

Fashioning

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Spain's Amancio Ortega is extending his cheap-chic Zara retail empire from Rio to Toronto to Shanghai, making him richer than Warren Buffett.

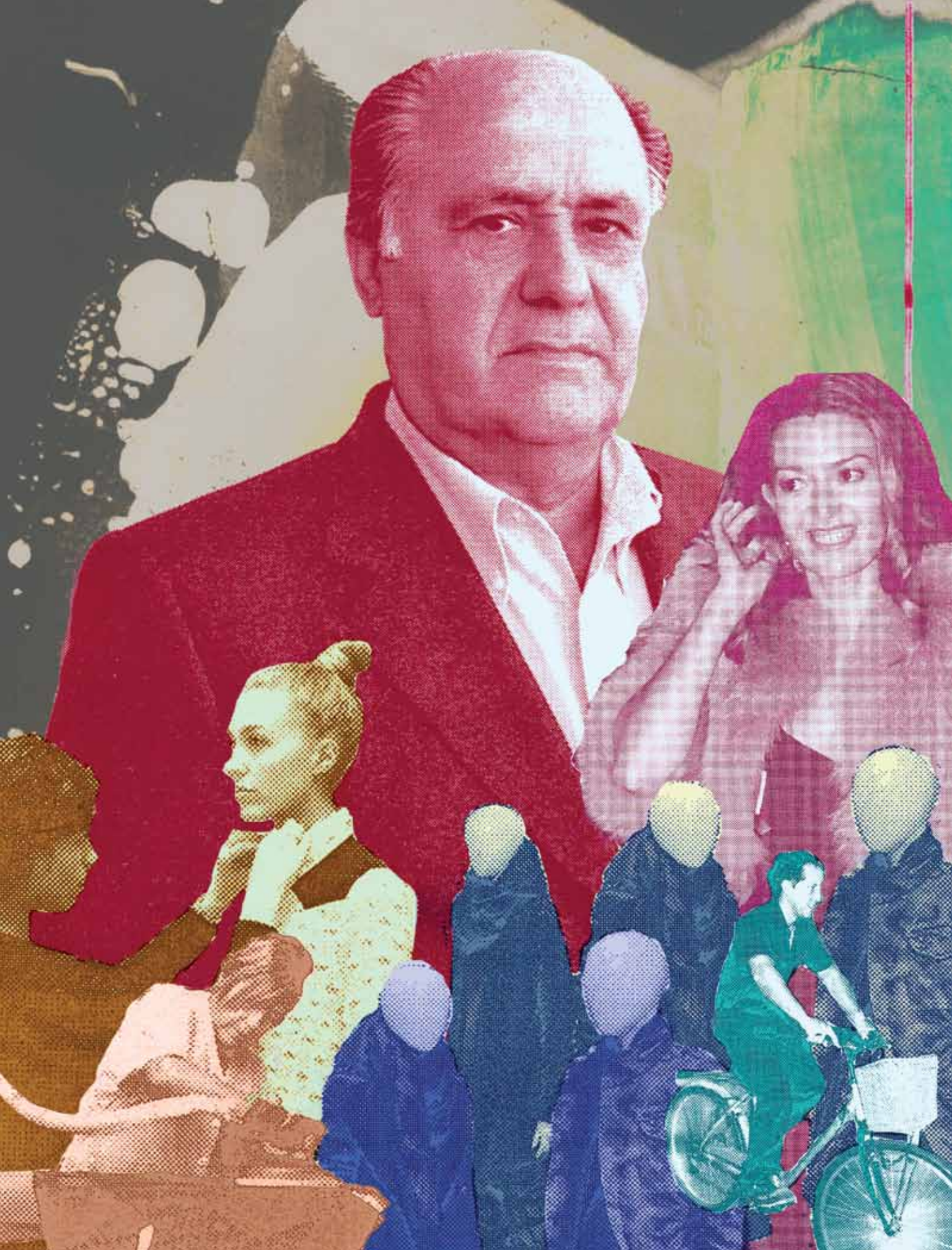
Fortune

- BY ALEX CUADROS
- ILLUSTRATION BY KATE BANAZI

THE
WORLD'S
RICHEST
PEOPLE

INSIDE INDITEX SA'S concrete-and-glass headquarters in the Spanish town of Arteixo, a lithe woman slips into a dress that a seamstress working amid buzzing sewing machines stitched together just minutes earlier. A half circle of designers—looking like models themselves—nod approval. In weeks, this and hundreds of other creations inspired by pop culture or couture catwalks will

