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**Changes and Challenges Promoted by the Social
Commerce in the Sportswear Industry**

Evaluation of Nike and Adidas' cases

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Abstract

At the beginning of the 90's, the introduction of the World Wide Web, Web 1.0, has opened new opportunities for companies to develop new business models in the field of "electronic commerce". Businesses were able to benefit from this tool to increase their market share, increase their profitability, improve services, and reduce their time to market. The World Wide Web acted as an intermediary between businesses and their customers, where companies can inform them about their products, news, and promotions. Couple of years later, the second generation of the World Wide Web emerged, Web 2.0, where it moved static HTML pages to a more interactive and dynamic web experience. Web 2.0 is based on the ability of people to cooperate and share information online using social media platforms, blogging, and Web-based communities. The commerce activities leveraging on the basis of "Web 1.0" are referred to as "electronic commerce" or "e-Commerce"; however, when leveraging on the basis of "Web 2.0", they are referred to as "Social Commerce". Social commerce combines Web 2.0 social media technologies and infrastructure to support online users' interactions and contribute in the acquisition of products and services. The majority of the researches done before focused on the definitions, scopes, and boundaries of social commerce. However, few focused on examining companies' performance in the era of social commerce. While surfing different social media platforms, users pass by dozens of "business-related" posts, however, none of these posts are similar neither in the content nor in the way companies tend to approach their customers. Some companies' posts focus on the product, others on the experience related to that product. Some pages, related to the same company, are present on one social media platform but not on the other. Yet, different companies could be approaching social commerce in different strategies. In this way, this research aims at studying deeply and along different aspects the performance of two major players in the sports industry, Nike and Adidas, along three different periods, before e-Commerce, during e-Commerce, and during social commerce. Moreover, we intended to compare the performance of both companies in the social commerce era to examine whether major players in this industry follow a unique or different approaches when adopting social commerce. The approach of both companies to social commerce is almost the same; however, what differs is the way of adopting Web 2.0, which means the way of approaching and targeting their customers along different social media platforms.

Keywords: Social Commerce, e-Commerce, Sportswear industry, Nike, Adidas, Social media

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1 Introduction

This section is an introduction to the topic addressed in this thesis, justifying the motives behind examining the case studies. As well, it introduces the doubts and misgivings that should be clarified, and the objectives of this research.

1.1 Motivation

It is interesting how technology changed our lives in the past thirty years, whether from the world wide web introduction, or the advancement of PC's, laptops, and mobiles. The development of the web in the past 10 years, from Web 1.0 (e-Commerce era) to Web 2.0 (social commerce era), had a great impact on people's lives. People are more and easily connected, where they are able to meet others from different parts of the world through the web; they are able to know about their interests, habits, and cultures. They can connect with them anywhere and anytime. Though, this didn't impact only our personal and daily lives, but also everything around us. Other people's personal and daily life is now somehow part of ours. Not only people, but also businesses were able to grab great benefits whether from the introduction or the development of the web. Businesses were able to find new growth opportunities and new revenue streams due to the introduction of Web 1.0, e-Commerce era, and Web 2.0, social commerce era. Several studies have been done previously which focused on the definitions, scopes, and boundaries of social commerce. However, like any other topic, there are still disputes regarding the definition, scope, and boundaries of social commerce. Yet, social commerce is strongly connected to the use of social media and it has become a new phenomenon due to the upsurge popularity of social networking sites (Liang, 2011).

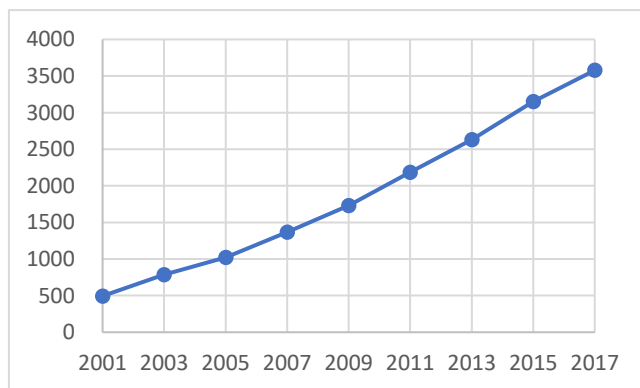


Figure 1: The Growth of internet access worldwide (Index G. W., 2018)

Moreover, Andrew Beranbom, from Extole, states that “*Social commerce is the marriage between social media and e-Commerce, the next evolution of online shopping where consumers fuel the purchasing funnel of your brand*” (Beranborn, 2019). As the use of the internet has evolved, customers shifted the offline, or in-store, shopping experience to the online one, where they can interact with other

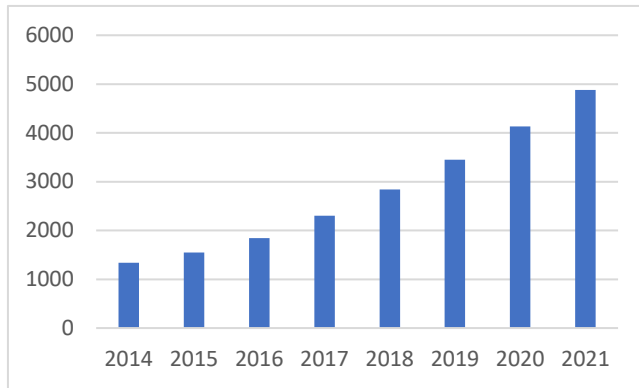


Figure 2: Global retail e-Commerce sales 2014-2021 (Statista, 2019 a)

customers, know their feedbacks and suggestions, and then complete the purchase process. Based on a report submitted by “Smart insights”, “Time spent on social media per day is increasing and as a result, online buying is increasing. On average we now spend around 2hours 15minutes per day on social media, and 28% of internet users use social media to search and find products to

buy” (Wade, 2017). Not only the time spent and the online buying is increasing, Figure 2, but also the way and style of shopping is evolving due to social commerce. As shown in Figure 1, more and more people are having access to the internet, thus it is rational to assume that the use of social media, as well as online selling, will increase through time.

Based on a report submitted by “Global Web Index”, due to the spread of social media, content platforms, and self-service advertising, any business can engage and connect with their customers. In the old media world, huge budgets were needed to promote a company’s brand and engage its customers. However, currently millions of marketers use digital channels to engage their audience, acquire new customers, and boost their sales (Index G. W., 2018). Yet, there is a lack of a clear framework tackling the strategy that should be followed when adopting social commerce.

In this research, the focus is on two main players in the sportswear industry, Nike and Adidas. However, neither the choice of this industry nor the choice of the companies is out of nowhere. First of all, the main aim was to choose an industry which records the highest revenues in terms of online selling. We chose revenues due to the fact that any company, whether adopting social commerce or e-Commerce, will care the most about their revenues. Surely, they will care about customers, but the implicit final target is the success of the company which is linked to their revenue stream. Based on a report submitted by Statista in 2019, the fashion industry had the most revenues from online sales, if compared to other industries. Moreover, based on the same report, the fashion will maintain its foreground position, in terms of revenues, among other industries. The report submitted along with the statistics shown in Figure 3, do not belong to a certain continent or geographical area; however, they refer to the global e-Commerce revenues. (Statista, 2019 b)

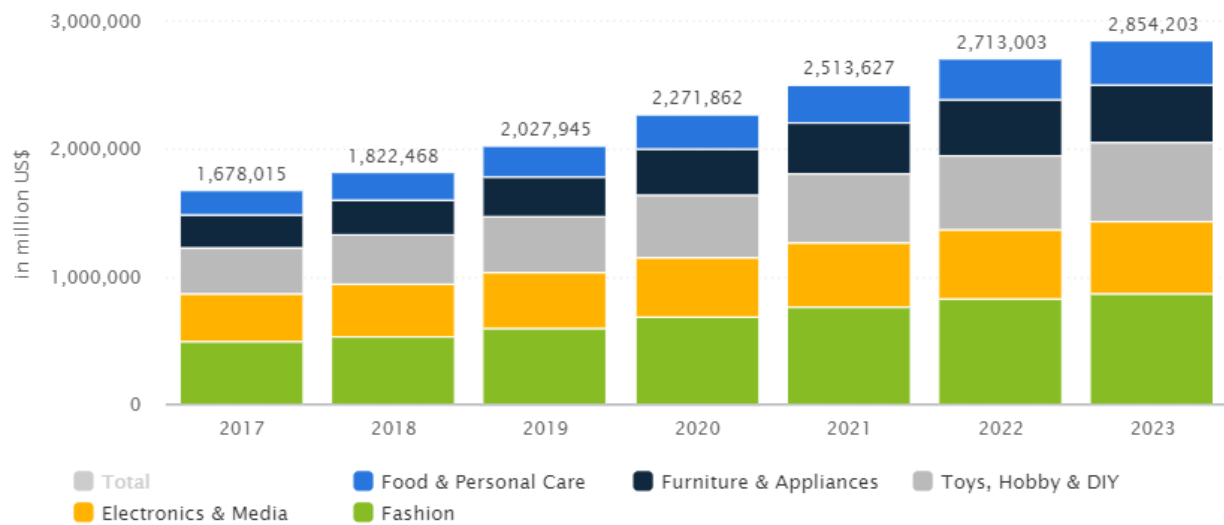


Figure 3: Revenues in the e-Commerce market – 2019 (Statista, 2019 b)

The next step was examining which category in the fashion industry is the one characterized by the highest growing potentials. With reference to a report submitted by McKinsey in 2017, “The State of Fashion 2017” which analyses five categories in the fashion industry: clothing, footwear, athletic wear, jewellery, and personal accessories, it states “Athletic wear has grown significantly in response to consumers’ push for casualization, having grown at 10 percent over the past ten years, according to the McKinsey Global Fashion Index, while apparel and footwear overall were growing at 4 percent”. (Company, 2019)

1.2 Identification of the problem

Social Commerce has been an interesting topic for researchers in the past 15 years. As mentioned previously, most of these researches focus on the definition, brand, and cope of social commerce. After, the term was defined in 2005, social commerce has been applied to the practice broadly rather than to the research field (Ahmad Jamala, 2006). After reading and evaluating several articles and reports during the literature review, none of them examined a case study or a comparison between companies adopting social commerce. When mentioning “comparison”, it does not refer only to the marketing strategy of firms on different social media platforms, but it refers to the strategy these companies followed in adopting social commerce, the effects of social media engagement on their financial figures, their website role after adopting social commerce, and the strategies they follow on different social media platforms.

When surfing different social media platforms, one can observe several pages for the same company on the same social media platform. Yet, the posts and the strategy, followed by a certain company, differs between one page and another. Moreover, when moving to another social media platform, one can find different pages for the same company, and different strategies if compared to other platforms. On the other hand, there are other companies that run a single page on a single platform, or a single page duplicated on several social media platforms.

In this research, the aim is to understand and examine the definitions, scope, applications, and boundaries of e-Commerce, Web 2.0, and Social commerce in the literature review. Next, a detailed analysis for Nike and Adidas is done to examine their performance along three periods, before e-Commerce, during e-Commerce, and during social commerce. This analysis includes three main aspects, financial figures, website performance, and social media performance. The aim of the case study parts is to inspect how the major players in the sportswear industry were performing along the three different periods, and how did the adoption of the two commerce strategies affected their performance. Subsequently, a comparison between both companies' performances to understand whether the two major players followed similar strategies or different ones when involving both e-Commerce and social commerce. To finish, a graphical representation is provided which explains how different companies, in the sportswear industry, are approaching the social commerce era.

1.3 Objectives

Due to the complexity and the different opinions regarding the definition, scope, and boundaries of social commerce and due to the absence of a clear framework that shows how companies can adopt or be involved in social commerce, it is substantial to examine the effects, strategies, and performances of major players in the sportswear industry during the era of social commerce. In this way the present study seeks to:

- Identify how did the performance of the two major players in the sportswear industry evolved through the three defined periods, mainly during the social commerce era (before e-Commerce, during e-Commerce, and during social commerce)
- Examine and compare the performances and the results of social commerce adoption for both companies

- Examine whether all the players in the sportswear industry are approaching social commerce in the same way or in different ways

A traditional literature review is implemented in this research to answer the following research questions as a guide for achieving the expected objective. The answers for these questions, which are based on the deep analysis of two major players in the sportswear industry and a general overview about the performances of 13 other companies in the same industry during the social commerce era, will act as an input for the development or continuity of this work. Research questions are the following:

- How did major players in the sportswear industry approach the social commerce era?
- Did these companies have the same impact on their financial performance with this new commerce strategy, social commerce?
- Did both companies approach social commerce following the same strategy?
- Do the majority of companies in the sportswear industry follow the same strategy as the major players, or they have their own approaches?

2 LITERATURE REVIEW

The literature review in this research consists of four main parts. In the first two parts we introduce e-Commerce and social commerce, provide an overview about the two commerce strategies, and highlight their key aspects. Moreover, we discuss the diverse goals and objectives that companies can set to benefit from social commerce. Furthermore, we intended to clarify the pillars of the transformation process from e-Commerce to social commerce. Lastly, in the third part our aim is to compare both commerce strategies and identify the key differences between them.

2.1 e-Commerce

Nowadays, one of the most important accelerators promoting international trade is the presence of internet (Mika Gabrielsson, 2011). The development of e-Commerce relies on the advent of internet which are the entrance to the web, one of the main tools of e-Commerce (Faith-Michael E. Uzoka, 2007). From the academic point of view, e-Commerce is an operation related to the information and communication technologies (ICT) which introduces the concept of business aiming to promote commercial relationships and managing the exchange of products/services via the internet network (Vladimir, 1996). Ravi Kalakota defines e-Commerce as the transmission of data, products/services, or payments through telephone lines, computer networks or other intermediates (Ravi Kalakota, 1996). However, global intergovernmental organizations' definitions of e-Commerce are more transaction-oriented. For example, according to the Organization of Economic Co-operation and Development, e-Commerce is used for selling or purchasing goods or services through computer networks using methods specially performed aiming to receive or place orders (Development, 2009). The features of e-Commerce are generally classified as shopping cart/bag, checkout/payment, product visualization, product price, and shipping (Renata Gonçalves Curty, 2011).

2.1.1 Advantages and disadvantages of e-Commerce

Based on an article submitted by Niranjnamurthy in 2013 (Niranjnamurthy et al., 2013), the adoption of e-Commerce is not only a benefit for the business, but also a benefit for its stakeholders. From the customer perspective, e-Commerce is more efficient than traditional physical shops due to the absence of queue or waiting time to get the product or service. It also

allows customers to easily correlate prices of different goods or services. Moreover, Online shops can provide large variety of products for their customers even if they don't own a large warehouse. However, in physical shops there are more limitations due to the space provided. The access to online shops is not limited to a certain time or place. Unlike physical shops, which have limited working hours, online shops allow customers to do shopping anytime and anywhere. Moreover, buying and selling is not only a "one way", from companies to customers, but also customers are able to exchange goods and services among themselves. On the other hand, from the business perspective, thanks to e-Commerce businesses can avoid opening physical stores which is one of the major drivers of cost, and they can rely just on online shops. e-Commerce helped in facilitating the way a business work, in which it is doable to list your business needs online and receive online bids in a timely and low-cost manner. Moreover, even the procurement process is way easier thanks to the presence of e-Commerce. The whole supply chain process and B2B e-Commerce system can be integrated resulting in a rapid, clear, and low-cost procurement process. Furthermore, e-Commerce helped in harmonizing the order processing systems due to the direct link between firm's inventory level and the suppliers which resulted in low inventory levels, thus low costs of inventory. Lastly, e-Commerce helped in the reduction in the labor force due to the fact that it is more machine-driven and fewer workers are needed to perform the operations if compared to physical shops. This type of automation allows e-Commerce businesses to use their human resources effectively and efficiently (Niranjanamurthy et al., 2013).

On the other side, e-Commerce adoption may lead to several drawbacks on both businesses and their stakeholders. Unlike physical shops, online shops lack the direct contact between customers and the company representatives. As a result, this may lead to the decrease in customer's loyalty and thus lack of trust. Moreover, in online shopping, customers are unable to observe, feel, or try the products; thus, they may not have an incentive to buy certain products online. We can take the apparel industry as an example, in which customers may not have an incentive to buy a piece of cloth if they do not try it. This issue may be a threat for businesses specially in the absence of an appropriate return policy. One of the major critical points that comes to mind when talking about online shopping is Security. In the absence of an adequate security system, customers may not have an incentive to provide personal information to the system fearing any kind of information hacking. Moreover, payments in e-Commerce are done using credit or debit cards in order to complete the purchase process. Nevertheless, not all customers are willing to use these payment

methods to avoid any kind of scam. As for businesses, despite the fact that they may be able to expand to foreign markets even without owning physical shops, they may face a limited reach when adopting e-Commerce. The presence of the internet accompanied by electronic devices, such as computers, tablets, and mobile phones, is one of the main pillars in e-Commerce. However, not all customers have access to this technology, which means businesses can not only rely on online shopping. Besides, running a website is not easy as it seems, expertise as well as significant amounts of investments are needed to maintain a proper functionality of firms' websites. However, not all firms have sufficient budget and access to such expertise that allows them to adopt e-Commerce. Moreover, as mentioned before, websites are a vital tool for e-Commerce used by businesses. Any website error means shutting down for a certain period of time for maintenance which highly affects purchasing activities. Lastly, in physical shops it is easier to return a certain product. However, this is not the case when it comes to online shopping. In online shopping, a clear and adequate return policy is essential to ensure customer's protection. Moreover, an online return policy entails extra reverse logistics costs which may not be affordable by certain firms (Niranjanamurthy et al., 2013).

2.1.2 The Key Success Factors of e-Commerce

Burn states that *“the six common success factors are described by London Business School based on significant growing firms: an experienced owner-manager with a good knowledge of the market and industry, close contact with customers and a commitment to quality of product and/or service, innovation and flexibility in marketing and technology, a focus on profit not sales with good management systems controlling costs, attention to good employee relations, often backed by a bonus scheme, and operating in a growing market”* (Burns, 1996).

Critical success factors for entrepreneurs are defined by Sylvie Feindt based on the EU project KITE, which gathered information from 150 e-Commerce entrepreneurial firms worldwide. The aim of the project was finding out the reasons, ideas, and actions which assisted the development of e-Commerce in entrepreneurial firms. David Birch, an economist and author, defined the term Gazelle in his book *“Job Creation in America: How Our Smallest Companies Put the Most People to Work in 1987”* as *“In fact most firms don't grow. Gazelles do. And that is only 3% of all small companies. A Gazelle company is the one that doubles its sales every four years”*. The study of Feindt focuses on cost and differentiation-oriented baby gazelles which are divided

into three main phases: start-up, growth, and maturity phase. Eleven critical success factors (CSF's) are used in different phases and for different types of companies: commitment, content, price sensitivity, convenience, control, interaction, brand image, community, partnership, process improvement, and integration. These CSF's are grouped based on the type of the company; first group includes all companies included in e-Commerce, the second one includes all companies within specific sector, and the last one comprises individual companies (Sylvie Feindt, 2002).

Content, convenience, control and interaction are the major key success factors for companies adopting e-Commerce (Sylvie Feindt, 2002):

- Content: demonstration of product and/or services via internet in order to capture the attention of customers and impress them.
- Convenience: the usage of website for given aims i.e.: assistance service before and after purchasing, gathering information
- Control: the level of owned parts of the process that entrepreneurs can manage and regulate among the company.
- Interaction: ongoing relation between customers and companies before and after the purchase.

The second group includes all companies within specific sectors (Sylvie Feindt, 2002):

- Community: maintain the relationship between individuals and groups that share the same mindset or perceptions allowing them to exchange their ideas, information, and reviews about different products and services.
- Price Sensitivity: awareness of products/services to compete in terms of prices in the e-Commerce businesses.

Lastly, individual companies (Sylvie Feindt, 2002):

- Brand image: capability of creating brand awareness.
- Commitment: high inspiration of internet usage and innovation.
- Partnership: partnerships as a tool to increase firm's presence and enhance development.
- Process improvement: leveraging automation in the business processes.

- Integration: arrangement of the linkage between the internet technologies partnership and development of the process.

Critical Success Factors	Diff BG	Cost BG	
Commitment			Start-up phase
Content			
Price sensitivity			
Convenience			
Control			
Interaction			
Brand Image			Growth/transition phase
Community			
Partnership			
Process Improvement			High Volume/ maturity
Integration			

Figure 4: Critical success factors, appropriate entrepreneurship, and phases of growth (Sylvie Feindt, 2002)

2.1.3 First Mover Advantage in e-Commerce

First mover advantage was initially introduced in the 1950's in the literature of Industrial Organizations Economics (T. Fawley, 2006). Since its advancement, the concept of first-mover advantage has been extended to the administration field and has been slowly utilized traded with early mover advantage which is based on three main pillars (Montgomery, 1998). The first pillar is the source of early mover advantage (EMA). According to Wang, sources of EMA can be explained as the “*entry barriers created by economies of scale, preemption of key resources, technological expertise and experience, and behavioral demand-side factors such as shaping customer preference and becoming the “prototype” against which all later entrants are judged*” (Wanga et al., 2016). The second pillar is the resources and capabilities which gives the opportunity for firms to reach early mover advantage (T. Fawley, 2006). These resources are: technology (RegisCoeurderoy, 2004), sources based on politics (Jędrzej George Frynas, 2006), social characteristics (William P. Barnett, 2013). The last pillar is maintaining a connection between the environment of the market and the competitive advantage (Fernando F. Suarez, 2007).

According to the studies of Wang, Cavusoglu and Deng, early movers that adopt e-Commerce in their businesses are more able to reach successful performance, impress, and involve customers. Adaptation capacity of customers creates early mover advantages due to the fact that high level of adaptation capacity provides huge amount of e-Commerce buyers, feedbacks etc. Hence, e-Commerce firms can use buyer's information to develop product design and maintain

online prestige of the firms. Similarly, early movers, that have high retention ability, can largely benefit from positive customer's feedbacks since most probably satisfied customers will broadcast positive spoken info on-line. However, this can be a sword of two edges, and it can be a disadvantage for late movers. In which late movers should exert significant efforts in order to accomplish equal performance with early movers (Wanga et al., 2016). For instance, e bay, which was one of the first movers in the electronic commerce portal, was able to benefit from network effects and structural construction for their website due to their first move (Mellahi, 2000). Another example is Walmart, which was able to benefit from customer reliability and physical assets' investments thanks to their early move. Furthermore, empirical results, from previous studies done by Deng, shows that early mover advantage for B2B portals to cross border occurs in the initial phases of firm's establishment. Through time, these advantages start to vanish. Therefore, there is inverse relationship between the number of firms and the benefits of early movers' advantages. Moreover, based on Deng's study, firms that set low prices are able to benefit from EMA at a quicker pace. However, these firms experience a rapid decrease in the EMA earned before. Thus, there is an inverse relationship between the time and the benefits from EMA which takes the shape of an upside-down U-shaped graph. Multi-product firms, who differentiate their products, are able to benefit from a quicker emergence of EMA. However, these firms experience a quicker decrease of the EMA earned previously (Ziliang Deng, 2015).

2.2 Social Commerce

Social Commerce could be defined as the commerce operations which are maintained by social media. In this concept people can be interactive between each other's, they can share their comments, ideas and they can be part of the production process of products and services. The concept of social commerce officially appeared in literature in the year 2005 as a new way of doing commerce. However, this concept was launched before by Amazon and Epinions in the late 90's. In this new concept of commerce, welfares are provided for both sides of consumption: customers and firms. In which customers can benefit from the wide range of information provided by both the seller and other customers, and at the same time, firms can increase their revenues by involving more customers to their platforms, involving them in the product design process, and listening to their feedbacks (Renata Gonçalves Curty, 2011)

The features of social commerce can be classified in two main categories: expected and desired features. Expected features are e-Commerce functions, social channels, and content to socialize. On the other hand, desired features are social networks, organizers, management tools, mobile, and augmented reality (Renata Gonçalves Curty, 2011). Social commerce is defined as new version of e-commerce. For that reason, social commerce shares common tools with e-Commerce which are shown in Annex A – Literature Review. Social channels are those responsible for supporting platforms so customers can create relationships between each other's. Whereas, Social networks represent the external social structures that websites use as a bridge to connect and enhance customers' shopping experiences. Moreover, Organizers or management tools are important for customers to improve their know how. This tool facilitates the searching and purchasing process for customers (Renata Gonçalves Curty, 2011) (Anne)

Social commerce is based on four pillars: people, management, technology and information (Chingning Wang, 2012).

- People: the most essential pillar of social commerce. The studies of Zang and Benjamin explain that people in social commerce are not only the users, but also the designers, specialists in information and communication technologies, coders, influencers, ND managers of ICT (Ping Zhang, 2007). In general, the term people refer to individuals, customers, users, sellers, groups, and the society which benefits from social commerce (Chingning Wang, 2012).
- Management: it includes strategy, policy, management, operations, process, and culture. Similar to any business (whether offline or online), management tools are vital for social commerce (Ping Zhang, 2007).
- Technology: it includes hardware, software, infrastructure, applications, technological resources, and services. Therefore, social commerce is arbitrated by technology (Ping Zhang, 2007) (Chingning Wang, 2012).
- Information: it includes the acquisition, creation, processing, dissemination, and the use of information provided through social commerce platforms (Chingning Wang, 2012). Moreover, Information which includes customer-based contents is indispensable for social commerce (Ping Zhang, 2007).

According to Wang, “Along with the popularity and commercial success of social networking sites and other forms of social media, the term social commerce was conceived in 2005”. In order to understand the development process of social commerce, it is fundamental to highlight the study done by Wang and Zhang between 2005 and 2012. According to the study, acquiring information from people is not the major goal of social commerce. Though, the major aim is analyzing and maintaining relationships with people in order to involve them and make them feel part of the businesses. As people are more using online shopping in their daily life, they are willing to share their experience and reviews with other customers as well as with the business itself. This trend results in the formation of online communities connecting people sharing similar preferences, hobbies, and preferences. Consequently, people within these communities are able to influence the purchasing decisions of other customers based on the reviews and the shopping experience. According to the management pillar, the evolution of social commerce deviated its direction from long run strategies, accompanied by launching niche goods or services and communities of brands, to the doubtful perception of social branding to social commerce (Chingning Wang, 2012).

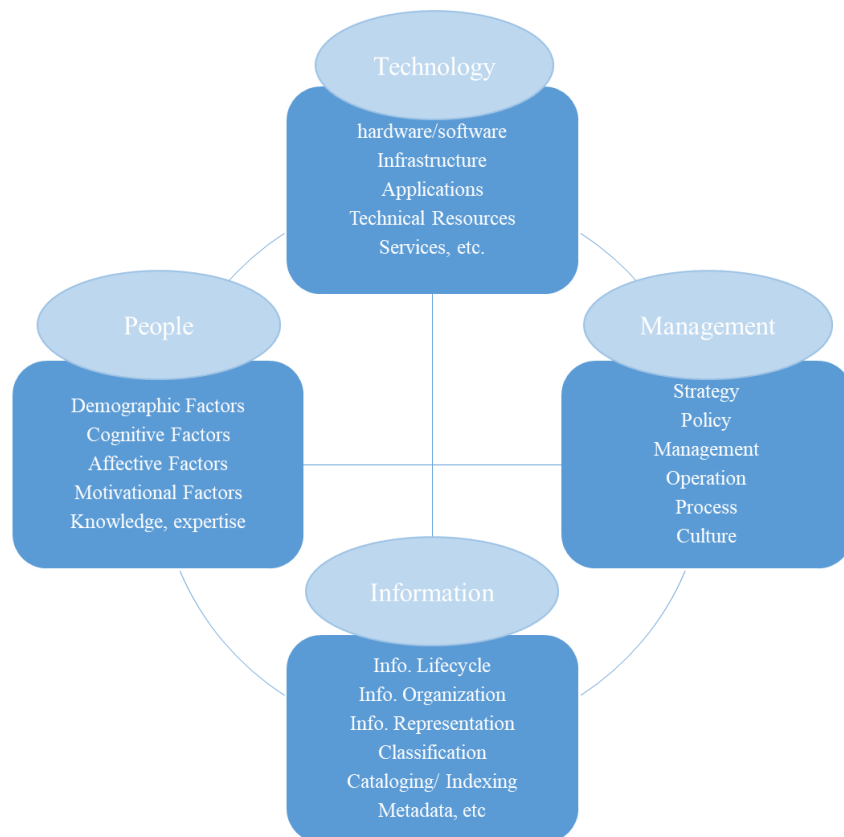


Figure 5: The model for social commerce (Chingning Wang, 2012)

On the other hand, the technology pillar of social commerce states that the evolution starts from the linkage between e-Commerce internet sites and the blogs used in social media platforms. In which the latter provide e-Commerce websites with the essential social media tools which generates a win to win situation when integrated with each other's. Moreover, this development is characterized by the integration of different social media platforms such as Facebook and Instagram. Crowdsourcing, cocreating, and global crowdsourcing are the critical content strategies to leverage user generated content (Chingning Wang, 2012).

There are six dimensions for achieving a successful social commerce strategy: (Gandotra, 2012)

- Social authentication: in case customers are uncertain about their purchasing decision, social authentication facilitates viewing others' reviews and comments about their shopping experience, and the quality of the product. Thus, this will affect their purchasing decision.
- Authority: maintaining a trustful environment for the social commerce businesses.
- Scarcity: customers are glad to receive special deals, promotions, and discounts. Accordingly, these incentives may be the rocket fuel for businesses adopting social commerce.
- Like: a general assumption in the business life states that people prefer doing businesses with others that are alike. This assumption also holds for social commerce.
- Consistency: ambiguity conditions do not incentivize customers to perform their purchase decisions whether through physical or online shops. For that reason, reliability and transparency are important to create the adequate environment for customers in their shopping experience through social media platforms.
- Reciprocity: mutual relationships are fundamental not only between customers and firms, but also between customers themselves (Gandotra, 2012).

2.2.1 Advantages and Disadvantages of Social Commerce

In addition to the e-Commerce advantages and disadvantages, there are specific ones which are accompanied with social commerce from the business point of view (Osman & Maddy, 2017). Due to the increasing popularity of social media, social commerce can be characterized by high levels of participation. The number of users participating in social media platforms is increasing rapidly. According to Statista, there are more than 2 billion active accounts on Facebook (Statista,

2019 e). People are able to share their comments, ideas, and feedbacks about different products and services. This information is not only shared between customers and firms, but also among customers themselves. For that reason, customers will feel part of a community created by people having similar preferences (Osman & Maddy, 2017). Furthermore, social commerce enhances customer's purchase processes by providing information about products and services, reviews, and comments. Customers can view and analyze the available information, which are provided by other customers, to finalize their purchasing decisions (Gandotra, 2012). Yet, Social commerce's aim is not only offering promotions via social media platforms, but also it is an opportunity for companies to build trust and mutual relations with users. Moreover, Social commerce rises the number of clicks and visits to firms' websites due to the fact that social media platforms can be an intermediary between customers and websites. Thus, companies adopting social commerce can have high website visibility. Lastly, financial performance indicators, key performance indicators, and accounting based indicators are fundamental in measuring the success of a business. Similarly, in social commerce, businesses are able to measure their success and their goals using specific indicators. For example, Facebook, Instagram and Twitter provide analysis about the traffic in the company's website and number of clicks (Osman & Maddy, 2017).

On the other side, despite that social commerce entails a lot of advantages, there are several disadvantages for this new commerce strategy. Similar to e-Commerce, in social commerce the risks are higher than retail shopping. There is no change for the customers to try the products, there is no physical evidence to understand the level of quality of the products or services. Moreover, social commerce allows companies to operate all over the world without any borders; consequently, it can harm the businesses present in the home countries due to the external competition. In addition, Social commerce requires daily operations starting from maintaining the company's website and social media platforms reaching the continuous interaction with customers. For that reason, this can be a critical aspect in social commerce, especially for companies that lack the adequate resources (budget and expertise) (Biucky et al., 2017).

2.2.2 The Key Success Factors of Social commerce

Social commerce is a combination of e-Commerce and Web 2.0; therefore, to understand the key success factors of social commerce, it is important to know the key success factors in both e-Commerce and Web 2.0 are. Relying on the factors of both Web 2.0 and e-Commerce, and due

to the fact that social commerce is a result of their combination, we can list the key success factors of social commerce (Zhao Huang, 2012).

Factors	Characteristics	Description
Usability	<ul style="list-style-type: none"> • Ease of use • User-Friendliness • Simplicity • Navigation • Help function • Understandability • Accessibility • Consistency • Recognition rather than recall • Aesthetic design • Personalization 	<ul style="list-style-type: none"> • Avoid complication • User-friendly pages • Simple structure and functions • Support user movement (link between social media pages and website & vice versa) • Offer help and assistance for customers • Understandable content • Social media pages should be accessible for users • Coherency of the content • Information should be easily remembered • Aesthetic and attractive content, pages, and websites • Personalized Content
Information quality	<ul style="list-style-type: none"> • Relevance • Accuracy • Completeness • Update • Authority • Objective • Usefulness • Sufficiency 	<ul style="list-style-type: none"> • Relevant information • Accurate information • Complete information • Updated information, frequency of the posts • Ensure user confidence in information • Unbiased information • Useful information • Sufficient information
System quality	<ul style="list-style-type: none"> • Security • Operation and computation • Appearance • Content • Interface features • Simplicity • Tools and multimedia-rich environment • Crowdsourcing • Transparency • User control 	<ul style="list-style-type: none"> • Ensure task enactment in a safe way • Systems and services should be easily used and operated • Avoid visual design elements • Rich content that matches user expectations • Responsive, user friendly, and flexible interface features • Simplicity in design and features • Impressive and simply explored environment • Open source, open innovation, co-design • Transparent process • Users should have control over the data (Reviews)

Table 1: Social Commerce - Key Success Factors (Zhao Huang, 2012)

Factors	Characteristics	Description
Participation	<ul style="list-style-type: none"> • User content creation • Information sharing • User intensity • Incentives provision • Task creation 	<ul style="list-style-type: none"> • Users should be part of content generation • Motivate users to share content • Participation should be on a continuous basis • Offer rewards for user performance • Users should be part of the task creation process
Conversation	<ul style="list-style-type: none"> • Interaction communication • Connection 	<ul style="list-style-type: none"> • Communication is not only between the company and the users, but also between users themselves (Generate word of mouth) • Users should be connected under both online and offline conditions
Playfulness	<ul style="list-style-type: none"> • Enjoyment • Attractive-appearance • Control • Curiosity • Intrinsic interest 	<ul style="list-style-type: none"> • Enjoyable experience • Aesthetic designs and content • Users should feel that they have control • Motivate users' perceptive interests • Match users' interests
User identification	<ul style="list-style-type: none"> • Collaboration • Identity • Content representation and expression 	<ul style="list-style-type: none"> • Cooperation among users • Identify users • An adequate mix between text, pictures, and videos in the content
Community	<ul style="list-style-type: none"> • Networking effects 	<ul style="list-style-type: none"> • Establish relationships and build a community

(Continued) Table 1: Social Commerce - Key Success Factors (Zhao Huang, 2012)

The relation between social commerce, e-Commerce, and Web 2.0 can be visualized in the so-called Social commerce design model. In this model, we can observe that: (Zhao Huang, 2012)

- Individual (inner layer) + commerce (outer layer) = e-Commerce
- Individual + community + conversation = Web 2.0 (typical online community)
- Individual + community + conversation + commerce = social commerce (in which the community layer is built on the conversation layer)

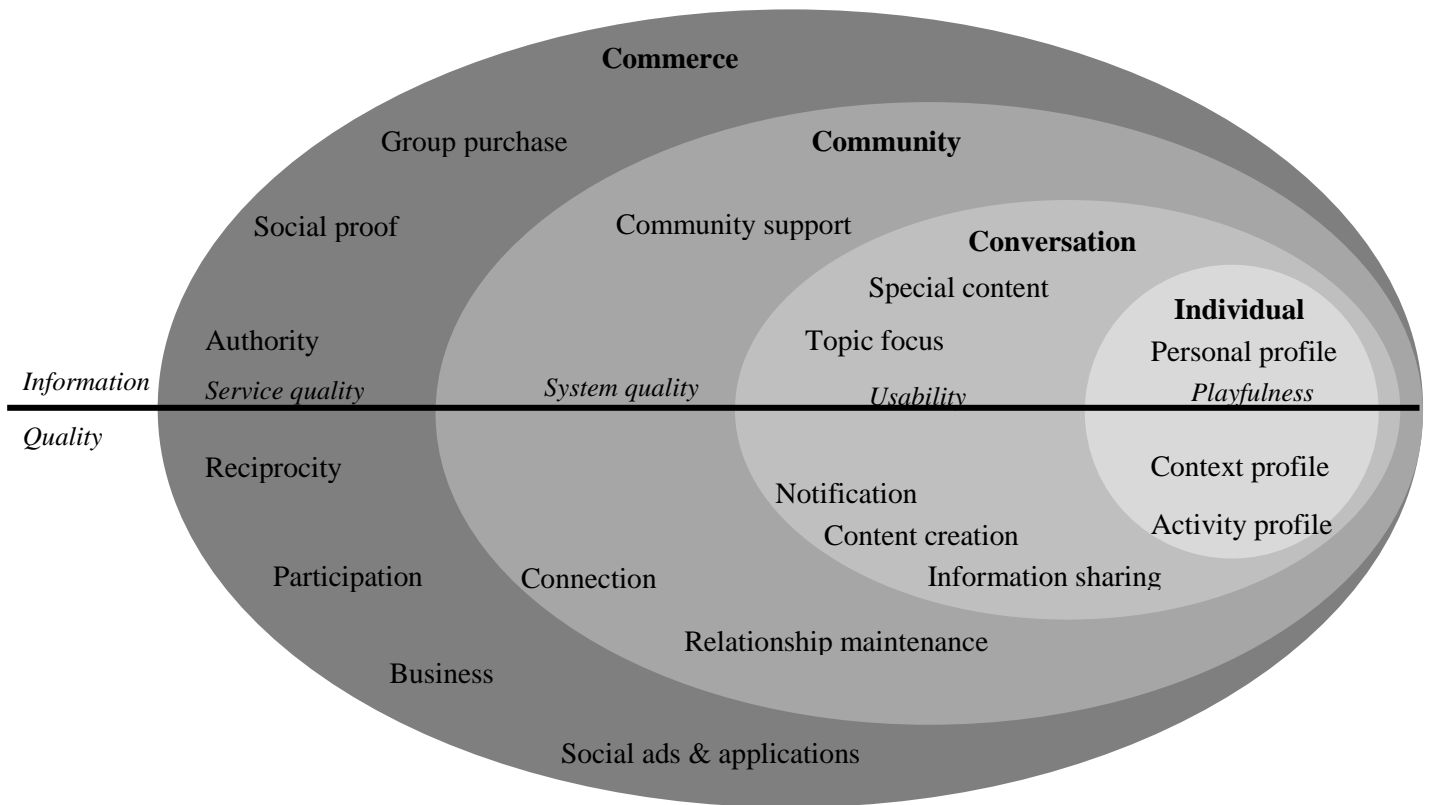


Figure 6: *e-Commerce + Web 2.0 = Social commerce (Zhao Huang, 2012)*

2.2.3 First Mover Advantage in Social Commerce

A first mover advantage is an advantage created by being the first to the market. It allows the first entrant to gain a competitive advantage and enhance their brand recognition, customer loyalty, and increase their customer base before the competition turns into bloody as more firms enter the arena. First mover advantage creates entry barriers due to three possible factors: (Ziliang Deng, 2015)

- Technological leadership factors (i.e. learning curve, economies of scale, R&D)
- Behavioral demand side factors (switching costs and buyer choice under certainty)
- Resource factors (i.e. preemption of resources, production factors, geographical locations) (Ziliang Deng, 2015)

Firms adopting social commerce are able to capture first mover advantage due to: (Ziliang Deng, 2015)

- Network effects (Platform based business model)

- Technological innovations which are protected by patents
- Firms' ability to create non-contractual switching costs by leveraging on the handiness of customer online data and the ability to provide personalization tools.

As early movers adopt social commerce, their main aim is to grab users' attention to their products and services, engage them in a community where they can interact with each other's and with the firm at the same time, create non-contractual switching costs based on the availability of users' online data and the ability to provide personalization tools. To do so, early entrants must heavily invest in market research and advertisements to recognize what potential buyers want and how to draw their attention to the products and purchasing channels. However, the social commerce marketplace is savagely competitive; in which, major sustainable competitive advantages could hardly exist. The so-called economies of scale are no longer sufficient to secure a firm in the competitive social commerce marketplace. Late movers could be able to free ride on the efforts of the first movers to instruct customers, create a market, and nurture talents. Moreover, late movers can benefit not only from the early mover's expertise in social commerce, but also from the imitation of already existing products and services offered through reverse engineering, and thus they can resolve technological and market uncertainty. The main benefit of being a first mover in the social commerce is to acquire or expand your already existing customer base, but for how long? Due to low entry and imitation barriers, absence of regulations; first movers in social commerce face exogenous, competence abolishing shocks that may lead to the erosion of the advantages earned. Thus, in social commerce no organization has the ability to build a competitive advantage that is sustainable. It seems that every advantage erodes. For that reason, firms adopting social commerce must keenly invest and work to re-create a new competitive advantage through continuous innovation, high speed of implementation, and customer relationship management in this dynamic environment. (Ziliang Deng, 2015)

2.2.4 Goals of social commerce

Without goals, efforts will never pay-off. It is fundamental for companies to set goals when deciding to adopt social commerce. Social commerce goals help companies in determining the voice, content, and the channels needed to communicate with users. Moreover, they are essential when determining the time, money, as well as the effort that should be exerted on these channels. The absence of clear goals will not incentivize companies to be better off, it is hard for them to

know how well their social media strategy is performing and where they need to intervene to continue moving forwards. Companies should exactly know what they want to attain from social media so they can choose the adequate metrics that are relevant to their goals. (LIEBOWITZ, 2018) (Ennis-O'Connor, 2018) (Chen, 2017) (KIRK, 2012) (Conner, 2017) (Council, 2018) (Gregory, 2018) (Lua, 2017)

Goals being aligned with the social commerce activities can be a guarantee for online marketing success. As long as companies have a clear set of goals, they can always track the KPI's (Key Performance Indicators) and metrics more accurately. Thus, they will be better informed about what they should keep doing, what they should improve, and what they should stop doing.

