

# A COMPREHENSIVE ANALYSIS OF ZARA'S SUPPLY CHAIN



**Course.**

Intro to Supply  
Chain Management

**Class.**

EC214.M11

**Lecturer.**

Mrs. Nguyễn  
Minh Hằng

# 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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- 3 SUPPLY CHAIN ANALYSIS**
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# INTRODUCTION

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## 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)*

**INDITEX (ZARA)** **\$28,89**



**FAST RETAILING (UNIQLO)** **\$21,51**



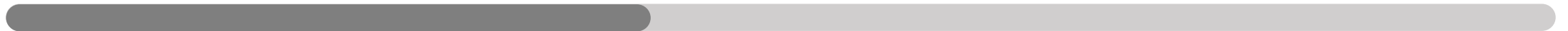
**Hennes & Mauritz** **\$21,50**



**Gap** **\$16,58**



**Limited Brands** **\$13,24**



# 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

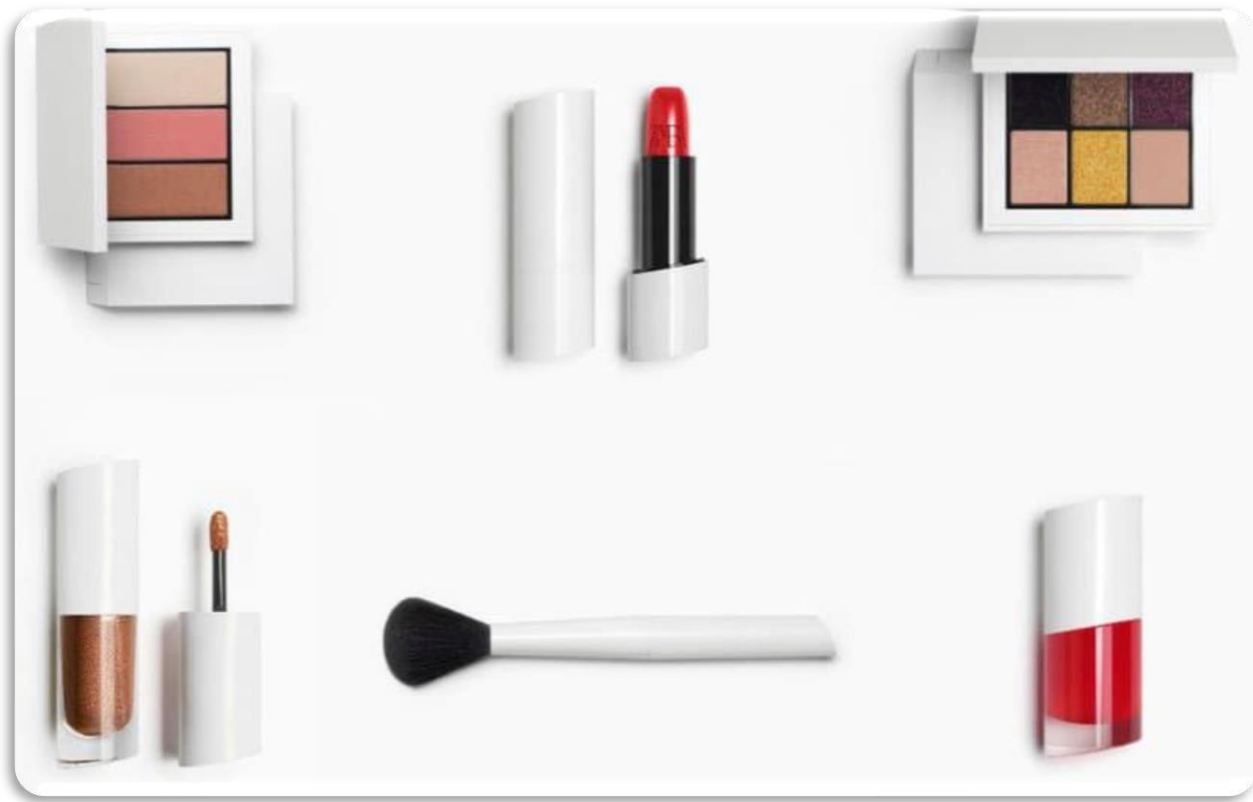
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To give customers what they **want**, and get it to them **faster** than anyone else



