

Strategic phase of cross marketing essay



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Crocs, Inc. is a well-known company in the footwear industry. Crocs became famous for unique design and bright-colored products. Crocs has its own manufacturer, supplier, and designer for products. Its product offers lightweight, comfort, and healthy footwear for men, women, and children. Crocs sells the products through Web stores, domestic and international retailers. The products are sold in 125 countries with over than 40 designs. Crocs has sold over 140 million pairs of shoes since it was established.

10799_side_41C. jpgReasons for selecting Crocs

Crocs with fast growth in industry, has suffered great losses recently. It is quite interesting remembering Crocs was successful business in past few years. Crocs' mistakes need to be analyzed in order to prevent failure that can be occurred.

10799_side_41C. jpgMain Strategic Issues Facing the Company

Contrast between comfort and fashion

Design of Crocs' product of comfortable hoof-shaped and lightweight plastic presumed as worst fashion for some people.

Emerging of faux Crocs products

Since the quite-high price of Crocs, many replicas of Crocs' products emerged. crocsLogo. jpg

10799_side_41C. jpgCompany's Contribution to the National Economy

Crocs plays role in industry of United States as it has 22. 2% of GDP in 2010. During 2006, Crocs had gross profit margin of 56. 5% for U. S. In 2007, United States had the biggest percentage of Crocs' sales of 68% among the world. Crocs successfully employed approximately 3, 700 workers in 2008.

10799_side_41C. jpgCompany's Contribution to the Regional Economy

Crocs has manufacture and production factories all over the world. Manufacturing facilities in Canada and Mexico; contracted manufacturing facilities in Italy, China, and other countries. Crocs contributes job opportunities, also suppliers and distributors of the countries will be more utilized regarding about products.

10799_side_41C. jpgRecent Strategic Dilemma

Prohibition of Crocs' products due to some injuries happened in the escalator. This leads to misperceptions in consumer's mind since accidents were caused by technical problems of escalator.

10799_side_41C. jpgRecent Strategic Choice10798_side_50X. jpg

Crocs is trying to reduce the inventory and boost up sales by doing promotion and discounts for the products. 10798_side_50X. jpg

Crocs has done collaboration and partnership for products with other companies.

Source of Information on Company

www. crocs. com

<https://assignbuster.com/strategic-phase-of-crocs-marketing-essay/>

www. company. crocs. com

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Executive Summary

Crocs, Inc was first established in 2002 in Colorado, USA. The company began as a manufacturer, designer, and retailer for footwear products aimed for men, women, and children under the Crocs™ brand. Crocs becomes superior in the footwear industry with the brand new innovations among the competitors. Crocs products are made of proprietary closed-cell foam resin called Croslite™; it creates soft, comfortable, lightweight, odor-free and slip-resistant products with the “ unique” looks and bright colored products. There are over 40 products sold in 125 countries all over the world. Crocs had highest gross profit margin in 2006 at 56. 5%, compared to Nike and Timberland with 43. 7% and 47. 3% respectively as the biggest competitors in footwear industry. The phenomenal growth was under guidance of the CEO – Ronald Snyder, before the situation turned into economic downturn that driven Crocs to huge losses started in 2008. Crocs did not manage the business properly when the economy was changing.

This project is made to analyze the core strategies, mistakes that drags Crocs into failure and how to cope up with the external factors. Some models are applied, such as industry life cycle, key success factors, Porter’s five forces, SWOT analysis, SFAS, and TOWS matrix. The industry life cycle, key success factors, and Porter’s five forces will explain the footwear industry itself. On the other hand, SWOT analysis, SFAS, and TOWS matrix will justify the Crocs, Inc. After analyzing and interpreting from the analysis and

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models, strategies can be applied to the Crocs accordingly in the review for future direction and implementation of strategies. croc. jpg

Industry Life Cycle

map. png

Industry Sales

Decline

Maturity

Growth

Introduction

Footwear

Industry

C: Program FilesMicrosoft OfficeMEDIACAGCAT10j0336075. wmf

Time

Footwear industry is a crucial industry in the world. The sales of footwear are predicted to increase, due to the changes of trend and fashion. As trend and fashion change, customers tend to make more frequent product purchases to adapt with the changes, mainly in the footwear business. Footwear industry has expanded rapidly in footwear industry in recent years. It contributes to the United States' GDP of 22. 2% for the industry in 2010.

