

A COMPREHENSIVE ANALYSIS OF ZARA'S SUPPLY CHAIN



Course.

Intro to Supply
Chain Management

Class.

EC214.M11

Lecturer.

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MEMBER LIST



NGUYỄN THỊ THU THẢO

18521421

Girl leader with a **charming** & **captivating** beauty



ĐỖ THỊ NHƯ QUỲNH

18521421

Girl member no. 1 – **origin** of the **spiritual matters** in the group



HUỲNH LONG THÀNH ĐẠT

18520567

Boy member no. 1 – the **worst luck** in the group



PHAN THANH HẢI

18520705

Boy member no. 2 – **rapper swearing** like listening to rap



NGUYỄN THỊ THÚY QUỲNH

18521327

Girl member no. 2 – the most **modest saint** in the group

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INTRODUCTION



WHY?

Was it destiny that
guided us?



OVERVIEW

Zara's Information
& Overview





ZARA's Success,
What Is It
Attributed To?
SUPPLY CHAIN

WHY?

Fashion – **Essential Demand.**
Now, **EAT WELL, DRESS WELL.**

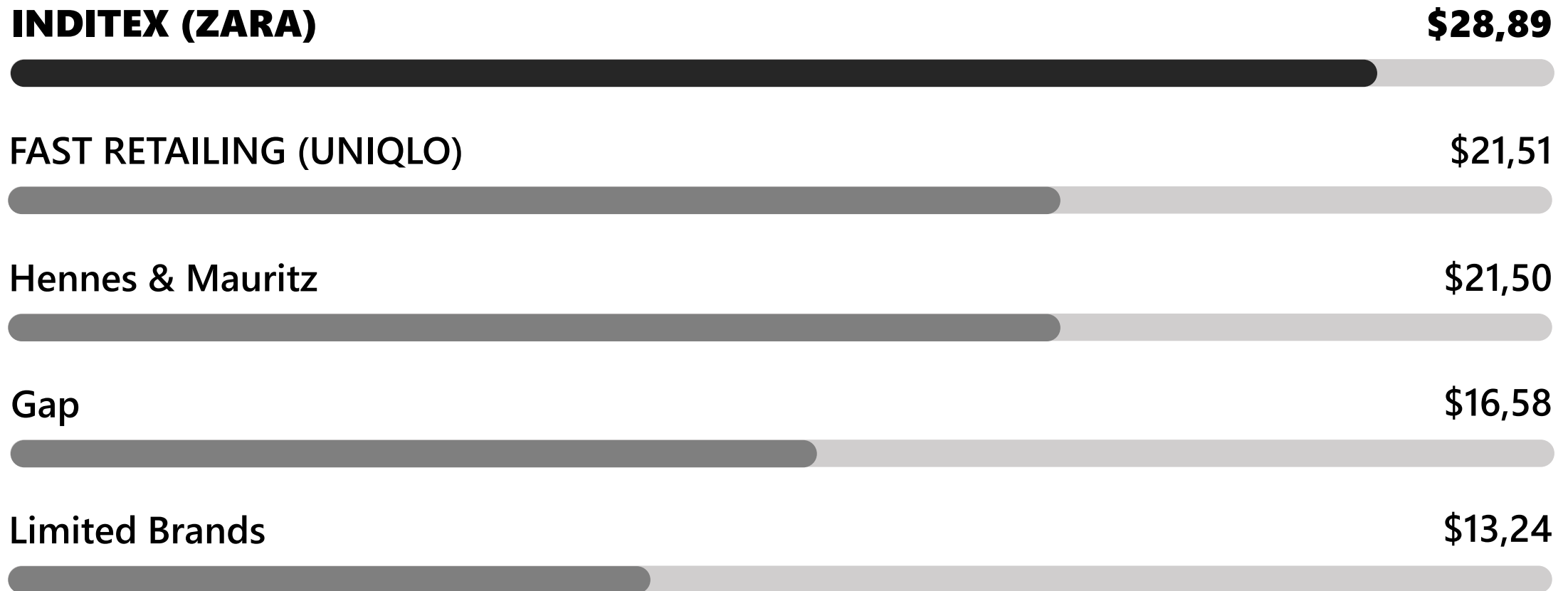
Preferred by **women.**

Well-known fashion brands:
Hermes, Chanel, Louis, H&M...

ZARA - the **largest**
fashion retailer in the world

SALES OF MAJOR APPAREL MANUFACTURERS AND RETAILERS WORLDWIDE IN THE FISCAL YEAR 2019

Fast Retailing – Major Global Apparel Manufacturer and Retailer *(Billions of dollar)*



HISTORY & MILESTONES OF ZARA

- **1975** **Amancio Ortega** opened the first **Zara** store in **Spain**
- **1984** The first logistics center in **Arteixo** is opened
- **1985** **Inditex** (parent) made it official
- **1988** **Zara** began expanding its market internationally
- **2003** Founded **Zara Home**
- **2010** Moved into **online commerce**