# 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**

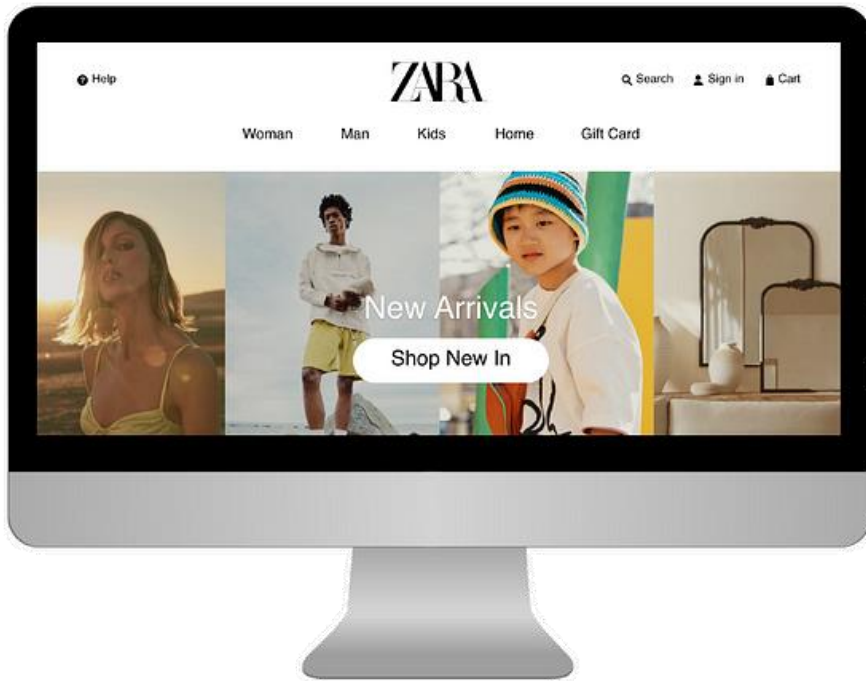
*\* Inditex Group Annual Report 2020*



# DISTRIBUTION CHANNEL

## 2. Online Stores

- Website [www.zara.com](http://www.zara.com)
- **Zara** app on Google Play & App Store



