



GREATEST COMPANIES · RESEARCH SHEET · The Aspiration Moat

Nike

The Company That Almost Died of Success

NYSE: NKE · Athletic Apparel & Footwear · Founded 1964 · Beaverton, Oregon, USA

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In the spring of 1975, the most exciting young company in American footwear was, by the cold arithmetic of its bank, insolvent. Nike was doubling its sales almost every year, running was going mainstream, the shoes could not be made fast enough. And yet the bank saw only terror: every surge in sales required a bigger loan, cash reserves were scraped to the bone, and it pulled the roughly one-million-dollar credit line and froze the company's accounts. For a few days, Nike could not pay its bills. What saved it was a Japanese trading house, Nissho Iwai, that saw the potential where the bank saw only risk. The lesson of that spring is the central paradox of the whole story: growth is not the same as cash, and a company can be wildly successful and nearly die of it.

Key Facts

Founders	Phil Knight and his former coach Bill Bowerman, each investing \$500 in 1964
Sector	Athletic apparel and footwear
Moat	Brand as aspiration — the borrowed greatness of an athlete transferred to the wearer
The First Model	Distributed Japan's Onitsuka Tiger shoes before splitting off in 1971
The Saviour	Japanese trading house Nissho Iwai financed manufacturing and rescued Nike in 1975
The Inflection	Signed rookie Michael Jordan in 1984; the Air Jordan launched in 1985
Status	Public (NYSE: NKE)

By the Numbers

First-year revenue (1964) was about \$8,000, selling shoes from the trunk of a car

The bank froze Nike's ~\$1 million credit line in spring 1975, nearly ending the company

The 1980 IPO raised roughly \$22 million, ending years of betting the farm on debt

The Air Jordan earned over \$100 million by the end of 1985, its first year

Carolyn Davidson was paid \$35 to design the swoosh in 1971

By 2026 the stock had fallen roughly 65% from its highs to an 11-year low

The Moat

Selling the Feeling, Not the Feature

Nike's enduring moat is brand, of a specific and powerful kind: aspiration. The promise, sold to the ordinary person, is that to wear the shoe is to share in the greatness of the athlete who wears it too, the swoosh on a pair of sneakers connects a teenager on a public court to Michael Jordan in flight, to the idea of victory itself. That is why Nike spends so relentlessly on athletes and on advertising that barely mentions the product, the "Just Do It" campaigns sell a feeling about yourself rather than a feature of the shoe. The moat is the emotional transfer from hero to wearer, and it is deep because it attaches to identity rather than function. But it carries a vulnerability: a brand of aspiration must keep being fed with genuine innovation and authentic heat, or it slowly becomes a logo on a discounted shelf, the aspiration is real only as long as the company keeps earning it.

The 1975 Cash Crisis & The Reebok Years

Nearly Dying of Its Own Growth, Twice

By 1971 the partnership with Onitsuka was curdling; an Onitsuka executive was quietly shopping for a new American distributor even as the contract was supposedly being renewed, and Knight, about to be cut out of the business he had built, made his own shoes under his own brand instead, a distributor of Japanese shoes became Nike. He ran the company at nearly 100% debt to assets, betting the farm every year on demand doubling, a strategy with no buffer, which is exactly why the bank froze Nike's accounts in spring 1975 and only Nissho Iwai's financing saved it. Then, with money in the bank at last after the 1980 IPO, Nike nearly lost the war anyway: in the early-to-mid 1980s it dismissed the aerobics boom as beneath a serious runner's company, and a rival named Reebok took the US market lead by around 1988, Nike dumping millions of dollars of unsold shoes at a dollar a pair. What saved it the second time was a modest gamble on a rookie: Michael Jordan, signed in 1984, and the Air Jordan line built entirely around him in 1985, which revealed what Nike actually was, not a maker of shoes, but a seller of aspiration.

"The danger arrives when a company grows rich enough that it no longer has to bet anything, and starts protecting what it has instead of earning it anew."

The Legendary Scorecard

Category	Score	Notes
Founder Vision	10	Knight saw that selling shoes was really selling the feeling of being an athlete
Innovation	9	Bowerman's waffle sole and Nike Air; later, the athlete-as-product Air Jordan model
Execution	8	Brilliant at its peak, but repeatedly stumbled, Reebok then the current slump, through complacency
Moat	9	Aspiration transferred from hero to wearer; deep, but it thins when innovation lapses
Capital Allocation	8	Survived on debt and the right partner early; strong buybacks and a long dividend streak later

Wealth Creation	9	\$500 stakes in 1964 grew into one of the most valuable consumer companies on Earth
Durability	8	Survived betrayal, insolvency and a lost lead; now testing durability again in a deep slump
Historical Importance	9	Defined modern sports marketing and the athlete endorsement; the swoosh is a global symbol
Overall Legendary	9.0 / 10	A brand built on repeated, near-reckless bets, now testing whether aspiration survives its own success

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1962	Phil Knight tours the Onitsuka factory in Japan and arranges to distribute Tiger shoes in the US
1964	Knight and Bill Bowerman found Blue Ribbon Sports, each investing \$500
1969	Sales pass \$1 million and Knight goes full-time
1971	The break with Onitsuka; Blue Ribbon becomes Nike; the swoosh is designed for \$35
1975	The bank freezes Nike's accounts; Nissho Iwai bridges the gap and saves the company
1980	Nike goes public, raising ~\$22 million
1984	Nike signs rookie Michael Jordan
1985	Air Jordan launches and earns over \$100 million by year-end
Late 1980s	Nike misses the aerobics boom and loses the US lead to Reebok, before clawing it back
2022–26	A deep slump; the stock falls ~65% to an 11-year low; Elliott Hill leads a turnaround from 2024

Lessons — What This Means for You

THE MOVE • Own the brand, sell the feeling rather than the feature

The 1971 break with Onitsuka was forced, but it made Nike, because it turned a reseller into an owner of its own identity. Control the asset that carries the emotional value, and compete on meaning where you cannot win on specification, the swoosh sells aspiration, not rubber.

THE MONEY • Hyper-growth eats cash, and financing is part of the strategy

Nike nearly died not from weak demand but from too much of it, because growth must be funded before it pays; every surge in sales required a bigger loan just to keep up. Respect working capital and the cost of growth, and understand that the right capital partner can be the whole difference between triumph and a frozen account.

THE MIND • Know what business you are actually in

Nike's worst stumbles, Reebok and the present slump, both came from believing it was a maker of shoes rather than a seller of aspiration. The deadliest error is not ignorance but the complacency of past success, the slow drift away from the thing that created the edge in the first place, the bet is never finished.

Related Reading

Another brand whose moat is a feeling, tested by the same question of price vs. quality: [Coca-Cola: The Most Valuable Feeling in the World](#)

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Sources & Further Reading

Phil Knight, *Shoe Dog: A Memoir by the Creator of Nike* (2016)

Nike, Inc. annual reports and SEC filings

Greatest Companies (Nike chapter), *The Complete Trader's Edge*

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