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Executive Summary

This report aims to analyse the strategic management of Nike, its sustainability practices, and what contemporary issues the company has faced over the years along with applied management strategies. The report also discusses how Nike achieved its competitive advantages through strategic choices of management. The first retail outlet of Nike was opened by the founders in 1972 and in the same year the company debuted at the US Track as well as Field Trials to incorporate innovation to the running shoe with a lighter, unique function design, and the iconic “wow factor”. The company is engaged in designing, distributing, and marketing athletic footwear, apparel, equipment, and other sports as well as fitness-activity accessories.

For Nike, there are several success factors, such as marketing activities, extensive research, and development, production as well as manufacturing facilities, extensive distribution facilities, a wider range of associated products, a capable workforce, and innovative business initiatives. The competitive rivalry in the sports footwear and accessories industry is intense due to the prevalence of multiple global companies that directly compete with Nike. Some of the key market players that make the competition intense include Adidas, Reebok, Puma, and Fila. In sports footwear, Nike is a leading brand with over 22% market share in the US and over 18% market share in the sports apparel segment. Despite operating in an advantageous position, Nike faces competition since competitors heavily invest in establishing a brand for themselves. Nike’s business has been significantly impacted by the pandemic, thereby reducing the net income to \$2.5 billion in the 2020 fiscal year.

Nike is extremely dedicated to operating sustainably and saving our planet by being an integral part of a coalition, thereby allowing sharing of ideas as well as the exchange of ways to support the environment. This indicates that the technology that Nike adopts, the company shares with others so that they can also produce sustainably. However, the brand needs to accommodate its marketing strategy for targeting the audience the brand wishes to seek. Nike aims to gain youth athletes who have the drive to improve personal athletic pursuits as well as engage actively to protect the environment. The brand must focus on new marketing campaigns to emphasize that its apparels are increasingly eco-friendly and that its current production approach reduces waste to a great extent.

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Introduction

The purpose of this report is to conduct a strategic analysis of a chosen business case study in terms of the central contemporary issues that the business faced and what strategies were deployed within the business environment, based on relevant theoretical concepts, frameworks, business models, and techniques. The case analysis report outlines how the company achieved a competitive advantage through effective choices in strategic management. In this report, the relationship between the external and internal context of the organization has been established, and how it impacts the business management of the chosen company. Additionally, this report demonstrates the critical factors that should be considered by the company in the strategic implementation of business strategies.

This report aims to analyse the strategic management of Nike, its sustainability practices, and what contemporary issues the company has faced over the years along with applied management strategies. The report also discusses how Nike achieved its competitive advantages through strategic choices of management.

The pioneering brand of Nike has recently launched the Impact report 2021, along with a new Sustainability Microsite of the brand that outlines the company's sustainability efforts as well as goals for the future. To reduce its carbon footprint, the leading sportswear brand has set many targets based on scientific research and developing the goals that Nike did not make in the previous years. Some of these initiatives include swapping the materials within high-volume products having low-carbon alternatives, associating with many independent suppliers and factories to seek better alternatives for its production techniques as well as energy sourcing, reducing packaging and shipping emissions, and launching the new initiative of upcycling programmes such as Nike Refurbished.

As a part of the industry challenges, this sector involving over \$3 trillion global apparel industry is the second-largest industrial polluter, and first being the oil & gas. The apparel industry is a highly complicated business entailing long as well as varied supply chains. For a brand like Nike, each step of the chain demands huge consumption and exerts pressure upon its carbon footprint. This apparel industry holds around 10% of global carbon emissions as well as 26% of global chemical usage ((Silantieva), 2018). Altogether, the pollution releases

toxic chemicals into the air, water, and soil, thereby leading to the creation of greenhouse gases as well as diminution of its water resources. As a leading apparel brand, Nike plays a significant role in shaping and driving the conversation on climate change for mainly two purposes, namely, corporate social responsibility as well as business performance.

Company Background

As an athletic company established in 1972, Nike has been dominating the entire industry ever since its inception. Bill Bowerman and Phil Knight incepted Nike with their vision to offer an exceptional running shoe to athletes all across the country. Before Nike became what it is known worldwide, it started as Blue Ribbon Sports in 1964. The first retail outlet of Nike was opened by the founders in 1972 and in the same year the company debuted at the US Track as well as Field Trials to incorporate innovation to the running shoe with a lighter, unique function design, and the iconic “wow factor” (Henderson, et al., 2009). Not only the brand provides athletic shoes but also apparel as well as other components for different sports. As of May 2021, Nike employed approximately 73,400 employees worldwide, and presently the company’s age is around 58 years.

Regarding the financial scenario, in 2020, Nike's revenue was around \$35.6 billion, excluding the revenue from Converse. In 2021, the global gross profit of Nike amounted to approximately US\$20 billion. It is estimated by analysts that the brand’s revenue will increase nearly 30% through the fiscal year 2021 to \$45.4 billion, a CAGR of around 8%, as earning increment of 52%. Also, analysts have projected that the brand’s earnings will grow at a CAGR of nearly 14% from 2021 to 2022 (Alazzawi, 2019). Since every brand requires a ‘noticing power’ to become successful, today Nike is a successful brand because it has its own iconic catchphrase as well as celebrity endorsements. A noticing power successfully grabs people's attention, gives a stand-out feature to the products, and operates beyond the market competition.

