

Research on Innovation supply chain Management in Fast Fashion Industry——A comparative analysis of ZARA and H&M

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Abstract: ZARA has succeeded in overtaking GAP as the global leader in apparel retailing through innovative supply chain management. However, in recent years, with the trend of the retail market is beginning to slump and rising consumer demand, ZARA lack of further innovation in supply chain management,It is gradually overtaken by the fast fashion enterprises which are taking H&M as the representative and continuously carrying out innovative supply chain management. The purpose of this paper is to compare and analyze the innovation supply chain management of ZARA and H&M, find out the deficiency of ZARA innovation supply chain management, and then explore some problems behind these deficiencies, and finally give a series of suggestions to solve these problems are given.

1. Introduction

The economic globalization makes the fast fashion industry enter the borderless market sale mode, plus each big brand flocks to the market, the consumer fashion and the quality consciousness enhancement, the competition is day by day intense. In this environment, who can insight customer needs, faster and better delivery of products to the hands of customers, who can make a profit. Therefore, it is very important to innovate the supply chain management and create a supply chain that can quickly cope with the change of market demand. ZARA is the first to innovate through the supply chain management. Create an extremely fast supply chain and become the leader of the fast fashion industry, but always pursue Extreme speed has been unable to meet the needs of market development, the drawbacks are increasingly exposed. H&M comes from

behind, with the help of improved innovative supply chain management to make brand value catch up with ZARA. Therefore, taking ZARA and H&M as examples, this paper analyzes the innovative supply chain management of ZARA and H&M from the four aspects of design, procurement and production, distribution, sales and feedback, and finds out the deficiency of ZARA innovation supply chain management by comparison. This paper analyzes some problems behind the deficiency, and at last gives some countermeasures, combining with ZARA and H&M, to carry out the innovation supply chain management of fast fashion industry to carry out the problems that should be paid attention to. Summary, thus for other fast fashion enterprises to provide certain reference.

2. Concept of innovative supply chain Management

Supply chain management refers to the supplier, manufacturer and warehouse in order to minimize the cost of the whole supply chain system under the condition of satisfying a certain level of customer service. The management methods of product manufacture, transshipment, distribution and sales are organized effectively by distribution center and channel vendor. Supply chain management includes five basic contents: plan, purchase, manufacture, distribution and return. Enterprise innovation supply chain management is the management innovation of all or part of the five basic contents, forming a new type of supply chain with certain characteristics, which is different from the enterprises in the industry, and making up their own shortcomings with the advantages of supply chain. Brand competitiveness.

3. Innovative supply chain management case analysis

3.1 Innovative supply chain Management in ZARA

ZARA, a subsidiary of Spain's Inditex Group, was established in 1975 as a clothing brand as well as a chain retail brand specializing in ZARA clothing. It has built an extremely fast supply chain (See figure 1) with excellent innovative supply chain management, becoming a responsive speed benchmarking company, becoming the world's third largest apparel company, Spain ranked No. 1.

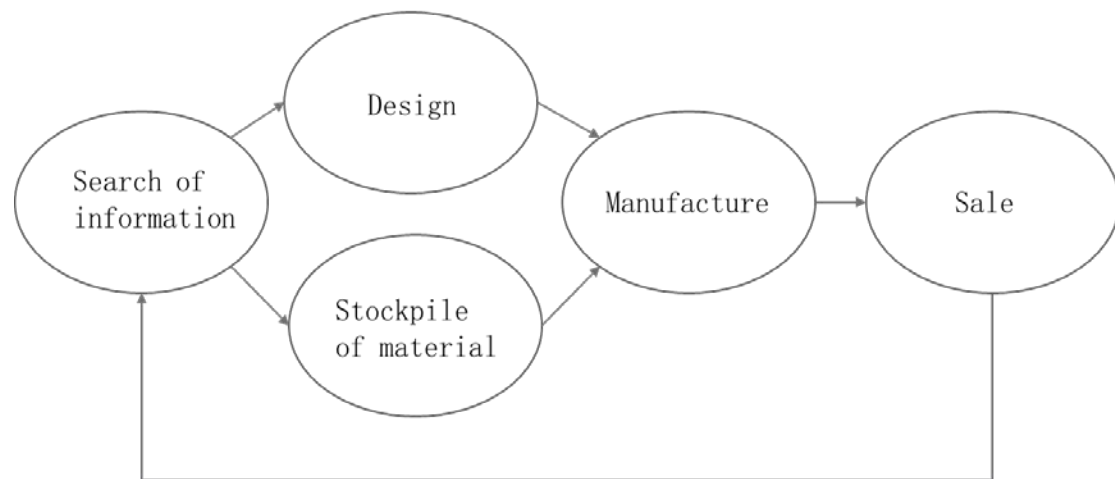


Fig. 1 supply chain structure of ZARA

Source: author based on Web data

According to the structure of ZARA supply chain, this paper analyzes the innovation of ZARA supply chain management from the following aspects:

