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DEMAND-LED PRODUCT ASSORTMENT DIVERSIFICATION AND ENTERPRISE COMPETITIVENESS

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Abstract. This study examines how market-demand analysis can inform product-assortment diversification and competitiveness, using Inditex's published concept-level sales for 2024 and 2025. The research applies secondary-data analysis, revenue-share decomposition, growth comparisons and a proposed segmentation-to-assortment framework. Group sales rose from EUR 38,632 million to EUR 39,864 million, while the relative contributions of Zara, Bershka, Stradivarius and other concepts varied. The study distinguishes observed brand-concept diversification from unobserved SKU-level product diversification. It argues that managers should interpret heterogeneous growth as a signal for testing customer propositions, not as proof of causal success of individual assortment interventions. Practical recommendations include segment-based pilots, channel-integrated demand signals, cannibalisation tests and margin-adjusted portfolio KPIs. The analysis is limited to published aggregate reporting and does not claim access to customer surveys or proprietary assortment data.
Keywords: market demand; assortment diversification; segmentation; brand portfolio; omnichannel; competitiveness; Inditex.

Product diversification can occur through new product lines, variations within existing lines, entry into new customer segments or channel-specific assortments. These forms should not be conflated with corporate brand diversification. Inditex offers a useful observable example because its public results separate several retail concepts, permitting analysis of differences in concept growth. [1]

1. INTRODUCTION

Consumer demand is fragmented by lifestyle, price sensitivity, purchase occasion and channel. The strategic task is to identify unmet needs without creating overlapping products that cannibalise each other. In an omnichannel environment, demand data can inform the breadth, depth and localisation of the assortment.

The study asks how a multi-concept retailer can translate market-demand signals into diversification priorities. Its objectives are to describe Inditex's reported concept-level sales dynamics, propose a decision architecture for assortment diversification and specify testable performance indicators.

Inditex is a consolidated group, not a single factory. Therefore findings are transferable to enterprise assortment management at the conceptual level but cannot be represented as empirical evidence from an Uzbek manufacturing plant. The article deliberately avoids invented surveys, customer sample sizes or SKU counts.

2. MATERIALS AND METHODS

The empirical material is the Inditex FY2025 results release, which reports concept sales for FY2025 and FY2024 in EUR million. We calculate concept share as concept revenue / group revenue × 100, annual growth as (sales_2025 / sales_2024 − 1) × 100, and the Herfindahl concentration index as HHI = Σ(s_i)^2, with shares expressed as fractions.

The analysis is descriptive. Brand-concept sales are an imperfect proxy for assortment diversification: each concept contains numerous products and may have changed pricing, footprint, exchange-rate exposure and digital-channel mix. Reported group-level growth does not identify which specific product introductions succeeded.

The proposed applied method combines customer segmentation, choice modelling, controlled launches and contribution-margin evaluation. Such steps require primary transaction data and are presented as recommendations rather than performed experiments.

3. RESULTS: SALES BY RETAIL CONCEPT

Inditex reported EUR 39,864 million in 2025 group sales versus EUR 38,632 million in 2024, equivalent to approximately 3.2% nominal growth. Zara, including Zara Home and Lefties in the published grouping, remained the dominant concept. Bershka, Stradivarius and Oysho grew more rapidly than the group aggregate.

These differences suggest heterogeneous performance across consumer propositions. They do not show whether additional SKUs, product innovation, store footprint or pricing drove growth. The observed concept figures are reproduced below to preserve the distinction between reported evidence and interpretation.

Concept	2024 EUR m	2025 EUR m	Growth %
Zara grouping	27,778	28,051	1.0
Pull&Bear	2,469	2,546	3.1
Massimo Dutti	1,960	2,019	3.0
Bershka	2,930	3,286	12.2
Stradivarius	2,664	3,002	12.7
Oysho	831	960	15.5
Group	38,632	39,864	3.2

3. RESULTS: PORTFOLIO CONCENTRATION

The Zara grouping represented approximately 70.4% of 2025 group sales, compared with approximately 71.9% in 2024. This modest decline in revenue share coincided with faster growth in several smaller concepts. The calculation describes the distribution of group revenue across concepts, not the breadth of products available to consumers.

