

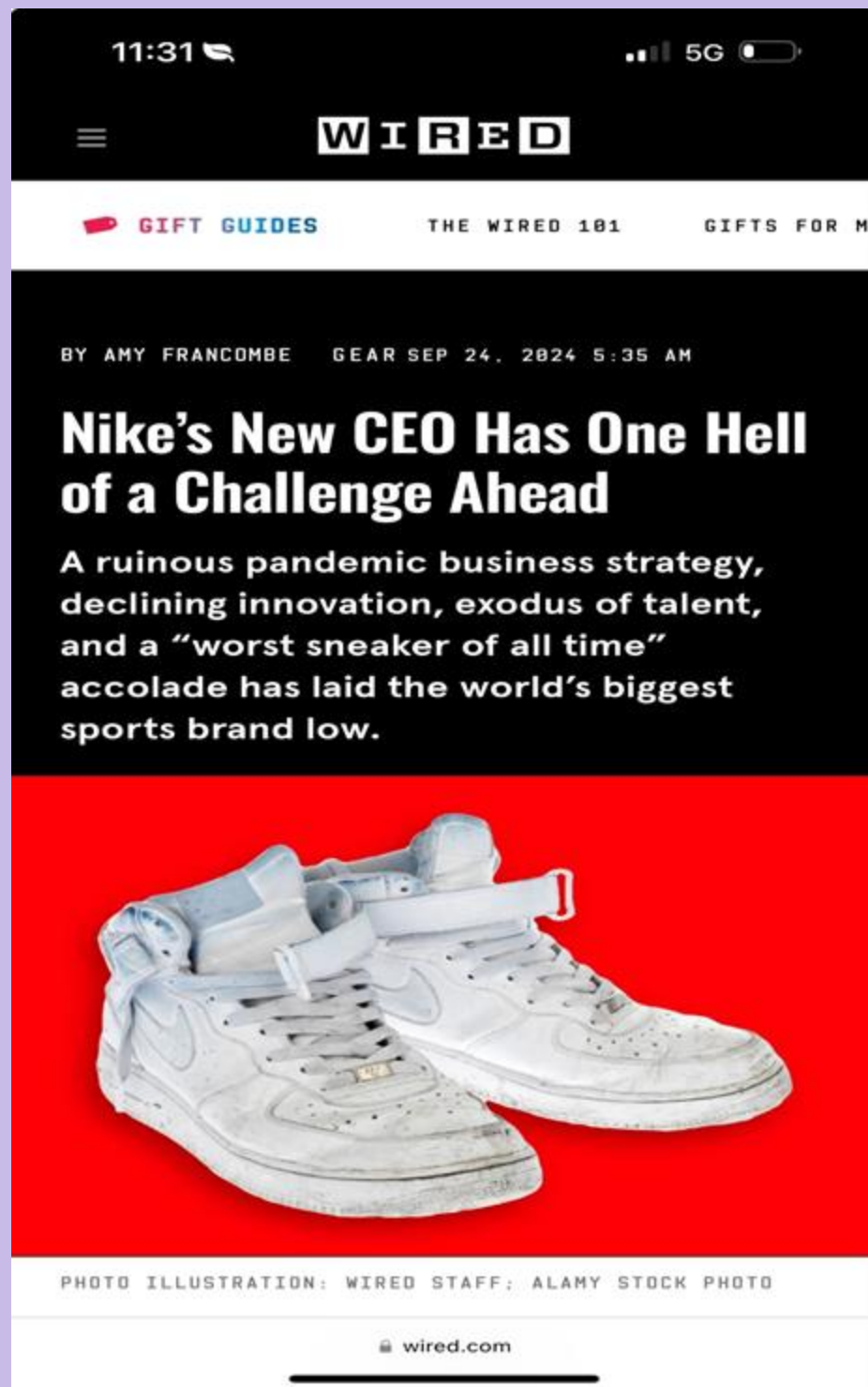
NIKE

STUDYING THE EFFECT OF REWARDS



BACKGROUND

“Aren’t you TIRED of seeing the same sneaker designs over and over again?”



A CEO's Challenge:

1. Declining innovation

1. Exodus of Talent

1. Nike DUNK Pandas - the worst sneakers of all time?



RECOMMENDATION

A Reward Based Customization might be the WAY to go!

An introduction of a tier point based system would help Nike address A CEO's Challenge increasing:

1. Customer Retention

1. Customer Engagement

1. Intent to Purchase

BUT WHAT IS A POINT-BASED SYSTEM?

