Marketing Excellence

>>Nike

Nike hit the ground running in 1962. Originally known as Blue Ribbon Sports, the company focused on providing high-quality running shoes designed for athletes by athletes. Founder Philip Knight believed high-tech shoes for runners could be manufactured at competitive prices if imported from abroad. Nike's commitment to designing innovative footwear for serious athletes helped it build a cult following among U.S. consumers.

Nike believed in a "pyramid of influence" in which the preferences of a small percentage of top athletes influenced the product and brand choices of others. From the start its marketing campaigns featured accomplished athletes. Runner Steve Prefontaine, the first spokesperson, had an irreverent attitude that matched the company's spirit.

In 1985, Nike signed up then-rookie guard Michael Jordan as a spokesperson. Jordan was still an up-and-comer, but he personified superior performance. Nike's bet paid off—the Air Jordan line of basketball shoes flew off the shelves and revenues hit over $100 million in the first year alone. As one reporter stated, "Few marketers have so reliably been able to identify and sign athletes who transcend their sports to such great effect."

In 1988, Nike aired the first ads in its $20 million "Just Do It" ad campaign. The campaign, which ultimately featured 12 TV spots in all, subtly challenged a generation of athletic enthusiasts to chase their goals. It was a natural manifestation of Nike's attitude of self-empowerment through sports.

As Nike began expanding overseas to Europe, it found that its U.S.-style ads were seen as too aggressive. Nike realized it had to "authenticate" its brand in Europe, so it focused on soccer (known as football outside the United States) and became active as a sponsor of youth leagues, local clubs, and national teams. However, for Nike to build authenticity among the soccer audience, consumers had to see professional athletes using its product, especially athletes who won. Nike's big break came in 1994 when the Brazilian team (the only national team for which Nike had any real sponsorship) won the World Cup. That victory transformed Nike's image in Europe from a sneaker company into a brand that represented emotion, allegiance, and identification. It also helped launch Nike into other international markets over the next decade, and by 2003, overseas revenues surpassed U.S. revenues for the first time.

In 2007, Nike acquired Umbro, a British maker of soccer-related footwear, apparel, and equipment. The acquisition helped boost Nike's presence in soccer as the company became the sole supplier of uniforms to over 100 professional soccer teams around the world.

Nike focused its efforts on international markets, especially China, during the 2008 Summer Olympics in Beijing. Although Nike's rival, Adidas, was the official sponsor of the Olympic Games, Nike received special permission from the International Olympic Committee to run Nike ads featuring Olympic athletes during the games. In addition, Nike sponsored several teams and athletes, including most of the Chinese teams and 11 of the 12 high-profile members on the United States men's basketball teams. That year, sales in the Asian region grew 15 percent to $3.3 billion and Nike's international divisions grew to 53 percent of the company's revenue. Some believed Nike's marketing strategy during the Olympics was more effective than Adidas's Olympic sponsorship.

In addition to expanding the brand overseas, Nike successfully entered new athletic footwear, apparel, and equipment product categories by using endorsements from high-profile athletes and consumer outreach programs. The Nike Golf brand, endorsed by Tiger Woods, has changed the way professional golfers dress. Tiger's powerful influence on the game and his Nike emblazoned style have turned the greens at the majors into "golf's fashion runway." In addition, Nike has used the superstar to help build its relationship with consumers. In 2009, it launched a Tiger Web Talkback session at nikegolf.com, where fans could ask questions and hear Tiger talk about golf. The session was part of a nationwide Nike Golf consumer experience day, which included equipment demos, long-drive contests, and in-store specials.

In tennis, Nike has aligned with Maria Sharapova, Roger Federer, and Rafael Nadal to push its line of tennis clothing and gear. Some called the famous 2008 Wimbledon match between Roger Federer and Rafael Nadal—both dressed in swooshes from head to toe—a five-hour Nike commercial valued at $10.6 million.