Amancio Ortega is shown with his daughter **Marta Ortega**, at right.



fill the company's more than 1,600 Zara stores in 85 countries on six continents. Since opening the first shop in his seaside home of La Coruna in 1975, billionaire founder Amancio Ortega has built the world's largest clothing retailer—and a fortune exceeding Warren Buffett's.

Ortega, 76, a publicity-shy entrepreneur with a net worth of \$53.6 billion as of Oct. 5, is hardly a celebrity like Buffett or Bill Gates. He occupies the No. 3 spot on BLOOMBERG MARKETS' first annual ranking of the world's richest people, behind Microsoft Corp.'s co-founder. Ortega owns 59 percent of Inditex stock—and those shares surged 58 percent this year through Oct. 5, knocking Buffett, with a net worth of \$48.4 billion, to fourth. Mexico's Carlos Slim tops the Bloomberg Billionaires Index, with \$77.5 billion.

Ortega's wealth is soaring even as his country battles an economic meltdown. Spain's unemployment is hovering around 25 percent as the country suffers its second recession since 2009 and a debt crisis roils Europe. Standard & Poor's cut Spain's debt rating to one level above junk on Oct. 10. With the global economy growing the slowest in three years, Ortega's cost-conscious lines are ringing up sales. "That turbulence strangely favors a retailer like Zara," says Nancy Koehn, a retail historian at Harvard Business School.

'HE SAW THAT FASHION HAS TO BE ACCESSIBLE, NOT JUST FOR A SMALL ELITE,' SAYS COVADONGA O'SHEA, WHO WROTE ORTEGA'S BIOGRAPHY AND CALLS HIM A FRIEND.

"Among fashionistas, there's a new badge of status in finding the cool at a lower price." Kate Middleton, the Duchess of Cambridge, is sometimes photographed wearing Zara.

Inditex, short for Textile Design Industries in Spanish, boosted revenue to 7.2 billion euros (\$9.3 billion) in the first half of 2012, 17 percent more than a year

earlier. Revenue in Spain remained stable at about €1.6 billion during that time. "They are fast reacting to fashion, they are very flexible with their product and they are growing nicely," says Peter Braendle, who helps oversee \$55 billion, including Inditex shares, at Swisscanto Asset Management AG in Zurich.

Ortega's Buffett-beating billions haven't changed him, people who work with the fashion mogul say. After stepping down as Inditex chairman last year,

he still travels a half-hour to headquarters most days from La Coruna, where residents speak the local Galician dialect. He usually settles at a table amid the designers, fabric experts and buyers for the Zara Woman line. Wearing a simple shirt and slacks rarely of his own brands, which are cut for slimmer men, he confers on everything from



Counterclockwise from top left, **Inditex's main office** in Arteixo, Spain; inside, a **design area**; a **sewing department** where prototypes are stitched together; a **model** being photographed for Zara's website; a **worker checking finished fashions** before shipping; and **technicians riding bicycles** in the logistics center



placement of a zipper to the September debut of Zara's Chinese website. "He's extremely close to the business operation, where he meets and sees and talks to everyone," says Antonio Camunas, a former president of the Spain-U.S. Chamber of Commerce who connects clients with politicians, bankers and the media and has advised Ortega for almost two decades. Ortega declined to grant an interview for this story.

