

Analysis of Nike's Corporation and Soccer Strategy

Written Assignment

submitted to

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List of Abbreviations

EPL	English Premier League
FIFA	International Federation of Association Football
FY	Fiscal Year
KPI	Key Performance Indicators
PESTEL	Political, Economic, Social, Technological, Ecological and Legal
PFCs	Per- & Poly-Fluorinated Compounds
SWOT	Strengths, Weaknesses, Opportunities and Strengths
US	United States

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1 Introduction

1.1 Abstract

“Nike is the largest seller of athletic footwear and apparel in the world.”¹ Using a variety of strategies, Nike, Inc (Nike) has become a world-renowned brand and is continuing to rise and expand their business internationally. As Nike is an athletic company dealing with a wide array of sports, it is of their best interest to expand their brand within soccer, the world’s most popular sport.

Nike sponsors many tournaments, teams and elite players. In order to spread their brand awareness and generate revenue, they use these sponsorships in their marketing strategy. Nike is not without competition, however, as Adidas, Puma, and Umbro are among several companies fighting for market share in this crowded market. Nike has proven that with their strategies that they are the most successful sports apparel and equipment company in the world.

1.2 Problem Definition and Approach

Competition in the soccer footwear, apparel and equipment market is increasing as competitors are seeking to gain market share from Nike and Adidas.² Soccer is an international sport that is becoming increasingly digital as fans are able to interact with brands in a way that is changing more rapidly than ever before.³ A company’s success within this sport could lead to exponential growth in the future.

The fact that soccer is so popular and that there are so many competitors puts Nike under pressure. Competing companies are constantly and aggressively looking for ways to create effective products and marketing campaigns for their contracted players. If Nike wants continued success in the soccer industry, they must act appropriately to continue owning market share in such a crowded industry.

¹ Nike, Inc 2019b, p. 69.

² Cf. Hofer 2018.

³ Cf. *PwC (Unknown).

The objective of this research paper is to analyze Nike's strategy in the soccer industry. First, there will be a company overview of Nike stating Nike's mission and key metrics that help them succeed. Second, an analysis of the soccer industry's external and internal environment will be conducted stating what Nike must keep in mind when continuing their operations. Then Nike's soccer strategy is examined before explaining why Nike should not change their strategy.

2 Nike Company Overview

2.1 Type of Business/Industry

Nike's "principal business activity is design, development and worldwide marketing and selling of athletic footwear, apparel, equipment, accessories and services."⁴ Nike has created a world-renowned brand. Earning over \$39 billion dollars in revenue in Fiscal Year (FY) 2019, it operates mainly in North America but operates in Europe, the Middle East, Africa, Greater China, Asia Pacific and Latin America as well.⁵

In 2019, Nike had 76,700 employees.⁶ Due to the large number of staff, they are able to operate in six major categories: "Running, NIKE Basketball, the Jordan Brand, Football (Soccer), Training and Sportswear (sports-inspired lifestyle products)."⁷ The products Nike produces are made for men, women and kids; however, they are not made only for professional use even though the products are made of professional quality. Among the other sports Nike manufactures products for include "American football, baseball, cricket, golf, lacrosse, skateboarding, tennis, volleyball, walking, wrestling and other outdoor activities."⁸

Nike is concerned with creating creative and quality products. Although the products are created with an emphasis on performance, the casual athlete or non-athletic customer often uses Nike products as well. Nike sells most of its products wholesale, but they also sell their products directly to clients through their NIKE Direct operations. In

⁴ Nike, Inc 2019b, p. 69.

⁵ Cf. CNN 2020.

⁶ Statistic 2019.

⁷ Nike, Inc 2019b, p. 69.

⁸ Nike, Inc 2019b, p. 69.

addition, they also have license agreements that allow unaffiliated companies to create and sell their products using their brand name.

Nike operates in over 45 countries and international sales account for the majority of their revenue.⁹ Nike also completely owns Converse but this wholly-owned subsidiary brand will not be covered.¹⁰

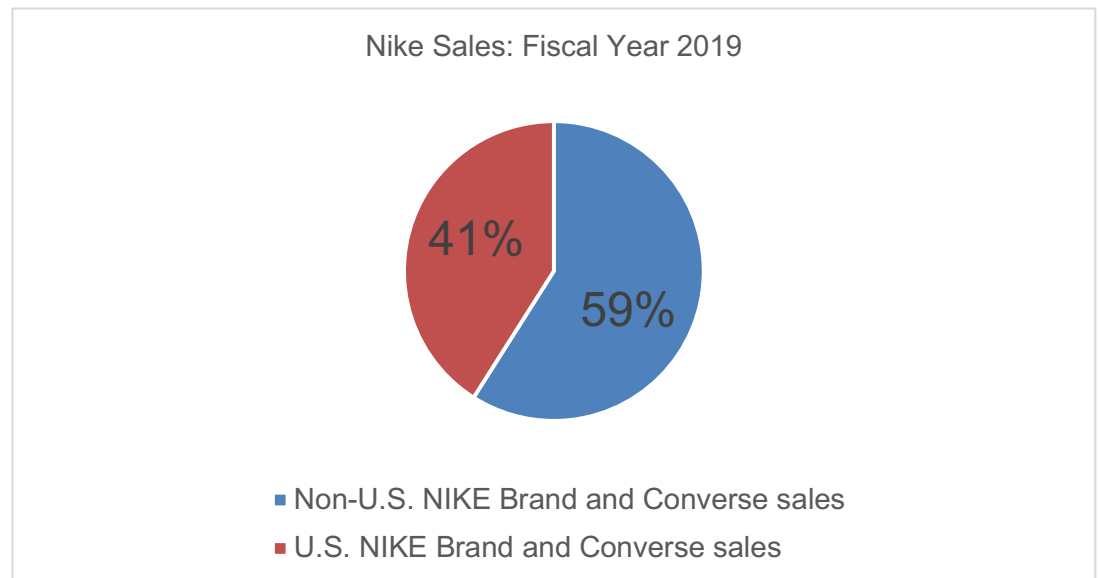


Fig. 1: Nike Sales 2019

2.2 Vision and Mission

Nike's mission statement is "to bring inspiration and innovation to every athlete* in the world. If you have a body, you are an athlete."¹¹ The asterisk is included on the word "athlete" by Bill Bowerman because every living human being is an athlete noted by the second statement. The goal of Nike is to inspire each and every individual no matter what one is involved in. Therefore, one does not have to be an elite athlete, or an athlete at all, to wear Nike's gear.

