A GENIE CAPITAL STRATEGIC FORESIGHT REPORT

NIKE, INC.

Lost to Amnesia

A Structural Analysis and Trajectory of How a Cultural Moat Was Traded for a Transaction

-78%	22.9%	$46.4B
stock decline from its November 2021 peak	global sports-footwear market share, a third straight annual decline	FY2026 revenue — flat, after two years of decline

Prepared for the Nike Board of Directors · Shareholders · Management · The Public
Prepared by Genie Capital Ltd · Framework: Strategic Foresight Protocol
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About Genie Capital Ltd

Independent IP Origination & Stewardship

Genie Capital Ltd is an IP origination and stewardship company based in Buea, Cameroon. In addition to its core mission of IP origination and stewardship, the firm applies its own analytical frameworks to diagnose structural fragilities and market trajectories in public companies, and makes the findings freely available. Genie Capital is not an investment fund, an advisory firm, or a lobbyist.

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A Note on Method

This edition was prepared against publicly available information current to September 2026: Nike, Inc.'s fiscal 2026 Form 10-K and quarterly earnings releases (fiscal year ended 31 May 2026), investor calls throughout FY2026, S&P Dow Jones Indices' September 2026 index-rebalance announcement, and published financial results from Deckers Brands (HOKA), On Holding AG, and New Balance used for competitive comparison. Every figure has been checked against at least one primary or reputable secondary source at the time of writing; where sources diverged on a figure, the more recent, better-sourced one has been used. Readers should still verify figures against the companies' own filings before relying on them for a financial decision. Source categories are listed in the References section.

Executive Summary

On 21 September 2026, Nike will leave the S&P 100 index after nearly eighteen years among America's largest and most established companies — a routine, rules-based rebalancing that nonetheless confirms what the share price has been saying for five years. Nike's market capitalisation has fallen from roughly $264 billion at its November 2021 peak to around $57 billion today: a decline of about 78%, over a period in which the broader market roughly doubled.

This report's core argument is not that Nike suffered a product crisis, a marketing failure, or even simple bad luck with competitors. It is that Nike suffered a structural amnesia. For decades, the company built an unassailable market position not merely through elite athlete endorsements or advertising budgets, but by cultivating deep, high-touch relational trust at the grassroots level — in the independent run shops and sporting goods stores where a knowledgeable clerk absorbed a customer's anxiety and turned it into loyalty. In pursuing margin expansion through the Consumer Direct Offense, launched in 2017 and accelerated in 2020, Nike misread the architecture of its own brand equity. It prioritised transactional online volume over relational offline density, and in doing so, alienated the wholesale partners who had built its cultural moat in the first place.

The consequences were not abstract. Nike Direct revenue compounded at roughly three times the rate of wholesale revenue between fiscal 2020 and fiscal 2024. Then, as the strategy unwound, Nike Direct revenue fell 13% in fiscal 2025 alone, Greater China sales collapsed, and Nike's global sports-footwear market share fell for a third consecutive year to 22.9%. Hoka and On Running, both largely built on shelf space and cultural territory Nike vacated, kept compounding at double-digit rates through the same period.

> *Nike's moat was never made of server capacity, algorithmic targeting, or direct-to-consumer gross margins. It was made of community, high-touch trust, and the relentless pursuit of human potential. The company optimised the soul of itself for the economics of an e-commerce utility, and lost its way.*

There is, however, a genuine complication to this story that a purely backward-looking diagnosis would miss: Nike has already begun to relearn the lesson. Elliott Hill, a 32-year Nike veteran, returned as CEO in October 2024 and launched "Win Now," a turnaround explicitly built around rebuilding wholesale relationships, clearing bloated inventory, and — in Hill's own words — "rightsizing" the classics business Nike had over-indexed on. The early results are real: wholesale revenue returned to growth in fiscal 2026, North America wholesale rose 11% in the third quarter, and Nike Running grew more than 20% for three consecutive quarters. They are also incomplete: Nike Direct kept falling through fiscal 2026, China remains the weakest major market, and roughly $0.52 of the $0.72 reported earnings per share in the final quarter of fiscal 2026 came from a one-off tariff refund, not from the underlying business.

This report treats Nike's own turnaround as a live, partial validation of its central thesis, and asks the harder question that follows: is Win Now a genuine reinvention of the grassroots trust model, or a cost-driven correction that stops well short of the cultural reinvention the brand actually needs for

the generation now coming of age. The evidence, examined in Part V, suggests both are true at once — and that which one ultimately wins will determine whether Nike's next chapter looks more like reignition or a slower version of the same fade.

Divesting the transactional illusion answers only half the question, however. Part VII, "Winning in Digital," sets out what Nike must build in its place: not a better storefront, but an identity, performance, and ownership layer — a wallet — sequenced deliberately as identity, then trust, then memory, and only then commerce, and governed so that quarterly pressure can never again reverse the order.

Part I — The Anatomy of Nike's Historic Moat

To understand Nike's current crisis, it helps to understand how its market position was actually built. Nike's historical dominance was rooted in a masterful alignment of brand narrative and grassroots distribution — two things that are easy to describe separately and were, in practice, inseparable.

1. Sculpting the Core Narrative

Nike did not just sell footwear; it named a deep cultural aspiration. The "Just Do It" ethos addressed a profound human desire to overcome limitation and achieve greatness. It moved beyond surface-level product features — the key — and spoke directly to the consumer's identity and ambitions — the lock. This is a subtle but important distinction: a running shoe's cushioning technology is a key that opens a very small door. An invitation to see yourself as someone who overcomes limits is a lock that, once turned, stays turned for decades.

2. The Grassroots Trust Network

While television advertising created broad awareness, the actual conversion of belief into loyalty happened in local, independent running shops and sporting goods stores. These high-touch retail environments acted as trust crucibles. A knowledgeable clerk would evaluate a runner's gait, listen to their concerns about injury, and recommend the right shoe. This face-to-face interaction absorbed the customer's anxiety and built profound, localised trust. Nike's wholesale partners were not just distribution endpoints; they were the physical embodiment of the brand's promise, repeated in thousands of neighbourhoods, one conversation at a time.

3. The Pulse of Innovation

Nike maintained cultural relevance through a relentless cadence of genuine product innovation, from the Air Max to Flyknit. This steady rhythm of breakthroughs kept the brand at the centre of both elite performance and everyday culture — proof, delivered every year or two, that the company was still defining the future of movement rather than simply selling its past.

Part II — The Strategic Misstep: The Consumer Direct Offense

In 2017, Nike launched the Consumer Direct Offense (CDO), a strategic pivot designed to accelerate growth by reducing reliance on thousands of wholesale partners and pushing consumers directly toward Nike.com and the SNKRS app. In June 2020, under then-CEO John Donahoe, the strategy was accelerated further as the "Consumer Direct Acceleration" (CDA), with Nike pulling out of additional wholesale channels even as the pandemic briefly made direct digital sales look like the obvious future.

