


A Successful Marketing Strategy for Nike Inc.:

The Story Behind and Its Analysis

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NIKE, Inc. was founded as an importer of Japanese shoes in 1962, the founders, Bill Bowerman and Phil Knight worked as a partnership under the name, Blue Ribbon Sports. Today, Nike is holding a global market share of approximately 37 percent (answers.com). In the United States, Nike products are sold through about 22,000 retail accounts; worldwide, the company's products are sold in more than 160 countries. The company has grown to be the world's number one shoemaker. 'If you have a body, you are an athlete' - Bill Bowerman said this couple of decades ago. This quote illustrates the company's development and sale of athletic footwear, apparel and equipment, which together totaled approximately \$18.6 billion in sales during Nike's fiscal 2008. The company divides its products into four segments: footwear, apparel, equipment and other. In 2008, these segments accounted for 52%, 28%, 6% and 14% of Nike's revenue, respectively (wikinest.com).

Nike markets its products under its own brand as well as Nike Golf, Nike Pro, Nike+, Air Jordan, Nike Skateboarding and subsidiaries including Cole Haan, Hurley International, Umbro and Converse. Nike also owned Bauer Hockey (later renamed Nike Bauer) between 1995 and 2008 (nikebiz.com). In addition to manufacturing sportswear and equipment, the company operates retail stores under the Niketown name. Nike sponsors many high profile athletes and sports teams around the world, with the highly recognized trademarks of "Just do it" and the Swoosh logo”  ”.

Strength, Weakness, Threats and Opportunities

1.1 Strength

Nike is a very competitive and energy organization. Phil Knight, the founder of Nike, also said that “Business is war without bullets.” That is why every member in Nike has very passion and competitive energy. Second, the reason why Nike has very strong research and development apartment is because their products are manufactured in low wage factories in Far East countries. Therefore, they can concentrate on marketing image and research project. Third, Nike is a global brand. It probably the number one sports in the world. Their famous slogan “Just Do It” is already well-know for everybody in this world.

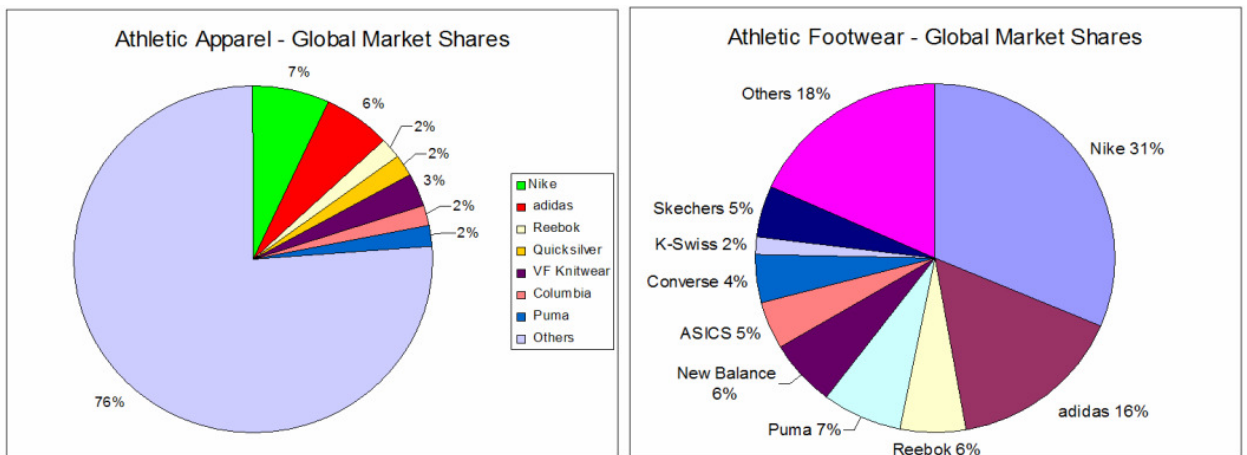
1.2 Weakness

Nike has invested billions of dollars in building its image that customers recognize and capture their loyalty, too. In 2008, Nike spent \$2.8 billion on advertising, 12.4% of revenue (wikinvest). This large investment is to sustain its market leading position. Also, its unique identity constructs an effective barrier to entry. The company offers a diversified range of sports products. However, the revenue of the business is heavily dependent on its share of the footwear market. This may leave some room for competitors such as those multi-dimensional companies to select market niches under price Nike and to focus their marketing and advertisement. Some major fashion firms have owned a limited amount of success from accessories and sportswear. For example, DKNY, Tommy Hilfiger, and Ralph Lauren already have a strong brand name and gained a small market advantage. During Q1 2009, Nike's advertising expenses jumped 39% because of higher marketing efforts surrounding the Olympics (wikinvest). Nike's sport marketing will continue to be its major marketing strategy and a selection of accessories and souvenirs of Olympics will bring in revenue of appeals.

