

PS456- Consumer Psychology
Summative Essay

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Candidate # [REDACTED]

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*Shoes Die, Soles Live On: Customer-Centric
Approaches for Revitalizing Nike's Reuse-a-
Shoe Program.*

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Case Presentation:

What value do old, dirty shoes hold for the world's largest athletic apparel company, its community of loyal customers, and society? This essay aims to answer this question by analyzing how changes to Nike's Reuse-a-Shoe program could allow the brand to co-produce the 'responsible running' movement with consumers. Recommendations will be made to Nike's executive leadership based on current theories for understanding consumer psychology and behavior change.

Since Nike's first prototype shoe was made using a waffle iron in the 1960s, the company has stood for two things: Innovation and inspiration. It's fashionable performance products, strong advertising, and unparalleled endorsement deals have resulted in Nike owning more than 50% of the sports shoe marketplace in the US today (Powell, 2014). In recent years, Nike has placed a strong emphasis on digital technology, prioritizing online marketing over traditional streams, investing in the infrastructure to boost online sales, and leading the fitness-tracking trend with its Nike+ app (Cendrowski, 2012).

In addition to the sales side of their business, Nike has also invested in corporate social responsibility (CSR) initiatives, in part due to sweatshop allegations that have plagued the company for decades (Neisen, 2013). In today's increasingly competitive and crowded marketplace, customers are placing a higher premium on companies who demonstrate their social value- and it seems Nike is making inroads in demonstrating this commitment. A recent 'empathy index', which measures public perceptions of companies' empathy, ranked Nike 8th globally (Lady Geek, 2015).

Two of Nike's priority issues, environmental sustainability and access to sport, converge with the company's Reuse-a-Shoe (RaS) program. Since starting in the early 1990s, the program has been responsible for the collection and processing of over 28 million worn out sneakers (Nike, 2015). The material from the recycled shoes is used to produce NikeGrind™, which Nike sells to create active surfaces, such as playgrounds and tracks.

However, despite this success, the RaS program remains largely unknown and inaccessible to the Nike customer community, resulting in limited participation and limited impact in terms of reducing shoe waste. In fact, the number of shoes the program recycles annually accounts for less than 1% of Nike shoes sold each year.

It is the aim of the recommendations below, which are based on applied theories, to help Nike reposition RaS within its business model and within customers' lives to create the 'responsible running' movement.

Memorandum:

TO: Mr. Mark Parker, President and Chief Executive Officer, Nike, Inc.

FROM: Jane Doe at People-Centric Consulting, LLC

DATE: March 30, 2015

Dear Mr. Parker-

As Phil Knight, Nike's co-founder, so aptly said, "I've always believed that businesses should be good citizens."¹ In addition to being the world's largest athletic apparel company, Nike has become a leader in corporate social responsibility (CSR), working to address issues such as fair labor, access to sport, and environmental sustainability. Your impressive \$52.7 million² in annual contributions to create positive changes sets an important precedence for other businesses and should be celebrated.

Looking forward, I am excited to share our proposal for revitalizing one of your longest running CSR initiatives: Reuse-a-Shoe (RaS). Over the last 20 years, the program has recycled over 28 million³ old shoes. However, considering that Nike sells over 120 millions shoes⁴ per year, the RaS program only "closes the product lifecycle" for less than 1% of Nike shoes sold annually.

Using the latest research in social and consumer psychology, we have highlighted opportunities to maximize the impact of RaS, transforming it from a corporate program to a consumer movement. At the heart of these recommendations are Nike's customers, who can be mobilized to 'do good' through a brand they love. The recommendations below aim to meet at least one of five objectives we've identified for the movement:

- Help consumers see the social value of their worn out shoes.
- Empower the Nike community to 'own' the mission of RaS.
- Embed RaS into the Nike customer experience to increase awareness and participation.
- Decrease the number of shoes that end up in landfills.
- Create more safe, accessible places for physical activity.

We have focused our recommendations on the United States market, which will be monitored and evaluated for engagement, impact, and sustainability. Longer term, best practices learned in the US could be adapted to take the movement global.

