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**Kyiv – 2025**

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## INTRODUCTION

**The relevance of this topic** lies in its direct connection to the competitive and fast-paced nature of the fashion industry. In an environment driven by evolving consumer preferences and high competition, companies must not only attract and retain top talent but also ensure their workforce is equipped to adapt to constant changes. Digital HRM enables organizations to optimize critical functions such as recruitment, employee engagement, performance management, and learning and development. By streamlining these processes, companies can foster innovation, improve employee satisfaction, and maintain a competitive edge.

The fashion industry, known for its dynamic and rapidly changing nature, is currently experiencing a significant transformation driven by digital technologies. This digital transformation, which encompasses the integration of advanced digital tools into all facets of business operations, is revolutionizing traditional business models and operational processes (Westerman, Bonnet, & McAfee, 2014).. Among the many areas impacted, human resource management (HRM) has undergone significant transformation through the adoption of digital technologies. Digital transformation in HRM refers to the integration of advanced tools, such as artificial intelligence, cloud-based platforms, and data analytics, into HR processes to enhance efficiency, improve decision-making, and provide a more engaging experience for employees.

Zalando, a leading European online fashion retailer, serves as an exemplary case of how digital transformation is reshaping HRM in the fashion industry. Zalando's implementation of digital HR solutions demonstrates how leveraging technology can drive operational efficiency, align organizational goals with employee performance, and enhance overall business success. Exploring Zalando's approach provides valuable insights into the broader implications of digital transformation for HRM in the fashion industry.

**The purpose of this work** is to analyze the impact of digital transformation on HRM within the fashion industry, using Zalando as a case study. This study aims to identify the benefits, challenges, and best practices of implementing digital HR solutions, contributing to the growing body of knowledge on this critical topic and offering practical recommendations for future improvement.

To achieve this purpose, the following issues that need to be addressed:

- Characterize the impact of digital transformation on the fashion industry.
- Characterize digital transformation in Human Resource Management (HRM).
- Determine the specific features of digital transformation in HRM.
- Reveal the role of digital tools in HRM at Zalando.
  
- Analyze the current state of digital HRM at Zalando.
- Analyze challenges and weaknesses of digital HRM implementation at Zalando.
- Determine the economic and organizational impact of digital HRM at Zalando.
- Propose improvements for digital HRM at Zalando.

**The object of this study** is the digital transformation of human resource management (HRM) processes within the fashion industry, with Zalando as case study, which aims to analyze how digital HR practices contribute to improving operational efficiency, employee satisfaction, and overall organizational success in the competitive and fast-paced fashion sector.

**The subject of this study** is the impact of digital transformation on human resource management practices and outcomes at Zalando a fashion industry explores the implementation of digital tools in HR processes such as hiring, talent development, employee engagement, and performance assessment, as well as their alignment with organizational objectives and industry trends.

**Overview of the Problem.** The integration of digital tools into HRM is becoming increasingly important for companies in the fashion industry to stay competitive. However, this transformation is not without challenges. Issues like resistance to change among employees, high costs of implementation, and the need for continuous training often arise. Additionally, aligning these digital solutions with the organization's goals requires careful planning and strategy. Overcoming these obstacles is essential to improve HR processes and maintain its leading position in the market. Addressing these challenges will help the company fully benefit from digital transformation in HRM.

**Research Methodology.** Abstraction, formalization, analysis, synthesis, induction, deduction, and generalization. Theoretical analysis was conducted by logically evaluating the collected data, drawing conclusions, and offering practical recommendations based on the findings.

**Information Sources.** The research used different types of sources to make sure the information was complete and reliable. Scholarly journals provided well-researched and trusted information while Industry reports gave useful details about market trends and expert opinions in the fashion industry. Digital resources, such as trusted websites and online databases, helped to access recent and global information. Company publications, like annual reports and press releases, shared specific details about how companies work.

The thesis is structured into three comprehensive sections, each divided into several subsections that systematically address the research objectives. The first section focuses on the theoretical foundation of digital transformation and its impact on human resource management in the fashion industry, while the second section delves into the practical analysis of Zalando, exploring its organizational and economic characteristics, and evaluating the impact of digital HRM. The final section proposes and evaluates an improvement program for digital HRM at Zalando.

The thesis spans 72 pages, comprising 7 figures and 10 tables, which visually enhance the discussion by presenting data and analyses effectively.

## **SECTION 1. THEORETICAL ASPECTS OF THE IMPACT DIGITAL TRANSFORMATION ON HUMAN RESOURCE**

### **1.1 Essence of Digital Transformation on HRM in the fashion Industry**

Digital transformation represents a paradigm shift that is fundamentally altering the landscape of industries worldwide, including the fashion industry. This transformation involves the integration of advanced digital technologies such as Artificial Intelligence (AI), big data analytics, cloud computing, and the Internet of Things (IoT) into all aspects of business operations. The relevance of this topic is underscored by the fashion industry's need to adapt to these changes to maintain competitiveness and respond effectively to market demands.

In the context of Human Resource Management (HRM), digital transformation is revolutionizing traditional practices. The core of this topic revolves around examining how technological advancements are incorporated into HRM practices within the fashion industry and their resulting influence on organizational efficiency, employee engagement, and overall performance. As the fashion industry is inherently creative and fast-paced, the integration of digital technologies into HRM practices introduces both opportunities and challenges.

Digital transformation is profoundly changing the recruitment landscape within the fashion industry. Traditional recruitment methods, which often involve time-consuming manual processes and subjective decision-making, are being replaced or supplemented by advanced digital tools. These tools not only increase efficiency but also improve the quality of hiring decisions.

Digital platforms and technologies enable HR departments to cast a wider net when sourcing candidates. Online job portals, professional networking sites like LinkedIn, and social media platforms have become essential tools for reaching a global talent pool

[19]. Advanced search algorithms and AI-driven tools can automatically match job descriptions with potential candidates, significantly reducing the time and effort required to identify suitable applicants.

AI and machine learning algorithms play a crucial role in automating the initial stages of the recruitment process. Automated resume screening tools can quickly parse through large volumes of applications, identifying candidates whose skills and experiences align closely with the job requirements [7]. This automation not only speeds up the screening process but also minimizes human biases, ensuring a more objective assessment of candidates.

Predictive analytics is another transformative tool in the recruitment process. By analyzing historical hiring data and performance metrics, predictive models can forecast which candidates are likely to succeed in specific roles [57]. These models consider various factors such as educational background, previous job performance, and behavioral traits. In the fashion industry, where the right mix of creativity and technical skills is crucial, predictive analytics helps in identifying candidates who are not only qualified but also have the potential to thrive in the unique environment of the fashion world.

Digital transformation also enhances the candidate experience. User-friendly online application systems, virtual interviews, and AI-powered chatbots that provide real-time responses to candidate inquiries all contribute to a smoother and more engaging recruitment process [58]. This positive experience can significantly impact a candidate's perception of the company, making them more likely to accept job offers and recommend the company to others.

The adoption of digital technologies in recruitment allows for more data-driven decision making. HR professionals can leverage data analytics to track key performance indicators (KPIs) such as time-to-hire, cost-per-hire, and quality-of-hire [41]. These insights enable continuous improvement of the recruitment process, ensuring that the strategies employed are both effective and efficient.

With the advent of digital platforms, virtual recruitment fairs and events have

become increasingly popular. These virtual events allow companies to connect with potential candidates from around the world, showcase their brand, and conduct preliminary interviews, all without the constraints of geographical boundaries [51]. This is particularly beneficial for the fashion industry, which often seeks talent with diverse and global perspectives.

Digital platforms also enhance employee referral programs. By leveraging social networks and digital communication tools, companies can encourage their current employees to refer qualified candidates [21]. Digital platforms can track and manage these referrals efficiently, ensuring that the referral process is seamless and rewarding for both the referrer and the referred.

Digital tools help ensure compliance with legal and diversity requirements. Automated systems can be programmed to adhere to legal standards, reducing the risk of non-compliance. Additionally, by using unbiased algorithms and anonymized application processes, companies can promote diversity and inclusion in their hiring practices, which is particularly valuable in a creative and diverse industry like fashion. Digital transformation is significantly enhancing the personalization of training and development programs within the fashion industry. Traditional one-size-fits-all training approaches are increasingly being replaced by personalized learning experiences, facilitated by advanced digital technologies. These technologies enable organizations to tailor training programs to meet the specific needs of individual employees, thereby promoting continuous learning and skill enhancement.

Digital platforms and Learning Management Systems (LMS) allow for the creation of customized learning paths for employees. These systems can assess an individual's current skills, career goals, and learning preferences to design a personalized training program. This ensures that employees receive relevant and targeted training that aligns with both their personal development goals and the strategic objectives of the organization. E-learning platforms and mobile learning applications provide flexible and accessible training options. Employees can engage in training programs at their own pace

and convenience, accessing a variety of multimedia resources such as videos, interactive modules, and quizzes. This flexibility is particularly beneficial in the fashion industry, where employees often have demanding schedules and may require training on-the-go [4].

Artificial Intelligence (AI) is playing a crucial role in advancing adaptive learning technologies. AI-driven systems can analyze an employee's progress and adapt the training content in real-time to address knowledge gaps and reinforce learning. This dynamic approach ensures that training is continuously aligned with the learner's evolving needs and helps in maintaining engagement and motivation

Gamification techniques, which incorporate game-like elements into training programs, are increasingly being used to enhance engagement and motivation. By introducing elements such as leaderboards, badges, and challenges, organizations can create a more interactive and enjoyable learning experience. This approach has been shown to improve retention rates and encourage continuous.

Virtual Reality (VR) and Augmented Reality (AR) technologies are revolutionizing training and development by providing immersive and experiential learning environments. In the fashion industry, VR can be used for training in design, production processes, and even virtual fashion shows. These technologies enable employees to gain hands-on experience in a risk-free environment, enhancing their practical skills and creativity.

Advanced analytics tools allow organizations to monitor and evaluate the effectiveness of their training programs. By analyzing data on employee performance, engagement, and feedback, HR managers can continuously refine and improve training initiatives. This data-driven approach ensures that training programs are impactful and aligned with the organization's strategic goals [59].

Digital platforms facilitate social learning and collaboration by enabling employees to share knowledge and resources, engage in discussions, and collaborate on projects. Social learning tools such as forums, social networks, and collaborative platforms enhance the learning experience by fostering a sense of community and encouraging knowledge exchange.

Digital transformation is enhancing performance management practices in the fashion industry by introducing advanced tools and methodologies that enable more precise tracking, evaluation, and development of employee performance. Traditional performance management systems, often criticized for their inflexibility and subjectivity, are being replaced by data-driven, continuous feedback mechanisms that align more closely with the dynamic nature of the fashion industry.

Advanced analytics and big data play a crucial role in transforming performance management. Digital tools can collect and analyze vast amounts of data related to employee performance, providing HR managers with detailed insights into productivity, efficiency, and areas for improvement [41]. These data-driven metrics enable more objective and accurate performance evaluations, reducing biases and enhancing fairness in the assessment process.

Traditional annual performance reviews are being replaced by continuous feedback systems facilitated by digital platforms. These systems allow for real-time feedback and ongoing performance discussions between managers and employees [1]. Continuous feedback helps in promptly addressing performance issues, recognizing achievements, and providing guidance, which is crucial in the fast-paced fashion industry where timely interventions can significantly impact overall productivity and creativity.

