

# **Impact of Social Media on Companies**

## **Nike stock market fluctuations**

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## Abstract

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Abstract		
<p>Social media platforms have taken over the world. Nowadays, a post, review, or simple discussion can significantly impact on the general opinion, giving users the power to pressure and influence companies. The purpose of the thesis is to study the impact of social media on consumer behavior and investor confidence based on the premise that public sentiment on social media can affect the company's image and stock prices.</p> <p>The data collected from social media platforms like Instagram and X was gathered, analyzed, and categorized to determine the impact on Nike's stock market. Content analysis, sentiment analysis and categorization, and fear &amp; greed index were some of the methods used to conduct the analysis.</p> <p>The paper analyzes the influence of social media and how it affects consumers and investors, which as a result affects the stock market performance. The study results showed that positive customer sentiment, successful marketing campaigns, and a strategic use of social media could increase brand loyalty and stock value.</p>		
Keywords		
Nike (NKE), stock price, fluctuations, sentiment analysis, public opinion, investors.		

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## 1 Introduction

### 1.1 Research background

Before social media appeared on the scene, mass media like newspapers, magazines, radio, mail, and telegraphs were the only way of communication for companies to reach a large audience. The news media has been educating and enlightening the public about major events and changes impacting our lives for hundreds of years. However, since 1996, social media has reached half of the world's population of 7.7 billion. During the past ten years, the total number of users on social media platforms has nearly tripled, from 970 million in 2010 to 4.48 billion as of July 2021. With that, social media was able to emerge itself as a real-time news source, able to instantly spread information throughout the world. (Dean 2023; Goldsberry 2016).

Over the last decade, social media marketing influence has integrated itself into our daily lives. We check our newsfeeds frequently, make updates and comments, and maintain connections with friends, family, and communities. Influencer marketing has taken off in the last few years, and several companies now spend a sizeable percentage of their marketing budgets working with influencers. In 2019, Schomer predicted that companies' spendings on influencers are bound to grow exponentially, in the upcoming five years, for an annual growth rate of 40% approximately. Influencers on social media platforms like YouTube, Instagram, TikTok, and others have grown to be influential figures in a variety of fields, and marketers are aware of the potential these influencers have to reach their target markets.

The increasing popularity of social media has made a single person's opinion or review very powerful. One post or retweet from a celebrity has, on multiple occasions, proven to be highly crucial as it can influence the public's opinions, and has an impact on consumer behaviors. This is what made me choose to study the impact of social media on companies.

### 1.2 Thesis objectives and research questions

#### **Thesis objectives**

The research will follow two different cases from Nike: one where the sentiment on social media had a negative impact on the company's stocks and another that instead had benefited from a positive influence.

The aim is to determine the relationship between social media users' sentiment, whether it is positive or negative, and companies; and how it impacts the stock market fluctuations.

The main goal is to see how social media discussions can influence the stock market and if it can be used to predict stock price movements.

### **Research question**

As stated above, the thesis will follow two cases with contrasting results. The study will follow the route made by the main research question that is from the title of the thesis itself:

- What is the impact of social media on companies in the stock market?

Additionally, I was able to derive from the main question a few sub-questions that I wish to find answers to by the end of the research:

- Does social media sentiment (positive, negative, neutral) affect companies' stock prices mentioned in related discussions?
- Can sentiment analysis of social media data be used as a leading indicator for stock market volatility?

Finally, by the end of the research, a pattern is expected to emerge between the two cases to explain how social media platforms change public opinions about the company, affecting the stock price of companies.

### 1.3 Theoretical framework

An extensive review of academic resources, in particular theses and dissertations from master's and PhD students, will be carried out in order to improve the depth of the research on the effects of social media on businesses. These academic publications should offer insightful analysis and important theoretical foundations.

In addition, a thorough study of the literature about research methodologies, data collection, and analysis will be conducted to guarantee an in-depth understanding of the various strategies that will be adequate to study the impact of social media on companies.

### **Key concepts and theories**

The research follows a theoretical framework to follow for the author to create a coherent text. Some of the theories, concepts, or models that will be associated with this paper are:

- Content analysis: is a research tool used to find specific words, themes, or concepts within a given set of qualitative data, or text. This will help determine the intentions, focus, or communication patterns of an individual, group, or institution. (Columbia University)

- Sentiment analysis: is the process in which you analyze a digital text in order to specify if the emotional tone of the text is positive, negative, or neutral. (AWS)
- Consumer behavior theory: is the study of how people make decisions when making purchases. By forecasting how and when a customer purchases, consumer behavior theory helps businesses and marketers take benefit of consumer behavior. (FastPay Ltd)

#### 1.4 Research strategy and methods, data collection

To conduct the research, the author chose to pick two cases that had a change of opinion because of a certain incident on social media. Whether it's a post made by an influencer, a review from a customer, or an ethical problem that affected the company's sales. The collection of a dataset of posts related to specific stocks or financial topics is over a defined period of 5 months.

Public opinions or reviews will then be categorized and divided into three sections: positive, negative, or neutral sentiment. These sentiment trends will later on be compared with historical stock price data for the same time frame.

Statistical analysis and machine learning models are going to be used to identify correlations and potential predictive patterns. Tables and graph visualizations will also be used to perfectly convey results and information as best as possible. Besides, the author will conduct an interview with an investor in which theoretical cases to the interviewees and see how the interviewee's opinions will be changed and what will affect it the most.

