

Nike innovation

[Business](#), [Company](#)



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----- Executive Summary Nike, Inc. is a globally-recognized athletic sports apparel company with strong brand loyalty. The foundations of Nike's success today were established by its Co-Founders Phil Knight and Bill Bowerman in 1972. As an athlete and a coach, their relentless pursuit of improved athletic performance instilled a competitive spirit in the culture of Nike. As such, the organization's culture is one of the key reasons that Nike excels in this industry.

We will see how the management style fosters innovation, and how the competitive spirit blended with curiosity and a constant scan of the external environment feeds the creative process. The company has become adept at integrating their knowledge into innovative approaches to improve athletic performance and connect with their customers through design and marketing. Our research on historical trends and processes within Nike indicates that the company's core competencies are innovation and marketing; the underlying reasons the company is now the most recognized and coveted sports brand in the world.

As Nike faces increased costs for materials, the company has made a strategic shift to couple sustainability principles with innovation to create a better company that can, in turn, can make a better world for all of us. Ultimately, this strengthens the company's ability to compete globally in the future as well as positively impact society. Executive Summary (Stoney/Jen)1
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Design, Considered Design Index (Jen)27 C. Impact on Corporate Goals and

Strategy (Jen)28 XII. Conclusion (Stoney/Jen)28 References29 Nike's Mission Statement: To bring inspiration and innovation to every athlete* in the world.

*" If you have a body, you are an athlete. "

----- I.

The Business of the Company Nike (NYSE: NKE) makes high performance athletic clothing, footwear, sportswear, and equipment. The company is headquartered in Beaverton, OR, and employs more than 30, 000 people. Nike is the most recognized and coveted sports brand in the world, valued at \$10. 7 Billion. (Nike, Inc. , n. d.) As their Mission Statement indicates, Nike innovates for all athletes - from elite to everyday athletes - to improve sports performance. Nike markets its products under its own brand, as well as Nike Golf, Nike Pro, Nike+, Air Jordan, Nike Skateboarding, and subsidiaries including Hurley International and Converse.

The company also operates retail stores under the Nike town name. A. Historical Innovations * In 1962 Bill Bower man and Phil Night- Launched Blue Ribbon Sports (Tiger Shoes) with 500 dollar mutual fund. * 1978-Blue Ribbon Sports renamed themselves to NIKE. * 1980- Nike IPO and became publically traded. * 1980- First air sole shoe system Nike runner shoe *1984-Signing of Michael Jordan and first Air Force one basketball shoe. * 1985Air Jordan Revolution- 30 plus versions of air Jordan's * 1989-Waffle shoe sole incorporated by adding rubber to a waffle machine. 2000-Nike shocks introduced and Nike portfolio formed * 2003- Nike ID shoe customization- allowing customers to make customized shoes from a computer, * 2006- Nike shocks tech * 2008-Nike Research lab environmentally friendly * 2011, Nike collaborated with Tom-tom for the launch of Nike+ Sport-Watch GPS. *

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Present Nike Innovation Kitchen- green products and greener product cycle.

B. Portfolio of Products Nike's portfolio consists of Converse, Nike Golf, Nike Baseball, Air Jordan shoes/Accessories, Hurley International.

Nike is a leading designer, marketer and distributor of athletic footwear, apparel. Nike has done a spectacular job of diversifying their portfolio and being able to implement competitive advantage in all brands. The Company's key product lines consist of: * Shoes * Apparel * Equipment & accessories ----- II. Product Life Cycle NIKE's products and services falls in the growth stage of the product life cycle due to their ability to diversify products and rapid growth in sales and profits.

According to knowledge. com " Nike is at a ranking of #135 in revenues generated by America's 500 largest corporations. Of the nineteen billion fourteen million in revenue 2. 1 billion was profit. " Nike is the niche when it comes to introducing new product and that is why there are at the growth stage allowing them to produce capital at a rapid pace. They always have new products coming out and new angles of approaches and that keeps them in the growth areas of the product life cycle.

