

Research on Cost Control of Enterprise Supply Chain——Taking ZARA as an Example

Xinrui Song

School of Economics and Management, NUST, Nanjing, China

1422668903@qq.com

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Abstract: With the development of the Chinese economy, the idea of supply chain management is gradually emerging in China. For the apparel industry, supply chain management has always been a key step in its development. The Spanish brand ZARA is a miracle in the fashion and apparel industry. It has become a leader in the fashion and apparel industry in just a few decades. The reason why this brand can lead the global apparel industry lies on its strong supply chain inseparably. This paper analyzes the advantages and disadvantages of ZARA's cost control by studying the cost control method of ZARA in the supply chain, and puts forward corresponding optimization suggestions.

1. Introduction

Supply chain management has received widespread attention since it was first proposed, and it plays a vital role in the development of an enterprise. In the 21st century, the competition between enterprises and enterprises is not only the competition between products, but also the competition in the supply chain. The supply chain can even determine the fate of the enterprise. The efficient operation of the supply chain management system can contribute to the development of enterprises, and the apparel industry is no exception. In recent years, with the continuous deepening of our country's reform and opening-up, numerous international clothing brands have flooded into the Chinese market, and they have continued to develop and grow. Consequently some of them have achieved outstanding results, ZARA is one of them. Based on this background, this article selects ZARA as a case company to study the cost control of its supply chain.

2. Basic connotation of supply chain

Supply chain is a functional chain structure formed by upstream enterprises and downstream enterprises in the production and circulation process to supply services and products to end users. Supply chain management is to rationally regulate the information flow, capital flow, logistics and value flow in each link of product circulation through planning, organization, coordination, and control, so as to realize the process of product development and design, procurement, production, distribution and sales. It can save costs, meet consumer needs, and achieve economies of scale.

3. Analysis of ZARA Supply Chain Model

3.1 Introduction to ZARA Company

Established in 1975, ZARA is a clothing retail subsidiary of Inditex. Its sales and popularity rank first in Spain and third in the world, with more than 2,000 branches worldwide. ZARA is also the first famous brand in Inditex, and its subsidiaries account for three-quarters of the company's total sales. The scale of ZARA is not only in its company, but also in the global fast fashion brands. It relies on trendy design concepts and fast product update speed to win loyal customers all over the world. Data shows that ZARA's global sales in 2018 reached 18.02 billion euros, and in the Chinese market, ZARA is even more popular among working-class workers in many cities. The reason why ZARA can achieve

such performance around the world is mainly due to its supply chain management model, which is the "winner".

3.2 Methods and advantages analysis of ZARA supply chain cost control

ZARA founder Amancio Ortega defines fashion as "meeting consumers' needs for fashion in the shortest time." The biggest feature and one of the biggest advantages of ZARA brand different from other fast fashion brands is its fast and unique supply chain, from the collection of consumer and latest clothing information, the selection of product materials, the assembly and production of various parts into the final The finished product is packaged and transported from the manufacturer to the supplier and distributor, and then sent to the user through the sales channel. This entire supply chain network chain structure is from the perspective of consumers, and through optimizing the connection of various channels, the supply chain is integrated efficiently.

1) Integration of supply, production and marketing

Nearly half of ZARA's suppliers and manufacturers are self-sufficient by their own companies, and nearly half of the fabrics come from their own company's output, and the other half of the shares are scattered among more than 200 suppliers. The average share of each supplier is even more. Very few, this not only avoids the risk of out-of-stock of external suppliers, but also reduces costs to a large extent and maximizes the company's revenue. ZARA's clothing product subcontractors and processors will also choose factories near the Spanish company headquarters, not only to shorten the supply chain, and to effectively supervise and manage them, but also to provide timely feedback on problems and speed up the process. Suppliers are well controlled and supervised to make the industrial chain run at a high speed.