The thesis follows both qualitative and quantitative research design. Qualitative analysis aims to improve the reader's general understanding of the attributes, traits, and meaning of the object or subject under study. This methodology focuses on perspectives regarding language, expressions, and the context, goals, and meanings of the object. (University of Jyväskylä a). On the other hand, the basis of quantitative analysis is the statistical and numerical description and interpretation of objects. The goal of quantitative analysis is to use statistics and numerical variables to interpret the data gathered about the topic. These two form a perfect methodological pair for my study. (University of Jyväskylä b). Although it is planned to use both qualitative and quantitative approaches to conduct this research, I will be relying slightly more on the quantitative approach.

## 2 Theory

### Theoretical definitions

#### 2.1 Sentiment analysis

Since the early 2000s, sentiment analysis, also known as opinion mining, has been gaining interest and becoming a highly active field of study in natural language processing. The main goal of sentiment analysis is to develop automated tools capable of extracting subjective information; opinions and sentiments, from natural language texts to then turn that data into organized and useful knowledge that decision-makers or decision support systems can later use to make a better judgment and minimize risks. (Pozzi 2017, 1-2.)

Researchers have disagreed on how to distinct between "sentiment" and "opinion". Their disagreement led to some confusion about which term is more suitable for the field: sentiment analysis or opinion mining. (Pozzi 2017, 1-2.) According to Merriam-Webster Dictionary, "sentiment" refers to *an attitude, thought, or judgment prompted by feeling*, while "opinion" refers to *a view, judgment, or appraisal formed in the mind about a particular matter*. Despite the slight distinction between the two, it is easier to think of it as the following: an emotion is about a person's feeling about something, whereas an opinion is typically their definite view about something (Pozzi 2017, 1-2).

For example, let's take these two sentences "I am happy with the company's performance", and "The company has shown significant growth". The first sentence expresses a sentiment, meanwhile the second expresses an opinion. To help the reader distinct between the two, if this were to be a conversation, one might reply to the first one by saying, "I share your sentiment", but to the second by saying, "I agree/disagree with you". This will be taken into account when doing the sentiment analysis on the case study.

Although the two sentences are closely related, the sentiment in the first likely arises from the opinion in the second. Conversely, the first sentence's sentiment implies a positive opinion about the company's performance, reflecting the positive growth mentioned in the second sentence. While most opinions convey positive or negative sentiments, some, such as "I predict the company will expand to new markets next year", do not necessarily express a sentiment.

#### 2.2 Sentiment categorization

When conducting a sentiment analysis, the first step is to classify sentences into subjective or objective sentences (Figure 1). That is because a subjective sentence has a polarity tone

to it that needs to be identified. These are divided into positive, negative, or neutral. On the other hand, an objective sentence is set aside as no further steps are needed since it is stating a fact. (Pozzi 2017, 1-2.) An example would be the second example given above: "The company has shown significant growth." The following figure is a representation of these steps.

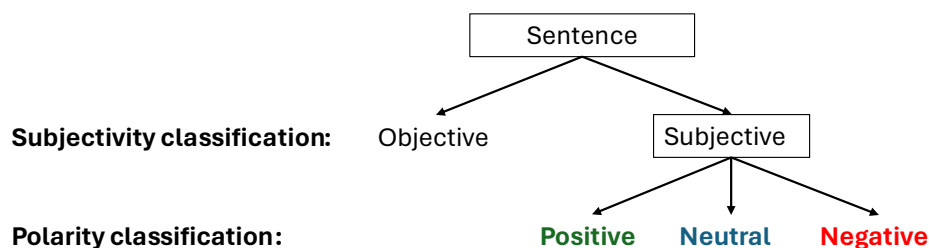


Figure1. Sentiment analysis workflow (adapted from Pozzi 2017, 2)

### 2.3 Content analysis

Modern digital resources and multimodal platforms have replaced the analog modes of printed text and page-based visual images, forcing both quantitative and qualitative researchers to reevaluate their methods to analyze numerous types of representation and communication in the contemporary age. Content analysis methodologies need to be re-envisioned to incorporate several constructs for reconceptualizing the textual, visual, and multimodal character of the data under inquiry, as researchers start to take into account the multimodal nature of the different types of representation and communication. (Serafini & Reid 2023, 623-649.)

To conduct a multimodal content analysis (MMCA), there is a framework of steps to follow. The following procedures shown below are not necessarily followed consecutively and can sometimes overlap. (Serafini & Reid 2023, 623-649.)

- Recognizing an area of interest,
- developing initial research questions,
- constructing the data corpus,
- defining the object of study,
- developing initial categories,
- developing the analytical template,

- testing the analytical template,
- applying the analytical template to the data corpus,
- constructing potential themes,
- implications of the analysis,
- dissemination of findings.

## 2.4 Stock market performance

According to Dobbs & Koller (2005a, 16), accounting results and share prices of a company aren't the only indicators of whether a company is capable of sustaining its current performance and building profitable businesses in the future.

The technique most commonly used to measure a company's stock market performance is done by calculating the firm's total returns to shareholders (TRS) over time. This latter is defined as *share price appreciation plus dividend yield*. However, the downside of this method is that during short periods, TRS incorporates changes in anticipations about a company's future performance more so than its actual performance and health, which is its ability to sustain performance over the long run. (Dobbs & Koller 2005a, 16.)

Evaluating how well a company's stock market is doing is more than just looking at TRS. The performance of a corporation can be affected by its initial value during the measurement period and its performance, which shows limits to this method. Additionally, the market value to invested capital ratio helps to put TRS in context. (Dobbs & Koller 2005b.)

