

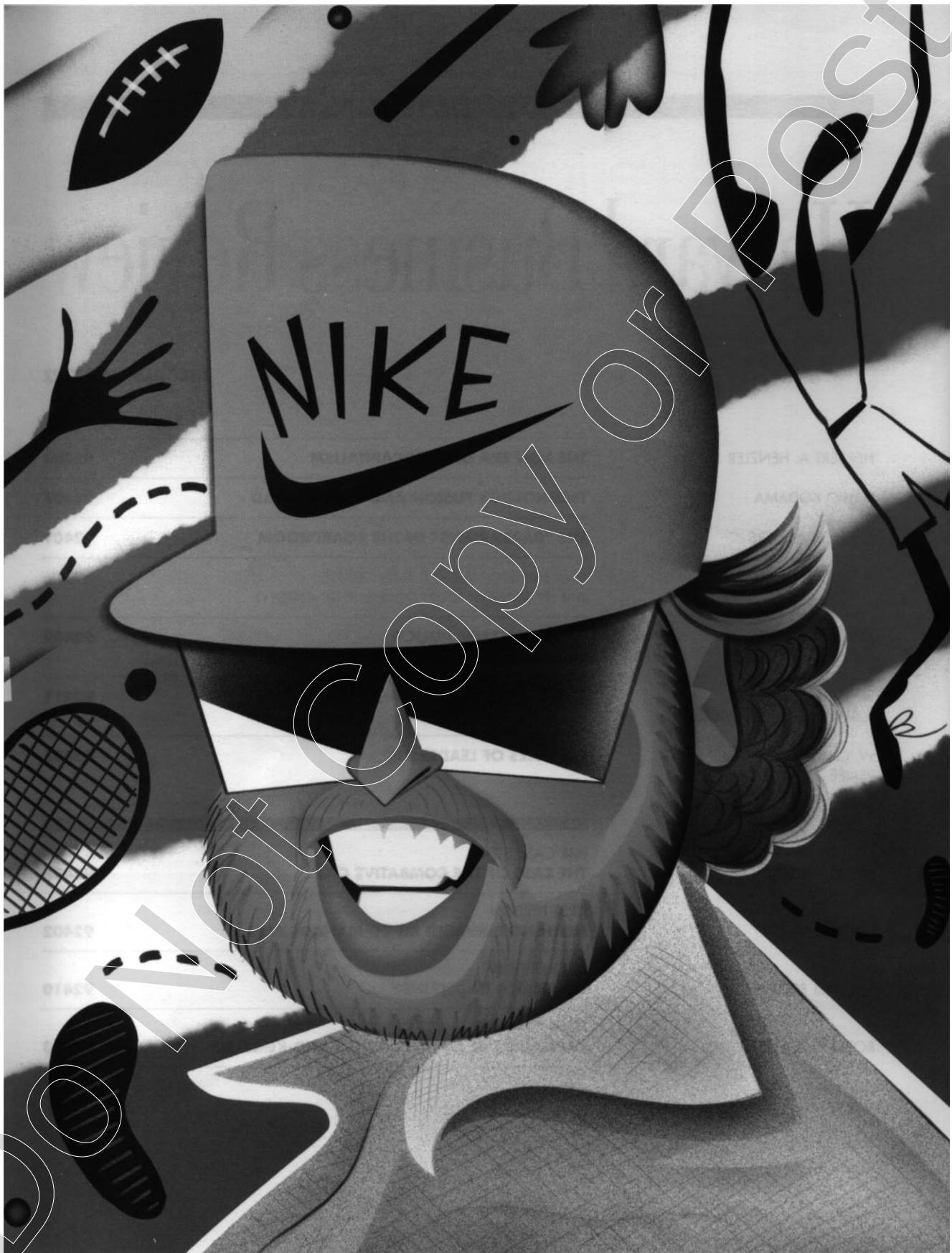
High-Performance Marketing: An Interview with Nike's Phil Knight

By Geraldine E. Willigan



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Nike is a champion brand builder. Its advertising slogans—"Bo Knows," "Just Do It," "There Is No Finish Line"—have moved beyond advertising into popular expression. Its athletic footwear and clothing have become a piece of Americana. Its brand name is as well-known around the world as IBM and Coke.

So it may come as a surprise that Nike, the consummate marketer, came to understand the importance of marketing late in its life: after it hit the \$1 billion revenue mark. After more than a decade of meteoric growth, Nike misjudged the aerobics market, outgrew its own capacity to manage, and made a disastrous move into casual shoes. All of those problems forced the company into a period of intense self-examination. Ultimately, says founder, chairman, and CEO Phil Knight, the company realized that the way forward was to expand its focus from the design and manufacture of the product, where Nike had always excelled, to the consumer and the brand.