A winning formula starts by measuring, adjusting, rinsing, and then repeating. Social media goals may be classified in two categories: branding goals and revenue-linked goals. For the goals to become a reality, they must be: (LIEBOWITZ, 2018) (Ennis-O'Connor, 2018) (Chen, 2017) (KIRK, 2012) (Conner, 2017) (Council, 2018) (Gregory, 2018) (Lua, 2017) specific, measurable, attainable, relevant, and time specific.

Social Media Goals	
Branding Goals	Revenue-Linked Goals
Increasing brand awareness	Boost sales
Growing & engaging your own community	Conversion rate
Create a loyal fan base	Increase traffic
Positive sentiment	Increase
Effective social customer service	Click through rate
Timely & consistent response	Lower click per cost
Create & reflect a lifestyle	Generate new leads
Communicate company's core values	Test & learn to reach the most efficient strategy

Table 2: Social media goals

2.2.5 Social commerce as a facilitator for internationalization

To understand the extent of social commerce acting as a facilitator in internationalization, it is better to understand the intensity of the costs of internationalization in the presence of social commerce (Pogrebnyakov, 2016).

Internationalization costs	High costs with Social Commerce	Low costs with Social Commerce
Internationalization experience and knowledge of how to establish operations in foreign locations	<ul style="list-style-type: none"> Initial learning barriers could be high (i.e. cultural barriers) 	<ul style="list-style-type: none"> It is easier to acquire some information through online interactions After the first initial high costs, firms will face a gradual decrease in these costs
Internal coordination of cross-border activities	<ul style="list-style-type: none"> Inter-organizational coordination costs could be high 	<ul style="list-style-type: none"> Coordination from a central location Dissemination in order to achieve more sovereignty for subsidiaries Different social media pages targeting different products or services
Interactions with external actors	<ul style="list-style-type: none"> Communication efforts will increase due to the exposure of a large customer base; thus, firms may need to hire more people 	<ul style="list-style-type: none"> Communication costs with individual customers are reduced due to social media platforms
Local adaptation	<ul style="list-style-type: none"> Possible challenges due to organizational and cultural barriers. Firms should exert more effort to meet local markets needs 	<ul style="list-style-type: none"> Ability to target local markets with tailored products due to interactions, communications, and collaborations. Thus, more customer satisfaction
Legitimacy acquisition	<ul style="list-style-type: none"> May be reduced rapidly 	<ul style="list-style-type: none"> May be gained quickly

Table 3: Internationalization costs - Social commerce (Pogrebnyakov, 2016)

Generally speaking, the presence of ICT facilitates the internationalization process. In addition, social commerce, supported by Web 2.0, made it easier for firms to interact and know more about customers in foreign markets even if they are physically not present in these markets. However, geographical, cultural, and cross-country differences are still relevant to a certain extent

in the internationalization process of firms even in the seemingly frictionless realm of social commerce (specifically Facebook). (Pogrebnyakov, 2016)

2.2.6 Already established firms and social commerce

During the era of Web 1.0, the role of users was of an ordinary information consumer. However, with the introduction of Web 2.0, internet users are no more simple consumers receiving information; however, currently they are producers and creators as well. Users are not only the center of information, but also the content generator. Social media has become a vital instrument for interactive marketing; in which budgets used for social media marketing are growing year by year at the cost of other traditional marketing forms. Nonetheless, social commerce is not only a marketing instrument, but firms can also benefit from it in different stages along their value chain. Most of the academic researches done previously focused on: the impact of social commerce on corporate processes (Criag, 2007; Shin et al. 2015; Stolley, 2009; Yakel 2006); the importance of social commerce and online communities for corporations (Du Wagner, 2006; Kolbitsch & Maurer, 2007; Swaine 2007); the effects of social commerce on businesses (Boll, 2007; Karger & Quan, 2005); and the marketing strategies that could be applied with social commerce (Constantinides et al. 2008). However, few studies have been done on the application of social commerce in different departments to achieve a variety of goals (María-del-Carmen Alarcón-del-Amo, 2017).

Department	Objective	Social application
R&D	Listening: As customers are more involved with social commerce, thus firms should consider more customer's voice and benefit from their insights as an input to the firm's innovation process.	<ul style="list-style-type: none"> • Brand monitoring • Research communities • Innovation communities
Marketing	Talking: Conversations are no more one sided (from the company to the customers). However, due to social commerce that is supported by Web 2.0, customers are able to interact with one another and with the business. Thus, firms should use these conversations to promote products and services.	<ul style="list-style-type: none"> • Blogs • Communities
Sales	Energizing: Firms should identify, reward, and use enthusiastic customers to influence others.	<ul style="list-style-type: none"> • Social networking sites

Table 4: Social commerce applications (María-del-Carmen Alarcón-del-Amo,

Department	Objective	Social application
		<ul style="list-style-type: none"> • Brand ambassador programs • Communities • Embeddable “widgets”
Customer Support	Supporting: As customers are closer not only to the firms, but also to other customers, thus it is much easier for firms to detect their problems and offer support in an efficient and timely manner. Moreover, customers are more enabled to help one another in solving other customers’ problems.	<ul style="list-style-type: none"> • Support forums • Wikis
Operations	Managing: Social commerce is not only limited to the relation between firms and customers, but also it could be a tool used between the employees of the same firm. Therefore, it is important to provide employees with the necessary tools to assist their colleagues in finding more effective ways of doing business.	<ul style="list-style-type: none"> • Internal social networks • Wikis

(Continued) Table 4: Social commerce applications (María-del-Carmen Alarcón-del-Amo, 2017)

2.2.7 Entrepreneurial firms and social commerce

The majority of the studies analyzing businesses’ use of social commerce focus on small and medium enterprises (SME’s). There is a tight link between the internet and entrepreneurial opportunities. When we talk about SME’s it is important to distinguish between new ventures and already established businesses. New ventures are those that are less than three years old and still at the early stage of the organizational lifecycle, with few if any employees. On the other hand, already established businesses refer to those businesses at the maturity stage of the organizational lifecycle. In this research, when talking about entrepreneurial ventures we refer to the so-called “new ventures”. (Elizabeth A. Mack, 2016)

Referring to several studies and surveys done before, entrepreneurial firms use social commerce for a variety of purposes: ranging from branding and marketing (Gummerus, Liljander, Weman, & Pihlstrom, 2012; Michaelidou et al., 2011), to observing customer behavior & support, browsing, and purchasing strategies (Fischer & Reuber, 2011), reaching R&D, Operations, & sales. These purposes are the same as those for large companies, what differs is the priorities. New venture’s priority is to reach customers and inform them about their brand. Of course, these

priorities will evolve and change over time, but new ventures cannot worry about the sales unless they first reach and inform customers about their business. (Elizabeth A. Mack, 2016)

Despite the fact that new ventures can enormously benefit from social commerce, this new medium is not free of challenges. One of the major challenges new ventures face is converting online interaction (i.e. likes, comments, and tweets) into profits. Besides, it is not an easy task for them to quantify the impact of social commerce on their brand awareness, sales, and business in general. Statistics done by Moorman in 2015 showed that only 15% of the marketers surveyed were able to quantify the impact of social media on their businesses. (Elizabeth A. Mack, 2016)

2.2.8 Assessment of the benefits of Social Commerce: established firms vs. entrepreneurial firms

Small businesses can be viewed as the “underdogs” when compared to large firms; however, this is not the case when it comes to social commerce. Many entrepreneurial firms took advantage of their size to innovate a successful online social media marketing strategy. On the other hand, large businesses took advantage of their influence and history to increase their brand recognition into the digital forum and thus increase their customer base and penetrate new markets.

Small businesses are able to succeed in social commerce by building on the bases of already present ideas, or by innovating ideas that no one else have thought about. In general, entrepreneurs are more willing to work harder for the sake of the new venture because they are affected dramatically by the success or failure of the new venture. This lifeblood connectivity may have its advantages, as they are more willing to do their work in a new and innovative way. Moreover, due to the fact that small ventures have much less employees if compared to large firms, less bureaucracy is required when taking decisions regarding posts, and contents of the posts. However, the same tasks may require much more steps and much more “red tape” at large companies. This gives the opportunity for small firms to try new networks, and new marketing tactics more rapidly and thus be more innovative and internationalize more rapidly. In contrary, large businesses can rely on their long-established brand exposure, history, already established market base, and overall market saturation. Moreover, the so-called “large firms” are accompanied with much more power and success, and thus they are more able to afford large marketing budgets. For that reason, they are more capable to form an entire internal social media department, which gives the firm the

required financial support to establish campaigns, contests, and specials to increase their “loyal” customer base and create their own online communities both in the local market and abroad.

In conclusion, the impact of social commerce on the internationalization of firms varies depending several factors. These factors include: the size of the company, industry, targeted market, founder’s characteristics of entrepreneurial firms (i.e. gender, previous entrepreneurial experience, age, and level of education). It is much more convenient for entrepreneurial firms to benefit from social commerce and focus on increasing brand awareness, increasing website traffic, and building a community of loyal followers. In addition to these goals, already established large firms are also concerned about turning likes into profits. This goal is also a future one for entrepreneurial firms, but they cannot achieve it if they do not achieve brand awareness first. Therefore, it is a dilemma when discussing who benefits more from social commerce as a tool for internationalization, especially when comparing firms with different resources, characteristics, and goals. For that reason, it is more appropriate to measure the success of social commerce, as a tool for internationalization, based on the goals as well as the characteristics of the firm which vary widely based on several factors (i.e. size and age of the firm, industry, targeted markets, founder’s characteristics, access to resources). However, the fact remains that with a convenient social media strategy, any firm will be able to build and engage communities online and thus increase its brand awareness in both domestic and foreign markets. What matters is to be well informed about the target market, ideal customer, risks accompanied with different market conditions, increased global competition coming from other firms, and to establish a solid customer service and well-trained employees who can carry it off without a hitch.

2.3 Comparison between eCommerce and Social Commerce

Companies that are willing to switch from e-Commerce to social commerce should recognize that this evolution will not only affect their marketing strategy, but also it will change the role of customers. The shift to social commerce is much more than creating a page on a social media platform. Customers will become the core focus of the firm, and bargaining power will shift from the firms to end-users. There are two main activities performed in social commerce: social and commercial activities. The two main activities are classified as relational and transactional. Relational activities are related more to customer support, promotions, and customer involvement,

and product development through interactions and communications. On the other hand, transactional activities are more related to sales.

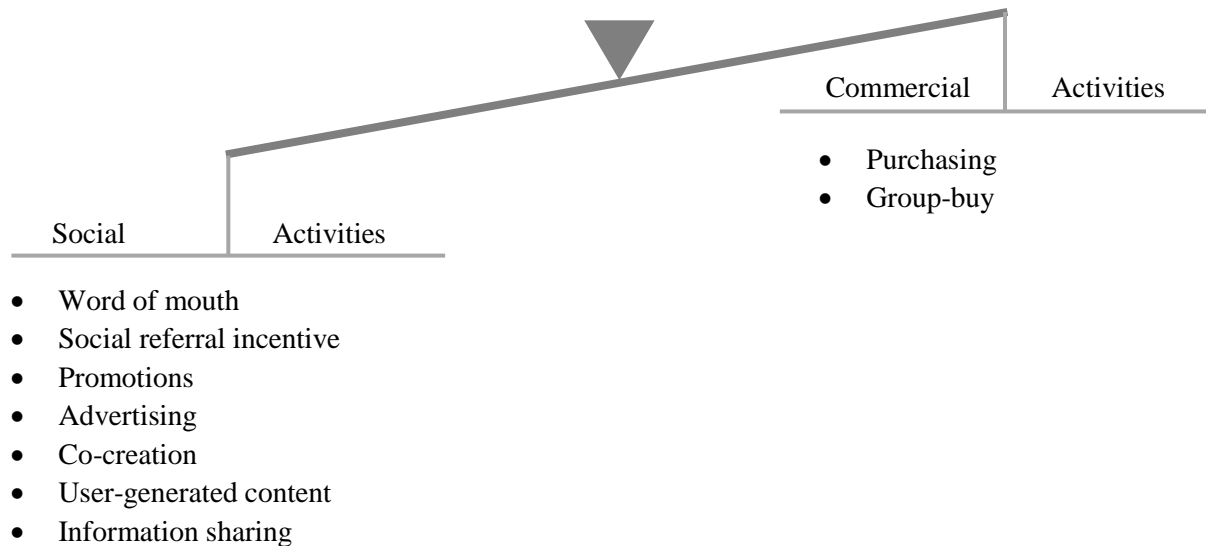


Figure 7: Activities in social commerce (Baghdadi, 2013)

As a result, to summarize the social commerce activities in a company, to see how the evolution from e-Commerce to social commerce can take place, and to know the concepts involved in social commerce, we can refer to the following drawing (Baghdadi, 2013).

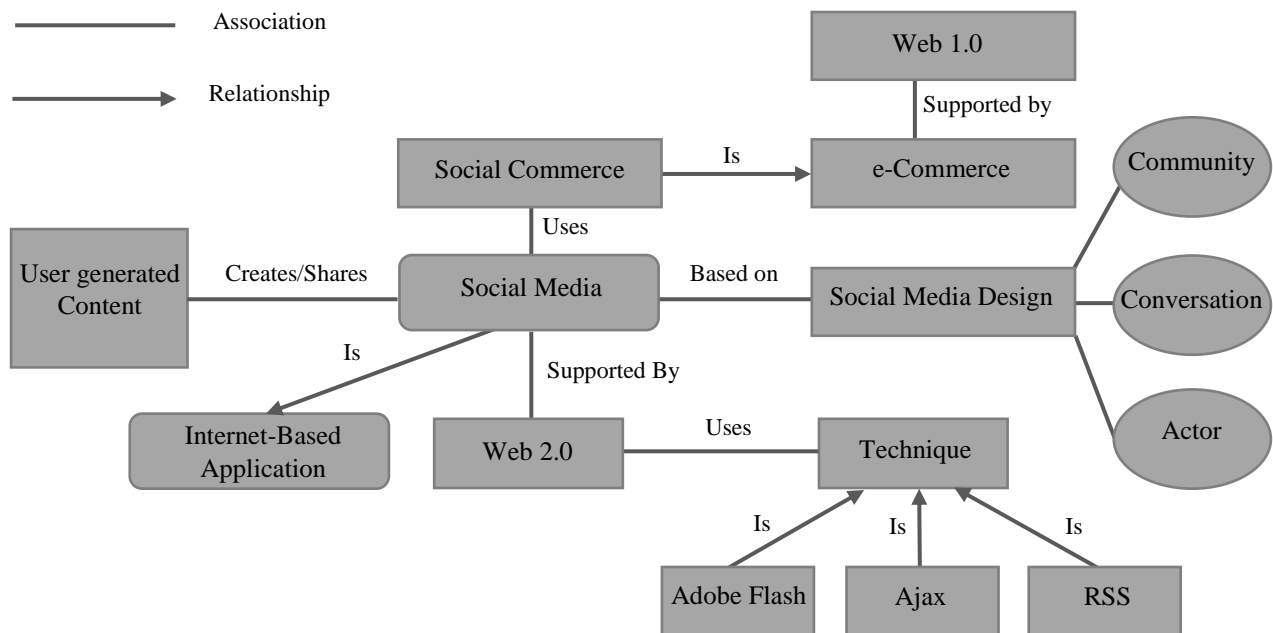


Figure 8: Social commerce activities – diagram (Baghdadi, 2013)

Despite the fact that e-Commerce and social commerce work together, it is important to understand the differences between them when creating marketing campaigns. E-Commerce activities are managed only through the company’s website, which means it is more about decision-making than it is about learning and comparing different products. On the other hand, social commerce activities are managed through both, the company’s website and social media pages; which means that social commerce is more about learning and comparing different products and services, interacting with other customers, and benefiting from their experience than it is about decision-making. However, this does not mean that social media has no role in influencing the buying decisions of users. Referring to the studies done by Huang, Benyoucef (2013), and Sigala (2015) which included 110 studies between 2010 and 2015, they differentiated between social commerce and e-Commerce in three different aspects: social interaction, business goals, and customer connection (Abdelsalam H. Busalim, 2016).

Aspect	E-Commerce	Social Commerce
Business model	<ul style="list-style-type: none"> • Traditional business model • Research and development Product or service 	<ul style="list-style-type: none"> • Develop a new business model • Build on the existing business model more technology enabled (Web 2.0) • Co-design • Customer oriented • Crowdsourcing
Value creation	<ul style="list-style-type: none"> • Products, services, and business processes are determined by the enterprise 	<ul style="list-style-type: none"> • Participation and collaboration • Seeking novel business values • New revenue streams by focusing on certain areas characterized by “scarcity of attention”
Value chain (customer connection, communication, conversation)	Limited actors <ul style="list-style-type: none"> • Customers are not able to interact • Communication is just between users and firms’ website 	Large number of actors <ul style="list-style-type: none"> • Collaboration and participation • Communication is between customers and customers, customers and website, customers and the business • Motivation of participating is rewarded
Systems interaction	One-way approach <ul style="list-style-type: none"> • One way browsing: customer information is rarely sent back to the business or to other customers 	Social and interactive approach <ul style="list-style-type: none"> • Customers are free to express themselves and share their information with other customers as well as with the business • Community creation of content

Table 5: Aspects of e-Commerce & Social commerce (Abdelsalam H. Busalim, 2016)

Aspect	E-Commerce	Social Commerce
	<ul style="list-style-type: none"> One-way creation of content: businesses create content for the users 	
Design	<ul style="list-style-type: none"> Presentation (Products and services) Discovery mechanism (Search) Navigation 	<ul style="list-style-type: none"> User-centered design (Web 2.0) Interactive interface which enables interaction and communication
Platform	Web 1.0 (B2C), Web services (B2B)	Web 2.0, Cloud, SOA (Service Oriented Architecture)
Legal issues	Agreed upon policies	Policies need to be emphasized

(Continued) Table 5: Aspects of e-Commerce & Social commerce (Abdelsalam H. Busalim, 2016)

Even though e-Commerce is a subset of social commerce, and social commerce is an evolution that emerged after e-Commerce, we can identify four key characteristics that gives social commerce its exclusivity and differentiate it from e-Commerce: (Abdelsalam H. Busalim, 2016)

- **Interactivity:** Interactive technologies played an important role in changing not only the structure of the business, but also the relation between firms-customers, and customers among themselves in the market place. For that reason, customers are able to access more information that are not only provided by the firm as in e-Commerce, but also information from other customers. The most important forms of interaction in social commerce that are absent in e-Commerce are ratings, reviews, and customers and companies' interactions. (Abdelsalam H. Busalim, 2016)
- **Collaboration:** In the traditional e-Commerce model, customers were value takers. Their access is just limited to the information provided by the company on its website. Conversely, in social commerce, customers have a significant role in providing marketable value in individual and collaborative actions. The marketable value is not only about the interactions between the different players, it is also about the ability to be part of the product development phases. Thus, they are no more passive users like they used to be in e-Commerce, but currently they are active users in social commerce. (Abdelsalam H. Busalim, 2016)
- **Community:** In the traditional e-Commerce, there was a one-way relation, from the website to the customers. However, in social commerce the relation is broader. It is between customers themselves, customers and the website, customers and the business (and vice

versa), and inside the same business. These broader relations helped in creating a community-based environment. Currently customers can be part of a community, based on their interests, hobbies, and preferences, in which they can interact, follow, and be followed by different buyers and sellers to stay up to date on the latest information of different products and services. (Abdelsalam H. Busalim, 2016)

- Social aspect: As the community created with social commerce is based on interactions and communications between different parties, this means that the community is a social aspect built on interaction, collaboration and communication. Social relations are a key element that differentiates social commerce from e-Commerce and other online commercial activities. (Abdelsalam H. Busalim, 2016)

3 Case Studies

In the case studies part, the performances of both Nike and Adidas is examined during three main eras, before e-Commerce, during e-Commerce, and during social commerce. The main aim of this examination is to understand how both commerce strategies, specifically social commerce, contributed to the growth of both companies. The first era, before e-Commerce, refers to the period where both companies depended on the presence of physical shops to sell their products. The second one, which is the e-Commerce era, refers to the period where Nike and Adidas added a new revenue stream to their businesses, online selling. Lastly, the era of social commerce represents the period where both companies started to be active on social media and took advantage of this new network to enhance their businesses. To examine how the two companies performed in the three periods we evaluated them based on three main perspectives: financial, web, and social media analysis. However, to be able to compare the two different companies, it is vital to examine the performance of each through the previously mentioned periods. It is important to identify whether they followed the same strategy during these periods or not.

3.1 Introduction

In the analysis, firstly we proceed with a financial comparison which covers the three mentioned periods, is an attempt to know the effect of both commerce strategies on Nike and Adidas's financial figures. The second step consists of analyzing the available information from "Similar Web", a British company that provides web analytics, data mining, and business intelligence services for international companies, to understand the website behavior of both Nike and Adidas. However, one of the limitations of this source, Similar web, is the lack of historical web analytics for non-prime users; where it is not possible for "non-company" users to access such data, therefore, the data is limited to the previous six months (August 2018 to January 2019). As a result, unlike the financial analysis parts, in the website analysis part it was not possible to examine the website performance along different years in the e-Commerce era; for that reason, we just listed the available information from "Similar Web". Besides of that, it is important to notice that benchmarking the extracted information is of a great importance, therefore, we relied on the information from the report "KPI Report 2019" published by "Wolf Gang Digital – Alan Coleman", who took the average of different reports and researches they performed previously and

listed the average of the data analytics. As for the social media analysis, we examined each company's presence on different social media platforms, whether they follow "one size fits all strategy" or they have different ones for different platforms, and how does their strategy differ in the same social media platform. Moreover, we focused a bit more on Facebook analysis due to the fact that it was ranked 1st in the statistics, "Most popular social networks worldwide as of January 2019, ranked by number of active users", published by "Statista" with more than 2.2 billion users (Statista, 2019 d). Finally, we compared Nike's performances against Adidas's performances along the three main periods based on the three categories mentioned before.

3.1.1 Financial analysis

Financial analysis refers to the use of financial data to evaluate the performance and suitability of a company, business, or a project (Institute, 2015). In our financial analysis we focused on the following financial figures: ROI, sales, cost of sales, gross profit, gross margin, selling & administrative expenses, and net income.

- **ROI**

$$\text{ROI} = \text{Operating Profit} \div \text{Total Assets}$$

Return on Investments (ROI) is a performance indicator used to evaluate the efficiency of an investment or to compare the performance of different investments (CHEN, 2019). The main reason behind ROI selection is to understand the consequences of the investments done in the three different periods, and to examine in which period the investments done generated the highest return.

- **Sales**

Sales are transactions done between two parties where one of the parties, the buyer, receives products or services in exchange for money paid to the other party, the seller. The main reason behind choosing sales in our analysis is to compare this financial figure along the three periods, and specifically to know how much online sales contributed to the overall sales in both e-Commerce and social commerce eras.

- **Cost of sales/Cost of Goods Sold**

$$\text{COGS} = \text{Beginning Inventory} + \text{Purchases During Period} - \text{Ending Inventory}$$

Cost of Sales or Cost of Goods Sold (COGS) refers to the direct costs of producing the goods sold in a company, it includes both the cost of materials and direct labor. However, it does not include any indirect cost such as distribution costs, sales costs (HAYES, 2019). Cost of sales is used in our analysis to determine the fluctuations in this financial figure during the three eras. Moreover, we can provide assumptions to understand the impact of both commerce strategies on the cost of goods sold.

- **Gross profit**

$$\text{Gross Profit} = \text{Revenue} - \text{Cost of Sales}$$

According to Hayes, Gross Profit shows how much profit a company gains after deducting the costs of making, selling, or providing goods or services. (HAYES, 2019). Gross profit examines the efficiency of companies at using their labor and material resources in producing goods or providing services. Gross profit is selected to understand in which period the companies were able to use their resources in the most efficient way.

- **Selling, general & administrative expenses**

SGA is the sum of all direct and indirect selling expenses as well as all general and administrative expenses in a certain business (Kenton, 2018). SGA deals with all the factors that accompany the process of creating a certain product; however, it does not include the manufacturing costs of that product. It includes marketing salaries, commissions, advertising, promotions, rents etc. The main reason behind the selection is to have an overview about the advertising and marketing expenses of both companies. Nike and Adidas are two brands that invest heavily in promoting their brands, from billboards on the streets, social media advertising, reaching popular sports athletes sponsoring. It is quite important to know how the marketing expenses of these companies evolved through years, and whether they shifted their strategy from traditional advertising to the digital one.

- **Net income**

Net income is the net profit of a company which measures how profitable the company is. It is considered as sales less cost of goods sold, SGA, operating expenses, depreciation, interest, taxes, and other expenses (Kenton, 2018). The main reason behind choosing it in our analysis is to examine the volatility of the net income in the three periods, and to know in which period did the net income surged the most.

- **Financial analysis results**

As mentioned before, in each case study the financial figures are compared along the three periods. However, in the results part, the most relevant financial figures are the base of the comparison between Nike and Adidas, especially in the social commerce era. All the financial figures mentioned previously were extracted from the annual reports of both companies. However, none of the companies provide details about certain financial figures. For example, Nike mentions in its annual reports that research and development costs are part of the costs of sales; nevertheless, they have never mentioned neither a percentage nor a number about the portion of R&D with respect to the cost of sales. The absence of such information prevented us from delivering concrete conclusions about certain aspects of social commerce, marketing costs and R&D for example. However, we were able to provide a general overview about the effect of social commerce on each company.

3.1.2 Website analysis

As mentioned previously in the literature review, one of the major pillars of e-Commerce is the website of the company which is the digital link between the company and the customer. With reference to a study, “Measuring eCommerce Website Success”, done by Ghandour, Deans, Benwell, and Pillai, it explains that the main aim of the website is reaching visibility in the web for existing and potential customers, creating company image, growing brand awareness, and providing services in order to increase the effectiveness of the website usage (Ahmad Ghandour, 2008). There are numerous web metrics used to assess the performance of e-Commerce, yet, in our study we selected Average Visit Duration, Bounce Rate, Page per Visit, Visibility and Website Traffic to analyze the website performances of Nike and Adidas. As stated previously, all the web analytics used were based on the information extracted from “Similar Web”.

- **Conversion Rate**

According to Jakob Nielsen, conversion rate is the number of users who take a desired action as a percentage (Nielsen, 2013). This key performance indicator is beneficial to leverage the success of the requested activities taken by the users (TrackMaven, 2019). The percentage of the visitors, to a certain website, who complete the purchasing process is the typical and common example of a conversion rate (Nielsen, 2013). However, conversion rate is not only related to the buying process, but it can be used to measure specific goals that are set by companies. Nielsen defines different types of conversion rates that can be used as key performance indicators, from these types we can mention, registration in the website, authorizing the stores to save the credit-card information to make the usage easier, and downloading any kind of software (Nielsen, 2013). None of the sources we used in our thesis, Unmetric, Hypestat, and Smillarweb, provided any information regarding the conversion rate of both Nike and Adidas. Therefore, despite the fact that the conversion rate is an important indicator when analyzing e-Commerce and social commerce, this KPI was excluded from both case studies.

- **Average visit duration**

Similar Web defines the average visit duration as *“the average amount of time visitors spend on a website within a session”*. It is determined based on the time expired between the first and last pageview per visit (Sarig, 2017). According to Sharon Mostyn, it shows people’s interest in a certain website. Thus, the more appealing the website for the visitors, the longer the time they will spend surfing it (MOSTYN, 2015). Moreover, the average visit duration allows companies to understand whether customers are achieving the website’s goals or not (i.e. page views, purchasing). (Web, 2017)

- **Bounce Rate:**

According to Google (Google, 2019), *“bounce rate is single-page sessions divided by all sessions, or the percentage of all sessions on your site in which users viewed only a single page and triggered only a single request to the Analytics server”*. Correspondingly, Web Analytic Association defined the term in the “Web Analytics Definitions” report as *“Single page view visits divided by entry pages”* (Jason Burby, 2007). Simply, it is the percentage of visitors who use the back button or leave the website without visiting any other pages more than they came to visit first

(Webfx, 2019). However, what is critical is the range of an “acceptable” bounce rate. There is no confident answer, it depends on the nature of the website. For example, if the website is a blog or a website that provides information, high level of bounce rate is not an issue. On the other hand, if the website is used for e-Commerce activities, a higher bounce rate, 90% for example, is perceived as a threat for the company because it means that 9 out of 10 people leave the website without any purchasing activity or interest in surfing other pages. (Webfx, 2019).

- **Pages per visit**

It is the average number of pages that customers view within a period. It is computed by dividing the number of page views by the number of visitors (Sarig, 2017). As for e-Commerce websites, their main aim is engaging customers, informing them about the company’s products or services, and stimulating their interests to take further steps and do a purchase. Therefore, this indicator is vital for companies to know whether their website is achieving its aim or not (Sarig, 2017).

- **Website traffic**

Generally speaking, it is the number of visitors and visits to a certain website. Website traffic endures for evaluating success, because without traffic no revenues can be gained (Gandotra, 2012). Moreover, Gandotra described the importance of this metric in the article “Why Social Commerce Matters” when he said: *“When the website drives traffic, communicates certain features that enhance customers’ experience, generates trust, and strengthens the competitive position of the company, then managers are inclined to be satisfied as they feel that web presence is paying off”* (Gandotra, 2012). Website traffic allows firms to know how effective the site is, how long visitors stick around, which pages are the most visited, the impact of the marketing efforts, and the sources of the web traffic (Hendricks). In addition to the previously mentioned metrics, that provide insights about web traffic, the sources of the web traffic, for both Nike and Adidas, is examined with a special focus on “social media” as a source for this traffic.

In the case studies, all the website analytics were benchmarked with “KPI Report 2019” report, as explained previously. However, in the results part, Nike and Adidas’s web analytics are compared together and then benchmarked with “KPI Report 2019”. The main reason is to assess

each company's performance with respect to the report, and then compare the performance of the two companies.

3.1.3 Social Media analysis

In this part, we examined Nike and Adidas's presence on different social media platforms. This helps us understand the most used social media platforms in the social commerce era and whether the two companies share the same set of platforms or not. Following, we took a sample of social media pages present on Facebook, and then checked whether these pages are common in other social media platforms. The main aim of this step is to know whether Nike and Adidas follow a "one size fits all" strategy for all the social media platforms, or they have specific strategies for specific platforms. Firstly, we screened the number of followers in their main pages as well as in the sample of social media pages. Besides, we examined how each company utilizes the different options present on each social media platform, for example features like "shop now", "direct message", and "IGTV". Lastly, we focused on Nike's and Adidas's main Facebook pages to analyze their strategy since the beginning of the social commerce period.

3.2 Nike

Nike's case consists of three parts. the company's profile, history, and performance analysis. The latter is based on three main categories, Financial analysis, website analysis, and social media analysis. The financial analysis compares Nike's performance along three main periods, before e-Commerce, during e-Commerce, and during social commerce. However, the website analysis is related to the last era, the social commerce era, due to the absence of Nike's historical web analytics.

3.2.1 Company profile

Nike, formerly (1964-1978) Blue Ribbon Sports, is an American sportswear company headquartered in Beaverton, Oregon. Nike is engaged in the process of design, development, marketing, as well as selling athletic footwear, apparel, equipment, accessories, and services. Nike's main markets include North America, Western Europe, Central and Eastern Europe, Greater China, Japan, and emerging markets. "Nike" is not the only brand the company owns; in addition to "Nike", the company's brand portfolio includes Jordan, Hurley, and Converse. Nike depends on

independent contractors for the manufacturing process of its products. However, the company owns its own retail stores in which they sell their products to retail accounts. In addition to the retail stores, Nike sells its products through their website, since 1999, and through a mix of independent distributors and licensees all over the world. (Reuters, 2019 a). In 2016, the company decided to focus on products which can be classified in nine categories: Running, Nike Basketball, the Jordan Ball, Football (Soccer), Men’s Training (including baseball and American football), Women’s Training, Action Sports, Sportswear (which is mainly lifestyle products), and golf. In addition to the previous list, the company markets for products designed for cricket, lacrosse, tennis, volleyball, skateboard, snowboard etc. Despite the fact that Nike’s products are basically designed for specific athletic use, its products can also be worn for casual and leisure purposes. (Reuters, 2019 a). As stated in their website, the company’s mission is to bring inspiration and innovation to every athlete in the world. Moreover, they consider that their mission is what drives them to do everything possible to expand human potential. Through years. they were able to achieve this by creating groundbreaking sport innovations, making their products more sustainable, building a creative and diverse global team, and finally by making a positive impact on the communities where they live and work. (Nike, n.d.)

Number of Employees	73,100
Sales	\$36.397 billion
Gross margin	43,8%
Number of stores	1182
Average number of shares	1,600,554,538

Table 6: Nike's profile – 2018 (Nike, Nike, n.d.)

3.2.2 History overview

It all started with a handshake. Two entrepreneurs, Bill Bowerman and Phil Knight believed that they are able to do a better job in designing and selling running shoes. Their goal was to provide low-cost, high-quality, Japanese athletic shoes for the US market which was dominated by German firms at that time. Phil Knight was a middle-distance runner under track and field coach Bill Bowerman. Bill was continuously looking for innovative ways to enhance his runner’s performance and tried to advance their shoes in his free time, but none of his trials succeeded. Meanwhile, Phil was completing his MBA in Finance where he wrote an assignment suggesting the import of shoes from Japan to the US which may help domestic retailers compete with German

brands. His suggestions fell on deaf ears, so he decided to take the initiation and import shoes from the Japanese market. He tried to sell the first stock to his coach, Bowerman, who showed great interest in the products. In 1964, under the name of “Blue Ribbon Sports”, which is known as Nike today, Bowerman and knight were able to establish their own start-up. (Flynn, 2015) (Borts, 2018)

At the early stages, Blue Ribbon Sports generated revenues from the distribution activities for a Japanese shoemaker called Onitsuka Tiger. In 1966, the company opened its first store in Santa Monica, California followed by a second one in Massachusetts to expand its business. Couple of years later, Blue Ribbon Sports disbanded their relations with Tiger because they believed that the Japanese manufacturer was hurting their financial ability and preventing their growth and success in the US market. Later in that period, they launched the “Cortez Shoe” which became a big seller in the year 1968. Three years later, Blue Ribbon Sports started manufacturing their own products overseas, and Caroline Davidson designed the iconic “Swoosh” trademark for the company for 35\$. Since its early beginnings, Blue Ribbon Sports focused on promoting its products in major sports events as well as attaching the company’s name to the ascending careers of young popular athletes. One of the first major events for the company was the US Track and Field Olympic Trials – 1972, where the company promoted heavily its products and attached the company’s name to well-known participant athletes. (Borts, 2018) (Flynn, 2015)

Blue Ribbon Sports’ growth was not only the result of the aggressive marketing strategy, but also due to the innovative line of products they did. In 1972 they launched another successful product, the Moon shoe, which had a waffle-like sole made up of rubber and Iron to increase the traction of the shoe without adding weight to it. The company’s sales were not only linked to the US market, but also to foreign ones. Worldwide sales reached \$5 million by the end of 1974 and the expansion of their visibility was fueled by the endorsement with two famous tennis players, Ilie Nastase and Jimmy Connors. Blue Ribbon Sports started experiencing a boom due to their unique marketing and growth strategy, where their revenues tripled in two years reaching \$14 million in 1976, and then doubled the following year reaching \$28 million. In the same year, they expanded their sales to Asian markets, and then to South American and European ones in the year following. Moreover, in 1978 the company changed its name to “Nike Inc.” and introduced athletic shoes for children to their portfolio. At the end of the 1970’s Nike sold almost 50% of the running shoes

bought in the US market and they introduced a new line for sports clothing as well as the famous “Nike Air” shoe. (Borts, 2018) (Flynn, 2015)

By the beginning of the 80’s, Nike was able to surpass the German athletic shoe companies in the US market and became the leader in the US athletic shoe sales (Borts, 2018). Moreover, at the end of 1980, Nike went public where they offered two million shares in the stock market. Seeking overseas was not only limited to the sales activities but also to the production ones, where Nike shifted part of its production activities away from Japan to South Korea, Taiwan, and China. In the same period, the US market was facing slow economic growth which pushed Nike’s attention to the growth of some foreign markets (Asia, Latin America, Japan, Europe, and Africa). The European market was mainly dominated by two companies, Adidas and Puma, who were the leaders in the soccer market. At that time, Nike’s portfolio included more than 200 different kinds of shoes as well as more than 200 different items of clothes. Its operations in Japan were profitable, where Nike was ranked the second place in the Japanese market. However, the company faced losses in the European one due to the tough competition. In the fiscal year 1984, Nike faced 11.5% drop in the US shoe market where they decided to shift their traditional marketing strategy, which was based on supporting sports events and endorsing athletes, to a wider-reaching approach. They started investing in advertising campaigns on the TV’s, magazines, and billboards. This decline in sales was driven by the price discounting of Nike’s products as well as the increased costs in foreign markets. As a result, the company reduced its shoe inventory to decrease the inventory costs and reduced the number of items in its portfolio. Moreover, the company decided to reduce its administrative costs by consolidating its research and marketing branches, closing some facilities, and reducing the number of employees. Further restructures were done at the end of 1985, and as a sign of the company’s recovery Nike signed an endorsement with Michael Jordan, a basketball player, to launch a new version of the “Air” shoe under the name “Air Jordan”. In the next year, Nike announced that its sales started to surge again, and they reached \$1 billion for the first time since its establishment. After a period full of fluctuations in Nike’s financial figures, the company decided to branch out from athletic shoes where they acquired Cole Hann, casual and dress shoes manufacturer, for \$80 million. At the end of the 80’s period, Nike’s profit and sales rose again, and they were able to acquire 23% of the overall athletic shoe market. (Borts, 2018) (Flynn, 2015)

The beginning of the 90's was successful for Nike. They were able to sue two companies for copying Nike's design patents for its shoes, they acquired Tetra Plastics, plastic film producer for shoe soles, and their revenues reached \$2 billion by the end of 1990. Nike's sales were sharply increasing through 90's specially after the restructuring the company did in the 1980's. At the end of 1991, Nike's sales exceeded \$3 billion, fueled by the selling of more than 41 million pairs of "Nike Air", booming the international market. After experiencing losses in Europe, their efforts started to bear fruit in which they reached \$1 billion sales in the European market. Moreover, they surpassed Reebok and gained the second place, regarding the market share, behind Adidas. Nike's concerns were not only limited to different kinds of sports and hobbies, but also to specific social groups. In 1992, Nike created its women shoe and sports apparel division and they started an advertising campaign for the new segment. In the same year, the company celebrated its 20th anniversary with a \$3.4 billion revenue, 30 Nike-owned stores, and a new goal of being "*the best sports and fitness company in the world*". Nike's presence in the world of sports kept on surging in a significant way, where "Sporting News" announced "Knight" as the most powerful man in sports for the year 1993. In the early mid 90's, Nike enriched their portfolio by adding a new line of "sports equipment" and the acquisition of Canstar Sports, which was then renamed Bauer Nike Hockey, the leader in manufacturing skates and hockey equipment in the world. Despite the fact that in the previous years Nike decided to shift its focus to advertising campaigns on TV's, magazines, and billboards, this did not resist them from doing endorsements with famous athletes. One of the significant endorsements done in the 90's was with Tiger Woods, a famous golf player and the second one in history to win three majors in the same year. At the end of the 90's period, Nike's shares reached 50% in the US market, and European sales kept on surging. However, the Asian market was not at its best for several reasons: the financial crisis that took place in Asia in 1997, as well as the boycotts and protests Nike faced due to the treatment of workers at the contract factories in Asia. As a result, in 1998 Nike announced a chain of changes regarding the workforce in Asia where they decided to increase the minimum wage, enhance working spaces, and allow independent inspections. Furthermore, in the same year the company had two major technological events. "Techlab" and "e-Commerce", the former is a division related to sports-technology accessories, and the latter is characterized by the ability of customers to buy Nike's products directly via the company's website. In addition, the company earned good publicity when they sponsored the US women national soccer team who won the 1999 Women's World Cup.

With an outstanding portfolio dominated by innovative and fashionable products, aggressive promotions and marketing strategy, and a smart approach to hold costs and revive sales, Nike had a remarkable comeback with the beginning of a new century. In April 2002, Nike acquired Hurley, a US-based company which designs and distributes actions sports and youth lifestyle apparel under the Hurley brand name (Nike, 2002). Since its beginnings, Nike was always prone to capture any successful acquisition. Once again in 2003, Nike decided to purchase all the equity shares of Converse, a US based company which designs and distributes athletic and casual footwear, apparel, and accessories, for \$305 million cash. During the year 2004, Converse contributed 2% of consolidated revenue growth as well as 2% of the demand creation (advertising and promotion). In the following year, Nike acquired all the equity interests in Official Starter, a premium athletic brand which was established in 1971 for \$39 million (Nike, 2004). Through 2005 and 2006, Nike did not perform any acquisition; however, they were grabbing the benefits from the ones they did in previous years. The company confessed that the addition of Converse and formation of Exeter Brands Group contributed to the demand creation in the years 2005, 2006, and 2007. Arriving to the year 2008 where the company was at its peak, they acquired all the capital stocks of Umbro, a British company which designs, distributes, and licenses athletic and casual footwear, apparel, and equipment for the sports of soccer basically. The main purpose of this acquisition was to strengthen Nike's market position in the United Kingdom and expand Nike's leadership in soccer, which is an area of growth for the company. The company kept following its aggressive marketing strategy, which is based on the powerful advertising campaigns and endorsements with popular athletic figures, throughout the years at a steady pace. However, at the end of 2008 Nike completed the sale of Starter brand and Nike Bauer Hockey Crop for \$60 and \$189.2 million respectively. The year 2008 was a critical one for most of the multinational companies where the global economic crisis slowed down the international trade and led to several protectionist actions around the world. This crisis affected many global companies around the world and Nike was one of them.