MVA, also known as the market value added, is the total wealth accumulated by the company for its shareholders so far (CFI team 2015).

Nonetheless, to better understand a company's stock market performance, its value should be weighed against its past and prospective growth and returns on capital. (Dobbs & Koller 2005b.)

## 2.5 Investors sentiment index

### **Investor mood**

Some papers have attempted to link stock price fluctuations to external influences that cause changes in human emotions (Baker & Wurgler, 2007, 130). Kamstra, Kramer, and Levi (2003) went further to establish that the returns in the market were on average lower during fall and winter. They allocated it to the cases of seasonal affective disorder that has been known to be a depressive disorder caused by the short hours of daylight. (Baker & Wurgler, 2007, 136).

## **The fear & greed index**

The Fear & Greed Index is an indicator of how the stock market is moving and if the stocks are valued appropriately. The theory stems from the logic that high fear levels influence are normally likely to lower share prices while high greed levels increase them. (CNN Business).

As many investors tend to be impulsive and panic, the sentiment analysis of 'fear' and 'greed' analyses the market sentiment, and alerts them to their emotions that get in the way of sound investment decisions. The Fear and Greed Index is calculated from seven different indicators compiled to assess the aspect of the stock market behavior. These are market momentum, stock price strength, stock price breadth, put and call options, junk bond demand, market volatility, and safe demand. (CNN Business).

Lastly, the index measures the extent to which such measures differ from the mean level compared to how they are supposed to diverge or differ. Moreover, it assigns equal weight to each indicator and generates a numerical value of between 0 and 100, with 100 indicating extreme greed and 0 expressing extreme fear. (CNN Business).

## 2.6 Terms definition

### **Direct to customer**

DTC, or direct-to-customer, is a low barrier-to-entry digital innovation strategy that allows manufacturers to directly sell consumer packaged goods brands (CPG) to the consumer. Skipping the traditional process of negotiating with a retailer simplifies the transaction process for customers. In DTC, brands sell directly to the consumer online, without the help of a third party to get the items on the market. (Keenan 2024.)

### **S&P 500**

S&P 500 – is the official name of Standard & Poor's 500 Composite Stock Price Index which is a stock index tool to measure the prices of shares of 500 large companies in the United States stock market that have a market capitalization of over \$10 billion. To track the movement of the stock market, tell what is occurring, and evaluate what kinds of changes the company is going through in terms of its stocks. (Tretina 2023.)

### 3 Case study

#### 3.1 Case company introduction

Nike, Inc., is one of the leading sports and athleticwear brands in the world. Founded in 1964, initially under the name Blue Ribbon Sports, by former track and field athlete Phil Knight and his former coach Bill Bowerman. The company was officially named Nike, in 1971, inspired by the name of the Greek goddess of victory. (Carlson 2024.)

The multinational American company is globally recognized as the biggest producer and seller of sports equipment athletic footwear and clothes (Tighe 2024). The corporation is well-known for its endorsement partnerships and collaborations with some of the best athletes and the top in their respective fields of expertise, like Serena Williams, LeBron James, and Tiger Woods. Nike was able to remain relevant to its customers by adopting smart marketing strategies, including engaging with controversial issues. (Carlson 2024.)

##### 3.1.1 Nike mission statement

The company's mission is to "bring inspiration and innovation to every athlete in the world", regardless of their athletic ability, since Nike believes that all you need is a body to be an athlete (Nike 2024). This shows Nike's dedication to producing stellar sporting goods and services while empowering athletes worldwide. Additionally, the company hopes to establish itself as a pioneer in the sports and fitness industries by inspiring different athletes. For instance, Nike has created multiple impactful campaigns to better inspire its customers like "Find Your Greatness," "Unlimited You," and "Just Do It." (Pereira 2023)

It is through the development of cutting-edge sports creations, sustainable products, a diverse and innovative global workforce, and contributing positively to our community, that this mission motivates Nike to push the boundaries of human potential. (Carlson 2024.)

##### 3.1.2 Nike vision statement and values

Nike's vision statement is "to do everything possible to expand human potential", which shows the company's devotion to doing more than simply creating innovative and modern sports products. It also strives to boost and nurture athletes, mentally and physically, to help them successfully realize and reach their full potential. (Pereira 2023). Meanwhile, Nike's values statement is to take action to create a future of continual progress for athletes, sports, and our world.

#### 4 Nike's August to December 2023 analysis

With the rise of both raw materials and production costs caused by inflation, things aren't looking very good for Nike (Barnes 2023). As of August 2023, the corporation's stock had fallen 23% in a year, while the S&P 500 index was up 13%. This shows that the company appears to have generally underperformed the market for the majority of the year. (Saintvilius 2023.) On top of that, Nike's stock had to also face challenges in the supply chain. The company's consideration is to relocate some of its production operations systems from China to Mexico or countries in Southeast Asia such as Vietnam, India, Indonesia, and Bangladesh as a way to improve goods' quality and lower production expenses. This decision added more pressure and impact to its global operations. (Atkins 2023.)

Factory workers, NGOs, labor rights advocates, and investors were all criticizing Nike for allegedly refusing to pay 2.2 million dollars in unpaid wages and compensation to over 4000 workers that go back to 2020 when factories had to close down due to COVID-19 (Ndure 2023; Business & Human Rights 2023).

Samuel Collins-Charles, the communications manager of the activist shareholder platform Tulipshare, had stated during the annual meeting that Nike had not provided information on what measures were implemented concerning the alleged forced labor of Uyghur workers across its supply chain tiers. Neither has Nike stated whether they got in touch with the affected workers and if they were provided with their rightful compensation as victims.