Nike effectively follows up with their motivation. By running advertisement campaigns for handicapped players, they reduce the limits on their operations.¹² Nike does not

⁹ Cf. Nike, Inc 2019b, p. 71.

¹⁰ Cf. Nike, Inc 2019b, p. 70.

¹¹ Nike, Inc 2020g.

¹² Cf. Kuhl 2008.

limit themselves to one mission, however, this can be seen from the following quote taken from their about page. “Our mission is what drives us to do everything possible to expand human potential. We do that by creating groundbreaking sport innovations, by making our products more sustainably, by building a creative and diverse global team and by making a positive impact in communities where we live and work.”¹³

2.3 KPIs and Financial Analysis

Although the objective of this research paper is to conduct an analysis of Nike’s soccer operations, in order to understand Nike as a company, an analysis of the Key Performance Indicators (KPIs) as well as financial objectives within the entire company will be examined. Nike keeps in mind many stakeholders when making their business decisions. Therefore, it is of Nike’s best interest to look at long-term goals and make the best products available so that they can continue be successful going forward.

Nike is the biggest sportswear and sporting goods companies in the world in terms of worldwide revenue.¹⁴ In FY19, Nike generated revenues of \$39.1 billion (including Converse and corporate revenues). This was an increase of 7.4% from FY18.¹⁵ Although Nike has constantly increased their revenue figures consistently through their history, in FY18, Nike generated \$1.9 billion in net income compared to over \$4 billion in FY19 and \$4.2 billion in FY17.

Nike needs to generate a surplus of net income in order to pay dividends to its shareholders, to buy back shares as well as to invest money back into the company. The biggest reason for Nike’s low net income figures in FY18 was due to the \$2.4 billion spent on income tax expenses. This was due to United States (US) President “Trump’s tax plan which obliges US groups to pay taxes for profits obtained by their foreign subsidiaries”.¹⁶ Therefore, Nike spent 6.57% of its total revenue on income taxes in FY18 compared to 1.9% in FY19.

Marketing is a substantial expense for Nike. Since FY17, Nike has spent around 9.7% of their revenue into demand creation expenses. In FY19, Nike spent more than \$3.7

¹³ Nike, Inc 2020g.

¹⁴ Statista 2019.

¹⁵ Cf. Nike, Inc 2019b, p. 118.

¹⁶ MDS 2018.

billion into advertising and promotion expenses.¹⁷ “A significant amount of the Company’s promotional expenses result from payments under endorsement contracts.”¹⁸ Nike is known for signing significant endorsement contracts with elite athletes sometimes for as much as \$60 million per year.¹⁹ Using popular athletes and different mediums to showcase their brand has proven to be a good return on investment for Nike.

The reason Nike produces a lot of their products in countries like China, Vietnam, Indonesia and Thailand is due to the low manufacturing and labor costs. “Goods manufactured in the U.S. cost 5% more compared to their counterparts in China.”²⁰ This is why “99% of all shoes sold in the US are manufactured abroad.”²¹ Nike pays close attention to its costs of goods sold. As a result, Nike has maintained an average gross profit margin of 45% during the last 5 years. In addition, Nike will pay high attention to their inventory turnover. The turnover ratio for Nike is considered positive as it constantly stays around 4.0.²² Other companies similar to Nike “based on characteristics like industry, sector, size and business operations”, generally have lower inventory ratios than Nike.²³

Costs of goods sold and selling and administrative expenses have a big impact on Nike’s net income. In FY19, 87.8% of these expenses were taken subtracted from revenue. In order to keep their profits, Nike focuses heavily on their biggest expense which is the cost of goods sold. With an average spend of 55% on costs of goods sold during the last 5 years, they will make sure that they continue working with factories in locations where the manufacturing costs are low. Otherwise, they will have a lower gross profit which will eventually lead to Nike making difficult decisions on whether to decrease salaries, spend less on marketing and player endorsements, or to consider expanding by acquiring new companies.

¹⁷ Cf. Nike, Inc 2019b, p. 97.

¹⁸ Securities and Exchange Commission 2016.

¹⁹ Cf. Andre 2020.

²⁰ Checketts 2019.

²¹ Supply Chain 2018.

²² Cf. Nike, Inc 2019b, p. 90.

²³ Cf. Finbox 2020.

3 External and Internal Environment

3.1 External Environment

3.1.1 PESTEL

As with every company, Nike has to take into consideration the macro environment to understand the external factors that affect their organization. One of the most effective frameworks for analyzing an industry's external environment is the political, economic, social, technological, ecological and legal framework (PESTEL)²⁴. The following paragraph will detail what companies in this industry need to be aware of through A PESTEL analysis of the soccer industry in Europe.

There are several political factors that each company in this industry must examine. Reputable companies in this industry manufacture and operate in many countries and each country has their own sets of laws set by the government. How a company operates in their home country cannot always be replicated in Europe. This can be better understood when looking at a nation's tax laws. For example, in Germany "Goods imported from non-EU states are subject to an import turnover tax that is equal to the VAT rates of 19 percent levied on domestic products."²⁵ "Import prices for products entering the UK from non-EU states generally consist of: Cost, Insurance, Freight and Duty, with standard VAT of 20% levied on the aggregate value."²⁶ As most of these companies operate in Asia to reduce operating costs, the import tax expense is a factor to be closely monitored.

