A Comparative Analysis of Strategies and Business Models of Nike, Inc. and Adidas Group with special reference to Competitive Advantage in the context of a Dynamic and Competitive Environment

Hussain A. Ali Mahdi[1], Mohammed Abbas[2], Taher Ilyas Mazar[3]
[1,2,3]MBA Student,
University of Bahrain, Kingdom of Bahrain

Dr. Shaju George[4]
[4]Assistant Professor,
Department of Management & Marketing
College of Business Administration
University of Bahrain
Kingdom of Bahrain

Abstract:

Strategy is about the most crucial and key issues for the future of organizations. Strategy is also important to explore several strategic options, investigating each one carefully before making strategic choices. The study incorporates a rigorous and systematic effort to uncover the strategies and its impact on the company's performance by analysing case studies, articles and the annual report of Nike Inc. and Adidas Inc. The study attempts to find out the relevance of the strategies adopted by these companies, which are globally successful athletic apparel companies in the context of Bahrain. The findings of the study highlight Nike's strategies which focus on innovation and emphasis on its research and development department, provision of premium pricing for its customers, broad differentiation strategy, market Segmentation Strategy and Closed-Loop strategy. The Adidas strategies focus on the broad differentiation, innovation, trying to produce new products, services and processes in order to cope up with the competition. It embraces a multi-brand strategy, emphasis on expanding activities in the emerging markets, continuously improving infrastructure, processes and systems, foster a culture of challenging convention and embracing change, foster a corporate culture of performance, passion, integrity and diversity. These strategies coupled with its resources and unique capabilities form the basis of sustainable competitive advantage for both the companies.

Key words:

Strategy, Sustainable Competitive Advantage, Product Portfolio.

INTRODUCTION:

The strategy is a path towards achieving the optimum goals of individuals, groups and organizations. In addition, it leads to a best use of companies' available resources and it also guides the company to stay in a business successfully and continuous improvements for its processes.

The definition of strategy could be differ from one author to another, but the most common definition is that the strategy is long term plans and approaches towards the intended visions and objectives. It is a general framework that specified the organizations' plans, policies and approaches to meets its objectives, goals and end results.

The way an organization used to shape its strategies could be differentiate from other organizations in order to make its products unique and remarkable. Globally, companies formulate their strategies based on their visions and reaching the satisfaction of customer's needs, requirements and expectations. Subsequently, they use those strategies as a baseline to compare their actual performance with planned ones, to evaluate the end results and ensuring the continuing organizational excellence.

There are many kinds of strategies that are pursued by the companies; Such as cost leadership, differentiation and the focus strategies (Porter, 1985), services strategies, growth strategies. Based on the goals, the companies form those strategies and they rank them upon the priorities.

It is more than important for any organization to put strategies and not any strategies; the correct strategies which are formulated after a long time of studying and after numerous number of brainstorming among the top management members.

Therefore, those strategies then to be implemented by converting the organization's plans and policies into real actions through the best use of available resources such as: human resources, budgets and technological advance; in order to enhance the organization's performance, productivity and sustainability.

The organization's continuous evaluation and controlling of its strategies is an aid to make ensure that the goals and objectives have been met and the appropriate strategies have been selected. Therefore, those successful strategies should be documented and retained to use them in the future's goals. But, since the goals haven't been met so the current strategies should be revised and corrected by the top management.

LITERATURE REVIEW

Definition of Strategy:

Strategy has been studied for years by business leaders and by business theorists. Yet, there is no definitive answer about what strategy really is. One reason for this is that people think about strategy in different ways.

The strategy is a configuration and formation of available resources for an organization towards meeting the needs, requirements and expectations of markets and stakeholders. It is also a long run direction and scope of an organization that determines the visions and goals (Gerry Johnson & Kevan Scholes, 2008).

In addition, it is a plan leads an organization towards competitive advantage. Further, it is a pattern in actions over time and it is a position that reflects decisions to offer the organization's products or services in particular markets (Henry Mintzberg, 1994).

In some cases, the strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes and goals. Also, strategy produces the principal policies and plans for achieving those goals. It defines the range of business the company is to pursue, the kind of economic and human organization intend to be (Kenneth Andrews, 1980).

Strategy is about decisions taken by top management to reach a company's stability and sustainability. Moreover, it refers to basic directional decisions, that is, to purposes and missions. Strategy consists of the important actions necessary to realize these directions, and it is also the end that the company wants to reach after selecting the proper directions (George Steiner, 1979).

In reality, not all business decisions are belong the strategic circle; the strategic decisions are those which doing something ‘differently’ from competitors and that difference make a sustainable advantage. Even, the activities that are used to increase productivity are not strategic since they can be easily imitated by others (M. E. Porter, 1996)

Generally, Strategy is a framework that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken, and it has nine possible driving forces: Products offered, Market needs, Technology, Production capability, Method of sale, Method of distribution, Natural resources, Size/growth, Return/profit (Benjamin Tregoe & John Zimmerman, 1980).

Business Model:

The business model is a new concept in management literature and practice. It describes the logic by which an organization can makes, keeps up and conveys esteem for its partners (Alexandru & Loan, 2013). This term is getting to be progressively utilized among scholastics and professionals. It is a rising concept in management and strategy literature, with fast development after the year 1995 (Ghaziani & Ventresca, 2005; Zott et al. 2011).

In addition, it is a structural layout that depicts the organization of a central company's transactions with all of its external constituents in factor and product markets. It has been brought to the cutting edge of strategic management considering, and has turned into an especially essential new possibility figure through recent fast advances information and communication technologies specifically, Internet and broadband advancements that have encouraged new sorts of innovation intervened between financial specialists (Geoffrion & Krishnan, 2003).

