

The Changes of Consumer Psychology and Price Sensitivity in Uncertainty: A Case Study of Fast Fashion Brand ZARA

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Abstract. In recent years, there has been a collective decline in the development of fast fashion clothing brands in the Chinese market. Taking ZARA as an example, its parent company Inditex Group has undergone large-scale store adjustments globally in the past two years, especially in the Chinese market, where the number of ZARA stores has decreased by nearly half compared to four years ago. While Inditex's global revenue has grown, there has been a significant decline in revenue in mainland China. Therefore, understanding how the fast fashion industry was accepted by the Chinese market in the past and why it is now being excluded has gradually become important. For the clothing industry, market decision-making power has shifted from clothing merchants to consumers, and consumer psychology has undergone certain changes, and in fact, they have gained some bargaining power. As a product aimed at the general public, fast fashion brands have lower customer loyalty. Customers are more sensitive to price changes. In the rapidly changing and uncertain environment, the drawbacks of the fast fashion brand model have begun to emerge: convergent styles, unstable channels, and environmentally unfriendly production models, etc., which no longer have sufficient competitiveness in the current market. Therefore, this article intends to use literature research and case analysis methods for research, and to address the above issues, some suggestions are proposed, hoping to help fast fashion brands retain and expand the Chinese market.

Keywords: Consumer psychology; price sensitivity; economic uncertainty; fast fashion.

1. Introduction

Fast fashion “departs from the traditional norms of designer-led fashion seasons, using instead designers who adapt their creations to customer demands on an ongoing basis” [1]. Inditex utilizes over 100 subsidiaries and adopts a vertically integrated design approach. This approach allows designers to continuously adjust their designs to meet the needs of their clients. Instant production mode, distribution, and rapid communication between customers and designers. To achieve this fast fashion model, Inditex has abandoned the traditional clothing industry model of seasonal clothing collections designed by renowned designers, typically produced by subcontractors several months in advance and promoted through extensive advertising.

Since the 21st century, China's fast fashion market has been in a long-term expansion stage due to the acceleration of urbanization and the improvement of income levels. Thus great potential of fast fashion brands in Chinese market is displayed to the world owing to economic prosperity. Fast fashion brands such as ZARA and H&M are continued to emerge in downtown areas of major cities [2]. As a leading brand in fast fashion, ZARA entered the Chinese market in 2007 and strives to attract Chinese consumers through online channels to enhance competitiveness. Fast fashion brands have attracted the attention of Chinese consumers in just a few years with their characteristics of fashion, freshness, relatively cheap prices, and relaxed and open shopping environments. In addition to first tier cities, fast fashion brands represented by ZARA have also begun to occupy the markets of second tier and third tier cities. However, in the past two years, ZARA has faced the problem of a decrease in the number of stores in China and a decline in revenue in the Chinese region. Unlike traditional clothing, fast fashion brands are more focused on style design and fashion rather than clothing quality [3]. In today's world where fast fashion is widely seen, it is not only reasonable but also necessary to

take this as an example to study the changes in consumer psychology and price sensitivity in uncertainty.

Fast fashion consumers tend to purchase products with their own characteristics rather than higher quality. Generally speaking, fast-fashion shoppers gravitate towards products that align with their skills, frequently neglecting the significance of high quality. Notably, a significant segment of fast-fashion enthusiasts are the youth, and conventional social media strategies are widely adopted by these young consumers to stay updated with fashion trends and purchase the newest fast-fashion items [4]. However, as the main force of consumption, many young people have limited economic capacity. The relatively low disposable income determines that they inevitably have high price sensitivity.

Economic policy uncertainty has always been an important area of research for governments and scholars around the world. Since the outbreak of the financial crisis in 2008, policy uncertainty has become a focus of more attention for governments and scholars. Economic policy uncertainty is defined as the inability of economic entities to accurately predict whether, when, and how the government will change its current economic policies [5]. Generally speaking, the uncertainty of economic policy includes the uncertainty of fiscal policy, monetary policy, and related regulations. Existing research indicates that economic policy uncertainty is an important factor affecting macroeconomics [6]. As a part of the economy, fast fashion brands are inevitably affected by their uncertainty.

Nowadays, both consumer psychology and price sensitivity have received relatively sufficient research, and there are also many studies that combine the two. However, in the field of fast fashion, the relatively mainstream research direction still focuses on marketing strategies, operational models, and other aspects, with little consideration given to consumer psychology, price sensitivity, and economic uncertainty. Therefore, this study will fill this gap.