Nike's roots go back to a company called Blue Ribbon Sports, which Knight, a former runner at the University of Oregon, and Bill Bowerman, Knight's former track coach, created in 1962. Blue Ribbon Sports started out distributing running shoes for a Japanese company, then shifted to designing its own shoes and outsourcing them from Asia. Blue Ribbon Sports's performance-oriented product innovations and mastery of low-cost production translated into shoes athletes wanted to wear and could afford. Knight and Bowerman's track connections got the shoes onto the feet of real runners. And then jogging emerged as a new national pastime.

By 1978, the year Blue Ribbon Sports changed its corporate name to Nike, Jon Anderson had won the Boston Marathon wearing Nike shoes, Jimmy Connors had won Wimbledon and the U.S. Open wearing Nike shoes, Henry Rono had set four track and field records in Nikes, and members of the Boston Celtics and Los Angeles Lakers basketball teams were wearing them. Sales and profits were doubling every year.

Then in the mid-1980s, Nike lost its footing, and the company was forced to make a subtle but important shift. Instead of putting the product on center stage, it put the consumer in the spotlight and the brand under a microscope—in short, it learned to be marketing oriented. Since then, Nike has resumed its domination of the athletic shoe industry. It commands 29% of the market, and sales for fiscal 1991 topped \$3 billion.

Here Phil Knight explains how Nike discovered the importance of marketing and what difference that discovery has made. This interview was conducted at Nike, Inc.'s Beaverton, Oregon offices by HBR associate editor Geraldine E. Willigan.

HBR: Nike transformed the athletic shoe industry with technological innovations, but today many people know the company by its flashy ads and sports celebrities. Is Nike a technology company or a marketing company?

Phil Knight: I'd answer that question very differently today than I would have ten years ago. For years, we thought of ourselves as a production-oriented com-

pany, meaning we put all our emphasis on designing and manufacturing the product. But now we understand that the most important thing we do is market the product. We've come around to saying that Nike is a marketing-oriented company, and the product is our most important marketing tool. What I mean is that marketing knits the whole organization together. The design elements and functional characteristics of the product itself are just part of the overall marketing process.

We used to think that everything started in the lab. Now we realize that everything spins off the consumer. And while technology is still important, the consumer has to lead innovation. We have to innovate for a specific reason, and that reason comes from the market. Otherwise, we'll end up making museum pieces.

What made you think the product was everything?

Our success. In the early days, anybody with a glue pot and a pair of scissors could get into the shoe business, so the way to stay ahead was through product innovation. We happened to be great at it. Bill Bowerman, my former track coach at the University of Oregon and cofounder of the company that became Nike, had always customized off-the-shelf shoes for his runners. Over the years, he and some other employees came up with lots of great ideas that we incorporated. One of Bowerman's more legendary innovations is the Waffle outsole, which he discovered by pouring rubber into a waffle iron. The Waffle Trainer later became the best-selling training shoe in the United States.

We were also good at keeping our manufacturing costs down. The big, established players like Puma and Adidas were still manufacturing in high-wage European countries. But we knew that wages were lower in Asia, and we knew how to get around in that environment, so we funneled all our most promising managers there to supervise production.

Didn't you do any marketing?

Not formally. We just tried to get our shoes on the feet of runners. And we were able to get a lot of great ones under contract—people like Steve Prefontaine and Alberto Salazar—because we spent a lot of time at track events and had relationships with the runners, but mostly because we were doing interesting things with our shoes. Naturally, we thought the world stopped and started in the lab and everything revolved around the product.

When did your thinking change?

When the formulas that got Nike up to \$1 billion in sales—being good at innovation and production and being able to sign great athletes—stopped working and we faced a series of problems. For one thing, Reebok came out of nowhere to dominate the aerobics market, which we completely miscalculated. We made an aerobics shoe that was functionally superior to Reebok's, but we missed the styling. Reebok's shoe was sleek and attractive, while ours was sturdy and clunky. We also decided against using garment leather, as Reebok had done, because it wasn't durable. By the time we developed a leather that was both strong and soft, Reebok had established a brand, won a huge chunk of sales, and gained the momentum to go right by us.

We were also having management problems at that time because we really hadn't adjusted to being a big company. And on top of that, we made a disastrous move into casual shoes.

What was the problem with casual shoes?

Practically the same as what happened in aerobics, and at about the same time. We went into casual shoes in the early 1980s when we saw that the running shoe business, which was about one-third of our revenues at the time, was slowing down. We knew that a lot of people were buying our shoes and wearing them to the grocery store and for walking to and from work. Since we happened to be good at shoes, we thought we could be successful with casual shoes. But we got our brains beat out. We came out with a functional shoe we thought the world needed, but it was funny looking and the buying public didn't want it.

By the mid-1980s, the financial signals were coming through loud and clear. Nike had been profitable throughout the 1970s. Then all of a sudden in fiscal year 1985, the company was in the red for two quarters. In fiscal 1987, sales dropped by \$200 million and profits headed south again. We were forced to fire 280 people that year—our second layoff ever and a very painful one because it wasn't just an adjustment and trimming of fat. We lost some very good people that year.