Tulipshare is an activist shareholder platform with a mission to actively advocate for change and push its agenda on sustainable and ethical investments to the world's largest companies (Tulipshare 2023). During the annual meeting, Samuel Collins-Charles the communications manager of Tulipshare stated that Nike had not provided information on measures implemented regarding the alleged forced labor of Uyghur workers in its supply chain. He also noted that Nike has not addressed whether they contacted the affected workers or if those workers received rightful compensation. (Cooke 2023.) This caused the company's stock price to drop as seen in the figure below.



Figure 2. Nike (NKE) stock fluctuations from July to September (Yahoo Finance 2024)

Although Nike's stock performance has fallen over the last years, compared to gains of the S&P 500 index, to several investors, investing in Nike seems to be a good deal. In contrast to the corporation's long-term potential, its stock price is relatively cheap. Especially when considering its Direct-to-Consumer (DTC) business, with an estimated 160 million active members in the company's online membership and loyalty programs, it is undeniable that Nike is one of the tops in the field. (Saintvilus 2023.) Adding to that, the customers' positive sentiment and Nike's strategic marketing initiatives to boost sales and brand engagements, the company's stock was able to increase by the end of August.

#### 4.1 August analysis

The following chart is a representation of Nike's engagements on their official Instagram account posts in August.

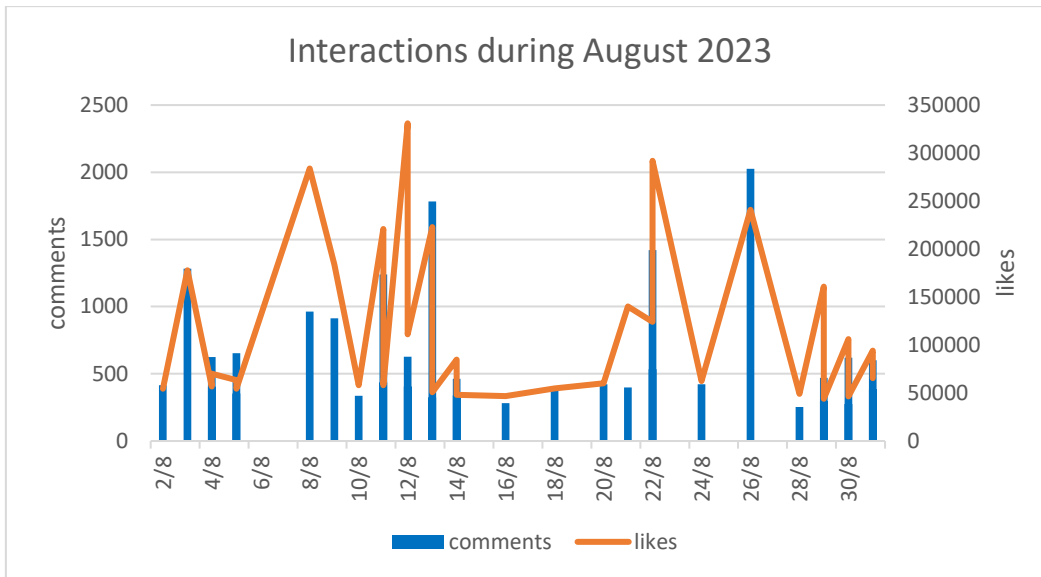


Figure 3. Interactions on Nike’s official Instagram account in August 2023 (Yahoo Finance 2024)

During the first half of August, the company was getting attention and positive feedback on social media. However, midway through, it went down and so did the stocks, as seen in Figure 3. Discussions about Nike’s forced labor of the Uyghurs resurfaced again. Supporters were advocating for the boycott of the sportswear company’s products. To give an example, a video from Wayne Dupree’s podcast was shared on X and gathered thousands of views and retweets. The special guest, Nicole Tsai, stated that Nike was using slave labor from the Uyghurs concentration camp. Even though the news broke out years ago, Nike has not discontinued their use of the Uyghurs slave labor. She urged people to boycott the brand when she said that “for every pair of Nike shoes you buy, you’re actually supporting the CCP’s (Chinese Communist Party) genocide”. (Tsai 2023).

Table 1. Interactions on Nike's official Instagram account

date	likes	comments	type of post	type of content
22/08/2023	292000	1421	pictures	new collection
26/08/2023	241000	2026	reels	new collection
29/08/2023	161000	469	pictures	product NikeTech
29/08/2023	44000	295	reels	product NikeTech
30/08/2023	106000	621	pictures	product
31/08/2023	94000	383	pictures	product
31/08/2023	65600	600	reels	new collection
01/09/2023	58000	317	pictures	product
01/09/2023	51200	285	reels	product
01/09/2023	103000	683	reels	product
03/09/2023	309000	1109	pictures	new collection

On 22.08, there was a sharp increase in positive feedback after the announcement of new footwear that was designed in remembrance of Kobe Bryan. This gathered attention on social media especially since it was scheduled to be released on his birthday, the 23rd of August.

Meanwhile, on 26.08, Nike announced the release of a new collection in their collaboration with Sabrina Ionescu. Designed for the playmaking abilities of the WNBA All-Star, offers female players a unique traction pattern (Donahoe 2023). With over 2000 comments under the reel, people were mostly showing their anticipation and enjoying the comical touch added to the commercial.

