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1. Executive Summary

The purpose of this audit is to give an overview of the key points of Nike Inc.'s marketing situation and will aid in future marketing planning. The audit will start out with an introduction including a brief history and description of the company. Both entailing what an amazing journey Nike has gone through and details on what an amazing company has grown into.

In order to determine the most appropriate marketing decisions, a SWOT (strengths, weaknesses, opportunities, and threats) analysis is conducted in a matrix format. The SWOT then is taken into account to develop strategies best for marketing. Some key SWOT are- (S) the brand is recognized globally; (W) ethical issues arrive with contracting from factories in foreign countries and labor laws, (O) the company caring for the environment as a responsibility, and (T) Trying to grow in China, a country that produces large quantities of counterfeits.

Seeing what environments surround Nike is also important to its marketing. There are three main components to the environmental analysis- technology, natural, and economic. To innovate, Nike must have the latest technology to create new products. With technology Nike has been given chances to improve the natural environment with recycle programs. As a major corporation, Nike would certainly not neglect the economic environment. With correct marketing skills, Nike kept its head above the water during the economic downturn and increased profits. (Popescu)

With the right combination of marketing tools blending into a formula, Nike produces a good response from the target market. Continuing to incorporate the right marketing mix, Nike will grow further more. The 4 Ps make up the marketing mix- product, price, place, promotion, and all components that Nike has mixed very well. Nike, creating innovative products, prices its products relatively high. To emphasize the high tech shoes, Niketowns are placed throughout the world. With smart advertising moves, Nike has promoted itself to become world's leading athletic footwear and apparel company.

Nike can grow beyond the fringe of the athletic market, where their casual apparel does okay next to its competitors, such as Reebok. Using the SWOT analysis to combine key strengths to opportunities, and a key weakness to an opportunity, a SWOT strategy highlighted targets to recommend: develop advertising and promotion to uplift Nike's casual apparel. Using that momentum, further develop the brand extension into the casual apparel market. Strategies dealing with channels and the brand are not going to be recommended at this time for the scope of the target. The target involved is heavily based on a communication strategy.

There is a combination of short-term and long-term investment strategies. Nike's casual wear will become more popular amongst people the athletic advertising doesn't reach. The short-term lays in the spokesperson; Jessica Alba is recommended to create buzz about Nike casual wear. Long-term strategies Nike is already familiar with in its athletic lines; magazine advertisements, exposure to the public through events, and innovation. The costs of these short and long-term investments won't be heavy to Nike because they're perfectly poised with their athletic marketing. A company with grand experience has marketing advantages. They can pass this low cost onto its customers, because low investment can create lower pricing if the company chooses to do so.

The company can price its products in at an affordable level, along side with its competitors. With Nike's global retail stretch, casual apparel can be distributed at high volume, where Nike will profit greatly.

2. Introduction

Since 1985, Nike has been the leader of the footwear industry. It continues to do so due to its technology advancements, marketing strategies, and financial growth. Nike is constantly creating new products to suit all of the athletes' needs and expectations around the globe. The company continues to support its brand by promoting this:

“If you have a body, you are an athlete*”

2.1 History

Long before the Swoosh logo and the name Nike, there was Blue Ribbon Sports (BRS). Nike's founder Phil Knight, and nationally respected track coach Bill Bowerman created BRS in 1964. Their determinant was to provide athletes with better shoes. In 1971, BRS decided to vamp into Nike- the Greek winged Goddess of victory. Originally, an importer of Japanese athletic shoes, Nike has grown to be the world's largest athletic footwear and apparel company. Nike expanded with a great brand portfolio including Cole Haan, Converse Inc., Hurley International LLC, NIKE Golf, and Umbro Ltd. (Nikebiz: Company Overview)

2.2 The Company

Nike's main goal is to carry on Bill Bowerman's legacy. His innovative thinking,

whether to create opportunities to have Nike set apart from competition, or to develop products that help athletes of every level to reach their potential and to provide value for Nike's shareholders.

- The Nike Mission:

“To bring inspiration and innovation to every athlete* in the world.”

- Customer service mission:

“To represent the highest service standard within and beyond our industry, building loyal consumer relationships around the world.”

