

Business analysis and investment recommendation of Nike Corp

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Abstract:

With the development of the economy, people's demand for their health and leisure activities is constantly increasing, which provides many opportunities for Nike's international development. However, the fierce competition of competitors and the turbulence of the financial market have caused a certain negative impact on it. The study aims to focus on the brand's competitiveness in the market, business model and development strategy to evaluate whether it has the potential for sustainable development in today's market. The method mainly comes from some Nike stocks and analyses the revenue data. The data sources are mainly financial data, market data and consumer data. After this preliminary analysis and data collection, this research will write out the performance of the company, which will be reflected by brand influence, brand management and product innovation. Finally, some relevant investment suggestions will be given in the later paragraph of the article, which are generally divided into long-term, short-term and diversified investments.

Keywords: Nike, business analysis, SWOT analysis, Investment recommendation.

1. Introduction

With the economy's growth, people's living standards are constantly improving, and more and more attention is paid to their physical health, which leads to a rise in the demand for sporting goods [1]. The sporting goods industry is growing in popularity, and more and more investors are considering investing in this industry. However, the industry has some risks, such as fierce market competition, fast product replacement, and inventory pressure. In order to maintain competitive advantages and achieve sustainable development, sporting goods retailers need to develop effective risk management and risk control strategies. These problems will prevent investors from investing in this area to profit. This research analyzes Nike in the sporting goods sector to provide investment advice to investors [2].

2. Company Overview

In 1963, a company was founded by recent graduate Bill Bowerman and his alumnus Phil Knight. This is a company that mainly deals with sporting goods. The name of the company, back then, was Blue Ribbon Sports. In 1972, the name was changed to Nike, which is still used today. This is the beginning of the company's legend. The goal of Nike company is relatively ambitious. From the company's establishment until now, the company has regarded creating excellent sports products as a core goal [3]. Nike has also successfully helped many athletes through sports

products and on a spiritual level. From the top athletes down to the average person who loves sports, Nike is constantly helping people with their practical actions. Nike also has many classic creations, such as using air cushion technology inspired by NASA in shoes and other sporting goods to develop the sporting goods industry, which has brought a new technological revolution. At the same time, Nike also has a very large market size. For example, Nike has a total of about 83,700 employees worldwide. Nike's suppliers, retailers and shippers are close to 1 million. Nike will also cooperate with partners to form a complete and efficient network to serve customers, reflecting the efficiency of the supply chain [4]. Nike will also expand its global business on this basis. It has connected partners to serve customer groups on six continents through excellent cooperation to achieve market coverage.

3. Product range and brand portfolio

3.1 Sports Footwear

Nike's sports shoes cover many aspects, such as running, basketball, golf, tennis, and football. The most significant advantages lie in its technology and lightweight design, which meet the needs of professional athletes and ordinary consumers, such as Nike's running shoe design. Basketball shoes with excellent grip support and shock relief It has become the first choice of many professional athletes and enthusiasts [5].

3.2 Sportswear

Nike produces a series of sportswear, including sweat-pants, vests, shorts, short sleeves, and sports jackets. Due to the comfort of the material and strong breathability, as well as the function of absorbing sweat, people can adapt to the body's needs in various environments.

3.3 Sports equipment

Sport equipment, including the body of the major joints of the sports protection sports balls and sports backpacks, with comfort and convenience as the premise, convenient for athletes and ordinary sports enthusiasts to carry all kinds of sports goods.

3.4 Brand portfolio

Nike has leading technology and design, is its main brand, and covers various sports products. Its smaller brands, such as Converse, are deeply loved by consumers with canvas shoes and street casual clothing, and the Jordan brand focuses on the field of basketball with high professionalism and more significant brand influence.

4. Market layout and sales channels

The first is the global market layout. Nike has a considerable market share in the global sporting goods industry. North America, the company's birthplace, is also an important market. Most consumers have high brand recognition and strong purchasing power in the European region, which also occupies a significant share [6]. The demand for local sports is relatively large, so there are high-quality requirements for sports products. In the Asia-Pacific sector, especially in the Chinese market, now, with the rapid development of the whole national economy, people have a deeper understanding of health, which leads to the growth of consumption in sports. Nike also took advantage of this opportunity to expand its business and has excellent potential in the market.

