MORE THAN A DEAL

NIKE-JORDAN NEGOTIATION INSIGHTS

Negotiation T2 2025 | Syndicate 2

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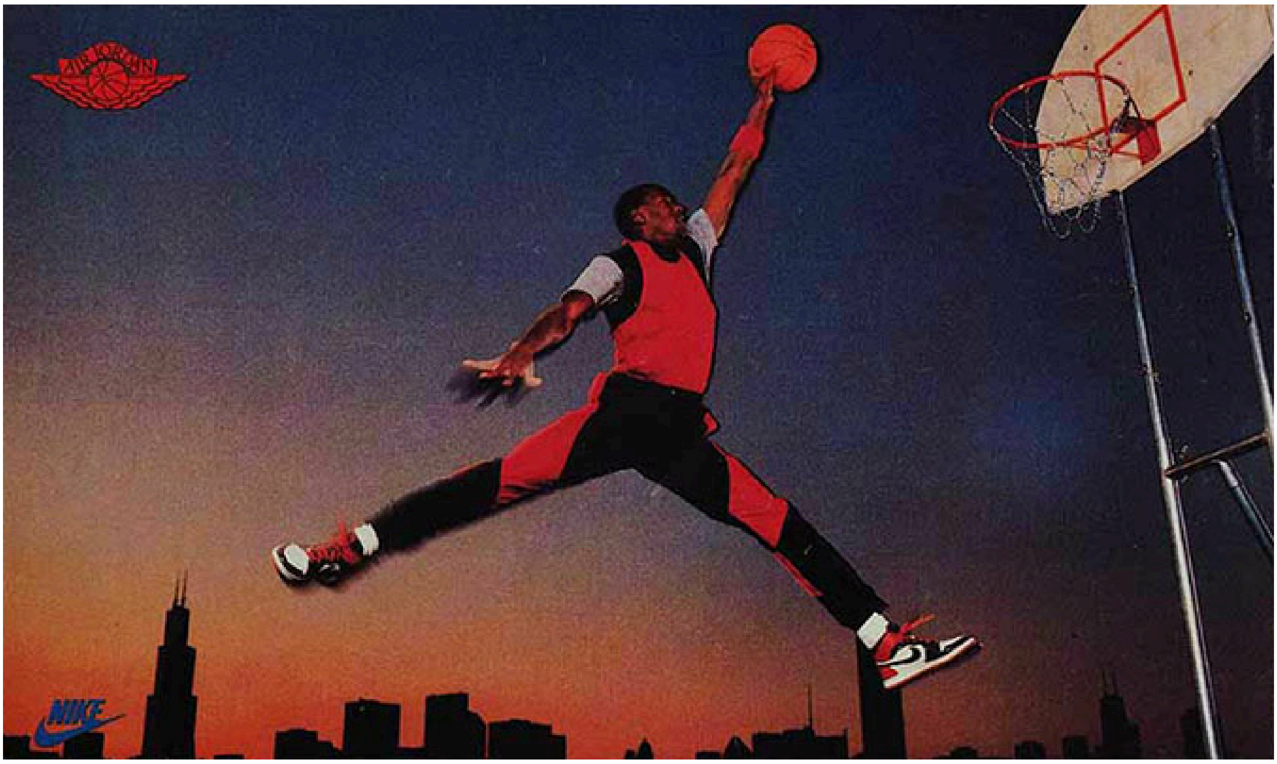

EXECUTIVE SUMMARY

THE PLAYERS & INITIAL SETTING

Michael Jordan

- Talented rookie but unproven in the NBA
- Preferred Adidas and wore Converse in college
- Initial position: “I don’t want Nike”

adidas

- Established dominance in basketball segment, official supplier in the NBA
- Contracts with Magic Johnson, Larry Bird, Julius Erving
- Unwillingness to regard Jordan as highly as their current basketball stars

NIKE

- 17.5% market share in the athletic footwear industry, 15% in basketball
- Declining profit margins
- No basketball stars on board

CONVERSE

- Established dominance in basketball segment
- Contract with Kareem Abdul-Jabbar, one of the biggest names in the NBA
- Power struggles within the Dassler family after Adi Dassler death in 1978

