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Nike's Efforts and Its Stakeholders' Impact on Its Value Creation Pursuit

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Abstract

This essay attempts to explain the various ways that marketing uses to create value for customers. It identifies the advantages of marketing to consumers. It also outlines what branding is and its many advantages. It looks at the Ansoff Matrix strategies Nike uses to grow its business. It presents a glance at how Nike successfully uses relationship marketing to market its products. Then, it investigates the ways that Nike uses to communicate with its stakeholders. It also demonstrates Nike's stakeholders' power and influence on its marketing efforts.

1. The role of marketing in creating value for customers.

The marketing concept argues that an organisation needs to know its consumers' needs and wants in detail and then set organisational goals in line with these needs and make efforts to achieve these defined organisational goals by delivering a superior value to its consumers than its competitors (Kotler & Armstrong, 2017). Under the concept, customer focus and increased value are the routes to making sales and securing profits. It's an approach of sense-and-respond where sense implies understanding consumer needs, and respond means satisfying these needs with great products. The marketing concept instructs that finding the right products for customers should be the only goal of businesses, not running after looking for the right customers (Kotler & Keller, 2016). Nike, Inc. happens to be one of the biggest practitioners of this marketing philosophy. It believes it can achieve its organisational objectives and goals only through its marketing activities. Its organisational goals remain largely dependent on its marketing strategies.



Source: Business Strategy (2020)

Advantages of Marketing to Consumers

Marketing creates value for consumers. It is the most fundamental and essential function of marketing. There are a number of advantages of marketing to consumers beyond its value-creation pursuit. Marketing brings out the best of products, which solve consumer needs and problems in a way that makes their life easier and comfortable to live. Customer satisfaction is another great advantage of marketing to consumers. Consumers pay for products because they want satisfaction from them. Marketing recognises that and tries to better satisfy them by adding more value and features to products. Marketing communication exists to let the consumers and potential consumers know more about the products and services and why the money they spend on buying them is totally justified. Advertising, an integral tool of marketing, informs consumers about the availability of products, their prices, and the

locations where they are up for purchases. Another advantage of marketing is that it tries to build relationships with consumers that are profitable for both parties. Strong relationships with consumers created by organisations through marketing activities are good for organisational growth and even for the consumers in that they are treated with respect and receive fantastic offers and discounts. Consumers view marketing as an important link that bridges the gap between them and the organisations.

Branding

Branding is pinning the attachments of products and services to a brand. Nowadays, branding practises have become so ubiquitous that there is hardly any product that has no brand affiliation (Edelman, 2010). The branding of Nike products is no way behind when compared to its competitors. Nike's logo itself enjoys brand equity of extremely high value. It remains in one of the leading positions in the sportswear industry every year. Nike's footwear line enjoys strong customer loyalty due to its brand value. Converse, Inc., a sub-brand of Nike, sells huge quantities of casual shoes to men, women, and children outside the sportswear market.



Source: Nike (2020)

Advantages of Branding

Wide Brand Awareness

Branding not only helps an organisation sell more products but also creates a far-reaching brand awareness of the products of the organisation. It leads the organisation to attract more potential customers. Branding lets the customers know what the organisation offers and how it offers them and how these products can better solve their problems (Hoeffler & Keller, 2003). It grabs the attention of customers in a way that compels them to make frequent purchases of products or services from the organisation. there is no better way for the organisation to approach customers with its unique offerings than its branding. Branding benefits the organisation in so many ways.

Enhanced business value

Branding no doubt increases business value. In fact, branding efforts are carried out to strengthen a business's market position, which, in turn, comes with a greater value (Heding, et al., 2020). Businesses with a strong position and maximum value attract investors with huge fortunes. They feel confident and express their interest in these businesses. They look for ways to invest in these businesses, which will earn them a handsome sum of money. They even bring in investors that share an enthusiastic interest as much as they do to provide businesses with higher value with funds to expand their operations and introduce new products.

