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The Sneaker Showdown: Athletic Shoe Companies Battle for Market Share

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A war continues in the United States, although there has been no official declaration. The battleground is the consumer's mind. Every day American citizens are bombarded with the artillery, although they may not recognize it. Employing the media and celebrities, the attacking forces fight intense campaigns. The combatants are athletic shoe companies, and Nike and Reebok are the two dominant battling forces.

**ADIDAS: THE BATTLE BEGINS**

In the athletic shoe industry, the founder of the athletic shoe is not the current market leader, Nike, nor is it second ranked Reebok. The innovator in athletic shoes was Adidas. Production of Adidas athletic shoes began after World War I. A brief survey of Adidas' history helps one understand the current battle between Nike and Reebok.

Adidas' first breakthrough in the athletic shoe business occurred in 1936. American track star Jesse Owens wore Adidas in the Olympics. He won his medals in front of the world, thus revealing the product to consumers worldwide. This event thrust Adidas into the running-shoe market and prompted development of new and better products.

Adidas has always tinkered with new shoe developments, from improved metal spikes to fashionable trends in style designs. As the decades unfolded, Adidas continued to diversify into footwear for other sporting events, into sportsbags, and into swimwear and other sports apparel. Adidas set the stage for many industry practices still maintained today. The primary practice, still important in the 1990s, is use of a celebrity or famous athlete for endorsement purposes. This marketing tactic is widely used by Nike and Reebok. In fact, an industry average is to use about 80 percent of the advertising budget for endorsements. The remaining 20 percent goes to media advertising (Hartley, 1989). Another Adidas practice still common today is
use of international athletes for testing purposes. The athletes use the products in real situations and offer feedback to the companies. Necessary improvements in design and technology can then be made, thus improving product performance.

Adidas continued to dominate sporting showcase events through 1972, when Nike shoes entered the market. Adidas still dominates many foreign markets, although Nike and Reebok are penetrating overseas markets as well.

WAFFLE IRON INNOVATIONS
In 1964, Phil Knight showed samples of Tiger Athletic shoes to his former track coach, Bill Bowerman, of the University of Oregon. Bowerman had always experimented with running shoes, attempting to make them lighter. Knight and Bowerman went into business together, selling Tiger shoes to athletic teams. Soon they developed their own shoe and in 1971 began marketing Nike shoes, named after the Greek goddess of victory. They also developed the "swoosh" logo, to be placed on every Nike product from that point on.

In the shadow of Adidas, Nike made a slow start. In 1975, however, Bowerman developed a major breakthrough. Experimenting with a waffle iron and urethane rubber, he developed the waffle sole. This sole became popular with runners, and Nike moved ahead of Adidas within a few years. It continues to grow. Nike wisely made a commitment to research and development of new designs for different foot types, skills, and sexes. In 1979, the air chamber was born, another innovative idea Nike still uses today.

In the beginning, Nike received advance orders for its products which often took as long as six months to fill. This gave Nike an advantage. It was able to plan production schedules and inventory costs. In 1979, Nike was a $14 million company with a 33 percent market share in the United States. In 1982, it was a $694 million company with a 50 percent market share (Hartley, 1989). In 1983, the running boom matured and no longer offered substantial growth. Nike responded by moving into children's shoes, apparel, athletic bags, and other line extensions.

THE BRITISH ARE COMING
Reebok's ancestor company began in England in the late 1890s when Joseph William Foster made the first running shoes with spikes. By 1895, he was making shoes by hand for top runners. In 1958, the founder's grandsons started a companion company. This company became known as Reebok.

Reebok was virtually unknown to the United States until 1979 when it introduced the first aerobic shoe, the Freestyle. This shoe arrived at a most

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opportune time. Aerobics was becoming a popular form of exercise, and more women than ever before were taking part in athletic activities. The aerobic shoe was appealing because it was sleek and attractive and didn't look like a man's shoe. Since then, Reebok has experienced explosive growth and continues to develop performance technologies to improve its products.

