Nike Marketing Strategy: A Company to Imitate

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Nike Marketing Strategy: A Company to Imitate

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Abstract:

This paper takes an in depth look at how Nike became the largest company in its industry and how other companies across various industries have tried to model Nike’s plan for success. At the heart of Nike’s business plan are the company’s unique marketing strategy and culture that significantly helps foster innovation and creativity. First I will go into a brief history of the company and its most popular brand. Then an in-depth analysis will be provided of these two important pillars of success. The next part of the paper will focus on how other companies in the same industry and different industries have used similar strategies to try and improve their own profits and products.
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**History of Nike:**

Nike is currently the world’s largest marketer and retailer of athletic footwear, apparel and accessories. The company was founded in 1964 by a University of Oregon track and field athlete, Phillip Knight, and his coach, Bill Bowerman. It was originally called Blue Ribbon Sports and while the company was developing its own line of track shoes, it generated revenue as a distributor for the Japanese shoemaker Onitsuka Tiger (Referenceforbusiness.com, 2014). Bowerman had long been experimenting with modified running shoes for his team, and he worked with runners to improve the designs of the prototype Blue Ribbon Sports shoes. This idea of innovation in its shoe design eventually would become the foundation for the company's future expansion and success. The firm decided to start working even more closely with its Japanese partner company in an attempt to compete with the leaders of the industry in almost every market, Adidas and Puma. In the year 1966, the company opened its first store in Santa Monica, California and the next year opened a store on the east coast in Massachusetts to expand its market. By the year 1970, the relationship between Blue Ribbon Sports and Onitsuka Tiger had pretty much collapsed. Phillip Knight thought that the Japanese company was hurting Blue Ribbon Sport’s financial ability to grow and prosper in the US, so he disbanded their relations. One year later, the company launched its first own line of footwear and decided to rename itself “Nike”. The name Nike was chosen from Greek mythology and it is the name of the goddess of victory. During the year 1971, Caroline Davidson created the iconic “swoosh” trademark for a fee of $35. The following year, Nike with its brand-new swoosh trademark promoted its products heavily at the 1972 U.S. Track and Field Olympic Trials (Referenceforbusiness.com, 2014). This idea of making marketing campaigns centered on attaching Nike’s name to the ascending careers of young popular athletes has been the cornerstone of Nike’s strategy for success (Flynn, 2014).
The new Nike brand generated about two million dollars in revenue in its first year of distribution, which was the start of something great. In two years, the company’s sales revenue had more than quadrupled and it was able to endorse its first prominent athletes, tennis players Jimmy Connors and Ilie Nastase. Nike was starting to accomplish its goal of expanding its visibility, brand awareness, and popularity. The company really started experiencing a boom due to its phenomenal marketing and growth strategies, it even became involved in international markets in Asia and South Korea and by 1978 the corporation’s revenue had reached twenty-eight million. By the year 1980, Nike was already offering more than three million common shares to the public and revenues had surpassed $269 million (Referenceforbusiness.com, 2014). In 1984, Nike made a monumental decision and endorsed around sixty athletes at the Olympics, who ended up winning a combined sixty-five medals. This is the first time Nike had been seen on a global scale and as a result, international sales boomed, resulting in overall revenue reaching 918.4 million dollars. The following year, Nike made the best decision in its company’s brief history by acquiring its biggest asset, in the form of an endorsement deal with Michael Jeffrey Jordan, who later went on to become arguably the greatest basketball player of all-time (Referenceforbusiness.com, 2014). This fueled the company’s success for many years into the future. By 1991, Nike became the first world company to have revenue over $3 billion. Nike realized at an early stage that it is more important to endorse the players/teams competing, instead of the event they are competing in. After its early success with athletes, especially with Michael Jordan, Nike continued this momentum to sign the top athletes around the world in many different sports. This has continued to fuel the company’s dominance in the sports apparel industry, which is why it currently has the highest market share of any company. In 2015, Nike is planning to earn revenue of about $30 billion; with an estimated 25% return on the capital it has invested already.
(Nike.com, 2014). The focus or goal of the company is to be the most innovative and popular brand on the market, and what better way to do this than by investing heavily in research and development and endorsing the most famous faces around the world (Flynn, 2014).