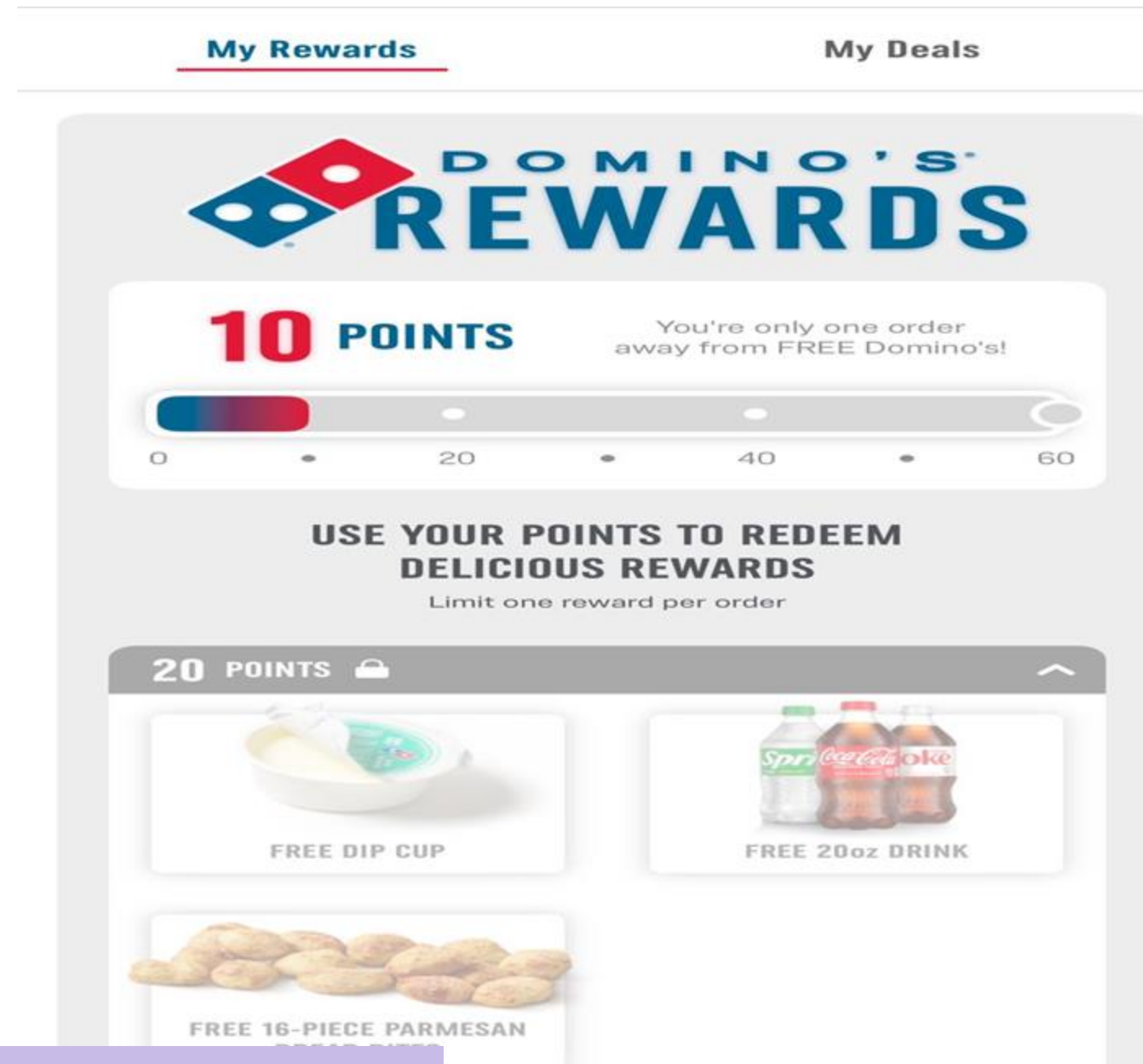
A way to introduce involvement in the form of rewards

A way to let customers feel seen and heard with designs

“My feet are quite wide. I have duck feet, so it is nice to have customized shoes that can fit better”

A way to make customers feel like every purchase is a Christmas morning gift, turning each transaction into a festive, gift-giving moment.

“I would also like the option to customize the box when purchasing a custom sneaker- it’s like opening a present.”



A way to catch different segments

A way to build design collaboration with customers and Athletes

“I like the brand as it is associated with iconic NBA stars”

A way to introduce affordability through point

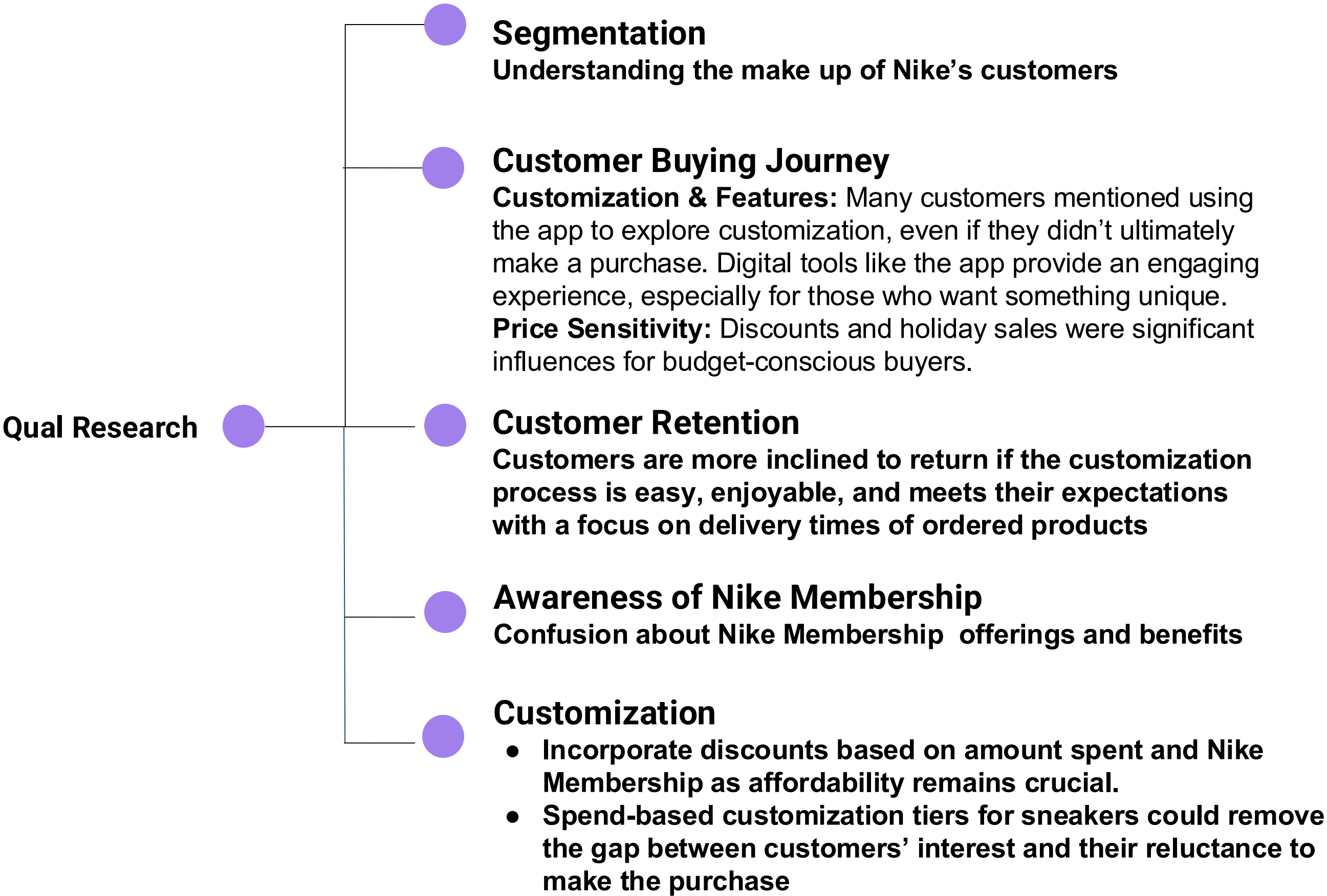
A way to build social presence and encourage customers to share

