

Business Model and Compensation Strategy of Sporting Goods Industry: A Case Study of Nike

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Abstract. The practical significance of this paper lies in the comprehensive analysis of the company market and Nike's salary structure and salary policy. By focusing on Nike as the main research object, this study examines fundamental aspects of business models within the sporting goods industry. It explores how companies develop policies to maximize employee welfare, the role of incentive policies, and more. Changes in revenue and market trends are also taken into account. Through objective analysis, data interpretation and theoretical speculation, this paper makes an in-depth study on the business model and compensation strategy of sporting goods companies. In addition, this paper also studies the related policies and the reasons for their modification. These findings contribute to a deeper understanding of socio-economic factors, the impact of business policy within the sporting goods market, as well as Nike's compensation strategy and changes in the board member compensation system under social influence in recent years.

Keywords: Business model, compensation strategy, performance.

1. Introduction

Government policies and regulations affect government policies and regulations have a direct impact on the business environment and market competitiveness of sporting goods enterprises. Some governments may formulate specific policies for the field, such as sports development programs and policies for promoting the sporting goods industry, in order to promote the development of the sports industry in their countries. In addition, trade policies, intellectual property protection and environmental regulations may also have an impact on the international competitiveness and sustainable development of enterprises. The government can also promote the development of sporting goods-based enterprises by formulating sports policies and organizing international events. Organizing large-scale events can increase the exposure of sporting goods, stimulate consumer interest in purchasing, and increase sales opportunities for firms. In addition, the government's focus on building sports infrastructure and investing in physical education will also boost demand in the sporting goods market.

There is a growing awareness of health and fitness. With changing lifestyles and increasing health problems, people are placing greater emphasis on sports and fitness activities. This trend is a positive factor for companies in the sporting goods category. The popularity of social media and the internet has provided a wider market reach for companies in the sporting goods category globally. Through social media platforms, companies can better promote their brands and products, connect and interact with potential consumers, and obtain consumer feedback. In addition, social media also provides companies with more channels to understand consumer preferences, trends and needs, which helps them adjust their market strategies and product positioning. Modern society contains a variety of different consumer groups and has different needs and preferences for sporting goods. Enterprises need to understand the consumption habits, cultural background and purchasing power of different groups in order to target products and marketing strategies suitable for different consumer groups. Diversified consumer groups also bring more market opportunities for enterprises. And the global trend of population aging is obvious, which also has potential opportunities for sporting goods companies. The demand for maintaining a healthy and active lifestyle has increased among the elderly population, who have also begun to pay attention to sporting goods and sports equipment. Therefore,

companies can meet this market demand by developing and promoting appropriate products designed for the elderly.

2. Business Model for Sporting Goods

A discussion on the business model of sporting goods companies. The business models of sporting goods enterprises usually include research and development, design, production, sales and marketing. Depending on the positioning and development strategy of different enterprises, the business models may be different, but they share some characteristics.

First, sporting goods enterprises focus on R&D and design. They need to continuously innovate and improve their products to meet consumer demand for functionality, performance and fashion. This usually requires companies to have high-level R&D teams and designers who play an important role in product development, material selection and style design [1]. The annual trend of patent applications and inventors of a company can reflect the evolutionary trend of the company in technology competition and the trend of technology R&D investment. As the R&D and application of patented technology is for enterprises to compete for the high point of technology in the field, so as to occupy a larger share in the market, therefore, the change of the patent application volume can illustrate to a certain extent the technological demand situation in the market. Since the establishment of Nike in 1972, before 2004 was the budding stage of the R&D of patented technology of Nike, and the number of patent applications and related R&D personnel were relatively small, and the number of patents and inventors was relatively small. The number of patent applications and inventors are basically below 50. After 2004, as the company's marketing scope continues to expand, the investment in R&D of patented technologies increased, the number of patent applications and R&D personnel also increased year by year, from 44 patents in 2004 to 278 patents in 2012, an increase of 5.32 times. R&D personnel also increased from 90 in 2004 to 414 in 2012, an increase of 3.6 times (2013 is not included in the analysis due to the time lag factor). The number of patents of Nike shows a wave-like upward trend and is in a rapid growth phase. Nike first enforces patent protection in its own country and in the largest property rights organizations, and on this basis applies for patents in various other countries according to the potential for market development. China ranks 4th with 523 patent applications, accounting for 7.15%, and other countries with more than 100 include Japan, Canada and Australia.

