

Nicks current  
marketing situation  
marketing essay



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Nike is an incorporated company that primarily focuses on and operates in the footwear industry. Nike constructs, designs, and markets footwear, equipment, clothing, and accessories for athletes. Nike will mainly be competing with Adidas and Reebok. Based on findings, recommendations are that Nike should attempt to improve the brand name and quality of their new line "ACG" which stands for "all conditions gear" line of extreme sports. Nike should also their funds more effectively and efficiently by expanding promotions into entertainment. Nike's websites can be more appealing to customers with more intuitive controls and interfaces. Nike should also expand into international marketing because globalization is the way of the future. Nike should definitely continue to advance in the field of technology in regards to athletic shoes and their functionalities. (Nike Biz)

## **Current Marketing Situation**

Nike's current marketing situation involves their competition against many other brands such as Adidas, Reebok, New Balance, Puma, Creative Recreation, and many others. This, therefore, will cause intense competitiveness. Because of this competitiveness among companies, demand will surely flatten. Pricing pressures will limit profitability because if a company prices a product too high, customers will turn to the competition for a better value. However, regardless of the competition, Nike is still the current leader in footwear sales in most sports. Their main weakness lies in the soccer line and they need to overtake soccer from Adidas-Reebok, the number two footwear producer and seller. (Acaria)

## **Market Description**

Nike targets most age groups, from babies to toddlers to teens and adults and even to seniors; however their primary source of profit comes from 18-22-year-olds. Nike attempts to incorporate aspects of a shoe's design in which customers seek, such as functionality or style, which are the most sought after aspects of the shoe. They divide their market into many different sports but their primary ones include: basketball, women's fitness, men's training, soccer, sports culture, and running. They also target large retailers and wholesalers rather than just final consumers.

Buyers can personalize their shoes and this will enhance their individuality. This helps build Nike's brand and customer connectedness while still protecting their "premium" brand image. Nike also provides high quality materials as well as superior comfort meanwhile balancing functionality and style – a hard task to accomplish considering all these aspects are combined into a single pair of shoes. (Nike Biz)

## **Product Review**

The Nike "Dunk ID" line offers the following standard features:

A variety choices of material such as perforated leather, patent leather, tumble leather, nylon, canvas, suede, carpet, premium leather, nubuck, and much more

Customizable colorways that include changing colors, gradients, patterns

Customizable embroidered message or words

Customizable stitching and thread

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All sizes from babies to wide-footed to extra large sizes, such as 14+

## **Competitive Review**

The emergences of other shoes that offer style and functionality have pressured Nike. Nike leads with a global market share of 31%. Key competitors include the following:

Adidas. The market leader for soccer shoelines. Adidas is currently ahead of Nike in Europe when it comes to the soccer athletic shoes. They offer a wide range of soccer shoes and soccer apparel and equipment. They recently combined with Reebok forming Adidas-Reebok. This has boosted their market share to a grand total of 24%. When by themselves, they have 16% of global market shares.

Reebok. Currently running in fourth place behind Nike, Adidas, and Puma; they merged with Adidas, combining their resources and products, hoping to raise their global market share. They are running in a horizontal market system. They are in fourth, however the gap is widening as they only barely hold on to 6%.

Puma. This company currently has 7% of global market shares. Puma offers a similar service to Nike's "Dunk ID" called "Mongolian BBQ." The concept's name was chosen because it was metaphorically like a BBQ where the customer can choose their favorite selections and throw it onto their plate. In this case, they chose materials and colors and throw it onto their shoe (which serves as their platter).

New Balance. This company has a growing percentage in specific athletic shoes. They specialize in running shoes for long distance and for jogging. New Balance offers lightweight, high quality running shoes and focuses primarily on running shoes and running apparel for men and women.

### **TABLE 1. 0400px-Footwear\_market\_shares. PNG**

Table 1. 0 represents the Global market share of the main competitors in the footwear industry. It is clear that Nike is number one.

Despite the strong competition, Nike definitely captures the attention of their customers. They gain recognition among their targeted segments and they manage to define their position and image in the minds of their customers. (Parker)

### **Channel and Logistics Review**

Nike-branded products will be distributed through their vertical marketing system from producer to wholesaler to retailers. Their main channels for:

Wholesale amounts to retailers. Finishline, Footlocker, Champs, etc. will both carry Nike products in stores and online.

Smaller shops. Tillies, Zumiez, Neo 32, Shoe Palace, etc. will be independent carriers of Nike Products

Direct Marketing. Nike Factory, Nike Outlet, and NikeTown are directly under the control of Nike. They will distribute and market products that will be direct from the producer.

Online. In addition to retail stores having online websites, Nike also has “ Nike. com” which is also directly under the control of Nike.

## **Strengths, Weaknesses, Opportunities, and Threats Analysis**

### **Strengths**

Nike is the industry leader in developing new products such as Nike Air, Nike Zoom, Nike ACG, Nike 6. 0 and much more.

Designs are simple, yet they are fit well with the choice of colors and that expands their reach to more people. The simple shoe is currently the most fashionable such as the Nike Sweet Classic

Nike is remembered for their mass merchandising, unique advertisements, and sale promotions just as much as they are known for their shoes.

Their distribution chains expand all the way around the world. They are globalized.

They team up with other companies to supply software, hardware, and consultation services to host worldwide Nike Supply Chain Project. NSC project will consolidate the company and provide Nike with enterprise management, financials, and logistics.

Nike also has intangible assets such as their brand image and their organizational culture. Their company expresses competitiveness and support for athletes with the “ Just Do It” attitude.

