

# **MGTE 31283**

# **Strategic Marketing and International Trade**

**A Critical Analysis of Nike's Entry and  
Expansion Strategies in International Markets**



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# 1.Introduction to Nike



*Figure 1 : Nike Logo*

Nike, Inc., which began as Blue Ribbon Sports in 1964, was established by Bill Bowerman and Phil Knight. The company adopted the name Nike in 1971, inspired by the Greek goddess of victory to reflect power and excellence. Based in Beaverton, Oregon, Nike has grown into a global sportswear giant with a market value surpassing USD 150 billion.

Nike provides an extensive selection of footwear, clothing, and athletic gear across various sports such as basketball, running, football, and soccer. Its cutting-edge technologies, like Nike Air and Flyknit, play a key role in maintaining its industry leadership. Moreover, its subsidiaries—including Converse and the Jordan Brand—enhance its market presence and contribute substantially to its revenue and brand identity.

## 1.1 Global Presence



*Figure 2: Nike Global Presence*

Nike operates in over 190 countries, leveraging direct-to-consumer sales, online platforms, and a vast network of retail stores. The company adapts its strategies to local markets, such as its partnership with Alibaba's Tmall in China, combining e-commerce with physical retail. Nike's brand strength, efficient supply chain, and global distribution model help it dominate in diverse regions from North America to Asia, with its products available in both high-end retail and online platforms to cater to a broad range of customers.

## 1.2 Brand Identity



*Figure 3: Just Do It*

Nike's Swoosh logo and "Just Do It" slogan are synonymous with performance, innovation, and empowerment. The brand's emotional connection is reinforced through partnerships with world-class athletes like Michael Jordan and Serena Williams. Additionally, collaborations with designers, such as Virgil Abloh, have positioned Nike as a lifestyle brand, expanding beyond athletic wear into streetwear and high fashion. Nike's effective use of endorsements continues to elevate its image globally, creating strong emotional bonds with consumers from all walks of life.

## 1.3 Strategic Importance

Nike's strategy centers on innovation and consumer engagement. The company excels in R&D, introducing cutting-edge technologies like self-lacing shoes and wearable tech with Apple. Through data analytics, Nike personalizes marketing, improving customer experience and boosting engagement. The rise of e-commerce, accelerated by COVID-19, has allowed Nike to build a loyal customer base, increasing profitability and market adaptability. Nike's diversification into athleisure and technology has solidified its position as a global leader in the sportswear market, while its continual innovation keeps it ahead of competitors.

## 2. Nike's Entry and Expansion Strategies

Nike's global success stems from strategic market entry models tailored to local economic, political, and cultural contexts. These include outsourcing, joint ventures, franchising, direct foreign investment (DFI), wholly owned subsidiaries, and digital expansion.

### **a) Outsourcing and Global Manufacturing**

Nike's outsourcing strategy, especially in China, Vietnam, Indonesia, and Thailand, enabled rapid scaling by leveraging low-cost labor. This approach allowed Nike to focus on its core competencies like design and marketing while maintaining competitive pricing and high profit margins. However, it faced criticism for labor practices in the 1990s, leading to significant improvements in corporate social responsibility (CSR), including supplier audits and enhanced labor conditions. Nike now regularly publishes sustainability reports to show progress and maintains a strong focus on improving its global supply chain.

### **b) Joint Ventures and Franchising**

In emerging markets, Nike adopted joint ventures and franchising, reducing risks by partnering with local distributors. In South Korea, a joint venture helped Nike quickly enter the market, while in India, franchising with local partners provided access to distribution networks. Over time, Nike shifted towards direct-to-consumer (DTC) models to have greater control over brand image and customer engagement. This approach allowed Nike to strengthen its relationships with consumers while improving brand consistency across different markets.

### **c) Direct Foreign Investment (DFI) and Wholly Owned Subsidiaries**

As Nike gained confidence in managing international operations, it established wholly owned subsidiaries in markets like Japan, Germany, and the UK. This approach allowed Nike to control its retail and marketing, ensuring a strong brand presence. Direct stores helped Nike tailor offerings to local tastes and culture, particularly in regions like Japan, where sports culture is significant. The company's success in these established markets can be largely attributed to its ability to respond effectively to local consumer needs..

### **d) E-commerce and Digital Expansion**

Nike embraced the digital transformation by heavily investing in e-commerce. Its direct-to-consumer strategy via Nike.com and the SNKRS app has been pivotal in expanding its reach. Alibaba's Tmall helped Nike tap into China's booming e-commerce market, enhancing customer engagement through personalized experiences. The COVID-19 pandemic accelerated Nike's digital shift, significantly boosting online sales and reshaping consumer behavior, making digital platforms a vital part of its long-term strategy.

