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## MARKETING STRATEGIES IN A GLOBAL COMPETITIVE SPORTS FOOTWEAR AND APPAREL INDUSTRY-NIKE

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### ABSTRACT

Nike is a publicly traded company that was founded in 1964 by Bill Bowerman and Phil Knight in the city of Santa Monica, located in California, USA. Nike is now one of the biggest marketer, designer, and distributor of the following products: Athletic Apparel, Sports Equipment, Accessories, and Athletic Footwear/Shoes. The company officially changed its name to Nike in 1978 and debuted its first Nike brand shoes in 1972. Nike has been and continues to be a dominant figure in the athletic apparel and shoe market, especially in the U.S. market. In this case analysis, we define Nike's current problem, analyze courses of actions to formulate and solve the problem. We also provide and analyze alternatives in terms of weaknesses and strengths, and we highlights strategic faults that the company has committed. We support and recommend its strategic development to market its products via social media and focus on e-commerce since we are in the digital era.

**KEY WORDS:** Nike, Marketing Strategies, Management, SWOT, Financial, Economic, Political Conditions

### INTRODUCTION

Nike is a publicly traded company that was founded in 1964 by Bill Bowerman and Phil Knight in the city of Santa Monica, located in California, USA. They are one of the biggest marketer, designer, and distributor of the following products: Athletic Apparel; Sports Equipment; Accessories ; and Athletic Footwear/Shoes . The company officially changed their name to Nike in 1978 and debuted their first Nike brand shoes in 1972. Within the next couple of years, Nike achieved fifty percent of the U.S. athletic shoe market share. The current mission statement for Nike is as followed: "Nike's mission is to carry on Bowerman's legacy of innovative thinking, develop products that help athletes of every level of ability reach their full potential, and to create

business opportunities that set Nike apart from the competition and provide value for their shareholders.” From an economic standpoint, Nike has been very successful and is projected to continue on the road of success. Their revenue as well as their earnings per share has seen steady growth in the last several years. Nike has been and continues to be a dominant figure in the athletic apparel and shoe market, especially in the U.S. market. A significant factor that aids in Nike’s expansion on the international platform is Nike’s intent to focus on their presence in China. Nike’s biggest competitor is currently Adidas. However, Nike still holds a commanding lead over Adidas with regards to market share. Furthermore, Nike retains their technology patent on the Flyknit technology and design despite Adidas’ continual appeals. The company continues to innovate and increase its’ efficiency and expand globally. There’s definitely always room to improve and Nike is fully aware of this. It is one of the main reasons why that Nike’s strategy is to expand the women’s division. The strategy to expand one of their more popular divisions as well as increase focus on China’s market is a well thought out one which will most likely be highly beneficial. Adidas is the only other company that competes on the same global level. Economic growth can be established through a more highly advertised recycling initiative to give the Nike brand a more positive hue; eco-friendly. This paper highlights given strategic faults that the company has committed: (1) Nike has committed violation of humanitarian and labor rights of individuals in the past; it has in the past shut down its manufacturing plants without informing the employees. (2) It has relocated its manufacturing activities to Third World Countries that offer low pay and poor working conditions to workers. (3) Company also hired under-age children in its factories in order to cut down on its production costs. (4) Hiring of Colin Kaepernick for an ad campaign in spite of the athlete’s controversy.

**Organization Objectives and Constraints:** Nike’s primary objective is to provide products for everyone, no matter what limitations they may have. Persistent competition and potentially risky marketing campaigns are noticeable constraints that Nike must overcome. “Nike is one of the largest manufacturing of athletic apparel and sporting clothes in the world, therefore it has numerous, distinct mission and aims. As with all publicly traded companies, Nike’s first objective is to make a profit for the shareholders. In order to meet objectives, Nike makes a number of small aims and objectives. This includes manufacturing superior products, maintaining the integrity of the global operation in area of design the product. The aim of this company is to balances these profit-driven goals with a number of social and sustainable aims, including use small water, reducing waste of material they use and strengthening communities” (Madondo, Sazy).

**Financial Condition:** Nike is comfortably in first place as the biggest sports and apparel brand in the world being valued at \$28.03 as of 2018. For perspective, H&M is in 2nd at \$18.59B. Nike's total revenue has climbed over \$36M with no dips in recent years. However, net income is not what it once was with it being \$1.93M at the end of 2018 fiscal year. Compare that to when it was \$4.2B in 2017. This is attributed to Nike discounting and spending more to help grow their direct-to-consumer business (i.e. online retail). "Revenues for NIKE, Inc. rose 5 percent to \$8.7 billion, up 7 percent on a currency-neutral basis. Revenues for the NIKE Brand were \$8.1 billion, up 7 percent on a currency-neutral basis driven by double-digit growth in Western Europe, Greater China, and the Emerging Markets, and strong growth in Sportswear and Running. Other income, net was \$28 million comprised primarily of net foreign currency exchange hedge gains." (NIKE, Inc. Reports Fiscal 2017 Fourth Quarter and Full Year Results)

**Management Philosophy:** Nike's Mission Statement, 11 Maxims, and Manager Manifesto is their framework for their management style and philosophy. The 11 Maxims are (<https://www.thebalancesmb.com/nike-mission-statement-and-maxims>): (1) *It is our nature to innovate:* Innovation is one of Nike's original core competencies. (2) *Nike is a company:* Managers and employees must always recognize this. (3) *Nike is a brand:* The 'Swoosh' logo is one of the most recognizable in the world. To Nike, it is a symbol of global leadership. (4) *Simplify and go:* Because Nike's products have short life cycles, the company believes quick and skillful decisions are a key to success. (5) *The consumer decides:* Nike treats their customers as its key shareholders. (6) *Be a sponge:* Nike encourages its employees to be open to new ideas. (7) *Evolve immediately:* Nike views change as their key source of innovation. (8) *Do the right thing:* Nike embraces the stakeholder view of corporate social responsibility, encouraging honesty and promoting diversity. (9) *Master the fundamentals:* Nike attributes its success to refining its performance over and over. (10) *We are on the offense-always:* Nike encourages all employees and managers alike to be leaders in their field. (11) *Remember the Man:* Late Nike co-founder Bill Bowerman is still held in high regard for his understanding of athletes and innovation. Nike's Manager Manifesto consists of four core management values. These core management values are lead, coach, manage, and inspire. Nike encourages its employees and managers to find their own interpretation of what each value and the 11 Maxims means to them because to Nike executives, they represent everything the brand stands for.

