to consider a role model. But of course, as in every step of this process, it must be carefully studied every decision it can make even proven by other successful business, because the success depends entirely on the own way.

The objectives to be achieved have been raised specifically in the case of interest to the investigation. For that reason, they have been assessed in a general or specific way each of them throughout the investigation, as exemplified by steps for internationalization process. Also the research questions and hypotheses have focused on reaching a satisfactory internationalization process, though it may seem ambiguous the initial approach, certainly must set aside at first some particular factors and placed on the end goal -only at first. This will lead to take some of these hypotheses, considering only what is mentioned for business development, international diversification and manageability.

To conceptualize many of the approaches generated by the proposed models, many similarities between them, but also differences, advantages and disadvantages were found, but this does not mean that some are better than others, although are oriented differently, because while approaches as the sequential set a slow process and following clearly defined steps, others such as management approach, proposed creating a new and just international company. This creates confusion sometimes but is part of a whole in the process of internationalization.

It should also define the examples and theories to a better process of internationalization, that are taken so that they are applicable and fully operational, i.e., each postulate is perfectly compatible with the operation of a business, virtually regardless except heading some exceptions, but this is contradictory empirical testing of many of the theories, which may give the same by being good or wrong. It certainly depends of the managerial treatment that is given to each of them.

The research design is descriptive in nature, as already mentioned, not experimental, so they have to support the case study and bibliographical research which has found support for the hypothesis. It preceded progressively explaining, evaluating and generating their views for clarity to a complex issue that certainly always created controversy among different views and the varied theories about.

To end the method must mention some of the contributions that we found during the analysis of Inditex group, because this has been studied in various business schools for their management skills and this has served as a guide to better understand the process that has led Inditex to become one of the main pillars of the textile industry in the world, in addition to that the great economic crisis that has endured, because although its base is in Spain, instead of more recent economic problems, international diversification clearly stand these abuses of its domestic market, which has long not represent majority in their income.

## Applied Research

For this work, a case study is used to support the hypotheses and fulfill the research objectives that have been raised. The case also is

analyzed thoroughly to confirm or disprove the theories. To that end it has been chosen the following case: The analysis of internationalization of Inditex group has a particular management model, with features such as innovation, adaptability, creativity and quality design, combined with a rapid response to demand, they were key for its international expansion.

Focusing in recent years Inditex has maintained an average growth rate above its competitors, reaching sales in 2012 of 15,946,000 euros and before 13,793,000 euros in 2011. Vertical integration is a priority in the Inditex business model. Its adaptable structure to what the customer demands, coupled with efficient logistics and distribution through its own stores to complete this integration process customer oriented. As a premise include the ability to adapt to customer requirements, offering what this demands in the shortest time possible. The business structure possessed is focused to reduce stock inventories and reduce delivery times of products.

Through figures such as the Cool Hunters, they can be detected with great efficiency and speed trends that make their way each day around the world and be able to adapt to what consumers demand, with the possibility thanks to its structure to bring these collections in stores in a short period of time. The process of creating Zara comes down to about 15 days, when competitors need an average of nine months since they are designed until they reach the store.

The investment made in marketing by the company is considerably lower than the competition at an average of 3% or 4% while Zara reduce this figure to 0.13%. This is due to the commitment investment in merchandising in stores, locating them in strategic places like are shopping centers in cities with high population and areas where the influx of potential customers is high, both aimed at a customer areas with a higher purchasing power street stores. In the center of Arteixo is developed a pilot store, once approved, a team travels to each store to implement the new model.

In a period of about four years, a reform of the stores is done. Thanks to this model that has opened stores around the world, not just Zara, but also of the other companies in the group. This culture facilitates the opening of new stores with ease. Prices are determined depending on the cost of distribution and marketing made in euros; the prices are fixed from the center where they are distributed.

Another factor to note is that by not replenishes the stock the customer knows he has to buy the item because it may in the week runs out and not re-replace. This represents a stimulus to the time to get the client to work the purchase as well as it is created the need to go to stores to see new products given the constant renewal.

