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Lloyd Anderson founded Recreational Equipment Inc in 1938. The United States of America is the home country of Recreational Equipment Inc.

At first, it was only a small consumer cooperative. The founders recognized the need to provide high quality equipment to those who loved the outdoors. Since then, the company has experienced continuous growth. This has made the company one of the most successful companies in the United States. Its product line consists mostly of outdoor and indoor sporting equipment and sports equipment. Following, is an analysis of the firm drawing from Porter's diamond model.

Porter's diamond model compares a number of factors in a given industry. Porter insists that there exists a relationship between the degree of a company's competitiveness and its customer relations, internal and external environments and most importantly, with its performance. He uses six factors to explain this phenomenon. This paper, therefore, analyzes Recreation Equipment Inc.

using these six factors. It is important to note that Porter believes that the only way a company can become competitive is if it has all these factors (Prinzing, 5). The first factor is the local demand conditions factor. This factor gives importance to things like the demand for the company's goods in its home country. Using Recreational Equipment Inc, it is evident that since its formation, the local demand for its products was great.

In fact, this is the reason why its founders started it. Its local demand was because of the fact that people are finding it difficult to obtain high quality

equipment from Europe. These circumstances were, therefore, forcing people to settle for low-quality equipment in the market.

This, therefore, created a local demand for good quality equipment at a reasonable cost which Recreational Equipment Inc was able to offer. The second factor was the factor conditions. This varied from the firm's infrastructure to the different types of resources available in the firm, for example human, capital and physical. Today, Recreational Equipment Inc can boast of some if not all of these. Due to its growing profits, it enjoys a healthy capital structure. It also employs numerous employees due to its large number of retail stores and its diversity in the use of internet marketing (Seckler, 8).

The firm also boasts vast knowledge with respect to its clientelle and surrounding environment. The third factor was supporting industries also known as the intensity of rivalry in the country where the respective company is based. As years went by other companies also made a debut in the United States recreation industry. These companies consequently became Recreational Equipment Inc's major competitors.

These companies were namely: LL Bean, Patagonia Inc and Sports Authority. This led to intense competition in the industry. The fourth factor is the firm strategy, structure and rivalry. This mainly entails the goals, visions and missions on which the company is founded on. Recreational Equipment Inc's goal was to provide quality both in their products and services. They also gave great importance to the community by ensuring that all their strategies were community and environmental friendly. The fifth factor was the

government. Porter insisted in the importance of firms realising that the government could very easily influence the other factors mentioned.

Lastly, there was the chance factor which required the firms to factor in the possibility of something that was beyond their control happening.

### **The Company's Degree of Responsiveness**

In April 2000, due to its growing profits, the company decided to venture into the Japanese market. It set up a shop in Tokyo. Due to poor preparations and rigidity in its structure, it closed shop the following year (Tice, 7). From this, it became evident that Recreational Equipment Inc did not vary its products to suit the Japanese market. It failed to recognize the fact that unlike Americans, Japanese people did not enjoy outdoor sports a lot.

It also failed to recognize the fact that in Japan, the customers who formed a large percentage of the market were women. The sports that were popular in Japan, were not the same ones that were popular in America. Recreational equipment inc should therefore become more responsive to differences among nations, as this is the only way it will be able to become competitive globally.

### **Intensity of Cost Pressures**

Internationally, this industry is faced with intense cost pressures. Cost pressures are mainly caused by the rise or decline in the prices of factors of production. The cost pressures in this industry are intense since, for a firm to expand internationally, it requires increased quantities of the production factors. If for example the company was to set up camp in Japan, it requires

more labour and capital (Clarke, 6). The problem comes in because these factors are priced differently in each country.

It may be more expensive in Japan compared to America. This is what creates these cost pressures in the industry.

## **Recreational Equipment Inc's Approach Examined**

This company's approach can be summarized by the multi-domestic strategy.

This is so because it has focused on expanding only in America where it has opened numerous stores in different states. Given the cost pressures and the pressures for local responsiveness, I think this is the best strategy for this company. Some factors need to be considered when deciding on the strategy to use. These factors include: the company's degree of responsiveness.

If a company is not able to respond accordingly given a certain environment, then it should not go global. Secondly, the cost pressure should also be considered. If the cost pressures are too intense on the international scene, then it is best to avoid it. Lastly, the market, in terms of demand should be considered. It is not viable for a company to venture into a market where there is no demand for its goods. This strategic choice therefore means that Recreation Equipment Inc's business is only limited to its home country. It cannot therefore enjoy the benefits that accrue to a firm from cross border trading.

However, the advantage of this is that some of its distinctive competencies interact with its strategies effectively. One of its competencies is that it offers quality products and value. Naturally, this would mean that their prices are quite expensive. Its strategies ensure that it operates in a country where their

products are appreciated for the high value that they offer. They are therefore not in any pressure to reduce prices. Secondly, it is a company with a very healthy financial structure, making it very easy for it to expand nationally. They do not have to bear excessive costs that are as a result of growth.

It also boasts of a very large number of employees, making it easy for them to expand. Lastly, the company's upholding of quality products, has seen it continue to report continuous growth in both sales and profits.

### **The Areas of Improvement Necessary**

As discussed this strategy adopted by REI is not full proof. It requires some improvements. First, the company should come up with strategies that will increase its responsiveness accordingly.

The company should also come up with ways of dealing with cost pressures on the international scene. Additionally, since cross border trading offers diverse opportunities, the company should come up with expansion strategies. These strategies may lead the company to new heights of success. Lastly, it should keep diversifying its products so as to ensure that almost every type of customer is catered for.

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