

The Influence of Pandemics on Nike

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Abstract: In this paper, we are interested about the influence of COVID-19 Pandemics on Nike's performance in recent years. Whether the Pandemics cause severe outcomes on Nike or not, and how do Nike overcomes these difficulties while recovering its status to one of the most influential sports factories or companies around the world. In the paper, we are diving into several data, such as annual revenues, to evaluate on Nike's performance in recent years, especially around 2019 to 2021, in which the influence of COVID-19 was world-wide and detrimental to every area of economics state. Then, we are going to evaluate various strategies that Nike has implemented during this period, which helps them to recover from the effect of the Pandemics. Some specific strategies of areas that we are looking for are around business strategies and commercial strategies that Nike implemented around its customers. Finally, we will predict the future aspect of Nike based on the data we researched on, and how the company is going to go from 2022 to now on.

Keywords: Nike, COVID-19 pandemics, strategies

1. Introduction

1.1. Context of Nike

Nike, as one of the most influential factories and companies around the world, always has a huge impact with every aspect of economic around the world. Nike's influence spreads around various area of commercials, such as sports products, entertainments, etc. Whenever Nike comes out with new products, it always creates such a huge and popular trend around the world, motivating its customers to participate into the event or purchasing the product. With such an influential figure that Nike sets up as itself, the economic status of it has been increasing stably and positively as the time goes on until the strike of the COVID-19 Pandemics, which caused various severe and detrimental problems to it in different aspects, such as factories wide (Wikipedia).

1.2. COVID-19 Pandemics

COVID-19 Pandemics originated around the end of 2019. Right after the invasion of the Pandemics into every country, it soon struck the community and society efficiently and devastatingly. The Economic status of every country started to fluctuate, which mostly ended up with a negative growth rate comparing to previous years, so did companies that based its headquarters among various countries, such as the United States (Harleem, 2020). Nike which based its headquarters in Beaverton, had been influenced by the Pandemics immediately. Since in order to prevent the spread of COVID-

19, societies and governments had implemented various policies. For instance, governments were asking any stores that required transactions in real life to close down to prevent people with the virus to interact with others, in which causing more people to obtain or have the virus. This policy had damaged the company in multiple aspects. Most of Nike's revenues are from the interaction or transaction of local stores, in which it has 273 stores in the United States (Barrabi, 2020). Without the support of its local stores, Nike was having troubles on resuming to its regular annual revenues from the past. Nevertheless, Nike has implemented different strategies in order to bring itself back to the top, even with the existence of the COVID-19 Pandemics.

1.3. Purpose

This report is written to investigate how Nike has managed active steps to prevent the impact of COVID-19 outbreak and further forecasting Nike's future prospect based on numerous financial information. As the effects of the virus continue to spread across industries and local communities, various brands are working on developing more measured responses that are also being incorporated into broader marketing campaigns. Some brands, such as Pret, are focusing on philanthropic causes, while others, such as Ford, are leveraging their brand legacy to appease consumers. Generally, Nike has managed to strike a balance in its response, creating a new campaign that emphasizes its brand purpose and its broader goal of inspiring people through the power of sports. Patricio Roberts recently listed Nike as one of the brands using Covid-19 to enhance its content marketing, but here's a more in-depth look at Nike's latest campaign and why it works.

2. Evaluation of Nike

2.1. Nike's Data

In this paper, we are interested in evaluating Nike's performance by looking at its recent and past revenues. We believe that one of the best and most efficient ways to evaluate a company's performance is by looking at its revenues. That's because by looking at a company's revenues, we can anticipate the cash flow of the company in some ways, in which defining how much ability it has when there is an emergency, such as the COVID-19 Pandemics.