1.3 Threats

1.3.1. The growing of competition

Nike targets at many segments in a variety of sports products; it competes many companies, like New Balance, but also against large athletic footwear and manufacture like Adidas AG and Puma. The figure below provides an overview of Nike and their major competition.



Company	Revenue (Millions)	Net Income (Millions)	Gross Margin	Advertising Costs as % of Revenue
Nike	\$ 18,627	\$ 1,883.4	45%	12.4%
Adidas AG	€ 10,299	€ 815	47.4%	13.4%
Puma AG	€ 2,738	€ 269	52.3%	15.5%

("Financial Reports," 2009; Income statement," 2009; Nike Inc.," 2009)

Those two figures above shows that Nike still the top place for athletic apparel and footwear product. However, when you are number place in market, everyone wants to knock you and take you place.

For the market perspective of athletic shoes, it has realized that the company can not just wait and keep flowing old styles in new colors. Therefore, in order to attempt

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to differentiate their products, athletic Nike has to continuously invest in R&D to develop technology that is more advanced. The athletic market will be more competitive in the future. If an athletic manufacturer fails to develop their technology, their market share will be decline very fast. Eventually, it will be more difficult to regain market share from their competition.

1.3.2. The fakes overflow on the market.

Fake products could be one of the most critical reasons for Nike. In fact, in some Asia countries: Taiwan, China, or Vietnam. Nike could lose more than million dollars business because they do not have effective way to stop those fake products.

1.3.3. Consumer cost

As a consumer, Nike always represent high quality and highly reliable. However, the cost will be higher than other brands. The public feels that Nike overcharges its consumers and should reduce the price of their products.

1.4 Opportunities

1.4.1. Raising of the Internet environment

With no doubt, online market could be the most potential market for every business. One of the best advantages is the online market, which not only can provide a large and wide selling channel, but also can build a good relationship with customers. For the future orientation, Nike could allow their customers to order products online, and pick them up at a retail store. This process not only allows Nike could promote online with deeply and effective strategy, but also can build a database which collect customer information and follow up the original customers.

1.4.2. Product development

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A good product development always gives Nike an opportunity for growth. Especially for today, consumer's taste and preference are varied from time to time. Product's life cycle is getting short. In addition, even though its pricing is than other brands', the company still creates its unique value above customers' expectation. Basically, consumers can have a wide range of selection from running shoes or sunglasses with Nike brand. In fact, Nike specializes in athletic footwear, especially in running, basketball, and soccer. Footwear business accounted for 52% of Nike's 2008 revenues. Other market such as apparel, equipment and other also accounted 48% of Nike's revenues.

Objectives and issues of Nike

2.1 Nike's objectives are to:

2.1.1. Provide an environment which develops people to maximize their contribution to Nike.

2.1.2. Identify focused consumer segment opportunities.

2.1.3. Provide quality and innovative services and products internally and externally.

One of the Nike's objective statements is to be the world's leading sports and fitness Company. This statement describes the sports and fitness industry business it belongs to. However, it does not mention about what product and service they will provide. It does not mention about distribution and customers also. It only can tell the public about its management direction and its ambition of remaining the leading position in sports and fitness industry.

For the future orientation, Nike needs to focus on couple issues in order to maintain its number position. First, the company failed to deal problems on poor labor and factory conditions, and the underpaid at a production location overseas. This

wrong doing has injured Nike's image. Although this issue was reported more than ten years ago, Nike is still working on changing the current situation throughout factories. Second, to maintain the world's leading sports and fitness company, Nike has to study for its competitors further and make sure their competitors will not steal away their market share.