VISION

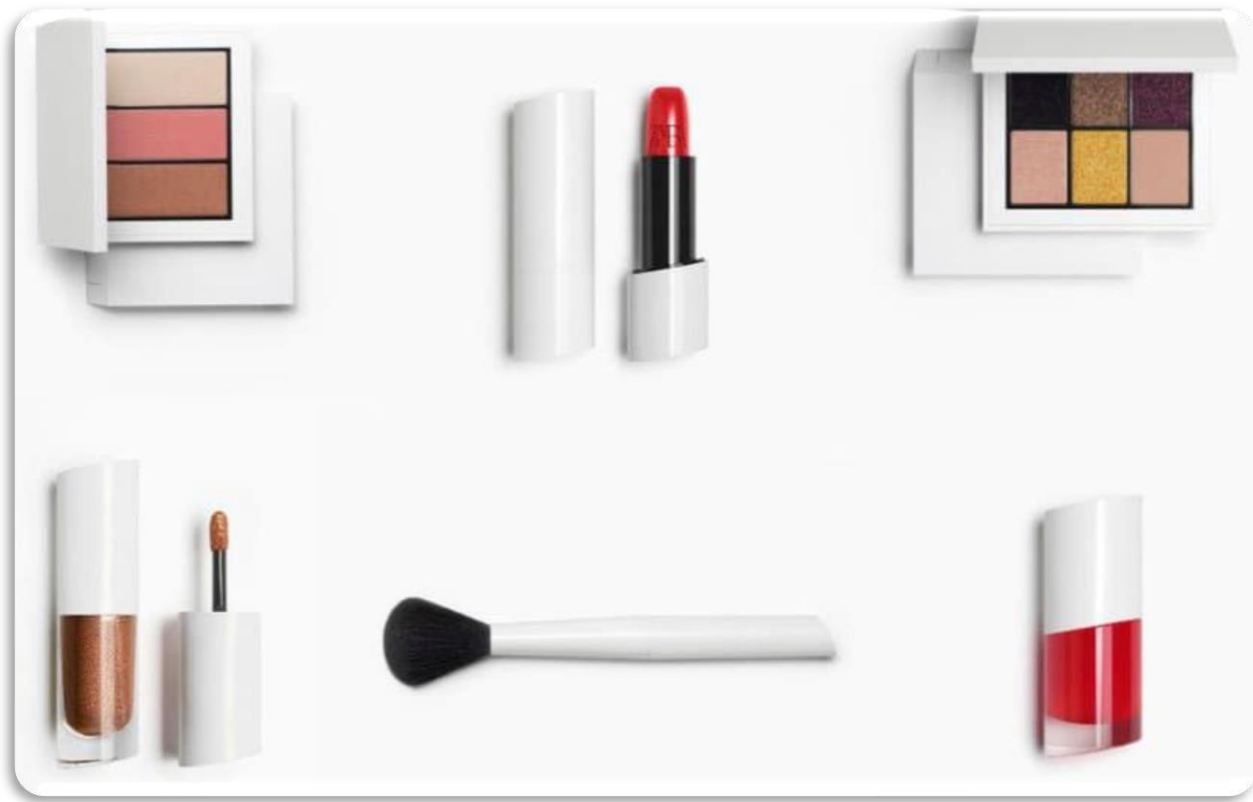


To contribute to the **sustainable development of society** and that of the **environment** with which we interact

To give customers what they **want**, and get it to them **faster** than anyone else



MISSION



Offering a diverse range of fashion & beauty items: **accessories, jewelry, footwear, clothing, perfume, etc.**



**PRO
DUCT**

CLOTHING PRODUCT LINES

Zara Women

Zara TRF (Trafaluc)

Zara Men

Zara Kid

Zara Beauty



ZARA



DISTRIBUTION CHANNEL

1. Traditional Stores

- More than **2,000 stores**, including its kids and home stores.
- **96 countries** and is the flagship brand of the Inditex Group.

CONCEPT	COMPANY MANAGED	FRANCHISED	TOTAL
Zara	1,763	262	2,025
Zara Kids	93	-	93
Zara Home	454	81	535

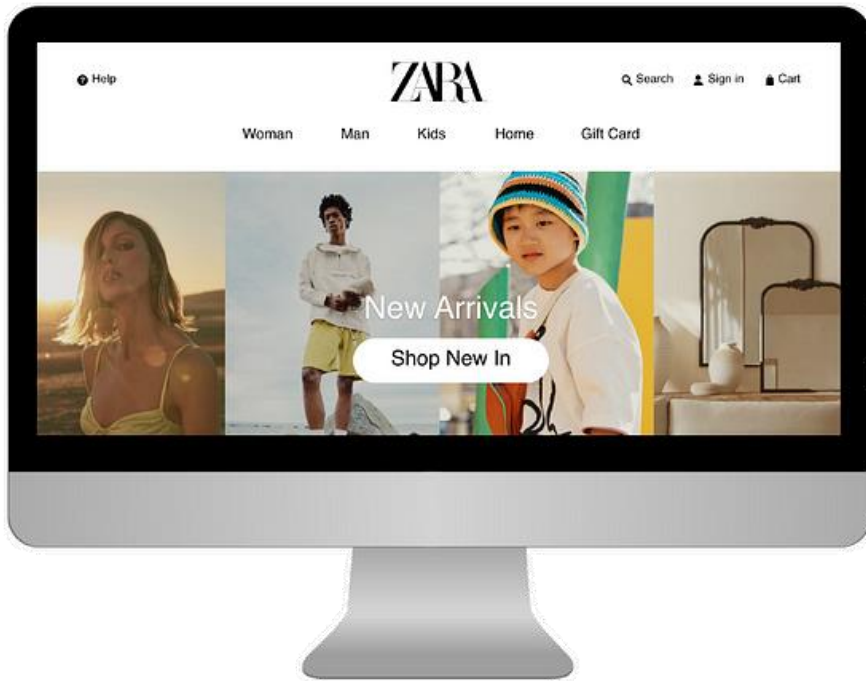
Company-managed & Franchised **Stores** At The End **2020**