When Camunas, now 53, started working for Ortega in the early 1990s, the retail magnate had never been interviewed or photographed for publication. At the time, so much mystery surrounded the man behind the sleek Zara stores sprouting up across Spain that people speculated that Ortega must be a frontman for a Galician drug-smuggling ring, Camunas says, calling the idea

PREVIOUS PAGE (PHOTO SOURCES: DUSKO DESPOTOVIC/CORBIS; SPLASH NEWS/CORBIS); GUNNAR KNECHTEL; THIS PAGE: COURTESY OF ZARA (DESIGNERS)



nonsense. “They couldn’t understand how he could do it,” says Camunas, chain-smoking at the Madrid offices of his consulting firm, Global Strategies SL. Covadonga O’Shea, who in 2008 published Ortega’s only authorized biography, later translated into English as *The Man From Zara*, wrote that Ortega met with former Catalan President Jordi Pujol to dispel the rumors.

Ortega turned the top-down fashion industry on its head by responding to customers’ demands, says O’Shea, who’s now president of the University of Navarra’s ISEM Fashion Business School in Madrid and one of just three journalists who have published conversations with him. They met 22 years ago, and she still considers him a friend. “He saw that fashion has to be accessible, not just for a small elite,” says O’Shea, who

describes Ortega as humble, eager for her opinion and trusting of young talent. “Fashion had to be democratized.”

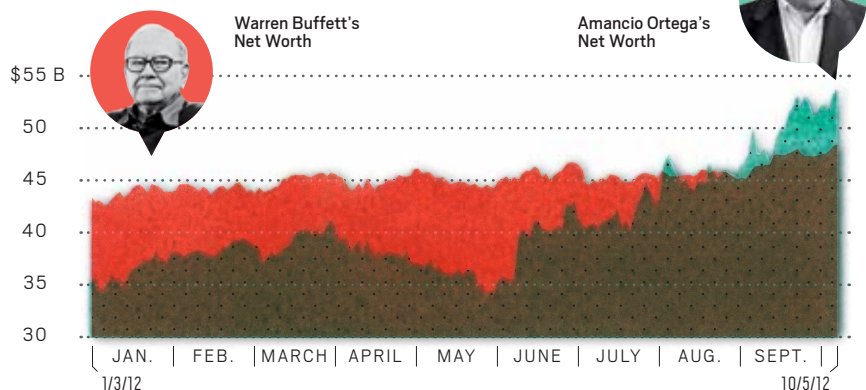
Ortega doesn’t have qualms about borrowing from haute brands. In 2008, French footwear maker Christian Louboutin Sarl unsuccessfully sued Inditex, saying the company had infringed on its trademark red-soled high heels. A typical Zara shoe costs less than \$100; Louboutin’s can exceed \$1,000.

Inditex employs 300 designers in Arteixo and 100 in Barcelona, a base for smaller brands such as Massimo Dutti,

which opened its first U.S. store in New York in October. They churn out 20,000 new items a year, taking cues from daily Inditex store reports on what’s selling, what’s hanging on racks and what customers are trying on and rejecting. The designers draw up patterns, and in the Arteixo factories, robotic cutters using technology from Toyota Motor Corp. slice miles of fabric to their specifications. Seamstresses in nearby cooperatives assemble the pieces and then send them back for ironing. A machine tags the price, applies plastic wrap and, using

Overtaking an Icon

Spain’s Ortega has sewn up a spot as the world’s third-richest person, dropping Buffett to No. 4.



Source: Bloomberg

a system that borrows from Deutsche Post AG's DHL shipping unit, slots each item for delivery.

Ortega keeps inventory low and stock fresh by constantly feeding stores new fashions instead of tying designs solely to seasons. Competitor Hennes & Mauritz AB of Sweden, Europe's No. 2 clothing retailer by revenue, can't act as quickly because it outsources all of its production, according to a 2003 Harvard Business School study by Pankaj Ghemawat and Jose Luis Nueno. Inditex has maintained its edge, Harvard's Koehn says. H&M spokesman Hacan Andersson says the retailer, controlled by billionaire Stefan Persson (No. 16 in Bloomberg's index), doesn't comment on competitors. "Our aim is to offer our customers fashion and quality at the best price, getting many reactions that we are right on trend," he says.

