

# ***Nike Trash Talk***

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## **I. EXECUTIVE SUMMARY**

Nike is introducing the environmentally friendly shoe, the *Trash Talk*, back into the specialty retail market. This shoe, made entirely from recycled shoe scraps from Nike factories around the globe, along with other environmentally preferred materials, will provide a “green” alternative for potential customers. It will also help Nike to reduce its global carbon footprint, by reducing their levels of excess materials down to 120g/pair of waste within the year following the release of the Trash Talk. This shoe is not merely another fashionable shoe offering in a market filled with competitive brands and products; the Trash Talk uses materials and creative technology in a way unique to any other product available to consumers. The targeted market segment will be educated and eco-friendly young adults capable of recognizing a high value, high quality shoe. The Trash Talk will be available for both men and women in Nike stores, [nike.com](http://nike.com), and specialty and boutique retailers across the country - with a grand release on February 21, 2015 in selected Nike Stores across America.

The primary marketing objective of the Nike Trash Talk is to sell 5,000 pairs within the first year of availability, resulting in approximately \$450,000 in sales. Along with production and sales of the Trash Talk, this shoe will pave the way for a whole new line of “green” Nike products made entirely from recycled and environmentally preferred materials.

## **II. BUSINESS MISSION**

Nike’s mission is “to bring inspiration and innovation to every athlete in the world”. Nike works to provide innovative athletic shoes, apparel, equipment, and accessories to athletes

on a global scale. Nike is well established in the sports apparel and equipment industry and intends on remaining the world's leader in sports innovation today, in five years, 20 years, and beyond.

The Nike Trash Talk Shoe is a casual-athletic sneaker made from scraps of other shoes recycled from Nike factories around the world. Instead of dumping these scraps in a landfill, they are strategically remanufactured for the creation of these "green" shoes. The parts of the Nike Trash Talk not made from recycled scraps are made from other environmentally preferred materials. Nike initially introduced the Trash Talk for limited production in 2008, in a partnership with NBA All-Star Steve Nash and The Steve Nash Foundation. This foundation, along with the Trash Talk, works to promote healthy and positive lifestyles among all individuals, especially children, all around the world (Nike Inc.).

Nike promotes Public Policy and Advocacy in working with a range of issues within the business as a whole. In providing the world with the best athletic shoes, apparel, equipment and accessories, Nike is one step ahead in being proactive to ever-changing markets and trends. With extremely large numbers of sales, the Nike brand is spread across the world, with operations in 6 continents and over 160 countries around the globe (MarketLine).

### **III. Business Objectives**

With the new release of a Nike Trash Talk shoe, Nike hopes to produce and sell 5,000 pairs by January 31, 2016, with availability beginning February 21, 2015. With the innovation of

the Trash Talk, Nike plans to decrease its carbon footprint by reducing total generated waste of shoe materials (grams per pair) to 120g within the next year.

#### IV. SWOT Analysis

<b><u>Strengths</u></b> <ul style="list-style-type: none"><li>● Dominant global market presence</li><li>● Innovation</li><li>● Distribution channels<ul style="list-style-type: none"><li>○ Variety of retail options</li></ul></li></ul>	<b><u>Weaknesses</u></b> <ul style="list-style-type: none"><li>● Dependence on independent manufacturers</li><li>● Manufacturing Wholesale</li></ul>
<b><u>Opportunities</u></b> <ul style="list-style-type: none"><li>● Online retail market</li><li>● Environmentally concerned customers</li></ul>	<b><u>Threats</u></b> <ul style="list-style-type: none"><li>● Competing brands</li><li>● Counterfeit Nike products</li></ul>

##### A. Strengths

Nike holds a dominant market position in the sports apparel and equipment industry because of its impressive brand portfolio. Nike's brands include Nike, Jordan, Converse, and Hurley. With this variety of brands, Nike holds more than a 14% share of the global sporting goods market. This is just one reason that Nike is perpetually one of the *100 most valuable brands* in the world (MarketLine).

Nike is also the leader in sporting goods innovation because of its strong focus on research and development. In striving to be the world's leading innovators, Nike seeks expert input from athletes, coaches, orthopedists, engineers, and other authorities to produce new products that maximize athletic performance, comfort, and style.

Nike products are available to retailers through a wide variety of distribution channels and methods. Nike's numerous retail accounts allow for their products to be featured in seemingly every type of store that sells sporting equipment and apparel. Nike products can

be found in large Nike Sportswear stores in cities like Chicago and New York, chain retail stores such as *Dick's Sporting Goods*, *Macy's*, or *Foot Locker*, along with smaller specialty stores like *Grand Bluff Running (La Crosse, WI)* or *Studiyo23* (Minneapolis, MN). Customers can also purchase Nike products directly from Nike Inc. via their website, [www.nike.com](http://www.nike.com).