Using the six disclosed concept categories, the estimated HHI decreased from approximately 0.535 in 2024 to 0.516 in 2025. This indicates slightly lower revenue concentration at the concept level, while remaining highly concentrated in the Zara grouping. The HHI should not be interpreted as a market-competition index here: the categories are internal business concepts, not rival firms.

Indicator	2024	2025
Group revenue (EUR m)	38,632	39,864
Zara grouping share (%)	71.9	70.4
Concept-revenue HHI (approx.)	0.535	0.516
Online sales 2025 (EUR bn)	—	10.7

4. DISCUSSION: DEMAND-LED DIVERSIFICATION

A robust diversification programme begins with identifying underserved needs, not with generating more styles. Segments may be defined by price tier, usage occasion, fit preference, climate and purchasing channel. Management should distinguish incremental demand from substitution: a new variant that mainly replaces sales of an existing item may not improve total contribution.

Inditex reported online sales of EUR 10.7 billion in 2025, up 4.8%. Its integrated store-and-online model makes omnichannel demand signals relevant, although the public report does not disclose the underlying customer-level algorithm. An enterprise can use search queries, abandoned carts, returns reasons, regional stockouts and repeat-purchase patterns to build a hypothesis pipeline.

A proposed demand score is $D_i = 0.30U_i + 0.25M_i + 0.25F_i + 0.20G_i$, where U is unmet need, M expected contribution, F forecast reliability and G strategic fit. The weights are illustrative and require calibration.

4. DISCUSSION: EXPERIMENT DESIGN AND MANAGERIAL USE

Diversification hypotheses should be tested with small launches across comparable stores or customer cohorts. The treatment is a clearly specified addition or replacement of an assortment family; the control is a matched assortment without that change. A pre-defined observation window should cover initial sales and subsequent returns or markdowns.

The primary endpoint should be incremental contribution after fulfilment, returns and discounts, rather than sales of the newly introduced product alone. Secondary measures include conversion, cross-category basket attachment, sell-through, customer satisfaction and availability of established bestsellers.

Managers should also consider supplier capabilities and inventory pooling. Products sharing materials or components can increase perceived variety without equivalent complexity. Conversely, narrow niche variants may require minimum-order quantities that erase potential margin gains. The best diversification strategy balances customer relevance with operational feasibility.

Demand-led diversification begins with a reliable distinction between persistent customer preferences and temporary market noise. Transaction trends, search queries, returns, store feedback and customer surveys can reveal emerging needs, but each signal has biases. Search interest does not automatically translate into purchases, while short-lived sales spikes may reflect promotions. A firm should triangulate multiple indicators before expanding a category. In the Inditex case, publicly disclosed retail-concept sales provide an aggregate view of portfolio performance, not direct evidence of the internal demand signals used for individual assortment decisions.

A multi-concept portfolio offers differentiated value propositions across consumer groups, price positions and shopping occasions. Diversification is effective when the concepts reach distinct demand

pools while sharing selected capabilities in sourcing, technology and logistics. It becomes less effective when concepts duplicate products or compete for the same customer without meaningful differentiation. Therefore the relevant analytical question is not how many banners a group operates, but whether each concept generates incremental customer value and profitable demand. Concept-level revenue shares are descriptive indicators of concentration rather than measures of product-level variety.

A concentration index based on the squared shares of retail concepts can summarise how dependent group revenue is on its largest concept. The index approaches one when one concept dominates and decreases as sales become more evenly distributed. However, a lower concentration score is not automatically desirable: it may reflect weaker performance by a leading concept rather than successful diversification. Changes must be interpreted alongside growth, profitability, customer reach and strategic positioning. Moreover, retail-concept concentration is not equivalent to the diversity of styles, categories or stock-keeping units within each concept.