WHAT MAKES THIS POINT-BASED SYSTEM?

Bronze	Silver	Golden
Earn 2 points for every \$1 spent on Nike Products		
300-500 points	500 -1,499 points	1, 500+ points
<ul style="list-style-type: none">• Access to basic Nike by You customization options• Intermediate color and material options• Ability to save up to 3 custom designs• 10% discount on customized product purchase• Access eco-friendly materials for select parts.• Exclusive Welcome Gift: Nike-branded keychain, sticker, or shoe bag	<ul style="list-style-type: none">• Includes Bronze Benefits• Customizable Insoles and Lining: Personalize interior elements with messages or graphics.• Advanced Materials and Colors: Access exclusive options released periodically.• Ability to save up to 5 custom designs• Augmented Reality (AR) Visualization: Use AR to preview designs on your feet via a smartphone app.	<ul style="list-style-type: none">• Includes Silver Benefits• Collaborate with Nike designers on a personal custom product once a year• Exclusive access to limited-edition materials & colors• Ability to save unlimited custom designs• Priority production for customized orders• Annual offer: \$50 off on a customized shoe• Custom Packaging Options: Personalize shoe packaging with custom graphics or messages.

Full Image in Appendix

QUALITATIVE RESEARCH LEADS



“I wait for Black Friday to buy Nike because it’s the only time I feel I’m getting real value for something so high quality.”

“The ability to create something unique to me definitely strengthens my connection to the brand. It's like having a personal stake in the design.”

CUSTOMER SEGMENTATION

EVERYONE LOVES A GOOD BARGAIN – VALIDATING OUR SEGMENTATION



The Sneakerhead

- Likely to engage with the customization point-base tiers.
- Ready to show off their customization to the world
- They also look membership rewards and perks
- Interested in the **SILVER** tier as it provides access to insole and lining customization perks. They do not want extreme customization as the fitness enthusiasts



The Fitness Enthusiast

- They prioritize quality and performance of products
- Moderately likely to engage to customize their version of performance products
- Interested in **GOLDEN** Tiers as it gives them access to limited edition materials to enhance customization for performance as also collaboration with professional sneaker designers



The Casual/Trend Shopper

- Prioritize style over performance hence they are into Brand reputation and identity, improved delivery times
- Expected not to be engaged in customization from the onset until it becomes trendy with the help of the Loyal Royals
- Maybe interested in the **BRONZE** tier once they are swayed



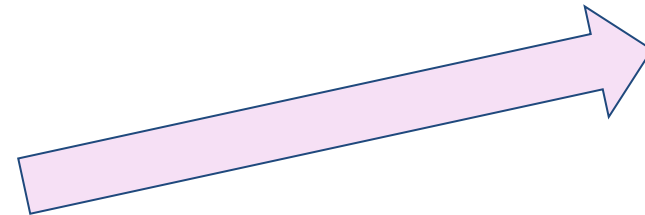
The Price Sensitive

- Look for exclusive discounts and promotions
- Neither likely or unlikely to engage as they are sensitive to high prices.
- May be interested in the **BRONZE** tier should they engage

CUSTOMER RETENTION FACTOR ANALYSIS

Customer Retention Increases When:

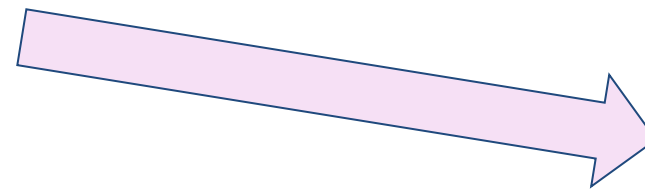
- Customers are satisfied with their purchase
- Engage frequently with the brand and purchase repeatedly
- Are loyal to the brand



01 Repeat Purchase-Driven Loyalty

Repeat Purchases, Engagement, and Loyalty

- Loyal customers are more engaged with the brand and are more likely to make repeated purchases.
- Such a customer has a low risk of churn, and we see that through their interest in the point-based system



02 Point-Based Motivation

Satisfaction and Engagement

- Personalized rewards make customers feel acknowledged and seen, increasing their satisfaction
- Engaged customers can become brand ambassadors and share their experiences, helping with both customer retention *and* brand loyalty

