



OPERATIONS
MANAGEMENT

Marks & Spencer and Zara: Process Competition in the Textile Apparel Industry

OPERATIONS MANAGEMENT



Premise/Context

The case compares the positioning, product offerings and value chain of Marks & Spencer and Zara.

It highlights the origin of both the brands, the ideologies adopted by both of them and the mode of operation starting from ideating that involved RnD to procurement of raw materials, production, outbound logistics and sales.

Three hexagons are arranged in a triangular pattern on the left side of the slide. The top hexagon is white, the bottom-left hexagon is teal, and the bottom-right hexagon is light green.

MARKS &
SPENCER

ZARA

History of M&S

- The importance is given to tech. innovation & quality
- Focused on being size inclusive
- Did a lot of social services work to build a positive image
- Extensively worked on advertising

1920

Super-store concept selling both food and clothes within the same store.

1956

operation Simplification - Reduced overhead, exception reporting & increasing employee empowerment

1986

Launched data recovery system in order to monitor sales and inventory.

1928

Developed its own private label, St. Michael, in memory of its founder.

1984

Quiet Revolution & credit card launch

1999

Return to Recovery Programme that focused on Reorganization &

Problem with M&S



- Losing market share despite strategy changes and continuous innovations which also led to reduced profitability.
- High paced dynamically evolving nature of trends in fashion retail space and M&S did not invest time in understanding the 'feel' of shifting trends.
- Major issue with production planning and replenishment.
- No mechanism to analyse sales and course correct.
- Outdated store display.

MARKS &
SPENCER

Comparative Study



30 intermediary steps

No on-hold suppliers

Focus on quality and all sizes being available

No trend study

2 collections per year

No test shops



17 intermediary steps

On demand supply available

Focus on store visibility and exclusivity

On ground first hand trend study

12-16 collections per year

Test shops

Solution

1) How was he going to make M&S successful against a growing variety of increasingly sophisticated competitors?

Ans:

- *M&S with its permanent offerings, sales are going south because its customers are aging.*

So he should start focussing on the mega trends in fashion industry and drive the M&S to crack the trends and release the designs ahead of other players in the market.

- *Current Positioning of M&S: "Traditional Textile Apparel Company "*

He should focus on steps which can position M&S as fashion led company by inducing the FOMO in customer minds on their designs and styles.

2) What clear choices should be made?

Ans:

- Completely restructure the manufacturing process and reduce the intermediary stages in the production cycle.
- He should concentrate bringing as many processes to be done In-house rather than going to extensive outsourcing.
- He should evaluate the profit feasibility for M&S product diversity and drop if some thing is not impactful to M&S.
- He should start focussing in creating niche sub brands under M&S to serve the specific customer base.

3) In particular, what principles should guide his efforts?

- He should focus on how he can bring flexibility in the value chain and specifically in production process & planning.
- He should put his efforts in gaining the supplier trust who can help in high pressure situations & help M&S over others.
- He should make his efforts in the direction where he will be able to give at least 2 new collections in each quarter
- He should make M&S can bring the same highly design model with in a week to the market, that much agility is needed.



Relevant Applications of our Solution

Food Restaurants in to Swiggy & Zomato

Based on these food tech platforms sales of traditional restaurants will be going down, So they need to get in to these platforms to show the agility

A local Plumber becoming partner with Urban Company

If all the plumbers in his neighborhood get listed in any online service app, then he may not get leads in his neighborhood if he is not partnering with Urbancompany or any online service app/website

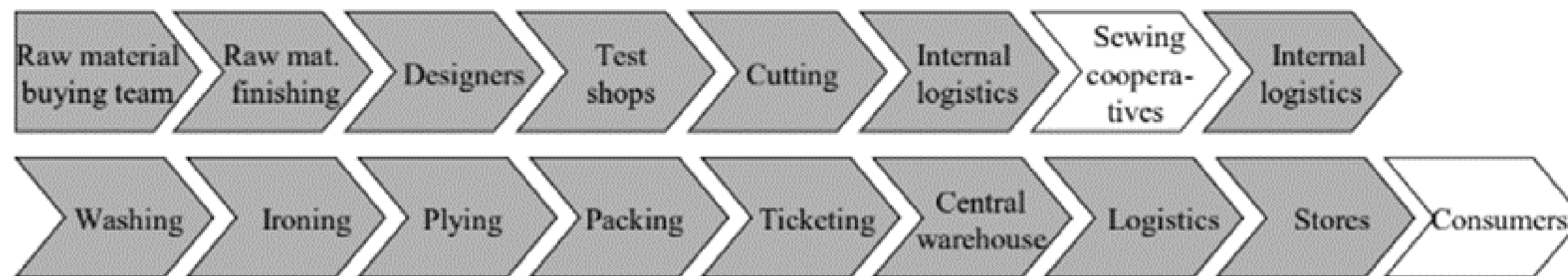
Cab driver registering on Ola/Uber

If all the drivers in his city get listed in any online service app, then he may not get leads in his city, if he is not partnering with Ola/Uber or any other cab aggregators.

