

Nike swot analysis

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Nike Inc SWOT Analysis

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What started with a handshake between two running geeks in Oregon in January 1964 are now the world's most competitive sports and Fitness Company. Bill Bowerman the legendary University of Oregon track ; field coach and Phil Knights a University of Oregon runner under Bowerman coach, found the Nike Company, named by the Greek winged goddess of victory. First the company was named Blue Ribbon Sports. The Nike athletic machine began as a small distributing outfit located in the trunk of Phil Knight's car. (2009, Nike history) From the hard beginning, Knight's idea grew to become the shoe and athletic company that would come to define many aspects of popularculture. Bill Bowerman's search for lighter, more durable racing shoes for his Oregon runners, and Knight's search for a way to make a living without having to give up his love of athletics, the dream was founded under one statement “ if you have a body, you are an athlete.” Nike is now the world's leading designer, marketer and distributor of athletic footwear, apparel, equipment and accessories for a range of sports and fitness activities. Nike owns facilities in Oregon, Tennessee, North Carolina and The Netherlands, and operates leased facilities for Niketown and NikeWomen retail stores, over 200 Nike factory stores. The company operates in the Americas, Europe, Middle East and Africa, and Asia Pacific. It is headquartered in Beaverton, Oregon and employs about 30, 200 people. The company recorded revenues of \$16, 325. 9 million during the fiscal year ended May 2007, an increase of 9. 2% over 2006. The operating profit of the <https://assignbuster.com/nike-swot-analysis/>

company was \$2, 131. 8 million during fiscal year 2007, an increase of 1. 1% over 2006. The net profit was \$1, 491. 5 million in fiscal year 2007, an increase of 7. 1% over 2006. (2009, Nike)

Strengths

Nike does not tie up cash in buildings or manufacturing workers because it does not own factories. This makes it a very efficient organization. Nike is strong at research and development, as one can see from its innovative product range. Their manufacturing philosophy is to produce as high a quality product as possible at the lowest possible price. If prices rise and the products can be made more cheaply elsewhere without sacrificing quality, Nike will move production. They are a nimble organization in that way. Because they don't own buildings they can up and change manufacturing operations.

Nike is a very competitive organization. Phil Knight has been quoted saying that 'Business is war without bullets.' At the Atlanta Olympics, Reebok went to the expense of sponsoring the games. Nike did not. However Nike sponsored the top athletes and gained valuable coverage.(2009, Olympics)

Nike is a brand recognized around the world. It is the number one sports brand in the world. The Nike 'Swoosh' is recognized everywhere and Phil Knight has the 'Swoosh' tattooed on his ankle.

Weaknesses

The company has a vast and diverse range of products, but still relies mostly on footwear for sales. This leaves the company open to a loss if the market changes or innovation to footwear.

The company does have its own retail store, but it mainly sells to retailers. The retailers are vast from the largest retail stores to the lower wholesalers, so there is a crunch on the price for their footwear because the stores try to give the same experience to the consumers. This also makes it hard to tell the difference between stores.

Nike Organizational Opportunities

There are many opportunities in innovation for sports apparel from new age exercise clothing to a way to hold a mp3 player while jogging and then everything in between. Product diversification is always an opportunity, with new technology and increased earnings they should be able to invest even more into R ; D.

There is an opportunity for reaching out to a global market because of the great brand recognition. More and more countries are getting involved with what used to be mainly known as American sports, and the good thing for Nike is that they have a great opportunity to increase their global presence with the expansion of American football and basketball globally, two sports in which they dominate. I feel that the more these two sports grow the greater impact Nike will have globally. With their marketing and research and development divisions I believe that Nike will become the leader in sports apparel globally within 20 years.

Another great opportunity is marketing to female consumers, as there is a rise in female participation in sports especially college and professional. It also sparks the drive for women to exercise or be more athletic if there are more products suited to women.

Nike Organizational Threats

Some obvious threats are the stiff competition both internationally and domestically. Companies such as Reebok, Adidas and Puma among others have tremendously increased their products quality and awareness to topple Nike can be seen through the amount of money they are willing to throw at athletes to endorse their products. Reebok now has the official rights to all NFL equipment and apparel, and NBA player Damon Jones recently became the first basketball player to sign a shoe deal with a Japanese company. (Reebok Touchdown) Nike has tried to combat this by funding schools, known as " Nike schools", in which there are many gifted athletes especially in the sports of football and basketball. Now some top athletes will only go to schools sponsored by Nike.

