

NIKE: Word of Mouth Marketing for Brands

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Abstract: The purpose of this article is to discover why businesses can be expand by word of mouth. We shall use Nike as an example to address that question since it is the most successful sportswear brand in the world. Any subsequent results are dependent on the study of its market. Following that, we must determine what distinguishes Nike from other companies and why Nike was chosen for the role. Comprehensive and detailed analyses are provided to show its situation and figure out some threats and opportunities that Nike may encounter. In additional, we will reveal the critical function of its logo, the 'swoosh,' and cumulative brand culture were in making the brand distinctive and recognizable throughout the process. By analysing all these, the conduit of being spread through word of mouth for businesses will be clearer and more understandable and we can know the key of word of mouth branding.

Keywords: Swoosh, Social Currency, Public Visibility

1. Introduction

What's the name of the Goddess of Victory in ancient Greece? Nike exactly. This name is more renowned as a brand name of a giant sportswear company founded in 1964, which was called Blue Ribbon Sports. After decades of development, its successful operation and strategy resulted in a hundred billion dollars in market value and tons of reputation. With reference to the Fiscal 2022 financial report of Nike, revenues for Nike, Inc. increased 5 percent to \$46.7 billion as compared to the previous fiscal year [1]. This astonishing figure leads to a question: how does it amass so much fortune and profit? The response to it might cost a book, granted, but its marketing and branding provide some revelations that are helpful for revealing the way for companies to be known by word-of-mouth. The study is based on Nike's current overview, including its current status and strategies. Analyses of marketing and branding tactics are provided for in-depth study.

2. Nike Company-Overview

2.1. History

NIKE, Inc. is famous for its innovative products and excellent experiences provided for both the public and athletes.

Nike was founded initially as a shoe importer in January 1964 by a college student, Phil Knight and his coach, Bill Bowerman. It imported shoes from Onitsuka Tiger, a Japanese supplier, operating business in different regions in the East Coast in the first few years. In addition, after terminating their collaboration with Onitsuka Tiger, Blue Ribbon Sports built their very first retail store in 1966

and started their own shoe brand in 1972. In 1978, The company renamed itself Nike. After decades of development, Nike has become the most influential footwear and sporting goods supplier around the world.

During the expansion of the company, Nike acquired various firms, for instance, the shoe companies Cole Haan (1988; sold in 2012) and Converse, Inc. (2003), the sports-equipment manufacturer Canstar Sports, Inc. (1994; subsequently renamed Bauer and sold in 2008), and the athletic clothing and equipment company Umbro (2008; sold in 2012).

2.2. Current Situation

Today, Nike is the leader of the industry, providing outstanding products and services worldwide.

Nike reported \$51.2 billion in total revenues for the year, up 10% from the preceding year and 16% when accounting for currency [2].

Nike reported \$5.5 billion in fourth-quarter revenue, a 15% rise over the previous year and a rise of 18% on a currency-neutral basis.

Except for financial figures, Nike is also working on a project to reduce carbon emissions. It set ambitious targets about cutting carbon footprints, reducing carbon emission by 65% by 2030 and, further reaching net zero by 2050. Moreover, Nike announced Nike FC Accelerator Program, in partnership with Football Victoria, in order to promote gender equity in sport and bring inspiration to young athletes. As the giant in the market, Nike has been undertaking social responsibilities for many years, which establishes a positive reputation and consolidates its leadership in the industry.

2.3. Mission of Nike

‘To bring inspiration and innovation to every athlete in the world.’

‘If you have a body, you are an athlete.’

This statement shows Nike’s brand spirit, which inspires every human being on the planet to participate in sports. It tells us that anyone can be an athlete, regardless of race, gender or physical ability. Thanks to this value statement, Nike has become a favorite sportswear brand and has established a positive reputation around the world in decades. Today, Nike still keeps to this value, carrying out many socially benign programs that are beneficial to society.

3. Market Analysis

Marketing is the activity, collection of institutions, and procedures for producing, conveying, delivering, and exchanging value-added solutions for consumers, clients, partners, and society as a whole. In other words, companies attract customers and advertise their products through marketing. As a giant of the competitive market, Nike accomplishes success through its outstanding market strategies, differentiating itself and enabling Nike to retail innovative products around the world.

Therefore, Nike’s marketing strategies could provide guidance on how to send messages to consumers and, hence, gain their fondness for other companies.

3.1. Market Overview

3.1.1. Target Market

As a sportswear brand, Nike’s major consumers are athletes and sports enthusiasts. To be more specific, Nike expanded its branding and advertisements to several particular markets, such as women, basketball fans, and runners.