¹ Batra, Myers, & Aaker, 2006, pg. 397

² Nike Corporate Responsibility report- <http://www.nikeresponsibility.com/report/content/chapter/community>

³ Reuse-a-Shoe FAQ- http://help-en-eu.nike.com/app/answers/detail/a_id/39600/p/3897

⁴ Statistics Brain- <http://www.statisticbrain.com/nike-company-statistics>

1) Localize Collection Efforts

- a) **Encourage community-led collection points:** Currently, the Reuse-a-Shoe program only allows shoes to be deposited at 150 select U.S. Nike stores, largely in urban areas. This significantly limits the number of people who can easily participate and increases the distance, psychologically and physically, between customers and the program. However, by empowering Nike community members to initiate local collection points, RaS can become embedded in the environments where your customers live, work, learn, and play. All local collection points would be plotted on a map accessible on Nike's website.
- b) **Nike+ integration:** The same GPS technology that allows 28 million⁵ Nike+ app users to track their workouts provides an important opportunity to keep the RaS program present for Nike customers. The Nike+ app could inform users of the local collection points they pass during their workouts (appendix 1).
- c) **Support 'shoe drives' for community projects:** Many schools and communities would like new tracks and playgrounds to make physical activity safe and accessible, however, it is a large expense. We recommend that Nike establish a process through which communities can apply to run "shoe drives" to collect the shoes needed to produce enough NikeGrind™ material for their project. Local projects that meet their goal would receive a discount on their NikeGrind™ purchase.

2) Incentivize Customer Participation

- a) **Vouchers:** To encourage participation, we would recommend offering a discount code for shoe donors to register for one of Nike's nationwide running events, keeping in step with the company's mission to encourage physical activity.
- b) **Shoelace recognition campaign:** As Nike saw with the successful Livestrong yellow bracelet campaign⁶, consumers will wear objects to signal their support for a collective cause. Therefore, we suggest giving RaS participants a pair of green shoelaces, which could be made from recycled materials, to demonstrate their commitment to 'responsible running'. With Nike's impressive endorsement roster, we'd also recommend identifying key athletes to join the campaign and compete in green shoelaces.
- c) **Donor updates and identification:** The success of the movement lies in customers identifying with their old shoes, which represent miles trained, races run, goal achieved, and barriers overcome. Participating in RaS allows people to have that part of them live on. Therefore, it is critical that Nike communicate back to donors about the new physical activity spaces they helped

⁵ Nike News- <http://news.nike.com/news/nike-fuel-lab-launches-in-san-francisco>

⁶ Livestrong Sponsors- <http://www.livestrong.org/who-we-are/our-strength/our-donors/team-livestrong-sponsors>

create. Website profiles and social media updates can tell the story of the people and communities involved.

3) 'Merchandize' Reuse-a-Shoe

- a) **Point-of-purchase marketing:** We want to help Nike customers link the consumption of new shoes with the responsible disposal of their old shoes. To do this, RaS should be present where Nike customers shop. In addition to in-store displays, we suggest integrating RaS messaging into your online business, where sales have been up over 40% in the last year⁷. Because shipping information must be collected for orders, Nike could provide a customized map on each customers' confirmation page, informing them of RaS collection points and projects near them (appendix 2).
- b) **Untapped packaging real estate:** Shoeboxes deliver new shoes to customers, but what if they also reminded people to recycle their old shoes? We recommend printing a message on the inside the shoebox lid to educate customers about RaS (appendix 3). This reduces the need to create extra promotional materials about the program, as well as symbolizes that RaS is embedded directly into Nike's business.

4) Maximize Strategic Partnerships & Logistics

- a) **Engaging other shoe companies:** Nike currently collects shoes of any brand to grind. Therefore, we believe Nike should start a dialogue with other athletic shoe manufacturers about their interest in contributing to RaS as an industry-wide initiative.
- b) **Unlikely allies:** With only one NikeGrind™ facility in the US, we suggest thinking outside the box when it comes to the shipment and processing of RaS shoe donations, such as partnerships with the tire industry and delivery companies. Tires are also ground-up to make surface material, so the potential exists to partner on transportation and processing. Further, delivery services could donate empty truck space to help facilitate donation pick-ups during a national collection day event.