Footwear industry is currently in Growth stage. In growth stage, there are many competitors emerged and competition is tight in the market.

Therefore, the company needs to differentiate itself from competitors within the same industry. Company needs capital to advertise the products to the

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market, in order for market to realize the existence of the firm. As the market for footwear is currently growing, company needs to capture as many customers as possible to achieve the customers' loyalty.

Company needs research and development to innovate the product as well as the quality based on customers' needs and wants. For certain products, the growth stage will be short due to the failure in commencing the products themselves. Conversely, products that include many improvements and stay longer in the growth stage will move into the maturity stage. It is important for the company to achieve economy of scale to get lower costs of production in order to be more eminent than the competitors and new entrants. The industry life cycle for growth stage is sharp and signifies rapid growth. Sales growth will be achieved if customers are aware of the products and retailers are interested to carry the products. For the products' price, company can reduce the price to attain additional customers or increase the price if demand is high.

croc. jpg

Key Success Factors

4. jpg

Key Success

Factors

Weight

Crocs Inc. 51ns0TwD2NL. _AA300_. jpg

Nike Inc. nike. jpg

Timberland Co.

Timberland Mens 6 inch Waterproof Boots brown black. jpg

Rating1. jpg

Weighted Score

Rating

Weighted Score3. jpg

Rating

Comfortableness

0. 25

4. 0

1. 00

4. 0

1. 00

4. 0

Design

0. 16

2. 5

0. 40

3. 5

0.56

2.0

Price

0.15

3.0

0.45

3.5

0.53

2.5

Durability

0.13

4.0

0.52

3.5

0.46

4.5

Quality

0. 13

4. 0

0. 52

4. 0

0. 52

4. 5

Branding

0. 10

3. 5

0. 35

5. 0

0. 50

4. 0

Accessibility of Products

0. 05

4. 5

0. 23

4. 0

0. 20

4. 5

Marketing & Advertising

0. 03

3. 0

0. 09

5. 0

0. 15

4. 0

Total

1. 00

3. 56

3. 92

In footwear products, the most important aspect is comfortableness.

Everyone wants to use comfortable shoes, despite other things. Comfortable footwear deals with good quality chosen and design of the shoes. Design of the shoe is important, especially with the changing lifestyle. People more concern about good appearance and dress nicely top-to-toe. In economic,

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people tend to find cheaper product with good quality as it can be.

Manufacturers have to know how to allocate the price for the products so they can attract the customers with reasonable price. The range of products' durability depends on quality itself. The higher quality of materials being used, the more durable the product will be. Price will have significant roles in terms of materials quality. Customers like products that will last longer.

When it comes to brand of the product, branding is important because several customers will want to know on which brand they spend their money for. They expect a good reputation brand as they increase their spending for the products. Therefore brand image is really important for the company; people will expect higher brand image if the price for the product is high. As for footwear industry, customer will expect to find the product that is highly accessible. The more accessible the product, the higher chance that company will increase their base number of customer; therefore it will decrease customer reason for not buying the product. Last but not least is the advertising and marketing strategy. It is important for any company to advertise what their product is all about and to introduce the customer with something new. Company with good marketing and advertising strategy mostly lead in the industry because the product is much more famous compare to others in terms of customer knowledge.

