Just Do It: Analysis of Nike’s Marketing Strategies and Growth Recommendations

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ABSTRACT

Nike is a global leader in the athleticwear industry, selling products for all ages, genders, and sizes. The company was founded in 1964 by runner and businessman Phil Knight and his track and field coach, Bill Bowerman, with the goal of creating the perfect running shoe. Since then, Nike has established the iconic Swoosh and “Just Do It” slogan globally. But how has Nike become so renowned, and how have marketing strategies given them an edge over their competitors? And is there anything Nike can do to grow further? This case study investigates Nike’s target consumers, direct-to-consumer operations, recent success in e-commerce due to the COVID-19 pandemic, and social media strategies, as well as consumers’ reasons to support the brand. This study was undertaken with the goal of understanding, analyzing, and judging the effectiveness of the marketing strategies that Nike has implemented. A key component of Nike’s marketing strategy is oriented towards their consumers: who they are, what they want, and how to best appeal to them. This has fostered Nike’s direct-to-consumer business (which has increasingly become digital in the role of e-commerce), their large social media presence (which increases their brand engagement and awareness), design innovation, strides in diversity, and more. In addition, research suggests that as Nike shifts their focus to e-commerce, they should focus particularly on emerging markets to boost growth and continue collaborating with more brands and well-known personalities.

Introduction

Millions of people have interacted with Nike at some point, whether it’s wearing their shoes or clothes, purchasing their athletic equipment, or even carrying their backpacks. In 2021, Nike, Inc. (NYSE: NKE) dominated 58% of the global athletic footwear market’s revenue, generating $28.02 billion¹ out of the global market’s $48.2 billion.² Nike is a global leader in the athleticwear industry, selling products for all ages, genders, and sizes. Nike was founded in 1964 by runner and businessman Phil Knight and his track and field coach, Bill Bowerman, with the goal of creating the perfect running shoe,³ and since then, Nike has established the iconic Swoosh and “Just Do It” slogan globally. But how has Nike become so renowned, and how have marketing strategies given them an edge over their competitors? And is there anything Nike can do to grow further? Nike has effectively marketed to millions of people around the world because they understand their target consumers, focus on direct-to-consumer operations, command the digital realm through e-commerce and social media, and use techniques like celebrity endorsements to retain customer loyalty and satisfaction. However, Nike could

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further grow their brand by focusing on e-commerce in emerging markets and collaborating with more brands and personalities.

Target Consumers and Pricing Strategies

To understand Nike’s marketing strategies and their effectiveness, it’s important to understand their target consumers and pricing strategies. Nike is for athletes or active people of any gender or size. Primarily, they appeal to affluent consumers between the ages of 15-45. The targeted socioeconomic consumer is “reflected in the premium brand image and pricing of Nike products.” Nike uses several pricing strategies, including the value-based pricing strategy. A value-based pricing strategy considers the most a customer is willing to pay for a particular product. Nike also accounts for the pricing of their competitors and prices their own products accordingly. A third pricing strategy Nike uses is premium pricing, where they set higher prices on their products to create an impression that Nike is a high-quality luxury brand. Nike’s job is not just to sell a product, but to establish a deep and long-term connection with their consumers. Besides pricing strategies, Nike also uses psychological marketing strategies to appeal to consumers. Consumers don’t buy rationally; rather, emotions play an important part in their actions. So, psychological marketing is when companies leverage these cognitive and emotional biases to influence consumer decisions. When customers see a price that seems comparatively cheaper to other prices (such as Nike offering discounts or sales so their products appear cheaper and thus seem like a great purchase) or slightly higher compared to other companies but with a well-known brand (such as Nike’s premium pricing), consumers are willing to buy the product. In addition, part of their marketing is that while Nike literally sells foam, rubber, fabrics, and more, consumers are actually buying a unique athletic experience, encouraging them to perform their best and play their way to victory. Nike promises that customers can aspire to be like their favorite athlete (as a lot of famous athletes and celebrities endorse Nike) while also being themselves. Indeed, many celebrities and athletes have endorsed the brand, including Michael Jordan, Tiger Woods, and Maria Sharapova, adding to the psychological marketing that Nike is high quality and worth a premium price.

