



Customer-led business growth

Sports business success from remarkable customer experiences

Nike's growth fuelled by deep customer insight

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This week Nike announced it was committing \$50m to Michelle Obama's campaign to get American kids more active, citing the high social costs of the "inactivity epidemic". This commitment is just the latest example of the lesson Nike learned many years ago – to sustain growth, they must be customer-led not product-led. And when you consider they announced double-digit revenue growth in December and Fast Company voted them the most innovative company in the world thanks to recent product and manufacturing innovations, you realise just how customer-focused Nike must be!

Losing sight of customer needs & market trends

In the mid 1980s, Nike's growth stalled on the back of a failed brand extension into casual shoes. Despite Nike being a trendy brand, and casual shoes being a growth market, they failed to grab significant market share. According to founder Phil Knight, the problem was Nike had lost sight of who their customers really were. Their target market had always been performance athletes, reflecting their heritage in the legends of Bill Bowermann and Steve 'Pre' Prefontaine.

Since Bowermann invented the waffle sole by pouring rubber into a waffle maker, Nike have been at the forefront of product innovation in every category they play in. In entering a new market, Nike took the same approach and produced "a functional shoe we thought the world needed, but it was funny looking and the buying public didn't want it".

Why this happened is a warning to sports organisations that's as relevant now as it was when Phil Knight originally gave it. "In the early days, when we were just a running shoe company and almost all our employees were runners, we understood the consumer very well. There is no shoe school, so where do you recruit people for a company that develops and markets running shoes? The running track. It made sense, and it worked. We and the consumer were one and the same. When we started making shoes for basketball, tennis, and football, we did essentially the same thing we had done in running."

Eventually this one-dimensional approach to customer insight became a weakness. "We were missing an immense group. We understood our "core consumers," the athletes who were performing at the highest level of the sport. We saw them as being at the top of a pyramid, with weekend jocks in the middle of the pyramid, and everybody else who wore athletic shoes at the bottom.

Even though about 60% of our product is bought by people who don't use it for the actual sport, everything we did was aimed at the top. We said, if we get the people at the top, we'll get the others because they'll know that the shoe can perform. But that was an oversimplification. Sure, it's important to get the top of the pyramid, but you've also got to speak to the people all the way down."

Becoming genuinely customer-led

So what's different now Nike are customer-led rather than product-led? Knight continues "whether you're talking about the core consumer or the person on the street, the principle is the same: you have to come up with what the consumer wants, and you need a vehicle to understand it. To understand the rest of the pyramid, we do a lot of work at the grass-roots level. We go to amateur sports events and spend time at gyms and tennis courts talking to people."

Within this story are several keys to organisations being genuinely customer-led:

- Be wary of using staff as a proxy for the needs of the customer, as this becomes potentially limiting if/when the actual customer base diversifies beyond the core customers
- To understand customers, get out to where they are buying/using the products and services you provide – see how they use it, and listen to how they would improve it
- To achieve scale, design products and services based on the common needs across target customer groups, rather than focusing on the differences between them.

In this context, Nike's announcement of combining social responsibility with business growth makes good sense. Nike know what's important to their customers both now (a company that takes social responsibility seriously) and in the future (active and sports-aware kids will become the target customers of the future). It's not just their innovation department that is thinking several steps beyond the current product line.



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This article is a post from my blog 'customer-led business success' that can be found at [here](#) or via [LinkedIn](#).