After recovering from the financial crisis which slowed down their performance, Nike entered the era of social media. Between 2009 and 2011, they gradually joined Facebook, twitter, YouTube, and Instagram. Despite the fact that Nike was selling through its' website since the year 1999, they did not mention any financial figure in their annual reports, related to e-Commerce, until the year 2011, where they said: *"Direct to Consumer revenues grew 16% for fiscal 2011 as*

we continue to expand our store network, increase comparable store sales and build our e-commerce business” (Nike, 2011). To enhance their position in the digital era, Nike introduced Nike Fuelband, and Flyknit technology in the year 2012. The Fuelband is a digital device that tracks people’s daily activities through a sport-tested accelerometer, while the Flyknit is a new footwear technology that uses advanced materials and proprietary manufacturing technology to produce a form-fitting, lightweight, and seamless upper (Nike, 2012). Even though wholesale revenue represents the largest portion of the overall Nike Brand revenues, the Direct to Consumer (DTC) revenues, which includes both physical and online sales, was growing rapidly. In 2013, Nike planned to divest Umbro and Cole Hann in order to focus their resources on their core business and drive growth in the Nike, Jordan, Converse, and Hurley brands (Nike, 2013). In 2015, Nike’s CEO Mark Parker stated: *“We are not just the world’s No. 1 sports brand, we are sport’s biggest fans and we’ve seen some amazing moments this past year”*. In the same year, Nike was able to achieve more than \$1 billion revenue from e-Commerce fueled by expansions to new countries as well as experience-enhancing infrastructure investments. Despite the fact that Nike’s CEO mention that they are proud to achieve the \$1 billion from e-Commerce sales, he considers that the company is still scratching the surface of what’s possible with e-Commerce, which is one of the largest growth opportunities for Nike (Parker, 2015). In conclusion, we can notice several events that were common and repeatable in Nike’s history since its early beginnings. These events played a major role in Nike’s success through the years. Nike’s innovations and the aggressive marketing strategy they follow accompanied the company since its early beginnings; their brand name was always present in major sports events since the 1970’s (i.e. Olympics, World Cup). Moreover, Nike’s endorsements with famous sports figures added much to the company’s success. In addition to the endorsements mentioned in the previous part, there are some important ones, with famous athletic figures, to highlight. From these figures we can mention, Rafael Nadal, Rory McIlroy, Derek Jeter, LeBron James, Roger Federer, Maria Sharapova, Kevin Durant, Kobe Bryant, and Cristiano Ronaldo. (Arshad, 2014).

3.2.3 Financial analysis

In the financial analysis we analyzed the previously mentioned financial figures along three different periods. First of all, the era before e-Commerce where the company depended on wholesale customers, DTC (Direct to Consumer), and global brand divisions. The second era is the

one of e-Commerce, where the company started selling its products online. In Nike’s annual reports, the online sales fall under the DTC category. However, Nike did not provide any financial figure regarding online sales until the year 2013, where they mentioned in their annual report the online sales revenues. Finally, the last era is the social commerce one which was accompanied by the company’s presence on different social media platforms. The main aim behind the financial analysis in the three different periods is to examine Nike’s performance through these periods, and to know whether e-Commerce or social commerce influenced the company’s financial figures in one way or another. The financial analysis for Nike covers 30 years, from 1988 to 2018, where we focused on the following financial figures: ROI, sales, cost of sales, selling and administrative expenses, gross profit, and the net income.

3.2.3.1 Before e-Commerce

As mentioned previously in Nike’s history, the company started their selling activities on their website in 1999. For that reason, we considered all the years before 1999 as “the era before e-Commerce” or the “era of physical shops”. Thus, to have a complete overview about Nike’s performance, the financial analysis covered the period between 1988 and 1998.

o ROI

In Figure 9, ROI graph shows fluctuations through the period between 1988 and 1998. At the beginning of the period, ROI increased sharply reaching a peak of 42.73% in 1990, afterwards, it dropped slightly throughout the years reaching a bottom of 15.06%. Despite the fact that EBIT was steadily increasing along the 10 years period, the increase in the total assets was much more

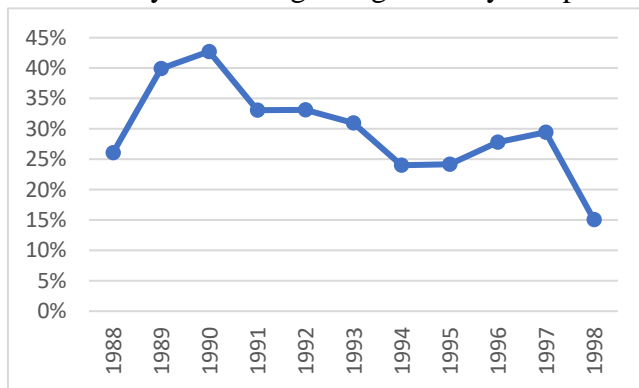


Figure 9: ROI - 1988 to 1998

than the increase of the former. After the tough period Nike passed through at the beginning of the 1980’s, which was explained in “History overview”, the company was able to recover in the mid 80’s where they experienced an increase in their financial figures since then. At the beginning of the year 1988, Nike purchased Cole Hann for 80\$ million, (Nike,

1988), their sales jumped to \$1.2 billion, and they were able to acquire 23% of the overall athletic shoe market at the end of 1988.

○ **Sales**

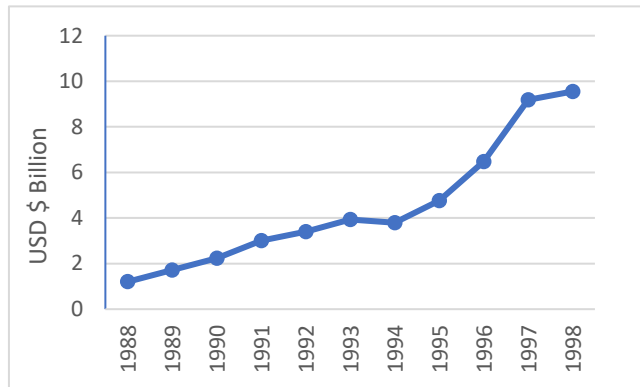


Figure 10: Sales - 1988 to 1998

Nike sells athletic gears and sports products, such as apparel, footwear, equipment, and other accessories, in which more than 35% of its sales were from footwear in the year 1988. In that period, physical shops were the only way to sell products, and advertisements were only achieved through the so called “traditional ways of advertising”. (Nike, 1988)

(Universe, 2001). Based on Figure 10, we can observe that the sales of Nike were steadily increasing along the 10-year period. In 1988, Nike’s sales were 1.2\$ billion. However, after 10 years its sales grew reaching 9.5\$ billion.

○ **Cost of sales**

The cost of sales rose from \$803 million in 1988 reaching a peak of \$6.065 billion in 1998. However, this increase does not follow the same pace. Between 1995 and 1998 it was an aggressive and sharp increase compared with a slight and gradual one in the period before. This trend is not only present in the cost of sales (Figure 11), but also in the sales graph (Figure 10) as well as in selling and administrative expenses (Figure 13). The main reason behind the difference in the two paces of growth is due to the superior performance of Nike in foreign markets after the year 1995.

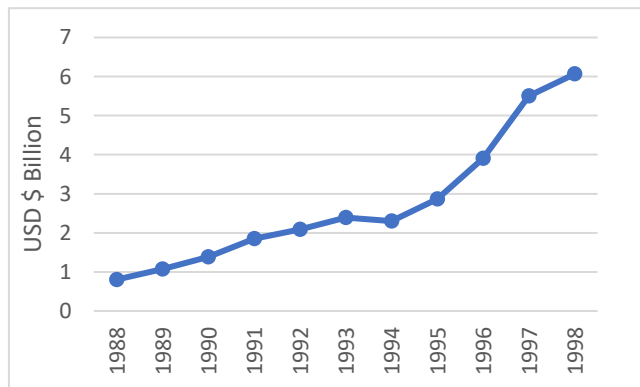


Figure 11: Cost of sales - 1988 to 1998

Back to 1988, Nike spent around 10\$ million on television advertisements related to the theme “Just do it” and announced a budget of 45\$ million for the following year. In 1989, they introduced Air pressure and continued their aggressive marketing campaigns. The company’s revenues kept on growing at a steady pace reaching 3\$ billion by 1991. In the

same year, Nike was able to sell 41 million pair of Nike Air shoes and they boomed the international market. (Universe, 2001). Back to its early stages, one of Nike’s goals was to provide low-cost, high-quality Japanese athletic shoes for the US market which was dominated by German firms at that time. However, couple of years later their goals evolved and they wanted to conquer the European market. As stated in Nike’s history “History overview”, the results of their efforts started to appear in 1991 where they gained the second place in terms of market share behind Adidas. In the same year, they began a \$13 million television campaign dedicated to women’s segment including women’s apparel lines, fitness essentials, elite aerobics, physical elements, and all condition gear. As a result, in 1992 they experienced a 68% increase in this sector if compared to the previous year. Consequently, the company’s goal was to make Nike brand a worldwide megabrand similar to the lines of Coca-Cola, Disney, and Sony (Nike, 1992). In 1993, their aggressive marketing strategy continued where they began a venture with Mike Ovitz’s Creative Artists Agency to establish sports events. Moreover, they were seeking contracts with famous basketball players such as Scottie Pippin and Alonzo Mourning as well as retaining Michael Jordan and Charles Barkley as Nike’s spokespersons. Furthermore, they began a recycling program “Reuse a Shoe Program”, that aims to collect old athletic shoes of any kind, to be reprocessed and recycled in order to help the environment and the community, which are then used in manufacturing sports tops such as courts, playgrounds, and running tracks. It is clear that the company was always seeking an image of Nike not only as a product line, but as a lifestyle “Nike attitude” (Nike, 1993).

○ **Gross profit**

In the mid 90’s, almost everyone agreed that Nike acquired a dominant position in the athletic footwear (Universe, 2001). This fact is clearly represented in the previous financial figures.

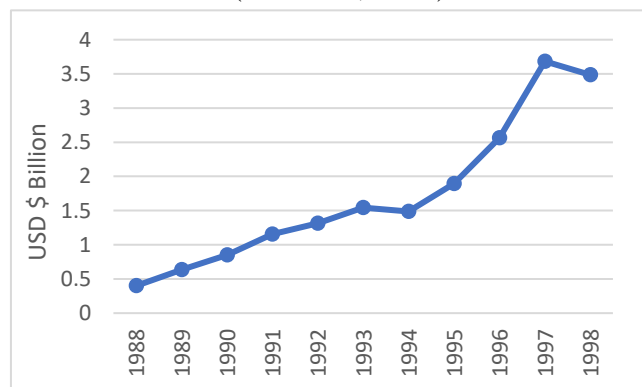


Figure 12: Gross profit - 1988 to 1998

Before 1995, the increase in all these graphs was a slight and gradual one, however, it became much more aggressive after that period. The company represented around 30% of the US market share, exceeding its competitor “Reebok” which represented 20% in the same market. Moreover, its revenue stream from foreign markets continued to

increase reaching 2\$ billion by 1995. As mentioned in “History overview”, several events happened during and after 1995 that played an important role in the surge of Nike’s financial figures (Nike, 1995) (Universe, 2001). Due to the fact that both the sales and the cost of goods sold faced a continuously increasing trend, then it is rational that the gross profit will follow the same one. Between 1988 and 1998, gross profit increased from \$400 million to \$3.487 billion. (Nike, 1997). In the period between 1997 and 1998, we can observe a sudden drop in both the gross profit (Figure 12) and the net income (Figure 14), which dropped 49.8% for the first time in four years. There are several reasons behind this sudden decrease discussed in the following financial figure.

- **Selling & administrative expenses**

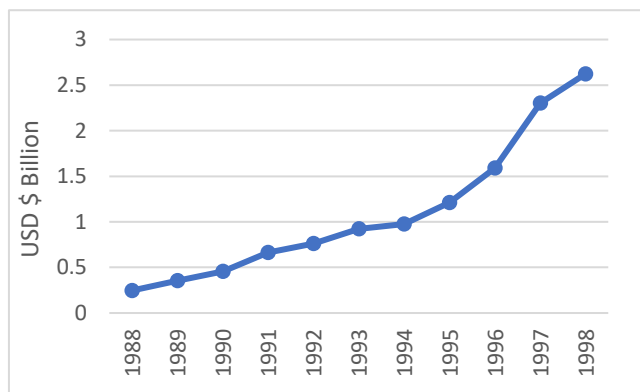


Figure 13: Selling & administrative expenses - 1988 to 1998

At the end of 1997, Nike reached \$9.19 billion of revenues. Their sales in Asia and Europe increased by more than \$500 and \$450 million respectively. As for their home country, Nike represented around 50% of the US market share. The increase of sales shown in Figure 10 is accompanied by an increase in the SGA of Nike. The company was spending a notable budget on its marketing campaigns where

selling & administrative expenses surged from \$246 million in 1988 to \$2.623 billion in 1998. Moreover, Figure 10 shows that between 1997 and 1998, sales experienced a slight increase if compared to the aggressive one in the previous period. One of the main reasons behind the sour picture of Nike in that period is the Asian financial crisis that took place in summer 1997. Thus, the economic Asian crisis, declining revenues in the US, and the problems Nike faced in the Asian market, which are further explained in “History overview”, were the reasons behind the declination in the previously mentioned financial figures between 1997 and 1998.

- **Net income**

Nike’s net income grew from \$101 million in 1988 to reach a peak of \$795 million in 1997. However, in 1998 the net income sharply dropped to \$399 million. At the end of the pre-e-Commerce period, the countries outside the US which represented the largest markets for Nike’s

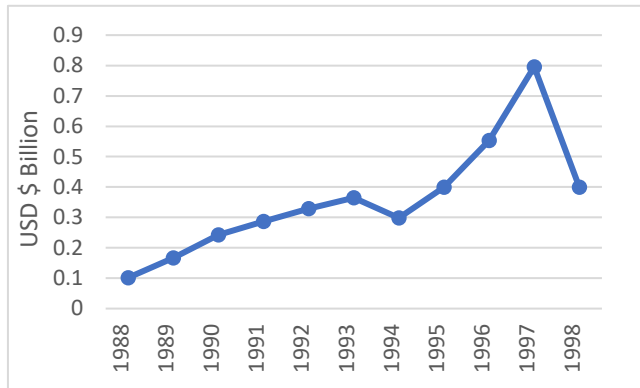


Figure 14: Net income - 1988 to 1998

international business were Japan, United Kingdom, Canada, France, Italy, Spain, Korea, and Germany. In addition to the troubles and risks they faced at the end of this period; Nike experienced a stagnation of sales in the US market. The tastes of its teenage customers, which are the main segment of its customer base, started to deviate from athletic shoes to

hiking boots and other casual brown shoes. Consequently, its sales dropped in 1999, if compared with the previous year, to reach \$8.78 billion. In that period, Nike reported the first loss in 13 years where profits fell by more than \$67 million. The huge deterioration in the net income at the end of this era led to both cost cutting and a restructuring plan. The main actions Nike took in that period were: the elimination of job responsibilities company-wide, downsizing of the Asia Pacific headquarters in Hong Kong, downsizing of the Japan distribution center, cancellation of endorsement contracts, and exiting certain manufacturing operations at Bauer Nike Hockey subsidiary. (Nike, 1998) (Universe, 2001)

3.2.3.2 During e-Commerce

As the era of physical shops ended in 1998, thus, the beginning of the e-Commerce era was in 1999. The financial analysis covers the period between 1999 and 2011, which is the year of the beginning of social commerce era.

o ROI

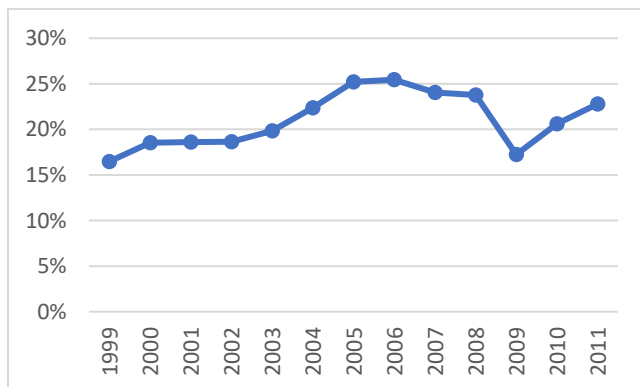


Figure 15: ROI - 1999 to 2011

The transition to the e-Commerce era wasn't a rapid one, Nike's first website was created between 1995 and 1996 with the aim of providing information for Nike customers. In that period, there were no e-Commerce capabilities on Nike's website and their purpose was brand building. They provided information related to detailed product

information, design inspirations, athlete endorsements, and news and updates about sports events. Despite the fact that Nike didn't exert efforts to drive traffic to their website, they had more than 14 million visits by the end of 1998 (Universe, 2001). From an information and marketing tool in 1996, to a "direct to consumer" selling tool in 1999, Nike was able to transform the role of its website and enter the e-Commerce world. Philip H. Knight, chairman and CEO of Nike at that time, quoted: *"With the internet, we have an opportunity to recapture a level of intimacy and our consumer, and simultaneously drive potential buyers to our retail partners. Nike runs with e-Commerce... But slowly"*. Nike decided to launch its first e-Commerce trial in its domestic market, the US. It was an Alpha project which was launched for three months where they offered some items online including footwear, apparel, and equipment for sports (Soccer, tennis and football). The main aim of this trial was to discover the opportunities and threats Nike may face as a new entrant to the e-Commerce era. After the success of the trial, Nike opened a more ambitious site with a wider range of product variety at the end of 1999. Moreover, to enhance its position in online shopping, in September 1999, Nike decided to buy about 10% of Fogdog Inc., which ran a sporting goods e-Commerce site, in exchange of offering Fogdog the exclusive online rights to sell all Nike products. (Nike, 1999) (Universe, 2001) Referring to Figure 15, the ROI value fluctuated between 16% and 24% along the period between 1999 and 2011. There was a slight increase from 1999 till 2006, which was followed by a slight and then an aggressive decrease in the year 2008 and 2009. The main reason behind the fluctuating trend was the deteriorating macroeconomic conditions which caused significant volatility on the global financial markets and lowered the consumer's propensity to spend. Afterwards, ROI increased again to reach 22.8% in the year 2011.

○ **Sales**

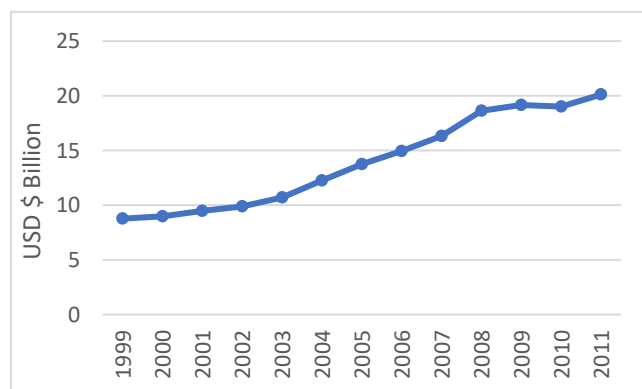


Figure 16: Sales - 1999 to 2011

As mentioned in "History overview", the company was able to earn some good publicity before the end of the 20th century when they sponsored the US national women's soccer team who won the Women's World Cup in that time. Subsequently, Nike was trying to achieve an impressive comeback with the beginning of the 21st century depending on

their previous record of innovative products, savvy promotions, aggressive marketing strategy, and energizing their sales. As a result, Nike's sales were able to gradually recover in which they experienced a plodding increase throughout the period from 1999 till 2011, as shown in Figure 16. Once again, we can clearly notice a slight decrease in sales between 2009 and 2010 due to the macroeconomic situation at that time which affected most of the multinational companies (Nike, 2000).

o **Cost of sales**

The cost of sales shown in Figure 17 for the period between 1999 and 2011, shows a slight decrease at the beginning of the period followed by a continuous gradual increase, from 2000 till 2009, reaching a peak of \$10.571 billion. Later, this value slightly decreased in 2010, accompanied with the decrease of sales, shown in Figure 16, followed by an increase to a maximum of \$10.915 billion in the year 2011. Back to the beginning of the 21st century where Nike was moving forward with a slow pace after the tough times they faced at the end of the 20th century, the company was able to decrease selling & administrative expenses in terms of revenues from 29% to 28.3%. In April 2002, Nike acquired Hurley (Nike, 2002); however, this didn't result in any effect on the sales of 2002 since it occurred in the last quarter of the fiscal year. As a result of the short-term stability Nike faced, which is clearly reflected on the net income in Figure 20, Nike experienced a steady pace followed by a slight decrease in 2003, due to the changes in fair values of outstanding

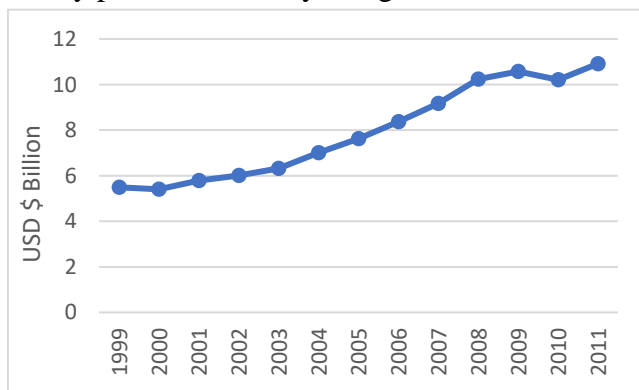


Figure 17: Cost of sales - 1999 to 2011

cash flow hedge derivatives. In 2003, Nike decided to purchase all the equity shares of Converse for \$305 million cash. During the year 2004, Converse contributed 2% of consolidated revenue growth as well as 2% of the demand creation (advertising and promotions) which are part of the increase in both Figure 16 and Figure 18.

○ **Gross profit**

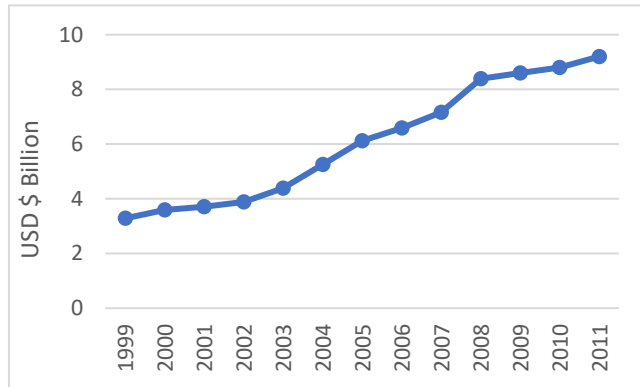


Figure 18: Gross profit - 1999 to 2011

Based on Figure 18, we can clearly notice a gradual increase in the value of gross profit from \$3.283 billion in the year 1999 reaching a maximum of \$9.202 billion at the end of 2011. The increase was a slight one before 2003 and after 2008; however, it was sharper between the two mentioned periods. In 2004, Nike had higher orders from Footlocker,

which acquired additional stores from Footstar in the previous year. Moreover, in August of the same year, Nike acquired all the equity interests in Official Starter for \$39 million (Nike, 2004). The company confessed that the addition of Converse and formation of Exeter Brands Group contributed to the demand creation in the years 2005, 2006, and 2007. Through the same period, we can observe a steadily growing trend in all the financial figures until 2008. Furthermore, the company maintained its aggressive marketing strategy with \$1,912.4, \$1,740.2, and \$1,600.7 million for the years 2005, 2006, and 2007 respectively (Nike, 2007).

○ **Selling & administrative expenses**

Arriving to the year 2008, where Nike experienced a peak in the value of net income (Figure 20), the company acquired all the capital stocks of Umbro to expand Nike’s leadership in soccer. In 2008, the company increased its advertising spending by more than 20% reaching \$2,308.3 million. Moreover, at the end of 2008, Nike completed the sale of Starter brand and Nike Bauer

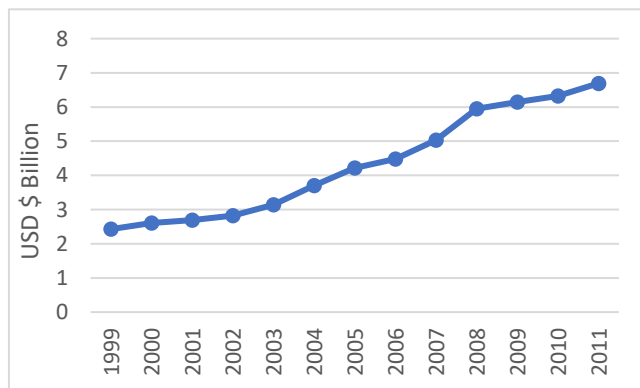


Figure 19: Selling & administrative expenses - 1999 to 2011

Hockey Crop which resulted in a gain of \$28.6 and \$32 million respectively (Nike, 2008). After the sharp increase in most of the financial figures through that period, the effects of the global economic crisis that happened in 2008 started to be clear in the financial figures of the year 2009. The global economic crisis slowed down the international trade and led to several protectionist actions

around the world. These trends affected many global companies around the world in which Nike was one of them. In 2009, the gross profit (Figure 18) deviates and took a path of a gradual increase after 2009. With reference to Figure 19, the graph shows an increasing trend through this era; however, this increase did not follow the same pace through the years. Nike’s total advertising and promotion expenses were \$1,377.9, 1,166.8, and \$1,027.9 million for 2004, 2003, and 2002 respectively. In which we can observe a steeper increase in the selling & administrative expenses starting from 2003 if compared to other periods. Similar to the previous graphs, Figure 19 shows a slight increase along the years from 1999 reaching 2011 with \$2.426 billion and 6.693 \$billion respectively. (Nike, 2003)

○ **Net income:**

The net income (Figure 20) experienced two sudden drops, one in 2003, and the other one in 2009, due to the same reasons of the year 1997, the economic crisis. However, in the following year, Nike experienced a 28% increase in the net income reaching \$1.9 billion. The main reasons behind this increase were the improved gross margin percentage and the decrease in the effective tax rate, which were more than the reduction in revenues and the increase in the selling & administrative expenses (Nike, 2009). In 2010, the decrease in the sales was due to the decrease in the footwear revenue due to a decline in the average selling price, which was the result of higher discounts provided for retailers to manage their inventory levels (Nike, 2010). As the footwear line is a strategic one for Nike, their sales increased in the following year (2011) due to the greater footwear revenues from China which surged more than 15%. Unlike the steady increase in sales, the net income graph shows some fluctuations in Figure 20 (Nike, 2011). Through the period from

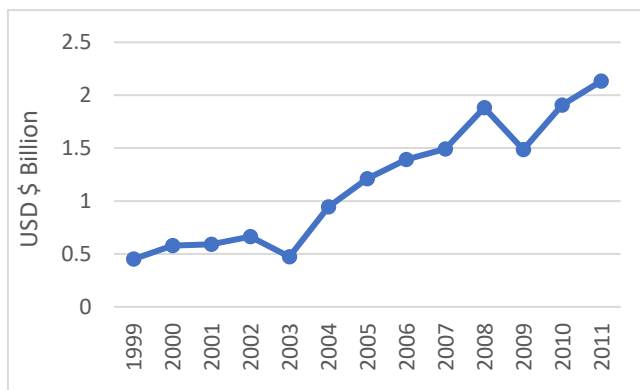


Figure 20: Net income - 1999 to 2011

1999 and 2002 the net income remained almost the same followed by a sudden decrease in 2003 due to the effect of accounting changes (Nike, 2003). Later on, the value maintained a gentle increase until reaching a maximum of \$1.883 billion in the year 2008, the year of the US crisis. One more time and due to the crisis, the net income

dropped sharply in 2009 and then increased again through 2010 and 2011 reaching a peak of \$2.133 billion.

3.2.3.3 During social commerce

Nike started to be active on social media between 2009 and 2011. However, there are no reliable data about the exact date of joining different social media platforms. Moreover, Nike's main Facebook page posted for the first time at the end of 2011. Therefore, we considered 2012 as the beginning of the social commerce era for Nike.

○ ROI

Figure 21 shows the volatility of the ROI during the social commerce period. During this period, ROI reported a minimum of 22.4% in the year 2013, and a maximum of 26.7% in the year 2016. The main reasons behind the fluctuations are the same as those mentioned in the physical shops' era. After recovering from the financial crisis, which slowed down Nike's performance, the company entered the era of social commerce. Between 2009 and 2011 they joined Facebook, twitter, YouTube, and Instagram. According to the annual report of the year 2012, Nike admitted that they depend on information technology systems for digital marketing campaigns and activities, electronic communications throughout the world between and among their employees as well as with third parties, such as customers, suppliers, and consumers (Nike, 2012). To enhance their position in the digital era, Nike introduced Nike Fuelband, and Flyknit technology. The Fuelband is a digital device that tracks people's daily activities through a sport-tested accelerometer, whereas the Flyknit is a new footwear technology that uses advanced materials and proprietary manufacturing technology to produce a form-fitting, lightweight, and seamless upper (Nike, 2012).

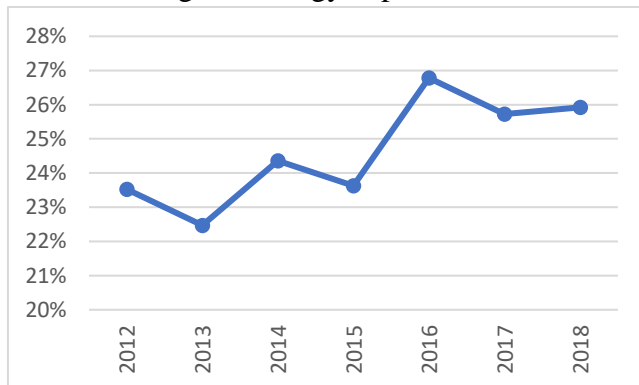


Figure 21: ROI – 2012 to 2018

In 2013, Nike's financial figures experienced an upward trend; sales (Figure 22) increased by 8.5% reaching \$25 billion, as well as net income (Figure 26) surged by more than 11% in the same period. According to their annual report, these results were due to their innovative performance and sportswear products, strong retail presentation online and

at Nike stores, and the deep brand connections with their customers due to the endorsements with high profile athletes and teams, marketing around global sporting events, and the digital marketing (Nike, 2013). This was the first time Nike states that part of their growth is related to the digital marketing.

- **Sales**

Despite the fact that wholesale revenue remained the largest portion of the overall Nike Brand revenues, the direct to consumer revenues kept on growing rapidly. Nike stated that their direct to consumer sales grew 19%, 17%, and 13% in the years 2013, 2012, and 2011 respectively. Moreover, in 2013, Nike planned to divest Umbro and Cole Hann in order to focus their resources on their core business (Nike, 2013). Similar to the fluctuating trend of ROI in the previous periods, the social commerce period was characterized by a fluctuating, but aggressive, trend. ROI fluctuated sharply especially in the period between 2012 and 2016, due to the same reasons in the two previous periods. In the year 2014, Nike faced an increase in sales which is clear in Figure 22. This increase was accompanied by an increase in both the cost of sales and the selling and administrative expenses which are shown in Figure 23 and Figure 25 respectively. Nike stated that this increase was due to the increase in product costs, increased investments in their digital infrastructure, higher spending at the end of the year to support World Cup, and product creation and design initiatives (Nike, 2014). Referring to Figure 22, it shows a gradual and slight increase in sales during the social commerce era. The sales' graph did not experience any single decrease throughout the period from 2012 to 2018, unlike the sales in the two previous eras. Moreover, Nike reached a maximum of \$36.397 billion in the year 2018, which was the highest value in Nike's

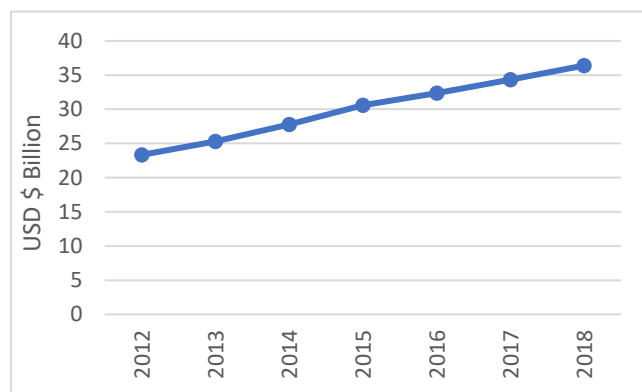


Figure 22: Sales - 2012 to 2018

history. Based on 2014 Nike's annual report, online sales represented 15% of Nike's brand DTC (Direct to customer) revenues in 2014, compared with 12% in 2013. Nike started publishing such information in its annual reports starting from the year 2013. Thus, we can assume that part of the increase in Nike's sales was due to online shopping.

○ **Cost of sales**

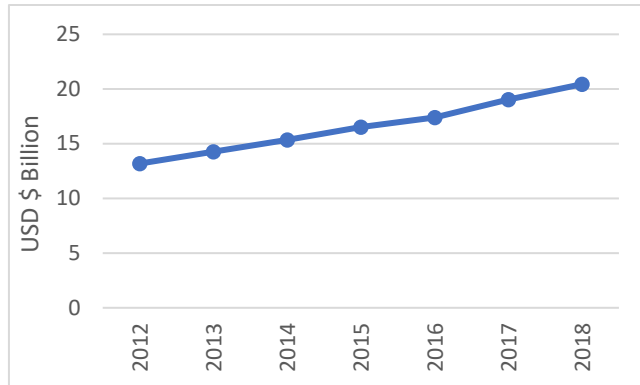


Figure 23: Cost of sales - 2012 to 2018

As mentioned previously, this is the only era in Nike's history that didn't face any negative shock in its financial figure, away from the net income which dropped in 2018 due to specific reasons which is discussed in the following parts (Nike, 2014). With a similar trend to the sales graph, the cost of sales went up from \$13.183 billion in 2012 reaching \$20.441 billion in 2018.

○ **Gross profit**

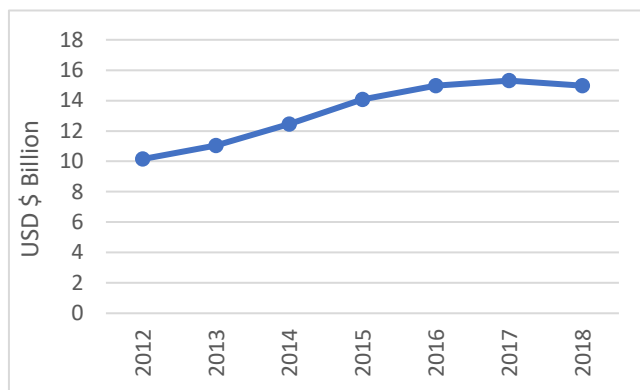


Figure 24: Gross profit - 2012 to 2018

Through the years 2015 and 2016, after selling Cole Hann and Umbro, Nike started focusing on their real business as well as on the digital aspect in their business. In this period, Nike did not do any single acquisition; however, they grabbed the benefits from the previous ones' and maintained their aggressive marketing strategy. Unlike the gross profit

graphs in the two previous periods, which were facing a steadily increasing trend, the social commerce's gross profit graph started with a gradual increase from 2012 till 2016, reaching a maximum of \$15.956 billion, followed by a slight decrease until the year 2018 due to the same reasons of the net income's declination (Nike, 2016)

○ **Selling & administrative expenses**

As a result of the hard work, online sales growth surged through the years, in which online sales represented 18% and 22% of the total Nike brand DTC revenues in 2015 and 2016 respectively. Similar to the previous SGA's graphs and aligned with Nike's aggressive marketing strategy, the selling and administrative expenses rose from \$7.431 billion in 2012 reaching a

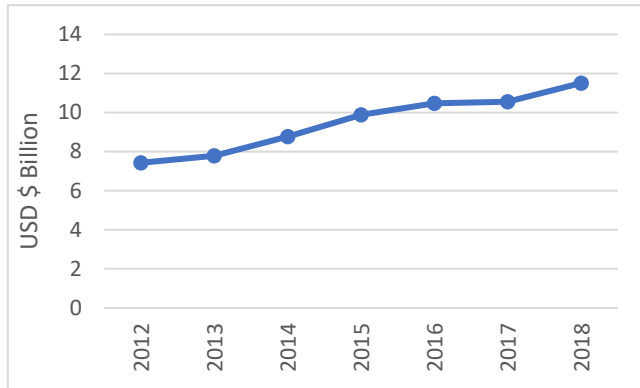


Figure 25: Selling & administrative expenses - 2012 to 2018

maximum of \$11.511 billion in the year 2018. In 2017 Nike announced the creation of Consumer Direct Offense, a new company alignment designed to allow Nike better serve consumers personally. Nike is highly investing in digital and they are leveraging on its power to drive growth in the following periods. The goals of CDO are accelerating innovation and product creation, moving

closer to the consumers, and deepening one-to-one connections. For that reason, we can observe in Figure 25 an increase in the selling and administrative expenses due to the investments done in Nike’s Consumer Direct Offense (Nike, 2017).

o **Net income:**

Net income faced a gradual increase from 2012 till 2017 where it reached a peak of \$4.24 billion, followed by a steep declination in the year 2018 reaching a minimum of \$1.933 billion. This steep declination in the year 2018 in net income is justified in the 2018’s annual report; to explain clearly that event, the full justification contained in that report is the following, “*In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which changes how companies account for certain aspects of share-based payment awards to employees. The Company adopted the ASU in the first quarter of fiscal 2018. The updated guidance requires excess tax benefits and deficiencies from share-based payment awards to be recorded in income tax expense in the income*

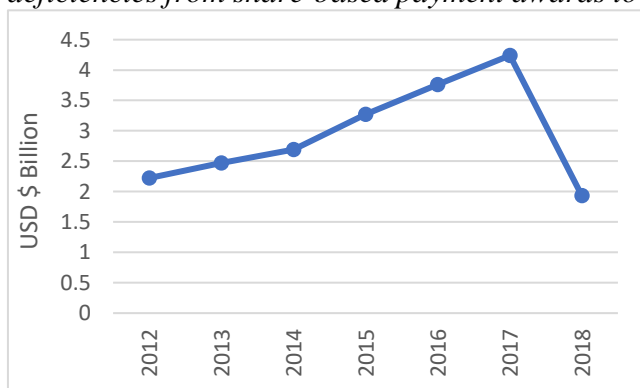


Figure 26: Net income - 2012 to 2018

statement. Previously, excess tax benefits and deficiencies were recognized in shareholders’ equity on the balance sheet. This change is required to be applied prospectively. As a result of the adoption, during fiscal 2018, the Company recognized \$230 million of excess tax benefits related to share based payment awards in Income tax expense in the

Consolidated Statements of Income” (Nike, 2018). For that reason, the gross profit experienced a drop in the year 2018, which is clearly shown in Figure 24.

3.2.3.4 Financial analysis: Conclusion:

As a conclusion from the previous financial figures and analysis, it is fundamental to observe the trends of some financial figures through the three eras. The average values in each period was calculated, and then graphed to analyze the general trend. As observed in Figure 27, we can notice an increasing trend in all of them. However, one cannot relate this increase to a specific reason. We cannot relate the success of Nike in the social commerce era just to the online sales. As mentioned in History overview, the company started to compete on international markets years before the introduction of online sales. Moreover, no one can deny the positive effects of the aggressive marketing strategy they followed since the early 1980’s. Neither we can deny their investments in R&D which resulted over the years in numerous patents and innovative products. For that reason and based on the previous analysis, of Nike’s financial reports since 1988, it is hard to relate the overall increasing trend in the financial figures to a specific reason. We cannot relate it to their successful marketing strategy, not even to the investments of R&D. However, it is a combination of all the factors mentioned before. It is clear that the increasing trend in both sales and net income (Figure 27) is not out of nowhere. This increasing trend is related to the high investments done by Nike, which are clear in both cost of sales and selling & administrative expenses. With reference to Nike’s annual reports, the cost of sales consists of inventory costs, warehousing costs, third-party royalties, foreign currency hedge gains and losses, R&D, design and development costs. Whereas, selling and administrative expenses consists of two main factors: demand creation expense, and operating overhead expense. The former, which is much more relevant in our analysis, consists of advertising and promotion costs, costs of endorsement contracts, television, digital, and print advertising, brand events and retail brand presentation. However, in their reports they haven’t provided any detailed numbers about the investments in each category. Therefore, it is unlikely to deliver a concrete conclusion about the reasons behind the overall increasing trend in their financial figures through the three periods. Still, it is possible to identify some key factors that helped Nike become one of the leaders in their market (Works, 2019).

From these factors we can mention:

- Extensive marketing investments to establish Nike's brand and logo
- Nike was able to deliver value for their customers and not only product
- Following up with the last trends in the market
- Adopting new technologies
- Extensive investments in R&D which allowed Nike to provide quality products
- Wide variety of their portfolio which covers numerous types of sports
- Mergers and acquisitions of successful, competing or supplementary, sport product brands

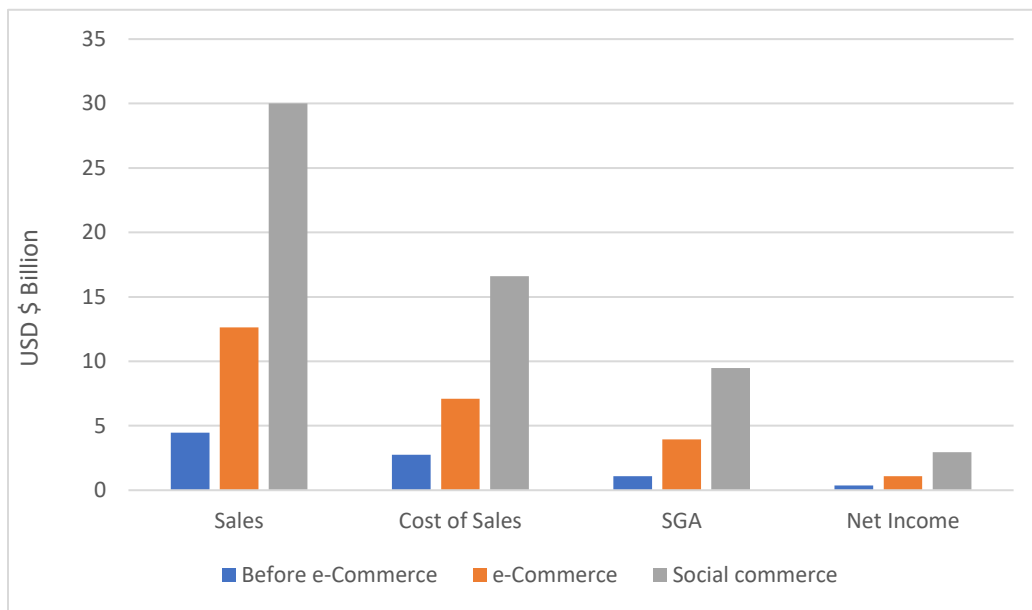


Figure 27: Average of Nike's financial figures in the three eras

- **e-Commerce sales evolution:**

As stated previously, Nike did not mention any financial figures regarding online sales until the year 2013. That is why it was not possible to compare the effect of online sales in e-Commerce and social commerce eras. The only information provided are between the period from 2013 to 2018. As stated in all Nike's annual reports, the major part of revenues is driven by wholesale revenues, whereas the minor one is derived from DTC sales (Direct to Consumer).