## **B. Weaknesses**

Because of Nike's extremely large output of footwear, apparel, and equipment, most of the production relies on independently contracted manufacturers from around the world. A lot of the materials, labor, and facilities are under the control of these independent entities. This means Nike does not always have full oversight of the exact quality and production of its materials and products. Nike deems this level and form of production as necessary, but there is always a chance that it may lead to mistakes with the products, or even a lack of customer support, from around the globe (MarketLine).

Nike, as the manufacturer of the Trash Talk and all other products, establishes a wholesale price to the different retailers. This means that Nike creates a certain price for the shoe and sells it to different retailers at the established price. One possible problem arising from this practice could involve the price of the shoe being either too high or too low for the different retailers. As a result, retailers may think the shoe is too expensive to make a profit. Additionally, if the price is too low, retailers and customers may call into question overall quality of the shoe.

### **C. Opportunities**

Nike has noticed an increasing trend in online shopping and plans to continue tailoring the online shopping experience to the specific needs of their customers. According to MarketLine Reports, greater online involvement will allow Nike to have a greater global retail presence, which will lead to an overall increase in sales. Nike's website has consumer friendly features such as NikeiD where customers are able to customize nearly every aspect of their shoe to the specifications they desire. Online retail provides a greater opportunity for convenience to customers and lower costs, both important tools for growth in the near future.

By selling the Trash Talk, the Nike brand makes itself more attractive to the eco-friendly consumer; this shoe will be a must have product for those looking to "go green" in any and every aspect of their life. The entire shoe, even the box and its packaging, is made from old shoe scraps and environmentally preferred materials. Nike can now reach out to this expanding customer segment and earn their lifelong loyalty.

Additionally, the Trash Talk opens up the door for whole new line for Nike, with an unknown level of potential. A "green line" would not only include shoes, but apparel and equipment, all made from recycled and environmentally preferred materials. This added line of products would increase the overall customer base, along with stronger customer loyalty across the board.

### **D. Threats**

Like any industry, competition from other companies is clearly present to Nike. Brands such as Adidas, Under Armour, Puma, and Asics all carry similar products; each said to be

tailored to the exact needs of athletes and people everywhere. Because Nike has such a large presence in the athletic retail market, many brands look to Nike for new concepts and ideas in order to create their products.

Since Nike has such a great global presence, counterfeit products pose a threat to the brand and the entire industry. Nike is one of the most counterfeited companies in the world since the brand has such great value. Large price tags and a coveted brand value incentivize people to make their own “Nike” products and sell them at a lower price. Counterfeiting Nike has a large presence in developing countries where many products are not easily affordable. The Customs and Border Protection (CBP) Office of International Trade reported that there were 24,361 Intellectual Property Rights (IPR) seizures in 2013, a 7% increase from 2012 (MarketLine). With today’s global economy status, the market of intellectual property theft has severely affected Nike, and its competing brands, especially when certain consumers will go to great lengths for easily accessible and more affordable products.

## **V. Marketing Strategy**

### **A. Market Segmentation**

The launch of the Nike Trash Talk is aimed primarily at two major market segments. By simply being a Nike product, it appeals to many different people, but these two markets are believed to be the best markets for this product:

1. *Eco-friendly Shoppers*: By creating a shoe that is made completely from recycled materials, the Trash Talk is a very appealing product to those who want to minimize their



carbon footprint on the world. According to a survey from Ipsos in April 2012, nearly half of adults in the U.S. are more inclined to buy eco-friendly products, and four in ten would pay more for these products (Sizelove.)

2. *Young Adults and College Graduates:* According to Ipsos, about 55% of college graduates say they are more inclined to buy a product if they know it is environmentally friendly. Also, 68% of young adults (18-34) and 66% of college graduates are most likely to be taking the environmental impact of products into account while making everyday purchases (Sizelove.) Since young adults make up a majority of those who workout on a regular basis, this segment would benefit by purchasing the Trash Talk. According to Gallup-Well Being, 57% of young adults workout 3 or more days per week (2011). As a college graduate or a college student, many of these young people are more educated about “going green”, due to classes they have taken, being a part of organizations that are promoting these types of purchases, as well as eco-friendly purchases being a popular concept for a younger market (Cochrane).

## **B. Target Market Segment Strategy**

Nike’s strategy is based on serving and connecting these two main markets, eco-friendly shoppers and young adults, at an exceptional level. Whether going to the grocery store or going on a run every evening, the Nike Trash Talk shoe is the perfect fit for any individual.