Currently, Nike employs over 33,000 internationally. The Nike World Headquarters is located in Beaverton, Oregon where 7,000 employees call home. The World Headquarters opened in June 1900 and doubled in size with six additional buildings in 2001. The campus consists of 17 main buildings named after some of the most renowned athletes including: John McEnroe, Joan Benoit Samuelson Center, Michael Jordan, Bo Jackson (gym), Mike Schmidt, Nolan Ryan, Lance Armstrong (gym), Mia Hamm, Ken Griffey, Jr., Pete Sampras, Jerry Rice, Tiger Woods Center, The Joe Paterno and C. Vivian Stringer Child Development Centers, Dan Fouts, Alberto Salazar, and Steve Prefontaine Hall. (Nikebiz: Company Overview)

In addition to the amazing 193-acre campus, Nike also operates variety of facilities across the world. The first Niketown store opened in downtown Portland in 1990. It was the first store to set the standards for interactive consumer environment. Niketowns average more than 30,000 square feet of retail space that attract millions of consumers annually around the world. Nike Stores, Nike Factory Stores and Nike women store are also part of Nike's retail chain worldwide. (Hunsberger)

Located near the World Campus, Nike IHM, Inc. produces the Nike AIR-SOLE cushioning component featured in the footwear products. The company also sells a small quantity of various plastic products to other manufacturers. (Nike.com)

3. SWOT Analysis

In order to see Nike's company situation, it must identify the strengths, weaknesses, opportunities, and threats in order to evaluate the company's overall. This allows the company to determine which opportunities can be pursued with strategic marketing actions. Below is a table that exemplifies some of the SWOT. (Armstrong)

3.1 SWOT Matrix (next page)

Strengths	Weaknesses
<ul style="list-style-type: none"> •Nike employs more than 33,000 people globally. •The brand is recognized globally. •Nike was awarded to the Global 100 Most Sustainable Corporations List. •Fortune Magazine 100 Best Companies to Work named Nike, three times. •Phil Knight is still highly involved with Nike. It has a good internet site. •NIKE, Inc. (Nike) will not use leather in its products produced from cattle raised in the Amazon Biome as defined by IBGE •Advanced technology. •Very competitive organization. •Nike has a strong R&D team. •The new upcoming Portland, OR Niketown. •Nike, Inc. brand portfolio •Catetory teams focused on target consumers. •Capital well managed with consistently increasing dividends and payout ratios. •No factories- does not tie up funds in building and labor. •Can control production cost by outsourcing. 	<ul style="list-style-type: none"> •Most of Nike's ads are geared towards athletics mainly. •Prices are relatively higher than competitors. •A Negative image from manufacturing in other countries (sweatshops). •Sales and Revenue growing slowly •Mainly only sports or casual wear •Most products sold through retailers •Contract factories

Opportunities

- Advertise street or casual wear.
- Collaborate with other well-known brands.
- Formalwear with same innovative features in sportswear.
- A Nike Visa with incentives.
- Open up more Nike Towns to be more direct with consumers
- Business opportunities in Dubai
- Expand brand portfolio
- Offer luxurious merchandise besides shoes that will give the brand a 'lux' image.
- The emerging markets of China and Brazil.
- Extension of eco-friendly projects like 'Reuse-A-Shoe Program'.

Threats

- Economy downturn.
- High rate of unemployment
- Competitors offering lower prices.
- Machinery not working causing product or labor loss.
- Labor issues in other countries.
- Foreign currency exchange- the dollar weakening.
- System or network complications.
- Replicas
- Reebok's new feminine sports team wear.

(Business Teacher, dubaitourism.ae, Nike.com, Nike Barclays Investor Conference, Marketing Teacher)

3.2 Discussion of SWOT

The main strength of Nike is the brand itself at its global dimension. The Swoosh, a well-known symbol recognized worldwide with no interpretations. Presently, Nike operates over 180 countries housing more than 33,000 employees. Each country has their own category team that focus entirely on particular target consumers. It creates connectivity with the consumers. Referring to the category teams: (Nike Barclays Investor Conference, Nike.com)

"They speak their language, they see the world through their eyes, and they're completely at home on the pitch, on the court, surf, or snow. Being inside the world of our consumers gives us the ability to create compelling product, to tell their stories in an exciting way and create community and experiences on a global scale like Nike+ or the Human Race."- Don Blair, Vice President & Chief Financial Officer

Although Nike has no factories, which aid in cash flow. The company outsource majority of its production and causes some ethical issues to arrive. It gives the company a poor image. People refuse to pay such high prices for products made unethically or paying such high profit margins.

