Mango Group: Growth and Internationalisation

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Abstract

Mango was created with the aim of providing clothing for a young, urban feminine market according to the latest fashionable trends in quality garments at a reasonable price and with the mission of being available worldwide. To be able to carry out this mission it has had to base its business model in three basic aspects: its people, processes and technology. These aspects have been key in being able to carry out their international growth successfully and in being recognized as an example of business success. However, in order to continue growing it must continue to re-invent itself and create new competitive advantages that allow it to adapt to the constant changes in the sector.

Key words: Internationalization, business model, Information Technologies, logistic systems, production in more cost competitive countries.

Resumen

Mango se creó con el objetivo de vestir a un público femenino joven y urbano según las últimas tendencias de moda con prendas de calidad a un precio accesible con la misión de estar presente en todo el mundo. Para poder llevar a cabo su misión ha tenido que basar su modelo de negocio en tres aspectos básicos: su gente, los procesos y la tecnología. Estos aspectos han sido claves para poder llevar a cabo su crecimiento internacional con éxito y ser reconocida como un ejemplo de éxito empresarial. Pero para seguir creciendo ésta debe seguir reinventándose y creando nuevas ventajas competitivas que le permitan readaptarse a los cambios constantes del sector.

Key words: Internacionalización, modelo de negocio, Tecnologías de la Información, sistemas logísticos, producción en países de coste más competitivo

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Mango's history

Isak Andic, the main shareholder in Mango, family entrepreneur of Sephardic origin, moved from Turkey to Spain in 1950. During his baccalaureate, 1972, Isak started in the fashion business when, after returning from his vacation, he sold a couple of t-shirts imported from India and Asia to his friends. The success of this experience encouraged him to set up his first stand in the Balmes market. His main activity was based on importing women's clothes from different countries and their later placement on shelves in Spanish stores. In the first store, Isak mainly sold blouses and clogs. In 1984 he opened the first of his own stores in the Paseo de Gracia (Barcelona) under the name Mango, a fruit which he had discovered while on vacation in the Philippines. A year later he already had five retail outlets in the Catalan capital and one year later than that he started expanding into Spanish territory by opening a store in Valencia.

From its beginnings, the main objective has been to clothe young, urban females in line with the latest fashion trends, following their daily and occasional needs, with quality garments at a reasonable price. With a clear mission 'to be present in all cities in the world', constantly aware of its competitors (e.g. Gucci, Giorgio Armani, among others) and of not losing its values (humanity, harmony and affection). In order to achieve this, they have constructed a concept that mixes chainstore clothes for today's women and high fashion boutiques that have triumphed in shopwindows across half the world and which is based on a business philosophy which is both strong and dynamic.

National & International growth

What at first was a small team of collaborators with five retail outlets in Catalonia (1984-1985), began to grow and expand throughout Spanish territory reaching 13 retail outlets in 1988. In these first years, Isak realised that despite the quality of the clothes and that the designs were widely accepted among Spanish women, the product lacked a global concept which would make it sufficiently attractive to begin medium-sized development. This had to be a complete concept and allow for the unification of commercial strengths in a single point, including both tangible and intangible characteristics such as: fashion, design, image and good price-quality relationship.

But the concept alone was not enough but also the need to improve the internal system of stock management, logistics and product distribution. The efficiency of this system together with the recognition of a different concept would become the main pillars of Mango's sustained growth over the following years. At that time a production
system based on the JIT philosophy (Just-In-Time) was started, which was based on specialized and coordinated work teams. Over the following seven years the company would reach 100 retail outlets in Spain and a sales volume worth 48 million Euros.

In 1992 the first steps outside the Spanish market were made with the opening of two stores in Portugal. In 1997 the volume of business generated abroad surpassed that of national business for the first time and in 2009 it reached 76% of total volume with a turnover of 1,480 million Euros. At present, according to company forecasts its estimated growth over the next years will be around 15% per annum and this will be concentrated on the development of already existing international markets and on entering new ones.

