

## **Nike: Internet marketing strategies dominate athletic shoe market share**

*by Daniel Oliva*

Nike, implementing Internet marketing, generates dominant control over competitors. Undoubtedly, Nike competes head-to-head with other major brands, as Under Armor and Adidas, in the sports apparel field. During the recession, all parties mentioned took a loss in one way or another, at fault of the lack of disposable income. Nike has composed one of the most interesting balance sheets, acquiring competitors and buying them out of business, a tactic used to eliminate competition, which in turn, can be used to the company's advantage to boost revenue. During a successful 2003 year, Nike acquired Converse, aiding their market share percentage points. Nike's share, among leading footwear brands in the U.S. athletic shoe market, controls the top of the market, and has risen 1.6 percentage points this year (2011) through June 18 to 43.1%. (SportScanInfo, 2012). Subsequently, this led to the Adidas merger with Reebok, as an attempt to keep up with Nike. Even with this cultivating, Nike does not stray away. Subsequently, using strategic Internet marketing techniques, Nike edges out the competition, gaining significant market share points as the years progress.

The Nike brand and its iconic history for investing heavily in marketing campaigns, allows for a greater profit margin and has produced huge amounts of revenues during Nike's hey days. Presently, the *Air Jordan*, a shoe-brand subsidiary of Nike, faced by Michael Jordan, contains unique characteristics; a product that sells literally, itself. "It's hard to say how much Jordan has reaped personally, but 2009 will be remembered as the year MJ was inducted into the Hall of Fame and the year that his Nike brand, Jordan, topped \$1 billion in annual revenue for the first time." (Rovell, 2009) Nike's "Just Do It" campaign increased its share of the domestic sport-shoe business from 18 percent to 43 percent, from \$877 million in worldwide sales to \$9.2 billion in the ten years between 1988 and 1998 (CFAR, 2012). Nike spent \$300 million on overseas advertising alone; most of it centered around the "Just Do It" campaign. The success of the campaign created excitement and became that much more remarkable when one considers that an estimated 80 percent of the sneakers sold in the U.S., are outsourced to foreign countries. Nike's introduction of a phenomenal sports athlete to become the face of a product, while being revolutionary, introduces original marketing tactics. Nike's association with Internet marketing and heavy traditional marketing investments will not dissatisfy.

However, many skeptics believe the notion of Nike's spending habits, associated with jumping the gun with obscene marketing campaigns that usually pay off, while carrying high risk factors. "The company gives more than \$20 million to Tiger Woods, \$13 million going to LeBron James and \$12 million to the Brazilian national soccer team in endorsements alone. To top it, the shoe and apparel giant plans on spending \$1.74 billion in advertising, including \$476.5 million in athlete endorsements this fiscal year." (CNBC, 2006) Nike devotes grand amounts of budget allocation towards marketing but has proven a great amount of potential revenue realization. Internet marketing creates speculation and Nike executives are ready to prance on the opportunity. Nike and marketing spending go hand in hand.

Internet marketing, while starting the potential growth process, sits in the infantile stages of marketing, when discussing the entire scheme of the marketing universe. The future of the implications of Internet marketing creates buzz around the marketing world, yet discovery of

implications comes hard to find. Nike has not shunned away from the potential that may seize realization. During the past recent years, Nike teamed up with search engine leader Google. Together, as a collective, they created a social networking platform, *Joga* which adapts to over 14 different languages, combined with an interface of an online community platform, according to the Bloomberg Business Week. Nike's primarily reason for starting *Joga.com*: engaging young males to visit Nike associated websites, who increasingly get their information from digital, online sources. Through Internet marketing, Nike segments their population, making it easier to acquire and effectively reach their target market and overall, keep their competition behind them.

