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"The Digital Transformation in the Sneaker Market: Nike's In-Store Customer Experience"

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Alla mia famiglia

Abstract

The thesis aims to deepen the digitalization of the sneaker market and the futuristic in-store technology implemented by Nike, the major player in the business, to enhance customer experience. Firstly, the work is illustrating the digital transformation that affected marketing strategies, illustrating a model to analyse them and highlighting the need for an omnichannel customer experience. This part, which is general and theoretical, also focuses on the incorporation of digital features into the store environment. Secondly, the thesis thoroughly examines the sneakers' culture and their history, the business' growth, its recent changes and the main digital strategies in this industry. This chapter highlights how nowadays companies are mainly leveraging online and mobile technology to improve customer experience, especially after the pandemic. Nevertheless, the study is intended to prove the importance of the physical stores in this business, which have to keep up with the great benefits of the online. Therefore, in the final part, it is shown how Nike is harnessing technology not only to improve the online and mobile shopping experience but also to enhance customer's in-store experience through brand-new smart stores that will represent the future benchmark for every company in the business. The study aims to gain a better understanding of the role that the physical store plays in the current era, analysing these futuristic stores and the value they add for the customer, from the latter point of view. Indeed, the final part is demonstrating, by providing empirical evidence, what are the key digitally enabled in-store features that truly matter for people in this particular period.

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Introduction

The Internet Age appears to have caused a shift from a linear economy, based on companies' full control of information, to an increasingly complex and interactive pattern, which requires an omnidirectional exchange of knowledge, giving the individual more power than ever in history. Therefore, it is fundamental to acquire a Digital Transformation mindset and embrace new marketing strategies in order to develop trustworthy relationships and maximize the customer experience.

In the sneaker market, digitalization has deeply changed people's perceptions and the whole dynamics of the industry in recent years. In this context, several businesses are leveraging technology and digital channels to fuel omnichannel, holistic, customer-centric strategies to rise above competitors and succeed in this technology-based era. For this reason, the work aims to understand the relevance of the physical store in this industry and the role that digitally enabled features play in people's decision-making process. To do so, it is considering what Nike is providing through its flagship stores and is investigating what are the most relevant characteristics to focus on.

The first chapter is going to provide an overview of the marketing digitalization process, specifying the evolution from traditional to digital marketing, and the opportunities that new technologies and methodologies provide. Furthermore, to exhibit the benefits of Digital Transformation, the chapter is introducing a model (Four Paradigm Model) that analyses and comprehends the digitalization process of a company, highlighting its digital strategies and customer-centric approach. Afterwards, the paper is deepening the topic of Customer Experience, stressing the importance of the adoption of technological solutions to optimize and evaluate the Customer Journey, especially in a post-pandemic scenario. Finally, the last section of the chapter is concentrating on the In-Store Customer Experience and its relevance in the purchasing journey. Thus, it is going to expose the most important enabling technologies to optimize the physical experience and the main trends and aspects that companies are embracing to enhance the Customer Experience inside the store environment. These features are later going to be studied in the research part of the work.

The second chapter is introducing the sneaker business, providing a big picture of its history and development up to the present day. Thereafter, the work is illustrating how digital channels and new technologies have thoroughly changed the dynamics of the industry and customers' expectations. To do so, it is analysing the impact of online networks and social media on the business, explaining how the major players are behaving in order to provide the best experience possible. Also, the chapter is focusing on the best in-store practices of companies such as Adidas and Puma, before moving on to Nike's analysis. Indeed, after a brief company overview, the last section is understanding how Nike embraced Digital Transformation to strengthen the relationships with people, through the outlined Four Paradigm Model.

After the comprehension of the company's main strategies, the final chapter is going to describe Nike's actions to provide high-quality experiences and create personal connections with people, leveraging both online and physical channels to stand out from its competitors. The first section is also depicting Nike's Customer Journey, illustrating the most important adopted strategies at every stage. Then, the chapter is introducing the main digitally enabled features of Nike's flagship stores, called "House of Innovation". These stores aim to provide omnichannel in-store experiences, exploiting cutting-edge technologies and implementing unique functionalities to truly empower the customer throughout its journey. Consequently, the most important and distinctive features are going to be studied in the final part of the work, which will be dedicated to the understanding of customers' opinions on these key aspects. Indeed, people will be asked to assess every feature through a survey, and the research will be able to outline the most significant in-store functionalities and highlight possible directions for future strategies.

FIRST CHAPTER

DIGITAL TRANSFORMATION: CREATING A CUSTOMER-CENTRIC EXPERIENCE

The phenomenon of Digital Transformation generally refers to the significant impact that new technologies are having on companies and society at large. Nevertheless, it would be wrong to believe that this change is related just to computers, new generation software, and other technologies, because these are only the instruments adopted to make a business agile and competitive. The true power of Digital Transformation is the possibility to provide better interactions and improve the experiences between people and brands. People are increasingly taking part in the business processes because the traditional relationship model has deeply changed. For this reason, companies must abandon the old product-centric view and embrace people-centric marketing strategies, acquiring a digital mindset in order to enhance customer experience.

Digital disrupted our society: people have changed the way they socialize, perform their tasks, look for news, eat, and obviously the way they do shopping. Nowadays, social media give voice to everyone, and individuals, particularly Millennials and Gen Z[1], have more power than ever in history and can influence others' behaviours with the ease of an Instagram post. This is leading marketing managers to put greater attention on customers' thoughts and their experiences with the brand, and new technologies are giving them a major help simplifying several processes. Furthermore, since consumers have changed their mindset and seek a personalized and unique offer, businesses must focus more and more on customers and how to deliver them an omnichannel experience. This can be done especially by harnessing physical stores, which can adopt new technologies to considerably boost the brand's image and its connection with people, something that e-commerce websites cannot do.

In this chapter, the work is focusing on the new opportunities given by Digital Transformation, especially in the marketing field, and is going to illustrate a model to implement and analyse digital strategies, with a great focus on omnichannel customer experience. Indeed, the chapter is explaining the importance of the customer experience and, in particular, how to leverage the store environment and the application of modern in-store technologies to offer added value services and provide unique experiences.

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[1] Millennials and Gen Z are digital native consumers born respectively between 1980 and 1995 and between 1996 and 2010. These customers have different priorities and different view of brands. Especially for Gen Z, the most important aspects are diversity, inclusiveness and personalization. They expect to have multi-channel interactions with brands and rely more than previous generations on social media.

1.1 Digital Transformation Marketing

In the Digital Age, the traditional marketing concept is becoming outdated, and companies need to adopt a digital approach, with the goal of integrating online and offline strategies.

1.1.1 From Traditional Marketing to Digital Marketing: New Opportunities

Marketing has been defined, by the American Marketing Association (AMA) as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large"[2]. This definition focuses on the exchanging of offerings that create value rather than just products or services, because, differently from the past, marketing is now intended as a process to deliver valuable experiences to the customer and to build strong relationships with them. Indeed, the definition of marketing has changed dramatically throughout the years. For instance, an old one, also by AMA, described marketing as "the process of planning and executing the conception, price, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives"[3]. This establishment gave too much importance to the managers' view of marketing and pictured a unidirectional supply of goods to satisfy needs. Today, marketing processes have become multi-directional, meaning they have an influence on the whole society and are focused on creating value rather than following steps to deliver products and services.

The new generation of customers has changed dramatically. Globalization, disintermediation, information, and participation gave individuals the possibility to refuse unwanted marketing and seek better experiences that can add value to their purchases. However, the changes are not just mentality-related, because the difference also concerns the instruments utilized in the process. For this reason, companies can distinguish between traditional and digital methodologies.

Traditional Marketing is a conventional model that allows companies to reach semi-targeted audiences with offline strategies, such as television, radio, newspapers, billboards, and banners. These promotional methods may look outdated to a young Internet-oriented audience, but still present some advantages in terms of accessibility and mass communication. Nevertheless, we live in a world where people spend up to 6 hours per day online[4], and businesses need to interact with them via digital channels. Contextually, Internet gave brands many more possibilities to collect data, analyse consumers, and implement personalized strategies for each one of them. Therefore, the traditional model must be updated and integrated, to acquire a new customer-centric perspective and to exploit new technologies and instruments.

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[2] Source: American Marketing Association (AMA), Definitions of marketing, 2017
[3] Source: American Marketing Association (AMA), Definitions of marketing, 1985
[4] In 2020, an average user spent roughly 145 minutes per day only on social media, with more than 3 billion people actively using social networks., Statista, 2021

In this context, Digital Marketing gives new opportunities to brands for reaching their goals, and nowadays it is essential for business growth. According to HubSpot, "Digital Marketing encompasses all marketing efforts that use an electronic device or the internet. Businesses leverage digital channels such as search engines, social media, email, and other websites to connect with current and prospective customers"[5]. Digital is both the reason why customers have changed and why companies can develop new models to engage them. It gives brands huge opportunities to collect and analyse data, design customized strategies, build relationships based on loyalty, and interact with clients in a more efficient and proficient way. Harnessing new technologies and evolving the business' culture allows brands to adapt to what modern-day consumers truly desire, i.e., a valuable and personalized experience. Customers want to be part of the product, participate and interact with it, and obviously, they desire to share their experience. On the other side, companies understand this urge and are constantly shifting their marketing spend from traditional to digital. Indeed, Figure 1.1 shows the percent change in traditional and digital advertising spend from 2012 to 2021. The line graph highlights the contrast between offline decline and digital growth, and the trend is obviously expected to continue for the next years, especially after the pandemic breakout, which has proved the importance of digital strategies to every marketing manager.
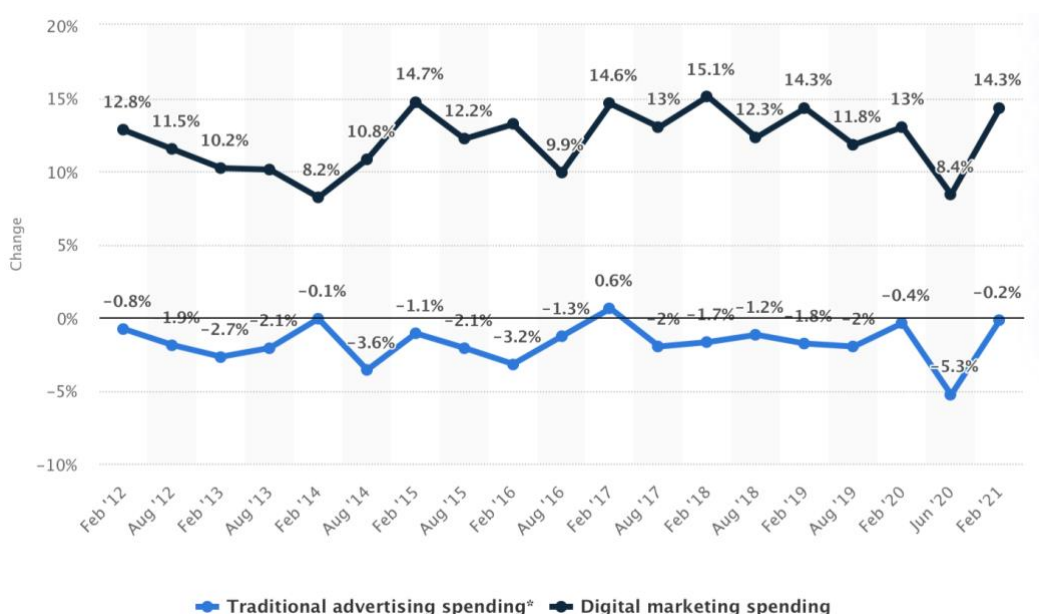
Figure 1.1 – Digital and Traditional Advertising Spending Change per year
Source: Statista (2021)

In brief, some of the most relevant digital strategies are:

- *SEM, SEO, SEA*. Respectively stand for Search Engine Marketing, Optimization, and Advertisement. SEM comprehends all the strategies that have the goal of increasing the traffic to a brand's website and encompasses SEO, i.e., the optimization of the positioning of a brand's website in search engine

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[5] Source: Alexander L., HubSpot, The who, what, why and how of digital marketing, 2021

results pages, and SEA, which means optimizing the advertising through search engines. These strategies are fundamental since websites that are not on the first results page are not visible to over 90% of the traffic (Status Labs, 2020).

- *Voice Search Marketing*. It is similar to the previous methods but involves vocal assistants' search. The goal is to optimize content and technical aspects of the website, such as speed and safety, to increase the traffic resulting from voice searches and the SEO ranking. Focusing on this area of marketing is now extremely important since the number of vocal assistants is prospected to reach 8.4 billion units by 2024 (Statista, 2021), and around 50% of people today shop online via voice-enabled devices.

- *Social Media Marketing*. It is one of the most common strategies in today's world and it aims to acquire targeted traffic to a website exploiting social networks.

- *Content Marketing*. It is the process of creating valuable digital content to attract and engage relationships with targeted customers. The content includes images, video, infographics, and more, but it is not sales-oriented, instead, it is informational and aims to be shared by people on their social networks, thus it is important to adapt content to all kind of smartphone displays since most people spend from three to four hours daily on their phone.

- *Mobile app*. Emails have a constantly decreasing opening rate, therefore companies must create new contact points with the customers. The best way to do it is by implementing a mobile app that sends push notifications, to which today's customers pay more attention, and enables better interactions.

- *Remarketing*. It means reaching potentially interested consumers, who have already visited the company's website or the app, with personalized online advertising.

- *Marketing Automation*. It refers to software that automate marketing operations, such as newsletters, social media scheduling, and tracking campaigns. This is one of the best ways to exploit what digital technologies can offer. Indeed, in 2019, 92% of agencies were investing more time, resources, and budget into marketing automation integration (MarketingProfs, 2019). Companies can automate processes of market segmentation, customers data analysis, advertising campaigns, and more. It can also be extremely useful for inbound marketing and lead nurturing[6] activities.

Inbound Marketing is a methodology that can use every digital marketing tactic listed above to create useful and valuable content to attract customers and build significant relationships with them. It is the opposite of the original concept of Outbound Marketing, typical of traditional marketing, which instead wants to find as many clients as possible, regardless of whether the message is relevant for them or not. Inbound Marketing is the fundamental change of mindset that companies must acquire in the Digital Age, because its goal is to aid people in finding what they desire, with a more human and customer-centred approach. For this reason, it

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[6] Lead nurturing activities implies all the strategies that allow to convert the interest of a customer to a purchase by sending them relevant and personalized content based on their interests and interactions with the brand. (Inside Marketing, 2019)

perfectly fits digital marketing strategies, that enable personalized interactions with customers, based on their collected data and preferences. For example, in 2018, 61% of marketers cited SEO as their favourite inbound marketing strategy (HubSpot, 2018). In conclusion, Digital Marketing strategies, especially by embedding an Inbound Marketing mentality, lead to many benefits and give companies new opportunities, such as:

- *Dialogue*. Differently from traditional marketing, digital strategies enable a multi-directional exchange of information, creating relationships based on dialogue and transparency.
- *Personalization*. This is and will be the most significant aspects of a digital marketing strategy. Today's customers want content that they are interested in and can refuse standardized marketing promotions with ease. Companies can exploit new technologies to create personalized experiences, giving individuals the possibility to have customized products and services.
- *Valorisation of the customer*. What stems from digital strategies is a customer-centric view of doing marketing. Today the offer of services is way superior to the demand. Customers have plenty of feasible choices, lust for new experiences, and will select the ones that give them the greatest added value and that offer them the best journey.
- *Measurability*. Digital marketing strategies are easy to measure since data are collected by computers that give immediate responses.
- *Cost efficiency*. Digital marketing usually presents lower costs compared to traditional methods.
- *Process automation*. The automation of processes has extremely facilitated the planning of marketing campaigns by helping companies targeting a specific audience, expanding brand awareness[7], analysing data, and more.
- *Valuable content*. Digital technologies assist businesses in creating relevant content for their target audience. With digital marketing, they can track customers' thoughts and preferences, for example using social networks, and design valuable and personalized campaigns.
- *Reaching young generations*. A major opportunity is the possibility of reaching the future generations of consumers, which have almost completely abandoned traditional instruments such as radio, television, and newspapers.

1.1.2   The Four Paradigm Model

After analysing the advantages of digital marketing and comprehending the relevance of Digital Transformation, companies must enact their strategies with a digital mindset. They shall build trustworthy relationships aimed at maximizing customer experience, acquire a digital transformation cultural approach and focus on people centricity. The Four Paradigm Model[8] (4PM) wants to understand and analyse how

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[7] Brand awareness is the grade of recognition of the brand among customers.
[8] Padua D. (2020) Digital Marketing Transformation and Customer Experience Course Teaching Materials

organizations can react, or have reacted, to digital-socio-economic phenomena and embrace them in order to generate value. Furthermore, it aims to design the profile of an organization in an innovative and holistic way. To do so, the 4PM studies companies' strategies at three different levels:

- *Macro*. Global-scale phenomena. At this level, the focus is on society at large.
- *Meso*. The emphasis is on organizations and their interaction with individuals and society.
- *Micro*. The focus is on the individuals and the interactions with their peers.

The paradigms are Bottom-Up, Connecting the Dots, Horizontality, and Sharing and each one of them has to be explored at all three levels.

Bottom-Up Paradigm

Modern-day consumers no longer behave as passive receivers of information, instead, they add value to the brand by incorporating their resources. Organizations need to switch from a top-down to a bottom-up model, placing individuals at the centre of the processes, so that brands can leverage interactions with customers to create value. This is possible because customers are now connected, active, informed, aware and influential. Therefore, the main characteristics of this paradigm are the participation of people in the processes, which shall stem from a free choice of the customers and directly impact the organization and its value; the freedom of expression about the brand; and the digital technology that enables this participation and this process, which could not otherwise exist.

