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Research on the Strategic Cost Management Framework of Sporting Goods Enterprises

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Abstract: *This study focuses on Nike's strategic cost management framework and analyzes its cost control practices and challenges in the context of globalization. By exploring Nike's specific practices in strategic positioning, value chain analysis, and cost driver analysis, the study reveals problems in the company's incomplete implementation of cost management concepts, inadequate implementation of mechanisms, and lack of an evaluation system. To address these issues, the study proposes measures such as establishing a strategic cost management concept, improving management mechanisms, and building an evaluation system to help Nike optimize its cost management framework, thereby improving operational efficiency and competitiveness. This study not only provides theoretical support for Nike's cost management in a complex market environment, but also provides valuable reference and lessons for other companies' cost control practices.*

Keywords: *Strategic cost management; Sporting goods; Cost control; Global competition*

1. Introduction

Against the backdrop of the rapid development of the globalized and digitalized economy, the market competition faced by enterprises is becoming increasingly fierce, and cost control has become an important means of gaining long-term competitive advantage. Strategic cost management, as an important method of enterprise cost control, not only involves the optimization of internal resources, but also emphasizes achieving competitive advantage through close integration with the external environment. In recent years, external factors such as the intensification of global economic fluctuations, the complexity of supply chains, and rising raw material prices have further promoted enterprises to pay attention to strategic cost management. Taking China as an example, the gross domestic product (GDP) in 2022 increased by 3.0% year-on-year, while the cost of manufacturing increased during the same period, especially the cost of energy and raw materials. Enterprises urgently need to improve cost control efficiency through strategic cost management to enhance their competitiveness [1] .

In this context, as a leading global sports brand, Nike's strategic cost management practices have important research value. By studying its cost management framework, it can provide reference for other companies and help them cope with the increasingly complex market environment and cost challenges.

2. Overview of Nike

2.1 Company Profile

Nike Inc. was founded in 1964 and is headquartered in Beaverton, Oregon, USA. It is one of the world's leading manufacturers of sports shoes, sportswear and sporting goods. Nike was originally named "Blue Ribbon Sports" and was co-founded by Phil Knight and Bill Bowerman. In 1971, it was officially renamed "Nike" , which was derived from the Greek goddess of victory " Nike " [2] . In fiscal year 2023, Nike achieved revenue of US$46.7 billion, a year-on-year increase of 10.7%, of which the North American market accounted for 42% of the company's total revenue [3] . In addition, Nike has more than 79,000 employees worldwide and has a dominant position in the market through its core brands Nike, Jordan and sub-brands such as Converse [4] .

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As a leader in the sporting goods industry, Nike has consolidated its leading position in the industry through continuous technological innovation and global marketing strategies, and has developed breakthrough products such as "Air Sole Technology" [5]. According to statistics from Fortune magazine, Nike has been ranked as one of the most influential companies in the world for many years and has more than 1,300 directly-operated stores worldwide. Nike has always taken "pushing the limits of human potential" as its brand vision, and strives to promote the health and sports experience of global consumers by providing high-performance sports products [6] .

2.2 Market environment faced by Nike

Nike faces an extremely complex market environment, with globalization and digital transformation having far-reaching impacts. As the trend of sports and leisure continues to heat up and consumer demand becomes increasingly diversified, Nike must continuously optimize its product line to meet the needs of different markets. Uncertainties in the global market, such as economic fluctuations, exchange rate changes, and trade policy adjustments, have posed challenges to Nike's supply chain and cost structure. In addition, the rapid development of e-commerce has made online shopping mainstream, forcing the company to accelerate its digitalization process and promote the integration of online platforms and physical stores.

Market competition is also becoming increasingly fierce, with global brands such as Adidas and Puma, as well as emerging local brands, threatening Nike's market share. Environmental sustainability issues have also brought new pressure to the industry, with consumers paying more attention to environmentally friendly products, forcing companies to integrate sustainable development into the production process.