It is this solid business plan that has enabled the Mango concept to currently be present in 100 countries with more than 1,400 retail outlets distributed throughout the world (between owned and franchised outlets) and to be the most international textile company in the world and from Spain. Enric Casi, C.E.O., and Xavier Carbonell, Head of Social Responsibility, have commented that, presently, the opening rate is at seven retail outlets per week.

Key pillars to Mango’s growth

The Mango concept is one of the key pillars to the commercial success and to Mango’s international prestige. This includes the product and unifies the characteristics of self-design, quality and image. All of this is possible thanks to the fact that the company integrates the whole production process enabling the development of a well-defined designer product, in its own style. This, along with single model production standardization (constant quality, the same characteristics etc.) has allowed the company to transmit a unique brand concept throughout the world, a simple, dynamic and urban image in which the trends in present fashion are reflected. In order to recreate this atmosphere it has been helped by its own team of shopwindow designers, coordinators and supervisors, who ensure that all retail outlets (both their own and franchise-holders) share the same surroundings and image.

Apart from the concept, Mango's greatest asset lies in its people. Xavier Carbonell indicated to us in one of the interviews “behind growth, there are always people” and Enric Casi added that “nobody is right and in an intensely creative, high tech company, and that “order and control” does not work”. Mango has based its business culture on human relations, teamwork and the continuous training. It has backed an enthusiastic, flexible & professional team, able to adapt to changing ideas and to add new ideas in

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4 The garment's production process go from design, production sub-contracting, distribution to its later commercialization.
line with its mission of ‘being present in all cities in the world’. It is because of this that the company has provided communication channels (brainstorming, suggestion box etc.) through which personnel can contribute ideas and propose improvements to the operation of the company, has provided permanent training programs, has encouraged internal promotion and has practised a culture of error tolerance, as errors are accepted as a way to learn and know how to avoid them in the future. This is why it is described as a people company which combines strong international growth with close, personal treatment. Presently, it has more than 8,200 employees, 1,800 of whom work in the headquarters in Palau-Solità de Plegamans, Barcelona.

Another of Mango’s main motors of growth is the development of its own logistic system which allows it to manage, direct and take decisions throughout the complex process of design, supply, manufacture, sales and after sales in a completely automatic way. The main characteristics of this system reside in speed, information and technology. Its objective is to allow each establishment to be connected to Mango’s headquarters in time real through a sales management program via Internet which allows it to obtain constant stock data from each store and to carry out article transfers between stores or garment replacements.

Presently, the concept of coherent and unified brand, along with the human capital and the efficiency of their logistic system has turned Mango into an example of business success, with these as the key pillars of the company’s sustained growth. This has allowed it to fulfil the main Mango directives “not to say no to any interesting premises”, aim the product at a very specific segment of the population and to differentiate the product from the rest of its competitors given that products are easily copied in a competitive international market. In this last directive, Enric emphasised that “to be able to maintain profitability, Mango sets itself apart by means of its human capital, its processes and its technology”.

**Information technology, a strategic decision for internationalisation.**

Information Technologies (IT) are the basis for the improvement in all the company’s processes, just as Xavier Carbonell commented, “such fast growth by the company and on such a large scale was only possible thanks to the Internet and to the adaptation to new technologies”. For this reason, from the opening of its first store in 1984 to the present day, Mango has been steadily developing the business management systems and new computer platforms, which have contributed to an improvement in the internal and external processes of the business. Mango’s own IT team made up of more than 200 people (engineers, computer scientists, analysts, etc.) and top management have carried out the continuous renovation of the company’s technology
systems and Enric Casi points out that “it is thanks to these systems that the company has established itself as the second largest exporter in the Spanish textile sector”.

This in-house technology is an essential part of the logistics and production systems of the company. It is based on the company’s integrated logistics and on three basic factors: speed, information and technology. This allows it to: (1) integrate several logistics operators; (2) reduce delivery times and streamline distribution of the product; (3) manage orders from each store according to the needs of the market on a global scale and in real time; (4) control quality; (5) reduce infrastructure costs in handling high volumes of goods; and (6) be flexible and adaptable at all levels in the company (external manufacturing, internal communication and with the suppliers, quality, costs, inventories, design, delivery and withdrawal of defective or unsuccessful products) facing the changes that take place in the market.