The marketing strategy is key to the main strategy:

- Awareness of the shoe’s unique features and materials
- Maintaining great customer service

- Online and in-store availability
- Focus on young adults and Eco-friendly shoppers

Along with this marketing strategy, Nike must take into consideration both the income levels and overall wants/needs of our two target markets. In doing so, the Trash Talk becomes more marketable and desirable. Even though the shoe is so unique, it is relatively inexpensive to consumers since production costs are the same as making a non eco-friendly shoe. The shoe is also durable and will withstand wear and tear that many athletes and young adults put their shoes through.

Nike will strive to create a shoe that is versatile and can be worn for many occasions. Young adults do not have the highest income, so when it comes to purchasing products such as footwear, they want the most for their money. They can now go to class, work, and the gym all while wearing the same comfortable and stylish Nike Trash Talk shoe. Another concept young consumers are looking for is convenience. The Trash Talk will be available in a number of different color schemes, creating styles appealing to both the male and female market. By having the Trash Talk available in stores, as well as online, everyone has the chance to get this pair of shoes. Nike strives to cater to all target markets, continually giving loyal customers these convenient options. According to eMarketer, 40% of males and 33% of females, in 2013, ages 18-34 would ideally buy all of their products online (eMarketer.) The ever-growing online retail market is the optimal place for a new, unique product like the Nike Trash Talk. The environmental conscience market will be appealed to this shoe do to the reduction of waste. The shoe is produced from recycled rubber and is consistent with

Nike's Better World Initiative. The initiative is a company wide push to be sustainable in their practices while maintaining a product that exceeds expectations. Young adults will be more prone to having interest in the Trash Talk shoe because of their desire to stay active and healthy. As stated previously, Gallup-Well Being estimates 57% of young adults workout 3 or more days per week (2011). This allows for a group of individuals in this market who will eventually need a shoe that can withstand the demands of a workout while maintaining comfort.

## **C. Marketing Mix**

### **1. Product**

The Nike Trash Talk is a stylish, environmentally friendly, casual shoe that is manufactured using recycled shoe scraps that would otherwise go to waste. These shoe scraps are gathered from Nike factories and are stitched together to form the Nike Trash Talk. The Nike Trash Talk ultimately provides consumers with a practical, fashionable, and environmentally friendly product. Strategically priced at a competitive price along with other brands, the Nike Trash Talk can be a part of consumer's everyday life. Many businesses today are making a push to become more aware and concerned with their environmental impact. The Trash Talk also provides the Nike brand with a strong product to help establish themselves as one of the more environmentally aware companies in the world. Currently, there is a lot of waste involved in the creation of any type of footwear from creation to distribution. The Trash Talk simply provides the *opportunity* to cut down on this creation waste while still increasing product quality and offerings to every highly valued consumer. Everything from the sole to the laces to the box itself that each customer

leaves the store with is made from recycled materials. Every aspect of the Trash Talk and their production provides the customer an innovative and inspiring shoe for everyday use.

## **2. Place/Distribution**

Distribution of the Trash Talk will be addressed with a direct distribution channel approach. By using this method, Nike, the manufacturer, will sell the Trash Talk to specific retailers where the product will be available to the final consumer. This method will allow for the shoe to be sold at various shoe retail locations besides Nike stores. Nike sells to about 20,000 retail accounts in the U.S. and around 200 countries in the world (Bhasin). The main Nike manufacturing and distribution center is in Asia. From there shoes will be sent to different retailers, specialty stores, and boutiques, across North America. A recent study found that about 20% of total footwear sales in the U.S. are attributable to sporting goods stores. This means there is a high level of customer traffic going through these stores to purchase shoes. With this information, Nike has researched the top sporting goods stores and sells to these retailers (Statista). Plans to unveil the Trash Talk are scheduled for Saturday, February 21, 2015. On this date, fully stocked size runs of the Trash Talk will be offered at the Nike stores in New York, Washington D.C. Chicago, Minneapolis, Portland, and Los Angeles. Starting on April 1, 2015, the trash talk will be distributed to and available at select retailers across the country. The trash talk will not be sold in retailers that Nike deems as large, big box, chain retailers (e.g. *Dick's Sporting Goods, Macy's...*). The trash talk will be available in select specialty retail stores and boutiques across the country in order to maintain the high value that comes with purchasing one of these state of the art, environmentally friendly pairs of shoes. The Trash Talk will also be available on [nike.com](http://nike.com)

for added convenience and availability to a market that is highly active in online retail. By having multiple distribution channels, Nike is able to maximize availability and promotions to reach their target market.

