Trevor Edwards, President, NIKE Brand:

Good morning. Good morning, everybody, and welcome. That was a perfect introduction, because everything we do starts with the consumer. And today, you will see just how laser-focused we are on serving the powered consumer. It doesn't really matter how high the consumer's expectations continue to rise, but we aim not just to meet them but to surpass them.

Over the next hour or so, we will give you a peak into our playbook. We will show you how we lead with digital to drive the consumer relationship through membership. And we will lay out the key shifts that we're making to deliver long-term sustainable growth. And we'll show you our new marketplace framework that opens up incredible opportunity.
So let's get started. At NIKE, we exceed consumers' expectations for the simple reason, because we know them. We know they love sports and they want to be inspired. And they respond to brands that serve them in their way, at their pace and in their lives. And we connect to athletes by creating innovative products and powerful storytelling that creates an emotional connection with consumers, and that's why they gravitate to us.

From the greatest athletes ever to the 12-year-old lacing up her running shoes for the very first time, we support their drive to be the best and, personally, we give our best in that journey.

Now to be very clear, the NIKE Brand is strong. Year-after-year, in any environment, the NIKE brand continues to connect with consumers all over the world. And we know that, because we have third-party tracking studies that we've done for many, many years. And the consumers tell us that we are the #1 cool brand and the #1 favorite footwear and apparel brand for today's youth.

But brand strength like this is not just handed to us. We have to earn it every single day by serving the needs and aspirations of athletes and consumers. Let's take a look.

[Video In Room]

So we take that energy and that electricity and we connect to consumers around the globe. Today, we live in a connected world with everything on demand, a constant world of screens with the next cool thing at our fingertips and each of us swiping, tapping to make sure that we're not missing out. And for youth, it's even more acute. As the world becomes more digital, they yearn to be more active. And they have a desire to feel alive, and that's why the power of sport is so important.

That universal desire to be stronger and healthier is not going away. And as our consumers seek out healthier and active lifestyles, it naturally keeps them close to the world's leader in sport, NIKE. That touches on what I love most about the NIKE brand. Consumers choose to be a part of it. We don't purchase community. We grow our communities organically with those who love the NIKE, the products we make, the services we create and the experiences we dream up. And as consumers' expectations continue to skyrocket, we have an opportunity to bring the power of our brand to more people in more meaningful and personal ways.
Today, you'll hear more about our strategies that we're putting in place to turn that winning formula into an accelerated growth. Let's start with focused growth approach where we amplify the opportunities with the greatest returns. And we begin with our key categories, where our teams keep the pulse on the consumer through the sports they play, the activities they do and how they express themselves and style themselves. And we create connections -- consumer connections through key cities and countries, where the full offense really comes full force to the entire ecosystem -- the NIKE ecosystem, right on the ground.

Overall, our focused growth strategy between categories and cities will generate more than 80% of our projected growth over the next 5 years. That's the power of sharpening our focus around the best and largest growth drivers.

Let's take a look at our key categories. You'll hear from Michael how the categories [obsess] the needs of specific consumers to create innovative products and experiences to attack opportunities and also marketplace gaps. Our key categories are focused on performance, sportswear and new growth opportunities. The first group is our foundation. It's where the NIKE Brand is anchored: performance.
Let's start with Running. The world's most democratic sport is also the driver of NIKE's biggest performance platforms. Today, running is a $5 billion business plus for us. And despite for our success, we are currently underpenetrated at many key points -- many key price points. And this gives us tremendous runway for growth. And as Mark mentioned, we've seen opportunity here to drive and fuel a new running revolution.

Next, Global Football, where we continue to lead the world's most popular sport. And we have more players in the 5 major leagues around the world wearing NIKE more than any other brand. In fact, in the English Premier League, we have double the share of players versus the nearest competitor. And we complement this with the #1 football boot franchise in the game, the Mercurial. And we're excited to introduce a new franchise next fall, which will continue to grow our share of market. Football also offers us plenty of other growth opportunities like new segments. For example, the football training apparel, which is growing north of 20% every year, and we don't see it slowing down. And then, there is Nike Basketball, where we have built the sport globally. And we continue to grow the overall marketplace, most notably in China. With the launch of the NBA partnership, we're seeing tremendous momentum in our NBA products, and that same momentum could be seen with the launch of the LeBron 15, which sold out immediately in all digital channels, and we just launched.
Next, we’re serving the lifestyle of sports by amplifying the performance categories. Nike Sportswear represents the best of sports style innovation. In footwear, no one has a deeper roster of iconic styles across all sports. And we continue to bring new energy to those styles through new materials, through advanced constructions or by collaborating with today’s leading designers from many other industries. And as always, we lead with our own innovation. A great example, as Mark just announced in sportswear we’re introducing, is actually the new Air bag for the first time -- which we’re introducing for the first time, is the Air Max 270.