Among the competitors which are Nike and Timberland, Crocs is the youngest company but yet they already close the gap between them in terms of weighted average score. Even though Crocs still at the bottom compares to the competitors, but the amount is not much different as it shown on the table above. In order to beat the competitors, Crocs must have

several things to improve such as marketing and advertising, and the design of the product. Among three of them, Crocs is less likely to do much advertising, they have to increase the marketing group and advertising in order to get people attention of what their product is all about. Lastly is about the design, they must follow what people like and follow the fashion that people more likely to use. Before Crocs does all of that, it is hard for them to beat those two competitors.

croc. jpg

Porter's Five Forces

Capital requirements

Government policies

Economies of scale

Access to distribution and supply channel11125_side_44K. jpg

Potential Entrants

Substitutes available

Switching cost

Brand identity

Buyer information

Price sensitivity11371_side_26B. jpgchameleon-jibbitz. jpg

Suppliers

Concentrated suppliers

Impact of input on cost or differentiation

Value added process

Firm's low switching cost

Buyers

Industry Competitors

Rivalry among Existing Firms

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Substitutes

Other Stakeholders

Substitutes' price

Switching cost

Price and performance trade-off

Decrease in demand as customers switch to alternatives

Government

Investors

Employees

Customers

chameleon-jibbitz. jpg

Number of competitors

Product differentiation

Buyer's switching cost

Undifferentiated market

Rivalry among Existing Firms – High

Since entry and exit barrier in the industry is low, there is lot of players in the footwear industry. Therefore, tendency of competition is high. As market for footwear industry is undifferentiated, it means all products are likely to be similar and resulted in tight competition. For company to become superior in the competition, the product must be unique and special to attract customers and differentiate it from competitors' products. Variety of products can be served so customers will have wide choices to select from. Not forgetting the buyers' low switching costs that will result in high consumer power. As substitutes of products are easy to find, it will affect market share.

Bargaining Power of Buyers – High

Customer is the essential part of the sales, as it can put pressure on the company in the competitive industry. The important part is balancing the quality with the price of the product. In footwear industry, buyer power is considered high. Many substitute products will lead to decrease in market

share. Power of the buyers is determined as they can switch to other companies' products without high cost. As footwear is a wide-range variety and innovative product, it becomes fully dependent on customers' taste and preference. The higher the price of product, buyers will seek more information about it. The usage, function and also quality is significant since it will steer buyer to buy the product even though it is costly. Increase and decrease in product's price will affect on the buyer. Increase in product's price will decrease the buyers and vice versa.

Threat of New Entrants – High

For new entrants to enter footwear industry is relatively easy. It proved by lot of players either globally or locally in the industry. Footwear industry will not need any specific strategic to obtain the market sales. Capital requirements are not complicated and relatively average. As well as legislation and government policies are easy to establish. Once economies of scale and experience are gained, company is gaining easy access to the industry. Lower cost of products and higher profit can be obtained easily. Distribution and supply channel for the footwear industry is simply reached by looking at the many distributors and suppliers of the products and materials.

croc. jpg

Bargaining Power of Suppliers – Low

Bargaining power of suppliers in footwear industry is usually low. Because of many suppliers that will lead to low price and bargain. Most of the footwear is made of with similar material unlike Crocs products that are made of

specific material of proprietary foam resin called Croslite™. The value added process will be occurred inside the company itself, so the suppliers cannot undertake the value added process to the materials. Since firm's switching cost is low, suppliers will compete to give better prices, so the firm will not shift to other suppliers. This also due to availability of materials used to produce the footwear; as a result the supplier power is considered low.