Nike’s pricing strategies are justified compared to their competitors, as Nike promises higher quality, innovative, and well-designed products. Thus, Nike’s innovative athleisure and footwear technologies appeal to their audiences. Nike’s free apps, which include the Nike App, Nike Run Club, Nike Training Club, and SNKRS, help athletes train, stay motivated, and connect with other athletes during their athletic adventures. Ultimately, Nike satisfies consumers’ need to exercise or play sports in durable, comfortable, and functional shoes. They provide almost all types of athletic shoes no matter the age or gender, with high quality, durable, and stylish products. They sell lifestyle and walking shoes as well as sports shoes for running, basketball, soccer, tennis, and more. Nike’s website displays shoes and clothing for many demographics. There are menus for men, women, and children ranging from 2-month-olds to 10-year-olds, as well as plus/extended sizes for the aforementioned categories, so their products are for people of all ages, genders, and sizes. According to data collected by Statista, a company specializing in market and consumer data, from the fiscal years 2020 to 2022, over 50% of Nike’s annual global revenue came from selling men’s products. In comparison, only 22% of Nike’s revenue

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came from selling women’s products, with the other sources of revenue being Nike Kids and the Jordan Brand.7 Despite this, Nike appeals to all genders. According to an article in Business Insider, investment banking company Piper Jaffray conducted a study in 2019 on teen shopping habits, which surveyed “9,500 shoppers in 42 states, with an average age of 15.8 years old.”8 The results indicated that Nike was one of the favorite e-commerce sites among both men and women, second only to Amazon.9 Nike consumers are also typically 15-45 years old, consisting of both “middle-aged consumers who have disposable income and...younger audiences to ensure future growth and build life-long brand enthusiasts.”10 Furthermore, the Piper Jaffray report showed that Nike was ranked both favorite apparel and footwear brand among teens. “[R]esearchers pointed to the continued popularity of athletic brands among young shoppers in recent years, as part of a push toward a ‘casualization of fashion.’”11 In essence, Nike shoes allow consumers to perform their best in any sport, athletic arena, or adventure without compromising on quality or design.

Direct-to-consumer Operations & E-commerce

Nike’s direct-to-consumer operations, as well as their command of the digital commerce environment, has strengthened their sales and consumer support. Nike has a vast global reach through multiple methods, including operating over a thousand retail stores worldwide,12 selling their products through select retailers like Dick’s Sporting Goods and Foot Locker,13 not to mention the rapidly growing e-commerce venue via their website, their apps, and resellers. This direct-to-consumer retail environment helps Nike because there are both in-person and online options for people to browse products, whether consumers would like to try on shoes and buy in store or save time and effort by shopping online, there are plenty of options for either choice. In light of the COVID-19 pandemic, Nike’s e-commerce sales have soared, especially compared to their competitors. The Economist stated that in July 2020, during the pandemic, “Many people working from home have [favored] the ‘athleisure’ offerings of…Nike and Lululemon over the more formal wear of [then]-bankrupt firms such as Brooks Brothers, J. Crew, and Neiman Marcus. And with shops closed or shunned by wary customers, the two brands’ direct-to-consumer operations, which they have invested in for years, have boomed. In their most recent quarters, Nike’s online sales spiked by 75% to just under $2 [billion]...Nike relied on direct-to-consumer sales for 30% of its revenues—a target it had not expected to reach until 2023.”14 Additionally, according to The Wall Street Journal, Nike’s flagship digital revenue increased 84% at the end of the 2022 fiscal year’s second quarter. This increase in sales gains and profits was due to “strong sales from Nike’s websites and mobile apps—along

