

Zara questions

[Business](#), [Marketing](#)



1. The business system of Zara starts from designing of products, followed by sourcing and manufacturing, distribution, marketing, personnel management, and financial results. In that direction, Zara designs and manufactures its most fashion-sensitive and successful products internally. The business system starts with the Zara's designers who continuously track preferences of the customers and changing trends in the market thereby coming up with effective designs. These designs are manufactured into final products by both internal and external suppliers. Then, both internal as well as external production flowed into Zara's central distribution center. From there, the products were shipped to strategically located and attractive stores twice a week, which in a way eliminates the need for warehouses. This way Zara is able to design and reach the finished goods in stores within 4 to 5 weeks, and just 2 weeks for the restocking of existing products.

2. The major competitors of Zara as described in the case study are The Gap, Hennes & Mauritz, and Benetton. The Gap is the U. S. based retailer of casual clothes particularly selling T-shirts and jeans. Its store operations are mainly U. S. centric but its production is internationalized, with 90 percent of their finished products being outsourced from outside the U. S. Hennes and Mauritz is the Sweden based retailer of casual clothes and is regarded as the closest competitor to Zara. H&M has strongly internationalized its operations because of which it generates more than half of its sales from foreign stores. Benetton is the Italy based retailer who mainly manufactured and sold brightly colored knitwear. It outsourced most of its production to subcontractors. The competitors who are not described in the case study include Uniqlo and Primark. Uniqlo is the Japanese retailer of casual wears. It

manufactures its products in-house and also sources from its supply units in China and Thailand. Primark is an international food and cloth retailing group, with stores in a number of European countries. It sources its finished products from India, Bangladesh, and others.

3. The major strength of Zara is that it has a broader and optimal vertical scope when compared with its competitors. That is, while Zara owns and operates its production as well as its stores, its competitors due to their narrower vertical scope maximally outsourced their production and even licensed their stores. For example, both The Gap and H&M have outsourced all of their production to Asian countries although they operate their stores. In the case of Benetton, although they invested heavily in production, licensees mainly run its stores. As far as Uniqlo is concerned, being an emerging player, it does not pose major competitive threat to Zara. Primark on the other hand is strongly competing with Zara in Zara's home-turf of Spain, where it has overtaken the latter as the biggest clothing retailer through its low-cost products (Mitchell, 2014). Although Zara's products are criticized as pricey, there are no major weaknesses in its business system.

4. Locating stores at strategic and optimal locations forms a key part of retailer's strategy as well as retail map. In that direction, Zara is locating or opening sophisticated stores in prime and well-known locations, particularly at premier shopping streets. As Zara follows zero-advertising strategy, it locates and elevates its stores so that those stores can function as its advertising tool. Zara wants its stores to function as the company's face to the world and its customers. When one focuses on Zara's performance for the past few years, it appears to be on the positive track. It was able to strongly

compete with its rivals and even overtake them in many markets. Although, its revenue dropped marginally in 2014, on the contrary, its sales volume has increased (Mitchell, 2014). So, its performance is good with potential for further growth.

Reference

Mitchell, C. (2014, September 1). Competitors try to topple richest retailer

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