3. Research on Nike's Strategic Cost Management Framework

3.1 Overview of Strategic Cost Management

Strategic cost management originated in the 1980s and was first proposed by British scholar Kenneth Simmonds in 1981. The concept he proposed emphasizes that by collecting and analyzing relevant information about competitors, making a horizontal comparison with the company's own operations, and on this basis designing a cost control plan suitable for the company, this is part of strategic management [7] . In 1988, Bromwich further enriched Simmonds' theory, arguing that strategic cost management is not limited to comparing the operating conditions of the company with its competitors, but should also pay more attention to the comprehensive control of the external market environment [8] . Entering the 1990s, the theory of strategic cost management was gradually explored and expanded by more scholars. American scholars Shank and Govindarajan are considered to be representatives in this field. They established the three core elements of strategic cost management, namely strategic positioning analysis, value chain analysis, and cost driver analysis, and constructed a more systematic strategic cost management framework [9] . This development has enabled the theory of strategic cost management to be more widely applied in practice and laid the foundation for it to serve as a tool for enhancing corporate competitive advantage.

3.2 Nike's Strategic Positioning Analysis

Nike's target concentration strategy focuses on concentrating resources on high-potential markets and core product lines, and maximizing brand benefits by accurately targeting target consumers. Nike focuses on selecting markets with high growth potential and regards them as key areas for brand expansion and business growth. For example, the rapid rise of the Chinese market has prompted Nike to invest a lot of resources to attract consumers in emerging markets by increasing marketing budgets, strengthening localized production and innovative product design. This strategy ensures Nike's continued growth worldwide and reduces uncertainty risks by optimizing regional operations. By focusing on key markets and consumer groups, Nike is able to allocate resources more effectively and increase market share.

At the product level, Nike continues to concentrate resources on its core sports shoes and sportswear businesses to strengthen its dominance in the global market. With sports shoes as its core, Nike continues to innovate and launch limited edition, professional sports shoe series to attract professional athletes and sports enthusiasts, while also entering the mass consumer field through sports

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fashion products. Flyknit, Air Max and other classic technologies and designs have become iconic products of the brand, successfully attracting loyal consumer groups.

3.3 Analysis of Nike's Cost Management Status

3.3.1 Nike's Product Design Cost Control Analysis

Nike's product design cost control mainly relies on lean design and material innovation, reducing manufacturing costs by optimizing production processes and selecting efficient materials. Nike's "Manufacturing Revolution" project is a key link in this. The project reduces material waste and labor costs through automated production and modular design. According to Nike, the Flyknit technology used has increased material utilization by 60% by reducing the steps of the traditional upper stitching process, and production costs have been reduced accordingly. In addition, Nike's annual investment in research and development reaches US$3 billion, a large part of which is used for the development and testing of new materials to ensure that costs are controlled while improving product performance [10] . For example, Nike is using renewable materials and 3D printing technology, which can effectively reduce the use of raw materials and improve design accuracy. Table 1 is a statistical table of Nike's product design costs from 2020 to 2023.

Table 1: Statistics of Nike's product design costs from 2020 to 2023

years	R&D expenses (billion US dollars)	Manufacturing cost (billion US dollars)
2020	25.4	223.0
2021	27.0	231.0
2022	28.4	238.6
2023	30.0	250.0

Table 1 shows the statistics of Nike's product design-related costs from 2020 to 2023. It can be seen that Nike's R&D expenses and manufacturing costs are increasing year by year. In 2020, Nike's R&D expenses were US$2.54 billion, which will increase to US$3.00 billion in 2023, with an average annual increase of about 5.7%. In terms of manufacturing costs, it was US$22.30 billion in 2020 and increased to US$25.00 billion in 2023, with an average annual growth rate of 3.9%. This trend reflects Nike's continued increase in investment in new materials and technological innovation, while controlling the growth of manufacturing costs through global supply chain optimization and automated production. These data show that Nike's investment in design and manufacturing helps maintain its industry competitiveness and market share[11][12].

Nike has also optimized its product design and production costs through global supply chain integration. With a global network of factories, Nike can flexibly adjust its production layout to cope with fluctuations in raw material prices and minimize raw material procurement costs. According to company data, Nike cooperates with suppliers in more than 50 countries around the world, and more than 700 factories are involved in the production of its products. The regionalized procurement strategy has further reduced transportation and inventory costs.