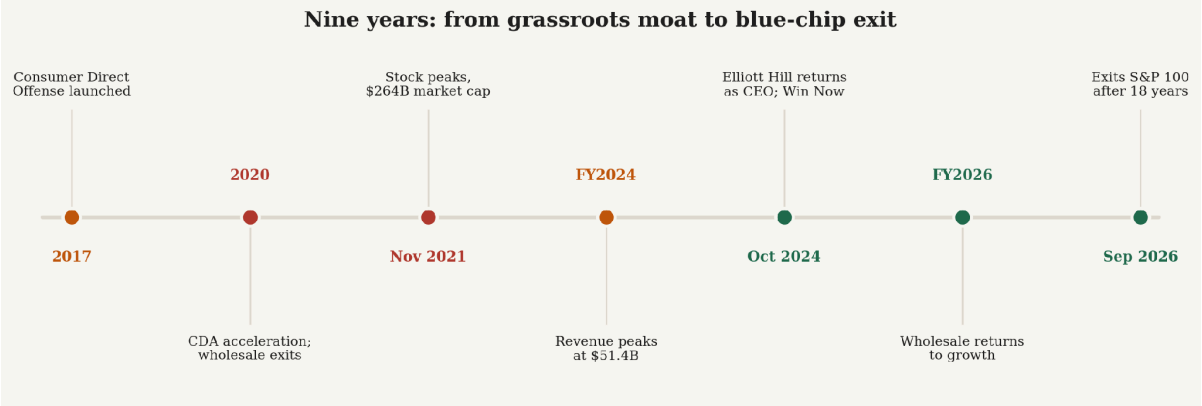


Figure 1 — Nine years from the launch of the Consumer Direct Offense to Nike's exit from the S&P 100.

This pivot was based on a fatal category error: confusing gross financial margin with brand-building margin.

1. The Illusion of DTC Margins

Corporate finance looked at the direct-to-consumer model and saw higher gross margins compared to wholesale. This ignored the hidden costs of online retail: customer acquisition costs, high return rates, and the logistical friction of e-commerce, all of which show up elsewhere on the income statement. More importantly, online transactions generate zero brand carriers. A customer buying shoes on an app does not introduce the brand to their friends with the same passion as a customer who was personally helped in a local shop.

2. Running Two Antagonistic Businesses as One

Nike attempted to merge two fundamentally incompatible business models into a single corporate strategy.

Offline / Wholesale	Online / DTC
— Relational, high-touch, community-driven	— Transactional, algorithmic, volume-driven
— Focused on long-term brand loyalty	— Focused on short-term conversion

Offline / Wholesale	Online / DTC
— Increases the customer's confidence and dignity	— SNKRS lottery systems and artificial scarcity often frustrate the consumer and decrease their sense of dignity

Table 1 — Two incompatible operating logics, forced into a single P&L.

By forcing these two models into one P&L, Nike optimised for the transactional efficiency of the online model while actively destroying the relational trust of the offline model.

3. The Alienation of the Wholesale Network

By treating local run shops as second-class, lower-margin distribution pipes, Nike committed a profound breach of trust. When supply-chain constraints hit, Nike prioritised its own DTC channels, leaving wholesale partners — including Foot Locker and Dick's Sporting Goods — with empty shelves. Feeling disrespected and margin-squeezed, these partners opened their doors to emerging brands like Hoka and On Running. Nike effectively dismantled its own grassroots distribution network, and its competitors walked through the door it left open.

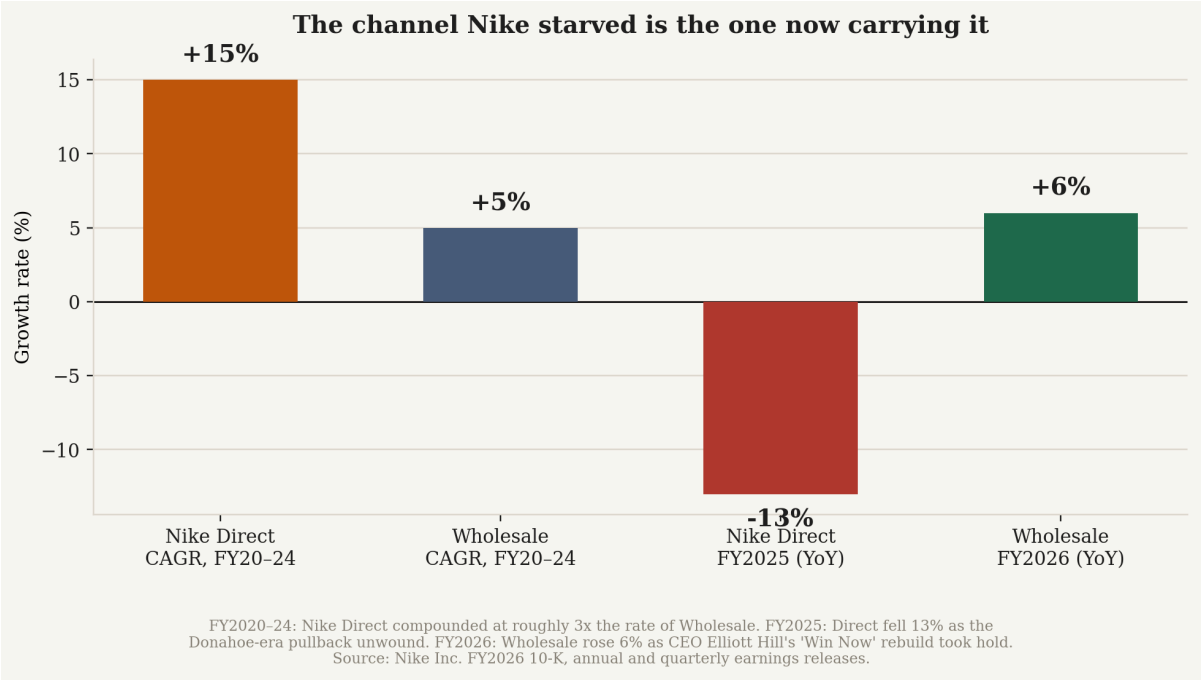


Figure 2 — The imbalance Nike engineered between 2020 and 2024, and the reversal now underway.

Part III — Why Conventional Tools Miss This

The Core Blindness: Size, Not Direction

Almost every tool used to analyse a company like Nike measures how much: revenue, gross margin, same-store sales, digital penetration, market share. None of them measure which way the underlying relationship between the brand and its customer is heading.

A company can report rising gross margin while the trust that makes its margin durable is quietly eroding. Nike Direct's higher reported margin, expanding steadily from 2017 to 2024, looked like unambiguous good news on every spreadsheet built to read it. What the spreadsheet could not show was that the margin was being extracted from a channel — wholesale — whose real function was never primarily to generate the highest gross margin per unit. Its function was to generate trust per neighbourhood. Conventional tools cannot distinguish a dollar of margin that comes from deepening a relationship from a dollar of margin that comes from disintermediating one.

Six Specific Blind Spots

1. A single figure hides what is inside it.

Gross margin compresses customer acquisition cost, return rates, brand-carrier effects, and long-run loyalty into one line. Two companies with identical gross margin can be in completely different health. Nike Direct's margin was real. Whether it was being earned through deepened loyalty or borrowed against future wholesale trust was invisible in the figure itself — and by the time it showed up in reported numbers, in the form of Nike Direct's 13% revenue decline in fiscal 2025, the borrowing had already come due.

