

Evaluating operations management practices in asos and primark



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This report provides an evaluation of the operations and concepts adopted by ASOS and Primark, and how both companies can adopt a mix of concepts based on their operations.

The research draws attention to ASOS and Primark's current operations and concepts. It shows how Primark process their customers in store from the moment they walk in, to the point of payment, and how ASOS process their customers online from site visitation to online checkout. Also some concepts are seen to give rise to cost which will have an impact on the operations of both companies.

The report finds that both ASOS and Primark already adopt some concepts such as inventory management, capacity planning and supply chain design. It also looks at how they could adopt a mix of concepts to suit their operations such as ASOS developing a system which will enable the mix work together, for example the optimum amount of stock in inventory management could trigger the supply chain where demand would have to be made to the suppliers, and Primark also measuring cost involved in each concept to ensure they maintain their low cost strategy.

Recommendations discussed include; customer relationship management in order to continuously target their operations to meet the needs of their customers, good supplier relationship to ensure effective delivery of products at the standard required, operations monitoring for continuous improvement and adoption of value chain analysis to eliminate non value activities.

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1. 0 Types of Operations and Transformation Process in Primark

Primark processes customers in their stores. From the moment a customer walks into the store, the customer is directed to their required section through the way their products are displayed in store and can select their

required items before heading to make payments for their purchases. The following are part of their operations and transformation processes:

1. 1 Stock Request

This involves the store requesting for stock from the head office who then processes the request. The stock request system is used when products have reached a certain level which is the reorder level of the store and would be recognised by their Management Information System.

As Primark has a warehouse, they hold stock there which allows for faster delivery to their stores. This ensures that products are readily available in store so that customers can purchase them.

1. 2 Stock Replenishment

Staff of Primark regularly monitor the products displayed in store on a daily basis not only to identify fast selling products but also to replenish the products on display. During this process, products which have been moved around by customers are returned back to their appropriate section in order not to mislead other customers.

If the stocks are not replenished regularly, customers would have no way of knowing if the products are actually available for purchase which could potentially lead to loss of sales.

1. 3 Returns

Primark operates a returns policy where certain products could be returned to the store in the condition in which they were sold provided the receipt of purchase is also made available by the customer. This involves processing customers through the returns desk where refunds would be issued to customers or exchanges made depending on the customer's needs.

There is usually a queue which is formed by customers in front of the returns desk and each customer in the queue is called to the desk by the next available staff who would then deal with their query.

This means that customers know where to go to for their returns without being mixed up with other customers making purchases which would allow for faster processing.

1. 4 Customer Service

Primark stores do not have a specific desk which deals with customer service. Usually customers have to approach staff that happen to be roaming the stores to handle their query/queries. This process could lead to delays or dissatisfaction of customers.

However all staff are regularly trained on customer service skills in order to deal with the needs of their customers.

1. 5 Payments

Customers are being processed through the payments queue and are called upon by the next available staff unto the payment desk. Primark stores usually have more than one payment section to process customers quickly.

At the payments desk, credit or debit cards, cash and Primark gift cards are accepted as a means of payments. This allows customers to be flexible in their payments as the methods of payments listed above could be combined to pay for a single transaction.

2. 0 Types of Operations and Transformation Process in ASOS

ASOS processes customers through their websites. The website is divided into different sections such as Women, Men, Marketplace and Blogs which all have their own sub sections in order customers to navigate through and select items into their basket before heading to the payment page. The following are part of their operations and transformation processes:

2. 1 Guided Selling

This is done by suggesting other products to customers which is dependent on the current product being viewed by the customers. This gives the customer an insight or how to mix and match their selected item with other products while also enabling them make more purchases.

Emails are also sent out regularly to customers containing products and deals based on their shopping habits. This system is achieved with the use of a Management Information system which identifies product and customer trends.

With this tool, customers can save time going through the website and also use the suggestions as a guide to their shopping.

2. 2 Site Monitoring

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This is carried out on a regular basis in order to monitor the activities of customers. This process enables information to be gathered about products and customers. Information such as the number of visits per day on the website could be gathered here. Also other problems could be identified such as navigation problems which the customers might face while trying to make purchases.

This process enables ASOS to fix problems which the site is facing in order to process their customers effectively.

New product lines are updated into the website and products which are no longer available to purchase are being removed from the website so that customers know what is available for purchase and what isn't.

