Research Paper
Impact Factor: 7.184
Peer Reviewed & Indexed Journal
www.iibarr.com

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

ZUDIO'S BUSINESS-LEVEL STRATEGY: COMPETING IN THE AFFORDABLE FAST-FASHION RETAIL SEGMENT

Honest Raja. S* Surya Pradeep S* Dr. Rosanth. I**
**MBA II Year, Periyar Maniammai Institute of Science & Technology, Vallam, Thanjavur.*
***Assistant Professor, Department of Management Studies, Periyar Maniammai Institute of Science & Technology, Vallam, Thanjavur.*

Abstract
This study examines Zudio's business-level strategy, identifying it as a focused cost leadership model for India's "ultra-value" apparel market. Based on a quantitative analysis of 57 consumers, the research found that Zudio's overall strategy is a significant predictor of customer satisfaction (p=.013). However, the most influential factors are not just low prices, but product trendiness (p=.056) and the frequency of new product arrivals (p=.084). The findings conclude that Zudio's competitive advantage lies in its operational velocity—the ability to deliver fast fashion at an accelerated pace—which serves as a strategic model for the value retail sector.

Keywords:Zudio, Cost Leadership, Business-Level Strategy, Fast Fashion, Operational Velocity, VRIO Framework, Resource-Based View, Customer Satisfaction.

Introduction

The Indian retail apparel market is a highly competitive space, defined by price-sensitive consumers who also demand trend-forward fashion. This dynamic is especially strong in the nation's growing Tier II and III cities. The market includes established value-fashion players like Reliance Trends and Max Fashion, as well as global giants such as H&M and Zara. Zudio, launched in 2016 by Trent Limited (a Tata Group company), has emerged as a significant disruptor in this environment. It has expanded rapidly by targeting a demographic that desires contemporary fashion at affordable prices. This paper investigates the core of Zudio's competitive advantage, looking beyond its low prices to analyze the underlying operational systems and strategic capabilities that define its successful business model.

Research Objective

1. To assess the impact of key strategic factors, such as price and product trendiness, on Zudio's overall customer satisfaction.
2. To empirically test whether cost leadership (price) or fast-fashion capabilities (trendiness and new arrivals) is the more significant driver of customer satisfaction.
3. To use a regression model to evaluate the combined predictive power of the strategic elements that form Zudio's business model.

Literature Review and Hypothesis Development

Zudio's strategy is identified as focused cost leadership, targeting price-sensitive youth in Tier II/III cities with the lowest possible costs. A VRIO framework analysis reveals its sustainable competitive advantage is not its low prices, but its high-velocity supply chain, which is valuable, rare, and difficult to imitate. The brand also usesPsychological Pricing (e.g., ₹999) to enhance perceived value and encourage impulse purchases.

Hypothesis Development

Based on the VRIO analysis, which identifies Zudio's operational velocity as its core sustainable advantage rather than just its low prices, this study hypothesizes that the fast-fashion elements of its model will have the most significant impact on satisfaction.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Zudio's high-volume, low-margin model is supported by Psychological Pricing Theory, which states that certain prices have a greater psychological effect on consumers.

Zudio uses "charm pricing" by setting prices just below a round number (e.g., ₹499 or ₹999). This tactic creates a perception of significant value, encouraging impulse buys and increasing the average purchase amount, which is essential for a model that relies on selling large quantities.

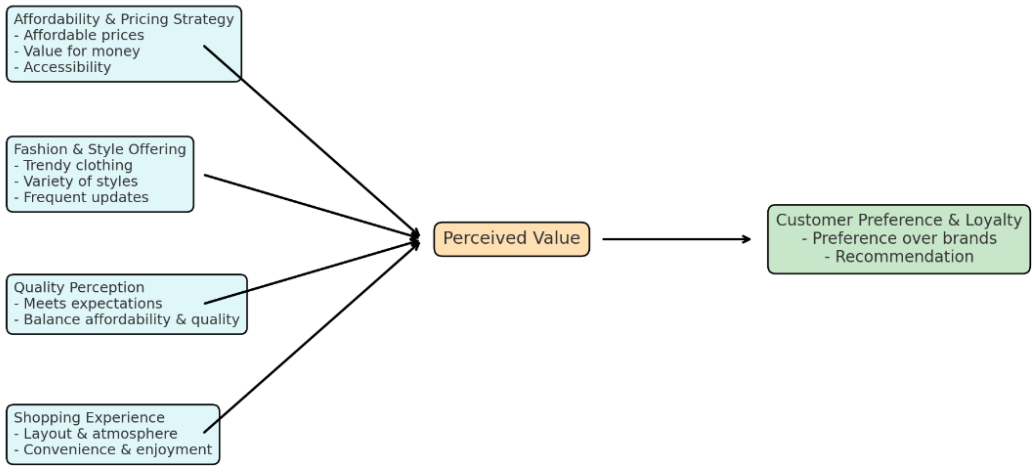
1. **H1:** Price Perception (Q1) will not have a statistically significant unique influence on overall customer satisfaction (Q8) when considered alongside other strategic factors.
2. **H2:** Product Trendiness (Q2) and Frequency of New Arrivals (Q10) will have a significant positive influence on overall customer satisfaction (Q8).

