



Leesa Hung – Julia Ferreira – Victoria Lalonde – Nicolas Lindstrom



Mandate

1

Recommend 3 countries for Nike to shift its current China manufacturing into



2

Recommend ways to implement traceability of the supply chain for collegiate apparel



3

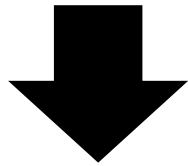
Building consumer awareness showcasing Nike's commitment to sustainability and improved labour practices



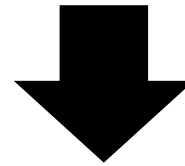
Recommendation

Strategic shift of production of collegiate apparel from China to **Mauritius, Sri Lanka and Vietnam** by partnering with **Esquel Manufacturing Group** who will allow Nike to implement **online platform** traceability initiative

Nike will market its commitment to sustainability and improved labor practices through its new ***“School Pride Fueling Better Lives”*** campaign

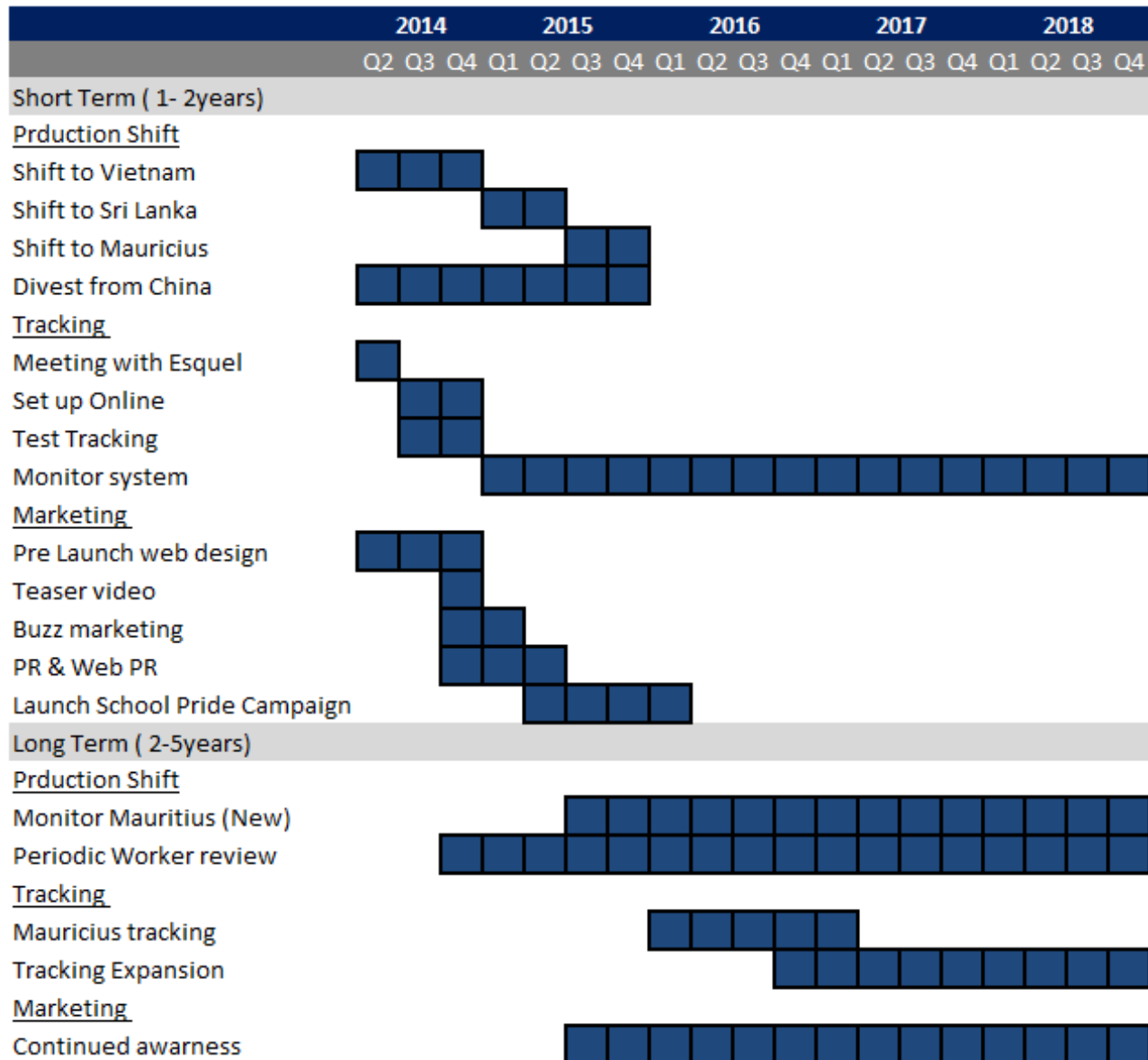


**By the end of 2015
all Chinese
manufacturing will
has been divested**



**Sustaining Future
Gross Margin and
Increasing Net
Income by 10.4%
over 5 years**

Timeline



Agenda

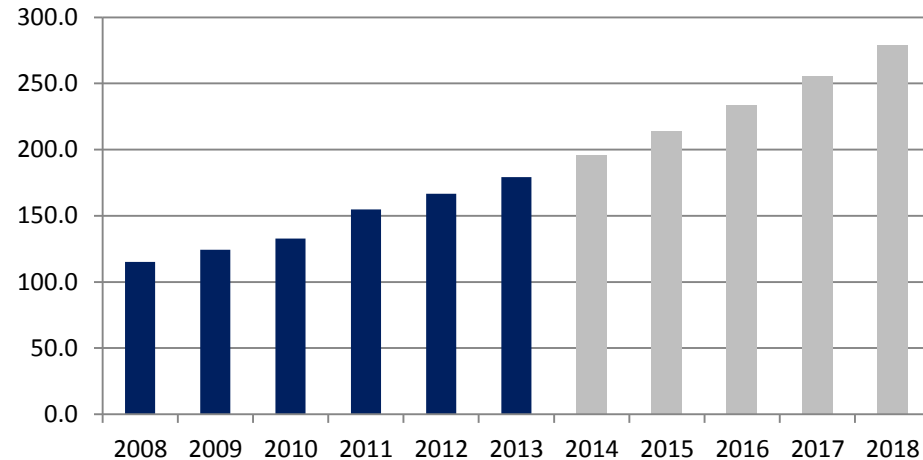
- ❑ **Departure from China**
- ❑ External/Internal Environment
- ❑ Consumer/Brand Perception
- ❑ Country Criteria/Selection
- ❑ Country Implementation
- ❑ Traceability Implementation
- ❑ Marketing of Collegiate Apparel

Departure from China

Why?

- Increase in labor wages
- Appreciation of Yuan vs. US dollar
- Cost of shipping goods

China Wage Forecast



Decreasing cost advantage

When seeking a **new manufacturing facility** must insure these factors are no longer a threat

Agenda

 Departure from China

- ☐ **External/Internal Environment**
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External/Internal Environment

External Environment

1. April 2013: Rona Plaza, Bangladesh factory collapsed leading to over 1,100 deaths
 - Signing of the Accord on Building and Fire Safety
2. Universities hold licensees to a code of conduct (labor standards):
 - UofW: Minimum employment age set at 14 or 15 years old

Internal Environment

1. Did not sign the act:
 - Minimal production in Bangladesh
 - Launch 2020
 - Launched a material traceability (organic cotton and recycled polyester)
2. Exceeds the standards set by the UofW
 - Minimum employment age set at 16 years old

Nike leads the industry in sustainability practices by exceeding the industry requirements

Agenda

- ✓ Departure from China
- ✓ External/Internal Environment
 - **Consumer/Brand Perception**
 - Country Criteria/Selection
 - Country Implementation
 - Traceability Implementation
 - Marketing of Collegiate Apparel

Brand Perception & Key Trends

Favorite Brand 13-33 Years Old

- Nike 4.5% (Ranked third)
- Age group 86 Million-controls \$1.3 Trillion in Consumer Spending

Consumers Increasingly Demanding Information

- Origin of Products
- Manufacturing Methods
- Contents of Products

Pay for Sustainable Products

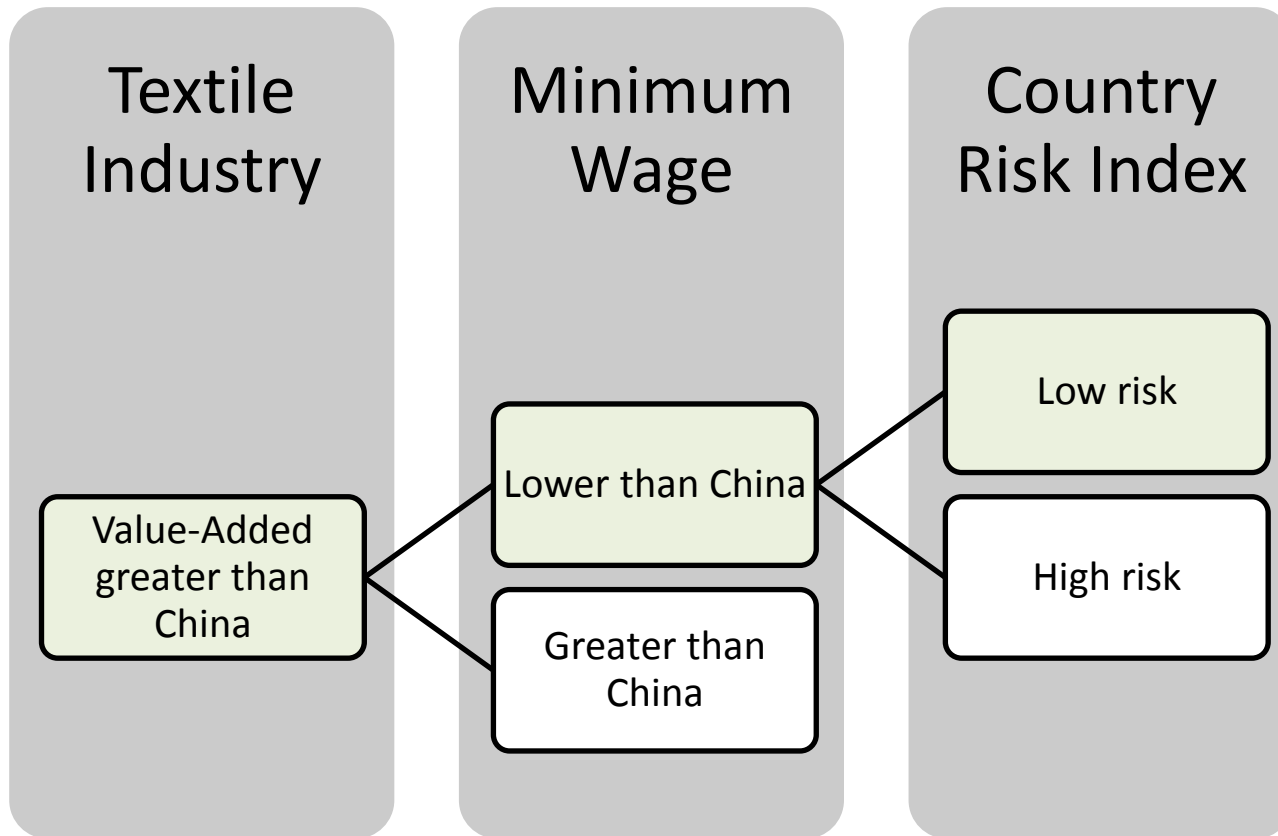
- Willingness to buy fair trade products- 43% globally

Leverage brand to meet consumer demand with regards to more transparency and sustainability

Agenda

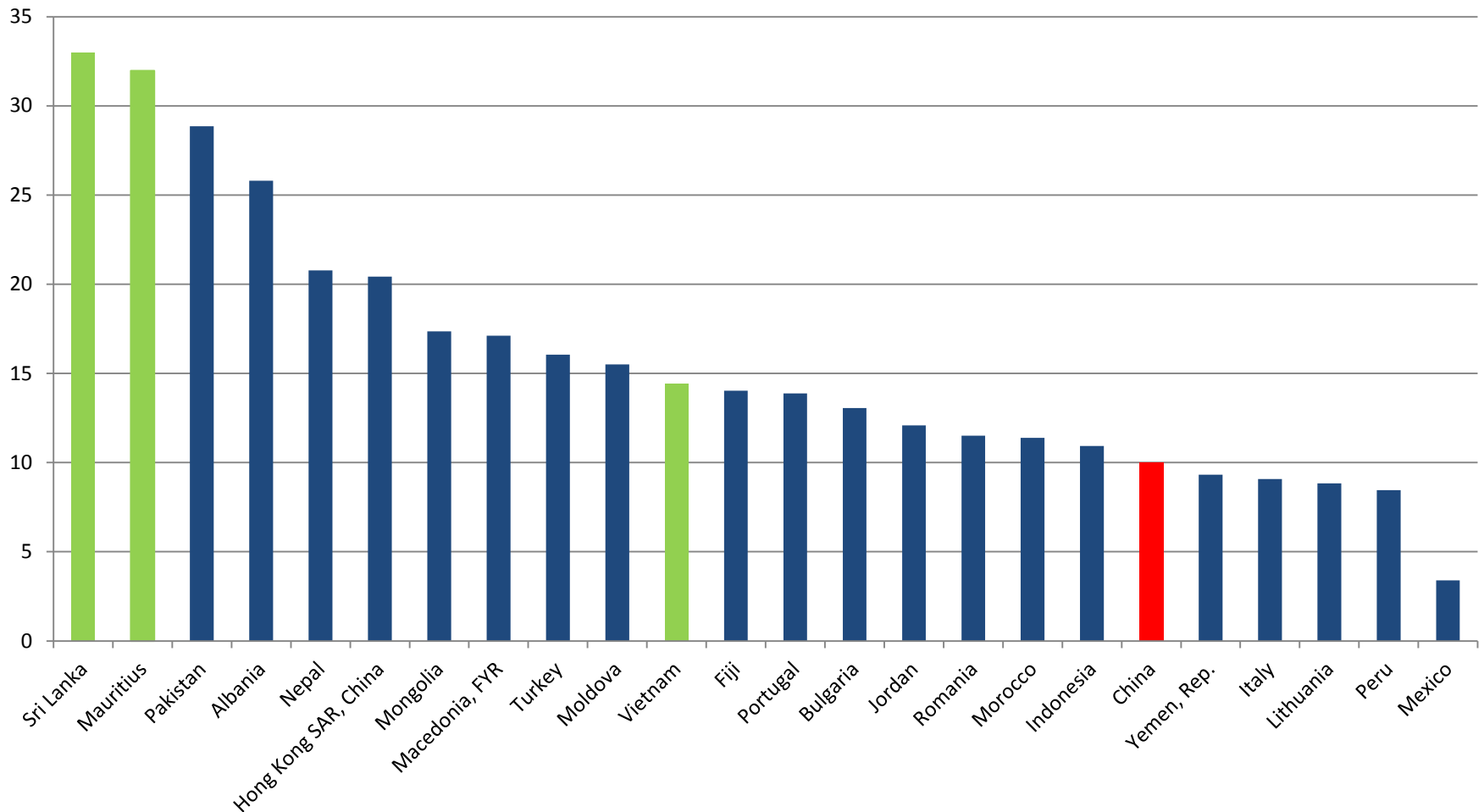
- ✓ Departure from China
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Country Selection - Criteria



Shift production to countries with low manufacturing cost & low risk

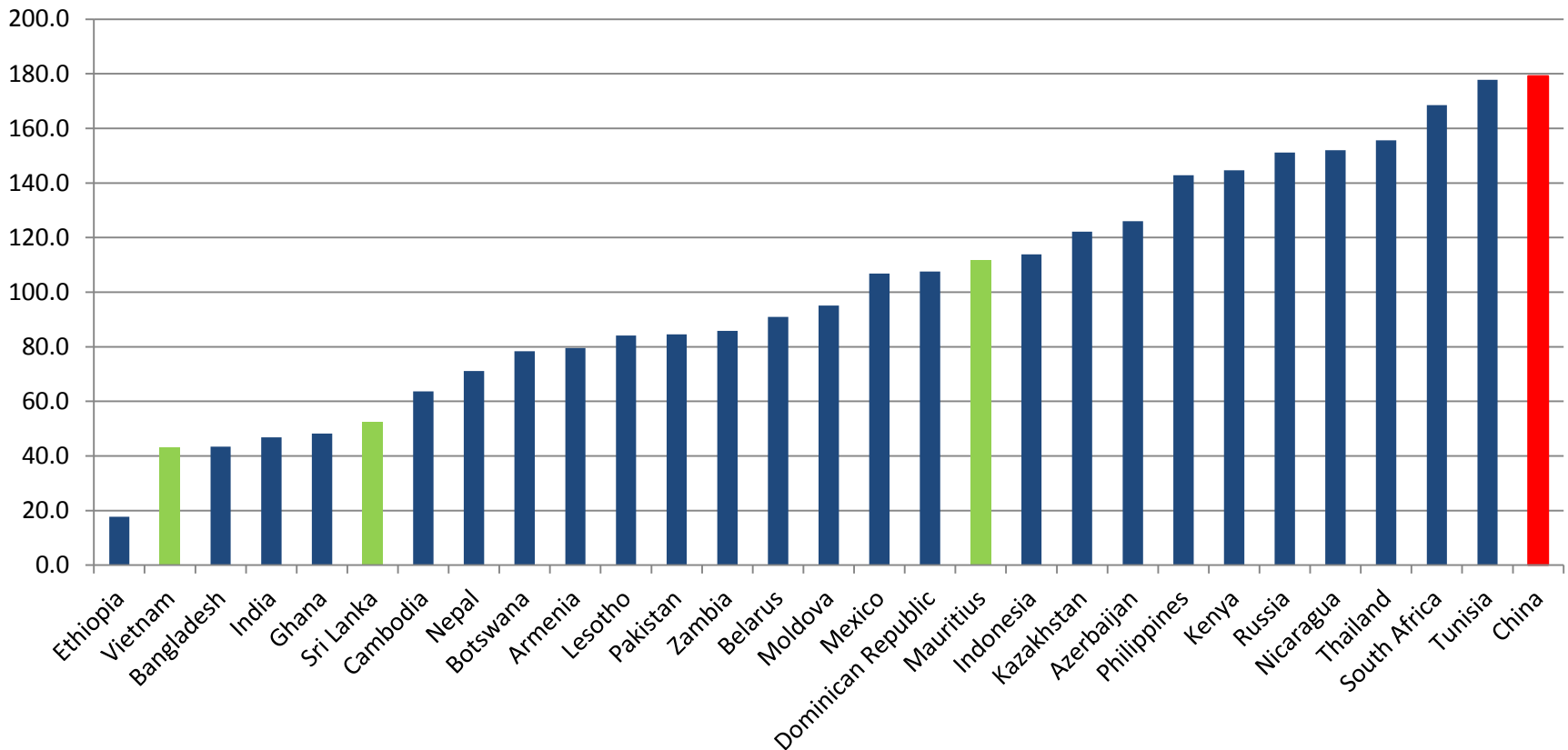
Textile Manufacturing Value-Added



The highest value added percentage creates the largest value creation from opportunities

Minimum Wage

Wage increases is the greatest contributor to China's diminishing cost advantage:



Low minimum wage outlines the value add sustainability of these countries

Country Selection - Criteria

Cost-based:

1. Textile manufacturing value added
2. Minimum wage



Must out-perform China

Country Risk Index:

1. *Political*: stability, corruption regulatory quality, rule of law
2. *Economic*: inflation, GDP, ease of doing business
3. *Social/Compliance*: Human Development Index, labour standards
4. *Infrastructure/Climate*: World Risk Index, transportation



Relatively low risk & risks that can be mitigated

Vietnam

Political

- Relatively stable (56th percentile)

Economic

- Ease of Doing Business Index ranking close to China (99/189)

Social/ Compliance

- Relatively low Human Development Index ranking

Infrastructure /Climate

- Relatively low quality of overall infrastructure and ports
- Funds currently being channeled into infrastructure (roads, ports, power generation facilities)

Despite structural challenges, Vietnam is the second largest supplier of Nike-branded products after China

Sri Lanka

Political

- Relatively low level of corruption (91/177)
- End of 26-years civil war presents growth opportunities

Economic

- Ease of Doing Business ranking superior to China (85/189)

Social/ Compliance

- Human Development Index ranking is superior to China (80/186)

Infrastructure /Climate

- High quality of overall infrastructure & ports

Mauritius

Political

- 80th percentile ranking
 - Political stability, regulatory quality, rule of law
- Low corruption level (52/177)

Economic

- Easiest place to do business in Sub-Saharan Africa (20/189)

Social/ Compliance

- Human Development Index ranking is superior to China (80/186)

Infrastructure /Climate

- Low vulnerability: natural disasters
- Quality of overall infrastructure is superior to China
- Quality of ports is high and cost to export is low

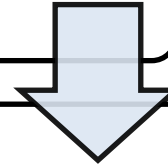
Agenda

- ✓ Departure from China
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- ☐ **Country Implementation**
- ☐ Traceability Implementation
- ☐ Marketing of Collegiate Apparel

Implementation Overview

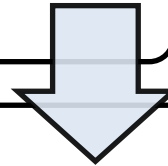
Shifting production out of China

- Divestiture of factories



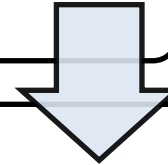
Shifting production to Vietnam

- Current location, current partner



Shifting production to Sri Lanka

- Current location, new factory



Shifting production to Mauritius

- New location, new factory

Shifting Production out of China (Short-Term)

When?

- Minimum of 6 months prior to the last scheduled production

Who?

