Recommendation Report:
Nike and Environmental Sustainability

WRTG 3016: Business Writing
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Executive Summary

This analysis delves into Nike's environmental Corporate Social Responsibility (ESG) initiatives, examining strengths, weaknesses, opportunities, and threats. Nike's commitment to sustainability is evident through innovative products like the Nike Air VaporMax and the comprehensive "Move to Zero" initiative, emphasizing zero carbon and zero waste. The VaporMax showcases a circular economy via the Reuse-A-Shoe program, while "Move to Zero" targets zero carbon and zero waste, emphasizing sustainability throughout the product lifecycle.

Despite these initiatives, Nike faces significant challenges in aligning its extensive product range with uniform sustainability standards. The materials used in Nike's shoes, chosen for their performance attributes, comfort, and aesthetics, present a notable challenge in achieving a consistent approach to sustainability. While progress has been made in adopting more environmentally friendly techniques, the diversity of materials, ranging from traditional leather to synthetic fabrics and rubber, presents challenges in applying a one-size-fits-all sustainability standard.

A SWOT (Strength, Weaknesses, Opportunity, and Threats) analysis will be utilized to identify recommendations for Nike’s ESG (Environmental, Social, and Governance). Challenges such as material complexity, supply chain discrepancies, competition, etc will be addressed with these recommendations.

The recommendations include leveraging its influence on suppliers by implementing clear sustainability standards and offering resources, training, and incentives that can ensure consistent adherence throughout the supply chain. They can also utilize blockchain technology to create a ledger that records the entire supply chain process, from raw material origin to manufacturing and distribution, Nike can ensure data integrity and authenticity. This approach fosters consumer trust by providing verifiable information about sustainability claims and creates a platform for real-time visibility into production stages. Learning from competitors, particularly Adidas and Puma, presents another avenue for improvement. By analyzing successful sustainability initiatives and collaboration models Nike's strategy can improve.

Nike's commitment to environmental responsibility is commendable, but improvements can still be made. As environmental consciousness becomes increasingly crucial in the athletic apparel industry, Nike must intensify its efforts to reinforce their sustainability initiatives.

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Introduction

Nike, Inc., founded in 1964 as Blue Ribbon Sports, has evolved into a global powerhouse in the sportswear and athletic shoe industry (Nike). Renowned not only for its iconic swoosh logo but also for its innovative sports footwear and apparel, Nike has emerged as a symbol of athletic prowess and cutting-edge design. As societal expectations evolve, corporations are under increasing pressure to adopt responsible business practices, especially in the domain of ESG. Recognizing the need to integrate its operations with environmental consciousness, Nike has altered its operations in recent years to meet responsible business practices.

In an era of growing environmental awareness, consumers are not only making purchasing decisions based on product quality and brand reputation but are also considering the environmental impact of their choices. Nike, as a market leader, is not exempt from these shifting consumer expectations. The objective of this analysis is not only to evaluate Nike's present standing in the realm of environmental responsibility but also to propose strategies. The discussion will touch upon Nike's strengths, weaknesses, opportunities and threats, offering insights into how the company can fortify its position as a sustainability leader in an industry where environmental consciousness is increasingly important.

Strengths

Sustainable Innovation

Nike's journey toward sustainability is highlighted by its commitment to creating innovative and environmentally conscious products. An example of this is the Nike Air VaporMax, a cutting-edge footwear design that not only performs well but also exemplifies Nike’s sustainable practices. To create this shoe and several others, Nike utilizes a circular economy practice with their Reuse-A-Shoe program. After consumers buy and use the shoes, they follow Nike’s initiative to donate the shoes back, allowing them to create new shoes with the materials of their old ones. This move aligns with environmental expectations and depicts Nike's proactive approach to mitigating its ecological footprint (Sustainable Brands).

Nike's Flyknit technology is also used in recent VaporMax models. The technology is known for its efficient use of materials. The seamless, single-piece upper construction of Flyknit significantly reduces material waste during the manufacturing process compared to traditional shoe-making methods, where multiple pieces are cut and assembled (Nike). This streamlined approach aligns with sustainability goals by minimizing resource consumption. Additionally, the potential use of recycled and eco-friendly materials in Flyknit further contributes to its environmental friendliness. The technology's lightweight design not only enhances athletic performance but also reduces its overall ecological footprint. As a result, Flyknit is a notable example of how innovative design can integrate performance and environmental considerations in athletic footwear (Sustainable Brands).

