

A Comparative Study of Nike's Marketing Strategies in China and the U.S.

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ABSTRACT

The article researched the similarity and differences between the marketing strategies Nike used in China and the United States. Through SWOT and Segmentation, the research conclusion is that Nike collaborates with American and Chinese celebrities and famous athletes to promote their sale of production, and China's e-commerce platform provides Nike with huge customer base.

Keywords: E-commerce, Marketing, Strategy, and Sports

1. INTRODUCTION

Nike first entered the Chinese market in 1981, and it grew rapidly. What Nike did was so efficient that it not only dominated in the U.S. but also took over the Chinese market so fast. This paper aims to study the marketing strategies Nike used. Also, the suggestion to Nike's marketing department. Since China and the United States are the two main markets for Nike, what is the difference between the marketing strategies used in the US than used in China? This research can provide some references for Nike to choose marketing strategy, which is helpful for Nike to further expand the market and increase profits.

2. NIKE'S STRATEGY IN THE UNITED STATES

Like any other domestic company, Nike develops its market segmentation. The demographic segment of Nike's

market segmentation is that Nike is focusing more on young teenagers. Young people love to play sports and exercise and pursuit fashion, so Nike would have stronger brand recognition among teenagers. But not many teenagers have their own money to purchase sneakers or apparel, so the decision on which sneakers to buy goes to their parents who evaluate the price and performance of the sneakers. The average price of a pair of Nike sneakers costs around \$80, which is marked as mediocre and affordable, and it's perfectly fine for most families in the United States. Nevertheless, Nike does not only focus on teenagers, but also on the older generation of people as well. Nike's products are affordable and appropriate for many occasions. Secondly, the psychographics segment. Nike works with many well-known athletes, such as LeBron James, to promote the products. This is one main marketing strategies for Nike and its revenues are increasing every year.

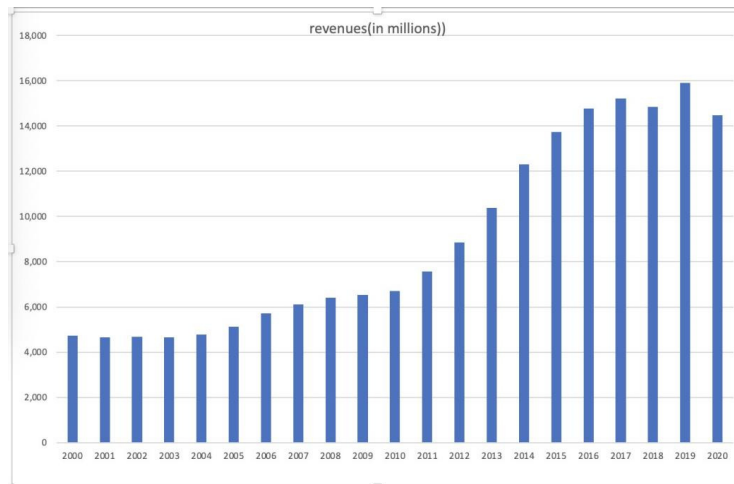


Figure 1. Nike’s Revenue from 2000 to 202 in U.S.

In the year of 2003, Nike signed two of the best basketball players in the National Basketball Association at the time. And the strategy worked out beautifully. The graph above perfectly shows it. Between years 2000 and 2003, the revenues stayed even. Since they signed those two all-stars, the revenues are slowly but steadily increasing. This is because those two players are the top players and acquired many fans. Nike uses it to make collaborated shoes and apparel. From Figure 1, the way fans support their favorite athletes can increase Nike’s sales, so the revenues would increase. Ever since then, Nike has worked with other well-known athletes not only in basketball but also many other athletes that play other sports. This only works best for college students and younger, because they all share similar attributes: love sports, admire famous people, and possess imagination. Nike successfully collaborates with athletes to promote its products and advocate Nike’s spirit.

Moreover, from 2017 to 2018 the obesity prevalence is 42.4% in the United States [5]. More and more people put health as their number one priority. People are gradually recognizing the importance of their health, which makes the consumers purchase more products that are related to health benefit. Nike has created a different variety of products for different sports and exercises to meet consumers’ various needs. People gradually realize that no matter how successful they are and how much money they make, at the end of the day, it all comes to one’s well-being.

Lastly, the behavioral segment is also of great importance to be taken into consideration. Consumers often expect to purchase a pair of appropriate sneakers and apparels. Being one of the largest sporting brands in the world, Nike provides its consumers with comfortable, high-tech, and practical products whether the consumers are engaged in athletic careers or not. Therefore, Nike has a huge market.