Economic factors in this industry are also prevalent. Many apparel and sporting goods companies have their products manufactured in Asia to cut costs.²⁷ This can change, however, as labor costs in China are rising and companies are facing the need to adjust.²⁸ Higher labor costs would ultimately result in lower profits for shareholders and less cash for investments unless companies in this industry make changes accordingly. In addition, the difference in the average disposable household income per European country varies. In Luxembourg, the average disposable household income

²⁴ Cf. Johnson et. al 2018 p. 27.

²⁵ Banco Santander 2019.

²⁶ International Trade Administration 2019.

²⁷ Cf. Outdoor Industry Association 2010.

²⁸ Cf. Financial Times 2019.

in 2017 was \$39,260 compared to \$16,270 in Latvia.²⁹ Therefore, when selling products in Europe, sports companies have to consider the after-income tax income of households in order to adjust the prices of their products.

Every human has rights and social factors must be adhered to in this industry. Proactivity is becoming the standard.³⁰ Therefore, companies in this industry must provide value by promoting health-conscious activities and keeping up with trends so that consumers can live a longer and happier life. In addition, companies must provide adequate conditions for their workers. Each country in Europe has different minimum wages and proper compensation for jobs must be met to provide employees with a proper quality of life.³¹ In order to maintain reputation and to enhance brand, proper compensation for workers should be achieved through proper salaries for employees.

Consumer behavior is constantly changing and companies in this industry must remain updated on technological trends in order to compete. There are 3.5 billion users online representing an opportunity to reach almost half of the world's population through the internet.³² Soccer apparel and equipment companies not only need to be able to sell their products in their brick-and-mortar stores, but they will also need to continually push for digital trends as European ecommerce was projected to increase by 13.6% in 2019 (EURO 621 billion).³³ Technological advances can also help companies with innovations. Using the latest technologies can help companies in this industry produce products that put them ahead of their competitors and keep their consumers satisfied.

Soccer apparel and equipment companies will have to make sure that they are up to standard with environmental issues. "Clothing, and footwear can be packed with plastic and other non-durable products that are damaging to the environment."³⁴ "Many sports clothes and apparel are thrown and therefore many companies are leaning toward increasing recyclable plastic manufacturing in their production.³⁵ In addition, companies have to avoid causing damage to the environment with their business.

²⁹ Cf. Statista 2017.

³⁰ Cf. Gustafson 2017.

³¹ Cf. Eurostat 2019.

³² Cf. Ortiz-Ospina 2019.

³³ Cf. Ecommerce News 2019.

³⁴ Agnew 2017.

³⁵ Cf. Adidas 2019.

Sport's companies will need to slowly get rid of per- & poly-fluorinated compounds (PFCs) as they are linked with health concerns. "Laboratory studies have found links to reproductive problems in animals. PFCs can also last indefinitely in the environment and find their way into the animal food chain."³⁶ Avoiding harmful greenhouse gas emissions and other toxic byproducts will need to be within the plans of every company in this industry.³⁷

3.1.2 Porter's 5 Forces

When analyzing the external environment of an industry, one useful model is Michael Porter's 5 Forces Model. Michael Porter "is an economist, researcher, author, advisor, speaker and teacher" who created Porter's Five Forces Framework.³⁸ This framework "helps to analyze an industry and identify the attractiveness of it in terms of five competitive forces: (i) extent of rivalry between competitors, (ii) threat of entry, (iii) threat of substitutes, (iv) power of buyers and (v) power of suppliers."³⁹

"Football has a tremendous following in Europe, with 131 million fans in the big five European markets (Spain, Italy, Germany, U.K. and France)."⁴⁰ As a result, the entire soccer industry has many competitors. When it comes to selling soccer apparel and equipment, there are many successful companies in addition to Nike and Adidas, such as Puma and New Balance, that have their products listed on sites such as soccer.com.⁴¹ Almost all companies in this industry participate in the strategy of signing endorsement contracts with elite athletes, teams and tournaments in order to work on their brand and market their products.⁴² Although the big-name competitors in this space are numbered, all of these companies aggressively fight for market share in the European soccer space. This can be seen by looking at Fig. 2 as there are many sports companies that sponsor the most viewed league in the world.⁴³ Therefore, the extent of rivalry between competitors is very high.

³⁶ Balch 2016.

³⁷ Cf. Nike, Inc 2020d.

³⁸ Harvard Business School 2020.

³⁹ Cf. Johnson et. al 2018 p. 50.

⁴⁰ Nielsen 2018.

⁴¹ Soccer.com 2020.

⁴² Cf. Weber 2016.

⁴³ Cf. Score and Change 2019.

Because soccer is the world's popular sport in Europe (and the world), the possibility of newcomers is inevitable. In order for a newcomer to be successful, a lot of time and resources are needed. These soccer apparel and equipment companies have years of history and have already spent years of earnings on signing contracts with players, clubs, and tournaments to put their brand in the spotlight. Therefore, a newcomer would have to have a surplus of cash and a strong brand to compete. These companies have developed a reputation to secure these contracts as they have proven through their history that they can handle million-dollar deals. Because only economies of scale, reputation and a surplus of cash is needed to compete within this industry, the threat of entry is considered moderate.

Soccer is a sport that is regulated by a governing body such as the International Federation of Association Football (FIFA) who creates and regulate the rules of the game.⁴⁴ Therefore, there are certain standards that must be met. Every player is required to wear soccer cleats and jerseys whereas many spectators are likely to wear official jersey from sponsors. If a player does not wish to wear soccer cleats for a soccer game, for example, they will not be allowed to participate. Due to the fact that there are rules regulating what participants can and cannot do, the threat of substitution in the soccer apparel and equipment industry is low.

