



DEEP DIVE

'Behind closed doors': The friction between the Nike brand and its corporate culture

The brand has identified women as one of "four epic growth opportunities" at the same time that it has faced public scrutiny over how it treats women.

By Cara Salpini

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This story is part of a series. Find the rest here.

For the past year, there have been two sides to Nike: the brand it advertises and the company culture behind it. The brand has identified women as one of "four epic growth opportunities" and lauded its progress in the market. At the same time, shadows have persistently broken through the retailer's sunny picture, in the form of gender inequality assertions.

The company has faced public scrutiny related to how it treats women. A class action lawsuit alleging that Nike does not give women equal pay or advancement opportunities was filed last August, and earlier this year, a former Nike-sponsored athlete, Alysia Montaño, wrote an opinion in the New York Times that asserted Nike was deficient in its support for pregnant athletes.

While both of these events took place within the past two years, the company has not suffered any financial penalty in the women's

space. CEO Mark Parker said at the end of fiscal 2019 that the business had grown in double digits.

"It's hard to overstate how important this year has been to the evolution of the women's offense at Nike," Parker said in a conference call with analysts at the time.

Nike Global Corporate Communications Director Sandra Carreon-John added in an email to Retail Dive that the brand has been "championing female athletes for more than 40 years, and we continue to see incredible momentum for women in sport as athletes — elite and everyday. We are more committed than ever to leverage our brand as a catalyst, celebrating athletes, supporting sports and building the best products for her."

In the U.S. District Court for the District of Oregon, the number of female Nike employees signed on to a class action suit continued to grow.

Strength in numbers

Kelly Cahill and Sara Johnston last August filed a class action lawsuit against Nike alleging sex discrimination. In court documents, they detailed problematic incidents between male and female co-workers, and called out an alleged boys club culture that led, they said, to the promotion of male employees despite numerous complaints to Nike's human resources department.

Carreon-John said Nike is not commenting on pending litigation, but added that the company "opposes discrimination of any type and has a long-standing commitment to diversity and inclusion. We are committed to competitive pay and benefits for our employees. The vast majority of Nike employees live by our values of dignity and respect for others."

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Sandra Carreon-John

Nike Global Corporate Communications Director

In court documents Cahill and Johnston alleged women had been called names and faced the use of slurs and demeaning language while the men around them were promoted. The claims marked the peak of a brand crisis that started when some of Nike's female employees surveyed other women at the company about their experiences and left the results on Parker's desk.

In May 2018, Parker issued a mass apology to employees at the company for the toxic culture, after a slew of executives left beginning in March. The brand promoted two female executives shortly after those departures and raised salaries for 10% of employees in July. That was followed by the lawsuit in August.

A year later, that same lawsuit is rolling on, with a growing number of plaintiffs, who each have their own stories of pay and advancement inequality to tell.

Nike employee Heather Hender said she was paid less than a male employee in a similar role, who was given a higher title than her despite doing similar work. Donna Olson, a security manager at Nike, said she was denied promotion to a director position that was then given to her replacement after she retired.

Some stories are more telling than others.

"After I received the pay raise, I mentioned it to a manager and her response implied that at least one male counterpart on my team, who performed substantially similar work, had been paid more than me for 'awhile now.'"

Cindy Lea Linebaugh, according to court documents

Cindy Lea Linebaugh, for example, said in court documents that she received an off-cycle pay raise of 9% two months after the original lawsuit was filed, despite no real change in responsibilities.

"After I received the pay raise, I mentioned it to a manager and her response implied that at least one male counterpart on my team, who performed substantially similar work, had been paid more than me for 'awhile now,'" the document reads.

Another employee, Meghan Grieve, signed on to the lawsuit and detailed how she found out a male colleague had a starting salary \$12,000 higher than hers, which Nike refused to match. After she joined the lawsuit, however, the company granted her the raise. She subsequently opted out of the class-action suit.

Other women that signed on to the action corroborated claims made in the lawsuit about employees and said women were put on corrective action plans for unfounded reasons. Former employee Paige Azavedo claimed her manager did not support her and that she witnessed him berate other women.

