

Analysis of the Marketing Methods of Nike Based on 4P Theory.

Yihan Hu *

University of Exeter Business School, University of Exeter, Exeter, EX4 4SB, United Kingdom

* Corresponding Author Email: yh554@exeter.ac.uk

Abstract. With the continuous development of information technology and socio-economic development, consumer groups are in a constant state of change in terms of their consumption patterns and habits. Therefore, it is important to analyse the marketing methods of the leading brands in the industry at any given point. This will not only allow headline companies to analyse whether their marketing methods are in tune with the times, but will also allow smaller companies to learn from the results of the analysis. This essay examines Nike's marketing tactics through the research method of literature analysis from 4P analysis method to study Nike's marketing tactics. After analyzing Nike marketing, it can be found that although the products of Nike have a huge product range, footwear products as the main commodity account for too large. In terms of price, although the pricing range is wide, it helps to attract customers but affects its brand positioning. At the same time, in terms of promotion and place, while having advantages, there are also problems such as spokesperson risk and insufficient development of online channels.

Keywords: Marketing strategy, Nike, 4P theory.

1. Introduction

As people are more and more concerned about health, People demand for sports products is greatly improved. In 2018, the revenue scale of China's sporting goods industry was 162.9 billion yuan, an increase of 9.7% compared with 2017, far exceeding the GDP growth rate. It is expected that the sporting goods industry and industry scale will reach 200 billion yuan by 2020.

Nowadays, due to the influence of the popularity of mobile internet, the traditional marketing communication is no longer advantageous, i.e. this single marketing communication channel is not able to drive the marketing programme for the overall sporting goods brand. However, social media as a multi-media approach has become more dominant and the traditional marketing communication has been transformed. Compared with traditional marketing communication, this kind of communication strengthens the interaction between customers and sports brands; at the same time, the marketing programme also needs to be transformed from the enterprise-led marketing communication "from the inside to the outside" to the consumer-oriented "from the outside to the inside". Correspondingly, marketing communication programmes in line with the characteristics of the mobile Internet era have also begun to appear. Specifically reflected in the integrated marketing communication model as the core of its own brand marketing strategy. In addition, the "same voice, same image" communication between different channels can not only help enterprises to achieve their own marketing communication goals, but also help the brand to establish a corporate image to promote consumer shopping. At the same time, the influence of big data technology to solve the sports brand in the face of integrated marketing cannot quantify the defects of marketing communication effect. Therefore, it is using big data technology that multi-channel marketing communication programmes based on corporate identity systems are gradually being recognised by many brands. Nowadays, due to the influence of the popularity of the mobile Internet, traditional marketing communication no longer has an advantage, that is, this single marketing communication channel is not able to drive the marketing programme for the overall sporting goods brand. However, social media as a multi-media approach has become more dominant and the traditional marketing communication has been transformed. Compared with traditional marketing communication, this kind of communication strengthens the interaction between customers and sports brands; at the same

time, the marketing programme also needs to be transformed from the enterprise-led marketing communication "from the inside to the outside" to the consumer-oriented "from the outside to the inside". Correspondingly, marketing communication programmes in line with the characteristics of the mobile Internet era have also begun to appear. Specifically reflected in the integrated marketing communication model as the core of its own brand marketing strategy. In addition, through the "same voice, same image" communication between different channels can not only help enterprises to achieve their own marketing communication goals, but also help the brand to establish a corporate image to promote consumer shopping. At the same time, the influence of big data technology to solve the sports brand in the face of integrated marketing cannot quantify the defects of marketing communication effect. Therefore, it is through the use of big data technology that the multi-channel marketing communication programme, which is based on the corporate identity system as a guideline, is gradually being recognised by many brands.

Nike is one of the most successful companies in the sports brand industry. In 1972, Phil Knight and Bill Bowerman changed the name of the Blue Ribbon Sports Company to Nike and unveiled a new running shoe, developed and designed in-house, at the AB Show, the first American sporting goods exhibition in Chicago. Thus, the Nike brand was officially created [1]. Since its establishment in 1972 in the United States, Nike has more than 750 shops around the world. And, in 2022, Nike occupies the number one position in the United States with 18% market share, followed by Adidas, which occupies 6.4% of the U.S. market share. These figures prove to consumer that Nike is already a relatively mature and successful sports brand. Therefore, it is essential to analyse the marketing strategy of the Nike brand. This will not only allow brands that are still developing to learn from Nike's successful experience, but also to find more suitable marketing methods for themselves and to achieve better development. The research topic of this paper is to analyze of marketing strategy of Nike based on the 4P theory. The research method of this study was to document analysis.

