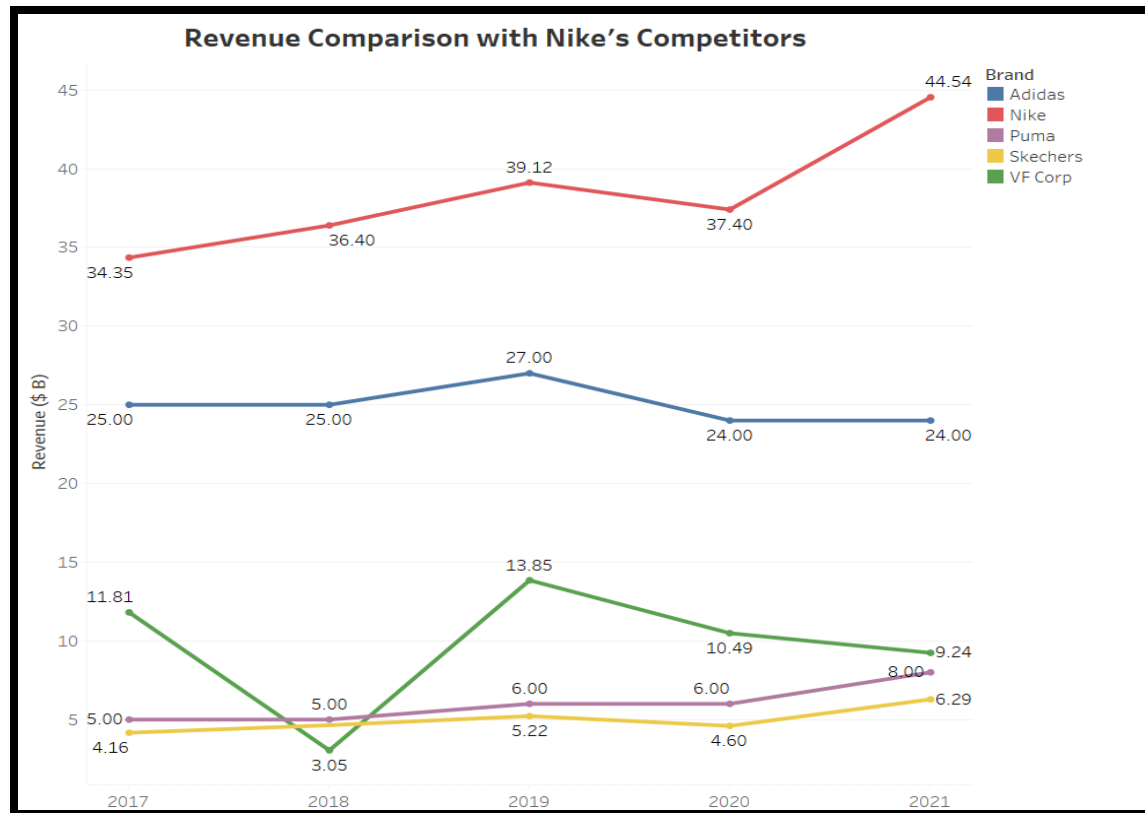


## **1. Company Overview**

The largest athletic clothing company in the world, Nike, is best recognized for its high-quality footwear, apparel, and equipment. Nike's motto is "Bring creativity and innovation to all athletes worldwide," and the corporation lives up to this promise by offering clients around the world a wide range of styles and high-quality goods. It operates in roughly 170 countries and operates with more than 30 prominent sports and consumer lifestyle brands. As of 2022, the company has revenues of \$18.43 million in North America, \$12.47 million in Europe, the Middle East, and Africa, \$7.54 million in Greater China, and \$6 million in Asia Pacific and Latin America.