----- III. Business Model

NIKE has a gift of trying new ideas that other organizations are too scared to attempt. The Nike business model consists of five steps. 1) Conducting research 2) Manufacturing product shoe, clothes, etc. 3) Retail 4) Consumers 5) Down cycling. , Nike introduces products to the market with athletic endorsements and mass marketing. They have the products assembled overseas for a fraction of the cost it would cost to manufacture in the in the United States. The Nike Corporation is known as innovators for making a

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product at low cost and charging an above average price in retail. I believe that this model works well for Nike as every time they have a new shoe come out that is expensive and overpriced they still have people waiting in line overnight for their shoe product. Nike Business Model

----- IV. SWOT Analysis Strengths| Weaknesses| Well capitalized| Outsourced manufacturing| Globally positioned| History of human rights scrutiny| Solid brand recognition creating competitive advantage| | Strong barriers to entry| | Innovation/product development| | Environmentally conscious culture| | Marketing| |

Opportunities| Threats| Professional sports market segment| Severe competition| Growth in global apparel market| Global economy| Leadership in US market| Third world governments| Global marketing initiatives| Black market/counterfeit market| | | (MarketLine, 2012) A. Strengths i. Strong Capitalization: According to the Nike 10K report net income for 2011 was \$2.1 billion; although this is a drop from the previous year Nike still maintains a strong capital position. Last year Nike also saw their inventory go up as a result of future orders and the company repurchased \$1. billion dollars of class B stock which is part of a 4 year \$5 billion repurchase program. Thus far Nike has repurchased 30.4 million shares for \$2.3 billion. Even with this repurchase program Nike still has \$4.5 billion in cash, cash equivalents or short-term investment reserves so they are well positioned with capital for the future. (Nike, Inc. (2011) ii, Globally Positioned: Nike was ranked #1 in shoe and apparel revenue in 2011 and remains positioned well for the future. In the global shoe market there are two main players, Nike, a US-based company, and Adidas, a German company.

Nike remains focused on defending their leadership position in the industry by signing contracts with the NFL, NBA, MLS, European soccer teams, and college sports teams. One of their advertising plans has historically included elite athletes like Michael Jordan, who still has the highest ranked athletic shoe in the history of the industry. Adidas sticks to its core values of “function first”. They also market their shoes by fashion, as modern, and as cool enough. While Nike is king in America, Adidas is the leader in European markets.

The Adidas brand had a market share of 38% while Nike was right behind at 37% (Jones, 2011) In 2006 a study by William Hanrahan positioned global shoe marketers as follows: Hanrahan, (2008, p. 8) This graphic shows all the leading brands of shoes with their global positioning as of July 2006. Nike is located in the average to low affluent market with its main competitor being just a little larger (at that time) and a little higher in affluence. iii. Strong brand recognition creating a competitive advantage: The Nike swoosh is a recognized brand logo throughout the world.

While Nike is known to charge a premium price for their average affluent market they are also known for quality and catering to the needs of the athlete. The target market for Nike is the young athletes and they are loyal to Nike as through advertising, Nike connects to this audience by demonstrating a keen understanding of their psyche and lifestyle. iv, Solid barriers to entry: Nike’s strong global brand has created a barrier to entry in the sports market. Other barriers include high capital requirements, high research and development costs, and keen innovation instincts. . Innovation: Innovation is a core competency for Nike as they pour investment dollars

into research & development. The “ Innovation Kitchen” generates the majority of their innovative ideas, which will be discussed in another part of this report. B. Weaknesses: i. Outsourced Manufacturing: One weakness is the fact that nearly all of their apparel and shoe manufacturing is outsourced. While this is an advantage from a cost perspective, and allows Nike to focus on their core competency, Nike gives up a lot of control by outsourcing to suppliers.