There are strengths and weaknesses in their strategies as well. Nike’s collaborations with many famous athletes and celebrities have proved that the strategy is beneficial in terms of sales and revenues for the past couple of decades. By focusing on young teenagers, Nike develops its own framework of e-commerce. Another advantage is that Nike’s products have low manufacturing costs. Most of Nike’s products are produced overseas, in countries like Vietnam, China, and Indonesia, which is much cheaper than producing them in the United States. On the contrary, Nike’s strategies have weaknesses, too. Macroly speaking, for the past couple of decades, the United States population is aging. By 2040, 1 in 5 Americans is expected to be 65 years old or older [4]. However, Nike’s major target consumers are still teenagers. As a result, Nike is facing a market that is falling into contraction. Moreover, having popular athletes to promote the products, Nike also can face problems when the athlete themselves appear to have some negative news, which can directly and greatly affect the brand image. Nike’s brand concept and brand value will definitely be questioned by the public, causing negative effects. Although Nike has developed many innovative products, there is still plenty of space for them to innovate. Also, Nike is facing “threats” as well. More and more American sports brands are competing with Nike, such as Under Armor and Sketchers. Nike has to spend more money on its marketing and advertising in order to keep dominating the U.S market.

3. NIKE'S MARKETING STRATEGY IN CHINA

Nike first entered the Chinese market in 1981. Philip Knight saw huge opportunities in China and started to make marketing strategies on the Chinese market. Instead of bringing its products directly to China, Nike chose to sponsor Chinese sporting clubs and sports events. During the 2008 Beijing Olympics, Nike took the

full responsibility to sponsor several teams, which potentially expanded the brand across the whole country. Nike's popularity expands, and Nike's ability to shape its brand image draws more potential consumers' attention. In the year 2010, Nike started to set "China" as an individual sector on their annual reports, including sales and revenues. After the great success Nike had in the Olympics, Nike decides to develop products that are best for the Chinese.

Nike figures the uprising middle-class population could be the best opportunity in China. As China's e-commerce system is rapidly advancing, Nike decides to enter their digital markets, such as Alibaba and WeChat. WeChat has 1 billion monthly active users, creating huge potential customers. Basketball and soccer are two major sports among teenagers, so Nike brings their advertisement and sponsorship with famous American Athletes to China and those athletes have a huge fan base in China.

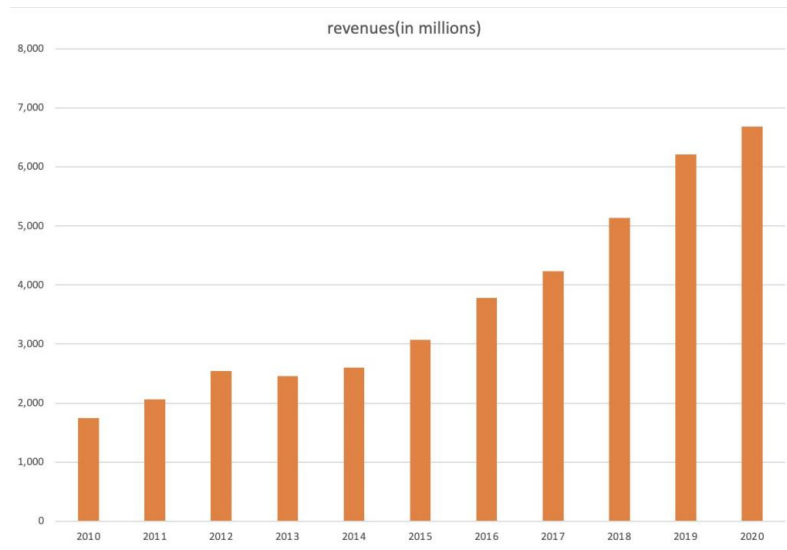


Figure 2. Nike's revenue from 2010 to 2020 in China

The reason why Nike targets young people in China is that they are in favor of fresh things because Nike has an affordable price and people always would like to try imported sports apparel for other countries. Its advertising style, slogans, and communication methods are gradually approaching young people. Nike sponsors many youth activities and maintains a good relationship with Chinese social media and news media organizations. Many Chinese athletes and celebrities decide to work with Nike as well. Having domestic athletes to support their products, Nike is able to connect with consumers more closely. Nike uses psychological methods to come up with some products that are never seen on any markets. For example, Nike recently develops shoes that are made with recycling materials. It not only can show their innovative products but also encourage people to recycle. Therefore, Nike set itself as a pioneer to lead people to potentially save the planet. Moreover, Nike designs shoes and apparel that symbolize Chinese traditional culture. Each year, the Chinese New Year theme is added to their products, which draws many people's attention. Many Nikes sponsored Athletes like LeBron James and Kobe Bryant would tour in Chinese major cities and have many sports events. As a result, more and more people would know these athletes even though many of them don't play any sports, they would meet these NBA All-stars just by

other people crowding around them and finally recognize the products.

