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Great job!

Diagnosing Strategic Powers and Developing Data Analysis and Visualization Skills with AI

AEM 5550 - Assignment 1, 2025-11-06

I've added some comments be

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1. Industry and Brand Selection in Athletic and Lifestyle Apparel

Our group chose the Athletic and Lifestyle Apparel industry due to its being one of the most competitive industries, where the combination of innovation, consumer engagement, and branding are necessary for long-term success. The athletic sector merges lifestyle, fashion, and performance technology, which makes it diverse enough to critically analyze how companies maintain strategic advantages using Hamilton Helmer's 7 Powers Framework.

We chose *Nike as our focal brand* due to its global recognition as the definitive leader, strong brand equity, extensive global footprint, and ongoing investment in a digital ecosystem, along with a direct-to-consumer strategy. For our comparison, *we focused on Adidas and Lululemon as Nike's main competitors*. While all operate in the athletic market, each takes slightly different approaches. Nike's strong powers lie in branding and scale, while Lululemon offers counter-positioning and a strangely strong switching costs for a clothing brand. Finally, Adidas focuses on brand recognition and is pushing for a better network economy.

2. Nike

2.1 Scale Economies [1]

Nike has a global scale, which gives it major cost and efficiency advantages over its competitors. Nike has a low production cost as it can negotiate with suppliers contracts and spread its fixed costs across billions of sales due to the amount of high volume it produces. In 2024, Nike reported having \$51.4 billion in total revenue. This shows how big Nike's reach is and how it stays very profitable through both direct-to-consumer and wholesale channels. As Nike has a big scale, it allows the company to invest a lot in innovation and global marketing to increase profits. This gives Nike a competitive advantage against its rivals like Adidas and Lululemon who have a hard time matching Nike.

2.1 Network Economies

Nike has built a really strong network and community through its digital ecosystem and membership platforms. Through Nike apps like Run Club and Training Club, millions of users track workouts together across the world, and engage with the brand content (most importantly online shopping). People interacting through their Nike bubble, feeling a part of a community through matching apparel, might invite their friends, and thus the more data is collected. This helps to personalize the experience for customers and also strengthens customer relationships as you are providing a more personalized experience for them, creating a cycle that enforces Nike's market leadership and depth of consumer integration.

2.3 Counter-Positioning [2-4]

Nike shows counter-positioning by changing how it was selling its products. Nike used to rely only on wholesale retailers like Footlocker to sell its products. Now the company has shifted to the "Nike Direct strategy," a more direct-to-consumer model selling through Nike stores, websites, and apps. This helps build a stronger relationship and more far reaching ecosystem, where Nike is able to collect concrete data about customers' preferences without splitting profits with retailers. As a side effect, this strengthens brand loyalty through the personalized digital experiences they offer to their customers.

Adidas and Lululemon, Nike's competitors, have also expanded on their DTC channel; however, not as much as Nike, and their revenue source still depends heavily on wholesale distribution. For example, about 59% of Adidas's sales based on 2023 and 2024 data. This is why they can't fully adopt Nike's model by moving more and more to DTC, as they rely on their

-2 citations are included in a rather unusual way. preference is to list a citation in text

long-term relationships with their retailers, and shifting completely to DTC will hurt their relationships. Due to Nike's early shift to DTC, it shows how counter-positioning can allow a company to lead an industry while others remain in more traditional business models.

2.4 Switching Costs

Nike creates switching costs through having a strong ecosystem that prevents customers from leaving through memberships such as SNKRS, Nike App, and the run club. These all combine shopping with rewards and tracking personal performance. Nike gives customers exclusive access to new releases and member discounts in exchange for their time. As a user collects more rewards and personalised settings, moving to a different brand means losing all these personalized benefits. Starting over is the psychological and behavioural cost of switching.

