

ZARA Operations Management - Julien LANNIAUX MUNOZ

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Critically assess the development and strategic importance of operations management.

Operations Analysis (M6X01290)

BSc – Logistics and Supply Chain Management

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Abstract

In this report we will discuss the subject of operations within the ZARA company through 3 questions organizing the writing of the report. First, we will discuss the brand's products and services as well as customer expectations, then we will discuss the 5 performance objectives as defined by Slack and finally we will advise on potential operating problems.

Table of contents

Introduction.....	1
1. Customer and business relationship	1
1.1. Nature of products:	1
1.2. Types of consumers:.....	2
1.3. Expectations in terms of quality.....	2
1.3.1. Product quality	3
1.3.2. Service quality	3
2. Performance objectives	3
2.1. Quality.....	4
2.1.1. Product quality	4
2.1.2. Service quality	4
2.2. Speed:.....	4
2.2.1. Immediate availability	5
2.2.2. Order time	5
2.3. Flexibility	5
2.4. Dependability.....	6
2.5. Cost	7
2.6. Specialization	7
3. potential operational issues.....	8
3.1. Copy	8
3.2. Eco-responsibility.....	8
4. Conclusion	9
References	1

Introduction

"If you think of standardization as best you know, but which is to be improved tomorrow; you get somewhere "- Henry Ford, Ford Motor Company Founder

This quote from Henry Ford, who revolutionized the world of automotive and chain work, and still relevant. It highlights the fact that it is necessary to know how to be at the same level as its competitors, in the form of a standardization but that in order to move forward, it is necessary to seek progress, to improve.

Companies are becoming more competitive and looking to expand on as many countries as possible in order to gain the most market share.

With the world changing faster and faster, we are seeing a general trend of customers wanting everything as quickly as possible. This is a real challenge for companies that want to dominate the market.

Indeed, they must be able to respond to customer requests in terms of product innovation, their qualities and their delivery speeds in a cost accessible to customers.

With this in mind, Zara, the leading clothing retailer in the world, has developed. The main objective of the company is to sell products similar to those of great creators at resonant prices to allow its customers to be always at the forefront of fashion.

We will therefore discuss the products of the brand as well as its customers, then we will address the integration of 5 performances objectives defined by Slack, to finish on the possible future innovations.

1. Customer and business relationship

1.1. Nature of products:

Zara, a company owned by Inditex, specializes in the sale of textile products of which it is the leader on the market with a turnover in 2018 of "25.3 billion euro (£ 21.74 billion)" (Cockar, 2019).

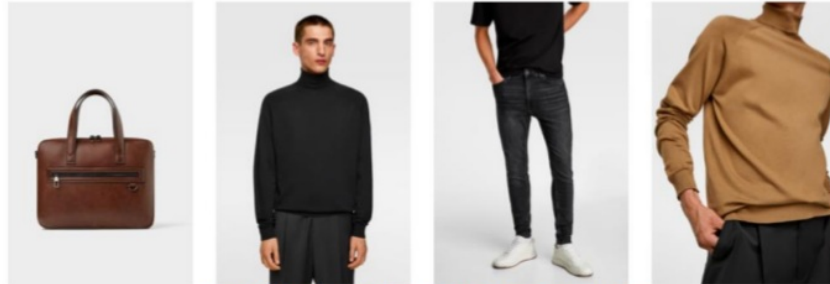


Figure 1: Example of clothes sold by Zara – Zara website

1.2. Types of consumers:

The clientele of Zara is young and wants to be at the forefront of fashion for a low price. Young people, who have less income than older people, cannot afford to buy designer clothes. This same clientele is also adept at "Fast Fashion" which is a disposable fashion. They have to constantly buy new clothes to be at the forefront of fashion. This trend is accentuated with the use of social networks and influencers that can be found on Instagram, which highlight clothing (Business Insider, 2016). The following people these influencers, wish to buy the same outfits as quickly as possible. They are therefore impulse purchases. They are not customers who want to keep their clothes, but rather change them as quickly as possible (L.Knošková & P.Garasová, 2019)

1.3. Expectations in terms of quality

In order to define the expectations in terms of quality for the customers of the brand, it is necessary to differentiate two types of qualities. There is the quality of the products and the quality of the services provided by the company.