Therefore, this article mainly uses literature research method and case analysis method. Firstly, search for literature on consumer psychology, price sensitivity, and economic uncertainty through online platforms such as CNKI, and read them. Propose two hypotheses: firstly, environmental demands and policy restrictions have a certain impact on the consumer psychology of the target group of fast fashion brands; The second is that uncertainty has an impact on the prices of fast fashion brands, as well as its mediating effect on consumer psychology and price sensitivity. This article will take ZARA, a subsidiary of Inditex in Spain, as a case study, combine theory with practice to draw more appropriate conclusions, and explore how fast fashion brands should adjust their marketing strategies to adapt to the rapidly changing market.

2. Analysis on the Problem

As an emerging market for fast fashion brands, the consumer experience of Chinese consumers is not sufficient. The fast fashion consumption experience of most Chinese consumers is concentrated within 1-3 years, with a consumption frequency of 2-5 times per month [7]. For Chinese consumers, fashion design, attractive prices, and group recognition are the main driving forces for consuming fast fashion brands.

2.1. The fast fashion industry is facing objective problems in the era

From the COVID-19 in 2020 to the Palestinian Israeli conflict this year, the world seems to be on the verge of another political collapse and economic recession. In recent years, from inflation to the collapse of global supply chains, to the intensification of geopolitical tensions, almost no economy in the world has been spared, and China is no exception. At the same time, the climate crisis continues to worsen, leading to unprecedented natural events such as droughts, floods, and heatwaves, and the deterioration of the human living environment. The changes in the objective environment make economic uncertainty more significant.

Looking back at history, the true relationship between fashion and economic climate is indeed subtle. For example, the Hemline Index theory regarding the relationship between the two suggests that skirt length will vary with the rise and fall of the stock market. During the economic boom of the 1920s and 1960s, many women who wanted to show off their stockings would choose mini skirts; On the contrary, in the 1930s and 1940s, the Great Recession pushed the economy towards brands advocating for ease of use and minimalist design. In times of economic downturn, fashion often shifts from the hands of designers to the hands of the general public - for the fast fashion industry, this means they need to pay more attention to the voices and needs of major consumers in order to establish their position in the constantly changing market and defend their own interests.

In the context of the increasingly deteriorating Earth's environment, the issue of difficult recycling and reuse that has always existed in fast fashion is even more noteworthy. Compared to other clothing brands, fast fashion brands have a shorter lifecycle, mainly due to quality issues, making recycling and reuse more difficult [8]. Based solely on the situation in the Chinese market, in November 2019, the State Administration for Market Regulation reported that the digital printing on the chest of GAP infant T-shirts exceeded the chemical stoichiometry limit [9]. Although ZARA, as a relatively high-end clothing brand, has not encountered such problems yet, clothing production itself is a high energy consuming industry. In recent times, people have largely acknowledged the gravity of climate change and the deterioration of the environment, along with the critical role of economic growth in modern society and the endurance of upcoming generations. Increasingly, shoppers are evaluating if fashion labels emphasize eco-friendly production as a key indicator of choices, and certain administrations have initiated laws to encourage the evolution of quick fashion segments into sustainable practices.

The turbulence of the economic environment may change the previously taken for granted economic policies, and the government needs to regulate the economy as much as possible in an uncertain environment to ensure the overall stability of the domestic market. However, in the process of continuous policy adjustments, the uncertainty of economic policies is inevitably exposed. Economic policy uncertainty may lead to fluctuations in raw material prices, production costs, and transportation costs. The increase in these costs will directly affect the pricing decisions of fast fashion brands. After being hit by policies, fast fashion brands will adjust their pricing to transfer costs, leading to an increase in product prices. On the other hand, economic policy uncertainty may lead to a decrease in consumer confidence, thereby affecting the market demand for fast fashion brands. In a situation of declining demand, brands may need to stimulate sales by lowering prices. Consumers who are price sensitive pursue low prices and are less likely to make purchases when prices rise. The target audience of fast fashion brands mostly have high price sensitivity, and the brand is likely to lose customers due to price increases.

2.2. Fast fashion brands represented by ZARA are also inevitably influenced by specific consumer groups at the micro level

As a pioneer of fast fashion, ZARA is considered a fashion indicator in the eyes of consumers. The original intention of fashion is to pursue a certain trendy, unique, or avant-garde language, behavior, concept, or lifestyle that is pursued by some people, especially young people, during a specific period of time [10]. In short, fashion is the emergence of a certain popular culture from the public's ideology, closely related to everyone's life, reflecting people's spiritual and cultural needs. ZARA's main target group is young white-collar workers with high education, high income, and a pursuit of fashion. Their main consumption characteristics include symbolic consumption, tasteful consumption, and conspicuous consumption [11]. This group of consumers mostly purchase products for the purpose of packaging their self-image.