The rows marked in green in Table 1 are for the posts related to Sabrina's collection. On the other hand, the ones marked in orange are posts of pictures followed by a video of Carlos Alcaraz Garfia modeling and advertising for Nike's products. Finally, the ones marked in blue are products in collaboration with the athletes Lauren James, Eliud Kipchoge, and Kylian Mbappé respectively.

As a result, Nike's stocks went up steadily until the end of the month (figure 1). In 10 days, Nike was advertising a total of 8 different products and collections back-to-back. Furthermore, Nike excels in its marketing by announcing a new collection no more than a week before the official release. This strategy keeps the customers excited for the drop and ensures that the upcoming drop stays fresh in their minds. Finally, this is how customers' positive sentiment on social media and the successful marketing campaigns boosted investors' confidence increasing stocks.

### 4.2 September to October analysis

The following figures represent people’s interactions with posts under Nike’s official account on Instagram (Figure 3), and the corporation’s stock movement throughout September and October 2023. (Figure 4).

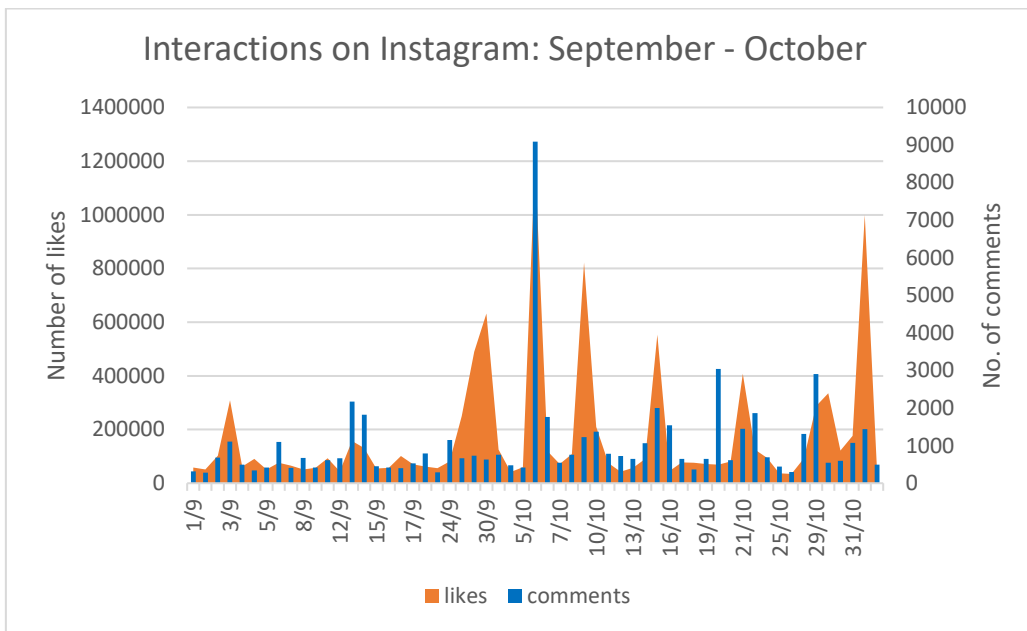


Figure 4. Number of likes and comments in September and October 2023



Figure 5. Nike stocks’ fluctuations in September and October 2023 (Yahoo Finance 2024)

#### 4.2.1 September analysis

After the first week of September, the company's stocks continued to drop. Nike advertised for only 3 collections, failing to keep the customers' excitement and positive sentiment on social media. That was only until the last week of the month that Nike succeeded in getting back their customers' attention, thanks to the partnership with both Sabrina Ionescu and Eliud Kipchoge. Nike announced the restocking of the 2 most beloved collections from the previous month, Alpha Fly 2 and Sabrina 1. On 25.9, it was announced that Kipchoge's collection is available to shop. Customers were even asking about when the next version of the collection would come out. On 29.9, the company stated that Sabrina1 Magnetic will be accessible on the 1<sup>st</sup> of October.

Lastly, when comparing the peak points of the stacked chart (Figure 3) to Nike's stock (Figure 4), it is clear that it increases noticeably around the same time. To illustrate this, the stock's price rose sharply by approximately 6.2% just from the 27<sup>th</sup> to the 29<sup>th</sup> of September.

#### 4.2.2 October analysis

From the first day of the month, Nike's stocks experienced a sharp increase. It kept on augmenting steadily until the last few days of the month and it dropped by approximately 7% from the 24<sup>th</sup> to the 27<sup>th</sup> of October, before rising back to 102.77 by the end of the month.

Nike went back to the same strategy implemented in August, which was described in Chapter 9.1 above. The footwear company launched 7 new products and collections. The table below includes those posts. They had the most interactions and the biggest number of comments – over 1000 – in October.

