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The evaluation of the efficacy of supply chain management of retailers in the context of globalization

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Abstract

This paper expounds the supply chain management of retail enterprises under the background of globalization, as well as the decision-making and strategy of supply chain management. From the concept, origin and strategy of supply chain management, the analysis and types of retailers' supply chain management are introduced. Finally, specific cases are compared and analyzed to Zara, the representative of clothing retail enterprises famous for fast fashion and non-fast fashion, and Uniqlo, which has an unshakable position in Japan. At the same time, it also introduces the influence of China's e-commerce on the two garment enterprises and gives its strategic suggestions.

Keywords: ***Supply chain management, retail supply chain, Zara, Uniqlo***

1. Introduction

In today's era, due to improved living standards, 'fast fashion' has now become a norm in developing and developed nations. Consumer demands related to clothing are changing faster than ever before (Usui, 2018). Haag (2019) had stated that the consumer demand is changing but the industry response is not changing with the same pace. In the clothing industry, few established players like H&M, Garage, Dynamite, Lululemon etc. have adopted innovative supply chain method for meeting the consumer demand, however, most clothing manufacturers are still following the traditional method (Cutler, 2019). The need to have clothing varieties means that clothing manufacturers have to respond quickly to the needs of the consumers (Wang, 2018). In China and other parts of the world, this has not been the case as the trend for fast fashion is there but the response from clothing manufacturers has been slow. Mainly, in China due to slow response of the traditional supply chain model (Ha, 2018).

The focus of this paper is to analyze the changes in Supply Chain network of clothing brands due to globalization and what other clothing manufacturers can learn from it.

In clothing industry, Supply Chain has become an important competitive advantage. Norris and West (2019) defined Supply Chain for clothing as network of designer, fabric manufacturer, apparel producers, transportation provides, wholesalers, and retailers. Gunasekaran (2019) pointed out that Zara and Uniqlo examples are discussed throughout with reference to their operations in China and other countries. Li (2019) stated that Zara's supply chain management in clothing industry is kind of a state of the art. They both have established themselves in the fast fashion industry by managing their Supply Chain network (Xuejie, 2019). Both these brands have huge product development expertise which has allowed them to gain considerable amount of economic benefit and also implement unique marketing strategies (Halldorsson, 2020). The development of their supply chain networks is solely powered by the use of technology, information management, and logistics planning. They have been successful in some markets while they failed in others (Hitt & Ireland, 2019). An overview of the main supply chain strategies which are followed in the clothing retail sector in general and then an analysis of Zara and Uniqlo supply chain strategies is provided in this report. At the end strong suggestion and conclusions are drawn from the analysis conducted in previous sections.

Significance of research on supply chain management

This research will have significance due to the changing nature of clothing industry due to globalization. The clothing manufactures are now able to form partnerships with vendors and suppliers from around the world due to globalization. Information and raw material flow have become easier than ever before. Companies like Zara are managing their central warehouse after importing product in Spain from Mexico, Brazil, and Asia (Sherman, 2019). The trend of fast fashion is on the rise which makes clothing companies quick response to trends very important. Therefore, this research focuses on meeting the following objectives:

- Identify the influence of Supply Chain ability on organization's ability to meet fast fashion trends.
- To identify the influence of technological supply chain ability on competitive edge of clothing manufacturers.
- Establish a link between inventory management and competitive advantage of an organization.
- Understand the working of different supply chain models utilized by different clothing brands and evaluate their effectiveness.
- Provide suggestions for the existing and new clothing manufacturers who are entering the industry or are already a part of it.

The significance of this research is to provide information on the supply chain management techniques utilized by the clothing industry and help other companies in developing countries to adopt a similar kind of framework which will help them in getting to same level of success.

2. Retail supply chain management.

Analysis of the development trend and current situation of the retail industry

Traditional retail

Traditionally, the clothing retailers are governed by the short product cycle, variety of demand, and other features. The retail network that traditional clothing brands had developed was more company centered (Halldorsson, 2020). The manufacturers of clothing used to produce it in bulk and then send the product to the distributors or retail shopping networks. This idea of traditional approach can also be seen in figure 1. The key goal of these retailers was to cover as many customers as possible.

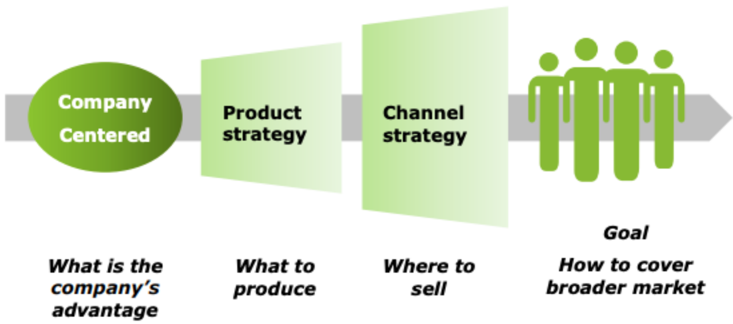

Figure 1. Traditional Approach towards Cloth Retailing

Source: Larson, 2020

In traditional retail network, the sales channel of each company was managed separately by their different business units. These were independent sales resources, supply chain models, KPI metrics, and operations teams (Kouvelis, 2019). This traditional approach of running the supply chain is still utilized when adopting the OMNI channel network. This channel can be seen in the figure where traditional channel management can be seen in the purchase step with introduction of Omni channel. '

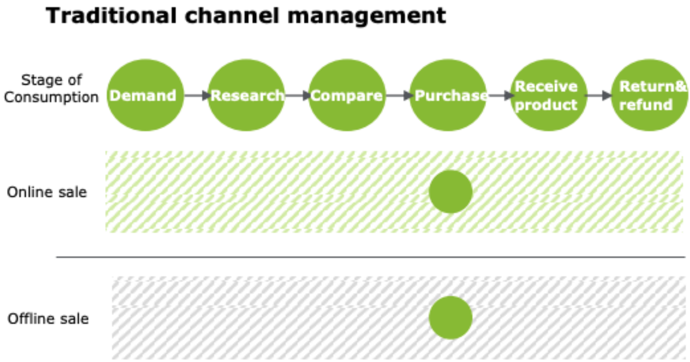

Figure 2. Traditional Channel Management

Source: Tan, 2019

Most companies operating in the clothing business had developed their own traditional network for supply chain. This network consisted of key players from the process of procurement till the purchase of final product (Jacobs, 2019). This can be seen in figure, where suppliers provided the raw material, manufacturer made it, wholesaler sold it to retailer, and then it was delivered to the final customer. There was no feedback loop or the inclusion of technology in the different phases to make it a modern kind of supply chain.

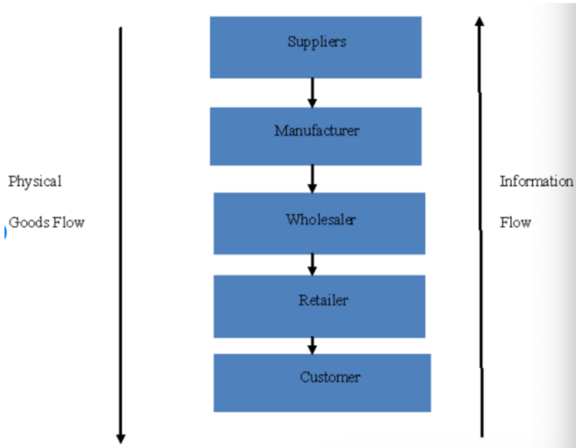

Figure 3. Traditional flow of Supply Chain Management

Source: Haag, 2019

New retail

As the globalization is happening across the world, competition of production and design amongst the clothing brands is getting fierce. This increase in competition is forcing the enterprises to try new ideas in their supply chain management (Lebbar, 2018). Now a days, the change in demand, speed to market, and the ability to accurately forecast demand all have an impact on the supply chain network of an organization. The challenges and problems faced by the clothing industry are higher than usual.

