Research and Analysis on Nike, Inc.

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**Introduction**

Over the past 35 years Nike, Inc. has grown exponentially and has become one of the most recognizable brands in the world. Originally founded as an importer of Japanese shoes, Nike has transformed into a business that designs and sells footwear, apparel, and equipment across the world, covering approximately 37% of the global market share. According to Reference for Business, an Encyclopedia of Businesses, the $27 billion American company sells its products across 160 countries and through 22,000 retail accounts, consequently making its logo one of the most identifiable symbols in the world. This research paper goes into depth and covers an overall history and business analysis on Nike.

**Background Information**

Nike was originally started as an American distributor of a Japanese shoe manufacturer. The original name of the company was Blue Ribbon Sports (BRS) a name quickly coined by its founder and former CEO, Phil Knight who was attempting to convince the Japanese shoe company, Tiger to become their distributor in the United States in 1962. Due to Knight spending most of his money on his first order of shoes, he sold the pairs of athletic Tiger shoes from the back of his car for almost a year in Beaverton, Oregon.

Knight eventually formed a partnership with his former track coach, and they began to design their own shoes in addition to selling Tiger shoes. The company became more successful as the years passed and Knight was able to hire a full-time employee and rent out a retail space in 1966. By the early 1970s BRS’s business was booming as sales jumped to $300,000 with 20 employees.

Due to a distribution disagreement with its partner, BRS broke its relation with Tiger. After BRS’s separation with the Japanese company, Knight paid a college student artist $35 for a new logo, which came to be known as the Swoosh. With the help of sponsoring athletes in the 1972 Olympics and the beginning of several marketing campaigns, BRS’s sales soared to $2 million.

By 1974, BRS was growing rapidly and began to expand by opening its first plant in Exeter, New Hampshire. Sales had increased to $5 million at the end of the year.

With the popularity of jogging rising in the late 1970s in the US, BRS’s sales began to exponentially double from $14 to $28 million between 1976 and 1977. The following year, BRS changed its name to Nike, Inc. according to the website Nike and American Body, which contains a historical timeline of Nike’s most significant events (Hinker).

According to Merriam-Webster online dictionary, Nike is the name of the Greek Goddess, who represents victory in Greek mythology.

As the popularity of jogging started to diminish in the early 1980s, Nike began to expand its products by selling women's apparel, kids’ shoes, and casual clothing. The company kept having to evolve in order to keep up with the constant changing of the fitness market.

By 1982, Nike started designing tennis and basketball shoes and in 1989 Nike sponsored basketball superstar Michael Jordan. The company used aggressive advertising and popular athletes including Michael Jordan and Bo Jackson in commercials, magazine ads, and several other mediums in order to promote their company. The famous trademark “Just Do It” was born and the ads became known as the Just Do It campaign. With the help of expanding its product variety and the expansion of sales in Europe, Nike continued to grow and gained large profits through the next two decades (References for Business).

**Financial Performance**

Nike’s financial performance has been on a steady incline for the past five years. MarketWatch, a financial information website that provides business news, analysis, and stock market data states that in 2010, Nike’s annual revenue was at $18.96 billion and in 2014 the annual revenue had grown to $27.79 billion. From 2011 to 2014, there were 10%, 16%, 5%, and 10% revenue growth rates for each respective year. This indicates a relatively steady growth in revenue for each year. The net income in 2010 was $1.91 billion, $2.13 billion in 2011, $2.22 billion in 2012, $2.46 billion in 2013, and $2.69 billion in 2014. The growth income rate for each year was 12%, 4%, 11%, and 9% respectively. The stock has been on the rise for years, and in the past 5 years has risen from $40 per share in 2011, up to $101 per share in 2015. The market capitalization has quadrupled in the past ten years going from just under $20 billion in 2004, $40 billion in 2010, to $80 billion in 2014 (MarketWatch). The most significant key indicator for Nike is its increasing revenue.

**Corporate Structure**

Nike is a public company housed in three main headquarters in various parts of the world. The world headquarters is located in the city it was founded in, Beaverton, Oregon. The European headquarters is located in the Netherlands. The Greater China headquarters is located in Shanghai, China. Nike owns three major subsidiaries including Converse Inc., Hurley International LLC, and Air Jordan (CNN). Each of these major subsidiaries designs, markets, and distributes footwear, apparel, and accessories of many different styles.

