UKESSAYS.COM

The UK's original provider of custom essays
www.ukessays.com

If you are using this resource in your work please remember to reference and cite the original work found here:
http://www.ukessays.com/essays/business/zara.php

Subject Area - Business

Fashion Chain - Zara

Introduction

Fashion giant, Zara, forms part of the retail group 'Grupo Inditex' which Mintel (2007) acknowledges as one of the "largest, fastest growing and successful" clothing retailers across Europe. Grupo Inditex is formulated by an amalgamation of major high street names from across Europe, including Zara, Pull and Bear and Bershka, in total boasting 3.825 stores across 68 countries.Zara's success story begins by offering a product range capable of catering for men, women and children, providing affordable and stylish clothes whatever the season. Coupled with this, is their keen eye for discovering new fashion trends and translating these trends from the catwalk to the high street, both quickly and affordably. Zara boasts a marketing strategy of firstly product variety with a focal point of ensuring speed to market. At present, Zara launch 10,000 new articles per year across their portfolio of stores. Finally, store location, as any marketing is left to store location rather than advertising. Opting for a strategy of minimal advertising provokes the consumer into having to visit their stores. Securing a foothold in as many markets as possible with the intended outcome of building brand awareness and an increased market share has resulted in Zara developing their brand, launching Zara Home. Zara opened their first store in Spain in 1975 and have since expanded internationally, opening their first international store in Portugal in 1988, and later opening a further store in New York, US, in 1989. Today the Zara name is recognised throughout the entire world.

The clothing sector is at current, the second largest in UK retail. The market has recently been flooded with value fashion as Supermarkets for example launch their own brands. Bruce and Daly (2006:330) view the entrance of supermarkets into the clothing market has "increased competition and redefined how customers shop for clothing"; impacting the consumer appreciates the facility of being able to buy fashionable clothing affordably as part of their weekly shop. This has resulted in specialists having to re-think their value proposition. There has been a major drive for efficiencies, but commentators regard further price cuts as not the answer. Consumers are now seen to be deviating away from the factor of low prices and are showing a far greater interest in shorter response time. In an industry where time is the main driver for gaining a competitive advantage, companies are striving to shorten response time, ensuring that consumers get what they want when they demand it. The retail market traditionally endures both volatile and turbulent activity and as time progresses product lifecycles are becoming significantly shorter. Christopher (2000:37) recognises "the importance of time as a competitive weapon" indicating that by having the ability to provide when the fashion consumer demands, results in a sustainable advantage over competitors. The turbulence of the industry is a result of companies outsourcing their production to overseas nations in order to take advantage of cheaper labour costs. With an industry struggling to remain profitable, competing on price alone is no longer suffice. Leading back to the notion of time, and the expectations from consumers who thrive on constant change and new products frequently reaching the high street shelves. Sourcing products from overseas poses problems for the industry where speed is a vital necessity.

Critical Literature Review

The fashion retail industry is progressively becoming evermore turbulent and volatile, exhibiting characteristics such as low predictability and high impulse purchasing as a result of many variables mainly related to shorter product lifecycles

Find more free essays like this one...
We have a large reference library of essays that you can use as research materials to help with your own writing - check out our free business essays.

Share this resource with your friends...
We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

Copyright © 2003 - 2011 UKEssays & All Answers Ltd

If you are using this resource in your work please remember to reference and cite the original work found here:
http://www.ukessays.com/essays/business/zara.php

and the responsiveness of today's consumer (Christopher et al, 2004). The purpose of this literature review to uncover the dynamics that form the fashion retail industry and to relate these conditions to appropriate strategic models. On studying the literature related to the notion of fashion and its behaviour, there is a clear indication that it is a complex subject. The aim of this review is to establish key areas of both similarities and contrasts by discovering themes.