Buyers have many options in this industry. Soccer company apparel prices are comparable with quality and price and subscription contracts for customers wearing or buying a company's soccer products do not exist. Therefore, the ease of switching from one sport company's products to another is fairly high. Because there are many comparable alternatives to soccer products on the market, the power of buyers is high.

Soccer companies manufacture their products outside of their home countries and Asia is a popular choice.⁴⁵ As these businesses run at scale, they do not have one partner as their main supplier. "The typical apparel business has a vast sourcing network – potentially even more vast than many realize. While apparel business report having between 1,000 and 2,000 suppliers on average, that figure can balloon between 20,000 and 50,000 with sub-suppliers."⁴⁶ The negotiation power of the suppliers is present because companies have to sign contracts with these manufacturers;

⁴⁴ Cf. FIFA 2008.

⁴⁵ Cf. Knack 2017.

⁴⁶ Slangerup 2019.

however, if suppliers were to raise their prices unreasonably high, companies in this sector could decide to negotiate with other potential partners. Therefore, the power of supplier for companies in this industry is moderate.

3.2 Strategic Group Map

Strategic group maps are useful tools in analyzing how companies operate against competition. Information on complete market share in terms of this industry's soccer revenues are not published publicly; however, certain information on specific markets such as the English Premier League (EPL) are available. The EPL does not represent the entire scope of European football but because it is the most "watched league in European football",⁴⁷ companies recognize that having ample jersey sponsor market share would help them build brand recognition and ultimately increase revenue.

A strategic group map on the EPL can be found in Fig. 3. This map represents all of the 2019/2020 jersey sponsors in the league. Each company will want their sponsored teams to be successful in order to enhance their brand. Therefore, included in this map is the average mid-season rank of each company's teams in the EPL. Additionally, average jersey prices are also included to show the pricing position of companies in this space.

Nike own a 15% share in the EPL jersey market. Ultimately, Nike wants to be seen as a successful brand. Although they have less share of the EPL jersey market than Adidas and Umbro, at the mid-season mark, the average rank of the teams they sponsored was higher than all other competing sponsors (8th place). Nike just signed a multi-year deal with Liverpool Football Club which will add to their successful team portfolio in the upcoming season.⁴⁸

3.3 SWOT Analysis

In order to conclude the analysis of the internal and external environment for Nike, it is appropriate to use a Strengths, Weaknesses, Opportunities and Strengths (SWOT) analysis such as the one shown in Fig. 4. "SWOT provides a general summary of the Strengths and Weaknesses explored in an analysis of resources and capabilities and

⁴⁷ Kenmare 2018.

⁴⁸ Cf. Grez 2020.

the Opportunities and Threats explored in an analysis of the environment.”⁴⁹ The following paragraphs will provide an analysis of the Internal and External analysis based on this model.

Nike has several strengths in the soccer industry. They have already built a strong brand in their country and already sponsor many elite athletes, teams, and tournaments in Europe.⁵⁰ Nike is one of the most valuable brands in the world, ranking at number 16 on the Interbrand Index.⁵¹ Being such a popular brand, consumers trust in Nike’s ability to deliver. This can be confirmed by Nike’s revenue of over \$1.8 Billion in FY19 from their soccer wholesale operations.⁵² Also, because Nike is a large company with history, they are able to reduce costs with their economies of scale. This can be seen from the operations of the entire company through their net profit of over \$4 billion in FY19 which is in part due to this factor. Nike also has strong distribution channels, mainly distributing their products through wholesalers but also direct to customers and through their global brand divisions.⁵³

Nike is not without its weaknesses in the European soccer market. Nike generally has higher prices than most of their competitors in footwear due to their quality of products. “Nike’s superior brand power leads to premium pricing.”⁵⁴ If other companies constantly prove that they have higher quality products, Nike will need to adjust their prices. Nike, therefore, invests heavily into research and development in order to stay ahead of their competitors accordingly.⁵⁵

There are many opportunities in soccer for Nike. Nike invests heavily in soccer players involved within Europe leagues.⁵⁶ In order to stay ahead of their competitors, finding young and upcoming players to sponsor will continue to a priority for Nike. Soccer is played mainly with the feet and getting more players to wear their soccer cleats could attract casual and competitive players at all levels to do the same. In addition, there are additional soccer clubs and events that Nike will consider sponsoring. The Euro 2020 is hosted by Heineken but hosting similar international tournaments could

⁴⁹ Johnson et. al 2018 p. 97.

⁵⁰ Cf. Yoesting 2018.

⁵¹ Cf. Interbrand 2020.

⁵² Cf. Nike, Inc 2019b, p. 95.

⁵³ Cf. Soni 2014.

⁵⁴ Singh 2019.

⁵⁵ Buderl 2020.

⁵⁶ Cf. Yoesting 2019.

increase Nike's brand awareness.⁵⁷ Even more possibilities are presented within each of the biggest five European soccer leagues. According to Deloitte, each of these leagues has been consistently growing since the 1996/1997 season.⁵⁸ As a result, sponsoring more successful clubs in these leagues would be to their advantage. Finally, Nike has mentioned that they are leaning toward going digital and direct to consumers with NIKE Direct.⁵⁹ Cutting out a number of distributors could not only help Nike increase their revenues but also help them provide better value to their customers as e-commerce growth in Europe is steadily rising.⁶⁰

The fact that this industry is filled with competition is a threat.⁶¹ Companies in this industry are fighting for the same customers and therefore Nike must consistently prove that they are better. Adidas, Puma, and Umbro are among the high-performing brands that are eagerly contemplating how to gain an advantage. In addition, fluctuating exchange rates is also an issue for Nike as they operate with the US dollar. "One of the things that we did four or five years ago is to start deconstructing our payments to the factories into a basket of currencies as opposed to one currency, which lets us get natural offsets to some of the currency exposure. The second thing is that we adjusted or we do adjust payments to the factories on the basis of how those currencies move. So that helps us also net down our foreign exchange exposure."⁶² However, currency volatility is something that every company in this industry must manage.

