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MARKETING AT NIKE INC.

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1. INTRODUCTION

Nike Inc. is a dominant global footwear and apparel company. It maintains its competitive advantage in the industry with its strong brand. This report identifies the key factors affecting Nike Inc.'s marketing strategies. Firstly, the report will give a brief summary of the history of Nike Inc. as an organisation. It will then analyse its marketing strategy by looking at its vision, marketing mix, strategy, and segmentation. It will then do a SWOT analysis and Porter's Five Forces analysis on the company. These analyses will help identify areas of concern for Nike, such as poor labour and manufacturing working conditions, and patent issues in certain countries. The report will then conclude and provide recommendations for improvements to Nike's marketing strategy.

2. NIKE INC. ORGANIZATION

Nike is an American organisation and it was founded by University of Oregon track athlete, Phil Knight and his coach, Bill Bowerman in 1964. Philip Knight is an innovative business man who made his success by selling shoes and became a billionaire by selling dreams. Nike became a cultural icon, the largest seller of athletic footwear and apparel because its founder was dedicated to sport, understood American culture and as a former middle-distance runner understood shoes and realised the marketable community. (Krentzman, 2010.) The company originally was called Blue Ribbon Sports and in 1971 the company's name was changed to Nike Inc. It is famous for its branded leisure wears which are designed for athletic purposes. Nike products are well known worldwide and they are designed with quality and innovation. People can easily identify Nike by its well-known logo. (Nike, 2014.) Nike creates markets by idolatry putting resources and energy into marketing celebrities like basketball player, Michael Jordan or world-famous golfer, Tiger Wood. (Krentzman, 2010.)

Nike Inc.'s headquarter is in Oregon, United States. The company's revenue was US\$37.40 billion and the number of employees were 75400 in 2020. (Yahoo Finance, 2021.) In 2018 the Nike brand value was worth US\$ 38.4million. (BrandZ, 2018.)

3. MARKETING AT NIKE INC.

3.1. Aim of Marketing

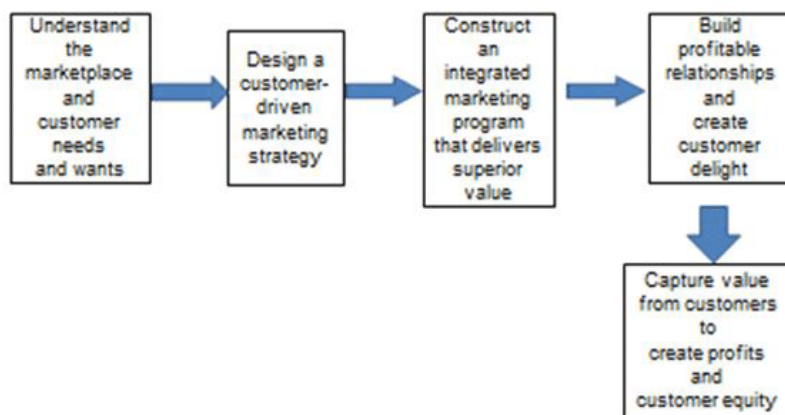
At Nike, Inc. marketing plays a key role to maintain high visibility and sales. (Nike, Inc. 2018.) The goal of marketing is to engage customers and build profitable customer relationships promising value and to keep current customers and attract new ones. (Kotler, 2014.) Nike Inc. is including these factors in its strategies. (Nike, Inc. 2018.)

Marketing is all around us and is there to satisfy customers' needs. It is inevitable to use marketing for profit orientated organizations such as Nike Inc. and for non-profit organizations too like churches or museums. Marketing can be traditional but online platforms and social media approaches are getting more popular in recent years. These new approaches target people personally and directly with their brands. Marketing is not just advertising and selling but a complex mixture of people, technology and different activities competing for customers' purchases. Marketers have to engage customers effectively,

understand their needs, create products that will sell easily and find the best way to distribute them and position these products with the best prices. (Kotler, 2014. Page 6.)

3.2. Marketing Process

In the marketing process marketers work to understand customers, they intend to create value, build strong customer relationships and make profit. Kotler describes marketing process in five steps as shown in the diagram below. (Kotler, 2017. Page 30.)



Kotler, P. 2017. The Marketing Process.

3.3. Vision

Nike Inc.'s mission is to focus on brand strength and development and to maintain its position as a dominating athletic footwear and sport apparel company in the global market. (Smithson, N., 2019.) Nike Inc. continuously works on strategic policies to be one step ahead of its competitors such as Adidas and Puma. As co-founder, Bill Bowerman stated "if you have a body, you are an athlete" (Bowerman, 2012). Nike aim is to inspire professional and non-professional athletes via innovation and inclusiveness. (Farfan, B., 2018.)

3.4. Strategy

Nike maintains its competitiveness and position via its generic strategy and using growth strategy they develop their market. The company was founded in 1964 and by now has grown to one of the biggest in the global athletic shoe industry. To ensure that they remain in their leading position they have to adapt the company's strategies to the current business situations. (Gregory, L., 2017.)

3.5. Marketing Mix

Nike Inc.'s marketing mix built on quality products sold on relatively high prices and global distribution using advertising focused promotion. (Gregory, L., 2018.)

Nike sells wide range of shoes, apparel and sports equipment. Their products are sold worldwide in retail stores and online. Nike Inc. has built a very strong brand image with effective promotion and advertisement using different tools as personal selling or direct

marketing. Regarding pricing Nike developed two strategies which are value-based and premium pricing. (Gregory, L., 2018.)