2. 3 Site Maintenance

As ASOS only trades online, their websites are regularly maintained and updated in order for them to operate effectively.

2. 4 Order Processing

After an order has been placed on their website, an order is being generated which has to be processed by a staff. Here the items ordered would be sorted and then sent out for shipping.

An email would then be sent out to the customer to let them know that their order has been processed and tracking details are also attached. This allows the customer to know when the item would be with them as well as also

check that the order which has been processed was the order being requested and paid for by the customer.

2. 5 Delivery and returns

ASOS allows for flexibility of delivery of products. Different delivery options are made available to customers during checkout which range from different prices and number of days it would take for the item to arrive.

ASOS also operates a free returns policy where customers can return certain products within 28 days after purchase at no extra cost. The returns are being processed upon receipt and exchanges or refunds are being issued depending on the customer's need.

Since customers cannot see the physical product, this process allows them to shop with confidence knowing that if they are dissatisfied with certain products they can be easily returned at no extra cost.

2. 6 Customer Service

ASOS does not have a line which customers can ring up in order to resolve their queries and there is also no instant chat facility on their website which could enable customers chat with staff of the company.

However they have other media which they use to deal with their daily customer queries such as ASOS helpers which is on facebook, twitter and other ASOS blogs where customers can contact them concerning their queries and a response is gotten within the hour. Customers can also use the contact us facility which is on the ASOS website.

They also have detailed answers to regular questions being asked by customers on their website to enable some customers resolve their queries without having to contact them.

This means that ASOS has to ensure that they have enough trained staff available to virtually deal with customer queries.

2. 7 Payment Processing

This is done during checkout on the website where registered customers can use their credit or debit cards, gift vouchers, student discount, Paypal as well as other voucher codes to make payments.

The checkout facility enables customers to save their card details for faster processing on their next purchase. This means that ASOS would protect their customer's details so their customers can feel secured.

2. 8 Stock Request

ASOS has a warehouse where they store their products. Orders are made to their suppliers when stocks reach their reorder levels. This is where customer orders are being sorted.

By replenishing their stocks they can meet their customer's orders and not turn them down because stocks are not available. The availability of stock also forms the basis of their updates on products on their websites in order for customers to make purchases.

3. 0 Comparison of Operations and Transformation processes in ASOS and Primark

Stock Request

Both companies adopt the same style of stock request and as such can gather information about fast selling products and slow moving products and can use this to make decisions which involve quantity being ordered from their suppliers.

As they both have warehouse facilities, they would be able to keep stock for distribution to relevant stores and customers.

Stock Replenishment

Both companies replenish their stocks in store with Primark and online with ASOS. However, staff of Primark physically have to go through the store in order to identify what products need to be replenished which would involve more labour which could sometimes be inefficient whereas ASOS has an electronic system which updates their products on their website based on the availability of stock in their warehouse.

This means ASOS is able to avoid the labour cost that Primark incurs but Primark also avoids the cost of using an electronic system which ASOS uses.

Returns and Delivery

Both companies deal with returns, however the customers of Primark can walk into any of their store and make a return which makes it faster when

compared to ASOS which involves the customer shipping the products back to them.

As Primark customers can see their products in store, returns would be less compared to ASOS where customers cannot physically see or try on the product until arrival which would reduce the number of returns which they have to process.

Primark can save cost on home delivery as they only operate in store; however ASOS has managed to avoid the cost of operating in store by operating online which is cheaper compared to store operations as less staff would be used and store leasing or purchase is avoided.

Customer Service

ASOS has an assigned team which deals with customer queries which means their customers would know who to direct their questions to, while Primark trains all staff to deal with their customer queries and this could be seen as multi-skilling in order to increase flexibility in their processes.

However ASOS only offers mail communication in response to queries and so customers would have to wait for a response.

Payment Processing

Both companies are flexible as to what form of payments their customers could use. However, since Primark pursues a low cost strategy they do not offer discounts to their customers because of their low prices whereas ASOS

allows for discounts which could be used by customers and this could be seen as a sales strategy as it would attract more purchases.

ASOS uses this process to store information about their clients to allow for faster processing on their next purchase which Primark does not have.

Guided Selling

Both companies do this but Primark does it by dressing up their manikins and combining other outfits in store. However ASOS do more in the way of sending out emails to their customers with products tailored made for them based on their shopping habits on their website.