	2013	2014	2015	2016	2017	2018
DTC Sales (\$billion)	4.365	5.304	6.634	7.857	9.082	10.428
% of e-Commerce	12%	15%	18%	22%	24%	27%
e-Commerce Sales (\$billion)	0.5238	0.7956	1.1941	1.7285	2.1796	2.8155
Physical shops sales (\$billion)	3.8412	4.5084	5.4398	6.1284	6.9023	7.6124
e-Commerce sales/Revenue	2.07%	2.86%	3.9%	5.33%	6.35%	7.73%

Table 7: e-Commerce sales

In Table 7, it is clear that e-Commerce sales represented 12% and 2.07% of the DTC sales and revenues respectively in the year 2012. However, the major drivers of DTC sales were those from physical shops with 88%. Through the years, online sales increased and reached 27% of the DTC sales and 7.73% of the total revenues in the year 2018. Based on these financial figures, we can confidently say that part of Nike’s sales in this period is due to online selling.

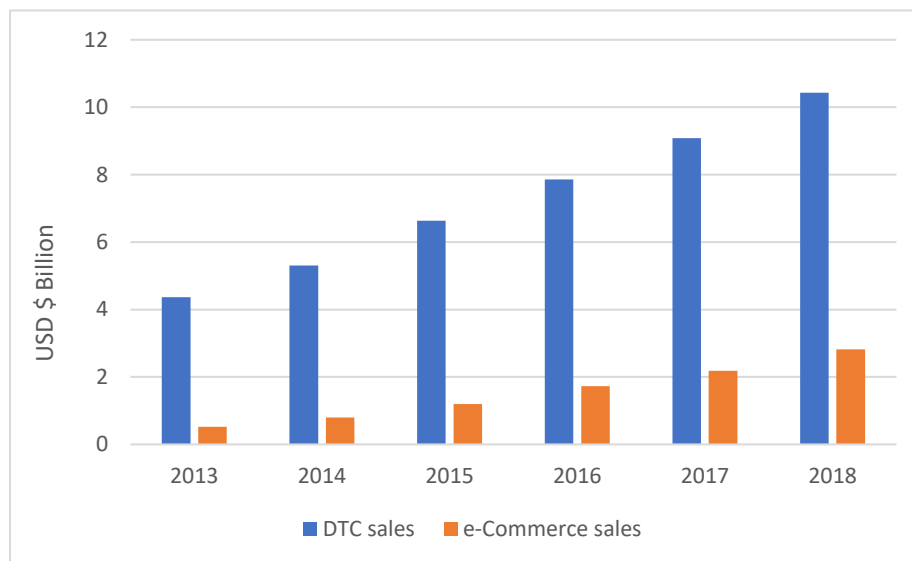


Figure 28: e-Commerce sales with respect to DTC sales

Though, we cannot still declare whether the increase in online sales is due to the so-called “social commerce”, but we can assume that online sales did not represent more than 2% of the total revenues before the year 2013, where Nike was not publishing any single financial figure about online sales before this year. Moreover, we can also assume that social commerce and the presence of social media platforms enhanced the online sales of the company, where they represented in 2018 more than quarter of the DTC sales. Besides, if we compare the overall percentage of increase of both physical and online sales between 2013 and 2018, we figure out that online sales quintupled,

while physical shops' sales increased but did not even double. Therefore, as Nike's CEO mentioned, online selling is one of the largest growth opportunities for Nike.

3.2.4 Website analysis

Nike is one of the most recognizable brands in the world. It falls in the 16th place based on Forbes's list of "The World's Most Valuable Brands", with a brand value of \$29.6 billion. Though, the first 15 companies in the list are in the technology sector, Nike is the only one in the footwear and apparel industry. This means that Nike is the top-ranked sportswear brand followed by Adidas which falls in the 75th place in the same list. Not only in "The World's Most Valuable Brands", but also in "Forbes Sports Money Index", which ranks the most valuable and influential brands in sports, Nike falls in the first place as well. (Management, n.d.)



Website Performance	
Global rank	#498
Country rank (US)	#323
Category rank	#1
Website audience	
Total visits	213.3 million
Traffic share	 44.67%  53.33%
Monthly visits	71.11 million
Average visit duration	00:04:36
Pages per visit	7.17
Bounce rate	31.41%

Table 8: Website performance & audience ” (Web, Website performance - Nike & Adidas, 2018)

As mentioned before, in the website analysis our information was based on records extracted from "Similar web" (Web, 2018). Table 8, consists of information which gives insights about both, the website performance and the website audience. These figures make no sense without a proper benchmarking process. However, the benchmarking process can be done on different basis, it can be based on e-Commerce historical benchmarking, e-Commerce industry benchmarking, report benchmarking, channel benchmarking, location benchmarking, or device benchmarking. In our analysis we referred to the "KPI Report 2019" which is based on different researches and reports done by "Alan Coleman", where he analyzed over 250 million website sessions and over 500 million euro in online revenue during the period between July 2017 and June 2018 (Coleman, 2019). First of all, the average visit duration, based on store grower's report, is 3

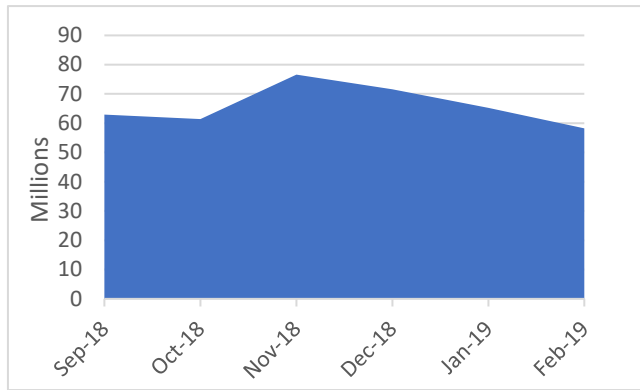


Figure 29: Nike's website traffic (million) ” (Web, Website performance - Nike & Adidas, 2018)

minutes and one second. Nike was able to achieve a higher than the average visit duration recording 4 minutes and 36 seconds. This means that the average time of visitors on Nike’s website is higher than the normal average. However, this indicator should be combined with understanding the reason why people spend a certain amount of time in a website, which helps companies leverage their strength and strengthen their weaknesses.

Moreover, Nike reported an average of 7.17 pages per visit which is also higher than the normal average provided by “store growers”, which is 5 pages per session. With reference to “techopedia”, a larger number of pages indicates that the content of a certain webpage is clear, and the related content is interesting enough to do more clicks (Techopedia, 2019 a). Arriving to the bounce rate where Nike recorded 31.41% which is below the average (41%). This indicates that almost 68% of Nike’s website visitors interact with the content of the website. “Go Rocket Fuel” states in their report, “The Average Bounce Rate for a Website”, that a bounce rate between 30% and 40% is considered as an exceptional one. (Web, 2018) (Coleman, 2019). Therefore, based on the previous analysis we can say that Nike’s website has a better performance if compared to the overall average performances. Hence, it is not surprising to see (Table 8) that it is ranked the first in its category.

• **Geography:**

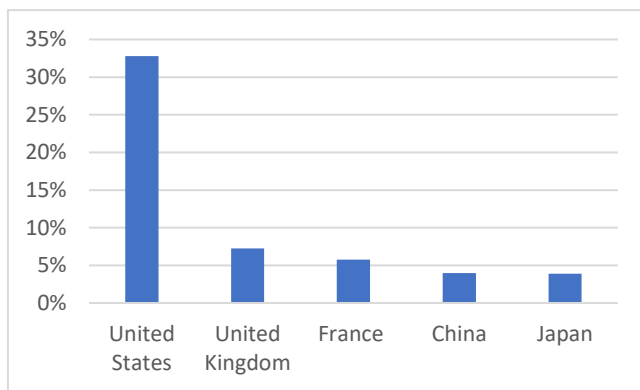


Figure 30: Traffic source by country ” (Web, Website performance - Nike & Adidas, 2018)

With reference to Nike’s annual reports which were analyzed since 1988, the US market is one of the major markets for the company. The majority of the company’s sales are driven from the following markets: the US, British, Chinese, and Japanese market. Therefore, it is not surprising to know that these markets are the major ones in sending traffic to Nike’s website. According to “Similar web”, the top

5 countries that act as a source of traffic to the company's website are (Web, 2018) United States (32.78%), United Kingdom (7.25%), France (5.77%), China (3.96%), Japan (3.87%).

- **Marketing Channels:**

Customers do not only visit Nike's website in a direct way, there are several sources in which traffic could be obtained. One of the major traffic sources for global companies is direct traffic. However, direct traffic is much more complicated than what it actually looks. Direct traffic is not only related to the visitors that come directly to a website by typing the company's URL or selecting a bookmark. It is better defined as any traffic that does not have a referral passed to the company's website. However, this does not mean that the visitor did not click a link or come from another website, it just means that the information was not recorded. Some examples of information that may not be recorded: (Tower, 2015)

- HTTPS to HTTP: visitor that click a link from a HTTPS site.
- Unproperly tagged links which are included in email marketing campaigns.
- Session refreshes
- QR codes
- Links in chats or emails, which are called "dark social link".
- Search and social referrals that are unable to pass the proper referral string.

As for the search methods, they can be divided into two categories, organic and paid search. Organic search is based on free and natural rankings that are the result of search engine algorithms. On the other hand, paid search requires doing payments to have the website displayed on the search engine results page when users type specific keywords or phrases (Spot, n.d.). On the other hand, when talking about website traffic, a "referral" means the recommendation done from one website to another. It allows companies to know the sources of the visits that arrive to its website which are not coming from its own search engine. Referrals is an opportunity for businesses to know which sources are the most valuable in enhancing a company's reach and growth. (Bashara, 2019). The list of traffic resources includes also social, email, and display ads. These sources are easier to understand as they represent visits that come from social media platforms, emails, and online advertisements. Figure 31 represent Nike's traffic sources, ranked in a descending order, as well as the averages of these sources based on store growers' report.

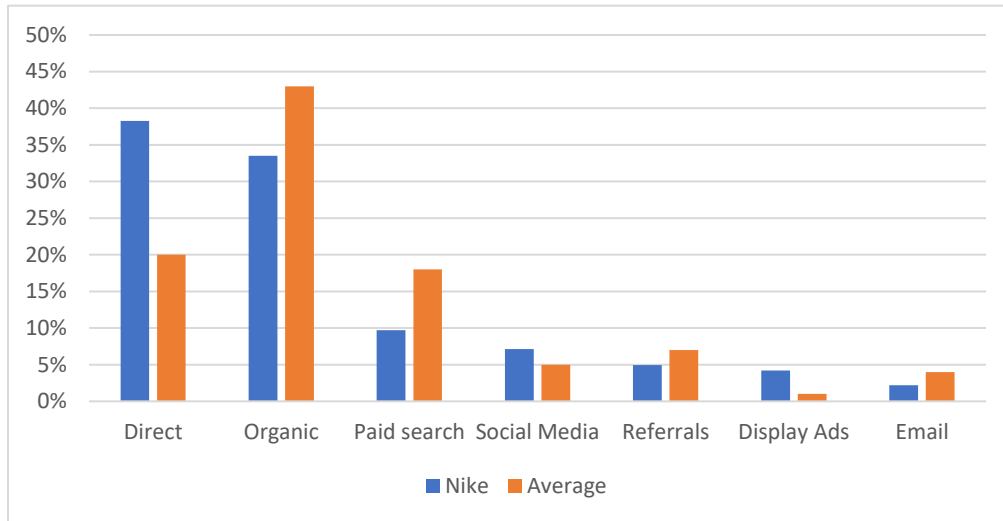


Figure 31: Nike's website traffic sources ” (Web, Website performance - Nike & Adidas, 2018)

Nike reported lower than average in all the sources except direct, social media, and display ads. However, the highest difference between Nike’s records and the average was reported in the direct sources of traffic, where Nike’s numbers were a bit less than double the average (Web, 2018). Therefore, based on these results we can assume that Nike depends the most on direct traffic sources, their online advertising efforts played a major role in driving traffic to their website, specially that their record is more than four times the average. Moreover, we can assume that Nike is better able to benefit from social media, as a traffic source, if compared to the average mentioned in “KPI Report 2019”. Lastly, we can assume that the company can invest more in the paid keywords to benefit from the paid search as a source of traffic to their website.

- **Organic vs Paid search:**

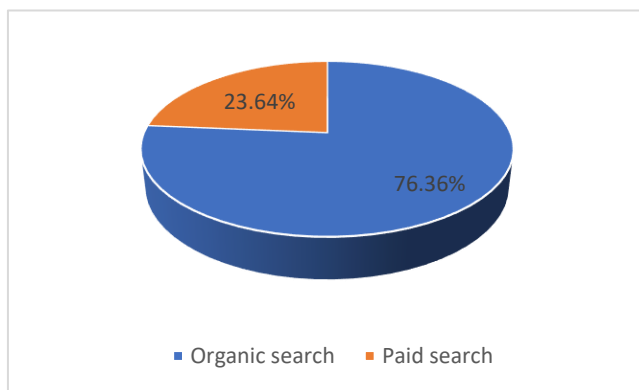


Figure 32: Organic vs paid search ” (Web, Website performance - Nike & Adidas, 2018)

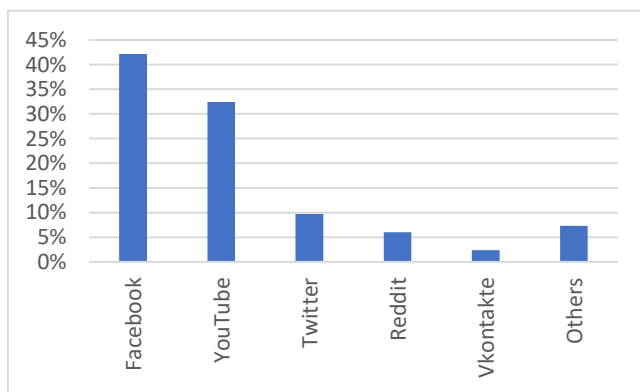
Based on Figure 32, Nike depends much more on organic search which represented more than two thirds of the total search. “Nike” is the most used keyword in both organic and paid search, which represented 35.87% and 15.27% respectively. In the organic search, “Snkrs”, “Nike shoes”, and “Nike outlet” represents 1.06%, 0.91%, and 0.71% respectively. In general, the main differences

between organic and paid search are both time and money. Paid search requires significant budgets

but it's results can be quickly obtained. However, organic search is unpaid but requires much more time investment (Inc., n.d.). In Figure 31, we can clearly notice that Nike's direct traffic source is much higher than the average. Based on a report published by "Start Digital", the greatest advantage of having a strong organic search is that the organic ranking is perceived more trusted than the advertised one. Moreover, their statistics showed that a high organic ranking is able to attract 50% more click throughs than the "Ad Word" listing. (Digital, 2018)

- **Social traffic:**

As mentioned previously, social traffic is the website traffic coming from different social media platforms. Nike manages different accounts on different social media platforms such as Facebook, YouTube, Instagram, Twitter. One of the most social media platforms that drives traffic



*Figure 33: Social media as a traffic source ”
(Web, Website performance - Nike & Adidas,
2018)*

to Nike's website was Facebook, considering that Nike owns different Facebook pages where each is dedicated to customers sharing similar preferences, hobbies, interests, and preferences. Facebook was followed by YouTube and twitter which represented 32% and 9% of the social traffic respectively. At the end of the list there are both Reddit and Vkontakte, which are widely used in the US and Russia respectively (Web, 2018). What is

surprising in this list is the absence of Instagram. However, this social media platform is used extensively by the company and Nike's CEO revealed in 2017 that Nike is planning to sell goods directly through Instagram hoping to connect with younger buyers who spend hours surfing the application. (Moon, 2017)

3.2.4.1 Web analysis conclusion

As a conclusion from the previous part, we can highlight some important aspects regarding the website traffic. First of all, based on the information provided by "Similar Web" we can say the Nike's website is the best in its category ranking since the company is ranked the first in it. Moreover, it is not surprising that the main website traffic comes from the US which the home country of the company as well as one of its major markets. Furthermore, based on Figure 31, we

can state that Nike depends excessively on both direct and organic search as sources of traffic for their website. Besides, we assume that the company can benefit more from the paid search due to the fact that their figures were below the average of the “KPI report 2019”. Finally, Facebook is the most important traffic source to the company’s website among all the social media platforms.

3.2.5 Social media analysis

No one can deny the importance of different social media platforms for businesses; however, their importance depends on several factors, the targeted market, the popularity of the social media platform, and the segment targeted by the company. In our analysis, we focused on four main social media platforms (Facebook, Instagram, Twitter, and YouTube) for two main reasons. First of all, these platforms are the ones present on Nike’s and Adidas’s official sites. Moreover, based on the information analyzed previously from “Similar web”, Facebook, Twitter and YouTube were ranked in the foreground as the most effective social media platforms that drive traffic to Nike’s website. In Table 9, we can find the major social media platforms that we compared, as well as the different pages Nike runs on these platforms. (Facebook, 2019 a) (Instagram, 2019) (Twitter, 2019) (YouTube, 2019)

We took a sample of 17 Nike pages present on Facebook, and we examined whether these pages are present on other social media platforms. We just chose the pages with a blue tick in front of them, where the blue tick indicates a “verified page” in which the social media platform confirms that the selected page is an authentic page for the public figure, media company, or brand. Similar to other brands, Nike owns its official page, “Nike”, which is the main one for the company where they post their major events and news, as well as some posts related to famous sports figures that have endorsements with the company. Accordingly, this is the first category of pages owned by Nike and it contains only the main page of the brand. Pages related to specific types of sports is the second category of pages owned by Nike. There are several pages related to different types of sports in this category. In our sample we chose Nike Football, Nike Basketball, Nike + Run Club, Nike Skateboarding, Nike Golf, Nike Court, and Nike Baseball. This second category includes customers that are fans of the previously mentioned kinds of sports, where the posts are related to the sports’ news, events, athletes, footwear etc. Thus, segmentation in these pages is based on the hobbies and interests of Nike’s customers. Women always had a special treatment if we recap Nike’s history. For that reason, we can find on Facebook “Nike Women”, the main aim is to

strengthen women's position in society and admire them. Its posts include women apparel, footwear, accessories, athletes, inspirational photos, videos, and quotes. Therefore, the third category of Nike's pages is based on certain social groups which are women. Nike's innovativeness is one of the main pillars of the company's success; that's why the fourth category is related to Nike's innovations. "Nikeid" is a Facebook page owned by Nike, where it allows customers to personalize a myriad of Nike products ranging from Sportswear to Running and in between. Customization options ranges from color, material, fit, and performance (Facebook, 2019 b). Additionally, Nike's portfolio is characterized by its wide variety; for that reason, Nike dedicated certain Facebook pages for special lines of products. In our sample we have three pages in this fifth category which are Nike Sportswear, Nike Air max and Nike Air Force 1. These pages are dedicated for customers that are fans of specific lines of products, in which all the posts in these pages are only related to the different designs of these products. Last of all, the final category is related to other brands owned by Nike, which are Converse, Jordan, and Hurley. The products that fall under these brands are totally separated from those having the "Nike" logo. Moreover, the content of these pages is just related to the brand's products. This is not the end of the list, there are several Nike-owned pages we did not mention here. But the main idea was to clarify Nike's strategy in different social media platforms. It is clear that Nike does not depend on a single page; however, they try to split their pages based on the products Nike launches, the brands they own, certain social groups (women), their customers' preferences, hobbies, interests, and the geographical markets they target.

To have a complete overview about Nike's presence on social media, Table 9, gives a brief overview about the main pages Nike manages on Facebook, Instagram, YouTube, and Twitter. In the list below we selected the main page of the company, "Nike", pages related to different kinds of sports, pages related to brands owned by the company, pages related to social groups "Nike Women", pages related to Nike's innovations "Nikeid", and finally pages related to different lines of products. The main aim was to have a mix of different page categories to understand Nike's presence on different social media platforms, and to understand whether Nike follows a "one size fits all" strategy for all the social media pages and platforms or not.

Page name	Facebook	Instagram	Twitter	YouTube
Nike	32 M Direct messages: ✕ Shop now: ✕	85.5 M Posts: 723 IGTV: ✓	7.73 M Tweets: 35.7 K	933 K Videos: 164
Nike Football	44 M Product/Service Direct messages: ✕ Shop now: ✓	36.9 M Posts: 1661 IGTV: ✓ Direct shopping: ✓	3.48 M Tweets: 45.9 K	2.8 K Videos: 267
Nike Basketball	8.4 M Product/Service Direct messages: ✓ Shop now: ✓	10.5 M Posts: 767 IGTV: ✓ Direct shopping: ✓	2.36 M Tweets: 36.5 K	457 K Videos: 7
Nike + Run Club	16 M Sports & recreation venue Direct messages: ✓ Shop now: ✕	5.5 M Posts: 1027 IGTV: ✓	5.5 M Tweets: 173 K	93 K Videos: 6
Nike Training	-	1.6 M Posts: 239 IGTV: ✓ Direct shopping: ✓	180 K Tweets: 12K	49 K Videos: 0
Nike Skateboarding	9.6 M Direct messages: ✕ Shop now: ✓	5.5 M Posts: 2753 IGTV: ✕ Direct shopping: ✓	406 K Tweets: 8570	551 K Videos: 266
Nike Snowboarding	-	-	-	45 K Videos: 0
Nike Golf	1.9 M Product/Service Direct messages: ✓ Shop now: ✓	844 K Posts: 527 IGTV: ✓ Direct shopping: ✓	613 K Tweets: 20.5 K	45 K Videos: 0
Nike Court	1.2 M Product/Service Direct messages: ✕ Shop now: ✓	744 K Posts: 399 IGTV: ✓	320 K Tweets: 6780	9 K Videos: 2
Nike Baseball	957 K Product/Service Direct messages: ✓ Shop now: ✓	1.6 M Posts: 409 IGTV: ✕ Direct shopping: ✓	193 K Tweets: 9105	7 K Videos: 58
Nike Women	5.5 M Product/Service Direct messages: ✕ Shop now: ✓	7.6 M Posts: 768 IGTV: ✕ Direct shopping: ✓	491 K Tweets: 50.2 K	219 K Videos: 24

Table 9: Nike's presence on different social media platforms – 09/03/2019

Page name	Facebook	Instagram	Twitter	YouTube
Nikeid	2.4 M Product/Service Direct messages: ✕ Shop now: ✓	-	355 K Tweets: 17 K	6 K Videos: 14
Jordan	9.6 M Product/Service Direct messages: ✓ Shop now: ✓	17.2 M Posts: 144 IGTV: ✓ Direct shopping: ✓	3.68 M Tweets: 9639	-
Converse	45 M Shopping and retail Direct messages: ✕ Shop now: ✓	8.9 M Posts: 80 IGTV: ✓ Direct shopping: ✓	1.07 M Tweets: 9091	-
Nike Sportswear	15 M Product/Service Direct messages: ✕ Shop now: ✓	6.8 M Posts: 1043 IGTV: ✓	1.49 M Tweets: 9780	17 K Videos: 3
Nike Air Max	8.8 M Product/Service Direct messages: ✕ Shop now: ✕	-	-	-
Nike Air Force 1	2.9 M Product/Service Direct messages: ✕ Shop now: ✕	-	-	-

(Continued) Table 9: Nike's presence on different social media platforms – 09/03/2019

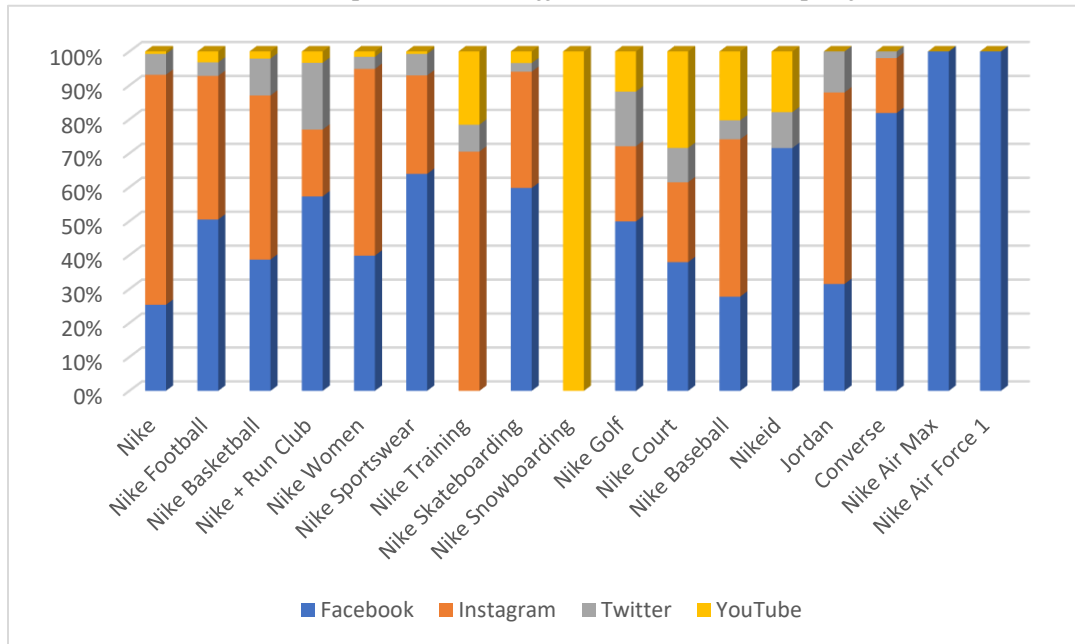


Figure 34: Nike's presence on different social media platforms

Referring to Figure 34, we can notice the dominance of the blue and orange color which represents Facebook and Instagram respectively. Thus, the majority of Nike's followers are present on both Facebook and Instagram. However, based on Table 9, the former does not include all the pages that are present on the other social media platforms. For example, Nike does not have a page neither for Nike training nor for Nike snowboarding on Facebook. Away from these two pages, Nike owns pages related to different kinds of sports, pages targeting certain social groups (Nike Women), pages related to the company's innovations (Nikeid), pages related to brands owned by Nike (Converse and Jordan), as well as pages related to lines of products (Nike Air Max and Nike Air Force). Based on Figure 34, it is clear that Facebook is the only social media platform which has the exclusivity of those pages which are related to different lines of products. Moreover, we compared Facebook pages in terms of "direct message" and "shop now". Where direct messaging allows followers to be in contact directly with the company. This option is absent in most of the pages, and present in only five of them: Nike Basketball, Nike + Run Club, Nike Golf, Nike Baseball, and Jordan. However, the second option, "shop now", which gives direct access to the desired section in the company's website, is present in all the pages except in Nike's main page, pages related to specific lines of products (Nike Air Max and Nike Air Force 1), and Nike Run + Club.

As for Instagram, it shares the same pages with Facebook except the ones dedicated for certain lines of products, such as Nike Air max and Nike Air Force. Similar to Facebook, Nike owns pages that are related to the company's innovations on Instagram, but the two social media platforms do not share the same pages. On Instagram we can find Nike Lab, which is not present on Facebook, whereas on Facebook we can find Nikeid which is not there on Instagram. Moreover, we compared the different Instagram pages based on the new option added to the platform "IGTV" which refers to Instagram TV. IGTV is Instagram's new long-form video sharing service which allows users to upload videos up to one hour in length. Despite that video capabilities were present on the platform, but there was a limit of 30 seconds (Nelson, 2018). Table 9 shows that this option is present on all Instagram pages except Nike basketball, Nike Skateboarding, and Nike Women.

What is interesting on Instagram is the presence of some Nike pages which are dedicated to a certain geographical area (i.e. niketokyo, nikelosangeles, nikechicago, nikelondon). This indicates that Nike is following a certain strategy for Instagram which is totally different from the

one used for Facebook. On Instagram, they are not just segmenting customers based on their hobbies and preferences, but also based on their geographic location. These pages are totally absent from Facebook, in which segmentation of customers is just based on their hobbies regarding different types of sports. Based on Table 9 and Figure 34, we can notice the similarities between the two platforms where they share the same categories of pages ranging from those related to sports, social groups, other brands owned by Nike, reaching those pages that are related to the company's innovations. Back to the "IGTV" option provided by Instagram, this option is present on all the platform's pages which are dedicated to certain geographical areas (i.e. niketokyo, nikelosangeles, nikechicago, nikelondon). Similar to the geographic segmentation used on Instagram, Nike segments its followers on Twitter based on their geographical location. It is possible to find twitter accounts, managed by Nike, which are dedicated to different countries, such as Nike Panama, Nike NYC, and Nike Spain. However, not all the geographic locations are identical in both social media platforms. There are some which are present just on Instagram while not on twitter and vice versa.

Unlike other social media platforms, YouTube's strategy is a bit clearer. The company just owns 14 channels on YouTube, where 10 of them are related to different kinds of sports, one of them is related to Nike's products (Nike Sportswear), another one related to a certain social group (Nike Women), another to the company's innovations (Nikeid), and the last one is called "Nike Better World" which does not contain any single video. From all the facts mentioned before, it is clear that Nike does not follow a "one size fits all" strategy for different social media platforms. Their strategy differs not only between different platforms, but also between different pages present on the same social media platform. (Twitter, 2019) (Instagram, 2019) (YouTube, 2019)

- **Nike: Facebook Strategy:**

When remarking the numerous pages Nike owns on Facebook, one can wonder the role of the main Facebook page. To obtain more detailed information, Figure 35 shows the number of posts Nike did in its official page since its creation. With reference to Figure 35, we can notice a single peak in the year 2012 where Nike posted more than 600 times. However, in all the other periods, we can recognize that the company did very few posts. In November 2, 2010, Nike posted for the first time on its official Facebook page "Nike". Later on, in 2010, Nike added a single post to enter 2011 with a total of two posts from the previous year. In 2011, Nike started to be more

active on the page in which they reached a total of 61 posts. However, the great increase was in the year 2012, where Nike did more than 600 posts. What is weird is the sudden drop between 2012 and 2013. The posts decreased by more than 96% in the year 2013 reaching a minimum of 23 posts. Figure 36 shows a clearer image for the period between 2013 and 2018, where the number of posts kept on decreasing at steady pace. On average, in 2013 Nike posted twice a month; whereas in 2018, Nike posted once every two months. (Facebook, Nike, 2019 a)

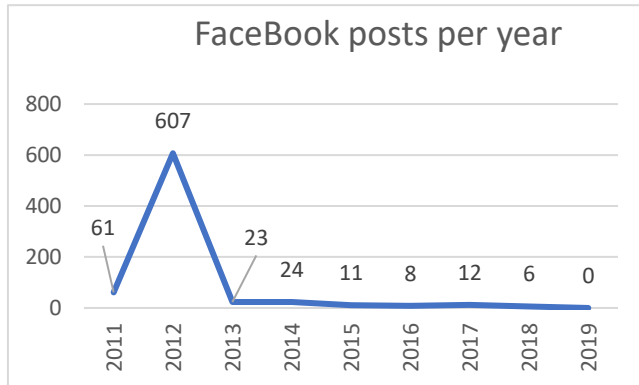


Figure 35: Facebook posts per year

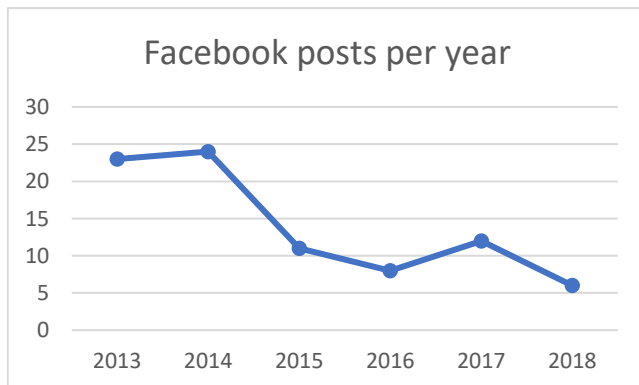


Figure 36: Facebook posts per year

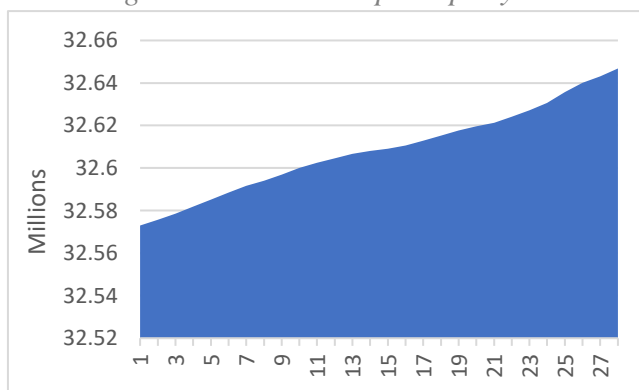


Figure 37: Nike's Facebook fans - January 2019 (Unmetric, 2019 a)

Based on Figure 35 and Figure 36, and due to the fact that Nike just had a single peak in the number of posts through a consecutive period of eight years, we can assume that Nike shifted its focus from its main page and followed its customers on different pages based on their preferences. This assumption could be supported by two facts. First, the fact that Nike's posts were decreasing through years specially after the year 2012. Moreover, Table 9 shows that Nike Football page has much more followers than Nike's main page. Where the former has 44 million followers, however, the latter has only 32 million.

Back to Figure 35 and Figure 36, the year 2019 is completely absent from both graphs due to the fact that the company did not do any single post on its page till the date of writing this part (14/03/2019). However, what's surprising in Figure 37 is the increase of Nike's main page followers during February 2019. The total increase in the number of followers of Nike's main page was 73,875 in the same month. Therefore, Nike gained on average 2,736

follower per day. These numbers are quite interesting noting that the company did not do any post since the 10th of September 2018. Considering that this increase in the number of followers is not only limited to the month of January, we can assume that these followers liked the page not for the sake of Nike's posts which are very rare, but due to their loyalty for Nike's brand.

- **Nike tracking its customers:**

Referring to all the previous facts mentioned previously, one may wonder the reason behind having pages related to certain geographical areas on one platform rather than the other. On Twitter, Nike owns several accounts related to Japan, Nike Sportswear JP, Nikegolf Japan, and Nike Women_JP. Yet, one may wonder the reason behind the customized treatment for the Japanese market.

Based on Nike's annual reports, Nike classifies Japan as one, out of six, of the most important markets for Nike's products. Where in 2017, Nike's Revenues from the Japanese market increased by more than 15% with respect to the previous year. The increase in the Japanese market was the highest among all the other markets in that year (Nike, 2017). Japan does not only have its own Nike pages, but also the content of these pages is originally written in Japanese. This indicates that Nike provides special strategies for their favorable markets. However, Nike didn't choose having these accounts on Twitter accidentally. Based on statistics done by "Statista" shown in Figure 38, Japan is ranked the second in the "Leading countries based on number of Twitter users – 2019".

This highlights two important assumptions about Nike's social media strategy. First of all, Nike has a unique social media strategy based on the targeted market. Moreover, Nike is capable to track and follow its customers to achieve the maximum benefit from this relation (Statista, 2019 c).

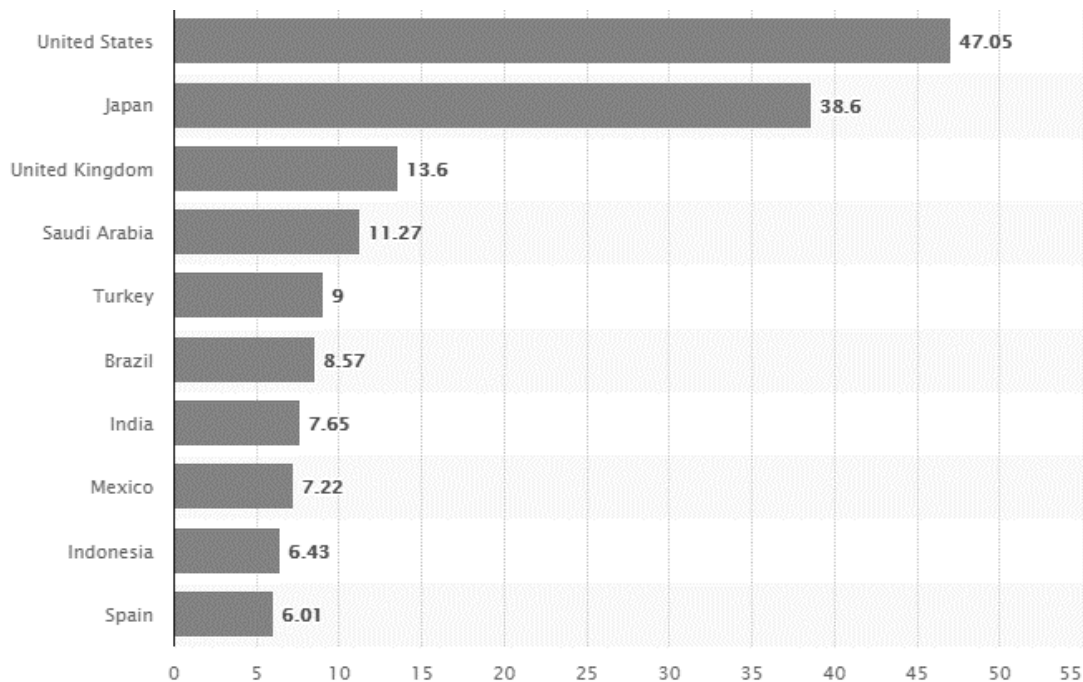


Figure 38: Leading countries based on the number of Twitter users – 2019
(Statista, 2019 c)

This strategy is not only applied for strategic markets like Japan. Chile is another example; where Nike created a twitter page “Nike Chile” dedicated for customers in that geographical area. Again, why twitter and not Instagram? Based on statistics done by “Statcounter” done in February 2019, which examined the stats of social media in Chile, Twitter was ranked 4th in the most used social media platforms followed by Instagram in the 5th place. In conclusion, Nike tries to follow their customers, based on their geographical location, by creating social media pages on the most popular platforms in that geographical area. (Statcounter, 2019)

3.2.5.1 Social media analysis conclusion

In addition to the company’s main page, Nike manages several Facebook pages which can be classified as the following:

- Pages related to different kinds of sports (football, basketball, golf)
- Pages related to Nike’s innovations (Nikeid, NikeLab)
- Pages related to specific lines of products (Nike Air Max, Nike Air Force 1)
- Pages related to brands owned by Nike (Jordan, Converse)
- Pages related to specific social groups (Nike Women)

As for the options “direct message” and “shop now”, there is no clear criteria regarding their presence. Direct message is just present in five pages, whereas, shop now is present in all of them except Nike’s main page, the ones related to specific lines of products, and Nike Run Club. Moreover, Nike does not manage directly any single page related to a certain geographical area. Thus, the segmentation regarding Facebook pages is based on the previously mentioned points. Based on a report submitted on the 5th of December 2018 by “econsultancy”, it mentioned that: *“it appears the company is playing to the rules of the platform (Facebook) and only using page posts for its bigger campaigns”*. They added that the page is not anymore used in the same way it was used before, in which they are posting less regularly if compared to the previous years. This conclusion is reinforced by our analysis done in the previous parts which are shown in both Figure 35 and Figure 36.

On the other side, Nike manages several Instagram pages which can be classified as the following:

- Pages related to different kinds of sports (football, basketball, golf)
- Pages related to Nike’s innovations (Nikeid, NikeLab)
- Pages related to brands owned by Nike (Jordan, Converse)
- Pages related to specific social groups (Nike Women)
- Pages related to the presence of customers in specific geographical areas

Regarding IGTV, it is present in all Instagram’s pages except Nike basketball, Nike Skateboarding, and Nike Women. Besides, Nike manages several Instagram pages which are based on the geographical location of their customers. Based on the analysis done before, we can assume that Nike examines the most popular social media platforms used in a certain geographical area and creates an online community by establishing a page dedicated to customers in that area. Moreover, Nike uses its main Instagram page more frequently than its Facebook one, and on average they post once a week. (Cole, 2018)

As for Twitter, Nike manages several Twitter pages which can be classified as the following:

- Pages related to different kinds of sports (football, basketball, golf)
- Pages related to Nike’s innovations (Nikeid, NikeLab)

- Pages related to brands owned by Nike (Jordan, Converse)
- Pages related to specific social groups (Nike Women)
- Pages related to the presence of customers in specific geographical areas

Nike manages several Twitter pages which are based on the geographical location of their customers. Based on the analysis done before, we can assume that Nike examines the most popular social media platforms used in a certain geographical area and creates an online community in it by establishing a page dedicated to customers in that area. With Reference to an article written by Christopher Heine in “ADWEEK”, it is mentioned that Nike is beating brands like “Apple” at Twitter customer care. Based on the information provided, Apple responded only to 58% of the support requests posted by their customers. However, Nike was able to respond to 96% of all customer service inquiries. Nike approaches Twitter in a totally different way if compared to other social media platforms; in which they try to be as close as possible to their customers by answering their queries. (Heine, 2016)

Lastly, Nike manages 14 YouTube pages which can be classified as the following:

- Pages related to different kinds of sports (football, basketball, golf); however, in certain pages they did not post any single video since the date of creation
- Pages related to Nike’s innovations (Nikeid)
- Pages related to specific social groups (Nike Women)

Thus, Nike’s strategy on YouTube focuses on uploading sports videos branding their YouTube channel as the go to place for sporting footage, extreme sports, and current sporting events. (Ricketts, 2014)

• **Nike’s brand analysis: 18 pillars:**

Throughout the years Nike was able to attain a unique position in its industry. Based on the “Future Brand index” of 2018, which is a global brand perception study of the PwC Global Top 100 Companies by market capitalization, where the ordering is based on the brand perception strength rather than the financial strength, Nike was ranked in the 6th place after being 11th in the year 2016, 24th in 2015, and totally out of the list in the year 2014. According to the Future Brand Index, released in 2018, *“People are prepared to not only buy products and services from Nike,*

but they are also willing to pay more for them than their competitors”, where Nike was ranked 4th place in the “companies ranked highest for price premium” (Index F. B., 2018).