**Air Jordan:**

In the mid 1980’s, Nike made an excellent business decision, by signing an endorsement deal with Michael Jordan, which resulted in the birth of the Air Jordan brand. Michael was able to compile a ton of individual and team accolades during his career that made him one of the greatest athletes. This made his brand the most popular one on the market. People would watch him play, wishing they could “be like Mike”, and would pay almost anything to have something with his logo on it. His Jordan brand has made the greatest impact in the sneaker market by transforming the industry. For example, before the launch of Air Jordan, almost all types of sneakers were white. Michael was actually fined multiple times during one particular season, because he would wear his signature shoes that did not comply with National Basketball Association (NBA) rules (Danforth, 2014). Air Jordan started out as a performance brand, because people thought that by wearing its products, it would somehow make them faster, stronger, or jump higher. This type of positioning allowed Nike to market products to its target market, which was consumer-athletes. As the Jordan market became even larger, Nike was able to significantly increase its prices and reduce the quantities manufactured in the early 2000’s. This resulted in Jordans being labeled as a “luxury good.” For example, the Air Yeezy’s (Jordan sneakers endorsed by Kanye West) retailed at $225 and have a resale value of over $1000 (Howenstein, 2014). This high resale value was due to the brand recognition/popularity of Jordans, and has created an entire part of the global population that has been labeled as “sneaker heads”, who are known for buying and
collecting these expensive shoes. Customers would purchase these products as a flashy statement of their monetary status. Today, Nike offers Jordan sneakers at prices over 200$ or under 100$ to try and target both sets of customers. Each and every year, Nike makes sure to improve or add at least one feature on its Jordan sneakers when they are released. For example, the original Jordan 1 was the first shoe to offer heel Nike “Air cushioning”; the following year, the Jordan 2s offered full length Nike “Air cushioning”. Jordan Brand continues Nike’s tradition of making state of the art shoes and apparel “by the athlete for the athlete” (Downs, 2013).

The brand is so immensely popular that each year Nike puts out a new sneaker, and the release has often been mentioned on different news programming venues because of the ridiculously long lines and “die-hard” brand loyalty (Sneakernews.com, 2013). Air Jordan’s success and design ultimately led to the release of two new sneaker brands for Nike, the Air Forces and the Air Flights. The Jordan brand is one of the main reasons Nike was able to separate themselves from the rest of its competition, during the 1980’s, and has helped them maintain the largest single share of the athletic apparel/footwear market. This franchise embodies all of the core values that Nike projects and “continues to lead and shape the athletic footwear industry into the future” (Sneakernews.com, 2013).
Culture for Innovation:

At the heart of Nike’s growth strategy is the idea of innovation, and it is even directly mentioned in the company’s mission statement, which fosters an environment within Nike that is extremely dedicated towards innovation. In 2013, Nike was even chosen by Fast Company as the #1 most innovative company in the world. Since the day it was founded, Nike has been firmly committed to finding and investing in new ideas. During the 1980’s, Nike introduced the Air Jordan basketball footwear line, which revolutionized the sneaker industry, leading competitors to shift and try to make similarly-designed shoes to keep up.

Currently, Nike has started and been a leader of sustainable innovation. This means creating performance products that are not only the most technologically advanced, but are made with materials that are renewable and recyclable. According to Nike’s yearly sustainability reports, it has been able to continue reducing its amount of carbon emissions year after year, are pursuing greener chemicals with materials suppliers and contracted factories, as well as developing ColorDry and Flyknit technology (Business Wire, 2014). In 2013, Nike opened up a water-free dyeing facility which featured its ColorDry high-end equipment that eliminates the use of water and chemicals in its fabric dyeing (Nike.com, 2014). This innovation was so successful that it has now been implemented in almost all of Nike’s contracted factories around the world. Nike had another goal of creating a form of material that would be more durable, yet lighter, to make its running shoes. As a result, Nike’s Flyknit yarn technology was invented, which uses significantly less material for a 20% lighter, high-performing shoe that feels like a sock on top of the sole of a shoe (Nike.com, 2014). After the wide success of this innovation in the running market, Nike has since introduced this technology to its soccer cleats, and more recently, its basketball market, with the release of the Kobe 9 Elites (Nike.com, 2015).
Another more recent example of Nike’s product innovation includes a design your own shoe platform. This has allowed customers the opportunity to completely customize different models of shoes. Not only does Nike constantly try to improve existing products, but also it does an excellent job of being innovative and inventing new product types. One example would be the creation of the Nike+ package with Apple, which comes with a pair of specifically-designed shoes, an iPod nano, and a Nike iPod sport kit (Nike.com, 2014). The kit allows a person’s iPod to tell them the distance, time, and calories burned, via voice feedback, all while their music plays. Another new product type that Nike has invented is the Fuelband, which was designed to measure a person’s relative activity and encourage them to increase it. Each technological breakthrough for Nike has led to the development of new business relationships and models, which helps the company prepare for future innovation.

