

**NIKEID: CASE STUDY ON FOOTWEAR  
CUSTOMIZATION**

David José Nunes Pereira

Project submitted as partial requirement for the conferral of

Master in Management

Supervisor:

Prof. Alexandra Etelvina Martins Marques Fernandes, Prof. Catedrático, ISCTE Business  
School, Departamento de Accounting, Marketing and Management

September 2019

**NIKEID: CASE STUDY ON FOOTWEAR CUSTOMIZATION**

**David José Nunes Pereira**

## Acknowledgements

*Thank you, Mom, Dad, Sister and Renata, for all the patience,  
encouragement and love throughout these 5 years.*

“I still have keys that are of no use to me,

They used to though.”

## List of Abbreviations

MC – Mass Customization
-------------------------

## List of Figures

<i>Figure 1 – Smartphone Penetration of Mobile Phone Market</i>	7
<i>Figure 2 –NikeiD Digital Platform</i>	12
<i>Figure 3 – Manufacturing Paradigms</i>	37
<i>Figure 4 – DART Model</i>	44
<i>Figure 5 – Ansoff Matrix</i>	47
<i>Figure 6 – Manufacturing Paradigms analysis for NikeiD</i>	57
<i>Figure 7 – NikeiD customizable parts of a sneaker</i>	67
<i>Figure 8 – NikeiD customization platform combination of alternative visions</i>	69
<i>Figure 9 – Intensive Strategies Model</i>	71

## List of Tables

<i>Table 1. The Evolution and transformation of Customers role</i>	43
<i>Table 2. Analytical tools to help answer each question</i>	51
<i>Table 3. Competitive Analysis table</i>	52
<i>Table 4. Questions to be posed to students</i>	54
<i>Table 5. NikeiD SWOT Analysis</i>	59
<i>Table 6. Areas to be consider</i>	64
<i>Table 7. Price per company</i>	66
<i>Table 8. Delivering time per company</i>	66
<i>Table 9. Competitive Analysis table</i>	70

## Table of Contents

<b>1. THE CASE STUDY: NIKEID</b>	1
1.1. PRESENTATION OF THE ISSUE	1
1.2. NIKE	2
1.2.1. <i>Introduction</i>	2
1.2.2. <i>Fashion Industry</i>	3
1.2.3. <i>Behavior Trends</i>	3
1.2.3.1. <i>Getting Personal</i>	4
1.2.3.1.1. <i>Social Media</i>	4
1.2.3.1.2. <i>Technologies</i>	5
1.2.3.2. <i>Platform First</i>	5
1.2.3.3. <i>Mobile Obsessed</i>	6
1.2.4. FOOTWEAR MARKET	7
1.2.4.1. <i>Players</i>	8
1.2.4.2. <i>Customization</i>	8
1.2.5. NIKEID	9
1.2.5.1. <i>Fundamentals of NikeiD</i>	9
1.2.5.2. <i>Footwear</i>	11
1.2.5.3. <i>Digital Platform</i>	12
1.2.5.4. <i>Product</i>	13
1.2.5.5. <i>Levels of Customization</i>	14
1.2.5.6. <i>Price &amp; Logistics</i>	14
1.2.5.7. <i>Brand and Activations</i>	15
1.2.5.8. <i>Competitors</i>	17
1.2.5.9. <i>Strategic Priorities</i>	19
1.3. PROBLEM REVIEW	20
1.4. APPENDIX	21
<b>2. PEDAGOGICAL NOTE</b>	35
2.1. CASE'S TARGET AUDIENCE	35
2.2. EDUCATIONAL OBJECTIVES	35
2.3. LITERATURE REVIEW	36
2.3.1. <i>Fashion Industry</i>	36

2.3.2. <i>Manufacturing Strategies</i>	36
2.3.3. <i>Mass Customization Principles</i>	40
2.3.4. <i>Consumer Role</i>	42
2.3.4.1. <i>Co-Creator</i>	43
2.3.4.1.1. <i>DART Model of Value-Creation</i>	44
2.3.4.1.2. <i>Diamond Dimensions of Co-Creation</i>	45
2.3.5. <i>Competitive Analysis</i>	46
2.3.5.1. <i>Boston Consulting Company Matrix</i>	46
2.3.5.2. <i>Competitive Analysis Table</i>	46
2.3.6. Strategic Positions	47
2.4. METHODOLOGY	49
2.4.1. <i>Data Collection</i>	49
2.4.2. <i>Primary Data</i>	49
2.4.3. <i>Secondary Data</i>	50
2.5. ANALYTICAL TOOLS	51
2.6. LECTURE PLAN	53
2.7. LECTURE ISSUES TO BE PRESENTED TO STUDENTS	54
2.8. QUESTIONS RESOLUTION	55
2.9. CASE RESOLUTION SLIDES	76
2.10. MANAGEMENT CONCLUSIONS TO BE DRAWN FROM THE CASE IN QUESTION	82
<b>3. BIBLIOGRAPHY</b>	<b>84</b>



## **Abstract**

The relation between companies and consumers has never been so close, and consumers are claiming more responsibility and more transparency from organizations. Successful companies are leveraging these demands by incorporating consumers into their enhanced network. With this, the amount of interchangeable feedback between the two increases exponential, aiming to reduce the gap between the final product and the consumer's demands. Plus, in the last years consumers have started to vocalize the need for unique products, that give the opportunity to express their own sense of style without the freighting idea of being copied.

This new paradigm is called co-creation, in which consumers are part of the creation process, either by giving feedback to companies or actually designing the product/service that suits them the most. Therefore, customization platforms have become very popular solution among fashion companies, an option that tries to give the opportunity to consumers to design their own piece of fashion.

Back in 2000, Nike unveiled its customization platform – NikeiD – as part of its innovation commitment. Nowadays, this digital platform has transformed into the leading brand, yet showing some fragilities, in areas like service and experience.

The case study offers the authors point of view over Mass Customization, NikeiD offering and market competitive analysis. Furthermore, the case study aims to give the best tools to readers, so they are able to investigate further possibilities and outcomes for the future.

**Keywords:** Athletic Footwear, Mass Customization, Strategy, Sportswear Retail

**JEL Classification:**

L1 – Firm Strategy, Firms, Market Performance, Market Structure.

L67 - Other Consumer Nondurables: Clothing, Textiles, Shoes, and Leather Goods; Household Goods; Sports Equipment

## **Abstrato**

A relação entre empresas e consumidores nunca foi tão estreita, já que estes exigem cada vez mais responsabilidade e transparência por parte das organizações. Empresas bem-sucedidas estão a tirar partido destas mesmas exigências, incorporando os consumidores nas suas redes de comunicação. Com isto, a quantidade de informação intercambiável entre as duas partes tem crescido exponencialmente e conseqüentemente o aumento da capacidade das empresas em servir eficazmente a procura. Para além disto, nos últimos anos tem havido uma crescente procura por ofertas únicas, uma vez que permitem que cada consumidor seja capaz de revelar a sua própria personalidade, sem o receio de ser copiado.

Algumas empresas cientes desta necessidade, criaram canais de comunicação, para que os consumidores transmitam comentários às empresas, ou até participem no processo de criação. Como tal, plataformas de customização têm-se tornado populares entre as empresas de moda, uma opção que visa criar oportunidades ao consumidor de desenhar a sua própria peça.

No ano de 2000, a Nike lançou a sua plataforma de customização – NikeiD – como parte do compromisso de ser uma empresa inovadora. Nos dias que correm, esta plataforma digital é a marca líder, ainda que mostre algumas debilidades, nomeadamente em áreas como serviço e a experiência.

O caso de estudo oferece o ponto de vista acerca dos desafios do mercado de customização através da plataforma NikeiD, assim com uma visão sobre as tendências do mercado. Para além disto, visa oferecer as melhores ferramentas para que os leitores sejam capazes de investigar possíveis cenários futuros deste mercado.

**Palavras-chave:** Calçado Atlético, Customização em Massa, Estratégia, Retalho de Moda Desportiva

**JEL Classification:**

L1 – Estrutura do Mercado, Estratégia da Firma e Desempenho do Mercado.

L67 - Outros Bens de Consumo não Duráveis: Roupas, têxtil, Calçado e Bens de Pele; Bens Familiares; Equipamento Desportivo

# 1. The Case Study: NikeiD

## 1.1. Presentation of the issue

The first of this case study is to develop the knowledge over the Footwear Market, more specifically the Customization segment, taking as base the trends of the market. Moreover, understand the structure of the market, looking for the standard offer, the service and other features that influence consumers.

In order to develop a realistic point-of-view, NikeiD will be taken as the basis of the study and therefore the competition of the leader brand of sports footwear market will be taken into consideration.

Aiming to have a structured analysis of the problem some questions were defined:

**Question 1:** What are the critical shifts of fashion market?

**Question 2:** Is NikeiD integrated in a system of Mass Customization?

**Question 3:** What can Nike benefit from its customization platform?

**Question 4:** What is NikeiD competitive position in the customization market?

**Question 5:** Analyse NikeiD competitive landscape, based on product, service and experience.

**Question 6:** What could be the next steps in the customization market?

## **1.2. Nike**

### **1.2.1. Introduction**

Nike has been around for 50 years, starting from a partnership between a track and field athlete and his university coach. Blue Ribbon Sports as it was once called, developed from a small business to transform into the worldwide leader in athletics footwear and apparel. Serving as example to many business models, Nike has been a trademark case study for retail management, marketing and supply chain studies. Furthermore, the American company founded in Beaverton, is known for taking risks and leading the innovation wave of the market. Mostly recently, this forward-thinking mindset has made Nike turn its focus to customization.

This new trend has unveiled new challenges and dynamics in the fashion market, that retailers need to be aware and to understand, in order to make right decisions that won't jeopardize their business. Back in early 2000's, Nike become the frontrunner in this market sub-segment, when decided to launch a customization platform accessible to everyone. NikeiD has establish as the number one destination for footwear customization, however new players have entered the market trying to cap the opportunity that this market offers.

Conscientious of the market potential, the competition, as well of the challenges, I decided to create a case study that explains the extent of the market, plus the perspective of a successful company, such as Nike. The first step of the study will include an overview over the Fashion market and its trends. Then moving on to footwear market with special attention Athletic footwear and its ramifications. This analysis will expose the true capacity and potential of the customization marketplace. Then, study the core of NikeiD, looking after its products, customization features, pricing and logistics, will set the tone of the market landscape discussion.

All things considered, the case study pretends to link the NikeiD with the market potential providing the necessary tools to readers to draw their analysis, conclusions, suggestions and even predictions about the future of the customization market.

### **1.2.2. Fashion Industry**

Fashion can be described as match of a style (or styles) that includes apparel, footwear, bags and accessories, worn by any person or group of people, at any time. On the other hand, the industry comprehends the process from the starting point, designing it, to its final point, displaying it to consumers.

This process has evolved drastically after the era of industrialization, before that, clothing and footwear was handmade, either produced at home or from dressmakers or tailors. In the beginning of the 20<sup>th</sup> century, with the escalation of new technologies incorporated in factory systems, such as sewing machines, the market witnessed an increasingly mass production of fashion goods.

This market was for most of the time dominated by the occidental world, with higher scale in North America and Europe. However, long are the days in which these two markets dictated the rules of fashion by themselves. Today, emergent markets are growing at a higher pace than expected. Economic growth is shifting from mature regions, located at western countries, to emerging markets at East and South Asian areas. A research conducted over *The State of Fashion 2018* (Amed & Berg, 2017) shows the evolution of the market share since 2011 until 2025 (base on forecast assumptions), in which it is visible that the market share is moving from Western markets to the rest of the world, 60-40% proportion in 2011 to 45-55% by 2025. (Attachment 1).

Furthermore, the concept of fashion industry has shift over the years in what concerns the role of the consumer. Fashion companies must come to terms with the fact that consumers are demanding more transparency and more participation across the value chain. Therefore, more than never fashion companies need to understand and adapt to consumer's behaviour trends, only by doing that they will be able to survive.

### **1.2.3. Behavior Trends**

The fashion market is known for its volatility and unpredictable environment, led by fashion changes and macroeconomic factors. Even vital, structural and commercial factors are not the only trademarks affecting the fashion market. Consumer behaviour is more than never setting the tone of market success. A research conducted by McKenzie (Amed & Berg, 2017) highlights exactly this, the key factors that companies must keep

an eye on, concerning consumer behaviour trends. As the study reveals, organizations need to adjust their strategy to this new panorama or be doomed to fail.

### **1.2.3.1. Getting Personal**

The new consumer paradigm is not narrowed to a passive role, instead they are part of an enhanced network that expects to have accountability for the final product. The levels of personalization and customization are becoming more important to consumers as the transparency of the processes. Opportunities to deliver feedback and participate in the design process are becoming recurrent demands from consumers.

Even if not aware, consumers and companies are constantly connected, mostly by social media platforms that organizations take advantage to ensure 24/7 interaction (24 hours by 7 days of the week). This connection can be either direct – if consumers interact with organizations via social media platforms – or indirect – via consumer data. Therefore, investment in data collection, data analysis and feedback channels are becoming popular amongst companies that want to succeed.

Consumers are shouting for individualize products, however, the efforts are still short to follow this recently demand. Even we witness already some developments from companies, their offering is yet not prepared to fully match consumers' needs. In other words, there are indeed some companies that offer this type of option, but still at low level of customization.

When asked to the 115 participants if they were interested in co-creating unique and customized experiences together with a brand, over 63% answer between the range of interested to extremely interested. (Attachment 2)

#### **1.2.3.1.1. Social Media**

A study conducted, reveals that 70% of US consumers expect some sort of customization from online business, proving that this trend is not only a niche reality, but something that concerns the majority ((Hong, 2019). Consumers point that the reason behind this high desire to be unique, is related with a growing desire to use their fashion choices to express their own style, values, and ultimately their self-image. This reality is rooted on increasing numbers of social media users, that reveal that roughly 42% of global population is actively social media users. The constant use of social media plays an important role here. Several consumers – millennials and Generation Z– share nearly

everything on social media. In pursuit of “likes”, building their social status and personal brands (Eastman, Iyer, & Thomas, 2013).

#### **1.2.3.1.2. Technologies**

Apart of their social presence, younger generations want to accommodate this lifestyle with their actual style, meaning that they want to create their unique footprint on social media. Therefore, the demand for customized products grows as a consequence of a more exposed and live lifestyle. So, companies are making efforts to develop their customization systems, powered by digital developments, improvement of data analytics software, like data bases, Artificial Intelligence and 3D printing. Today, customization ranges from minor adjustments, that could be done directly in the store, to pre-designed items such as colour combinations that bring a personal touch, to ultimately products designed almost completely by the customer.

According to the study, from 2018 onwards, the leading fashion companies are expected to start delivering constant personalized and customized features to customers, as that will rapidly turn from a point of differentiation between business until turns out to be something standard (Amed & Berg, 2017).

#### **1.2.3.2. Platforms First**

Find the right product just few clicks away as never been so easy. Consumers are no longer forced to get out and find the store that may or may not have the product that once they saw in a catalogue. Purchasing is no longer restricted to physical stores and its stock availability.

Internet penetration and mobile access are creating a new marketplace paradigm. Online platforms are becoming the first point of search for consumers, due to convenience, variety, and relevance. The rise of these platforms, such as Amazon, Zalando, J.D.com and Alibaba, amongst others, has forced retailers to make an effort to establish their own online platforms, like Nike, Adidas and Inditex. Or, in the case of luxury brands, make their efforts into find a trustworthy marketplace that can represent their values and meaning, as is example Farfetch, a Portuguese online marketplace for luxury brands, that serves Gucci, Balenciaga, Off-White and many other fashion companies.

Whether mass, specialist or premium online platforms, will continue to grow at good pace, around 20% by year, as Garoia (2018) believes that 2021 roughly 20% of the retail market will belong to ecommerce platforms. For instance, Amazon — which retail analysts at eMarketer, predict will be one of the first-ever companies to be worth it one trillion dollars — is a massive platform with a number of high-margin businesses, including its own site and third-party marketplace.

Business is no longer confined to brick-and-mortars, as online platforms and e-commerce grows in size and market power. Leaders are facing a world of opportunity to flourish or to perish, facing the risk of not being able to ride the wave of digital transformation. The risk of not being present could become higher than the downside of not having complete control of the online channel (Kim & Lee, 2006).

According to the survey, consumers are moving towards a more online attitude, as only 39% said they would exclusively buy in store, and the remaining participants claimed to shop only online (23%) or use both channels (41%). (Attachment 3)

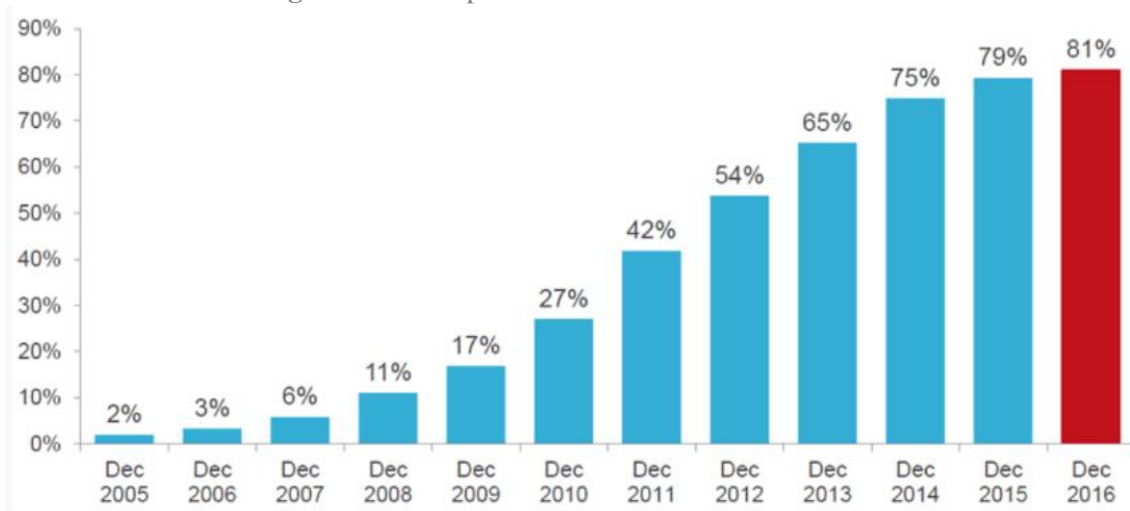
### **1.2.3.3. Mobile Obsessed**

Consumers are constantly finding ways of making their life easier and convenient, and mobile usage has been one source of it, and actually by 2016 smartphones had already penetrated 81% of the mobile phone market, as seen in *Figure 1*. Mobile data traffic has surpassed desktop data usage, resulting in implications for companies that want to develop their ecommerce presence, since it needs to be accommodated to the capacity and display of a mobile. Millennials are spending more than three hours every day on their digital devices and that millennials spent an average of six hours per week on searching for fashion content on their phones (Lella, 2017).

Companies are encouraged to develop their own retail apps in order to thrive under this new mobile cantered era, as is already visible in market leader companies, such as Uber (transportation), Instagram (Social networking), LinkedIn (Job searching), Momondo (travel), among other examples.



**Figure 1 – Smartphone Penetration of Mobile Phone Market**



Source: <https://www.comscore.com/Insights/Blog/US-Smartphone-Penetration-Surpassed-80-Percent-in-2016>

#### **1.2.4. Footwear Market**

Commonly, this market is sub-divided into broader markets, the Athletic and Non-Athletic footwear. In the recent years, the Athletic segment has felt an upraise consideration from the consumer, due to rising health concerns and risks of sedentary lifestyle. On the other hand, a demand for trendy, comfortable and fancy footwear is what will drive the non-athletic footwear market. This is observed among all age groups, but particularly among the Millennials and Generation Z

Even though the market is divided in two sub-segments, the line between these two has never been so thin. Increasing banalization of sports sneakers as daywear, plus the fact that luxury brands that dominate the Non-athletic footwear sub-segment have been changing their approach by creating collections closer to ordinary consumers and more affordable, which has contributed to establish more similarities than actual differences. Companies have been paying attention to this consumer behaviour and have adapt their strategy accordingly. For example, the price point of athletic footwear has increase in the recent years, due to increasing product demand – according with the U.S. Bureau of Labour Statistics (2019), prices for footwear were 10.05% higher in 2019 versus 2000. On the other hand, Athletic Footwear companies have tried to improve their offer in terms of lifestyle options, as is example recent collections between Nike and Virgil Abloh and

Adidas with Alexander Wang. A clear example of how two different worlds can coexist (Attachment 4).