Move to Zero

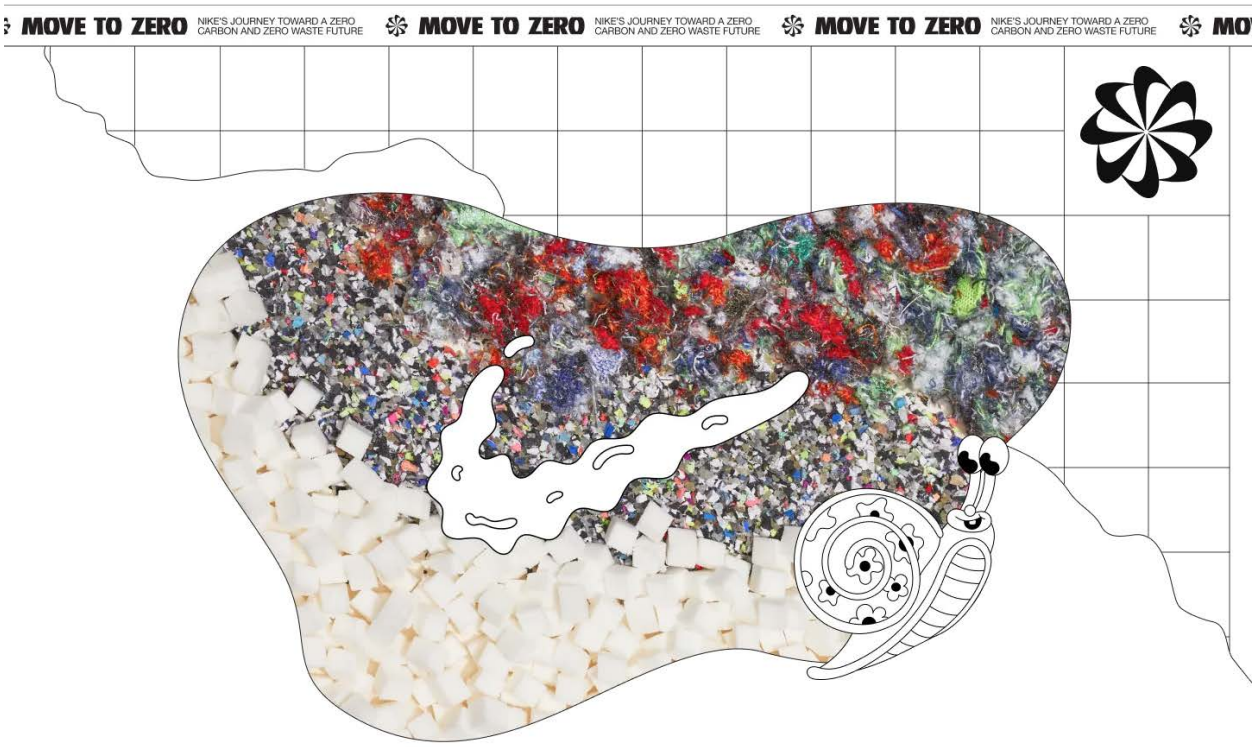

Figure 1: Move to Zero Logo

As seen in Figure 1, Nike's "Move to Zero" initiative represents their commitment to sustainability and environmental responsibility across the company's operations. With a core focus on achieving zero carbon and zero waste, Nike is actively working to reduce its environmental impact at every stage of the product lifecycle (Nike). The initiative encompasses goals to minimize carbon emissions throughout the supply chain by incorporating renewable energy sources. Through embracing circular economy principles, Nike is designing products with the intent of reuse and recycling, thus contributing to waste reduction and sustainable practices.

One of Nike’s priorities is water conservation in its Move to Zero initiative. 91% of their freshwater footprint is linked to materials sourcing and manufacturing, with cotton cultivation constituting 69% of the global water footprint. Nike is actively reducing water use by shifting to sustainable options like organic and recycled cotton. The initiative extends beyond manufacturing though as it also encompasses Nike’s watershed-restoration programs. The programs target Nike’s extended cotton supply chain to reduce their freshwater footprint and address broader environmental concerns like pesticide runoff, soil health improvement, and enhanced community access to water. Nike’s program collaborated with The Nature Conservancy to complete two impactful water restoration projects. In India, 30 hectares of farmland in Maharashtra were converted to drip irrigation, benefiting 75 farmers, including 17 women. Additionally, in Australia, 84,000 hectares of biodiverse wetlands and floodplains in Murray Darling, known as Gayini Nimmie-Caira, were legally registered as a conservation area. This designation facilitates the restoration of cultural heritage sites and medicinal food plants, transferring ownership to the Nari Nari community, the Traditional Custodians of the land (Nike).