(1)Products design:First of all, ZARA design mainly depends on the buyer operation, not original design. Mainly through the "copy" high-grade products or the outsourced trend products to recombine, in order to save design time and cost.Secondly, the "trinity" design and order management model is innovated, which is composed of designers, market personnel, purchasing and scheduling personnel, and fully communicates to ensure that the design conforms to the trend of trend accurately and saves time.

(2)Procurement and production:First of all, procurement and design are carried out simultaneously. According to the information collected, ZARA is concurrent with the design and organizes the purchase in time to ensure that the design can be put into production directly after the design is completed. About 40 per cent of the fabric comes from within the group, with the remaining 60 per cent purchased from 260 suppliers near headquarters, each with no more than a share of up to 4, avoiding ZARA's over-reliance on a particular supplier Second, ZARA does not have a fixed cooperation between suppliers and manufacturers, generally have preference to choose the lower price of manufacturers to cooperate.The last.In terms of production, most of ZARA's products are produced in Europe, and nearly 50 percent of the products are produced by themselves, while the other half are outsourced to nearby affiliated suppliers. In most cases, a factory produces only one product for ZARA for a certain period of time, thus avoiding production errors. European production maximizes the speed of the ZARA supply chain.

(3) Distribution and transportation: ZARA logistics is the main pursuit of extreme speed. First of all, in order to ensure the speed, ZARA mainly through air transportation for product distribution. Secondly, ZARA uses the self-developed commodity management intelligent system to strengthen the information transmission with information technology, so that the whole distribution network is faster and more efficient. Secondly, more than 200 miles underground transmission network has been built, China Unicom headquarters and various suppliers, transportation clothing materials and products, greatly accelerated the intermediate transmission speed. Finally, unlike other garment companies that set up logistics transit stations, ZARA uses direct distribution from distribution centers to stores for sales, thus reducing large-scale warehousing and loading. The necessity of unloading saves time and cost.

(4) Sales and feedback: First, ZARA's retail stores are mostly fully controlled and are generally located in busy streets or upscale business districts. The display and decoration of the store are managed by the company headquarters to ensure the display of the brand image and improve the customer shopping experience.

ZARA only produces a certain quantity of products every quarter, according to the restocking application submitted by the store, it guarantees that the product will be updated twice a week, but each product will not sell more than three weeks [2]. Moreover, for some hot products, ZARA will only replenish goods twice at most, effectively controlling the backlog of products caused by demand, idle production capacity and excessive supply in this way, thus stimulating consumers to make quick purchase decisions. To ensure that the ZARA inventory will not exceed 20, well below the clothing industry 35% level.

3.2. Innovative supply chain Management in H&M

H&M is a clothing brand founded by Erling Persson in Sweden in 1947. Today, H&M sells clothing, accessories and cosmetics at more than 1500 stores around the world. H&M has a three-in-one philosophy of fashion, quality and price, creating a dual supply chain of efficiency and cost (See figure 2). Measured by sales, H&M is currently Europe's largest clothing retailer, and earnings have continued to rise even amid the current downturn in retail sales.