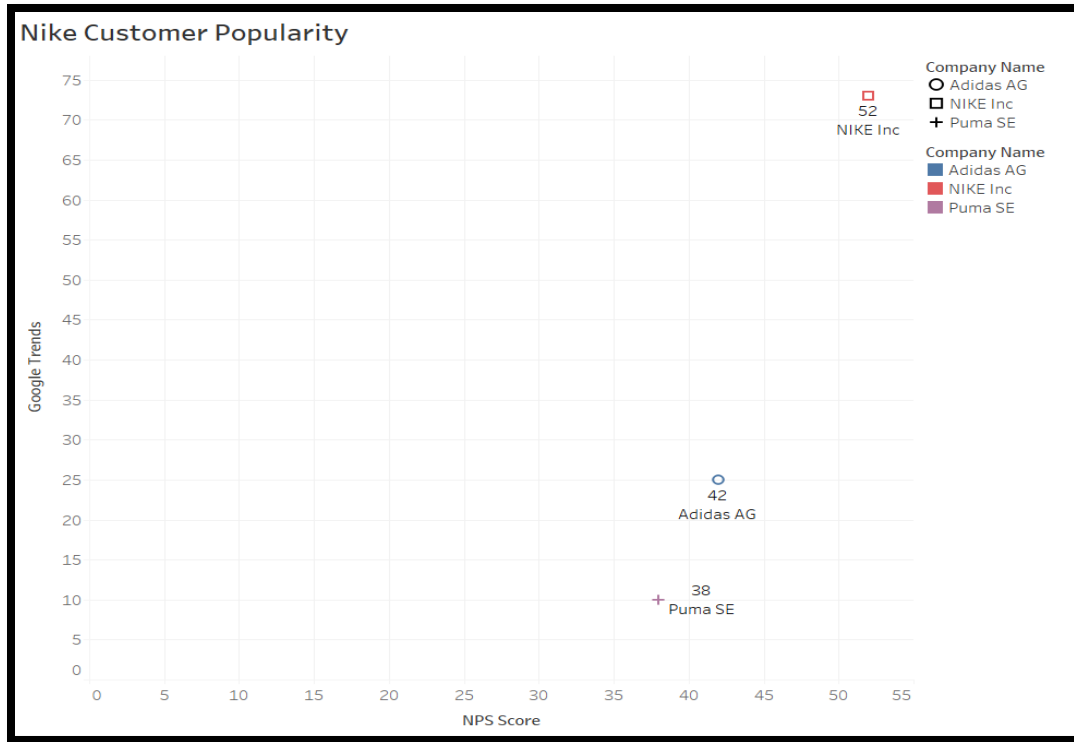
### **1.1 Nike's Competition**

Nike competes with other large-scale footwear and apparel manufacturing companies, the most prominent being Adidas, VF Corp, Puma, and Skechers. Nike's biggest rival worldwide would be Adidas because it has a strong presence worldwide and is the largest sportswear manufacturer in Europe. VF Corp has many subsidiary brands like Vans, North Face, and Timberland which offer their products at slightly lesser prices compared to Nike. Nike's revenue has consistently been more than all its competitors from 2017-2021 (Figure 1).



*Figure 1 (above): Revenue Comparison of Nike and its main competitors- Adidas, Puma, VF Corp and Skechers from 2017-2021*

Nike and its biggest competitor, Adidas, have competed since the 1960s. However, Nike has consistently had revenue amounting to half or more of Adidas' because Nike offers is well-established in the market and has a good brand image and provides high-quality goods. Their 2 most popular shoes Nike Air Force Ones and Adidas Superstars are constantly pitted against each other in terms of design, comfort, durability, and aesthetic appeal, with the Air Force Ones winning all categories except durability. Nike also promotes sustainability by using 20% recycled material to make shoes.



*Figure 2 (above): Google Trends and Net Promoter Score (NPS) of Nike and its Competitors*

Google Trends and NPS (Net Promoter Score) are indicators of Customer Satisfaction and popularity, and Nike has a high score for NPS and is a trending search on Google. Nike has 238 million Instagram followers and Adidas has 26.5 million followers, indicating that Nike is more popular even on other social media platforms. Nike's Instagram is also filled with motivational posts and therefore, this is linked to its NPS because customers are encouraged to buy it as a status symbol.