Digital tools enable more effective goal setting and alignment within organizations. Performance management systems can help set SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals that are aligned with the company's strategic objectives [18]. These tools ensure that employees understand how their individual goals contribute to the overall success of the organization, enhancing motivation and engagement.

Performance management systems integrated with digital technologies can create personalized development plans based on individual performance data and career aspirations. These plans outline specific actions and resources needed for skill enhancement and career growth [12]. Personalized development plans ensure that

employees receive targeted support and training, fostering continuous professional development.

Digital performance management systems enhance employee engagement by making the performance evaluation process more transparent and participatory. Features such as self-assessments, peer reviews, and 360-degree feedback allow employees to be active participants in their performance evaluations. Engaged employees are more likely to be committed, productive, and satisfied with their jobs. Predictive analytics can forecast future performance trends and identify potential high performers and those at risk of underperformance. By analyzing historical performance data and identifying patterns, predictive models can provide HR managers with actionable insights for proactive talent management [3]. This capability is particularly valuable in the fashion industry, where anticipating and nurturing creative talent is essential for innovation and competitive advantage.

Modern performance management systems are often integrated with other HR functions such as recruitment, training, and compensation. This integration ensures a holistic approach to talent management, where performance data can inform decisions across various HR processes [51]. For instance, insights from performance evaluations can guide training needs analysis and succession planning, creating a more cohesive and strategic HRM framework.

Digital performance management tools help in ensuring fairness and equity in performance evaluations. By standardizing evaluation criteria and using objective data, these tools minimize the risk of biases and discrimination [34]. This is particularly important in the diverse and creative environment of the fashion industry, where equitable treatment of all employees fosters a positive and inclusive workplace culture.

Employee engagement is a critical factor in the success of any organization, and the fashion industry is no exception. Digital transformation offers numerous tools and strategies to boost employee engagement, ensuring that employees are motivated, satisfied, and committed to their work. These digital tools facilitate better communication,

collaboration, and recognition, creating a more engaging and productive work environment.

Digital transformation introduces a variety of communication platforms that facilitate better interaction between employees and management. Tools such as instant messaging apps, video conferencing, and social networking platforms enable real-time communication and collaboration, breaking down traditional silos and fostering a more inclusive work culture [48]. This enhanced communication helps employees feel more connected and valued within the organization.

Collaborative digital platforms such as Microsoft Teams, Slack, and Asana allow employees to work together seamlessly, regardless of their physical location. These platforms support project management, file sharing, and real-time collaboration, enabling teams to work more efficiently and cohesively [54]. In the fashion industry, where collaboration between designers, marketers, and supply chain managers is crucial, these tools enhance teamwork and innovation.

Digital platforms also facilitate more effective recognition and reward systems. Online recognition tools can be used to acknowledge employees' achievements in real-time, providing immediate positive feedback and reinforcing desired behaviors. Gamification elements, such as badges, leaderboards, and points systems, can also be integrated into these platforms to motivate employees and encourage friendly competition.

Digital tools make it easier to collect and analyze employee feedback. Regular surveys, pulse checks, and feedback forms can be distributed and completed online, allowing HR managers to quickly gauge employee sentiment and address any issues. This continuous feedback loop ensures that employees feel heard and valued, which is crucial for maintaining high levels of engagement.

Digital transformation enables the creation of personalized work experiences that cater to individual employee preferences and needs. For instance, flexible work arrangements, remote work options, and personalized career development plans can be

managed and facilitated through digital platforms. These personalized experiences help to increase job satisfaction and loyalty among employees.

Providing continuous learning and development opportunities is essential for keeping employees engaged. E-learning platforms, mobile learning apps, and virtual training sessions make it easier for employees to acquire new skills and knowledge at their own pace and convenience. By investing in their development, organizations demonstrate their commitment to employee growth, which in turn boosts engagement.

**Table 1.1**

**Essence of Digital Marketing on HRM in the Fashion Industry**

<b>Aspect</b>	<b>Description</b>	<b>Impact</b>	<b>Example</b>
Technological Advancements	Integration of AI, automation, and data analytics into HR processes.	Enhances decision-making, streamlines recruitment, and improves workforce management.	Use of AI for talent acquisition and predictive analytics for workforce planning.
Organizational Efficiency	Automation of administrative tasks and streamlined HR operations.	Reduces costs, increases productivity, and enables focus on strategic HR initiatives.	Automated payroll and performance management systems.
Employee Engagement	Use of digital tools to personalize employee experiences and enhance communication.	Improves job satisfaction, fosters collaboration, and boosts retention rates.	Employee engagement platforms for feedback and recognition, virtual team-building tools.
Overall Performance	Data-driven HR practices aligned with organizational goals.	Boosts profitability, strengthens competitive positioning, and aligns workforce strategy with growth.	HR dashboards tracking key performance indicators (KPIs) and operational efficiency metrics.

*Source: prepared by author in accordance to official information from a company*

Digital tools can also support employee well-being and work-life balance. Health and wellness apps, virtual fitness classes, and online mental health resources provide employees with easy access to well-being support. Additionally, tools that allow for flexible scheduling and time management help employees balance their work and personal lives more effectively.

According to the table below, the essence of digital transformation in Human Resource Management (HRM) within the fashion industry revolves around the adoption of advanced technologies such as artificial intelligence (AI), automation, and data analytics.

These technologies play a crucial role in enhancing decision-making processes, streamlining recruitment, and improving workforce management. By automating administrative tasks, such as payroll and performance tracking, HR teams can focus on more strategic functions, ultimately increasing organizational efficiency.

Despite the numerous benefits of digital transformation in Human Resource Management (HRM) within the fashion industry, there are significant challenges that organizations must address. These challenges range from the need for substantial investment to potential resistance to change from employees. Understanding and overcoming these challenges is crucial for the successful implementation and utilization of digital HRM solutions.

Implementing digital transformation in HRM often requires substantial financial investment. This includes the costs associated with acquiring advanced technologies, upgrading existing infrastructure, and training employees to use new systems effectively [6]. For many fashion companies, especially smaller ones, these costs can be prohibitive. However, the long-term benefits, such as increased efficiency and competitiveness, often justify the initial expenditure.

One of the most significant challenges in digital transformation is resistance to change from employees and management. Employees may fear job displacement due to

automation or may be uncomfortable with new technologies [21]. To mitigate this, organizations need to foster a culture of innovation and provide comprehensive training and support to help employees adapt to new systems. Change management strategies, including clear communication and involvement of employees in the transformation process, are essential.

With the increased use of digital technologies comes the heightened risk of data breaches and cybersecurity threats. HR departments handle sensitive employee information, making data privacy and security a critical concern [37]. Implementing robust cybersecurity measures and complying with data protection regulations, such as GDPR, are essential to protect employee data and maintain trust.

The rapid pace of technological advancement can create a skills gap within the workforce. Employees need to continuously update their skills to keep pace with new technologies and methodologies [5]. Organizations must invest in continuous learning and development programs to equip employees with the necessary skills. This includes providing access to online courses, workshops, and other training resources.

Integrating new digital tools with existing HR systems and processes can be complex and time-consuming. Compatibility issues, data migration challenges, and the need for custom solutions can impede the seamless adoption of digital technologies. To address these challenges, organizations should conduct thorough planning and testing before implementation and consider phased rollouts to minimize disruption.

The fashion industry is inherently diverse, with a global workforce encompassing various cultures, languages, and work practices. Implementing standardized digital HRM solutions that cater to this diversity can be challenging [5]. Organizations need to ensure that their digital tools are flexible and inclusive, accommodating different languages and cultural nuances.

While digital tools can enhance employee engagement, they can also lead to challenges such as digital fatigue and decreased face-to-face interactions. Maintaining a balance between digital and in-person interactions is crucial to keep employees engaged

and connected [60]. Organizations should promote a healthy work-life balance and encourage periodic digital detoxes to prevent burnout.

Digital transformation is not a one-time project but an ongoing process. Organizations need to continuously monitor and evaluate the effectiveness of their digital HRM solutions and make necessary adjustments to stay current with technological advancements. Establishing a feedback loop and leveraging analytics can help organizations identify areas for improvement and drive continuous innovation.

The table below (Table 1.2) outlines key challenges faced during the digital transformation of Human Resource Management (HRM) and presents corresponding solutions. It highlights issues such as resistance to change, lack of skilled workforce, data privacy concerns, and the complexities of integrating new technologies.

**Table 1.2**  
**Challenges involved with Digital Transformation and its Solution**

Challenge	Explanation	Solution
Resistance to Change	Employees and managers may be resistant to adopting new technologies due to fear of disruption.	Foster a culture of change management by offering training programs and clear communication about the benefits.
Lack of Skilled Workforce	HR teams may not have the technical skills needed to leverage new digital tools effectively.	Provide upskilling and reskilling opportunities, focusing on digital HR tools and analytics to build technical expertise.
Data Privacy and Security Concerns	The increased reliance on digital tools and data collection raises concerns about data privacy and security.	Implement strong data protection protocols, regular audits, and ensure compliance with GDPR and other regulations.
Integration of New Technologies	Integrating new HR technologies with existing systems can be complex and costly.	Develop a phased implementation strategy, ensuring new systems are compatible with legacy tools and processes.
Cost of Implementation	The initial costs of digital transformation can be high, especially for smaller organizations.	Start small with pilot projects, demonstrate ROI, and scale gradually to manage costs effectively.
Maintaining Employee Engagement	Digital tools may lead to a loss of personal touch in HR practices, negatively impacting engagement.	Combine digital tools with face-to-face interactions, ensuring that technology enhances, rather than replaces, human connection.

*Source: prepared by author in accordance to official information gathered*

To overcome these, the table suggests strategies such as fostering a change management culture, offering training, ensuring robust data security measures, and adopting phased implementation approaches. By addressing these challenges, organizations can successfully implement digital transformation in HRM, improving efficiency, employee engagement, and overall performance.

In summary, the essence of digital transformation in Human Resource Management (HRM) within the fashion industry lies in the strategic integration of advanced technologies such as artificial intelligence (AI), automation, and data analytics. These innovations significantly enhance HR functions by improving organizational efficiency, streamlining processes, and fostering data-driven decision-making. Additionally, digital tools play a crucial role in boosting employee engagement through personalized experiences and better communication, which ultimately leads to higher job satisfaction and retention. Furthermore, aligning HR strategies with business goals ensures improved overall performance and competitiveness, crucial for the fast-paced fashion industry. Despite the challenges such as resistance to change, lack of skilled workforce, and data privacy concerns, these can be addressed with appropriate training, robust security measures, and gradual integration of new technologies. Overall, digital transformation in HRM offers substantial opportunities for fashion industry companies to remain competitive, agile, and efficient in an increasingly digital marketplace.

## **1.2 Features of Digital Transformation in Human Resource Management**

Digital transformation in Human Resource Management (HRM) encompasses a variety of innovative technologies and methodologies that enhance the efficiency, effectiveness, and strategic impact of HR functions. Data analytics, which is one of these features, is a cornerstone of digital HRM, enabling organizations to make data-driven decisions. Advanced analytics tools help HR professionals gather and analyze vast amounts of data related to employee performance, recruitment, retention, and overall

workforce management [41].