4. 0 Theoretical Principles, Concepts and Frameworks

4. 1 Capacity Planning

According to Nigel, Stuart and Robert (2004), this is " the task of setting the effective capacity of the operation so that it can respond to demands placed upon it."

It could be difficult to set an effective capacity as sometimes the demand placed on their operation cannot always be predicted accurately.

This would be appropriate for both companies. For example, Primark usually takes on more staff during the Christmas season to deal with the seasonal demand and more staff are placed in store to assist with operations. This would mean employing and training new staff beforehand.

ASOS also does more delivery during the Christmas season as they also have high delivery to deal with which means using more delivery companies as they outsource their delivery.

4. 2 Inventory Management

As supply and demand are not usually in harmony with each other, inventory management facilitates smoothing of supply and demand, according to Nigel, Stuart and Robert (2004).

Companies would have to determine the optimum amount of stock to be held which could be based on performance of certain products in the past or assumption that certain products would do well or with the adoption of economic order quantity.

ASOS uses this method as they constantly update their website on the availability of their products. Fast selling products are identified during site monitoring and more orders are generated to their suppliers.

Primark also uses this concept as they replenish their stock in store regularly and re order stock when they have reached their reorder level.

4. 3 Supply Chain Design

According to Slack, Chambers and Johnston (2004), supply chain is " a linkage or strand of operations that provides goods and services through to end customers."

In order for this concept to be effective, value chain has to also be considered so customer's needs can be met such as taking into account what they want, the price they want it at, and where and when they want it.

Both companies can adopt this method as they both already adopt disintermediation where they eliminate the middle men between them and their suppliers which allows them to directly place orders to their suppliers and store in their warehouses upon delivery before distribution to stores or customers.

As ASOS is a virtual company, their delivery companies will form part of their supply chain and their activities would have to be monitored by ASOS which they already do as they can track delivery of items and customers also contact ASOS when there has been a problem with their delivery.

4. 4 Performance Measures

As defined by Slack, Chambers and Johnston (2004), " performance measurement is the activity of measuring and assessing the various aspects of a process or whole operation's performance."

This would be appropriate for both companies; however what should get measured would differ. Primark could measure the number of payment processing staff as a percentage of customers processed while ASOS could measure the number of sales made as a result of emails sent out to customers.

By adopting appropriate measures they can potentially fix weaknesses in their processes; however it could be time consuming and if the wrong processes are measured then staff would act in the wrong way.

This concept sometimes gives rise to dysfunctional decision making as customer's needs might not be taken into account when determining what gets measured.

For example Primark doesn't have a forum where customers can give feedback other than complaints made in store. ASOS on the other hand has access to such information through their blogs and social media pages and they could use this as a basis to determine what gets measured with regards to satisfying customer needs.

4. 5 Total Quality Management (TQM)

Slack, Chambers and Johnston (2004), define TQM as " a holistic approach to the management of quality that emphasises the role of all parts of an organisation and all people within an organisation to influence and improve quality."

As cheap is usually associated with quality, Primark would ensure a certain level of quality compared to the cost of their products. Also Primark as a brand is known to be cheaper than other high street stores and so their level of quality would differ and so investing in TQM could increase cost in Primark which could potentially have an impact on their prices.

ASOS on the other hand could adopt TQM as they are still trying to build a brand that would compete with high fashion. They've already adopted <https://assignbuster.com/evaluating-operations-management-practices-in-asos-and-primark/>

measures such as improving their response time from six hours to one hour, According to The Times 100 (2007), which would have involved taking on more staff and training them appropriately.

TQM could be extended to suppliers and distributors in order to achieve overall quality with regards to the activities of a company.

5. 0 Mix of Concepts in ASOS

ASOS could adopt all the concepts discussed above. For example, by using inventory management, they can determine the amount of stock which would need to be ordered from their suppliers and then trigger the supply chain design.

Based on the demand already made to their supplier, ASOS can use that as one of the determinants in setting an effective capacity.

Also TQM could be extended to parties in their supply chain which would also include their suppliers and delivery companies whereby targets would be set for them and their performance measured to see if they meet the required target.

The mix does have an impact on competitiveness as other companies may already adopt these strategies which would mean ASOS would be competing on the same level with them ; however if not applied appropriately in line with their operation then they may be competing below the standard.