The retail sector is very price sensitive. Most of Nike's income derives from selling into other retailers- Footlocker, Nordstrom, Sports Authority, Fred Meyers, etc. Most retailers offer similar experience to consumers, thus low price competition occurs and pressure passes onto Nike. (Marketing Teacher)

One major opportunity for Nike is China and Brazil. Both countries' economies are growing rapidly. In 2007, China increased revenue by 50% and Brazil by 30%. Another country would also contain opportunities is Dubai. Being a top innovator, Nike will fight in Dubai perfectly. It might be a little more difficult to grow there from the start, but it is an amazingly wealthy and rich culture. Once the foot is in the door, the rest is simple. Here are some benefits being in Dubai's free zones- (dubaitourism.ae)

“Dubai’s free zones offer an ever-growing list of advantages that has led many MNCs (multinational corporations) from around the world to move to Dubai:

- No taxation on profits or income
- No foreign exchange controls or restrictions on capital movement
- A stable, freely convertible currency
- Strategic location, bridging time zones between Europe and the Far East
- Efficient and well-developed support services, telecommunications and air links
- High quality, reasonably-priced office accommodation
- Excellent conference and exhibition facilities
- A cosmopolitan lifestyle and tolerant, virtually crime-free environment”

Being in Oregon, it is an unspoken demand to be re-useful and sustainable. The environment is important to Nike, in fact the company considers it as a responsibility. By introducing more eco-friendly projects such as ‘Reuse-A-Shoe Program’, it will invite more attention from people from all ‘corners’ of the globe. Helping the environment is a global fixation. (Nike.com, Colombini)

Many businesses are struggling due to the downward movement of the economy. Although Nike’s sales numbers has not declined, but they are definitely cutting back on the cash flow. China is a great opportunity for Nike, but it also has one major drawback. Imitations and fake replicas fill the streets of China, sold at very low prices. Many Chinese just need a pair of shoes, they do not care whether if the swoosh is the correct shade of color or not. Nike must do some damage control to grow further in China. (Yahoo! Finance)

4. Environmental Analysis

The relative environmental aspects for this audit are technological, natural, and economic. Technology plays an important role for Nike to stay on top for being an innovative company. Environmental concerns have grown steadily during the past 30 years. Nike is continuously trying to be more “Green” by working with natural resources, using sustainable materials, and has implemented a number of restricted substances lists (RSL). Being an enormous company, Nike must analyze the economic environment. Sudden gear shifting to fit into the economic situation is important to maintain or not to lose profit. (Armstrong, Nike.com)

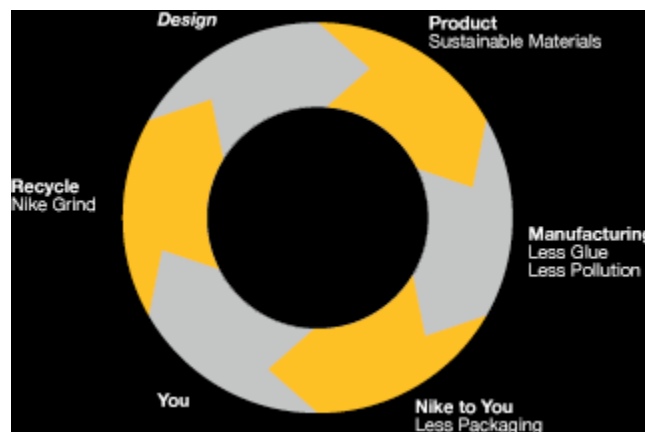
4.1 Technology

Nike has been inventive from the start. The main goal is to have a better product by developing innovative and new impact protection systems. The footwear features a variety of unique cushioning system that needs to reduce shock, distribute pressure, protect from impact, and offer comfort simultaneously. The four cushioning systems established and sold by Nike are Nike Air, Nike Air Max, Nike Air Zoom, Nike Shox, and Nike Free.

In 2006, with amazing technology, Nike figures out how to get greenhouse gas out of its shoes. After 14 years of research and development, Nike finally found a way to replace sulfur hexafluoride, or SF6, found in Nike's Air pockets, with Nitrogen. Helping the environment by inventing a shoe at a time.

4.2 Natural

Nike's home resides in Beaverton, Oregon making it a responsibility of the company to keep the natural environment as clean as possible for its nation and world. Below is diagram of the design ethos used by Nike to create products that are less toxic, less waste, more environmentally-friendly, and sustainable.