2.2 Current Issues of Nike



Since Nike's products were made by more than 800,000 workers in almost 700 contract factories in 52 countries around. 80 percent of their workers are women aged 18 to 24. They use Asian contract suppliers for most of its footwear production. Those factories are located at China, Vietnam, Indonesia, and Thailand. Labor right is one of the most important issue for Nike. Nike has already established several principles to maintain standard. For example, after the issue of child labor happened, Nike has announced that no employees below the age of 18 are allowed to produce footwear, accessories or equipment. No person under the legal minimum age will be employed. To ensure these standards and continue, Nike production and labor staff are trained to look for younger-age worker, and to report that possibility to the labor management staff. In addition, all factories making Nike products around the world are subject to labor practices monitoring visits and audits by term of independent inspections. Those inspectors verify all workers meet the Nike age standards through documented records and interview with workers.


However, some labor right group still hope Nike can reply their demand not just keep ignore it. For example, first, human right groups hope Nike can protect worker who speak honestly about factory conditions. The company has turned its back on individual workers who have been victimized for speaking to journalist, and cut and run from other factories after labor abuses have been publicized. Before Nike could

establish some policies, most workers who speak honestly may lose their job. Second, Nike has rejected demands that it ensures that Nike workers are paid a living wage. For a full time worker, it would be enough for family to reach the basic needs.

For the future orientation, first, Nike would like to consider about how they can build a good monitoring system that allow Nike can watch and monitoring the condition of their supply factories all around the world. Second, most Nike workers don't even know that they can complain about their right. It will be very critical for Nike to build a good database that can collect their complain case no matter from the internal or external.

Marketing Strategy and Action Program of NIKE: The Leading Brand in Sports

In marketing concept, a log sometimes represents everything of the product. Nike's logo “ ” is one of the most recognizable log in the world. Due to “ ” is quite well known, people easy recognize NIKE by the symbol, and it express the brand value, product spirit and status without any words.

The importance of “ ” to its enterprise cultural is it reflects the American ancient wisdom “Just Do It”. NIKE sells not only the sports shoes, it also sells the life style, and it is the key factor of its success. The logo inspires human, and the philosophy of ambitious and patience underneath tell people you can do it no matter who you are and what color you skin is. As long as people hold tight their steeling wheel and take action, there is no limit in the future. Underneath the advertising theme “Just Do It”, there is a very American style ideology.

In the current sports products industry, firms can not really obtain high profit from the manufacturing. Thus, in order to maintain competition, they got to concentrate on the promotion of brand reputation. One of NIKE's successful

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marketing strategies is to apply famous person to endorse products. From the advertisement of Jordan, and the words like “It’s gotta be the shoes” to connect the excellent performance of sports athletes with the quality of shoes. Creating the psychological feeling that consumers can have such power if purchasing the shoes of NIKE. This is to be considered the best and powerful marketing tools that result the increasing of its sales volume.

A key strategy of Nikes global marketing is to establish a presence in every major worlds porting event. Events such as the 2000 Olympics in Sydney, Australia, the 2002 World Cup that is going to be in Japan and Korea, and the U.S. Speed skating team competing in the 2002 Winter Olympics in Salt Lake City, Utah. Nike is also engaging in a financial strategy of attempting to derive approximately 55% of its revenues internationally. Subsequently, Nike must monitor the movement of foreign exchange rates. The strategy has Nike currently engaging in substantial forward currency hedging, which offers protection to moderate shifts in currency values.

Nike management realizes that future success has to be driven by product development. CEO Phil Knight said, “What we want to do is to reengineer ourselves starting with the product”. Nike is about to introduce the new Alpha line, a coordinated line of matching shoes, apparel, watches, and eyewear. This new line of apparel products is considered by Nike to be ‘Total Performance Products’. What makes this line unique is that the clothing is made of a fabric that is supposedly skin like. The Alpha shoe will be a completely redesigned shoe where the cushioning is moved from the sole to the mid-sole. Nike researchers feel this move will provide more comfort while reducing weight. Alpha watches and eyewear will be built to be durable, fashionable, and sporty. The primary consumer for these types of shoes and accessories are consumers in the 18-30-age bracket.

Another strategy for Nike that is different from last year is its commitment to becoming the leader in the soccer apparel and sneaker industry by the year 2002. This is a significant goal for Nike because the next World Cup contest is in 2002. Nike has already committed a great deal of advertising and research and development to this effort. Nike has committed more funding to this marketing program even though Nike's first soccer shoe was a complete bust. Nike is collaborating on the development of their new soccer shoe with an Italian company they have recently acquired. This new shoe will utilize a lighter weight material Nike feels confident will take the industry by storm.

