

Nike management report

Business



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0 Introduction Nike is a major publicly traded sportswear and equipment supplier based in the United States, Nike is not only known as just a sportswear industry but, also an industry which invests heavily in marketing sports. Nike is an industry that was founded in 1964 by Bill Bowerman and Philip Knight (Nike Inc. 2011).

It is fair to say that from where Nike started from, selling shoes from the boot of a car to now being one of the leading world businesses is truly a great achievement to what the industry is today.

In order for Nike to be as successful as it is now, it was vital they had a Marketing Strategy. A marketing strategy is a strategy that integrates an organization's marketing goals into a cohesive whole (Shank. 2009). This report will discuss the following; Nike's marketing plan, an environment analysis, its market segmentation, and its market activity of Nike and briefly the future of Nike. NIKE, INC.

STRATEGIC CASE STUDY

Every year Nike spends 100's of millions on marketing, researching and developing their product knowing fine well that there would be an increase in sales and revenue year in year out. Such a success would not be possible without a marketing strategy or plan and the dedicated employees that work within the industry to meet the companies' aims and targets to see the industry grow and progress. Over the years Nike has grown a reputation that brings in millions of dollars of sales through loyal consumers sticking with Nike as a product.

The industry takes pride in the production of the highest quality products available for all ends of the market. This reputation allows the loyal consumers to stay loyal to Nike knowing when buying a product, they are purchasing quality.

A reputation such as this was not built over night, therefore this report will discuss how a company like Nike became a world leading business earning millions of dollars has been successful through an outstanding marking plan.

2. 0 Organisation Structure 2. 1 Brief History

Nike is a world business leading Sportswear Company based in the United States of America. It was founded in 1962 as Blue Ribbon Sports by two men known as Bill Bowerman and Phillip Knight.

Bill Bowerman was a track and field athletics coach at the University of Oregon, while Phillip Knight was his former student (Nike Inc. 2011). Bill Bowerman and Phil Knight's search for different goals is what led to starting the Blue Ribbon Sports. Bowerman believed that there was a direct connection between equipment and athletic performance, he handcraft shoes for his runners at the Oregon University.

Bowerman wanted to produce lighter and more durable shoes for his runners while Knight just wanted to make a living through what he loved doing, Athletics (Nike Inc. 2011). Nike began as a small distributing outfit from the trunk of Phillips Knight's car.

The beginning of Nike from the trunk of Phillips Knight was unpromising beginnings but now has become one of the leading businesses in the Sportswear industry. The partnership of Bowerman and Knight was agreed in January 1964 each contributing \$500 to form Blue Ribbon Sports (Nike Inc. 2011).

Later that year they started by selling trainers from a company based in Japan called Tiger. Their first shipment of 300 Tiger running shoes arrived in April and within 3 weeks sells out. Knight took the product directly to the consumers/athletes, sending emails to local running tracks informing them about Blue Ribbon Sportswear.

They grossed \$8000 in the first year (Nike Inc. 2011). The Nike Swoosh logo that represents Nike today was design and created by Carolyn Davidson in 1971. The Swoosh logo and slogan Just Do it, expresses the brand and its philosophy.

Caroline a student at the Portland State University in advertising designed the logo that would be place on the side of the shoe, it was understood that this logo was for a fee of \$35. 00.

In May 1978 Blue Ribbon Sports changed its name to Nike Inc. and rose from \$10 million to \$270 million in sales (Nike Inc. 2011). 2. 2 Sources of revenue streams Nike Inc. has many sources of revenue streams which is that broken down into different segments.

Each segment represents the different fields in which Nike operates. The segments are targeted towards design for men, women and children.

Running, basketball, cross training and women's shoes are the company's top-selling products categories. Nike also produces shoes for the outdoor categories, tennis, golf, football, baseball, cycling and other athletic and recreational uses. Today Nike, Inc. is now the world's prominent innovator in athletic footwear, apparel, equipment and accessories which their main revenue streams comes from (Nike Inc.

2011). Over the years as Nike developed into the multi billion dollars company that it is today they now have other companies such as Bauer - production of ice skates, Converse- oldest shoe and clothing company in the U.

S, Umbro - sports clothing and Cole Haan - sells luxury outerwear and accessories around the world. All these different companies contribute largely to Nike's revenue streams (Nike Inc.