2. Order matters, and standard models assume it doesn't.

Conventional retail analysis treats channel mix as a dial that can be turned in either direction at will. In practice, trust built over decades in thousands of independent shops does not reassemble on the same timeline it took to dismantle. Nike pulled back from wholesale over roughly four years, 2020 to 2024; rebuilding the relationships, inventory confidence, and shelf space lost in that period is now taking longer than the pullback itself, precisely because Hoka, On, and New Balance filled the vacated space rather than leaving it empty.

3. Brands and retail relationships do not simply bounce back.

Standard financial models assume that after a shock, a business reverts to trend once the shock passes. Institutional trust does not work that way. A run-shop owner who was left with empty shelves during a supply squeeze, and who filled that gap with Hoka product that then sold well, does not automatically revert to favouring Nike once Nike asks nicely. The shop owner now has a second, proven, profitable relationship — and Nike has to out-compete it, not simply out-wait it.

4. There is no line item for a forgotten narrative.

A balance sheet records inventory, receivables, and goodwill from acquisitions. It does not record a generational transmission gap — the fact that a consumer who turns eighteen in 2026 did not live through the cultural zenith of 1990s basketball or 2000s running culture that gives Air Jordan or Air Force 1 their meaning to older buyers. That gap is a real liability. It shows up later as declining full-price sell-through on classic franchises, exactly the pattern that led Elliott Hill to describe Nike's classics business as one the company had "over-indexed" on.

5. Channel strategy is discussed as operations, not as economics.

In standard equity research, DTC-versus-wholesale mix is typically treated as a margin and logistics question, separate from brand-equity discussion. That understates it. Wholesale distribution was Nike's primary mechanism for manufacturing trust at scale; treating its contraction as a pure operating decision, the way Nike's 2017–2024 strategy documents largely did, is the same category error the rest of this report describes — just restated as an analytical one.

6. The measurement instruments are not neutral.

When S&P Dow Jones Indices removes a company from the S&P 100, that is not a passive observation of decline — it changes the composition of index funds holding the stock, and it becomes, itself, a headline that shapes how the next quarter of coverage is written. Nike's scheduled 21 September 2026 exit from the index, after almost eighteen years inside it, both reports the decline in market value and now contributes to it, as index-tracking capital mechanically rotates away. The instrument used to measure the company also changes the company's cost of capital.

What the Conventional Tools See, and What They Miss

The tools see	The tools miss
Nike Direct gross margin expansion, 2017–2024	*That the margin was borrowed against the wholesale relationships that built the brand's grassroots reach*
Nike Direct revenue CAGR of roughly 15%, FY2020–24, vs. 5% for wholesale	*That the imbalance was training shoppers to wait for markdowns and training retailers to stock competitors instead*
FY2026 group revenue flat at $46.4 billion	*That the composition flipped underneath the total — wholesale up 6%, Direct still falling — and that roughly a third of Q4 reported EPS came from a one-off tariff refund*
A 25-year run of double-digit or flat headline growth through 2024	*The steadily narrowing gap between Nike's aging core buyer and the next generation's cultural reference points*
Nike's continued position as the largest sportswear company by revenue	*A third consecutive annual decline in global sports-footwear market share, to 22.9%, even as absolute revenue looked merely flat*
Nike's removal from the S&P 100, reported as an index technicality	*That the rules-based mechanism confirms, and then compounds, a five-year, $207 billion erosion in market value*

Table 2 — What conventional retail and equity analysis captures about Nike, and what it structurally cannot.

The Deeper Reason

The standard toolkit was built for a world where channel mix is a logistics choice and brand equity is a marketing afterthought to be discussed in a separate slide deck from the financial model. Nike operates, and always operated, in a world where the channel was the brand-building mechanism itself. The toolkit is not wrong about what it measures. It is simply looking at the wrong dimension — size and margin, rather than the direction of trust.

Part IV — The Current Threat Landscape

Nike is trapped, through fiscal 2025 and much of fiscal 2026, in what might be called a post-success complacency cycle. The brand is still massive — still the largest sportswear company on earth by revenue — but its cultural urgency faded exactly as three vulnerabilities compounded.

1. The Verdict of the Market

The clearest single signal of the scale of the problem is Nike's own share price. From a peak of $179.10 on 5 November 2021 and a market capitalisation of roughly $264 billion, Nike shares fell to around $38–40 by mid-2026 — a decline of approximately 78%, against a broader market that rose over the same period. On 21 September 2026, Nike will exit the S&P 100 index after nearly eighteen years, replaced by four technology companies, in a scheduled quarterly rebalance that both reports and reinforces the decline.

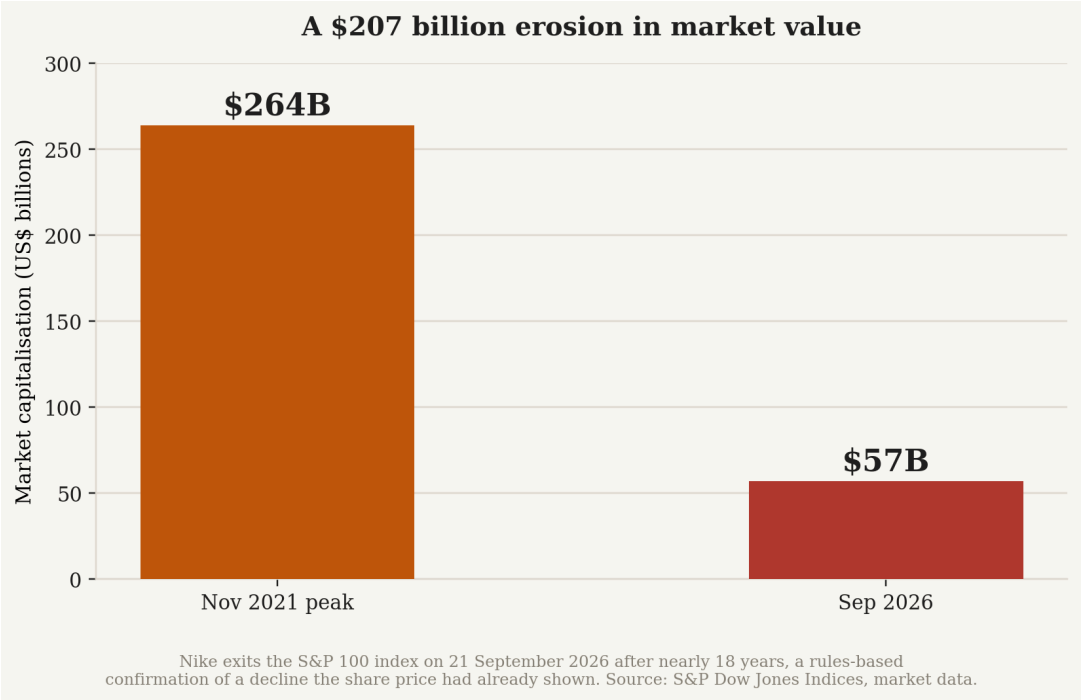


Figure 3 — Nike's market capitalisation, November 2021 versus September 2026.

