

Operational Value of Zara Organization

Posted on October 16, 2018

Zara

Zara is a Spanish brand which was founded in 1975. It was founded by Amancio Ortega and Rosalia Mera. Zara belongs to the Inditex group, which is the world's largest retail apparel company. It has almost 2266 stores around the world and has almost 20 different clothing collections. Zara belongs to the family of Massimo Dutti, Pull&Bear, Zara Home, Bershka, Stradivarius, and Oysha.

This study, will include the operational processes within the managerial and service context of Zara. It will demonstrate the organizational capabilities, and determine the features that are included in the designing, implementing, controlling, and monitoring of the processes. Further, it will discuss the features that are involved in operational decision-making and help in the decision-making criteria.

Founded in 1975, as a producer of lingerie products in La Coruna, today Zara is considered the flagship brand of Inditex group. The retail sales of Zara are expected to generate \$8.2B (almost €9.3B), which will make Ortega (Inditex Chairman) the richest man in Spain. Zara's success factors in the operational processes include the [vertical integration](#) approach, just-in-time production, sales, and marketing of the company. Vertical integration is where a company breakdowns its production patterns into different parts or departments to increase the quality of production. Zara also makes such approaches viable, which increases their flexibility to respond to new fashion trends than its competitors. Unlike their competitors (H&M and Gap), Zara produces almost half of their clothing in-house, rather than depending upon third-party suppliers and slow-moving outsourced networks. Richard Hyman of Verdict says that vertical integration is now out of fashion in the consumer industry, but Zara is a tremendous exception in this context.

Starting first from initial staining, almost all of Zara's products take form in the manufacturing and design plant in La Coruna (Spain), where the stitching is done by local women around hundreds of different local communities. Clothing designers communicate with the store managers daily to determine the new items in request (Slack, 2015). Zara feeds fresh designs and repeat orders into their production plant, which is supported by real-time sales records. After this process, the desired items are shipped twice a week directly to the stores instead of keeping inventories and warehousing the products.

This results in fast process of manufacturing, where Zara can introduce a new range from start to end in just three weeks time, in an average time of nine months. According to records, every year, Zara produces 10,000 new designs, and none of them remain in the stores for more than a month. Zara's business model makes it price competitive, allowing the company to increase its market growth with downward pricing. It also helps them in less dumping of their designs. According to the research, most

clothing brands allocate 60% of their production budget at the start of the year, while Zara allocated only 15%, which makes it easier for them to dump any unpopular designs (Slack, 2015).

In production and operations, speed is one of the critical factors that need to be catered to accordingly. It tells about the response time and production procedure of a company (Power, Sharda & Burstein, 2015). Zara is very fast in responding to demand, which is often from a direct customer or the store itself. Zara maintains a pull model in their supply chain and inventory management. They produce almost 1000 different designs each month, based on the present currents and revenue of stores. Zara monitors their customers' spending and evaluates what types of product designs are consumed by the customers. According to the information on hand, they remake the designs as the customer wants. Zara operates almost four and a half days per week, leaving some relaxation for extra shifts, full capability, and temporary labor to get help when they need it.

Zara focuses on a small set of productions, which is a key factor in their design efficiency. They have a fast turnover, where they produce a small number of items for every product. It helps them understand what designs are successful in the market and what additions can be made to their product line. Zara acquired this strategy to better analyze what designs to be placed in the market and what the customer demands. It also decreases the risk of producing such items which the customer does not want.

Zara is considered to be the leader of the supply chain process, which is also considered as their competitive advantage. They have made sure that the supply chain tasks are performed with equal standards in terms of quality, cost, speed, flexibility, and dependability of their design and operation process. Provided the knowledge about supply chain and design processes, Zara has a unique approach as compared to their competitors. They work out efficient ways to provide the best outcome for the customers.

One of the key elements in the operation department is the 4Vs which contribute to the design and strategy of a company's performance. These 4Vs consist of volume, variety, variation, and visibility (Power, Sharda & Burstein, 2015). Volume is the number of products and services produced by an organization. It can be calculated on a daily or monthly basis. Volume is affected by the quality, standard, and pattern of a product and its design (Shaik & Abdul-Kader, 2014). Companies manage their volume standards, by making less quantity and quality products. It's their core importance to make appropriate volume allocations and meet this aspect of design criteria. In terms of Zara, the company makes quality products as the customer wants and in fewer quantities. This helps them make appropriate decisions to produce the required items instead of producing a product line that is not required by the customer. Variety is the number of different products and designs a company offers to the customer (Shaik & Abdul-Kader, 2014). Using this approach, companies need to have multi-skilled staff which can help in the operation process flow and the required resources like supplies and inventories. A low-cost management policy is difficult to achieve if the company has no variety to give to its customers. Zara has a wide range of clothing lines which are finished from the stores every month. It means that Zara has the flexibility and the skills needed to produce a range of

creative product lines to be displayed to customers.