2.5 Branding [5] Quite comprehensive

Branding is one of Nike's strongest powers. The company has managed to build a global image all around performance, innovation, and inspiration through its iconic "Just Do It" slogan and the recognizable Swoosh logo. Nike has done many partnerships with major athletes to help grow its brand image and increase its revenue stream. Through athletes like Michael Jordan, LeBron James, Serena Williams, and many more, it has created emotional ties that go further than the product itself. If we look at the Air Jordan line, it transformed a basketball shoe into a global lifestyle symbol. The Michael Jordan Sponsorship was one that really strengthened Nike's identity as a brand because of how it connected sports, culture, and self-expression.

Due to Nike's really strong brand image, it has become the most valuable apparel brand in the world. The brand value is estimated to be around \$31 billion with an AAA+ brand strength rating. As it has such a strong brand reputation, they have pricing power, consumer trust, and cultural relevance that make it difficult for rivals to match.

2.6 Cornered Resource [6]

Nike's cornered resources stem from their exclusive access to athletes, partnerships, and intellectual property that make it difficult for competitors to replicate. An example is the Air Jordan brand, a collaboration between Michael Jordan and Nike. This transformed into a multi-billion-dollar sub-brand for Nike, which still thrives today. These partnerships that Nike has with athletes bring a lot of exclusivity to the brand; this keeps it in a very strong position in the sports and lifestyle markets.

Beyond athlete partnerships, Nike also has patents and proprietary technologies, Flyknit, and Nike Air that set its products apart from its competitors and also improve product performance. These technologies Nike has built on years of research and testing at the Nike Sports Research Lab.

2.7 Process Power

nice job!

Nike has gained its competitive edge through years of enhancing its product development, supply chain, and operational systems, making it challenging for rivals to keep up. The firm has built a significant depth of internal knowledge in design, sourcing, and managing manufacturing processes, enabling it to develop new products quickly and easily. Its global network of factories and distribution centers operates efficiently with strong partners and advanced systems for planning products across 190 countries.

This strength comes from the Nike Sport Research Lab, where it applies the data and material testing to always improve product performance. Innovations that are made in this lab

are directly integrated into Nike's design and production processes. This is difficult for rivals to replicate due to products always being refined, which gives Nike lasting operational advantages in cost control, product quality, and speed to market.

3. Adidas

3.1 Scale Economies [7-9]

Adidas uses a mix of multiple manufacturing locations for high-throughput, recently moving to Asian supplier lines in 2019. Adidas then promised to "continue to develop, improve and test manufacturing processes in Germany" as it had been before [7], but needs to scale its production.

While Adidas is in physical retail stores by 80% of their sales (59% wholesale and 21% their stores), they have a presence on the internet through Amazon and the adiClub among others to reach customers anywhere. Europe and the US lead as customers, but there is a non-negligible spread across the globe.

3.2 Network Economies [8, 10, 11]

Due to the sheer size of the company, Adidas naturally has the resources to gather data of its users. Unlike an app, one cannot put trackers on clothes directly, so there will always be such a limitation to data collection. AdiClub's growing membership of participants in 50+ countries creates a data/engagement loop, allowing Adidas to target their products to people similar to their existing customers.

There is a "hype" mentality woven into adidas Running/Training app called Runtastic that lets activity points feed membership status, reinforcing repeat participation or daily engagement beyond purchases. This app is for Adidas to claim "rewarding our consumers for their sports activities" [10]. This is also true with the "CONFIRMED" method where Adidas claims to have "developed a series of complex mechanics, so real people can access the drops they want" [11].

be careful with

3.3 Counter-Positioning [12]

Though quite large, Adidas as a clothing brand cannot make a specific ecosystem as well as another more exclusively integrated product such as computers. For instance, one can wear a Nike hat with an Adidas shirt, but one cannot put the incorrect year memory in a brand new computer. At some point, Adidas owned Reebok, but sold it off in 2022 [12]. This was most likely since Reebok shoes were not generating enough revenue and were competing in a different market, mostly limited to shoes.

Membership-gated exclusive drops they offer on the app are one of the attempts to take hold of counter positioning but there is no solid way to make it very truly exclusive.