The arithmetic behind the decline is unusually clean for a story this large. Underlying earnings per share fell roughly 56%, from about $3.56 to about $1.58, while the price-to-earnings multiple investors were willing to pay compressed from roughly 50x to roughly 24x. Both the earnings and the market's confidence in those earnings fell together — a genuine double compression, not merely a re-rating of an unchanged business.

2. Forced Obsolescence by Niche Challengers

Hoka and On Running did not beat Nike by copying its "elite heroism" narrative. They succeeded by identifying a different, more urgent emotional need in the market: the desire for joyful, comfortable,

community-driven running. While Nike was busy optimising supply chains and digital funnels, Hoka and On captured the local run shops Nike had vacated, offering a sanctuary for the everyday runner. Nike's generalist "we are for every athlete" message increasingly felt diluted compared to the specialised, tribal community offered by its challengers — and New Balance, riding a wave of "dad shoe" lifestyle demand, added a third front entirely outside performance running.

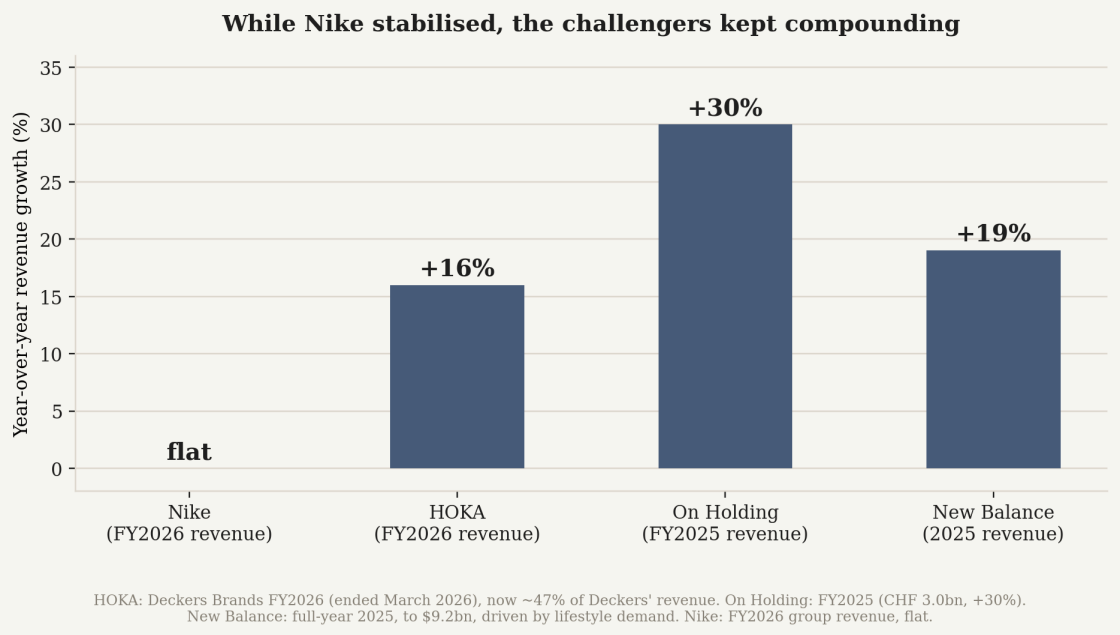


Figure 4 — Revenue growth at Nike versus its three fastest-growing challengers, most recent fiscal or calendar year available.

These are not small, easily dismissed competitors. Hoka's parent, Deckers Brands, closed fiscal 2026 with Hoka revenue of $2.59 billion, up 16% and now representing nearly half of Deckers' total sales. On Holding surpassed CHF 3.0 billion in net sales for calendar 2025, up 30%, with wholesale and direct-to-consumer both growing at double-digit rates — notably, growing both channels together rather than sacrificing one for the other, which is precisely the discipline Nike's 2017–2024 strategy lacked. New Balance reached $9.2 billion in 2025 revenue, up 19%, on the back of lifestyle demand Nike had left largely uncontested.

3. The Museum Trap and the Generational Gap

To sustain revenue through the downturn, Nike leaned increasingly on retro silhouettes: Air Jordan 1s, Dunks, Air Force 1s. Highly profitable in the short term, this turned the brand's heritage into a museum rather than a workshop. The core issue is a generational transmission gap: Gen Z and Gen Alpha consumers did not experience the cultural zenith of 1990s basketball or 2000s running culture. They are inheriting the residue of the brand, not its living, breathing core. Tellingly, this is not merely an outside critique — it is close to a direct admission from Nike's own leadership. On the company's March 2025 earnings call, Elliott Hill told analysts it would "take time to reach the volume to replace the handful of classic franchises we over-indexed," while promising to "help consumers fall in love with something new from Nike."

4. The Decay of Brand Equity

When a brand stops actively renewing its core narrative and relies on past glory, its cultural relevance decays. The market does not reject Nike outright; it simply forgets to prioritise it. Nike's global sports-footwear market share fell for a third consecutive year in 2025, to 22.9%, according to Euromonitor International data reported by Reuters — a slow bleed rather than a single dramatic loss, and for that reason, easier for a large organisation to under-react to until the trend has compounded for years.

> *The brand is transitioning from a cultural movement to a legacy utility — and a legacy utility is exactly the kind of company that gets quietly deleted from a blue-chip index one rebalance at a time.*

Part V — The Reckoning: What Changed Since October 2024

A purely backward-looking diagnosis would stop at Part IV. But Nike's own management has, in the two years since this crisis became undeniable, begun executing something close to the correction this report's framework would recommend — which makes Nike an unusually live test case for the thesis itself.