Future brand allows to do a comparison between companies as well as between companies and the average of all companies in the list (Future Brand Index List). The spider web analysis highlights the perceived strengths and weaknesses of each company based on 18 attributes. It offers an indication about the ability of the company to balance the dimensions of both purpose and experience. In Annex B – Case Studies, it was clear that Nike was below the average taking into consideration that it was not even in the list in the previous year. Jumping from the 24th place in 2015 to the 11th one in the following year is considered a great achievement for the company. This evolution is clear in Annex B – Case Studies, where Nike’s boundaries exceeded the average one. Finally, in 2018 (Figure 39) Nike was able to exceed and cover all the boundaries of the average and leap to the 6th place in the list and be the first in its industry (Index F. B., 2018). Thus, based on the previous results we can say that through the years Nike was able to reinforce its position not only in its industry, but also among other famous global brands in other industries. Where Nike was able to be in the foreground and compete with large companies in the technological sector such as Apple, 4th place, and Samsung, which was ranked 9th.

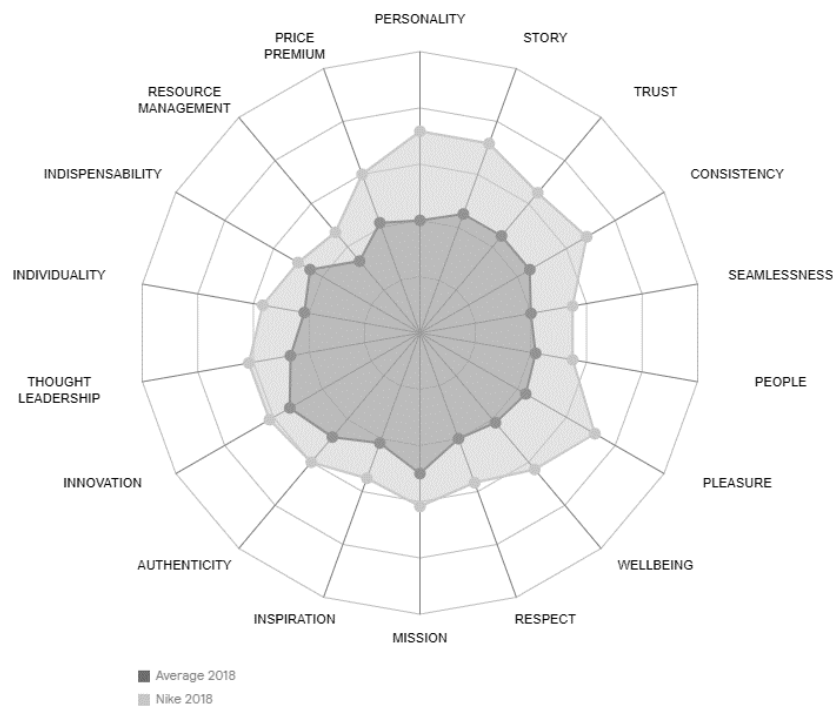


Figure 39: Average vs Nike – 2018 (Index F. B., 2018)

3.2.6 Conclusion: Nike case study

As mentioned previously, Nike's financial, website, and social media performances were analyzed during three eras, before e-Commerce, during e-Commerce, and during social commerce. Based on the financial analysis, Nike was able to achieve the highest increase in sales, lowest increase in the cost of sales/sales ratio, lowest percentage of SGA increase, and the highest increase in the net income during the social commerce era if compared to the two other eras. Moreover, the website analysis part clearly showed that Nike's website is ranked the first based on its performance if compared to others in its category. Moreover, the KPI's (website metrics) benchmarking showed that Nike KPI's were able to surpass the average ones in terms of average visit duration, pages per visit, and the bounce rate. Lastly, we assume that Nike is following a differentiated strategy for different social media platforms, Facebook, Instagram, Twitter, and YouTube, to achieve efficiency and effectiveness in each social media platform. Although social commerce may not be the only reason behind Nike's superior performance in the social commerce era, it is clear from Nike's case study analysis that social commerce adoption played an important role in achieving these superior results. In conclusion, based on all the previously mentioned analysis and facts, we can assume that social commerce is one of the largest growth opportunities for Nike.

3.3 Adidas

Adidas's case consists of three parts. the company's profile, history, and performance analysis. The last part is based on three main categories, Financial analysis, website analysis, and social media analysis. The financial analysis compares Adidas's performance along three main periods, before e-Commerce, during e-Commerce, and during social commerce. However, the website analysis is related to the last era, the social commerce era, due to the absence of Adidas's historical web analytics.

3.3.1 Company Profile

Adidas, a German sportswear company headquartered in Herzogenaurach, Germany. Adidas is engaged in the design, development, production, and marketing of athletic and sports lifestyle products worldwide. The company's segments include Western Europe; North America; Greater China; Russia/CIS; Latin America; Japan; Middle East, South Korea, Southeast Asia/Pacific; TaylorMade-adidas Golf; Runtastic and Other centrally managed business (Reuters, 2019 b). In each of these markets, there are wholesale, retail, and e-Commerce business activities responsible for the distribution and sale of products of both the "Adidas" and "Reebok" brands, where the latter is a brand owned by Adidas. There are approximately 57,000 people working for Adidas group, in which the company has employees from nearly 100 nations in their headquarters. On average, every year the company, along with their manufacturing partners, produces more than 900 million units of sport lifestyle products. As stated in their website, the company's mission is to be the global leader in the sporting goods industry with brands built on a passion for sports and a sporting lifestyle. The vision of the company is to be the best sports company all over the world. In 2017, the company was able to achieve €21.218 billion sales and €1.430 billion net operating income. (Adidas-group, 2018).

Number of employees	56,888
Products per year	Over 900 Million Units
Sales	€ 21.218 Billion
Net income from continuing operations	€ 1.430 Billion
Operating margin	9.8 %
R&D expenses	€ 187 Million
Average number shares	202,391,673

Table 10: Adidas's profile – 2018 (Adidas-group, 2018)

3.3.2 History overview

The journey of Adidas started in Bavaria, Germany by its founder, a soccer player, Adi Dassler. In 1920, at the age of 20, Adi started developing sports shoes in the “wash kitchen” of his parents’ house. His first trial was a “spiked shoe” which could be used for multiple athletic events. Four years later, his brother joined where they established “Gebrüder Dassler Schuhfabrik” with the aim of providing athletes with the best possible equipment. (Adidas-group, 2018). Since its early beginnings, famous athletes were wearing Adi’s products where the company started gaining a worldwide reputation. The company was able to earn its first rewards and milestones in both Amsterdam (1928, Lina Radke), and Berlin (1936, Jesse Owens). During the summer of 1947, Adi Dassler established the “Adi Dassler adidas Sportschuhfabrik” and set to work with 47 employees in Herzogenaurach. On the same day of the opening, Adi registered a shoe that included the famous adidas “3-Stripes”. (Flippo, 2019) (Adidas-group, 2018)

The year 1954 was a turning point in the company’s history. The German national football team faced the unbeatable Hungarians in the World Cup final, where they won much more than just a trophy. This great success made the company’s name as well as its founder name shine brighter in football pitches everywhere. Due to the founder’s experience gained since the year 1920, Adi realized the importance of being close to the company’s customers. Between 1968 and 1970, he intended to meet with athletes, examine their needs, observe the possibilities to improve, and develop the best possible products (Adidas-group, 2018) (Flippo, 2019).

Adidas’s innovations were not only limited to footwear, but also, they included any possible sports equipment. In 1970, the company delivered “Telstar”, the official ball for the FIFA 1970 World Cup. The main idea behind the ball was to increase its visibility on black and white TV. This was the beginning of an essential partnership for the company where they provided the official match ball for every FIFA World Cup since then. Two years later, the Olympic Games were held in Munich. Just in time for the event, the company introduced a new logo “the trefoil”, the symbol of performance. (Flippo, 2019) (adidas-group, 2018)

Between the period from 1972 and 1978, the company became a “true multi-sport specialist”. The company’s portfolio widened its horizon to include more and more sports through the years, and a broad range of athletes were wearing the company’s logo in famous sports events.

Adidas's endorsements were not only limited to football, outdoor icon Reinhold Messner climbed mountains wearing Adidas shoes, and gymnast Nadia Comaneci scored a perfect 10 in Montreal – 1976. In 1978, Adidas's founder passed away having more than 700 patents related to sports shoes and other athletic equipment. Yet, the company remained a family business and Adi's son, Horst, took over and continued to master his invention. Once again, in 1984, the company introduced an innovation ahead of its time, the "Micropacer" or what is known today as "miCoach". The new shoe was Micro pacer featured which provide performance statistics to athletes. As mentioned in Nike's history, during the 1980's, the US shoe market was dominated by German firms. When referring to German firms, we meant Adidas. In 1986, a US based hip hop group Run DMC released "my adidas", the main idea was shedding the light on hard working people in troubled neighborhoods. Even Adidas did not know about this love story until the band held up the 3-Stripes shoes during a 40,000 fans' concert. This merge of art and music helped in setting the everlasting street fashion trend off, as well as it was the beginning of non-athletic promotions in the sporting goods industry. (adidas-group, 2018)

The end of the family business was in the year 1987 when Horst Dassler died just two years after his mother passed away. During the period between late 80's and early 90's, the company faced troubles in leadership and strategic decision, and its financial figures experienced a loss which brought the company near bankruptcy. In 1993, a new CEO was assigned, Robert Louis-Dreyfus, in which he understood that the company simply needs a new direction. He was able to convert the company from a "sales driven" to a "marketing driven" company, and track Adidas back to its growth path. In 1995, Adidas went public and they announced their new marketing slogan "We knew then, we know now". Despite the fact that the company was facing rough times after its founders' death, Adidas's innovations never stopped. In that period, the company introduced several new and innovative lines of products, Equipment concept (1991), the Streetball campaign (1992) and the Predator football boot (1994) (adidas-group, 2018) (Flippo, 2019).

After going public, Adidas performed its first acquisition in 1997 by acquiring Solomon group and its brands. Two years later, the company decided to adopt e-Commerce and offer their products on the company's official website. With the beginning of the new century, Adidas kept on delivering innovative products to their customers, where they introduced ClimaCool (2002), adizero (2004), and the F50 football boot just in time with the 2006 FIFA World Cup. Moreover,

with the beginning of the new century, the company established new divisions, lifestyle segment, partnerships with Yohji Yamamoto (2002), Stella McCartney (2004), Y-3 (2003), and Porsche Design Sport (2007). In addition to their innovativeness in the products, Adidas never missed a chance to sign endorsements with famous athletic players. One of their most remarkable campaigns was in 2004 when Adidas allowed its most famous athletes, including David Beckham, Haile Gebrselassie, and Muhammad and Laila Ali, face their fears, defeats, and challenges to prove that “impossible is nothing”. (Adidas-group, 2018)

In the year 2005, Adidas decided to complete a divestiture with the previously acquired Solomon Group. Yet, one year later, the company announced the acquisition of “Reebok” and “Reebok-CCM Hockey”, bringing together two of world’s most respected and known brands in the sporting goods industry. To maintain their strong position in the industry, between 2009 and 2012, Adidas acquired Five Ten, Tylor Made, Ashworth, and Adams Golf. Moreover, in 2013, Adidas did a collaboration with a German chemical company where they introduced the “Energy Boost” running shoe which featured a completely new cushioning material. During this period, Adidas was able to be present from the court to the catwalk and the stadium to the street, they offered apparel and footwear for every sport, every fashion, and every style. On the other hand, and after dominating the fitness and aerobics wave movement in the 80’s, Reebok was able to follow back the old track and become the best fitness brand in the world in the year 2011. (adidas-group, 2018)

In 2015, Adidas published their five-year strategic plan, “Creating the new”, which explains the company’s willingness to work hard and inspire people to engage the power of sports in their lives since the company believes that sport is an attitude and a lifestyle. Similar to Nike, Adidas decided to complete the divestiture of Rockport brand and focus on its core business, Adidas and Reebok. To achieve their future plan, the company identified three strategic choices: (adidas-group, 2018)

- Speed: the first true fast sports company – fast in satisfying consumer needs, fast in internal decision-making.
- Cities: the focus on six key cities to grow share of mind, market, and trend: New York, Los Angeles, Shanghai, Tokyo, London and Paris.

- Open Source: the first to involve athletes, consumers and partners as part of the company's brands.

Aligning with their future goal, in 2016 and 2017, Adidas decided to focus more on “digital”, where they consider their website as the most important shop; therefore, they completed the divestiture of their hockey brand CCM, golf brands TaylorMade, Adams Golf, and Ashworth to focus on the 2015 plan, “Creating the New” (adidas-group, 2018).

3.3.3 Financial Analysis

In the financial analysis we analyzed specific, previously mentioned, financial figures in three different periods. First of all, the era before e-Commerce where the company depended on wholesale customers, DTC (Direct to Consumer), and global brand divisions. The second era is the one of e-Commerce, where the company started selling its products online. However, Adidas did not provide any financial figure regarding online sales. Yet, in the letter to shareholders 2017, the company stated that online sales have reached €1 billion. Finally, the last era is the social commerce one which was accompanied by the company's presence on different social media platforms. The main aim behind the financial analysis in the three different periods is to examine Adidas's performance through these periods, and to know whether e-Commerce and social commerce influenced the company's financial figures in way or another. The financial analysis for Adidas covered 21 years, since 1996 which is the year when the company went public to the year 2017, where we focused on the following financial figures: ROI, sales, cost of sales, gross profit, and the net income.

3.3.3.1 Before e-Commerce

Based on Adidas company's website and on the annual reports published by the company, Adidas started the adoption of e-Commerce, where they launched the online store “thestore.adidas.com”, since mid-1999 in both the European and the American market (Adidas-Group, 2000). Therefore, we can assume that the end of the first era, the era of physical shops, ended at the beginning of 1999. Besides, the company started publishing their annual reports since the year 1996, thus, the financial analysis for this era covers a three years period, from 1996 till 1999.

○ ROI

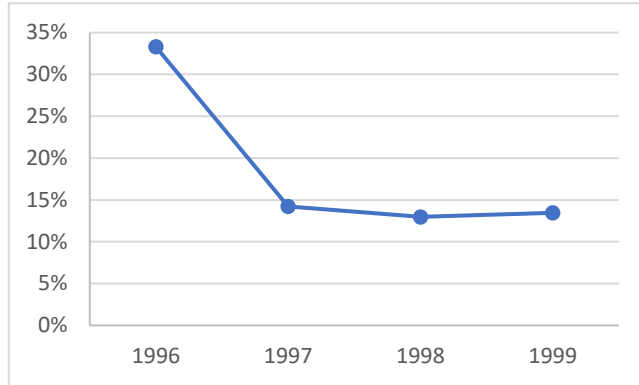


Figure 40: ROI – 1996 to 1999

As mentioned in Adidas's history, after the death of its founders, the company faced a declination in their financial figures. In 1995, the company performed several changes in their strategy, where one of them was going public (Adidas-group, 2018). Therefore, ROI can provide an overview about the effectiveness of the company's investments after the tough periods they passed through. In 1996, ROI's value was 33%, however, it declined the following year by more than 50% and maintained almost the same level in the following two years. The main reason behind this sudden declination is the huge investments Adidas was doing between 1996 and 1997. In the same period, the total assets surged from €812 million to €2.224 billion, yet, their operating profit maintained the same level. Thus, the result was the declination shown in Figure 40.

○ Sales

A quick overview at Figure 41, it is clear that Adidas's sales experienced an increasing trend between 1996 and 1999. In 1996, the value of Adidas sales was € 2.4158 billion. Three years

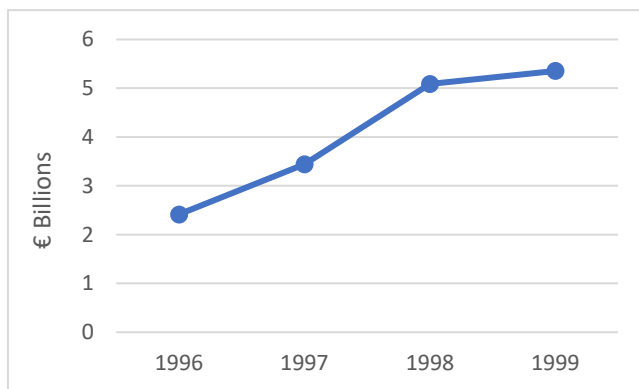


Figure 41: Sales – 1996 to 1999

later, Adidas faced more than 50% increase in their sales € 5.354 billion. After the tough period that Adidas passed through, it is clear that the company's financial figures started surging again. One of the main reasons behind the sales' increase was mentioned in the history of the company which is the acquisition of Solomon Group and the brands of Salomon Group (Adidas-group, 2018).

○ Cost of Sales

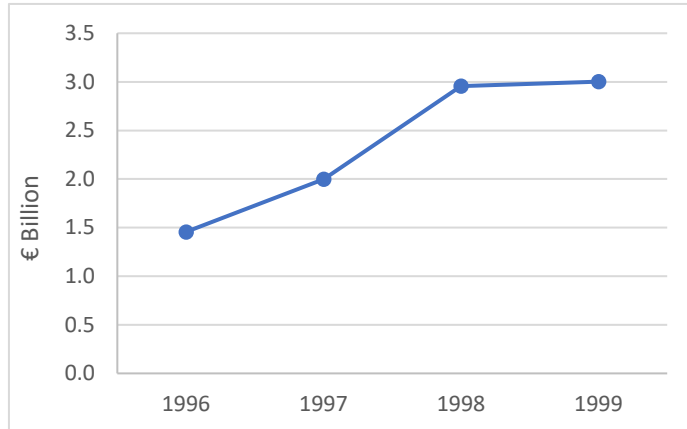


Figure 42: Cost of sales – 1996 to 1999

Almost aligned with the sales' graph, Adidas's cost of sales faced the same trend as the sales. Cost of sales increased from €1.45616 billion in 1996 to €3.00188 billion at the end of 1999. Again, similar to sales, the cost of sales almost doubled between 1996 and 1998. However, in the year 1999, it remained almost constant around €3 billion.

○ Gross Profit

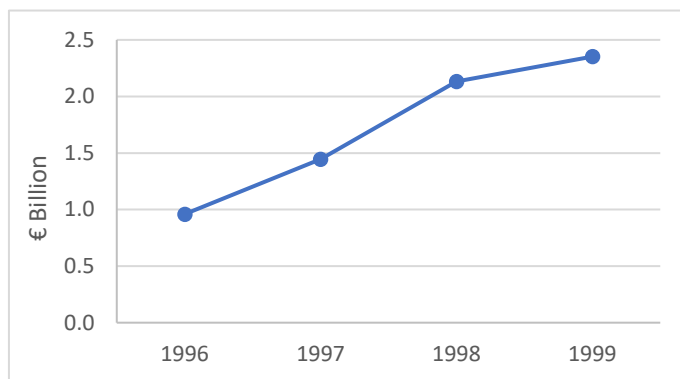


Figure 43: Gross profit – 1996 to 1999

Gross profit evaluates the company's efficiency in using labor, material, and sources of production (HAYES, 2019). During the era before e-Commerce, Adidas's gross profit faced a continuous increasing trend along the four years. In 1996, gross profit recorded €959.64 million, yet, three years later, the value

increase by almost 60% reaching €2.352 billion. In this period, and as mentioned in Nike's history, the toughest competition between both companies was in the European market. However, in the US market, Nike was able to reach 50% of the market share. Moreover, the gross margin ratio increased between 1996 and 1999 from 39,8% to 43,8% respectively.

○ Net Income

Net income, the net profit after deducting all the direct and indirect costs. It is an essential financial figure to understand the profitability of the company (Kenton, 2019). Adidas's net income faced a fluctuating path during the period before e-Commerce. In 1996, Adidas had a net income of €161.40 million, this value increased reaching a peak in the following year. However, in 1998, net income faced a sudden drop due to the increase in indirect costs caused by the acquisitions the company did, as well as the costs the company faced when moving to the new headquarters which

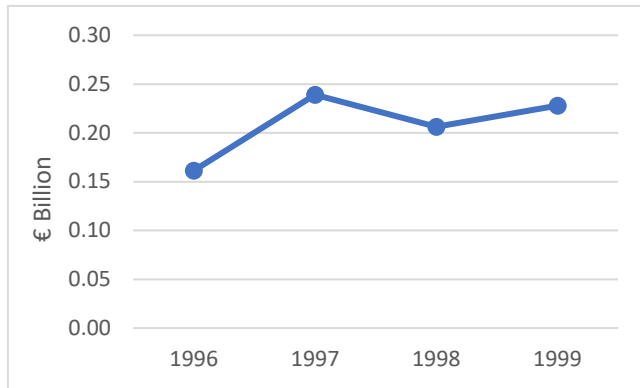


Figure 44: Net income - 1996 to 1999

were explained in the history part. In general, during the era before e-Commerce, Adidas's net income increased by more than 40% between 1996 and 1999.

3.3.3.2 During e-Commerce

At the beginning of 1999, Adidas decided to add a new revenue stream by selling its products through the web. The company took several steps in order to enhance their position in the new commerce strategy. First, the company completed a partnership with "Sport Line", who had an experience with e-Commerce, in order to create new marketing strategies and promote themselves in the e-business world (Adidas-Group, 2000). Moreover, Adidas completed agreements with several online retailers to promote and sell their products online. The last and the most important step was the establishment of Adidas's own website "internet-thestore.adidas.com". At the end of 1999, Adidas offered more than 500 products on their website for both the US and the European markets.

o ROI

Away from the year 2009, the year of the global economic crisis, which was discussed several times in the report, Adidas's ROI faced a volatile trend during the era of e-Commerce. In

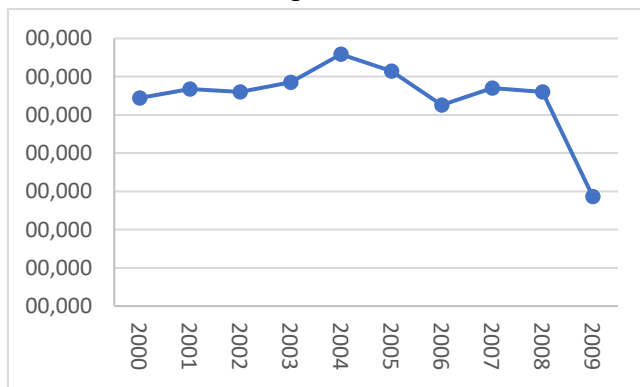


Figure 45: ROI – 2000 to 2014

the year 2000, ROI value recorded 10.9 %. The value increased to a maximum in the year 2004 and dropped to a minimum two years later due to the same reasons mentioned in the value of ROI in the era before e-Commerce. The sudden and the most volatile drop was in the year 2009 where ROI decreased by almost 48% if compared with the previous year. In the

same period, the operating profit declined by more than 50% from €1.070 billion in 2008 to €508 million in 2009. The economic crises affected not only the companies, but also the global GDP decreased by more than 2% in that period (Adidas-group, 2009).

○ **Net Sales**

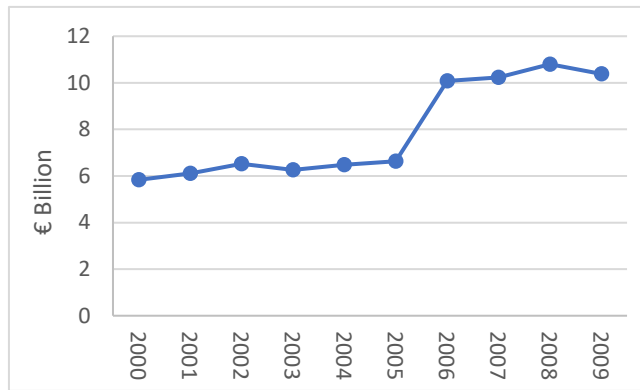


Figure 46: Net Sale – 2000 to 2014

Based on Figure 46, it is clear that Adidas’s sales graph had a “stepped” path in the e-Commerce era. In the year 2000, Adidas had €5.835 billion in sales. Along the period between 2000 and 2005, sales faced an inertia and fluctuated between €6 billion and €6.6 billion. As mentioned in the company’s history, the year 2006 was of a great

importance to the company due to the “Reebok” acquisition. As a result, sales surged by more than 50% exceeding €10 billion. Moreover, in the same year, the FIFA World Cup took place where Adidas was the official partner for this event. As mentioned in their annual report for that year, this event increased the Adidas’s visibility and boosted the overall sales, especially the football lines of products in Germany (Adidas-group, 2006).

○ **Cost of Sales**

Similar to the trend of the sales graph in Figure 47, the cost of sales graph took the shape of a stepped curve as well. Cost of sales faced an inertia, along with the inertia in the sales, between 2000 and 2005. However, the cost of sales boosted in the year 2006 due to the same reasons behind

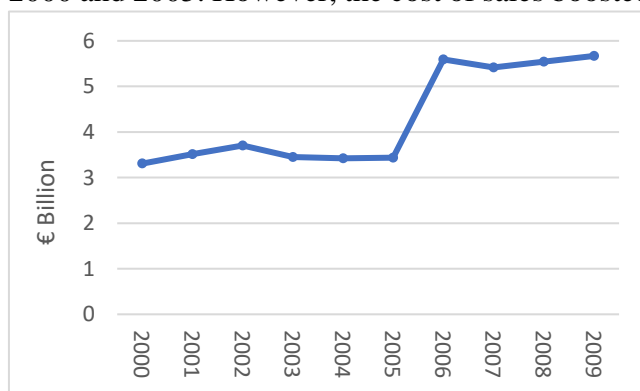


Figure 47: Cost of sales – 2000 to 2014

the increase in sales. On the other hand, between 2006 and 2009 the cost of sales faced a 3% decrease as a result of the consolidation of Adidas and Reebok’s sources (Adidas-group, 2006). In the year 2000, cost of sales was € 3.306 billion, yet it increased by almost 70%, due to the previously mentioned reasons, to reach € 5.669 billion at the end of 2009.

○ **Gross Profit**

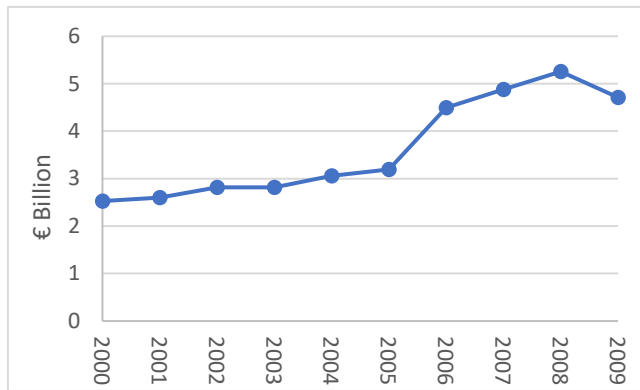


Figure 48: Gross profit - 2000 to 2009

Based on Figure 48, gross profit faced an increasing trend through the period of e-Commerce. However, the pace of the increase is not the same through the period. Between 2000 and 2005, the increase was a slight and gradual one. However, in the following three years, the increase was more aggressive.

Gross profit increased from €2.528 billion in 2000 to €6.924 billion at the end of

eCommerce era. Moreover, the global economic crisis did not affect the company in the year 2008, like many other multinational ones, due to improvements in the regional mix, enlargement of further own retails, and the competitive popular product mix (Adidas-group, 2008). Moreover, between 2007 and 2008, there was a significant increase in the number of Adidas’s stores, where they increased from 1001 in 2007 to 1884 store at the end of 2008. Yet, the effect of the economic crisis started to appear on Adidas’s financial figures in the year 2009.

○ **Net Income**

Unlike the net income in the previous era, in the e-Commerce era the net income faced a

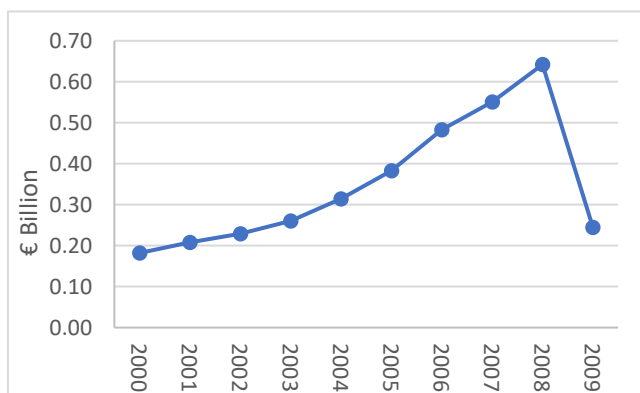


Figure 49: Net income – 2000 to 2014

continuous increase through the period between 2000 to 2008. Like most of the financial figures in 2009, the net income faced a sudden drop reaching €248 million due to the financial crisis in that period. In 2000, the Net Income of Adidas recorded € 182 million, eight years later, the net income increased more than 200% reaching €642 million in the year 2008.

3.3.3.3 During social commerce

It is quite difficult to know exactly the date of the beginning of social commerce era. However, we considered the beginning of the social commerce era when Adidas opened its first social media account. Adidas started joining different social media platforms during the period between 2009 and 2010. For that reason, we considered the year 2010 as the beginning of social commerce era for Adidas.

○ ROI

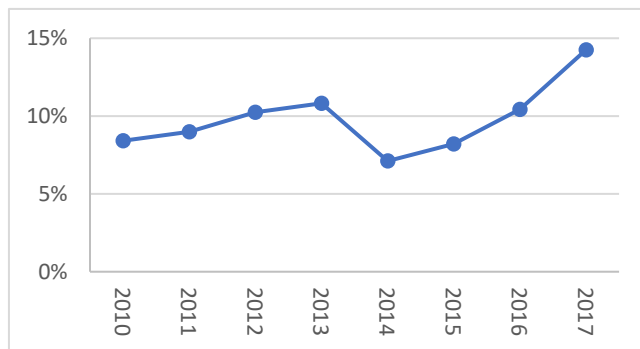


Figure 50: ROI – 2010 to 2017

Generally speaking, based on Figure 50, ROI faced an increase during the social commerce era. ROI increased from 8.94% in 2010 to 14.25% at the end of the 2017. However, there is a significant declination in the ROI value in the year 2014 by more than 40% if compared with the previous year. Based on Adidas's Annual Report (2014 a), the reason behind this

decrease was due to the negative effects from the lower gross margin as well as higher other operating expenses as a percentage of sales. Moreover, total assets increased from €11599 million to €12.417 billion in 2014.

○ Sales

Between 2010 and 2017, Adidas's sales increased from € 11.990 billion in 2010 to €21.218 billion in the year 2017. Adidas's sales had an increasing trend at the beginning of the social commerce era; however, the company's sales faced an inertia between 2012 and 2014. In the year

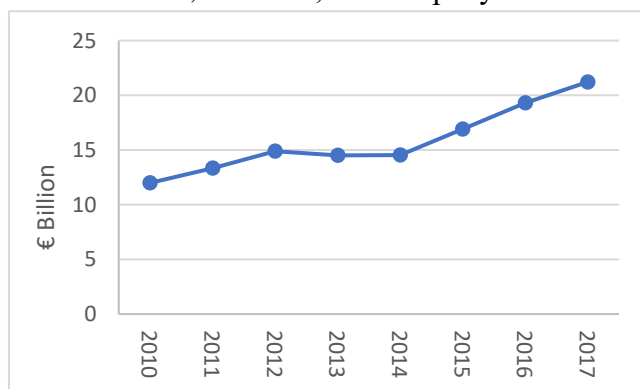


Figure 51: Net sales – 2010 to 2017

2014, Adidas's sales surged until the year 2017. This surge, as explained in Adidas's annual report, is the result of the increase in the sales of Adidas Originals and Y-3 products (Adidas-group, 2015). Moreover, as mentioned in Adidas's history, in 2015 the company launched a new strategic plan "Creating the New", which shows the

company's willingness to work hard and inspire people to engage the power of sports in their lives because believe that sports is an attitude and a lifestyle (Adidas-group, 2016).

○ **Cost of Sales**

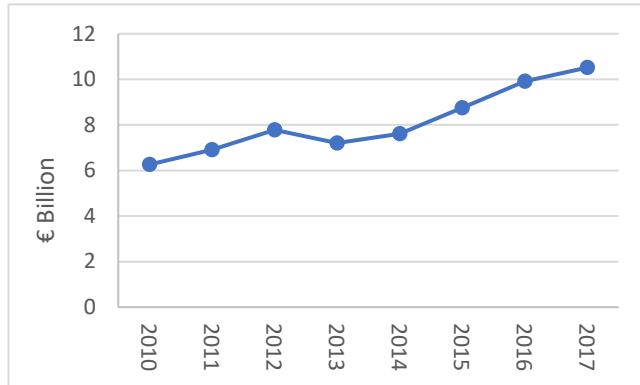


Figure 52 Cost of sales – 2015 to 2017

Similar to the previous era, the cost of sales graph takes the same path as the sales' one. None of the commerce strategies contributed to any change, whether positively or negatively, in the cost of sales with respect to the sales. Away from the year 2013, cost of sales surged from €4.254 billion in 2010 to €10.514 billion in 2017. However, in 2013,

cost of sales experienced a slight decrease due to the declination in raw material prices and currency fluctuations (Adidas-group, 2013).

○ **R&D (Research and Development) Expenses**

“Creating innovative products to meet changing needs of athletes and consumers is essential to drive brand perception. As a result, R&D is cornerstone for the success of our business” (Adidas-group, 2010). Adidas started publishing financial figures related to R&D since the year 2010, for that reason this financial figure was absent in the previous years. In 2015, Adidas confessed that R&D activities are decentralized by each brand within Adidas group where each brand owns an independent R&D department. Moreover, these departments are responsible for sourcing, designing and product marketing functions. Moreover, in Adidas report 2015, the company described the role of their R&D team by saying “Employees in our so-called FUTURE

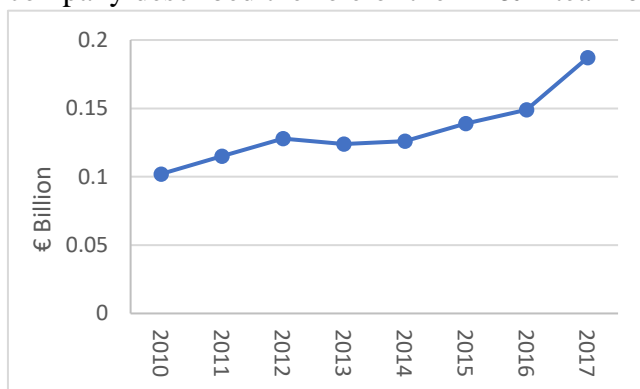


Figure 53: R&D expenses – 2015 to 2017

teams analyze new materials, production processes and scientific research to increase the exchange and scope of idea generation. Their scope also extends to areas such as consumer insights and social media. This helps promote a holistic and innovation-focused culture which gives deeper consumer insights, while also fueling creativity and

synergies across the organization” (Adidas-group, 2015). In addition to their internal activities, this team is engaged in long-term and exclusive partnerships with well-known third parties. Moreover, R&D activities are based on an Open Source Approach which is based on collaborations with athletes, universities, leading companies, and governments. Adidas is the first company, in the sports industry, to invite athletes, consumers, partners, and customers to be part of the company’s brand.

Figure 53 and Table 11 show clearly the increase in R&D expenses through the period between 2010 and 2017. R&D expenses increased from €102 million in 2010 to €187 million at the end of 2017. Despite the increasing amount of R&D expenses, the R&D/sales ratio is almost the same between 2010 and 2017. Since 2010, the ratio of R&D/sales fluctuated between 0.8% and 0.9%. However, in Figure 51, it is clear that the value of sales is not continuously increasing. Thus, we can assume that R&D expenses could be linked to the value of sales the company achieves. Yet, due to the lack of R&D financial figures in the last two periods, it is hard to know whether the company maintained the same strategy for R&D, or the situation was different.

	2010	2011	2012	2013	2014	2015	2016	2017
R&D expenses (€ in millions)	102	115	128	125	126	139	149	187
R&D expenses (€ in % of net sales)	0,8	0,9	0,9	0,9	0,9	0,8	0,8	0,9

Table 11: R&D Expenses between 2010-2017

o **Gross Profit**

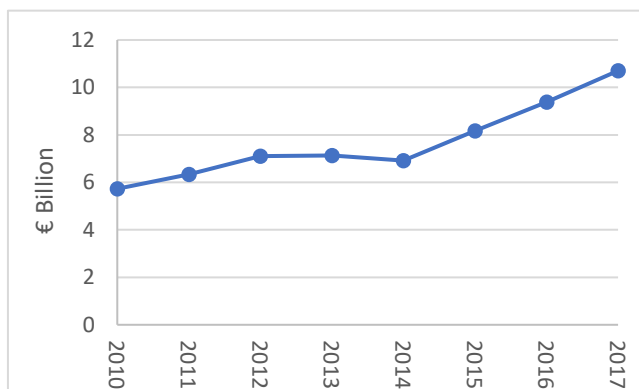


Figure 54: Gross profit - 2010 to 2017

To a certain extent, the path of gross profit is similar to the one of sales and cost of sales. Gross profit increased from €5.730 billion in 2010 to €10.703 billion in 2017. The surge observed in the year 2015, after a three consecutive years’ inertia, is due to the same reasons of the sale’s increase in the same year.

○ **Net Income**

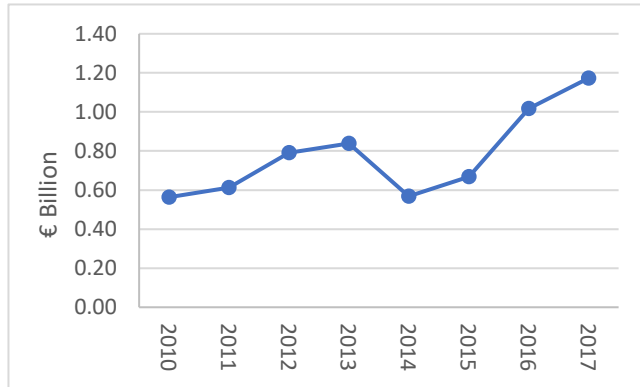


Figure 55: Net income 2010 to 2017

Based on Figure 55, Adidas’s net income increased by more than 100 % between 2010 and 2017. In 2010, Adidas had a net income of €563 million euro, yet, this value surged to a maximum of €1.173 billion in the year 2017. However, in 2014, Adidas’s net income experienced a sudden decrease due to the increase in the tax rate less unfavorable earnings mix (Adidas-group, 2014 a). One the

other hand, Adidas stated that the increase in sales in 2017 was due to their strong presence in the US market, share price development, improving in retail profitability and improving in sustainability.

3.3.3.4 Financial analysis conclusion

As a conclusion of the previous financial analysis, it is fundamental to observe the trends of some financial figures through the three eras. The average values in each period was calculated, and then graphed to analyze the general trend. As observed in Figure 56, we can notice an increasing trend in all the financial figures’ averages along the three periods.

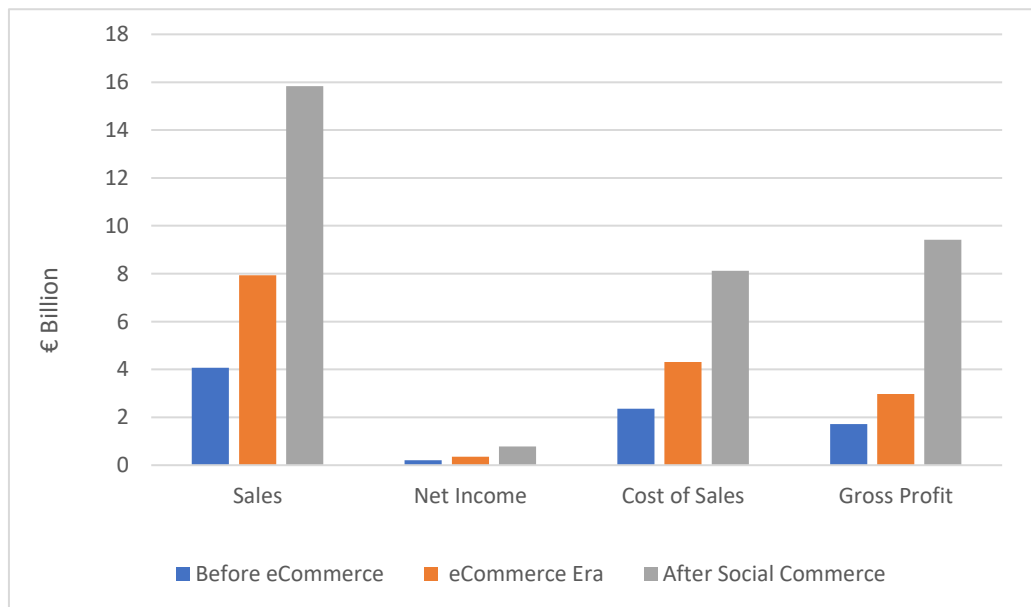


Figure 56: Average of Adidas’s financial figures in the three eras

However, based on the previous financial analysis it was not possible to relate the increasing trend to none of the commerce strategies. Not only to the commerce strategies, but even to any other reason. The main aim of the “History overview” part of both companies was to highlight the major actions these companies do to remain in the foreground of the competition. Based on these parts, we can state that similar to Nike, Adidas invests heavily and continuously in R&D, marketing, endorsements, sponsorships, and innovations. They don’t miss a chance to acquire a company which could strengthen their position in the market. Therefore, due to the lack of the online sales’ financial figures, and due to the lack of any concrete information about the two commerce strategies, we cannot relate the increasing trend in Adidas’s financial figures neither to the adoption of e-Commerce, nor to the adoption of social commerce. However, it is quite clear that Adidas is willing and investing to strengthen its position and boost their performance in the online selling. According to an interview done with “Financial Time”, the CEO of Adidas, Kasper Rorsted, stated *“Our website is the most important store we have in the world”* (Rorsted, 2018). Despite the fact that the company did not mention any financial figure regarding the revenues derived from their online sales and based on all the facts and analysis mentioned previously, it is clear that Adidas is expecting much from the social commerce adoption.