AFNOR defines quality as "a product or service of quality is a product whose characteristics enable it to meet the expressed or implicit needs of consumers" (Définitions marketing, 2015). Quality comes from a notion of need expressed by consumers.

1.3.1. Product quality

In addition to offering products marketed in a good condition and meeting the expectations of customers, the ZARA brand is receiving more and more requests from companies to produce products considered eco-responsible.

1.3.2. Service quality

Zara runs on a system that tracks trends. That is to say that the sign, observe the outputs of luxury homes and offers similar items at much more affordable prices.

The stylist of the house, keeps abreast of product sales in order to adapt the products in real time to meet the demands of customers who want to be on the lookout for the latest trends.

It should also be noted that the creators also keep abreast of the sales status of the designer houses in order to plan their future sales in order to know if it is interesting to put a similar product on sale (Patel, 2019).

It is also possible to note that brands such as HM use the same principle of operation directly inspired by sales of the ZARA brand.

2. Performance objectives

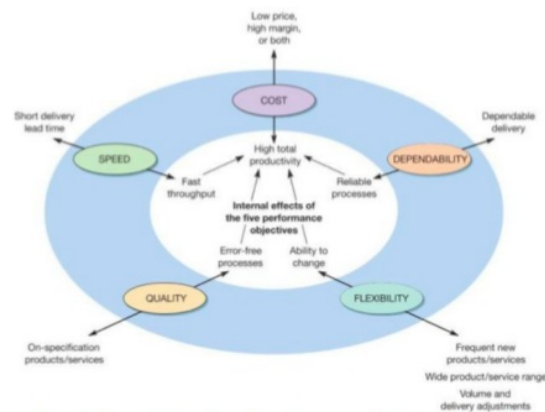


Figure 2: External effects of the five performance objectives – Slack, 2013

2.1. Quality

The quality indicator is defined by Slack as “doing the thing correctly”. The objective is to reduce the various errors present during the operations in order to satisfy the customers and thus to encourage their desire to return and to end up installing some form of loyalty to the brand. The quality of a product and service is important because it is the first thing the customer will judge (Slack, et al., 2013).

2.1.1. Product quality

Customers wishing to buy products at Zara, expect a certain quality that comes in different forms. At first, the products must be made with good value for money. That is, the product must be worth its price, not be too expensive compared to what can be found in the competitor of the brand. It is also necessary that the products are well finished, that they have no defect so that the customer is satisfied with his purchase (Slack, et al., 2013).

2.1.2. Service quality

The quality of the company is also represented by the quality of the services that are offered. Has 2.851 store in the world (O'Connel, 2019) to allow customers to see the products in real life and to be able to buy them. It is therefore necessary that the stores are clean at every moment of the day, because it shows the seriousness of the employees. Zara has at its headquarters a test shop that allows to test the layout of each element in the stores, so that they have a good visual rendering, and that it is attractive for the customer. The brand is studying lighting to further enhance its products.

Being in the field of service, employees must be pleasant and helpful since they are representatives of the brand. And finally, it is necessary that the products are in stock, to prevent the customer is to buy a product out of stock, which could affect its fidelity.

2.2. Speed:

Speed is defined by Slack as the amount of time between the customer's product request and the time they receive it. Indeed, we live today in a world where people want everything faster

and faster. It is possible to take the example of Amazon Prime, which allows subscribers to be delivered within 24 hours or in the same day depending on the city. It is therefore a question of responding as quickly as possible to the customer's request so that he is satisfied with the speed and does not hesitate to use the service again. (Amazon, s.d.). This speed sought by the consumer can also be a factor of price increase (Slack, et al., 2013).

