

Comparative Study of Global Business Strategy: Lessons Learned from Excellent Sports-wear Companies (Nike and Adidas)

Almira Zana Pratama

Master Program of Industrial Engineering Department, Faculty of Engineering
Universitas Sebelas Maret
Surakarta, Indonesia
almirazp@student.uns.ac.id

Wahyudi Sutopo

University Centre of Excellence for Electrical Energy Storage Technology
Universitas Sebelas Maret
Surakarta, Indonesia
wahyudisutopo@staff.uns.ac.id

Muhammad Hisjam

Industrial Engineering Department, Faculty of Engineering
Universitas Sebelas Maret
Surakarta, Indonesia
hisjam@staff.uns.ac.id

Silvi Istiqomah

Industrial Engineering Department, Faculty of Engineering
Universitas Mahakarya Asia
Surakarta, Indonesia
silviistiqomah23@gmail.com

Abstract

This paper examines the formulation and implementation of a global business strategy for a sportswear company, based on a comparison of the two companies. The analysis is conducted by using a strategic management approach to determine the global business strategy design of the two companies to obtain above-average returns. This paper highlights the resources, capabilities, and competitive advantages of the two companies. The paper also describes an attractive industry and points out how the two companies formulated their strategies to earn superior returns. As a result, the findings of this study can be applied to similar companies in Indonesia that want to compete in the global market and earn above-average returns. The research method used is a descriptive research method with a qualitative analysis approach.

Keywords

Global business strategy, comparative analysis, sports-wear companies

1. Introduction

Sport is one of the most popular activities these days, especially during the COVID-19 pandemic. Other than maintaining our body fit and healthy, people also want to look trendy while exercising. Sportswear such as shoes and others are very popular and never empty of demand. People, particularly the youth, have been interested in the sportswear sector and sports apparel since it allows them to feel more comfortable and relaxed while wearing athletic outfits (Singhvi and Srivastava 2020). Thus, sportswear companies are competing to offer the best products. Some examples of well-known sportswear companies that have competed in the global market are Nike and Adidas.

Nike has been established in 1964 and started operating in Indonesia in 1988. Nike produces various kinds of sports equipment, the track running shoe was their debut product, but currently, Nike also produces some products such as shoes, jerseys, shorts, etc. (Mahdi et al. 2015). Today, Nike is crowned as the number one sports company in the world because it has managed to dominate the sports market. Nike has received several awards including best company perks and benefits and best company compensation in 2019. Nike was ranked 22nd in the Global RepTrak 100 category (2021) by the Reputation Institute, ranked 13th in the category of the world's most admired companies (2021) by Fortune, and ranked 13th in the world's most valuable brand (2020) category by Forbes.

One of Nike's that also excels in the production of shoes, sports equipment, and sports clothing is Adidas AG or better known as Adidas. Adidas was founded in Germany in 1953 by Adi Dassler. The company's product line is diverse, from footwear and sportswear to accessories such as bags, watches, glasses, and other athletic items and equipment. Reebok, Taylor Made, Adidas Golf, Rockport, and CCM-Hockey are among the approximately 170 businesses that make up the Adidas group (Mahdi et al. 2015). Currently, Adidas Group is the largest sports company in Europe and the second-largest in the world. The Adidas Group was ranked 54th in Fortune's 2021 world's most admired companies category, and 7th in the Global RepTrak 100 (2021) category by the Reputation Institute, in 2020 Adidas was ranked 51st in the world's most valuable brands category by Forbes.

One such company from Indonesia that is trying to expand into the global market is PT Panatrade Caraka Specs or better known as Specs. PT Panatrade Cara Specs was founded in Jakarta in 1994. Specs is currently the number one sports brand in Indonesia, especially in the field of soccer and futsal. Specs itself has a vision to become the number one sports brand in Southeast Asia. Specs currently sells its products to Indonesia, Singapore, and Malaysia.

To maintain its existence in global markets, the company certainly has a business strategy that is implemented to bring the company's name to become bigger. According to a survey involving 3,300 consumers from 41 countries, the majority of people choose one global brand over another due to the differences in the brands' global qualities (Holt et al. 2004). Nike and Adidas are two examples of companies whose strategic advantages should be seen in facing global competition, therefore this study was conducted to examine two sports equipment companies with Resource-Based View, conduct investigations, and also comparative studies. Thus, this research can provide lessons learned regarding the development and implementation of global business strategies for similar companies in Indonesia who wish to compete in the global market and earn above-average returns.