4 Nike Soccer Strategy

4.1 Company Strategy According to Porter's Strategy

Referring to Porter's generic strategies, Nike uses a broad differentiation strategy in the soccer industry. "Broad differentiation is a strategy that is applied across an industry, appealing to a broad range of shoppers."⁶³ Nike appeals to customers between

⁵⁷ Cf. Buderl 2020.

⁵⁸ Cf. Gough 2019.

⁵⁹ Cf. Danzinger 2018.

⁶⁰ Cf. Statista Research Department 2019.

⁶¹ Cf. Danzinger 2017.

⁶² Guyot 2015.

⁶³ Hendricks 2020. *cite source

the ages of 15 to 45.⁶⁴ Because they target so many different types of consumers from different countries,⁶⁵ Nike continuously proves through the development of their products that they are significantly better than their competitors while offering relatively reasonable prices.

“Nike sees no need to market to a specific niche. Therefore, it markets to inner city kids as well as kids from the suburbs, weekend athletes, serious athletes, people who want to look like athletes, female athletes and people of all sexes, ages and sizes that want to look like athletes.”⁶⁶ In order to make this a reality, Nike soccer produces products at different price points. This can be confirmed by searching on their website or through one of their retailers.⁶⁷ In addition Nike is constantly proving that they are different than their competitors by using successful elite athletes. Having Cristiano Ronaldo and Lebron James as players in their sponsorship portfolio reflects that Nike’s products are different, producing talented players with results.⁶⁸

4.2 Marketing Strategy of Nike Soccer

4.2.1 Target Markets

Nike has an international strategy and because soccer is played by over 200 countries in the world, the opportunity for untapped growth is massive.⁶⁹ As an entire organization, the proportion of sales Nike receives from the US is diminishing. In FY19, Nike’s US sales were 41% compared to 42% and 46% in previous years. 59% of Nike’s total revenue came from international sales which was an increase of 54% and 58% from the previous two years.⁷⁰ Nike has recognized this as their brand is already recognized as the top sports icon in its home country.

The current target markets for Nike in terms of soccer is definitely Europe. Adidas is the number one soccer brand in Europe and becoming the number one soccer brand

⁶⁴ Cf. Oberoi 2019.

⁶⁵ Cf. Nike, Inc 2019c.

⁶⁶ Course Hero 2020.

⁶⁷ Cf. Nike, Inc 2020e.

⁶⁸ Cf. Goal 2018.

⁶⁹ Cf. Reference* 2020.

⁷⁰ Cf. Nike, Inc 2019b, p. 71.

is undoubtedly a goal for Nike.⁷¹ Therefore, continuing to push for brand awareness and recognition in the top leagues in Europe is the best option. By sponsoring elite players, teams and tournaments in Europe they are grabbing market share in an already competitive market.⁷²

As mentioned, the EPL is arguably the most popular sports league in the world with some games drawing in over 700 million viewers.⁷³ In the 2019/20 EPL season, 8 brands were the official jersey sponsors of the 20 teams. Nike as among the top sponsors being the jersey sponsor of 15%, behind only Adidas and Umbro (and tied with Puma). One can also see how invested Nike is in European expansion by looking at the soccer players in their sponsorship portfolio. In 2018, 43 of the players that Nike sponsored for soccer were playing in European leagues.⁷⁴ By sponsoring these elite players, Nike is taking advantage of two investment opportunities: branding in Europe and foreign players' home country. Europe is the most popular soccer playing and viewing continent in the world and contracting players from diverse nationalities can help them reach a larger target audience.

4.2.2 Ansoff Strategies

In order to analyze Nike's soccer strategy further, it is appropriate to refer to the Ansoff Matrix. The Ansoff Matrix is tool developed by H. Igor Ansoff used to analyze the risk of potential growth for an organization.⁷⁵ There are four quadrant options for a product or service (market development, diversification, market penetration and product development). After closely analyzing Nike's soccer strategy, they partake in market development and product development strategies. Diversification and market penetration for Nike in terms of soccer is not as prevalent.

Nike uses a market development strategy expanding into new markets. Originally, Nike is a US company but now they operate in over 45 countries.⁷⁶ An example of their expansion strategy can be seen through the clubs that they sponsor. Nike sponsors teams in each of Europe's top five leagues selling jerseys to people in each of

⁷¹ Cf. Silva 2019.

⁷² Cf. Weiss 2018.

⁷³ Cf. Hussy 2019.

⁷⁴ Cf. Yoesting 2018.

⁷⁵ Cf. Mind Tools Ltd 2020.

⁷⁶ Cf. Nike, Inc 2019b, p. 71.

these countries.⁷⁷ In the soccer industry, Nike is also constantly looking to get everyone involved in playing which is why they offer soccer apparel and equipment at different price points.⁷⁸ The more people they can get involved in the game, the more markets they can develop.

Market penetration is not Nike's main priority. Although there are many soccer fans who buy several jerseys, avid soccer fans often support one team; therefore, jersey sales are supposed to last for one season at minimum.⁷⁹ In terms of soccer cleats, if a player is active over three times in a week then soccer cleats should last longer than one season. A market penetration strategy for Nike soccer is not effective because fans could become quickly upset if the quality products they buy from Nike depreciate at rapid rate.

Nike constantly uses a product development strategy. Every year Nike releases new soccer jerseys for spectators and new cleats every other year for players. For example, in February 2020, Nike plans on releasing the Nike Mercurial Superfly VII which is essentially an updated version of their Nike Mercurial Superfly series.⁸⁰ Because these soccer cleats are tested and proven to be better than the one's from the previous years, many customers are willing to pay for the advantage it may give them in their game. These soccer cleats also vary by colors and are made for different playing surfaces.⁸¹ Therefore, Nike can sell more soccer cleats to advocates of their products.