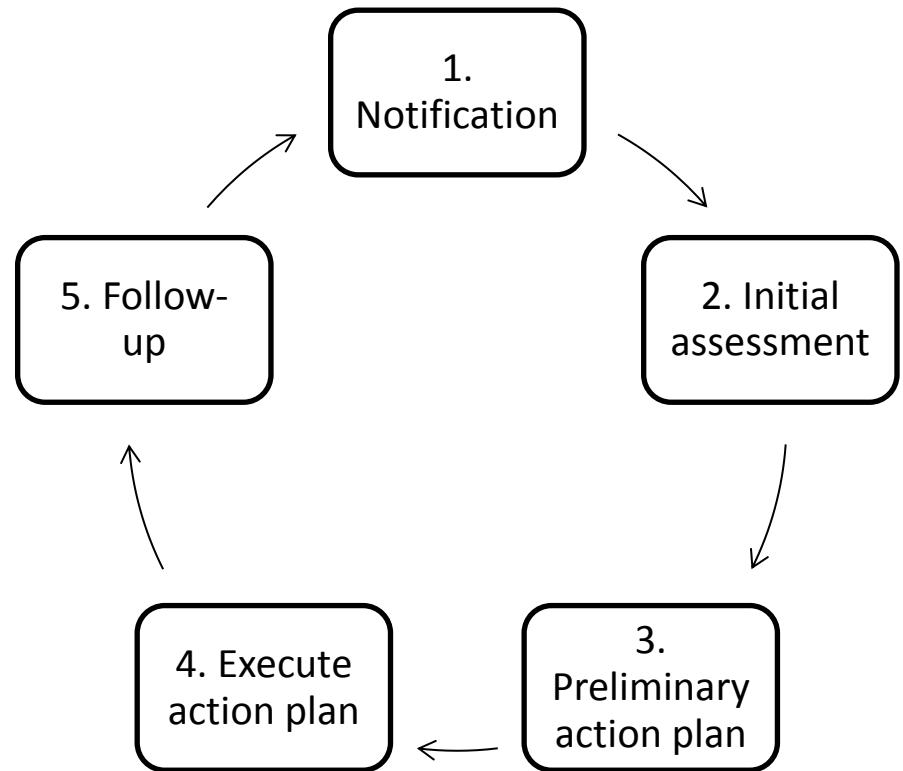
- Factory Exit Response Team (FERT)

How?

- 5-step Factory Divesture process

Order of Factory Divesture

- Based on Manufacturing Index rating
- Guangdong Esquel Textiles Company Ltd. will be last



Shifting Production to Vietnam

Manufacturer

- Esquel Group
 - Current partner, strong reputation, strategic fit
 - Operations in Sri Lanka and Mauritius

Factory

- Esquel Garment Manufacturing (Vietnam) Co., LTD in Thuan Ahn
- 2nd largest factory producing collegiate apparel in Vietnam (4600 line workers)



**Since staying with the same manufacturer has many benefits,
we will be using Esquel Group in Sri Lanka and Mauritius**

Shifting Production to Sri Lanka

When?

- Minimum 6 months before operations must begin

Who?

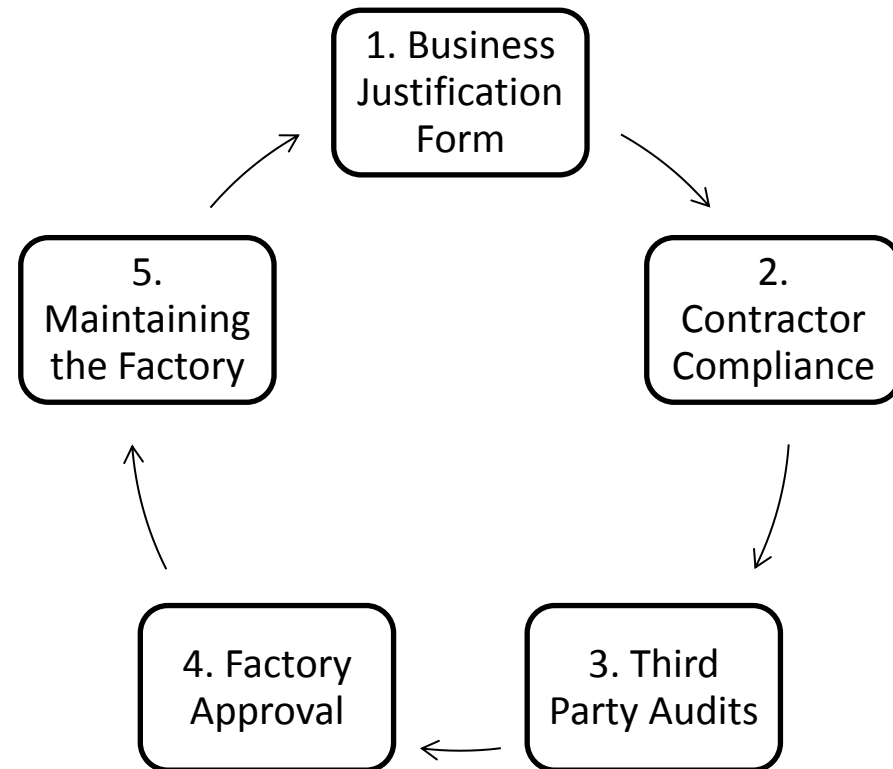
- Head of Supply Chain (manufacturing)
- Director of Sustainable Manufacturing & Sourcing

How?

- New Source Selection Process

Where?

- Polytex Garment Ltd.
 - Jaela
 - Kegalle
 - Koggala
 - Yakkala



Shifting Production to Mauritius

When

- Minimum 6 months before operations must begin
- Longer than Sri Lanka

Who

- Head of Supply Chain (manufacturing)
- Director of Sustainable Manufacturing & Sourcing (SM&S)
- SM&S Representative

How

- New Country Approval Process (Initial Step)
 - Review of Mauritius' environment, brand exposure, & infrastructure
- New Source Selection Process

Where

- Esquel (Mauritius) Ltd.
 - Beau Bassin
 - Flacq
 - Grand Bois
 - Goodlands

College Apparel Income Statement

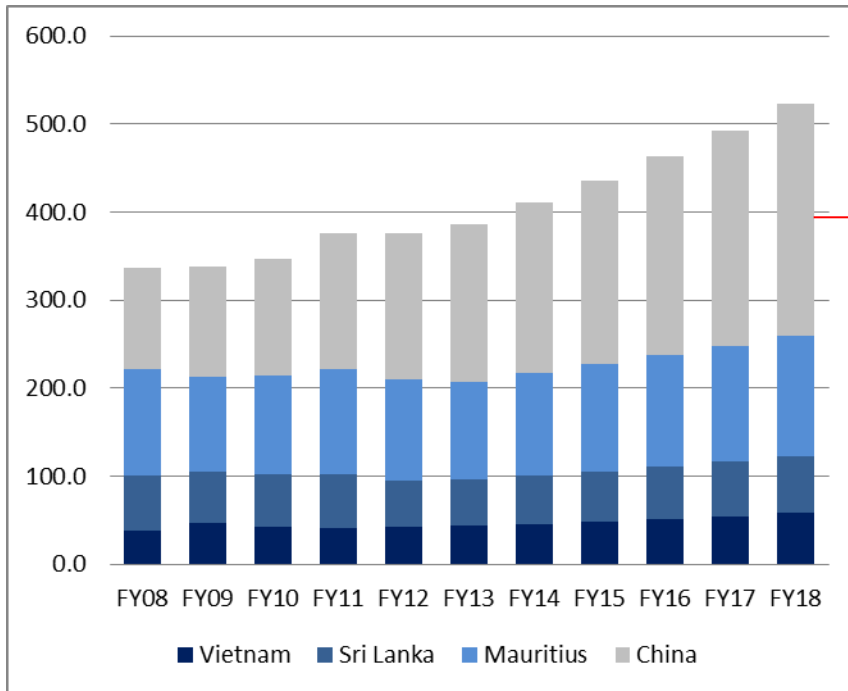
	FY13	FY14E	FY15E	FY16E	FY17E	FY18E	
College sales	Status Quo						CAGR
Revenues	1,728	1,883	2,052	2,237	2,439	2,658	9%
Royalties	173	188	205	224	244	266	
Growth		9%	9%	9%	9%	9%	
COGS	974	1,054	1,158	1,264	1,379	1,503	
Gross Profit	753	829	895	973	1,060	1,155	9%
Margin	44%	44%	44%	44%	43%	43%	
Selling Expenses	187	204	223	243	264	288	
G&A	344	375	408	445	485	529	
EBITDA	222	250	264	286	310	338	9%
D&A	27	29	32	35	38	41	
Interest (Income)	-	-	-	-	-	-	
EBT	196	221	232	251	272	297	
Income Tax	48	55	57	62	67	73	
Net Income	147	166	175	189	205	224	9%
Margin	9%	9%	9%	8%	8%	8%	

The increase Chinese labour inflation continues to depress margins

As China reaches US cost parity resulting in decreased margins, growth benefits dampen

Monthly Wages per Country

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Historical	Assumption
Vietnam	38.0	46.9	43.0	40.5	42.4	43.3	45.90	48.65	51.57	54.67	57.95	2.6%	6.0%
Sri Lanka	62.3	58.7	59.7	61.1	52.9	52.3	54.65	57.11	59.68	62.37	65.18	-3.4%	4.5%
Mauritius	120.8	107.5	111.6	119.7	114.4	111.9	116.38	121.03	125.87	130.91	136.14	-1.5%	4.0%
Average	73.7	71.0	71.4	73.8	69.9	69.2	72.31	75.60	79.04	82.65	86.42		
<i>Foreign cost</i>	88.4	85.2	85.7	88.5	83.9	83.0	86.77	90.72	94.85	99.18	103.71		
Premium	-23%	-31%	-36%	-43%	-50%	-54%	-55%	-57%	-58%	-59%	-61%		
China	115.1	124.4	132.9	154.8	166.7	179.2	193.54	209.02	225.74	243.80	263.30	9.3%	8.0%



The disparity between labour cost in China and other manufacturing countries has warranted a change in production location

The 9.3% YoY cost inflation accelerates future problems

Phased Shift in Production

Labour Cost	FY13	FY14E	FY15E	FY16E	FY17E	FY18E
Phased Shift						
<u>Status Quo (\$M)</u>						
China	27.77	30.14	32.00	35.48	38.49	41.76
<u>Production shift (\$M)</u>						
China	27.77	24.19	10.60			
Vietnam		1.32	1.40	1.45	1.49	1.53
Sri Lanka			1.14	1.83	1.80	1.77
Mauritius			4.50	7.26	7.30	7.33
Total (\$M)	27.77	25.51	17.64	10.53	10.59	10.64
Wage Saving	-	4.62	14.36	24.94	27.90	31.12

Phasing out production creates delayed effects yet increases efficiency

The gradual production shift can be seen in full effect by FY16

College Apparel Income Statement

	FY13	FY14E	FY15E	FY16E	FY17E	FY18E	
College sales	Production shift						CAGR
Revenues	1,728	1,866	2,052	2,237	2,438	2,658	9%
Royalties	173	187	205	224	244	266	
Growth		8%	10%	9%	9%	9%	
COGS	974	1,054	1,158	1,264	1,379	1,503	
Cost reduction		5	14	25	28	31	
Gross Profit	753	816	909	998	1,087	1,186	10%
Margin	44%	44%	44%	45%	45%	45%	
Selling Expenses	187	204	223	243	264	288	
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Interest (Income)	-	-	-	-	-	-	
EBT	196	191	247	276	300	328	
Income Tax	48	47	61	68	74	81	
Net Income	147	144	186	208	226	247	11%
Margin	9%	8%	9%	9%	9%	9%	

Lower Labour cost are a driving force of cost reduction

Labour cost Support Margins

Shifting production will sustain margins for the long term

Agenda

- ✓ Departure from China
- ✓ External/Internal Environment
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- ✓ Country Implementation
- ☐ **Traceability Implementation**
- ☐ Marketing of Collegiate Apparel

Traceability

What are our current efforts?

Already apart of many certification and associations as well as Nike's own initiatives:

- Fair Labour Trade
- Better Cotton Initiative
- Considered Index, Materials Sustainability Index, Footwear/Apparel Sustainability Index, Manufacturing Index
- . . .

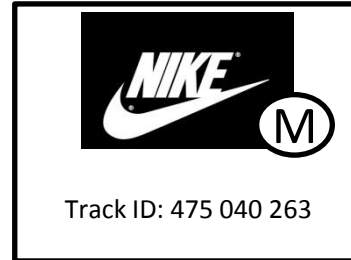
What more should be done?

Need to communicate to consumer

Use an online platform, where Nike will share select information regarding their products with their consumers

Traceability – Online Platform Implementation

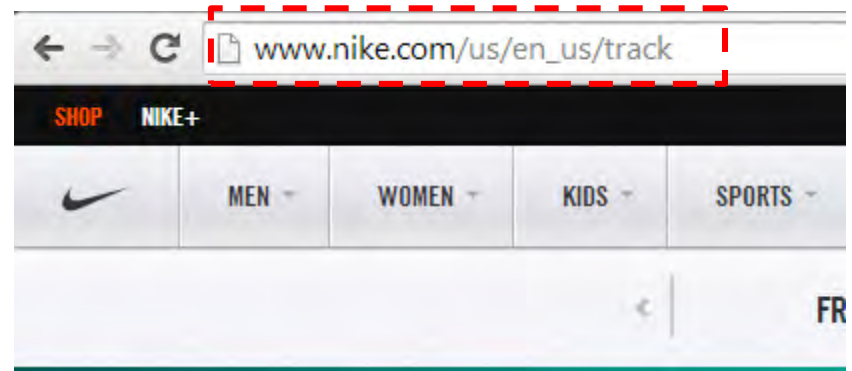
1



Get tracking code to the label of the t-shirt

2

Consumer heads to the website to enter the tracking code



Traceability – Online Platform Implementation

3

Meeting the farmers, mill and the manufacturing plant:

- The location
- The labor conditions
- Material sourcing methods



Feasible or Not ?

- 90 Plants across 15 Countries: Cannot trace all farms, mills and manufacturing
 - Information is not available
 - Lack of power over the manufacturer or farmer
 - High Turnover with Manufacturing Plants
- Pick a single manufacturer to work with to implement traceability and transparency effectively

Traceability – Online Platform Implementation

Chosen Manufacturer to Partner with to Obtain the Information: **Esquel Group**

Power

- Increase in 7,500 workers with the Sri Lanka, Mauritius and Vietnam production transfer
 - Which results in a 143% increase in Esquel's production of Nike products
- In the shifting schedule of the Chinese manufacturing to the new regions, Esquel's manufacturing facilities are the last to be divested

Self Desire

- OEKO-TEX STeP Certification (Level 3, highest classification)
- Gold Award of the Hang Seng Pan Pearl River Delta Environmental Awards
- Tammy Rodriguez – Director of Corporate Social Responsibility as been elected as Board Member of the board of FLA

Advantage initiative for both party, in addition will increase Nike's traceability with the consolidation of production with high reporting manufacturer

Agenda

- ✓ Departure from China
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- ✓ Country Implementation
- ✓ Traceability Implementation
- **Marketing of Collegiate Apparel**

Marketing of Nike Products

Should Nike's Commitment to Sustainability and Improved Labour Practices be in the Marketing of Nike Products?

YES

Why?

Consumers Want

Origin, Manufacturing Methods & Contents
of Products

College/University Educated Will Pay More

Fair Trade 30.6%

Organic 44.8%

Unique Selling Proposition

Limit Brand Switching

Female Sports Apparel

Tripled- exceeded \$350M FY12-13

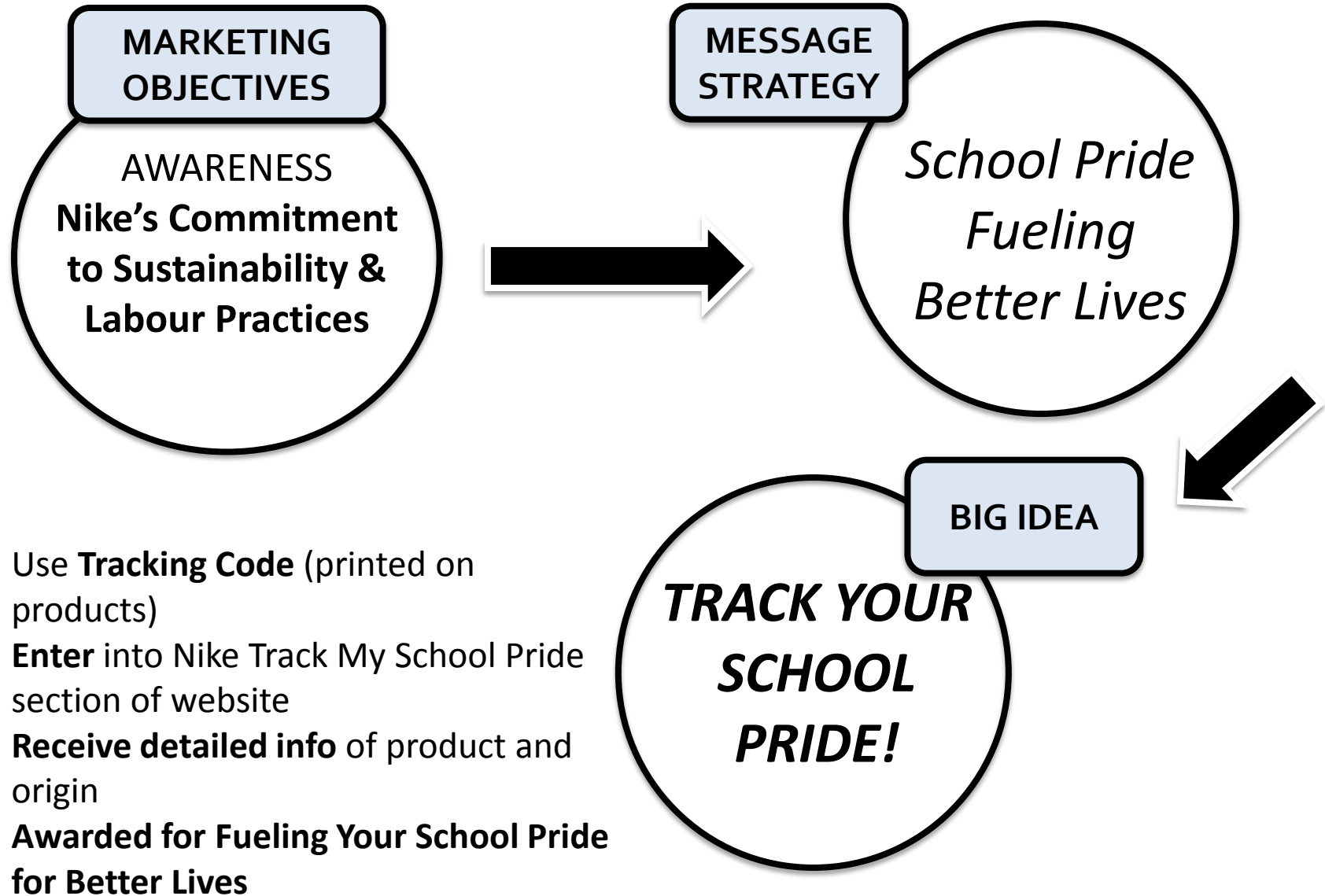
Pay More: Fair Trade & Sustainably Produced

Willing to Pay More

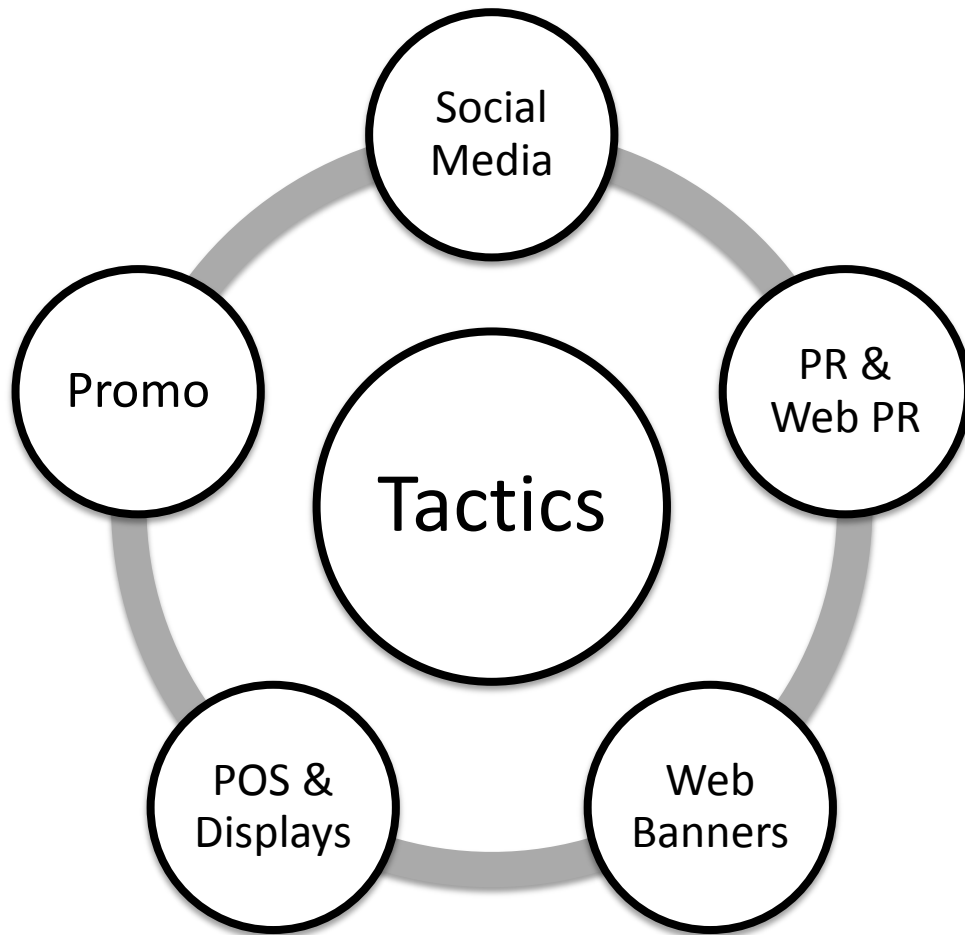
46% of Global consumers pay more for
companies that give back

**89 M Females Self-Identify
as College Sports Fans**

Building Consumer Awareness



School Pride Fueling Better Lives



TIMELINE

Website Section

Announcement Campaign

PR, Web PR, Bloggers, Social Media

POS Posters & End-Aisle Displays

Social Media Sharing

[#nikeschoolpride](#) [#justdidit](#)
[#fuelingbetterlives](#) [#nikejustdoit](#)

Promotion Buy 3 School Pride Sustainable Products-10% off DTC

Conclusion

1

Recommend 3 countries for Nike to shift its production

2

Recommend ways to implement traceability

3

Building consumer awareness

Strategic shift of production of collegiate apparel from China to **Mauritius, Sri Lanka and Vietnam** by partnering with **Esquel** who will allow Nike to implement **online platform** traceability initiative

Through our recommendation, we sustain future Gross Margins, increase Net Income by 10.4%, while strengthening our traceability and sharing our commitment to sustainable and improved labor practices with our consumers

Thank you, questions?

