

Analyse and explain how Nike manage their customer relationships.

Nike was originally established in 1962, when a track and field coach (Bill Bowerman) and one of his students (Phil Knight) from the University of Oregon formed a partnership, where they came up with the idea of bringing low priced, high tech athletic shoes from Japan to dislodge German domination of the United States athletic footwear industry. These training shoes began arriving into the United States brought in by a company that Bowerman and Knight named Blue Ribbon Sports (BRS).

Bowerman and Knight always looked for new ways to improve the company, and in 1966 a new design and new company name, Nike was put forward, which was to become more successful than either of them had ever imagined.

Steve Prefontaine, the first major track athlete to wear the Nike product had significant influence on the design of Nike's running shoes. His indomitable spirit and legendary competitive passion left an indelible mark on the company (www.nike.com).

Nike marketed itself as a new and innovative shoe company that constantly had the athlete's performance in mind unlike competitor companies who focused on their products appearance and durability. From this the company has grown into a diverse and creative company that strives to produce the best and most innovative athletic footwear and sports clothes and equipment in the world.

Nike are now one of the biggest international companies in the sporting goods industry (www.nike.com).

This assignment will look at how Nike manage their customer relationships, by discussing how the company identifies customer behaviour and achieves customer satisfaction as well as establishing brand loyalty. It will address the importance of

internal customers, and also the environment in which customer contact takes place. Finally it will look at the marketing strategies that are implemented by Nike.

In today's competitive market place, customer relationship management is crucial to a company's profitability and long-term success. Nike must understand how to build profitable relationships with each customer and to make managerial decisions each day aimed to increase the customer base around the world, creating long-term relationships with customers and building up increased brand loyalty from them. With firm competition from rival companies such as Reebok and Adidas, Nike has to continually improve and extend its range of products within the market in order to stay ahead of its competition and remain at the top of the sporting goods industry on a global scale.

Nike has joined up with some great partner companies along the way to help extend its reach to a wider range of consumers as well as boosting its overall market share.

Nike has joined forces with Converse, Cole Hann, Bauer and Hurley, who each cover different sectors of the sporting goods market. Converse is a globally recognised footwear brand, while Cole Hann is a supplier of men and women's casual luxury footwear. Bauer is the world's leading manufacturer of hockey equipment and Hurley International is a premium teen lifestyle brand (www.nike.com).

Although marketing is extremely important to the success of Nike, it wouldn't be very effective without producing a quality product first. In order for a customer to want to buy from Nike again, they need to be satisfied with their previous purchase(s), and this customer satisfaction cannot be achieved without creating a product of the highest quality.

To be able to create highest quality products, Nike needs to have a good understanding of customer behaviour.

“A sound understanding of consumer behaviour is essential to the long-run success of any marketing program. In fact, it is seen as a cornerstone of the marketing concept, an important orientation philosophy of many marketing managers.” (Loudon 1993 p.10).

Nike has undergone several processes that include brainstorming, screening, developing, and testing new products. This process allows for the development of a high quality product, and a product that will satisfy customer needs and wants.

Nike has been able to develop successful advertising campaigns and effectively market their products through the hard work of the Wieden and Kennedy advertising agency, which understands the needs and desires of consumers and has successfully throughout the years marketed the products of Nike (www.nike.com).

Over the years Nike has had many different advertising campaigns, some more successful than others, but they have always been created to satisfy the public's needs and wants.

Nike has effectively marketed their products and in addition understands the importance of a quality product. They are continually improving their shoes through new technologies that are developed by their research teams. An example of this is their Shox trainers, which are designed to add a little spring to your step. This is a new technology that Nike has developed with its unique selling point to give them the edge of their competitor companies.

Another successful recent idea from Nike is the introduction of Nike ID. This idea brings Nike's history of innovation to the Internet, with a large customised footwear program set up exclusively on nike.com (www.nike.com). This allows

consumers to personalise Nike's trainers with their own individual style. This concept of putting the customer in the designer's seat for their own trainers, is yet another unique selling point for the company, which sets them out further ahead of rival companies.

Nike ID was created using the latest programming technology allowing it to load faster so the consumer is not left waiting. Nike ID offers yet more footwear solutions and the customisation options reflect both the consumers' expressive desires as well as performance needs.

Nike's understands that in order to produce a successful quality product, it is vital to know the consumer's opinion so that they can produce effective marketing.

"Customer's rarely want simply to be sold to; they want to be valued. They want their circumstances to be acknowledged and their needs to be satisfied." (Cranfield 2000 p.3).

In recent years Nike has seen a change in the focus of their advertising due to a change in society and how society views professional athletes.

Throughout most of the 1980's and 1990's professional athletes were looked up to as heroes and idols, with children and adults wanting to be like them and aspiring to attain the greatness that these athletes carried with them.

But many of today's professional athletes that are currently in the public eye can no longer be considered heroes. Many of them have had problems with the law; there have also been several drug and alcohol related problems, along with numerous arrests, that have created a lot of bad press for professional athletes as a whole.

As a result children no longer seek to be like these sports stars, they have the desire to be their own person and society stresses the importance of the individual.

