

Zara case study georgi katermov

Business



Although It seems that the highly centralized dilutions system that Indexed uses when It comes to Sara's operations proves to be profitable and sustainable, In the long run In may lead to an Impasse In several different directions for the clothing manufacturer.

Sustainability of the Global Expansion: Although the centralized decision making reduces the whiplash effect on the overall supply chain, this strategy is not entirely without its drawbacks.

One potential problem that the centralized distribution system would create for Ezra for its future global expansion sustainability (particularly in China) is the few manufacturing facilities unable the company to take advantage of economies of scale in order to produce an amount of apparel accordingly to the rising demand and for a relatively cheap unit price. Lead times to these far-reaching stores will be longer and Ezra would not be as effective In reacting to consumer's tastes and demands, an essentialist for the integrity of their business.

In addition, since products need to travel more than 5000 miles to reach the Salsa market, transportation costs will also become higher. Inventory allocation: With the global expansion of Ezra, inventory management problems will occur. Even though Ezra tackled such problems in 2005, expansion outside Europe would mean a permanent surge of merchandise within the distribution centre which would bring inventory allocation and management rationing problems to managers.

The excess volume may exceed the working capacity of the capital within the distribution centre, and hindering its capability of handling the new as well as old order demand.

Such internal disruptions would be risky to Sara's production integrity.

Environmental and CARS issues: As environmental and CARS regulations are becoming more stringent, a challenge would be posed in front of Ezra and Inedited. A challenge that would test the company's and its flagship chain store brand beliefs and what they truly stand for when it comes to the more humane side of business. Longer shipments might pose environmental practices issues in the future as they would require more energy, thus Ezra would go into more conflicts with No's on environmental grounds (water consumption, recycling).

In addition, in the endeavour of being the first in the global expansion race, Indies's aggressive strategies and policies would further get critiqued and questioned. Possible Solutions for Ezra: Even though the highly centralized distribution model of Ezra and associated software has been highly beneficial for the company so far, the said model may indeed hinder the company's intentions of vast global expansion, its sustainability, and gaining market share in the global marketplace.

Although maintaining profitability and the keeping the leadership position within the market should not be an issue for the company, should Ezra continue to use the centralized distribution yester and not add another centre, it would be a future risk to the sustainability of the global expansion, and, thus keeping the integrity of the company's image as a whole.

Accordingly, branching out of this model and opening a centre of distribution management and an ease for manufacturing, shipments and distribution, as well as a better grasp of the trends within the Asian market.

On the other hand, as stated in the previous paragraph, the distribution model being used so far has been highly profitable for the company. In this line of thought, keeping the model within Europe and concentrating all the strategic resources in the placement and growth of the current model could eliminate some of the future threats.

Having said this, this development of the model should be orientated towards limitation of excess inventory (unsold or overproduced stock).

This could be successfully tackled with Sara's Online portal which despite having little contribution towards profits, it would definitely prove useful in relocation of undesired inventory. What is more, with the already achieved brand popularity in Europe and the easier, faster and lower costing development compared to building a new supply chain/ doodle outside Europe, the development of the Online portal would seem a logical solution in the short term. Needless to say, it would make sense to use such solution in location with relatively few stores as most of Sara's online sales come from areas where there is no brick-and-mortar store nearby.

Best Solution: The best solution for Ezra in order to tackle the problems that it is facing would be to branch out from the centralized distribution model (having only one Distribution Centre located in Spain) but keeping their successful continuous business cycle which would serve as a stronghold for the management of Sara's global expansion.

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While the company has a successful and practical model in its European market, changes would be required in the whole management system in order this expansion to other markets around the world to be efficient and sustainable.

Accordingly, the best strategy would be to open a second distribution centre in China. By doing this, Ezra could save lead and shipment costs as well as not creating conflicts with No's about breaching agreed environmental and social practices. Having a new centralized distribution centre in China from which to manage their production and recruitment, distribution and warehousing, and quickly and adequately observe customers, fashion trends and changing buyer behavior would be greatly beneficial to Ezra, as they already have established experienced practices in Europe which need to be implemented in the new country.

Such practices would be their overhauled analytical (Operations Research) and optimization models which would be ready to use in the new environment. China is the country with the third largest presence of Ezra stores outside of Spain and a high observable growth rate, so it would be the best option for the distribution centre for Sara's Asian operations.

Creating a separate Asian division would give a better grip of the Asian market as Ezra would have in-house understanding of the cultural and economical dissimilarities across this vast marketplace, and a far better awareness and comprehension of consumer desires and fashion trends. Moreover, Ezra would be able to explore and target segments within the

Asian market more clearly using market mapping techniques and tailor their offerings to each of the relevant segment they would be interested in.

This would prove to not be a difficulty as they already have a stable managerial thin their business cycle, thus being able to develop and sustain a customer orientated strategy. Another distribution centre would be beneficial not only because it would facilitate the excess demand brought about by the expansion in Asia which market has a rapid growth and growing demand, but also because having a single distribution centre to manage an overseas business might bring fatal perils to shipment and allocation of inventory.

Such problems were observed when the European distribution team was struggling to manage the shipment and allocation process due to exceeding demand for products that were in shortage.

As the Asian market (India and China seen as top priorities) is vast and promises high returns, a new distribution centre managed with the trends of Sara's continuous business cycle would be worth the immense fixed investment construction as the decreased transportation costs would outweigh any other costs that might occur (increased labor costs).

As previously said, having a new manufacturing and distribution centralized network in Asia would also help with environmental and corporate social responsibility practices issues. Outsourcing production for the Asian market in Asia loud reduce lead times in the supply chain thus helping Inedited and Ezra reducing their carbon footprint as nothing will have to be transported by air or shipped, traveling far from Spain to China for example.

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Furthermore, concerning their Corporate Social Responsibility, Inedited would be able to initiate Programs for Community Development that would be a great opportunity to give voice to their social position and contribute towards the society and their customers. Weaknesses and Threats Possible loss of control and coordination of the expansion High production costs Time consuming process (slow to implement)

Strong competition for Fast Retailing Concept application: It is completely evident, both in this report and the study case, that Ezra and Inedited are extremely concerned with their customers and their customers' needs and behavior. This customer-centric orientation that the company has has proven to be beneficial and profitable at the same time, as well as a driving force of their development both internally and externally, inside and outside Europe.

The desire to explore, analyses, understand and satisfy customer needs, Ezra has been executing by implementing behavioral and customer Judgment measuring techniques.

In this line of thought, Sara's behavioral and customer Judgment techniques allow them to track current consumer purchasing behavior by taking into account daily point of sale data and transmitting it to the distribution centre for further processing that would help the company to refine their strategy for segmentation within the market place (an active mode of segmentation) and positioning onto the market map of the industry. In addition, in their desire to keep close to their customers' needs,