Nike's Move to Zero initiative also includes ensuring greenhouse gas emissions from suppliers' manufacturing and transportation stay at or below 2020 levels through the use of renewable energy and energy-efficient practices. Notable achievements include the implementation of onsite solar PV at supplier facilities, resulting in a substantial reduction of 16,400 metric tons of CO2e in FY22 (Nike). Nike is also actively working on facilitating access to offsite renewable electricity for its suppliers, exemplified by initiatives such as the bundled Renewable Energy Certificate program in Indonesia (Nike).

Along with water management and greenhouse gas emissions from manufacturing, Nike is also focusing on minimizing air freight by implementing alternative fuels and engaging with logistics service providers. Their efforts to reduce inbound air freight and pilot electric heavy-duty trucks demonstrate the company's commitment to decarbonizing transportation. Nike also actively participates in industry groups like Clean Cargo and the Sustainable Air Freight Alliance to ensure their continuous practice of sustainable transportation (Nike).

Weaknesses

Material Sourcing and Supply Chain Discrepancies

The intricate mix of materials used in Nike's shoes, chosen for their performance attributes, comfort, and aesthetics, presents a significant challenge in achieving a fully sustainable and eco-friendly product line. This material complexity is a noteworthy weakness in Nike's environmental ESG efforts (Smith).

Top Five Materials[46] in Product by Volume[47]

		FY20		FY21		FY22	
		metric tons	%	metric tons	%	metric tons	%
Polyester	Recycled	44,387	23%	55,477	33%	82,317	46%
	Total Polyester Use	**195,490**		**166,343**		**180,645**	
Cotton	Organic	10,811	10%	13,680	12%	17,748	12%
	Recycled	503	0.4%	905	0.8%	867	0.6%
	Third-Party Certified	85,139	75%	66,776	58%	94,417	66%
	Total Cotton Use	**113,615**		**115,543**		**142,113**	
Rubber	Recycled	564	0.7%	689	0.9%	2,045	2%
	Total Rubber Use	**76,141**		**78,896**		**94,494**	
Ethylene-Vinyl Acetate (EVA) Foam	Recycled	978	2%	907	2%	26[48]	0.1%
	Total EVA Foam Use	**61,053**		**53,055**		**44,523**	
Leather[49]	Flyleather	53	0.1%	57	0.1%	13	0.02%
	Synthetic Leather	18,623	36%	16,031	26%	18,117	28%
	Total Leather Use	**51,646**		**60,502**		**65,870**	

Figure 2: Top five Nike materials used from 2020 to 2022

Although Nike has decreased material usage (Figure 2), the diversity of materials, ranging from traditional leather to synthetic fabrics and rubber, poses obstacles to implementing a uniform sustainability standard across the entire product range. While Nike has made strides in adopting

more sustainable practices, finding alternatives that meet performance expectations across all materials remains an ongoing challenge and their Move to Zero campaign seems far off. The lack of a one-size-fits-all solution complicates the development and implementation of a cohesive sustainability strategy.

The environmental impact associated with specific materials, such as leather and synthetic fabrics, presents a persistent challenge. Leather production is one of the highest-impact materials for both carbon emissions and waste across the footwear and apparel industry (Nike). It contributes to deforestation and has a water-intensive process (Smith). Synthetic materials are also poor for the environment as they involve petrochemicals and energy-intensive manufacturing. Nike's efforts to address these impacts are multifaceted, including exploring alternative materials and incorporating recycled content. However, the inherent environmental trade-offs in material selection contribute to the complexity of Nike's sustainability initiatives as they are sometimes unable to find suitable alternatives that fit consumer needs.

Additionally, the intricate supply chain involved in sourcing, manufacturing, and distributing footwear adds complexity to Nike's environmental initiatives. Nike's vast network of global suppliers necessitates consistent oversight to ensure sustainable practices are uniformly applied (IBIS World). The variations in sustainability standards among suppliers can undermine the overall environmental impact reduction goals, making it challenging to enforce a unified ESG approach.

Opportunities

Influence on Suppliers

Nike has an opportunity to drive sustainable practices across its extensive network of suppliers by implementing strategic initiatives. Establishing clear sustainability standards can be a major opportunity. By outlining guidelines for environmentally friendly practices, ethical labor standards, and responsible sourcing, Nike can create a unified commitment to sustainability throughout its supply chain. These standards serve as a foundation for aligning the values and practices of its suppliers with Nike's ESG goals (Harvard).

