

# Strategic Management: The Case of Nike, Inc. Essay



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## Introduction

Nike Inc. is an international company based in the United States, which deals with sportswear and other apparels. The company is ranked as the top seller of sports shoe and clothing. Nike was started in 1964 by Bill Bowerman and was originally called Blue Ribbon Sports, but was later changed to Nike in 1978. During that time, its main goal was to produce low cost, high quality products for Americans to break Germans control over domestic trade (Nike, Inc., 2009).

Today, Nike not only distributes its products domestically, but also all around the globe. It has market regions in continents such as Asia, Europe, and United States. Besides, Nike has produced many brands such as Nike Skateboarding and Nike Pro. This paper focuses on the Nike Company and the strategic methods and tools that have led to its superior performance.

## Products

According to Peters (2009), Nike produces a wide range of products, which are categorized according to their relevance. Nike's first products were track shoes, which were meant for running: the company has managed to design and produce shoes for different games such as baseball, hockey, football, basketball and Cricket.

This is due to the ever-increasing number of customers favoring the company's products. The latest product that has been produced is the Cricket shoe named as air zoom Yorker (Nike, Inc., 2009). Air Zoom Yorker is better because it is 30% lighter compared to the one designed by Reebok. Another new product is air Jordan XX3, which is meant for basketball.

Additionally, as a company that relies on collaborative marketing, Nike together with Apple Inc. has designed a product that is able to check runner's performance through a radio device, which is placed inside the shoe and is connected with the iPhone. Nike has also produced shoes that contain flywire and lunarlite foam meant to make the shoe lighter.

The Nike+ sports brand records the mileage, lost calories, and time used. According to Mintzberg, Ahlstrand, and Lampert, product differentiation and market segmentation form the basis for strategic management in marketing. In this light, meeting customers' demands has been the strategic objective in Nike's plan.

## Marketing Environment and Success Strategy

Dess and Alan (2006) affirm that the marketing strategy used by Nike is an essential element for its success. It has entirely

The second commercial advert was called 'move', which marked the famous athletes. In product promotions, Nike pays to wear their products such as t-shirts, shoes and shorts in order to advertise them. Such players include Michael Jordan through him, the promotion has boosted Nike's publicity and sales. It also sponsors many football clubs in Brazil, Netherlands and United States.

Golf players like Tiger Woods and Michelle Wie have also benefited from the sponsorships. Nike also sponsors high school basketball and has developed websites for various sports such as nikerunning.com (Johnson & Scholes, 2008).

However, Nike has faced a tough competition in the market with companies such as Reebok and Adidas, which sell the products as it does. Reebok has many female consumers, but has a weakness of poor marketing as compared to Nike. It does not always advertise its products on Televisions as compared to other Companies. Nike has tried to capture a big market of female customers by sponsoring Women's world cup football, which was held in 1999.

Nike has used the five forces model of competition that determines the industry structure. This model has helped it to cope with external forces such as, new entrants in the market, alternative products or services, bargaining influence of suppliers and buyers and competition and enmity among other competitors (Berman & Evans, 2006).

Onkvisit and Shaw (2004) argues that the risk of new entrants has been a threat to Nike since there are other firms in the clothing and shoe industry that have a potential to produce sportswear shoes and clothes if given a choice. Entry of new entrants has affected the prices because Nike has lowered some of its product costs.

However, the threat has been minimized by government regulations and brand loyalty. Further, Nike avoids extreme rivalry among other competitors because it is a risk to profitability rates. Nike, Inc. considers the bargaining power of the buyers a threat because strong buyers have the power to lower the products prices and hence raise costs. The buyers are capable of buying in huge quantities and therefore getting a lot of profit while the firm suffers loss (Lynch, 2006).

The company has balanced its products productions and costs to minimize the bargaining power of buyers. Nike has also been able to cope with the bargaining power of suppliers, which poses a threat because the suppliers have power to increase prices on raw materials. Nike has reliable suppliers who inform the management first upon the increase of costs of raw materials.

## **Drivers to Superior Performance**

Nike has common drivers that produce superior performance. These drivers include people management, which entails the realization of the potential of the employees either in groups or in an individual level. The company has come up with a policy of upholding fairness among the employees, communication and caring for employees (Nike, Inc. 2009).

Through communication, the company ensures that there is a flow of information between the top, middle and higher levels to ensure that every employee's contribution is taken into consideration. Nike, Inc. also motivates the employees by giving incentives and rewards to build commitment to promote the organization.