Secondly, sales channels are a key aspect of the sporting goods business. It is mentioned in Northern Economy that Nike, as the world's largest enterprise dealing with sports shoes, has its products all over the market [2]. However, it does not have a factory of its own. In addition to traditional retail channels, such as physical stores and specialty stores, more and more companies are beginning to focus on e-commerce and online retailing. By having their own online malls or cooperating with e-commerce platforms, companies can expand their product coverage, reach more consumers and provide a more convenient shopping experience.

Brand building and strategy is an important task for companies in the sporting goods category [3]. The competitive advantage of enterprises comes from the strategy, and the continuous matching with the environment is the vitality of the strategy. Brand image and reputation play an important role for consumers in the decision-making process. Enterprises need to build and maintain brand awareness and image through brand storytelling, promotional activities, sponsorship of sporting events and promotional push [4]. The pattern of the American sports market is "one super and many strong", and the functional brands of the market segments are developing rapidly. Take the United States market, Nike's main business area, as an example. According to Euromonitor, the market size of athletic shoes and clothing in the United States in 2022 will reach 145.9 billion US dollars, maintaining a high annual growth rate since 2011 on the basis of a relatively large volume, and the growth rate will fall under the influence of the epidemic in 2020. However, it rebounded to 30.4% year-on-year growth in 2021 and returned to pre-pandemic growth levels in 2022. From the perspective of competitive pattern, Nike brand market share ranked first in the United States market, according to Euromonitor, Nike

brand in 2022 in the United States sports shoes market share of 14.2%, far more than the second adidas (2022 market share of 6.3%). In addition, the market share of some subdivision track leaders such as Lululemon, Skechers and other brands that have emerged in recent years has increased significantly, but due to the limited industry scale of each subdivision track, although the market share of Nike brand has declined, it is believed that Nike's position is still relatively stable.

2.1. Importance of Remuneration Strategy

2.1.1 Attracting and retaining excellent talents

Better talent is worth fighting for. At senior levels of an organization, the ability to adapt, to make decisions quickly in situations of high uncertainty, and to steer through wrenching change is critical [5]. But at a time when the need for superior talent is increasing, big US companies are finding it difficult to attract and retain good people. Sporting goods enterprises need to have a strong research and development team, marketing capabilities and manufacturing capabilities, which all need to be supported by high-quality talent. By formulating a reasonable compensation strategy, the enterprise can attract and retain high-level employees, and help the enterprise to maintain a competitive advantage.

2.1.2 Stimulating employees' work motivation

The effective salary incentive can increase the opportunity of salary growth for employees, create a fair growth environment, stimulate the motivation of career growth, and enhance the confidence of career growth [6]. Through the analysis of the current sales salary model of enterprises, it is found that the variable salary model based on individual short-term quantity output restricts the career growth motivation, income growth opportunity, career goal realization, career ability improvement and career development space of sales personnel. Enterprises should distinguish the sales performance salary scheme, expand the scope of performance reward, implement team salary sharing, improve the position salary system, and promote the career growth of sales personnel through effective salary strategies. The sporting goods industry is highly competitive and requires high creativity and motivation of employees. Appropriate salary incentives can stimulate the work motivation of employees, improve the efficiency and quality of their work, and promote the innovation and development of the enterprise.

2.1.3 Improving competitiveness of employees

This is a scarce resource: increasing an agent's status requires that another agent's status be decreased. Higher-status agents are more willing to exert effort in exchange for money; better-paid agents would exert higher effort in exchange for improved status [7]. The results are consistent with actual management practices: (i) egalitarianism is desirable in a static context; (ii) in a long-term work relationship, juniors' compensation is delayed; and (iii) past performance is rewarded by pay increases along with improved status within the organization's hierarchy.

