

Risk Analysis and Strategic Failure: A Case Study of Nike's Exit from the Golf Equipment Market

Jiangyue Xi

*Wellington college International Tianjin, Tianjin, China
jonnyxi2008@163.com*

Abstract. Nike, a Fortune Global 500 company and one of the world's leading sports corporations, surprisingly withdrew from the golf club business in August 2016. This study uses data analysis and a review of existing literature to explore the reasons for why Nike failed in the golf club market, and this lack of trust became even worse when their clubs didn't sell like hotcakes when paired with such high profile athletes. While Wood's reputation sold clubs, it couldn't help lower quality products. Likewise, Nike was wrong to believe that they had a stronger share of the golf market due to economic forecasts being inaccurate and thus they bought more stock that simply didn't sell. The company also adopted a reactive approach, addressing problems only after they arose. Both internal and external risks are outlined in this case, being poor product design and weak endorsements as a result of too much money in menswear versus large designs and marketing budgets, alongside saturation in the market and tough competition, which worsened following the recession starting in 2008.

Keywords: Nike golf, Data Analysis, Sports Equipment Market, Strategic Failure

1. Introduction

Nike entered the golf equipment business at the end of the 1990s, leveraging its global brand reputation and a high-profile endorsement from Tiger Woods. Nike enjoyed huge success in the golf equipment market during those years. Unfortunately, in 2016, Nike made the shocking decision to discontinue its involvement in the golf equipment manufacturing industry, which raised significant questions about the operation of the business. Plenty of researchers and scholars have discussed and analyzed the reasons for its failure, such as intense competition, errors in judgment, and so on [1,2]. However, few have examined whether inadequate risk analysis and forecasting were key factors. To address this research gap, this study investigates how risk management failures contributed to the strategic collapse of Nike's Golf division. The goal of this paper is to examine if and how Nike's golf equipment division failure is associated with poor risk analyses at Nike, including inadequate internal management decision making and external market forces. The hope is that in analyzing these issues, lessons can be learned about avoiding similar outcomes. This paper adopted a qualitative case study approach and analyzed second-hand data about Nike, such as Nike's annual reports, industry magazines, media coverage and experts' comments. Risk assessment methods such as SWOT analysis were used to investigate the risk factors that Nike Golf may have neglected. It

gives us greater understanding as to why a dominant brand can fail to successfully operate in a very small niche. It drives home how important it is to do proactive, dynamic risk assessments as part of the strategic planning process. The findings provide guidance for organizations seeking to enter specialized or highly competitive markets, outlining strategies to achieve long-term survival and improved market positioning.

2. Background and initial success

Risk analysis has long been a critical component of corporate strategy, as it helps businesses prepare for potential crises and respond effectively when disruptions occur. Grant stated that companies that lasted a long time had already predicted possible risks and prepared preventive measures in advance [1]. Porter also noted that for businesses to survive they needed to see how competitive their industry was, analyse customer power and look out for any potential threats [2]. Both scholars emphasize the importance of proactive preparation rather than reactive damage control. In the sports industry, risk analysis is particularly important due to the factor of customer preferences relying on the trends and popularity of sports stars. According to Deloitte, sport enterprises not only need to consider the risks coming from their own producing process or finance section, but they must also consider those external uncertainties that come from athletes' performances, reputation or social situations [3]. This makes risk forecasting for sports enterprises more challenging than for most other industries.

3. Internal and external challenges

3.1. Internal risks: product design and innovation shortcomings

Nike attempted to enter the golf industry with the strength of its brand and athlete endorsements, most notably Tiger Woods. While endorsements gained immediate attention, relying solely on star power proved risky. As Smith argues, expecting success only because of famous athletes can create unbalanced revenue streams [4]. Li further points out that Nike failed to conduct in-depth golf market research, resulting in products that lacked the appeal to attract serious golfers [4-5].