The world fashion industry is dominated by major names such as Zara and H&M, and as a result of operating globally, Porter (1990) believes that global strategies essentially supplement the competitive advantage created in the home market. It is advised that organizations should when globalizing retain their national strengths, or core competencies, however, Ohmae (1990) disagrees and disputes that organizations trading in the global market place should shake off their origins. When referring to the notion of globalization and the drivers that prompt it, Thompson and Martin (2005:602) outline two key factors; "push (internal) and pull (external)". The main push factors for an organization to extend its operations across boarders are if they are operating with excess capacity or alternatively being driven by the ambitions of the strategic leader. On relating this to the fashion industry, Zara exercises a supply chain management system that "is so unique that no competitor has been able to completely imitate it superior production and delivery process" (Park and Sternquist, 2008:288). This unique trait is perhaps something that similar organizations can strive to duplicate. This case is true as Hayes and Jones (2006) establish, stating that on Zara's entry to the UK market, they initially began directly competing with Topshop. In order for Topshop to be able to sustain a competitive advantage, they have since decreased their lead times from nine weeks to six. Pull factors are implemented when there is already a saturated domestic market coupled with competitive pressures. Similarly, referring back to the retail market, the UK market is currently facing uncertainties linked with both global economic issues as well as intense competitive forces. Alternatively, Yip (1991) provides a framework focusing on globalization drivers in four main areas. Firstly, on looking at market drivers, Yip (1991) comments that a shortening lifecycle can act as a catalyst for globalization. Referring back to the fashion industry, Christopher et al (2004) comments how typically there might be 20 separate seasons in a year, implying that product lifecycles are becoming shorter. Economic drivers focus on areas revolved around a push to achieve economies of scale and advances in transport and technology. The effect of advances in transport on the fashion retail industry is the development of logistics management resulting in the reduction in time taken from manufacture to the product actually meeting the consumer. In the case of Zara, this has opened up the availability of goods not only being able to be distributed to other continents quickly, but also among their home market resulting in a further advantage amongst competitors.

The literature establishes that an imperative part of fashion retailing is supply chain management and is often used by organizations to remain competitive against its competitors. As the current market for fashion products is already highly concentrated, high street stores are now moving towards developing their ability to increase speed to market. Christopher et al (2004) argues that it is no longer suffice for organisations to operate using a forecasting strategy as these are deemed incapable of coping with the market in its current volatile state. In previous instances where the industry has competed on price, Richardson (1996) suggests that there is now a shift from price and quality to a deeper focus on time. As the notion of time becomes more apparent, the supply chain has had to develop also. Hayes and Jones (2006:284) follow on by establishing various strategies with the proposed outcome of time compression and fast fashion, including, "location of manufacturing, technologies employed and supply chain relationships". The earlier work of Christopher (2000:37) signifies the importance of time also as a "competitive weapon" and states that in today's market place, the ability to meet demands of ever-shorter delivery times demanded by the consumer is now of critical importance. As a result of this, the traditional supply chain has since evolved into the agile supply chain. Christopher (2000) depicts

Find more free essays like this one...
We have a large reference library of essays that you can use as research materials to help with your own writing - check out our **free business essays**.

Share this resource with your friends...
We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

Copyright © 2003 - 2011 UKEssays & All Answers Ltd

If you are using this resource in your work please remember to reference and cite the original work found here:
http://www.ukessays.com/essays/business/zara.php

the key characteristics of an organization exercising an agile supply strategy is flexibility. Coupled with this also is the importance of market sensitivity and being able to respond to real demand, as opposed to the common mistake of traditionally forecasted demand. The studies of Aaker (1984) identifies external features as a key part of the framework forming strategic management. Amongst this area, it is found that "firms need to be sensitive to market conditions and particularly to the requirements of customers" (1984:13). Relating this back to the retail industry, organizations are now recognising the importance of an agile supply chain as a strategy for gaining advantage in the unpredictable marketplace. Bruce and Daly (2006) also observe the importance of retail organizations setting strategic objectives of getting clothing into store within the shortest time and impacts that this has had on the industry. A major impact that is discussed in the literature is the manufacturing of products. Distance playing a significant role in the time taken for products to reach their destination has seen many organizations relocate their production from areas where cheap labour was once the main driver to areas closer to the market. Bruce and Daly (2006:330) state "goods from China can have a shipping time of twenty-two days, compared to five days from Turkey". The strategic outcome of this is that retailers switching their production to areas that are more local will be able to react quicker to change in trends by sourcing from closer to home. Christopher et al (2004) clarify the importance of being close to the customer as being vital in the retail industry. In order to maintain a competitive advantage using time as a strategic tool, it is not practical to source products from areas such as the Far East because of long-lead times. Hines (2001) identifies the hidden costs associated with overseas sourcing, namely transportation delays, costs and quality issues, all of which are often neglected as organizations enjoy cheaper direct costs such as labour. Christopher et al (2004) echoes the work of Hines (2001) signalling that there is the opportunity to benefit from substantial cost savings from off-shoring production, however there are significantly longer lead times, and these effects can often be severe. Park and Sternquist (2008) deviate away from the previous authors mentioned by focusing on strategies related to individual retailers core competencies with the focus on differentiation. Here the author looks at areas such as unique concepts and brand power.