However, there are strengths and weaknesses in Nike's strategies. China's population is aging faster than any other country in the world. In 2050, the percentage of Chinese people who are above retiring age is expected to be 39 percent, which can cause a contraction of the market. On the other hand, by focusing on young teenagers as their target consumers, Nike almost has full control over the Chinese digital market. Teenagers often times can teach their parents or older generations to shop online, especially during the COVID-19 pandemic. As everyone gradually realizes the importance of exercising, more and more sports events will be hosted. Therefore, Nike can still sponsor many of them to expand the brand image. However, Chinese domestic brands like Li-Ning are becoming popular. This could be a potential threat to Nike's customer base.

4. COMPARISON OF NIKE'S STRATEGIES IN THE UNITED STATES AND CHINA

One of the similarities that Nike's strategies in the U.S. and China are that Nike focuses on teenagers more in both countries. Teenagers tend to be the most suitable

target customers, because they are usually the ones who would wear sneakers and sporting apparels more often than other generations of customers. On the other hand, this strategy has weaknesses, too. The world's population is aging which can lead to a contracted global market. Another similarity is that Nike collaborates with famous athletes and celebrities to promote the products. In the United States, Nike works with LeBron James, Kobe Bryant, Russell Wilson, and etc. Some Chinese domestic players who work with Nike are Yi Jianlian, Ailun Guo, and etc. Many potential negativities exist as well. Mainly when the athletes appear on the news with negative reports, it could harm the collaborated products and Nike's brand image. However, one difference in both countries' marketing strategies is Nike focuses more on Chinese e-commerce. Nike takes the advantage of the advancing online shopping platforms to further connect with Chinese customers.

5. SOME SUGGESTIONS FOR THE MARKETING STRATEGIES OF NIKE BASED ON A CASES STUDY

As one of the largest sporting goods suppliers in the world, Nike competes with many other brands like Adidas, Under Armor, and Li-Ning. Like Nike, Adidas collaborates with several popular athletes and celebrities. Kobe Bryant was initially sponsored by Adidas and later worked with Nike. And famous soccer player Lionel Messi signs a lifetime sponsorship with Adidas. But Nike signs with the other popular soccer star, Cristiano Ronaldo. Moreover, in the past years, Adidas tend to create apparels and shoes that are stylish and trendy, which are not suitable for sporting purposes. Nike can use that as their advantage against Adidas, developing more products that are both for sports and for casual occasions.

Another Nike's main competitor is Under Armor. Under Armor is founded in the United States just like Nike, but much later. Similar to Nike, Under Armor set their target customers as young teenagers with lower prices in the market. Some younger generations tend to prefer smaller brands like Under Armour, whose products are more readily available. So Under Armour will continue to occupy Nike's market share in the United States. But Under Armour isn't creating innovative products like Nike. Also, Dwayne "The Rock" Johnson is the only celebrity the Under Armour's own. Compared with Nike's many superstars, Under Armour is obviously at a disadvantage in the marketing competition.

The third competitor of Nike is Li-Ning. Li-Ning is a Chinese sporting brand. In the past couple of years, more and more Chinese teenagers are in favor of Li-Ning products, because of their fashionable design. More and more NBA players are wearing Li-Ning-designed sneakers to perform in the games. Additionally, many Chinese patriotic consumers would choose Li-Ning over

Nike nowadays. In order to keep pressuring Li-Ning, Nike ought to design more fashionable products and collaborate with more domestic Chinese celebrities to keep their position in the Chinese market.

6. CONCLUSION

The article compares the difference between the marketing strategies that Nike utilizes in the United States and China. From the comparison, one similarity of the strategies is that Nike focuses on teenagers in both countries. Another is collaborating with domestic athletes and celebrities. On the other hand, the main difference is that Nike put more effort into China's e-commerce. There are many ways to improve this article. It is expected that there are more marketing models and marketing terms to better explain and demonstrate the ideas and strategies companies are using.

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