3.6. Segmentation

Companies need to segment their market to be able to offer better values for the consumers. In the past, mass marketing including mass production, distribution and promotion was sufficient but now, customers want to get more value for their money considering the high variety of choices. There has been a transformation in the concept of value. A market segment means a group of people who share a similar set of needs. (Kotler, P., 2006. Page 334.) The main segmentation variables are geographic, demographic, psychographic and behavioural segmentations. (Kotler, P., 2006. Page 341.) Nike defines various market segments. (Shank and Lyberger, 2014.)

Geographic segments divide groups by regions, countries, states. In demographic division groups are separated by age, occupation, religion, education etc. Psychographic segmentation divides people by psychological and personality traits and the behavioural segments separate people by their attitudes towards a product or their response after using the item. (Kotler, P., 2006. Ch 10.)

Nike Inc. uses demographic segmentation mostly and divides consumers by life cycle stage, age and gender. Nike targets customers aged between 11 and 45 and mainly teenagers as they aim to keep them as long-term loyal customers. Nike often uses professional athletes to inspire teenagers and make them want to be like their idol. (Shank and Lyberger, 2014.)

It has been found that the number of male buyers are higher but Nike has recently focused on female targeted advertisements. (Statista, 2017.)

4. SWOT ANALYSIS

A Swot Analysis gives a strategic assessment about a company's opportunities and threats and the weaknesses and strengths. (Valentin, 2001.)

The Swot Analysis of Nike Inc. helps to understand the internal strategic factors which are the Strengths and Weaknesses and the external factors like the Opportunities and Weaknesses. It highlights the focus on product development and how it has got key importance in the role of the company's success. (Valentin, 2001.)

Strengths

The biggest strength of Nike Inc. is the worldwide recognised brand and good reputation. The brand represents quality and value. The company uses innovation to design new quality products and maintains its global domination through worldwide production and distribution. (Kissinger, 2017.) Association with professional sport teams and athletes creates high visibility. (Nike, Inc.2018.)

Weaknesses

Labor working conditions in regards to production facilities has negative affect on Nike's business especially on the brand image. The product line of shoes and sport apparels is limited. Global growth is also limited. It is difficult to penetrate new markets considering pricing and positioning. (Kissinger, 2017.)

Opportunities

Nike can build even stronger brand image with improving labor facilities. The company can improve, identify new products and make them more versatile and target more non-professional sport people. They can improve their strategies and penetrate new markets. (Kissinger, 2017.)

Threats

There are some negative factors limiting the company's performance. Nike operates in a rapidly changing, competitive sport and apparel industry and the competition for manufacturers that produce the products are very high. The social media and digital operation competition is tough. Not being able to identify new product trends can be a threatening factor. (Nike, Inc.2018.)

The technological innovations can limit their growth. It is essential to keep up with digitalization and innovation. In some countries there is poor legal protection for patent. (Kissinger, 2017.) Global economic factors, currency exchange rates can result higher costs and decreased revenues. The business can be affected by the financial health of the consumers. (Nike, Inc.2018.)

5. PORTER'S 5 FORCES ANALYSIS

Porter's Five Forces Analysis is an assessment to analyse a company's profitability in an industry and its competitions in deep-depth. (Dobbs, M., 2014.) It was established in 1979 by a professor from Harvard Business school, Michael E. Porter and it is used to assess of the position of a business organization. (Kevin, B., 2020.)

Nike Inc.'s Fiver Forces Analysis shows the factors shaping the company's strategies. One of the most important influencing factors is the competition. This analysis introduces the influencing factors of customers, industry environment and competitions on the organization. The external factors impacting Nike Inc.'s performance are threat of new entrants, customers, competition, suppliers and threat of substitution. (Rowland, C., 2017.)

Rivalry Force

The market growth in the industry is slow but the competition can be aggressive. Nike Inc., needs to focus on product and market development to keep its leading position.

Nike competes internationally with large number of footwear and apparel companies. The important aspects are product quality & reliability, price & value and innovation & development. Customers connect with the brand using social media and online platforms and traditional retail stores. Product distribution in an attractive way is important. (Nike, Inc., 2018.)

Buyers' Force

Customers have moderate influence on the business. Buyers are price sensitive and tend to choose products that are cheaper. They can decide to buy from other brands influenced by price and product variety. Consumers are willing to pay more for quality and value. (Kevin, B., 2020.)

Suppliers's Force

Raw materials availability can affect the business's costs and profits. The rival companies are competing for the manufacturer and trying to get cheaper labour and material cost. (Nike, Inc. 2018.)

Substitution's Threat

Substitute products' threat is moderate for Nike Inc. considering their design and quality. (Kevin, B., 2020.)

New Entrants' Threat

New entrants into the industry can influence the market but the threat of this factor is relatively low. Nike's strong brand and global distribution, production makes it difficult to compete against them. Therefore, this threat is not a major concern for the company. (Kevin, B., 2020.)

6. CONCLUSION

The analysis of Nike's marketing strategy, with regard to its vision to being a leading footwear maker, found that Nike sells high quality products at relatively high prices, and relies on heavy advertising to continue to be able to do this and retain its leading market position, although this relatively high pricing and quality limits its ability to penetrate certain markets with lower average incomes. It found Nike makes good use of segmentation, dividing mainly by life cycle stage, age and gender. Professional athletes and sports teams are used in advertisements to inspire their customer base, which contains many teenagers. This helps Nike achieve its biggest strength – its brand, which represents quality and value, helping it achieve worldwide dominance. However, the brand strength is at some risk from sometimes poor labour and manufacturing working conditions, with Corporate Social Responsibility becoming an increasingly important concern of customers and investors.

7. RECOMMENDATION

Nike Inc. should improve its policies regarding labour and manufacturing working conditions. It should also improve its strategies in regards to product and market development and employment to gain competitive advantage. The organization could make agreements with governments about patent protection issues in relevant countries.

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