Theoretical Framework

This study's theoretical framework is built on the idea that Zudio's success comes from combining a focused cost leadership strategy with high operational velocity. This model suggests that specific operational capabilities, like an agile supply chain and cost optimization, create key value propositions such as affordability and trendiness. These factors then shape consumer perceptions, leading to high customer satisfaction and market leadership.

1. **H1: Aggressive Pricing:**Zudio's strategy of pricing items under ₹999 attracts its price-sensitive target market, driving high sales volume.
2. **H2: Rapid Inventory Turnover:** Weekly inventory refreshes create a sense of newness, encouraging frequent customer visits.
3. **H3: Trend Responsiveness:**Zudio's fast-fashion model, which quickly brings trends to its stores, is a key driver of satisfaction for its young, fashion-conscious customers.
4. **H4: Strategic Market Penetration:** A data-driven location strategy focusing on Tier II and III cities ensures maximum accessibility for its target audience.
5. **H5: Sustained Competitive Advantage:** The integration of low costs, speed, and market focus creates a business model that is difficult to imitate and drives market leadership.

Conceptual Framework



Methodology

1. **Scale Reliability:** Cronbach's Alpha was used to test the internal consistency of the 10-item survey.
2. **Multiple Regression:** This was performed to assess the impact of nine strategic factors (independent variables) on overall customer satisfaction (the dependent variable)
3. **Analysis Tools:** The analysis was conducted using SPSS and included:
    I. **Scale Reliability:** Cronbach's Alpha was used to test the internal consistency of the 10-item survey .
    II. **Multiple Regression:** This was performed to assess the impact of nine strategic factors (independent variables) on overall customer satisfaction (the dependent variable)

Measurement Model Analysis

Reliability Statistics

Cronbach's Alpha	N of Items
.796	10

Interpretation

1. **Cronbach's Alpha (.796):** This value measures the internal consistency or reliability of the survey questions. A score of.796 is considered **good**, as it is well above the common acceptance threshold of.70. This indicates that the 10 items in the questionnaire are coherent and consistently measure the same underlying concept.
2. **N of Items (10):** This simply means that the reliability test was conducted on a scale composed of 10 different questions or items.

Demographic Profile of Respondents

Demographic	Findings	Interpretation
Sample Size	N = 57 (Valid: 57, Missing: 0)	The analysis is based on a complete dataset of 57 participants.
Age	Majority 21 years (35.7%), 22 years (28.6%), 20 years (23.8%	Primarily a young adult user base (early twenties).
Gender	Male 54.8%, Female 45.2%	A fairly balanced gender split with a slight male majority.
How often will you use Netflix	Weekly (47.6%), Daily (42.9%), Monthly (7.1%), Rarely (2.4%)	High frequency of use, indicating strong user engagement.

Interpretation

1. Significance: Q2 is a statistically significant predictor of your outcome variable. Its significance value (p-value) is 0.041, which is below the standard threshold of $p<0.05$. This means the relationship is unlikely to be due to random chance.
2. Direction and Effect: The unstandardized coefficient (B = 0.438) is positive. This indicates that for every one-unit increase in Q2, the outcome variable is predicted to increase by 0.43holding other variables constant.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Q1	57	2	3	2.82	.384
Q2	57	1	3	2.33	.787
Q3	57	1	3	2.12	.847
Q4	57	1	3	2.12	.888
Q5	57	1	3	2.16	.862
Q6	57	1	3	2.14	.854
Q7	57	1	3	2.02	.896
Q8	57	1	3	2.37	.794
Q9	57	1	3	2.04	.886
Q10	57	1	3	2.32	.827
Valid N (listwise)	57				