The company’s flexibility and adaptability are thanks to the development of an interactive and two-way computer application between suppliers and design, purchase and quality teams, which allows it to obtain: (1) the information on planning processes for the season; (2) technical specifications for each of its designs; and (3) the realisation of any type of consultation and comment by suppliers. The whole production and distribution planning process is critical to Mango given that the design, production and distribution period for garments is 3 to 4 months.

In addition, this system with its own personality has also added to the improvement in the internal processes of the business through: (1) the development of a single access information system, based on a B2E (Business to Employee) gateway; and (2) an Intranet designed as a general entry point for communication and internal collaboration.

**Mango Logistics system (SLM in Spanish)**

The logistics activity of the organization is undertaken in a number of their own premises (warehouse and offices) located in the headquarters in Palau-Solità i Plegamans and Parets de Vallés, in the province of Barcelona. As well as two warehouses located in Montcada i Reixac and Terrassa, also through their own stores and franchises. There are also six rented warehouses in the towns of Parets, Montornès and Sabadell (Barcelona), as well as in the cities of Shenzhen, Hong Kong (China) and New Jersey (USA). Enric Casi commented that “the company’s latest project has been to create a global distribution center that will be located in the spacious area owned by Mango in Lliça d’Amunt (Barcelona)”.

SLM is a process based on integral logistics (Figure 1), it is a company within a

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5 The vertical integration model means carrying out the producers' and retailers' work.
company, which includes the coordination of different areas such as information systems, product design, preparation of samples, purchasing, front desk, quality control, standardization of suppliers, materials depot, production, production quality control, finished product warehousing, distribution of orders, merchandising\(^6\) in stores, warehousing in stores and prices. The objective of SLM is to enable every one of the points of sale, distributed throughout the world, to have goods at any given moment based on their turnover rate and sales forecast, as Enric Casi explained “we produce what is will be sold and not to see if it will be sold”. This guarantees constant renovation of merchandise and a production rate set by market demand, both in volume and variety.

![Figure 1. Mango’s Integral Logistics Model](image)

In order to be able to monitor the supply chain according to the needs of each store, Mango has implemented two-way communication in the logistics platform. In order to be able to carry out such communication every point of sale has a portable terminal which allows it to receive goods, confirm receipt, transfer goods, return, price every garment and control inventories. It should be pointed out that orders are not managed by stores but by the headquarters, that at the beginning of every season decides which articles and accessories it will supply the establishments. The criteria for this is set by a sales management system, which can constantly obtain an inventory from every store. In order to avoid overproduction, the company programs store deliveries by setting production based on average sales at every point of sale.

On the other hand, Mango does not own its own transport fleet, but rather subcontracts it to external logistics companies. Both managers comment that in fact “at Mango all of us are the logistics”. Logistics depends on a set of actions coordinated among all the other areas (design, manufacture, distribution, etc.).

The logistic system’s key factors are: (1) reaction capacity to changes that take place in

\(^6\) *Merchandising* is a set of activities which stimulates purchase at a point of sale. Its purpose is to draw attention, direct the client towards the product and to facilitate the purchase action.
the market, (2) capacity to manage inventories\(^7\) on a global scale and in real time between the stores and headquarters (3) capacity to receive and transmit information between the different centers and all this through the intensive use of technology. These factors give the company control over what is happening at any given moment in the various retail outlets\(^a\) and greater reaction speed to changes in demand.

**Production systems: Manufacturers and suppliers**

All tailoring activity (complements and garments) takes place through third party companies, about 200 suppliers throughout the world. New suppliers are included every season (manufacturers, raw material suppliers, etc.) to cover technical requirements and the increase in production according to the: manufacturing time, price of garments, technology, capacity, quality, organization, professionalism and international experience.