Value creation is a strategy recognised by organizations as a way of increasing profitability by adding value to a particular product, whether it is tangible or intangible. Hill (2007) regards value creation as the difference between the costs of production and the value that the consumer perceives in its products, thus implying, the greater the margin between price per unit and cost of production per unit, the larger level of value created. It is assumed that there is a direct correlation between the more value customers place on an organizations products, the higher the price that can be charged. Porter (1980) argues that low cost and differentiation are two basic strategies that can be used for creating value with the aim of attaining a competitive advantage. A common misconception is for organizations to focus too heavily on lowering prices and ignoring the opportunity to differentiate and keep prices high. In terms of fashion leader, Zara, value is created by sourcing the majority of its products from the Europe region as opposed to its competitors who continue enjoying the cheap labour of the Far East. Although Zara pays a premium for sourcing its goods from Europe, value is created from being able to exercise 'fast fashion' and today's consumer is prepared to pay a premium for this. Bruce and Daly (2006) support Porter (1980) stating that industry retailers are now switching production away from areas such as China with a move to getting latest trends onto the high street shelves sooner. Alternatively, competitor H&M create value by striving to achieve economies of scales using various methods including buying in large volumes resulting in a lower price per unit, therefore focusing on a low pricing strategy.

Porter (1980) uses a model as a strategy for organizations to analyse an industry and to determine the potential profitability also. Thompson and Martin (2005) outline the importance of companies embracing Porters model as it is a tool capable of understanding the nature of its competitive environment. Fully achieving their proposed objectives and

Find more free essays like this one...
We have a large reference library of essays that you can use as research materials to help with your own writing - check out our **free business essays**.

Share this resource with your friends...
We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

Copyright © 2003 - 2011 UKEssays & All Answers Ltd

If you are using this resource in your work please remember to reference and cite the original work found here:
http://www.ukessays.com/essays/business/zara.php