Interpretation

1. **Highest Rated Item:Q1** has the highest average score (**Mean = 2.82**).
2. **Lowest Rated Items:Q7** and **Q9** have the lowest average scores (**Mean = 2.02** and **2.04**, respectively), indicating a neutral response.
3. **Most Agreement:Q1** has the lowest **Standard Deviation (0.384)**, meaning participants answered very consistently.
4. **Most Disagreement:Q7** has one of the highest **Standard Deviations (0.896)**, indicating a wide variety of opinions.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.582[a]	.339	.213	.704

a. Predictors: (Constant), Q10, Q1, Q6, Q9, Q2, Q3, Q5, Q4, Q7

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.959	9	1.329	2.680	.013[b]
	Residual	23.304	47	.496		
	Total	35.263	56			

a. Dependent Variable: Q8

b. Predictors: (Constant), Q10, Q1, Q6, Q9, Q2, Q3, Q5, Q4, Q7

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.512	.932		.549	.586
	Q1	.070	.272	.034	.256	.799
	Q2	.295	.151	.292	1.957	.056
	Q3	-.195	.155	-.208	-1.257	.215
	Q4	.046	.139	.052	.334	.740
	Q5	-.044	.142	-.048	-.313	.756
	Q6	.191	.134	.205	1.426	.160
	Q7	.073	.146	.082	.497	.621
	Q9	.112	.137	.125	.820	.416
	Q10	.259	.147	.270	1.762	.084

a. Dependent Variable: Q8

Interpretation

1. Overall Model Significance (ANOVA): The overall regression model is statistically significant, with an F-statistic of F(9, 47) = 2.680 and a p-value of p = .013. This indicates that your set of predictor variables, when taken together, reliably predicts the dependent variable (Q8).
2. Explanatory Power (Model Summary): The model explains 21.3% of the variance in Q8, as shown by the Adjusted R Square value of .213. This represents a moderate level of explanatory power.
3. Individual Predictors (Coefficients): Despite the overall model being significant, none of the individual predictor variables are sttistically significant at the standard p < .05 level. The two predictors that come closest are Q2 (p = .056) and Q10 (p = .084). This suggests that while the variables work effectively as a group, no single item stands out as a strong individual predictor of Q8.

Final interpretation

1. The Overall Model is Significant: Your combined set of predictor variables successfully predicts the outcome. This is confirmed by a low p-value of .013, making the model statistically valid. Essentially, the model as a whole is a useful tool for making predictions.
2. The Model Has Moderate Power: The model explains 21.3% of the variation in your dependent variable (Q8). This is indicated by the Adjusted R Square value of .213 in the summary. It means about a fifth of the outcome's behavior is captured by your predictors.
3. Individual Predictors Are Not Significant: Despite the model working overall, no single variable has a significant impact alone. Their predictive power comes from their combined effect when used as a group. This means they only work as a team, not as individual star players.

Conclusion, Future Implications and Limitations

Conclusion: This research set out to deconstruct Zudio's business-level strategy, confirming its execution of a disciplined focused cost leadership model. The study's primary contribution, however, is empirically validating that its competitive advantage is more nuanced than price alone. While

affordability is foundational, the firm's dynamic capability for operational velocity—its ability to rapidly design, produce, and distribute trendy apparel—emerges as the most significant driver of customer satisfaction. Zudio's success is a testament to a tightly integrated system where strategic choices support a core competency in high-speed, low-cost supply chain management, effectively delivering fast fashion to the Indian mass market.

Future implication

For Zudio, the primary challenge is sustaining its advantage as competitors like Yousta and Style-Up replicate its model.[1] It must enhance its supply chain efficiency and leverage data analytics. For competitors, simply matching prices is insufficient. They must build a similarly agile, high-velocity supply chain, a costly endeavor requiring significant investment in logistics and technology for rapid inventory turnover.[2] Competing with Zudio's model of delivering constant newness and style requires more than just offering low-priced basics.[3]

Limitations

1. **Small Sample Size:** The findings are based on only 57 respondents, which may not be fully representative.
2. **Geographically Non-Specific:** The sample was not tied to a specific region, limiting its applicability across Zudio's diverse Indian market.
3. **Cross-Sectional Data:** The data was collected at a single point in time, offering a static snapshot rather than a dynamic view of consumer perceptions.

References

1. Hageman, T., Kumar, A., Duong, T., Kumari, S., & McAuliffe, E. (2024). A study on female consumers' attitudes and purchasing behavior based on sustainable business strategies used by fast fashion companies.
2. Kumar, R. (2023). Consumer Perceptions and Purchasing Behavior in the Indian Fast Fashion Market.
3. Nandi, S. (2023, July 24). Zudio business model: How is it disrupting Indian fashion at scale? The Business Rule.
4. Porter, M. E. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors. Free Press.
5. Sheridan, N. (2024). Zudio marketing strategy 2024: A case study. Latterly.org.