WIN-WIN OUTCOMES

Pioneered *athlete as business partner* model, creating a precedent

Market Share
5% in 1980
→ 43% in 1987

Revenue
from Jordan brand:
over $43Bn

Lifetime Royalties
$1.3B realised by
Jordan

Success Factors

- **Long-term value focus:** Nike and Falk aimed to build a lasting, mutually beneficial partnership
- **Pre-negotiation control:** Both parties researched thoroughly – Nike studied competitors and Jordan’s preferences; Falk analysed Nike’s goals and key influences
- **Creative deal design:** Offered Jordan a unique contract with revenue share and marketing input
- **Strategic alliance-building:** Falk enlisted Deloris Jordan; Nike brought in George Raveling to influence Jordan’s decision

1. BACKGROUND & CONTEXT

The 1984 negotiations between Michael Jordan and Nike occurred when both professional sportsmen in the US and athletic brands felt the need for pivotal changes in business models. This period represented a significant transition in sports marketing, as corporate sponsorships were evolving from straightforward endorsement agreements to more sophisticated brand partnerships (Katz, 1994).

Before this historic negotiation, the athletic footwear market exhibited oligopolistic characteristics, with Converse and Adidas maintaining substantial market dominance, particularly within the basketball segment (Strasser & Becklund, 1991). Both Converse, as the official supplier to the National Basketball Association (NBA), and Adidas had already secured contracts with other established stars; Michael Jordan was just a talented rookie in their portfolio, amongst other serious athletes (Affleck, 2023).

Nike, founded in 1964, had by 1984 established itself primarily in the running shoe sector but maintained a relatively modest 17.5% market share in the overall athletic footwear industry (O'Reilly, 1998). The company faced challenging financial circumstances, with quarterly reports indicating declining profit margins and intensifying competitive pressures (Nike Annual Report, 1984). Nike's strategic imperative to diversify its product portfolio and penetrate the lucrative basketball market necessitated securing a high-profile athlete who could function as both product endorser and brand ambassador (Strasser & Becklund, 1991).

Michael Jordan entered the professional basketball landscape as the third overall selection in the 1984 NBA Draft by the Chicago Bulls, following an impressive collegiate career at the University of North Carolina that included an NCAA championship and consensus All-American honours (Affleck, 2023). Despite his evident potential, Jordan remained an unproven entity at the professional level, representing both opportunity and risk for potential corporate partners (Falk, 2009). Contemporary endorsement paradigms typically provided athletes with modest financial compensation and rarely incorporated royalty structures or equity considerations (Porter, 2002).

Jordan's personal preferences added complexity to the negotiation dynamics. Having used Converse products throughout his collegiate career and having a strong bias for Adidas design aesthetics, Jordan initially demonstrated minimal interest in Nike's overtures (Jordan, 1989). This reluctance established the preliminary conditions for what would ultimately become one of the most transformative negotiations in sports marketing history, fundamentally recalibrating the economic relationship between athletes and corporate sponsors (Badenhausen, 2011).

2. KEY PARTIES INVOLVED

The success of the Nike–Jordan partnership hinged on the interplay of multiple individuals and organisations:

MICHAEL JORDAN'S SIDE

- **Michael Jordan:** Then a 21-year-old NBA rookie, Jordan initially preferred Adidas but was swayed by Nike's unique offer (Dubey, 2023).
- **Deloris Jordan:** Michael's mother, who critically influenced the decision, insisted that he meet Nike and negotiated a royalty clause (Lang, 2023).
- **David Falk:** Jordan's agent who facilitated negotiations, pushing for a signature shoe deal with royalties and brand ownership (Falk, 2009).
- **George Raveling:** Jordan's former assistant coach on the 1984 Olympics team who encouraged Jordan to consider Nike (Peter, 2015).

NIKE'S SIDE

- **Phil Knight:** Nike's co-founder and CEO, who authorised the unprecedented budget to secure Jordan (Affleck, 2023).
- **Sonny Vaccaro:** Marketing executive who championed Jordan's potential and orchestrated Nike's pitch (Lang, 2023).
- **Rob Strasser:** Nike's marketing director, instrumental in shaping the structure of the deal (Strasser & Becklund, 1991).
- **Peter Moore:** Designer of the original Air Jordan sneaker and the iconic Jumpman logo (Affleck, 2023).
- **Howard White:** A senior Nike basketball executive who helped convey the company's values to the Jordan family (Lang, 2023).

