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EveryWear Marketing Plan

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Table of Contents

Section	Title	Page
1	Scenario	3
2	Executive Summary	4
3	Company Profile	5
4	Product Overview	6
5	Customer Journey	7
6	Market Sizing	7
7	Market Segmentation	9
8	Customer Value Proposition	9
9	Product Positioning	9
10	Strategic Fit	10
11	Competitive Landscape	11
12	Customer Personas	11
13	Market Mission	12
14	Technology Adoption Life Cycle	12
15	Buyer's Journey Map	13
16	GTM Strategy Overview	14
17	GTM Strategy Per Phase	16
18	Marketing Team Conclusions and Research Log Appendices	19
Appendix A: Research Log		20
A.1	Smart Fabric vs Performance Apparel	20
A.2	Market Segment Analysis	22
A.3	Market Research Interviews	22
A.4	Nike SWOT Analysis	25
A.5	Competitive Landscape Analysis	27
A.6	Technology Adoption Cycle: Sponsorship Case Study	28
A.7	Projected Revenue Breakdown and Marcom Expenditure	30
References		31

Nike EveryWear

1. Scenario

An investigative marketing team at Nike has identified an opportunity to acquire the rights to a new Smart Fabric technology. First-pass feasibility investigations look promising: discussion between a Nike engineer and the company that owns the technology paints a plausible picture, and the claimed technical specifications of the material performance imply a promising potential in Nike products. R&D dollars will need to be dedicated in order to nail down the actual performance of these potential products, and New Product Introduction teams will need to investigate the capability to produce and scale.

Does the market landscape warrant allocating resources to a more in depth investigation? The investigative marketing team will perform a zero-added-budget examination of the market fit and opportunity. If the results are promising, the investigation will be presented to the leader of their business unit to recommend funding be dedicated to perform more in depth R&D and NPI investigations, as well as to purchase the market reports and fund the market studies to verify the assumptions made by the marketing team.

2. Executive Summary

Nike EveryWear is a proposed line of high-performance sports apparel targeted initially at the North American market. EveryWear takes advantage of key developments in metamaterial (or smart fabric) technology. EveryWear's technological advantage, if successful, provides the customer value proposition necessary to enable value-based sales and increased profit margins to Nike's athletic apparel business.

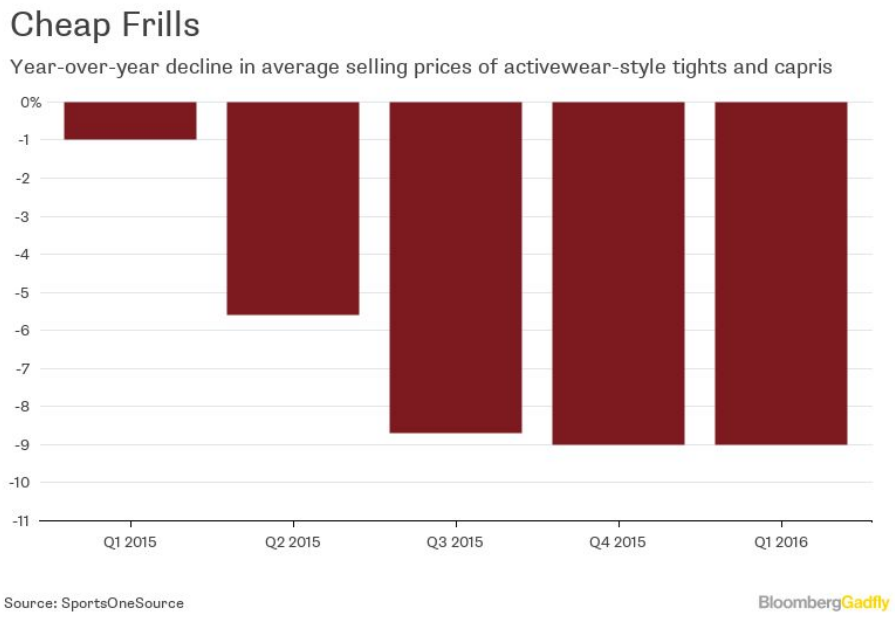


Figure 1: YoY decline in select activewear segments

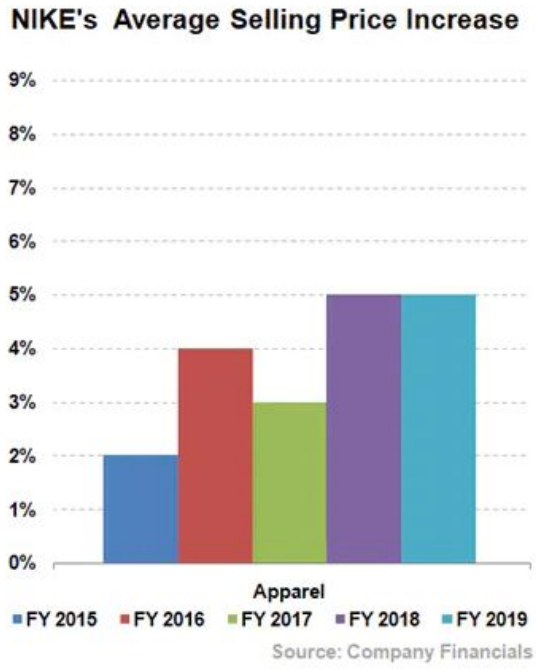


Figure 2: YoY increase in Nike average selling price

As an enabler of high-profit value-based sales, EveryWear is closely aligned with Nike goals. The athletic apparel industry is experiencing dropping prices (fig. 1), and to avoid dwindling profits in the face of price-competing commoditization, compelling customer value propositions are necessary to drive the value-based purchases that result in higher profitability. [Ref 1.1]. Nike has been increasing it's average selling price year over year in this market environment (fig. 2), with the goal of being a growth company. EveryWear provides the customer value propositions to drive this growth in profitability.

Key marketing plan highlights:

- Goal: **>15%** of Nike athletic apparel is premium, high-margin EveryWear by 2024
- Profitability within 6 months of launch
- **>2.7bn** annual revenue in US market by end of year 3

Go-forward resources required: $200k ($50k + 4 headcount) and 3 months needed to verify technical, production and market feasibility.

3. Company Profile

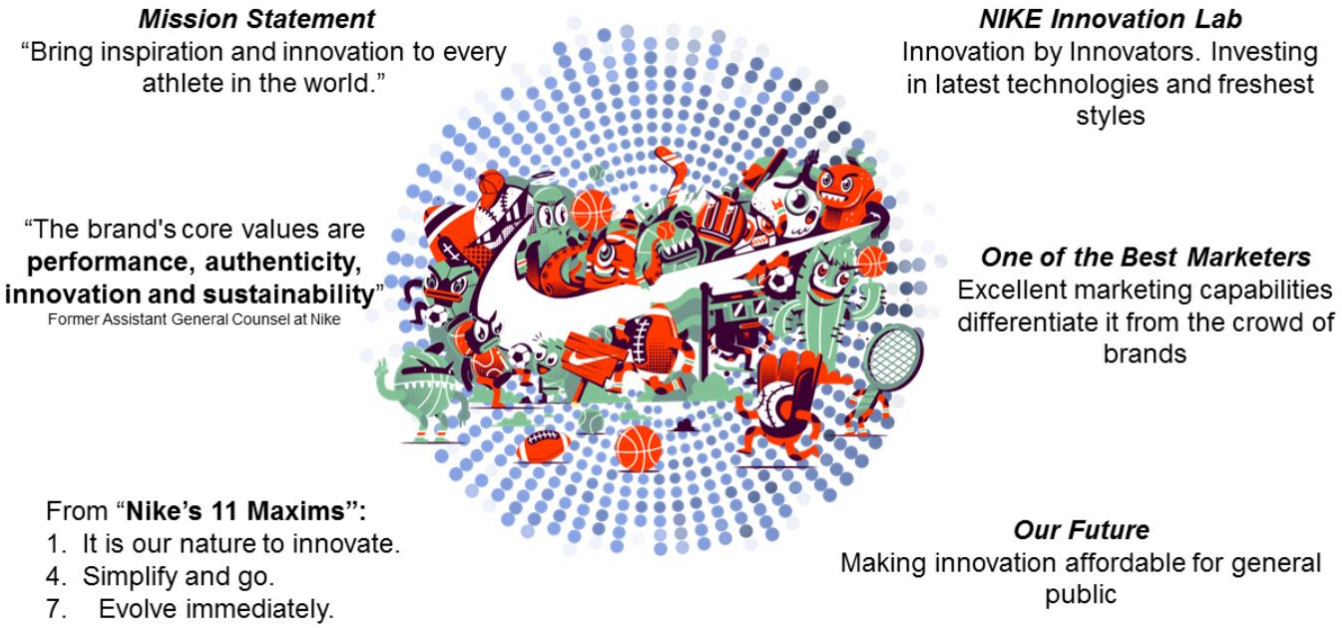


Figure 3: Nike Company Profile

Nike is an American footwear and apparel company based in Beaverton, Oregon in the Portland metropolitan area. Founded on January 25, 1964, as Blue Ribbon Sports, by Bill Bowerman and Phil Knight, today Nike is the largest supplier of athletic shoes and apparel [Ref 3.1] with revenue of $39.12 billion with 65% generated from the footwear segment. According to Interbrand, in 2019 the brand was valued around $32 billion and Nike Swoosh logo as one of the most recognized brand logos in the world [Ref 3.2]. In 2016, 42% of Nike sales came from the US with 76% made through the wholesale channel and the remainder were direct to customers.

Nike has six main product categories: Running, NIKE Basketball, the Jordan Brand, Football (Soccer), Training, and Sportswear in addition to products of its other brands like Converse and Hurley. Nike had the third largest U.S. portfolio of design patents [Ref 3.2] and is redefining itself as a technology company.

Nike's mission statement is: "To bring inspiration and innovation to every athlete* in the world. *If you have a body, you are an athlete."

4. Product Overview

Nike EveryWear is a proposed line of sports apparel targeted initially at the North American market. EveryWear takes advantage of key developments in metamaterial technology (and depending on the chosen jargon in an evolving technological and product landscape, may sometimes be called smart-fabric technology).

EveryWear's technology adapts to its environment. While other 'Smart Fabrics' may adjust their state to hold in air when its cold and let air out when it's hot (to varying degrees of success), EveryWear accomplishes this feat through two different vectors: airflow, and unlike competitors, infra-red (IR) radiation, which accounts for up to 40% of heat dissipation from the skin. Airflow adaptability is estimated to function to a much greater degree than competing airflow-adaptive performance fabrics due to the metamaterial's behavior, and the additional IR vector provides a performance potential that may seriously disrupt not only athletic apparel, but leisure wear as well.

