

The two categories of products case study sample

[Business](#), [Company](#)



The two products that Timbuk2 makes and sells are the San Francisco based custom tailored messenger bag and the Chinese produced laptop bags. The competitive dimensions driving sales of the bags are different. However, they enjoy the same synergy that is the brand image that the firm has acquired of its products over time. The key dimensions driving sales of the messenger bag include the fact that it is tailor made to the requirements and needs of the consumer. Indeed, clients have the opportunity to give their specifications and designs and the same is incorporated in the production process. This gives the firm a hedge in the market easily winning them several customers. This also enable the firm permeate a relatively diverse market that is known for their liking of unique products. That each customer is allowed to predetermine the design and specifications of the final products satisfies the appetite in as far as customer needs as concerned. However, this does not work in isolation.

Another key factor that drives the sales is their application of the internet. The firm allows for orders to be placed online and the pre-delivery transactions are heavily premised on the use of the internet. This enables the firm reach out to a wide market base effectively increasing their sales volumes. The convenience of transactions through online applications augurs well for a market that is already too preoccupied with the internet and too busy to start physical searches for their products. This scores well for the firm who have incorporated the technology to their advantage. Finally, it can be argued that the time consumed between placing an order and receiving the product works well for the firm. Customers today have fallen in love with the just in time delivery. They only allow for lean durations between placing

an order and receiving the final product. Timbuk2 seem to have long learnt that. They have not failed to capitalise on that. They deliver the product within only one to two days after ordering. This tremendously increase the sales volumes.

The competitive driving forces for the Chinese produced laptops, however, are different from the forces mentioned above. The latter are motivated by three main factors that, these are, quality, additional features and reasonable pricing. This part shall briefly explain these factors. The need to produce high quality laptop bags has rendered the San Francisco machinery unworthy. This compels the firm to look beyond their reach and consider firms that have the requisite machinery consequently driving the firm to offshore factories like the Chinese factories. In addition, there is indeed the need and necessity to produce bags with additional features that would address the requirements of a given target market. In this regard, Timbuk2 have looked at the associated costs of the additional features and obtained that it would be much more profitable to produce offshore than within San Francisco.

Finally, the production of higher quality bags with additional features requires more inputs in terms of materials, labour and operating costs. In San Francisco, these inputs would be far much expensive eventually necessitating the need for a price increase. To avoid the unnecessary price increases, which in many cases is usually a false move on the part of a firm, Timbuk2 thought it wise to outsource the production. The price hence is a leading driving force in outsourcing from China.

Comparison of the two lines of production

Finally, the amount of raw material consumption would be higher while the finished goods inventory would be lower. One may wonder why? This is because the uniqueness of each product makes each production process a learning process. The level of wastage in learning is obviously higher. This means the raw material consumption would be higher while the finished inventory low.

These factors vary when considering the Chinese produced bags. First, the rate of production would be higher and faster. This is because the bags though with additional features and high quality, are standard in design and can, therefore, be produced in batches. This effectively reduces the amount of time consumed per unit of production, that is, per bag. The fact that standardised designs are required also means the process can easily be learnt by the workers then applied throughout the entire production. This repetitive nature of production fastens the process and enables production of higher volumes within the same time limit. The skill of workers can also be low or just at average. This is primarily for two reasons. One the workers easily undergo the learning curve process in which they learn the process and make their mistakes. However, after the first batch of production, the skill is indoctrinated in them and they need not learn any more of the dynamics.

Secondly, with standardisation, much of the process can be automated. This makes the process much simpler to handle for the workers effectively dispensing with the role of highly skilled workers. Otherwise, their presence would be redundant and their value lowered for they do not get maximum

utility. The fact that automation is possible is also backed by the fact that the designs are not tailor made to customer specifications. This eliminates the need to redesign the models with each and every production.

Finally, the amount of raw materials consumed should be much lower with a high amount of finished inventory. This can be attributed to two primary factors. One, the standardisation process eliminates the need to keep learning. This reduces wastage through learning processes. Secondly, the fact that the process is automated fastens the process and increased production rate consequently leading to high volumes of finished inventory.

Supply chain diagram and the other costs considered in sourcing decisions

Supply chain for China factory

Raw materials

Manufacturing

Finished goods

Distribution

Transportation

Warehouse

Delivery to customer

Supply chain for San Francisco Products

Raw materials

Manufacturing

Finished Goods

Delivery

Note

The San Francisco products go through a shorter supply chain as they are within the Country and are only produced on order. The China products go through a longer supply chain since they are produced abroad and also produced in bulk before orders have been received.

Sourcing decisions should not only consider the manufacturing costs. In the same breadth, Timbuk2 ought to consider the following costs: transportation, insurance for goods on transit, double taxation costs, and stock-out costs, among others. This part shall briefly discuss the mentioned costs.

Transportation costs refer to the additional costs incurred in the movement of the bags from offshore factories into the country. For instance, Timbuk2 incurs an additional costs to make the bags available in San Francisco and its environs from China. This costs comes with an additional insurance costs for goods on transit. Since the goods are exposed to all manner of risks, the firm has to incur insurance costs for the goods on transit. The production in China means the firm has to pay taxation within the Chinese jurisdiction. On entry into the American market, the bags shall also be subject to sales taxes. This occasions double taxation which the firm ought to consider.

Finally, the fact that the firm would rely on production from China means at some time they would be unable to make timely deliveries. This could lead to cancellation of orders by the customers. This costs is usually called the stock-out costs. It is not a direct cost for the firm does not directly incur it. However, it is the cost of the lost revenues because of failure to sell.

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