

# Competitive advantage at nike



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Start with: Competitive advantage simply means what the company is best at. By altering marketing to the customer needs, Nike has been the most successful player in the past and continues to be today. How Nike has become the biggest player of the game? How it successfully captured almost half of the market in sport sector and still the giant? Well, they JUST DID IT and are doing it. Nike is doing what is required by law and also what is expected of a leader.

Roots to competitive advantage: It is obvious that it wasn't a red carpet journey for Nike. The way Nike smells the opportunities and the way it approaches problems makes it unconquerable. Apart from having vital and enthusiastic workforce and entrepreneurial attitude, its wide range of quality products, distinct supply chain management, effective & efficient marketing tactics and strong presence in e-retail industry give Nike an extra edge.

[http://3.bp.blogspot.com/\\_TjMfUmrr8Gs/SxPoEUasjEI/AAAAAAAAAFI/Az-8n9gq07U/s1600/.....NIKE\\_Swoosh.gif](http://3.bp.blogspot.com/_TjMfUmrr8Gs/SxPoEUasjEI/AAAAAAAAAFI/Az-8n9gq07U/s1600/.....NIKE_Swoosh.gif)

Price and product differentiation, an impact the swoosh logo has created, greater benefit (utility) to customers are a few reason why company is still there. Company often seeks to achieve both productivity and differential advantages but few succeed. Nike is one of them.

Porter's five forces

## **Bargaining**

### **power of customers**

## **Bargaining**

### **power of suppliers**

### **Treat of new entrance**

## **Competitive rivalry within an industry**

## **Threat of substitute products**

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

Threat of new entrance:

Apart from a competition from regular rivals, there are many a time new comers equipped with lots of strategies to conquer others. In addition other sportswear manufacturers also expand their portfolio. It affects the business more or less in a negative manner.

Cheap copies from the Far East

When markets are reaching saturation, new markets need to be identified to prevent decline in sales. Nike sensed that scenario and wisely put its eye on EU market. Even though difficulties in entering the new market because of the single currency and the trade rules, consumer sales outside of the United States exceeded sales in the United States in 2003 with only 43% of the company's sales coming from the US.

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According to the geographic location, Nike has segmented the international market. The United States, the Americas, Asia Pacific and Europe, Middle East and Africa (EMEA).

Threat of substitute products:

When required for professional use there is no substitute goods, but as a fashion item there are many other goods that could be purchased.

Bargaining power of customers:

Consumers don't just buy a product for its attributes. They buy it for the experience, value and the emotional benefit that the particular product provides. The product might be as good as, or better than, the competitor's; but as long as the consumer perceives the product to be not superior or not different from others, the product can't become successful. By following this law, Nike is investing heavily and successfully in marketing its product.

The buyers of sports footwear and hence their thinking have changed in the past decade. Nike is being extremely pro-active in innovating products that meet Generation Y's tastes and purchasing methods

Bargaining power of suppliers:

Using production facilities in the Far East has given Nike economies of scale. Although there are now problems arising from these factories, they are switching to making their own goods, labour and political unrest causes delays in manufacturing and shipping of the goods. Nike successfully fought against this socio-political issue and wisely maintain its brand name.

### Competitive Rivalry:

Being the greatest sports company of footwear and apparel, it is having largest cost advantages over competition. Its large economy supports it in distribution and marketing over its rivals.

The above graph shows market share of sport shoes sold on 2009. The main players are Nike and Adidas. One can observe that over the last few years, Adidas has been slowly eroding the market share from Nike.

Reebok, offering more choice of shoe, introducing endorsement by sports personalities, sponsoring sporting leagues

Adidas have recovered from the problems that plagued them, and have a good product mix, covering a wide range of sports.

To compete with powerhouse Nike, Adidas merged with Reebok. Adidas is on its way to launch a new innovative campaign praising the team spirit. It is officially sorcerer of couple of university teams and presently assisting them in making their on-field outfits. These tactics proved to be a good practice to drag youth attention. Reebok deals with NFL for designing and marketing all on-field uniforms. Further to this, it is having a 10 year deal with NBA, WNBA and MBA development league.

Where the master giant Nike with its 'JUST DO IT' punch line directly target famous sports personalities which at the end rose sell significantly. To attract more customers, nikeid.com allowed them to design and personalise their brand resulting more than 3, 00, 000 unique visitors a day. Though Adidas

web site is slightly more favourable in user friendly functionalities, it lags behind on Nike's overall site appearance.

## **Graph of competitive advantage:**

### **Conclusion :**

Quick and appropriate decisions at write time, use of brand name, goodwill- therefore increases its CSF (critical success factor) to succeed. Today Nike has a strong network of retailers in 200 countries worldwide through distributors, licensees and subsidiaries. Within the USA there are 18000 stores that retail Nike products. These are well established channels.

“ To bring inspiration and innovation to every athlete in the World.”

“ To represent the highest service standard within and beyond our industry, building loyal consumer relationships around the world.”