This previously unseen level of adaptability enables a much wider range of environments in performance wear, and enables a profoundly different customer experience in two primary areas -- clothing selection, and clothing adaptability to exercise conditions. In a market where athletic apparel customers want to pay more for high quality, EveryWear provides that quality.

Figure 4: EveryWear Product Overview

5. Customer Journey

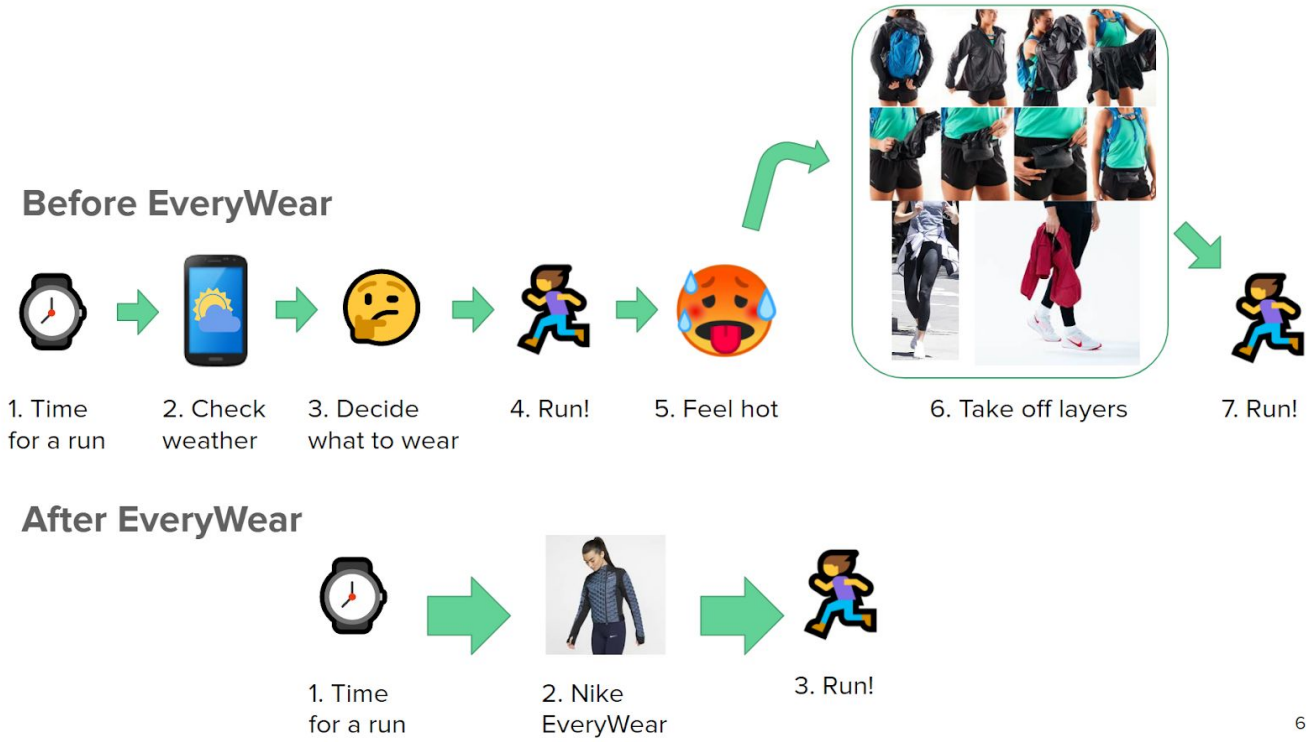


Figure 5: Customer Journey before and after EveryWear

EveryWear provides value to the customer through two major shifts to the user experience, illustrated well through a runner (one of the target market segments). As of this report, to go on a run, the customer must check the weather and then select the appropriate running clothing. Additionally, once the runner has started exercising and warmed up, layers must often be shed, with no easy solution to the problem. This is especially true in moderate climates such as the US, where a runner may start off in an environment that feels cold, but need to take their running jacket off mid run - at which point, it must be carried with the runner in often awkward methods with varying degrees of success.

EveryWear greatly simplifies clothing selection and the running experience. EveryWear and go!

6. Market Sizing

<u>Performance apparel not 'smart-fabric'</u>
Firstly, it is appropriate to briefly mention that while EveryWear is a metamaterial-based apparel product, which some would consider a "smart fabric", the smart fabrics industry is not where EveryWear will be competing. *The reasoning for this, from the perspectives of user experience, technical merit, and market sizing are expounded upon in section 2 of the Market Log* (Appendix A).

Under the Investigative Marketing Group's zero budget charter, a number of figures have been determined. As stated in the 'scenario' section at the beginning of this report, the goal of this report is to secure funding to purchase more reliable, less-extrapolated figures. Best efforts have been made to supply non-optimistic, reasonable estimates of market sizes and growth rates.

Tried-and-True Market

By marketing as performance apparel (and having the same fundamental usage experience as any other performance apparel), previously proven market strategies may be employed. While EveryWear is a disruptor in terms of technology and performance, it's market and tactics have no fundamental shift from Nike's tried-and-true method and experience (unless, of course, Nike chooses to move the value proposition of environmentally-adaptive clothing in to non-athletic markets, but that is out of the scope of this marketing investigation.)

Performance Apparel Annual Market

Most notably, because EveryWear has the potential to be a truly disruptive innovation in the performance apparel market, it is difficult to determine EveryWear's SOM without more research. While this marketing plan predicts a ~$2.7bn annual revenue based on existing Nike market share, two major factors could influence this projection and it's meaning:

- Cannibalization:

  How does EveryWear compare to the other offerings on Nike's roadmap? Would EveryWear merely be siphoning sales from other Nike products? If it were, would it be driving higher profit margins?

- Relation to competition:

  Does Nike's competition have plans for similarly disruptive levels of innovation in the next four years? If the competition has no competing value proposition, EveryWear could siphon customers from competitor offerings, pushing Nike's 18% market share higher. Similarly, if the competition is creating similarly performing products through other novel technologies, Nike may have an imperative to develop EveryWear to avoid having customers siphoned by the competition.

TAM: $567bn global by 2024

SAM: $98bn North America

Nike Performance Apparel SOM: $18B
(Nike has approx. 18% Share in performance apparel)

EveryWear SOM: $2.7B* (Goal: >15% of Nike Athletic wear by 2024)

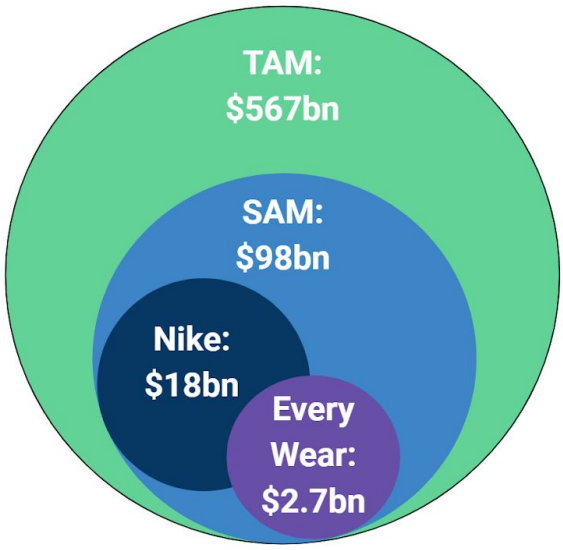


Figure 6: Market sizing

7. Market Segmentation

EveryWear is a versatile product that suits a broad demographic such as athletes, runners and cyclists, regular apparel users and athleisure users, as well as sustainability conscious users and minimalist users. In alignment with Nike's business strategy, Athletes and Runners will be the most suited market segment (Appendix A,Section A.2 Market Segment Analysis).

8. Customer Value Proposition

Market research interviews (Appendix A, Section A.3 Market Research Interviews) revealed several pain-points of the customers that EveryWear is capable of targeting. With one garment of EveryWear clothing, body temperature control can be achieved such that the user does not need to put on several layers in cold weather. This improves agility when going out for a run or training rigorously. The body is kept at a comfortable temperature therefore the user does not sweat excessively hence preventing the need to layer down in hot weather. The ability to keep the user's body temperature at an optimal level is particularly useful for pro-athletes who will save upon the time needed to warm up and reduce the number of injuries incurred in cold weather conditions. Finally, EveryWear like any other apparel technology will be available in various styles to cater to the customers that appreciate variety in clothes.

9. Product Positioning

Nike's EveryWhere is state-of-the-art performance apparel technology that will revolutionize the clothing industry. Therefore, in comparison to our competitors we place EveryWear on the top-right of the plot in fig. 7 implying high cost for high quality and comfort. EveryWear will upkeep the high quality clothing offered by Nike that already makes it stand out in the apparel industry. We define comfort in terms of the reduced need to buy various types of clothing that are currently available in the market (fig. 8) and potentially baffle the customer.

Figure 7: EveryWear positioning in comparison to its competitors. Adapted from Ref 9.1.

Figure 8: Nike's EveryWear in comparison to various thermo-regulation fabric technology currently offered by Nike [Ref 9.2] and its major competitors such as Adidas [Ref 9.3] and Under Armour [Ref 9.4].

10. Strategic Fit

Figure 9: Nike and EveryWear Strategic Fit

EveryWear can be deemed as a strategic fit to Nike as it complies with the brand mission statement and maxims,and leverages existing strengths and opportunities along with mitigating the company's threats and weaknesses. For its success, EveryWear will benefit from the existing Nike' brand, innovation capabilities and low manufacturing cost. Moreover, EveryWear can help Nike seize opportunities in emerging markets and will play a central role in Nike's product diversification strategy.

At the same time, EveryWear will help Nike address competition and counterfeit. As a unique product with no comparable range of performance characteristics from competition, EveryWear will strengthen Nike's position as a market leader. It will outstrip competition which will need time to react to this breakthrough product. In the same way, it will be difficult for counterfeiters to replicate such an advanced technology. All in all, the enhanced inimitability of EveryWear represents a valuable asset for Nike corporate strategy.

