C.T. I. Strategy

Nike

Task Force

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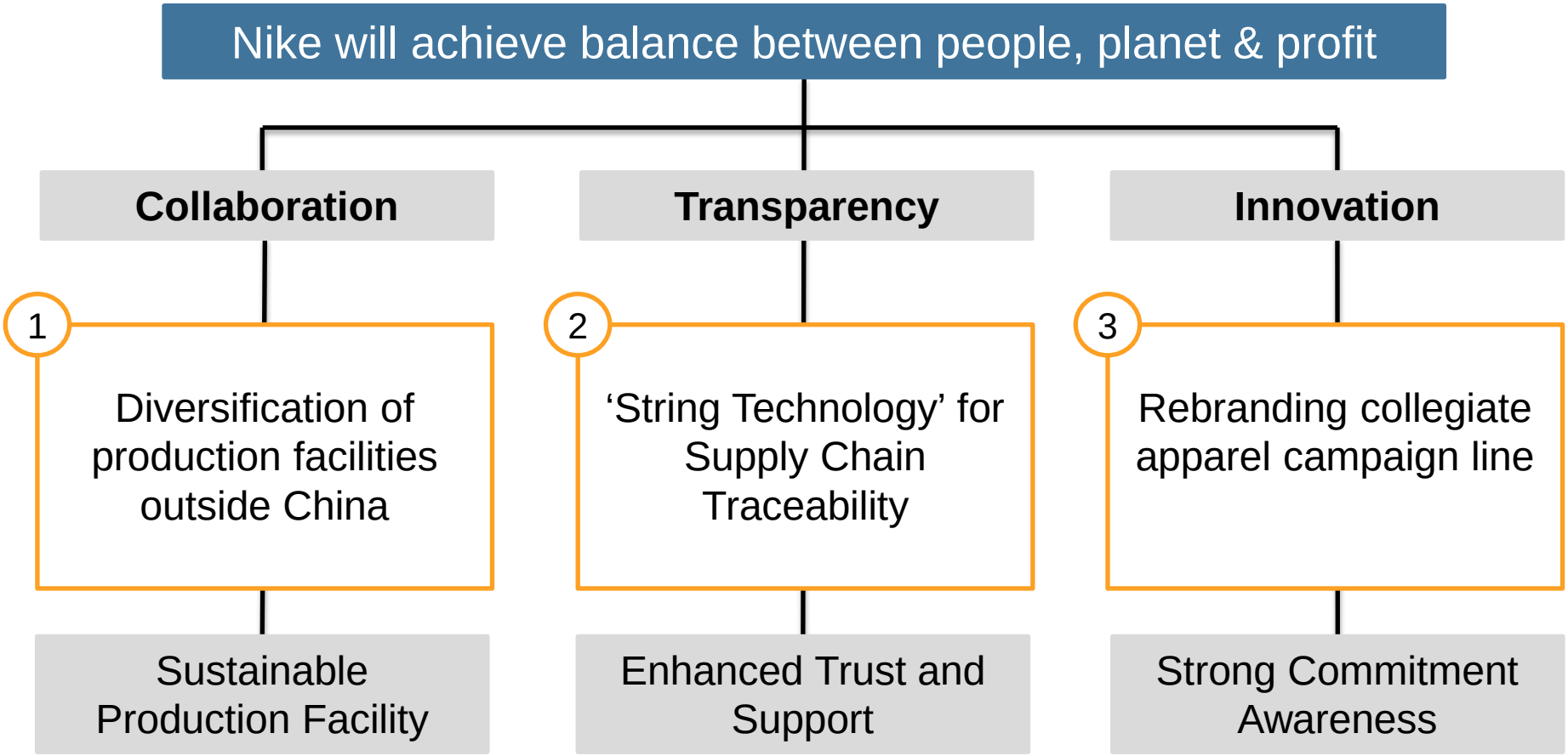