CUSTOMER RETENTION - REGRESSION

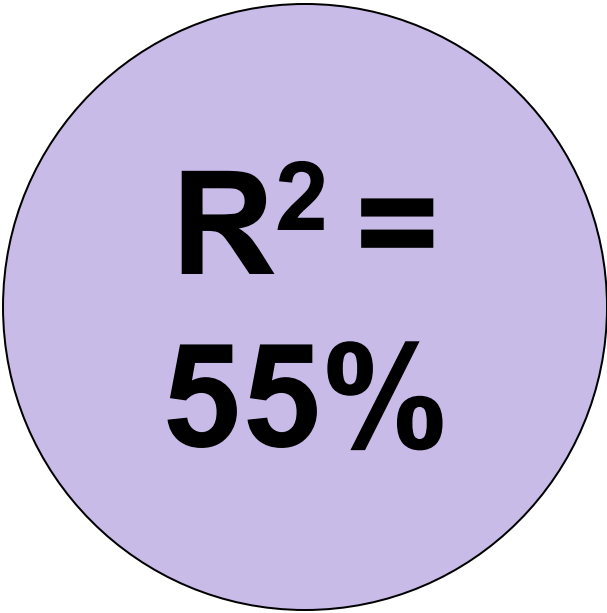
OLS Regression Results

Dep. Variable:	remain_loyal_freq_shop	R-squared:	0.549
Model:	OLS	Adj. R-squared:	0.535
Method:	Least Squares	F-statistic:	38.99
Date:	Thu, 05 Dec 2024	Prob (F-statistic):	1.44e-16
Time:	00:52:40	Log-Likelihood:	-103.65
No. Observations:	100	AIC:	215.3
Df Residuals:	96	BIC:	225.7
Df Model:	3		
Covariance Type:	nonrobust		

	coef	std err	t	P> t	[0.025	0.975]
const	0.5834	0.263	2.220	0.029	0.062	1.105
Repeat Purchase Driven Loyalty	0.4761	0.092	5.187	0.000	0.294	0.658
Point-Based Motivation	0.4050	0.088	4.590	0.000	0.230	0.580
loyalty_rewards	0.6840	0.358	1.911	0.059	-0.026	1.394

Omnibus:	30.122	Durbin-Watson:	2.030
Prob(Omnibus):	0.000	Jarque-Bera (JB):	69.165
Skew:	-1.108	Prob(JB):	9.57e-16
Kurtosis:	6.419	Cond. No.	23.3

A reward-based customization model **directly motivates customers** to engage and purchase more often



Repeat Purchases, Engagement, and Loyalty

For each increase in these aspects of factor 1, customer retention for **both** Nike Members and non-Nike Members increases by 0.48

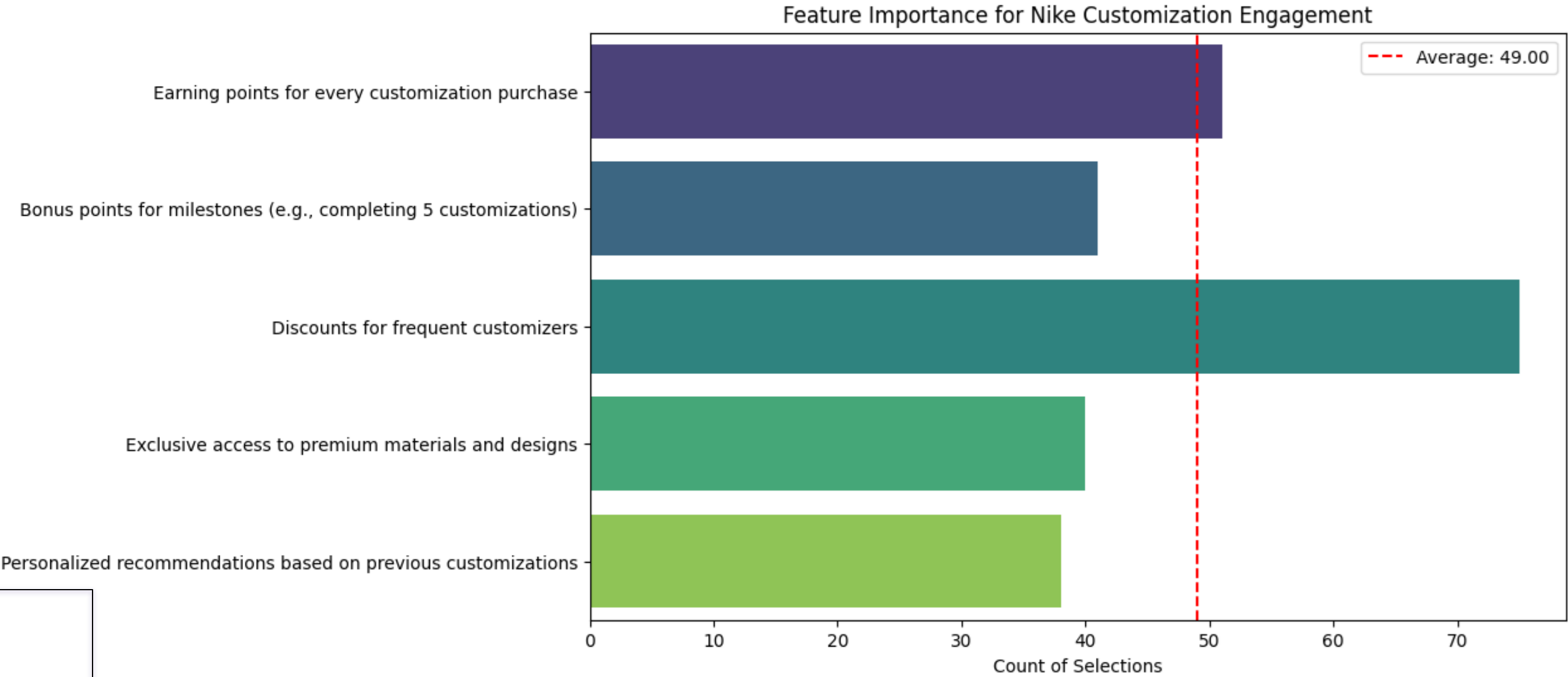
Satisfaction and Engagement

For each increase in these aspects factor 2, customer retention for **both** Nike Members and non-Nike Members increases by 0.41