**Key Events in Past 12 Months**

Though the company comes out with new products daily, there are many other relevant events in the past twelve months for Nike. Currently, Nike is involved in three legal suits one of which is over copyrights, and two are over intellectual property, states Marc Bain, a reputable fashion reporter for Quartz. The first suit is concerning the iconic “Jumpman” logo, which is a silhouette of Michael Jordan that is currently on billions of dollars’ worth of Jordan brand shoes and apparel. This logo owes its existence to a photo taken by photographer Jacobus Rentmeester for *Life* magazine in 1984. Nike paid Rentmeester for the temporary use of the photograph, but not for duplication purposes. They then created their own version of the photograph for what has now become the Air Jordan iconic logo. The second suit is against its major competitor Adidas, which Nike claims Adidas violated Nike’s patent for the first knitted-sneakers. They later lost the suit, but filed an appeal in December 2014 claiming the patent is valid. The final suit is another feud between Nike and Adidas, where Adidas announced they hired three senior designers from Nike. In December, Nike filed a $10 million lawsuit accusing the three of violating the non-compete contracts and taking proprietary secrets such as unreleased designs (Bain, 2015).

**Sponsorships and Endorsements**

Nike aggressively seeks out sponsorships, promoting their image with high-profile professional athletes across the world. A seemingly endless stream of celebrity endorsements makes Nike’s products appear more credible to buyers. People tend to listen to recommendations from superstars like Michael Jordan, LeBron James and Tiger Woods better than those from non-celebrities. For example, Nike celebrated the anniversary of their famous “Just Do It” tagline with an advertisement featuring a voiceover by movie star Bradley Cooper and cameos from a variety of famous athletes, which gained more than four million views during the first week it was online. Endorsing celebrities to use Nike products and wear the brand’s clothing helps to enhance the brand’s image. When top athletes are seen wearing Nike clothing, their respective fans follow suit and emulate there role models by purchasing and wearing the same gear. Associations with top athletes like Roger Federer, Michael Jordan, Carmelo Anthony and Cristiano Ronaldo allow the company to enjoy a high level of respect. Nike’s sponsorships allow the company to showcase product qualities on a platform that promises to draw attention to its brand. For example, the company currently has a five-year $1.1 billion sponsorship deal with the NFL to outfit players on all teams, helping to expand their market share and cement their position as global leader in the sports apparel market. The Marketing Science Institute published a study observing the Nike golf ball division, the report shows that Nike’ss profits increased by $103 million from 2000 to 2010, due to the company’s endorsement deal with Tiger Woods. In fact, Nike was able to recover 57 percent of its $181million investment in Woods solely through U.S. golf ball sales (Marketing Science, 2013).

**Social Responsibility and Ethical Issues**

In addition to celebrity endorsements and sponsorships, Nike also gives back to the community. The company donates products to nonprofit organizations and non-governmental organizations across the world. This allows them to make an impact in local communities, forming a solid relationship with consumers and increasing the likelihood that people will choose Nike the next time they make a buying decision. Nike is driven to do not only what is required by law, but also what is expected of a leader. They expect their business partners to do the same. They do this through the Nike code of conduct, which covers contractors who manufacture the Nike product.

Although Nike has made a positive impact on society, it’s not without its flaws. About 24 years ago word got out about their overseas labor practices, which hurt the company’s image and lowered sales. In 1991, a report was published showing the low wages and poor working conditions in Indonesia according to Max Niesen, a former Strategy reporter for Business Insider. The wages were lower than Indonesia’s minimum wage at a stunning 14 cents an hour. In addition to a few other notorious incidents, Nike established a department tasked with improving working conditions and the lives of factory workers in 1996. Through the next few years multiple protests hurt the company’s sales and image. In 1998, Nike announced that it would raise wages, increase monitoring significantly, and adapt US OSHA standards for all factories. In 1999, the sports apparel company created a non-profit group called the Fair Labor Association which sets the company’s minimum working age and maximum hours per week. Because of this process, Nike was the first company in the industry to publish a complete list of the factories it has contracts with. The whole process has now become a part of Nike’s corporate responsibility report. The “sweatshop” crisis was one of the darkest moments in Nike’s history and almost put the company out of business; they were eventually able to fix their image and make one of the most remarkable turnarounds in recent memory (Nisen, 2013).

**The Company’s Vision**

The sports company’s main focus is to explore, innovate, scale, and collaborate. Nike is committed to socially responsible sourcing practices. Looking at the challenges of today and the future, being successful relies on the ability to transition in this sustainable economy. Nike has moved beyond corporate responsibility and has begun something they call Sustainable Business and innovation. Sustainability is a promoter for transforming the way NIKE, Inc. does business by innovating better resolutions to create a limitless future that benefits athletes, the company and the world (CRS wire, 2015). Sustainable innovation is at the core of NIKE, Inc., innovating across design and materials to manufacturing and retail, while driving cross-industry collaborations that bring game-changing solutions to scale.

**Conclusion**

Nike aims to bring inspiration and innovation to every athlete in the world and it considers everyone to be an athlete. First starting as a small US distributor of a Japanese shoe subsidiary, Nike has blossomed into a high profile, industry-leading sports company in the span of half a century. Nike continually strives to keep itself at the forefront of product innovation and design. Through intensive research and development, Nike hopes to design high quality products and improve the performance of athletes while maintaining a significant impact in local and global communities in order to form strong relationships with their clients.

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