

NIKE SWOT ANALYSIS

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INFO:

CEO: John Joseph Donahoe

Founders: Phil Knight and Bill Bowerman, 1964

Headquarter: Beaverton, Oregon

Employees (FY23): 83,700

Revenue (FY23): US\$51.21 Billion

Profit | Net income (FY23): US\$5.07 Billion

SWOT ANALYSIS OF NIKE

(S)TRENGTHS

1. STRONG CORE BRAND

Nike has been a dominant force in the sports industry for decades. The brand instantly comes to mind when thinking of sports apparel. The **NIKE** swoosh logo and the iconic "Just Do It" slogan are globally recognized and significantly enhance the brand's image and presence.

2. GLOBAL REACH

Nike's products are available globally through retail stores and online platforms. This extensive distribution network is a significant strength, ensuring that customers around the world can easily access its products. Due to its popularity, Nike's market cap has increased to \$141 billion as of May 2024. (Yahoo! Finance, May 2024)

3. LOW MANUFACTURING COSTS

Nike keeps manufacturing costs low by producing many of its products in developing Southeast Asian countries like Indonesia and Thailand, where labor is cheap. Additionally, using relatively inexpensive materials for its shoes helps Nike manufacture footwear at extremely low prices.

4. ENDORSEMENTS SPONSORSHIPS AND INCLUSION

Nike has led the endorsement game for years, becoming synonymous with many top athletes. The partnership with Michael Jordan revolutionized sports marketing, transforming branding and sports deal structures across all professional sports. Following Jordan, athletes like Kevin Durant and Kobe Bryant joined the Nike family.

As we've noted, Nike's global reach is extensive. The endorsements span multiple sports, with stars like Roger Federer, Cristiano Ronaldo, and Tiger Woods partnering with the brand. These collaborations have solidified Nike's status as a key player in the sports industry.

5. SUPERIOR MARKETING STRATEGIES

Nike excels in marketing campaigns, heavily investing in demand creation expenses such as advertising, promotions, endorsement contracts, media print, and complimentary products. In the fiscal years 2021, 2022, and 2023, Nike spent \$3.1 billion, \$3.8 billion, and \$4.06 billion respectively. The brand has effectively leveraged social media and marketing campaigns to reach a broader customer base. (Statista, May 2024)

The brand excels in marketing campaigns, exemplified by the "Don't Do It" ad campaign, which was released in support of Black communities against racism.

6. HIGH MARKET SHARE

Nike holds a 38.68% market share. The 2023 market share data (for the 12 months ending Q4 2023) highlights Nike's continued influence in the industry, even as competitors' revenues increase. (Investing.com, April 2024)

Nike is the most popular sneaker brand among U.S. consumers, with 64 percent of respondents who know the brand liking it. Adidas also enjoys a significant preference but lags Nike. New Balance, Converse, and Skechers follow some way behind. Lower tier brands including Jordan, Vans, and Reebok have a slightly lower preference rating. Brands such as Champion, Asics, allbirds, Fila, and Autry still need to make their popularity mark, while VEJA trails at the bottom. (Statista, December 2023)

(W)eaknesses

1. DEPENDANCY ON US MARKET

In 2018, over 40% of Nike's revenue came from the US market, increasing to 43% in 2023. This indicates a substantial reliance on the US market as a key component of Nike's business model. Any changes in American tax or legal policies affecting Nike's ability to sell in the US could significantly impact the sportswear giant's profits. (pestleanalysis.com, April 2024)

2. OUTSOURCED MANUFACTURING

While manufacturing products abroad offers low costs, it also has significant downsides. Manufacturing abroad requires either establishing dedicated operations in the chosen country or outsourcing to existing manufacturers. Nike has opted for the latter, resulting in variable product quality.

Over the past 20 years, Nike has faced consistent criticism for poor labor conditions, including forced labor, child labor, low wages, and unsafe working environments.

(O)pportunities

1. GROWING MARKET

The global population is growing, with increasing activity levels in developed countries driving a continuously expanding footwear market. Nike, already present in many countries, has opportunities for further growth in emerging markets like India, China, and Brazil, which are seeing gradual economic flourishing. This sets the stage for Nike to capture more of the growing market and increase profits.

2. NIKE'S STRATEGIC SUPPLY CHAIN AND RETAIL STRATEGY

Nike is enhancing its supply chain efficiency by considering acquiring some independent manufacturers or developing its own production facilities. This move aims to streamline operations and improve product availability.