Furthermore, Artificial Intelligence (AI) and machine learning technologies are transforming HR processes by automating routine tasks and providing deeper insights into HR activities. AI-driven tools can automate resume screening, match candidates to job openings, and even conduct preliminary interviews using chatbots [7]. Machine learning algorithms can analyze employee data to identify patterns and predict future performance, helping HR managers make informed decisions about talent management and development.

Zalando's Fashion AI Assistant is an app powered by artificial intelligence to help users with personalized fashion recommendations as shown in the fig 1.1



Fig 1.1 Zalando AI Fashion Assistant APP

Source [22]

It uses machine learning and data analysis to understand individual preferences, browsing habits, and style choices. The app can suggest outfits, assist in finding the perfect size, and help customers discover new trends based on their unique style profile. Zalando's AI assistant aims to enhance the shopping experience by offering tailored suggestions, improving product search accuracy, and providing styling tips, all in real-time. It's a smart tool designed to make online fashion shopping more efficient and personalized.

Cloud-based HR systems provide scalable, flexible, and cost-effective solutions for managing HR functions. These systems enable remote access to HR data and applications, facilitating seamless communication and collaboration across geographically dispersed teams [61]. Cloud computing also ensures that HR data is stored securely and can be easily backed up and recovered, enhancing data integrity and reliability.

Online retail operations rely on accurate, rapid analytics to optimize customer experiences and meet KPIs. With more than 200 million monthly visits on mobile browsing for upwards of 300,000 products, Zalando used Google Analytics 360 to stream details ranging from customer lifetime value, to best- and worst-selling products, and pricing estimation models. In a single month, Zalando's global activity could generate as many as 30 billion Google Analytics hits. To process that kind of volume, Zalando looked for a way to handle exports at scale.

Social media platforms are increasingly being integrated into HR practices to enhance communication, recruitment, and employee engagement. Social media tools facilitate networking, collaboration, and knowledge sharing among employees [63]. They also play a crucial role in employer branding and recruitment, allowing organizations to reach a broader talent pool and engage with potential candidates more effectively.

Modern performance management systems leverage digital technologies to provide continuous feedback, real-time performance tracking, and data-driven evaluations. These systems replace traditional annual reviews with ongoing performance assessments, enabling more timely and actionable feedback [1]. Digital performance management tools also facilitate goal setting, development planning, and recognition programs, enhancing employee motivation and engagement.

HRPartner.io is a cloud-based Personal Management System (PMS) designed for small and medium-sized businesses to manage their human resources (HR) and employee-related functions. The platform streamlines HR processes by offering tools for managing employee information, attendance, performance, leave requests, and payroll, all in one place as shown in the table fig 1.2.

HR Partner.io's PMS portal is built to simplify HR tasks, improve efficiency, and enhance employee experience by automating routine HR activities and providing a centralized, accessible platform for managing all employee-related information.

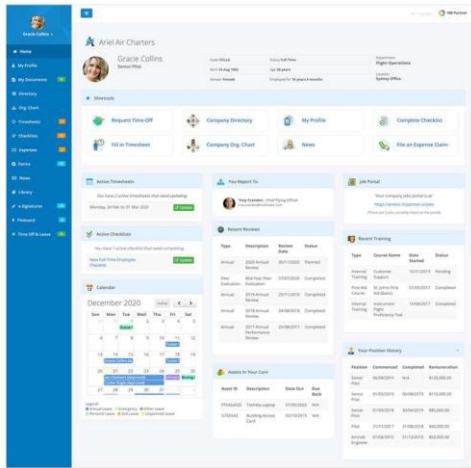


Fig 1.2 Personal Management Portal

source: HRpartner.io

Employee self-service portals empower employees to manage their HR- related activities independently. These portals provide access to personal information, payroll details, benefits enrollment, and leave requests. By enabling employees to handle routine HR tasks themselves, self-service portals reduce administrative burdens on HR staff and improve overall efficiency.

### 1.3 Methodological Approaches to Studying Digital Transformation in Human Resource Management in the Fashion Industry

The digital transformation of Human Resource Management (HRM) is a vital area of focus in the fashion industry. As the fashion sector continues to evolve, HRM practices are increasingly being reshaped by new technologies. This methodological approach is designed to study the impact of digital transformation on HRM within the fashion industry, focusing on its effects on talent acquisition, performance management, and employee engagement. The study will offer insights into how HR professionals in the fashion industry are leveraging digital tools to streamline operations and enhance organizational efficiency.

The planning stage is crucial for the successful implementation of digital HRM tools. It involves setting clear objectives, identifying the challenges and opportunities presented by digital transformation, and outlining the steps necessary to adopt new technologies. This process also establishes a comprehensive framework that aligns the digitalization of HRM with the strategic goals of fashion companies. Key functions of HRM, such as recruitment, performance management, and training, are all affected by digital transformation, and the planning phase is critical in ensuring that these functions are optimized.

The integration of technology into HRM functions allows organizations to adapt their processes to meet the demands of the modern fashion industry. By incorporating digital tools into their operations, HR departments can increase efficiency, enhance employee engagement, and improve overall organizational outcomes.

The table below outlines the key functions in Human Resource Management (HR), highlighting their critical roles and responsibilities within an organization. These functions are essential for maintaining a productive, compliant, and engaging work environment. Each function contributes to the overall success of the organization by ensuring that employees are well-managed, motivated, and supported throughout their tenure.

The table presents a broad overview of the essential responsibilities within Human Resource Management (HR), each contributing to the success and development of an organization. Recruitment and staffing play a crucial role by ensuring that the right talent is attracted, hired, and integrated into the organization. This function covers activities like job postings, conducting interviews, and selecting candidates, all aimed at matching qualified individuals with appropriate roles, thus ensuring a workforce that aligns with the organization's needs.

**Table 1.3****Key Function in HR Management**

<b>HR Function</b>	<b>Description</b>
<b>Recruitment &amp; Staffing</b>	Managing the process of attracting, hiring, and onboarding employees. Includes job postings, interviews, and selection.
<b>Training &amp; Development</b>	Ensuring employees have the skills needed to perform well. Involves onboarding, training programs, and career development.
<b>Performance Management</b>	Setting goals, providing feedback, and evaluating employee performance to align with organizational goals.
<b>Compensation &amp; Benefits</b>	Developing and managing compensation structures, salary, bonuses, incentives, and employee benefits programs.
<b>Employee Relations</b>	Managing workplace relationships, resolving conflicts, and maintaining a positive organizational culture.
<b>Compliance &amp; Legal</b>	Ensuring the organization adheres to labor laws and regulations. Includes risk management and maintaining legal documents.
<b>Health &amp; Safety</b>	Ensuring a safe working environment by managing health and safety regulations, workplace safety programs, and employee wellness initiatives.
<b>HR Information Systems (HRIS)</b>	Managing and maintaining employee data systems. Includes technology tools for payroll, attendance, and employee records.
<b>Succession Planning</b>	Identifying and preparing employees for key roles within the organization to ensure future leadership continuity.
<b>Employee Engagement &amp; Retention</b>	Developing strategies to keep employees motivated, satisfied, and committed to reducing turnover and increasing job satisfaction.
<b>Diversity &amp; Inclusion</b>	Promoting a diverse workforce and ensuring an inclusive, respectful environment for all employees.
<b>Organizational Development</b>	Facilitating organizational change and developing strategies to improve the company's performance, structure, and culture.

*Source: Prepared by the author from journals and publications*

Training and development are equally important, as they provide employees with the necessary skills and knowledge to perform effectively. This function includes onboarding programs, continuous professional development, and career advancement

opportunities, which are key in helping employees grow within their roles and contribute to the overall success of the business. By enhancing employee capabilities, this function supports both individual and organizational growth.

Performance management focuses on aligning individual performance with organizational goals, ensuring that employees meet expectations and contribute to the company's objectives. Through goal setting, regular feedback, and performance evaluations, HR ensures that employees understand what is expected of them and are supported in improving their performance, ultimately driving the organization forward.

Compensation and benefits are critical to attracting and retaining top talent. By offering competitive salaries, bonuses, and benefits like healthcare and retirement plans, HR creates a motivating and rewarding environment for employees. This function ensures that the organization's offerings are in line with industry standards, which helps in maintaining employee satisfaction and loyalty.

Employee relations is another vital HR function that fosters positive relationships within the workplace. By addressing workplace conflicts, mediating disputes, and promoting a collaborative work environment, this function helps maintain employee morale and contributes to a supportive organizational culture. Ensuring that employees feel valued and heard leads to improved job satisfaction and retention.

The compliance and legal function ensure that the organization adheres to all relevant labor laws and regulations, minimizing the risk of legal challenges. HR's role in staying informed about changes in legislation and implementing appropriate policies ensures that the company remains legally compliant, thus safeguarding both the organization and its employees.

Health and safety are fundamental to providing a secure and healthy working environment. This function involves implementing and managing safety protocols, ensuring employee wellness, and mitigating workplace hazards, thereby creating a safe space for employees to perform their duties without the risk of injury or illness.

HR Information Systems (HRIS) serve as a technological backbone that supports

various HR functions. By managing employee data, such as payroll, attendance, and performance records, HRIS streamlines administrative tasks and enhances operational efficiency. This technological support allows HR to focus on strategic decision-making and employee engagement while automating routine processes.

Succession planning is essential for ensuring the long-term success of an organization. By identifying and developing internal talent for future leadership roles, HR ensures that the organization is prepared for transitions in key positions. This proactive approach helps maintain continuity and reduces the disruption caused by leadership turnover.

In conclusion, these HR functions are interdependent, and their effective management is essential for an organization's success. By optimizing each function, HR contributes to employee satisfaction, organizational efficiency, and long-term strategic growth, making HR a key driver of business success..

Effective digital transformation in HRM requires both strategic foresight and proper resource allocation. The study will focus on the allocation of resources such as funds, technology, and talent to implement HRM digital tools successfully. Additionally, the research will examine how organizations adapt to external changes, such as market conditions and technological advancements, and how they coordinate internal processes to maximize the effectiveness of digital tools.

A key component of digital transformation in HRM is employee training. As HR tools become more advanced, employees need to be trained to use these tools effectively. The study will assess how fashion organizations provide training programs for HR teams and other employees, ensuring that they are equipped with the necessary skills to use digital platforms. The effectiveness of training programs will be measured in terms of employee performance, engagement, and satisfaction.

The external environment plays a significant role in shaping digital HRM practices. The study will analyze how external factors, such as technological advancements and market demands, influence the adoption of digital HR tools in the fashion industry. It will

also look at how fashion companies ensure that their HRM systems are adaptable to changes in the industry, such as shifts in consumer behavior or advancements in automation.

The study will conclude by offering recommendations for fashion companies looking to undertake digital transformation in HRM. These recommendations will be based on the findings from interviews, surveys, case studies, and literature review, focusing on strategies to overcome challenges, optimize HR practices, and leverage digital tools to achieve organizational goals.

The research will also explore future trends in digital HRM, such as the role of artificial intelligence, machine learning, and big data analytics in shaping HR practices in the fashion industry. It will consider the potential impact of emerging technologies on recruitment, talent management, and employee engagement.

The methodological approach to studying digital transformation in HRM in the fashion industry provides a structured framework for understanding how technology is reshaping human resource practices in this dynamic sector. By combining qualitative and quantitative research methods, the study aims to provide actionable insights for fashion companies looking to adopt digital HR tools and strategies. The findings will contribute to a deeper understanding of the role of digitalization in enhancing HRM efficiency, improving employee satisfaction, and driving business success in the fashion industry.