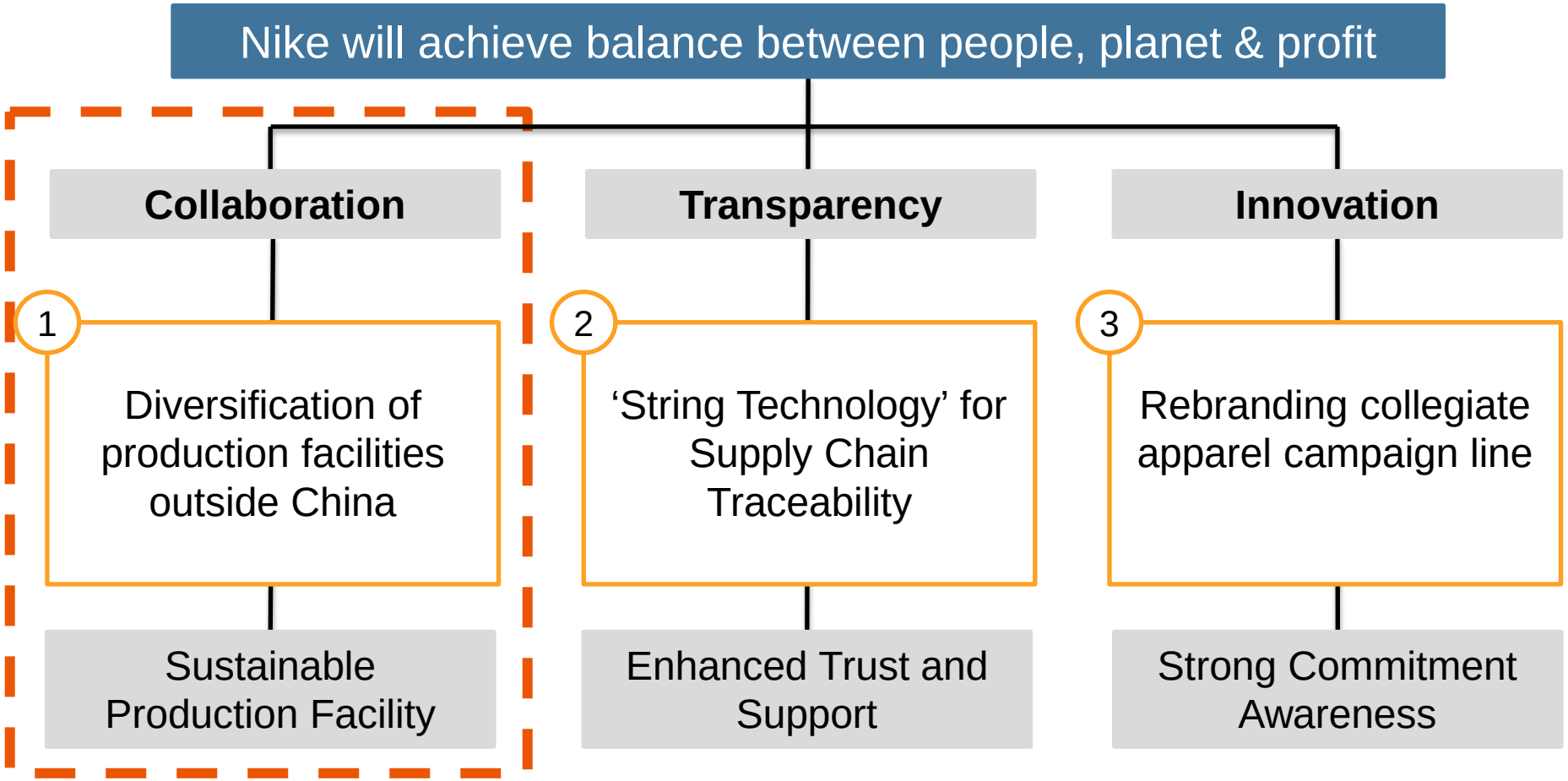
“Our future depends heavily on **innovation**, **collaboratio**n, and **transparency**”