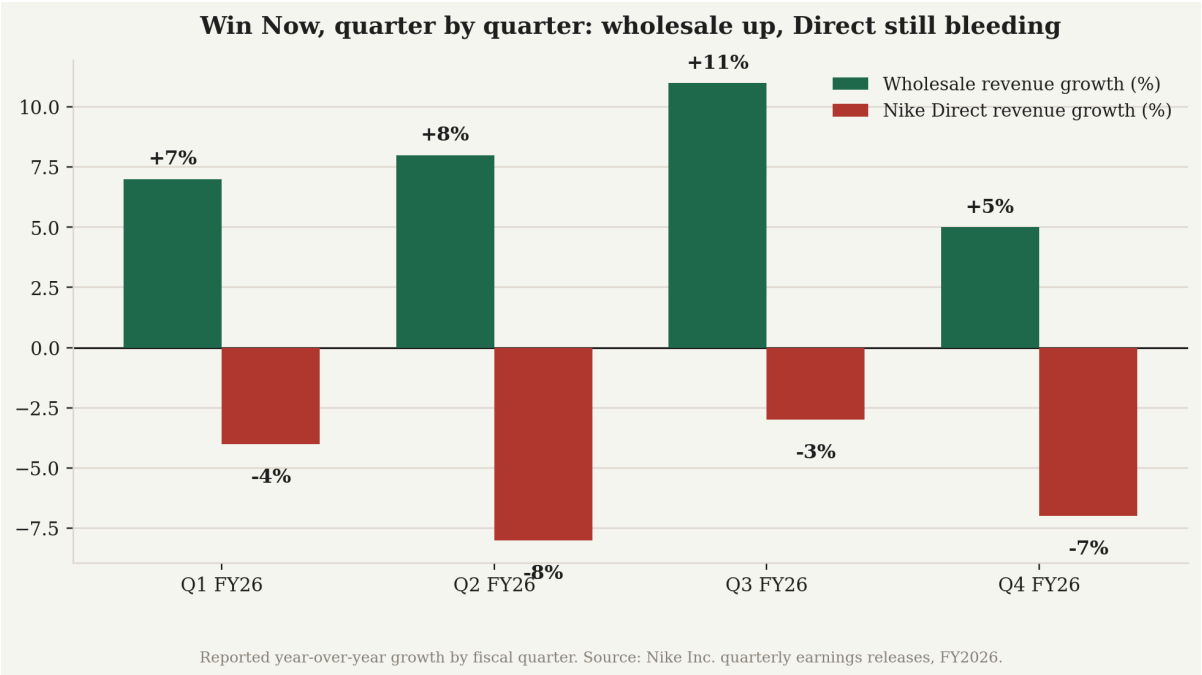
Elliott Hill and "Win Now"

In October 2024, Nike's board replaced CEO John Donahoe with Elliott Hill, a 32-year Nike veteran who had spent most of his career on the commercial side of the business, building relationships with retailers and sports organisations, before retiring in 2020. His appointment was itself a statement: Nike needed someone who understood wholesale, not someone who understood digital transformation.

Hill's turnaround, branded internally as "Win Now," rests on five pillars: culture, product, marketing, marketplace, and in-person experiences. The most consequential of these is marketplace — rebuilding the wholesale partnerships the prior strategy had dismantled. In fiscal 2026, Nike also introduced a new "Sport Offense" operating model, moving roughly 8,000 employees into vertically integrated sport teams organised around basketball, running, and football rather than around consumer segments or channels.

The Scorecard, Quarter by Quarter

The quarterly pattern through fiscal 2026 is consistent and, on the wholesale side, genuinely encouraging.



Reported year-over-year growth by fiscal quarter. Source: Nike Inc. quarterly earnings releases, FY2026.

Figure 5 — Wholesale and Nike Direct year-over-year revenue growth, by fiscal quarter, FY2026.

Quarter	Headline	What it shows
Q1 FY26 (Aug 2025)	Revenue $11.7B, +1%	Wholesale +7%; Direct −4%; gross margin −320bps to 42.2%
Q2 FY26 (Nov 2025)	Revenue $12.4B, +1%	Wholesale +8% to $7.5B; Direct −8% to $4.6B; gross margin −300bps to 40.6%
Q3 FY26 (Feb 2026)	Revenue $11.3B, flat	North America wholesale +11%; Running +20%+ for a third straight quarter; net income −35%
Q4 FY26 (May 2026)	Revenue $10.97B, −1%	Direct −7% (−9% cc); gross margin +890bps, ~900bps of which was a one-off tariff-refund benefit

Table 3 — Nike's fiscal 2026 quarterly results against the Win Now turnaround.

For the full fiscal year, revenue landed at $46.4 billion, essentially flat, with wholesale revenue rising 6% to $27.5 billion — the clearest evidence that Hill's marketplace pillar is working as designed — while Nike Direct revenue fell further, to $17.7 billion. Net income was $3.11 billion, down from $3.22 billion a year earlier, and full-year tariff-related cost pressure added roughly $1 billion to the cost base, even after Nike recovered most of a $986 million tariff refund tied to a change in U.S. trade policy.

What Is Working

— Wholesale revenue has returned to growth for the first time in several years, and North America wholesale accelerated through the year, reaching +11% in the third quarter.

— Nike Running has grown more than 20% for three consecutive quarters — direct evidence that when Nike competes on genuine performance products and rebuilt distribution simultaneously, it still wins share back from Hoka and On rather than only losing it.

— Management has explicitly named the classic over-reliance as a problem to be solved, rather than a feature to be optimised, which is the necessary first step toward the generational-narrative work Part IV identifies as unfinished.

What Is Not Working Yet

— Nike Direct fell in every quarter of fiscal 2026, meaning the company has not yet found the right, smaller role for its own digital and retail channel — it is still shrinking rather than stabilising at a healthier size.

— Greater China remains the weakest major geography, and none of the fiscal 2026 commentary suggests the China business has found its footing the way North America has.

— A meaningful share of reported fiscal 2026 profit improvement is a one-off: roughly $0.52 of the $0.72 in fourth-quarter diluted EPS came from the expected recovery of tariff refunds, not from underlying operating leverage. Strip that out, and adjusted EPS of $0.20 — while ahead of the $0.13 analysts expected — is still a fraction of the underlying $3.56 Nike earned at its peak.

— Hoka, On, and New Balance did not pause to let Nike recover: all three kept compounding at double-digit rates through the same fiscal year, as shown in Figure 4. Win Now has stopped Nike's bleeding; it has not yet reversed the competitors' momentum.

> *Win Now is best read as Path Three's first, necessary chapter, written under duress rather than by design — a company relearning, quarter by quarter, the lesson it spent seven years unlearning. Whether it becomes a full reignition, or stalls into a more sophisticated version of the slow fade, depends on decisions still ahead of it.*

Part VI — The Trajectory: Four Paths

Nike faces a strategic choice that Win Now has narrowed but not yet resolved. There is no comfortable middle ground available indefinitely: the company must decide, in substance rather than slogan, whether it is a transactional logistics company or a cultural brand builder — and its actions over the next several fiscal years, not its stated intentions, will answer the question.