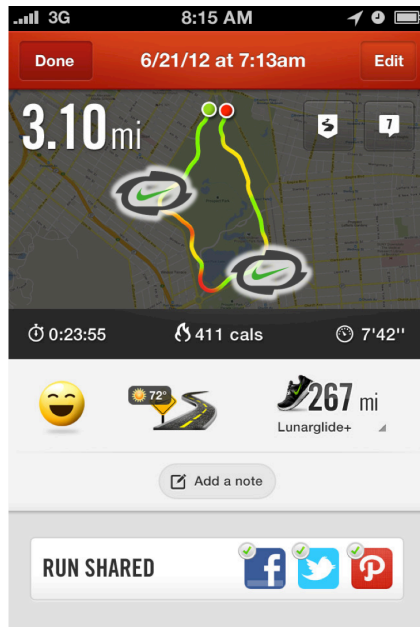
Nike has always stood for two important things: Innovation and inspiration. RaS demonstrates the power these values can have when they intersect with authentic customer engagement. By employing these recommendations, we feel Nike can become *the* leader of the 'responsible running' movement. Once you have had a chance to review, we look forward to providing more detailed implementation plans.

Sincerely,
Jane Doe
People-Centric Consulting

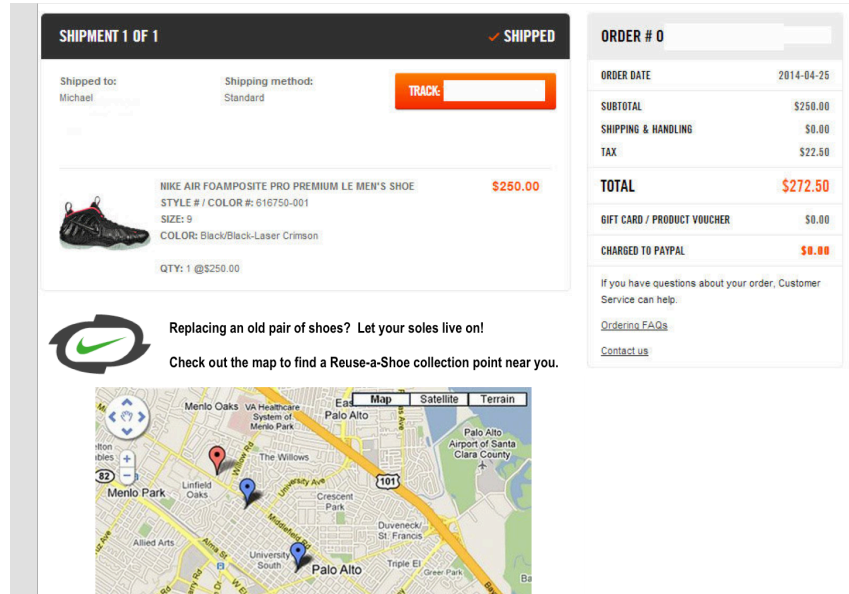
⁷ Nike FY2014 Earnings Release- http://investors.nikeinc.com/files/NIKE%20Inc%20Q414%20Earnings%20Release%20Transcript%20-%20FINAL_v002_g587wr.pdf

Appendix- RaS Integration Points

1- Nike+ app modifications



2- Nike.com confirmation page modifications



3- Shoebox modifications



Theoretical Justifications:

In order for the RaS program to become a customer movement, we must look at how consumers relate to products, how consumers process persuasive messages, and how consumer behavior is guided by the spaces they operate in. Outlined below are the key consumer and social psychology theories used to develop the recommendations made to Nike.

The Shoe and You: The Extended Self and Signaling

One of the strengths the RaS movement can draw on is the connection customers have with their shoes, which are external objects tied to experiences. As Belk (1988 & 2001) describes, “The key to understanding what possessions mean is recognizing that, knowingly or unknowingly, intentionally or unintentionally, we regard our possessions as parts of ourselves” (pg. 139). For runners, their shoes represent miles trained, races run, barriers overcome, and goals achieved, and they help define their identity as an athlete. Looking at the theory of extended self, we see why recommendations such as community shoe drives (1c) and donor updates and identification (2c) would help motivate customers to give their old shoes (and by extension themselves) to the cause.