In apparel, our teams are constantly remixing performance and style to create a modern sport aesthetic. Today, NIKE has the largest sportswear business, not only in footwear, but also in apparel, where we have registered 13 straight quarters of double-digit growth, leading to an overall category of more than $8.5 billion in annual revenue.
What's most exciting is that we're just getting started with sportswear, as markets all over the world begin to embrace sport as a new lifestyle. And finally, there are those opportunities with significant growth ahead. Certainly, one of those is -- one of those businesses is actually Nike Women's, which has incredible outlook, and as we continue to grow the market. This $7 billion business will continue to be fueled by more women engaging in sport, wellness and activity. In fact, our growth in -- our women's business is outpacing our men's business and will continue to do so.

Another great opportunity is Young Athletes, where the next phenom will be born, which is where we serve both kids and their parents, who all demand more from us. And as we serve the digital natives, we are growing our Nike.com business at a rate well into the double digits, faster than any other dimension. And we see significant growth ahead. As we think about this space, it remains underpenetrated.

And of course, there is the Jordan Brand, fueled as always by premium performance plus style, as Jordan expands into new categories and new segments. At the same time, international growth for Jordan is surging as we expand the marketplace with an annual growth rate in the teens. We are
opening up new ways for consumers in developing markets to access the brand with new digital and physical stores in Greater China and APLA.

We know when we go deeper with consumers by category, it results in product that hits the mark. The opportunity then is to make sure that nothing stands in the way of getting that consumer the exact product they want at the exact moment they want it, which leads us to the marketplace. The most powerful way to serve consumers today means making it easy, frictionless and personal for them, no matter where they shop. Unfortunately, that's not happening enough right now.

So our solution is the Nike Consumer Experience, or as we call it, the NCX. The NCX is a unified vision aimed at giving the consumer a better NIKE experience anywhere they shop across the landscape from NIKE Direct and partner stores in what we will call the NIKE Network. It features curated product assortments, exclusive services and elevated environments and user experiences, all tailored to the consumer.
So let me frame up how we think about the marketplace by how the consumer shops. They either shop digitally or physically, and they either shop NIKE Brand or multi-brand, making it very simple. This is how we're framing the marketplace. And within this framing, we have 6 distinct areas, and let me walk through them right now.

First, we create demand for our brand, and many consumers already know what they want. They want NIKE. Let's say they want a pair of Air VaporMaxes. So if they want to shop on the move, they can come to us digitally where we serve them through Nike.com or Nike APP or on SNKRS. We tell them a clear powerful story, and we get them the Air VaporMax with a few clicks. Or they might want -- they might prefer to come to a physical store where they can get expert advice, where they can get product trial, or they can get the product immediately. So we serve them personally in store in a fast and seamless way.

A second area is where the consumer might want choice across other brands. In other words, they shop a multi-brand experience. They want to explore and compare for themselves either through dot-com experience or in person at a store. For both dimensions, NIKE is committed to developing deeper and better direct experiences with the right strategic retail partners. We know, when we are differentiated, we have a powerful home field advantage. Branded spaces, led by NCX, drive more than double the revenue of conventional wholesale retail for us. And so we're working even harder to drive that advantage everywhere.

In the third area, we have retail that doesn't offer quality service or powerful storytelling. This is undifferentiated retail. And over the years, we will be shifting away from this. It lacks superior consumer experiences in either physical or digital, makes -- and that makes it less profitable over time as the consumers migrate away. So we will increase our focus on the first 2 areas by driving our investments on the NCX, fueled by digital, as we serve the consumer to create a marketplace of our own design.
Now that we've defined how the consumer shops, let's discuss the where. We are focused on creating this marketplace in 12 key cities and 10 key countries. These cities are the sharp points of our strategy, because they're the center points of change. This is where change is most accelerated. Everything comes together in the city. It's where the shift starts and the expectations continue to elevate. Today, our cities are driving such accelerated growth, they're outpacing the rest of our business. In other words, NIKE has created a local business on a global scale.

