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Questions for the class

1. What are compliments?
2. What are substitutes?
3. How do complementary/ Substitute goods benefit or hurt a company?

NIKE History

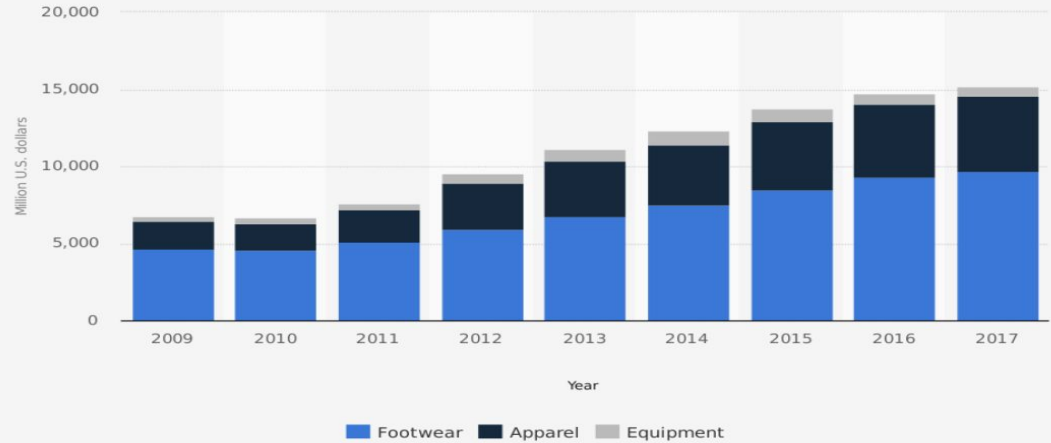
- 1964 – Nike was first named Blue Ribbon Sports by Bill Bowerman
- 1971 – Nike's Checkmark logo was created
- 1982 – The Air Force 1 basketball shoe becomes the first Nike court shoe to use the Air technology (pressurized air/ more flexibility and spring)
- 1984 – Nike signs Michael Jordan to an endorsement contract and releases the, the Air Jordan
- 1988 – Nike introduces its “Just Do It” slogan.

Overall: It's the largest/ most successful brand of shoes, sports equipment, clothing, controlling more than 60% of the market and becoming a culture icon

NIKE Fiscal Reports 2018

- **Revenues** for NIKE, Inc. increased 13 percent to \$9.8 billion
- **Net income** increased 10% to \$847 million due to strong revenue growth
- **The effective tax rate** was 6.4 percent, compared to 13.7 (average taxation rate)

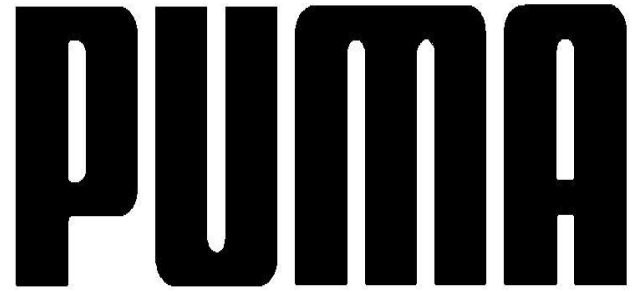
Nike's North American revenue from 2009 to 2017, by segment (in million U.S. dollars)



Nike's Still on Top of the Sneaker World
Worldwide footwear sales of selected sports brands