Consequently, Nike's online venture conquest does stop with Google. The coming of age of commercials on YouTube has become the new trendy marketing strategy that businesses throughout the globe are considering. In the spring of 2008, according to the Optimum 7 blog:

Nike and Kobe Bryant launched a viral marketing campaign on YouTube to promote Kobe's new basketball shoes. They had a video of Kobe Bryant jumping over a speeding Aston Martin that was coming his way. This was uploaded on to YouTube first, not on any TV ads. The video got millions of hits within days and became a cultural phenomenon. Kobe and Nike then later came out with a similar video of him jumping over a pool of snakes with some of the guys from MTV's *Jackass*. Nike and Kobe used a great tool on YouTube in their marketing strategy for their new shoe, something that hasn't really been done before (Optimum7, 2012).

YouTube implementing, shedding unnecessarily nontraditional marketing budget dollars, creates the smartest and least cost effective way to base an Internet marketing campaign. The website has gained vast amounts of followers, as well as notoriety on a global scale. Nike's marketing strategies over pass the likes of Adidas because of the lack of attention of marketing allocation towards the Internet. Easily, Nike surpasses expectation.

Nike's competitors, inferior when comparing the amounts of money invested in innovative marketing techniques, also seek for marketing solutions. Companies are seeing a reverse effect on marketing, as the expenses pile up quarterly. Adidas has just caught up to the Internet marketing band wagon and suffered severe potential revenue losses because of it. Up to now, according to the Aquarius consulting agency, the marketing budget of Adidas directs all marketing traffic through traditional platforms, via TV and print media occupying the main part and online marketing serving just as a supplementary addition. Adidas, as well as the rest of Nike's competitors, lack the same research and development risk taking abilities and subdue to obsolete marketing techniques. Nike effectively used these techniques as a median, reaching the younger segment target market, which of whom possesses the largest amounts of disposable income because of the lack of economical responsibilities. Nike's social networking idea set up the rest of their Internet marketing campaign and allowed for greater amounts of brand awareness and creating an un-conquerable gap between them and the competition.

Nike's success is accredited to, large part because of the seized window of opportunity that surfaced in the traditional era of marketing. Nike's marketing strategies, while airing globally, has created world renowned recognition. Nike, obviously an innovator, deserves much credit when associating the history of marketing and how it has evolved. Nike caught consumers

off guard when the boast of viral messages arrived. The change of perception allowed for an easier acceptance of Internet marketing and created an ambiance where consumers dealt their consideration, in a business sense, to acquire business information online; consumers, as a result, implement their own ideas through word of mouth feedback, which in return, sprouts the ideology process of firms. Traditional media, in terms of marketing, is still the giant when associating marketing campaign foundations, and shows little signs losing popularity, but Internet marketing is growing and adapting. Nike seized the window of opportunity and took full advantage.

Adding on, traditional media and the marketing implemented, subdues the fiercest of marketing strategies. Nike intends to use Internet advertising gradually, and eventually, intends replacement of TV commercials; yet, at the same time, Nike's will to give up traditional television advertising is not even close to being broken. Over the past 20 years, Nike spent large dollar amounts on TV advertisement, including ads associated with big professional sports contests, as the Super Bowl and the World Cup of soccer. Nike's TV Ads also present themselves in ESPN, FOX and some other iconic TV channels. In 2006, according to Digital Media Wire website:

This year, Fox's American Idol holds the top spot with 4,086 product placement occurrences, followed by NBC's The Apprentice (1,831), and ABC's Extreme Makeover Home Edition (1,573). Coca-Cola by far was the top brand making use of product placement with 3,233 occurrences. Nike Apparel was second with 625 occurrences. (Digital Media Wire, 2006)

Nike sells its products through traditional media and that is a fact. Steadily, Internet marketing is gaining speed but does not match up quite yet. Traditional marketing holds the number one strategy used by marketers and firms alike.

Known for the high budgeting marketing techniques, Nike either goes all the way or goes home. Internet marketing caught the eye of Nike and the company intends to be a major player. Margo Myers, of Margomyers Communications, blogs and quotes that "Nike spent nearly \$800 million on 'nontraditional' advertising in 2010, according to *Advertising Age* estimates, a greater percentage of its U.S. advertising budget than any other top 100 U.S. advertiser." (Myers, 2012) Nike has also hired scores of new IT engineers to make technology for online communities. Nike certainly goes big and all the way. Consequently, on any given day the athletic shoe market share definitely sways in their favor.