To start, we will look at the processes of self-extension and how they relate to consumers’ participation in RaS. Belk (1988 & 2001) cites Sartre (1943) by outlining the three primary ways in through which we learn to regard an object as part of the self, including:

- 1) Appropriating or controlling the object for our own personal use- This aspect is particularly interesting in the context of gift-giving and its relation to RaS. Belk (1988 & 2001) states, “Sartre also sees giving possessions to others as a means of extending self- a special form of control. A gift continues to be associated with the giver so that the giver’s identity is extended to include the recipient” (pg. 150). Although RaS donations aren’t technically gifts and the receivers are groups (ie: schools, communities, kids) rather than individuals, we can see how participating in RaS allows you to become part of the active spaces the program helps create and, in turn, how they become part of you.
- 2) Creating the object (directly or indirectly)- While most people don’t create their own running shoes, participating in RaS allows people to use their old running shoes to help create something new, such as a track or playground. It is through this creation that Belk (1988 & 2001) asserts that the creator retains an identity in the object, thereby extending the self.
- 3) Knowing the object through an intimate relationship- A person grows to “know” their shoes through the experiences they had while wearing them, such as running a marathon. This knowledge of the object solidifies a place in the self. By giving your old shoes to RaS, you and your experiences become part of the new active spaces, creating a new relationship through which you can extend the self.

Building on Sartre, Mittal (2006) suggests that the investment you made in acquiring a possession and in using a possession are strongly related to the extension of the self as well. The average Nike running shoes costs over \$100 and most people invest a great amount of time and effort in their use, therefore, we can further understand why athletic shoes are likely to become part of the extended self. Similarly, the more people invest themselves in RaS movement, the more they will view it as a possession and

therefore, an extension of the self in its own right.

Tying the individual level of self to the community level, we will now look at signaling, social identity and group membership. Boorstin (1973) points out that the shared consumption of symbols is central to the expression and definition of group membership. Related, Tajfel (1972) defines social identity as “the individual’s knowledge that he belongs to certain social groups, together with some emotional and value significance to him of the group membership” (pg. 293). With this in mind, we will look at the recommended green shoelace campaign (2b) to see the importance of ‘the other’ in establishing an RaS movement. Berger (2008) cites Levy (1959) saying, “People buy products, hold attitudes, and engage in behaviors not only because for their functional value but also for what they symbolize ” (pg. 183).

The green shoelace campaign builds on the idea that objects are a means of signaling belonging and identity. “An individual will try to maintain membership in a group and seek to join other groups if they can reinforce the positive aspects of their social identity.” (Tajfel, 1972, p. 293). Therefore, participation in the RaS movement, with the green shoelace as a symbol of involvement, connect people and allow them to enhance their own social identity through their relation to others that share positively perceived values and characteristics, such as environmental responsibility and civic-mindedness.

As Muniz & O’Guinn (2001) propose, there are three core commonalities of consumer communities, 1) Shared consciousness, 2) Shared rituals and traditions, 3) Sense of moral responsibility- duty to community. Therefore, the more Nike can establish RaS participation as a social norm within its customer community, the more power the green shoe laces will yield as a means of distinguishing members from non-members, “responsible runners” from the out group.

Further, it is not just customers who are signaling through RaS. Nike itself is signaling its identity as a socially responsible company. Involving customers in the RaS process (1a & 2b), dedicating more resources to the program (1c & 2c), and fully integrating RaS into its business model (1b, 3a, & 3b) would signal an authentic commitment to a larger movement. Becker-Olsen, Cudmore, and Hill (2006) found that corporate social initiatives only improved consumer beliefs, attitudes, and intentions related to companies when the cause was “high fit”, meaning the cause is aligned with the brand and its customers’ values, and “proactive”, both of which RaS is. Additionally, Marin, Ruiz, and Rubio (2009) found that CSR initiatives result in more attractive identities of companies, as perceived by customers, and lead the customer to identify more strongly with the company because of that positive identity. Self-expansion theory (Aron, Aron, Tudor, & Nelson, 1991) would also suggest that because of Nike’s RaS initiative, people are more motivated to enter into a relationship with the company and maintain that relationship, to expand the positive characteristics of the brand (‘the other’) on the self.

Embracing ‘Responsible Running’: Dual-Process Theory and Persuasion

In making recommendations for changes to the RaS program, it was important to not only look at the influence of the self, the other, and social norms, but to also look at the power of persuasion, as we look at consumers attitudes toward the act of shoe donation.

