

Sports obermeyer case study essay



**ASSIGN
BUSTER**

My decision is to find a methodology of calculating more accurate demand and supply figures to address the unpredictable world of short life cycle fashion. A good decision would result in minimizing the order cycle lead time necessary to produce the ski wear and have it delivered to retailers in time by establishing a method that would ensure each prediction as a personal decision making process and not the thoughts of a few strong-willed individuals. Another criterion would be by gathering data that would provide clear indication how end-consumers would respond to the company's current line. A good solution would enable Obermeyer to decide on where and when to source each product (China vs. Hong Kong vs.

an alternative factory). The Fashion Industry is extremely competitive, as well as trendy. Last year Columbia Sportswear, a competitor of Sport Obermeyer, managed to capture 23% of the Adult Ski-Jacket market. This, along with the ever increasing varieties of products and no clear indication of what the end consumers' reaction to the line is makes this a very careful blending of analysis, experience, intuition and sheer speculation when making this decision.

I will identify how many units of each style I should make during the initial phase, the outcome of producing the same articles in China as opposed to Hong Kong and the operational improvements that will assist Sport Obermeyer to improve performance. Process Elements Sport Obermeyer, Ltd. was founded by Klaus Obermeyer to provide U. S. skiers with the same protective, stylish clothing and equipment available in Germany.

Over the years, Sport Obermeyer developed into a preeminent competitor in the U. S. skiwear market. Its estimated sales in 1992 were \$32. 8 million.

The company held a commanding 45% share of the children's skiwear market and 11% share of the adult skiwear market. Obermeyer offers a broad line of fashion ski apparel, including parkas, vests, ski suits, shells, ski pants, sweaters, turtlenecks, and accessories (See Exhibit 2 for examples). Parkas are considered the most critical design component of a collection; the other garments were fashioned to match the parkas' style and color. Their products were offered in five different genders: men's, women's, boys', girls', and preschoolers'. The company segments each gender" market according to price, type of skier, and how " fashion-forward" the market was.

Within each " gender", numerous styles are offered, each in several colors and a range of sizes (See Exhibit 3 for examples). List of issues with impact analysis In the current situation, Obermeyer is facing four broad issues: production planning for their short life cycle products, operational changes to reduce costs of mismatched supply and demand, coordination issues in their global supply chain and a confusion of where to produce the garments - Hong Kong or China. The best way to mitigate the inability to meet the demand of retailers during peaks sales would be to forecast the demands with either past data or with the help of a forecasting committee. It would be ideal for Obermeyer to forecast future demand with the help of a forecasting committee. To come over the confusion of which city to continue production in, Obermeyer should choose to continue short term production in Hong Kong but the Long Term production should be in China. It is anticipated that

a two years lead time of planning and production activity must take place prior to the actual sale of products to consumers.

They are more highly skilled and typically trained in a broader range of tasks. In China, lead times are longer and more labor is required per unit, however, the cost of production is much lower due to lower wages and proximity to raw materials. Hong Kong is more expensive relative to both of these concerns, but can produce much quicker and with fewer workers.

Environmental and Root Cause Analysis

Due to uncertainty in demand forecasting, the result are stock-outs (-24% of whole sale prices), market downs (-8% of whole sale prices), old designs, high inventory holding costs and unable to fully profit from hit products. To access forecast certainty, we have to look into historical data based on forecast error and variability of demand. Rather than producing one joint forecast, each member of the purchasing committee does his own forecast based on their own experience and data.

The deviation in view is good (See Exhibit 10). Exhibit 10 provides information for risk based production planning. Risk is measured by price, uncertainty and demand level. The relationship between risk and price is direct, increase in price relates to increase in risk. It is same relationship between risk and uncertainty.

The only difference is when there is a higher demand, risk variability lowers. Using early production capacity (speculative capacity) for Stephanie as it is in low demand but high in variance and it's the third expensive brand. There is much value in waiting for more information. Using Las Vegas orders

(reactive capacity) for Seduced brand as its high in demand and low in variance and its cost is the cheapest.

It shows highest in individual forecast. The seduced brand production is the safest choice. As it's easier to order some now and still order at least a minimum quantity of 600 later when more information will be available. For the show in Las Vegas, production and shipment should be sent out from Hong Kong. It's expensive in assembly (Exhibit 9B) but its quality, labor cost, garment cost and weekly output is much higher than China. Workers in Hong Kong worked about 50% faster than their Chinese counterparts (Exhibit 8 shows the comparison of Operations in Hong Kong and China).

Hence a Hong Kong's sewer's actual output during a given period of time was nearly twice of a Chinese worker (See Exhibit 7 for example). In Exhibit 4, from placing the first production order in November to full scale production by February and then shipment to Las Vegas takes about 4 months. Instead of manufacturing brands before the Las Vegas show, it feels wiser to wait after the show when 80% of initial orders are received from retailers. But this causes more problems as the cycle time for dye/print fabric takes 45-60 days and procurement of other goods and services takes longer time (See Example in Exhibit 6).

Alternative And/ Or Options To address the discrepancy in production between China and Hong Kong, and as the wages are considerably lower in China there is an opportunity to introduce training to skill up the Chinese workforce for undertaking multi tasking. This reduces the size of the production line, increasing the output per worker and reducing the minimum

quantities for styles. Another approach is to retain color ranges for two seasons enabling larger quantities of material to be procured and dyed in advance reducing lead times particularly for the production of garments in the second year. Recommendation(s) and Implementations While reading the case several anomalies were noticed and if addressed these could provide savings to the company in the form of reduced lead times, productivity improvements and cost reductions resulting in higher profit margins.

The more significant of these were the fact that Obermeyer are waiting until March (Exhibit 4) to receive critical feedback when there is an opportunity for them to promote their designs and technical advancements much earlier in the season through invitations for early viewings of new products to select buyers. By redesigning the parkas to standardized zippers and eliminating downtime for specialty items and non standard zippers, a 30 day lead time is saved. This could be taken one step further to accommodate a standard color. The lead time is dramatically saved by identifying instances where a particular fabric or insulation is shared across other products and taking the opportunity to procuring bulk orders at the end of one season in readiness for the forthcoming season. Furthermore, reducing safety stock & average inventory and decreasing transportation duplication by centralizing at one warehouse would be in Obermeyer advantage in saving considerable lead time.

The sourcing policy also requires close scrutiny, particularly if Obermeyer are seriously considering options to source from only one location. Anticipated order quantities have been calculated for stock required however both

factories have indicated lead times and these are to be calculated to eliminate stock-outs. This will ensure stock levels remain at a level sufficient to sustain the lead times an average inventory and calculations will be provided to substantiate the variations in lead times. While inventory holding costs have not been provided for this case analysis I will assume that inventory held will be attracting a per item charge, therefore the less inventory that is required to be held the higher the profit margins.