

The market environment in nikes geographic



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Nike's geographic market consists of major markets throughout the globe. Until 2009 Nike's geographical markets consisted of United States, Asia-Pacific, Americas and an area comprising of Europe, Middle East and Africa. However in March 2009, Nike announced its plan to reorganize its global business in order to bring goods closer to the markets and in turn consumers as well as to reduce management overlap. Following this plan Nike then decided to develop its market share in North America, Western Europe, Eastern/Central Europe, Greater China, Japan and Emerging Markets.

Main Business

Nike Inc. specializes in footwear, apparel, equipment and accessory products for men, women and children. The company offers footwear for football, basketball, soccer, baseball, tennis, golf, walking, sport-inspired casual shoes, kids' shoes and other athletic and recreational purposes. Along with footwear the company also markets sports apparel and accessories, along with sports inspired apparel and athletic bags. Along with these Nike also offers performance equipments which include bags, socks, sport balls, eyewear, electronic devices, bats, gloves, golf clubs, and other equipments designed for sports activities under the brand name NIKE. Products are mostly sold through its retail stores, independent distributors, franchisees, licensees and also through e-commerce.

PEST-G Analysis

Political

The government of any country must enforce economic policies that will benefit the growth of industries and businesses in that particular country.

The US policies have fortunately enables NIKE to grow and market its products. The support accorded to Nike by the US government, particularly in the general macroeconomic stability, low-interest rates, stable currency conditions and the international competitiveness of the tax system, form the foundation critical to Nike's growth.

Nike's main production faculties lie in the Asian countries where political unrest prevails. The rise and fall of governments' results in change in policies relating to tariff on import and export, foreign direct investment, etc. This political unrest in the production countries may affect Nike.

There is also the case of employing under aged workforce in the factories located in the Asian countries.

Economic

The biggest threat for Nike is the economic downturn which will result in the slowdown in purchases. This in turn will affect the growth of Nike. Along with the decelerated sales labor cost and raw materials prices are increasing, which in turn will affect the profit margin of the company.

Nike is exposed to the international nature of trade. It buys and sells in different currencies and hence, costs and margins are not stable over long periods of time due to changing exchange rates.

Social

People today are more brand conscious where they prefer to buy products which have brand value associated with them. However, this is no problem

for Nike as it is the number one sports brand in the world. Its famous 'SWOOSH' is instantly recognizable.

Preferences of young consumers are changing. They now want fashion-oriented products for leisure activity instead of sports activities.

Nike also faces a problem with the labor and factory conditions in the factories located in the Asian countries. This caused bad publicity which resulted in decline in sales as people and society demand more socially responsible firm.

There are also an increasing number of women consumers in the market due to changing lifestyle and trends.

Technological

Nike has integrated technology to develop its products fast. Since Nike is a fashion brand and fashions keep changing. The product could become unfashionable before it wears out, i. e., consumers need to replace shoes.

Nike always adopts latest technology for its product manufacturing and development.

Environment/Green

Nike makes every attempt to reduce the impact of each of its products on the environment throughout its Product Life Cycle from design to manufacturing, and ultimate disposal.

Nike shoes produce solid waste. The largest of these by weight is cured rubber used in shoes soles. Nike employees engineered a creative way to keep it out of landfills and convert it into more outsoles, called REGRIND, and are available to public.

THE COMPETITION

Main Competitors

Nike's main competition comes from Adidas and Reebok along with many small companies such as New Balance, K-Swiss, etc. Due to Nike's huge brand awareness, its competitors have to put in more effort to sell their products and also new entrants in the industry should have huge amount of capital to invest in advertising to create brand awareness and to become a significant if not a major player. This restricts the amount of entrants in the market.

SWOT Analysis

Strengths

Nike is a global brand with strong brand recognition. Its famous logo 'SWOOSH' can be recognized instantly by anyone. Also having a large product portfolio gives Nike an advantage since customers can choose from a wide variety of products.

Another strength of Nike is its extensive distribution lines. Nike has around 48, 000 retail outlets of which around 18, 000 are in the U. S. alone. Nike also operates a ' futures' option wherein the retailer can order up to 6 months in advance. They also sell their products through independent distributors all around the world. Apart from that the consumers also have a <https://assignbuster.com/the-market-environment-in-nikes-geographic/>

choice to design their own shoes on the official Nike website where they can choose the design, color, features, etc. for their shoe.

Research and Development has always been Nike's strong point as can be seen from its ever evolving and innovative product range. Since Nike outsources its manufacturing to other manufacturers, it doesn't have any capital tied up in machinery or equipment, which results in fewer expenses.

Weakness

Although Nike has a large product portfolio, its income is still profoundly dependent on its share of footwear market. This may leave it susceptible if the market share for footwear erodes.

Due to the diversified product range, Nike is unable to focus on one main product. This results in divided attention on each product line. Also the amount of time and resources in maintaining each of its product line is very high.

Another weakness of Nike is the negative image portrayed by reduced working conditions in the overseas factories. This may lead to bad publicity of the company as a whole and may affect the sales as people nowadays want companies that are socially reliable.