2011). 2. 3 Recent Developments Nike has recently announced the opening of Nike town store across the UK. One of the main stores will be located on Oxford Street in central London, this will make it the largest Nike store in the world. Nike has also opened a similar store in Glasgow, Scotland. With the 2012 commonwealth games around the corner it is easy to see how such a development can help the company make profits (Nike Inc.

010). The company is also planning to open a new football-only store in Manchester in mid-November. The developments of these stores will help approach to the consumers and would bring a good experience attraction to that particular city. 2. 4 Presents Standing Nike receives a huge amount of revenue and turnover year in year out. They promote their brand by using famous sporting individual such as; Roger Federer - one of the best tennis player to ever play the game, Wayne Rooney - England's and Manchester United best football player and Cristiano Ronaldo - highest paid footballer in the world.

Using these sports stars links well with the first steps of Keller, 2003 proposes in strategic brand management, (Establishing brand Awareness). The Fiscal 2010 management report shows Nike Inc. Revenue performance since 2006 right through 2010. In 2006 the company's Revenue Performance was at \$14, 955 million there have been a significant increase every year, 2007 - \$16, 326 million, 2008 - \$18, 627 million, 2009 - \$19, 176 and in

2010 it was \$19, 014 million. The drop of 1% in 2010 compared to 2009 may be down to the global economic during that year.

Fig 1 below shows the present Athletic footwear - Global Market Shares

Figure 1 3. 0 SWOT Analysis 3. 1 Strengths “ Potentially a most comprehensive form of business situation analysis, SWOT involves producing a systematic evaluation of the company’s strengths and weaknesses, plus the opportunities and threats within the competitive environment”. SWOT analysis is a focusing device or framework in the process of formulating a business strategy. (McGoldrick, 2002).

Nike is a global brand which is recognised everywhere around the world easily by the Nike symbol known as the ‘ Swoosh’.

They sell their products in the US and in over 180 countries around the world. The company being competitive towards its competitors such as Adidas and Reebok is strength in its own. This means that the quality of product they manufacture would aim to be better than their competitors at every opportunity possible. The amount of research and development Nike invest their time in is clearly evidenced in the type of product they produce by its growing and innovative product.

Nike’s ability to market and advertise their product is also one of their main strengths.

Through marketing advertising the company can reach out to billions of people around the world regardless of where they may be. Using different forms of marketing or advertising brings brand awareness to their products. Nike is by far the number 1 shoemaker company of its type, designing and

selling shoes for a wide range of sporting activities such as golf, football, tennis, baseball, volleyball and even cheerleading (Nike Inc. 2011). 3.

2 Weaknesses Nike business is heavily dependent upon its share of the footwear market, it can leave it exposed as the sales in footwear can drop or increase at any given time.

Consumers being price sensitive is also a major weakness. If the company brought out a product that is priced too high, then it becomes harder for consumers with lower disposal income to afford the product. Most of Nike's board members have an average age of 62. This can be a major weakness to the company as they aim to develop their products towards a younger generation. Their knowledge of what the younger generation wants could be a weakness however the research the company carries out year in year out makes up for it.

Nike has a bad history of their factories being poor health, working standards and safety issue, this can cause lots of consumer to feel aggrieved as the company spends millions of dollars on endorsement every year, and it can even affect the company's image. 3. 3 Opportunities Nike has a company would always be looking for ways to expand their organisation and the different opportunities that may benefit them as a company. Getting involved in New Markets is probably one of the Nikes' biggest opportunities to expand the company.

Research has shown that there are many markets that have the disposal income to spend on high value sports products.

As the population of China and India continue to grow the generations of consumers are richer and more aware of products that Nike produces. Nike could also expand into the Globally Market to create larger Brand recognition. Utilising the global marketing events such as the football World cup or the Olympics can certainly bring the company more Brand awareness.

3. 4 Threats In the current economic climate that the world is in, the global recession is one of Nike's biggest threats.

The recession can lead to job shortages in a number of Nike's worldwide subsidiaries. America is one of the countries that have been hugely affected as a result of the recession. Consumers having less money to spend can result in a decline in the purchase of sports goods. This can ultimately affect Nike's revenue, turnover, sales and may even lead to increase in price. As consumers are price sensitive this can cause a bigger problem for the company if not a lot of people are willing to pay the required prices for the product as they feel there is no more value for their money.