When we are researching about the recent revenues and data related to revenues of Nike, we found that in the early morning of June 28, Nike released its 2022 fiscal year and fourth-quarter results as of May 31. In the fourth quarter, Nike's revenue was \$12.2 billion, down 1% year over year and up 3% in constant currency. Gross margin fell 80 basis points to 45%, net profit fell 5% year over year to \$1.44 billion, diluted earnings per share of \$0.9 beat Wall Street expectations by 82 cents, and revenue of \$12.2 billion also beat Wall Street consensus estimates of \$12.1 billion (W.S. Journal). For the full year of 2022, Nike's revenue will reach \$46.7 billion, an increase of 5% year-on-year and 6% year-on-year at constant exchange rates. Full-year gross profit margin rose 120 basis points to 46%; net profit was \$6 billion, up 6% year-on-year. Diluted earnings per share were \$3.75, up 5% year over year (Nike, 2022). While profit margins in the retail industry are slipping, Nike still beat exception.

2.2. Strategy Implementation

Nike has skillfully used the DTC strategy to create an advantage. Nike DTC business annual revenue of \$18.7 billion, an increase of 14% year-on-year, and a 15% year-on-year increase in constant currency. DTC business accounted for more than 40% of total revenue. Revenue from reseller customers fell 1% year over year to \$25.6 billion. The main driving force for the growth of DTC business came from the 18% digital business growth of the Nike brand and the 10% business growth

of Nike's self-operated stores, of which DTC business revenue in the fourth quarter was 4.8 billion US dollars, an increase of 11% at constant exchange rates (Cara, 2021). "Digital will be an important growth engine for Nike's business over the next 3 to 5 years," Nike said. In terms of different regions, North America's revenue was US\$18.35 billion, a year-on-year increase of 7%; EMEA (Europe, Middle East and Africa) revenue was 12.48 billion US dollars, a year-on-year increase of 9%; Asia Pacific and Latin America's revenue was 5.96 billion US dollars, a year-on-year increase of 11%; Greater China revenue was 75.5% billion, down 9% year-on-year (Labuz, 2021).

There is no denying that COVID-19 Pandemic altered the whole fashion industry, and Nike, known as one of the business giants, was inevitably affected as well. As the inflation is continuously rising, government also needs to raise interest rates to discourage borrowing while encouraging saving in response to overall increase in prices and cost of living. Therefore, tremendous store closures and subdued demand have brought to Nike both from economic and safety point of views. As can be seen from the figure 1, numerous significant indicators demonstrate more or less declines due to the outbreak of the COVID-19 Pandemic in 2020. For company like Nike that has a strong growth momentum all the time, the percentage of sales, COGS, and gross income have slightly fallen by 4.4%, 0.8%, and 8.8 respectively. Furthermore, the percentage of net income and earnings per share have experienced significantly decreases by 37% and 36%. In summary, Nike was less profitable than before, and without a doubt, these indicators showed that there was a tremendous influence on Nike resulting from the COVID-19 Pandemic.

2.3. Measures by Nike

This paragraph is mainly about Nike's measures regarding the Pandemic. It is widely believed that Nike is a master of emotional banding by using the themes of determination, inspiration, and performance to engage consumers. Although the pandemic has a devastating effect on Nike, Nike uses it to enhance content marketing by inspiring people through the power of sport. The major strategy and goal of its marketing is to carry out sports spirits and lifestyles instead of one product. The campaign "Play for the world" highlights the brand purpose that aims at uniting every person to do a bit for the whole world. Additional, Nike also develops an online and offline integration to promote its revenue. On one side, Nike is striving to develop online operations by strengthening e-commerce platform as well as intensifying partnerships with leading retailers such as Footlocker. On the other side, as the harm of the pandemic reduces, Nike is considering reopen its offline retail with several measures. Nike requires that all offline stores need to institute social distancing guidelines with clear signage, and all employees are required to put masks on at work. These actions can effectively guarantee its employees and consumer's safety. Besides, Nike is committed to helping local communities by supporting the places where its employees live and work. Nike also works on transforming materials from its footwear into PPE equipment such as surgical masks, gloves, and goggles. These responses are measurable and effective. The percentage of sales, net income, and earnings per share all increase with degrees after the outbreak of COVID-19 in 2020. Therefore, we have a confident attitude that Nike is recovering from the pandemic as long as Nike upholds its effective measures. Optimistically, Nike has a bright prospect in the future.

