Nike: Just do it? But how?

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When Nike's team for Europe, Middle East and Africa sought to adapt its supply chain, the challenge was, "Just how to do it?"

Nike holds a considerable chunk of the $15 billion global market for soccer goods, and already sponsors top professional teams including FC Barcelona, Manchester United and Arsenal. But with an estimated 500,000 amateur soccer teams in Europe alone -- all requiring customized jerseys, shorts, socks, footwear and the like -- Nike's operations team for Europe, Middle East and Africa (EMEA) eyed huge potential in this untapped market.

Serving this market required a new game plan, as achieving the goal would involve some athletic maneuvering of the supply chain. These challenges are the basis of the case study, "Nike Football Team Sports: Agility as an Engine for Growth," which invites readers to analyze the entire operations process, from forecasting to final delivery.

What this case makes clear is that improving the supply chain is not simply a matter of working out a few kinks in a system that goes on behind the scenes, but is actually, as the title implies, the main engine that drives business growth.

The European amateur market

Nike's history is well told: Starting in 1964 as an importer of Japanese running shoes, Nike,

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with its trademark swoosh logo, has grown to become one of the world's most recognized brands. The company is involved in a wide range of product categories, from footwear and apparel to golf equipment and electronic devices. Its products are used in nearly every major sport, and as such, Nike commands a third of the global branded athletic market.

In European soccer, Nike has made considerable strides since it entered the field in the ?90s with its widely publicized sponsorship of the Brazilian national team in the Euro Finals. While it now sponsors some of Europe's top teams, it faces competition from well-established brands such as Adidas and Puma, which also sponsor professional teams and have wide networks of distribution points.

Apart from professional clubs, which attract the bulk of media attention, Nike noted that amateur soccer was alive and kicking in the EMEA region. And while not all of these amateurs attract the coverage of, say, Lionel Messi, they want to look just as good as, or in some cases better than, the pros.

From high performance to fashion culture

The entire soccer market can be thought of in terms of a pyramid. At the top, a select few play professional soccer; at the bottom, amateur teams abound. The importance of performance typically grows as you move up the pyramid, while fashion becomes more of a focus as you move down.

In selling to the brand-conscious bottom of the pyramid, Nike realized it needed to take a different approach. As one Nike executive explained, "Historically, Nike EMEA has had more contact with "sports performance" customers than "sports culture" customers." Nike decided to work on developing more soccer apparel aimed at amateurs -- known as its Football Team Sports (FTS) category, which represents about 10 percent of the overall market.

Nike's FTS line encompasses 100 different styles. FTS, more than traditional apparel, has greater commonality throughout European countries. Sure, white-and-blue long-sleeved jerseys may sell slightly better in the U.K. than in Italy, but in general, all amateur teams seek to emulate the popularity of the professional clubs regardless of national bounds. So, for example, Manchester United's victory in the 2006-07 English Premiership inspired many amateur teams across the continent to don red kit.

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Reducing the lead time

For a typical FTS jersey, prices range from 10 euros for basic jerseys for kids, to over 30 euros for adult jerseys with extra features such as Dri-FIT, a special fabric that pulls sweat away from the body to the outer surface where it can evaporate faster.

The purchasing decision typically falls to a team member or coach, who volunteers to organize the delivery of 15 to 25 uniforms. Because many teams are keen to hit the fields in style at the start of the season, teams usually order in spring and expect delivery in one week.

In most apparel categories outside of FTS, Nike has a proprietary system known as "futures," whereby retailers place orders three to six months in advance of the season in exchange for a discount. This helps Nike with demand planning and inventory management.

However, in the FTS category, only about 20 percent of orders are made that far in advance. Many amateur teams procure their uniforms through smaller, independent shops, and these retailers want to manage inventory tightly. Furthermore, amateur teams demand more customized features, so generic pre-stocked items are only good for a few consumers. Therefore, nearly all FTS orders occur at once.

The differences between FTS and regular apparel create major challenges for the supply chain. Despite ordering happening all at once, customers still expect delivery in one week, in a wide variety of styles and with desired customization. The Nike case considers various alternatives to reduce the current lead time, such as changing the forecasting methods, moving production from Asia closer to Europe, and preordering undyed fabric, called greige, which can be finished later in order to react faster to last-minute orders and seasonality. If Nike can "just do it," it will certainly deserve a gold medal.

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