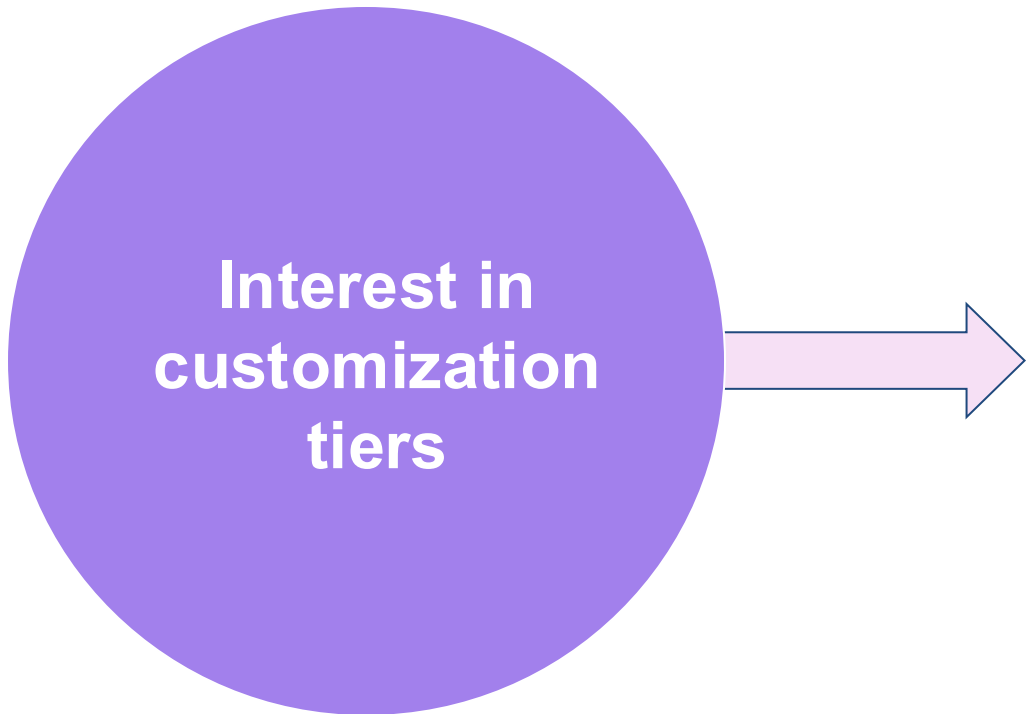
ENGAGEMENT WITH CUSTOMIZATION ANALYSIS



Features



Discounts for frequent customizers is the most selected option, indicating that customers highly value financial incentives tied to frequent customization.



Earning points for every customization purchase is the second most preferred, suggesting that customers value a continuous rewards system.

MOTIVATION TO REACH THE NEXT TIER

* Measured through Q23: How motivated would you be to reach a higher Nike Membership tier to unlock enhanced customization benefits?

Motivation to Reach Next Tier		Non_Members (%)	Members (%)	All
0	Not motivated at all	6.0	16.0	11.0
1	Slightly motivated	24.0	36.0	30.0
2	Moderately motivated	32.0	32.0	32.0
3	Very motivated	20.0	16.0	18.0
4	Extremely motivated	18.0	0.0	9.0

There are varying levels of motivation between Nike Members and Non-Members to achieve a higher membership tier for enhanced customization benefits:

- **Non-Members:** A higher proportion of Non-Members (18%) are extremely motivated compared to Members (0%), indicating a significant opportunity to convert these users through tier benefits
- **Members:** While 36% of Members are slightly motivated, only 16% are very motivated, suggesting room to change the perceived value of customization benefits within the program
- **Overall:** Moderately motivated respondents dominate (32%), indicating a general interest that can be further capitalized on

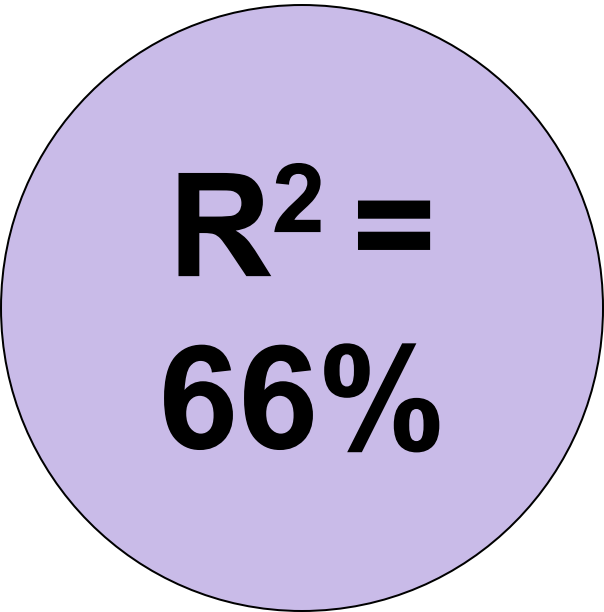
ENGAGEMENT WITH CUSTOMIZATION - REGRESSION

OLS Regression Results

Dep. Variable:	Q25	R-squared:	0.659			
Model:	OLS	Adj. R-squared:	0.615			
Method:	Least Squares	F-statistic:	15.02			
Date:	Thu, 05 Dec 2024	Prob (F-statistic):	2.99e-13			
Time:	03:40:41	Log-Likelihood:	-71.493			
No. Observations:	80	AIC:	163.0			
Df Residuals:	70	BIC:	186.8			
Df Model:	9					
Covariance Type:	nonrobust					
=====						
	coef	std err	t	P> t	[0.025	0.975]