In terms of soccer cleats, diversification is not Nike's biggest motive. Nike creates new products constantly, but their target is already people who are willing to play soccer. The target market for Nike's products is broad in that any soccer player can use them but it is uncommon to see players in other sports such as cricket and rugby to wear soccer cleats. Creating soccer cleats that are versatile for different sports may upset current customers and could lose them reputation and market share.

⁷⁷ Cf. Nike, Inc 2020f.

⁷⁸ Cf. Nike, Inc 2020b.

⁷⁹ Cf. Dey 2017.

⁸⁰ Cf. Footy Headlines 2019.

⁸¹ Cf. Nike 2020b.

4.2.3 4 Ps

The Economic Times defines the marketing mix as “the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place.”⁸² Therefore, when analyzing the marketing mix of Nike’s products, the four Ps can be used as a reference.

When looking at the price of Nike’s products, they are comparable to the entire soccer industry. Averaging the price of each EPL jersey on each EPL club’s website, Nike ranked as the 3rd most expensive among competing brands. Nike also offers various types of shoes for soccer players of different calibers. Within Nike’s mercurial vapor line, for example, they offer two version of Elite and Pro with differing prices.⁸³ Because of the amount of successful companies in the industry, Nike’s prices are forced to remain competitive.

It is imperative that Nike constantly improves its products. By constantly investing in R&D⁸⁴, they are creating new ways to help consumers enjoy soccer in many different ways. For example, “Nike designers pioneered the Nike Flyknit technology to deliver a peak performance shoe for athletes in a sustainable way.”⁸⁵ In addition, they also create eye-appealing designs for jerseys that people want to wear. In 2018, Nike used the Football World Cup to boost the Nigerian Men’s National team jersey sales.⁸⁶ The design of the jersey was very appealing which led to a tournament fashion trend.

Nike’s strategy heavily relies on promotion. In order to sell their soccer cleats, they use social media as well as their website to sell their products to their customers.⁸⁷ Having elite athletes under contract makes their promotion somewhat more effective because the younger generation aspires to play like the players who play on television. Among their elite players, they use YouTube to market powerful messages. “Don’t change your dream, change the world”, is the message of Dream Further, one of Nike’s most recent YouTube videos that has generated over 2 million views.⁸⁸ In

⁸² The Economic Times 2020.

⁸³ Cf. Unisport 2018.

⁸⁴ Cf. A2017 2015.

⁸⁵ Guardian News & Media Limited 2013.

⁸⁶ Cf. Paez-Pumar 2018.

⁸⁷ Cf. Islam 2017.

⁸⁸ Cf. Nike, Inc 2019a.

addition, Nike also uses advertising to place messages in public areas such as billboards.⁸⁹

In Europe and the US specifically, one can find Nike soccer products in many retail stores. Nike has their own retail stores, but they generate the majority of their sales through wholesale and brand licenses that they grant.⁹⁰ However, Nike also generates sales online through their own NIKE Direct program.⁹¹ Sponsored Nike clubs also provide their Nike-branded jerseys within their clubs' websites.

4.3 Strategy Assessment

In addition, Nike has a very broad target market. Due to the fact that soccer is the most popular sport in the world, Nike can reach a large audience. Europe has a lot of leagues, teams and tournaments that Nike could sponsor in order to increase their brand awareness. Nike reaches a large group of people through their sponsors especially since their elite players are so diverse.

Nike also partakes in market development and product development strategies. Using these strategies, Nike can continue to reach new customers while still making their current customers happy. Nike does not constantly develop new products, rather, they develop and improve the products they have by investing in research and development.

Nike uses the product mix to promote its brand. Nike has comparable prices but their promotions and products are considered very high quality. The wholesale strategy works well for Nike as that is how Nike generates the most of its revenue. Nike products are also found through their brick-and-mortar stores as well as through the NIKE Direct Online channel.

4.4 Strategy Recommendation

In order for Nike to continue being the best sports apparel and equipment brand in the world, they will need to continue fighting for market share in the soccer industry.

⁸⁹ Cf. Soccer Bible 2019.

⁹⁰ Cf. Nike, Inc 2019b, p. 69.

⁹¹ Cf. Nike, Inc 2019b, p. 69.

As there are many successful competitors in the soccer industry, Nike will need to constantly remain updated on their competition in order to outperform them in the years to come. Nike should continue to use a differentiation strategy to prove that they are most effective in terms of what they have to offer. Consumers have expectations for products and Nike's prices for their products are reasonably priced for the quality that is provided.

It is recommended that Nike continues to push for using online mediums to reach their customers and continue to provide value by reaching customers in a variety of demographic areas. Because their vision is general, they must continue to sponsor teams and organizations that have ties to different parts of the world. There are many countries and markets that have yet to be untapped. Soccer is an international sport and over 3 million people have some interest in it. Because Nike is the largest footwear provider in the world and have a proven model, they will continue to gain market share. Therefore, the recommendation for Nike's strategy, is to continue and not divert too drastically away from it.

5 Conclusion

Nike is a US company that has continued to expand. Within the soccer industry, Nike's main strategy has remained what has helped them remain successful to this day. Nike sponsors tournaments, teams and elite players in order to show that they will deliver quality to their consumers. In Europe, Nike has the potential to outperform their competitors, most notably Adidas, especially if they continue to produce eye-catching quality products and their sponsored organizations and players continue to succeed.

Nike receives most of their money from wholesale but are currently aiming to reach more customers through Nike Direct program. Using a variety of strategies, Nike, Inc has become a world-renowned brand and is continuing to gain customers internationally. Nike deals with many sports but it is of their best interest to continue innovating in the world's most popular sport. Using powerful marketing messages and elite organizations and players, Nike constantly confirms in many areas that they are the most successful sports apparel and equipment company in the world.

