

SPORT OBERMEYER CASE Harvard Case Solution & Analysis

Sport Obermeyer, LTD

- 1961, first factory warehouse opened in Aspen
- Offered fashionable & functional ski wear
- Klaus Obermeyer ran the business with his industry experience & intuition

- Obersport: sourcing & manufacturing in Asia
- Joint venture with Raymond Tse, managing director
- sourced fabric & components
- used subcontractors
- Raymonds 'Alpine' factories
- China & Hong Kong

- Wally Obermeyer became vice president in 1986
- Reviewed business using data gathering & analytical techniques
- Question's on current business methods???



Current Operation Concerns

Question #1: What is to be done in order to make appropriate production commitments?

General time frame = 4 year & several paragraphs for delivery
Forecasting = after Europe Trade Shows & After Las Vegas Trade Shows
and consider major after Europe Trade Shows
production commitments & based prior to Las Vegas Trade Shows
with for various product types Trade Shows
Consider long lead times = early production before accurate forecasting
Results are needed for forecast revision for styles and factories & manufacturers on
low sales

The Concerns: Pre-Ordering assessment (like based on forecast from Europe & agreeing on production commitments before retailers place their orders)



Question #2: What is the best plan to allocate production between factories in China & Hong Kong?

Overnight took the pressure of long lead times
Production: China (50%) & Hong Kong (50%)
Logistics: factory
Concern production in China = quality control issues, high volume, long lead times
and capacity & low cost often available
Results investigate their production in Hong Kong, by fact

The Concerns: determine what will be made where, how much of it, and when



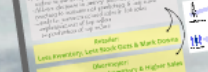
Recommendations

Question #1: What is to be done in order to make appropriate production commitments?

1. Review: Time of entry = 1 year prior
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Large quantities in stock
volume forecast of product
Question's on inventory

Quick Changes
Customized Production
Eliminate Lead Times

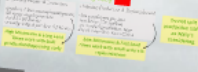


Lead Inventory: Less Stock Items & Mark Down
Distribution: Less Forecasting, Less Inventory & Higher Sales Volume

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FROM THE HEART OF THE MOUNTAINS

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- 1961, first factory warehouse opened in Aspen
- Offered fashionable & functional ski wear
- Klaus Obermeyer ran the business with his industry experience & intuition

- Obersport: sourcing & manufacturing in Asia
- Joint venture with Raymond Tse, managing director
- sourced fabric & components
- used subcontractors
- Raymonds "Alpine" factories
- China & Hong Kong

- Wally Obermeyer became vice president in 1986
- Reviewed business using data gathering & analytical techniques
- Question's on current business methods???

Obermeyer
The Heart of the Mountains



Current Operation Concerns

Question #1:

What is to be done in order to make appropriate production commitments?

General time frame = 4 year & several paragraphs for delivery
Forecasting = after Europe Trade Shows & After Las Vegas Trade Show
order production begins after Europe Trade Shows
production commitments in order prior to Las Vegas Trade Show
order for various product types Trade Shows
Commit long lead times = early production before accurate forecasting
Results not immediately apparent due to long lead times & uncertainties in cost rates

The Concern: Forecasting assessment (like based on forecast from Europe & agreeing on production commitments before retailers place their orders)



Question #2:

What is the best plan to allocate production between facilities in China & Hong Kong?

Overseer took the pressure of being lead time
Production: China (54%) & Hong Kong (46%)
Logistics: 40%

The Concern: determine what will be made where, how much of it, and when



Recommendations

Question #1:

What is to be done in order to make appropriate production commitments?

1. Improve forecast accuracy & tighten purchase orders
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Large quantities in stock, virtual removal of stock, Questions to management

Quick Changes, Customized Production, Determine Lead Times

Lead Inventory, Lead Stock, Order & Mark Orders

Order: Lead Forecasting, Lead Inventory & Higher Sales, Storage

Recommendations

What is to be done in order to make appropriate production commitments?

Product Type	China (%)	Hong Kong (%)
Product A	50	50
Product B	60	40
Product C	40	60
Product D	55	45
Product E	45	55
Product F	65	35
Product G	35	65
Product H	50	50
Product I	70	30
Product J	30	70

China & Hong Kong

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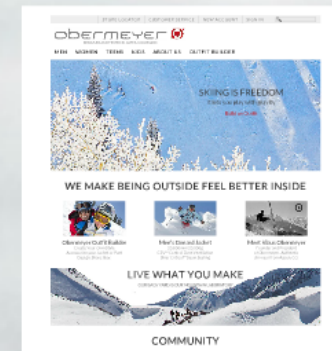
Current Operation Concerns

Question #1:

What is to be done in order to make appropriate production commitments?