const	0.0796	0.319	0.250	0.804	-0.556	0.716
Member/NonMember	0.1733	0.162	1.070	0.288	-0.150	0.496
Perceived Appeal of Points-Based System	0.0341	0.099	0.344	0.732	-0.163	0.232
Importance of Being Rewarded with Points	-0.1008	0.087	-1.154	0.253	-0.275	0.073
Perception of Tier Value	-0.1086	0.111	-0.982	0.330	-0.329	0.112
Motivation to Reach the Next Tier	0.1516	0.091	1.673	0.099	-0.029	0.332
Decision Influencers: Nike vs. Competitors	0.0668	0.082	0.820	0.415	-0.096	0.229
Likelihood to Share Designs	0.1083	0.080	1.363	0.177	-0.050	0.267
Interest in Customization Challenges	0.3305	0.104	3.178	0.002	0.123	0.538
Sign-Up Bonus	0.3353	0.104	3.218	0.002	0.127	0.543
=====						
Omnibus:	1.074	Durbin-Watson:	1.948			
Prob(Omnibus):	0.585	Jarque-Bera (JB):	0.526			
Skew:	0.094	Prob(JB):	0.769			
Kurtosis:	3.350	Cond. No.	39.0			
=====						

A reward-based customization model **directly motivates customers** to engage with customization and increases their likelihood of recommending the brand to others



Motivation to Reach the Next Tier
There is some evidence that customers motivated to progress through tiers are more likely to recommend Nike, but this is not statistically robust
Suggests tier-based systems might influence recommendations, but further optimization is needed.

Interest in Customisation Challenges and Sign-up Bonuses are critical for driving recommendation likelihood
Members and Non Members
Membership status is not significant; enhancing exclusive customization perks could improve its impact.

INTENT TO PURCHASE

OLS Regression Results

Dep. Variable:	Purchase of customized shoes with the new points system	R-squared:	0.391
Model:	OLS	Adj. R-squared:	0.337
Method:	Least Squares	F-statistic:	7.302
Date:	Thu, 05 Dec 2024	Prob (F-statistic):	1.88e-07
Time:	11:05:59	Log-Likelihood:	-120.41
No. Observations:	100	AIC:	258.8
Df Residuals:	91	BIC:	282.3
Df Model:	8		
Covariance Type:	nonrobust		

	coef	std err	t	P> t	[0.025	0.975]
const	0.0475	0.014	3.415	0.001	0.020	0.075
Member/Non-Member	-0.3922	0.191	-2.052	0.043	-0.772	-0.013
Likelihood of purchasing complimentary Items	0.0297	0.178	0.167	0.868	-0.324	0.383
Likelihood of purchase based on the features in the points system	0.5326	0.105	5.083	0.000	0.324	0.741
Purchase of shoes if promoted by athletes or influencers	-0.0352	0.089	-0.395	0.693	-0.212	0.141
Brand Reputation	0.1749	0.076	2.307	0.023	0.024	0.325
Product Quality	0.1469	0.081	1.809	0.074	-0.014	0.308
Customization Options	0.0898	0.073	1.223	0.225	-0.056	0.236
Pricing and Promotion	0.1345	0.073	1.843	0.069	-0.010	0.280
Exclusive Collaborations	0.1660	0.065	2.553	0.012	0.037	0.295

Omnibus:	16.014	Durbin-Watson:	2.086
Prob(Omnibus):	0.000	Jarque-Bera (JB):	18.898
Skew:	-0.879	Prob(JB):	7.88e-05
Kurtosis:	4.203	Cond. No.	1.36e+17

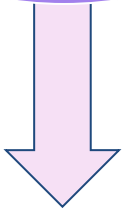
The regression shows that **membership status** negatively impacts the **likelihood of purchasing customized shoes** ($\beta=-0.3922$, $p=0.043$), with members being less likely to buy. **Brand reputation** ($\beta=0.1749$, $p=0.023$) significantly boosts purchases, highlighting its importance in driving customer decisions.

Factors like **pricing and promotion** ($p=0.069$) show moderate influence but lack strong significance, suggesting these areas could be optimized.