People development enables employees to utilize their potentials and fully contribute to the organization's goal realization. Rewards and recognitions motivate employees to give their best performance and strive to excel through continuous improvement (Berman & Evans, 2006). Furthermore, Nike has authorized the customer liaison manager to replace customer products in case of a complaint. The manager can make decisions without consulting the management.

Johnson and Scholes (2008) assert that leadership is another driver to superior performance, and it entails transforming organizations direction and instigating others to follow. Leadership is paramount in Nike's strategic management. Leaders have a stake in realization of the vision, mission and objectives of an organization because they ensure that other employees follow organizations values. Leadership is developed at top, middle and lower levels in the organization.

Continuous improvement is another driver, which is activated by both customers and employees. In this case, there is feedback from the customers and from the employees and hence customer's needs are met. Organizations' processes are improved because customers provide their needs and the employees act and produce products according to customer's specifications. In this way, all the stakeholders gain improvement benefits (Joshi, 2005).

Similarly, customer focus is a driver where a relationship with customers is an important issue. This entails assessing customer perceptions about products and acting on their response as soon as they raise an issue of concern about a product. Clo

Improving on processes allows working with suppliers to share resources and improve performance. Nike applies various communication strategies within all its stakeholders to encourage openness and reliance. When communication flows through the levels in the organization, it makes it easy for the employee's ideas to be taken into consideration.

Stimulating innovation and creativity is another driver that has supported Nike to build up competitive products and services. This has been achieved by modifying the organization structure and being involved with product improvement activities. Nike has also managed its assets and resources to improve the effectiveness and efficiency of the organization. Protection of intellectual properties maximizes customer's value (Mark, 2000).

Onkvisit and Shaw (2004) concurs that measuring performance and benchmarking is another driver that Nike uses for superior performance. By utilizing a balanced score card, it has been able to measure process improvements alongside with the organization's objectives.

The company also monitors performance in other organizations and collect information from existing and future stakeholders. Nike uses the information to plan for the future, set targets to be achieved within a certain period, and get unique ideas on process improvements from other organizations.

Furthermore, Nike employs corporate social responsibility as a driver to superior performance as well as interacting with the society representative. A good example of this is boosting children's games in the community by sponsoring their sports activities and provision of uniforms that has Nike's logo (Nike, Inc., 2009).

## **Strategic Management Tools**

Strategic management is a technique that Nike, Inc. has been able to apply to determine how it is performing in its current position and how its future should be. This has greatly helped the managers to lay a plan for the organization and take it where they want it to be. The management employs strategic management components such as vision, environmental analysis, strategy creation, strategy implementation, and strategy assessment (Nike, Inc., 2009).

Nike has set business plans through strategic management in order to assess its business areas. It is a process which helps to build strategies to get better results in performance. This involves studying the competitors' techniques, both in the current and future. The Company has utilized strategic management tools which have supported it to examine itself in the present and to perceive how its future will be. Strategic management acts as a road map to show managers the best direction to follow for the organization to be where it is supposed to be (Lynch, 2006). The tools employed for strategic management include mission statement, SWOT analysis, SMART goals and benchmarking.

Mission statements help to make clear how the organization is observed and how it will be perceived in the future. The organization reflects on how it will be different from other competitors like Reebok in the market place. SWOT analysis has been applied to find out the organizations strengths, weaknesses, prospects and risks.

Berman and Evans (2006) affirm that this has supported the organization to take advantage of its strengths and reduce the impact of its weaknesses. SWOT analysis has assisted the management to consider other external factors such as new market openings and risks to be avoided.

SMART goals ensure that the goals and objectives laid down are specific, assessable, achievable, appropriate, and time-bound. SMART goals are essential for Nike's management because they have enabled the company to get rid of frustrations due to unrealistic goals. The management has been specific to establish whether the set goals have been met.

Measuring enables the management team to gauge whether they are about to reach their goals and if not close to the goal, how much time and work is remaining in order to get there (Mintzberg, Ahlstrand, & Lampel, 2005).

Benchmarking is another tool that is employed to scrutinize and adapt to the best processes from other organizations around the globe. As explained earlier, managers have been able to improve the organizations performance to meet its goals and remain at the competitive edge over its competitors.