In a consumer society, the process of consumption is not only about obtaining basic material needs, but also an important part of communication and expression between people [12, 13]. Within a consumer-driven society, the primary role of objects is to create significance via symbols, followed by the impact of meanings acknowledged by both the user and observer. Branded suits, for instance, serve as a tool for wearers to establish their persona and display their preferences, offering a feeling

of safety during particular events. Viewers additionally assess an individual's identity, social standing, and preferences by considering the attire of others. In various social settings, the public is subtly informed about the significance of various things. The aspiration of ZARA's shoppers is to use the brand's emblem on their apparel as a symbol of their style, political leanings, and societal standing.

Undoubtedly, for consumers who want to establish their personal image and social status through clothing, it is more appropriate to choose fast fashion brands that have a relatively mainstream political stance and take sufficient environmental measures. But now ZARA, who is relatively neutral, has not taken enough measures to cater to the preferences of Chinese white-collar workers and consolidate the loyalty of existing customers or expand the market.

The characteristics of traditional manufacturing are limited variety and large-scale production. But like other fast fashion brands, ZARA adopts a business model of "more styles and less quantity", consciously creating shortages for its products, hoping to attract consumer attention and elevate its second-hand market prices and market image.

However, in China, the main price range of ZARA is between 99 and 499 yuan, belonging to the medium to low price range. One quantitative definition of the white-collar or middle class in the Chinese academic community is based on income: individuals with a monthly income of over 5000 RMB, white-collar jobs, and those who have received formal university education are classified as part of the middle class. As a developing country, the average income of Chinese people is not high. For most middle-class people, the price of ZARA is not too cheap, but they also hope to be close to the wealthy class wearing big brand products in terms of clothing. Therefore, they search for the rules of ZARA discounts in Chinese online communities, hoping to spend less money to buy ZARA products. This is not entirely in line with their desire to create a high-end image through ZARA. They care about the cost-effectiveness of their consumption and can undoubtedly be classified as a customer group with higher price sensitivity.

3. Suggestion

In the current market environment, China's fashion industry, after decades of rapid growth, is now facing a transformation and upgrading from quantity to quality. As a part of the fashion industry, the growth of fast fashion brands in China is experiencing a slowdown, which is consistent with the cooling situation faced by the entire industry. The decline of ZARA in the Chinese market is a reflection of this market trend. Therefore, fast fashion brands including ZARA must proactively adjust their marketing strategies to better meet the needs of consumers.

Analysis of the ZARA industry environment reveals that the political, economic, social, and technological environment it faces is not optimistic. In addition, whether targeting target customers or suppliers, ZARA's bargaining power is not very strong. Moreover, competition within the same industry is relatively fierce, and there is also a certain degree of threat from new entrants and substitutes.

In terms of market positioning, ZARA needs to establish its own characteristics, form differentiated advantages, enhance its appeal to target customers, namely the white-collar middle class, strengthen its existing brand image, and expand its brand effect. ZARA must have a clear market positioning, while ensuring design advantages and high cost-effectiveness, it can try to approach the consumer's expected consumption symbols through design cutting and clarify the market positioning of its mid-range fast fashion clothing brand.

In a constantly changing environment, ZARA should identify the most obvious and important current development trends and make corresponding changes. For example, in order to meet the requirements of environmental policies and achieve sustainable development, fast fashion brands can take a series of environmental protection measures, such as promoting environmental protection concepts, using renewable materials, improving production processes, and promoting green packaging. These

measures not only contribute to the environment, but also create an environmentally friendly consumer symbol to attract middle-class consumers.

4. Conclusion

This study fills the gap by exploring the subtle relationship between consumer psychology and price sensitivity in the fast fashion industry. It studies how these factors interact and transform under Chinese market conditions, and how they affect specific fast fashion brands such as ZARA in a constantly changing market environment. Research has found that Chinese consumers are more willing to express their attitudes towards politics through fashionable clothing: either supporting environmental protection or supporting government attitudes, so they are more willing to purchase clothing that caters to their political tendencies. Meanwhile, they are unwilling to bear higher prices. The production cost of clothing and the political tendencies displayed in specific regions will not remain unchanged, and competitors are constantly changing. The uncertainty of the market requires fast fashion brands, including ZARA, to make cautious adjustments.

In the process of discussing this article, although rich knowledge has been drawn from a wide range of literature theories and efforts have been made to construct a deep theoretical framework, there is still a significant deficiency: it mainly relies on the support of literature theories and the study of single cases, and rigorous data analysis has not yet been conducted. Data is the cornerstone of empirical analysis. By collecting, organizing, and analyzing data, we can more accurately grasp the characteristics and patterns of the research object. However, due to the lack of empirical analysis, the research appears to be relatively weak in terms of data support. However, this study also effectively analyzed the impact of consumer psychology, price sensitivity, and economic uncertainty in fast fashion, which can be applied to the practice of fast fashion clothing brands in future research.

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