The study of business model is an important topic for strategic management research because it influences firms' conceivable outcomes for value creation and value capture (Amit & Zott, 2001). A newly focused business model together with ahead of schedule section into a business sector has a constructive outcome on execution (Zott & Amit, 2007).

The contrast between business models and strategy is that business models are a coordination framework, coordinating the parts of a business, while the strategy organizes the competitive struggle (Magretta, 2002).

Baden-Fuller and Morgan (2010) considered that this concept can furnish managers and researchers with significant approaches to grow their comprehension of business phenomena by building generic categories and the advancement of perfect sorts. Subsequently, it helps directors to catch, envision, comprehend, convey and share the business logic.

Each organized effort in planning and executing a certain business model incorporates the hierarchical, as well as the departmental level, particularly to those organizational units that are most discriminating to a proper determination and blend of business components whose relationship and interdependence structures the scope and depth of the focused capability of any enterprise. In this connection, business modelling is a procedure as opposed to a state, transcendently because of the required changes, transformational or value-based, that shape the methodology of overseeing it (Drakulevski & Nakov, 2014).

Business Strategic Perspective:

Strategy has different perspectives and points of views most of them lies in the concepts of (cost leadership, differentiation and focus strategies) or a combination of them. Porter (1980) suggested the cost leadership strategy for the first time. The aim of this strategy is to reduce costs throughout the value chain and reaching the lowest cost structure possible. A cost minimizing enterprise tends to make products with an acceptable quality and very few standard features available in order to gain competitive advantage and to maximize its market share. This kinds of strategy tries to attract a wide group of customers. Cost leadership focus on the minimization and elimination of costs in fields such as Research and Development and additionally advertising. Furthermore it emphasis certain concepts such as economies of scale, cost reduction efforts through the experience curve, strict control over costs and overhead costs (Sumer, 2012).

Differentiation strategy aims to develop and market unique products for different customersegments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign (http://www.businessdictionary.com, n.d.).

Because differentiation is a broad concept, this strategy should be discussed with various dimensions. We can consider the strategies related to differentiation under two groups.

The first group is market differentiation. In this strategy, innovations are carried out in marketing activities instead of the product. In order to have a positive product image, intense advertising and promotional activities are so important. The objective is to make a difference in issues such as post-production service and customer service. Furthermore, it aims to maximize the sales by analyzing, planning, implementing and controlling Salesforce activities (Sumer, 2012).

Some of the market differentiation strategies mentioned in earlier studies are market penetration and market development (Ansoff, 1965) market differentiators (Kim & Lim, 1988), differentiation/follower (Chang et al., 2002), customer service differentiation (Powers & Hahn, 2004).

The second group is innovation differentiation. In this category of differentiation strategy the focus is to enhance product quality, performance and design. Furthermore, enterprises attempt to operate above the industry average by manufacturing a product regarded as unprecedented in the sector, charging a premium price that the customer will agree to pay because the feeling they have that the product worth paying this premium (Sumer, 2012).

Some of innovation differentiation strategies mentioned in earlier literatures are product development and diversification (Ansoff, 1965), quality differentiation and design differentiation (Mintzberg, 1988).

The focus strategy differs from the other strategies that in the differentiation and cost strategies the strategy is applied in a wide range of customers, whereas the firms that follow a focus strategy will apply it to a certain geographical area or a certain fraction of customers which we call market niche. Focus strategy identifies the market segments where the company can compete effectively. The strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. (Chronicle, 2015).

Business Model Perspective:

The term ‘business model’ has become part of everyday language and increasingly used in these days. In spite of the fact that there is an increasing interest in the term business model by academics and business leaders, there is no common definition has been accepted by the business community (Shafer et al., 2005).

The business model is “a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams”. Because a business model is not restricted to a single firm, it might be also subject to imitation. Competitive advantage is the exclusive position a firm is able to develop in a market as a consequence of resource utilization. To have a competitive advantage the development of a successful business model is not sufficient, as barriers for imitation are often low. (Steininger)

However, most researchers investigate business model in a set of questions such as: How do firms create value? How are customers made to pay for that value? How are payments transferred into profit through firm-internal processes and operations? (Teece, 2010; Morris et al., 2005).

It is clear that the topic of business models led to a lot of publications and literatures. It is discussed from various dimensions, such as e-business, information systems, strategy, and management. (Osterwalder & Pigneur, 2005)

Mansfield & Fourie (2004) present the business model as the link between a firm’s resources, functions, and environment.

OBJECTIVES OF THE STUDY:

1. To examine the product portfolio of Nike Inc. and Adidas Group.
2. To identify the strategies adopted by Nike Inc. and Adidas Group.
3. To identify the business models of Nike Inc. and Adidas Group.
4. To compare the strategies of Nike Inc. and Adidas Group.

METHODOLOGY:

The information and secondary data of Nike and Adidas were collected from published books, case studies, annual reports and academic journals. Further, this exploratory study is based on case studies of Nike Inc. and Adidas Group. Archival data from company annual reports was also researched to gather information of the companies.

BACKGROUND OF NIKE & ADIDAS

Nike, Inc. is an American multinational corporation that is engaged in the design, development, manufacturing and worldwide marketing and selling of footwear, apparel, equipment, accessories and services. The company is headquartered near Beaverton, Oregon, in the Portland metropolitan area (USA). It is one of the world's largest suppliers of athletic shoes and apparel and a major manufacturer of sports equipment, with revenue in excess of US$24.1 billion in its fiscal year 2012 (ending May 31, 2012). As of 2012, it employed more than 44,000 people worldwide. In 2014 the brand alone was valued at $19 billion, making it the most valuable brand among sports businesses.
Nike produces a wide range of sports equipment. Their first products were track running shoes. They currently also make shoes, jerseys, shorts, cleats, baselayers, etc. for a wide range of sports, including track and field, baseball, ice hockey, tennis, association football (soccer), lacrosse, basketball, and cricket. Nike Air Max is a line of shoes first released by Nike, Inc. in 1987. Additional product lines were introduced later, such as Air Huarache, which debuted in 1992. The most recent additions to their line are the Nike 6.0, Nike NYX, and Nike SB shoes, designed for skateboarding. Nike has recently introduced cricket shoes called Air Zoom Yorker, designed to be 30% lighter than their competitors'. In 2008, Nike introduced the Air Jordan XX3, a high-performance basketball shoe designed with the environment in mind.

