Nike's Utilization of Brand Strategy to Increase Global Competitiveness

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EXECUTIVE SUMMARY

This paper seeks to outline the brand marketing strategies used by Nike to maintain its global competitiveness. Nike appears to operate with two main objectives: to expand geographically and through deeper market penetration, and to build profitable consumer-brand relations. The former is achieved in part through successful brand portfolio management and subsequent marketing tactics. The latter is realized in part through raising brand recall and relevancy, which will result in brand esteem. In so doing, Nike combines the benefits of retaining old customers and acquiring new ones, all the while seeking out any possible means of cost savings.

Keywords: Brand Strategy, Brand Portfolio Management

THE STORY OF NIKE'S MARKETING SUCCESS

Business entities seek success in the form of sales, profit, and market share. Their order of importance depends on the situation, but invariably the three are related: sales lead to market share, market share leads to sales, and both can impact profit (Buzzell et al., 1975; Syzmanski et al., 1993). From a strategic marketing perspective, Nike seeks to increase sales, profits, and market share in a unique manner illustrated in Figure 1.

Nike finds new customers directly through geographic expansion and continued market penetration, both of which inherently contribute to increases in sales and profits. It should be noted that both expansion objectives enjoy a mutualistic relationship in that geographic expansion leads to more consumer relationships, and stronger relationships lead to word of mouth expansion within extant markets (Berger & Shwartz, 2011). Nike utilizes a standardized global marketing strategy in which it communicates a single identity complete with a single set of products; this is successfully facilitated via specific tactics such as endorsements and brand portfolio expansion which shall be explained in depth later. The introduction of a brand into a new geographic region inherently expands potential sales, global market share, and if the operation is managed efficiently, profits (Buzzell et al., 1975; Syzmanski et al., 1993).

Nike's market penetration and geographic expansion strategy are predicated upon building consumer-based brand equity (CBBE) and utilizing specific tactics to diffuse it across unreached demographic and psychographic sets. CBBE is built exclusively through recall, relevance, and esteem (Keller 1993). The reason behind this hyper focus on three particular brand aspects is because brands which perform well on these aspects generally generate the greatest revenues (Datta et al., 2017). Each of these three aspects can be further broken down into the tactics utilized to build them. Relevance is built through endorsements, collaborations, and portfolio expansion; esteem is built through endorsements, collaborations, media ads and R&D advancements; and recall is built through endorsements, collaborations, and media ads. CBBE is then diffused via the tailoring of the same tactics needed to build these aspects in the context of the new market; the most effective of these are portfolio expansion, endorsements, and collaborations. Nike also expands by providing equipment for an ever-growing number of sports and by constantly developing new products to satisfy ever developing physical needs of top level athletes.

This process of broadening brand appeals would ordinarily lead to the dilution of the flagship brand and its meaning; but Nike has prevented this with two tactics. The first is to change its brand meaning from a running shoe brand to a sports equipment and athletic lifestyle brand, allowing for products ranging from soccer cleats to winter coats. The second is to disassociate new products which are too unrelated to its core identity via distinct brand names, such as with Converse or Cole-Haan.

The first portion of this paper will explore the function and theory behind Nike's method of building CBBE by focusing on recall, relevance, and esteem. The second will focus on the specific tactics employed to accomplish Nike's CBBE building and diffusion objectives and explore how cost savings are realized through synergy between tactics.

BRAND STRATEGY

In constructing a brand, Nike focuses its efforts exclusively on brand recall and relevance because when these two aspects are well developed, high perceived esteem is the result (Datta *et al*., 2017). This relationship and the relationship between each individual aspect and sales-based brand equity (SBBE) will be explored in depth to illuminate how Nike leverages these relationships with specific tactics to not only create a strong brand but also save marketing dollars.

According to Datta et al. (2017), the individual components of CBBE can be divided into two categories: REK (relevance, esteem, and knowledge) and ED (energized differentiation). Using the terminology established by Keller, REK would be brand resonance, response (judgements and feelings), and salience, while ED would be brand meaning (performance and imagery) (Keller 1993). The categories of REK and ED differ in terms of their contribution to SBBE. According to previous research, CBBE explains 47% of SBBE, and brands with a high REK enjoy a SBBE that is .52 standard deviations above the mean, while brands with a high ED are .08 standard deviations below the mean (Datta et al., 2017). Furthermore, brands with a high REK perform .29 standard deviations better in product categories such as athletic apparel, which emphasize social value (Datta et al., 2017). However, brands with a high REK also perform .5 standard deviations worse in categories that feature a few dominant brands, which indicates that Nike must utilize unique tactics to overcome this difficulty (Datta et al., 2017).