establishing appropriate strategies will lead an organization into a stronger position to defend itself from any potential threats. The five forces model has a nucleus accommodating current rivals coupled with their competitive strategies. On applying this model to the fashion retail industry, attention must be paid to its complexity due to the number of differing segments that form the foundation of the industry "luxury, high street, and supermarket/out-of-town discounter" (Bruce and Daly, 2006:329). Brands similar to Topshop and Zara are not classed as direct competitors for names such as Hugo Boss and Armani as they both clearly operate in different segments of the market focusing on different groups of consumers. Mintel (2007) regards Zara's immediate competitors as GAP, H&M, Topshop and TK Maxx as they are all competing to gain a greater share of similar markets. The threat of new entrants to the fashion retail industry is discussed by Park and Sternquist (2008) who view today's worldwide market place as aggressively expanding becoming so homogenized that retailers can market identical products throughout the global marketplace. As a result of this, it therefore provokes an interest from potential competitors to reap the benefits of such a mass trading block. Instances where retailers are vertically integrated with key distributors and subsequently have greater control can provide an incentive for organizations to enter new markets. Vertical integration is a common trait amongst many names in the fashion retail industry. Park and Sternquist (2008) discuss how vertical integration is a characteristic for many global retailers, however, follow on by adding it is more suited for retailers with a narrow and distinct product line, perhaps a more specialised retailer. Flanagan and Leffmann (2001) class vertical integration as a strategy employed to reduce risks associated with offshore sourcing. A further framework provided by Porter (1980) is the bargaining power of suppliers. In an industry like retail where the majority of the manufacturing is outsourced to independent companies, it subsequently means that suppliers can have an effect on the behavioural patterns of the industry. Similarly to overcoming the threats of new entrants, Thompson and Martin (2005) outline that vertical integration is often used by organizations as tool as control the potential risks. The second dimension of the model is the bargaining power of buyers, here the amount of power organizations have is often largely dependent on their size. A strategic goal for organizations is again vertical integration with the intention of securing an agreement that is mutually beneficial with either the distributor or the customer. Porter (1980) provides a third dimension of his model that concerns the threat of substitutes. The existence of substitutes within an industry results in fluctuations of the elasticity of demand. A direct relation between the number of substitutes compared to the price is evident where the more substitutes there are, the lesser the price. In a market similar to the volatile fashion market where seasons are forever changing with the introduction of many new and diverse trends, it is imperative that a differentiation strategy is adopted in order to provide a unique selling point to the consumer with the goal of sustaining a competitive advantage.

A PEST analysis is a framework used to analyse the macro environment of an industry. It is used to categorize external forces, namely, political, economical, social and technological. A PEST analyse is a valuable tool for any organization as it strives to pre-empt change in variables which subsequently affect supply and demand, and costs also. Haberberg and Riepe (2001) establish political as the main driver for what decisions an industry can or cannot do. In retail terms, political factors influences the industry in instances such as the use of subsidiaries for global expansion, and the legislation and regulations in place liberalising international trade. Paradoxically, the intervention of political/legal factors although can increase costs to an organization, long term it can enhance an organizations competitive advantage by adding value. Haberberg and Riepe (2001) argue that this is achievable through adhering to environmental laws on wastage for example. As a result of fashion items being regarded as luxury goods, if there is an economic downturn or slump, similar to the early 1980s and 1990s, the retail industry is likely suffer. Social and Cultural factors are largely relevant in the retail industry primarily because demands and tastes vary over time and across boarders. Thompson and Martin recognise that "over time most products change from being a novelty to a situation of market saturation

Find more free essays like this one...
We have a large reference library of essays that you can use as research materials to help with your own writing - check out our **free business essays**.

Share this resource with your friends...
We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

Copyright © 2003 - 2011 UKEssays & All Answers Ltd

If you are using this resource in your work please remember to reference and cite the original work found here:
http://www.ukessays.com/essays/business/zara.php

(2005:169). And in the fashion industry this is no different, hence the reason why in today's fashion market there is a constant need to refresh product ranges (Christopher et al, 2004). Finally technological factors affect the industry through the introduction of physicality's such as e-commerce. Mintel (2006) predicts that online retail sales of clothing and footwear will increase by 138% over the 2006-2011 period. E-commerce allows organizations again to add value to their products as they can provide the consumer with benefits such as, broader ranges and delivery to their door.

The literature clearly establishes that the retail market has a dynamic structure split into a number of different segments. Although these segments exist, the literature has provided an insight into the importance of organizations focusing on their core competencies whilst striving to differentiate themselves away from both direct competitors as well as potential competitors also.