Inditex doesn't make everything at home. For less-fashion-sensitive items such as jeans and office wear, it outsources about half of its production to lower-cost countries. Ortega's drive for a cheap price tag has sparked a clash with Brazil, home to 35 Zara stores. Last year, government inspectors discovered more than a dozen Bolivians



Ortega's daughter Marta works as a buyer for the Zara Woman line.

laboring in slavlike conditions, living in shops where they sewed garments for Zara Brasil Ltda. Though the Bolivians worked for a supplier hired by the Inditex subsidiary, the Labor Ministry said Inditex was responsible. Jesus Echevarria, Inditex's communications director, apologized at a congressional hearing in Brasilia, saying the company didn't know about the situation. Inditex

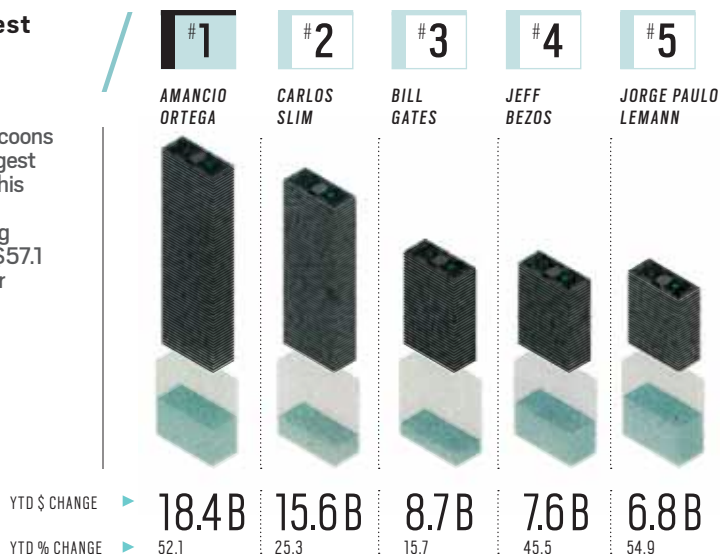
agreed to commit 3.4 million reais (\$1.7 million) to ensure legal labor conditions throughout its Brazilian production chain—a practice the company had pledged to implement on a global level as early as 2001. This year, to prevent its inclusion in the Labor Ministry's so-called dirty list of companies to which state lenders deny credit, Inditex filed suit with the Justice Ministry, saying it had been denied its constitutional right to defend itself against the accusation. The suit was pending as of mid-October.

The son of a railway worker, young Amancio knew about poverty. He dropped out of school at about 13 to run errands for a clothing shop. He later joined his brother, Antonio, and sister Josefa as salespeople at a competing store. There, he met Rosalia Mera, his first wife. In 1963, the siblings went into business producing inexpensive versions of matelasse bathrobes. Rosalia, Josefa and Antonio's wife, Primitiva, stitched the first quilted items by hand. "I thought it was not fair that only wealthy ladies could dress well," Ortega said, according to a 2003 article by Patience Wheatcroft in the *Times* of London.

Ortega began his global push in 1968 after visiting a Paris clothing fair with Javier Canas Caramelo, an early partner. "We went to see how people were doing

The Biggest Gainers

These five tycoons made the largest dollar leaps this year through Oct. 5, adding a combined \$57.1 billion to their net worths.



Source: Bloomberg

YTD % CHANGE
▶ 52.1

▶ 25.3

▶ 15.7

▶ 45.5

▶ 54.9

it in the rest of the world,” says Canas, 64, who now runs a clothing business in Arteixo called Etiem. “This is a man who’s always looking ahead.”