3.1.2. Competitive Analysis

There are plenty of competitors in the market, and the main competitors are Adidas, Skechers, Puma, and Under Armour. All these brands have differentiated cultures and background despite the fact that they are selling similar products.

Not only those mentioned competitors but there are also new entrants becoming more competitive in the market. For example, a Canadian sportswear producer, Lululemon Athletica. Therefore, for Nike, the process of decision-taking is set in a context of strategic interaction or interdependence [3].

3.2. Strategic Analysis

3.2.1. PESTEL Analysis

3.2.1.1. Political

1. Nike's homeland, the United States, offers excellent policies that are geared toward growth and are particularly advantageous to this company. These include affordable interest rates and attractive tax arrangements.

2. Nike can benefit in some overseas markets that are willing to cooperate with Nike by providing tax incentives and lax market regulations.

3. Different political conflicts make customs processing difficult or even halt imports and exports.

4. Changes in local tax and manufacturing regulations affect Nike's output decision.

3.2.1.2. Economic

1. Nike is sponsored by a wide range of different companies from across the globe.

2. Nike has the financial advantage to run business in new markets due to its giant size and excellent profitability.

3. As a multinational corporation, it is inevitable to avoid the impact of the global economic downturn for Nike.

4. Nike is optimizing its corporate structure, including layoffs and cost reduction, to adapt to the current economic environment.

3.2.1.3. Social

1. Global increases in 'health consciousness' and athletic participation are increasing the demand of sports equipment.

2. Nike's plan of attracting female customers consolidates its positive social image.

3. Nike has to keep innovating and evolving as consumers' behavior changes.

4. Since Nike has a large number of devoted followers, they buy the items and then share their experiences on social media, influencing the people around them considerably [4].

3.2.1.4. Technological

1. New technology has an influence on Nike since it is used in its products as same as any other company.

2. The Nike Sport Research Lab, Nike's in-house R&D center, has generated a large number of ground-breaking and industry-leading items [5].

3. Technological breakthroughs can be applied to improve consumers' experience.

4. Mobile applications made by Nike provide great using experience and responses, for example, Nike + Run Club App [6].

3.2.1.5. Environmental

1. The environmental aspect is now becoming more and more significant, much like the technology factor.

2. By 2025, the corporation promises to use only renewable energy. Additionally, it has developed a range of environmentally friendly shoes and clothing made from recycled plastic and plans to gradually phase out single-use plastic bags.

3. Nike has been changing its materials to be more environmentally friendly. In order to keep improving the environmental performance, Nike uses the European Union waste categories used in Eco-Profiles for both fossil-fuel-based fibers and bio-based fibers, for characterizing the physical waste generated through the cradle-to-gate life cycle of products [7].

3.2.1.6. Legal

1. Nike is a sizable business with locations across the world. Given its standing, a wide range of business actions are governed by several laws and regulations.

2. Nike is not unfamiliar with legal squabbles. These conflicts are almost often conducted with large rivals over proprietary footwear or garment technologies.

3.2.2. SWOT Analysis

3.2.2.1. Strengths

1. Nike's long-term business and its iconic logo and slogan made Nike a household name worldwide.

2. As an American company, Nike is seen as a representative of American culture.

3. In the industry, Nike has taken a leading role in undertaking social responsibility.

4. Nike has established long-term cooperative relationships with many celebrities in different fields.

5. Nike has had decades of unmatched success thanks to its ability to successfully hold onto and develop its side businesses, such as Converse and Hurley. This has also improved the company's risk-bearing ability [8].

3.2.2.2. Weaknesses

1. In contrast to its sales volumes, Nike has only a small number of suppliers.

2. Nike has been continuously criticized throughout the last twenty years due to their subpar working conditions.

3. Nike continues to be financially reliant on the US market. North America accounted for almost 41% of Nike's sales in the fiscal year 2022.

3.2.2.3. Opportunities

1. Emerging markets in developing countries bring Nike potential business opportunities to make a profit.

2. Nike can rebuild its product line to reduce costs.

3. Nike can invest on exploring the market for female and special groups since society is paying more and more attention on them.

4. Nike has shifted its focus to football with the aim of gaining the international recognition [9].

5. Strategies based on the publicity about the brand connotation and national culture in certain countries can lead to greater success [10].