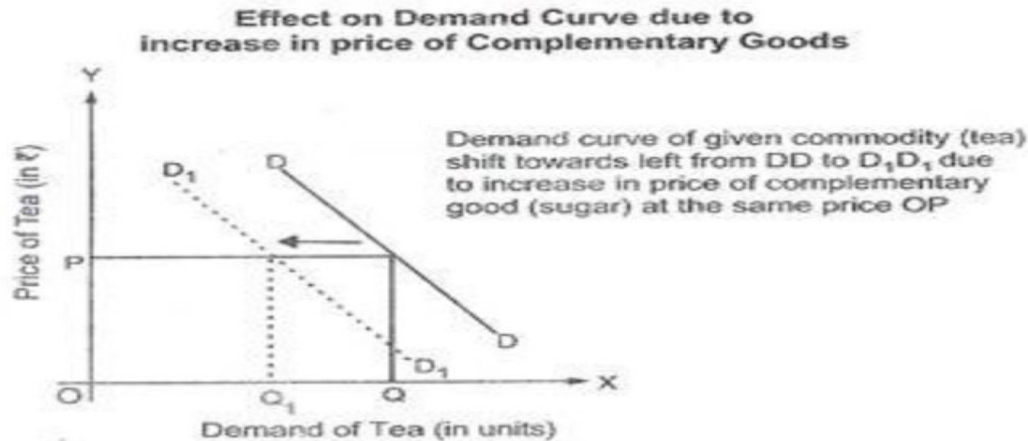
Competitors



Compliments

a **complement** is a good with a negative cross elasticity of demand

- Ex. if a price of one good increases then the demand for a complementary good decreases



Substitutes

it's a good with a positive cross elasticity of demand

Ex. a goods price decrease = a decrease in demand for the substitute good

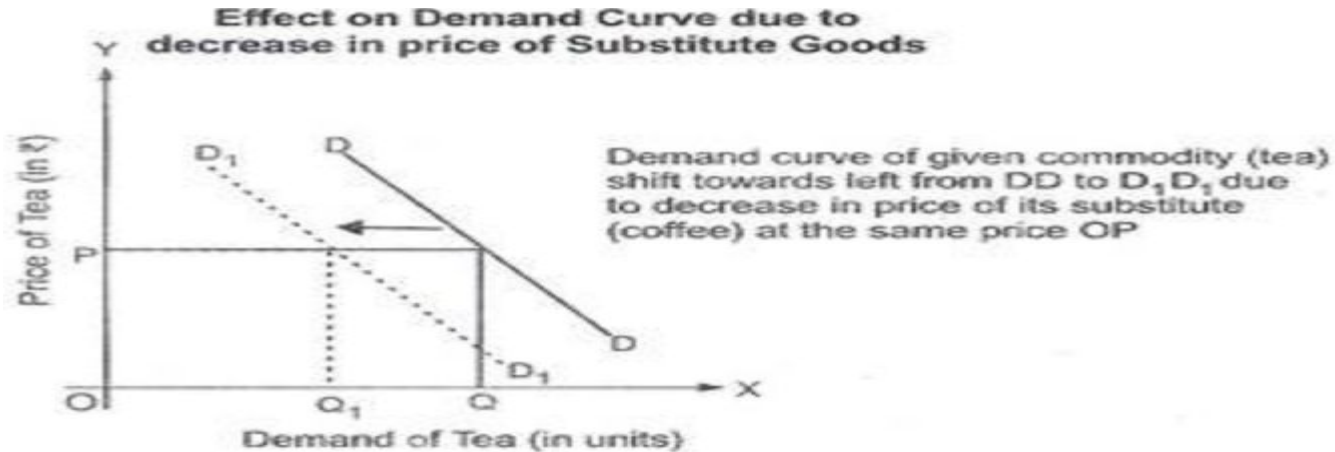


Fig. 3.13

Nike: Complementary branding

- 2000's - Nike+iPod created fitness trackers on sneakers and clothing that tracked activity while connecting people to their music
- NikePlus rewards members have access to exclusive Nike playlists, free music service, personalized promotions

Ex. if you buy a Nike Flyknit shoe in an exclusive color you'll get four months free of Apple Music



Complementary b/c

- Apple and Nike have co-branded so that consumers are attracted to both
- If NIKE shoes decrease the demand for obtaining Apple music (or products) increases
- Influences consumers to want to buy Apple products

NIKE: Substitute good

