



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

Bachelor of Commerce Honours Degree in Public Administration

Strategic Management

402 HPAD 426 / HHRM 402

Part 4 Semester 1 Examination

Total Marks [100]

Date: June 2018

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

Nike Sporting Company

Nike is an extremely competitive organization with its approach of "Just Do It" slogan for its brand epitomizing its attitude towards business. The company was founded on the principle that it would make shoes for anyone who could walk or run and this has been the guiding philosophy behind Nike. Coupled with its iconic "Swoosh" logo and its equally catchy tagline, Nike has emerged as a "Can Do" company.

The company has outsourced all aspects of its production to overseas facilities and thereby, does not have any manufacturing outlet of its own. This has helped the company focus on higher value adding activities like design and research and development and at the same time, it has saved the high labour costs that are part of the traditional manufacturing sector.

Apart from this, Nike is a globally recognized brand that has top of the mind recall among consumers and the youth in particular. Further, the Nike brand is synonymous with quality and resilience as well as endurance and fitness, which makes it the brand of choice for athletes and anyone who wishes to run.

Nike stands to benefit from the current disarray among its competitors because of the fragmentation of the market wherein Nike with its USP or Unique Selling Proposition can stand alone among them.

Nike is almost exclusively driven by its footwear business and therefore, the footwear market contributes to a lion's share of its revenues making it dependent on this segment for its survival. Nike is not a diversified business.

The negative publicity that Nike got because of labour unfriendly conditions in its overseas outlets has badly dented its brand image. Indeed, the name "Sweatshops" is used to mockingly describe the abhorrent conditions in its overseas manufacturing facilities.

The company does its business through retailers who stock other brands as well. This means that the assiduously cultivated exclusivity is sometimes sacrificed because it has not yet spread its wings to include exclusive retailer outlets as part of its business strategy.

Nike is perceived by some consumers as being too premium and a luxury brand. While this is necessarily not a bad thing, the current market scenario is such that consumers are migrating to the middle tier of the luxury scale as they are becoming price conscious and quality focused.

Nike is enjoying the emerging markets of China and India where the Billion Plus new consumers are now aspiring to western lifestyles which means that they would be more receptive to brands like Nike. As the company is associated with premium branding and segmentation, it can be said that capturing the "emerging market newly affluent consumers' prize" could well be a game changer for the company.

In recent years, Nike has begun to diversify into accessories and other premium products apart from its signature footwear segment. This is a step in the right direction and something, which would stand the company in good stead as it attempts to look for revenues beyond its traditional offerings.

The emphasis on design of higher end footwear seems to be paying off for Nike that is increasingly being seen as a must have product for anyone who walks or runs and as the company was founded on the principle that it would serve anyone with legs, this strategy seems to have hit the right notes.

Nike has the unique advantage of offering value for money and this can be leveraged to the hilt as the company begins to make inroads into the newer consumer segments, which want quality at an affordable price.

The fact that the company has a global supply chain means that it is subject to the vicissitudes of international trade practices including labour strikes in its overseas locations, currency fluctuations that decrease its margins, as well as lack of control over the geopolitical events happening around the world which have the potential to disrupt its global supply chain.

Nike must improve on its image wherein it is being seen as resorting to exploitative business practices in its overseas outlets. Already, it had to pay a heavy price (monetarily as well as metaphorically) because the emerging generation of consumers are socially and environmentally conscious which means that they would not like to buy a product that is the result of dubious business practices.

The on-going recession has taken a heavy toll on Nike with consumers becoming more price conscious and retailers demanding higher margins. The combination of retailing in third party outlets and competing brands cutting prices has made the going tough for Nike.

Finally, Nike has to ensure that it does not dilute its focus like some of its competitors who are now in the doldrums. For instance, Reebok that promised a lot and was intensely competitive with Nike has seen its fortunes sag and hence, Nike must not go Reebok's way and instead, must define its core competence and implement its strategies accordingly.

1. Use the attached case study to answer the following questions:
 - a) State Nike's mission and vision from the case study. (5)
 - b) Analyse strategies that are necessary for Nike's continued business. (20)
2. Examine any **four** factors that attract companies into foreign markets. (25)
3. a) Discuss the **three** levels of strategy. (10)
b) Asses the contribution of each level to the success of the business. (15)
4. Examine the **five** tasks of strategic management. (25)
5. Compare and contrast corporate and business strategies. (25)
6. 'The environment of an organisation is more important than the macro environment'. Discuss. (25)

End of paper