Nike

Traceability

Country Selection

Manufacturer
Selection

Marketing

Financials

Nike

Efforts

Code of Conduct

Factories

Manufacturing Index

New Source
Selection Process

Nike Divesture Steps

Efforts

- Helped found the Fair Labour Association (FLA)
- Moved from only having a Code of Conduct for factories to monitoring its factories and collecting environmental and labor data
- Moved the Corporate Responsibility team further up upstream in the corporate decision-making process
- Developed multiple indexes to rate its sustainability practices and those of its independent contract manufacturers (CI, MSI, FSI, ASI, MI and CRI)

Nike's Code of Conduct

EMPLOYMENT is VOLUNTARY

The contractor does not use forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor. The contractor is responsible for employment eligibility fees of foreign workers, including recruitment fees.

EMPLOYEES are AGE 16 or OLDER

Contractor's employees are at least age 16 or over the age for completion of compulsory education or country legal working age, whichever is higher. Employees under 18 are not employed in hazardous conditions.

CONTRACTOR does NOT DISCRIMINATE

Contractor's employees are not subject to discrimination in employment, including hiring, compensation, promotion or discipline, on the basis of gender, race, religion, age, disability, sexual orientation, pregnancy, marital status, nationality, political opinion, trade union affiliation, social or ethnic origin or any other status protected by country law.

FREEDOM of ASSOCIATION and COLLECTIVE BARGAINING are RESPECTED

To the extent permitted by the laws of the manufacturing country, the contractor respects the right of its employees to freedom of association and collective bargaining. This includes the right to form and join trade unions and other worker organizations of their own choosing without harassment, interference or retaliation.

COMPENSATION is TIMELY PAID

Contractor's employees are timely paid at least the minimum wage required by country law and provided legally mandated benefits, including holidays and leaves, and statutory severance when employment ends. There are no disciplinary deductions from pay.

HARASSMENT and ABUSE are NOT TOLERATED

Contractor's employees are treated with respect and dignity. Employees are not subject to physical, sexual, psychological or verbal harassment or abuse.

WORKING HOURS are NOT EXCESSIVE

Contractor's employees do not work in excess of 60 hours per week, or the regular and overtime hours allowed by the laws of the manufacturing country, whichever is less. Any overtime hours are consensual and compensated at a premium rate. Employees are allowed at least 24 consecutive hours rest in every seven-day period.

REGULAR EMPLOYMENT is PROVIDED

Work is performed on the basis of a recognized employment relationship established through country law and practice. The contractor does not use any form of home working arrangement for the production of Nike-branded or affiliate product.

The WORKPLACE is HEALTHY and SAFE

The contractor provides a safe, hygienic and healthy workplace setting and takes necessary steps to prevent accidents and injury arising out of, linked with or occurring in the course of work or as a result of the operation of contractor's facilities. The contractor has systems to detect, avoid and respond to potential risks to the safety and health of all employees.

ENVIRONMENTAL IMPACT is MINIMIZED

The contractor protects human health and the environment by meeting applicable regulatory requirements including air emissions, solid/hazardous waste and water discharge. The contractor adopts reasonable measures to mitigate negative operational impacts on the environment and strives to continuously improve environmental performance.

The CODE is FULLY IMPLEMENTED

As a condition of doing business with Nike, the contractor shall implement and integrate this Code and accompanying Code Leadership Standards and applicable laws into its business and submit to verification and monitoring. The contractor shall post this Code, in the language(s) of its employees, in all major workspaces, train employees on their rights and obligations as defined by this Code and applicable country law; and ensure the compliance of any sub-contractors producing Nike branded or affiliate products.

New Source Selection Process

Objective: optimize the existing source base, eliminate duplication, eliminate the need to introduce a new risk to the Nike, Inc. supply base and determine the need to introduce a new factory to the existing licensee source base

1. **Business Justification:** What competitive advantage does this vendor provide that we do not currently have in our existing source base? (Price, Quality, Delivery, Product type)
2. **Contractor Compliance Profile**
3. **Monitoring visits from independent professional monitoring organizations:** Assess the contractor's current level of compliance with the local law, as well as their potential for continuous improvement in the areas of local compliance and Nike, Inc.'s Code of Conduct.
4. **Factory Approval:** Production may only begin after the contract factory has achieved a Bronze Labor rating, a HSE score of 67% or higher
5. **Maintaining the factory:** Ongoing monitoring and remediation

Nike Inc. Factory Divestiture Steps

1. Notification, both internally to Nike, Inc. via the exit brief - **a minimum of 6 months prior to the last scheduled production** - and externally, to the factory advising in writing your intent to exit;
2. Initial assessment, including the impact to the worker;
3. Determine divestiture risk as routine or, needing the Factory Exit Response Team (FERT)/preparing the preliminary action plan;
4. Execution of the action plan;
5. Post decision/follow-up.

We can minimize the impact to **the factory** and **the worker** through responsible divestiture

Factories

China

Vietnam

Sri Lanka

Nike's Collegiate Apparel Factories: China

Factory Name	Line Workers
GUANGDONG ESQUEL TEXTILES COMPANY LTD	5326
NINGBO SHENZHOU KNITTING CO. LTD. -#6 GARMENT FACTORY	2825
FAR EASTERN APPARAL (SUZHOU) LTD. CO	1149
JIANGSU ASIAN SOURCING HEADWEAR MFG.CO.LTD	799
YUANTIAN KNITTING GARMENTS CO., LTD	692
TMI ZHONGSHAN CO LTD	619
FUJIAN FUTIAN GARMENTS CO., LTD.	600
NINGBO ISUN FASHION CO., LTD	359
NINGBO EASTEX	324
QINGDAO RUIHE KNITTING	223

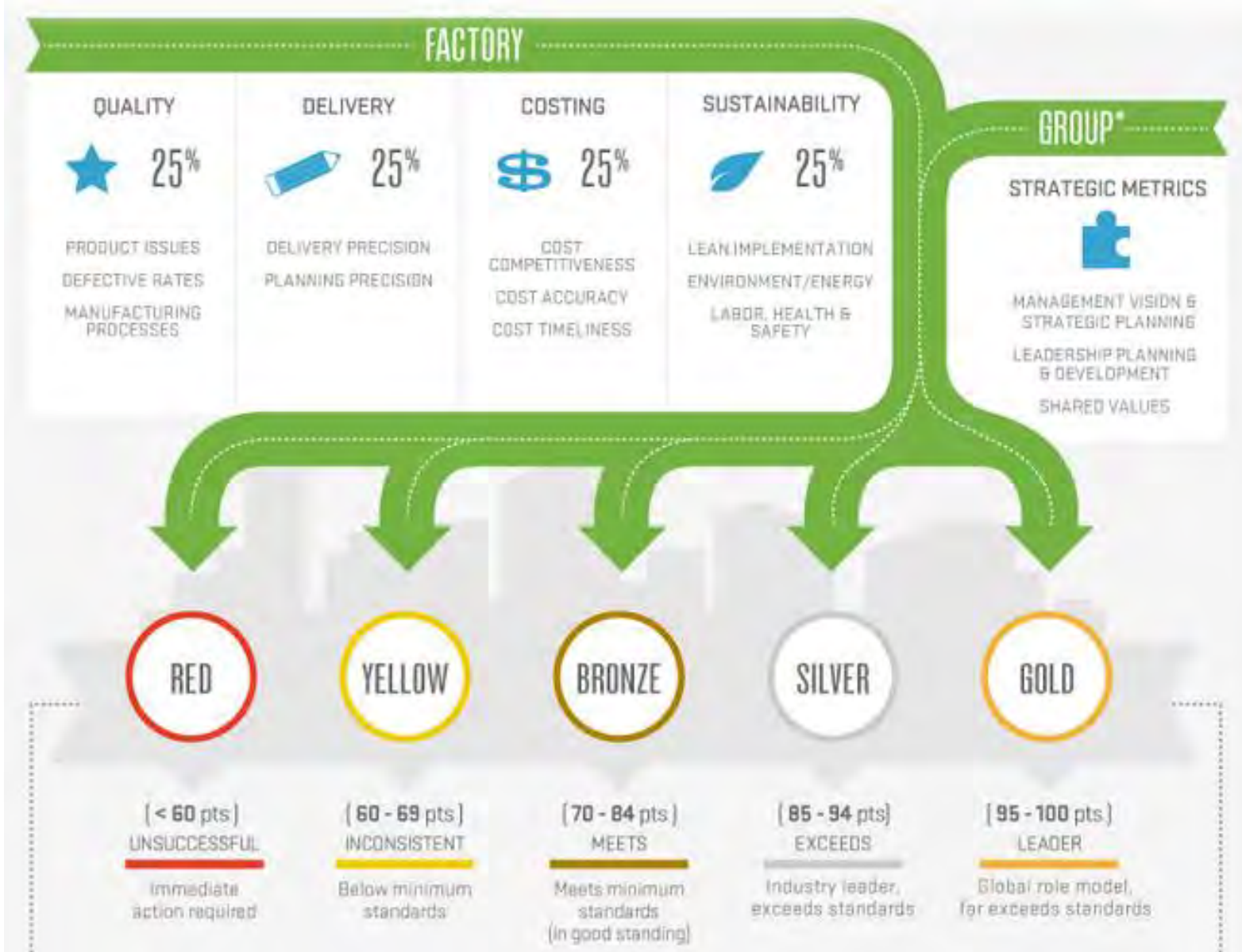
NIKE's Collegiate Apparel Factories: Vietnam

Factory Name	Line Workers
HANSAE VIET NAM CO., LTD.	9450
ESQUEL GARMENT MANUFACTURING (VIETNAM) CO., LTD	4600
FAR EASTERN APPAREL (VIETNAM) LIMITED	2832
VIET TIEN GARMENT CORPORATION	2518
YUPOONG VIET NAM	1912
CCH TOP (VN) CO., LTD.	1836
VINH HUNG - JOINT VENTURE CO., LTD (TMI VIETNAM)	1826
UNIPAX CO., LTD	1658
MOLAND CO., LTD	1615
GREEN VINA	999
UNITED SWEETHEARTS GARMENT (VIETNAM) CO., LTD.	866
MAXPORT J.S.C	425
I.S VIETNAM CO., LTD	218
S.J VINA CORPORATION	211

NIKE's Collegiate Apparel Factories: Sri Lanka

Factory Name	Line Workers
MAS ACTIVE (PVT.) LTD. - LINEA INTIMO	1481
MAS ACTIVE (PVT) LTD - CONTOURLINE DIVISION	1436

Manufacturing Index



Source: Nike Inc.

Traceability

Why traceability?

Esquel Group

Third Party
Certifier/Participating
Groups

String Together

Becoming a Certified
Farmer

Traceability Process

Major Textile (Collegiate
Apparel)

Other Partner
Consideration

Polyester
Manufacturing

Why Traceability?

- With consumers becoming increasingly demanding with regard to the origin, manufacturing methods and contents of the products they buy, product labels are playing an ever more important role in buying decisions and are the subject of ever more stringent regulations
- Undoubtedly influenced by increasing reports about poor living and working conditions in third world countries and a desire to offer a fair price to producers, as many as 43% of respondents globally said they would pay more for “fair trade” products



Increased demand for traceability and transparency, if it can be prove consumers are willing to pay a premium



Through this initiative we will provide the consumer with what they want and benefit from the premium

Third Party Certifier/Participating Groups

Fair Labour Trade

Better Cotton
Initiative

Fair Labour Trade



- Already a participating company
- Code of Conduct across their supply chains
- Conducting external assessments so that consumers can be assured of the integrity of the products they buy
- Creating a space for CSOs to engage with companies and other stakeholders to find viable solutions to labor concerns

Source: Fair Labour Trade

Better Cotton Initiative



- Already a participating member (Pioneer member)
- Share the risk as BCI scales up and invest significant amounts both in global capacity and for farmer support
- As leading BCI members and key investors in supply creation, Nike participate in investment decisions on farmer support, and have the opportunity to feed procurement requirements into decisions on supply geography
- In communications, Nike is identified as a leader

Becoming an Certified Farmer

1. Submit application to accredited independent 3rd party certifier
2. Develop Farm Plan for Ecosystem Management
3. Develop an Internal Control System, includes record keeping
4. Annual Inspections by certifier
5. Transition period of 2-3 years depending on standard

Source: Textile Exchange

Major Textile (Collegiate Apparel)



Cotton	80%
Polyester	20%



Cotton	100%
--------	------



Polyester	100%
-----------	------

Polyester Manufacturing

Steps

1. **Polymerization:** Condensation polymerization occurs when the acid and alcohol are reacted in a vacuum at high temperatures. The polymerized material is extruded in the form of a ribbon onto a casting trough or cooling wheel. After the ribbon hardens, it is cut into chips.
2. **Spinning :**The chips are dried and then put into hopper reservoirs for melting. Polyester is a "melt spun" fiber, which means that it is heated, extruded through the spinnerets, and cools upon hitting the air. From there it is loosely wound around cylinder
3. **Drawing:** The fibers are then hot stretched until they are about five times their original length in order to decrease their width. The fiber is then wound onto cones as filaments or is crimped and then is cut into staple lengths.

Man made material , does not involve harvesting unlike cotton

Nike has very stringent labor policy in place (in order to determine their manufacturer) therefore Nike is covered on that front

Esquel Group

OEKO-TEX STeP Certification

Hang Seng Pan Pearl River Delta
Environmental Award

OEKO-TEX STeP Certification

- Attained the OEKO-TEX® STeP Certification, Level 3, which is the highest classification, for its environmentally friendly production and applying socially responsible policies thoroughly in the textile processing chain
- Esquel is the first textile enterprise in the country to be granted with this new certification
- STeP, short for Sustainable Textile Production, was launched in July 2013 by Oeko-Tex Association with an advanced set of assessment standards to replace its existing Oeko-Tex Standard 1000
- STeP investigates environmental management and the fulfillment of social responsibility of textile companies
- Oeko-Tex Association has appointed TESTEX, a Switzerland-based Swiss Textile Testing Institute for the audits to ensure Esquel's manufacturing processes complies with the requirements of STeP and its 6 modules of assessment, including chemicals, environmental performance, environmental management, social responsibility, quality management and safety

Source: Esquel Group

Hang Seng Pan Pearl River Delta Environmental Award

- Esquel has been recently accorded the “Gold Award” of the Hang Seng Pan Pearl River Delta Environmental Awards
- The Awards, jointly organized by the Federation of Hong Kong Industries and Hang Seng Bank, aim to recognize and promote sound environmental practices adopted by companies operating in the Pan Pearl River Delta region
- One of the highlights among the 18 submitted projects is the advanced waste water treatment/recycling system, which is able to treat part of the wastewater to a level that is potable and reusable in its production process
- Over the years, Esquel Group have built a strong reputation as a responsible and green company
- We invest heavily on adopting advanced technology and innovative manufacturing practices and have aggressively curtailed our water and energy consumption by 61% and 46% between 2005 and 2013 respectively

Source: Esquel Group

String Together

What is String Together
& How Does it Work?

Reason for Rejection

What is String Together & How Does it Work?



What?

String is an online platform, where organisations in the extended supply chain can share selected information related to the products they make with the customers who buy them.

How Does it Work?

- Every company that uses the String platform records information about their product, including the suppliers they use, the processes they run and the finished products they make
- They use their usual batch or lot numbers and production records to complete this data, and then send the data to their customer via String when the products are shipped
- String links all of these pieces of data together to form one long product history
- Push vs. Pull Method

Reasons for Rejections

1. Failure with Adidas because of the costs and complexity of the supply chain (implementation)
2. No ease of use, company gets a log in to access the data then must export to post on website

Traceability Process



Cotton Field



Cotton Harvesting



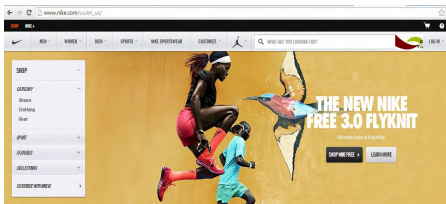
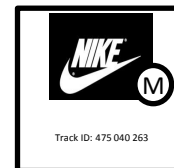
Cotton Bales Assigned a Tracking ID



Cotton Mills Keep the assigned Tracking ID



Apparel of the same Batch have the same ID



Consumer can use the code on the Website

Traceability Partner – Other Consideration

Far Eastern Apparel:

The first garment factory invested by Taiwan Far-East Group in mainland China in 1996.

Nike factories:

- Suzhou, China
- Thuan An, Vietnam



Esquel Group is the best choice as Nike wants to broaden its impact in the industry

Country Selection

Major Textiles

Political Indicators

Quality of Port
Infrastructure

Nike: Ranking
Organic Cotton

Forecasted Growth

Producing in the U.S.

Cotton Supply

Ease of Doing
Business Index

Producing in Mexico

Organic Cotton
Supply

Human
Development Index

Producing in India

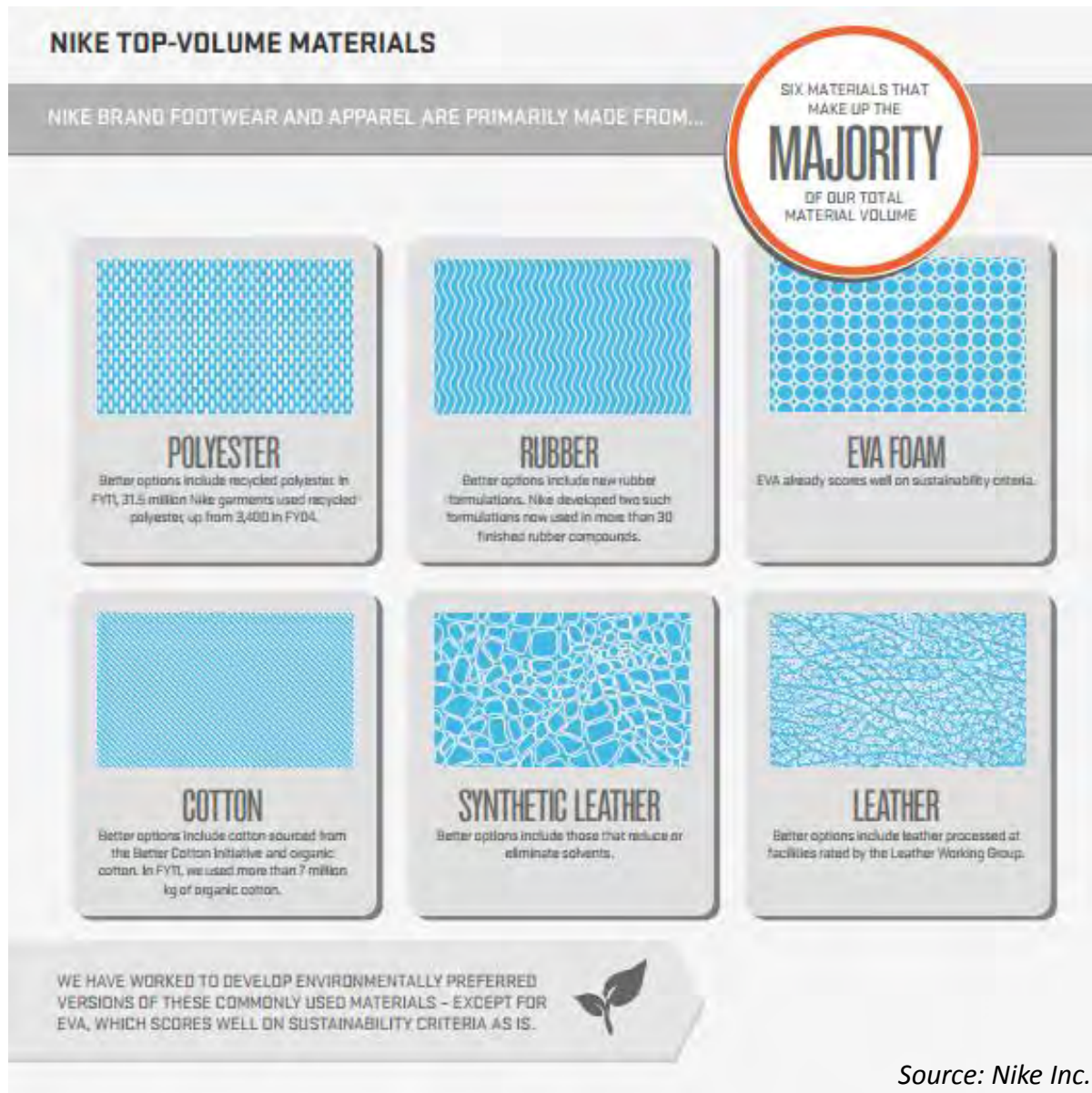
Mapping Countries
and Supply

World Risk Index

Nike's Country Risk
Index

Quality of Overall
Infrastructure

Major Textiles



Source: Nike Inc.