How did you know that marketing would solve the problems?

We reasoned it out. The problems forced us to take a hard look at what we were doing, what was going wrong, what we were good at, and where we wanted to go. When we did that, we came to see that focusing solely on the product was a great way for a brand to

Exhibit Inspired Design: How Nike Puts Emotion in its Shoes

by Tinker Hatfield

Five years ago, I left my job as Nike's corporate architect to design Nike athletic shoes. The switch was easier than you might think. I learned long ago that a building is not purely functional; it means something to people and evokes an emotional response. It's the same with Nike shoes. A Huarache running shoe or an Air Jordan basketball shoe is not just a combination of price and performance. It has feelings and images associated with it that make people like it better than something else, even when they can't explain why. That gray area, the stuff that no one can really articulate, has to do with the shoe's design.

Inspiration for a design can come from anywhere—from a cartoon, a poster, the environment. But the design process almost always involves the athletes who use our product. Sometimes an athlete tells me what he or she wants in a shoe, but often it's a matter of incorporating the athlete's personality.

Take Bo Jackson. When I was designing the first cross-training shoe for Bo, I watched him play sports, I read about him, I absorbed everything I could about him. Bo reminded me of a cartoon character. Not a goofy one, but a powerful one. His muscles are big, his face is big—he's larger than life. To me, he was like Mighty Mouse. So we designed a shoe called the Air Trainer that embodied characteristics of Bo Jackson and Mighty Mouse. Whenever you see Mighty Mouse, he's moving forward. He's got a slant to him. So the shoe needed to look like it was in motion, it had to be kind of inflated looking and brightly colored, and its features had to be exaggerated. That's how we came up with the larger-than-life, brightly colored Stability Outrigger and the similarly colored, inflated-looking rubber tongue top.

Working with Michael Jordan is a little different. He has his own ideas about how he wants the shoe to look and perform. When we were designing the Air Jordan 7, for instance, he said he wanted a little more support across the forefoot, and he wanted more color. The Air Jordans had been getting more conservative over the years, so what I think he was telling

me—without really telling me—is that he wanted to feel a little more youthful and aggressive. Michael has become more mature and contemplative in recent years, but he still plays very exciting basketball, so the shoe had to incorporate those traits as well.

It all came together for me in a poster I had seen advertising an Afro Pop music series on National Public Radio. The imagery in the poster was very exciting and strong and slightly ethnic. I showed Michael the poster, and he thought it elicited the right emotion, so I drew from that. We came up with a shoe that used very rich, sophisticated colors but in a jazzy way.

Sometimes I don't have an athlete to work with. When I was designing our first outdoor cross-training shoe, which was a category we were creating, I didn't have any particular players I could study. So I kept thinking about the outdoors, and that led to Native Americans, who did everything outdoors—from their tribal rituals to their daily chores. What did they wear? Moccasins, which are typically comfortable and pliable. And that led to the idea of a high-tech, high-performance moccasin.

I found a neat old print by Robert Wesley Amick depicting Native Americans in the natural environment, and I painted some high-tech Nike's on their feet so I could visually describe the original inspiration in a humorous but informative scenario. We've built a whole line of shoes around that image. The soles are flexible so you can pad down the trail, the leather is thin and lightweight, the outsole has a low profile, and the colors are earthy.

Stories about how we arrived at particular designs may be entertaining, but the storytelling also helps us explain the shoes to retailers, sales reps, consumers, and other people in the company. You'd be surprised how much information Mighty Mouse, Afro Pop, and a Native American in a Western landscape can convey.

Tinker Hatfield is Nike's creative director.

start, but it just wasn't enough. We had to fill in the blanks. We had to learn to do well all the things involved in getting to the consumer, starting with understanding who the consumer is and what the brand represents.

Didn't Nike understand the consumer right from the start?

In the early days, when we were just a running shoe company and almost all our employees were runners, we understood the consumer very well. There is no shoe school, so where do you recruit people for a company that develops and markets running shoes? The running track. It made sense, and it worked. We and the consumer were one and the same.

When we started making shoes for basketball, tennis, and football, we did essentially the same thing we had done in running. We got to know the players

at the top of the game and did everything we could to understand what they needed, both from a technological and a design perspective. Our engineers and designers spent a lot of time talking to the athletes about what they needed both functionally and aesthetically.

It was effective—to a point. But we were missing something. Despite great products and great ad campaigns, sales just stayed flat.

Where did your understanding fall short?

We were missing an immense group. We understood our "core consumers," the athletes who were performing at the highest level of the sport. We saw them as being at the top of a pyramid, with weekend jocks in the middle of the pyramid, and everybody else who wore athletic shoes at the bottom. Even though about 60% of our product is bought by people

who don't use it for the actual sport, everything we did was aimed at the top. We said, if we get the people at the top, we'll get the others because they'll know that the shoe can perform.