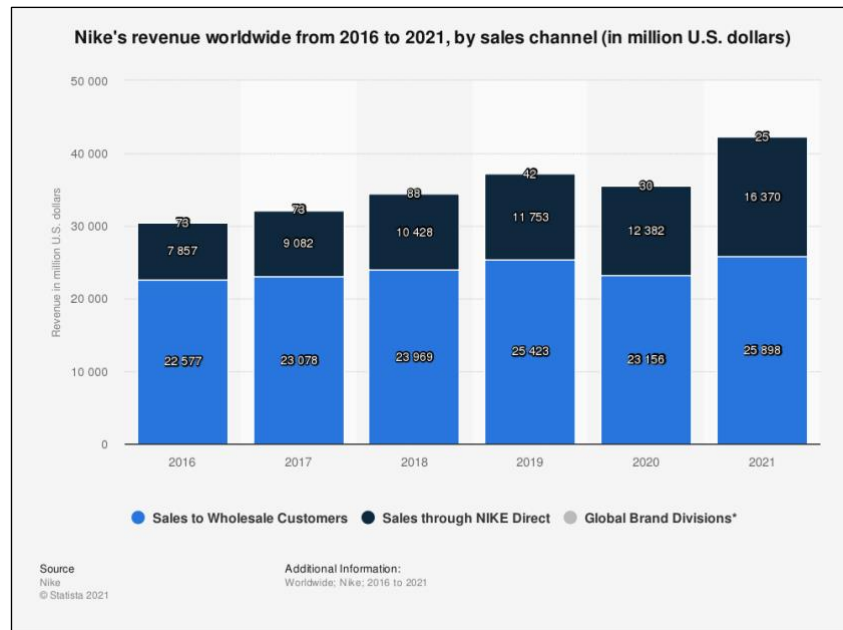


Fig. 1: Nike's global sales revenue from 2016 to 2021 (in US\$)

Source: (Bruner, 2018)

The company is engaged in designing, distributing, and marketing athletic footwear, apparel, equipment, and other sports as well as fitness-activity accessories. Nike's operating segments include Europe, North America, the Middle East & Africa, Greater China, Latin America, and the Asia Pacific. Nike operates under the market structure of oligopoly and its key competitors include Adidas, Puma, Armour, and many others. Nike products enjoy consistently-high demands due to quality factors and the unique marketing strategy adopted by the brand. This leading sportswear brand continues to find innovative ways of promoting its products with broader product offerings to its consumers. Another significant aspect that the brand has embarked upon in recent years is based on its concern for the environment, which pursued the brand to create a new brand segment "Nike Better World." With the latest launch, Nike maintains consistently stylish as well as optimally functional product elements, but considerably reduces its carbon footprint on the planet.

Mission and Strategic Objectives

Nike's mission statement drives the company to achieve all possibilities to expand human potential. This is achieved by creating ground-breaking innovations in sports through manufacturing unique products sustainably and developing diverse, creative, and globally-collaborated teams to make positive impacts within the communities where it operates. Nike's

vision is to bring innovation as well as inspiration to each athlete in the world. The primary reason for the existence of a business is to abide by the vision, mission, values, and strategic objectives by taking into consideration the role and interests of stakeholders. Nike Inc. utilises the collaborative framework within functional areas to identify its key stakeholders to drive appropriate interactions.

As strategic objectives, Nike has placed its focus on specific works such as minimizing environmental footprints, transforming manufacturing through innovation, and unleashing human potential. The organizational management believes it is not adequate to adapt to what the future holds for them, but it aims to create the future it wants to witness through sustainable means, practices, and innovation (Almiya, et al., 2020). As strategic priorities of the brand, it maintains a clear business strategy to invest in developing a brand image with emotional marketing as well as sports celebrity endorsements, developing premium-quality products, driving market-leading technology, and buying out competitive sports brands. Thus, the company's mission, vision, and strategic goals together assume the responsibility to live up to specific purposes. The brand works together for providing inclusiveness to global people through products and profitability thriving for the organization and creates systems that collaborate through partnerships to rethink, reshape, and address challenges.

Success Factors

Key success factors (KSFs) are crucial for the assured future success of any business. These success factors entail organizational competencies, resources, market stabilizing factors, competitive capabilities, specific product/service attributes, etc. Business strategists need to be well-familiar with these success factors in the respective industry to allow distinguished product/service success factors. For Nike, there are several success factors, such as marketing activities, extensive research, and development, production as well as manufacturing facilities, extensive distribution facilities, a wider range of associated products, a capable workforce, and innovative business initiatives.

Marketing Activities

The brand is known for sponsoring multiple high-profile sports events and athletes all around the world under the most popular brand name of "Just Do It" and the logo. The brand is exceptionally successful owing to the marketing strategies and niche approaches. Nike is

positioned as a uniquely expensive product, with high brand value, and a unique selling proposition of innovative design aspects. All marketing activities are centred around the brand image supported by a distinct logo as well as an advertising slogan. Nike is known for promoting products by sponsorship agreements with reputed celebrity athletes, professional sports teams, and college athletic teams. There are several other elements in its marketing mix apart from aggressive promotions.

Extensive Research & Development

The brand has a clear understanding of consumer needs and utilized its research and development (R&D) team to design superior quality and design athletic products. Nike is a global brand that responds to varied customer interests worldwide and continuously appeals to the ever-changing marketplace and demographics in an intensely competitive environment. The brand stimulates higher demands for products through effective and smart investments in R&D, people, and an effective supply chain.

Production & Manufacturing Facilities

Nike enters into contractual agreements with manufacturers to manufacture and distribute products to owned and partnered retailers across the globe. It is the global principal supplier of apparel as well as athletics, and a key producer of sports equipment. The brand employs approximately 32,000 workforces worldwide, and the majority of the company's factories are situated in Indonesia, China, Malaysia, India, Taiwan, Vietnam, Thailand, Philippines, and Pakistan (Bruner, 2018).

Extensive Distribution Facilities

Nike adopts an extensive distribution network and besides manufacturing sports equipment as well as sportswear, Nike operates retail stores under its brand name. It has contracted over 700 retail outlets worldwide and owns offices situated in over 46 countries apart from the United States.

Wide Range of Relative Products

As a leading designer, distributor, and marketer of authentic athletic apparel, equipment, footwear, and accessories, Nike is known to offer a wider product range of relative items in

fitness and sports activities. It also makes shorts, jerseys, shoes, etc. for different sports including soccer, baseball, tennis, ice hockey, track and field, basketball, and cricket.

Capable Workforce

Nike takes pride in its capable workforce as the company engages in discovering potential talents who can think, create, and grow. The brand has developed significantly due to its workforce that brings innovation as well as inspiration into business processes, products, and business performance. Nike has transformed itself into a culture that promotes inclusiveness, and diversity, and increasingly rewards thoughts. As a renowned sports firm, the brand also goes beyond the game to associate with cultures as well as communities across the globe.