11. Competition Analysis

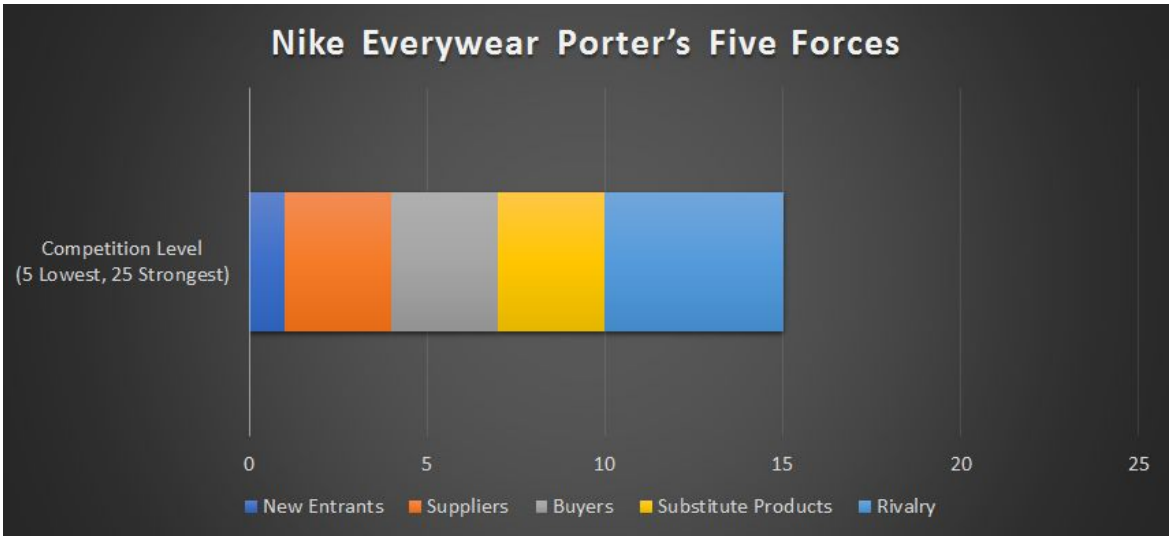


Figure 10: EveryWear Porter's Five Forces

For our competition assessment, the Porter's five forces analysis method will be used in defining the competitive landscape of Nike EveryWear. As an attempt to quantify the threats and opportunities, we will use a scoring method to scale the threat of each of the five forces from 1 to 5 as follows: Low: 1, Low to Moderate: 2, Moderate: 3, Moderate to Strong: 4, Strong: 5. In total, the lowest score will be 5 (Low Competition), and the highest 25 (Strong Competition) with intervals of 4 points: 5-9 (Low), 9-13(Low to Moderate), 13-17 (Moderate), 17-21 (Moderate to Strong), 21-25 (Strong). Altogether, the level of competition according to our Porter's Five Forces analysis is scored as: *15 (Moderate)* with rivalry as highest force and new entrants as lowest. Please refer to the research log for detailed analysis.

12. Customer Personas

As a result of our market research and customer interviews, three customer personas were identified. Each persona expresses a distinct need that EveryWear satisfies in a unique way. With a prior assumption that our target geographics is the U.S. and target demographics is the existing Nike customer-base (upper middle class), the segmenting factor in building our personas is the value and utility perceived in the product. Here below our three main personas:

Gabriel is 28 years old financial analyst and an amateur runner. He has run several open marathons, semi-marathons, 10K, 5K previously and he is known for being one of the best amateur runners in the US. Gabriel trains 6 days a week. Injuries are his biggest concern, and as he is a busy person, optimizing training time is a priority.

Figure 11: Customer Personas. From left to right: Gabriel, Sarah and Michael.

Sarah is a 34 years old startup owner. She is known for being the healthiest person in the room. She is regularly jogging thrice a week before heading to office, and does different outdoors on the weekend. Sarah is also a minimalist and you can see that from her tiny wardrobe. She likes to use the same activewear for all her activities even if she gets annoyed by weather swings.

Michael is a 23 years old student and he lives in PNW, where weather is hardly predictable and temperatures change drastically throughout the day due to the Chinook winds. Michael feels often betrayed by weather consultants when he finds himself wearing a parka in 25°C weather. Recently, he bought a large backpack to have space for his jacket when it feels like summer on a day in February.

13. Marketing Mission

EveryWear will be Nike's state-of-the-art performance apparel chain that aims to transform the athleticwear paradigm. With its superior adaptability to ambient temperature, EveryWear will enable the athletes to push their boundaries despite tough weather conditions. By keeping the user at a comfortable body temperature and avoiding the need to wear several layers when cold, EveryWear will improve agility and prevent excessive injuries in colder climates. Similarly, when hot, EveryWear will keep the user cool and avoid excessive sweating.

Whether a pro-athlete, an amateur runner, a gym goer or a casual lounger, EveryWear is for EveryOne

14. Technology Adoption Life Cycle

As mentioned earlier, EveryWear products offer distinct value propositions to different customer personas. As a result, the adoption cycle phases we envision evolve gradually from a persona segment to another. Sponsored athletes are the innovators that will trigger the adoption of EveryWear products to move progressively to the early adopters who are the non-sponsored athletes. The chasm will coincide with the shift from the non-sponsored athletes to the regularly active persona. Finally, the late majority will constitute the trendy customers whereas the laggards are not specific to one persona but are rather the tardy customers of each of the previous segments. Here below a description of each phase:

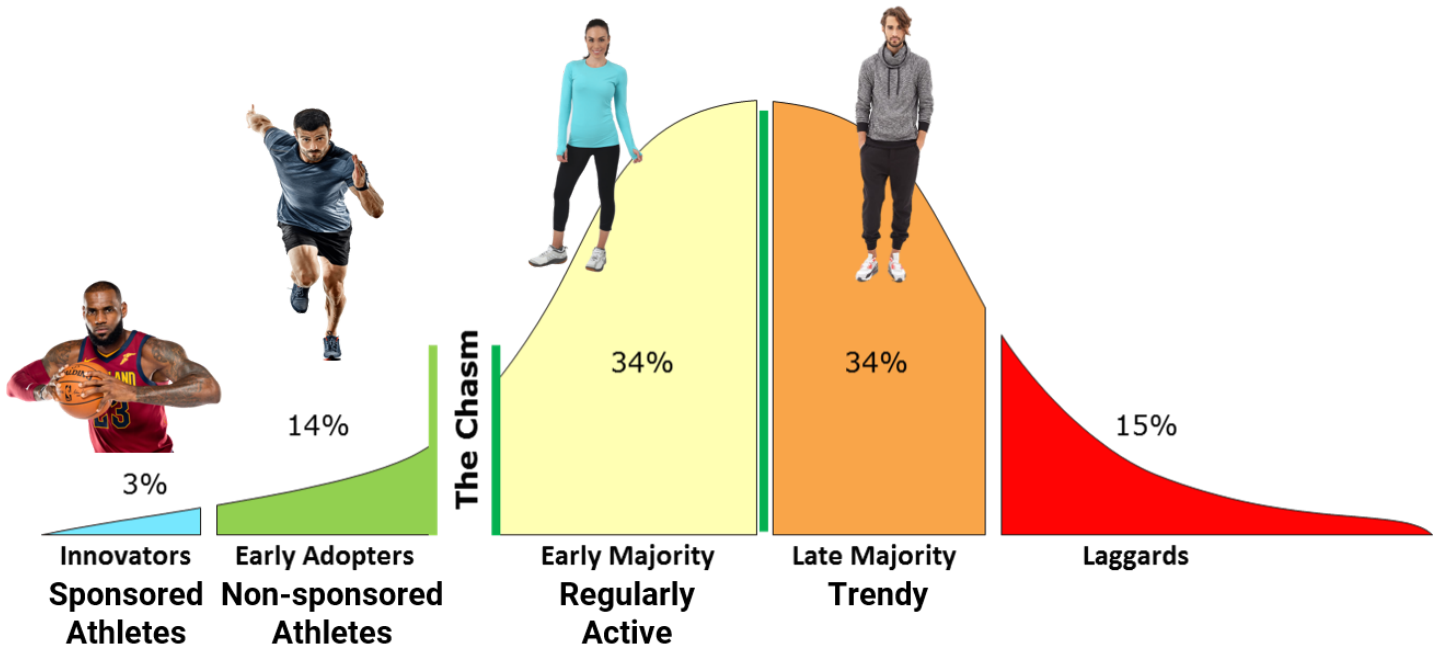


Figure 12: Nike's EveryWear Technology Adoption Life Cycle

Innovators: the sponsored athletes who will wear EveryWear jerseys to advertise the new technology. The number of consumers at this stage will represent 20% of the current sponsored teams base. This phase is crucial for EveryWear as it promotes a breakthrough innovation.

Early Adopters: the corresponding persona for this phase is Gabriel, who is a non-sponsored athlete. At this stage, EveryWear products are focused on providing value for runners,and thus products comprise running clothing items like running jerseys, shorts and gym pants.

Early Majority: the corresponding persona is Sarah, the regularly active. This post-chasm phase will aim at providing value to the larger active customers. . Aiming at covering expanded needs, more Activewear items will be added to the EveryWear collection. The added variety along with the price-drop will enable Everywear to cross the chasm.

Late Majority: the targeted persona at this phase is the trendy and the young teens and adults (corresponding persona is Michael). Athleisure items like jackets and leggings will be added to the EveryWear collection.

Laggards: the last phase target are the laggards of each previous personas who will find value in the large EveryWear collection.

15. Buyer's Journey Map

Demand generation will primarily be executed through sponsorships, both to gain reputation among amateur athletes and to advertise 'on the backs' of professional athletes. Social media marketers will be employed, as well as more conventional advertising methods like print ads, bus ads, building posters, gym promotions, etc.

The two directional arrow between athleisure and the Nike Store harkens to a potential, larger future for EveryWear: once customers discover just how adaptable EveryWear is, they might not want to wear anything else!

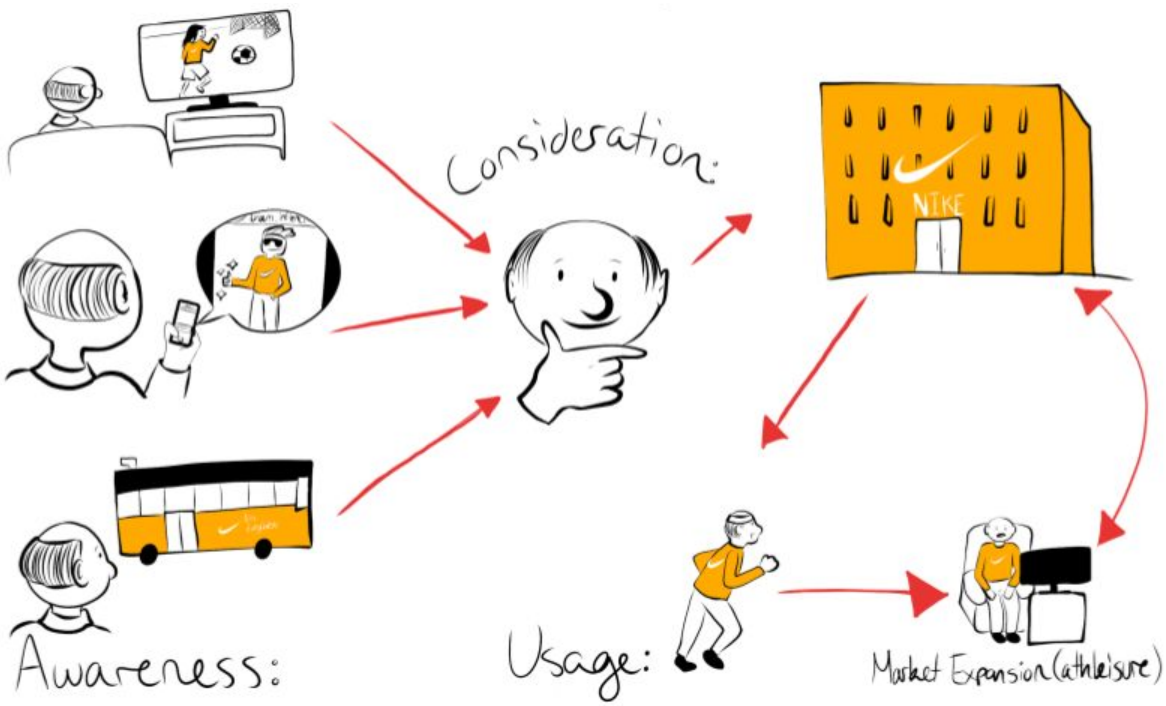


Figure 13: Buyer's Journey Map

16. GTM Strategy Overview

The go-to-market strategy is based around the technology adoption lifecycle and will evolve through the adoption phases (innovators, early adopters, early majority, late majority). The marketing mix and GTM strategy is different at each phase of the adoption cycle. The focused value propositions are targeted to the market that makes up that phase of the adoption cycle, as well as the product offerings, pricing, distribution channels and methods of promotions. Marketing and mitigation tactics are specific to each segment. Similarly, each phase has its own marketing funnel with different expected conversion rates.