The Bottom-Up paradigm at Macro level translates into the integration of social movements and internet activism into the brand's strategy, with the brand taking a stand on current social and political issues. Some examples of strategies are sustainability and awareness campaigns; indeed, every big organization is focusing on promoting diversity, gender and race equality, sustainable energy and exposing political problems. For instance, Gucci created a website, called Gucci Equilibrium, to spread awareness on sensitive initiatives concerning inclusion, respect and environmental protection to generate a positive change[9].

Moving on to Meso level, companies shall incorporate crowdsourcing and co-creation processes in order to obtain work from people and make them feel part of the brand. Lego and Nike have implemented many strategies and campaigns to involve customers in the creation of products and content, improving commitment. Since Nike is going to be deeply analysed in the last chapter, an example of strategy may be Lego Ideas, a platform where people can suggest ideas and fans vote for the sets to create and launch.

Finally, at Micro level, the focus is on content created and shared by individuals rather than brands. User generated content (UCG) has a great impact on customers' thoughts. The paradigm can be found in rating and review websites, content sharing campaigns and buzz marketing[10]. About the latter, one of the most famous campaigns is "Share a Coke" by Coca-Cola: it consisted in replacing the brand logo on the bottles with the

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[9] Source: equilibrium.gucci.com

[10] Buzz marketing "is the interaction of consumers and users of a product or service which amplifies or alters the original marketing message" Thomas Jr, Greg (2006). "Building the buzz in the hive mind". Journal of Consumer Behaviour

phrase "Share a Coke with" followed by someone's name. One of the objectives of the campaign was to become a hot topic on social networks, exploiting stories of people trying to find their names and pictures of the bottles with the hashtag #shareacoke.

Connecting the Dots Paradigm

Since the whole world is now interconnected thanks to the diffusion of the internet, businesses need to adapt to this dynamic context by implementing multichannel strategies to generate value in complex environments with high connectivity. To do that, brands shall focus their attention on multimedia in-store experiences, web analytics, or on enhancing the customer journey[11]. Therefore, the Connecting the Dots paradigm can be recognized by complex patterns, with multiple entry points leading to the brand; multi-dimensional structures, with many touchpoints and interfaces; and multi-directional patterns, meaning that several paths, interactions and journeys are viable. This paradigm is fundamental for the understanding of the human-technology experience and the customer's behaviour.

The greatest evidence of the paradigm at Macro level is Cloud Computing. It is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services)[12]. A great example is Netflix, which uses cloud platforms to store data and tailor the offer for every client.

At Meso level there are several examples of strategies. Firstly, the usage of digital platforms to evolve the product into an integrated system and provide better experiences. Customers have a new way of perceiving the nature of the product, hence they evaluate everything that revolves around it. Secondly, the application of technologies such as IoT (Internet of Things), which represents the extension of the internet to physical devices. It renders objects intelligent and capable of connecting and interacting with the external environment. Finally, the in-store multimedia experience. Nowadays it is crucial to attracting customers into physical stores harnessing digital technologies (also using IoT). There is plenty of examples of brands using augmented reality, digital signage, interactive screens and mobile technologies to enhance the in-store experience introducing virtual mirrors and fitting rooms, digital payment, smart displays and more. However, this topic will be extensively analysed in the last section of the chapter.

To conclude, at Micro level the paradigm relates to the development of the customer journey (CJ). Companies must design a complex system of digital and physical touchpoints to engage relationships with customers. The CJ is a significant tool to analyse customer experience. It is typically composed of 5 main stages, which can be defined as Awareness, Consideration, Purchase, Service and Loyalty, and in every stage, the consumer

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[11] The customer journey is the process that illustrates the interactions between brands and customers. The journey starts with the need of a product, goes through the purchase and the post-purchase services and restarts. The points of interaction between customers and brands during the path are called touchpoints. It will be analysed deeply in the next section.

[12] Source: Mell, P., & Grance, T. (2011). The NIST definition of cloud computing.

interacts with the brand through different touchpoints. The objective of digitally transformed brands is to create a seamless experience, but this topic will be better exposed in the next paragraph.

Horizontality Paradigm

Our society has shifted from top-down, vertical patterns to horizontal models based on connectivity, peer-to-peer relationships, openness and digitalization. The key features of this paradigm are the disintermediation (everyone has direct access to all kind of information); the convergence of different media to create a fluid experience; the hybridisation of processes and business models, the absence of hierarchies, and the use of collective intelligence, which generates superior knowledge.

At Macro level, Horizontality can be detected in several strategies, all based on adapting the firm to socio-economic changes. Some examples are cross-competition models (organizations can compete in many different markets by developing a platform system and incorporating new technologies), hybridisation of processes, and transmedia storytelling, the latter meaning the disclosure of the same message across different channels and situations but remaining indifferent to media, trying to create a seamless shopping experience. Lego has embraced this holistic approach by enlarging its toy platform to include games, movies, apps, TV and fan fictions, but always promoting the same massage and brand image.

To support a company's growth, it is fundamental to implement horizontal business models based on teamwork and co-petition in order to: provide a holistic and integrated experience; be more flexible in dynamic environments; develop innovations; and meet new customer's requirements. This is one of the pieces of evidence of the Horizontality paradigm at Meso level. A digitally transformed organization must be seen as an integrated system, centred on the efficient management of customer experience. For instance, nowadays several companies have introduced the role of the Chief Experience Officer (CXO) to reach the consumers and deliver holistic and improved experiences. Furthermore, Horizontality may be found also in digital marketing strategies powered by omnichannel approaches that aim to follow the individual throughout its journey and to understand its behaviour.

Finally, the main feature at Micro level is peer-to-peer interaction. Companies shall support forums, communities and social networks where people can exchange information with their peers.

Sharing Paradigm

Nowadays, most people have switched from a culture of consumption (immediate usage) to a culture of fruition, which is long-lasting and focused on reducing wastes. This helped to build a sustainable economy, with the goal of preserving the environment. Listing the characteristics of this paradigm: it is bi-directional, meaning that the network allows multiple one-to-one simultaneous interactions; sharing activities generate added value, innovation, and do not imply a transaction, but an exchange; and it may occur between people, brands, brand-customer, institutions and other entities. It is important to keep in mind that this paradigm has blurred boundaries and contains some traits of the previous paradigms.

From a global perspective, thus at Macro level, the Sharing paradigm can be found in digital infrastructures, global social networks (e.g., Instagram and Facebook), content sharing platforms (e.g., Wikipedia), co-working models (e.g., WeWork and Knotel) and rental economy models (e.g., Airbnb, Booking.com and Couchsurfing). All these systems present some of the elements listed above.

At Meso level it emerges in co-creation models, for example in organized communities where people can share information, or in e-commerce platforms and virtual marketplaces (e.g., eBay, Etsy and StockX) where companies and people sell goods online and share information that brands can collect.

Lastly, at Micro level the paradigm concerns the customer and its sharing activities, such as peer-to-peer sharing on social media platforms (e.g., Instagram and Pinterest) and social bookmarking websites (i.e., websites that facilitate discussion and resource sharing, such as Reddit and Digg).

Table 1.1 briefly summarizes what has been said so far regarding the 4PM and its main characteristics.

	Macro level	Meso level	Micro level
Bottom-Up	Engagement in social causes	Co-creation, Crowdsourcing	User Generated Content (Buzz marketing, Sharing campaigns)
Connecting the Dots	Cloud computing, Data analytics	Platformization of products, Technologies, In-store experience	Customer Journey
Horizontality	Transmedia storytelling, Cross-competition, Hybridization	Horizontal business models, Omnichannel strategies	Forum, Communities, Social networks
Sharing	Global social networks, Co-working, Rental economy	Communities, Virtual marketplaces, e-commerce platforms	Peer-to-peer sharing, Social bookmarking websites

Table 1.1 – The Four Paradigm Model

Source: personal elaboration from Padua D. (2020), Teaching material of DMTCE Course

1.2 The Customer Experience

After fully comprehending the Digital Transformation process that every company should embrace, clearly emerges the urge of focusing on Customer Experience (CX) to rise above competitors and to adapt to customers' changes. CX has been defined as "the internal and subjective response customers have to any direct or indirect contact with a company" (Meyer and Schwager, 2007), and now more than ever, brands must enhance the quality of these contacts.

1.2.1 Managing and Enhancing the Customer Experience

Obviously, the concept of CX and its importance is not a recent discovery. Companies have known for many years the relevance of creating better experiences for their clients. Nevertheless, the fast development of technologies that the world has witnessed in these past years has dramatically changed the customers' behaviours and how companies should interact with them. People are always connected, have multiple options and higher expectations, they are more demanding and want to use many channels simultaneously. Therefore, firms must embrace new technologies in order to deliver holistic shopping experiences and personalize content for every customer. Managing and designing CX is not an easy process and companies have relied on Customer Relationship Management (CRM) for many years. However, CRM appears now outdated because it is focused on analysing the brand-customer relationships and then creating marketing strategies to improve services and sales. Nowadays companies must embed a new model, i.e., Customer Experience Management (CEM), which is based on experiential evaluation, monitoring CX in every available channel and enabling the personalization and the improvement of the experiences.

Companies have a multitude of feasible technological solutions to optimize the experiences. First of all, they have to implement omnichannel strategies, to manage different channels in a unified way and provide a seamless experience to customers who utilize all of them during their journey. This approach increases convenience and engagement and allows a better use of modern-day technologies. Indeed, to enhance CX, brands should exploit, in both digital and physical channels, these key technologies[13]:

- *IoT*. As already explained, IoT refers to the implementation of computing system into real-life devices (e.g., smartwatches). These devices can assist consumers in their decisions, track their information, automate transactions (allowing the reading of tags on items), and enable post-purchase services, acquiring customer's data or monitoring home environment and energy consumption.

- *Augmented Reality*. AR enriches real-life experiences by creating interactions with computer-generated displays. It is important in the decision-making phase since it attracts consumers and facilitates their imagination. For example, IKEA has implemented displays with which customers can furnish rooms with items of their choice, and Sephora gives the opportunity of using intelligent mirrors to see how different combinations of make-up fit customers.

- *Virtual Assistants (VA) and Robots*. These devices are powered by AI[14] and can assist customers during their journey. VA, such as Siri and Alexa, are computer programs that understand requests and can perform a limited set of tasks, communicating with the individual using registered voices. Robots are

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[13] Hoyer, W. D., Kroschke, M., Schmitt, B., Kraume, K., & Shankar, V. (2020). Transforming the customer experience through new technologies. *Journal of Interactive Marketing*, *51*, 57-71.

[14] Artificial Intelligence refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions. (Menaka, R., & Karthik, R. (2021). Automatic Detection and Assessment of Autism Spectrum Disorder: A Systematic Review. *Handbook of Research on Critical Issues in Special Education for School Rehabilitation Practices*, 396-425.)

physical AI machines that can sense the environment and execute tasks independently. AI-based systems can aid consumers by selecting relevant information based on prior browsing and also provide feedback and additional recommendations.

In conclusion, an omnichannel customer-centric approach is fundamental in managing and enhancing the CX. Companies shall put a major effort into improving the shopping experience, with the goal of maximizing it rather than the sales, because nowadays, CX has overtaken price and product as the key brand differentiator.

1.2.2   The Customer Journey

To further analyse the CX, companies design and evaluate the Customer Journey (CJ). Lemon and Verhoef (2016) illustrate the CJ as a dynamic and iterative process that flows through different phases: pre-purchase, purchase and post-purchase. These phases can in turn be divided into more specific stages (already mentioned in the previous section): Awareness and Consideration (pre-purchase); Purchase; Service and Loyalty (post-purchase). As exposed in Figure 1.2, customers interact with the brand through many digital and physical touchpoints, the latter being controlled by the brand or not and having different importance.
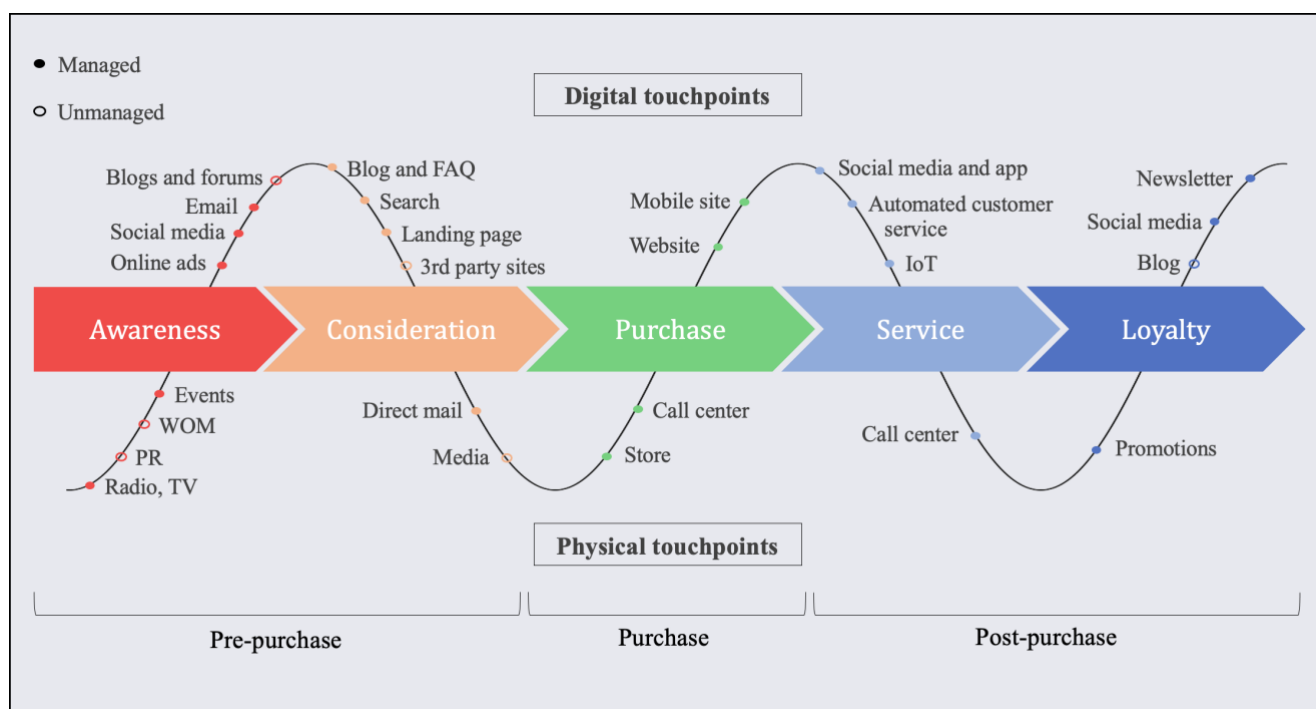

Figure 1.2 – The Customer Journey

Source: personal elaboration from Padua D. (2020), Teaching material of DMTCE Course

Even though physical touchpoints such as WOM[15] and the store are still crucial for the success of a brand (indeed, the relevance of the store is the main focus of this work), overall, the digital touchpoints are steeply

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[15] Word-of-mouth marketing (WOM marketing) is when a consumer's interest in a company's product or service is reflected in their daily dialogues. Essentially, it is free advertising triggered by customer experiences (Hayes A., Investopedia, 2021). It is used to

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overtaking the physical ones. In the awareness and consideration phases, brands should increasingly work on social networks, online ads and search engine marketing, because now the majority of the consumers is online. At the same time, in the post-purchase phase, they should invest in technologies to automate important processes (customer service and newsletter), and in IoT to enrich the use or consumption of the product, as well as social media and mobile app development.

In order to evaluate a CJ, companies use the Customer Journey Mapping (CJM), which is a methodology based on quantitative and qualitative research (e.g., surveys, reports, market analysis, sentiment analysis) conducted on real and potential customers[16]. In the CJM the consumer must be seen as a person and no longer as a number. Some of the most important components of this process are the customer (brands must know that every customer is diverse and requires a personalized journey and a different analysis), the mapping (e.g., monitoring the touchpoints and how customers interact with them), the goal (every analysis has the main objective defined by the brand), the channel (e.g., the method selected by the client to interact with the firm), and the experience, meaning the set of indirect feedbacks that the individual sends to the company (Bernard, 2017). Finally, brands should assess the CX in every stage of the journey using relevant parameters such as convenience, enjoyability and enrichment, to completely understanding what seriously matters for the individual.

The goal of a digitally transformed (omnichannel) company is to create a seamless experience for the consumer. To do it, brands shall focus on breaking the boundaries between digital and physical to deliver a holistic experience and engage the customer at a multisensorial and emotional level, and, as will be illustrated in the next section, the store environment plays a major role in this process.

1.2.3   Post-Pandemic Scenario

In this particular period, it is mandatory to consider what the pandemic has changed, thinking about what organizations should do to react. Covid-19 had a great worldwide impact and caused serious consequences in terms of healthcare, social relationships and the economy; indeed, it caused a global economic downturn, hence cutting costs is inevitable. However, as Figure 1.3 shows, this should not come at the expense of a good CX. In fact, in a recession, CX is what remarkably differentiates a company from its competitors. Therefore, companies shall improve experience and efficiency at the same time, for example by increasing digital self-service options and focusing on flexibility, sense of observation and predictive ability. They also have to consider that numerous customers have grown comfortable with digital technologies and now have high expectations for both online and physical experiences. In this context, the pandemic has seriously accelerated the digital transition of many organizations that now are focusing on developing e-commerce strategies since

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calculate the Net Promoter Score (NPS), which is an indicator of the number of people satisfied by their experience with a brand and that would recommend it to others.

[16] Asbjørn, F., Knut, K. (2018), Journal of service theory and practice, SINTEF digital. pp. 209-211.

customers necessarily approached online channels during the lockdown and are planning to keep using them even after the crisis.

Total returns to shareholders of customer experience leaders and laggards,[1] % by quarter

*Comparison of total returns to shareholders for publicly traded companies ranking in the top 10 or bottom 10 of Forrester's Customer Experience Performance Index in 2007–09.