3.4 Switching Costs [13-15]

Much like Counter-Positioning, suddenly buying from a competitor is unavoidable for Adidas as their customers are probably likely to buy from more than one sports attire company. AdiClub tiers, points, and vouchers tie benefits to a user, attempting but not enforcing the hope to keep their attention there and not on other apps or rewards programs. This is the same with the aforementioned CONFIRMED program, where eligibility and history-based access intend to paint the cost of switching away as a cost of spent time. As of November 1st of 2025, "a premium membership costs \$9.99 a month while a yearly subscription is priced at \$49.99," presumably so that users who have spent money have a reason to come back to take advantage of what they paid for. In the app, there is also a leaderboard section for running, but one can probably participate in multiple brand's apps for such a feature [15].

3.5 Branding [16-19]

Adidas has many dedicated fans, but some highlights of fame are the Gopnik subculture and FIFA world cup partnerships. The Gopnik subculture is a Slavic identity that identifies with the brand. One search of the term “Gopnik” provides plenty of images of individuals sporting Adidas branded clothing, especially an Adidas tracksuit. Similarly, decades of FIFA World Cup official match balls reinforce authenticity in the world’s biggest sport, refreshing brand memory every four years when countries compete on a global scale [18][19]. These are two of many subcultures that identify Adidas with either identity or nostalgia, powerful brand loyalties.

3.6 Cornered Resource [20-22]

Adidas produces cornered resources when their products age or are used by famous collaborators. Long-standing exclusive FIFA official match ball rights are often sold as collectibles, since they are a limited edition product used by famous world-class athletes. While Adidas profits from this limited resource contributing to improving their brand identity, they also have the exclusive rights to sell similarly colored and decaled balls for the general public en masse. Throughout the years they have also had countless collaborations with artists, athletes, or influencers to sell products with their logo or mark on them at a higher price to consumers. This is fairly typical manner of generating cornered resources, along with Adidas’ patents and trade secrets. One of which is the BOOST midsole material, developed by “the adidas Innovation Team (AIT) and German chemists, BASF” [21]. This claims to provide differentiated energy return to athletes, and is something only Adidas has the ability to provide customers.

3.7 Process Power [7, 23-24]

As a global brand with strong scaling economies. Ever since the Speedfactory automation deal to shift manufacture overseas, adidas has shortened their concept-to-market cycles. Amortizing over €23–24M in revenue in 2024 also helps fuel this scale through liquid cash. Continuous direct to consumer (DTC) processes also help this delivery cycle through membership personalization data, which is useful to remove some uncertainty from the concept-to-market cycles. This is an efficient feedback loop built on network economics to help product quality compound over time without sacrificing much time.

4. Lululemon

4.1 Scale Economies [25, 26]

Lululemon's scale is not primarily in manufacturing volume like Nike or Adidas, but in its vertical retail presence and product focus. Their economies of scale are evident in their controlled distribution. By operating a large network of company-owned stores (over 650 globally and a DTC e-commerce channel, they achieve significant margins on their premium products. This DTC model avoids wholesale markdowns and allows them to capture full profit. Furthermore, their scale in purchasing high-quality, technical fabrics like Luon and Nulu for a concentrated product line gives them bargaining power with specialized suppliers.

Unlike Nike, which leverages massive scale in global manufacturing, Lululemon's scale is more about brand control and premium retail experience. This is a different type of scale economy that supports their high-margin strategy.

4.2 Network Economies [27, 28]

Lululemon has cultivated a powerful community network effect, which is more qualitative than the digital platform effects seen in tech companies. Their in-store events, sweat classes, and ambassador programs (like the "Sweat Collective" for fitness influencers) create a strong

local community around the brand. As more influential instructors and dedicated yogis/athletes join, the brand's perceived value and desirability increase within that social circle. The "Scarcity" and "It-item" status of their aligns (leggings) can also create a social proof network effect.

This network is arguably less powerful and scalable than a pure digital network (like a social media platform) and is more susceptible to local competition.

