

Individual Writing Assignment #3

(Due Tuesday November 15th, 2022)

Case Study 2: ZARA: The world's largest fashion retailer



Zara makes lots of products that are “on trend” and rapid movement of products through their stores, coupled with customer awareness that some products may not be replenished, can create an incentive for customers to buy early and buy at full price. But it is critical to note that Zara is not successful just because it changes the products in its stores frequently, that is not an end in itself. Zara is enduringly successful because it reacts to what customers are or are not buying as accurately as possible. How do they do it?

The parent firm, Inditex, has continued its remarkable growth since then: profits rose from 340 million euro in 2001 to 2.5 billion euro in 2014. The number of stores increased from 1284 in 39 countries to 6683 in 88 countries. This translated into an average rate of more than one new Inditex store opening every working day during the last decade. During the last decade, despite its increased size and the global reach of its operations, Zara (accounting for over two-thirds of Inditex's sales) had defied, repeatedly, the predictions of those who had suggested that it had reached the limit of its business model. In 2014 Zara remained a benchmark for speed, agility and flexibility, delivering fast accurate fashion to its 1923 stores (located in 88 countries worldwide) in just fifteen days after design. How could it continue its remarkable global growth unabated, even during the post 2008 economic crisis?

Discussion Questions:

- 1) What is Zara's value chain? Using the basic categories of retailing, design and order administration, production and distribution systems, highlight the key practices and note what you find interesting, different or surprising about them?
- 2) What are the key challenges associated with being a global retailer? How does Zara model cope with these challenges and what are the key risks they face for the future?
- 3) What are the typical problems in design, production, distribution, and retailing of products with short like cycles (like fashion)
- 4) What are the challenges that Zara faces moving forward? Is the model sustainable? Use Demand Management, Procurement Management and Fulfillment Management to support your answer.

WRITTEN ANALYSIS DUE at the beginning of Session 7:

Please provide your answer ONLY to discussion question 4). **Limit your response to one page single spaced. Please bring a hard copy to class and submit an electronic version of your paper via Canvas.**