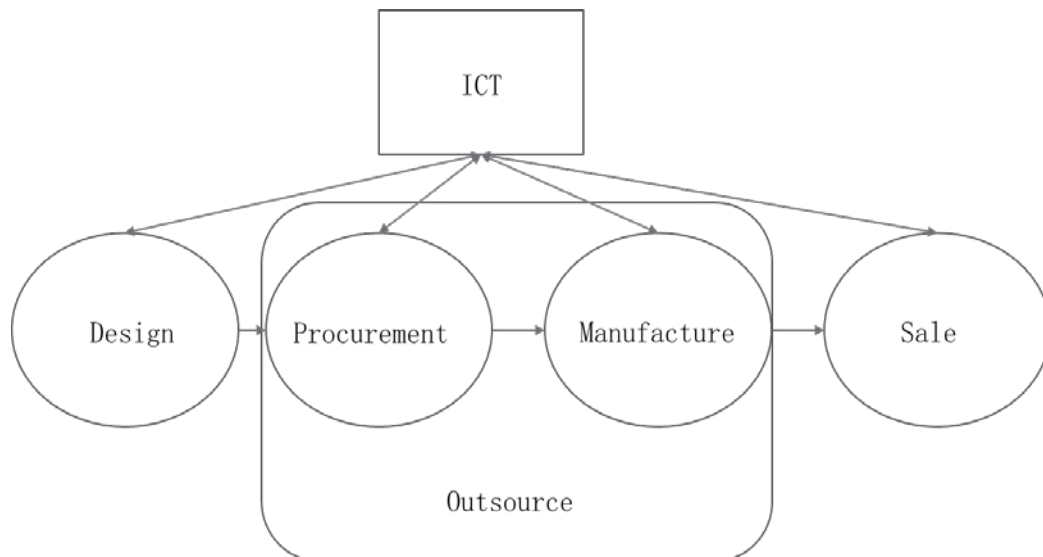


Fig. 2 supply chain structure of H&M

Source: author based on Web data

This paper analyzes the innovation of H&M supply chain management from the following aspects:

(1) Products design: First, H&M is a fashion follower, not a creator. On the one hand, more than 100 designers travel to and from the major fashion kingdoms on a regular basis to capture fashion trends and features, and on the other hand, according to the feedback of store terminal customer demand to obtain customer demand fashion features, Thus forms the "push-pull" type design production mode [3]. This ensures lead time and provides the product the customer wants to "hold" the customer.

Secondly, H&M began to promote product design innovation, and gradually turned to a custom-made production model. H&M combined with a top-level design master to integrate quality, fashion and low prices perfectly, and to launch low-price, high-quality products that would drain the trend. Shape brand characteristics and competitiveness.

(2) Procurement and production: H&M strives to balance efficiency and cost. In order to achieve low cost, H&M places production and purchasing in low cost areas. First of all, outsourcing production, outsourcing all production activities to 700 suppliers in 22 countries in Eurasia, 60 percent of them in Asia and 40 percent in Europe, have innovated the dual-supply chain management model of two-speed parallel procurement--purchasing basic products from Asia,in order to reduce costs as much as possible, purchase products that require rapid response from close to sales, ensuring speed. And H&M regulates suppliers and works only with suppliers on its list. Thresholds are set to ensure quality and coordination, adjust and

cooperate with each other.

Second, procurement flexibility, 12 times a year procurement, rather than quarterly procurement. In order to ensure the accuracy of the purchase, H&M set up a ICT information exchange platform within the company to make the information of sales, inventory, purchase plan and production plan completely transparent, and set up a circular information feedback mechanism. Ensure accuracy, quick response and low cost from fashion prediction-design-production-product feedback-sales phase to ensure procurement readiness.

(3) Logistics and transportation: First of all, logistics outsourcing, H&M outsourced all logistics to DHL and Green Cargo, freight transport subcontract to professional transport companies, using the ICT platform to track the logistics process management and planning the best route to ensure the timely supply and deployment of products. At the same time, control efficiency, cost and professionalism, to ensure the H&M low-price and high quality core competitiveness.

Secondly, different from the speed pursued by ZARA, H&M pays attention to cost control in logistics and transportation, so the main modes of transportation are railway and sea transportation.

(4) production marketing: H&M pays attention to the customer experience, first of all, the store is high-end built, the store display is close to the big brand, in order to satisfy the customer's ultimate experience, and the store area can satisfy the display of thousands of products. Create a "one-stop" shopping environment. And different from other fast fashion joining mode, all H&M stores are self-owned, leased and used to avoid the drawback of the shortage of enterprise funds.

Secondly, H&M pays attention to celebrity effect in sales, and strictly controls the cost inside, but the cost of publicity is higher, accounting for 3 ~ 4% of the sales volume, H&M uses the star to shape the image of "low price high-end brand", and promotes the appeal of brand.

4. Comparative Analysis between ZARA and H&M

Compared with H&M, ZARA innovation supply chain pays more attention to rate building, but neglects product cost, quality and innovation, which leads to its low price and low quality and lack of competitiveness. This part mainly explains the deficiency of ZARA innovation supply chain and its influence on the development of ZARA.

4.1. Deficiencies in ZARA Innovation supply chain Management

Do not pay attention to product quality: first of all, ZARA design lack of innovation, still maintain the original brand positioning and development model, simply rely on imitation and reorganization. Secondly, the quality is neglected in the pursuit of speed. ZARA pursues speed blindly, and from the design stage, it does not strictly control the quality of fabric. ZARA can not guarantee the quality of raw materials and products by changing suppliers and manufacturers frequently in order to pursue low cost.