Several studies related to comparative studies have been conducted previously. Research conducted by Arga Seta et al. (2021) regarding the comparison of global business strategies among outdoor gear companies such as Eigerindo and REI. Based on the research that has been done, it is concluded that companies that achieve above-average income have their strategy to run their business. Similar research has also been conducted by Daniel Mao Mansaray et al. (2021) regarding the comparison of service quality of two large companies in the telecommunications sector. It is said that both companies (Africell and Orange) have grown internally and successfully attracted the world market by implementing new strategies and continuous business innovations. Research conducted by Achmad Habibie (2020) provides a study of a suitable technopreneurship model for a technology base based on comparative research on several spare parts innovations for electric motorcycle conversion products in Indonesia. Research conducted by Era Febriana (2020) provides a study on the development and implementation of a global business strategy for the commercialization of battery swap technology, based on a comparative study between the two companies. To achieve above-average results, the analysis is carried out by referring to the strategic management strategy. The resources, capabilities, and competitive advantages of the two companies are highlighted in this study. The paper also discusses the attractive industry of commercializing battery swapping technology and points out how the two companies formulated their strategies to achieve superior returns.

2. Literature Review

2.1 Global Strategy Concept

Many organizations and businesses have become global as a result of globalization in the international economy, which has used political, cultural, and economic pressures to foster an interdependent environment and advance towards a global system (Buckley and Ghauri 2004). A focus strategy finds market segments where the organization can successfully compete. The strategy is based on market features and a company's competitive advantage to select a market where a company's resources will most likely result in the targeted sales volume, revenue, and profit (Chronicle 2015). Global strategic management is the process of creating a coherent, coordinated, integrated, and

integrated strategy that determines the extent to which a company's strategic behavior is globalized across countries by standardizing offerings, configuring and coordinating activities, and integrating competitive movements (Frynas 2015). Companies can get some benefits from global strategies in a variety of ways, including economies of scale, global brand recognition, global customer satisfaction, lower labor costs and increased input costs, RandD costs and cost recovery in as many nations as feasible, and the creation of new markets (Lynch 2018).

2.2 Strategic Management Concept

A set of managerial decisions and actions that define a company's long-term performance is referred to as strategic management. This process includes environmental scanning (internal and external), strategy design (strategic planning), strategy implementation, and assessment and control. Strategic management studies stress monitoring and assessing external opportunities and threats while taking into consideration the company's strengths and weaknesses to define and implement new strategic orientations for an organization (Hunger and Wheelen 2008).

2.3 Industrial-Organizational Model (I/O)

The industrial organization (I/O) perspective on strategy assumes that a company's activities are determined by its external environment. Companies must recognize and seek to operate in an environment that affords the best prospects for competitiveness and profitability, according to the I/O model for management strategy. According to the model, a company's choice of industry and the geographic market has a greater impact on performance than strategic decisions about internal resources, capabilities, and core competencies (Mosca 2016).

2.4 Resource-Based Model

According to the RBV, a firm's internal resources are the primary source of long-term competitive advantage. As a result, this viewpoint takes an internally driven approach, as opposed to an externally driven viewpoint, in which a firm's competitive advantage is derived from external market forces and the firm's market side position (Kull et al. 2016). RBV seeks to describe a company's long-term competitive advantage, which stems from limited, valuable, difficult or impossible to reproduce or duplicate, and tough to replace resources (Bromiley and Rau 2016).

2.5 Framework Selection

The purpose of this study was to compare the two companies in the sports equipment market. The two companies selected were Nike and Adidas AG. To analyze the business strategies of these companies, a strategic management concept is needed using resources, capabilities, competitive advantages, attractive industries, strategy formulation, and implementation. After conducting a comparative analysis, the next step is to conclude the business strategies used by each company. The data taken is secondary data obtained from the Google search engine and Google Scholar using related keywords, and also searches for related papers through journals with the Scopus index. After the data is collected, it is analyzed and concluded so that lessons can be learned as the output of this research (Figure 1)