## Stakeholder groups

Employees

Customers

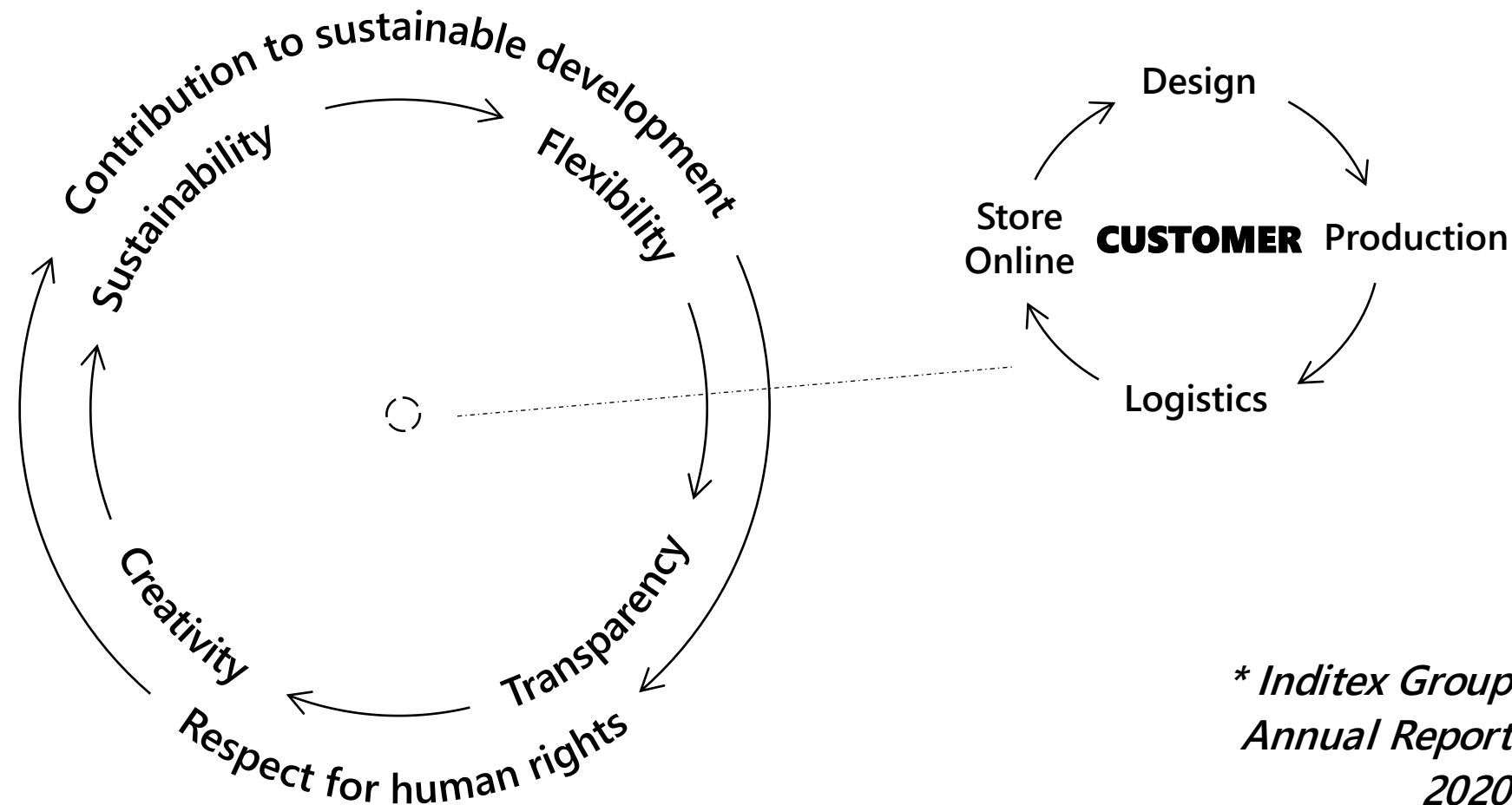
Suppliers

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**

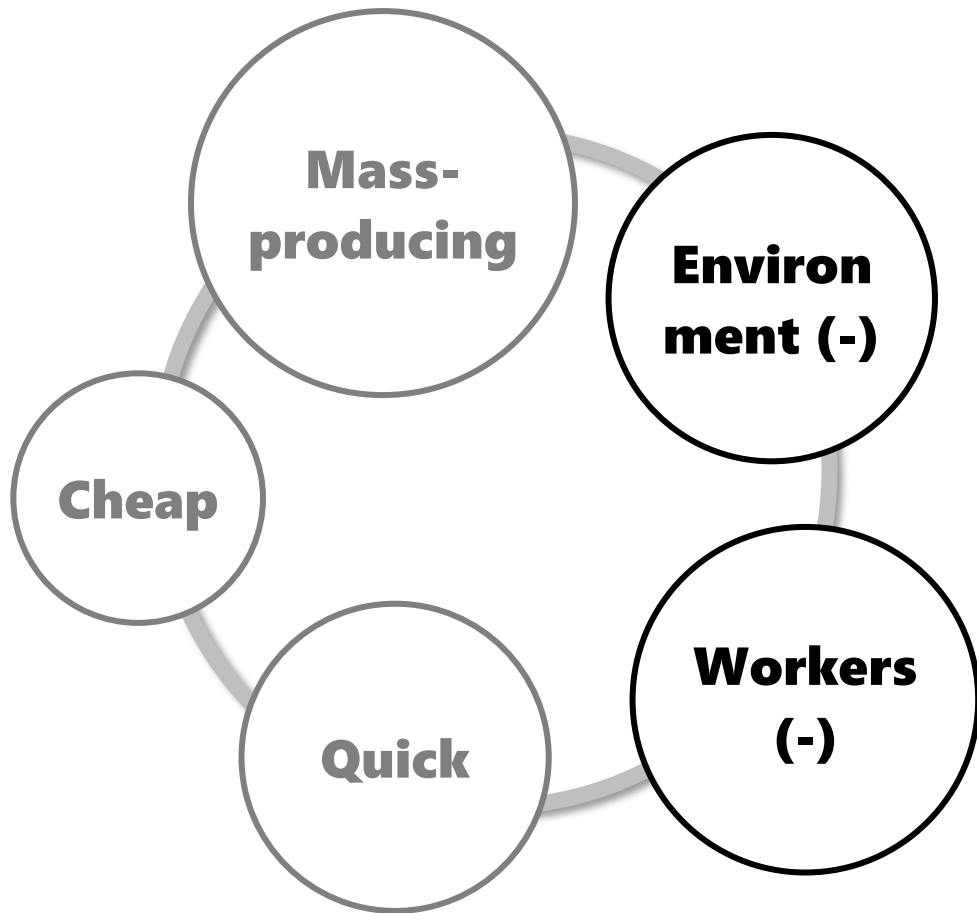


## **SWOT ANALYSIS**



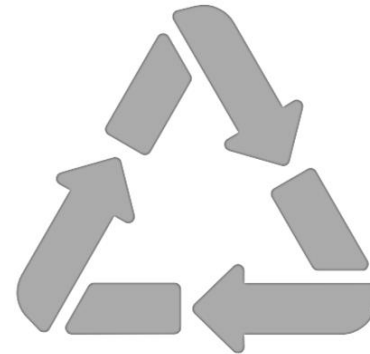
## **SUGGESTED SOLUTIONS**

# MARKET ANALYSIS



The characteristics of **fast fashion**

95% OF DISCARDED CLOTHING CAN BE RECYCLED OR UPCYCLED.