Clothing companies who have a retail outlet now have to deal with different challenges arising due to supply chain issues. They have to keep a variety of clothing while minimizing their inventory turnover (Tan, 2019). The economic growth and improvement in standard of living, customer demands are changing. The market demand is becoming complex and difficult to predict. For example, as of 2017, China's 87 textile garment manufacturer reached an all-time high of $73.2 billion in manufacturing of end products. From this, 87% of the clothing was produced for small and medium sized enterprises (Sherman, 2019).

In today's retail network of clothing brand, the process of adapting to changing needs of customers is very important. This adaptation process has to be revolutionary as it helps in managing the demand of customers (Mahmoudi, 2021). The target customers who are young and fashion-conscious play a critical role for the designers. The clothing brands must have store leaders who can have conversations with the customers and find out what they are looking for. The feedback from such conversations have to be passed along to the corporate head office for innovative and new design idea.

The role of IT systems like Just in Time ordering, barcodes, RFID etc. is important in traditional clothing retail network as well. Clothing brands need information that is in real time. This information helps in managing their inventory cycles. Sales data, and other sources of information like TV, universities, fashion shows etc. (Halldorsson, 2020). have an impact on the demand for certain kind of clothing. Efficient IT systems enables a company in capturing such information and then utilize it for offering a final product which is liked by the end users. Technology enables the clothing retailers to form their sales channels as well. Without it, there can be a rapid decline in order and situation can get worse.

The pandemic of Covid-19 has changed the retail network to some extent as well. The full implication of the pandemic is not yet obvious; however, analysts believe that traditional retail supply chain is going to cut it. In the post pandemic era, a new approach towards supply chain management will be required so future supply chain disruptions can be avoided (Nakano, 2020). Companies like Coca Cola, Ikea, and Apple learned about the importance of their supply chain and outsourcing their production to countries like China. Now automating the supply chain will be a key goal along with building strong partnerships with multiple vendors or suppliers to ensure raw material supply is not disturbed (Hansen, 2021). Companies will also track inventory to optimize their storage and replenish it in cost effective manner. This will be important for managing stock outs and minimizing the carrying costs.

Comparative analysis of traditional retail industry and new retail industry

The traditional network of supply chain was disrupted by the introduction of Omni channel only. Traditional brands who were working in the retail sector pointed out that managing supply chain is one of the major problems in traditional retailer network. A survey from Deloitte (2019) described supply chain management as the most important strategic development decision for the clothing companies.

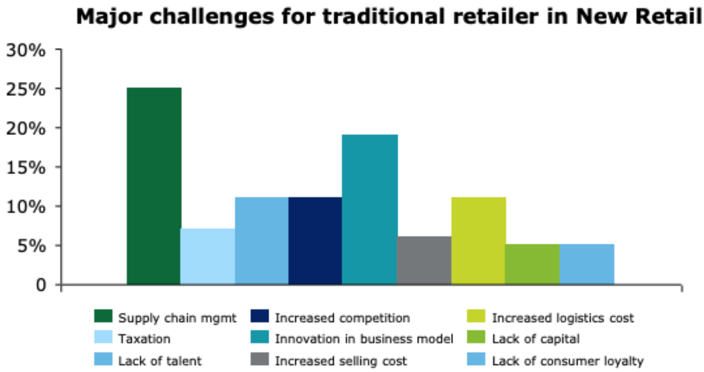

Figure 4. Challenges to traditional Supply Chain

Source: Deloitte, 2019

When we compare the traditional supply chain network with the modern supply chain network, there are obvious differences. The modern supply chain is purely dependent on the interaction with customers and it is very customer centered (Evans, 2019). The traditional approach towards supply chain was more of company centered. Companies produced the product and sent it to the retailer without getting any feedback throughout their value chain process (Xuejie, 2019). This can be seen in figure 5 where product flow is happening in one direction but the information flow is missing. That itself created hug challenges for the manufacturer and supplier of products.

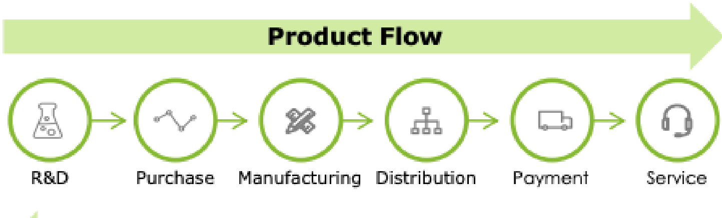

Figure 5. Traditional retail network flow

Source: Lebbar, 2018

The traditional retail network was unable to combine the pieces of supply chain management together. With help of the modern supply chain management, any company can form their own supply chain network. The pieces of this puzzle can be seen in figure. This can be shown as the best practice model or a modern era supply chain. The digitalization of supply chain allows a retailer to collect real time data when they want it (Mckee, 2019). They can capture data with transparency and objectivity. In traditional network this was not possible and even when data was collected it was subjective. In the traditional mode of supply chain, it was difficult to provide differentiated product services to the end users. The model was mostly based on the production and product characteristics. Now, the product personalization is based on the customer expectations. So, the supply chain has to be based on the service and customer requirements. With the traditional supply chain network, multi-channeling was never possible. There were separate sales channels with their own KPIs, functions, and resources. There was lack of incentive for cross channel collaboration (Xuejie, 2019). Now, with the modern supply chain methods, it is possible to share resource throughout the process and provide performance incentives. There is data sharing which allows for cross channel visualization between upstream and downstream partners. This places the supply chain as a business service function with an emphasis on flexibility and service level. Companies are capable of performing end to end supply chain operations to satisfy the customer service needs in customized manner.

Types of retail supply chain management

For clothing brands, quick response is supply chain management terminology which is a key to success. This is a technique which can be used in combination with the Point of Sale (POS) systems for getting first-hand information (Chapman, 2018). The data from POS help in Electronic Data Interchange (EDI) which is important for ensuring that the inventory can be replenished when needed. The idea behind managing the quick response is to replenish certain products at a small number of multi-frequencies for achieving a common goal and shortening the delivery cycle, reducing inventory, improving customer service level, and competition in the industry. Based on this, the standard supply chain network can be divided into four different types for the clothing retailers. These are:

Functional Type Supply Chain

This type of supply chain was a traditional network of supply chain which was based on the function of each entity involved (Moore, 2020). A company produced their clothing apparel and then distributed it through their supply chain network. The main functions which were performed in this supply chain included product development, distribution, customer services, and marketing.

Innovative Supply Chain

The innovative supply chain refers to the interconnection of key players within the supply chain network. It means that the information is continuously shared in between the supply chain network for improving the whole supply chain network (Stossel, 2019). They have functional areas which work with one another for improving the way a supply chain can operate. For example, it improves the information flow for work orders and funds flow throughout the supply chain.

Push Type Supply Chain

This type of supply chain refers to managing a supply chain which is based on the idea that products will be manufactured and shipped when there is enough customer demand (Hitt & Ireland, 2019). This kind of supply chain model is mainly followed for seasonal items. Zara has an element of push type supply chain for their specific fashion items. The demand from customer basically drives the whole supply chain network.

Pull type Supply Chain

This kind of supply chain is designed for 'make to order'. Their production is based on the actual demand for product. It is hard to find an example of a clothing brand which is following this strategy entirely (Davies, 2021). There are some small and medium size clothing retailers who follow this strategy. In most cases, clothing brands work between the push and pull type of supply chain to manage their demands.

These types of supply chains are developed in the clothing sector because they help in shortening the life cycle for innovative products when demand is uncertain. For an enterprise like Zara or Uniqlo this is important because they have to respond quickly to market needs (Warburton, 2021). Research suggest that most clothing brands are now using innovative type of supply chain management because it helps in achieving rapid response to the customer demands.