Sporting goods enterprises usually provide employees with broad career development space and opportunities. Developing a reasonable compensation strategy can motivate employees to continue to learn and grow, improve their own ability and competitiveness, and then get higher pay and promotion opportunities.

2.1.4 Building a good team culture

Sporting goods enterprises focus on teamwork and synergy. Appropriate salary incentives can help enterprises establish a fair and just reward mechanism, stimulate the cooperation and collaboration among employees, and promote team cohesion and work efficiency.

2.1.5 Improving satisfaction and loyalty

The salary satisfaction of employees is the key factor affecting the realization of enterprise goals, and it is an important content of modern enterprise human resource management. It is the need of enterprise development strategy to improve employees' salary satisfaction [8]. On the premise of

understanding the connotation of employees' salary satisfaction, this paper puts forward some methods to improve employees' salary satisfaction according to its influencing factors. Employees of sporting goods enterprises generally have a certain sense of identity and loyalty to products and brands. Through the development of fair and reasonable compensation strategy, can increase employee satisfaction and sense of identity, prompting employees to work more faithfully for the enterprise, reduce the brain drain.

2.2. The Significance of Nike

2.2.1 Explore the development dynamics of the industry

Analyzing Nike's business model and compensation strategy can reveal the development dynamics and trends of the sporting goods industry. Understanding the latest development and competitive situation of the industry helps enterprises grasp opportunities and meet challenges.

2.2.2 Enhancement of corporate competitiveness

Salary management is an important aspect of enterprise human resource management. Reasonable salary system can stimulate the potential of employees and enhance the competitiveness of enterprises [9]. Studying Nike's business model and compensation strategy can help enterprises identify their strengths and weaknesses. Understanding how the business model helps enterprises achieve profitability and how the compensation strategy motivates employees to create value helps enterprises optimize their business strategies and further enhance their competitiveness.

2.2.3 Promotion of enterprise's sustainable development

Analyzing Nike's talent demand and training strategy can provide enterprises with insights in talent management. Effective talent introduction, cultivation and incentive mechanism can help enterprises establish a stable and efficient team and enhance the ability of sustainable development.

Conclusion: By analyzing Nike's business model and compensation strategy, it can provide valuable reference and inspiration for other enterprises in the sporting goods industry, as well as help to grasp the dynamics of the industry, improve enterprise competitiveness and enhance the ability of sustainable development.

3. Case Analysis of Nike

Nike is a world-famous sporting goods company, headquartered in Oregon, USA. Nike was founded in 1964 by Bill Bowerman and Phil Knight. Nike is known for producing and selling athletic shoes, sportswear, sports equipment and accessories, covering a variety of sports and exercise types. Nike's business model mainly includes product development and design, marketing, channel distribution and supply chain management.

In terms of product development and design, Nike focuses on innovation and technology leadership. They continue to invest in the development of high-tech products and materials, such as Nike Air cushion, Flyknit woven upper technology, to provide more comfortable, lightweight, high-performance products.

Nike mainly through marketing activities to establish and strengthen the brand image. They sign endorsement contracts with some of the top athletes in the world, such as Michael Jordan and LeBron James, and use their influence and visibility to increase brand awareness and sales. Nike uses a diversified channel distribution strategy, including direct retail stores, brand licensing stores, sporting goods stores and e-commerce platforms. They cover major markets around the world through an extensive global sales network.

3.1. Compensation Level

The data in this article are taken from Nike's official website. For the specific salary of Nike company, this paper takes unemployed directors as a specific example. Nike, Inc's stock is divided into two classes of common stock, A and B. The board of directors of Nike, Inc has two classes of