The plan of this paper is as follows, firstly, to analyse the advantages and disadvantages of Nike's marketing strategy from the perspectives of product, price, place and promotion, and then to analyse the shortcomings and put forward suggestions for improvement.

2. Marketing Strategies Analysis

2.1. Product Strategies

Firstly, from the point of view of Nike's own products, it is obvious that Nike's product coverage is much higher than that of its competitors. The right way for enterprises to create brands is to grasp the trend of differentiation, innovate categories, create brands, develop categories, grow brands, manage multiple categories with multiple brands, and ultimately form a brand tree [2]. The products of Nike are mainly based on sports equipment, covering equipment for football, basketball, cricket, track and field, as well as footwear. Nike's products are mainly in the categories of footwear, apparel and sports equipment, which cover almost everything needed by the sports industry. Nike's product categories are footwear, apparel, and sports equipment, which cover almost everything that is needed in the sports industry. At the same time, in each product area, Nike constantly adhere to self-development, in the shoe cushioning technology and so on have many their own patents and exclusive technology. Another characteristic of Nike's products is strong product consistency. Visual identity is the most important function of a sports brand logo, and relying on a distinctive personal logo to differentiate the brand from competitors is an effective means for modern enterprises to compete in the fierce market [3].

As an example, almost all of Nike's products have Nike's iconic swoosh logo, which makes it easy for consumers to distinguish Nike's products from other products. At the same time, when Nike launches new products in its famous product series, it tends to approach the modeling characteristics of the old products in the modeling of the new products, so that customers can closely associate Nike products with the same series. This fully reflects the effectiveness and importance of Nike's marketing tactic of fully demonstrating its branding on its products.

However, the problems faced by Nike in developing its products are also obvious. In terms of products, according to Statist data, in 2023, 68% of Nike's revenue share will come from its own footwear products, and the revenue share of equipment will be only 4%. This shows the over-reliance of Nike's revenue on footwear. This indicates that once Nike's footwear products are in trouble, its revenue share will receive a huge hit in addition, Nike's business is mainly in the sports industry, which indicates that the development of the sports industry also affects Nike's revenue to a large extent. According to DMR, during the 2020 global pandemic, Nike's total annual revenue saw its only decline in recent years to just \$27.4 billion, not even surpassing 2014's revenue due to the recession in the sports industry.

2.2. Price Strategies

Nike's pricing is characterised by the breadth of its pricing range. Taking Nike's footwear products as an example, Nike has both affordable trainers under \$100 and high-end trainers priced over \$500. This price setting makes Nike's different products acceptable to different classes of consumers. For consumers, they can buy running shoes with the Nike logo and Nike technology for less than \$100. Similarly, for professional athletes, they can spend more money to buy Nike's latest, cutting-edge technology footwear, and Nike also has flexible pricing for some of the most sought-after series, Nike will be limited to a limited number of products and flexible pricing, which allows Nike to get a higher return on this type of product.

But at the same time, this kind of pricing also has a big problem.

First of all, Nike's pricing standards are so wide that it is easy to lead to the loss of its customers. Nike's brand pricing of most of the products is to take the strategy of high pricing. The reason why Nike can also have good sales at high price points is mainly because to seek to create an image of g high-end products to consumers [4].

But, due to Nike's current pricing model, it indicates that it is now not only focusing on the high-end market. This has damaged Nike's brand image in the minds of some of the customers who focus on high end products and believe that Nike is changing from a high-end brand to a low-end brand. This is likely to make this group of customers stop choosing Nike's products and choose other sports brands that only make high-end products. At the same time, Nike have to face a lot of pressure in the consumer market of affordable products. Although Nike has lowered the price of some of its own goods, but because many of these products do not have the Nike products of the current technology, so also face a reduction in competitiveness. The price is not necessarily as cheap as other brands, and the wearability is not necessarily the best.

2.3. Promotion Strategies

As discussed in terms of promotion, Nike also has a lot to offer. First, Nike sells products with regional characteristics in some regions. As an example, Nike Experience Store has a unique "Shanghai City Experience Store Series", with the characteristic Shikumen brick walls, trendy designs with the word "Shanghai" everywhere, in addition to the "Run Shanghai" print series that was launched in real time earlier to follow the Shanghai Marathon season, and the limited-edition T-shirts that are only available at 001 Experience Store worldwide. In addition to the "Run Shanghai" print collection, which was launched in time for the Shanghai Marathon season, there is also a limited edition of T-shirts that are only available at the Shanghai 001 Experience Store worldwide [5]. Secondly, as a sports brand sold worldwide, Nike started using models of different races and body types for its advertising campaigns at an early stage. This demonstrates that Nike is a brand that treats its consumers equally, a behaviour that may make people more inclined to buy Nike's products. In addition, in terms of endorsement, Nike chooses many celebrities and sports stars who are famous in various fields as its endorsers, such as Michael Jordan and LeBron James in basketball, and Federer in tennis, etc. This not only makes the fans of these celebrities more interested in their products, but also makes them more willing to buy Nike products. This can not only make the fans of these stars to

support their idols and have a desire to buy the products of Nike, but also can associate the high quality and superior strength of these stars with the Nike brand.

