

MANGO FASHIONS RETAIL TEXTILE REVOLUTION

When Mango opened its first store in 1984 it signaled a revolution in the textile industry. IESE Prof. Marc Sachon talks to the company's founder and president Isak Andic about Mango's success and the looming threat from China.

A quarter of a century ago, in 1984, when the Spanish textile industry was in the doldrums, **Isak Andic** opened the first Mango shop in Passeig de Gràcia, Barcelona's up-market shopping street. A year later the number of stores had grown to six. It was a winning formula – fashionable women's clothes at affordable prices – and a business model that cut overheads through an imaginative use of IT and human resources. Now Mango has more than 1,300 shops around the world, with up to 300 new outlets opening every year.

To meet the logistical needs of this huge operation, Mango has tailor-made its logistics with a state-of-the-art distribution centre in Barcelona. Every night the data from all the shops is collated and by the following morning everything that has been sold will have been restocked and new lines are sent out.

Mango manufactures wherever it can get the best work done for the best price, **Andic** says. Its products are made in India, China, north Africa, Turkey or eastern Europe, depending on the speed, quality and fabrics each country is able to deliver. The company maintains close control over distribution, with each partner taking responsibility for a part of the business, which they run between them.

"What we can't do is turn our backs on the business. All the partners work in the 'kitchen'. In fact, we have a very good cook so all the partners can eat together every day, which means we have excellent communication. Each partner is responsible for a part of the business; we run it between us. At lunchtime we share information and that way we can wage a war rather than a series of battles."

Mango revolutionized the sector and since it appeared on the scene, many others have sought to copy its business model. **Andic** says that the industry in general conforms to a limited range of models. "In textiles there are three basic

MANGO IN NUMBERS:

Mango has more than 1,300 stores in 100 countries.
Turnover in 2009: €1.48 billion.
Isak Andic is a member of IESE's International Advisory Board.



Prof. Marc Sachon and Isak Andic

business models. In the first, you distribute your products via multi-brand outlets, in the second you have your own shops and the third is a mix of the two. You have to have flexibility in distribution as well as in production. If you can combine these two efficiently, the battle is won.”

The financial crisis and the rapid rise in unemployment have hit the retail sector hard, and yet Mango has gone on expanding. “We were prepared and we weren’t caught napping by the crisis,” **Andic** says. “In the past five years we’ve expanded even further. Before we were in 50 countries, now we’re in 100. Before we sold 60

percent of our product abroad, now we sell 80 percent. We’ve got behind the brand and set up the Botón-Mango prize, which at €300,000 is the biggest in the world, and which designers such as **Óscar de la Renta** and **Valentino** have presented.”

Mango has brought in famous faces such as **Scarlett Johansson**, **Penélope Cruz**, **Elisabeth Hurley** and **Milla Jovovich**, who have shared their design ideas with the company. All of this has enhanced the brand’s image. The company has also invested heavily in logistics and IT (it employs 250 IT staff). It has set up a new advisory

A LEADER IN FAMILY BUSINESS

In October, Isak Andic will take over as president of Spain’s Family Business Institute, which brings together over 100 of the country’s largest family businesses which account for 17 percent of GDP.

MANGO

CHRONOLOGY

1984

Opens **FIRST SHOP IN THE PASSEIG DE GRÀCIA** in Barcelona.

1985

Opens first shop in **VALENCIA**. Begins **NATIONAL EXPANSION**.

1992

Beginning of international expansion with 2 shops in Portugal. 100th shop opens in Spain.

1994

Establishes the management structure still in place today which is based on **SPECIALIZED AND COORDINATED TEAMS**.

1997

International sales exceed for the first time sales in Spain.

1998

Mango becomes Spain's second biggest clothing exporter.

2002

With 630 shops in 70 countries, expansion into new markets such as Australia, Bulgaria, China, Italy and Tunisia continues.

2003

New markets: Honduras, Serbia and Montenegro.

2004

Has a presence in 75 countries with openings in Azerbaijan, Estonia, El Salvador, Macao and Vietnam.

2005

Mango Touch, dedicated exclusively to accessories, is established

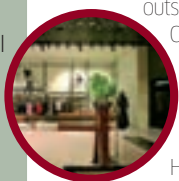
2006

Opens in North America with shops in Costa Mesa, **CHICAGO, DALLAS, LOS ANGELES**, McLean, Orlando, San Francisco and Santa Mónica.

THE BOTÓN-MANGO FASHION AWARDS for emerging designers are launched.

2007

'THE HANGAR DESIGN CENTER', Europe's biggest design center opens and Mango begins working with outside designers. Celebrities such as Penélope Cruz, Scarlett Johansson, Elisabeth Hurley and Milla Jovovich contribute design ideas.



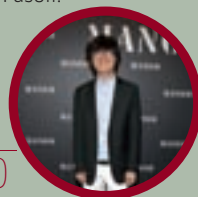
2008

HE, Homini Emerito, aimed at fashion-conscious young men, is launched.



2009

Continues to work with outside designers such as the New Yorker Adam Lippes and the Belgian Sandrina Fasoli.



2010

Moisés de la Renta creates a collection of T-shirts exclusively for Mango and Lee Jean Youn designs a limited edition for Mango.

council and the executive councilors have become partners. At the same time, Mango has opted to open shops in better locations - more expensive - but which give the brand greater visibility.

"Really, the crisis hasn't affected us," **Andic** says. "We have used it as an opportunity to cut costs and be more efficient. Our objective is to open a shop every day, and that's why all of the partners are going to China, where some businesses are opening 500 outlets a year. We're going to learn how they do it in order to speed up our growth in China, not to 500, but 200 or 300 outlets a year. It's a logistical roller-coaster ride, but we're used to that."

China, of course, is the proverbial elephant in the room, a competitor that could change the face of the industry and wipe many businesses off the map. **Andic** agrees that the threat is real, though not insurmountable. "They're learning, like everyone else. At the moment they only make clothes, but soon they'll be designing them, just like what happened in Japan. In Japan there is brand, image, design and quality, and China is following in their footsteps. The difference is the Chinese market is so vast that, before they start exporting, they will have to meet domestic demand. So we hope this will take them a few years, but they will export because the Chinese are very ambitious and work better than Europeans and Americans and they are more efficient than us." He adds, phlegmatically: "There will be a bit of a clear-out, there always is. The textile business used to be based in Manchester, then it was Sabadell (near Barcelona), then Morocco, and now it's China. It's inevitable, evolution doesn't stop. But our shopping decisions aren't only governed by price, there are a lot of other factors involved. And if you can maintain a good image, good quality, good prices and good distribution then you'll stay in business, even when the Chinese arrive."

From the outside, it appears that Mango hit the ground running, with a clear idea of where it was going and how it planned to get there. But was this really the case?

"When you start out you don't know where you're going to end up," **Andic** says. "It's all very well being educated in schools like IESE, completing your studies and becoming a good director in a multinational, but I would encourage all your students to try to go out and do business, because it's a great thing to do. Of course you suffer a bit more at the beginning and you feel insecure, but there's just as much or more insecurity working for a firm, and no one's going to sack you if the business doesn't work out. My advice is to try to be business people, rather than directors. You can't make the excuse that 'it's too late because there's nothing new anymore.' There are many examples of business people who emerged in the past four or five years who are now in the top world rankings. There are loads of niches left to fill."

Andic clearly relishes a challenge. "I believe that - like competition - crises are necessary. Painful as it is for many people, this crisis will make us better. We will learn from our errors and develop new, leaner and more flexible business strategies."