Variation is the most important term in the operation process, which refers to the degree of changing demands for the company in a given time (Shaik & Abdul-Kader, 2014). Consumers always tend to have a creative line of products, and so the demand is increased for the company to respond. It also includes the importance of product customization, done by a company to meet the customer's needs. Zara has always met their demand criteria in terms of design and customer selling. As an operation approach, Zara analyzes their customer requirements and meets the demands over the course of time. Small batch productions make it easier for Zara to meet the demands of the consumers, because they produce less amount of products, which increases the demand for variation in products.

Visibility means where the customer experiences their services or orders and can make statements against them (Shaik & Abdul-Kader, 2014). Generally, it is the tracking done by the customer against the order they have placed. Visibility is increased when providing service, as the customer is directly involved in it, but for a product, the customer is not directly in the process of the operation of the product. Zara has a less visibility factor in their production process because the customer will see their product only in stores not in the production area.

Organizational Capabilities and decision making

Companies, at a certain point, analyze what their operations should consider, and decisions can be made according to it. Operational activities and decision-making play a vital role in the formation of production processes and how they are affected by the decisions a company has taken (Cohen-Hatton, Butler & Honey, 2015). These are influenced by certain factors.

Importance vs Performance Matrix:

Quadrant A High Importance/Low Performance "Concentrate Here"	Quadrant B High Performance/High Importance "Keep up the good work."
Quadrant C Low Importance/Low Performance "Low Priority"	Quadrant D Low Importance/High Performance "Possible Overkill"

This matrix shows where the importance and performance of an organization is high/low. Areas where the company performs high/low and the areas where their importance is high/low (Asahara et al., 2015). In quadrant A, there is high importance and low performance. It means that the need is more and the company is performing less over there, so they need improvements in this area. Considering Zara, they can analyze where the operations they are implementing are low. It can be any region of

Asia where the need might be more, and Zara has no store there. In Quadrant B, importance and performance both are high. It means that the company is doing well over there. For Zara, it could be the area of the UK and USA where the performance and importance are clearly met by the company.

In Quadrant C, importance and performance both are low, it tells that the company has no reason to make efforts over there. It might be a department of a company where they do not need any changes. Zara, being a clothing brand needs no changes in their direct selling section, as it is of no importance to them. In the quadrant D, there is low importance and high performance. It might produce vital results, as the company is exaggerating its performance there, where there is no need for it. Zara might consider eliminating their extra workforce as there is no need to hire new people for the operation process when the company is meeting the production of clothing items efficiently (Stevenson & Sum, 2015).

VRIO analysis:

VRIO analysis is done to determine the critical use of resources implemented by a company (Knott, 2015). It is useful to evaluate a company regarding its resources to forecast what efficient use can they cater to the resources. VRIO stands for value, rareness, imitability, and organization (Knott, 2015). Companies need to make these evaluations from their resource perspective to better understand the company's future. It also helps in understanding the strengths and weaknesses of a company (Knott, 2015). This analysis says that if the resources are not valuable, then the company should outsource them rather than keep them to themselves. For example, if Zara has no use of cotton fabric, they can give it to some external company to manufacture it, instead of their own costs on something that is not useful. If the resource is valuable, but it has a rare quality, then the company is in stable condition and not worse than its competitors. It says that if Zara is producing products equal to their competitors, they are able to stay in the market.

If the resource is valuable and rare, and it's not costly to replicate it, the company will have a short-term competitive advantage. Unless the competitors also acquire this strategy, Zara will have a competitive advantage if they try to replicate a design and apply it. But, if the resource is expensive to replicate, rare, and valuable, but the company is not able to organize the reserves, it will be at a loss of the company. Meaning if Zara tries to make a new plant in Switzerland, and they know it's valuable to do so, with having rarity and replication measures, but they cannot hire professionals to run that plant, it will become an expense for Zara and will turn out bad for them. Considering the fact, that all the factors are managed, it will become a competitive advantage for the company in the longer term (Knott, 2015).

Looking at the current situation of Zara, they are enjoying a competitive advantage phase where they have all the factors needed for resource management. VRIO helps a company evaluate a large amount of planning and control for a company.

Once a company has evaluated its control over the operational processes, it can easily manage to act

on the competitiveness of the firm. If the processes are equally distributed in the process design, its controlling, evaluation, and scheduling, it directly helps in the organization's unique position (Knotten et al., 2015). Zara has the production and design process influenced by an effective supply chain, and each of their steps is clear to the organizational performance objectives.

Work process factors are also vital in an organizational flow, which helps in making quality checks (if possible), maintaining the standard of the operation structure, and efficient workforce allocation to create better products for the customers. Volume and variety discussed before, in the organizational structure also influences the design process. Considering the volume of products developed should meet the equal quality of variety as per customer demand (Bhattacharya, Dey & Ho, 2015). Otherwise, the process of designing the product will deviate from the instructions of variety as given by the management. However, these evaluation procedures help in the development of skilled and creative product design. Operational processes contribute to the overall company's performance, which should be considered with care.

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