Discussion

The literature review has identified key themes and with these themes in mind, Zara's strategy shall be analysed accordingly. Arguably the main driver for Zara's success is its dynamic supply chain with its intended outcome of focusing on a shorter response time. Zara has used its supply chain management to generate instant fashions: cheap, trendy clothing using a high wage paradigm. Recognising the consumers demand for fashion products at the right time, Zara has developed a supply chain that is capable of getting a trend from the catwalk to their stores in 30 days, in comparison to 4 – 12 months from its industry competitors. Coupled with this, a strategy of reducing the quantity manufactured creates scarcity. This is beneficial to Zara in two instances, firstly, less availability leads to increased desirability and secondly, with smaller amounts being produced at any one time means that there is less to be added at the end of season sales. Zara only discounts 18% of its total product range, half the level of its competitors. Time has already been noted as one of the fundamental drivers to achieve a competitive advantage, in the case of Zara, an agile supply chain has been developed. Here Zara focuses on flexibility and relies on being market sensitive, as opposed to the traditional method of being forecast driven. Christopher (2000) uses a model to outline how an agile supply chain works, signifying that agility is only capable when volume levels are kept low, whilst variability is kept high. Zara recognises the need for quick response; therefore just 40% of its total garments, mainly the products with the least transient appeal are manufactured in the Far East region, whilst the remainder are produced in Spain using Zara's own highly automated factories (Christopher, 2000) in pursuit of achieving a strategy capable of the most effective quick-response system. Zara's presence in the fashion world has pressurised competitors into altering their supply chains to keep in line with Zara, "retailers Mango and H&M have reduced their minimum lead times down to approximately three weeks" (Hayes and Jones, 2006:283).

Furthermore, Zara's unique quick response system allows Zara to respond to the demand of its consumer better than the competition. Zara, who focuses on the ultimate consumer, placing a greater emphasis on exercising backward vertical integration to pursue the strategy to become a fashion follower, rather than to achieve manufacturing efficiencies. Zara's adopts a quick response communication strategy which is effective due to its management and corporate culture. The constant flow of information between managers allows the company to keep its customers happy, which in turn results in increased sales.

Moreover, Zara's centralized distribution facility gives the chain a competitive advantage

Find more free essays like this one...
We have a large reference library of essays that you can use as research materials to help with your own writing - check out our **free business essays**.

Share this resource with your friends...
We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

Copyright © 2003 - 2011 UKEssays & All Answers Ltd

If you are using this resource in your work please remember to reference and cite the original work found here:
http://www.ukessays.com/essays/business/zara.php

by minimizing the lead-time of their goods. To increase delivery speed with a focus on reducing time, shipments are scheduled by time zones and shipped by way of air, and land. Zara boasts that the typical delivery time within and outside Europe is between 24 to 48 hours. Zara also has an advantage over its competitors due to its strategy centred around low advertising costs. Cuts in advertising investments reduce total expenses, which make the international expansion more economical. This also signifies that the company relies mainly on its stores to project their image. With this in find, it is clear to understand why Zara is renowned for its prime real estate locations.

Today, people around the world have a far greater access to world fashion, mainly as a result of the internet and e-commerce. Park and Sternquist (2008) explain how the global fashion market has become so homogenized resulting in fashion becoming more globally standardized and Zara recognise this and use it to their advantage by offering the latest clothing. Craig et al (2004:3) clarify that, "80- 85% of the products that Zara offers globally are relative standardized fashionable products".

Although Zara has a successful business model that differentiates itself from that of its competitors, it also has disadvantages that can affect its sustainable growth. Zara, although opened its first store in New York, America, in 1989. It has an inability to penetrate the American fashion market. This maybe a result of different tastes between the European region and America. However, more importantly, where in Europe Zara have created a supply system that is so advanced, in America they have not being able to duplicate the same strong supply chain strategy like they have in Europe. Where in Europe Zara enjoys a strategy including, having a strong production and distribution facility in order to have short production and lead times. Zara's strategy also creates some weaknesses. Although vertical integration is regarded by many authors as a strategy that potentially increases profits and reduces risks, the drawbacks are still equally important to recognize. Vertical integration often leads to the inability to acquire economies of scale. A focus on speedy and recurrent introduction of new products incurs increased costs as well. They have higher research and development costs. They also have elevated costs due to the constant changeover of production techniques to create their different clothing lines.

This essay was written by a student and then submitted to us to help other students. *You should not hand in this essay as your own work - we do not condone plagiarism! If you need custom essay help, then check out our essay writing service.*

Find more free essays like this one...
We have a large reference library of essays that you can use as research materials to help with your own writing - check out our **free business essays**.

Share this resource with your friends...
We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

Copyright © 2003 - 2011 UKEssays & All Answers Ltd