## 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

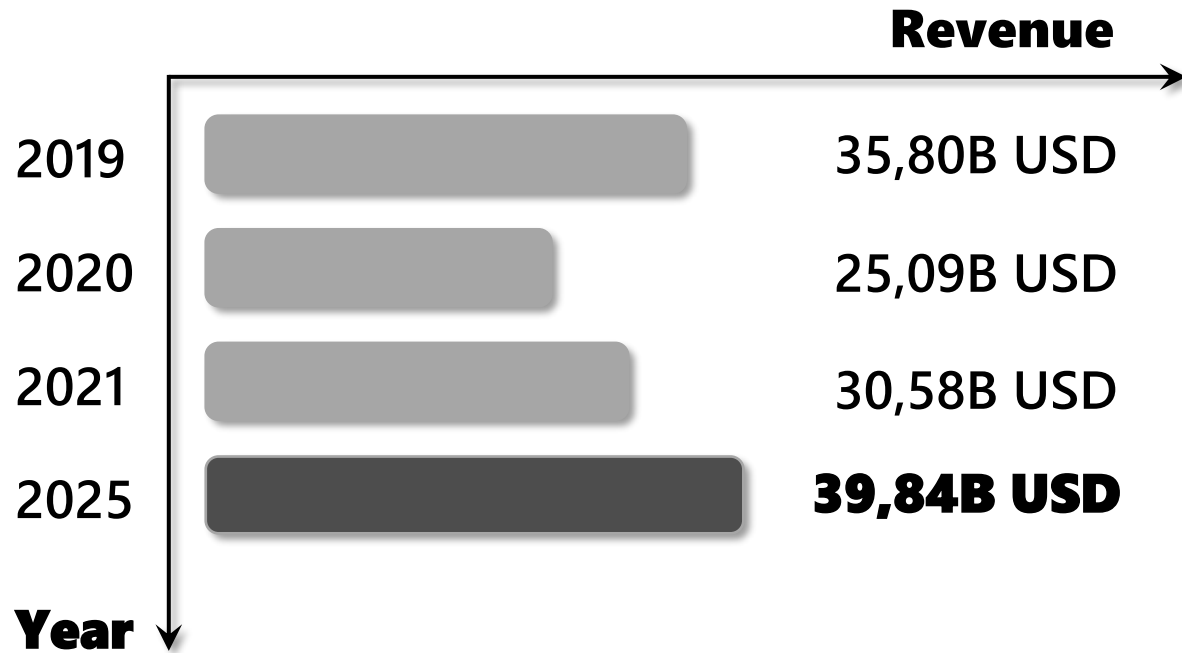
80% OF THEM ARE WOMEN

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
Stores (2020)	5,018+/74 countries	2,250+/25 countries	2,025+/96 countries
Sales revenue (2020 – B USD)	20,2	17,2	21,9
Available products	17,715+	1,960+	6,313
Clothing sizes	XXS → 3XL	XXS → XXL	XS → XL

# COMPETITOR ANALYSIS





















<b>Advertisement</b>	5% of revenue. Diverse channels.	4.6% of revenue. Fewer diverse channels.	Non-advertising campaign. 0.3% of revenue.
<b>Discounts, promotions</b>	Seasonal.	Seasonal, discounts for students.	Between June and the end of December.
<b>Clothing design</b>	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

**Product price** list of 3 famous fashion brands

*Unit: %*

# 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

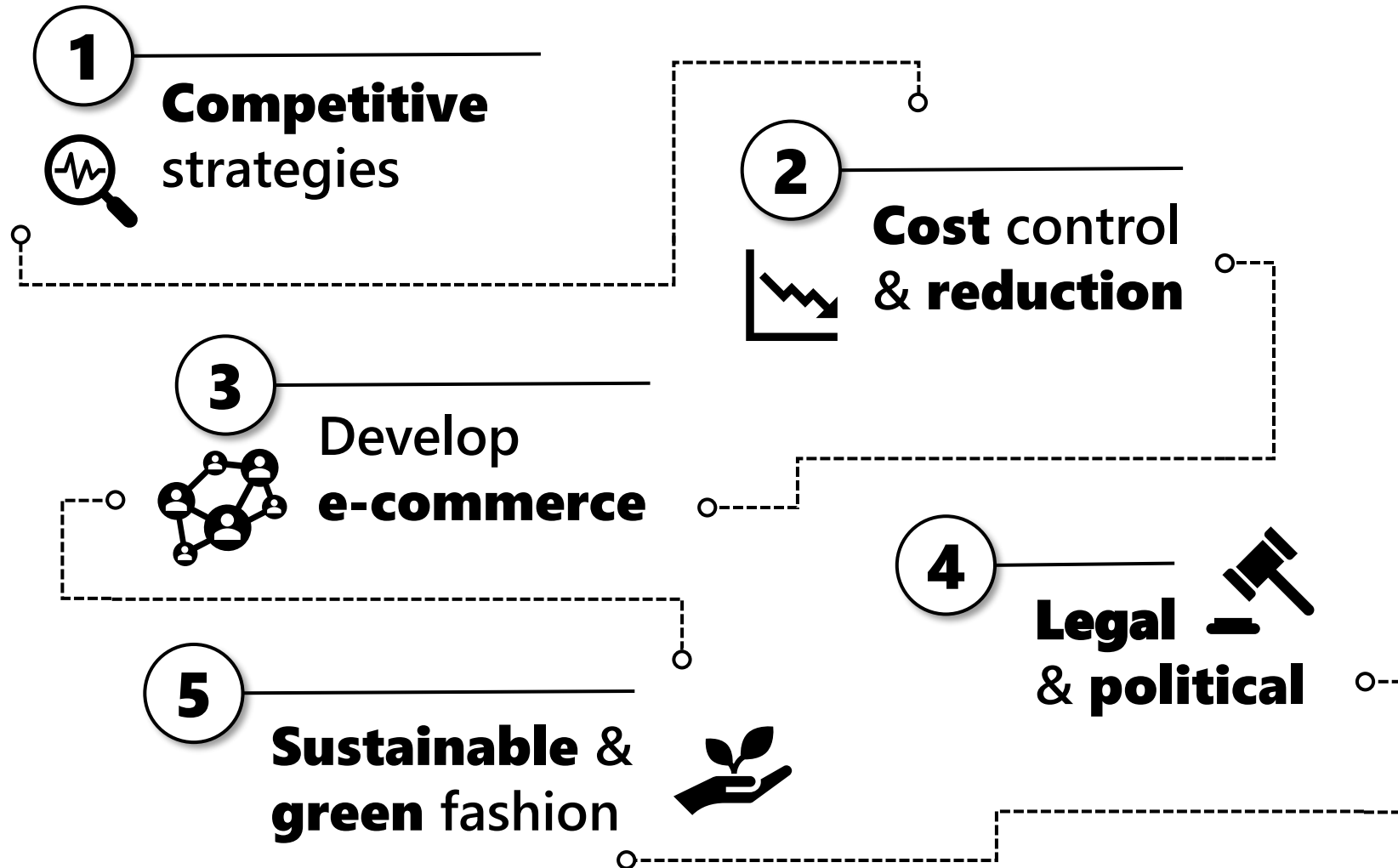
**O** Apply technology: RFID, eCommerce  
Invest in marketing  
Market expansion