Adidas Group, was founded in a small town in Bavaria, Germany after first steps in his mother’s wash kitchen, Adi Dassler registered the “Gebrüder Dassler Schuhfabrik” in 1924 and embarked on his mission to provide athletes with the best possible equipment. Gold medals in Amsterdam (1928, Lina Radke) and Berlin (1936, Jesse Owens) were first rewards and milestones.
On August 18, 1949, Adi Dassler started over again at the age of 49, registered the “Adi Dassler Adidas Sports chuhfabrik” and set to work with 47 employees in the small town of Herzogenaurach.
Today, Adidas is a global public company and is one of the largest sports brands in the world. It is a household brand name with its three stripes logo recognized in markets across the world.
The company’s product portfolio is vast, ranging from state-of-the-art sports footwear and clothing to accessories such as bags, watches, eyewear and other sports-related goods and equipment. Employing over 46,000 people worldwide, the Adidas Group consists of around 170 subsidiaries including Reebok, TaylorMade-Adidas Golf, Rockport and CCM-Hockey. The Group's headquarters are in Herzogenaurach, Germany. In the third quarter of 2014 the Group’s revenue was €4.118 billion.

Competitive environment of the Nike & Adidas

In order to scan the competitive environment of Nike and Adidas we will go through Porter’s forces. The main competitors include Nike, Adidas-Reebok, Puma, and Fila where all of them operate in the athletic footwear industry. They also need to be aware of newer competitors such as Under Armour which founded in 1996 and that might give an indicator of the difficulty to enter the footwear industry where no major entrants during the last two decades. However, some companies might be considered as threat of substitutes such as Crocs company when they are formed an alliance to sell Crocs shoes in professional teams colours (http://www.studymode.com, 2014).
Adidas and Nike uses private contractors as suppliers in low wages countries such as Indonesia and Thailand and China, and therefore, they have a great deal of power over these factories and can easily switch between them. For example, Nike does not produce its own sneakers but they use private contractors in Vietnam to produce the sneakers. On the other hand, customers in the footwear industry have power because they can switch between brands easily for several reasons such as (better price, higher quality, new style etc.). However, the consumer may loss this power when they are loyal to a certain company and want only to buy their products (KINETICS, 2015).

STRATEGIES OF NIKE & ADIDAS

Strategies of Nike:

Nike follows many strategies in order to become the world's leading designer, marketer and distributor of athletic footwear, apparel and accessories. One of its strategies is continuous focus on innovation and emphasis on its research and development department and they do their best to produce footwear, apparel and athletic equipment that reduce or eliminate injury, help in athletic performance and maximize comfort and enjoyment. (Dermesropia et al., 2004).

According to Nike, Innovation is at the heart of Nike's business growth strategy and it uses this innovation in order to become more sustainable company and to keep up with the competition and customer demands (nikeandunderarmour.com, 2015).

The second strategy is Nike's premium pricing strategy (Best cost provider strategy) which targets the customers who develop a special kind of intimacy with the product that ultimately leads to the development of loyalty. Since the loyalty has been established between the company and consumers; Nike takes the advantage to associate their consumers with their price. Therefore, Nike knows that consumers will be ready to pay for the product that bears the Nike Logo (sales-management-slides.com, 2007).

At the same time, Nike pays a noticeable concern towards a broad differentiation strategy. Based on that strategy, Nike produces its products for athletics in three ways. Firstly, it manufactures for three different segments of people: men, women and children. Secondly, differentiates its products by offering a variety of accessories and apparels like shoes, gym bags, gloves and skates. Thirdly, Nike has the licensees to manufacture and sell Nike brand products aside from athletic products like school supplies, electronic media devices and timepieces (Dermesropia et al., 2004).

Similarly, Nike follows Market Segmentation Strategy, which assists Nike in advertisement of its products by entering into the sponsorship agreements with celebrity athletes, professional teams, and apart from the college athletic teams. It was in the year 1982 that Nike for the first time came live for national television ads during broadcast of the New York Marathon. As a result, Nike attracts many consumers to pay their attention towards buying Nike's products (nikeandunderarmour.com, 2015). In addition, Nike hires the famous basketball players, some of popular football scorers and golf superstars in order to make an emphasizing campaign for its products around the world (bizjournals.com, 2015)

A worthily strategy pursued by Nike called Closed-Loop Business Model which aims to move closer to achieving zero waste by completely reusing, recycling and composting all materials. In such strategies, the products can be manufactured using materials reclaimed throughout the manufacturing process and at the end of a product's life. Thus, Innovators will create new ways to recycle and reuse waste and turn that into new products in order to become environmentally friendly. (Nikebiz.com, 2009).