The market for sportswear has always been highly competitive and would continue to be.

The world is always moving forward and so is fashion, this can also be seen as a threat to Nike. If Nike is unable to keep up with fashion trends that suits the consumer's lifestyle then there is a risk of losing. 4. 0 PEST Analysis 4. 1 Political Nike is a well establish worldwide company that sells its product all over the world, therefore their products are shipped and flown around the world on a day to day basis.

The countries where Nike mainly does its trade are United Kingdom, America (where Nike originated) and other European countries such as Germany and France. The government in the different countries needs to create various policies that promote businesses and help the growth in local and international businesses within their country and the world. In January 2011 the increase in VAT to 2.5% in Britain affected Nike and many other companies. As a result of this increase many consumers can and were easily put off spending money and unnecessary sports products or equipment. The increase of VAT by 2.

5% took the total of tax to 20%.

It is important that Nike is aware of the various changes to Tax in the different countries so they can set their prices accordingly. In 2001 BBC Panorama covered a documentary that saw the use of 'sweat shops' in 3rd world countries to produce Nike's products. The conditions of the factories were found to be poor standard and had a lot of health and safety issues. Nike did claim that everything was legal however Panorama found underage girls working there (BBC 2001). 4.

2 Economic The economic climate the world is in brings fear to Nike and other companies, the recession will surely affect the growth of Nike.

The rate in which consumers are buying products will gradually slow down as they may not have enough disposable income to buy top quality sports products. During the recession there is always a decrease in demands for goods and services (Shank. 2009). Many brands Nike included will normally

adapt to a pricing strategy whereby the price of their products will drop on selected items to allow for mass buy within a short time frame.

Companies such as Nike will follow this strategy to make money during the economic climate but also know it may affect them in the long run.

As Nike is a global brand they not just affected locally by the economy but also internationally. If the Euro becomes weak so do their sales, profit and turnover. An Asian recession could even affect Nike because the labour costs will eventually go up causing a pay rise for the employees. 4.

3 Sociological Nike is known as a multinational company therefore when designing a product or making an advertisement campaign for any of their product they will sure to consider and look into the segment of the market they trying to target.

Wind and Cardozo (1974) explains that segmentation can truly be viewed as a logical development of the marketing concept, which places the consumer at the heart of the decision making process. To ensure that the needs of consumers are met socially a great deal of research has to be carried out. The best way a company such as Nike can do this is by looking at the Demographics of the consumers. The Demographics of the consumers look into age, gender, ethnic background, income and many more.

Nike will sure to look into this because it gives the company a clear understanding of what the consumer wants and are able to afford by their social activated. Having all these information stored in a database means Nike can produce quality product to meet the consumer needs Nike's target for their sales are generally between the ages of 15 and 35, this age group

can be classed as young adults. Within this age group they can then decide to segment their market into males and females, and then look into the area they stay in, social class they fall into, and even their occupation.

All this information will surely help Nike in great detail in keeping up with social trends and ensuring that their products are easily accessible and affordable for their consumers. The consumer's opinions and attitudes are valuable to Nike. When a company knows what their customers want, they can barely go wrong when bringing out products.

4. 4 Technological In the modern world Technology is something that is always advancing as time goes on. Companies such as Nike see the importance of having various Technologies at their disposal.

Consumers are now able to access the Internet on a day to day basis while on the move therefore buying products and shopping becomes easier all because of technology. Consumers can now shop online for their products knowing it can be shipped to them easily without having to bother going into a retailer or a Nike store. The advance in technology also means that Nike can get information to the consumers a lot easier via social network sites.

Nike realizes the importance of using technology as a strong tool even when making their adverts or designing new sports product.

The more technology used within an advert makes it more eye catching for the consumers. Through the use of technology a database can be kept that shows the type of products frequently bought and the price in which the consumers are more likely to pay for the product. This information can aid them in their pricing strategy as consumers can be price sensitive.

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Technology to an organization does have lots of advantages, however a few negative points to consider is the high cost for production, research and developments will sure to drive up the prices of the sports product (Shank. 2009).

5. 0 Market Segmentation “ Segmentation can be viewed as a logical development of the marketing concept which places the consumer at the heart of the decision making process” (Wind ; amp; Cardoza, 1974).