External Analysis

PESTEL Analysis

Nike is the largest athletic shoe manufacturer in the world and has generated over \$30 billion in revenue over the past four years which makes it one of the most successful athletic shoe manufacturers as well. There are various macro factors on which the growth of Nike depends as discussed below.

Political

The USA is one of the staple markets for Nike as it has the largest consumer base of the company. The largest manufacturing base on the other hand of Nike is China with an engaging presence in south-east Asian markets like Thailand, Vietnam, and Indonesia. The trade sanctions between China and USA have been a major factor that has led to an increase in tariffs on the shoe manufacturer by 25% (Lim, 2021). This proves that Nike has to diversify their supply chain geographically to mitigate this increase in tariff.

Economic

Nike is also affected by the economic downturn as any global company does which has been evident during the financial crisis of 2008 and also during Covid 19 pandemic in 2020. The global revenue of the company was hit significantly due to unprecedented store closures and

plummeting discretionary income of world economies. The Covid 19 pandemic has been able to highlight the financial dependence of Nike on its physical stores to generate revenue, thus persuading the company to reinforce its e-commerce division. E-commerce integration has been difficult for Nike to adapt due to issues in sizes among customers with their staple products like apparel and shoes.

Social

The rise of sneakerhead culture in the past few decades is due to the growth of hip-hop music and basketball. The resale market for vintage and limited edition sneakers has been estimated to be worth billions of dollars. This enthused Nike to capitalize on the sneakerhead culture by partnering with basketball stars like Michael Jordan and hip hop celebrities to promote a range of functional and collectible shoes and apparel.

Technological

Technology has been the cause of major disruptions in global businesses and sports are no different. This urged Nike to invest in a dedicated R&D facility called the Nike Sports Research Lab that has thronged the market with numerous innovative and captivating shoes and apparel products. Nike Fit is one such technology where the customer's feet are scanned using data science, machine learning, and AI (Artificial Intelligence) to find the best shoes and apparel.

Environmental

Nike has been able to transform its negative environmental impact and sweatshop representation by rebranding itself as an environmentally responsible company. Nike has pledged to adopt 100% renewable in all its business operations by 2025. The company has also opted to phase out single-use plastic bags and introduce a separate line of eco-friendly shoes and apparel made from recycled plastics.

Legal

Nike has always been engaged in legal scuffles with its major competitors over proprietary apparel and shoe technology. Nike has been engaged in long legal scuffles with Adidas multiple times regarding patent infringements. Nike has also been sued by Sketchers, another global athletic shoe, and apparel brand, for imitating patented designs.

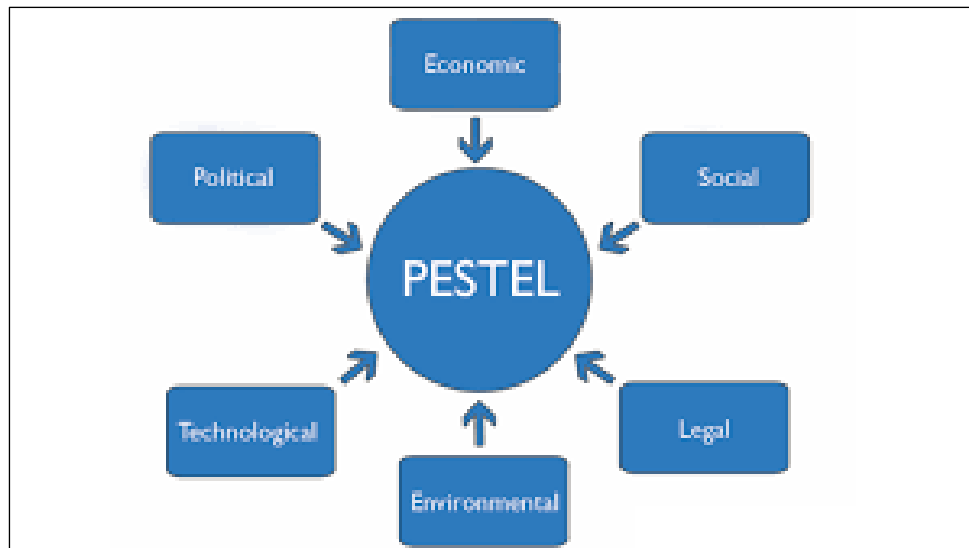


Fig. 2: PESTEL Analysis Framework

Source: (Alazzawi, 2019)

Industry Analysis

Industry Life Cycle

As analyzed, the industry life cycle of Nike would include stages such as introduction, growth, maturity, and decline of the brand's products.

Introduction

Ever since its inception in 1964, Nike has made significant efforts to become a leading athletic apparel and sports equipment brand in the United States by capturing a large market share individually. The brand is widely recognized for its 'swoosh' logo and the slogan 'Just Do IT'. In 2017, it became the most valuable brand with a market value of over \$30 billion (Almani, 2020).

Growth

Nike has always focused on building a good rapport with customers that boosts their sales. Also, the brand used persuasive approaches to make customers feel good about their Nike product purchases. Even though the sales were high, the brand did not stop marketing its products aggressively and sponsored various sports events to gain maximum market exposure.

The brand's success can be credited to its marketing techniques of engaging young sports celebrities to promote the products and thrive on their positive relationship with the customers.

Maturity

At this stage, Nike is already a successful brand worldwide and it continues to expand its market share, with a present net worth of over US\$30 billion and upward. The brand conducts effective marketing campaigns and endorses the products uniquely across different segments of footwear for different sports. Nike started venturing into apparel and other sports equipment after the huge success of the footwear segment.

Decline

Although Nike has never faced a sales decline or decline in profitability, the only issue that it faced in the past was that consumers were not fully satisfied due to the price factor, and felt that Nike products are over-priced. However, the brand quickly addressed this issue by reducing the price of products to a certain extent to retain customers and attract new ones.

Porter's Five Forces Analysis

The threat of new entrants

New entrants or brands in the textile industry like footwear, apparel, and accessories bring in innovation, and conducting business in modern ways tends to pressurize a brand like Nike Inc. through various means such as cost-effective offerings, low pricing strategy, and offering value propositions to consumers. Nike Inc. needs to identify new approaches to manage the competition and develop market barriers for other brands to protect its competitive advantages.