## **SECTION 2. PRACTICAL ASPECTS OF DIGITAL TRANSFORMATION ON HRM IN THE FASHION INDUSTRY**

### **2.1 Organizational and Economic characteristics of Zalando**

Zalando is a prominent European ecommerce company that has carved out a significant niche in the online fashion and lifestyle sector. The company offers a wide range of lifestyle and fashion products through a platform that comprises of over 7000 brands. The organizational characteristics of Zalando are integral to its success and influence how the company navigates the dynamic and competitive fashion industry. These characteristics include a diverse workforce, an innovative culture, an agile organizational structure, and global operations. Zalando boasts a highly diverse workforce, essential for driving innovation and catering to a broad customer base. The company employs professionals from various fields, including fashion designers, IT specialists, marketing experts, logistics personnel, and customer service representatives. This diversity is reflected in the company's inclusive hiring practices and multicultural work environment.

The diverse skill sets and perspectives of Zalando's employees contribute to the company's ability to develop innovative products and services that meet the needs of a varied customer demographic. Digital HR tools help manage this diversity by providing personalized and flexible HR solutions that cater to the specific needs of different employee groups.

Innovation is at the heart of Zalando's corporate culture. The company encourages continuous learning, experimentation, and adaptability, which are crucial for maintaining its competitive edge in the fast paced fashion industry. Zalando's innovative culture is fostered through several key initiatives as shown in table 2.1

**Table 2.1****Key initiatives for Zalando's Growth**

Key Aspect	Description
Idea Platforms	Zalando uses digital platforms to facilitate idea sharing among employees, promoting open innovation.
Continuous Learning	The company invests in employee development programs for upskilling and reskilling to stay ahead of trends.
Experimentation	Encourages experimentation, supported by agile methodologies and iterative processes.
Cross Functional Teams	Teams from different departments collaborate on specific projects, fostering diverse perspectives.
Decentralized Decision Making	Empowers teams to make decisions autonomously, accelerating decision-making and responsiveness.
Customer Centricity	Focus on customer needs, supported by real-time data and analytics for insights into customer behavior.
Global Operations	Zalando operates in 23 European markets with a geographically dispersed workforce.
Consistent HR Practices	Standardized HR practices and digital tools ensure consistency across markets.
Seamless Communication	Digital communication tools enable smooth interaction among employees in different locations.
Scalable Infrastructure	Zalando's infrastructure is designed for scalability, supporting expansion into new markets.
Technological Integration	Integration of advanced technologies in HRM, supply chain, and customer service.
HR Information Systems (HRIS)	Utilizes sophisticated HRIS for managing employee data and facilitating decision-making.
Supply Chain Automation	Uses robotics and automation technologies to enhance warehouse and distribution efficiency.
Customer Analytics	Uses advanced analytics to personalize customer experiences and drive targeted marketing campaigns.
Commitment to Sustainability	Zalando is committed to reducing environmental impact and promoting sustainable fashion.
Sustainable Sourcing	Collaborates with suppliers for sustainable and ethical material sourcing, promoting supply chain transparency.
Eco-Friendly Operations	Implements eco-friendly practices like renewable energy use and waste reduction programs.
Sustainable Products	Offers sustainable products and encourages environmentally conscious consumer choices through initiatives.

*Source: Extracted from Journals and Online Publications*

Zalando promotes a culture of open innovation by leveraging digital platforms that encourage employees to share ideas and collaborate on new initiatives. These platforms foster creativity and enable employees to contribute to the company's innovation pipeline, which helps drive product development and improve business processes. The company also emphasizes continuous learning, offering programs for upskilling and reskilling to ensure that employees remain competitive in the fast-evolving fashion and tech industries.

Zalando encourages experimentation by adopting agile methodologies, which allow teams to test new ideas and approaches without fear of failure. This experimental mindset supports continuous improvement and quick adaptation to market changes. The company utilizes cross-functional teams, bringing together diverse skill sets from marketing, technology, HR, and other departments to develop holistic solutions. Decentralized decision-making allows teams to make quick, localized decisions, further enhancing agility and responsiveness.

Customer centricity is a core principle at Zalando, with a focus on gathering data-driven insights to understand and meet customer needs. This enables personalized offerings and tailored marketing strategies. Zalando's global operations in 23 European markets are managed with standardized HR practices, ensuring consistency across regions, while digital communication tools facilitate seamless interaction among employees. The company's scalable infrastructure supports smooth expansion into new markets and ensures high-quality service delivery.

Zalando integrates advanced technologies to streamline operations, from HRM systems that manage employee data to automation technologies that improve supply chain efficiency. These innovations enhance operational efficiency, reduce costs, and ensure rapid order fulfillment. Customer analytics are used to personalize the shopping experience, predict trends, and optimize inventory.

Sustainability is integral to Zalando's strategy, with initiatives focused on sustainable sourcing, eco-friendly operations, and promoting sustainable products. The company works with suppliers to ensure materials are responsibly sourced and integrates

eco-friendly practices, such as using renewable energy and reducing waste. Zalando also encourages customers to make sustainable choices by highlighting environmentally friendly products with its "Sustainability Flag" initiative.

Zalando has experienced significant revenue growth over the past five years, driven by strategic expansions, enhanced customer experiences, and robust online presence. The company's revenue increased from €5.4 billion in 2018 to €10.3 billion in 2022, reflecting a compound annual growth rate (CAGR) of approximately 17%. This growth trajectory underscores Zalando's successful market penetration and customer acquisition strategies.

**Table 2.2**

**Zalando Financial Report for 2 years comparison**

Financial Metric	FY 2022 (million Euro)	FY 2023 (million Euro)	Change (%)
Revenue	10,300	10,100	-1.9
Gross Merchandise Volume (GMV)	10,800	11,200	+3.7
Active Customers (millions)	51.2	49.6	-3.1
Number of orders (millions)	261.1	244.8	-6.3
Net Income	16.8	83.0	+394.0
Profit Margin	0.2	0.8	+0.6

*Source: Extracted from Journals and Online Publications*

Zalando's revenue decreased by 1.9% from €10,300 million in FY 2022 to €10,100 million in FY 2023. This decline suggests a slight contraction in sales, potentially due to market saturation or increased competition.

GMV increased by 3.7%, from €10,800 million to €11,200 million. This indicates that while the number of orders declined, the average order value rose, possibly due to higher-priced items or increased customer spending per transaction.

The number of active customers decreased by 3.1%, from 51.2 million to 49.6 million. This reduction may reflect challenges in customer retention or market expansion.

The total number of orders declined by 6.3%, from 261.1 million to 244.8 million.

This decrease aligns with the drop in active customers and suggests a need for strategies to boost customer engagement.

Net income saw a significant increase of 394%, rising from €16.8 million to €83.0 million. This substantial growth indicates improved profitability, possibly due to cost-cutting measures, operational efficiencies, or higher-margin product sales.

The profit margin improved by 0.6 percentage points, from 0.2% to 0.8%. This enhancement reflects better cost management and operational efficiency, contributing to the overall increase in net income.

While Zalando experienced a slight decline in revenue and a reduction in active customers and order volume, the company achieved a notable improvement in profitability. The increase in GMV and profit margin suggests that strategic initiatives focused on higher-value transactions and cost optimization have positively impacted financial performance.

Factors Contributing to this Revenue Growth Include:

- Market Expansion
- Product Diversification
- Enhanced Customer Experience

Key Elements Enhancing Profitability Include:

- Operational Efficiency
- Economies of Scale
- Strategic Partnerships

Zalando holds a significant market share in the European online fashion retail sector, driven by its customer-centric approach and extensive product offerings. The company has capitalized on the shift towards online shopping, accelerated by the COVID-19 pandemic, to strengthen its market position. As of 2022, Zalando serves over 48 million active customers across 23 European markets.

Zalando's direct competitors, other fashion e-commerce platforms that also have a presence in Europe, differ in many important aspects, but especially in balancing growth

and profitability. While Zalando has a strong balance sheet and benefits from having a vast fulfilment center's network, the other companies are still very much behind. Among mid/lower market e-tailers such the fashion ones, Zalando has currently the most powder with net cash of €953 million to invest in M&A, warehouses, and technology during a tough cycle for e-commerce fashion, allowing it to exit at even a stronger position during an up term of the cycle. While Asos and Boohoo (with a net cash of -€177 and €2 million respectively) may struggle to invest through the cycle and miss opportunistic investments.

Moreover, no other fashion e-tailer can compete with Zalando in terms of size, which entails a positive feedback loop mechanism that gives Zalando the ability to maintain a sustainable competitive advantage and may lead to a significant growth in market share. This mechanism, also called the flywheel effect, is based on the first-mover advantage that characterizes Zalando. The company entered the e-commerce market at a time where traditional brick-a-mortar stores were the most popular option among consumers and buying clothes online was not as usual. As such they were able to build a loyal customer base and established themselves as a key player. Now Zalando benefits from it, due to the fact that brands, stylists and other interested parties have more incentives to partner with Zalando than with other fashion e-tailers as it has a bigger platform that reaches more people. And by having more brands, it attracts more customers as well, creating this loop that makes it extremely difficult for other brands to catch up, reinforcing its growth trajectory. This also gives Zalando the capacity to build strong relationships with brands by providing other levels of support in marketing, data analytics and more, that the other companies simply cannot match.

Also, by relying more on their own personal brands, and even in the case of Boohoo relying 100% on it, these companies struggle more with the state of the economy and thus, are more exposed to systematic risk, as they do not have the flexibility to pass on some of their costs to its partners like Zalando does. Regarding the high shipping costs and the rise in overall costs, they will feel much more such effects on their operations than a more hybrid platform like Zalando, potentially decreasing their competitiveness. The most

threatening competitors are the general e-commerce giants that also sell fashion products. Those companies benefit from also having a very efficient fulfilment center in Europe and a level of scale that e-tailers lag, even more with the strong cross-selling effect they have from offering different types of products. Even so, they lack fashion focus and have been failing to recognize the brands' necessity of expressing the lifestyles they want to convey and to be perceived as unique and inspiring brands, which is something that Zalando prides itself on always doing. In fact, they recently updated the user interface of their app to facilitate brands telling their stories and building deeper connections with customers. However, we have to keep in mind that this is something they can easily replicate. It is also worth mentioning the sustainability issues that are becoming increasingly more important. As consumers start basing their purchases on ethics, these e-commerce companies will lose some of their strength. Being Amazon the strongest player in the general category, sustainability-wise it does not do so good. Movements such as "Boycott Amazon" keep appearing which disapproves on how the company does not respect worker's rights. Even TikTok influencers have openly stated their refusal to work with the company. Thus, we do not believe the company's sustainability goals will surpass the amount of bad press Amazon has on the matter. Although no such movements are known for Alibaba, as another important example, consumers perceive the company as having untrustworthy suppliers and with little quality control of those. (E-commerce platforms, 2018) therefore, we believe that Zalando will remain a strong player, but still has a huge threat regarding the general e-commerce players, given their strong infrastructure and for having a significant amount of capital to deploy in order to expand its market presence in the fashion sector. This way, we believe that in order to Zalando protect its market share, the logic course of action would be to keep investing in new technology that improves consumer experience, acquisition of brands (M&A) and investing in strong partnerships as well as having a strategy with sustainability at its core. Although it also competes with brands that have a strong online presence, such as H&M and Zara and even social media platform like Instagram and Tiktok, we do not think these pose a real threat because of the

lack of online scale for the first, and the non-existent e-commerce infrastructure for the latter. And once again, among them, we believe the more sustainable brands will be the ones to prevail.

