

INVENTORY PROBLEMS FACED BY NIKE

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ABSTRACT:

Nike a leading manufacturer of shoes and other sports equipment in the world faced lots of problems in adopting new software to streamline its supply chain and manufacturing processes in order to reduce gap between its products demand and supply. Nike obtains its finished products from manufacturing facilities located whole across the world. Nike followed a complicated supply chain system. It obtained orders from retailers Nike a leading manufacturer of shoes and other sports equipment in the world faced lots of problems in adopting new software to streamline its supply chain and manufacturing processes in order to reduce gap between its products demand and supply six months before their dates of delivery. These orders were to be forwarded to the various factories located across the world. Finished goods obtained where then shipped to the respective retailers. In order to improve its logistics and working schedule Nike thought of implementation of supply chain but their implementations lead to sequence of failures but With strong determination Nike was able to emerge successful and now nike is one of the top most leading brand. Nike during 1999 actualized the initial segment of its supply chain system i.e. the request and supply chain arranging application programming as created by i2 advances. This product was created to assist Nike with matching its supply with request by mapping out the assembling of particular items. The goal was to diminish cost and amount of elastic; canvas and different materials utilized by Nike to create extensive variety of its items and make it more

reasonable. This paper seeks to study the problems faced by Nike in inventory and supply chain management and to recognize the importance of supply chain.

Keywords: Nike, manufacture, supply chain, inventory management, brand, sports

INTRODUCTION

Nike, originally known as Blue Ribbon Sports (BRS), was founded by University of Oregon track athlete Phil Knight and his coach Bill Bowerman in January 1964. Nike is a world wide famous sports company, who had proven themselves among its competitors. Not always was the company ruling the market. Nike faced a huge inventory problem which came to an extent where the company was about to shut down. Nike's excess inventory was one of its reasons and so was its software. Nike was in tie up with i2 technologies as they were responsible for demand forecasting and supply chain management. Both blamed each other and in the end Nike and i2 decided to sort the problem and they tracked it down. (Trishala A, Lakshmi T and Rajeshkumar S, 2018) Later they decided to implement a new software for demand forecasting (Lewis 2012) and supply chain management. (Thomopoulos 2014a) Unfortunately before they could implement the new software Nike had already hit their rock bottom. The very same year Nike had overstock which damaged the inventory and logistics cost too. (Stanford University. Applied Mathematics and Statistics Laboratory and Sobel 1967). It was later forced to dispose excess inventory through discount sales. Nike ought to use their as of late executed ERP programming and facilitate this with their providers. (Valero, Gollogly, and Curran, n.d.). Considering Nike's supply chain, it would likely be exceptionally gainful to consider merchant oversight inventory (VMI) and a constant renewal program (CRP). The mix of these two systems could have a critical positive effect on both Nike and its providers; enhancing the whole supply chain (Shah 2009) beginning most distant upstream at the acquisition of crude materials. The aim of the study is to study the problems faced by Nike in inventory and supply chain management and to recognize the importance of supply chain.

OBJECTIVES

- To study the problems faced by Nike in inventory and supply chain management
- To recognize the importance of supply chain.

MATERIALS AND METHODS:

This study is based on the data collected from secondary sources like national and international journals, books, publications, etc. The research methodology used is Doctrinal form of research.

OBSERVATION

Problems faced by Nike in Inventory management and supply chain management

Nike Inc

To explore ideas and apparatuses used to successfully oversee tasks, let us consider an association that has experienced issues with the management of their worldwide supply chain before. Nike is a famous footwear and clothing producer that works in more than 180 nations with revealed incomes of \$25.3 billion out of 2013. Nike at present has 719 processing plants, utilizing 990,325 specialists in 44 nations around the globe. It is the world's driving maker and merchant of athletic clothing and games gear. It takes its name from the Greek goddess of triumph, and is marked by the profoundly prestigious swoosh logo and "Just do it " company slogan

