

# **Zara: IT for Fast Fashion**

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## **Executive Summary**

Zara, a fashion company, is currently using an outdated system that is not efficient in today's modern world. The hardware manufacturers are not giving any guarantee to keep producing hardware to support their systems. Zara's main problems include the costs incurred with adopting a newer system, the method of adoption, the time it will consume, and how it will be done. However, by implementing the system slowly, Zara can follow the trial and error method in improving its system, and to ensure appropriate delivery of the new devices to its retail stores across the world efficiently. It will allow Zara to be connected to all of its retailers, manufacturers, and designers. Also it will allow every store to perform more efficiently, and smoothly without having to worry minuscule issues.

## **Issue Identification**

Zara was established on the basis of being able to respond as quickly as possible to the changes in the fashion industry as well as being the fastest in providing the needs its customers look for. Zara's original business idea was to link customer demand to manufacturing, and link manufacturing to distribution. In order for this to have worked in the beginning, Zara has developed its own application that is based on DOS (Disk Operating System) in its stores and has later on equipped all of their stores with basic PDAs to cut down on the costs of using the traditional

faxing machines to send and receive order forms. Their solution was effective and efficient for when they had first started their operations, however, Microsoft has discontinued DOS, their terminal manufacturer did not include assurances in its contract with Zara to keep producing terminals that support DOS could probably harm Zara if it is planning on expansion when the head office has a shortage of terminals that run DOS. Also, when a system crashes, the manager has to reinstall the application from a floppy disk to the terminal which is time consuming given that the store will have to input its inventory count, sales, and all the transactions all over again. Additionally, every store has to operate manually to do an inventory count, place orders, and check with other stores for inventory. In this digital world, this is considered to be time consuming and inefficient as it could be resolved in a matter of minutes with the introduction of newer software and hardware. The main issue identified in the article is the introduction of a newer application that is based on an updated operating system that could be used for the long run, and how this is seen as an unneeded step.

## **Environmental and Root Case Analysis**

Based on the findings of the article, Zara is heading down a closed road, and in order for it to bloom even further, the company must make a decision regarding the root cause of its problem -updating and adopting newer hardware and software, or

sticking to the old fashion tools they have employed earlier. However, like every other decision a business has to take, this will have a an internal, as well as an external consequence on the company, its suppliers, branches, customers...etc.

Zara will need to create an infrastructure capable of handling the network between all of the terminals in each of its stores (POS and PDAs included), and having the ability to connect these stores with their suppliers, designers, and head offices all around the world. It will also need to find a suitable hardware for the OS, having it transferred to every Zara store in the world, creating an IT department that will always be ready to respond to any technical difficulties or problems any stores will face, and making sure all the staff is well trained for proper use and maintenance of the new system. The only alternative to this is sticking to the existing system, and focusing on making more clothes, with everything being manual, and time consuming.

To make a decision, the company should take into consideration all the costs it will incur from upgrading, from short-term, long-term, and even opportunity costs, and weigh them out with what the upgrade would potentially bring to the company, since it is unreasonable to base a decision on just what seems to be better.

In terms of short-term costs, Zara will have to take into consideration the amount of equipment it will have to buy, the cost of purchasing a newly licensed OS, and so on. As for the long-term costs, it will have to look at creating a whole new

department that is knowledgeable in all the aspects of its OS, and having to create an infrastructure that can support and connect all of its branches with the suppliers and offices, plus an ongoing training for all the employees to be able to fully comprehend the details of the new hardware and software, with continuous updates for the software used to ensure it is secure, efficient, and well maintained. Opportunity costs include the time taken on training all of the staff on the new system, making sure it works perfectly, and having everything properly established.

An important thing to take into consideration in coming up to a decision is the advantages and disadvantages. Zara's original business idea is to "Link customer demand to manufacturing, and link manufacturing to distribution," and while the current OS fails to flawlessly achieve that goal, it still does the job as required. However, with the introduction of a more updated OS, the company can improve the communication between all of the components in its model, and with the introduction to an infrastructure that allows this to be promptly carried out, it will be very fast and will lead to effective decision making.

The costs of carrying out the upgrade are detailed in **Exhibit 13**. They show how much it will cost Zara if they decide to move forward with the upgrade, and how

long it will take them, this data can be used to calculate the opportunity cost as well. The minimum cost of choosing to upgrade will be around EUR 383,130 (assuming the calculations are for one store) with an average annual cost of EUR 300. This will be a major component of the decision making process for Zara's management team since it will only enhance communications between the stores and will not serve as an essential tool for Zara itself in the short-run.