### **ORGANIZATIONAL STRUCTURE**

Because Nike is the largest global apparel brand, they have a geographic divisional organizational structure or a flat structure. Usually multiple managers are reported to in each division usually

being a project manager and a policy regulation manager. The flat organizational structure was implemented not only because of its global scale, but because many subsidiaries such as Converse and Air Jordan that all report to Nike headquarters.

### **ORGANIZATIONAL CULTURE**

Nike maintains a corporate organizational culture by setting rules expectations for their employees which contributes to their success as the world's largest apparel brand. Like organizational structure, Nike's organizational culture is based on three main characteristics which are: *Talented*: Nike hangs its hat on innovation, but you cannot have innovation without talent. Nike trains its talent with coaching and mentoring programs. It is necessary for Nike's one of a kind infrastructure to maintain and promote talent. *Diverse*: Nike believes its number one component for a dynamic workforce is company diversity because it promotes creativity, innovation, and competitive advantage. *Inclusive*: Nike's strategy using this tool in their organizational culture is to minimize barriers to employee performance. Nike employs many company programs that aim to remove barriers.

### **ENVIRONMENT**

#### **Economic Conditions and Trends**

According to The Balance, the US is expected to experience slowing growth, an increase in inflation, a decrease in unemployment, and increasing federal funds rates. GDP growth is expected to reach 2% in 2020, down from the expected 2.7% for 2018; however, this is still within the acceptable steady range of 2-3%. The unemployment rate is expected to decrease even further to 3.6% in 2019 and 2020, compared to the Fed's 6.7% target, but this includes part-time workers, many of which would rather have full-time employment. Inflation is expected to increase, but the Fed is expected to increase interest rates likely in attempt to suppress inflation. Taking into consideration these economic factors, it is fair to assume that there will be a decrease in consumer and business spending as the increase in interest rates will cause people to borrow less and save more. Furthermore, with the recent tax cuts from the Trump administration, businesses will likely experience an increase in after-tax profits that will likely be reflected in their stock price. Although, the benefits from the tax cuts might be negligent when taking into consideration their increased interest expenses. More specific to Nike, Allied Market Research states that the athletic footwear market is expected to grow at a Cumulative Annual Growth Rate (CAGR) of 2.1% during 2016-2022 and Asia Pacific is expected to have the highest CAGR at 2.6%. This will be caused by urbanization and emerging trends in sports and fitness that follows

development and obesity as well as the role of e-commerce connecting more people to vendors that originally did not have access to these products.

#### **CULTURAL AND SOCIAL VALUES AND TRENDS**

America's culture has shifted in a way that strongly reflects the polarity of politics. There are more white nationalist rallies than before as well as more outspokenness from youth about liberal social issues such as gun reform and LGBTQ rights. Nike knows this, and "market analysts have pointed out that most of Nike's customers are under 35 – a demographic friendlier to Kaepernick than to Trump" (Willamette Week). This has led to people burning and cutting off the swoosh from their Nike products as well as an increase in sales (5 News Online KFSM). Aside from politics, there are several emerging trends in fashion, sports, and fitness that might be an opportunity for Nike. Athleisure has become prominent in fashion in the US and is likely a generator of sales for sportswear even though consumers in this segment are unlikely to use the products for their intended use. Although athleisure is not necessarily meant for athletic purposes, it likely will increase sales until other firms develop apparel with an athletic appearance but without athletic functionalities. Furthermore, people in urban and developed areas that face lower activity rates turn to physical activities like yoga, weights, and other workout methods as a way to fight obesity and unwanted weight gain (Allied Market Research). Because of urbanization and development, the market might experience an increase in demand for athletic wear as well as consumers with increased wages and disposable income. Furthermore, the demand for basketball sneakers has decline from its peak in the last couple of years. As the sneaker trend is somewhat declining, the demand for casual sportswear category has been increasing. And in response, Nike has struggled to adapt to the changing trend. Meanwhile, Adidas has capitalized on it with one of their most popular shoes, the superstars (Morgan, 2017).

#### **POLITICAL AND LEGAL ISSUES**

In the past few years, a political movement labeled "Black Lives Matter" that targets awareness for the black community has been quite prominent in the media. To support the cause and movement, well-known athletes have been kneeling during the national anthem. This action has caused many outrage and support throughout the general public and is a topic of political Controversy. There are quite a number of supports as there are opponents to the movement. However, Nike has taken a stand on the controversial issue by stating that they stand by their athletes who choose to kneel during the national anthem. The company has even gone as far as making a statement in their 2017 shareholder letter, stating "Over the past year, our brand made statements that rippled across the world. To kick off Black History Month, we proudly stood up for

our values through our EQUALITY campaign. Using the power of sport to promote fairness and justice in every community, EQUALITY has been a catalyst for conversation and change. It continued into summer with our 2017 BETRUE Collection, our brand's expression of our commitment to the LGBTQ community" (NIKE, 2017). Nike contracted Colin Kaepernick, the NFL player who started kneeling during the national anthem at games protesting social injustice and police brutality, to head their most recent ad campaign. Due to increasing polarity in politics, nationalists have been burning their Nike products in protest (Business Insider). This ad has caused many institutions, especially colleges and local governments, to drop affiliations with Nike or to ban them entirely. Among those, Louisiana City banned the purchase of Nike products by booster clubs a day after the release of the Kaepernick ad; however, despite all the backlash from nationalists in the US, Nike has reported a spike in online sales following the ad's release (5 News Online KFSM). Nike is currently facing a lawsuit over gender discrimination issued by Kelly Cahill and Sara Johnston, both ex-employees of Nike. They left the company and sued due to hostile environments, lower pay and less promotion for equal work, and mishandled complaints of sexual harassment (NY Times). When presented with the experiences of female workers at Nike, Mark Parker, Nike's CEO, responded by apologizing during an employee meeting, pledging to make changes to compensation and training, issuing an internal memo that roughly 10% of employees will receive raises, and likely dismissing 11 senior managers (NY Times).