Nike's Supply Chain

Nike's worldwide supply chain is a to a great degree complex system that affects an extensive variety of partners the world over. The supply chain was at first worked through the outsourcing of assembling specifically to providers. In 1975, the organization presented the Future Program which partitioned Nike's tasks into (Dr.Lakshmi T and Rajeshkumar S , 2018) 5 topographical locales with the objective of enhancing activities. Because of the inadequacy of this program, by the 1990s the organization's supply chain had numerous issues, for example, inadequate anticipating and a powerlessness to stay aware of changing buyer patterns. Subsequently, (Distelhorst, Hainmueller, and Locke 2017) Nike propelled the Nike Supply Chain (NSC) venture in 2000 with objectives of enterprise resource planning (ERP) and customer relationship management (CRM) programming into an incorporated stage. This venture turned out to be a catastrophe for Nike. Nike products are sold in 140 countries and they comprise of athletic shoes, sports equipments, fitness equipments, etc. Nike global operations spread over United States; Europe, Middle East and Africa; Asia Pacific. Since the mid-1970s, (Doorey 2011) Nike has outsourced its manufacturing activities to various countries especially in Asia and Africa where labour is cheap. From 1975, Nike introduced a program whereby Nike's retailers were required to place orders with the company six months before the required date of delivery with the guarantee that 90 percent of their orders would be delivered within a set time period and at a fixed price. These orders were then forwarded to the manufacturing units across the world.

i2 Technologies and troubles from software

Nike during 1999 actualized the initial segment of its supply chain system i.e. the request and supply chain arranging application programming as created by i2 advances. (Ross 1998) This product was created to assist Nike with matching its supply with request by mapping out the assembling of particular items. The goal was to diminish cost and amount of elastic; canvas and different materials utilized by Nike to create extensive variety of its items and make it more reasonable. Nike likewise needed through it to assemble more shoes that were more requested. Nike had 1,20,000 distinct assortments of items (SKUs). A few its items required 130 individual strides to produce. In 2001, Nike detailed altogether bring down income that normal, which the organization faulted for i2 Technology's request anticipating and supply chain management programming. Nike authorities guaranteed that the product brought about deficiencies of some stock and abundance of others. The inventory disturb lessened Nike's financial second from last quarter deals by about \$100 million. Nike and i2 attempted to find the issues and grow new programming and operational systems, yet before the progressions could be made the inventory issues had as of now fundamentally influenced Nike's main concern. Also, the organization's requesting and planning framework was causing deficiencies and overloads which hugely affected inventory and coordinations costs. Nike was compelled to rapidly dispatch delay purchases and discard overabundance inventory through rebate dispersion channels.

Identifying key problems

So as to devise an arrangement of activity to address the issues talked about for this situation examine, it is important to distinguish the issues looked by Nike amid this testing time. The essential issues delineated are (J. Toomey 2000) inventory management, planning, and request determining. To address inventory and booking, it is important to consider the organization's supply chain management (Fredendall and Hill 2016) procedure and outline. Also, we should consider ways that Nike can enhance their tasks as initially planned in 1975 with the Future Program. We will investigate techniques, apparatuses, and programming that Nike can actualize to viably switch its developing issues through the acknowledgment of a target worldwide activities procedure.

Demand Forecasting

A standout amongst the most imperative parts of proficient supply chain management is precise request estimating. (Altay and Litteral 2011; Demand forecasting and inventory cont...) This is on the grounds that obtainment, generation, appropriation, requesting, booking, and inventory are altogether decided in light of forecasts of what request will be. (Thomopoulos 2014b) While gauges are never totally precise, there are an assortment of devices and systems that Nike can use to enhance the exactness of their forecasts (Thomopoulos 2014b). Since i2 Technology's estimating programming ended up being inadequate, Nike ought to consider an assortment of quantitative strategies using in-house information to create bits of knowledge. One normal and helpful strategy for determining request is direct relapse. By relating interest to time and concentrate the straight pattern line, the organization can extend the slant into the future and make forecasts in light of past conduct. ("Demand Forecasting and Inventory Control" 1997) Regular modifications ought to be made and figure blunder ascertained to enhance precision. Gauge mistake can be computed utilizing strategies, for example, mean absolute deviation (MAD). By observing gauge blunder after some time, Nike can actualize conjecture control and ascertain a following sign to decide whether forecasts are reliably high or low. This will permit the dynamic refinement of their expectations starting with one period then onto the next.