3.3.4 Website Analysis

In Adidas’s 2017 annual report, the company stated that the digital transformation changes not only the behavior of customers but also their working style. Moreover, they admitted that the technology has increased the speed of maintaining relationship with the customers. According to Adidas, “digital competences” are not only useful for enhancing the relation with their customers, but also these competences are essential for organizations within the company (Adidas-group, 2017). In the same year, the company announced the creation of a “Digital Leadership Team” which is responsible for harmonizing of the digital initiatives across the company, as well as supporting provisions for functional teams in their decision-making process.

Even though Adidas owns more than 2500 retail stores, approximately 13000 mono branded franchise stores and roughly 150000 wholesale doors, the company considers their website as the most important shop they won. Moreover, Adidas’s CEO mentioned, during an interview with CNBC, that the company’s target, from e-Commerce revenues, is €4 billion in the year 2020.

As mentioned previously, the web analytics information is based on the data from “Similar Web” which were provided for a 6 months period only.


Website Performance	
Global rank	#3396
Country rank (US)	#908
Category rank	#39
Website audience	
Total visits	14,8 million
Traffic share	 100%
Monthly visits	14,8 million
Average visit duration	00:02:57
Pages per visit	5,15
Bounce rate	52,25%

Table 12: Website performance & audience (Web, Website performance - Nike & Adidas, 2018)

Based on “Similar Web’s” web analytics, Adidas recorded an average visit duration of 2 minutes and 57 seconds. If compared with the average provided by Wolfgang “KPI report 2019”, it shows that Adidas’s average is three seconds below the benchmarked one. However, we cannot assume that Adidas’s website is not attractive for two reasons. First, three seconds is a small percentage if compared to the 2 minutes and 57 seconds. Moreover, there are several ways to perform a proper benchmarking, yet our reference depends on the average numbers of different websites not necessarily belonging to the same industry nor operating in the same geographical areas. As for the pages per visit, Adidas was able to record an average of 5.15 page per visit, whereas the average is 5 pages per visit. Thus, if compared to the average, Adidas is performing a bit better than the averages in the report. On the other hand, Adidas performed much worse than

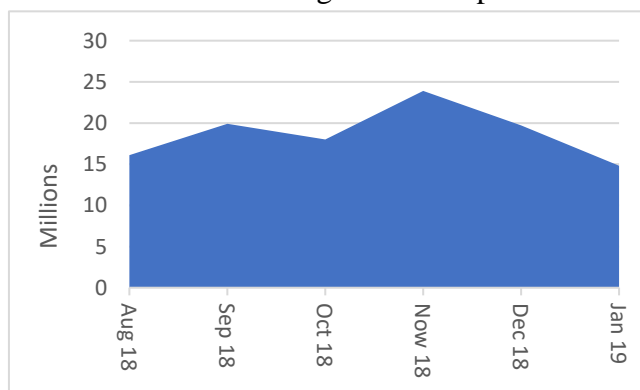


Figure 57: Adidas’s website traffic (million) (Web, Website performance - Nike & Adidas, 2018)

the average in terms of the bounce rate. The company recorded 50.25%, however, the average is 41%. Unlike the previous indicators, the higher the level of the bounce rate, the worst the situation. These numbers mean that only half of Adidas’s website visitors interact with the content of the website, however, the other half leave the website. Referring to Figure 57, which shows

the company’s website visitors in a period of 6 month, we can state that the company experienced volatility in the numbers of visitors along this period. The highest was in November, where the company had more than 23 million visits, and the lowest was in January with less than 15 million visits. All in all, based on the previous figures, we can clearly say that Adidas’s performance is behind the average, where they were not able to reach the average in two out of three KPI’s.

- **Geography**

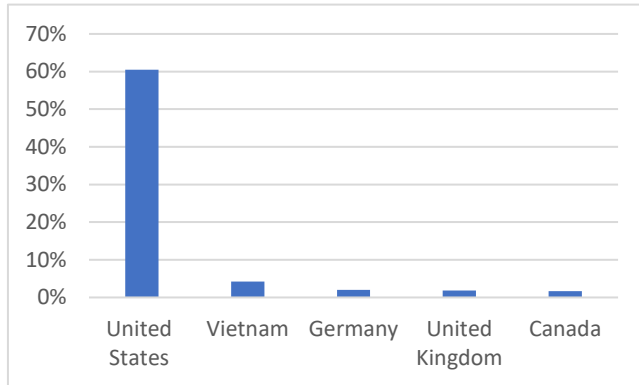


Figure 58: Traffic source by country (Web, Website performance - Nike & Adidas, 2018)

Similar to Nike, Adidas’s main geographical source for the website traffic is the US with more than 60% as a traffic source. The US is a strategic market even for Adidas, where both companies faced tough competition in the US market since the 80’s. According to “Similar web”, the top 5 countries that act as a source of traffic to the company’s website are: United States (60.51%), Vietnam (4.21%), Germany (1.98%), United Kingdom (1.87%), and Canada (1.7%) (Web, Website performance - Nike & Adidas, 2018).

- **Marketing channels**

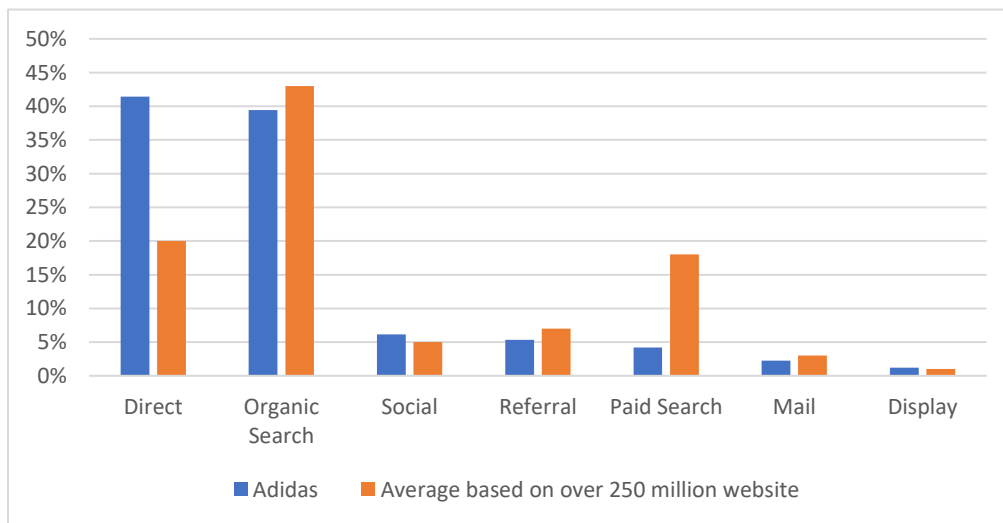


Figure 59: Adidas’s website traffic sources (Web, Website performance - Nike & Adidas, 2018)

Adidas reported lower than average in all the traffic sources except for the direct, which represents the highest portion of traffic, and social traffic sources with 41% and 6% respectively. On the other hand, the hugest difference between Adidas and the average was reported in the paid search with more than 13% difference. Therefore, we can assume that Adidas can invest more in the paid search (paid keywords) to grab more traffic to their website. Moreover, despite the fact the company heavily invests in marketing activities, they reported only 0.19% higher than the average in the display source of traffic.

- **Organic vs paid search**

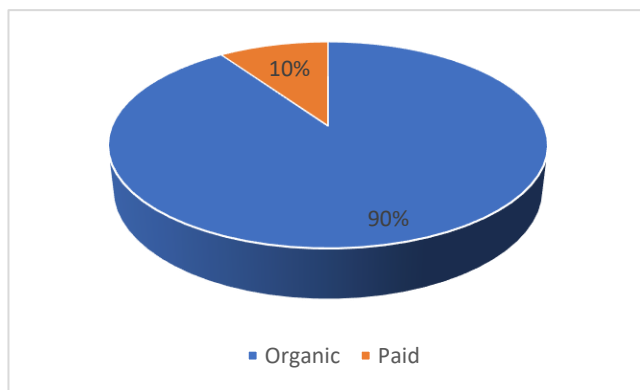


Figure 60: Organic vs paid search (Web, Website performance - Nike & Adidas, 2018)

Figure 60 represents the distribution of the website traffic coming from both organic and paid search. Approximately 90 % of the search traffic is organic. The question that arises is what are the keywords that can be used to reach Adidas website! There are more than 22000 keywords that lead to Adidas website. The top 5 keywords are “Adidas” (%25), “Yeezy” (6,9%), “Addidas” (2,7%), “Adidas US” (1,55%), and “Adidas USA” (1,37%). On

the other hand, paid search refers to the keywords that Adidas pay for, the top five paid keywords are Adidas, Addidas, Adidas shoes, Adidas Ultraboost, and Addias.

- **Social traffic**

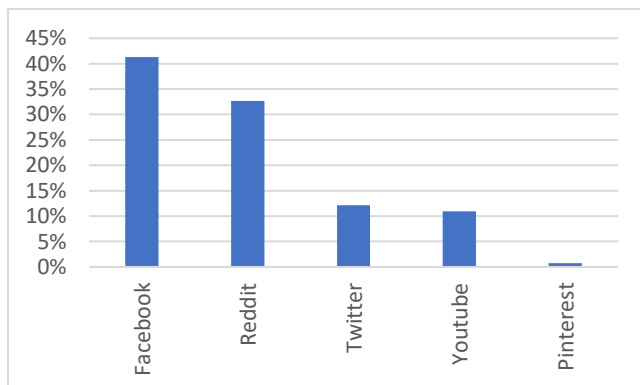


Figure 61: Social media as a traffic source (Web, Website performance - Nike & Adidas, 2018)

Figure 61 shows the top five social media platforms that drive traffic to Adidas’s website. One of the most important platforms that drives traffic to their website is Facebook, which drives more than 40% of the overall social traffic. Therefore, Facebook is vital social media platform for the company. In the second place there is Reddit, a famous social media platform in United States, with 32,67 %

followed by Twitter, YouTube, and Pinterest. Similar to Nike's case, Instagram is also absent in this list despite that both companies have an active and solid presence on this social media platform.

3.3.4.1 Website analysis conclusion

As a conclusion from the previous part, we can highlight some important aspects regarding the website traffic. First of all, based on the information provided by "similar web" we can say the Adidas's website is not the best in its category ranking, where the company had lower KPI's averages if compared to the figures mentioned in the "Wolfgang KPI report 2019". Moreover, similar to Nike, it is not surprising that the main website traffic comes from the US which is one of the major markets for Adidas. Furthermore, we can state that Nike depends excessively on both direct and organic search as sources of traffic for their website. However, we assume that the company can benefit more from the paid search due to the fact that their figures are extremely below the average. Finally, it is clear the Facebook is the most important traffic source to the company's website among all the social media platforms.

3.3.5 Social media Analysis

In 2017, Adidas Group stated that the company is always trying to remain at the pulse of customer journey at key moments and touchpoints in their lives. To achieve this goal, the company identifies two targets to achieve. On the one side, the company should be always trying to stimulate customers to be part of their creative culture, thereby measuring the user generated content on social media. On the other side, the company aims to increase the number of users in their digital environment. In order to achieve both targets, the company made recognizable improvements by using the insights generated thanks to the Open Source. As a result, the company will be better able to design products and services, drive improvements in brand desire, sales, market share, and profitability (Adidas-group, 2017). As mentioned in Adidas's history, the company has a long history as well as broad and diverse sports portfolio which allowed them to transcend cultures and become one of the most recognizable brands, on and off the field of play (Hussain A. Ali Mahdi, 2015). Based on an interview done with Florian Alt, vice-president of global brand communications who joined Adidas more than 20 years, he stated that the Adidas brand is in the top 100 global brands for the first time in 2018 (Vizard, 2018). Alt says, "*It was a moment in time*

when we realized we needed a shake-up and a refresher to really cut-through and not be the boring, traditional, good quality but not so sexy brand”.

Moreover, the company launched “Tango Squads”, a community platform to interact with young football players using Facebook Messenger or WhatsApp. Through Tango Squads, Adidas does not only promote their products, but also engage the “young” segment more by offering young players the possibility to interact, influence, and enhance each other’s careers. On this platform, young users can create their own community by showing their skills, advice one another, and compete with each other’s (Vizard, 2018). Furthermore, based on an interview CNBC did with Adidas’s CEO, Kasper Rorsted, he stated “It’s clear that the younger consumer engages with us predominately over the mobile device and digital engagement is key for us; you don’t see any TV advertising anymore” (Gilchrist, 2017). Based on all the steps Adidas is taking in the last two years, it is clear that the company is considering more the digital part of their business. Moreover, we can assume that the company is focusing more in the social part of the digital, which means the company is investing more in the adoption of social commerce.

To have a complete overview about Adidas’s presence on social media, the following table gives a brief overview about the main pages Adidas manages on Facebook, Instagram, YouTube, and Twitter. In the list below we selected the main page of the company “Adidas”, pages related to different kinds of sports, pages related to brands owned by the company, pages related to social groups “Adidas Women”, and finally pages related to different lines of products. The main aim was to have a mix of different page categories to understand Adidas’s presence on different social media platforms, and to understand whether Adidas follows a “one size fits all” strategy for all the social media platforms or not.

Page name	Facebook	Instagram	Twitter	YouTube
Adidas	35.5 M Direct message: ✓ Shop now: ✓	23.3 M Posts: 740 IGTV: ✓ Direct shopping: ✓	3.57 M Tweets: 13,8 K	864.9 K Videos: 47
Adidas Originals	31.7 M Direct message: ✓ Shop now: ✓	32.5 M Posts: 2416 IGTV: ✓ Direct shopping: ✓	4.02 M Tweets: 17,4 K	327.9 K Videos: 49

Table 13: Adidas's presence on different social media platforms – 09/03/2019

Page name	Facebook	Instagram	Twitter	YouTube
Adidas Women	2.8 M Direct message: ✘ Shop now: ✔	2.9 M Posts: 1884 IGTV: ✔ Direct shopping: ✔	59.8 K Tweets: 10,1 K	51.3 K Videos: 32
Adidas Basketball	3.27 M Direct message: ✘ Shop now: ✘	2.9 M Posts: 88 IGTV: ✔ Direct shopping: ✔ Direct message: ✔	543 K Tweets: 5332	No account
Adidas Football	1.67 M Direct message: ✔ Shop now: ✘	27.6 M Posts: 1723 IGTV: ✔ Direct shopping: ✔	3.47 M Tweets: 29,8 K	1.4 M Videos: 103
Adidas Rugby	246 K Direct message: ✘ Shop now: ✘	210 K Posts: 572 IGTV: ✔ Direct shopping: ✔	Inactive account	33.4 K Videos: 3
Adidas Snowboarding	227 K Direct message: ✘ Shop now: ✔	223 K Posts: 1483 IGTV: ✔ Direct shopping: ✔	3727 followers Tweets: 350	No account Videos: 62
Adidas Skateboarding	3.1 M Direct message: ✘ Shop now: ✔	2.1 M Posts: IGTV: ✘ Direct shopping: ✔	No account	269.5 K Videos: 62
Adidas Running	8.2 M Direct message: ✘ Shop now: ✔	2.1 M Posts: 27 IGTV: ✔ Direct shopping: ✔	1.05 M Tweets: 11,7 K	91.3 K Videos: 28
Adidas Football US	1.65 M Direct message: ✔ Shop now: ✘	492 K Posts: 1556 IGTV: ✔ Direct shopping: ✔ Direct message: ✔	141 K Tweets: 17,6 K	

(Continued) Table13: Adidas's presence on different social media platforms – 09/03/2019

Page name	Facebook	Instagram	Twitter	YouTube
Adidas Field Hockey	182 K Direct message: ✓ Shop now: ✓	150 K Posts: 1034 IGTV: ✗ Direct shopping: ✗	45.3 K Tweets: 3998	No account
Adidas Y-3	351 K Direct message: ✗ Shop now: ✓	2 M Posts: 2090 IGTV: ✓ Direct shopping: ✗	No official twitter account	20.8 K Videos: 57
Reebok	9.2 M Direct message: ✓ Shop now: ✗	2.2 M Posts: 2442 IGTV: ✗ Direct shopping: ✓ Direct message: ✓	731 K Tweets: 36,2 K	144 K Videos: 422

(Continued) Table 13: Adidas's presence on different social media platforms – 09/03/2019

- **Adidas: Facebook strategy**

Adidas runs several social media accounts on different social media platforms, Facebook, Instagram, Twitter, and YouTube. When comparing the number of Adidas's followers in Table 13, we can assume that the majority of followers are present on Facebook. Figure 62, shows the evolution of Adidas's followers on Facebook during January 2019. Unlike Nike's graph which had a steady increase in their followers along the same period, Adidas's graph had several ups and downs. However, during January, Adidas faced a 0.32% growth in their followers' base on Facebook and they gain more than 100K followers. When surfing through Adidas's main Facebook account, we realized that their first post was done in the 26th of November 2015; whereas, the last

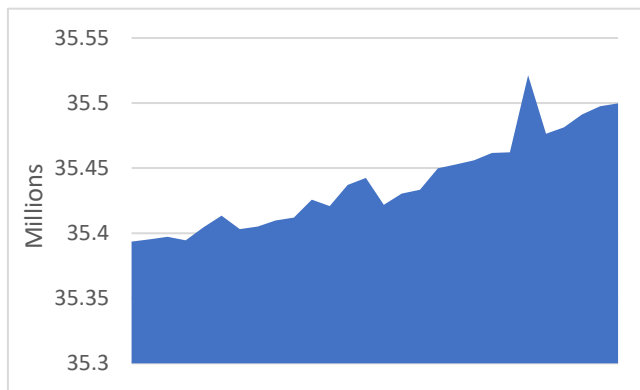


Figure 62: Adidas's Facebook fans – January 2019 (Unmetric, 2019 b)

one was posted on the 25th of October 2018. Figure 63 represent the number of posts the company did since creating their page. The main aim is to examine whether the company is still maintaining the same pace of posts since creating the page, or they changed the frequency of posting. Very few posts were done in the year 2015 due to the fact that the company started to be active on the page at the

end of the year. However, for the two following years, it is clear that the company had almost the same strategy. This conclusion is derived from the fact that the company had almost the same number of posts in these two years. Similar to Nike’s case, Adidas reduced the frequency of posts, if compared to the previous year, by more than 65%. Nevertheless, until the date of writing this part, the mid of March 2019, most of Adidas’s pages did not post any single thing since the beginning of 2019. Moreover, despite the low level of activity on Facebook, the company was active on other social media platforms in the year 2019, Instagram and Twitter.

Yet, based on our previous analysis, Facebook is almost the most preferred social media platform not only for Nike and Adidas, but also for businesses in general. Svetlana and Philipp explained in their report, “Social Media Platforms and its Effect on Digital marketing Activities”, the reasons behind the popularity of Facebook. First of all, there are more than two billion Facebook active users worldwide (Statista, 2019 e), thus, the possibility to interact, create, and engage a huge number of customers is really high (Lesidrenska Svetlana, 2012). Moreover, one of Facebook’s main strengths is that when customers interact with brands, their friends get also exposed via the news feed (Lesidrenska Svetlana, 2012). Moreover, Facebook owns high volume of personal data, which is self-reported by users; thus, advertisers are able to be more precise when targeting these

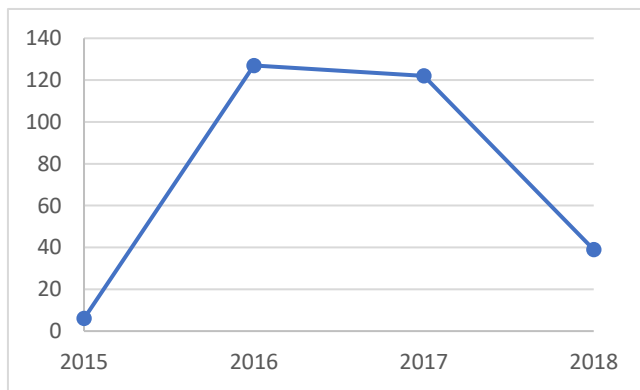


Figure 63: Adidas - Facebook posts per year

users. Additionally, it is extremely simple to upload and update content on Facebook, therefore, it is easy to start conversations about the brand and create incentives for customers to visit and interact with the brand continuously. Finally, Facebook have made it easier and faster for companies to direct personalized interactions with their customers (Lesidrenska Svetlana, 2012).

3.3.5.1 Social media analysis conclusion

With reference to Table 13, we can arrive to several assumptions regarding Adidas’s strategy in different social media platforms. First of all, with respect to Facebook, Instagram, and Twitter, Adidas segment its pages based on different kinds of sports, pages related to specific social groups, pages related to specific lines of products, and pages related to brands owned by Adidas.

However, Instagram and Twitter share an additional category of pages, those related to specific geographical areas, which are completely absent on Facebook. However, unlike Nike, Adidas's Facebook main page detects the geographical location of its customers, and automatically the language and the website of the company changes based on their geographical location. For example, when opening Adidas main page from Italy, the language will automatically change to Italian, and the company's website that will appear is "www.adidas.it" and not "www.adidas.com". This feature is just present in the company's Facebook main page and not in other pages on the platform. Back to Instagram and Twitter, as mentioned previously, these pages have an additional category which is related to customer's geographical areas. However, unlike Nike, the majority of Adidas's Instagram pages, which are based on geographical segmentation, are also present on twitter. From these pages we can mention those related to France, Mexico, Brazil, Los Angeles, and ZA (South Africa).

As for the services provided by each social media platform and based on the sample of pages we chose in Table 13, Adidas's strategy is somehow blurred on Facebook, however, it is clearer on Instagram. As for Facebook, the "shop now" tool is available for all kinds of pages except in Adidas Basketball, Football, Rugby, and Reebok. However, the message option is available for less than half of the pages in (Continued) *Table*. On the other hand, for Instagram, the IGTV is available in all the pages except in three, whereas, the shop now is available in all the pages except in two. Whereas, the message option is just available in three pages. Therefore, we can assume that Adidas tends to offer shopping services, provided by each social media platform, much more than the message service on both Instagram and twitter. However, the message tool is just provided for six pages on Instagram and three pages on twitter. Yet, it is essential to mention that when examining Adidas's different accounts, we assume that a different strategy was implemented in Twitter, where the company tends to interact with customers more, if compared to other media platforms, through tweets. To a certain extent, both Instagram and Twitter are being approach by Adidas in the same way regarding both page segmentations and the services provided.

Lastly, for YouTube, the company's strategy is a bit different from the other social media platforms. Their strategy is almost aligned with the way this platform works. Posts are rare, less followers if compared to other social media platforms, people interact but less frequently with respect to the interactions on other social media platforms, it is a platform where page owners can

only post videos and not pictures or written posts. Adidas owns eight official YouTube pages which fall under the same categories as those on Facebook.

In conclusion, it is clear that Adidas maintains a solid presence on different social media platforms. Moreover, it is also clear that they are approaching each social media platform with a unique strategy that suits it. In addition, we can clearly state that the main aim of their presence on these social media platforms is to engage and interact with customers by creating different communities based on the interests and preferences of these customers. Finally, regarding the geographic-based pages, despite the fact that Adidas, similar to Nike's strategy, tends to follow their customers on their most preferred social media platform, they also tend to duplicate several pages, unlike Nike, on more than one platform. For instance, unlike Nike, Adidas owns both Instagram and Twitter pages for France, Brazil, Canada, Los Angeles, Mexico, and South Africa. Yet, due to the lack of the adequate information, it is not possible to state whether this duplication of geographic based pages boosts the company's reach to their customers, or not.

3.3.6 Conclusion: Adidas case study

As mentioned previously, Adidas's financial, website, and social media analysis were analyzed during three eras, before e-Commerce, during e-Commerce, and during social commerce. Based on the financial analysis, Adidas was able to achieve the highest increase in sales, highest increase in the gross profit, and the highest increase in the net income during the social commerce era if compared to the two other eras. Moreover, the website analysis part showed that Adidas's website is ranked 39th based on its performance if compared to others in its category. Moreover, the KPI's (website metrics) benchmarking showed that Adidas KPI's were able to surpass the averages only in terms of the pages per visit; whereas the company was behind the averages in both, average visit duration and the bounce rate. Lastly, we assume that Adidas is following a differentiated strategy for different social media platforms, Facebook, Instagram, Twitter, and YouTube, yet, they follow a "one size fits all strategy" when segmenting their pages on different social media platforms. Although social commerce may not be the only reason behind Adidas's diligent performance in the social commerce era, it is clear from Adidas's case study analysis that social commerce adoption played an important role in achieving these results. In conclusion, based on all the previously mentioned analysis and facts, we can assume that social commerce is one of the largest growth opportunities for Adidas.

4 Nike vs Adidas

In this part, the performances of both Nike and Adidas is benchmarked during three main eras, before e-Commerce, during e-Commerce, and during social commerce. The main aim of this benchmarking is to understand how both commerce strategies, specifically social commerce, contributed to the growth of both companies. To examine how the two companies performed in the three periods, we evaluated them based on three main perspectives: financial, web, and social media analysis. The financial analysis compares Nike and Adidas performances along the three main periods, before e-Commerce, during e-Commerce, and during social commerce. However, the website analysis is related to the last era, the social commerce era, due to the absence of both companies' historical web analytics.

4.1 Financial Analysis: Nike vs Adidas

This part compares Nike and Adidas's financial performances throughout the three periods. However, as shown in Figure 64, the graph starts from the year 1996, which refers to the date when Adidas went public. Before this date there are no reliable financial figures regarding Adidas's performance. For that reason, we excluded the years of Nike, that were analyzed in Nike case study, from 1988 till 1996. Moreover, for the year 2018 Adidas did not publish their annual report till the date of writing this part (18/03/2019). That's why in the graphs below only Nike's financial figures are shown for year 2018 to have a clearer overview about the social commerce era. As noticed from the case studies analysis, almost both companies adopted e-Commerce and social commerce in the same period. Nike and Adidas adopted e-Commerce at the beginning of the new century, however, they started to be active on social media between 2009 and 2011. Furthermore, to examine the financial comparison between both companies, we focused on specific financial figures, sales, cost of sales, selling and administrative expenses, and net income. The reasons behind choosing these indicators is mentioned at the beginning of the case studies analysis in "Financial analysis". Moreover, in this part we did not state the reasons behind the variances in the financial figures because they are already stated in the case studies of both Nike and Adidas. However, the aim of this part is to understand the different performances of both companies during the three different periods, especially in the social commerce era. Lastly, unlike the case studies where we compared the performance of each company in terms of real numbers, in this part we compare both companies

in terms of averages and percentages. The reason behind doing this is due to the fact that since 1996 Nike had much more sales, cost of sales, operational expenses, and net income if compared to Adidas. Therefore, if the comparison will be based on real numbers, conclusions will surely state that Nike's performance is better than Adidas since companies always aim to achieve higher profits.

- **Sales**

As shown in Figure 64, since 1996 Nike was ahead in terms of sales with respect to Adidas, with \$6.47 billion and \$2.41 billion respectively. Through the whole period from 1996 till 2018, Nike was in the foreground in terms of sales with a fluctuating difference between the companies. The period where the companies had the lowest difference, in terms of sales, was in the year 2011, the beginning of the social commerce era, with a variance of \$1.569 billion. However, the highest one was in the year 2015, where Nike surpassed Adidas by more than \$11.825 billion.

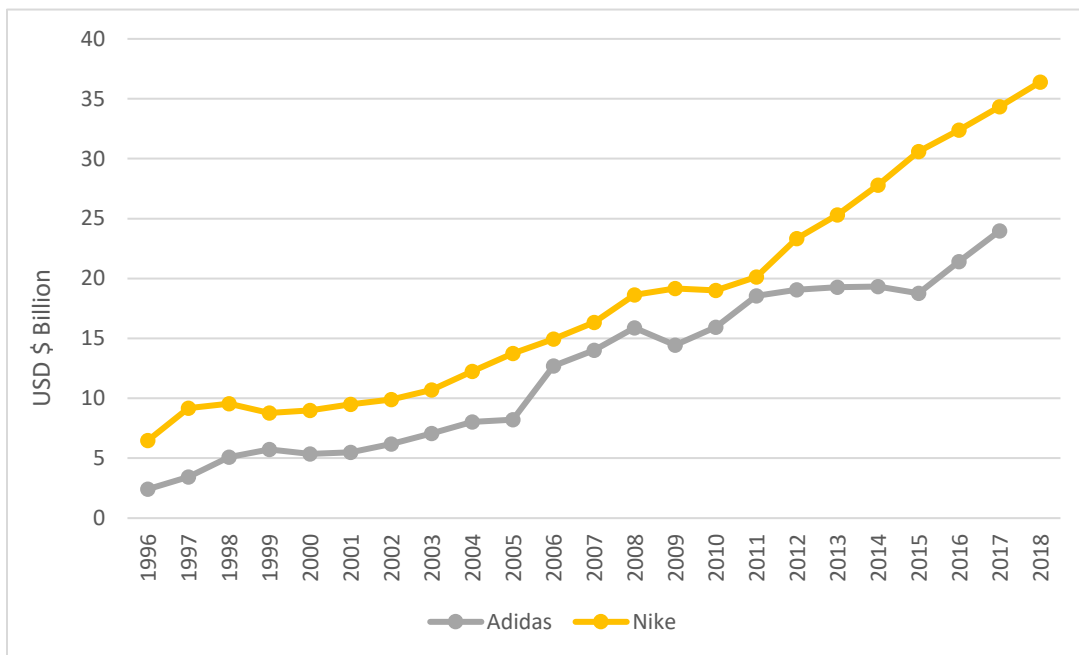


Figure 64: Sales - Nike vs Adidas

Through the years we can notice significant variances in the trend of both curves. One of these variances was between the years 2008 and 2009 which was due to the global economic crisis, discussed in the case study analysis of each company, that happened in that period. Thus, we can generally state that the overall trend of sales in both companies is an ascending one. However, this growth does not follow the same pace through the years. First, if we consider the era before e-

Commerce for both companies, from 1996 to 1999, we can notice that both companies faced a significant increase in their sales at the very beginning of this period. However, at its end, Nike faced a decrease in its revenues in the year 1999 reaching \$8.77 billion, whereas, Adidas's sales kept on surging but at a slower pace. The beginning of the 20th century was almost the beginning of the e-Commerce era for both companies, where the financial figures of both companies varied widely across this period. As mentioned before, the e-Commerce era for both companies started almost at the beginning of the new century, and it ended 10 years later. Through this period, Nike faced a steady growth until the year 2008, the year of the global financial crisis, where it experienced an inertia in the following two years followed by a slight decrease, less than 1%, in 2010 where sales dropped \$19 billion. On the other hand, Adidas started the new century with almost an inertia in its sales that ended in the year 2006. Through the period from 2000 to 2005, Adidas's sales grew by less than 15%, while Nike's sales surged by more than 50%. Due to the insufficient data in both companies' annual reports, and due to the absence of historical web analytics for that period, we could not relate the different paths in the financial figures to reasons related to their e-Commerce adoption. In the year 2006, Adidas faced a sudden increase in its sales, which grew by more than 50% reaching \$12 billion. This increase didn't last much, where in the following years the company faced one more time an inertia in its sales until the year of the financial crisis. After recovering from these crises, the two companies took two different paths. After the financial crisis, Adidas was able to recover, and its sales surged reaching \$ 19 billion in the year 2012. However, after this increase, Adidas's sales faced an inertia until the year 2014. These increases which are followed by inertias made Adidas sale's graph take the shape of a stepped one. The beginning of the social commerce era, in 2010, was almost identical for both. Nike and Adidas faced a steady increase in their sales until the year 2012 where their sales took two different paths. On one hand, Nike's sales maintained a steady state growth until the year 2018. However, Adidas's sales experienced an inertia during the period between 2012 and 2014 which was followed by a steady growth until the year 2017. Nevertheless, we cannot relate this pace to the presence of social commerce directly, due to the absence of financial figures related to their online sales. Since the beginning of the new era, Nike grew more than 80%, whereas Adidas's sales surged by almost 77%. As mentioned previously, it is pointless to compare both companies in terms of real number since Nike had much more sales since the year 1996; for that reason, the comparison is based on the percentages of variations.

	Nike	Adidas
% of growth before e-commerce	36%	122%
% of growth during e-commerce	117%	124%
% of growth during social commerce	81%	77%

Table 14: Percentage of growth in sales - Nike vs Adidas

Table 14 shows the % of growth for both companies in the three different periods we are studying, before e-Commerce, during e-Commerce, and during social commerce. The period before e-Commerce for both is the one between 1996 and 1999. In that period, Nike’s sales were able to grow 36%, while those for Adidas were able to grow 122%. However, in the e-Commerce era, Nike and Adidas’s sales surged by 117% and 124% respectively. The two companies adopted e-Commerce at the beginning of the new century, where it ended almost ten years later. With reference to the period of e-Commerce, Nike was able to grow 117% in eleven years which indicates that on average the company was able to grow 10.5% per year. While in the era of social commerce, Nike grew 81% in 7 years, which means an average of 11.6% per year. On the other hand, Adidas was able to grow around 124% in an eleven-years period, the era of e-Commerce. Thus, on average the company was growing 11% per year. Whereas, in the social commerce era, the company grew 77% in 7 years, which is again 11% in each year. In conclusion, Nike was able to increase its sales growth between the e-Commerce and social commerce era by almost 1.1%. However, since the beginning of digital commerce, Adidas maintained an average of 11% growth in its sales per year. Despite the fact that the “1.1%” seems to be a small number, in such companies the “1.1%” means millions if not billions of dollars through the years. Due to the absence of sufficient financial figures regarding the online selling for both companies, it is not possible to relate the variations between different periods to their presence. Yet, it is clear from the previously mentioned numbers that Nike was able to achieve a higher growth rate, in terms of sales, if compared to Adidas in the social commerce era. Moreover, with the limited provided data, it is possible to have some insights about the effect of online sales on the total sales for both companies.

- e-Commerce sales:

Year 2017	Nike	Adidas
Online sales	\$2.17 billion	\$1.13 billion
Total sales	\$34.35 billion	\$23.97 billion
Online sales/total sales	6.31%	4.7%

Table 15: Online sales - Nike vs Adidas - 2017

As mentioned previously, Nike started mentioning financial figures related to online selling since the year 2013. However, Adidas have never mentioned any financial figure since adopting social commerce. Though, they mentioned once in the year 2017 that online sales reached \$1.13 billion. In Table 15, we compared both companies' sales in year 2017 with respect to the total sales in the same year. Nike's online selling represented 6.31% of the company's total revenues. However, Adidas's online sales represented only 4.7% of their total revenues. Despite the fact that Nike's online sales in the year 2017, with respect to their total sales, is higher than those of Adidas, it is not possible to affirm that in general Nike is more successful or more efficient in their social commerce strategy if compared to Adidas due to the fact that the available financial figures for Adidas's online sales are available only for one year, 2017, and it could be possible that these numbers increased or decreased in other years. However, we can clearly state that in the year 2017, whether in terms of percentages or in terms of real numbers, Nike was able to drive much more sales from its online platforms if compared to Adidas. Moreover, we can surely affirm that social commerce is a growth opportunity for both companies, and even if its financial figures are still a small percentage of the overall financial ones', they are surging significantly.

- **Cost of sales:**

Similar to the increasing trend in Figure 64, the cost of sales in Figure 65 experienced the same pace along the years from 1996 till 2018. Before the e-Commerce era, Nike and adidas faced the same increasing trend until the year 1998. Yet, at the beginning of the new century, and similar to the sales graph, both companies faced an inertia at the beginning of the e-Commerce era. Between the year 2002 and 2005, Nike kept the increasing trend until the period of global financial crisis; however, Adidas faced a slight decrease from 2002 to 2005, followed by a sudden increase in the year 2006. However, in the social commerce period both companies experienced different paths in their cost of sales. Yet, as mentioned in the financial analysis, both companies' cost of sales followed almost the same path of their sales graphs in all the three periods. Since the

beginning of 2010, Nike experienced an increasing trend of sales' costs, while Adidas faced an increase until the year 2012 which was followed by a sudden drop in the following year.

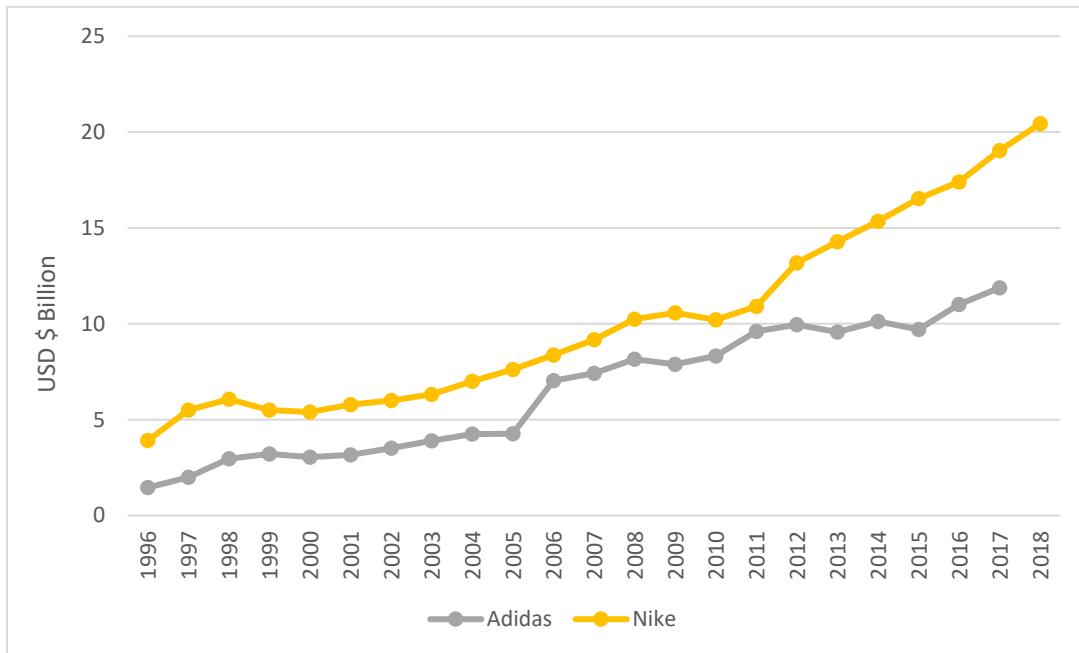


Figure 65: Cost of sales - Nike vs Adidas

From 2014 to 2017, Adidas's cost of sales maintained a gradual increase until the year 2017. In general, the differences between both graphs increased along the three periods, where the variation between both graphs was at its minimum in the year 2011, with a \$1.3 billion in difference. However, it increased in the social commerce era reaching a peak of \$7.15 billion in the year 2017. As mentioned previously, the main aim of this financial figure is to detect the variation of the company's costs of sales which provides insights about the variations of inventories along the years. With reference to Nike's annual reports, they defined the cost of sales as "*Cost of sales consists primarily of inventory costs, as well as warehousing costs (including the cost of warehouse labor), third-party royalties, certain foreign currency hedge gains and losses and research, design and development costs. Outbound shipping and handling costs are expensed as incurred and included in Cost of sales*". Thus, for Nike, the cost of sales includes R&D expenses; however, they have never mentioned the percentage of R&D with respect to the cost of sales. Thus, comparing the cost of sales of both companies, provides an overview about the expenses generated by sales activities, and allows us to examine the effects, if any, of both commerce strategies on the expenses generated by sales activities along the years.

	Nike	Adidas
cost of sales/sales before e-Commerce era	62%	58%
cost of sales/sales e-Commerce era	57%	54%
cost of sales/sales social commerce era	55%	51%

Table 16: Cost of sales/sales - Nike vs Adidas

To have a more reliable insight about the cost of sales, we examined the variations in the cost of sales/sales for both companies along the three different eras. The aim is not to inspect the variations of the cost of sales in the three periods. For sure their cost of sales will increase due to the increase in their sales. However, the aim is to examine the ratio of cost of sales with respect to the sales along the three periods. In the era before e-Commerce, both companies faced a fluctuating value around 60% cost of sales/sales ratio, where Nike had an average of 62% and Adidas had 58%. However, in both e-Commerce and social commerce eras, this ratio dropped to 57% and 54% for Nike and Adidas respectively. Arriving to the social commerce era, Nike had an average of 55% of cost of sales/revenues vs. 51% of Adidas's cost of sales/revenues. This ratio is affected by both the cost of sales as well as the sales. Yet, based on Figure 64, it is clear that both companies faced an increase in their sales throughout the three periods. An increase of sales means a decrease in the ratio of cost of sales/sales. On the other hand, based on Figure 65, it shows an increasing trend of costs of sales for both companies since 1996. An increase in cost of sales means an increase in the ratio of cost of sales/sales. Thus, we have two contradicting facts for this ratio. Based on Table 16, it is clear that the cost of sales/sales was decreasing along the different periods. Thus, we can conclude that the increase in the cost of sales, for both companies, was much lower than the increase in their sales. Thus, none of the commerce strategies led to higher cost of sales with respect to the sales. In addition, we cannot state that Adidas had a lower cost of sales since their beginnings due to the fact that, unlike Nike, Adidas do not include R&D in their cost of sales. Due to the insufficient details about all the components of costs of sales for both companies, one more time, we are not able to relate the variations in this financial figure to a specific reason, nor we were able to relate the effects of the two commerce strategies on the marketing expenses of the company. However, we can surely affirm that both commerce strategies did not result in an increase in the cost of sales/sales ratio, if compared to the era of physical shops. Yet, both companies faced a continuous decrease in their cost of sales/sales ratio since adopting e-Commerce.

- **Advertising & marketing costs**

As mentioned in the introduction to the case studies part, the main aim behind using the selling and administrative expenses is to track the marketing expenses which is relevant in such industry. However, Adidas does not offer any information regarding this financial figure, where they started publishing their marketing expenses since the year 2013. For that reason, it was not possible to compare both companies in terms of marketing expenses through the three periods in the case studies. On the other hand, Nike publishes in its annual reports' financial figures regarding its advertising and marketing costs since the company went public. Therefore, we focused on the advertising and marketing costs in the results part to highlight their variation across the periods.

