

October 14, 2007

The New Advertising Outlet: Your Life

By [LOUISE STORY](#)

STEVE SAENZ used to run a 10K race in 36 minutes. But last spring — 20 years, 2 children and 50 pounds later — he found himself seriously out of shape. A new Web site from [Nike](#), he says, has brought him back on track.

Since April, Mr. Saenz, 53, has been running with a Nike+, a small sensor in his running shoes that tracks his progress on an [Apple iPod](#) he carries. After each run near his home in Louisville, Ky., he docks the [iPod](#) into his computer and posts details of his run on the Nike+ Web site. There, he has made friends with other runners around the world who post running routes, meet up in the real world and encourage one another on the site.

Nike's famous swoosh is there all along. For Nike, this is advertising.

"It's a very different way to connect with consumers," says Trevor Edwards, Nike's corporate vice president for global brand and category management. "People are coming into it on average three times a week. So we're not having to go to them."

The success of Nike+ is bad news for the traditional media companies that have long made money from Nike's television commercials and glossy magazine ads.

Last year, Nike spent just 33 percent of its \$678 million United States advertising budget on ads with television networks and other traditional media companies. That's down from 55 percent 10 years ago, according to the trade publication Advertising Age.

"We're not in the business of keeping the media companies alive," Mr. Edwards says he tells many media executives. "We're in the business of connecting with consumers."

Mr. Edwards may be more blunt than most. But many large marketers are taking huge chunks of money out of their budgets for traditional media and using the funds to develop new, more direct interactions with consumers — not only on the Internet, but also through in-person events.

Adventurous companies like Nike have been experimenting with these alternatives since the 1990s. But now, even the most conventional marketers are making these alternatives a permanent — and ever bigger — part of their advertising budgets.

Last year, [Johnson & Johnson](#) decided to boycott the so-called upfronts, an annual event when advertisers get together with television executives to negotiate for commercial time. In August,

[General Motors](#) said that 2008 would be the last year for its longtime sponsorship of the Olympics. In May, A. G. Lafley, the chief executive of [Procter & Gamble](#), told financial analysts that the company would spend less on traditional media and more on its Web site, in-store advertising and promotional events.

“If you step back and look at our mix across most of the major brands,” Mr. Lafley said, “it is clearly shifting.”

Add it up, and the money flowing out of the traditional media is huge — even at a time when ad budgets in general are growing, advertising research shows. The 25 companies that spent the most on advertising over the last five years cut their spending last year in traditional media by about \$767 million, according to Advertising Age and TNS Media Intelligence. And in the first half of this year, those companies decreased their media spending an additional 3 percent, or \$446 million, to \$14.53 billion, according to TNS Media Intelligence.

True, Nike increased its spending on traditional media in the United States by 3 percent from 2003 to 2006, to \$220.5 million. But in the same period, it increased its nonmedia ad spending 33 percent, to \$457.9 million, according to the Advertising Age data.

Behind the shift is a fundamental change in Nike’s view of the role of advertising. No longer are ads primarily meant to grab a person’s attention while they’re trying to do something else — like reading an article. Nike executives say that much of the company’s future advertising spending will take the form of services for consumers, like workout advice, online communities and local sports competitions.

“We want to find a way to enhance the experience and services, rather than looking for a way to interrupt people from getting to where they want to go,” said Stefan Olander, global director for brand connections at Nike. “How can we provide a service that the consumer goes, ‘Wow, you really made this easier for me?’”

BUT media companies rely on advertising to pay the bulk of their programming and newsroom costs. Traditionally, the “service” provided by advertising was cheaper media content for consumers. But the services of the future may be virtual workout coaches, map applications for cellphones, health advice and matchmaking services.

Nike executives portray the shift in strategy as a return to the company’s roots in the 1970s, when, in the words of an early magazine ad, Nike grew through “word-of-foot marketing.” In the early days, Nike displayed posters from local races in stores and was host for local runs on the West Coast. Most early employees at Nike were runners themselves, often disciples of Bill Bowerman, the former college track coach, who founded Nike with Phil Knight, the company’s current chairman.

In the 1980s, Nike began the large television campaigns that propelled the brand to global fame. Early ones included ads starring [Michael Jordan](#) and [Spike Lee](#). Its “Revolution” ad in 1987 featured the Beatles song of the same name to introduce the Air Max shoe. And the “Just Do It”

series in 1988 showcased images of athletes, including a wheelchair racer and a runner who was 80. In the 1990s, Nike ran ads with [Tiger Woods](#) and the United States women's soccer team that inspired fans and became part of sports culture.

Nike continues to have a strong and ubiquitous presence on television by sponsoring famous athletes. And almost 70 percent of the company's traditional ad spending was for TV commercials in 2006, though that share dropped to 45 percent for the first half of this year, according to Nielsen Monitor-Plus.

Today, however, many Nike ads are shown only on the Internet. Wayne Rooney, the British soccer player, is currently featured in a series of online videos for Nike. In 2005, Nike placed a 2-minute, 46-second clip of the Brazilian soccer player Ronaldinho online, instead of on TV. The video has had more than 17 million views on YouTube and became so well known that some television networks like Sky Sports and the BBC showed it in their news coverage — free.