But that was an oversimplification. Sure, it's important to get the top of the pyramid, but you've also got to speak to the people all the way down. Just take something simple like the color of the shoe. We used to say we don't care what the color is. If a top player like Michael Jordan liked some kind of yellow and orange jobbie, that's what we made—even if nobody else really wanted yellow and orange. One of our great racing shoes, the Sock Racer, failed for exactly that reason: we made it bright bumble-bee yellow, and it turned everybody off.

What's different now?

Whether you're talking about the core consumer or the person on the street, the principle is the same: you have to come up with what the consumer wants, and you need a vehicle to understand it. To understand the rest of the pyramid, we do a lot of work at the grass-roots level. We go to amateur sports events and spend time at gyms and tennis courts talking to people.

We make sure that the product is the same functionally whether it's for Michael Jordan or Joe American Public. We don't just say Michael Jordan is going to wear it so therefore Joe American Public is going to wear it. We have people who tell us what colors are going to be *in* for 1993, for instance, and we incorporate them.

Beyond that, we do some fairly typical kinds of market research, but lots of it—spending time in stores and watching what happens across the counter, getting reports from dealers, doing focus groups, tracking responses to our ads. We just sort of factor all that information into the computer between the ears and come up with conclusions.

What did you learn from the casual shoe failure?

Understanding the consumer is just part of good marketing. You also have to understand the brand. That's really the lesson we learned from casual shoes. That whole experience forced us to define what the Nike brand really meant, and it taught us the importance of focus. Without focus, the whole brand is at risk. Just because you have the best athletes in the world and a stripe everybody recognizes doesn't mean you can take that trademark to the ends of the earth. The ends of the earth might be right off that ledge!

Ultimately, we determined that we wanted Nike to be the world's best sports and fitness company and the Nike brand to represent sports and fitness

activities. Once you say that, you have focus, and you can automatically rule out certain options. You don't end up doing loafers and wingtips and sponsoring the next Rolling Stones world tour. And you don't do casual shoes under that brand.

Can you expand a brand without losing focus?

To a point. A brand is something that has a clear-cut identity among consumers, which a company creates by sending out a clear, consistent message over a period of years until it achieves a critical mass of marketing. The thing is, once you hit the critical mass, you can't push it much further. Otherwise the meaning gets fuzzy and confused, and before long, the brand is on the way out.

Look at the Nike brand. From the start, everybody understood that Nike was a running shoe company, and the brand stood for excellence in track and field. It was a very clear message, and Nike was very successful. But casual shoes sent a different message. People got confused, and Nike began to lose its magic. Retailers were unenthusiastic, athletes were looking at the alternatives, and sales slowed. So not only was the casual shoe effort a failure, but it was diluting our trademark and hurting us in running.

How, then, has Nike been able to grow so much?

By breaking things into digestible chunks and creating separate brands or sub-brands to represent them. If you have something that's working, you can try to expand it, but first you have to ask, does this expansion dilute the big effort? Have I taken the thing too far? When you come to the conclusion that you have—through conversations with athletes, your own judgment, what's happening in retail stores or focus groups—then you have to create another category.

How did you make that discovery?

Accidentally. I can't say we had a really smart strategy going forward. We had a strategy, and when it didn't work, we went back and regrouped until finally we hit on something. What we hit on in the mid-1980s was the Air Jordan basketball shoe. Its success showed us that slicing things up into digestible chunks was the wave of the future.

The Air Jordan project was the result of a concerted effort to shake things up. With sales stagnating, we knew we had to do more than produce another great Nike running shoe. So we created a whole new segment within Nike focused on basketball, and we borrowed the air-cushion technology we had used in running shoes to make an air-cushioned basketball shoe.

Basketball, unlike casual shoes, was all about performance, so it fit under the Nike umbrella. And the

Exhibit Talent, Character, and Style: The Nike Athlete

by Ian Hamilton

To recruit young tennis players and sign them to endorsement contracts to wear and promote Nike tennis shoes and apparel, I scout the junior tennis circuit for athletes with a combination of talent, character, and style. Talent is the most important ingredient for a Nike athlete. To promote our shoes, a player has to have a chance at being one of the best in the game. We're recognized as being the best at what we do and we want to reinforce that message to the consumer by having the world's top athletes wearing Nike.

Character is also important. By getting to know athletes in their early teens, I can tell if they are the type of people who would work well with Nike over the long term. Are they committed to the sport? Do they have a sense of humor? Do they have an attitude that the public will embrace? I meet the parents, coaches, and agents, and we decide if a relationship with Nike is in everyone's best interest. It's important that they want to be part of the Nike family as much as we want them to be.

There are plenty of players who meet the first two requirements, but only Nike athletes meet the third: a distinctive sense of style. People expect Nike to perform to a high standard and to make a statement at the same time. Our athletes do the same thing.