The risk involved includes problems with governments and a workforce that that is out of there control. Another weakness that the company has displayed in the past is human rights and they are constantly under the pressure by human rights groups. C. Opportunities: i. The professional sports market: Nike’s target market has always been the athlete. The market segment that Nike is currently expanding is the professional sports arena with growing contracts with the NFL and other professional sporting leagues and teams across the world. Nike is the leader in the U. S. arket for all shoe and apparel sales and should continue to be the first choice of athletes who are looking to improve performance. Nike will also continue to make strides with advertising campaigns across Europe and India. D. Threats: i. Severe competition: The global shoe and apparel industry continues to experience fierce competition as major brands go head-to-head for competing for market share. According to Films on Demand video, Sports Shoe Wars, Adidas paid \$1. 2 billion to retain the rights to the China Olympics for advertising rights at 23 of the 24 venues. The thought behind Adidas advertising campaign was “ 1. billion people with 2. 4 billion feet. ” India is clearly the next battle ground. Adidas is Nike’s most formidable competitor;

the fight for market domination has pned many decades and is publicly fought. Nike is the industry leader in the U. S. footwear and athletic apparel industry and has a strong brand portfolio (“ Zacks Bull”, 2011). Adidas is known for making a solid, quality product which has historically missed consumer tastes. This was evident in a kid focus group conducted by Adidas in which kids were asked “ if Adidas were at a party, where would it be? The kid’s responded “ hanging around the keg” while “ Nike would be with the girls. ” (Stevenson, 2003) The belief at Adidas is Nike’s leadership position has been achieved solely through marketing, not through quality product performance. In a short film about the 2008 Olympic Games in China, Herbert Hainer, CEO of Adidas explains: I think if trying to find differences between the two companies, we’d have to say Adidas is more oriented towards product and performance and Nike more towards marketing. If they need hip hop culture to do that they will use it.

But don’t think that Nike puts more into lifestyle than we do. We also communicate a great deal, like I said, we’re trying to do that in connection with the Olympic games...to win the people of China by saying we’re the ones who are helping your athletes. (Kirchhoff, 2009) In 2006, Adidas acquired Reebok to strengthen its position against Nike. The acquisition of Reebok led to control of 20% of the market as opposed to Nike which, at the time, had about a third of the \$145 billion worldwide market. (Sorkin, Feder & Dash, 2005) The acquisition gave Adidas more leverage to compete for celebrity athlete endorsements. ii.

The global economy is another threat that has already taken hold with a clear slowdown in worldwide shoe and apparel sales over the past few years.

While the economy continues to be a problem, a clear threat to Nike remains the volatility of third world governments where much of the materials and manufacturing is completed. E. How do Nike's strengths reinforce their opportunities? Being well capitalized, Nike is in a position to take advantage of the professional sports organizations and teams target market. Many of these teams are recognized around the world and the Nike swoosh will be prominently displayed on their uniforms.

Strong barriers to entry allow Nike to focus on their current competition with few to no disruptive technologies introduced by other companies in the shoe or apparel market. F. How do Nike's weaknesses relate to their threats? Outsourcing manufacturing is a company decision they are comfortable with as they have done this for several decades now. The main benefit behind the outsourcing is expense reduction, and ability to focus on core competencies. However, along with these expense reductions comes human rights scrutiny that tends to follow Nike wherever they go. A good reputation takes a long time to build and a short time to lose.

But, they have made similar strides in the past with environmental groups and now will not allow harmful substances to be used for research and development there environmental groups recognize their environmental corporate culture and have worked closely with Nike over a period of 14 years to create these environmental values within the company. (Kirchhoff, A. (Director) (2009). ----- V. Nike's Value Chain Make, move, sell, use, reuse, plan, and design. A. Make: Since 1995 Nike has reduced petroleum based solvents used to manufacture shoes by 96%.

Nike also created a new rubber that targets the reduction of the most toxic chemicals and shared the formula with the entire industry. The Nike “make” portion of the value chain employs 1, 000, 000 workers in 50 countries. They have also conserved enough materials in the last 5 years to produce an additional 15 million pairs of shoes. B. Move: Since 1995 Nike has used 100% recycled cardboard for shoe boxes. Clothing is also made from a lighter material which allows for less water usage in cleaning and it dries faster saving energy and allowing for larger drying loads in the process.

Nike has 23 distribution centers located around the world and is working with logistics partners to reduce the footprint created in shipping and packaging of products. C. Sell: From June 2010 to January 2012 Nike employees donated 17, 207 hours for community projects just in their North America retail stores. The employees completed 543 different projects that targeted youth sports. Approximately 219, 000 plastic shopping bags were saved by the retail team in Australia in one year. With the plastic bag savings they began to charge an additional 10 cent fee and all proceeds from this fee were donated to local youth sporting programs.