6 Appendix

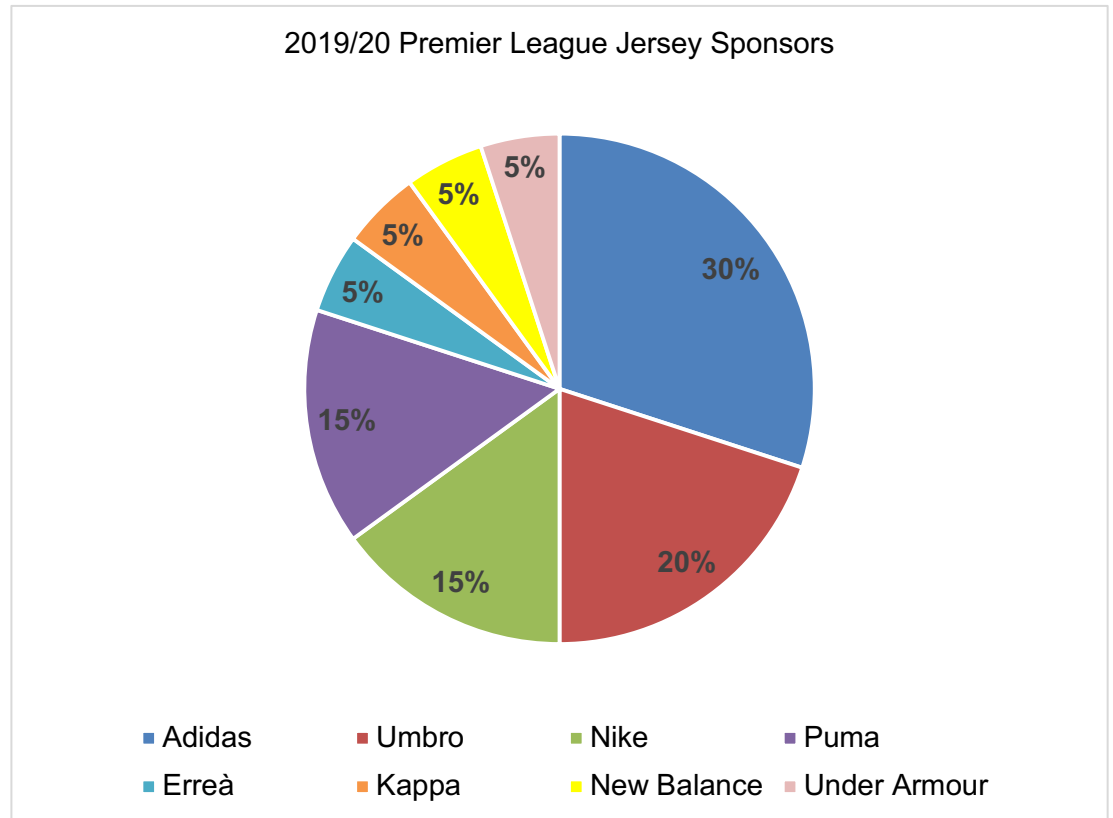


Fig. 2: 2019/20 EPL Jersey Sponsors.⁹²

⁹² Score and Change 2019.

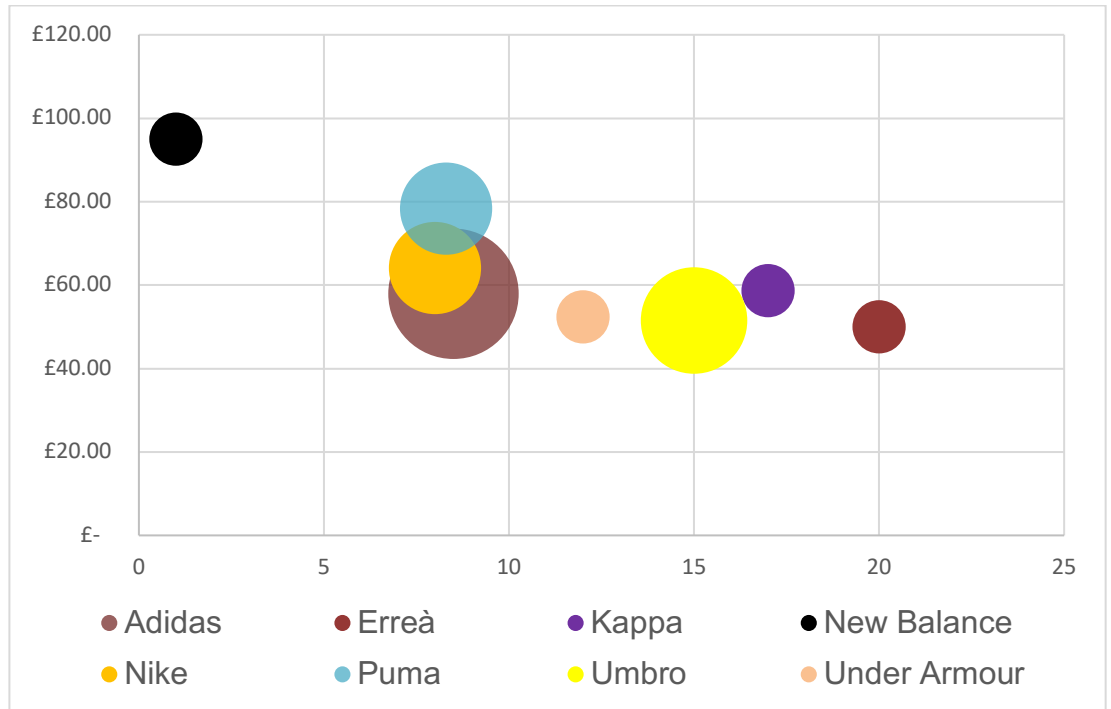


Fig. 3: ⁹³EPL Jersey Sponsors, Market Share, Average Club Rank, and Average Jersey Prices⁹⁴⁹⁵⁹⁶⁹⁷⁹⁸⁹⁹¹⁰⁰¹⁰¹¹⁰²¹⁰³¹⁰⁴¹⁰⁵¹⁰⁶¹⁰⁷¹⁰⁸¹⁰⁹¹¹⁰¹¹¹¹¹²¹¹³

