

Nike case study



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Nike Inc. is an American company that is engaged in manufacturing, development, design and marketing of products, especially in footwear, equipment, services, accessories and apparel. The company has its headquarters in Oregon and is one of the world's largest suppliers of sportswear and equipment. In the year 2012, the company had revenue of over USD 24. 1 Billion and employing over 44, 000 people all over the world. Among the sports business, the brand was worth \$19 billion, thus becoming the world's most valuable sports brand. This paper is the strategic management plan.

Structured Nike Analysis

PESTLE Analysis

The PESTLE analysis allows for the analysis of various factors that affect the external environment of an organization. In this case, the PESTLE analysis will allow for the examination of political, economic, social, technological, legal and economic factors that surround the existence of the company.

Political Factors

These factors are normally important in managing the unseen operations of the company. The political arena of any country will determine the company's ability to produce, profitability and the cost of posting the products. Political factors will normally determine the ability for an organization to survive and thrive in a certain jurisdiction. In the case of Nike, some political factors are of major importance. Organizational growth policies that are embraced in the United States are key in the development of the company. The political arena has given the company massive space for growth due to its accommodative approaches to the growth of businesses. Policy incentives such as low interest rates for borrowing as well as tax reprieves between different nations facilitate the growth of Nike into foreign markets. Moreover, Nike has enjoyed the varying rates of taxes due to shifting manufacturing and tax law. Such changes allow the company to have an easy time dealing with tariffs as they are subject to change. The nature of the goods (physical goods) that the company sells allows the changing tax and manufacturing law regimes to affect prices and costs downwards.

Additionally, the United States does not engage in political conflicts. This means that companies within the country, including Nike, enjoy freedom from customs-related difficulties. Such difficulties have been known to impede exportations and importations within a country. The amicable relationship between the United States and its partners means that Nike enjoys free passage to all destination areas for exporting and importing.

Economic Factors

Nike, being an established firm, is less likely to go under in the face of economic challenges, as would competition firms. However, some serious financial considerations need to be made when considering Nike. Market collapse would mean the end for Nike and other quality producers in the market. This is because the demand would be higher for decent items without regard for price so long as the products delivered an alternative. Moreover, the country has largely depended on cheap labor that is made available from Far Eastern countries. Where under-developed countries become the source of labor for the company, low prices can be maintained. However, moving manufacturing and production to other sites could mean the rise in the prices of products to reflect company costs. Nonetheless, the company enjoys wide capital networks, allowing the company to tap growing markets and sell their products there.

Social Factors

Public image is now an important factor for consideration, perhaps more than was the case previously. Nike has taken advantage of this to gain ground in recent campaigns to boost sales. Health consciousness has been one of the issues that the company has stressed in the course of producing its products. Insistence on moving towards better lifestyles by improving health has been on the forefront. This means that properly will buy more sports apparel in a bid to keep fit. Nike, however, faces widespread criticism for the sweatshops which it owns. Dubious production has become an area of concern with the company, so much so that there are media reports about the activities.

Technological Factors

The ability to innovate is given by technology. The ability to interact with different designs as well as different customer bases, technology will add value to the company by affecting it in various ways. Social media, for example, allows for the quick and efficient blowing up of information.

Building a good social media brand, Nike has penetrated the communications in the market. However, it is important to note that social media can backfire on the company using it if it is not used in discretion. Additionally, Nike obtains valuable customer and company information from social sites thanks to metric analyses of technology areas. Therefore, the result is that the company can better target potential buyers and maximize revenue.

Legal Factors

With regards to legal factors, Nike has had its share of brushes with the law. One of the main advantages that come with being a big organization is the ability to practice tax avoidance. Being a legal mechanism to reduce the cost of tax to the organization, it is yet to be cracked down upon. Moreover, Nike has met legal consequences for engaging in suspicious market activity including false discounts.

Environmental Factors

With eco-friendly becoming an ever-increasing concern for industries today, Nike undoubtedly produces a lot aerial pollution during the production of goods. Furthermore, instances of water pollution have been reported as

common instances. However, the company has begun a new drive that is aimed at making the company more eco-friendly.

Porter's Five Forces for Nike

Porter's Five Forces

		With a
		specialized
		number of
		products that
		are unique to
		the company,
		there is an
Competitive Rivalry	High	ability to
		produce
		quality goods
		that can
		compete with
		global leaders
		in
		manufacturing.

Buyers have some leverage over the company to ensure the affordability of products.

Bargaining power of buyers

Moderate Therefore, the living standard of the customer is important in determining the power of buyers (Rowland, 2016).

Suppliers do not have much ground in stopping the operations of the company.

Bargaining power of suppliers

Low force

Threat of substitute force Medium There exist other alternatives in

the market
that are from a
different
brand. Such
offer the
medium threat
of substitute.

Threat of new entrants	Weak force	<p>The threat of new entrants is weak since there are rarely going to have no track record to support them, as well as the established brand name that Nike has.</p>
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Porter's Value Chain

The value chain analysis allows the analyst to determine the culmination of internal and external factors as well as their applicability within the larger organizational framework (Kaplinsky, 2004). The external factors analysis has shown that the company is in a good position. Apart from the brushes

with the law, the company could work on its reputation with sweatshops and improve the working standards of workers. Furthermore, the production of cheap and affordable products is key in reducing the costs of production in developed countries. The combination of the objectives of eliminating sweatshops and improving the standards of working for the employees means that there is a strategic move to remove any face of workplace mistreatment (Crain & Abraham, 2008).

Some other factors that could be considered should the company decide to work on such an approach would be the purchase of raw materials locally and in bulk for the sake of reducing costs (Phillips & Caldwell, 2005). Furthermore, there is need for inventory control mechanisms, especially in plants where there has been supposed setting up of sweatshops. This way, every individual within the plant has an opportunity to clock in and computerized approaches to manufacture will reduce adverse worker conditions. The Nike organization could have various processes born out of this analysis. These include logistics, marketing, sales and service. This way, each department has an area of focus that is peculiar to itself.