**Implications for Strategy Development:** Nike faces opportunities for growth and expansion at a global scale but must compensate for the threats from the lawsuit and political climate. Nike could focus on expansion in Asia Pacific and developing or urbanizing regions of the world while continuing marketing efforts in the US to capture and maintain their market share of athleisure sales. To address the threats of the political climate, lawsuits, and economic conditions, Nike could try to spin them through PR strategies. Highlighting the CEO's reaction to the allegations and the dismissal of top executives as a change in corporate culture could potentially benefit Nike and perhaps attract more employees. Focusing more on their target demographic, they could likely offset the loss of sales from lost contracts and lower loyalty from some consumers, and in getting more brand loyalty from younger consumers, Nike could offset the increase in interest payments and decrease in taxes.

## **INDUSTRY**

**Industry Classification:** Nike is a company and a brand that is well known for their athletic shoes. It is part of the Rubber and Plastics footwear (NAICS 316211). Within the last decade, the firm has also become well known for their sports apparel. Regardless, their main claim to fame has been

their basketball shoes, especially the Jordan Brand. NASDAQ has Nike categorized as a shoe manufacturer. Nike is more accurately classified as athletic apparel and shoe retailer. The Nike brand offers six primary categories: Running, NIKE Basketball, the Jordan Brand, Football (soccer), Training and Sportswear.

**Competitors:** The market for athletic sportswear is highly competitive and has a significant amount of existing competitors. Figure 1 shows a sample of the existing competitors and how Nike has been successful despite its many competitors.

Figure 1

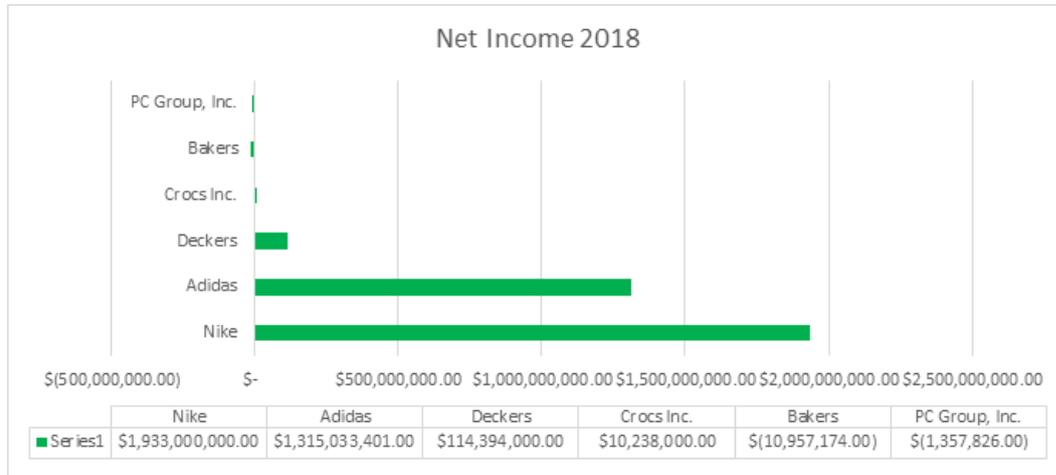


**Adidas:** Adidas is a multinational corporation founded in Herzogenaurach, Germany. It is the largest sportswear manufacturer in Europe and the second largest in the world, after Nike. Adidas is one of Nike's most well-known "rivals"; they are the biggest competitor. Its 2017 gross profit was \$10,703,000 and had a 1-year sales growth of 30.52% from 2016 to 2017

**Deckers Outdoor Corp:** Deckers is the next highest competitor. Even so, their 2017 gross profit was \$931,624, which is still almost 17 times less than Nike makes in yearly profit. As of March 31, 2017, the co. had a total of 160 retail stores worldwide. Gross profit has steadily increased each year for the past three years.

Figure 2 shows net incomes of various companies in the same industry as Nike. You can see, there is a stark difference in income with PC Group and Bakers being in the negatives. Besides Adidas, no other company comes close to the amount of income Nike obtains. There are numerous other companies that sell athletic apparel and equipment, but the Nike brand stands fiercely above the rest.

**Figure 2**



**MICHAEL'S FIVE FORCES**

**Threat Posed by New Entrants:** Nike is a highly profitable company with an internationally recognized brand that has been marketed to appeal to a massive number of consumers in various segments. Nike has established a vast and loyal customer base through both an extremely marketable brand as well as high quality of products. The only way new entrants could possibly pose a threat would be if a globally recognized company could successfully expand their brand to include athletic apparel, footwear, and accessories. Potential new entrants may find it difficult to enter because the market is already highly saturated with established brands that are well known to the general public. Additionally, it is difficult to successfully enter and be sustainable as a new entrant in the market due to the significant capital that is required. In order to survive in the athletic apparel and shoes' business, new entrants must find its own niche in order to survive against the big corporations who continually release new designs and products on a regular basis.