- *Mark Parker, President & CEO of Nike Inc*

Our three-tired strategy allows us to grow sustainably and generate consumer awareness

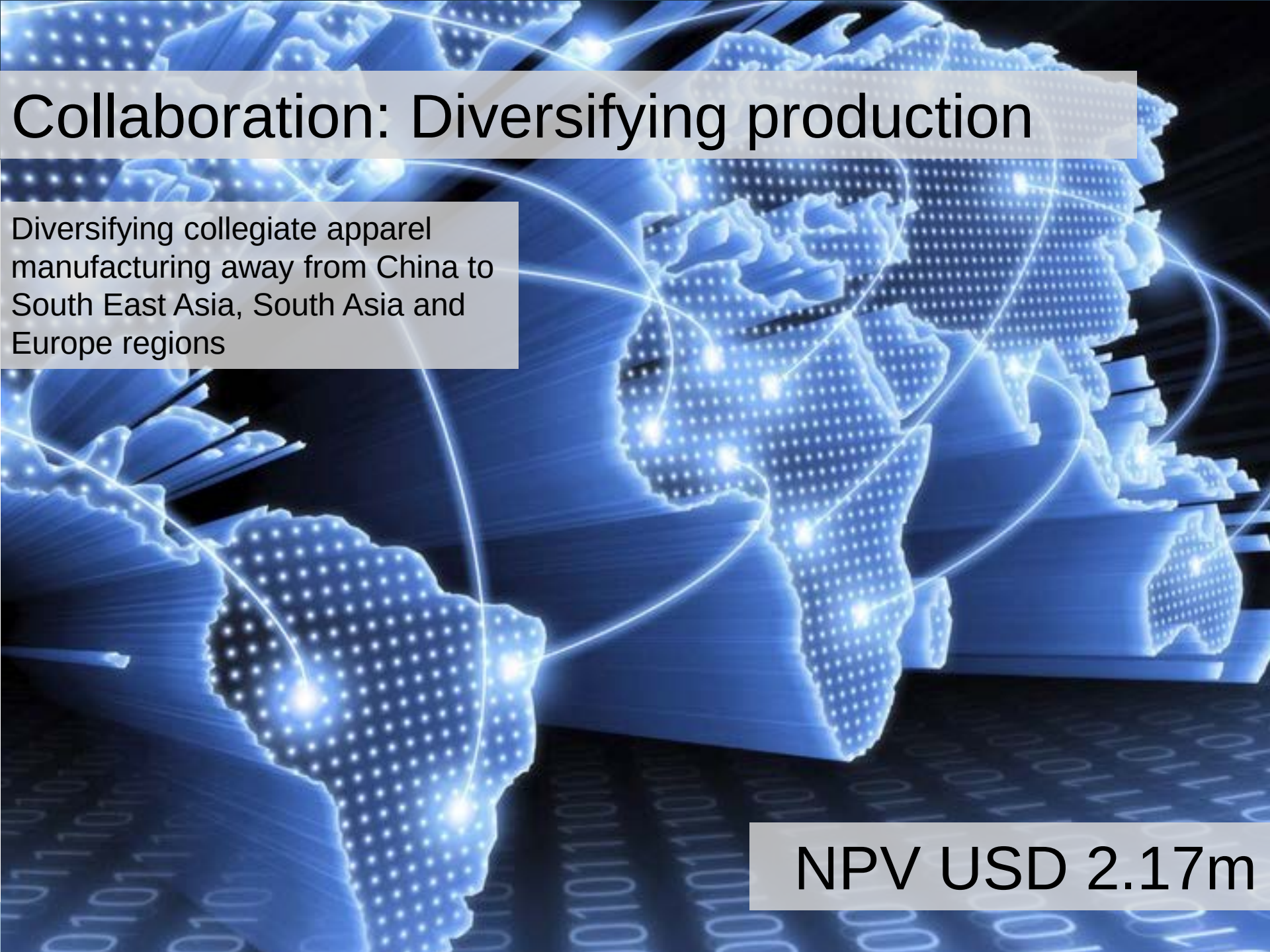


Collaboration will generate a NPV of USD 2.17m over six years



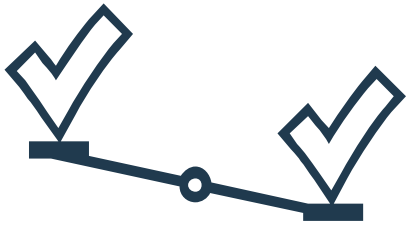
Collaboration: Diversifying production

Diversifying collegiate apparel manufacturing away from China to South East Asia, South Asia and Europe regions



NPV USD 2.17m

There are four main categories used to evaluate global production diversification

Sustainability & Labor Practices	Political Landscape	Competitive Factors	Ease of Implementation
			
Sustainability	Government	Wages	Logistics & Infrastructures
Labor Practices	Poverty Level	Quality	Regulations
Environment	Corruption Index	Capacity of infrastructure	Nike's Presence

Analyzing global producers of apparel with reference to our four main criterion

First Level Analysis

Competitive Factors

Sustainability & Labor Practices

Political Stability

Degree of Complexity

This analysis revealed five key countries in which production could be diverted into