Figure 1.3 – Importance of the Customer Experience in Recession
Source: Forrester Customer Experience Performance Index (2007-2009)

Nonetheless, especially in the apparel and sports industries, brands should also invest in the digitalization of the physical stores to bring back customers at the end of the pandemic and raise revenues. Customers now have different expectations regarding the in-store experience and give more and more importance to mobile technologies, social responsibility, interactive design and augmented reality, hence at the end of the emergency, only the companies that adjusted their business model to embrace an omnichannel perspective will rise above competitors.

1.3   The In-Store Customer Experience

The store is undoubtedly the most important physical touchpoint in every customer journey. Although the rising of e-commerce and the Covid-19 pandemic have increased the amount of customer using online shopping solutions, the traditional store is probably going to have, in the near future, a major role for every customer-centric company. However, consumers purchasing patterns have changed significantly and they seek interactive experiences and social engagement, thus the stores must almost abandon their traditional concept and incorporate digital features. Today it is not enough for retailers to just sell products because that process has been commoditized by online channels. They need to concentrate on how to make the store visit something engaging, beyond the acquisition of products, and the answer lies in the adoption of new technologies that

have the potential to enhance the in-store customer experience (ISCX) and also improve operations management. Technologies are relevant touchpoints to customers and can bring some of the benefits of the online channel to the store environment. For these reasons, retailers must implement the following technologies to encourage consumers to come to visit the store and enjoy improved immersive experiences.

1.3.1   In-Store Technologies

Since the expectations that consumers hold regarding technologies continually evolve, companies must constantly adapt by incorporating new consumer-facing mobile technologies to collect data, attract customers and provide an omnichannel and multisensorial experience, capable of arousing emotions and leaving wonderful memories. Nowadays, some of the most effective technologies are[17]:

- *RFID Tags*. Radio-Frequency Identification technology has been widely used by retailers for logistic and supply chain management, but it can be exploited to enhance ISCX. RFID tags are tiny microchips connected to miniature antennas which contain a unique ID number that identifies the item to which the tag is attached (Ustundag and Tanyas 2009). They allow retailers to track the real-time availability of the products and to detect their position inside the store as well as gathering information about customers' in-store behaviour (e.g., knowing which items are taken into fitting rooms and which ones are rejected or purchased). Integrating this technology into mirrors, displays and products such as shoes or bags can extremely improve the shopping experience, enabling multiple applications (e.g., virtual changing rooms, self-service stores, gamification), that are going to be illustrated in the next paragraph.
- *QR Codes*. The use of QR codes has recently spread (also due to the pandemic). They provide direct links to websites, social media or other interfaces so that customers can access further information, brand-related content or interact with digital displays. The application of this technology is extremely varied and can increase the customer conversion rate by allowing them to effortlessly advance towards the purchase. Moreover, QR codes can be used in self-service retail concepts (e.g., unmanned stores).
- *AR*. Augmented Reality, which has already been introduced in the previous section, is a technology adopted by many retailers to enhance the in-store experience. It is an enriched version of the physical world that is achieved through the use of digital visual elements, sound, or other sensory stimuli via interactive interfaces[18]. AR probably has the largest impact on customer engagement since the user can perceive different realities, different environments and interact with smart displays to live the most innovative and appealing experience.

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[17] Some useful technologies are not appearing on the list because they are already considered "ordinary" by the majority of consumers. Some examples can be offering free wi-fi connection, which is something all retailers have; mobile contactless payment, which is based on Near Field Communication (NFC) technologies that permit the communication between smartphones and point of sale terminals and has been implemented in many stores; 3D printing technologies; and beacons (i.e., geo-targeting technology capable of detecting smartphones), that are not particularly enhancing CX.
[18] Source: Hayes, A., Investopedia (2020)

- *Artificial Intelligence.* AI (and machine learning) has been implemented in many flagship stores because it allows to significantly personalize and improve CX. Integrating robots, digital kiosks and voice assistants into the physical shopping experience allows companies to merge the benefits of online and offline channels. Furthermore, AI-based devices truly help frontline employees handle common operations (e.g., locating items and managing the supply chain), indeed, experts believe that embodied and disembodied robots are going to be necessary for the future of retail. In 2019, a Deloitte survey showed that 90% of U.S. executives, considered to be early AI adopters, thought AI was very or critically important to their company's success (Deloitte, 2019).

- *Mobile devices.* Nowadays it is important to include smartphones and tablet-related features inside the store. Firstly, customers shall be able to use their phones to pay, to interact with the environment (thanks to QR codes and AR), share their experience on social media and access special personalized features via the brand's app. Indeed, the brands' mobile apps facilitate a variety of shopping and browsing tasks and should be extensively used during the physical shopping experience because they allow companies to collect specific data and know every single customer (some brands such as Burberry and Lush are already developing experiences based exclusively on mobile apps). Secondly, employees should use mobile devices to improve customer service by providing all the possible information regarding the products (through RFID tags) or the brand and by interacting with the individual, satisfying every potential need.

- *Digital signage.* It refers to LCD monitors, LED walls and projections that vividly display webpages, videos, games, and other content. They are used for promotional and informational purposes, but also to enhance and affect user experience, and leverage most of the technologies listed before (RFID tags, QR codes, AR and mobile devices).

One characteristic shared by all these technologies is that they are self-service based, meaning that their service is provided by the interactions of customers with the interfaces. This attribute remarkably boosts consumer satisfaction and entertainment by providing a seamless holistic experience.

1.3.2   New In-Store Trends and Technology Applications

The previous technologies can be harnessed to deliver an optimized ISCX in several ways. This final part of the chapter is focusing on the most important in-store technology applications (providing examples mainly from the apparel industry) and on what are the trends for truly creating a unique and memorable experience.

Co-creation and Customization

One of the best digital strategies today is consumer co-creation. As explained in the 4PM, it allows customers to take part in the creation of the products and personalize them. Many companies have implemented co-creation strategies and mass customization campaigns, for example, Frito Lay's campaign "Do us a flavour",

where people suggested and voted new chips flavours; NIKEiD, which lets customers personalize colours and details of many shoes and t-shirts; and Unilever's Open Innovation platform, that encourages individuals to submit responses to specific challenges for potential adoptions by the company. These campaigns can, not without any difficulties, be applied to the physical store. In order to give customers, the possibility to create products and content directly inside the stores, companies must increasingly invest in new technologies and data analytics, but the return in terms of engagement, experience and revenue would be stunning. Also, for the in-store co-creation, the personnel play a fundamental role. Nike is one of the most advanced companies when it comes to co-creation and customization both online and in-store. The brand has planned many campaigns to involve designers and fans in projecting products and now it is implementing in-store customization by creating specific areas called Sneaker Labs in its flagship stores around the world[19]. Other examples can be Levi's Tailor Shops, where people can customize their apparel through stencilling, signatures, and embroidery, Kate Spade, which is allowing customers to create handbags using an AR display that senses which bag they have chosen and then offers various options, and Rolls Royce, that is enabling buyers to completely personalize their car by choosing the exterior and interior design, materials, seats, optional veneers, steering wheel, displays, headlining and other accessories.

Interactive displays

Lately, a growing number of companies are exploiting digital displays such as virtual mirrors, smart windows and digital price tags to increase the digital touchpoints inside the stores and to accelerate the customer journey towards the purchase. These displays are mostly based on AR, can be scanned through QR codes, and can recognize objects and people thanks to RFID tags and AI cameras. They are capable of attracting customers inside the store and improving their physical shopping experience while also easing the process. Kroger[20] and Amazon have implemented digital price tags in some of their stores. The technology displays pricing and nutritional information, and, in the case of Amazon, it shows different prices for Prime members and can feature video ads. Moreover, it runs on renewable energy and decreases paper and plastic wastes. Rebecca Minkoff, Adidas, Nike and various other global retail brands have approached the virtual dressing room implementation. AR-driven mirrors constantly display videos and product-related content, moreover, customers can virtually try clothes and change the background and the lighting. Also, with the help of RFID tags, the mirrors can recognize the products and can indicate other available sizes and colours, and customers can virtually accessorize their outfits. Finally, another great example of interactive displays can be the smart windows in the storefront. People passing by the store can interact from the outside as the screen recognizes them. For instance, Clas Ohlson has deployed smart windows that users can control with their smartphones via QR codes and that interact with them giving information, benefits, and transaction convenience.

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[19] Detailed examples will be given in the final chapter.
[20] Kroger is a US grocery chain.

Gamification

To provide enhanced experiences, retailers aim to involve customers with interactive entertainment, becoming a regular meeting place for the community. Playful, digital context are particularly good at affecting customers' participation. Several global sports brands, such as Nike, Adidas and Puma, have incorporated digital walls and floors in their stores, on whose screens special movement games run. For example, Adidas turned Originals sneakers into a game control device by adding RFID tags on the shoe's tongue. AR displays then detect the position of the tags and provide access to multiple interactive games. Puma also uses gamification elements in its New York flagship store, where customers can play through multi-sensory screens. Finally, Burberry is also providing immersive and interactive experiences in its Shenzhen store (opened in July 2020), where users can interact with the brand's app and WeChat (e.g., booking appointments and sharing UGC) to accumulate virtual currency, which is used to hatch and evolve an animated character on the app while moving around the store. This process can unlock exclusive content, event invites and discounts, and is a playful, engaging method to personalize the shopping experience.

Self-service experience

More and more retailers are trying to create self-powered shops that only depend on technology (excluding, so far, restocking). These stores would harness the technologies previously described to digitalize and speed up the physical shopping experience. Amazon Go stores allow customers to enter the store, pick up products, and leave without checking out. They use AI-driven cameras to recognize and track consumers, and the payment is automated via the mobile app. Moreover, integrated Alexa devices placed inside the store assist customers during their journey. Similar to Amazon Go, BingoBox has opened multiple unmanned stores in China. Customers can access the store by scanning a QR code with the WeChat app and then the experience is completely unmanned since they can choose items, proceed to the self-checkout and pay via the app.

Experience hubs

Some existing stores, especially after the pandemic, are shifting toward experience hubs that offer services and encourage purchase across all channels. These "guideshops" are completely focused on CX and embed new technologies to help people testing products (for later completing the purchase online). For example, Leroy Merlin has opened some showrooms with a path to just expose products, and Woolrich has implemented in Milan a store with a "cold room" to test the warmth of its coats at low temperatures. Finally, in Nike's store in New York's SoHo, customers, assisted by a personal coach, can try on shoes in several simulated sporting environments (e.g., a basketball half-court, soccer trial field, and outdoor track) to determine their favourites.

Social responsibility

As the 4PM illustrated, taking a stand in social, political and environmental issues is crucial for today's companies. Indeed, several global brands are operating to reduce emissions, promote inclusion and gender neutrality and spread awareness about equality and racism at large, also leveraging the physical stores. To

make some examples, Adidas Originals opened its first gender-neutral store in London's SoHo, with no men's or women's areas; Nike has introduced its Move to Zero strategy, which includes the utilization of recycled materials both for creating products and building stores; and Starbucks commits to creating 10,000 "Greener Stores" globally by 2025, with whom the company is able to reduce costs as well as minimize its impact on the environment.

These new trends and applications of technology devices are going to be the main motives for customers to move and go visit the store rather than using online channels. The importance of these aspects will be deeply analysed in the final chapter to understand how technology is affecting customers' thoughts and behaviours.

New In-Store Trends	Adopted Technologies	Examples
Co-creation and Customization	AR, AI, Mobile Devices, 3D printing	Nike's Sneaker Labs, Levi's Tailor Shops, Kate Spade's handbags, and Rolls Royce's cars
Interactive Displays	AR, Digital Signage, RFID Tags, QR Codes, AI	Amazon's digital price tags, virtual changing rooms at Rebecca Minkoff and Adidas, Clas Ohlson's smart windows
Gamification	AR, Digital Signage, RFID Tags, Mobile Devices	Adidas and Puma's interactive games, Burberry's mobile experience
Self-service Experience	Mobile Devices, RFID Tags, QR Codes, AI	Automated services, Amazon Go, BingoBox stores
Experience Hubs	AI, Digital Signage	Leroy Merlin's showrooms, Woolrich's cold room, Nike's SoHo store
Social Responsibility	Sustainable technology development	Nike's Move To Zero, Starbucks' Greener Stores

Table 1.2 –New In-Store Trends and adopted technologies

Source: personal elaboration

SECOND CHAPTER

THE SNEAKER MARKET: HISTORY AND DIGITALIZATION

2.1   The Sneaker Culture

The sneaker production began in the middle 19th century thanks to the discovery of the rubber vulcanization process. At first, they were luxury items enjoyed exclusively by elite athletes, but in the early 20th century, following people's increasing interest in fitness and sports, many companies started mass-producing sneakers. Converse was the first big company to invest in this business, primarily producing basketball shoes and using players as brand ambassadors. Indeed, in 1932 Chuck Taylor became the first athlete to have a sneaker named after him, and today the Chuck Taylor All-Stars are one of the most purchased sneakers of all time.

During the 1950s the sneakers moved beyond the sports shoe concept thanks to the actor James Dean, who started wearing them with jeans and leather jackets in his movies becoming a symbol of rebellion and youth emancipation. Nevertheless, it is during the 1970s and 1980s that basketball and hip-hop communities transformed the perception of sneakers into instruments of cultural expression and symbols of status. In this period the Converse were the most popular shoes among basketball players (having Larry Bird and Magic Johnson as testimonials), but in 1984 Nike signed a historic deal with the emerging star Michael Jordan and the business changed. Indeed, the signing and the birth of the Air Jordan brand represents the turning point in sneakers history, mainly because of the media impact that the brand had on people[21]. The merit primarily goes to Nike's marketing managers and shoe designers. Firstly, the company has been capable of leveraging the hype around the sneakers industry by creating effective commercials such as the "Banned Air Jordan I"[22] and the "It's Gotta Be The Shoes"[23], featuring Spike Lee. Secondly, the iconic designs created by Peter C. Moore (Air Jordan I and II) and Tinker Hatfield (Air Max 1, Air Jordan from III to XV and many more) helped the brand and the whole industry spreading across the world. These factors, along with many hip-hop stars rocking branded sneakers[24], allowed the rise of the sneaker culture, especially across the Afro-American population, as the sneakers became more than just athletic items, conveying messages of social identity, class, race and other forms of social meaning.

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[21] With the Air Jordan I, Nike expected to earn $3 to $4 million, instead they reached more than $100 million in the first 12 months.

[22] The first Air Jordan I colourway, called "Bred", did not respect the NBA canons; therefore, the athlete was not allowed to wear them. However, Nike paid a $5000 fine for every game for letting Jordan use them and created a powerful commercial with the phrase "NBA can't keep you from wearing them", thus the shoes truly became a symbol of rebellion, emancipation, and diversity (however, it shall be specified that the actual first banned pair of shoes that Jordan wore on court were the Nike Air Ship Pro).

[23] The commercial came out in 1989 and set the shoes at a higher level by assuming that they were the reason for Michael Jordan's abilities on the court.

[24] In 1986 the group Run DMC released a track called "My Adidas" and for the first time, rappers' clothing reflected the style of the streets and the basketball courts. This particularly boosted the diffusion of the sneaker culture.
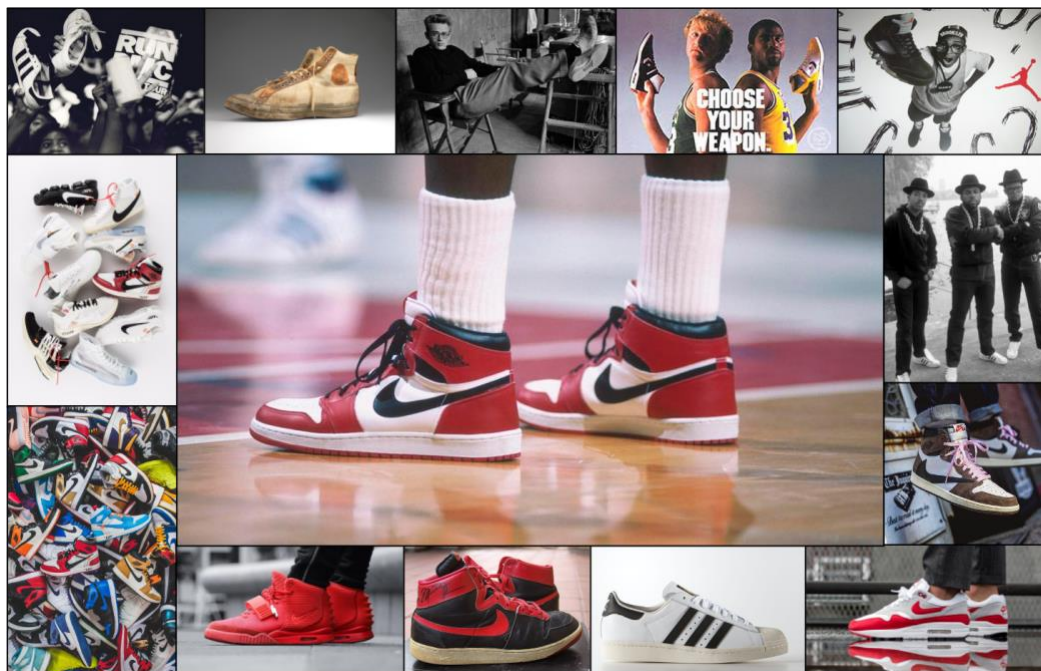
Figure 2.1 – The Sneaker Culture
Source: personal elaboration with images found on google.com

The diffusion of the sneaker culture led to a stunning economic growth of this industry, which today has a value of approximately $79 billion and is forecast to reach a value of $119 billion by 2026 (Statista, 2021). This is especially due to the increasing number of "sneakerheads", i.e., footwear enthusiasts who have high knowledge about the industry and collect, trade, discuss or admire them. Sneakerheads seek rare collections and exclusive pairs to add to their set or to resell in the secondary market. Navigating this trend, most footwear brands in recent years started releasing limited-edition sneakers, collaborations with multiple celebrities, and retro colourways in order to create a sense of exclusiveness within the sneaker community and increase the hype and sales. Therefore, the sneaker culture has evolved from a sub-cultural scene consisting of specific enthusiasts into a global trend, displaying the sneaker as an iconic fashion staple.

