NIKE INC.

FOCUS GROUP REPORT

GROUP 9

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Executive Summary

Nike faces fierce competition in the athletic wear market. As the world’s largest producer of athletic footwear, apparel, equipment and accessories, Nike has earned a powerful reputation that inspires respect for their products from consumers and competitors alike. Those competitors, however, are always nipping at Nike’s metaphorical heels, so it is ever important that the powerhouse continues their effort to maintain their status as number one.

Nike has enjoyed the top position in the realm of athletic and sports apparel for many years. However, the athletic apparel industry is constantly changing, and to remain on top, Nike has had to employ many different strategies to stay relevant and popular. One key marketing strategy is to anticipate growing market segments and target them more heavily. For instance, in recent years the market for women’s athletic apparel and athletic leisure, or “athleisure,” wear has grown tremendously, and the increasing demand for apparel in this market has been recognized by Nike as well as by its competition. One of Nike’s biggest competitors is Under Armour, whose CEO recently stated he expects to generate over $1 billion in revenue from women’s apparel alone. Nike has increased its efforts in the athleisure market, and in addition has taken leaps ahead in diversifying their marketing campaign by targeting the average person instead of consumers trying to become “elite athletes.”

In order to maintain their market share, Nike has gauged brand perception and consumers’ association with the Nike brand, as well as measured its position when compared to its competition. Furthermore, it is important to recognize which specific type of marketing is most effective and beneficial for Nike to focus on in order to maintain its popularity amongst target demographics. The students involved in the focus group we conducted revealed Nike is considered the top brand students go to for all athletic wear. Their diversity in marketing
strategies, from using celebrities to everyday people, makes their brand relatable to all target demographics. Our focus group posited that customers respond most strongly to subtle marketing which gives a sense of inspiration. Participants expressed their resonation with Nike ads featuring “everyday people,” and were less responsive to Nike’s well-known “hero athlete” campaigns. Nike can benefit from this trend, not only from a consumer interest standpoint, but also in financial efficiency because the hero athlete campaigns and endorsements tend to cost significantly more to produce. This means Nike can allocate the same marketing budget to produce even more ads with more everyday people and continue to further their reach. Due to the face their “swoosh” logo and the Nike name are so recognizable, maintaining this line of marketing will only continue to prove to be effective.

As our findings in the focus group indicate, many young men and women turn to athletic wear for daily use in a non-sports-specific environment. Most members of our focus group spoke about their affinity for Nike apparel, and offered up multiple reasons why Nike is so successful. Many said Nike apparel is durable and high quality. Others, specifically the women in the group, said they liked how Nike’s all-inclusive product line is available in many sizes and from many different retailers. Nike and Under Armour have both been successful in transcending gender in their marketing and product lines. Both companies have been able to sell incredibly well in both the men’s and women’s athletic apparel markets. Nike’s other main competitor, Lululemon, has been less successful in any marketing attempts to men, but continue to be a threat to Nike Women’s position at the top. Nike will have to stay its course and continue to adapt to marketplace trends to make sure their target demographic, 18 to 34-year-old middle class, retains fervent dedication to the brand.
Background

Nike Inc. is headquartered in Beaverton, Oregon. It was founded in 1964 as Blue Ribbon Sports by Bill Bowerman (a track-and-field coach at the University of Oregon), and his former student Phil Knight. The sports apparel company started off as a retail outlet and launched its first Nike brand shoe in 1972. The company’s name comes from Nike, the Greek goddess of victory. By the end of 2010, Nike had retail outlets and distributors in more than 170 countries, and its logo, the “swoosh,” was recognized throughout the world.

Today, Nike markets its products not only under its own brand, but also under Nike Golf, Nike Pro, Nike+, Air Jordan, Nike Blazers, Air Force 1, Nike Dunk, Air Max, Nike Skateboarding, and many other subsidiaries including Hurley International and Converse Inc. The sports apparel company sells products for people of all ages, ranging from infants to seniors. Its core philosophy is that that anyone who is human is an athlete, and it sells products for almost all aspects of sport. The company has shoes, apparel and technology for running, basketball, training, lacrosse, soccer, baseball, skateboarding and swimming- just to name a few. It is the leading sports apparel company in the world today, and it holds a vise-grip on the top spot in market share.

