

MANGO, popularizing fashion

Introduction

We were surprised as we entered Mango's offices: the surroundings were different from the traditional facilities of an international company. Large spaces with no divisions, spacious corridors decorated with mannequins dressed in the latest fashions and, above all, an omnipresence of the company's values in the form of pictures hung on the walls of the whole building. The environment seems to breathe fashion and glamour. The offices are more like a design center than the headquarters of a company where such a well-known brand such as Mango is managed from. But as Enric Casi, Managing Director of the textile firm said, in order to survive, "you have to have an identity, be different, exclusive and unique".

However, this company's secret is not solely based on characteristics that can be seen through a simple visit, but rather behind the store-front - in crucial areas such as the logistics system, state-of-the-art technology and a culture founded on human relationships. Thanks to their business model, Mango has experienced rapid and sustainable growth over the last decade, but will this model be suitable for the future, especially at a time of significant consumer crisis? Perhaps their business is now mature and the difficult situation of the market will shake their dominant position in the sector? Enric Casi, Managing Director of Mango and Xavier Carbonell, Communications Director, speak calmly of their company's position, assuring us that the company is well organized and prepared internally for any surprise the market can throw at them. However, despite the optimism, they recognize that, in turbulent times, they may be selling more but in reality they are earning less. They state that, today more than ever, they need a solid business base and an innovative management model in order to continue competing successfully on a global level.

Mango's History

Aimed at a young, modern audience, Mango is the second most important company in the Spanish textile sector, with only Zara ahead of it. Their history begins in 1972 when the young, entrepreneurial, Isaac Andik, the current main owner of Mango, started work in the fashion sector. Isaak was born in Istanbul to a family of Sephardic origin, and at 13 years old moved to Barcelona. During his studies at the American High School in Barcelona he had the idea of selling his friends shirts imported from India and other Asian countries so that he could earn some extra money to cover his expenses. The success of this venture encouraged him to set up his own stand in the Balmes Market. During this time, his principal activity was the importation of women's clothing from different countries and then getting it on the shelves of stores across Spain. In his first store, which he did not wholly own, Isaak Andic sold clogs and blouses. Then, in 1984, he decided to create his own company - Mango, a name that comes from the fruit, which he saw for the first time while on vacation in the Philippines. The company names registry rejected two other names, but accepted this one. The success of this small company and his experience allowed Isaak Andic to create his own collection and open new stores, this time his own. With this step he started to sell, not only in his own stores, but also in other multi-brand stores, which quickly became exclusive Mango outlets. He took the next step the same year when he realized that, although the clothes were of high-quality and the designs were widely

accepted by Spanish women, the product lacked a global concept that would make it attractive enough to warrant further development to medium-scale. This concept had to be complete and had to allow the unification of commercial efforts on the same front, encompassing tangible as well as intangible characteristics: fashion, design, image and a good price-to-quality ratio.

Mango opened its first store in 1984 on Paseo de Gracia (Barcelona) and, within a year, had five points of sale in the city. A little later, it began its expansion into the rest of Spain with the opening of a store in Valencia. What had started off as a small group of collaborators began to grow and, by 1988, the company had thirteen points of sale in Spain. In 1992 they took their first steps outside of the national market with the opening of two shops in Portugal. The following year, Mango opened their 100th store in Spain and, two years later, they implemented the business management system that they continue to use today, based on specialized working groups coordinated with each other.

Right from the beginning, Mango's goal was to dress a young, urban clientele in high-quality clothes, at an affordable price, without getting behind on the latest trends. Currently, 90 countries have the *Mango* concept, from the hardest, most competitive markets where the customs are nothing like those of Spain, to the most open ones. "To be present in all the cities of the world" is the mission of the textile chain. At the end of 2008, Mango had managed to open 1200 points of sale (including both franchises and their own stores) around the world, at a rate of three a week. In 2007 the company turnover was 1,020 million Euros (8,2% more than the previous year) and exports accounted for 76% of total turnover. Mango had 7,786 employees, 1,850 of which worked in the head office in Palau-Solità i Plegamans (**see Exhibit 1**).

The activity of the organization is carried out at a number of their own facilities, located in the head quarters at Palau-Solità i Plegamans in the Barcelona province (warehouse and offices) and at two warehouses located near the head office: Montcada i Reixac and Terrassa, as well as different stores both owned and franchised. They also use six more rented warehouses located in the towns of Parets, Montornés and Sabadell (Barcelona), in the cities of Shenzhen and Hong Kong (China), and in New Jersey (USA). In 2007, a new state-of-the-art, totally automated logistics center was opened in Parets de Vallès (Barcelona). This center has a surface area of 24,000m², which allowed the company to triple the previous distribution capacity. A 12,000m² design center called "The Hangar", located near the head office, has been running since 2006.

Product and design "made in MANGO"

The company handles the whole process from a product's design to it reaching the end consumer; the design, manufacturing subcontracting, distribution and commercialization. The material used in making the garments is designed by Mango, but the company does not manufacture its product. They only make samples and prototypes themselves; all their designs are then subcontracted to suppliers who handle the manufacturing. Mango's collections are mainly produced in China (approximately 45%), Morocco (23%) and the rest in workshops in different countries such as Turkey, Vietnam or India (**see Exhibit 2**). It is vital for the company to have the articles just at the right moment, so the manufacturers must always be ready to make the clothes when the company asks for them. It's worth noting that there are two seasons each year for the company, spring-summer and fall-winter, but that it launches a total of 4 collections

annually. All the garments and accessories are designed to go together, so the planning of production and distribution is fundamental in this whole process.

