Nike Shoes Risk Analysis

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Since the birth of the company, Nike has been at the top of the sports fashion industry across the United States. Phil Knight founded his company as a child company to Blue Ribbon Sports after he and his partner decided to split ways. The two of them were business partners for some time until Phil realized that he could make shoes in a more cost-efficient way to save him money and bring in more profit. That is when he decided to create the first Nike Headquarters in Eugene, OR.[1] Since then, the company has exploded. They have shown nothing but continuous growth with their designs, marketing, and products. Currently, Nike operates in 120 countries with 44 thousand employees.[2] With their current profits nearing 35 billion per year, they soar passed Adidas, 20 billion, and Puma, 5 billion.[3] The sheer size of the company, gives Nike a huge risk pool. Through their insurance they have to be able to cover any of the unforeseeable problems that may arise. The risks that are most important to be aware of are; consumer preference, economic policy, and counterfeit goods. Throughout this paper, I will analyze these risks and provide insights as to how Nike will be able to mitigate them.

First and foremost the constant change in consumer preference will be the biggest challenge for any designer company. This risk is a never ending cycle. Human beings are the most indecisive creatures on the planet and are constantly looking for the next best thing. Every year month there is a new fashion wave from Europe that works its way from the East coast to

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[1] Meyer, J. (2019, August 15). *History of nike: Timeline and facts*. TheStreet. Retrieved December 11, 2021, from https://www.thestreet.com/lifestyle/history-of-nike-15057083.

[2] Writer, S. (2020, March 26). *How many countries does Nike operate in?* Reference. Retrieved December 11, 2021, from https://www.reference.com/business-finance/many-countries-nike-operate-aa95f37796162ae7.

[3] Tighe, D. (2021, July 26). *Adidas, Nike & Puma Revenue Comparison 2006-2018*. Statista. Retrieved December 11, 2021, from https://www.statista.com/statistics/269599/net-sales-of-adidas-and-puma-worldwide/.

the West coast. Without a fail, within the year, the styles are already changing and the new becomes the old. With this constant change, Nike needs to keep up with the demands of their customers. Having operations in 120 different countries, Nike already has a jump start by seeing how the styles are changing over seas, they can anticipate how they will reflect on countries around the world. To continue to mitigate this risk, they will have to continue to brainstorm with their best designers.

Footwear is 66% of their business.[4] One of the best ways for Nike to lower the risk that they face is to lower production costs. Companies are beginning to shift their production towards 3D printing and robots. By doing this, they are saving millions of dollars in production. Which ultimately lowers the risk that they have by making it easier to mass produce shoes, and to quickly change any designs that may not be selling as well as others. Not only will it make production easier and faster, the overall cost efficiency of switching to robotics will save Nike millions of dollars.

Another huge risk that Nike will face is navigating economic policy. Producing and transporting goods to other countries is a massive industry. Nike did 60% of it's sales outside of America in 2021.[5] Doing business outside of the united states has extra expenses that would not be involved with domestic sales. Other countries have their own monetary system. Transferring this money to American dollars creates another huge problem. There are taxes that have to be placed on the money that they make in foreign countries. Understanding these taxes can be a nightmare. The worst part is, Nike has no say as to what laws or bills get passed by our

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[4] Tighe, D. (2021, September 20). *Nike: Revenue share by product type worldwide 2021*. Statista. Retrieved December 11, 2021, from https://www.statista.com/statistics/412760/nike-global-revenue-share-by-product/.

[5] Tighe, D. (2021). *Topic: Nike*. Statista. Retrieved December 11, 2021, from https://www.statista.com/topics/1243/nike/.

legislature. Without any control in this, they have no clue how business could be affected in foreign countries. For example, when COVID hit, there was no international business being done simply because, there was no safe way to do it. Ports were shut down and business almost immediately halted for any type of imports or exports. Joe Biden finally lifted the bill that was restricting ships from bringing in goods through the Florida gulf last month. With unforeseeable risks like these, it is hard to prepare for international business.

To mitigate the risks they face, Nike should hire a team whose role is specifically to keep tabs on international law and policy. When something changes, they should be the first ones to know about it and to make the company aware of anything that affects the way that they do business. Not only should they be constantly looking for new changes, but this team should also be in contact with the operations in other countries to make sure that they are keeping up to date on their policies. Having a better understanding of the international business policies and laws can help to keep transactions running smoothly and costs low.

The final risk that will be discussed in this paper is counterfeit goods. Nike along with many other brands is in a constant battle with companies creating and distributing merchandise that looks identical to their name-brand products but is selling them for a much lower price. Because of this, Nike, Adidas, Gucci, Yeezy, and many other brands lose millions of dollars in revenue each year. To be exact, according to a business insider, Nike lost approximately 10 percent of its revenue last year.[6] This revenue is something that cannot be reimbursed. Customers who cannot afford the high prices that are on the name brand shoes will find an alternative to meet their needs. However, losing this profit will hurt the company in the long run. With so

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[6] PGupta0919. (2020, November 2). *The rise of counterfeiting and its effects on Nike*. Soapboxie. Retrieved December 11, 2021, from https://soapboxie.com/economy/The-Rise-of-Counterfeiting-and-Its-Effects-on-Nike#:~:text=A%20report%20by%20Business%20Insider,the%20revenue%20to%20counterfeit%20products.

many different websites and outlets for companies to sell their fake shoes on, it is almost impossible to completely eradicate the sales of counterfeit shoes. However, Nike has taken ownership to reach out to Amazon and file a complaint against certain companies who were selling their fake shoes on Amazon.com.

To further mitigate the risk of losing profits to counterfeit companies, Nike needs to continue to develop new shoes that are affordable. If consumers can afford the name brand shoes, they have no reason to go to counterfeit websites. This is something that will be a challenge for Nike. However, they do not only have to develop these less expensive shoes, they can still have the designer shoes for top dollar. They just need to have a product that is similar to the designer shoes but half of the price.

In conclusion, Nike is a top of the line sporting goods company. They do billions of dollars of revenue every year, have thousands of employees and are located in 120 different countries. Even with this impressive resume, they still face risks every single day. These risks can be found in their consumers, business laws, and even fake shoes. All of these things and more are risks that Nike goes to battle with day in and day out. They are not going anywhere and there are sure to be more risks to develop in the future. Mitigating these and any other risks that may come about should be a top of the line concern for Nike.