Competitive Advantage

Branding rewards businesses with a prize that is hard to win. That sought-after prize is a competitive edge that enables a business to maximise its profits without cutting down costs and going down on qualities of its products and services (Sehgal & Malati, 2013). The competition is always on the rise with existing competitors. On top of that, new entrants come in to offer products with better features. This is where a competitive edge helps a business retain its market position. It even goes on to help the business capture more market share and sometimes become the market leader.

Premium Pricing

Branding sets the ground for a business to charge premium prices for its products. The business manages to get customers to buy those products at premium prices because these customers believe that the pricing is justified (Davicik & Sharma, 2015). A strong brand can set its new products' price at a premium level and increase its profitability by a greater margin. For example, Nike sells its products at premium prices, which is a bit more expensive

than its competitors. Still, it manages to become one of the top-selling sportswear brands. Apple is another instance that charges its customers higher prices for its tech products.

Increased Customer Satisfaction

Powerful brands are famous for providing their customers with satisfying experiences. It is why they have managed to become powerful brands in the minds of people. These brands believe they are not just selling products, rather they are providing their customers with a pleasing experience, which will get them to buy products and enjoy the moments of happiness. Brands that can connect to their customers on an emotional level usually come out as winners of the branding game. They are highly likely to perform better than the ones that have less connection with their customers. As a result, they better satisfy their customers.

