

Logistics problems occurred in crocs marketing essay



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In 1999, Crocs is a limited liability company and started marketing and distribution their products in United States. Crocs Company is a United States based shoe designer, manufacturer and retailer. It is a company that are selling casual plastic clogs with straps. Support and flexibility with a strong gripping surface were provided by Combination of Ethylene Vinyl Acetate (EVA) and Polyolefin Elastomer to customer's feet. Crocs footwear feature the Croslite which is a special kind of plastic that softens up according to body heat of the wearer as a perfect fit and increase the satisfaction of comfort (Bhooshan Parikh, 2009, p. 2). The company names Crocs are came from crocodiles. This is because crocodiles are tough, strong and can live in water or land for a long time. Crocs casual shoe are sold since 2002. The first shoe come out by Crocs is called the Beach. Crocs Company provide variable of brightly colored of choice. The products are designed to fulfill customer feet comfortable and the light weighted clogs can have a perfect balance to their perspective customer. Furthermore, Bhooshan Parikh (2009, p. 2) explains that Crocs are sold in more than 100 countries.

1. 1 VISION AND MISSION

The mission of Crocs is ' Bring profound comfort, fun and innovation to the world's feet'.

2. 0 TYPE OF PRODUCT AND SERVICES PRODIVE

Crocs Footwear products can be define into four categories. According to Lauren Ooi (2009), the Core, which consists of the main Crocs Classic design that can be found commonly in society nowadays? The active, combination of sport-inspired products intended for healthy living that can be wear for active end users like boating, walking, and hiking. The Casual, it includes of <https://assignbuster.com/logistics-problems-occurred-in-crocs-marketing-essay/>

sporty and relaxed design and The Style are stylish products which are for some occasion of Crocs fans. Crocs Company does sell accessories too. Those accessories are use to add on some of their product to makes it looks more attractive. Which are includes apparel for men, women and children. Crocs product line had raises rapidly since they run their business. Jennifer von Briesen (2009, p. 3) said that there are more than 350 styles which are designed for all gender. In order to increase their sales, Crocs also includes sneakers, flip flops, boots and dressier styles with heels in their current market.

3.0 COMPANY MARKET

Crocs are only selling shoes and accessories for their shoe. Crocs are not focus primary on either demographics or segment (Jennifer von Briesen, 2009, p. 3). After Crocs suffered falling sales in 2008, Crocs segment its footwear into Everyday, Sport and Style collection to increase and pull back their business (just-style.com, 28 July 2008). As we can found in any retail of Cross in market, Crocs footwear divides into few categories that in Crocs official website, kids, unisex, women, men, ocean minded. Crocs do sell accessory too. According to Jennifer von Briesen (2009, p. 3), Crocs designed according to income brackets, gender and age. The finish products are line and hang up according to different color and size in vertical racks as displayed side. This way tend to grabs attention and capture buyer's first image about Crocs.

Crocs need to stock up products in order to avoid loss their customers and economics of scale. It is to decrease the lead time to reach their customer.

To do so, Crocs operates 2 European warehouses which support three sales
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channels: stores, online and wholesales (Commerce Facts, 6 March 2012). In order to decrease the inventory cost, Crocs have to forecast the coming sales and keep the product ready to go in anytime when it is needed. Due to Crocs innovative replenishment system, retailers are allowed to order products they need and get the stock in few weeks, it helps to decrease the lead time of the product, retailers do not need to markdown or reduce their inventory (Jennifer von Briesen, 2009, p. 3).

LOGISTICS PROBLEMS OCCURRED IN CROCS

Forecast accurately is very important in logistics process and also supplies chain. Once forecast error occurred in company that will affect the customer perception. Because of error forecasting, company will order wrong product with wrong quantity. Inability to clear the entire product if order too much of product and it will lead to increase in cost and these inventory also require a lot of warehouse space. Company cannot fulfill customer needs when there are no ready stocks in warehouse. All of this problems will increased the order cycle time and customer also cannot received the product with the right quantity on time. So, the revenue of company started to drop such as Crocs.

Crocs established in 2002 and it very successful in first 5 years. The revenue of Crocs increased from \$1. 2 million to its peak of \$847 million in 2003 and 2007. During this period of time, Crocs also win some award too. However, there have big changes in 2008. Crocs experienced loss of \$4. 5 million in the first quarter of year and at the end of year, Crocs loss \$185. 1 million.

The revenue started to drop because the purchasing and planning

department did not have accurate data regarding sales in the thirds quarter
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of 2007 (Philip A. Brimmer, 2008, p. 2). So, Philip A. Brimmer (2008, p. 3) mentioned that the department was “ bulk ordering” all styles, colors and size of shoes, including those which is unsold. Because of inaccurate data it bring to error forecasting, the inventory in the warehouse increased fourfold in the third quarter of 2007, and increased fourfold in the fourth quarter of 2007 and the first quarter of 2008 (Philip A. Brimmer, 2008, p. 3). This caused too many inventory stored in warehouse and bullwhip effect occurred.

