

# Competitive rivalry within an industry marketing essay



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It is obvious that it has not been a red carpet journey for Nike. The way Nike whiffs at the opportunities and with the way it approaches challenges makes it unconquerable. Apart from having vital and enthusiastic workforce and entrepreneurial attitude, its wide range of quality products, effective & efficient marketing tactics and strong presence in e-retail industry give Nike an extra edge.

Price and product differentiation, an impact the swoosh logo has created, greater benefit (utility) to customers are a few reason why company is still at the top. Corporations often seek to achieve both productivity and differential advantages but only a few succeed. Nike features right up top.

## **Porter's five forces**

### **Competitive rivalry within an industry**

#### **Bargaining**

#### **power of customers**

#### **Threat of substitute products**

#### **Bargaining**

#### **power of suppliers**

#### **Treat of new entrance**

Sustainable competitive advantage is when one company's value creating products are impossible to imitate by its competitors. Michael Porter's model helps to understand the sources of Nike's sustainable competitive advantage over its rivals.

**Threat of new entrance:**

Apart from the usual suspects, competition cannot be underestimated from new contestants in the industry. This affects the business more or less in a negative manner with the newbies eating into the profits of the already established brands. In the case of Nike, new competitors like Under Armour are rapidly move up the ranks and are certainly the ones to be watched out for.

**Threat of substitute products:**

This threat thrusts the company towards constant innovation and also pushes to produce cost effective products. Nike felt the ill effects of Doc Martens persuasion of making young buyers experience hiking style sneakers in place of traditional shoes.

**Bargaining power of customers:**

Consumers don't just buy a product for its attributes. They purchase it for the experience, value and the emotional benefit that the product provides. During intense competition, technological lead is not enough and the company must possess strategic marketing and presenting capabilities. It is very important to make the buyer a feel that they have purchased the best available product in the market. Nike is in a position of strength having accumulated a loyal customer base. All they need to ensure is to come up with appealing products at regular intervals of time.

**Bargaining power of suppliers:**

How much of a bearing does the supplier have on the overall business of the organization? The suppliers call the shots in terms of bargaining power to

companies that depend on one of them and are devoid of any alternatives. Conversely, a business can hold the upper foot on the suppliers as is the case with Nike. Nike does not make its own shoes, using private contractors in Vietnam to get the job done. They exercise control by paying low wages to helpless factory workers and threatening to switch factories in case of anomalies (Lussier and Kimball 2009: 90).

### **Competitive Rivalry:**

This is described as the jockeying and scrambling for position. Cut throat competition ceases to exist over a combination of factors like quality, price and speed. Nike faces strong competition from Adidas-Reebok, Fila and Puma. One's move is monitored and anticipated diligently by the other. (Lussier and Kimball 2009: 90).

Nike has a substantial competitive advantage over its rivals in terms of market share. Its brand image has largely benefitted from its reputation for innovation and quality placing it as numero uno in the apparel and athletic footwear industries. In terms of e-commerce, Nike is a step ahead of competition with their highly interactive website. They have adopted a merchant model encompassing three pillars of their e-commerce approach: bricks and clicks, pure-play e-tailers and an online store to help them market and promote products. The Internet has helped Nike reduce cost and increase sales. The website has helped them conduct market research and analyse customer's buyer behaviour. This has helped them spring out exciting promotions and marketing campaigns.

## **Graph of competitive advantage:**

**(I will send the graph soon)**

### **Altman Z-Score:**

By combining 5 different ratios, Edward Altman came up with a very useful tool called Altman Z-Score which uses statistical techniques to predict a company's fiscal-fitness using the 8 variables from a company's financial statements.

Based on this evaluation, we can compare Nike's credit risk with others.

Nike

6.94

Adidas Group

2.5

Reebok

4.37

Z-Score ( $> 2.99$ )-The Company is considered to be in a ' Safe' zone.

Z-Score (between 2.7 and 2.99) – It is called a grey zone where one should exercise caution.

Z-Score (BETWEEN 1.8 and 2.7) – based on the financial figures only, one can predict the company (in distress zone) going bankrupt within 2 years of operations.

Z-Score ( $<1.80$ ) - Probability of bankruptcy is very high.

Nike stands high with the score of 6.94. (Till the end of 1999, the Z-Altman score was found to be accurate up to 80-90%/ <http://pages.stern.nyu.edu/~ealtman/Zscores.pdf>)<http://www.creditguru.com/CalcAltZ.shtml>