

Zara fashion

Business



Zarals one of the world's largest and well renowned fast-fashion company. Founded by Manioc Ortega Goanna; Zara started its flirts retail store in 1975 in La Crouch, Spain. Ortega has started in 1963 with clothing factories and quickly realized that retailing has to be linked to the manufacturing to understand the customer requirements in the apparel industry.

Since 1975, Zara has recorded rapid growth rate under one business idea: "Linking customer demand - manufacturing - distribution". In 1985 Indexed was formed which became the holding company of Zara fashion.

By 2003 Inedited Is the holding group of Zara, Misaims Adult, Berserk, Pull ; Bear, Strabismus and Shoo brands. Operating successfully for over 38 years, Zara now has 1 , 830 stores in 82 countries. Zara generates more than 70% of the group sales as they are committed in being a fast-fashion brand than a high-fashion brand. Zara Is specialized in women fashion and launches approximately 11, 000 new products every year compared to 2000 - 4000 of Its competitors.

The current revenue of Zara Is approximately US \$7 billion. In 1985, Jose Maria Castellated IRIS who was earlier an IT manager joined the company.

Castellated and Ortega shared a common belief that computers are critically important and could enable their idea of developing an effective business model. In 1997, Castellated became the CEO of Inedited. Integrating production, marketing and sales with the use of computers has enabled Zara to keep up with the ever changing customer demands In the fashion industry. Their flat organizational structure has enabled the store managers to choose what they want to sell based on the local customer demands.

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A group of people called “ commercials” has discretionary powers in deciding what clothes should be designed and produced.

Store-to-store transfer of garments created a global balance in fast and slow moving garments at Sara’s stores. The current information systems at Zara match their business model. Can Slogan Bad is the informational technology head at Inedited. He believed in handling the IT needs of the company wealth the organization rather than outsourcing due to unique demands. The Information systems department provide support for store operations, Logistic and overall administration.

At the store level, information technology drives the Personal Digital Assistant (PDA) and the Point of Sale (POS) system.

The system pirates onMicrosoftDisk Operating System (MS-DOS), which is an agile technology. These systems are used to keep a track of the existing stock and place new orders for stock twice a week. The POS transmits the dally sales records to the headquarters at La Corona.

At the factory level Information systems Is used to keep a track of the production requirements, designing and other administrative operations. Distribution centers used IT in order dispatching through the conveyor belt, recording the stock inflow and outflow.

Store Managers use a hand held computer which is linked to the information systems at La Corona to know about new designs. The current POS technology which is outdated Is still running effectively and is easy to access and maintain at both ends (Store manager & Administration), Microsoft has

technology is a free source which is prone to several risk. Slogan the IT head of the group is worried about the information systems that are currently in place as the company is falling behind its current competitors in utilizing modern technology.

Q: How would you advise Slogan to proceed on the issue of upgrading Sara's POS systems? Zara being such a huge retailer in global fashion industry spends only 0.5% on its total revenue towards Information Technology. The company does not have a CIO in place to regulate the IT needs and budget. The POS technology that is currently in place is agile but runs perfectly to meet the needs of the business. However, there are a lot of drawbacks for the existing system.

The stock taking in the stores has to be done manually by the store managers and the store crew as the POS does not record these figures.

Orders are placed using a handheld computer which makes it very difficult for the manager to operate the device with a stylus. The new designs available at La Corona are downloaded on to these handheld. The small display of these handheld makes it really difficult for the managers while making decisions in the ordering process. The store managers does not have the access to the stock availability at the other stores.

They have to go through the La Corona information systems to gain access to the stock available at the other stores.

The staff has no record of their inventory balance which makes it difficult while assisting customers. The lack of effective networking capabilities has

resulted in the stores less interaction with the Sara's headquarters and the store-to-store interactions. Since the company's distribution is based on the demand from the local market and the dynamic ordering is done using the sales figures, improvement in the networking capabilities could enable easy access and communication between the store and headquarters and store-to-store enabling stock transfer between stores.

The current supplier of POS has no contracts with Zara in supporting the existing POS with required peripherals. This makes it very difficult for the Sara's current and upcoming stores to solely rely on the supplier for continued support of the existing POS systems.

Microsoft has stopped supporting DOS which increases the risk of data security. To rectify the drawbacks in the current information systems, I would advise Slogan to proceed on upgrading the POS systems to modern technology. This would enable the store managers and the manufacturing division to make quick decisions while order procurement and processing.

Maintaining store inventory records would help the managers, staff and the commercials team in rendering better service. Yes, the company should build an in-store network.

This would automate most of the process and enable data transfer at any time between the handheld and the POS ND the POS and the headquarters. Also the company should provide the ability for the employees to look up inventory balances as it would help them assist a customers more efficiently. The sales crew would no longer have to go around the store to know the availability of a particular garment.

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Yes, the company has to provide employees with the ability to look up inventory at the other stores as it makes the process of store to store transfer easier than going around the headquarters every time while trying to procure an item from the other store. Other large clothing retailers? What weakness, if any, do you see within this business model? Is it scalable?

Unlike other fashion brands, which outsource their production, Zara has successfully developed a vertical integration model including design, just-in-time production, marketing, and sales.

At Zara, the demand for manufacturing new products is initiated from the store level. The requirement of the customers is studied by the store managers which is totally different from their competitors who follow an agile process of manufacturing and pushing the products through their stores. With the vertical integration of customer requirement, designing, manufacturing and logistics; Zara was able to respond to the market trends quickly. As the products in the fashion industry are very volatile, Zara believes in manufacturing products when there is still demand for a particular fashion in the market.

The existing process of manufacturing new designs in less than two weeks sets Zara atop of its competitors. On an average Zara manufactures 11, 000 new products every year compared to 2, 000 - 4, 000 by its competitors.

The have a profound supply chain which has enabled them to ship products from their distribution centers to stores all across the globe very quickly. Sara's information systems is very agile which could disrupt the whole system. The statistics show that Zara spends only 0. 5% of its revenue

towards information technology. The company has to focus more towards renovating its information systems.

Q: In your opinion, what are the most important aspects of Sara's approach to information technology? Are these approaches applicable and appropriate anywhere? Sara's approach towards information technology is to meet the business mission for speed and decentralized decision making. The company has no defined budget for IT and there is no CIO to control the operations of the IT department. The company believes in developing the required tools for their business internally as this would enable them to concentrate on the core aspects of their business model.

The information technology is used in preparing and distribution of offers, order procurement, monitor demand and supply, and manage inventory distribution between the distribution center and the stores and also store-to-store distribution. As agile as the Sara's functioning technology was in information systems, this has met their needs so far in handling rapid production and distribution, enabled communication between the stores and the headquarters, and facilitated the ordering process by the store managers and smooth running of administrative operations.

However, there are several risks associated with the use of Sara's current IT systems.

The usage of DOS in operating such a huge business network pose a direct threat to the security of sensitive information in the organization. The current POS hardware and the software has to be upgraded as the existing

supplier could back out in providing support which would lead too major disruption in operations.