

# NIKE XTREME

## Strategic Analysis

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## /Company Research

- ✓ In 1964, Nike was founded by two well-known American apparel entrepreneurs, Bill Bowerman and Phil Knight. It is well known for both its distinctive designs and the instantly identifiable Swoosh logo. In the fiscal year 2022, Nike's footwear income in the Asia Pacific and Latin America regions came to \$ 4.11 billion US dollars, a 12% rise from the prior year. Over 170 nations host Nike's global network of distribution centers and retail stores, serving billions of customers annually. Nike has faced too many challenges in the past year, while achieving many goals.
- ✓ Stating the fact that, in spite of the pandemic's effects and logistics interruptions, it achieved good financial results for both the fourth quarter and whole year of fiscal 2022. Nike's revenue of \$12.2 billion in the Q4 indicated an upsurge of 3% in revenue after accounting for currency fluctuations, but a decrease of one percent from the same period in the year prior. Nike exceeded its prior year by nineteen percent and fourteen percent, respectively, when taking currency fluctuations into account, with roughly \$45 billion in revenue for the entire year. (WallStreetZen)
- ✓ With improvements for people, communities, and the environment among its mission goals, it hopes to have a greater impact on society and the environment. Nike has run its operations solely on renewable energy in several nations since the fiscal year 2015. In addition, it has significantly reduced the carbon footprint, increased the amount of recyclable materials used in all of its products, and aided women and girls through regimes that inspire them to participate in sports to make them feel empowered.(Nike, Inc.)("Nike Outlines Environmental & Social Initiatives in Impact Report")
- ✓ Facing significant challenges in some areas, such as China, where boycotting and political unrest over Nike's position on Xinjiang's human rights violations affected people's sentiment. In the Q4 of 2022, Nike's revenue in China fell on both reported and currency basis. Nike is nevertheless positive about this market's growth in long term prospects due to its exceptional brand loyalty and goodwill with Chinese consumers.(Nike, Inc.)

## /Industry Overview

- ✓ Experiencing major obstacles in certain regions, such as China, where the dogma boycotts and unstable geopolitics over Nike's stand on Xinjiang's human rights violations impacted the public's way of viewing Nike as a brand. During the final quarter of fiscal 2022, Nike's revenue in Greater China fell by seventeen per cent on a reported basis and fifteen percent on a currency-neutral basis. Still, Nike is positive about the market's long-term growth potential due to its excellent brand loyalty and favorable image among the Chinese audience.(Jing Daily article)

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✓ Extreme sports are becoming more and more widespread, particularly in countries like Canada, USA and Russia, where young consumers are more and more eager to express themselves and have thrilling moments. According to a Grand View Research report, the worldwide extreme sports market is expected to develop at a compound annual growth rate of six percent between 2022 and 2028, with a projected value of nearly USD 10 billion in 2020. Furthermore, the market is largely controlled by highly specialized businesses that cater to specific markets and lifestyles, such as Burton, Red Bull, Monster, and Vans. Consumers of these companies have grown to be extremely committed to these companies and actively engaged with their communities (Hughes). Nike's challenging 40% market share gives it a competitive advantage over competitors in the global sportswear business. (P. Smith) ("Extreme Sports: Market Research Report")

## /Product Overview

Nike's product proposal for the extreme sports industry is a suit that, in the event of an external hit, will activate an airbag inside the suit to protect the wearer from potentially deadly injuries. A fast-inflating airbag system that protects critical organs and limbs, sensors that determine the force and direction of impact, and a sturdy, flexible fabric that promotes comfort and mobility are some of the product's characteristics. Benefits of the product include decreased medical expenses and recuperation times, improved safety and protection for extreme sports enthusiasts, and improved performance and confidence. The significant risk of injury and death in extreme sports is a big pain point that the product solves, making it really unique and vital. There isn't another device on the market that provides such a thorough and inventive approach to extreme sports safety. Additionally, the product is in line with Nike's objective to inspire and innovate for all athletes worldwide.

## /Marketing Plan

In order to launch this product before the end of 2023, Nike would have to overcome a number of marketing obstacles, including:

- Reaching and persuading the target demographic of high net worth people (HNIs) and fans of extreme sports. When it comes to extreme sports, this audience tends to be loyal to niche businesses who have built a solid reputation for authenticity. They can think of Nike as a mainstream company or an outsider that doesn't relate to their wants and principles.
- Setting the product apart from other current or prospective rivals in the extreme sports sector, such as wearable technology, smart clothes, or protective gear. Nike would have to emphasize the special qualities and advantages of the product in addition to its excellent design and quality.
- Informing customers on the features and safety of the product and responding to any queries or worries they might have. Nike would have to present convincing data and explanations of the product's functions as well as its necessity.

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- In order to attract the intended market and reflect the product's value proposition, the price should be set appropriately. Along with production and distribution expenses, Nike would also need to take into account the price sensitivity and willingness to pay of extreme sports aficionados and high net worth individuals.