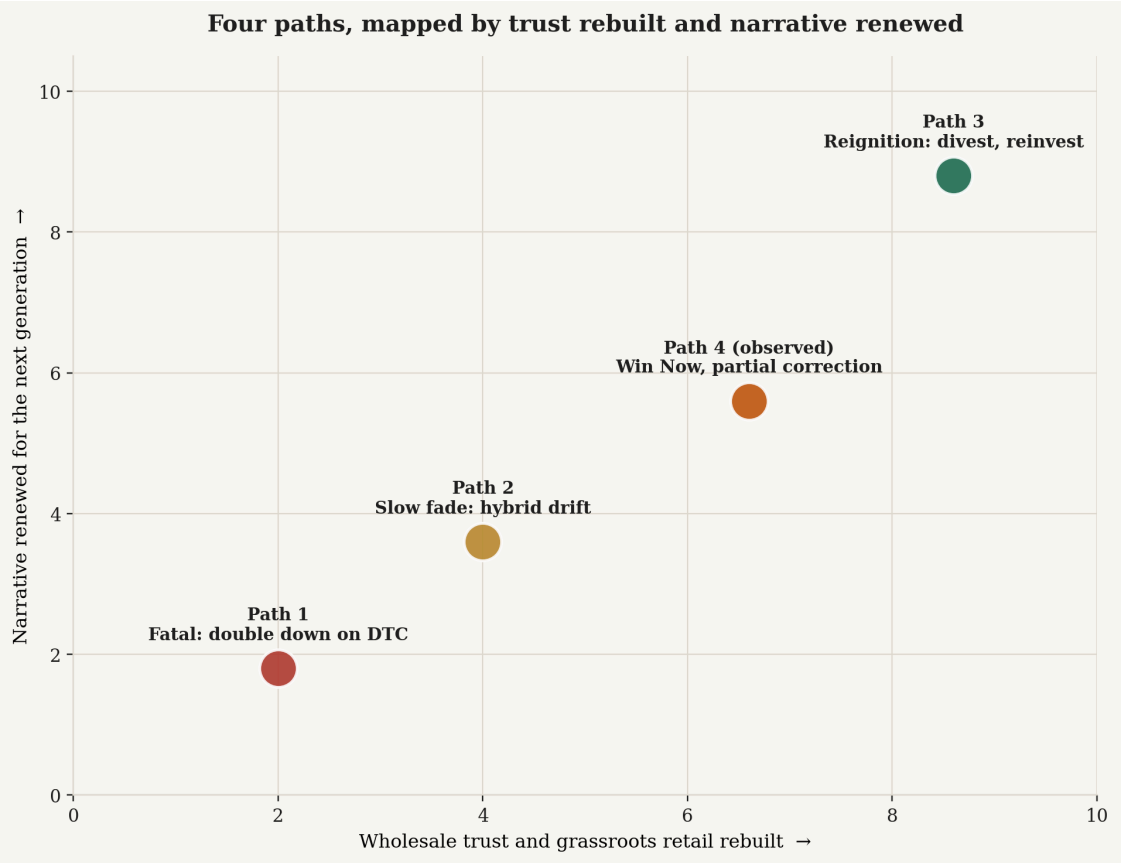


Figure 6 — Four paths, positioned by how far wholesale trust is rebuilt and how far the brand narrative is renewed for the next generation. Path 4 marks where Win Now sits today: real progress on trust, still-unfinished progress on narrative.

Path 1 — The Fatal Trajectory: Double Down on DTC

What it would mean. A reversal back toward prioritising online transactional volume, treating the SNKRS app and Nike.com as the primary engines of the brand rather than the marketplace pillar Win Now has just begun to rebuild.

The result. Nike would be forced to compete purely on supply-chain efficiency, pricing, and algorithmic customer acquisition against ultra-fast competitors. The "Just Do It" narrative would be overwritten by the memory of frustrating app lotteries and generic e-commerce. The brand would be reduced to a logo on a commodity.

Current likelihood. Low. The wholesale results in Figure 5 suggest management understands the cost of this path and has moved deliberately away from it — though the underlying temptation to protect DTC margin never fully disappears from a large public company's incentives.

Path 2 — The Slow Fade: Stall Inside the Hybrid

What it would mean. Win Now succeeds at stabilising wholesale and stops there — rebuilding shelf space and clearing inventory without completing the harder, slower work of sculpting a new cultural narrative for a generation with no memory of Nike's 1990s and 2000s zenith.

The result. The trust fabric with wholesale partners recovers, but the generational transmission gap keeps widening. Within several years, Nike stabilises as a large, profitable, but culturally secondary brand — reliable for aging Millennials and Gen X, background noise for the cohort actually setting the next decade's taste.

Current likelihood. The most probable path if Win Now is treated as complete once its financial targets are hit, rather than as the first phase of a longer cultural rebuild.

Path 3 — The Reignition: Divest, Decouple, and Reinvest

What it would mean. Nike treats its e-commerce and app infrastructure as a fulfilment utility rather than the brand's cultural engine, ring-fencing or radically simplifying it. It goes further than inventory clean-up and shelf-space recovery, aggressively co-funding local community run clubs, absorbing inventory risk for independent retailers, and giving wholesale partners first access to genuine product innovation rather than leftover allocation.

The result. Nike abandons reliance on retro nostalgia and identifies the core anxieties of the next generation — plausibly, the need for physical reality and human connection in an increasingly simulated, AI-mediated world — and sculpts a narrative addressing that need directly, backed by an innovation cadence that once again proves Nike is defining the future of movement rather than mining its past.

Current likelihood. Possible, and partially underway in the marketplace pillar, but the narrative and innovation work described in Part IV remains the least advanced of Win Now's five pillars based on public disclosure to date.

Path 4 — Observed Reality: Win Now as Partial Correction

What it actually is. The path Nike is on today, per the evidence in Part V: real, measurable wholesale rebuilding and a genuine Running-category resurgence, running alongside a Nike Direct channel that is still shrinking, a China business still unresolved, and a profit recovery still substantially dependent on a one-off tariff refund rather than durable operating leverage.

Where it forks. Path 4 is not a stable equilibrium. It is a waypoint that leads toward Path 3 if Nike completes the cultural and innovation work still outstanding, or decays toward Path 2 if the company declares victory once the wholesale numbers look acceptable and the balance sheet stabilises.

What to watch. Whether Nike Direct stabilises rather than merely shrinks more slowly; whether China returns to growth; whether fiscal 2027 profit improvement is driven by operating leverage rather than further one-off items; and whether Nike's marketing and product pipeline produces a genuine new cultural reference point for Gen Z and Gen Alpha, comparable in ambition to Air Max or Flyknit in their own eras.

Part VII — Winning in Digital: The Wallet Strategy

Lost to Amnesia argues that Nike must divest or ring-fence the transactional DTC utility and reinvest in the relational core. That argument is correct, and deliberately incomplete. It answers what Nike must stop owning. It does not answer what Nike must build. This section answers that question.

> *Nike's digital future is not commerce. It is identity infrastructure: a health, performance, and ownership layer that makes the brand part of a person's daily life, and a personal wallet that holds what they have done, what they own, and who they belong to. Commerce may be layered on top — but only after the memory is restored.*

Nike does not need a better app. It needs a different reason to exist in a customer's pocket — one that survives a day on which they buy nothing.

1. The Category Error, Restated

The original sin of 2017–2024, described in Part II, was not choosing digital. It was defining digital as a sales channel and then letting that definition set the company's operating logic.

A commerce platform must measure conversion, acquisition cost, average order value, and return rate. Those metrics are not neutral. They train the organisation to treat the customer as a transaction and the brand as a funnel. When Nike pushed consumers to Nike.com and SNKRS and optimised those numbers, it was not merely changing distribution. It was installing commodity retail logic at the centre of a cultural brand.

The result was visible: rising DTC margin extracted from a trust base that was quietly depleting, and a customer experience — app lotteries, artificial scarcity, markdown waiting — that diminished rather than deepened the relationship.

> *Digital did not damage Nike. Digital-as-storefront damaged Nike. The distinction is the entire argument of this section.*

2. What the Wallet Is, and Is Not

Nike already possesses fragments of the right assets: Nike Run Club, Nike Training Club, membership, SNKRS access, and a vast owned-athlete and event ecosystem. These are scattered features attached to a sales engine. They should be consolidated into one thing with a single purpose.