Although Mango doesn't make the textiles, accessories or clothes, the company does undertake quality control, ranging from factory inspections to point of sale. The garments and accessories are of a medium-high quality and stick to the same standards (consistent quality, same characteristics, etc.), which is why all the production of a particular model is carried out by the same manufacturer, except in specific cases where legislation limits this possibility due to origin and quota issues. "A manufacturer cannot achieve a medium-high quality in fifteen days. We don't want to be at the bottom of the market, scrabbling around for a Euro, but higher up, naturally with prices a little bit higher too but, at the same time, offering a more developed, better finished product on all levels, from design to manufacture" comments Enric Casi. The period of design, production and distribution for Mango's clothes is between 3 and 4 months, as opposed to Zara's 4-5 weeks (for totally new designs) or 2 weeks (for modifications to existing designs). Nevertheless, the Managing Director of Mango says that his clothes are different because his company "tries to offer a care-free, fresh, happy product. We are called Mango because it's a fruit that leaves a good taste in the mouth; it's fresh, tropical and appealing. Our product tries to be something like this".

Mango has a well defined product, with its own design and style. Their objectives are to dress women in the latest fashion trends, both for their daily activities and special occasions, and to create a coherent and unified brand image - for this reason the company designs collections, not separate garments. Mango tries to exhibit their clothes in comfortable stores that appear to be more like boutiques than part of an international chain. In fact the company considers itself a chain with the spirit of a boutique. Mango has their own team of window-dressers, coordinators and supervisors who travel around to ensure that all the stores (both those they own and the franchises) share the same atmosphere and image.

The company works hard to keep up-to-date with what's going on in the marketplace, such as knowing which collections are selling well and what the new needs and tastes of their customers are. Enric Casi says that they are constantly asking and trying to find out why a client who tries something on decides not to buy the garment. To get this feedback from the marketplace and help the company adapt to consumer expectations, Mango created a Product Distribution department, responsible for collecting the research and questionnaires done in stores, analyzing them, and then assigning and sending the most appropriate products for the location and profile of the clients in the catchment area of each store.

Design is another key point, and covers everything from the clothes displayed in store windows to the bags customers take home with them, from the production of the catalogue to the interior design of the stores and windows. It is one of the pillars of the company and a 'magnet' for bringing in the customers. Mango tries to transmit a single concept throughout the world; a simple image that is dynamic, young and urban, which reflects the very latest fashion trends. Enric Casi points out that they have always been faithful to the avant-garde customer who's trying to be different, but at a reasonable price. Someone once told them, "You (Mango) are a cheap original, others are a cheap copy". They themselves call this "popularization of fashion". Creativity is the *raison d'être* of the company behind which, as Casi and Carbonell reiterate, are

always people. Damián Sánchez, Director of Corporate Image, has worked in the company since its inception and is the man behind all the design and image innovation that transformed the company into what it is today.

Being an international company, Mango has adapted the design of its clothing to the customs of countries that are culturally very different (especially Arabic countries, such as Turkey, Saudi Arabia, Bahrain, United Arab Emirates, Kuwait, Libya, and so on). The rest of the world (Latin America, Asia and Europe) receives the same collections as can be found in Spain.

Production system

All the manufacturing activity is done through other companies that do not belong to the organization, based in different countries scattered across the globe. Each season, new suppliers are found to cover new technical requirements and the increase in production. The choice also depends on the specific characteristics of the potential collaborators, such as the timeframe for production, the price of the clothes, technology, capacity, quality, organization, professionalism and international experience. Mango's collaboration with suppliers tends to be long-term and the company engages in constant dialogue with them, working together on planning and analysis, as well as on the quality control checks carried out in the manufacturing factories or workshops with the help of Mango technicians. From time to time, the company's suppliers (manufacturers, raw material providers, etc.) come to visit Mango's headquarters. The objective of this is to establish more direct, personal contact with the production centers so that they can more closely analyze the different aspects of the manufacturing and the business in general. The company has a production control, monitoring and support program so that all suppliers have access to the information on the general processes of the season's planning and the technical specifications of the models. It is an interactive and bidirectional tool that allows suppliers to make all sorts of queries and comments.

The manufacturing period takes, on average, three to four months, from the order to receipt of the merchandise. There are two production systems in the organization, each of which implies different procedures for the management and control of the analysis of substances used in the manufacturing process:

a) *Manufacturers* (76% of total production): this system consists of Mango designing the product, commissioning its manufacture and acquiring it once finished. In this case, it is the supplier who is in charge of buying all the raw materials necessary for the production. These types of suppliers are known internally as manufacturers. Most of them are located in South East Asia, as well as India where the raw materials (thread, cloths, etc.) for manufacture come from.

b) *Production workshops* (24% of total production): This system similarly consists of Mango designing the clothing but, in contrast to the first, all the raw materials that make up the garment are purchased by the Catalan company and then sent to these suppliers to be made into the clothes. These types of suppliers are known internally as production workshops, most of which are located in North Africa and Eastern Europe. Again in contrast to the case of the manufacturers, the raw material does not come from these countries but is essentially of

European origin, since the company buys it directly from markets close by, in the countries/areas of its production.

These names are only internal titles, and the fact that one or other system is used largely depends on geographic (proximity) and technical (specialization in production) factors. The control policy and production characteristics mean that manufacturers or production workshops may not subcontract the production of the clothes. The company understands subcontracting to be the supplier passing part of the production commissioned by Mango to a third party company, without Mango's knowledge or authorization. Despite the fact that all suppliers have the manufacturing process vertically integrated (cutting, production, ironing, packing, etc), at times there are special processes that a provider may not be able to offer (for example a specific type of embroidery). When this happens, the work is sent to other specialized companies and carried out by them. Mango knows about and authorizes these types of productions. When the manufacture of a "special element" that starts to become more important, these suppliers become part of the control and monitoring system. Enric Casi adds that Mango has no direct or indirect investment in any manufacturer or production workshop of clothes or accessories. Moreover, none of them work exclusively for the company. The volume of clothes and accessories made in 2007 reached 85 million units. Mango currently has 145 suppliers worldwide.