For example by the time demand of products is passed on to their suppliers and being delivered to ASOS, the products could become out of fashion as

ASOS follows fashion trends and this would no longer be required by their customers and new products would have to be introduced. Good supplier relationship is key in ensuring faster delivery of these products.

With regards to innovation, the mix gives room for it as the procedures behind the mix could be changed if it does improve efficiency in the company.

For example ASOS could develop a system which links the concepts as mentioned earlier where inventory management starts the supply chain process and this could be achieved with effective knowledge management in ASOS.

The mix can also be sustained, however using all of the mix could impact on cost. As total quality management takes a while before it can be fully achieved, other quality techniques could be used.

As technology continues to improve, most of the mix could be automated but the cost also has to be considered. However ASOS has continued to grow rapidly since they began trading and so these costs could be covered without having an impact on their overall performance. Although growth like this cannot be sustained, and as such ASOS would have to continue to incur operations costs even when growth declines.

6. 0 Mix of Concepts in Primark

Primark could also adopt the concepts discussed, however as they operate a low cost strategy, pursuing all the concept may not prove sustainable for them as their costs would rise and would mean higher prices would be

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passed on to their customers and as this is not their strategy, it could lead to loss of some customers.

Primark could adopt some aspect of the mix, for example one could say they have eliminated most none value activities in order to gain lower cost such as eliminating middle men in their supply chain which enables them to compete as cost leaders.

The mix could allow for innovation in Primark as selection of some aspects of the concepts can allow them come up with an effective mix which meets their low cost strategy.

As they use lean operations, they can continue to ensure optimum use of their resources where all staff are trained on these concepts which meet their strategy and this would also involve some level of knowledge management.

For example with the mix, cost could be the basis for performance measurement because if their cost could be reduced then they can continue to trade at lower prices while still maintaining their customer base.

Conclusion

ASOS and Primark both have operations that deal with processing their customers. Their processes do not differ as much but their execution of these processes do in order to meet both their needs and that of their customers such as ASOS sending out emails as part of marketing to trigger purchases while Primark displays their products on manikins in store to attract customers.

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Both companies already adopt some frameworks such as capacity planning; where Primark take on more staff during seasonal periods and ASOS uses more delivery companies to meet the demand of their products, inventory management; where ASOS updates their products on their websites and Primark replenish their stocks in store, and supply chain design; where they both deal directly with their suppliers.

Although ASOS can adopt a mix of the concepts, in order to compete they have to ensure they are meeting the needs of their customers. Sustainability of the mix can also be maintained but as ASOS is growing rapidly, they would have to still incur operational cost when growth declines.

Primark adopting all the concepts will have an impact on their low cost strategy; however they can adopt some aspects of the concepts which fit into their low cost strategy such as using performance measurement as a tool to measure cost.

Both ASOS and Primark can continue to improve their operations through adoption of relevant concepts which relate to their operations and continuous incorporation of their customer's needs in their operations.

Recommendation

Both ASOS and Primark have a number of operations and concepts which enable them meet the needs of their customers, however more could be done to ensure effective use of their resources such as;

Customer relationship management where ASOS can create a forum where their customers can get an instant response to their queries, this could mean taking on more staff and training them.

Good supplier relationship where both companies improve supplier relationships in order to ensure delivery of products on time as well as meeting the minimum requirements of the products.

Continuous monitoring of their operations will enable them identify weaknesses in their operations and suggest ways to improve those weaknesses.

Value chain analysis could also be adopted to ensure that customers actually get what they need and this could lead to cost savings in both companies as well.

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Appendix 1

Primark

Primark is a retail fashion company which first started trading in June 1969 under the name Penneys in Dublin. The company pursues a low cost strategy which enables them to pass this on to their customers in form of cheaper prices.

Since inception Primark has continued to expand, first moving into Great Britain and now moving into Europe. They currently have 215 stores of which 150 are in the UK, 38 in Ireland and the rest in some parts of Europe. They also acquired other stores such as BHS and Co-op which increased their number of stores.

Due to their adoption of a low cost strategy, Primark does very little in the way of marketing; however they have been able to attract customers as a result of their cheap prices. Their success has been due to combining fast fashion with lean operations.

Although they are a subsidiary, Primark has continued to expand. Their performance in the retail industry has won them a number of awards such as

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multi market retailer of the year and store designer of the year. They aim to continue expansion while maintaining their low cost strategy.