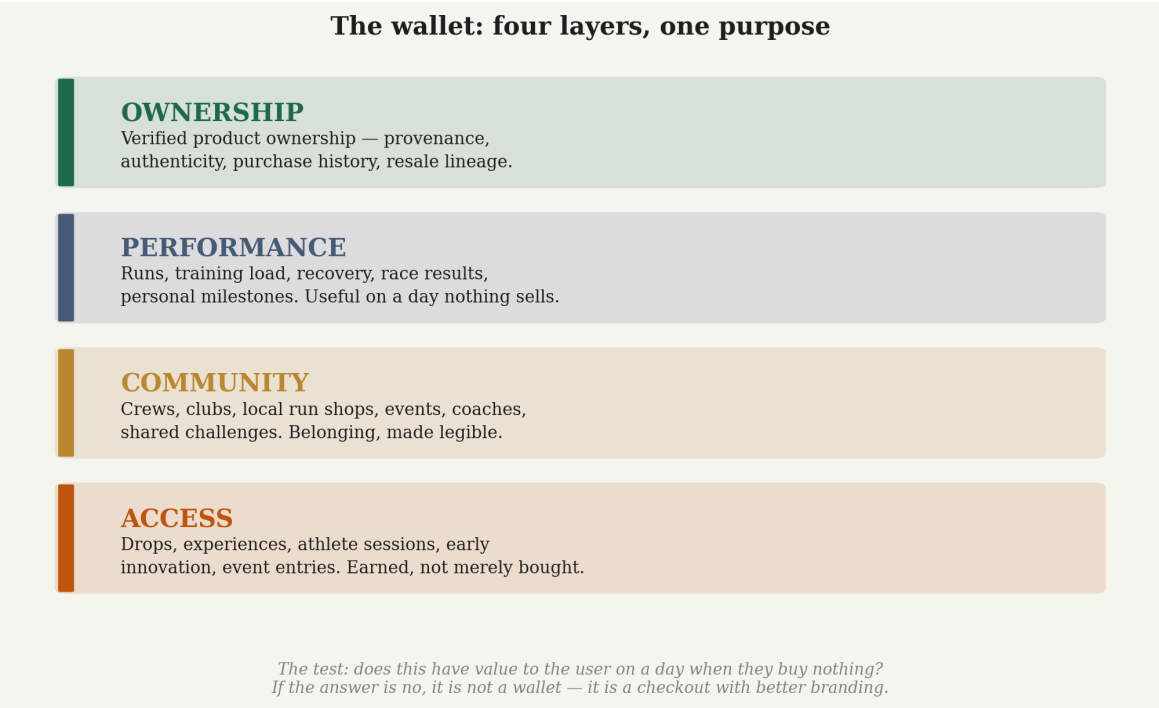


Figure 7 — The wallet's four layers: ownership, performance, community, and access.

What the wallet is not: a loyalty points scheme, a storefront with a profile picture, a rewards programme designed to increase purchase frequency, or a data-harvesting surface.

> *The test is singular and unforgiving: does this have value to the user on a day when they buy nothing? If the answer is no, it is not a wallet. It is a checkout with better branding.*

3. The Sequence Is the Strategy

Most consumer brands attempt the inverse order: commerce first, engagement second, identity third, and hope the last one emerges. It almost never does. The monetisation logic reasserts itself, and every feature becomes a funnel.

Nike must run the sequence in the correct direction.

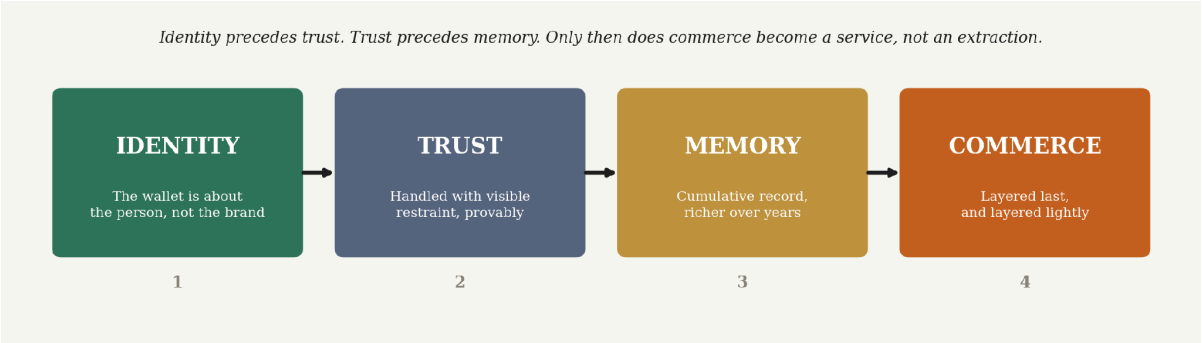


Figure 8 — Identity precedes trust. Trust precedes memory. Only then does commerce become a service rather than an extraction.

Identity is established when the wallet is genuinely about the person, not the brand: their data, their history, their crew, their goals.

Trust is established when that identity is handled with visible restraint. Health and performance data is among the most sensitive categories a consumer holds. A wallet that betrays that trust is worse than no wallet at all — it poisons the grassroots relationships the entire strategy depends on. This is not a compliance issue. It is the trust crucible, digitised. The clerk who absorbed a runner's anxiety about injury earned loyalty by not abusing the confidence. The digital layer must meet the same standard, visibly, and be able to prove it.

Memory is established when the wallet becomes cumulative: a record that gets richer and more meaningful over years, not a feed that resets each season.

Commerce is layered last, and layered lightly — as a service that extends an existing relationship. "Here is what extends who you already are," not "here is a product, please convert."

> *Commerce built on top of restored memory is coherent, high-margin, and defensible. Commerce built on top of an unreconciled relationship is CDO 2.0.*

4. The Physical Anchor

Digital identity without a physical anchor is abstraction. Nike's digital layer is only credible if it is tethered to the grassroots trust network described in Part I and rebuilt through the marketplace pillar of Win Now, discussed in Part V.

The design principle is context for the clerk, not replacement of the clerk. The local run-shop expert once held a runner's gait, injury history, and goals in their head. That asymmetry was the moat. A consented performance and ownership record can give that same expert — and the digital experience — longitudinal context that no competitor possesses.

This is the mechanism that makes digital and wholesale complementary rather than antagonistic. Digital does not disintermediate the shop. It arms it.

Practically, this means:

- Local shops and run clubs are first-class surfaces inside the wallet, not afterthoughts.
- Community activity is co-funded and co-owned with physical partners.
- Access and innovation flow through grassroots channels first, not last.
- The wallet is where a shop's relationship with its runners persists between visits.

5. The Governance Mechanism

The most likely way this strategy fails is not conceptual. It is institutional. A wallet owned by the same P&L as the checkout will be monetised prematurely. Quarterly pressure will do what quarterly pressure does.