Mango's Logistic System (MLS)

The logistics are managed from the central warehouse in Palau de Plegamans. The company has three logistic centers globally: Parets, for Europe; Hong Kong for Asian distribution and a new center in New Jersey for the United States. However, Enric Casi tells us that the company's latest project is the creation of a global distribution center, to be located in the ample lands that Mango owns in Lliça d'Amunt (Barcelona).

The key elements of their logistics system are speed (in the movement of merchandise), information (shared between the centers) and technology (the intensive use of it). Mango's logistics system is based on one they came up with and have been progressively developing since the opening of their first store in 1984. In order to achieve complete integration, Mango assigned the stock to franchisers under a deposit regime.¹ The textile chain has gone about acquiring and adapting the latest technologies in their facilities, making it possible to classify and distribute 30,000 items of clothing per hour. The objective of the MLS is to ensure that each of the points of sale, located around the world, have the right kind of stock, in line with the speed of rotation and predicted sales at all times. The company can, therefore, guarantee a constant replenishment of merchandise and production at a rate defined by market demand, both in terms of volume and variety. "Producing what sells and not producing to see if it sells" Enric Casi adds.

Applying this distribution model requires continuous monitoring of demand (achieved through communication between each point of sale, head office and the logistics department) and an ability to react to changes in the marketplace. The stock is replenished constantly and is produced according to the rate of demand in the market. In this way, demand controls production, necessitating shorter production runs and more frequent deliveries. The time to market for an item of Mango clothing is 3 to 4 months, which is one of the shortest in the sector

¹ The stock remains Mango's property until it is sold by the franchiser.

(Zara being the leader, since their design, manufacture and distribution systems are faster). In the traditional model for this sector, the time to market could be as long as six months for design and three more for manufacture.

Another key part of Mango's logistics system is the ability to manage the inventory on a global level, in real time. Moreover, this production planning means that can aim to hold zero stock. Orders are not managed by the franchises, but by the head office in Palau de Plegamans, which at the beginning of each season decides on the type and number of items to be sent to each of their points of sale. This decision is based on the inventory information that the stores send daily to Mango's head office. If a store does not have a specific item, using their PST (Point of sale terminal) they can check if the head office in Palau de Plegamans has the article in question and order it straight away through the computer system. The ordered item will be delivered to the store 2 or 3 days later. With this sales management system, the Group can monitor and control their supply chain daily, to avoid over-production and surpluses. Manufacturing is always commissioned in line with the average sales of each point to sale. If there is any surplus at the end of the season, this is sold through discounts and promotions.

In January 2004, Mango implemented a new direct delivery logistics system so that the products made by the suppliers could be distributed directly to the stores without having to go through the distribution center in Barcelona. The test run went smoothly in 2003 in Hong Kong from where they sent merchandise to 43 shops, located in Singapore, Thailand, the Philippines, Hong Kong, Malaysia, China and Indonesia. Direct sales through the *cross-docking*² procedure, which go straight from the suppliers to the stores, had increased by 2007 to 30% of production - practically all of the new season's first deliveries to stores.

Mango does not have its own transport fleet, but rather subcontracts to external logistics companies. Both directors say that in reality, "in Mango we're all about logistics". It is not only the logistics department that must be expert in this area, but it also depends on the coordination of a number of actions taken by other business areas (design, manufacture, distribution, etc.). It's all about creating the perfect machine to keep a company as big as Mango working.

IT System

New technology is at the heart of the improvements in all the company's processes. Xavier Carbonell says that the rapid growth and large scale of the company has only been achieved thanks to the Internet and the adoption of new technology. This is why Mango is strongly committed to the development of systems and new technology platforms, avoiding investment in facilities and warehouses - Mango doesn't have offices anywhere but Barcelona. The company believes that it can manage and take decisions from the head office for the whole world, thanks to the communications systems and their development in recent years.

² *Cross-docking* is a distribution system in which the merchandise received in the distribution center is not stored but rather immediately prepared to be dispatched. That is, the transfer of deliveries from their point of reception is done directly at the point of delivery, with a very limited or non-existent storage period. This system is characterized by the use of short timeframes, which precise synchronization is crucial for the correct distribution of the items arriving and leaving.

The real engine behind Mango is the software which allows the company to manage the whole complex process - design, supply, manufacture, sales and after sales - completely automatically. Stores are connected to Mango through the Internet and special software which allows the company to get constant information on the stock held by each store. Moreover, the head office can adjust changes to their franchises through computer applications, since the information needed is processed every day and stock transfers or replacements can be made between stores. IT platforms are also used to bring various logistics operators together. Control and documentation of deliveries, space reservation and transport management are all carried out through this platform. This technology helps Mango to: 1) reduce delivery time and speed up distribution of products, 2) reduce transport costs, and 3) reduce infrastructure costs in order to deal with the ever-increasing amount of merchandise resulting from the growth of the company.

In addition, a short while ago an interactive IT system was put in place to facilitate communication between suppliers and the design, purchasing and quality teams. This system helps manage all the information related to the general and specific processes of the season, as well as all the individual aspects of each model commissioned (pricing, pattern, technical follow-up, timings, etc.). The company also rolled out a system aimed solely at allowing access to information, based on a B2E (Business to Employee) portal, which helped them to improve their internal business processes. Mango also has an Intranet, designed as a general point of entry for internal communication and collaboration.

The company never subcontracts any services related to IT. They have a team of 200 telecommunications engineers, responsible for the continuous renovation of the systems that the company uses on a daily basis. The technology changes every 2 to 3 months and improvement ideas are proposed by both the top executives and the IT department.