**Analysis of Substitute Products:** There are numerous substitutes for athletic apparel and equipment. Nike is a well-known brand and is more expensive than many of its substitutes, but because of the reputation and loyal customer base, the threat of substitution is lessened. Places like Walmart and Target and other chain retailers have extremely affordable lines of athletic clothing. But Nike is still a multinational company whose brand still appeals to a wide audience; from professional athletes in multiple fields to the general population, Nike continually innovates and refurbishes its brand to keep/expand their customer base. Customers can still purchase athletics shoes from another company but it does not fully substitute for the Nike brand. This is especially the case when it comes to specific athletic shoe lines, such as Jordans. The other brands do not carry the same value as other brands. A consumer purchasing a pair of Reebok

shoes does not carry the same effect or have the same value as purchasing a pair of Jordans. There's a level of notoriety to the brand of shoes a person wears.

**Analysis of Buyers:** Nike caters to all kinds of buyers. Nike has both wholesale and direct-to-consumer channels. The majority of their sales is through retailers and direct to the consumers. The main target market for Nike products are athletes of all levels. This includes the professional athletes as well as the casual athlete who plays basketball on the weekends with their friends. However, due to the latest fashion trends, buyers are not limited to consumers who work out. Buyers now include individuals of all ages who just want to dress comfortably and casually. Nike has a high consumer base and has established a good relationship with its buyers. As of recently, the Colin Kaepernick campaign is changing the view of some customers who were loyal to Nike initially. The social and political climate implications with the campaign have somewhat shifted the current and future buyers in their market. Many have boycotted Nike while many have continued or increased their support the purchase of Nike products. Nike still appeals to the general population and satisfies a universal demographic.

**Analysis of suppliers:** Primary manufacturer headquarters are in East and Southeast Asian countries. Nike utilizes third party contract manufacturers that ultimately outsource the work to factories in developing countries. In fact, the majority of Nike's production is located in developing countries such as Vietnam, China, and Indonesia. Nike is most likely going to continue working with their current suppliers unless a major issue arises that forces them to switch suppliers since switching suppliers cost a substantial amount of money (NIKE, 2015). Outsourcing has allowed for Nike to manufacture a high level of output at lower costs but have been flagged for using unethical business practice. They have been criticized for the sweatshops that have poor working conditions and very little pay to workers who manufacture the products.

### **MARKETING STRATEGY**

Nike is the number one apparel, footwear, and accessories company in the world by a significant margin, and it is our vision *"to remain the most authentic, connected, and distinctive brand"* (<https://investors.nike.com>). Advertisements are broadcast through television, the internet, and physical mediums, but most of Nike branding is achieved through sponsorship agreements with celebrity athletes, professional sports teams, and college sports teams. With current production of finished products in 41 countries, and materials in 11, Nike products are available virtually anywhere in the world. We are partnered with over 30,000 wholesalers in the U.S. and internationally, directly to customers at Nike facilities, and through eCommerce. We do not

produce in Russia, much of the Middle East, and much of Africa yet, but we are continuing to expand.

**Sales, Profits, and Market Share (currency reported in USD):** As of May 31, 2018, Nike revenues amounted to 36.397 billion, and Net Income amounted 1.933 billion. In 2017, Nike held the largest percent of the global market at 2.8%. Adidas was second with 1.8% of the market (<https://www.statista.com/statistics/241685/net-profit-of-nike-since-2005>).

**Markets:** Nike sells products to all ages, separated as baby, children, teen, young adult, middle age, and post-middle age. The most significant ages are young adult up to middle age, since those are the age groups with the most active independent individuals. That is where the professional and college athletes are. Geographic markets include North America, South America, Western Europe, Central & Western Europe, Greater China, Japan, Global markets, and Emerging markets ([www.reuters.com](http://www.reuters.com)). The largest geographic markets are North America, Western Europe, and Greater China; twelve percent of sales are from emerging markets around the world. Nike sells products for all athletes\*, separated by sport or activity. Team sports and celebrity athletes like Tiger Woods provide for our largest sales, so markets for sports with professional competition are where we employ or sponsorship deals. If a celebrity gains enough clout as a practitioner of an activity like yoga, we will approach them as well.

**Marketing Mix Variables:** Nike sells shoes, clothing, performance wear, underwear & socks, accessories, and equipment for basketball, football, baseball, running, surfing, tennis, soccer, golf, training & gym, skateboarding, yoga, and volleyball. ACG (all conditions gear)

**Brands: Nike's signature brand for all sports and categories**

Basketball	Lifestyle
<ul style="list-style-type: none"><li>• Air Jordan</li><li>• Lebron</li><li>• Kyrie</li></ul>	<ul style="list-style-type: none"><li>• Air Force One</li><li>• VaporMax</li><li>• Air Max</li><li>• Chuck Taylor</li><li>• EXP</li><li>• Haruache</li><li>• Cortez</li></ul>
Running	Training
<ul style="list-style-type: none"><li>• React</li><li>• Free RN</li><li>• Pegasus</li><li>• Air Zoom</li></ul>	<ul style="list-style-type: none"><li>• Metcon</li></ul>
Skate	Surf & Swim
<ul style="list-style-type: none"><li>• Converse</li></ul>	<ul style="list-style-type: none"><li>• Hurley</li></ul>

**Apps:** Nike – shopping; Nike SNKRS - shopping (footwear); Nike+ Run Club - running app ; Nike Training Club - Workouts & Fitness Plans; NikeConnect - exclusive product experience

#### **PROBLEMS FOUND IN SITUATION ANALYSIS**

**Statement of Primary Problem:** Nike suddenly shut its manufacturing plants without informing the employees and then denying them severance pay, which may be a Humanitarian and labor violation of United States of American law. Besides, Nike relocated their manufacturing bases to third world countries for labors who can take poverty level wages.

