



“WINNING NOW”

THROUGH SUPPLY CHAIN
INNOVATION

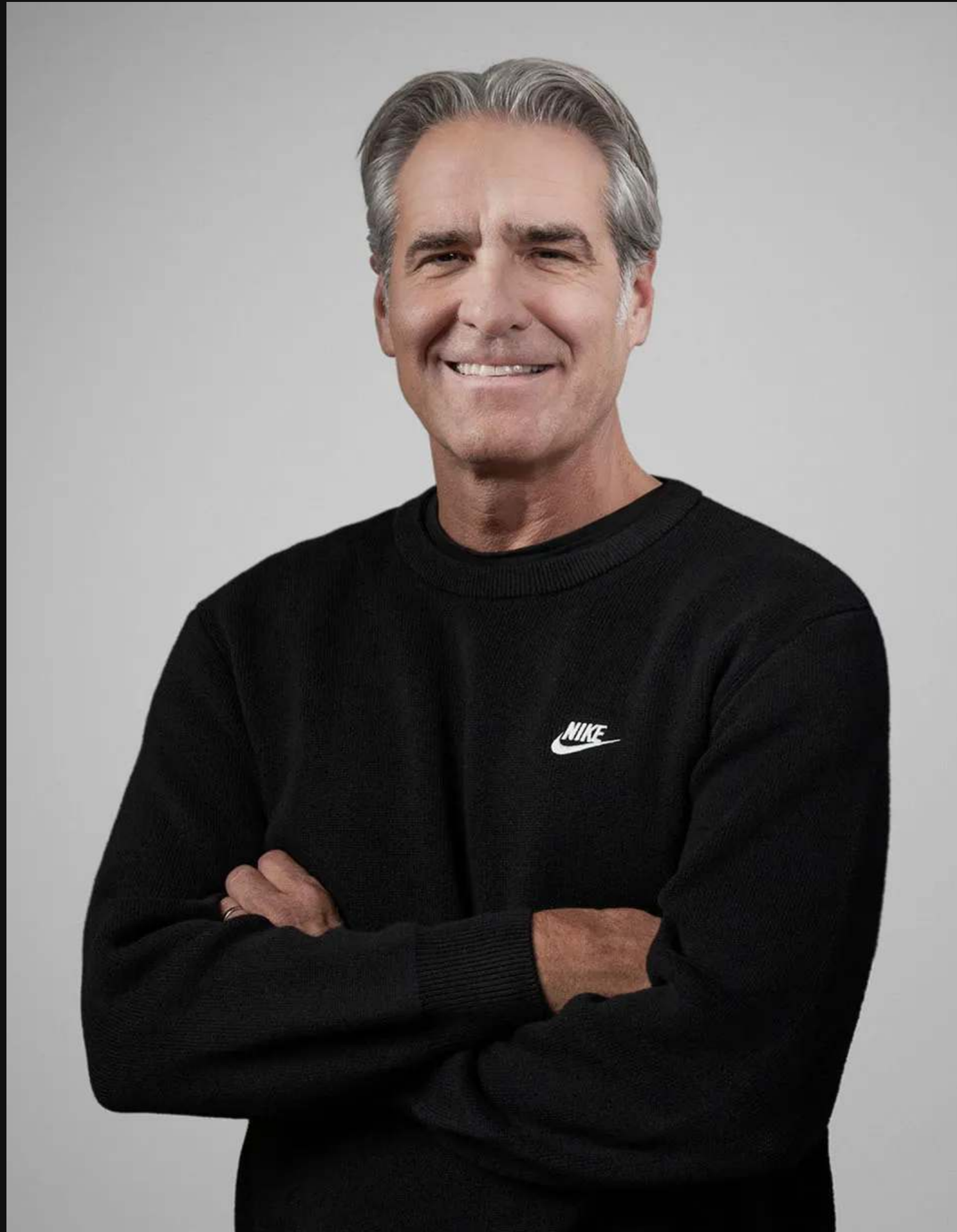
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1,000,000,000 UNITS



