### Management Decision

### Purpose

In this exercise, students are given the opportunity to take on the role of an innovator that is facing serious competition from counterfeiters. A shoe company that has introduced a novel product line sees diminished sales because of other companies that are selling unauthorized duplicates. Students must consider how they are to deal with not only the threat of competitors, but a threat against the company’s innovation.

#### INNOVATION COPYCATS

Until a few years ago, your company, Vibram, was known for making soles for hiking boots. It’s the only thing your company did for over 75 years. But one day, a member of your design team came up with a quirky idea—running shoes that look like gloves for your feet. The prototype he showed you was thin, lightweight, and kind of funny looking, since it had individual sections for each toe. As the designer explained to you, the shoe would give the wearer the feeling of running barefoot, while protecting his or her feet from dirt and cuts. Seemingly overnight, the shoe, called FiveFingers, became a sensation. It was praised by professional athletes, amateur runners, journalists, and even the Harvard Medical School. Scientists wrote about how your shoes promoted a “barefoot” running-style that produces less stress on the joints and increased leg, ankle, and foot strength. And consumers could not get enough. Sales for the current year are expected to top $50 million, up from $11 million in the previous year. To meet demand, Vibram had to double their warehouse space and expand from one factory to five.

Not all is rosy with Vibram, however. First of all, it faces stiff competition from some of the biggest names in the athletic apparel industry, as Nike, New Balance, and others are planning to release a similar product. But even more worrisome are counterfeiters. Over the past few months, you’ve discovered more than 200 websites that sell fake versions of the FiveFingers shoes. And these websites aren’t just selling shoes that sort of look like yours—they’re almost exact copies. They have the same styles, colors, logo, and box design. They have a return label that looks just like yours, and has your company’s address on it! When consumers want to return the fakes, they end up in your offices, and customers want you to refund them for shoes they bought from a counterfeiter.

Your company, of course, wants to fight back against the counterfeiters. Not only do the fake shoes reduce your sales, but they could also hurt your reputation of producing high-quality products. But fighting counterfeiters is expensive. You have to hire and send inspectors to China, where most of the factories producing copies of your shoes are located. And for every fake website you find, it costs $2,500 to get the World Intellectual Property Organization to shut it down. How should your respond to companies that take advantage of a product that your company worked so hard to design and create?

Source:

Jennifer Alsever, “Barefoot Shoes Try to Outrace the Black Market,” CNNMoney.com., August 13, 2010, accessed <http://money.cnn.com/2010/08/13/smallbusiness/vibram_fivefingers/index.htm>.

**Questions**

1. As a manager, would you recommend that Vibram keep paying the costs associated with fighting counterfeiters? Why or why not?
2. Some Virbram employees might be discouraged by counterfeiters, feeling that the innovations they worked hard to create are being stolen too quickly. How would you nurture the creative environment at Vibram in spite of counterfeiters?