#### **1.2.4.1.Players**

Since consumer's lifestyle is moving towards more healthy standards and behaviours, there are a lot of companies that try to capitalize this trend by shifting their product features. However, this type of consumer tends to be very loyal to a brand, either because they share the same values as the companies, or due to physical conditions the consumer tends to move towards a specific brand (e.g. footwear that makes athletes faster, footwear that offers more lumbar support, and others.). So, brands that are already established in the market and have their products features grounded in consumers, tend to have a stable consumer base. Therefore, it does not come as surprise to know that Nike dominates the athletic footwear market, followed by Adidas, Asics, Puma and Under Armour, by that order (Attachment 5).

#### **1.2.4.2. Customization**

As described before, consumers are shifting their preferences from off the rack footwear to custom made. Often molded or one-of-a-kind, companies show a shift towards customization to satisfy customer preference for tailored footwear ergonomics. Several companies have been adapting this strategy and accommodate their supply chain and manufacture process to enable consumers to design their own shoes.

The customization strategy of the Athletic footwear companies is not only centred on performance customization, such as measurement of the perfect fit, wide and weight, but also focused on lifestyle, allowing customers to change colours, patterns and even material type.

The study conduct shows that 66% either strongly agree or somewhat agree to spend more money for customize products (Attachment 6). Plus, the survey also shows that from the 115 responses, roughly 76 claim that "I would like to express my identity through customized products" meaning that there is a general feeling over consumers to acquire products that are somehow unique to each consumer.

As part of the case study, Nike and its customization platform, NikeiD, and its competitors will be the point of discussion to understand the customization through the lenses of companies.

### **1.2.5. NikeiD**

Nike has had an excellent run in recent decades, building a solid position as the number one brand for Athletic market, and has the latest annual report displays Nike has been able to “to secure significant growth for all geographies and each category”, claimed CEO Mark Parker in an interview for Nike News website (Nike, 2017: 1). Nike has been cementing its number 1 position in the athletic apparel and footwear market for the last 2 decades, surpassing its competitors, such as Adidas and Puma.

When asked to the 115 participants, if they had ever bought a Nike product, from which 98% affirm they had and only 2% never did it, showing not only the huge presence of Nike over people but also its capacity to convert them into buyers. (Attachment 7)

This capacity to grow has been associated mostly to Nike’s marketing powerhouse and its athlete’s portfolio that elevate the brand far more than a sportswear company. Nike is no longer only a company that sells shoes or apparel, Nike has its values and stands for them, as is example the latest campaign to celebrate the 30th anniversary of the “Just do it” campaign. In celebration for this campaign, Nike released a video with the motto “Believe in Something” over the racist events that have emerged recently in United States of America. From the same survey, 61% of the participants claimed they share some level of satisfaction over Nike initiatives to engage with consumers. (Attachment 8)

Yet, Nike is not known only for its marketing activity. The American company is also known for leading the innovation in the market, creating several features that then are recycled by its competitors. As is example, the introduction of Air bags (Attachment 9) into the sole of sneakers, in order to create stability and soften the impact. Therefore, aware of the need to offer a customization platform to consumers, due to an increase demand for this type of service, Nike on the entrance of the new millennium introduced the customization platform orientated to lifestyle – NikeiD.

#### **1.2.5.1. Fundamentals**

Back in 2000’s Nike was the pioneer by introducing the customization platform, NikeiD, in the athletic footwear market. Although the company was somehow offering some exclusive customized products directed to athletes instead of consumers, it was only in the begin of the new millennium that Nike disclosed the platform for all the consumers.

NikeiD was first conceded in 1999 and was initially offered through their online website exclusively in the American market. This platform allowed any consumer with access to internet to create a custom footwear pair. Nike let consumers choose from a set of colours and even allowed to stitch a name and/or a number on the shoe. When the platformed was launched the footwear franchise that was choose as a market study was the Air Force One (Attachment 10), since the public was fairly familiarized with that sneaker and since it offered a wider canvas to play around with different combination of colours and parts of the shoe.

This project become highly successful between consumers, even if Nike does not disclose the results of NikeiD, the continuation of the project for almost 20 years is proof that the company believes the platform creates added value to the current portfolio. Moreover, the platform end up becoming available for all the countries that were part of Nike's digital spectrum.

Nowadays the platform assumes more importance than never and that goes far beyond from the initial proposition of allowing consumers to design their own shoes. NikeiD has establishes as a crucial service of Nike, that is not only accessible through their website but also available in desktops in most of stores. The increased relevance of this platform can be explained by two fundamental benefits:

**a) Building Brand Loyalty**

When Nike decided to create NikeiD was with the idea of giving power to consumers to design their own pair of sneakers as they had always imagined. Even if it seems that Nike was trying to match the demand by increasing the supply elasticity, nowadays we know that it was much more than that. Nike had created a powerful engagement platform by allowing consumers to decide exactly what they wanted.

With globalization and internalization of brands, consumers could choose from a wide variety of brands, which gave them the power to change brand if they did not find the product that match their interests. Having this in mind, with NikeiD creation, Nike was basically trying to reduce the need of changing brands by offering a platform that allowed the consumer to change the product design into their own taste. Moreover, this is also grounded on the idea that consumers are willing to pay extra to get their own unique pair of sneakers.

In conclusion, NikeiD is a source of brand loyalty, since it is capable to develop constant and meaningful engagement with consumers, plus increase consumer's commitment.

#### **b) Data Relevance**

The website also created the opportunity for Nike's executives and design team to better understand what colourways and combination were most popular based on the data collection from consumers customization activity on the website.

Eventually Nike would turn to NikeiD data to fundament its decision to release shoes in specific colourways based on the activity on that platform, delivering a product that at the first attempt was exactly what the consumer wanted. From then on, Nike would launch products into specific market segments, as cities or states, based on the preferences that those customers were showing at the NikeiD design platform.

The modern business environment is driven by data. The role of data is to empower companies to make decisions based on fact and behaviours, to a point that data has become a commodity for organizations. Therefore, Nike is no strange to this trend and NikeiD as we seen has become a source of information that cannot be neglected.

#### **1.2.5.2. Footwear**

Nike products are usually breakdown by product engine, meaning, footwear, apparel and equipment. According to Nike 2018 fiscal report, Footwear accounts for roughly 66% of the business, apparel for 30% and Equipment takes the remaining share. Historically, the relation between footwear and apparel has always been like this, with footwear taking the largest slice of the business, which is based on two reasons:

- The average unit price of footwear is far higher than the one for apparel
- Nike heritage as athletic footwear company remains live at consumers mind (Nike is a destination for sports footwear)

At NikeiD, the footwear share of business is even higher, since the only option that appears to be available for apparel are the sports jerseys, versus several sneakers' models (attachment 11).

As the survey shows, 80% of the participants has already customized sneakers (60%) and performance shoes (20%), whereas only 8% of participants that had tried to

customize jerseys (representing apparel). With this said, its visible that consumers look much more customize footwear opportunities rather than apparel. (Attachment 12)

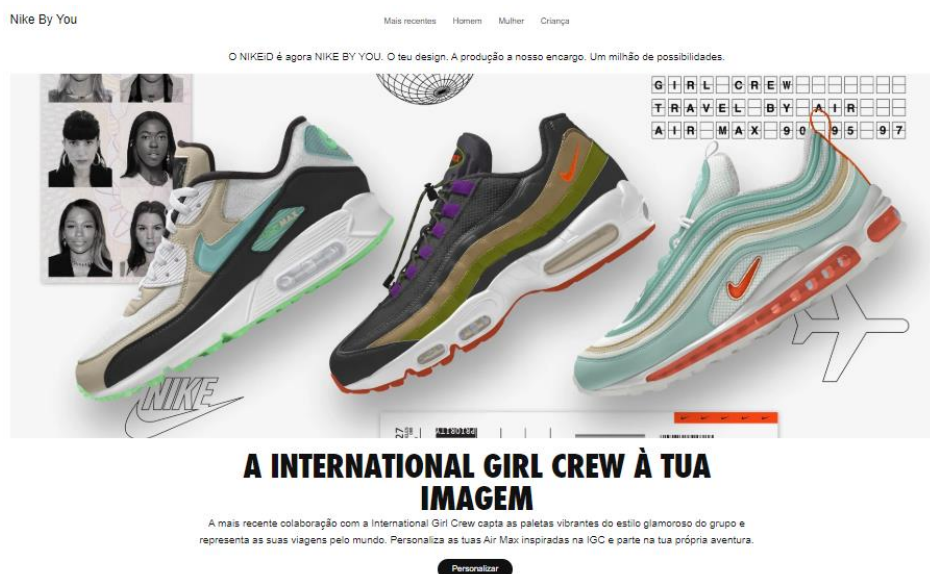
### 1.2.5.3. Digital Platform

Nike is no strange to e-commerce, as it launched its website back in 2000's, *Figure 2*. At the same point that created NikeiD, the company felt the need to incorporate this platform into the main website, since the customization at the time happen exclusively in digital platforms.

The platform is part of Nike main website and can be reach through the top links, with the name "Customise". From this point onwards, the user is redirected to a second page where it has access to complete layout over customization features. The page can be breakdown into three areas:

- The top page presents the broader buckets of products, divided by "Get Started", "Newest", "Men", "Women", "How it Works". This part tries to hand out the key points where the consumer can turn to. (Attachment 14)
- After scroll down the main, the consumer visualizes the two big divisions of footwear product – Sport (meaning performance) and Lifestyle. (Attachment 15)
- Finishing the page with brand activations that are trending at the moment, in this case with 3 main stories: launch of Nike React 55 (lifestyle); Women campaign; Pegasus 36 (running). (Attachment 16)

*Figure 2 –NikeiD Digital Platform*



Source: <https://www.nike.com/pt/>

The links tend to redirect the user to the digital product wall in which the consumer will have access to the products available. By then the user will select the product that he/she wants to customize, followed by the main page of customization, where the consumer can play around the canvas and create several design combinations. The website provides a great user experience, not only by the speed of the process but also by the possible views of the product – the image is updated in every step and the consumer can have a 3D view of the shoe. Finally, NikeiD is now reachable in every country that Nike operates through the digital channel.

#### **1.2.5.4.Product**

Consumers are invited to co-create Nike’s shoes, either online or at a retail store, this last one depending on the store digital capabilities. Customers can easily check the options available and the features existing for each model. The design is made entirely on the NikeiD webpage or through the Nike App, in which the consumer can pick the style, colour, fabric and design details that can differentiate from model to model.

The website showcases the standard offering, that is divided by category, make it possible to customize footwear from the following categories:

- Lifestyle
- Training
- Running
- Basketball
- Football
- Skateboarding

Lifestyle category is the one that offers a broader range of models to customize, a total of 13 (Blazer Mid, Blazer Low, Air Presto, Cortez, Air Force 1, Air Force 1 Mid, Air Force 1 High, Roshe, Internationalist, and Internationalist Mid). For the rest of the categories, basketball 5 models, football and running 3, and finally training and skateboarding with only one model, accounting for 26 available franchises that can be customized, according to Nike’s website.

The strategy behind every category presence at NikeiD goes according Nike vision for each segment, which is then assumed as a benchmark by the customization platform. Therefore, knowing that lifestyle it’s Nike highest turnover category

(Attachment 17), it comes as normal the fact that they have the biggest frame of products at NikeiD. In 2018, Lifestyle sportswear accounted for 37.2% of the total sales by segment, according to Nike (Nike, 2018).

#### **1.2.5.5. Levels of Customization**

As mentioned before, the range of products to customize is quite flexible and customer can choose between performance footwear, represented by sports categories, or lifestyle, represented by the remaining categories. Regarding the customization features that NikeiD incorporates, customers can design their product base on colour, material type and personal iD.

The customization starts with the selection of the model, that can be either based on sport or lifestyle. Either ways, NikeiD offers a maximum of 11 footwear pieces to be customizable: base, vamp, tip, swoosh, foxing, collar/lining, lace, midsole, outsole, tongue logo and the insert an iD - where customers can add a personalized text up to 8 characters, or a pre-determined set of logos may be also an option for some models.

There are about 18 trendy colours on the portfolio, that changed according to the overall collection and season. The colour can also be chosen based on the material type, that can go from leader, to Flyknit<sup>1</sup> and Mesh fabric<sup>2</sup>, and others that once again can swing from model to model.

#### **1.2.5.6. Price & Logistics**

Customization always relates to a premium offering, since the company/organization is creating a unique product designed by a consumer, which is going against the mass production principles and step into mass customization or simply customization territory.

As it was described before, Nike bets on a standard customization, even within all the singular options that a customer can create, meaning that Nike does not allow customers to go over what is explicit variable on the NikeiD page, the customer cannot request for more colours, different fabrics or other models. So, even if providing countless combinations, there is always a standard point of start that the company controls, making

---

<sup>1</sup> Flyknit is a super lightweight, breathable material that hugs your foot and keeps it in place. Synthetic material wraps from the inside of your foot to the top for a secure, conforming fit.

<sup>2</sup> mesh is loosely woven or knitted fabric that has a large number of closely spaced holes. Knitted mesh is frequently used for modern sports jerseys and other clothing like hosiery and lingerie.



it easier to produce at larger scales. Therefore, NikeiD is clearly playing by the rules of mass customization.

NikeiD price is fixed fee added to each model's retail price, a total of 20€. Usually a product bought at Nike.com takes within 4 to 7 days to be delivered, however if it is a customization the lead time increase to 3 weeks up to 5 weeks (European benchmark).

Therefore, even offering a competitive price over the customization, Nike still has to deal with the trade-off between lead time and customization features, that may jeopardize consumers' appetite for a customize sneaker.

The study conduct shows from 115 respondents, 76 answered they would be willing, either strongly agree or somewhat agree, to pay more for customize products. (Attachment 6)

#### **1.2.5.7. Brand and Activations**

Nike has established itself as a marketing powerhouse, sometimes even above being a fashion company. This is related with the capacity of generating campaigns that connect with consumers and that persist to time. The strategy of Nike in terms of communication is grounded on the following principles:

- Sports/Athletes orientated
- Meaningful
- Emotional
- Consumer focus

For Nike, brand communications happen each season with focus on the assortment that will hit the stores, with respect to the characteristics above mentioned. Note that campaigns are no longer confined to the television, in fact is almost rare to see an advertisement of Nike appearing in that communication channel. Instead, the company is choosing to adapt to the new ways of communication, through digital platforms and social media.

With NikeiD, the communication has been more focused on the core service, since the platform does not have their own products, but in fact a service, so every communication has as its core message the service potential. However, note that even

being more product oriented, there is still a high level of purpose behind each communication, that is obviously related with the idea of self-expression.

In order to create independency from stores products, Nike has pushed to go over the expectations of their clients and create some activations around the NikeiD platform that not only help to marketeer the new products, but also to connect with specific type of customers by offering a different set of features that may please new costumers.

*Example 1:* recently Nike launch on Instagram a series of ads focused on customization using Eden Hazard, a well-known football player, to promote the new boot, Mercurial Vapor 13, in which the athlete had its own design for the boots. The ads were focused on the products characteristics and the customization features, both of the platform and the ones chose by the athlete. This example illustrates how NikeiD can be promoted and still leverage from Nike brand power, using the athletes and the product that is a key factor of the brand success (Attachment 18).

*Example 2:* On March 2017, which Nike announced that for Nike Air Max day (26th of March) – a day created by Nike to celebrate the anniversary of the first Air Max launch back in 1987 – the commemorations of 30th anniversary of Air Max, NikeiD would allow commemorative customization of two silhouettes, the Flyknit Air Max 1 Ultra and the Nike Air Vapormax. The two models would be exclusively launched in NikeiD platform days before the actual launch in retail stores. Nike, leveraged the customization platform to launch new models into the market even before the retail stores, allowing consumers to change the original design of the shoe, playing around colours, material and identification ID (Attachment 19).

Both examples show how NikeiD is opting to communicate with consumers, clearly focusing on the features of the service, instead of the product.

The survey shows that over Nike initiatives, 61% of the participants claimed they share some level of satisfaction (somewhat satisfied or very satisfied) over Nike initiatives to engage with consumers (Attachment 8). From those who engage with Nike, the majority does through the “brand social media” (65%) and from “sharing experiences with friends and family” (73%). (Attachment 20)

### **1.2.5.8. Competitors**

Consumers tend to be very loyal to one sportswear company, either because they are used to use a specific brand, or because they have navigated through several experiences creating a sense of knowledge that allows them to recognize which footwear brand better suits his physical attributes and sport demands.

Although, customization tries to shut down the idea that consumers do not have the need to change brands, since they have the possibility to customize a shoe to its preferences, there is still a huge gap between this premise and the what happens today. Nowadays, customization only interferes with the visual part of the shoe, not with the aesthetic side of it. Having this said, consumers can indeed navigate through brands with less sense of commitment, even though fashion pieces, specially footwear, has a superior level of loyalty (Sprott, Spangenberg, & Czellar, 2009).

The customization feature was added a long time ago for some brands, other only have added it recently. The list of customization platforms goes along with almost every competitor of Nike, and it is the following:

- Mi Adidas (Adidas)

Adidas had always kept under the tradition of designing customized shoes for their athletes, but it was only in the late 1990s that Adidas decided to make customized shoes available to the mass market. Mi Adidas, the mass-customization operation, was piloted in 1999 and launched in 2001 to bring custom footwear to the common costumer. The program was during many years only available in its retail outlets, which the costumer could access to custom fitting and custom design services. Adidas was comparatively late in enabling customers to customize their own shoes using a Web site, doing it only in 2006.

Adidas positioning was different from Nike, since it went over the lifestyle trademark and step into the impression that consumers would be achieving the same level of footwear design as top athletes do in their sponsorship deals. (Attachment 21)

- NB1 (New Balance)

New Balance, best known for NB, is an American company founded in 1906. This brand tends to commercialize footwear at a price point higher than the other competitors, situation the company defend by claiming that it has a superior level of materials.

Nowadays, NB expanded its portfolio mainly to lifestyle footwear, but also to basketball, tennis, hiking and most recently some advances in football, by collecting key football club deals (e.g. Liverpool Football Club, *Futebol Clube do Porto*, and the National team of Republic of Ireland).

The company launched the NB1 customization platform back in 2011. The platform is available worldwide and has gathered some hype on the last years, due to the extreme elasticity of consumer co-creation option and the graphic upload option. The American company that has gain some space in United States – due to its 100% Made in America campaign - is now making through Europe, and customization has been seen as the bridge to enter the European market where the appetite for fresh and unique designs is bigger. (Attachment 22)

- Vans Customs (Vans)

Vans was launched back in 1966 in Southern California. The shoe maker that is known for its iconic styles and loyalty to its origins, introduced to the market their customization segment Vans Customs back in 2004 at their website. Back in the days, consumers could only customize the Classic Slip-ons model. In the same year, Vans made other strategic movement to increase the strengthen of its customization platform, by introducing their all-time best seller model, Old Skool, making the clear support statement that Vans Customs was here to stay. However, it was only made available for Europe in 2016, giving people the opportunity to design their very own pair of Vans Classics using a pallet of 800 million pattern combinations.

Few years ago, Vans introduced a new system in its platform, that increase the level of freedom to designers by allowing them to upload artwork and photos into their sneakers, in this way Vans went a step further to develop even more the sense of uniqueness and personal feeling. Plus, last year Vans launched the first flagship store in New York, which featured a Custom Design Studio, bringing customization to in person on stores experiences. So, even being one of the oldest companies of athletic footwear, Vans has made great efforts to adapt to today's world and develop their digital capabilities to compete with key market players. (Attachment 23)

- UA ICON (Under Armour)

The newest player on the market, Under Armour is an American performance sports apparel brand launched in 1996. Even being the new kid on the playground. The company, that is specialized in footwear, garments as well as equipment – Under Armour, unveiled a new platform named UA ICON, in 2017, that allow customers to customize athletic shoes.

The company has leveraged their biggest athlete, Stephen Curry, to introduce to the market their customization platform. Under Armour took Steph signature shoe, a basketball shoe, to introduce the functionalities of the platform, including the feature of photo uploads to be printed directly onto the sneakers, an approach seen before by Vans Customs, plus several colours and fabric combinations. The company's portfolio is mostly focused on the performance footwear, specially basketball and American football cleats. (Attachment 24)

#### **1.2.5.9.Strategic Priorities**

Nike is a brand that has been on the top of their game of a long streak of years, mostly due to its capacity to be aware of the next wave and quickly adapt and anticipate. This happens because the brand defends exactly this, as one of its core values states Be Always on the Offense, that practically translates into putting a lot of efforts in learning and planning.

Every year Nike redefines its strategy for the upcoming 3 years, which has the name of Company Strategy Review (or CSR). For the case of customization, last year Nike as defined as its strategic priorities the following pillars:

- Transform the Marketplace
- Accelerate Speed at Scale

The first one falls on the sphere of the service, meaning NikeiD digital platform and its capabilities. The second point, Accelerate Speed at Scale, consists on the supply chain performance. Both priorities are identified to be tackled in the following years, in order to generate a pinnacle destination for footwear customization.