Financially, EveryWear expects to see quarterly profitability by Q1 of 2022, following a Q4 of 2021 product release and a Q3 of 2021 marketing launch. ~$600M is expected by the end of 2022. Following a phased roll-out to the different target market segments, revenue is expected to ramp through Q4 of 2023, achieving ~$2.1B in sales for the year.

EveryWear expects to achieve full market penetration by Q1 of 2024, at which point EveryWear expects to account for ~$2.7B per year, or 15% of Nike's 18% market share in athletic apparel for 2024. Detailed revenue breakdown is available in Appendix A6 - Financial Revenue Breakdown and Marcom Spend.

Figure 14: 1yr and 3yr Revenue Projections for EveryWear

17. GTM Strategy Per Phase

As EveryWear progresses through the technology adoption life cycle, the marketing strategy will be guided by the majority of customers. The 4-P marketing mix per phase is described in Table 17.1. Our go-to-market strategies for the first 4 critical phases are described in figures 15-18. We also highlight the key measures and mitigation tactics used in each phase.

Table 17.1: 4-P marketing mix per phase of technology adoption life cycle

Phase / Market Segment	**Customer Value Proposition**	**Product**	**Place**	**Price**	**Promotion**
1) Innovators: Pro-athlete teams, federations and individuals	Saved Warm Up Time, Reduced Injuries, Less Layers (improved agility), Non-Sweaty	Nike Sponsored EveryWear Jersey	Distributed directly top 20% of sponsored teams.	Cost to Nike is the difference of cost to produce current jerseys and EveryWear jerseys (est. ~$1M)	B2B; Press Releases and WP sent to existing sponsorships.
2) Early Adopters: Non-sponsored Athletes	Less Layers (Improved Agility), Non-Sweaty Save Warm Up Time, Reduced Injuries	Running Clothing	US; Only Nike stores (to help ensure profitability in early phases)	Premium over existing products; $199 Jersey $99 Running Shorts $150 Gym Pants	Advertisement (SuperBowl and Olympics), Sponsorships, Social Media such as Instagram Models
3) Early Majority: Regularly Active (Young Teens, Active Adults 20s through 60s)	Added Variety, Less Layers (Improved Agility), Non-Sweaty, Save Warm Up Time, Reduced Injuries.	Active Wear	US; Nike stores + Preferred distributors	$100 Jersey; $60 Running Shorts; $100 Hoodie; $50 Glove; $100 Gym Pant; $100 Basketball shorts; $40 Caps etc.	Advertisements , Promotion at Gyms, LA Fitness and 24hr Fitness, Local and National Marathons, Social Media
4) Late Majority: Trendy (Young Teens, Adults 20s through 40s)	Added Variety, Less Layers, Non-Sweaty, Reduced Injuries	Athleisure	All major retail stores in the US including Nike stores and Amazon .com	$5-$20 bump up in prices of goods mentioned above; $250 Jacket; $50 Leggings	Advertisements; Employee Store discounts such as for people working at Intel, Nike & Adidas.
5) Laggards: Anyone who will find value in the large EveryWear collection	Added Variety, Less Layers, Non-Sweaty, Reduced Injuries, Saved Warm Up Time	Running Clothing, Active Wear, Athleisure	All major retail stores in the US including Nike stores and Amazon .com	Phase 4 prices; Seasonal discounts	Leverage product popularity and brand recognition.