## Opportunities

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

## Threats

# SUGGESTED SOLUTIONS





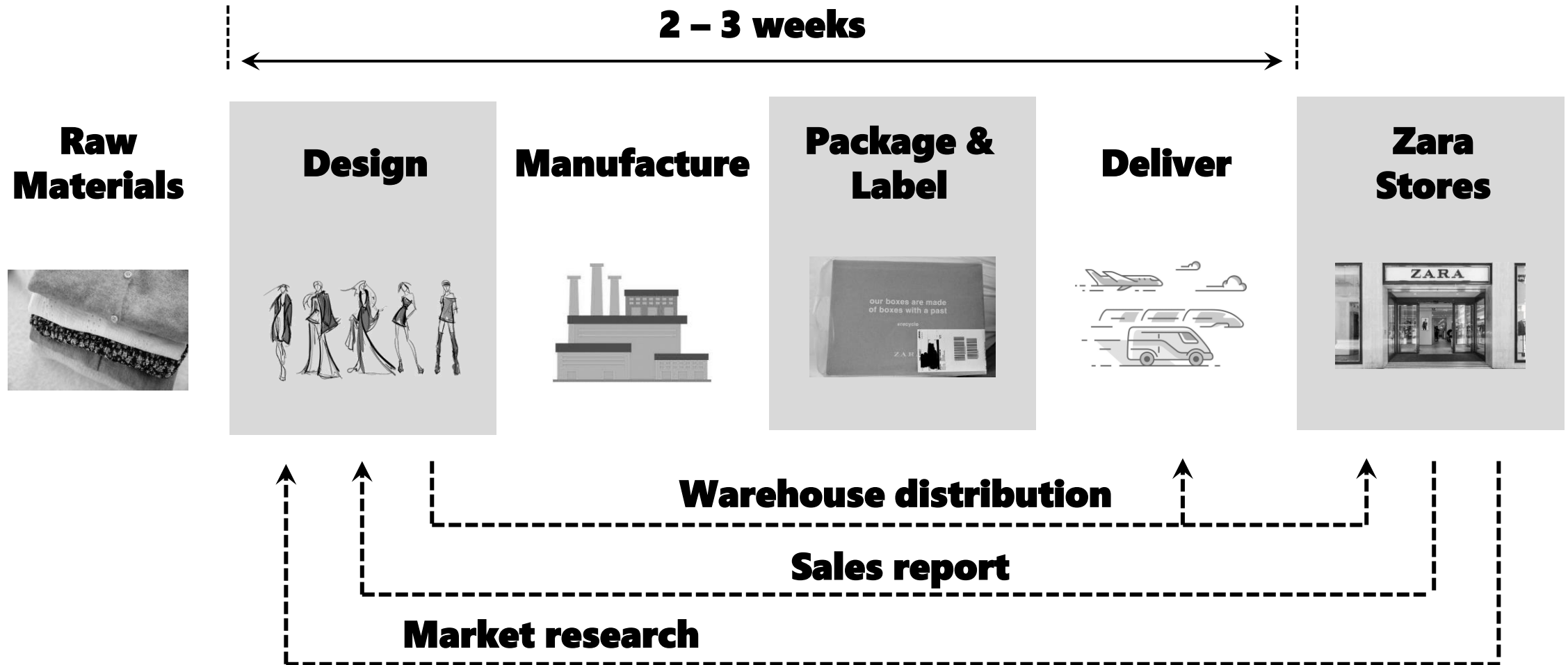
# SUPPLY CHAIN ANALYSIS

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