Nike teamed up with seven-time Tour de France champion Lance Armstrong not only to sell Nike products but also to help Armstrong's LIVESTRONG campaign. Nike designed, manufactured, and sold over 70 million yellow LIVESTRONG bracelets, netting $80 million for the Lance Armstrong Foundation. It also featured Armstrong's message of survival, willpower, and giving in a series of Nike commercials.

To promote its line of basketball shoes and apparel, Nike continues to feature basketball superstars such as Kobe Bryant and LeBron James. In addition, it formed a partnership with Foot Locker to create a new chain of stores, House of Hoops by Foot Locker, which offers only basketball products by Nike brands such as Converse and Jordan.

Recently, Nike's lead in the running category has grown to 60 percent market share thanks to its exclusive partnership with Apple. Nike+ (Plus) technology includes a sensor that runners put into their running shoes and a receiver, which fits into an iPod, iTouch, or iPhone. When the athlete goes for a run or hits the gym, the receiver captures his or her mileage, calories burned, and pace and stores it until the information is downloaded. Nike+ is now considered the world's largest running club.

In 2008 and 2009, Nike+ hosted the Human Race 10K, the largest and only global virtual race in the world. The event, designed to celebrate running, drew 780,000 participants in 2008 and surpassed that number in 2009. To participate, runners register online, gear up with Nike+ technology, and hit the road on race day, running any 10K route they choose at any time during the day. Once the data is downloaded from the Nike+ receiver, each runner's official time is posted and can be compared to the times of runners from around the world.

Like many companies, Nike is trying to make its company and products more eco-friendly. However, unlike many companies, Nike does not promote its efforts. One brand consultant explained, "Nike has always been about winning. How is sustainability relevant to its brand?" Nike executives agree that promoting an eco-friendly message would distract from its slick high-tech image, so efforts like recycling old shoes into new shoes are kept quiet.

Today, Nike dominates the athletic footwear market with a 31 percent market share globally and a 50 percent market share in the United States. Swooshes abound on everything from wristwatches to skateboards to swimming caps. The firm's long-term strategy focuses on basketball, running, football, women's fitness, men's training, and sports culture. As a result of its successful expansion across geographic markets and product categories, Nike is the top athletic apparel and footwear manufacturer in the world, with corporate fiscal 2009 revenues exceeding $19 billion.

Questions

1. What are the pros, cons, and risks associated with Nike's core marketing strategy?
2. If you were Adidas, how would you compete with Nike?

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Marketing Excellence

>>Google

In 1998, two Stanford University PhD students, Larry Page and Sergey Brin, founded a search engine company and named it Google. The name plays on the number *googol*—1 followed by 100 zeroes—and refers to the massive quantity of data available online that the company helps users find. Google's corporate mission is "To organize the world's information and make it universally accessible and useful." From the beginning, Google has strived to be one of the "good guys" in the corporate world, supporting a touchy-feely work environment, strong ethics, and a famous founding credo: "Don't be evil."

The company has become the market leader for search engines through its business focus and constant innovation. As Google grew into a primary destination for Web users searching for information online, it attracted a host of online advertisers. These advertisers drove Google's revenue by buying "search ads," little text-based boxes shown alongside search results that advertisers pay for only when users click on them. Google's search ad program, called AdWords, sells space on its search pages to ads linked with specific keywords. Google auctions off the keyword ads, with prime keywords and page locations going to the highest bidder. Google recently added a program called AdSense, which allows any Web site to display targeted Google ads related to the content of its site. Web site publishers earn money every time visitors click on these ads.

In addition to offering prime online "real estate" for advertisers, Google adds value by providing tools to better target their ads and better understand the effectiveness of their marketing. Google Analytics, free to Google's advertisers, provides a custom report, or dashboard, detailing how Internet users found the site, what ads they saw and/or clicked on, how they behaved while there, and how much traffic was generated. Google client Discount Tire was able

Marketing Excellence

>>Cisco

Cisco Systems is the worldwide leading supplier of networking equipment for the Internet. The company sells hardware (routers and switches), software, and services that make most of the Internet work. Cisco was founded in 1984 by a husband and wife team who worked in the computer operations department at Stanford University. They named the company cisco—with a lowercase *c*, short for San Francisco, and developed a logo that resembled the Golden Gate Bridge, which they frequently traveled.

