

New balance: strategic management



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– STRATEGIC MANAGEMENT NEWS DISCUSSION- NEW BALANCE 1 1.

Company Profile: Ranked 3rd in the US Athletic shoe industry, New Balance Arch Company as it was known in 1906 begun manufacturing arch support, orthopaedic shoes supports and prescription footwear for people with problem feet. In 1954, the company changed its name to New Balance Athletic Shoe Inc. with a focus on running shoes, but gradually entered the other segments such as walking, cross training, basketball, tennis and adventure sports. Bhat, 2005) New Balance started with a niche in developing accommodative foot orthotics and insoles to accommodate all kinds of foot issue and therefore when New Balance went into shoe manufacturing, they decided to take advantage of their expertise and cater to all foot-types by providing five different shoe widths in an industry where three was the standard.

New Balance's expertise was in manufacturing custom-made footwear for sportsmen and that soon became the primary business of the company, they were also known for their innovative designs with multiple widths selection providing both men and women more comfortably fitted shoes. New Balance's humanitarian stance toward labour has won favour among shoe consumers especially following boycotts of Nike and Adidas when these two brands came under fire for paying workers in third world countries sub-minimal wages, encouraging child labour, and its sweatshop working conditions. New Balance aims to adhere to minimum living wage guidelines and retains the manufacturing of several shoes within the US, such that several products bore a " Made in USA" label, versus " Made in China". A favourite amongst consumers aged 30 and above, whose preference were

performance and functionality over fashion appeal and celebrity endorsements. However, due to its focus on the middle-aged group, New Balance has neglected the consumers below 30 years of age. (Bhat, 2005) 2

LOVE/hate- This is the New Balance. (Source: [http://www. boston. com](http://www.boston.com))

March 27, 2008 saw New Balance debut its new global brand campaign. This new campaign highlights running as a fundamental benefit to all sports and captures the runner's complex love/hate relationship with running. Believing that their new campaign will strike an emotional chord with athletes, the company was committed to reducing the hate for running and increase the love through innovations in footwear, apparel and equipment.

(New Balance Official Website) Tripling the company's budget on marketing, New Balance has expanded beyond its loyal customer base of serious runners over the age of 30 and have started to re-launch ads aiming at a younger demographic, between the ages of 18 to 29 by creating an emotional connection through the personification of running. In a local context, New Balance had commuters in Singapore ' seeing red' when their ' Love/hate' ads were displayed at the Orchard Mass Rapid Transit (MRT) platform. Aside from the very prominent location, the campaign was also displayed on selected buses, bus shelters, various publications, online newsletters and television commercials. (Market-interactive. com, 2008)

Deriving its market approach on the emotional element of people, their ads and videos which depict real people in real situations reflect an almost subconscious understanding of how the human mind behaves, being

sensitive to the complex dilemmas that plague the human psyche. Previous ad campaigns themes included “ For love or money? ”, “ N is for fit.

.. N is for performance” and “ Achieve New Balance”, the company emphasizes a philosophy of ‘ Endorsed by no one’ not taking the conventional route of featuring high-profile athletes in their advertising instead allowing the product to speak for itself. (The Boston Globe, 2008) 3 (Source: <http://www.newbalancewest.com/>)

New Balance’s long term goal is that of doubling its athletic shoe and apparel sales to \$3 billion by the year 2012, from \$1. 3 billion in 2007. In light of the company’s new approach of bringing a stronger global focus to their products and marketing development towards its 2012 goal, New Balance had to undergo a shift in responsibilities of executive vice presidents, from Paul Heffernan to Joe Preston. (The Boston Globe, 2008) Re-emphasising the importance of running, New Balance has also developed a new ‘ Storm Striker Jacket’ which can provide technical innovation to help a runner increase their love for running in the rain.

This product drives a subliminal message to runners that they need not be confined to boundaries and are not limited from doing what they love even in less than favourable weather conditions. 3. How Adidas Is Affected? New Balance’s new branding campaign will certainly affect Adidas but to a marginal extent. This is because of elements like fundamental product concept flaws, company mission inconsistencies, lack of originality, no “ hook” in new advertising campaign and no major sporting presence. a.