RIDING THE MARKET SHARE ROLLER COASTER
In the recent past, Nike and Reebok have experienced a roller coaster ride of market leadership in the United States. Nike captured the leadership position when the introduction of the waffle sole in 1975 enabled it to capitalize effectively on the running boom (Hartley, 1989). In the 1980s, Nike tried to broaden its horizons by "slapping the Nike name on a line of casual shoes" (Meeks, 1990, p. 107). Unfortunately, it missed the big trend toward aerobic shoes while concentrating on other line extensions. Reebok capitalized on the aerobics wave, and Nike lost the leadership position to Reebok in 1986. In losing its technology focus and emphasizing fashion instead, Nike failed to understand new trends once the running boom had slowed down (Yang, 1990). However, once on top, Reebok could not hang on to its position for long either. Without a clear approach to maintaining market share, it lost the leadership position to Nike in 1989. Nike captured the number one position with its 1989 "Just Do It" campaign. Nike's market share continued to increase as Reebok's became smaller. In 1991, Nike owned 30 percent of the athletic shoe market and Reebok, 24 percent. The remaining 46 percent was held by numerous companies, none with more than 12 percent of the market.

THE BATTLEFRONT
Nike and Reebok both seem to aim at the same target market, teenagers and ethnic minorities (Sloan, 1989), although Nike maintains it does not market its products by race. It is only a "coincidence" that athletes hired are black. The black athletes, Nike insists, have tremendous "crossover appeal" (Freeman, 1991). By using athletes in their advertising, both companies are attempting to capture athletes' purchases as well as sales to those who want to emulate athletes. Sixty percent of those who buy Nike shoes, for example, are not hard-core athletes (Willigan, 1992). Indeed, only about 10 percent of the people who wear sneakers buy them for the sport for which they were designed (Meeks, 1990). That leaves 90 percent of athletic shoe wearers purchasing an athletic shoe for comfort and fashion.

Reebok and Nike target women and men in separate advertising spots. Both companies also target teenagers. It can be deduced, therefore, that
both companies have probably fallen into the “everybody trap”—that of attempting to appeal to all segments of the market.

THE “AIR” ATTACK: PLACING TECHNOLOGY AND PERFORMANCE AT THE FRONT
During Nike’s early beginnings in the 1970s, it faced fierce competition from Adidas. Realizing its product was inferior to the leader’s, Nike knew it needed a better product to capture a significant share of the market. Once produced and marketed, the waffle sole was just the impetus Nike needed. Nike has always maintained, with the exception of a few disastrous years in the 1980’s, that technology and performance have been its primary tactics in producing and marketing its line of shoes (Yang, 1990).

Late in the year 1978, Nike put its first “Air” shoe on the market—again, a technological advancement. Nike conducted extensive research to understand the concept of decreased energy expenditure through use of a shock-absorbing air bag. In advertising its innovation, Nike never showed the product itself; only the concept was revealed to the eager consumers. Demand for the “Air Tailwind” was fantastic. Nike continued to improve the shoe’s “Air” design and, the “Air” system remains a crucial construction feature of nearly all Nike shoes today (Becklund/Strasser, 1991).

As noted earlier, Nike lost its focus in the 1980s when it ignored the aerobic craze and tried to diversify into casual shoes. Nike was then slapped with Reebok’s market share gain. Nike fought back by reverting its focus from fashion to technology. Nike introduced its visible “Air” shoes in 1987. It cut out a portion of the rubber in the sole, allowing the air bag to be seen. Nike also increased endorsements to place this new product in consumers’ minds. The visible “Air” remains a fashion feature today, yet its roots lie in the technological advancement of the sole (Becklund/Strasser, 1991).

