

The background of the page features a sunset sky with soft, glowing clouds. On the left side, there is a black silhouette of a person running, captured in mid-stride. In the center of the image, there is a faint, light-colored handprint. The title 'The Evolution of Nike Inc.' is written in a large, white, sans-serif font, positioned on the right side of the page.

# The Evolution of Nike Inc.

**Nike Inc. has been one of the biggest sportswear and equipment suppliers in the United States for over 25 years.**

It is the world's leading supplier of athletic shoes and apparel and a major manufacturer of sports equipment.

By Obi Obadike B.A, B.S, M.S, CFT, 2010

WBFF Pro Male Fitness World Champion

The history and evolution of Nike is interesting in terms of how it came about and what caused its growth to become what it is today. The company was founded in January of 1964 by Phil Knight a former track athlete of University Oregon Coach Bill Bowerman. Bill Bowerman shortly thereafter became his business partner. The name of the company at the time was Blue Ribbon Sports and it officially became Nike, Inc., in 1978.

The name Nike comes from the winged Goddess of victory in Greek mythology. She symbolised victorious encounters and mystically presided over battlefields of conquest. The swoosh logo is a graphic element designed to represent the wing of the Goddess, lifting athletes to greater successes. In the infancy of Nike Inc. sponsored athletes became a key marketing tool for the company. Its first sponsored athlete was Ilie Nastase. This sponsorship strategy was a key decision in the growth of the company in the early 1980's. As a result, its initial growth was due to word-of-mouth as opposed to television ads. In 1981 Nike established manufacturing facilities in mainland China near Taiwan and South Korea. However, inarguably the biggest acquisition in the company history was the signing in 1985 of basketball player, Michael Jordan, to endorse the first version of its Air shoe, called Air Jordan.

The Air Jordan line quickly became the most popular shoe line in the organisation, primarily due to Michael Jordan's popularity when he first entered the NBA in 1984. The real background story to the signing of Michael Jordan is that he didn't want to sign with Nike. He wanted to sign with Converse or Adidas, as he was a big fan of their shoes. At that time there was not a tremendous impact on sales from an athlete endorsing shoes and few companies during the mid 80's were willing to risk their entire marketing budget on one athlete to promote their products. However, Nike was confident that Michael Jordan was going to be a big star in the NBA and that his success would generate an enormous amount of sales for their shoes. They were right.

After serious persuasion from his parents and agent, David Falk, he agreed to fly to Nike headquarters in Portland, Oregon to meet with the Nike representatives. Michael Jordan has stated in previous

ONLY ONE YEAR AFTER SIGNING MICHAEL JORDAN TO THE ENDORSEMENT CONTRACT, THE COMPANY'S OVERALL SALES TOPPED US\$1 BILLION FOR THE FIRST TIME.

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interviews that he had no intention of signing with Nike when he flew to meet with the executives.

However, during the meeting they showed a video presentation of slow motion clips of his collegiate career. The Nike Head Designer at the time, Peter Moore, presented sketches of Air Jordan shoes, jumpsuits and sports apparel - all in black-and-red. Michael's reaction wasn't enthusiastic whatsoever at the meeting and it is reported that he said, "I can't wear that shoe, those are Devil colours". Although he seemed very disinterested in the meeting, when he and his agent left the meeting he reportedly told his agent, "Let's make the deal."

Nike signed Michael Jordan to a US\$2.5 million deal for five years with additional royalties. The introduction of the Air Jordan 1 shoe

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in bold black-and-red, stood out from the rest of the normal white athletic shoes available in stores at the time. The colour of the shoes was a stroke of marketing genius and caused such a controversy that the NBA banned Jordan from wearing the shoe. He continued to wear them anyway, and was fined up to US\$5000 a game. Nike paid those fines to keep Jordan's shoes in the spotlight and public eye. All of the controversy around those shoes really helped to propel the Air Jordan line to become a household name.

Only one year after signing Michael Jordan to the endorsement contract, the company overall sales topped US\$1 billion for the first time. Without a doubt Michael Jordan was one of the most significantly influential figures in the worldwide breakout success of Nike. After this huge surge in sales they began to announce further expansion with a number of new lines including golf shoes, tennis gear under the name Wimbledon, street socks and athletic shoes in many other sports. Then in 1987 Nike did something totally out of the athletic realm (of the company) and purchased Cole Haan, a maker of casual and dress shoes for US\$80 million.

In 1989 Nike launched an aggressive TV campaign with ads featuring Michael Jordan and actor/director Spike Lee. It was famously called the "Just Do It" Campaign and there was also the

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"Bo Knows" television spots featuring football/baseball athlete Bo Jackson. This revolutionary campaign led to US\$1.7 billion in sales that year and profits of US\$167 million. In 1990 the company hit revenues of US\$2 billion, enabling them to acquire Tetra Plastics Inc., producers of plastic film for shoe soles. That same year the company opened Niketown, its very first store in Portland Oregon. At the time this was a prototype retail store, selling Nike apparel products.

In July of 1992 Nike opened its second Niketown retail store in Chicago, Illinois and in 1993 it continued its expansion of Niketown stores, opening one in Atlanta, Georgia and another one in Cost mesa, California. Nike as an organisation became so global in sports that

*Sporting News* magazine named Phil Knight the most powerful man in sports. In the early 1990's to mid 1990's they became the dominant force in athletic sportswear and apparel. Their nearest competitor was Reebok and at the time they outdistanced themselves from them by at least 20 per cent in sales.

In 1995, Nike picked up Tiger Woods, at only 20 years old, as their spokesperson. He was signed to a 20 year US\$40 million endorsement contract and his success on the golf course immediately helped ignite the sales of Nike Golf apparel. He was very influential in the surge of revenue sales during the mid to late 1990's. However, in the late 1990's Nike was hit hard by many protesters making allegations regarding their treatment of workers at the contract factories in Asia where they employed nearly 400,000 people.

Some of the allegations were abuse of workers, poor working conditions, low wages and the misuse of child labour. These allegations led to a drop in overall sales to US\$8.78 billion and the profits fell to a net loss of US\$67.7 million in the 4th quarter of the fiscal 1998. This was the company's first reported loss in more than 13 years. The decline in net profit and revenue led to the layoff of 5 per cent of the workforce and significant cuts of US\$100 million in their sport star endorsement budget that year.

Many of the protesters were church groups, students at universities and socially consciously investment funds. In mid-1998 Nike changed the contract of its workforce in Asia by increasing the minimum age to work, improving air quality standards and they also allowed independent inspections of their factories to make sure that they complied with the upgrade of the workforce contract. Even with these changes in the Asia workforce and conditions, they still were criticised by many activists. Other companies such as McDonalds Corporation, the Coca Cola company and Starbucks corporation that were pushing global brands were also on the receiving end of the same activist criticism about exploiting third world countries for financial gain.

In 1999 Nike's Bill Bowerman, died at age 88 years. In 2003 Nike bought their bankrupt rival Converse for US\$305 million. Phil Knight stepped down as CEO and president of Nike in 2004 but he still continues as its Chairman. Even after over 25 years of success, Nike still remains one of largest and most successful operating companies globally. **25**

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