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## **Zara: Apparel Manufacturing and Retail**

Zara is a chain of fashion stores owned by Inditex, Spain's largest apparel manufacturer and retailer. In 2012, Inditex reported sales of about 16 billion euros from more than 6,000 retail outlets in about 86 countries. In an industry in which customer demand is fickle, Zara has grown rapidly with a strategy to be highly responsive to changing trends with affordable prices. Whereas design-to-sales cycle times in the apparel industry have traditionally averaged more than six months, Zara has achieved cycle times of four to six weeks. This speed allows Zara to introduce new designs every week and to change 75 percent of its merchandise display every three to four weeks. Thus, Zara's products on display match customer preferences much more closely than do those of the competition. The result is that Zara sells most of its products at full price and has about half the markdowns in its stores compared with the competition.

Zara manufactures its apparel using a combination of flexible and quick sources in Europe (mostly Portugal and Spain) and low-cost sources in Asia. This contrasts with most apparel manufacturers, who have moved most of their manufacturing to Asia. About 40 percent of the manufacturing capacity is owned by Inditex, with the rest outsourced. Products with highly uncertain demand are sourced out of Europe, whereas products that are more predictable are sourced from its Asian locations. More than 40 percent of its finished-goods purchases and most of its in-house production occur after the sales season starts. This compares with less than 20 percent production after the start of a sales season for a typical retailer. This responsiveness, along with the postponement of decisions until after trends are known, allow Zara to reduce inventories and forecast error. Zara has also invested heavily in information technology to ensure that the latest sales data are available to drive replenishment and production decisions.

In 2012, Inditex distributed to stores all over the world from eight distribution centers located in Spain. The group claimed an average delivery time of 24 to 36 hours for European stores and up to a maximum of 48 hours for stores in America or Asia from the time the order was received in the distribution center (DC) to the time it was delivered to the stores. Shipments from the DCs to stores were made several times a week. This allowed store inventory to closely match customer demand.

The following questions raise supply chain issues that are central to Zara's strategy and success:

1. What advantage does Zara gain against the competition by having a very responsive supply chain?

Ini memberikan Zara untuk menyesuaikan permintaan dengan tren dengan lebih akurat untuk memberikan keuntungan yang lebih baik dengan menjual produknya dengan harga penuh dalam kurun waktu yang sangat cepat, dengan kurun waktu dari waktu desain sampai waktu produk siap untuk dipajang dan dijual dengan kurun waktu 3-4 minggu saja.

Dengan demikian, hal ini juga menumbuhkan sikap loyal konsumen terhadap produk Zara, karena dianggap mampu menyesuaikan produk yang *up to-date* menyesuaikan kompetisi

yang sedang terjadi dipasaran, sekaligus juga menurunkan jumlah inventori barang dan kesalahan prediksi (*forecast error*).

2. Why has Inditex chosen to have both in-house manufacturing and outsourced manufacturing? Why has Inditex maintained manufacturing capacity in Europe even though manufacturing in Asia is much cheaper?

Hal ini bertujuan untuk mencegah ketidakpastian permintaan atas barang jadi dan rantai pasok. Hal ini dilandasi dengan barang yang memiliki ketidakpastian permintaan diproses di Eropa menganut sistem Responsible Pull Supply Chain, yaitu suatu sistem rantai pasok yang memungkinkan inventori bahan baku yang tidak dapat dijual ataupun tidak dapat dipakai menjadi barang jadi yang dijual sesuai dengan permintaan pasar, dimana sistem ini dipakai untuk permintaan yang tidak menentu untuk diproduksi di Eropa setelah musim *sales* dimulai. Sedangkan barang yang memiliki kepastian permintaan akan diproduksi di Asia dengan mempertimbangkan biaya produksi yang lebih murah untuk menekan harga jual, serta untuk barang yang tidak terlalu spesifik dan volume kebutuhan barang yang besar.

3. Why does Zara source products with uncertain demand from local manufacturers and products with predictable demand from Asian manufacturers?

Sesuai dengan jawaban diatas, hal ini masuk dalam Responsive Pull Supply Chain, dimana barang yang tidak memiliki kepastian permintaan akan diproduksi oleh manufaktur local untuk mengetes produk jadi dan mengirim produk jadi sebelum dijual dengan harga diskon karena tren yang sudah tertinggal, sedangkan barang yang tidak terlalu spesifik dan memiliki kepastian permintaan akan diproduksi di Asia dengan pertimbangan biaya produksi yang lebih rendah dan dapat diproduksi dengan jumlah yang besar.