Let's now take any look at how we're driving focused growth internationally. And because I'm the one on the stage, we picked London. And I've personally seen London change quite a bit over the decades. One thing that has never changed is that it's a city of very passionate and discerning consumers across the spectrum of sports and lifestyle. Today in London, we have our key city offense still in its earliest days, and we're already seeing strong results. For one, we are seeing significant growth, both on Nike.com and digital sales, with our partners as we activated the NIKE Network. The opportunity to serve the female consumer in London is massive. So we activated a women's boutique that brings the whole women's experience in one door through Running, Training and Sportswear. And we've seen tremendous growth here, and we're already scaling the concept. We're also testing new services in London, such as shoppable Instagram posts that lets you buy immediately on Nike.com. All in all, London is a great example of a city where we've gone deep on the consumer opportunity to transform retail.
Speaking of retail transformation, in North America, this topic has clearly been front of mind for all of us. So let me walk through how we will drive a more full-price activity in this critical geography. First and foremost, our job is to create demand for our brand. The consumer wants more freshness, it wants newness and they want more excitement and they want it now in the marketplace. That's what allows us to command a premium price. As Mark showed you and you'll see later on today, we will bring more innovation and we're truly excited about that. We will tell more powerful stories as we invest against our brand. And we will continue to deliver stronger consumer concepts in the market. We know, if we're doing justice by our brand in service of the consumer, full price will come.

But innovation at retail is everyone's opportunity. And so while we are creating more distinctive and coveted experiences for consumers through the NCX. That's really important for us, because we know that undifferentiated, mediocre retail won't survive. Undifferentiated retail once served the purpose of providing broad access in the marketplace. But today, with digital, it offers unlimited distribution more efficiently with services that are more compelling for consumers. Elliott, Heidi and Adam will give you a deeper perspective into the magnitude of the shifts we're driving across the network. Ultimately, we see an incredible vibrant future for distinctive retail as we reach consumers in ways we've aspired to achieve.
Now finally, one of the greatest opportunities in this shift is about digital, which lets us serve our consumers more personally. And while some might be scared or see this as a moment of apprehension, we see this opportunity to serve the powered consumer as a tremendous opportunity. Nothing is more exciting to us. Because brands that listen and connect, win, and we are well served in that journey. How about this? Nearly 3 out in 4 consumers say they expect brands to proactively understand their unique needs and their expectations. And if you're too slow, there's a downside. Half of consumers say they will likely switch brands if someone doesn't anticipate their needs. Note what I said, it's not about meeting their needs, it's about anticipating them. So how do we accomplish that for consumers? One word: speed. We drive growth amidst a new consumer landscape by injecting speed across our entire organization from design to manufacturing, to merchandising, to retail. And there is nothing that serves speed like digital.

With our consumers and their pace in mind, we have focused in the past few years our investments against digital and mobile, and those efforts are paying off. Take, for instance, our work in transforming Nike.com. The redesigned Nike.com is amazing, with rich and personal experiences, where consumers - - we know consumers are going to love. And the energy is further brought to them through the apps -- the portfolio of apps that we have, which is amazing. You don't have to take my word for it. The Nike APP is the #1 mono-brand retail app in the United States, and we're just getting started.
Adam and Heidi will walk you through this digital ecosystem and the Nike.com redesign. But with a business greater than $2 billion, our digital foundation is the strongest in the industry. And as we accelerate how we create personal relationships, we continue to invest in membership. Membership is critical. Through membership, we close the gap between that emotional connection and getting you exactly what you want. And here's the proof: members in our apps spend 3x more than guests on Nike.com. That's opportunity. So we're dialing deep using data science and machine learning to get the consumers what they want quicker and easier. And when we create more personal and tailored experiences, it increases retention and spending. By knowing you better, we can serve you better.

The end goal is simple. We want to build lifelong connections with our members by giving them value as we inspire them, as we help them and as we serve them in their journey.

So today, I'm excited to announce that we're taking NIKE membership to the next level with a new program called NikePlus membership. It will, like nothing we've done before, deliver targeted value to our members. It's an exciting leap forward for membership on how athletes around the world can join the NIKE Brand. And I can't wait for consumers to try this out. Heidi and Adam will walk you through it. But let me just say this, we see tremendous growth with our ability to let consumers do more, achieve more, and ultimately, buy more. And yes, we are proud of our apps, but we're even more excited about paving the way for redefining the consumer experience all over the globe. With membership and the rest of our digital efforts, we are pushing forward the future of retail, actively and aggressively.
In the end, over just the last decade, our consumers have transformed from a small network of passionate fans into a thriving culture of millions demanding everything all at once. And throughout that change, NIKE delivers. We deliver, because we have the foundation in place for growth and the focused offense to get us there.

NIKE began by serving athletes personally out of a van, one-by-one. Today, what's amazing is technology has made it possible for us to serve that vision at a massive scale all across the globe. That's the shift and that's the spirit of the Consumer Direct Offense. It's about envisioning a future where we can and we will serve consumers in only the way we know how, as individual people, no matter where they live. Thank you.