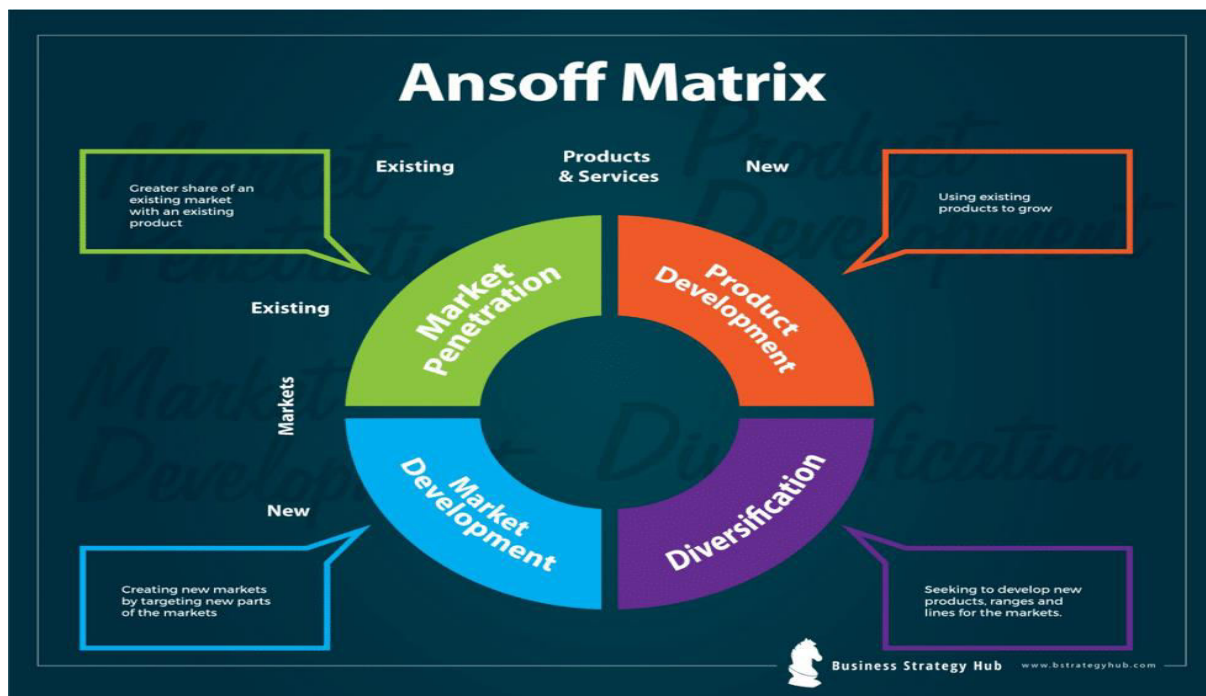
Branding Creates Value for Customers

Creating value for customers is the only and sole purpose of branding. Branding exists to mentally influence customers and push them to buy products that have maximum value (Bastos & Levy, 2012). There are other ways in which branding creates value for customers. Businesses spend a large sum of money to establish a brand identity. It takes years for a business to build a brand image of itself. It requires dedicated research efforts to understand what the customers want and need. After understanding the needs and wants of customers, the business formulates strategies and tactics and tests them on different simulated market environments. Then, it applies these tactics in real markets. During the research, it gets to learn what else the customers want other than existing products and what factors give rise to the new needs. The business assigns its product managers to product development projects. Out of these projects, Product innovations surface to a great degree. Customers get new products, which create value for them and change their lives. Branding calls for competitions, which benefit the customers in the end. They get to buy the best possible products at a much lower price. Perceptions are an important variable that impacts a buyer's buying habits. Branding largely shapes perceptions of people towards a brand's products. Another way branding creates value for customers is through the use of customer engagement in the branding efforts of an organisation. This way, the customers provide important suggestions to brands as to what value they expect of them and how they want to receive it from them.

The Ansoff Matrix of Nike

The Ansoff matrix, also known as Product/Market Expansion Grid, is a strategic tool that businesses use to formulate their growth and expansion plans. It offers businesses four

strategic choices to expand their operations and grow their respective businesses. The four choices are market penetration, product development, market development, and diversification. They are not mutually exclusive, which means they can be used supplementally. It is better and convenient for businesses to adopt more than one growth strategy. Nike primarily uses a product development strategy for its rapid growth to accelerate even more. It is an organisation that believes in the power of innovation, which is exactly in line with product development strategies (Nike, 2021). A product development approach suggests that an organisation should come up with new products that are innovative for their existing customers in existing markets. It brings new products now and then. These products come with changed designs, added features, and more benefits. Nike strives to bring innovative solutions to their customers' product problems. In doing so, it conducts extensive market research and online surveys to have a better understanding of its markets and its customers' newly emerged needs. As part of that, it spends millions of dollars in its R&D endeavours. Nike, as a secondary growth strategy, uses a market development approach to grow in new markets with its existing products. It plans to enter the Chinese market where it is eyeing to sell its established products. It is in the thinking of stepping into African countries and the middle east. It sees untapped potential in these markets.



Source: Business Strategy Hub (2020)

Relationship Marketing of Nike

Relationship marketing is a marketing approach that focuses on retaining customers and highly regards customer loyalty. It encourages relentless and continuous customer engagement. It is a long-time-focused approach (Nijssen & Van Herk, 2009). Nike is in the practise of keeping their customers who will reward it with long-term loyalty. It makes efforts to retain its old customers because it believes getting a new customer is costlier and more time-consuming than keeping an old one. Nike's marketing activities point to the fact that it can do more business with its customers if it is in continuous contact with them. Nike founder Phil Knight believes that it is a marketing-driven organisation and its core competencies lie in marketing its products. It shares amicable relationships with its suppliers, its distributors, competitors, and the authorities. Within the organisation, it partners with its employees, business functional units, labourers, and its other strategic business units (SBUs). Its intermediaries help it reach its final customers, which is why it is important to keep them motivated to do the same even more. In all these partnerships, exchanges take place, which has a huge impact on the organisation.



