

Zara competitive advantage essay



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There is a tough competition in clothing retailers. Who has a competitive advantage in clothing retailing will be the winner. “ Competitive Advantage” refers to a company’s profit and market share. Offshore supply is one of the processes, which is used generally by clothing retailers to accomplish low labour cost, as the apparel industry is still labour concentrated industry. The supply chain in the apparel industry is compound and lengthy. Barbee and Carlyle (1999, p. 85-87) states that the supply chain “ encompasses all activities associated with the flow and manufacturing of goods, from raw material stage through to the end user, as well as associated information flow.” The longer the supply chain the additional complicated it is to handle and the more a company relay on long-range forecasts. Challenging consumers and competitive retailing have produced stress to take action with multiple refreshes per season. The focal point is on replenishment of the exact styles, designs and colors that are selling well, whilst reducing, changing or abandoning those that turn out to be less popular than forecast. This decreases the difficulty of marking down the price of less popular clothing that fails to sell in the forecasted volumes. This trend, when taken to the extreme of compressing design times, multiple refreshes, coupled with very quick response from the supply base, and all done at low cost, describes the so-called ‘ Fast Fashion’ market.(Nebahat Tokatli, 2007)

Solomon and Robolt(2004) define “ Fashion” as a style that is acknowledged by a great group of people at the given time. They also separate fashion into four catalogues:

1. High Fashion (Couture)
2. Moderate Fashion

3. Budget Fashion

4. Mass Fashion

Fashion Life cycle contains the introduction acceptance, culmination and decline of the acceptance of a certain style. The Fashion cycle is not meant for long time, it changes in very short period. It is not compulsory that to introduce fashion and try to encourage consumers buying behavior before the decline stage is very important “ Fast Fashion” as a conception helps to take the market and attract consumer earlier than other competitor by dropping the lead-time in supply chain.

CONCEPT OF FAST FASHION:

The techniques companies put into practice to reduce the time gap between designing the product and the time of consumption, through product and moving away from the considered seasonal basis called Fast Fashion. It examined that the expansion of fast fashion formulas become visible indicative from a production-driven market to a market-driven characterization of the apparel sector. It is not compulsory that fast fashion is a multipart process, which involves forecast, design, effective supply chain and transportation. “ Best Practice “ as the aptitude to do things in the well-organized manner. In other words it is a way of bring about a business function or process that is well thought-out to be greater to all other known methods (Kurian, 2004). From past few years, organization attempted to build up their own supply chain strategies to continue to exist in such a ferociously competitive market. There are some organizations who come up with new concepts, which help them to gain competitive advantages over the rest of its competitors, such as Vendor Managed Inventory, Quick

Respond manufacturing, Collaborative planning, Forecasting and Replenishment, Continuous Replenishment, Efficient Consumer Response, and Just-in Time Production. It recommended that a few particular best practices relating to the study of fast fashion are:

- Consumer Demand and Response
- Supply Chain
- Just In Time
- Quick Respond
- Forecasting and Continuous Replenishment
- Effective Distribution and Transport System

In recent times, Zara, a most important international clothing retailer and break new ground of 'fast fashion' principles, held in reserve almost half of its production in Spain and Portugal, earning the reputation of being one of the exceptions to globalization. Since the 1980s, the subsistence of such exceptions has been fueling an expectation that the manufacture of high-quality fashion garments and tailored suits would stay behind in the industrialized core. Here I return to this anticipation in the brightness of the modern seminal change in the culture of fashion from ready-to-wear to fast fashion, and description that the greater than before multiplicity and fashion capability associated with fast fashion, represented by Zara, have tilted the steadiness of competitive advantage towards, rather than away from, firms in partially industrialized countries. As a number of supplier firms in countries such as Morocco, India and Turkey have gained the competence to manufacture intricately worked high-quality garments with the compulsory elasticity and speed, Zara has turned to sourcing from these countries.

ZARA

The clothing sector is fundamental to the world economy.

HISTORY

Zara is subsidiary of Inditex group Spanish tycoon Amancio Ortega, owns the Inditex group and Inditex group owns the following brands such as Massimo Dutti, Pull and Bear, Oysho, Uterqüe, Stradivarius and Bershka. Amancio Ortega is well known Galician fashion designer. According to Forbes ranking in 2009 Amancio Ortega was ranked as 10th richest man in world and top Ranked as a richest man in Spain. He was born on March 28, 1936 in Leon, Spain. He started working as delivery boy when he was 13 year old for a shirt-maker in Galicia. During the learning period of his carrier, he realize and learned the how product and cost changes. While travelling from manufacturer to the customer. In addition, the outcome was he become more focused on the importance of getting product directly to the consumer without middle man.

When he become manager of local clothing company that time he found that only wealthy individuals could afford to purchase qualitative product.