Based on the size of an organization, there are instances when a partnership is established between a supplier and a manufacturer. Zara has created its vertical integrated supply chain mode with partnership and acquisitions (Uncles, 2020). In this kind of supply chain network, a short partnership is established between the supplier and the manufacturer or the seller and the buyer. In clothing industry, this method can be successful if the decision to manufacture a particular item is for short term. It can work in the short run because decision making and information sharing can be improved due to involvement of few players which can improve the quick response capacity of the supply chain.

Amongst all the supply chain types for clothing brands, the main element for success is information sharing. This can be upstream or downstream depending on the supply chain network established by a company. If there is no information sharing then the ability of whole supply chain will be greatly weakened (Moscaritolo, 2020). This can cause a lack of flexibility in the supply chain. Every member of the supply chain will make adjustment based on their internal and external interpretation of the situation which will have an impact on the speed to market. Level of information sharing amongst the different types of supply has a direct influence on quick response of the clothing brands.

Operation performance evaluation system of retail enterprises

For evaluating the performance of retail enterprises, companies have developed certain performance metrics for clothing retailers. Some of the well-known performance evaluation metrics include inventory turnover, bottlenecks, stockouts, cross docking, POS, data management, perfect order, fill rate, customer order cycle, days sales outstanding, freight bill accuracy, cash to cash cycle time, GMROI, holding costs, Supply Chain costs v. sales, on time shipping, delivery times, return rate, inventory to sales ratio, and inventory velocity (Hines, 2021). These are important metrics which helps in supply chain management of clothing retailers.

3. Application analysis of supply chain management of ZARA Company

Introduction of Zara

Zara is a Spanish clothing brand which is known across the world for their innovative business strategy that is powered through their supply chain management mainly. This brand is owned by Amancio Oretego Gaona who is a famous Spanish business tycoon (Jacobs, 2019). After years of operations, Zara has now established itself as the world's largest clothing retailer. Zara has been successful in establishing such a name with help of the vertical integration model which is something that is difficult to imitate for the competitors (Nashrulla, 2021). This vertical integration of supply chain includes all phases of the fashion process like design, manufacture, logistics, and distribution to corporate owned stores. The core idea behind this vertical integration model is to ensure that products are delivered to the customers when they want it and wherever they want it. For Zara, this level of integration has helped them in shortening the inventory turnover period and establishing a greater flexibility (Wong, 2021). The fashion risk of Zara has been minimized to the greatest possible extent. Some analysts have used the metaphor of 'Quick Change Artist' which resembles the competitive advantage and supply chain management capabilities of Zara. Figure 1 provides a brief overview of this analogy as Zara is capable of offering new clothing designs within five to six weeks as compared to competitors.

Figure 6. Quick Change Art of Zara

Source: Wong, 2021

Supply chain management mode of Zara Company

The Supply Chain Model of Zara is planned intelligently because it allows them to reach their more then 2000 stores worldwide in 88 different countries. For any other clothing brands, this can be a challenging task based on the fact that demand can change quickly. Zara's flexible supply chain allows it to adapt to the latest changes as per the season and then deliver products to end users (Stossel, 2019). They have specific retail locations where market research is conducted for financial viability and checking the market needs for a particular design. The stores are located in areas which have a high traffic and prestigious locations.

These primary locations give customers an opportunity to browse the stores and pick their favorite designs.

By principle, the supply chain management of Zara is divided into four different categories shown in figure 7. This shows their vertical integration as well. The whole process starts at the design and order level where different designers from all over the world are working together to bring the best solutions (Evans, 2019). These designs are then sourced to the manufacturing team which is also ran by Zara. After manufacturing, product is sent to the distribution team where it is finally delivered to the retailers. From the retailer, feedback is provided back to the management team. This feedback is used for creating new designs and fashion. This loop is completed by Zara every time which helps them in maintaining their prestigious brand image.

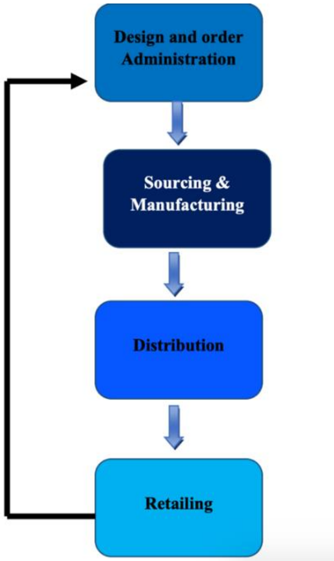

Figure 7. Supply Chain Management of Zara

Source: Craig, 2020

This vertical supply chain model helps Zara in maintaining their market share. Other competitors are unable to compete with Zara or even imitate its supply chain model because all of the expertise that Zara has passes the VRIN test which helps them in building their competitive advantage (Craig, 2020). To better understand the Zara vertical supply chain management figure 8 provides an in-depth overview. Each of these areas will be discussed in the following sections.

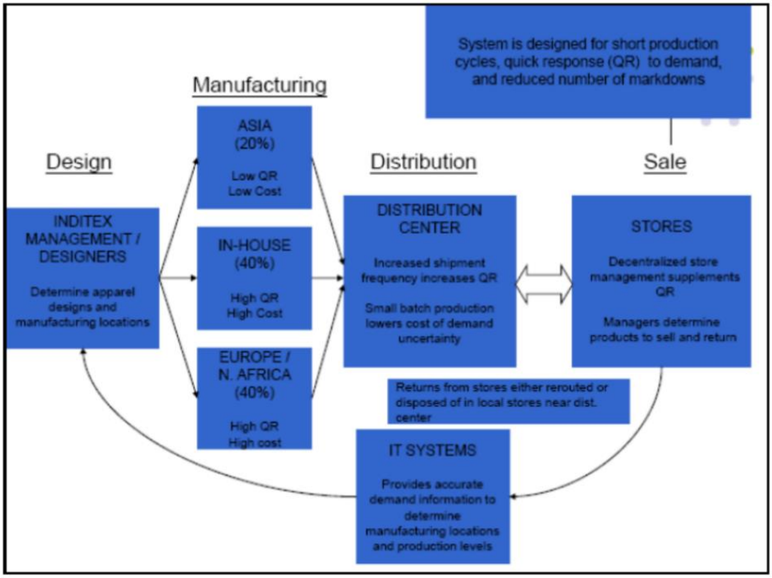

Figure 8. Supply Chain model of Zara

Source: Moore, 2020

Design/Order Administration:

Zara now has a team which is called 'commercial team'. This team is responsible for making designs and managing the ordering administration. This commercial team has different key players like designers, market specialists, and buyers. Each of them has a unique role assigned to them. The designers of Zara have the key role as every year more then 40,000 designs are prepared by them but only 10,000 of them gets produced (Wei, 2019). All the team members in design team work tirelessly for improving the current designs and maintaining their competitive advantage. These designers get ideas from the catwalks, magazines, trade fairs, and discotheques. Every year, Zara creates two main collections. One is the fall/winter collection and the second one is the summer/spring collection. Every year, designers produce their ideas 9 months ahead of the start of the season so sketches are drawn in the Computer Aided Design programs. After approval, fabric, textures, weaving etc. are decided.

Zara is obtaining information from the store leaders continuously. This information is given to the market specialists. The role of these specialists is to inquire the store managers about the trends they are noticing in the field. The store managers are in contact with the market specialists at all time. Store managers discuss their interpretations with the market specialists before placing a final order (Wang, 2018). This minimizes the failure rate to about 1% whereas for other brands in clothing industry, this failure rate varies between 10% and 12%. Thus, designers, market specialists, and store leaders all work together to track the customer preferences and use the sales information for a detailed analysis of the product life cycle. Based on their conclusion, orders are given to the internal and external suppliers. Therefore, design teams and market specialists then bridge the merchandising along with back end manufacturing processes. Although, this is a time-consuming process but the results are concrete.

