

Reebok case on postpnement



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Question 1. Comment about the nature of the product, market and demand seasonality of the replica jersey as discussed in the case. Ans. The licensed apparel business is a high margin and attractive business. The main risk associated with this type of products is that the demand is influenced by many uncontrollable factors. To meet up with the demand Reebok have to produce two types of Jerseys. One type of jerseys is called dressed jerseys. This type of jerseys is printed with player's names and numbers. Another one is the blank jerseys. There the player's names and numbers are not printed.

The demand of the replica jerseys is very fluctuating. It depends on various factors. Demand of the products is driven by supports for the team and favorite players. There may be demand for one player or team during the starting of the season. But during a season if a player plays and if a team plays well the demand of the replica jerseys suddenly rises. Because people want to wear the jerseys of the favorite teams and players because they believe they can express their support by adorning the jerseys. Another reason for the demand fluctuation is that the jerseys are hot market item.

The hot market item is an item that was either not expected to sell before the season or an unknown item that has no prior sales expectations. It creates because Regular player becomes superstar and an average team performs well.

Question 2. Identify the factors cause uncertainty in the supply of jersey.

Ans. There were some factors that caused problems in the Reebok supply of jerseys. The problems are stated below: * As the sports items are of unpredictable nature it can cause a problem of low inventory. There can be supply for the jerseys but the company can't supply because they haven't

forecasted. Another important factor is that having excessive jerseys at the end of the season.

Player switching or changing of jersey design can also make the inventory of the jerseys useless and make it a total failure. Regular player performing his best and average team doing well can increase the demand for the jerseys which Reebok may have not stocked in their inventory. Making too much dressed jerseys without making the blank jerseys. So the dressed jerseys can't be changed or altered anymore. The market demand can be fulfilled later on by placing orders and acquiring new products in accordance with market demand. However, it could also mean a lower service level as it takes 4-8 weeks for jerseys to arrive at their warehouse.

Question 3. Discuss the practice of postponement strategy mentioned in the case. Ans. The term postponement refers to delayed decision-making about a product. It is beneficial to delay commitment to product-specific characteristics as late as possible in order to avoid a mismatch between orders and inventory on hand. The length of delay is specific to a product but the common strategic motivation is to gain better information about customer demand by waiting to customize a product for a particular market or customer.

Postponement enables forecasters to make better predictions about end product demand over time. Postponement also creates opportunities to lower inventory costs due to risk pooling because goods are kept in unfinished or component form and can be used to assemble more than one type of finished good. The monetary value of an unfinished good is less because it is not committed to becoming a finished product and lacks the

added value gained in final assembly. Reebok the sports apparel and footwear brand successfully uses and utilizes the postponement strategy to meet the demand of hot market items.

Reebok delivers quality products according to customer demand. Reebok the licensed manufacture of NFL's sports apparel and footwear manufactures on field & replica jersey and sells them worldwide. This segment is a highly profitable but the demand of certain product is influenced by many uncontrollable factors such as team/individual performance. If any team outperforms in the field than the demand keeps increasing and if the team gets eliminated from the tournament the demand suddenly disappears. It is nearly impossible to forecast the actual future demand of any certain jersey due to the unpredictable performance in the field.

To cope with this situation what Reebok does is they replenish their inventory once a week to meet customer demand. But the inventory items that are kept in retail stores has to come from supplier and the specification such as style and player name these are always variable and changes every now and then. So the supply chain of Reebok procures and holds fabric and raw material for jersey in inventory so that they can produce any team jersey on demand. The contract manufacturers cut, sew and assemble a finish team jersey without any player name or number.

Then these blank jerseys are either printed by the contract manufacturer or it is supplied to the inventory of distribution centers and the labels are printed later on as demand starts showing. The blank CM and Reebok have a contract of minimum unit number of shipment so for finished goods. So the demand of jersey for players which is less frequently purchased are finished

by Reebok and then the jerseys are supplied to retailers. These blank jerseys are also used to meet the increasing demand of star player jersey and once the players switch team.

Then to meet the immediate demand of that particular jersey rebook uses its inventory of blank jersey and prints them to fulfill market demand. To meet the demand of hot market product such as if any certain player plays unexpectedly well in tournament then the demand of that particular number of jersey gets real high to meet the immediate demand Reebok uses their blank jersey and produces that particular jersey according to market demand. Thus Reebok operates with finished product and semi-finished products and supply to the market with hot items just in time and in accordance with consumer demand.