Cisco went public in 1990 and the two founders left the company shortly thereafter, due to conflicting interests with the new president and CEO. Over the next decade, the company grew exponentially, led by new-product launches such as patented routers, switches, platforms, and modems—which significantly contributed to the backbone of the Internet. Cisco opened its first international offices in London and France in 1991 and has opened a number of new international offices since then. During the 1990s, Cisco acquired and successfully integrated 49 companies into its core business. As a result, the company's market capitalization grew faster than for any company in history—from $1 billion to $300 billion between 1991 and 1999. In March 2000, Cisco became the most valuable company in the world, with market capitalization peaking at $582 billion or $82 per share.

By the end of the 20th century, although the company was extremely successful, brand awareness was low—Cisco was known to many for its stock price rather than for what it actually did. Cisco developed partnerships with Sony, Matsushita, and US West to co-brand its modems with the Cisco logo in hopes of building its name recognition and brand value. In addition, the company launched its first television spots as part of a campaign entitled "Are You Ready?" In the ads, children and adults from around the world delivered facts about the power of the Internet and challenged viewers to ponder, "Are You Ready?"

Surviving the Internet bust, the company reorganized in 2001 into 11 new technology groups and a marketing organization, which planned to communicate the company's product line and competitive advantages better than it had in the past. In 2003, Cisco introduced a new marketing message, "This Is the Power of the Network. Now." The international campaign targeted corporate executives and highlighted Cisco's critical role in a complicated, technological system by using a soft-sell approach. Television commercials explained how Cisco's systems change people's lives around the world and an eight-page print ad spread didn't mention Cisco's name until the third page. Marilyn Mersereau, Cisco's vice president of corporate marketing, explained, "Clever advertising involves the reader in something that's thought-provoking and provocative and doesn't slam the brand name into you from the first page."

The year 2003 brought new opportunities as Cisco entered the consumer segment with the acquisition of Linksys, a home and small-office network gear maker. By 2004, Cisco offered several home entertainment solutions, including wireless capabilities for music, printing, video, and more. Since previous marketing strategies had targeted corporate and IT decision makers, the company launched a rebranding campaign in 2006, to increase awareness among consumers and help increase the overall value of Cisco's brand. "The Human Network" campaign tried to "humanize" the technology giant by repositioning it as more than just a supplier of switches and routers and communicating its critical role in connecting people through technology. The initial results were positive. Cisco's revenues increased 41 percent from 2006 to 2008, led by sales increases in both home and business use. By the end of 2008, Cisco's revenue topped $39.5 billion and *BusinessWeek* ranked it the 18th biggest global brand.

With its entrance into the consumer market, Cisco has had to develop unique ways to connect with consumers. One recent development is *Cisco Connected Sports,* a platform that turns sports stadiums into digitally connected interactive venues. The company already has transformed the Dallas Cowboys, New York Yankees, Kansas City Royals, Toronto Blue Jays, and Miami Dolphins stadiums into "the ultimate fan experience" and plans to add more teams to its portfolio. Fans can virtually meet the players through Telepresence, a videoconferencing system. Digital displays throughout the stadium allow fans to pull up scores from other games, order food, and view local traffic. In addition, HD flat-screen televisions throughout the stadium ensure that fans never miss a play—even in the restroom.

Today, Cisco continues to acquire companies—including 40 between 2004 and 2009—that help it expand into newer markets such as consumer electronics, business collaboration software, and computer servers. These acquisitions align with Cisco's goal of increasing overall Internet traffic, which ultimately drives demand for its networking hardware products. However, by entering into these new markets, Cisco has gained new competitors such as Microsoft, IBM, and Hewlett-Packard. To compete against them, it reaches out to both consumers and businesses in its advertising efforts, including tapping into social media such as Facebook, Twitter, and blogs.