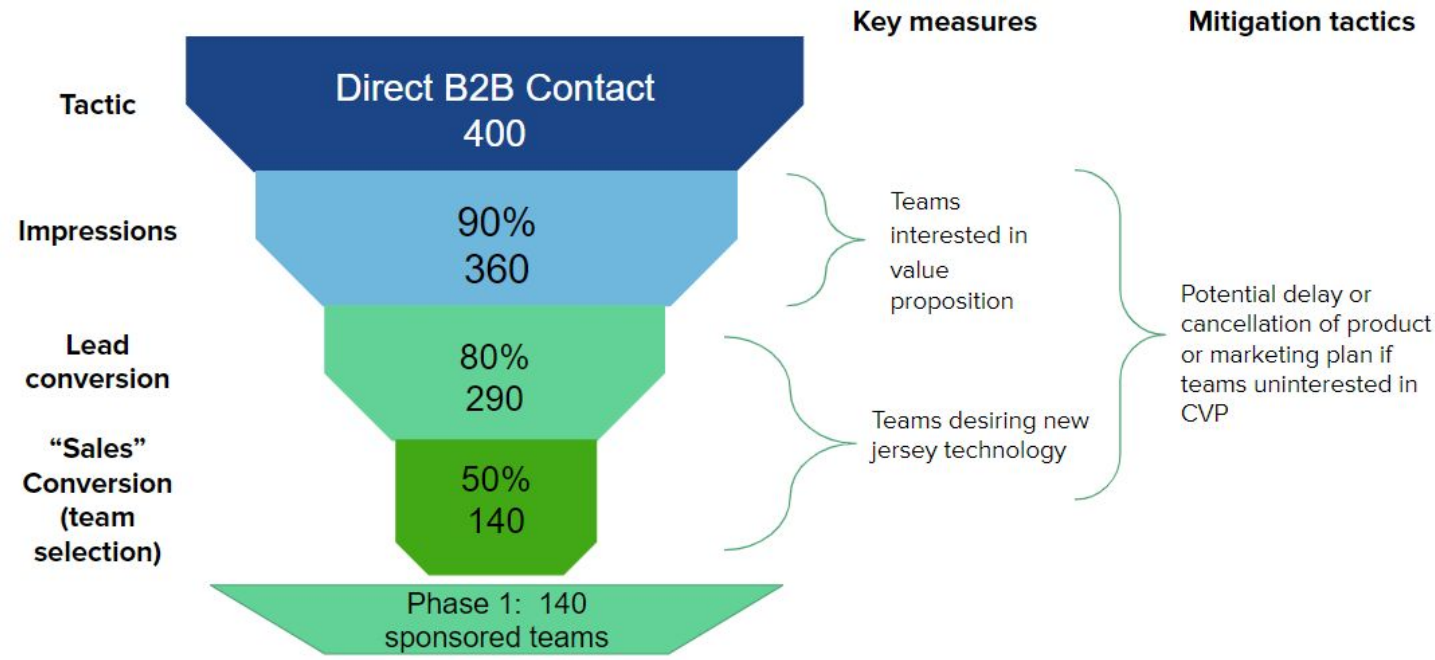


Figure 15: GTM strategy Phase 1: Innovators

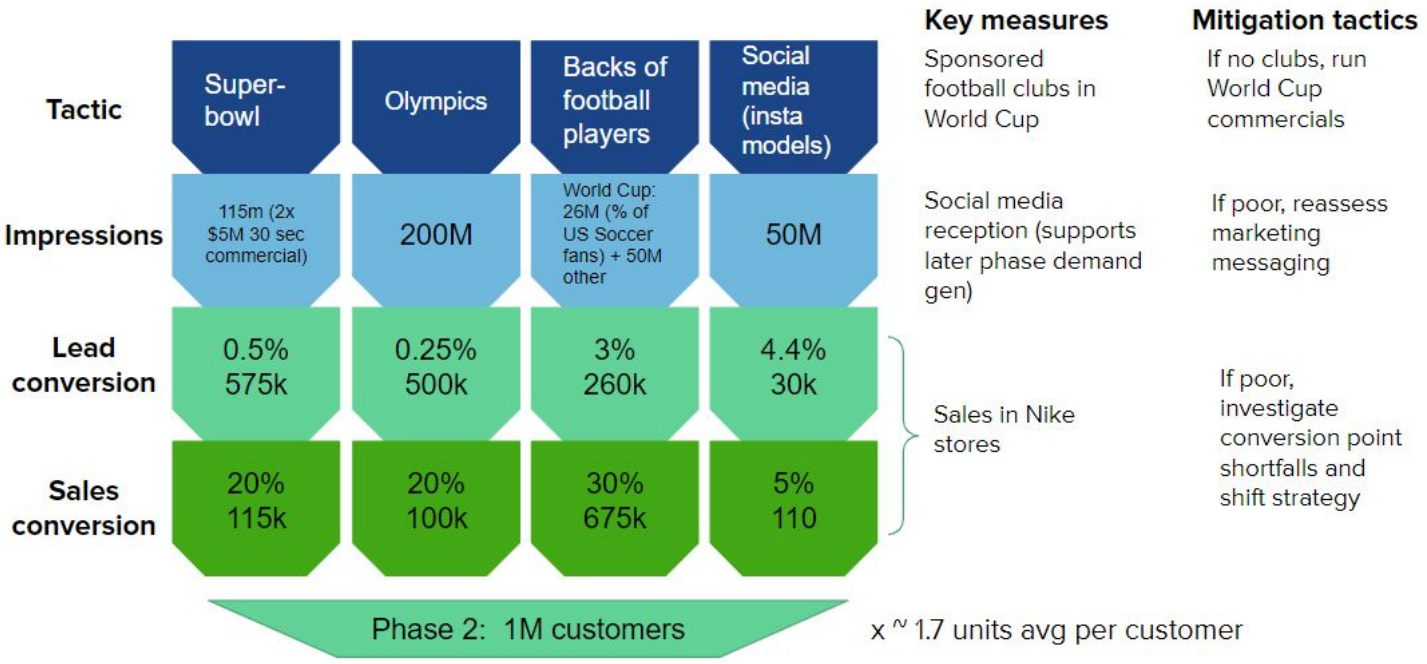


Figure 16: GTM strategy Phase 2: Early Adopters

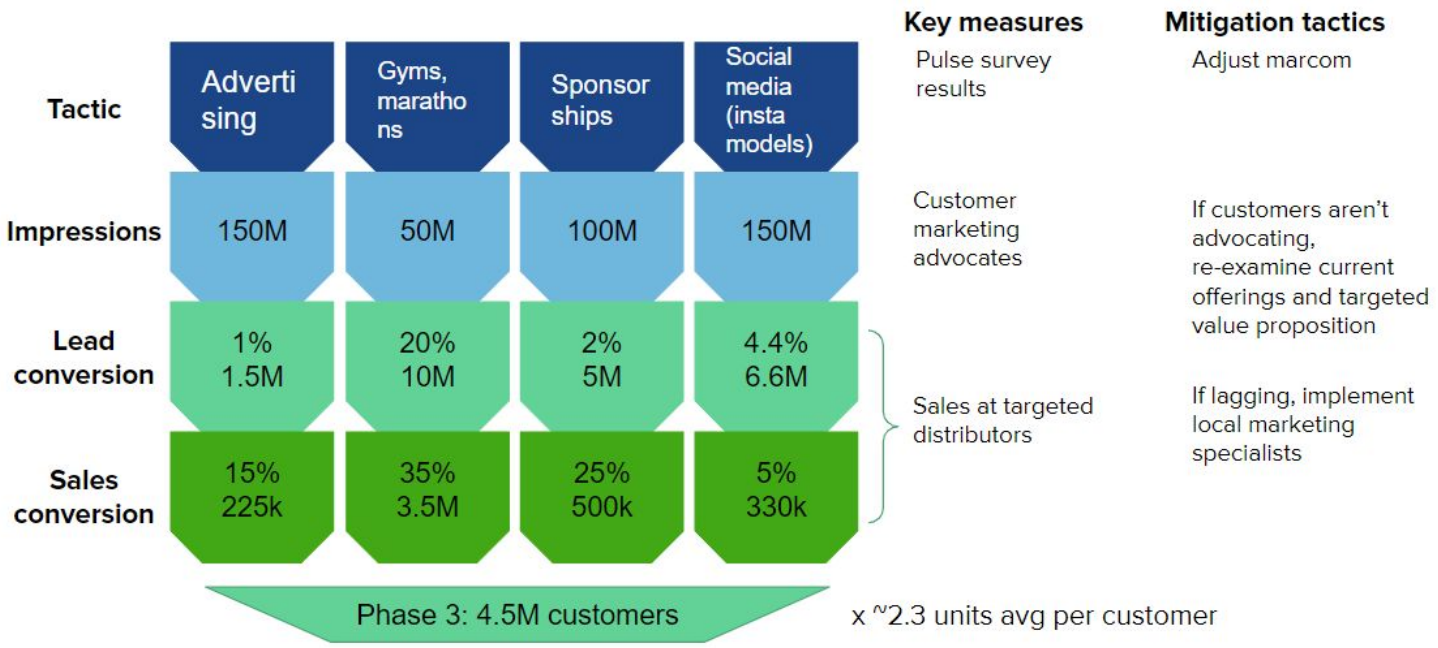


Figure 17: GTM strategy Phase 3: Early Majority

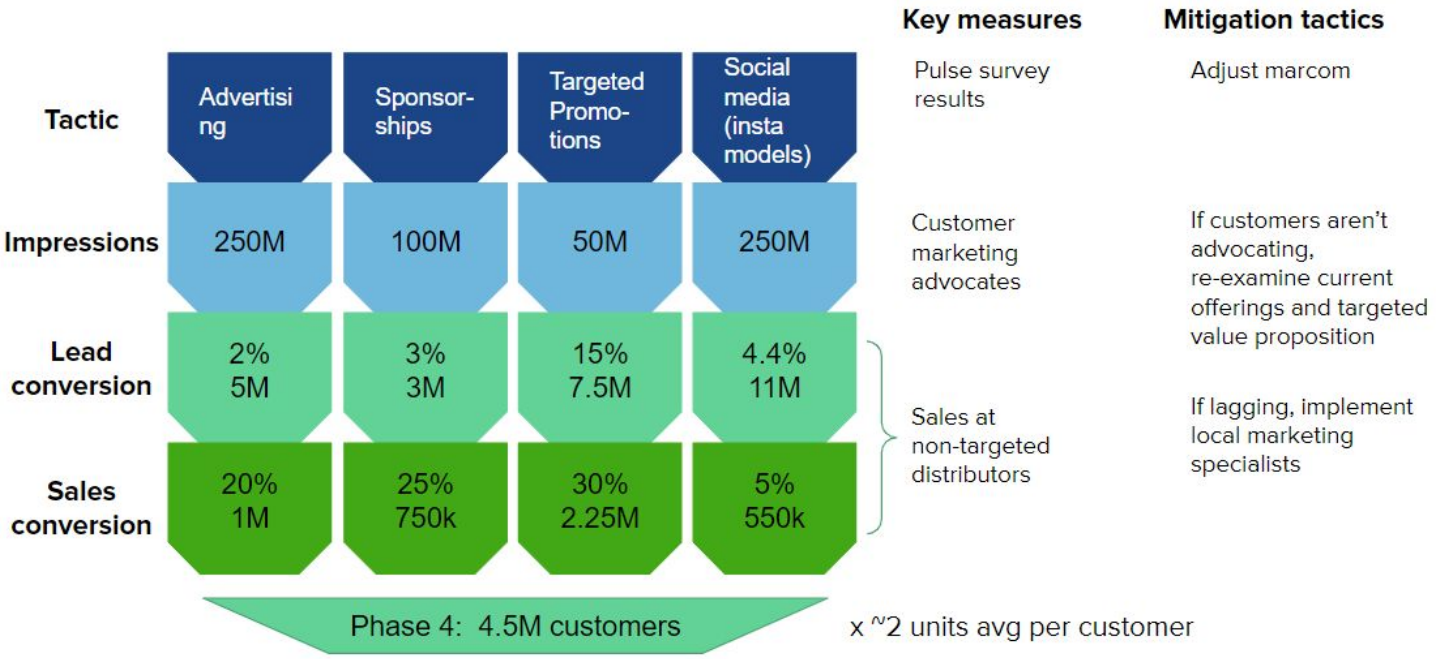


Figure 18: GTM strategy Phase 4: Late Majority

18. Marketing Team Conclusions and Research Log Appendices

EveryWear is a breakthrough technology that has the potential to upset the athletic apparel industry. Aligned with Nike's goals to push the profit envelope, EveryWear enables the disruptive customer value proposition that gives customers both performance and adaptability, and the compelling case to give more of the customer wallet.

Further studies need to be done (that require funding) and retrospectives performed on the effect of previous performance apparel development and marketing strategies in Nike's portfolio, but EveryWear uses tried-and-true marketing strategies and positioning that Nike is experienced in. While the underlying technology may be new, the marketing is nothing unfamiliar for Nike.

If R&D and NPI proves the product line is both feasible and economical to produce, Nike may have a market-dominating winner on its hands. If the assumptions pan out, and the customer is willing to spend on a wholly new level of clothing performance, Nike may be able to dominate the athletic apparel market in an entirely new way.

Depending on the positioning of the unreleased products of competitors, Nike faces two equally compelling cases.

- Competition is unprepared:

  If the competition has no comparable product to EveryWear (which is expected to have much higher performance characteristics than the current offerings of competitors), Nike may be able to capture a significant market share from companies like Under Armour and Adidas.

- Competition has competitive products:

  If the competition has comparable products, Nike will be faced with an imperative to compete in the high-value space with a product such as EveryWear, or face a scenario of competing for price-based purchases, and the sinking profits that follow.

Unless Nike has more viable and competitive products in it's pipeline, the argument is clear to fund the next phase ($200k/4 headcount and 3 months) to determine more clearly the viability of this product line.

For a closer look at marketing considerations and assumptions, the team's research log is attached in the following appendix.

Appendix: Research Log

A.1 Smart Fabric vs Performance Apparel

From a technical perspective, smart fabrics typically take advantage of user (or computer-automated) control of properties of the fabric. While there are compelling cases for such usage models, EveryWear's metamaterial properties are unreliant on the actions of the user or any computer/sensor automation. The adaptive properties that make EveryWear compelling to the user are an innate property of the material, and require no controlling interface, human or otherwise. As such, the user experience is extremely transparent. The user will not be aware that there is anything 'smart' about the fabric -- EveryWear is simply a line of performance apparel with much broader ranges of optimum performance than competing athletic apparel. For this reason, it is a much more prudent marketing fit to position EveryWear as an advanced line of athletic apparel as opposed to a Smart Fabric.

From a market sizing perspective, however, the argument can be even more compelling as shown in fig. A.1.1