There are two main recycle programs Nike has, Reuse-A-Shoe and Nike Grind. Reuse-A-Shoe collects old worn out shoes from any brand from variety of sources. The shoes are collected via various recycle programs, special events at Nike or other stores, returns due to defect, and even counterfeit shoes are welcomed. Nike Grind is combination of scrap materials left over from manufacturing the footwear, together the shoes and shoe materials are ground up and purified.

“Worn Out. Play On.”

In 1997, Nike started to use environmentally preferred materials (EPM's). What makes a material as an EPM is that it can be regenerated, renewable, and chemically optimized. Organic cotton is natural staple fiber grown and harvested without the use of synthetic chemical pesticides, fertilizers and defoliants. The company has steadily increased its reliance on organic cotton.

“Our goal is to blend a minimum of 5 percent organic cotton into all of our cotton-containing apparel materials by 2010, while steadily expanding our offering of 100 percent certified organic cotton products.”- Nike

Nike has implemented a number of restricted substances lists (RSL). The lists act as a guide for its suppliers in the production of safe and legally compliant products. The lists are based on the strictest worldwide legislation and on certain substances, which Nike has voluntarily decided to restrict in the brand's footwear, apparel and equipment. (Nikebiz: Nike Responsibility)

4.3 Economics

Due to today's economic recession, unemployment has increased exponentially. The job market is restrictive, therefore causing people a hard time looking for work. People degrees are seeking non-salary jobs and even part-time. Consumers are now spending more carefully. They are making purchases on the necessities. Most see a pair of Nike sneakers as a luxury item now and does not have the disposable income for it.

Despite the rough economic situation, Nike said its third-quarter profit of 2008 pitched 32% to \$463.8 million, compared to the \$350.8 million a year earlier improved by strong gains in Europe and Asia. The 2008 Olympic in Beijing and the European soccer championship stimulated a great demand for the company's clothing and footwear which increased the sales 23% in Europe and 27% in China. Within the U.S., sales grew by only 5%, but one analyst, Brad Cragin sees the sales numbers as "pretty impressive", taking into consideration the difficult market conditions.

5. Marketing Mix Analysis

Nike still has tremendous room for growth. With the right combination of marketing tools and blending into a formula will produce a good response from the target market. The marketing mix or the 4 Ps of Marketing are Product, Price, Place and Promotion. Nike's 4Ps are the following: (Armstrong)

5.1 Product

Nike offers a wide range of products- shoes, apparel, and equipment, which all currently are top-sellers. Most merchandise is made up of high quality materials. In 1979, the company started selling bags and accessories. Under its brand portfolio, Cole Haan offers consumers upscale ready-to-wear apparel, casual footwear, as well as accessories for men and women. Hurley International LLC offers street wear and caters consumers who enjoy cultural sports such as surf, skateboard, bmx, motocross, and etc. Variety of brands allows Nike to offer the fullest to its consumers.

Being innovative has always been Nike's niche in the market. Top-notch technology has brought Nike closer to consumers with each new invention. When Apple teamed up with Nike to create special features within the running shoes, it caused great positive commotion, making it a must have item. (Nike.com)

5.2 Price

The pricing of Nike's products are determined to be competitive with other fashion shoe retailers. The base for pricing is the premium segment as target consumers. Nike's pricing strategy makes use of its brand portfolio. The other brand entities have higher and lower pricing strategies, thus allowing Nike to control costs and manipulate product pricing.

5.3 Place

Nike places their products into a variety of athletic retailers and exclusive Nike stores (Niketowns) throughout the world. There are approximately 20,000 retailers in the U.S. and countries across the globe. In foreign markets, Nike sells its products by allocating to independent distributors, licensees, and subsidiaries. (Cuizon)

As of May 2007, Nike has 26 Niketowns and Nike-branded stores nationwide, and 36 outside the United States. There are plans to have a multitude of new Nike-owned concept stores offshore as well as the U.S. within the next several years.

Nike announced on June 2008, the flagship Niketown in downtown Portland, Oregon would have a new store and location in spring 2011. The new two-level, 14,000 square feet store will situate in the 33-story Park Avenue West Tower currently under construction between Southwest Park Avenue and Yamhill Street. (Hunsberger)

5.4 Promotion

Nike started out by sponsoring professional athletes for raising demand through word-of-mouth that provided good promotion. Number of famous athletes act as brand ambassadors such as LeBron James for basketball, Lance Armstrong for cycle, Tiger Woods for golf. When Nike signed with famous athletes like Michael Jordan and Venus Williams, it gained a high level of publicity and amplified its appeal to both men and women.