Questions

1. How is building a brand in a business-to-business context different from doing so in the consumer market?
2. Is Cisco's plan to reach out to consumers a viable one? Why or why not?

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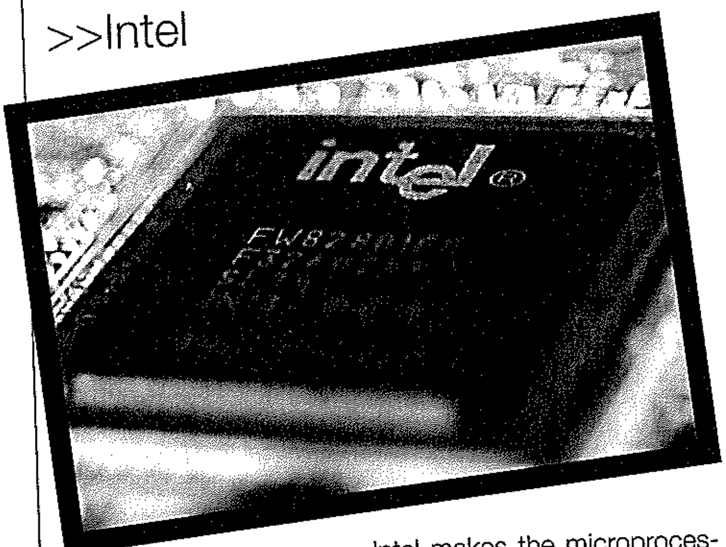
Marketing Excellence

>>Intel



Intel makes the microprocessors found in 80 percent of the world's personal computers. Today, it is one of the most valuable brands in the world, with revenues exceeding $37 billion. In the early days, however, Intel microprocessors were known simply by their engineering numbers, such as "80386" or "80486." Since numbers can't be trademarked, competitors came out with their own "486" chips and Intel had no way to distinguish itself. Nor could consumers see Intel's products, buried deep inside their PCs. Thus, Intel had a hard time convincing consumers to pay more for its high-performance products.

As a result, Intel created the quintessential ingredient-branding marketing campaign and made history. It chose a name for its latest microprocessor introduction that could be trademarked, Pentium, and launched the "Intel Inside" campaign to build brand awareness of its whole family of microprocessors. This campaign helped move the Intel brand name outside the PC and into the minds of consumers. In order to execute the new brand strategy, it was essential that the computer manufacturers who used Intel processors support the program. Intel gave them significant rebates when they included the Intel logo in their PC ads or when they placed the "Intel Inside" sticker on the outside of their PCs and laptops.

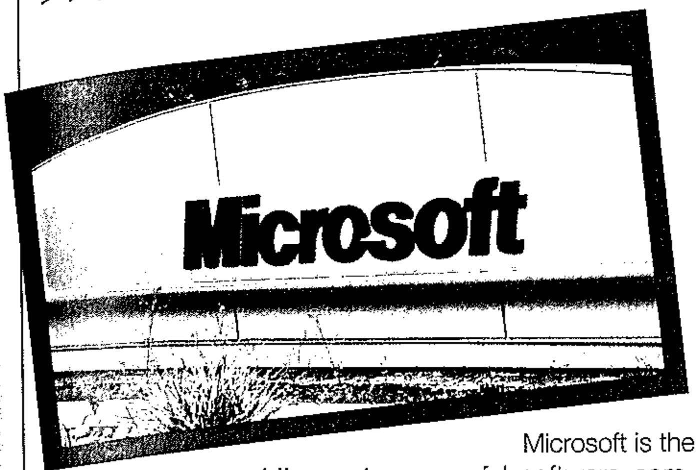
The company created several effective and identifiable marketing campaigns in the late 1990s to become a recognizable and well-liked ingredient brand name. The "Bunny People" series featured Intel technicians dressed in brightly colored contamination suits as they danced to disco music inside a processor facility. Intel also used the famous Blue Man Group in its commercials for Pentium III and Pentium IV.