Collaboration with suppliers is long term. Occasionally they visit the headquarters to have: (1) more direct contact; (2) jointly analyze and plan the different manufacturing aspects, as well as the business in general; and (3) control the quality of garments through a computer program.

Although garment design is always unertaken in the company’s headquarters there are two production systems, the use of one or the other depends on geographic factors (proximity), technicians (specialization in production): (1) manufacturers (76% of total production): the supplier takes charge of buying raw materials and production. This type of supplier is from Southeast Asian countries and India. (2) Production workshops (24% of total production): raw materials are acquired by Mango and then sent to the suppliers for subsequent tailoring and shipment. This type of supplier is essentially from North African countries.

In order to carry out tracking for the whole garment manufacturing process up to their distribution to the stores, the company has used radio frequency, classification and distribution systems in the distribution center. With this technology the company applies their quality control policy, from garments and accessories' inspection at source to their sale in stores, and the supervision of not allowing subcontracting\(^8\) of garment manufacture by manufacturers and production workshops. Occasionally there are particular processes which some supplier may not have at their disposal (for example a specific type of embroidering). In these cases the work is sent and undertaken in other specialized companies. Mango is aware of and authorizes this type

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\(^7\) The inventory refers to materials in stock in stores or warehouses of the organization.

\(^8\) Sub-contracting is understood as the derivation to a third party company, by the supplier, of the part of production commissioned to them, without either the knowledge or authorization by Mango, the central company.
of production. When the manufacture of a “special element” starts to gain importance, these suppliers become part of the control and monitoring system.

**e-business**

In 2000 Mango also backed the Internet as a sales channel to diversify its in-store sales. The client profile mangoshop.com is a young female consumer, active, urban and interested in fashion between 20 and 45 years old who spends an average of 90 euros. The majority of online orders came from Germany, United Kingdom, Spain and France. Specifically, Germany and the United Kingdom account for more than half the web turnover.

The portal had 17,250,011 visits during 2009 and accounted for an invoicing of 11.7 ME for the firm, 47% more than in 2008 and 1% of the group’s total turnover. The forecast for 2010 is to duplicate this business through this channel by reaching 2% of the group’s turnover. The objective is to reach 7% within 3 years.

In order to be able to carry out this ambitious expansion plan, at the end of 2009, Mango began to sell via online corners and multi-brand e-tailers in the main online stores. At the moment the brand is already present in ASOS, John Lewis or House of Fraser for the United Kingdom, Nelly for Nordic countries, Boutique.ru for Russia, Lotte or Akmall for Korea, V&D for Holland and Amazon for the USA. It has also recently been incorporated to the largest e-commerce platform in China: Taobao. The same expansion plan is being carried out by the brand’s own virtual store which already offered significant geographic coverage. The weight of the brand’s own virtual store in invoicing continues to dominate with 80%, as sales through third parties' portals is very recent and has to be consolidated in future months.

The keys to the success of the Internet channel are the same as can be applied to a traditional retail outlet, although adapted to the online medium: an interesting product, reasonable price, visibility, product exposure, appropriate stock and its availability using the same logistics system. The main difference is found in the visibility and product exposure. For product exposure, a lot of work is needed on images, product information and details; so that the product's online visualization can substitute for the fact of not being able to touch it. In order to achieve this they use tools such as cross selling to suggest matching clothes and ideas about how to wear garments, which would be the work of a shop-assistant in any store.

Coinciding with the tenth anniversary of Mangoshop.com, in 2010 Mango launched a new online store design focusing on Web 2.0 technology, which will incorporate new

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9 Taobao can already count on more than 190 million registered users, in 2009 it reached a transactions volume of more than 200,000 million Chinese yuanes.
functions: a search engine, users’ opinions, integrated social networks, product improvements, etc. Mango has decided to enlarge its shopwindow via Internet and this business is considered as one more sales channel.

