

Strategic management – nike and reebok



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1. Which generic business- level strategy is each company following?

Nike mission statement is “ to bring inspiration and innovation to every athlete in the world - If you have a body, you are an athlete”. Nike using focus based on differentiation strategy. They use this strategy to satisfy their mission, also because they focusing on athletic people and trying to produce different and unique products. Nike design and produce fitness footwear, apparel, equipment and accessory products.

Reebok is a global sports and fitness company and there purpose is to ignite a passion for winning to do the extraordinary, and to capture the customer’s heart and mind. Reebok is using Broad of differentiation strategy. They are targeting athletes and non-athletes and produce sports and fitness products, including casual footwear, apparel and accessories.

2. What are the similarities and differences between the companies’ strategies?

There are many similarities and differences between Nike and Reebok. The two companies are in footwear industry. They are producing sport cloths and equipments. Both companies have the same plan to have innovation and creativity products but each one is different on what they trying to achieve. Both of theses companies are applying utilize an outsourcing strategy but Reebok has less infrastructure than Nike across global.

Conversely, there have many differences in several things such as targeting different market; they following different generic, each one have different products and features. They are using different plan, marketing strategies,

technology and resources. Thus this leads to make each company in different market position and different goals and future plans.

3. What competitive strategies are both companies using to support their business-level strategies?

Nike is using many strong competitive that helped it to compete in the market and support its business level. Nike utilizes an outsourcing strategy and makes most of its products through three major countries which are China, Indonesia and Vietnam but they have other factories in Italy, Taiwan and South Korea. Nike offers a competitive edge to help athletes for better performance by more focusing on innovation. This leads Nike to use different technology in its products such as, Nike Air shoes they have special features with impact protection. Also the high performance in fabrics that designed by creativity to suit athletes in all conditions.

Moreover they use a high technology on their equipment. Nike has many marketing strategies such as using famous athletes and players like Tiger Woods and Michael Jordan to advertise for their products. They did many achievements on their timeline for instance; they designed uniforms for over 2000 athletes at the Sydney games for 25 sports in year 2000. Also in 2003 Nike got award for advertiser of the year. Nike joined with some partners in order to reach sports for example, Cole Haan and Bauer Nike Hockey. As a result all of the above leads Nike to be a leader in innovation because they have very complex and competitive products that concern on athletes.

Reebok in the other hand is using a supporting strategy for their business level by doing many competitive strategies. They use a 100% outsourcing

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strategy and manufacture their product throughout Asia but have fewer infrastructures than Nike. Reebok are focusing more in life style and there target market is women and children. They produce and manufacture sport cloths plus casual cloths and concern more on trends. Reebok product technology platforms play a vital role in their branding strategy. They believe that people today expect the style on the product to reflect their lives. This leads Reebok to design and manufacture their product according to the trends. Reebok using different way of advertisement such as lunched a global marketing campaign which energized the industry by target the market with Reebok products. Also by lunched footwear products endorsed by music icons like 50 Cent and Jay-Z.

To sum up, it is obvious from the competitive strategies that Nike is leader in innovation and complex products and Reebok is leader in performance and lifestyle products. Nike position 39. 2% of the footwear market share while Reebok position 10. 9%.

4. Why has Nike been more successful than Reebok? Do you expect this to continue into the future?

Statistics shows that Nike gross profit in the first recent quarter of 2003 is 2. 4 billion while Reebok is 798 million on the same period. These notify that Nike is more profitability. Although in 2000 the market share of Nike dropped 20% to 39. 2 compared to 1999 but it still more than Market share of Reebok which was steady at 10. 9%. Nike provides an increasing cash return to shareholders in the last five years and reached \$0. 80 as annually dividends

in 2004. This indicates that Nike has very strong cash flow. On the other hand a Reebok annual dividend for 2004 is \$0.30.

Nike Future plan is to increase the dividends amount and this will gain and increase their customers confidence. Reebok has many future plans such as in 2005 they intend to encompass multiple categories like basketball, training, tennis and boots. They also aim to introduce distinct product for men and women. Also they will launch new collection of footwear inspired by music producer Pharrell Williams.

According to all the above financial figures and future plans, it's clear that Nike is better than Reebok financially and this helped Nike to operate successfully. Although Reebok has many plans but they still focusing only on the US but Nike is operating internationally. There are many reasons that made Nike better than Reebok such as, Nike has better consumer connection and clearer ideas. It also has different factories internationally which lead to produce a variety of products and this made them to use different technologies suit many athletes. Nike has strong marketing strategy and had used famous athletes in their promotions and start with this strategy since 1972 whereas Reebok used this strategy just in 1990. On the other hand, Reebok was established before Nike but Nike offered the IPO in 1980 before Reebok by 5 years. This is one of the reasons that make Nike grow faster than Reebok.