Nowadays the sneaker culture has spread across the whole world thanks to the power of the internet and digital transformation, and an increasing number of people, especially kids approaching sports, desire to purchase sneakers and wear them on multiple occasions. This is particularly due to athletes' signature shoes (e.g., Michael Jordan, Kobe Bryant, Lebron James) and collaborations with hip-hop celebrities (e.g., Kanye West, Travis Scott, Pharrell Williams, Eminem) and stylists (e.g., Virgil Abloh, Kim Jones, Riccardo Tisci) that helped to spread the awareness and the popularity of this business. Besides that, sneakers have an immense history depicting years of adaptation to cultural changes and today they are also exploited to impart positive messages and make political and racial statements. For these reasons, the business is growing faster than ever, and the sneaker is now a symbol of versatility, being a sports product, a fashion accessory, and a medium of behavioural expression and social identification.

2.2   Digitalization of the Sneaker Industry

With the development of the internet and new digital technologies, the sneaker industry has constantly evolved, especially in recent years. The leading brands, such as Nike and Adidas have always been innovation-oriented companies, therefore they have immediately implemented digital features inside their business models. Overall, the sneaker market has been deeply digitalized: sneakers releases have switched to online channels; online communities allow to spread awareness and general information; several virtual marketplaces enable anyone to buy and sell sneakers; brands are leveraging digital channels to spread awareness on relevant social and political themes; data analytics are used to increasingly personalize the offer; and brands are creating hi-tech sneakers thanks to new technologies and materials. This section is deepening these aspects.

Online Drops

Since the 1990s, sneakers companies have adopted a particular method to sell their most desired shoes. It consisted of releasing a limited number of pairs, in selected stores and third-party retailers, to rise in the consumer a sense of exclusiveness and affiliation regarding the sneaker and entice them to buy it. Thus, brands have clearly decided to prioritize hype over profits by selling way fewer products than they could, because scarcity makes products desirable and persuades individuals to try to buy them. Nevertheless, with time people started camping out of the stores up to five weeks before the drop of the sneakers and the streets became a real battleground where the prize was the mere privilege of buying the shoes. For example, in December 2011 Nike released the Jordan XI "Concord" and violence ensued all over the United States, with Police shutting down stores, widespread violence and even people getting stabbed or shot for the shoes. The same events repeated a few months later for Nike's Air Foamposite One "Galaxy", whose release sparked riots outside multiple stores.

This long introduction is intended to highlight the need for a different way of releasing sneakers to put an end to or at least reduce sneaker-associated violence. Hence, brands invested in the development of high-performing websites and mobile apps where to release footwear (but also sportswear apparel). Today, Adidas' "Confirmed" and Nike's "SNKRS" are the mobile apps used to drop the most important shoes. The method is a simple raffle, where customers insert their data and freely participate in the extraction of the winners who can then purchase the sneaker. Furthermore, third-party retailers also adopted online drops by harnessing social networks and allowing people to take part in their raffles by commenting on different posts.

Online drops present a multitude of benefits for both companies and consumers. Brands can collect plenty of data through their apps and websites, while customers can participate in the extractions from all over the world as they no longer have to reach specific stores. Besides that, there was an increasing need of reducing the physical releases because of the growing violence that occurred in the US, and in this case, digital channels probably saved some lives.

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Resale market

Because of the demand surpassing the supply, when companies release limited sneakers, these sell out instantaneously and for those unable to buy a pair, the only other option is the resale market, in which sneakers are sold after the application of a large markup determined by the popularity of the sneaker. To provide some data, sneakers are usually released at an average price of $150 and once they sell out, they are normally sold in the secondary market for $300 to $400. However, some limited-edition releases reach insane prices and can be sold for thousands of dollars[25]. For example, the abovementioned Nike's Foamposite Galaxy ($220 retail price) have an average resale price of $1.600, with a 727% appreciation; the Nike Air Yeezy 2 Red October went from 250$ to an average of $9.300 (+3.720%); and the original Air Jordan I Bred (released in 1985), whose original price was $65, now has an average resale price of $14.900 (+22.900%). These numbers are the reason why the sneakers resale market had, in 2019, an estimated worldwide value of $6 billion, with the potential of reaching $30 billion by 2030, and with the pandemic accelerating its growth (Cowen, 2020).

People used to buy and sell on eBay, but with the aforementioned rising of the sneaker culture and the value of the shoes, intermediation between buyers and sellers became necessary to cease frauds and trades of counterfeit sneakers. Therefore, multiple virtual marketplaces have flourished in recent years, such as Flight Club, Stadium Goods, GOAT and StockX, which allow consumers to safely trade sneakers (and streetwear apparel). Particularly, today StockX is the main trading platform as it connects buyers and sellers with the same methods of a stock market, providing real-time prices, sales history, volatility indexes, and complete transparency. The products are physically monitored and authenticated, and the platform reports market analysis and volume metrics. Indeed, in 2021 the company has been valued at $3.8 billion. In conclusion, the resale market represents evidence of how much the sneaker industry has been digitalized in recent history.

Collaborations

Besides the general releases, which refer to shoes available in large quantities, companies frequently start collaborations with different celebrities and other brands to launch new colourways of an existing model or entirely new silhouettes. These co-branded pairs are often released in limited editions, hence the exclusiveness, together with the popularity of both parts, tend to attract a huge portion of the population. Collaborative releases are completely different from athlete's signature shoe lines (e.g., the Air Jordan), because the latter are tailor-made with performance as the main intention, while collaborations are intended to infuse a sneaker with extra brand recognition. Indeed, they have proven successful in boosting the value (tracked through the resale prices) perceived by consumers, who often see these sneakers no longer as normal items but as investment tools. Some of the most important and hyped collaborations of recent history are the Nike x Off-White ("The Ten"), the Nike x Travis Scott and the Adidas x Kanye West ("Yeezy")[26]. These collections sell

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[25] On April 28, 2021, a prototype of Nike Air Yeezy 1, wore by Kanye West during the 2008 Grammy Awards, has become the most expensive sneaker ever, being sold at auction for the record price of $1.8 million. This shows how crazy this phenomenon is.
[26] Collaborations with successful musicians such as Travis Scott, Kanye West, Drake, Pharrell Williams, Rihanna, and Jay-Z, stem from the great relevance that hip-hop culture has had in sneakers history, as highlighted in the first section of the chapter.

out immediately after the release and then tend to resell on secondary markets for prices that reach even 2.100% of the originals, meaning that more and more people desire to purchase these collaborative projects.

Co-branding projects have always existed, but in recent years they have been capable of generating these huge profits, primarily thanks to digital channels (collaborative sneakers are mostly released via raffles on apps and websites, and then are sold in the resale market) and social networks, on which both the sneaker brand and its partner promote the releases and create hype. Indeed, social media campaigns are playing a major role in these collections as they are allowing brands to reach an increasingly vast portion of consumers by leveraging the image of the celebrities, musicians, and stylists involved in the collaboration. Moreover, today are constantly increasing the collaborations with other entities, for example, Nike released the Dunk Low "Chunky Dunky" with the ice cream company Ben & Jerry's (characterized by the packaging that mimics a pint of ice cream and that now has an average resale price of $2.400), and Adidas partnered with Lego to drop special ZX 8000 and UltraBoost models (which have Lego bricks to compose the famed three stripes). Finally, thanks to the great impact that co-branding is having in the sneaker market, the number of luxury fashion houses and renowned artists interested in collaborating with sneakers brands is constantly increasing. For instance, Nike recently collaborated with Dior, Comme des Garçons, the aforementioned Off-White, and Tom Sachs; Vans partnered with Takashi Murakami and Damien Hirst, who also worked with Converse; and Adidas designed a Superstar with Prada and produced multiple collections with Stella McCartney. As obvious, the great media impact that these partnerships had on social networks gave rise to a large growth in the resale prices of the sneakers object of the collaborations.

Customization

In modern times, individuals have their own ideas about products, and in the sneaker market, giving them the possibility of customizing shoes has become essential. Customization brings the product closer to the users, their personalities, and interests, building overall stronger relationships to learn more about them. Hence, in the sneaker industry, numerous companies implemented mass customization processes, with Nike and Adidas leading the business in the early 2000s. Indeed, "NIKEiD" (which now has become Nike By You) and "MiAdidas" (which has now been discontinued) have been the first platforms, embedded in the brands' websites, on which individuals could create and customize products to meet their fashion and functional needs. Adidas shut down its platform in 2019 to concentrate on co-creation programs. The company declared that wanted people to join the creation of the products at a deeper level and is working on allowing creating shoes with 4D print, realizing tailor-made shoes that fit the shape of the customer's feet. On the other hand, Nike By You still permits people to choose a limited combination of colours and materials for some of its silhouettes, customizing the fit, overlay, upper tongue, midsole, outer sole, laces, lining, and decorative details. The platform now generates a large portion of Nike's total e-commerce business. In synthesis, mass customization integrates the main benefit of mass production, i.e., reaching a large audience, with modern customers' requirements, thanks to digital technologies.

Moreover, several brands have adopted membership programs to further tailor the experience for every individual. Indeed, thanks to mobile apps, customers can become members and access exclusive content, such as sneakers, events and backstories, making this an additional tool that truly makes people feel part of the brand while also collecting data about and interacting with them.

In conclusion, customization is probably the best proof of how crucial digitalization is in this business. With their platforms, Nike and Adidas have collected a plethora of data regarding customer's preferences, have created solid and loyal relationships with their customers, and have been capable of tailoring their offer for every customer. The following step consists of implementing improved customization processes inside the stores, using digital technologies and giving people the opportunity to increasingly personalize their shoes by physically selecting its parts and details; indeed, Nike is already giving this opportunity in some of its stores.

Technology

Digital Transformation and modern technologies enabled companies to deliver constantly improving interactions and experiences and, in the sneaker industry, there are several examples of brands that engineered technological shoes to allow customers to live futuristic experiences. Indeed, technology and footwear are colliding creating sneakers that improve performance and general usage. To make some examples:

- Nike has developed multiple models of self-lacing shoes such as the Air Mag (inspired by the Back to the future movie) and the Nike Adapt BB, designed by the famed Tinker Hatfield. The shoes electronically adjust to the pressure generated by the feet thanks to smart sensors in the sole and can be controlled via smartphone to calibrate narrowness. Furthermore, Nike has also adopted digital technology to develop high-quality fabrics and sustainable materials such as the Nike Flyknit technology, which allows the shoe upper to be constructed in a complete 360° form that wraps the entire foot and improves performance.

Figure 2.2 – Nike Adapt BB
Source: nike.com

- Adidas partnered with Carbon, a 3D printing company, to design its "Futurecraft 4D" line. The soles of the shoes are created through the process of Digital Light Synthesis, which transforms resins into a solid, resistant and reactive material, ideal for enhancing running performances. Moreover, Adidas is currently working on Furutecraft Strung, a project based on 3D printing, that would create seamless shoe uppers and exploit 20 years of athletes' collected data to create shoes that could improve performances and perfectly adapt to every sport.

- Under Armour was one of the first companies to use 3D printing to create the sole of the sneaker. Indeed, the ArchiTech Futurist line, launched in 2016, featured 3D-printed heels that provide versatility and maximum performance.

- In 2019 Puma released its own pair of self-lacing shoes, the Puma FI, which have the same peculiarities as the Nike Adapt as they can measure the wearer's foot size and can be controlled via smartphone. Also, Puma produced the first sneakers to make full use of AR technology, the Puma's LQD Cell Origin AR, which is covered in QR codes that can be scanned through an app to enable unique experiences in augmented reality environments.

Online communities

If the sneaker culture has become the phenomenon that it is today, the merit also goes to online communities of sneakerheads that helped to spread stories and general information about this world. It is not a coincidence that the business has expanded so much in such a short time frame with the creation of dedicated forums and communities on the internet. Organizations such as Complex, Sneakernews, NiceKicks, Highsnobiety, and Hypebeast provide information and have created online communities for people to exchange news and opinions. Thanks to social media, these platforms have a global reach and some of them are more famous than certain sneaker brands. Furthermore, marketplaces such as the aforementioned Flight Club, Stadium Goods and StockX, not only provide platforms to trade sneakers but also gather information and enable consumers to discuss community and culture. Thus, digital platforms had a dramatic impact on the growth of this industry.

Social causes

Nowadays, one of the most significant topics for a large portion of consumers is social responsibility. Several sneaker companies are exploiting digital channels to spread awareness on social causes such as sustainability, gender and racial equality, and healthcare. Adidas, for example, in 2020 has produced over 20 million pairs of sneakers made with ocean plastic (collaborating with Parley for the Oceans) and is currently working on "Futurecraft Loop", a 100% recyclable performance shoe that can be used to create other shoes at the end of its life. Puma is also operating to create a more sustainable future by embedding human rights and trying to have a positive impact on its communities, taking care of the environment, and using sustainable materials (and so are doing numerous other brands such as Reebok, Under Armour and Converse). Additionally, after the numerous racial injustices that happened in the past years, several companies are strongly taking a stance

by exposing these events through campaigns and social networks, trying to raise awareness and support social movements. Moreover, for their inherent vicinity to the athletes' world, most footwear companies are promoting exercise and healthcare among young and adults, especially in the United States. Finally, Nike has embraced social activism at multiple levels with its Move to Zero strategy and other social campaigns, but it is going to be analysed at the end of the chapter.

2.3   Store Digitalization and Customer Experience

Modern sneaker store experiences feature outstanding merchandising and innovative customization options that enable consumers to conveniently find or create the ideal product for them. Global athletic brands such as Adidas and Nike have been the first to implement training treadmills, indoor courts, self-service checkouts, and digital displays that allow shoppers to test shoes and assess their movements, and competitors are now trying to keep pace with them. The main objective is to educate customers before they purchase so that they are more likely to be satisfied with the product. In addition to innovative product tests, the modern consumer is also looking for a shoe store experience that can merge physical and digital channels, creating a retail environment that feels like the experience of an art gallery.

Nike is the leader in the market and the first to innovate the store environment to integrate digital features, enhance the customer experience and convey brand values and positive messages. For example, the company has opened women-dedicated stores that provide female-focused consultation by using data analytics and expert personnel and has implemented running assessment technology (powered by treadmills and smart cameras) in numerous stores, allowing employees to recommend the shoes that best fit the customer based on the results of the test. Moreover, Nike is highly focusing on store designs, embedding digital signage, smartphone-enabled features and experiential hubs, and trying to create positive environments where people can enjoy their time with others. Further details and retail concepts are going to be discussed in the following section with the 4PM analysis.

Adidas is innovating the retail experience in several ways. Besides designing futuristic shops similar to Nike's flagship stores, the German brand is putting effort into promoting specific sneaker releases with pop-up stores. For instance, to support the launching of UltraBoost technology in 2015, a mobile store went across the United States providing numerous interactive touchpoints. It allowed people to test the shoes, interact with digital displays (such as kinetic walls that move in response to foot traffic) and motion-capture cameras, and share their experience on social media. The company did a similar promotion in 2019, for the UltraBoost 19 series, by creating pop-up testing hubs where individuals could have fun with technological and physical activities while trying the new sneakers (thus embedding gamification processes). These examples briefly show how much Adidas is working on providing a multisensorial enhanced CX, but its flagship store in London offers the most innovative experience. Adidas LDN is a digitally inspired store with a strong focus on customer

service and brand immersion. It measures more than 2.500 sq. mt. over four floors and features more than 100 digital touchpoints (completely powered by renewable energy) that enhance the customer journey. Shoppers can use the app feature "Bring It To Me" (that uses in-store geolocation) to scan products, request their size and purchase. The store includes digital fitting rooms with mirrors that use RFID tags to recognize products and display information and huge digital AR walls that simulate real-world environments. Furthermore, the store features the UK's widest range of footwear, including areas dedicated to the different shoe lines (such as Yeezy, Adidas by Stella McCartney, Y-3 and Adidas Originals), a "Maker Lab" where people can customize their favourite shoes, and sneakerheads can book reminders for future releases by interacting with digital display, called the Hype Wall.
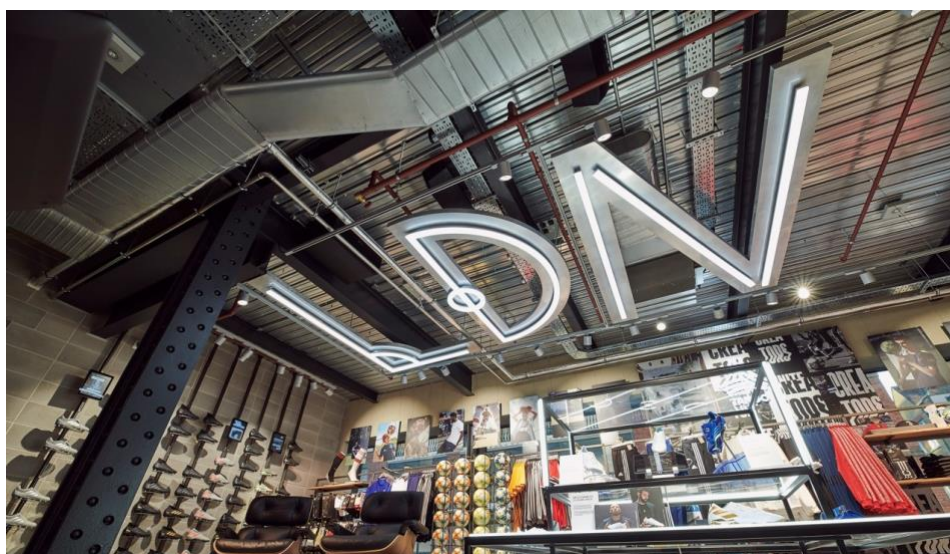

Figure 2.3 – Adidas London flagship store
Source: adidas.com

Puma is committed to blurring the boundaries of sports, fashion and technology too, and wants to create authentic experiences that facilitate product trial and drive footwear sales. Therefore, the brand implemented a new digital retail experience in its North America flagship store, incorporating cutting-edge technology to provide enhanced experiences. The store has product testing technology (projections on the floor to test the shoes by having fun and a simulator that mimics the pitch of a football stadium), digital mirrors that can be controlled by the customer to have further information, a space for the personalization of footwear using paint, patchwork, embroidery, laser printing, and material upcycling, and features exclusive collections by select brand ambassadors to create an even more unique CX.

