CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT

INTERNATIONAL ADVANCED DIPLOMA IN LOGISTICS AND TRANSPORT

ADIP03 STRATEGIC NETWORKING PLANNING

SEPTEMBER 2021

Instructions to Candidates

Candidates are advised to spend NOT more than 45 minutes on each question.
Credit will be given for citing relevant examples.

3 HOURS

Answer 4 Questions only

ZARA: APPAREL MANUFACTURING AND RETAIL

Zara is a chain of fashion stores owned by Inditex, Spain's largest apparel manufacturer and retailer. In 2004, Inditex reported sales of 13 billion euros from more than 2,200 retail outlets in 56 countries. The company opened a new store for each day in 2004. In an industry in which customer demand is fickle, Zara has grown rapidly with a strategy to be highly responsive to changing trends with affordable prices. Whereas design-to-sales cycle times in the apparel industry have traditionally averaged more than six months, Zara has achieved cycle times of five to six weeks. This speed allows Zara to introduce new designs every week and to change 75 percent of its merchandise display every three to four weeks. Thus, Zara's products on display match customer preferences much more closely than the competition. The result is that Zara sells most of its products at full price and has about half the markdowns in its stores compared to the competition.

Zara manufactures its apparel using a combination of flexible and quick sources in Europe (mostly Portugal and Spain) and low-cost sources in Asia. This contrasts with most apparel manufacturers, who have moved most of their manufacturing to Asia. About 40 percent of the manufacturing capacity is owned by Inditex, with the rest outsourced. Products with highly uncertain demand are sourced out of Europe, whereas products that are more predictable are sourced from its Asian locations. More than 40 percent of its finished-goods purchases and most of its in-house production occur after the sales season starts. This compares with less than 20 percent production after the start of a sales season for a typical retailer. This responsiveness and the postponement of decisions until after trends are known allow Zara to reduce inventories and forecast error. Zara has also invested heavily in information technology to ensure that the latest sales data are available to drive replenishment and production decisions.

Until 2002, Zara centralized all its European distribution and some of its global distribution through a single distribution center (DC) in Spain. It also had some smaller satellite DCs in Latin American countries. Shipments from the DCs to stores were made twice a week. This allowed store inventory to closely match customer demand. As Zara has grown, it has built another distribution center in Spain. Zara's strategy and success has been hinged on its supply chain issues.

The following questions raise supply chain issues that are central to Zara's strategy

and success:

Question 1

a) Explain the advantages that Zara gain against the competitors by having a very responsive supply chain? (5 marks)

b). Why has Inditex chosen to have both in-house manufacturing and outsourced manufacturing? Why has Inditex maintained manufacturing capacity in Europe even though manufacturing in Asia is much cheaper? (6 marks)

c) Discuss Zara's supply chain strategy with regards to the number and location of distribution centers DC as key drivers of profit. (9 marks)

d) What information infrastructure does Zara need in order to operate its production,

distribution, and retail network effectively? (5 marks)

Question 2

Write short notes on the following as they relate to strategic network planning.

a) Exponential soothing (5 marks)

b) Iintended strategy (5 marks)

c) Regression analysis (5 marks)

d) Pareto analysis in management (5 marks)

e) Six sigma (5 marks)

Question 3

For an organization of your choice, discuss the 7 Cs model as a tool of managing change. (25 marks)

Question 4

Discuss ways which can be taken by an organization to minimize risk (25 marks)

Question 5

a) Explain intended, deliberate, emergent, realized, and unrealized strategy (10 marks)

b) Evaluate how these concepts are key in the strategic formulation of an organization or company of your choice (15 marks)