**Growth strategy**

Mango Group’s growth strategy at an international level has been based on direct investment in establishments, a franchise system and the development of their own management systems. This strategy has been undertaken through the investment of their own resources allowing the company to continue to function like a small company giving it flexibility and agility when taking decisions.

The franchise system has represented a quick way to open stores, disseminate the brand, find good locations and increase production. This system has been carried out mainly in countries where cultural and administrative characteristics are very different and it is therefore more appropriate that management is undertaken by people from that country. It has also been applied in cases where it contributes to a good location and when market characteristics make it more suitable. It should be noted that Mango has placed special importance, from its beginnings, on the location of the retail outlet (major shopping centers or in the main commercial avenues in cities); to the establishments’ characteristics (illumination, space, decoration and shopwindow) which allows it to maintain certain criteria in interior design, image and product exposure and its features.

The natural market and the most successful for its products has been Europe. Also, other countries where there has been a high level of acceptance have been Arab, Asiatic and cold countries. Specifically in China, Mango has 41 franchise establishments. At the end of 2009, the chain had 807 franchised stores. In particular, the concept and company strategy have been changed in Latin-American countries due to high import tariffs and significant administrative barriers. These two entrance barriers have been reflected in the product’s final price. Out of necessity, the increase in price has directed company strategy towards a segment of the population with a higher standard of living.

Globalisation and the emergence of IT are a consequence of the huge transformation that the textile industry has undergone throughout the world. In particular, the present Spanish textile chains come from the evolution of traditional companies in the sector, who have realized that there are advantages in combining distribution and production. This has given rise to the creation of the concept short-curcuit

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10 In these countries Mango adapts 20% of its collection.
11 The percentage of its own stores and franchise-holders is 35% and 65% respectively.
These improvements have allowed for the creation of business models capable of responding to demand in a matter of weeks and adapting to changes in trends and fashions. This has all been possible thanks to IT which has enabled improvements to information management between different production phases, an improvement in communication between the headquarters and the rest of the agents in the value chain (suppliers, stores, manufacturers, etc.), a reduction in the product’s time in arriving to the market and an quicker adaptation to changes in the sector. Efficient production process management results in a reduction in both operating costs and company management. But in order to be competitive in the sector textile companies must also consider production costs. For this reason, the majority of textile chains manufacture their clothing in countries that have more competitive production costs (China, India, Indonesia or North Africa).

Mango has established itself as the most international textile company in the world and Spain and the second largest exporter from the Spanish sector thanks to its integrated logistic system (SLM) and the two-way communication platform. These systems have allowed it to decentralize operations and reduce transaction costs between franchises, suppliers, manufacturers and collaborators and centralize all information in the headquarters therefore optimizing the company’s internal and external management processes and establish trust-based relationships and commitments between the retail outlets. These relationships have allowed the company to fortify their brand image, obtain greater information about the opinions, tastes and needs of clients in every market and to jointly work on the tendencies and specifications of every country with the aim of giving better service to every retail outlet and understand the characteristics of every market. It is worth pointing out that the company has put special emphasis on customer support (consultations, suggestions, complaints, etc.). This work has been undertaken directly in stores using carefully selected personnel who maintain a coherence with the company’s brand image and who have been trained in accordance to its needs.

The textile sector is in continual change and the main challenges facing textile companies are: 1) volatility in fashion which means an increase in the number of collections/year, a reduction in the time between collections and an increasing importance in stock management; 2) an increase in competition; 3) more pressure on the products' final price; 4) a decrease in productive activity value as a consequence of the increase in imports in countries with more competitive labor costs and 5) an increase in the weight of the brand leading to greater investment in marketing.

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12 Short circuit distribution is born out of the need for more frequent deliveries of less volume. It is based on the philosophy of zero stock which, through constant market tracking, means having at your disposal new garments all year. In this model, flexibility by all agents is essential (especially in sub-contracting), they have to respond to demand in a very limited period of time taking into account changes that take place in the market.
activities.