**Evidence of the Problem:** Hondurans accused Nike Company of suddenly shutting two manufacturing plants in Choloma and San Pedro Sula in January 2009 and denying employees severance pay totaling to more than \$2.5 million ([www.politicalleft.blog-city.com](http://www.politicalleft.blog-city.com)) and 1800 workers were fired without legal Severance. When this complaint was taken to Fair Labor Standards (FLA), Nike used its influence to deter justice. The company violated the four ethical theories which include individualism, Kantian, Utilitarian and virtue theories by laying off their workers in order to profit from not paying severance. Workers have also filed complaints on poverty wages, child labor, quasi-slave labor, sweatshop condition, physical and sexual abuse of workers. The company hired under aged children at lower wages to cut their expenses. They employed Vietnamese children who assemble \$100 shoes at 20 cents per hour. In 2006, pictures of Pakistani boys stitching Nike football are a repetition of what had happened in 1998.

Most of their bases were moved from South Korea and Taiwan to Thailand, Vietnam, Pakistan and Indonesia in search for labor who will take poverty level wages. Nike exploits labors from third world countries. They offer miserable wages and unsafe working condition. Nike is referred as the Sweatshop because workers worked for longer hours with poor housing condition. It is alleged of Sweatshops and child labor. There have also been cases of workers collapsing in the manufacturing process due to the harsh temperature others complain about the verbal abuse at the organization.

**Effects of Problem:** According to US law, National Labor Relations Act protects against workers exploitation in order to improve an organization's profit. Should the court find against Nike Company, then the potential monetary damages could be financially damaging. Most of its important markets like University of Wisconsin have cancelled product licensing agreement with Nike. Wisconsin-Madison became the first school to cut ties with Nike because of the alleged labor rights abuses. The Worker's Rights Consortium which reported Nike's case is an organization that was formed by student activists, labor experts and administrators of University of Wisconsin. Hiring unqualified employees has made the company suffer double loss. The company has lost

most of its market share to his competitors who take advantage of its tattered reputation. According to NPD data other competitors like Adidas are posing significant competition to Nike. Nike holds around 44% of the total market share while Adidas have doubled their share to 11%. Some potential investors have backed away from the organization because of the fear of losing the money.

**Statement of Secondary Problem:** Hiring Colin Kaepernick for a long-term advertising campaign in spite of its controversies and unclear moral decision behind the act (Abad-Santos, 2018).

**Evidence of Problem:** Colin Kaepernick is a 30 year old American football player who now plays as a free agent due to an individual decision. At the University of Nevada, he played in the college football team where he owns a player of the year award in the NCAA Division. After leaving school, he joined the 49ers team, which is based in San Francisco, and first played for the NFL in the 2011 Draft. Before becoming the team starting quarterback in 2012, he provided backup to Alex Smith. Colin helped the team reach the NFC Championship Game in 2013 after 19 years out of the championships. His playing in the team was marked by frequently losing and winning back his starting position until he opted out in 2016 to become a free agent. In 2016, Colin invited controversy by kneeling on one knee rather than standing when the US national anthem was being played prior to the start of a game. He said that he was protesting against racial oppression in the country. However, this action ignited different reactions. Negative reactions occurred in various forms. For instance, some fans left the field immediately and subsequently refused to watch the games. Colin himself cited that his inability to get teams to play for was a conspiracy by the entire NFL stakeholders not to hire him, and this led him toward filing a grievance against the institution. However, other athletes also joined Colin in protesting during the anthem. In spite of Colin acquiring the Amnesty International's conscience award, he still attracted negative press about him. The ad campaign featuring Colin that Nike released has given contents that relate to the controversy that it has attracted. The running theme is Just Do It, which is tied to Nike's logo that expresses the same message. The message implies that people ought to be courageous about being weird and outcasts or having strange ideas. For instance, Colin says that being called crazy is not an insult but a compliment. The video also features elite African American athletes such as LeBron James and Serena Williams. Some people have called for a boycott of Nike's products.

**Effects of Problem:** To begin with, there have been noticeable physical responses to the ad. The ad, which features Colin, has his face with the words, "Believe in something. Even if it means sacrificing everything," (www.businessinsider). The words refer to Colin's lawsuit against NFL, and it has invited outrage among some people. This has manifested in a social media performance

of burning Nike's products, as these people allege that they cannot tolerate the disrespect of the American flag. In the end, while there is the Colin's faction that claims they are protesting against police brutality against innocent black Americans, people like President Donald Trump have voiced their concern against the ad by insisting that it disrespects the American flag and the US as a whole (Abad-Santos, 2018). One of the most highlighted reactions has been manifested by the College of Ozarks, in Missouri. This is a private Christian school that asserted that it has dropped its relationship with the Nike Company over its association with Colin Kaepernick (Bromberg, 2018). It is notable, though, that the school has in the past projected a strong stance against the behavior of Colin. The president of the school announced that Nike was promoting a system of division and disrespect against the country. Besides, the school said that Nike is projecting their shame against the country, and that it is justified to break ties with the company over such a behavior. The school's protest manifests more of a symbolic protest although such a stance is least likely to affect the profit baseline of Nike. The school participates in six different sports although not in football. It also has policy of requiring players and coaches to stand when the anthem is being played, and it views this as a service to the nation.

Another prominent personality is Jerry Falwell Jr, who is the president of Liberty University. He has issued a strong statement that it hopes Nike is not serious in its disrespect for the American law enforcement (Rorhbach, 2018). In this sense, Jerry reveals the political reaction that the campaign has ignited. On one hand, there are people who view the ad as beneficial in the fight against racial injustices. On the other hand, there is a faction that sees the marketing ad as an act of contempt against law enforcement and the structural foundation of America. Jerry's school signed a contract with Nike in 2017, and it insists that it will break that contract if it finds out that the ad campaign is more than a marketing gimmick and is really interested in the disrespect towards the country.

