

# Retail value equation

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Zara is a Spanish fashion brand. It is the top of value worldwide. (Anon 2006) It is built in 1985. (Wen zhi chong, 2006.) Now Zara has stores in 68 countries and than 400 cities in Europe, the Americas, Asia and Africa. (Inditex, 2007) H&M is a Swedish Clothing company, also is fashionable clothing offerings. Today it has more than 1300 stores in 24 different countries and has more than 5000 employees. (Anon 2007)

The objective of this research is general Zara supply chain, fast fashion, experience and compares Zara with H&M. Part A1 How supply chain effectiveness delivers stakeholder value Supply chain management is the organization transformation of raw materials or products into finished goods and distribution to meet customer demand of all the business processes. (Cox. P&Brittain. P, 2004)1. 1 raw materials Zara manages purchasing and production in a highly flexible way.

Managers can change decision and design of an existing product in one or two weeks. The company wants to create the highest level of freedom to act flexibly. They think that the purchasing source plays an important role in the whole company's supply chain. (Anon, 2006) Zara's management believes that this highly flexible way fits with their customers' taste and is much more efficient and profitable than lower operating costs. It makes more customers like Zara's fashion trends. (Anon, 2007)

1. 2 manufacture Only half the Zara products are made in its own factories, the rest are not made in its own factories. This means Zara can reach fashion much more quickly. Zara provides its customers with many different designs. Each year, around 12, 000 new products are made in Zara. (Anon, 2007) This

manufacture model makes Zara stores' products change quickly and customers will return to the shop to see fashion clothes. When customers see beautiful clothes, they will spend money to buy clothes. Zara shop will get more profit from customers. Customers also buy the latest clothes from Zara shops. However, Zara's manufacturing costs run 15-20%, it is higher than other fashion clothes retailers. It will reduce their profit.

1. 3 Retailer In the sales aspect, Zara reduces its advertising costs. They probably approach customer taste. Using this approach, it will attract customers for purchasing clothes. Now, net sales growth rates are 20% per year, there is a net profit margin of 10%, return visit is higher than the same level retail shop. In 2004, two-thirds of Inditex's total sales are source sale of Zara. (Anon, 2007) 2 Fast fashion concept 'This "fast fashion" system depends on a constant exchange of information throughout every part of Zara's supply chain- from customers to store managers, from store managers to market specialists and designers, from designers to production staff, from buyers to subcontractors, from warehouse managers to distributors.' (Ferdows. K et al., 2005)

"Fast fashion" system increases profits. Even a little takes into account strategic consumers and knows what learn about demand, it is more regarding retailers to update product. It would mean that Zara would need a big warehouse for putting product. (Forbes, 2007) To keep fast fashion of Zara, it has a 9- million-square-foot warehouse. Every Zara stores possess its own space in the warehouse to assemble orders. (Anon, 2007) However, too big a warehouse would increase its cost and reduce profit.

Zara is not only considering the cost of the product but also considering the costs of delivery of the product to the customer. Many retailers would like promotional activities for developing alliances and partnership relationship. (Cox. P&Brittain. P, 2004) Advertising and marketing are important to Zara's sales. Zara only spends 0.3% of its revenues on advertising and marketing. This number is significantly less than other retail stores. Zara has a cost advantage in advertising aspect. Zara uses a unique approach to sell its products. (Anon, 2005) When one person buys a Zara product, the people will influence their family. Customers in a purchase decision can help Zara to develop its retail strategy and sales promotion.

In the future, Zara wants to become a global brand. It is not only developing its European market, but also wants to replicate its manufacturing and distribution system on other continents. (Anon, 2007) 3 key elements of the Zara product and experience offer 3. 1 Window line display According to this picture, it can be seen that the latest fast fashion clothes or the most beautiful clothes are put into the window display. When some customers pass the Zara store, they will see the clothes through the window display. Fast fashion of Zara will affect customer for fast fashion's definition and for understanding clothes. The second aim for the store is that they catch the customer's eye. So a good display is important to customers choosing where to buy fast fashion clothes. (Cox. P; Brittain. P, 2004)

### Types of store layouts

The basic arrangement of the selling, it affects all other design decisions. The type of store layouts are categorized into three basic types: grid, free

flow, boutique. (Anon, 2006)

Differentiation strategy seeks competitive advantage by products or services, including design, brand image, or customer service. (Anon, 2006)

Cost leadership strategy is low cost producer in an industry and has level of quality. The company wishes to gain more market share. If a price war happens, the firm can keep profitability while the competition suffers losses. If there is no price war, the company can keep its prices low for a longer period of time. (Anon, 2007)

H; M has a large inventory, items sourced from cheap Asian factories. However, Zara often is fresh designs and quickly through the stores. (Rachel Tiplady, 2006) H; M manufacture spend on labor and source is lower than Zara. However, H; M needs a large inventory for putting clothes. In contrast, Zara uses a successful method of doing business in the fast fashion by working. H; M and Zara's key similarities are that they are lower price European fashion retailers.

H&M differs from Zara because they spend more money on advertising and are price-oriented. Zara chooses trendy clothing that they have designed based on the international level. However, H&M sells trendy cheaper styles. It uses more advertising to publicize its brand. Zara only uses the self business method to publicize. In the advertising cost, H&M has a higher advertising cost than Zara. Many of the customers have a deep impression of H&M. (Craig. A et. al, 2004)

Retail value equation

Customers' consumption concept is changing. Today consumers have known the money and non-price traded off and moving into a new of value.

Consumer's perception and propensity to purchase is affected by many factors, including product quality, choice and availability, convenient opening hours, good service, pleasant environment, money, time, effort, stress, risk.

(In Focus, 2006) 5. 1 choice and availability and time Zara has stores in 68 countries and than 400 cities in Europe, the Americas, Asia and Africa. In the future, Zara will continue to extent stores in the world(Inditex, 2007) H&M is a Swedish Clothing company, also is offering fashionable clothing.

Today it has more than 1300 stores in 24 different countries. (Anon 2007) H&M's target is increase the number of stores by 10-15% per year. (Bruno Završnik, 2006) In the UK, H; M and Zara are very famous stores. Many customers all know these two brands and are a recognized brand. (Anon, 2006) Both stores are very convenient for customers. In Europe, customers can go to Zara and H; M stores near where they live for buying products. In contact, customers do not need too much time to buy products. Today customers think that time also is a cost.

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