

Zara - The World's Biggest Fashion Retailer

MIE 459 Organization Design

Team 15 Executive Summary

Zara is one of the largest apparel retailers in the world. It has achieved great success in the industry of fast fashion. The team decided to act as a consulting group and conduct a thorough business analysis on Zara to reveal the secret behind its enormous success as well as to diagnose potential problems of Zara. The team aims to provide recommendations for sustainable growth to Zara's top management by identifying its organizational characteristics, competitive advantages and key environmental factors.

The team conducted analysis on Zara's business model, organizational structure and business strategies. The team also applied standard frameworks such as Porter's five Forces Model and SWOT analysis. Finally yet importantly, the team investigated internal design elements, which included supply chain management, technology and social responsibilities.

Zara has a supply-chain-intensive business model that gives it the advantage of capturing fast-changing fashion trends by reducing production lead-time to its minimum. In terms of organizational structure, Zara utilizes horizontal structure in operations and vertical structure in productions and distribution. Strategy wise, Zara offers the latest trendy fashion product with affordable price and targets mid to low-end customers across the global market. Zara applies the latest information technology to facilitate the communication between facilities and headquarter to ensure effectiveness and efficiency.

Porter's 5 Forces Model shows that Zara faces high threat of rivalry, high threat of substitute, and high customer bargaining power, while supplier bargaining power and threat of new entrant are low. SWOT analysis further indicates that Zara should leverage its strength of low supply chain management cost, improve on its marketing and advertising strategies, **expand on the E-commerce to boost sales and manage underlying threat such as brand loyalty without being caught off-guard. After summarizing the findings in the business analysis, the team concluded that in order to grow in a sustainable manner, it is important for Zara to enhance the training of store managers to improve the satisfaction of sales representatives and other employees in the retail stores. Besides, if personalized shopping experience could be provided to the customers, it will surely be beneficial to improve reputation and brand image of the company. In addition, Zara could boost its e-commerce sales by establishing partnership with mature online retailers such as Amazon, Alibaba, eBay etc.**