Nike: Ranking Organic Cotton

Top Ten Organic Cotton Users					
	2007	2008	2009	2010	2011
1	Walmart/Sam's Club	Walmart/Sam's Club	C&A	H&M	H&M
2	Nike, Inc.	C&A	Nike, Inc.	C&A	C&A
3	Coop Switzerland	Nike, Inc.	Walmart/Sam's Club	Nike, Inc.	Nike, Inc.
4	C&A	H&M	Williams-Sonoma, Inc.	Inditex (Zara)	Inditex (Zara)
5	Woolworth's South Africa	Inditex (Zara)	H&M	adidas	Anvil Knitwear
6	Anvil Knitwear	Anvil Knitwear	Anvil Knitwear	Greensource	prAna
7	Coop Switzerland	Coop Switzerland	Coop Switzerland	Anvil Knitwear	PUMA
8	Greensource	Pottery Barn	Greensource	Target	Williams-Sonoma, Inc.
9	Levi Strauss & Co.	Greensource	Levi Strauss & Co.	Disney Consumer Products	Target
10	Target	hessnatur	Target	Otto Group	Otto Group

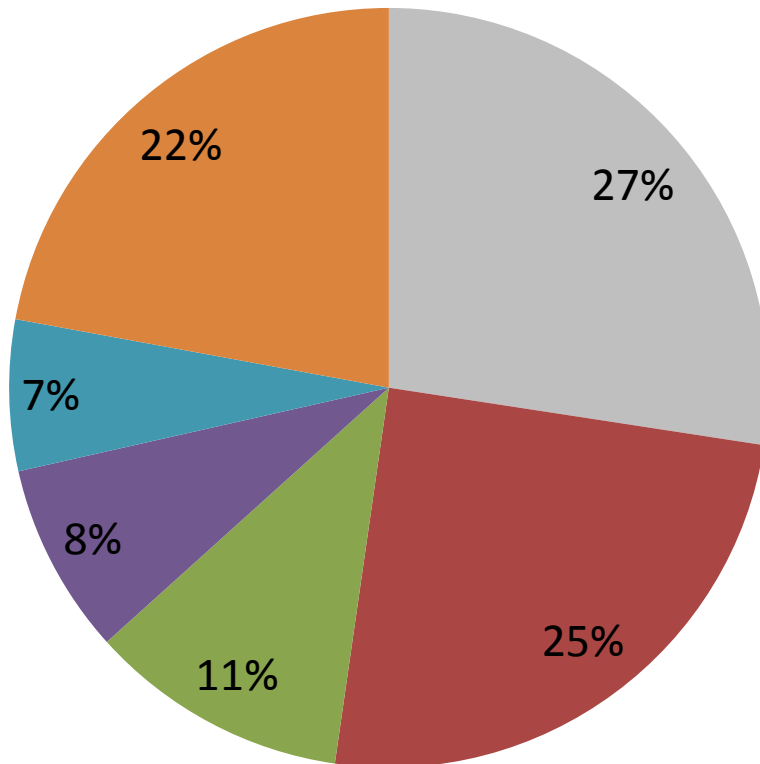
Source: Textile Exchange

- More than 16 million pounds of organic cotton in 2011

- Goal: Target to source 100 percent sustainably grown cotton (better cotton or organic) by 2020

Need to shift production to a location near an elevated supply of organic cotton and it is grown in a “better environment”

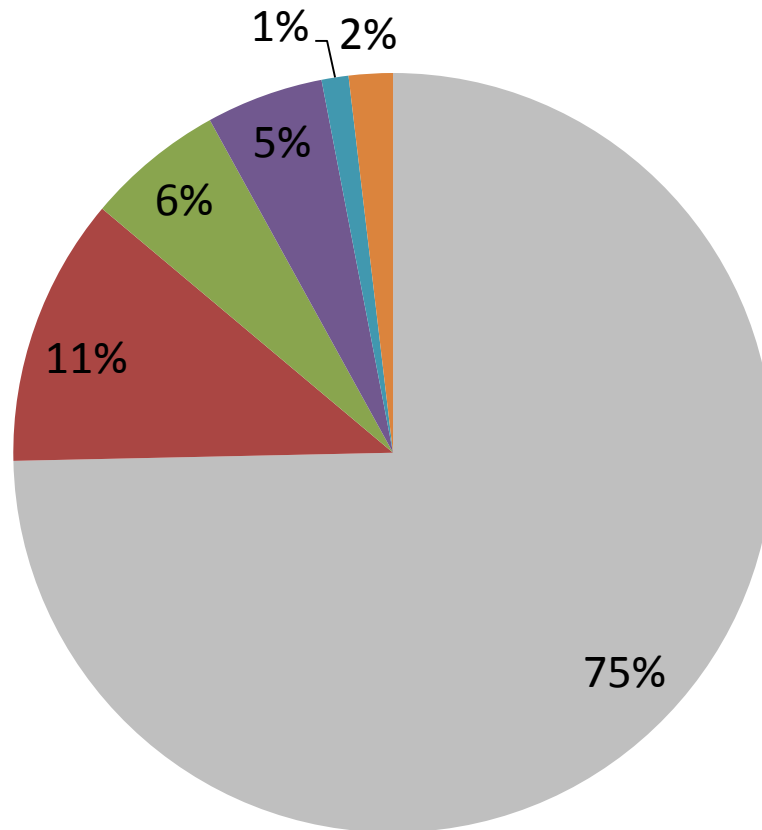
Cotton Supply – World's Organic Cotton Supply



Country	Quantity (mb – 480lb per bales)
China	32
India	29
United States	12.9
Pakistan	9.5
Brazil	7.5
Other	25.8

Source: Cotton Incorporated

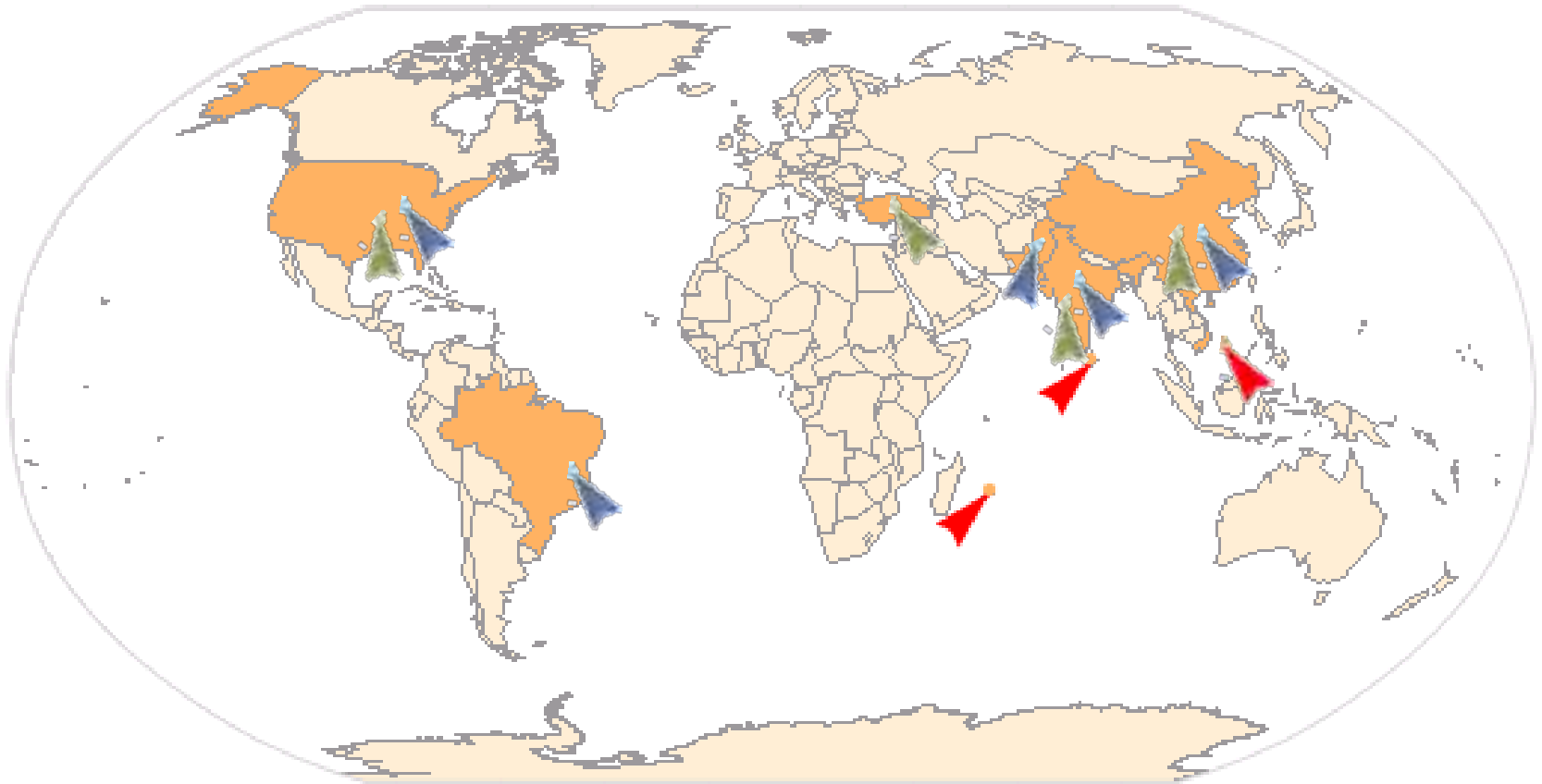
Organic Cotton Supply – World's Organic Cotton Supply






Country	Quantity (mt)
India	103,004
Turkey	15,802
China	8,106
Tanzania	6,891
USA	1,580
Other	2,584

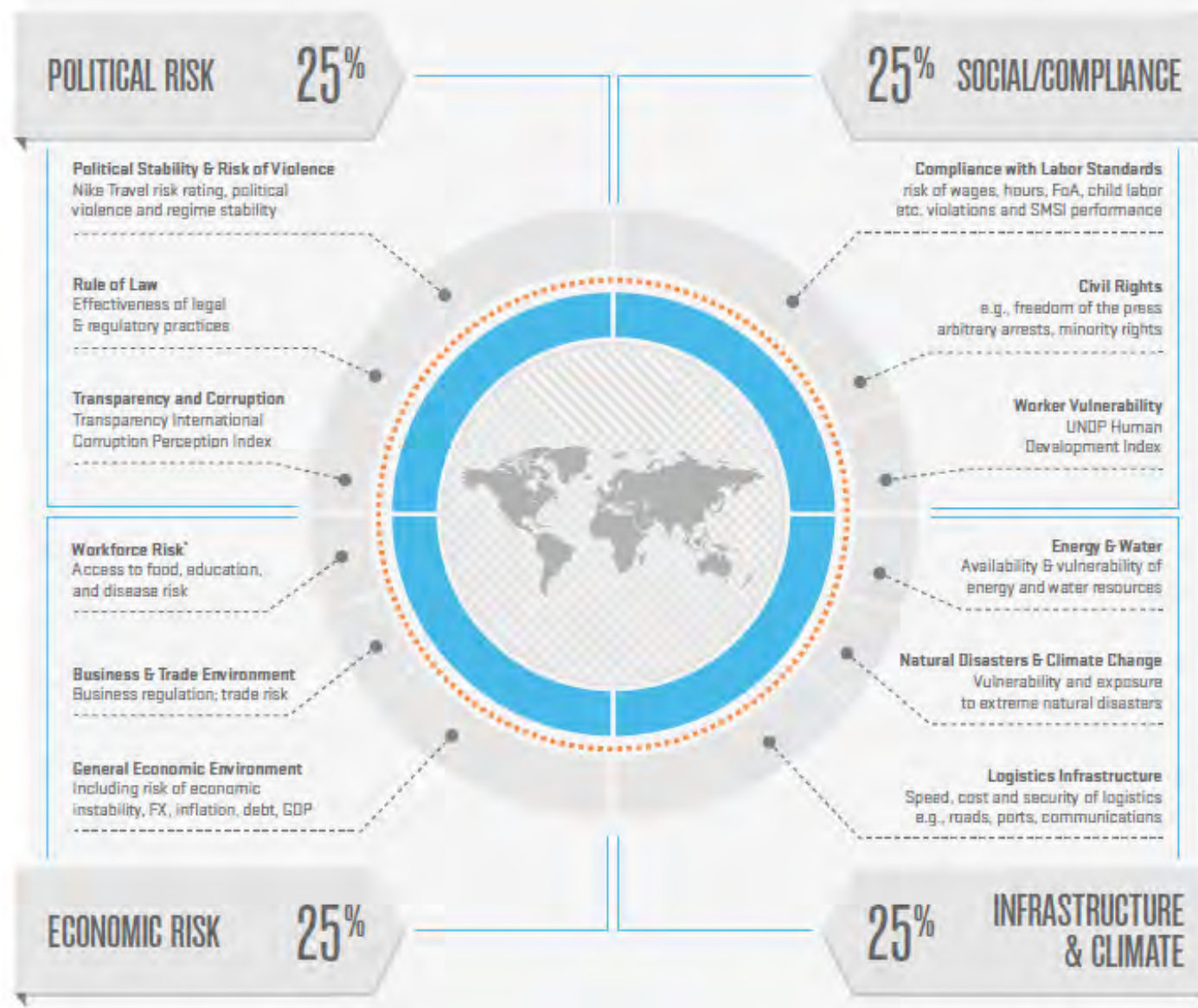
Source: Textile Exchange

Mapping Countries and Supply



Legend	
Selected Countries	
Production of Cotton	
Production of Organic Cotton	

Nike's Country Risk Index



Source: Nike Inc.

Political Indicators

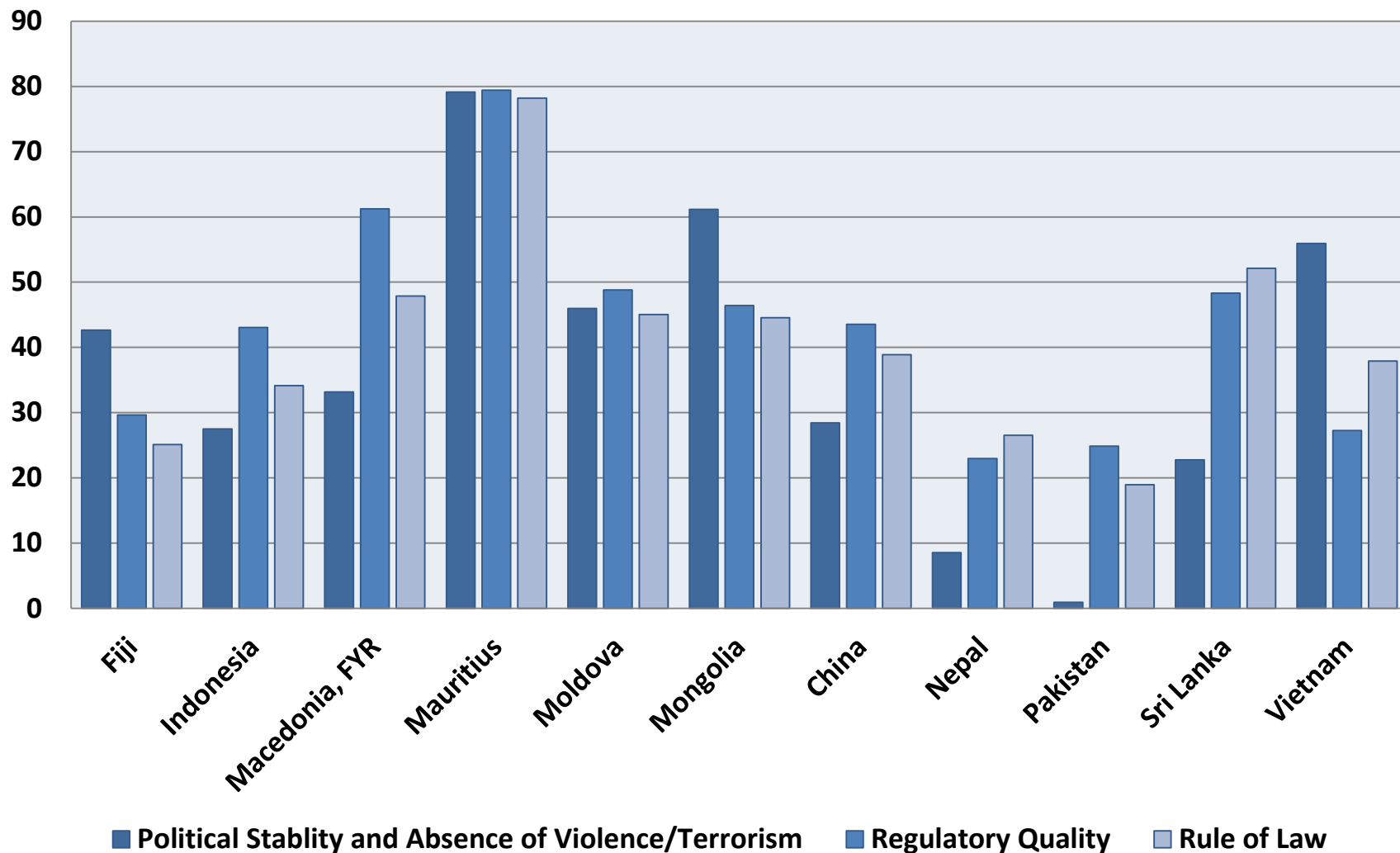
Rankings

Defined

Corruption
Perception Index

Political Indicators - Rankings

Based on percentile rank:



Political Indicators - Defined

Political Stability & Absence of Violence/Terrorism

- Likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism

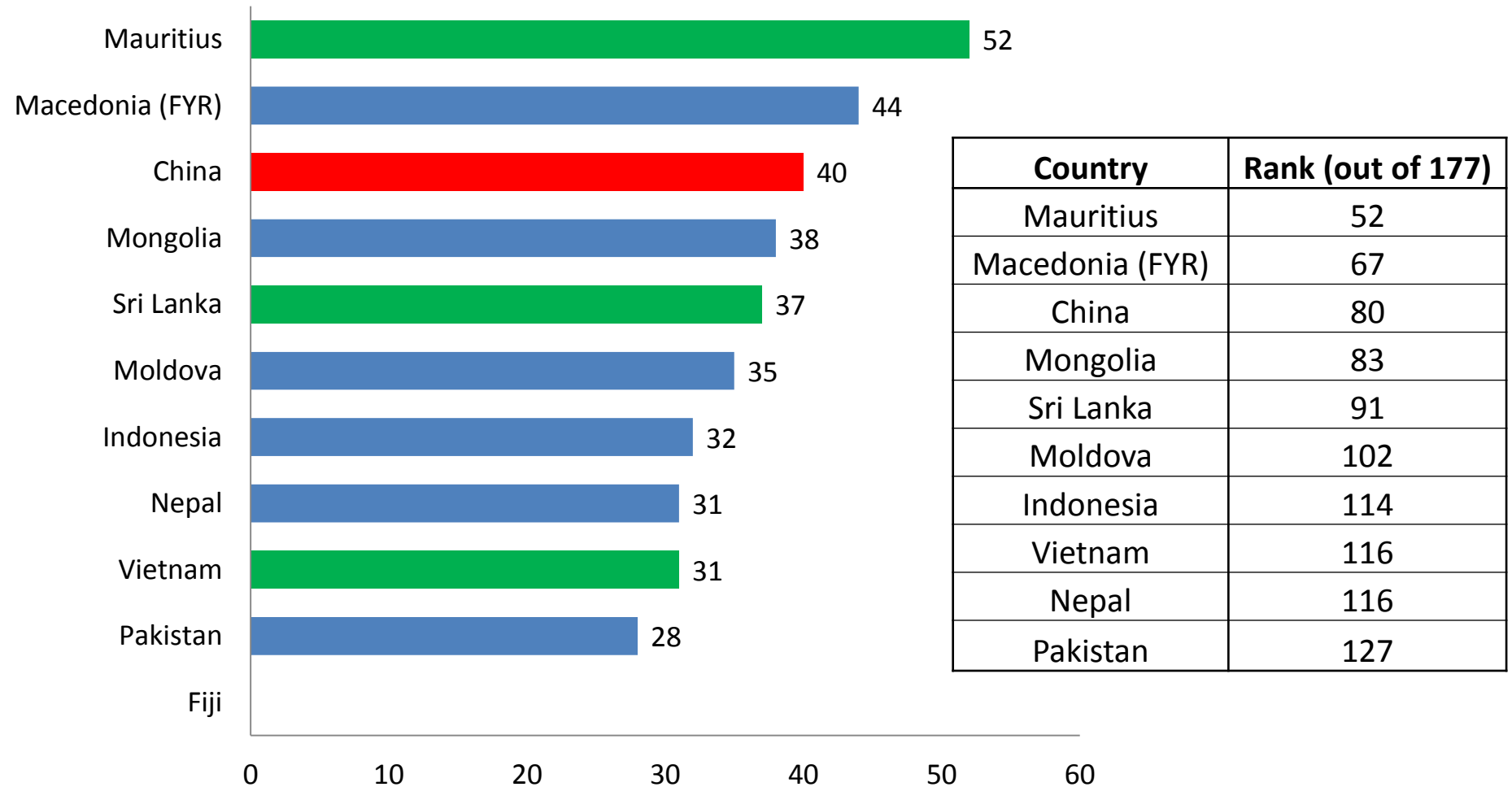
Regulatory Quality

- Ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of Law

- Extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Corruption Perception Index