Nike also has a lot of sales channels, which can be divided into three categories; the first category is direct stores, Nike brand stores distributed around the world; a significant feature of direct stores is to directly display and sell the company's products, on this basis, Nike is also providing quality customer service, Nike can continue to accept consumer feedback shopping, Then adjust the company's sales strategy. The second type is that there are distribu-

tor channels. Nike will cooperate with many distributors through distributors who have accumulated users and resources to expand Nike's sales scope and brand awareness in the market [7]. The third is to sell through e-commerce. For example, Nike will set up online flagship stores on some well-known online platforms to improve sales opportunities by taking advantage of the vast user base of e-commerce platforms. Meanwhile, it can also conduct online data analysis to make sales more accurate.

Nike's technical research and development level is also very outstanding. For example, Zoom Air and Air Max are famous for their sports shoes, which are one of the best cushioning technologies in the history of sports shoes. Dri-fit, a new fabric with the function of breathable, quick drying and sweat absorption, improves the functionality of clothing.

5. Marketing Strategy Analysis

Nike's marketing strategy can also be roughly divided into three categories. The first category is brand promotion. Nike will enhance its global influence through large-scale advertising and simultaneous online and offline user activities. At the same time, Nike's advertising and publicity also pay great attention to transmitting brand values and a kind of sports spirit [8]. For example, when Nike invites well-known sports athletes to be its spokespersons, it will dig deeply into their past experiences, shape the brand image and focus on introducing products to take this opportunity to enhance the brand's appeal and credibility. The second is to sponsor major sports events, such as the World Cup, the Olympic Games and other top global events, as well as some regional high-profile events [9]. Through the sponsorship of sports events, Nike has improved its brand awareness, especially in sports, to strengthen the influence of the sports industry and the close connection of sports teams. The last one can be classified as digital marketing. Nike will put advertisements on social media to maintain continuous relationships and interaction with consumers through official accounts and websites, such as telling stories of some athletes, releasing the selling time and way of some products, providing sports knowledge courses, and holding some community activities.

6. Financial Analysis

Table 1. Data for fiscal year 2024

	Fiscal year 2024 (Billions of dollars)	Year-over-year growth rate
Income	51.362	1%
Net income	5.7	12%

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Greater China	7.545	8%
Profit before tax in Greater China	2.309	1%

For the full fiscal year 2024, Nike reported revenue of \$51.362 billion, up 1% yearly (on a constant exchange rate basis), and net income of \$5,700,000,000, up 12% year over year. The figures for Greater China in fiscal 2024 are, on a constant exchange rate basis, growth of 8%

yearly and a revenue of \$7.545 billion. This is the seventh quarter of positive growth; the seven quarters are consecutive. Pre-tax profit in Greater China was \$2.309 billion, up 1% yearly. (Table 1)

Table 2. Data for the fourth quarter of fiscal 2024

	Fourth quarter of fiscal 2024	Year-on-year growth rate
Income	\$12.606 billion	Flat
Net profit	\$1.5 billion	45%
Earnings per share	\$0.99	48%
Revenue from Greater China	\$1.863 billion	7%

In Q4 of 2024, Nike achieved revenue of \$12.606 billion on a constant currency basis, which was essentially flat year over year and below market expectations. Net profit reached \$1.5bn, up 45 percent year on year and beating market expectations. In the stock market, earnings per share of \$0.99 beat market expectations and were up 48%

year over year. Greater China achieved revenue of \$1.863 billion in the fourth quarter of fiscal 2024, up 7% year on year at constant exchange rates, and the market was expecting pre-tax profit of \$548 million in Greater China, up 4% year on year and below market expectations. (Table 2)

Table 3. Data for the third quarter of fiscal 2024

	Third quarter of fiscal 2024 (Billions of dollars)	Year-over-year growth rat
Income	12.4	0.3%
Net profit	1.172	5%
North American Market	5.07	3%
Greater China	2.084	5%
pre-tax profit	0.722	3%

