

Zara marketing plan assignment

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International Conference on Industrial Logistics
 Zara's mission: To produce a fashion forward product for the masses
 Zara Tidbits ??? Amancio Ortega quit his sales job to start the business with just 5, 000 pesetas (\$83) ??? Founded in 1963 as a maker of ladies' lingerie in the Galician town of La Coruna ??? Today, 70-year-old chairman and majority shareholder, Mr Ortega, is Spain's richest man. Zara ??? Flagship enterprise of Inditex (2001 IPO) ??? Sales of 3.2 billion ???, EBIT of 476. 1 million ??? in 2003 and EBIT margin of 14. 8%. HQ and central distribution in La Coruna (Galicia ??? northwestern corner of Spain) ??? Women's, men's and children's wear ??? Over 724 stores in 56 countries
 Zara and Mango ??? Spanish apparel retailers ??? Both tap into global fashion trends: ??? Global appeal of catwalk fashion ??? International youth and fashion culture ??? Value proposition in rich countries; aspirational fashion in poorer countries ??? the unserved tier combining middlemarket pricing with high fashion content and novelty
 Zara: Product Position
 Production Commitment and Markdown -month Pre-season Start of season
 80-100% + In-season 0-20% Sales% Not at full price
 Traditional Industry Model 45-60% 30-40% Advertisement Advertisement + Markdowns + 40-50% 15-20% Zara 15-25% 50-60% Fresh items
 The Zara Model..... ???
 Design-driven; 11, 000 styles per year ??? Partial vertical integration, with owned factories; owned factory production is reserved 85% for IN-SEASON production ??? Tight coupling of market data and production decisions in-season; cycle CAN be as short as 2 weeks from design to store delivery of the completed garment .. The Zara Model.... ??? Twice-weekly shipments of new product to all stores from central distribution ??? In-season production in response to demand is limited by fabric on hand ??? Small batch production creates a scarcity premium and encourages impulse purchase ??? Customers
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expect rapid inventory turnover, learn to shop frequently (17 times per year)
The Zara Model..... ??? Store design is uniform and upscale; stores are located on premium shopping streets ??? Pricing is market-based, not cost-based ??? premium pricing in higher cost markets ??? Powerful word of mouth supports store growth without advertising (usually about 3-4% of sales) ??? Growth has been organic from Spain and EU, outward Distribution and logistics Individual distribution centers for each concept ??? ??? Enables continuous and speedy deliveries to stores: 2-6 times a week ...but with full flexibility in-season Stores: Daily analysis of product sales performance/ customer feedback

Design: Contact modification of initial collection based on demand ??? New, fashion-attuned designs twice a week ??? Constant replenishment/ refreshment in-season Sourcing/ Manufacturing: Small production batches Sourcing and manufacturing overview Sourcing/fabrics Manufacturing In-house fabrics Sourcing-Comditel 40% In-house manufacturing 50% External Manufacturing 50% 60% External fabrics sourcing In-house fabrics sourcing-Comditel ??? ??? ??? 00% owned company, based in Barcelona Supplies Inditex with finished fabrics Inditex is sole customer – Zara 89% – Other concepts 11% Key benefits for Inditex – Unique flexibility: ability to change collection in-season – Full quality control – Increased speed and unmatched responsiveness to market Stake in Fibracolor ensures optimum service and flexibility ??? ??? External fabrics sourcing ??? key elements Scale 43 MM metres Purchased in 2000 Speed/Quality 95% of fabrics purchased in Europe Diversification 260 suppliers, with #1 less than 4% of total Flexibility Over 50% of fabrics are purchased undyed to facilitate quick inseason updates
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Comditel/Fibracolor + In-house manufacturing – process Purchasing of accessories (e. g. buttons) Receipt of fabrics Cutting Finishing (ironing, labeling, quality control) Receipt of finished garments Shipment to subcontracted workshop for sewing Transfer to Zara’s distribution centers External manufacturing ??? key elements Geographic proximity Close monitoring ??? Quality ??? Service ??? Flexibility in production programming ??? Working conditions Other 4% ??? Asia 33% ??? Europe 65% Own logistics ??? key elements ??? Sophisticated facilities with sufficient capacity to meet expansion plans ??? ??? Average utilization rate: 50% Shipment to all stores, twice a week in two shifts Rapid response, orders to stores in 24-48 hours Relative Wage Levels: Textile & Clothing \$30. 00 Hourly Wage (US\$) \$25. 00 \$20. 00 \$15. 00 6. 79 10. 12 13. 6 \$10. 00 3. 7 12. 97 8. 49 4. 51 15. 81 2. 12 \$0. 39 \$0. 60 0. 43 0. 62 1. 76 1. 36 1. 89 2. 98 \$5. 00 \$0. 00 India China Tunisia Morocco Hungary Portugal Textiles Clothing

