

## Nike's DTC Distribution Strategy

School of Business, Technology, and Health Care Administration, Capella University

BUS-FPX3022: Assessment 1

Fundamentals of Supply Chain Management

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## Introduction

The supply chain serves as the backbone of organizations, encompassing a complex network of interactions between various entities to support operational and strategic goals. Supply chain management involves coordinating and aligning processes to facilitate the flow of resources and efficient product delivery. Direct-to-consumer (DTC) distribution has emerged as a popular strategy, enabling companies to connect directly with their target customers and eliminate intermediaries, thereby enhancing sales and profitability. This article examines Nike's adoption of the DTC distribution strategy, its advantages and disadvantages, and offers recommendations for improvement.

## Direct-to-Consumer (DTC) Distribution

Distribution is a key function within supply chain management, focusing on delivering goods and services to consumers. The DTC method reduces reliance on intermediaries and enables businesses to establish a direct link with customers, both in physical retail spaces and online stores. By eliminating intermediaries, companies like Nike create a more engaging and fulfilling retail environment for customers, enhancing their shopping experience.

## Advantages and Disadvantages of DTC: The Case of Nike

Nike implemented the DTC distribution strategy, referred to as Consumer Direct Offense, in 2017 to enhance its market presence, strengthen customer relationships, and innovate its

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supply chain. DTC offers businesses an expanded market reach, while customers benefit from increased product selection and options. For Nike, DTC aligns with the company's goal of digital prowess, scaling product platforms, and improving speed-to-market capabilities. Additionally, DTC allows Nike to streamline its retail activities, build brand equity, and maintain control over its promotional strategy.

However, the DTC distribution strategy presents challenges for intermediaries, such as wholesalers, who are eliminated from the supply chain. Nike may also face cyber risks associated with online channels and the need to establish its distribution fleet, leading to logistical challenges in terms of fulfillment speed, delivery cost, and transparency. Moreover, DTC reduces customers' opportunity to compare products across different retail platforms or channels, limiting their ability to make informed choices.

### **DTC and Customer Satisfaction**

A successful DTC channel enables Nike to provide a seamless shopping experience, leading to customer satisfaction. An omnichannel DTC approach allows customers to choose the retail channel that best suits their needs. Direct distribution through digital channels also provides valuable customer data, allowing Nike to gain insights into demographics, influences, motivators, and shopping patterns. This data-driven approach facilitates the transformation of the retail experience into a customer-centric shopping environment, ultimately enhancing customer

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satisfaction. Furthermore, DTC distribution provides inventory visibility, keeping customers informed about product availability and location.

### **Recommendations for Improving DTC Strategies**

To enhance Nike's DTC distribution channels, the company should invest in expanding its online retail or eCommerce site, allowing for direct collection of customer data to address consumer concerns. Leveraging data analytics will provide Nike with deeper insights into consumer needs, brand experience control, and differentiation. Establishing a feedback cycle based on data analytics will enable Nike to be more responsive to customer requirements. Additionally, Nike must align its distribution objectives with its corporate mission, vision, and goals to further strengthen its brand equity.

### **DTC Recommendation for Adidas**

Adidas, a direct competitor of Nike, should also consider innovating its distribution strategies through DTC. Utilizing eCommerce capabilities alongside physical stores will allow Adidas to leverage its DTC approach and provide a seamless value proposition. Adopting an omnichannel distribution strategy will further enhance Adidas' competitive position. Additionally, investing in reliable and transparent fulfillment strategies will ensure timely delivery and contribute to an exceptional shopping experience, as efficient distribution and logistics are increasingly vital to successful businesses.

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## Conclusion

Distribution plays a pivotal role in the movement of goods within the supply chain, encompassing various activities that facilitate the transfer of products from one point to another. In the downstream portion of the supply chain, distribution serves as the vital link connecting manufacturers with their clients and retailers with end customers. Effective distribution strategies and activities are crucial for ensuring the profitability of businesses as they enable the efficient flow of goods from the business to the consumers. This article examines the implementation of Nike's direct-to-consumer (DTC) distribution strategy, which has proven to be highly advantageous for the company, despite posing certain challenges for intermediaries and the company itself. Furthermore, based on these strengths, the article recommends that Adidas also adopts DTC as part of its distribution strategy to enhance its competitive market position. Both Nike and Adidas recognize the significance of DTC in achieving customer satisfaction, ultimately leading to successful business outcomes.

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