One such step that Nike takes is to save time, money, and effort by focusing exclusively on relevancy and recall in order to achieve esteem, rather than to invest in specific esteem building measures. This supposition is supported by the finding that relevance is correlated to esteem by a factor of .85, and knowledge is correlated with esteem by a factor of .7. Furthermore, relevance and knowledge have high correlation with SBBE (.39 and .53, respectively) (Datta et al., 2017).

Nike likely focuses exclusively on recall rather than knowledge as a whole because brand awareness is more important than understanding in its current situation. This is deduced from two logical reasons: brand confusion and consumer skepticism of brand communications. The former is the result of Nike's decades-long success, which has spawned a great deal of evolution in the brand. So, while the brand might be summed up in its slogan, "Just Do It," any attempt to infuse further meaning becomes convoluted: does Nike stand for 'doing it,' through hard work (e.g., the Michael Jordan, 'Failure' ad), or through shortcuts to success (e.g., the 'Debate This' ad)? Perhaps the answer to such questions is 'both,' but in how many ways can Nike stand for both before it stands for neither? To add to this confusion, Nike's competitors, such as Under Armour and Adidas, push the same messages as Nike, sponsor comparable star athletes, and claim to supply the winning edge (Vincent-Wayne & Papavassiliou, 1999). Thus, when Nike pushes such messages there is no advantage, and providing a radically different message would only cause more confusion. To the latter point of consumer skepticism, even if Nike could convey a unique and meaningful message to consumers, the impact would be mitigated because the modern consumer is skeptical of brand communications (Obermiller & Spangenberg, 1998) and corporate philanthropy (Skarmeas & Leonidou, 2013). Thus, while Nike could push its community support programs into the mass through media, most would view this as a hollow effort aimed at increasing sales. Knowing that there is no brand message that can provide a competitive edge in the near future, Nike chooses instead to ensure that the name 'Nike' is always at least present in the media and consumers' minds, thus building recall.

TACTICS

The athletic apparel and equipment industry standard is to constantly release newly innovated products and to invest heavily in media ads and distribution; thus, it is through diverse portfolio expansion, endorsements, and collaborations that Nike is able to achieve its competitive advantage. Each of these tactics assist in the psychographic, demographic, and/or geographic expansion of the brand by promoting recall and relevance, which results in esteem. Those tactics which boost recall ensure

Nike's name is prevalent in the media (Eisend & Kuster, 2010). Those tactics which improve relevance appeal to specific consumer needs, and those which boost esteem tie Nike to aspirational goals and reference groups.

Endorsements

The most prominent tactic in the Nike marketing mix, and the one that features the most overlap in the advancement of geographic expansion and market penetration, is that of endorsements.

Nike's endorsements help accomplish all of its goals and sub-goals. In regard to geographic expansion, endorsements assist when superstars who capture the hearts of international sports fans are signed (Cornwell et al., 2005) because they expand Nike's active market to those fans of the endorser who were not also Nike fans (Keller, 1993; Gomez, 2012). In addition, Nike sponsors athletes who are indigenous to the locale in which Nike might be trying to enter, thus granting it legitimacy and relevance in a new market where it might otherwise have none.

Endorsements improve recall (Cornwell, 2008; Gnanapragash & Sekar, 2013) because they create a tie between the Nike brand and athletes who are frequently in the news (Eisend & Kuster, 2011), the topic of conversation, and otherwise dominant in pop-culture. Thus, in scenarios in which Nike would ordinarily not be a factor, such as the game winning shot by Kyrie Irving in the 2016 NBA finals, the brand becomes relevant because Irving is a Nike athlete and made the shot in Nike sneakers. Not only does this inherently increase Nike's brand awareness, but the event and its associations can be leveraged even further by tying the emotions of this event to Nike through advertising.

Endorsements improve relevancy because they demonstrate product effectiveness (Rifon et al., 2004; Gomez, 2012), create an emotional attachment (Ilicic & Webster, 2011), and provide a means for fans of the endorser to connect with him/her. Thus, if there is a person who idolizes LeBron James as role model and a hero, then it is only natural that that individual will want to wear LeBron's sneakers (Gomez, 2012), because when he wears his LeBron's he becomes closer to his idol. The sneakers are therefore relevant not only to his physical needs, but also to his emotional needs and this experience is effectively replicated across all Nike endorsers and collaborators.

