Inditex to increase prices in the face of inflation

By Triana Alonso - March 17, 2022

The fashion conglomerate with a brand portfolio comprised of Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Oysho is reacting to the industry’s rising raw material costs, disruptions in the supply chain, the underlying effects of the pandemic, and the news of war in Ukraine. "Faced with the impact of inflation, we are looking at stable prices with selective adjustments in order to protect the company's margins," said Óscar García Maceiras (who was appointed CEO of the company last November) during the presentation of Inditex's annual results on Wednesday (March 16) at the group's HQ.

"We are in a time of market volatility, but the intrinsic value of Inditex is impressive. Obviously, there are inflationary pressures and the most important thing for the company is to protect its margins," said Pablo Isla during his last public speech as chairman of the company, a position he will be stepping down from at the end of March after having spent 17 years in the company founded by Amancio Ortega.

Inditex intends to maintain its positioning by applying slight adjustments to its business. "Inditex is a global, digital, integrated and sustainable company. Our business is based on offering top quality and sustainable fashion at a very reasonable price for all our customers anywhere in the world," said García Maceiras during his first physical press conference since his arrival at Inditex, arguing that the company is "looking at stable prices with selective adjustments". The price increases that will start taking effect from the Spring/Summer season will be "selective" based on commercial formats and product categories.

"We are a company that sells fashion and that does not want to alter its business model, so the (price) increases will be selective and not global," continued the new CEO, revealing that the company expects price changes to "border on an average single-digit increase with no impact on volume, as evidenced by the sales figure for the beginning of the first quarter of 2022". The average price rise in both Spain and Portugal, for instance, will be 2%, as revealed during the press conference.
Prices to increase 'selectively' by up to 2%

When questioned about the situation in Portugal, where many companies and factories are currently on strike in protest against the recent increase in prices, both García Maceiras and Isla reaffirmed the close relationship with their Portuguese partners, which is not endangered in any way by the current issues. "The most important thing is that local production is key for Inditex. The company will continue to rely on its Portuguese suppliers," assured the former chairman of the company.

Although the company did not provide an exhaustive list of increased prices in other international markets, the detailed financial report delivered to the National Securities Market Commission (CNMV) explained that "Inditex will carry out the necessary adjustments in markets with temporary impact of significant inflation or depreciation of exchange rates," insisting that its main objective is to focus on "protecting margins".

At the end of the last financial year (January 31, 2020), Inditex’s gross margin stood at €15,814 million, up 39% and representing 57.1% of sales, enabling it to reach its highest level in the last six years. Turnover grew by 36% compared to 2020, reaching €27,716 million. However, this figure did not reach pre-pandemic levels, being 2% below the accumulated sales in 2019. Net profit was also 11% lower than in that year, reaching €3,243 million.

By Triana Alonso
Translated by Roberta Herrera

Copyright © 2022 FashionNetwork.com All rights reserved.