The potential risks of the promotion of Nike come mainly from its endorsers, and the high degree of bonding between the Nike brand and its endorsers means that Nike has to bear the risk of reputational damage to its endorsers in the event that they receive negative publicity. Damage to a brand for this reason is generally irreversible. In addition, unless the relationship with the celebrity is very long or the product is really good enough, it is very difficult for Nike to retain these customers after the contract of celebrity with Nike expires. Even when the endorser moves on to a brand of competitor, this segment of consumers will shift to the competitor.

2.4. Placement Strategies

In terms of sales channels, Nike also has a good track record compared to its competitors. Offline, Nike has over 1,000 retail shops worldwide, and also works with distributors to sell their products in multiple sports shops (e.g. JD sport). This largely satisfies offline consumers. Online, Nike was one of the first sports brands to offer online shopping on its website. And in the last decade, the online net sales of Nike have grown by leaps and bounds, reaching 11,741 million USD in 2022, about 10 times the 2014 figure. This is a testament to the success of the online sales channel of Nike.

Despite the ostensibly gaudy numbers, the disadvantages of Nike remain. The most notable point is the online sales channel. Although Nike is one of the earliest brands to start its online business, it has not made much change to its online sales model in recent years. But, with the popularisation of mobile devices and the arrival of the information age, consumers are unable to effectively distinguish the information they need in front of the huge amount of data, and along with the serious information overload and the replacement of related information technology, consumers may even actively or passively appear "information barriers" to segregate the information, which leads to the inability of advertisement information to effectively reach users. This results in advertising messages failing to effectively reach users [6]. This means that Nike needs to find a better way to promote its online sales.

Taking Chinese online sales market as an example, the hottest online sales channel nowadays is to sell goods through live broadcast in short video software or online shopping software. Many local Chinese brands have been able to capitalise on this trend and have seen rapid growth. In the context of mobile Internet, traditional big brands also have to participate in the new wave of technology. They have completed the accumulation of brand equity in many years of brand communication, and in the face of mobile Internet technology, they have to put down their stature into the mobile Internet brand communication [7]. Brands like Adidas have been conducting live broadcasting business in China for a long time. But Nike has not sold live on these types of platforms since it only tried four short live streaming campaigns in 2022. In other words, the sales model of Nike for online sales channels may be outdated at the moment, and there is still a huge untapped potential for online sales. The sales performance of Nike has also paid the price for its lagging behind, in the case of Nike China, the revenue of Nike in the Greater China market continued to decline in the last quarter of the fiscal year 2021 (March-June 2021): according to the financial report of the third quarter of the fiscal year 2022, the revenue of the Greater China region was \$2.16bn, a year-on-year decline of 5%, making it the only region with a negative growth in that quarter. The only region with negative growth in the quarter. By category, footwear declined by 4%, apparel by 11%, and instruments by 8% [8].

3. Suggestion

Nike's product problems are mainly over reliance on footwear and the influence of the sports industry. In order to solve the problem of over-reliance on footwear, Nike should try to increase the proportion of its products in apparel and equipment. Taking apparel as an example, Nike can try to co-operate with younger or more current designers to produce apparel products that are more in line with the public aesthetics. Nike could learn from Adidas and open a branch brand (Clover) that specialises in producing trendy clothing products. This makes the sub-brand products firmly bound

to the word "trend" in people's minds. When they recognize brand to brand names, they will think that this product is fashion, rather than the traditional sporting goods [8]. This change can somewhat change the inherent impression of Nike of producing traditional sportswear in the minds of consumers, thus attracting more young consumer groups. For the dependence on the sports industry, Nike can transform some of its products under its own banner, so that sports goods into life and leisure products. Take classic Air Jordan 1 as an example, in the early days, the product was used as a sports basketball shoes and basketball spokesman by everyone. But now, the product in basketball cannot meet all the athletes, but because of its design in line with the public aesthetic, very many people began to use him as a casual shoes and trend single product, which makes the Air Jordan1 in the present still has a very considerable sale.

