# Inditex’s complex retreat from Russia hints at strategic re-entry plan amid Ukraine expansion



Within days of Vladimir Putin’s full-scale invasion of Ukraine in 2022, Inditex, the parent company of Zara, made headlines with its decisive action to terminate operations in Russia. This move was seen as a bold stance against the backdrop of escalating geopolitical tensions, and it marked Inditex's retreat from its largest market outside Spain in terms of store count. However, the subsequent details of Inditex's exit have unveiled a more complex scenario. The company is now positioned intriguingly should it choose to re-enter the Russian market.

In early 2023, Inditex injected substantial cash into its Russian operations, now named New Fashion, just before selling the business for what it termed a “not significant” sum to members of the Daher family, who run the Spanish group's franchise in the Middle East. This strategic manoeuvre suggests careful planning, as Inditex retains a clause that allows it to switch to a franchise arrangement, enabling the possible re-establishment of its brands in Russia at no additional cost.

Kristian Lasslett, a professor at Ulster University with expertise in multinational corporate behaviour, pointed to a pattern he has observed among companies that have exited Russia, describing it as a “boomerang” withdrawal. The implication is clear: organisations like Inditex may lay the groundwork for future re-entries when conditions become favourable. Inditex has publicly stated that it does not support or partake in its former Russian operations, emphasising its commitment to a clean break while keeping an option for future growth.

Notably, the acquisition by the Daher family has taken on a unique character. The new entity, Mixed R DMCC, has established brands that mirror those of Inditex, with similar products sourced from the same suppliers and employing many former Inditex staff. This echoes a wider trend among Western companies, many of which have sold their Russian assets to local businesses at reduced prices since the onset of sanctions due to the Ukraine conflict.

Trade data has indicated that three of Inditex’s primary suppliers are also providing goods to Mixed R, raising questions about the originality of new product lines. Images shared online show that many new designs strongly resemble existing Zara products, although Inditex has refrained from commenting on these similarities. The newly branded stores, such as Maag and Dub, have taken over former Zara locations, suggesting a superficial continuity in market presence.

Inditex's financial manoeuvres further complicate this narrative. Just two months after announcing the deal, the company wrote off a substantial loan to its Russian operation, only to inject further capital as part of the transaction process. Analysts, such as Nataliia Rybalko from the Kyiv School of Economics, pointed out the unusual nature of investing in a business that was ostensibly for sale, a practice typically avoided by companies looking to exit such markets.

Reports suggest that there were over 800 shipments of apparel sent from the Middle East to the Russian business after its closure, pointing to a premeditated effort to ensure continuity under the new ownership. Furthermore, the new owners have committed to facilitating a seamless transition, aligning closely with Inditex’s prior operational structure. This type of arrangement signals that Inditex may, indeed, be maintaining a strategic foothold in the region.

In parallel with its Russian strategy, Inditex has been making significant moves to re-establish its presence in Ukraine. Plans have been announced to gradually reopen stores that were shuttered due to the war. Inditex's efforts to demonstrate a commitment to the Ukrainian market contrast sharply with its withdrawal from Russia and are indicative of a company navigating a complex geopolitical landscape. The reopening, expected to commence in April 2024, involves a careful assessment of local conditions, reflecting the ongoing challenges Ukrainians face amidst the conflict.

As international retailers navigate their operations in Russia and Ukraine, a nuanced understanding of their strategic positioning becomes critical. For Inditex, the dealings with the Daher family exemplify a calculated approach to maintaining a potential return to a lucrative market, raising unanswered questions about the nature of corporate exits amidst geopolitical turmoil. The distinct paths of Inditex in both countries underscore a broader narrative of adaptation, resilience, and the intricate balance of ethical considerations in business operations.

While the situation continues to evolve, the implications of Inditex’s actions resonate deeply within the fabric of global retail and offer insights into how corporations might engage with volatile markets in the future.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 5, 6, 7, 8
2. Paragraphs 1, 2, 4, 5, 6
3. Paragraphs 1, 4
4. Paragraphs 1, 4
5. Paragraphs 4
6. Paragraphs 3, 4
7. Paragraphs 2, 6