Other techniques that have been used in project management include program evaluations; this helps the company to evaluate a project from start to end. This has supported the management to ascertain the time left to for the completion of the project. Nike utilizes these projects and programs to reach its goals and achieve its objectives.

The Company uses break even analysis technique to decide on the number of products to sell to break even and grow.



Financial control techniques like budgets, audits, and financial breakdown are efficient in controlling and balancing the business. Budgets are employed to manage the organizations income and expenditure as well as allocation of resources to different activities and projects.

## **Marketing Strategy and International Markets**

Nike has many strategic management techniques organized in steps to achieve the laid down goals and objectives. First environmental scanning is a process that the company employs to collect information from both internal and external environments that has power to influence the organization. This is meant for improving the processes through analyzing competitors, employees, products, and suppliers (Mark, 2000).

After analyzing the environment, strategy formulation is the next step where Nike management takes the best plan among them to accomplish organizational goals and objectives. Through this stage the managers set strategies for business and financial policies. Strategy implementation is taking the best plan and implementing it (Berman & Evans, 2006). Organization structure is devised in this step together with the allocation of resources, hiring of human resource and coming up with a clear decision making process.

Strategy evaluation is the last step where the strategy implemented is assessed to determine whether it is performing well or it has deviated, and that the best corrective actions are taken. The purpose for the evaluation is to make sure that that the organization goals are met.

In light of this, Nike has been on the global market and has gained competitive advantage on the market. Its marketing strategy is to keep on analyzing the global industries and how competition keeps changing. Trade is increasingly becoming global because of improvement in transport and communication. Nike's consumers have been able to have access to a wide range of products from their countries. Nike started exporting its products in small amounts, but later increased and reached the export stage. Nike received more and more foreign orders until it was able to export its products all over the world (Nike, Inc., 2009).

Nike has stayed at international market for a long time and it applies many techniques such as adding new brands. Nike has been on adding new products such as sports shoe and clothes. The information about the new product is posted on the website (nike.com) where consumers can read. Joshi (2005) asserts that through advertising of the new product, Nike gains an increase in sales because this has brought in new customers who have never bought the current products.

The existing customers have had a variety of the products to choose. Nike combines the new brand and the old ones in an exceptional package as an offer. Nike has also become a valuable resource to its customers by giving them free information about the products. They have assisted their customers to easily get services, fast deliveries, and at low costs.

The company is unique since it produces exclusive and best quality products. They have also promoted the end result of their products by telling the consumers about the benefits they will get when they choose to use the products. Nike keeps on changing its marketing strategies due to other aggressive and innovative rivals like Puma, Reebok, and Adidas (Peters, 2008).

## **Competitive Advantage and Value Creation**

Nike's brands have turned out to be very strong as compared to others such as Reebok and Puma. Their secret is brand management because despite selling their products at a higher price, consumers are still willing to pay more money for Nike brands which are believed to be of high quality with different styles. Due to the strong brand competitive advantage, Nike has been able to increase its market share all over the globe. Its prices are a bit high as compared to other competitors but it has made many sales than those of its competitors.

Nike, Inc. has gained a competitive advantage over its rivals. This is achieved through giving consumers a greater value by offering high quality products. The company has devised superior value over other competitors. Nike, Inc. uses Michael Porter's strategies for competitive advantage such as cost leadership, focus, and differentiation (Johnson & Scholes, 2008).

The reason why Nike, Inc. has gained a competitive advantage over other companies is that it undertakes an evaluation process which involves evaluation of resources, clarification of goals, defining customers and examining competitors.

In evaluation of resources, the company relies on the resources available and plans on how to use them through product development and resources. In goals clarification, Nike plans on how to achieve its goals and objectives. Defining customer's strategy involves looking at the products and services that the plans to develop, and is not provided by the other competitors.

In this regard, there are many techniques used to achieve a competitive advantage. These techniques include product differentiation, service differentiation, people differentiation, image differentiation, quality differentiation, and innovation differentiation (Lynch, 2006). Product differentiation implies that Nike has a wide range of products. Other competitors tried to imitate its products but it remains upfront due to its quality and the products are different in styles and consistency.

Peters (2009) argues that in service differentiation, Nike, Inc. offers additional services such as delivery and product repair services. This extra service is the one that consumers are after. Information and other instructions about the products and extra services that attract customers.

People differentiation entails hiring result oriented employees who are better than those in other rival companies. Because employees are intangibles, it is difficult to imitate them as in the case of tangibles. Training employees and paying attention to their needs gives Nike Inc. a competitive advantage.