Bargaining Power of Suppliers

Companies in the textile industry source their raw materials from multiple suppliers. The suppliers that operate in dominant positions may reduce the profit margins of Nike Inc. However, for Nike, the bargaining power of suppliers is low because every supplier aims to attach with an international brand like Nike to gain global recognition. With the given brand image of Nike, Nike enjoys a dominant position to deal with the suppliers. There are too many

suppliers for raw materials of the products but lesser companies that produce the products. This further lowers the bargaining power of suppliers.

Bargaining Power of Buyers

Buyers often aim at buying the best product at the best prices and usually demand a lot. The bargaining power of buyers is moderate because there are only a limited number of high-end sports footwear and apparel companies. A strong brand image of Nike is another reason to keep the bargaining power of buyers moderate since brand loyalty, as well as affiliation, create a dominant position for the brand. This factor is essential to be maintained for Nike to continue with its growth as well as success at the international level.

Threats of Substitute Products or Services

When new products or services meet similar customer needs in various ways, the profitability of the industry suffers as a whole. There is a moderate force from substitutes, moderate performance per price of substitutes, and low switching costs for the brand. Customers have a moderate likelihood for substitutes because of their moderate performance as compared to that of Nike.

Rivalry among the Existing Competitors

The competitive rivalry in the sports footwear and accessories industry is intense due to the prevalence of multiple global companies that directly compete with Nike. Some of the key market players that make the competition intense include Adidas, Reebok, Puma, and Fila. In sports footwear, Nike is a leading brand with over 22% market share in the US and over 18% market share in the sports apparel segment. Despite operating in an advantageous position, Nike faces competition since competitors heavily invest in establishing a brand for themselves.

Internal Analysis

Financial and Business Highlights

In the financial year 2020, Nike's revenue was US\$37.4 billion, which is a 4% decline from the previous financial year due to the COVID-19 pandemic. Nike's core subsidiary brands are Converse and Hurley; Converse invests in designing, marketing, and distributing athletic footwear, lifestyle apparel, and accessories; Hurley invests in designing, marketing, and distributing surf as well as youth footwear, lifestyle apparel, and accessories. On excluding the revenue from Converse, the net revenue of Nike was approx. \$35.6 billion. Geographically, the revenue for the 2020 fiscal year can be broken down as follows:

North America: \$14.5 billion (41% of total revenue)

Europe, Africa, Middle East: \$9.3 billion (26% of total revenue)

China: \$6.7 billion (19% of total revenue)

Latin America, Asia Pacific: \$5.0 billion (14% of total revenue)

In 2019, Nike's net income had gone up to US\$4 billion as compared to \$1.90 billion in the 2018 fiscal year, which marked approx. a 108% growth in revenue. Consequently, the company's board of directors agreed on increasing its annual dividend, with a rise of 88 cents to 98 cents per share. Nike's business has been significantly impacted by the pandemic, thereby reducing the net income to \$2.5 billion in the 2020 fiscal year. The brand has an implicit focus on its growth and brand recognition via endorsements, investments in research & development, and generation of demand that continuously pay off. Also, consistent growth in emerging economies like China, especially the middle class, keep the product-demands high and growing. However, certain hiccups keep arising in the company; for instance, in 2019, the CEO of Nike who led the company since 2006, Mark Parker, stepped down and handed over the responsibility to John Donohoe.

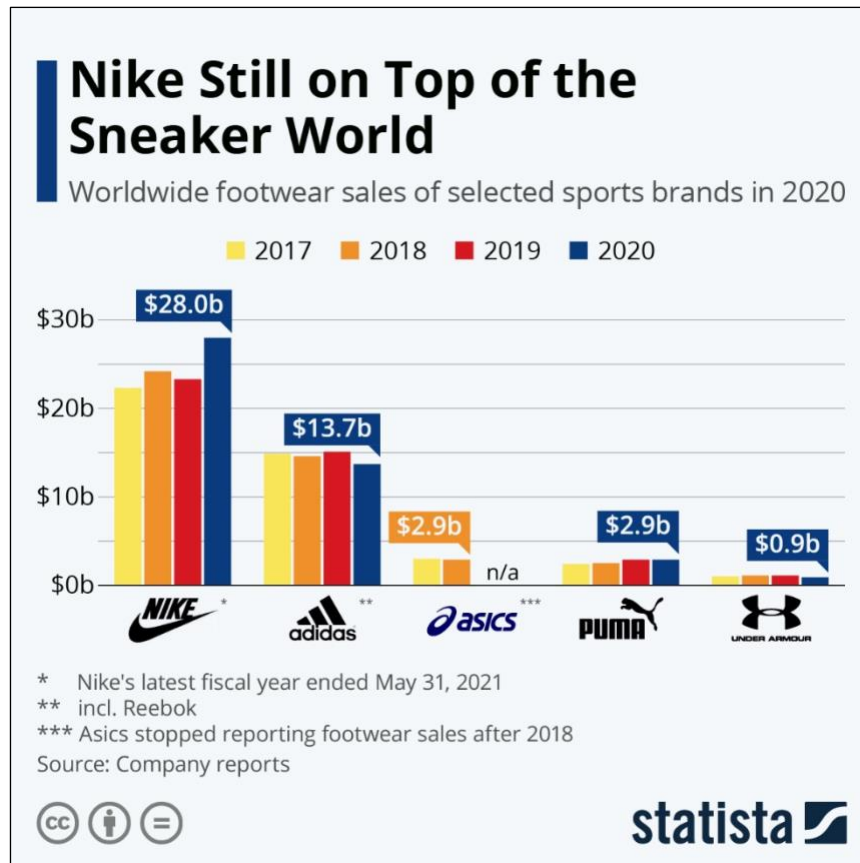


Fig. 3: Competitor Analysis

Source: (Almiya, et al., 2020)

Value Chain Analysis

Primary Activities

Apart from product design, Nike's interests in technical innovation have improved product performance, which is followed by an effective supply chain that allows outsourcing of major operations to Asian countries, leading to cost reduction. Another core activity of Nike is extensive marketing through legendary sports icons to promote its products. The company expands internationally through its distribution centers and subsidiaries to offer better access to customers.