Nike has consistently found a way to stay on top despite growing competition in the athletic market. Its competitors, such as Under Armour, Adidas, Lululemon, Victoria’s Secret, and Asics have had success throughout the years, but have never managed to climb to the top quite the way Nike has. In the past, Nike has been criticized for contracting with sweatshops in countries such as China, Vietnam, Indonesia and Mexico. It has also had child labor allegations and controversy regarding athlete endorsements. Though these issues have shed a negative light on Nike for some consumers, it seems they have not done much harm to the brand overall.
Regardless of bad publicity, the brand consistently stays ahead of the competition.

Nike’s marketing strategy is perhaps the largest contribution to the company’s positive brand perception and success. Nike advertisements are known for being inspiring and have even won Emmy Awards in the past. Viewers remember the way Nike commercials make them feel. The company also uses celebrity endorsements to appeal to its targets. It spends more money on celebrity endorsements than any of its competitors by a landslide. In June 2015, Nike signed an eight-year deal with the NBA to become their official apparel supplier, beginning with the 2017–2018 season. The company was also an early adopter of multimedia marketing campaigns, using internet marketing, email technology, and broadcast media to run its campaigns.

Our group set out to discover two things in our research. First, we wanted to find out what the audience’s brand perception and association of Nike was compared to its competition. Our goal was to evaluate how people viewed Nike in regards to quality, ethics and manufacturing, and whether or not that view affected their overall perception of the brand. We wanted to analyze what keeps Nike on top and why. Second, we wanted to figure out what type of marketing would be most critical for Nike to focus on in order to maintain its status in the fitness industry. We wanted to know whether Nike should move away from its current marketing approach, and where there could be room for growth and improvement.

Objectives

In order to assess how Nike maintains its status in the fitness industry and predict how the company can continue to set itself apart from the competition, we came up with the following objectives:

- *Gauge brand perception and association, and measure it compared to the competition:*

  How can we get people to view the brand more positively in regards to ethics,
manufacturing, etc.? What is keeping Nike “on top” and why?

- **Figure out what type of marketing is most critical for Nike to focus on in order to maintain its status in the fitness industry**: How can Nike move away from its failing hero approach and come up with something better?

**Methodology**

Our qualitative research was conducted using both primary and secondary sources of information. First, our group researched Nike’s history as a company, their structure, their customer base, their competitors, collaborators and the climate of the marketplace. Next, we focused on gauging brand perception and association, measuring market value compared to other athletic clothing brands (Lululemon, Under Armour, Victoria’s Secret), and figuring out which demographics keep Nike “on top” and why. Lastly, we set out to track and analyze outside factors that impact the brand either negatively or positively.

We decided to conduct a focus group, so as to better examine consumers’ insights about the Nike brand. We interviewed fellow students Demi Dailey, Alex Engelhardt, Victoria Nguyen, Monica Baerg and Steven Wong because they fit within Nike’s target demographic (18 to 34-year-old middle class). A focus group was the most effective approach to this study because it allowed participants an open forum to voice their thoughts and feelings about our brand, and provide us with the information we looked to attain. The people we selected for our focus group were also members of our class and were incentivized to participate in return for our group’s participation in their own focus group regarding Target. A random sampling method was used for our focus group, so no bias occurred.

The five students, named previously, were made up of two males and three females with a varying range of opinions. The survey was conducted by posing a series of questions and
scenarios to the group and evaluating their responses. We used this procedure to glean some insight into the different demographics within the group and how those demographics affected the way participants perceived Nike, as well as the rest of the athletic apparel marketplace.

**Findings**

**OBJECTIVE ONE**

**Gauging brand perception and association, and measuring it against the competition:**

We asked our focus group how they perceived Nike as a company, and the vast majority responded with words and phrases such as “timeless, trend-setting, and very inclusive when it came to athletic apparel and sizes of their products.” Most participants in our group viewed Nike as a top competitor in the fitness industry, and had never perceived the brand negatively. Only one participant, Alex Engelhardt, had a slightly negative perception of the Nike brand due to the company’s previous reputation with sweatshops overseas. Participants felt Nike was the most accessible athletic brand and their reputation in the fitness industry would not decline anytime soon.