### **3. Promotion**

The promotion of Nike products is largely dependent on finding accessible store locations with high levels of customer demand. Nike is one of the top retail industries in the world due to top of the line products and their strength in promoting their products. A major part of Nike's promotions comes through endorsement deals with famous athletes who are recognized around the world. For the Trash Talk, Nike will continue to have Steve Nash and his foundation as the primary promoter of the shoe. This highly experienced and talent NBA All-Star and his foundation represent a program called "Get on It" that promotes living a healthy lifestyle by becoming "green" in everyday decisions and activities. Additionally, Nike sponsors the *Nike Hoop Summit*, an annual basketball event that features the world's best upcoming basketball talent. This year, Nike will use the Trash Talk shoe as its featured product for the entire event. Since this is an international event, the Trash Talk name and what it stands for as a product will be presented on a global scale. This year's event is located in Portland, Oregon, which is the most eco-friendly or "green" city in the United States; a key designation needed to reach our target market of eco-friendly users (MNN). The online publications ([www.nikehoopsummit.com](http://www.nikehoopsummit.com)) for this event are a great way to promote the Trash Talk because of high viewing traffic on the site leading up to the event at the end of April. Most of the people attending and competing in this event will be people

from the Trash Talk's target market: young, athletic, informed, and environmentally conscious consumers.

#### **a. Advertising**

Nike plans to launch a new Trash Talk commercial this February at the Super Bowl. The commercial will feature multiple athletes using the shoe in different ways to promote the versatility and different looks of the shoe, along its added benefit of being environmentally friendly. This is a big financial investment, but one that will greatly add to the potential value of the Trash Talk, after having millions of viewers seeing this new product for the first time. The commercial will also be featured on Nike.com home page so that all visitors of the website will be drawn in to view the new product. Nike also has strong relationships built with the company Eastbay and plans to have Steve Nash on the February 2015 cover of its catalog, sporting the new eco-friendly shoe.

#### **b. Public Relations**

The Nike Trash Talk will be a strong addition to Nike's Better World campaign. This campaign is based around the idea of creating innovative athletic apparel while reducing Nike's impact on the environment. Some of the innovations within the Nike Better World campaign are "Recycled" and "Reuse-a-Shoe". The "Recycled" campaign promotes converting recycled water bottles into sports gear while "Reuse-a-Shoe" allows people to recycle their old shoes by dropping them off at drop-off locations. Nike grinds down the shoes and recycles them into material to be used for track surfacing and other athletic

flooring. The Trash Talk will be an addition to the Better World campaign that will help Nike strengthen its reputation as a company from the public viewpoint.

#### **4. Price**

Nike manufactures high quality products that target groups interested in designs focused on fashion, comfort, and practicality. The prices for Nike's products are targeted towards a more middle to high-income group of people. Nike footwear, in this regard, is not necessarily cheap to all individuals. This distortion in price is due to a wide variety of shoes designed for specific activities such as recreation, sport, or leisure. Based off of research conducted in 1995, the cost to Nike for the Nike Pegasus running shoe was \$20 with an MSRP of \$70 (Lormand). That same Nike Pegasus shoe, with improvements and changes that come with time and development, now costs \$100 to consumers. This would suggest a cost of production of approximately \$29, falling in the 25-30% range for cost of production compared to MSRP. Today, Nike Sportswear shoes range from \$60 to \$250 in Nike stores. Pricing also depends on the region that the shoes are being sold in. Locations such as New York City will carry products with a higher price tag compared to those found in a Wisconsin mall, due to differences in demand and living expenses. Another important factor to take into consideration is the fact that the Trash Talk shoes are made from scraps. This is as beneficial for the environment as it is for the customer. Since the shoe is made from scraps, Nike saves money with a reduction in total raw materials needed.

For the 2015 release of the Trash Talk, the initial retail price will be \$90. In 2008, when the Nike Trash Talk made its initial product debut as a high performance, competition ready

basketball shoe, it was available for \$100 in very limited quantities. As a result, the shoe sold out its first run of thousands of pairs within hours (Wong). We expect the demand for this shoe to be just as high, if not higher. Since one of our target markets is made up of young adults and college graduates, a slightly lower price point will make this new, casual Nike Sportswear, shoe very attractive to this specific market. When the one-year goal of 5,000 pairs sold is reached, Nike will recognize \$450,000 in sales solely from the Nike Trash Talk.

## **VI. Implementation, Evaluation, and Control**

The Nike Trash Talk manufacturing process will be very similar to the process used for the previous launch. This means that getting the manufacturing process up and running will just be a matter of using the process used back in 2008 with the only difference being the style and design of the shoe. Project managers from the previous release of the Nike Trash Talk will manage the release of this shoe once again because of their past experience and success with this type of product. With the previous release of the Trash Talk selling out so quickly, the initial production goal of the Trash Talk will be 5,000 shoes sold at \$90, with expected sales of \$450,000 for the first run of the shoes released. After this first year of availability, production and sales will be examined to determine which additional markets the Trash Talk may be introduced into, along with any needed changes that will lead to the continued success of the Trash Talk and a potential line of “green” Nike products and apparel.



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