Secondary Activities

As secondary activities, Nike's value chain is complemented by organizational leadership, processes, and innovation. It takes pride in qualified and skilled human resources who form important company assets. Also, Nike's R&D has immensely contributed to business efficiency and growth, followed by the organizational culture that supports a conducive

working environment, thereby backing effective supply chain management to help achieve competitive edges.

SWOT Analysis

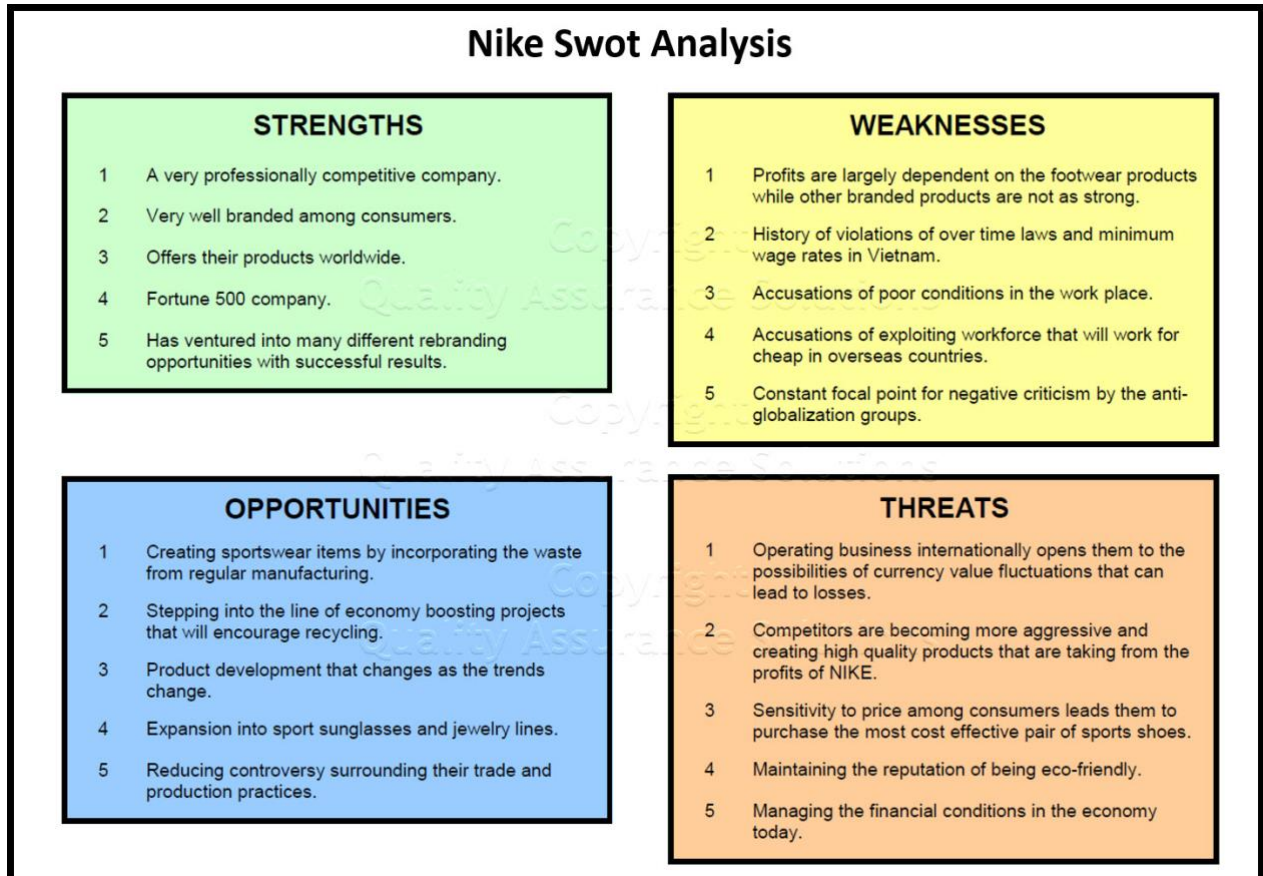


Fig. 4: SWOT Analysis of Nike Inc.

Source: ((Silantieva), 2018)

Strengths

- A highly successful marketer of sports footwear, apparel, and accessories with a major market share in the United States ever since 1998.
- A niche brand recognition and image for premium quality and innovative products.
- Adopts innovative and persuasive marketing strategies by featuring sports icons like Tiger Woods, Michael Jordan, and many others.
- Utilizes sponsorships as a mega promotional strategy by backing athletes in Olympic Games to counter Reebok's strategy to sponsor the Atlanta Olympic Games.

Weakness

- Although the brand deals in a diversified product range, its revenue is heavily dependent on the market of sportswear, which is susceptible to rapid market changes.
- There were many incidents of labor exploitation as well as child labor in factories that raised concerns over social media and adversely impacted the brand's reputation, such as in 1996, a story about child labor in Pakistan was published in a magazine that showed a young boy stitching a Nike Soccer ball. Further, a report by E&Y () revealed that workers in Vietnam were continuously exposed to a hazardous environment that damaged the brand's image.

Opportunities

- There are opportunities for Nike to expand into emerging markets with diversified product lines to divide the burden of revenue amongst different segments, apart from athletic products.
- It has an opportunity to incorporate innovation by capitalizing on the Nike + technology, whereby a sensor placed on Nike shoes interacts with Apple's iPod for recording distance covered or even calories burned by a runner.

Threats

- Price standardization is difficult to achieve due to fluctuating global economy and currency.
- The textile industry is vulnerable due to environmental impacts, and so, the company needs to make greater efforts in terms of sustainability concerns to remain in an advantageous position in the market.
- Increasing threats for new market entrants pose challenges to brands like Nike and affect its profitability.