Nike's change of heart, in direct correlation to marketing strategies, stems from the change of consumer habits and overall day to day routines. According to comScore, in 2008, Nike spent \$2.8 billion on advertising, 12.4% of the revenue reported during the fiscal year of 2008. During the first quarter of 2009, Nike's advertising expenses jumped 39% because of higher marketing efforts surrounding the Olympics. In order to halt rising advertising expenses fee Nike changed their marketing strategy to best suit their economical interest and to allow for greater potential targeting over a new marketing environment. Nike serves their clientele, adjusting their business plans and granting consumers the ability of control and domination. The firm creates ideas through word -of- mouth feedback.

Consequently, Internet merchandising has created a solution to cut advertisement spending and allows for engaging potential consumers to interact with the company through a recognizable Internet platform. Data, from the US Census Bureau, indicates that the number of Internet users had increased from 141 million at the end of 2001 to 219 million at the end of 2008. That kind of

considerable jump of percentage points screams: Internet, potentially, the newest median of communication. Nike has jumped all over it.

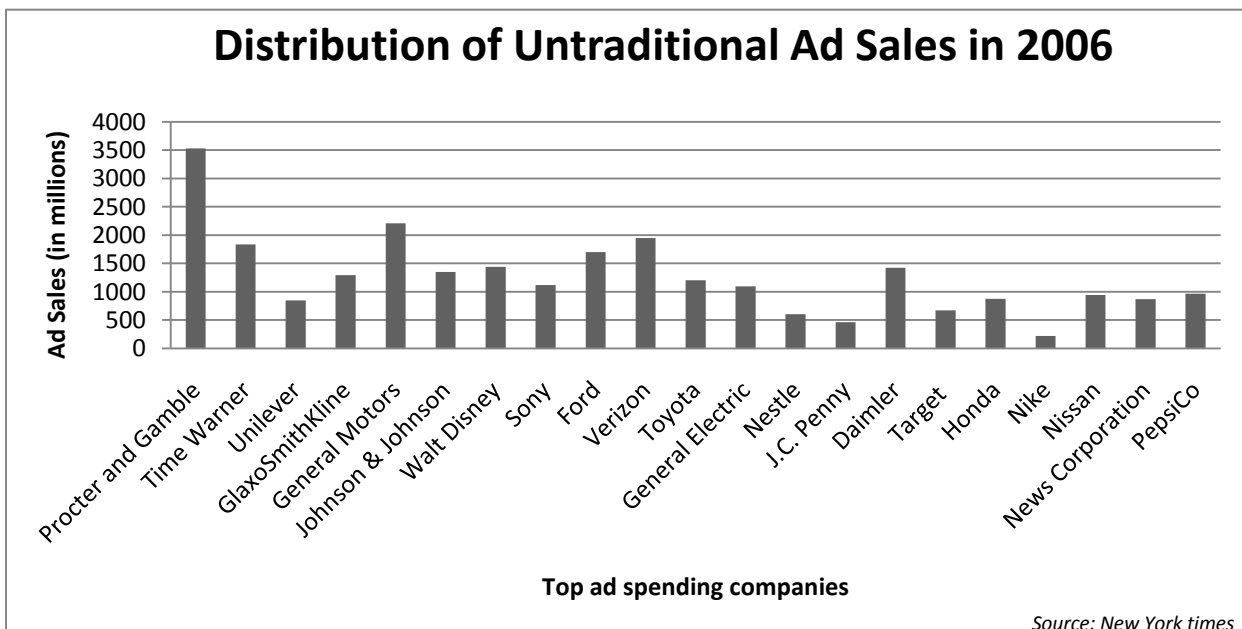
Nike's company profits have also significantly, since to dawn of the technological ages, risen. Nike's Internet marketing strategy allows for a deeper segmentation of the athletic shoe population, which in turn, allows easy transferring of subliminal messages, directed by Nike, aimed at potential consumers. Nike takes full advantage of their heavy spending:

"They understand their target demographics' relationship with technology and the Internet, and they've had the forward vision to pioneer into Internet country while other competitors have held back cautiously. They didn't just stop at one great site though; they've developed an entire network of sites that allows them the flexibility to give each product its own outstanding online presence. Then they link it back up with their central hub which naturally links to stores." (Brandon Jones)

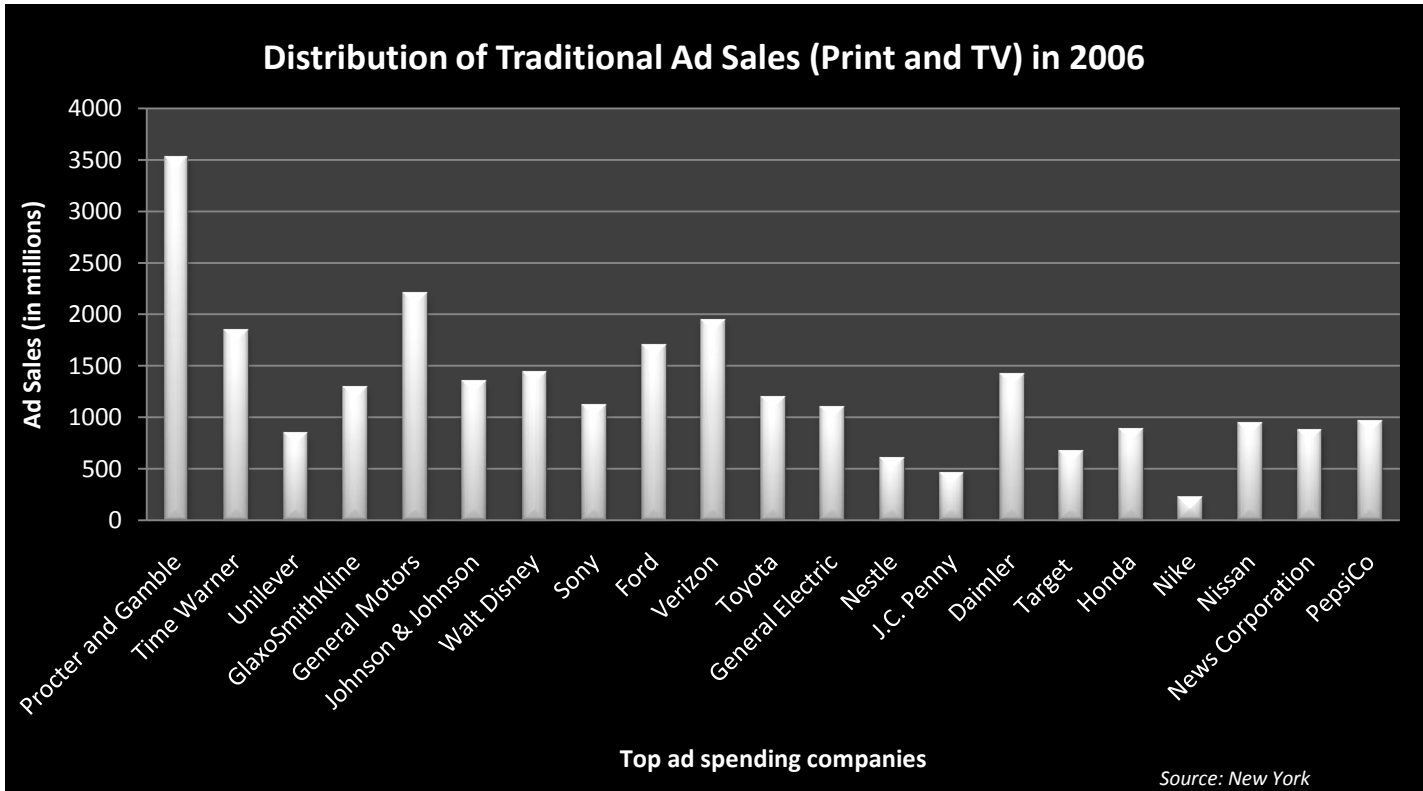
Nike has an enjoyed a profitable history and while disposable incomes slowly creep from the dwells of weary consumer's bank accounts, Nike expects to generate large positive income margins. Internet marketing has allowed for the brand awareness of Nike to skyrocket and through the different strategies, Nike has now stepped in front of their competitors, from a marketing vantage point.