First Level Analysis

Competitive Factors

Sustainability & Labor Practices

Political Stability

Degree of Complexity

Mexico

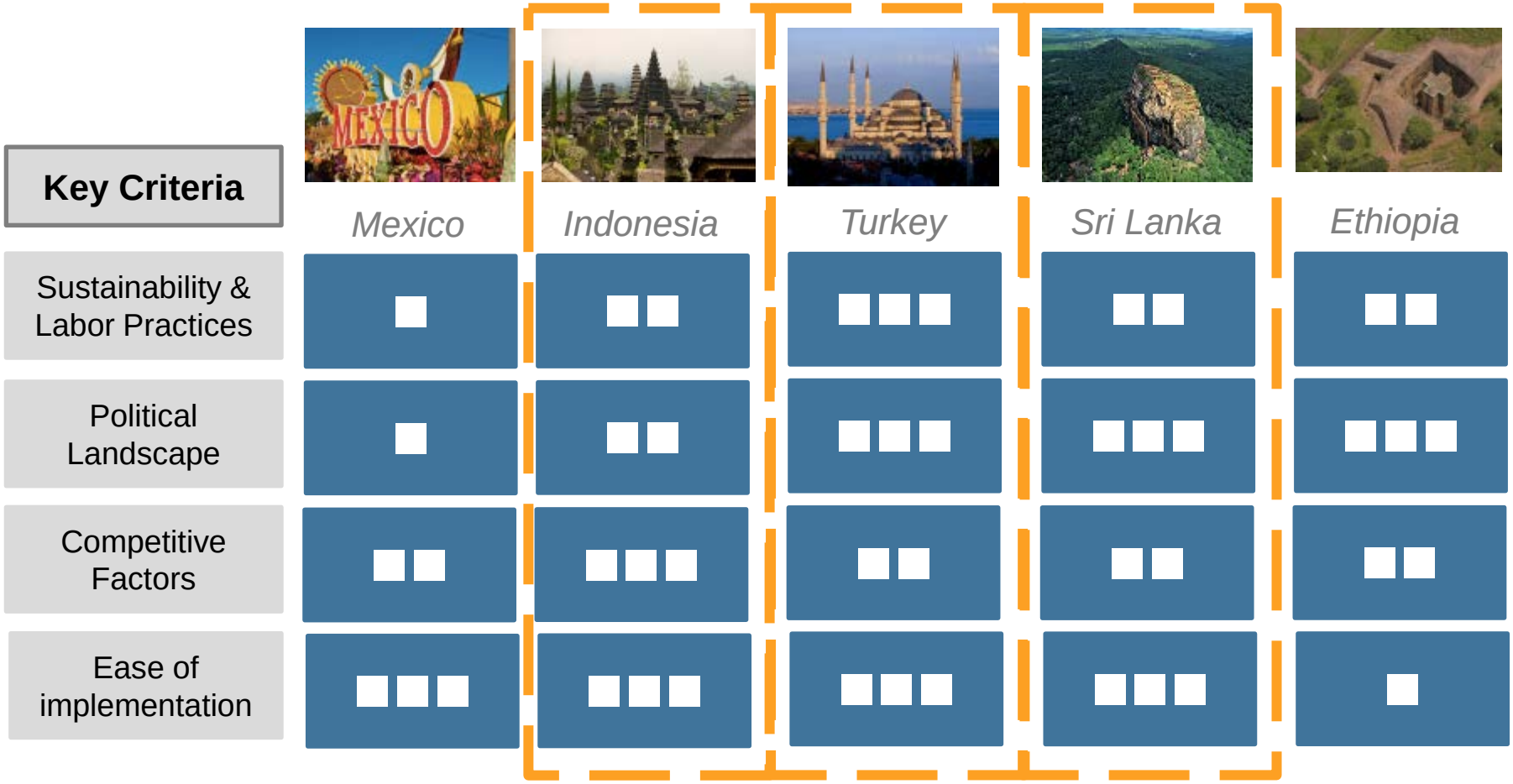
Indonesia

Turkey

Sri Lanka

Ethiopia

Indonesia, Turkey and Sri Lanka are the optimal countries to diversify our collegiate apparel production capabilities