In addition, in the third quarter of fiscal 2024, Nike achieved revenue of 12.4 billion dollars, up 0.3% yearly, but net profit of 1.172 billion dollars, down 5% yearly. Regarding statistics, North America is still its largest market, which increased 3% yearly to 5.07 billion dollars in the quarter. Revenue in Greater China was \$2.084 billion, up 5 percent year on year, and pre-tax profit was up 3 percent year on year to \$722 million. (Table 3)

As for the stock price movement, many factors affect the trend of stock prices, such as the company's financial situation, the company's performance and market competition, the macroeconomic environment, investors' ideas, and the trend of the whole industry are also important influencing factors. From the release of Nike's fourth-quarter fiscal 2024 report on June 27, 2024, followers can see

that the stock price fell 12%, and then the stock price fell 18% after the U.S. stock market opened on June 28. By comparing the data, we can see that the intraday drop was the biggest since 2001. The share price was 76.92 dollars at 22:00, and the total transactions reached 2.243 billion dollars. It is not difficult to analyze the book, but this is likely since the fourth quarter of fiscal 2024 did not meet the market's initially high expectations, and the overall revenue growth rate in 2024 is significantly lower than the same period last year. However, more optimistic is that Nike's stock price recovered to a certain extent when the following trading day came. By the close of August 23, 2024, Nike's stock price was \$84.05 compared with the previous \$76.92, a specific increase. However, Nike's stock price is still trending lower in 2024, starting from a

high price at the beginning of the year and gradually declining.

7. SWOT analysis of Nike Inc

7.1 Strengths

Nike is one of the world's most valuable and well-known sports brands. It has a good brand image related to high-performance sports innovation and is very positive, such as the slogan "Just do it". With its leading innovation ability, Nike has continuously introduced new technologies and designs in clothing and footwear, such as React cushioning technology after air cushion. In order to solve the long-standing problem of insufficient wrapping, it has also developed Flyknit uppers technology to enhance wrapping. Nike has an excellent marketing strategy, which is also a great advantage.

For example, it can cooperate with sports stars, such as LeBron James, Kobe Bryant and Jayson Tatum, who rely on their strength and have a high degree of support from most fans [10]. Nike will also take this opportunity to enhance its brand influence. Another advantage is that it has a complete and efficient supply chain system, which can ensure timely product supply and effectively control quality, management, and cost.

7.2 Weaknesses

First of all, occasionally there will be some product quality problems. If these products are not managed, they may flow into the hands of consumers, and then there will be some negative publicity, which may be unfavourable to the brand image [11]. Secondly, Nike's products generally have slightly higher prices, which may not be a price advantage compared to some competitive companies offering the same quality. This will limit the purchase intention of some consumers who care about or are sensitive to the price and may reduce brand customers in the current situation of fierce price competition.

At the same time, there may be some market concentration risk because North America is a significant contributor, but if revenue in this region declines, it will affect the whole company's performance. Finally, continuous and efficient innovation is a big challenge for Nike because the market will always favour those innovative products. However, the continuous introduction of breakthrough products for Nike is difficult. When the technical bottleneck or inspiration is exhausted, the form is very severe, coupled with the existence of competitors, so continuous innovation is a long-term challenge.

7.3 Opportunities

The most apparent opportunity lies in emerging markets, as the primary revenue sources now lie in North America,

Europe and Asia. With the development of the global economy, the income of people in Africa and South America may continue to rise, which will naturally pursue a better life. For physical health, more attention will be paid to the frequency of participation in sports, which will contribute to the sales and promotion of Nike products.

Another opportunity is for Nike to choose to follow the trends of the current era in carrying out digital development. With the continuous progress of digital technology, it has penetrated all aspects of life. AR and VR can improve user experience and satisfaction and expand a new business model or sales channel.

The third opportunity is to promote personalized service. Some consumers are not particularly satisfied with the design of some Nike products because it may go against their ideas, but many will still choose to consume because the Nike brand is famous. However, suppose we strengthen personalized services, respect and satisfy customers' ideas. In that case, it is possible to make this part of the population more stable and long-term consumption in Nike, and it is possible to attract new customers because of personalized, customized services, thus expanding market share.