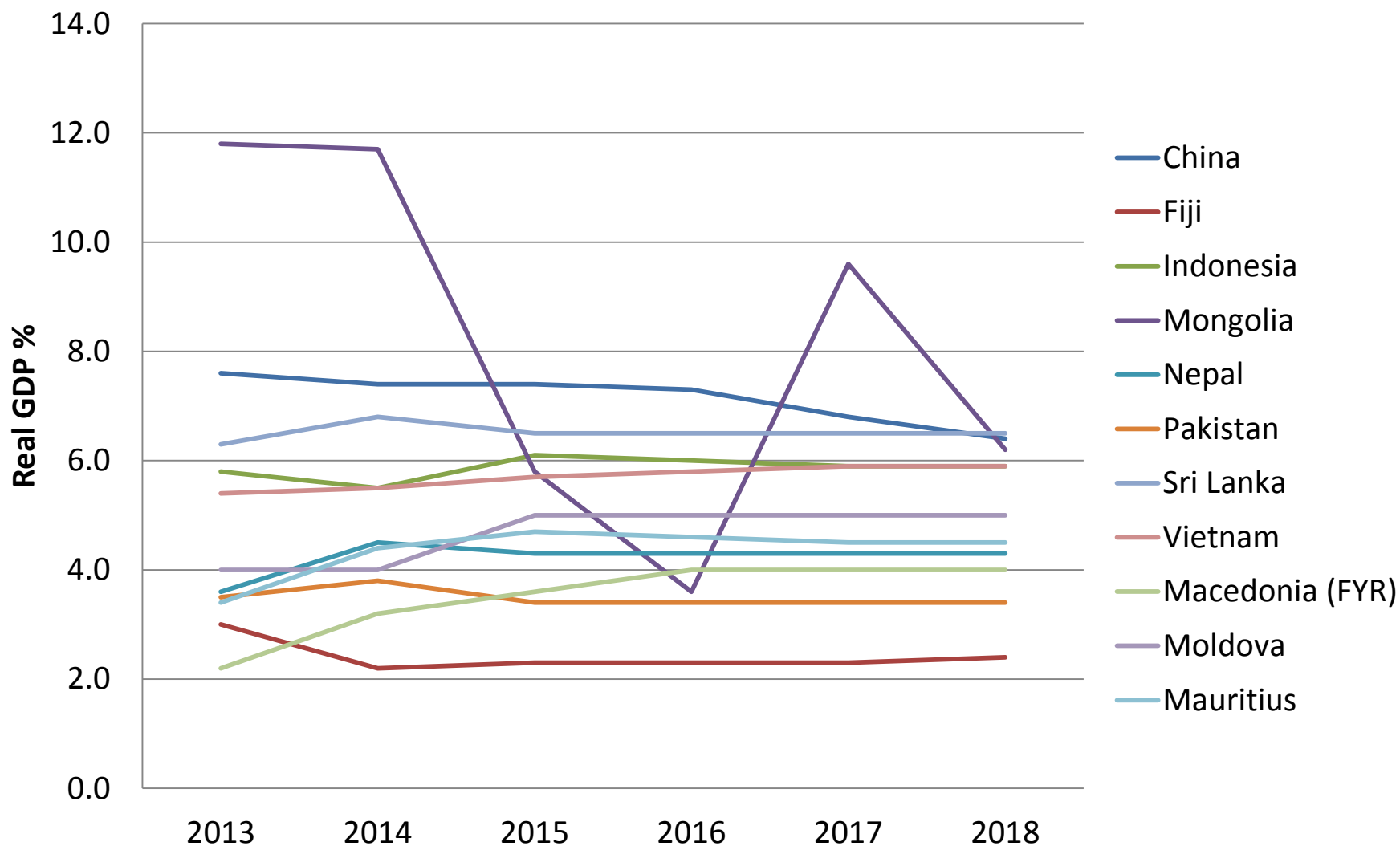


Forecasted Growth

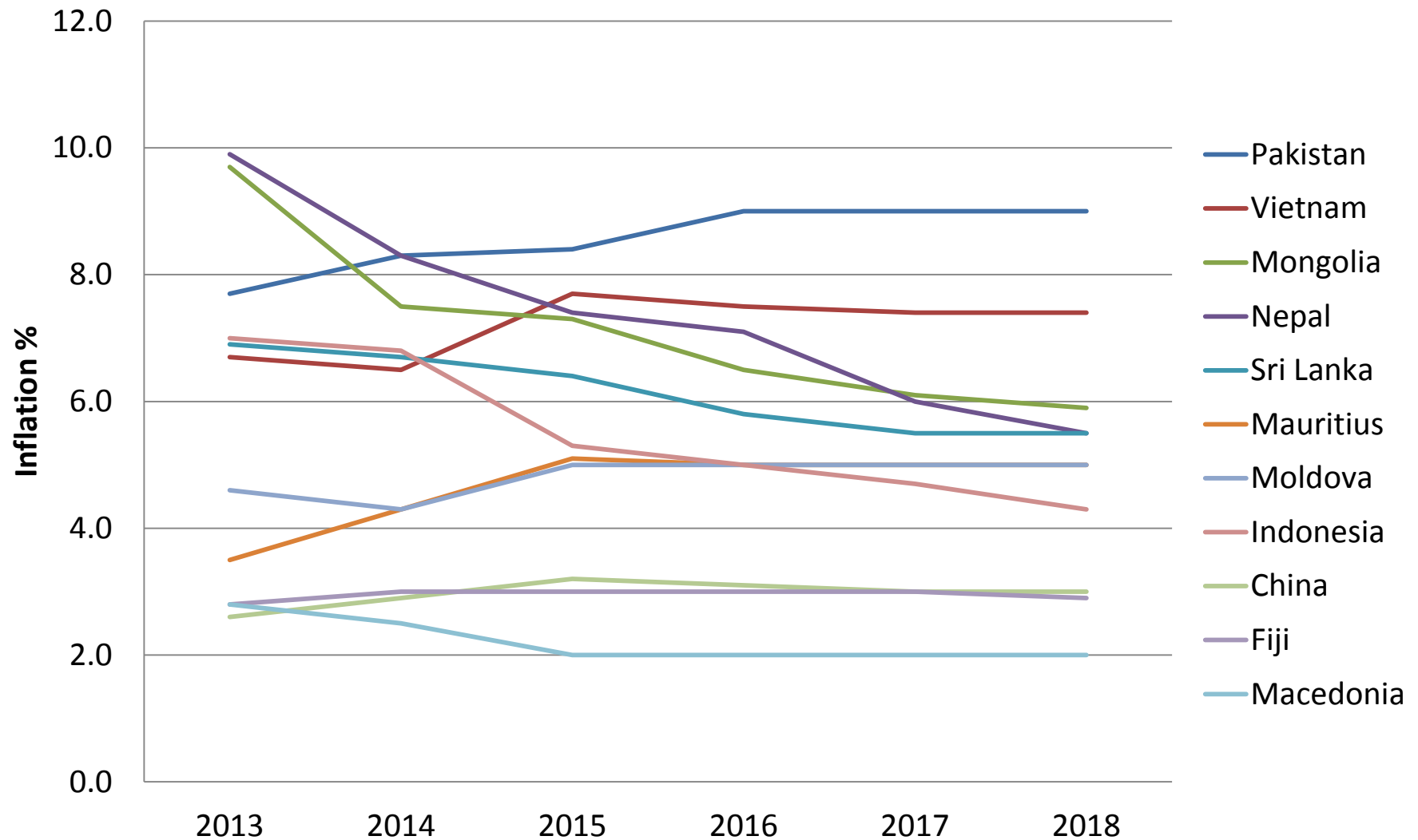
Real GDP

Inflation

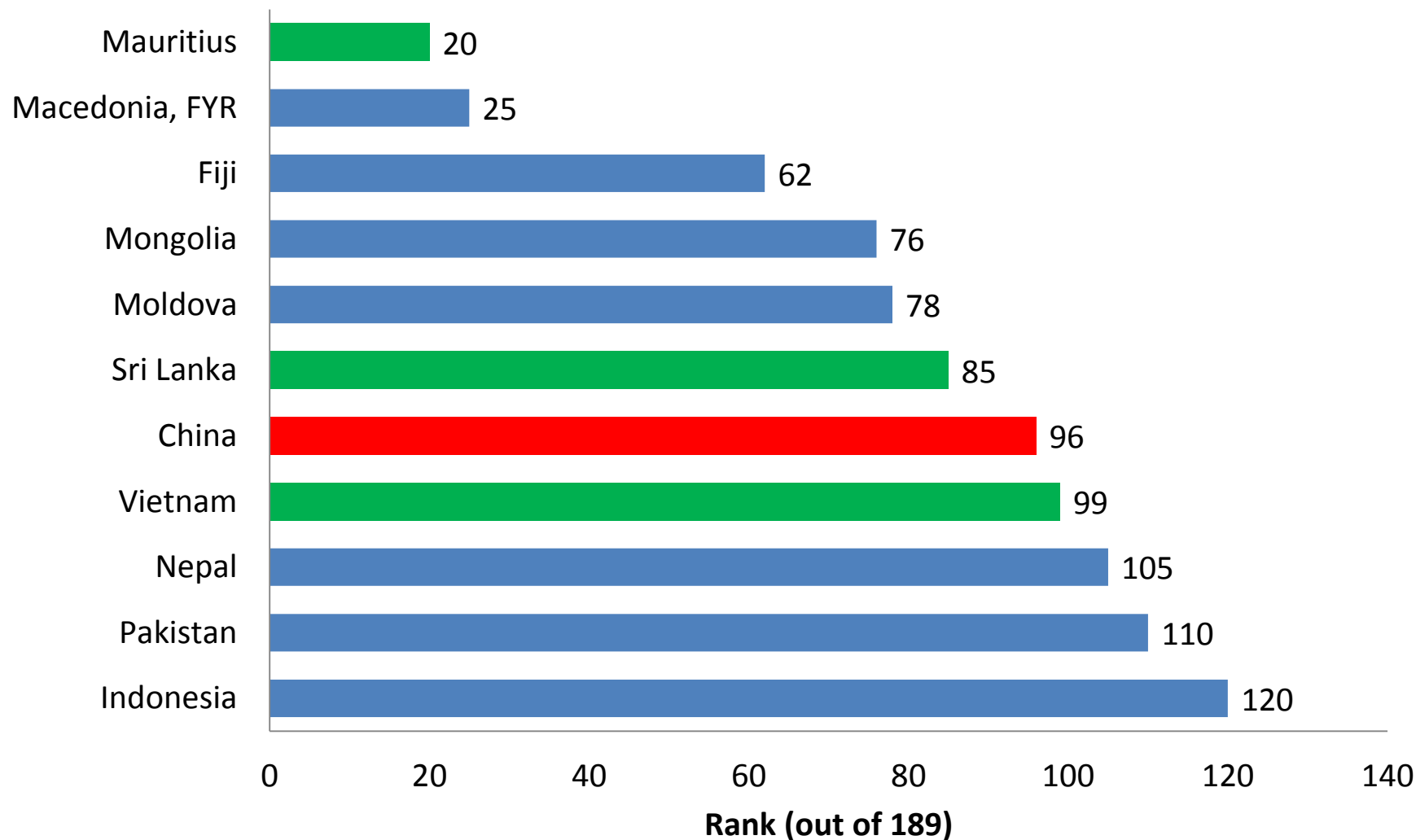
Real GDP – Forecasted Growth



Inflation - Forecasted Growth

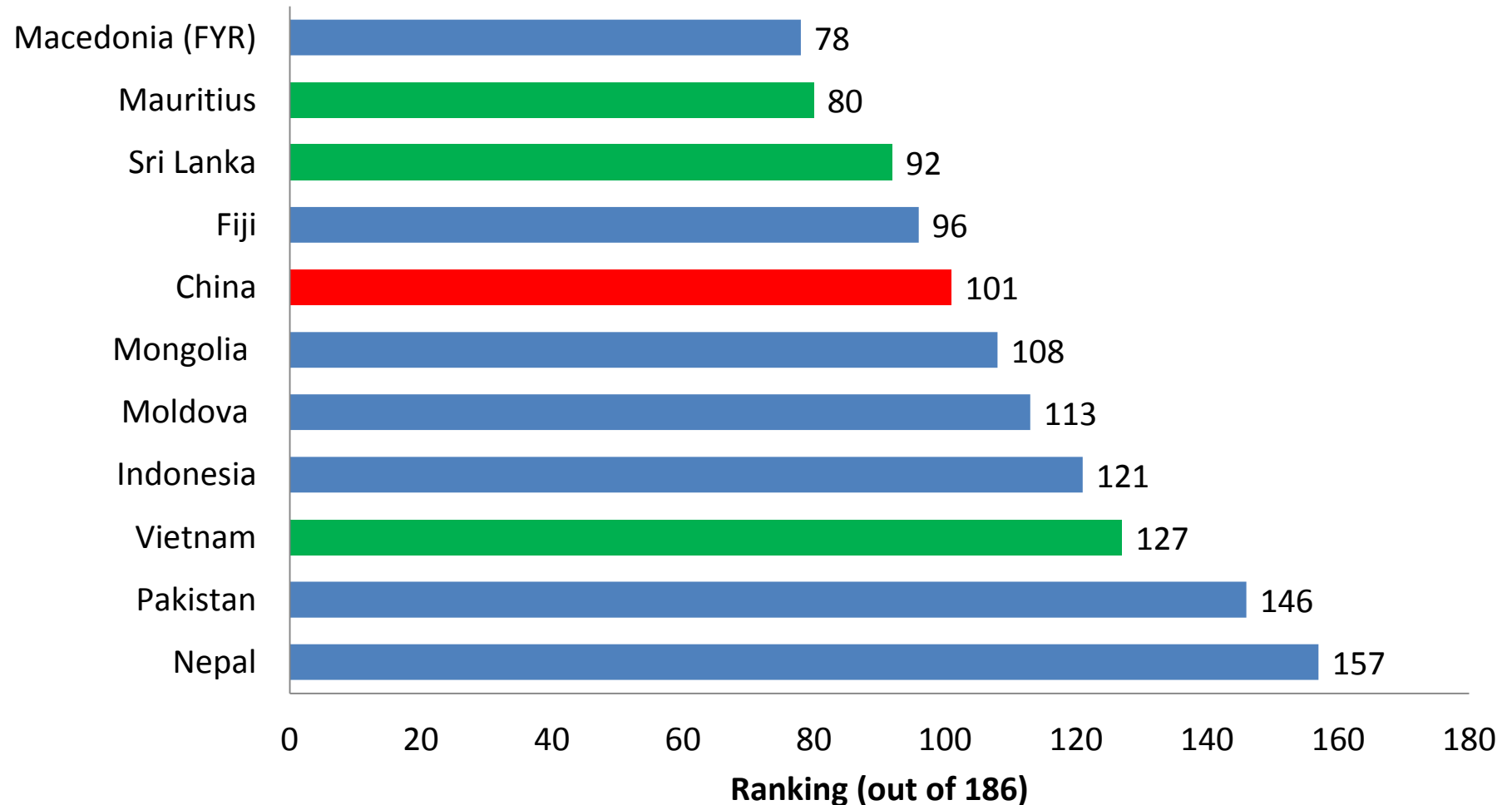


Ease of Doing Business Index - Rankings



Source: The World Bank

Human Development Index - Rankings



Source: United Nations Development Programme

World Risk Index

Rankings

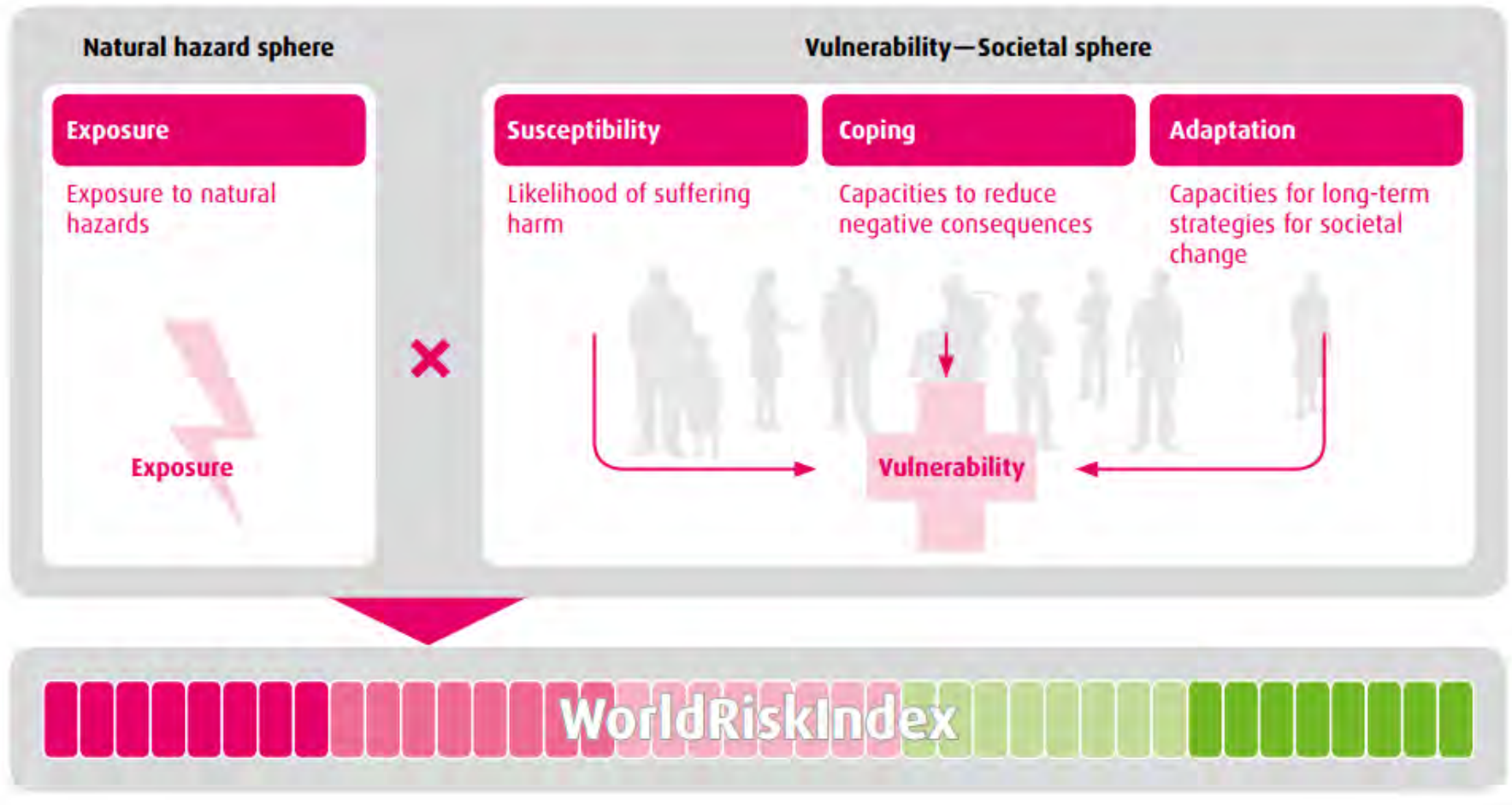
Defined

World Risk Index - Rankings

Rank	Country	WRI	Exposure	Vulnerability	Susceptibility	Coping	Adaptive
13	Mauritius	15.18%	37.35%	40.64%	18.96%	60.61%	42.35%
16	Fiji	13.56	27.71	48.93	26.14	75.3	45.35
18	Vietnam	12.81	25.35	50.53	28.08	76.71	46.8
33	Indonesia	10.54	19.36	54.46	33.01	81.79	48.57
61	Sri Lanka	7.67	14.79	51.83	27.33	78.7	49.46
73	Pakistan	7.21	11.36	63.45	37.69	86.72	65.94
80	China	6.91	14.43	47.87	27.93	70.03	45.64
96	Macedonia (FYR)	6.19	14.38	43.01	20.59	64.7	43.75
106	Nepal	5.53	9.16	60.43	43.56	81.51	56.23
111	Moldova	5.05	11.11	45.45	23.32	66.49	46.54
150	Mongolia	3.1	6.52	47.6	33.62	65.35	43.82

