Inditex president Pablo Isla says group expects to grow 4-6% post-pandemic

By Triana Alonso - 15 March 2021

“During the 2020 financial year, I felt prouder and more satisfied than ever with the job done by the whole group’s staff worldwide.” With these words, Pablo Isla opened the presentation of Inditex’s annual results on Wednesday March 10.

“This financial year has been particularly tough and indelibly marked by the coronavirus epidemic, with more than 25% of our stores closed on average at any time. At certain times, we were forced to temporarily close 90% of our shops. We have also been affected by restrictions to our footfall, our opening hours and store capacity. For all these reasons, it seems truly incredible that we have managed to produce these sales results, this growth in online revenue, this huge increase in inventory integration, and that we have been able to maintain a stable working relationship with our suppliers,” said Isla.

When the financial year ended on January 31, 30% of Inditex’s stores were still closed, and 52% of them were still hampered by operational restrictions. Only 18% of them were functioning normally.

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“2020 has been a year marked by the pandemic, but also one in which we significantly accelerated the pace of our group’s strategic transformation,” said Isla. A transformation that, according to him, puts the group “in a more solid position for the future. Our goal is to become a fully integrated, digitalised and sustainable corporation, but also one that is increasingly flexible and effective.” Isla said that the group’s current priority remains protecting “our employees, suppliers and customers, as well as collaborating with the health authorities.”

With 25% of commercial hours lost in the course of 2020, Isla underlined that “the challenge we were faced with was enormous, under conditions that we would never have been able to imagine. External factors have been hugely significant.”
Virtually all Inditex stores to reopen by April 12

In February 2021, 21% of Inditex’s stores were still shut, but the group’s sales were down by “only” 15%. At the beginning of March, 15% of the group’s stores were still closed due to the pandemic, especially in countries like Greece and Brazil. Despite this, the group’s sales fell by only 4%. “In the first week of March, if we exclude the markets where all or nearly all our stores were closed, our sales started displaying a positive trend,” said Isla, comparing the situation with that of September and October last year.

“Once all our stores will have reopened, the aggregate of brick-and-mortar and online sales will enable us to reach revenue levels on par with 2019. Our integrated strategy allows us to approach the future with optimism,” said Isla, adding that “based on the various schedules, by April 12 nearly all our stores will have reopened.”

Inditex to grow again post-pandemic

“Once the pandemic will be behind us, the group will start to grow again at rates ranging between 4% and 6%,” stated Isla. As normality returns, the e-tail channel will continue to be crucially important. In the last financial year, it generated a revenue of €6.6 billion for Inditex. “We have become one of the world’s largest online fashion retailers. The growth of our online business and of our profitability have been remarkable,” said Isla proudly. Inditex’s e-tail channel has recorded over 46 million orders, through a strategy hinging on inventory integration and an extensive adoption of RFID technology, and of course on the technology investments of the last few years and the work of Inditex’s staff.

“We have managed to reduce our stock levels and our inventory, a strategy we first deployed in 2018 and which stems from a complete integration between physical stores and e-shops. This is why we are able to respond so well to our customers' needs,” added Isla. The numbers behind Inditex’s digital business are impressive: in the last financial year, the group’s e-shops recorded 5.3 billion site visits altogether, with 15 million unique visitors and 132 million app downloads in 2020. “This means we have 132 million very loyal customers, who have downloaded the app and who use it to place orders or discover the products they will then buy in-store,” said Isla.

Physical stores are important

While we have become a strong digital player, customers still value the physical shopping experience. In this sense, our physical stores play a crucial role in our integrated strategy, allowing us to deliver a seamless shopping experience to our customers.”
Last June, Inditex announced a plan to streamline its store network, involving the closure of between 1,000 and 1,200 shops in 2020 and 2021. However, Isla reiterated he is still extremely interested in brick-and-mortar retail, and that the group plans to continue opening new stores. “Of course, we are going to continue to invest in [physical] stores,” he said. In parallel, he is keen to carry on with a plan that involves “renovations and relevant new openings.” This year, some 400 stores are likely to be closed down across various markets. But Isla said that “investing in [physical] stores is still central for the development of our business. Despite the pandemic, we have continued to open new shops and renovate existing ones throughout the financial year.” He cited as examples the Zara store in the La Samaritaine building in Paris, and the one on Paseo de Gracia in Barcelona.

Digital success

“We continue to invest in digital integration,” said Isla, who then gave the floor to Carlos Crespo, CEO of Zara.com, who talked about the new company headquarters. “We are very proud of the building, it fits perfectly with [Zara’s] new vision,” he enthused. Crespo also said he is satisfied with the evolution of the Inditex Open Platform (IOP), first developed in 2018 and scheduled to be fully operational by 2021. “It’s a constantly evolving platform, incorporating new technologies and functionalities,” he said, adding that “Inditex is already a fully digital corporation.”

Isla himself acknowledged that it is sometimes “difficult to grasp the full import of [IOP] from the outside, but this year’s positive results would not have been possible if we hadn’t taken the decision a few years ago to introduce our own [proprietary IT architecture].”

Visions for the future

Crespo also emphasised Inditex’s commitment to sustainability, highlighting the group’s “constant support of all suppliers across the entire chain. All the orders have been honoured, and over 35% of our items are included in the Join Life [sustainable fashion] line. Some 80% of our facilities use renewable energy, and we are adopting operational models that ensure our stores worldwide are energy efficient. We have eliminated plastic bags, expanded the use of e-receipts and revised our environmental goals to make them more ambitious.” Isla too underlined this point: “It’s a process that is still ongoing. We will continue with our efforts. In 2021, we want over 40% of our products to bear the Join Life label, and we will keep innovating in the field of textile recycling.”

Isla is convinced that online sales will continue to grow in the medium term, and will eventually account for 25% of the group’s total revenue.
Proximity production and inventory cuts

The fallout of the Covid-19 pandemic has forced some corporations to overhaul their manufacturing model. Isla however said that “proximity manufacturing is already part of our strategy. It accounts for over 50% of our total output.” According to him, this has allowed for “a greater ability to adapt in the course of the financial year,” with purchases tweaked according to requirements. “Our strategy remains the same. The pandemic has not occasioned any change in this sense. Rather than defining collections significantly ahead of time, we try to anticipate what our customers might require,” said Isla, adding that “we have always operated with minimal inventory. We are focusing on this goal even more now, in order not to commit to high purchasing levels.”

Inditex won’t tap EU aid

Isla also tackled the issue of financial aid from the EU. “For the time being, we aren’t planning to resort to this type of funding. Of course, the possibility of receiving major financial assistance from the EU might boost Spain’s economic transformation and development,” said Isla. “But this must not distract us from what we must do in our own backyard. We cannot limit ourselves to discussing EU aid, we must also engage with the transformations that Spain needs in order to boost its competitiveness and become an economy more in synch with the 21st century,” he added.

With regards to employment and labour costs, Isla acknowledged that store closures, movement restrictions and the slump in tourist visits triggered “a drop in the hiring of temporary staff throughout the financial year.” At the start of the financial year, Inditex employed 36,600 people in Spain, and the number was the same at the end of 2020. “We maintained all our permanent positions for the entire financial year. For the Easter period and the coming months, we are hoping to be able to start hiring support staff again,” he concluded.