Sourcing/Manufacturing

This is an element of their supply chain management which has helped them the strongest competitive advantage. Right now, Zara is manufacturing about 50% of their products in Spain. This is done in their inhouse production facilities (Usui, 2018). They use external vendors for completing the sewing operations. There are different purchasing offices in Barcelona, and Hong Kong from where the fabric and thread is being soured. The waste cost is reduced through not dying the fabric. Zara has assigned this role to Comditel who manages the relationship with external vendors for dyeing, patterning, and undyed fabric supply. This process can be visualized in the figure 9 below where each key player can be seen.

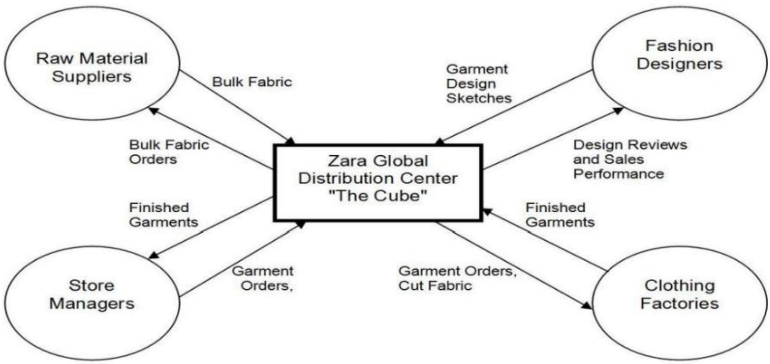

Figure 9. Sourcing network of Zara

Source: Burgen, 2019

The vertical integration supply chain network that Zara has created allows it to make 40% of their own fabric while outsource the rest (Wong, 2021). Once an item has been cut and dyed, the item is then stitched with help of an external local organization. This is done to ensure that Zara is in full control of their design processes. This also allows them to find a particular vendor who can do the job in best possible way. It adds flexibility and variety in their final process. In terms of final manufacturing, 58% of their product is produced in Spain, 24% is produced in Asia, and 28% is produced in Europe (Davies, 2021). The function of their distribution network can be seen in the figure 9 above.

Suppliers

Zara has a huge network of suppliers. A list of their main suppliers is provided in Appendix A. It shows that they have a wide network of suppliers which is spread across the different continents. The delivery of their raw material is crucial for them for which they have created their own network (Abernathy, 2019). In order to deliver the raw material on time, Zara has developed a network of transport logistics which is strong and reliable. Due to their vertical integration strategy, each of the players are owned by Zara. The figure provides an overview of how Zara gets their product from the supplier and gets it delivered to their manufacturing facilities in Spain.

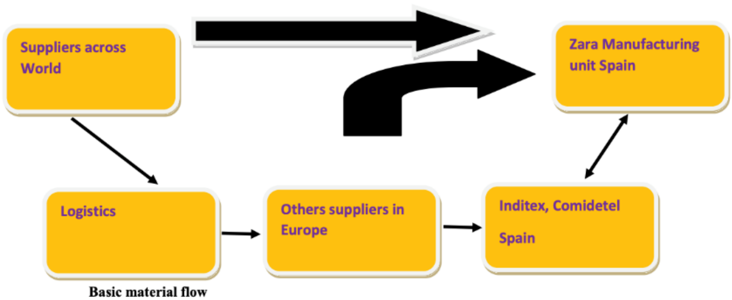

Figure 10. Supply Chain flow of Zara

Source: Mirzaee, 2020

Distribution

Zara developed its distribution channel in a way that it minimizes the lead time which has allowed it to maintain its competitive advantage. Their facility in Spain is about 600,000 square feet which is then accompanied with other production facilities in Argentina, Brazil, and Mexico (Jacobs, 2019). The flow of their production throughout the supply chain network can be seen in figure 11. They have their warehouse at these four blue dots. All the finished product is received by the store in Spain from where internal and external suppliers deliver it across Europe. From there, finished products are delivered to stores worldwide at least twice a weak. In order to create efficiencies in the distribution network, Zara arranges the delivery time according to local time and then ship it through land or air transport facilities. They have developed an inhouse software for managing their logistics throughout the distribution network. It helps them in reducing their delivery time and improving the order processing methods. On average, it takes about 24 hours for delivery of Zara products within Europe (Nashrulla, 2021). It takes about 48 hours for order delivery in most parts of US, Canada, and some Asian countries (Sherman, 2019). Their distribution network is capable of moving 2.4 million items a week. To achieve such milestones, Zara owns a logistic fleet as well. For example, sometimes, chartered flights are used for reaching out to different destination which are far from the distribution centers. While other times, trucks are being used for reaching the locations which are closer to distribution center.

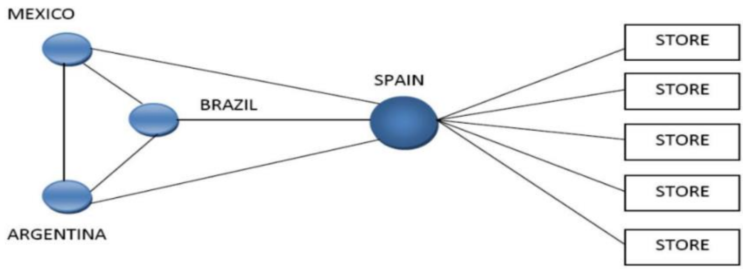

Figure 11. Direct distribution network of Zara

Source: Hines, 2021

Retailing

To manage its retail network, Zara is using the backward vertical integration method. This method allows Zara to keep all players involved until the final order has been placed. This backward integration allows it to maximize their manufacturing efficiency and increase its inventory turnover numbers. The new designs and latest fashion inventory can be delivered to the customers when they need it (Nakano, 2020). The merchandising and store operations established by Zara help them in achieving this goal. This is achieved through establishing a set of Key Performance Indicators for the store managers. Amongst such KPI's, one of the most important elements is the ordering window. Zara ensures that all store leaders are following the order deadline strictly. For example, they have to place an order before 3PM on Wednesday in US and 6 PM on Saturday in Spain. These orders are then tracked closely which helps in maintaining their retailing efforts across the globe.

Merchandising

All of the merchandising which is done at Zara stores follows a principle of high fashion content. They maintain the quality of their products and ensure that styles are changed as needed. They have three main product lines for men, women, and children (Sherman, 2019). Each of these product lines are further divided based on the demographics. For example, women product line is divided based on pricing, fashion style, and age. Zara does not invest enough in advertising. All their marketing budget is going towards their international expansion and making their product economical for the end users. This shows that Zara heavily relies on their brand image and product differentiation (Mazaira, 2019). They also ensure that all of their stores are located in prime locations to attract the end users.

Store Operations

For Zara, sale of their products is not just the end of the Supply Chain process but it is kind of a restart button. After a sale has been completed at the store level, the feedback loop is generated for the design team about the latest trends and fashions. The store leaders have to constantly share their feedback with the design teams. They provide the feedback to design team for change in the fashion style (Doeringer, 2020). The designers then work on their own to create new assignment. At the store level, feedback to designer is the most important part for their Supply Chain management. If this is missed then Zara will be unable to maintain their competitive advantage in the market. Exact customer requirement is obtained and then the whole supply chain network works together in preparing the final product.

Reasons for Zara's success and challenges

One of the major reasons for success of Zara’s supply chain management processes is the fact that they keep most of their production inhouse. Their success relies on the fact that an insignificant portion of their production is kept in house to make sure that they their factories are capable of adjusting 85% of their capacity (Alice, 2021). This inhouse production capability of Zara allows it to be flexible with respect to amount, flexibility, frequency, and variety of new products which are being launched by the company. Most of the time, Zara relies heavily on the sophisticated fabric sourcing and sewing which is all available near their production facility in Spain.