The structural answer is the same one Lost to Amnesia applied to commerce: separate the identity layer from the transaction layer, permanently, in governance and in incentives.

- The wallet reports on relationship depth, not revenue per member.
- Commerce is a separate, subordinate utility — arm's length, measured on fulfilment and service quality.
- No roadmap decision on the wallet may be justified primarily by purchase conversion.
- A standing mandate protects the identity layer from being repurposed into a funnel during earnings pressure.

> *This is not bureaucracy. It is the only mechanism that has ever prevented a large public company from eating its own brand for a quarter of margin. Ring-fencing was insufficient for DTC because ownership creates incentive gravity. The same gravity will pull on the wallet unless the wall is real.*

6. The New Metrics

Part III argued that conventional tools measure size, not direction. The wallet requires instruments that measure direction.

Conventional metric	What it measures	Replacement
Monthly active users	*Logins*	**Retention of identity data over 12+ months**
Conversion rate	*Transactions*	**Wallet utility on zero-purchase days**
CAC / LTV	*Acquisition economics*	**Organic referral through crews and shops**
Points redeemed	*Loyalty programme activity*	**Collection and performance record depth**
App store rating	*Surface satisfaction*	**Willingness to grant and sustain data consent**
DTC revenue mix	*Channel share*	**Grassroots partner health and renewal rates**

Table 4 — Replacing size-based metrics with direction-based ones for the wallet.

The guiding question across all of them: is the relationship deepening, or being harvested?

7. Anti-Patterns

The failure modes are known in advance. Each should be named and refused.

The storefront wallet A profile wrapped around a catalogue. Died on arrival.

The points economy Loyalty mechanics that train discount-seeking and attract the wrong relationship.

The data mine Monetising or over-leveraging health and performance data. This is the one error that cannot be recovered from, because it destroys the grassroots trust the entire strategy rests on.

The premature layer Turning on commerce before the wallet has standalone value. This is CDO 2.0 with better design.

The retro crutch, digitised Using the wallet to push classic franchises rather than to support new narrative and genuine innovation. Nostalgia in a nicer interface is still nostalgia.

The club that isn't real Community features that are actually engagement mechanics. Crews must exist off-screen for the digital layer to mean anything.

8. What to Watch

The strategy is falsifiable. These are the signals:

— Does the wallet retain identity and performance data over multiple years without purchase dependence?

— Is consent sustained — do members keep granting access, and do they say why?

— Do grassroots partners report the digital layer as a competitive advantage rather than a threat?

— Is a new cultural reference point emerging for Gen Z and Gen Alpha — comparable in ambition to Air Max or Flyknit in their eras — with the wallet as its carrier rather than its storefront?

— Does Nike Direct stabilise at a smaller, honest size, evaluated on service rather than growth?

— Is FY2027 profit driven by operating leverage rather than one-off items, and does China return to growth?

> *If the answers are yes, Nike is on Path Three — reignition. If the wallet is monetised early, the sequence breaks, and the company lands on Path Two with a more sophisticated interface and the same fade underneath it.*

Section Summary

Nike does not win in digital by selling better online. It wins by becoming the place where a person's movement, ownership, and community live — and by having the discipline not to sell there until that place is worth returning to on its own.

The transaction is a utility. The relationship is the brand. Nike should divest the first, and build the second around health, performance, community, and a wallet of one's collections. Commerce can be layered on top. But the memory must be restored first. Identity, trust, memory, commerce — in that order, or not at all.

Part VIII — Strategic Imperatives

Whichever of the four paths Nike ultimately travels, five imperatives follow directly from the diagnosis in Parts I through VII.

A. Finish the Wholesale Rebuild, Then Go Further

Returning wholesale to growth is necessary but not sufficient. The imperative is to restore the local shop as the primary physical embodiment of the Nike brand — which means first access to genuine innovation, co-funded community run clubs, and shared inventory risk, not merely restored shelf space at pre-2020 volumes.

B. Give Nike Direct a Smaller, Honest Job

Nike Direct and Nike.com should be evaluated on fulfilment efficiency and premium brand experience for a smaller, deliberately curated footprint, not measured against the growth expectations that drove the original Consumer Direct Offense. A channel asked to do a smaller job honestly will do it better than one still quietly expected to do the impossible job it was originally given.

C. Sculpt a Narrative for a Generation, Not a Retro Drop

Nike must identify the core anxieties of the next generation — plausibly the desire for physical reality and human connection in an increasingly simulated, algorithmically-mediated world — and build a narrative and product pipeline around that need, rather than continuing to lean on Air Jordan, Dunk, and Air Force 1 as the default growth lever. Elliott Hill's own language about "rightsizing" the classics business is the right starting instinct; it needs a comparably explicit replacement strategy, not just a smaller reliance on the old one.

D. Solve China Before It Becomes Permanent

Greater China's continued weakness is the clearest unresolved item in the fiscal 2026 results, and the one most likely to undermine the North American wholesale recovery's credibility if it persists. Local challengers Anta and Li-Ning have used the same window Hoka and On exploited elsewhere, and a market Nike once grew at double digits for seven consecutive years cannot be treated as a lower-priority fix indefinitely.

E. Build the Wallet, in the Right Order

Part VII sets out the digital strategy this diagnosis implies: an identity, performance, and ownership layer — not a better storefront — built and governed in the sequence identity, trust, memory, commerce, and permanently separated from the transaction P&L that nearly consumed the brand once already. This imperative is listed last only because it is the most durable; it should not be started last. The governance mechanism in Part VII, Section 5 is, in practice, the single

highest-leverage decision available to the board, because it is the one decision that determines whether every other imperative in this Part survives contact with a future quarter of earnings pressure.

Conclusion

Nike's crisis was never a failure of marketing, and it is not, today, simply a story of competitors getting lucky. It was — and to a diminishing extent, still is — a failure of structural understanding: a large, sophisticated company that forgot its moat was not made of server capacity, algorithmic targeting, or direct-to-consumer gross margins, but of community, high-touch trust, and the relentless pursuit of human potential, repeated in thousands of independent shops for a quarter-century.

By attempting to optimise the soul of the company for the economics of an e-commerce utility between 2017 and 2024, Nike lost its way, and the market has spent the years since pricing that loss with brutal clarity: a 78% decline in market value, a third consecutive year of falling global market share, and, on 21 September 2026, a quiet exit from the blue-chip index the company had called home for eighteen years.

> *The path forward requires the humility to abandon the illusion of digital dominance and the courage to return to the mud, the sweat, and the high-touch reality of the local shop. Nike must divest the transactional illusion, reinvest in its relational core, and begin again.*

What makes this report's conclusion different from a purely retrospective one is that Nike itself has begun the return journey. Elliott Hill's Win Now strategy is, in its marketplace pillar at least, a genuine act of institutional relearning — proof that the diagnosis in Parts I and II was not merely an outside critique but a lesson the company's own returning leadership arrived at independently. The open question, addressed in Part VI, is whether that relearning goes far enough, fast enough, to outrun challengers who did not need to relearn anything because they never forgot it in the first place.

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Full source citations and underlying data are available on request from Genie Capital Ltd.

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