

To what extent has Nike's success been facilitated by its international marketing strategies and digital transformations?

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ABSTRACT

After all these years, most might agree that the brand Nike has become synonymous with the word sports. Nike's journey has been fascinating; they started out by supplying shoes made by Onitsuka Tiger in the United States in a market dominated by Adidas and Puma and have now become the most successful sports brand on the planet. However, it is also true that this success did not come easy for Nike, as it had to deal with a lot of ethical problems like slavery, human trafficking and sweatshop issues which have the potential to destroy a company from its core. This research paper explores Nike's creative and innovative marketing strategies and its digital transformation to beat its competition and become the market leader persevering through all the ethical obligations and obstacles that came its way during its rise to success.

I. INTRODUCTION

While travelling in Japan, Phil Knight discovered a brand called "Onitsuka Tiger" whose running shoes really struck his eye. He realized they were so different and more comfortable than any other shoes he had seen in the US. It is at this moment that he saw the future of running shoes in the US and started Blue Ribbon Sports. Realizing that there was no one else who had more profound knowledge about athletics and running shoes than his former coach Bill Bowerman, Knight convinced him to invest in the company and come on board as his business partner. Their aim was to provide professional runners with the best possible running shoes that would improve their performance while also being incredibly comfortable.

It's safe to say that their idea definitely worked. For the first few years, Blue Ribbon Sports followed the strategy of importing shoes from Japan and selling them in the US. However, they gradually realized that the stock that they were

importing was not enough to satisfy the wants of an exploding market in the US. Therefore, it became evident that the company would have to start afresh and adopt a strategy wherein they would be manufacturing their own shoes. The company was then renamed Nike, Inc., in 1978 and went public two years later. By the early 21st century, Nike had retail outlets and distributors in more than 170 countries (Britannica, 2019), and its logo—a curved check mark called the "swoosh"—was recognized throughout the world. The global recognition that the company received was greatly credited to its global marketing strategies which include collaborations, emotive branding and coming up with new and innovative designs to attract millions of customers. Furthermore, in order to maintain the success that the company has achieved, they make active efforts to stay on top of all trends as evidenced by its recent digital transformation.

Regardless of all the good, Nike has also been involved in many scandals. These have included ethical problems pertaining to child labour and low wage payments but also instances wherein the company has not complied with certain industrial standards including Michael Jordan's first shoe - the Air Jordan - which was banned by the NBA because of their different colours that were not allowed on the NBA courts. However, instead of counting this out as a failure, Nike turned this into a creative marketing strategy by advertising these shoes as a sign of rebellion against traditional societal norms. Their strategy worked and the Air Jordan has now become one of Nike's most successful shoes ever. Therefore, this paper aims to answer the research question "**To what extent has Nike's success been facilitated by its international marketing strategies and digital transformations?**"

Nike - how they expanded internationally

A marketing strategy is a long-term plan for achieving a company's goals by understanding the needs of customers and creating a distinct and sustainable competitive advantage. It encompasses everything from determining who your customers are to deciding what channels you use to reach those customers (Optimizely, 2022).

It has been repeatedly mentioned in the literature that the main reason behind Nike's success is its innovative and creative marketing strategies. Nike has had amazing leadership under Phil Knight who has created a very strong set of fundamental and principle values for the business which has subsequently allowed it to rise to the top of the sportswear industry. Within marketing, one specific element that the company heavily values and invests millions in is research and development (R&D). Nike has realized that the sportswear market is always changing and evolving, and it needs to adapt to those changes in order to satisfy its consumer's needs. It is this very R&D that enables the brand to continuously launch new and more advanced products each and every year faster than any of its competitors. From making its shoes lighter to making self-lacing shoes, Nike does disappoint with its innovations and that is why most people choose it over any other brand. The aforementioned allows the company to capture a far greater market share than any other company at 50% which far exceeds its competition (Polk, 2021).

Within marketing, there are many different strategies that a company can execute. A collaboration, for example, is an alliance between two or more brands to create a specific product or service. A brand collaboration helps both brands to widen their customer base as the target market and customers of both of the brands are combined. People who wouldn't usually be part of a brand's target market, who maybe aren't aware of them, will be exposed to their products and services (Muci, 2021). Nike is the king of collaborations. In fact, it is its collaborations that have made it so prominent and successful. One of the most famous sneaker collaborations in history is Nike's collaboration with famous basketball player Micheal Jordan. In 1984, Nike teamed up with Michael Jordan to launch the Jordan Brand, a brand of shoes and athletic wear built around the player. At the time, Nike was a struggling brand selling running shoes with an idea to reinvent itself as a company for athletic stars. Well, guess what? It worked! This collaboration with Jordan totally changed their company for the better. They predicted \$3 million in sales of the Air Jordan in

the first four years of the deal. However, they actually made sales of an impressive \$126 million in the first year alone. In 2021, the Jordan Brand generated a revenue of \$4.711 billion. This means that in 2021, the Jordan Brand accounted for 13.17% of Nike's wholesale revenues (Mueller, 2022).

