

An Analysis of Nike's Issues and Strategic Solutions

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Abstract. Nike, a global sports brand leader, faces a decline in influence and sluggish growth in main business revenue. As a leader in the sportswear industry, Nike's challenges and corresponding solutions provide valuable insights that can inform strategic decision-making for comparable enterprises within the sector. Analyzing Nike's problem-solving frameworks could yield transferable methodologies for industry peers encountering similar operational or market challenges. This study employs data analysis methods to examine Nike's current situation, utilizes the SWOT model to identify the company's strengths, weaknesses, opportunities, and threats, and applies a risk assessment matrix to evaluate the challenges Nike faces while proposing corresponding solutions. Through research, it can be seen that Nike currently faces issues such as supply chain issues, brand localization deficiency, and product innovation deficiency. The newsvendor model could optimize Nike's supply chain; a structured innovation strategy would address product development gaps, while localized design enhancements may improve market adaptation.

Keywords: Nike's issues, Nike's solutions, SWOT model, Assessment matrix, Newsvendor model

1. Introduction

Nike holds a leading position among global sports brands and is the absolute top in the industry. However, amid evolving industry competition and shifting consumer demands, Nike's influence in the sports industry has significantly declined compared to a few years ago. The growth in its main business revenue has also become increasingly sluggish. Nike's financial reports demonstrate this trend: its total annual operating revenue increased by approximately \$7 billion from fiscal year (FY) 2020 to FY2021. Subsequently, this growth narrowed to \$2.2 billion between FY2021 and FY2022, followed by a modest recovery to around \$3 billion in the FY2022–FY2023 period. However, growth slowed significantly in the most recent reporting period (FY2023–FY2024), with the increment amounting to only \$100 million [1]. Some legacy premium product lines have undergone significant price reductions. Competitors are gradually narrowing the gap with Nike, squeezing its market share. Although Nike's annual revenue is still on the rise, how to halt this downward trend is a pressing issue that Nike must consider at present. Despite a considerable body of research on Nike in recent years, extant literature fails to clearly delineate the challenges confronting the corporation and lacks specific remedial measures to mitigate these issues. Many scholars have carried out relevant research on this issue. For instance, in research on precision marketing of Nike brand

apparel based on big data utilizing quantitative analytics and the SWOT framework, this study identified core strategic issues confronting Nike, Inc., but failed to establish actionable solutions [2].

This study employs data analysis techniques to assess Nike's current status, utilizes the SWOT framework to identify the company's strengths, weaknesses, opportunities, and threats, and applies a risk assessment matrix to evaluate the challenges Nike encounters while proposing appropriate solutions, and conducts case analysis to investigate similar cases to Nike. Examining the issues faced by Nike can serve as a reference model for other companies, elucidate sustainable development trajectories within the sports sector, and assist other sports brands, such as Adidas and Under Armour, in circumventing analogous hazards. By examining approaches to resolve these challenges, Nike and comparable firms might enhance their strategies directly.

2. Introduction to Nike

Nike is a leading global sports brand, founded in 1964 as "Blue Ribbon Sports" before being renamed Nike in 1971 and adopting its iconic Swoosh logo. The company specializes in designing and selling athletic footwear, apparel, and equipment, with sub-brands like Air Jordan and Converse under its umbrella. Known for its innovative technologies (such as Air cushioning and Flyknit) and the iconic slogan "Just Do It," Nike has solidified its market dominance through endorsements from top athletes (like Michael Jordan and LeBron James) and high-profile collaborations. Nike, a leading global sportswear brand, offers an extensive range of products designed for athletic performance and casual attire. The company's footwear collection constitutes the cornerstone of its business, including specialized designs for running (Air Max, Pegasus), basketball (Air Jordan, LeBron series), and soccer (Mercurial, Phantom), among famous lifestyle models such as Air Force 1 and Dunk. Nike's apparel division incorporates functional technologies such as moisture-wicking Dri-FIT fabrics and thermal AeroLoft materials, serving various sports including training, basketball, and yoga. The company also produces sports equipment like jerseys for professional leagues and high-quality balls for multiple sports. A key aspect of Nike's success lies in its material innovations, including lightweight Flyknit uppers and responsive React cushioning. The brand frequently collaborates with fashion designers and cultural icons, blending sports performance with contemporary style. This dual focus on technical advancement and cultural relevance has solidified Nike's position across professional and casual markets.