“We don't automatically think about television anymore,” said Joaquin Hidalgo, vice president for global brand marketing at Nike. “There was a time when brands like Nike could tell kids through the medium of television what was cool, what was in, what was not in, because that was the only window they had into the world. That has completely changed now.”

More confirmation that television ads were losing influence came in 2005, when a series of commercials for the Nike ID shoe flopped. The 10 ads for the Nike ID, a design-it-yourself shoe, ran that April on [MTV](#) — just the place a marketer might consider ideal for such a message. Now, Mr. Edwards laughs about that campaign.

“I could question whether the work was too creative or just ineffective, but it didn't work in terms of conversion,” he said in an interview at Nike's headquarters in Beaverton, Ore. “We didn't see sales go up. It was just nothing. It was like we ran them, and waited and nothing happened.”

SOMEWHERE along the path toward big-box stores and blockbuster brands, mass advertising lost a good part of its impact. Consumers began splitting their time on the couch between more and more diversions — video games, instant messaging and hundreds of TV channels. Content exploded on the Internet, with free articles and videos available whenever consumers wanted them. And for some people with digital video recorders, the idea of watching a television commercial has started to seem quaint.

“We are all concerned about when DVR penetration has reached critical mass and consumers have been trained to skip all advertising,” said Lee Doyle, chief executive for North America at Mediaedge:cia, an agency that buys ad space. “That's the world we're all afraid of.”

A glance at ad revenue at several big companies from last year shows the trend. At the [Tribune Company](#) and The New York Times Company, ad revenue increased less than 1 percent last year. Time Inc., the magazine unit of [Time Warner](#), reported ad revenue increases of only 2 percent last year. GemStar TV Guide was down 9 percent. In radio, ad revenue at [Westwood One](#) fell 11

percent.

Of course, consumer brands have never spent every cent of their advertising budgets on television commercials, radio spots and print ads. For many years, companies have also mailed promotions to people's homes, sponsored sports and community events and paid for signs within stores. But there is a growing interest in these and other, newer alternatives to commercials and newspaper pages.

Kraft is paying to advertise in a virtual supermarket in the online world called Second Life. [Continental Airlines](#) advertises on chopstick packets, Geico on turnstiles, [McDonald's](#) on the floor of sports arenas and [Walt Disney](#) on the paper used on examination tables in doctors' offices.

Well-known brands are also trying new approaches, hoping to generate buzz both online and off. Procter & Gamble, for example, opened a temporary Charmin-brand public bathroom in Manhattan. [Microsoft](#) dropped thousands of parachutes holding software onto a town in Illinois last year, and [Target](#) suspended the magician [David Blaine](#) in a gyroscope above Times Square for two days.

Some advertisers make their own content and post it online, sidestepping the media outlets. Burger King has created video games, and Sprite, which is owned by [Coca-Cola](#), is running a social networking site for cellphone users.

Digital media spending is doubling every year at many big companies, industry data indicate. But the research firm Outsell found this year that 58 percent of marketers' online spending went to their own Web sites, rather than to paid ads. More than two million people visited Nike-owned Web sites in July, according to Nielsen//NetRatings.

Nike's global sales have climbed in the last four years — to more than \$16 billion from \$10 billion. And executives say the new type of marketing is a part of that trend.

The company plans to use the Nike+ idea in other sports categories, which could include basketball, tennis and soccer. While \$29 for a Nike+ sensor hardly covers the cost of the device and the site maintenance and customer service, Mr. Edwards coolly points out that Nike+ is as much about marketing as it is about product.

As consumers spend more time online, running their virtual lives and connecting with other people more through typing than talking, Nike executives contend that they also want more physical interaction with brands. Nike is running more events on the ground, like last year's three-on-three soccer matches for youths in 37 countries and its San Francisco marathon for women.

Nike even calls the third floor of its New York store the "Nike Running Club." There, runners can map out running routes, receive training advice and attend an evening speaker series — all free, even if they trot in wearing [Adidas](#) or Brooks sneakers.

The company pays 5 coaches and 17 pacers to lead runs three times a week in Central Park. Nike running-gear sales clerks are expected to join in. The goal is to use the club to endear people to the brand and to provide opportunities for them to try products.

At a recent Tuesday night gathering, Linda Martello, 34, an executive assistant, said she was grateful to Nike. After she injured one of her calf muscles, she said, a Nike coach helped her figure out that she was wearing the wrong shoes. (She, of course, bought a pair of Nikes.)

“I love it here, I do,” she said as she stretched for the evening run.

Ms. Martello stood to head out on the run.

“And they’re not pushing product in my face, as if I was shopping,” she continues. “That’s why I come here. I’m not pressured.”

The group — 131 that night — sprinted out of the store’s 57th Street entrance, up Fifth Avenue, past [the Plaza Hotel](#) and into the southeast entrance to Central Park. Their footwear was varied: some wore New Balance, [Saucony](#), Reebok and Adidas. But Nike dominated, and anyone who saw them jogging would surely notice the Nike swoosh on most of their shirts. The group, though sweaty and of varied athletic abilities, flashed by — turning heads of passers-by and other runners.

A human billboard for Nike.

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