common stock. These two classes also become voting stock at election time, the board of directors currently has 13 directors in fiscal year 2023, holders of B stock have the right to elect four directors at the annual meeting holders of A stock have the right to elect the remaining nine directors. Nike's compensation system for executive officers is generally, base salary (cash) annual cash incentive awards (PSP based on 0% to 150% of realizable cash incentive compensation over a one-year performance period) and Nike Inc. has aligned the interests of its executives with its shareholders beginning with the approval of the Long-Term Incentive Plan in 2017, which awards specific cash, stock options, and RSUs, of which Cash awards are based on realizable cash incentive awards ranging from 0% to 200% of the Company's performance over a three-year performance period, and stock options provide real value only if the Company's stock price increases. Nike pays non-employee compensation primarily in cash and RSUs, awards Nike pays non-employee compensation primarily in cash and RSUs, with the majority of the shares awarded being Class B shares. Nike pays non-employee compensation primarily in cash and RSUs, and most of the stock awarded is Class B stock. The specific amount is \$300,000 in fiscal year 2023 for non-employee directors of Nike, with an annual retainer of \$100,000 and a one-time signing restricted stock award valued at \$200,000 on a one-time basis. valued at \$200,000 on the date of appointment, and reimbursed by the company for spending incurred by the board. In terms of compensation, Nike implements a differentiated pay system, setting pay levels according to employees' positions, abilities and performance. At the same time, they also provide incentives, such as stock options and reward programs, to motivate employees to work and creativity. In the past five fiscal years, Nike's salary for unemployed directors has risen. Table 1 and Figure 1 shows how Nike's board members' compensation has changed in the past five years.

Table 1. Nike’s board member’s compensation during 2018-2022

Year	2018	2019	2020	2021	2022	% change
Nike, Inc.	275,000	275,000	285,000	285,000	300,000	9.1%

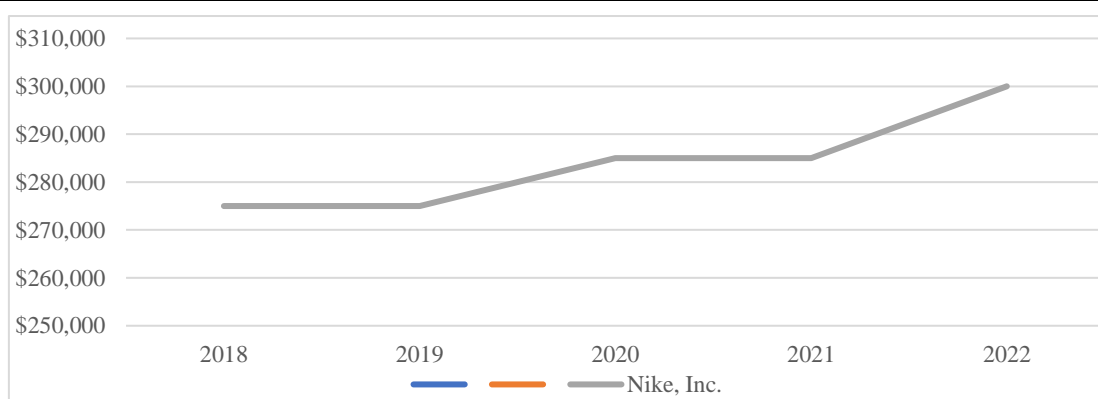


Figure 1. Annual director compensation of Nike (Photo credit: Original)

For Nike's earnings are continuing to rise, and it also has a good contribution to the global economy. In recent years, Nike's direct business proportion and turnover continued to increase, and the gross margin reached 46% in fiscal year 2022, an increase of 2.4% compared to fiscal year 2013. The increase of the business proportion has accelerated the growth of the company's sales efficiency. Despite the impact of the epidemic beginning at the end of 2019, the company's total revenue continued to rise [10]. Nike/Converse accounted for 95%/5% of revenue. Nike's revenue was +5% year-over-year to \$12.2 billion, excluding currency effects, +8% year-over-year, and direct sales revenue was +15% year-over-year to \$5.5 billion, excluding currency factors, +18% year-over-year; Among them, online +14%.

In 2016, Phil Knight, one of the founders of Nike, announced his retirement from his role as Chairman of the Board and moved to become Co-Chairman of the Board. At the same time, the Board appointed Mark Parker as Chairman of the Board and Chief Executive Officer. This was an important personnel change in Nike's history, marking the transition from the founder stage to a new generation

of leadership. There were also a number of board member exits in the intervening years. In April 2021, Nike announced a number of new board members, including James Johnson and Safi C. Bahcall. James Johnson has extensive experience in technology and innovation, having served as executive vice president at Microsoft. And Safi C. Crooks is a scientist and entrepreneur with a successful track record in biotechnology and innovation. With these board member changes, Nike has achieved a degree of restructuring and fresh blood at the board level. These changes may lead to new strategic directions and market opportunities for the company, as well as adapting to the ever-changing and evolving business environment.