One of Nike Golf's most critical internal issues was its weak product design and limited innovation capabilities. Unlike Nike's footwear and apparel, which were often praised for their stylish design and advanced technology, Nike's golf clubs failed to stand out. They lacked distinctive performance advantages that could attract golfers who value precision, control, and consistency. Competitors like Callaway, Titleist, and TaylorMade consistently introduced breakthrough features, such as adjustable clubheads, lighter composite shafts, and customizable weighting systems [6]. These innovations gave players more control and personalized options, while Nike's clubs often seemed generic and underdeveloped. As a result, passionate golfers saw little reason to switch from trusted brands to Nike, which they viewed as less reliable.

Without strong product offerings, the power of endorsement agreements could not sustain sales. Nike's reliance on Tiger Woods—and later Rory McIlroy—was a serious weakness. While Woods' early success boosted brand visibility, Nike became excessively dependent on his personal image. Injuries and personal scandals quickly translated into sales declines, exposing the fragility of Nike's strategy. Rather than diversifying its promotional base or cultivating stronger grassroots engagement, Nike maintained a "star-centered" mindset. This made the brand appear unstable and distant from ordinary golfers. Unlike rivals that sponsored local tournaments, built partnerships with

coaches, and supported amateur players, Nike remained focused on elite-level branding. This narrow focus reduced its long-term consumer base and undermined growth potential.

3.2. External risks: market saturation, fierce competition, and economic downturn

Externally, Nike Golf faced an already saturated market dominated by formidable brands. Titleist had long been known for quality and consistency, Callaway gained a reputation for continuous innovations, and TaylorMade had developed a strong competitive edge through rapid responses to consumer needs [7]. These companies had well-established customer loyalty and a proven track record, making it extremely difficult for Nike to break into the market. Even with a world-famous brand, Nike underestimated the strength of entrenched competitors. Golfers who trusted existing brands had little incentive to switch to Nike's less-proven products.

Nike's timing also created challenges. Just a year after the 2008 global financial crisis, many consumers reduced spending on expensive hobbies such as golf, which requires costly equipment, membership fees, and large time commitments. Participation in golf dropped significantly, and Deloitte noted that "luxury" sports were among the hardest hit [3]. Despite these clear market signals, Nike continued to project unrealistic growth for its golf business.

Consumer trends further weakened Nike's position. Interest in golf was declining among younger generations, who preferred sports that were faster, cheaper, and more accessible. Golf, with its long playing time and high costs, appeared unattractive. Nike's strategic decisions were based on overly optimistic forecasts rather than data-driven insights into actual consumer behavior. As a result, it held excess stock, suffered from falling sales, and incurred wasteful operational inefficiencies [6].

4. Risk management failures

4.1. SWOT analysis

A SWOT analysis provides a structured way to examine Nike Golf's situation and understand why the company eventually failed in the golf equipment market. Nike's strengths were obvious: its brand recognition was unparalleled, its financial resources allowed for large-scale investments, and its endorsement power gave it a global presence. With Tiger Woods and Rory McIlroy as ambassadors, Nike Golf had a level of visibility that few other brands could achieve. This initial momentum attracted attention and helped Nike gain a foothold in the market.

However, the weaknesses of Nike Golf outweighed its strengths in the long term. Unlike Nike's shoes or apparel, which were praised for creativity and advanced technology, its golf clubs lacked innovation. Serious golfers did not see Nike's clubs as equal to those of Callaway, Titleist, or TaylorMade, which maintained consistent market leadership through cutting-edge designs such as adjustable clubheads, lighter shafts, and customization options. Another weakness was Nike's overdependence on endorsements. Instead of diversifying its strategies, Nike relied too heavily on Tiger Woods' reputation, creating vulnerability when Woods faced injuries and scandals.

Opportunities did exist for Nike Golf, especially in Asia, where golf was slowly gaining popularity. With growing middle-class populations and rising interest in global sports, Asian markets offered a valuable opportunity. Yet Nike Golf failed to invest enough in these regions. Rather than tailoring strategies to local markets or building long-term grassroots programs, Nike persisted in focusing on Western markets where demand had already stagnated.