## 2. Financial Information

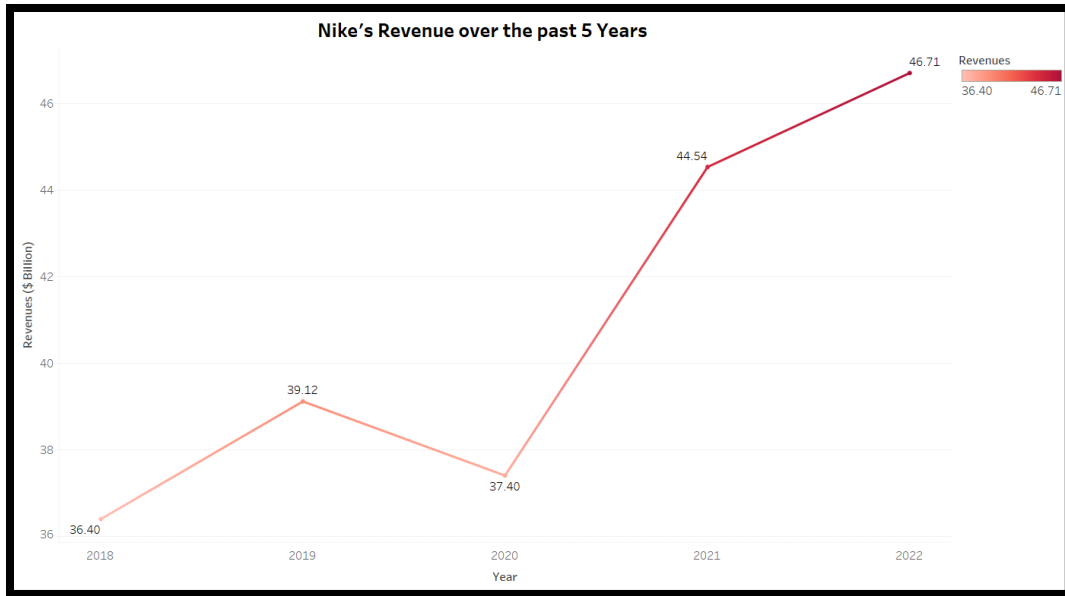


Figure 3 (above): Nike's Revenue from 2018-2022

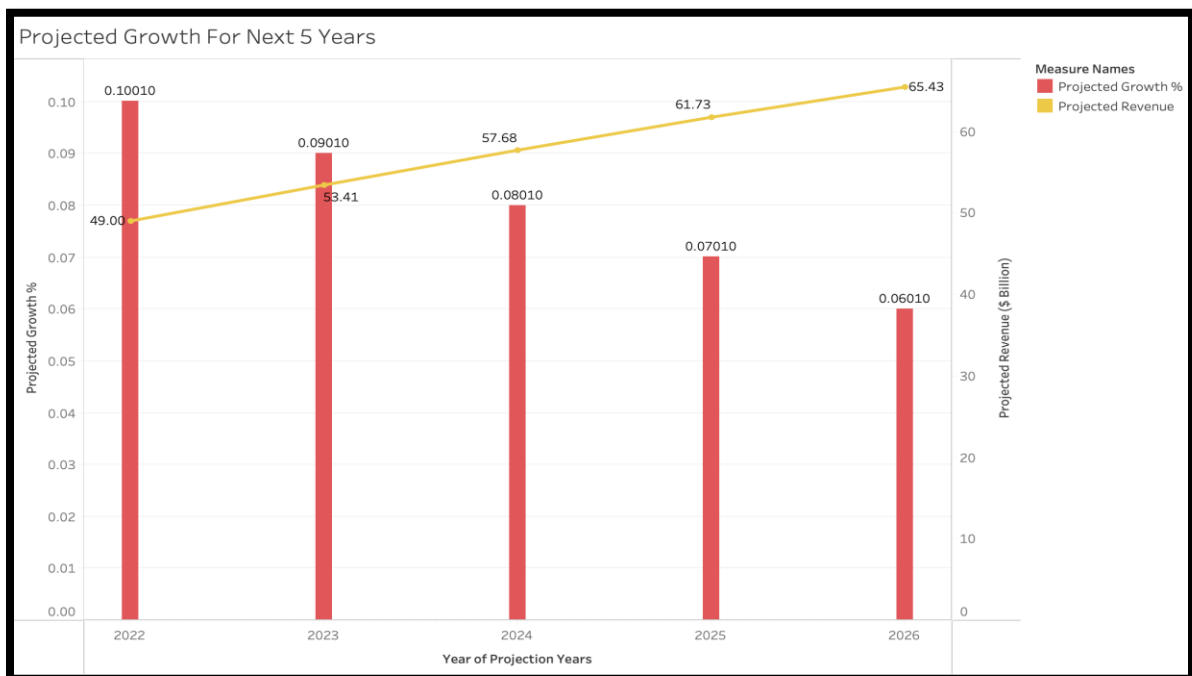
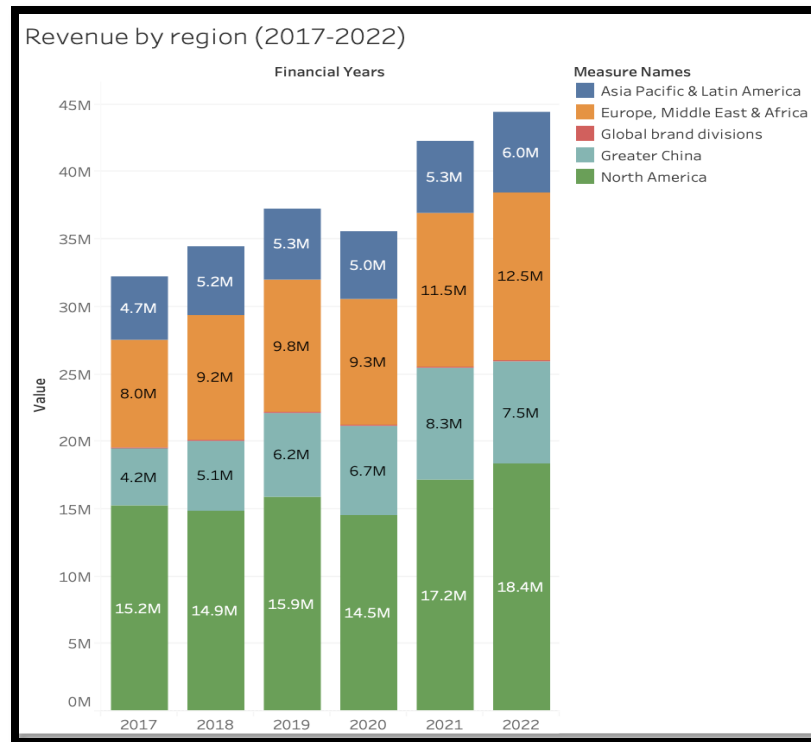


Figure 4 (above): Nike's Projected Revenue from 2022-2026

### 3. Nike's Revenue by Region (Worldwide)

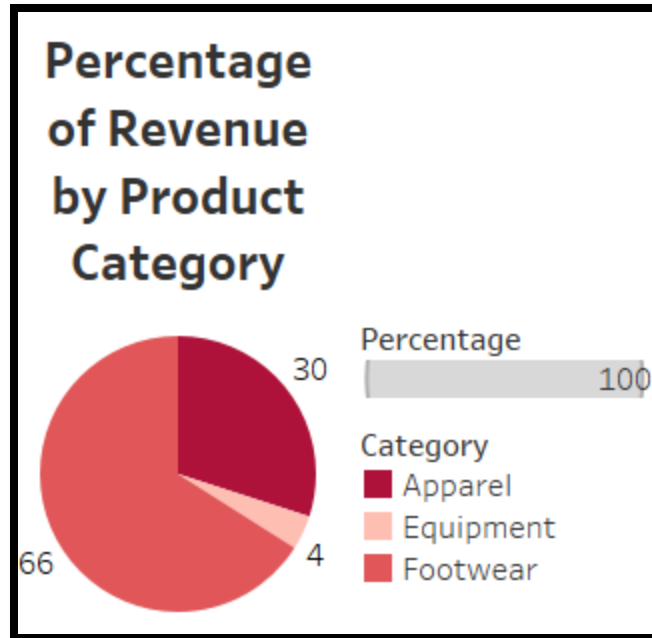


*Figure 5 (above): Nike's Revenue by Region - Worldwide*

Nike has operations in nearly 170 nations. In nearly every year, North America generates Nike's highest annual income of \$18.4 million (2022), followed by a combined \$12.5 million from Europe, the Middle East, and Africa (2022). This suggests that compared to other regions, North America has a very large customer base for Nike. Therefore, it would be wiser for Nike to broaden the distribution of its products to the above-mentioned regions and enhance their marketing initiatives to the other regions.