HR Policies

The culture of the company is based on human relationships. Enric Casi notes that, "no one is always right and, in a highly creative, technological company, bossing people around doesn't work. If the people don't get along, if they don't talk to each other, if they don't explain things, if they prefer to sit on a problem and hide it instead of telling people and looking for a solution, everything fails". "Growth is always thanks to the people", Xavier Carbonell adds. The company is committed to building a team of people who are professional, motivated, flexible and capable of adapting to change, who contribute their ideas, with the aim of getting Mango as close as possible to the maximum number of clients. The average age of staff of the whole organization (structural and store personnel) is 29 (**see Exhibit 3**). The company cares about personal service. For example the store assistants are the first to wear Mango's designs. The store personnel are meticulously selected so that they are all in keeping with the image of the brand. However, Eric Casi explains that, despite the company's best efforts in retaining personnel (internal promotion and continuous training), the points of sale have a high staff turnover caused by the employee profile (students, temporary workers, etc.). In contrast, the structural personnel are very stable and staff turnover figures are a long way from those of the stores.

The employees are in contact with the shareholders and administrators, as well as with the management of the organization through meetings called "If I were the Chairman". This works

as follows: the members of each department vote for a representative, who must not be a team leader or the director of the department. Then the elected person calls a meeting for all the members of the department where he/she collects all the ideas, changes and improvements suggested, in order to pass on and debate proposals in the meeting with the management, shareholders and administrators. The conclusions and changes agreed upon are published and communicated to all employees via the company's internal newsletters. According to the company's information, 95% of the proposals debated in these meetings lead to specific changes, such as modifications in working hours, increase and improvement of services, security improvements, etc. There are also other channels of communication: brainstorming and a suggestions box, through which all the employees can contribute their ideas and proposals to improve the running of the company.

In terms of remuneration, for structural personnel (around 1,850 people) the salary is evaluated and adjusted and bonuses set twice a year, in line with how each employee is carrying out his work and professional development. For the in-store sales teams, the system is a fixed salary plus a variable based on the turnover of the store. On average, the salaries paid to every different category of Mango worker are above those normally offered in the sector. The standard starting salary established by Mango is approximately 45% more than the minimum wage dictated by Spanish law.

The company has a continuous training policy. There is a specific department that analyzes the training needs of all the workers, in both fully-owned stores and franchises. The courses are mostly taught at the Head Office and focus on technical knowledge (languages, IT, merchandising, etc.) and on more specialized areas (values, team management, etc.). The training department team works with the directors of different areas to handle the applications to undertake studies at a professional level, at university, etc. In terms of internal promotion, most directors are hired from within the organization. In 2007, 28.22% of head office employees were moved up to a higher professional category. For in-store personnel the internal promotion figure is higher and reached 77.98%, due to the creation of new professional categories throughout 2007. Mango employees also receive other incentives, such as discounts in Mango stores and other services for which the company has agreements (car hire, travel, gym membership, etc.), free shared transport, subsidized food and flexible working times. The company also helps with relocation and job vacancies for those employees who request it.

An "error culture" is practiced in the company. That means that mistakes are accepted in order to learn and try to avoid them in the future. As Enric Casi highlights, employees are never fired "straight off", but are always given a second chance. The company encourages informal relations (for example, nobody in the organization has to be addressed in the polite "*Usted*" form in Spanish) and promotes non-hierarchical treatment (see **Exhibit 4**).

Global brand: Internationalization through the franchise

The growth strategy on an international level is based on the franchise system. The company offers their franchise system for the whole of the European Union and the main capitals and cities of the rest of the world (see **Exhibit 5**). By the end of 2007, the textile chain had 713

franchised stores³. Without doubt, franchises are a fast way of opening stores, of increasing brand awareness, finding good locations and increasing production. This system is used above all in countries where the cultural and administrative characteristics are very different and it is therefore better that the management be undertaken by people from that country. This management system is also applied where it brings a good location and where the characteristics of the market make it more suitable (see **Exhibit 6**).

The European market is Mango's natural target and it is where the company has achieved the most success. Other markets where their collections (adapted to the cultural habits or idiosyncrasies of each area) have gained an important foothold are the Arabic countries, as well as China and Japan. In China, specifically, the group now has 41 stores under the franchise regime. In Latin America, the problem is the escalating cost of the garments - since the product is imported, it is subject to high tariffs and red tape, which makes it something only for the elite. This fact goes against the concept of the product and the company's strategy, based on gaining a presence in as many medium-sized cities as possible. In fact, the company only has two stores in Brazil. In 2007 the textile chain opened 99 new points of sale in the world, of which 15 were located in 6 new countries: United States, Libya, Montenegro, Syria, South Africa and Uzbekistan.

In terms of the administration of the stores on an international level, the company regards all points of sale as internal management, whether they are their own or franchises, since the systems, materials and operational characteristics are the same. The company maintains strong relationships with the franchisees, who are always able to participate in different aspects of the management of the company. The company has three departments specialized in supporting franchises in all aspects of management. One team, comprising supervisors and coordinators, visits the stores constantly, helping them in all the required areas. In addition, the company and the franchises work together on the trends and specifics of their country or area, with the aim of improving the service in each point of sale. For each new season the company organizes working groups held at Mango's facilities, to analyze and collectively decide which clothes or accessories are most appropriate for their store, given its characteristics and location. Other fundamental elements of Mango's relationship with franchisees are the guarantee of specific margins for their business, the ownership of the stock remaining with Mango until the franchisee sells the item in question, the transfer of goods between stores, and management support (merchandising, window dressing, etc).