Our Solution is applicable for all traditional business which does not have the flexibility in the process & not agile to get ahead of competition.

How is Zara's supply chain different than others'?

- Zara follows a vertically integrated value chain
- Zara books supplier production facility to meet flexible orders at the last minute.
- Designers explore multiple locations to get a 'feel' for the latest fashion trends.
- New product design is tested among a certain number of test shops.
- Zara recommends outlets for window dressing.
- Zara store managers help ensure inventory in the store and place the orders based on stock in central WH and their store sales.
- Zara's final design to sales cycle is about 22 - 30 days.
- Zara based on its efficient value chain can bring famous competitor models in 7 days for sales.
- Only one process is outsourced in the whole manufacturing cycle, which offers great agility.



Note: outsourced elements of the value chain are in white

Can Mark and Spencer's get into the "fashion" space? Why/How and Why not?



Quality/Price

M&S is a high end brand offering higher quality products for higher price. Whereas on the other hand, Zara doesn't guarantee any such price/quality ratio.

Intermediate stages & Outsourcing

M&S involves 25+intermediate stages in the value chain and 9 processes are being outsourced where there is no scope for agility. Whereas Zara's takes 16 stages with only one process outsourced and takes at max 30 days for sourcing the material to selling.

Brand Perception:

M&S, only has 2 collections throughout the year, resulting in less consumers anticipation in terms of designs and exclusivity. Whereas Zara, by limiting it's SKUs in-store and having multiple collections throughout the year, creates a perception of exclusivity.

Instant Feedback Mechanism:

Zara tests out new products in test stores to see the customer response to them. That, in turn, helps them to find a “winner” piece, which they can mass produce. Contrary to this, M&S doesn't work with a feedback mechanism.

If the M&S want to get into the fast fashion industry, we have following suggestions for them to work upon:



Short-term strategy(Considering M&S still plays in premium segment):

- Instead of having just two collections for an entire year, M&S should work on having frequent launches(not precisely along the lines of Zara) on a monthly/bi-monthly basis.
- Having a pilot batch being tested across test stores to understand the consumer sentiment about the designs and then scheduling a proper release considering the consumer insight.
- Involving M&S store managers in inventory management can help make informed decisions regarding better inventory management and predictability of future sales.

Long-term strategy (Entering into the fast fashion segment using a new brand):

- Coming up with a push-pull strategy, wherein the quality is secondary rather than the latest in trend fashion styles, and giving buyers a wide array of options throughout the year is of primary focus.
- Reducing the intermediaries throughout the supply chain to cut down the time from the product life cycle
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What is the role of the postponement strategy?

Postponement Strategy:

As per Christopher, "Postponement refers to the process by which the commitment of a product to its final form or location is delayed for as long as possible."

Eg: If the manufacturer is not confident about which colour umbrellas will be sold more & if he gets the raw material for cheaper rates, & found production & Inventory is a safer option then he simply will make White Umbrellas, and once there is visibility of different colour demand he can dye them and meet the requirement with less lead time.

Role of Postponement in M&S Value Chain & in Production Process.

As per the current scenario of M&S we can see a lot of intermediate stages are in production & various processes are outsourced which leads to a lack of flexibility to release collections in less time & to adapt to market trends.

So M&S can use the Postponement strategy, by producing the apparel in white colour in standard sizes which can be changed into any design with any colour, it can eliminate the risk of not releasing new collections every month with such a complicated value chain & with a lot of intermediate stages in production & more outsourced processes to bring more flexibility in meeting the megatrends in fashion style segments in less time and can improve the agility.

Role of Postponement in Zara Value Chain & in Production Process.

Zara had already established the agile value chain with good connections with suppliers who are supportive and they are already in a stage where in 22 to 30 days they can release new collections and within 7 days they can bring the popular designs of competitors to their platform.

So for ZARA Postponement strategy will not be that helpful based on the above-mentioned reasons.