Nike used to sponsor the world famous basketball player Michael Jordan, and this sponsorship became huge as they then went on to include his name in their brand and endorsed him in several of their products. When Michael retired from playing basketball, Nike sought to find a replacement, a new athlete as great as Michael Jordan and as widely accepted for children to aspire to be. Unfortunately the professional sports market no longer boasted any Michael Jordan's, and the extreme bad press that sportsmen and women had received called for Nike to alter their marketing campaigns.

Not only have young people lost some of the respect that they hold for professional athletes because of their behavior, some young people are turned off by the contract wars that go on between athletes and team managers. Also the competition that occurs over having the highest salary indicates that professional sports are no longer about sports, but just about money. In addition to the changing caliber of professional athletes there is a greater emphasis placed on the individual, and being your own person. People are proud of their uniqueness and individuality and they want to express this. This is the very reason that Nike ID has become so popular with customers.

With this new style of thinking, Nike has created new advertising campaigns to satisfy the public's needs. Dave Larson, Nike's brand initiatives director stated, "The idea for the marketing campaign came from some of Nike's own research. We went out and asked kids whom they aspired to be. We figured that we would hear, 'I want to be like Mike (Jordan)', but what we heard was 'I want to be my own person.'" (Katz 2001 p.56).

Nike's new campaigns no longer revolve around professional athletes, but rather individual athleticism and individual success. Nike has departed from using

athletes as their main form of advertisement and has moved to advertising the everyday man and woman and expressing the importance of individuality.

Recently Nike has launched many new advertising commercials based on this individuality, this campaign has been labeled ‘Nike Play’ and is the epitome of the shift that Nike has undergone to reflect the changing public opinion. This campaign stresses individual achievement and encourages everyone to participate. Nike has put on several public events and festivals to promote this campaign and reach as many people as they can (www.nike.com).

The public has responded positively to Nike’s new advertising campaigns and the difference in their focus. Many people have attended the Nike Play festivals in support of the new Nike campaign, which is based around individualism and individual sports.

Diversity at Nike means honoring the ideas, opportunities and people that drive the company. Nike appoints employees who understand their consumers and athletes, and the company recruits and trains employees with the aim of creating competitive advantage for Nike in every part of the market.

“To help diversify our supplier base, we are committed to strengthening our brand, recognition and credibility in the communities where we do business with ethnic minorities, women and physically challenged suppliers to compete for our business and provide us with creative and innovative business solutions. Most importantly we continue to build a workplace that helps every individual and community within Nike to flourish.” (www.nike.com 2004).

Nike handles its internal affairs well and has developed the idea of internal marketing, where employees are encouraged to offer their own ideas towards the companies’ plans. This improves the internal morale and operational efficiency within

Nike, while at the same time enhancing service levels to the customers therefore assisting Nike marketing campaigns.

“The logic of internal marketing is inescapable. Adopting the perspective that members of the organisation are also customers of the organisation can provide useful insights into the management of inter-functional relations and the coordination of marketing effort.” (Cranfield 2000 p.13).

As one of the largest and most successful sporting goods companies in the world, Nike can now count on the Nike name promoting itself worldwide. Along with this, the companies symbol the ‘Nike Tick’ or ‘Swoosh’ that appears on all their products further promotes the company, as the name and the symbol are both recognised globally and have a reputation for quality, performance and fashion. Nike has established a very strong brand, which has resulted in much loyalty from customers, who will not only buy their products based on the actual item being bought but will also purchase items from Nike just because they like the brand name. “A brand is an entity that offers customers added value based on factors over and above its functional performance. These added values, differentiate products and provide the basis for determining customer preference and loyalty.” (Cranfield 2000 p.171).

The ideas and goals set by the founders of Nike (Bill Bowerman and Phil Knight) still strongly exist today along with the influence of the first major sportsman sponsored by Nike, Steve Prefontaine, who personified what Nike wanted as its differential advantage over rivals with his extreme level of talent, cavalier mentality and brash attitude.

Nike has grown into a diverse and creative company, always looking to improve its market share, by producing the best sporting goods and innovating new products to give them the all important differential advantage over competitors like Reebok and Adidas.

In order to achieve this, they have paid much attention to customer behaviour and are always creating campaigns and designing products to satisfy the ever-changing needs of the consumers.

“Today, two factors are reported as much more prominent. First, the impact of new technology is perceived as today’s strongest change factor in the market. Next comes the customer, most significantly in terms of the need for increasing customer focus, backed by the perceived presence of increasingly demanding customers.” (Foss 2002 p.26)

Nike’s increase in customer focus is shown by one of its latest campaigns, Nike ID allowing customers to personalise their trainers. This campaign has been set up on the Internet, which allows for easy access, and can reach customers who prefer to buy online rather than having to travel down to shops. This is widening the number of environments in which customer contact takes place at Nike.

Marketing at Nike has yet further been enhanced as internal marketing has been encouraged, improving both internal morale at Nike as well as overall company efficiency.

In the near future, Nike will more than likely continue on with its trend of supporting the individual and athleticism as opposed to revolving its entire campaign around professional athletes. This is because of a changing view in society and because more emphasis has been placed on the individual. Successful marketing advertises public opinion, and that is what Nike is doing through their new marketing

strategies. Nike's marketing campaign reflects the popular preferences in society and the stress that society is putting on individual uniqueness.

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