At the beginning of 2009, the status of the markets is uncertain and all businesses are affected, to a greater or lesser degree, by the considerable drop in consumption. The customers keep buying, but they are looking for offers, and some even wait for the sales. "The countries where we really feel the crisis above all are Turkey, the UK, the US and Ireland," Enric Casi explains. "In the rest of the markets, we're doing ok. Although we realize that right now we have to offer more promotions or special discounts to stimulate purchases," he adds. The company has an established protocol for store closure in the event that they fail to achieve the minimum level of sales necessary, although they always try to avoid this type of situation. In fact they never close their own stores, only the franchised premises that, due to their location or the type of customer they attract, don't manage to penetrate the market. However, closure is an exception due to

³ The percentages of Mango owned stores and franchises are 35% and 65%, respectively.

factors that often cannot be controlled by the company itself and their objective - to “open 3,000 stores” - is still in place despite the turbulent economic times.

Marketing and communication

The Communication Department is responsible for the renovation of the corporate image each season, as well as worldwide media planning, adapting Mango's global strategy to the characteristics of each country with a focus on increasing customer loyalty. Mango has always been committed to connecting their brand to personalities linked to the world of design, such as Naomi Campbell or Claudia Schiffer. Some of their models even become the designers of part of a collection: as happened, for example, with Mila Jovovich and Penélope Cruz. The reason Mango invites famous actresses and models to take part in their marketing campaigns is to offer their customers an intangible ‘extra’; glamour, beauty and a ‘connection’ with the celebrities.

In terms of publicity costs, both Mango and the franchisees invest 4% of their turnover in marketing campaigns, a higher amount than other companies in the sector (for example Zara only spends 0.3% of total turnover on marketing). Mango publicity tries to ensure all their customers across the world identify with the same *Mango*, the same brand image. Apart from traditional advertising, Mango sets up fashion shows twice a year. They have also run a competition for young clothing designers around the world. The chosen candidates have the chance to win a prize of 300,000 Euros and the prestige of their collection being sold in Mango’s stores.

In the fashion sector, the characteristics of the point of sale and the product presentation are very important. The store’s role is as both a point of sale and a billboard, so factors such as lighting, space, decoration and window-dressing are vital for the management of the business. Mango shops reflect the spirit of the company’s people and customers. The product is exhibited in small collections and sets so that it is easier to choose and try on. The premises have to be comfortable, spacious and light to project spirit of a boutique rather than a clothes chain. Their stores are located on the main shopping streets of the most important cities in the world, or where their competitors are. The size of the premises reflects the spatial requirements in order to create a suitable display of the collection and the capacity per m². Bearing in mind that their products are not aimed at the public at large, but rather a part of it, the company cannot open as many stores in the same city as other brands do. Instead, they must find the best locations with a minimum of 300m² in order to make room for the whole collection. This size of store is more difficult to find in smaller cities and, as such, their objective is to settle in areas with more than 80,000 inhabitants.

Franchised stores allow the company to expand rapidly on an international level, as well as to gain a presence in countries with different trends and customs. However, in recent years Mango has decided to intensify their commitment to opening their own stores, especially in countries that are geographically close (see **Exhibit 7**).

One of the company’s priorities is customer service, in order to gain their opinions on products and be able to adapt in accordance to their tastes and needs. This customer service is carried out in-store through specially-trained staff. This theoretical and practical training is focused on

customer service policy, the product, merchandising, trends and the philosophy of the company, etc. Mango also offers an additional hotline service in order to resolve customer queries and issues.

E-business

The brand has also shown a commitment to Internet sales, launching their online store, www.mangoshop.com, in 2000. The advantages of ordering online are a maximum of five-day delivery, free delivery once a minimum purchase value is reached and the possibility of returning the items to any Mango store. The virtual store also has a remote assistance service option, which means the customer can be contacted and helped during the purchase.

In terms of sales, over 80% of Internet orders come from Germany, UK, Spain and France. In fact, Germany and the UK make up more than half of Mango's Internet sales. The profile of a www.Mangoshop.com user is a consumer of between 20 and 30 years of age who spends an average of around 156 Euros. The portal has a million visitors a month and, in 2007, the turnover from e-commerce reached 3.8 million Euros (0.40% of the total turnover of the company).

Exploring new niche markets

In recent years, Mango has tried to enter new segments of the fashion sector. Among other initiatives, the company aims to explore a new niche market with greater purchasing power, with their new line of business known as Mango VIP, a collection of high-quality limited editions, the first of which was unveiled in 2005. The high level of competition between the large fashion chains has driven Mango to try out a new way of increasing their target market. "We are not trying create Gucci products, but we do want to enrich our collections with items of clothing that, due to the way they are made or the quality of the materials, necessitate a higher price tag than normal in our stores", David Egea, Mango's Production Director explains.

This line is in price competition with the top of Massimo Dutti's (Inditex) range and is focused on two type of garments: those that require fantasy appliqué, lace or embroidery and other basic items (a pullover, jacket, etc.) that are made with special materials such as silk, cashmere or virgin wool. The garments are specially labeled (Exclusive Edition) and are limited editions (for example, 2,000 units for a cashmere overcoat). The points of sale are also limited; only 220 of the 1,200 that the company has at the moment. They are the establishments that are most representative of the Spanish brand across the world, such as those located on London's Oxford Street, next to the Paris Opera House, on the Vía Torino in Milan, in Hong Kong, on the Paseo de Gracia in Barcelona and calle Princesa in Madrid. "Customer questionnaires have been carried out and we think that there are some consumers who are willing to pay a little bit more for a special item. Also, even though we are pretty consolidated in the market, you always have to give the customer something new", David Egea adds.

