



Moving Production from China

The rising cost of labor in China has forced Nike to explore alternative locations for the production of collegiate licensed apparel. Our team of Nike managers has analyzed several world regions and identified a country in each region that we recommend for production. We considered several factors when selecting the three regions of the world included existing apparel manufacturing facilities, proximity to our target market, prevalence of favorable government and the availability of natural resources.

The regions we identified for further country analysis are South East Asia, Eastern Europe and South/Central America. Within South East Asia we identified Bangladesh and Vietnam as ideal countries based on our previously discussed criteria. Further analysis of these countries included examination of labor laws, export tariffs, existing trade and manufacturing infrastructure, corruption and average wages. Our analyses of these factors lead us to conclude that Vietnam is the ideal South East Asian country for the manufacturing of collegial licensed apparel. Because the target market for collegial apparel is the United States, the largest benefit offered by Vietnam is a new trade agreement set to be implemented in 2015 which eliminates tariffs for export of garments to the United States. Other advantages that Vietnam has over Bangladesh include more developed manufacturing infrastructure, better labor laws, less corruption, and absence of negative public perception surrounding recent catastrophes.

Our analysis of Central and South America included Brazil, Mexico, and Guatemala. We have concluded that Mexico offers the best opportunity because of its proximity to the United States, free trade through the North American Free Trade Agreement and favorable government treatment. Guatemala lacks a solid infrastructure for large scale production of apparel and is not a member of NAFTA. While Brazil has abundant natural resources and a large labor force, its government is notoriously difficult to work with and exporting from the country is expensive.

After analyzing the benefits of the Eastern Europe our team has decided the only country where production is feasible is Turkey. Constant civil unrest, crumbling governments and civil war made other countries in the region unrealistic. Turkey has a relatively strong government, low corruption and low average wage making it an appealing country to manufacture collegiate licensed apparel.

Improved Tracking of Production

Our team has identified a strategy to improve Nike's tracking of sustainable production and to share this information with customers. The new tracking system utilizes Radio Frequency Identification and QR Code technology to track each individual garment to its sustainably produced origins.

When Nike purchases raw materials from its certified wholesalers who verify its sustainable origin, a RFID chip is placed on the shipment which keeps data about its travel through the supply chain. As the cotton and polyester are turned into textiles and fabric the RFID chip keeps track of each facility it travels through. This information is then combined with Nike's research and ranking of the sustainability of the facilities using its index scale. Once the fabric makes it to production, the garment is marked with a QR code which links to a website that shows the path of the item from the raw material farmer to the retail store. Customers can then use a QR scanner to scan the code on the inside of the clothing tag and verify it was made in facilities that scored highly on Nike's index scale.

NIKE.U

NIKE.U is the new brand name for the collegiate licensed apparel industry that utilizes the QR code to label products sourced from factories and suppliers. In order to promote the new NIKE.U and increase collegiate licensed apparel sales, we recommend implementing the new Campus Scholarship Program. Because the collegiate apparel market discourages brand loyalty and instead promotes university logo loyalty, Nike's competitive advantage is severely weakened. To combat this, the program will use 1% of the sales of collegiate apparel to create a scholarship at that university. This combined with added customer engagement from QR Code participation will help differentiate the products and dramatically increase sales. Campus apparel stores will have incentives to promote Nike's products and loyal fans will be incentivized to purchase Nike's apparel.

Overall this strategy will help promote the new NIKE.U line and increase Nike's market share in the \$4.6b collegiate apparel industry.