Segmentation is a key part of marketing to many companies Nike included. Segmenting consumers into different segments helps companies produce the right type of product and needs for that particular segment. Moskowitz H (2005) explains market segmentation as the selection of groups of people who will be most receptive to a product.

To reach all types of consumers Nike needs to segment their market on different scales, such as demographic, geographic, and economic. Nike needs to look at the Demographic which covers (age, gender social class), Geographic covers (north, west, east and south) Economic covers (high, medium or low income levels) (Armstrong and Kotler, 2003). Nike has positioned itself as a company that sales high quality product and service for their consumers, ensuring the quality matches the value. 5. 1 The Customers Nike as a company has a range of different consumers they target and aim their advertisement towards. The company’s segmenting market is mostly athletes of both genders from the age of 15 to 35.

Nike’s mission statement is “ To bring inspiration and innovation to every athlete in the world” (Nike Inc. 2011). Nike uses a lot of advertisement with

sports stars to market their product. It aims to target active people who take part in sports and enjoy wearing high quality sports goods, mainly footwear. Nike target's by the segmentation age, location, income, social class and many more.

When designing a product Nike needs to consider the social class they wish to target as there are 6 different classes.

It is often used to segment markets and determine targeting strategies.

Social class is an open group of individuals with similar social rank. It is defined as open because consumer can move in and out of different class depending on their current status or situation in life (Pride, 2009). The table below shows the 6 different social classes there is and how they divided by their Social grade, Social status and Occupation;

Social grade	Social status	Occupation
A	Upper middle class	Higher managerial, Administrative or professional
B	Middle class	Intermediate managerial, Administrative or professional
C1	Lower middle class	Supervisory or clerical, Junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled manual workers
E	Those at lowest level of subsistence	State pensioners or widows (no other earner), casual or lowest grade workers

Table 1

When Nike is designing a product they would need to focus on what class they aim to target, therefore directing the advertisement to everyone but mainly that particular class. For example; with Nike golf products, it may be directed towards the consumers in the A and B class while other products

like football boots may just be directed to those within the C classed consumers (Suite101.

2011). Nike is a worldwide company that takes consideration like these stated above very serious to enable them to sell their products to all types of consumers regardless of the working class they may fall into.

Nike needs to also take the geographic positions into consideration. Having a massive market in America, Asia and Europe means that when designing products or advertisement for a particular market, Nike needs to consider; social opinions, political views and even religious views just to make sure they don't offend their consumers within that market (Suite101. 2011).

5. 2 Consumer Behavior Consumer behavior is the study of consumers and the processes they use to choose, use and dispose of products and services (Tallo, 2008). Nike's main consumers are athletes and sport enthusiastic people.

However it does fall into 3 different categories known as; sports participants, sports spectators and sports purchasers. Most of Nike's consumers are normally professional athletes, amateur sportsmen and young individuals who can identify their lifestyle as a sporting lifestyle.

Over the years as Nike developed into the multi billion dollars company that it is today, consumers can now purchase Nike product for fashion statements and sporty lifestyle, an example of this is the Nike Air hooded and tracksuits now available to all consumers at reasonable prices.

Nike allows its consumer to become loyal through quality product and service they provide for their consumers. Consumers make a statement to show their loyalty from choosing to buy Nike's product instead of buying from other competitors. Nike ensures that most products they produce can be bought on 3 fronts; an example of this is football boots. A pair of Nike Vapours football boots can be purchased at various prices to suite those particular consumers, with some adaptation to the material or design taken when making the product.

6. Marketing Activity The world's number sports brand can be seen as Nike because that's the reputation they have. Over the years Nike Inc. has built its reputation from high profile advertisements, sponsorship and the production of high quality sports product (Centre for Applied Research, 2003). Nike's marketing experience has proved the company with a strong marketing mix. The marketing mix sets out a designed that helps understand the process of marketing through the 4 P's Product, Price, Place and Promotion (Beech and Chadwick 2007) .

1 Products Sports product can be define as a good, a service or any combination of the two that is designed to provide benefits to a sports spectator, participant or sponsor (Shank. 2009). Nike Inc. produces a huge range of sports equipment, clothes, footwear and apparel which are all top selling products in their categories. Cole Haan a brand own by Nike produces a line of dresses, casual footwear and accessories for men, women and children. It is important for Nike to consider the relationship between the product and the price.