4.3 Counter-Positioning [29,30]

Lululemon's initial counter-positioning was against traditional, performance-focused athletic brands like Nike and Adidas by elevating athletic apparel to high-fashion, technical streetwear. They created a "studio-to-street" category. While Nike focused on elite athletes and performance innovation, Lululemon targeted everyday, affluent consumers (primarily women) seeking both technical functionality and aesthetic appeal for lifestyle use. The incumbents were slow to respond because their massive investments were in sports marketing and broad distribution, not in the specialized, community-oriented retail experience Lululemon built. This power may be eroding as Nike (with its Yoga collection) and Adidas have since developed their own premium technical apparel lines, and new competitors like Alo Yoga have emerged.

4.4 Switching Costs [31,32]

Lululemon creates high switching costs through product-specific feel and brand loyalty. Once a customer invests in Lululemon's high-priced leggings and becomes accustomed to the specific fit, feel, and durability like wearing the "Nulu" fabric, switching to a competitor involves a risk of dissatisfaction. Furthermore, their integrated ecosystem increases emotional and practical switching costs. Note that these are not contractual or technical switching costs like in software; they are primarily psychological and experience-based.

4.5 Branding [33]

This is one of Lululemon's strongest powers. The Lululemon brand is synonymous with premium quality, innovation, and an aspirational lifestyle. They command a significant price premium (e.g., leggings priced at \$98–\$128 vs. \$30–\$70 for many competitors) that is justified by perceived superior quality, fit, and style. Their branding is built on a foundation of technical fabric innovation (e.g., Wunder Under, Align), a minimalist aesthetic, and a strong association with wellness and mindfulness. The brand itself is a key cornered resource.

4.6 Cornered Resource [34, 35]

Lululemon's cornered resources include proprietary fabrics such as patented materials like Nulu and Luxtreme. These fabrics are the result of significant R&D and are legally protected. Another are their highly trained store staff and network of local fitness ambassadors that competitors struggle to replicate at scale. This team drives the authentic community feel that the Lululemon Lab creates, in their dedicated design and innovation hub for creating limited-run, technically advanced apparel.

4.7 Process Power [36,37]

Lululemon's key process power lies in its integrated vertical retail model and its "guest-centric" supply chain. Their ability to manage inventory tightly, respond quickly to sales data from their owned channels, and avoid the discounting cycle common in wholesale is a superior process. They have developed a sophisticated process for "omni-guest" experience, seamlessly blending online and offline interactions. Additionally, their process for identifying and onboarding fitness ambassadors is an ingrained, repeatable system that fuels their marketing.

This is more nuanced and embedded in their culture compared to Nike's highly automated, global logistics process.

5. Comparative Discussion Across Brands

good table and comparative analysis:

7 Powers	Nike %	Adidas %	LuluLemon %
Scale Economies	20	15	8
Network Economies	20	13	13
Counter-Positioning	2	10	10
Switching Costs	3	3	18
Branding	30	30	24
Cornered Resource	15	13	17
Process Power	10	16	10
	100	100	100

Nike relies most on branding (30%), scale economies (20%), and network economies (20%). Its brand equity grows with Michael Jordan, Serena Williams, and slogans such as “Just Do It,” (2.5). Scale efficiencies stem from \$51.4 billion in revenue and supplier leverage (2.1), while network strength comes from its apps (Run Club, Training Club, and SNKRS) which form a global ecosystem that encourages engagement and data collection (2.2).

Adidas balances power across branding (30%), process power (16%), and scale (15%). Its brand loyalty is tied to cultural symbols like the Gopnik tracksuit identity or their FIFA World Cup partnership (3.5). Manufacturing automation through the Speedfactory deal demonstrates good process and resource planning, although not as large scale as Nike (3.6 and 3.7).