Additionally, Nike has decided to sever ties with major multi-brand retailers and wholesale partners like Zappos, Dillard's, Fred Meyer, and Bob's Stores. This strategic decision is part of Nike's efforts to enhance product positioning and elevate the customer experience. These steps reflect Nike's commitment to strategic integration and a focused retail strategy to better serve its customers and optimize its supply chain. (Nike.com, 2017)

3. NIKE'S EXPANSION INTO DIGITAL AND AI INNOVATIONS

Nike is making strategic moves to expand its capabilities in digital and artificial intelligence. Recently, the company acquired Celect, a predictive analytics platform, to enhance its online sales capabilities and predict customer shopping behavior. (CNBC, August, 2019)

Additionally, Nike has entered the metaverse by acquiring RTFKT, a digital shoe-making company. RTFKT designs virtual shoes and has partnered with FEWOCiOUS to sell both digital and real shoes. Nike sees this as an opportunity to market digital shoes in the metaverse, where players can use their Metamask wallets to purchase in-game merchandise. These acquisitions highlight Nike's commitment to leveraging digital innovations and AI to expand its market presence and enhance customer engagement. (Nike.com, December 2021)

(T)hreats

1. COUNTERFEITING

Counterfeit products pose a significant threat to Nike's revenue and reputation, especially as the company operates globally. Merchandisers and retailers often sell counterfeit Nike products at lower prices, which are made from low-quality materials but bear the Nike label. This can damage Nike's brand image, as customers may perceive a decline in product quality. Counterfeit Nike goods are widely available, including online. Nike needs to develop a strategy to combat counterfeiting, possibly through legal action against counterfeiters or strategic marketing campaigns that encourage consumers to purchase authentic products.

2. INCREASING COMPETITION

Nike dominates the athletic industry but faces competition from emerging brands like On and Hoka. To differentiate itself, Nike spends heavily on marketing and advertising, investing \$4.06 billion in fiscal year 2023 alone. The company's strategy focuses on designing innovative products tailored to athletes' needs to stay ahead in the fiercely competitive sports apparel market, where rivals like Adidas, PUMA, and Reebok pose potential threats. Nike must navigate carefully to maintain its market position and maximize revenue opportunities.

3. GLOBAL ECONOMIC FLUCTUATIONS

Nike faces several economic challenges due to its global operations. Economic downturns, fluctuations in currency exchange rates, and trade disputes can significantly impact Nike's sales and profitability. The brand reports its financial earnings in U.S. dollars, exposing it to volatility against other currencies, which affects its revenue. These factors highlight the risks associated with economic instability in key markets, potentially leading to reduced consumer spending and disruptions in Nike's global supply chain.

Taking action based on the SWOT Analysis of Nike

Nike, a formidable player in a competitive market, enjoys substantial annual profits thanks to its strong brand and efficient cost management. However, its heavy dependence on the US market and limited diversification outside footwear and sports apparel pose risks,

such as tax regulations and counterfeiting. Despite these challenges, Nike has opportunities to capitalize on the growing sportswear market and expand its business.

Below are some actionable recommendations for Nike based on the SWOT analysis:

- **Enhance E-commerce and Digital Engagement:** Nike should further invest in digital platforms and e-commerce to strengthen direct-to-consumer (DTC) sales channels. This includes improving the online shopping experience, leveraging AI for personalized marketing, and using social media for engaging storytelling to attract more customers online.
- **Expand Sustainable Product Lines:** Nike should continue expanding its range of sustainable and environmentally friendly products. This initiative will appeal to environmentally conscious consumers and help mitigate environmental impacts.
- **Accelerate Expansion in Emerging Markets:** Nike should prioritize expanding its presence in emerging markets with high growth potential. This includes adapting products and marketing strategies to local preferences and building brand loyalty in these regions.

What Makes Nike's Supply Chain Unique and Effective?

Nike's supply chain is grounded in two key principles: outsourcing and diversification. The company outsources 100% of its footwear and apparel manufacturing to independent suppliers, a pioneering approach adopted early on. Through effective management, Nike's supply chain team has adeptly handled the logistical complexities associated with outsourcing, achieving substantial cost savings over time. While outsourcing entails inherent risks, Nike has successfully mitigated these risks by extensively diversifying its supplier base from the outset.

Nike's supply chain functions around three core organizational principles:

- **Outsourcing:** To save costs
- **Diversification:** To minimize risk
- **Corporate social responsibility:** To manage its impact on the world it works in,

Personal point of view

After conducting a SWOT analysis and further research, working at Nike presents an exciting and promising opportunity. Nike's SCM goals align closely with my own ambitions. Despite past challenges, Nike maintains a strong position in the sports market and is poised for further growth amid competition. Through my research, I have observed that Nike is embracing advanced technology and sustainability initiatives that other companies hesitate to adopt.

In conclusion, Nike has transitioned from a fragmented stage in the 1990s to a more integrated and strategic stage today. The company's focus on advanced technology and sustainability has strengthened its supply chain management and global brand image. Looking ahead, Nike should continue enhancing labor practices in its Asian manufacturing bases and optimizing product processing from Asia to Europe.

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