- Season's time frame = 1 year 6 months (concept to 1st delivery)
- Forecasting = after Europe Trade Shows & After Las Vegas Trade Show
 - line creation begins after Europe Trade Show
 - pre production commitments ordered prior to Las Vegas Trade Show
 - retailer orders post Las Vegas Trade Show
- Concern: long lead times = early production before accurate forecasting
- Results: vast variety led to missed sales on top styles and lost sales & markdowns on low styles

The Concern: finalizing assortment line based on forecast from Europe & agreeing on production commitments before retailers place their orders



Question #2

What is the best plan to allocate production between factories in China & Hong Kong?

- Obersport feels the pressure of long lead times
- Production: China (3/4) & Hong Kong
 - subcontractors
 - Alpine factories
- Concern: production in China = quality control issues, high minimums, long lead times, strict quota's, & low operations reliability
- Results: incorporate more production in Hong Kong by half

The Concern: determine what will be made where, how much of it and when



Recommendations

Question #1

What is to be done in order to make appropriate production commitments?

- 1) *Design Phase: offering a tighter assortment*
 - Allows: better designed garments, fewer findings to purchase & fewer fabric color/print options
 - Leads to: shorter lead times & better managements in lead times

Large Quantities in less styles instead of Small Quantities in more styles

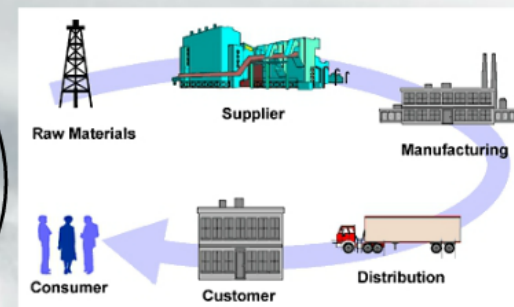
- 2) *Greige Fabric Inventory: stocking up monthly*
 - Allows: less stress on lead times to manufacture*Basic Color Fabric Inventory: stocking up monthly*
 - Allows: less stress on lead times to manufacture & finish

Quick Changes, Guaranteed Production, Decrease in Lead Times.

- 3) *Order Fulfillment & Replenishment: ship partial orders to use as replenishment to stock stores*
 - Allows: decrease in heavy 'non-accurate' production, reacting to business not predicting, & less stock
 - Leads to: prevents missed sales & lost sales
 - replenishment of top sellers
 - re-production of top sellers

**Retailer:
Less Inventory, Less Stock Outs & Mark Downs**

**Obermeyer:
Less Forecasting, Less Inventory & Higher Sales Margins**



Recommendations

Question #2

What is to be done in order to make appropriate production commitments?

Topic	China	Hong Kong
Hourly Pay	RMB .91 (US \$.16)	HK \$30 (US \$3.84)
Working Hours	58.5 hrs. weekly	48 hrs. weekly
Weekly Output	12 parkas	19 parkas
Actual Labor Time per parka	3.6 hrs.	2.35 hrs.
Paid Labor Time per parka	4.88 hrs./parka	2.53 hrs./parka
Labor Cost/Garment	RMB 4.45	HK\$75.6
Line Configuration	40 people/line	10-12 people/line
Minimum Order Quantity	1,200 units same style	600 units same style
Repair Rate	10%	1-2%
Challenges	Workforce -less quality -less cleanliness -training requirements	Workforce -low unemployment -less young workers
		Wage Rate

-80% of business for the season is in after the Las Vegas trade show

-Hold orders for production

-Bulk of production will still be in beginning phases

China



Beginning Phases of Production

-produce 7 less parkas/week/person
-28 more employees/line
-paid \$3.68 less/hr
-weekly output per line: 2,340 hrs

High Minimums & Long Lead Times work with bulk production happening early

Hong Kong



Finishing Production & Replenishment

-less employees per line
-less hours 576 hrs/line
-no wasted production time
-finish over-flow from China

Low Minimums & Fast Lead Times work with small orders & replenishment

Do not split production 50/50 as Wally's considering.

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