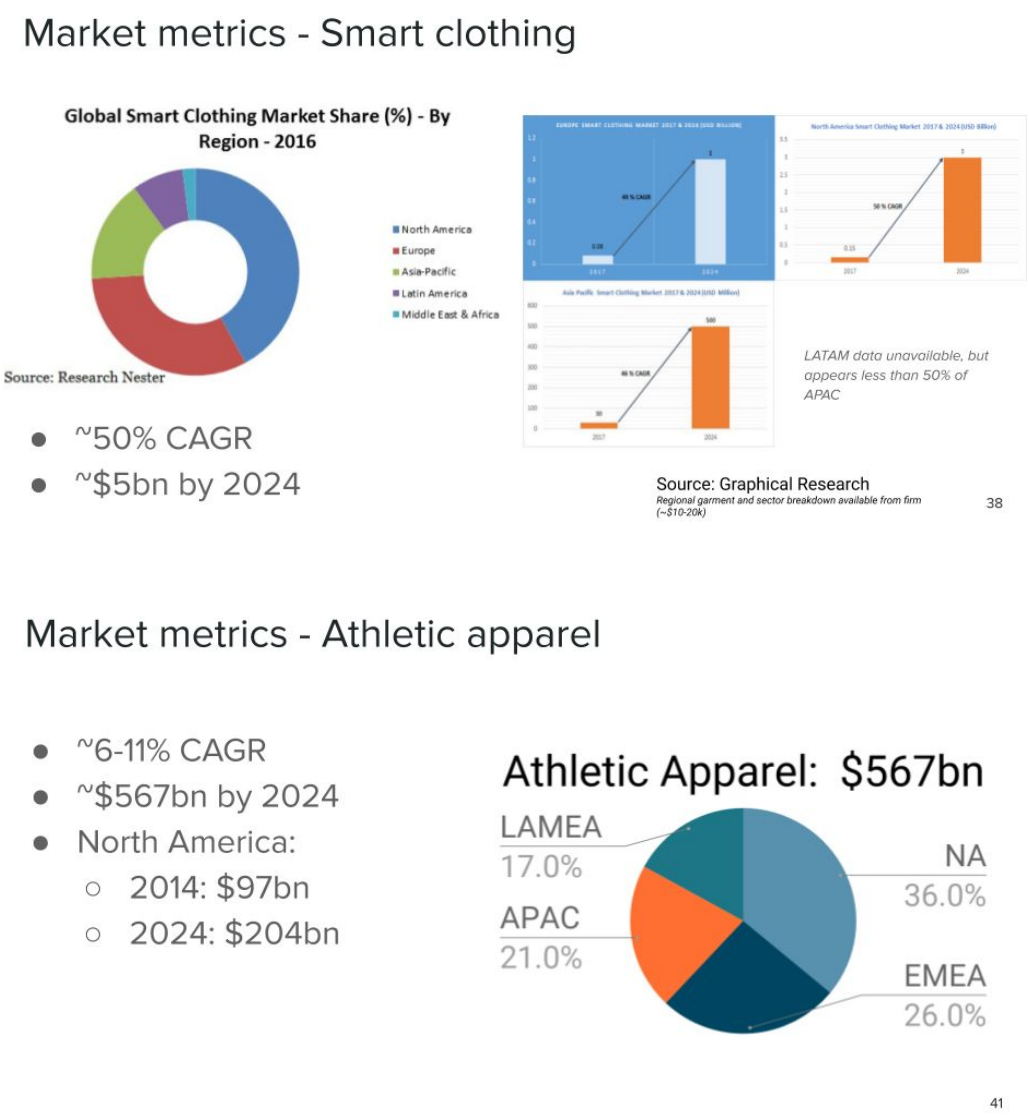


Figure A.1.1 Smart Clothing vs. Athletic Apparel Market Sizing estimates

Athletic apparel is a market 2 orders of magnitude larger than Smart clothing. While Nike should definitely keep it's fingers on the pulse of an industry experiencing a 50% CAGR, at the moment the market for Athletic Apparel is much more compelling, and EveryWear fits.

Research notes on market metrics

Good market data is **so hard** to find! These numbers were pieced together through several disparate pieces of data. Most available data would be censored in one way or another, only available to firms willing to pay thousands of dollars to the research groups (understandably!). Most market data looked like fig. A.1.2

Figure A.1.2: Mostly unavailable market metrics for athletic apparel

However, we had a few major pieces of data - the regional breakdown in activewear (bottom right in the figure A.1.2), and Nike's competitive and regional market share as shown in fig. A.1.3

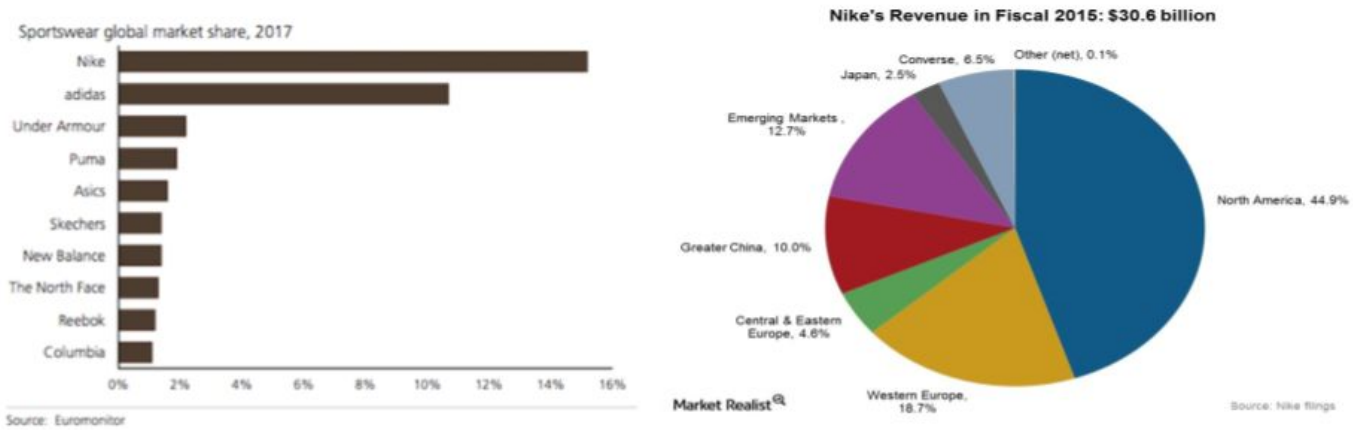


Figure A.1.3: Dated Nike competitive and region share

One other piece of information was key: Statista had a public metric that the global athletic apparel market would be worth $567 billion in 2024. Through the total activewear sales (provided by summing the regional breakdown), we were able to calculate both a CAGR for athletic apparel between 2014 and 2024, and Nike's

expected income in North America. Of course, these are imperfect -- regionally, North America's share of the pie is dropping as Asia-Pacific and LAMEA market segments are taking increasingly larger shares. 44% of Nike's revenue coming from North America, as was true in 2015, will likely not be true in 2024 -- as Nike competes on the global level, their revenue distribution will shift with global trends.

These calculations and figures are definitely important, and in a real world scenario, it would have been prudent to purchase access to real market data for this report, and to account for all of these assumptions and extrapolations - as opposed to wasting resources by having full-time employees cobble together such information for dubious levels of accuracy,

However, a great lesson was learned through this process! After attempting to demo the offerings of a particular vendor, it became apparent just how much of a deal the vendor would cut to sell the report. The vendor didn't know our budget was $0, they just knew we were saying no thank you to their follow-up sales contacts. A report that was originally $9,000 was later offered at $200 for a day of access. Similar offers were made by multiple vendors in follow-up emails after account creation on the respective vendor's websites. In the future, this knowledge may prove invaluable when needing to get similar data for real-world scenarios under limited budgets.

A.2 Market Segment Analysis

As shown in Table A.2.1, several potential segments were selected. A list of questions provided by the course instructor were used and each segment was given a score on 1 to 10. Segments with the highest aggregate score were used as the target market. Note that we have included the *cyclist* segment in our analysis which does score the highest points. However, since 2008, NIke has dropped the cycling line. Therefore, in order to align Nike's business strategy [Ref A.2.1], we did not explore the *cyclist* segment any further.

A.3 Market Research Interviews

1) Critical Assumptions

- Athletes want to reduce layers
- Athletes hate feeling cold or hot because of how much or less they are wearing.
- High level athletes are concerned by the effect of cold/hot feeling on their performance.

2) Assumptions Testing

- Customer interview was the method to test our assumptions.
- Three distinct customers were chosen based on our assumptions
- Two customers were interviewed in person and one remotely.

3) Personas Building

- Three personas were built after customer interviews.
- Each of the personas is based on one of the interviewees
- Value propositions were envisioned based on the pain/delight points of each persona.

Table A.2.1: Market Segment Analysis

Question/ Segments	Regular Apparel	Shoes	Sustenance	Minimalist	Athleisure	Athlete	Runner	Cyclist *
What do you know about each segment/group of a potential customer?	High demand = 10	High demand =10	Varies = 5	Low Demand = 3	Good demand = 7	Good demand = 7	Good demand = 7	Good demand = 7
Are these target customers well-funded?	Varies = 5	Varies = 5	Varies = 5	N = 7	Y = 10	Y = 10	Y = 10	Y = 10
Could you reach these customers with your company's sales force? Or would this require a new channel?	Y = 10	Y = 10	Maybe = 5	Maybe = 5	Y = 10	Y = 10	Y = 10	Y = 10
Do they have a compelling reason to buy a new type of product?	N = 1	N = 1	Y = 10	Y = 10	N = 1	Y = 10	Y = 10	Y = 10
Is the product a complete solution for the customers that works more or less as a standalone? Or would you have to partner with other companies? How much of the total solution do you provide vs. other partners?	Y = 10	Y = 10	Y = 10	Y = 10	Y = 10	Y = 10	Y = 10	Y = 10
Are there many alternative solutions to the customer problem? How fierce is the competition? Could the competition block you?	N = 10	N = 10	N = 10	N = 10	N = 10	N = 10	N = 10	N = 10
If you win the customer segment, can you leverage it to enter additional segments? Or is this a dead end?	Varies = 5	Varies = 5	Varies = 5	Varies = 5	Varies = 5	Varies = 5	Varies = 5	Varies = 5
Total	**51**	**51**	**50**	**50**	**53**	**62**	**62**	**62**

* Nike has dropped cycling line since 2008 [Ref A.1]

Below a summarized script of the three interviews:

The Outdoorsy Neighbor

Thanks for meeting me today. Can you tell me more about what outdoor activities you like to engage in?
I enjoy working out, swimming, biking, running, volleyball, triathlon, all-weather sports. I like to wear activewear - tights, race t-shirts, gym shoes. Only some clothes are different for Biking and Yoga.

Let's talk about running, what kind of clothes do you like to wear when you are running?
While running, I am comfortable in a sports bra, t-shirt, tights and shorts. In general, I like to run in a tank top and shorts. Wearing too much stuff while running is annoying.

But what if it is cold outside?
If it's cold outside I put on a OmniHeat Jacket on top of normal clothes. Just one extra layer. It doesn't make me feel sweaty. I wear the same jacket whether it's cold or wet weather. I have had the same rain jacket for six years now.

Sometimes, I put on gloves then take them off while running.

OK so it sounds like the weather guides your decision to what to wear while you are running. We have a solution - a new kind of clothes segment that will keep your body at a comfortable temperature regardless of whether it is cold and windy or hot and humid outside. So, you can wear the same apparel all year long. Would you be interested in investing in such a product?
I don't care much about what I am wearing while running. Still, I don't think I would be interested in buying one type of outerwear for all year long. I like to have variety - pick and choose as I feel.

Hmm interesting, so you prefer variety. What if we could offer this product in the form of a formal dress that you could wear outside say to a club or restaurant that keeps you at a comfortable temperature and still allows you to make a fashion statement - would you be interested in investing then?
Yes, I would be interested in buying a temperature control jacket that I could wear all year round.

This is great information. Thank you!
You're welcome.

<u>The Footballer Buddy</u>

(Forgot to press record during the introductory portion of the interview. This classmate is a part of the PSU football team)

What kind of clothes do you wear when you are playing?
Underneath the outside jersey, I like to wear a t-shirt.

Does that make you feel uncomfortable in any way?
If it is really warm outside, it isn't fun to be soaked in sweat.