As an international fast fashion clothing brand, ZARA's rapid response capability is also reflected in the sales area. Every other week, every chain store will have new products on the shelves, and every three weeks, all the clothes in the store will be replaced with new ones. There are generally only five pieces of clothing in stock, but at the same time the styles of clothing are very diverse, which greatly reduces inventory costs and avoids the risk of overstocking goods.

2) Complete procurement and production system

The pursuit of fast fashion concept is to keep up with the pace of fashion. ZARA does not use first-class craftsmanship and fabrics like fashion luxury goods, but positions the goal and production concept as "affordable fashion", so ZARA fabrics are generally they are all low-priced ordinary fabrics. Furthermore, in order to save production preparation time, ZARA's purchasing department usually cooperates with designers to select fabrics that are easy to obtain and easy to manufacture. ZARA has built 22 factories in its home country Spain, and 400 small factories are responsible for tedious sewing work, and each factory produces different styles, which ensures the division of labor between factories. Directly-operated stores all over the world will collect demand orders every week, and then submit them to the factory for production after being reviewed by the headquarters. This ensures that the factory production can be quantified and greatly saves inventory costs. Even if the direct-operated stores submit a small number of orders and have different styles, the factory will contact the designer at the first time to ensure that the styles of different markets and different stores can cater to the diverse needs of consumers in accordance with local conditions.

3) Quickly responsive logistics distribution system

ZARA insists on rapid response in the distribution link. ZARA's logistics center has a building area of 50,000 square meters and more than 1,200 employees. In the Chinese market, its products always arrive on the store shelves within 4 days after placing an order in a direct store. The distribution methods of products in different regions are also different. In European countries, ZARA chooses truck delivery, and the average arrival time of the goods is only two days. In the US, Eastern Europe, and Asian markets, the company chooses air freight, and the company headquarters invests a price twice higher than the cost of air freight to deliver products to other regions outside Europe within two days. Therefore, ZARA only took an average of 10 to 14 days from the design and production of clothing to the sales process. The rapid response of logistics has greatly improved the efficiency of supply chain

management for ZARA, saved a lot of inventory costs, and provided support for its rapid occupation of the fast fashion market.

4) Technology-based information

ZARA's efficiency is also reflected in high-tech. The application of new technologies not only improves production efficiency and saves time, but also allows company managers to design the entire company's operations according to their own ideas. Each store has a personal digital assistant (PDA) and online computer. The store manager can use the personal digital assistant (PDA) to place replenishment orders with the Spanish headquarters at any time according to his actual situation. The headquarters can also check the items in the store at any time. Circumstances, communicate in time. It takes more than a month or even longer to adjust the goods in some other clothing brand stores, and the entire production process of ZARA can be completed in only 15 days. In addition, the Spanish headquarters can also collect the real purchase situation of each in-store consumer at any time through online computers. After analyzing consumer trends in color, style and price, and combining the current most cutting-edge popular features and trends, the design department immediately discuss and decide the next style and output. After 15 days, new products that customers prefer can be found in the store. The production efficiency is so powerful that it is shocking. This high-efficiency model saves advertising investment and substantial promotion funds, and reduces product marketing expenditures.

3.3 The shortcomings of ZARA supply chain cost control

1) Lack of consistency of the demand forecast between online and offline e-commerce, causing low collaboration efficiency

Online sales styles account for an increasing proportion of ZARA's sales, but the actual e-commerce needs are not synchronized with offline needs, resulting in online and offline collaborations in product planning, style development, garment production, and material resource sharing. This leads to an increase in independent development and production costs, while occupying supplier capacity. It has seriously affected the development of ZARA's supply chain coordination and reduced the advantageous role of ZARA's supply chain.

2) Lack of inventory

ZARA's strategy requires that the company must continuously and continuously launch a large number of new products throughout the year. The fast-forward and fast-out in sales, and the production of multiple styles and small batches make it impossible to replenish the best-selling products because the production line has already started production. The next batch of products will result in very low inventory levels in ZARA chain stores. Due to the low inventory policy, empty shelves can often be seen in ZARA, and chain stores rely heavily on orderly and rapid new products to replenish their supply.