Table 2. Posts from Nike's official Instagram with the new releases of October

date	likes	comments	type of post	type of content	information
6/10	1 200 000	9088	reels	new collection	FCB collaboration
9/10	822 000	1227	pictures	new collection	LeBron XXI with James Lebron
10/10	210 000	1375	pictures	new collection	Alphafly3 Eliud Kipchogejan
14/10	553 000	1998	pictures	product	LeBron XXI
16/10	45100	1542	reels	new collection	with dancer Parris Goebel
19/10	68 700	3040	reels	product	Tiempo10 with Jamal Musiala
21/10	408 000	1450	pictures	product	Nike Pegasus Trail GORE-TEX
23/10	125 000	1868	pictures	product	Parris Goebel
31/10	176 000	1076	reels	new collection	Mercurial Superfly 9 Rashford
31/10	1 000 000	1437	pictures	new collection	Marcus Rashford

For example, on 6.10, a video format post – reels – on Instagram about FC Barcelona and Nike's new collaboration gathered a total of 1.2 million likes and 9088 comments, with about 87.5% positive sentiments. These comments were either showing excitement for the new release, questions about the products included in the collection and the release date, or appreciation of the video. About 5% of the remaining comments were from Real Madrid fans, 2.3% of the commenters were showing support for political issues, and 5.2% were in gif format. The author contemplated first whether to consider comments asking information about the release neutral, but decided to mark them positive as they are showing interest in the collection. Also note that the author rounded the numbers to make the calculations easier, emojis of fire and hearts were labeled as positive as they show excitement and comments in languages other than English were ignored.

Besides, Nike keeps its promise of making athletes better by inspiring and enabling them throughout their lifelong sports journeys. For instance, the company fueled growth by releasing an industry-defining performance shoe in Global Football, led by the Mercurial, as Nike's fastest football boot. According to the annual shareholder letter, the LeBron XX was the most powerful and successful LeBron release in years. The innovative sportswear design and the ad's storytelling brought positive feedback and revenue. In basketball as well, the Sabrina 1 was a success too. (Donahoe 2023).

#### 4.3 November to December

During this period, Nike's stock saw a generally positive trend, recovering from the lows experienced earlier in the year. This recovery was partly fueled by optimistic market sentiment and Nike's strategic initiatives aimed at boosting sales and brand engagement. However, in mid-November, concerns began to emerge about Nike's sales performance (Stock Analysis 2023). Nike's stock saw a more significant decline in late December 2023 as shown

in the figure below (figure 5). On the 22<sup>nd</sup> of December, Nike shares dropped by 7% after the company's earnings-per-shares failed to meet the expectations. This drop was primarily due to disappointing earnings reports and reduced growth forecasts (Nike Investors 2023).



Figure 6. Nike (NKE) stocks from August 2023 to December 2023 (Yahoo Finance 2024)

Moreover, the fear and greed index shows the market sentiment based on the explanation from Chapter 2.5. By the end of December, the index reached a score of 83 out of 100 indicating extreme greed. (Figure 6)



Figure 7. Fear & greed index of the market in December (CNN Business)

#### 4.4 Conclusion

The initial recovery of Nike's stock in September 2023 can indeed be attributed to positive customer sentiment on social media, which played a crucial role in boosting consumer confidence and sales. Social media has become a significant factor in influencing consumer behavior and investor confidence. During this period, Nike had several marketing campaigns and product launches that resonated well with its audience. Moreover, the company strategically managed to keep its customers hyped and excited for whatever was coming.

Overall, Nike's stock faced a difficult period from September 2023 to December 2024. It initially increased thanks to the positive customer sentiment and the marketing strategy used by the company. Then, it was followed by a significant decline due to low earnings and persistent supply chain issues. The company's performance in early 2024 showed potential for stabilization, but still, investor sentiment remained cautious because of economic and operational challenges.

In conclusion, social media engagement, successful marketing campaigns, and product launches helped create a positive buzz around the brand, which contributed to the stock's temporary rebound during that period.

## 5 Colin Kaepernick's incident

### 5.1 Colin Kaepernick's protest

In August 2016, Colin Kaepernick, the American football player caused commotion nationwide when he knelt during the national anthem to protest against police brutality (Boren 2020). This has polarized sports fans across the country. Some Americans found not paying tribute to the flag to be extremely disrespectful. The reason is that protesting by kneeling for the federal flag is considered by many to be unacceptable and dishonorable to the country. This is because the national anthem pays respect to the people who have risked their lives, been injured, or died defending the United States. (ProCon 2022.) Besides, the football player had publicly stated that he refuses to pay respect to a flag that represents a nation that oppresses black people and people of color, causing even more uproar (Kaepernick 2016). All the same, others thought that kneeling during the national anthem was a legal form of exercising your right to protest (ProCon 2022). It is stated in The White House (2024), that according to the First Amendment of the Bill of Rights of the United States Constitution, the government protects freedom of speech and the right to petition.

With the discussion growing heater, SSRS (2017) conducted a poll for CNN, interviewing 1037 people about the NFL players kneeling during the anthem to figure out the public's opinion on the matter. The goal of this poll is to determine which side is more dominant.