Collectively, Nike incorporates the Internet, as well as other traditional media in their marketing campaigns to induce consumers into buying products. Nike's "Whatever" campaign became live in 2000, the dawn of the technological era. Nike, while considering the potential of the growth of the Internet, introduced the Just do "Whatever" campaign, as a median to push their current track running shoes out. Ads appeared in traditional print and media platforms, as television and radio, but took a turn, not usually realized by firms a decade ago: Internet Advertising. Nike's performance associated with the campaign, equals extraordinary. Nike creates a mirror image between the ads present in traditional marketing medians and the ever-new medians of the Internet. The Adweek staff of the Adweek Internet site reports:

Online and offline, Nike did Whatever to find perfect synergy. What makes a good integrated marketing campaign? Analysts like Marissa Gluck of New York-based Jupiter Communications say it's consistency: "The look and feel must be the same offline and online." Nike's "Whatever" campaign not only was consistent, it was groundbreaking--so groundbreaking that major TV networks almost refused to run it. (Staff, 2012)



The figure above shows firm's advertising expenses towards untraditional media, including digital and other forms of Internet marketing advertising expenses, reports New York Times. The table presents big names as Procter and Gamble, which holds a significant amount of the overall ad sending: approaching \$1,300,000,000 billion in advertisement expenses. Nike places itself on the list and prides the fact that it alone is the only athletic shoe manufacturer topping the list. Accordingly, Nike's marketing expenses and or investments surpass those of its competition, as Under Armor and Adidas, giving them an edge, when determining the overall market share of athletic shoes.



This figure demonstrates ad sales dedicated towards traditional media and platforms, such as print and TV marketing allocation. Nike, while not being the biggest spender, has created an enterprise that prides itself with being the only shoe conglomerate trampling marketing expenses and showing complete disregard of the risk. Nike, just under the \$500 billion mark in traditional ad sales still presents a strong case within this environment and does not lack the marketing campaign fortitude to pass other marketing giants, as GM and P&G. "True, Nike increased its spending on traditional media in the United States by 3 percent from 2003 to 2006, to \$220.5 million. But in the same period, it increased its nonmedia ad spending 33 percent, to \$457.9 million, according to the Advertising Age data." (Story, 2007) Nike's overall advertisement spending has dramatically increased over the past recent years but has paid off tenfold because of the increase of sales and the increase of brand awareness globally. Nike's marketing strategies, far beyond its time, consistently generates positive results.

Nike's biggest advantage: expertise marketing controls. Allowing for the greatest exponential results, Nike creates an environment that allows their ads too not only induce consumers into buying a product, but psychologically posses them into thinking that utilizing a certain product will boast performance. This kind of kinetic thinking allows Nike to grow and prosper and without it, Nike settles with traditional marketing ideas as their athletic shoe competition. Internet marketing surfaced and Nike took full advantage.

Nike has, by far, surpassed any and all expectations that arose during their uprising. With marketing genius and innovative products, Nike collects annual revenue in the amount of \$13.7 billion, reports USA Today. The executives of Nike believed strongly in marketing and it has more than paid off. Internet marketing, a relatively new concept for Nike, has the potential, regarding reduced costs of advertising and costs associated with brand awareness. Nike will assess any and all possible outcomes of Internet marketing and one common theme, appropriately, will arise: higher profits and an edge of competitors. The market share shared by other American athletic shoe manufactures has dramatically suffered because of the research and development conducted by Nike, more specifically, towards marketing. Nike by far has created the world's best marketing campaigns ever and has more to come. Nike dominates the American athletic shoe market through Internet marketing and has gained an edge over competitors because of it.

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