Analysis of present and future sustained growth

Until now, Mango has been able to successfully fit its distinct advantages (people, management process systems, technology and brand) with the sector's success factors and the conditions surrounding the market in which it competes (adaptation to changes, production cost, competitive product pricing, and operating cost). This has allowed it to expand internationally by also developing its competitive advantages in these countries (their own logistics system (SLM), professional team, manufacturing system, brand concept). These competitive advantages have not only allowed it to grow quickly and sustainably, but also to reduce entrance barriers in new markets (price and production cost) and to continue spreading their competitive advantages through continual development of their logistics systems and updating their resources and capacities.

In order to continue international development and to preserve its competitive advantages in the coming years, the company has raised a set of objectives that will help it continue to grow healthily in the sector and to develop new competitive advantages. Some of the objectives are: 1) reinforce brand image as a designer product, 2) personalize retail outlets, 3) plan financial resources, 4) continue optimization of logistic processes, 5) continue managing the distribution chain efficiently, 6) invest in new technologies and facilities and 7) emphasize the role of e-business.

In order to deal with the competition and increase the brand's weight, Mango will reinforce its brand image through campaigns with 'celebrities', giving prizes 'Mango fashion awards', doing fashion shows, mobile applications for iPhone, etc. As for continuing to hold on to its position with respect to the competition it will use more exhaustive analytical mechanisms using managing measurements such as buyer profile, personnel rotations, average purchase value, etc. and selecting and repositioning the most dynamic product.

In order to deal with the volatility of fashion, purchaser power and the reduction in activity and productivity value, the company will continue to improve and optimize all its processes. With respect to planning financial resources, the company is considering to continue to reinvest all profits back into itself. With the optimization of logistics processes, the company expects to reduce the time and cost caused by the movement of materials and information as well as increase direct shipments from factories to stores. And in the efficient management of the distribution chain, the company is developing new systems with which they expect to improve the speed and the ease of integration with logistics operators. In order to implement this new logistics platform
the company is handing over and installing the technology in the suppliers, logistic manufacturers and operators’ systems, allowing for instructions to be sent and integrating the systems' monitoring, control, tracking and decision making. The optimization of the processes and the development of these new logistics systems are strategic for the company. This will enable it to maintain prices without having to reduce product quality over the next few years, to confront the changes in the sector and to continue to compete in production processes with countries that have cheap labor.

Finally, e-business is another strategic element as it competes using all the areas of the company and is a channel which allows the company to get nearer to suppliers, manufacturers, operators and stores through: sales and client relationships, network connection of the stores, exchange and use of information at all levels and SLM.

The purpose of all these objectives besides sustaining the company's continual growth is to foster the triple balance of the company (economic, social and environmental).

Conclusions

Mango was set up with the mission to “be present in all cities in the world” and projecting a coherent and unified image. The company was founded according to three fundamental suppositions, which were not so obvious in the Seventies: (1) offer quality garments at a reasonable price without this meaning moving away from the latest fashion for young, modern clients; (2) manufacture in countries with more competitive production costs, obtain a low cost and keep prices competitive; and (3) control operating costs thanks to up-to-date information systems.

From these three suppositions, Mango provides us with a drastic change in the traditional textile sector: (1) developing a global brand concept through fast adaptation to the cultural habits using the design of articles which are adapted to the geographic area, the boutique climate of the store through design and decoration which leads to a purchase, the meticulous selection of personnel to project a coherent image, a collection of their own stores and franchise-holders that emanate the same style, etc.; (2) developing a production management system with third party companies through which it controls the quality of the clothes; and (3) developing SLM (Mango's Logistics System) which eases product distribution, reduces transport and handling costs, manages inventories on a global scale in real time, and allows for flexibility in reaction to the various changes in the environment.

The concept of a global brand, the efficiency of its computer and logistics systems, as well as its team of professionals have been key factors for Mango's sustained growth over these years. Presently, the company is developing a dynamic advantage in dealing
with continuous changes in the environment. This requires continual readjustment to productive-logistic processes through IT. This competitive advantage along with the culture of human relations means that the business model can continue to maintain its sustained growth.

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