⁹³ Arsenal Football Club 2020.
⁹⁴ Aston Villa Football Club 2020.
⁹⁵ Athletic Football Club Bournemouth 2020.
⁹⁶ Brighton & Hove Albion Football Club 2020.
⁹⁷ Burnley Football Club 2020.
⁹⁸ Chelsea Football Club 2020.
⁹⁹ Crystal Palace Football Club 2020.
¹⁰⁰ Everton Football Club 2020.
¹⁰¹ Leicester City Football Club 2020.
¹⁰² Liverpool Football Club 2020.
¹⁰³ Manchester City Football Club 2020.
¹⁰⁴ Manchester United Football Club 2020.
¹⁰⁵ Norwich City Football Club 2020.
¹⁰⁶ Sheffield United Football Club 2020.
¹⁰⁷ Southampton Football Club 2020.
¹⁰⁸ Tottenham Hotspur Football Club 2020.
¹⁰⁹ Watford Football Club 2020.
¹¹⁰ West Ham United Football Club 2020.
¹¹¹ Wolverhampton Wanderers Football Club 2020.
¹¹² Score and Change 2019.
¹¹³ Premier League 2019.

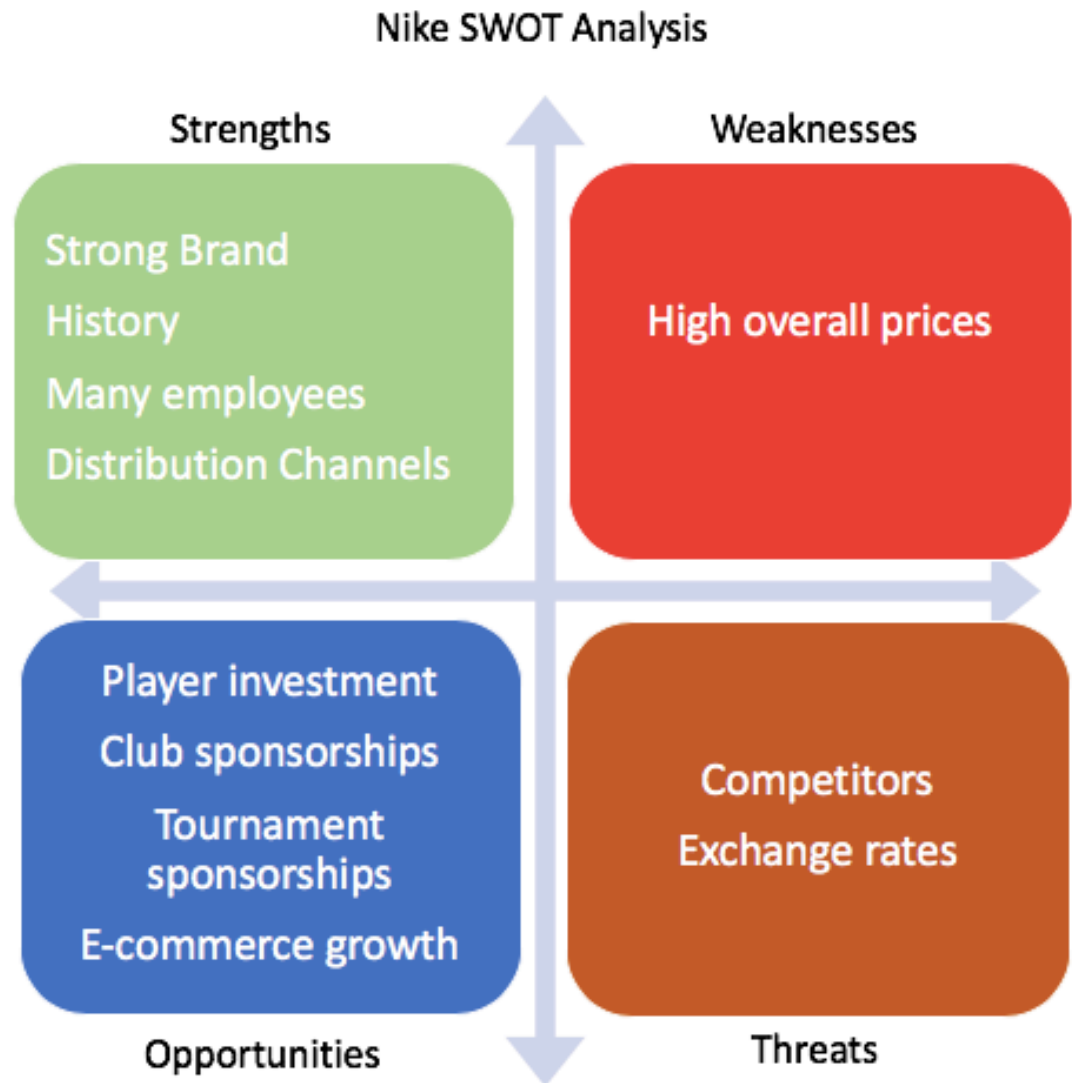


Fig. 4: Nike Soccer SWOT Analysis

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Affirmation

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This thesis was written by me independently, and I have given indication of sources whenever content was taken directly or indirectly from other sources or media. Verbatim and analogous quotes have been indicated as such. Furthermore, I confirm that there is no factual concurrence with any dissertation, final paper or thesis that I may have submitted within the scope of any previous studies. This thesis has not been submitted to any other institution or individual within the framework of an examination.

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