

Nike sprints ahead of the competition?



**ASSIGN
BUSTER**

Nike was founded by Bill Bowerman, the legendary University of Oregon track and field coach, and Phil Knight, a University of Oregon business student and middle-distance runner under Bowerman. The partnership began in 1962 as Blue Ribbon Sports (BRS); their first-year sales totalled \$8,000.

In 1972 BRS changed its name to Nike, named after the Greek winged goddess of victory. Nike employs 22,000 people worldwide, from Nike World Headquarters in Oregon. With 1,500 employees working at the Laakdal Customer Service Centre, Belgium has the most employees of any EMEA (Europe, Middle East and Africa) country. The Netherlands is a close second, with 1,200 employees working at the European HQ in Hilversum.

Nike is the number one athletic footwear company in the US and the number two American brand in terms of name recognition among overseas consumers, a status shared with IBM and second only to Coca-Cola. This high degree of recognition is probably one of the main reasons Nike has been so immensely successful. For the 2001 fiscal year sales in the US were \$4,819m, up 2% from 2000. 51% of Nike revenue is generated by sales in the US. In Europe, sales were \$2,585m, up 7% from 2000.

Despite their healthy levels of growth, analysts forecast a change in Nike's future. Although the company remains well managed, experts feel the company will have to work harder to grow in the future. Consumers are becoming less than enthralled with Nike's \$100-plus prices and are 'clearing out' their Nike-filled closets with other brand name clothing. Reebok and

Adidas, the number two and three businesses in the industry, respectively, are hot on the heels of Nike.

Adidas is giving Nike a run for its money in women's sports, running and soccer. Reebok is focusing upon environmental issues in response to criticism of third-world exploitation levelled at the sportswear industry. Nike has adjusted its successful marketing formula, which was started in 1985. The company hopes to shift attention to its product innovation and how the company has evolved. Perhaps such success should be attributed in part to its wildly successful concept-based advertising campaigns. The company uses a process that is often called 'image transfer'.

Nike ads almost never specifically place a product, or mention the brand name. A mood or atmosphere is created and then the brand is associated with that mood. 'We don't set out to make ads. The ultimate goal is to make a connection', states Dan Weiden of one of Nike's ad agencies.

One ad featured the Beatles and clips of Nike athletes Michael Jordan and John McEnroe juxtaposed with pictures of non-celebrities also engaged in sports. It was used to infer that real athletes prefer Nike and that perhaps if the general audience buys the brand they will play better too. Nike's unpredictable image-based ads have ranged from the shocking, such as its portrayal of real blood and guts in a 'Search and Destroy' campaign used during the 1996 Olympic games; to humorous, such as the first ad used to launch Michael Jordan's Jordan brand wear. The latter advertising made the tongue-in-cheek suggestion that Jordan himself had a hand in production by

slipping away from a Bulls' game at half time to run over to his company and then making his way back in time for the game's second half.

Of late, Nike has shifted to the new phase in its marketing campaign, emphasising more of its product innovation skills than the jokey, edgy attitude that it displayed in previous years. 'We recognise that our advertisements need to tell consumers that we're about product innovation and not just athletes and exposure. We need to prove to consumers that we're not just slapping a whoosh [the company trade-mark] on stuff to make a buck', says Chris Zimmerman, director of Nike's US advertising. With the launch of the 'I can' campaign, Nike is showing less of the celebrity athletes that previously adorned its marketing output and showing more product usage than in the previous 'Just Do It' campaign. Competitors Reebok and Adidas have recently featured more product-focused ads and have met with a great deal of success. Despite this rearranged focus, Nike is not backing away from innovative marketing.

Also at the heart of Nike's new strategy is the international arena. That may prove to be the most difficult element for Nike to undertake. According to one source there seems to be pretty strong recognition that in a few years Nike will be larger outside the United States than inside. The problem that the company faces is that even though international sales currently make up one-third of Nike's business, international business still pales in comparison with the domestic sales.

Nike would like to expand into the soccer and international sports arena, but to do so it will have to refocus marketing and distribution in order to re-

establish itself as an authentic, technically superior sports shoe. In the future, Nike would like to build up its presence in the key markets of China, Germany, Mexico and Japan. Nike will focus its advertising on sports, and will feature sports that are of particular interest in a specific region. Nike realises that while it is ahead of the competition, it still has a long, long way to run.

References Jeff Jensen, ' Reebok and Nike go head to head in soccer battle', Advertising Age 68(18) (5 May 1997): 4. Jeff Jensen, ' Product innovation steps into spotlight at Nike', Advertising Age 68(36) (8 September 1997): 3, 48. Isabelle Sender, ' Just do it, abroad', Chain Store Age 73(10) (October 1997): 121-4. www.nike.com www.reebok.com

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