Zara design technique are quite different than its competitors. Most of the competitors in industry are producing their seasonal apparel well in advance. Zara on the other hand commits to a six month advance to only 15 or 25% of their total season lineup. It only locks up to 40% of their line at the start of the season (Uncles, 2020). This means that almost 50% to 60% of their clothing designs are manufactured and distributed right in the middle of the season. If one of their designs becomes a new must have fashion in the street then with their agile supply chain network they are able to produce new designs and keep things rolling during peak demand.

The whole supply chain network of Zara is dependent on the information flow between different key players which shows that they are following an innovative supply chain management process. The stores are capable of communicating feedback from shoppers and customers directly to the marketing specialists (Hitt & Ireland, 2019). They tell the specialists what is being liked and what is not liked which helps in demand forecasting and capturing the fast fashion trends. This new fashion will be made available in stores within 4 to 5 weeks.

The warehouse and inventory management systems that Zara has been using in the past has allowed them to maintain a lean inventory management system. It is impossible to find any kind of overproduction or overstock in most of its warehouses. There is no deadstock. This is possible because of their supply chain which is designed with lean mindset from raw material to finished garments (Moscaritolo, 2020). They also use inventory optimization models to ensure that products get delivered on time when needed and wherever needed.

The vertical integration model that Zara has established allowed them to shrink their marketing budget to less than 0.3% a year (Jack, 2021). Some analysts consider that these are nothing as compared to other clothing companies. Their location strategies give them enough visibility that it can attract customers easily. They are capable of investing this money in producing designs and fashion items which can actually sell. Their presence in high traffic areas allows the customers to visit the brand more often.

In an era of globalization, one of the biggest challenges for Zara can be to expand in areas which are far from its operating sites (Mazaira, 2019). Emerging countries like Pakistan may have a lot of buying potential but it will be difficult for Zara to implement same level of quality in such a country because there might be a lack of supplier's standards and other infrastructural problems. If Zara had established an operating facility in Asia then it could have been able to target a huge chunk of market from such production facility. Perhaps, China could be an ideal location from where they can supply rest of the Asia.

The supply chain network that Zara has developed can be a huge problem from a sustainability point of view. Earlier it was mentioned that Zara is capable of offering their new designs within 24 to 48 hours with them on ground and in air fleet (Burgen, 2019). Although, this is a strong point of their supply chain network but from an environmental point of view, Zara's carbon footprint can be questioned in future. Also, consumer demand is shifting towards brands that have ethical sourcing (Lebbar, 2018). For Zara, this means that they also have to start showing their sustainability reporting to general public. This can lead to an increase in cost of production which ultimately can have an impact on their ability to produce fast fashion.

With the pandemic in 2020, supply chain network of almost every company has been exposed. Zara also faced numerous challenges related to raw material and supplier's relationships. Now, new trends suggest that the online sales channels are going to grow which in future might require Zara to completely focus their efforts on developing a strong OMNI channel. Right now, Zara has an online website but future trends indicate that companies will have to create an OMNI channel for providing a unified experience to the consumers (Nakano, 2020). This is where their supply chain can be effective or they might to completely revamp their strategies.

4. Application analysis of Uniqlo supply chain management

Introduction to Uniqlo

Uniqlo Co. Ltd. is a Japanese brand which is mainly offering casual offering to younger generation. They have a design and manufacturer 60% of their own clothing styles (Tan, 2019). They are a wholly owned subsidiary of Fast Retailing CO. Ltd. It is headquartered in Tokyo, Japan. They now have more then 30,000 words across the world. They are presents in more than 88 different countries (Tan, 2019). Their business model is inspired by The GAP as it was the first American retailer who focused on selling the private label brands. As of 2019, Uniqlo opened 2,249 stores across the world in different countries. They have been following internationalization strategy to compete with leading brand names. Some of the well-known markets where they have a considerable amount of market share includes: Australia, UK, US, Canada, China, India, France, and Germany. In these markets, Uniqlo has followed the SPA model to penetrate the market. Their major focus has been on offering affordable casual wear with the best possible quality (Sherman, 2019). A brief overview of their supply chain strategy can be seen in figure 12. Their supply chain was mainly created by Tadashi Yanai. Their supply chain management is mainly led by iterative approach towards product development because the company kept on trying different solutions (Kouvelis, 2019). Their approach towards supply chain is completely different then Zara who is their main competitor. Zara has all inhouse production facilities and they believe in rapidly responding to the market needs as fast as possible. Zara ensure that items get in trade within two weeks. Uniqlo has a complete opposite approach because their design process starts almost one year in advance. Unlike their other competitors who focus on selling large variety of trendy fashion inspired by global fast fashion, Uniqlo is more focused on producing fewer style for urban wear.

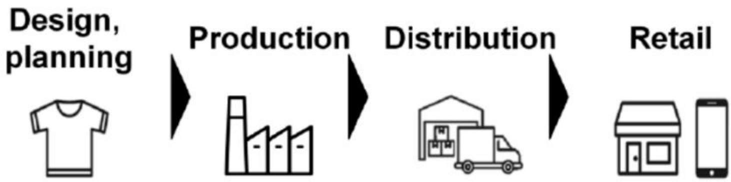

Figure 12. Supply Chain network of Uniqlo

Source: Larson, 2020

Uniqlo supply chain management mode

For Uniqlo, the founder, Tadashi Yanai, has established a unique Supply Chain Management process. This supply chain model followed by Uniqlo is called the Specialty Store Retailer model of Private Label brands (Kouvelis, 2019). This means that this brand is made up of clothing specialty from other brands. The traditional supply chain networks which could be used by Uniqlo has so many intermediary agents. With use of the SPA model, the middle man is completely eliminated (Nakano, 2020). There is a direct sales channel established between the sales and distribution network. This allow Uniqlo to take full control of their supply chain model.

Design

The SPA Model that Uniqlo had adopted has allowed them to maintain very high response rate in some cases. The design process that takes place at Uniqlo is controlled by the craftsman system and the inhouse designers. These is a group that is made of 30 staff members who obtain real time data on sales, production, and inventories as shown in figure 13. The current systems which are used by Uniqlo allows that to start preparing their designs for new seasons six to twelve months before the season starts (Hansen, 2021). They can design, procure material, manufacture products, and deliver to stores. This cycle is repeated every year for obtaining best information and implementing the right decisions. The design process at Uniqlo is impacted by the sales data and real time information obtained at store level.

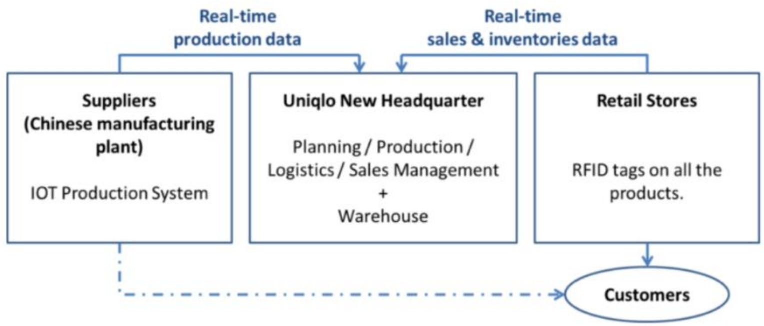

Figure 13. Uniqlo Supply Chain Overview

Source: Doeringer, 2020

Production:

To manage their production, Uniqlo has decided to follow both inhouse and sourcing methods. They outsource some part of their production while other they manufacture by themselves just like Zara. The key different is that Uniqlo has a variety of manufacturers unlike Zara. To solve their sourcing problems related to production, Uniqlo has established a strong screening process. This screening process allows them to vent the manufacturers. They now have 77 different manufacturers in 100 different countries (Abernathy, 2019). For managing its quality, they have developed inhouse quality control methods. The craftsman system is used by Uniqlo for managing their manufacturing needs. This system has 30 design professionals who guide Uniqlo on technical expertise of each manufacturer when outsourcing production. (Caro, 2019) This allows them to maintain same level of quality throughout the production process.

