

THE LOGISTIC APPROACH IS A SECRET OF ZARA'S SUCCESS

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Abstract: In this paper basic characteristics and results of the logistic methods implemented in the operation process of one of the leader company on the fashion-market «ZARA» are examined.

Keywords: Business, logistics, optimization, costs, logistics management.

Today logistic manager is one of the most essential and highly paid profession on the labour market. However, there is the question: why this profession and logistic do as a whole provoke interest?

There are a lot of definitions of the word 'logistics'. One of them was given by the USA Council of Logistics Management in 1998 (Гаджинский, 1999). According to this definition: 'Logistics management is that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements'. This definition clarifies what logistics is and what issues it has. These issues are the following: supply customers with necessary amount of high-quality goods in right place and right time. However there is another question what is effective flow?

In modern economics conditions the effectiveness of the flow is gained with help of financial service. That means the main issue of logistics is improving of business process aimed at minimization of total recourse costs. In other words, logistics is one of business tools, which helps economize company resources. According to ELA statistics of 1999 applying of logistics methods reduces time of goods production by 25%, decreases the prime cost of goods production by 30%, material and technical stock amount from 30-70% (Гаджинский, 1999). This clarifies the interest of companies to logistics: they strive for taking maximum which is possible to take with minimum costs, using the system of logistics company management.

There are many companies in the world which effectively use logistics management systems and do business successfully. In the list of such companies you can find the following: pharmaceutical company «Dr. Reddy's», automobile manufacturers «Mazda» and «Toyota», international network of fast food restaurants «Domino's Pizza», distributor network «ZARA» and others.

The experience of Spanish company "ZARA", specialized in stylish and low-priced clothes, is quite interesting. Being successful in the market is difficult, because of unsteadiness of fashion world. Today red trousers are in fashion, tomorrow their place will be taken by green skirt, after skirt will come yellow shorts and so on. That's way companies like ZARA can't produce just beautiful and qualitative clothes, they need to respond quickly to changing fashion trends and market demands.

As a result of the logistical approach (Секрет Зары для быстрой моды [сайт]. URL: <http://hbswk.hbs.edu/archive/4652.html>), when the entire logistics system operates on a common goal - to satisfy the end consumer - «ZARA» is annually increasing its sales and number of stores by an average of 20%. Today, company's sales network has 1721 stores, which are located in largest cities of 87 countries.

The company's success lies in the fact that it not only sells ready-made clothing, but also is engaged in its own design and manufacture, which allows the company to respond quickly to changing market needs.

The staff of «ZARA» has 200 creative designers, who annually produce over 11,000 different models of clothes (Сочетание искусства с наукой, 2008). Of this vast number of models, only the

third part is on the shelves. A team of experts calculates the likely price of the finished items and takes into account and after that decides if the model is lauded into production or not.

Also on the basis of information received from the store managers, it may be decided to change the model of the existing product. In this situation, companies need 14 days to make changes to the templates again to put the model into production and then deliver to the store. A completely new product hits the shelves of «ZARA», within only 4 weeks (Актуальные вопросы и тенденции в развитии логистики [сайт]. URL: <http://www.ec-logistics.ru/articles.htm?id=2>).

This means that every week in the stores, you can find new clothes. To be more precise, the shelves of stores are replenished with new models twice a week (Ghemawat, 2002). However, the goods come in limited quantities and do not lie on the shelves more than two weeks. This is done in order to make people buy the thing. Fear not buy the goods you like later makes the buyer get the money from the purse now.

Note also that if the size of the entire line model, the shop sells only, let's say, small, the sales of this model in the store are terminated thing goes to the utility room. It aims to ensure that all of these "stocks" stores re-assemble a full line of size of the model and put it even in those stores where it was observed a greater demand, while the production of this product in a factory is not renewed.

Another factor, influencing the success of the trading house, are distributors. «ZARA» makes their careful selection. Suppliers of raw materials should be "conveniently" located relative to factories and respond quickly to orders received from them. Thus, more than half the factories of «ZARA» (about 80% of the total) are located in Europe and are the main suppliers of Spain, Portugal and Morocco. Of course, the company also uses the services and suppliers from Asia, but their share in the supply is sufficiently small as the number of factories located in this part of the world.

All finished products from factories enters the company's two distribution centers in Spain (Saragoza city and the city of La Coruna), which is delivered to all the shops network (Актуальные вопросы и тенденции в развитии логистики [сайт]. URL: <http://www.ec-logistics.ru/articles.htm?id=2>). Delivery is carried out in two ways: by road or air. If the trip takes 24 hours or less, the chosen method is ground, transportation if more, the air. Regardless of the remoteness of the location of the shops from distribution centers shipping of goods to the store does not take more than 48 hours.

So, we can conclude that this logistics approach allowed «ZARA» to take a special place in the world of fashion and become a leader in sales thanks to the fast response to changes in demand, and reduce costs throughout the logistics chain due to maximum consistency throughout the whole system.

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