Our focus group members were very knowledgeable when it came to the quality and price difference between various athletic brands. When comparing Nike to brands such as Under Armor and Lululemon, participants all agreed Nike was the best choice in terms of quality, price and accessibility. Despite some participants feeling Nike products were on the pricier side, they stated they would still buy Nike products over other brands because they knew they were paying for a high-quality product. We asked participants to rank Nike against three other athletic brands: Under Armour, Victoria’s Secret, and Lululemon. The results were very interesting. Female participants ranked Victoria’s Secret a close second to Nike because of the “athleisure” trend, but believed Nike surpassed Victoria’s Secret due to the company’s status in the fitness industry.
Participants felt Victoria’s Secret athletic apparel was more stylish and something they would wear out to class or to socialize with friends, but believed Nike apparel was their first pick when it came to choosing a gym outfit that was both stylish and comfortable. Most participants ranked Under Armour last because they felt the company’s apparel was not stylish. Steven Wong stated, “whenever I walk into Under Armour I walk back out empty handed. I can never find something I like.” Victoria Nguyen said she liked Lululemon’s athletic pants, but felt they were too pricey. She stated her friends tell her great things about Lululemon pants, but she is not willing to pay over $90 for a pair of workout pants. Participants all believed everyone purchases Nike, regardless of age and gender, because its affordability, quality, and style has made the company’s athletic wear a staple in the athletic apparel industry.

Going back to the issue of sweatshops and ethics, our focus group participants expressed the only thing that would make them stop and think about whether or not to purchase a Nike product would be the sweatshop scandal Nike had a while back. Alex Engelhardt stated the only company he might think would be better than Nike is Under Armour because he had “never heard anything bad about it, or about any shady practices regarding the company.” However, all participants agreed they would still buy Nike products regardless of whether or not the company employed non-ethical practices. When focus group participants were asking if hearing about bad manufacturing practices affected whether or not they would buy a Nike product they all said no. Steven Wong stated, “everything is made in sweatshops these days.” Alex agreed with Steven and said, “even if I knew more about it I would still end up buying a Nike product, which disappoints me.”

Our findings regarding consumers’ perceptions of Nike revealed what a strong hold Nike has on the fitness industry. Regardless of prices, style, or ethics people rank Nike as the top
competitor in the athletic apparel industry. Nike has developed such a solid reputation in the athletic industry that people are willing to turn a blind eye to unethical practices simply to own a Nike product.

**OBJECTIVE TWO**

Figure out what type of marketing is most critical for Nike to focus on in order to maintain its status in the fitness industry:

We asked our focus group participants whether or not they were familiar with Nike’s marketing and advertising campaigns, and they all said yes. The first type of marketing approach we covered was Nike’s “hero approach,” in which the company uses celebrity endorsements to sell its products. Opinions on whether or not this approach worked varied across participants. Demi Dailey brought up a great point about Nike’s celebrity endorsements. She said when she thinks of a good running shoe, she does not think of Nike because of her past experience as a runner. She would much rather buy running shoes from a running brand. However, she sees famous runners endorsing Nike running shoes all the time. “I see the prestige the company is trying to get people to see, but I think there is a disconnect between whether the athlete would actually use that as their best quality sneaker,” she said.

When asked whether celebrity endorsements were the most effective type of Nike advertising, Alex and Monica believed it was. “I think it’s effective, said Alex. “It makes me want to go out and exercise or play that sport, and think that if I bought that product I could be like that athlete.” Monica agreed and stated, “I feel if a celebrity thinks a product is good enough to put their name on it, then it must be good.” However, Victoria did not agree and said celebrity endorsements did not work on her. “I prefer seeing things about the average person, said Victoria. “Recently the company has had more real people exercising, and I think that’s really
cool and it gets people to get on their feet and feel they can wear Nike stuff and go do Nike things.” She defined real people as non-celebrity endorsers and people who are not easily recognizable. Victoria also mentioned Nike’s Instagram ads, which were pictures with captions that talked about how Nike had expanded its bra line for women who could not fit just its A-C sizes. “They said there are celebrities and athletes who needed more size inclusivity and they expanded their sized for not only women, but for the general public too,” she stated.

