



SUPPLY CHAIN ANALYSIS

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01


Introduction

NIKE

Introduction

Nike, Inc., a titan in the athletic footwear and apparel industry, is not just known for its iconic "Just Do It" slogan but also for its extensive history and the strategic mastery of its supply chain that has allowed it to maintain immense popularity and influence across the globe.

Founded in 1964 as Blue Ribbon Sports and officially becoming Nike, Inc. in 1971, the company was started by Phil Knight and Bill Bowerman. Their goal was to provide athletes with better footwear. The swoosh logo, now globally recognized, symbolizes the wing of the Greek goddess of victory, Nike. Over the decades, Nike has grown from a U.S.-based footwear distributor to a global behemoth in sports apparel and equipment, continuously pushing the boundaries of innovation in its products.



Nike's supply chain is a testament to the company's commitment to efficiency and responsiveness. With a strategy that incorporates high-level customization, rationalization, and synchronization, Nike ensures that its operations are streamlined and resilient against disruptions. Utilizing advanced digital technologies and automation, the company has set a standard in supply chain management by optimizing material consolidation, reducing lead times, and maintaining flexibility to respond to market demands swiftly.

Moreover, Nike's push towards sustainability is evident in its adoption of eco-friendly materials and processes, which not only reduces its environmental footprint but also aligns with the growing consumer demand for sustainable products.

02

**Implementation of
Supply Chain Techniques**

Key Aspects of Nike's Strategic Supply Chain Management

Strategic Network Design

- Nike employs strategic network design, embodying the concepts of rationalization and synchronization.
- This maximizes asset utilization and cost through the placement of facilities and digital communication platforms.

Source : [DFreight](#)

Capacity Planning

- Nike demonstrates rationalization and customization in action by using automation to drive efficiency and match production capacity with swings in consumer demand.

Source : [CFO Brew](#)

Risk Management

- As a crucial component of synchronization, Nike diversifies its manufacturing strategies and does thorough risk assessments in order to be ready for any disruptions.

Source : [ADEC Innovations](#)

Organizational Change Management

- Nike places a strong emphasis on innovation and customization, giving its employees the tools they need to adjust to changes in the market and in technology through ongoing training programs and empowerment campaigns.

Source : [UK Essays](#)



Addressing Challenges

Problem 01

Transparency and Responsiveness:

Nike's market responsiveness and trust may be impacted by stakeholder concerns about supply chain procedures.

It is recommended that Collaborative Planning Forecasting and Restocking (CPFR) be implemented in order to improve supply chain visibility and stakeholder participation. This will lead to improved responsiveness and proactive issue resolution.

Source : [ADEC Innovations](#)

Problem 02

Supply Chain interruptions:

Vietnam's COVID-19 interruptions expose gaps in manufacturing and market fulfillment.

It is advised that risk management be strengthened by expanding the variety of suppliers and manufacturing locations and by incorporating technology that allow for real-time production modifications to ensure continuity.

Source : [UK Essays](#)

Problem 03

Over-Reliance on Offshore Manufacturing:

Risks from global disruptions and inefficient logistics are increased when manufacturing is heavily dependent on offshore operations.

Just-in-Time (JIT) and Total Productive Maintenance (TPM) techniques can improve operational efficiency and reduce reliance by exploring nearshoring or reshoring.

Source : [CFO Brew](#)



03

Performance Metrics Supply Chain KPIs

Analyzing the Supply Chain KPIs

01

Rationalization

Optimizing and reducing costs across the supply chain, enhancing overall operational efficiency.

- Cost of Goods Sold (COGS)
- Turnover of Inventory

Source: [Yahoo Finance](#)
Source: [Sole Retriever](#)

02

Synchronization

Ensuring that all assets are maximally utilized to achieve efficient production and distribution.

Supplier On-time Delivery Rate

Source: [Yahoo Finance](#)

03

Customization

Tailoring products and services to meet customer needs, enhancing satisfaction and profitability.

Digital Sales Growth

Source: [CIPS](#)

04

Innovation

Driving new product development and market expansion, fostering long-term growth.