Still, it is notable that core questions regarding Colin's behavior has a lot to do with the idea that Nike signed this new contract with him in spite of the idea that he had a different contract with Nike Inc. since 2011. Yahoo Sports would then report that it is highly likely that a possible endorsement or ad deal from other shoe companies would have been responsible for the hurried deal from Nike. This invites the justifiable speculation that the reason for Nike hiring Colin has little to do with the fight against racism, and has much to do with profits (Abad-Santos, 2018). This, then becomes a part of a larger discussion about the effectiveness of such activism in tackling racism. From an ethical viewpoint the audience to whom such ads are run can detect that there is a dishonest or a fraudulent aspect to such campaigns then the commercials will have

limited impact on them. Social consciousness has arrived as an age in the US socio-cultural and political atmosphere, and this makes it easy for companies to exploit such atmospheres for business gains.

The ethical implication remains the idea that the audience can detect that such companies are not inherently interested in the themes of social consciousness that they manifest. In the context of racial injustice and oppression, this becomes a contentious issue since racism against the people of color has a long history and deserves real and critical attention. Racism, for instance, has denied the people of color chances at self-determination while giving fair chances for other races to thrive. It is also notable that invites a justified historical anger than the colored people possess against the system. At least stakeholders of the American society, such as Nike ought to show serious attention as far these issues are concerned. In case Nike was employing such an ad to attract the people of the colored population and the general group that would be referred to as the woke generation, they could be committing a danger as far as their future sales are concerned. This, indeed, has been shown in the burning of Nike's products by some people. However, reports manifest that the campaign has created more positive results than it has created negative ones. For instance, according to Ace Metrix, a marketing data company, the campaign has registered high marks across the population (Robinson, 2018). In addition, the sales are reported to have since increased by 31 percent ever since Nike started the campaign (Pengelly, 2018). Moreover, it has been witnessed across social media how the campaign has drawn significant reaction thereby showing its reach among many people.

#### **STRATEGIC ALTERNATIVES FOR SOLVING PROBLEMS**

**Strategic Alternative 1:** Nike's first strategic alternative is to do nothing and keep business as usual in factories; refrain from marketing Colin Kaepernick with their brand.

**Benefits of Alternative 1:** Benefits include: • Saving costs of not restructuring manufacturing facilities • Not increasing wages which will increase the marginal costs of production • Not having Kaepernick as a sponsor may help public image since he has controversy surrounding his name • Can allocate resources used in changing factories and sponsoring Kaepernick in potentially more profit maximizing ways or less risky ways.

The benefits of Nike deciding to do nothing can be seen with wage disparities in their factories compared to the minimum wage in the United States. Nike would save money from not increasing the minimum wage in the countries where the factories are located to the United States minimum wage. For example the average factory wage in China is \$5.21 in Mexico \$4.16 and in Vietnam \$2.55 and the U.S. minimum wage is \$7.25. If Nike where to increase the wages in these countries

too, the U.S. minimum wage they would have increases of 39.16% for Chinese workers 74.28% for Mexican workers and 184.31% increase for Vietnamese workers (Statista.com). These large increases in the cost of labor increase the marginal costs of Nike's product which will decrease profit for Nike. This example shows the impact on the cost of labor if Nike were to bring labor in their factories up to the U.S. standards. Nike would also have other indirect costs that would include improvements of factories and reducing workers' hours which would cause Nike to hire more workers to keep the same amount of production. As a result, Nike would need to increase the costs of its products by a significant amount which would decrease the amount of shoes they would sell and therefore decrease its revenue and profit. By doing nothing Nike can utilize the opportunity cost of increasing working conditions on other investments that may prove more profitable.

The benefits of Nike deciding not to have Colin Kaepernick as a sponsor can result in avoiding a negative impact on brand image. Companies traditionally try to be politically neutral in their branding because taking one side over another can become a threat to a business in regards to its brand image. Considering this, Kaepernick is currently centered in political debate so much so that he left the NFL in 2017 (Wagoner, 2017). Not staying politically neutral definitely has effects on a business. This can be seen anywhere from a small business like a coffee shop in Arizona that closed from Facebook posts to large ones like Uber who has lost market share in recent years by entering into political discussion (Zetlin, 2018 Lazarus 2017). Not only does Kaepernick now have politics attached to his name but he also has high risk attached too, causing strong reactions from many different people, anywhere from consumers to businesses, to even the current President of the United States. The risk that Nike runs with Kaepernick is that his name generates a strong and sometimes negative reaction; anywhere from NFL broadcasters not showing the national anthem to the NFL adding rules to the game (Schad, 2018 National 19 Football League, 2018). If the reaction is positive than Nike will benefit greatly, but if the reaction is negative, than Nike will have to spend even more money to supplement the loss of customers.

**Costs of Alternative 1:** Costs include: • Losing incentives for workers to perform the most effective and efficient; by keeping the manufacturing environment in bad conditions, the Nike brand image may suffer, resulting in public backlash and less revenue • Nike could lose potential market share from consumers who are interested in supporting public mass activism, specifically in communities that support the stances that Kaepernick is an activist.