Employees such as production staff produce quality products, and it is hard for the competitor to know that the competitive advantage is due to employees' improvement. The competitor may think that the competitive advantage is due to equipment and materials. People differentiation is essential when customers are directly served by the employees. The way employees handle a customer at first time determines whether he will return another time (Berman & Evans, 2006).

Image differentiation is another technique that has been applied by Nike to differentiate its brand image from other companies. A negative image can destroy the company's image within a short time. As Nike undertakes many activities, it supports them because the "Nike" mark symbolizes good, and it is easy to identify. In quality differentiation, Nike sells high quality products to its customers. Innovation differentiation entails process innovation.

Process innovations reduce the costs of production and the competitors may take time to discover what the company is doing to gain competitive advantage (Nike, Inc., 2009). Nike strives to sustain its competitive advantage because it is not long-lived. This sustainability is achieved through giving value to customers, creation of non-imitable products, which may not be copied by its rivals, and production of products that cannot be substituted easily.

In selecting a competitive advantage, Nike, Inc. selects ways of making products that competitors cannot imitate easily. The management understands what its customers needs are.

The company has realized that variety is totally different from differentiation. Nike has strived to stay at the competitive edge because of its efforts and strategies. It has faced many challenges since other competitors have tried to copy it through successful advantages for their business in the dynamic market place. Thus, establishing the market edge is important as maintaining it (Mark, 2000).

There are many ways that Nike has attracted its customers for value creation. Customer incentive programs are one of the successful programs within the organisation (Nike, Inc., 2009). Nike offers give away to customers, tickets, sales, sponsorships and discounts. Nike sponsors many players in different sports.

Such players who have benefited from sponsorships include; James Blake and Roger Federer. It also sponsored Indian cricket team for a period of five years and national soccer clubs in countries like India, Netherlands and Malaysia. Top golfers like Tiger Woods and Lucas Glover has also benefited from Nike's sponsorships.

Moreover, Nike has retained both traditional and non-traditional methods of distribution in over 100 countries, but it focuses more on its primary market regions. Apart from product diversification, Nike has diversified supply chain and manufacturing to international economic crises and other risks. It has many contracted suppliers outside the United States, including Vietnam and Thailand. There are other contractors who manufacture its products in over 35 countries.

In the year 2003, China manufactured 38%, Indonesia 27%, Vietnam 18% and Thailand 16%, while the rest was manufactured in other countries. This has enabled Nike to make large amount of sales. Supplier diversity has also increased its competitiveness in the market and it continues to contract more suppliers in many countries because it believes that supplier relationship is important.

Nike Inc has also employed value creation as a management goal. Creating value for consumers has increased sales as well as the shareholders through the increase in stock price. Value creation is characterized by brands, people and innovation (Mintzberg, Ahlstrand, & Lampel, 2005). Nike, Inc. has prioritized value creation in its decision-making. This has helped managers to know where and how to build the company's capability to attain profitable and lasting growth.

Mark (2000) agrees that through value creation, the company has been able to understand the basic and drivers of value creation.

Value creation also entails product and process innovation as well as knowing the consumers needs. Nike, Inc. has also that value for employees is essential since they feel motivated and work hard to produce better results. Therefore, proper treatment of the employees and involving them in decision-making creates value.

Nike has awarded and promoted managers who have defeated the other competitors like Puma in value creation. In this the managers have positioned capital better than the other competitors. Nike has gained an advantage in developing the organizations ability to get more profits and future growth.

Other companies that have achieved the benefits of value creation are Coca-Cola and the Lloyds banks. These companies applied value creation as a technique and have realized growth and increase in their profitability. In acquisitions, Nike has acquired Upscale Footwear Company, surf apparel company, Hurley international and converse Inc. It has sold some of its subsidiaries such as Bauer Hockey and Starter (Nike, Inc., 2009).

## Conclusion

Nike, Inc. has achieved its superior performance, mostly through competitive positioning and value creation. This has been achieved through advertising, brand name recognition, product innovation, and striving to be at the competitive edge despite having a stiff competition.

Nike employs many strategies and techniques such as strategic management tools and models, product differentiation, proper distribution channels. Many consumers have realized the uniqueness of their products and recognize them through the trade name 'Just Do it' and Swoosh Logo. They have maintained customers because of their high quality products and unique marketing strategies.

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