In recent years, although Nike's financial revenue has continued to grow, the annual growth rate is decreasing; total annual operating revenue increased by approximately \$7 billion from fiscal year (FY) 2020 to FY2021. Thereafter, this expansion diminished to \$2.2 billion between FY2021 and FY2022, succeeded by a little resurgence to around \$3 billion in the FY2022–FY2023 timeframe. However, consumer demand has also changed; consumers will no longer pay for feelings now. Some Nike high-priced shoes prices have declined sharply. For instance, the collaborative sneaker line 'Travis Scott x Air Jordan 1' has experienced a significant depreciation in resale market value: while the inaugural release commanded prices exceeding ten thousand RMB, the seventh iteration is now available at slightly over one thousand RMB. And, as Nike's main sector of the basketball shoe sector, the reputation has also declined in recent years, while Under Armour, Adi, Converse and other brands are also eroding Nike's market share and seizing Nike's consumers.

3. The issues Nike is facing

3.1. Supply chain issues

According to Nike's Annual Report (1), the company acknowledged "continued challenges in inventory management" with a 16% increase in inventory levels year-over-year. This aligns with industry analysis from Euromonitor (2) showing apparel brands average 65-75% forecasting accuracy for seasonal products. Combined with Nike's official financial report, the author uses analysis to show that inventory management is a big problem for Nike itself, and inventory management is an important aspect of supply chain management, and its role is very important [3]. Besides according to research by Harvard Business School, Nike's production network is very fragile, and the 10-week production disruption at the Vietnam base during the pandemic has plunged Nike into a supply crisis [4].

3.2. Brand localization deficiency

As the counterpart to globalization, localization describes multinational corporations' marketing strategies, which represent a process in which the overseas subsidiaries of multinational companies engage in marketing communication in the target country in order to adapt to the economy, culture, politics, and environment of the target market country and dilute the color of the home country to adapt to the target market [5]. Therefore, brand localization is very important to Nike, but Nike's localization in China is insufficient. Persisting with Western shoe last standards has generated consumer complaints regarding narrow toe boxes and inadequate arch support in the Chinese market.

3.3. Product innovation deficiency

Nike's 2021 earnings call transcript indicates a measurable increase in revenue contribution from its classic footwear line [6]; for instance Jordan Brand generated revenue of \$4.8 billion, representing a 12% year-over-year growth, primarily driven by the re-release of classic models such as the Air Jordan 1 'Chicago', reflecting sustained consumer demand for heritage styles. As consumer expectations diversify with economic development, Nike's competitive advantage against rivals (Adidas, Puma, and Under Armour) continues to erode. Notably, many of Nike's recent basketball shoe releases have been re-releases or retactors in their purchasing decisions. For a company to stand out among numerous competitors, it is essential to endow its products with distinctive characteristics, which necessitates continuous innovation. However, in recent years, innovation has undoubtedly become a significant challenge for Nike. The company has struggled to produce groundbreaking products comparable to earlier successes such as the GT Cut 1 or Hyperdunk 2017, and its reputation has been declining. This reliance on reissues, coupled with underwhelming new models like the GT Cut 2, highlights Nike's innovation stagnation.

4. Nike's swot analysis and risk assessment matrix

4.1. SWOT model

A situation analysis (SWOT analysis) is a strategic planning tool that assesses the internal strengths, weaknesses, opportunities, and threats of a business or project. Through this analysis, companies can develop strategies and plans accordingly [7]. Here is Nike's SWOT analysis. S: Nike's brand equity

remains formidable, maintaining industry leadership with endorsements from athletes like Cristiano Ronaldo and Paul George. There is also a stable reputation. W; High-price strategies limit consumer groups, and due to changing consumer attitudes, they are unable to accurately predict consumer demand, and they rely too much on third-party OEMs, leading to supply chain instability and the potential for product fraud, such as in Putian, China [8]. O: The continued growth of the athleisure trend and the consumption potential in countries such as Asia and Africa. T: Established brands such as Adi and Puma and emerging brands such as Under Armour and Lululemon have squeezed Nike's market share, and its spokesperson has too many negative influences.

4.2. Risk assessment matrix

The risk assessment matrix, derived from SWOT outcomes, quantifies risk coefficients for prioritized mitigation. The matrix identifies supply chain vulnerabilities, localization gaps, and innovation deficits as high-probability, high-impact risks requiring immediate strategic intervention. These issues represent high-probability, high-impact risks that demand Nike's prioritized attention and strategic resolution.

5. Strategic solution

5.1. Application of the newsvendor model

Businesses typically generate profits by supplying products that meet market demand, which inherently necessitates maintaining appropriate inventory levels. However, excessive inventory can lead to significant capital tie-up, creating substantial financial burdens that may erode corporate profits or even jeopardize business viability. Conversely, insufficient inventory may result in stockouts, causing missed sales opportunities and reputational damage [9]. Nike currently finds itself in precisely such a dilemma. The “newsvendor model” could serve as an effective solution, enabling Nike to forecast consumer demand and optimize production quantities, thereby achieving more efficient inventory management. Furthermore, Nike's products align well with the applicability conditions of the newsvendor model. Specifically, they exhibit two critical characteristics:

- 1) Demand uncertainty—Consumer preferences for athletic footwear are highly volatile due to factors like fashion trends and competitor actions;
- 2) Short product life cycles—Most Nike shoes have limited sales windows (typically 6-12 months) before being replaced by new models, creating perishability similar to newspapers.