- Direct-to-Consumer (D2C)
- Adoption of Automation and Technology
- Sustainability Metrics

Source: [Sole Retriever](#)

Challenges and Recommendations

RATIONALIZATION

CUSTOMIZATION

INNOVATION

CHALLENGES	KPIs IMPACTED	EVIDENCE	RECOMMENDATIONS
Supply Chain Disruptions and Inventory Management Optimize inventory to balance fluctuating demand and minimize stock outs/excess.	Inventory Turnover Rate Inventory Accuracy	Nike experienced a 31% increase in inventory during fiscal 2020, primarily due to supply chain disruptions amid the COVID-19 pandemic. Source: NIKE, Inc. (2020)	-Predictive analytics for demand forecasting -Sales and market pattern analysis -Real-time data for inventory adjustments -Quick response to demand variations
Digital Transformation Pressure on Supply Chain Adapt supply chain for efficient digital growth, focusing on last-mile delivery and returns.	Order Fulfillment Speed Return Management Efficiency Digital Sales Growth	Fiscal 2021 witnessed a 73% increase in Nike Direct fourth quarter sales, signaling a shift towards online shopping. Source: NIKE, Inc (2021)	-Blockchain, IoT, RFID for transparency -Enhanced inventory tracking -Automated replenishment systems -Inventory management for market adaptability
Sustainability Targets and Operational Efficiency Integrate sustainability without compromising efficiency; reassess sourcing and manufacturing.	Carbon Footprint Cost Efficiency	Nike's 2021 Impact Report outlines ambitious sustainability goals, emphasizing reduced environmental footprint. Source: NIKE, Impact(2021)	-Eco-friendly practices for suppliers -Sustainable packaging use -Transportation route optimization -Carbon emission reduction



Challenges and KPIs Impacted

SYNCHRONIZATION

RATIONALIZATION

CHALLENGES	KPIs IMPACTED	EVIDENCE	RECOMMENDATIONS
Global Supply Chain Diversification Manage complexities and balance regional demands with cost optimization in global supply chains.	Supply Chain Risk Management Logistics Efficiency Market Share Growth	Nike's revenue growth across regions highlights the global nature of its supply chain, as seen in fiscal 2021. Source: NIKE, Inc(2021)	-Strengthen supplier relationships -Expand supplier base -Promote innovation through collaboration -Enhance product quality and cost efficiency
Cost Management and Gross Margin Optimization Strategically balance cost-saving measures with investments in growth and sustainability while maintaining operational excellence.	Gross Margin Operation Cost Savings COGS	Nike aims for \$2 billion in cost savings by fiscal 2024, focusing on efficiency. Source: NIKE, Impact(2021)	-Lean manufacturing implementation -Kaizen and Six Sigma for efficiency -Production cost reduction -Robotics and automation investment





04 | Supply Chain Agility

Supply Chain Agility Analysis

ALERTNESS	ACCESSIBILITY	DECISIVENESS	SWIFTNESS
<p>Investment in Digital Technologies: Nike enhances supply chain alertness with digital tools for analytics and automation.</p> <p>Digital Supply Chain Overhaul: Optimizes operations through advanced technology integration.</p> <p>Regional Service Centers: Strategically located to shorten delivery times and improve distribution paths.</p> <p>Boost Consumer Satisfaction: Quicker deliveries enhance customer experiences.</p>	<p>Robotics Integration: Over 1,000 robots deployed in distribution centers to enhance accessibility and efficiency.</p> <p>Reduced Manual Labor: Automation significantly cuts manual tasks, leading to faster processing times and improved order accuracy.</p> <p>Enhanced Efficiency: Technological upgrades boost efficiency in order fulfillment and logistics operations.</p>	<p>Strategic Partnership: Collaboration with Dick's Sporting Goods to offer exclusive products and loyalty program benefits.</p> <p>Direct-to-Consumer Focus: Enhances consumer relationships through personalized shopping experiences.</p> <p>Increased Brand Loyalty: Aims to boost consumer engagement and loyalty through strategic D2C initiatives.</p>	<p>Swift Pandemic Response: Quick adaptation and resource mobilization to mitigate factory closures in Vietnam.</p> <p>Restoration of Production: Resumed operations to approximately 80% of pre-closure levels swiftly.</p> <p>Minimized Disruption: Ensured ongoing product availability, maintaining supply to meet consumer demand.</p>

Source: [Consumer Goods Technology](#)

Source: [Supply Chain Dive](#)

Source: [Digital Data Design Institute at Harvard](#)

Source: [Digital Data Design Institute at Harvard](#)



Supply Chain Agility Analysis

FLEXIBILITY

A.Implementation of a 2-Flexibility system

2-Flexibility System Implementation: Enhances supply chain flexibility across manufacturing and logistics.

Dual Production Sites: Each product made in at least two locations to adapt to market shifts and reduce disruption risks.

Agility and Optimization: Increases manufacturing agility, and optimizes warehousing and transportation for dynamic market demands.

B.Lean Manufacturing and Process Flexibility

Lean Manufacturing Strategy: Inspired by the Toyota Production System, focuses on continuous improvement and process optimization.