When we asked focus group members what Nike ads they liked the responses really showed how effective Nike’s marketing strategies are. Despite not being able to name a Nike ad off the top of their head, they all knew the way a Nike ad make them feel. Dani said she thought the “just do it” slogan with the swoosh was an effective marketing technique. “I can’t particularly remember a campaign or an ad right now, but if I saw it it’s very recognizable,” she said.
Appendix A:

Focus Group Discussion Outline

Introduction

A. Introduce yourself and pass out the consent forms.
B. Discussion will be informal.
C. Introduce topic/objectives
   a. We are here to… *Gauge brand perception and association with the Nike brand, and to measure our reputation compared to our competition.*
   b. And to… *Figure out what type of marketing is most critical for Nike to focus on in order to maintain its status in the fitness industry.*
D. Discussion Rules:
   a. One person speaks at a time
   b. Let everyone have a say
   c. No specific order
   d. Speak your mind, but be polite

General Perception of Nike

A. Who owns a piece of Nike merchandise? What do you own?
   a. What do you mainly wear athletic apparel for? Working out? To be comfortable?
B. When you think of the Nike brand, what product or products of theirs do you think are the most popular among consumers?
   a. Why do you think these products are the most popular?
C. What do you like about Nike gear?
a. Dislike?

D. What is your preferred brand for athletic apparel?
   a. Why?

E. What is your least favorite brand for athletic apparel?
   a. Why?

F. Overall, how do you perceive Nike as a company?
   a. What do you think are the company’s strong suits?
   b. What do you think are its weaknesses?

**Marketing Strategy**

A. Are you familiar with Nike advertising?
   a. What do you think of when you see an ad for Nike?
   b. What types of Nike ads do you think are most effective?

B. Are you familiar with the hero athlete approach? (explain if not)
   a. What are your opinions on this type of advertising?

C. Do celebrity endorsements make you perceive an athletic brand as being better, more high-quality?
   a. What else makes you perceive a brand as being high-quality?

D. Do you find other types of advertising more or less effective than celebrity endorsements?

E. Does celebrity controversy affect the way you perceive the company which endorses that celebrity? (Armstrong, Kobe, Tiger)

**Competition**

A. What are your opinions on the following brands/companies?
a. Under Armour
b. Lululemon
c. Victoria’s Secret Athletic Wear
d. What would you say their identity is within the marketplace? (gym brand, yoga brand, running?)
e. Are these brands successful? Why?

B. How would you rank the companies, including Nike, 1-4, with first being the best and fourth being the worst?
   a. Why would you rank them in that order?
   b. What makes an athletic brand appeal to you?

C. What is your opinion on Nike’s identity within the marketplace vs. it’s competition?
   a. Where is Nike excelling, or where is it failing?

D. What demographic do you think athletic brands should target the most right now?
   a. Why do you think that demographic is important?
   b. Are there any athletic brands you can think of that are currently targeting that demographic?

E. Which would you say is the fastest-growing line within athletic apparel- women’s line or men’s line?
   a. Why do you think that is?

F. (State women’s line is fastest growing) -- Do you think women buy athletic apparel because they are working out more, or because it’s becoming a fashion trend?
   a. What athletic brand do you think has the best looking apparel? Why?

G. What are your opinions on female-specific athletic brands?
a. Do female-specific brands target women better than brands such as Nike or Under Armour?

b. What do you think general athletic brands could do to market to a growing female demographic?

I. Manufacturing/Ethics Perceptions

A. What athletic brand do you perceive as being most ethical?
   a. Why?

B. Have you ever heard anything about Nike’s manufacturing practices?
   a. If so, what have you heard?

C. Does this affect your likelihood of purchasing Nike products?
   a. If so, what other brand does it draw you to?

D. Do you feel Nike is a transparent and honest company?
   a. Why or why not?

E. Overall, would you say Nike is an ethical company?
   a. What affects your perception of the Nike brand?
Appendix B:

Focus Group Consent Form

I hereby agree to volunteer to be in this academic study. I agree to be recorded on camera and understand that my information will be used for statistical analysis purposes and be kept confidential.
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