Strategies of Adidas:

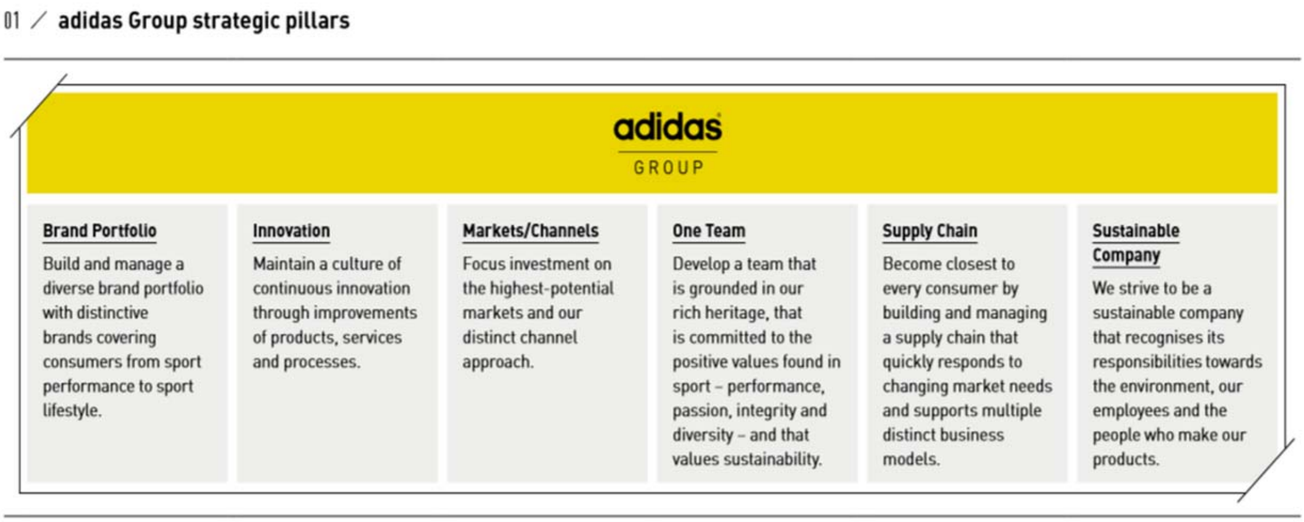
Adidas focuses more on the broad differentiation strategy. The corporate level strategy of Adidas focuses on innovation, trying to produce new products, services and processes in order to cope up with the competition. In 2014 centralised Sales Strategy & Excellency team was created to support all market across the globe and managed by the Global Sales function. The group's multi-brand portfolio gives them an important competitive advantage. This created a global sales function which were responsible for commercial activities and a global brands function which were responsible for the marketing of both brands. The global sales function was also split into two departments, wholesale and retail, which catered to the various needs of both these business models. This was done in order to sustain their corporate level strategy for the long run so that these divisions could emphasize and work hard in their respective departments in order to make the most of their efforts. (AG Strategy-overview, n.d.)

They implemented a multi-brand strategy by having a diverse brand portfolio which allowed them to cater all segments of the market from players to almost everyone. This helped them to keep a unique identity and concentrate on their core competencies.

Adidas focused their investments in the best marketing and distribution channels in different countries by critically evaluating the consumer buying behaviours and their constant struggle to secure prime shelf space. They have also embraced e-commerce in order to become more efficient and appeal to more customers and make purchasing much more easily accessible for them. Their supply chain is closely communicated and hence it helps them to customize their products which appeal to a wide range of customers. The organizational culture of Adidas group obligates employees to be innovative. This culture forces them to produce goods which are highly innovative and with the use of the latest technology their products have a very good quality. To become a sustainable company they find the right balance between shareholder interests and the needs and concerns of their employees, the workers in their suppliers' factories as well as the environment.

Based on information in Adidas-Salomon (2004a) with the use of latest technologies they produce products which enhances performances of players and they focus on sports such as football, tennis, basketball and even training shoes which are used by anyone with the ability to run. They updated the running shoes with

ClimaCool, a system designed to ventilate, and a3, an energy management technology for footwear that guides and drives an athlete's foot through each stride.



[IMAGE SOURCE : http://www.adidas-group.com/media/filer_public/2b/2f/2b2fd619-5444-4ee8-9c07-baa878d658c4/2014_gb_en.pdf]

(Adidas Group FINANCIAL REPORTS, 2015)

BUSINESS MODEL OF NIKE & ADIDAS

Nike Business Model:

Nike has been the dominant leader in sports apparel industry for several decades. They achieved this position by taking an aggressive approach towards building relationships with celebrity athletes. Most notably, the company secured an exclusive contract with Michael Jordan, which generated a rapid growth in sales for their core product line of sneakers and apparel. The success of this campaign has resulted in increased demand for common stock ownership. (Nike's New Business Model, 2010) Nike shifted from traditional media and spending more money into social media. For athletes, Nike is heading off to focus in on athletes who can show a high ROI as measured by the quantity of Facebook fans and Twitter followers they have. For teams, Nike is concentrating on those that show the most activation and engagement with the most number of core fans via social media. The FuelBand, a $150 electronic bracelet that measures your movements throughout the day, whether you play tennis, jog, or just walk to work. The device won raves for its elegant design and a clean interface that lets users track activity with simple colour cues (red for inactive; green if you have achieved your daily goal). The FuelBand is the clearest sign that Nike has transformed itself into a digital force. The other innovation is the Flyknit Racer, feather light shoes vibe more like a sock on a sole. Made from knit threading rather than multiple layers of fabric, it required a complete rethink of Nike's manufacturing process. The result is a shoe that is more environmentally friendly and could reduce long-term production costs (CARR, 2013).

Adidas Business Model:

Adidas business model is highly focused on creating innovative products designed to meet consumer needs. Rather than investing in product endorsements, the company attempts to demonstrate its value by creating a high performance product line based on the specific needs of athletes and consumers. Further it focuses on faster product creation and production by continuously improving the infrastructure, processes and systems. Additionally they also emphasize on significantly reduced complexity on a group level by streamlining the global product range, consolidating the warehouse base as well as harmonising above market-service. The ambition to deliver the best branded shopping experiences at all consumer touch points. Innovative speed models in supply chain to respond quickly to consumer needs. This strategy has motivated investors from around the world to purchase Adidas common stock and the company has shown consistent growth for many years. The public ownership structure of each company has been an integral part of sustaining growth over the long run.

