

Converse analysis essay



**ASSIGN
BUSTER**

Company Perspectives: The Company's marketing strategy is targeted on the Converse All Star brand, which is positioned as the American performance brand with authentic sports heritage. The company believes that there are significant opportunities to build the brand, which commands high consumer awareness generated by reason of its 95-year history. The company's consumer research has become an integral part of its product development, advertising campaigns and in-store point of purchase materials.

1. 0 Company Information

1. 1 History and Key Dates:

1908: The company is founded as Converse Rubber Co. In Massachuset.

1917: Converse introduces the All Star, one of the world's first basketball shoes. 1921: Chuck Taylor signs a cooperation contract with Converse. 1923: Chuck Taylor's signature is put on the ankle of the Converse shoes as well as the brand logo. 1929: Converse Rubber Co. falls into bankruptcy.

1962: Low-cut Oxford introduced 1972: Converse is purchased by the Eltra Corporation and acquires the footwear division of B. F. Goodrich Co. 1974: One star skateboarding shoe introduced 1979: Allied Corporation purchases Converse. 1982: Allied Corporation sells Converse to a group of its senior managers. 1983: Converse stock becomes available on the NASDAQ national market. 1984: The company signs agreements with Moon-Star Chemical Corp., Mizuno Corp., and Zett Corp. to handle the manufacture, distribution, and sale of Converse footwear in Japan. 1985: Official shoe of National Basketball Association

1994: Converse is spun off from Interco in November. 1996: Converse reaches its 700 million sales of sneakers 1999: Converse introduces the He: 01 shoe. 2003: Nike Inc. purchases Converse with 305 million dollar. 2008: Converse promotes “ Welcome to Converse Century”.

700 million pairs of shoes sold all over the world in the past century, Converse is no doubt the leader of sneakers industry. Converse built the whole sneakers kingdom since 1908 when it was first founded in Massachusetts. Converse had reached its first big success when Converse All Stars shoes were first sold in 1917. Most consumers may first know Converse because of Chuck Taylor who entered the company in 1921 and led the All Stars become famous. However, shortly after this Converse fell into its first financial woes and filed for bankruptcy in 1929.

Hodgman Rubber acquired Converse initially, but after diminishing profits the Stone Family began its long period of ownership. During World War II production shifted to supplying the U. S. military with protective footwear, parkas and other equipment. After the war Converse expanded and acquired Taylor Rubber Co. (1961) and Hodgman line of sporting goods (1964). Converse passed hands yet again this time to Eltra in 1972. This was the first of many buyouts for the Converse brand who is now currently owned by Nike. For more details of the numerous bankruptcies and changes in ownership see the detailed timeline below. Currently Converse is owned by Nike. Nike purchased Converse for \$305 million in 2003 after closing many US facilities.

Within the last five years Converse has released its first ever apparel line in conjunction with new sneakers. Converse also became involved with the (Product) Red campaign in an effort to join the popular conscious consumer trend. In 2008 Converse celebrated its 100th anniversary and its standing as not only a brand of sneakers but also representing an identity of Americans who view Converse as part of their personality and image. Converse is not only a simple brand in Americans` eyes. Similar to McDonald or Coke Cola. Converse is an identity of America, marking the rising and developing of NBA and Sneaker industry.

1. 2 Product Chain

1. 2. 1 Product Line: ALL STAR – Most famous Converse shoes ever, firstly endorsed by Chuck Taylor, after years of improving and designing, now become the identity of Converse. (1) PRO STAR – Only one star and arrow on both two side of the shoes, endorsed by Doctor J, Magician Johnson and Larry Bird, Pro star shoes has become the second most popular shoes in east Asia after the Classic. (2) ONE STAR – Very similar to PRO STAR but a little different on two sides, there is no arrow on two sides but only a “ one star” and the star logo on both two sides instead. No logo on the sole but a star logo on the heelpiece of the shoes. (3) STAR 70 – Star 70 was first designed in 1970s, by the promotion of Kimura Takuya between 2002 – 2003, Star 70 is very famous in China, Japan and Korea. Compared to other Converse shoes, Star 70 has star on both sides as well as two slashes, no logo on the sole but “ All Star” on the heelpieces. (4) SKID GRIP – This series is normally called “ sailor shoes”. The design came initially from the shoe-style among sailors. (5) Product Line (types of shoes)-Chuck Taylor, Jack Purcell, Converse

<https://assignbuster.com/converse-analysis-essay/>

by John Varvatos, Converse (PRODUCT) RED™ , Basketball, Skate, Running and Court Current Collections–Chuck It, Prom, Graduates, Music Collaborations, Chuck Taylor All Star Slim, One Star Suede, Kids, Classic Chucks

Product Mix Men’s Clothing, Women’s Clothing, Converse by John Varvatos Clothing, (Sun)glasses, Accessories

1. 2. 2 Product Features Rubber sole, sidewall, and toe ‘ Racing’ and heel stripe Canvas body and lining Stitch and lace Logoà heel, inside, sole Double eyelets on inside

1. 2. 3 Packaging Converse in special Converse box, tissue paper around New box with patch logo on top Converse star on sides “ CONVERSE” on length ‘ Eyelets’ on side Stripe along bottom

2. 0 Industry Analysis

2. 1 Porters 5 forces

2. 1. 1 New Entrants The threat of entry-low risk – The barriers to entry are high which can be reflected in the economies of scale, sales channel development, investment capital and other aspects. First, the current athletic shoes enterprises have already been in the market for more than twenty years, which have already got a certain size. Meanwhile, the production of athletic footwear has some standardized features. The shoes can be put in large-scale production as long as the style has been decided.