Threat of Substitutes Products – High

Substitute products in the footwear industry are relatively high. This is because of low barrier to entry for new entrants also low switching costs for buyers. As customer switches to alternative products, demand for selected product will be fall and it will affect the market share of the company. Since the competition in footwear industry is tight, some companies tend to decrease the price in order to get advantages from the market. Customer choices will be affected by lower price of substitutes. In this case, the price and performance must be equal. The performance of product is about the quality, sustainability and durability. The better the performance, the higher the price can be. Better performance can boost the selling price.

croc. jpg

Relative Power of Other stakeholders

For every industry, stakeholders play important roles in the business. As there are many groups of stakeholder that will support the existence of the industry. First of all, governments will support and protect the company in their territory. Without government rules and regulations, the business will not operate as well as it expected to be. Second one is investors. Investors

will contribute the financial matter for the company to run the business. The third one will be the employees. Employees will run the business in day-to-day basis and higher management will give directions towards the company's goal. Last but not least is customer. Customer will participate by consuming the products from the company. Thus, all needs and wants from customers need to be satisfied in order to gain reputation and increase the sales of the products.

croc. jpg

Internal Factors Analysis Summary (IFAS)

Internal Factors

Weight

Rating

Weighted Score

Comments

Strengths

S1

Product Quality

0. 15

4. 0

0. 52

Excellent product's features

S2

Economies of Scale

0. 13

3. 5

0. 46

High margins on products

S3

Innovation

0. 10

3. 5

0. 35

New varieties of products

S4

Architecture Network

0. 07

4. 0

0. 28

Wide distribution channel location

S5

Reputation

0. 05

3. 0

0. 15

Strong brand recognition

Weaknesses

W1

Price

0. 16

4. 0

0. 64

High priced products

W2

Financial Difficulty

0. 12

3. 5

0. 42

Generated losses more than once

W3

Inventory Problem

0. 10

3. 5

0. 35

Too much stocks of products

W4

Marketing

0. 07

3. 0

0. 21

Low advertising on products

W5

Management Skill

0. 05

3. 5

0. 18

Poor leadership

Total Scores

1. 00

3. 56

Strengths

By using materials that are lightweight, odor-resistant and comfortable, the quality of Crocs' product is not questionable. The product is well-designed to benefit the consumers. Crocs is able to produce mass volume products with lower costs. The high capacity of products can be achieved through economy of scale. Crocs has wide distribution channel locations that able to reach particular location. With distribution channels and manufacturers spread all over the world, broader range of customers can be served. Crocs still innovates with the products and produces many new colors and designs. Since Crocs have been established in 2002, it gained strong brand recognition and good reputation due to the products' popularity in the market.

Weaknesses

Because of good product quality, Crocs' product considered high-priced compared to other competitors' product. In 2008 and 2009, Crocs suffered huge losses after the immense profit from preceding year. High capital expenditure arose because of high expenses in low profit years. Crocs did

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not use cost reduction strategy properly to overcome it. Crocs has too much inventory of the products and becomes excessive. This occurred due to over production, while the demand did not meet with the quantity of the products that have been produced. The Crocs' marketing and advertising for the products are weak. Good marketing and advertising can help the company to boost up the sales. Since Crocs is lacking on management skills, Crocs needed to change the CEO of the company. It is shown that poor leadership will affect the whole structure of the company. New CEO will take time to adjust with the current situation of the company.

croc. jpg

External Factors Analysis Summary (EFAS)