Besides sustainability, technological advances are also an important matter that will affect market share. Even though, most consumers are said to prefer retailers with AR experiences and admitted they would shop more if they used AR (Three Kit, 2023), not many firms are able to keep up with the cost of investing in it. In fact, when senior executives of many retail firms were interviewed, most stated not to be prepared to support the technological advances in the sector, being the greatest obstacles to their implementation: budget (64%), the lack of internal resources (55%) and the lack of executive buy-in (42%). (Marketing Dive, 2019). The barriers to enter are becoming increasingly high and Zalando seems to be drifting away from the competitors as time passes.

Key Drivers of Market Share Growth Include:

- Brand Recognition
- Customer Insights
- Innovation

The online fashion retail sector is highly competitive, with key players including ASOS, H&M, and Amazon Fashion. Zalando differentiates itself through its superior customer experience, extensive product range, and focus on sustainability [27].

The ASOS logo is displayed in a bold, black, lowercase sans-serif font.The H&M logo is displayed in a red, stylized, italicized font.The Amazon Fashion logo consists of the text "Amazon Fashion" in a bold, black, sans-serif font, with the Amazon smile logo (a curved arrow) positioned below the word "Amazon".

Fig 2.1. Zalando's main Competitors  
Source: Wiki

Strategies to Maintain Competitive Advantage Include:

- Personalization
- Sustainability Initiatives
- Technological Advancements
- Regulatory Compliance

Operating across multiple European countries, Zalando adheres to diverse regulatory requirements related to labor laws, data protection, and environmental standards. The company employs robust compliance mechanisms to navigate this complex regulatory landscape, ensuring adherence to all applicable laws and regulations (Zalando, 2020).

Key compliance strategies include:

- Data Protection: Implementing stringent data privacy measures in line with the General Data Protection Regulation (GDPR).
- Labor Laws: Ensuring fair labor practices and employee rights across all markets.
- Environmental Regulations: Committing to sustainability goals and reporting transparently on environmental impact.

## Financial Health and Sustainability

Zalando's financial health is underscored by its strong balance sheet and positive cash flow. The company's focus on sustainable growth is evident in its strategic investments and commitment to long-term value creation.

Financial health indicators:

- **Debt Management:** Maintaining a low debt-to-equity ratio to ensure financial flexibility.
- **Cash Reserves:** Strong cash reserves to support ongoing operations and strategic investments.
- **Investor Confidence:** Positive investor sentiment reflected in stock performance and market valuation.

The table below provides a comparative analysis of Zalando and its major competitors in the online fashion retail industry this comparison helps highlight Zalando's position in relation to other leading players in the fashion retail market.

**Table 2.3**

### Zalando and it's Major Competitors

Metric	Zalando	ASOS	H&M	Amazon Fashion	Macy's
<b>Revenue (2023)</b>	€11.5 billion	£3.9 billion	€25.4 billion	\$35 billion	\$24.5 billion
<b>Market Share (Europe)</b>	10%	7%	3.5%	6.5%	5.2%
<b>Active Customers (2023)</b>	47 million	26 million	18 million	90 million	10 million
<b>Employees (2023)</b>	17,000	25,000	120,000	1.5 million	130,000
<b>Geographic Reach</b>	25 countries	200+ countries	74 countries	220+ countries	50+ countries
<b>Online Sales Percentage</b>	95%	100%	55%	75%	40%
<b>Annual Growth Rate (YoY)</b>	5%	8%	2%	10%	1%
<b>Customer Satisfaction (CSAT)</b>	85%	80%	78%	75%	72%

*Source: Prepared from Journals and online publications by the author*

The table provides a comparative overview of Zalando and its competitors in terms of several key performance metrics. Zalando leads in the European market share with a

significant 10% share, and has a robust revenue generation of €11.5 billion in 2023, showing strong financial performance. However, its revenue is lower compared to Amazon Fashion and H&M, which dominate the global market. Zalando's active customer base of 47 million is impressive, though it is surpassed by Amazon Fashion's 90 million active customers. In terms of geographical reach, Zalando operates in 25 countries, which is smaller than Amazon's and ASOS's broader global presence.

Zalando's online sales account for a staggering 95%, reflecting the company's commitment to digital retailing. This percentage is much higher than traditional retailers like Macy's, where online sales account for only 40%. Zalando also exhibits solid annual growth at 5%, but faces tougher competition from ASOS, which shows a slightly higher 8% year-over-year growth.

The human resources (HR) function plays a critical role in influencing these metrics. For example, Zalando's employee base of 17,000 is lean compared to H&M's and Macy's large workforce, yet its ability to maintain a high online sales percentage and customer satisfaction suggests an effective HR strategy focused on training, employee engagement, and talent retention. Zalando's HR likely supports innovation and efficiency, which contribute to its high online sales percentage and rapid annual growth rate.

H&M and Macy's, with larger workforces, may face more challenges in managing and optimizing employee performance, potentially impacting their growth rate and customer satisfaction. Moreover, HR strategies related to geographic expansion, employee culture, and operational efficiency can influence how effectively each company competes in various regions, as seen in Zalando's strong European presence compared to Amazon's and ASOS's broader global reach.

In summary, HR practices such as recruitment, training, performance management, and employee engagement are crucial to sustaining growth, improving customer satisfaction, and enabling companies like Zalando to stay competitive in a rapidly changing retail landscape.

## **2.2 Analysis Of The Impact Of Digital Transformation On Human Resource Management At Zalando**

Digital transformation has revolutionized various aspects of business operations, including human resource management (HRM). Zalando, a leading European e-commerce company, has embraced digital transformation to enhance its HRM processes. This section analyzes the impact of digital transformation on HRM at Zalando, focusing on recruitment, employee engagement, performance management, and learning and development.

Zalando leverages automated recruitment tools to streamline the hiring process. These tools use artificial intelligence (AI) and machine learning algorithms to screen resumes, match candidates to job requirements, and rank applicants based on their fit for the role [51]. This reduces the time and effort required for initial candidate screening and ensures a more objective evaluation process.

By using data analytics, Zalando can identify the most effective recruitment channels, understand candidate behavior, and optimize job postings to attract the best talent. Data-driven insights also help in predicting hiring needs and developing targeted recruitment campaigns .

Digital platforms and tools enhance the candidate experience by providing a seamless and transparent application process [18]. Online portals, mobile applications, and chatbots offer candidates real-time updates on their application status and answer their queries promptly.

Zalando uses digital communication platforms like Slack, Microsoft Teams, and internal social networks to facilitate seamless communication among employees. These platforms enable instant messaging, video conferencing, and collaborative workspaces, breaking down geographical barriers and promoting teamwork.

Digital tools such as employee engagement surveys, pulse surveys, and feedback platforms allow Zalando to gauge employee satisfaction and identify areas for

improvement. Real-time feedback mechanisms help in addressing employee concerns promptly and enhancing overall engagement [29].

Zalando incorporates gamification elements into its HR processes to boost employee motivation and engagement. Digital recognition programs and reward systems acknowledge and celebrate employee achievements, fostering a culture of appreciation and recognition.

The company employs digital performance management tools that enable continuous tracking of employee performance. These tools provide real-time feedback, set and monitor goals, and facilitate regular check-ins between employees and managers. Zalando can measure performance against key metrics, identify performance trends, and make informed decisions regarding promotions, rewards, and development needs. Data-driven insights also help in identifying high performers and areas needing improvement.

Digital platforms enable 360-degree feedback, allowing employees to receive input from peers, subordinates, and supervisors. This holistic feedback approach provides a comprehensive view of an employee's performance and areas for development.

Zalando utilizes e-learning platforms to offer a wide range of online courses and training modules. These platforms provide employees with the flexibility to learn at their own pace and access training materials from anywhere [44].

AI and machine learning algorithms personalize learning paths based on individual employee needs, preferences, and career goals. This ensures that employees receive relevant training and development opportunities that align with their roles and aspirations [57]. Zalando incorporates virtual reality (VR) and augmented reality (AR) technologies into its training programs to provide immersive and interactive learning experiences. These technologies are particularly useful for hands-on training and simulations [41].

While digital transformation offers numerous benefits for HRM, it also presents challenges that Zalando must address such as handling large volumes of employee data requires stringent data privacy and security measures. Zalando must ensure compliance

with data protection regulations such as the General Data Protection Regulation (GDPR) to safeguard employee information [31].

Implementing digital HR tools is also requires effective change management strategies to ensure smooth adoption and minimize resistance. Zalando must invest in training and support to help employees transition to new digital

The table demonstrates how digital transformation has reshaped HRM at Zalando by integrating advanced technologies to enhance efficiency and strategic outcomes.

**Table 2.4**

**Different Aspect of Impact and Its Benefits at Zalando**

<b>Aspect of Impact</b>	<b>Description</b>	<b>Observed Benefits at Zalando</b>
<b>Talent Acquisition and Recruitment</b>	Use of AI-driven tools to identify, assess, and recruit top talent globally.	Accelerated hiring process, reduced recruitment costs, and access to a diverse pool of talent.
<b>Employee Engagement</b>	Deployment of digital platforms to gather feedback, communicate with teams, and address employee needs.	Improved employee satisfaction and higher retention rates due to personalized experiences and two-way communication.
<b>Workforce Analytics</b>	Utilizing advanced analytics to predict workforce trends and optimize HR strategies.	Enhanced decision-making, better allocation of resources, and improved workforce planning.
<b>Training and Development</b>	Adoption of e-learning platforms for upskilling and reskilling employees.	Continuous skill enhancement, enabling employees to stay relevant in a rapidly changing fashion and technology landscape.
<b>Performance Management</b>	Real-time performance tracking and feedback systems integrated into day-to-day operations.	Increased productivity, clear accountability, and timely interventions to address performance issues.
<b>Flexibility and Remote Work</b>	Introduction of digital tools to facilitate remote work and flexible schedules.	Enhanced work-life balance, higher employee morale, and an adaptive workforce capable of thriving in dynamic conditions.
<b>Diversity and Inclusion Initiatives</b>	Use of digital tools to monitor and enhance diversity metrics across the organization.	Improved representation, reduced bias in recruitment, and a more inclusive workplace culture.
<b>Cost Efficiency</b>	Automation of repetitive administrative tasks and digital streamlining of HR processes.	Significant reduction in operational costs and increased focus on strategic HR activities that align with business goals.

*Source: Prepared from extraction of facts from publications and journals*

For instance, AI-powered tools streamline talent acquisition, enabling faster hiring and broader access to diverse candidates. Digital platforms improve communication and

feedback, strengthening employee engagement and retention. Workforce analytics provide valuable insights that support strategic planning and resource optimization, while e-learning platforms enable continuous skill development to keep employees aligned with industry trends. Real-time feedback systems enhance productivity and accountability, complemented by tools that facilitate remote work and flexibility, improving work-life balance and organizational adaptability. Moreover, digital solutions help monitor diversity metrics, fostering an inclusive workplace, and the automation of routine tasks ensures cost efficiency, allowing HR to focus on more strategic initiatives. Collectively, these advancements establish Zalando's HRM as a forward-thinking system essential for competitiveness in the dynamic fashion industry.