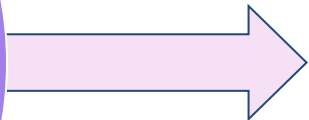
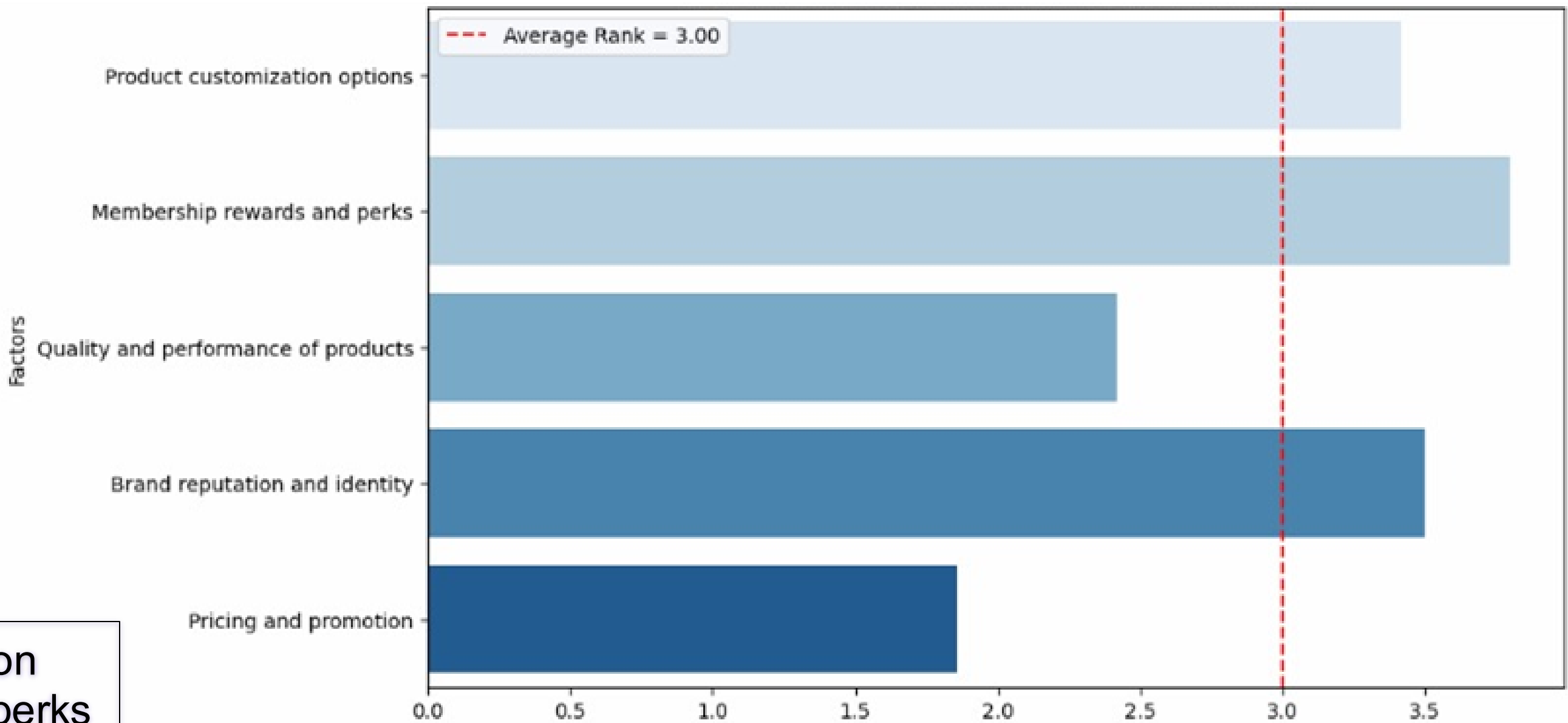
Spend-based customization to membership levels is likely to increase purchasing behaviors!

$R^2 =$
39%

INTENT TO PURCHASE



Enhancing customization options and membership perks while continuing to deliver high-quality products



There is a strong trust in Nike's brand identity. We can reinforce branding through point-based system (product customization) to meet customers needs

CONCLUSION - POINT-BASED SYSTEM RECOMMENDATION

REPURCHASE LIKELIHOOD

- The tiered reward system encourages repeated purchases by offering exclusive benefits at each level, motivating customers to progress through tiers.
- "Golden-tier benefits, such as collaborating with Nike designers, create a sense of prestige and emotional attachment to the brand."
- Customers who advance through the tiers feel their loyalty is rewarded, increasing the likelihood of repeat purchases and engagement with the brand.

CHURN RISK

- Failure to meet expectations tied to rewards, such as delays in benefits like augmented reality visualization or priority production, can increase churn risk.
- "Delays in accessing exclusive materials or the difficulty in reaching higher tiers led to frustration."
- Competitors with more seamless reward systems might entice customers away, reducing loyalty and retention.

LIKELIHOOD TO PURCHASE COMPLIMENTARY PRODUCTS

- Higher-tier rewards stimulate interest in complementary products by offering customization and exclusive perks like augmented reality previews.
- "Golden-tier customers are inspired to buy matching apparel or accessories to complement their premium designs."
- Personalized packaging and annual discounts drive cross-selling opportunities and further customer retention.

APPENDIX 01

Survey Questionnaire

Thank you for taking the time to participate in our survey! We are exploring how a new **Nike Membership model with points-based tiered customization options** could enhance your shopping experience and better meet your needs. Your feedback is invaluable in helping us understand your preferences that could make Nike an even better fit for you. The survey will take approximately **5–7 minutes** to complete, and your responses will remain confidential. Let's get started!

Bronze	Silver	Golden
Earn 2 points for every \$1 spent on Nike products		
300-500 points	500 - 1,499 points	1,500+ points
<ul style="list-style-type: none">• Access to basic Nike by You customization options• Intermediate color and material options• Ability to save up to 3 custom designs• 10% discount on customized product <u>purchase</u>• Access eco-friendly materials for select parts.• Exclusive Welcome Gift: Nike-branded keychain, sticker, or shoe bag	<ul style="list-style-type: none">• Includes Bronze Benefits• Customizable Insoles and Lining: Personalize interior elements with messages or graphics.• Advanced Materials and Colors: Access exclusive options <u>released</u> periodically.• Ability to save up to 5 custom designs• Augmented Reality (AR) Visualization: Use AR to preview designs on your feet via a smartphone app.	<ul style="list-style-type: none">• Includes Silver Benefits• Collaborate with Nike designers on a personal custom product once a year• Exclusive access to limited-edition materials & colors• Ability to save unlimited custom designs• Priority production for customized orders• Annual offer: \$50 off on a customized shoe• Custom Packaging Options: Personalize shoe packaging with custom graphics or messages.
Additional Customization-Related Features <ul style="list-style-type: none">• Sign-up bonus: Earn 100 points when you sign up• Referral bonus: Earn 50 points per referral <u>sign up</u>• Customization Challenges: Participate in monthly design challenges <u>for a chance</u> to win additional points and see your design produced as a limited edition.• Customization Workshops: Summit members get invitations to exclusive online or in-person customization workshops with Nike designers.		