Whilst many may know of the shoes made within this specific range, very few are aware of the manner in which Nike took what may have been a big failure and used its strategic marketing to turn it into one of its greatest successes. As per several reports, the very first pair that Nike and Jordan made was called Air Jordan I. It caused a lot of commotion both on and off the court. Jordan was fined \$5,000 for wearing the shoes, for instance (Estudillo, 2022). However, instead of taking them off the court, Nike decided it was great exposure for the brand and chose to pay all of MJ's fines so he could continue to wear the shoes. Therefore, instead of taking this to be a failure, Nike turned this into an opportunity. With its elegant design and an absolutely amazing basketball player wearing them, Nike turned them into a symbol of rebellion and that changed everything. Essentially, fans saw Jordan do things his own way when it came to playing the game without the fear of any rules and they loved it. Nike started advertising the Jordan 1s and people from all around the US got to know about them. This craze is all Nike needed since post this, the sales for Air Jordan 1s exploded and there has been no going back from there ever since (Business Insider, 2019).

Another element of the marketing of Nike that works incredibly well for them is the meaning behind the logo they have created and its consistency of it over the years. As per business and marketing theory, a logo is very important for a company as that is what consumers see and identify it from. Nike's iconic swoosh logo has become known worldwide now for its meaning. The swoosh symbol is the shape of a wing of Nike, the Greek Goddess of Victory. In Niketown, the symbol is considered heroic; it defines athleticism, courage, honour, victory, and teamwork which are all the values Nike highly resonates with (ConceptDrop, 2018). However, one of the biggest reasons for the success of this logo is the tagline that Nike associated with it in 1988 i.e. 'Just Do It' which resonates with almost everyone in a unique manner. For instance, for some people it motivated them to go beyond their personal limits whilst others were inspired to overcome and overlook all obstacles that presented themselves in their path (Gigante, 2013). By evoking certain emotions within consumers worldwide, the brand was

arguably able to deepen its connection with the consumers and subsequently increase its brand equity and loyalty.

This emotive marketing is also evidenced in many of the campaigns that the brand creates. Over the years, Nike has created very inspirational sports advertisements and what these have successfully done has evoked emotion. These Nike ads instil a sense of possibility and wonder in all of us. Their ability to use emotional appeal gives them the advantage of reaching a wider range of consumers. According to Ntarelli, “90 percent of the decisions we make are based on emotion.” This means that almost all of the decisions we make are influenced by how we feel about a product (Densmore, 2021). When consumers feel an emotional connection to a brand, there is a higher chance they will purchase from the brand. Nike benefits from this as they aim to catch our emotions rather than emphasize the need to sell their products; Nike is selling an emotion.

It is thus evident that the key factors that have led to Nike rising to market dominance have been constant innovation, creative marketing strategies and emotive marketing and advertising.

Nike's digitalization

The Digital Revolution (also known as the Third Industrial Revolution) is the shift from mechanical and analogue electronic technology to digital electronics, which began in the 21st century. eCommerce - short for Electronic Commerce - is one of the results of this digital revolution (Techopedia, 2019). With the help of the internet, people can buy and sell virtually everything, like books, electronics, apparel, software, and furniture. Essentially, eCommerce provides a platform for people to buy or sell whatever they want, whenever they want. The rise in the use of mobile devices globally has contributed to the growth of eCommerce as it facilitates a more flexible and passive manner of buying and selling over the Internet. Witnessing the potential of eCommerce, many big brands have been motivated to capitalise on this opportunity and make e-commerce platforms to sell their goods and services. Nike is no exception.

In light of the COVID-19 pandemic, Nike successfully adapted their marketing campaigns during global restrictions to focus on indoor exercise making use of its digital technology expertise and platforms. Celebrity-led workouts by the likes of Cristiano Ronaldo and Rafael Nadal alongside subtle Nike product placements resulted in relevant and valuable content that ended up increasing customer engagement, building stronger

relationships, and driving online sales. This is a part of their workout app “the training club” which is a platform that aims to allow the brand to engage with its vast audience and to attract even more potential customers. This training club app has workouts like HIIT and yoga for people to practice at home. More than half of the members of its Nike Training Club used its app to start a workout, a record high for the company. Because of this Nike saw an almost 200% increase in demand for its commerce app, with “triple-digit” growth in monthly active users (Williams, 2020).

When it comes to Nike's e-commerce platform, product analytics plays a crucial role in optimizing consumer experience and increasing online purchases. In fact, product analytics has been found to increase brand profit margins by over 60% (globalbrands, 2020). With product analytics software, Nike can glean insight into consumer digital interactions with their products to identify what is and what isn't engaging users. As a result, they receive segmented insights into their customers, understand how visitors navigate and use their website, and improve the overall product experience.

