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Nike: From Separate Digital Initiatives to Firm-Level Transformation

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Nike is the world's leading designer, marketer and distributor of athletic footwear, apparel, equipment and accessories for a wide range of sports and fitness activities. It is headquartered in Beaverton, Oregon, and employs about 34,000 people around the world. Founded in January 1964 as "Blue Ribbon Sports," the company created the Nike brand name and the Swoosh trademark in 1971. Nike complemented its organic growth by acquiring sport apparel companies such as Converse in 2003 and Umbro in 2007. As a major global brand, Nike has paid attention to emerging digital technologies and innovations such as mobility, social media, analytics, and smart-products since the late 1990s.

Adopting digital technologies

Nike has traditionally built its business through a combination of strong innovative products, intensive brand-building through multiple media, and efficient operational processes. As the possibilities of new digital media emerged, Nike was fast to capitalize in all three areas. Until recently, enterprising business units pursued digital initiatives in typical Nike fashion: launching their own digital efforts to meet specific needs. Marketing embraced social media and the firm started embedding technology into products. Product Development embraced digital design processes and enabled extensive collaboration across the supply chain.

Getting closer to always-more-connected consumers

Nike's social media strategy was driven by changes in the way consumers interact with brands. Nike's Global Digital Brand and Innovation Director Jesse Stollak explained, *"the goal hasn't changed since the beginning of Nike — we want to connect with athletes to inspire and enable them to be better. The rise of social media provides new ways to do this."* [1] To accompany that shift, Nike built dozens of social sites dedicated to specific sports or products in Facebook and Twitter, and launched a presence in social platforms that dominated specific geographies such as Orkut in Brazil, Weibo and RenRen in China and VKontakte in Russia (see figure 1).

Figure 1: Nike's corporate presence in major social platforms all over the world (date: February 1st, 2012)

| Orkut (Brasil) | RenRen (China) | VKontakte (Russia) |

Source: Nike, Capgemini Consulting analysis

In addition to joining public social communities, Nike developed its own social offerings for the runner community. The Nike+ concept includes multiple connected components: a shoe, an Internet platform, and a device (such as an iPod, iPhone, GPS watch and FUELband) that can geo-track a runner (see figure 2). Runners can share their performance online and even receive customized advice from coaches. Nike+ is also an opportunity for the firm to improve its understanding of the consumer's needs and tastes.[2] A Wired Magazine article described Nike's capabilities as early as 2008, *"With such a huge group, Nike is learning things we've never known before. In the winter, people in the US run more often than those in Europe and Africa, but for shorter distances. The average duration of a run worldwide is 35 minutes, and the most popular Nike+ Powersong, which runners can set to give them extra motivation, is 'Pump It' by the Black Eyed Peas."*[3]