HISTORY OF INNOVATION





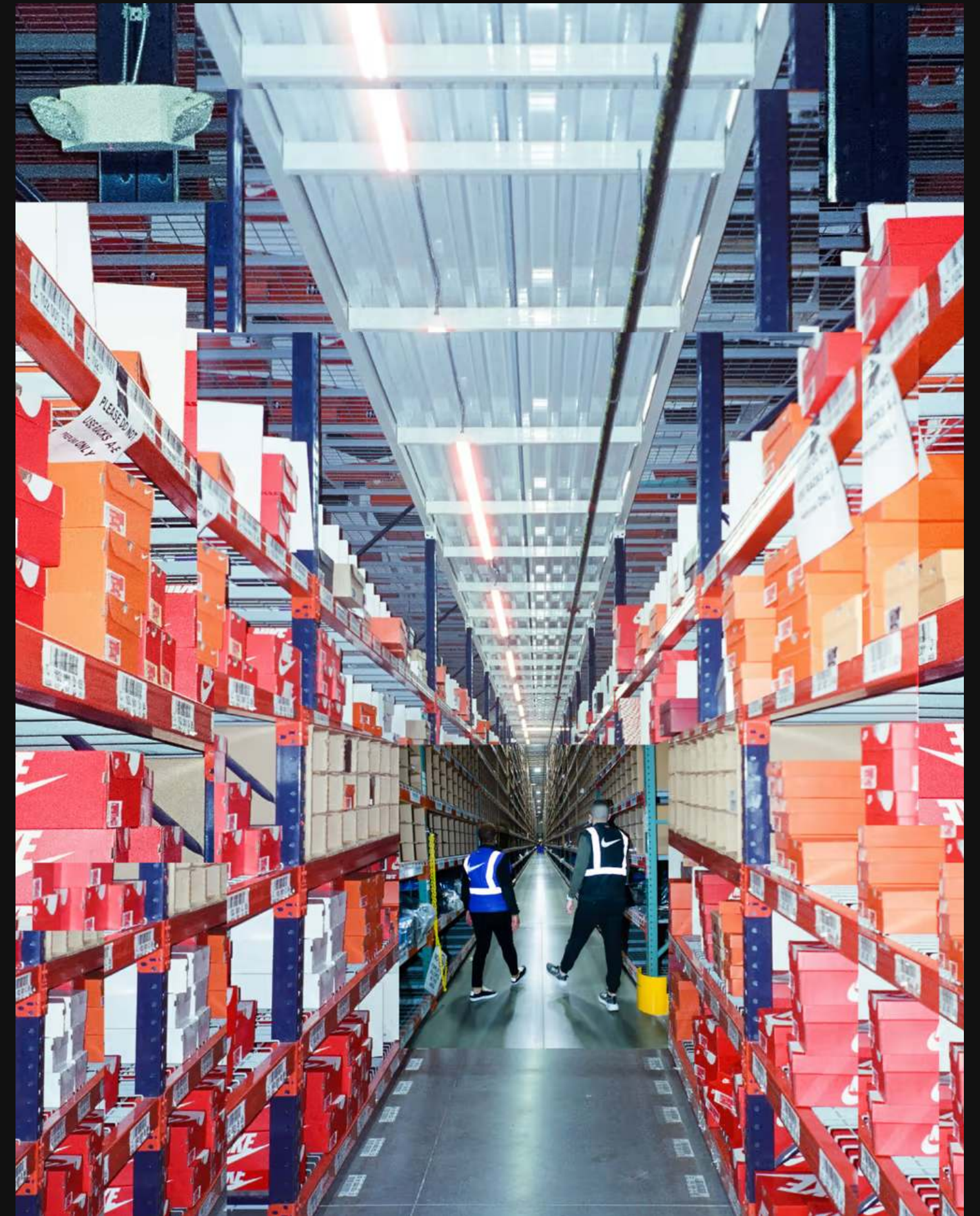
ELLIOTT HILL'S “WIN NOW” STRATEGY

- Refocus on **sports performance**
- Clearing excess **inventory**
- Rebalancing D2C sales with **wholesale partnerships**



5X5 METHODOLOGY

- 5 days of ideation, \$5k, 5 weeks
- Designed to fail **fast** and **cheap**
- **Scalable** business solutions
- Useful information, no matter the result



