

April 10, 2014



Dear GBCC Teams,

Enclosed you will find the case for the 2014 Global Business Case Competition, **Nike: Sustainability and Labor Practices 1998-2013**. This letter contains some important information about the case analysis and competition rules.

CHARGE TO STUDENT TEAMS

Roles

Your team will play the role of a task force of Nike managers. Your task force has been charged with addressing the questions given below. The judges will take the roles of the Nike executives to whom you present your recommendations.

Background

Nike makes apparel as well as shoes, and your case analysis will focus on the apparel side of the business. In particular, you will be looking at collegiate-licensed apparel, which means items such as these:

<http://www3.bookstore.washington.edu/husky/HSItemView.taf?View=Displtem&MCat1=men&subcat=nike&ItemCatID=51328>

<http://www3.bookstore.washington.edu/husky/HSItemView.taf?View=Displtem&MCat1=women&subcat=nike&ItemCatID=50302>

Collegiate licensing means a university licenses its trademarks to brand manufacturers (“brands”) who produce products with the university marks (name, logos, etc.). In return, the licensee pays royalties to the university. In the United States, the current size of the retail market for collegiate-licensed merchandise is \$4.6 billion.

A university holds its licensees to a code of conduct. The typical code includes labor standards. See, for example, the University of Washington code at: <http://depts.washington.edu/uwlogos/actl/code-of-conduct/uw>. The University of Washington environmental procurement policy can be found at: <http://f2.washington.edu/fm/ps/green-purchasing/policy-and-guidelines>.

Nike produces a lot of collegiate apparel in China, but the cost of production in China is rising, due to increasing wage costs and currency appreciation. This means that Nike and other companies are looking at alternative production locations.

The horrific collapse of the Rana Plaza factory building in Bangladesh in 2013 killed over 1100 workers and drew new attention to labor conditions and worker safety in apparel manufacturing. Many major brands produce in Bangladesh, and a number produced in Rana Plaza.

Two industry responses to Rana Plaza have emerged: the Accord on Building and Fire Safety in Bangladesh (led by mostly European brands and retailers; <http://www.bangladeshaccord.org/>) and the Alliance for Bangladesh Worker Safety (mostly North American brands;

<http://www.bangladeshworkersafety.org/>). Advocacy organizations such as the Workers' Rights Consortium (WRC) and activist groups, such as the United Students Against Sweatshops (USAS), view the Alliance as a weaker agreement and have pressed universities to require all their licensees to sign the Accord. To date, a number of universities have done so, including Duke, Cornell, Brown, Penn State, and the University of Washington.

Nike has chosen not to sign the Accord but instead to implement its own approach in Bangladesh, which involves sourcing from a small number of factories in buildings designed for industrial use. Nike reports that it has not produced collegiate apparel in Bangladesh since 2012.

In the aftermath of the Rana Plaza tragedy, there was much conflicting information about which brands were in fact producing in the building. This is an ongoing transparency problem for the monitoring of apparel manufacturing. Sometimes the issue is that the brands do not keep their factory lists up to date. Sometimes it is a problem within the supply chain; as this example illustrates:

After the factory collapse in Bangladesh, for instance, Wal-Mart insisted that the Fame Jeans sold in its stores had been produced at Rana Plaza by a subcontractor without its knowledge. Fame Jeans in turn blamed "a rogue employee." But the entire production system is designed to promote this denial of accountability. Large factories in Bangladesh, Pakistan, Vietnam, or Cambodia might produce for 10 or 20 different brands. The brands and their intermediaries keep the factory owners on contracts of just a few months, so that if a rival factory offers a cheaper price, it will get the business. [Robert Kuttner in The American Prospect, August 13, 2013]

Case Questions

- 1) Assume that Nike decides to decrease the amount of collegiate apparel that it produces in China. Where should Nike move this production? Identify three countries, in three different regions of the world. Justify your choice by explaining the advantages and disadvantages of candidate countries in terms of sustainability and labor practices, as well as costs and other competitive factors.
- 2) Recommend ways that Nike could implement traceability of its supply chain for collegiate apparel, all the way back to the raw materials that go into the fabrics. What is feasible and what is not feasible?
- 3) How should Nike build consumer awareness of its commitment to sustainability and improved labor practices? Should this be part of the marketing of Nike products? Consider only the market for collegiate-licensed apparel.

Competition Notes and Rules

- Obviously, you will need to do outside research in order to prepare your presentation.
 - However, you may not conduct any personal interviews as part of that research. For example, do not call, visit, or e-mail anyone at the case company. The only sources that you may use are publicly available ones (print or electronic).
 - Note: You are allowed to ask librarians where reference materials are located.
- Do not discuss the case, your research, or your presentation with anyone outside your team (this includes your advisor, your ambassador, and GBCC managers) before Saturday's competition.

- If you have a question about the competition, the rules, these instructions or the case, contact Kathleen Hatch (khatch@uw.edu or 206-543-3960).

I look forward to seeing your presentations on Saturday. Have fun!

Sincerely,

A handwritten signature in black ink, appearing to read "Debra Glassman". The signature is fluid and cursive, with the first name "Debra" and last name "Glassman" clearly distinguishable.

Debra Glassman
Faculty Director, Global Business Center