3.3.2 Nike's Inventory Cost Control Analysis

Nike relies on its global supply chain management system and technology-driven optimization strategies to control inventory costs. Through regionalized production and procurement layout, Nike can flexibly respond to fluctuations in global market demand and reduce unnecessary inventory backlogs. According to the company's fiscal 2023 financial report, Nike's inventory amounted to US$8.96 billion, an increase of 11% from the previous fiscal year. Despite the increase in inventory, its inventory turnover days were 93 days, slightly higher than 90 days in fiscal 2022. In order to cope with the increasingly complex supply chain, Nike has introduced an intelligent inventory management system, relying on big data and artificial intelligence technology to accurately predict market demand, thereby achieving reasonable inventory allocation . These technologies not only improve inventory turnover efficiency, but also reduce losses caused by inventory backlogs. Table 2 is a statistical table of Nike's inventory costs from 2020 to 2023[13].

Table 2 shows the statistics of Nike's inventory costs from 2020 to 2023, showing a trend of increasing year by year. The inventory amount increased from US$6.6 billion in 2020 to US$8.96 billion in 2023, with an average annual growth rate of 10.8%, indicating that Nike's inventory level continues to rise with the increase in market demand. At the same time, the inventory turnover days also increased from 88 days in 2020 to 93 days in 2023 , indicating that Nike's inventory turnover has

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slowed down, reflecting that the challenges of inventory management have intensified against the background of increasing supply chain complexity . This change is closely related to global supply chain fluctuations and changes in market demand. Nike needs to balance demand growth and cost control in inventory management.

Table 2: Statistics of Nike's inventory costs from 2020 to 2023

years	Inventory amount (US$ 100 million)	Inventory turnover days (days)
2020	66.0	88
2021	76.2	85
2022	80.8	90
2023	89.6	93

Nike has further optimized its inventory costs by accelerating the digitalization of its supply chain. Its "Digital Supply Chain Acceleration" program aims to reduce inventory holding costs through more efficient logistics systems and real-time data monitoring. In 2023, Nike's inventory management costs rose slightly, which was related to global supply chain fluctuations and extended production cycles, but its overall inventory cost control remained within a reasonable range. According to figures disclosed by Nike, the total inventory in 2023 increased significantly from US$6.6 billion in 2020, reflecting the increased demand for Nike products in the global market[14].

3.3.3 Analysis of Nike's Sales Cost Control

Nike's sales cost control is mainly reflected in its optimization of the supply chain, the digital transformation of sales channels, and the adjustment of the global market layout. According to Nike's 2023 fiscal year financial report, its sales cost is US$30.7 billion, accounting for 65.7% of total revenue, an increase of about 6.6% compared with US$28.8 billion in 2022. This growth is related to increased global market demand and rising supply chain costs. In response to these changes, Nike has increased its investment in logistics and warehousing, and adopted a more efficient distribution network to reduce cost pressure in the supply chain. Nike has reduced unnecessary sales costs by integrating global production and localized market operations, thereby improving overall operational efficiency. At the same time, Nike has promoted the development of the direct sales model, reduced the lengthy intermediate links in the traditional retail channels, and optimized the sales cost structure. Table 3 is an analysis of the sales cost statistics from 2020 to 2023.

Table 3: Analysis of sales cost statistics from 2020 to 2023

years	Cost of sales (billion US dollars)	Sales cost as a percentage of revenue (%)
2020	247.0	61.8
2021	261.0	62.3
2022	288.0	64.8
2023	307.0	65.7

Table 3 shows the changes in Nike's sales costs and their proportion of revenue from 2020 to 2023. Sales costs gradually increase from US$24.7 billion in 2020 to US$30.7 billion in 2023, with an average annual growth rate of about 7.5%. At the same time, the proportion of sales costs to revenue also increased from 61.8% in 2020 to 65.7% in 2023. The trend shows that although Nike's total revenue is growing, sales costs are rising faster, resulting in a gradual increase in the proportion of costs to revenue . This phenomenon is closely related to the tight global supply chain, increased production costs, and rising logistics costs, reflecting that Nike's sales cost control in a complex market environment faces certain challenges. Overall, Nike still needs to face increasing external pressure in controlling sales costs to ensure the stability of its profit margins[15].