The fourth opportunity lies in increasing awareness of sustainability. Now, in the context of environmental pollution, many consumers pay more and more attention to environmental protection and sustainable development. Nike can take advantage of this opportunity to get closer to the theme of sustainable development in the production process and materials and launch some products that are close to environmental protection, which can improve the brand image. It can also solve some of the problems of innovation exhaustion.

Finally, Nike can seize the opportunity to expand sports categories to create products in new fields. For example, e-sports is increasingly recognized as a sports project, which can expand the business of this sector and generate new revenue.

7.4 Threats

The most apparent threat lies in the current sporting goods industry's fierce competition, which will become increasingly fierce with the development. For example, traditional competitors such as Puma and Adidas and emerging brands such as Under Armour, including in some specific regions, such as the local brand Li Ning in Greater China, Anta is also very competitive [12]. In terms of marketing strategy, market share, and innovation, Nike has faced many challenges.

The second threat lies in the uncertainty of the global economy, such as the economic recession, the fluctuation of the exchange rate may affect the market demand, and

the decline of consumers' purchasing power leads to the poor performance of Nike company, which is also the main reason for the decline of revenue.

Another threat is the higher prices of raw materials, such as rubber, cotton, and chemical fibres, that Nike uses to make its shoes and clothes. Higher prices for these materials will lead to higher production costs, affecting the company's profits. Nike will need to raise prices to keep its bottom line from falling. When the price increases, consumers are likely to choose products from other brands, and some fake and inferior products will appear, which will not only affect the brand's revenue but also adversely affect the brand image.

Finally, government regulation, rising tariffs, labour agreements, and environmental factors pose a threat, so there are still challenges.

8. Investment Advice

8.1 Long-term investors

Suppose investors believe in the value of Nike, the value of the oil brand and the potential of Nike's global market expansion, as well as the innovation ability of Nike. In that case, they can choose to buy Nike stock at the right time because Nike has a high possibility to bring certain returns to investors in the long run as it continues to expand and develop in emerging markets. However, it is also necessary to pay close attention to the impact of market dynamics and corporate decisions on stock prices.

8.2 Short-term investing

Short-term investing may involve more time commitment and focus on volatility and performance than long-term investing. For example, if Nike releases a new product and the market reviews it well, it may see a short-term uptick. On the contrary, if the financial data of a specific quarter is not good, it may lead to a short-term decline in the stock price, and it is necessary to seize the opportunity to trade. However, short-term risks are high and extremely unstable, which requires high-risk tolerance and the ability to analyze the market.

8.3 Diversified investments

Whether investors ultimately decide to invest in Nike for the long term or the short term, it is recommended to invest in Nike as part of a portfolio because portfolio diversification can spread the risk of a single stock and reduce the overall volatility, rather than focusing on a single stock. The rest can be spread across industries and categories.

9. Conclusion

This article first introduces the background of the research from the beginning, indicating the content and direction of the desired research. Nike is a well-known brand worldwide, and its performance affects the whole sporting goods industry. Then, this research gave a general description of the company to provide investors, industry practitioners, and other relevant personnel with a comprehensive analysis of Nike so that they could make better decisions. In order to achieve this purpose, a lot of helpful information has been collected. The analysis highlights the specific data of fiscal year 2024, fiscal year 2024 fourth quarter and fiscal year 2024 third quarter. The data mainly include revenue, net income, net profit, Greater China revenue and Greater China pre-tax profit. It is not difficult to see that most of the data hold a year-on-year growth trend. In the SWOT section, there is a specific analysis for each part. Considering the current development of the industry and Nike's outstanding performance, the result of this research is optimistic about investing in Nike. If an investor chooses to invest in Nike, there are specific potentials and opportunities, but at the same time, the investors also need to bear the corresponding risks. Before investors decide, they should fully understand the company's situation, the market environment and the competition of similar brands in the industry. Moreover, according to their own set goals, risk tolerance, and investment period, they make their investment plan. At the same time, it is also recommended that one maintains a stable and calm mind and rational judgment and avoids blind trading. When encountering specific details, one can consult financial consultants as much as possible to achieve their investment expectations.

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