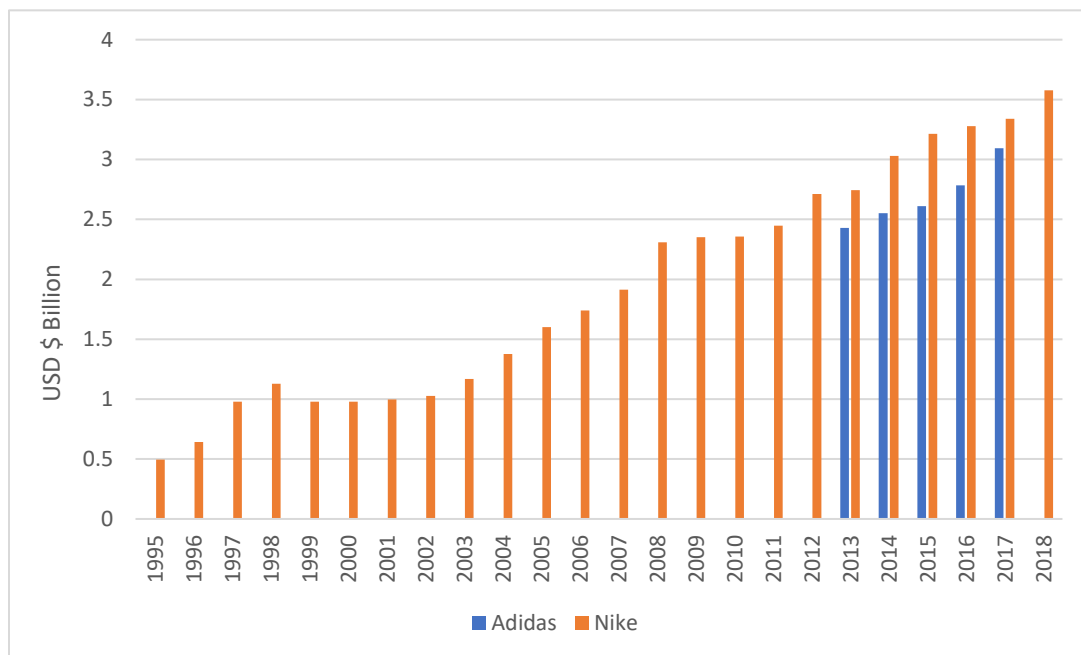


Figure 66: Advertising & marketing costs - Nike vs Adidas

Similar to the sales analysis, in this part we computed the percentage of increase at the end of each period for Nike; however, due to the limited information provided by Adidas, we just compared both companies, in terms of the percentage of increase, in the last era which is the social commerce. With reference to Figure 66, we can notice that Nike decreased its advertising and marketing costs with the beginning of the e-Commerce era. The values remained fixed from 1999 to 2002. Afterwards, Nike increased its investments in advertising and marketing until the year 2011. With the beginning of social commerce, Nike's advertising and marketing investments surged again along the years till 2018.

	Nike	Adidas
Advertising & marketing costs Before e-Commerce era	53%	Missing information
Advertising & marketing costs e-Commerce era	141%	Missing information
Advertising & marketing costs Social commerce era	52% 22% (Between 2013 and 2017)	50% (Between 2013 and 2017)

Table 17: Percentage of increase in advertising & marketing costs - Nike vs Adidas

Based on Table 17, Nike increased its advertising and marketing costs by 53% along the period between 1996 and 1999, which indicates an almost 18% of increase per year. During the e-Commerce era, Nike increased its marketing costs by 141% along 11 years, which is almost a 13% of increase per year. Arriving to the last era, the era of social commerce, Nike increased its advertising and marketing costs by almost 52% in 8 years, or in other words, an average of 6.5% of increase per period. Based on the previous numbers, it is clear that Nike's advertising and marketing expenses are increasing, but at a slower pace through the years. However, similar to the previous conclusions, we cannot relate the decrease in the percentages along the years neither to the presence of e-Commerce nor to the presence of social commerce. Yet, for Nike, we can assume that the adoption of both commerce strategies did not result in an uncommon increase in the advertising and marketing costs along last two eras.

Based on the previous analysis, we can clearly observe that the highest increase in Nike's investments in advertising & marketing was in the era before e-Commerce with 18%. On the other hand, the lowest increase in the advertising and marketing investments was in the social commerce era with an increase of 6.5%. It is rational to notice that Nike's investments in marketing are increasing over the time, especially that the company invests heavily in this area since its early beginnings. However, what would be doubtful is to observe a tremendous increase in these costs in any of these eras. At the same time, we can also state that the increase in advertising and marketing costs in the social commerce era was the lowest among the other periods, but we cannot relate it to the presence of social commerce due to the fact that these costs do not only include the costs of digital marketing, but also the costs of endorsement contracts, television, digital and print advertising, brand events, and retail brand presentation, which are not explained in details in the company's annual reports. As for the period between 2013 and 2017, Adidas increased its

advertising and marketing expenses by almost 50%. Whereas, in the same period, Nike increased them by almost 22%. Thus, for the period between 2013 and 2017, it is clear the Adidas increased its investments much more than Nike, in terms of percentages. However, as mentioned previously, we cannot compare both companies with respect to advertising and marketing costs due to lack of sufficient information. Once again, based on Nike's figures, we can state that none of the commerce strategies led to an uncommon increase in the advertising and marketing costs along the years.

○ **Net income**

Unlike most of the previous financial figures, net income shows wide variations between both companies. The two companies had the least variations until the year 2003, however, afterwards Nike's net income surged in an aggressive way and Adidas's net income kept on the slight increase through the years. Away from the global financial crisis that took place in the year 2008, Nike had a strong increase until the year 2017. However, Adidas faced a fluctuating curve through both commerce periods. Thus, the two companies faced different paths in their net income through the last two periods. Similar to the previous parts, our aim in the results part is comparing percentages of variations and not focusing on real numbers.

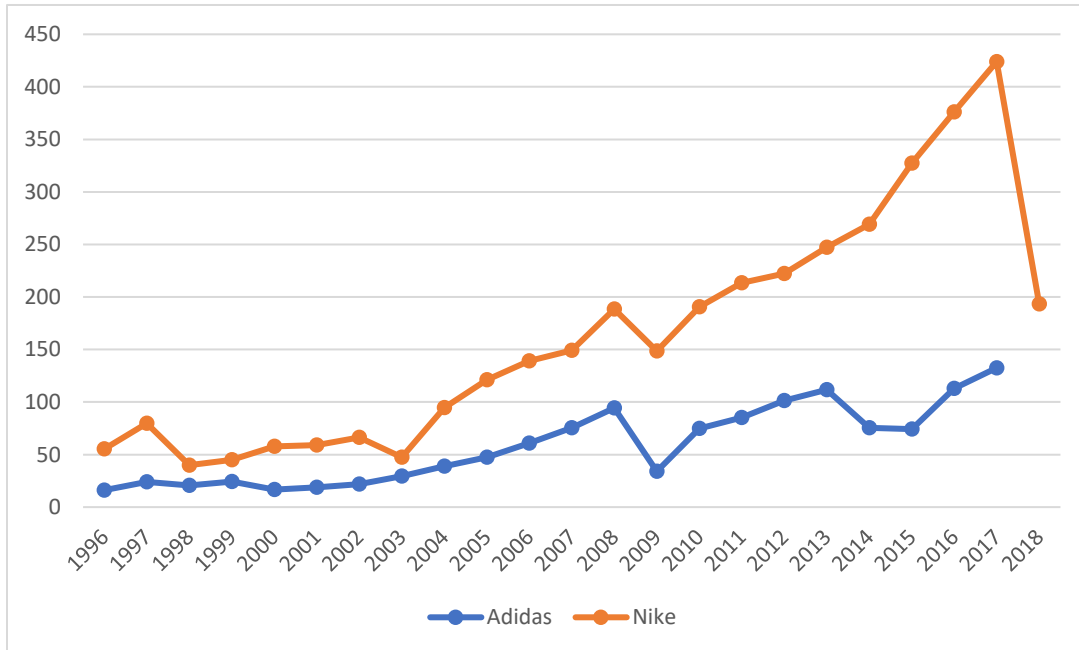


Figure 67: Net income - Nike vs Adidas

	Nike	Adidas
% of Net income increase Before e-Commerce era	-18%	41%
% of Net income increase e-Commerce era	322%	147%
% of Net income increase Social commerce era	122%	108%

Table 18: Percentage of net income variations - Nike vs Adidas

Table 18 shows the percentage of increase of net income along the three different periods. For both companies, the lowest percentage of increase was in the first era, the era of physical shops. Nike had a decreasing pace of net income between 1996 and 1999, whereas Adidas had a 41% increase. However, with respect to each company, the highest increase in the net income for Nike was in the e-Commerce era with 322%, and 108% for Adidas in the social commerce era. Thus, Nike surpassed Adidas in terms of the percentage of net income growth in the two commerce eras due to the fact that Nike was able to grow on average 29.27% and 17.42% per year in both the e-Commerce and social commerce eras respectively. Whereas, Adidas was able to grow on average 13.36% and 15.42% per year in both the e-Commerce and social commerce eras respectively.

○ **Financial analysis conclusion**

With reference to the available information for both companies, there are some insights and assumptions that can be concluded from both companies' performances. Due to the fact that both companies adopted both commerce strategies almost in the same periods, we can state that Nike's financial performance, in terms of percentage of sales growth, surpasses Adidas's performance in the social commerce era. In addition, in terms of online sales/sales ratio, Nike was also able to surpass Adidas in the year 2017. Moreover, even though online revenues are still representing a small but significant portion of the total revenues, no one can deny that online selling is a growth opportunity for both companies. Otherwise, neither Nike nor Adidas would have continued their investments in the digital business. As for the cost of sales, due to the insufficient information we were not able to deliver a concrete conclusion and relate the effect of the two commerce strategies on the cost of sales. However, based on the previous analysis, we can definitely state that none of the commerce strategies led to an uncommon increase in the cost of sales with respect to the revenue. Not only this, but also in the periods of both commerce strategies, Nike and Adidas faced a lower cost of sales/sales ratio if compared with the first era. Moreover, the increase in the cost of sales, for both companies, was much lower than the increase in their sales. Arriving to the

marketing and advertising expenses, once again the insufficient information did not allow us to deliver a concrete conclusion about the effects of the two commerce strategies on the marketing costs. The only fact we can state is that Nike faced the lowest increase in their marketing and advertising costs in the social commerce era, and their advertising and marketing expenses are increasing, but at a slower pace through the years. However, these costs do not only include the digital marketing costs, but also the traditional ones. Moreover, within the period between 2013 and 2017, Adidas increased their marketing investments by 50%, whereas Nike increased them by 22%.

○ **Physical shops variation across the three periods**

Due to digitalization, people are able to view and compare almost any product they want to buy through their digital devices without even going to the shop. Therefore, one may wonder the future of brick and mortar shops, whether they will gradually disappear, or their role will change and evolve over time.

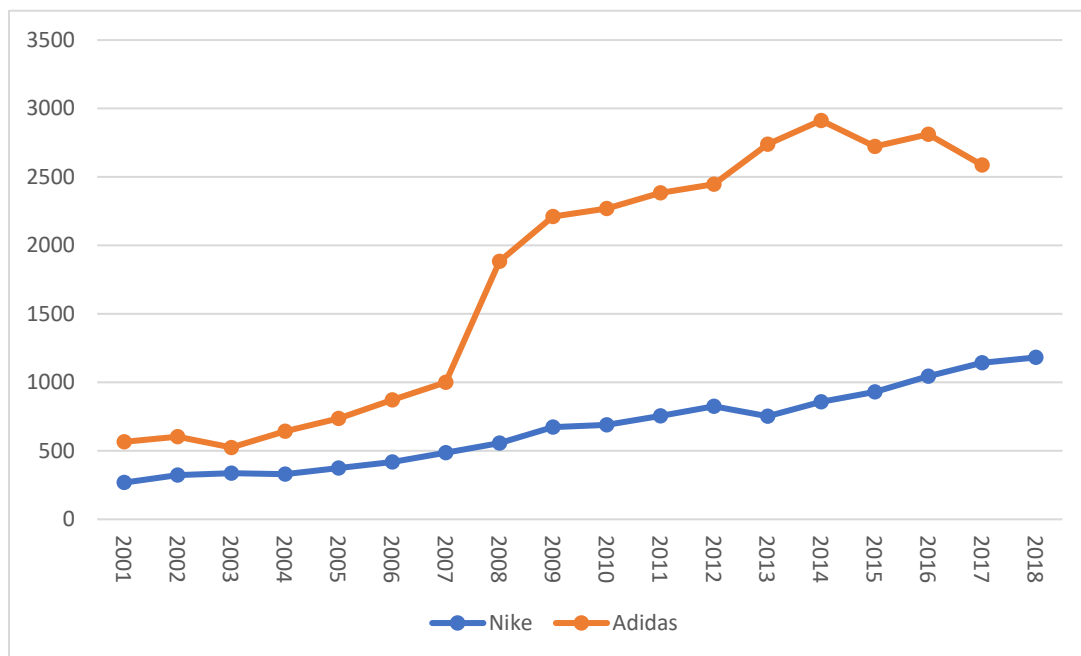


Figure 68: Brick & mortar shops - Nike vs Adidas

Based on Figure 68, we can clearly notice that Adidas owns much more physical shops if compared to Nike. However, as mentioned previously, our aim is not comparing the real numbers. Our aim from this graph is to examine the percentage of increase or decrease in the number of brick

and mortar shops through the different periods. Based on Nike and Adidas’s annual reports, both companies started publishing information about the number of stores in the year 2001. For that reason, it was not possible to include the era before e-Commerce in this analysis.

	Nike	Adidas
% of increase in brick & mortar shops e-Commerce era	157%	302%
% of increase in brick & mortar shops Social commerce era	66%	14%

Table 19: Brick & mortar shops - Nike vs Adidas

In Table 19, we can clearly notice the boom in the number of brick & mortar shops for both companies in the e-Commerce eras. Nike’s shops increased by 157%; though, those for Adidas increased by more than 300% reaching 2270 shops in the year 2010. In the social commerce era, both companies’ figures are interesting. Nike reduced the pace of opening new shops by more than 50% if compared with the e-Commerce era. However, Adidas reduced the pace of opening brick and mortar shops by more than 95%. Thus, in the social commerce era, it is clear that both companies were reducing the pace of opening new stores. Despite the fact that both percentages reveal that Nike and Adidas are reducing the pace of opening new stores, based on Figure 68 we can clearly notice that Adidas, since the year 2014, has closed more than 300 shops.

According to an interview done with “Financial Time”, the CEO of Adidas, Kasper Rorsted, stated *“Our website is the most important store we have in the world. Over time, we will have fewer stores, but they will be better. We want our stores to become a destination where customers can fully experience the brand”* (Rorsted, 2018). Based on this interview, it is clear that Adidas is planning to reduce its number of shops, which is clearly shown in Figure 68 since the year 2014. Moreover, what’s interesting in the interview is the part related to the new role of shops, when he said *“Ten years ago, our stores were a revenue-driver. In the future, they will also be a driver for the brand”* (Rorsted, 2018). The company started opening new experiential shops in the year 2017, where they opened Adidas Originals shop in Chicago. The senior brand director of Adidas Originals, Pascha Naderi-Nejad, said *“The Adidas Originals flagship store in Chicago shows our ongoing commitment to exploring new and innovative ways to be part of the local community”* (Prinitha, 2017). This store has several features that are absent in other stores owned by the

company. From these features we can mention: community wall where customers can share information about upcoming events, customers are able to customize their shoes, ability of shoppers to check in-store stock online, and the ability of customers to click-and-collect (Prinitha, 2017). Therefore, we can notice that the company is focusing on customers and their shopping experience, in their new kind of shops, much more than before.

On the other hand, Nike have never announced any information regarding the reduction or the expansion in the number of their brick & mortar shops. However, based on information published in Forbes Magazine in 2018, Nike's CEO, Mark Parker, announced that the company is planning a revolutionary decision, where it decided that out of Nike's global universe of more than 30,000 retail partners, the company is planning to focus on approximately 40 of them. These 40 partners should be capable and willing to create a unique and dedicated Nike space within their stores to deliver a more personalized brand experience for customers (Magazine, 2018). Therefore, it is clear that Nike values the shopping experience more than the current status of the product. To assure what was previously mentioned by Nike's executives, the company opened in November 2018 "House of Innovation 000" in New York city. Within the store, customers can enjoy customized services which are effortlessly smart and seamless. According to Nike news, *"The future of brick-and-mortar retail counts on engaging personal shopping experiences that respond as quickly-and as personally-as its digital counterpart"* (News, 2018). Inside this shop, Nike introduced the Nike Speed Shop, which is an entire floor using local data to stock its shelves and re-stock them based on the community needs. Moreover, similar to Adidas Originals in Chicago, NikePlus members are able to reserve items through their phones and have them held in Nike's store lockers, ready for pickup. Moreover, a full customization wing is dedicated to deliver Nike's spirit and offering a wide variety of materials for customers to establish their own footwear. Furthermore, NikePlus members are able to benefit from the "NikePlus Member Unlocks", which allows customers to request an item which will be brought to a specific fitting room for a quick fitting upon their arrival. Another service is "Shop the Look", where customers are able to scan a code on an in-store mannequin so they can browse every item the mannequin wears, check the available sizes, and request to send the items they want to a fitting room to try them. Also, "Nike Instant Checkout" allows customers to skip the lines, pay, and check out through the application. As we can see from all the available services, it is clear that this new shop delivers a totally different concept if compared to traditional brick and mortar shops. (News, 2018)

In conclusion, it is clear from both Figure 68 as well as all the previously mentioned information, that a new concept for brick and mortar shops is emerging. However, we cannot link this new trend in shops directly to social commerce, but we can definitely say that both companies are valuing more their customers, their shopping experience, and their interests. In addition, they want to create a sense of community even within their shops. That was clear on Nike's website when they mentioned *"The space must be able to communicate with its city through people and digital services, inviting a conversation that's synchronized to the customer. That hybrid experience paves the way for a floor that's stocked with a community's favorite shoes and apparel, and then quickly restocked as the taste of customers evolve"* (News, 2018). Besides, due to the absence of detailed information, it was not possible to examine whether the presence of social commerce helped any of the two companies to expand to new locations without owning physical shops. Finally, we can conclude that the results shown in Figure 68 are not out of nowhere. Both companies are trying to find different strategies for their brick and mortar shops to compete in the digital era.

4.2 Website analysis: Nike vs Adidas

Like any other investment, companies nowadays invest a lot of time and money to develop their online business. One of the main pillars of this online business is the website. The aim of these investments is to run a user friendly, clear, and efficient website, where customers can surf the web easily, acquire the needed information, and simply complete the purchase process. However, investments are the first step of the website creation. Similar to any other investment, companies must track the performance of their investments to develop their weaknesses and build on their strengths. For companies to maximize the ROI of their website, they must measure and analyze its KPI's. These KPI's, or the so called "Web Analytics", can be industry specific, country specific, or business specific. Yet, in our analysis, as mentioned previously, we referred to the "KPI Report 2019", which is based on the web analytics' averages extracted from different reports and researches controlled previously. Moreover, we extracted our information from "Similar Web", where we focused on the following metrics: Average Visit Duration, Bounce Rate, Page per Visit, and Website Traffic.

As mentioned previously, both companies adopted e-Commerce almost at the same time in the year 1999. Moreover, they started targeting the same market, the US, which is a strategic one

for both companies. However, based on Adidas’s annual report published in 2000, they stated that the company became the first global player, in the sporting goods industry, to sell its products directly to end-customers via the internet in Europe. Back to their beginnings, and as mentioned in both companies’ case studies, Nike and Adidas started the e-Commerce adoption doing partnerships with third parties to enhance their position in the new commerce strategy. Unlike Nike, which are discreet about their online business in their annual reports, Adidas is more prone to share information about their digital strategy, digital team, and their targets from the digital business.

Based on the website performance rankings in Table 20, which are extracted from “Similar Web”, it shows that Nike has a better website performance if compared to Adidas in global, country and category rankings. Moreover, in their category, Nike is ranked the first with respect to their website performance, however, Adidas is ranked the 39th.




Website Performance		
	Nike	Adidas
Global rank	#498	#3396
Country rank (US)	#323	#908
Category rank	#1	#39
Website audience		
Website Audience		
Total visits	213.3 million	112,4 million
Traffic share	 44.67%  53.33%	 100%
Monthly visits	71.11 million	14,8 million
Average visit duration	00:04:36	00:02:57
Pages per visit	7.17	5,15
Bounce rate	31.41%	52,25%

Table 20: Website performance statistics of Adidas and Nike (Web, Website performance - Nike & Adidas, 2018)

In the previous website analysis parts, we benchmarked both companies with respect to Store grower’s average. However, in Table 20, benchmarking is based on the two companies’ performances. A quick glance on Table 20, we can clearly notice that Nike’s website performance is much better if compared to Adidas’s website. In the category, country, and global ranks, Nike was able surpass Adidas. Moreover, in all the previously mentioned categories, Nike maintained to be in the first 500; however, Adidas reached more than 3000 in the global rank. In the previous six months, August 2018 to January 2019, Nike had more than 210 million visitors, whereas Adidas

had a bit more than the half of Nike’s visitors. The fact that Nike’s website performance is better, is also revealed in the monthly visitors (January 2010) where Nike had more than four times Adidas’s visitors. Nike is doing better not only in terms of the number of visitors, but also in the time these visitors spend on Nike’s website. According to Similar Web, Nike’s visitors spend on average four minutes and a half surfing the company’s website, however, Adidas’s visitors spend a bit less than three minutes. Thus, with respect to the “KPI Report 2019”, Nike is much higher than the average, whereas Adidas is a bit below it. According to the same report, the average pages per visit are five; both Nike and Adidas were able to score above the average with 7.17 and 5.15 respectively. Moreover, based on the bounce rate analytics, out of 10 visitors, almost 3 bounces off Nike’s website, whereas 5 out of the 10 bounces off Adidas’s website.

As for the traffic sources, it is interesting to find that both companies had the largest traffic from the same country, the US. Not only the same country, but also the first one where they started their e-Commerce activities. Besides, between August 2018 and January 2019, Nike and Adidas had 70 and 30 million visitors from the US respectively. It is clear that in this period Nike had much more visitors from this strategic market if compared to Adidas. However, as mentioned previously, due to the absence of historical data it is hard to derive a conclusion regarding who has the absolute advantage in driving traffic from the US market.

Regarding the sources of web traffic, companies in general can rely on different sources, direct, organic search, paid search, social, referrals, mail, and display. In Figure 69, we positioned

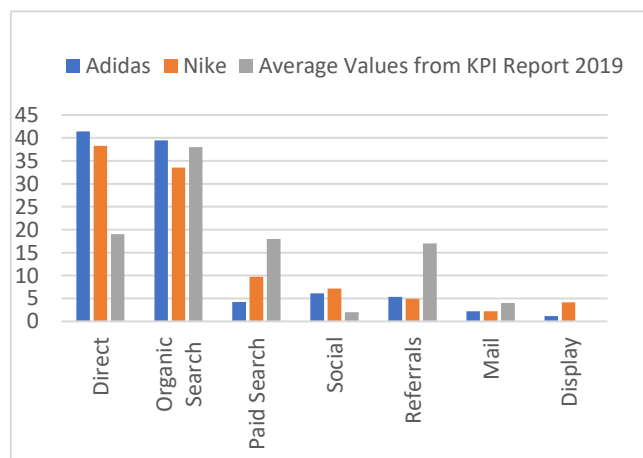


Figure 69: Website traffic sources (Web, Website performance - Nike & Adidas, 2018)

both companies’ averages as well as the “KPI Report 2019” averages to determine the performance of Nike and Adidas with respect to the average. Figure 69 clearly shows that Adidas was able to surpass both Nike and the average in direct and organic search. On the other hand, Nike was able to surpass both in social and display. Both companies had a lower performance, with respect to the average, in paid research, referrals, and mail. Therefore, according to these data we can

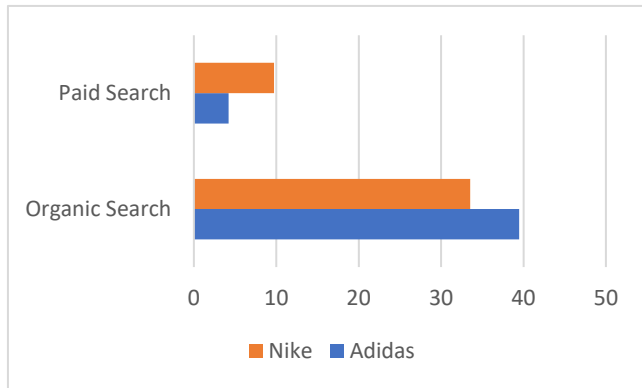


Figure 70: Organic vs paid search – Nike vs Adidas (Web, Website performance - Nike & Adidas, 2018)

assume that Nike depends on social media and display ads to drive traffic to their website, however, Adidas depends more on both direct and organic search. Moreover, based on the previous information, we can also assume that Nike was able to achieve a better linkage between their social media platforms and Nike’s website. Not only better than Adidas, but also better than the average provided by “KPI Report 2019”. Furthermore, despite that

both companies had a lower percentage, with respect to the average, in the paid search, we can assume that Nike was able to achieve a better return from paid keywords than Adidas. To obtain more detailed information about organic and paid searches, Figure 70 shows how both companies deal with these two methods of search. In the same period mentioned before, Nike had a better “paid search” results than Adidas. Thus, we can assume that Nike depends more than Adidas on paid search; however, Adidas depends more on the organic search.

The KPI Report 2019 states that the average number of average visit duration is 3:01 minutes (Coleman, 2019). Nike is above average with 04:36 minutes and Adidas is under the average with 02: 57 minutes. Thus, we can assume that Nike has been more attractive for the visitors. Moreover, Nike and Adidas had a better performance than the average in pages per visit metric, 5 pages. Visitors of Nike have opened nearly 7,17 pages per visit, however, those of Adidas opened around 5,15 pages on average. Moreover, as mentioned previously, the bounce rate differs between different kinds of websites. Therefore, Nike’s bounce rate, 31.41%, is much lower than Adidas’s bounce rate, 52.25%; thus, even when comparing Adidas with Nike, Adidas is still much higher than Nike’s value.

In conclusion, based on the information provided by “KPI Report 2019” for the period between August 2018 and January 2019, it is clear that Nike had a much better website performance compared to Adidas, even if the former had some results below the “KPI Report 2019” averages. A better performance in terms of website means that it is user friendly, rich in content, and useful for visitors. However, due to the absence of historical web analytics for both companies, we cannot

provide a conclusion regarding the previous periods, nor we can compare their website performances along the different eras.

4.3 Social media analysis

Creating a social media page on any social media platform does not mean that the company adopted social commerce. Social commerce is way far than managing pages on social media platforms. With reference to Social Commerce, there are pillars to be considered when adopting it. Nike’s first website was created between 1995 and 1996 with the aim of providing information for Nike customers. In that period, there were no e-Commerce capabilities on Nike’s website and their purpose was brand building. On their website, they provided information related to detailed product information, design inspirations, athlete endorsements, and news and updates about sports events. From an information and marketing tool in 1996, to a “direct to consumer” selling of its products in 1999, Nike was able to transform the role of its website and enter the e-Commerce world. Both Nike and Adidas adopted e-Commerce at the beginning of the new century. Moreover, almost 10 years later, both joined different social media platforms between 2009 and 2011. The table below illustrates both companies’ activities in the digital commerce era and shows that both companies’ activities are aligned with those performed when adopting social commerce.

Social commerce activity		Performance definition	Nike	Adidas
Social activities	Word of mouth	A marketing technique where companies stimulate people to express their marketing messages (Mohsen Akbari, 2015)	✓	✓
	Social referral incentive	A primary way through which companies in the social networking era acquire new customers (Ilan Lobel, 2016)	✓	✓
	Promotions	Set of activities to spread a word about the company’s brand, products, or services (S, 2015)	✓	✓
	Advertising	It is a method of driving people’s attention towards a company’s products or services through paid network (S, 2015)	✓	✓
	Co-creation	<i>“Purposeful action of partnering with strategic customers, partners, or employees to ideate, problem solve, improve performance, or create a new product, service, or business”</i> (Crandell, 2016)	✓	✓

Table 21: Social Commerce activities - Nike vs Adidas

Social commerce activity		Performance definition	Nike	Adidas
	User-generated content	Digital content produced and shared by a company's followers or subscribers (Techopedia, 2019 b)	✓	✓
	Information sharing	<i>"Sharing already acquired information, incorporating both active and explicit and less goal oriented and implicit information exchanges"</i> (Talja, 2006)	✓	✓
Commercial activities	Purchasing	The act of buying goods or services produced by a company (DPO, 2017)	✓	✓

(Continued) Table 21: Social Commerce activities - Nike vs Adidas

o **Word of Mouth**

Based on Table 21, it is clear that both companies implement all the activities of social commerce that we mentioned in the literature review part. Annex B – Case Studies, shows clearly the evolution of Nike through the periods between 2014 and 2016. In 2016, Nike was able not only to achieve the average, but also to exceed it. The main pillars that shows Nike's ability to gain a "word of mouth" are people, respect, authenticity, and trust. Moreover, the report stated, *"People are prepared to not only buy products and services from Nike, but they are also willing to pay more for them than their competitors"* (Index F. B., 2018). According to the same report, they defined "people" as the state where the company is well-known for the quality of its people, "respect", as the ability of the company to respect and enhance people's lives, and "trust", refers to the fact that the company is perceived as a trusted brand. Despite the fact that Adidas is not present in the list, the company continuously invests in collaborations, sponsorships, campaigns, and endorsements where they enhance the "word of mouth" as a free marketing tool. For example, the "All In" campaign Adidas made collaborating with famous athletes and celebrities, such as Leo Messi, Zinedine Zidane, and Katy Perry. Moreover, in 2014, Adidas-Group website mentioned that the company was the "most talked-about" brand during the 2014 FIFA World Cup Brazil, where they acquired more than 5 million followers in different social media platforms (Adidas-group, 2014 b).

- **Social Referral Incentive**

As mentioned previously, social referral refers to the ability of the company to acquire new customers due to the presence of social media. There are several facts that shows the ability of both companies to acquire and increase their customer base due to the presence of social media. Based on Figure 31, one of the traffic sources to Nike's website was social media. Moreover, Nike's traffic from social media recorded 7.15% which is higher than the average, 5% (Coleman, 2019). Social referral does not only refer to the website traffic, but also, to several facts which shows how Nike's customers value the brand. One of the evidences is the increasing number of Nike's followers in their main page during January 2019, despite the fact that the company's last post was done in October 2018. Not only Nike, but also Adidas was able to acquire more customers and drive traffic to their website due to their strong presence on different social media platforms. Moreover, in 2008, "Adidas Help" tweeted, *"Hi there, didn't mean to keep you waiting. Please be notified that we don't accept gift cards on our online store, only percentage discount voucher codes. If you wish to get such code, you can sign up for our newsletter or leave a review on our website"*. The aim of such messages is to encourage and convert non-customers to new customers, where they can follow the company on different social media platforms and be part of the communities the company created (Koshy, 2019).

- **Promotion**

Nike manages several accounts on different social media platforms such as Facebook, Twitter, Instagram, and YouTube. With reference to their 2016 annual report, Nike stated that: *"Consumer connection and affinity for brands and products, developed through marketing and promotion; social media interaction; customer support and service; identification with prominent and influential athletes, coaches, teams, colleges and sports leagues who endorse our brands and use our products and active engagement through sponsored sporting events and clinics"*. The company extensively invests in promoting their brand in both online and offline channels. (Nike, 2016)

Similar to Nike, Adidas Group promotes its brand in both online and offline channels. Nevertheless, Adidas Group mentioned in their annual report that they are committed to create innovative marketing concepts to drive customer loyalty and maintain brand equity, thus they are

planning to increase their marketing expenditures. Moreover, they want to maintain collaborations with key partners, such as FC Bayer Munich, and Lionel Messi (Adidas-group, 2017)

- **Advertising**

Nike's advertising strategy has been aggressive since its early beginnings. Nike has sponsored many major sports events, signed a lot of contracts to sponsor different public figures as well as different sports teams to enhance their brand image. From these figures and teams, we can mention Ronaldinho, Roger Federer, Manchester City, and Tottenham (Flynn, 2015) Moreover, Nike does not only manage a single page for its brand on social media, but they have established several pages, where each is dedicated to a specific kind of sports. Within these pages, advertisements are used based on the interests and preferences of the page followers (Watch, 2018). On the other hand, and similar to Nike, Adidas uses their social media platforms to display their advertisements which are based on the campaigns, endorsements, and sponsorships the company do. Moreover, as mentioned in the social media performance analysis, Adidas's CEO claimed that the company is planning to focus their advertisements on digital platforms rather than traditional ones.

- **Co-creation**

According to (Ramaswamy, 2008), Hall man Fellow and Professor of Marketing at the Ross School of Business, University of Michigan, under the title "Co-creation value through customer's experiences: the Nike case", it states that Nike is involving customers in the value creation process through creating online communities where they can share their interactions and experiences, ideas regarding improving or customizing products, and feelings when they use the company's products. Moreover, Nike is able to learn from the interactions on social media platforms, and thus create new strategic capital for the company (Ramaswamy, 2008). At the same time, Adidas uses an "Open Source" approach, which is a collaboration- innovation based model which involves customers to create the future and culture of sports. Moreover, the company uses all its internal and external sources to learn, share and deliver a valuable and differentiated outcome along with their customers (Adidas-group, 2017).

- **User generated content**

“The 2018 Brand Visibility report”, stated that Nike was ranked the second in the top 100 brands that were pictured most on Twitter and Instagram (Watch, 2018). One of the most recent examples was Nike’s “Just Do It” campaign for its 30th anniversary, where the company made a risky move by taking a stance on a fraught cultural topic. Despite the fact that the company have faced some backlash by fans; later on, the #JustDoIt hashtag was posted more than 15 million times (JoeMcCarthy, 2018). On the other hand, Adidas defines two main targets to touch all the aspects in the “customer journey”. First, they measure customer generated content on social media platforms, then, they aim to increase the number of users in their digital ecosystem (Adidas-group, 2017). According to the “2018 Brand Visibility Report”, which was submitted by Brand Watch, Adidas was ranked 1st with 6664170 average unique images per month (Brandwatch, 2019). This report was done based on the analysis of almost 250 million images online to define which brand was pictured the most.

- **Information sharing**

Nike does not only manage a single page for its brand on social media. On both Twitter and Instagram, Nike manages pages related to certain geographical areas. Moreover, they run different pages related to different kinds of sports, such as basketball, football, and running, as well as they own pages dedicated for specific social groups, Nike Women for example. In conclusion, both Nike and Adidas use their social media pages not only to inform customers about their products and increase the awareness of their brand, but also to exchange information and benefit from customer’s experiences and ideas.

- **Purchasing**

Currently Nike’s online purchasing is done through the company’s website (www.Nike.com). However, Nike’s CEO, Mark Parker, announced that the company will start selling its products not only on Amazon, but also on Instagram. Nike’s step aims to connect with younger buyers who spend hours browsing the application (Moon, 2017). On the other hand, in addition to ‘adidas.com’, Adidas enables its customers to do “direct shopping” directly from their social media platforms, Facebook and Instagram.

In conclusion, based on all the above-mentioned facts about both companies, it is clear that both companies are truly involved in the social commerce activities.

- **Social Media Platforms**

Based on Table 22, it is clear that both companies have different strategies when dealing with Facebook. Despite the fact that the largest category of pages, in both companies, is the one related to different kinds of sports, Nike and Adidas run other pages of different categories. For instance, Nike owns pages related to its lines of products, Nike Air Max, however, Adidas do not. Indeed, Nike shares with Adidas all the categories the latter owns, however, Nike owns other pages of different categories. On the other hand, unlike Nike, Adidas’s main page detects customers’ location, where the language as well as the website are changed based on customer’s preferences. As for the options present in both companies’ pages, it is unclear how each company uses these options. For Nike, its Football Facebook page includes “Direct message”, whereas, its Basketball page does not include this option despite the fact that both pages fall under the sports category. However, for the “shop now” option, unlike Adidas, Nike’s strategy is a bit clearer where they introduced this option to all their pages except those related for Air max and Air force. Differences in the options are not only limited to the same company, but also present between both companies. Adidas Running page does not include the direct messaging, however, it is included in Nike’s running page. In conclusion, it is clear that both companies adopt different strategies in segmenting and operating their Facebook pages.

		Nike	Adidas
Facebook	Main page followers	32 million	35.5 million
	Posts 2018	6	39
	Categories of pages	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Nike • Specific social groups • Company’s innovations 	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Adidas • Specific social groups
	Direct messaging	Present only in pages related to sports categories, but not in all of them, and in Jordan	Present in Adidas main page, Adidas originals, in some pages which are related to sports categories, and Reebok
	Shop now	<ul style="list-style-type: none"> • Sports (except one) • Specific lines of products (Only sportswear) • Brands owned by Nike • Specific social groups • Company’s innovations 	Present in Adidas main page, Adidas originals, pages related to specific social groups, pages related to fashion, in some pages which are related to sports categories, and Reebok

Table 22: Social media analysis – Facebook

Unlike Facebook, on Instagram even the segmentation of pages differs. Nike does not own pages related to the company’s innovation (Nikeid) on this platform, as well as they do not run pages related to specific lines of products – shoes (Nike Air Max and Nike Air Force). However, Adidas runs exactly the same pages they run of Facebook. On this platform, both companies include three types of services, IGTV, direct messaging, and direct shopping. Yet, on this platform Adidas’s strategy is a bit clearer if compared to Nike. Adidas includes these services in almost all kinds of pages, however, the criteria that Nike follows in introducing these services is not so clear. Yet, we can assume that Adidas introduces the same service in all pages at the same time, however, Nike does not do the same. This assumption is based on the fact that while writing the thesis we had to update our information several times since Nike gradually introduced these services to some pages. Thus, unlike Adidas, Nike does not introduce the services in all the pages at the same time, but they follow a gradual process (Direct message is an example). In addition to the different categories present on Facebook, on Instagram both companies run pages related to specific geographical areas, where we can find Nike London, and Adidas Chile. However, both companies do not share all the pages related to geographical areas. For example, both Nike and Adidas run an Instagram page for London, however, only Adidas runs a page for Chile.

Instagram		Nike	Adidas
	Main page followers	85.5 million	23.3 million
	Types of pages	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Nike • Specific social groups • Geographical areas 	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Adidas • Specific social groups • Geographical areas
	IGTV	All pages except those related to specific social groups, Nike Skateboarding, and Nike Baseball	All pages except Adidas Field Hockey and Reebok
	Direct shopping	<ul style="list-style-type: none"> • Sports (not all of them) • Specific social groups • Brands owned by Nike 	All pages except Adidas Field Hockey and Adidas Y-3
	Direct message	Only in Nike Basketball and Converse	All pages except Adidas Football US, Adidas Basketball, and Reebok

Table 23: Social media analysis - Instagram

To a certain extent, we can state that both Twitter and Instagram are used by the two companies in the same way in terms of pages’ segmentation. The only difference, if compared to Instagram, is that on Twitter Nike runs pages related to the company’s innovations. Despite the fact that pages’ segmentation is the same, the geographical segmentation differs in terms of the country choice. For Nike, not all “country-based” Twitter accounts are the same as those on Instagram. On the other hand, Adidas “country-based” Twitter accounts are almost the same as those present on Instagram. For example, Nike owns a single page, either on Twitter or on Instagram, for the following countries: France, Brazil, Canada, Los Angeles, Mexico, South Africa; however, Adidas owns two pages, one on twitter and one on Instagram, for the previously mentioned countries. As mentioned in the social media analysis in the case studies, it seems that both companies examine the most used social media platform (Twitter or Instagram) in a certain geographical area and runs a page on that platform. Yet, we can assume that Nike adopts this strategy much more than Adidas. Apparently, the main reason behind this strategy is the ability to follow their customers and create a community on their “most favored social media platform”. Moreover, for certain areas and major cities in the US, both companies run the same pages on Instagram and twitter. From these cities we can mention Chicago, and Las Vegas.

		Nike	Adidas
Twitter	Main page followers	7.73 million	3.57 million
	Types of pages	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Nike • Specific social groups • Company’s innovations • Geographical areas 	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Adidas • Specific social groups • Geographical areas

Table 24: Social media analysis – Twitter

YouTube’s subscribers are much less if compared to the followers on other social media platforms. Away from “Adidas Football”, none of the companies was able to reach more than 1 million subscribers in any of their pages. Pages’ segmentation of YouTube differs not only between both companies, but also if compared to the other social media platform. Moreover, in terms of the number of videos, it seems that both companies are more active in sports’ related pages rather than the other categories they run.

YouTube		Nike	Adidas
	Main page followers	933K	864K
	Types of pages	<ul style="list-style-type: none"> • Sports • Specific lines of products • Specific social groups • Company's innovations 	<ul style="list-style-type: none"> • Sports • Specific lines of products • Brands owned by Adidas • Specific social groups

Table 25: Social media analysis - YouTube

In brief, both companies follow different strategies when running different pages in different social media platforms. It is clear that a special treatment is followed for each platform to gain the maximum benefit from it. Moreover, regarding page segmentation and the options provided, we can assume that Nike is more specific and targeted in the pages they own, and unlike Adidas, they follow a step by step strategy when introducing new options to their pages. On the other hand, Adidas is more willing to adopt new options immediately in all their pages that belong to the same social media platform.

4.4 Conclusion: Nike vs Adidas

Based on Nike vs Adidas comparison, we can state that Nike's financial benefits from social commerce exceeded those of Adidas. During the social commerce era, Nike was able to achieve higher increase in their sales and net income if compared to Adidas. Moreover, we can assume that both companies' strategy regarding physical shops has changed since adopting social commerce. Adidas has closed more than 300 stores worldwide; whereas, Nike has reduced the pace of opening new shops by more than 50% if compared to the e-Commerce era. Regarding the website analysis, we can state that Nike's website performance surpassed Adidas's one in terms of all the website metrics.