The distribution chain of Zara, creates, produces, distributes and allows new merchandise available at all points of sale in a period of fifteen days. Produced in their own factories in about 50% of the products, the rest is purchased from other factories. This means greater control for production planning. The logistics system receiver allows production since the order is received until the goods are delivered in the store the average time for Europe is 24 hours and a maximum of 48 hours to zones of America or Asia Pacific.

To operate almost entirely in "just in time", does not require a large storage capacity, yet has extra capacity to cover possible peak demand. Transport is by truck for most of the European countries with the exception of islands and Nordic countries, where along with the rest are made by plane.

Given the above, and reiterating the basis of this investigation in

the Inditex case study, it is analyzed all the processes applied in the company, and most of them are extrapolated to companies in process of internationalization. This in order to have the results set to give clarity to the implementation of the strategies. While Inditex and all its companies and branches move in the textile medium, it could apply these processes with relative ease in manufacturing companies, but also for the developed management skills that Inditex has manifested as one of its strongest weapons, it can even take strategies at service companies.

### Case description: The context of the research through the study of Inditex group

Inditex Group, one of the leading fashion retailers in the world with eight commercial formats -Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe - boasting 6,058 stores in 86 markets. The Inditex Group brings together more than one hundred companies associated with the different activities in the business of designing, manufacturing and textile distribution. The uniqueness of its management model, based on innovation and flexibility, and achievements, have made Inditex one of the biggest fashion retail groups.

The way of understanding the fashion as creativity and design quality and quick to answer market demands has enabled rapid international expansion and an excellent response from the commercial proposal of the different chains. Founded in 1963, the first Zara store opened in 1975 in La Coruña (Spain), place where the group started its activity and where the company headquarters are located. Its stores, always located in prime locations, are present in more than 400 cities on five continents. Inditex growth is reflected in the number of workers is increasing 120 314 at year-end 2012- (Inditex, 2012). Based on the principles of Root [11], and in contrast to Spain, where all the shops are acquired and managed by the company, in overseas there are three different ways to enter the market: its own subsidiaries, joint ventures and franchises. It is used usually only one of them, although sometimes it has changed from one mode to another. Zara only expands to other markets through its own stores in countries with sustainable growth and low business risk; this is shown in Figure 2.

### Analysis of data on the internationalization of Zara

According to the article published in Castellano [20] in its Spanish business information, Zara began to open to the world in 1988 when it opened a store in northern Portugal, specifically in Porto. In 1989 Zara opened its first store in New York, and in 1990 its first store in Paris. From 1992 to 1997 the brand was introduced at a rate of one country

per year opening stores in seven European countries, the United States, Mexico and Israel. Since then it began to expand its stores faster. Its latest expansion is focused on Eastern Europe, ranging from Poland to the Asia-Pacific, having started in Hong Kong and Singapore.

To expand the brand, Zara choose countries with a similar Spanish market and a minimum level of economic development, this fact allowed entering the market with greater security. For landing in a country macroeconomic and microeconomic analysis is performed. The first focuses on the future evolution of stores in respect of taxes, wages or prices. The microeconomic analysis based their study on local demand, the existence of competitors as well as the search for suitable locations to open stores. The price adjustments of Zara is made estimating costs, such as distance, tariffs, duties, taxes, etc., considering the possibility of entering a market with a payback of one to two years after opening the store.

The key to success and growth achieved is the uniqueness of the management model developed by Inditex, based on innovation, flexibility, creativity and quality design, vertical integration and agile to market demands. This model of flexible and integrated management can be explained as follows:

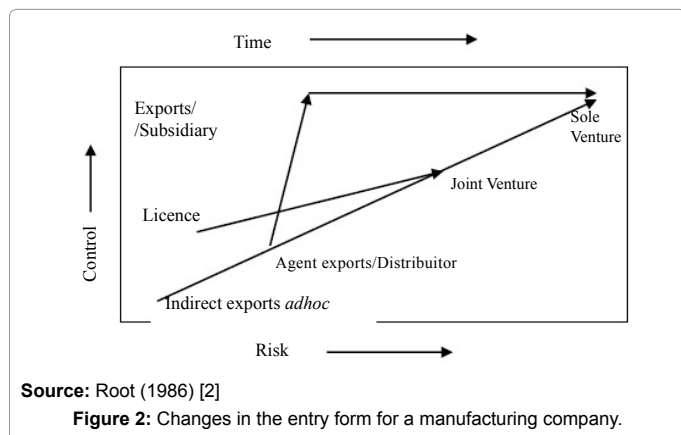
**Design:** Unlike other competitors in the fashion market, Inditex no creates proper collections to be presented on the catwalk. With the ultimate aim of bringing fashion to ordinary people and considering that the success lies in understanding the desires of their consumers, Inditex designs its models from the information obtained in two ways. On the one hand, has a team of over two hundred designers, bearing in mind the image of each brand of the group, attend presentations on the catwalk and visit places frequented by its target audience, to finally develop future collections of the group.

In addition, the store staff performs the work of reporting on the degree of acceptance of each commodity and future trends. The demand for each old model and the opinions of the customers is observed. Thus, the store not only a commercial establishment, but also the starting point to design fashion to make in the coming period. The reactions of the customers are the impulse that triggers the process of creating new garments.

**Procurement:** Part of tissues and other necessary materials are produced by group companies located in different countries in Europe, Asia and Africa. The rest (about 60%) were acquired through numerous national and international suppliers. The goal is to have a wide sourcing that makes available all types of tissue needed at an affordable price. It is, therefore, to have the maximum possible bargaining power.

**Production:** As is the case with the supply, the production process is split approximately 50% between group subsidiaries and outsourcing

**Logistics:** The characteristics of the logistics process are a major source of competitive advantage of the Inditex group. Although there is a headquarters for the central services of the group, for each business logo has been created its own logistics center. Both the central services of the group, as the main logistics center of Zara are located in Arteixo -La Coruña-, measuring 500,000 m<sup>2</sup>. In 2003, it launched a second logistics center for the Zara chain in Zaragoza, thus equipping itself with the necessary infrastructure to support the growth resulting from the expansion plans, the chosen location offers excellent infrastructure. This logistics platform in Zaragoza has direct access to the railway network and highways, in addition to being located next to Zaragoza airport, which increases the possibilities in handling international cargo.



In the case of Pull and Bear chain, in 2001 the company moved its facilities and logistics platform, initially in Arteixo, in the town of Naron La Coruña- and to meet the expected growth in the coming years. Also in the case of Stradivarius, growth and international expansion has led to the relocation of its headquarters and logistics center from Sabadell -Barcelona- to new premises located in the town of Sallent de Llobregat -Barcelona-. And finally, the central services and related logistics centers Massimo Dutti, Oysho and Bershka are located in the town of Tordera-Barcelona.

These logistics centers act as a connection between the act of shops and factories, allowing on the one hand, a rapid flow of information from the first to the second and, on the other hand, a rapid flow of goods from the latter to the former. The implementation of a continuous system of "orders and deliveries" of goods allows the correct implementation of a "Just in Time" system, developed through a "joint venture" with the Toyota group. This system stores have a minimum stock of goods, thereby reducing storage costs and inventory. According to evolve the sales of each model, the orders are made to the logistics center. The risks of rupture of stock in the store are minimal as goods are shipped to stores from the logistics center at least twice a week. In Europe most transportation is via truck fleet, the aircraft for shipment is used to more distant stores. With this system, a highly flexible production system is also achieved. Instead of mass production of each model, the production process is adapted to the requests of the shops and therefore to market demand. Production is planned by biweekly periods, varying the length of the production process 2-3 weeks. Similarly, this flexibility allows, in the case of some of the business signs, collections are renewed several times in the same season.

**Marketing:** Inditex believes that the best way to promote its products is the design of its stores. Therefore, it cares to much the decision of store location and place great value on creating a very caring and friendly environment for the consumer. Unlike its main competitors, none of the logos of the group usually advertising campaigns in mass media. Such campaigns are limited to sales periods or to communicate the opening of a new facility. It is considered that high spending on promotion hamper the ability to offer its customers competitive prices.

