Course work on strategic management at nike

Business, Company

Differentiation Strategy

Differentiation strategy by Nike is used to gain market share advantage in the broad foot ware market. Aside from foot wear, the company boasts of products such as clothing, equipment, and even accessories. The strategy is achieved by producing consumer goods and services that customers perceive to be of high quality or have added unique features. This has been achieved by the company innovating state of the art athletic shoes that are publicized through dramatic “ guerrilla” marketing (Marca, 2001). Marketing of the different products is designed to coerce customers that Nike’s shoes are not only superior but also a high fashion statement which is a necessary part of a lifestyle based on athletic or sporting interests. The company has also differentiated itself by using highflyers that are best used in distinguishing sporting disciplines hence enabling the company reach its target market, for instance, the Brazilian national soccer team or even Michael Jordan.

Flexibility: Real Option Analysis under Risk and Uncertainty

Nike has gained manufacturing flexibility through outsourcing strategy which is also referred to ‘ Real Option Analysis.’ The reasons for outsourcing its operations are to achieve larger out-put, incur less labour costs, and gain more control in the manufacturing process (Hill & Jones, 2010). Therefore, the strategy has enabled the company to be more flexible and willing to implement changes in design specifications on request from dealers. Nike implements real option analysis through subcontracting of merchandise manufacturing from cheaper sources, sourcing innovations from external design houses, and licensing of Nike’s clothing to other firms. A consequence of the strategy is that Nike has a low cost manufacturing base that is coupled with a wide distribution network hence control of risk and uncertainty. The cheap sources where the company obtains its supplies are in Asian countries such as Thailand, Japan, and China all having low labour costs.

Tacit Collusion: Cooperation to Reduce Competition

Nike, one of the oligopolistic firms in the sports-wear industry has managed to conspire with Adidas to reduce the risks attached to competition more so in price competition. The company arrived at this common policy with Adidas without formal agreement to control prices in trainers (Duane et al. 2008). This agreement has ensured that when Nike raises or lowers prices of its merchandise other players in the industry will follow hence showing an evidence of the company being a price leader in Trainers. Tacit collusion is illegal in most countries but in counties like UK, Nike employs it so as to: get around the normal supply and demand of commodities, not to engage in price cutting, and not to engage in excess advertisement or other forms of competition.

Vertical Integration Strategies

Nike uses vertical integration strategy which is a form of a relationship oriented approach in coming up with effective and efficient ways of managing its supply chain. This is achieved through forming alliances and relationships rather than using pricing strategy with an aim of purchasing stuff as cheap as possible (Frisch, 2008). The company has managed to maintain its relationship with contract manufacturers for its foot-ware by having different types of suppliers. The strategy is used in pricing its commodities where they have participants at different channel levels so that they could control costs and influence practices of pricing. For example, there are tier 1 suppliers and tier 2 suppliers where the former are firms with a stronger relationship with Nike who act as more of a strategic alliance than having a pure contractual relationship with Nike. Tier 2 suppliers are associated with pricing and may be managed by tier 1 firms or more closely related firms.

Diversification Strategy

Nike implemented a Diversification strategy which is a type of corporate-level strategy so as to spread its risk and capitalize on its strengths. In this strategy a company ventures into related or unrelated product lines so as to boost revenue or expand (Marca, 2001). The specific diversification strategy that Nike has ventured into related (concentric) where it decided to add beach-style sport clothing (Hurley) as a business line. Another instance is when Nike acquired Bauer so as to venture into the hockey market that was formerly dominated by Bauer. Other top selling product categories of Nike as a result of diversification are shoes for women and children, basketball, and cross training. The objective for diversification in terms of products and operations is to reduce the company’s dependence on the swoosh brand. Generally, characteristics of related diversification strategy call for the acquired investment to have some relationship to the existing business which is similar to what is happening at Nike.

Implementing Corporate Diversification

Nike has employed creative marketing and advertisement platforms in building brand awareness and equity of its diversified products. For instance, the company uses Tiger Woods a skilled golfer to build its line of golf products. It further employs professionals in various departments that include distribution, marketing, finance, product management, research and design, information technology, and product development so as to sensitize the market of its diversified products (Slack & Milena, 2005). Nike also operates an internship program every summer lasting for three months giving students an insight on the diverse brands. Other avenues Nike accomplishes diversification strategy is through mergers, joint ventures, takeovers, and acquisitions. The company also has an R&D unit called the innovation kitchen located in the main parent company in Oregon, to enable it continue producing unique products such as the shox technology cushioning system in shoes.

Strategic Alliances

Nike has entered into alliances with independent firms so that they can devote entirely to marketing their brand (Duane et al., 2008). The concept of strategic alliances is also of beneficial to Nike when the company does not have the muscle and brand to infiltrate certain unrelated markets. Nike’s strategic alliance with apple was one such instance where the company managed to infiltrate in the music world while also apple benefiting to infiltrate in the sports market. Nike has also leveraged its core competencies —product design, marketing, and distribution—that are the foundation of domestic success through forming a strategic alliance with strategic partners in Asia who supply and manufacture merchandise. In order to boost its online marketing strategy, Nike also formed an alliance with SINA a leading Chinese firm in marketing. Both companies—SINA-NIKE— leverage SINA's three main business lines—SINA. net, SINA online, and SINA. com to provide the latest interactive news on stars and competition, sports team content, and fashion and sports gear.

Mergers and Acquisitions

In order for Nike to get leeway in untapped markets and ultimately expand, it has used mergers and acquisition strategy. By using this strategy, the company has taken advantage of competencies in design and marketing. It has entered new market segments through purchasing other footwear companies like Converse that makes retro-style sneakers in 2004, acquiring Hurley international a skateboard manufacturer in 2002, merging with Official Starter in 2004 which is a licensor of athletic shoes and apparel whose brand includes the low priced Shaq brand, and Bauer inline for hockey skates in 1995. The biggest acquisition was in 2008 where Nike bought Umbro a British soccer equipment company for $580 million so as to expand its global soccer business. Mergers and acquisitions have helped the company depend on other brands to expand in certain markets that were once seen to be unattainable (Hill & Jones, 2010).

International Strategies

Currently, Nike is a favourite brand amongst celebrities, customers, professional teams, and athletes because of its international strategies. The company is considered a global quality brand seller that sells designed and expensive products for customers who require the highest quality. The international strategy has no local incorporation which is proved by the fact that the same logo and slogan is used for all international ads. The slogan is “ Just do it” while the logo is a “ swoosh’’ and are the same globally (Frisch, 2008). Pricing strategy is first-class with Nike making sure that prices are the same everywhere internationally. In addition, products are under the same brand name without any incorporation of local features. Promotion of merchandise is the same in all countries where the products are supplied. In marketing the company seems to present an image that blends themes of empowerment, irreverence, and transcendence all making the “ swoosh” associated with sporting culture. Furthermore, it is amongst the few companies that use theories in semiotics, culture, psychology, messages, and culture to promote Nike’s image globally.

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