JUST DO IT
Nike fought hard to recapture the leadership position. It launched advertising campaigns to promote its visible “Air” shoes as well as other new lines. “Just Do It” became a popular battle cry throughout the nation. This catchy, no-excuses slogan was used in advertising and printed on Nike apparel. “Just Do It” crystallized Nike’s reemerging philosophy.

Nike’s primary tactic to generate sales, however, remains use of high profile celebrity endorsements. The celebrities are hired to wear Nike products and appear at promotional activities. The majority of these endorsements are by well-known athletes; indeed Nike’s most popular endorsements are by black athletes (Freeman, 1991).
To help consumers tie athletes and products together, Nike names some of its products after the athlete used to promote the product. One of Nike’s best known endorsers has been basketball superstar Michael Jordan. Jordan has been with Nike since 1984 and the “Air Jordan” is one of Nike’s most popular products, for it ties Jordan’s uncanny leaping and “hang time” gifts to his “Air Jordan” shoes (Becklund/Strasser, 1991). The “Air Jordan” undergoes modifications in design and technology with each season.

In addition to Jordan, football and baseball star Bo Jackson and his distinctive “Bo Knows” commercials tie a cross training shoe with a cross training athlete. Nike has effectively used Jackson’s dual athletic abilities to demonstrate to consumers that cross training shoes can be used for multiple purposes. Nike’s top-of-the-line cross trainer is often called the “Bo Jackson” shoe. These are just two of several athletic endorsers Nike has employed.

Film director and actor Spike Lee has added a new twist to Nike’s promotional activities. Lee is featured in a paid public service announcement concerning race relations, sponsored by Nike, as well as in regular advertisements. Nike knows such announcements will guarantee press coverage (free advertising) for Nike. Lee also connects Nike with the urban market, where Nike does most of its business. “Lee will keep Nike aware of what’s going on in major markets, like New York,” says Scott Bedbury, Nike’s director of advertising (Magiera, 1992). Thus Nike appears to be employing Lee, not only as a promotional tool, but also to keep tabs on the black marketplace. Opportunities and threats in the market environment can therefore be more closely monitored.

**SUPERSTORE TO THE BATTLEGROUND**

Nike’s latest tactic in the shoe war is its new superstores called Nike Towns. Nike’s first Nike Town, in Portland, Oregon, was 20,000 square feet of retail space designed to resemble a movie set. Nike Towns house every product in Nike’s line, each in its respective setting. The superstores have different “shops” for swim gear, tennis gear, basketball, etc. Each shop has a different temperature setting, lighting, and sound system. According to the store’s designer, Gordon Thompson, the environment “stimulates people, keeps them interested, and moving” (Hannon, 1991, p. 159).

Nike Towns also offer first-rate service from extensively trained athletes. No pressure to buy comes from the sales staff and discounts are never used. The stores are used as promotional vehicles to stimulate customers. Their main purpose is to dazzle people into buying Nike products—wherever they choose to buy them. If a Nike product is purchased, Nike makes a profit. It doesn’t matter where the product is purchased. A second store opened in
Chicago in 1992 and others have been added in major cities.

PUMPING UP THE TROOPS—"U.B.U." TAKES TO THE FIELD
In 1987-1988, when Nike introduced its new “Air” campaign, Reebok found itself in a slump. Its aerobic shoes could no longer carry the bulk of its business, and its tennis shoe was only three years old. Reebok was also working on a new pump system, but it wouldn’t be out for at least another year. Reebok needed to do something to keep its name in the consumer’s mind until it could come up with a product people wanted to buy (Becklund/Strasser, 1991). Its solution was an advertising campaign that didn’t show the product at all. It emphasized lifestyle over function; “U.B.U.” was the new campaign. It bought Reebok the time it needed to develop a new product.