### **1.3. Problem Review**

For this case study, six major questions were proposed. From those questions, the main objectives were to develop a fundamental knowledge of the fashion market, and deeper understanding of the footwear customization market. For that, NikeiD was chosen to be the basis of the analysis and discussion.

Since the study pretends to create a paper to be use by students to increase their knowledge about strategy and market competition evaluation, there was no need to prove or test the decisions made. Instead, give the necessary tools for students to understand better concepts like: Mass Customization, Co-Creation, Market Analysis processes, and others.

Therefore, the questions previously planned remain the same:

**Question 1:** What are the critical shifts of fashion market?

**Question 2:** Is NikeiD integrated in a system of Mass Customization?

**Question 2:** What can Nike benefit from its customization platform?

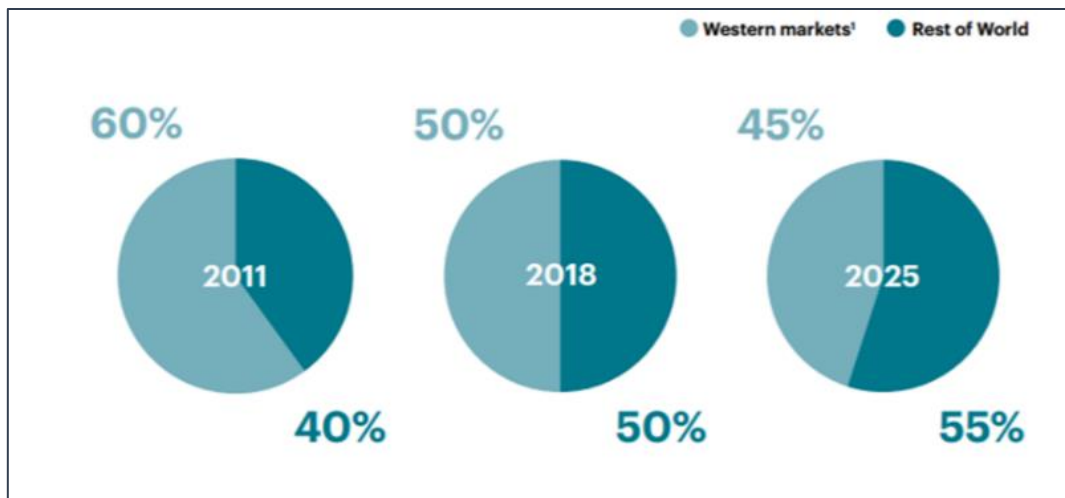
**Question 4:** What is NikeiD competitive position in the customization market?

**Question 5:** Analyse NikeiD competitive landscape, based on product, service and experience.

**Question 6:** What could be the next steps in the customization market?

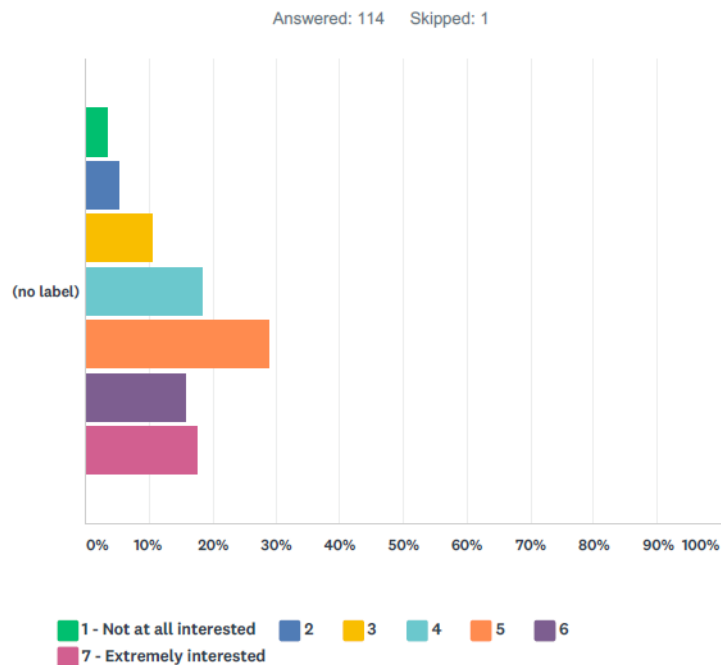
## 1.4. Appendix

### Attachment 1: Global Apparel and Footwear Sales Forecast 2011 -2025



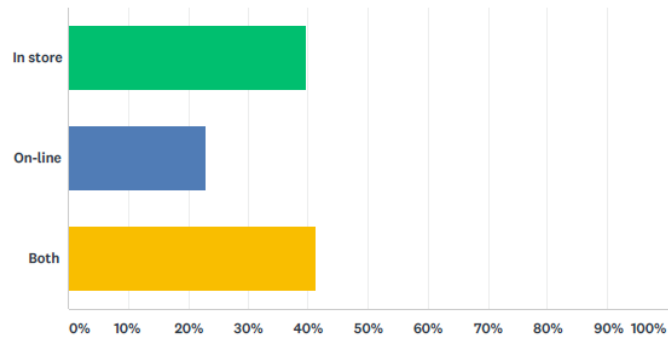
Source: McKenzie Report “The State of Fashion 2018 “

### Attachment 2: “Are you interested in co-creating unique and customized experiences together with a brand?”



Source: Market Research

**Attachment 3:** “Usually, where do you buy Nike products?”



ANSWER CHOICES	RESPONSES	
In store	39.47%	45
On-line	22.81%	26
Both	41.23%	47
Total Respondents: 114		

Source: Market Research

**Attachment 4:** Athletic Footwear design by luxurious designers  
(Adidas x Vera Wang and Nike x Virgil Abloh)



Source: <https://www.nike.com/pt/> / <https://www.adidas.pt/>



**Attachment 5:** Athletic Footwear Sales Revenue per Brand 2016 - 2018



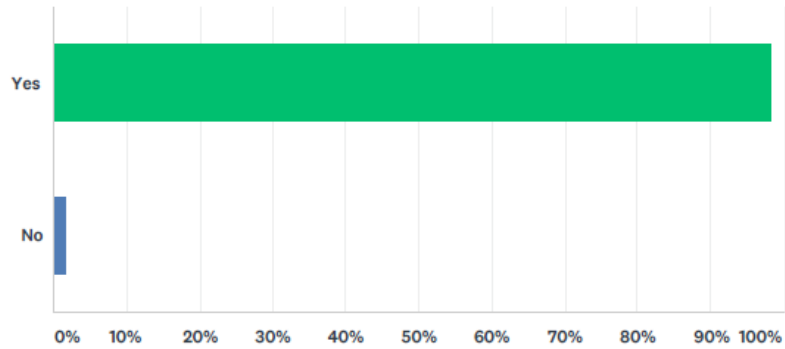
Source: <https://www.statista.com/topics/4571/global-footwear-market/>

**Attachment 6:** “Please rate the following statements”

	STRONGLY AGREE	SOMEWHAT AGREE	NEITHER AGREE NOR DISAGREE	SOMEWHAT DISAGREE	STRONGLY DISAGREE	NOT APPLICABLE
Q1 - I consider myself more loyal to brands that are closer to the consumer	32.17% 37	49.57% 57	15.65% 18	2.61% 3	0.00% 0	0.00% 0
Q2 - Customization means uniqueness	38.26% 44	46.09% 53	9.57% 11	4.35% 5	1.74% 2	0.00% 0
Q3 - Because of customization functionalities, I am more interested about the company culture	6.14% 7	39.47% 45	39.47% 45	13.16% 15	1.75% 2	0.00% 0
Q5 - I believe customization adds value to the company	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0
Q4 - I am willing to spend more money on customized products	17.39% 20	48.70% 56	20.87% 24	11.30% 13	1.74% 2	0.00% 0
Q5 - I'd like to express my identity through customized products	18.58% 21	48.67% 55	17.70% 20	9.73% 11	4.42% 5	0.88% 1
Q6 - I value the product more if it is customized	21.05% 24	41.23% 47	22.81% 26	12.28% 14	2.63% 3	0.00% 0

Source – Market Research

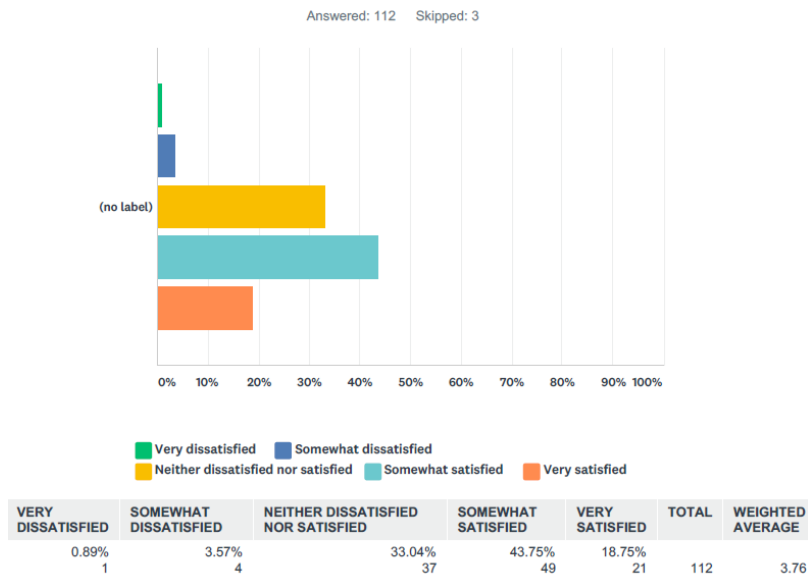
**Attachment 7:** “Have you ever bought a Nike product?”



ANSWER CHOICES	RESPONSES	
Yes	98.26%	113
No	1.74%	2
TOTAL		115

Source: Market Research

**Attachment 8:** “Are you satisfied with the Nike initiatives related to consumers engagement?”



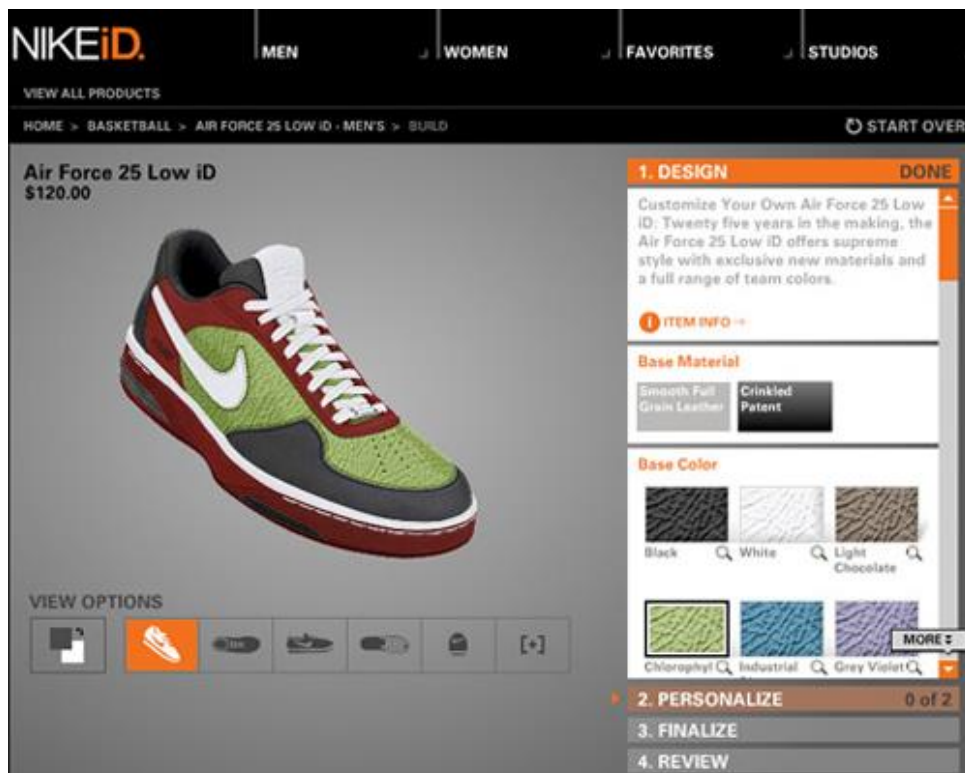
Source: Market Research

## Attachment 9: Nike Air Technology



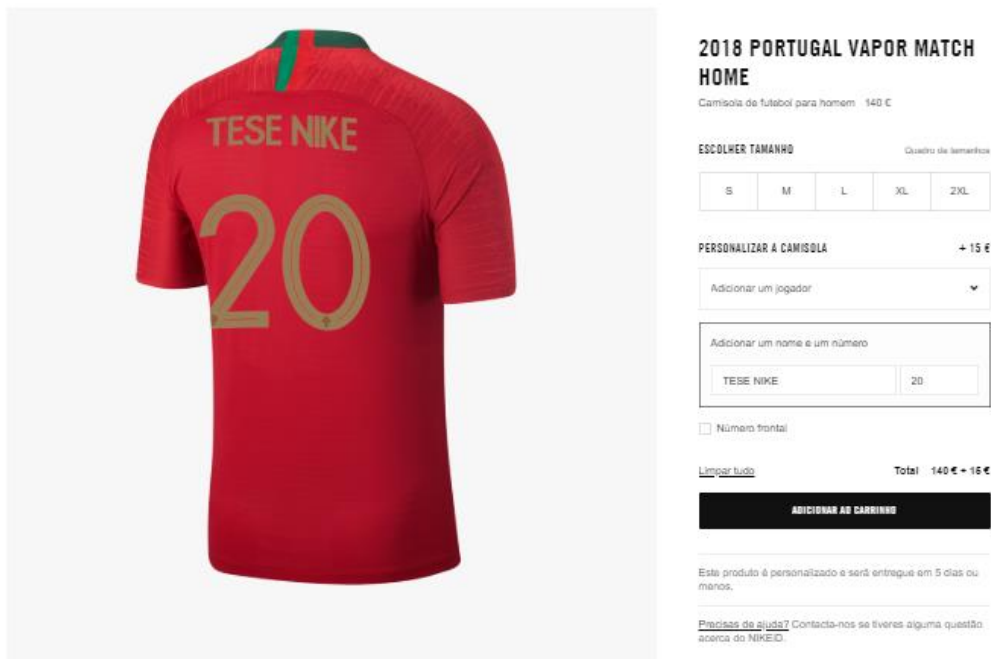
Source: <https://gizmodo.com/the-brilliant-but-absurd-history-of-nike-air-technology-1741712594>

## Attachment 10: Air Force NikeiD



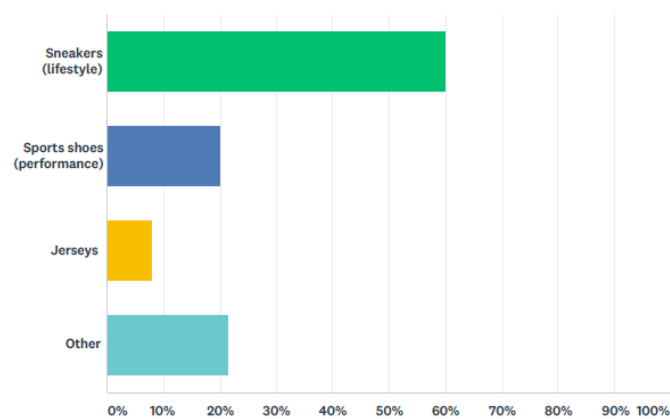
Source: <http://jeromeaustria.com/wordpress/?portfolio=nike-id>

**Attachment 11:** Jersey NikeiD



Source: <https://www.nike.com/pt/>

**Attachment 12:** “If yes, what did you customize?”



ANSWER CHOICES	RESPONSES	
Sneakers (lifestyle)	60.00%	45
Sports shoes (performance)	20.00%	15
Jerseys	8.00%	6
Other	21.33%	16


Source: Market Research

## Attachment 13: NikeiD Platform

Nike By You

Mais recentes | Homem | Mulher | Criança

O NIKEiD é agora NIKE BY YOU. O teu design. A produção a nosso encargo. Um milhão de possibilidades.



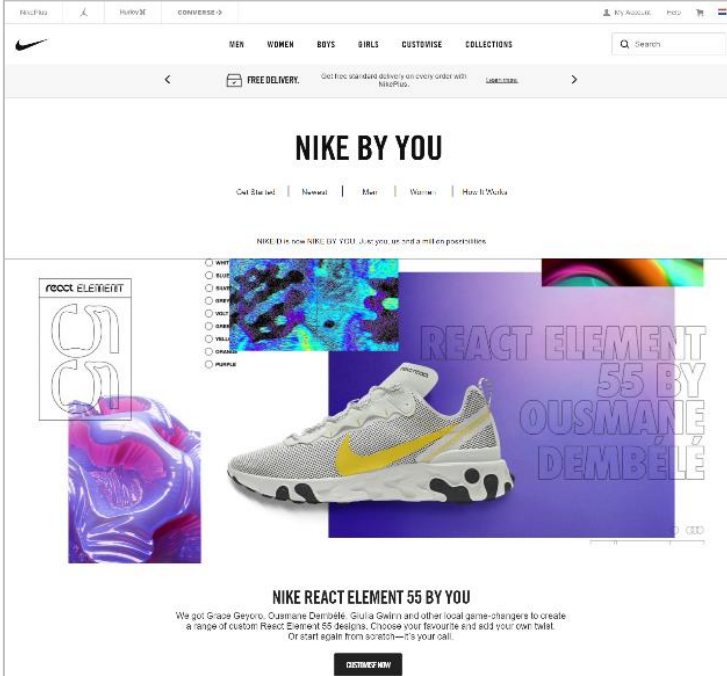
**A INTERNATIONAL GIRL CREW À TUA IMAGEM**

A mais recente colaboração com a International Girl Crew capta as paletas vibrantes do estilo glamoroso do grupo e representa as suas viagens pelo mundo. Personaliza as tuas Air Max inspiradas na IGC e parte na tua própria aventura.

Personalizar

Source: <https://www.nike.com/pt/>

## Attachment 14: NikeiD Homepage



NIKE BY YOU

NIKEiD is now NIKE BY YOU. Just you, us and a million possibilities.

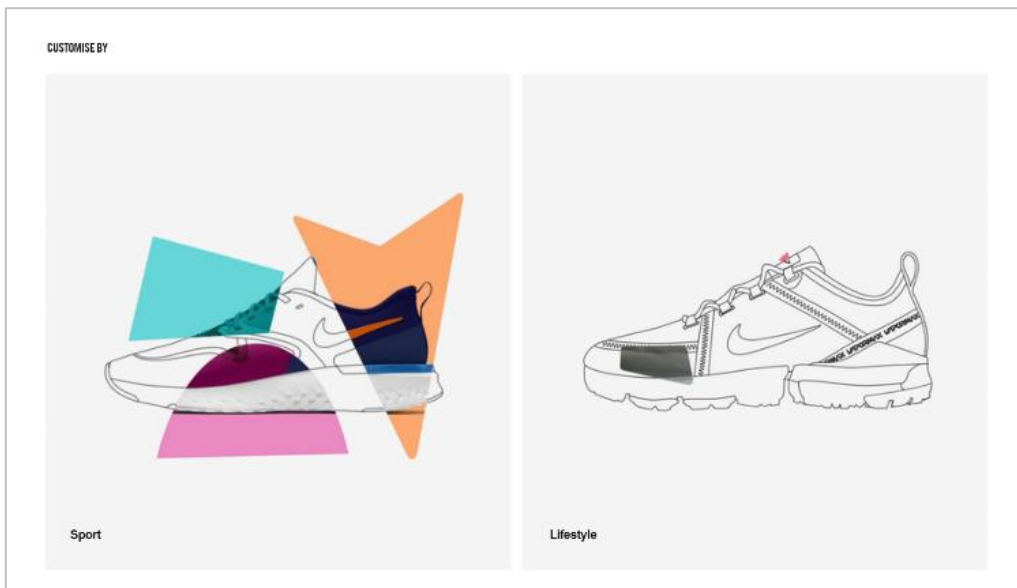
**NIKE REACT ELEMENT 55 BY YOU**

We got Grace Geyoro, Ousmane Dembélé, Giulia Gwinn and other local game-changers to create a range of custom React Element 55 designs. Choose your favourite and add your own twist. Or start again from scratch—it's your call.