When I started at Nike tennis, John McEnroe was the most visible player in the world, and he was already part of the Nike family. He epitomized the type of player Nike wanted in its shoes—talented, dedicated, and loud. He broke racquets, drew fines, and, most of all, won matches. His success and behavior drew attention on and off the court and put a lot of people in Nikes.

By the end of the 1980s, McEnroe was ready to hand over the angry young man mantle to become more of a tennis elder statesman. And he wanted his Nike image to reflect his new attitude. This coincided perfectly with the emergence of Andre Agassi. When I first saw Andre he was a 15-year-old junior tennis star at Nick Bollettieri's Tennis Academy in Bradenton, Florida. Even then, image was everything to Andre. He had

long hair on one side of his head and no hair on the other. His approach to the game was as it is now—"hit the ball as loud as you can." And he was the best player around. From a marketing standpoint, Andre was the perfect vehicle for Nike. Like us, he was anti-tennis establishment and he was different.

To satisfy McEnroe's need for an image change—and to appeal to the huge market of older tennis players who don't want to look like Andre—we segmented the Nike tennis products. Andre became the vehicle for Challenge Court, the "rock and roll tennis" part of the line, while McEnroe and David Wheaton launched Supreme Court, the more subdued part of the line. For as bold and irreverent as Challenge Court is, Supreme Court is tuxedo tennis. It's changed my job from finding players who represent Nike tennis to finding players who represent specific roles within Nike tennis.

We use the players not only to market and design our products but also to set a positive example for the sport. Andre Agassi, for example, has been integral in attracting a lot of young players to the game—and a lot of young players to Nike. Like Michael Jordan in basketball, Andre transcends the sport of tennis. He's got 7,000 members in his fan club—and not all of them are 14-year-old girls.

John McEnroe helped create a program for junior players called the Tournament Tough Player Parent Workshops. Unfortunately, agents and parents pressure today's younger players to turn pro early and make a lot of money. They put them in too many tournaments and, for most kids, burn them out quickly. That gives tennis a bad image and sends the wrong message to kids who might want to take up the game. McEnroe talks with groups of players and their parents and tells them what pro tennis has been like for him and what they should expect. The message is to keep tennis fun and in perspective. Now we're working to get those workshops on television to reach even more people.

Ian Hamilton is Nike's director of tennis sports marketing.

shoe itself was terrific. It was so colorful that the NBA banned it—which was great! We actually welcome the kind of publicity that pits us against the establishment, as long as we know we're on the right side of the issue. Michael Jordan wore the shoes despite being threatened with fines, and, of course, he played like no one has ever played before. It was everything you could ask for, and sales just took off.

Have you continued to slice up the Nike umbrella since then?

We've created lots of new categories under the Nike brand, everything from cross-training and water sports to outdoors and walking. But what's interesting is that we've sliced up some of the categories themselves.

Take basketball. Air Jordan had two great years, and then it fell on its face. So we started asking

ourselves, are we trying to stretch Air Jordan too far? Is Air Jordan 70% of basketball? Or is it 25% of basketball? As we thought about it, we realized that there are different styles of playing basketball. Not every great player has the style of Michael Jordan, and if we tried to make Air Jordan appeal to everyone, it would lose its meaning. We had to slice up basketball itself.

Two new segments came out of that: Force, which is represented by David Robinson and Charles Barkley, and Flight, represented by Scottie Pippen. Force shoes are more stable and better suited to the aggressive, muscular styles of David Robinson and Charles Barkley. Flight shoes, on the other hand, are more flexible and lighter in weight, so they work better for a quick, high-flying style like Scottie Pippen's.

Whenever someone talks about Nike basketball, they think of Air Jordan. But we actually have those three distinct segments, Air Jordan, Flight, and Force,

Exhibit A Sense of Cool: Nike's Theory of Advertising

by Dan Wieden

The people at Nike taught my partner, David Kennedy, and me how to advertise—and how not to advertise. Back in 1980, when David and I first started to work on the account, Nike made it very clear that they hated advertising. They had developed close relationships with athletes, and they didn't want to talk to them in any phony or manipulative way. They were obsessed with authenticity, in terms of both the product and the communication. And they had a sense of what was cool.

Those attitudes have guided all of Nike's advertising. We try to make honest contact with the consumer, to share something that is very hip and very inside. We don't translate the inside jokes because we figure it's OK if the people who are faddish don't understand. Either you get it or you don't. It's more important for us to be true to the athletes by talking to them in a way that respects their intelligence, time, and knowledge of sports.

This approach to advertising seems to be in synch with the times, and I think that's why people respond to Nike ads. Products and services today have to have value and live up to their promise, but a spec sheet approach to marketing won't sell anything. As the world gets more dehumanizing, people want the trust and familiarity of a long-standing relationship. Building that relationship requires a brand with a personality and advertising.