Advertising has always been Nike's outreach to people. Nike launched a very successful campaign around its "Just Do It" slogan and the Swoosh logo. In order to control and sustain this image, the company makes great investments in advertising with Weiden & Kennedy, an ad agency also located in Oregon, and brand promotion. (Boustani)

6.1 Strategy Introduction

The SWOT strategy is useful for Nike as it helps plot out the varieties this company has to offer, improve on, seize and foresee. The SWOT is an important method when measuring a large company, like Nike, because they're multifaceted. It also points out that Nike has many opportunities, at which they can tackle individually for years to come, ensuring the company's longevity. It's easier to see in a SWOT diagram that there are issues that have less severity over others.



6.2 Strategies Not Used; Branding and Channel.

Although their growth has slowed along side with the current economy, the Nike brand itself is healthy, and thanks to developing economies in Asia, Nike's profitability continued to increase in 2008. The branding strategy will not be focused on because Nike doesn't need to develop their brand since they're already well-established. Nike has already done a fine job of licensing, and sponsoring its brand name through professional athletes. They have also succeeded in brand extensions such as Hurley International LLC, (which offers street wear catered to the extreme sports market) and Cole Haan, (ready-to-wear apparel, footwear, and accessories).

Nike's channel strategies are already strong. Nike channels its products through retail stores from Niketown to big box stores such as Fred Meyer, and from Footlockers to Nordstrom. There are only 36 Nike-branded stores outside of the U.S. but that's about to change as the company is already developing concept stores to come up the next several years (Nike.com).

Nike continuously improves its manufacturing channels, therefore will not be a focused strategy at this time. There are nearly 580 factories, located around the world, that Nike apparel and shoe supplies come from. The manufacturing channel operates at the lowest costs available, as Nike outsources its production mainly to Chinese, Indonesian, and Korean laborers. A part of Nike's savings comes from how low the laborers are paid. For example, Indonesian factory workers are paid slightly above minimum wage, which is about \$30-37.50 per month.

Although the company's reputation was tarnished in the 1990s due to the sweatshop conditions, they've since actively worked on labor issues within the industry. For example, Nike rose the minimum age for shoe-factory workers to 18, increased wages above minimum rate, and factory's air quality must follow the U.S. standards of OSHA, Occupational Safety and Health Association. Within the Nike organization, they've developed new departments called Labor Practices, and Nike Environmental Action Team, where the employees are dedicated to Nike's societal and environmental compliances. They monitor factories on a daily basis with inspections. New facilities must undergo preliminary inspections, then a second more in-depth audit. Along with labor and health inspections, these factories are also measured by how fast they can deliver, adjust to product revisions, management proficiency, and quality and price competitions. There is a grading system in place, which if suppliers grade well, they will continue to get Nike contracts. All of these adjustments Nike has made in the manufacturing channel allow Nike to rapidly produce products at low costs, so they can stream investments into advertisements and R&D for their athletic products (Hawser).

6.3 Recommended Strategies

Almost everyone knows Nike, and realizes their products include athletic equipment, shoes, and apparel. What the SWOT helps highlight is that Nike isn't well known for its casual line of clothing. Focusing on one of Nike's weaknesses, a complete athletic approach to their advertising, the SWOT can pair that weakness with an opportunity. The opportunity is to invest in a spokesperson that isn't a complete athlete, but has both a casual, yet desirable image. An additional strength is that Nike already invests in sponsorships, advertisements, and R&D with a large pocket book. Pairing this strength with an opportunity, the market for comfortable casual wear that's affordable, Nike can invest relatively little in communicating its casual clothing, focusing on making the apparel desirable to its consumers. Investing relatively little on development leaves room for promotion, profitability and then growth.

Promoting an already existing clothing line needs communication strategies. Communication strategies are important because without them, consumers won't know the available products, varieties, and won't get the chance to develop a desire for the product. In Nike's case, their athletic brand experience has overshadowed their casual line of clothing. Most of the time consumers get exposed to Nike clothing once they're shopping for athletic gear first. Communication strategies can draw up promotional tactics for Nike to develop not only an athletic brand experience, but an everyday brand experience as well: Just do it, everyday.