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7 Statista, “Nike’s revenues worldwide from 2020 to 2022”
9 Business Insider, “Nike crowned teens’ favorite”
10 Start.io, “Nike Target Market Segmentation”
11 Business Insider, “Nike crowned teens' favorite”
with strong demand in China...”15 Financial media website Investopedia explains that “the company was in a stronger position than many rivals to ramp up ecommerce sales when the pandemic began.” This is apparent in the recent fiscal year, where “Revenues for NIKE, Inc. increased 5 percent to $46.7 billion, up 6 percent on a currency-neutral basis. Revenues for the NIKE Brand were $44.4 billion, up 5 percent on a reported basis and 6 percent on a currency-neutral basis, driven by double-digit growth in NIKE Direct [Nike’s direct to consumer business], partially offset by slight declines in wholesale revenues.”16 Nike’s approach to directly market to and sell to consumers has been largely successful, within both the in-person and digital sectors.

**Reasons Consumers Support the Brand**

**Design Innovation**

Consumers support Nike for many reasons, such as Nike’s design innovation. Based on a survey from August 14, 2022, which gathered consumer feedback on Nike,17 respondents cited style, structure, quality, and convenience as factors for purchasing Nike products. However, the most common reason was Nike’s reputation and because others around them were using Nike products. Further, on top of Nike’s iconic logo found on their every product, consumers have reason to support the brand for “Nike’s experimentation with design — including incorporating eco-conscious fabrics and designs…”18 For some shoes on Nike’s website, Nike offers customization of colors, personalized text, and even adding customers’ own designs, in a service called Nike By You.19 Allowing customers to customize or personalize their experience inherently increases customer satisfaction. As Forbes explains, when customers receive their own personalized product, “they feel a different type of ownership over the product, which can lead to increased feelings of brand loyalty, too.”20 Furthermore, a study by management consulting company McKinsey & Company reported that “…successful personalization programs…results in positive experiences that have led to 20 percent higher customer-satisfaction rates and a 10 to 15 percent boost in sales conversion rates.”21 Nike’s design innovation is one reason consumers support the brand.

**Embracing Diversity**

Another factor for Nike’s growth is that Nike is striving to be more diverse. Their website displays models of multiple races, not just white. They also stated that “Nike, Inc. is working to build a more diverse, inclusive

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17 The author distributed a consumer survey on August 14, 2022, asking about consumer experience with Nike and their marketing.
18 Business Insider, “Nike crowned teens' favorite”
team that reflects the athletes and communities where we live, work and play.” For example, the Nike N7 collection released in June 2022 supports Native American and Indigenous youth. Nike also donated $625,000 to 13 organizations and through the Nike N7 Fund, “created to connect Native American and Indigenous youth to play, sport and physical activity programs,” awarded over $8 million in grants to over 270 communities and organizations between 2009 and 2021. They also have numerous initiatives in various locations to help youth in Korea, China, Germany, England, Mexico, Haiti, France, and the U.S. They offer resources and guides to coaching youth, hijabi athletes, and empowering girl athletes. According to McKinsey partner Tamara Charm, “…ESG [environmental, social, and governance] issues were important before COVID-19, and I think they’ve intensified since COVID-19…especially among Gen Z and millennials, when we ask people what is important in their purchasing decisions, values, environmental, social responsibility, and diversity, equity, and inclusion] come up…in our latest survey, two-thirds of [Gen Z and millennials] told us that at least one of those issues was very important in driving their decisions. This is true also of Gen X and boomers, older consumers, but just less so.” Nike’s embrace of current issues that their consumers care about have allowed them to garner increasing support.

Marketing Strategies

Social Media

for specific sports – including tennis, basketball, soccer, and skateboarding – each have thousands, if not millions, of followers. Similarly, their geographic accounts for major cities including Chicago, Toronto, Tokyo, and Berlin almost all have hundreds of thousands of followers. For instance, Adidas’ main Instagram account pales in comparison with only 26.4M followers; almost 9 times fewer than Nike’s.