**Nike’s Marketing Strategy:**

In today’s competitive environment, Nike has been able to differentiate itself, compared to competitors, and has become the global leader in the athletic footwear/apparel industry. The absolute key to Nike’s success has been its excellent marketing strategies that allow the company to sell a massive quantity of its highly innovative products. Nike has become a transcendent super-brand, because it understands that products are made in factories, but brands are built “in the mind and bought by the consumer” (Kazi, 2011). The Nike swoosh is widely considered the most iconic logo in the business world and revolutionized the way that the corporation has been able to market its products.

The first aspect of Nike’s strategy is to find its target market for a particular product. For example, for most of its products it tries to cater towards all types of athletes or sport enthusiasts.
These targeting techniques include product sponsorship by many different types of professional athletic teams, college sports teams, as well as celebrity athletes. This is where Nike has really gained a major competitive advantage over other companies in its industry. The portfolio of teams and athletes that endorse Nike is extremely long and all are considered to be at the top of their respective sports. As already mentioned, that list starts with Michael Jordan and includes athletes such as Lebron James, Kobe Bryant, Tiger Woods, Lance Armstrong, Derek Jeter and Cristiano Ronaldo; teams include the Universities of North Carolina/Alabama, the National Football League (NFL), and soccer giant Manchester United Football Club. Now Nike by no means invented this strategy, but the company made it famous and has shown it be extremely successful. This particular strategy does an excellent job of increasing the brand awareness and popularity of Nike, because people see their favorite players, celebrities, and teams wearing Nike products. This makes them significantly more inclined to purchase those items, because they want to support and be like their favorite player/team. Also, people start to associate certain products with victory and triumph, which creates appeal for these products worn by collegiate and professional athletes, who are sponsored by the company. An underrated aspect of this strategy is that Nike’s portfolio of high profile athletes will continue to grow, because when the top athletes choose to be endorsed by Nike, others will follow, so that they are mentioned in the same sentence as the best in their particular sport. For example, Nike has accumulated sponsorships from, arguably, the three best basketball players of the last 10 years, in Lebron James, Kobe Bryant, and Kevin Durant, who all want to be mentioned with Naismith Hall of Famer, Michael Jordan.

Once the target market and sponsor have been chosen, Nike invests a lot of money into its advertising campaigns. Nike believes that this heavy investment will increase the breadth and
quantity of an audience. For example, the “Just Do It” campaign is arguably the industry’s greatest advertising slogan of all time and has continued to fuel sales even today. Another great campaign that was launched during the 1980’s was the “Bo Knows” slogan, which depicted two-sport athlete Bo Jackson as being able to do anything athletically; as a result, if you wore his shoes, you were able to do anything. Nike has done an excellent job of marketing its products by coming up with great advertising campaigns and endorsing young athletes, as well as professional and collegiate teams. This has built tremendous popularity for the brand and as a result has led to a lot of consumers Nike over all of its competitors. For example, the author’s two favorite athletes are both endorsed by Nike, Lebron James and Derek Jeter, and therefore I buy a lot of the same Nike products that they use, rather than buying another company’s similar products.

