

## **Case Study1**

### **Marketing in a changing world: creating customer value and satisfaction**

The "swoosh"--it's everywhere! Just for fun, try counting the swooshes whenever you pick up the sports pages or watch a pickup basketball game or tune into a televised golf match. Nike has built the ubiquitous swoosh (which represents the wing of Nike, the Greek goddess of victory) into one of the best-known brand symbols on the planet.

The power of its brand and logo speaks loudly of Nike's superb marketing skill. The company's strategy of building superior products around popular athletes and its classic "Just do it!" ad campaign have forever changed the face of sports marketing. Nike spends hundreds of millions of dollars each year on big-name endorsements, splashy promotional events, and lots of attention-getting ads. Over the years, Nike has associated itself with some of the biggest names in sports. No matter what your sport, chances are good that one of your favorite athletes wears the Nike swoosh.

Nike knows, however, that good marketing is more than promotional hype and promises--it means consistently delivering real value to customers. Nike's initial success resulted from the technical superiority of its running and basketball shoes, pitched to serious athletes who were frustrated by the lack of

innovation in athletic equipment. To this day, Nike leads the industry in product development and innovation.

Nike gives its customers more than just good athletic gear. As the company notes on its Web page ([www.nike.com](http://www.nike.com)), "Nike has always known the truth--it's not so much the shoes but where they take you." Beyond shoes, apparel, and equipment, Nike markets a way of life, a sports culture, a "just do it" attitude. Phil Knight, Nike's founder and chief executive, says, "Basically, our culture and our style is to be a rebel."The company was built on a genuine passion for sports, a maverick disregard for convention, hard work, and serious sports performance. Ask anyone at Nike and that person will tell you: Nike is athletes, athletes are sports, *Nike is sports*.

Nike seems to care as much about its customers' lives as their bodies. It doesn't just promote sales, it promotes sports for the benefit of all. For example, a recent series of "Nike:Just do it" ads provided strong support to women's sports and the many benefits of sports participation for girls and young women. Nike also invests in a wide range of lesser known sports, even though they provide less lucrative marketing opportunities. Such actions establish Nike as not just a producer of good athletic gear but also as a good and caring company.

Taking care of customers has paid off handsomely for Nike. Over the decade ending in 1997, Nike's revenues grew at an incredible annual rate of 21 percent; annual return to investors averaged 47 percent. Nike flat-out dominates the world's athletic footwear market. It currently captures an eye-popping 47 percent share of the U.S. market--twice that of its nearest competitor, Reebok---and a 27 percent share internationally. Nike moved aggressively into new product categories, sports, and regions of the world. In only a few years, Nike's sports apparel business grew explosively to account for nearly a quarter of Nike's \$9.5 billion in yearly sales. And Nike slapped its familiar swoosh logo on everything from sunglasses and soccer balls to batting gloves and hockey sticks. It invaded a dozen new sports, including baseball, golf, ice and street hockey, in-line skating, wall climbing and hiking.

In 1998, however, Nike stumbled and its sales slipped. Many factors contributed to the company's sales woes. The "brown shoe" craze for hiking and outdoor styles such as Timberland's ate into the athletic sneaker business. Competition improved: A revitalized Adidas saw its U.S. sales surge as Nike's sales declined. To make matters worse, college students on many campuses protested against Nike for its alleged exploitation of child labor in Asia and its commercialization of sports.

But Nike's biggest obstacle may be its own incredible success -- it may have

overswooshed America. The brand now appears to be suffering from big-brand backlash, and the swoosh is becoming too common to be cool. According to one analyst, "When Tiger Woods made his debut in Nike gear, there were so many logos on him that he looked as if he'd got caught in an embroidering machine." A Nike executive admits, "There has been a little bit of backlash about the number of swooshes that are out there." Moreover, with sales of more than \$9 billion, Nike has moved from maverick to mainstream. Today, rooting for Nike is like rooting for Microsoft.

To address these problems, Nike returned to the basics--focusing on innovation, developing new product lines, creating subbrands (such as the Michael Jordan line with its "jumping man" logo), and deemphasizing the swoosh. For example, recent advertising focuses once again on product performance and concludes with the Nike script logo name--not a swoosh in sight. The sports giant is also trimming its costs, including substantial cuts in its formerly lavish advertising budget. These moves appear to be working and Nike's profits and stock price are once again on the rise.

Nike is also entering new markets aggressively, especially overseas markets. Nike sales outside the United States now represent about 38 percent of total sales. However, to dominate globally as it does in the United States, Nike must dominate in soccer, the world's most popular sport. The multibillion-dollar

world soccer market currently accounts for only 3 percent of its sales. Now, soccer is Nike's top priority. In typical fashion, Nike has set World Cup 2002 as its deadline for becoming the world's number-one supplier of soccer footwear, apparel, and equipment.

Elbowing its way to the top by 2002 won't be easy. World soccer has long been dominated by Adidas, which claims an 80 percent global market share in soccer gear. Nike will have to build in just a few years what Adidas has built over the past 50. Employing classic in-your-face marketing tactics, Nike is spending hundreds of millions of dollars in an all-out assault on competitors. Nike's open-wallet spending has dazzled the soccer world, and its vast resources are rapidly changing the economics of the game. For example, it paid a record-setting \$200 million over 10 years to snatch sponsorship of the World Cup champion Brazil national team from Umbro. Similarly, it paid \$130 million for sponsorship of the U.S. soccer team.

Competitors can hope that Nike's slump will continue, but few are counting on it. Most can only sit back and marvel at Nike's marketing prowess. One market analyst comments, "Nike remains one of the great American brands, as well known around the world as Coke or McDonald's." Says Fila's advertising vice president, "They are so formidable, no matter how well we may execute something, our voice will never be as loud as theirs." As for soccer, the

president of Puma North America sees Nike's tactics as heavy-handed but has little doubt that Nike's superb marketing will prevail. He states flatly, "Nike will control the soccer world.."

Still, winning in worldwide soccer, or in anything else Nike does, will take more than just writing fat checks. To stay on top, Nike will have to deliver worldwide the same kind of quality, innovation, and value that built the brand so powerfully in the United States. It will have to earn respect on a country-by-country basis and become a part of the cultural fabric of each new market. No longer the rebellious, anti-establishment upstart, huge Nike must continually reassess its relationships with customers. Says Knight, "Now that we've [grown so large], there's a fine line between being a rebel and being a bully. [To our customers,] we have to be beautiful as well as big."