DESTINAR A TI

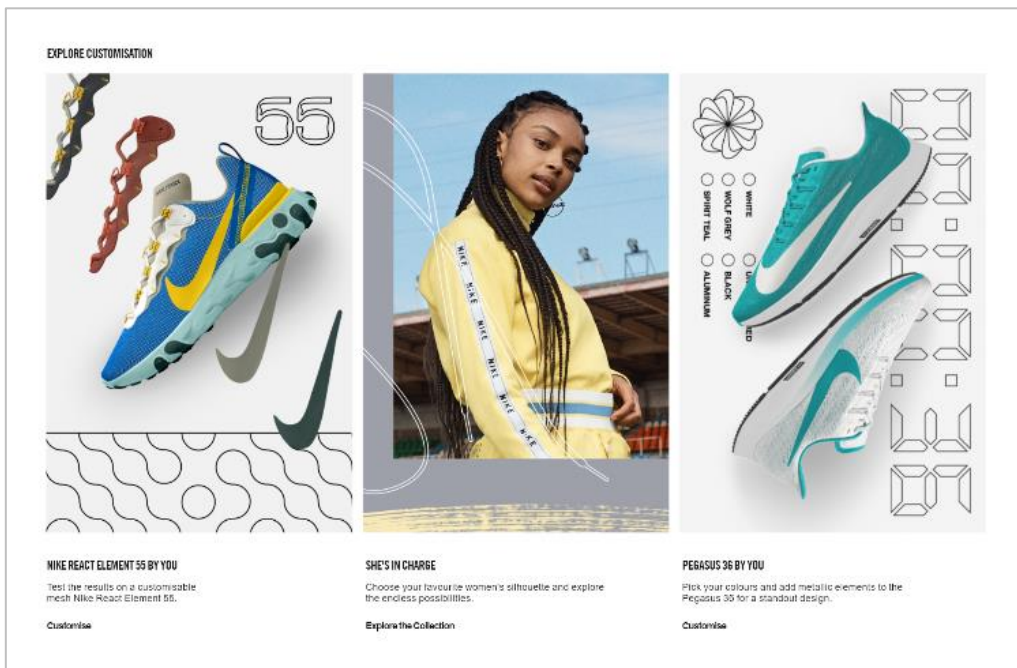
Source: <https://www.nike.com/pt/>

**Attachment 15:** NikeiD Homepage (2)



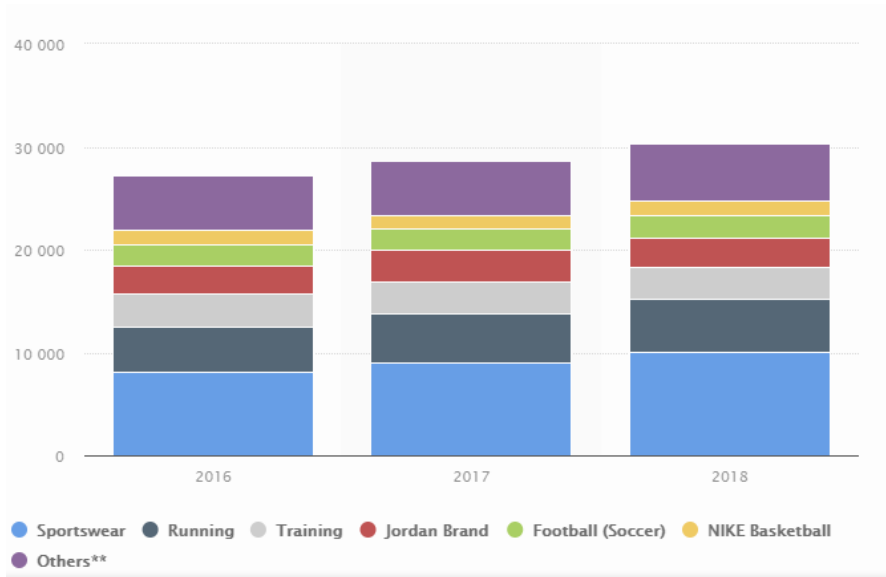
Source: <https://www.nike.com/pt/>

**Attachment 16:** NikeiD Homepage (3)



Source: <https://www.nike.com/pt/>

**Attachment 17:** Nike's Category weight of total demand



Source: Nike's Fiscal Report 2018

**Attachment 18:** Mercurial Vapor NikeiD



Source: <https://www.nike.com/pt/>



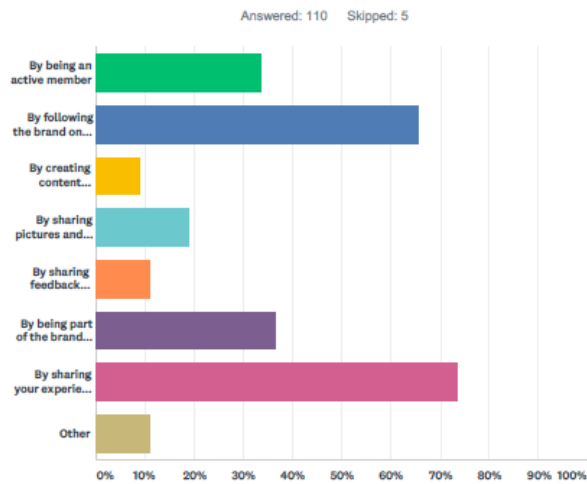
**Attachment 19:** Flyknit Air Max 1 NikeiD

**NIKEiD**



Source: <https://www.nike.com/pt/>

**Attachment 20:** “How do you engage with Nike?”

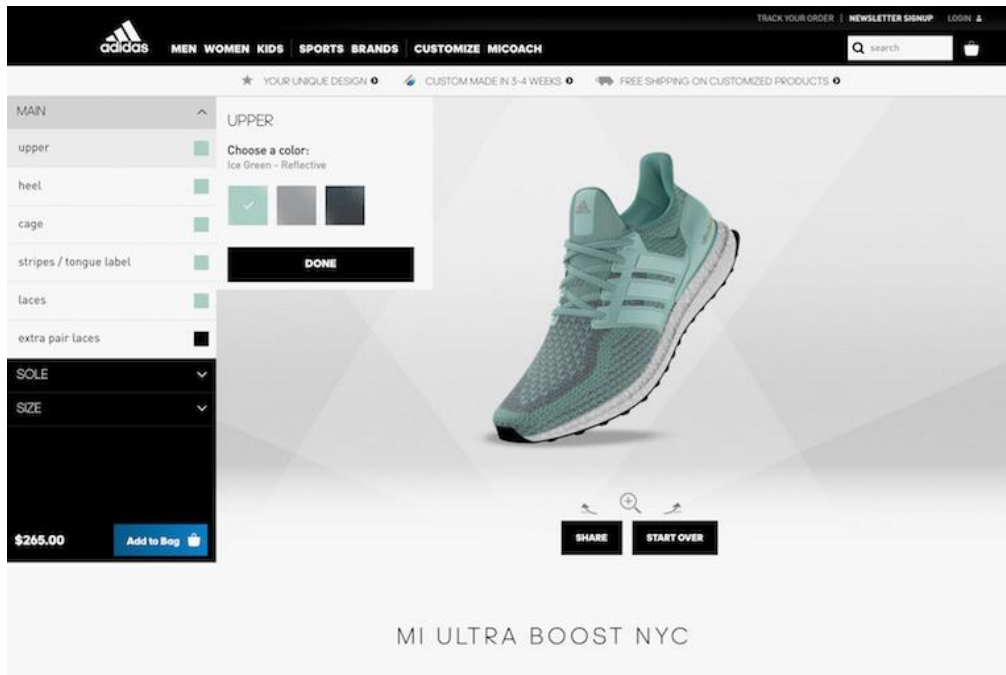


ANSWER CHOICES	RESPONSES
By being an active member	33.64% 37
By following the brand on social media	65.45% 72
By creating content regarding Nike	9.09% 10
By sharing pictures and video of Nike products on-line	19.09% 21
By sharing feedback on-line	10.91% 12
By being part of the brand's community	36.36% 40
By sharing your experience with friends and family	73.64% 81
Other	10.91% 12
Total Respondents: 110	

Source: Market Research

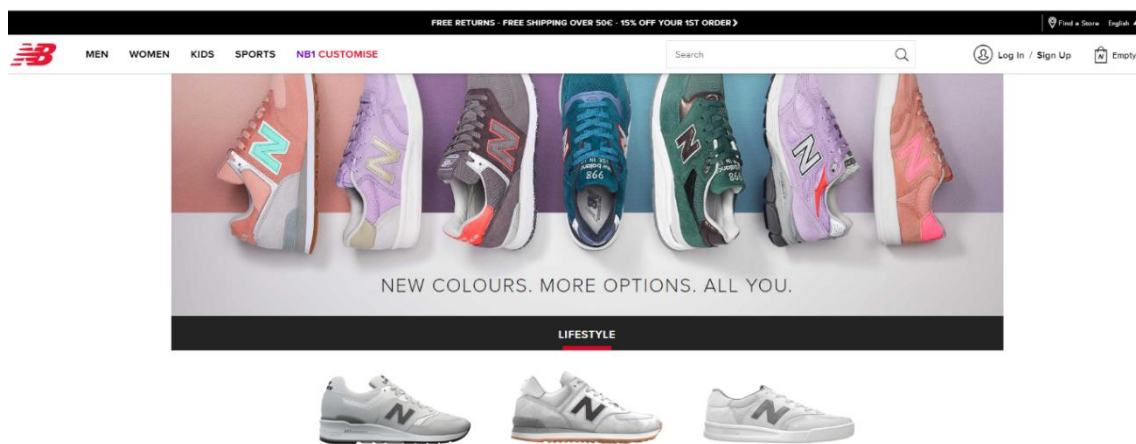


**Attachment 21:** Miadidas Homepage



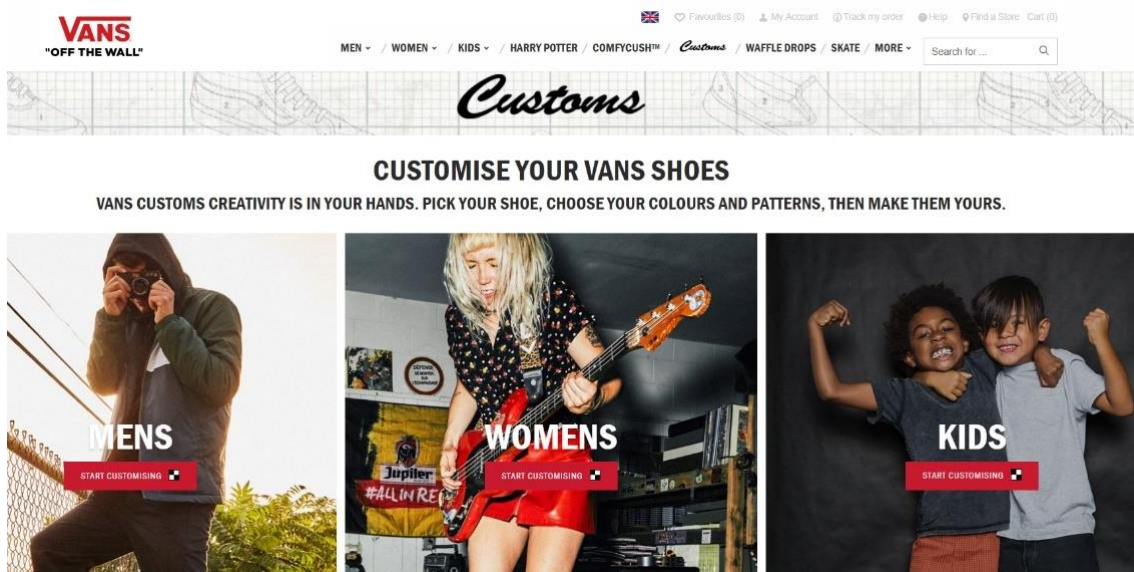
Source: <https://www.adidas.pt/>

**Attachment 22:** NB1 Homepage



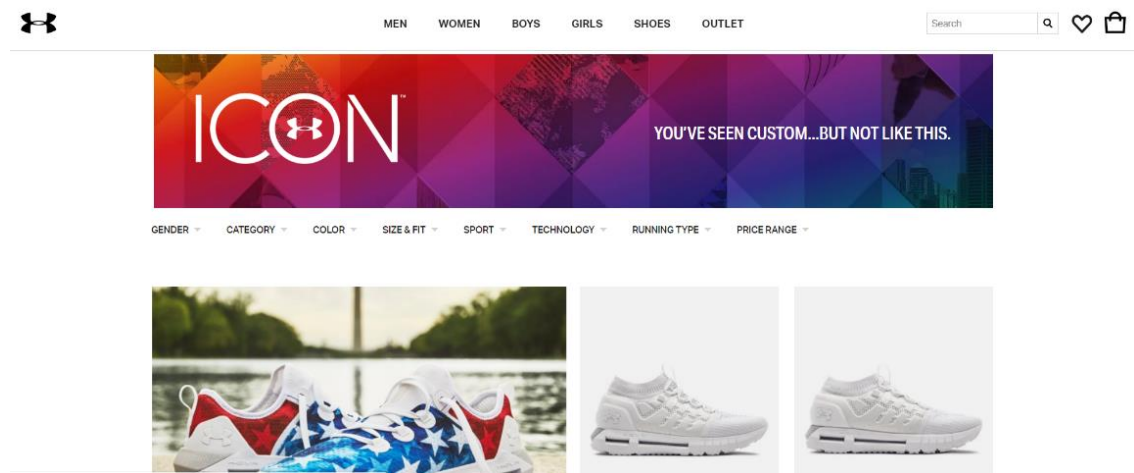
Source: <https://www.newbalance.com/nb1/explore/>

**Attachment 23:** Vans Customs Homepage



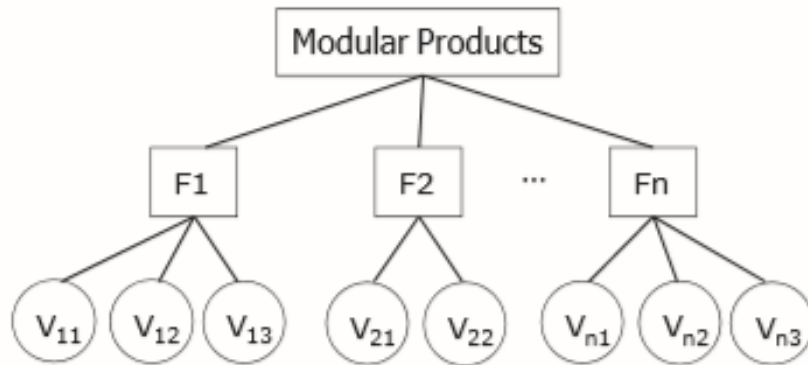
Source: <https://www.vans.com/custom-shoes.html>

**Attachment 24:** UA ICON Homepage



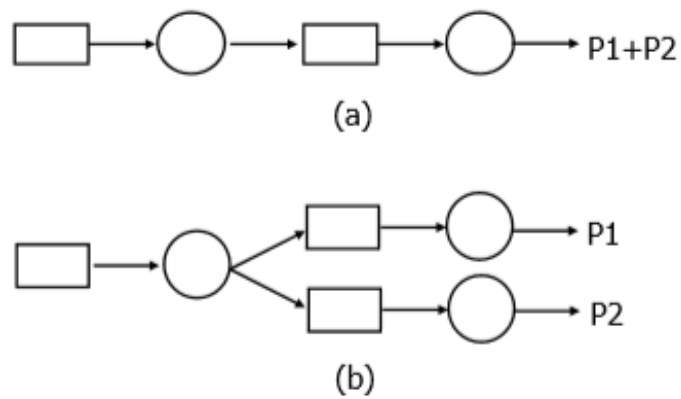
Source: <https://www.underarmour.com/en-us/ua-icon-customized-gear/g/33zz>

**Attachment 26:** Modular Products Model



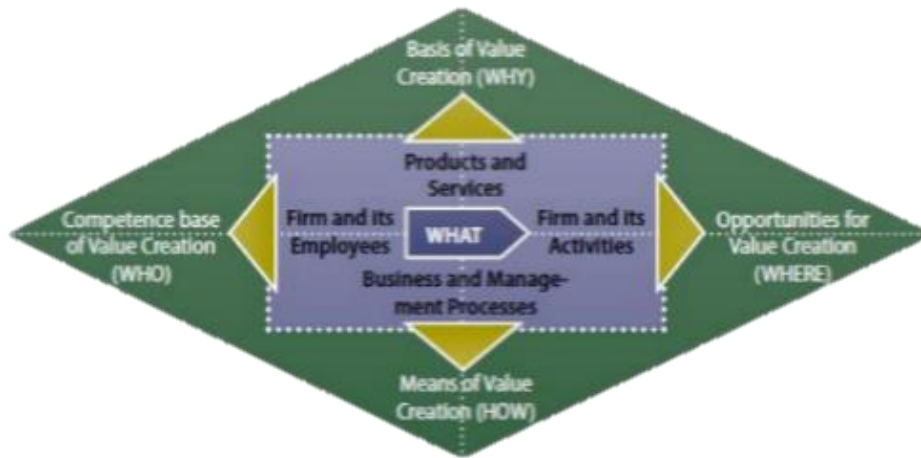
**Source:** Adapted by Koren (1998)

**Attachment 27:** Manufacturing System Configuration Model



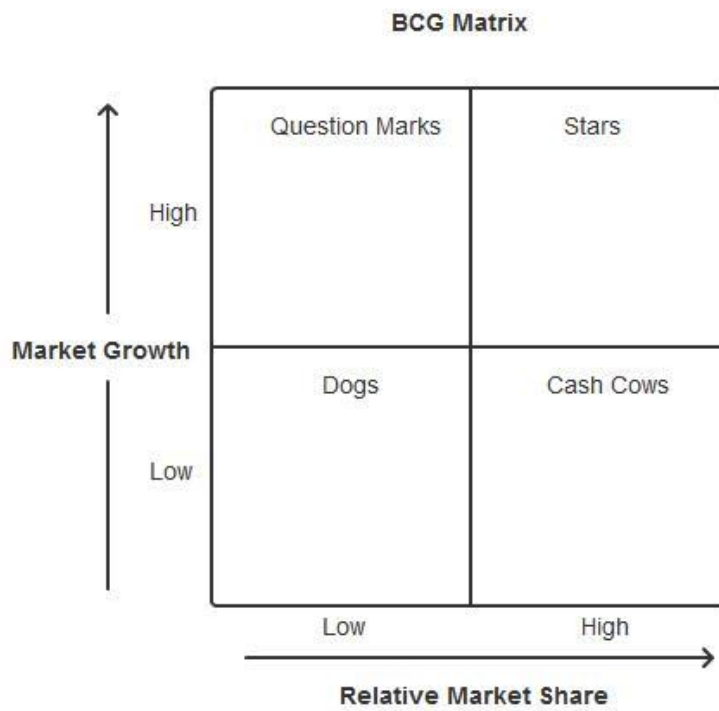
**Source:** Adapted by Koren (1998)

**Attachment 28:** Diamond Dimensions of Co-Creation



Source: Adapted from Ramaswamy, 2009

**Attachment 29:** BCG Matrix



Source: Drucker, 1964

## **2. Pedagogical Note**

### **2.1. Case's Target Audience**

The case study was created with the intention of developing students' knowledge of strategic management, marketing and competition analysis. The scope of the project is aimed for undergraduate and master students that want to be challenged over retail industry knowledge, customization challenges, and that show interest for companies' decision-making process over market opportunities. Plus, the fact that the case study uses as base Nike, a company that is well-known from most, may stimulate students' interest.

### **2.2. Educational Objectives**

The goal of this case study project is to study Nike point of view over the footwear customization market, as being one of the first movers on this market. Therefore, the thesis will cover the following topics:

- Basic contextualization of Fashion Market
- Comprehend the market trends of Athletic footwear market
- Deep dive into Nike business
- NikeiD as the customization platform of Nike and how does the platform has evolved
- Relate NikeiD with its competitors
- Final considerations over the market and its future

### **2.3. Literature Review**

Aiming to understand the customization market, there was the need to develop the knowledge over theories that involve this topic. Customization is a complex theme that incorporates two big organizations, companies and consumers, their unique roles and their combine activity, that aim to create “experience tailored to the user’s interests” (Schade, 2016: 1).

Below there will be a thorough analysis on different authors on topics such as fashion industry development, customization, manufacturing strategies and co-creation.

#### **2.3.1. Fashion industry**

The fashion industry has been suffering from a constant transition over the past 20 years, according to Frings (2008), mostly due to: need to globalization, customer demands, and of course, technology. These factors have been responsible for the state of fashion industry that consumers face nowadays.

The fashion industry is nowadays a synonymous of rapid change and in fact has been commonly called Fast Fashion. This concept demands from the company’s higher capability of adaption, responsiveness and flexibility towards the market constant and quick evolution. However, not every retailer is ready for this new industry paradigm, therefore, to be successful retailers must be able to create mechanisms and processes that identify and react to market trends and upon it adapt quickly to those demands. A quick response should be able to counter negative impacts of uncertainty, since new trends most of the times carry some adaption costs, that then can be reduced if the organization has the right systems implemented (Nenni, Giustiniano, & Pirolo, 2013).