2.4. What Does Nike Really Have Done?

In this paragraph, we are going to summer up all the information that we have researched on, and analyze on whether or not the strategies that Nike has implemented during the Pandemic have any kinds of impacts on its development and the striking back to the top.

The first issue that Nike must deal with during the period of the Pandemic is about the relationship between the company and its consumers. Without having the activity of any local stores during this

special period, Nike was having a hard time on trying to figure out ways to stabilize the relationship with its consumers around the world.

After been influenced by the Pandemic on company's relationship with its consumers, Nike soon came out with some extraordinary ideas and strategies. For instance, Nike has always been a master in the utilize of emotional branding. When it comes to emotional branding, Nike always tie its products with topic such as determination, inspiration, and performance. During the special period with the Pandemics, Nike even put in more efforts on its emotional branding due to the shutdown of local stores, in which led Nike to have only a single way to sell its products. Usually, Nike utilizes its emotional branding with professional sports, however, in the case of COVID-19, Nike spread its emotional branding by creating figure that represents an active lifestyle. At a time, which active lifestyle was suspended or limited, creating such a symbol to Nike's consumers promoted Nike's products both effectively and efficiently (Gilliland, 2020). By having such a powerful emotional branding, Nike connected itself with its consumers effectively, and by doing so, Nike was able to resume its prime of annual revenues and any kinds of data related to the company (PYMNTS).

Moreover, in order to stay within a healthy relationship with Nike's consumers while keep its consumers active with anything that Nike does, Nike came out with something different. Since due to the COVID-19 Pandemics, people were limited with the ability to go out and maintain in a healthy lifestyle, so Nike announced something called "Living Room Cup" which was a digital workout series that famous professional athletes set up challenges for users to work out at home. The event became extremely successful when the first professional athletes that set out challenge was Cristiano Ronaldo, in which boosted Nike's return more significantly.

Finally, helping local communities was one of the most brilliant ideas that Nike had done during the time of COVID-19 Pandemics. Even though, before the start of the Pandemics, Nike was also helping local communities around the world with the purpose of having a strong bonding between it and its consumers. But such action in this special situation had been so positively impactful. With the existence of Nike Community Impact Fund, Nike had supported communities in which its employees live and work with \$17 million to fight the difficulty brought by the COVID-19 Pandemics. When various communities were isolated due to the Pandemics, the assistance from Nike could be so important and helpful to them because the fund helped them to overcome any issue brought by the isolation. Aside from this, Nike also corroborated with health professionals at Oregon Health & Science University to produce a full-face shield, and new lenses for PAPR helmet that prevent its workers to inhale any air that may contain the virus. By doing so, Nike not only strengthened its relationship with its consumers, but also with its employees, since by having such strong-binding community with both its consumers and employees, there is no reason for Nike to fail the ability of resuming to its peak.

3. Conclusion

Despite of various data and strategies that we investigated while analyzing the performance of Nike and trying to predict or anticipate the future of Nike, we mostly focus on the annual revenue from the past several years of Nike. For instance, when we looked back at the past annual revenues of Nike, we saw that Nike was having a positively potential growth rate on annual revenues before the strike of the Pandemics, which was around \$34.733 Billion in 2017. However, as the COVID-19 Pandemics stroke through between 2019 and 2020, the annual revenue started decreasing drastically due to the shutdown of majority local stores of Nike (Macrotrends).

From the beginning of the Pandemics, between the beginning and middle of 2020, the revenue and quarterly growth of Nike has decreased drastically, which went to \$37.403 Billion in 2020 and a – 38.01% quarterly growth rate of revenue. Even though Nike was damaged severely during the

Pandemics, it soon found its way back to the industry with an even better growth rate and annual revenue.

Around May 31st 2021, by implementing profound business strategies to its company and industry, while having local stores reopen up, Nike fought back and recovered to its prime or even better with the annual revenue of \$44.538 Billion and a 95.53% quarterly growth rate on revenue.

Finally, by looking at our prediction based on the growth rate and annual revenue of the company, we anticipate the future trending of Nike is going to be positively and stably. We are predicting a growth rate of 7- 10% per year as the year surpasses.

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