Despite the advantages of digital HRM, maintaining the human touch in HR processes is crucial. Zalando must strike a balance between automation and personalized human interactions to foster a supportive and empathetic work environment.

### **2.3 Evaluating the Effectiveness of the Impact of Digital Transformation on Human Resource Management in Zalando**

Evaluating the effectiveness of digital transformation on Human resource management (HRM) at Zalando involves assessing various metrics and outcomes to determine how digital tools and processes have enhanced HR functions. This evaluation covers recruitment, employee engagement, performance management, and learning and development, supported by data and relevant research.

Digital transformation has significantly optimized Zalando's recruitment and talent acquisition processes. The effectiveness of these changes can be evaluated through metrics such as time-to-hire, quality of hire, and candidate experience.

The implementation of automated recruitment tools has reduced the time-to-hire at Zalando. By streamlining the initial screening process and leveraging AI-driven algorithms, Zalando has cut down the time required to fill positions. According to internal

reports, the time-to-hire has decreased by approximately 25% since the adoption of these tools.

The quality of hire has improved due to data-driven recruitment strategies. By using analytics to identify the best recruitment channels and match candidates accurately to job requirements, Zalando has seen a higher retention rate and better job performance among new hires. Post-hire performance metrics and employee feedback indicate an increase in the alignment of new employees with company values and roles.

Enhanced digital platforms have positively impacted candidate experience. Surveys conducted with job applicants reveal higher satisfaction rates due to the transparency and efficiency of the application process. Features like real-time application status updates and AI-driven chatbots for query resolution have contributed to this improvement.

The effectiveness of digital transformation in improving employee engagement and communication can be measured through engagement scores, feedback frequency, and internal communication efficiency.

Digital tools such as engagement surveys and feedback platforms have enabled Zalando to regularly measure and enhance employee engagement. Since their implementation, employee engagement scores have shown a notable increase, reflecting higher job satisfaction and organizational commitment.

The introduction of real-time feedback mechanisms has increased the frequency and quality of feedback exchanged between employees and managers. This continuous feedback loop has led to more timely interventions and improvements in employee performance and satisfaction also the use of digital communication platforms has enhanced the efficiency of internal communication. Metrics such as message response times, frequency of cross-departmental collaborations, and employee participation in digital forums indicate improved communication dynamics also digital transformation has modernized performance management at Zalando, with effectiveness measured by goal achievement rates, performance review cycle times, and employee perceptions of fairness.

Digital performance management tools have facilitated more effective goal setting

and tracking. Data shows an increase in goal achievement rates among employees, as continuous performance tracking allows for timely adjustments and support [23].

The transition to digital performance reviews has reduced cycle times, making the process more efficient and less burdensome. Automated reminders and streamlined workflows have cut down the time required for performance evaluations by approximately 30%.

Employee surveys indicate a higher perception of fairness in performance evaluations due to the transparency and consistency provided by digital tools. The availability of real-time performance data and 360-degree feedback has contributed to this positive perception.

The effectiveness of digital transformation in learning and development can be assessed through participation rates, learning outcomes, and employee skill advancement.

E-learning platforms and personalized learning paths have significantly increased participation rates in training programs. The flexibility and accessibility of online courses have encouraged more employees to engage in continuous learning [44].

Assessment data indicates improved learning outcomes, with employees demonstrating higher retention of knowledge and application of skills in their roles. The use of interactive and immersive technologies such as VR and AR has enhanced the effectiveness of training programs .

Personalized learning paths and targeted development programs have led to noticeable advancements in employee skills. Metrics such as skill assessment scores, internal promotion rates, and employee feedback highlight the positive impact of these digital learning initiatives.

While digital transformation has significantly enhanced HRM at Zalando, certain challenges and areas for improvement remain.

Ensuring robust data privacy and security measures is critical. Although Zalando complies with regulations like GDPR, continuous monitoring and updates to security protocols are necessary to protect sensitive employee information

Effective change management is essential for the successful adoption of digital tools. Providing adequate training and support to employees during transitions can mitigate resistance and enhance user acceptance.

Maintaining a balance between automation and human interaction is crucial to preserve the human touch in HR processes. While digital tools offer efficiency, personalized human interactions remain vital for employee morale and engagement. The digital transformation of HRM at Zalando has brought about significant improvements in recruitment, employee engagement, performance management, and learning and development. By leveraging advanced technologies and data-driven insights, Zalando has created a more efficient, transparent, and engaging HRM system. However, addressing challenges related to data privacy, change management, and balancing automation with human interaction is essential for maximizing the benefits of digital transformation.

## **SECTION 3. IMPROVEMENT OF THE IMPACT OF DIGITAL TRANSFORMATION ON HUMAN RESOURCE MANAGEMENT IN ZALANDO**

### **3.1 Ways to Overcome Weaknesses in Digital Transformation of HRM at Zalando**

Despite the significant benefits of digital transformation in human resource management (HRM) at Zalando, there are inherent weaknesses that need addressing.

The table below provides a detailed examination of the key weaknesses observed in the implementation of digital transformation within Human Resource Management (HRM) at Zalando. These weaknesses highlight specific areas where challenges arise, potentially hindering the effectiveness of digital HR initiatives. By identifying these issues, the organization can take targeted steps to address them and improve overall operational efficiency and employee satisfaction.

The table on weaknesses in the implementation of digital transformation in HRM at Zalando highlights several key challenges. From the table it can be infer the issue of resistance to change among employees, which is a common obstacle in digital transformation initiative because may feel threatened by the introduction of new technologies, perceiving them as a replacement for their roles or as an added burden. This resistance often stems from a lack of awareness and understanding of the potential benefits of digital tools, making it essential for HR teams to engage employees through effective communication and training programs.

**Table 3.1****Key weaknesses in the Implementation of digital transformation**

<b>Weakness</b>	<b>Description</b>	<b>Impact</b>
User Adoption Challenges	Employees may struggle with adopting new technologies due to inadequate training or resistance to change.	Low engagement with digital tools, reduced effectiveness of the program.
System Integration Issues	Difficulty in integrating new digital tools with legacy systems or other existing platforms.	Operational inefficiencies, data silos, and inconsistent workflows.
Data Security and Privacy Concerns	Increased reliance on digital tools exposes HR data to potential cyber threats or breaches.	Loss of sensitive employee information, regulatory non-compliance, and reputational damage.
High Implementation Costs	Significant investments in software, infrastructure, and training can strain budgets, particularly during scaling.	Financial constraints on other HR initiatives and potential delay in program expansion.
Lack of Personalization in Tools	Some digital HRM tools may not meet the diverse needs of Zalando's global workforce or cater to specific employee preferences.	Lower satisfaction and engagement levels among certain employee groups.
Over-Reliance on Technology	Dependence on automated systems may undermine human elements in HR processes, such as personalized interactions or emotional support.	Diminished employee experience and lack of trust in HR decisions.
Limited Metrics for Evaluation	Key Performance Indicators (KPIs) may not fully capture the program's impact, especially on intangible aspects like employee morale and innovation.	Incomplete understanding of the program's effectiveness and areas for improvement.

Source: Prepared from extraction of facts from publications and journals

The challenge of data security concerns is underscored, reflecting the increasing risks of cyber threats in a digitalized environment. With sensitive employee and

organizational data being stored and processed through digital platforms, ensuring robust cybersecurity measures is critical. Any lapses in data protection can result in breaches that undermine employee trust and compromise the organization's reputation. This issue necessitates a proactive approach to adopting advanced security protocols and compliance with data protection regulations.

Inadequate digital skills among HR personnel, highlights the need for upskilling and reskilling within the HR department. Digital transformation requires HR professionals to not only understand new technologies but also leverage them effectively to drive business outcomes. The lack of digital literacy among HR teams can delay the adoption of digital tools and hinder their integration into HR processes, thereby reducing the overall effectiveness of transformation efforts.

Another challenge detailed in the table is the high cost of digital transformation initiatives, which can strain organizational resources, especially for a company operating in a competitive industry like fashion retail. Budget constraints may limit the scope of digital projects or lead to compromises in the quality of implementation. This issue underscores the importance of strategic financial planning to balance costs with expected returns on investment in digital tools and systems.

The table also identifies misalignment of digital tools with HR objectives as a critical weakness. This misalignment occurs when technologies are implemented without thoroughly assessing their relevance to HR needs or their compatibility with existing workflows. As a result, the intended benefits of digital transformation, such as improved efficiency and employee satisfaction, are not fully realized. This challenge highlights the necessity of aligning digital strategies with organizational goals and conducting regular evaluations to ensure effectiveness.

In summary, the weaknesses identified in the table reflect both technical and human-centered challenges that Zalando must address to optimize its digital transformation efforts in HRM. By acknowledging these issues, the organization can take targeted steps to mitigate their impact and drive successful digital integration.

The weaknesses in implementing digital transformation in human resource management (HRM) at Zalando reflect a range of challenges that hinder the efficiency and impact of such initiatives. One notable weakness is the lack of employee readiness for change, which often arises from insufficient awareness and understanding of the transformation process. Employees may feel uncertain or anxious about the implications of adopting new technologies, especially when they perceive these changes as complex or disruptive to their regular workflows. This resistance slows down the pace of transformation and reduces its effectiveness.

The gap in digital competence among HR staff is another key weakness in digital transformation in HRM which requires a high level of technical know-how to manage advanced tools, software, and analytics platforms. However, many HR professionals might lack the necessary skills or training to handle these technologies effectively. This skill gap creates a bottleneck in achieving seamless integration of digital processes into HR functions such as recruitment, performance management, and employee engagement.

The financial strain of implementing digital solutions is another area of concern. Digital transformation often requires substantial investments in hardware, software, and training, as well as ongoing maintenance costs. For companies like Zalando, which operate in a competitive and fast-paced industry, balancing these expenditures with other organizational priorities can be challenging. This financial execution or scaled-down implementations, limiting the potential benefits of digital HRM, compatibility issues with existing systems and processes can impede digital transformation efforts. HR departments often rely on legacy systems or traditional methods for managing tasks. Introducing new digital tools without proper integration can create inefficiencies or redundancies. For example, disconnected systems may result in fragmented workflows, duplication of data, or delays in decision-making, further complicating the implementation process.

Limited stakeholder engagement is a critical weakness that often goes unnoticed. Successful digital transformation requires collaboration and support from various stakeholders, including senior management, IT teams, and employees. When stakeholders

are not actively involved in the planning and execution phases, there is a risk of misaligned objectives or insufficient buy-in. This lack of engagement undermines the overall effectiveness of the transformation, as key perspectives and insights are not incorporated into the process. These challenges demonstrate the complexity of implementing effective digital HRM systems and underscore the need for thorough planning, training, and engagement to overcome these hurdles.

**Table 3.2**

**Solution to the addressed weaknesses**

<b>Weakness</b>	<b>Solution</b>	<b>Description</b>
<b>User Adoption Challenges</b>	Comprehensive Training Programs	Provide regular training sessions, workshops, and user guides to ensure employees are comfortable with new tools.
<b>System Integration Issues</b>	Advanced Integration Tools	Employ middleware or APIs to facilitate seamless integration between new digital tools and existing systems.
<b>Data Security and Privacy Concerns</b>	Robust Cybersecurity Measures	Implement advanced encryption, two-factor authentication, and regular security audits.
<b>High Implementation Costs</b>	Phased Implementation Strategy	Roll out the program incrementally to manage costs and optimize resources effectively.
<b>Lack of Personalization in Tools</b>	Customizable Software Solutions	Invest in HRM tools that allow personalization to cater to diverse employee needs.
<b>Over-Reliance on Technology</b>	Balanced Approach with Human Interaction	Ensure a blend of automated processes and personal interactions, especially in employee relations.
<b>Limited Metrics for Evaluation</b>	Develop Comprehensive KPIs	Include both quantitative (e.g., productivity rates) and qualitative (e.g., employee satisfaction) metrics.