3) Worrying product quality

ZARA is known as a "big-name follower" and has been pursuing first-class design, second-rate quality, its main low-price strategy, and its rapid development speed in recent years, coupled with its rapid process production, which easily leads to production. In pursuit of quantity but ignoring quality. At the same time, due to the large scale of ZARA's stores and high market costs, the company will reduce costs, including raw material and labor costs, and therefore frequently expose quality problems in our country.

4) Neglect of other aspects of cost control

ZARA's pursuit of high-speed and centralized production has given up the cost advantages of low labor and low-cost raw materials scattered around the world. At the same time, ZARA's global goods are distributed through the distribution center of the Spanish headquarters. Although unified management is guaranteed, the corresponding logistics costs are it is also high; more importantly, ZARA does not rely on external support. The independently developed IT management system consumes a lot of money, and the operating cost is much higher than that of other apparel companies in the industry.

3.4 Improvement measures

1) Make a better demand forecast

ZARA's delivery time does not exceed three weeks. Products that have not been sold after three weeks must be sent to other branches for sale or returned to the headquarters. Therefore, it is prone to insufficient supply. This requires a good demand forecast. Classify clothing, make demand forecasts based on previous sales, and arrange production accordingly. At the same time, online and offline forecasts must be synchronized and unified. Online channels should take advantage of e-commerce big data and use the platform of the e-commerce official website to process and digest the company's inventory and implement the same online and offline prices.

2) Build up evaluation systems for inventory management performance

ZARA should establish an inventory performance system, increase the inventory of out-of-stock products, digest unreasonable inventory, optimize inventory management through quantification and evaluation of inventory management indicators, and solve the problem of low inventory levels; in addition, it can also build in Asia, the United States and other places. Warehousing and distribution centers ease the logistics and distribution pressure of the Spanish headquarters and reduce costs.

3) Use partial delay strategy

The partial delay strategy means that the production of part of the finished product must be completed first, and the remaining part is stored in the form of intermediate products or raw materials in the delayed production method, and then converted into finished products when the market demand is clear. Companies using partial delay strategies need to combine information technology tools, product characteristics and their own needs to determine the respective proportions of delayed production of raw materials, intermediate products and finished products to achieve a balance between customer needs and manufacturing costs. ZARA can estimate the supply cycle of surface accessories suppliers, negotiate with the other party to confirm the supply cycle, delivery date and prepare an appropriate amount of surface accessories (safety stock), and at the same time strengthen the supplier's collaborative management to improve the problem stage by stage.

4) Strengthen quality management

In production, in order to improve the quality of clothing, ZARA should change its business mode of "emphasis on styles and light on quality". From the selection of suppliers and manufacturers to the final quality inspection of garments, it is necessary to set up special positions for control. And supervision. At the same time, it is possible to appropriately slow down the new frequency of clothing, concentrate on polishing the quality, better solve the image of poor quality, attract repeat customers with the combination of "fashion + high quality", and attract more consumers.

4. Conclusion

This paper sorts out and researches ZARA's supply chain cost control methods, and finds that ZARA has its own unique cost control measures in its supply chain management, such as the rapid feedback mechanism of information, the establishment of logistics centers, and the complexity of the supply chain. Measures such as the removal of necessary links, the improvement of inventory turnover rate and the selection of appropriate marketing methods have helped ZARA to reasonably control the costs of warehousing and publicity, reduce unnecessary production expenditures, and reap high performance. But at the same time, ZARA also suffers from low inventory levels, unsynchronized online and offline information, and quality problems in supply chain management. In response to these problems, this article proposes a series of improvement measures, such as doing a good job in demand forecasting, building an inventory management performance evaluation system, adopting partial delay strategies, and strengthening quality management. These optimization suggestions can help ZARA better go out of its own brand, and continue to write about its glory in the fast fashion brand industry.

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