In 2003, Intel launched Centrino, a platform that included a new microprocessor, an extended battery, and wireless capabilities. The company launched a multimillion-dollar media effort around the new platform called "Unwired," which urged the wired world to "Unwire. Untangle. Unburden. Uncompromise. Unstress." "Unwired" helped the company generate $2 billion in revenue during the first nine months of the campaign.

As the PC industry slowed in the mid-2000s, Intel sought opportunities in new growth areas such as home entertainment and mobile devices. It launched two new platforms: Viiv (rhymes with "five") aimed at home entertainment enthusiasts, and Centrino Duo mobile. In addition, the company created a $2 billion global marketing campaign to help reposition Intel from a brainy microprocessor company to a "warm and fuzzy company" that offered solutions for consumers as well. As part of the campaign, Intel's new slogan "Leap Ahead" replaced the familiar "Intel Inside" campaign that had become synonymous with the Intel brand, and a new logo was created.

Marketing Excellence

>>Microsoft



Microsoft is the world's most successful software company. The company was founded by Bill Gates and Paul Allen in 1975 with the original mission of having "a computer on every desk and in every home, running Microsoft software." Since then, Microsoft has grown to become the third most valuable brand in the world through strategic marketing and aggressive growth tactics.

Microsoft's first significant success occurred in the early 1980s with the creation of the DOS operating system for IBM computers. The company used this initial success with IBM to sell software to other manufacturers, quickly making Microsoft a major player in the industry. Initial advertising efforts focused on communicating the company's range of products from DOS to the launch of Excel and Windows—all under a unified "Microsoft" look.

Microsoft went public in 1986 and grew tremendously over the next decade as the Windows operating system and Microsoft Office took off. In 1990, Microsoft launched a completely revamped version of its operating system and named it Windows 3.0. Windows 3.0 offered an improved set of Windows icons and applications like File Manager and Program Manager that are still used today. It was an instant success; Microsoft sold more than 10 million copies of the software within two years—a phenomenon in those days. In addition, Windows 3.0 became the first operating system to be preinstalled on certain PCs, marking a major milestone in the industry and for Microsoft.

Throughout the 1990s, Microsoft's communication efforts convinced businesses that its software was not only the best choice for business but also that it needed to be upgraded frequently. Microsoft spent millions of dollars in magazine advertising and received endorsements from the top computer magazines in the industry, making Microsoft Windows and Office the must-have software of its time. Microsoft successfully launched Windows 95 in 1995 and Windows 98 in 1998, using the slogan, "Where Do You Want to Go Today?" The slogan didn't push individual products but rather the company itself, which could help empower companies and consumers alike.

During the late 1990s, Microsoft entered the notorious "browser wars" as companies struggled to find their place during the Internet boom. In 1995, Netscape launched its Navigator browser over the Internet. Realizing what a good product Netscape had, Microsoft launched the first version of its own browser, Internet Explorer, later that same year. By 1997, Netscape held a 72 percent share and Explorer an 18 percent share. Five years later, however, Netscape's share had fallen to 4 percent.

During those five years, Microsoft took three major steps to overtake the competition. First, it bundled Internet Explorer with its Office product, which included Excel, Word, and PowerPoint. Automatically, consumers who wanted MS Office became Explorer users as well. Second, Microsoft partnered with AOL, which opened the doors to 5 million new consumers almost overnight. And, finally, Microsoft used its deep pockets to ensure that Internet Explorer was available free, essentially "cutting off Netscape's air supply." These efforts, however, were not without controversy. Microsoft faced antitrust charges in 1998 and numerous lawsuits based on its marketing tactics, and some perceived that it was monopolizing the industry.

Charges aside, the company's stock took off, peaking in 1999 at $60 per share. Microsoft released Windows 2000 in 2000 and Windows XP in 2001. It also launched Xbox in 2001, marking the company's entrance into the multibillion-dollar gaming industry.