Spain USA Italy “ No queremos competir en el segmento de gama baja del mercado, ofrecemos moda con un alto contenido de diseno. Si intentase fabricar mis colecciones en Asia, no seria capaz de traerlas a las tiendas con la velocidad suficiente. Al fabricarlas cerca de casa puedo descartar colecciones cuando no se estan vendiendo y sin esta rapida respuesta no seria capaz de obtener una buena relacion entre calidad, precio y moda, que es lo que nuestros clientes esperan”, subrayo.. ” Jose Maria Castellano, Febrero 3, 2005 Pricing Strategy

Pricing Strategy 200 150 100 170 140 100 110 200 50 0 Spain Rest of Europe Northern Europe Americas Japan Zara’s Strategy ??? A Passion for <https://assignbuster.com/zara-marketing-plan-assignment/>

Fashion ??? Global Reach ??? Vertical Integration ??? Backward
 Integration ??? Design, Fabric, Coloring ??? Flexibility ??? Forward Integration
 ??? Retailing, market research ??? Supply Chain at the core of their
 strategy ??? Economics of Scarcity ??? Efficient Knowledge Management ???
 No advertising ??? Uniformity of Store Format ??? Two-pronged
 manufacturing strategy ??? Volume, design, fabric, color, manufacturing
 Lessons from Zara ??? Rethink the entire supply chain ??? Reduction in mark-
 down can more than make up for the increase in labor cost ??? Planned
 shortages can induce more future demand ??? Good store location, layout
 and product display can be a substitute for advertising ??? Faster response
 eliminates inventory risks ??? Excess capacity pays for itself by faster
 response Inventory, Information and Speed , , n ing " tio ast ime ma rec al-t
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 ea ee r r Sp ste Fa

Sp Fa eed st er ca n re s u ac bs t io t it n ut e lit for no tle inv no ove fini ent
 sp rs she ory ira to d llin cks goo ds gv , ar i nv iet en y to ry Speed Inventory
 Information Information can substitute for inventory Better forecasting less
 safety stock, Faster information updates reduced overreaction Economics of
 Scarcity ??? Highten the sense of now-or-never ??? ??? ??? ??? ??? Supply
 only handful of dresses at a time Rapid design changes (11, 000/yr) Don't
 over-saturate the market Typical shelf life??? couple of weeks Change the
 location of key items Stores are not flooded with garments ??? A typical Zara
 customer visits the store 17 times/yr (compared to 4-5 for The Gap) ???
 Friends don't tell friends about Zara JIT, really ??? Most JIT system (even
 Toyota's) focus on manufacturing ??? Zara has a true just-in-time system ???

From customer to design, production, and fabric manufacturing ???

Customer's pull not designer's push drives the system Inventory to Sales

Ratio Zara Matalan H&M Gap 6 8 10 12 14 Working Capital as a percentage
of sales 40% 30% 20% 10% 0% -10% Benetton Hennes & Mauritz Gap -7%
Inditex 7% 38% 4%

No advertising? ??? Why? ??? Don't need to. Why spoil a good thing? ??? We
do advertise, but don't like to pay for them (free press is plenty) ??? High
speed fashion not amenable to ad campaigns ??? by the time an ad reaches
audience, dress may be sold-out or obsolete Zara ??? In Sum ??? By taking a
new and aggressive approach to fashion risk management through current,
small batch production of fashion items, Zara not only achieved high margins
??? NOTWITHSTANDING higher local labor costs ??? but turned the
production design into a compelling marketing story: limited edition cachet.

Questions for Zara ??? How to continue to manage the
sourcing/distribution/fashion equation as Zara grows ??? Related: growth,
pricing and marketing strategies ??? Can others duplicate their models or
improve on them? Does the formula dilute? Competitive pressures ??? Will
other specialty retailers learn to go global? ??? The euro and pricing
transparency in the EU? ??? China enters the WTO; trade barriers and quotas
come down; further deflationary pressures in the sector? ??? Increased
acceptance of global hypermarket operators as design leaders and purveyors
of fashion? Target? Carrefour?) Summary ??? As of the moment, Zara has
got it right ??? Supply chain and logistics management in support of a
winning, design-based marketing strategy. Conclusion What did we learn
which can apply in Mercosur? ??? Look for products where you can increase
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fashion conscience. ??? Build global brand name ??? Think of mass customization applications Elements of mass production ??? ??? ??? ??? Demand forecasting Inventory tracking Production scheduling Make-to-stock control processing inventory market Elements of mass customization ??? ??? ??? ??? Information elicitation Communication network Flexible technology Tracking system Make-to-order elicitation communication tracking inventory processing market Some mass customization examples A shift in the traditional productprocess frontier High variety Job Shop Mass customization Batch Process Product new frontier old frontier Production Line Low variety Low efficiency Low volume Continuous Flow Process High efficiency High volume What did we learn which can apply in Mercosur? (continued) ??? Pay attention to logistics ??? Leverage income disparity in Latin America ??? Know when to stop growing