Endorsements improve esteem (Keller, 1993) because endorsers actively perform in their Nike gear, demonstrating that this gear is fit for the best. In addition, the associations which fans have of these endorsers, which are typically of great emotional consequence, are transferred onto the Nike brand, thus providing it with a boost of esteem otherwise unattainable for a lifeless entity. The legitimacy granted by people at the top of their profession utilizing Nike products to compete in their profession is far greater than what could be achieved by added features or price signaling; thus, Nike has no need to invest in tactics which exclusively build esteem.

Additionally, individual Nike endorsements often function as their own sub-brands (Keller, 1993) which is a critical contribution to the Nike portfolio because when each endorser is already his/her own established and successful brand, the endorsers' teams then are the ones managing these brands; thus, Nike does not need to expend resources in managing such brands (Dietl & Schweizer 2015). For example, the role of the brand is traditionally to reduce functional risk, reduce the cost of information, provide social value, and promise experiential value (Datta et al., 2017). With the LeBron brand (or Kyrie, or KD, etc. etc.), just by virtue of the fact that it is named after and worn by LeBron, all functional risk and info cost is eliminated, social value is added, and experiential value is enhanced. Such endorsements, of which Nike has many, can function as a competitive advantage when they are monopolized, which is easily done since each endorser can only endorse one athletic apparel company. Thus, when Nike endorses LeBron, they monopolize all endorsements from the best basketball player in the world: if you want to play in what the best plays in, you can only choose Nike.

In regard to future endorsements, Nike has developed a strategy of signing young players who are deemed potential future superstars; the objective here is to capture players who will come to be one of the defining faces of their respective sports before they actually do so. Thus, when the time arises, Nike will be in position to leverage such a player's stardom due to its association with said player. As explained earlier, this results in an unparalleled relevancy and legitimacy for the Nike brand in a consumer's eyes who is a fan of said player. This strategy is exemplified by the recent signings of the 2017 rookie NBA players Jayson Tatum, Markelle Fultz, Jonathan Isaac, De'Aaron Fox, and others.

Collaborations

Like endorsements, the collaborations between Nike and outside entities, such as celebrities, brands, and corporations, touch on each objective and sub-objective in Nike's marketing strategy (Washburn, 1999; Bai 2010). The chief difference between these two is that collaborations are often one off deals which result in a few limited edition products, such as the Nike Air Yeezy 1 and 2 in which the influence the collaborator offers is clearly visible on a Nike product. By contrast, endorsers frequently represent the company for a number of years and often result in branded product lines which leverage the endorsers' brand, as is the case with LeBron, Jordan, and others.

Collaborations maintain recall because they are typically limited release, special designs that garner a significant amount of hype amongst fans of both Nike products and the collaborator. This hype is reflected by the frequent mention of such collaborations on websites such as 'HypeBeast' and 'Sneaker News', as well as by the quick pace at which these collaborations sell out. One such example is the Nike SB x Diamond Supply Co. collaboration, which had a smash debut in 2005 and was rereleased with much excitement in 2014. Thus collaborations keep the Nike brand fresh, exciting, and in the news. They also function as an incentive for a consumer to quickly go out and buy; both of which translate to the Nike name being at the forefront of consumers' minds.

Like endorsements, collaborations improve relevance and aid geographic expansion by capturing the attention of fans of the collaborator, domestically and abroad, even if they are not necessarily Nike fans. Thus, when Nike collaborated with popular streetwear brand, Supreme, there was significant hype generated from Supreme fans, many of whom live in Japan; in this way, Nike leveraged the Supreme brand to sell expensive sneakers to those who might not have been interested had the Supreme logo not been present.

Also, like endorsements, collaborations improve esteem because the collaborators are exclusively entities who are considered culturally iconic, such as the *Back to the Future* franchise which spawned the Nike Air Mag. In this way, the products that result function as symbolic cues to represent an individuals' passion either for the collaborator and/or what the collaborator represents. Therefore, esteem is generated because the products are born with an association to an individual who is held in high esteem and their esteem is readily transferred to the product.
Because collaborations boost recall, relevance, and esteem, they function as a means for Nike to branch out from its core brand identity to penetrate other markets. One such instance of this occurring with great success is the case of the athleisure industry. Athleisure wear is the application of style and fashion to athletic wear. As it grew in popularity, Nike was already the dominant face of athletic wear. All that was needed was to establish credibility in the fashion industry. Typically, this would likely take years of successful product releases and marketing investments, but collaborations with one who is already established in the fashion industry can function as a shortcut to this credibility. As was the case with the 2001 Stussy Nike Dunk High, a collaboration with a respected fashion brand can entice fans of that brand to buy the Nike collaboration and open them up to the idea of purchasing other Nike products for fashion purposes.