Mass-customizing products: a new model becoming reality

In the early 2000's, Nike started selling customized shoes under the NIKEiD trademark. As technology improved in the 2010's, the firm significantly improved its mass-customization capabilities. As with the case of Nike+, NIKEiD's social media capabilities play a dual role: providing consumers an opportunity to engage with the product online by sharing designs and voting on them, and providing Nike a rich source of consumer data (see figure 3). By listening to online conversations, Nike can identify the most popular designs, and sense new trends.[4]
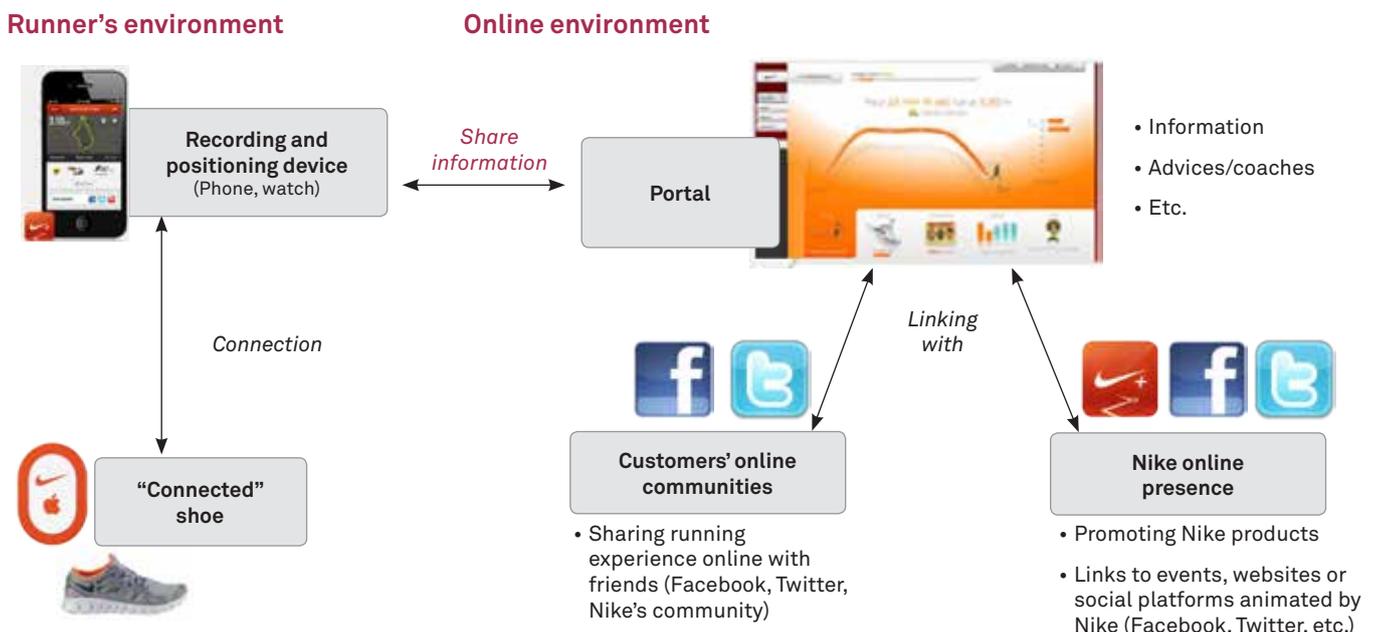
Designing products digitally

Digital technologies have transformed internal processes in addition to consumer-facing processes. One major internal change was moving from paper-based to fully digital product design. In the early 2000's, Nike started using 3D design

