

Zara supply chain analysis

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Zara's Secret to Success In comparison to its competitors, Zara's supply chain is quite unconventional. Instead of focusing on competitive product prices and advertising Zara has developed a super integrated supply chain paralleled by few (1). This supply chain allows it to rapidly respond to market demand and have extensive control over its design and production process (1). Inditex, the clothing company that owns Zara is extremely vertically integrated. It is comprised of over 100 design, manufacturing, and distribution companies (3).

Contrary to the common practice of ousting unnecessary labor, it handles most of its own manufacturing (60%), outsourcing only simple clothing designs. This extensive integration allows Zara to design, manufacture and distribute in as little as 15 days, which is lightning fast in the clothing industry (1). This is the essence of Zara. Zara releases new clothing designs every two weeks (2), creating a "made to order" feel as customers often have only one opportunity to buy a specific product (3).

This strategy increases the frequency that customers visit the store and also decreases the need to mark down prices on unsold merchandise, saving the company money (2). Furthermore, this unusual practice reduces the cost of running out of one item. They sometimes even encourage stock outs to promote scarcity and therefore higher demand- a technique unheard of elsewhere (1). Image 1: Workers assembling clothing at a manufacturing plant Success of Zara and Goals of Target

Zara's responsiveness to consumer demands is one of its greatest accomplishments. Its designers perform extensive fashion research and

communicate exceptionally with its retailers to accomplish this (2). Target releases new clothing every 6 months which is a snail's pace compared to Zara. By improving the fashionableness of its products Target could expect more sales and less inventory to hold. Also, if Target could leverage more of its capital assets in the way Zara does more flexibility of production operations would result.

Zara mainly integrates backwards in its supply chain in order to control its production operations (2). Mimicking this aspect would allow for more control of Target's order sizes, order frequencies, and quality. Also, this would improve communication within the supply chain and therefore lessen the bullwhip effect. Furthermore, Zara produces more trendy and less basic clothing than Target. If Target augmented its ratio to be more similar to that of Zara it could realize more sales, especially in the women's department.

What Target Could Learn from Zara

Specific ways that Target could improve its supply chain operations based on Zara's model are as follows: For one, Target should improve its realization of market demand by increasing communication from consumers, and retail departments to producers. Programs should be implemented to foster constructive relationships between retailers and designers to communicate up and coming fashion trends. Also, designers should use consumer surveys, attend fashion conventions, and research the market to further meet demands for future trends.

Furthermore, a method of collecting consumer feedback should be used to further study the desires of customers and how to meet them. This could be

done at a relatively low cost and without much alteration to the supply chain's basic function. Difficulties could include financing extra designed education, and obtaining valuable, relevant feedback from consumers. These are minor problems that would not be insurmountable. Increasing Target's backward integration of the supply chain would increase production flexibility.

Large manufacturers and suppliers that produce multiple major store product lines should be targeted. Integrating them into the corporation could potentially reduce extraneous costs due to order size inefficiency and the bullwhip effect. Product quality could be better controlled as well as communication. High costs of purchase and dealing with overseas firms could pose problems to this idea, but could result in a more efficient supply chain. Augmenting the ratio between trendy and basic clothing would also be beneficial to Target's sales.

Target currently sells 80% basic clothing and 20% trendy clothing. With the popularity of women's clothes high, Target should move towards producing more fashionable clothing in more styles within the women's department. This would boost sales of the more expensive trendy clothing and simultaneously decrease excess basic clothing inventory, increasing revenue and decreasing holding costs of basic clothing inventory. Making the shift to more trendy clothing production could be costly, but if done gradually would not have a huge impact on the financial sector.