

# Evaluating effective supply chain management in zara



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Introduction](#) \n \t
2. [The make-buy decisions](#) \n \t
3. [Sourcing strategies and supply chain configuration](#) \n \t
4. [Strategic supplier selection](#) \n \t
5. [Aligning supply with corporate strategy](#) \n

\n[/toc]\n \n

## **Introduction**

The cheap labor costs in China and other Asian countries has been a major attraction for various manufacturing organizations. In spite of the allure to produce at minimal costs, however, Zara has opted to outsource 80% of its products from Europe. Although the company's competitors outsource their products from China and other Asian countries, Zara has remained a highly successful Organization. There are various aspects of Supply Chain management principles that have played in favor of the company.

Supply Chain Management entails the management of supply chain in an active manner with the aim of maximizing the value accorded to the customers as well as the attainment of sustainable edge over the competitors. Moreover, supply chain management is more of a conscious effort held by a company with an aim of developing and running supply chains effectively and in an efficient way (Anderson et al 1997). The activities involved in supply chain management range from the development

of products, sourcing, logistics, as well as the production process and information systems for the coordination of the activities.

Supply chain management concept is an old concept. Nevertheless, there have been various modifications on the meaning of the concept over the past few years. In fact, researchers have realized various advantages related to the expansion of the scope covered by the concept. There are various developments made in a macroeconomic level as to the expanded meaning of supply chain management. In view of the macroeconomic developments that have contributed towards the expansion of the scope of supply chain management, globalization has been considered as the main contributor (Crandall & Chen 2009). Globalization entails a focus towards markets that are customer driven, recognition of the prevailing dependencies among different markets, pursuit of core competencies, embracing developments in technology as well as recognition of competition based on costs.

### **The make-buy decisions**

Globalization has had unprecedented influence on supply chain management. There are various development policies that have accompanied logistics as well as improvements on trade policies with the development of globalization. Improved communication and logistics has facilitated global partnering and sourcing as it has been made highly feasible. The management of global suppliers as well as the global customers has become an essential component of business growth and effective competition. Globalization has also facilitated the growth of markets that are customer driven. The fact that diverse alternative products and services are now being made available to consumers has made it

<https://assignbuster.com/evaluating-effective-supply-chain-management-in-zara/>

possible for them demand for advanced product characterizations. On the other hand, companies have had to ensure that right products are made available to the consumers in the right places and at the right time.

Zara's concept of supply chain management highly favors its pursuit of excellence in the market. The success of the Zara, which has become a successful fast fashion company in Spain, has built a strong information exchange system with every part of its supply chain. The company regards every single part of its supply chain a crucial component of its success. As such, there is a strong communication network between the customers and managers in charge of stores, between the store managers and specialists in the market as well as the designers, between designers and production staff, between buyers and subcontractors and between managers of warehouses and distributors. Generally, communication is highly held and facilitated to create efficient and effective mechanism for production and delivery of the very best and highly quality products. Apparently, Zara is an outstanding company that has sought to eliminate any form of bureaucracy that is often responsible for bogging down effective communication among the departments (Anderson & Lovejoy 2007). Efficient and effective information transfer in the company has made it possible for quick make-buy decisions. Moreover, the fact that customers are always treated to new products in the company's stores means that they are lured into the products at all times.

The retail concept embraced by the company is one that exclusively tantalizes the customers into suffering a feeling of future loss in case of failure to make a purchase whenever they find new products on display. The trend of the company to display a few items in stores in spite of the <https://assignbuster.com/evaluating-effective-supply-chain-management-in-zara/>

availability of spacious stores play mind games to the customer who feel that there are limited items in the store. Zara's design and production is done in a centralized point which is attached to the parent company- Inditex. The centre is divided into three distinct halls each specializing either in women's clothes, men's clothes or in children's clothes. Contrary to its competitors who opt for redundant labor with the aim cutting costs, Zara operates the three production families in a parallel as well as distinct operational set up. In spite of the high costs associated with three production lines, the fact that information transfer and flow is effective and efficient means that the supply chain model is highly responsive.

## **Sourcing strategies and supply chain configuration**

Supply chain management principles offer the underlying concept to be embraced by an organization in making its presence felt in a highly competitive market. Successful managers have found it a crucial requirement for the establishment of profitable ventures by regarding supply chain management like one the strategic variables. According to the view of the successful managers, supply chain management is a two fold concept. The first view is based on the need to think about the supply chain in entirety (Coyle et al 2008). Secondly, the managers focus on the need to pursue outcomes that are regarded tangible particularly, in terms of the growth of revenue, utilization of assets as well as reduction of costs.

The early years of the nineties were characterized with significant shifts in the apparel manufacturing to countries were regarded as having low wages such as China and other Asian countries. There have been various models embraced by the determination of rightful sourcing strategies. In a general <https://assignbuster.com/evaluating-effective-supply-chain-management-in-zara/>

view, the focus on the apparel production has shifted from a focus on production to market-driven (Guercini & Runfola 2005). The trend has been noted by various market players on the changes towards the on retailing structure embraced by apparel producers. Many apparel producing companies have demonstrated a shift towards typologies of distribution that tend to focus on diverse models of organization to a greater extent than the earlier producers of apparel. There are various organizational units that can be referenced by the current apparel producers such as the production designs, sourcing strategies, as well as control of quality.

### **Strategic supplier selection**

In spite the presence of diverse models of production management in the apparel industry, Zara has embraced a business model that aims at serving the demands of the customer in a swift way. In fact, the company has a business model that can be broken into diverse components: capabilities, concept as well as value drivers (Keong & Tan 2008). In order to maintain a model of design that quickly responds to the market demand, the company has embraced a concept of design maintenance, production as well as demand based distribution. According to Jose Maria Castellano, the CEO Inditex, there has been an unprecedented flux in the fashion world whose core driver is the customer demand as opposed to supply. As the need to quicken production and satisfaction of consumer demand intensifies, the company has had to source much of its products in Europe to facilitate faster delivery.

There are various capabilities available for Zara to exploit the available opportunities for market expansion. Zara has had to maintain a tight control <https://assignbuster.com/evaluating-effective-supply-chain-management-in-zara/>

on the processes of production as well as design maintenance. The main aim of the maintenance of in-house manufacturing is to quicken production process. The company has had to partner with strategic partners located near the headquarters. As a result, 80% of Zara's production process is maintained in Europe (Ferdows & Machuca 2005). Additionally, the company has made strategic contracts with manufactures locally in order to facilitate timely service delivery. Due to the proximity of operational and manufacturing process, Zara has been able to attain an expedited strategy that responds to consumer demand swiftly.

### **Aligning supply with corporate strategy**

Zara embraces a corporate strategy that has given it a competitive advantage in the market. The company is extremely committed towards swift response to the consumer demand in terms of fashion trends, fast production of clothes in a short life span (Schoenfeldt 2008). The commitment towards the company's strategy and alignment of the supply chain with the strategy has yielded immense success for Zara. The successful integration of strategic partners in product development has provided a unique competitive advantage for the company. Moreover, the company has developed efficiencies advertising, marketing as well as the infrastructure of information technology that completely differs with that of the competitors. Consequently, the company has been able to stand out in the provision of value as well as realization of additional profitability. From the foregoing, it is evident that Zara has continued to enjoy extreme growth and profitability for embracing a supply chain management that corresponds

with the market demand. The resulting benefits have been phenomenal in terms of profitability and customer satisfaction.