Workers need to be incentivized in order to work, so if the workers feel that they can make themselves better off by taking positions elsewhere or by not making as quality of a product they

will take that route. So as the developing nations that Nike gets its manufacturing from become more advanced they will need better incentives for them to still work for Nike effectively. This can be seen with economic growth rates, in Vietnam; the economy has grown by 6.79% since 2015. If Nike doesn't grow their wages by at least the same rate, workers will find employment elsewhere and Nike will suffer because of it (Tradingeconomics.com). If Nike decided to do nothing it could have an effect on its consumers purchase decisions. In a study done by Mintel and Lightspeed, they found that out of 2000 respondents 56% of them decided to not buy from companies they found to be unethical (Emarketer.com). From this study it is clear that the average American would be less inclined to purchase Nike products if they thought of Nike as an unethical company. So if Nike decided to do nothing in regards to their factories in the developing world they would potentially have costs affecting their manufacturing process and market share and revenue. If Nike chose not to market Colin Kaepernick they could potentially lose market share from customers that would have become interested in Nike because of Kaepernick. From the same study done by Mintel and Lightspeed the research showed that customers who found a company to be ethical were 45% likely to buy products from that company (Emarketer.com). Because of the nature of the political debate that surrounds Kaepernick, which is about the rights of people of color in the United States, people have strong opinions about Kaepernick. For the consumers that have positive opinions about Kaepernick they would be 45% more likely to purchase from Nike if they supported and marketed him. So if Nike decided to not to market Kaepernick they would potentially lose the opportunity to gain those customers who would see Nike as a more ethical company.

**Strategic Alternative 2:** Nike's second strategic alternative is to double down on problem solutions, become social activism centric in marketing..

**Benefits of Alternative 2:** If there is a strong correlation between brand power and support for celebrity activism Nike could increase its market share by supporting not just Kaepernick but other popular celebrity activist to try and reach customers that are interested in brands supporting activism. Nike would have to restate their mission in this process, and effectively do a brand wide overhaul.

Consumers who find a brand to be ethical are 45% more likely to purchase a product; they are also 34% more likely to market the brand through word of mouth (Emarketer.com). Because of this, Nike could increase its market share by a significant amount if it goes beyond just Kaepernick and focuses all of its marketing on presenting itself as an ethics centric company. For example a third party research firm found that Nike had a 31% increase in sales over the labor day holiday of

this year after they premiered their ad with Kaepernick as opposed to 2017 (Martinez, 2018). According to Apex Marketing Group, the Kaepernick ad campaign had 43 million in media exposure over the weekend it premiered; having similar coverage month over month can increase Nike's media coverage significantly without Nike having to spend more money since most of the exposure comes from consumers and word of mouth (Calfas, 2018). If Nike increased this type of sponsoring they could potentially increase their market share. This can also be seen with Nike's competitor, Adidas, in their work with Kanye West and Pharrell Williams. Adidas not only markets with them but these two in particular also design apparel for the company. West and Williams, throughout careers, have clearly shown activist efforts through their music and statements that they have made; this has benefited Adidas greatly.. In 2017 Adidas was able to increase its sales by 27% compared to the previous year and in the U.S. was able to overtake Jordan brand in sales (Heitner, 2018 Bieler 2017). This huge growth spurt has to do with the new products released by Adidas but also is clearly linked to the people that Adidas has chosen. If Nike markets the right candidates they can see an increase in market share and sales.

**Costs of Alternative 2:** Nike would have clear monetary costs that would include: • Cost of paying the celebrities to be ambassadors of Nike • Costs of overhauling and refocusing all their marketing efforts • Intangible costs if consumers don't receive the marketing in the right way

Nike pays millions of dollars for celebrity sponsor contracts. Serena Williams was paid 10 million dollars annually from 2003 to 2005 and Odell Beckham Jr. was paid 5 million in 2016 for Nike sponsorship (Calfas, 2018). For new endorsements, Nike can pay a range from 5 to 8 million dollars per year and then negotiate lengths of contracts ranging from 2 to 5 years based on the status of the person they are trying to endorse. Nike could then run multiple campaigns throughout the year using the activists they choose. The more campaigns they run with these individuals, the more value they get out of them over the time length of the contract. So if Nike sponsored 3 activists in a year, they could expect to spend anywhere from 6 million to 15 million solely on attaining the celebrities.

Activist by nature are more politically centered than average people and businesses. Doubling down to be activist centric may make other consumers feel disconnected to the brand or have a negative response. This would result in possibly gaining market share for activist centric consumers but a loss of the large portion of traditional consumers. Nike's business practices are still known to have inhumane working conditions. Marketing activist centric may backfire making any new consumers think of Nike as hypocritical and disingenuous. If this were to happen, Nike would lose market share and sales that would be difficult to recover. During the labor day

weekend of 2018, consumers were so frustrated with the new advertising campaign that they were burning and destroying Nike products.

**Description of Strategic Alternative 3:** Nike's third strategic alternative is to get different celebrity endorsements that have better brand appeal and will generate revenue.

**Benefits of Alternative 3:** • Nike could try to gain different socially relevant celebrities to be their brand ambassador. As can be seen with Adidas and their partnerships with Kanye West and Pharrell Williams the brand was able to overtake Jordan Brand. • Having the correct brand ambassador at the right time can lead to powerful market potential.

**Costs of Alternative 3:** The risk of having any celebrity as a brand ambassador is that they are human and their lives are constantly in the spotlight so mistakes made in their personal lives may have direct impacts on brand image. The monetary costs would be the same as alternative 2 except lower, since alternative 3 would not center on celebrity endorsements. So Nike would still spend anywhere from 5 to 8 million dollars per celebrity that they would endorse. Nike would however take on less endorsement since using alternative 3 the endorsements would only be a part of Nike's total marketing plan instead of all of it.

