

Nike issues and their solutions marketing essay



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Nike had some problem in inventory management. company lost around 100 million in sales due to these issues. May be its difficult to pasteurized that such established corporation could have a huge production failure but they did. Inventory control can be difficult for a business of any size. In case of, Nike developed an inventory management solution to their problems vastly increase and they were overcome their losses. There s what happened to Nike and how the company reproduce:

Nike started using a new kind of inventory management software. This inventory control software was imagining to help Nike in future which products they will sell the most. Nike based how much they made of each type of product on the future of this inventory software. Predictions of the software made were totally off so Nike did not produce enough of certain products that consumers were willing to buying. Conversely they over production other skis.

It was a smart business move towards for Nike to try to predict what customers would buy using inventory tracking software. Many companies use a feature of their inventory management system called forecasting. However, when first implementing a new system and before relying on the forecasting information, it's important to check for software bugs, imperfections and data entry errors. Software is only as good as the data provided. Generally, the materials manager will need to input reorder points, material lead times, minimum inventory levels etc. You can be ultra conservative or run inventory down to almost nothing before reordering. It depends on your risk profile. Nike's inventory management solution was to

change the software, remove the bugs, and extremely perfect how the software in future demands for inventory. It was that simple.

Figure issues in Nike is how crucial it is to manage inventory and your inventory management system completely. This is true for companies that are small medium and large. The best inventory management solution for any company is to use quality software but make sure you enter all the obligatory data and two times check everything Particularly if you are a small business owner and cannot withstand missing sales.

The Problem and solutions

lower sales to its top customer Nike find sufficient projection space to make up for Foot cabinet told Nike that it wanted to reduce the number of Nikes porch shoes-the Air Jordan Shoes and others that sell for well over \$100- because the vendor believed that consumers were turning more to mispriced shoes. Because Nike refuse to change its product mix to support Foot Locker's product line reshuffle, Foot Locker, the dominant global footwear retailer, with over 3, 600 stores, cancelled about \$150 million in Nike orders. Nike's quality part accounts for about 15%-20% of total worldwide revenues and even though neither company disclose details of total orders, Nike noted in its 2002 form that sales to Foot cabinet represented approximately \$1 billion of Nike's \$9. 9 billion international sales.

According to Foot cabinet, Nike retaliated by cutting the retailer's allotment of key products, as well as the highly popular Air Force One. The argument escalate in December, when Nike announced that Foot cabinet would no longerr be its start on customer for exhibition area products and, in fact,

gave opponent Footaction access to high-end basketball shoes that had been limited to Foot cabinet. In mid-February 2003, Nike's "Hall of Hoops" displays in Foot cabinet stores came down and were replaced by Reebok's "Above the Rim" campaign. In 2004, Nike was aggressively lining up new outlets, while Foot Locker faced a significant challenge in maintaining a broad, attractive, and profitable product line for 2002, Nike comprised 47% of Foot Locker's sales

The Industry

There is so huge sale of Nike athletic shoes in 2003. The one bright spot in an otherwise depressing year was the women's segment. In women's casual tennis footwear was the most modern category, driven by both the retro fashion trend and growth in the casual lifestyle segment. As footwear providers focused on international demand to raise income, it was hoped that a continued weak would prop up global sales.

The non-athletic shoe segment had experienced a major shift away from dress to casual shoes, brilliant the more casual dress environment of the workplace. Lower-priced competition in this segment would make overseas sourcing, effective marketing, and operating efficiencies keys to profits in the near term. According to SportscanINFO, the following trends were expected to continue to influence global sales growth in both shoe segments:

- 1) Continued growth in the casual, non-performance athletic footwear segment
- 2) A decline in the demand for premium-priced performance athletic shoes

- 3) Price deflation as the middle-range price points continued to shift down and casual styles increased in importance
- 4) Decent but not spectacular growth in basketball shoes the huge increase predicted for never did materialize coupled with better-than-expected growth in running shoes
- 5) The implosion of White Retro shoes which had been forcefully over promoted, especially by mall retailers

Company

The Nike started to give and providing best foot wear Nike designed, developed, and marketed athletic and casual footwear, active sports and time off garb, sports tools, and trimmings under the Nike, Hurley brands. Nike was the largest seller of athletic footwear and apparel in the world, with a U. S. market share exceeding 40%. The company's products were sold through approximately 18, 000 retail accounts in the United States, including footwear stores, department stores, and sporting goods stores. Nike, with the broadest product line of all competitors, also distributed to specialty, skate, tennis, and golf shops. The company operated several retail formats in the United States: 78 Nike Factory Stores (primarily close-out merchandise), 4 Nike stores, 13 Nike town " showcase" stores, 4 employee-only stores, and 61 Cole-Haan stores. Sales in the United States accounted for 53% of total revenues. Nike sold its products outside the United States through independent distributors, licensees, and subsidiary in 140 countries.