To further support suppliers in adopting sustainable practices, Nike can provide resources and assistance. Many suppliers may face challenges, whether financial or technical, in transitioning to more eco-friendly processes. Offering training programs, technical expertise, and financial incentives can facilitate the adoption of sustainable technologies, such as renewable energy solutions and eco-friendly materials (Harvard). This proactive support not only empowers suppliers to meet sustainability standards but also strengthens their overall competitiveness in the market.

Technology for Transparency

Nike has the opportunity to utilize blockchain technology by offering an approach to transparency and traceability throughout the entire supply chain. By implementing blockchain, Nike can create a decentralized ledger that records every step in the production process, from the

origin of raw materials to manufacturing and distribution. One of the primary advantages of this is its ability to ensure data integrity and authenticity. Each transaction or event within the supply chain is linked, creating an unalterable record (ComputerScience.org). This not only guards against fraud and tampering but also establishes a high level of trust in the information provided. For Nike, this means that every claim about the sustainable sourcing of materials, ethical manufacturing practices, and the overall environmental impact of a product can be securely recorded and verified.

Blockchain also facilitates enhanced transparency for consumers. Through QR codes or other interactive methods, consumers can access information about the product they are purchasing. They can track the journey of the item, learn about the environmental certifications it holds, and understand the sustainability initiatives undertaken by Nike. This transparency fosters consumer trust and empowers them to make informed choices aligned with their environmental values (ComputerScience.org).

Beyond consumer-facing benefits, blockchain technology also helps with supply chain management. It provides real-time visibility into each stage of production, enabling Nike to identify inefficiencies, reduce waste, and optimize its processes for sustainability. Additionally, blockchain can enhance collaboration with suppliers by creating a shared and secure platform for information exchange, encouraging a collective commitment to environmentally friendly practices (Harvard). As the demand for transparency and eco-conscious products continues to grow, blockchain could position Nike as a pioneer in the integration of technology into sustainable business practices.

Threats

Greenwashing Concerns

Greenwashing is a deceptive practice where a company conveys a misleading impression of its environmental practices. This could pose a significant challenge for Nike and other firms engaged in ESG inititaves. This practice involves creating a facade of eco-friendliness without substantiating claims through tangible actions, risking the erosion of consumer trust (Miller). For a globally recognized brand like Nike, where credibility is paramount, greenwashing threats are pronounced. Greenwashing can manifest in misleading advertising, vague terminology, selective disclosure, and symbolic gestures without substantive changes.

To address this risk, Nike must prioritize transparency, offering clear and accurate information about its sustainability practices. Regular communication on progress, setbacks, and continuous improvement is crucial for building and maintaining trust (Jones). Implementing third-party certifications for sustainable practices can serve as tangible evidence of Nike's commitment to environmental responsibility. By actively addressing greenwashing challenges, Nike not only safeguards its reputation but also reinforces its position as a genuine leader in sustainable business practices.

Economic Conditions

Cost considerations and global economic conditions pose a complex challenge for Nike's environmental endeavors. Implementing sustainable practices can introduce additional costs stemming from investments in eco-friendly technologies, sustainable sourcing, and adherence to environmental standards. Striking a delicate balance between the commitment to sustainability and cost-effectiveness is important, as these costs can directly impact profit margins. Moreover, during periods of economic downturns or uncertainties, companies often face pressures to prioritize short-term financial goals over long-term sustainability investments (Harvard).

Nike may grapple with the challenge of maintaining its commitment to ESG initiatives while navigating economic pressures that might divert attention and resources away from their environmental goals. Consumer price sensitivity during economic hardships further complicates matters, potentially limiting their ability to introduce sustainable products with higher price points. Economic downturns can disrupt global supply chains, affecting the availability and costs of raw materials, and fluctuations in currency exchange rates may complicate Nike's cost structure

Competitors

Nike contends with both established competitors and potential challengers vying for leadership in sustainable practices within the athletic apparel industry. Direct rivals like Adidas and Puma have demonstrated significant commitments to sustainability, incorporating recycled materials and environmentally conscious initiatives into their business models. The 2023 Global 100 ranking by Corporate Knights highlights Puma and Adidas as sporting goods companies making strides in sustainability. Both have improved their standings, with Puma moving from 77 to 47 and Adidas from 82 to 66 while Nike was not included in the list.