IDENTIFYING THE PROBLEMS

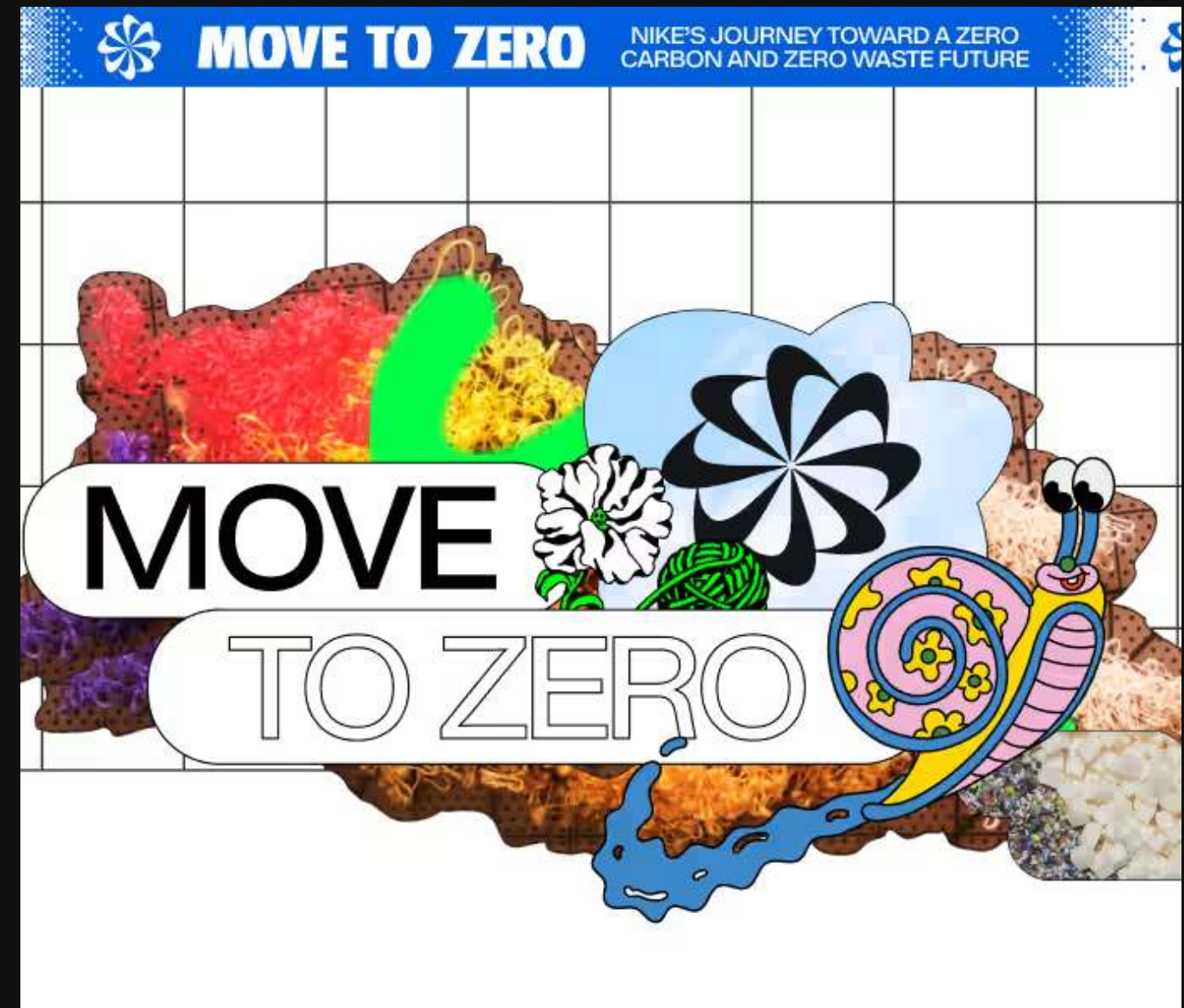
- Inefficiency and **wasted resources** from returns
- Excess inventory from poor demand **forecasting**
- **Stockouts** at wholesalers and **longer lead times** for fulfillment



INEFFICIENCY SURROUNDING RETURNS

Wasted resources with individualized return process

High **per-unit processing costs** at Nike warehouses



HYPOTHESIS

Setting up collection hubs for **new merchandise** at select Foot Locker locations will reduce the **carbon footprint** of the return lifecycle by **up to 20%**, and lower **per-unit processing costs** at Nike warehouses by **up to 10%**.



