

Learning From the Real World: Nike World Shoe

Case Study Analysis

FASID Workshop
Tokyo, Japan

8 January 2005

Nike World Shoe



What Nike Tried to Do

1. Enter a new market
 - Reverse slumping sales
2. New “business model” and new product
 - Local for local
3. Maintain proven practices
 - High gross margin; volume-based metrics
 - High sales expectations
4. Cross-division working group

Enter a New Market

1. Slumping sales in existing markets
 - Expansion into new market
2. Market research
 - Numbers-driven

New Product and Business Model

1. Local for local
 - Production for consumption
2. Affordable relative to other Nike products

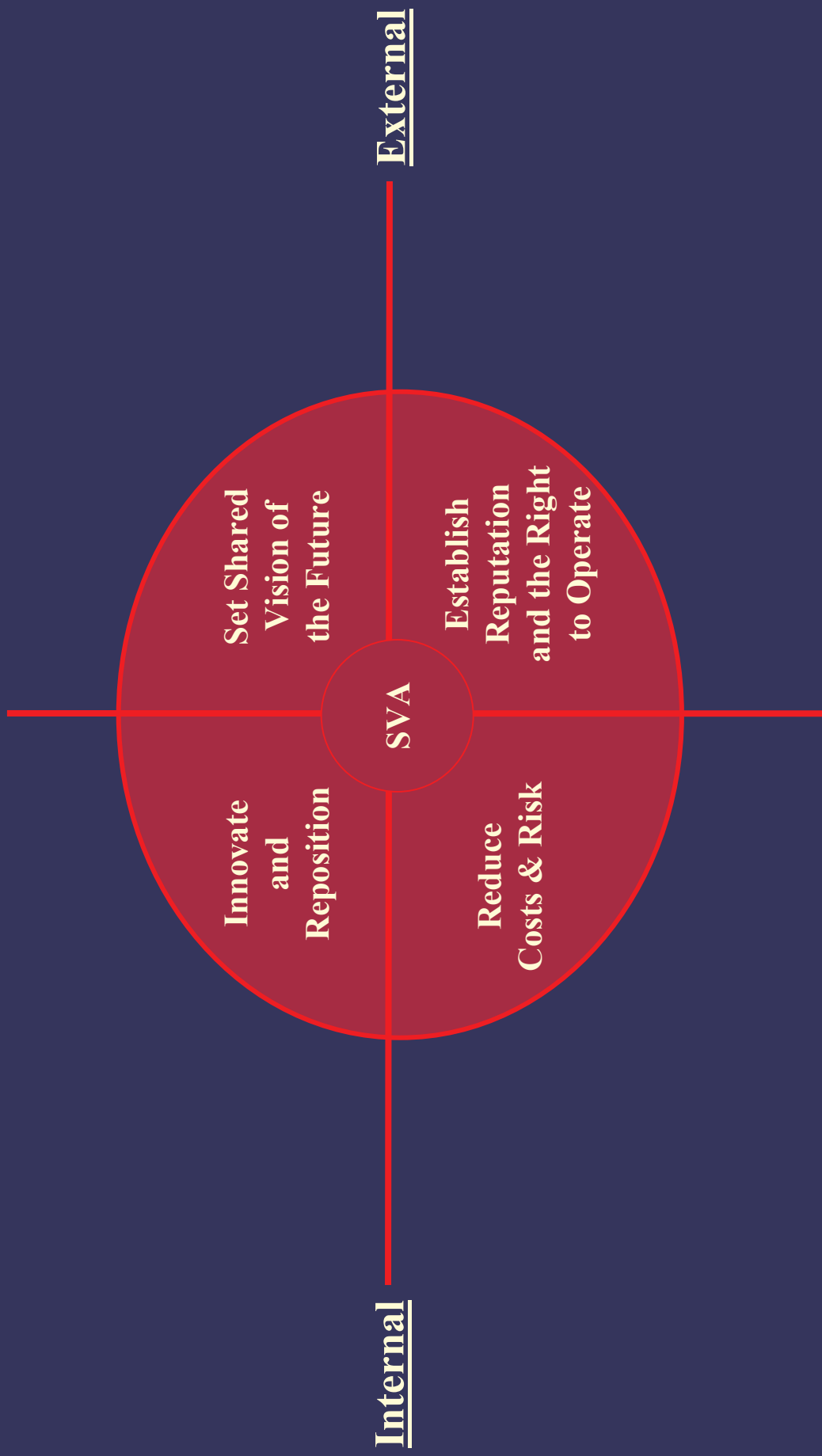
Maintain Proven Practices

1. Top of the pyramid procedures
 - Management
 - Production
 - Distribution and Retail
2. Volume-based metrics
3. Gross margin calculation
4. Sales expectations

Cross-Division Working Group

1. Footwear, Manufacturing, Strategy, and International Departments
2. Director of Emerging Market Footwear position

Future



Internal

External

Instructions

1. Each team discusses what Nike did well in the context of the Sustainable Value Matrix.
2. Describe at least one thing Nike did well in each of the four quadrants of the matrix.
3. Write on Post-It notes and place onto white board

What did Nike do well?

Innovate and Reposition

Future

Shared Vision of Future

Internal

External

Present

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What did Nike do well?

Innovate and Reposition

Future

Shared Vision of Future

- Low-priced shoe
- Emerging Markets Task Force

- Waste reduction → New product (shoe bag)
- Market research discovers underserved athletic market
- Committing to emerging market

Internal

External

- Recognition of unbalanced portfolio
- Design for manufacture
- Manufacturing cost efficiency
- Waste reduction
 - Manufacture
 - Retail

- Fair Labor Association
- Global Alliance
- Local-for-Local

Present

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Break

Interview with Tom Hartge

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Discussion Questions

1. What should Tom Hartge recommend to management regarding World Shoe?
2. Did Nike have appropriate sales and profit goals for the World Shoe line? Why or why not?
3. Was the business model appropriate and effective? Why or why not?

Discussion Questions

4. What are the differences between a “top of the pyramid” business model and a “base of the pyramid” business model?
5. Was Nike’s World Shoe project a success or a failure? Why?

Review of Key Concepts

1. Capacity to consume
 - a. Access to high quality
 - b. Availability
 - c. Affordability
2. Community trust and dignity
 - a. Know the customer
3. Partnerships
4. Poverty penalty

Did World Shoe Fulfill Key Concepts?

1. Nike and Tom Hartge view the project as a failure.
2. It is possible to see it as a success.

Failure or Success?

1. Knowledge of Market Insufficient
 - Market research was numbers-first
 - No evidence of consumer preferences and behaviors
 - Lack of effective local partnerships
 - Did not address counterfeit problem
 - Misunderstanding of quality and brand equity

Failure or Success?

- 2. Business Model
 - Incremental approach vs. Disruptive innovation
 - Failed to maintain quality standard or differentiate & justify distinction
 - Marketing
 - Distribution
 - No pilot program

Failure or Success?

- 3. Metrics for Success
 - Bottom line vs. Volume metrics
 - Expectations too high
 - Success measured by Wall Street

Failure or Success?

4. Organizational Structure and Procedures
 - Emerging Market Task Force
 - Production controls
 - Limited by position within Nike

Adjustments Nike Could Make

1. Capacity to consume
 - a. Access to high quality
 - b. Availability
 - c. Affordability
2. Community trust and dignity
3. Partnerships
4. Poverty penalty