Personality is the difference between the surrogate monkey parent and the real thing: the surrogate might have the nutriment, but everything else is missing, and the relationship never forms. In the business world, brand-building creates the personality that allows people to bond. The Nike brand, for instance, is very complex. Sometimes it's humorous, other times it's very serious—but it's always as if it were coming from the same person.

Advertising creates the environment for the relationship. To me, it takes the place of the human contact we once had as consumers. In the beginning, people had relationships with the shopkeeper, and any advertising simply supplemented that relationship. Today things are so complex that advertising

needs to embody that relationship by making contact in more than a superficial way.

The process of creating brands and relationships is also the process by which you create the values our culture operates on, so it has a huge ethical component. The ethical dimension makes our work seem like much more than the movement of goods and services. And it can be scary. I remember sitting here one night with campaigns spread out all over the place getting ready to present to Nike the next morning. I felt we needed to tie things together, so I said, "Ok, I'll just do it." That became "Just Do It," a slogan that spread all over the world. I realized then what a big, big stage this is and how important it is to be responsible for what goes on here.

I don't mean to suggest that this is a noncontroversial agency. I don't feel it's our job to produce stuff that doesn't upset people. Being provocative is ultimately more important than being pleasant. But you have to know what you're doing when you walk into the room with broad swords.

Our awareness of the ethical issues is also a factor in the positive response to Nike ads. The general public can sense when something is destructive or at least not very positive. In fact, I think a lot of big ad firms are struggling right now precisely because they've ignored the ethical component of advertising. They've relied on manipulation and cunning, which were effective in the 1980s when greed and self-interest prevailed, and they haven't moved beyond that.

I admit that Nike's product category has made it easier for us to be honest and open. Although at one level, all we're really doing is selling sneakers, there's something about athletic shoes and clothes that can inspire enthusiasm or even altruism. There's an honest-to-goodness belief that we're selling something that will help people. It's like an ancient call to a way of life that isn't going to harm the environment or mess you up. It keeps us charged up about what we're doing.

Dan Wieden is creative director at the advertising firm Wieden & Kennedy.

each with its own brand—or sub-brand, really. Each has great athletes representing it, a complete product line, shoes and clothes that are tied together. Instead of one big glop, we have the number one, the number two, and the number four brands of basketball shoes.

What other categories have you sliced up?

Tennis is another good example. We have a very focused category that has been built around the personalities of John McEnroe and Andre Agassi. We created the Challenge Court Collection—very young, very anti-country club, very rebellious—and we became the number one selling tennis category in the world. Nevertheless, we were ignoring 75% of the tennis players out there because most tennis players are a little more conservative than John and Andre. They didn't want those flashy outfits. That loud style isn't even suitable for John anymore. So instead of diluting

what Challenge Court stood for, we created a second category within the tennis framework called Supreme Court, which is more toned down. Each of those categories stands for something distinct.

Have you exhausted the list of things that fit under the Nike umbrella?

Actually, we're now pushing the limits of the Nike brand by going into fitness. The core consumer in fitness is a little different from the core consumer in sports. Fitness activities tend to be individual pursuits—things like hiking, bicycling, weight-lifting, and wind surfing. And even within the fitness category, there are important differences. We found that men do fitness activities because they want to be stronger or live longer or get their heart rate or blood pressure down. Their objectives are rather limited.

But women do it as sort of a self-actualization thing, as part of the whole package of what they're about.

I'm confident that the brand can encompass both the performance-oriented message and the fitness message over the next year and a half, but we'll have to be careful after that. Given enough time, the messages will probably diverge, and we'll be in danger of blurring Nike's identity. But it won't be the same as casual shoes because this time we'll see it coming and we'll deal with it.

Is Nike's concept of brand building confined to sports and fitness?

The lessons we've learned about brand identity and focus can take us in many directions. The key is to create separate umbrellas for things that aren't part of the Nike brand. Knowing what happened in casual shoes, you probably wouldn't think we'd have anything to do with dress shoes. But in 1988, we acquired Cole-Haan, a maker of dress shoes and accessories. Cole-Haan is part of Nike, Inc., but it's completely separate from the Nike brand.

Actually, we think of Cole-Haan as half a brand because only sophisticated consumers know what it is; it hasn't yet achieved critical mass. That's where we're applying our marketing skill. We bought the brand knowing its potential, and we've simply turned up the marketing volume. We could have created a brand and got it up to \$60 million in sales, which is where Cole-Haan was when we bought it, but it would have taken millions of dollars and a minimum of five years. We're further ahead this way. In the four years we've owned Cole-Haan, it's repaid the purchase price and is now at \$150 million in sales.

We've been talking about brand building. Isn't TV advertising a big part of that?

Today it's a very important part. In fact, when people talk about Nike, the TV ads are practically all they want to talk about. But we became a billion dollar company without television. For years, we just got the shoes out there on the athletes and ran a limited number of print ads in specialized magazines like *Runner's World*. We didn't complete the advertising spectrum until 1987, when we used TV for the first time.