To sum up, the previous companies, but also Asics, Under Armour and big-box chains like Foot Locker, are aware that more people are giving preference to online channel to purchase their shoes and are rightly working to improve them. Nevertheless, physical sneakers stores continue to be important touchpoints to directly interact with consumers and convey brand values. Therefore, these organizations are focusing on delivering immersive experiences that seamlessly combine retail store, e-commerce and mobile customer journeys. As

seen in this section, every company is adopting some of the crucial technologies that have been introduced in the first chapter[27] to combine digital and physical channels and provide an enhanced CX. Among the aforementioned brands, Nike is the leader in the innovation technology field and deserves to be extensively analysed with the outlined Four Paradigm Model.

2.4 Nike and the Four Paradigm Model Analysis

2.4.1 Company Overview

Nike, Inc. was founded in 1964 by Phil Knight and Bill Bowerman. Its original name was Blue Ribbon Sports (BRS) and operated in Oregon as a distributor for Onitsuka Tiger, a Japanese shoemaker company. By 1971, the relationship came to an end and BRS launched its first footwear line, which was rebranded as Nike (named after the Greek goddess of victory) and bore the "Swoosh" designed by Carolyn Davidson, which has now become one of the most recognizable brand logos globally. Afterwards, Nike reached a 50% market share in the US sneaker market during the 1980s and started expanding its business to encompass several sports and reach more countries. With time, the company continued growing thanks to great marketing campaigns, acquisitions and its dedication.

Today, Nike, which also includes Air Jordan Brand and Converse, has an estimated brand value of $30.4 billion (Brand Finance, 2021), being the world's most valuable apparel brand for the seventh consecutive year (the second is Gucci at $15,6 billion), with footwear sales of $23.3 billion in the most recent fiscal year (Statista, 2021). The first Nike retail store, called Niketown, opened in Portland in November 1990; now the company has become one of the most profitable and recognizable companies on the planet as it is currently active in more than 50 countries with over 1.100 stores worldwide and employs more than 75.000 people. Its mission is "to bring inspiration and innovation to every athlete in the world (if you have a body, you are an athlete)"[28] and its famed tagline is "Just Do It"[29]. Nike's commitment to have a positive impact on individuals, make a change and develop innovative ideas and projects is shown by its everyday actions. Indeed, since the 1980s, with its brilliant and effective ads, the brand is focusing on spreading meaningful stories rather than selling products, trying to inspire people through sports and appealing to their emotions. Meaningful storytelling, as well as strong social media presence and sponsorship agreements with globally influent athletes (such as Michael Jordan, Kobe Bryant, Lebron James, Cristiano Ronaldo, Serena Williams and Megan Rapinoe), are the key strategies that Nike is adopting to stay on top of the business and spread its values.

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[27] Customization and gamification processes, interactive displays, product testing technology, promotion of social responsibility, and self-service experiences.

[28] Retrieved at https://about.nike.com

[29] The "Just Do It" slogan has been introduced in 1988 closing an ad of an 80-year-old man who ran several kilometres everyday It is still used by Nike to support its campaigns. The phrase wants to inspire people to reach their potential and to take action (in sports and other everyday situations). Three simple words enabled Nike to attract and engage its ideal customers by making its ideology clear. This is an example of how impressive Nike's marketing strategies are, as they led the company to become the most valuable apparel brand in the world.

For what concerns the strategy, Nike intends to achieve growth and long-term revenue by creating innovative products and delivering compelling experiences, especially building deep and personal relationships with its customers, through digital channels and physical stores. Indeed, since 2017 the company has implemented the "Consumer Direct Offense", fueled by the "Triple Double Strategy", a strategic plan whereby Nike aimed to double its "cadence and impact of innovation platforms", double its speed to market and double its "direct connections with consumers" (Nike News, 2017)[30]. Besides that, Nike is significantly focused on exposing social and political issues, supporting racial and gender equality, and developing a sustainable future based on the reduction of emissions and usage of renewable energy (Nike's "Move To Zero" program).

Finally, the company set its targets for the next five years, primarily focusing on "people, planet and play" (Nike Purpose, 2020). In synthesis, by 2025 Nike intends to increase the percentage of women and ethnic minorities among its employees, build safe and healthy workspaces, increase engagement and inclusion, double its investments in professional development for women and ethnic minorities, increase kids' participation focusing on girls, substantial reduction of greenhouse gas emissions, wastes, and freshwater usage. Following its focus on people and modern-day sensitive topics, Nike's growth is expected not to decelerate in near future.

2.4.2   Four Paradigm Model Analysis

Nike has always embraced innovation and digital transformation, giving a significant relevance to its relationships and interactions with individuals. For this reason, the Swoosh brand is a great example of a digitally transformed organization, ideal to show the applications of the discussed Four Paradigm Model and, thus, is going to be analysed in this section.

Bottom-Up Paradigm

Starting again from the Bottom-Up Paradigm (BUP), it evaluates the empowerment of people and the ability of the brand to exploit digital channels to emotionally and physically engage them.

At macro level, the focus is on society at large, hence the BUP translates into the taking of position of the brand on social issues. As anticipated, Nike is putting a huge effort into denouncing social injustices and supporting sensitive topics to help its community. The work is providing just a few of the numerous campaigns created to address social causes. Firstly, Nike is strongly contrasting racism episodes, especially in the United States, for example making Colin Kaepernick the face and voice of a commercial in 2018 (for the 30th anniversary of the Just Do It slogan), after the famed football player kneeled during the national anthem before a match in protest for racial discrimination across the country and was banned from the NFL. The spot wanted to inspire people to be the best version of themselves and became famous for the phrase: "Believe in

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[30] A further explanation of Nike's focus on CX is given in the last chapter.

something. Even if it means sacrificing everything" (the main purpose was to deliver a message and taking a stance, but as a positive side effect, after the spot the sales have risen by approximately 31% in 2018). Secondly, Nike has obviously joined the Black Lives Matter Movement in 2020, creating an emotional video called "For once, Don't Do It", which wanted to encourage people to be part of the change and fight racism. Also, the company is hardly working on promoting exercise and sports among women "through new community partnerships and access to products to help girls play with confidence" (Nike News, 2019). Finally, in 2019 Nike introduced its "Move To Zero" program, an action plan to reduce and eliminate emissions and waste, use renewable energy and recycled materials, and complete the transition to becoming a 100% sustainable company. For example, the brand is currently recycling garbage plastic and fabrics, coming from bottles, t-shirts, and production wastes, to produce the majority of its footwear's materials, such as Nike Air, Nike Flyknit, Nike Flyleather, and recycled polyester. It has also used space waste to create the "Space Hippie" line, which features sneakers realized with 85% to 90% recycled materials, and in 2021, the company is adding Nike's Refurbished program, which enables a circular economy and aims to reduce waste. Customers can return shoes, which are then tidied by Nike and finally resold for lower prices based on the level of damage of the product (including Like New, Gently Worn and Cosmetically Flawed levels of condition).

Figure 2.4 – Nike's 2018 campaign
Source: nike.com

At meso level the BUP analyses co-creation processes. Nike has remarkably empowered its customers by letting them select and personalize several aspects of their sneakers through the aforementioned Nike By You platform. Indeed, mass customization truly allows people to feel part of the brand and may be the best application of this paradigm. However, Nike has also launched two challenges in 2017 and 2018 that really embedded the main principles of co-creation and customer empowerment. In 2017, for the 30th anniversary of the Nike Air Max model, the company started the "Vote Forward" campaign, asking twelve creatives from ten different countries (artists, DJs, designers and retailers) to reimagine Nike Air Max styles. Afterwards,

people from all over the world had to vote online for their favourite silhouette, and the winner model would then be released by the brand. The winner was Sean Wotherspoon, the owner of Round Two, a vintage store in Los Angeles, who designed a multicolour Air Max 97 in velour with the sole of an Air Max 1. The sneaker was a total success and now has an average resale price of $1.900 (+1.190% on the retail price), representing a great example of co-creation. Later, in 2018, the "Nike: On Air" program asked their fans from six different cities to design a shoe inspired by their community and culture. Nike received thousands of concepts and selected eighteen finalists. After that, Nike fans again could vote to see their favourites projects become real-life shoes. This time there was a winner for each of the six cities (Paris, London, New York, Seoul, Shanghai and Tokyo) and again, the challenge has reached an extremely high level of participation.

Figure 2.5 – "Nike: On Air" Winners
Source: nike.com

Finally, at micro level, the centre of the analysis is User Generated Content (UGC). The company has implemented numerous campaigns to let people share their Nike-related content. The slogan itself, which obviously was not created to be shared on social networks, appears in over 20 million posts with the hashtag #justdoit, only on Instagram, and just as many on other social networks. In 2013, Nike activated a platform called PHOTOiD, which worked with NIKEiD to let people create new shoe colourways. Fans could upload a photo taken from their social networks and the system applied the colours from the image to a selected Air Max model. Then, the result could be shared again on social media and be purchased. Furthermore, in 2015 Nike launched the #betterforit initiative, encouraging women to share their workouts and fitness goals to inspire female physical activity. It was a call to action to promote and embrace a healthy lifestyle and gave a boost to Nike's popularity and to what the brand truly stands for, i.e., celebrating athletes and encouraging athleticism. Finally, during the pandemic crisis, the company has exploited UGC as a way of humanizing brand interactions. Indeed, in April it has initiated the Living Room Cup, a digital workout series where fans

could compete against Nike pro athletes in weekly fitness challenges, posting their exercises on social media. This project helped people distracting and having fun in an extremely difficult period, while also promoting the brand's attention to fitness and its community.

Connecting the Dots Paradigm

The Connecting the Dots Paradigm (CDP) is based on the high level of interconnection that the world is witnessing thanks to the development of the internet. Nike has been extremely capable of leveraging digital technologies to constantly adapt to this complex environment.

As previously explained, at macro level the CDP translates into the usage of Cloud Computing and Data Analytics to collect knowledge about the customers and provide them personalized and relevant content. Nike has always found different methods to deeply know its customers. In recent years, the brand is largely investing in the acquisition of data and predictive analytics companies, such as Zodiac and Invertex in 2018, Celect in 2019, and Datalogue in 2021, to strengthen its digital capabilities, provide better services and accelerate its digital transformation. Thanks to these acquisitions Nike is capable of extensively exploiting the data that it can collect through its mobile apps, website, and retail stores to understand customer habits and predict purchasing decisions. Nike has also partnered with Apple for the production of the Apple Watch Nike+, which allowed the company to gain plenty of data about its consumers' workouts and preferences.

At meso level, the focus is on the organization and the application of modern technologies into its products and physical stores. As already mentioned, Nike has thoroughly implemented technology into its products to constantly offer futuristic experiences (e.g., the Nike Adapt BB line). Moving on, the CDP also analyses the in-store customer experience. The last chapter is going to deeply illustrate the digital features of Nike's flagship stores; thus, the work is now concentrating on other store concepts developed by the brand. The three main store typologies are Nike Live (in Los Angeles and Tokyo), Nike Rise (in Guangzhou), and Nike Unite (open in nine worldwide locations). All these stores have a high focus on giving importance to local communities by leveraging data analytics. Thanks to insights into consumers' behaviours and buying patterns, the stores weekly provide new footwear and apparel assortments to answer locals' needs. The store environments truly merge digital and physical channels, featuring digital vending machines that Nike+ members can unlock to obtain rewards and exclusive products, interactive displays, customization labs that allow individuals to tailor their favourite sneakers, self-service checkout, and other services enabled via the Nike mobile app such as the Nike Fit technology[31], and the access to physical and digital events to promote fitness throughout the community. Furthermore, the company has opened multiple stores called Nike Kicks Lounge, dedicated to sneakerheads that want their highly personalized shoes. These stores showcase a unique

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[31] Using Nike Fit, people can get their feet scanned by a store expert to find the best fit for any shoe line, in any style (using a software based on machine learning and advanced algorithms). Afterwards, their sizes can be saved in Nike Member profiles to use them in future online or offline shopping experiences.

mix of footwear from Nike Basketball, Nike Running, Nike SB and Jordan Brand that can be entirely customized thanks to 3D modelling and printing technologies, personalized patches and a team of experts that follows the customer throughout its journey.

Figure 2.6 – Nike Live, Nike Rise, and Kicks Lounge stores
Source: personal elaboration from nike.com

At micro level, the model analyses the Customer Journey. The purpose of a CJ mapping is to enable an improved, powerful, and relevant customer experience, and Nike is one of the best companies in the world from this point of view. Nike's CX is going to be covered in the final chapter, but in brief, the company is strongly working to increase the number of physical and digital touchpoints to weave an innovative and accurate journey. It is carefully valorising each stage of the CJ: Awareness (with its strong social media presence and powerful campaigns), Consideration (through its mobile apps, the website, events, collaborations and physical stores), Purchase (thanks to new technologies and improved on-and-offline experiences), Service (providing countless post-purchase services) and Loyalty (prioritising its community's empowerment and satisfaction, supporting social movements, and again thanks to social media and mobile apps).

Horizontality Paradigm
The Horizontality Paradigm (HP) aims to analyse the level of disintermediation and hybridisation of the processes. From this perspective, Nike has adopted a flat business model to stay closer to its community and deliver seamless experiences.

At macro level, the most suitable example of a strategy adopted by Nike is transmedia storytelling. With its commercials and videos, the company always wants to inspire people, leveraging the power of sports and remaining indifferent to media. Nike's commercials are iconic and have a great impact on individuals. The aforementioned Kaepernick spot and "For once, Don't Do It" are two of the numerous examples. The "Find

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Your Greatness" commercial, created for the 2012 London Olympics, develops around the notion of personal greatness, which can be achieved by anyone, and had great inspirational power. "Nike Equality" is a 90-second video from 2017 that encouraged athletes to respect and to be fair to each other in and off the field. To make more examples Nike recently released: "You Can't Stop Us" a video that reached 60 million views on YouTube, supported and united athletes during the Covid-19 breakout, and also highlighted the responsibility to make the world a better place; and "The Toughest Athletes" which supported mothers and pregnant women.

Concentrating on the organization itself, at meso level the HP analyses the structure and strategies. Nike concentrates on addressing different needs among regional markets, therefore has implemented a flexible flat organizational model based on teamwork and co-petition and divided into geographical areas and divisions. This business model helps the company embracing digital transformation and implementing digital strategies that allow providing a holistic, seamless experience. Indeed, Nike's marketing strategies are multi-device and omni-channel, encompassing digital and physical touchpoints (such as the website, social media, mobile apps, stores and events) to improve the interactions with people.

Finally, at micro level, the focus is on the individual, and Nike has proved several times a customer-centric company. The HP analyses peer-to-peer interactions and the creation of communities. In this context, Nike allows detailed and unrestricted interactions on its social networks, website and mobile apps. Moreover, it has created numerous different communities dedicated to athletes and customers at large. Indeed, people can exchange information on Nike Training Club, Nike SNKRS and Nike Run Club, which represent online gathering points for athletes, sneakerheads, and runners. Also, Nike has a dedicated forum, NikeTalk, where people daily discuss sneakers, sports apparel and every Nike-related topic. The company is remarkably supporting the participation of people all at the same level to prove its sincerity and empower its community.

Sharing Paradigm

Lastly, the Sharing Paradigm (SP), which is the most blurred one, features some traits of the previous paradigms, but in particular, it evaluates the content sharing opportunities provided by the brand.

At macro level, the SP targets global structural changes led by a culture of fruition. As already mentioned, Nike has implemented Cloud Computing platforms and collects data through social media sharing allowing people to participate and express their opinions. Moreover, it has embraced the sharing mobility culture, primarily to promote exercise among Americans, indeed, since 2016 the company has invested more than $10 million into its Biketown project, which is the main bike-sharing service in Portland, Oregon.

