

# TEST WALKTHROUGH - 2013 S1 Section C

Thursday, 12 September 2013 9:59 a.m.

★ **KEEP IT SHORT AND BRIEF!** Concise answers show you know the answer :)  
If you do write something wrong and you write more onto the overflow page, write 'see overflow' at the bottom of the page where you left off.

💬 Wherever possible, **quote directly from the case.**

📖 Try to make your **answers flow on from each other** -- they are structured in such a way that they can be answered linked to each other.

36. Analyse the case and summarise briefly the situation by identifying *Zara's vision, customers, and suppliers*. Justify your answers with evidence from the case.

- **vision:** a statement which conveys the values of the company, could include
  - 'customer is at the heart', 'closely linked to their customers'
  - 'special fondness for fashion'
  - 'non-stop flow of information'
- **customers:**
  - 'wealthy upmarket customers'
  - people interested in fashion
- **suppliers:**
  - fabric and trim suppliers
  - garment cutting machine suppliers - Zara
  - logistics companies for deliveries
  - IT suppliers

💡 If you can't find a supplier, remember that every organisation has specialised suppliers as well such as accounting and consultancy.

37. Using Porter's Five Forces Model, analyse the **industry structure** of the international *fashion* industry. Make reasonable assumptions where required and justify your answers with evidence from the case.

- **Buyer Power** - High
- **Supplier Power** - Low
- **Threat of New Entrants** - High
- **Threat of Substitute Products/Services** - Low (clothes = no substitute)
- **Rivalry among Existing Competitors** - High

38. Using Porter's generic strategies, **identify the strategy** that *Zara* is currently following. Justify your answers with evidence from the case.

- **Differentiation:**
  - high cost:
    - 'wealthy upmarket customers' suggest high cost
  - broad market:
    - 'shoppers in 86 countries [in] its network of 1751 stores ... in the world's largest cities'
    - 'wide range of people, cultures and generations'

💡 If you think otherwise, and can argue your perspective well, then you can select a different strategy.

39. **Identify the three most important business processes** that generate value for *Zara*. Also identify the corresponding Porter's value chain activity for each process. Justify your answers with evidence from the case **ONLY**.

Identify some processes:

- capturing feedback from customers - 'email or phone call received from stores'
- information capturing process - trend information flows daily from database
- creating new design lines
- modifying existing lines
- cutting and assembly of garments
- distributions and deliveries - supply chain management



Any process you can justify and back up from the case will be accepted -- importance is subjective but back up the process you've identified.

Which value chain activity matches the most important processes?

- Manufacturing garments = **Make the product or service**
- Designing garments = **Research and Development (R&D)**
- Getting feedback from customers = **Service after sale**

40. **Identify two SPECIFIC information systems** that support *Zara*. Also identify the corresponding broad information system type. For **each** of these specific systems, describe how they **add value** to *Zara*. Justify your answers with evidence from the case.

- **transaction processing system (TPS)**
  - o sales processing system - business exists to make money and sales
- **decision support system (DSS)**
  - o manufacturing management system
- **customer relationship management (CRM)**
  - o customer feedback capturing system - can share information with various branches
- **supply chain management (SCM)**
  - o inventory and raw materials management system - more time for design
  - o distribution processing system - in distribution facilities: sorting, underground tracks

41. In class we discussed how information systems and technologies enable an organisation and its employees to achieve the following goals:

- (a) reduce cycle time
- (b) reduce costs
- (c) improve customer satisfaction and
- (d) gain competitive advantage

For each goal provide **an example** of how this is achieved in the case and **identify a specific key performance indicator (KPI)** that *Zara* could use to measure if the goal is actually being achieved.

Try to structure your answer using a specific system with evidence from the case and 'flow-on' effect (eg. how a system affects something else which affects something which achieves a goal).

- (a) - inventory and raw materials management system: fast inventory turnover = reduction in cycle time  
KPI: level of inventory on hand (indicates product obsolescence)
- customer feedback capturing system: responding to needs = less delay in designing or better stock management = reduction in cycle time  
KPI: level of inventory on hand

- (b) - distribution processing system: increased automation = less human labour input required  
= lower costs involved  
KPI: expenses across years, lowered cost percentages
- (c) - customer feedback capturing system: responding to needs/responding to feedback =  
maintaining good customer relations/increasing customer satisfaction  
KPI: survey results, in-store feedback
- (d) - customer feedback capturing system: responding to needs/responding to feedback =  
appealing to markets =  
KPI: market share in the fashion industry - growing or shrinking?  
(NB. More people does not necessarily equate to a greater market share!)