This program resulted in a 55% reduction in plastic bag usage from the previous year and generated \$26, 000 for youth athletic programs. D. Use: In 2006 Nike did a study to find out where the most CO₂ was being generated during the lifecycle of a typical pair of shoes. The study showed that 46% of these emissions came from the washing and drying. To further the study Nike came up with a 39% reduction in energy use simply by washing in cold water. This study was performed in an effort to reduce the carbon footprint

and clothing now comes with instructions to use cold water and dry on a line instead of a dryer where possible.

This cleaning method will also extend the life of the clothing. E. Reuse: Packaging accounts for up to 22% of the waste in the Nike value chain. Since 1995 all shoe boxes have been made from 100% recycled materials. In every square yard of school playground "play top" rubber there are approximately 40 pairs of grinded up shoes where the rubber has been recycled. Nike also incorporates fiber into their Hyper Elite Platinum shorts that is made from 100% recycled polyester. The recycling of shoes has reached 25 million pairs collected globally since 1990. Nike's goal is to "weave yesterday's products back into tomorrow's value chain. F. Plan: In 2010, Nike founded the Green Xchange with several other companies in an attempt at open innovation with other businesses. This Green Xchange is used to share intellectual property and conserve the planet's resources and climate. In 2011 nearly 500 tons of waste was composted from the Nike headquarters and approximately 1.6 million pound of waste was recycled. Those 500 tons equals about 65% of the total waste. Business travel has also been reduced to 3% of past travel requirements. Nike also focuses on minority owned businesses. G. Design: Each year over 16,000 materials are used in various products each year.

Each pair of shoes contains about 30 different materials alone. Because so many different materials are used Nike has come up with "materials index" that measures the impact of each material in four areas. These areas include energy, chemistry, water, and waste. In 2010 15 million T-shirts were made using organic cotton that was grown without the use of fertilizers, defoliants, or pesticides. Nike has evaluated over 80,000 different to measure their

environmental impact and typically uses 6 that make up most of their materials volume. These 6 items are polyester, rubber, cotton, synthetic leather, and leather and EVA foam.

Finally, through planning and reducing their waste stream approximately 280, 000, 000 plastic bottles have been saved from landfills and used in polyester textiles. “ In 2011, more than 31. 5 million Nike garments contained at least some recycled polyester fiber. ” (Nike value chain, 2012)

 ----- VI.

Porters 5 Competitive Forces ----- The Organization (Format taken from Quick MBA, 2010)

----- VII. Organization A. How the Culture Supports Innovation and Success An organization’s culture is typically defined by management at the top. Without a doubt, Nike’s legendary former CEO and Co-Founder, Phil Knight, was influential at developing a culture of innovation. His odd management style inspired employees to make their own decisions.

He deliberately didn’t respond to questions or offered a vague nod. His executives became adept at interpreting his lack of response or nods as freedom to do their own problem solving and innovate. Most employees, like Tinker Hatfield, VP of Innovation, considered silence a yes to move forward. (Roth, 2005) Parker has commented that Knight has “ always given me incredible freedom in my roles. ” (Birchall, 2007, para 8) Whether intentional

or unintentional, Knight personally provided critical ingredients for cultivating and nurturing a culture of creativity and innovation.

The competitive spirit is deeply ingrained in the culture and employees are driven to succeed. The highly-popular slogan "Just Do It" is an internally-embraced philosophy that captures this competitive spirit. Nike's culture gives employees the opportunity to accomplish, occasionally fail and learn from mistakes. Repeated failure faces punishment. (Jagersma, 2003) Curiosity is considered key to success and it is expected that employees will maintain a level of curiosity or risk failure.