High product cost: whether ZARA choose air transportation or nearby production will have a huge expenditure, too high cost eventually lead to high product price, price competition does not have an advantage.

The lack of innovation in marketing: there are many fast fashion brands available in the market, such as H & M star effect marketing is the main marketing means of the clothing industry, ZARA still takes hunger marketing as the main sales strategy has been eliminated by the market.

The model is easy to replicate: ZARA's supply chain management lacks other innovations besides speed, such as product design innovation, supplier management model, etc., as other enterprises improve their economic strength, This supply chain management model is easy to replicate.

4.2. The realistic influence of insufficient Innovation supply chain Management

The shortcomings of innovative supply chain management have reduced customer loyalty to ZARA, further affected the profitability of ZARA, and even weakened the advantage of ZARA, which is gradually overtaken by other brands, as follows:

(1) Customers are losing a lot: First of all, the PH index is often not up to standard, the formaldehyde content exceeds the standard, and so on, which leads to the sharp decline of customer trust. Secondly, the product lacks innovation, customer loyalty drops obviously, the profit level of shop is not as good as before. Moreover, because of the high cost, ZARA products further price, higher prices than other fast fashion brands, customers began to switch to other brands.

(2) Lower profit level: ZARA sales performance in first-tier cities is relatively impressive, but the secondary and third-tier city stores are basically in a no-profit state, inventory increases and gross profit margin decline lead to a vicious circle of marketing mode.

(3) Gradually caught up: ZARA's competitiveness is declining, development is not good, is gradually being overtaken by other fast fashion brands led by H&M, 2018 global clothing and fashion brand value ranking, ZARA behind H&M, ranked third in the world, Brands such as UNIQLO have also outsold ZARA. in recent years.

5. Solutions

Fast fashion enterprises, represented by ZARA, should learn from H&M to pursue speed and cost balance and focus on both price and quality. The specific countermeasures are as follows.

(1) Attach importance to product quality: The first stage of product design should take the product quality into account. On the one hand, the design team should carry out product innovation while ensuring the basic needs of customers. On the other hand, the design team should be sure of the process and material of the fabric, and avoid leaving quality loopholes in the design stage of the product [4]. Secondly, in the stage of purchasing and production, we should establish a stable supplier system, establish long-term strategic cooperation with suppliers, realize information sharing, and monitor the quality of upstream products and reduce communication costs. Finally, the establishment of a strict monitoring system, all kinds of fabrics into the Strict inspection, for non-qualified products to actively implement the treatment program.

(2) Control cost, flexible pricing: First of all, we should control the cost, in the stage of product procurement, basic fabric bulk purchase, switch to railway, sea transportation and other general modes of transport. Production phase, appropriate increase in Southeast Asian countries production ratio, reduce manufacturing costs. Secondly, according to the adjustment of pricing scheme, according to the changes of consumer groups, we should make the choice of raising and lowering the price according to their consumption level, and then make differential pricing according to the difference of consumption psychology between men and women.

New marketing, orderly expansion: first of all, we should make use of fan effect to innovate marketing, create star effect and improve brand competitiveness. Second, ZARA needs to control all store operation, close inefficient stores, and then forward-looking preset market saturation, according to the operational conditions of the enterprise has rhythm, scale expansion.

(3) Continuous innovation: Continuous innovation in supply chain management to reduce the possibility of replication by other fast fashion companies. First of all, we should change the plagiarism mode in the product design, combine the cultural characteristics of the consumer market, join the international fashion elements,

realize the breakthrough in the design, and meet the individual needs of the consumers. Secondly, it innovates the new experience of customers and seamlessly connects the physical stores and the online sales before and after sale, thus improving customer satisfaction and loyalty.

6. To sum up the experience of analysis

The innovation of supply chain management is a continuous process. The new mode formed by one-way innovation is not enough to support the long-term development of an enterprise. First of all, the fast fashion enterprises must take the customer as the center, attach importance to the cost and quality of products, and not simply rely on the speed advantage of supply chain to respond to the market. Secondly, it is necessary to continuously innovate supply chain management, from product design, modern scientific and technological means to product marketing strategy innovation, by reducing the risk of being copied, adapting to the rapidly changing market demand and forming unique competitiveness. These two parts are not just for ZARA, but are worth the attention of all the fast fashion companies. For reference.

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