Finally, Nike and Adidas are using similar social media platforms, Facebook, Instagram, Twitter, and YouTube, but we assume that they are approaching these platforms with different strategies in terms of both pages' segmentation and provision of the platforms' services. On the one hand, Nike is managing targeted pages, especially those related to geographical areas, on social media platforms to achieve an efficient and effective social media strategy. On the other hand, Adidas tends to duplicate its pages, especially those related to geographical areas, on different social media platforms. Moreover, we assume that Nike does not introduce the services, provided

by different social media platforms, in all the pages at the same time, but they follow a gradual process. However, similar to pages' segmentation, Adidas tends to duplicate these services in all their pages related to a specific social media platform.

In brief, we assume that the main reason behind the ability of Nike to surpass Adidas, in both the financial and website analysis, was enhanced by Nike's strong Web presence as well as their targeted social media strategy. Moreover, we assume that social commerce is not only enhancing Nike and Adidas's financial figures, but also, based on the literature review (Gandotra, 2012), it is playing an important role in enhancing both companies' social authenticity, authority, consistency, and reciprocity. Lastly, as mentioned previously, based on all the analysis and facts, we can assume that social commerce is one of the largest growth opportunities for Nike and Adidas.

4.5 Social media approach – Companies in the sportswear industry

Based on Nike and Adidas case studies, it is clear that both companies are present in the same social media platforms, yet, approaching them with different strategies. In order to have an enlarged analysis about the social media approaches applied in the sportswear industry, we selected thirteen more companies, from the same industry, to examine their performances. Due to the fact that it is difficult to access the financial data of all the selected companies, we examined mainly their presence on social media, which is one of the important pillars of social commerce.

Table 26 gives a brief overview about the profiles and the social media performances of 15 companies in the sportswear industry. The main idea behind examining their performances, is to know whether different companies in the sportswear industry are approaching social media, which is one of the important pillars of social commerce, with the same strategy or with different ones. The information below is based on the examination of each company's activities on Facebook, Instagram, and Twitter.

Level	Company	Profile	Performance
Level 3	Nike	American sportswear company, headquartered in Beaverton, Oregon. The company designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories worldwide. (Finance, 2019 a)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), company's lines of products, different social groups, company's innovations, brands owned by the company, and customers' geographical locations.
	Adidas	German sportswear company, headquartered in Herzogenaurach, Germany. The company designs, develops, produces, and markets athletic and sports lifestyle products worldwide. (Finance, 2019 b)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), company's lines of products, different social groups, company's innovations, brands owned by the company, and customers' geographical locations.
	Puma	German sportswear company, founded in 1924 and is headquartered in Herzogenaurach, Germany. The company designs, develops, sells, and markets footwear, apparel, and accessories. (Finance, 2019 c)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), company's lines of products, different social groups, and customers' geographical locations.
	Under Armour	American sportswear company, founded in 1996 and is headquartered in Baltimore, Maryland. The company develops, markets, and distributes branded performance apparel, footwear, and accessories worldwide. (Finance, 2019 d)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), different social groups, and customers' geographical locations.
	Columbia	American sportswear company, founded in 1938 and is headquartered in Portland, Oregon. The company designs, sources, markets, and distributes outdoor and active lifestyle apparel, footwear,	The company runs several social media accounts on different social media platforms. These accounts are based on company's lines of products, and customers' geographical locations.

Table 26: Sportswear Industry - Social commerce

Level	Company	Profile	Performance
Level 2		accessories, and equipment worldwide. (Finance, 2019 e)	
	Asics	Japanese sportswear company founded in 1949 and is headquartered in Kobe, Japan. The company manufactures and sells sports goods worldwide. (Finance, 2019 f)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), and customers' geographical locations.
	Fila	Korean sportswear company, founded in 1991 and is headquartered in Seoul, South Korea. The company engages in the wholesale and retail of apparel and footwear. (Finance, 2019 g)	The company runs several social media accounts on different social media platforms. These accounts are based on customers' geographical locations.
	New Balance	American sportswear company, founded in 1906 and is headquartered in Boston, Massachusetts. The company manufactures and sells athletic shoes, apparel, and accessories. (Bloomberg, 2019 a)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), and customers' geographical locations.
	The North Face	American sportswear company, founded in 1966 and is headquartered in San Leonardo, California. The company manufactures and supplies outdoor exploration apparel, footwear, equipment, and accessories. (Bloomberg, 2019 b)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), and customers' geographical locations.
	Volcom	American sportswear company, founded in 1991 and is headquartered in Costa Mesa, California. The company designs, markets, and distributes clothing, footwear, accessories under the Volcom brand name. (Bloomberg, 2019 c)	The company runs several social media accounts on different social media platforms. These accounts are based on customer's preferences (different kinds of sports), company's lines of products, and different social groups (Almost one of each category).
Level 1	Patagonia	American sportswear company, founded in 1973 and is headquartered in Ventura, California. The company	The company runs a single account on each social media platform.

(Continued) Table 26: Sportswear Industry - Social commerce

Level	Company	Profile	Performance
		manufactures sports clothing and gear for men, women, kids, and babies. (Bloomberg, 2019 d)	
	Marmot	American sportswear company, founded in 1974 and is headquartered in Rohnert Park, California. The company manufactures and distributes clothing, outdoor, and equipment. (Bloomberg, 2019 e)	The company runs a single account on each social media platform.
	Burton	American sportswear company, founded in 1977 and is headquartered in Burlington, Vermont. The company provides snowboarding gear, apparel, and related products. (Bloomberg, 2019 f)	The company runs a single account on each social media platform.
	Kappa	German sportswear company, founded in 1906 and is headquartered in Norderstedt, Germany. The company offers sports apparel for men and women. (Bloomberg, 2019 g)	The company runs a single account on few social media platforms.
	Obermeyer	American sportswear company, founded in 1947 and is headquartered in Aspen, Colorado. The company designs and manufactures authentic skiwear for men, women, teens, and kids. (Bloomberg, 2019 h)	The company runs a single account on few social media platforms.

(Continued) Table 26: Sportswear Industry - Social commerce

4.6 Graphical representation of social commerce approaches in the sportswear industry

Back to the literature review, Social Commerce Figure 5, we already mentioned four key pillars of social commerce, technology, people, management, and information, done by Chingning Wang, and Ping Zhang (Chingning Wang, 2012). Moreover, based on the detailed analysis of Nike,

Adidas, and 13 other companies in the sportswear industry, we were able to graphically represent a three-level approach to social commerce based on its four key pillars. The first level describes the basic activities necessary for social commerce adoption, where companies in this level are assumed to have limited resources. In the second and third level, there are the advanced activities which require more resources that help companies strengthen their performances in the social commerce adoption. All of the four pillars are essential to adopt the e-Commerce strategy, where both people and technology are connected through management and information. Unlike information, management is basically achieved from the company's side. However, information is not only limited to the company, but also to people. In social commerce, the company is not the only neither the most important source of information, yet people are. But of course, information cannot be one-sided, neither from people to the company nor vice versa; for that reason, it requires circularity.

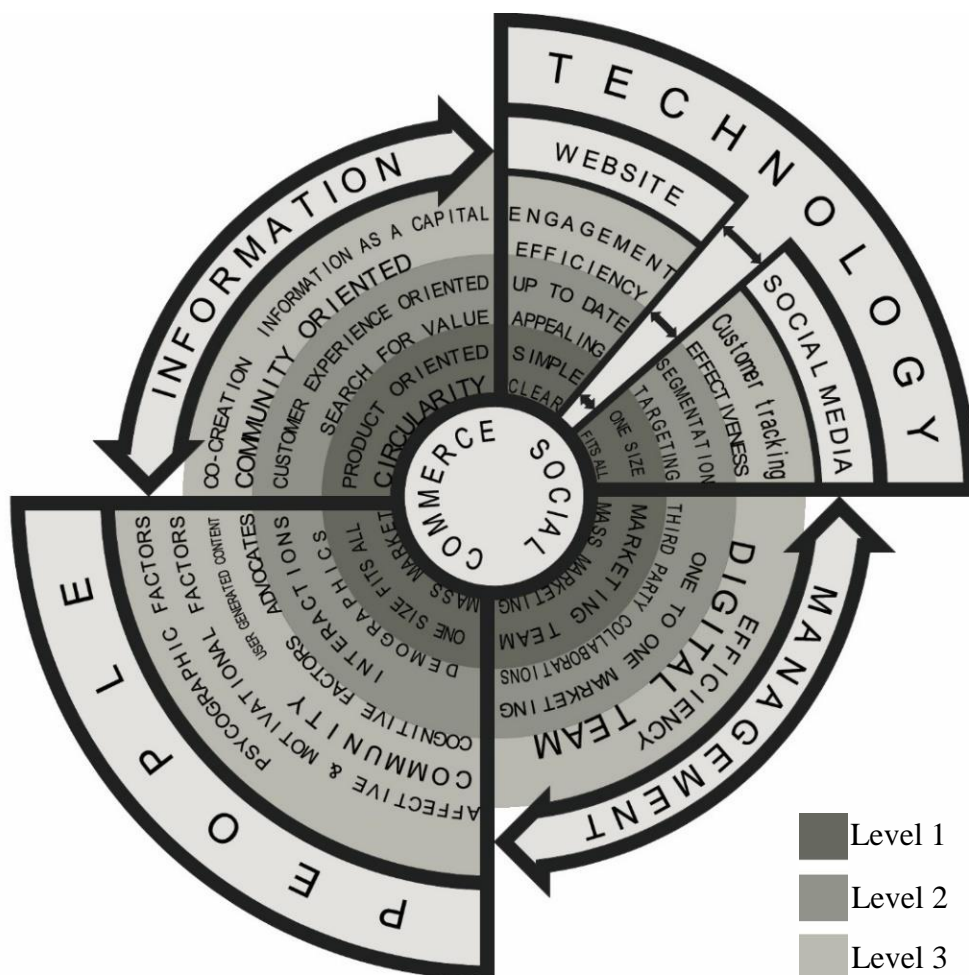


Figure 71: Graphical representation of social commerce adoption – Sportswear Industry

The reason behind using the term circularity is that when the company provides information, people will react to the content, and afterwards the company should understand what people exactly want and then provide either the same content, or develop the usual content, or create a new content to satisfy their customer's needs. Moreover, while surfing different social media platforms, users pass by dozens of "business-related" posts; however, none of these posts are similar neither in the content nor in the way companies tend to approach their customers. Some companies' posts focus on the product, others on the experience related to that product. Some pages, related to the same company, are present on one social media platform but not on the other

Annex C – Social media posts – Nike & Adidas vs. New Balance & Kappa.

In the core of the graphical representation, which is the very first level of social commerce adoption, there are the companies that adopted a "one size fits all" strategy in their social media marketing. This means that they are just running a single page on few social media platforms. When running a single page, this means that followers may be not interested in all the content, thus they will be treating their customer base as a mass market, where basketball fans are indirectly forced to see tennis news, and tennis fans are indirectly forced to see golf products. Moreover, most of the content in these pages is product oriented, which means that the majority of the posts are promoting the company's product. Even though the majority of the content is about the products, they can still create a sense of community where customers can discuss, provide their feedbacks and their experience about a certain product. Moreover, the companies at this level own a simple, clear, and a user-friendly website where customers can surf and check their products easily. Yet, the previously mentioned characteristics are the base of any website even in the e-Commerce business. Considering that most of the companies in this level own limited resources, and due to the fact that they are not widespread on social media like other "large" companies, we assume that these companies are not able to own a specific digital team to run their digital marketing plan. Thus, digital marketing is part of the traditional marketing team. Moreover, as mentioned in the literature review, the so-called "large firms" are accompanied with much more power and success, and thus they are more able to afford large marketing budgets. For that reason, they are more capable to form an entire internal digital department, which provides the firm with the required expertise and support to establish campaigns, contests, and specials to increase their "loyal" customer base and create their own online communities in both the local market and abroad.

In the second level, which is the intermediary one, there are the companies which are able to segment their presence on social media. In this phase, these companies are better able to be somehow “specific” and better identify their customers. With the assumption that these companies own more resources if compared to the ones in the previous level, these companies are able to segment their social media presence basically based on demographic factors. Despite the fact that some companies in level 2 segment their social media pages based on customers’ interest or certain lines of products, the presence of this kind of pages is limited to very few pages. For example, The North Face runs around 13 pages on Instagram, out of these 13, 10 are related to specific geographical areas. Moreover, due to the fact that companies at this level own more resources if compared to those in the previous level, they are more capable in replying to customer’s comments or tweets. Nevertheless, this does not mean that those in the first level do not do this, they do it, but it is less relevant. As for the information provided, it is much more than being product oriented. The information provided aims to search and create value for their customers, where they provide posts picturing their products as a lifestyle and as a part of customers’ experience. Moreover, companies in the second level are able to provide up to date and appealing content not only on social media, but also on their websites. Finally, back to Nike’s and Adidas’s histories, both companies did collaborations with third parties as soon as they launched e-Commerce. Thus, companies in this level are better able to collaborate with consultancy firms, online retailers, or any other third party to enhances their presence on social media.

Arriving to the last level, it consists of big players in the sportswear industry, such as Nike, Adidas, and Puma. All of these companies are doing their best to attain the maximum benefit in the social commerce era. These companies, along with their enormous resources, are able to track their customers and detect the affective and motivational factors that influence them. As mentioned in our analysis, similar to the companies in the second level, Nike owns pages on Instagram related to the presence of its customers in certain geographical areas. However, unlike companies in the second level, Nike does not duplicate its “geographic-based” Instagram pages on Twitter, neither on Facebook nor YouTube. Yet, they examine the most used social media platform in a certain geographical area, and they establish an account on the most popular social media platform in that area. Thus, they tend to be not only efficient, but also effective in the strategy they follow. These companies are able to create not only one community, but different communities based on their customers’ preferences. Some customers are fans of Nike Air Max, why should they be forced to

read skateboarding news! Thus, information on these pages are community oriented, which means they provide information based on what customers want to see and know. The efficiency and effectiveness are not only present on their social media pages, but also in their website. Usually, a company's websites, even Adidas's website, links customers to the main Facebook or Instagram page of the company. However, Nike's website links customers to the social media page they are interested in. If a customer is viewing a basketball shoes and clicks on the Facebook icon in Nike's website, he will not be linked to Nike's main page, but to Nike's Basketball page. This level of engagement is not due to the presence of resources, but also to the creativity of the digital team that the company owns. With reference to Adidas's case study, the company mentioned that they own a specific team, "Future", which is responsible for the all aspects of "digital" in the company. Thus, we assume that companies at this level are more able to afford creating a dedicated digital team to enhance their presence in the social commerce era. As mentioned previously, statistics done by Moorman in 2015 showed that only 15% of the marketers surveyed were able to quantify the impact of social media on their businesses (Elizabeth A. Mack, 2016). For that reason, we assume that there is a link between the resources the company owns and the levels of social commerce adoption. Lastly, another example of the application of social commerce in the third level is stated in Nike's annual report 2012, where Nike admitted that they depend on information technology systems for digital marketing campaigns and activities, electronic communications throughout the world between and among their employees as well as with third parties, such as customers, suppliers, and consumers (Nike, 2012).

In brief, in the graphical representation we classified three levels of social commerce adoption based on the analysis of different companies in the sportswear industry. However, if a company is in the first level, this does not mean it cannot share some features from the second or third level. Yet, the dominant performance of the company is aligned with the features and activities performed in the first level. Moreover, despite the fact that the ascending order of the levels moves along with the company's resources, even companies with fewer resources are be able to position themselves in the foreground levels. A simple example could be the pages owned on a certain social media platform. Instead of having a single account which includes different posts about different kinds of sports, companies can examine their customers' preferences and interests and instead of exerting all the efforts on a single page, they can divide their efforts on fewer pages. The result will not be more effort, neither more costs, however, the result will be better involved and more satisfied

customers who are able to know, see, and read about their interests and preferences regarding a certain brand. Another example can be the option that links the company's website to specific social media pages, like Nike's website. These features can be done without huge amounts of budget, they just require some "smart work". The main idea is that resources will always be a vital factor that affects a company's performance; however, in social commerce, there are a lot of features that could be reachable without incurring high amounts of budgets and resources.

5 Conclusion

Most of the previous studies focused on the definition, scope, and boundaries of social commerce; yet none of them analyzed deeply the performance of companies when adopting social commerce. This study aims to identify the challenges and effects of social commerce strategy on companies in the sportswear industry. For that reason, two major players in the sportswear industry, Nike and Adidas, were selected to analyze their overall performances regarding social commerce. Considering that social commerce is a combination of both e-Commerce and social media, thus the analysis included financial, website, and social media analysis. Besides, the financial performances of both companies were analyzed to examine the changes and the challenges they faced along the three periods, before e-Commerce, during e-Commerce, and during social commerce.

As for the financial analysis of Nike and Adidas, it is clear that both companies are heavily investing in the adoption of social commerce. We assume that these investments are positively reflected in the financial figures of both companies. During the era of social commerce, revenues accelerated the most, the increase in the cost of sales with respect to sales was the lowest, and the net income increase was the highest for both Nike and Adidas. Nevertheless, Nike was able to surpass Adidas in terms of the percentage of online sales with respect to the overall sales in the year 2017. On the other hand, based on the web analytics analysis, Nike's website performance surpassed Adidas's one in terms of all the website metrics, average visit duration, pages per visit, and bounce rate. Moreover, we assume that both companies are using the same tools to approach social media, yet, in different strategies. Nike is more targeted and specific when using different social media platforms; however, Adidas tends to duplicate its pages and the platforms' services on all the social media platforms they use. We assume that the main reason behind the ability of Nike to surpass Adidas, in both the financial and website analysis, was enhanced by Nike's strong Web presence as well as their targeted social media strategy. Moreover, we can assume that social commerce is not only enhancing Nike and Adidas's financial figures, but also, based on the literature review (Gandotra, 2012), it is playing an important role in enhancing both companies' social authenticity, authority, consistency, and reciprocity.

Additionally, to have a general overview about the social commerce behaviors in the sportswear industry, thirteen companies were selected and analyzed based on their social media

and website performances, which are important pillars in the social commerce. The outcome is a graphical representation describing three levels of social commerce approach in the sportswear industry based on the four pillars of social commerce, which were identified in the literature review, done by Wang (2012). In each of these levels, there are activities adopted by companies based on the resources and capabilities they own. This graphical representation can be a guideline for other companies which are willing to adopt or strengthen their position in the social commerce era.

Lastly, despite the fact that the financial figures of social commerce are still blurred, and despite that social commerce's financial figures are still a small percentage of the overall financial one's, yet, the advantages of social commerce are not only limited to the financial aspects. Social commerce is an enhancer for the company's brand image, customer loyalty, community creation, customer support, relationship maintenance, content creation, co-creation, product development, and finally revenue stream. For that reason, we can assume that social commerce adoption is one of the largest growth opportunities for companies nowadays if "properly managed".

5.1 Limitations

The limitations of this research can be considered the start point for further future works. Moreover, the results obtained shed the light on some potential topics to be further investigated. First of all, in the case study parts two major players in the sportswear industry were chosen. Thus, the analysis and the results were based on the performance of these specific companies in a specific industry, the sportswear industry. Though, it could be possible to achieve different or similar results when analyzing other companies in different industries. Moreover, one of the limitations was the absence of detailed financial figures for both Nike and Adidas. None of them mentioned detailed information about all aspects of online sales (i.e. Online marketing expenses, R&D costs related to the e-Commerce and social commerce adoption, and cost of online sales). For that reason, it was not possible to arrive to a concrete conclusion regarding the relevance of these financial figures during the two commerce eras.

Limitations are not only in the financial analysis part, but also in the website analysis part. Our reference for the web analytics, "Similar Web", offers data for a period of six months for the companies. Thus, all the conclusions and the analysis, in the website analysis parts, were based on a short period of time. Moreover, when benchmarking Similar Web's average, we relied on the

“KPI Report 2019”. However, this report is a general benchmarking report which took into consideration all kind of industries and sector; however, if it was focused only on the sportswear industry it could have presented some different values than the averages in the general report.

Lastly, the graphical representation, which shows three levels of social commerce approach, is based on the performance of different companies in the sportswear industry. Therefore, the results may be considered as an “industry specific” results.

5.2 Future research

After this study, future researches can be carried out in different streams. First, from the analysis point of view and due to the fact the social media is an important pillar of social commerce, future researches could examine deeply the performance of companies in each page within the same social media platform to examine how do they engage customers, the content of the posts, the time of posting, how companies communicate with their customers based on the type of the page, and the reason behind having frequent posts in one page and rare posts in another. In addition, it would be so helpful if future researches will be able to reach contacts in the companies they are analyzing. In this way, they will be able to grab more information, approve the assumptions, and convert them to concrete conclusions. Furthermore, our analysis is based on four major social media platforms, however, there are many existing social media platforms which could be analyzed.

From the academic point of view, the graphical representation provided by our study can be developed and updated based on new findings and new considerations. The graph was a result of the detailed examination for two major players in the sportswear industry; however, the other 13 players were examined but not in details like Nike’s and Adidas’s case studies. Thus, future researches can examine the performance of other players to reinforce or develop our findings. Moreover, the three levels identified are based on companies belonging to the same industry, though, it would be interesting to examine the performance of different companies in different industries to know whether all companies approach social commerce in the same or in different ways. When mentioning different companies in different industries, we do not only refer to B2C industries, but also future researches could examine B2B industries.

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7 Annex A – Literature Review

Categories	Features
E-Commerce Functions	shopping cart/bag, checkout/payment, product visualization (images), product price, shipping
Social Channels	chats, fora, groups/communities, friends' lists, user's blogs, website blog, user's profile, wiki platform
Content to Socialize	emoticons, favorites, images (buyers' choice), open comments, wish lists, podcast/videos, rankings, ratings, tags, tag clouds, polls
Social Networks	Delicious, Digg In, Facebook, Foursquare, Hi5, Myspace, Second Life, Stumble, Twitter, Instagram, Pinterest, Delicious, Digg In, Bebo
Organizers/ Management Tools	calendars, geolocators, price comparison, RSS (syndication), to-do lists, shoplists, price alerts
Mobile	Site mobile version, mobile apps
Augmented Reality	3D bar codes, avatars (shopping assistants), avatars (user), virtual reality tools (fitting rooms, shopping visit)

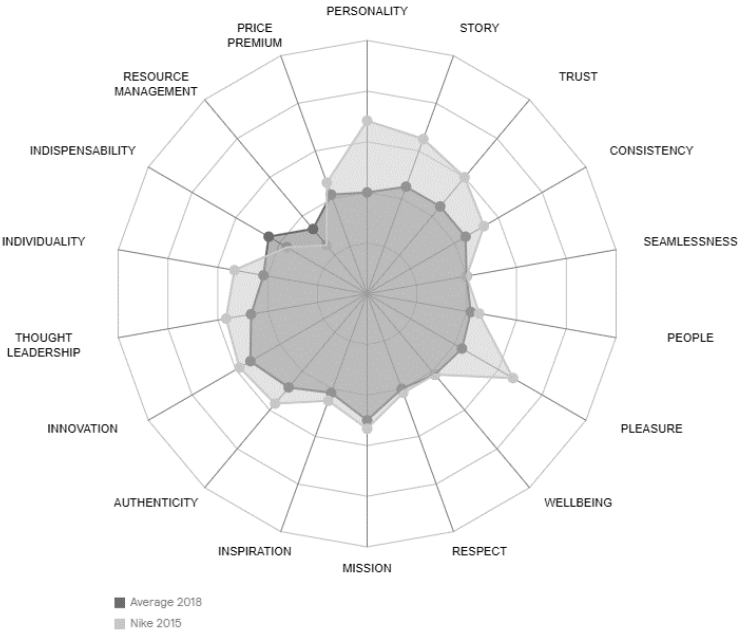
Expected technological features

e-Commerce		Web 2.0	
Factor	Characteristic	Factor	Characteristic
Usability	<ul style="list-style-type: none"> • Ease of use • User-Friendliness • Simplicity • Navigation • User control • Error prevention • Help function • Understandability • Accessibility • Speed • Visibility of the system status • Match real world • Consistency • Recognition rather than recall • Aesthetic design Personalization 	Participation	<ul style="list-style-type: none"> • User content creation • Information sharing • User intensity • Incentives provision • Task creation

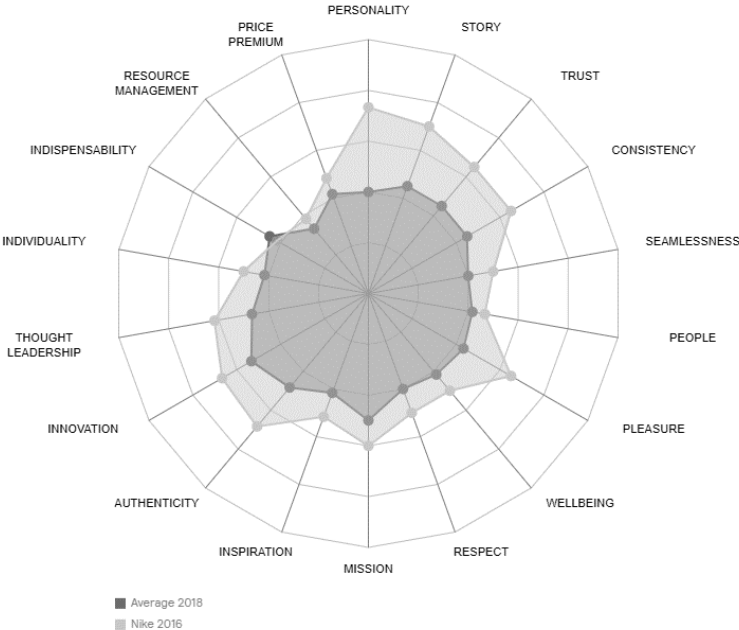
e-Commerce		Web 2.0	
Information quality	<ul style="list-style-type: none"> • Relevance • Accuracy • Completeness • Update • Authority • Objective • Usefulness • Sufficiency 	Conversation	<ul style="list-style-type: none"> • Interaction communication • Connection
System quality	<ul style="list-style-type: none"> • Security • Access • Error recovery • Operation and computation • Appearance • Functionality • Payment • Ordering mechanism • Content 	System quality	<ul style="list-style-type: none"> • Interface features • Simplicity • Tools and multimedia-rich environment • Crowdsourcing • Transparency • User control
Service quality	<ul style="list-style-type: none"> • Responsiveness • Assurance • Empathy • Following up service • Reliability 	User identification	<ul style="list-style-type: none"> • Collaboration identity • Content representation and expression
Playfulness	<ul style="list-style-type: none"> • Enjoyment • Attractive-appearance • Control • Curiosity <p>Intrinsic interest</p>	Community	<ul style="list-style-type: none"> • Networking effects

Key success factors – e-Commerce & Web 2.0

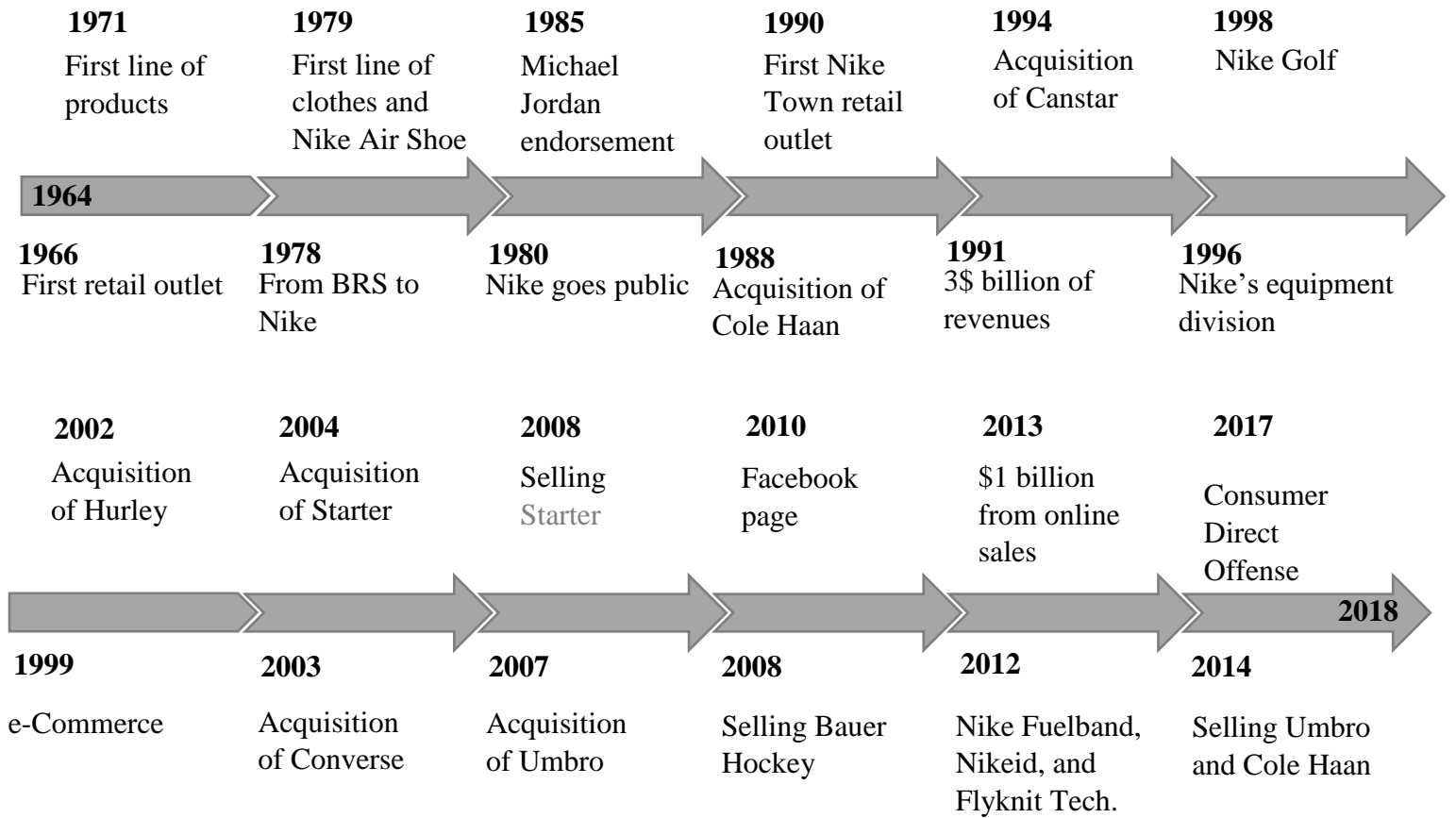
8 Annex B – Case Studies



Nike vs Average - 2015



Nike vs Average – 2016



Nike history timeline

9 Annex C – Social media posts – Nike & Adidas vs. New Balance & Kappa

Nike is at TCS New York City Marathon.
November 7, 2017 · New York, NY, United States · 🌐

Only you can cross your finish line. Congrats Kevin Hart for Breaking 26.2 at #TCSNYCMarathon



Kappa
March 27 at 12:20 PM · 🌐

Keep it #Kappa.
La nuova SS19 donna è qui > http://bit.ly/Authentic_SS19
Keep it #Kappa.
The new ss19 Woman is here > http://bit.ly/Authentic_SS19
🌐 Rate this translation



adidas
February 27, 2018 · 🌐

L'energia arriva dal basso.
Punta a un nuovo limite e infrangilo.
#UltraBOOST

Energy comes from below.
Aim for a new limit and infrangilo.
#UltraBOOST

🌐 Rate this translation



New Balance
March 23 at 8:30 AM · 🌐

Con una silhouette completamente nuova, le Tokyo Design Studio R_C2 sono ora disponibili presso rivenditori selezionati in tutto il mondo.
#TDSbyNB

With a completely new silhouette, Tokyo design studio r_c2 are now available at selected retailers worldwide. #Tdsbynb

🌐 Rate this translation



10 Annex D – Nike Financial Analysis

- ROI: 1988 to 2018

FINANCIAL INDICATORS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
EBIT	166195	284596	403815	489062	552483	620255	505876	674072	938588	1347565	713000	790200
Total Assets	709095	825410	1094552	1708430	1872861	2187463	2373815	3142745	3951628	5361207	5397400	5247700
Account Payables	50288	71105	107423	165912	134729	135701	210576	297656	455034	687121	584600	373200
Income Taxes Payables	8617	27201	30905	45792	42422	17150	38287	35612	79253	53923	28900	0
Non-current deferred income taxes and purchased tax benefits	11949	13352	10931	16877	27074	29965	18228	17789	43285	42132	52300	79800
Commitments & Contingencies	0	0	0	0	0	0	0	0	0	0	0	0
Redeemable Preferred Stock	300	300	300	300	300	300	300	300	300	300	300	300
Non Financial Liabilities	71154	111958	149559	228881	204525	183116	267391	351357	577872	783476	666100	453300
ROI	0.26051782	0.3989	0.42732063	0.33054803	0.33115811	0.3094549	0.24015868	0.24148273	0.27820269	0.294374	0.15069854	0.16481729

FINANCIAL INDICATORS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EBIT	964200	980100	1064900	1165900	1475000	1864600	2104800	2132700	2425800	1947000	2523000	2848000
Total Assets	5856900	5819600	6440000	6713900	7908700	8793600	9869600	10688300	12442700	13249600	14419000	14998000
Account Payables	543800	432000	504400	572700	780400	843900	952200	1040300	1287600	1031900	1255000	1469000
Income Taxes Payables	0	21900	83000	107200	118200	95000	85500	109000	88000	86300	59000	117000
Non-current deferred income taxes and purchased tax benefits	110300	102200	141600	156100	413800	462600	561000	668700	854500	842000	855000	921000
Commitments & Contingencies	0	0	0	0	0	0	0	0	0	0	0	0
Redeemable Preferred Stock	300	300	300	300	300	300	300	300	300	300	300	300
Non Financial Liabilities	654400	556400	729300	836300	1312700	1401800	1599000	1818300	2230400	1960500	2169300	2507300
ROI	0.18533397	0.18621751	0.18647451	0.19836328	0.22362038	0.2522525	0.25449181	0.24043968	0.23753709	0.17246725	0.20596423	0.22800964

FINANCIAL INDICATORS	2012	2013	2014	2015	2016	2017	2018
EBIT	3029000	3269000	3577000	4233000	4642000	4945000	4379000
Total Assets	15465000	17584000	18594000	21600000	21379000	23259000	22536000
Account Payables	1549000	1646000	1930000	2131000	2191000	2048000	2279000
Income Taxes Payables	65000	98000	432000	71000	85000	84000	150000
Non-current deferred income taxes and purchased tax benefits	974000	1292000	1544000	1480000	1770000	1907000	3216000
Commitments & Contingencies	0	0	0	0	0	0	0
Redeemable Preferred Stock	300	300	300	300	300	300	300
Non Financial Liabilities	2588300	3036300	3906300	3682300	4046300	4039300	5645300
ROI	0.23523108	0.22470906	0.24353711	0.23624684	0.26781748	0.2572881	0.25925509

- Sales, cost of sales, gross profit, selling, general & administrative, and Net income: 1988 to 2018**

FINANCIAL INDICATORS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Sales in billions	1.20344	1.7108	2.2352	3.0036	3.4052	3.931	3.7897	4.760834	6.470625	9.1865	9.5531	8.7769
Cost of sales in billions	0.80338	1.074831	1.384172	1.85053	2.089089	2.386993	2.301423	2.86528	3.906746	5.503	6.0655	5.4935
Gross profit in billions	0.40006	0.636	0.8511	1.1531	1.3161	1.544	1.4882	1.8956	2.5639	3.6835	3.4876	3.2834
Selling & Administrative Expenses in billions	0.246583	0.354825	0.454521	0.664061	0.761498	0.922261	0.974099	1.20976	1.588612	2.303704	2.6238	2.4266
Net income in billions	0.101695	0.167047	0.242958	0.287046	0.329218	0.365016	0.298794	0.399664	0.55319	0.795822	0.3996	0.4514

FINANCIAL INDICATORS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales in billions	8.9951	9.4888	9.893	10.697	12.2531	13.7397	14.9549	16.3259	18.627	19.1761	19.014	20.117
Cost of sales in billions	5.4038	5.7849	6.0047	6.3136	7.0014	7.6243	8.3679	9.1654	10.2396	10.5717	10.2136	10.915
Gross profit in billions	3.5913	3.7039	3.8883	4.3834	5.2517	6.1154	6.587	7.1605	8.3874	8.6044	8.8004	9.202
Selling & Administrative Expenses in billions	2.6064	2.6897	2.8204	3.1376	3.702	4.2217	4.4778	5.0287	5.9537	6.1496	6.326	6.693
Net income in billions	0.5791	0.5897	0.6633	0.474	0.9456	1.2116	1.392	1.4915	1.8834	1.4867	1.907	2.133

FINANCIAL INDICATORS	2012	2013	2014	2015	2016	2017	2018
Sales in billions	23.331	25.313	27.799	30.601	32.376	34.35	36.397
Cost of sales in billions	13.183	14.279	15.353	16.534	17.405	19.038	20.441
Gross profit in billions	10.148	11.034	12.446	14.067	15.956	15.312	14.971
Selling & Administrative Expenses in billions	7.431	7.796	8.766	9.892	10.469	10.563	11.511
Net income in billions	2.223	2.472	2.693	3.273	3.76	4.24	1.933

- Advertising and marketing expenses: 1995 to 2018**

Year	1995	1996	1997	1998	1999
Advertising and marketing in billion	0.495	0.642	0.978	1.1291	0.9786

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Advertising and marketing in billion	0.9782	0.9982	1.0279	1.1686	1.3779	1.6007	1.7402	1.9124	2.3083	2.3513	2.356	2.448

Year	2012	2013	2014	2015	2016	2017	2018
Advertising and marketing in billion	2.711	2.745	3.031	3.213	3.278	3.341	3.577

- **Number of physical stores: 2001 to 2018**

Nike	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. Retail Stores	157	160	161	165	184	212	254	296	338	346	363
Non U.S. Retail Stores	111	162	175	165	190	206	232	260	336	343	393
Total Stores	268	322	336	330	374	418	486	556	674	689	756

Nike	2012	2013	2014	2015	2016	2017	2018
U.S. Retail Stores	384	303	322	339	362	384	392
Non U.S. Retail Stores	442	450	536	592	683	758	790
Total Stores	826	753	858	931	1045	1142	1182

11 Annex E – Adidas Financial Analysis

- ROI, sales, cost of sales, gross profit, gross margin, and Net income: 1996 to 2017

FINANCIAL INDICATORS	1996	1997	1998	1999
Operating Profit in Euro millions	270,36	316,00	416,00	482,00
Total Assets in Euro millions	812,12	2224,00	3206,00	3587,00
ROI	0,3329	0,1421	0,1298	0,1344
SALES (Euro million)	2415,8	3442,8	5090,0	5354,0
GROSS MARGIN (%)	39,80	41,90	41,90	43,90
Net Income in Millions	161,40	239,01	206,11	228,00
Cost of Sales in Millions	1456,16	1998,95	2957,55	3001,88
Gross Profit (million)	959,64	1443,83	2132,45	2352,00

FINANCIAL INDICATORS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Profit in Euro millions	437,00	475,00	477,00	490,00	584,00	707,00	881,00	949,00	1070,00	508,00
Total Assets in Euro millions	4018,00	4183,00	4261,00	4188,00	4434,00	5750,00	8379,00	8325,00	9553,00	8875,00
ROI	0,1088	0,1136	0,1119	0,1170	0,1317	0,1230	0,1051	0,1140	0,1120	0,0572
SALES (Euro million)	5835,0	6112,0	6523,0	6267,0	6478,0	6636,0	10084,0	10229,0	10799,0	10381,0
GROSS MARGIN (%)	43,30	42,60	43,20	44,90	47,20	48,20	44,60	47,40	48,70	45,40
Net Income in Millions	182,00	208,00	229,00	260,00	314,00	383,00	483,00	551,00	642,00	245,00
Cost of Sales in Millions	3306,88	3511,00	3704,00	3453,00	3420,00	3439,00	5589,00	5417,00	5543,00	5669,00
Gross Profit (million)	2528,00	2601,00	2819,00	2814,00	3058,00	3197,00	4495,00	4882,00	5256,00	4712,00

FINANCIAL INDICATORS	2010	2011	2012	2013	2014	2015	2016	2017
Operating Profit in Euro millions	894,00	1011,00	1185,00	1254,00	883,00	1059,00	1582,00	2070,00
Total Assets in Euro millions	10618,00	11237,00	11562,00	11599,00	12417,00	13343,00	15176,00	14522,00
ROI	0,0842	0,0900	0,1025	0,1081	0,0711	0,0794	0,1042	0,1425
SALES (Euro million)	11990,0	13344,0	14883,0	14492,0	14534,0	16915,0	19291,0	21218,0
GROSS MARGIN (%)	47,80	47,50	47,70	49,30	47,60	48,30	48,60	50,40
Net Income in Millions	563,53	613,00	791,00	839,00	568,00	668,00	1017,00	1173,00
Cost of Sales in Millions	6260,00	6913,00	7780,00	7202,00	7610,00	8748,00	9912,00	10514,00
Gross Profit (million)	5730,00	6344,00	7103,00	7140,00	6924,00	8168,00	9379,00	10703,00

- **R&D expenses: 2010 to 2017**

R&D	2010	2011	2012	2013	2014	2015	2016	2017
R&D expenses (€ in millions)	102	115	128	124	126	139	149	187
R&D expenses (in % of net sales)	0,8	0,9	0,9	0,9	0,9	0,800	0,800	0,900
R&D expenses (in % of other operating expenses)	2	2,1	2,1	2	2	1,9	1,9	2,10
R&D employees	1002	1029	1035	992	985	993	1021	1062

- **Number of physical stores: 2001 to 2017**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
concept stores	120	161	173	235	312	414	542	1019	1203	1352	1355	1437	1661	1746	1698	1757	1557
factory outlets	157	174	174	206	221	256	317	681	755	725	734	730	779	851	872	902	895
corners	288	269	178	203	203	203	142	184	254	193	295	279	300	316	152	152	136
TOTAL	565	604	525	644	736	873	1001	1884	2212	2270	2384	2446	2740	2913	2722	2811	2588