#### **4. Nike's Revenue by Product Category:**

According to different product categories, maximum revenue generated by Nike comes from Footwear, followed by Apparel, and Equipment contribute 4% of the total revenue. Nike's Footwear range includes several Product Lines such as Running Shoes, Jogging Shoes, Jordan, NIKE Basketball Footwear and so on. Footwear's revenue is highest as it is one of the most popular product categories amongst consumers throughout the world.



*Figure 6 (above): Nike's Percentage of Revenue by Product Category*

Nike's maximum revenue generated comes from Sportswear Product Line. The gradual change in revenue throughout the years has been increasing, except for the Training Line. The Sportswear includes several products such as clothes, shoes, headbands, wristbands, knee protectors and so on. The segregation between the Revenue by Product Category and the Revenue per product Line is helpful in specifically understanding the consumer's' demand by Product Category and Product Line separately.

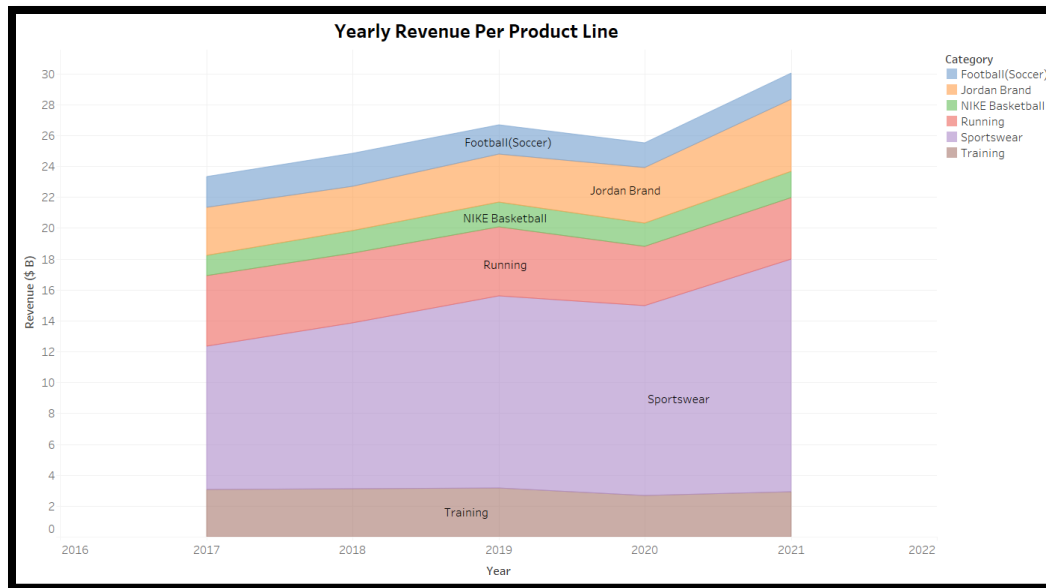


Figure 7 (above): Nike's Yearly Revenue per product Line

## 5. Advertising and Promotion of Nike

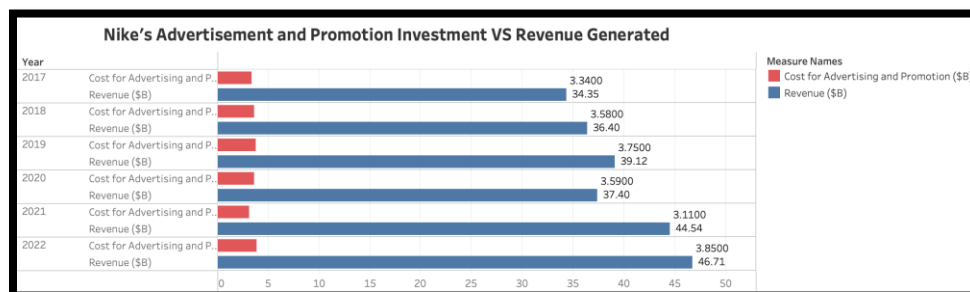


Figure 8 (above): Nike's advertising and promotion costs from the financial years of 2017 to 2022 in US Billion Dollars in comparison to Nike's total revenue generated.