## **Weaknesses**

Nike has gotten bad press, especially with the 18-24-year old demographic sections. They are involved with alleged “sweatshops” where their products are manufactured overseas. (Bowerman)

Over marketization of the “swoosh” logo is also a weakness. At one point during their design and production, a pair of shoes had 13 swooshes on it. This exaggerates the brand and makes it seem like spam. This weakens its image.

Increasing costs of sports endorsements with decreasing marginal returns. They are spending more and they are making less for every dollar they are spending. This means they have a diminishing rate of return.

## **Opportunities**

Nike has the largest product line of All Conditions Gear, also known as ACG and they can market it towards Generation Y (those born between 1980 and 2000s)

The company has a continued expansion into other mainstream sports such as golf, hockey, tennis, volleyball, and football.

Nike also has the Nike Shox line that can be expanded. It is a type of running shoe that has spring-like structures in the midsole of the shoe. This is one of the lines that is a bit neglected but has potential.

Technology is advancing and that means that they are becoming more cost-efficient. This will allow Nike to produce shoes at a lower cost (Kotler)

Nike can also stretch into the women's sports line of shoes rather than just women's fitness.

## **Threats**

Nike's biggest threat is the recession in the economy. This will inhibit Nike's growth from sales because their promotions and advertisements will have less budget. (Chen)

Increased competition is a large factor. As more companies enter the market, they pressure Nike's prices.

European and Asian recessions have also hurt Nike's international sales and profit.

Nike's sports product line is starting to be viewed as inferior in quality when compared to other companies and the brand image is suffering.

Another threat is the "rumor" that Nike utilizes child labor in foreign countries to produce the shoes. Nike is also accused of having low quality conditions in factories that make it hazardous for their employees.

## **Objectives and Issues**

### **Objectives**

Nike plans for their annual revenue to grow to \$27 billion in 2015. Their revenue is \$19.2 billion, as of the end of May 2009. They project their figures and analysis and plan for their annual revenue to climb 41% by 2015.



## **Issues**

Nike must maintain a brand name that must be linked to a meaningful position. They must stay consistent with their goals and culture. They must not fall into the FWMTS trap (forgot what made them successful). Nike should be investing in marketing to create a memorable brand image that is distinctive and still projects innovation, value, and high quality.

## **Marketing Strategy**

Nike's marketing strategy is based on product differentiation. The primary consumer target is the middle-class and upper-class. Their secondary target is high school students and college students who demand to stay in the current style of the period and are propelled by their individuality. (Nike)

## **Positioning**

Product differentiation will position Nike's brand into the mind of the prospect, as well as the minds of the current followers, as a premium brand of shoes. Purchasing from Nike is convenient, whether it be through retail stores or online. Their graphic user interface (GUI) and organization make it easy to navigate through their webpage or narrow down results.

## **Product Strategy**

Nike offers a 6-month guarantee on some of their shoes. This offer responds to issues and doubts about their quality and endurance. If a shoe is worn down within this period, Nike will send the customer a new replacement pair and take the old pair back as a trade off. They also have a "no questions asked" return policy as long as the shoes are returned in brand new condition with all original packaging, such as extra laces and original tissue

paper. This will allow their customers to be more connected with the company and even more trusting towards Nike.

## **Pricing Strategy**

Nike sells its retail shoes at \$109.99 for standard Nike Dunk shoes. For their customized shoes, they start at \$125. They sell wholesale to stores for approximately \$40/pair. Nike's pricing strategy is value-based as it assesses the customer's needs and value perceptions first. They set a target price to match that value and then determine the material costs. Lastly they deliver a product that meets the desired value at their target price. (Kotler)

## **Distribution Strategy**

Nike is corporate vertical marketing system. They are the main distributor of all their products. They produce their shoes in other countries where it is cheaper and they also sell products wholesale to other retail stores. They also sell retail such as Nike Town and Nike Factory. They control most if not all the parts of their marketing system. Biggest strength is that they control almost all parts so they manage it as a single entity. Their conflicts are limited and controlled because they all have similar objectives and the same style. The producer wholesaler and retailers cooperate much better. (Kotler)

## **Marketing Communications Strategy**

Nike uses public relations to appeal to the customers as more real and believable. Through news, features, and sponsorships Nike reaches further and finds more prospects. They avoid salespeople and the company does not focus on "accounting profit" but rather on returning customers as profit.

Nike sponsors events such as "Nike Hit Run Remix" to get their brand out

there rather than advertising. They host charity events “ Nike+ human race 10k” to raise money for high schools that cannot afford equipment and facilities. Nike uses both push and pull technique to attract, retain, and motivate customers and channel partners. Nike pushes at first when new lines come out. They create their own momentum. They market their products and release information about the shoe that starts the buzz. This helps start the spread of the word. Then they use pull strategy as the product becomes large enough to attract attention for itself.

### **Marketing Research Strategy**

Using research, Nike can pinpoint and identify the features that are strong as well as those that do not benefit them or their customer. Through focus interviews, Nike learns what aspects of the shoe are favored and what part of the causes discomfort and criticism. For example, after doing research, results revealed that there was a consistent reaction towards their athletic line. Those who were interviewed were asked about the level of quality, comfort, performance, price and style. Respondents who critiqued the shoe consistently stated that “ their feet were sweaty, stinky, too warm/hot, not waterproof, and not durable.” This allows Nike to target their weaknesses in design and hopefully solve the flaws of the product. (Donaghu)

Yahoo. “ Market Guide.” 2010. 15 May 2010 <http://yahoo.marketguide.com/mgi/busidesc.asp?rt=busidesc&rn=6446N>