OTHERS

- **Adidas and Converse:** Rival brands that failed to offer Jordan a competitive or personalised deal, even though Adidas was his preferred choice (Dubey, 2023).
- **NBA:** The National Basketball Association fined Jordan for wearing non-regulation shoes, inadvertently generating publicity for the Air Jordan brand (Lang, 2023).
- **Chicago Bulls:** Jordan's team during the negotiation period, whose platform elevated his market value as a rising star (Affleck, 2023).

3. NEGOTIATION DYNAMICS

3.1 Strategic Preparation and Coalition Building

The Nike-Jordan negotiation exemplifies the power of effective preparation in multiparty settings (Susskind, 2004), requiring both offensive strategies (building winning coalitions) and defensive approaches (preventing blocking coalitions). With a declining basketball market share against Adidas and Converse in mind, Nike strategically pursued Michael Jordan, at the time only a rising star, whilst simultaneously managing relationships with his agent David Falk, his parents, and addressing concerns from every party's side. Internal coalitions were also at play, leveraging Nike's CEO, Phil Knight's, authority.

Nike controlled the negotiation before it began (Malhotra D. , 2015) by shaping the negotiation setup through strategic preparation, creating a dedicated "Air Jordan" presentation, and committing significant resources (i.e. their entire basketball marketing budget that was initially supposed to be spread amongst multiple players). This preparation allowed Nike to anticipate and address multiple stakeholders' interests simultaneously. They managed this complex information landscape by tailoring their offering to address Jordan's concerns, providing financial incentives that addressed Falk's commercial interests, and reassuring Jordan's parents about Nike's commitment.

Falk used investigative negotiation (Malhotra & Bazerman, 2007) by thoroughly researching Nike's capabilities, business needs, and financial situation. He leveraged this information to shape a revolutionary deal structure that included unprecedented royalties by creating a specific "Air Jordan" sub-brand and creative control that gave Jordan authority over product design and marketing.

Falk also built a coalition with Deloris Jordan, which proved critical for Nike. Knowing she had an interests-based mindset (Lytle, 1999), Falk approached her by showing Nike was willing to build a long-term partnership that benefited Jordan just as much as the brand, especially considering the brand was fairly new to basketball. She had a clear vision and understood the deal's potential impact and her position to negotiate terms that favoured her son's long-term interests of building a legacy.

Her famous directive to her son – "You will listen" – was pivotal in overcoming what could have been a blocking coalition between Jordan's preference for Adidas and his hesitation about Nike. By influencing her son to remain open-minded, Deloris helped prevent premature closure of options and facilitated what became a transformative agreement. Falk, Nike, and Deloris successfully understood and navigated the situational power to negotiate mutually beneficial terms (Lang, 2023).

Michael and Deloris Jordan

From left to right: Michael Jordan, David Falk, and Charles Barkley

3.2 Strategic BATNA Assessment and Management

In multiparty negotiations, *"you must recalculate your BATNA every time you imagine a new coalition that might strand you on the outside of the agreement"* (Susskind, 2004) – exactly what Nike did throughout the Air Jordan negotiations.

Jordan had a particularly strong BATNA with serious offers from established basketball footwear leaders Adidas (his strong preference) and Converse. This strong alternative position granted Jordan significant leverage. On the other hand, Nike faced a much weaker BATNA – continuing market share decline in basketball if they failed to secure Jordan, with few comparable alternatives.

Remarkably, Nike transformed their weak BATNA position through strategic preparation and value creation. By offering unprecedented financial terms, creative control, and dedicated marketing resources, Nike effectively anchored the negotiation and neutralised Jordan's strong BATNA by creating value that Adidas could not match due to internal issues. Converse was also not willing to match Nike, as they already had a star-studded roster representing their brand. Anchoring theory suggests that first offers heavily influence final outcomes, and Nike's proposal served as both a psychological and strategic pivot in creating a negotiation term that redefined the value of athlete endorsements and led to the massive success of the Air Jordan brand (Dubey, 2023). Nike did not simply accept BATNA asymmetries but worked to reshape them through creative deal structures (Sebenius, 2001).

Falk and Deloris Jordan's strategic BATNA management proved particularly effective on their side as well. Rather than simply accepting offers, they leveraged Jordan's alternatives to extract concessions that fundamentally transformed athlete endorsement structures (Lang, 2023).