The external threats Nike faced were substantial. After the 2008 global financial crisis, participation in golf dropped sharply because consumers were cutting back on expensive hobbies. At

the same time, the sport struggled to attract younger generations, who preferred activities that were faster, cheaper, and easier to access. Established competitors like Titleist and Callaway had strong customer loyalty, and Nike underestimated how difficult it would be to lure golfers away from trusted brands.

Nike's risk management approach was reactive instead of proactive. For example, when Tiger Wood's reputation declined, Nike responded by scaling back advertising rather than implementing a contingency plan to reduce its reliance on a single athlete. Similarly, when inventory built up due to lower-than-expected demand, Nike simply reduced production instead of having anticipated changes in consumer behavior. More advanced tools were available. A PESTLE analysis could have revealed the economic and social forces shaping the golf industry, such as declining youth participation [8]. Scenario planning could have allowed Nike to prepare for multiple possible futures, while data analytics might have highlighted warning signs in consumer behavior. Because Nike did not use these tools effectively, it reacted only after problems emerged, leaving the brand in a weakened position.

4.2. Several important lessons for businesses

The Nike Golf case provides several important lessons for businesses and also aligns well with broader risk management theories.

First, overreliance on celebrity endorsements is unsustainable. While Tiger Woods brought tremendous visibility in the short term, Nike's overreliance on him left the brand vulnerable. When Woods faced injuries and scandals, sales fell sharply because Nike lacked a more balanced marketing strategy. A better approach would have been to combine star power with grassroots outreach—supporting local tournaments, collaborating with coaches, and engaging with amateur golfers. This would have built a broader, more resilient consumer base [9].

Second, product innovation must be prioritized. Theories of strategic management emphasize that long-term success depends on differentiation and continuous innovation [2]. Nike Golf failed here because it did not offer products that performed as well as those of competitors. Golfers make purchase decisions based on performance, not only image. Without investing in research and development, Nike could not compete with rivals like Callaway or TaylorMade.

Third, risk analysis needs to be forward-looking. Tools such as SWOT and PESTLE are useful, but they need to be applied regularly and interpreted carefully. Monte Carlo simulations, for example, could have modeled how sales would change if participation rates fell or if reliance on Tiger Woods backfired. By running these predictive analyses, Nike might have made adjustments earlier to avoid excess inventory and declining sales. Scenario planning, a method often used in strategic management, could have prepared Nike for multiple futures instead of relying on overly optimistic projections [10].

Fourth, patience and adaptability are essential in niche or competitive markets. Nike attempted to achieve quick success by leveraging its brand and endorsements, but it failed to take the time to build trust with golfers or adapt to evolving consumer needs. Theories of dynamic capability suggest that companies must continually adapt their resources and strategies to fit changing environments. Nike Golf lacked this adaptability, which contributed to its downfall.

5. Conclusion

Nike Golf's experience underscores the critical importance of proactive risk management. Nike entered the golf equipment market in the late 1990s, leveraging its brand and star endorsements,

particularly Tiger Woods. Initially successful, this strategy proved unsustainable. Poor product design and weak innovation left Nike trailing competitors like TaylorMade and Titleist. Externally, reliance on Woods created vulnerability; his injuries and scandals led to sharp sales drops. Meanwhile, established brands enjoyed strong loyalty, making it hard for Nike to win over consumers. Economic conditions post-2008 further hurt Nike, as consumers cut spending on golf, a costly leisure activity. Participation declined, especially among younger generations. Nike misread these trends, overproduced equipment, and faced excess inventory and declining sales. The central issue was weak risk management. Nike rarely used tools like SWOT, PESTLE, or scenario planning, opting to react after problems arose. A predictive approach, such as Monte Carlo simulations, could have identified risks of endorsement overreliance, market saturation, and falling participation. The key lesson is that risk analysis must be continuous and forward-looking. Companies cannot rely solely on brand power or short-term marketing. They must evaluate consumer psychology, track trends, and align innovation with market demand. Future research involving Nike executives and direct comparisons with successful competitors could yield deeper insights. Nike Golf's story serves as a reminder that proactive risk planning is essential for long-term survival.

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