### **e) Localized Marketing and Cultural Adaptation**

Nike's global strategy includes localized marketing and cultural adaptation, which Nike terms glocalization. Campaigns featuring local athletes and region-specific sports, like cricket in India and football in Brazil, ensure Nike connects emotionally with diverse consumer bases. Additionally, Nike aligns itself with social causes, such as gender equality and social justice, which resonate with younger, socially conscious consumers. Nike's ability to maintain a consistent brand while adapting to regional values is key to its worldwide influence and continued success.

### **3. Resource-Based and Institution-Based Factors**

Nike's success is influenced by both internal resources and external institutional factors. These factors shape its strategies and competitive advantage across global markets.

#### **3.1 Resource-Based View (RBV)**

Nike's competitive edge is built on its internal capabilities and assets, including brand equity, innovation, digital infrastructure, and supply chain management.

1. **Brand Equity and Marketing Power**  
Nike's brand equity, driven by its iconic Swoosh logo and "Just Do It" slogan, maintains consumer loyalty and supports premium pricing. Athlete endorsements, such as with Michael Jordan and Serena Williams, help create emotional connections with consumers and validate Nike's market leadership.
2. **Product Innovation**  
Nike invests heavily in R&D, producing groundbreaking products like Nike Air, Flyknit, and React foam, which drive its success and keep it at the forefront of athletic performance.
3. **Digital Infrastructure**  
Nike's investment in e-commerce, mobile apps, and data analytics allows personalized customer experiences and greater control over its brand image. The DTC model strengthens its digital presence, especially in China through Tmall.
4. **Efficient Supply Chain Management**  
Nike uses advanced ERP systems for efficient inventory management and agile production. Its global supply chain, including operations in China, Vietnam, and Indonesia, ensures scalability and fast market response.

#### **3.2 Institution-Based View (IBV)**

Nike's international strategy is shaped by external factors such as regulatory frameworks, trade agreements, and cultural norms.

1. **Regulatory Compliance and Labor Standards**  
Nike's growth involved dealing with intricate labor laws and environmental regulations. Although the company faced backlash in the 1990s over inadequate working conditions, it has since

enhanced its corporate social responsibility efforts and sustainability measures, including initiatives like the Move to Zero campaign.

## 2. Trade Agreements and Political Relations

Trade agreements like NAFTA and the ASEAN Free Trade Area have facilitated Nike's global expansion by reducing tariffs and easing market access. Nike's ability to adapt to regulatory changes is essential for its continued success.

## 3. Cultural Norms and Consumer Behavior

Nike tailors marketing campaigns to regional values and sports preferences. In the U.S., it supported social justice through endorsements like Colin Kaepernick, while in India, it embraced cricket. This cultural adaptation helps Nike connect emotionally with diverse markets.

# 4. Outcomes and Results

Nike's global expansion has seen significant success across regions, though challenges remain in certain markets. The effectiveness of its strategies offers insights into its international growth and the hurdles of maintaining long-term success in diverse environments.

## 4.1 Success Stories

- China



*Figure 4: LeBron James and Yao Ming Wrap Up Nike's "RISE 2.0"*

Nike made its entry into the Chinese market in the early 2000s and strengthened its position by partnering with Alibaba's Tmall in 2009, leveraging the country's rapidly growing e-commerce sector. By focusing on millennials and Gen Z consumers, Nike tailored its products and marketing strategies, greatly enhancing its market presence. Collaborations with prominent local athletes such as Yao Ming helped the brand resonate culturally. As a result, Nike emerged as a leading sportswear brand in China, playing a major role in its global revenue growth.

In Europe, Nike dominated through localized marketing, aligning with sports like football (soccer) in the UK and France. Sponsorships with top football clubs like FC Barcelona and Paris Saint-Germain increased visibility. Flagship stores in major cities and tailored digital strategies helped Nike maintain its leadership in the market.

- **United States**

Nike's home market remains its largest. Continuous innovation, partnerships with elite athletes, and strong brand presence ensure dominance in the U.S. However, Nike has diversified its revenue by expanding internationally, especially in China and Europe. Expanding into women's sportswear and athleisure also helped sustain growth in the U.S. market.

## **4.2 Challenges Faced**

- **India**

Nike struggled initially with the cricket-dominated market. The reliance on franchising and premium pricing limited its appeal in India's price-sensitive market. However, by shifting to a direct-to-consumer model and localizing product offerings (such as cricket gear), Nike improved brand recognition. It still faces competition from local brands like Adidas and Puma.