COMPARISON AND ANALYSIS OF STRATEGIES AND BUSINESS MODELS OF NIKE & ADIDAS

Nike and Adidas are the two most popular companies that deal with sporting equipment in the world. Nike and Adidas are the largest sellers of sports and athletic footwear in the world. Adidas is the second largest sporting goods manufacturer after Nike all over the world (Joachimsthaler, 2000).

Nike is more popular than Adidas because of its various celebrity sponsorships, with main target being basketball players. Thus, their main market is in the States, but it has recently expanded globally. Adidas targets people involved in football and tennis. They have a major market in European countries, while being represented internationally (Joachimsthaler, 2000)

Over a period of several years, Nike has shifted its focus to football with the aim of gaining the international recognition, just as Adidas dominates the world football market. The football market is usually considered to be the “World Sport” (Marketing Strategy for Adidas vs. Nike, 2015).

The products of Adidas and Nike are divided into categories. Adidas sports products are divided into three main categories, with the first involving Adidas performance shoes, eye wear and perfume. The next category includes Adidas original superstar sneakers, and Vintage clothing. The third category has bags, belts, hand gloves and style caps (Hollister, 2008). On the other hand, Nike products have the first category that includes sport shoes and sunglasses by Nike. The second category includes products for body care, clothes, caps, bags, perfumes (wikivs.com, 2015).

Prices of products of both Nike and Adidas are high, and Nike products’ price are overall higher than Adidas. Pricing strategy used by Adidas is that of market skimming strategy. Adidas products’ prices are dependent on looks and color. An example is where a pair of Adidas white color shoes is usually more expensive comparing with another pair of shoes of the same quality, but in a different color (Hollister, 2008).

Nike use it uses the value based pricing and price leadership strategies, where the price of the product is based on the value that is placed on that particular product by the consumer. In order to remain relevant in the market, Nike uses the competitive and different pricing strategy from those of Adidas. Pricing strategies of Nike are based on premium segments as their target customers (Aaker & Joachimsthaler, 2000).

The placing distribution strategy that is used by Adidas is that of concentrating most of its products and resources in places, where there are clusters of customers. This explains why it has opened many of its shops in various parts of the world. A trend developed by Adidas is where its products sold online. The company is concerned with offering the customer a satisfying service at a place, where the customer cans buy the product (Joachimsthaler, 2000).

Nike, on the other hand, employs distribution strategies similar to Adidas. It explores new and developing markets around the world and sets up its shops in different countries all around the world. Distributors of the company are independent, as well as subsidiaries and licenses. It also offers online shopping for its products.

However, although there is intense competition, both Adidas and Nike have continued to experience a substantial growth over the last two decades. Furthermore, the growth of these two companies is being attributed to the e-commerce and Internet. Online selling have boosted the performance of these firms, resulting in the increased sales and at the same time reducing the operational cost.

Promotional strategies used by both companies are aimed at promoting their products as there is adoption of endorsement, use of magazines. Both Adidas and Nike have a unique brand promotion. Customers have in their minds that if they want to wear light weight sporting shoes, they need to go for Adidas. This explains why most basketball shoes are manufactured by Adidas. Generally, basketball players wear shoes that are of unique design and also light (Hollister, 2008).

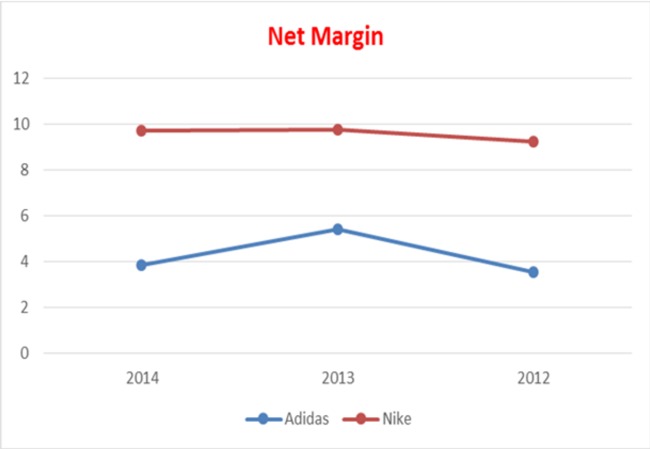
Customers view Nike as being innovator and creative, since the company comes up with new innovations and designs of new shoes styles. Therefore, the major target audience is the football players and athletes, who are instilled with the competitive idea to improve their performance.

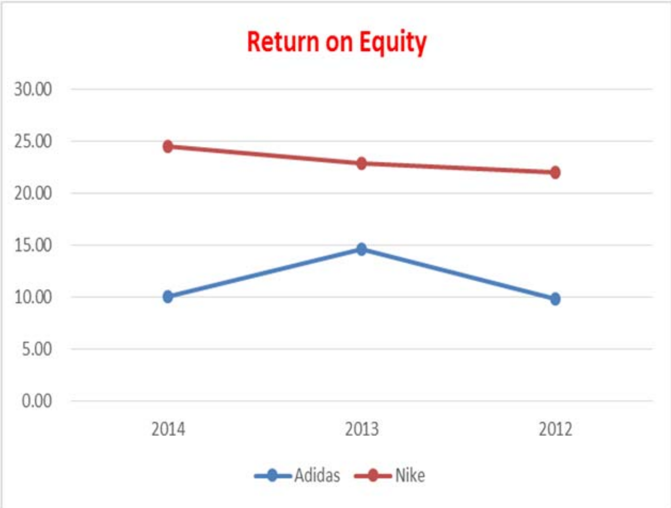
For the companies to place barriers for entry of new competitors in the market they are able to control the cost of their products; therefore, they can have a competitive advantage over the potential rivals tending to enter to the industry. They use enticing promotional programs such as making their online websites attractive for online shoppers. Both companies offer a wide range of products, including footwear, sporting equipment and apparel. They also have strong distributions channels that they control. Furthermore, both companies are creative in the design of their products. (theguardian.com, 2015)