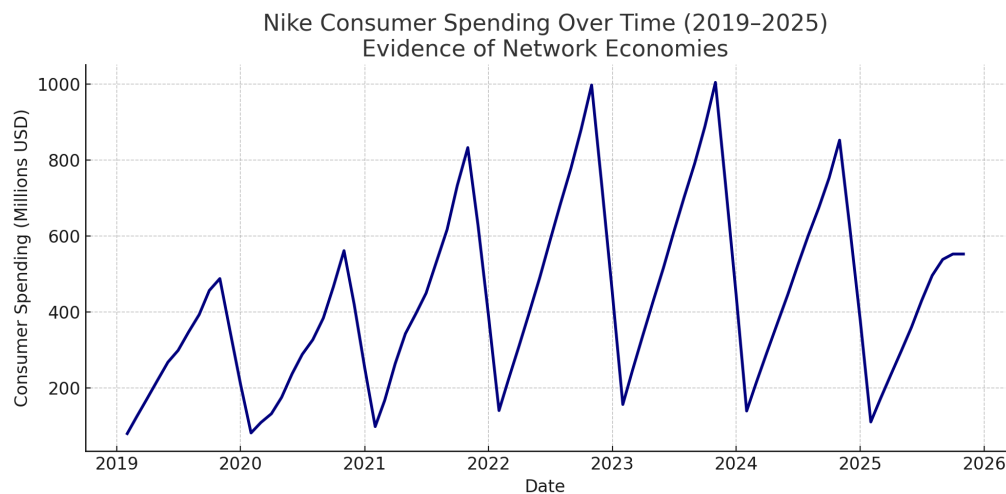
Lululemon emphasizes switching costs (18%), branding (24%), and cornered resources (17%). Its customers are loyal to patented fabrics such as Nulu and Luxtreme and the “studio-to-street” fashion positioning that enables it to do so in a manner that customers might not know how to choose from Nike versus Adidas (4.3–4.6). The Sweat Collective and in-store classes strengthen psychological switching costs and build a larger network as a byproduct (4.2).

5. Individual Visualization - Nike Consumer Spending Over Time (2019–2023): Evidence of Branding Power

Power Supported: Network economics

Data Source: Consumer Edge Credit Card Data, 2019-2025

20/25



-2 There is some unstated smoothing that you are doing while you are graphing this. You need to

The graph shows the total consumer spending of Nike between 2019 and 2025. Even though the spending fluctuates throughout the months, with the sharp peaks during major holiday months, for example at the end of the year around December there is a huge peak due to the Christmas season, the overall trajectory rises steadily over the five-year period. The fluctuations mirror the rhythm of Nike's digital and retail calendar: a lot more activity during November to December, back-to-school months, and when new collection releases and then predictable slowdown afterwards. The repeated pattern shown on the graph shows how Nike effectively activates its digital ecosystem side through; Nike App, SNKRS, Run Club and the Training Club to stipulate engagement and sales to attract more users to then increase spending which increases its overall revenue.

-1 It is not upward trend post 2024 so the argument is weaker because of th

The upward trend in the total spending likely reflects that more and more consumers are interacting within Nike's digital platforms and the consumers who have already been using it are more active. Each new user contributes behavioural data that helps Nike personalize recommendations, and target promotions more precisely. These improvements Nike does to increase the amount of users so more precise data enhances the user experience, which then attracts even more participants, which creates a positive feedback loop between the user growth and engagement quality. Over-time this becomes a self-sustaining cycle where the value of the network increases with sales which is the biggest feature in network economies.

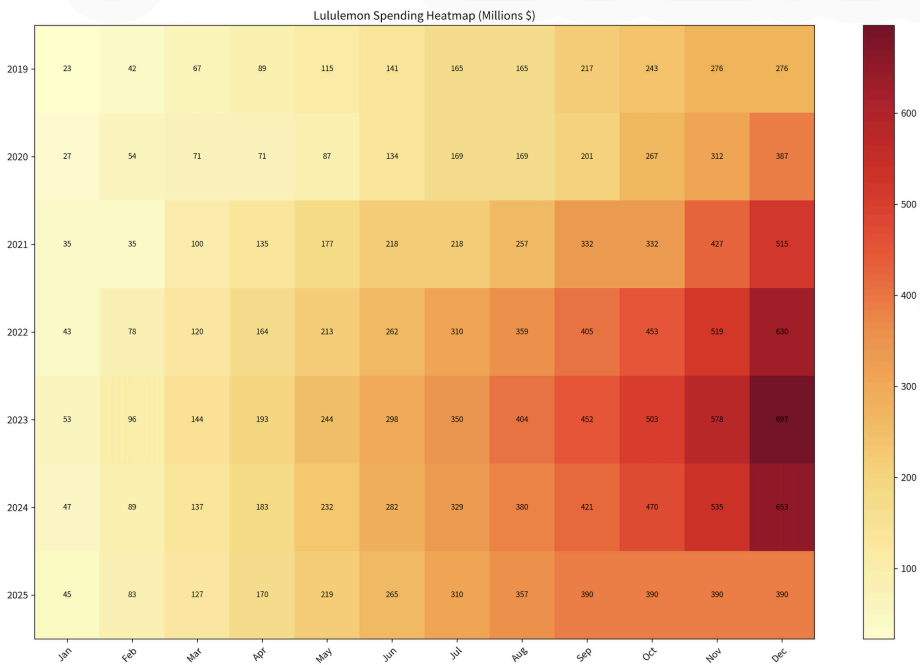
-1 your analysis should be directly or indirectly connected with your memo's analysis and the 7-pc