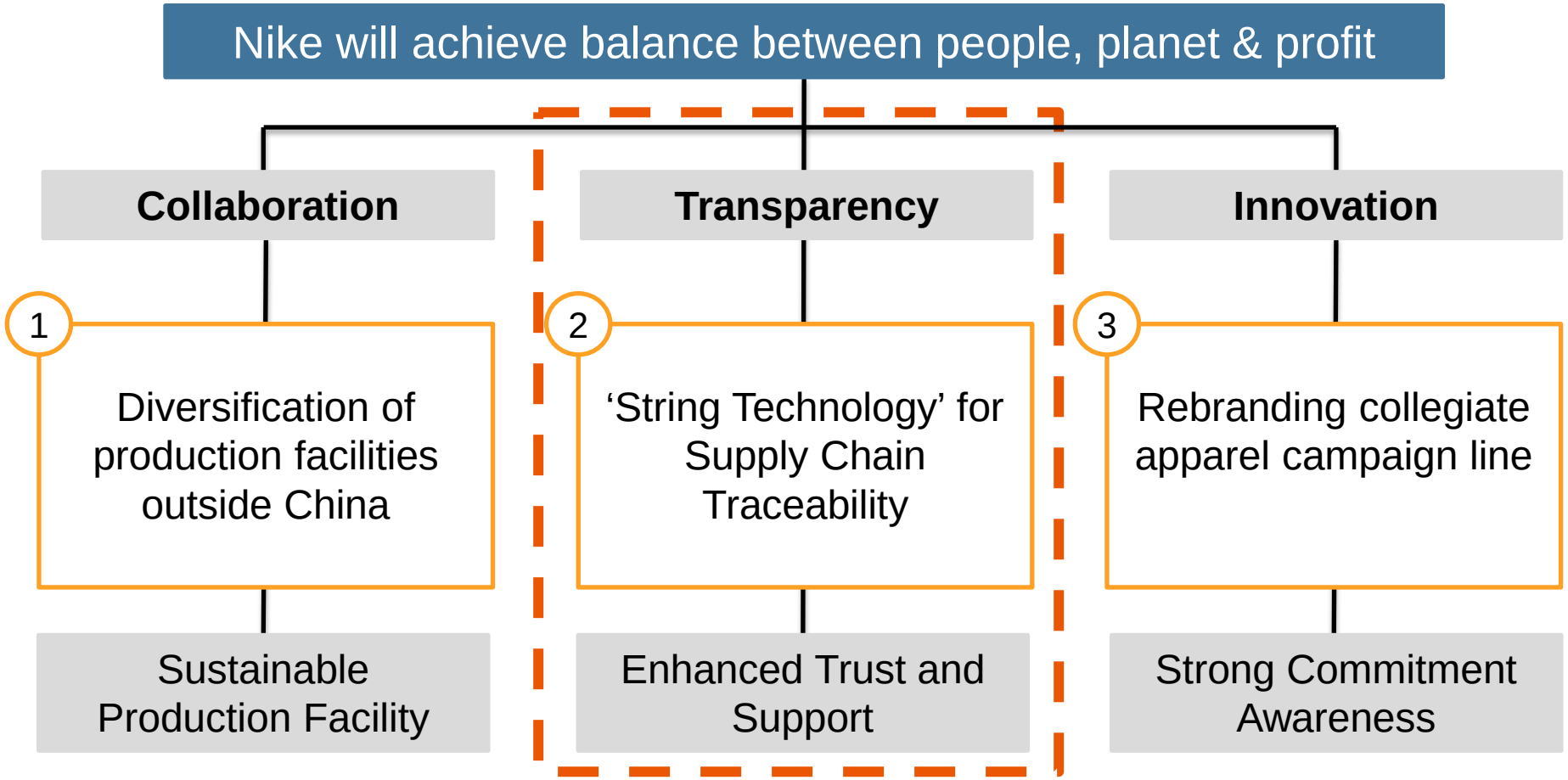


Indonesia, Turkey & Sri Lanka are the optimal countries to diversify into

There are advantages and disadvantages to moving production to Indonesia, Turkey and Sri Lanka