Colin Kaepernick Campaign

Nike’s large social media presence allows them to spread viral campaigns that attract millions of people, increasing their brand engagement and awareness to reach many audiences. A notable example is the controversial 2018 ad campaign featuring former San Francisco 49ers quarterback Colin Kaepernick. On September 3, Kaepernick tweeted a picture of himself with the words “Believe in something. Even if it means sacrificing everything” on top. The picture circulated through social media and on billboards in San Francisco and New York. However, the campaign received controversy due to Kaepernick kneeling during the national anthem. After police shootings on unarmed African-American men in August 2016, Kaepernick explained that kneeling was protesting police brutality and racial injustice. Nike’s marketing officials had even considered ending their contract with Kaepernick. However, they decided that earning the approval of “urban youth who increasingly look[ed] up to Kaepernick” was more important. The 2018 campaign was highly controversial, with consumers even boycotting Nike by posting videos of them destroying their Nike products. Yet in spite of this, the Kaepernick campaign was hugely successful for Nike, resulting in a 5% increase in shares since Nike’s announcement of the Kaepernick campaign, which added $6 billion to Nike’s market value.

The Kaepernick ad campaign demonstrates a common theme across Nike’s social media accounts, which is inspiring people to achieve their full potential. As Nike states, Nike strives to “bring inspiration and innovation to every athlete* in the world. (* If you have a body, you are an athlete.)” Their YouTube channel (1.69M subscribers and 378 videos as of August 2, 2022) features ads, videos empowering women and athletes of color, series like “What Are You Working On?” (which “uncovers the works in progress happening around the world as athletes navigate the journeys in and beyond their sport”), tips to enhance or begin athletic adventures, and more, many featuring famous athletes. They even have series for kids, like the Nike PLAYlab, which is “a safe space where [they] give kids the resources to make their ideas come true...[by encouraging] a new generation of innovators to think outside the box, play their way and share their ideas with others.” This direct appeal to their audiences is a reason why Nike is so successful, and can be seen in their other social media accounts as well. On Instagram, Nike (@nike) inspires followers through their motivational ads, short films, documentaries, and photos, featuring athletes and their stories. They also keep their followers up to date about sports news, truly appealing to their audience’s interests.

User Interaction

Another significant social media strategy Nike uses is encouraging consumers to interact with the brand. For example, users have a chance to “have [their] look featured” on Nike’s website by submitting a picture of themselves wearing a Nike product and mentioning Nike’s Instagram handle - a tactic not exclusive to Instagram alone. For YouTube, the entire Nike Skateboarding (SB) App YouTube channel features compilations of skateboarding tricks performed by SB App members. Kids’ submissions to the Nike PLAYlab have the chance to be featured in the site’s videos. Social media has been instrumental in Nike’s marketing tactics to increase brand engagement and awareness by attracting generations of athletes and boosting user interaction.

Other Marketing Strategies

Brand Awareness, Trial, and Loyalty

A further tactic through which Nike markets their brand is TV commercials and short films to increase awareness of their brand. Again, many of these advertisements leverage well-known athletes and celebrities, so that viewers will consider purchasing Nike’s products. In 1989, during the Major League Baseball All-Star Game, a Nike commercial was aired on TV as part of the “Bo Knows” campaign. The ad featured former baseball and football player Bo Jackson, as well as athletes like Michael Jordan and Wayne Gretzky.35 Before the ad campaign, global sales for cross-trainers were less than $40 million. After the campaign blew up, sales shot up to over $400 million.36

Nike also utilizes search engine marketing to guide consumers beyond considering their products and actually trying their products. By using search engine optimization (SEO), which uses analytics to deliver relevant search results to users,37 Nike gets placed higher in search results. This way, when users are searching for sneakers or athletic apparel, they’ll see Nike first and be more inclined to click to their websites. Nike works with SEO agencies in addition to their full-time team, working to leverage data and strategies to turn users into consumers, creating a tailored experience no matter what device they are on.38 Also, like they do with social media, Nike uses SEO to target specific geographic locations because consumers in different places have different needs.39