Adidas has prioritized the use of sustainable materials in its products, including incorporating recycled polyester and sustainable cotton in its apparel and footwear lines. The company has also engaged in notable collaborations, such as Parley for the Oceans, aiming to create products made from recycled ocean plastic. This partnership not only promotes sustainability but also raises awareness about the critical issue of ocean pollution. Additionally, Adidas has set ambitious goals to reduce its carbon footprint, emphasizing the adoption of renewable energy sources and improvements in energy efficiency across its operations.

Similarly, Puma has embraced sustainable design and materials in its products, incorporating organic cotton, recycled polyester, and other environmentally friendly materials. The company has committed to the elimination of hazardous chemicals from its supply chain, aligning with the Greenpeace Detox campaign. They have also implemented the Environmental Profit and Loss (EP&L) accounting method which allows the company to assess the costs associated with its environmental impact, enabling strategic decision-making to minimize its overall footprint.

New entrants with a sustainability focus, traditional fashion brands expanding into athleticwear, and tech companies entering the apparel industry all pose potential threats. To stand out from competitors and reach the levels of Puma and Adidas, Nike must not only create innovative and eco-friendly products but also reinforce transparency, invest in cutting-edge sustainable technologies, and remain adaptable to emerging challenges and consumer expectations.

Recommendations

Supply Chain Standardization

To improve their sustainability efforts, Nike should work towards establishing standardized sustainability criteria for all materials used in its products. To do so, Nike must strengthen their oversight and auditing processes to ensure that all global suppliers consistently adhere to the company's sustainability standards. This can be done by establishing collaborative initiatives with suppliers such as providing resources, training, and incentives for the adoption of sustainable practices, particularly in renewable energy and eco-friendly manufacturing. To encourage this, Nike can also establish a transparent supplier rating system to publicly acknowledge and reward suppliers excelling in sustainability. This will encourage healthy competition and environmental responsibility to ensure a cohesive and transparent strategy across the entire product range.

Enhancing Transparency through Blockchain Integration and Consumer Education

To improve consumer education and reduce potential threats of greenwashing accusations, Nike can actively explore the integration of blockchain technology to increase transparency across its supply chain. This approach allows consumers to trace the journey of products, providing a secure means to verify sustainability claims. The technology can also be utilized for consumer education as they can easily access detailed information about Nike's sustainability initiatives, certifications, and sourcing practices specific to each product.

By fostering transparency, Nike not only educates its consumers but also builds trust in the authenticity of its sustainability commitments. Moreover, Nike can take this opportunity to display their commitment by actively encouraging feedback from consumers who have seen their supply chain process and have recommendations. By facilitating responses from consumers, Nike can gain valuable insights into evolving environmental concerns. Incorporating this feedback into ongoing sustainability improvements demonstrates a dedication to continuous enhancement and solidifies Nike's pledge to meet and exceed consumer expectations for environmental responsibility. This integrated approach to blockchain, education, and consumer engagement could potentially set Nike as a new standard for transparency in the athletic apparel industry.

Learning from Competitors for Continuous Improvement

Nike can gain valuable insights and strategies by examining the sustainability practices of competitors like Puma and Adidas. One key recommendation is to analyze the collaborative initiatives undertaken by Puma, particularly partnerships with organizations like Parley for the Oceans. These collaborations emphasize the creation of products from recycled materials, showcasing innovative approaches to sustainable design. Nike could explore similar partnerships or unique collaborations to broaden its impact.

Furthermore, studying Adidas's commitment to reducing its carbon footprint and adopting the Environmental Profit and Loss (EP&L) accounting method can provide Nike with a blueprint for comprehensive environmental impact assessment. By implementing similar ideas, Nike can enhance transparency and strategic decision-making, ensuring a more accurate understanding of

the costs associated with its environmental impact. Analyzing successful sustainability initiatives and collaboration models from competitors can allow Nike to adopt the best practices and tailor them to fit their unique approach.

Conclusion

Nike, as a global leader in sportswear and athletic innovation, has made substantial strides in environmental responsibility. From innovative sustainable products like the Nike Air VaporMax to comprehensive initiatives like "Move to Zero," the company showcases a commitment to reducing its ecological footprint. However, challenges, particularly in material complexity and supply chain intricacies, persist. To combat these issues and improve their environmental ESG, Nike should consider standardized criteria for materials, integrate blockchain for transparency, and draw inspiration from competitors like Puma and Adidas. By adopting these strategic shifts, Nike can not only enhance its environmental impact but also set new benchmarks for transparency and innovation. As the athletic apparel industry finds itself facing increasing demands for environmental consciousness, Nike must intensify its efforts to reinforce its sustainability initiatives.

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