** Inditex Group Annual Report 2020*

DISTRIBUTION CHANNEL

2. Online Stores

- Website www.zara.com



- **Zara** app on Google Play & App Store



Stakeholder groups

Employees

Customers

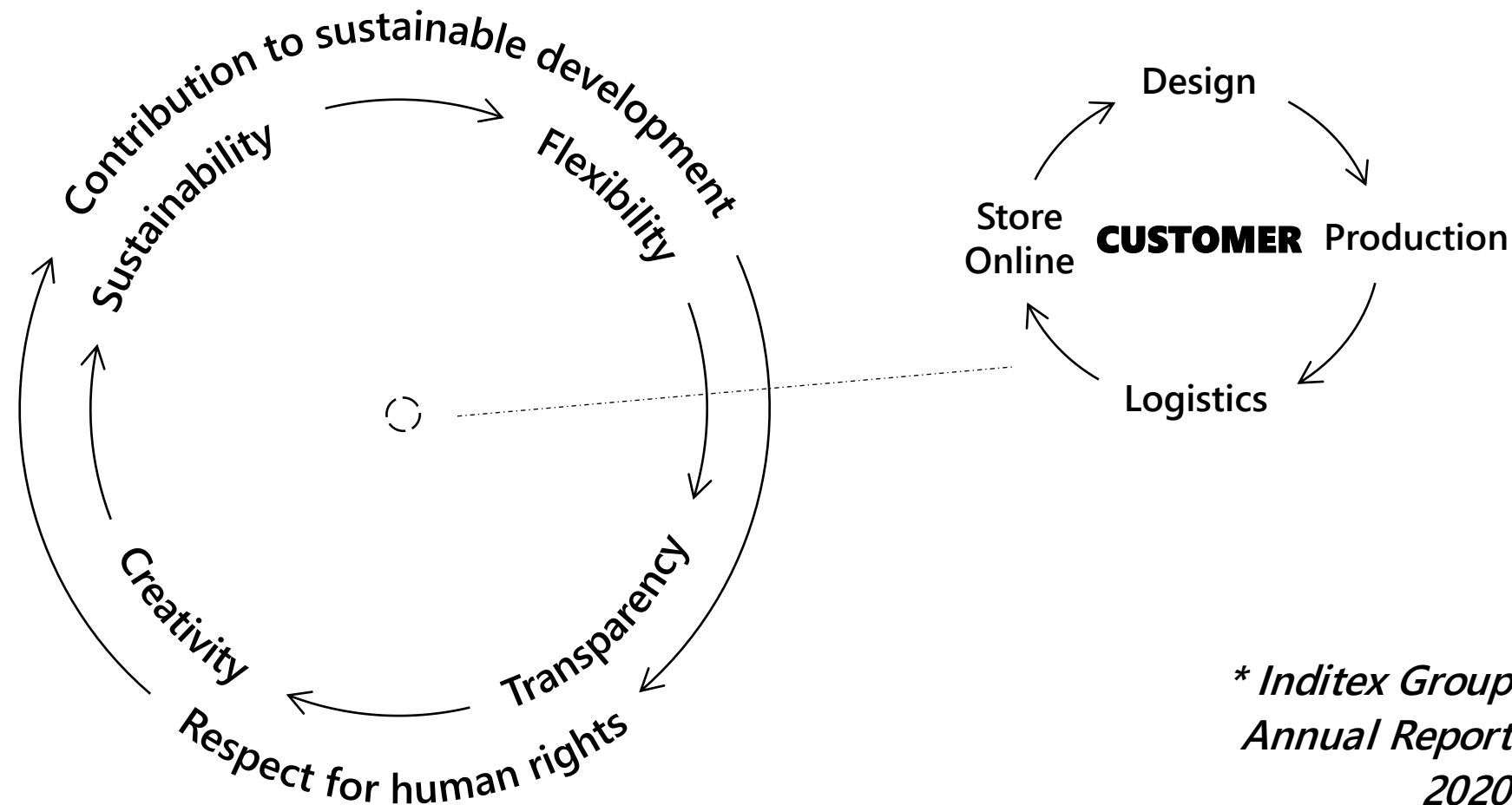
Suppliers

Community

Environment

Shareholders

BUSINESS MODEL



Pillars on which our strategy is established

Fashion

Customer experience

People

Sustainability

REVENUE MODEL

**Pricing
strategy**

=

**Based on the
market**

**Revenue
source**

=

**Traditional
Stores**

+

**Online
Stores**





CURRENT STATE ASSESSMENT



MARKET ANALYSIS



COMPETITOR ANALYSIS

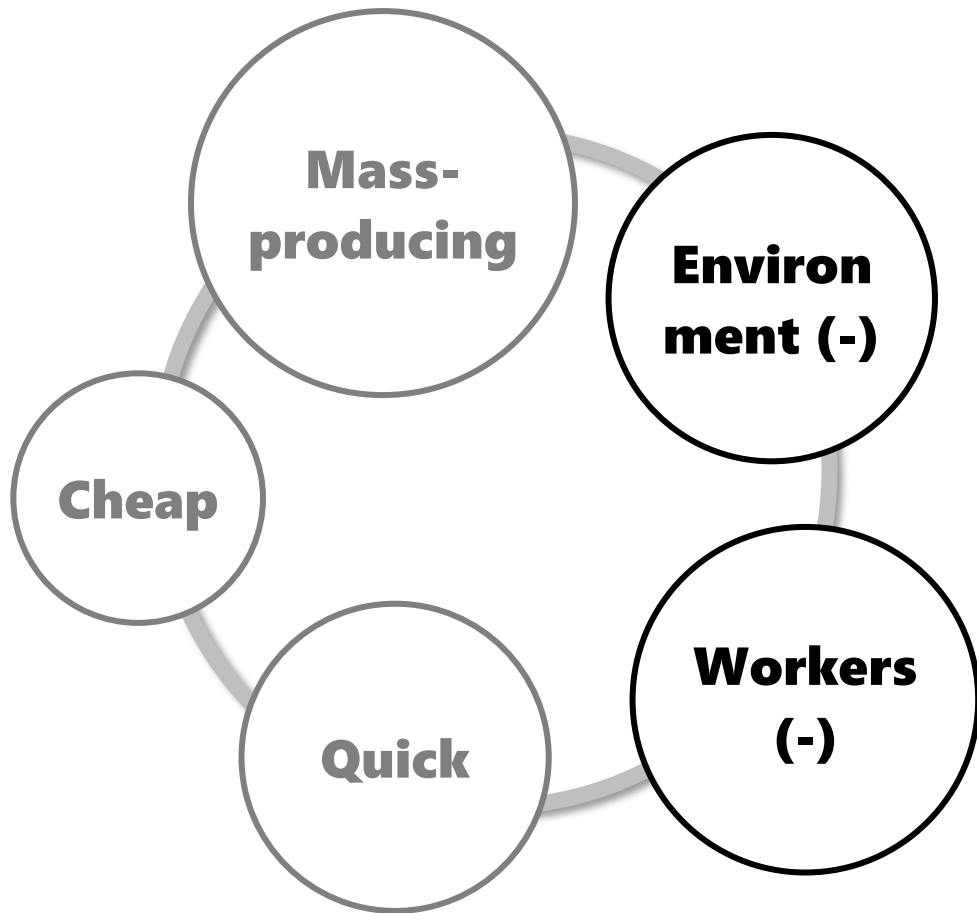


SWOT ANALYSIS



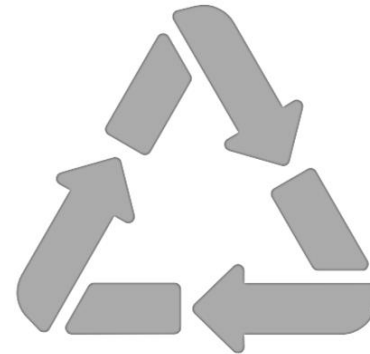
SUGGESTED SOLUTIONS

MARKET ANALYSIS



The characteristics of **fast fashion**

95% OF DISCARDED CLOTHING CAN BE RECYCLED OR UPCYCLED.