The largest changes to Nike's advertising strategy are to be directed at the U.S. shoe market. Nike plans to soften the Nike name and aggressive image. For example, Nike has decided to combine the new slogan "I can" with the old "Just do it". Nike believes this will appeal to 9 consumers who are not athletic. Nike will continue to seek and promote premier sports players such as Michael Jordan and Tiger Woods using Nike products.

In what could be a risky marketing strategy Nike is going to try to de-swoosh its products by using more off brand? The first changes loyal consumers will notice is new ad campaigns utilizing Tiger Woods who will promote the script logo rather than the more recognizable swoosh. Nike will off-brand Tiger's golf apparel at the same time with the increasingly popular yin-yang sign. Nike will not let Michael Jordan's Air Jordan lines go untouched either. The new marketing strategy will replace the Nike swoosh with the Jump-man symbol. Nike is attempting to give these off brands recognizable identities of their own.

NIKE has its marketing strategy and programs as:

4.1. Printed Advertisement

The DM, huge billboard, and advertisement in all kinds of magazines form a strong and powerful advertisement network. Through the internet, E-commerce and globalization, the influence of NIKE brand will have no boundaries.

4.2. Supported Advertisement

NIKE focuses on the support to world class sport campaigns such as basketball, football, tennis, and golf. Those top players are all wearing NIKE's products and it forms the good reputation of its product image.

4.3. Brand Identification

Consumers purchase the product by creating identification to the brand. The consumers and potential buyers rely on the representation value of this brand, and believe it will keep its (good or better) quality in the long-term. This makes its product or service outstanding from an intense competition. NIKE create brand identification, apply sports stars to endorse the its products and seasonal campaign, and develop multiple product lines to announce in many activities and sales promotion.

Here I would like to analyze the major competitors in target market and marketing 4P principles:

Nike	Adidas	Reebok	New Balance
12~25 year-old teenager, the product line cover widely and deeply to almost all sports group	15~25 year-old teenager, and 25~45 year-old white-collar worker	15~25 year-old teenager, student, female, and specialized sports player in basketball, tennis, aerobics, and jogging lover	15~50 year-old sports love

Table 1: Target Market("Nike's Objectives," 2006)

NIKE's major target markets are: 1. Basketball 2. Jogging, 3. Aerobic, 4. Tennis, and it is designed for 13-25 year-old teenagers with no gender discrimination. The width of the products including core products are: basketball shoes, tennis shoes, jogging shoes, aerobic shoes, golf shoes, and mountaineering boots. In addition, there are lots of sports related products, appeals to satisfy customers' demand.

Nike	Adidas	Reebok	New Balance
Major products are basketball shoes, tennis shoes, jogging shoes, aerobic shoes, golf shoes, mountaineering boots, and other sports related accessories and apparels	Basketball shoes, jogging shoes, tennis shoes, multi-function shoes, and originals shoes	basketball shoes, tennis shoes, jogging shoes, aerobic shoes, golf shoes, mountaineering boots, and kids shoes	Jogging shoes, outdoor shoes, and multi-function shoes

Table 2: 4P analysis—Product("Nike's Objectives," 2006)

NIKE cooperates with distributors and dealers to maximize market share and create the influence power in this industry. NIKE enhances its negotiating counters by having series suppliers and distributors simultaneously.

	Nike	Adidas	Reebok	New Balance
Retailer (department)	15 (-)	30 (+)	30 (+)	30 (+)

stores)				
Wholesaler	240	150	350	370
(athletic stores)	(-)	(--)	(+)	(++)

Table 3 : 4P analysis—Place("Nike's Objectives," 2006)

Remark: rating as (--) weakest (-) weak (+) strong (++) strongest

The successful advertisement endorsed by Michael Jordan express the experience of sports.

