

" Sweat stains, dirt stains, blood stains... which level do you play at?"

(Disclaimer This is an opinion. There is no advice here. The writer is a professional at nothing and is simply voicing his opinions.)

Nike has an identity crisis. I don't think they remember who they are. At least who they were.

The largest symptom of the illness was the latest deal with Kim Kardashian, who might represent many key values that Nike represents as well. To reach her level in her industry, she must be excellent in whatever the hell she does and how she does it. You may have misgivings about her strategy and tactics, but her success is undeniable. HOWEVER, to Nike, it should matter.

Nike is not about fashion. It is not about being cool. It is not about looking good or being attractive, it is not about signaling a status. These are some side affects, and they are good ones. But they are side affects.

Nike is about a feeling, a feeling that cannot be necessarily defined in words, but Nike at least the old Nike, is definitely not Kim Kardashian.

But before we talk about Nike, and the mistakes they made and I believe are making, we have to discuss brands, what do they mean, how they are built, and how they are destroyed.

*"To me, marketing is about values. This is a very complicated world; it's a very noisy world. And we're not going to get a chance to get people to remember much about us. No company is. And so we have to be really clear on what we want them to know about us. Now, Apple fortunately is one of the half-a-dozen best brands in the whole world. Right up there with **Nike**, Disney, Coke, Sony, it is one of the greats of the greats. Not just in this country but all around the globe. And – but even a great brand needs investment and caring if it's going to retain its relevance and vitality."*

(Steve Jobs discussing Apple's core values and the launch of the "Think Different" marketing campaign in 1997).

What is a brand?

A brand is a feeling. It's what this symbol, name, or product represents. Think about your favorite band, your favorite restaurant. There isn't one thing that makes it great, there's a whole lot of things. And many times, you can't even put it all in words, but try, try to summarize them into a list of values, it can be lots of things companies put on their business plan, or things they preach, but the consumer doesn't stand there and look at the product before he buys and lists all of these values before he gets whatever it is.

To talk about brands, we need to begin with a conversation about 2 brands that revolve around food. One of them is McDonalds, and the other one is (if she\he is a good cook) your mom or dad.

Your mom's cooking isn't the best, neither is your grandma's, but how many people will swear by this one thing their parent or grandparent makes. "it's the best". The first thing about it, is primal, it's biological, it is engrained in us as human beings through generation of evolution

when people ate something bad and died (We tried as a human race every mushroom in the forest, every fruit and every animal). That's why we tend to be suspicious about new things, or places we don't trust, at least yet. But we know we can trust our mom's food. And also, home is comforting. I know not to everyone, some people grow up in messed up situations, but to most, the house they grew up in, and a family meal, is a place of good enough security. You know what you will get.

McDonald's is exactly this. It's not the best burger, but it's good enough. And no matter where you are in the world, you pretty much know what you're going to get (Burger King for example from my experience is not as consistent. And I personally prefer a Burger King burger, but McDonald's without a shred of doubt in my mind is a much better business, providing a much better overall product. And that product is trust me you will be fed quick, and you will get exactly what you came for, a good enough burger. The burger you know. The burger you trust). McDonald's builds their relationship with kids, just like you built your relationship with your dad's cooking as a kid. McDonald's is a happy place that gives you a happy meal. A souvenir, a play area.

Parents know it's a safe bet. And kids when they grow up, even when they end up traveling alone in some foreign land, when they can't trust any of the food around them, they can trust McDonalds.

When a family is traveling or is on the road, they know they can stop at McDonalds. That's why real estate is important to McDonalds, because the location is about finding those who are out of town who see those arches from far away and know, that's a place we can definitely eat. They didn't need google maps and reviews. You see the arches, you know what you get. To all those who love to tell me confidently that McDonald's makes their money from real estate because that's what they read Robert Kiyosaki's Rich Dad Poor Dad, and watched the founder, but completely missed out on what Ray Kroc was doing with the business. On why they didn't need the real estate to make a buck, as much as they did after they bought out the original brothers, Ray Kroc understood the most important thing. Good enough, fast enough, consistency. They understood that every franchisee relies on all other franchisees, and headquarters is all about facilitating that. Now why is this important? Because this is the feeling that makes people go to McDonalds. It is the subconscious that drives the logic.