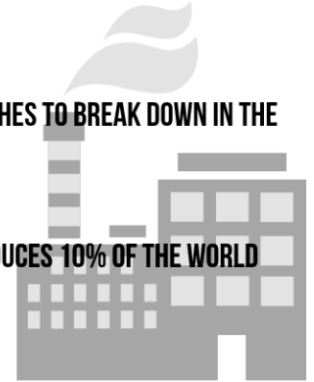
#ECOFASHION

Fast Fashion Facts

700 GALLONS OF WATER IS USED TO MAKE ONE COTTON SHIRT.

IT TAKES 80 YEARS FOR CLOTHES TO BREAK DOWN IN THE LANDFILLS

THE FASHION INDUSTRY PRODUCES 10% OF THE WORLD EMISSIONS.



Fast Fashion Labor

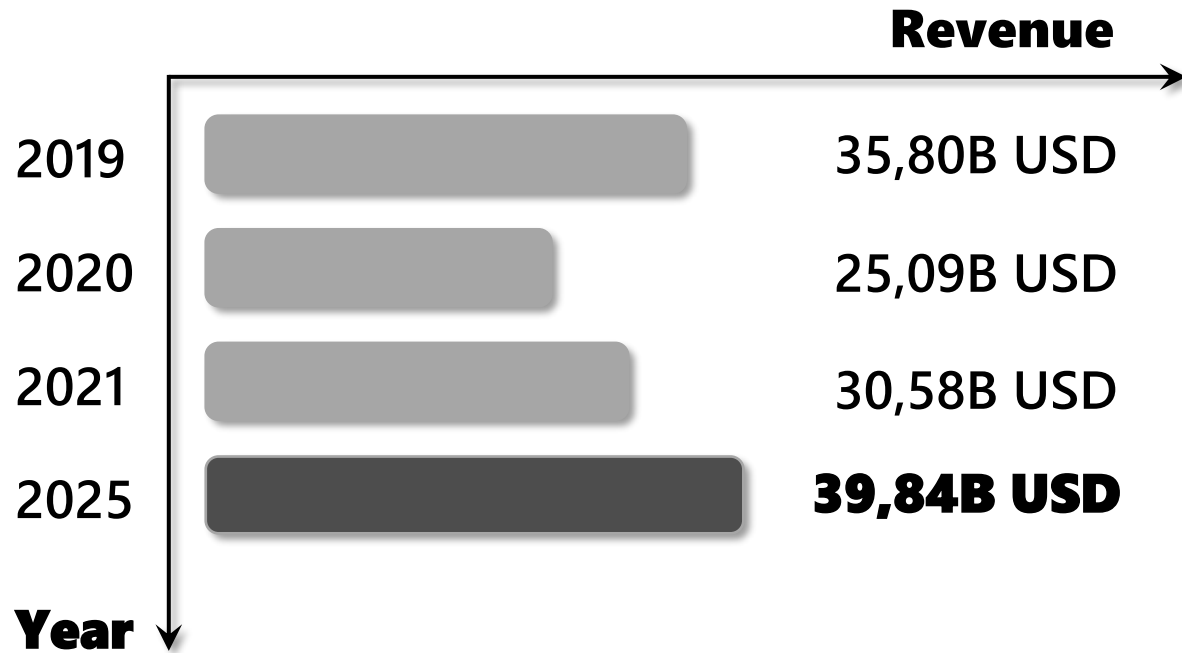
1 IN 6 PEOPLE WORK IN THE GARMENT INDUSTRY WORLDWIDE, MANY OF WHOM DO NOT HAVE RIGHTS OR PROTECTIONS

80% OF THEM ARE WOMEN

2% OF THEM EARN A LIVING WAGE



MARKET ANALYSIS



The sales revenue of the
fast fashion market

- Segmentation by gender.
Female (60.3%).
- Segmentation by age group.
Adult (85.9%).
- Geographical segmentation.
Asia-Pacific (29.7%).

COMPETITOR ANALYSIS

Internal

PULL&BEAR Massimo Dutti

 UTERQÜE

Bershka OYSHO

**Internal
Inditex**

Others

MANGO
Desigual

External







GUCCI


FOREVER 21

COMPETITOR ANALYSIS



Establishment	1947, Sweden	1949, Japan	1975, Spain
Size (2020)	5,018+ stores in 74 countries	2,250+ stores in 25 countries	2,025+ stories in 96 countries
Sales revenue (2020)	~ 20,2B USD	~ 17,2B USD	~ 21,9B USD
No. of available products	17,715+ products	1,960+ products	6,313+ products
Clothing sizes	XXS -> 3XL	XXS -> XXL	XS -> XL

COMPETITOR ANALYSIS



Advertisement

5% of revenue.
Diverse channels.
Collab with singers,
models, and athletes.

4.6% of revenue.
Fewer diverse channels.
Utilizes the names of
celebrities.

Non-advertising
campaign.
0.3% of revenue.

**Discounts,
promotions**

Seasonal.

Seasonal, discounts for
students.

Between June and the
end of December.

**Clothing
design**

Keeping up with the
latest fashion trends.



















Simple yet high-quality,
meticulous.

Keeping up with the
latest fashion trends.