Relying on several hundred employees in Arteixo, Ortega opened the first Zara in 1975. He’d planned to name the store Zorba, after *Zorba the Greek*, a 1964 film starring Anthony Quinn, but a bar in La Coruna had claimed the name. Since Ortega had already ordered molds to create the letters for Z-O-R-B-A, he improvised with Z-A-R-R-A. He opened stores along the routes he traveled to buy fabrics and bought

Racking Up Retail Riches

Nine of the top 25 billionaires make their fortunes selling consumer goods—from low-end Wal-Mart to luxury LVMH.

| RANK | NAME | NET WORTH | CITIZENSHIP | SOURCE |
|------|-----------------|----------------|-------------|------------------|
| 1 | AMANCIO ORTEGA | \$53.6 BILLION | SPAIN | INDITEX |
| 2 | INGVAR KAMPRAD | 41.8 BILLION | SWEDEN | IKEA |
| 3 | CHRISTY WALTON | 30.5 BILLION | U.S. | WAL-MART STORES |
| 4 | JIM WALTON | 29.3 BILLION | U.S. | WAL-MART STORES |
| 5 | ROB WALTON | 28.7 BILLION | U.S. | WAL-MART STORES |
| 6 | ALICE WALTON | 28.2 BILLION | U.S. | WAL-MART STORES |
| 7 | STEFAN PERSSON | 24.7 BILLION | SWEDEN | HENNES & MAURITZ |
| 8 | BERNARD ARNAULT | 24.1 BILLION | FRANCE | LVMH |
| 9 | KARL ALBRECHT | 22.7 BILLION | GERMANY | ALDI GROUP |



Shoppers pass a **Zara store**, above left, in La Coruna. **Displays** are set up in a prototype Zara shop at Inditex headquarters.



a computer in 1976 to analyze customers’ desires, according to the Harvard study. “It became ever clearer to me what I had to do,” he told O’Shea, explaining his ambitions. By 1990, he had built a Zara in every Spanish city of at least 100,000 people and expanded to Paris and New York. He took his first vacation only after Inditex’s initial public offering in 2001, Camunas says.

As business blossomed, Ortega’s personal life grew turbulent. Mera had

given birth to a daughter, Sandra, now 44 and with a \$1.1 billion fortune as of Oct. 5. A son, Marcos, was born mentally disabled, which O’Shea calls one of Ortega’s great sorrows. In 1983, Ortega fathered another daughter, Marta, with an Inditex employee. After divorcing Ortega, Mera remains Inditex’s second-largest shareholder, with a fortune of \$5.2 billion. The employee, Flora Perez Marcote, became Ortega’s second wife two decades later. “My biggest regret is not having dedicated enough time to my family,” he told O’Shea. In a rare splurge, he built an equestrian center near La Coruna to oblige Marta’s love of horses. Of his three children, only Marta, who’s

approaching 30, works at Inditex, as a buyer for the Zara Woman line alongside her father in Arteixo. After starting as a salesperson, she may take the reins one day, O’Shea says.

Ortega took a definitive step in his succession planning last year, naming Chief Executive Officer Pablo Isla as chairman. In 2001, he set up the Fundacion Amancio Ortega with a €60 million endowment, mostly for educational causes. He has given no public indication what will happen to his fortune when he dies.

With day-to-day management decided and his fashions selling from Los Angeles to Tokyo, Ortega spends more time swimming and reading with friends at La Coruna’s members-only Club Financiero Atlantico before heading to Arteixo. A waiter sometimes spots the world’s third-richest man strolling across the cobblestones of Plaza Maria Pita in La Coruna—a billionaire enjoying a private moment despite his extraordinary wealth.

“His mind-set, his character, I see him exactly the same as always,” says Canas, his friend since the 1960s. “He’s not out there telling the world, ‘I’m No. 3.’”

ALEX CUADROS COVERS BILLIONAIRES AT BLOOMBERG NEWS IN SAO PAULO. ACUADROS@BLOOMBERG.NET

To write a letter to the editor, send an e-mail to bloombergmag@bloomberg.net or type **MAG <Go>**.