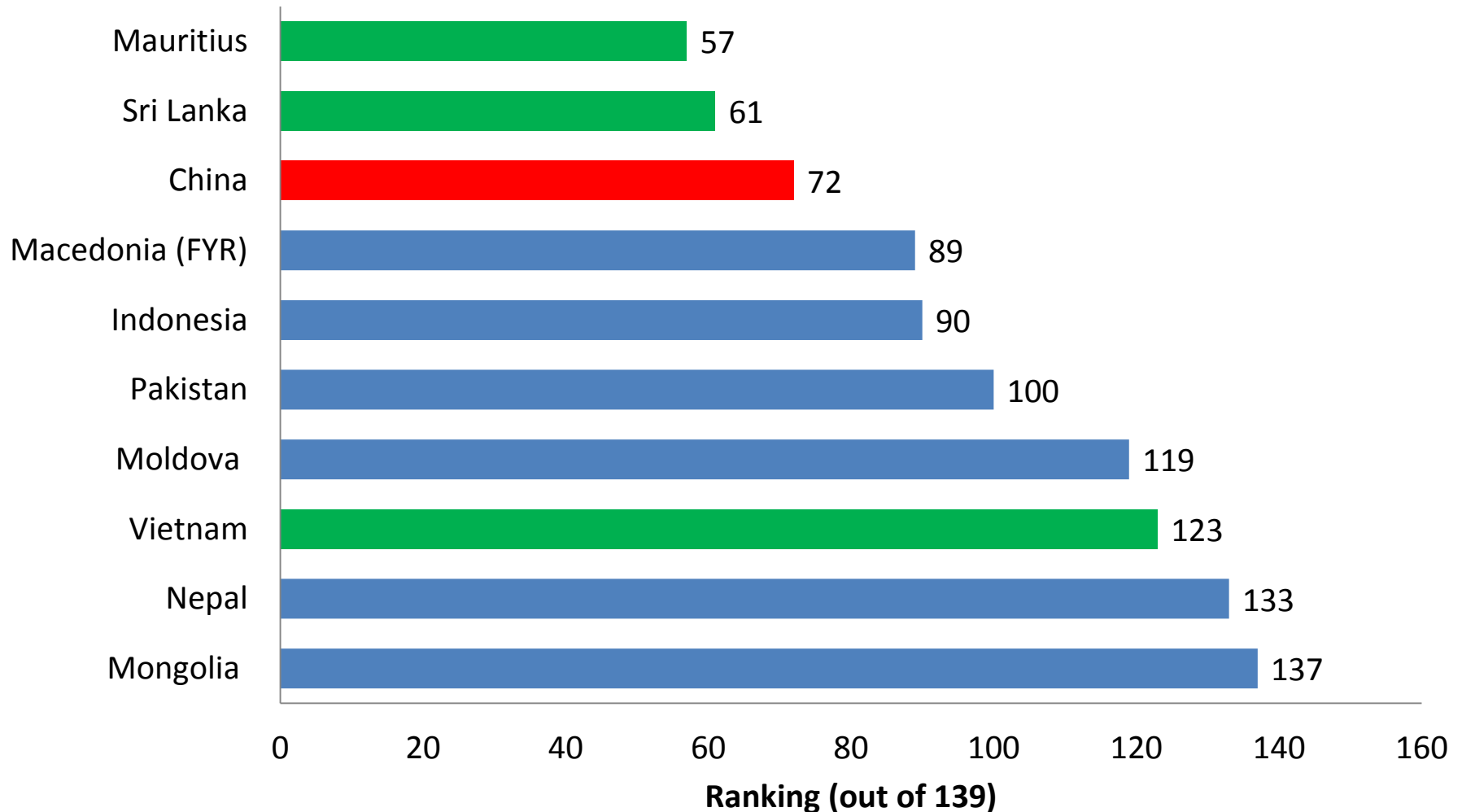
Source: Alliance Development Network

World Risk Index - Components

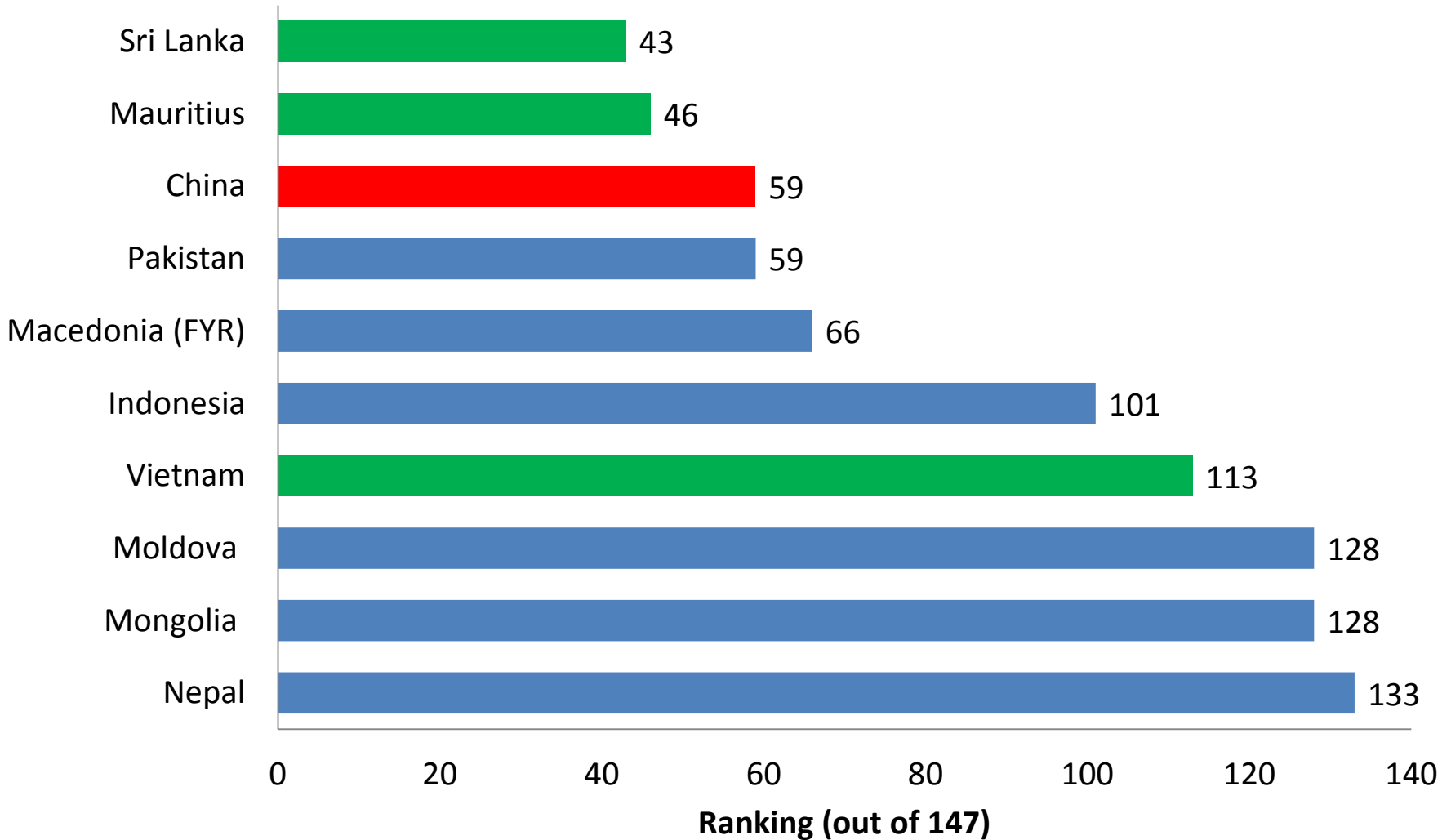


Quality of Overall Infrastructure

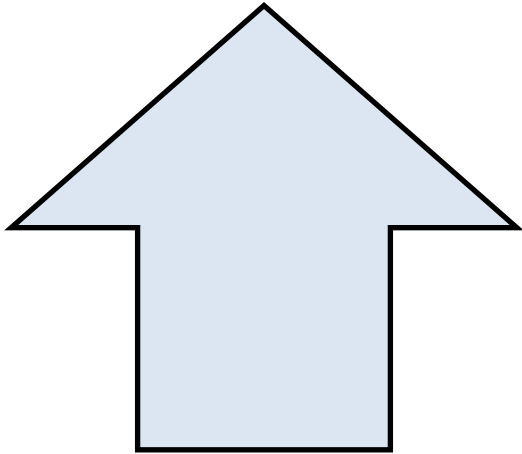
Overall infrastructure = transportation, telephony and energy



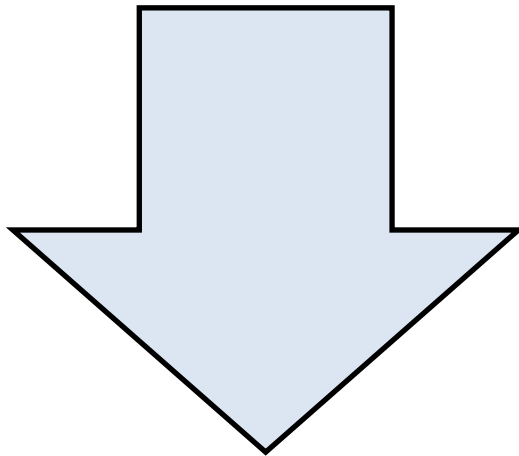
Quality of Port Infrastructure



Producing in the U.S.

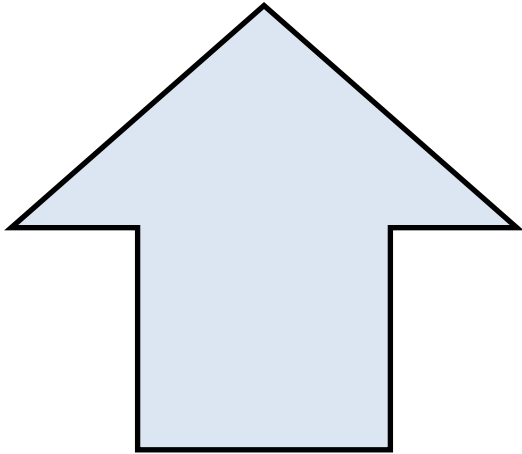


- Increased competitiveness
- Proximity to consumer market

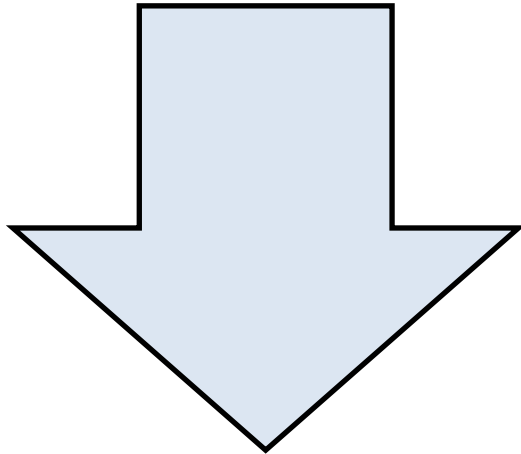


- Re-localization costs
- Severe decline of manufacturing sector (assets, supply chain & talent)
- Underperforms China in terms of value-added and minimum wage

Producing in Mexico

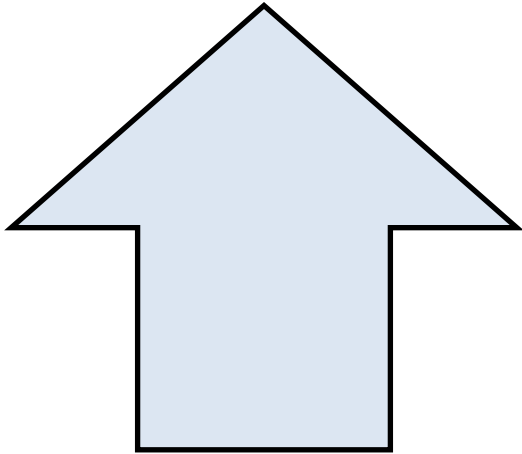


- Increased competitiveness
- Proximity to consumer market
- Factories already producing collegiate apparel

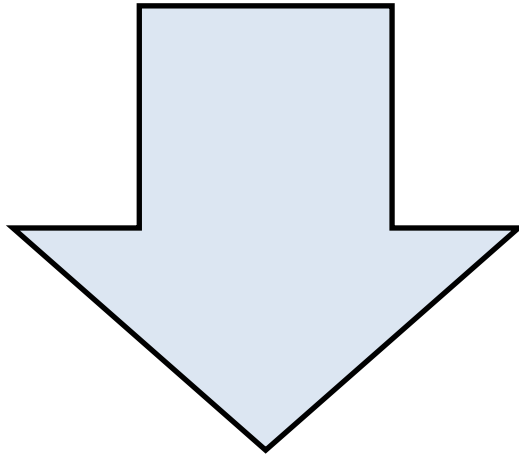


- Relatively high level of corruption (106/177)
- Underperforms China in terms of value-added and minimum wage

Producing in India



- Skilled, low-cost labour force



- New location
- Underperforms China in terms of value-added
- Poor infrastructure (high logistics costs)

Manufacturer Selection

Criteria

Manufacturer
Alternatives

Rejection Reasons

Manufacturer Selection - Criteria

Reputation

- Awards
- Innovation: materials, processes

Compliance with NIKE standards

- Fair labor standards
- Commitment to health & safety of workers
- Considers environmental impacts

Global presence

- Operations in multiple countries

Size

- Ability to absorb China's production & future growth

Manufacturer Selection – Others Considered



Textile Exchange: A non-profit organization aiming to accelerate sustainable practices in the textile value chain through its members

Vietnam:

- Barco Uniforms
- Econscious
- **Esquel Group**

Sri Lanka:

- **Esquel Group**
- PT Indorama
- Synthetics TBK

Mauritius:

- **Esquel Group**
- Puma
- Tropic Knits

Manufacturer Selection – Reasons for Rejection

Manufacturer	Reason
Vietnam	
Barco Uniforms	Manufacturer of scrubs and lab coats
Econscious	Not located in Sri Lanka and Mauritius
Sri Lanka	
PT Indorama Synthetics	Limited manufacturing capability: spinning
Mauritius	
Tropic Knits	Fine knits only

Marketing

Knights Apparel

Brand

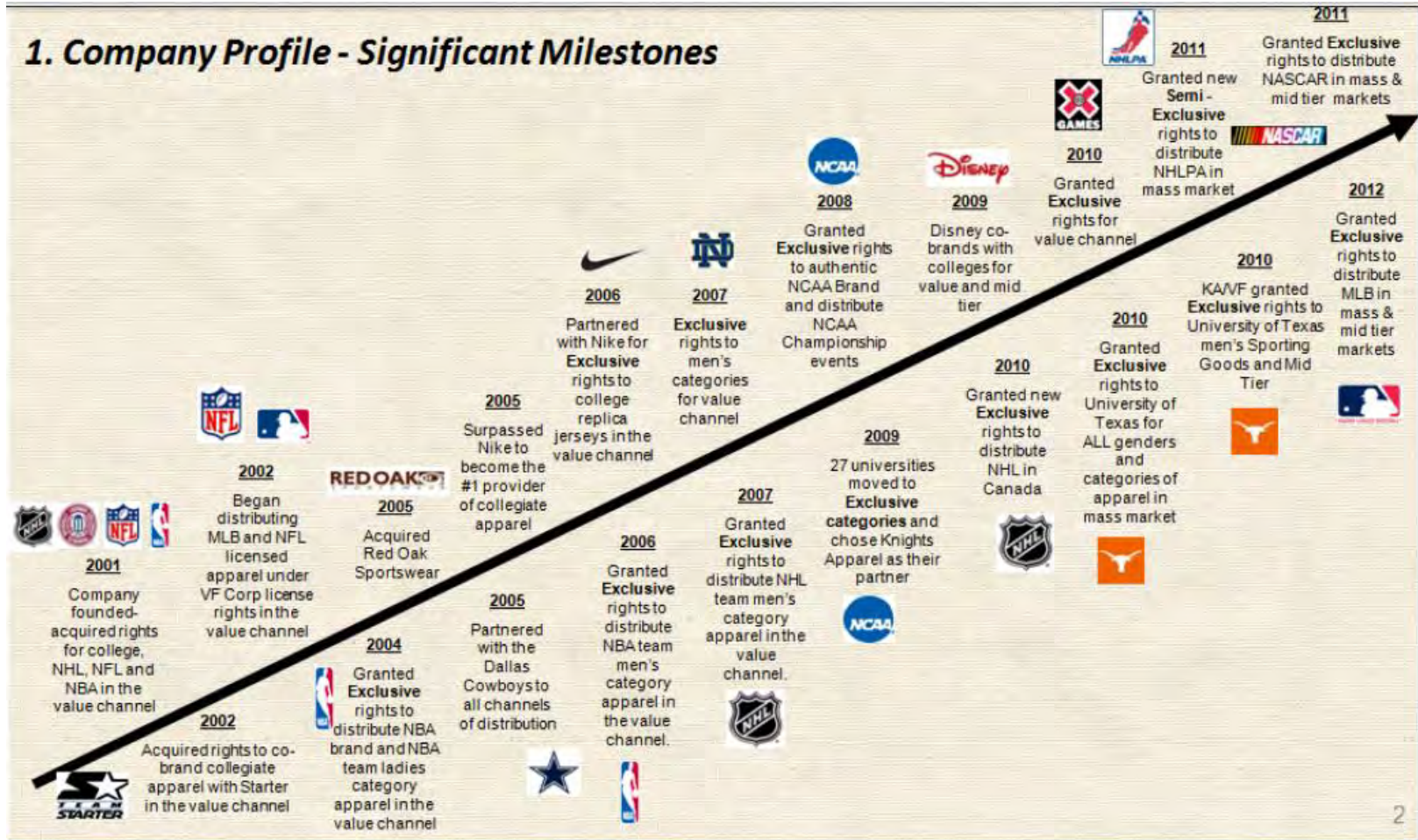
Target

School Pride Fueling
Better Lives

Social Media

Knights Apparel

1. Company Profile - Significant Milestones



#1 in the Top-25
Apparel Licensees

Sustainability Initiative

- Alta Gracia

Brand

Brand Perception: Solving Sweatshop
Problem

Among Favorite Brands

Brand Perception: Solving Sweatshop Problem

History

- Rising prices in Korea and Taiwan cause Nike to urge contractors to move to Indonesia, China, and Vietnam
 - 1991: Activist Jeff Ballinger publishes a report on low wages and poor working conditions in Indonesia
 - Nike responds with factory code of conduct
 - 1992: Ballinger writes about an **Indonesian worker who works for less than minimum wage** and documented abuse
-

Risk

Shifting country
manufacturing focus
could lead to past issues

Contingency

- Negative views
of Nike
- Labor criticism

Mitigation

Nike Indexes
FLA
Commitment To Fair
Trade

Nike Among Favorite Brands for 13-33 Years Old

Moosylvania Branding Firm (April 4th, 2014)

1000 people between 13-33 to name their favorite brands

- 1) Apple 7.5% of 3000 possible answers
- 2) Samsung 4.8%
- 3) Nike 4.5%**
- 4) Sony 4.1%

Source: <http://www.forbes.com/sites/samanthasharf/2014/04/04/teens-and-20-somethings-love-apple-sony-and-nike-but-should-investors/>

This 86 Million strong age-group controls **\$1.3 Trillion**
in Consumer Spending

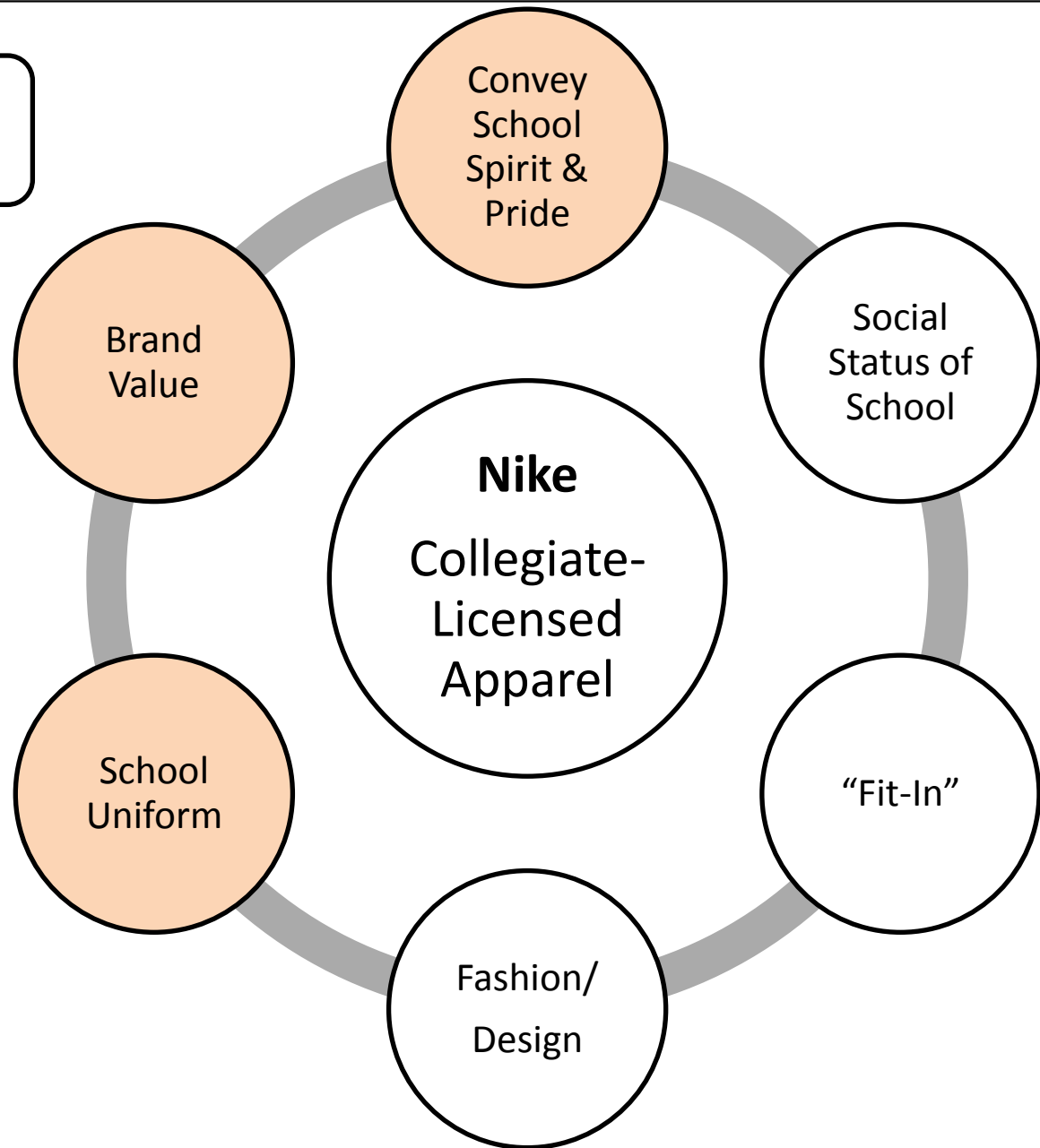
Target

Why do people buy Nike?

Target Profiles

Why Do People Buy Nike?

Lifestyle Consumption



Target Profiles

Females & Males

Alumni & Parents

Target Profiles (Females & Males)

Females, 15-22 Years Old



- Aspires to go or already attends a University
- Product Use: wear workout apparel and comfy everyday clothes at home/campus
- Social status implied, Fan of college sports, wants fair trade & organic products, SM

Males, 15-22 Years Old



- Aspires to go or already attends a University
- Product Use: Workout, everyday wear, playing & watching University team sports
- Likes to buy products from companies that give back to communities/workers

Target Profiles (Alumni & Parents)

Alumni, 22+



- Pride in attended University, Memories and social status of being a graduate
- Product Use: gym wear, comfortable home wear, roots for University Sports Team
- How to Reach: YouTube, Alumni Database, SM, Online News

Parents of University Student



- Buys children College-Licensed Apparel was accepted or before doing so to instill inspiration, Nostalgia of their University days
- Product Use for themselves: rooting for University Sports Teams
- How to reach them: through students, alumni database, online news

School Pride Fueling Better Lives

Press Release

Awards

Logo

Building Consumer Awareness

Official Label of Licensed
Collegiate Products

Nike Sustainability Product 7P's

Website Location

Interactive Map & Worker's
Profile

Press Release

NIKE ANNOUNCES NEW CAMPAIGN CENTERED AROUND COLLEGE-LICENSED APPAREL AND SUSTAINABILITY, TWO THINGS TO BE PROUD OF 04.12.2014

“Nike is proud to announce it’s next step in our goal of **strengthening our triple bottom line** all while **keeping performance and innovation at the forefront** of all that we do. **SCHOOL PRIDE FUELING BETTER LIVES** is a way for college-licensed apparel users to track their T-Shirts and Pullover Hoods all the way back to the **raw materials** that were used as well as the **hands who made them**. For the first time Nike is able to connect our customers with our back-end of production and manufacturing of our products. The products are branded under **Nike umbrella** but have special tracking codes printed on the inside of the apparel. Users will be able to use the tracking code by entering it into **Nike Track My School Pride section of the Nike website**. From there they will receive detailed info of the product, its origin, the worker’s and how Nike is helping them live better lives. Lastly they can upload a picture of themselves wearing the products to the website and it will have a special logo on it awarding the user for “Fueling Your School Pride for Better Lives” which can then be uploaded to Facebook, Instagram, Twitter and/or Pinterest. Consumers will be happy to see the transparency levels that Nike offers in terms of product manufacturing and they will be able to view all of the other initiative that Nike is involved in, including LAUNCH (a collaboration including NASA in order to serve the world in a better way). Nike is pushing limits in sustainability, transparency and traceability as well as the needs of all athletes.”