In the case of Zara, speed is very important. Indeed, working in the field of fashion that changes rapidly, it is necessary for the company to update its products as quickly as possible to meet the expectations of its customers. This speed is reflected in several stages of its supply chain.

2.2.1. Immediate availability

At first, there is a saving of time during the follow-up of the products and their storage. Indeed each product is associated with an RFID chip, which allows the company to know directly, during the sale, if it is necessary to restart a production. It is also a system that allows you to know the exact quantity of product in the various establishments of the company without carrying out a manual verification, only thanks to the RFID detectors. This also allows the customer to know from the brand's website if the product is still available (LSA Conso, 2016).

2.2.2. Order time

It is also important for the retailer that its stores and customers are delivered as quickly as possible. It should be noted that all stores of the brand are delivered twice a week, and wherever it is. This is necessary to avoid out of stock and so that customers can leave with their items without having to go to a competitor (LSA Conso, 2016).

2.3. Flexibility

Slack defines flexibility as being. "changing how it works, how it is doing, or when it is doing it. Specifically, the customers will need to provide

- Product / service flexibility - the operations ability to introduce new or modified products or services;
- Mix flexibility - the operation's ability to produce a wide range or mix of products and services;

- Volume flexibility - the operations ability to change its level of output or activity to produce different quantities or volumes of products and services over time;
- Delivery flexibility - the operations ability to change the timing of delivery its services or products.” It is therefore the ability of a company to adapt all its operations in order to respond to all situations. (Slack, et al., 2013)

Flexibility is a major issue for the company. Indeed, Zara operates under the principle of "Fast Fashion". That is, it is necessary for the company to constantly keep abreast of market developments to meet the demands of these customers. It offers products without following the traditional trend of seasons, ie four renewal products, since new products can be offered every week. This process will unfold through three methods of reflection (Patel, 2019)

The first consists in observing the exits of the houses of creators. Zara wants to be a company offering low cost trend products. As a result, customers expect brand-name products similar to luxury goods at much lower costs. This is also something that is worth to companies many complaints for counterfeiting.

The second method is more traditional with original creations by the company's stylists.

The last method corresponds to the feedback of information from each of the banners. In fact, stores are invited to put back requests from customers who would like an item in a particular size or colour. It should be noted that the arrival at the store is usually under one month.

2.4. Dependability

Slack defines dependability by "means doing it for customers to receive their goods or when they are needed, or at least when they are promised. It's about making sure that customers trust the company for its reliability and his seriousness. There is therefore a functional security (Slack, et al., 2013).

Zara has an information system, internal to the company, set up by its parent company Inditex. Revolutionary in the field of the textile industry, it allows a real-time sales analysis. This allows, when the store has very little stock in the store, to issue an order to avoid out of stock. This

makes it possible to keep a store in which all products are available for sale in order to respond perfectly to customer requests (LSA Conso, 2016)

2.5. Cost

The company Zara is today a company offering products at the forefront of fashion at prices adapted to the general public. This criterion is therefore important from the point of view of consumers who will have access to the opportunity to constantly buy new quality clothes without breaking the bank (Business Insider, 2016). On the side of the company, it is necessary that it manages to sell a lot of products to achieve a large turnover since the prices are lower than its direct competitors. This money saving for the company is also possible by saving on other poles.

Indeed, the company wants all its stores to be efficient in order to consume as little energy as possible. This is a gain for the planet, but also a gain for the company that can achieve savings in sight of these 2851 stores (Fashion United, 2013).

Well located between prices that allow big profits and an attractive price for the customer, it is necessary for the brand to find a new way to increase its turnover or reduce its expenses without increasing the price of products at risk of losing customers.