3.2.2.4. Threats

1. The deterioration of the global environment forced Nike to make adjustments in manufacturing and designing.
2. Loss in sales and profit can take place if there is a global economic downturn.
3. As Nike works on across borders, fluctuating foreign currency rates have an impact on it.
4. Nike privileges male athletes and sports, as the majority of sports portrayed [11].
5. Competitiveness of the market is rising. For instance, in the 2018 FIFA World Cup, Adidas overtook Nike in sponsorship [12].

Previously, consumers assessed the worth of a product or service based on a mix of quality and price. Today's consumers, on the other hand, have a broader understanding of purchasing, after-sales service reliability, and so on [13]. This forces Nike to make overall improvements of the products and services to follow the trend. Also, Nike enjoys plenty of commercial advantages and resources on account of its giant scale, which ensures it expands its business. However, as aforementioned, there are many issues and threats have not been solved yet. To be more specific, people are now caring about non-commodities problems such as environmental issues and human rights issues. It is fairly challenging for Nike to tackle with these problems since it is impossible to satisfy every customer. Notwithstanding, threads also provide new opportunities. New markets and consumers can be gained when Nike has remarkable performance on addressing those issues. As one of the most successful firms in the world, Nike has more initiative and fault tolerance as compared to other companies, which supports Nike in carrying considerable weight in the market.

4. Branding Tactics

So here is the question: why are other firms not as successful as Nike? This leads us to think about what makes Nike different. The answer may not come to mind immediately because all companies in the market sell sportswear and footwear. However, Nike accomplished great work on the identification and recognition of the brand, which takes a long time to build a brand culture and cumulate loyal customers. Its excellent branding tactic played a very important role in the whole process.

4.1. The 'Swoosh'

If someone asks you about the most brand logo in the world, Nike's 'swoosh' must come to the top of mind. The 'swoosh' represents mobility and speed, and it represents the wing of Nike, the Ancient Greek goddess of triumph who inspired the brand's name. However, customers are not aware of the story behind its laconic shape. According to the survey called the Best Brand Logos, 44% of the interviewee said the 'swoosh' is their favorite one [14]. This victory of Nike not only shows statistically but also brings huge profits every year. Basically, we can translate this scenario into a sentence: people feel marvelous when they wear a pair of shoes with the 'swoosh' on it. Instead of aesthetic factors, it is because consumers appreciate the brand culture. Nike has successfully combined the 'swoosh' with American street culture, which shows a spirit and an attitude of sports. Hence, people will purchase Nike if they appreciate its spirit and then, they will buy Nike's products. In this case, Nike functions similarly to a currency, social currency; just as individuals use money to purchase goods or services, they use social currency to create desired favorable impressions among their family, friends, and coworkers [15]. They want to demonstrate the values that Nike promotes by looking nice. This allows the 'swoosh' to spread by word of mouth and garner a large number of devoted consumers.

4.2. Social Influence

Imagine a person is in a dilemma, hesitating to choose to buy a Nike or Adidas. Under this circumstance, he or she might refer to another's choice or ask someone else. Under this circumstance, other's decisions are affected significantly. People tend to follow the public trend and this phenomenon is called social proof. People assume that the longer the line, the products are better [15]. As the biggest sportswear producer, Nike's 'swoosh' is everywhere. This massive public visibility guarantees Nike to attract more new consumers as compared to other small brands. Further, Nike has built partnerships with the top leaders in various fields, for example, Usain Bolt, Michael Jordan, and Cristiano Ronaldo. Because of their own reputation and leverage, these celebrities considerably increase the brand's appeal. As a result, buyers believe Nike's items are of higher quality, or else they will perform similarly to the stars if they wear identical things. The impact of someone that people care about or like is more powerful, which is why celebrity endorsement is so crucial in branding tactics.

5. Conclusion

Nike's dominance in the business is unassailable at the moment. But as was already indicated, there are still a lot of problems and threats that need to be resolved. More specifically, non-commodity issues, including environmental and human rights problems, are now receiving attention from the general public.

Poor working conditions for Nike employees in the supply chain provide an example. These workers were subjected to unprecedented levels of gender discrimination, unjustified salary cutbacks, layoffs, and terminations [16]. However, because of its enormous size, Nike has quite a lot of advantages that provide several solutions to all those problems. This is a strength that other companies do not have. It distinguishes itself from other businesses thanks to its unique brand culture and branding tactics. Nike has already come to embody American street culture and a sports ethos, making Nike marketable and different. As a result, being different and noticeable for any company provides additional opportunities to be known through word of mouth. Remember to consider the market context while developing marketing and branding initiatives.

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