Within the past five years or so, Nike has started to shift its marketing strategies away from the big television campaigns that led to its original success. As new, state-of-the-art products are released, Nike FuelBand and the Nike+SportWatch GPS, Nike has been able to track its core customers and has learned that they spend an increasing amount of time on the Internet. This resulted in Nike launching on-line, digital ad campaigns on various social online communities/outlets. The Nike+ series of new innovative products records customers’ behaviors and patterns, as well as creating a platform for customers to really connect with Nike. By going digital, Nike is now able to directly communicate with its past and future customers, which allows it to understand what its target market wants out of a product. One example of this new technique was when Nike created a 30-story billboard in Johannesburg, South Africa, that posted fan headlines from Twitter (Cendrowski, 2012). Not only is Nike able to reach a much larger quantity of people, but also it is able to do so at a much lower cost than the expensive TV ad
campaigns. Instead of spending $100 million on advertising during major sporting events, to reach at most 200 million people (Superbowl), Nike is able to reach this many people every single day for a fraction of the cost over its various websites and social media platforms (Cendrowski, 2012).

**Other Companies Utilize Similar Models for Success:**

Nike has dominated the athletic apparel and footwear market since the mid 1980’s, due to its terrific products, powerful branding, and great marketing techniques. Many of its competitors have adopted similar strategies to try and keep up with the “super-brand”. Other companies that are not even in the athletic industry have seen how Nike’s plan of attaching its brand to the popularity and likability of athletes has directly led to success.

Adidas has been Nike’s main competitor for a long time and has tried to cut into its enormous share of the basketball market by imitating Nike’s famous model for marketing. The company currently has an endorsement deal with Derrick Rose, who won the Most Valuable Player (MVP) award for the 2010-2011 season. Unfortunately, he had major knee injuries in the three years following, which resulted in Adidas losing a lot of the marketing momentum that his MVP accolade had brought the brand. In response to his heartbreaking injuries, Adidas followed Nike’s new marketing plan, and launched a digital ad campaign of their own that followed the day by day process of Rose’s “return”. This made Rose look like a hero who would never give up and who would one day make his triumphant return back to the Chicago Bulls. Fans felt that they were a part of the long process and were able to directly interact with other potential consumers, as well as the Adidas brand. Sales for equipment worn by Rose, especially his
sneakers, increased a great deal after the debut of the online digital series of ads, because consumers were inspired by his perseverance, dedication, and work ethic, during the commercials (Strauss, 2012). Also, Adidas was able to score endorsement deals over Nike, with Damian Lillard, who recently won NBA rookie of the year in 2013, and Andrew Wiggins, who won NBA rookie of the year this past season. Both deals were major achievements for Adidas, because it was able to beat Nike at what Nike does best, inking endorsement deals with the next set of “up and coming” stars. Adidas has used similar tactics with regards to its dominance in the soccer industry, where it supplies balls and uniforms for most major tournaments and a lot of the top teams around the world. Also, Adidas’ list of endorsed soccer athletes is much larger than that of Nike, which has directly resulted in Adidas’ sales success in this particular market. For years Adidas has been Nike’s archrival and the company has tried to gain ground on Nike’s dominant share of the market by using similar marketing strategies as its main competitor.

Under Armour has also been attempting to take a piece of Nike’s large share of total athletic apparel sales in the domestic markets for the past few years. It is considered to be the new kid on the block of the athletic industry, and has only just started to scratch the surface of its potential. In recent years, Under Armour has followed the same steps as Nike, growing its brand dramatically by sponsoring college athletic teams, which has increased the company’s brand awareness and popularity. For example, the author has recently seen my two favorite college athletic teams shift to Under Armour. The University of Notre Dame football program shifted from Adidas to Under Armour this past year and St. John’s Men’s basketball program shifted from Nike to Under Armour last year (Flynn, 2014). Under Armour is just starting to challenge Nike, especially from an athlete endorsement level. This past year Under Armour even tried to steal away one of Nike’s top endorsed athletes, Kevin Durant, who last season won the NBA’s
Most Valuable Player award. Under Armour made a great attempt ($280 million), but, unfortunately, Nike had the “rights” to him, so if the brand offered him a better deal, Kevin Durant had to accept, which is exactly what happened, since Nike offered him $300 million (Reuters, 2014). To stand toe to toe with Nike, Under Armour understands that it has to eventually have at least the same level of brand recognition and be just as well-known for offering high quality products. So far Under Armour has been successful by creating a similar atmosphere for technological innovation that has led to many new and improved products. Under Armour even brought in two of Nike’s top shoe designers, Gene McCarthy and Dave Dombrow, to fix what many consider to be an unsuccessful sneaker-line, in the 2000’s. These acquisitions have had immediate results and Under Armour shoes have an identity now. Just like Nike, Under Armour’s shoes are designed much like “the human spine — agile when it needs to be but rigid when it must be” (USAtoday.com, 2013).