Our first TV campaign was for Visible Air, which was a line of shoes with transparent material along the midsole so consumers could see the air-cushioning technology. Having gone through the painful experience of laying people off and cutting overhead in the mid-1980s, we wanted the message about our

new line of shoes to hit with a punch, and that really dictated TV advertising.

The Visible Air launch was a critical moment for a couple of reasons. Until then, we really didn't know if we could be a big company and still have people work closely together. Visible Air was a hugely complex product whose components were made in three different countries, and nobody knew if it would come together. Production, marketing, and sales were all fighting with each other, and we were using TV advertising for the first time. There was tension all the way around.

We launched the product with the Revolution campaign, using the Beatles song. We wanted to communicate not just a radical departure in shoes but a revolution in the way Americans felt about fitness, exercise, and wellness. The ads were a tremendous hit, and Nike Air became the standard for the industry immediately thereafter.

Did TV change the character or image your company projected?

Not really, because our basic beliefs about advertising didn't change. We've always believed that to succeed with the consumer, you have to wake him up. He's not going to walk in and buy the same stuff he always has or listen to the same thing he's always heard. There are 50 different competitors in the athletic shoe business. If you do the same thing you've done before or that somebody else is doing, you won't last more than one or two seasons.

And from the beginning, we've tried to create an emotional tie with the consumer. Why do people get married—or do anything? Because of emotional ties. That's what builds long-term relationships with the consumer, and that's what our campaigns are about. That approach distinguishes us from a lot of other companies, including Reebok. Their campaigns aren't always bad—their Air-Out Jordan campaign last year worked well—but it's very transaction oriented. Our advertising tries to link consumers to the Nike brand through the emotions of sports and fitness. We show competition, determination, achievement, fun, and even the spiritual rewards of participating in those activities.

How do you wake up the consumer?

By doing new things. Innovation is part of our heritage, but it also happens to be good marketing. You can probably trace it back to the 1960s, when we were selling \$100,000 a year instead of \$1 billion. We saw the company as having a great competitive advantage because we had a great product at a great price. And it worked a little bit. But what really made

things pop was when we innovated with the product. That's when we said, "aha!"

We'd have a hard time stopping innovation in the product area, but we've consciously tried to be innovative in all areas of the business, and right now that means advertising. We need a way of making sure people hear our message through all the clutter. In 24 words or less, that means innovative advertising—but innovative in a way that captures the athletes' true nature. Bo Jackson and Michael Jordan stand for different things. Characterizing them accurately and tying them to products the athletes really use can be very powerful.

Of course, trying to wake people up can be risky, especially since we generally don't pre-test our ads. We test the concepts beforehand, but we believe that the only way to know if an ad works is to run it and gauge the response. So we get nervous when we're ready to go to press, and then we wait and see if the phone rings. If the phone rings, that's usually good. Although some of the calls will be negative, complaints tend to be in the great minority. Besides, we're always prepared for some criticism because somebody will be offended no matter what we do. We don't let that hold us back. Our basic philosophy is the same throughout the business: take a chance and learn from it.

Nike's advertising has been so successful that it's hard to think of it as being risky. What are some of the risks?

The Hare Jordan, Air Jordan commercial that aired during the 1992 Super Bowl represented a big risk from both a financial and a marketing standpoint. It showed Michael Jordan teaming up on the basketball court with Bugs Bunny. We invested in six months' worth of drawings and a million dollars in production costs to show Michael Jordan, probably the most visible representative of Nike, paired with a cartoon character. It could have been too silly or just plain dumb. But we got thousands of positive responses, and *USA Today* ranked it the best Super Bowl ad. The only criticism we got was from the National Stutterers Association for using Porky Pig at the end.

Humor is always a risky business. Take our advertising to women. We produced some ads in 1987 that we thought were very funny but many women found insulting. They were too hard edged. We got so many complaints that we spent three or four years trying to understand what motivates women to participate in sports and fitness. We did numerous focus groups and spent hundreds of hours on tennis courts, in gyms, and at aerobics studios listening to women.

Those efforts paid off in our recent Dialogue campaign, which is a print campaign that is very per-

sonal. The text and images try to empathize and inspire. One ad explores a woman's relationship with her mother; another touches on the emotions of a girl in physical education class. Even there it was risky to use such an intimate voice in the ads, but it worked. The newest ads broke in February, and within eight weeks we had received more than 50,000 calls on our "800" number praising the ads and asking for reprints.

But things don't always come together. The campaign to launch the Air 180 running shoe comes to mind. The advertising agency was working with seven directors from around the world and trying to translate words into all those different languages. In the end, we used no words, just images of various kinds. One ad showed a spaceship zooming in on a Waffle Trainer outsole. Another showed cartoon characters bouncing on the shoe to demonstrate the cushioning. When we looked at the ad a month before its Super Bowl launch, it seemed fragmented and almost goofy. Some people thought we could fine-tune it, but others, including me, didn't want to use it at all. It was neither animal nor vegetable. So we ran a Nike general purpose ad, which was safe but somewhat boring. If the competition had had terrific ads, we'd have been hurt quite a bit. We used the Air 180 ads later that spring, but they didn't have the impact we were after.