Both authors complete each other point of view, since for Frings (2005) Fashion Industry is in a constant and rapid evolution that is affecting the productivity and profitability of companies. As Nenni, et al. (2013), calling out for the need of action from organizations to be better prepare for Fast Fashion reality.

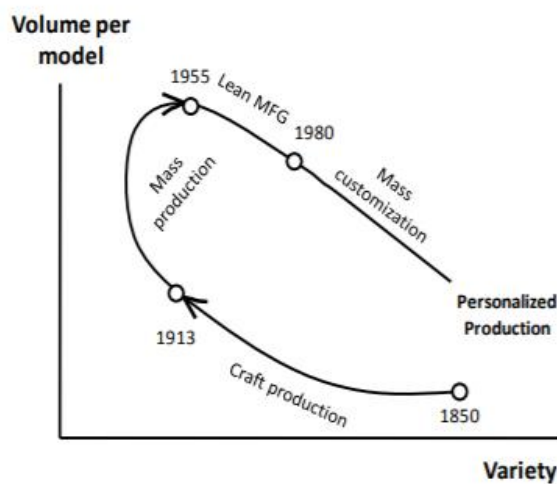
#### **2.3.2. Manufacturing Strategies**

Manufacturing processes have been experiencing changes and adaptations across the eras, mostly rooted in technologic evolution, which has developed new ideas on what

should be the most suitable manufacturing strategy to match customers' needs. Several studies have tried to catalog those eras, by extrapolating the specific features of each one.

According to S. Jack Hu (2013) there are two factors that provide guidance to understand the evolving manufacturing paradigm, which are Volume per Model and Product Variety. The relation between these two factors determines the several combinations of paradigms that manufacturing has experienced across the eras, illustrated in *Figure 3*.

Figure 3 – Manufacturing Paradigms



Source: Hu, 2013

- Craft Production:

At first, as the model highlights, the Craft Production paradigm, is characterized by high levels of variety at a lower volume per model. The product is almost unique to each consumer as there is scalability of the product. This era is associated with the time in which there no industrial manufacturing systems that provided automatization of processes, meaning that each product was made individually to the consumer and in the majority of the cases handcrafted.

The cost of production was necessarily very high and also instable, since the producers were dependent on volatile request, meaning more volatile risk (Hu, 2013). On the other hand, products and services were rich in variety and uniqueness, consequence of the incapability of develop automatic systems of production. So, this manufacturing era was categorized by having high variable costs, high levels of uniqueness, with residual levels of scalability (Hu, 2013). The article also calls out for the fact that craft products

“were confined to localized geographical regions hence such production was not scalable” (Hu, 2013: 3), pointing out the fact that products were extremely regional, making it harder for other territories’ crafters to replicate them.

- Mass Production:

Once developed, automated systems associated with production lines and interchangeability, manufactures were able to go after the next step – Mass Production. Powered by the industrial revolution manufactures energized their factories to produce large quantities of standardized products (Hu, 2013). The introduction of assembly lines, production method and automation technology played a crucial role in this new era. The well claimed method that has its roots in Henry Ford – founder of Ford Motors – methods of manufacturing, allowed to produce similar products in large scale with significant reduction in productions costs and consequently lower prices for customers. As the Business Dictionary describes “A manufacturing philosophy that aims to achieve higher productivity by standardizing the output, using conveyor assembly lines, and breaking the work into small deskilled tasks.”<sup>3</sup>

Even if highly profitable for manufactures, this supply chain management strategy was not applicable for every industry since the core principle of the manufacturing aspect is that the production of the product is based on to a set of different components that could be separately produce and then assembled using always the same process. Meaning that the final product would always be assembled with the same components, in the same way, with the same final result, closing the opportunity to diversification. Companies that are known to use this are often categorized as “as bureaucratic and hierarchical, where workers under close supervision fulfil narrowly defined, repetitive tasks, resulting in low-cost, standardized products and services” (Pine II, Boynton, & Victor, 1993).

- Mass Customization:

Around 1980s, industries start witnessing shifts on consumers’ demands. Consumers were no longer interested in standard products, they were claiming for unique treatment, unique products, variety in a world filled of standardize product. Furthermore, Mass Production had brought the sense of easiness and cheaper access to a wide range of

---

<sup>3</sup>Business Dictionary, <http://www.businessdictionary.com/fordism>, July/14/2019



products, creating an economic paradigm that consumers were not willing to forego. Therefore, even though consumers were demanding for variety, they were not willing to increase their expenditure level. In other words, the market was demanding more variety but at the same price level. This combination as unbalanced as it sounds was possible to achieve by manufactures with the introduction of the Mass Customization principles (Hu, 2013). Mass Customization is characterized by balance between the two factors, respecting the relation of variety and production volume, as visible at *Figure 3*.

Mass customization belongs to a spectrum of strategies that companies have turned to in recent years that allows it to customize products and services within a certain production elasticity. MC it is production setting that allows the production of highly variant products and services at costs close to those of mass production (Pine II, Boynton, & Victor, 1993). The authors defend that this strategy, manufactures are responsible to design the core product architecture as well as align the options that costumers will be able to choose. So, customers are then in charge to design the combination that they prefer the most.

The most challenging part of this paradigm is to respect the economy of scale principle, therefore manufactures must be the responsible party to design carefully the amount of options and possible combinations that will offer, limiting the number of components across the product to establish that even with several changes, the economy of scale principle is still respectful at the production level. Products and service construction are grounded on flexible and reconfigurable manufacturing systems, permitting high variety in the final assembly through assembly combinations, thus achieving economies of scope, (Pine II, Boynton, & Victor, 1993).

On the perspective of Radder and Louw (1999), Mass Customization is not necessarily an era, but a consequence of some consumer's desire. Meaning that instead of believing that MC is a normal path that every company will follow, the authors believe each company needs to assimilate what are their consumer's needs and understand if there is in fact the need to incorporate MC in their strategy.

Both Pine and Radder and Louw acknowledge that Mass Customization is a necessity for nowadays consumers, the only difference between the two falls on the degree of importance that customization represents for companies and consumers. Pine believes that at some point every company will move towards Mass Customization

process, completely or just part of it, instead Radder and Louw believe is a consequence of the company's consumers and its product.

### **2.3.3. Mass Customization Principles**

Mass Customization strategy is based in a set of concepts that explain the production process that permits to offer consumers the possibility of customizing the output, meaning, the product. Researches from Koren, et al. (1998) shows that there are 3 principles that organizations must respected in order to develop mass customization systems:

- Product Family Architecture
- Reconfigurable Manufacturing Systems
- Delaying Differentiation

According to the author these are the 3 fundamentals principles that need to be respected by organizations when designing their customization processes.

- Product Family Architecture:

The PFA concept explains that when defining the possible combinations of product, the organization must be capable of clustering product according to possible output. Meaning that the process is primarily designed to accommodate the different possibilities on the basis of the product family. Therefore, the assembly line will be preparing for any component combination possible, if it had been previously taken into account, resulting into high number of variations but still predictable. (attachment 26)

- Reconfigurable manufacturing Systems:

The Reconfigurable Manufacturing principle defends that mass customization processes have to be settled in a way that allows to adapt to market shifts. This concept was first proposed by (Koren, et al., 1999), in which the author called out for the importance of sensing the market changes and being able to change the process according to them, either the production capacity as well as the functionality of the product or service. Having the capacity to adapt to rapid changes can determine the overall performance of the delivery.

This condition is related with the premise that Mass Customization is deeply connected with consumer's needs, therefore it strikes as necessary to deliver a process that can adapt to constantly changing needs.

- Delaying differentiation:

Delaying of Differentiation is a principle that defends that there should be a certain point in production line that "distinguish the core product manufacturing of the unique characteristic's assembly" (Lee & Tang, 1997: 42). In other words, the author believes that should be define the point until where the product maintains always the same, name as the core product, and a second part where the customization is a possibility, which the author named as delaying differentiation point. The capacity of delaying differentiation allows to reduce costs and improves responsiveness of the production systems. This model (attachment 27) represents the two different designs possible for an assembly system, the first one without delaying (a) and the second one applying this principle (b). As it possible to visualize, applying the principle (b) it is possible to produce two items based on the core product.

On the other hand, Hu (2013) argues that manufacturing strategies will continue to evolve on the basis of the role of the consumer, since the consumer defines the when, where and how the purchase process suits him the most, thus any change on the paradigm will be always dependent on the consumer. Any other manufacturing system will always be a consequent of the previous one and a respond to new and not fulfilled consumer demands. With this, instead of the fixed principles defined by Koren, et al. (1998), this author supports that companies in order to develop mass customization manufacturing principles only need to respect the following principles:

- Production Goal: being able to generate a production system that prioritizes scale and scope
- Desired Product Characteristics: add variety to the foundations of mass production, quality and low cost.
- Customer Role: not only the customer buys, but also chooses and modifies the product.

The last approach constructed by Hu (2013) offers a more dynamic and renew approach to what is necessary for organizations to establish a consistent Mass Customization production system, since he believes that companies should be constantly

looking to evolve as the market does so and thus, the approach that should have towards Mass Customization should as well change accordingly.

#### **2.3.4. Consumer Role**

In the beginning of the century, companies faced the reality of two incompatible paradoxes: consumers were having access to more choices than never yet showing less satisfaction; Top management have more strategic options, yet less value (Prahalad & Ramaswamy, 2000). This emerging reality has forced companies to rethink the traditional system of company-centric value creation, in which companies' stakeholders, except consumers, define the business competition environment, as well as the outcomes of it.

Prahalad and Ramaswam (2000) believe to have found the solution for this challenge. He states that companies should recognize the role of consumers in the business environment as connected and active participant of the process, instead of the past situation, isolated and passive. This changed is reflected by the capacity of consumers to:

- Get more and better information. Consumers have at their disposal more amounts of information that allows them to take more informed decisions.
- Expand their knowledge beyond their geographical area. Geographical limits are less a reality in terms of business competition, that is express by broader consumer scrutiny of product price range, performance and accessibility.
- Engage in a community, meaning that consumers network with each other, sharing opinions, ideas and feelings over businesses and products.
- Experiment in larger scales. Related with the point above, consumers share a powerful willingness to experiment products and/or services. Technologic-savvy is no longer a niche consumer, but a characteristic of every consumer, even with different levels of intensity.

The competence that customers brings is a function of the knowledge and skills they possess, their willingness to learn and experiment, and their ability to engage in an active dialogue.” (Prahalad and Ramaswam, 2000: 4). The distinguishing feature of this new marketplace is that companies can no longer act autonomously, designing products, developing manufacturing processes, constructing marketing messages and controlling sales channels with little or no interference from consumers. Not only companies want to

incorporate consumer knowledge, but also consumers seek to exercise their influence over business strategies.

### 2.3.4.1. Co-Creator

Consumers are stepping out of their traditional roles to become integrant part of company’s value creation. Consumers are becoming Co-Creator. The following table display the evolution of consumers’ roles along three stages and several key dimensions. As it is possible to state, consumers from 2000 and beyond are no longer constraint to their passive role, they are part of a “enhanced network” characterized by being a key partner of the business value creation process – active players. The managerial mind-set incorporates consumers feedback as part of decision making, fomented by constant and active dialogue between the two parties, sharing expectations, feedback and results.

The new consumer concept is aligned with the four capabilities express over, representing the marketplace paradigm that companies and consumers face. Companies clearly need to introduce costumers in their value-creation processes, coming up to a process to deliver co-creation results (Prahalad and Ramaswam, 2000).

**Table 1:** *The Evolution and transformation of Customers role*

	Customers as Passive Audience			Customers as Active Players
	Persuading predetermined groups of buyers	Transacting with individual buyers	Lifetime bonds with individual customers	Customer as cocreators of value
Time Frame	1970s and early 1980s	Late 1980 and early 1990s	1990s	Beyond 2000
Nature of business exchange and role of customer	Passive buyers with a predetermined role of consumption			Customers are part of the enhanced network – collaborators, codevelopers and competitors.
Managerial mind-set	Groups of buyers are predetermined by the company	the consumer is an individual	The consumer is a person (cultivate trust and relationships)	Individual but part of an emergent social and cultural fabric
Company’s interaction with customers and development of products and services	Traditional market (products are created without feedback)	Creation of help desk and call centers to identify possible improvements	Understanding customers and adapt to their feedback	Customers are codevelopers of personalized experiences.
Purpose and flow of communication	One way communication	Two way communication	Two way communication and access	Active dialogue. Multilevel of access and communication

Source: Adapted from Prahalad and Ramaswam, 2000

There are several models that showcase the emerging reality of co-creation with different approaches to the relation between the consumer and the company, the fundamentals and the purpose of it. For the sake of this case study, the two models will be analyzed: DART model and Diamond Dimensions of Value Creation.

#### **2.3.4.1.1. DART Model of Value-Creation**

Jolanta Mazur and Mazur and Zaborek (2014) developed an article that as based the validation of DART model. According to the authors, the model is grounded on the idea that co-creation is building upon 4 key building blocks, that are interrelated and dependent, yet there is no specific order that companies need to build upon, instead developed them in the same level of importance, as the figure 4 shows.

**Figure 4 – DART Model**



Source: Mazur and Zaborek, 2014

DART model of value-creation defends the following criteria:

- Dialogue: companies and costumers should be linked through an interactive and engagement connection. Consumer-costumer interaction should be more than listening to costumers' opinions. (Zaborek & Mazur, 2014)
- Access: implies enabling co-creation by offering the right tools for communication between customers and suppliers. Access is also over the capacity of both parties to access each other knowledge (Zaborek & Mazur, 2014).
- Risk assessment: is the capacity of consumers to fully be aware of the risk that engaging with a specific creation value process may be have for him and for the society (Zaborek & Mazur, 2014).

- Transparency: towards a more equally paradigm of information sharing, as the authors claimed, “information asymmetry between the customer and supplier and practicing the openness of information”. (Zaborek & Mazur, 2014: 108).

#### **2.3.4.1.2. Diamond Dimensions of Co-Creation**

The DART framework provides a good starting point for discussing the key features of value co-creation platforms. However, according to the author, it is too broad and so it needs to be further refined to comprise the opportunities for personalized co-creation experiences and their dimensions of choice. Co-creation should not be a consequent process, but a dawn process that will generate a value creation gain for both, even if not yet established. Therefore, co-creation is argued as a “win more – win more” (Ramaswamy, 2009: 11) situation that is characterized by enabling a sustainable growth, competitive advantage, and innovation opportunities.

For companies to achieve the desired results, they need to mature their mindset, management and organization practices with regards to value creation. The DART Model (attachment 28) amplifies the spectrum of companies’ actions that will create conditions for co-creation to kick off (Ramaswamy, 2009).

This model establishes four new dimensions to the DART model:

- Connections systems that focus on establishing the relation between co-creation stakeholders – where.
- Assets and activities to develop platforms of engagement as means of value creation - how.
- Competence base of the firm and its suppliers, to networks and communities of individuals (customers and all other stakeholders outside and inside the firm), as the locus of competence in value creation - who
- Products and services to environments of human experiences as the basis of value to all involved individuals - why.

As we observe, the elements of DART are the basic building blocks of value co-creation, and companies can decide the best combination of the blocks upon the situation there are living in. Even though, as we also seen, it may not be enough to guarantee success, since many companies are unable to build their strategies based on that framework.

### **2.3.5. Competitive Analysis**

Researching the behavior of close competitors has become crucial for companies. Competitive information over the industry and its competitors, allows organizations to understand where they are doing better or worse, and support their decisions (Adom, Nyarko, & Gladys, 2016). There are several models that approach on how to evaluate competition landscape:

#### **2.3.5.1. Boston Consulting Company Matrix**

The BCG Matrix was named after the company that established this model, Boston Consulting Group, in 1970 to help organizations to analyze their position against their competitors. The matrix is a corporate planning tool used to portray organizations' strategic position and its potential, in which there are two axis, relative market share (horizontal) and speed of market growth (vertical) from which derive four quadrants (Drucker, 1964): (Attachment 29)

- Question Mark: low market share, with products in high growth markets
- Stars: both market share and growth market indicators are in their highest positions
- Dogs: low position for both indicators
- Cash Cows: market share takes the lead with high values and low growth markets

This tool indicates that profitability directly relates to market share, thus organizations that seek to increase market share need to evaluate their profitability potential (Drucker, 1964). However, there are several drawbacks of using this model, including ignoring qualitative measures, plus the constraint of using only two axis (Lane, 2017). Several authors have researched and presented other methods to compensate flaws that the BGC matrix reveals in evaluating competitive landscape.

#### **2.3.5.2. Competitive Analysis Table**

The competitive analysis matrix provides a wider spectrum of elements to be analyze regarding the market competitive landscape. Moreover, when doing this analysis companies can visualize what are their weak points in comparison to their main competitors (Fleisher & Bensoussan, 2015).



This matrix is composed by as many evaluators factors as the user feels appropriated to analyze for a specific industry. Ultimately, the factor will have to be significant for the consumers, otherwise the matrix could turn out to be biased. The matrix should also include the respective competitors that the organization feels that need to be taken into consideration and can assume different formats.

One of the clear advantages is the versatility and appealing format, that can improve perception. On the other hand, other authors have claimed to be over simplistic (David, 2017) and not incorporate key elements that BCG prioritized, like market share. However, this approach can resolve a problem that was identified when using BCG that was ignoring qualitative measures and the possibility to go further than the key indicators of the model. Concluding, the second model seems to incorporate a more extensive overview of the market, which in this case will be key, since customization includes several points that affect the consumer willingness to consume.

### 2.3.6. Strategic Position

Strategic position has many theories and models that try to capture organizations' motivations and intentions and translate them into a forward-looking vision. In one of those approaches appears Ansoff, that in 1957 developed a diagram that offered a definition for the product-market strategy, that states 4 growth alternatives for an organization, based on the degree of newness of two principles: market and product (Figure 5).

Figure 5 – Ansoff Matrix

		Products	
		Present	New
Markets	Present	Market penetration	Product development
	New	Market development	Diversification

Source: Ansoff, 1957

Therefore, the author believe that could be only 4 market strategies (Ansoff, 1957):

- Market Penetration: following this strategy, organizations try to increase their profitability without changing neither their product or market presence. This is attainable, either by increasing the sales volume or by discovering new consumers for their products (without changes).
- Product Development: the mission is maintained, but the organizations introduce new products that necessarily have new characteristics that contribute to improve the organization's performance.
- Market Development: a strategy by which the company attempts to promote its actual products to new markets. Attention that the product can have slight modifications that adjust its purpose to the new market.
- Diversification: represents a complete shift from the organization normal state, thus moving apart from their market presence and product line.

Even if seeming a flawless approach, there was some authors that felt the need to complete and update Ansoff's point of view. In his book "Strategic Management" David (2007), tends to agree with Ansoff, however he goes a bit further and claims that companies can be following different strategies at the same time. The author believes organizations may be using all the strategies or more than one at the same time in different businesses lines. The combination of the two authors approaches give us a wider and more comprehensive look to strategic position of companies or service lines.

## **2.4. Methodology**

This case study aims to review the Footwear Customization Market performance looking to what it takes to a company to establish a customization powerhouse and the market landscape, taking NikeiD as example.

As part of this chapter, there will be an extended clarification of the methodology used to analyze the data gathered, as well as the main methods of research used.

### **2.4.1. Data Collection**

This project has as base two types of data – Primary and Secondary data – that were the fundamentals to collect information over the company and its consumers. Nike’s information and understanding turned out to be the key piece to unlock the potential of this study. Plus, the analysis and resolution of the case study over the topic has as its base a set of qualitative information that cannot be measure through numbers, and that is:

- NikeiD concept
- Supply chain management (differences from core business model to customization approach)
- Product management (relation between Nike strategy and its customization service)
- Marketing and communication methods
- Nike’s target consumer

### **2.4.2. Primary Data**

The primary data consists on data collected by the author of this case study, through an online survey conduct over two months. The survey focused on the consumer behavior and measuring brand perception over the consumer decision.

The survey was built totally in English to create a wider portfolio of data and has both open and close questions. The survey reaches an audience higher than 100 participants, creating a solid pattern over consumer behavior, plus the fact that more than 10 participants from 10 different countries participate it contributes to develop a worldwide vision over the topic. The only restriction imposed by Nike was not disclose any data that had not gone public, either over Nike or NikeiD, due to the fact that I was having access to all data during my internship at Nike European Headquarters.

### **2.4.3. Secondary Data**

Secondary data represents the information that was collect before and published by other authors. This data was collected in books, academic papers, at Nike and its competitors annual reports, from journal and magazines articles. Plus, Nike News website, the source created by Nike to feed the public with latest news and articles, was also a big part of this study. Therefore, it will be common to read some sentences retrieved from that webpage.

