New balance athletic shoes case study

Problems In reviewing the case of New Balance Athletic Shoe, Inc. it is clear that there are a few major problems that the company is facing.

First of all, New Balance falls behind its other major competitors, Nike, Adidas and Reebok, in the area of marketing. Unlike its competitors, New Balance does not undertake celebrity endorsements. This puts them at a disadvantage when it comes to brand building. This also causes the company to lose out somewhat on gaining awareness on a global scale as it lacks endorsements in major sporting events.

Most global brand names generate strong brand recognition through celebrity endorsements in sporting events that would give them the needed momentum to carry their brand name further into the global market. A second problem that New Balance faces is its limited product line. New Balance prides itself on providing quality athletic shoes for the serious athlete. However, the market has been shifting to not only include serious athletes, but it now also caters to the more fashion-oriented crowd. This crowd tends to be from the younger generation, the part of the population that New Balance has so far not been focusing on.

New Balance has geared itself toward the older crowd, which has severely limited the company as far as its ability to expand into new product areas and remain competitive in the changing market. Another problem that New Balance has been facing is manufacturing costs. With its competitors outsourcing most of their manufacturing to other countries such as China, Nike, Adidas and Reebok have been able to cut their manufacturing costs significantly. New Balance on the other hand only outsources 75% of its U. S.

volume while retaining the remaining 25% for final assembly in one of its five factories.

Strategies In dealing with New Balance's weakness in the area of marketing it would be beneficial for the company to find a celebrity to endorse their product line. New Balance has always been against celebrity endorsements which emphasize fashion trends and sway potential customers more by popular personalities than by performance and function. This has severely limited the company's ability to reach the same kind of global awareness as its competitors. New Balance should find a serious, yet well known athlete who holds to the same kind of ideals as the company, to endorse their brand.

This will create the type of brand recognition that they need in order to stay competitive. It will also provide another marketing arena, major sporting events, which they had yet to enter into. To address New Balance's lack of product line diversity, the company should expand itself into the area of fashion-oriented shoes. A line can be created that puts emphasis more on fashion than fit. This line would need to be on a faster time line, as fashions tend to churn over much more quickly than research innovations do. A fashion-oriented line will help reach younger consumers previously ignored by New Balance.

Having a more diversified product line will help New Balance reach new consumers thereby growing its overall consumer base. In order to remain competitive, New Balance should outsource more of its manufacturing. China is a low cost producer and outsourcing more of its manufacturing to China will provide the company with a cost advantage. Lower operating costs will help the company to remain competitive. Outsourcing more would also help New Balance achieve a more efficient cost structure.

With all the expenses that New Balance occurs with its current manufacturing supply chain, New Balance would definitely benefit from streamlining it with outsourcing more of its manufacturing thereby lowering its operating costs. Indicators As a general indicator, New Balance will be able to track its progress, or lack of progress, with its new strategies by monitoring sales. If sales go up on the product line being endorsed by whatever celebrity they contracted with, then they know it must be working. Also, if the new fashion-oriented line shows a profitable amount of sales then it is also working towards benefiting the company.

In order to monitor whether or not the new line is profitable, New Balance would need to calculate Internal rate of return (IRR). A positive IRR would mean the line was successful as long as it stayed above the hurdle rate or the lines cost of capital. New Balance can also use return on investment (ROI) as an indicator of this strategy’s success. By calculating the ratio of the return on their investment to the cost of investment, the company would be able to tell whether or not increased investment in this new line is worth while. New Balance can also look at their operating costs.

If outsourcing more of their manufacturing is truly working then they should see this reflected in lower operating costs. This would then affect profit margin. An increase in profit margin would show a decrease in operating costs and would be another indicator that this strategy is working correctly. Of course the opposite would also be an indicator of this strategy not working to benefit the company. Overall, if these strategies work, New Balance should see an increase in their market shares followed by an increase in their profitability.