COMPETITOR ANALYSIS

Pricing strategy

Retviews. Women fashion. 2019

€	H&M	Uniqlo	Zara
0 – 10€	 12.5	 8.0	 7.5
10 – 20€	 35.7	 27.2	 28.2
20 – 30€	 26.2	 35.0	 24.9
30 – 40€	 12.9	 14.1	 18.4
40 – 50€	 4.9	 3.9	 11.5
50€+	 4.0	 3.3	 5.7

SWOT ANALYSIS

S Large number of retail stores
Expand retail network
Large team of designers

Strengths

W Sustainability in fast fashion
Over-reliance on traditional stores
Diminish presence in the U.S. & Asia

Weaknesses

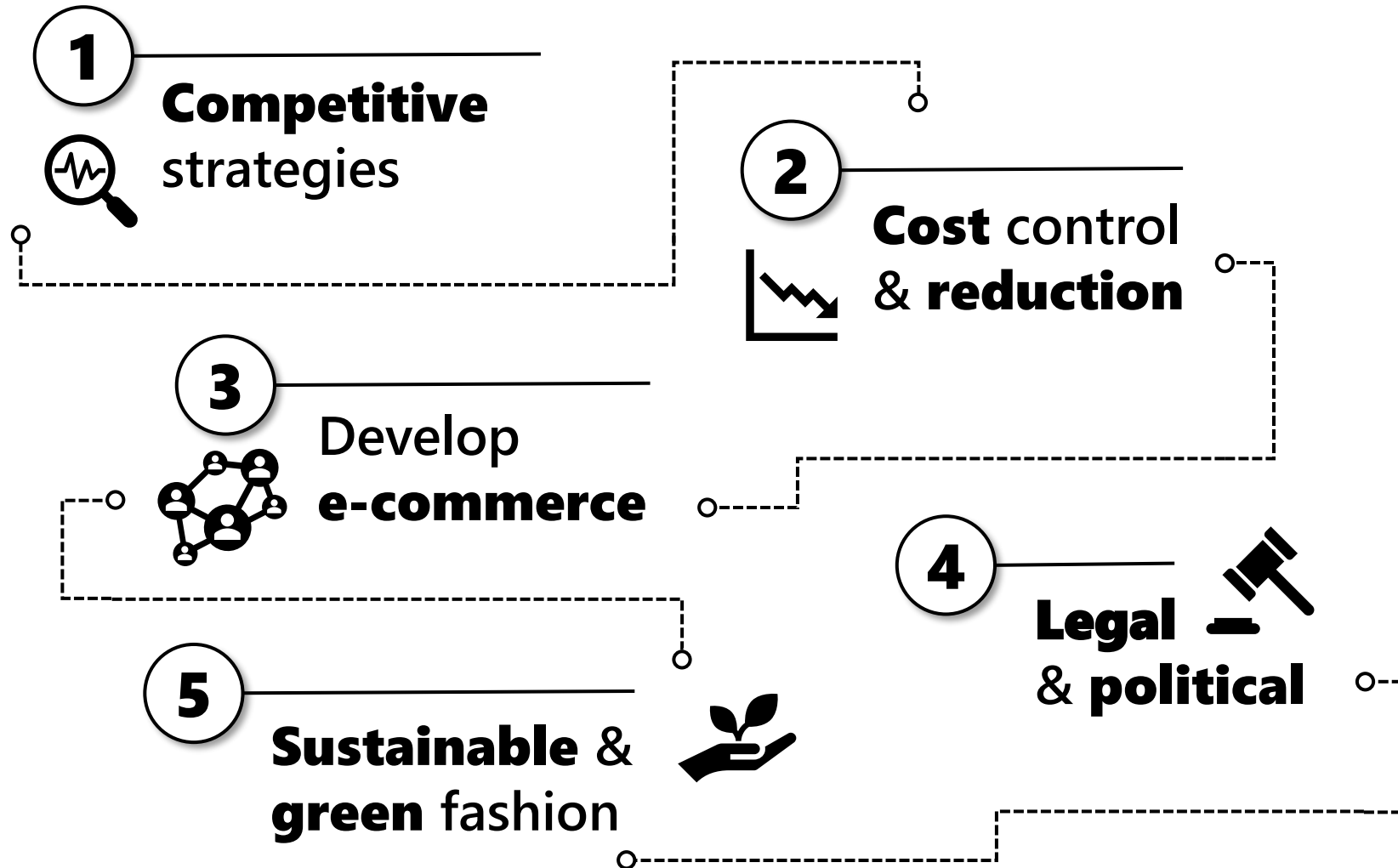
O Apply technology: RFID, eCommerce
Invests in marketing
Market expansion

Opportunities

T Internal & external competition
Impact from the COVID-19 pandemic
Environmental sustainability

