

**Paper Information**

*Topic:* Comparison Supply Chain Management Practices of Nike & Adidas

*Paper Type:* Case Study

*Word Count:* (700)

*Pages:* 3

*Referencing Style:* Harvard Style

*Educational Level:* Under Graduate

**Case Study: Supply Chain Management Practices of Nike & Adidas**

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## Comparison Supply Chain Management Practices of Nike & Adidas

### Introduction

Supply management is a comprehensive operation that's significant to business success and it is also has responsibility of fulfilment the high quality, efficient costs, continuous innovation and fast delivery throughout the whole supply chains management of a company (Angela and Jane, 2011). The aim of this study is to compare and evaluate the management of supply chain practices in Nike & Adidas.

### Firms' Profile

Nike Inc. is the internationally important marketer and designer of authentic athletic footwear, equipment, apparel and accessories for an extensive sports and fitness activities variety (Hossein, 2010).

Adidas is a leading manufacturer of sports equipment and sportswear, contribution its commodities principally through extensive brands in global market. The Adidas group headquarters in Herzogenaurach, Germany, and employ approximately 27000 people (Edwin and Tsan-Ming, 2010).

### Flow Management of Manufacturing

The worldwide sports shoe manufacturing is represented by the large scale vertical functions disintegration and subcontracting activity in the high levels (Rugman, 2005).

### **Procurement Strategy Related To Outsourcing**

Production capabilities of Nike & Adidas are functioned by the economic state related to the emerging markets; as countries prosper, there is a requirement to identify low cost and new market opportunities (Sadler, 2007).

### **Lean Manufacturing Principles & Lead Time Reduction**

Lean approaches of manufacturing leave the both companies more vulnerable to prospective stock outs and there is improved dependence upon other elements of supply chain management in sync and without interruption (Joris, 2010).

### **Nike Approach**

Nike employs numerous subcontracting activities that let the firm:

- A Flexible “Demand-Driven Production System”
- “A High Degree of Flexibility in Dynamic and Fluid Markets”

- To Shift Production between Factories and Countries; Opening Plants and Signing Contracts That Potentially Only Last a Year and it (Magnus, 2005).

### **Adidas Approach**

- Adidas' operations were traditional batch and queue, and stored in warehouses until the order was processed.
- As part of its overhaul of its supply chain, Adidas sought to significantly reduce footwear lead times by introducing lean manufacturing principles across its supplier network (Hossein, 2010).

### **Centralisation & 3rd Party Logistics Specialisation**

#### **Nike Approach**

Nike's key supply chain strategy is through achieving up-to-date shipment data that can be used to make the supply chain more efficient, with transit time being the deciding factor over other considerations (Magnus, 2005).

#### **Adidas Approach**

Traditionally Adidas has operated in a decentralized manner, with separate operating units independently choosing software that suited their internal preferences and geography.

## **Supplier Relationship Management**

### **Nike Approach**

Nike's strategies for alliance involve seeding Nike expatriate technicians into factories producing Nike footwear to function as a liaison between head office and R&D to ensure smooth product development processes and maintain product control (Joris, 2010).

### **Adidas Approach**

Adidas' current approach to supplier relationship management is consolidation; in 2009 it reduced the manufacturing base by over 25% with a medium term goal of reducing the supplier base by 40% (Edwin and Tsan-Ming, 2010).

## **Demand Management**

### **Order Fulfilment and Forecasting**

Nike's forecasting is largely based on its 'Futures' program, where retailers must order up to 80% of their merchandise inventory 6 months in advance in order to get substantial discounts and guaranteed delivery times.

Adidas' recently launched 'World Class Supply Chain' initiative appears to be moving away from a forecast-based supply chain to a demand-driven supply chain.

## Conclusion

Based on the above performance measures, Nike's tightly controlled, centralized supply chain management practices appear to have the advantage over Adidas; in fact, Nike was recognized as being one of the top 25 companies that exhibit superior supply chain capabilities and performance.

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