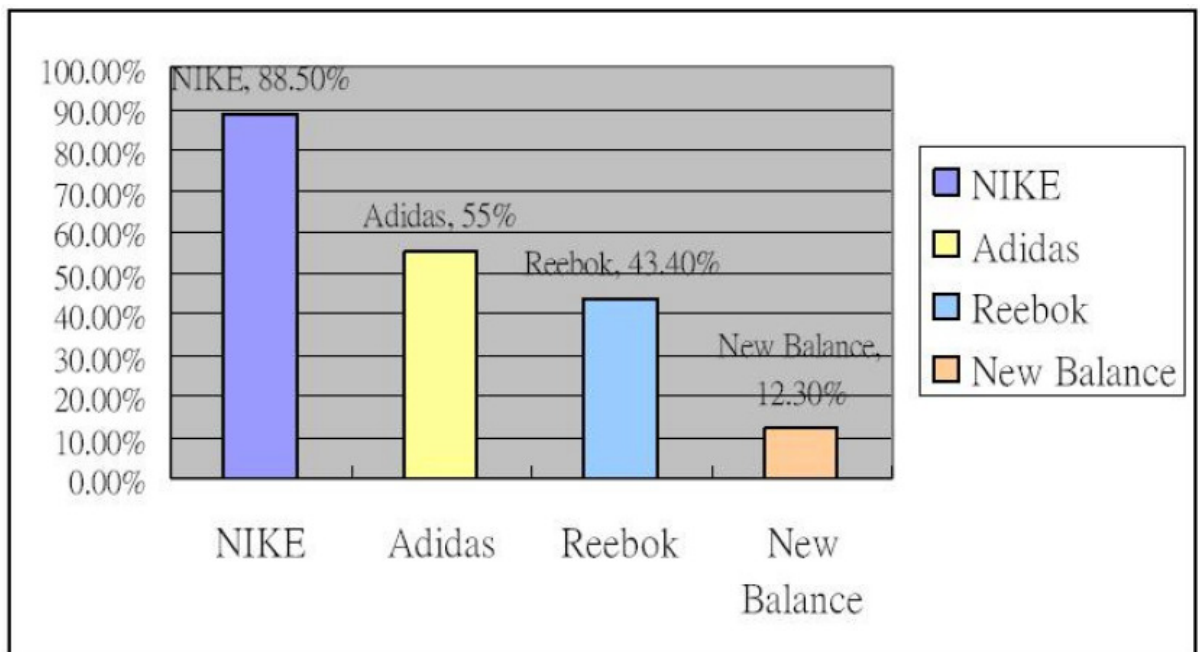


Table 4: 4P analysis—Promotion("Nike's Objectives," 2006; Nike Watch," 2009)

Chart shows the awareness of sport brands.

4P analysis—Price

The price of NIKE products is related on the endorsement of the sport star in advertisement. Therefore, under the global market, price has no obviously differentiation. Thus, NIKE, Reebok, and Adidas are using the endorsement strategy to increase their awareness. Using more counters to exchange more market share is the basic strategy for sport brand because they know the customers in the market are come

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to get their products for sport star's sake. As long as there is actor (endorsed star),
there are always buyer for the ticket (product).(Katz, 2004)



Picture 1: NIKE's printed advertisement("Just do it,")



Picture 2: Ronaldinho is the best player in football, and he wears NIKE sport
apparel("NIKE Football Advertisement,")

The factor of NIKE's success is in its faith, and the faith is also its marketing
strategy. The spirit of ambitious and patience just represents the strength to face all

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problems and solve them. “Just Do It” is a logo but also a life style that tell us to
believe ourselves and insist our faith.

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ABSTRACT

While walking on the street, there are always people wearing name brands sport shoes, such as NIKE, Adidas, Reebok, New Balance. However, NIKE is the most popular brand in sport shoes. Is it because of NIKE's comfortability? Durability? Fashion? Or the brand image associated with the notables.

How can NIKE emerge from its rivals in such a competitive market? What marketing strategy does NIKE adopt? How does NIKE combat the difficulties? These are the factors that inspire me to research the marketing strategies and the stories behind the "Hook".

In this study, I addressed on the history, SWOT analysis, objectives, marketing strategy, and 4P analysis to figure out the success of NIKE Inc.

Keywords: Marketing Strategy, Branding, Sports Shoes, NIKE

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摘要

走在街上總是會看到許多穿著名牌球鞋的人，例如：NIKE、Adidas、Reebok，而當中人數最多的就屬 NIKE 了！到底是什麼樣的原因促使許多人來購買 NIKE 的球鞋呢？是因為名人的代言還是鞋子的外觀，或是鞋子的舒適度、耐用度呢？

而 NIKE 又是怎樣從眾多的品牌中脫穎而出？又是用了何種的行銷策略？而它又是如何解決所遭遇到的困難呢？為種種的疑問激發了我的好奇心，想要研究此產品的行銷策略以及了解「彎鉤」背後的故事。

本文針對 NIKE 歷史、成長與發展、SWOT 分析、企業目標、行銷策略及 4P 分析法，藉此了解 NIKE 的成功關鍵所在。

關鍵字：行銷策略、品牌、運動鞋、NIKE。