Threats

SUGGESTED SOLUTIONS

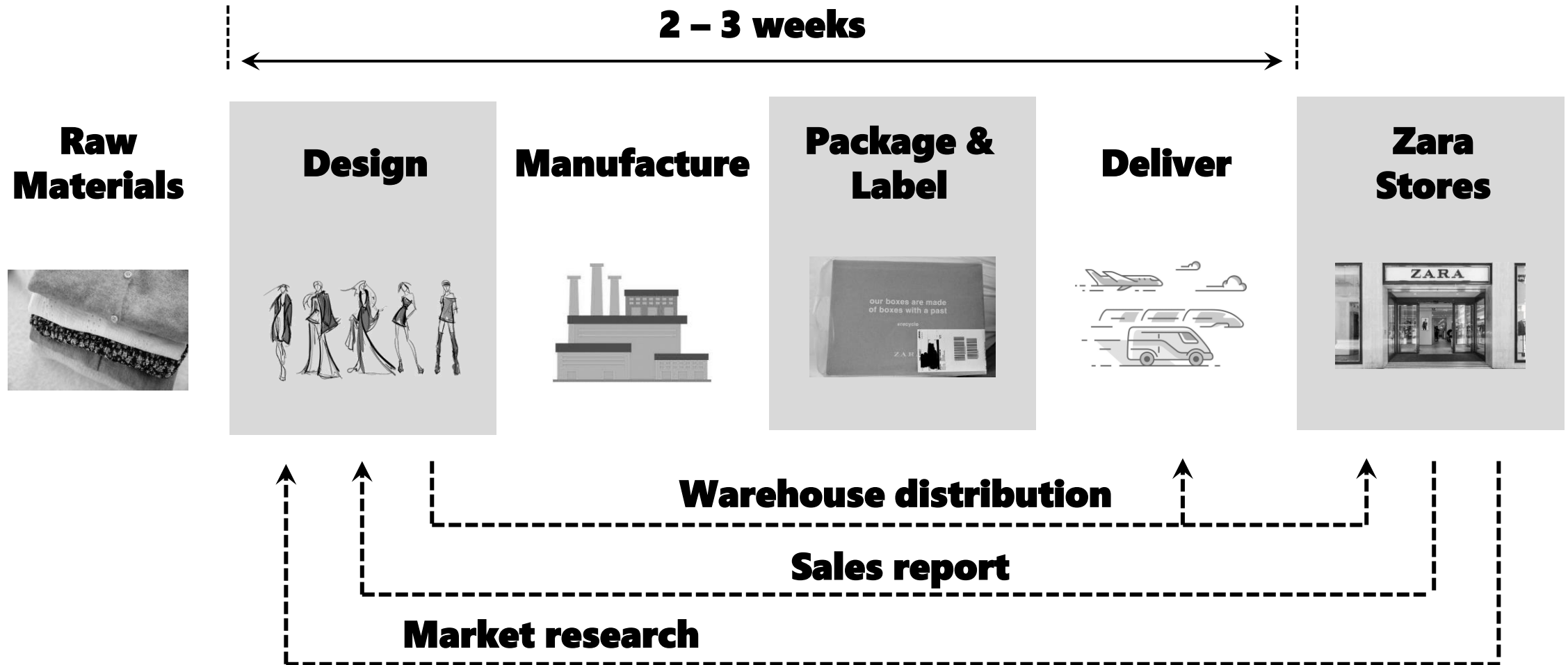




SUPPLY CHAIN ANALYSIS

- **Model**
- **Core Activities**
- **Measuring Performance**

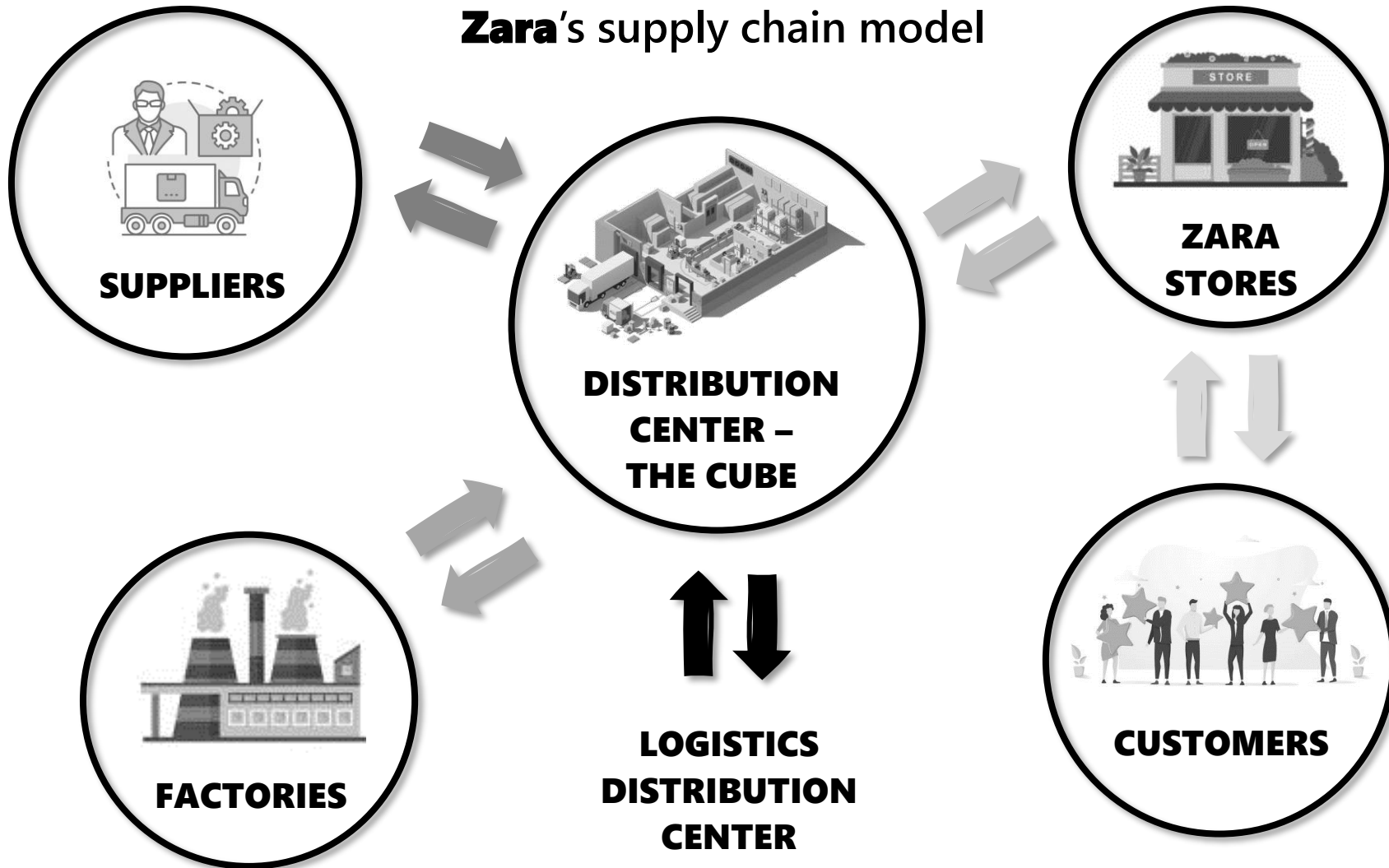
SC MODEL



The elements in **Zara**'s supply chain

SC MODEL

Zara's supply chain model



**VERTICAL
INTEGRATION**

CORE ACTIVITIES

1. PLANNING

Demand Forecasting

Short-term demand forecasts, highly accurate (**2 – 6 weeks**).

Monitor customer **feedback**.

Produce **small batches**.

Product Pricing

Low-cost workers, raw materials, design costs, advertising & **fast** production progress





CORE ACTIVITIES

1. PLANNING

Inventory Management

Maintained at a **low** level.

Small quantity of products/design samples.

Internal production & reserve capacity allow **flexibility** in terms of quantity, frequency & diversity of products, responding **quickly** to the increasing demand.