Where?

**University Sustainability Groups - Bloggers
Online News Forums - YouTube Video**

Logo



Official Label of Licensed Collegiate Products

Why?- Authentication and to reduce counterfeit items and infringers



**SCHOOL PRIDE
FUELING BETTER LIVES**

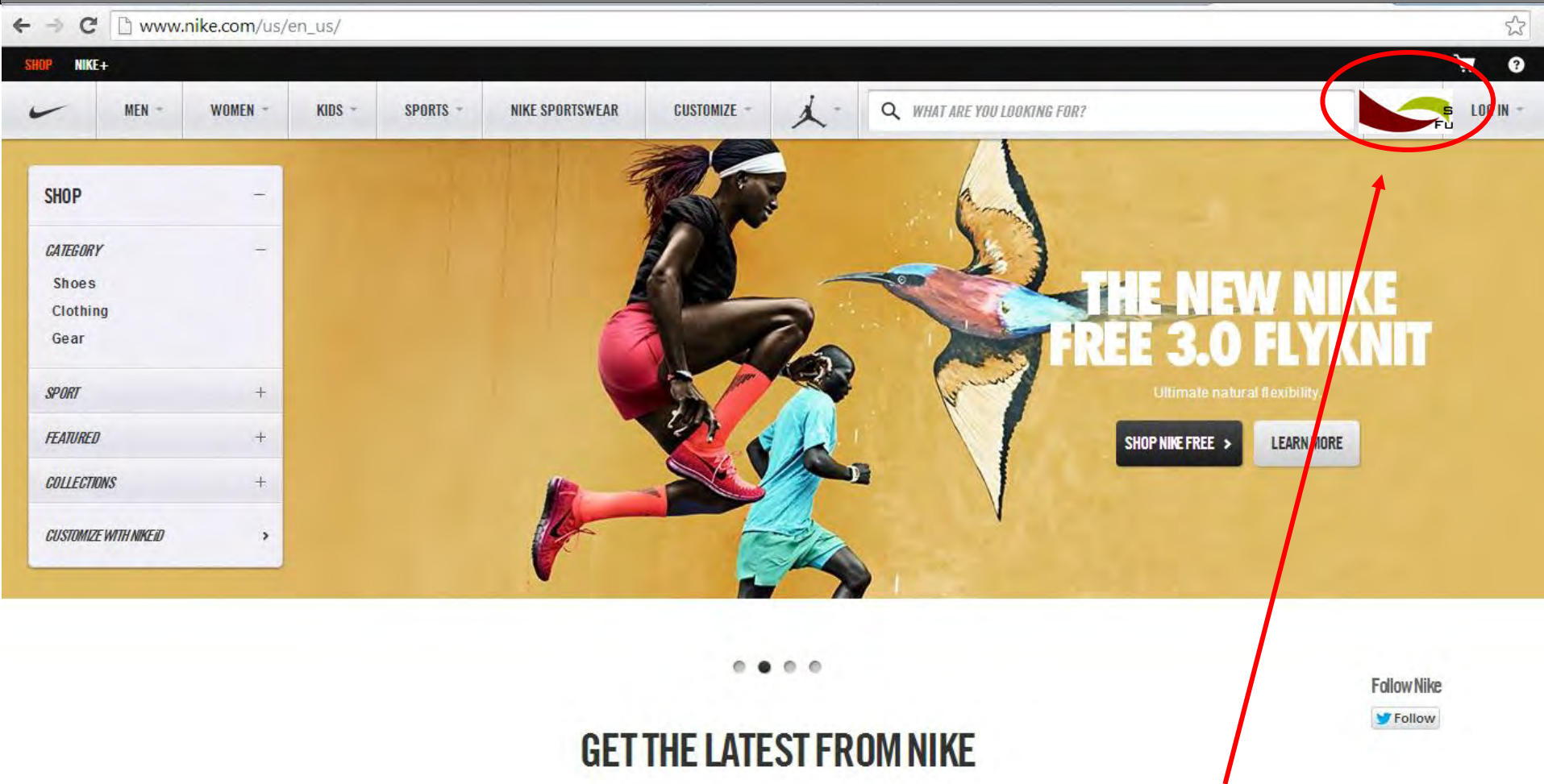
Track This Product!

See the materials used &
the hands that made it!

#nikeschoolpride
#justdidit
#fuelingbetterlives
#nikejustdoit



Website Location



Enter Here

Interactive Map and Worker's Profile

← → ↻ www.nike.com/us/en_us/ ☆

SHOP NIKE+

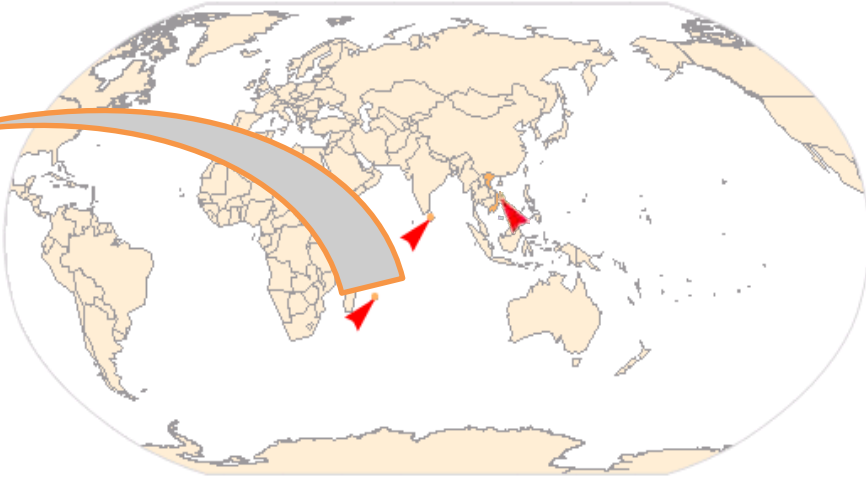
NIKE

MEN - WOMEN - KIDS - SPORTS - NIKE SPORTSWEAR - CUSTOMIZE -

WHAT ARE YOU LOOKING FOR?

LOG IN

Where does your product come from?
Enter Tracking Code Here



Worker Profile: Mauritius



Name: Michelle Chan

Age: 20 years old

Occupation: Cotton Field Worker

Hobbies: Sit in the shade and sing

"Thank you for buying the clothes that our cotton makes, me and my family are grateful for all that Nike does for us!"

Awards for Funding your School Pride for Better Lives



CONGRATULATIONS!

Thank You **Sarah** from
University of Washington
for not only Fueling Your
School Pride but Fueling
Better Lives as well!

Keep up the Great Work!

Don't Forget to Share



[#nikeschoolpride](#)

[#justdedit](#)

[#fuelingbetterlives](#)

[#nikejustdoit](#)



Build Consumer Awareness - Action Plan

- **Issue:**
 - Demand from consumer for sustainable products and people tend to buy more from companies who do give back
 - Convey message, set Nike apart from other college branded apparel
 - College students already buy Nike, need to provide them with more; a feel good factor
- **Marketing Objective:** Build awareness of Nike's commitment to **sustainability** and improved labour practices
- **Communication Objective:** Strengthen emotional connection with customers by leveraging our environment/social engagement
- **Message Strategy:** *"School Pride Fueling Better Lives"*
- **Big Idea:** *Track Your School Pride!*
- **Tactics:**
 - Social Media
 - PR
 - Web PR
 - Web Banners
 - POS: In-store posters
 - In-Store Displays

Nike Sustainability Product 7P's

Products

- Men & Women; Cotton T-Shirts & Pullover Hoods

Price

- Slight Premium, T-Shirts \$38, Pullover Hoods \$65

Distribution

- School Stores, Online Campus Store, Big Box Sports Retailers

Promotion

- Social Media, PR & Web PR, Web Banners, POS & Displays, Promo

People

- Educate School staff & student advocacy groups

Payment

- Return policy: Discretion of vendor

Production

- Sri Lanka, Vietnam, Mauritius

Social Media

Facts About Social Media

Social Media Users

Social Media Users Education

Facts of About Social Media



PINTEREST

**SOCIAL SITE
THAT IS ALL ABOUT
DISCOVERY**

**LARGEST
OPPORTUNITIES**



USERS ARE:

32% MALE
68% FEMALE

**70
MILLION
ACTIVE USERS**



TWITTER

**MICRO BLOGGING
SOCIAL SITE
THAT LIMITS EACH
POST TO 140
CHARACTERS**

**LARGEST
PENETRATION**



**BUT SPREADING
SLOWLY AND STEADILY**

**5,700 TWEETS
HAPPEN
EVERY
SECOND**

**560
MILLION
ACTIVE USERS**



FACEBOOK

**SOCIAL SHARING
SITE THAT HAS
1 BILLION
USERS WORLDWIDE**

**LARGEST
OPPORTUNITIES**



**COMMUNICATING WITH
CONSUMERS
IN A NON-OBTRUSIVE WAY**

**USERS
SHARE
2.5 BILLION
PIECES OF CONTENT EACH DAY**

**1
BILLION
ACTIVE USERS**



INSTAGRAM

**SOCIAL SHARING
SITE ALL AROUND
PICTURES
AND NOW 15 SECOND
VIDEOS**

**MANY BRANDS
ARE PARTICIPATING
THROUGH THE USE OF
HASHTAGS**

AND POSTING

**PICTURES
CONSUMERS
CAN RELATE TO**

**MOST FOLLOWED
BRAND IS**



**150
MILLION
ACTIVE USERS**



GOOGLE+

**SOCIAL NETWORK
BUILT BY GOOGLE
THAT ALLOWS FOR
BRANDS
AND USERS
TO BUILD CIRCLES**

**NOT AS MANY
BRANDS
ACTIVE,
BUT THE ONES THAT ARE
TEND TO BE A
GOOD FIT WITH A
GREAT FOLLOWING**

**GROWING RAPIDLY
WITH 925,000**

**NEW USERS
EVERY DAY**

**400
MILLION
ACTIVE USERS**



LINKEDIN

**BUSINESS
ORIENTED**
SOCIAL NETWORKING SITE

**BRANDS THAT ARE
PARTICIPATING
ARE CORPORATE
BRANDS
GIVING POTENTIAL AND
CURRENT ASSOCIATES
A PLACE TO NETWORK
& CONNECT**



**79% OF USERS
ARE 35
OR OLDER**

**240
MILLION
ACTIVE USERS**

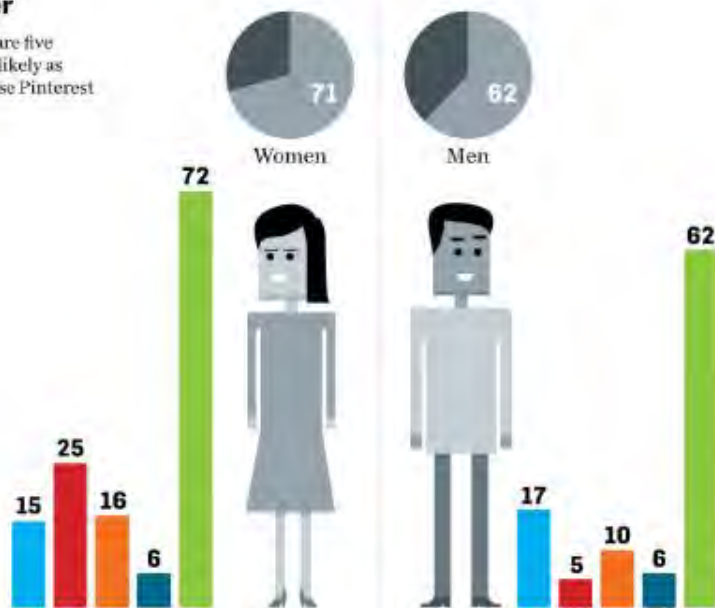
Social Media Users

Internet users who use social networking tools (%)

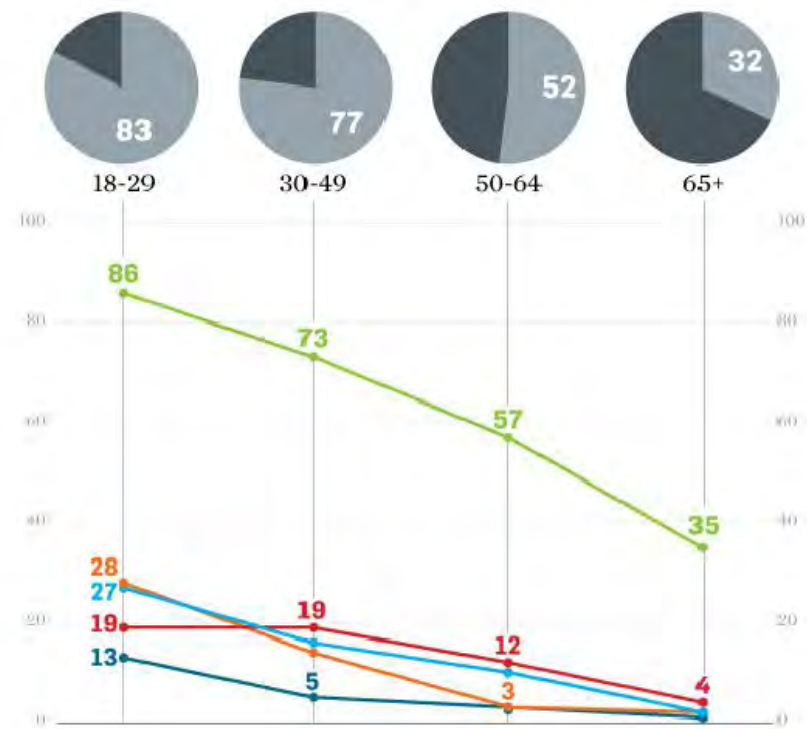


Gender

Women are five times as likely as men to use Pinterest



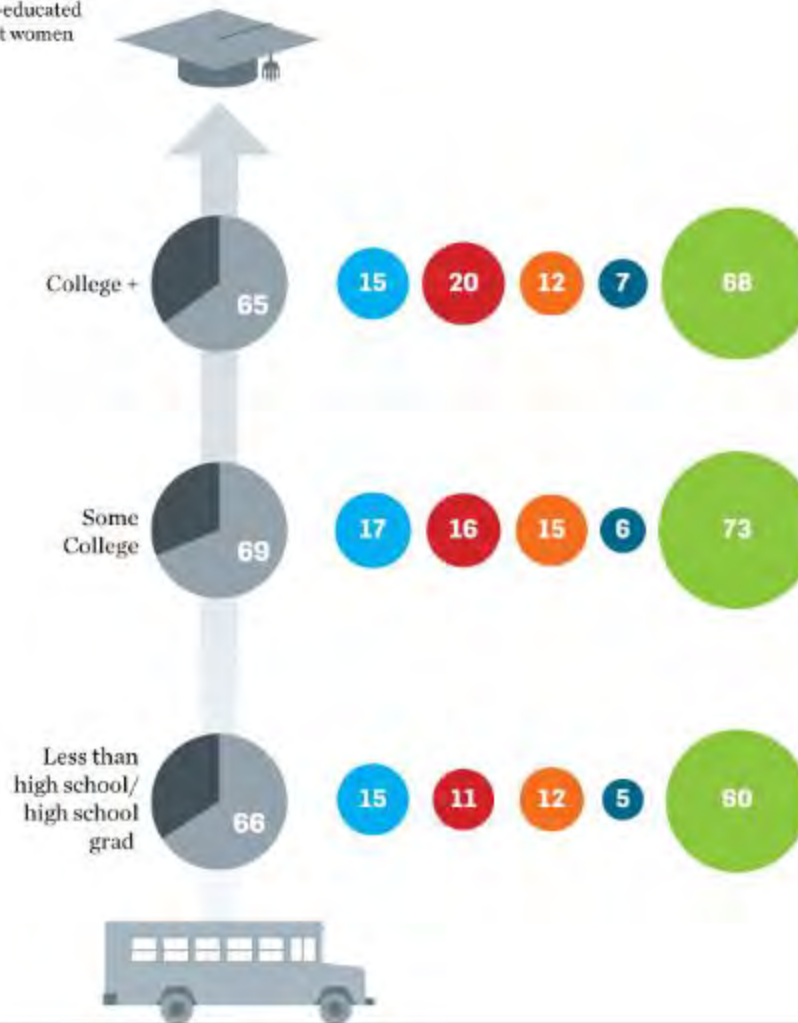
Age



Social Media User Education

Education attainment

Pinterest attracts
higher-educated
affluent women



Pricing

Men's Apparel

Women's Apparel

Pricing – Men's Apparel



Purple 25 Jersey
Sale: \$ 67.50

Reg.
\$90.00



Powerball Basketball Tee
New: \$ 28.00



Baseball Performance Tee
NEW: \$ 30.00



Black Classic Shorts
New: \$ 35.00



Classic W Visor
NEW: \$ 24.00



Hyper Repeat Tee
NEW: \$ 25.00



Replica Baseball Jersey
NEW: \$ 65.00



Hyper Legend Tee
NEW: \$ 28.00



Classic Gray Pullover Hood
NEW: \$ 60.00



Twist Local Tee
NEW: \$ 30.00



Hyper Hood
NEW: \$ 60.00



Classic Purple Pullover Hood
NEW: \$ 60.00

Pricing – Women's Apparel



Womens' Purple 25 Jersey
New: \$ 85.00



Womens Stealth Performance V-Neck
New: \$ 28.00



Women's Nike White Replica Football Jersey #1
\$ 55.00



Reg. \$36.00
Women's Long-Sleeve Seasonal Tee 40% OFF!
Sale: \$ 21.60



Reg. \$25.00
Women's W Outline UorW V-Neck Tee
Sale: \$ 24.00



Reg. \$30.00
Women's Foundation Tee Purple
Sale: \$ 20.00



Women's Washington Arch Tee Orchid
\$ 25.00



Reg. \$25.00

Women's White Washington Arch tee
Sale: \$ 20.00



Women's Replica #1 Football Jersey
\$ 55.00



Reg. \$25.00
Women's Foundation Tee White
Sale: \$ 20.00



Reg. \$25.00
Black UDub Local Womens Tee
Sale: \$ 20.00



Womens W Tempo Shorts
\$ 34.00

Collegiate Licensing Company

Types of Licensing

College Licensed Apparel

Top Selling Universities

Industry Leaders

Types of Licensees

- Standard License → NIKE
 - Allows a company to produce items for extensive resale, usually with permission from several schools
- In-state License
 - Allows a company to produce items for resale for one local school only
- Restricted/Internal Use License
 - Allows a company to produce non-retail items that are sold directly to an individual school

College Licensed Apparel

- T-Shirts
- Jerseys
- Sweatshirts
- Fleece
- Hats
- Shorts
- Pants
- Shoes
- Polos
- Jackets
- Socks
- Underwear

Consumers

- Men
- Women
- Teens
- Children

**173 Million
Passionate
College Fans**

Most Popular Items 2012-13: T-Shirts, Fleece, Women's Apparel and Headware

Collegiate Licensing Company – Top Selling Universities

Top Selling Universities for First Quarter of Fiscal Year 2013-14

- (1.) The University of Texas at Austin (2.) The University of Alabama (3.) University of Notre Dame (4.) The University of Michigan (5.) University of Georgia (6.) University of Florida (7.) Louisiana State University (8.) Texas A&M University (9.) University of Nebraska (10.) University of Kentucky (11.) The University of Oklahoma (12.) University of Arkansas (13.) University of Tennessee (14.) University of North Carolina (15.) University of Wisconsin (16.) University of South Carolina (17.) West Virginia University (18.) Auburn University (19.) University of Missouri (20.) Florida State University (21.) The Pennsylvania State University (22.) University of Louisville (23.) The University of Kansas (24.) Clemson University (25.) Oklahoma State University (26.) Texas Tech University (27.) Arizona State University (28.) University of Washington (29.) Virginia Polytechnic Institute and State University (30.) Oregon State University (31.) The University of Arizona (32.) University of Illinois (33.) University of Utah (34.) University of California, Los Angeles (35.) University of Minnesota (36.) Syracuse University (37.) Washington State University (38.) University of Miami (39.) Duke University (40.) Purdue University (41.) University of Mississippi (42.) Stanford University (43.) University of California, Berkeley (44.) Boise State University (45.) University of Maryland (46.) Texas Christian University (47.) Brigham Young University (48.) University of Virginia (49.) University of Cincinnati (50.) University of Montana (51.) University of Pittsburgh (52.) University of Connecticut (53.) University of Colorado (54.) East Carolina University (55.) Georgia Institute of Technology (56.) Rutgers (57.) University of Wyoming (58.) Fresno State (59.) Vanderbilt University (60.) Colorado State University (61.) Georgetown University (62.) University of South Florida (63.) U.S. Military Academy (64.) Boston College (65.) University of Central Florida (66.) University of New Mexico (67.) University of Nevada (68.) Montana State University (69.) Marshall University (70.) Northwestern University (71.) The University of Memphis (72.) Louisiana at Lafayette (73.) James Madison University (74.) Temple University (75.) University of Delaware

Collegiate Licensing Company – Industry Leader

Top Selling Apparel Licensees for First Quarter of Fiscal Year 2013-14

- (1.) Knights Apparel (2.) NIKE USA (3.) Sports Licensed Division of the adidas Group (4.) Gear for Sports (5.) Colosseum Athletics Corporation (6.) Top of the World (7.) Outerstuff Ltd. (8.) College Concepts (9.) VF Imagewear (Section 101 by Majestic) (10.) Haddad Brands (11.) Russell Brands (12.) Columbia Sportswear (13.) Twins Enterprise (14.) JASR dba J. America (15.) T-Shirt International (16.) 5th & Ocean Clothing (17.) JanSport division of VF Outdoor (18.) University Co-Operative Society (19.) Lakeshirts dba Blue 84 (20.) Nike by Branded Custom Sportswear (21.) Campus Drive (22.) New Era Cap Co. (23.) Cutter & Buck (24.) New Agenda (25.) Wildcat Retro Brands

Trends

Willingness to Pay

US: Buying Green Trends

Buying Green Globally

Factors Considered in Purchasing
(Age)