Another fashion segment Mango has recently begun operating in is men's clothes. Each season, the company's aim is to bring out designs aimed at young, fashion-conscious men. Their style is urban-casual and is branded HE, which, says Mango, comes from the Latin expression *Homini Emerito* meaning "Man who enjoys a reward due to its merits". The logo is a unicorn and, as

with the women's collections, it has a strong presence on the garments. “HE by Mango” made its debut in stores in March 2008 and since then the company has been firmly committed to the male consumer. The same year, the first HE store was opened in Ankara, located in one of the busiest areas of the capital and dedicated to selling only the men’s collections. The collection is on sale in 117 Mangos stores in 17 countries and has its own points of sale in cities such as Ankara, Annecy, Barcelona, Dubai, Madrid, Santander, Toulouse and Valencia. The textile chain continues to be faithful to the same concept upheld by its women’s lines and also sells accessories such as bags, wallets, bracelets, belts, sunglasses, sandals and sport footwear.

In launching these new projects, the company wishes to move towards the concept of “multi-brand” stores. In this type of establishment, one can find collections by different designers and styles, all under one roof. It is not the first time that Mango has tried to diversify their business - some time ago they made a failed attempt at selling children’s clothes and, in the mid-nineties, they also tried selling some men’s clothing. For the time being, HE by Mango has been designed to complement the women's collection, which will continue to be the basis of the brand.

The next step

Given the global economic situation, many textile companies have had to impose drastic measures, such as significant cost-cutting, layoffs and even the closure of factories and points of sale. So far, Mango's activity has not been significantly affected by the reduction in consumption. The managers explain that this is thanks to the geographic diversification, on the one hand, which helps them to compensate for falling sales in some countries particularly affected by the current situation (Spain, Turkey, UK, Ireland and US), and, on the other hand, the company has been able to retain their customers thanks to the good relationship between the price, quality and design of the product.

Innovation has always been central to Mango's strategy. The company has demonstrated their creativity with regards to the product and design and has now decided to widen their target market. The launch of the men’s collection (HE by Mango) and the limited editions (Mango VIP) form part of an ambitious plan by the textile company’s directors. Various questions have occurred to us since our visit because, despite the success and magnificence that appears to surround the company, it is always possible for cracks to appear in the business model. Upon reflection, we might ask if it is really prudent to launch an exclusive collection with increased prices in times of consumer crisis. Or whether the extravagance of HE by Mango will really be able to find those loyal male customers. However, the main question is to determine the consistency of each of these proposals within Mango’s current business model and its sustainability in the future.

Appendix

The textile sector

The textile sector has a long history in Catalonia. In the 19th century, Catalonia became the most industrialized region in Spain. Catalonia's great textile industry began to be talked about in 1880, and developed very quickly due to the mechanization and modernization of all processes (production, distribution, business culture, etc.). This mechanization also provoked a concentration of large textile companies with a greater ability to raise capital. However, the region and the sector suffered greatly from the crisis caused first by the loss of the Spanish colonies and then by the closure of these markets, and from 1904 onwards by the poverty of the internal market. The limitations imposed by low consumption in a fundamentally rural Spain and with a low standard of living did not allow modernization and development of the industry to continue. The brutal economic crisis of the 70's and 80's also affected the sector significantly, causing many factories and textile companies to close. The Catalonia textile industry was the driver of the economy in the area for many years, but history has shown us that companies must be prepared for all types of economic and political change in order to be able to adapt their strategy to the needs of the market (see **Exhibit 8**).

Today the sector has experienced a huge transformation as a consequence of globalization and use of new technology. These changes have allowed a reduction in the distance between the different agents involved in the manufacturing process, reducing in turn the time from the clothing design stage to when the item arrives to the store, and creating the concept of "short-circuit distribution"⁴. These improvements have allowed the development of business models that respond to demand within a matter of weeks, adapting to changes in fashion and trends. The current textile chains in Spain grew out of an evolution of the traditional companies in the sector, which have realized the advantages of combining distribution and production. This vertical model caused the revolution of the industry where, traditionally, production and distribution were treated as very separate processes. The vertical integration model has meant that the companies themselves are carrying out tasks that originally belonged to producers and retailers (see **Exhibit 9**).

Main competitors

The main players in the textile retail sector in Spain, apart from Mango, are companies such as the Inditex Group, H&M, the Cortefiel Group and Benetton (see **Exhibit 10**).

Zara (Inditex)

Zara (Inditex) is the second largest textile distributor in the world by market capitalization; it is only exceeded by H&M. Zara produces "fashion for the masses" of medium quality at a

⁴ Short circuit distribution arises from the need to effect more frequent, less abundant deliveries. This is based on the zero stock philosophy that, through the constant monitoring of the market, makes new garments available throughout the year. In this model, it is essential to maintain the flexibility of all the agents (especially those subcontracted) who must respond to demands in a very limited time frame, given the changes in the market.

reasonable price. They make garments and accessories for men, women, teenagers and children. Without investing in advertising (except during the sales period), and with a very low communication profile, Zara has managed to popularize and sell cheap clothing in the latest fashion styles to a large part of the population. Their keys to success are speed and low costs. The main characteristics of Zara's management module are flexibility at each stage of the value chain, capacity to supply on a global level, creation of a single brand aimed at a large population segment with basic or highly fashionable products and sales through large stores (of more than 250m²) to the global customer.

H&M

The other textile giant is H&M, a Swedish retailer, particularly strong in the German, Swedish and Norwegian markets. H&M designs and distributes, but does not make what they sell. Also their logistics system allows them to supply clothes to their store daily. The company's products include collections for men and women (including maternity clothes) as well as designs for teenagers and children. They also distribute their own cosmetics and accessories. The company sells through their own stores and does not make use of other commercial models such as franchises or joint ventures. H&M has a large publicity budget (encompassing stores, billboards, magazines, catalogues, Internet and adverts) using professional models. The Swedish brand shows the price of their products in their advertising, since this is their main strength. From time to time H&M launches small collections designed by fashion designers and celebrities, from Karl Lagerfeld and Viktor & Rolf to Madonna. The Swedish group is also committed to on-line sales. However, their virtual store, operating since 1998, only works in the Nordic countries.