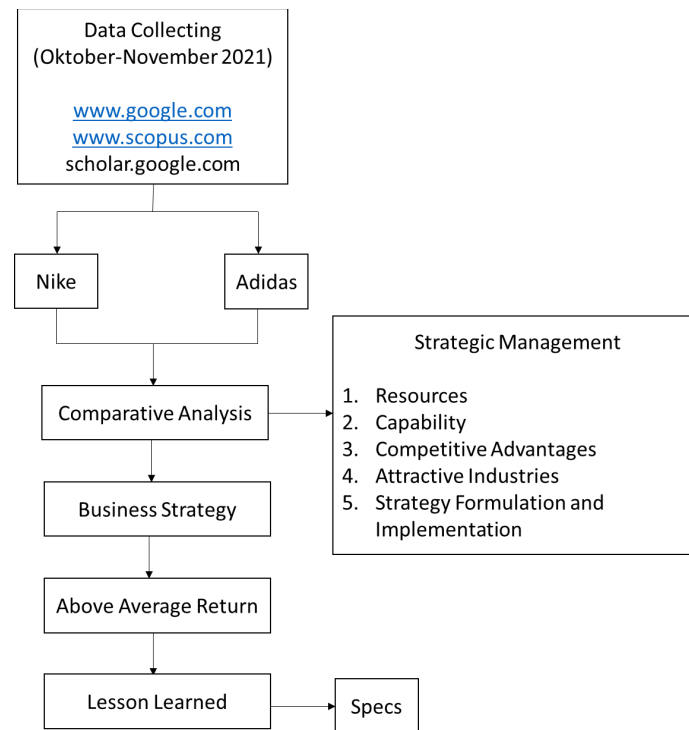


Figure 1. Framework Selection

3. Results and Analysis

3.1 Vision and Missions

Nike's vision is to become the world's largest seller of athletic footwear and apparel. Meanwhile, Nike's mission is to "do whatever it takes to develop human potential by creating innovative sports innovations, making products more sustainable, building creative global teams and creating a positive impact in the communities where we live and work".

Adidas' vision is to become a global leader in the sports equipment industry with a brand built on a passion for exercise and lifestyle. While the missions owned by Adidas are:

1. With every product we bring to market, we strive to enable athletes of all ability levels to reach optimal performance.
2. We are customer-centric, thus we are always improving the quality, appearance, feel, and image of our products, as well as our organizational structures, to meet and exceed customer expectations and give the best value.
3. We are a worldwide corporation that is socially and environmentally responsible, values creativity and diversity, and rewards our employees and shareholders financially.
4. We are committed to providing great financial performance consistently.

3.2 Product Comparison

Nike products have a distinctive "swoosh" logo and a slogan that reads "just do it". The best-selling products include the Nike Air Force 1'07 at \$90, the Nike Blazer Mid '77 Vintage at \$100. Adidas logo itself is in the form of three parallel stripes of the same color. Adidas' best-selling products include Ultraboost 4.0 DNA at \$180 and Superstar Shoes at \$85 (Figure 2 to figure 5).



Figure 2. Nike Air Force 1'07



Figure 3. Nike Blazer Mid '77 Vintage



Figure 4. Ultraboost 4.0 DNA



Figure 5. Superstar Shoes

3.3 Target Market

Nike and Adidas have been operating all over the world. Nike's target market is mostly consumers aged 15–45 years. In 2017, Nike changed its reported operating segment. Nike has four geographic reporting segments, which include North America, EMEA (Europe, Middle East, and Africa), Greater China, and APLA (Asia Pacific and Latin America).

The picture below is a map that shows the global networks of Nike Inc. Retail locations are in red, factory locations are pinpointed in blue, and Nike's World Headquarters is pinpointed in green (Figure 6).

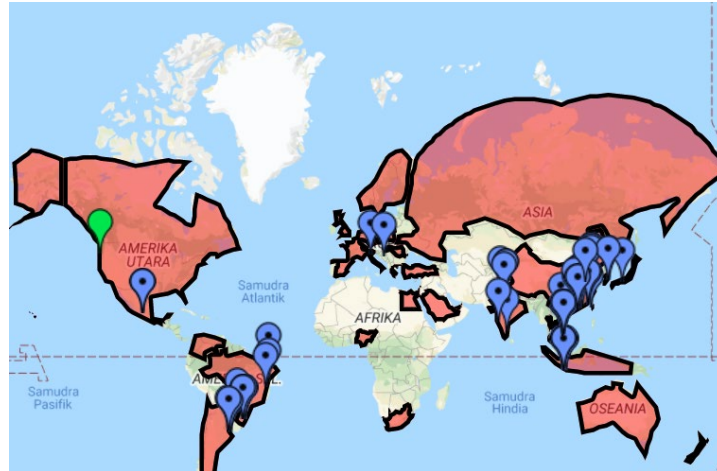


Figure 6. Nike Inc. Global Networks
(source: Google My Maps)

Adidas is concentrating on attracting and strengthening its brand among the next generation of athletes aged 14 to 19. This target demographic, according to Adidas, is the most influential customer segment. Adidas has successfully sold products and opened store outlets to more than 160 countries with as many as 2400 stores.

