

Nike: Balancing Direct and Wholesale

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Decision date and information cutoff: March 1, 2024

Decision scope: How to sequence product assortment and marketplace support across NIKE Direct and wholesale partners

Case convention: This is a hypothetical strategy exercise. Nike disclosures are historical; no private deliberations are represented.

The decision

On March 1, 2024, Nike's marketplace leadership is reviewing how to support consumers through NIKE Direct and wholesale partners. Fiscal 2023 results showed growth in both channels. In the second quarter of fiscal 2024, NIKE Direct grew while external wholesale revenue declined. Inventory was lower than a year earlier, and management said a cost-savings initiative would be mostly reinvested for growth, innovation and long-term profitability.

How should Nike sequence assortment, product availability and marketplace support? It could sustain a Direct-led approach; strengthen wholesale availability and partner execution; or differentiate channel roles by product, consumer and market while measuring results. This is a hypothetical planning choice, not a disclosed management mandate, channel dispute or fixed-budget allocation. The public record does not show which channel has higher incremental returns.

Nike's channels and marketplace

Nike defines NIKE Direct as its owned retail stores and digital platforms. It also sells through retail accounts and independent distributors, licensees and sales representatives. NIKE Brand Digital is a digital sales measure, not the same thing as NIKE Direct, which includes owned stores as well as digital platforms. [P1]

For fiscal 2023, Nike reported NIKE Brand revenue of \$48.763 billion. Sales to external wholesale customers were \$27.397 billion, up 7% reported and 14% currency-neutral; sales through NIKE Direct were \$21.308 billion, up 14% reported and 20% currency-neutral. Currency-neutral growth excludes exchange-rate translation effects. Nike separately reports "wholesale equivalent revenue," which includes internal wholesale-operation sales to NIKE Direct; it is not the external wholesale sales figure. [P1]

A different quarter

In the quarter ended November 30, 2023, Nike reported total revenue of \$13.4 billion, up 1% reported and down 1% currency-neutral. NIKE Direct revenue was \$5.7 billion, up 6% reported and 4% currency-neutral. NIKE Brand Digital grew 4% reported and 1% currency-neutral. External wholesale revenue was \$7.1 billion, down 2% reported and 3% currency-neutral. These headline channel figures are rounded and do not exactly reconcile to consolidated revenue. [P2]

Gross margin increased 170 basis points to 44.6%. Management primarily attributed the improvement to strategic pricing and lower ocean freight, partly offset by currency and higher product input costs. Inventory was \$8.0 billion, down 14% year over year, reflecting fewer units. These company-wide results do not isolate channel-level contribution or consumer sell-through. [P2]

Nike said it was identifying opportunities to deliver up to \$2 billion in cumulative savings over three years. Management said a majority would be reinvested in growth, innovation and long-term profitability. The initiative included assortment simplification, automation and technology, organizational streamlining and scale efficiencies. This opportunity estimate and reinvestment intention do not establish realized savings, a channel-specific budget or a fixed pool for the case decision. [P2]

Partners, inventory and timing

Nike warns that retail customers may change or cancel advance orders, that retailer financial health can affect Nike's results, and that partners' merchandising and financial investments influence sales. It also says forecasting errors can create excess inventory and discounted sales or shortages that delay shipments and harm retailer, distributor and consumer relationships. These disclosures identify risks; they do not establish that partner actions or inventory caused the second-quarter wholesale decline. [P1]

The company recognizes wholesale revenue generally upon shipment or receipt according to sale terms, retail-store revenue at the point of sale, and most digital commerce revenue when shipped. Nike's reported wholesale revenue is therefore not the same measure as consumer sell-through at a partner. [P1]

Evidence and open questions

Evidence at the cutoff	What it shows	What remains unknown
FY2023 NIKE Direct and wholesale sales both grew on reported and currency-neutral bases. [P1]	Nike operated growing owned and partner channels.	Relative contribution profit, product overlap, partner sell-through and customer acquisition/retention economics.
Q2 FY2024 Direct grew while wholesale declined. [P2]	Different channel results in one quarter.	Whether mix, order timing, currency, geography, consumer demand or channel strategy explains the difference.
Inventory declined 14% year over year; gross margin increased 170 basis points. [P2]	A company-wide inventory and margin context.	Product/channel allocation, markdown levels, partner inventory and channel-specific margins.
Nike was identifying opportunities to deliver up to \$2bn in cumulative savings over three years; management said a majority would be reinvested. [P2]	Management's forward-looking opportunity estimate and stated reinvestment intent.	Whether savings are realized, where reinvestment goes, and any channel-specific amount or return.
Wholesale orders can be changed or canceled; channel revenue recognition differs. [P1]	Partner and timing risks, and a sell-in/sell-through distinction.	Reorder breadth, partner inventories, local consumer demand and the economics of availability.

Useful internal evidence could include sell-through by product and partner, full-price share and markdowns, product availability, partner reorders, digital and store trends, returns, and contribution after fulfillment and store costs. These are proposed evidence requirements, not disclosed Nike data.

The choice

Which channel posture should Nike take as it sequences product assortment and marketplace support? Identify where NIKE Direct and wholesale might complement or substitute for one another, what data would distinguish the mechanisms, and what evidence would trigger more, less or different support. Address the strongest counterargument to your proposal. Do not infer channel profitability from reported revenue growth or assume a fixed budget.

Sources and conventions

All information is limited to public material available by March 1, 2024. Nike's FY2023 Form 10-K and December 2023 results release are used; later results are excluded. Reported revenue is distinct from currency-neutral growth and wholesale-equivalent revenue. Wholesale revenue is not consumer sell-through. No ROI or channel-return ranking is implied.

- **P1:** Nike FY2023 Form 10-K, filed July 20, 2023; Item 1 printed p. 1; Item 1A printed pp. 10-12, 15-16; Item 7 printed pp. 29-34; Note 1 p. 64.
- **P2:** Nike FY2024 Q2 results release, Dec. 21, 2023; opening bullets and "Second Quarter Income Statement Review" / "November 30, 2023 Balance Sheet Review," HTML lines 38-66.
- **A1:** Chiang, Chhajed and Hess (2003), "Direct Marketing, Indirect Profits: A Strategic Analysis of Dual-Channel Supply-Chain Design," *Management Science* 49(1), 1-20; author-posted version read at manuscript pp. 3-16.