Portfolio Expansion

Portfolio expansion is a highly effective tactic in facilitating geographic expansion and market penetration; it is also somewhat effective in bolstering overall brand equity. In regard to the general portfolio expansion strategy, Nike typically purchases an established brand in order to capture its CBBE. Each brand that Nike has acquired, regardless of whether or not it was subsequently sold off, allowed Nike to expand its brand to more people from more places and with different interests and needs than current Nike consumers; in many cases a single Nike acquisition assisted with both geographic expansion and market penetration.

In regard to geographic expansion, for instance, Nike purchased leading soccer retailer, Umbro, in 2007. With this purchase, Nike gained access to Umbro's distribution network and was then able to use it to distribute the Nike brand. This network was particularly pervasive in areas where Nike was not: China, Brazil, Russia, and Western Europe. Furthermore, Nike was not known as a soccer supplier prior to its Umbro purchase, but once it acquired Umbro's endorsement deals with soccer juggernaut teams Man U, Man City, and the English National Team, as well as any soccer related technology that Umbro might have had, it was able to establish credibility and favorability amongst soccer fans. Nike took similar routes with Bauer (Russia, Canada, and Nordic distribution network; hockey players) and Hurley (Brazil, Portugal, Australia, and other coastal regions; surfers), all of which reached new markets and captured more sales in extant markets.

With other acquisitions though, Nike was purely seeking to deepen its presence in regions already reached. Examples of this include Starter (discount channels and discount shoppers), Converse (artists, rebels, lifestyle, streetwear, casual wear), and Cole-Haan (high end retail channels, business casual market), all of which targeted market sets which were distinctively different from the Nike target.

Each of these acquisitions, regardless of their success, gave Nike a targeted position to appeal to either a market segment that was previously not a target, a market location that was untapped, or both. Future acquisitions by Nike would thus be best targeted at a geographic region in which it is not popular, or at a new psychographic or demographic consumer set. One such example might be another foray into the lifestyle apparel category, such as with Banana Republic.