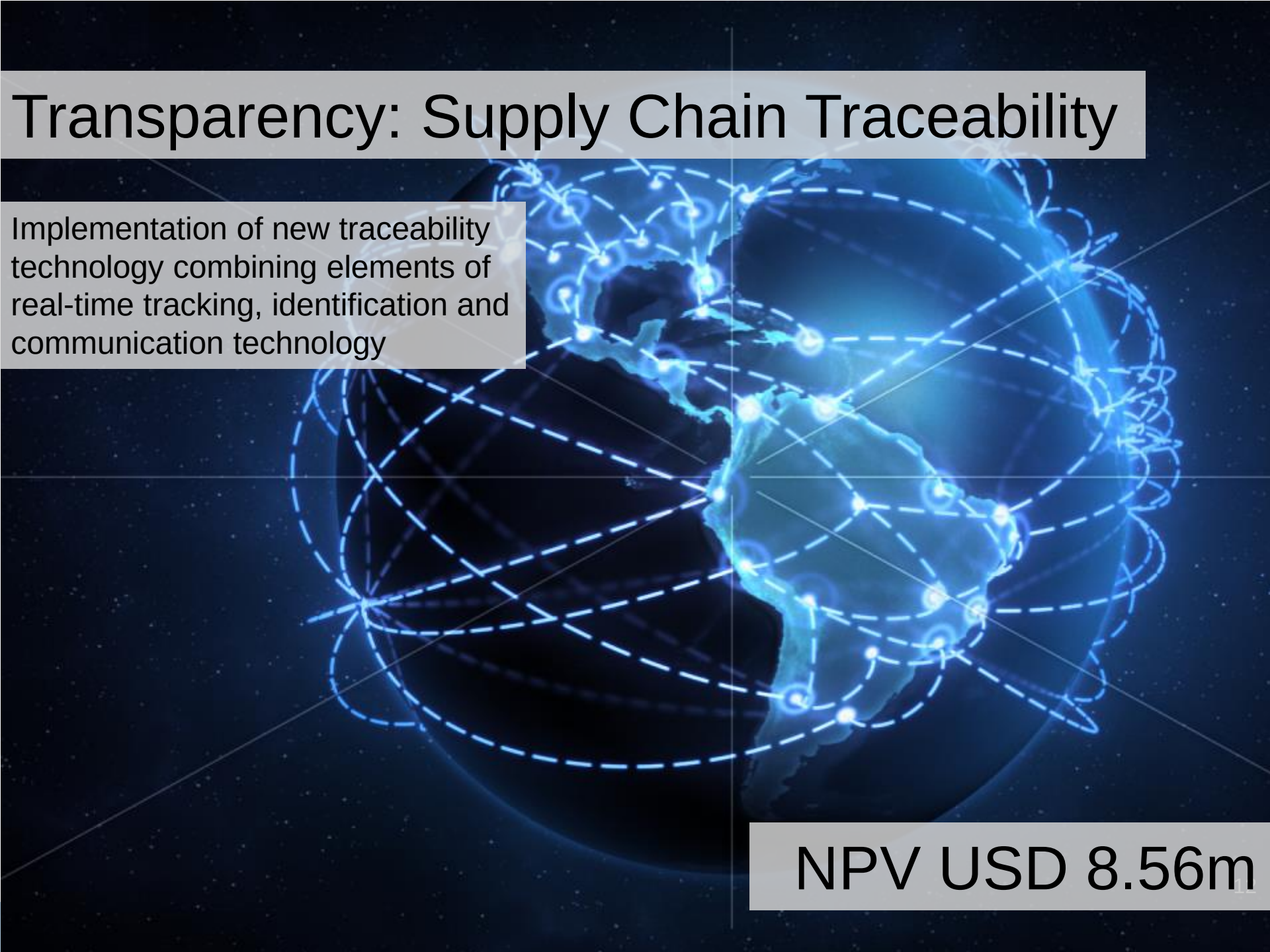
Key Benefits		Key Limitations
• Strong infrastructure • Free Trade Zone • ISO 9001 Quality Management		• Time to market from Indonesia • Weaker environmental focus
• Location and Quality • Labor conditions • Environmentally focused (66 EPI)		• Rising wage rate • Higher import taxes
• Government support • Labor conditions • Environmentally focused (69 EPI)		• Strength lies in dyeing fabric • Corruption

Transparency will generate a NPV of USD 8.56m over six years



Transparency: Supply Chain Traceability

Implementation of new traceability technology combining elements of real-time tracking, identification and communication technology



NPV USD 8.56m

It is important for us to develop supply chain traceability and transparency for three key reasons

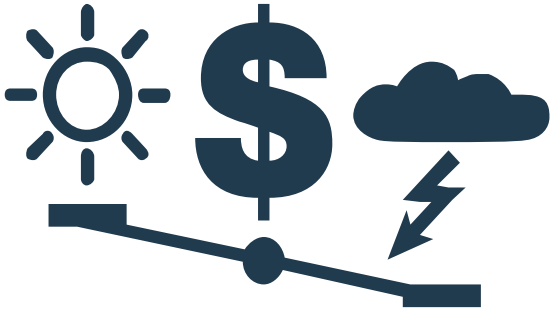
1 Consumer Trends

- 87% of collegiate apparel buyers prefer sustainable products

2 Social & Environmental

- Better understanding of social and environmental impacts

3 Risk reduction



- Reduces exposure to criticism from critics
- Information to make more informed decisions