Additionally, as I have mentioned before the fact that this project was done during my internship at Nike European Headquarters, has allowed to acquire ideas and meet employees that worked closed with the department that my topic covers, including access to information that sometimes could be private.

## 2.5. Analytical Tools

The Analytical tools used in this case study were set as follows:

*Table 2: Analytical tools to help answer each question*

Main questions of case study	Analytical Tools for each question
What are the critical shifts of fashion industry?	No specific tools required
Is NikeiD integrated in a system of Mass Customization?	No specific tools required
What can Nike benefit from its customization platform?	No specific tools required
What is NikeiD competitive position in the customization market?	1. SWOT Analysis
Characterize NikeiD competitive landscape and its strategic position	1. Competitive Analysis Matrix 2. Ansoff Matrix
What could be the next steps in the customization market?	No specific tools required

The first question in which is crucial the use of an analytical tool is the fourth question, that relates with NikeiD characterization in terms of internal and external environment. Therefore, the SWOT analysis of resources and capabilities was put in practice. According to this tool, there are 4 key areas in which an organization should be analyse in what concerns its competitiveness, and they are: Strengths, Weaknesses, Opportunities and Threats.

This analysis assumes a deep understanding not only of NikeiD, as well as the environment that surrounds it. This tool incorporates qualitative and quantitative realistic facts and data-driven results. When applying the SWOT analysis, users should avoid grey-areas and pre-conceived beliefs, to avoid biases analyses.

Into the fifth question, in order to develop a realistic picture of the market competition, that involves comprehend the different companies' behaviours in terms of product, service and experience, that characterize its strategic position.

To analyse the competitive landscape, it was used the Competitive Analysis Matrix. This tool helps to catalogue each company in as many features needed. The approach followed, was the following:

1. List NikeiD’s competitors
2. Define key areas to asses market competition
  - a. Variables/features for each area
  - b. Build the format to present results
3. Rank and map NikeiD and its competitors base on the features analyzed

**Table 3:** *Competitive Analysis table*

	Variables	NikeiD	Competitor 1	Competitor 2	Competitor X
<i>Area 1</i>	Variable 1				
	Variable 2				
	Variable X				
<i>Area 2</i>	Variable 1				
	Variable 2				
	Variable X				
<i>Area 3</i>	Variable 1				
	Variable 2				
	Variable X				

Finally, to assess NikeiD strategic position the model used was the Intensive Positioning Strategies (*Figure 5*), established by Igor Ansoff, mostly commonly known as the Ansoff Matrix. This model tries to categorize an organization strategy base on two measures: Product and Market. According to the author, the user must then categorize the two measures base on: Existing or New. In other words, assess if the service line that it is being discussed it is something that already exists or that is completely new, either in the product or the market perspective. Doing that will allow to know the exact strategy, that can be one of the four purposed by the author:

- Market Development
- Product Development
- Market Penetration
- Diversification

## 2.6.Lecture Plan

This case study aims to be used to develop students' knowledge over a company and its product. Plus, this study gives the opportunity to students to deal with a hot topic that most certainly they have dealt in recent times.

The way the case study should be use is the following:

1. In-Class Exposure
  - Firstly, Lecturer should introduce the concepts of Customization and Mass Customization to its students. Further, introduce NikeiD as a customization platform of Nike, and the objectives of this case study, as well as the assignment.
2. Autonomous Work
  - Students will be divided in groups (to be considered by the Lecturer) and every group must answer the questions purposed by the author.
3. Final Presentation
  - Each group will present their view over the questions in maximum time of 15 minutes.
4. Discussion and Conclusions
  - a. The Lecturer must incentive discussion and be able to agglomerate what was said during all presentations to provide with conclusions, relating the case with the lecture plan of the semester/trimester.

Note that even being Autonomous Work, the Lecturer should be available to clarify doubts and to guide students during the resolution time. Plus, students are strongly advised to revise more than once the case study, including the Literature Review, and collect extra information either over NikeiD or its competitors. Students are free to use any analytical tool that they feel as appropriated, leaving the considering to the Lecturer.

This group assignment can be use by the Lecturer as a course grading element, as a group and as individual performance.

## 2.7. Lecture issues to be presented to students

In order to help students to find the right answers for the proposed questions, some guidelines were defined according each question. So, to each question of the case study there were developed guideline questions that will help students to answer, as well as improve their understanding over customization and market competition analysis.

*Table 4: Questions to be posed to students*

Main questions of case study	Guidelines
What are the critical shifts of fashion industry?	1. What are the key shifts that distinguish the Fashion market from other markets?
Is NikeiD integrated in a system of Mass Customization?	<ol style="list-style-type: none"> <li>1. What is NikeiD?</li> <li>2. According to literature review, which are the Manufacturing strategies?</li> <li>3. Which are the principles that Mass Customization must respect?</li> </ol>
What can Nike benefit from its customization platform?	1. Apart from the financial side, what is Nike gaining with a customization platform?
What is NikeiD competitive position in the customization market?	1. What is the internal and external environment of NikeiD?
Characterize NikeiD competitive landscape and its strategic position	<ol style="list-style-type: none"> <li>1. What are NikeiD competitors?</li> <li>2. How do you characterize NikeiD against its competitors, based on product, service and experience?</li> <li>3. How is the market ranked?</li> <li>4. How would you define the strategy of the company</li> </ol>
What could be the next steps in the customization market?	<ol style="list-style-type: none"> <li>1. What are the strategic priorities of Nike for the future?</li> <li>2. How can technology increase the profitability of this market?</li> </ol>



## 2.8. Questions Resolution

### **Question 1: What are the recent critical shifts on consumption behaviour in fashion industry?**

In the twenty first century fashion industry is mainly known for its volatility. Companies that were in times market leaders, nowadays may not even reckon in the memory of the consumer, and brands that started as garage sale, can be worth millions of dollars. Consumers' taste is moving quickly, and fashion companies need to move with it. The market is showing new behaviour that must be taken into consideration. It is possible to divide this in two buckets: macroeconomics and consumer habits. According to the research conduct in the case study the trends regarding consumption behaviour are:

#### a. Getting Personal

The consumer is no longer fully attached to a brand in the same way they were before, and loyalty in a brand for life is rare feeling. Plus, consumers are not only focused in buying apparel or footwear just for the sake of fulfilling a need, instead they are looking to express their unique style through fashion. The levels of personalization and customization are becoming extra important to the consumer, as much as the transparency of the processes and opportunities to deliver feedback. As the case study reveals, the two boosters for this reality are the social media interreference and the new technologies. Social media incorporates not only as a platform for consumers to interact with each other, but as well as a platform to create connections between companies and consumers. The creation of new technologies, such as 3D printing, Artificial Intelligence, and others, in people's minds is creating the urge of introducing those same one technology into their consumption options. This is proved by the increase demand of customized products.

Therefore, companies must shift their focus to the individuality of the consumer instead of delivering for the masses.

#### b. Platforms first

Finding the right product with the right price is just a few clicks away. Consumption is no longer confined to brick-and-mortars, as digital platforms have taken a portion of the fashion business. This trend will continue to grow, and e-commerce will achieve even higher importance within fashion company's business management. For

some companies, online platforms are indeed the only touchpoint between consumer and the company, like Amazon, Uber and Airbnb. What seems to be a well-established trend by now, it will become even more critical in the future years with companies investing a lot of funds in increasing their capabilities of e-commerce.

c. Mobile obsessed

Part of the platform-first trend, companies have funded projects to improve their websites and create truly excellent experiences on *.com* pages. Even seeming sufficient to conquer the consumer of nowadays, it is not clearly enough. From the desktop to the mobile, smartphones can fulfil most of the needs that were before only achievable when using the desktop or the laptop. Which is confirmed when looking to the mobile data traffic, that has surpassed desktop data usage, and the mobile usage per millennials is in average above 3 hours every day (Lella, 2017).

Therefore, organizations need to adapt to this reality, meaning that websites are not enough to conquer the new consumers. Websites need to be converted to the smartphones capabilities and companies must invest in creating apps, to create yet another channel to target the consumer. iOS and Android applications are becoming more common for fashion retailers, but now companies need to assure a good quality service plus a meaningful experience, in other words, companies need to drive traffic to the app and drive sales force to those platforms.

With these three trends what we are looking to is a clear shift from the idea of a consumer as part of a segment, to the idea of a consumer as a unique individuality.

**Question 2: Is NikeiD integrated in a system of Mass Customization?**

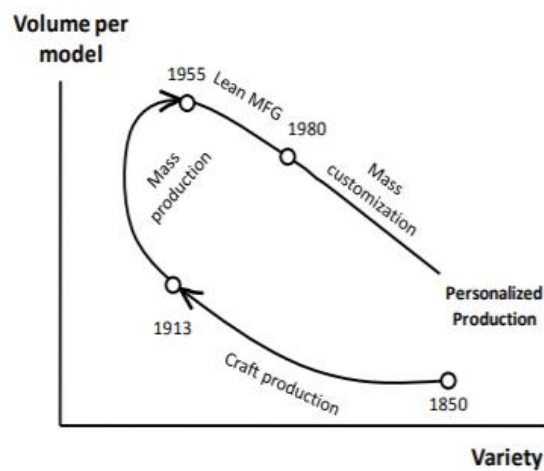
Nike introduced in 2000 the NikeiD website, a platform meant for consumers to design their own shoes, lifestyle or performance. This kind of purchase option at scale was first introduced in the athletic footwear market by the American company, and then followed by some of its competitors. The online platform allows consumers to create a custom footwear design, giving several colour and materials options, plus an identification to be stitch, number or name with a maximum length of 5 digits.

To discover which manufacturing strategy NikeiD belongs to there is a need to analyse its offer considering two principles, that are visible in *Figure 7*:

a. Variety

Starting by analysing the variety that NikeiD offers, there was a clear evolution since 2000 and today. Nowadays, consumers can choose from more than 25 models to customize, comparing to only one option in the beginning of the respective platform. Knowing that Nike has approximately 40 model of shoes (both men and women, according to their website) is fair to assume that indeed there is a large variety of choice.

Figure 6 – Manufacturing Paradigms analysis for NikeiD



Source: Hu, 2013

b. Volume per model

Regarding the volume per model, it is difficult to measure since Nike for years has not disclaim quantities or revenues per business line, therefore the only assumption that is possible to take is Nike's 2009 Fiscal Report that assures that NikeiD brought over 100 Million dollars in revenue. More recently, Nike announced that their Direct to Consumer approach, which NikeiD belongs to, in 2015 had projected revenue of 5 billion dollars.

To establishes that NikeiD indeed is using a Mass Customization manufacturing system, there is the need to analyse if the company is following the principles that Hu (013) established:

- Production Goal: even being a customization platform, Nike still decides what are the degree of customization per model. This control over the product, enables the company to estimate the lead time and create mechanisms to reduce it.

- **Desired Product Characteristics:** NikeiD offers a set of colors and fabrics freely, according to the model constraints. Nevertheless, maintaining the high quality that Nike shoes are known for.
- **Customer Role:** the consumer is an active player, not only because he/she decide what to change but also by being a feedback channel between consumers and company.

Base on the two models, it is fair to assume that Nike is using a Mass Customization manufacturing strategy when offering a platform such as NikeiD.

### **Question 3: What can Nike leverage from its customization platform?**

Almost 20 years have passed and NikeiD remains active and even better equipped than before, showing the power of such market opportunity. There are two pillars that Nike has confirmed to be the crucial factors of their decision to keep running NikeiD and continuing to invest to make it even better:

#### a. Brand Loyalty

On the brand management side, NikeiD it is a complementary service that Nike offers to its customers. As the literature review reveals, when companies create mechanisms that enable consumers to be part of the creation process – co-creators – the commitment that they have towards that brand will increase. This happens because consumers feel that they get the right product (Pralalad and Ramaswam, 2000).

Since, brand loyalty refers to the capacity of a company to have consistent purchases of a product even if the shopper has options of competing alternatives, and since NikeiD almost prevents the mismatch between consumer demand and company offer, it is certain that they are creating a superior mechanism of brand loyalty management.

As example, Nike has been promoting some products directly though the NikeiD platform, with the intention of driving traffic and educate the consumer of that service's capabilities.

#### b. Data Relevance

One of the core strengths of e-commerce is related with data. Nowadays, consumers are leaving a track of data wherever they go or do, including shopping. Then, being NikeiD a platform that enables consumers to give life to their designs, an enormous data set is being created with each different

choice that consumers do differently from the original model. This data set is nothing more than all the information that a consumer can give, either who they are (gender, age, etc.), from where they are (country, city, school, etc.), what they buy (model, colors, prices, etc.), and many more information.

Thus, big data can either be used to predict consumer behavior, in the case of existing products, but also for improving customer design and appeal. In the case of NikeiD, when consumers engage with that platform, they are freely giving information of their preferences.

Therefore, Nike must be able to play with the big data that is being created and generate an offer that goes according to what that specific consumer wants. Note, that often consumers tend to segment into buckets and the idea behind using the data is to be able to segment as far as possible to create designs that satisfy everyone.

Even if different, the two concepts are connected, because the more retailers use big data to learn about their customers, the more customized their offerings and the greater the revenue and customer loyalty. Meaning that Nike is winning in to fronts: offering a platform that creates more engagement with consumers, and with that getting access to data that allows them to tailor its offer.

#### **Question 4: What is NikeiD competitive position in the customization market?**

*Table 5. NikeiD SWOT Analysis*

SWOT ANALYSIS	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>- Part of the number one athletic brand for footwear and apparel</li> <li>- Customization experience</li> <li>- Individualized experience</li> <li>- Consumer design want he/she wants</li> <li>- Consumer as part of the brand network</li> <li>- Access to more data over consumer preferences</li> <li>- Build brand loyalty</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced margins</li> <li>- Product errors</li> <li>- Returns without other allocation</li> <li>- Lead time</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>- Track and adapt to market trends</li> <li>- Closer relation between digital and stores</li> <li>- Leverage new technologies capabilities</li> </ul>	<ul style="list-style-type: none"> <li>- Competitors can easily copy</li> <li>- Can create losses on brand identity</li> <li>- More companies to compete with</li> </ul>

## **Strengths**

- Part of the number one athletic brand for footwear and apparel:

NikeiD is a service that is included in Nike platform making it associated with the brand. Since Nike is the number company in the athletic fashion segment market, any of its services will be always associated to the same level of excellence of the main company.

Moreover, the platform will always have the opportunity to leverage the strong and big consumer base that Nike has.

- Customization experience:

Consumers have access to a customization platform that allows them to design their own footwear products. The design is in its majority done through a digital channel (in store or other locations) and then the product is shipped directly to the consumer. Reducing the effort of the consumer and improving their experience. There customization can be made at least in 6 parts of the footwear (base, laces, logo, tongue, sole and iD), change from a predetermined palette of colours and different materials, such mesh, leather and others. Therefore, there several combinations that consumers can choose from that depend on his/her taste.

- Individualized experience:

The digital platform offers a flexible journey to the consumer, meaning that apart from choosing first the product that the consumer wants to customize, after this moment there is freedom to choose what to customize first, the colours and the materials to choose from. This way the experience that one consumer has it is not the same as another consumer's journey.

- Consumer as part of the brand network:

The consumer initiates a role of co-creator with Nike, opening the channel of communication with the company, first by sharing information and feedback with the company, even if indirectly, and then by creating the product according to their own taste.

- Access to more data over consumer preferences:

When a consumer goes for a customization, it is weather because there is the combination of colour and materials, or just to add an iD. feature. The first point comes as a greater opportunity to Nike to understand what they are missing in their products

designs. In other words, if a consumer is willing to pay more to get a certain colour and/or material combine and if this choice becomes a trend, then the company should incorporate this consumer's preferences when doing the hind sighting of the season and the designing the changes for the next season assortment.

- Builds Brand loyalty:

If Nike makes available a platform that gives consumers the opportunity to design their own sneaker, the company is putting the consumer into a level of Co-Creator, which means that the consumer is part of the company enhanced networked. With this, the consumer feels much more appreciated and part of the company's decisions, therefore strengthen the brand loyalty between the company and the consumer. Plus, Nike creates the sense that this company is one of the few that enables the consumer to truly express themselves through the brand.

### **Weaknesses**

- Reduced margins:

Mass Production is a fundamental strategy of today's big manufactures companies. This strategy is characterized by economies of scale - optimal production level, reduced fixed costs, securing better production margins. Although, when Nike decides to offer a customization service, this one will step over the Mass Production principles, going straight to Mass Customization or just Customization. By now we know that Nike went for the Mass customization, securing a certain level of standardization that helps the company control the level of costs. Still, this strategy cannot compete with Mass Production in terms of cost efficiency, meaning that Mass Customization has a trade-off between cost and service, emphasizing on the last one in detriment of the first. Therefore, it is accurate to assume that NikeiD net revenues will derive from lower margins that other revenue from Nike, such as Digital (.com) and stores.

- Product errors:

Coming back to the last point, NikeiD operates in a Mass Customization strategy, meaning that even a customizable product there is a limited degree of freedom that assures Nike a possible to escalate production. However, if there is no standardization on the manufacture production, is reasonable to assume that production errors will increase, since there is much more manual work than a normal sneaker.

- Returns without other allocation:

A customized product when is returned, faces two problems either there is a pair of custom shoes that are unique and that may not interest other consumers, or there is not enough depth of assortment to be feed a store.

- Lead time:

As the website of the NikeiD platform states, the expected lead time for a customizable product is from 3 to 5 weeks. This lead time is much higher than a standard product bought from the *Nike.com* assortment that takes up to one week (Europe benchmark). The reason being it is the fact that there is a loss of standardization processes when it comes to a customization.

## **Opportunities**

- Track and adapt to market trends:

As Nike establishes a communication and feedback channel between the consumer and the brand, even if indirectly on the eyes of the consumer, the company is assuring that understand and adapt to market trends by analysing and market data acquired by NikeiD platform, such as colour, material, product model, and others.

- Closer relation between digital and stores:

As Nike guarantees that stores have NikeiD capabilities for the majority of stores, which is secured by computers that can be used by consumers to check Nike products on the website and access NikeiD platform. Nike provides a presential channel to support consumers in the customization process, if consumer feel that either that do not have the knowledge to do it, or to have a second opinion of an experienced Nike employee.

- Leverage new technologies capabilities:

Technology and fashion have always walk together, since the industrial revolution until today. New functionalities, technologies and processes bring to the fashion industry a bunch of opportunities. In the case of customization, recently companies have incorporated 3D printers to offer on store customizations. Or include Virtual Reality, VR, into the dressings rooms that allows consumers to dress without the effort of putting off and on clothes.



## Threats

- Competitors can easily copy:

Customization is not a strategy from this millennium, in fact in according to S. Jack Hu (2013), craft production the first manufacturing system was a sort of customization strategy, but in lower scale and confined to a geographical space. Still, Nike is not the first company to do it, even if it was one the first to incorporate it in its portfolio accessible to consumers, in the Athletic Footwear market. From then on, other brands have included this same feature, such as Adidas, Vans, New Balance and others. Therefore, there is no exclusivity on the service, so the brands have to compete each other over price and service. Note that even small brands can offer customizable products, the only advantage of NikeiD is the brand value that Nike has over consumers and that will influence their decision.

- Can create losses on brand identity:

Nike has been around for almost 50 years delivering excellence over sportswear, apparel, footwear and equipment. Known as brand that empowers athletes to greatness through their innovative and sports driven product. This attitude is then transported to Nike's regular consumer that pretends to acquire products that, as they do for professional athletes, achieve their best performance. When Nike extends the customization service to the regular consumer, the brand perception may be affected by it. Should then, Nike be seen as company that knows best what consumer wants and even defines fashion and market trends, or should it be seen as brand that always accommodates to the consumer and then losses focus on delivering key sports products.

### **Question 5: Analyse NikeiD competitive landscape, based on product, service and experience.**

NikeiD was in times the first in its class, meaning, that from the Athletic footwear market Nike was the first one to step in into the customization segment, including the NikeiD as part of its portfolio since 1999. Since then, a lot of companies have made the same decisions by including own co-creation platforms.

**Mi Adidas** – piloted in 1999 and launched in 2001 to bring custom footwear to the common costumer. The program was during many years only available in its retail

outlets, which the customer could access to custom fitting and custom design services. Adidas was comparatively late in enabling customers to customize their own shoes using a Web site, doing it only in 2006.

**NB1** – customization service offered by New Balance launched in 2011. The platform is known for offering a high level of customization elasticity to the consumer, by presenting an option of graphic upload and a wider palette of colours to be used.

The American company that has gained some space in the United States grounded on the motto “100% Made in America” driving a crescendo appetite that is spreading to the European market, also due to their customization option – NB1.