Sometimes, the two companies charge high prices associated with the provision of technological services. Strong competition is another challenge that the companies are forced to bear (Fisk, 2010). Nike and Adidas use celebrity advertisement, which can sometimes lead to the creation of negative images, especially when the celebrity engaged in unethical behaviors. It may also lead to distress, when the company grows beyond expectations and capabilities.

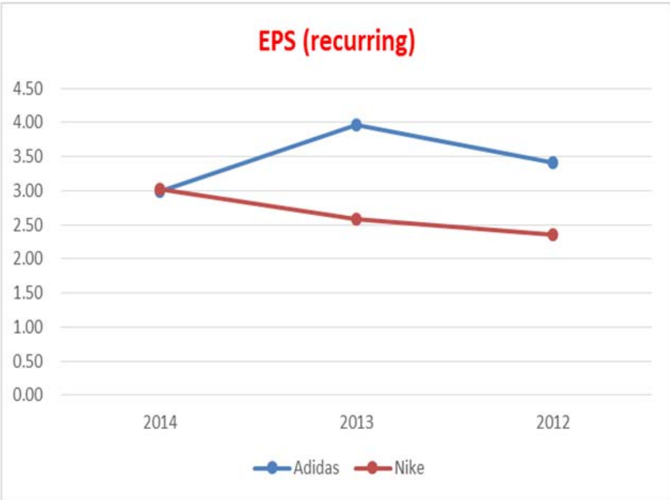
In conclusion, Nike and Adidas brand images are outstanding, but Nike has a slightly higher competitive advantage when compared to Adidas. The competitive advantage enjoyed by Nike is related to its innovation and reputation for quality. When it comes to footwear, both companies promise their customers products that will provide them with the durability and comfort. Nonetheless, the difference is that the products created by Nike have higher cost, while those of Adidas cost less (Marketing Strategy for Adidas vs. Nike, 2015).

Financial Comparison

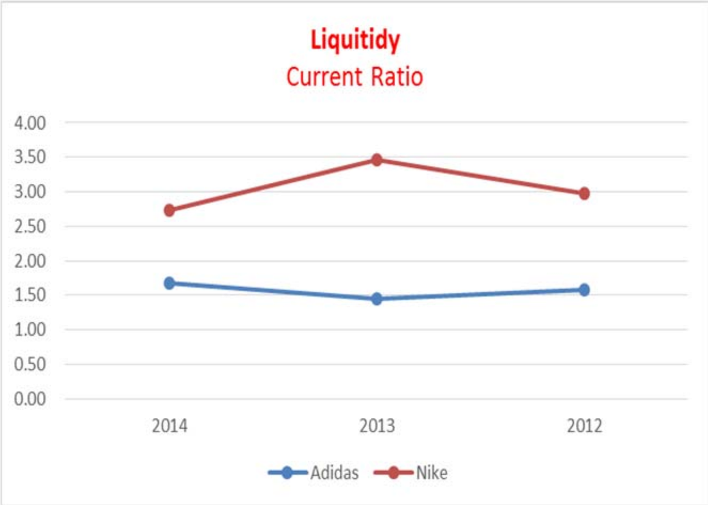




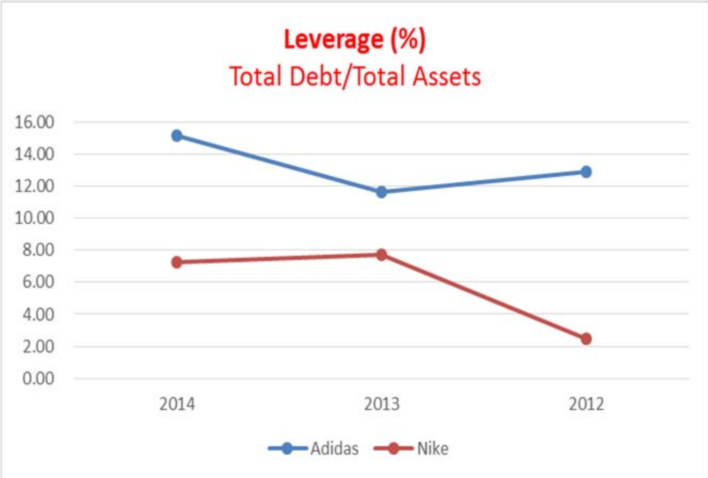
The profitability indicators show that Nike is performing better than Adidas. The net profit margin and return on equity of Nike is higher than Adidas.