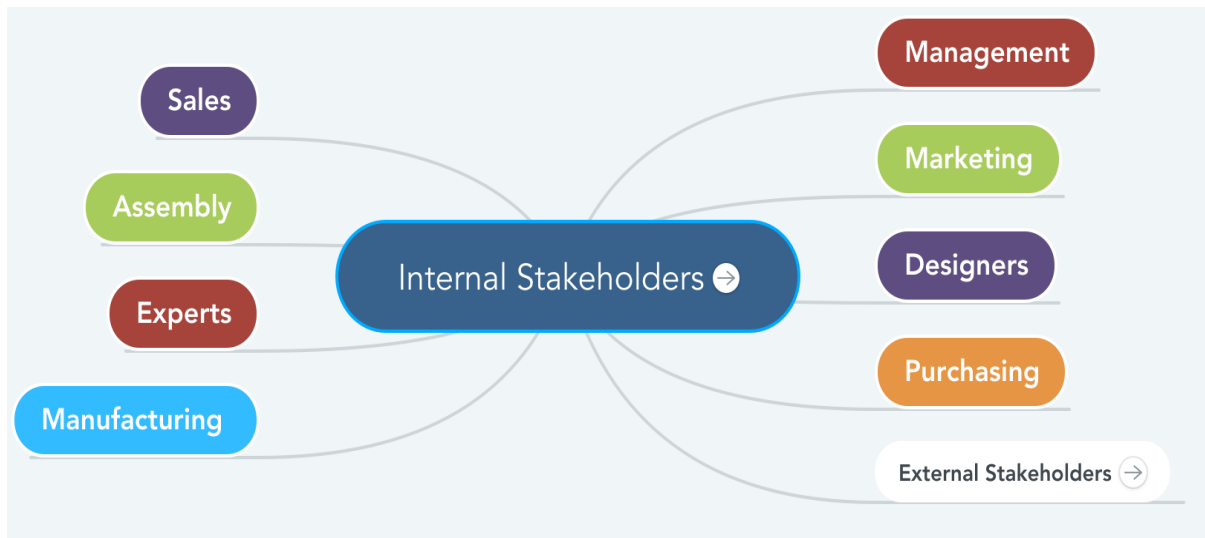
Source: Medium (2020)

2. Stakeholder engagement and their impact on the marketing activities of an organisation.

Stakeholders are individuals and groups of individuals who have a stake in an organisation both straightforwardly and by implication (Wasieleski, 2017). They are the individuals who can influence an Organisation or be influenced by its activities, approaches, choices, outcomes, and business executions. They share an interest in an organisation, which may affect it in various manners. They hold powerful positions that can even wind up the entire operations of an organisation and close its plants that harm the environment.

Internal Stakeholders

Internal stakeholders are those people and groups of people who are involved effectively and straightforwardly in operational exercises and undertakings of an organisation. They comprise workers, administrators, heads of different departments, corporate governing bodies, investors, and all the business units. They enjoy a number of benefits if the organisation performs well while they bear the misfortunes in the event that it flops drastically (Carroll, et al., 2017). They are central to the business activities of the organisation. Without their participation and contribution, the organisational operations remain at a standstill. Consequently, their discernments about the organisation hold the significance of an increasingly serious level. They need to feel included within the workplace and be remembered for the organisation for which they roll their sleeves up all the time. Furthermore, they should have a voice in the choices that the Organisation makes and arrangements to make soon in light of the fact that these choices straightforwardly affect them. Actual owners, commonly known as shareholders, have tremendous authority and force and they can practice it to eliminate key individuals from the top and the corporate governing body. Internal stakeholders of Nike are its regarded investors, directors, administrators, gifted workers, advertisers, bookkeepers, HR supervisors, creative chiefs, and so forth. Nike thanks its investors with an attractive profits bundle each year. However, at times, it cannot announce profits for its shareholders due to poor financial conditions.



Source: Stakeholder Mapping (2019)

External Stakeholders

Outside partners are individuals and groups of individuals that are not straightforwardly engaged with the operational exercises of an Organisation. Although they are not within the scope of internal business functions, they can exert power to the point where an organisation has to abide by compliance codes made by them (Freeman, 2010). They are clients, providers, financial backers, lenders, networks, business support centers, worker's rights organisations, society, the media, activists, ecological safeguarding groups, etc. All these external stakeholders might not straightforwardly draw in with the business, yet they can cause severe impact in various manners (Stocker, et al., 2020). Consumers boycott products of an organisation if an Organisation acts outlandishly and heartlessly, which stains the brand image of the organisation. Excessive emissions might trigger environmentalists to demonstrate protests against the organisation. Nike believes that it cannot achieve its mission unless it benefits and takes care of the people of the communities in which it operates. Nike sponsors sporting events and other important gatherings. It is accused of poor labour practises and wage-related issues. Nike is so increasingly observant about its environmental footprint. It strives to reduce its environmental impact and plans to leave behind a better world for future generations.