EXPERIMENT DESIGN

OPTION A

Continue using pre-paid mailers for individual consumer returns

OPTION B

Set up collection hubs at 3 key Foot Locker locations in LA and consolidate returns into a single monthly freight shipment to the proper Nike facility





NIKE

- Simplicity with processing returns
- Increased brand perception
- Convenience for customers



WHOLESALE

- Increased Foot Traffic
- No Additional Cost



MOVING FORWARD

By **utilizing collection hubs** at selected wholesale partners, Nike not only **improves their carbon footprint** in the return lifecycle, but also **reduces per-unit costs** associated with their current individualized return process



INVENTORY MISMANAGEMENT & DEMAND FORECASTING

Nike's 10-K admits **forecast failure** is a known risk to operating margin

\$7.5B in inventory as of May 2025

Nike orders product
4-5 months in advance



HYPOTHESIS

Manually tracking **hyper-local sell-through data** at two wholesale partner locations will reveal demand-data gaps in Nike's **centralized forecasting model** and determine whether investing in a **full agentic AI system** is justified.



EXPERIMENT DESIGN

OPTION A

Continue using Nike's centralized demand planning model with no local data from wholesale partners

OPTION B

Manually track sell-through at 2 wholesale locations (NYC + LA) & compare local demand against Nike's centralized forecast





NIKE

- Reduces excess inventory and carrying costs
- Recovers gross margin lost by markdowns
- Stronger replenishment timing



WHOLESALE

- Fewer stockouts of high-demand products
- More consistent product availability for consumers



MOVING FORWARD

If this local testing succeeds, Nike has evidence to deploy a full **agentic AI system** that autonomously adjusts wholesale inventory allocation **in real time**



RETAIL INVENTORY REPLENISHMENT

Wholesale revenue was up 8% in FY26 Q2 and 1% in Q3 – there's still **room for improvement**.

Mid-tier partners currently restock when inventory is thin, with no proactive signal from Nike.

This causes a slow, reactive, and **disconnected replenishment loop** that produces stockouts on trending SKUs and excess inventory on stale ones.



HYPOTHESIS

Implementing a **VMI system** where Nike proactively replenishes defined SKUs at **mid-tier wholesale partners**, based on **shared POS data** and agreed-upon **minimum inventory thresholds**, will reduce **stockout frequency by 20%** and cut **replenishment cycle time by 30%**.



EXPERIMENT DESIGN

OPTION A

Five wholesalers continue ordering products using their current process. Measure stockouts, replenishment cycle time, and sell-through rates for five SKUs over five weeks.

OPTION B

Nike proactively triggers replenishment orders based on minimum inventory agreements and shared POS data. Measure the same metrics and compare.





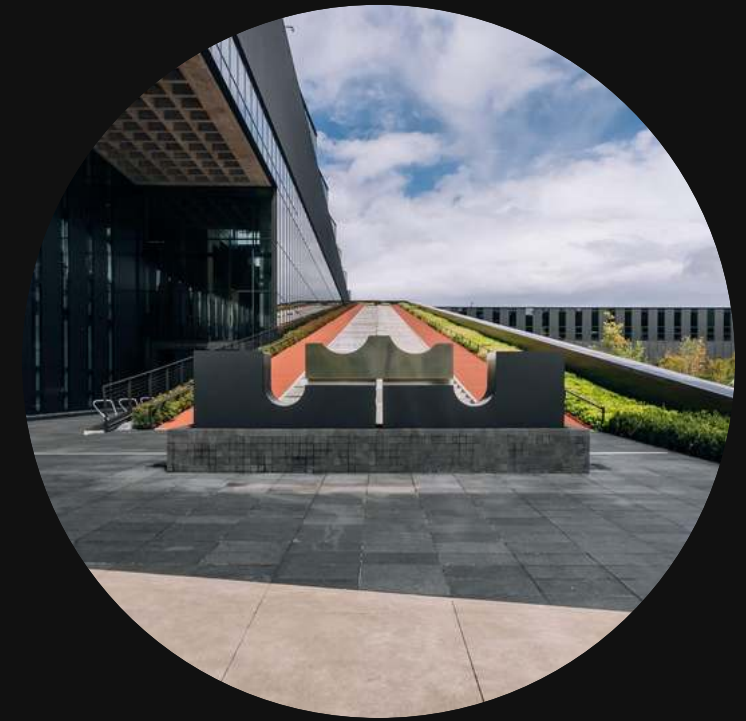
NIKE

- Rebuilds trust with mid-tier retailers
- Reduces stockouts and excess in wholesalers
- Increases replenishment efficiency



WHOLESALE

- Saves time and resources ordering restocks
- Reduces inventory carrying costs
- Reduces stockouts and excess inventory



MOVING FORWARD

If this test succeeds, Nike has a replicable playbook to **scale VMI** across its **entire wholesale network**, rebuilding the distributed **demand signal** it lost when it cut partners