Enhanced Production Efficiency: Improved efficiency and labor conditions through empowerment and engagement.

U-Shaped Production Layouts: Likely includes efficient layouts to optimize workflow and reduce waste.

Workforce Cross-Training: Builds a versatile workforce to adapt to varying production demands, enhancing operational efficiency.

Commitment to Lean Principles: Demonstrates Nike's dedication to lean manufacturing for ethical and efficient operations.

Source: [Kettering University Online](#), [MIT Sloan](#)





Challenges to Agility



05

Supply Chain
Risk
Management

Nike's Risk Exposure Assessment

01

Dependency on Key Materials and Suppliers

- Nike relies heavily on specific types of leather and synthetic fabrics, sourced from a limited number of suppliers. This concentration increases vulnerability to disruptions if availability or quality issues arise. ([Just-Style](#)).

02

Manufacturing Oversight

- With production spread across numerous facilities, ensuring consistent quality, ethical working conditions, and environmental standards is challenging. Reputational damage and financial losses can result from supplier non-compliance. ([CBS News](#)).

03

Distribution and Logistics

- Nike's distribution network depends on efficient customs clearance, cargo availability, and transportation infrastructure. Disruptions in any of these areas can severely impact delivery times and customer service .

04

Covid -19 Impact

- The pandemic caused widespread supply chain disruptions, with Nike experiencing production downtime across its Vietnamese factories and increased scrutiny from investors over potential forced labor issues in its supply chain ([ETO](#))



Nike's Strategies for Mitigation

01

Digitization

- The company is investing in supply chain digitization, including blockchain technology, to enhance transparency, traceability, and efficiency. This allows for faster identification and mitigation of disruptions ([CFOBrew](#)).

02

Regionalization

- With Nike is accelerating automation and increasing geographic diversity within its supply chain to improve resilience and adaptability. This reduces dependence on specific regions and improves overall flexibility ([Just-Style](#)).

03

Sustainability Integration

- The company is making strides to improve social and environmental conditions across its supply chain through integrated management practices. This not only benefits the planet but also enhances brand reputation and long-term sustainability ([Stanford GSB](#)).

04

Risk Management

- Nike recognizes the importance of proactively identifying and mitigating risks within its supply chain. The company is implementing measures to enhance resilience and adapt to changing circumstances ([Just-Style](#)).



Resilience Metrics

Inventory Turnover

Nike moves over 90 million finished products through its supply chain annually, spanning over 70 countries, showcasing its ability to manage high volume operations efficiently. (CIPS)

On Time Delivery

Nike aims for 98% on-time delivery, a testament to its logistics efficiency and commitment to customer satisfaction.

Supplier Relationships

Nike works with thousands of suppliers worldwide, prioritizing strong, transparent partnerships based on trust, collaboration, and mutual respect. This network allows it to adapt and respond to disruptions effectively. (Nike)



Recommendations for Improvement

1 Continue Investing in Digitization	2 Strengthen Sustainability Practices
<ul style="list-style-type: none">• Manufacturing Base Diversification: Expand its use of supply chain digitization, including blockchain technology, to enhance transparency, traceability, and efficiency. This will allow for faster identification and mitigation of disruptions.	<ul style="list-style-type: none">• Improve Supply Chain Forecasting and Visibility: Accelerate its sustainability initiatives, focusing on reducing its environmental impact. Promote renewable energy, reduce waste, and ensure ethical labor practices.



Recommendations for Improvement

3

Improve Supply Chain Visibility

- **Invest in Sustainable Innovation:**

Implement technologies and practices to improve supply chain visibility. Proactively identify and mitigate risks to prevent disruptions.

4

Maintain Strong Suppliers Relationships

- **Strong Cybersecurity Framework:**

Continue prioritizing strong, transparent relationships with suppliers. Collaborate with them to build resilience and adaptability within the supply chain.



Conclusion

Nike's supply chain faces significant risks due to its dependencies and the challenges of managing a global network. However, the company demonstrates resilience through its supply chain metrics and proactive strategies. By continuing to invest in digitization, strengthening sustainability practices, improving visibility, and maintaining strong supplier relationships, Nike can further enhance its resilience and mitigate risks. These actions will not only improve its operational efficiency but also its ability to respond effectively to unforeseen events and minimize the impact on its financial performance.

In 2023, Nike has shown remarkable resilience and innovation despite supply chain disruptions and evolving market challenges. Their supply chain management focuses on digital transformation, sustainability, and strategic partnerships, all aimed at maintaining strong financial performance while adapting to changing market conditions. Although challenges remain, Nike's focus on flexibility and resilience will be key to its continued growth and success.

Thank You!

Q&A ?