Now McDonald's does not mean any of this to me. I am not their customer. But my partner is. She loves McDonald's. So as someone who began going with her to McDonald's and began noticing all these great things about their business, it drove me to respect all these thing about them and list a logical laundry list of all the reasons why McDonalds many times is the logical choice. But she doesn't do any of that. She just has a bad day and needs a comforting feed, or sees them when we are on the road or traveling. She finds her way to make it healthy by eating less bread, she orders a burger with no cheese, she finds a way to keep the relationship with McDonald's despite diet changes she has made over the years. It's a special relationship. That's why they focused so heavily on families when they got started, they want to get the kids hooked on the feelings of happiness and security when they are young, so that when you're a parent, you repeat the same thing with your kids.

So what does a burger have to do with Nike?

Warren Buffett discussed the concept of brand many times. Either with Gillette razors or a Snickers candy bar or why they couldn't scale See's Candies. If you asked me about the

difference between Nestle and Unilever, I'd tell Unilever happened to select the better brands. A consumer buys your product and doesn't consider another, because you built with them trust. The price difference has to be significant for you to try something else. Or in another case, as the genius Rory Sutherland often states about humans associating more expensive with better, if I offered you a better product at a cheaper price you'll get suspicious. Well let me add just one thing to Rory's argument, it's ok if you trust the brand, you'll go with the cheaper because you know them. In fact cheaper will become another reason to buy specifically them.

The Brand Bank

"He [Jobs] believed that a company's brand works like a bank account. When the company does good things, such as launch a hit product or a great campaign, it makes deposits in the brand bank. When a company experiences setbacks... it's making a withdrawal "(Ken Segall's book, *Insanely Simple: The Obsession That Drives Apple's Success*).

You lose the brands value, when you had too many of the incidents. When you dilute the brand, or you break trust.

So, what will turn off a consumer?

"Apple was the only technology company that I knew of—including the one I was working at and had worked at—where if a customer got angry with the company, they would yell and yell loudly but they would continue to buy. At Compaq, if people got angry at Compaq they would just buy from Dell. At Dell if they got angry at Dell they would just buy at that time from IBM. And so people were moving freely to and fro, but an Apple customer was a unique breed. And there was this emotion that is so... you just don't see it in technology in general. You could see it and feel it in Apple customers" (Tim Cook at D10 interview).

In a nutshell, breaching that trust.

Now we will talk about what is the core of Nike, which to me, is about 2 things. The first and foremost it is about celebrating heroes. It's a very certain kind of hero, an athlete. NOT an Instagram model, Reality star, not a chef, a pop star, not a Hollywood movie star, not a tech entrepreneur or a hedge fund billionaire manager. Sports had something very unique about it. Kids these days pretend to be LeBron James, Saquan Barkley, Aaron Judge, Messi, Cristiano Ronaldo or Steph Curry in the backyard. Just like you pretended to be Kobe, Iverson, Arod, Jeter, Big Papi, MJ, Brett Favre. Sports and music specifically tend to get extremely emotional to people, but the difference between sports and anything else, is that you can play your favorite sport too. If you didn't learn how to play a guitar, you can listen and watch as many musicians as you please, you probably can't pick up an instrument and play the same song you just listened to. But you can watch a game of basketball one time, go to the court with a ball, understand you need to dribble and shoot the ball into the rim. What makes basketball and Soccer so international, is their simplicity. Also, anyone can understand how incredible of an athlete Saquon Barkley is when they see a reel of him jumping over a player.

Sports is relatable, it's easy to understand, and people get emotionally attached to the players, to the teams, and most importantly they engage in the same activities when they are not watching.

https://www.youtube.com/watch?v=A_ooJE9Veo0

Nike produced a brilliant ad in south Africa, called my body is my weapon. In this ad they admitted that the true weapon of the athlete is his body. You can wear whatever you want, but if you face prime LeBron you are not winning a one on one game. You will not run faster than Usain Bolt. But when you lace up in the same shoes you saw Steph Curry play, especially as a kid, it would give you a feeling like you are like your hero. As an adult, you trust the best athlete in the world to choose the best product to wear, because guess what, besides his body and mind, the only other thing in that fight is the shirt on their back, or the shoe they are wearing. That is what that Nike ad, of my body is my weapon is all about. Sure your body and brain are 99.9999% of the work, but when you are competing in the top stages in the world, even a little bit can make all the difference at the photo finish and that is what Nike is about.