In addition, Nike implements electronic customer relationship management (eCRM), where they use web services to serve and maintain relationships with customers.40 For instance, to establish customer loyalty and satisfaction, Nike has a membership system which is free to join. They can join either online or by downloading a Nike app. Then, Members have access to free shipping and returns, exclusive products, and early

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39 Profitworks, “Why SEO Services Are Needed”
access to new products. Additionally, to promote sales, Nike gives Members special discount codes and limited-time offers.\textsuperscript{41} Similarly, users 16 and older can sign up for Nike’s email list for free, where they’ll be updated with sports news, exclusive offers, new Nike styles, and upcoming events.\textsuperscript{42} All these marketing techniques encourage consumers to interact with and stay loyal to Nike over the years.

**Brand Recommendations to Boost Growth**

To boost growth, as Nike shifts their focus to e-commerce especially after the pandemic, Nike’s biggest opportunity would be focusing particularly on emerging markets. Emerging markets are growing markets in developing nations which become more involved in the global economy and often grow faster than other markets.\textsuperscript{43} A major advantage of emerging markets is that “over time, they adopt reforms and institutions like those of modern developed countries...[which] promotes economic growth.”\textsuperscript{44} Moreover, emerging markets may be worth investing in because Morgan Stanley explains that there are more young people who spend more time online than those in developed markets. For example, “Consumers in Colombia and Brazil...spend more than five hours online each day, on average, creating a significant opportunity for retailers to reach a new market of customers.”\textsuperscript{45} In fact, “In parts of Southeast Asia and Latin America...e-commerce could grow 17% and 20%, respectively, over the next five years and compound annually.”\textsuperscript{46} So, if Nike invests in e-commerce within these emerging markets, such as in Asia, Southeast Asia, and Latin America, the company could reach a greater audience and grow more. However, while emerging markets have promising benefits, there are also risks. For example, the nations could be politically unstable or have infrastructure problems, which could translate to unstable economies. In addition, their market and regulatory institutions may not be as developed as those in developed nations.\textsuperscript{47} But overall, emerging markets would be a worthy investment for Nike. As Matt Friend, Chief Financial Officer of NIKE, Inc. said, “Two years into executing our Consumer Direct Acceleration, we are better positioned than ever to drive long-term growth while serving consumers directly at scale.”\textsuperscript{48} Nike’s direct-to-consumer business strategy has already shown its success, and thus, any efforts that can continue to build on that momentum will help Nike grow in the future. Nike could also collaborate with more brands and personalities, like their 2022 collaboration with French designer Simon Porte Jacquemus,\textsuperscript{49} and release more styles and designs. As media platform GUAP says, “...while Nike started as the preference, it’s been [A]didas that has since dominated the fashion and music space with creative partnerships...currently, the world values internet cache. A shoe designed by your [favorite] rapper and a brand lauded by fashion’s premier designers will always be the commercial choice. For that reason,

\textsuperscript{44} Investopedia, “Emerging Market Economy”
\textsuperscript{46} Morgan Stanley, “Why E-Commerce Growth Can Stay Stronger”\textsuperscript{47} Investopedia, “Emerging Market Economy”
\textsuperscript{48} Nike, “Fiscal 2022 Fourth Quarter And Full Year Results”
Adidas will be ahead of Nike – until the bubble bursts.” 50 Many competitors like Adidas and New Balance also collaborate with others to release new sneakers, so Nike must set themselves apart from their competitors. While Nike has collaborated with many celebrities and brands, collaborating with someone such as streetwear designer John Elliott could appeal to consumers. In fact, Elliott has included custom pairs of Nike sneakers into his collections and even LeBron James has sported some of Elliott’s previous pieces. 53 Finding unique brands and people to collaborate with that interest consumers would help Nike grow in the future.

Conclusion

Nike is a global leader in manufacturing athleticwear whose products have found their ways into many households. From their direct-to-consumer business strategy to their social media campaigns and more, these innovations are key to their future success. However, the company could grow further if they invest in e-commerce in emerging markets and collaborate with more public figures to release more styles. All in all, the brand has well earned their way to the top thanks to their effective marketing strategies.

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