



AGENDA

- Introduction (5-10 minutes)
- Case background (30-45 minutes)
- Options (20-30 minutes)
- Choosing (10-20 minutes)

INTRODUCTION

What was the case like?

- Reminded of Zara's online launch, gave access to Zara, finally!
- Learning of the massive scale of Zara's online operation
- Insights into efficiency!
- Difficult to find "the issue"! No obvious problems
- How about long term?
- Difficulties of expansion?
- Relatable case
- Surprising amount of complexity!
- The physical stores were so important!

BACKGROUND

ZARA BE LIKE....

- Inditex corp
- Latest fashion trends, affordable prices
- Responsive SCM
 - Production close to Spain (or markets overall)
- Fully integrated model!
- Massive company! Worth 18 billion

- **Consumers:**
 - Whenever you go to the shop, you see new clothes → encourages multiple visits
 - You want to visit the shop every two weeks or more!
 - Pull, rather than push!
 - Comfortable and smooth → easy to navigate, find, and buy what you need, clean experience
 - Consumer-led buying experience, “effective customer journey”
 - Value from latest trends!

- **Store operation**
 - The staff is “an extension of the RFID system”
 - Customer experience vs. stock management is the eternal issue!

Online shopping

- 2010, a late entry!
- Zara did not feel ready before (smartphones were not popular yet)
- Wanted to offer the same experience as in stores
➔ difficult to achieve!
- Stock accuracy was a concern
- Click & Connect: link online shopping to physical stores
- Geographic data: online stores also benefit!
- Click & connect leads to stores visits (pull, rather push)
- AR
- App, payment, loyalty, stock browsing in stores!
- Returns: potential “out of stock” problems ➔ sold at
- Returns MUCH higher in online shopping compared to physical store visits (3:1)
- Robots!
- Con: people don't pick up their purchases!

Retail locations etc.

- Bigger stores!
- Consolidation from smaller to bigger (“4 small ones become one big one”)
- Pro: can locate next to luxury districts ==> raises brand value! (can also be a con?)
- Pro: selection, stock costs go down and sales grow
- Con: will click & connect suffer due to longer travel?
- Pro: flagship stores save transportation costs
- Pro: “you need to manage just one store”
- Con: big stores are messy, and hectic
- Con: store stock rooms might eventually become too small
- Pro: big shops and better window displays
- Pro: big stores have better scale benefits (RFID)
- Stores give data (both sales and “qualitative insights” from staff) ➔

OPTIONS

DCs

- Deploy the “British system” → one smaller DC next to multiple stores
- Pro: allows holding inventory in DC longer
- Pro: Delivery times had improved!
- Pro: allows for “overflow stocks”
- Pro: smaller DCs could serve ALL Inditex brands
- DCs and RFID: exact inventory in stores and warehouses
- RFID initially were inaccurate
- 98% accuracy
- CON / THREAT:

Online & Store location strategy

- Do all markets consume the same way? (say: c&c)
- What is the relationship between online vs. offline?
- Growth of online vs. brick and mortar → should they go “hand in hand”?
- Online shopping is tied to country infrastructure!

Options:

- Covid? Does it change everything?
- AR is the future!
- Maybe integrate across brands? (show Massimo Dutti and Zara in the same app)
- Personal suggestions to customers?
- Zara should provide platform for second hand purchases?
- Sustainable transition?
- Three-part approach:
 - Rethink market coverage (with stores and online shopping)
 - Location of DCs for stock problems
 - Sustainability! (circular economy?)
- Showcase more body types
- Use capabilities for all brands
- Online shopping means that those who DO go to stores should be taken better care of?
- Maybe carry other brands as well, in terms of second-hand sales but also deliveries?
- Showrooms!
- Proposed pickup times!
- Lessen the work of store clerks by pre-packing online purchases!

CHOOSING