**Vans Customs** – the platform owned by Vans, introduced the customization service through their classic silhouettes The Slip-ons and The Old Skool, back in 2004. This platform was only available in the US, until 2016 when it was made available for Europe and other countries belonging to Vans digital map. Similarly, to NB1, Vans Customs allows a higher level of freedom to designers, by allowing them to upload artwork and photos into their sneakers.

**UA ICON** – platform belongs to Under Armour, the new big player in the market of athletic apparel and footwear. This customization service was unveiled in 2017, by using the top paid athlete and the brand face, Stephen Curry performance shoe. The brand is completely focused in performance sports footwear and apparel, on the opposite of the brands above that their core business is divided in performance and lifestyle products. Therefore, it comes as natural when in the homepage of the UA ICON, the models displayed relate to Basketball and American football categories.

To understand where NikeiD stands against its competitors, I will be using the competitors stated above and analyse based on three areas: Product, Service and Experience/Features:

*Table 6. Areas to be considered*

Product	Service	Experience/Features
Variety	Delivering Time	Digital Platform
Premium Customization	Design Guidance	Graphic Upload
Pricing	Order Tracking	
	Returns	

## 1. Product

### a. **Variety**

**NikeiD** offers a total of 26 models to be customized. The models available are very flexible and even launches can be part of the portfolio. Moreover, Nike offers the NikeiD experience over all the categories.

**NB1** (New Balance) it is only available for the category lifestyle, combining into 4 models.

**Mi Adidas** (Adidas) tend to follow the same approach has Nike, offering customization models throughout all the categories, in total of 20 models. As Nike, Adidas also leverages new launches to capitalize the usage of the co-creation platform.

**Vans Customs** offers 3 categories: Classics (5 models), Pro Skate (5 models) and All Weather (3 models).

**UA ICON** Under Armour customization brand spreads its offering through the lenses of performance categories, meaning that Football, Basketball, Running, Baseball and American Football products are the ones that costumers can personalize. In total, UA ICON offers 15 models.

### b. **Premium Features**

NikeiD and Mi Adidas area able to differentiate from the competitors, by establishing a set of materials that the costumer can choose. As example, NikeiD release a special and limited collaboration with Swarovski for one of its shoe's releases.

On the other hand, competitors have preferred to invest on colour pallets, increasing the freedom and self-expression of each costumer change the material of the shoe and increasing the parts to be changed. NikeiD tends to narrow the number of colours that offers to 5 or 6 depending on the model and other competitors, specially Under Armour and Vans go a step further and let costumer choose almost any possible colour.

### c. **Pricing**

Regarding the price charged for customization, note that the price is fix and added to the top of the product retail price. Note that price calculation was made using as base European market and the variations of price are due to extraordinary products or extra

features to be customized. Having this said, as the following table shows, the platform of Adidas gains advantage of all the competitors, by offering the most appealing price.

*Table 7. Price per company*

Brand	Price
NikeiD	€20
Mi Adidas	€15
NB1	€30
Vans Customs	€15 - €30
UA ICON	€50 - €100

## 2. Service

### a. **Delivering time**

For any brand shipping time are longer than the common product order from the website, mostly due to the rejection of the mass customization principles, making it longer to product. The following table displays the lead time between the customer ordering and receiving (the estimation was based on the information gathered on each platform website and the calculation was based in the European market):

*Table 8. Delivering time per company*

Brand	Shipping time
NikeiD	3 -4 weeks
Mi Adidas	4 – 5 weeks
NB1	3 weeks
Vans Customs	4 – 6 weeks
UA ICON	5 – 7 weeks

## b. Design guidance

The overall experience is quite similar between all platforms. The customer selects the shoe that desires to customize from the available list and then is redirected to the design platform. Here the customer can shoe the sneaker as a white canvas, find out which parts of the shoe can actually customize, that can deviate from model. However, there are a key of standard sneaker's parts (Figure 8), that maintain throughout the portfolio (this set is more or less the same for each website, even if the name can be different from brand to brand).

- Base
- Tongue
- Laces
- Logo
- Sole
- Identification (also known as iD)

**Figure 7:** NikeiD customizable parts of a sneaker



Source: <https://www.nike.com/pt/nike-by-you>

### c. **Order tracking**

At this parameter, every brand is at the same level, not for lack of innovation, instead because there has no exceptional difference between the service. The customer when ordering receives a tracker code that gives access to the courier company tracking platform. Moreover, customers receive a confirmation email and an email when the product is sent from the logistics warehouse and it is in direction to the destination point.

### d. **Returns**

The returns policy fluctuates between brands. Nike stands out when compared with its competitors, because allows customers to return iD products. After receiving the product if the customer is not happy with the final result or the model does not fit the customer can return without having to explain it. There are no costs associated with returning the product and the customer will be 100% refunded, excluding the shipping additional costs when the product was ordered.

Other brands prefer to follow a different strategy, such Adidas or NB, by not allowing any kind of returns on custom shoe orders. Under Armour stands out in the middle of the spectrum since it only allows returns if it is an exchange of size, otherwise there are no chances of returning and get the credit back.

This feature is a crucial factor that influences the last click on the *Buy* button, since customers will always have in mind the return conditions, knowing that he/she will be much more willing to try it if there is the possibility of returning without costs associated.

## 3. **Experience**

### a. **Digital platform**

The customization platform tends to behave the same way for every brand – there is a designated platform for customization that separated from the digital store, although maintaining the same layout of the main website. This happens for all the brands, probably to ensure the customer with the same reliability and trust that the main brand has.

This parameter also refers to the customization process interface, by assessing the easiness and appealing platform system. Here, Nike and Adidas rank as the worst among competitors. All the other brands have implemented a 360° builder that allows the customizer to play with the vision that most suits him. This way customer feels much more aware of the changes that are going on the sneaker, plus it creates a more pleasant and real consumer experience.

Nike has not made similar efforts to introduce this technology to its platform and so NikeiD showcases 6 possible views that the customer can alternate by himself at any time, as seen in *Figure 9*.

**Figure 8** – NikeiD customization platform combination of alternative visions



Source: <https://www.nike.com/pt/nike-by-you>

#### **b. Graphic upload**

Graphic upload refers to a feature that has been embraced by some companies of customization and consists on the capacity of personalize using a graphic upload. Instead of using colours or patterns that the brand provides, the customer can upload a graphic pattern. Nike has not implemented this feature into its platform, but competitors such as Under Armour and Vans have made that investment into its process.

At Vans Customs, the customer is encouraged to introduce a unique feature to its sneakers – an image/graphic pattern from the person's image portfolio. The image is

upload to the customization platform and assigned to the customer design. The pattern can then be used in almost every part that is customizable. AU ICON also offers this experience to its consumers, with the option only available to a certain destination of the sneaker (either the base or the interior sole).

Based on the analysis of NikeiD and its competitors, *Table 8*, it is possible to conclude that Nike stands out when it comes to the combination of the 3 areas, leading the market with a more consistent customization offering.

*Table 9. Competitive Analysis table*

	PRODUCT				SERVICE				EXPERIENCE			
	HIGH	MEDIUM	LOW		HIGH	MEDIUM	LOW		HIGH	MEDIUM	LOW	
NUMBER OF STYLES	Nike	Adidas	New Balance	DELIVERY TIME	New Balance	Nike	Under Armour	DIGITAL PLATFORM	Vans	Under Armour	Adidas	Nike
PREMIUM CUSTOMIZATION	Nike	Adidas	Vans	DESIGN GUIDANCE	Vans	Under Armour	Nike	GRAPHIC UPLOAD	Under Armour	Vans	Nike	New Balance
PRICING	Nike	Under Armour	New Balance	ORDER TRACKING	Vans	Under Armour	Adidas	RETURNS	Nike	Under Armour	New Balance	Adidas

NikeiD leads the product side, by establishing a wider portfolio of models, thus enabling consumers to have more freedom in their decision-making process. Plus, Nike has established a fixed price that is lower than most of its competition, battling with Adidas efforts to maintain the best price.

On the second parameter, most of the companies are at the same position, meaning more or less they are offering the same conditions, in the design guidance and order tracking. On the lead time feature, there is one company that takes the spotlight, New Balance, by offering the shortest lead time, when other companies are struggling to get belong 3 – 5 weeks.

Lead time it is certainly a hot topic for companies since it can be a crucial factor to convert visitors into consumers. Furthermore, companies like Amazon have been tearing the standard concept of waiting time between ordering online and receiving the product, which has affected the perception of the consumer in regard to what is a standard

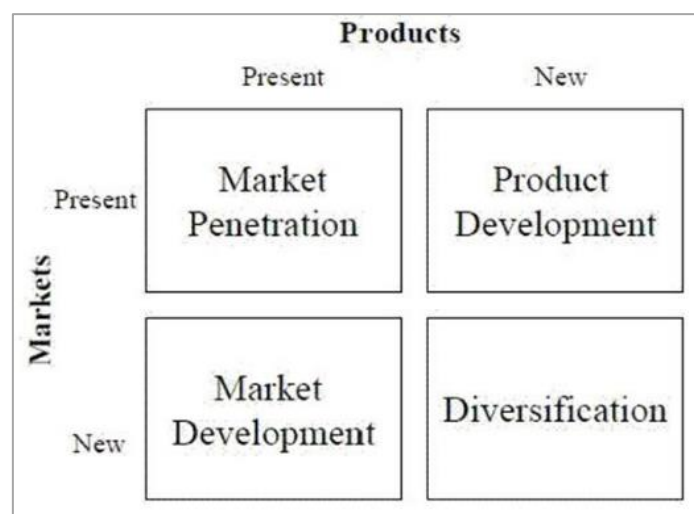


level of lead time. Although this advance has not been visible in the customization business due to the mass production vs mass customization principles, still is a key decision factor for consumers and must be addressed by companies that desire to lead.

Lastly, Nike is far from being perfect on the experience side, clearly being outpaced by brands like New Balance, Vans and Under Armour – by maintaining its offering confined to 2D platform builder, when competitors have switched long time ago to 360° builder. Furthermore, Vans and Under Armour have recently made a step into the future by introducing graphic upload option to sneaker customization, an option that was until here apparel exclusive. This capacity of innovation is highly correlated with the newness of the brands that lead in this parameter. New Balance and Under Armour are the new kids in the playground, and as part of trying to be relevant, these companies are more willing to take risk in new and edgy features.

From the analysis above conducted and using the Intensive Strategies model, illustrated in *Figure 10*, we can assume that Nike is focused in developing improved products to existing markets. In other words, NikeiD belongs to a market that is not exactly new – even if the trend has taken place in recent years – and the focus of this digital platform is offer a product that consumers are already familiarized with, the only difference regarding the way consumers shop the product. Having this said, NikeiD is following a strategy of Product Development, since the company is trying to improve its competitive position through development of existing products.

Figure 9 – Intensive Strategies Model



Source: Ansoff, 1957

**Question 6: Taking Nike as example, what could be the next steps on the customization market?**

The consumer of tomorrow is not the same as yesterday and of tomorrow. Consumption is evolving in a tremendous pace and so their needs, increasing the pressure over organizations to improve their businesses propositions. Regarding the customization market, Nike as defined two pillars which they believe will shape the customization market of the future: Accelerate Speed and Scalability; Transform the Experience. According to Nike the two priorities are believed to transform how consumers look to customization and so my suggestions are under those themes.

1. Accelerate speed and scalability

Undoubtedly the lead time is an area that must be tackle. Nike lead standard offer swings between 3 and 4 weeks, which for nowadays it seems almost a decade of waiting. In the recent years, companies have made huge efforts to reduce lead times, since the consumers are getting more demanding in terms of getting as early as possible the products that they purchased. Also known as “The Amazon Effect”, studies show that consumers are putting more pressure into companies in e-commerce business and in shorter lead times. The American company has revolutionized the entire shipping industry, by introducing the two-day shipping option. This feature is part of a membership option, Prime membership, that has been around for 14 years and is now recognized for enabling consumers to get their packages within two days after ordering it. This strategy is not profitable and its only tangible due to other profits of Amazon that subsidize it, still the consumer is not aware of this and the only thing that he/she cares is the quickness of getting an order (Reveel, 2017). That is why consumers are shifting drastically to Amazon e-commerce business and why Amazon is evaluated as one of the top 5 companies in the world. With this, other retailers face the pressure to keep up with Amazon’s lead time, which for most is hard to reach.

Nike have shown a desire to battle this constraint. In 2016, Nike announced the unique partnership with NOVA, a DreamWorks visualization platform. This investment enables the manufacture to visualize the product without the need of producing samples (Bain, 2017). This way, not only Nike would be reducing the time between the idea design and materialize it, but also it would reduce the costs by eliminating the need of producing the actual product, reserving it only until the moment is finalized. Part of a Nike

statement: “The partnership will deliver cutting-edge capabilities, such as nearly instantaneous digital print applications, photo-real 3D visualizations and ultra-rapid prototyping”.

Recently, Nike announced their big innovation in term of footwear consumption, the Nike Fit, which according to Nike is a new scanning solution that uses a combination of data science, computer vision, machine learning, algorithms and artificial intelligence, offering the ability to consumers to know their truly perfect fit for each Nike shoe model. This solution promises to revolutionize consumer’s consumption habits by delivering the right size without any doubts that will be the best fit possible. NikeiD could be part of this experiment, in the sense that having an exact fit for consumer’s foots consists in a form of customization. Nike Fit is expected to be put in practice in 2020 and will be part of Nike App.

Other possible solution could be the implementation of further technologies into their customization service, such as 3D printing. In 2018, Volkswagen decided to incorporate the HP Metal Jet 3D printer into their production line. The Head of Technology of the company stated that “Automotive production is facing major challenges: our customers are increasingly expecting more personalization options. At the same time, complexity is increasing with the number of new models,” (Jackson, 2018: 1) and concluding that the company had to rely on state-of-the-art technologies to ensure a smooth and fast production.

## 2. Transform the experience

### - Marketplace

The desire of customization appears by the overflow of globalized products and lack of uniqueness, which has force companies to look to the individual as a unique consumer. Therefore, other solution that improve Nike position is the capacity to adapt customization to a community marketplace reality, ensure stronger brand loyalty and brand power within geographies. This can be achieved by two propositions: generate customization that are community drive and create a marketplace that allows consumers to share their products.

The first is achievable by a shift of strategy of NikeiD, instead of offering a customization platform for the entire globe with the same set of assets and features, the

platform would be offering special features for communities. As example, Nike could introduce unique options, like badges, colours, logos and materials, for a customization made in New York City that would be only available at this geography. This way, consumers would feel part of a network that is exclusively to their community, creating a deeper feeling of uniqueness and belonging. This has been already tested once at the 2018 NBA All Star event, in which Nike offered to the attendees the opportunity to customize Basketball sneakers with unique features related with the main event. New models, colours, fabrics and patches were introduced, and consumers could customize with more freedom compare to the normal experience. This experience can then be escalated to a wider scale, which could be as we saw as part of crucial Nike events, or in geography scale, since as you know consumers tend to behave different according to their position in the globe.

The second suggestion – “Share and Sell” – is connected with the idea that the consumer now is a co-creator and so there should be more incentives to take their participation into a different level. If the appetite for customizable products continues to grow, there will a time where everyone is customizing their own pair of sneakers, meaning that it could happen that consumers may be interested in someone’s design that Nike does not offer but it matches a specific consumer desire. Therefore, Nike could leverage this phenomenon by creating capabilities that not only allow consumers to share their designs with Nike community but also leverage it to sell them to others. This solution is not only to support consumers’ needs, since the company could also leverage the fact that a design may generate more units to be produce and possible reducing the costs of production by applying mass customization principles.

- Connect with designers

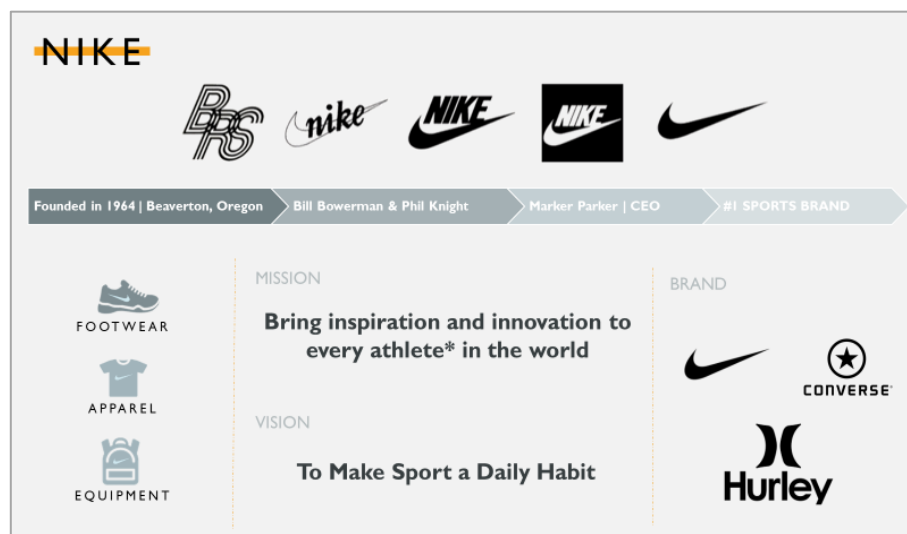
As explained in the case study, designers have been shifting from high fashion and entering the streetwear and athletic fashion market. This is explained by two factors, the first one related with the increase demand for streetwear, which has made high fashion companies to reduce the gap between these two segments. The second one for the fact that athletic fashion is more and more seen as day-wear, creating an opportunity for designers to take new silhouettes. Based on these two reasons, designers have incorporated the production processes of companies like Nike or Adidas, as is example recent collaborations with Virgil Abloh, Jerry Lorenzo or Yohji Yamamoto.

Therefore, Nike can try to leverage this connection by real designers and users of the NikeiD platform, by promoting useful material for consumers that are taking the first steps into designing. This can be made through the conception of digital bespoke materials like online workshops, access to exclusive collaboration features and models and online studios where designers could share their creations.

Nike would be making a strong investment in education, by creating a knowledge sharing network between NikeiD users and actual designers. Meaning, that consumer's designs would be made with thorough mindset and sneakers would better accommodate consumers desires, reducing the number of returns and increasing the overall experience.

Concluding, both priorities seem to be significant in terms of market development, although we cannot fully trust on suppositions and so constant evaluation and planning need to be part of any company when approaching future trends.

## 2.9. Case resolution slides



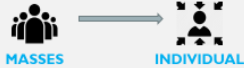
QUESTION 1 - WHAT ARE THE RECENT CRITICAL SHIFTS IN CONSUMPTION BEHAVIOUR IN FASHION INDUSTRY?

GETTING PERSONAL

The two main factors are:

- Social media as platform to create connections between companies and consumers.
- New technologies, like 3D printing and AI, is creating the urge to introduce these options in consumption options

FROM:



PLATFORMS FIRST

Consumption is no longer confined to brick-and-mortars, as digital platforms have taken a portion of the fashion business. This trend will continue to grow, and e-commerce will achieve even higher importance within fashion company's business management.

EXAMPLES: Amazon, Uber and Airbnb



MOBILE OBSESSED

- Mobile usage per millennials is in average above 3 hours every day
- Mobile data traffic has surpassed desktop data usage
- Websites are not enough to conquer the new consumers, companies need to invest in apps



QUESTION 2 - IS NIKEiD INTEGRATED IN A SYSTEM OF MASS CUSTOMIZATION?

NIKEiD



CONDITIONS

PRICE: €20  
DELIVERING TIME: 3 - 5 WEEKS

CATEGORIES

LIFESTYLE | TRAINING | RUNNING | BASKETBALL | FOOTBALL | SKATEBOARDING

CUSTOMIZATION

COLOUR | FABRICS | IDENTIFICATION (ID)

NIKEiD

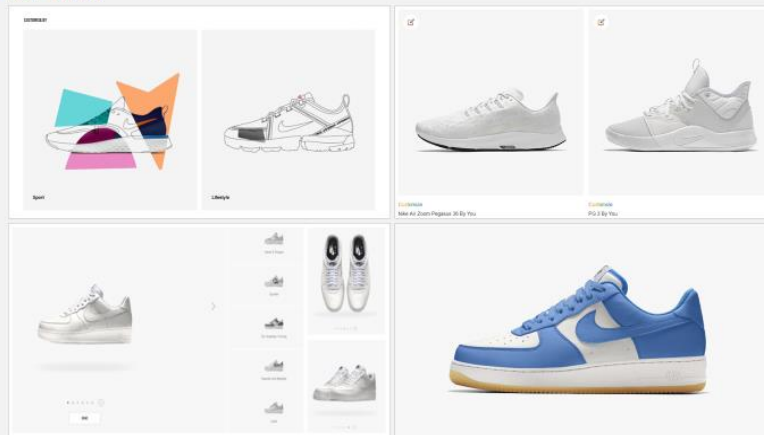
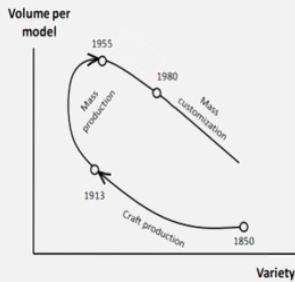


Figure 1,2,3, and 4 – NikeiD digital platform  
Fonte: Nike website

QUESTION 2 - IS NIKEID INTEGRATED IN A SYSTEM OF MASS CUSTOMIZATION?