SMALL EXPERIMENTS, BIG IMPACT

1. Returns Cost & Complexity

2. Inventory Mismanagement

3. Wholesale Stockouts





THANK YOU

TEAM B2



APPENDIX

TEAM B2

INEFFICIENCY SURROUNDING RETURNS

\$5K BUDGET ALLOCATION

- **\$500** - Collection bins with Nike signage for our selected wholesale locations
- **\$700** - Baseline data pull, collecting current cost and carbon usage per unit
- **\$2,100** - \$700 for 3 different scheduled pickups at our wholesale locations
- **\$500** - Freight contingency
- **\$500** - In-store signage and campaign refreshers (like a QR code landing page)
- **\$700** - Results calculation and overall analysis
- **~\$5000** - Total



INEFFICIENCY SURROUNDING RETURNS

AMAZON CASE STUDY

KOHL'S

"On conversion, a GlobalData Retail survey found 56% of customers returning an Amazon item at Kohl's made an additional purchase during their visit."

"A separate Gordon Haskett study found that participating stores saw traffic 8.5% higher than non-participating stores, and drew 56% more first-time-in-three-months visitors."

WHOLE FOODS

"Whole Foods is quietly becoming a bigger player, handling about 9% of Amazon returns."

"...every time a customer drops off a return at Whole Foods, there's a good chance they'll shop for groceries too—59% of returners did just that last month!"



INVENTORY MISMANAGEMENT & DEMAND FORECASTING

\$5K BUDGET ALLOCATION

- **\$0** - Shared tracking template design and setup (Excel/Google Sheets or equivalent)
- **\$1,500** - Wholesale partner communication/coordination/operation (staff time, 2 partners x 5 weeks)
- **\$2,000** - Data analyst time to compile and compare weekly results against centralized forecast
- **\$500** - Travel or communication costs for partner check-ins
- **\$1,000** - Final analysis and reporting
- **~\$5,000 - Total**



INVENTORY MISMANAGEMENT & DEMAND FORECASTING

CELECT

- Nike acquired Celect in 2019
 - Before the introduction of AI
- Celect was built and deployed specifically for DTC order fulfillment optimization:
 - Routing individual shipments and minimizing split orders
- Celect hasn't been applied to wholesale demand sensing
- Testing whether the wholesale channel produces different enough local signals to justify extending Celect's capabilities into that space



INVENTORY MISMANAGEMENT & DEMAND FORECASTING

- Nike's three key countries in play under the "Win Now" strategy include the United States, China and the United Kingdom; and the five key cities are **New York, Los Angeles**, London, Beijing and Shanghai.
 - Source
- "Failure to accurately forecast consumer demand has in the past led and could in the future lead to excess inventories or inventory shortages, which has in the past resulted and could in the future result in decreased operating margins"
 - **Source:** Nike FY2025 Annual Report (10-K)
- Nike inventory as of Q3 FY2026: \$7.5 billion, down 1% year over year despite aggressive clearance
 - **Source:** Nike FY2025 Annual Report (10-K)
- "We generally order product at least four to five months in advance of sale based primarily on advanced orders received from external wholesale customers and internal orders from our direct to consumer"
 - **Source:** Nike FY2025 Annual Report (10-K)



RETAIL INVENTORY REPLENISHMENT

\$5K BUDGET ALLOCATION

- **\$500** - one-time setup session to align on SKU selection, threshold levels, and data sharing template
- **\$1000** - partner contact at each of the five retail partners spending 1–2 hours per week pulling and sharing POS data
- **\$2000** - Nike supply chain planner spending roughly 3–5 hours per week managing the data feed and triggering replenishment decisions for the pilot partners across 5 weeks
- **~\$3,500 - Total**



POTENTIAL RISKS OF VMI

- **Poor systems:** Effectiveness depends on accurate data sharing
 - Invest in high-quality systems that allow for accurate, quick, and effective data sharing
- **Communication failures:** Miscommunication can lead to inventory discrepancies and inefficiencies
 - Maintain open and transparent communication, and agree on minimum inventory thresholds and KPIs
- **Data security concerns:** Sharing sensitive data increases the risk of breaches
 - Implement advanced cybersecurity measures to protect data confidentiality



VMI SUCCESS EXAMPLES

- Proctor & Gamble
- Target
- Walmart
- Home Depot
- Amazon



SOURCES

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