In addition to performance equipment (sports balls, timepieces, eyewear, skates, and other equipment designed for sports activities), Nike sold hockey

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equipment and related accessories under the Bauer and Nike brand names. In April 2002, Nike acquired Hurley International LLC, a California-based designer and distributor of sports apparel for surfing, skateboarding, and snowboarding as well as youth lifestyle apparel. Footwear accounted for 58% of fiscal 2002 revenues; apparel, 29%; equipment, 8%; and other, 5%.

Almost all Nike brand apparel was manufactured by about 700 independent contractors, 99% of which were located in Southeast Asia. The reasons for locating shoe production in Southeast Asia were many, but the most important was the cost of labor. In addition to having lower labor costs, Asia provided access to the raw material suppliers and satellite industries (tanneries, textiles, plastics) necessary in athletic shoe manufacturing. A third important factor driving the location of athletic shoe production was the current complex system of differential tariffs.

Working conditions and wages, as well as allegations of irritation and abuse, had been a source of heated debate between Nike and a broad array of special interest groups and journalists for a decade. Critics accused Nike of abandon countries as they developed better pay and employment rights in favor of countries such as China with lower wages and little rule of employment practices. In several cases relating to physical or verbal abuse and child labor, Nike decided that employment practices were difficult, and the company responded with what the international association agreed were serious and reasonable remediation plans. The company's argument that many of the charges were based on old and inaccurate information and did not reflect current operations had done little to satisfy activists. Although Nike had implemented a series of social and environmental initiatives and <https://assignbuster.com/nike-issues-and-their-solutions-marketing-essay/>

Nike's largest competitors had pursued almost identical manufacturing strategy, Nike continued to be the focus of activists opposing manufacturing practices in developing countries.

Because Nike didn't actually produce shoes, the company's focus was on R&D and marketing. Nike considered its product design and ability to quickly take advantage of technological advances key sources of competitive advantage. Celebrity spokespersons (Michael Jordan, Tiger Woods, Lance Armstrong, Mia Hamm, etc.) and team endorsements (such as the long-term agreement with Manchester United) were important elements of what had been a very successful promotional strategy. According to the company's annual report, Nike's spending for "demand creation" was \$1,027.9 million for 2002-10. 4% of revenue. R&D costs, estimated at close to \$1 billion, were not separately disclosed.

While Nike was fairly well diversify across price points, the company's exhibition area shoes, which accounted for 15%-20% of global revenue, had been a strong contributor to profits and had created the "buzz" to move lower-priced models. Declining demand for these premium sneakers was exacerbated by growing unemployment rates, a degeneration economy, uncertain geopolitical events, falling consumer confidence, and competition from other teen and young adult must haves such as cell phones, PDAs and other new gizmos fickle consumer tastes and preferences and the spat with Foot cabinet were factors as well.

Although Nike's fiscal revenue of \$9,893 million was the highest in company history top-line growth was slower 4.3% than in the previous year 5.5%.

Slower sales of athletic shoes in the U. S. region were balanced by increases in footwear sales in other regions and increases in apparel and equipment sales in all regions. Despite descending pressure on prices and markdowns, the company was able to increase gross margin as a percentage of sales to 39. 3% for the year. Selling and organizational expenses increased from 28. 3% of sales to 28. 5% , reflecting both lower sales and increased marketing costs. Operating profit showed definite improvement in 2002, at 10. 2% of sales, versus 9. 3% in the prior year. Complete financial information is available .

Issues with grappling and solution

This latest report places a big focus on environmental sustainability, with Nike sharing its vision of attainment a closed-loop business model where the goal is to achieve zero waste in the supply chain and have products and materials that can be constantly reused - no pre- or post-consumer waste.

What most interesting about the report, though, is that you can see Nike grappling, in public, with some tough choices. The account demonstrates what can happen when a company begins reporting regularly and in-depth, and with an apparent commitment to intellectual honesty, about core issues.

For Nike, labor and human rights continue as a top priority and corporate worry. The company's three main product lines and issues - footwear, apparel and equipment - are made in approximately 600 contract factories that employ more than 800, 000 workers in 46 countries around the world. Nearly 60 percent of the work force is in North Asia, 31 percent in South

Asia. One major difficulty is that contract apparel factories generally produce for multiple brands, making it a difficult to maintain standards.

To listen to Nike, monitoring those contract factories for working conditions, wages and overtime and a host of other issues, including possible unionization – is not easy. “ While we can point to many examples of improvements challenging issues remain for our company and our industry in systemically identifying and tackling how to affect long-term system-wide change the company says.

In evaluate where our target fell short, we saw a consistent pattern: a focus on audit against a set of criteria sometimes results in on-the-ground improvement for workers, but it hardly ever produces systemic change in the area of concern Nike says. On further indication, we realized that, if we want to make sustainable improvements for workers, we need to significantly change the way we engage and interact with our supply chain as a whole.

One potential solution, Nike reports, is collaborating with other brands on factory audits and, maybe more importantly, working with competitors on developing remedies for labor problems as well as standardized codes. And then there are improvements that can be made by Nike alone. Asking factories to manufacture too many styles is one of the highest contributors to factory overtime in apparel. We have an opportunity to reduce this pressure by reducing the number of apparel styles and partnering with the factories to improve efficiencies through lean production methods.