Inventory Management

To manage their inventory, Uniqlo uses the Just In Time (JIT) technology which is powered by the RFID technology (Abernathy, 2019). Their inventory management is done with a focus of minimizing inventory risks and adjusting the inventory timing as per the changes in raw material pricing. To achieve this goal of inventory management, they had partnered with Toray which is a large textile produced that aids in faster delivery of raw material. The advantage of working with Toray is that it works around the year nonstop (Alice, 2021). This ensures that the product that Uniqlo needs is supplied to them throughout the clock without any shortages. For Uniqlo, this is important because it means that they do not have to manage a full operating facility around the clock. This partnership with Toray allowed Uniqlo to manager their inventory easily.

Location

To manage their supply chain, they select the locations carefully. These are strategic locations which are selected after a careful review by the headquarters. The headquarters make decision related to store design, store development, and shopping experiences. The aim of Uniqlo throughout this process is to use 'Location Marketing' technique and select a place that is not far from their distribution network (Nashrulla, 2021). This also helps Uniqlo in minimizing their advertising expenses. They do not invest heavily in marketing but they do adopt a celebrity endorsement technique for promoting their brand. With respect to supply chain management (Stossel, 2019), Uniqlo is able to keep shorter lead times and manage their inventory effectively by selecting locations that meet their logistical needs.

Distribution

The supply chain network of Uniqlo had never been this efficient as it is now. Before 2017, Uniqlo faced some serious challenges because of their supply chain. They had product shortages and sometimes there was mismatch in the design and consumer demands. To solve this issue, Uniqlo started using RFID tags at their distribution networks which helped them in managing their warehouses inventory counts (Moscaritolo, 2020). This improved the process for inventory count and distribution. By using the RFID technology, Uniqlo ensured that they know it all time that how much product is available for them and where is it available. They were able to share this information at different levels of the organization which made the establishment of direct distribution much easier and cost effective. Coordination and cooperation throughout the supply chain was increased as a result of this effort.

SPA Model at Uniqlo

The idea behind Uniqlo is that it wants to be a specialty retailer of private label apparels. They have developed their own advance model which is made up of their own brands of clothing. This model connects the production and sales together. The customers and producers are directing connected which cancels out the role of intermediaries. This allows the brand to not only respond to the customer needs on time but also make the product available to them at a faster speed (Uncles, 2020). This SPA model consists of clothing, procurement, product planning, development, manufacturing, and distribution ideas. The inventory is being managed throughout the different networking players. This model breaks the traditional model followed by other clothing companies because it allows to cut the middlemen. The main advantage of this model is that it cuts down the cost of circulation and also production costs are lowered. This model also ensures that the sales data from each store is delivered directly to the factory for quickly managing production (Xuejie, 2019). As a result, the inventory times are shortened to eight days which allows them to establish a leading position in clothing Industry.

The Role of TCM in Uniqlo Supply Chain Management

Uniqlo supply chain is mainly powered with help of the Total Chain Management process. This is a basis for the traditional supply chain management network. The use of TCM allows for improved overall ability of commodity management through focusing on the stores sales data, market information, analysis of trends, and creating a centralized management and information sharing center (Nashrulla, 2021). At Uniqlo, this done by ensuring that marketing, sales, and planning department managers meet together for sharing information. They analyze the store data with help of the different POS system available to them. This allows for forecasting market demand and ordering enough inventory for finishing products. Each of the store managers need to know their specific circumstances and then enter the delivery date and time in order to submit their order to the headquarter. The headquarters then arranges the shipping and logistics of the order (Doeringer, 2020). After this, the headquarter manages inventory level of each store and based on the information obtained transfer of information to factory happens for reordering a particular product. Within 10 days, the store will receive their product after adjustments from sales data have been made.

Role of technology in Uniqlo Supply Chain

Before these solutions were implemented, Uniqlo had a hard time in managing their supply chain. They were having production, distribution, and retail challenges. With globalization, Uniqlo was able to create a supply chain that made distribution and selling of its products far easier. They were able to form partnerships at a global level with companies from around the world. This was possible because of the real time information sharing abilities that Uniqlo had developed (Abernathy, 2019). They were able to get the sales data and forecast volume. Recently, Uniqlo had announced that they will be able to access and collect vast amounts of valuable data at a global level by working with Google and their artificial intelligence network. They also partnered with Accenture for using algorithm technique to make new designs. Figure 14 shows a breakdown of how technology improved their supply chain management.

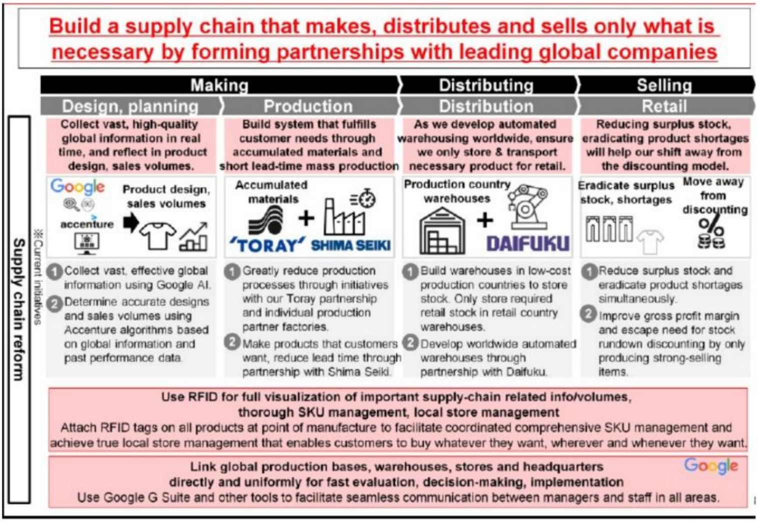

Figure 14. Uniqlo Supply Chain Management with technology

Source: Hansen, 2021

Reasons for Uniqlo's success and challenges

Uniqlo is capable of changing their supply change management strategy to a push strategy as well because most of their core activities are inhouse. They are able to stay close to the customer needs. They can monitor what customers are buying and when they are buying it. This allows the company to stop from overproducing. The stocks levels can be well maintained and overhead costs can be avoided (Nashrulla, 2021). Due to the size of their mass manufacturing, they are able to buy fabric in large quantity which gives them negotiating power. All of this means that they control the decisions related to manufacturing as they are able to anticipate the customer demands.

Their production stage of Uniqlo are worked out to ensure that lead times do not accumulate material in advance. Uniqlo ensure that they are able to reduce production processes and take initiatives to build long term partnerships with synthetic fiber manufacturers like Toray. This is all possible due to globalization as they are capable of working with partners from around the world. They recently partnered with Shima Seiki to manufacture machines which can be used for manufacturing of Uniqlo products alone (Uncles, 2020). By avoiding overstock and eradicating product shortages, Uniqlo is able to move away from traditional supply chain and business model of discounting and liquidation.

The main reason for success of Uniqlo in some markets is that the supply chain network has helped them in creating a strategic fit. The company is now capable of reaching out to the customers in any part of the world. The company is capable of understanding the customer needs to SPA model and TCM. JIT technology is being used for getting real time information from stores which helps in TCM. With use of JIT, Uniqlo is able to understand what the customers are looking for and where they are looking for it (Craig, 2020). If the customer finds a product attractive then they make the sale or else Uniqlo takes the design back and improves it for a quick turnover.

One of the main challenges for Uniqlo is the rising competition from other brands. Although, Uniqlo has develop its own Supply Chain Management process to meet the demands of their market segments but figure 15 clearly shows that they have been lacking behind as compared to other clothing manufactures in the market (Xuejie, 2019). These competitors are expanding in the same countries where Uniqlo is also present. This is not good for the relationships that Uniqlo has established with their suppliers and customers. Ultimately which will increase the cost of production which will have an impact on the final price.