According to author Fields, the former CMO of Nike, Scott Bedbury, was quoted in the book *Chasing Cool: Standing Out in Today's Cluttered Marketplace*, as saying: "If you were the head of Nike Basketball, you damn well better know what's going on in the minds of young basketball players--the music they listen to, their vernacular, how they define success, what they fear, what they dream. The bulk of it is just about getting out there and wandering around. And anybody in the marketing group at Nike was penalized, if not put into early retirement, if they didn't get out there, if they weren't continually curious. (Fields, 2007) Hero worship is also deeply ingrained in the culture. Buildings on the Beaverton, OR campus bear the names of image-building power athletes. (Rapaport, 2002) To evoke the spirit of innovation through organizational history, storytelling about heroes and heritage is a critical part of Nike's corporate culture. (Ransdell, 1999) Ekins, Nike's official company storytellers, sport a swoosh tattoo on their ankle and evangelize about the Nike brand and its sports technology. ("

Remarkable”, 2010) Today, the management style of Mark Parker, CEO, continues to nurture innovation and keeps the channels for creativity open.

He does not shut people down in meetings and prefers to let people share what they're working on, even if a project will not get a green light. (McGirt, 2010) B. Organizational Structure for Optimal Alignment with Customer Markets In the mid-2000s, the company moved from a product-based structure to a customer-focused organization with categories like women's fitness, running, and basketball. This allowed Nike to follow the greatest opportunities and to develop communities of shared interest both internally and externally. (Birchall, 2007) In 2009, another restructure aligned the brand by six new geographies which allowed Nike to get closer to the customer, reduce management layers and increase the speed of decision making. (“ Nike, Inc. Announces,” 2009) This structure allows Nike to more efficiently focus on the unique cultures of these sports, share knowledge, and inform the creative process. C. Breaking into New Sports with Independent Teams Breaking into new sports markets is a strategic endeavor for Nike. The company sets up independent entities and forms teams with external talent to allow it to be as agile as needed for success.

To break into the skate market, the company brought former head of Nike's upstart soccer division out of retirement. The division was set up as an independent unit with 11 employees who were all skaters from other parts of the industry. The skate team spoke to consumers for two years before it offered its first products exclusively to skate stores on short-runs and has since captured market share. (Stone, 2004) Golf is another market which

required a different approach to break into it. The golf unit was formally separated from the rest of the company on its balance sheet.

A 12-handicap golfer and long-time employee, Bob Wood, was asked to head the division, and other executives were brought on board from the industry. Since selecting Tiger Woods to represent their line of products, Nike has captured market share in golf. (Stone, 2004)

----- VIII. Innovation Process A. Innovation Kitchen and Sources for Innovation Inspiration The Innovation Kitchen is a think tank within Nike's headquarters where innovative technology and other special projects are invented by its 125-person research team.

Tinker Hatfield, VP Innovation and Special Projects, leads the team. He is a famed designer of Nike's most popular and innovative designs, including the Air Jordan, and is regarded as the keeper of the founder's legacy of innovation. As Hatfield explains, the Kitchen is separated from the rest of the organization: " We're not so much tied into the sales of shoes. We're here to improve athletic performance. " (Rapaport, 2002, para 25) While casual visits by the CEO are common, direction for their work does not come from above.

It is guided by a philosophy established by Knight: " It's really risky not to take risk. " (Brettman, 2011b, para 7) The research team is free to explore as many ideas as they can. Behind Nike's core competency in innovation is a finely-tuned integration of learning with creativity. (Stonehouse & Minocha, 2008) Hatfield believes what designers draw or design is a culmination of everything he or she has seen or done in life at that point. (Longeville, 2006) To Hatfield, internal ideas generated from sources such as focus groups are generated in false environments, thus not the preferred source for ideas.

