

Nike *Does It*

BY TERRY SCANNELL

What more can be said about Nike? It's a *Fortune 500* company that need only show its logo at the end of a commercial to have it all make sense — even if the commercial seems to have nothing at all to do with the company's main product, running shoes.

Nike's brand power is fueled in part by spending \$1.6 billion on advertising and marketing, or what Nike calls "demand creation," as it did in 2005 — a 16 percent increase in Nike's spending over 2004.

That kind of increase has occurred more or less every year at Nike, regardless of the prevailing view or fad-of-the-moment in marketing. So, marketers should take note as Nike takes another large step into the world of networked digital-media.

Nike has always been in the forefront of brand marketing. It was the first company to use athlete shoe-endorsement contracts. Its slogan "Just Do It" is part of popular culture. Its quirky, post-modern ads such as "Bo Knows," are marketing and advertising lore.

One of the company's many innovations was the opening of its own retail stores, dubbed Nike Town. Like Apple, Nike opened these stores despite their potential to alienate its existing retail channels. Also like Apple, these stores initially were designed to be a brand "show case," and not even necessarily to make money.

The first store, which opened in Portland, Oregon in 1990, was followed by a store in Chicago in 1992. Eventually, 14 Nike Town stores were constructed

with 12 in the United States and two overseas. These stores have since provided a blueprint of best practices in the development and implementation of in-store media networks.

Before installing an in-store media network, have a content strategy. When the Nike Town stores were originally built, they were jammed with what was then the state-of-the art in in-store media. The original media were used to connect shoppers to the Nike brand at both an intellectual and emotional level. Nike was able to draw on its deep, content resources to feed the media into the stores, while maintaining a quarterly update schedule.

When deploying technology into retail stores, be sure to control what it is and document where it is. To the extent possible, make sure that you have a standard and stick to it. For Nike Town, as the stores began to age, operational challenges surfaced. Some

stores used digital projectors, some used CD-ROMs and still others used laser disks to play the media that was sent each quarter from corporate.

It became increasingly difficult to track and manage these varying formats as well as the quarterly updates.

Nike Town's challenges, coupled with the internet explosion, led a Nike AV technician, Tim Canfield, to wonder whether there might be a better way. Working together with Nike veteran, Pat Hellburg,

Canfield started to explore the possibility of using a digital-network system to deploy all of Nike's in-store media.

By this time, Nike had also developed and deployed its Factory Stores, which also used in-store media. In 2002, Canfield conducted a "bake-off" of more than 20 companies that had (or claimed to have) software or a system that could support Nike's in-store media needs. Eventually, Nike settled on Coolsigns, Inc., which was at that time a privately held, venture-funded software company.

The past,
present — and
possible future —
of Nike Town's
in-store media
network.

It's critical to have "C-level" support. It also helps if your CEO is the founder of the company and is not afraid to pull the trigger on a multi-million dollar investment in what was then untested technology. When Nike's founder, Phil Knight, was asked about the digital-network project, he reportedly asked, "What is the incremental cost of playing that media to all the people that come in our stores?" When he was told that the incremental cost was relatively modest, it's said that he blessed the project.

Every network needs a business plan that the stakeholders understand and support. This is true even for networks not based on selling ads. To some degree, one of the issues that has shadowed the Nike network has been the question of which P&L within the company would get hit with its expenses — Brand Marketing or Retail. This led to some jockeying within the company over who "owns" the network.

Be prepared for the long-haul. Lou Giacalone, the founder of Coolsigns, says that it took well over a year to sell the system into Nike. He recalls that the major driver that led to the system's adoption in Nike were, "the disparate media the company was using in the stores and the need to pull it all together." The network also allowed Nike to change its retail messages when it needed to — not on a schedule as it had done previously.

In June, 2003, a three-year contract was signed between Nike and Downstream, a post-production company where Tim Canfield was now president. Coolsigns provided the software used to drive the network. Initially, Downstream acted as a general contractor and provided the entire suite of services to the Nike Network. This included connectivity, content creation, installation and operations.

An in-store network should be treated as just another marketing channel. Treat in-store just like the internet or television. Have resources under your own roof to ensure that internal content is "mined" and repurposed and its messaging coordinated with all marketing outlets.

At Nike, a full time "producer" was assigned to work at Nike and was given access to Nike's marketing content. This was done to ensure that the messages going out on the network were in harmony with, and reinforced, the messages being sent through Nike's more traditional channels.

No single supplier can "just do it" all. It takes a well-functioning team. By late 2004, Nike's network had grown to approximately 185 locations, including

Nike Towns, Nike Factory Stores and Dick's Sporting Goods, where Nike had helped install a shoe wall that incorporated its network.

However, as the network became more visible and more important within Nike, the role of Downstream was scaled back. The most significant change was that "creative control" of the content shifted from Downstream back to the Nike campus. Nike also started to expand its in-house capabilities in terms of design and content creation.

In the spring of 2006, Nike quietly let it be known that it was putting the network account up for review. John Mastrangeli of Symon Communications, reportedly the winner of the review, says Symon has "approached the digital-sign marketplace from the perspective of a technology company as opposed to a creative company."

Symon uses its "TargetVision" system, a dedicated IP-based client-server architecture with robust scheduling and content creation software. The system uses embedded Windows-XP dedicated players in the stores.

Brand enhancement can be as important as sales. Nike's Pat Hellburg says that Nike plans to "expand the network where it makes sense to do so and where it will work." He also said that while "sales uplift is part of the plan" for the network that the main focus of it is "brand enhancement."

As Nike moves forward with its network, it may well be that the company will expand it into Asia, where it has thousands of stores and is experiencing its fastest growth. This growth is somewhat complicated, however, because most stores in Asia are operated by Nike licensees and are sometimes limited by government restrictions in mainland China. In addition, there are some reports that Nike's network may also be turned inward to help Nike communicate with its 27,000 employees.

Whatever the future of marketing or networked digital signs and interactive systems, Nike certainly has been a leader and a source of best practices in today's rapidly emerging new-media landscape. ■



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