Over the next several years, Microsoft's stock price dipped by over $40 a share as consumers waited for the next operating system and Apple made a significant comeback with several new Mac computers, the iPod, the iPhone, and iTunes. Microsoft launched the Vista operating system in 2007 to great expectations; however, it was plagued with bugs and problems.

As the recession worsened in 2008, the company found itself in a bind. Its brand image was tarnished from years of Apple's successful "Get a Mac" campaign, a series of commercials that featured a smart, creative, easygoing Mac character alongside a geeky, virus-prone, uptight PC character. In addition, consumers and analysts continued to slam Vista for its poor performance.

In response, Microsoft created a campaign entitled "Windows. Life Without Walls" to help turn its image around. The company focused on how cost effective computers with its software were, a message that resonated well in the recession. It launched a series of commercials boasting "I'm a PC" that began with a Microsoft employee (looking very similar to the PC character from the Apple ads) stating, "Hello, I'm a PC and I've been made into a stereotype." The commercials, which highlighted a wide variety of individuals who prided themselves on being PC owners, helped improve employee morale and customer loyalty.

Microsoft opened a handful of retail stores—similar to Apple stores—in 2009. "The purpose of opening these stores is to create deeper engagement with consumers and continue to learn firsthand about what they want and how they buy," Microsoft said in a statement.

Today, the company offers a wide range of software and home entertainment products. In the ongoing browser wars, Internet Explorer holds a 66 percent market share compared to Firefox's 22 percent and Safari's 8 percent. In 2009, Microsoft launched a new search engine called Bing, which challenges Google's dominant position in the marketplace and claims to give better search results. Microsoft's most profitable products continue to be Microsoft Windows and Microsoft Office, which bring in approximately 90 percent of the company's $60 billion in revenue.

Questions

1. Evaluate Microsoft's strategy in good and poor economic times.
2. Discuss the pros and cons of Microsoft's most recent "I'm a PC" campaign. Is Microsoft doing a good thing by acknowledging Apple's campaign in its own marketing message? Why or why not?

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Marketing Excellence

>>Walmart

Walmart, the giant chain of discount stores, is the second largest company in the world, with over $400 billion in revenue and 2.1 million associates (or employees). The phenomenal success story began in 1962 when Sam Walton opened up his first discount store in Rogers, Arkansas. He sold the same products as his competitors but kept prices lower by reducing his profit margin. His customers quickly caught on and the company took off almost immediately. Walton's EDLP (Every Day Low Price) strategy remains the foundation of Walmart's success today. Through the company's economies of scale, Walmart is able to offer customers top brand-name products for the lowest price.

Walmart expanded throughout the United States in the 1970s and 1980s by acquiring some of its competitors and opening new stores. The first Walmart Supercenter—a discount store with food outlets, an optical center, photo lab, hair salon, among other amenities—opened in 1988. By 1990, Walmart had become the nation's number one retailer, with $32 billion in revenue and stores in 33 states. The company's international expansion began with a store outside Mexico City in 1991 and has grown to over 3,800 international locations, some under a different brand name.

Walmart thrives on three basic beliefs and values: "Respect for the Individual," "Service to Our Customers," and "Striving for Excellence." Sam Walton's original 10-foot rule—"I promise that whenever I come within 10 feet of a customer, I will look him in the eye, greet him, and ask if I can help him."—still governs today, embodied by the "greeters" at the front door. In addition, Walmart embraces the communities in which it enters in order to develop strong local relationships and build its brand image in the area. The company donates significant amounts of money to local charities through its "Good Works" program, hires local individuals, and purchases food from local farmers.

Walmart's marketing strategy has evolved over the years. Early marketing efforts were based on word of mouth, positive PR, and aggressive store expansion. In 1992, Walmart introduced its well-known tagline, "Always Low Prices. Always," which effectively communicated the company's core brand promise and resonated with millions. In 1996, Walmart launched its price rollback campaign featuring the familiar yellow smiley face as the star of the campaign. The smiley face happily slashed prices in Walmart's television commercials and appeared on store signage as well as employees' aprons and buttons. The campaign helped Walmart's stock soar 1173 percent in the 1990s.