Strategic Resources and Capabilities

As identified by Michael Porter, five competitive forces exist in the competitive business environment. Rivalry exists amongst top-performing companies within the same industry, and whereby these companies compete to gain customer base over aspects such as quality, speed,

price, etc. Nike faces strong competition from Adidas, Puma, Reebok, and fila, and it engages in innovative strategies to overcome the competition. The entry of new competitors and the development of product substitutes pose a threat to the company's performance. Nike caters to private contractors for developing various products that impart great power to the brand as it can easily switch contractors. Since Nike increasingly depends on customers for business profitability, customer satisfaction is key to its prolonged success. As a result, Nike continues to provide great value to customers through quality as well as appealing products for enhancing customer loyalty. Attaining a competitive advantage has been possible for Nike with translation to business capabilities and the external environment. Thus, strategic planning helps in creating a competitive advantage within the business, thereby entailing Nike's strategic application of unique capabilities as well as core competencies to the competitive advantage.

VRIO Framework for Nike

The VRIO framework presents the resources of the company in terms of their value, rareness, imitability, and organizational processes.

Value:

Nike's irreplaceable resource entails its research and development that allows continuous product innovation. For instance, Nike's Dri-Fit Sweat material allows the brand to shred off prevailing market threats. Some of the valuable resources of the company that enabled it to excel as a premium brand include technology, research & development, operational efficiency, and human resources.

Rarity:

The company's highly-skilled and trained employees are the valuable tangible resources that emerge as an aspect of rarity. The resources of Nike are complemented by the company's contractual agreement with sports celebrities who promote the brand and offer a unique identity. The brand's logo and 'Swoosh' symbol can be considered rare intangible assets that enhance the company's reputation.

Inimitable:

Advanced technology in designing, marketing techniques, and research-based organizational knowledge of consumer preferences are inimitable by competitors. Duplication of Nike

products is expensive and complex, and even after imitating the design, competitors fail to achieve perceptual dominance like Nike.

Organization:

The organizational leadership has encouraged a flexible working environment and constant innovation, which allowed Nike a higher competitive edge. The company's advisory board comprises athletes, trainers, coaches, doctors, and equipment specialists who contribute to the increased level of customer satisfaction and business competitiveness in the long run.

Strategies to Sustain Competitive Advantage – Porter's generic strategy

In context to Nike's Generic Strategy as referred to as Porter's Model, the brand adopts a combination of strategies to attain a competitive advantage. The generic competitive strategies adopted by Nike involve a combination of Cost Leadership Strategy as well as Differentiation Strategy. To compete with other rivals such as Adidas, Nike introduced cost-leadership through which it sells products at a comparatively reduced price. Also, it incorporated technology to develop unique product designs and customized products to enable product differentiation. A significant aspect that the brand brought into the change adaptation is re-evaluating standards from reliable information. The management believes they need to deliver innovation rapidly to evolve the ways processes are being executed at Nike, the industry, and across the business.

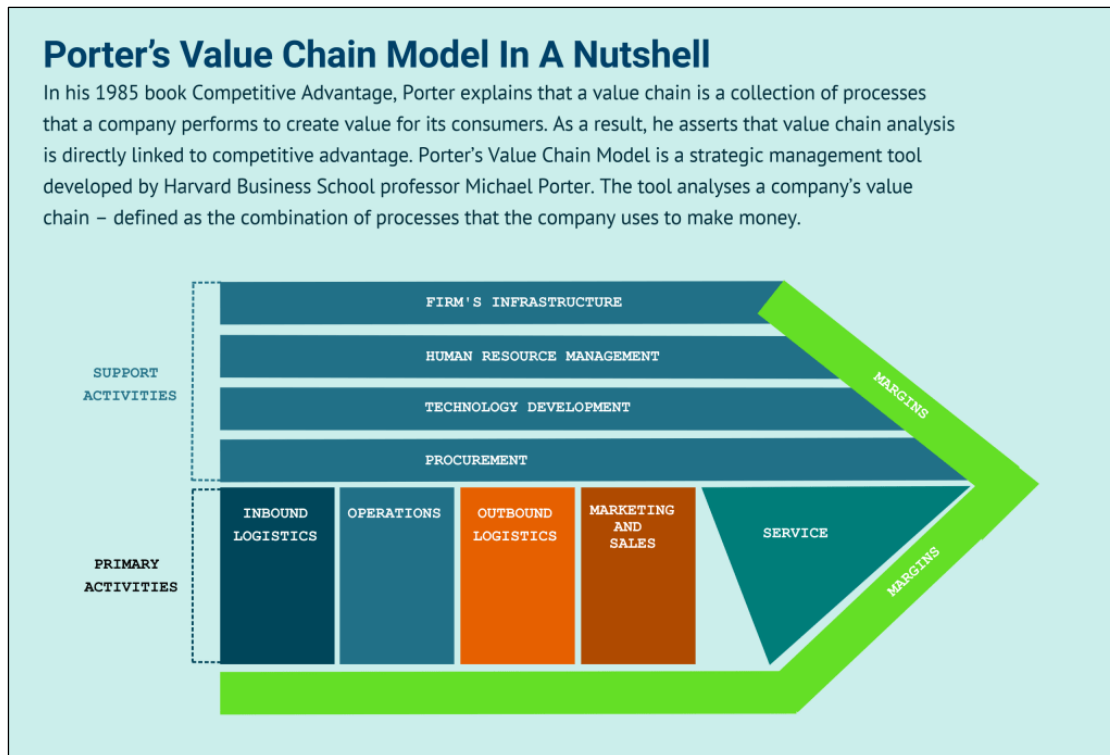


Fig. 5: Porter's Value Chain Framework

Source: (Lebron, 2017)

Growth Strategies – Strategic Alliance of Nike

Over the years, Nike has successfully incorporated the growth strategy of a strategic alliance to expand into new markets and establish itself as a strong brand. A significant strategic alliance of Nike has been with Apple by which Nike has merged athletic products with music, such as a product line mutually developed is Nike+ iPod. Both the entities have combined their respective unique capabilities and resources to create a new product that enables customers to link their iPod with a chip fitted in the Nike shoes to track their workout performance. Within the technology sector, Nike has incorporated a strategic alliance with a Dutch Satellite Navigation entity that enabled both these alliance companies to develop GPS-driven sports watch, which gave rise to a realm of global competitiveness (Lebron, 2017). Besides, strategic alliances with multiple sports players internationally have allowed Nike to consider localized preferences within its product designs. For instance, in countries like Malaysia, Hong Kong, and Yugoslavia, Nike has suitably catered to the local preference via strategic alliances. Additionally, through alliances with organizations in Japan, South Korea, and China, Nike has implied advanced manufacturing technologies to manufacture efficient products at low costs. China has offered low-cost suppliers to Nike to operate with competitiveness in the market. A

significant example of Nike's joint venture is the formation of the Audio Sports Producer Company as jointly set up by Nike and Royal Philips Electronics. This joint venture strategy has allowed Nike to effectively manage risks within the international market and simultaneously add new dimensions to its existing product lines.

