

Press Release

“Lotte Shopping, launches Fashion Brand ‘ZARA’ in Korea”

Lotte Shopping Co., Ltd. (CEO President Chul Woo Lee) today concluded an agreement for the domestic launch of fashion brand ‘ZARA’, with global fashion company Inditex of Spain, and will establish the joint corporation ZARA Retail Korea Co., Ltd. on Oct. 23.

ZARA Retail Korea Co., Ltd. Has been established with 2:8 stock participation (initial capital 6.5 hundred million won) by Lotte Shopping Co., Ltd. and Spain’s Inditex respectively, and the domestic launching of ‘ZARA’ in Lotte department stores and in stand alone stores in 2008 providing the high quality products in the best locations in Korea.

‘ZARA’ is a representative fashion brand of the global Spanish fashion company Inditex, it was established in 1975, and has a total of 1,072 shops worldwide, including Japan, Hong Kong, Indonesia and Singapore in Asia. In addition to the ZARA brand, Inditex currently has 8 other brands ranging from children’s clothing to household goods and owns total 3,384 shops worldwide.

ZARA as ranked 7th in the ‘2007 European Business Week top 50 Rankings’, and was acclaimed the best company, in terms of growth and profitability among fashion specialty companies.

- ※ Attachment : 1. ZARA Brand Outline
2. Shop Picture

Attachment 1. ZARA Brand Outline

ZARA entered the market with unisex clothing (female, male and children) of fast fashion style having global design power and is well known for its bi-weekly introduction of new products in various places around the world.

ZARA represents fast fashion brand reflecting latest fashion trend, and the standard of various kinds and small production according to order made by the head of each shop is followed. Therefore, the strategy of two small orders per week and small inventory is used, and a new shop is opened in best location along with thorough localization strategy.

The strength of ZARA includes 1. global standard design power 2. realization of fast fashion 3. fast distribution.

Global standard design power : About 200 designers in ZARA introduce 12,000 new products yearly and a separate team studying global new trend and design creatively develops and produces popular brand items and latest trend in the shortest time. Also, a test shop is operated before launching to maintain product failure rate below 1%. (above 10% for other general brands)

Realization of fast fashion : Information from shops around the world is delivered in real time to a design team in headquarter to reflect it in product development by building feedback system between shops and headquarter. The strategy of small inventory using various kinds and small production with limited production of 100,000~350,000 per product is used. A new product is introduced in 2 weeks by minimizing the period from understanding customer needs to design, production and sales. New products arrive in shops twice a week and 70% of all product lines is replaced every 2 weeks.

Distribution network : Air shipping is made using cutting-edge logistics system twice a week and ocean shipping that takes longer is not used. Two ZARA logistics centers located in Spain whose total area size is 190,000 pyung($\approx 3.3\text{m}^2$) are in operation and the construction of a logistics center in Asia is known to be planned.

* Reference : ZARA homepage address : <http://www.zara.com/i06/index.html>

Inditex homepage address : <http://www.inditex.com/en>