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Eckoff, 2007) Instead, creativity and inspiration is regularly sought out from a wide variety of external influences. The insights provoke new ways of thinking and innovating.

i. Athletes: For Nike, design is rooted in the belief that form follows function. Top athletes have been – and will continue to be – the primary source of design inspiration. According to Parker, “ what we learn from them is who we are. ” (McGirt, 2010, para 8) Nike employs pro athletes, either with the company or via sports marketing contracts, to evaluate and weigh in on shoe design and development from a performance perspective. (Datamonitor, 2012) They are frequent visitors to the Nike Sports Research Lab, where biomechanics experts study how to enhance their performance using cutting-edge sports technology and equipment. (McGirt, 2010) How the R& D team of scientists analyzes the results sets Nike apart. According to Mario Lafortune, Director of Nike’s R& D Lab: We have developed an expertise in interpreting the data for designing footwear. How you interpret data to derive footwear criteria is really a level of expertise that very few people have. (Holloway, 2004, para 7) Inspired design originates not just from input on functionality, but as Hatfield explains: You have to spend time getting to know an athlete, his motivations and his life. Understand his needs and his wants. The real fun comes in the end when you make observations that have real meaning. (“ Interview: Tinker Hatfield ,” n. d. , para 14) ii. Customers: Lifestyle Trends: Nike understands that to grow, recognizing new customer needs and offering solutions is critical. (Patnaik, 2005) Nike’s ability to apply outside the box thinking to existing solutions has proven successful.

For example, by looking at the lifestyle of the runner, Nike teamed with Apple to create Nike+, a digital sports kit comprising a sensor that attaches to a running shoe with a wireless receiver which connects to the iPod. The information tracked by the sensor sends information to the iPod for uploading and tracking progress on www.nikeplus.com, then shared on Facebook and Twitter to connect with other runner communities. For the Nike+ customer, the exercise experience has extended beyond a pair of running shoes. As of 2010, 2. million kits were sold and due to that success, the kit has been expanded into other athletic activities, such as gym workouts. (Ofek & Wathieu, 2010) iii. Deep Dives: To stay ahead of consumer trends, Nike designers regularly seek inspiration through intense immersion into subcultural experiences, or Deep Dives. According to John Hoke III, Nike's global creative director of footwear design, the purpose of Deep Dives is "to interpret, translate and try to make new connections". Deep Dive cultural explorations have included American car culture, Palm Springs mid-20th-century design, inner-city hip-hop music and origami.

Other lighter immersions such as trips to the zoo to sketch animal feet are part of this process as well. The idea is to infuse thinking with new design and aesthetic possibilities and inform new ways of connecting with their target customer. (Rapaport, 2002) iv. Art, Artists and Buildings: The work of street artists have served as sources of inspiration, both in adding aesthetic appeal to shoes and in helping Nike establish credibility with hard-to-reach audiences. Parker has developed a network of artists as a long time art collector.

He tapped his graffiti artist network to help establish authenticity in the hard-to-break-into skate market. Mr. Cartoon, a Los Angeles graffiti-and-tattoo-design star, was asked to design limited-edition versions of classic Nike shoes and was given a platform to hold special events advocating design self-discovery to Latino youth. This demonstrated Nike's ability to understand and connect with this unique culture. The shoes are now collector's items. Parker continues to stay connected with his artist network as he considers them as influencers of influencers in pop culture. (Birchall, 2007) After travelling to Paris to see Pompidou Centre, a building characterized by exposed mechanical systems and bright colors, Hatfield suggested the air bag of the shoe be exposed and visible through the sole. His idea was initially met with resistance from many. The Head of Marketing for Running couldn't figure out how this shoe could be sold. (Longeville, 2006) Now, the Air Max line of shoes has been wildly successful. B. Experts, Incubation, and Collaborations Other external resources are tapped as part of Nike's innovation process.

Research committees and advisory boards with experts such as athletes, coaches, trainers, equipment managers, orthopedists, and podiatrists are frequently consulted with. (Datamonitor, 2012) Nike also sets up venture capital offshoots to explore new ideas. In 2011, the company set up the Sustainable Business & Innovation Lab to back other start-up ventures focused on alternative energies, efficient manufacturing practices, and companies that promote healthy lifestyles. (Kharif & Townsend, 2011) Other groups are tasked with collaborations.

Parker was concerned about Nike innovation being too insulated and set up Explore to pursue long-range innovation possibilities with academics, inventors and other companies. (Exon, 2002) One of Explore's successes was the collaboration with Apple to produce Nike+. (Birchall, 2007) Analysts believe that a 55% growth in membership for Nike+ was responsible for an increase in sales in the running division up 30%, to \$2.8 billion. (Cendrowski, 2012) ----- IX. From Idea to Commercial Product Innovation at Nike is clearly a bottom-up process.