Green Strategy and CSR

The organizational commitment to make Nike a highly sustainable brand has strengthened exponentially over the last few years with a shift towards innovating ways of business conduct and manufacturing activities. According to an article in Wall Street Journal (Wall Street Journal, 2018), the author feels skeptical of Nike's decision to resign from the U.S Chamber of Commerce board, since the brand claims that its board needs to modify its viewpoints as well as approaches towards climate change. The Boxer-Kerry bill to be charged per carbon emission will not affect the brand since its manufacturing operations are mostly outsourced to over 700 factories in various countries worldwide. It is also identified that green virtue is more convenient when someone else pays for it. To address the loophole, Nike aims to make extra efforts to set a bill in motion that would issue a carbon tariff on all products produced in Vietnam, China, and are sold in the USA. For avoiding expenses in taxation, the brand continues to reduce its carbon footprint solely on the idea of becoming a sustainable and eco-friendly brand within the sector.

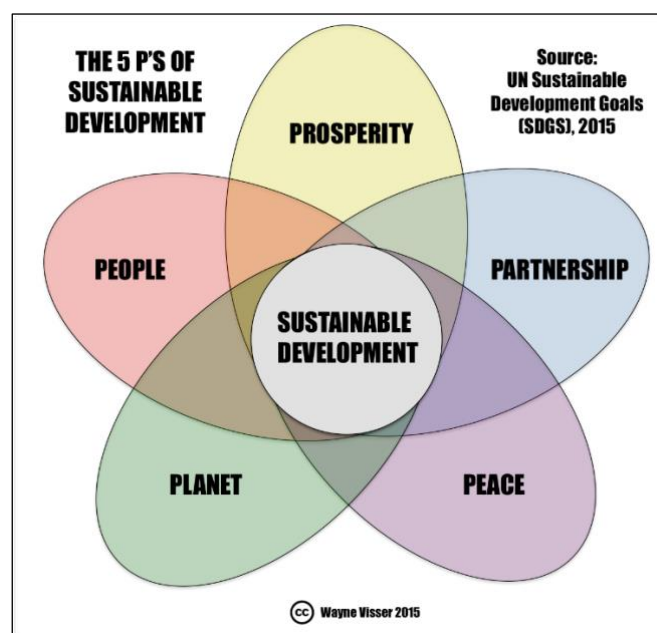


Fig. 6: Sustainable Development

Source: (DeLong, 2019)

Some of the leading global brands to adopt green initiatives are Apple, Whole Foods market, SC Johnson, Walt Disney, Burt's Bees, etc. The athletic apparel brand is absent from a list of such companies, and so, Nike has the opportunity to be a leader over other competitors by incorporating sustainability in business practices. At Nike Inc., a series of initiatives have been made to effectively address the sustainability issue and the brand considers addressing the issue more like an approach than a target, so, the approach needs to be re-evaluated continuously for effective results. For a brand like Nike, focusing on designing athletic shoes that are sustainable rather than just skipping on certain manufacturing activities became the central idea of being environmental-friendly. Nike faces a challenge to deviate from compliance and become avant-garde within the athletic apparel sector. Discovering that the manufacturing process took materials worth three shoes to finish only one had jolted the organization. Such a waste of materials led to over \$700 million annual loss and contributed to a carbon footprint. Then onwards, Nike defined certain long-term goals to be achieved within 2020. The goal-setting will be beneficial only if considerable improvements are made throughout, and consistently the company was striving to convert all shoes, clothing, and accessories design into cutting edge by 2020. Nike understands that change is the only constant and on the path to sustainability it provides figures to be examined by the general public. Some of these figures include reducing waste by 66%, consumption of energy by 37%, and declining use of solvent by 80%. These figures are in comparison to those Nike products that have not incorporated the new methods of production. As identified in the annual report of Nike (Nike Inc., 2020), the goals that were achieved in recent years include a reduction of carbon emissions by 6% from 2008 to 2011 and approximately 18% reduction of carbon emissions per unit of manufacturing along with zero discharge of harmful chemicals for entire product line by 2020.

Technology has immensely contributed to Nike's success as it offered the business an ability to reduce waste and continually re-use the wastes within the manufacturing process, which reduces overall waste as well as costs of new materials. Such innovation led the company to reduce waste by approximately 18% and successfully recycled over 19 million pairs of shoes. As an instance of a sustainability initiative, products that were outsourced to Japan in 2010, plastic bottles were melted and recycled from landfills to manufacture new Soccer jerseys, which saved over 14 million plastic bottles from getting dumped in Asian landfills (DeLong,

2019). These items still offer a functional design of the brand but in a manner that positively impacts the planet.

The brand has developed a marketing campaign named 'Nike Better World' which takes every country on a journey to a better world. This is done by utilizing recycled materials as well as eco-friendly techniques of production. Not only does its apparel of Nike break all limits through green campaigns, but also the packaging is a green initiative. Presently, Nike's shoe boxes are made out of 100% recycled items and use 24% fewer materials than before. Only this minor change led to a saving of around 200,000 trees annually.