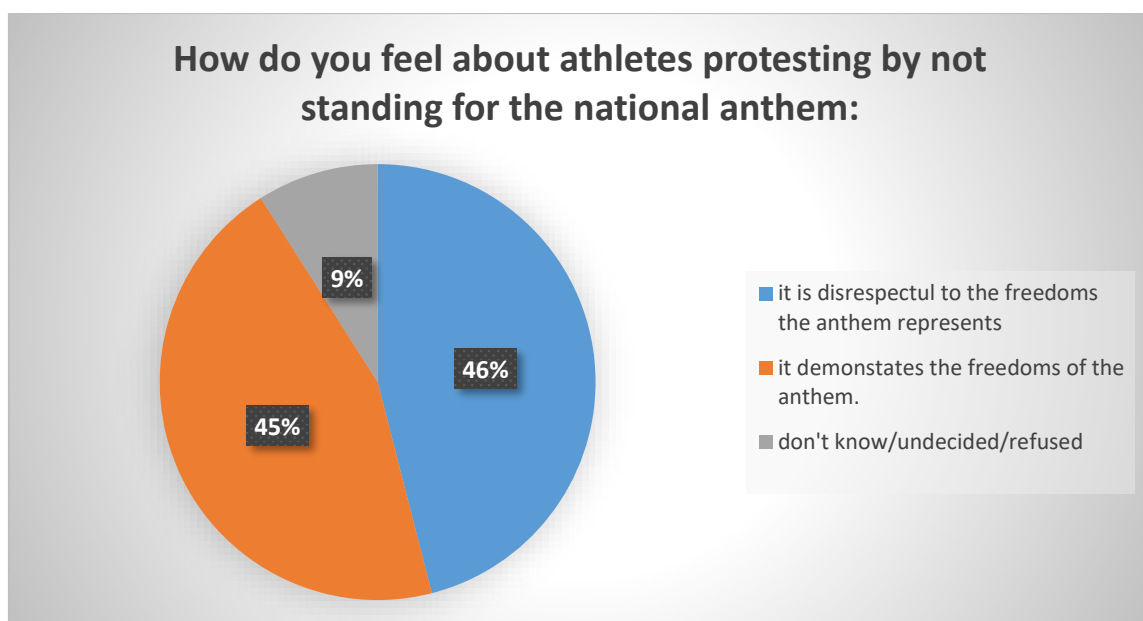


Figure 8. Percentage of the public's opinion on the athletes' protests during the anthem (adapted from SSRS 2017)

Figure 8 shows that when the respondents were asked how they felt about professional athletes or teams protesting an issue by not standing for the national anthem, 46% found it disrespectful to the freedoms the anthem represents. On the contrary, 45% expressed that it demonstrates the freedom of the anthem. From these results, it is clear that as of September 2017, people were divided on whether it was right or not (SSRS 2017).

## 5.2 Colin Kaepernick and Nike's ad campaign

On September 3, 2018, Nike launched an ad campaign featuring Colin Kaepernick with the tagline, "Believe in something. Even if it means sacrificing everything." The campaign was part of Nike's 30th anniversary of its "Just Do It" slogan. The polarized public response to Nike's ad campaign raised discussions about social justice, freedom of speech, and whether companies should be engaging in political issues in the first place. (Kim et al. 2020.)

The hashtags "Boycott Nike" and "Just Burn It" started trending on social media (Masters & Mezzofiore 2018). Some people even shared pictures and videos of them cutting their Nike socks and burning their Nike footwear in protest (Masters & Mezzofiore 2018; Meyersohn 2018). Still, a fair number of people were showing support for the campaign. The positive publicity outweighed the outrage on Twitter, now X (Novy-Williams 2018). On September 7, Now Media Network's official account on X reported on people's protests against Nike's new campaign. This tweet alone gathered a total of 2.3k retweets: 2.1k reposts, 181 quotes, 6.2k likes, and 217 comments.

Novy-Williams (2018) reported that the campaign was so impactful that within the first 24 hours alone after Kaepernick posted the Nike advert on X, the company garnered more than \$43 million worth of media exposure and over \$163 million in four days, with 67% of it having neutral to positive responses, according to Apex Marketing Group.

In the first 24 hours after the ad was announced on X, there was a total of:

- 40% of publicity is positive (\$65.58 M),
- 30% of publicity is negative (\$49.08 M), and
- 30% of publicity is neutral (\$48.84 M).

As the sports marketing executive at Baker Street Advertising Bob Dorfman had said, these results far outweigh the risk of Nike getting on some consumers' bad side (Novy-Williams 2018).

Another trending tweet shared a video of a fan who bought Nike sneakers for people in need, to show support. He explained that he wanted to help the homeless feel warm and

protect their feet. This tweet alone was retweeted 14k times and gathered a total of 22k likes and 967 comments.

Furthermore, it was not only the general public that was taking sides, some celebrities were also seen voicing their opinion. For example, the American singer and actress Jenifer Lewis was seen wearing Nike in the Emmys Awards 2018. In an interview with CNN, she explained that the reason she's wearing a Nike sweater is to express how proud she is of the brand for supporting the athlete and his protest against ethnic injustice and police violence. Despite the boycotts and complaints, the publicity seemed to be doing good for the brand (Kochkodin 2018).

### 5.2.1 Negative and positive word of mouth

Word of mouth (WOM) is a powerful marketing tool where people share information with their friends and family about a product, service, or brand. As social media and other digital communication platforms have grown in popularity, WOM has become even more important for businesses. (Allton 2023.) It is divided into two different types: the positive word of mouth, and the negative word of mouth. Negative word of mouth (NWOM) has more impact on the company's revenue than the latter. That is because it has more power over customer acquisition than PWOM. (Samson 2006).

Concerning Nike's campaign, Kim et al. (2020) stated that the consumer's attitude towards the firm and the PWOM intention would be enhanced if the perception that the company has other self-interest motives to support Kaepernick was not framed within the values and social concerns of society. If Nike's decisions and actions were due to their pride or concern for the company's image, people would have a bad image of the firm, with higher levels of NWOM intentions. Likewise, if people were to assume that the company's actions were due to the stakeholders' pressure, the level of participants' NWOM increased. These results show that individuals' attitudes toward a company's Corporate Social Advocacy (CSA) initiatives depend not only on what is being done but also on why it is being done. (Kim et al. 2020).