After ideas are generated, the labs have what is generally referred to as a peer review. At this time, research ideas are shared internally with lab peers and the lab director only. If the lab director believes the idea is worth pursuing, resources are allocated by the lab to investigate it further. (Rodrigues, R. , personal communication, June 10, 2012) At the investigation stage, external knowledge is gathered. Patents are researched to ensure no patent infringement. If the idea seems feasible based on information gathered in the steps in this process, the idea is developed further into a prototype and patents are filed. (Rodrigues, R. personal communication, June 10, 2012) The lab funds development of a prototype in what is generally known in engineering as the laboratory phase. About once a month, senior executives are invited to review prototypes and vet them against Nike's mission statement and corporate goals. If a prototype is accepted, the idea could potentially be pitched to the board of directors. (Rodrigues, R. , personal communication, June 10, 2012) As an example, in the mid-80s, Parker, product designer at the time, was working on a side project visible air

in which the sole cushioning technology would be exposed so the customer could see it.

He was invited by Phil Knight to present his prototype to the board. (McGirt, 2010) At this stage, the lab might also produce a white paper with "ideas on feasibility" which is usually written for manufacturing and division heads of product lines. It may be unclear at this point which product line this technology might be used in, and there is most likely internal competition as to which division might get it. (Rodrigues, R. , personal communication, June 10, 2012) The visible air technology spurred the Air Max shoe line for running, basketball and cross-training.

In Nike's bi-annual Concept Debut, the review committee (CEO and heads of global footwear design) reviews all designs for products due to hit the market in the next 18 months. Details of each prototype are discussed and sketches critiqued. If a product passes review, the company intends to commercialize and produce it and will fund it. All the regions are brought on board to determine the go-to-market strategy. Marketing is involved at this stage. ("Online extra: Chaos," 2007) From there, the product is transferred to manufacturing for production.

No doubt, Nike's lab has a close relationship with manufacturing suppliers and they are involved much earlier in product development than this stage. For example, the Flyknit due to hit stores July 2012 is made from a knitting process which weaves an entire shoe upper in one piece. With 35 fewer pieces to assemble, this is a revolutionary approach to shoe production as it eliminates the cutting and stitching process, translating to less labor and higher profit margins for Nike. (Townsend, 2012) Manufacturing most

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certainly played a role in the product development process.

----- X. Product Introduction to the Market A.

Marketing Strategy As one of Nike's core competencies, marketing plays a pivotal role in the company's success. Historically, Nike has utilized an almost formulaic, two-prong approach to marketing - elite athlete endorsements and establishment of an emotional connection with their customer. Some of the greatest elite athletes have been paid by Nike to help design, develop, and sell merchandise through endorsements.

Tiger Woods was signed in 1996 and by 2001, Nike's market share in golf jumped from one to six percent, or \$50 million. (Cummings, 2001) Instead of focusing on the product, Nike's advertising strategy seeks to establish an emotional connection with the customer by setting a mood. Just after Nike's revenues fell 22% in 1986, Nike launched its first national ad campaign which featured the song Revolution and intertwined clips of elite Nike athletes with clips of everyday people. The underlying message was athletes prefer Nike, buy Nike and you can play as good as them. Lane, 1996) By 1988, revenues rebounded to \$1. 2B and by 1989; the company regained its leadership position, earning \$1. 7B in revenue. (Jorgensen, 1994) However, as Nike's total marketing budget has climbed, it's spending in U. S. TV and print advertising has dropped by 40% in the past three years signaling a marketing strategy shift. In 2010, Nike launched Nike Digital Sport, a new division aimed at developing devices and technologies for users to track personal sports statistics. Now, customer data can be mined and online communities established, placing Nike where the customer is. Cendrowski, 2012) While initial attempts have not been so successful, true to Nike's

innovation process, the company integrates its knowledge into new tactics and continues try new approaches. B. Event Pacing and Limited-Edition Products Nike has been known to utilize two strategies to stimulate demand: event-timed product releases and limited-edition product. Nike both releases new products to coincide with big sports events - and also delays them. Earlier in 2012, the Foamposite One Galaxy glow-in-the-dark shoes were released to coincide with the NBA All-Star game in Orlando.

