

## **Sinia Massillon**

### **Case Study – Nike in China**

US-based Nike, Inc, the world's leading designer, marketer, and distributor of athletic footwear, apparel, equipment, and accessories, has had a presence in China since the 1970s. The low wages and talented manpower in China encouraged Nike to shift some of its production from other countries to China. However, Philip Knight, one of the founders of Nike saw China as a huge market for Nike. The consumer presence of Nike in China started in 1981. In order to encourage and build a sporting culture in the country, Nike sponsored several clubs and sports related events, including professional leagues. It launched professional sporting leagues and was instrumental in building the American 'streetball' culture in China. Nike designed different products that were low cost and affordable to the Chinese. It also developed products specifically for China, based on feedback from the consumers. Nike found several opportunities with the growing middle-class population in China, who were looking at buying high-end products. From the early 2000s, Nike started taking part in China's Olympic bid. Once Beijing was selected to host the 2008 Olympics, Nike went all out to sponsor several teams and it expanded its presence across the country. It made a huge impact during the Games, and its sales increased by 53% in the quarter ending September 2008. But Nike could not maintain the momentum it had achieved during the Olympics over the next few years. Both globally and in China, Nike was not doing well. Though the global business fell back on track, the China business continued to be a problem area. One of the major reasons cited for the problems was the glut in inventory after the Olympics and the new products being produced were not to the liking of the Chinese. In 2013, Nike came out with a Reset strategy and decided to apply the insights it had gained from its 'Category Offense' strategy it had used in North America to China. Under this program, Nike segmented different points of distribution - sports, athletic training, basketball, football, running, sportswear, and women's training. Each major city was treated as a different market, and specific strategies were developed for each. This strategy had a positive impact, and Nike's China sales started to grow in the first quarter of 2014-15. After that, there was no looking back for Nike in China. China was projected to emerge as the largest market for footwear and apparel in the world with the government formalizing a policy to make sporting a growth industry. The number of people moving into the middle class was also projected to increase. All these factors were expected to offer a plethora of opportunities to Nike. However, there were some challenges too. Experts warned that the Chinese economy was on the path of a slowdown, with growth that was said to be the slowest since 2009. Several industries

were affected, especially manufacturing and heavy industries. In such a scenario, whether Nike could maintain its momentum in China remained a question.

**1.) What were the benefits of Nike, a US business, to help China win the bid to host the Olympics?**

- **One of the founders of Nike saw China as a huge market for Nike. In order to encourage and build a sporting culture in the country, Nike sponsored several clubs and sports related events, including professional leagues. From the early 2000s, Nike started taking part in China's Olympic bid. Once Beijing was selected to host the 2008 Olympics, Nike went all out to sponsor several teams and it expanded its presence across the country. It made a huge impact during the Games, and its sales increased by 53% in the quarter ending September 2008. The benefits were for Nike to gain more endorsements and a wider audience.**

**2.) What is a “reset strategy” and why is it important for business?**

- **A reset strategy is considering to start something from the very beginning to come up with a strategic and more sufficient idea that puts everything in place. There was a point where Nike couldn't handle everything on their plate, so they were like let's take a deep breath and hit the pause button. Hit reset and take the time to become more patient with your goals. It is very significant to hit the reset button when things get overwhelming.**

**3.) Research and describe Nike's “Category Offense”.**

- **Nike's new categories include Running, Global Football, Basketball, and Women's Training. They want the best of athletes to represent their brand. Incorporating their iconic partners with Dick's Sporting Goods, Footlocker, etc. Nike continues to elevate growth.**

**4.) The term “middle class” is mentioned in this case study several times. What determines “middle class” and why is it important to business and consumption?**

- **The middle class is a class of people in the middle of social hierarchy. The middle class has a strong interest in promoting economic growth. A strong middle class provides a stable consumer base that dries productive investment. Which leads to growth. What determines the middle class is those earning between 2/3 and double the median household income. Nike found several opportunities with the growing middle-class population in China, who were looking at**

**buying high-end products. Middle-class individuals look for the higher end of products.**