Benetton and Cortefiel

Two other textile companies, Benetton and Cortefiel, have a strong presence on a national level, but are not direct competitors with Mango, since their customer profile is different. Benetton, founded in 1965 in Italy, places an emphasis on brightly-colored casual knitwear. The company basically invests in the centralization of their production activities and sells their clothing through licensed dealers. Cortefiel, a Spanish textile chain, comprises Cortefiel, Springfield, Milano, Women's Secret, Douglas, Pedro del Hierro and Viaplus. Their products are mainly aimed at the male market (with the exception of Women's Secret and Cortefiel).

EXHIBITS

Exhibit 1 Main financial dimensions, Mango

Description	2003	2004	2005	2006	2007
Amount of net revenue	779,814	831,679	888,26	942,355	1,020,356
Net profit	64,791	73,129	103,217	124,039	129,139
Number of stores	704	768	866	995	1,094
Number of countries	72	75	83	89	89
Sales in overseas markets (%)	71.58%	71.44%	72.6%	74%	76%
Average number of employees	4,862	5,543	5,414	5,901	6,973
Gross Margin (%)	47.6%	53.2%	54.2%	57.5%	62.18%

Source: Sustainability report, Mango, 2007

(I) The Annual Accounts from 2007 have been prepared, the same as those of 2005 and 2006, in accordance with the regulations established in the International Financial Reporting Standards (IFRS), applying the legislation in force.

Exhibit 2 Mango's purchase quota (%)

Country	Purchase quota
China	45.52%
Marocco	23.06%
Turkey	11.01%
Vietnam	7.15%
India	4.72%
Indonesia	2.57%
Pakistan	2.31%
Spain	1%
Cambodia	0.76%
Bangladesh	0.64%
Sri Lanka	0.39%
Others	0.88%
Total	100%

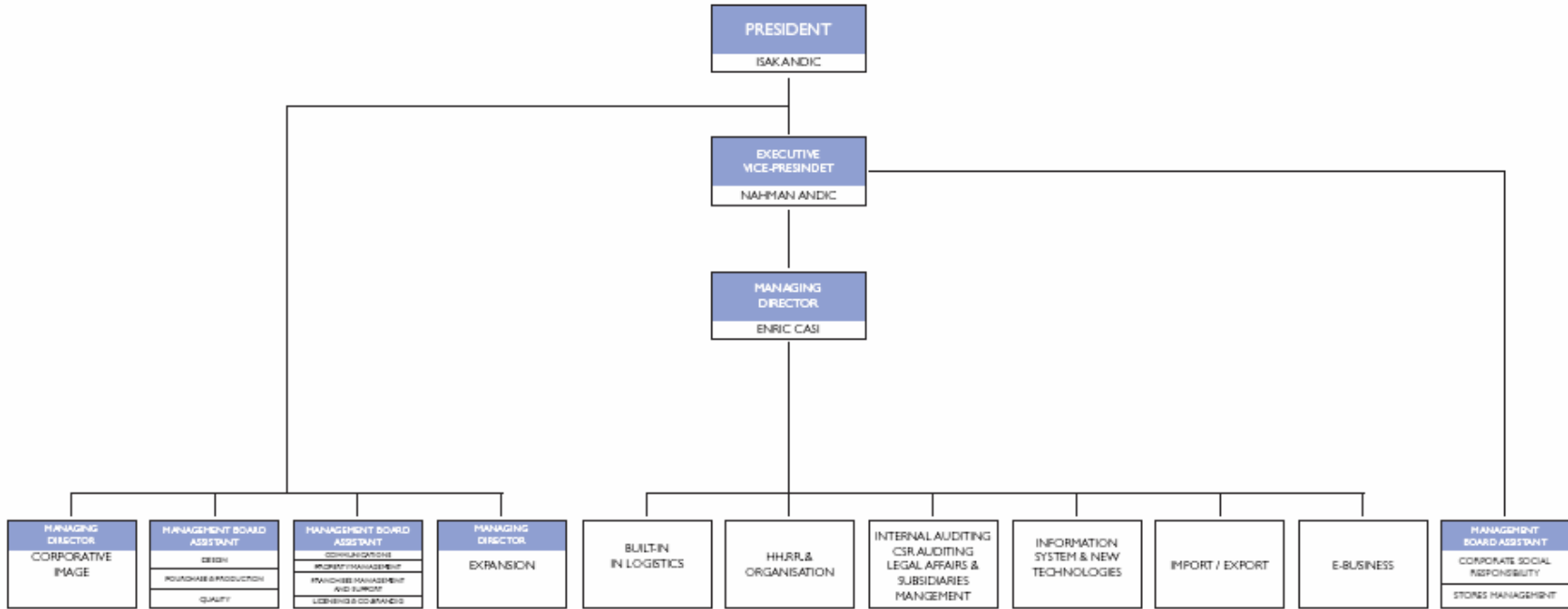
Source: Sustainability report, Mango, 2007

Exhibit 3
Average age of workers*

Structural personnel	Store personnel	Whole company
33.16	26.58	29.78

Source: Sustainability report, Mango, 2007
** Data for Spain*

Exhibit 4
Mango's organizational chart



■ Board of Administration

Source: Sustainability report, Mango, 2007

Exhibit 5
Mango's worldwide presence



- 2007
- Forecast

Source: Sustainability report, Mango, 2007

Sales figures for overseas markets

Description	2003	2004	2005	2006	2007
Amount of net revenue	1,002,000	1,055,400	1,143,762	1,257,344	1,333,127
Sales in overseas markets	728,9	770,9	853,818	952,407	1,039,573
Sales in overseas markets (%)	72.74%	73.04%	74.65%	75.74%	77.98%