Opportunities

One of the opportunities for Nike is its ability to penetrate a new market. Currently Nike is focusing more on Generation Y market and women. Nike acquired Converse to provide for the increasing demand from Generation Y

for retro and classical footwear. Also Nike has started aggressive marketing towards women by creating Nike Goddess stored and introducing women's yoga shoes in an attempt to appeal health conscious women.

Product development is in its own an opportunity for Nike. Although owners may deny that Nike is a fashion brand but many people think otherwise. This creates opportunities as people may think the product could become unfashionable before it wears out, i. e., consumer may think that they need to replace it.

Nowadays people are more brand conscious. This gives Nike an advantage over its competitors as its name and logo is recognized globally.

Threats

Nike outsources its manufacturing to produces that are in different countries. Nike does not have any control over the political and legal environment in that country. Hence, this poses a threat to Nike.

High level of competition with Adidas and Reebok is also a threat to Nike as these companies have almost the same product range and target markets. This is the reason why Nike strives to be different from its competitors.

Changing Exchange Rates also pose a threat to Nike as it deals internationally, i. e., it buys and sells in different currencies. Due to this cost and profit margins are not stable over long periods.

NIKE'S MARKETING STRATEGY

Segmentation & Targeting

There are many different aspects to consider when deciding on how to market a product and who to market a product to. Nike's target market for its shoes, clothes and other accessories are males and females between the age of 13 and 35 years. Nike segments its markets on the basis of age, gender, geographic locations, psychographic, benefits sought, and usage.

On the basis of age, Nike targets a variety of age groups from young adolescent to middle-aged adults. Nike has different advertisements for men and women of every race and nationality separately. Nike now is focusing on targeting more on women and Generation Y. Also teams of any sport, any size, and anywhere in the world are targeted by Nike.

Nike's aim is to push its products in countries that apply to certain sports, which are popular in that particular country. For example, Products relating to Rugby are advertised more frequently in Europe when compared to U. S., as Rugby is popular in Europe than in U. S.

Nike promotes a positive and confident attitude and targets people who want to attain that attitude. It also is targeted towards customers who are interested in athletics.

On the basis of benefits sought, Nike provides shoes, apparel and equipment for an extensive variety of sports all over the world. It also offers products to many different people who have different tastes, interests and needs. This can be seen from the fact that Nike has a website where consumers can design their shoes according to their requirements and tastes. On the basis
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of usage, Nike is trying to maintain the constancy of purchases being made. There is a theory known as the '80/20 principle' (Czinkota et al., 2000, pg 200). This means that a company derives 80 percent of its sales from 20 percent of its consumers who always purchase the product of that particular company or brand. Nike is trying to maintain these customers who are brand loyal towards Nike by constantly bringing about product innovation.

Positioning

Nike promotes products that ooze with style, attitude and self-confidence. This message is clear in Nike's tagline 'Just Do It' or 'If you have a body, you are an athlete' which is shown in many advertisements of Nike. The former message of Nike has been used since 1989, when it was first introduced and the latter was developed by Bill Bowerman when Nike first started. This message clearly defines Nike's image which is a positive and self-confident nature.

Porter's Generic Strategy (Differentiation/Low Cost Leadership/Focus)

Since consumers in the footwear industry are price conscious and the market is highly competitive, companies are striving to provide the best possible deals to the consumers. This means that companies are trying to cut down costs from every perspective. Since Nike outsources its manufacturing to other countries, it doesn't have any capital tied up in machinery, equipment or factories. This means it doesn't have any expenses that may arise out of maintenance of any of the above. Since expenses are low, Nike is able to enjoy profits.

Nike also lays heavy emphasis on Differentiation. Nike continually strives to innovate and develop its products. The introduction of Nike+iPod sports kit in the year 2008. This sports kit was released by Nike and Apple Inc. and enables runners to log and monitor their runs via iTunes and the Nike+ website.

Growth Strategy

On May 5th, 2010 Nike revealed its Global Growth Strategy to achieve sustainable, long-term growth across its global portfolio of brands and businesses. With a revenue target of \$27 billion by the year 2015, Nike outlined each and every category of their product line - from Nike SB to Women's Training - and hoped to reach that goal through a consumer-focused strategy. This was based on growth expectations across its portfolio, which includes NIKE Brand, Cole Haan, Converse, Hurley, Jordan Brand, NIKE Golf, and Umbro. The company also expects to generate over \$12 billion of cumulative free cash flow from operations through 2015. Both goals extend NIKE Inc.'s long term financial model of high single-digit revenue growth, mid-teens earnings per share growth and expanding returns on capital.

According to Mark Parker, Nike Inc. President and CEO, Nike has competitive advantages in its portfolio with innovative, compelling products that are distinct and relevant to consumers. The NIKE Brand is the most powerful asset in the Nike Inc. portfolio which accounts for approximately 85 percent of total revenue. Other brands of Nike Inc. also continue to increase their contribution to the company's overall growth strategy. " With our acquisition of Umbro, NIKE has extended its position as the biggest football Company in the world," Parker said. " Hurley continues to outperform everyone in its

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market; Cole Haan has tremendous opportunity for growth; and Converse, nearly a \$1 billion business, has developed strategies to double its revenue by 2015.”- (Mark Parker, President and CEO of Nike Inc.)