Problems about managing manufacturing, inventory, sales, distribution and assessment of current and future demand occurred because of Crocs still continue using the inadequate data management system. Excel spreadsheets used by Crocs are outdated and hence inaccurate data occurred. For example, Philip A. Brimmer (2008, p. 4) said that the spreadsheet generated by Crocs’ internal system will show the warehouses provide none of type of shoe, but Crocs employees could see the shoes in the warehouse. Besides that, Philip A. Brimmer (2008, p. 4) single barcode always repeated to numerous products. Actually, each barcode were assigned to an individual Crocs product in a specific color, size and style.

Although Crocs provide different channel such as wholesale channel, consumer-direct channel and retail channel but it received a lot of complaint about late delivery, loss of product or deliver errors and difficulties fulfilling retailers’ orders. Once it had errors occurred in warehouse, the order cycle time also will affect. For example, they need to re-order the product if there is no any ready stock in warehouse. The lead time will become longer and it will affect the customer perception. The sale of retailer store may lose if <https://assignbuster.com/logistics-problems-occurred-in-crocs-marketing-essay/>

products are not delivery on time because Crocs shoes are based on four seasons. For example, if the summer product reached the retailer shop at the late summer, buyer may not look for the summer product, buyer start looking for spring product.

5.0 SUGGESTIONS

Vendor Managed Inventory (VMI)

According to Martin Murray (n. d.), VMI is a process where vendor creates order for their customer to satisfy customer demand and VMI obtained data from Electronic Data Interchange (EDI). Ngai and Gunasekara (cited in Gengeswari, K. & Abu Bakar Abdul Hamid 2010, p. 1) explains EDI is a process which enables company send information to another company electronically. For VMI, an agreement will be provided between vendors and customer. This is to determine the inventories levels, fill rates and costs. VMI will improve supply chain performance but its reducing inventories and eliminating stock-out situations.

Crocs need to solve the problem for error forecasting by using VMI because VMI helps to improve performance. Firstly, EDI will send the Crocs's Product Activity Report to VMI software. This Product Activity Report include demand information such as quantity sold, on-hand, in-transit and on-order. After that, the VMI software will help Crocs to analyse the data and creates recommended replenishment order. The recommendations are based on algorithms which use factors such as forecast, frequency of sale. These processes include periodic and frequent. Next, the suppliers will reviews the recommended orders and any exception conditions. If there is correct,

suppliers will approve the orders. The VMI system then send a purchase order to supplier and a purchase order acknowledgement to customer (Datalliance, 2007).

Many complaints made by the customers about the late delivery, loss of products, and delivery error may improve if Crocs use VMI. Crocs should use VMI to maintain the relationship between customers by creates order for the customer to satisfy customer demand.

Pull Strategy

According to Bruce X. Wang and Ernie Wittwer (n. d. p. 7), pull strategy is a supply chain system where the production and distribution decision are focused by the customers demand. There are no inventory is in until an order comes in a ideal pull system. This is because it can enable the information going fast and to transfer information about customer demand to a few supply chain members. A pull strategy leads to a few advantages.

Crocs faced too much inventory. This is because the management team wrongly forecast the planning. This has lead to inaccurate data for the sales. Pull strategy can help crocs to pull back the sales as pull strategy is a supply chain system where the production and distribution decision are focused by the customers demand. This will not lead to wrongly forecast of sales because they can focused on the customer demand.

CONCLUSION

We can conclude that crocs are a footwear company where they focused on customer comfortable level of their feet. Crocs shoe are for healthy purpose

as its not only selling walking shoes but also hiking, walking and boating. It divides into few categories that in Crocs official website, kids, unisex, women, men, ocean minded. There are a few logistics problems which occurred in Crocs operation. The first logistics problems which occurred in Crocs operation is the team has inaccurate information and it leads to wrongly forecast and this is made Crocs to lose their business towards public in the year 2008. Besides that, there are also many complaints received by the team as customers complain about the late delivery, loss of product, and delivery error. This has totally disappointed Crocs customer. Therefore, there a few solution to the problems faced by Crocs. Crocs can solve problem by using VMI as VMI will analyze the data and help created recommended replenishment order based on product delivery report. Besides VMI, Crocs can also use pull strategy to solve the problem. As we know that Crocs faces too much of inventory due to the wrongly forecast of items. Pull strategy can help Crocs to pull back the sales because pull strategy is a supply chain system where the production and distribution decision are focused by the customers demand.