3.3 Beyond Transactional Negotiation

What differentiated the Air Jordan negotiation was Nike's employment of "3-D Negotiation" (Lax, 2003) – addressing deal design, setup, and tactics simultaneously. Nike transformed what could have been a standard endorsement contract into a revolutionary partnership by:

Developing a bespoke brand centred around Jordan rather than merely featuring him

Creating unprecedented royalty structures that aligned interests

Establishing governance that provided Jordan with unprecedented creative control

Providing heavy marketing support, including paying the NBA fines for every game Jordan played with the Air Jordan 1*

The Air Jordan negotiation shows that Nike was successful in this multiparty negotiation not only through tactical excellence but also strategic preparation, information management, simultaneous issue consideration, alliance building and attention to decision-making processes.

**NBA rules used to state that the shoes worn by players should be at least 51% white, but the Air Jordan 1 were famously black and red, the colours of the Chicago Bulls. The fine the players had to pay for breaching that rule was $5,000 per game.*

4. CONSEQUENCES AND LEARNING POINTS

The 1984 Air Jordan negotiation with Nike reshaped sports, business, and marketing, transforming both Nike and Jordan's futures while revolutionising athlete-brand partnerships.

4.1 Final Terms of the Intial Contract (Lane, 2020)

- US$500,000-a-year deal for five years with possible extension / reduction tied to Jordan's performance on the court
- Air Jordan brand
- 5% royalty from all sales with Jordan's name on it.

4.2 Outcomes

Consequences for Nike

The deal repositioned Nike from a struggling third-place contender in basketball footwear to the undisputed market leader. The Air Jordan line became a multi-billion-dollar subsidiary (Jordan brand), effectively saving and later defining Nike's future financial success and brand image.

This has been one of the most successful partnerships in sports history. Nowadays, it is one of the most recognisable brands in the world and commands a strong presence both on and off the basketball court. In only three years, Nike grew from controlling only 17% of the basketball sneaker market to a 43% market share and is now dominating it with 86% market share recorded in 2019 (Andersen, 2023). To date, Nike has made over US$43Bn on the Jordan brand (Nike Annual Reports, 2014-2024) with stable sales growth even 40 years after the deal and almost 30 years after Jordan's retirement.

Consequences for Jordan

This deal not only made Jordan a billionaire and the richest athlete in history (Staff, 2025), but most importantly, it transformed Jordan from a gifted basketball rookie into a global cultural icon on top of basketball superstar alongside his talent. The unprecedented royalty structure ensured his financial success was directly tied to the brand's, giving him unparalleled earning power for an athlete and establishing him as a powerful business entity. In 2024 only, he received ~US$350Mn in royalties, more than throughout his entire NBA career (Silva, 2024).

Consequences for the Sport World and Culture

- **Reshaped sports marketing:** The Nike-Jordan deal fundamentally changed athlete endorsements. The "signature shoe" model, built around a singular athlete's persona and brand, became the gold standard. It ushered in an era of athlete-centric branding, where athletes became partners and brand builders rather than just pitchmen.
- **Launched sneaker culture:** Air Jordans became more than just athletic shoes; they became aspirational items, collectibles, and status symbols. This deal is widely credited with igniting the modern sneakerhead phenomenon, blurring lines between athletic wear, fashion, and street culture.
- **Created a deal structure precedent:** The success of Air Jordan set a new benchmark for athlete endorsement deals. Other brands and athletes sought to replicate this model, though few achieved comparable success, highlighting the unique confluence of talent, timing, and marketing genius.

4.3 Lessons Learnt

- **Preparation is the key to success:** Nike's thorough preparation for the pitch meeting, including the prototype designs, showed their commitment and helped overcome Jordan's initial reluctance.
- **Understanding Interests:** Nike correctly identified Jordan's underlying interests beyond money, including design input, marketing support, and brand building, and addressed them directly.
- **Understanding the exhaustive list of stakeholders:** Nike correctly identified the influence of the family on Jordan's decision, as well as the roles of his previous coach and his agent. They set up contact with them first in order to approach Michael later when he was already less hostile towards Nike.
- **Creative deal structure:** The negotiation succeeded by breaking away from industry norms, creating a new paradigm of athlete partnerships that included royalties, not just flat fees.
- **Change setup through vision selling:** Nike sold Jordan on a vision of what they could build together, not just a transactional endorsement deal.

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