Consumers have two ways of interacting with and processing information, which have been referred to as System 1 & System 2, central and peripheral routes, or heuristic and systematic. As Samson & Voyer (2012) describes, “System 1 (S1) consists of high capacity intuitive thoughts, draws on associations that are acquired through experience, and computes information quickly and automatically”, while “System 2 (S2) involves low-capacity reflective thinking, draws on rules that are acquired through culture or formal learning, and computes information in a relatively slow and controlled fashion” (pg. 48-49). In terms of persuasion, this means that messages that appeal to customers emotions or aesthetics will relate to S1, while appeals rooted in logic, expertise, and accuracy will relate to S2.

We see from the Heuristic-Systematic Model (Chaiken, 1980, Chen & Chaiken, 1999, and Eagly & Chaiken, 1993) that the two systems can work separately, or in tandem, depending on people’s cognitive resources and motivations. Therefore, as you will see in the chart below, recommendations made for the RaS program include appeals to both systems.

Appeals to System 1 (Emotional)	Appeals to System 2 (Rational)
Packaging (3b)	Vouchers (2a)
Celebrity involvement (2b)	Local Collection points (1a)
Community project updates-storytelling (2c)	Technology integration (1b & 3a)

Additionally, Tybout and Yalch’s (1980) labeling technique was used for the green shoelace campaign recommendation. Essentially, participants are labeled as part of the RaS movement as ‘responsible runners’, which is consistent with Nike’s ongoing ask of customers to donate their worn out shoes.

It is important to note that there are limitations to persuasion techniques. For example, cross-cultural differences are critical to consider when constructing persuasive messages, given that cultural norms vary from individualist to collectivist cultures (Cialdini et al., 2001 & Kim & Markus, 1999). While the recommendations made to Nike focus on the United States, a culture that values individualism, they may need to be adapted if Nike were to take the RaS movement global. Further, it must be noted that persuasion techniques that change attitudes or intentions can’t be employed alone in order to change behavior. The environments in which people operate must be fit for the desired activity, which brings us to the final section.

Supporting Activity Among Nike Customers: Installation Theory

Without the participation of Nike customers, the RaS program will fail to meet its other objectives. Therefore, it is essential that we look at the environment in which the activity needs to take place and ask ourselves if the system is set-up to support the desired action of shoe donation. This is the basis of Installation Theory (Lahlou, 2009), which aligns behavior change with system changes at three levels- physical, psychological, and social. In order to change the system, we have to change the installations, which control, guide, and direct activity. Some of these determinants are within the customers, while others exist in the context in which people operate. As Lahlou succinctly said, “Activity happens in an installed environment”.

From the perspective of the Nike customer, there are gaps or barriers to Nike's current system that make the activity of shoe donation difficult through the RaS program. The recommendations made aim to address these at the three levels:

Affordances of the built environment:	Mental representations:	Social & institutional pressures:
Local collection points (1a)	Local collection points (1a)	Local collection points (1a)
Website & app modifications (1b & 3a)	Website & app modifications (1b & 3a)	Shoe lace campaign (2b)
Packaging modifications (3b)	Shoe lace campaign (2b)	Partnerships (4a & 4b)
Vouchers (2a)	Donor updates & identification (2c)	Community 'shoe drives'
Shoelace campaign (2b)	Community 'shoe drives' (1c)	Community 'shoe drives' (1c)
Partnerships (4a & 4b)	Packaging modifications (3b)	
Community 'shoe drives' (1c)		

It is important to note that a number of the recommendations cross over all of the layers and it there that we find the most sustainable system changes. For example, the green shoelaces may only seem like a physical affordance, as an object that inspires an action to be taken. However, that object represents something greater to participants individually and collectively (collaboration, competition, membership), as well as within the larger societal discourse around the environment and access to sport.

Conclusion:

As Kurt Lewin (1951) aptly said, "You cannot understand a system until you try to change it." Clearly, Nike's RaS program is complex, involving economic costs, social issues, business structures, operational logistics, and consumer behavior. However, I hope to have demonstrated the value of the program and the vast opportunities for enhanced customer involvement to maximize its social impact. Through it's CSR initiatives, including RaS, Nike stands to gain increased consumer loyalty and identification, building an even stronger customer community. Consumers stand to gain the happiness and self-satisfaction that comes with belonging and participating in a cause that aligns with their values. Finally, society stands to benefit from more environmentally friendly consumption and innovative uses of post-consumer materials.

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