Source: Stakeholder Mapping (2019)

Nike's Communication with its Stakeholders

Nike is heavily engaged in corporate social responsibility (CSR) activities through which it addresses the interests and needs of its stakeholders, especially the external ones. Its corporate image, overall brand image, sales of its products are greatly dependent on and subject to the actions of these stakeholders and their effects. Nike follows a stakeholder engagement and communication framework that consists of three steps (Morsing & Schultz, 2006). The three steps are notifying the stakeholders, consulting with them, and ensuring their participation in the decision-making of major issues that impact them. Nike believes it owes its stakeholders explanations when making important decisions. It pays undivided attention to questions asked by stakeholders and tries to answer. It holds accountability for its actions that have major negative impacts. The Nike Foundation is a social initiative by Nike that strives to solve its stakeholders' problems and improve infrastructure in the communities it operates in. Customers are of utmost priority to Nike. It is these customers who have helped Nike become what it is today. Nike holds it in high regard all the time. As a result, it always looks for new and innovative ways to better satisfy its customers' needs. Revenue stems directly from purchases by customers, which keeps its operations going and pays for its liabilities. These customers come from a wide range of communities. Nike feels it has responsibilities towards these communities. It sponsors different community events as part of its corporate social responsibility (CSR) activities. It initiates development programs to

change the face of these communities. People tend to buy more products from organisations that have a positive impact on the communities and society. “Girls Empowerment” programs are a reflection of its community development programs.

Stakeholders Impact the Marketing Activities of Nike

Stakeholders want the organisation they have a stake in to perform well and thrive as it moves forward and continues to grow. They want and expect the very same for the marketing efforts of the organisation, which will eventually lead it to new peaks of success. It is reasonable for them to expect this way. Employees, especially in marketing departments, impact the marketing activities of the organisation. They plan and formulate marketing strategies to increase sales of products of the organisation they work in. People in sales departments make this happen. They impact marketing activities on a great scale. Nike recognizes the influence and significance of these stakeholders in its marketing activities. It gets its customers to, by default, spread positive word-of-mouth marketing of its products, celebrity brand ambassadors, and sports personalities to do promotional activities on its behalf, who are very important stakeholders. It carries out extensive corporate social responsibility (CSR) activities, which positively impacts its brand image. The enhanced brand image leads to more sales of products of Nike, which maximises its profits by a large percentage. Marketers at Nike show an extraordinary level of creativity that can attract more customers and even snatch away customers from its competing brands. They constitute and largely represent the internal stakeholders.

Conclusion

Marketing, no doubt, is the most important business function when it comes to building profitable relationships with customers. It is a customer partner and friend that educates them about products and services and clues them in as to what benefits they are going to be receiving when they make purchases of these products. In the language of marketing, it is a process of exchanges that involves value. More clearly, one party receives one type of value in the form of products and services and the other gets paid with something of value, to be specific money. On the other part, stakeholders greatly impact the marketing activities of an organisation. Marketers, who are internal stakeholders, are responsible for planning marketing strategies, designing promotional campaigns, creating interesting and persuasive

advertisements. They drive an organisation from a marketing standpoint. Other stakeholders such as suppliers, distributors, etc. impact the way products are delivered to end customers.

Recommendations

- ✓ Nike should treat its labourers more fairly and respectfully.
- ✓ Nike should increase its budget for social impact investment programs.
- ✓ Nike should make sure that its product quality remains consistent.
- ✓ Nike should develop new plans to effectively communicate with its stakeholders.
- ✓ Nike should engage more in events and causes that enhance its brand image.

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