Inventory Management and Scheduling

With the present dynamic request variances, (Chandra Bose 2006) inventory management is fundamental to guarantee that an organization has enough inventories available to fulfill request while limiting the numerous expenses related with keeping up huge inventories. The initial step to effectively overseeing inventory is creating precise request estimates. Next, Nike ought to use their as of late executed ERP programming and facilitate this with their providers. Considering Nike's supply chain, it would likely be exceptionally gainful to consider merchant oversight inventory (VMI) and a constant renewal program (CRP). The mix of these two systems could have a critical positive effect on both Nike and its providers; enhancing the whole supply chain beginning most distant upstream at the acquirement of crude materials. As clarified by IBM, "Getting enough of the correct item to the correct outlet at the perfect time is

the mystery of achievement in supply chain management. ("INVENTORY MANAGEMENT," n.d.) That is the reason nowadays an ever increasing number of organizations see the advantages related with VMI/CRP." (Silver, Pyke, and Peterson 2013) Vendor oversight inventory and nonstop renewal makes the provider in charge of inventory management and item recharging. The powerful execution of VMI/CRP would be reliant on Nike effectively actualizing their ERP programming and incorporating it with their providers to share purpose of-offers information and request estimates. It would require a solid connection amongst Nike and its providers where data is traded every day. (J. W. Toomey 2000) This would enable the maker to precisely plan its activities as per request estimates and inventory prerequisites instead of creating discretionarily as Nike places arrange.

Supply Chain Management Strategy and Design

A supply chain incorporates all exercises related with the stream and change of merchandise and ventures from the crude materials stage to the end (client), and additionally the related data stream. This implies Nike's supply chain starts where their makers source the crude materials for the generation of Nike's attire. The way that Nike outsources their assembling suggests that the organization has practically no influence over acquirement or assembling forms. These are major operational zones that could limit costs and enhance quality and productivity if oversight legitimately. Setting up an arrangement for what's to come is the last advance in bringing CSR into your supply chain. (Wild, n.d.) A basic piece of this is choosing which providers to work with. It is imperative that you can have trust and their organization's vision and qualities are lined up with yours. When you set your supply chain (Chopra and Meindl 2015) up for progress, you have to prop it up. Normal reviews and re-assessing execution criteria can assist you with achieving this. Nike could think about securing of its providers to increase full control of their tasks; generally the organization is constrained to its provider determination and whatever impact it hosts as a third-gathering. The usage of VMI/CRP as beforehand examined would enhance Nike's tasks upstream on the grounds that it would give the maker more noteworthy control in the generation procedure by having the information to get and create just what is required. This would commonly profit both Nike and its providers in light of the fact that the two gatherings will be able to alleviate costs and augment productivity. Great

correspondence and the steady stream of precise information are imperative for this system to be successful.

Fall of Nike profits

In 1999 Nike embarked upon a huge IT project to implement a new supply chain management and customer relations management. The new system experienced some teething problems. Resulting in reduction of Nike profits by 24% in 2001. In February 2001, Phil Knight (Knight), the co-founder and CEO of Nike Inc (Nike), announced that the company's profits for the third quarter of the fiscal year ending May 2001 would fall short of expectations by almost 24 percent. The reason for the shortfall was a failure in the supply chain software that Nike had implemented in June 2000. The supply chain software, which was implemented in Nike by i2 Technologies Inc , at a cost of \$400 million, could not fully control the demand supply mismatch and thus lead to manufacturing in large numbers of less popular shoe models and small numbers of most popular shoe models. Both i2 and Nike blamed each other for failure and both companies shares fell down. This made the company to lose its reputation.