-1 Overall, it is an intriguing perspective, but the analysis is extrapolating too much and it is unlikely to be

6. Individual Visualization - Lululemon Spending Heatmap 2019-2025

Power Supported: Process Power

Data Source: Consumer Edge Credit Card Data, 2019-2025



+1 nice creative graph and good

-1 Relatively small points: (1) To

This chart is a heatmap visualizing Lululemon's monthly spending in millions of U.S. dollars from 2019 through 2025. The color scale is intuitive: cooler yellows indicate lower spending, while warmer oranges and reds represent higher amounts. This format makes it easy to identify major patterns and shifts in the company's financial activity over the seven-year period.

Good analysis!

A strong seasonal rhythm is immediately apparent. Each year, spending begins at a lower level in the 1st and 2nd quarters (Jan-Jun), builds throughout the 3rd quarter (Jul-Sep), and peaks dramatically in the fourth quarter (Oct-Dec) to capitalize on the holiday season. Furthermore, a clear trend of expansion is visible from 2019 to 2023, as the colors for each successive year intensify, reflecting significant business growth. A strategic shift seems to begin in 2024, where spending appears to cool relative to 2023, suggesting a new focus on cost management. However, it is important to note that 2025 has not yet concluded. The data for the final months of 2025 may be projections or incomplete, and the apparent flatline in Q4 spending should not be interpreted as a definitive break from the seasonal pattern until the full year's data is available.

In summary, while the heatmap clearly shows a history of seasonal growth followed by a recent trend toward fiscal discipline, conclusions regarding the full trajectory of 2025 require the complete year's results.

-2 please do due diligence. these numbers do not align with my at

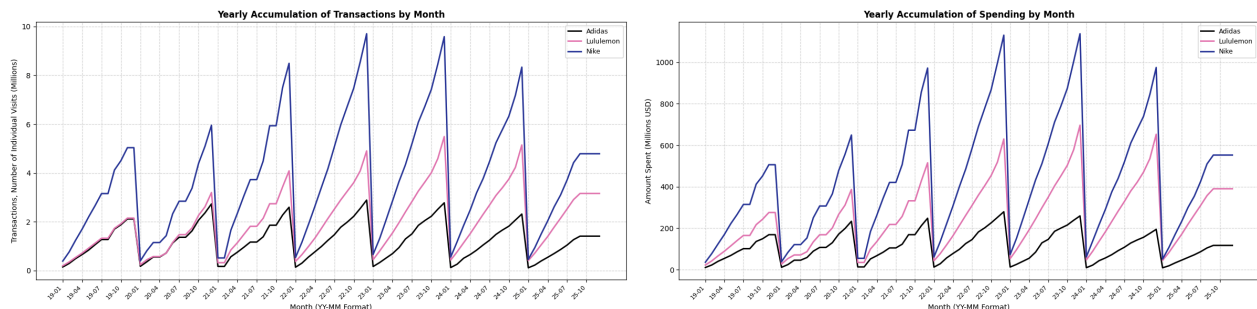
-1: how does this analysis connect with the 7-po

7. Individual Visualization - Comparison of Consumer Interactions to their Spending

Power Supported: Network Economics

21/25

Data Source: Consumer Edge Credit Card Data, 2019-2025



As seen in the previous visualizations of Nike and Lululemon, spending habits have grown from 2019 to the beginning of 2024 but have since decreased during 2024. There is no conclusive evidence to predict what 2025 will model, but the rate of transaction increases in the past few months seems to mirror that of October 2020 most closely.