Figure 15. Speed to Market for Uniqlo Competition

Source: Mazaira, 2019

Another challenge for Uniqlo is the inclusion of technology into their value chain. When Uniqlo is expanding across the globe, they find it challenging to integrate their software according to the local needs. The partners in new countries are using technology which is not similar to what Uniqlo has been using (Warburton, 2021). This means that Uniqlo has to make extra effort in order to create a supply chain that is compatible with the technological needs of their partners. Or else, they cannot foster the same mentality of lower cost and high-quality products in the foreign markets (Hines, 2021). With SPA, part of the equation is solved but it needs continuous integration of supply chain components with use of technology for managing the supply chain at a global state.

5. Comparative analysis of advantages and disadvantages of Zara and Uniqlo

The supply chain network that Zara has created enables it to react quickly to the fast fashion trends. This is one of the biggest advantages of the supply chain network that they have developed. Other companies like Gap Inc. and H&M have officially stated that they would love to imitate the value chain that Zara has created for its customers but it would mean that they have to strip their supply chain network apart and build everything from scratch which can be very costly (Abernathy, 2019). The supply chain network that Zara has created allows it to deliver the product when it is needed and wherever it is needed. The latest fashions which are famous on the street can be converted into new dresses within a week's time. This is all possible due to their supply chain management network. Another big advantage of Zara's supply chain is that they do not believe in mass production like Uniqlo. Zara only produces a limited number of quantities for each of their designs (Caro, 2019). This is one of the reasons why Zara products are rarely on sales. They produce in enough quantities to understand and manage the current demand. If a style is hit then they have production abilities to mass produce it and deliver it as fast as possible.

For Uniqlo, the Supply Chain Management is quite different than that of Zara. The application of SPA model changes the network for them. It cancels out the agents and connect the different departments like sales and production together for ordering raw material, product development, distribution, and forecasting (Kouvelis, 2019). It is like being in control of the whole product flow process. Uniqlo is the in charge of planning, production, sales processes, and material procurement. Each of the elements in these phases have different links. The designs are delicate and detailed. For example, when the design process is happening at Uniqlo, it has to consider at least six to eight different aspects of information (Mahmoudi, 2021). This includes sales data, trend analysis, sales plan, material planning, product development, and design. This allows them to attach great quality and product development at the design phase. These decisions are not made by single person, instead, the whole staff works together to make informed decisions.

Uniqlo has developed their competitive positioning based on quick information flow across its supply chain network. This is one of their core competencies as well as it allows them with quick response in their supply chain. The flow of information throughout the supply chain model is necessary for managing quick response. The traditional clothing retailers do not control their store operations from the head office. For Uniqlo, this is a key different because they have developed a working relationship between the store leaders and the headquarters. This allows the headquarters to keep an accurate count of the inventory present at each of the stores (Halldorsson, 2020). The information system is used for tracking the information at each of the stores. This allows for efficient inventory management and sales forecast that helps in creating strong Supply Chain Network based on the information provided.

Overall, there are some major differences between the supply chain network of Zara and Uniqlo. Zara is a company that does not believe in mass production of a particular design. They also have most of their production inhouse. The warehouse in Spain does the job of a quality checker as all the product is delivered through them (Craig, 2020). The supply chain network of Zara is designed in an innovative way. It is now one of their core competencies that adds to their competitive advantage across the world. The products manufactured by Zara are never sold on discounted prices. Uniqlo approach towards inventory management and production is completely different than that of Zara. Uniqlo starts manufacturing new designs almost 6 to 12 months before the start of the season (Lebbar, 2018). Their supply chain model is built around TCM and SPA mindset. Uniqlo also depends on forming strategic partnerships with data management companies for managing their supply chain. The partnered with Accenture data analysis team for building an efficient and fast distribution network in Tokyo. Uniqlo will be using the inhouse production for delivering an online and offline brand experience. It is expected that this alone will increase their sales by 30% during 2021 (Warburton, 2021). Their supply chain is going to be formed around the Omni channel as well.

6. The impact of new Chinese e-commerce retailers on Zara and Uniqlo

Sales management mode of China's e-commerce new retail enterprises

The sales management mode is basically about the process which is used for hiring, training, and motivating the sales staff. This is done for coordinating the operations across the different sales department and implementing a cohesive strategy which can drive business revenue for a company (Usui, 2018). In China, companies have now realized that they have to diversify their sales channels in order to be an effective new retail enterprise. This is mainly happening because consumers are responsive now and they want customized products and services. The logistics network that is established by different companies is now used for service specialization and shared economic model. Data and analytics are used for driving supply chain transformation and operation enhancement.

The retailers in China are now applying a differentiated strategy. The companies which are well established in the e-commerce business are now focusing on developing their offline sales channel. This is done for ensuring that they are able to give a brand experience to their loyal customers (Evans, 2019). The companies which do not have an e-commerce channel are now moving towards expanding their e-commerce in order to expand their reach to customers. Ecommerce retailers are expanding across China with help of direct channels for reaching broader markets. One of the main strategies which is common amongst all these sales management mode utilized in China is the use of data and customer-oriented thinking. In China, such trends indicate that development of Omni channel will be inevitable for all brands. They will have to be present online and offline to provide a seamless brand experience. Companies who fail to complete such a task will be left out of the competition and they will not be able to compete in both ecommerce and brick and mortar sales channels.

For managing the sales management mode in China through a competitive supply chain, companies must understand that they need to segment their supply chain by customers. For each of these customers differentiated targets must be established. This will allow them to establish their supply chain as a winning lever which connects the brand directly with its customers (Nashrulla, 2021). Chinese ecommerce business must stop being customer oriented and they must be customer oriented. To do this, they have to look at the customer demand and utilize the business decisions which are focused on expanding sales channels and liquidizing inventory. Retailers in China must let go of the old methods and really try their best to connect with the customers. Their supply chain must be flexible and responsive in order to meet the needs of fast-moving market. Ecommerce businesses must be able to make changes when it comes to design, sourcing, inventory management, and sales channel management which is all possible through an Omni channel network.

The sales management mode of Zara and Uniqlo in the Chinese market

In Chinese market Zara has 55 stores where it has opened their boutique style shops. These are a result of extensive expansion strategy that Zara is going to adopt in China. They have anticipated that the demand in China is going to increase in coming years. The competition in China is going to increase as well because Chinese brands and local manufacturers can imitate Zara’s design. As of the middle of 2021, fast fashion brands like Zara have now decided to quit their offline market channels in China (Davies, 2021). In order to compete in China, Zara has decided that they will be selling their product through ecommerce only. They will strengthen their ecommerce strategy. In China, one of the brands that gave stiff competition to Zara was SHEIN. It is a brand that competed against Zara and ensured that fast fashion products are available to Chinese consumers as fast as possible (Davies, 2021). They also developed an efficient supply chain network. In China, another reason for failure of Zara is the use ‘one size fit all’ strategy that they had adopted. Chinese consumer market is complex and in order to succeed in China companies need a localized approach towards their value chain. Zara failed to accommodate this trend which is resulted in their exit from China retail sector and focus on online sales only.

Uniqlo entered China in 2002 and since then it has been expanding fast. They now have about 820 retail locations in different parts of China mainland. As of 2021, they have two global flagship stores in China as well. Now, Uniqlo has more stores in China then they have in Japan. They are aiming to reach 1000 locations in China by end of 2022 (Alice, 2021). Uniqlo demand in China has grown in recent years because it has focused on satisfying the needs of local market. For example, it saw an increase in sales during the first quarter of 2021 because the company was able to satisfy the clothing needs for stay at home orders. Their sales of jogging pants and loungewear increased exponentially as consumers liked their designs. The sales data from previous indicate that Uniqlo has been going strong in China as can be seen in figure 16. This is made possible with innovation in their supply chain. They are capable of producing fast fashion Chinese products to cater the new trends (Burgen, 2019). In China, Uniqlo clothing is famous amongst men who do not like to dress up by mixing and matching their clothes. Uniqlo provides comfortable styling to these customers with new styles. Uniqlo produces limited product stocks and call them the Hero SKUs.