Source: Advisor Perspectives, 2012

These technological advancements will provide us with complete supply chain traceability

Source & Component Traceability

- Determine raw materials used
- Trace each component back to its factory origins

Raw material tracing method and identification process

Poor Labour Conditions

- RDIF
- RTLS
- Unexpected Audits
- PLM System
- Anonymous Employee communication
- Outsourcing of traceability systems
- NGO Collaboration Schemes
- Intra-industry cloud based system

Source: Textures, 2011

These technological advancements will provide us with complete supply chain traceability

Source & Component Traceability

- Determine raw materials used
- Trace each component back to its factory origins

Raw material tracing method and identification process

Poor Labour Conditions

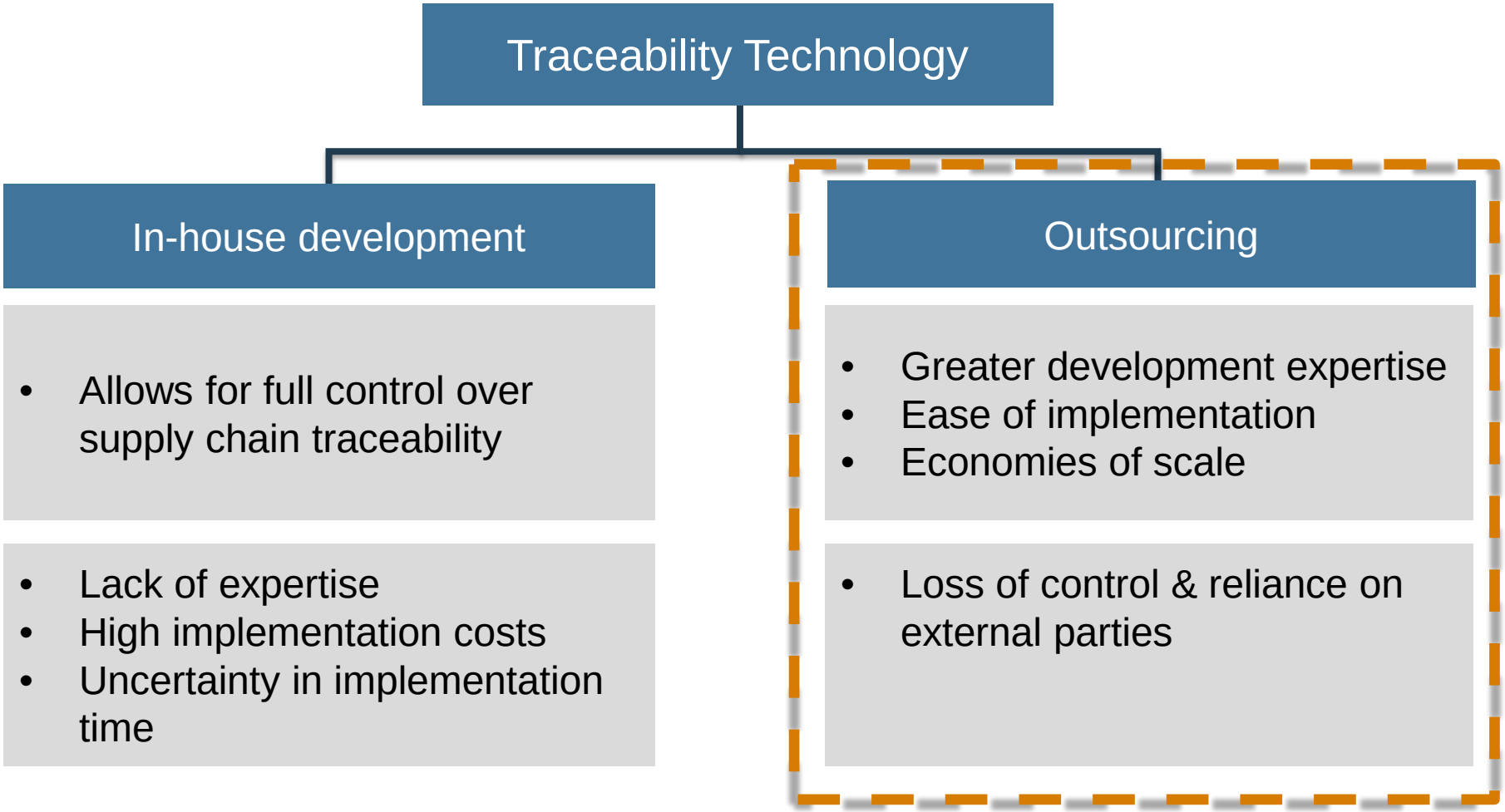
Real Time Location Systems (RTLS)