4. Problems with Nike's Strategic Cost Management Framework

4.1 The strategic cost management concept is not fully implemented

Nike has shown certain limitations in the implementation of the strategic cost management concept, which is mainly reflected in the large differences in the understanding of cost management at all levels of the company. Although Nike has long emphasized innovation and market development, in terms of cost control and resource allocation, the strategic concept has not been fully penetrated into various departments and business units within the organization. Especially in the expansion of global business,

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branches in different regions have different understandings of strategic cost management, resulting in uneven resource use and affecting the effectiveness of cost management. Some business departments tend to pursue market expansion and innovative product development, while ignoring strict cost control, resulting in unnecessary waste of resources.

One consequence of this problem is cost overruns and shrinking profit margins. As the strategic cost management concept has not been fully implemented in global operations, some markets and departments have ignored the key principle of cost control when making decisions. Projects that lack cost awareness do not have reasonable budget management or cost forecasts in the early stages, which leads to overruns during implementation, which not only affects the company's financial performance, but also leads to resource misallocation, inhibiting the development of high-potential businesses or markets[16].

4.2 Inadequate implementation of strategic cost management mechanism

Nike's implementation of the strategic cost management mechanism is not in place, which is specifically reflected in the insufficient coordination and implementation between departments and regions. Although Nike has formulated a relatively complete strategic cost management framework, due to the different characteristics of regional markets and differences in departmental responsibilities, there are often poor communication or insufficient execution during the implementation process. Some departments failed to strictly follow the established cost control process when implementing strategic cost management, resulting in inadequate project budget control or unreasonable resource allocation. Especially in the links involving global supply chain management and product innovation, there are deviations in the understanding of the cost management mechanism among different regions and business departments, and there is a lack of unified cost accounting standards and implementation specifications, making it difficult for the company's overall cost control to achieve the expected results.

The consequences of this inadequate implementation had a significant negative impact on Nike's operational efficiency and financial performance. The ineffective implementation of the strategic cost management mechanism made it difficult for the company to achieve refined management in cost control, and some projects experienced cost overruns and delayed progress, which affected the company's profitability. Especially in the face of intensified global market competition and rising supply chain costs, inadequate implementation made it difficult for Nike to effectively cope with external cost pressures, and also posed a potential threat to its long-term market competitiveness[17].

4.3 Lack of effective strategic cost management evaluation system

The lack of an evaluation system in Nike's strategic cost management framework is a significant problem, which makes it difficult to quantify and track the effectiveness of cost management. Although Nike has implemented a number of cost control measures worldwide, the lack of a unified and effective cost management evaluation standard means that each department lacks a clear basis for assessment when implementing cost control. The inconsistent cost accounting and evaluation standards between different business units make it impossible to accurately reflect the cost performance of different departments, projects or markets during the evaluation of cost management effectiveness. Especially in the complex environment of multinational operations, the lack of a comprehensive strategic cost management evaluation system makes it difficult for decision makers to promptly discover and adjust cost control deviations, and it is impossible to achieve dynamic monitoring and adjustment of cost management.

In addition, the lack of an effective evaluation mechanism makes it difficult for Nike to identify the optimal cost control model between different markets and product lines, and it is unable to extract replicable management methods from successful experiences. This not only affects Nike’s cost advantage, but also weakens the company’s flexibility and responsiveness in responding to market changes, and increases the company’s operational risks in a complex market environment.

5. Nike Strategic Cost Management Framework Application Measures

5.1 Establishing a strategic cost management concept

When Nike establishes the concept of strategic cost management, it needs to integrate cost awareness into all levels of operations and decision-making to ensure the effective implementation of

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cost management. The company must first conduct systematic training to allow employees to have a deep understanding of the importance of cost management in daily work and combine cost control with the company's long-term strategic goals. Different business units and functional departments need to formulate cost management goals that meet their own characteristics and use them as part of performance evaluation to motivate employees to actively participate in the company's cost control activities from a global perspective. Through the participation of all employees, Nike can ensure that the concept of strategic cost management is widely recognized and implemented at all levels, thereby promoting the company's efficient execution when implementing cost management.

