

Nike and Industry 4.0: Driving Innovation, Efficiency, and Sustainability

Visahl Samson | visahlsamson@gmail.com

Executive Summary

This report looks at how Nike is using Industry 4.0 (I4.0) technologies to improve its operations, drive innovation, and support sustainability. Industry 4.0 is the digital transformation of manufacturing, powered by technologies like Artificial Intelligence (AI), the Internet of Things (IoT), Blockchain, and 3D printing.

Nike has adopted several of these technologies to gain a competitive edge. For example, it uses AI to predict customer demand and personalize shopping experiences. Through augmented reality (AR), customers can get better shoe fittings, while 3D printing helps Nike produce customized shoes faster and with less waste. Its digital twin platform, *Nikeland*, allows Nike to test products virtually before physical launch.

In manufacturing and supply chain, Nike uses robotics and data analytics to speed up production and improve efficiency. These efforts have also led to strong financial results, with Nike's digital sales making up a growing part of its revenue.

On the sustainability side, Nike uses I4.0 to reduce material waste and energy use. Technologies like Flyknit and Flyleather help cut down on resources, while programs like "Move to Zero" aim to lower carbon emissions and support recycling.

Despite the benefits, Nike faces challenges such as high automation costs, difficulty working with soft materials, and concerns over data privacy. To stay ahead, Nike needs to invest in new robotics, improve data protection, and better align product design with its manufacturing capabilities.

In summary, Nike's smart use of Industry 4.0 technologies has helped it become more efficient, innovative, and sustainable, but continued focus on overcoming current challenges will be key to its future success.

Introduction

Industry 4.0 (I4.0) refers to the ongoing digital transformation of industrial processes. However, compared with all previous industry revolutions, Industry 4.0 focuses beyond industrial processes and completely changes the traditional ways people work (Nwulu & Damisa, 2023, p. 1). Fundamental I4.0 aims to increase productivity and mass production by using innovative technology, and this is driven by components such as the Internet of Things (IoT), Artificial Intelligence (AI), and Blockchain. (Hayat et al., 2023, p. 37). For

this assignment, I have chosen Nike to analyse how it leverages I4.0 to enhance operational efficiency, innovation, and promote sustainable development

Digital Technologies in Global Engineering

Key Technologies

In the current landscape, emerging digital technologies, especially those related to I4.0, are widely used by companies to gain a competitive advantage. For example, in smart manufacturing, a digital twin is used to identify and improve the system as well as to analyse and predict equipment failures, learning to increase efficiency (Soori et al., 2023, p. 1). Similarly, AI is being used by companies to assist with predictive maintenance, real-time optimization, and to provide demand forecasting. This allows firms to anticipate shifts in demand, reduce defects, resulting in operational efficiency (Selvarani et al., 2023, p. 2056). Finally, 3D Printing constructs an object layer by layer, allowing companies to reduce lead times, lower costs via minimal material waste, enabling localized production, and enhancing design flexibility for sustainable manufacturing (Raghavendra, 2024, p. 5). Although the technologies are promising, each of them has its challenges, which make their adoption harder. For example, AI has challenges in its integration into existing IT and operational infrastructure, and data privacy related concerns (Kutz et al., 2022, p. 260). For AR, high implementation cost, lack of expertise to build for a specific use case which obstructs its adoption (Chandukala et al., 2022, p. 4). Finally, 3D printing, high cost, poorer and anisotropic mechanical qualities, and limitations in mass production are seen as major challenges (Dasgupta & Dutta, 2022, p.537)

Strategic Use of Digital Technologies

In the context of Nike, it has used emerging digital technologies in its operations to increase efficiency and customer value. For example, in 2021, Nike launched its branded metaverse, named Nikeland, which acts as a digital twin of Nike's physical brand experiences (Temperino, 2023, pp. 89–90). So, via this digital twin, Nike strategically mitigates risks by releasing a virtual version of their products, analyzing the response before committing to the physical release of the product.

AI and Machine Learning

Nike uses AI and ML for the purposes of both customer engagement as well as from strategic perspective. For example, the company has an initiative called “Nike Maker Experience,” which allows its customers to customize shoes, and using stored data and machine learning, Nike provides personalized recommendations, improving customer satisfaction and overall sales performance (Cherukuri et al., 2020, p. 95). Also, Nike strategically acquired a data analytics firm called Celect and integrated it within its mobile app to predict users' shopping behaviour and further use it to optimize inventory placement and forecast demand with more precision, providing a competitive advantage. (Thomas, 2019). However key challenge here is to ensure sufficient data privacy and cybersecurity, as a large quantity of classified customer information is collected and stored.

Augmented Reality and 3D Printing

Nike has implemented AR capabilities into its app called Nike Fit, which uses AR technology to measure customers' feet and provide hyper-customised shoe recommendations. (Rubin, 2019). This helps Nike to significantly reduce the product return rates, improve customer satisfaction. Finally, Nike uses 3D printing technology to produce high-quality and innovative products. In 2017, the company introduced its 3D printing technology called Nike Flyprint, which allows Nike to produce customized upper shoe components in a reduced timeframe, catering to athletes with specific performance needs (Nike Vaporfly Elite Flyprint: The Future of 3D, 2017).

Further Opportunities

Nike has opportunities for further adoption of blockchain for enhanced supply chain transparency, particularly for ethical sourcing and combating counterfeiting, which not only improve operational integration but also help Nike to align with industry advancement, where its competitor Adidas has already implemented the blockchain into their supply chain process. (Ledger Insights, 2022).