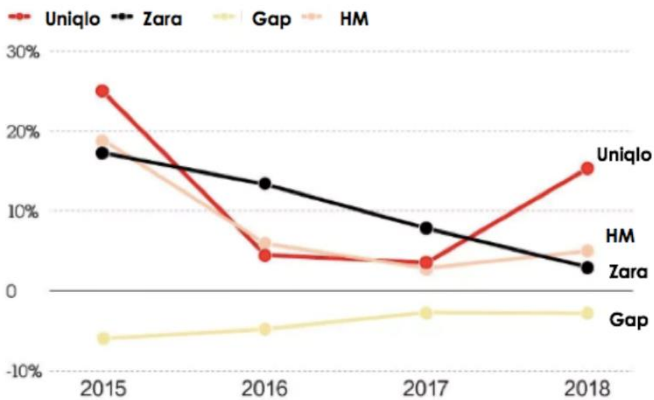

Figure 16. Sales of clothing brands in China

Source: Burgen, 2019

Suggestions and influences on future retail enterprises

The case of Uniqlo can an inspiration for Chinese clothing retailers as Uniqlo has changed the traditional approach towards clothing. They have emphasized the importance of fast response in the supply chain through information sharing with the key players (Craig, 2020). For Chinese enterprises, this means that their supply chain networks can also be improved if they have enough level of information sharing powered by the new information technology tools. This will help them in promoting collaborative operations throughout their supply chain network. Without the use of information system, Uniqlo itself cannot perform at this level of efficiency. As of now, in China, many clothing retailers and manufacturers do not pay attention to the basics of TCM and SPA model. They also do not use information technology for creating a network which helps them in managing information (Uncles, 2020). In China, it is possible for medium size clothing manufacturers to establish their own supply chain network that is powered by information sharing. It can be done by combining their own business needs and information sharing across the network. Doing so can lead to shorten lead times and improvements in supply chain competitiveness. POS systems in this whole scenario can play a big difference if sales data, market information, and centralized management systems are obtained. This means that they can conform to their own situation and improve the operational efficiency of their business.

Another important suggestion from Zara and Uniqlo analysis is the inventory management process. Both Zara and Uniqlo have increased their inventory turnover period through creating a unique and complex supply chain network. They both have abandoned the traditional methods of inventory management. Uniqlo adopted the TCM method for managing the flow of product throughout their supply chain. They organize meetings between the key players just like Zara (Jack, 2021). They do this to analyze the sales data, understand the market demand for forecasting, and determining the required production capacity of inventory. This information is also used for managing activities like additional orders, discounted sales, and inventory liquidation. From Zara, we can learn the same lesson and make suggestion on how to improve the inventory management systems (Davies, 2021). Companies have to cooperate with their suppliers and promote information sharing. Again, the main element for effective inventory management is sharing of information between the organizations at upstream and downstream level. All clothing companies have to pay close attention to information sharing as it can be effective in establishing their own supply chain network. This can also help in avoiding the bullwhip effect.

The clothing manufacturing brands must also look into managing their suppliers like how Uniqlo and Zara are doing it. This means that supplier management is important for supply chain management. Forming partnerships with the suppliers and manufacturers can be profitable for a clothing business as it can help in improving the response ability of a supply chain network and reduce the cost of manufacturing (Moscaritolo, 2020). As compared to Zara, Uniqlo is doing is more effectively as they have developed a screening process for their supplier. They have developed their standards for each of the suppliers with specific goals. The ideology of TCM is used during the building phases of this relationship as well. This allows Uniqlo to strictly control their production and quality management processes (Mckee, 2019). Companies in China and other parts of the world can also follow Uniqlo approach of craftsman system. While deciding on the external manufacturer and outsourcing activities, a company can always obtain help from the technique experts. By doing this, clothing manufacturers can ensure that the product they produce inhouse and the product which is obtained from partners has the same quality and finish. Therefore, it is important to select a strategic partner who can meet the requirements, pass the screening, act on the established standards, and deliver the finest product quality.

The clothing industry must not underestimate the value of technology. Since the inception of clothing industry, technology has been a key player which is helping the different companies in different aspects of their value chain. In case of both Zara and Uniqlo, numerous technologies like JIT, AI, RFID, POS, meeting software, virtual experience, internet of things etc. are all being used by the companies (Stossel, 2019). The use of technology enables information sharing which helps in improving the response time of a company. Without using technology in retail clothing sector, communication, coordination, and cooperation between the key stakeholders is extremely difficult (Mazaira, 2019). For example, the marketing specialists from Zara or the craftsman team from Uniqlo cannot function properly. They will have no access to information which can disrupt the whole supply chain of these companies. With technology, companies can assort their inventory throughout the supply chain process like how Zara and Uniqlo does it (Doeringer, 2020). They can track their shipment and provide real time information to end users. The pricing of an item can be tracked in different areas for placement of raw material orders. Through providing good tracking tools, customer satisfaction and supplier relationships can be strengthened. In short, other companies must incorporate technology in their supply chain management processes as well because it helps in improving planning and superior decision making.

7. Conclusion

In China and other countries, traditional clothing retail systems have changed exponentially due to globalization. Before, brands were inventory and company focused throughout their value chain. The product flow was one directional with no information sharing between the key stakeholders. In recent years, as the living standards of people improved and consumers have access to various forms of information, it forced the companies to move from inventory centered mindset to consumer centered mindset. This change was important because the consumer demands were changing. If companies did not accommodate such trend into their supply chain management techniques then they could never offer value to the customers. This led a change in traditional retailing network across the globe.

In clothing industry, managing the bullwhip effect, stockouts, quick response, inventory turnover, cross docking, technology integration etc. are some of the key performance indicators. The introduction of Omni channel made the role of supply chain more important than ever before. Brands had to maintain their online presence along with their offline activities in order to provide a seamless experience to the end users. The introduction of Omni channel changed the traditional mode of retailing and allowed the companies to invent their own supply chain networks. For this to happen, communication between different stakeholders and use of technology was critical.

Zara is one of the companies which has revolutionized its supply chain management in every aspect. Their supply chain network work in a way that information is shared at every step. The store leaders provide information to designers who then work with marketing specialists for procurement and sourcing purposes. They have developed inhouse and outsource operations. All the products are distributed from their central location in Spain. It allows them to maintain their quality standards and deliver exceptional customer experiences. They are capable of producing in small quantities and then producing a hit design in mass quantities as way for managing their inventory. This is all done through a vertically integrated supply chain which is focused on direct distribution of the product.

Uniqlo is one of the competitors of Zara that has a completely opposite approach. Zara works in four to six weeks to bring new designs to their stores. Uniqlo works six to twelve months in advance to bring their 'Hero SKUs' to the end users. Uniqlo is growing fast as a fast fashion retailer network because they are more focused on delivering limited fast fashion in mass quantities. They are exploring the different possibilities across the world and expanding faster than their counterparts. They are also focused on developing their Omni channel as they have recently partnered with data management companies like Google and Accenture for using algorithms to predict new designs and manage their sales data more efficiently. The success of Uniqlo in China has driven Zara out of business in China which shows the effectiveness of their strategy in a big consumer market.

Technology, inventory management, logistics planning, and customer focus are the key elements which allow a brand to be successful in the clothing market. Brands from other countries must learn from the examples of Zara and Uniqlo and create their own supply chain network which is powered by technology. Doing so, will allow them be more customer responsive. Companies who learn about their customers are then able to develop a supply chain for their business is focused on product improvement, overcoming risks, and building a strong relationship with key stakeholders. Both Uniqlo and Zara are an example of this because they have dominated different markets with help of their supply chain. Both companies are innovating their supply chain and in years to come competition amongst them can even intensify.

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