At meso level, the paradigm emerges in organized communities, e-commerce platforms and virtual marketplaces. Nike obviously sells its products online through its website and apps, while also gaining benefits from virtual marketplaces, such as StockX because high resale prices show that the products are coveted and make the brand more appealing. Furthermore, it has developed multiple platforms to share exclusive content

dedicated to its communities. For example, customers can become Nike+ Members and periodically gain access to exclusive releases. Also, the company organizes the "Member Days", offering unique experiences and product releases to celebrate particular events such as the recent anniversary of the Air Max line in March. Nike builds its communities especially leveraging social media and mobile apps, i.e., Nike Run Club (NRC), Nike Training Club (NTC), and Nike SNKRS. Through NRC, which is dedicated to runners, people can share their data and preferences, access articles and information about running, register every activity, and have an artificial coaching service. NTC provides standardized workout programs to start exercising at home or the gym, enabling individuals to share their schedule. Finally, SNKRS created a community dedicated to sneakerheads, where people can discover the "behind the designs" of their favourite silhouettes, choose their preferred lines, share their sneakers and outfit with other members, and access special themed videos. Nike also organizes the "Sneakers Day" every 8th of August (for the app's anniversary), and this event has become extremely popular among the sneaker community because the company releases some of its most successful models from the past year.
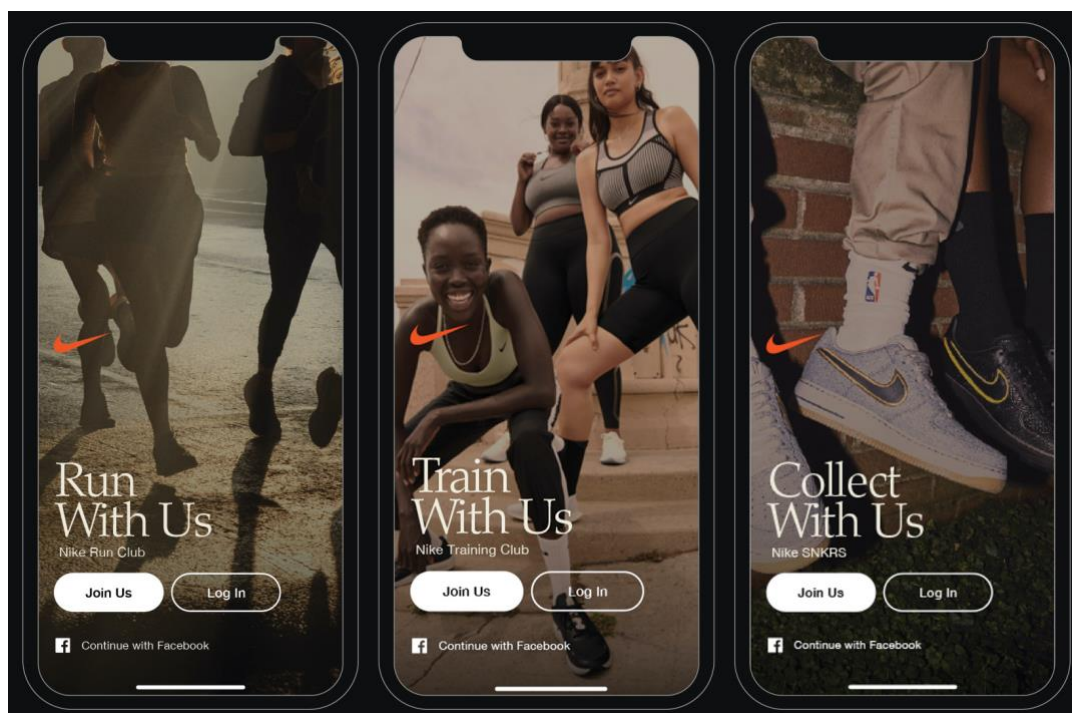

Figure 2.7 – Nike's mobile apps
Source: Homepages of Nike's apps

To conclude the analysis, at micro level the focus is on peer-to-peer sharing, which is as well enabled by the abovementioned apps. Indeed, through them, people can share content with their peers (including outfits, workouts, and challenges). Moreover, Nike has promoted numerous social campaigns encouraging people to share their content through different hashtags to raise engagement.

Summarizing the content of this section, Nike has started its digital transformation many years ago and now represents the benchmark for other businesses. Thanks to its digital strategies the company easily adapted to the changes that emerged in today's complex environment and made stunning progress with its online and offline channels. After the analysis of its digitalization at large, the next chapter is focusing on the innovation of the store environment and CX, studying what truly are the most significant aspects for modern-day consumers.

THIRD CHAPTER

NIKE'S IN-STORE CUSTOMER EXPERIENCE

3.1   Nike's Customer Experience

3.1.1   The Consumer Direct Offense

What clearly emerges from the 4PM analysis is Nike's endeavour to provide excellent experiences to customers, accompanying them throughout their journey and creating loyal, long-lasting relationships. The company has always been focused on implementing innovations to distinguish itself from its competitors and enhance CX. With this purpose, in 2017 it introduced the "Consumer Direct Offense" (CDO), a program to better serve the individual by leveraging digital technologies, accelerating innovations and strengthening interactions. In order to improve efficiency, the program was based on the "Triple Double Strategy", a plan with which Nike intended to double its speed to market, double the impact of innovation and double its direct connections with consumers. Indeed, the company cut the product creation cycle times in half and accelerated the innovation and creation of new products, for example by implementing new materials, cushioning systems and new technologies into the latest models such as ZoomX, Air VaporMax, Nike React and Nike Adapt. Moreover, in order to double the direct connections with individuals, the brand created the Nike Direct organization to unite its platforms (website, retail, mobile, and digital services) and provide holistic and seamless experiences, increasingly expanding the membership programs. Also, Nike reduced the number of styles of its products by 25% and cut down the number of retail distributors to guarantee great experiences to physical shoppers and strengthen its brand reputation and prestige. For example, Nike ended its relationships with retailers that did not give special attention to CX, like Amazon, and elevated retail partners that shared its vision, such as Nordstrom and Foot Locker, to create a consistent, connected, and modern shopping experience and that could add value to the Nike brand[32].

Since the introduction of the CDO, the brand has been intensively focusing on technology development. Nike is investing in customer centricity through technology, acquiring multiple data platforms to further personalize customer relationships, and concentrating on the mobile and physical experience. This is what the company is doing to enhance CX and create more personal connections with people:

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[32] All the information has been retrieved on https://news.nike.com/news

- Thanks to the acquisitions of platforms like Datalogue, Celect, Zodiac, and Invertex, the brand is capable of integrating and accessing data from all sources in real-time and is leveraging them to adjust its offer and create better products. Furthermore, these platforms enabled Nike to develop new AI-based algorithms to understand purchasing patterns, provide more personalized recommendations, predict future customer's behaviours, and create cutting-edge technology, such as Nike Fit and Nike Bra Fit[33]. Also, new technologies and AI innovations allow the brand to integrate life-like virtual assistants (e.g., robots and vocal assistants inside the stores and online chatbots), create a personalized advertisement, and know everything there is to know about their customers, indeed, Nike is adapting its in-store offer based on locals' preferences and buying patterns.

- As mentioned, Nike is strongly concentrating on NTC, NRC, and SNKRS apps to create solid relationships with customers. The effectiveness of these investments emerged as in the first financial quarter of 2020, the brand saw a 150% growth in demand for the Nike app (Nike Earnings Call, 2020), and in the most recent one, digital sales increased by 54% on a currency-neutral basis (led by the apps), highlighting the ongoing shift to mobile shopping experiences (Nike, Inc. Reports, 2021). Thanks to AI and data platforms, Nike's CEM is able to provide a personalized CX of the highest order through mobile apps. As already explained, they allow customers to interact and share information and data to unlock exclusive content (for example recording the mileage on Nike Run Club so that the app can recommend shoes based on specific running behaviours of the user) and access special events (such as the Member Days in the SNKRS app and multiple challenges on NTC and NRC[34]). For instance, through the SNKRS app, besides purchasing the most recent releases, individuals can attend live talks and workshops about different topics, such as sneaker history, shops presentations, and current social issues, they can learn the backstory of every shoe design (Behind The Design feature), and share their outfits with the community (in the KickCheck section). The Nike+ membership program's benefits include a 30-day wear test, access to reward programs and exclusive products, free shipping, and access to Nike Experts' recommendations. Thanks to all these features, mobile apps are cultivating loyal relationships and creating brand recognition that will turn to legacy.

- Finally, Nike is investing in retail stores to get in touch with people, make them feel special by creating particular retail concepts dedicated to locals and their preferences (Nike Live, Rise and Unite), and rise above competitors. To do so, the Swoosh brand is primarily integrating AI and app-enabled features into its stores and heavily investing in front-line agents to maximize the efficiency of interactions. Moreover, Nike is strongly concentrating on experiences and product testing. For example, the store

[33] Nike Bra Fit works just like Nike Fit. Using machine learning and AI, an employee measures a customer's chest and neckline, and the algorithm gives size recommendations in all different types of sports bras. Shoppers can also take their own measurements and then save the information on their profile. The technology has been firstly introduced in Nike's flagship store in Paris.

[34] For example, Nike has recently challenged NRC users to run a combined distance of 1 million kilometres (the equivalent of 23.700 marathons), with the promise to plant a tree for every participating Nike member. Now that 68.132 people took part in the challenge and completed it, Nike, with the help of WeForest (a website committed to the reforestation of the world), is planting that number of trees, as a contribution to the Move To Zero program.

in New York's SoHo neighbourhood is a unique experience hub where customers can enjoy a museum-like journey and try sneakers in several environments, such as a basketball half-court, a football trial field, and an outdoor track, to choose their favourites. However, the ISCX is going to be better analyzed in the next section.

After the great results derived from the CDO, in 2020, Nike's new President and CEO, John Donahoe, acknowledged that it was not a finish line. Indeed, Donahoe moved the goal forward (announcing a series of senior leadership changes) and introduced the "Consumer Direct Acceleration" (CDA), a "new digitally empowered phase to unlock long-term growth and profitability" (Nike News, 2020). The strategy will provide a consistent and superior CX across all Nike's platforms and will accelerate its Digital Transformation. Leveraging mobile apps and data analytics, the strategy will further drive digital engagement with individuals and subsequently drive growth. In the future, through the CDA, Nike is committed to providing a seamless physical and digital experience to its customers by enhancing both the online channels and the store environment.

3.1.2 The Customer Journey

Before describing the key aspects and features of the in-store customer experience at Nike' flagship stores, the work is illustrating how the company is managing and mapping the Customer Journey to truly improve the interactions with people. Nike is strongly working on each stage of the CJ by exploiting digital technologies to increase the number of touchpoints, guide the individual during the experience, predict its behaviours and pain points, and create loyal relationships thanks to brand image. To simplify the examination, the post-purchase stages (Service and Loyalty), introduced in the first chapter, will be grouped in the Retention stage.

Awareness

Nike has been very able to "get people talking about the brand", which is exactly the purpose of brand awareness campaigns. Indeed, as already explained, it is striving to raise awareness on social and political issues through powerful and motivational messaging, which in turn lead to people diffuse the message and brand vision, boosting brand recognition. Even going back in the years, Nike has always properly planned commercials and campaigns to increase awareness, such as the mentioned "Banned Air Jordan I", "It's Gotta Be The Shoes", "Just Do It" or "There Is No Finish Line"[35] spots, which led to the rise of the Air Jordan Brand and the success of numerous shoe lines. Nowadays, the media have changed, but the goal remains the same. Nike is planning effective social media campaigns to let people talk and share opinions, while also not rejecting

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[35] It is a spot released in 1991, which featured several sports and aimed to inspire people to never settle and continue improving. The commercial includes one of the most famous taglines of sports history (There Is No Finish Line) and helped Nike becoming appreciated and recognized worldwide.

traditional channels such as television and billboards. Moreover, one of the key strategies that Nike and other sports brands are implementing to increase brand awareness, is to undertake collaborations and sponsorship agreements to create a bond between the brand and famous celebrities and athletes whom people aspire to. Indeed, as already discussed, collaborative releases always boost sales, market share, and increase the portion of consumers interested in acquiring the brand's products. The iconic sneakers released in collaboration with Virgil Abloh, Travis Scott, and other celebrities, together with athletes' shoe lines, are today's main focus to constantly attract more people. This, along with Nike's ability to evoke emotions in people, is what shapes the beginning stage of their interest and increases brand awareness.

Consideration

The Consideration stage is where technology impacts the most. Nike's investments in innovation and technologies development aim to increase the portion of consumers that know the brand and consider purchasing its products. In this context, Nike has implemented various digital marketing strategies, such as SEM, Remarketing, and Marketing Automation, outlined in the first chapter. This led to a major increase in the number of touchpoints in the pre-purchase phase and to more and more people completing the purchase. Moreover, by proving its commitment to social justice and environmental protection, the company is reaching an increasingly large portion of consumers that share its vision and appreciate the messages that it is spreading. Similarly, building a strong community, based on respect, loyalty and entertainment through sports, may be a relevant factor for new customers to consider buying the products. Finally, Nike is leveraging its website and mobile apps, through the aforementioned features, to constantly attract new customers and lead them towards the purchase. Allowing people to customize products, know better the brand, participate in multiple challenges, and obtain information from peers, remarkably boosts the conversion rate.

Purchase

As the effects of the pandemic have changed numerous consumers' behaviours, today the main touchpoints for completing the purchase are the digital ones. Nike understood this shift to the online channels many years ago, and when Covid-19 caused the closure of physical stores, the company was prepared to provide excellent experiences entirely based on digital touchpoints. Indeed, during the months of the lockdown, Nike's digital sales increased by 83% on a currency-neutral basis (Nike News, 2020), and they are still growing in 2021. The company currently uses its website and mobile apps as the main touchpoints to complete purchases. Besides having its own e-commerce platform, Nike is also benefitting from the secondary market purchases, because higher resale prices show that the shoes (and other products) are coveted and the brand gains recognition, becoming more attractive to customers. Lastly, Nike is working on increasing the number of touchpoints also through its physical store, as the customers now expect a more and more digital in-store experience[36].

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[36] The ISCX at Nike's flagship stores is going to be deeply analysed in the following section.

Therefore, the brand is creating highly personalized, seamless, and holistic physical experiences to increase purchases by harnessing new technology.

Retention

Regarding the post-purchase phase, the paper has already illustrated several activities that Nike has implemented to boost loyalty and create solid relationships with its customers. For example, the apps are building loyalty through gamification elements such as points, leaderboards, challenges, and levels to progress towards exclusive content. Also, the Nike+ membership program keeps the user constantly engaged and enables additional features to facilitate and accelerate future purchases, such as dedicated areas, exclusive products and special discounts. Thus, Nike has developed countless touchpoints to improve retention and encourage people to stay loyal to the brand, continue buying, and participating.
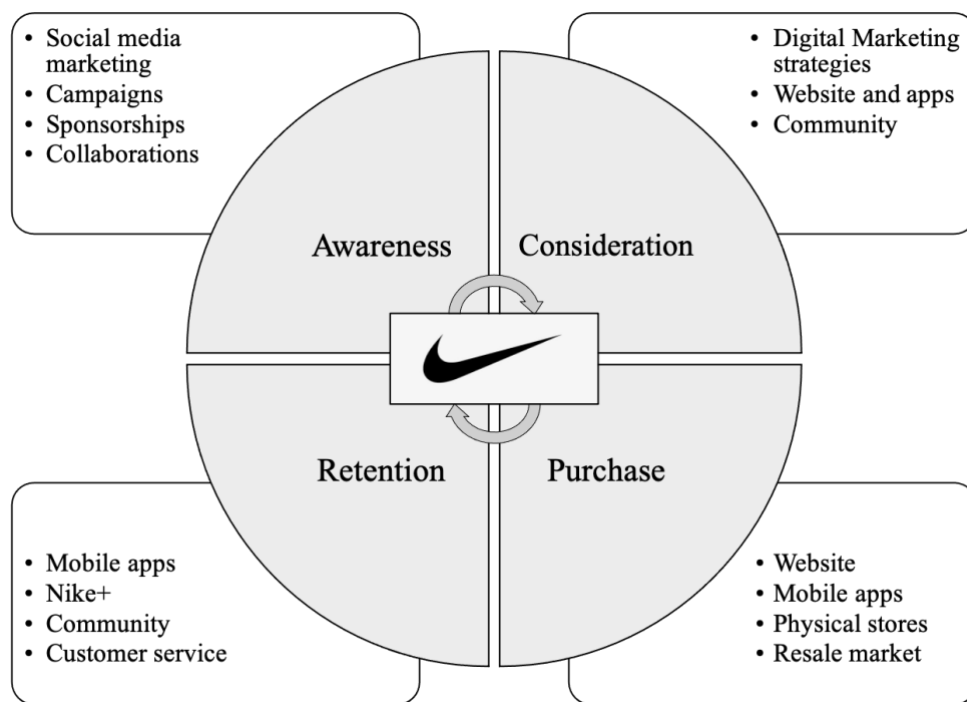
Figure 3.1 – Nike's Customer Journey
Source: personal elaboration

3.2   The In-Store Customer Experience: Nike's House of Innovation

In this section, the work is introducing the subject of the research: Nike's ISCX. Nike has created an innovative in-store customer experience by implementing several digital features, among the ones discussed in the first chapter. Despite the aforementioned retail concepts (Nike Live, Rise, and Unite) are extremely innovative too, Nike's flagship stores, called "House of Innovation" (HOI), in New York City (000), Shanghai (001), and Paris (002), are providing unmatched experiences in the sneaker and apparel industry at large.

Figure 3.2 – Nike's House of Innovation in Paris, Shanghai and New York City
Source: personal elaboration from nike.com

The first HOI opened in Shanghai in October 2018, followed promptly by New York City (NYC) one month later. The stores were presented as the most revolutionary retail environments in the world and aimed to merge physical and digital elements to provide memorable experiences thanks to ground-breaking features. Nike HOI in Paris opened in July 2020, right after the introduction of the CDA strategy and when the pandemic was at its peak. This last store learns from its precursors and delivers an increasingly consumer-focused, meaningful experience. Overall, all these flagship stores are offering personalized and digitally connected shopping journeys, embedding innovative technologies and many of the previously outlined ISCX trends. These are the key aspects and characteristics on which Nike is concentrating:

- *Design*. Nike's NYC, Shanghai and Paris HOI are huge environments (respectively 6.300, 3.800 and 2.400 sq. mt.) and feature extremely modern and futuristic interior designs. While the first two openings present also an innovative exterior design, as Figure 3.2 shows, the Paris HOI, situated at the historic 79 Avenue des Champs-Elysées, honours the architecture of the city with a restored 1920s front. Overall, the inside spaces are digitalized, agile, and able to interact with consumers to deliver more personal and engaging experiences. Moreover, New York's HOI features customizable internal walls and floors that can be rearranged to host new configurations, dedicated to special launches and events. It also has adjustable lighting inside its fitting rooms, to allow people to simulate different conditions, a huge installation hanging at the centre of the store, broadcasting significant sports moments linked to the city of New York, and many other design peculiarities[37].