At the strategic level, management needs to incorporate cost management into the company's long-term planning and clarify the balance between cost control and business growth. When formulating strategic plans, management needs to consider cost management, market expansion, and product innovation simultaneously to ensure the rational allocation of resources . For example, Nike can organize cost analysis meetings regularly to allow each business unit to share successful cost management cases and help different departments learn from experience and lessons in specific practices . This move can further consolidate the implementation of the cost management concept and form a cultural atmosphere of cost control within the company.

5.2 Improve strategic cost management mechanism

To improve Nike's strategic cost management mechanism, it is necessary to start with improving the management process to ensure that various cost control measures are effectively implemented. Each business unit should formulate a specific cost management system and make regular adjustments based on its own operating characteristics and market environment. Nike can establish a special cost management team to supervise and implement the cost control measures of each department to ensure that the cost control work is effectively implemented from project establishment, production to sales. Each department needs to submit a cost control report regularly, which will be reviewed and summarized by the cost management team to ensure the accuracy and transparency of various cost data. Through such a systematic management process, the company can promptly discover problems in cost control and correct them, avoiding waste of resources due to an imperfect mechanism.

In terms of cross-departmental collaboration, Nike needs to optimize the internal communication mechanism to ensure that all departments can seamlessly connect in cost management. Nike can establish a unified cost management information system to integrate data from supply chain, production, sales and other links in real time, so that all departments can obtain comprehensive cost information support when making decisions . This integrated information system can help management to accurately control costs in the global market layout, and adjust strategic planning and resource allocation in a timely manner through data analysis. The improvement of the management mechanism requires that each department no longer operates in isolation, but through effective communication and collaboration, jointly promote the company's cost management goals.

5.3 Establishing a strategic cost management evaluation system

To build a strategic cost management evaluation system, Nike needs to develop a clear indicator system so that it can comprehensively evaluate the cost management effects of each department. The cost indicators of each business unit should be customized according to its specific operating characteristics to ensure that the evaluation criteria are both comprehensive and targeted. Nike can set specific financial goals and operational efficiency requirements by linking cost management with key performance indicators (KPIs). For example, the cost evaluation indicators of the production department may include material utilization rate, production cost reduction ratio, etc., while the sales department can measure it based on the ratio of market development cost to sales revenue . The setting of these specific indicators will help Nike form a unified standard within the company so that horizontal comparisons can be made between different business units to ensure the realization of overall cost control goals.

In order to ensure the long-term effectiveness of the evaluation system, Nike should also regularly adjust the evaluation indicators to ensure that they are consistent with the company's strategic goals. As the market environment and corporate operations change, Nike needs to re-evaluate and update the existing cost management evaluation system based on new business needs and external market challenges. For example, when facing external challenges such as supply chain fluctuations or rising raw material prices, the adjustment of evaluation indicators can ensure the flexibility and foresight of

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cost management. By continuously updating and optimizing the evaluation system, Nike can ensure that its strategic cost management framework is always adapted to the external environment, ensuring the realization of cost control goals and the company's continued competitiveness.

6. Conclusion

This study, through an in-depth analysis of Nike's strategic cost management framework, reveals its cost management practices and challenges in the context of globalization. As a leading global sports brand, Nike has formed a relatively complete strategic framework for cost control, covering strategic positioning, value chain analysis and cost driver analysis. However, with the increasing complexity of the market environment, Nike still faces certain problems in the implementation of strategic cost management concepts, mechanism execution and evaluation system construction, which not only affects the overall operational efficiency of the company, but also has an adverse impact on its long-term competitive advantage. Therefore, how to optimize cost control by improving management mechanisms and innovating technical means has become the key to improving the competitiveness of enterprises. The discussion of this study provides ideas for enterprises to optimize cost management in the face of complex market environments and global competition, and also provides a useful reference for other enterprises in formulating strategic cost management frameworks.

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