External Factors

Weight

Rating

Weighted Score

Comments

Opportunities

O1

Partnership

0.15

4.0

0.60

Collaboration of companies

O2

Diversification

0. 13

3. 5

0. 46

Expanded range of products

O3

Industry Growth

0. 12

3. 5

0. 42

Strong growth in shoe industry

O4

E-commerce

0. 12

3. 5

0. 42

Buy products online

05

Leather Awareness

0. 08

3. 0

0. 24

Prohibition using leather

Threats

T1

Imitation of Products

0. 15

4. 0

0. 60

Fake and cheaper products

T2

Substitutes

0. 12

3. 5

0. 42

Many alternatives of substitutes

T3

Safety Concerns

0. 09

3. 0

0. 27

Prohibition of Crocs' usage

T4

Pressure from Customers

0. 09

3. 5

0. 32

Customers' taste and preferences

T5

Market Entrants

0. 05

2. 5

0. 13

New competitors emerged

Total Scores

1. 00

3. 88

Opportunities

As a result of combining two or more companies, Crocs has made a product that feature others company icon in order to boost sales and reputation. For example is the Crocs Cayman Hello Kitty, it is the combining of Crocs style of shoes and Hello Kitty from Sanrio. In terms of diversification, Crocs has made not only footwear but also a phone casing which is made from same materials. In recent years, footwear industry has a major growth in terms of market segmentation and market sales. Crocs establish in the 20th century, and technology is far more important in this period of time. That is why Crocs have an E-commerce to boost their performance in terms of sales. Crocs has bigger opportunity because some of the footwear industry using animal skin as their materials which is now already banned in certain places. This will included as an advantages opportunities.

Threats

As many as the strength and opportunities, Crocs also have a few threats that can lead to a decrease in their existence. Imitation is the number one threats for them, as we can see it is obvious that Crocs is quite expensive in terms of price, and many of the imitation only cost no more than 20% of the real price. Substitute is the second reason, as Crocs is not formal enough to be use in all of the occasion, many people tend to switch to others compare to using Crocs. Since the several accidents that involved Crocs' product in the escalator due to the escalator technical problems, it leads to misperceptions in consumers mind. Therefore, some organizations banned the usage of Crocs' product. This quite an irony since Crocs supports health issue related to feet. Infotainment and media put Crocs into bad situation as Crocs awarded as “ World's 50 Worst Inventions”. The media is forced to change people's mind. Since there was nothing wrong with Crocs' products.

croc. jpg

Strategic Factors Analysis Summary (SFAS) Matrix

6. jpg5. jpg

Strategic Factors

Weight

Rating

Weighted Score

Duration4. jpg

2. jpg

Comments

S

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n

g

S1 Product Quality

0.18

4.0

0.72

É.

Excellent product's features

S4 Innovation

0.13

3.5

0.46

É.

New varieties of products

W2 Financial Difficulty

0. 13

3. 5

0. 46

É.

Generated losses more than once

W5 Management Skill

0. 08

3. 0

0. 24

É.

Poor leadership

O1 Partnership

0. 12

3. 5

0. 42

É.

É.

Collaboration of companies

O3 Industry Growth

0. 14

4. 0

0. 56

É•

Strong growth in shoe industry

T1 Imitation of Products

0. 12

4. 0

0. 48

É•

Fake and cheaper products

T4 Pressure from Customers

0. 10

3. 5

0. 35

É•

Customers' taste and preferences

Total Scores

1. 00

3. 69

Short Term

There are some factors that rely in short term range, such as partnership and pressure from customers. In terms of partnership, Crocs has opportunities to develop the partnership with other companies. For the short term range, Crocs has been doing partnership with Disney, Sanrio and many companies to innovate the products. This kind of partnership is considered for short term duration within 1 year and can be done directly after the arrangement is completed. Due to some bad and opinions from media and fashion world about Crocs' " unique" designs, some customers tend to turn against Crocs. But it is all about customers' taste and preferences that cannot be influenced. This threat can be elapsed within one year due to lifestyle and fashion changes.

Intermediate Term

There are some factors for intermediate term that cannot be settled within one year. First one is product quality; it falls under intermediate term because quality of Crocs product is good enough as it can sustain for many years despite of design. Since Crocs has just changed the internal management (CEO), it will take more than year to train the CEO and for him to cope up with the current situation of the company. For partnership, it will take more than year to partner with the distribution and supply channel. As it is not easy to find the most suitable distribution and supply channel

externally. Driven by high priced, imitation of Crocs' products has emerged. It will take more than a year to reduce the threat that has come out since Crocs is currently booming in the footwear industry.