Nike has on their campus's temples for athletes. A lab named after LeBron. But those shrines are made for their employees and not their consumers. This is what is missed in the process.

<https://www.youtube.com/watch?v=PqQmu2RXJ-k>

Nike has diluted their athlete base instead of going after the great athletes. Usain Bolt, Leo Messi and especially Steph Curry.

“The \$10 Billion Man: How Nike Lost Lionel Messi to Adidas for a ‘Few Hundred Bucks Worth of Tracksuits” (<https://www.inc.com/jeff-haden/the-10-billion-man-how-nike-lost-lionel-messi-to-adidas-for-a-few-hundreds-bucks-of-tracksuits.html>). Heads should have rolled over for this.

“Even worse, a repurposed PowerPoint slide displayed Kevin Durant's name.”

<https://www.si.com/fannation/sneakers/news/the-true-story-behind-nikes-failed-meeting-with-stephen-curry>

Nike could have still turned this story to their advantage. They could have turned the LeBron vs. Curry into Nike vs. Under Armor., Ronaldo and Messi into Nike vs. Adidas. They could have actually partnered with their enemies over this narrative that would have been beneficial to both companies.

Now why am I saying this? Because every team has a superstar, but you get players like this once a decade. And you're better off not signing any of the other of the NBA's all stars, but make sure you get the 1, 2 guys that represent that generation. Then the rest is telling their story (like Ronaldo vs. Messi, Nadal vs. Federer) which building the campaigns around that. These days it can be Jonas Vingegaard and Tadej Pogacar. Nike needs to tell the story of the very very best, through their inner struggles, and through their competition, even if sometimes it means to team up with your enemies because you screwed up over some tracksuits.

Nike is about the greatest heroes in sports, it can be the greatest winners, or the underdog that everyone wants to see finally win, communicating their story.

Now with all due respect, what the hell were they thinking when they signed Mitchell Robinson (<https://www.forbes.com/sites/tommybeer/2019/03/08/mitchell-robinsons-star-is-on-the-rise->

[both-on-and-off-the-court/#355300422ce0](#)) This is a less is more game when it comes to sponsorships. You want the Super Star on the team that is likely to get the spotlight all the time (like Lebron) or a relatable athlete (which is hard to see with Victor Wembanyama since he is such a freak of nature). You want a player who is intense, who has an attitude like a John McEnroe or Anthony Edwards. But you need, 2,3 for in a sport to drive the brand. You don't need 10 or 15, you need the 2,3 guys that almost all the kids wish they were them. Now why am I talking about kids? Because being an athlete is a way of life, that for many people starts at a young age. The older people who begin to train and pick up a sport, will probably get a recommendation, from a friend they train with, who is more experienced, who already has a relationship with a brand that he trusts.

The advantage that sporting goods have that no one else does

Sports is the only environment in which people are used to being dressed the same (uniforms). In which you want to be part of the group. Where it doesn't bother you how many people are wearing Nike shoes, however, you want it to be a different shoe than yours. And here lies a true durable competitive advantage once you have market share and are recognized as a brand. This is where more is more. Nike has priced out many of their consumers. The discount prices should be the regular prices. Nike should have levels of cost, of low cost, and maybe lower quality and older designs, and the more expensive ones, that have new technology, for those who are willing or can spend the extra bucks. If they took some of the approach of fast fashion, lower cost, and less of every model and color but more overall volume, you still give people that feeling of the individual within the team. Most people I know, when they are wearing some high end brand get irritated when someone else wears it too, as far as I noticed, no one has ever cared that someone else is wearing Nike.