Falling US economy, recession and war are definitely threats because if people lose their jobs they can't buy shoes especially pricy ones.

Nike is exposed to the international nature of trade. It buys and sells in different currencies and so costs and margins are not stable over long periods of time. Such an exposure could mean that Nike may be manufacturing and/or selling at a loss. Some countries due to the high return on investment in technological ventures are straying away from shoe manufacturing and into more profitable ventures. This is an issue that faces all global brands.

Nike, Inc. issued its second corporate responsibility report highlighting the Nike brand's priorities, programs, progress and challenges relating to workers in contract factories; employees and diversity; the environment; and

community investment. In addition, the company became the first in its industry to voluntarily disclose the names and locations of the more than 700 active contract factories that currently make Nike-branded products worldwide. Nike said it believes full disclosure of its contract factory base producing Nike-branded product ultimately will provide greater visibility into shared suppliers and more efficient monitoring. It also supports the company's long-term strategy of building shared ownership of compliance directly with contract factories. Since 1999, Nike has disclosed its contract factory base producing Nike-branded products to the Fair Labor Association. In 2000, Nike became the first company to disclose publicly online the names of its suppliers making college and university licensed products. In the 569 in-depth M-Audits conducted by Nike and the 50 independent Fair Labor Association audits conducted in Nike-branded contract factories, four noncompliance issues were identified as ongoing challenges, both in Nike's contract factory base and across the footwear, apparel and equipment industries: hours of work, freedom of association, wages and harassment. In the future, Nike will focus resources against both internal integration and multi-stakeholder collaborations to address these challenges. Regarding hours of work, Nike has created an internal taskforce to examine the entire business cycle to identify opportunities to improve compliance with its Code of Conduct.(Nike Responsibility)

In 1998, Nike's earnings and sales growth slowed. Management faced new competition from Adidas. This case asks students to review the various strategies (including diversification into sports equipment) pursued by Nike to resuscitate corporate growth. Teaching Purpose: To discuss how to

address a flattening growth curve in a corporation accustomed to high growth. This paper explores Bob Woodell's tenure as Nike's first COO. It describes development of Woodell's management style, his attempts to develop the organization, and his responses to unforeseen business problems. Changing market forces, new competitors, a build-up of low-end inventory, and the absence of Phil Knight, the company's founder, in daily operations, makes this a difficult time for Nike. Against the backdrop of disappointing financial results and an upcoming shareholders' meeting, students are asked to assess Woodell's performance, whether management is truly in control of the organization and the company's business, and what role Knight should be playing in the organization.

After returning to the CEO/COO job, Phil Knight makes changes to Nike's strategy, organization, and management between 1983 and 1987 aimed at making Nike more responsive to the market place. He takes cost-cutting measures, and experiments with several management and organizational changes. After much strife within the company, Knight ends up with a hybrid matrix, a new group of managers, and a new strategy. In new days, the Board, which is elected by shareholders, is the ultimate decision-making body of the Company, except with respect to those matters reserved to the shareholders. The Board represents the owners' interest in the operation of the business, including optimizing long-term financial returns. It elects the corporate officers comprising the senior management team, who are responsible for the conduct of the Company's business. The Board acts as an advisor to and oversees the senior management team, and ultimately monitors its performance. The Board has the responsibility to ensure that in

good times, as well as difficult times, management is capably executing its duties. (Citizen Nike, [www. cnnmoney. com](http://www.cnnmoney.com))

I believe that the future outlook for this industry is good, once the country has had an opportunity to recover from the Iraqi war; the industry will only have a chance to grow. With constant growth of the hip-hop culture, and songs such as Nelly's (rap artist), " Air force Ones (Nike brand of sneaker)," the industry can only expect more growth in the casual consumers of footwear. This industry has a solid product for which there aren't any comfortable substitutes; people will always need sneakers unless something better that does the walking for us comes along. I think that this is still a growing industry, because new advances in shoe technology and athletic wear are made everyday. Also, with the influx of clothing designers into the athletic shoe market, the industry cannot be mature. No one company within the industry has really lived up to its true potential yet. For example, Nike has a very large percent of the market and they themselves are still growing. Nike is a very strong company with increasing profits, strong international presence, and new leadership the company has all the resources necessary to grow far beyond the competitors. Nike is aware of their problems and they have been taking corrective measures as early as the late 90's. I know that Nike has what it takes to maintain its position and even control more of the market.

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