CORE ACTIVITIES

2. SOURCING

Purchasing

Have products in the right location & quantity.

Evaluate the supply market.

Consumption Management

Use 1 of the procurement departments of **Inditex**.

Work with suppliers across **50 markets**.

Vendor Selection

(3T): Time, Trust, Transparency.



CORE ACTIVITIES

2. SOURCING

Credit and Collections

Currently collaborated with **Vietcombank**, etc., for payments and refunds when using bank cards at Zara stores.

3. MAKING

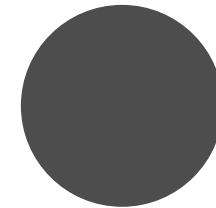
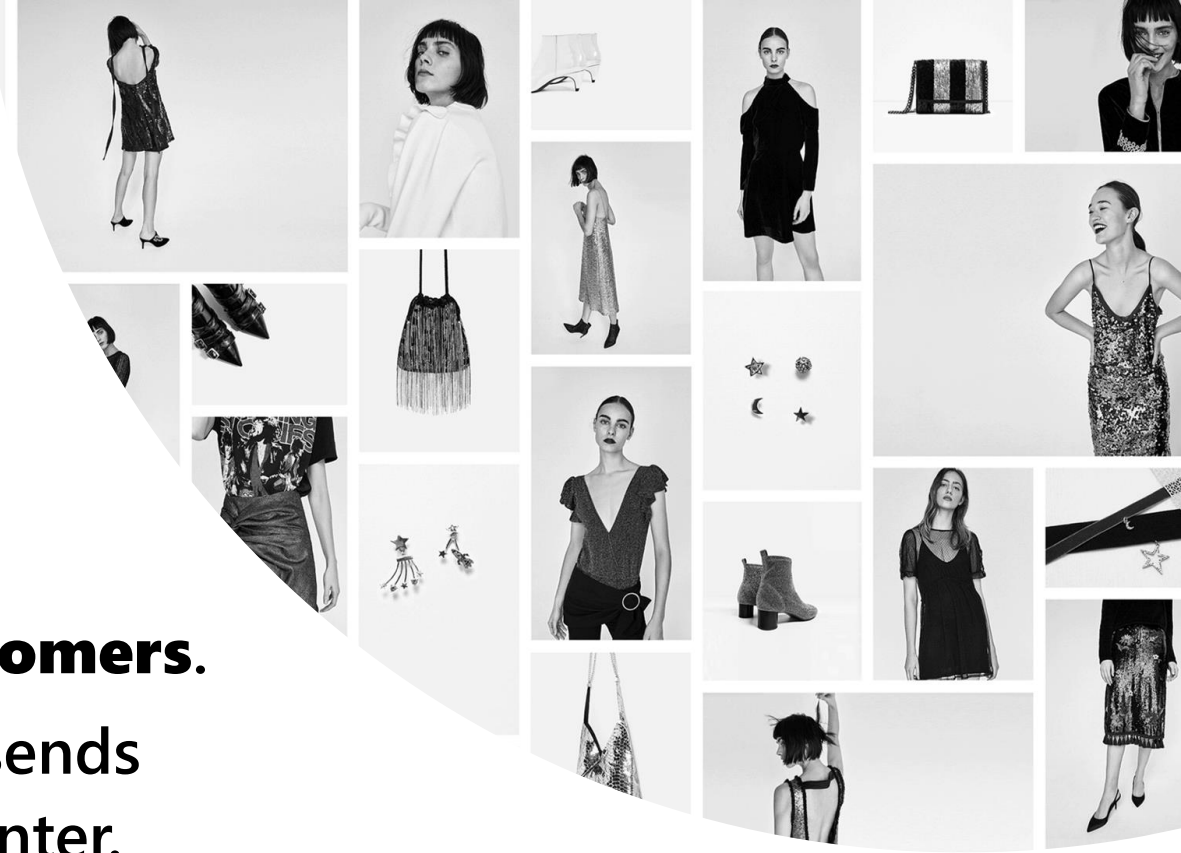
Product Design

Focus on **customers**.

Monitor preferences & feedback from **customers**.

After completing the product, the factory sends reports and products to the distribution center.

CORE ACTIVITIES



CORE ACTIVITIES

3. MAKING

Production Scheduling

Just In Time (JIT) production process.
Concentration of distribution & production centers.

