

Swot analysis of nike incorporated



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The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT analysis. It involves monitoring the external and internal marketing environment. (Kotler, Understanding Marketing Management, 12th Edition: 52)

According to Jobber (Selling and Sales Management, 8th Edition: 73), management must make a realistic and objective appraisal of internal company strengths and weaknesses in the context of potential external opportunities and threats (SWOT analysis). It is important to recognise that the determination of what constitutes an opportunity/threat, and indeed the appraisal of strengths and weaknesses, must be carried out concurrently.

Strengths:

Strong Brand Image

Nike relishes a very solid brand image, which assures the company both great sales and profits. It is and has been the largest seller of athletic footwear and sporting apparel on a global scale. The company lures customers with a marketing strategy which centres around a distinctive logo and an advertising slogan "Just do it" which is widely popular across the globe. Through its huge celebrity brand endorsements and strong brand awareness campaigns it has been climbing the top brands chart over the years. Nike ranks 25th in the top global brands list with an estimated brand of value of nearly \$14 billion compared to its competitor Adidas rank of 62 (Interbrand, Best Global Rankings 2010). It currently ranks 124 (2010) in the fortune 500 list (CNNMoney). In addition to its lead brand – Nike, the

company also owns other strong brands such as Umbro, Converse, Hurley, Chuck Taylor, All Star, One Star, Cole Haan and Bragano.

Supplier Diversity

Nike has a strong and wide supplier base worldwide, which helps the company in meeting its customers' needs efficiently. Nike's belief in "diversity drives innovation" has helped in gaining competitive advantage and its well-planned supplier diversity program has had a major impact in the way they conduct their business. Its apparel manufacturing takes place in the 13 different countries and the company's Nike brand apparel is also manufactured in 34 countries by various independent contract manufacturers. The company incurs relatively lesser operational costs as all of its footwear is produced in low cost nations such as China, Vietnam, Indonesia and Thailand. During the financial year 2009, these countries manufactured 36%, 36%, 22% and 6% of total NIKE brand footwear, respectively (Annual Report 2009/2010)

High Growth

The company has been witnessing a strong growth in sales in geographies such as Asia Pacific and the Americas. Nike's increasing presence and growing customer base in these regions have resulted in a strong financial performance. Earnings reports of Nike underscore how executives are working overseas to drive profits as growth in the world's biggest economy slows. Nike's orders for delivery through late November 2009 signalled emerging market demand will remain strong. Orders for Nike brand athletic footwear and apparel from emerging markets rose 30% in the most recent quarter, compared with a year earlier. In China, Nike's orders in 2010 rose by

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16%, the company's 2nd major market behind North America, compared with 7% in North America.

Weakness:

Recent Setbacks

Operations may take a hit due to the company suffering setbacks in Russia. Stockmann and Nike agreed to terminate the franchise and announced the closure of 5 stores in Russia from 2010. Stockmann used to operate Nike chain comprising seven small stores located in Nizhny Novgorod, Rostov-on-Don, Novosibirsk, and St Petersburg. As of now, only two stores in St Petersburg are likely to be transferred to another company. This development is expected to impact its sales in Russia.

Child Labour and Sweat Shops

Nike has been critiqued for moving out of countries like South Korea and Taiwan because of workers demand of higher than poverty level wages. The company has relocated factories in poor working conditions in low cost countries such as Vietnam, Mexico, China, and Indonesia. Nike has also been criticized for child labour in some of its factories in countries such as Cambodia and Pakistan. Such allegations undermine the company's corporate social responsibility and may adversely affect its brand image.

Opportunities:

New Product Launches

Nike always focuses on new product innovations which helps the company create competitive advantage and build brand equity. Innovation continues to be a cornerstone of the company's corporate strategy with significant

efforts focused against consumer demands for products that are convenient and effective. Recent new products include Zoom Kobe V, lowest-profile and lightest basketball shoe. It also launched N7 Collection, a select range of performance footwear. Further in 2009, the company also introduced Nike LunarGlide+ and Nike+ SportBand. Such new product launches will be beneficial for the company in the near future.