The figure 7 below is the map that shows Adidas Group and the expansion of its global market chains. North American market zone is in yellow, European market zone is in green, the Russian market is in blue, and Asian market is in red. The red line indicates the commodity ties, and the green line indicates exportation.

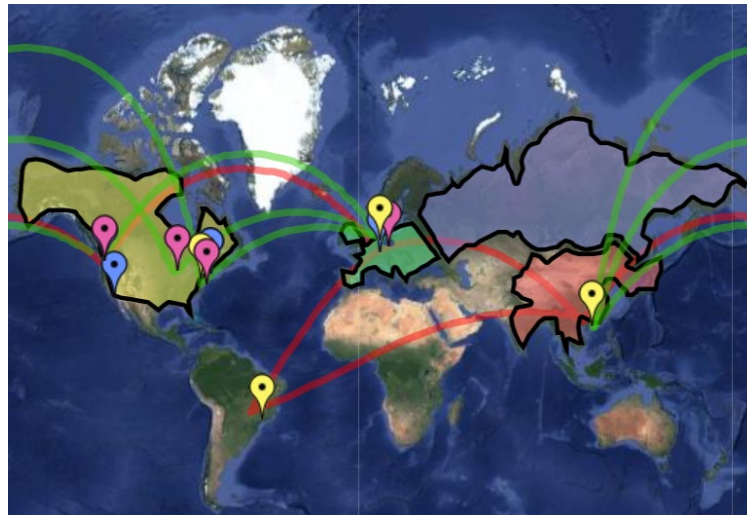




Figure 7. Adidas Group Global Networks
(source: Google My Maps)

3.3 Resource-Based View

Table 1. Resource-Based View Analysis

	Nike	Adidas (Adidas AG)
Logo		
Resources	Has approximately 73,300 workers	Has approximately 62,285 workers
Capability	<ul style="list-style-type: none"> • Research and Innovation • Supply Chain 	<ul style="list-style-type: none"> • Research and Innovation • Superior Supply Chain and Distribution Network
Competitive advantage	<ul style="list-style-type: none"> • Brand Equity • Premium Quality Products • Global Presence 	<ul style="list-style-type: none"> • Brand Image and Equity • High-Quality Products • Fast Sales Growth and Growing Financial Performance
An attractive industry	<ul style="list-style-type: none"> • Products that are trendy and liked by various age groups from young to old • Products with above-average prices but also provide above-average quality 	
Strategy formulation and implementation	<ul style="list-style-type: none"> • Advertising (TV commercial, etc) • Personal selling • Direct marketing • Personal selling • Discount system or special offers • Sponsoring and providing financial support to other organizations to strengthen market bonds • Adjust to the trends by analyzing market developments • Using value-based pricing, the price given to the customer matches the value provided. 	<ul style="list-style-type: none"> • Pay attention to changing demand patterns and try to meet the style needs of people • Maintain a strong focus on marketing. Adidas uses several channels for marketing and promotion of its brand to connect with its customers. • Higher investment in digital technology brings customers closer and helps in the expansion of market share. • Partnering with several star athletes such as Lionel Messi, Ronaldinho so that Adidas is often called "the shoes of football players".
Superior returns	12.3 billion USD with an average growth of 6.5 percent (Forbes, 2019).	5.742 billion USD with average revenue growth of 11.3 percent annually (Forbes, 2019).

Nike spends a significant amount of money on research and development each year to develop and deliver market-leading products (Table 1). Nike has managed to build up a large and international network of the highly loyal supplier. This ensures Nike has a steady supply of high-quality raw materials to create excellent products. Nike invests in enabling its suppliers so that they may form long-term partnerships with the company.

Adidas created the FUTURE team, which is in charge of establishing a strong portfolio of innovation capabilities, such as new material production techniques and consumer-centered scientific research. Adidas collaborates closely with its strategic supply chain partners and gives specified manufacturing and delivery criteria. The majority of its products are produced at 109 factories around the world.

Nike has strong brand power and has earned customers' trust for many years. Product quality is also an important focus area for Nike, making it possible for Nike to charge higher prices and compete because it has managed to build a high level of trust from consumers. Nike's major market is the United States, although it also has revenue from several other developed and developing regions. Nike has a global sales and distribution network that allows the company to easily reach millions of clients. While Nike continues to dominate the market, Adidas is a globally popular brand. To improve the brand's image, Adidas works on providing a better consumer experience.