5.1.1. The basic principle of the newsvendor model

Co (Excess Cost): The cost incurred from producing more than what is demanded. These costs may include storage fees, inventory holding costs, depreciation losses, the cost of disposing of excess inventory, etc. $Co=c-s$;

Cu (Shortage Cost): The cost incurred from failing to meet demand through production. These costs may include lost sales, customer churn, additional expenses for emergency procurement or expedited production, and potential goodwill losses due to insufficient supply, etc. $Cu=p-c$

When $Cu < Co$ order less than the mean demand forecast;

When $Cu > Co$ order more than the mean demand forecast;

When $Cu = Co$ order exactly the mean demand forecast;

5.1.2. How Nike use the newsvendor model

Nike can predict consumer demand for specific products through market research, consumer surveys, and comparative analysis of similar and historical product sales data. Subsequently, by comparing the C_o and C_u of the product, the optimal production quantity can be determined. As previously discussed:

- 1) If $C_o > C_u$, Nike should produce less than the forecasted demand;
- 2) If $C_u > C_o$, production should exceed the forecasted demand;
- 3) If $C_o = C_u$, the production quantity should match the predicted demand.

This way, it can maximize profits. For example, if the C_o of a computer is greater than the C_u , then the production quantity should be slightly lower than the average demand.

5.2. Product innovation strategy

Nike should initiate a thorough study and analysis of competing products in the market, subsequently utilizing the insights acquired to propel product innovation and improve competitiveness. Nike may conduct consumer surveys to ascertain market wants and preferences, consequently enhancing its products to meet these requirements [10].

Nike can collect consumer feedback through the following methods:

- 1) Distributing feedback questionnaires via the Nike App;
- 2) Conducting regular post-purchase follow-ups at physical retail stores;
- 3) Gathering additional insights from third-party product evaluations.

After collecting feedback, Nike can leverage big data analytics to identify key product issues and develop targeted solutions.

Conducting thorough research and analysis on competitors' products is also crucial for Nike. With the evolution of the sportswear industry, the market is no longer dominated solely by Nike and Adidas. Numerous emerging brands, such as Lululemon and Under Armour, have captured a significant share of Nike's consumer base. Therefore, Nike must examine the strengths of these brands' products—why they appeal to consumers—and determine how to integrate these advantages into its own offerings. Additionally, it is essential to identify the weaknesses of competing products and ensure that Nike's products avoid similar pitfalls. As demonstrated by Sun and Feng in their case study of lululemon, the brand strategically positioned itself by "targeting female consumers as its primary user base with yoga apparel as its core product category, deliberately avoiding direct competition with dominant brands like Nike while cultivating underserved market segments" [11].

5.3. Localized design upgrades

Nike can address the insufficiency of brand localization through the enhancement of localized design strategies. As exemplified in the study titled "Research on Localized Advertising and Marketing Strategies of International Brands from a Cross-Cultural Perspective" [12]. Hershey's demonstrated effective cultural adaptation through collaborations with local entities (e.g., Newzen Advertising's festive campaign and Shanghai Rainbow Chamber Singers' musical production). This innovative approach rekindled the traditional festive atmosphere, thereby intricately linking the brand with China's cultural heritage. Such a localized advertising strategy not only strengthened Hershey's brand affinity within the Chinese market but also significantly boosted its product sales. Drawing inspiration from this case, Nike could adopt a similar approach by conducting in-depth research into the cultural nuances of each target country and integrating its products with local

traditions. This would foster greater brand resonance among consumers in those markets. Furthermore, Nike should tailor its localization strategies to align with the technological characteristics of each region. Furthermore, when implementing localized design, meticulous attention must be paid to linguistic precision and coherence in translation, necessitating a comprehensive evaluation of contextual nuances, cultural implications, and consumer behavioral tendencies [12].

6. Conclusion

In this paper, the author employs data analysis, SWOT modeling, risk assessment matrices, and case studies to comprehensively evaluate Nike's current operational setting and identify its principal issues. Supply chain challenges, deficiencies in brand localization, and shortcomings in product innovation require evaluation. Corresponding solutions were then formulated, such as applying the newsvendor model to address supply chain inefficiencies and devising targeted innovation strategies to mitigate deficiencies in R&D. However, it should be noted that this paper only provides solutions for a subset of Nike's challenges, leaving the resolution of other critical issues contingent upon further research. Future research could further investigate other issues faced by Nike and propose targeted solutions.

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