CGS 2301 Management Information Systems ~ Chapters 3 & 4

Most of the questions below appear at the ends of sections throughout the readings. Please note that question 5 refers to a Zara database. This database is posted and accessible via the Written Assignments link in Blackboard.

1. What is the “conventional wisdom” of the fashion industry with respect to design, manufacturing, and advertising?

The conventional wisdom of the fashion industry with respect to design is. Clothing’s companies guess how they design their garments because they believe that people will want to use it when they will see famous people using it or model using it in the gangway. The conventional wisdom of the fashion industry with respect to manufacturing is using contract labor from developing countries will lower their production cost. Fashion retailers produce a massive amount of the same collection because they do not want to be sold out and distribute the same product worldwide. The conventional wisdom of the fashion industry with respect to advertising is in order to increase sell you should intensification your advertising.

1. Where do Gap clothes come from? Who makes them? Why? Are there risks in this approach?

Gap’s clothing come from less-developed countries. They are made by contract labor. Firm finds that the cost of labor is cheaper in developing countries. There are many risks in this approach, since to find a way to lower costs most companies have recurred to dishonest practices. Most of those companies have been accused of sweatshop and environmental damage, among others. This accusation can damage the image of the brand and the firm can pursue legal action.

1. In what ways is the Zara model counterintuitive? In what ways has Zara’s model made the firm a better performer than Gap and other competitors?

Zara has broken all the conventional wisdom by its contradictory manufacturing model. The information collected through its technologies allows Zara to design what people want. Most fashion retailers are living in the old concept when companies come up with products and then write sales pages to act like their product is the greatest thing in the world in order to create a necessity in customers. That why some firms like H&M use collection based on famous designers and associations with stars. Zara produces its own clothes instead of outsourcing it. This strategic gives the company a huge advantage because the firm can optimize its process and response quickly to the demands. One optimization is the quality of its garments some people says that the clothes look like Banana Republic or Armani but a price of Old Navy. The quick response of its own factory makes possible the company to change inventory twice a week. While competitors might wait months before they can see the new collection. Zara vertical integration combine with its technologies makes the company twelve faster than its rivals. Store staff receives product ready to put in rack, so they can spend more time helping customers. Fashion industry is constantly changing, so Zara’s productions are limited. This approach generates a lot of advantages. First, it is people do not like the garments, the company does not lose a lot of money in unsold clothes. Second, people feel exclusive because there are not a lot of same products. Third, because there are not enough of the same clothing lines in stock people feel the urge of buy the clothes right away without a discount. Last, people increase their visit to the store to find out the latest clothing collection. Zara rarely advertise their products and the firm is always at the top among its rivals on sell. Zara’s IT investment is almost nothing when we compare with its competitors. Overall, Zara has found a way to reduce operational costs and satisfy demand giving the customer what they need when they need it.

1. How is data captured in Zara stores? How does the firm use this data?

The data is captured in Zara stores through two technologies equipment as well as employees interactive with customers. Personal digital assistants (PDAs) a computing device who helps employee to immediately record any feedback from customers plays an important role in what ends up on each store. The other system is point-of-sale (POS) system which is linked to the PDAs. This system registers every purchase letting the company knows which type of clothes people of this area are willing to buy. At the end of every day, employees examine why some clothes have not sold yet to add this evidence to the system.

The firm uses this data to respond quickly for their next collection. This data give the firm a real idea of what their customers want in each store.

1. For the given Zara Database on recent sales in a particular Zara store, what colors (from most to least desirable) should Inditex stock next in this store? Create a query in Access to find the answer. Create a report in Access to summarize your findings. Please turn in your database file for this assignment, along with your Word file answering the other nine questions. You may find this short tutorial helpful when answering this question.

For this particular Zara store the most desirable color should Inditex stock next is yellow and the least desirable color is purple.

<http://www.youtube.com/watch?v=R1yXZjLXXTg>

1. What are Netflix’s sources of competitive advantage?

There are several Netflix’s sources of competitive advantage. One of them is how Netflix used the technologies to craft its business. At the beginning Netflix offered a deal that competitions did not offer. The company has been offering a flat-rate service without late fee and delivery cost. Netflix’s delivery strategic is to have distribution centers near the post service, so the company can deliver its products to the customer in maximum two days. Each distribution center has an automatic as well as by hand processes ensuring the quality of the video to be send. All of these benefits that Netflix is able to offer it became possible due technology. Having an online business releases the company to many traditional costs that a brick-and- mortar retailers have. So Netflix can venture in other areas like the Cinematch. This technology has helped the company to build a big data by suggesting a list of recommendation movies to each customer based of each customer taste. To not make customer wait, Cinematch recommends movies that are available in the warehouse. This technique helps the inventory rotation. Providing customers fast free delivery, no late fee and accurate movie recommendation, place Netflix at the sky of customer satisfaction. Another source of competitive advantage is the vast selection of movies that attract customers. There are two things that help the company to offer a huge selection: one is Cinematch which helps the company finding audience wherever and the other it is not a brick-and-mortar company, so the company has less cost and limit. Other competitive advantage is bargaining power that Netflix earns with studios. Netflix big inventory is compound with old movies that anybody else was offering at that moment. So studios increased their revenues distributing old movies to Netflix. Finally, Netflix are constantly improving their process and technology. This is a particular important for this company because through it has been strong its brand, risen its scale and kept its switching costs.

1. What is the long tail? How “long” is the Netflix tail compared to traditional video stores?

Long tail is to selling unpopular items in large quantities. Netflix has 75 percent of long tail compared to 30 percent Blockbuster back-catalog titles.

1. What “class” of software does Netflix use to make movie recommendations? Think about: Which key competitive resource does this software “create”? What kinds of benefits does this provide to the firm? What benefits does it provide to Netflix’s suppliers?

Netflix use Cinematch software to make movie recommendations. The competitive resource this software creates is its exact movie match that has been difficult to imitate. People are trusting in the list of recommendation, so they are more willing to stay with the company. Suppliers are receiving money for old titles that they never thought to marketing.

1. Why did Netflix split its business into two separately billed services, and why did it attempt to split the business in two? What did the firm do wrong?

Netflix had considered shifting from DVD by mail to stream movies. At the time, the company put its stocks in the public stock offering, revealing its financial statements. This disclosure attracts strong rivals (Amazon and Blockbuster) which untie a war price. Netflix spent a huge amount of money in advertising in order to compete. And to face those giant Netflix decided to split the service and increase the price. The move was so quickly that confused people.

1. Who are the rivals to Netflix’s “Watch Now” effort? Do any of these firms have advantages that Netflix lacks? What are these advantages?

The rivals to Netflix’s “Watch Now” are key channels, blockbuster, cable companies, Amazon, Apple, YouTube, Google TV, Facebook and Microsoft.

Key channels have exclusivity contracts which it is an advantage that Netflix does not have. Blockbuster enjoys more benefits in distribution term than Netflix such as streaming movies the same day of release. Amazon’s partnership with TIVO helps to get to the television as same as Apple who has Apple TV. Cable companies have their set-top boxes. Despite all of those competitions the company has managed to keep on top. Netflix developed a software platform to introduce its product through electronic products such DVD players, PlayStations, X-box, etc. The problem is that all the big rivals are imitating Netflix moves.