The problem in terms of price is mainly in the low-priced products of Nike will not only reduce the image of its high-end brand from one aspect, but also in the low-end market does not have too high competitiveness. As a solution, Nike can try to make the low-end route of goods independent, as a special series or even sub-brand. This will make it less easy for consumers to combine the two product lines at different price points. The mid-range and high-end products of Nike can also maintain their image in the minds of customers.

The recommendations for the channel focus on boosting the online channel sales of Nike. Currently, the online sales of Nike are mainly concentrated on the official website and the websites of retailers. Although there will be advertisement links to jump to the official website, but the purchase of customer desire stimulation is relatively limited. In the era of experience economy, faced with the challenges of product homogeneity and personalised consumer demand, the effectiveness of relying only on satisfying consumer demand to enhance the competitiveness of enterprises has declined, and the use of new information technology means to create consumers from the outside to attract the attention of consumers and satisfy the personalised requirements of consumers is able to play a certain degree of promotion [9]. Nike can try, more trendy online marketing sales channels, such as live sales.

The five stages of attention, interest, interaction, sharing and purchase are the new consumption model in the social media environment. Among them, interaction realises direct dialogue between consumers and brands, subverting the whole consumer buying process and bringing it closer to the core of marketing [10].

The way of live sales can increase the communication between the seller and the customer, and better show the consumers the real appearance of the goods they need to buy. At the same time can be added in the live process of some ultra-short time limit discounts to stimulate the desire of customer to buy.

4. Conclusion

In conclusion, this thesis firstly introduces the brand background of Nike. Subsequently, by analysing the marketing practices of Nike in the order of product, price, promotion and place, it is found that existing advantages of Nike mainly lie in the wide coverage of products, large price range, and promotions with spokespersons in various fields and regional specialties, as well as the diversity in sales channels. However, while possessing these advantages, Nike also has marketing problems such as too large a proportion of professional sports footwear products leading to easy influence, a large price range is not conducive to the establishment of high-end brand image, the existence of spokesperson credibility crisis and not exploring the latest sales channels. After analysing, this thesis puts forward the suggestions of opening different sub-brands to increase the types of goods for sale and differentiate the price positioning of goods, as well as expanding their online sales channels through the way of live broadcasting sales. The suggestion of expanding sub-brands would allow Nike to develop a low-cost, casual line of merchandise without changing the overall high-end, athletic positioning of its main brand. The suggestion for online channels will also allow Nike to catch the wind without falling behind in the new era of information technology development. The limitation of

this thesis is that the data and information in this thesis are mainly from the literature, and there is no actual survey on the public's marketing ideas about the Nike brand through questionnaires and other forms of research, so the reality may be a little biased. This thesis hopes to analyse Nike's marketing strategy more effectively and specifically in the future with more accurate and effective data proof.

References

- [1] Chang Yihang. A comparative study on integrated marketing communication of sports brands—A case study of Nike and Lining. Jilin University, 2019.
- [2] Chang Shengliang, Jiang Liang, Li Hongjun, Xie Mingzheng, Zhang Yubao, Zou Juanhua. A comparative study on the marketing of domestic and international first-tier sporting goods brands - Taking Nike, Adidas and Li Ning, Anta as an example. *Journal of Hebei Institute of Physical Education*, 2016, 30(6).
- [3] Song Yangyan. Communication strategy of Nike advertisement in the perspective of intercultural communication analyses. Chengdu Sports Institute, 2022.
- [4] Wang Cheng. A study of Nike's social media marketing strategy. Beijing Sports University, 2015.
- [5] Hou Jun. Anta Li Ning can take advantage of the momentum to take off and crush the Nike Adi? *China Economic Weekly*, 2022, (7): 88-89.
- [6] Ji Shengnan. A study on marketing strategies of event marketing in the sports goods industry - The Nike Breaki ng challenge programme as an example. B Beijing Sports University, 2019.
- [7] Zhu Xiaotong. The brand communication under context revolution-Taking Nikerunning As a case. Anhui University, 2016.
- [8] Duan Yuchen, Ma Jiewen, Wang Yali, Xin Xiangyin, Zeng Yi. Research on visual marketing of sports brand experience stores - based on the comparative analysis of Nike and Li Ning. *Market Modernization*, 2020, (20): 3.
- [9] Wang Shaoyuan. Research on marketing reform of sporting goods enterprises in the era of big data - taking Nike and Li Ning as examples. Chengdu Sports Institute, 2018.
- [10] Zhang Zheng. Comparative analysis of marketing strategies of sports brands - Taking Nike and Li Ning as an example. Guangdong University of Foreign Studies, 2017.