So, what do you wear when it is cold outside?
Some guys like to wear a full sleeve shirt underneath the jersey. I do not care if it is 90 degrees with humidity or 26 degrees. I prefer to wear the same. I tend to get too hot and it negatively impacts my performance.

Do you think you or your team would be interested in buying something that keeps your body at a comfortable temperature whether it is cold or hot outside?
Yeah, I do think my team would be interested in investing in some kind of active wear that keeps the body at a comfortable temperature irrespective of outside temperature.

Does university provide any funds for enhancing athletic wear?
University provides the team a budget and some of it is spent on Nike clothes. Equipment manager makes the decision.

I wanna ask about warming up. When it is cold, how long does it take to warm up?
I'm a bad candidate to ask this question because I avoid warming up. HaHa. But yes when it is cold, it can definitely take 25-40% more time to warm up.

Do you think some product that keeps you warm to recuperate for that lost time, would you or your team be interested in buying?
It would be nice to have clothes that keep us warm when we are training inside or outside. So, something that keeps me warm would definitely be beneficial to save that time.

What about injuries? Do you think body temperature has an impact on your injuries?
For me personally *no* because of the position I play on the field. The guys that run more need to be more warm to avoid injuries. Body temperature does affect injuries.

Do you care about variety in your clothes?
I don't care to have a whole lot of variety. I am just a t-shirt and jeans kinda guy.

Would you be interested in buying casual wear, say a body fitting suit that keeps you warm and comfortable at all kinds of outside conditions?
I don't think I'll buy anything like a tracksuit. But, I would be interested in buying a jacket that I could wear in any season.

Pro Athlete

As you are competing nationally, you must be training frequently. how many times a week? how many times a day?
It depends. When well ahead of a competition, we generally train 5 days a week, 4 hours a day for two sessions of 2 hours, the first in the morning and the second early evening after a nap. When we get closer to a competition, we increase training volume to 6 days a week, 6 hours a day split into three sessions of two hours.

Can you tell me more about your training?
It happens that we limit our training time because of weather conditions: extreme hot/cold.
We tend to move training to indoor as a solution. But training outdoors is the essence of our sports and contributes to our motivation thus performance.

Sounds like time is really important, what you think is the least time-efficient thing in your training?
At the high-level time is precious, and under cold we lose it on just warming up.

What about the impact of training on your physical health? Do you get injured in training or just when competing?
Body temperature is one of the highest factors to injury.

Do you think wearing the latest apparel has an impact on performance?
There is an emotional value to wearing latest technology, it boosts confidence

A.4 Nike SWOT Analysis

Strengths

Brand: According to interbrand, Nike's brand value was around USD 32B by 2019, leading textile brands ahead of the iconic Louis Vuitton. Nike's Swoosh logo is one of the most recognized brand logos in the world [Ref 3.1]. This strong brand is a result of considerable branding effort Nike made since its creation and could sustain with its current marketing capabilities. Nike associates itself with leading international sports teams, players and events making it the first sportswear brand to come to consumer mind.

Innovation: In terms of patents, Nike has the third largest U.S. portfolio of design patents. Globally, Nike counted 19500 patents in 2016, way ahead of its closest competitor Adidas who has 2400 patents [Ref 3.2]. Nike's innovation is not limited to its products but extends to manufacturing innovation revolutionizing the whole industry [Ref A.4.1]. The company is known for providing athletes with the most innovative products integrating latest fabric tech, gadgets and apps incorporating latest technologies like AR. Michael Martin, vice president of growth and innovation at Nike defines Nike as a technology company.

Low Manufacturing cost: Around 60% of Nike's apparel production is located in China, Vietnam and Thailand where labor-cost is considerably cheap. One other way Nike reduces is outsourcing manufacturing with various contractors and factories across the world. Nike succeeded to set up a supplier ecosystem that could optimize both production and distribution cost along with reducing suppliers' power over price control. Moreover, Nike invests heavily in manufacturing R&D with an aim to increase its efficiency.

Weaknesses

Dependency on retailers: In 2016, 76% of Nike sales were made through the wholesale channel whereas only 24% were direct to customers. This unbalanced distribution channel makes Nike highly dependent on retailers. Retailers have control over products reachability, pricing, and customer buying experience, which could undermine Nike's brand force and limit sales.

Dependency on the US Market: Despite its global reach, Nike still depends on the US market for its business success. In 2016, 42% of Nike's sales came from the U.S representing almost half of its revenue. These nu;bers reveal the company's challenges in penetrating non-US markets.

Product mix imbalance: In 2019, 65% of Nike revenues were generated from the footwear segment. This dependence on one segment makes Nike highly vulnerable to competition and segment saturation. The company is already making efforts in diversifying its product line.

Opportunities

Emerging markets: The sportswear market in emerging countries is growing rapidly due to the increasing affluent population. Countries like China, India, or African countries will contribute significantly to the market growth that is expected to reach 248.1 billion by 2026. Another important emerging market is the women segment, which is expecting unprecedented growth.

Portfolio diversification: Nike's focus on the footwear segment comes with significant diversification opportunities. The firm can grow its business in other sportswear segments like apparel and accessories, but can also move to new clothing markets.

Direct to customer distribution: As mentioned above, 76% of Nike sales were made through the wholesale channel whereas only 24% were direct to customers. More direct-to-consumer sales means more control over prices and customer experience. In an attempt to balance its customer type, as part of its growth plan, Nike has stated that it aims to generate 50% of its sales through Direct-to-Customer channel.

Threats

Competition: Nike operates in a highly competitive textile industry with several international and local competitors around the world. These firms are highly aggressive in market penetration, resulting in market saturation. This saturation imposes price reduction and product differentiation. Regarding high performance fabrics, firms like Adidas (with its acquired brand Reebok), Underarmour and Puma stand as the main competitors for Nike.

Counterfeit: Counterfeit products in Asia and Africa pose a real threat to Nike's growth in these markets. Counterfeit products are cheaper than the original products and are getting better quality to a point where it becomes hard to differentiate the original and the counterfeit. These products are more appealing to those market customers.

Global supply chain: Whereas a global supply chain presents various advantages to Nike, it also comes with considerable threats. Trade or political instability overseas can be of serious harm to Nike's supply chain. One valid example in the current US-China trade war and the Coronavirus outbreak. Other circumstances like currency fluctuations or labor strikes can also reduce margins and disrupt the supply chain.

A.5 Competitive Landscape Analysis

For our competition assessment, the Porter's five forces analysis method will be used in defining the competitive landscape of Nike EveryWear. As an attempt to quantify the threats and opportunities, we will use a scoring method to scale the threat of each of the five forces from 1 to 5 as follows: *Low*: 1, *Low to Moderate*: 2, *Moderate*: 3, *Moderate to Strong*: 4, *Strong*: 5. In total, the lowest score will be 5 (*Low Competition*), and the highest 25 (*Strong Competition*) with intervals of 4 points: 5-9 (Low), 9-13(Low to Moderate), 13-17 (Moderate), 17-21 (Moderate to Strong), 21-25 (Strong).

Threats of New Entrants

The analysis of new entrants can be conducted in two levels: 1) new entrants to the textile industry 2) new entrants to the high performance fabrics market. First, the textile industry is characterized by a loyal customer base to big firms like Nike and Adidas. It is unlikely for a new entrant to attract and retain existing customers without a brand identity and strong products. This requires considerable cumulative production experience and capital investment in marketing and R&D. Also, access to supply and distribution channels is central in this industry. Economies of scale in the textile industry are high. So, it is impossible for a new entrant with limited capital investment to provide competitive prices. New entrants with considerable capital investment will have to gain cumulative experience in production, distribution and branding, which will take time to establish. This will allow existing firms to respond to the market threat.

As part of the textile industry, high performance fabrics hold the same characteristics as the entire sector. One particularity for these fabrics is the need for advanced R&D, existing customer base, and further customer loyalty. Accordingly, the high performance fabrics segment is not the optimal choice for new entrants to penetrate the highly competitive textile market. Overall, the threats of new entrants for Nike and for EveryWear are ***Low: 1.***

Bargaining Power of Suppliers

In Nike's case, two types of suppliers can be distinguished: raw materials suppliers and finished goods suppliers (independent factories). According to the company, by August 2019, Nike's total supply ecosystem counted 70 raw materials facilities across 11 countries and 523 finished goods factories across 40 countries. Three criteria can be used in assessing suppliers' power: 1) number of suppliers: the higher the number of suppliers the lower the power 2) share of production: the smaller the lower power 3) location: the more dispersed across the world the lower power. Clearly, Nike gets its materials from an arguably large number of suppliers as stated above. For the apparel segment, under which EveryWear falls, Nike is supplied by 334 apparel factories as mentioned in the company's 2019 10-K report. Regarding the share of production, the largest single apparel factory accounts for only 14% of total fiscal 2019 NIKE Brand apparel production. However, the top five suppliers hold 49% of Nike's apparel production, which can be a threat if these suppliers align on price increase. For the third point, Nike's apparel suppliers are located in 36 countries across the world, which means they are well scattered around the world. But in terms of size, around 60% of apparel production is located in only three countries: China, Vietnam and Thailand produced approximately 27%, 22% and 10% as per the 2019 10-K report. Trade or political instability in these countries can be of serious harm to Nike's supply chain. One valid example in the current US-China trade war and the Coronavirus outbreak. Overall, the bargaining power of suppliers is evaluated as ***Moderate: 3.***

Bargaining Power of Buyers

Nike has two types of customers (or more precisely channels): wholesale and direct. Wholesale customers (or retailers) represent the B2B part of Nike consumers whereas direct is the B2C (also known for DTC:

Direct-To-Customer). Thus, the bargaining power of buyers depends mainly on the size as well as the drivers and loyalty of each type. In 2016, 76% of Nike sales were made through the wholesale channel whereas only 24% were direct to customers[Ref A.5.1]. This unbalanced customer base makes Nike highly dependent on retailers. However, the wholesale customers are the same as the direct customers, which means the same purchase drivers Nike is enabling through its brand, innovation and customer loyalty to compensate for the low switching cost and strong competition. As a result, wholesale may depend on Nike more than Nike on wholesale. Moreover, in an attempt to balance its customer type, as part of its growth plan, Nike has stated that it aims to generate 50% of its sales through Direct-to-Customer channels [Ref A.5.2]. However, at this moment, Nike remains partially dependent on the wholesale channel. Overall, the Bargaining Power of Buyers is evaluated as ***Moderate:3.***