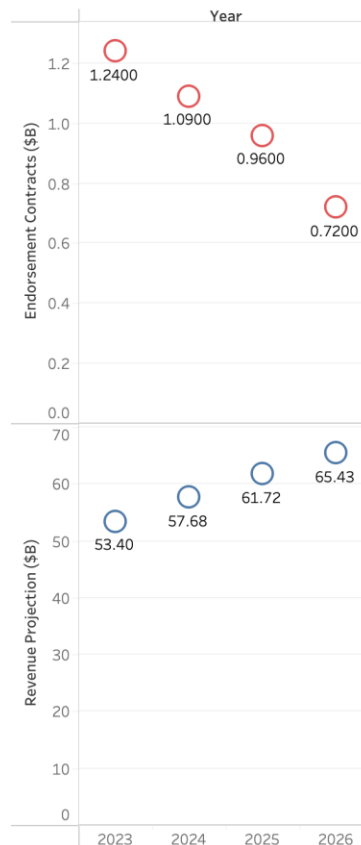
While Nike has consistently spent about \$3 billion on advertising and promotion, the revenue has been increasing from 2014 to 2017. This implies that the increase in the revenue was not majorly because of Nike's investment in advertising and promotion.

Nike uses sponsorship to hold on to its position as the most recognizable sportswear brands in the world. In 2022, Nike's advertising and promotion costs amounted to \$3.85 billion and that same

year, Nike generated over \$46 billion in global revenue. Fun fact: Forbes found that out of the 2020 top 100 world's highest-paid athletes, Nike represented 51. Their top contract belonged to Los Angeles Lakers star LeBron James, who signed for \$30 million.

Advertising and Promotions make up a small part of Nike's expenses. The company has other operating expenses as well with the greatest expense category being sales costs (mostly inventory and warehousing), which total more than \$21 billion per year. Overall, Nike's gross profit margin worldwide for fiscal 2022 stood at roughly 46 percent and the average profit margin for the years financial years 2017 to 2022 stood at 44.5 percent.

**Nike's Endorsement Contracts  
VS Revenue Projection for  
2023-2026**



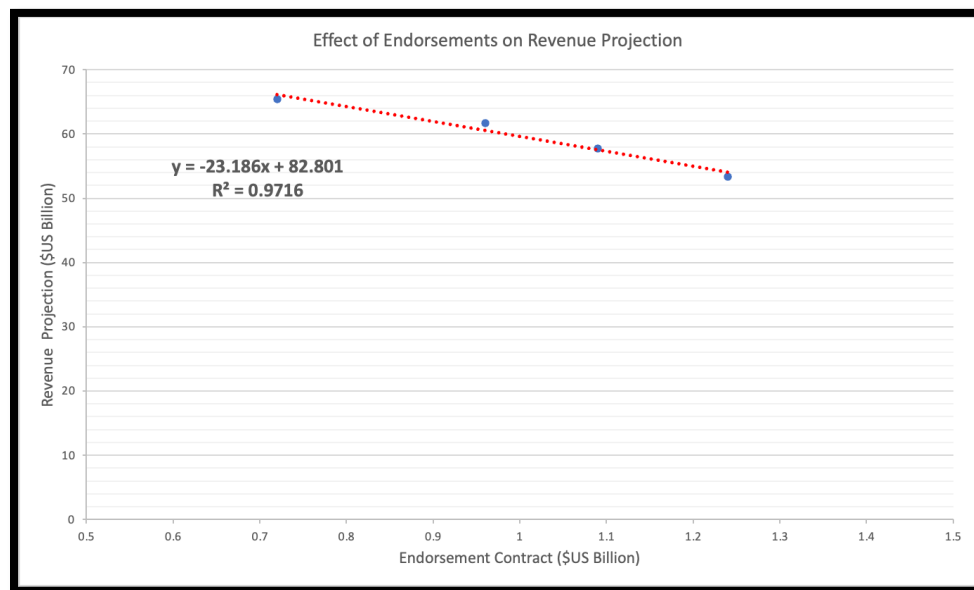


*Figure 9 (above): Nike's Endorsement Contracts in comparison to the predicted revenue for the financial years 2023 to 2026.*