6.4 Return on Investments

The return on investments (ROI) that Nike would see would be a two-phase cycle. There would both be a short term and long term ROI. By having a spokesperson such as Jessica Alba or Jessica Biel Nike would be able to tap into the youth and image driven market that is extremely aware of what popular and famous figures are doing. The key is to stay away from athletic focused individuals since the idea is to promote casual wear for the everyday consumer and not just someone looking for clothing to wear during physical activities. A sudden, quick growth spike in market penetration is expected as fashion conscious consumers imitate the styles of the spokespersons. Competitive market entry pricing would also be a big benefit for increasing market penetration but the initial ROI for this may be limited due to a lower price point at the introduction of casual wear.

Once the casual wear has been on the market for a while and reached a large enough consumer base, Nike can introduce updated styles that are priced slightly higher to capitalize on a long term ROI. Once consumers are aware that Nike is creating a wider range of casual clothing, it won't be as vital to have spokespersons to promote the products. In fact, limited use of spokespersons should be exercised as the consumer base expands. Excessive use of a spokesperson could turn away potential and current consumers who may not be agreeable with said promoter. By now word-of-mouth will be a strong promoter for the casual wear and a steady rise in the ROI will be seen. New and updated casual wear products will be released on a quarterly basis to coincide with seasonal changes and societal fashion trends. This will help to ensure a continual long term ROI.

6.5 Communication Example

Jessica Alba is hired to model for Nike where the ads will be placed in various types of magazines such as hobby, recreational, health, and fashion. A short-term agreement will be arranged where she is to wear Nike clothing during some of her personal time. She is continuously photographed by the paparazzi caring for her daughter and carrying on a somewhat casual life. These photos appear in magazines and in online blogs, which would promote Nike apparel in a non-direct way. Before Nike apparel demand grows, a mix of apparel designs will need to become more fashion forward and phase into production. As demands grow, phase in these higher fashion lines at a higher price brackets along with reasonably priced casual lines. Group these releases with a new spokesperson, who at the time emulates a higher fashion status. Appearances will be moved away from Jessica Alba as this happens. Along with a new spokesperson, higher quantity of ads should cycle through fashion magazines. Consider the possibility of promoting through reality television such as a designer contest on Project Runway or an episode dedicated Nike on America's Next Top Model. Outfit the dwellers of Hugh Hefner's mansion with lounge clothing from Nike, rather than Victoria's Secret.

6.6 Success Measurement

Nike will know that it is successful with their new marketing strategy of adding a more casual line to its already well established brand when the return on investments hits the second part of its two cycle phase. When Nike no longer needs to have sponsors such as the two Jessica's; Jessica Alba and Jessica Biel, and people are aware of Nikes casual brand without sponsors. Casual Nike brand gear will be engrained in to everyone's head as the only brand to get everyday clothing, just like it is a well known brand for any athlete. Nike is seen on just about every athlete, now it will be seen on every person on a day to day basis.



7.0 Conclusion

Nike has become the leading company for sports gear. Everywhere around the world people know who Nike is, and the Nike swooshes has become a learned symbol in our society. Children even know what the Nike Swoosh stands for. Nike is seen on athletes, skaters, celebrities, on numerous sports teams around the world, and spotted on several people on a day to day basis.

Nike has become extremely innovative in everything from their stores to the soles of their shoes and everything in between. Their technology is the reason that Nike is such a recognized brand. Their technologies are number one in the shoe industry.

Not only is Nike number one in technology, but they are extremely creative with every shoe that they do. Nike Air Force Ones have become a staple product in American Pop Culture. They come in every single color and print and multicolor that one can imagine. Songs have even been made about Nike, such as Air Force Ones by Nelly. Nike Air Force Ones also have avid collectors, people who will spend two-hundred dollars for one pair of shoes that will go in a collector's box. This says a lot about Nikes brand as a whole, that they are a strong and resilient company.

Nike has done so much for their brand, and there is little that they could improve on. The one thing that they can improve on, however, is a more casual line of clothing for everyday people, not just athletes. This is exactly what they did this with the Air Force One line, now everyone is wearing them. This needs to be done with the clothing as well. They need to implement a communication strategy, much like they have used before, by using a celebrity spokesperson and sponsor to wear the clothing. This celebrity would be an A lister, in which their trends will be followed by the masses. This will not be very difficult for Nike because they are such a recognized brand. Their success will be when a celebrity spokesperson is no longer needed, and people are just buying the casual line because Nike will be the leading company for casual wear.

Nike is a company that has done very well for themselves. They have a full market of threats against them, yet they overcome every obstacle and continue to grow. One thing is for sure, Nike is here to stay.

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