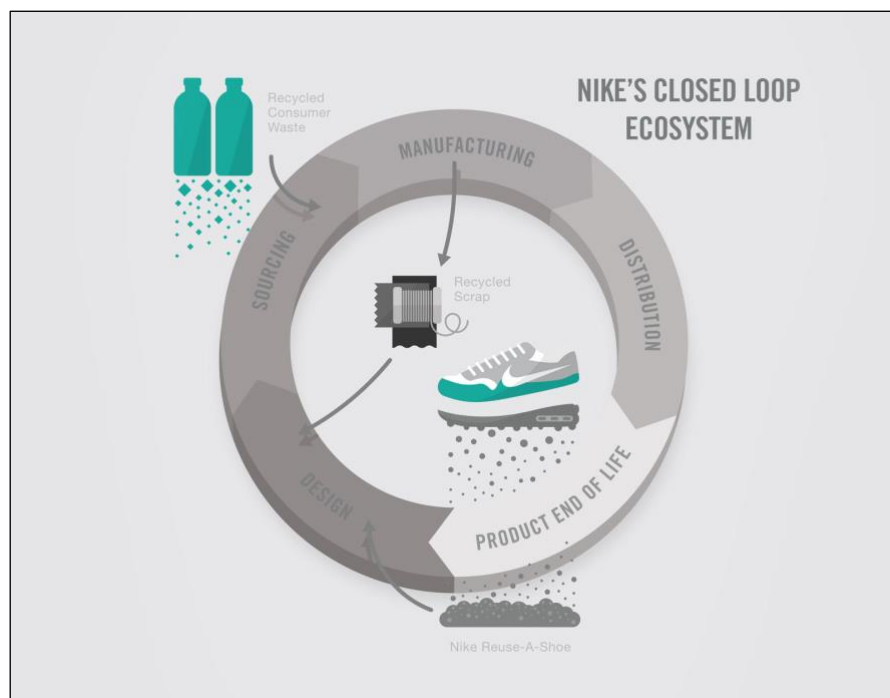


Fig. 7: Sustainability Efforts of Nike Inc.

Source: (Henderson, et al., 2009)

As per studies (Ziek, 2020), Nike is extremely dedicated to operating sustainably and saving our planet by being an integral part of a coalition, thereby allowing sharing of ideas as well as the exchange of ways to support the environment. This indicates that the technology that Nike adopts, the company shares with others so that they can also produce sustainably. However, the brand needs to accommodate its marketing strategy for targeting the audience the brand wishes to seek. Nike aims to gain youth athletes who have the drive to improve personal athletic pursuits as well as engage actively to protect the environment (Epstein, 2018). The brand must focus on new marketing campaigns to emphasize that its apparels are increasingly eco-friendly and that its current production approach reduces waste to a great extent. A marketing campaign

should gear in terms of informing consumers to make informed decisions, rather than telling them what is right or wrong.

Nike's Sustainability Pillars

The brand drives sustainable innovation across the organization through four distinct pillars that are interconnected. The brand's performance optimizes and delivers positive impacts that drive disruptive innovations to create the desired future. The four pillars of sustainability include:

- Creating a portfolio of sustainable materials is the first sustainability pillar that covers an area of the brand's potential impact. Nike's choice of product materials bears a cascading effect through its value chain since materials have a footprint from factories to ships to retail stores and ultimately customer homes.
- The second pillar is prototyping as well as scaling sustainable procurement and production models. The brand has the vision to establish a sustainable supply chain that is green, lean, equitable, and empowered. The Manufacturing Index launched in 2012 places a factory's performance in terms of sustainable production practices on equal performance with conventional measures of quality, cost, and delivery for procurement evaluation (Larson, 2020).
- The third pillar is initiating market transformation that creates conditions for sustainable consumption. It depends upon knowledge-sharing and expertise across industries and companies to widen sustainable practice adoption.
- The final pillar of sustainability is developing digital services revenue. The brand aims to develop deep relationships with athletes, which will help the business to grow while diversifying the business away from dependence on natural resources.

Conclusion

To conclude, the branding initiatives of Nike outline its personality and offer a competitive edge in the market. The image of superior branding offers greater opportunities to hone the capability to market its products more aggressively. The brand's advantage rests with the worldwide recognition of the brand image with a swoosh logo as a status symbol. The brand commercials portray Nike as a brand that is highly committed to broader causes apart from self-interests. A major capability of the brand is its core competencies in terms of R&D efforts. Nike invests heavily in human resources in specialized streams such as industrial designers,

biomechanics, exercise physiologist, and many others. Having a pool of talented experts, Nike remains at the forefront of the athletic apparel industry. Also, the brand consults with imminent figures to acquire information about customer expectations regarding products. This has further enabled Nike to establish cutting-edge apparel to meet the ever-intensifying needs of global athletes as per fashion trends. Nike's research specialists conduct extensive research as well as tests to develop innovative products and improve product performance as well as customer satisfaction.

Recommendation

As conclusive from the analysis, Nike continues with its innovative approach to sports apparel as well as athletics by leading the sector in different product ranges. As sustainability initiatives gain momentum with increasing corporate social responsibilities on companies, Nike effectively embraced the idea of environmental sustainability in the long run. However, there are specific areas that Nike needs to improve to attain a greater coverage of the audience since there is a disconnection with an acute lack of information availability. While the brand has initiated several programs as well as social media initiatives catering to the campaign of “Better World”, consumers have to research extensively to gather sufficient evidence in making informed decisions (Johnson, 2018). In the contemporary environment, there is a strong desire for instant gratification and consumers wish to look at a product and acquire all the relevant information they need. As for recommendations for Nike, the brand should make more information available on its apparel tags, so that they catch the attention of buyers to provide sufficient information as required for them to make a purchasing decision (Bhaskar & Pawar, 2019). A collection of the brand's sustainable items should be made available just like other products on display with information-loaded tags to inform the audience about sustainable production methods adopted by the athletic brand.

It is evident from the case analysis of Nike that recycling is an essential element of sustainability initiative and while the brand offers recycling bins for customers to drop off old apparel at retail stores, these stores are not readily available across locations. An effective solution to this issue is that Nike can partner with retailers that sell Nike products, such as Footlocker, Finish Line, and Dick's Sporting Goods. Making space for drop-off boxes at these stores would increase the frequency of old items getting returned to the brand for reuse, and also provides a prompt recognition that Nike is progressing.

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