tools instead of pen and paper to create new products. The transition did more than improve the firm's design capability. It also supported sustainability policies and appealed to younger designers who expected digital design capabilities. CEO Mark Parker explained *"Materials, componentry, construction methods, manufacturing methods, the whole digital revolution. Knitting technology that allows you to make completely sustainable design and footwear without any cutting and stitching, without any archaic manufacturing processes. We are embedding all that thinking into the product."*[5]
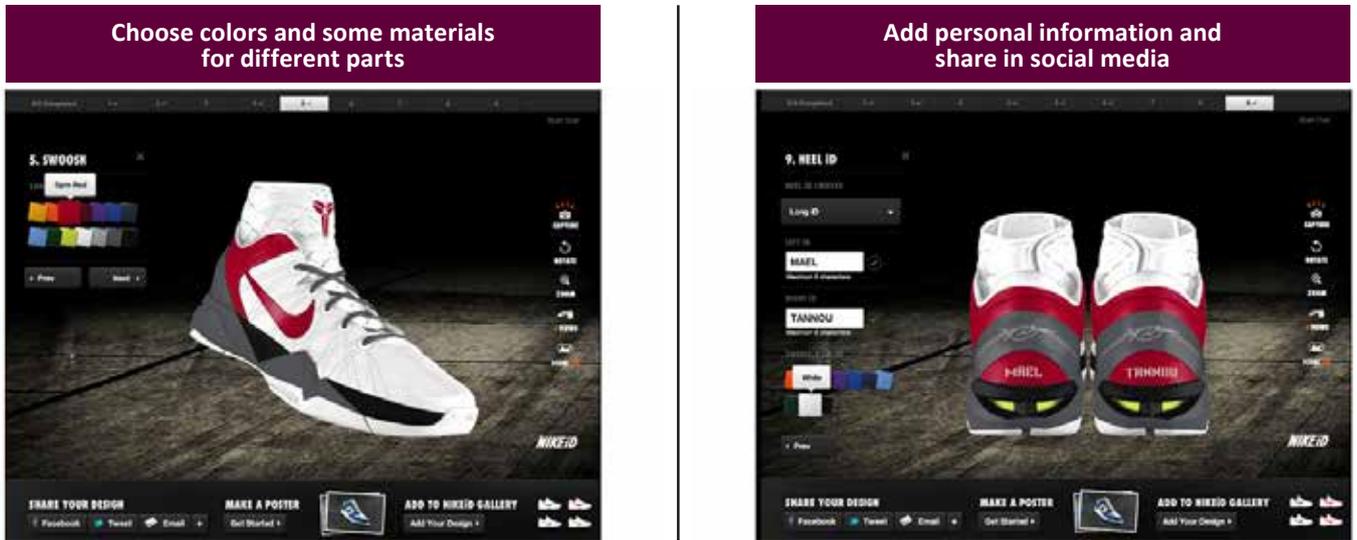
> *Digital technologies have transformed internal processes in addition to consumer-facing processes*

Figure 2: The Nike+ platform leverages multiple components to connect runners to the company and each other

Source: Nike, Capgemini Consulting analysis

Figure 3: NIKEiD offers many options to design a customized pair of shoes

Source: Nike, Capgemini Consulting analysis

Raising digital transformation to the corporate level

Recently, Nike executives recognized the need to coordinate and integrate its digital efforts. Although digital transformation was proceeding successfully in silos, the firm was missing the synergies between them.

In 2010, Nike created a digital division called Nike Digital Sport. The new unit provides skilled resources, budget, and coordination across the enterprise.[6] However, executives had an additional goal: create a unified consumer experience through synchronized operations. This enabled the company to respond to - and even shape - rapidly-evolving consumer preferences. Most customer-facing digital projects are now led by this unit, which releases products and services under the Nike+ brand. Teams of marketers, designers and IT people work together to think holistically about physical and online products and develop new digital capabilities and innovations. Innovation groups investigate new digital technologies and practices to identify potential applications in products and customer engagement.

This organizational change did not just enable new digitally-enriched products to fit customers' tastes and needs. The connected products developed under the Nike+ umbrella leverage vast amounts of very accurate customer data – a key strategic asset for marketing and product development in the new and highly competitive digital world. Looking to the future, Nike plans to continuing using technology to become ever-closer to each of its customers. *"Connecting used to be, 'Here's some product, and here's some advertising. We hope you like it,"* said CEO Mark Parker, *"Connecting today is a dialogue."*[7]

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> *The connected products developed under the Nike+ umbrella leverage vast amounts of very accurate customer data* ❞

Sources

1 http://mashable.com/2011/09/22/nike-social-media/

2 In 2012, Nike+ had over 4 million members, the world's largest runners' community. http://jobs.nike.com/oregon/product-development/sustaining-engineer-digital-sport-jobs

3 Article published in 2008 when Nike+ had 1.2 million members: http://www.wired.com/medtech/health/magazine/17-07/lbnp_nike?currentPage=all

4 See Nike Digital Privacy Policy at http://help-en-us.nike.com/app/answers/detail/article/privacy-policy/a_id/16378/p/3897

5 http://www.fastcompany.com/1676902/how-nikes-ceo-shook-shoe-industry

6 Adapted from http://management.fortune.cnn.com/2012/02/13/nike-digital-marketing/

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