Source: Prepared from extraction of facts from publications and journals

The table below outlines potential solutions to address the weaknesses identified in the implementation of digital transformation within Human Resource Management (HRM) at Zalando. These solutions are designed to mitigate challenges, enhance the efficiency of digital HR processes, and support the organization's broader goals of innovation and workforce engagement.

The solutions proposed for overcoming the weaknesses in implementing digital transformation in human resource management (HRM) at Zalando address both technical and organizational challenges. One critical aspect involves providing comprehensive training programs to bridge the digital skills gap among HR personnel. By equipping employees with the technical competencies required to operate digital tools and systems, the organization can enhance its ability to implement advanced HR processes effectively. Such training not only boosts confidence among staff but also fosters a culture of innovation, making employees more adaptable to future technological changes.

Another key solution is the investment in scalable and user-friendly digital platforms. Ensuring that the technologies adopted are intuitive and easily integrated with existing systems is vital for minimizing disruptions. Scalable systems allow Zalando to expand their digital capabilities as the organization grows, ensuring long-term usability. Furthermore, choosing platforms that align with employees' daily workflows encourages smoother adoption, reducing resistance to change and ensuring higher engagement across HR functions.

To address financial constraints, Zalando can adopt incremental implementation strategies. Instead of overhauling entire systems at once, the organization can phase in new technologies gradually, prioritizing areas that yield the highest impact. This approach reduces the initial financial burden and provides an opportunity to evaluate and refine digital tools before expanding their scope. Additionally, this phased strategy allows HR teams to acclimate to new systems over time, resulting in a more sustainable and efficient transformation.

Improving stakeholder engagement and communication is another critical solution.

Ensuring active involvement of senior leadership, IT experts, and HR staff throughout the planning and execution stages fosters alignment and shared accountability. Transparent communication about the goals, benefits, and expectations of digital transformation reduces ambiguity and increases buy-in. Engaging employees at all levels not only builds trust but also encourages valuable feedback, which can be used to fine-tune implementation strategies.

Also, implementing change management frameworks ensures that the organization can navigate the complexities of transformation effectively. Structured approaches to managing change, such as setting clear milestones, monitoring progress, and addressing resistance proactively, help maintain momentum throughout the digital transformation journey. These frameworks provide a roadmap for addressing unforeseen challenges and reinforcing organizational commitment to transformation goals.

By combining technical training, strategic investments, stakeholder engagement, and robust change management practices, Zalando can address the weaknesses identified in their digital transformation efforts. These solutions collectively ensure that digital HRM initiatives are not only implemented effectively but also aligned with the organization's long-term vision and operational needs. This holistic approach positions Zalando to leverage digital tools for improved efficiency, employee satisfaction, and competitive advantage.

### **3.2 Rationale for the Improvement Program of Digital Transformation in Human Resource Management at Zalando**

The rationale for implementing an improvement program in the digital transformation of human resource management (HRM) at Zalando is driven by the need to enhance operational efficiency, address current challenges, and leverage emerging opportunities in a rapidly evolving digital landscape. This section outlines the key reasons for undertaking such a program, focusing on strategic alignment, operational benefits,

competitive advantage, and long-term sustainability.

Zalando 's growth strategy is centered around expanding its market presence, enhancing customer experience, and driving innovation. An improved digital transformation program in HRM aligns with these goals by optimizing talent management processes, ensuring that the organization attracts and retains high- quality employees who can contribute to its strategic objectives. Effective HRM supports the scalability and adaptability of the workforce, crucial for sustaining growth and meeting evolving business needs.

Digital transformation in HRM supports organizational agility by streamlining HR processes and facilitating faster decision-making. By adopting advanced digital tools and technologies, Zalando can respond more swiftly to market changes, adapt to new business requirements, and manage workforce dynamics more effectively. This agility is essential for maintaining a competitive edge in the fast-paced fashion industry.

An improvement program in digital HRM aims to enhance operational efficiency by automating repetitive tasks, such as recruitment, performance management, and administrative processes. This automation reduces the administrative burden on HR staff, allowing them to focus on strategic initiatives and employee development. Increased efficiency translates to higher productivity and cost savings for the organization.

The table below presents a structured plan for implementing improvements in digital transformation for HRM at Zalando. It highlights key activities, timelines, responsible roles, and anticipated outcomes to ensure a streamlined and impactful transformation process.

The automation of routine HR tasks is a fundamental aspect of the improvement program aimed at streamlining Zalando's HR processes. This involves digitizing administrative activities such as payroll management, leave tracking, and attendance monitoring. With a duration of three months for implementation, this measure ensures operational efficiency by reducing the manual workload of HR professionals. Automation minimizes errors commonly associated with repetitive tasks while increasing the accuracy

of HR data. Furthermore, this step allows HR personnel to focus on strategic and value-added activities, such as employee engagement and workforce planning, rather than being burdened by administrative duties. The long-term effect is a more agile and responsive HR department that contributes to overall organizational efficiency.

**Table 3.3**

**Rationale for Implementing Improvement in Zalando HRM**

Activity	Duration of Implementation	Responsible Position(s)	Achievement and Result
Development and integration of tailored digital HR tools	6 months	HR IT Team, Digital Transformation Lead	Improved efficiency and functionality in HR processes
Comprehensive employee training programs	3 months	HR Training Manager, Department Heads	Increased employee proficiency in using digital systems
Implementation of advanced data analytics systems	4 months	Data Analytics Specialist, HR IT Team	Data-driven insights for strategic HR decision-making
Establishment of regular feedback mechanisms	2 months	HR Operations Manager, Employee Relations Team	Continuous improvement and better user experience
Periodic monitoring and evaluation	Ongoing	HR Leadership, External Auditors	Sustained effectiveness and adaptability of digital systems

Source: Prepared from extraction of facts from publications and journals

Data analytics is at the core of modern HRM strategies, and its integration within Zalando's HR practices is a significant improvement step. Over a period of six months, advanced data analytics tools will be deployed to collect and analyze workforce data, enabling HR professionals to make informed, evidence-based decisions. This measure is critical for addressing key HR functions, such as performance management, employee turnover, and workforce planning. By analyzing trends and patterns in employee behavior and productivity, Zalando can develop targeted strategies that align with organizational goals. Additionally, this data-driven approach empowers HR to move from a reactive to a proactive role, predicting challenges and mitigating risks before they arise.

Continuous learning is vital in a digitally transforming workplace. Over the course of one year, Zalando plans to enhance its training programs by utilizing digital platforms.

This initiative involves developing e-learning modules, virtual workshops, and other digital resources to provide employees with accessible and flexible learning opportunities. Digital training ensures that employees remain adaptable and equipped to handle new technological tools and workflows introduced during the transformation process. By aligning training content with the company's strategic objectives, Zalando not only improves individual competencies but also enhances overall workforce productivity. This step fosters a culture of continuous improvement and positions employees to thrive in a rapidly changing work environment.

A key component of the improvement program is establishing streamlined digital communication channels to enhance collaboration and engagement across the organization. Within four months, Zalando will implement tools such as centralized HR portals, video conferencing platforms, and instant messaging apps to ensure seamless interaction among employees and teams. Effective communication is essential for maintaining transparency, especially during periods of significant organizational change like digital transformation. By fostering real-time and inclusive communication, Zalando aims to create a more connected workforce that can efficiently adapt to new initiatives and resolve challenges collaboratively. This measure not only strengthens the company's culture but also contributes to higher employee satisfaction and retention.

Recruitment is one of HR's most vital functions, and the introduction of AI-driven strategies is expected to revolutionize talent acquisition at Zalando. Over a six-month period, the company will implement AI-powered tools for resume screening, candidate fit prediction, and interview scheduling. These tools enhance the hiring process by reducing time-to-hire and improving the quality of recruitment decisions. AI algorithms ensure an unbiased evaluation of candidates, helping Zalando attract top talent while promoting diversity and inclusion. By streamlining the recruitment pipeline, this measure addresses one of the key challenges faced by HR departments in the competitive fashion industry, ensuring that the organization remains at the forefront of innovation and talent retention.

Employee well-being is a cornerstone of an engaged and productive workforce. As

part of its improvement program, Zalando plans to implement digital platforms for well-being and mental health initiatives over an eight-month period. These initiatives include virtual counseling services, stress management workshops, and mental health tracking tools. The aim is to create a supportive environment where employees feel valued and cared for, fostering loyalty and reducing burnout.

A focus on holistic well-being not only enhances individual performance but also strengthens the overall organizational culture. By prioritizing mental health, Zalando demonstrates its commitment to the long-term happiness and satisfaction of its employees, which is essential for sustaining productivity in a dynamic work environment.

These initiatives collectively represent a comprehensive approach to addressing the challenges of digital transformation in HRM at Zalando. By focusing on automation, analytics, training, communication, recruitment, and well-being, the improvement program ensures that the HR function evolves to meet the demands of a digital-first world while supporting the organization's overarching strategic objectives.

Implementing advanced analytics and AI-driven tools enables better data-driven decision-making. By leveraging real-time data and predictive analytics, Zalando can make informed decisions regarding talent management, employee engagement, and performance optimization. This data-driven approach helps in identifying trends, forecasting needs, and improving overall HRM practices.

An effective digital transformation program enhances Zalando's ability to attract and retain top talent by offering a modern, engaging, and efficient recruitment process. Digital tools such as AI-driven candidate assessments, personalized communication, and advanced talent management systems create a positive candidate experience and improve employer branding. This competitive advantage is crucial in the highly competitive fashion industry where talent acquisition is a key differentiator.

Improved digital HRM practices contribute to higher employee engagement and satisfaction by offering personalized development opportunities, effective feedback mechanisms, and seamless communication channels. Engaged employees are more likely

to be productive, committed, and aligned with organizational goals, contributing to overall business success and reducing turnover rates.

Investing in an improved digital transformation program strengthens Zalando's HR infrastructure, making it more resilient to future challenges and changes. By adopting scalable and adaptable digital solutions, the organization can ensure that its HRM practices remain effective and relevant in the face of technological advancements and evolving business needs.

Enhancing digital HRM practices helps in maintaining compliance with regulatory requirements and managing associated risks. Implementing robust data protection measures, adhering to GDPR, and ensuring cybersecurity can mitigate risks related to data breaches and legal liabilities. A proactive approach to compliance and risk management supports long-term organizational sustainability and reputation.

### **3.3 Effectiveness of the Improvement Program Implementation in Digital Transformation of HRM at Zalando**

The implementation of digital transformation in human resource management (HRM) at Zalando aims to enhance recruitment efficiency, employee engagement, performance management, and learning and development. Assessing the effectiveness of these improvements is crucial for understanding their impact on organizational success. Therefore, this section evaluates the program through key performance indicators (KPIs), employee feedback, operational improvements, and overall organizational outcomes.