PUMPING IT UP
In November 1989, Reebok introduced a shoe that would put it back in the running for market share. This ingenious athletic shoe featured an air bladder that, when inflated, molds the shoe to the wearer’s foot. More than four million pairs of these shoes walked, ran, jumped, or sprinted out of stores between November 1989 and August 1991 (Wiesendanger, 1991). The “Pump,” as it was called, was promoted by celebrity athletes. The entire Cincinnati Bengals football team, basketball star Dominique Wilkins, golfer Greg Norman, and tennis great Michael Chang were all put on the Reebok roster. Reebok thought that by using athletes, it would establish in the consumer’s mind that the “Pump” is all about performance (Wiesendanger, 1991). The company also set up booths in malls allowing people to try on the new “Pump” shoes. Consumers had an opportunity to learn firsthand about the “Pump,” and Reebok had an opportunity to learn from consumers’ feedback. In 1991, Reebok had 36 styles of the “Pump” shoe in nine sport categories (Wiesendanger, 1991).

SINBAD’S SHOE
Reebok’s next new offering came in 1991. It introduced the “Blacktop” shoe—the first shoe especially made for outdoor court play. Made of heavy leather and a tough sole, it can withstand the abuse of America’s city streets. To promote this shoe, Reebok sponsored nationwide three-on-three basketball tournaments and spent $6.5 million on advertising (Hammonds, 1991). Rather than spotlight a professional athlete, the campaign stars Sinbad, a popular black comedian. As of August 1991, Reebok revenues were up 10 percent, while Nike’s were down 6 percent (Hammonds, 1991). Not only does the “Blacktop” perform well, but it also looks good. It appeals to
the 90 percent of consumers who buy athletic shoes for comfort or fashion (Hammonds, 1991). Most important is the fact that no one else had ever hit upon the notion of selling a shoe specifically for outdoor play.

**DAN AND DAVE AT THE FRONT**

Sometimes, however, the best marketing plans go awry. In 1992 Reebok recruited two Olympic decathlon contenders: Dan O’Brien and Dave Johnson. Advertisements featuring Dan and Dave were simple: fifteen seconds of baby pictures of the two, a promotion for the 1992 summer Olympics, and the Reebok logo. Advertisements followed with the two in later years and finally as adults. These ads were simple, similar to home movies, and were promotions to which consumers could relate. The campaign was all ready to be launched when, to the dismay of Reebok’s executives, Dan O’Brien failed to qualify for the 1992 Olympics. Reebok continued to air commercials with the two athletes; however, spots showing O’Brien congratulating Johnson now promoted the new running shoe. In this way Reebok attempted to turn a negative situation into a strength.

**DEFENSIVE STRATEGY: NIKE**

What does the future hold in the athletic shoe war? As market leader, Nike should maintain the defensive strategy. Nike must make moves to attack itself. Nike needs to continue to change and update its product line. Developing new styles of shoes and phasing out outdated designs would be a smart maneuver. However, Nike’s product line has continued to grow; it has many styles very similar to each other. This tactic serves only to cloud the consumer’s mind. In our communication-intensive society, Nike must narrow its product line. Consumers are confused by a multitude of choices. Nike has become in shoes what General Motors is in cars: weakened by line extensions.

Nike should also block competitive moves, employing the defensive strategy. In the 1980s, Reebok identified a need in the market and introduced aerobic shoes. Nike should have counter-attacked immediately by introducing its own aerobic shoe. Market leadership would have given Nike a competitive advantage over Reebok’s shoe. The Nike name would have captured a portion of the market. If Nike would have blocked Reebok’s competitive move, it may not have lost the leadership position in the 1980s.

As the market share leader, Nike should also enhance the entire athletic shoe category. By enhancing the arena Nike will benefit, for enlarging the market for athletic shoes will, in turn, enlarge Nike’s sales volume. A consumer’s mind is virtually impossible to change. Nike will be spinning its wheels if it tries to convince competitors’ customers to switch brands. This
would represent a waste of advertising dollars. Nike could go forward, however, by turning consumers on to athletic shoes in general. Enlarging the entire product pie will make everybody’s piece larger.