Proctor and Gamble has also understood the importance of building strong brand loyalty with its Gillette brand, which has led to it being the number one male grooming product. To elevate this brand to the next level, Gillette followed Nike’s lead and endorsed, arguably, the three best players in their respective sports at the time. All three, Derek Jeter, Tiger Woods and Roger Federer, all happened to be endorsed by Nike as well. The advertising campaign that Gillette launched did an excellent job of promoting its new product, the Gillette Fusion, which has become a foundation for the company’s success ever since the ads premiered. Wrangler jeans also resorted to using Nike’s famous celebrity athlete endorsement strategy to elevate its own brand awareness and loyalty. Wrangler’s choice of athlete was longtime Packers quarterback Brett Favre, because it felt that his “dependability, toughness and down-to-earth qualities form a perfect parallel with the core values of Wrangler” (Wordpress.com, 2012). Wrangler used Brett
Favre to describe the comfort of the jeans and how much he enjoyed wearing them, which increased the brand’s reputation. Consumers felt that if Brett Favre chose Wrangler, they should too. Favre’s campaign was very successful for Wrangler, because sales of its new Five Star Denim Line soared and it ultimately led the company to sign another star athlete, Saints quarterback Drew Brees, to try and duplicate this success.

**Conclusion:**

Nike was founded by a simple handshake in 1964 by a University of Oregon track and field athlete Phillip Knight and his coach Bill Bowerman. This handshake led to the company becoming the world’s largest marketer and retailer of athletic footwear, apparel and accessories. Early on Bowerman created a company culture that fosters innovation, which has been one of the main reasons for its continued success today. Nike’s goal is to create products and services for today’s athletes, while solving problems for the next generation. Currently, Nike dominates its industry and owns a market share of over 40%, which is a direct result of its significant competitive advantages.

Early in its history, Nike understood that the key to increasing its profitability is to offer the most advanced products on the market and by building a strong and immensely popular brand reputation. Incorporating innovation into its mission and vision statements was a phenomenal move by Nike, because it stressed to the public and its employees just how important it was for it to be the most innovative company in its industry. This led to major breakthroughs in the company and has prepared it for future growth. Examples of Nike’s innovations, described earlier, include the Air Jordans, Nike+ package, and Fuelband. The other important part to Nike’s growth strategy over the years was excellent and relentless marketing
platforms. The focal points of these platforms were to attach Nike’s brand name to the careers of ascending young athletes and creating catchy advertising slogans. Two of the more popular slogans were the “Just Do It” campaign and the “Bo Knows” campaign. Although these were extremely popular, and did lead to a lot of success for the company, Nike truly separates itself from its competition in its endorsement deals. As already highlighted, Nike signs the most prominent athletes in each sport and, as a result, its products have a significant popularity boost and the overall brand grows in strength. Ultimately, Nike has done so well over the years due to the strength and popularity of its brand. Customers associate the name Nike with popular, innovative, top-of-the-line performance gear. Also, Nike takes a genuine interest in each individual customer and wants to provide some form of good or service for everyone. Its new digital ad campaigns allow Nike to track exactly what its potential consumers are looking for from a product and then the company can develop its marketing strategies around these ideas, or even build completely new products that fill these needs. As soon as someone uses or buys their first Nike product, Nike wants them to feel like they are a part of the global Nike family. For example, Nike created a platform online for direct communication with its customers, to answer any questions/concerns or listen to any ideas they may have.

Competitors in its industry are taking notice of Nike’s dominance and have tried imitating its famous marketing strategy of attaching its brand to the careers of popular athletes. This tactic has worked so well for Nike in the sports apparel market that other companies (Wrangler, Gillette), in completely different industries, have implemented similar strategies. As the list of individual and team accolades grows, so too does the brand awareness and strength of the company that is utilizing these athletes as representatives of its respective brands. For the foreseeable future, Nike will continue to be the leader of its particular industry and will be a
company imitated for its culture centered upon innovation, as well as its world famous marketing strategies.
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