However for the new entrants, there are two main problems need to face due to the relatively small scale.

On one hand, they can not keep up with those mature brands with the range of products; On the other hand, the cost will be higher relatively because it is difficult to gain a competitive advantage to survive at the beginning. Second, the current sales channels of each brand sports shoes are basically sound. They all have a certain scale and system no matter agents, joiners or local stores. These systems are difficult to form in a short time for new entrants, so that's another challenge for them. Last but not least, it will need a lot of money to reach a certain scale even the price of shoes is not high. In addition, it will need huge amount of money for marketing because the market is so competitive. These are quite hard for a new entrants to reach.

The risk of entering sports shoes industry is high. The new entrants should consider not just the revenues but also the risk of the industry. It is obviously that the current competition of the athletic footwear industry is very fierce according to the analysis of the existing competition. All the brands are trying to find the breakthrough, which will make it more difficult for the new entrants. Meanwhile, as competition intensifies, the profit margins of athletic footwear industry is gradually narrowing, while compared with the huge investment. The return on investment will undoubtedly become a troubled new entrants factor.

2. 1. 2 Suppliers The supply chain-low bargaining power – The productions that suppliers provide are mainly oak, plastic and clothes, which are relatively simple and abundant. Oak, which is mainly made in the tropical

regions, need to be imported. However these productions export have already been formed very early, so there is enough supply. And the production of the clothes is much more simple because the supply is quite enough with cotton, chemical fiber, etc. For the supplier, the market is oversupply, so their bargaining power declined significantly. – The cost of production is low . it just accounting for a little proportion of the total cost of shoes. The post-processing and promotion cost more money than production, which makes the bargaining power of suppliers been weakened. The sports shoes supplier does not form a strong alliance.

Which basically stay in the model of decentralized business. They have not formed any alliances or long-term strategic partnership with the sports shoe business. Therefore, it will cost relatively low for the sport enterprises' conversion, which makes the single-decentralized supplier's bargaining power weakened obviously. It is hard for the supplier to the integration because the supply and the operation are totally two different things. The former is only responsible for the collection and production, while the latter requires a lot of investment in the market. There is almost no supplier in the market alone, which is quite easy for the sport enterprises to find a station. It also makes the supply's bargaining capacity been weakened.

2. 1. 3 Substitutes The threat of substitutes-low risk – The comfort, suitability and protection of professional sports shoes would not been replaced. – The sports shoes can be used as casual shoes, which means the consumers can choose to wear sport shoes even they are not doing exercise. It is quite normal in the life. – The price difference between sports shoes and casual shoes is quite small. So for the customers they would not deliberately to

choose causal shoes or give up sports shoes just the price. In addition, the concept customers thinking about the sports shoes are more comfortable, breathable, etc. So the probability of selection of sports shoes would be higher.

2. 1. 4 Buyers The power of buyers-medium bargaining power – The total number of buyers is large, but individual buyers mostly do small purchases, which only accounted for a small proportion. Sneakers belong to the daily necessities. Its characterized consumption is buying dispersion, buying low frequency, small single purchasing amount. These features make the bargain power get weakened. – First, the industry is quite competitive. Next, the differences between brands are not clear enough. So customers have a lot of options. The switching cost is low, which provide the buyer a strong bargaining power. Overall , the bargaining power of buyers are stayed in the medium.

2. 1. 5 Competition Competitive rivalry-high risk – The current competitor in the industry is aggressive. The sports shoes' development experienced nearly a hundred years. In these years, there are a lot of brands emerged. While everyone has its different leading areas, the aggressive competitions are still survived between different geographical regions. – Market homogeneity

- The competitive strategy adopted by each enterprise also determines the intense competition internally of the industry. Although those sports shoes try to highlight their difference in their philosophy currently, but still not truly

differentiated. Because of that, these companies all striving to develop their own proprietary market.

2. 2 PESTLE Analysis – Political 99% of the shoes are manufactured outside USA and therefore a “ shoe tax” is included; The “ shoe tax” is a regressive set of tariffs applied to imports of footwear: the most expensive shoes receive lower tariffs while cheaper shoes receive higher tariffs.

- Economical United States and Europe are the biggest participants in the global footwear market; China produces the 55% of the world shoes (followed by India and Indonesia), 4. 5 billion pairs of shoes a year and it exports more than half of it mainly to the United States.

- Social U. S population is the third biggest in the world (312, 394, 000 people).; A wider population allows the business to be extended and increased.

- Technological This industry is an area, which needs a lot of investment in research and development. The new high-technology able companies to be more innovative and to try fulfilling most of the customer’s needs in order to increase their sales and create a better rename.

- Legal This industry has a good inspiration on most legal parts, like The Discrimination Law and The Antitrust Law. However they still have a lot of problems on The Consumer Law and The Employment Law. There are a lot of complains from the customers annually. Meanwhile, strike used to happen in the industry.

- Environment The industry was affected very little by the element. But the raw materials are connected to the weather and climate. However, the global warming doesn't affect the supply so far.