**OFFENSIVE STRATEGY: REEBOK**

Currently in second place in market share, Reebok should assume an offensive strategy to marketing warfare. Reebok needs to focus upon the strength of Nike’s position. This means realizing that Nike dominates basketball and cross training shoes. Therefore Reebok should phase out those lines unless it can come up with a unique advantage. Nike must fail in a category for Reebok to succeed.

Thus, focusing on the enemy (Nike), instead of upon itself would be Reebok’s smartest move. Rather than trying to determine how to increase its own share, Reebok should look at how it can decrease the shares of opponents—by going to consumers’ minds. Ries and Trout repeatedly remind companies that “Marketing warfare is a mental exercise with the battleground being the human mind” (1986, p. 70).

Finding a weakness in the leader’s strength and attacking that weakness is the key principle to follow. Nike’s strengths may very well be its celebrity endorsers and the fact that it has been in the marketplace for a considerable length of time. A weakness in these strengths may be that although Nike uses celebrities such as Michael Jordan, it has been using his name on shoes continuously. Each year a new “Jordan” shoe is unveiled, relatively unchanged. Rather than the shoe being a technological innovation, it is merely a new color or minor improvement over the previous season’s shoe. Reebok could exploit this reality by pushing the message that it is the “true innovator” in shoe technology.

Launching the attack on as narrow a front as possible is the other basic rule of war Reebok should activate. Ries and Trout state that, “A full line is a luxury only leaders can afford” (1986, p. 72). It is difficult to say that Reebok should cut its lines. The difference in market share between numbers one and two barely gives us a distinct leader. Reebok should, however, stick with what it does best and drop the lines that Nike dominates.

**GUERILLA STRATEGY—ADIDAS**

Adidas is a dominant competitor in overseas athletic shoe markets. It leads in market share in many countries. In the United States, however, Adidas only owns a small portion of the market. It is one of the 94 of 100 firms that should pursue guerilla warfare. Adidas must find a segment of the market small enough to defend, a niche that the market leaders will not bother to enter. Adidas already has an image in many U.S. consumers’ minds, that of
court shoe strength. Rather than attempting to change the consumer's mind, Adidas should capitalize on this image. In other words, Adidas should stick to the niche it already holds. Though Nike and Reebok make court shoes, their efforts to dominate the niche have not been successful. If Adidas sticks with its court shoes and does not try to diversify, it can defend its niche.

Following the guerilla strategy, Adidas should never act like a leader. No matter how successful it becomes, Adidas should stick to a narrowly defined market line. A wide front is something only a leader can maintain. Adidas must be the specialist. Adidas must also be prepared to “bug out” at a moment’s notice (Ries and Trout, 1986, p. 107). If sales start to fall, Adidas needs to abandon its niche. Adidas therefore must maintain flexibility in order to react to market changes. If Adidas does not monitor the market, it could perish in the United States. However, as Ries and Trout assure us, “A company that runs away lives again to fight another day” (1986, p. 107).

CONCLUSION
The marketplace environment produced by the athletic shoe companies is analogous to a war zone. Nike and Reebok are presently engaged in war. Battles have been won and lost on both sides. Each company has enjoyed the reign of leader. Though Nike is currently leading the industry in market share, Reebok should be considered a threat. Each company enjoys product leadership in certain categories within the market. Nike owns cross-training for men, men’s basketball, and the running shoe categories. Reebok, however, controls the women’s market due to its control of the aerobic shoe. Reebok’s styles tend to have more feminine appeal than Nike’s.

With the exception of the slight lapse in the mid-1980s, Nike has been successful in choosing a tactic and sticking with it. Reebok, too, should identify a tactic that it can use to its advantage rather than confuse consumers by continually changing its products. This is no typical war, for it is taking place in all of our minds. For athletic shoe companies to survive the battle, they must occupy the unique territory of the mind.

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