Overall, Nike is an example of a company that has adapted to this digital transformation very well and they are most definitely seeing the results of the same. For instance, as per a study published by Katie Arcieri in 2020, although Nike's total sales fell by 38% during the fourth financial quarter of 2019, its digital sales grew by 75%. This is what led the company to set a target of having 50% of sales eventually come from online channels (Arcieri, 2020). This was in fact achieved by the company three years earlier than expected as reported in a 2021 article which explains that digital sales were a bright spot for Nike, whose revenue slipped 1% to \$10.6 billion from 2020. Its net income grew 11% to \$1.5 billion, as digital channels added \$900 million in incremental revenue from 2020 (Williams, 2020).

Nike's Ethics

CSR stands for Corporate Social Responsibility and is a business's approach to sustainable development by delivering economic, social and environmental benefits. It also encapsulates the initiatives by which a company takes responsibility for its effect on social and environmental well-being. In essence, CSR looks beyond the company profits and focuses on benefiting the greater community. Corporate social responsibility is a business model by which companies make a concerted effort to operate in ways that enhance rather than degrade society and

the environment. CSR plays a crucial role in a company's brand perception; attractiveness to customers, employees, and investors; talent retention; and overall business success

Even despite being such a successful company, Nike has had its fair share of failures and controversies. One of the biggest threats to a retailer's reputation is an allegation of involvement in slavery, human trafficking, or child labour. In the 1990s, the Portland-based sportswear giant was plagued with damning reports that its global supply chain was being supported by child labour in places like Cambodia and Pakistan, with minors stitching soccer balls and other products as many as seven days a week for up to 16 hours a day (Conway, 2019). All the while, sweatshop conditions were running rampant in factories Nike maintained contracts with, and minimum wage and overtime laws were being flouted with regularity.

The backlash against Nike was so striking that it served to tarnish the then-30-year-old company's image and negatively affect its bottom line. "Sales were dropping and Nike was being portrayed in the media as a company that was willing to exploit workers and deprive them of the basic wage needed to sustain themselves in an effort to expand profits," according to Stanford University research. Yet, the company was, nonetheless, forced to spend the next decade cleaning up its act in order to hold on to – and in some cases, win back – consumers, from overhauling its supply chain oversight efforts to include independent monitoring and audits to releasing public-facing vows to "root out underage workers and require overseas manufacturers of its wares to meet strict United States health and safety standards" (Conway, 2019).

Following the identification of sweatshop issues in 1996, Nike critically assessed its factories in order to detect the horrific conditions in place, and found that all factories had no drinkable water and had high toxic chemical concentrations – above the permitted levels deemed as ethical. By 2001, Nike had been exposed for its poor treatment of employees who faced poverty, harassment and in some cases, violent intimidation (Wazir, 2001). Further strategic changes to improve these conditions failed when employees were found to still be subjected to unsanitary conditions and excessive working hours; thus, going against an employee's living needs (UK Essays, 2011).

In addition to the aforementioned, Nike has also been observed to exploit Consumer's animal rights, because it retailed several products containing animal-based materials, including leather, wool and down/feathers. Nike did not have

a clear policy against mulesing. Merino sheep are specifically bred to have wrinkled skin, which yields more wool. Flies lay eggs in the folds of skin, and maggots can eat the sheep alive. To prevent this condition Australian ranchers perform 'mulesing' which involves carving large strips of skin and flesh from the backs of unanesthetized lambs' legs and around their tails. The company stated, "Nike supports the use of wool fibre that is sourced and certified from non-mulesed sheep and will consolidate its wool sourcing accordingly, as rapidly as supplies and pricing allow". This was worded in such a way that it left open the possibility of the company using wool from mulesed sheep (Baker, 2016).

In a bid to overcome these ethical issues, Nike attempted to take corrective measures. For example, with regard to the first issue of labour, the company published a report regarding factories where employees manually manufactured products under horrific conditions (Teather, 2005). The report identified that Asian factories were subjected to the worst cases of physical and verbal abuse and that many of the employees worked more than 60 hours per week. For those refusing to do so, they were punished (Teather, 2005). While self-publishing this report reduced the branding image for Nike, it was an opportunity for the company to increase their transparency with customers - something which was highly demanded by many.

II. CONCLUSION

Nike's innovative and creative marketing has led it from once being a newcomer in a market dominated by Adidas and Puma, to now being the market leader in sports products. There have been a lot of challenges and hurdles along the way but Nike has successfully persevered through them to create the most valuable sports brand in the world

The aforementioned success has been facilitated by the international marketing strategies that the firm employs - including collaborations, consistent branding and emotive marketing - as well as the digital transformation that they continuously invest in. Of all these, the emotive branding and marketing that the company exhibits have been the most unique. The main belief communicated by the brand is that if you have a body, you're an athlete. Unlike other companies targeting people already into sports and then convincing them to buy their products, Nike has made people believe that everyone is an athlete and they are all capable of greatness. By evoking such emotion in people worldwide, Nike has inspired millions to start playing sports and buy their products.

Nevertheless, there have been a lot of ethical problems during their rise to worldwide success. Nike has been alleged to involvement in slavery, human trafficking and sweatshop issues. These are not ordinary problems - such problems have the potential to ruin a company's brand image and decrease its sales and share in the market. But Nike has managed to deal with them with great courage and responsibility which enabled it to not tarnish its reputation

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