3.3 Lesson Learned

From the description above, we can analyze the similarities and differences between two companies that excel in sports, namely Nike and Adidas. Both have a strong brand image, have high-quality products, and have a research and innovation team capable of conducting consumer-based research so that they can provide the latest product innovations. Both companies also excel in carrying out marketing strategies so that they place a high position in the global market and generate above-average returns.

Based on a comparative analysis of strategies with the criteria of resources, capability, competitive advantage, an attractive industry, strategy formulation, and implementation, PT Panatrade Caraka Specs can take several lessons regarding global strategies to earn above-average revenues from similar companies such as Nike and Adidas. Then a SWOT analysis was formulated from Specs to formulate a new strategy based on the strategy that has been carried out by Nike and Adidas.

Table 2. Specs' SWOT Analysis

<p>Strengths</p> <ol style="list-style-type: none"> 1. SPECS has an ISO-9001 certificate from Lloyd's Register Quality Assurance for Quality Management System 2. Sells their products at an affordable price 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Has no enough budget for research and developments 2. The marketing strategy is not strong enough
<p>Opportunity</p> <ol style="list-style-type: none"> 1. People have high interests in sports nowadays 2. There are a lot of sports events held in Indonesia such as Sea Games, AFF, etc. 	<p>Threats</p> <ol style="list-style-type: none"> 1. Intense competition with international manufacturers such as Nike and Adidas 2. Local brand image in Indonesia hasn't received enough attention 3. Consumers have become more critical in looking for products with high quality

By looking at the SWOT analysis that has been described, it can be formulated strategies that can be carried out by PT Panatrade Caraka Specs to develop its business (table 2). The first strategy is to form a resource and innovation team to find out the latest developments in the target market trend so that it is easy to make innovation and win the hearts of consumers. In addition, PT Panatrade Caraka Specs should also start building brand equity by building bonds with customers so that they can easily gain the trust of customers because building strong brand equity is a key issue in today's business world (Ansary and Nik Hashim 2018). PT Panatrade Caraka Specs must also start focusing on new marketing strategies by utilizing existing technology, such as advertisements on social media, TV media, and other media so that products can be remembered well in the minds of customers.

4. Conclusion

Based on the strategic analysis of two sports companies that excel in the global market, namely Nike and Adidas, the strategic planning that the two companies did, was to focus on a strong marketing strategy, then build good brand equity to gain more trust from customers, not hesitate to sell products at high prices because the company also provide high-quality products, and also builds a good network of suppliers around the world, in addition to forming a research and innovation team to conduct research on consumer trends and provide innovations new to the product.

PT Panatrade Caraka Specs can carry out a similar strategy by forming a resource and innovation team, building brand equity by building bonds with customers, starting to focus on new marketing strategies by utilizing existing technology.

This study was conducted using only secondary data obtained from the official website, search engines, and several previous studies so that the research was not too deep. It is hoped that further research will conduct a deeper comparison, by surveying product lover clubs, and other data acquisition methods.

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Biographies

Almira Zana Pratama is currently a student at Master Program of Industrial Engineering Department, Sebelas Maret University, Surakarta, Indonesia. She received her Bachelor of Engineering degree from Telkom University in 2020. Her research interests are in supply chain management, logistics and techno-economics, micro-business management and business strategic management.

Wahyudi Sutopo is a Professor of Industrial Engineering and the Coordinator of the Industrial Engineering and Technoeconomy (RITE) Research Group at the Universitas Sebelas Maret's Faculty of Engineering. He graduated from Institut Teknologi Bandung with a Ph.D. in Industrial Engineering and Management in 2011. His research interests include logistics and supply chain management, engineering economy and cost analysis, and technology commercialization. He has published journal and conference publications. He has been awarded around 30 research awards.

Muhammad Hisjam is a lecturer in the Department of Industrial Engineering, Faculty of Engineering, Universitas Sebelas Maret since 1998. He received his Ph.D from Universitas Gadjah Mada in 2016. His research interests are in the supply chain, logistics, business, and sustainable development. He has been actively publishing some papers. As for now, he is a member of Industrial and Systems Engineers (IISE), Society of Industrial Engineering, and Operations Management (IEOM), and AAPM.

Silvi Istiqomah is a lecturer at Universitas Mahakarya Asia's Department of Industrial Engineering. She earned her bachelor's and master's degrees in Industrial Engineering from Universitas Sebelas Maret in Surakarta, Indonesia. Techno-economics, logistics, commercialization technology, electric vehicles, and charging stations are among his research interests. She has published research on supply chain management and optimization.