

Operational management analysis essay



**ASSIGN
BUSTER**

So what makes Ezra stand out of the crowd? The company is relatively new, however by 2001 its 282 stores had spread in 33 countries, and is the leading brand for its parent company “Inditex” with a 10% net margin. In comparison to its top competitors of GAP, H&M and ZARA, Ezra makes some carefully planned and even groundbreaking moves in various aspects of the business, such as Design, Sourcing & Manufacturing, Distribution and Retailing.

One of the pressing issues in the apparel business is lead times. In translating upcoming fashion into what works in the mainstream fashion audience, design team has to work in congruence with sourcing specialists and new product development team, before sending the collection to manufacturing. Ezra understands this process, and instead of following the norm of other apparel companies’ structure by grouping them in separate departments, Ezra chose to group them together as the Creative Team.

Decision process is expedited due to the streamlining structure among designers, sourcing specialists and new product development personnel. Unlike ZARA that relies on order books from its stores, Ezra chooses to carefully interpret fashion with mass market taste to create variations, also called as the “Upward” approach. Even though it produces approximately 11,000 items per year, in comparison to 2,000-4,000 items that its competitors produced, Ezra’s failure rate is only one percent in comparison to ten percent industry standard.

Part of this success is due to Sara’s “upward” approach and its small batch production strategies. One of the issues that ZARA faces is lead time, which

takes up to six months, due to its “downward” process of order books.

Production is something that Ezra takes very seriously. As a Spanish based company, its 20 fully-owned factories are mostly located near its home town in Spain, and its external subcontractors of 450 rockroses that perform essential “scale-insensitive activity of sewing” are all located close to its main headquarter.

GAP, a us-based company, relies 90% of its production from non-US resources, while owning most of its stores. It is understandable that sometimes resources from other countries may be more cost efficient, even Ezra sourced its basic items that are price sensitive from Asia, however other fashionable items that are the riskiest are produced in small lots internally or sourced to close-by suppliers.

Strategic competitive advantage that may be critical to production cycle, such as pattern design and cutting, is manufactured internally with heavily automated machineries at Sara’s factories around the headquarter. Final finishing 1 OFF Benton that “consolidates key production activities by grouping into production poles in a number of regions,” even though it does invest heavily in controlling production activities. Sara’s distribution is also centralized at one main distribution center and a satellite center is being built by Madrid, still close to home.

H, on the other hand, builds a distribution center in each country of distribution, and even though it sources all of its production, yet as mentioned earlier, the lead times is still relatively short. Newsreader modeling can be seen on how Ezra chooses to adopt just-in-time production

process, and not having a warehouse or distribution center that hold inventory longer than 3 days to reduce inventory or stock holding cost.

Sara's approach in the Newsreader modeling is also absorbed into its marketing strategy of "scarcity". Sara's fashion followers are mostly aware that if they do not make a purchase now, then they may never have the chance to, as Ezra is famous for only producing collections in small batches, even sometimes this means leaving demands unsatisfied. For the company this reduces the potential of bullwhip effect. The company's failure rate of 1% is also caused by the vigilance of store managers, who are motivated by incentive based bonuses to detect items that are not selling. These unpopular items would then be sent back to the distribution center who will then send them to close-out stores nearby.

By doing this, Ezra "still generates 15-20% of its sales at marked down prices" and uses the available empty shelves at the stores for popular items selling at full-price.

In general, the keys to Sara's success relies on the stores' freshness of offerings due to the rapid turnover, a sense of scarcity due to small shipments and attractive stores at its carefully selected stores' prime locations. With focus to be a quick fashion follower, Ezra changes 75% of its merchandise items every three to four weeks.

On the contrary, Sara's competitors, for example Benton, struggles and embarks to narrow its product lines. Due to its much rapid pace in refurbishing its stores in comparison to its top competitors, Sara's shoppers visit the stores 17 times per year in average compared to only three or four

times for its competitors. There are also some similarities among Ezra and other competitors, for example the establishment of partnership through Joint venture and licensing in other countries.

Benton is well-known to license its retailing by licensing to small and third party owned stores all over the World, 5500 of them.

Ezra explores franchising avenue in efforts to penetrate small, risky countries with significant administrative or logistical barriers, and chooses Joint ventures when trying to penetrate larger markets with barriers to direct entry. In any methods, Ezra ill hold management control and reserve the rights to still open “ own stores” in these markets.

It is apparent that a relatively great level of vertical integration is a factor makes Ezra stands out of the crowd. This, in combination with the company’s due diligence in monitoring its product quality and careful International market selections and analysis, are the key success to its ten percent net margin.

However, as the production capacity and International distribution increase, Ezra may need to evaluate and detect any potential bottle neck in its centralization themed process.