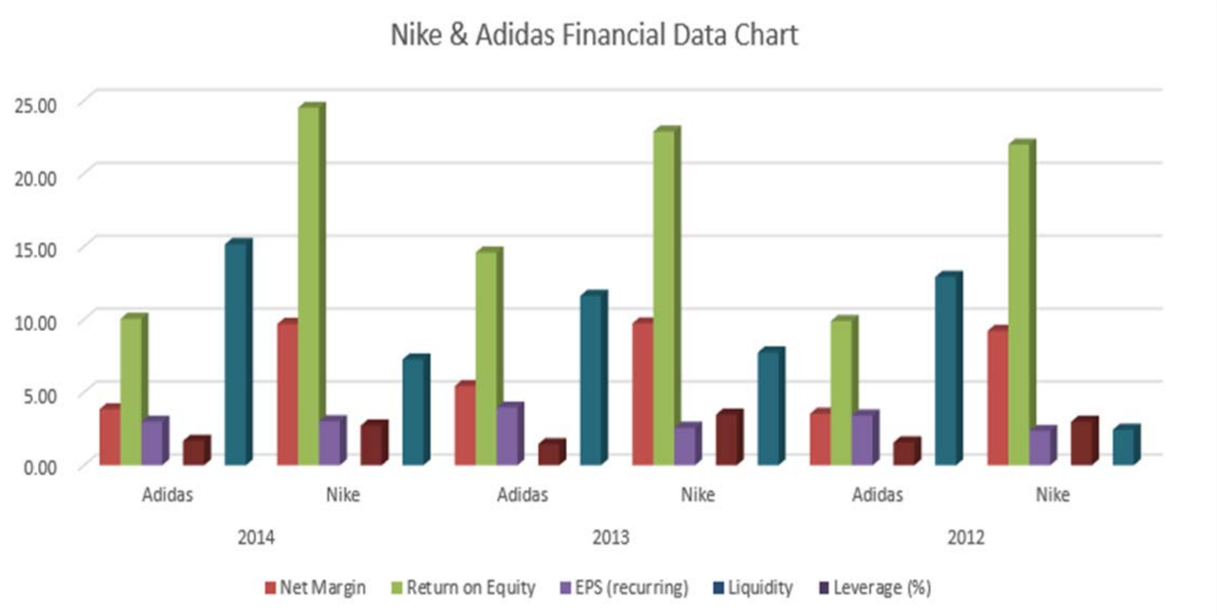
Earnings per share for both companies reach $3 by 2014. Although for the previous periods in 2013 and 2012 Nike has higher Earnings per share than Adidas.



Additionally, Nike shows better liquidity than Adidas. The current ratios of Nike over the last 3 years are about the double of Adidas.



Adidas has higher financial leverage than Adidas, which indicates that Adidas depends in debts more than Nike. Nike depends on Internal funding more than external funding. The chart below summarize the comparison of three years (FactSet Fundamentals, 2014).



The graph above shows a comparison of the movement of stock prices for Adidas and Nike from the period from 2010 onward. As shown in the graph both stock were moving in same direction from 2010 to 2014 where Nike moves upward drastically and there was a negative movement in Adidas during this period which means the stockholders of Nike was rewarded positively in comparison to Adidas which has a negative movement of 25% (Yahoo Finance, 2015).

RESEARCH FINDINGS, COMMENTS & RECOMMENDATIONS

Strategy is fundamental to the success and sustainability of any organisation it helps the organizations to understand their core capabilities, identify and address weaknesses, mitigate risks and understand the trends going to impact on their business and their industry, and how they are going to respond to them. It streamlines their business and ensures every dollar and minute they spend on the business is in the direction of their sustained success. Therefore the success or failure of the organization depends on the strategies its follows. To survive in today's competitive business environment it is must to plan innovative and differentiation strategies. Nike and Adidas strategies helped them to survive and sustain their positions in the market. Both of companies have quite similar strategies. Adidas always challenges the world market leader Nike in sports championships. Nike strategies focus on design innovation and marketing, whereas Adidas strategies focus on reducing the production cost and time, expand its market, enhance attractiveness in terms of sports shoes and equipment. Nike is the market leader in sport footwear and apparel.

REFERENCES

(n.d.). Retrieved from Adidas Group: http://www.adidas-group.com/media/filer_public/2014/03/05/adidas-group_gb_2013_en.pdf

FactSet Fundamentals. (2014, April 22). University of Bahrain Library.

(2014, September 9). Retrieved March 15, 2015, from http://www.studymode.com: http://www.studymode.com/subjects/competitive-analysis-of-nike-versus-adidas-page1.html

Adidas Group. (n.d.). Retrieved from Adidas Group: http://www.adidas-group.com/en/group/strategy-overview/

Adidas Group. (n.d.). Retrieved from Adidas Group: http://www.adidas-group.com/en/media/news-archive/press-releases/2010/adidas-group-presents-2015-strategic-business-plan/

Adidas Group FINANCIAL REPORTS. (2015, 3 5). Retrieved from Adidas Group: http://www.adidas-group.com/media/filer_public/2b/2f/2b2fd619-5444-4ee8-9c07-baa878d658c4/2014_gb_en.pdf

Alexandru, B., & Loan, P. (2013).

Amit, R., & Zott, C. (2001). Value creation in e-business. *Strategic Management Journal, 22*, 493-520.

Ansoff, H.A. (1965). *Corporate strategy: An analytic approach to business policy for growth and expansion.* New York: McGraw Hill.

Baden-Fuller, C., & Morgan, M. (2010). Business models as models'. *Long Range Planning, 43*((2–3)), 156–171.

Bizjournals. (2015). Retrieved March 20, 2105, from http://www.bizjournals.com

Business.transworld. (2015). *Nike Reports 2013 Revenues*. Retrieved Feb 29, 2015, from http://business.transworld.net

Chang, S.C., Lin, N.P., Wea, C.L., & Sheu, C. (2002). Aligning manufacturing strategy with business strategy—an empirical study in high-tech industry. *International Journal of Technology Management, 24*(1), 70–87. http://dx.doi.org/10.1504/IJTM.2002.003045

CARR, A. (2013). *NIKE: THE NO. 1 MOST INNOVATIVE COMPANY OF 2013*. Retrieved from Fast Company: http://www.fastcompany.com/most-innovative-companies/2013/nike

Chronicle, H. (2015, 3 4). *smallbusiness.com*. Retrieved from http://smallbusiness.chron.com

Drakulevski, L., & Nakov, L. (2014). Managing Business Model as Function of Organizational Dynamism. *International Symposium*, (pp. 37-44). Zlatibor, Serbia.

