

## Nike quietly goes green

Reena Jana

*The brand's eco-friendly products are cheaper to make, but its buyers are more interested in design and performance than sustainability.*



Francesco Bongiorno

The sole of Nike's (NKE) new Air Jordan is made with ground-up bits of old Nike sneakers. But the company isn't selling it as an eco-friendly shoe: That might not be good for business.

Nike, which is No. 42 on BusinessWeek 's list of the top-performing companies, has an unusual problem. Like many companies, it is trying to make its supply chain and products greener, which brings obvious environmental benefits and, just as important these days, financial ones, too. But while executives at General Electric (GE) and Wal-Mart (WMT) eagerly advertise the eco-conscious changes they're making, those at Nike choose to play down sustainability initiatives. Nike customers buy shoes to make them feel fast, slick, and hip; they don't care much about being eco-chic. "Nike has always been about winning," says Dean Crutchfield, an independent branding consultant in New York. "How is sustainability relevant to its brand?"

Nike came to this same conclusion after a less-than-successful experiment a few years ago. The company launched its first line of environmentally friendly shoes, called "Considered," in 2005. It had high hopes for a walking boot, made with brown hemp fibers, that looked obviously earthy. Critics called the \$110 shoes "Air Hobbits" because of their forest-dweller feel and took Nike to task for a design that detracted from its high-tech image. The boots didn't sell well, and within a year were taken off the shelves.

The lesson for Nike was that its green innovations should continue, but its customers shouldn't be able to tell. "We want to do more and say less," is the way Lorrie Vogel, who oversees Nike's green business practices, puts it. The company also has to be careful about promoting itself as socially responsible because of its past use of sweatshop labor in Asian factories.

The sustainability push comes at a time when Chief Executive Mark G. Parker is also trying to streamline operations. The financial imperative to do so has never been clearer: Nike's revenues fell by 2%, to \$4.4 billion, during its most recent quarter, which ended Feb. 28. In May it laid off 5% of its worldwide staff. The company doesn't give estimates of how much it might save by making its manufacturing more green, but it expects to reduce the amount of material it wastes by 17% over the next decade.

Performing well

Nike's marketing, though, doesn't suggest a feel-good, do-good attitude; and its designs don't compromise quality. "Saving money [with an environmentally friendly product] only works if

people buy it," says Sam Poser, an analyst with brokerage firm Sterne Agee. "It has to be fabulous, not just green."

Last year, Nike debuted the Air Jordan XX3, which was designed so that all the pieces of the shoe fit together like a jigsaw puzzle. That eliminates any excess plastic. The company also invented a sewing machine that speeds up assembly time, which saves electricity. Nike simply heralded the XX3 as the next iteration in a 24-year string of Air Jordans. In January it rolled out the 2009 version, which also makes use of eco-friendly manufacturing.

And what do you know? The Air Jordans continue to sell well, recycled materials and all, suggesting that customers are still happy with the shoe's performance. Charles D. Denson, Nike brand chief, says that during the company's most recent quarter Air Jordan helped the basketball shoe division achieve double-digit growth. Nike's lineup now includes eco-friendly basketball, football, soccer, tennis, and running shoes.

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