When Nike produces a product they can drop or increase the price depending on how the product is made and what material were used. 6. 2 Place Nike's products are carried by many sports retailers and exclusive Nike stores all over the world. It's estimated that around 25, 000 sports retailers in over 200 countries around the world stock Nike's product (Nikebiz. 2010), this gives the company a massive global market at their disposal as their product becomes more accessible worldwide. Nike has just announced the opening of 100 new stores across the UK over the next 3 years (UK Reuters 2010).

Through the use of Technology and Internet, Nike also reaches the global market using its online store and other online sports retailers. This again makes the brand and their product more accessible worldwide. 6. 3 Promotion Promotion is the process of information, persuading, reminding and differentiating an organizations service in the minds of the consumers (Beech and Chadwick, 2007). It is a critical aspect of any marketing mix.

Promoting a product or a brand may involve advertisements, public relations, and direct sales.

The scale of promotion a brand such as Nike may go through will depend on the importance, type and size of the product (Hunger and Wheelen, 2003). Nike often used celebrity endorsement to promote their product worldwide. Nike uses sport stars from numerous sporting activities to promote their products. Sports stars such as; Tiger Woods - Golf, Wayne Rooney - Football, Lance Armstrong - Cycling, Roger Federer - Tennis, Lebron James - Basketball and many more.

This allows Nike to target that specific marketing through that star.

The Nike 'Swoosh' being one of the world's most recognizable brands means the promotion of Nike's product wouldn't be too complicated. Consumers realize the quality of what the company is promoting simply by seeing the 'Swoosh'. 6. 4 Price Price is one of the most important aspects of the marketing mix as this is what creates the company's sales revenue while all the other Ps brings cost to the company.

It can be defined as the amount of money the consumers are ready to pay for which a company is willing to sell a product (Alb. 2002). The price of a product can be based on the production of the product.

The type of materials, technology and designed that goes into making a product would affect the price a company will set for that product. By using leather, carbon fiber and specific designs Football boots can be priced differently.

Different pricing means consumer can afford the product regardless of what social class they may fall in. When Nike sets a price for a product they need to ensure it's reasonable as consumers can be price sensitive but also ensuring their prices remain competitive towards other competitors. 6. 5

Branding and Brand equity

Nike is brand that is recognizable worldwide, the 'Swoosh' is a design that stands for quality and high standards. Nike's 'Swoosh' symbol allows consumer to distinguish their products from other competitors. A brand can be defined as a name, term or symbol.

Branding to a company has three main purposes; product identification, repeat sales and allows for new product sales (Lamb, 2011). Over the years Nike has built a strong reputation of producing quality sports good that reaches the needs of its consumers, through this it is fair to say they have now have a solid brand equity.

Brand equity comes from a brand that has high awareness, perceived quality and good brand loyalty. Brand equity can be defined as the added value a consumer is willing to pay for a branded product over a non-branded product. It is the extra value a brand gives a product (Lamb, 2011).

7. 0 The Future Since Nike arrived on the world stage in the 1970s it is clear to see from the research that was carried out that the company has played a major part in the production of sports product. Nike is not just known as a brand but also has a lifestyle consumers choose to follow.

The standards of service and product Nike has set for a number of years would be hard to match by any future or present companies. Globally the company is moving forward as the continue to open stores all over the world and segment into different markets.

The recent opening of the Manchester and Glasgow stores will see the company make more turnovers and also reach more consumers on a personal basis. It is clear to see that as technology advances so would the opportunities for Nike to grow. Nike can start with the Nike ID customization programs that create more retail experience both with the consumers and within the stores.

The company spends millions of dollars on sponsorship year in year out and the author feels this could be reduced as it is not needed. Nike is already a well-established company therefore it doesn't need to continue to spend that much money sponsoring sporting individuals. If the amount of money spent on sponsorship and endorsements gets reduce then they can afford to sell their products at a price whereby it's affordable for all consumers.

There are many opportunities for the company to expand their brand.

If Nike decides to sponsor at least one athlete from the various sporting activity there is, then it can reach all types of consumer who take part in a wide variety of sports. This can allow them to introduce type of sporting sports as supposed to mainly footwear and equipment. If the company can become more environmental friendly and start using old products to produce new ones, they can be seen as an eco-friendly company. This is something that would look good in the eyes of the present and future consumers.