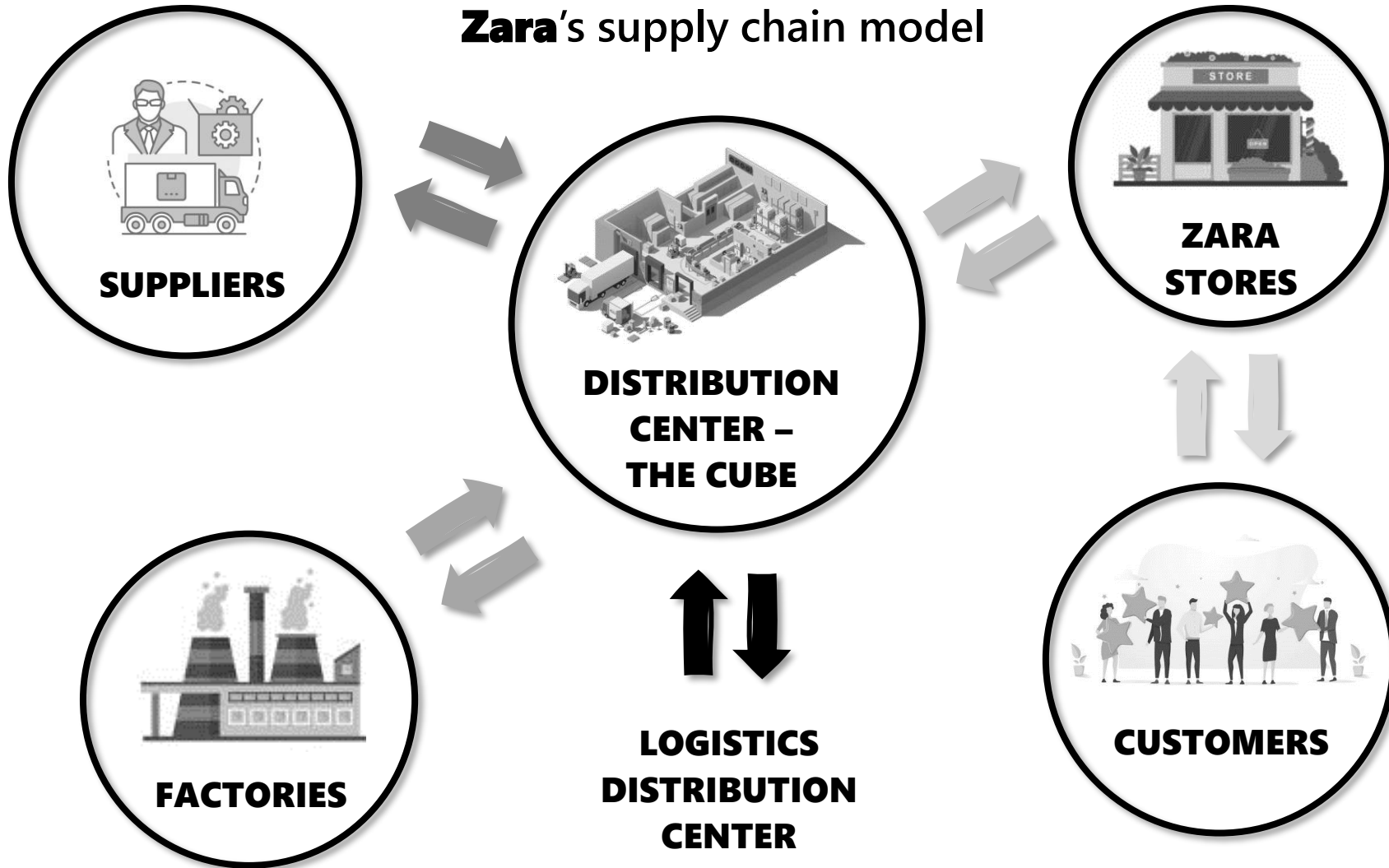
# SC MODEL



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

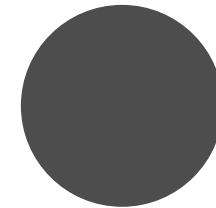
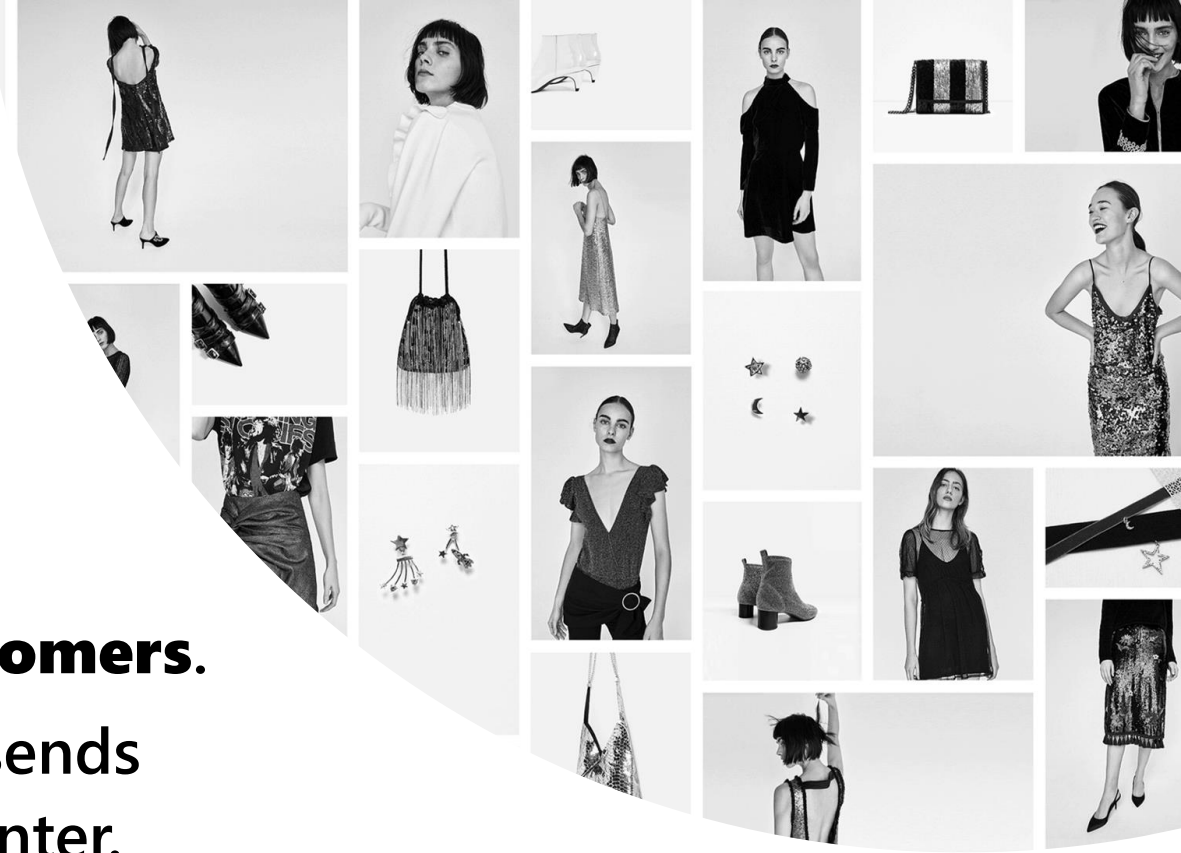
#### Product Design

