Store management

Business, Management

Inditex is a global specialty retailer that designs, manufactures, and sells apparel, footwear, and accessories for women, men and children through its chains around the world. Zara is the largest and most internationalized of the six retailers that Inditex owns: (Zara, Massimo Dutti, Pull & Bear, Bershka, Stradivarius, and Oysho). Zara is one of the leading retail garments chain in Europe. Their main competitors are Gap and H&M, and together they form a group of speciality chains in the apparel industry.

Zara has operated and adopted a different strategy as compared to Gap and H&M and the following points draw the difference between the players. Vertical Integration: Traditionally the global apparel industry is highly labor intensive rather than capital intensive. Hence outsourcing production to developing countries with low labor rates to lower costs is a common trend amongst the big retailers. The same strategy is followed by Gap and H&M. In contrast, Zara has developed a successful diverse method of doing business in the fashion industry by working through the whole value chain.

Zara manufactures 60% of its own products and is able to be flexible in the variety, amount, and frequency of the new styles they produce. In fact the whole line of most fashion sensitive products is produced internally (comprising around 50% of the total manufacturing) and in small batches for the most time-sensitive ones. Distribution System: Zara has one centralized distribution centre compared to H&M and Gap, which have distribution centres in all the countries they operate. This reduces the distribution lead-time of their goods and leads to better inventory control.

The distribution centre is highly technically advanced leading to almost negligible flaws and high accuracy rates. AdvertisementExpenditure: Zara’s advertising expenditure is 0-. 3% as compared to its competitors who spend almost 5% of their revenues. Zara’s cuts in advertising investments reduce total expenses, which make the international expansion more economical. This also means that customers have to visit their stores to get the latest fashion. Store Management: Zara relies mainly on its stores to project its image. Zara stores are established at the most prime real estates with heavy foot-falls.

Zara store layouts are frequently refurbished and are more spacious and well organized compared to others. The Store managers are other personnel are regularly trained with a part of their remuneration linked directly to the actual sales. Quick response Time: Zara follows a very flat hierarchical structure and hence the pace ofcommunicationis very fast. There is regular real-time interaction between Store Managers and store specialists, which helps in assessing the customer requirements and market trends and the further store fulfilment.

Since almost all of Zara’s functions are in-house, they are quickly able to replace trends, add more of the large selling stock and decrease the lethargic one. In fact, compared to the competition which commits 45-60% of production in the six-month pre-season period, Zara commits, just 15-25% before the season begins, 50-60% at the start of the season and the remainder manufactured in-season. Pricing: H&M and GAP have a standard pricing for their products irrespective of the markets and countries where they are being retailed.

On the other hand, Zara prices its apparels based on the country and the spending power of the people. Hence the affordability for Zara products increases leading to better sales. Scarcity and Opportunity: Since Zara follows a " Just-in-Time" model of designing and manufacturing, Zara produces the latest trends and keeps replenishing its stock twice a week in its store. This imparts a sense of freshness to the stock for the customers and also urges them to buy as the same garments may not be available next week.

In fact, the design process does not seem to stop and the designers are constantly evaluating consumer preferences. Zara provides very limited volumes of new items in the most fashionable of Zara's stores and then uses the results of those sales to decide whether the items should also be sold in other locations. Modes of Expansion: Zara expands basically in three ways- opening up of company owned stores, Franchise System and through Joint ventures. H; M and GAP mainly expand through a Licensing system. 91% of the Zara's stores are company owned. Hence the ambience, environmentand feel is consistent everywhere.

Since the stores are company owned, Inditex has a better control on them, in terms of personnel, fulfilment, replenishment, refurbishment etc . Vendor Relationships: In almost all the cases, Zara is the only customer for its vendors and there no written contracts. Thus the vendors are heavily dependent on Zara and it can very influentially control the supply strategy.

H; M and GAP have multiple vendors who have multiple customers, because of which they do not exert the same kind of influence as Zara. Hence the response time from vendor to Zara is very quick with minimum defects in case of Zara.