"While at Nike, I experienced a good old boy culture, where men gave the most desirable work to other men, and mostly spent time with other men, excluding women coworkers," the document

reads. "Finally, I saw other women on my team being targeted by their male supervisors. Other women on my team were placed on corrective action plans due to supposed 'behavioral issues,' which were not reported or documented."

A different brand story

In the midst of these complaints, the company continues to depict Nike as a brand that supports women and to feature strong female athletes in marketing campaigns.

In the company's Dream Crazy ad, Nike takes an inspirational tone by calling out hurdles that women face in a professional sports environment, while featuring a host of accomplished female athletes and footage of iconic sports moments.

"If we show emotion, we're called dramatic," tennis star Serena Williams says in the narration. "If we want to play against men, we're nuts. And if we dream of equal opportunity, delusional."

The ad details previous "crazy" moments women have overcome — a woman running a marathon for the first time, dunking for the first time, boxing — and it ends with a call to action spoken by one of the most famous athletes of her day: "So if they want to call you crazy, fine. Show them what crazy can do."

Nike | Dream Crazy



The Dream Crazy campaign has been well received in the marketing space. The original campaign, which launched with Colin Kaepernick in September, won the Outdoor Grand Prix at Cannes this year.

Nike is the number one women's activewear brand, according to data from the NPD Group. The brand has done a great deal to serve the women's market by partnering with strong brand ambassadors, putting out compelling brand campaigns, and creating product where others have failed to provide it. The retailer invested more time and energy into the sneaker business for women in 2018, an acknowledgment that the space wasn't paying enough attention to women.

Nike has also created products for underserved audiences through inclusive sizing efforts and, for example, Muslim female athletes, with the debut of the Pro Hijab. The company also points to its efforts to support professional women's athletics leagues, including the National Women's Soccer League and the Women's National Basketball Association, and its efforts to improve fit on women's

clothing. The U.S. Women's National Team home jersey was the best selling soccer jersey, men's or women's, on the company's website in one season.

But it's exactly that contrast that the class action suit is trying to combat, plaintiffs' attorney Laura Salerno Owens of Markowitz Herbold told Retail Dive.

"The way Nike marginalizes women at its headquarters is completely contrary to how it portrays itself to its customers as valuing women in sports and the importance of providing equal opportunity to play," she wrote in a statement to Retail Dive. "To echo Nike's recent ad campaign, we don't believe it's 'crazy' for women to dream of equal pay for equal work."

"There's the exterior-facing part of Nike and then there's what really happens behind closed doors and that's really what we're seeking to change."

Anna Joyce
Partner with Markowitz Herbold

Anna Joyce, a partner with Markowitz Herbold who helped draft the complaint, echoed those sentiments in speaking with Retail Dive last year, specifically around the brand's powerful lineup of brand ambassadors.

"She is a phenomenally strong woman," Joyce said of Williams and her partnership with Nike. "So I think there's the exterior-facing part of Nike and then there's what really happens behind closed doors and that's really what we're seeking to change."

For her part, Montañó is trying to change how Nike behaves toward the women it works with. Her complaints about the treatment of pregnant athletes were followed by an announcement from Nike that it was changing its policies. In a statement on its website, Nike said that the company standardized its approach to "support our female athletes during pregnancy," but acknowledged that "we can go even further." Nike said in its statement that contracts for female athletes will now have written terms in them relating to the company's policy around pregnancy.

"We want to make it clear today that we support women as they decide how to be both great mothers and great athletes," the statement reads. "We recognize we can do more and that there is an important opportunity for the sports industry to evolve to support female athletes."

Carreon-John added that, "in addition to our 2018 policy standardizing our approach across all sports to ensure no female athlete is adversely impacted financially for pregnancy, the policy has now been expanded to cover 18 months."

Why is Nike in the clear?

So how has Nike made it through missteps that might have shattered a smaller company? According to Susan Anderson, managing director and senior equity research analyst at B. Riley FBR, part of it is how the company handled issues like the class action lawsuit.

"That was such a huge scandal ... But they did a pretty good job, kind of, fixing it, or at least making it look like they were improving things," she said of the class action.

Consumers were also watching, but the amount that they care about such things, especially once they've faded out of the daily news cycle, is less certain. Anderson noted that if consumers really like a retailer's product, they're unlikely to change brands, "unless the company hasn't moved in the right direction."

