Brand Doctor

Brand Check-up

# Nike

As of July 9, 2024

Status: Bleeding

**Nike is bleeding demand: it stepped back from retailers, leaned on aging classics and left running shelf space to On and Hoka, and now expects sales to fall.**

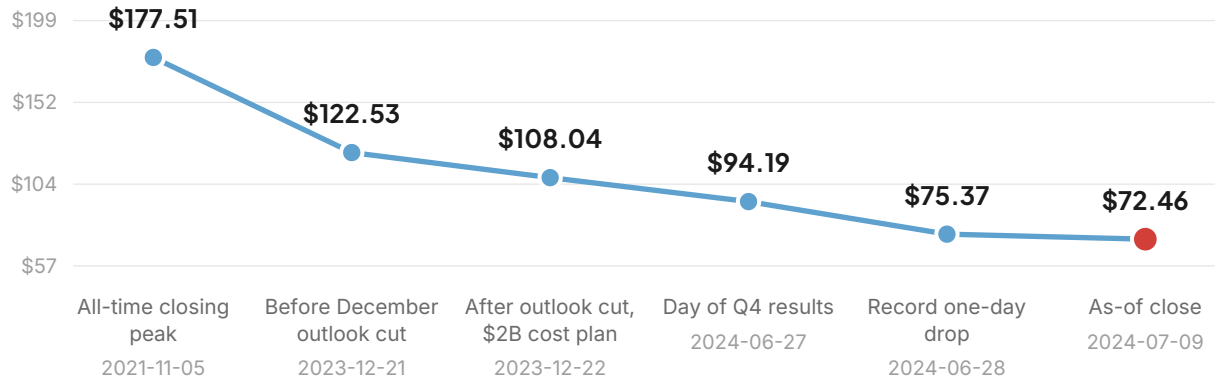
### About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on July 9, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

# Vital signs

## Share price

USD, at the dates shown [3, 13, 5]




Share price

**$72.46**

Close, July 9, 2024 [3]

Change from peak

**-59%**

From the $177.51 close on Nov. 5, 2021 [3]

Worst one-day fall

**-20%**

June 28, 2024: $94.19 to $75.37, about $28 billion of market value lost [3, 4, 5]

Revenue, fiscal 2024

**$51.4 billion**

Year to May 31, 2024; up 1% currency-neutral [1]

NIKE Brand Digital, Q4

**-10%**

Quarter to May 31, 2024; NIKE Direct revenue $5.1 billion, down 8% [1]

Fiscal 2025 outlook

**Revenue down mid-single digits**

First quarter expected down about 10% [2]

# Timeline

| | |
|---|---|
| 2017-10 | Nike says it will focus investment on 40 key retail partners out of a network of 30,000 retailers. [9] |
| 2020-01 | John Donahoe, a former eBay CEO, becomes Nike president and CEO, succeeding Mark Parker. [11, 5] |
| 2020-06 | Nike announces the Consumer Direct Acceleration, which it calls a new digitally empowered phase of its strategy. [10] |
| 2021-11-05 | Shares reach their all-time closing high of $177.51. [3] |
| 2023-06 | Macy's and DSW say they will resume selling Nike products from October 2023, after Nike pulled back from both in 2021. [8] |
| 2023-12-21 | Nike cuts its fiscal 2024 revenue outlook to about 1% growth and announces up to $2 billion in cost savings over three years. [12, 13] |
| 2024-04-12 | Donahoe tells CNBC that Nike over-rotated away from wholesale a little more than it intended. [7] |
| 2024-06-27 | Fourth-quarter revenue falls 2% to $12.6 billion; Nike guides fiscal 2025 revenue down mid-single digits. [1, 2] |
| 2024-06-28 | Shares fall about 20% to $75.37, the biggest one-day drop in Nike history. [3, 4, 5] |

## Symptoms

- Fourth-quarter revenue fell 2% and NIKE Direct revenue fell 8%.
- NIKE Brand Digital fell 10% in the quarter.
- Lifestyle sales declined across men's, women's and Jordan.
- Management guided fiscal 2025 revenue down mid-single digits, with the first quarter down about 10%.
- Shares closed at $72.46 on July 9, about 59% below the 2021 peak.

# Diagnosis

### 1 Over-rotation to direct channels

Nike narrowed its retail focus in 2017 and accelerated direct selling from 2020, pulling back from Macy's, DSW and other accounts. In April, Donahoe said Nike had over-rotated away from wholesale a little more than intended. NIKE Direct revenue fell 8% in the fourth quarter. [9, 10, 8, 7, 1]

### 2 Too much weight on lifestyle classics

Nike bet heavily on Air Jordans, Dunks and Air Force 1s; the Dunk went from 0% of the business in fiscal 2019 to a franchise large enough that cutting its supply now weighs on revenue. Lifestyle declined in the fourth quarter across men's, women's and Jordan, and Nike expects supply cuts to cost several points of fiscal 2025 revenue. [4, 2]

### 3 A thin performance pipeline in running

The CFO said Nike had a gap in innovation in its pipeline, and Fortune reported Donahoe admitting Nike had lost its sharp edge in sports. Meanwhile On grew 2023 net sales 46.6% and Hoka grew 27.9% in its latest fiscal year. [2, 6, 15, 14]

### 4 Lost reach and a higher cost to win buyers

CNBC noted that department stores and specialty shops are customer acquisition engines, and that without them brands have to spend more on marketing, which has become more expensive online. In the fourth quarter Nike missed its plan on softer traffic and higher promotions, and it now plans to reinvest nearly $1 billion in consumer-facing activities. [7, 2]

## Prognosis

As of July 9, 2024, Nike is weakened but not short of resources: fiscal 2024 net income rose 12% to $5.7 billion and inventories fell 11%. The near term is soft by Nike's own forecast, with first-half revenue expected down high single digits. What to watch: whether new running shoes such as the Pegasus 41 win back shelf space, how quickly the classic franchises are reset, whether retailers give Nike more room, and whether bigger brand campaigns around the Paris Olympics lift traffic. Co-founder Phil Knight has said Donahoe has his full support.

## Treatment

- Rebuild wholesale on purpose, giving key retailers the newest running product rather than surplus classics.
- Cut supply of classic franchises such as the Dunk and Air Force 1 quickly enough that scarcity and newness return, as Nike says it is doing.
- Put performance innovation, starting with running, at the centre of launches and fund it from the cost program.
- Move spending back toward brand campaigns that reach new buyers, and judge them on reach and consideration as well as direct-channel sales.

## Lessons for growing companies

### Partners are reach, not just margin

Retail and channel partners find customers you would pay heavily to reach on your own. Count that reach before you cut them.

### Classics need a pipeline behind them

A few bestsellers can carry growth for a while, then slow together. Keep new product coming before the old favourites fade.

### Watch challengers in your core use

Nike’s rivals gained ground in running, the sport Nike built its name on. Track who is winning the customers with the most specific need.

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# About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

| $30M+ | 135+ | 8× | 17 |
|---|---|---|---|
| In marketing spend managed | Campaigns treated | Growth achieved | Years in marketing |

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