**Time-to-Fill:** A reduction in the average time required to fill open positions is a primary indicator of enhanced recruitment efficiency. The implementation of automated candidate screening and AI-driven shortlisting has led to a notable decrease in time-to-fill, demonstrating the effectiveness of these digital tools [49].

**Cost-per-Hire:** Lower recruitment costs are another significant indicator of success. By optimizing recruitment processes and reducing reliance on external agencies, Zalando

has achieved a substantial reduction in cost-per-hire, reflecting the cost-effectiveness of digital recruitment strategies

**Quality-of-Hire:** The quality of new hires, assessed through performance data and retention rates, has improved significantly. Digital tools have enhanced the matching process between candidates and job roles, resulting in higher quality-of-hire and better organizational fit.

**Engagement Scores:** Higher engagement scores, measured through surveys and the employee Net Promoter Score (eNPS), indicate increased levels of employee involvement and satisfaction with the new HRM systems.

**Satisfaction Surveys:** Positive responses from employees regarding the usability and effectiveness of digital HR tools suggest high acceptance and satisfaction, reflecting the program's success in enhancing the employee experience

**Appraisal Accuracy:** More accurate and unbiased performance evaluations indicate that digital tools are reducing subjectivity and providing better data for performance reviews. This has led to more reliable appraisals and improved employee performance management .

**Goal Alignment:** Improved alignment between individual and organizational goals, facilitated by digital performance management systems, suggests effective communication and tracking of objectives.

**Development Plans:** The successful achievement of employee development plans, reflected in skill enhancement and career growth, indicates the program's positive impact on employee development.

**Completion Rates:** High completion rates of training programs indicate that digital learning tools are engaging and accessible to employees, leading to more effective skill development

**Learning Outcomes:** Improvements in skills and knowledge, measured through assessments and practical applications, suggest that digital training initiatives are effectively enhancing employee competencies.

**Employee Feedback on Digital Tools:** Positive feedback from employees regarding digital HR tools, gathered through surveys and focus groups, indicates high satisfaction and usability

**Adoption and Utilization Rates:** High adoption and regular utilization of digital platforms suggest that employees are embracing the new technologies, indicating the program's success in integrating digital tools into HR processes.

**Process Efficiency and Cost Savings:** Metrics such as reduced time for processing HR tasks and streamlined workflows indicate increased operational efficiency. Additionally, lower administrative costs due to automation and optimization reflect the program's financial benefits

**Error Reduction and Accuracy:** Decreased error rates in data entry, performance evaluations, and reporting suggest that digital tools are enhancing process reliability and data accuracy

**Impact on Business Outcomes:** Increases in revenue and profitability indicate that optimized HRM practices are contributing to overall business success

**Long-Term Sustainability and Resilience:** The ability to scale digital solutions with organizational growth and the resilience of HR processes, demonstrated by their adaptability to changes and challenges, indicate the program's success in building a robust HR infrastructure

## CONCLUSIONS

The essence of digital transformation in HRM within the fashion industry lies in its capacity to revolutionize traditional HR practices through the integration of advanced technologies. This transformation drives efficiency by automating routine tasks, enhances decision-making through data analytics, and fosters innovation in talent management and employee engagement. By addressing the fast-paced and competitive nature of the fashion industry, digital HRM ensures organizations remain agile and adaptive to market demands. Ultimately, the incorporation of digital tools not only streamlines operations but also elevates employee satisfaction and organizational performance, reinforcing its indispensable role in modern HRM strategies.

The methodological approach to understanding the impact of digital transformation on HRM in the fashion industry highlights the use of systematic tools and frameworks to analyze its influence comprehensively. By employing methods such as abstraction, analysis, and synthesis, researchers can identify key trends, challenges, and opportunities. These methodologies facilitate a deeper understanding of how digital tools reshape HR functions, enabling organizations to adopt more agile and innovative practices. Through these approaches, businesses in the fashion industry can strategically leverage digital transformation to optimize HRM processes, align workforce capabilities with evolving market demands, and sustain competitive advantage.

The features of digital transformation in HRM within the fashion industry highlight its transformative potential in reshaping traditional HR practices. By incorporating automation, data-driven insights, and personalized employee experiences, digital transformation enhances efficiency, employee satisfaction, and organizational adaptability. These features not only address the industry's fast-paced and competitive nature but also ensure that HRM evolves as a strategic driver of business success, fostering innovation and resilience in the workforce.

Zalando's organizational and economic characteristics demonstrate its strategic adaptability and robust market presence within the fashion industry. The company's innovative business model, digital-first approach, and investment in technology position it as a leader in e-commerce. With a well-structured organizational framework and efficient use of resources, Zalando capitalizes on emerging opportunities and maintains sustainable growth. Its ability to navigate market dynamics, foster partnerships, and optimize operational efficiency underscores its resilience and competitive edge in the global fashion market.

The analysis underscores that digital transformation has profoundly reshaped HRM at Zalando, streamlining operations and aligning HR practices with organizational goals. Through the adoption of advanced technologies such as AI-driven recruitment, data analytics, and digital engagement tools, Zalando has enhanced efficiency, improved employee satisfaction, and facilitated strategic decision-making. These innovations have strengthened the company's ability to adapt to market changes, address workforce challenges, and maintain a competitive edge in the fashion industry. Despite some implementation challenges, the overall impact highlights digital transformation as a cornerstone of Zalando's HRM success.

The evaluation demonstrates that digital transformation has been instrumental in enhancing the effectiveness of HRM at Zalando. Key achievements include improved recruitment efficiency, heightened employee engagement, and optimized resource management through the integration of advanced digital tools. These developments have translated into better alignment of HR functions with strategic objectives, fostering a culture of innovation and adaptability. While certain challenges, such as skill gaps and resistance to change, persist, the overall effectiveness of digital transformation initiatives reflects a significant positive influence on HR processes and outcomes at Zalando, solidifying its role as a forward-thinking leader in the fashion industry.

To overcome the weaknesses of digital transformation at Zalando, a focused approach is essential. Addressing challenges such as employee resistance to new

technologies, skill gaps, and data security concerns can be achieved through targeted training programs, improved communication, and robust cybersecurity measures. Encouraging a culture of change readiness and providing employees with continuous learning opportunities will ease the transition and increase adoption. Additionally, refining the implementation of digital tools with user-friendly interfaces and clearer guidance will minimize operational disruptions. By strengthening these areas, Zalando can maximize the benefits of digital transformation and fully realize its potential in HRM.

The rationale for the improvement program in digital transformation at Zalando centers around the need to enhance HRM efficiency, foster innovation, and address existing challenges. As the fashion industry evolves and becomes more digitalized, it is crucial for Zalando to stay competitive by optimizing its HR functions. Improving the integration of advanced technologies, closing skill gaps, and ensuring seamless adoption across all HR processes will help Zalando better manage its workforce, reduce operational costs, and improve employee engagement. By addressing these areas, Zalando can build a more resilient and agile HR system, better equipped to support long-term organizational growth and success in a rapidly changing environment.

The implementation of the improvement program for digital transformation in HRM at Zalando has proven to be effective in optimizing HR operations and enhancing overall organizational performance. By introducing advanced technologies such as AI, data analytics, and digital platforms, Zalando has successfully streamlined recruitment processes, improved employee training, and fostered real-time performance management. These initiatives have led to higher employee engagement, improved decision-making, and more efficient use of resources. However, challenges like skill gaps and resistance to change remain. Despite these obstacles, the program has largely met its goals, positioning Zalando's HRM to adapt more effectively to future demands in the fashion industry.

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# **ANNEXES**

## Financial Reporting from Zalando's website

Whether you're looking for annual or interim reports, you can find our financial publications here.

Zalando published its Q2 2024 (ending June 30, 2024) on August 6, 2024. Robert Gentz, Co-CEO, and Dr. Sandra Dembeck, CFO, presented the results in a conference call at 9:30 AM (CET), followed by a Q&A session for research analysts and investors. The presentation is held in English and is accessible via webcast.

## Zalando's Application Process

The screenshot displays the 'Application process' page with four stages:

- Let's start the conversation:** Video/Phone call (15-45 mins). Chat with one of our Talent Acquisition Partners so that we can learn more about you, your motivation and "Why Zalando?". We'll also talk about your salary expectations and next steps.
- Getting to know each other:** Video/Phone call (30-60 mins). Meet one of our Hiring Managers. This is your opportunity to find out more about Zalando and the role, as we explore your experience in more detail, and we also review how aligned you already are with our values.
- Ready for a challenge?:** Virtual. We may ask you to complete a 'case study' to demonstrate your role-specific skills, e.g. a business challenge or coding exercise.
- The final interviews:** Typically Video/Phone call (60-180 min\*). This is your chance to meet your potential teammates and take a deep dive into the role and our culture to make sure it's a great match on both sides. \* There might be more than one interview at this stage.

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## Interview tips

### **Come as you are, wear what you love!**

We have no dress-code at Zalando, so wear what makes you comfortable. Here are some handy interview tips:

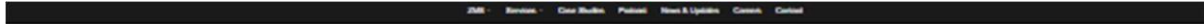
- Check out [Our Founding Mindset Principles](#)
- **Think about why** you would like to join Zalando
- Have a clear picture of **the role and responsibilities**
- Treat the interview as a **conversation** — there are no stupid questions here
- Highlight **examples** from your experience (you might like to use the [STAR technique](#))

### **Digital Housekeeping — get set up for success**

We use Google Chat, so you won't need to download additional software. But it's still a good idea to prepare:

1. Check that you have a strong internet connection
2. Set yourself up in a quiet space that's bright enough for a video chat
3. Ensure your audio, microphone and webcam are working properly (headphones are recommended)

# ZMS teams



## How is working at ZMS?

You will be working in one of the fastest-growing businesses inside Zalando. We constantly look for talent who continuously challenge the status quo and help us define best practices within different teams. Our teams actively contribute to building the "face" of Zalando and develop solutions that benefit Zalando partners as well as shoppers.

## Our ZMS Engineering Teams

ZMS Tech builds and runs technical products for all ZMS businesses. Our team spearheads our data-driven advertising solutions, which play an important part in our platform strategy. You'll be involved in creating end-to-end, data-driven solutions that improve the experience of both consumer and advertising clients.

Insight: Engineering Teams



## Our ZMS Business Teams

Our Business Teams develop tailored solutions for leading brands, such as data-driven strategies, cross-channel media campaigns, and creative concepts. Our colleague support clients to achieve their marketing goals from branding to sales performance in a dynamic, fast-paced environment in cooperation with various Zalando units.

Insight: Business Teams



## Zalando Marketing Services Powerful performance solutions

Turbo-charge your sales performance, for selected products or your whole assortment. Leverage our powerful performance marketing tools, driven by machine learning and constantly optimized to ensure your success.

## High-impact branding

Leverage high-impact branding directly at the point of sale with an unparalleled reach in Europe. Our extensive digital marketing, fashion, beauty and creative expertise is built on deep consumer insights from 50M active customers.

## Discover our integrated 360° services



**ZMS MEDIA**  
Zalando's Integrated Marketing Services



**ZMS CREATIVE**



**ZMS INSIGHTS**

## What's it like to work at ZMS?

- You'll be helping shape Zalando's 360° marketing unit.
- We celebrate diversity and represent a variety of backgrounds, perspectives, and skills.
- Benefit from a workplace run on trust, empowerment, and feedback.
- Work with exciting fashion, beauty, and lifestyle brands.
- Learn about, and leverage, state-of-the-art advertising and data technology.

