

Video Case 5.1

Nike: Associating Athletes, Performance, and the Brand



Nike is the largest seller of athletic footwear, athletic apparel, and other athletic gear in the world with about 25 percent market share worldwide. It focuses on NIKE Brand and Brand Jordan product offerings in seven key categories: running, basketball, football, men's training, women's training, NIKE sportswear, and action sports. The company sells its products through a mix of independent distributors, licensees, and subsidiaries in approximately 120 countries worldwide. Nike has grown from an \$8,000 company in 1963 to a company with revenues of \$34.4 billion for the year ended May 31, 2017.

In 2016, Nike spent an enormous amount of money. Nike's sponsorship and endorsement commitments amounted to \$6.2 billion in 2016, up 32 percent from 2015. In order to make sure that this money is being spent properly, Nike relies on marketing research. It has shown a history of innovation and inspiration in its marketing and is quick to adapt to the changing consumer and the world of sports. Nike has used marketing research in understanding where the future growth lies. A recent example is Nike's shift from marketing in the more traditional sports (basketball and running) to other sports (golf and soccer), where it has not been as strong. Marketing research surveys revealed that the awareness of Nike among soccer and golf players was low, and Nike decided to work on increasing these numbers. Nike has decided that the money needed for licenses in its strong areas can be better spent in other areas where Nike does not have the brand awareness.

Today, the Nike Swoosh is recognized around the world. This is the result of more than 40 years of work and innovation. It signed the first athletes to wear its shoes in 1973. Early on, Nike realized the importance of associating athletes with its products. The partnerships help relate the excellence of the athlete with the perception of the brand. Through focus groups and surveys, Nike discovered the pyramid influence, which shows that the mass market can be influenced by the preferences of a small group of top athletes. After it realized this effect, Nike began to spend millions on celebrity endorsements. The association with the athlete also helps dimensionalize the company and what it believes in. With Nike, this was, and remains, extremely important. It wants to convey a message that the company's goal is to bring innovation to every athlete in

the world. Nike also uses the athletes to design new products by attempting to meet their individual goals.

Explaining Nike's strategy of celebrity endorsements, Trevor Edwards, vice president of U.S. Brand Management, says that the sports figures, such as Ronaldo, Michael Jordan, and Tiger Woods, who have endorsed Nike brands all have represented excellence in some way. Nevertheless, the athletes also have a personal side, such as their drive to win or their ability to remain humble. All these qualities speak something about the Nike brand; this not only benefits the brand but also helps to define what the Nike brand is and what it stands for.

The company also realized that in order to achieve its lofty growth goals, it must appeal to multiple market segments. Based on marketing research, Nike divided the market into three different groups: the ultimate athlete, the athletics participant, and the consumer who is influenced by sports culture. The first segment is the professional athletes. The second constituency is the participants, those who participate in sports and athletic activities but do not see themselves as athletes or as being part of the larger sport. The third segment comprises those who influence others and are influenced by the world of sports. These three different constituencies form three different consumer segments, and Nike uses very different strategies for each.

Nike has always been an aggressive user of marketing research and this has been shown in its attack on the European market. It decided to concentrate on different sports in order to reach European consumers. Americans love baseball. And football. And basketball. But Europe's favorite game is soccer. Nike placed its focus on major sporting events (World Cups and Olympics) and celebrity athletes who are relevant to the European consumer. Marketing research in the form of focus groups and survey research revealed that the best positioning for Nike shoes was one that enhanced performance in the sport. Through massive advertising campaigns, it has been able to change the perception of its products from fashion to performance and in the process increase sales dramatically.

Another technique Nike has used is to specifically design a product line for a certain market. Nike uses marketing research to determine the lifestyles and product usage characteristics of a particular market segment and

then designs products for that segment. An example is the Presto line, which was designed for a certain youth lifestyle. Nike focused on the lifestyle and designed the products around this group. It also used marketing research to determine the most effective media to communicate with the target market.

Because of these methods, the Nike logo is recognized by 97 percent of U.S. citizens, and its sales have soared as a result. However, Nike faces a new concern that it has lost its traditional image of being a smaller, innovative company. It also faces future obstacles in maintaining brand equity and brand meaning. Continued reliance on marketing research will help Nike to meet these challenges, associate its brand with top athletes and performance, and enhance its image.

Conclusion

Nike used marketing research to build its brand into one of the most easily recognized and well-known brands in the world. Nike's strategy of celebrity endorsements, its expansion into Europe, and the resulting stronger association with soccer are some of the steps taken by Nike to grow its

brand. In the coming years, as Nike expands to newer markets and capitalizes on newer opportunities, it will have to continue its reliance on marketing research and continue to associate athletes, performance, and the brand.

Questions

1. Nike would like to increase its share of the athletic shoe market. Define the management decision problem.
2. Define an appropriate marketing research problem corresponding to the management decision problem you have identified.
3. Develop a graphical model explaining consumers' selection of a brand of athletic shoes.
4. How can qualitative research be used to strengthen Nike's image? Which qualitative research technique(s) should be used and why?

References

1. <http://www.nike.com>, accessed February 15, 2017.
2. "Nike Commits \$6.2B to Sports Deals," <http://www.sportsbusinessdaily.com/Journal/Issues/2015/08/03/Marketing-and-Sponsorship/Nike.aspx>, accessed February 15, 2017.

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