"Are they really going to change their purchase habits? A lot of companies are probably guilty of all those things, right?" she said.

Acting as a buffer of sorts to Nike has been the fact that so many other companies are also facing corporate culture scandals, with varied levels of significance. In June 2018, Guess Executive Chairman Paul Marciano resigned following an investigation into his conduct, though he later was appointed the brand's chief creative officer. In February, REI CEO Jerry Stritzke stepped down from his position following reports he had an undisclosed relationship with an executive of another company the retailer had some dealings with.

"I think the consumer really understands that these issues are really just the face of every company out there. I think what they're looking for is: What action is being taken?"

Matt Powell

Vice President and Senior Industry Adviser of Sports for The NPD Group

But athletics retail has been the most notorious in the past few years for churning out brand scandals. In February 2018, Lululemon CEO Laurent Potdevin resigned following conduct issues, while in December the same year, Under Armour fired two

executives after an internal review of spending. Chief among the problems was a culture that allowed executives to charge gambling and adult entertainment to corporate cards.

What may in isolation have been considered damaging issues limited to a single brand, viewed together raise questions about systemic corporate culture issues in the industry.

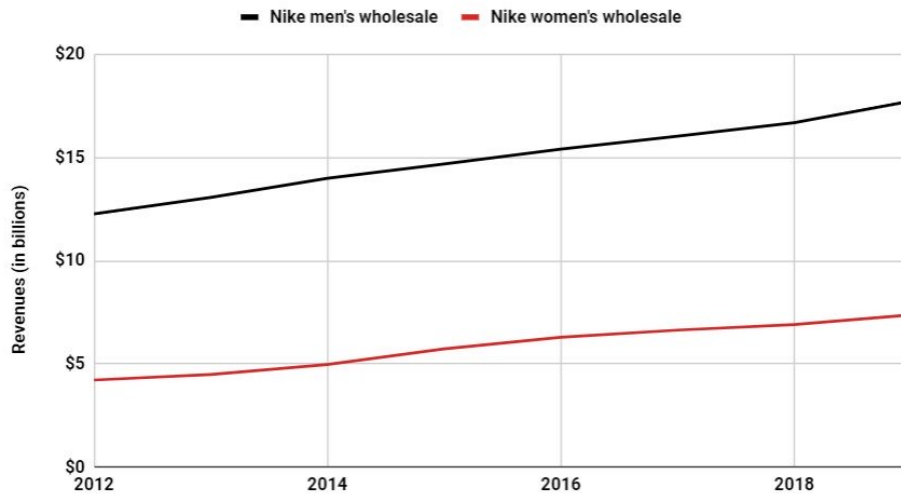
"I think the consumer really understands that these issues are really just the face of every company out there. I think what they're looking for is: What action is being taken? Are inequities being resolved as quickly as possible? That may be the most important thing is for brands to just make sure that when things are surfaced that they're fixing them as quickly as they can," Matt Powell, vice president and senior industry adviser of sports for The NPD Group, said in an interview. In that sense, Powell argued, it doesn't necessarily matter which brand is under fire as long as they're handling it correctly.

It's hard to ignore that Nike is, well, Nike.

A few challenges to Nike's reputation aren't likely to knock it out of its top position, especially if the company keeps delivering high quality products that hit on the trends consumers want. Brands with less cache, or a more inconsistent performance, could be more likely to suffer.

Still, the women's business at Nike is dwarfed by the size of the men's. In fiscal 2019, women's made up \$7.4 billion of the retailer's wholesale business revenues, compared to the \$17.7 billion it racked up from men's sales. Nike Kids was only \$2 billion smaller than the women's segment over the same time frame.

Revenue growth in Nike's men's and women's wholesale segments



In fiscal 2019, women's made up \$7.4 billion of the retailer's wholesale business revenues, compared to the \$17.7 billion it racked up from men's sales. | Credit: Cara Salpini for Retail Dive

There's a lot of space for female-focused athletic brands to swoop in. To some extent, they already have. According to NPD's Powell, Lululemon grew faster than Nike in the U.S. last year and will surpass Nike as the top women's brand if the current trajectory holds.

In other words, the biggest threat to Nike's dominance might be how fast Lululemon grows its business, not how Nike deals with its brand image.