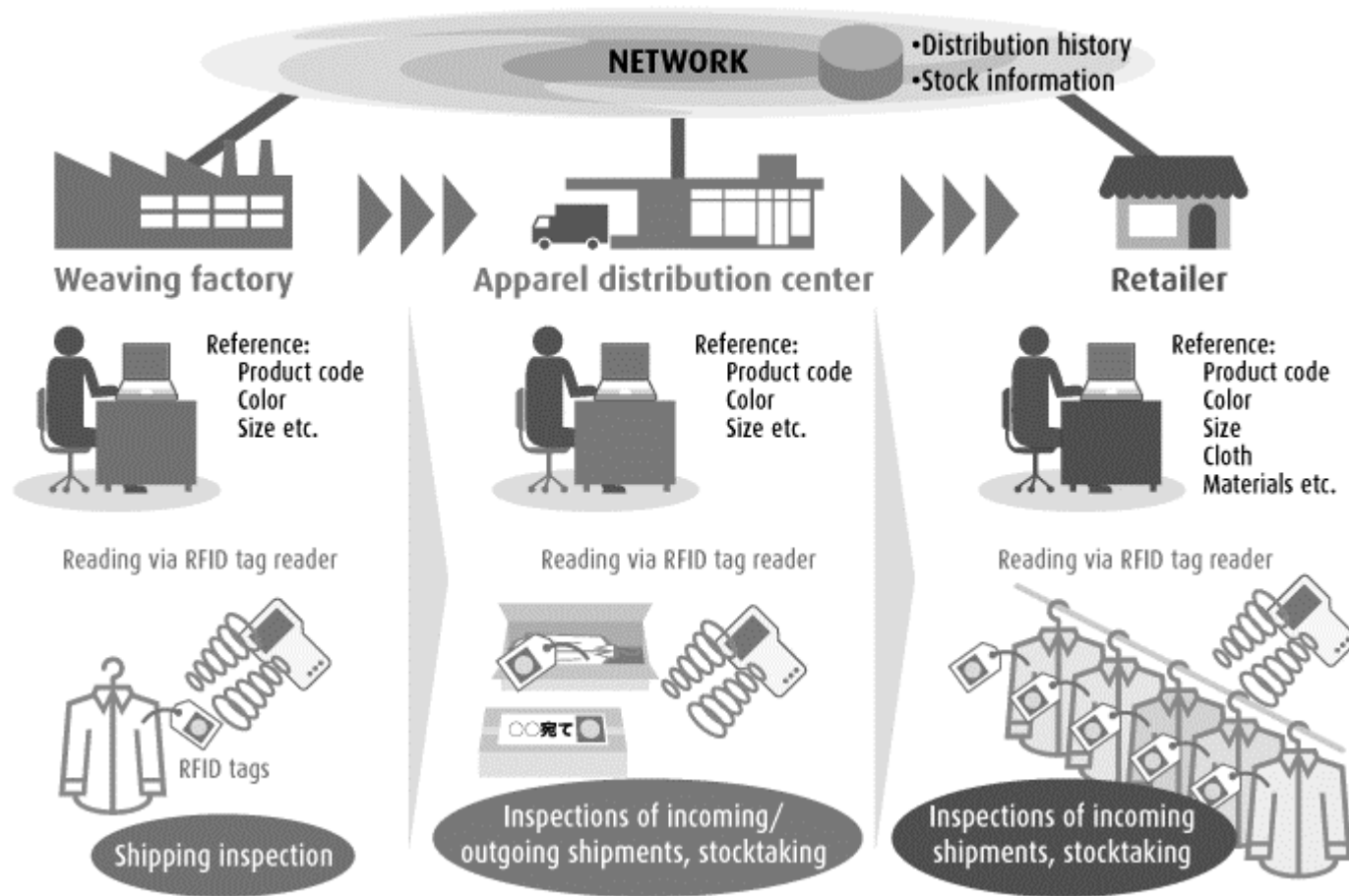
Facility Management

Competing based on **flexibility** and **agility**.
50% of the products are manufactured in **Spain**; **26%** produced in the rest of **Europe**, **24%** in **Asia & Africa**.



**Just-In-Time
Inventory System**

CORE ACTIVITIES



4. DELIVERING

Order Management

Orders are **tracked** through the **IT system**.

Delivery Scheduling

Distribution Center: **The Cube**.

Return Processing

Customers have **30 days** to return/exchange products. Take **14 days** for a refund.

SC MEASURING PERFORMANCE

1. INTERNAL EFFICIENCY

INVENTORY VALUE

Low inventory levels, relatively **stable**.
Unsold inventory rate is about **10%**.

INVENTORY TURNS

Inventory Turnover Ratio = **12** per year

CASH-TO-CASH CYCLE TIME

ROS is **high** and **stable** from 2016 to 2019.
Decrease in 2020 due to the impact of the
COVID pandemic.

	2016	2017	2018	2019	2020
ROS	17.96	17.88	17.65	17.23	6.87

SC MEASURING PERFORMANCE

2. CUSTOMER SERVICE

Order fulfillment cycle time

Orders from retail stores:

- Placed **twice a week.**
- Received within **2 days.**

Customer orders:

- Processed in **1-2 days.**
- Usually delivered in **3-5 days.**



SC MEASURING PERFORMANCE

3. DEMAND FLEXIBILITY

ACTIVITY CYCLE TIME

Average time for a new product from design to shelf placement is **4-6 weeks**.

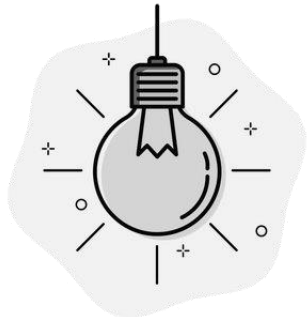
Short production time, taking ~ **10-15 days** from the manufacturing stage to product shipment to stores.

UPSIDE FLEXIBILITY

Short-Term demand production: **2-6 weeks**.

Manufacturing plants operate at a max capacity of **4.5 days/week**.

Maintain in-house product & ensure that factories reserve **85%** of their capacity.

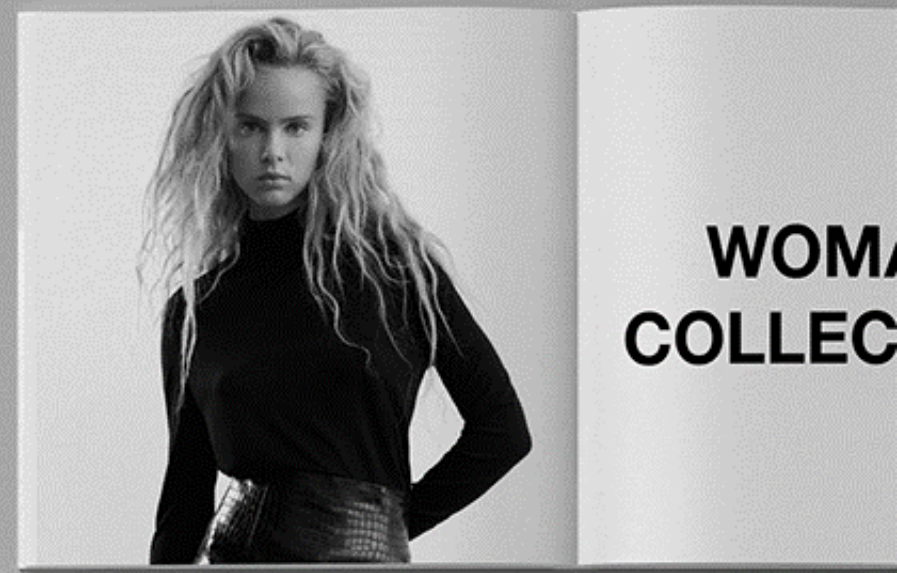


CONCLUSION

Zara's supply chain is **highly responsive** and **super-efficient**.

INTEGRATING ERP INTO SUPPLY CHAIN MANAGEMENT





CONCLUSION



**THANK YOU
FOR LISTENING**