

# Zara case study critique essay

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MGMT 6620: Operations & SCM HBSCase StudyZara: IT for Fast Fashion

4/9/2013 1. What is the Zara “ business model”? What weaknesses, if any, do you see in this business model? The value propositions offered by Zara to its main customers who are young, fashion conscious city-dwellers is offering new styles within the time-frame of several weeks as well as providing assortment of choices for customers and the uniqueness of clothing styles fitting individual customer needs. To achieve this Zara’s business model had the following: 1.

Incorporating the horizontal structure for placing orders and deciding which items to push aggressively by delegating decision making responsibilities to store managers; 2. Low volume production of any item and high inventory turnover, which secured better tracking of “ hot” items, which can be sold well; 3. Reduction of losses on items which are not selling well- Company was eliminating inventory build-up by managing low inventories and by their frequent updates company achieved high foot traffic in its stores and used the stores as focal points of its marketing campaigns.

Weakness in Zara’s business model is that each store is highly dependent on decision making capabilities of store managers, which might cause the problem if many of them decide to leave. Moreover, since company relying on small shops scattered throughout Spain and Portugal for its production any economic downturn in those countries can cause the increase the cost of manufacturing or COGS. 2. In your opinion, what are the most important aspects of Zara’s approach to IT? Are these approaches applicable and appropriate anywhere? If not, where would they not work well?

The Most important aspect of Zara's approach to Information technology is the use of POS in its current store to track customers demand quickly, decentralize the company and provide customer with trendy clothing options. Yes these approaches are essentially applicable starting from production till distribution, but Zara's current IT is outdated and needs to be upgraded from future sustainability point of view to network with various retailers and distribution centers. Zara could face challenges in longer run from operation front with new technology.

Zara must keep upgrading them with the latest technology to beat the competitors that might cost high. New technology demands training on usage to employee that again involve cost. 3. Should the company build in-store networks? In our group's opinion, Zara should build in-store networks. First of all, the store manager has difficulties in ordering without in-store networks. Aim of Zara is to provide its clothes quickly while the system which Zara currently has cannot reach this requirement.

The store personnel could not look up their inventory through in-store computer; they need to talk to salespeople to determine the quantities, which is time-consuming. Secondly, for the fulfillment process, the level of the SKU is hard to determine without in-store networks. More importantly, if in-store networks would not be built, the infrastructure that Zara stores currently have cannot provide information among stores about the SKU. Store personnel have to use obsolete methods such as having telephone call or carrying disks to report the inventory or calculate the total sales.

Last but not the least, the low cost wireless networks help and favor the building up of in-store networks. Zara, as a company, which has a promising <https://assignbuster.com/zara-case-study-critique-essay/>

future, should also update its network infrastructure, as its business scope will grow bigger. 4. How would you advise Salgado to proceed on upgrading Zara's POS system? The POS terminals using DOS has been unchanged for over a decade, which made Zara difficult to manage the daily operation effectively. Upgrading Zara's POS system would utilize the large screen, keyboard and mouse to quickly provide service to customers.

It is very important because time is money. Customers are now very busy with their daily schedule; faster service will attract more customers. Furthermore, the modern POS terminals would be able to execute more sophisticated capabilities such as sharing with other stores the inventory. This is essential for the company to manage the inventory and promote the brand network. It shows to the customers that Zara store is a global network and has the same value of providing the best service to customer anywhere. It will reduce the cost of phone call by using the communication inside the company's online network.