Based on what was stated in 5.2, it can be concluded that a majority of people believed that Nike genuinely supports Colin, and respects his beliefs and protest since there was a total of 40% positive media responses. Meanwhile, news outlets like CNN reported that the company must have concluded that Kaepernick's fans and popularity with star athletes will withstand boycotts and short-term stock pressure (Meyersohn 2018). Nike couldn't have simply chosen to take such a big risk. The company's sales abroad have increased, and over 60% of the customer base is abroad. This shows that perhaps the corporation had expected not

to suffer from long-term losses. Moreover, Nike seems to have expected to get new customers from groups that directly support Kaepernick's message, and agree with the message behind the advert. (Wu 2018.)

## 5.2.2 Stocks fluctuations

The following figure shows the company's stock market before and after the announcement of the advert on September 9.



Figure 9. Nike stock fluctuations from July to December 2018 (Yahoo Finance 2024)

Regardless of the significant decline in Nike's stocks, the corporation recovered rather quickly (Figure 9). According to SSRS (2017), 44% of people aged between 18 to 34, and 52% of those aged between 35 and 44, supported Nike's decision to have Kaepernick as the new face of the 'Just Do It' campaign. The advert strengthened Nike's brand image to young adults, which mainly consisted of the company's customer demographics and the more socially aware consumers. Additionally, thanks to online sales, the stock price increased back to closing at the highest price ever achieved by the company in 2018. Additionally, in just one week, they gained about 170,000 new Instagram followers that had a positive reaction to the ad campaign. (Wu 2018.)

To summarize, as Phineas T. Barnum said, "All publicity is good publicity". This suggests that attention, positive or negative, can be favorable. (Dresden 2023.) And that was the case for Nike in 2018. Even if, initially, the attention rose from controversy, the more exposure Nike's campaign received, the more people began to support the brand, which worked perfectly for Nike. (Wu 2018.)

## **6 Investors' concerns about a company's stock market**

This chapter is based on the information gathered from an interview conducted with a professional investor. The following list states the main concerns of investors that directly impact the stock market value of a brand in general.

### **6.1 Market conditions**

Investors analyze the market and define the ongoing industry's trends at the moment and whether any economic factors can impact the stocks (inflation, political instability, global pandemic like during covid)

### **6.2 Financial performance**

The quarterly and annual report on the company's revenue, profit margin, and finally revenue growth helps with keeping the investor's confidence which can stop the stock price from declining.

In the case where a company is showing a slowing growth revenue, the interviewee expressed that he would sell his stocks since this leads stock prices to decline.

### **6.3 Company's reputation and public opinion**

Just as analyzed from the case study, the company's image influences investor sentiment. Even if the stocks are declining, if the corporation has a good reputation and loyal customers, investors will keep their stocks.

## 7 Summary and discussion

The main research question of the thesis sought to determine the impact of social media on companies in the stock market. From the analysis, it can be concluded that social media influences the brand image which as a result affects the stock market. Nike continues to deepen its connection with consumers by understanding their consumers better and attending to their needs as best as it can. Customers seem to engage more frequently with the company, purchase more, and are even more brand loyal than ever before, which influences the company positively.

As long as the public opinion is consistent, and one side is pushing forward and showing that the dominant sentiment is positive and that the company has a strong connection and well-built trust with its loyal customers that will not turn their back on the corporation. Even if the situation might be dire at the moment, as long as a company is transparent, loyal customers will keep on supporting it.

### Limitations

Working on the thesis, certain factors might restrict the extent of the research:

1. Limited time for research
2. Amount of work: as this research is done solely by a single writer, there might be some difficulties because of that.
3. Ethical challenges: to be further explained in the following section.
4. The author might not be able to identify a pattern between study cases, making the whole study pointless.

While conducting the research and diving deeper into the topic, the author of the thesis is going to maintain a neutral point of view to study both cases and base it on the theoretical knowledge acquired. Any relevant information included in the document is going to be from articles, reports, and books. The main idea of the thesis came from the following:

- Kim, Eunjin (Anna), Margaret Duffy, and Esther Thorson. 2021. "Under the Influence: Social Media Influencers' Impact on Response to Corporate Reputation Advertising." *Journal of advertising* 50.2: 119–138.

### Ethical issues

The following are a few ethical issues the thesis writer might come across while conducting this research:

- When conducting an interview, the interviewee should be informed of the information that is recorded and gathered and how it's going to be used.
- Carefully choose case studies with “an incident” that impacted the company and have zero correlations with any political or religious topics.
- The author needs to make sure to maintain a neutral point of view when conducting the analysis.
- The author should not overly compliment or slander any of the company.

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## Appendix 1. Interview questions

**Question 1:** What are the main concerns of investors that directly impact the stock market?

**Question 2:** What influences the market value of a brand from an investor's point of view?

**Question 3:** Can a company's reputation and brand image make investors not sell their stocks even when it is facing struggles that will impact the stock market?

## Appendix 2. References with limited access

### **Kochkodin 2018:**

Nike Inc.'s market capitalization is down \$3.4 billion since the company released its latest ad campaign featuring controversial quarterback-turned-activist Colin Kaepernick.

But it's not all bad news. The latest estimates put the value of the media exposure from the campaign at more than \$163 million, according to Apex Marketing Group -- almost four times the \$43 million tallied in the first 24 hours since the ad debuted.

### **Ndure 2023:**

Investors, NGOs urge Nike to pay Cambodia, Thailand garment workers \$2.2m

US sportswear brand Nike is under fire from its investors, NGOs and factory workers for its alleged refusal to pay more than 4,000 garment workers \$2.2m in unpaid wages and benefits dating back to 2020.

Nike is under fire for allegedly refusing to pay 4,000 garment workers during the pandemic.