Long Term

For Crocs, the long term issues are innovation, financial difficulty, and industry growth. With innovation as Crocs' strength, it can make Crocs sustains in the industry for long time. Crocs can follow the trends by innovating the products continually. Unfortunately, Crocs has weakness in the financial because of the losses. As financial problem cannot be solved over night, it needs step-by-step action and long time taken to handle the losses occurred. Incorrect action that add more losses for the company, will lead to bankruptcy. Since industry for footwear is currently in growth stage, it becomes long term opportunity for Crocs. Footwear industry will still expand with range more than 3 years due to the product upgrades and enhancement.

croc. jpg

TOWS Matrix

http://www.sxc.hu/pic/m/b/ba/banj0e/1135507_palette.jpg

Internal Factors

(IFAS)

External Factors

(EFAS)

Strengths (S)

S1 Product Quality

S2 Economy of Scale

S3 Innovation

S4 Architecture Network

S5 Reputation

Weakness (W)

W1 Price

W2 Financial Difficulty

W3 Inventory Problem

W4 Marketing

W5 Management skill

Opportunities

O1 Partnership

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O2 Diversification

O3 Industry Growth

O4 E-commerce

O5 Leather Awareness

SO Strategies

cayman. jpgEconomy of scale will support demand from industry growth (S2-O3)3. jpg

cayman. jpgEasy to make partnership because good reputation (S5-O1)

WO Strategies

cayman. jpgIndustry growth and E-commerce help to boost up sales of products (W2-O3-O4)

cayman. jpgMarketing helps to promote the materials concerned about leather awareness (W4-O5)4. jpg

Threats

T1 Imitation of Crocs

T2 Substitutes

T3 Safety Concerns

T4 Pressure from Customers

T5 Market Entrants

ST Strategies

cayman. jpgBuild strong brand image to overcome new competitors

(S5-T5)

cayman. jpgInnovate more detailed products so it becomes difficult to imitate (S3-T1)6. jpg

WT Strategies

cayman. jpgManage price to reduce usage of cheaper fake products and substitutes (W1-T1-T2)

cayman. jpgStabilize financial problem to reduce chance of new entrants (W2-T5)

SO Strategies (Maxi-Maxi)

These strategies are using Crocs' internal strengths to acquire advantages from external opportunities. As a big company, Crocs has adopted economy of scale to produce high volume products with lower costs. This will give advantages to Crocs, as demand of footwear industry is quite high in the growing industry. Therefore, there will not be any shortage of Crocs' products in the market. Good reputation will help Crocs to deal with more partners to support the sales of the products. Other companies will likely to join with strong brand reputation. Crocs has partnerships with Disney, Sanrio, and Hanna-Barbera.

WO Strategies (Mini-Maxi)

The strategy is to minimize the weaknesses by maximizing the opportunities that Crocs has. While footwear industry is currently growing in the market,

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the sales of the products will be increased due to high demand from customers. Increasing sales in the market will help Crocs to stabilize the losses suffered. E-commerce is new technology that will help the company to sell the products without occurring any stores needed, all sales and transactions will take place in Internet. This can save additional costs of opening new stores. Nowadays, more organizations are concerned about usage of animal leather in the industry. As Crocs is not made of any kinds of leather, Crocs' marketing can promote and advertise the advantages by not using animal leather for the products that will be supported by the organizations.

ST Strategies (Maxi-Mini)

Crocs must take advantages of their strengths to avoid the external potential threats. Crocs has strong brand image in the footwear industry, it will gain advantages among the competitor and new market entrants in the footwear industry. Sales of the products will be increased with strong brand recognition among the customers. Imitation is one of the biggest threats for Crocs. As in certain countries, there are lots of fake cheaper Crocs' products. Crocs must innovate new products that are more detailed so it will not be easy to be copied. The market sales and share will be affected since the emerged of Crocs' imitation.

croc. jpg

WT Strategies (Mini-Mini)

The strategy needed is to minimize Crocs' internal weaknesses and to avoid threats. Crocs needs to manage the products' high price in order to reduce

customers changing preferences to fake Crocs' products and substitutes. All the imitations and substitutes arose from the high price of products. While customers are likely to spend more money, they t