### Business development

The analysis should make a special emphasis on issues of management, logistics and systems, which are those that have certainly been achieved by Inditex group and maintain success that has until today, despite economic crises and own market variations, as they have

been the tools to overcome these problems, leading them to know, serve and even prevented any situation before any of his competitors internationally (Table 3).

Marketing Inditex group is the factor that integrates everything already mentioned, as for the corporation is not located in an apartment or a part of the process of the company, but the marketing is imbued in every aspect of the organization and is the transverse axis that keeps the company closer to its customers from its factories to its stores. The essence of running a business internationally, with an idea similar to that of Inditex marketing, is undoubtedly a key success factor in any sector.

### Recommendation and Conclusion

After knowing all forms, recommended methods and processes and not recommended to undertake the internationalization of a company, it has been concluded that it should consider a number of factors before deciding on taking this important step in the expansion of the company because it may represent a breakthrough for it, but also an inevitable doom if it does not have the skills before it begins the process of internationalization.

First, it has to be analyzed if it is feasible for the company trying to break into the global market, where the costs would not be too many, if they eventually could replace the investment needed to internationalize and if profits arrive in time and to the extent necessary to replenish any loss resulting from this process. Also previously, it must be a thorough investigation aimed at discovering new markets in which the company will make inroads to find if these are feasible for business, also know the estimated time for the return of our investment in this new market, do a macroeconomic analysis to determine the development of countries that could be installed the enterprise and microeconomics to know the economic potential prospects.

On the other hand, the firm should be aware of competitors, political and cultural or ideological possible complications that could harm its brand or company, because in many cases the natives of some countries are reluctant to foreign companies, or also it may be positive depending from the perspective of consumers.

It is recommended to test pilot programs depending on the company and implement the best suited to the criteria of distribution, logistics and service company. Also taking into account all the internal and external factors that may affect the proper functioning and development of the process internationalization.

It is stated that internationalization is a viable business

	TEORIA	INDITEX
<b>Business development</b>	The company develops market and eventually finds the need to expand. This is indicated by its branding and sustainability.	Founded in 1963, the first Zara store opened in 1975 in La Coruña (Spain), place where the group started its activity and where the company headquarters are located. Having positioned in the local market, its remarkable development created the need and opportunity for overseas expansion that began in the año1988.
<b>International diversification</b>	The company is diversified into markets beyond the borders of its home country in a rapid and sustainable manner, because a good interrelationship of its business units established.	Zara began to open to the world in 1988 when it opened a store in northern Portugal. Inditex currently grows about three hundred stores per year in more than fifty countries. In the center a pilot store is developed, a team travels to each store to implement the new model. Thanks to this model, it has opened stores around the world, thanks to the strong interrelation of its business units.
<b>Management capacity</b>	Excellent management skills are essential for a company to handle the process of internationalization. It reaches a point so efficient which it is achieved by fully developing its core competencies.	Inditex is the model of management excellence in many fields of business. The key to the success and growth achieved is in the uniqueness of the management model developed by Inditex, based on innovation, flexibility, creativity and quality design, vertical integration and agile to answer market demands. These are core competencies that have been known by the company to successfully develop; thanks to that today it is a role model in the process of internationalization.

Table 3: Comparison between theory and what happened in Inditex.



development option, because they generate greater value and diversification in international markets and creates a backup against possible crisis.

With regard to the initial hypothesis, after taking into account all the data that has been investigated, it can be confirmed these hypotheses, since it has been found through research and case study, a business development that generates branding and sustainability. Possibly it depends on diversification into international markets and good management skills, which in turn it can be measured with a good relationship between the business units, as already established and are developing core competencies of the company.

Besides the research objectives have been clear, since it is found that generates business development international diversification, which is achieved with good management skills. These were the goals set, and it is clear the precise moment to start the process of internationalization, how to do it, and how to identify the key points of both the company and the new market for export or to be established.

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