- **Brazil**

Nike's growth in Brazil was hampered by economic instability and import tariffs, which drove up product costs and created entry barriers. The company also faced stiff competition from local brands offering more affordable alternatives. Nevertheless, Nike sustained a solid market presence through effective localized marketing and strong brand recognition.

- **Africa**

Nike has faced barriers such as high import tariffs and weak infrastructure, which have slowed expansion. Africa is a price-sensitive market, limiting the appeal of Nike's premium products. However, it has made progress in countries like South Africa and Nigeria, where there's a stronger middle class and sports culture.

## **5. Recommendations for Nike's Future Expansion**

### **5.1 Where to Expand**

#### **1. Africa (e.g., Nigeria, South Africa, Kenya)**

Africa presents significant growth opportunities for Nike, driven by its young population, increasing interest in sports, and rapidly urbanizing economy. As the continent's youth population is expected to continue growing, Africa represents a large and untapped market for sportswear and athletic apparel. Countries like Nigeria, South Africa, and Kenya stand out as key markets where Nike should focus its expansion efforts.

In Nigeria, the passion for football, combined with a rising middle class and an increasing number of youth athletes, makes it an ideal market for Nike. Similarly, South Africa offers a more stable economy,



better infrastructure, and a strong consumer base for sportswear, which aligns with Nike's current market positioning. Kenya, with its world-renowned athletes in middle- and long-distance running, offers a unique opportunity for Nike to tap into the athletics market while fostering strong emotional connections with local consumers.

To succeed in Africa, Nike should consider localized marketing campaigns, collaborations with local athletes, and affordable product lines that cater to the price-sensitive market. Additionally, digital engagement and e-commerce strategies should be a focal point, considering the growing mobile penetration and internet usage across the continent.

## **2. Southeast Asia (e.g., Philippines, Vietnam, Thailand)**

Nike should continue to focus on Southeast Asia, a region marked by a rapidly growing middle class and increasing interest in fitness and sports. Countries like the Philippines, Vietnam, and Thailand have seen growing participation in both professional and recreational sports, making them attractive markets for Nike's expansion.

The Philippines has a strong basketball culture and a growing youth demographic that aligns with Nike's brand. Similarly, Vietnam and Thailand have a rising interest in fitness and wellness, especially in urban areas where gyms, sports clubs, and fitness events are gaining popularity.

By expanding Nike's presence in these countries, the company can capture the growing fitness trend and tap into the emerging middle class. The key to success in Southeast Asia will be affordable pricing, digital-first strategies, and leveraging local partnerships to increase Nike's market penetration.

## **3. Eastern Europe (e.g., Poland, Romania)**

Eastern Europe is experiencing a shift towards greater disposable income, fitness culture, and increased participation in sports. Countries such as Poland and Romania offer an attractive opportunity for Nike, as they provide strategic access to Western Europe and are seeing improvements in their economic conditions.

Poland, the largest economy in Central Europe, is experiencing growing enthusiasm for health and fitness. Romania, while a smaller market, has a young population and growing disposable income, making it a strategic target for Nike's expansion in the region. In these countries, Nike can benefit from establishing a stronger retail presence and tapping into the growing middle class by offering products suited for local preferences.

By focusing on Eastern Europe, Nike can strengthen its presence in the broader European market and benefit from proximity to Western European markets. This region's increasing focus on health and wellness also makes it an ideal market for Nike's athleisure and fitness gear.

# **5.2 When to Expand**

## **1. During Global Sporting Events**

Nike's global visibility and emotional engagement with consumers can be significantly enhanced when the company aligns its entry strategies with global sporting events such as the Olympic Games or the FIFA World Cup. These events provide a platform for Nike to not only promote its products but also create a deeper emotional connection with consumers. Nike can leverage the excitement and national pride that these events generate to launch localized marketing campaigns, introduce new products, and sponsor athletes, further cementing its position as a leading sportswear brand.

For instance, during the FIFA World Cup, Nike could launch region-specific campaigns focusing on football, offering limited-edition collections tailored to specific countries or teams. Similarly, during the Olympics, Nike can sponsor athletes and teams, ensuring its brand is front and center during high-visibility events, while fostering consumer loyalty and building strong emotional connections with audiences.

## **2. Post-Pandemic Trends**

The COVID-19 pandemic has brought about significant shifts in consumer behavior, with a noticeable increase in interest toward health, fitness, and wellness. As people continue to focus on physical well-being, active lifestyles, and home fitness routines, Nike should target markets that are now embracing post-pandemic fitness trends.