#### **STRATEGIC ALTERNATIVE AND IMPLEMENTATION**

Nike's strategic alternative is to double down on problem solutions, become social activism centric in marketing. If there is a strong correlation between brand power and support for celebrity activism, Nike could increase its market share by supporting not just Kaepernick but other popular celebrity activists to try and reach customers who support activism. Celebrity activism has certainly gone more and more mainstream. With the rise of social media, propelling social consciousness has become very popular. Furthermore, activism and fame seem to go hand in hand, it is the perfect mixture of power and standing for something larger other than oneself. By combining the two, you get the brand recognition that the brand is looking for and at the same time the brand heightens the consumers' consciousness. However, the end result is the same: it creates awareness. Millennials, in particular, support brands that stand for something larger and more meaningful. They are actually creating the greatest amount of social change. Therefore, Nike should certainly use this outlet to continue to spread awareness. Nike should identify several causes they care about and partner up with famous people to spread social awareness. Once they have identified the causes they should not be shy about it—share it on social media platforms such as Twitter, Facebook, Snapchat and Instagram. The message should reaffirm your commitment to your stance. Customers care to have a voice and to be heard. To share the cause through social media platforms, Nike can create videos, ads, and content that drives a social

cause. Nike could have polls on social media where their customers can voice “what the current hot topic is” then they come out and create a video or ad for it. Sure, they will lose sales with the consumers who are not interested in this kind of awareness and with a message that does not fit their agenda. However, the consumers that are brand loyal and care about a greater message will continue to support the brand which in return will cause for higher brand awareness and an increased profit for Nike. Nike should try to maximize profit from the millennial markets. These customers are prone to social media influence and engagement, which can be a pivotal point for revenue increase. Marketing Nike products associated with lifestyle brands will be more fluid, leveraging the consumers’ ideas as potential campaign and data for future product ideas.

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

Opportunities that Nike has taken advantage of is creating its social media presence and becoming more digital. To continue to be competitive, Nike needs to be present on all of the social media platforms to further market their brand. More so, the emerging fashion trend of casual sportswear allows opportunities to become more innovative in their designs to cater to the new market. The company can also enhance its brand image by creating products from manufacturing waste e.g. shoe recycling programs and focus on emerging markets where consumers are getting more disposable income ([www.businessteacher.com.org.uk](http://www.businessteacher.com.org.uk)).

International trade practices, labor strikes, currency fluctuations and other issues related to doing business and international setting, including the implementation of its entire supply chain. Any continued use of unethical or questionable business practices that could further harm Nike brand image, including losing consumers that are environmentally and socially conscious to not take a social responsibility more serious. Footwear industry is faced with continued economic threats like recessions.

Nike is the most valuable sports brand in the world. The “Swoosh” logo is instantly recognizable around the world. “Its long standing partnership with legendary basketball player Michael Jordan has driven strong sales of the company’s basketball sneakers, including the retro business, which makes up about half of the Jordan shoe business. In fact, one of every two basketball shoes in the U.S. last year carried that Jordan brand. Nike’s ability to maintain and enhance its iconic brands has allowed it to enjoy continued success for decades. Low Cost Manufacturing: Virtually all of Nike’s footwear is manufactured outside of the United States by independent contract manufacturers who operate multiple factories. In fiscal 2014, Vietnam, China, and Indonesia manufactured roughly 43%, 28%, and 25% of total Nike Branded footwear. It also has operations in Argentina, Brazil, India, and Mexico. The low cost of producing products in these countries

continues to boost the bottom line.” (Nike: Analysis of Strengths, Weaknesses, Opportunities, Threats) Nike’s brand strength is so strong it speaks for itself.

Unfortunately, Nike does possess some weakness within the company. The weakness is how the shoes are made or should it be called bad labor practices. “It wasn’t long ago that Nike was facing intense criticism of its labor practices and work conditions. However, over the past 20 years, it has undertaken efforts to improve conditions for its roughly one million contract workers. While conditions have improved, many of its factories in developing countries still do not meet Nike’s own standards. The company itself has acknowledged that the low wages for some of its workers remains a concern. Safety issues at certain locations are also an issue. If some type of disaster were to occur at one of its facilities, this would no doubt hurt the company’s image. Due to its strong brand, Nike can typically command a premium on the products it sells, which in turn supports higher margins and profitability. However, the cost of its footwear is higher than most of its competitors, which make its products out of reach for many customers around the globe, particularly in emerging markets. There is also the risk of declining demand when an economy falls into recession, as consumers have lower discretionary spending for non-essential items.” (Nike: Analysis of Strengths, Weaknesses, Opportunities, Threats.) All companies have weakness and they are working on resolving the issue every day.

The sponsorship approach to branding has been done better by no other company, and it has helped bring Nike to the top for a few reasons. By focusing on sponsorships, we tie our name to the top names in sports, and connect Nike to thoughts of teamwork, success, perseverance, and fame. The most significant advantage is that we do so without taking up more of our potential customers’ time. They see us and receive our message while paying attention to what THEY want to. That is when they are most ready to be influenced, and that is what we want.

On the other hand, sponsorships come with risks, and cost that aren’t an issue when advertising with only your own name. Each individual and each team we sponsor can be connected to us for good and for worse. If LeBron or Jordan were to become toxic to the public eye, their products, and potentially Nike products in general can suffer; for example, the current situation with Colin Kaepernick.

Nike is the world largest designer marketer and distributor of sports related apparel, equipment, accessories, athletic foot apparel. Furthermore, in order to continue their growth, Nike strives to increase their presence in China and the overall global market. Thus far, Nike has expanded to over forty-five countries. Opportunities that Nike has taken advantage of is creating its social media presence and becoming more digital. To continue to be competitive, Nike needs to be

present on all of the social media platforms to further market their brand. The strength of Nike alone is just the brand and how far it reaches out to people. Nike is the most valuable sports brand in the world. The “Swoosh” logo is instantly recognizable around the world. Unfortunately, Nike does possess some weakness within the company. The weakness is how the shoes are made or should it be called bad labor practices. In other weaknesses, Nike competes internationally with a significant number of athletic and leisure footwear companies, athletic and leisure apparel companies, sports equipment companies and large companies having diversified lines of athletic and leisure footwear, apparel and equipment. In addition to rapid changes in technology and consumer preferences in the markets for athletic and leisure footwear and apparel and athletic equipment, constitute significant risk factors. Nike is a company that is here to stay and keep improving all its marketing to reach current and future consumers.

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