Nike's projected revenue shows an increase from 2023 to 2026, but the endorsement contracts show a gradual decrease. This implies that endorsements are just a small part of the promotional activities that impact Nike sales.

Nike's consumer direct acceleration strategy played a crucial role in the revenue increase that was further fueled by deep consumer connections, compelling product innovation and an expanding digital advantage. Additionally, the shareholder returns were increased, citing 20 consecutive years of increased dividend payouts to shareholders (dividends were up 12% from last year).

### **5.1 Nike's effect of endorsements on the company's revenue projection**



*Figure 10 (above): Regression Analysis- Effect of Nike's endorsements on its projected revenue*

The above graph demonstrates a negative correlation between Nike's endorsements and the anticipated revenue of the company. This is because Nike's money is derived from sources other

than just athletes and celebrities. Additionally, it depends on Nike's distinctive value proposition, brand equity, customization, marketing through traditional and digital media, email marketing, and these factors. Overall, these marketing techniques help the business increase its revenue.

## **Conclusion**

Since Nike's revenues have consistently been excellent and more than its competitors', the company's current strategy is effective. Nike has outperformed all its competitors in terms of revenue and customer popularity and its Instagram strategy has helped humanize the company and garner more followers and loyal customers due to its motivational tone. Nike should stick to its mission "to move the world forward" by building the community, protecting the planet and increasing access to sport. North America, Europe, the Middle East, and Africa generate more revenue for Nike. Therefore, it would be smarter for Nike to increase their advertising strategy in the other locations while also expanding the distribution of their products to the aforementioned regions.

When it comes to the analysis of the revenues generated by Nike by Product Category and Product Lines, Footwear stays clear winner in revenue generation by Product Category

## **Sources**

<https://www.sportcal.com/analysis/nike-brand-profile-strategy/>

<https://www.cheatsheet.com/entertainment/nike-spends-more-than-any-other-company-to-endorse-athletes.html/>

<https://www.statista.com/statistics/685734/nike-ad-spend/>

<https://hypebeast.com/2022/3/nike-inc-fiscal-2022-q3-results-report>

<https://www.statista.com/statistics/1002897/gross-margin-of-nike-worldwide/#:~:text=This%20statistic%20shows%20Nike's%20gross,stood%20at%20roughly%2046%20percent.>

<https://www.statista.com/statistics/241692/nikes-sales-by-region-since-2007/>

<https://www.nike.com>

[https://www-mergentonline-com.proxy2.library.illinois.edu/companyfinancials.php?pagetype=asreported&compnumber=16861&period=Annuals&dataarea=PL&range=5&currency=AsRep&scale=1000000000&Submit=Refresh&csrf\\_token\\_mol=6f37f21a5b](https://www-mergentonline-com.proxy2.library.illinois.edu/companyfinancials.php?pagetype=asreported&compnumber=16861&period=Annuals&dataarea=PL&range=5&currency=AsRep&scale=1000000000&Submit=Refresh&csrf_token_mol=6f37f21a5b)

“Adidas Superstar Vs Nike Air Force 1 – The Ultimate Battle”

<https://www.collectoffers.com/blog/adidas-superstar-vs-nike-air-force-1/>

<https://www.statista.com/statistics/412760/nike-global-revenue-share-by-product/>

<https://fifthperson.com/nike-business-model/>

<https://www.linkedin.com/pulse/nike-revenue-breakdown-region-product-category-david-goldstein>

<https://www.statista.com/statistics/241692/nikes-sales-by-region-since-2007/>