Countries that are seeing increased home-based workouts, online fitness communities, and growing interest in running and cycling are key opportunities for Nike. The company can capitalize on these trends by promoting at-home fitness equipment, apparel, and digital fitness apps. Targeting consumers who have become more conscious of their health and fitness post-pandemic presents a strong opportunity for Nike to expand its reach and product offerings.

# **5.3 How to Expand**

## **1. Digital-First Strategy**

Nike has already made strides in its digital transformation, and continuing to focus on a digital-first approach will be crucial for future growth. Strengthening its e-commerce platforms, mobile apps, and online loyalty programs will enable Nike to reach tech-savvy consumers worldwide, particularly those in regions where online shopping is growing rapidly.

By leveraging data analytics, Nike can personalize shopping experiences, offer customized product recommendations, and optimize inventory management to enhance customer satisfaction and brand loyalty. Additionally, Nike can use virtual try-ons and augmented reality (AR) technologies to create engaging online experiences that further engage customers in the digital space.

Nike should also strengthen its direct-to-consumer model by expanding its e-commerce presence in emerging markets where online shopping is gaining traction, ensuring that consumers can access Nike products from anywhere.

## **2. Local Collaborations**

Building local collaborations with athletes, influencers, and designers will be essential for Nike to improve its cultural relevance and connect with consumers on a deeper level. By partnering with local sports figures and cultural icons, Nike can develop product lines and marketing campaigns that resonate with local communities and address regional tastes and preferences.

For example, in countries like India, Nike could collaborate with local cricket stars to promote products specifically designed for the cricket market. In regions such as Africa, Nike could partner with emerging football stars to increase brand affinity and strengthen its presence in the region. Collaborations can help Nike enhance brand perception and create a sense of community, fostering stronger relationships with local consumers.

### **3. Sustainable Product Lines**

As environmental concerns continue to grow, sustainability will be an increasingly important factor for consumers. Expanding Nike's eco-friendly product lines—such as the Move to Zero initiative, which aims for zero carbon and zero waste—will help the company tap into environmentally conscious markets.

Markets in Europe, North America, and Asia, where consumers are more environmentally aware, offer significant opportunities for Nike to expand its sustainable offerings. By focusing on sustainable materials, recycled products, and green packaging, Nike can appeal to consumers who are increasingly prioritizing eco-consciousness in their purchasing decisions.

### **4. Affordable Product Lines**

In price-sensitive markets like India, Africa, and parts of Southeast Asia, Nike should consider introducing affordable product lines that cater to local purchasing power. While maintaining its premium product offerings, Nike can develop budget-friendly collections without compromising on quality or brand integrity. Offering affordable products will make Nike more accessible to a wider audience in developing economies, helping the company build brand recognition and loyalty in emerging markets.

### **5. Community Building**

Nike's ability to foster community engagement is a powerful tool for building strong emotional connections with its customers. Implementing local sports initiatives, such as youth training programs, sponsorships, and sports scholarships, can help Nike build a grassroots presence in emerging markets.

By investing in local community-building efforts, such as sports events, training camps, and youth programs, Nike can increase brand loyalty and gain cultural acceptance. This will also help the company contribute positively to local communities, further strengthening its brand image and reputation.

## **6. Conclusion**

Through continuous innovation, effective marketing strategies, and a strong global expansion approach, Nike, Inc. has positioned itself as a leading brand in the sportswear and athletic equipment industry. The company's ability to blend performance, fashion, and technology, while maintaining a strong brand identity, has ensured its success in over 190 countries.

Nike's strategic use of entry models, such as outsourcing, joint ventures, franchising, and wholly owned subsidiaries, has helped it adapt to local markets and maintain relevance. Its focus on innovation, from Nike Air to digital infrastructure, has reinforced its competitive advantage and built consumer loyalty.

Despite facing challenges in markets like India, Brazil, and Africa, Nike's adaptability has allowed it to pivot and maintain relevance, such as shifting to direct-to-consumer strategies in India and addressing economic instability in Brazil.

Looking ahead, Nike's future success depends on tapping into emerging markets like Africa, Southeast Asia, and Eastern Europe, with a focus on local collaborations, sustainability, and digital-first strategies. Expanding affordable product lines and leveraging brand equity will strengthen Nike's position in developing economies.

Nike's commitment to innovation, localization, and consumer engagement, coupled with its alignment with post-pandemic trends and social issues, will drive its continued leadership in the global sportswear market. With a solid foundation and a forward-thinking approach, Nike is well-positioned for sustained growth in the years to come.

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