

Zara case college essay



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Q1a. Should the company upgrade the POS terminals to a modern operating system? It might not be in the retailer's best interest to perform such upgrade, as the new system will replace three of the existing legacy systems in terms of ordering and fulfillment. The IS department will perceive such upgrade as a radical move and is expected to show high resistance in response to it. Even though Zara has a decentralized decision making process, the retailer's IS department exercises absolute autonomy on the IT infrastructure and design. The fact that " only one person had left the department" in the past 10 years further confirms that the retailer is suffering from cognitive and action inertia, and thus creating a huge barrier for such upgrade. Nevertheless, Zara should still perform such upgrade in the long run.

Q1b. Should the company build in-store networks? Yes, it will remove some redundancies in daily operations. For instance, employees no longer have to collect data physically from each POS terminal in order to obtain daily sales totals. In-store network will also enable store managers to have a more comprehensive understanding of sales activities on both a consolidated level and section (Men, Women, or Children) level. Q1c. Should the company give employees the ability to look up inventory balances for items in their own stores? Yes, this will result in a more efficient and systematic stock auditing and ordering process.

In specific, it will not only provide store managers with updated inventory balances, it also helps them when reviewing the latest offer from La Coruna and preparing " the order" in the face of the narrow 24-hour order window. On the other hand, the store product managers can now retrieve more

reliable and updated sales figures from each store. This enables the managers to be more effective when making store-to-store transfers. The commercials responsible for matching aggregate supply with demand from each store will demonstrate higher quality of decision making, especially when allocating inventory amongst stores in times of shortage of an SKU.

Last but not least, the improved inventory figures will result in a better production schedule and planning that reflect the constantly changing customer demand for different SKUs. Q1d. Should the company give employees the ability to look up inventory balances for items in other stores? If employees have the ability to look up inventory balances of their own stores, granting employee access to inventory balances for items in other stores is icing on the cake. This is because store managers can have better inventory control, and will be in a better position to respond quickly to unexpected surge of demand for a particular item. In the event that commercials at La Coruna didn't deliver the full amount of a specific item that the store ordered, the store manager can immediately seek for "help" from stores that have extra inventory and thus capturing sales that might otherwise be lost. Q2.

What is the Zara "business model"? How is it different from the business model of other large clothing retailers? What weaknesses, if any, do you see within this business model? Is it scalable? What information does Zara need to operate its business model? Zara "business model" The Zara business model is to link customer demand to manufacturing and link manufacturing to distribution. Therefore, Zara needs to respond very quickly to the demand of target customers, who are young, fashion conscious city dwellers with fast

changing tastes. Differences between Zara and other large clothing retailers
The business model is different from other large clothing retailers in the followings: -Zara does not rely on advertising and marketing to drive their business. It only spent 0.3% of its revenue in marketing, as compared to 3% to 4% in other large clothing retailers.

-The lifespan of the clothes is short. On average, 75% of its merchandise are sold within 3 to 4 weeks. -The decision making in Zara is decentralized. The employees in Zara are empowered to decide what garments to be put in the stores.

The “commercials” at La Coruna have great discretion in deciding what clothes would be designed and produced, unlike other companies which use a small elite team for design and production. Weaknesses within Zara Business Model -Since Zara has a short lead time for delivering products, it keeps no buffer stock and most, if not all, logistics arrangements were centralized at the head office in La Coruna. This makes Zara very vulnerable to accidental incidents. -As the store managers are empowered to decide what products to be put in the store, their business sense are crucial.

However, since the store managers are not expertise in this area, they may not be able to pick hot items and certain sales opportunities may be lost. Information needed to operate in this business model -To operate this business model, the store managers should have the access to accurate and updated sales and inventory data for them to decide what to order and what not to order. In addition, they should know the availability of the products

they would like to order eg. by having access to the inventory level of other stores.

-With the tight order deadline with La Coruna, the store managers need on-time inventory balance to plan for the re-order point and optimal order quantity. Q3. What current or potential weaknesses do you see in Zara's IT infrastructure and IT strategy? IT infrastructure -Critical core services are relying on out-dated O/S (Operating System) and Hardware Technology, where failure of the services could heavily impact normal operations. As the Zara in-house POS system is implemented on an O/S which the vendor has dropped support, no official fix will be prepared once system or software bugs are identified which might lead to unstable system behavior or security leakage.

-Running critical services on out-dated O/S will also limit the compatibility and extensibility with the improving software and hardware. This will prevent Zara from sustaining business growth by further improving scalability of services using enhanced hardware architecture or enhanced networking capabilities with other IT software/inventory systems. Moreover, as IT hardware is improving in a rapid pace, legacy hardware components might not be available in the market for Zara's purchase. Zara might face difficulties in purchasing commercial license for O/S that vendor has dropped support. -Unconnected terminals between headquarters and POSs might implied out-sync or inconsistent information sharing in time-critical information such as inventory.

Bottleneck in information sharing or slow responsiveness from customers' query are fatal to real time sales, especially Zara is focusing on Fast Fashion Business and place Inventory Management as their competitive advantage. IT strategy -Zara fails to identify how IT can further improve and achieve the company's competitive advantage. For example, while Zara's success based heavily on competitive Inventory Management, the company fails to further improve it by enhancing communications of instant inventory data delivery to front line sales. -Zara fails to recognize the dependency on IT to achieve competitive advantage and it does not perform continuous improvement (or innovation).

This will make Zara moving from Strategic Mode to Factory Mode especially when other companies are catching up Zara with similar strategy. Zara does not have dedicated planning, decision making or leading role for IT operations and strategic planning. While the General management core could share these responsibilities, they cannot concentrate their focus on IT incident management (upon system failure) and they do not have up-to-date knowledge and technical exposure for strategic planning, expansion and upgrade decision. For instance, Global CIO (Chief Information Officer) and/or Chief Operations Officer) should be employed for Global directions/planning and local CIO/COO (per region) should be assigned for local incident management and business process improvement. Zara does not have solid planning on ever greening of IT services.

Ever greening of IT services will ensure the Company placing their IT assets on compatible and up-to-date O/S and hardware where vendor support or human expertise can be located promptly and efficiently for resolution

against service failure or consultancy on service improvement. - There is no regular strategic alignment with Company's goal. Regular strategic alignment can help adjusting Zara's IT direction. -There is no constant operational improvement. Constant operational improvement is important for the optimization of IT work flow. It can reduce unnecessary IT overhead and improve service responsiveness.

Also, Zara should reshuffle hardware resources after constant review of system usage. This will improve hardware utilization, which in turn improves Zara's ROA (Return on Assets). -There is no strategy to enhance extensibility which is the key to information sharing success. Great flexibility and readiness to interface with different data sources will improve Zara's ability to perform data analysis or forecasting and to achieve fast responsiveness to fashion change or new source of marketing statistics.