- *Interactive displays*. Since the stores have the main objective of providing an engaging shopping experience that responds as quickly and personally as its digital counterpart, they have implemented

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[37] For example, the ceiling at the entrance is angled at exactly 23.5°, which is the inclination of the Swoosh logo, and each dressing room showcases the career of a particular Nike athlete (rotating every couple of months).

several digital displays that people can control to access different features. In Paris, the company has implemented a Kids Pod, namely, a trial station where kids can play, move and enjoy exercising, and a Mission Control Wall, which connects shoppers to the global community of sports and exclusive benefits at the other flagship stores. Moreover, in Shanghai, people can "enjoy speaker sessions, workshops and digitally-led trialling sessions" (Nike News, 2018) at the digitally enabled "Center Court", which is a huge installation at the centre of the store. Nevertheless, Nike's HOI is mostly concentrating on mobile app technologies, rather than digital displays, to interact with their customers and enable digitalized experiences.

- *Mobile apps*. The capabilities of the Nike App give people unlimited options to create their personalized journey. Firstly, in order to establish loyal relationships, Nike+ Members can unlock personalized features by entering the stores and accessing their Nike App. Secondly, by scanning QR codes, customer can access numerous functionalities, such as Scan to Learn and Scan to Try, to find information about the product (e.g., sizes and colourways) and request the item to be brought directly inside a fitting room by an employee. The stores also added the Shop the Look feature, which allows to scan a code on the mannequins, find the complete outfit, and choose items to be sent to the fitting room. The app also provides instant checkout; thus, people can pay via the smartphone without passing through the cashier. Thereby, customers can enjoy a complete self-service experience by scanning items, trying them, and purchasing via the app. Additionally, with the help of employees, customers can use the Nike Fit technology, and Paris also introduced Nike Bra Fit. Finally, the Reserve Pick Up feature enables customers to make an order online and have it reserved inside personal lockers that can be accessed via the app. This option is particularly useful to locals and encourages them to visit the store more often.

- *Speed Shop.* The Nike Speed Shop is an entire floor that uses locals' data to stock its shelves, based on the community's buying patterns. It is similar to having a Nike Live store inside a bigger one. Hence, the Speed Shop delivers frictionless access to city favourites, without locals having to visit the whole store to find them.

- *Sneaker Lab.* One of the floors is completely dedicated to sneakers. HOI 000 showcases the largest collection of Nike footwear in the world, while the Paris one has the widest European assortment. The Sneaker Lab is a place dedicated to the brand's newest shoe models and provides a museum-like experience to sneakers enthusiasts. It includes exclusive launches, limited colourways, a women-dedicated zone, and the Sneakers Lounge, an area devoted to sneakerheads where the most coveted silhouettes are released.

- *Nike Expert Studio.* The Expert Studio is a floor dedicated to one-on-one interactions between Nike Experts and people. A customer can book its meeting through the app or directly in-store, and an expert will guide its journey, helping to find the right items based on physical characteristics and necessities,

and create personalized training schedules to improve performances through suggested equipment. Moreover, they can work together to create a personal look and entirely personalize products in the Customization Lab, especially sneakers. This is a feature that people can find only at HOI and allows them to customize shoes at a higher level compared to Nike By You. People can choose their favourite silhouettes and personalize them with materials, embroidery, patches, laces, different logos and texts, colours (using airbrushes or paint), and 3D-print additional accessories.
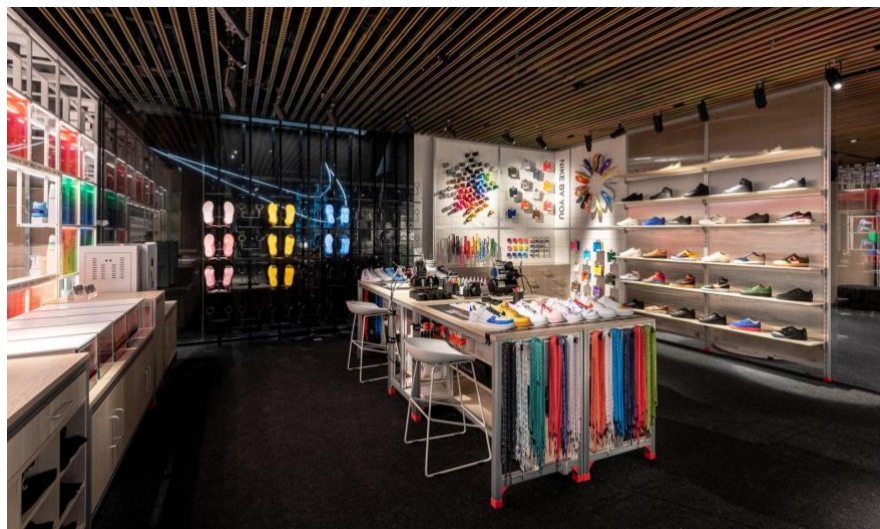
Figure 3.3 – The Customization Lab in Shanghai
Source: nike.com

- *Product testing experience.* In order to enhance the physical experience, Nike is also focusing on what online journeys cannot provide: product testing. Therefore, HOI (and many other Nike retail concepts) implemented numerous trial zones, such as the Kids Pod in Paris, treadmills, and a temporary basketball half-court in NYC, on the occasion of the launch of the Nike Adapt BB.
- *Community.* One key aspect that emerges from every activity of the brand is its commitment to creating an inclusive community based on respect and people empowerment. The messages that Nike is spreading through its campaigns are reflected inside the stores, for example, HOI includes multiple areas dedicated to women, features numerous mannequin sizes, heights and body types, and as previously mentioned, respects local cultures, aiming to create a place for people to share their interests and experiences with peers and experts and building a strong community.
- *Sustainability*. As a part of its Move To Zero program, Nike built these stores with recycled materials, and they are currently using 100% renewable energy, to protect the planet and create a better future. For instance, HOI 002 has been constructed with more than 85.000 kilograms of sustainable material and is powered by a clean energy wind complex, while the staircase in NYC is made entirely out of recycled shoes. Moreover, the stores are actively promoting Nike's sustainable technologies and collections, such as Space Hippie, and are implementing the Nike Refurbished Program and Nike

Reuse-A-Shoe Program, which collects consumed shoes to create new "Nike Grind" recycled materials (such as Nike Flyknit, Nike Flyleather, and recycled polyester).

		Examples
Key Features	Design	Huge open spaces created with sustainable materials, customizable floors and walls, modern installations, respect of local culture
	Interactive Displays	Kids Pod (Paris), Mission Control Wall (NYC), Center Court (Shanghai)
	Mobile apps	Scan to Learn, Scan to Try, Shop the Look, Nike Fit and Bra Fit, Reserve Pick Up
	Speed Shop	Area dedicated to locals' favourites
	Sneaker Lab	Largest Nike assortments, Sneaker Lounge
	Nike Expert Studio	Meetings with Nike Experts, Customization Lab
	Product Testing Experience	Trial zones, Kids Pod (Paris), treadmills, temporary courts and fields
	Community	Respect and people empowerment, inclusion, local history
	Sustainability	Move To Zero strategy (sustainable materials and renewable energy), Nike Refurbished, Nike Reuse-A-Shoe, Nike Grind materials (Space Hippie collection)

Table 3.1 – House of Innovation's features
Source: personal elaboration

In synthesis, Nike House of Innovation is a game-changing retail concept and will represent the future benchmark for other companies in the industry, indeed, Adidas has already opened the Adidas LDN store to keep pace with Nike. The HOI serves the customer by uniquely combining digital and physical experiences, feeling like one cohesive and connected place, and always having people's wellness as the main objective. In this particular historic period, when people are increasingly shifting to online channels, these store environments can make a difference and bring back people to physical shopping by providing hybrid and immersive experiences that in turn create a strong brand reputation and increase long term revenues.

3.3   Research and Results

3.3.1   Research explanation

The research part of the paper aims to evaluate the ISCX in the sneaker market, especially the experiences provided by Nike's House of Innovation. Indeed, this section is dedicated to the understanding of the most relevant in-store features from the customers' point of view. The research has been conducted in May 2021, in Italy, through an anonymous questionnaire that has collected 303 responses. The people who took part in the survey are 183 males and 120 females, and all but two respondents confirmed that they had bought or regularly buy sneakers. The majority of the population (62.7%) is aged between 18 and 23 and the remaining is divided as follows: 3.6% under the age of 18, 20.8% between 24 and 29, 6.3% from 30 to 40, and 6.6% over the age of 40. The prevalence of young people is due to how the survey has been spread, indeed, answers have been collected primarily through sports-dedicated forums, sneakers-and-sportswear-related social networks groups, basketball and football athletes and coaches. The reason behind this choice was to gather the majority of the opinions from people who knew the market and the possible experiences provided by the main players in the business. Finally, before the actual evaluation people were asked whether they preferred to buy footwear online or in-store (excluding limited-edition shoes, available only through the resale market) and 57.1% of them still prefer physical shopping, meaning that in Italy, although the pandemic undeniably accelerated the shift to online channels, physical retail continues to be the main network for this industry.

The survey did not specify to respondents to assess Nike's ISCX so that the research could be less influenced by personal opinions and preferences about brands. Instead, it explained that more and more companies are working on the digitalization of the store environments and asked to evaluate the importance of some digitally enabled features on a scale from 1 to 10 (where 1 stood for "not at all important" and 10 for "extremely important"). Hence, people had to express their thoughts on how much these aspects would affect their inclination to visit a store, concerning the purchasing of sneakers. The survey proposed 13 store characteristics and services: 10 of them are implemented inside the House of Innovation while the remaining three have been added to learn where Nike could improve according to the ISCX trends discussed in the first chapter. The evaluated aspects are the following[38]:

- *Customization*. Allowing people to fully customize their favourite shoes with the help of Nike Experts.
- *Product Testing Experience*. Namely, the possibility of testing products while having fun on treadmills and real courts and fields.
- *Interactive displays*. To be specific, integrating interactive displays powered by AI in order to provide information about products, events, promotions and more.

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[38] Some features of the HOI, such as the Speed Shop, have not been included in the survey because of their lower relevance on sneakers shopping experience.

- *Gamification*. The first "extra feature" is gamification, intended as the realization of gamified experiences that mimic videogame mechanisms, such as scoreboards and awards. These kinds of experiences have been embedded by some Adidas stores and Nike introduced them in certain retail shops just for special occasions.
- *Nike Experts*. The possibility of interacting with qualified employees who can help the customer choosing the best footwear, gear and planning training schedules.
- *Virtual fitting rooms*. The second "extra feature" is the virtual fitting room experience introduced by Adidas LDN, explained in the second chapter. Briefly, mirrors recognize products and show information on the screens while also simulating real-world environments through AR technology.
- *Sneaker Lounge*. The area dedicated to exclusive releases and the most coveted sneakers.
- *Instant checkout*. The possibility for Nike+ members to pay via the mobile app.
- *Reserve Pick Up*. Allowing people to order products online and have them reserved in-store.
- *Self-service experience*. The possibility of living a self-service experience enabled by new technologies, including Scan to Try, Scan to Learn, Shop the Look, and Instant checkout.
- *Membership rewards*. The last "extra feature" consists of bringing exclusive products and special offers for Nike+ members inside the store. The Nike App already allows members to access special sneakers and promotions, and the company has included a similar feature in its Nike Live stores, whereby people can unlock rewards through their app.
- *Design*. Having a modern and innovative design, able to combine physical and digital elements, which also respects and empowers local culture.
- *Sustainability*. Respecting the environment by creating the store with recycled materials and powering it with renewable energy.

In synthesis, the objective of the research was to understand which features Italians prefer for the physical shopping experience, related to sneakers, among the ones proposed by the House of Innovation. Furthermore, it also wanted to discover if certain bonus functionalities could overweight the existing ones. Thus, the study could also provide directions about what Nike could develop and implement to enhance the ISCX.

3.3.2   Results

The analysis of the collected responses is starting from the evaluation of Nike's Expert Studio. The results regarding this feature (Figure 3.4) are extremely positive and show that although the world is rapidly moving towards online shopping, human interactions still deserve great attention. In this context, Nike is working hard on guaranteeing customers the possibility to engage with qualified athletes who can help them through their Customer Journey.
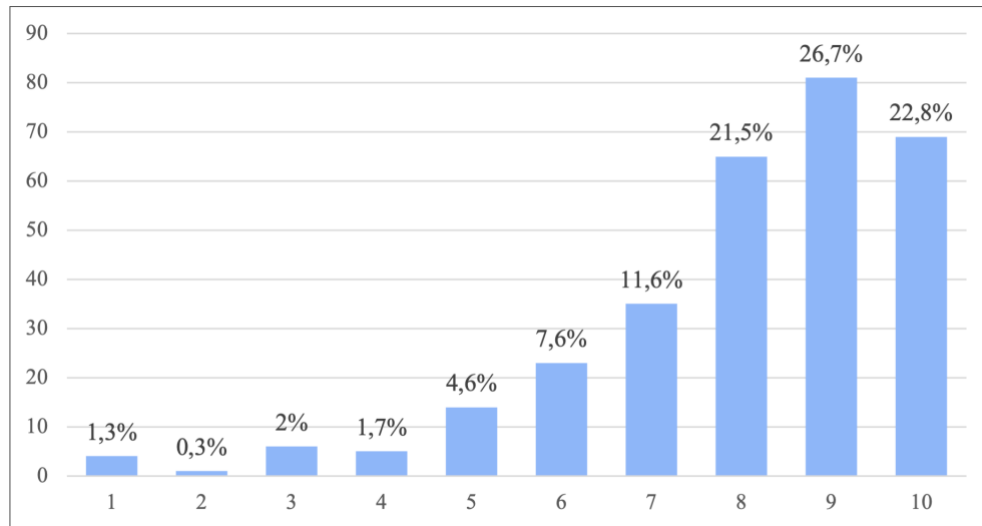
Figure 3.4 – Importance given to Nike Experts
Source: Survey results (May 2021)

It is important to note that this and the following graphics show the possible answers on the horizontal axis, while the vertical axis represents the number of people who voted for them. Moreover, on top of the columns, it is reported the percentage of respondents who selected every answer. This first chart shows that 82.5% of people expressed a vote from 7 to 10, which is considered from important to extremely important, demonstrating the significance of this aspect for the ISCX.

Also, the Nike Expert Studio allows people to customize their favourite footwear, and this feature recorded very similar results. Indeed, 76.6% of respondents think it is important or extremely important to have the possibility of customizing their shoes in-store, 12.6% gave a 5 or 6 score (considered uncaring), and only 10.9% of them think it is not important (votes from 1 to 4).

Moving on, regarding the Product Testing Experience, results show that this feature is slightly less significant for respondents as 21.8% of them think it is not important. On the other hand, 62.8% of people think that the testing experience provided by Nike's stores is important to improve the ISCX, 21.5% of whom thinks it is extremely important. Moreover, 89.7% of the respondents who gave 10, are under the age of 23, meaning that this feature primarily attracts young people, thus should be integrated into averagely young locations.

One feature that did not reach the expected results is the implementation of interactive displays to create a more digital experience. In fact, as shown in Figure 3.5, 23.2% of people think it is unnecessary (1 to 4), 25.1% are indifferent, and only 51.8% think it is important or extremely important. Although in this historic period people are increasingly using technology in everyday life, these answers are concentrated on middle grades (5, 6, 7 and 8), meaning that interactive screens and artificial intelligence are important but not essential for sneaker shopping experience.
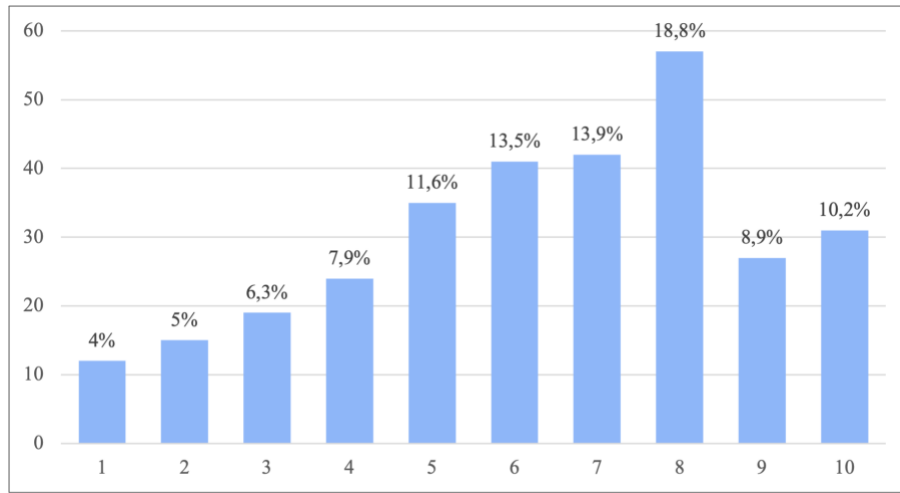
Figure 3.5 – Importance given to interactive displays

Source: Survey results (May 2021)

Proceeding with the analysis, the best feedback has been recorded by those features that facilitate and accelerate the shopping experience. These aspects are the Instant checkout and the Reserve Pick Up, which are both enabled by the Nike App. As expected, the smartphone-related functionalities, which also make the journey more fluid, are the ones that more attract customers. Indeed, as Figure 3.6 shows, they have a truly similar distribution of grades, as 90.4% of people think the Instant checkout is important or extremely important and 85.1% think the same for the Reserve Pick Up technology.