What *can* be concluded from these trends is that the US economy in this industry is reflected in all three companies (Nike, Lululemon, and Adidas) in the sense that there is no year where one company has vastly different patterns in relation to their previous year for that own company. All three seem to observe an increase in both sales and transactions at the same times, and interestingly enough they also appear to have more predictable sales from 2022 onwards where there are less jumps in the graphs.

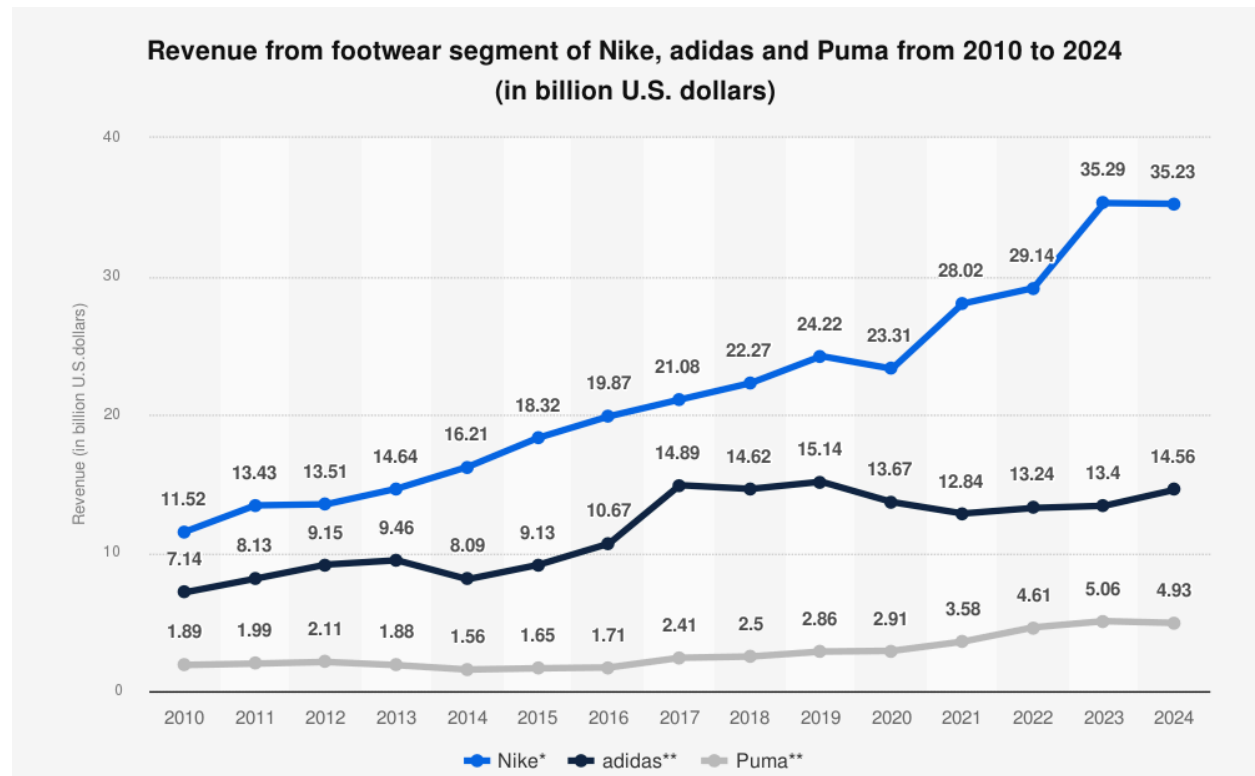
For example, it is clear that towards the end of 2019 and during the peak of COVID-19, the spending and the transactions were all low. This was very clear, as all companies had their lowest amount of both sales and visitors from the year 2019.