Therefore, Ortega started manufacturing his own product. He started buying cheaper fabric and selling good quality. Amancio Ortega founded his own company called Confecciones Goa at the age of 27, in 1963. Especially for fine bathrobes. After that, he continued manufacturing his own companies, then open first retail shop in 1975 known as Zara.

ZARA started changing the design, manufacturing and distribution process to reduce lead times and react to new trends in a quicker way that was there plus point, called “ instant fashions”. (Chiara Pirone, 2010)

Product Life Cycle

The product life cycle ideally follows four main steps:

1. Birth
2. Growth
3. Maturity
4. Decline

Generally, a typical Product Life Cycle Curve looks like the one given in the diagram where Sales decreases as the product moves over the time line.

Zara’s product life cycle also follows the four basic steps but the timeline of the product in the life cycle is very different. The organization operates in fashion industry and the changes pertaining to consumer’s taste is very high. Therefore, the life of the trend or design is of maximum 5-6 weeks. The following figure depicts the Zara’s product life cycle.

Key Factors of Success

The organization focuses on following factors which are their success factors:

- They have short lead time i. e. the clothes stay in the store for less time which in turn provides them opportunity with more and more fashionable clothes.
- They manufacture clothes in low quantity and supply them scarcely which clearly states that the demand for the clothes is always high.

- Due to short lead time they can manufacture variety of choices, variety of styles and the success ratio increases.

RATE OF PRODUCT CHANGES IN FAST FASHION FOR EXAMPLE ZARA:

Zara can move from recognizing a trend to including clothes in its stores within 30 days, it means that Zara can identify and catch fashion trend. Catching fashion until the time it is hot is a clear happening at full prices and less discounts. Zara progresses in stair with its customers. Zara's machinery can respond to the statement right away and 51produce a response in conditions of a new style or a modification within 2-4 weeks. By dropping the amount manufactured in each style, Zara decreases its exposure to any particular product. The additional advantage of lower quantities is that if a style does not work well, there wills minimum stock to disposed during the season-end sale. Zara discounts only about 18% of its making, approximately half the levels of competitors. Instead of additional quantities per style, Zara produces extra styles, roughly 12, 000 a year. So, that style sells out more fast and there are more new styles which are already waiting to come out. Re-orders are unusual the stores look fresh every 3-4 days. Fresh manufacture, moving in step with the fashion trend and updated regularly the ingredients are just right to create the sweet smell of success.

“Fast Fashion” strategy in Zara:

Zara typically has three sections women wear, men wear and kids wear. Most of its stores were located on downtown in big cities and were characterized by large windows with modest fittings. The company position

itself as “ contemporary fashion of medium quality at a good price”(D’andrea and Arnold, 2002).

In order to take extra market shares in such a full of rivalry situation, Zara introduced sequential policy of way of products:

Convert latest fashion into products quickly and completely in order to satisfy consumers. Zara gets a competitive advantage by offering customer stylish clothes at inexpensive prices. A team of 200 designers is accountable for turning the latest fashion into products. The collection was converted every year with 11, 000 dissimilar items. In order to collect the latest fashion information, the company employed a team of trend-spotters, who travel around the world in search of new designs (D’andrea and Arnold, 2002). Thus, Zara’s products are suitable for consumers vary different background and taste. Continue to introduction new products in small quantities, ironically in very high speed. New products were trialed at certain stores before entering full-run production to keep failures in the full range at a rate of 1 %(D’andrea and Arnold, 2002). Reduce the usual cost associated with running out of any particular item. Because the company believes that empty racks do not drive customers to other stores while stimulating them to choose from new things. Furthermore, consumers will buy more and immediately due to rapidly changing trends. As a result, Zara has increased sales and avoided costly overproduction.

Zara would plan a core collection each season, constituting approximately 50% of its forecast requirements. The remaining 50%, some 10, 000 items, were sourced opportunistically according to demand trends during the

season and could be at any store in two weeks. Some accessories such as handbags, jewelry, shoes, thus increasing sales.

CONCLUSION

Zara has up and down integrated all its processes. By applying a “ fast fashion” strategy, Zara have accomplished a unexpected increase in profits and market share. By accept the “ fast fashion” strategy the company has been able to decrease its make down sale to 15 to 20%. In contrast, the traditional industry’s average is 30 to 40%. It has been examined to be the best way to help organization achieve competitive advantages. Such best performs help Zara establish an extraordinary supply chain and become the leader of in supply chain management. The practice of implementation of “ fast fashion” has a few advantages “ Quick response, reduced account and forecasting, errors, shortened lead times and reduced transportation costs. In few years, as other main competitors such as GAP, H&M , Marks & Spencer (M&S) have experienced a difficult period due to low income and with drawls from overseas markets, Zara has maintained a continual growth in sales.