SCREENER:

1. Do you currently own any Nike products?
 - Yes
 - No
2. Do you currently own any Nike sneakers?
 - Yes
 - No
3. Have you ever bought any Nike sneakers?
 - Yes
 - No
 - I'm not sure
4. Do you have the Nike Membership?
 - Yes
 - No
 - I don't know what that is

QUESTIONNAIRE:

5. **Purchase Planning Factors**

When planning to purchase shoes from Nike, which of the following factors is most important to you? *(Select up to 2) (Purchase Intention)*

 - Sustainability and ethical practices
 - Discounts on first-time customized shoes
 - Exclusive product releases
 - Ability to personalize and customize products
 - Earning points toward rewards and tier progression
6. **Factors Influencing Return to Nike**

Which factors most influence your decision to return to Nike for future purchases of shoes? *(Rank from most to least important) (Customer Retention)*

 - Product customization options
 - Membership rewards and perks
 - Quality and performance of products
 - Brand reputation and identity
 - Pricing and promotion
7. **Reengagement After Lapse**

"If you stopped shopping with Nike, what would most encourage you to return?"
(Select all that apply) (Customer Retention)

APPENDIX 01

Survey Questionnaire

- Expanded customization options
- Exclusive discounts or promotions
- Improved delivery times
- Loyalty rewards like free customization
- New product launches

8. **What payment methods or financing options would encourage you to purchase more from Nike? (Select all that apply) (Purchase Intention)**

- a. Interest-free installment plans
- b. Buy now, pay later options (e.g., Klarna, Afterpay)
- c. Discounts for upfront payments
- d. Digital wallets (e.g., Apple Pay, PayPal)

9. **Challenges with Shopping at Nike**

What are the biggest challenges you think customers face when shopping with Nike?
(Select all that apply) (Customer Retention)

- Limited customization options
- High prices for customized products
- Long delivery times
- Lack of communication or tracking for orders
- Inconsistent quality of products

10. **Membership Features Driving Shopping Frequency**

Which of these Nike Membership features would most increase your likelihood of shopping more often? (Select up to 2) (Customer Retention)

- Points redeemable for customization
- Early access to limited-edition products
- Free shipping on all purchases
- Discounts or promotions for members
- Invitations to exclusive Nike event

11. **Motivation for Customization Engagement**

What would motivate you to explore or engage more frequently with Nike's customization options? (Select all that apply) (Engagement with customization)

- Earning points for every customization purchase
- Bonus points for milestones (e.g., completing 5 customizations)
- Discounts for frequent customizers
- Exclusive access to premium materials and designs
- Personalized recommendations based on previous customizations

12. **When you purchase a customized Nike product, are you more likely to buy complementary items (socks, apparel, etc.)? (Purchase Intention)**

- a. Yes

- b. No

Follow-Up Question (If Yes):

What complementary items would you purchase? (Select all that apply)

- Socks
- Athletic apparel (shirts, shorts, leggings)
- Accessories (bags, hats, water bottles)
- Footwear care products (cleaner, laces, insoles)

13. **Perceived Appeal of Points-Based System**

How appealing is the idea of earning points for each customization purchase to unlock higher tiers? (Engagement with customization)

- Very Unappealing
- Unappealing
- Neutral
- Appealing
- Very Appealing

14. **Nike Membership and Shopping Frequency**

Does the idea of earning points for customization through a Nike Membership make you more likely to shop more frequently with Nike? (Customer Retention)

- Yes
- No

15. **Frequency of Shopping with Tier Benefits**

"If you unlocked rewards for every tier upgrade, how frequently would you shop with Nike?" (Customer Retention)

- Never
- Rarely
- Occasionally
- Frequently
- Always

16. **Importance of Being Rewarded with Points**

How important is it to feel rewarded with points for each customization purchase? (Engagement with customization)

- Not important
- Slightly important
- Moderately important
- Very important
- Extremely important

APPENDIX 01

Survey Questionnaire

26. Interest in Customization Challenges

How interested would you be in participating in Nike's monthly customization challenges? *(Engagement with customization)*

- Not at all interested
- Slightly interested
- Moderately interested
- Very interested
- Extremely interested

27. Sign-Up Bonus

If Nike offered a 100-point sign-up bonus for joining their Membership program, how likely would this incentive encourage you to sign up or engage more with the program? *(Engagement with Customization)*

- Very unlikely
- Unlikely
- Neutral
- Likely
- Very likely

28. Referral Bonus

If Nike offered 50 points for referring a friend to join their Membership program, how likely would you be to refer others? *(Engagement with Customization)*

- Very unlikely
- Unlikely
- Neutral
- Likely
- Very likely

29. Net Promoter Score (NPS)

How likely are you to recommend this new Nike membership model (with tiered customization perks) to friends or family? *(Engagement with customization)*

- Very unlikely
- Unlikely
- Neutral
- Likely
- Very likely

30. Influence of Athlete or Influencer Promotions

How likely are you to purchase customized Nike shoes if they are promoted by athletes or influencers you follow? *(Purchase Intention)*

- Very likely
- Somewhat likely
- Neutral
- Somewhat unlikely

- Very unlikely

31. Factors Influencing Loyalty

If the point-based tier customization feature was available to you, how likely are you to remain loyal to Nike or shop more frequently? *(Customer Retention)*

- Extremely likely
- Somewhat likely
- Neutral
- Somewhat unlikely
- Extremely unlikely

APPENDIX 02

Validating customer segments

	cluster	points for referral	importance of rewards	frequency to purhcance to unlock rewards	sharing on social media	recommend Nike Membership Model	motivated to reach next tier	influence of repeated purchases	Factors to encourage returns	likely to reamin loyal	Cluster Size
0	The Loyal-Royal/Sneakerhead	4.538462	4.346154	3.961538	4.384615	4.192308	4.076923	3.423077	2.653846	4.346154	26
1	The Casual/Trend Shopper	1.500000	2.000000	2.333333	1.500000	1.750000	1.750000	3.833333	2.916667	2.000000	12
2	The Fitness Enthusiast	3.566667	3.466667	3.566667	2.800000	3.633333	2.866667	3.200000	3.166667	3.266667	30
3	The Price Sensitive	3.500000	2.531250	2.812500	3.312500	3.437500	2.218750	3.218750	2.125000	2.843750	32