3.2. Policy Analysis

Nike's huge profits are inseparable from its related policies and systems. For example, the share of the company's digital business increased from 10% in FY19 to 26% in FY23 [3]. For the full year, the company's digital business grew strongly at 24%, all because of the company's membership. Companies know and serve their consumers better, and data-driven insights power the end-to-end value chain, including product creation, marketing, and sales. This has led to sustainable profitable growth for Nike, which will only accelerate as the company adds new capabilities to serve consumers at scale.

For the policies related to the business model and compensation incentives of Nike Corporation, the shareholders of Nike Corporation approved the long-term incentive plan in 2017, which increased the limits and flexibility of the company and increased the salaries and bonuses for the employees, the company's executives have a compensation plan that is aligned with the business, and in order to maximize the return to the shareholders their rewards are determined by the performance, and for the annual awards, they if they are exceeding performance the company will increase the pay and vice versa the awards will be reduced or eliminated. The second part of long-term incentives is stock options, when the company's stock increases in value, the executives' actual income will increase in value.

Nike advocates diversity and inclusion and is committed to creating an inclusive work environment and culture. They implement a diversity recruitment strategy that emphasizes employee diversity and inclusion and ensures fair promotion opportunities and compensation systems.

Nike focuses on protecting labor rights and interests, especially in the global supply chain. They have formulated "Nike's Human Rights Responsibility Provisions", which are committed to ensuring a safe working environment for workers, prohibiting forced labor and discrimination, and promoting the normal rationalization of working hours.

By formulating and implementing relevant policies, Nike actively responds to the needs of the society, market and stakeholders to ensure the sustainable development of the company and the establishment of corporate image.

3.3. The Important Role of Nike's Compensation Strategy

Compensation and benefits are one of the key factors in attracting and retaining top talent. Nike attracts and retains top talent in the industry by offering competitive compensation and benefit programs. This includes competitive base salaries, benefit awards, performance bonuses, and equity incentive programs.

Compensation strategies can motivate employees to work hard and achieve superior performance. Through performance-related bonuses and incentive programs, Nike can motivate employees and drive high quality work to achieve their personal goals and company objectives.

Compensation strategies can improve performance and efficiency by motivating and energizing employees. Transparent compensation structures and incentives can help employees clarify goals, focus on results, and provide effective incentives for achieving excellent performance.

Compensation strategy can also promote teamwork and culture building. Nike may encourage teamwork, knowledge sharing and collaborative spirit through compensation design, thus promoting

innovation, enhancing corporate culture and ensuring that employees work together under the guidance of company values.

Compensation strategies can help shape and nurture a high-performance culture. By rewarding and incentivizing high performance employees, Nike is able to establish a work environment and culture of positive competition and pursuit of excellence.

In Nike's compensation strategy, they consider various aspects such as employee benefits, market competitiveness, performance evaluation, industry standards, and employee development. Such a comprehensive strategy is designed to drive employee growth and satisfaction and is aligned with the company's overall strategic goals to help achieve sustainable future growth.

4. Limitation and Outlook

This study objectively analyzes the impact and improvement of Nike's initiatives, but there are some one-sidedness and flaws due to the author's little experience. It is believed that as the market continues to develop and the demand for the sports industry increases, and most consumers holds the expectations for the company's related policies and development.

5. Conclusion

The study discusses the development trend and market status of global sporting goods enterprises, business model discussion, characteristics and Nike's relevant salary policy, specific details of sales, and help the company to discuss. The researchers found that many of Nike's board members were also on the board of directors of other companies, with nine out of 13 directors serving on the board of directors of other companies in fiscal year 2023. Although Nike has a reasonable salary incentive mechanism and stable performance, it can optimize the relevant salary system to achieve better earnings results.

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