Product Concept Flaws: According to a statement extracted from the New Balance website, instead of naming the different shoe models, New Balance chose to number them because they wanted to place an emphasis on their philosophy of “not any one particular shoe” (New Balance Official Website) 4 Within the shoe industry, this approach seems to backfire, because by not having any company spokespeople to associate shoe models with, through shoe names i. e. Air Jordan, or through shoe image, i. e.

consumers wanting to buy sporting goods worn by their idol, consumers will find it hard to memorise the name and function of the various shoe designs. By having several widths of each shoe, there may also be a very high risk of excess unsold inventory. b. Company Philosophy Inconsistencies: Cited from New Balance’s website - “At New Balance, we adhere to a unique set of philosophies. We focus on function over fashion; make shoes in multiple widths; continue to make many shoes in the US; nurture strong retail partnerships; take an “endorsed by no one” stance; and support grassroots initiatives. Although we have grown substantially over the past five years, we have not lost sight of who we are or from where we came.

New Balance Official Website) However, currently as New Balance seeks to target a secondary audience of recreation runners aged 18-29, the company is undertaking this “Love/hate” advertising campaign in a bid to increase awareness and branding among the younger group. In doing so, New Balance will soon be unable to keep its shoe prices low. In addition New Balance shoes lack the fashion design element to keep younger markets, unless the company decides to break from its company philosophy. c.

Lack Of Originality: New Balance lacks originality in product innovation as well as in campaign innovation. Product wise, the new Zip technology potentially infringes Nike's "Shox" system, and it is a matter of time before New Balance receives a similar lawsuit that Adidas is currently facing for its popular A3 technology. (Forbes, 2006) If such a lawsuit were to take place, it would definitely dig a hole in New Balance's profit pockets and sales and brand perception may be affected too. Failing which, New Balance still fails to shrug its "sunset shoe technology" image because even their new Zip system which their webpage touts as their pride and joy is perceptively similar to the Nike Shox and Adidas A3 designs.

This "hand-medown" image would also counteract New Balance's expensive attempt to seem bold and fresh. 5 d. No Impact In New Advertising Campaign: With Adidas' very successfully introduced a way-of-life tagline in "Impossible is Nothing", one wonders if "Love/hate" is supposed to be New Balance's attempt at the same. If so, it is a very feeble attempt as it is neither meaningful nor memorable.

The "Love/hate" TV commercials also lack zest and mass-appeal. One of the ads says "What has running given you? An extra half step in overtime", which requires a bit of brainpower to catch the meaning. Less educated TV-viewers or tired TV-viewers would just mentally 'switch off' at the complexity of the ad. Moreover, the motivation behind the TV commercials seem unclear as it seems as though New Balance is promoting the idea of running more than their shoes. The red-themed advertising does not seem very appropriate either. The company claims: "The spot also introduces the brand's visual "red world" representative of the runner's struggle filled with

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temptations and obstacles at the start but with an end result of euphoric accomplishment and love”.

(Fabric 2 Fashion, 2008) However, in Singapore, where the walls of Orchard MRT were outfitted with wallpapers of the new theme, it seemed more gloomy and gory rather than the desired effect. Red, is also largely known to be the colour of danger and alarm. e. No Major Sporting Presence: New Balance has “ missed the boat” in soccer, basketball, hockey and athletics to the other major players like Nike, Adidas and Reebok. The only sport left for selection was Lacrosse, which is not a particularly popular spectator sport. New Balance also seems to be fighting for a better slice of the running market, which is already rather saturated.

4. Conclusion: With their attempt to expand their reach into the younger demographics, New Balance can now be seen as a much more formidable opponent to Adidas, whose main target markets are those aged 18 to 29. Although seen to be invading the stronghold of Adidas, New Balance’s re-branding strategies as an attempt to encroach Adidas’ market share may only be a minor threat, as it would require more than a new marketing approach to be able to sway the loyalty of the consumers and the lifestyle that Adidas has cultivated amongst their consumers. 5. References: 1.

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