Threats of Substitute Products

In the highly competitive textile industry, substitute products can come from either competition, counterfeit, or the company's own product line (cannibalism). Competitors like Adidas, Underarmour, or Puma can come with a similar technology that can substitute EveryWear. Counterfeit products also present a threat of substitute to the product, especially in the Asian and African markets. Whereas the two above threats are external, the third threat of substitute can arise from Nike's own fabrics technologies. Customers in warm weather locations can substitute EveryWear with Dri-Fit or Vaporknit while cold areas can replace it with AeroLoft products. However, no currently known product encompasses the unique range of environments in which EveryWear will be able to perform. In the final analysis, threats of substitute products for any single value proposition for EveryWear are the same as for any other Nike product. Despite those threats, Nike succeeded to mitigate them owing to its quality, innovation, and brand identity. These attributes possess a high threat of substitution, but the threat of a single product having a comparable range of performance characteristics to EveryWear is low. Overall, the threat of substitute products is evaluated as ***Moderate: 3.***

Rivalry Among Existing Competitors

Nike operates in a highly competitive textile industry with several international and local competitors around the world. In the apparel industry, the number of top players is low, but these firms are highly aggressive in market penetration, resulting in market saturation. This saturation imposes reducing prices and increasing product differentiation. Regarding high performance fabrics, firms like Adidas (with its acquired brand Reebok), Underarmour and Puma stand as the main competitors for Nike. For instance, each of these brands has a similar fabric to Nike's Dri-fit: Adidas's Climalite, Underarmour's ICE, Puma's dryCell. Nothing excludes the same competition for EveryWear after its launch as these firms will come up with their own technology and compete aggressively in this niche market. Overall, the rivalry among existing competitors is evaluated as ***Strong: 5.***

Altogether, the level of competition according to our Porter's Five Forces analysis is scored as: *15 (Moderate).*

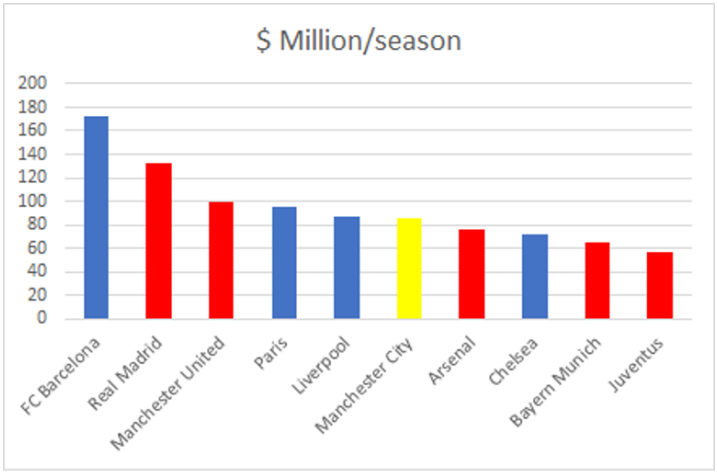
A.6 Technology Adoption Cycle: Sponsorship Case Study

From our litterature and industry review, we have found that sponsorship is a common practice in the performance apparel industry. The role of sponsorship is primarily promotional for a new product. We identified soccer as a case study to understand the practices of companies like Nike or Adidas in marketing a new product. We focused on fabrics technologies and how they are introduced into the market. For instance, Adidas promotes new fabrics with the soccer teams it sponsors. This market introduction generally coincides with the FIFA World Cup. The Adizero fabric was introduced with the national teams participating in that tournament (i.e Germany). In the same manner, the newer Climachill fabric was introduced with the Adidas-sponsored teams of the 2018 FIFA World Cup.

Nike follows the same practice. It introduced the VaporKnit Fabric technology in 2018 world cup to replace Dri-Fit. (i.e Brazil National Team jerseys).

Figure A.6.1: Evolution of Adidas Fabrics in Soccer 2014 to 2018

Brands like Nike, Adidas, or Puma spend considerable money in sponsorship of soccer teams. The chart fig. A.6.2 shows the largest soccer sponsorship contracts (data collected from teams' official statements on contracts values). Nike and Adidas are leading. According to the Portland Business Journal, the value of Nike's endorsement contracts ballooned as they reached $9.42 billion annually in 2016 (fig. A.6.2).



Top 10 Annual Sponsorship in Soccer by 2020

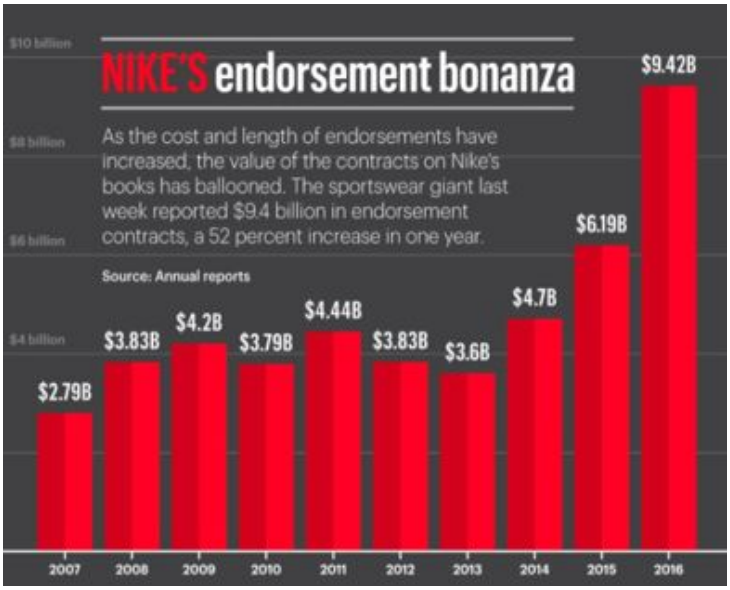


Figure A.6.2: Nike's endorsement bonanza (Source: Portland Business Journal)

Quarterly Revenue Projections

		2021		2022				2023				2024			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1: Sponsorships	**N/A, cost in Marcom**														
Phase 2: Amateur Athletes	% of segment annual SOM			15%	20%	30%	20%	25%	20%	30%	25%	25%	20%	30%	25%
	Segment revenue			$ 38,250,000	$ 51,000,000	$ 76,500,000	$ 51,000,000	$ 63,750,000	$ 51,000,000	$ 76,500,000	$ 63,750,000	$ 63,750,000	$ 51,000,000	$ 76,500,000	$ 63,750,000
Phase 3: Regular Active	% of segment annual SOM					10%	15%	20%	20%	25%	25%	25%	20%	30%	25%
	Segment revenue				$ -	$131,184,000	$196,776,000	$ 262,368,000	$ 262,368,000	$ 327,960,000	$ 327,960,000	$ 327,960,000	$ 262,368,000	$ 393,552,000	$ 327,960,000
Phase 4: Athleisure	% of segment annual SOM						5%	15%	10%	15%	20%	20%	30%	25%	25%
	Segment revenue					$ -	$ 59,150,000	$ 177,450,000	$ 118,300,000	$ 177,450,000	$ 236,600,000	$ 236,600,000	$ 354,900,000	$ 295,750,000	$ 295,750,000
Marketing Events				*2022 Winter Olympics *Superbowl *Nike Store availability			*World Cup *Avail. At Select Distributors	*Superbowl				*Superbowl			
Marcom Spend			$ (5,250,000)	$ (5,750,000)	$ (750,000)	$ (1,000,000)	$ (6,000,000)	$ (6,500,000)	$ (2,000,000)	$ (2,000,000)	$ (7,000,000)	$ (7,000,000)	$ (2,000,000)	$ (2,000,000)	$ (2,000,000)
Quarterly revenue		$ -	$ -	$ 38,250,000	$ 51,000,000	$207,684,000	$306,926,000	$ 503,568,000	$ 431,668,000	$ 581,910,000	$ 628,310,000	$ 628,310,000	$ 668,268,000	$ 765,802,000	$ 687,460,000
Cumulative Revenue		$ -	$ -	$ 38,250,000	$ 89,250,000	$296,934,000	$603,860,000	$1,107,428,000	$1,539,096,000	$2,121,006,000	$2,749,316,000	$3,377,626,000	$4,045,894,000	$4,811,696,000	$5,499,156,000
Quarterly net income		$ -	$ (5,250,000)	$ 32,500,000	$ 50,250,000	$206,684,000	$300,926,000	$ 497,068,000	$ 429,668,000	$ 579,910,000	$ 621,310,000	$ 621,310,000	$ 666,268,000	$ 763,802,000	$ 685,460,000
Cumulative net income		$ -	$ (5,250,000)	$ 27,250,000	$ 77,500,000	$284,184,000	$585,110,000	$1,082,178,000	$1,511,846,000	$2,091,756,000	$2,713,066,000	$3,334,376,000	$4,000,644,000	$4,764,446,000	$5,449,906,000
Annual Revenue							$603,860,000				$2,145,456,000				$2,749,840,000

Figure A.6.1: Quarterly Revenue Projections

"% of segment annual SOM" (per quarter):

- Phases roll-out gradually, and all segments aren't fully penetrated until Q1 of 2024. For example, Phase 2 (amateur athletes) only expects to achieve 85% of it's projected annual SOM in it's EveryWear's first year after release, 2021. However, 2023 sees the market segment of amateur athletes achieve 100% of it's annual projection, and the same in 2024.

- Some phases/market segments take longer to ramp than others. While the athleisure / late majority segment are projected to spend over a billion dollars annually in year 3, market penetration begins in Q4 of 2021, even though only 5% of the athleisure SOM are projected to be aware of and purchasing EveryWear at that point in time.

- Even once market penetration is fully ramped in Q1 of 2024, revenue is not distributed evenly across the year or segments. For example, amateur athletes and regular active market segments have a purchasing dip in the summer (after all the athletes have already purchased their athletic wear and higher proportions of merchandise is moved through discounting) while athleisure experiences a significant boost in the holiday season (accounting for 35% of the athleisure segment's annual revenue).

	Revenue breakdown								
	Marcom spend				Customers	Units per customer	Cost per unit (avg)	Annual Revenue in segment	Monthly Revenue
	Sponsorships	Advertising	Social media	Promotions					
Phase 1: Sponsorships	Rough estimate before R&D is +$50 per jersey over existing sponsorship deals (approx. 10 jerseys per player per season, 30 players * 70 teams + 70 individual athletes = 21k jerseys)	$32,000,000	$4,750,000	$12,500,000					-$1M/yr over exiting sponsorships
Phase 2: Amateur Athletes					1,000,000	1.7	$ 150	$ 255,000,000	$ 21,250,000
Phase 3: Early Majority					4,555,000	2.4	$ 120	$ 1,311,840,000	$ 109,320,000
Phase 4: Late Majority					4,550,000	2	$ 130	$ 1,183,000,000	$ 98,583,333
Description	Equipment to sponsored athletes	Superbowl & World Cup TV Ads	Facebook, Instagram models	Gym ads, other print					

Figure A.6.2: Revenue breakdown and marcom spend

- Expected customer count for each phase (annually) is determined based on marketing funnels outlined in GTM plan.

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