In addition to being able to see a reflection of the industry, one can also find a direct relation in how more store visits results in a higher amount spent in the stores. Maybe one does not buy something huge, but if they frequent a store, they may bring in a friend or family member that may spend some money while they are there, spreading this awareness further than just their current customers.

-3 Similar to my comments to Romie, this visualization does not pass the sniff test, something feels off

-1 connection to your conclusions from memo on 7 powers

Extra Credit Tidbits



A data collection on Nike and Adidas shows a curious trend where, even though Nike's sales are more than twice that of Adidas, Nike's revenue is NOT more than twice of adidas up until 2021 [38].

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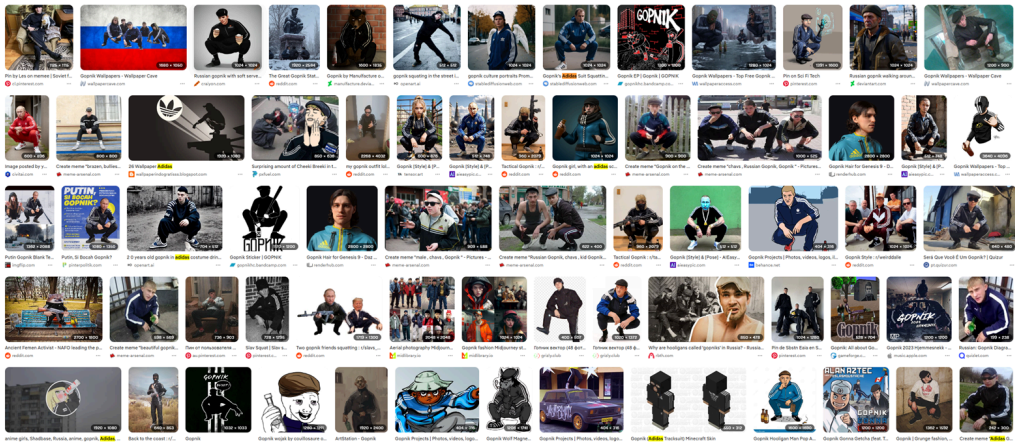
Figures

Net sales by segment^{1,2} € in millions

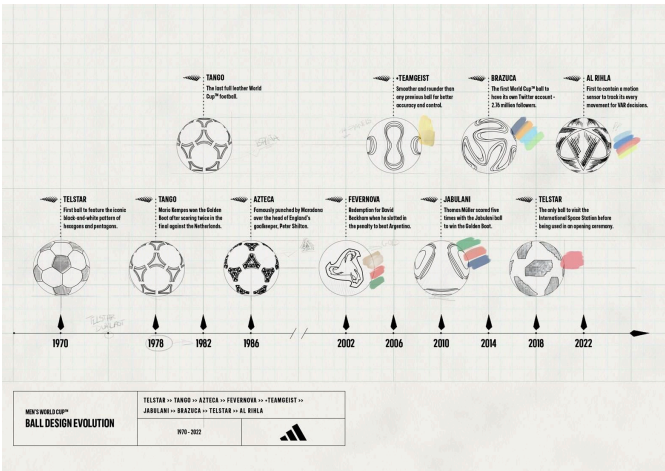
	2024	2023	Change	Change (currency-neutral)
Europe	7,551	6,302	20%	19%
North America	5,128	5,219	(2%)	(2%)
Greater China	3,459	3,190	8%	10%
Emerging Markets	3,310	2,850	16%	19%
Latin America	2,772	2,291	21%	28%
Japan/South Korea	1,339	1,293	4%	10%
Other Businesses	104	199	(48%)	(46%)
Total	23,483	21,427	11%	12%

1 Prior year adjusted in context of introduction of new segment structure.
2 Differences to aggregated net sales may arise due to items which are not directly attributable. See Note 36.

Net sales by segment from adidas, For 3.1



“Gopnik” term shows Adidas merch in subculture, For 3.5



History of some notable adidas world cup balls, For 3.5