A practical segmentation framework combines behavioural measures such as purchase frequency and basket composition with needs-based measures such as style preferences, fit requirements, sustainability expectations and price sensitivity. Demographic categories alone often fail to capture the reasons for a purchase. Segment attractiveness should be evaluated using size, growth, accessibility, competitive intensity and expected contribution. Before creating a new line, managers should identify the specific unmet need it addresses and determine whether the need can be served by modifying an existing range rather than introducing a separate assortment.

Small-scale tests can reduce the cost of incorrect expansion decisions. A test should define its eligible customers, comparable stores or digital traffic, treatment assortment, control condition and observation period before launch. Primary outcomes might include incremental gross contribution and conversion, while secondary outcomes might include returns, basket value and repeat purchase. Researchers should monitor whether new products displace sales of established products. Without a credible comparison group, an observed increase in sales after a launch cannot be attributed confidently to diversification, because seasonality and marketing activity may also change.

A new category may increase its own sales while shifting customers away from existing products. Cannibalisation is not always harmful when the replacement offers higher contribution or strengthens retention, but it must be measured. The appropriate performance indicator is incremental enterprise contribution after deducting displaced sales and additional complexity costs. Customer cohorts and store-level comparisons can help estimate substitution patterns. Published group accounts do not provide the transaction-level detail required for this calculation, so the study recommends the method without assigning unsupported cannibalisation rates to Inditex.

Physical and online channels have different space constraints and discovery mechanisms. Stores may prioritise high-demand products and locally relevant options, while digital channels can present broader ranges. Nevertheless, a fragmented view of inventory can cause avoidable stockouts, returns and duplicated replenishment. An integrated system should connect product availability, fulfilment costs, customer preferences and channel-level contribution. Managers should also distinguish apparent online growth driven by channel migration from genuinely incremental demand. Effective omnichannel coordination therefore requires both operational integration and careful performance attribution.

Diversification increases uncertainty about which products will sell. Flexible supplier relationships can mitigate this risk through smaller initial orders, shorter lead times and responsive replenishment. Such flexibility may carry higher unit procurement costs, making the trade-off between speed and cost explicit. A sound sourcing decision compares expected markdown avoidance and improved availability with any sourcing premium. Supplier concentration, labour standards and traceability should also enter the decision. This creates a broader assessment of resilience instead of treating speed alone as proof of competitiveness.

Sales growth is insufficient as a diversification objective when new categories absorb disproportionate working capital. A complete business case should consider gross contribution, inventory days, cash conversion, return rates and fixed coordination costs. Scenario analysis can test how profitability changes under lower demand or higher markdowns. Managers should set a maximum initial inventory exposure and specify when a product family will be scaled, revised or discontinued. The financial thresholds must be based on internal economics; publicly available Inditex revenue figures do not establish those thresholds for the company.

The study is based on corporate reporting and established portfolio-management concepts. It cannot infer individual consumer preferences, experimental treatment effects or product-level profit from annual consolidated data. Comparability across years can also be affected by changes in reporting presentation and currency conditions. Future research should combine internal SKU-level transactions with survey evidence and a pre-registered assortment experiment. A longitudinal design would make it possible to distinguish short-run novelty effects from durable improvements in repeat purchasing, customer satisfaction and risk-adjusted profitability.

5. CONCLUSION AND REFERENCES

The evidence documents different sales-growth trajectories across Inditex concepts and a modest reduction in internal revenue concentration between 2024 and 2025. It does not establish that product-line diversification caused those outcomes. A defensible enterprise policy therefore combines segmentation, demand experiments, financial screening and disciplined learning.

Limitations include reliance on two annual concept-level observations, absence of SKU-level outcomes and potential confounding from exchange rates, pricing, store optimisation and brand strategy. Further research should combine panel data with controlled launches and customer research.

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