In fact, when I was younger, if you wore anything else, you were weird. I want to repeat this again, because Nike pricing out their consumers over the last 5 years shows this part of the identity crisis. Nike is not an upper middle class or luxury brand, it is an all class brand. Nike is one of the few brands, that you don't care that other people wear. Part of a clothing brand is about identity, but also about being unique. But you don't care that at the court everyone wears Nike. In fact, if someone wears Adidas it could bother you, or puma... This is because that sports has the unique concept of team, and people wearing the same brands, or even clothing on a team. The similarity doesn't bother you. What this means to Nike, is that Nike cannot dilute the brand if everyone is wearing it. Where LVMH or HERMES, and Lulu lemon (Lulu lemon has a chunk of the market that serves clients who's day to day life revolves around status) should limit how much they sell, to Nike it doesn't matter. Nike is not about status. Nike is about heroes, and heroes belong to everyone. It bothers you when someone rejects your hero. Choosing another sporting brand is choosing another hero over yours. It's like choosing the red sox instead of the Yankees, It's like Duke over UNC, it's like Real Madrid and Barcelona. Cristiano Ronaldo vs. Messi, is Nike vs. Adidas. You have to choose a side.

The Lebron vs. MJ, vs. Kobe, is all about Nike. And Nike should be telling this narrative, They should keep their own superstars who have retired in ads, rebooting their old shoes (like running a campaign with Allen Iverson) they should help parents tell the narrative of their heroes (think of a grandparent or parent tell you about the greatest athlete of their day).

So here is what Nike should do. They need to sign less of today's athletes, and spend more on the right athletes. They need to tell the narrative, the story. They need to keep those athletes in the spotlight after they retire. Nike has to keep communicating with the audience. Nike has to reduce prices in general on what they can, and become especially affordable for kids (who grow out of their shoes and clothing fast and to ruin them quickly anyway). They need to increase volume for what they can and reduce the amount per product. They should connect with the core of the sport (take lessons from the AND1 trash talk shirts "your game is like a remote, east to control", "Grab a straw... cause you suck". Or the No Fear shirts "Bottom of the 9th, Bases Loaded, 2 Outs, No Fear", "Last Chance, Full Throttle, No Fear").

These are acquisitions they should be making. M&A baby, M&A.

So what is Nike doing now? They are trying to please the stores instead of better communicating with their consumers through the super stars. They are going to cut discounting instead of lowering prices permanently on many items. They are signing a deal with Kim Kardashian instead of maybe buying and rebooting an old brand that actually understood their consumers.

One more thing on product placement, you will try a different shoe if you can't afford what you want. So they can stick their shoes in every store in the world, if they are too expensive, or someone else tells a better story it won't help Nike at all.

What they are doing is Nice, but in the world of sports, Nice does not WIN.

I could be wrong, but I do not think NIKE is playing the right strategy, I am not buying the stock, no matter how low it drops. If I am Nike's competitor, I'd say thank you and focus on slowly undermining them on all of the above. Take the risk on the young player who is relatable, has an attitude or is inspiring. Pay them more upfront for a shorter time period so you allow them to develop, and build a good healthy relationship so when they are older and if they are one or 2 of players pan out, you give them a long deal that stretches beyond their career. If you didn't sign that person, try to poach them the moment their contract is up, and offer them more than your competitors can. Give them a deal they cannot refuse. You need the 1 guy people will still be talking about years later, Tom Brady, Derek Jeter, Kobe. I'd try to connect with the essence of the sport and find a way to communicate with the crowd like AND1 and NO FEAR did in their days.

That is when cool comes into the picture, because the very best athletes become cool, everyone wants a taste in excellence. When you have Simone Biles everyone is a gymnastics fan.

Nike is not about fashion, and the response I had when I saw the Jordan Monogram bag is what the hell are they thinking?

Nike is in a decline already for a decade, they've been screwing the brand bank for a while, it's just now showing. The investing decision for me about Nike was easy. I don't think they are getting it right, and if they will manage to improve shareholder returns, I can't see how. I know one thing, as a consumer, they are losing me as a consumer who used to completely identify with NIKE (the only brand I bought since I was 10 when it came to sports), I know I am not alone (I am one of the only people I know who still will not try an HOKA, ON, or Adidas). I believe that Nike is LOSING its magic.