Walmart hit a few bumps in the road as it entered the 21st century, and critics protested its entry into small communities. In one study at Iowa State University, researchers found that within 10 years of a new Walmart store opening, up to one-half of the small stores in that town can disappear. Walmart also faced multiple lawsuits from employees who complained about poor work conditions, exposure to health hazards, and pay below minimum wage, which left employees with families below the poverty line. In some cases, employees said Walmart failed to pay for overtime and prevented them from taking rest or lunch breaks. Another lawsuit claimed the company discriminated against women in awarding pay and promotions. These problems led to a very high turnover rate in the 2000s. According to one Walmart survey, 70 percent of employees left the company within the first year of employment due to lack of recognition and inadequate pay.

From 2000 to 2005, Walmart's stock price fell 27 percent and remained low from 2005 to 2007. Negative backlash, combined with Target's reemergence on the retail scene, contributed to the decline. Target revamped its stores, merchandise, and marketing strategy to appeal to a more aspirational discount buyer and stole some of Walmart's top-tier customers. Target stores were nicely lit, offering wider aisles and better-displayed merchandise. Target's television commercials featured attractive models and trendy clothes from high-end designers such as Isaac Mizrahi and Liz Lange. One analyst stated, "Target tends to have more upscale customers who don't feel the effects of gasoline prices and other economic factors as much as Walmart's core customers might." From 2003 to 2007, Target outperformed Walmart in same-store sales growth by 1.7 percent and profit growth by 5.7 percent. During this time, Walmart also lost the exclusive rights to use the smiley face in its marketing campaign.

For all these—and other—reasons, Walmart decided it was time for a new direction and launched a series of new initiatives to help improve sales and its image. First, it introduced a highly successful $4 generic drug campaign, a program eventually copied by Target. Walmart also launched several environmentally friendly initiatives such as constructing new buildings from recycled materials, cutting transportation costs and energy usage, and encouraging customers to buy more green products.

In 2007, Walmart introduced a new marketing campaign and tagline, "Save Money. Live Better." Television commercials highlighted the company's positive impact on decreased energy costs, increased 401(k) (retirement) savings, good employee health care coverage, and increased family savings. One commercial stated, "In today's economy, nobody's more committed to helping family budgets go further than Walmart. Walmart saves the average family about $3,100 a year, no matter where they shop."

Walmart also used the new campaign and aggressive price cuts to attract new consumers affected by the recession. It slashed prices on popular toys and electronics during the holidays and implemented a massive store remodeling effort called Project Impact. As a result, stores became cleaner, aisles less cluttered, and merchandise easier to reach—all to help improve the overall shopping experience and steal customers from Target.

Walmart's tactics worked: Same-store sales rose and its stock price improved during the recession. Analysts explained that Walmart's product mix—45 percent consumables (food, beauty, health items)—is a better strategy in a poor economy than Target's product mix—20 percent consumables and 40 percent home and apparel products. One analyst said, "Walmart sells what you need to have as opposed to what you want to have."

Stephen Quinn, Walmart's CMO, stated, "We are fortunate that this recession came along. It played to our positioning really well. But our own insecurity is that all the credit would go to the external environment and none of the work we all did. The kinds of things we were working on anyway when this environment came along are the same things we need to do to keep these so-called new customers and I think continued to build loyalty with our existing base."

Today, Walmart has stores in 16 international markets and serves more than 200 million customers a week through its variety of discount stores. These include Walmart Supercenters, Discount Stores, Neighborhood Markets, and Sam's Club warehouses.

Questions

1. Evaluate Walmart's new marketing campaign and tagline. Did the company make the right decision to drop "Always Low Prices. Always." as a tagline? Why or why not?
2. Walmart does very well when the economy turns sour. How can it protect itself when the economy is on the rise? Explain.

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