Adversely, the app-enabled functionalities that allow living a self-service experience and have fewer in-store interactions with employees, such as the Scan to Try, Scan to Learn, Shop the Look technologies, have not recorded the same high scores. Indeed, only 62.7% of respondents considered this aspect important or extremely important. Nevertheless, these functionalities can still be considered impactful for the ISCX.
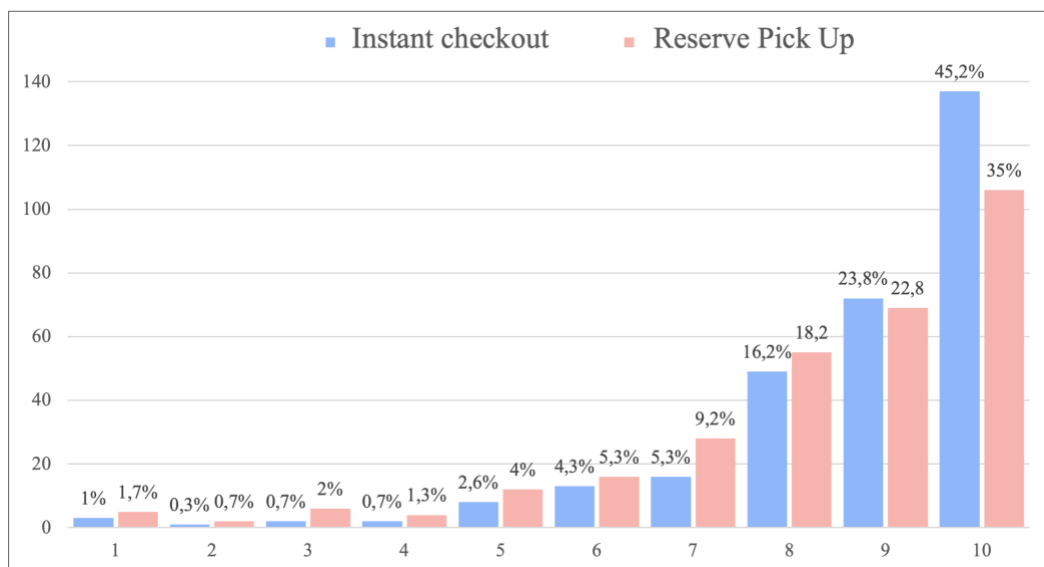
Figure 3.6 – Respondents' preferences for Instant Checkout vs Reserve Pick Up

Source: Survey results (May 2021)

Another element that received exceedingly high support is the Sneaker Lounge. Most of the respondents knew the difficulty of retrieving exclusive and highly requested shoes online, thus the possibility to have an area dedicated to the most coveted sneakers and special models solely created for the store generated great approval. To be specific, 88.9% of individuals consider the Sneaker Lounge important or extremely important in affecting their willingness to visit a store, 4.6% are indifferent, and only 3% of them disagree.

Furthermore, respondents had to evaluate the design of the store, i.e., the importance of combining physical and digital features while also respecting and supporting local tradition, and its attention to sustainability and the environmental impact. These aspects received a similarly high consensus. Respectively, 77.9% and 76.9% of respondents gave a score between 7 and 10, meaning that Nike shall keep designing modern environments that use recycled materials and renewable energy because nowadays people value these characteristics during their purchasing decisions.

Finally, Figure 3.7 compares the results obtained by the features that Nike has not yet implemented in the HOI, namely the Membership rewards, Gamification elements, and Virtual fitting rooms. Among these elements, only the gamification features seem to be less attractive to the audience. In fact, 35.3% of people think they are not important and 28.8% are uncaring. On account of these data, Nike could primarily focus on other functionalities. Conversely, the other "extra features" received a large consensus since 79% of respondents view Membership-related offers as important or extremely important, and this statistic turns to 81.3% when considering Virtual fitting rooms. Moreover, it is relevant to highlight that this last feature is the one that received the largest approval from the female audience, indeed 80.8% of them voted between 7 and 10 (30% of them answered 10).
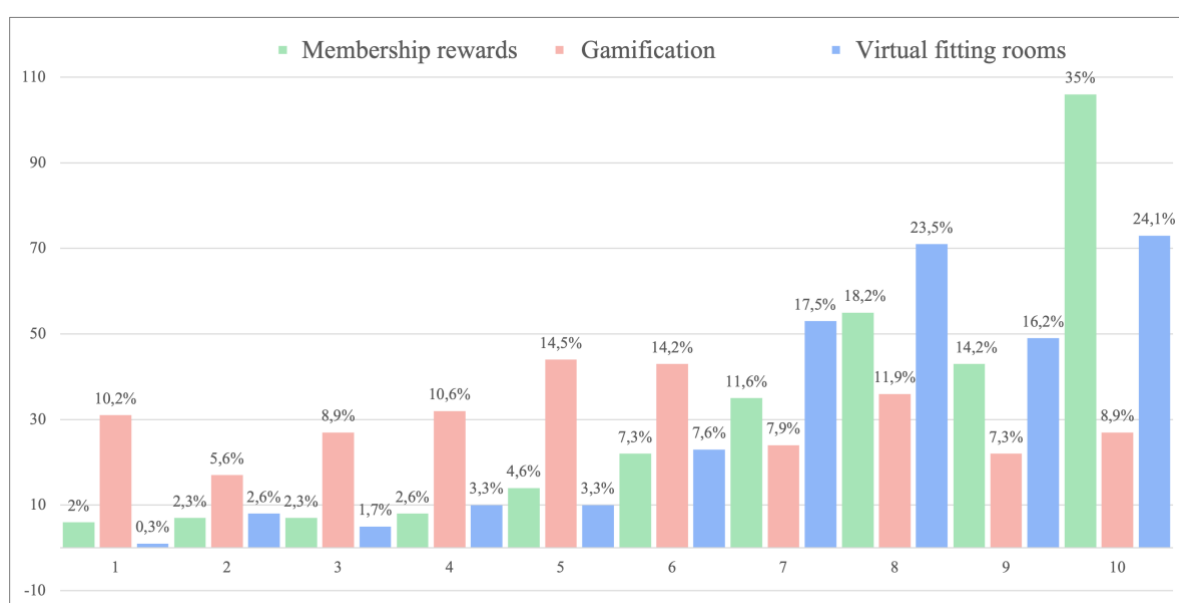

Figure 3.7 – Evaluation of the "extra features"

Source: Survey results (May 2021)

In order to briefly summarize the results of the evaluation, Figure 3.8 provides a graphic showing the importance of every analysed aspect based on the average answers of people who took part to the study.
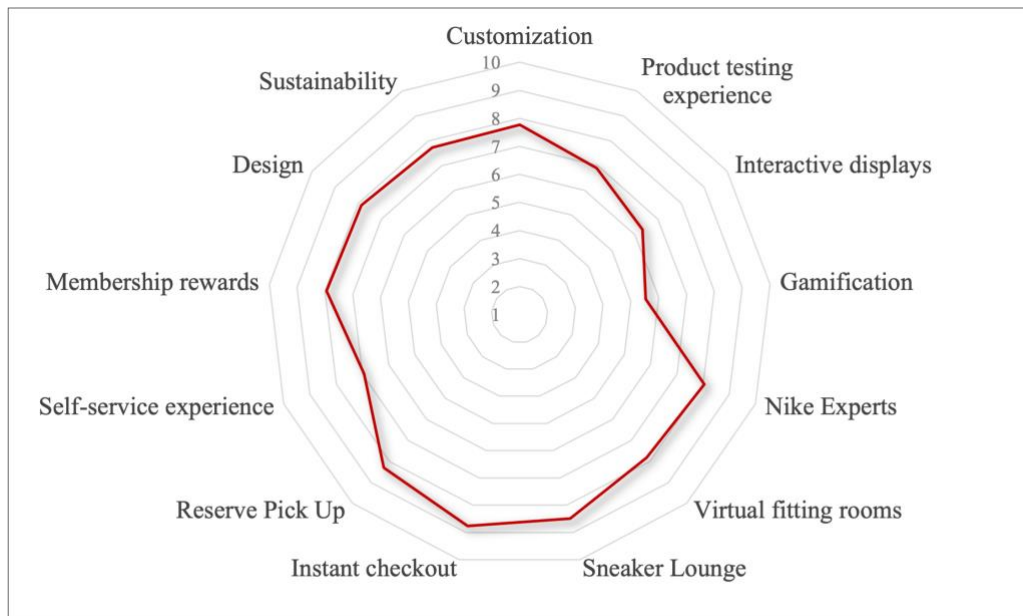

Figure 3.8 – Relative importance of every analysed aspect
Source: Survey results (May 2021)

At the end of the survey, people who preferred to shop online were asked to answer if a store with the mentioned characteristics could make them shift back to physical shopping, and the results are extremely positive. Indeed 87% of them confirmed that these aspects would affect their inclination to visit a store, as shown in the following pie chart.
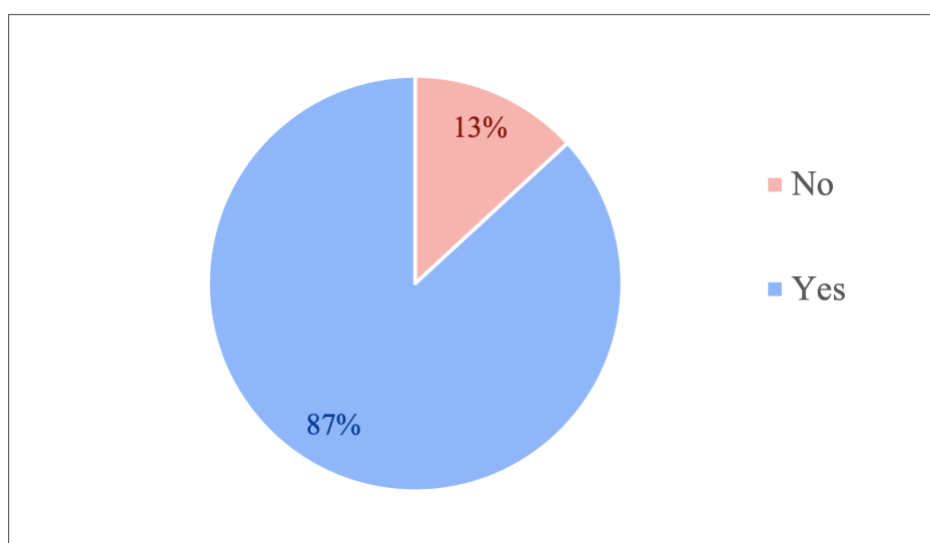
Figure 3.9 – People's inclination to visit the store after taking the survey
Source: Survey results (May 2021)

In conclusion, the research confirmed the importance of the ISCX in this business. In light of the collected data, Italians still slightly prefer physical channels and a large portion of those who privilege online would change their minds for a store similar to Nike's HOI. Additionally, the main features for the interviewed audience are the ones that facilitate the in-store journey, together with exclusive sneakers launches and interactions with qualified employees. Moreover, Nike shall consider implementing some more functionalities, such as the studied Virtual fitting rooms and Membership rewards, which may attract more and more people, especially young and females. To give more relevance to the research, it must be considered that the results could be affected by the recent pandemic and its effects on people's need for human interaction. On the other hand, Italians are known for being more traditional and this could be one reason for the lower grades of features such as Interactive displays, Gamification, and Self-service experience. Overall, all the digital aspects evaluated with the survey can enhance the ISCX and some more than others may represent the motives for people to visit the store and privilege it over online shopping.

Conclusions

In light of what the work has exposed, every company shall start its Digital Transformation process to adapt and react to the extremely complex environment of nowadays' society. Marketing has changed; thus, companies must integrate new strategies, powered by modern technologies, in order to reach suitable customers and establish solid relationships with them.

In this perspective, the Four Paradigm Model represents a great instrument to evaluate and understand the digitalization of a business. Indeed, the first chapter has proved the importance of the model in the definition of the best customer-centric strategies based on digital features. Also, the work has observed the key technologies to enhance the Customer Experience at large and create a seamless Customer Journey, with the goal of valorising every interaction between the company and people. In this context, despite the growing importance of online channels, physical stores still play a major role to interact with people and build trustworthy relationships. Therefore, the work has illustrated the most efficient, digitally enabled functionalities that should be implemented inside the store environment in order to improve the CJ and entice people to visit it.

Furthermore, the second chapter has shown the importance of digitalization in the sneaker industry, explaining how digital features have changed the market and how companies, especially Nike and Adidas, are acting to embrace a Digital Transformation approach and adapt to this complex and demanding environment. The major players in the business realized the relevance of the ISCX and are actively working to implement digital functionalities inside their stores to deliver omnichannel, holistic experiences. Particularly, Nike emerged as one of the most digitally transformed companies, as the 4PM showed how many efficient strategies the brand has implemented throughout the years to valorise every single customer.

Additionally, the analysis has shown Nike's endeavour to put people at the centre of its strategies and actions through the Consumer Direct Offense, which allowed the business to increase its market share and enhance its brand image. The work also outlined how the brand is leveraging digital methodologies to rise above competitors in terms of CX. Finally, one of the main purposes of the paper was to highlight how Nike is incorporating innovations and cutting-edge technologies inside its flagship stores and why these are going to set new standards in the future retail business. In this sense, the final chapter successfully illustrated the key digital features and the immersive experiences provided by Nike.

In brief, Nike is arguably the best company when it comes to empower the customer and create loyal relationships and, as the research confirms, it is working hard on implementing omnichannel strategies and enhancing the ISCX through new functionalities at the House of Innovation. In this context, the research has

highlighted what the key digitally enabled features are and what the company should focus on next. Indeed, the survey has shown that the most significant aspects for the ISCX (in Italy) are the ones that facilitate the journey, which are connected to the usage of mobile apps inside the store, and the ones that involve interactions with qualified employees. Moreover, the paper can give directions on what Nike could add or remove to maximize its effort, in fact, some of the "extra features" included in the survey outweighed some existing ones. Thus, Nike could focus its attention on Virtual fitting rooms or Membership program rewards to attract more people and improve the experiences.

In conclusion, Nike, and every company in this business, shall increasingly focus on optimizing the ISCX since the store environment still represents a key aspect for people who approach this market. Hence, to be more competitive in this business, brands should integrate new technologies and deliver omnichannel experiences through their stores, especially after the pandemic, when people will come back to physical shopping. They should embrace the Digital Transformation mindset, work on the creation of solid relationships with people by interacting with them inside the stores, incorporate digital features and new technologies to deliver excellent retail experiences, and, in synthesis, "Just Do It".

Annex

Questionnaire on the ISCX in the sneaker market (in Italian)

1. Sesso

   Femmina

   Maschio

   Non specificato

2. Età

   Sotto i 18

   18-23

   24-29

   30-40

   Sopra i 40

3. Acquisti regolarmente o hai mai acquistato sneakers?

   Si

   No

4. Se sì, normalmente preferisci acquistarle online o in negozio? (escludendo scarpe limitate in rivendita)

   Online

   In negozio

Molte aziende, soprattutto Nike e Adidas, stanno creando negozi sempre più digitalizzati (usando tecnologie all'avanguardia) per invogliare le persone a visitarli, creare un luogo di incontro e valorizzare l'esperienza di ogni singolo cliente. Di seguito verranno elencate alcune innovazioni e opportunità garantite in alcuni di questi negozi futuristici. Valuta, con un punteggio da 1 a 10, quanto i seguenti aspetti influirebbero sulla tua propensione a visitare un negozio e quanto li reputi importanti, relativamente all'acquisto di sneakers.

5. Avere la possibilità di personalizzare sul momento i più famosi modelli di scarpe (con l'aiuto di designer esperti), scegliendo colori, materiali, loghi, testi ed ogni caratteristica aggiuntiva grazie ad una vasta gamma di accessori disponibili e stampanti 3D.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

6. Avere la possibilità di testare le scarpe su campi da basket, calcio, tapis roulant e pedane con altri atleti.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

7. Poter accedere a schermi interattivi e intelligenze artificiali, come robot e assistenti vocali, che riportano informazioni sui prodotti (misure, colori, materiali, retroscena), sulla storia dell'azienda e su eventi e promozioni future in negozio.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

8. Poter giocare a dei videogiochi usando le scarpe come controller per divertirsi mentre si testano i prodotti ed ottenere premi in base ai punteggi che si totalizzano nei giochi.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

9. Poter interagire con dipendenti esperti, in grado di dare consigli e spiegazioni in ambito sportivo (riguardo abbigliamento, allenamenti e accessori più adatti).

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

10. Poter usufruire di "camerini digitali" che possono simulare ambienti esterni per valutare meglio i prodotti e che inoltre possono fornire informazioni sui prodotti indossati, cambiargli il colore e contattare i dipendenti.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

11. Avere uno spazio dedicato alle scarpe più richieste del brand, con uscite esclusive, edizioni limitate e vasti assortimenti.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

12. Poter pagare tramite un'app sul telefono, quindi senza dover passare in cassa e fare file.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

13. Avere la possibilità di prenotare prodotti su internet e ritirarli in negozio, trovandoli in armadietti privati e pagando tramite app.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

14. Poter sottoscrivere un abbonamento gratuito tramite l'applicazione, per accedere a prodotti e servizi esclusivi, come scarpe limitate, eventi e premi speciali.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

15. Avere la possibilità di vivere l'esperienza senza dover interagire con i commessi, ad esempio potendo scannerizzare codici su manichini e prodotti esposti per farsi mandare la taglia desiderata direttamente in camerino, usando poi un'app per pagare.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

16. Che il negozio abbia un design moderno e innovativo, che rispecchi la cultura della città/paese in cui si trova e che sappia integrare al meglio elementi digitali e fisici.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

17. Che il negozio faccia attenzione all'ambiente, ad esempio che sia costruito con materiali riciclati ed usi energia rinnovabile.

	1	2	3	4	5	6	7	8	9	10	
Per niente importante	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	Molto importante

18. Se normalmente preferisci acquistare online, pensi che uno store con alcune o tutte queste caratteristiche potrebbe farti cambiare idea?

Si

No

Generalmente preferisco acquistare in negozio

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