In order to overcome these obstacles, Nike would have to put into practice efficient marketing techniques like:

- Making the most of its current advantages in design, quality, and innovation while forging a distinctive brand identity and positioning for its portfolio of extreme sports products. Nike would have to convey its mission and core principles, as well as its enthusiasm for and knowledge of extreme sports.
- Reaching and interacting with the target audience through efficient marketing channels and techniques, such as collaborating with teams and events like Red Bull in this market, making viral online content with well-known athletes promoting the product on their social media handles, and selling the product only through its website or a small number of retailers since the target audience is restricted as of now and PPC advertising is the best way to market the product.
- Developing an unforgettable and engaging consumer experience that highlights the qualities and advantages of the product and fosters confidence and loyalty. Nike would have to provide consumers the chance to test the product, engage with influencers and professionals, and get assistance and criticism.
- Innovative technology in the Nike Xtreme suit guards extreme sports enthusiasts from catastrophic injuries. By attending to the safety concerns of those who engage in extreme sports, it closes a significant gap in the market.
- High net worth individuals (HNIs) who participate in extreme sports, as well as ardent extreme sports enthusiasts and industry professionals, are the main target market for the Nike Xtreme suit. There are high chances that these particular individuals are willing to pay a decent price for a high-end protective gear, like our product, as they value their safety. (“Nike Market Segmentation, Targeting, and Positioning”)
- Nike will employ multiple strategies to efficiently connect with these target audiences on the internet. These include utilizing digital marketing platforms like social media and online advertising, collaborating with prominent athletes and major extreme sports events to bolster the product's credibility, and producing interesting content that showcases the special qualities and advantages of the Nike Xtreme suit.
- Furthermore, partnering with well-known influencers in the extreme sports industry, participating in online communities and forums, providing virtual trials and demonstrations, and employing search engine optimization (SEO) tactics can all help to increase the product's visibility and appeal to its intended market. All things considered, Nike can use these strategies to market the Nike Xtreme suit's value proposition, generate interest from its primary target market, and increase sales.

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## /SWOT Analysis

### Strengths:

- **Innovative Technology**  
A quick-inflating airbag system with impact sensors provides advanced safety for extreme sports enthusiasts.
- **Alignment with Brand Values**  
The product embodies Nike's mission of global athlete innovation & commitment to improving sports experiences.
- **Comfort and Mobility**  
Durable, flexible fabric ensures comfort and free movement in extreme sports, enhancing user experience.
- **Medical Cost Reduction**  
The suit aims to cut extreme sports injury costs, appealing to consumers.
- **Organ and Limb Protection**  
The product uniquely safeguards vital areas, boosting safety in extreme sports over standard gear.

### Weaknesses:

- **High Production Cost**  
High-tech features like airbags and sensors may raise production costs, affecting affordability and profits.
- **Market and Target Audience Awareness**  
Nike Xtreme suit needs targeted education for recognition among extreme sports enthusiasts.
- **Size and Fit Challenges**  
Various sizes/customization must offer to accommodate different body types.
- **Pricing Concerns**  
Innovative technology may lead to higher manufacturing and retail costs, requiring careful pricing.
- **Market Competition**  
Customer conversion is also challenging for Nike Xtreme due to the competition with niche brands.

### Opportunities:

- **Growing Industry**  
With extreme sports growing globally, Nike Xtreme can attract customers seeking new safety solutions.
- **Partnership with Sports Events**  
Partnering with major events and athletes boosts product credibility and visibility in the target market.
- **Continuous Technological Developments**  
Embracing sensor technology advancements keeps Nike Xtreme at the forefront of safety innovation.
- **Influencer Collaboration**  
Using digital platforms and partnering with key athletes for promotions.
- **Consumer Education**  
Sharing in-depth safety details of the product to enhance customer trust.

### Threats:

- **Growing Industry**  
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## /Porter's Five Forces

### ✔ Threat of New Entrants:

- High R&D Costs: Creating cutting-edge technology is costly.
- Complex Manufacturing: Complex procedures discourage new employees.
- Possible Patents: Nike technology might be shielded.
- High Brand Loyalty: Nike's reputation for quality prevents new competitors.
- Economies of Scale: Nike's worldwide reach lowers costs.

### ✔ Bargaining Power of Buyers:

- Specialty Product: Safety requires an airbag suit.
- Customization: Features that are tailored weaken the purchasing power of customers.
- Brand Loyalty: Cost is not as important as Nike's reputation.
- High Switching Costs: It's difficult to switch to alternatives.
- Few Substitutes: Nike's position is strengthened by the lack of alternatives.

### ✔ Bargaining Power of Suppliers:

- Nike has the ability to negotiate exclusivity with IT providers.
- Diverse Supplier Base: International sources lessen reliance.
- Long-Term Contracts: Risks are reduced by supply chain stability.
- Vertical Integration: Purchasing suppliers lessens their clout.
- Switching Costs: Having more supplier options strengthens your negotiating position.

### ✔ Threat of Substitutes:

- Fewer Options: Airbag suits provide a special kind of safety.
- Constant Innovation: As technology develops, alternatives are discouraged.
- High Performance: Comfort, performance, and safety together.
- Brand Reputation: Nike's reputation for quality makes alternatives less alluring.
- Regulatory Approval: Fewer alternatives are available due to strict requirements.

### ✔ Intensity of Competitive Rivalry:

- First-Mover Advantage: Nike has a big advantage thanks to their early entry.
- Nike's brand is distinguished by its innovative nature.
- Marketing Power: Widespread exposure and impactful advertising boost rivalry.
- Possible Collaborations: Joint ventures enhance one's market visibility.
- High Entry Barriers: Scale economies and complex technology make competition difficult.

## /Insight

This analysis delves into Nike's dynamic approach in the extreme sports market, showcasing their innovative marketing tactics and product development, while also identifying key challenges and potential areas for further expansion and growth.

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