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## Bibliography

1. <https://www.ft.com/content/a58e0f9a-3876-4477-88d4-56b21f57c0a4> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/companies-sell-their-businesses-russia-2024-03-28/> - In March 2024, numerous Western companies, including Inditex, sold their Russian businesses to comply with sanctions imposed due to the Ukraine conflict. This exodus allowed Russian entities to acquire valuable assets at reduced prices. Key transactions included Continental selling its Russian plant to S8 Capital, Renault selling Avtovaz to the Russian state, and Volkswagen selling its Kaluga plant. In finance, Societe Generale divested Rosbank to Interros Capital. Shell sold its Russian retail business to Lukoil, while food and beverage giants like Heineken and AB InBev sold their stakes in Russian operations. Forestry and packaging firms such as International Paper and Mondi also exited. Major retail brands like IKEA’s Ingka Group and McDonald’s have sold their Russian businesses, and tobacco companies like British American Tobacco exited to local management. Other notable sales include Embracer’s subsidiary assets and Veon's Russian telecom business. These sales reflect a broader corporate withdrawal from Russia amidst ongoing geopolitical tensions. ([reuters.com](https://www.reuters.com/business/companies-sell-their-businesses-russia-2024-03-28/?utm_source=openai))
3. <https://www.ft.com/content/430dc3fd-6f89-4972-a70e-e34f34e7519d> - In March 2023, Zara's presence in high-profile events was highlighted when two Zara outfits valued at €129 and €36 were showcased at the wedding of Ricardo Gómez-Acebo Botín. This underscored Zara's focus on quality, style, and adaptability, with premium collections and catwalk photography enhancing its image. Despite losing its Russian market, Inditex thrives with significant operations in the US, Mexico, and European countries, aiming for balanced global growth. In China, Zara maintains a higher-end market position, benefiting from economic trends. ([ft.com](https://www.ft.com/content/430dc3fd-6f89-4972-a70e-e34f34e7519d?utm_source=openai))
4. <https://www.ft.com/content/197e3b4c-f5c3-4e9e-8caa-8b3818121176> - In March 2024, Zara, operated by Inditex, announced plans to reopen stores in Ukraine that had been closed nearly two years prior due to the war. Inditex informed local landlords of this decision, marking a significant step towards normalcy in affected cities. The company initially planned to reopen 20 stores, including three Zara outlets in Kyiv, with intentions to eventually open 50 out of its 84 stores in Ukraine. This move followed other retailers like H&M and Greenpoint, who had reopened or invested in Ukraine since 2022. Despite an appearance of normality in Kyiv, Ukrainians continued to face financial and mental health challenges due to ongoing missile attacks and air raid sirens. Inditex prioritized the safety of its employees and customers, noting that staff had been training in Poland. However, 34 stores in war-affected southern and eastern Ukraine remained closed. ([ft.com](https://www.ft.com/content/197e3b4c-f5c3-4e9e-8caa-8b3818121176?utm_source=openai))
5. <https://www.reuters.com/business/retail-consumer/zara-owner-inditex-gradually-reopen-stores-ukraine-april-1-2024-03-01/> - In March 2024, Inditex, the owner of Zara, announced plans to gradually reopen its stores in Ukraine starting from April 1, in light of current local market conditions. Initially, 20 stores, including three under the Zara brand, would reopen around the Kyiv region, along with resuming online sales. Safety of employees and customers remained a priority for the company. Inditex had closed its stores in Russia and Ukraine in March 2022 following the invasion of Ukraine by Russia and the resulting sanctions. The fashion group had sold its Russian stores to UAE-based Daher Group later in 2022. Inditex aimed to reopen 50 stores in Ukraine in the coming months but did not specify the duration of the process. ([reuters.com](https://www.reuters.com/business/retail-consumer/zara-owner-inditex-gradually-reopen-stores-ukraine-april-1-2024-03-01/?utm_source=openai))
6. <https://fashionunited.com/news/business/russia-agrees-to-daher’s-acquisition-of-inditex-subsidiary/2023040653211> - In April 2023, the Russian government approved the sale of New Fashion JSC, formerly Zara CIS, by Inditex to Fashion And More Management DMCC, a company based in the United Arab Emirates. This decision followed Inditex's suspension of operations in Russia in March 2022 due to the invasion of Ukraine. Under the new ownership, the retailer was set to reopen stores under new branding, including Maag, Dub, Ecru, and Vilet, between April and May 2023. The acquisition price was not disclosed. This move was part of a broader trend of Western companies divesting their Russian operations amid ongoing geopolitical tensions. ([fashionunited.com](https://fashionunited.com/news/business/russia-agrees-to-daher-s-acquisition-of-inditex-subsidiary/2023040653211?utm_source=openai))
7. <https://www.euronews.com/next/2022/03/05/inditex-russia> - In March 2022, Spanish fashion retailer Inditex, owner of Zara, halted trading in Russia, closing its 502 shops and stopping online sales. This decision followed the invasion of Ukraine and the imposition of economic sanctions. Inditex stated that it could not guarantee the continuity of operations and commercial conditions in Russia, leading to the temporary suspension of its activities. Russia accounted for around 8.5% of the group's global earnings before interest and tax, and all the Inditex stores operated on a rental basis. ([euronews.com](https://www.euronews.com/next/2022/03/05/inditex-russia?utm_source=openai))