2.6. Specialization

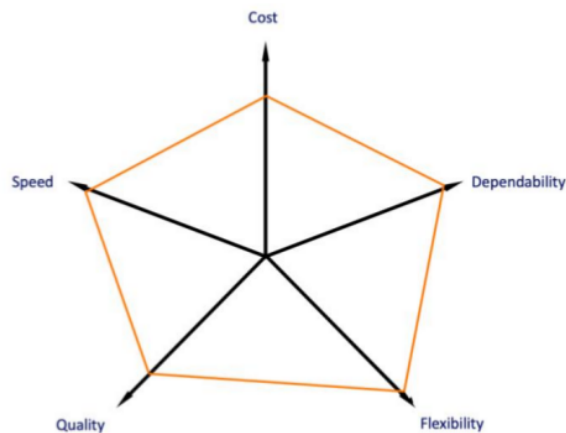


Figure 3: Polar representation of the relative importance of performance objectives for Zara – Myself

We can see, through the 5 points presented above, that the company must be efficient in all areas in order to maintain its position on the textile market. It is therefore necessary that the 5 objectives evolve simultaneously in order not to lose speed, because today Zara continues to grow when its competitors hold the course with difficulty, it is therefore not possible to focus solely on one of the objectives. . In 2018, thanks to the achievement of these five performance objectives, Inditex increased its profit by 3% while its competitor H & M pulled back its sales (Cathla, 2018).

3. potential operational issues

The brand is the leader in the sale of clothing, thanks to this position, it is able to constantly innovate to be at the forefront of innovations to best meet the demands of customers. It is therefore difficult to find problems to solve.

However, Zara faces two main issues, which are related to how it works.

3.1. Copy

The company innovates its products for sale in three different ways. One of them corresponds to a very strong inspiration of the products sold by the houses of creators. Even if this is a request from customers to buy this type of clothing, it is nonetheless disturbing for the houses of designers who have searched the garment before selling it. This is causing him harm.

This is particularly the case of the Cuban brand Clandestina, which lodges a complaint for product counterfeiting since the Zara brand would market products with quotes similar to that of the brand installed in Cuba (BBC, 2019).

The other modes of reflection of the company are based on internal reflections. Even if the company has been operating this way for years, and its customers are fond of it, it may be interesting for her to focus on homemade creations.

3.2. Eco-responsibility

The second problem related to Zara, is the production and the massive purchase of clothes near the sign. Even if it only meets the demand of its customers, it is possible to see a large number of product sales, and therefore inevitably a big waste of clothing, that we could even qualify as pollution. It is possible to take the example of the United Kingdom to realize the impact of overconsumption "In the UK alone, we throw away 300,000 tons of clothing a year to landfills. Synthetic fibers, like polyester, are used in 72% of modern clothing and they are non-biodegradable, meaning each garment can take up to 200 years to decompose. (Business Insider, 2016)

In line with the demand for “eco-friendly” clothing by customers, it would be interesting for the company to develop a garment return process. That is to say, it would be asking customers to bring back the clothes they do not put in exchange for shopping vouchers. This would allow consumers to reduce their expenses while remaining clothes to the store. For the company the benefits are more important. This will increase the fidelity of customers, to qualify as an “eco-responsible” company that fights against waste and pollution. The exchange in vouchers will encourage the customer to buy clothes in the store. But the main contribution it is the possibility to use the reported clothes to recycle to give them a new life, and thus save money on the purchase of raw materials.

However, Zara is taking a first step towards this notion of eco-responsibility with a "made from 100% sustainable fabrics (ie only with organic cotton, linen and polyester) before 2025" (Gradt, 2019)

4. Conclusion

We studied, through the three main axes bearing on the operations and their performances within the company, the functioning of the company Zara.

We have seen that the company maintains its leading position in textile sales through innovative processes and goals that are customer-centric and experience-driven.

Zara wants to be a competitive company on all fronts, it has been impossible to focus on a performance axis against others, it must be perfectly focused on the process. It is this success that makes it the spearhead of the Inditex group. Despite this perfect process management which

is in the process of establishing a standardization with competitors who wish to proceed in the same way, the company must continue to innovate.

This innovation is announced by the use of responsible raw materials Eco, which will reduce the impact of the industry on the planet. It is possible to imagine that following this direction, the company will recycle the clothes.

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