Reducing excess inventory as a strategy

For sports-concentrated entrepreneurs, it can be unsettling at first to catch wind of how one of the world's biggest names in games is attempting to dump its overabundance inventory. (Rosenfield 1989) Nike's new approach implies it's concentrating to a great extent on boosting the speed of item creation, assembling and conveyance over all territories of the business, from item to versatile client encounter. It additionally implies the family unit brand will put up 25 percent less styles for sale to the public inside the following couple of months to center around its smash hits. Like Nike, autonomous retailers can reevaluate their methodologies to enhance transformations while lessening overabundance inventory. Be that as it may, fortunately, the changes don't should be very as sensational.

1. Cater your local market

Local business owners have an unmistakable preferred standpoint over their huge name partners they know precisely what their gathering of people needs. Converse with your purchasers face to face or by means of online networking and host in-store occasions to get a smart thought of what your center market needs. At that point, when you're

requesting new inventory, you know precisely what to buy and what patterns or prevailing fashions to maintain a strategic distance from. This is particularly essential amid the occasions, when private companies have a tendency to provide food straightforwardly to their center market of suppliers.

2. Get rid of excess inventory

It's a well established reality of retail life that you'll have a type of abundance inventory. While numerous brands and Nike write off these unsold merchandise, independent ventures don't need to. Neighborhood stores can use online commercial centers to move their overabundance inventory regardless of whether it's no longer on the business floor. Search for a commercial center with a simple to-utilize online stage that makes disposing of abundance inventory a breeze for any independent company retail proprietor.

FINDINGS

- Nike and i2 ad software problems in demand forecasting and supply chain
- Nike did not know their customers want and need well which lead to excess inventory
- Nike and i2 later updated to a better software which gave accurate results.

SUGGESTIONS

- Nike can open its own branded store and manage its supply and inventory control on its own.
- They can ask consumers their needs by taking survey and produce according to it.
- Produce the required amount to avoid excess inventory.
- Nike should keep on checking the progress of their company in order to stay in the market

CONCLUSION

Both, Nike and i2 endured with the supply chain disappointment which was consequence of the two Companies mismanagement. The negative publicity influenced the two organizations with money related misfortunes and the creation setbacks. Nike understood that usage of the product was difficult and objectives set were not practical. Nike felt that an outsider viewpoint from an integrator's perspective could have uncovered the defects in the execution. Still Nike kept on working with i2 on the five-year long venture .By the finish of 2003 Nike had gained significant

ground as Nike saw that its ability to nearly monitor the development of merchandise from crude materials through manufacturing plants to retailers was at long last paying off. Nike quit utilizing i2 request organizer for its tennis shoe show which brought about climb in the Nike items and the inventory framework was working just fine, the requests given by the purchaser was given on the guaranteed date, which brought the organization's notoriety. Nike, Inc. is an organization in view of competition. From outfitting competitors with the finest games hardware on the planet to consistently enhancing their money related execution, Nike dominates competitors. Phil Knight and Bill Bowerman most likely couldn't have envisioned in 1962 to what degree their handshake ascension and \$500 ventures would yield. They knew that item quality and advancement would assist competitors with achieving more prominent objectives. Nike must keep on expanding their product offerings to address the issues of a consistently developing business sector. Nike must keep on improving the workplace where they do business in remote grounds without including themselves in the political parts of those nations. Nike will keep on facing new difficulties, for example, specialized advances of future and agitation and changes happening in the legislatures around the globes. The competitive idea of Nike and their steady trying to enhance, the difficulties I accept will be met with competitive view, "JUST DO IT"

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