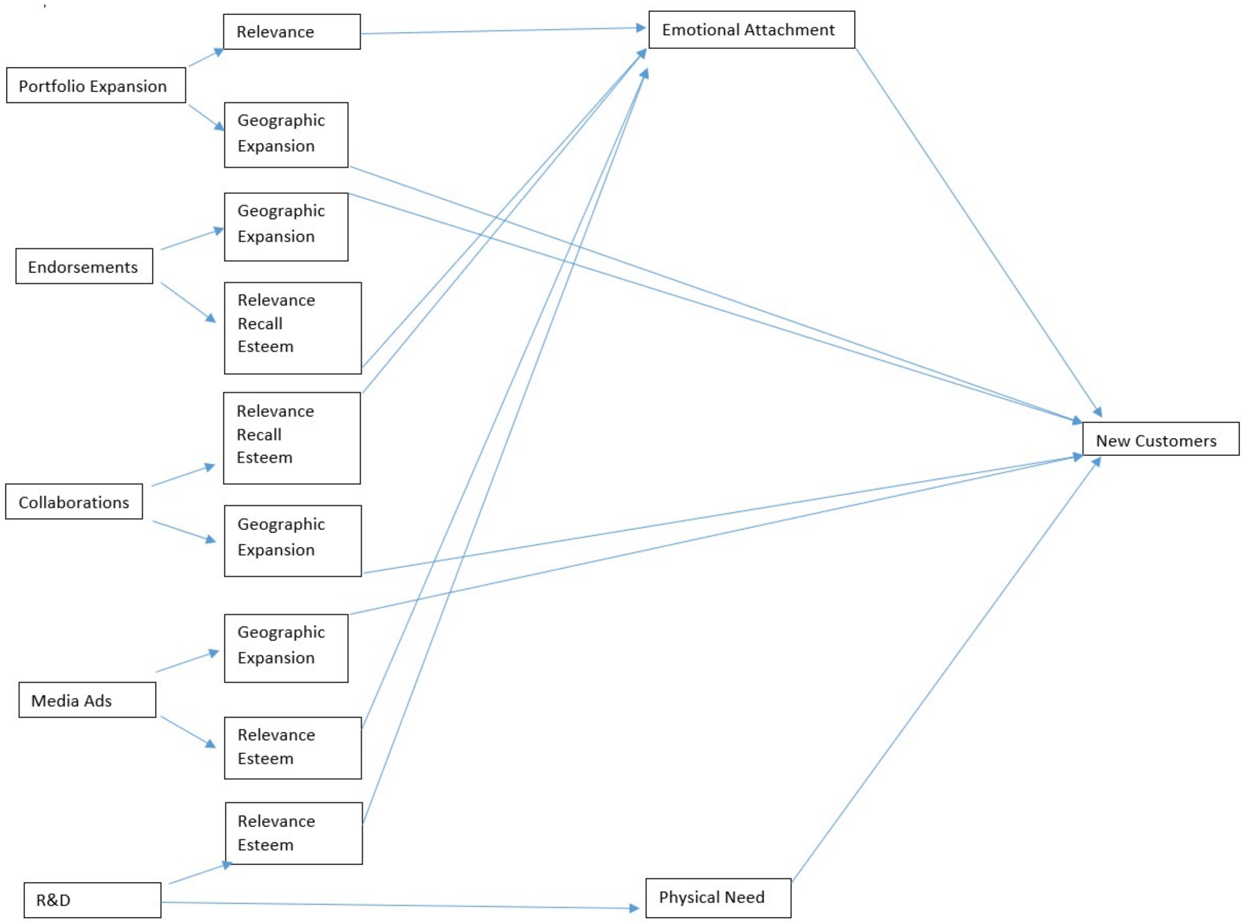
R&D

R&D is crucial to Nike's expansion efforts in both extant and unreached markets because it provides legitimacy in the form of cutting edge products and enables Nike to remain ahead of the curve in regards to developing trends. When demonstrating technical prowess, Nike is always careful to ensure that new technology is heavily featured or exaggerated in the design of the shoe. Thus, the LeBron 15 features two innovations not found in the 14: flyknit and improved cushioning. Flyknit is a trademarked technology of Nike known for its lightweight durability and breathability, and its presence is exaggerated on the LeBron 15 via the use of a speckled pattern and scale like features on the side. In addition, the improved cushioning is highlighted via a sole which is of a different color than the body of the shoe, and which extends down from the body of the shoe in three distinct areas, rather than in one unified block as is the norm. In this way, the improved technologies are easily perceptible to consumers, signaling to them the product's functional superiority.

In regard to the discovery and capitalization on developing trends, one can simply look to the recent rise of athleisure apparel, particularly amongst women, to see how Nike exploits such trends for gain. Starting with a fashion show in October of 2014 to showcase its efforts in blending performance and style, Nike has taken off in the athleisure industry matching the likes of athleisure innovators, such as lululemon, and even seizing an advantage over such competitors by pairing stylish apparel with matching sneakers – something which other athleisure brands have thus far failed to do. Furthermore, Nike CEO Mark Parker stated that "leggings are the new denim," (Friedman, 2014) which sums up the concerted effort on Nike's part to deeper penetrate into extant markets by expanding its usage scenario. Nike product usage has pivoted from strictly athletics and training to everyday use by augmenting such products with a stylish aesthetic on top of performance features. This penetration is best exhibited through gains realized in the woman's market, whereby sales have increased from \$4.9B in 2014, to \$6.6B in 2018 (Nike): clearly Nike's focus on style has had a significant impact. Thus, Nike has deepened its market penetration by expanding its usage occasion from exclusively athletic endeavors to everyday stylish wear: where people once grabbed for their favorite pair of jeans to look nice going out, they now reach for their Nike leggings or joggers.

In conclusion, Nike has achieved an unrivaled global dominance in the athletic apparel industry by keeping a close eye and a steady hand over two key objectives: expansion and consumer relationship construction. Furthermore, Nike is meticulous in its efforts to achieve marketing synergies through the use of tactics that accomplish more than one marketing goal, thus greatly reducing marketing expenses by reducing the amount of marketing activities needed. Thus, Nike is able to branch out into new geographic regions and new psychographic segments, establish its relevance to such consumers, and then form deep and meaningful relationships with these consumers, all at a cost that is reduced by synergies between marketing tactics.

Figure 1



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