Source: Sustainability report, Mango, 2007

Exhibit 6
Mango's franchise conditions

Mango's franchise conditions	
Franchise created in:	1984
First partner agreed	1984
Number of establishments running at the moment	97 franchises in Spain
Minimum population	80,000 inhabitants
Minimum premises size	300m2
Investment required	360,000 €
Initial deposit	42,000 €
Financial assistance	None
Royalty	None
Publicity fee	None
Duration of the contract	1 year

Source: Franchise guide, www.tormo.com/guia

Exhibit 7
Number of Mango stores

Description	2003	2004	2005	2006	2007
Total number of stores at the end of the tax year	704	768	866	995	1094
Number of Mango-owned stores	242	246	261	313	381
Number of franchised stores	462	522	605	682	713
Number of countries with Mango stores	72	75	83	89	89

Source: Sustainability report, Mango, 2007

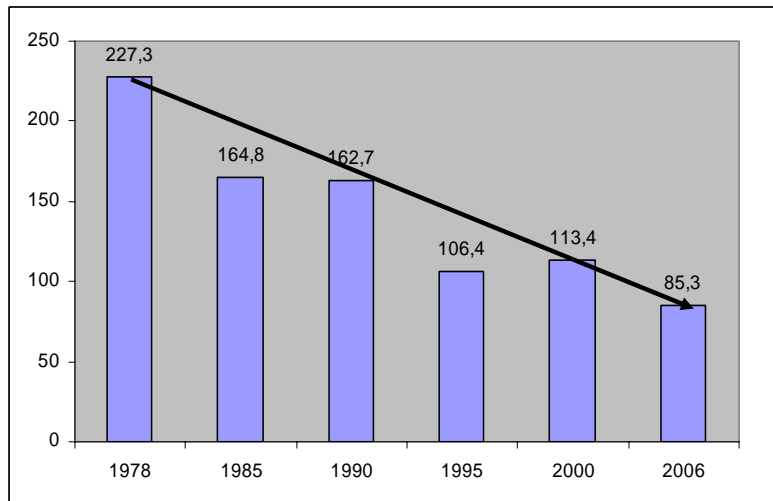
Mango's sales by type of business

Sales by type of business	2003	2004	2005	2006	2007
Sales in Mango-owned stores	432,836	459,298	459,167	485,759	552,949
Sales to franchises	346,978	372,381	429,093	456,596	467,407
Amount of net revenue	779,814	831,679	888,26	942,355	1,020,356

Source: Sustainability report, Mango, 2007

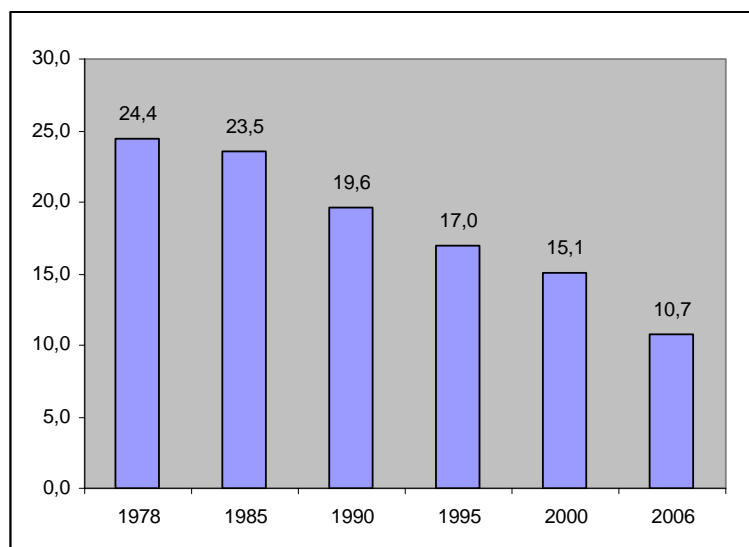
Exhibit 8

Industrial occupation in Catalonia between 1978 and 2006. Absolute data in thousands of occupants.



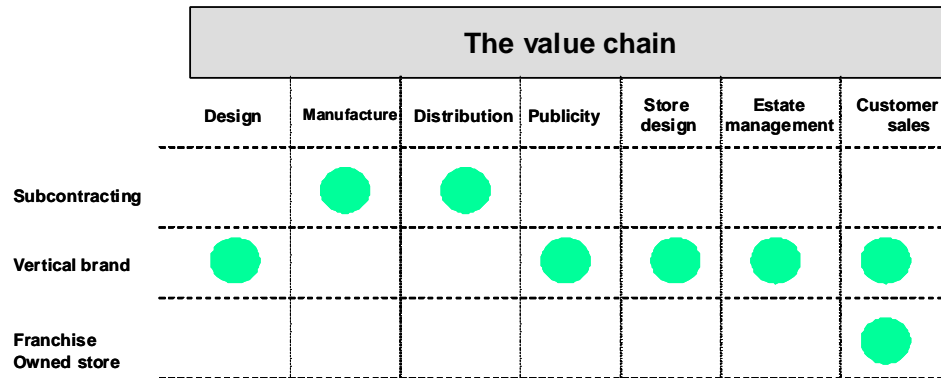
Source: Caixa Catalunya based on INE data.

Industrial occupation in Catalonia between 1978 and 2006. Size of occupation as a percentage of total industry.



Source: Caixa Catalunya based on INE data.

Exhibit 9
Vertical brand model



Source: Authors.

Exhibit 10
Fashion sector players



Source: Authors.