Marketing Doctor

Marketing Check-up

Nike

As of July 9, 2024

Condition: Under treatment

The direct bet that gave rivals room

Nike is still one of the strongest brands in the world. But in 2024 it warned that sales would shrink, and its chief executive admitted the company had gone too far in one direction. This check-up looks at three marketing decisions: stepping back from the retailers that introduced Nike to new buyers, leaning on a few classic sneakers, and leaving room on the running shelf for younger rivals.

Key takeaways

- Nike cut or reduced retail partners including Macy's, DSW, Dillard's, Urban Outfitters and Zappos to sell more directly. Its CEO later said Nike "over-rotated away from wholesale."
- Without those retailers, Nike had to buy more of its reach online, where marketing has become more expensive.
- Classic franchises such as the Dunk carried too much of the business, and Nike's CFO conceded "a gap in innovation in our pipeline."
- Running brands On and Hoka grew sales 46.6% and 27.9% in their latest years, helped by the shelf space Nike left behind.

Marketing health check

Area	Finding
Distribution	Rebalancing. Retail partners cut, now being brought back.
Product pipeline	Thin. The CFO admits a gap in innovation.
Hero franchises	Overused. Classics like the Dunk carried too much and then slowed.
Running	Losing ground to On, Hoka and other newer brands.
Brand position	Strong, but at risk in performance sport.

Timeline

When	What happened
Oct 2017	Nike says it will focus on 40 key retail partners out of 30,000.
Jan 2020	John Donahoe, former eBay chief, becomes CEO.
2020	Nike announces its Consumer Direct Acceleration and cuts or reduces accounts such as Macy's and DSW.
2023	On grows net sales 46.6%. Nike restores Macy's and DSW.
Apr 2024	Donahoe says Nike "over-rotated away from wholesale."
Mar 2024	Hoka's fiscal-year sales rise 27.9%.
Jun 27, 2024	Nike forecasts falling revenue and plans to reinvest nearly $1 billion in consumer-facing activities.

What happened: the direct bet went further than planned

In October 2017 Nike said it would focus on 40 key retail partners out of a network of 30,000 retailers. John Donahoe became chief executive in January 2020 and that year announced the Consumer Direct Acceleration, "a new digitally empowered phase" of Nike's strategy. Along the way it cut or reduced accounts including Macy's, DSW, Dillard's, Urban Outfitters and Zappos.

Digital grew from about 10% of Nike's sales to 30%, CNBC reported. But department stores and specialty shops are, in CNBC's words, "massive customer acquisition engines." Without them, brands have to spend more on marketing online, where costs keep rising. In April 2024 Donahoe

said: “We recognize that in our movement toward digital, we had over-rotated away from wholesale a little more than we intended.”

At the same time Nike bet heavily on classics such as Air Jordans, Dunks and Air Force 1s. Its finance chief noted that “in fiscal year ’19, the Dunk represented 0% of NIKE’s business.” When those franchises slowed, there was not enough new product behind them.

The diagnosis: a channel decision that was a brand decision

- **Distribution treated as a margin question.** Selling direct improves margin per pair but gives up the reach that retailers provided for free.
- **Paid reach replaced earned reach.** Reports that credit the last click can make that spend look better than it is, the trap behind branded search inflation.
- **Living on the classics.** A brand that leans on a few hit franchises ages with them.
- **An open shelf.** Stepping back from specialty running stores left space for brands with fresh running shoes.

The treatment: back to the shelves, back to newness

Nike restored Macy’s and DSW in 2023, and on its June 2024 call Donahoe said Nike is “embracing a more balanced approach to growing the whole marketplace.” It is tightening supply of the classic franchises and, its finance chief said, “reinvesting nearly $1 billion in consumer-facing activities in fiscal ’25.” Donahoe now calls road running “a competitive battlefield.”

The result: rivals took the running shelf

In the quarter to May 2024, NIKE Direct revenue fell 8% and digital sales fell 10%, while sales through wholesale partners rose 5%. The channel Nike had pulled away from was the one still growing. Nike told investors it expects revenue to fall in fiscal 2025.

Rivals grew into the space. On’s 2023 net sales rose 46.6%. Hoka’s net sales rose 27.9% in the year to March 2024. A June RBC report cited by Reuters put brands such as Hoka, Asics, New Balance and On at 35% of global market share in 2023, against 20% over 2013 to 2020.

Lessons for your marketing

1. Partners often find customers more cheaply than you can. Before you cut a channel, measure what it does for reach as well as margin.
2. Owning the customer relationship is valuable, but not if you lose the customers you never met.
3. Keep the product pipeline ahead of your bestsellers. A brand that lives on its classics ages with them.
4. Watch the shelf you leave. A competitor will fill it.
5. A regular marketing audit should check channels for reach, not just profit.

The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

Sources

1. KING5 on Nike focusing on 40 retail partners (October 2017). https://king5.com/article/money/in-massive-retail-shift-nike-to-focus-efforts-on-just-40-retail-partners/281-598321644
2. Nike announcement of its Consumer Direct Acceleration (2020). https://www.businesswire.com/news/home/20200722005305/en
3. Modern Retail on Nike bringing wholesale partners back (2023). https://www.modernretail.co/operations/after-years-of-focusing-on-dtc-nike-is-quietly-bringing-more-wholesale-partners-back-into-the-fold/
4. CNBC on Nike's CEO acknowledging it went too far in its direct push (April 2024). https://www.cnbc.com/2024/04/12/nike-ceo-acknowledges-it-went-too-far-in-direct-push.html
5. The Oregonian via The Bend Bulletin on Nike's classics and rivals (June 2024). https://bendbulletin.com/?p=446434
6. Nike fiscal 2024 fourth quarter results. https://www.sec.gov/Archives/edgar/data/320187/000032018724000028/q4fy24exhibit991er.htm
7. Nike fiscal 2024 fourth quarter earnings call transcript (June 2024). https://www.fool.com/earnings/call-transcripts/2024/06/27/nike-nke-q4-2024-earnings-call-transcript/
8. On full-year 2023 results. https://press.on-running.com/on-announces-fourth-quarter-and-full-year-results-and-the-filing-of-its-annual-report-on-form-20-f-for-2023
9. Deckers Brands fiscal 2024 results, including Hoka. https://ir.deckers.com/news-events/press-releases/detail/240/deckers-brands-reports-fourth-quarter-and-full-fiscal-year-2024-financial-results
10. Al Jazeera / Reuters on Nike's forecast and rivals' market share (June 2024). https://www.aljazeera.com/economy/2024/6/28/nike-stock-plunges-on-surprise-forecast-of-drop-in-sales

This check-up uses public information available on July 9, 2024. It is marketing analysis, not investment advice. © 2026 The Marketing Doctor.