This year, new home and away soccer apparel in the team colors for FC Internazionale were released in time for the 2012-2013 Milan soccer seasons. (Nike, Inc. , 2012b) In 2007, Nike delayed the release of the new Michael Vick shoe when Michael Vick was caught in a dog fighting scandal. (Briggs, 2007) When coupled with limited-run production, marketing hype has led to success, if not violence. Nike makes it known that the Jordan XIs -- Jordan's most sought-after shoe - are released once a year as a limited edition.

The December 2009 holiday season release of Air Jordan XI Concorde caused violence and a stabbing. (Hill, 2011) But at more than \$1 billion in sales, the Jordan brand now makes up roughly 5 percent of Nike's overall revenues. (Rovell, 2009) ----- XI. Integrated Strategy: Sustainability and Innovation The integration of sustainability and innovation as a value-creator forms the core of Nike's new strategy. (Brettman, 2011a) Nike believes corporate socialresponsibilityextends beyond the walls of their headquarters to the industry and society.

The goal is to innovate systematically throughout all businesses processes and to affect change industry-wide for the good of society. Nike's troubles in <https://assignbuster.com/nike-innovation/>

China led to heightened awareness about corporate responsibility and the company's impact on society. A. Nike and China Nike and several other name brand organizations have had trouble with child labor issues. There have been allegations of child labor and horrid working conditions. According to Irene Alfred from Nike slave labor" Nike is having difficulties with the publicity it is receiving about its labor practices in China, South Korea, Indonesia, and Vietnam.

In China, employees for Nike work twelve hour shifts for several days a week. Their wages are as low as sixteen cents an hour there is no union". Nike is working on improving conditions for its international employee's in 1998 Mr. Knight stated," Public speeches regarding his plan for the labor conditions to be brought up to standards. I feel that this is a great step to take in showing that Nike does actually care about its employees and the conditions they work in. Finding contractors that follow the health and safety codes and staying away from the corrupt government involved contractors.

Incorporating interest in the educational systems where they are involved and showing the communities you operate in that you do care about their welfare status. Phil Knight did the right thing by addressing the media about these speculations and taking action and getting involved with the citizens is a great first step. In addition, by going into these very poor countries that are plagued with hunger, poverty and illiteracy, Nike is giving these people a second chance at life by providing them with jobs to provide their families with meals and a chance to get an education and break the cycle of illiteracy and poverty in these communities.

B. Green Xchange, Considered Design and Considered Design Index Now, Nike is driven to affect systemic change through open collaboration and designing products with sustainable design choices. In 2010, Nike launched the GreenXchange, a web-based collaborative network promoting the creation and adoption of technologies for new sustainability models and innovation. (Albanese, 2012) Nike's new design philosophy, Considered Design, utilizes sustainable design choices at the start of the creative process to innovatively eliminate design and development waste.

Sustainability is measured using metrics in their Considered Design Index. Nike intends to share this Index to create an industry-wide scale. (Nike, Inc. , 2012a) C. Impact on Corporate Goals/Strategy As Nike continues to integrate sustainability goals into their innovation processes, the company continues to raise their performance expectations. In May 2012, Nike announced new sustainability performance targets, both short and long term, and a company-wide commitment to further integrate sustainability principles into its innovation processes, governance and portfolios. " Nike, Inc. Introduces," 2012) ----- XII. Conclusion Nike's intense passion for and focus on improving athletic performance has been the driver behind the company's ability to establish a leadership position in the market. The competitive culture is sharply focused on winning in whatever endeavor the company endures, and their innovation processes support this Just Do It mentality. Their ability to finely integrate creativity and learning forms the core of their innovation process.

Their curious culture uses external knowledge gained to innovate for the athlete and make an emotional connection with their customer through

marketing. The company continuously refines their approach, as evidenced in their new marketing strategy, and as they continue set new challenges, Nike positions itself to defend their leadership position.

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