Fonte: Hu (2013)

**CRAFT PRODUCTION**

Craft production is a manufacturing process characterized by making products and or services by hand with or without the aid of tools. This type of strategy was commonly used in the pre-industrialized world.

**MASS PRODUCTION**

Mass production is the production of large amounts of standardized products, often using assembly lines. This method refers to the efficient production of a large number of similar products. Mechanization is used to achieve high volume, quality and cost control, and division of labour.

**MASS CUSTOMIZATION**

Mass customization is the process of delivering goods and services which are modified to satisfy specific customer's need. MC is a technique which combines the flexibility and customization of custom-made products with low unit cost, that is associated with mass production.

QUESTION 2 - IS NIKEID INTEGRATED IN A SYSTEM OF MASS CUSTOMIZATION?



**MASS CUSTOMIZATION PRINCIPLES**

**PRODUCTION GOAL**

**CONDITION:**  
BEING ABLE TO GENERATE A PRODUCTION SYSTEM THAT PRIORITIZES SCALE AND SCOPE.

**NIKEID:**  
EVEN BEING A CUSTOMIZATION PLATFORM, NIKE STILL LIMITS THE CUSTOMERS' CHOICES IN ORDER TO CREATE STANDARDIZATION



**DESIRED PRODUCT CHARACTERISTICS**

**CONDITION:**  
ADD VARIETY TO THE FOUNDATIONS OF MASS PRODUCTION, MAINTAINING QUALITY AND LOW COST.

**NIKEID:**  
CONSUMERS CAN CHOOSE BETWEEN A SET OF COLOURS AND FABRICS, FOR A FIX AMOUNT OF 20€



**CUSTOMER ROLE**

**CONDITION:**  
NOT ONLY THE CUSTOMER BUYS, BUT ALSO CHOOSES AND MODIFIES THE PRODUCT.

**NIKEID:**  
THE CONSUMER IS AN ACTIVE PLAYER, EITHER BY CUSTOMIZATION OR BY PROVIDING FEEDBACK (DIRECTLY OR INDIRECTLY)



QUESTION 3 - WHAT CAN NIKE BENEFIT FROM ITS CUSTOMIZATION PLATFORM?



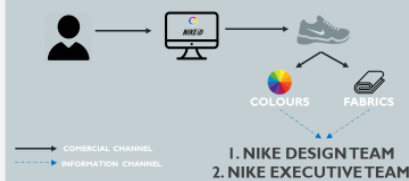
**BRAND LOYALTY**

- NikeiD is a mechanism that enables consumers to be part of the creation process
- Brand loyalty refers to the ability to generate consistent purchases of a product even if the shopper has options of competing alternatives

**NIKEID IS A SOURCE OF BRAND LOYALTY, SINCE IT IS CAPABLE TO DEVELOP CONSTANT AND MEANINGFUL ENGAGEMENT WITH CONSUMERS**

**DATA RELEVANCE**

- The modern business environment is driven by data. The role of data is to empower companies to make decisions based on fact and behaviours.
- Data has become a commodity to companies.





QUESTION 4 - WHAT IS NIKEID COMPETITIVE POSITION IN THE CUSTOMIZATION MARKET?



**STRENGTHS**

- NUMBER ONE ATHLETIC BRAND
- CUSTOMIZATION/INDIVIDUALIZED EXPERIENCE
- CONSUMER DESIGNS WHAT DESIRES
- CONSUMER AS PART OF THE BRAND NETWORK
- ACCESS TO MORE DATA
- BRAND LOYALTY MECHANISM

**WEAKNESSES**

- REDUCED MARGINS
- PRODUCT ERRORS
- RETURNS WITHOUT ALLOCATION
- LEAD TIME

QUESTION 4 - WHAT IS NIKEID COMPETITIVE POSITION IN THE CUSTOMIZATION MARKET?



**OPPORTUNITIES**

- TRACK AND ADAPT TO MARKET TRENDS
- CLOSER RELATION BETWEEN DIGITAL AND STORES
- LEVERAGE NEW TECHNOLOGIES CAPABILITIES

**THREATS**

- COMPETITORS CAN EASILY COPY
- CAN CREATE LOSSES ON BRAND IDENTITY
- MORE COMPANIES TO COMPETE WITH

QUESTION 5 - ANALYSE NIKEID COMPETITIVE LANDSCAPE, BASED ON PRODUCT, SERVICE AND EXPERIENCE.

**5.1. COMPETITIVE ANALYSIS MATRIX**

**1. PRODUCT**

NUMBER OF STYLES  
PREMIUM CUSTOMIZATION  
PRICING

**2. SERVICE**

DELIVERING TIME  
DESIGN GUIDANCE  
ORDER TRACKING  
RETURNS

**3. EXPERIENCE**

PLATFORM  
EXTRA FEATURES

**COMPETITORS**

miadidas

VANS  
*Customs*

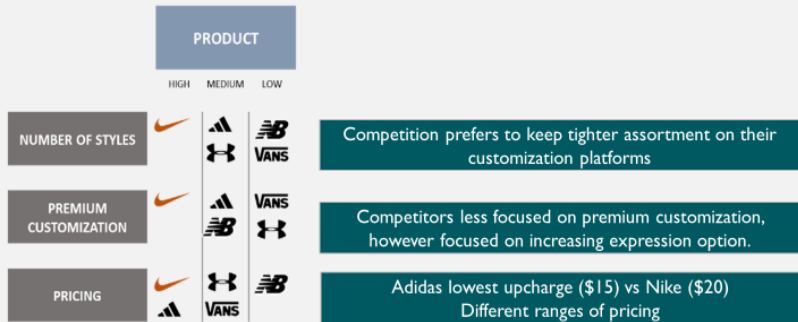


ICON  
CUSTOMIZED

FIGURE 6,7,8 and 9 – NikeiD competitors' logos  
Fonte: Website of the respective companies

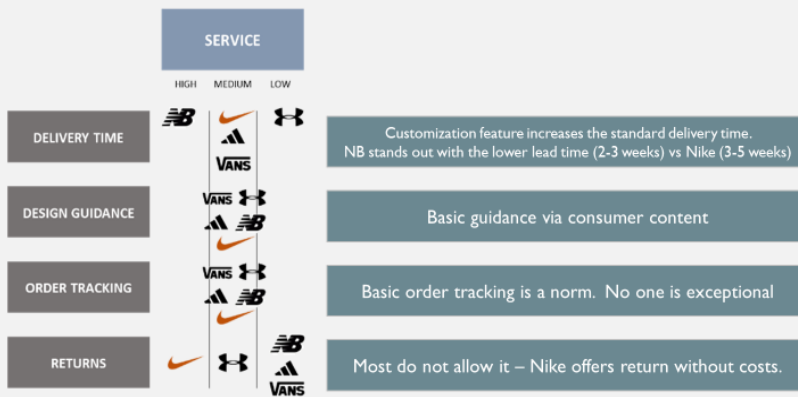
QUESTION 5 - ANALYSE NIKEID COMPETITIVE LANDSCAPE, BASED ON PRODUCT, SERVICE AND EXPERIENCE.

5.1. COMPETITIVE ANALYSIS MATRIX



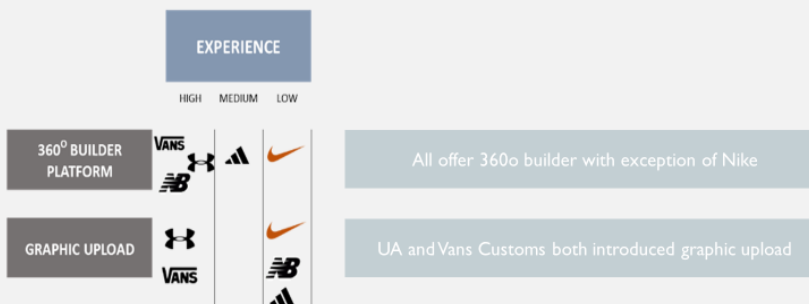
QUESTION 5 - ANALYSE NIKEID COMPETITIVE LANDSCAPE, BASED ON PRODUCT, SERVICE AND EXPERIENCE.

5.1. COMPETITIVE ANALYSIS MATRIX



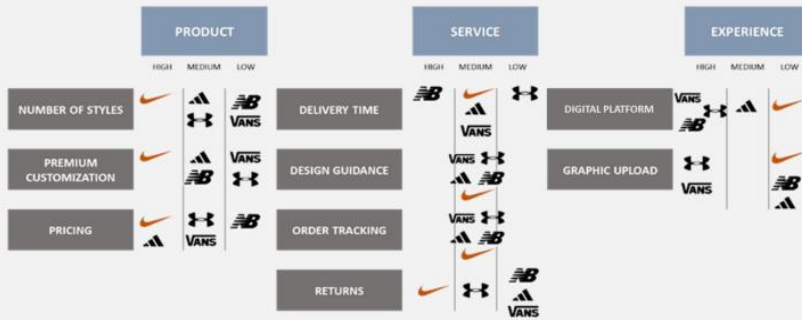
QUESTION 5 - ANALYSE NIKEID COMPETITIVE LANDSCAPE, BASED ON PRODUCT, SERVICE AND EXPERIENCE.

5.1. COMPETITIVE ANALYSIS MATRIX



QUESTION 5 - ANALYSE NIKEID COMPETITIVE LANDSCAPE, BASED ON PRODUCT, SERVICE AND EXPERIENCE.

### 5.1. COMPETITIVE ANALYSIS MATRIX



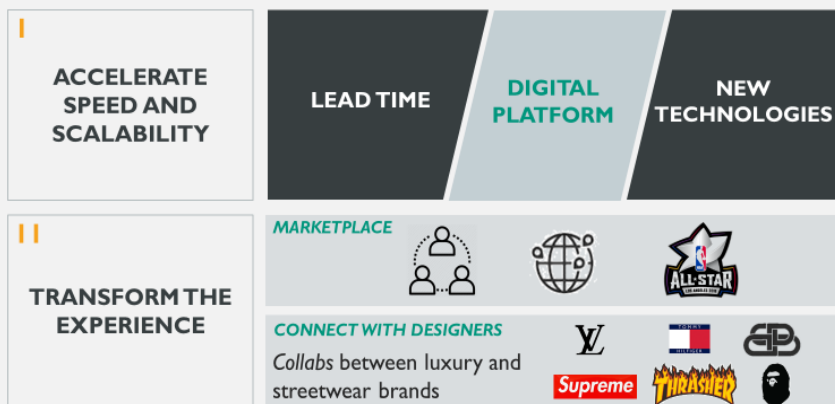
QUESTION 5 - ANALYSE NIKEID COMPETITIVE LANDSCAPE, BASED ON PRODUCT, SERVICE AND EXPERIENCE.

### 5.1. STRATEGIC POSITION



Fonte: Ansof (1957)

QUESTION 6 - WHAT COULD BE THE NEXT STEPS IN THE CUSTOMIZATION MARKET?



## **2.10. Management conclusions to be drawn from the case in question**

20 years have passed since the launch of NikeiD and what had started as an extra service offered by Nike, is now one of the key drivers of Nike's Direct to Consumer strategy. The project kick-off with only one model available, and today, after showing the true potential of it, the platform gives access to more than 25 models to be customized, plus a whole new level of colours and different fabrics to be used.

Nike has been used to set the trends for other companies, and once again with customization. Many were the companies that did not see as early as Nike did, and as we know being the first mover is a factor that remains throughout history. Nowadays, Adidas, the big rival, Under Armour, the new kid, Vans, always loyal to its heritage, and New Balance, are all looking to compete with Nike's customization platform.

Even being a market that is not new, do not be fooled by this, because the next years are expected to be crucial to the market future. Meaning, that even though NikeiD as cemented its position as market leader for the past 20 years, that does not mean they have control over the market. As the analysis shows, competitors are bringing new ways of serving the consumers allowing them to have more freedom in the customization process. As is example Vans and Under Armour, that incorporates graphic upload to its offering. Plus, New Balance guarantees a much faster delivering time, 2 weeks lower than what Nike offers. Both examples illustrate that even being considered the number one destination for customization, there are imminent threats that can make Nike fear for its position.

Although, not only competition can put in risk Nike position. Articles and reports are claiming that this market is expected to witness a drastic change over the next few years due to emerging technologies, that may affect the landscape of the market, as we know today.

Technologies are expected to transform the market, either in the manufacturing process or over the design/user-experience side. Consumers are eager to see how companies will incorporate latest technologic evolutions into their offering, specially into customization. Artificial Intelligence, 3D printing and Virtual Reality are just some of the most common novelties that consumers are hearing about and expect to transform their shopping experience.

Recently, Nike has announced their new innovation – Nike Fit, which is expected to be available by the year of 2020. This software is expected to transform consumers'

shopping experience for footwear. The app is set to measure both feet and assign you the best combination of sizes according to different models.

With this, consumers will have a customize measure for each foot and for each model of Nike shoes, either performance or lifestyle. On the other hand, Nike will assure that consumers are always buying the correct size for them and at the same time increase the commitment towards the brand and reduce the number of returns. This is only one example of a technology that is set to transform the way the market behaves, and once again Nike is on the front lead of innovation.

In conclusion, we can say that NikeiD has been following the right path over dominating the customization market, even if their visible challenges that need to be address. Besides, companies on this market should keep an eye on emergent technologies and try to incorporate them into their offer, always aiming to increase the value added for consumers. Only by keeping innovation as a top investment priority will a company remain at the market.

### 3. Bibliography

- Accettura, S. (2019). *Customizable New Balance 574*. Retrieved May 26, 2019 from Sole Collector: <https://solecollector.com/news/2011/04/customizable-new-balance-574>
- Adom, A., Nyarko, I., & Gladys, S. (2016). Competitor Analysis in Strategic Management: Is it a Worthwhile Managerial Practice in Contemporary Times? *Journal of Resources Development and Management*, pp. 116-127.
- Amed, I., & Berg, A. (2017). *The State of Fashion 2018*. New York City: McKenzie.
- Ansoff, I. (1957). Strategies for Diversification. *Harvard Business Review*, pp. 113-124.
- Babich, N. (2017). *The Difference Between Customization and Personalization*. Retrieved May 8, 2019 from UX Planet: <https://uxplanet.org/the-difference-between-customization-and-personalization-624ddd70b163>
- Bain, M. (2019). *Sole Purpose*. Retrieved May 15, 2019 from Quartz: <https://qz.com/1000737/a-revolution-is-coming-in-the-way-your-sneakers-are-designed-and-manufactured/>
- Business Dictionary*. (2019). Retrieved June 5, 2019 from <http://www.businessdictionary.com/definition/Fordism.html>
- David, F. (2007). Strategic Formulation. In F. David, *Strategic Management: Concepts and Cases* (pp. 161-191). New Jersey: Pearson Education.
- Drucker, P. (1964). *Managing for results : economic tasks and risk-taking decisions*. London: Heinemann.
- Eastman, J., Iyer, R., & Thomas, S. (2013). The Impact of Status Consumption on Shopping Styles: an exploratory look at the millennial generation. *The Marketing Management Journal*, 57-73.
- Fleisher, C., & Bensoussan, B. (2015). *Business and Competitive Analysis*. New Jersey: Paul Boger.
- Frings, G. (2008). *Fashion: From Concept to Consumer, 9th Edition*. London: Pearson.
- Garoia, K. (2018, June 14). *Fashion Is Popular for Mass Customization*. United States of America: eMarketer.
- Hong, P. (2019, August 10). *Linkdex*. Retrieved from Linkdex: AgilOne Research, Linkdex, December 1, 2014, <https://www.linkdex.com/en-us/inked/70-of-consumers-want-more-personalized-shopping-experiences>
- Hu, J. (2013). Evolving Paradigms of Manufacturing: From Mass Production to Mass Customization and Personalization. *Elsevier B.V.*, 3-8.
- Jackson, B. (2019). *Volkswagen Moves to Mass Customization*. Retrieved from 3D Printing Industry: <https://3dprintingindustry.com/news/volkswagen-moves-to-mass-customization-aims-for-over-100000-3d-printed-units-per-year-139604/>
- Kim, S., & Lee, Y. (2006). Global online marketplace: a cross-cultural comparison of website quality. *International Journal of Consumer Studies*, 533-543.

- Koren, Y., Heisel, U., Jovane, F., Moriwaki, T., Pritschow, G., Ulsoy, G., & Van Brüssel, H. (1999). Reconfigurable Manufacturing Systems. *CIRP Annals*, 527-540.
- Lane, D. (2003). The Family Portfolio Matrix: Expanding the BCG Concept. *Academy of Marketing Conference* (p. The Family Portfolio Matrix: Expanding the BCG Concept). ASTON: ACADEMY OF MARKETING.
- Lee, H., & Tang, C. (1997). Modelling the Costs and Benefits of Delayed Product Differentiation. *Management Science*, 40-53.
- Lella, A. (2017). *2017 U.S. Cross-Platform Future in Focus*. Reston: Comscore. Retrieved May 30, 2019 from Comscore: <https://www.comscore.com/Insights/Blog/Mobile-Matures-as-the-Cross-Platform-Era-Emerges>
- Miadidas. (2019). Retrieved July , 2019 from Adidas: <https://www.adidas.com/com/apps/customise/>
- Nazir, S. (2019). *Why luxury retailers are tapping into streetwear*. Retrieved February 15, 2019, from Retail Gazette: <https://www.retailgazette.co.uk/blog/2019/01/why-luxury-retailers-are-tapping-into-streetwear/>
- NB 1. (2019), New Balance Customs Website. Retrieved July 3, 2019 from New Balance: <https://www.newbalance.com/nb1/explore/>
- Nenni, M., Giustiniano, L., & Pirolo, L. (2013). Demand Forecasting in the Fashion Industry: A Review. *International Journal of Engeneering Business Management*, 1-6.
- Nike. (2017). *Nike Consumer Direct Offense*. Retrieved June 15, 2019, from Nike News: <https://news.nike.com/news/nike-consumer-direct-offense>
- Nike. (2018). *Nike Inc Reports Fiscal 2018 Fourth Quarter and Full Year Results*. Retrieved June 28, 2019, from Nike News: <https://news.nike.com/news/nike-inc-reports-fiscal-2018-fourth-quarter-and-full-year-results>
- Nike By You Website*. (2019). Retrieved June 14, 2019, from <https://www.nike.com/pt/nike-by-you>
- Piller, F., & Lindgens, E. (2012). Mass Customization at Adidas: Three Strategic Capabilities to Implement Mass Customization. *SSRN Electronic Journal*, 1-22.
- Pine II, J., Boynton, A., & Victor, B. (1993). Making Mass Customization Work. *Harvard Business Review*, pp. 3-11.
- Prahalad, C., & Ramaswamy, V. (2000). Co-Opting Customer Competence. *Harvard business review*.
- Radder, L., & Low, L. (1999). Mass customization and mass production. *The TQM Magazine*, pp. 35-40.
- Ramaswamy, V. (2009). Co-creation of value — towards an expanded paradigm of value creation. *Marketing Review St. Gallen* , pp. 11-17.
- Reveel. (2015). *How “The Amazon Effect” and Customer Behavior are Changing the Parcel Landscape*. Retrieved from Reveel:

<https://www.reveelgroup.com/amazon-effect-changing-customer-behavior-changing-parcel-landscape/>

Schade, A. (2016). *NNGroup*. Retrieved from NNGroup Articles: <https://www.nngroup.com/articles/customization-personalization/>

Sprott, D., Spangenberg, E., & Czellar, S. (2009, June). Core. *Journal of Marketing Research* , 92-104. Retrieved from Core.

U.S. Bureau of Labor Statistics. (2019). *United States Department of Labor*. Retrieved August 1, 2019 from Bureau of Labor Statistics : [https://www.bls.gov/oes/current/naics4\\_316200.htm](https://www.bls.gov/oes/current/naics4_316200.htm)

*UA ICON: Customized Gear*. (2019). Retrieved July e, 2019, from UA ICON: <https://www.underarmour.com/en-us/ua-icon-customized-gear/g/33zz>

*Vans Customs*. (2019). Retrieved July 3, 2019 from Vans: <https://www.vans.com/custom-shoes.html>

Zaborek, P., & Mazur, J. (2014, October). Validating DART Model. *International Journal of Management and Economics* , pp. 106-125.