Geoffrion, A., & Krishnan, R. (2003). E-business and management science: mutual impacts (Part 1 of 2). *Management Science, 49*, 1275–1286.

Ghaziani, A., & Ventresca, M. J. (2005). Keywords and Cultural Change: Frame Analysis of Business Model Public Talk 1975-2000. *Sociological Forum, 20*(4), 523-559.

Hearst Newspapers, L. (2015). *Houston Chronicle* . Retrieved from http://smallbusiness.chron.com

http://www.businessdictionary.com. (n.d.). Retrieved from http://www.businessdictionary.com: http://www.businessdictionary.com

Joachimsthaler, A. &. (2000). The Brand relationship spectrum. *California Management Review*.

KINETICS, H. (2015, March). *Five competitive forces in sport business environments* . Retrieved from http://www.humankinetics.com

Magretta, J. (2002). Why Business Models Matter. *Harvard Business Review*, *5*, pp. 86-92.

Marketing Strategy for Adidas vs. Nike. (2015, March). Retrieved March 28, 2015, from quality-essay.com: http://quality-essay.com/essay-samples/Business/marketing-strategy-for-adidas-vs-nike.html

Media.corporate. (2015). *N I K E, a growth company*. Retrieved March 20, 2015, from http://media.corporate-ir.net/media_files

Mindtools. (2015). *Porter's Generic Strategies*. Retrieved March 15, 2015, from http://www.mindtools.com

Mintzberg, H. (1988). Generic strategy: Toward a comprehensive framework. *Advances in Strategic Management*, *5*, 1–67.

Morris, M. , Schindehutte, M., and Allen, J. (2005), “ The entrepreneurs business model: Toward a unified perspective” , Journal of Business Research, 58 , PP 726, 735

Nickols, F. (2012). *Distance Consulting*. Retrieved from nickols: http://www.nickols.us/strategy_definition.htm

Nickols, F. (2012). *Strategy: Definitions and Meaning*. Retrieved March 15, 2015, from http://www.nickols.us/strategy_definition.htm

Nike Case Study. (n.d.). Retrieved from Sales & Marketing slides: http://sales-management-slides.com

Nikeandunderarmour. (2015). *Business Strategy*. Retrieved March 19, 2015, from https://sites.google.com/site/nikeandunderarmour

Nikebiz. (2009). *Corporate responsibilty report*. Retrieved March 20, 2015, from http://www.nikebiz.com

Nikeresponsibility. (2014). *NIKE SUSTAINABLE BUSINESS PERFORMANCE SUMMARY*. Retrieved March 19, 2015, from http://www.nikeresponsibility.com/report

Nike's New Business Model. (2010, 5 8). Retrieved from Forbes: http://www.forbes.com/sites/mikeozanian/2010/08/05/nikes-new-business-model/

Powers, T.L., & Hahn, W. (2004). Critical competitive methods, generic strategies, and firm performance. *The International Journal of Bank Marketing*, *22*(1), 43–64. http://dx.doi.org/10.1108/02652320410514924

Sagepub. (2015). *Different views of strategy*. Retrieved March 14, 2015, from http://www.uk.sagepub.com/upm-data/9497_019389ch1.pdf

Sales-management. (2007). *Nike comprehensive marketing strategy*. Retrieved March 20, 2015, from http://sales-management-slides.com/comprehensive-marketing-strategy

Shafer, S. M., Smith, H. J. and Linder, J. (2005), “ The Power of business model” Business Horizons, 48, pp 199-207

Slideshare. (2015). *Nike strategic analysis*. Retrieved March 19, 2015, from http://www.slideshare.net

Steininger, D. M. (n.d.). EXPLORING COMPETITIVE ADVANTAGE OF SOCIAL NETWORKING SITES: A BUSINESS MODEL PERSPECTIVE. *Proceedings of the 21st European Conference on Information Systems*, (pp. 2,3).

Strategy. (n.d.). Retrieved from Nike.INC: http://www.nikeresponsibility.com

Strategy. (n.d.). Retrieved from Mind Tools: http://www.mindtools.com

Sumer, K. (2012). Business Strategies and Gaps in Porter’S Typology. *Journal of Management Research*, 110-112.

theguardian.com. (2015, April). Retrieved from http://www.theguardian.com/fashion/fashion-blog/2014/aug/22/nike-v-adidas-are-you-a-swoosh-addict-or-a-stripe-aficionado

Teece, D, J. (2010) “Business models, business strategy and innovation,” Long range planning. 43 pp. 172-194

Trevor slack, M. M. (n.d.). *Understanding Sport Organizations: The Application of Organization Theory.*

wikipedia. (2015). *Nike*. Retrieved Feb 29, 2015, from http://en.wikipedia.org/wiki/Nike,_Inc.

wikivs.com. (2015, April). Retrieved from https://www.wikivs.com/wiki/Adidas_vs_Nike

Yahoo Finance. (2015, April 23). Retrieved from http://finance.yahoo.com/echarts?s=ads.DE+Interactive#%7B%22range%22%3A%225y%22%2C%22lineType%22%3A%22combo%22%2C%22scale%22%3A%22linear%22%2C%22comparisons%22%3A%7B%22NKE%22%3A%7B%22color%22%3A%22%23cc0000%22%2C%22weight%22%3A1%7D%7D%7D

Zott, C., & Amit, R. (2007). Business model design and the performance of entrepreneurial firms. *Organization Science, 18*(2), 181–199.

Zott, C., Amit, R., & Massa, L. (2011). The business model: theoretical roots, recent developments, and future research. *Journal of Management, 37*(4), 1019-1042.