How do Nike's TV ads create emotional ties with the buying public?

You have to be creative, but what really matters in the long run is that the message means something. That's why you have to start with a good product. You can't create an emotional tie to a bad product because it's not honest. It doesn't have any meaning, and people will find that out eventually. You have to convey what the company is really all about, what it is that Nike is really trying to do.

That's something Wieden & Kennedy, our advertising agency, is very good at. Lots of people say Nike is successful because our ad agency is so good, but isn't it funny that the agency had been around for 20 years and nobody had ever heard of it? It's not just that they're creative. What makes Wieden & Kennedy successful with Nike is that they take the time to grind it out. They spend countless hours trying to figure out what the product is, what the message is, what the theme is, what the athletes are all about, what emotion is involved. They try to extract something that's meaningful, an honest message that is true to who we are. And we're very open to that way of working, so the chemistry is good.

People at Nike believe in the power of emotion because we feel it ourselves. A while ago there was

a book published about Nike, and one person who reviewed it said he was amazed that a group of intelligent, talented people could exert so much passion, imagination, and sweat over pieces of plastic and rubber. To me, it's amazing that anyone would think it's amazing. I can't say I would be that passionate about cigarettes and beer, but that's why I'm not doing cigarettes and beer.

What's the advantage of using famous athletes in your advertising?

It saves us a lot of time. Sports is at the heart of American culture, so a lot of emotion already exists around it. Emotions are always hard to explain, but there's something inspirational about watching athletes push the limits of performance. You can't explain much in 60 seconds, but when you show Michael Jordan, you don't have to. People already know a lot about him. It's that simple.

The trick is to get athletes who not only can win but can stir up emotion. We want someone the public is going to love or hate, not just the leading scorer. Jack Nicklaus was a better golfer than Arnold Palmer, but Palmer was the better endorsement because of his personality.

To create a lasting emotional tie with consumers, we use the athletes repeatedly throughout their careers and present them as whole people. So consumers feel that they know them. It's not just Charles Barkley saying buy Nike shoes, it's seeing who Charles Barkley is—and knowing that he's going to punch you in the nose. We take the time to understand our athletes, and we have to build long-term relationships with them. Those relationships go beyond any financial transactions. John McEnroe and Joan Benoit wear our shoes everyday, but it's not the contract. We like them and they like us. We win their hearts as well as their feet.

Admittedly, it's a little harder to get the public to identify with athletes in the area of fitness. When you're selling football shoes, you know what your emotion is and who your guys are. When you're selling shoes for hiking and aerobics, it's a different deal. There are no Super Bowl winners, so there are no obvious personalities to represent the activity, which leads to an entirely different type of advertising. We still convey emotion, but we do it on a much more personal level.

What if a Nike athlete does something illegal or socially unacceptable?

There's always a chance that somebody will get into drugs or do something like Mike Tyson did. But if you do your scouting well, you can avoid a lot of those situations. Three or four years ago we were recruiting two very exciting college basketball players, but before we signed them we checked with our network of college coaches. We learned that one of them had a cocaine problem and the other could only play good offensive ball with his back to the basket. Needless to say, we didn't sign either of them, and both of them were a bust in the NBA.

Is social responsibility part of being a marketing-oriented company?

I've always believed that businesses should be good citizens, which has nothing to do with marketing. But the thing I was missing until recently is the issue of visibility—and that is tied to marketing. It's not enough to do good things. You have to let people know what you're doing. And that means having good relations with the press. When it comes to the product, America gets its opinions from advertising. When it comes to Nike as a whole, America gets its opinions from the press.

Our industry, and Nike in particular, gets a lot more press than many others because it's more fun to talk about us than about a company that makes widgets. On the one hand, we don't mind the attention; we like getting our name in the press. But on the other hand, the company usually gets treated in a superficial, lighthearted way, which is not what we're all about. Nike is not about going to a ball game. It's a business. People don't always realize that we take things seriously. So we're learning to explain ourselves better.

We can't make rules that keep drug dealers from wearing our stuff, and we can't solve the problems of the inner city, but we sponsor a lot of sports clinics for youth. And we're underwriting a series called Ghostwriting that the Children's Television Workshop is developing to teach kids how to read and write. We're doing it because we think it's the right thing to do, but we also want the visibility.

Is the shift to being marketing oriented an industrywide trend?

We can see now that the entire industry has gone through a major shift. But I'm happy to say that we pretty much led the charge by being first to understand the importance of the brand and the consumer. If we hadn't made that discovery, someone else would have, and we might have been out of business.