For the long-run however, it will prove to be worth the transfer as the current system is based on manual procedures that take a lot of time. For example, a manual inventory count is performed every day by the store manager, who then needs to place an order through a separate computer that is connected to the internet. If a customer is interested in purchasing an item that is not available at one store, the manager will have to phone another store to check, and the whole process will be performed by people and thus is very time consuming. However, if the situation occurs with an updated system, any employee of one Zara store will be able to check if the item will be in another without having to do any manual process other than a search query. This will also give the customer the option of reserving an item via the first store they had visited, or pay for it and just pick it up at the other store, promoting the ease of managing products within store branches.

Another thing worth mentioning is that once the inventory count goes below a set limit, the system can automatically place an order based on forecasts made by the

software about the demand. These features may seem to be minute at the start, but looking into the future, it will prove to be time efficient and will be one of the most important things that promote even more sales.

## **Alternatives and Options**

### **Alternative A**

Zara can implement the new system directly and offer direct training to employees without having to wait for its staff to get used to the new software. The main advantage in this is that all the stores will use the same software, communication and coordination will be made instantly. However, the setbacks will be too large in number for this option as the staff will not be ready, will not know how to deal with errors, and may not be comfortable with working with such technologically advanced systems.

### **Alternative B**

Zara can implement the system in some stores that are frequented by less customers to test its system and make sure it is user friendly, and expand the system gradually to other stores until it has reliably created everything required to support the new system. The main advantage of this alternative is based on trial and error; the first to try it will experience some setbacks since the software and the whole system is not complete. The store may see a decrease in sales or become

less productive than it usually is, but after the staff is familiarized with the system, the advantages will start to appear. This also gives more time for writing a new code for the OS, thus producing a better infrastructure.

### **Alternative C**

Remain using the same DOS system with PDAs as is. This will cut down on costs, however, when moving forward in time, the company will have to rethink its IT sector as the manufacturer may not keep on producing products for them.

## **Recommendations**

After taking into consideration the alternatives highlighted above, it seems that “Alternative B” is more appropriate for adoption since it will be of less cost, and will give a better reflection to how a newer system will perform as opposed to the first. It will also give more time for testing out the system.

## **Implementation**

Implementing the new information system will be a serious burden for the parent company, however, the method of implementation will have huge effects on the progress of adoption, costs of transferring and maintaining the system, and training of staff to be knowledgeable enough to operate on the updated system. “Alternative B” will facilitate smoother transition as it will give the parent company an

opportunity to assess the performance of its newer system. Placing the updated hardware and software in stores that are less frequented by customers will allow for trial and error that will not affect purchasing habits or affect customer service, as it will go along with the old system in the beginning until the staff are familiar enough and comfortable with the new system. This can provide quantitative and qualitative data that can be used to improve the user interface, specify the required data connection to facilitate communication between all Zara computers/retailers/manufacturers, and will be cost efficient as trial and error on a small scale will not accumulate costs as opposed to implementing the system directly across all its retail stores.

For the first few stores, where trial and error is the main reason for such implementation, the parent company will send out technicians and training staff to assemble the first few of the devices, install the software and train the retail staff and manager on how to use the new software. Troubleshooting can take place over Voice Over IP (VOIP) services and remote access features that are included with the operating system. However, as the system progresses, Zara can ship out its devices with the software preinstalled, the store managers would only need to plug the cables in, and an internet connection for an uninterrupted data connection. This would facilitate a much better assembly, plus training can be done once the device powers on, with an extensive training module for both managers and staff of every retail store. Also, “tech-support” can be available to reach by phone, email, video-

conferencing, and/or the remote access feature to assist staff with whatever they may need help with.

The time to complete all of this will depend on how many assets Zara will be prepared to invest in the project and the amount of time it can spare for training of employees, creating new departments, and incorporating all of this into huge servers and databases that will always be online to receive any request.

## **Monitor and Control**

Zara can benefit from the newer system to get instant and up-to-date statistics and analytics on the performance of every store, what sells more in which country, and more similar information. In addition, all this information can help make computerized forecasts on what every store will approximately require, making it very hard to go through shortages in shopping seasons where people usually tend to buy much more than they usually would (i.e. for Christmas gifts). The system will also allow for feedback and ideas for smoother operations with live data inputs to the servers located at the headquarters of Zara, facilitating for easier, more reliable, and improved data collection.