Growth of e-Retail Industry

Rising popularity of online shopping may benefit Nike. According to Internet World Statistics as on March 2009, the internet penetration in the US is about 74.7 % of the total population and the user growth has been 138.3 % in the period from 2000 through 2008. The Company can increase customer base by utilizing the opportunity to market its presence across the world through web services. As it is cheaper to maintain online shops compared physical stores, company can save on operational costs. The company already retails through its website and further enhancement of its internet service will prove to be beneficial. With the increase in the internet penetration in the US, the company can foster its growth.

Threats:

Increase in Counterfeit Products

Counterfeiters are benefitting from Nike's brand name, pretending as official sellers on the internet and playing on customer's confidence in the company. The growing market for counterfeit merchandises has been on upsurge across industries and is affecting the sales as well as the image of the company's brands. The fake merchandises in the industry are eating into the market share of the branded products through their low price offerings. Since <https://assignbuster.com/swot-analysis-of-nike-incorporated/>

the customers end up buying the counterfeited goods bearing the duplicate brand labels, low quality of these counterfeits affects the consumer confidence and also tarnishes the brand image of the genuine company. Thus the company is prone to these challenges and any underperformance of the counterfeit products can have a major effect on the company's fortunes

Increase in Wage Rates

Increasing manpower costs may have an adverse effect on the retailers, such as the company. In the US, the government increased the minimum wage rate in 2009. Furthermore, many states and municipalities in the country have minimum wage rate even higher than \$7. 25 per hour due to higher cost of living. Such increases in the minimum wages increase the operating costs of retailers and have an adverse effect on their profits. It reasonable pay. With Nike's employee base of more than 95, 000 people, the company is bound to come under pressure due to the pay hikes.

Intense Competition

The company could be impacted by the growing competition in the market. With rising competition, the industry has been witnessing consolidation wherein the smaller entities are being acquired by or merged with major players. The arrival of private brands in the industry is also on the rise. The company also faces stiff competition from players such as Adidas Group, PUMA AG Rudolf Dassler Sport, Polo Ralph Lauren, Fila USA, Inc., Reebok International Ltd. and Callaway Golf Company. Rising competition may also force the company to reduce its prices, which may adversely affect its margins.

UNDERSTANDING AND SUSTAINING COMPETITION

Nike compete globally with a significant number of athletic and leisure shoe companies, athletic and leisure apparel companies, sports equipment companies, and large companies having diversified lines of athletic and leisure shoes, apparel, and equipment, including Adidas, Puma, and others. (2010 Annual Report)

With \$19 billion in revenue in 2010 (2010 Annual Report), Nike is the largest player in its industry, outpacing number-two Adidas by \$5 billion at current exchange rates. However, with just 7% of the market (wikiinvest), the company has sufficient growth opportunities. Nike can sustain and top the competition by:

Continuing to explore and invest on emerging markets such as China and India. Given its global brand and unrivalled product innovation capabilities, Nike can gain significant market share in the emerging markets

Concentrating on growing its nascent brands such as Converse, Umbro and Hurley. Leveraging Nike's marketing and logistics resources, each of these brands can double their size over the next five to seven years

Designing a pricing strategy for the untapped consumers and segments who are not able afford Nike brands because of brand's high price

Renewing and extending contracts of key sporting celebrities such as Kobe Bryant, Cristiano Ronaldo and Lebron James. The introduction of " Air Jordan" by linking up with Michael Jordan was one of the mega success stories till date

Researching and developing a state of art online store which can market and sell products to its customers.

Continuing to invest on product development and new technologies, to provide advantages to customers who buy Nike products. According to Companies must focus on building customer advantages. Then they will deliver high customer value and satisfaction, which leads to high repeat purchases and ultimately to high company profitability.