

Nike internal factors

[Business](#), [Company](#)



Nike Corporation today is the largest sports apparel and footwear brand in the world. Thousands of people wear Nike gear not only to the playing field but also so social gathering and other casual events. Nike is one of the pioneers to take sportswear from the playing field to public domain. It not only made wearing sports wear popular and turned it into fashion wear but also simultaneously captured the serious performance wear market.

The growth of the company over the years has been attributed to its brand building efforts and creative marketing. When it first enter into the industry the market was dominated with German products and others products even those made in America were considered inferior to the products from the European giants like Adidas and Puma. To overcome this they collaborated with Japanese partners who can provide similar quality at cheaper prices. After nearly eight years of selling through importing, Blue Ribbon Sports the company that evolved into Nike was formed. The name 'NIKE' was taken from Greek goddess of victory and Swoosh was adopted as brand logo. (Nike, 2007)

Strengths of Nike

Nike Business Model

The Nike business model has little changed over the last four decades. The company was founded with the belief that it can provide customers products at competitive prices by getting them manufactured in Japan and selling them over in United States. Over the years the destinations have changed but the philosophy remained intact.

As the income level in Japan increased it shifted its manufacturing units in Taiwan and Korea. After the boom in Korean and Taiwanese economy it shifted its base in other emerging economies like Indonesia, Thailand, Vietnam and China to leverage the cost of production difference. This has resulted in reducing the costs significantly and the company is enabled to deliver maximum value to its customers.

Strong Marketing Abilities

All this time Nike managed the product design, marketing, sales and distribution system which made it one of the first company in the world to focus on the core competitive advantage and outsource the rest.

Strong Supply Chain Management

This strategy not only enabled Nike to focus on its strengths of marketing and designing but also able to leverage the specialization of the vendors supplying the goods. For example Shoes were manufactured cost effectively in Taiwan and Japan while clothing is manufactured in labor inexpensive countries like Indonesia, Vietnam and Thailand. Recently with increasing operations and established brand the company has changed focused on streamlining operations, efficient demand forecasting and supply chain management.

Celebrity Advertising with Cutting Edge Products

On the marketing front the company spend big amount on building the brand since the mid eighties. The success of Nike advertising can be attributed to

its repeated success of picking up the next superstar in world or sports like Michael Jordan, Tiger Woods in past or Sharapova and Michelle Wie at present.

Efficient Retail Management and Brand Management

Starting from the running shoes, today the company has turned into a lifestyle brand. Today it not only sells shoes and sports gear but casual clothing, bags, fashion accessories etc (Holmes, 2004). The number of stock keeping Units (SKU) becomes large if one considers that these accessories and gears are developed according to various sports following like cycling, aquatic, skateboarding, outdoor activities, football, baseball, soccer, golf and tennis.

Merchandise Mix

To enter into various price points with diluting the brand Nike has bought various brands like Exter, Starter, Team Starter, Asphalt, Cole Haan shoes, Converse, Hurley skateboard gear, Bauer etc.

Weakness

Issues with Sweatshops

This dead fish focus on leveraging low labor cost in South East Asian economies to deliver competitive products has often landed Nike in various sorts of troubles from human right groups and labor unions back home, most blaming the company for exploiting children and workers in inhumane conditions. Numbers of these groups blamed it for bringing in and supporting

the sweatshop culture in these economies and the company once famous for innovative designs and creative products soon became poster child of anti-globalization worldwide. Noting this Phil Knight said in annual meeting - "The Nike product has become synonymous with slave wages, forced overtime, and arbitrary abuse". Since then Nike has taken number of steps to cut this malaise in the system and develop respectable human and working standards for its third party vendors.

Fall in the Sports shoes market due to changing trends

Over the last few years there is continuous decline in sports shoes sale because of trend of non sports shoes with jeans. This has resulted in increasing discount and low realization. Nike has to sort out this aspect of their business along with the rest of sporting gear.

Conclusion

Over the years Nike has moved from manufacturing to purely a R&D and marketing company. Today Nike headquarters only looks after the designing, market trends and marketing of the products while outsourcing all others. This may have resulted in cutting the cost but it has also increased the dangers like sweatshops and blemish to the brand equity of the company.

Nike (2007) Nike official Website 2007. Retrieved on 20th March from www.nikebiz.com