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

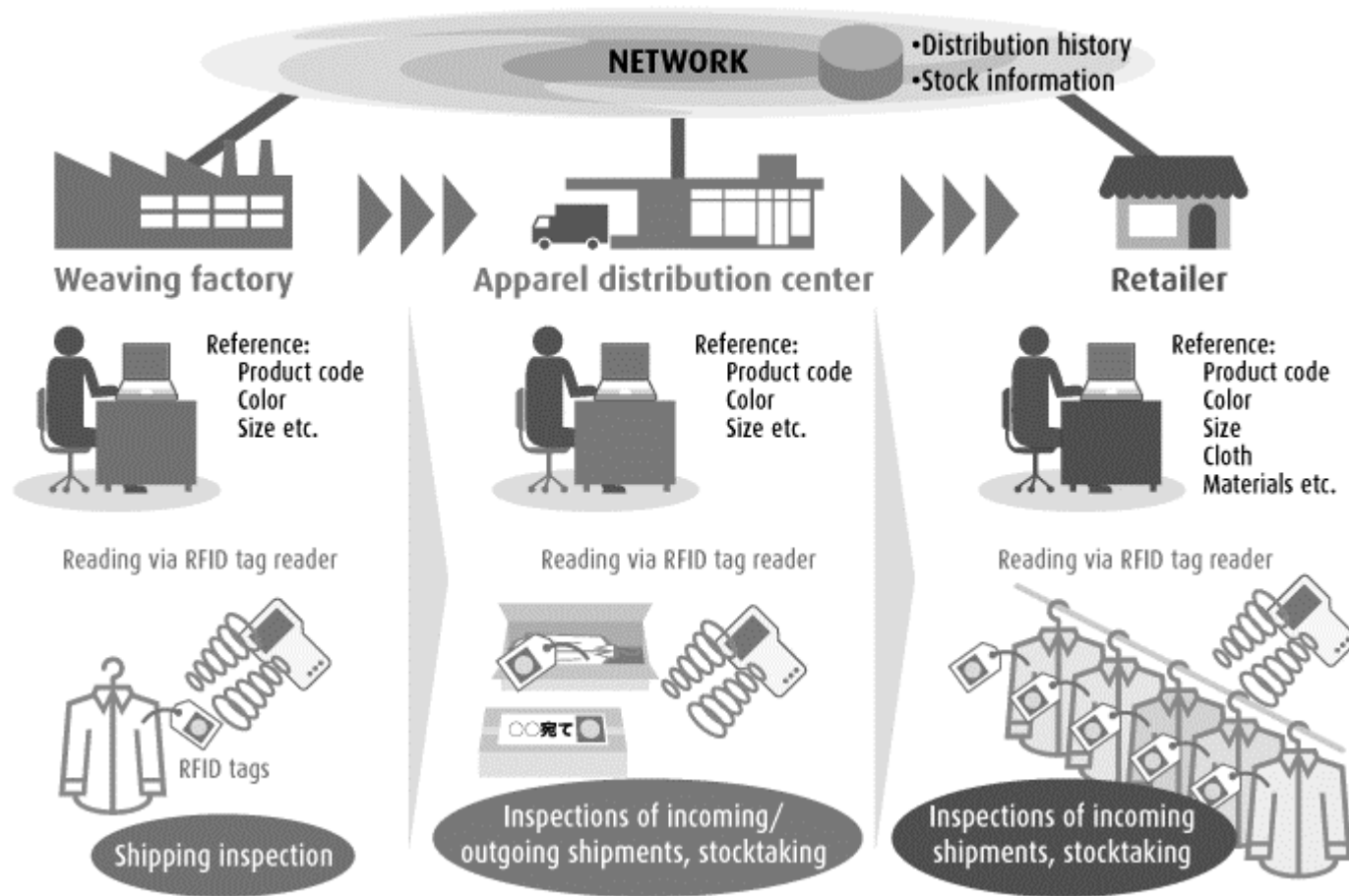
Competing based on **flexibility** and **agility**.  
**50%** of the products are manufactured in **Spain**; **26%** produced in the rest of **Europe**, **24%** in **Asia & Africa**.



**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**.

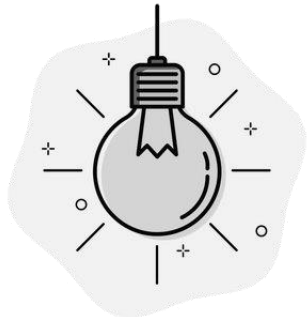
**Short** production time, taking ~ **10-15 days** from the manufacturing stage to product shipment to stores.

### 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.

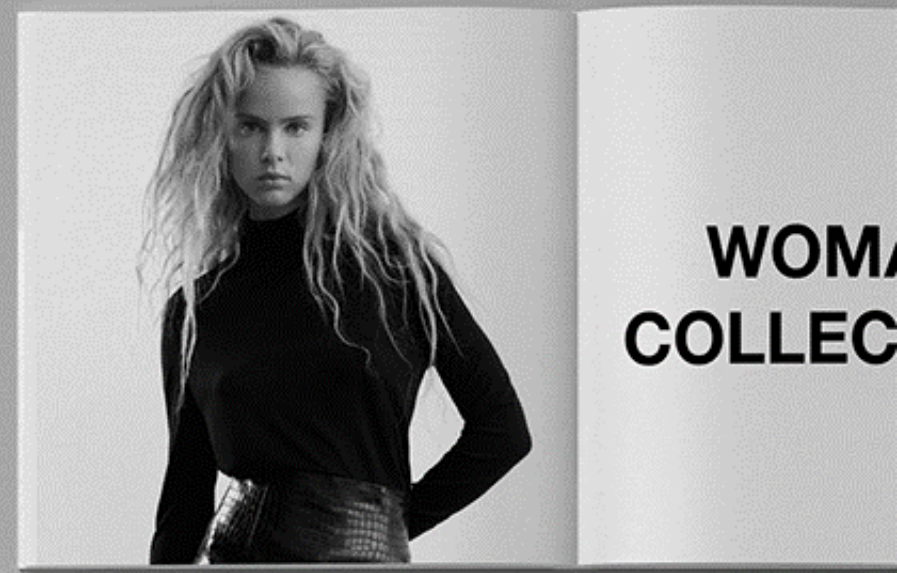


### CONCLUSION

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

# INTEGRATING ERP INTO SUPPLY CHAIN MANAGEMENT





# CONCLUSION



**THANK YOU  
FOR LISTENING**