Global: Factors Considered in
Purchasing

Factors Considered in Purchasing
(Gender)

Global: Item Features Impacting
Price Paid

Women College Sports Apparel

Global: Item Features Impacting
Price Paid

Nielsen- Willing to Pay for Companies Who Give Back

- A global online study of 28,000 consumers in 56 countries, conducted by Nielsen in 2011 to determine the effectiveness of cause marketing, found that as many as 46% of global online consumers were willing to pay more for goods and services from companies that are giving back

Key Statistics – Buying Green (Globally)

- Globally, all the listed green attributes matter more to women than to men: for example, with 56% of female respondents considering the descriptor “green/environmentally friendly” to be important, versus just 49% of males
- With consumers becoming increasingly demanding with regard to the origin, manufacturing methods and contents of the products they buy, product labels are playing an ever more important role in buying decisions and are the subject of ever more stringent regulations
- There is nevertheless a strong association in consumers’ minds between “natural” and “organic” products, with 46% of respondents defining natural as “also organic”, and 61% of respondents defining “organic” as “natural”
- Undoubtedly influenced by increasing reports about poor living and working conditions in third world countries and a desire to offer a fair price to producers, as many as 43% of respondents globally said they would pay more for “fair trade” products
- More than half (52%) of all respondents showed themselves to be willing to pay more for products with a “natural” claim
- Shares were slightly lower for the attributes “organic” (48%), “locally sourced” (47%), “free range” (46%) and “fair trade” (43%)

Global: Factors Considered in Purchasing

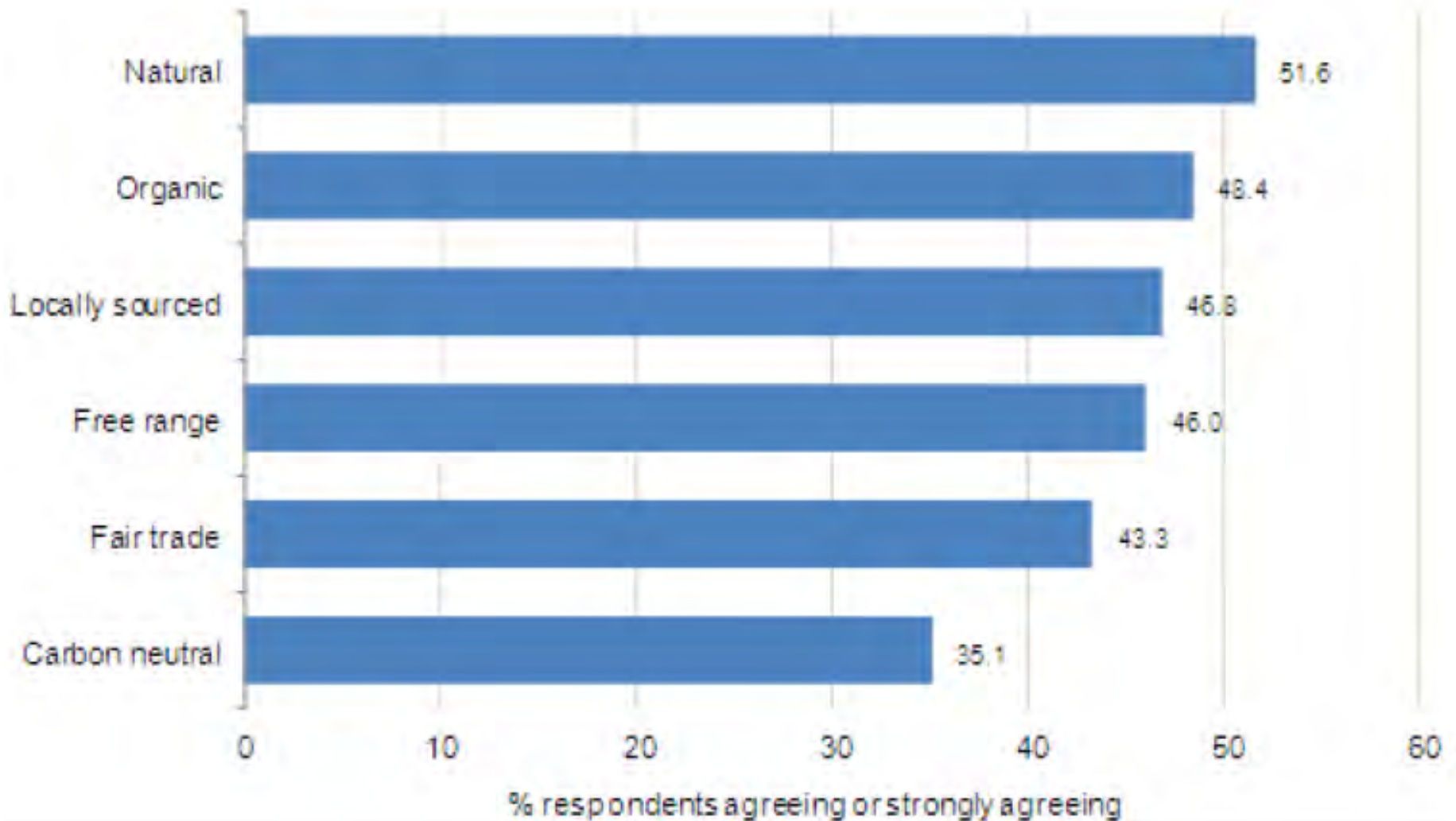
“How Important are these factors when considering purchasing a product or service?”



Source: Euromonitor International

Global: Item Features Impacting Price Paid

“I am willing to pay more for a product that is_?”



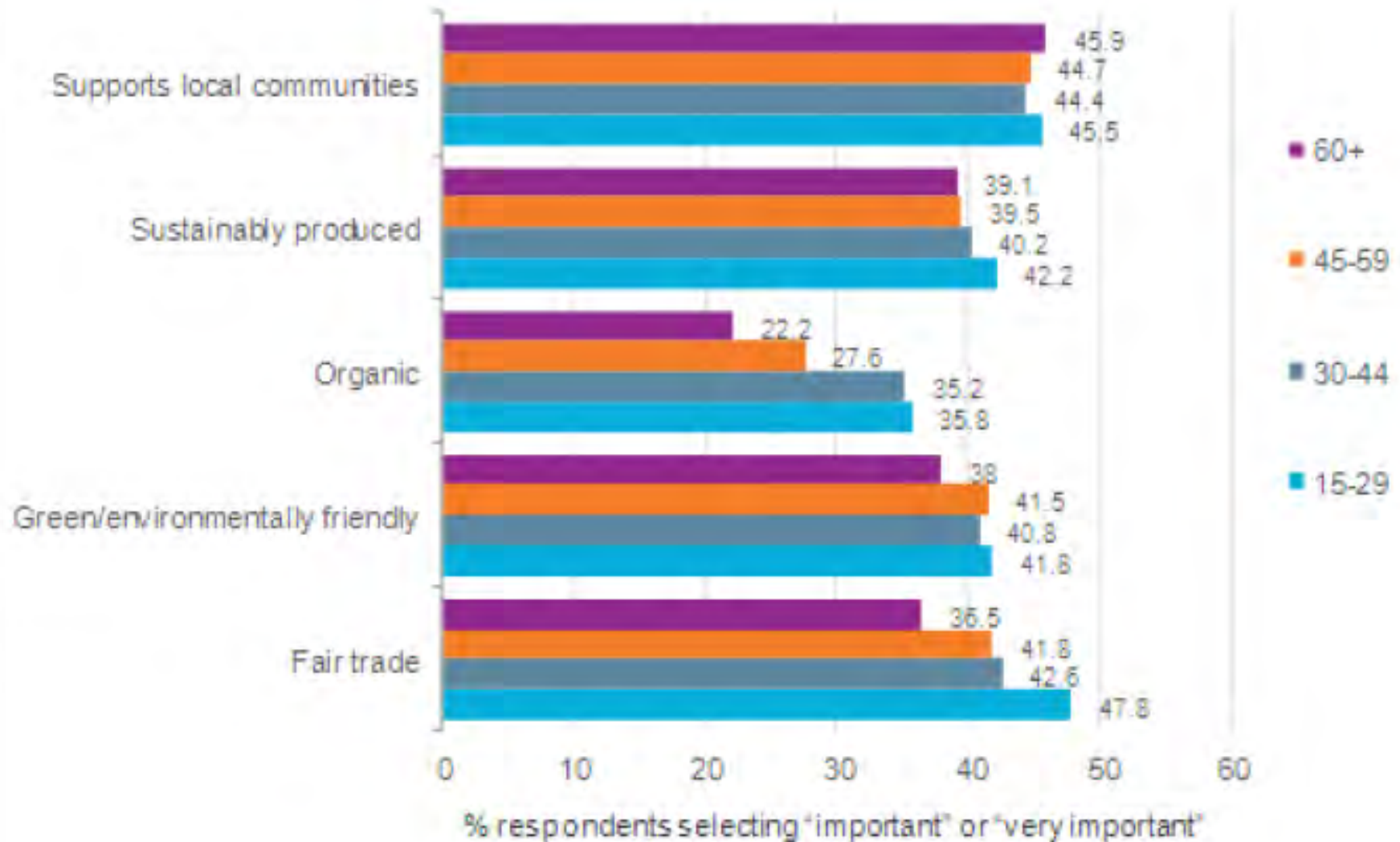
Source: Euromonitor International

US Buying Green Trends

- US consumers did not display a significant interest in green and ethical shopping: the descriptor “green/environmentally friendly” mattered to 41% of respondents, which was similar to the levels seen in the European countries
- The largest share of respondents (45%) deemed “supports local communities” to be an important factor
- Women showed themselves to be more concerned than men with all factors except sustainability, where the level of interest was equal
- There was a large gap between men and women when it came to the importance attributed to “green/environmentally friendly”: 37% versus 44%, respectively
- Unlike the situation in most other developed countries, concern for green/ethical factors when shopping (with the exception of local community support) was shown to decline with age
- Notably, the percentage of those deeming “organic” product to be important fell from 36% among 15-29 year-olds to just 22% within the 60+ group

US: Factors Considered in Purchasing (Age)

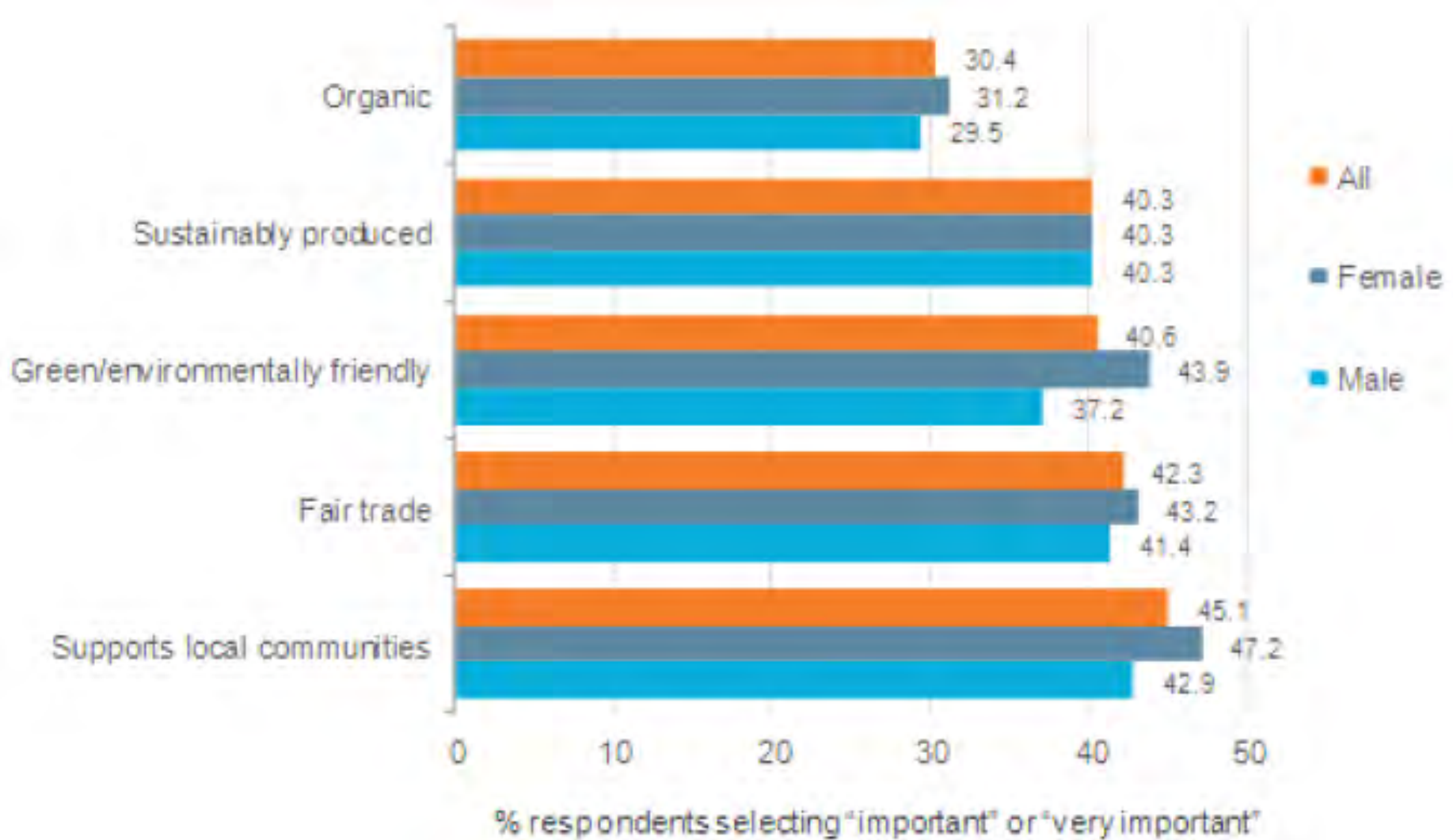
How important are the following factors to you when considering purchasing a product or service?" by age group



Source: Euromonitor International

US: Factors Considered in Purchasing (Gender)

“How important are the following factors to you when considering purchasing a product or service?” by gender



Source: Euromonitor International

Market Trend- Women's College Sports Apparel

Women's Apparel Sales see triple-digit growth

- Second largest apparel category, right behind Men's/Unisex T-Shirts
- Retail sales exceed \$350 Million FY12-13

89 Million Females Self-Identify as College Sports Fans- *ESPN Sports Poll*

- *Only 84.3 million women self-identify as NFL fans*

Availability of better product selection

- Design & Fit
- Innovative & Stylish apparel

Availability of Niche Products

- Cowboy Boots

Financials

Current Manufacturers

Detailed Production Shift

Existing + Shift
Production/Country

Shift Impacts on Total Apparel

Current Manufacturers

Factory	Country	Total Workers	Line Workers	Production (\$sales 000s)
FAR EASTERN APPARAL (SUZHOU) LTD. CO	CHINA	1,510	1,149	29,273
FUJIAN FUTIAN GARMENTS CO., LTD.	CHINA	710	600	13,764
GUANGDONG ESQUEL TEXTILES COMPANY LTD	CHINA	5,621	5,326	108,970
JIANGSU ASIAN SOURCING HEADWEAR MFG.CO.LTD	CHINA	884	799	17,137
NINGBO EASTEX	CHINA	410	324	7,948
NINGBO ISUN FASHION CO., LTD	CHINA	519	359	10,061
NINGBO SHENZHOU KNITTING CO. LTD. -#6 GARMENT FACTORY	CHINA	2,862	2,825	55,484
QINGDAO RUIHE KNITTING	CHINA	320	223	6,204
TMI ZHONGSHAN CO LTD	CHINA	681	619	13,202
YUANTIAN KNITTING GARMENTS CO., LTD	CHINA	761	692	14,753
		14,278	12,916	276,797
CCH TOP (VN) CO., LTD.	VIETNAM	1,920	1,836	37,222
ESQUEL GARMENT MANUFACTURING (VIETNAM) CO., LTD	VIETNAM	5,276	4,600	102,282
FAR EASTERN APPAREL (VIETNAM) LIMITED	VIETNAM	4,525	2,832	87,723
GREEN VINA	VIETNAM	2,177	999	42,204
HANSAE VIET NAM CO., LTD.	VIETNAM	9,897	9,450	191,866
I.S VIETNAM CO., LTD	VIETNAM	262	218	5,079
MAXPORT J.S.C	VIETNAM	523	425	10,139
MOLAND CO., LTD	VIETNAM	1,698	1,615	32,918
S.J VINA CORPORATION	VIETNAM	235	211	4,556
UNIPAX CO., LTD	VIETNAM	1,754	1,658	34,004
UNITED SWEETHEARTS GARMENT (VIETNAM) CO., LTD.	VIETNAM	1,331	866	25,803
VIET TIEN GARMENT CORPORATION	VIETNAM	2,768	2,518	53,661
VINH HUNG - JOINT VENTURE CO., LTD (TMI VIETNAM)	VIETNAM	1,877	1,826	36,388
YUPOONG VIET NAM	VIETNAM	2,133	1,912	41,351
		36,376	30,966	705,196
MAS ACTIVE (PVT) LTD - CONTOURLINE DIVISION	SRI LANKA	1,616	1,436	31,328
MAS ACTIVE (PVT.) LTD. - LINEA INTIMO	SRI LANKA	2,318	1,481	44,937
		3,934	2,917	76,266
		54,588	46,799	1,058,259

Detailed Production Shift

Factory	Total Workers		Production (\$sales 000s)	
	FY14	FY15		
Production Shift				
<u>CHINA</u>				
NINGBO EASTEX	324			
NINGBO ISUN FASHION CO., LTD	359			
NINGBO SHENZHOU KNITTING CO. LTD. -#6 GARN	2,825	2,825		
QINGDAO RUIHE KNITTING	223	223		
TMI ZHONGSHAN CO LTD	619			
YUANTIAN KNITTING GARMENTS CO., LTD	692			
GUANGDONG ESQUEL TEXTILES COMPANY LTD	5,326	5,326		
	10,368	8,374		
<u>VIETNAM</u>				
Asia Garment Manufacturer Co. Ltd	1,149	1,149	1,149	22,275
Esquel Garment Manufacturing Co. Ltd.	600	600	600	11,632
ESQUEL GARMENT MANUFACTURING CO., LTD	799	799	799	15,490
	2,548	2,548	2,548	
<u>SRI LANKA</u>				
Polytex Garment Ltd. - Jaela		324	324	6,281
Polytex Garment Ltd. - Kegalle		359	359	6,960
Polytex Garment Ltd. - Koggala			2,825	54,766
Polytex Garment Ltd. - Yakkala			223	4,323
		683	3,731	
<u>MAURITIUS</u>				
Esquel Ltd. - Beau Bassin		619	619	12,000
Esquel Ltd. - Flacq		692	692	13,415
Esquel Ltd. - Grand Bois			2,663	51,626
Esquel Ltd. - Goodlands			2,663	51,626
		1,311	6,637	
Total	12,916	12,916	12,916	250,393

Existing + Shift Production / Country

Factory	Total Workers		Production (\$sales 000s)	
Production Shift	FY14	FY15		
VIETNAM				
Asia Garment Manufacturer Co. Ltd	1,510	1,510		29,273.30
Esquel Garment Manufacturing Co. Ltd.	710	710		13,764
ESQUEL GARMENT MANUFACTURING CO., LTD	884	884		17,137
CCH TOP (VN) CO., LTD.	1,920	1,920		37,222
FAR EASTERN APPAREL (VIETNAM) LIMITED	4,525	4,525		87,723
GREEN VINA	2,177	2,177		42,204
HANSAE VIET NAM CO., LTD.	9,897	9,897		191,866
I.S VIETNAM CO., LTD	262	262		5,079
MAXPORT J.S.C	523	523		10,139
MOLAND CO., LTD	1,698	1,698		32,918
S.J VINA CORPORATION	235	235		4,556
UNIPAX CO., LTD	1,754	1,754		34,004
UNITED SWEETHEARTS GARMENT (VIETNAM) CO., LTD.	1,331	1,331		25,803
VIET TIEN GARMENT CORPORATION	2,768	2,768		53,661
VINH HUNG - JOINT VENTURE CO., LTD (TMI VIETNAM)	1,877	1,877		36,388
YUPOONG VIET NAM	2,133	2,133		41,351
SRI LANKA				
MAS ACTIVE (PVT) LTD - CONTOURLINE DIVISION	1,616	1,616	1,616	31,328.25
MAS ACTIVE (PVT.) LTD. - LINEA INTIMO	2,318	2,318	2,318	44,937.42
Polytex Garment Ltd. - Jaela		410	410	7,948.38
Polytex Garment Ltd. - Kegalle		519	519	10,061.48
Polytex Garment Ltd. - Koggala			2,862	55,483.56
Polytex Garment Ltd. - Yakkala			320	6,203.61
MAURITIUS				
Esquel Ltd. - Beau Bassin		681	681	13,202.06
Esquel Ltd. - Flacq		761	761	14,752.97
Esquel Ltd. - Grand Bois			2,811	54,485.17
Esquel Ltd. - Goodlands			2,811	54,485.17
Total	38,138	40,509	15,108	955,977

Shift Impacts on Total Apparel

	FY13	FY14E	FY15E	FY16E	FY17E	FY18E
<u>Apparel sales</u>	<u>Production shift</u>					
Revenues	6,820	7,434	8,103	8,832	9,627	10,493
Royalties	173	187	205	224	244	266
<i>Growth</i>		9%	9%	9%	9%	9%
COGS	3,749	4,087	4,454	4,855	5,292	5,768
Cost reduction		5	13	23	26	29
Gross Profit	3,071	3,351	3,662	4,000	4,361	4,754
<i>Margin</i>	44%	45%	45%	45%	45%	45%
Selling Expenses	740	806	879	958	1,044	1,138
G&A	1,357	1,479	1,612	1,757	1,915	2,087
EBITDA	975	1,066	1,171	1,285	1,402	1,529
D&A	105	115	125	137	149	162
Interest (Income)	-	-	-	-	-	-
EBT	869	951	1,046	1,149	1,253	1,367
Income Tax	215	235	258	284	309	338
Net Income	655	716	788	865	943	1,029