Industry 4.0 and Business Performance

Core Technologies

Industry 4.0 has several key components such as Industrial Internet of Things (IIoT), Cloud, Cyber physical systems, Big Data Analytics, Cloud computing, blockchain, additive manufacturing, and autonomous robots to be connected to drive operational efficiency and improve business performance. Through Big Data Analytics and IoT devices, manufacturing firms can monitor product quality, reduce waste, and boost productivity. Also, analytics can be used to create process optimization strategies (Sharma & Pandey, 2019, p. 69). Besides that, COBOTS (Collaborative robots) are being used by firms to handle sensitive and repetitive tasks such as assembly, pick and place, quality control, and packaging (Sen et al., 2024, p. 279).

Smart Products and Data-Driven Supply Chains in Nike

In the context of Nike, it has made significant efforts and investments into its production automation project, where it introduced advanced robotics such as Grabit's system, which assembles shoe components up to 20 times faster than humans (ASSOCIATION FOR ADVANCING AUTOMATION, 2020). Also, Nike has integrated over 1000 COBOTS in its distribution centres to support tasks such as sorting, packing, and product movement (Edwards, 2024). Finally, Nike is using an integration of data analytical technologies and platforms like Celect and ERP systems to consolidate data from its sales channels and supply chain operations. It allows Nike to make predictive decisions for adjusting inventory and aligning production with consumer demand (Thomas, 2019).

Financial Impact

Nike's I4.0 integration delivered esteemed financial performance. The company's CFO reports that Nike's direct digital business, especially its advanced supply chain and data analytics integration, now accounts for 24% of the company's \$10 billion annual revenue (Adamek, 2022). Furthermore, based on Nike's Fiscal 2023 Fourth Quarter, the company's direct revenue has reached \$21.3 billion, up 14% reported and 20% currency-neutral, driven by digital and direct-to-consumer sales supported by supply chain digitization (Nike, 2023).

Industry 4.0 and Sustainable Development

I4.0 has a significant role in sustainable development, 17 Sustainable Development Goals (SDGs set by the United Nations (United Nations, 2015). Although I4.0 technology can help in all the 17 goals, some of the notable goals include Goal 7, affordable and clean energy, which can be done via I4.0 components, especially via the smart grid, which can optimize energy consumption and integrate renewable energy sources (Energy Research Institute @ NTU, 2021, p. 8). Another goal is Goal 12, responsible consumption and production, which is achievable via additive manufacturing techniques such as 3D printing (World Economic Forum, 2023). However, challenges such as high initial cost for environmentally friendly components, such as packaging, lack of proper training, and lack of effective and standard frameworks hinder the adoption of sustainable practices in a firm (Yadav et al., 2020, p. 6)

Sustainable Manufacturing

Nike has heavily invested in technologies such as Flyknit and Flyleather. These allow Nike to produce lightweight, high-performance footwear with significantly less material waste. For example, Flyknit, technology precision knitting techniques enabled by digital control systems, which reduces the number of materials used and cutting waste by 80% (Fink, 2016, p. 3). And with automation and digital tools, Nike can track and minimize energy consumption, water usage, and carbon emissions at each manufacturing stage. This also helps Nike to align the sustainability framework UN Sustainable Development Goals (SDGs), specifically SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action) (United Nations, 2015).

Circular Economy Initiatives

Nike uses I4.0 technologies for its initiatives that focus on circular economy through design, process, and materials innovation. It uses recycled polyester and designs products for durability. Also, with the help of advanced manufacturing like 3D printing, it reduces material waste. Finally, initiatives like Nike Grind close the loop, Nike transforms old products into raw materials for new products, while advanced analytics track product lifecycle and material reuse efficiency (World Economic Forum, 2016). Nike also has a sustainability initiative called as “Move to Zero” (*Nike Sustainability. Move to Zero*, n.d.)

which utilizes I4.0 technologies such as digital twins, and IoT to monitor energy usage in real time to achieve greenhouse gas emissions reduction by 0.5 million tons, diverting 100% of waste from landfills, and reducing freshwater usage in textile dyeing and finishing by 25% in 2025. This shows how I4.0 technologies support scalable and measurable sustainability outcomes in Nike.

Challenges and Recommendations

Although Nike's integration of I4.0 brings benefits, it has significant challenges throughout the journey, which challenge the adoption of I4.0 technologies. For example, the difficulty of automating the production of sneakers is due to the soft, flexible materials and variety of models, resulting in Nike operating along with workers (The Wall Street Journal, 2025). Also, Nike faces data privacy-related lawsuits involving its service provider, which tracked sensitive user data on Nike's website (Balasubramani, 2021), highlighting significant gaps in Nike's technology adoption. Thus, Nike should focus on a hybrid automation method, R&D on material-specific robotics, strengthen data privacy practices, align design with manufacturing capabilities, and conduct regular audits of third-party services to overcome technology adoption challenges.

Conclusion

Nike's integration I4.0 components, such as AI, 3D printing, has helped to increase operational efficiency, consumer engagement, and sustainability. Also, these advanced technologies have helped Nike to enhance its innovation, optimize its supply chain management, and support its sustainability goals. However, Nike has challenges around automation and data privacy, which require Nike's attention as well as adoption to ensure it has a competitive advantage over its competitors.

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