Radio Frequency Identification Device (RFID)

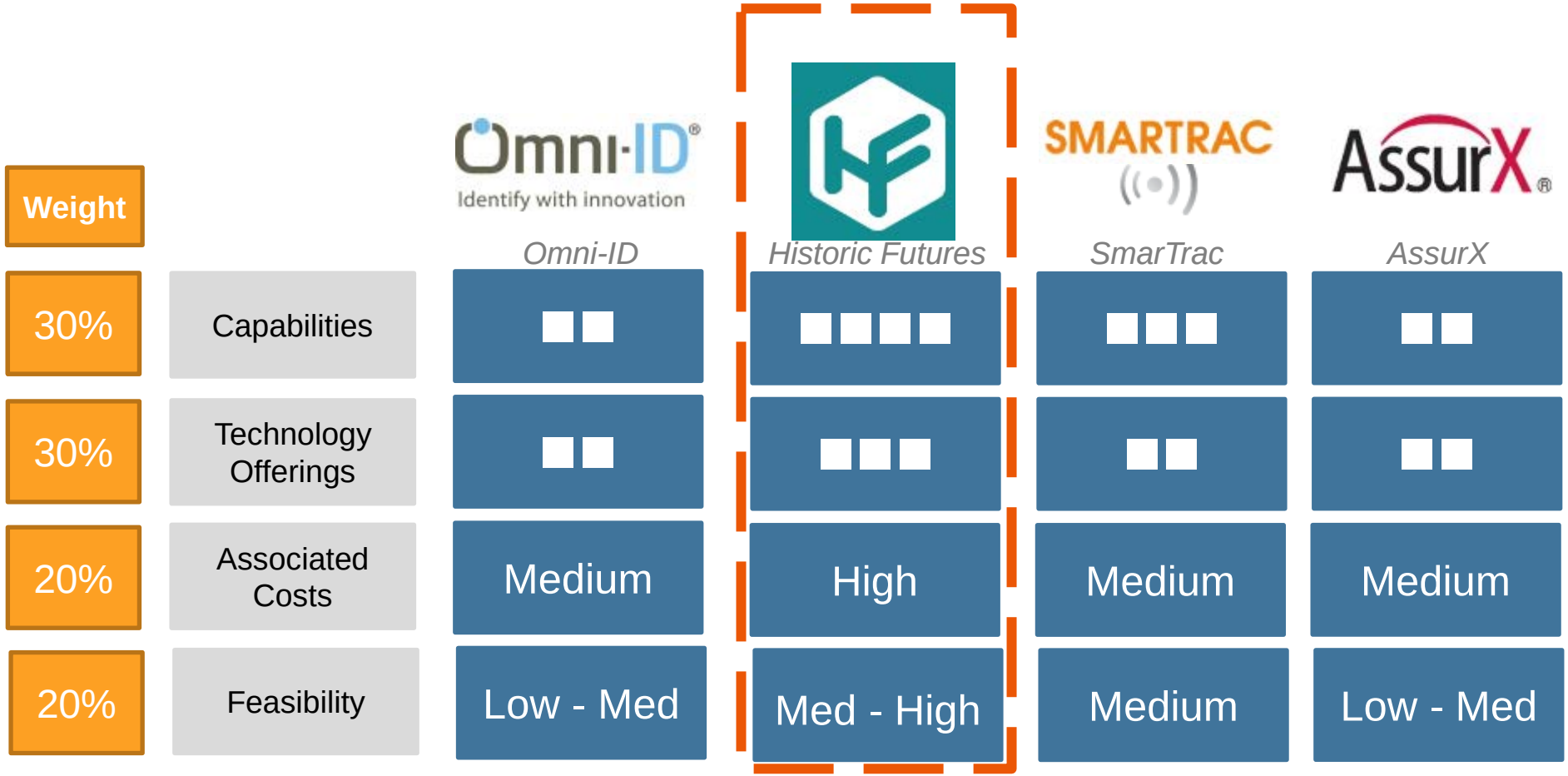
Communication
(Labour Link Mobile Technology)

Source: Textures, 2011

Outsourcing is the best means by which we are able to improve our traceability

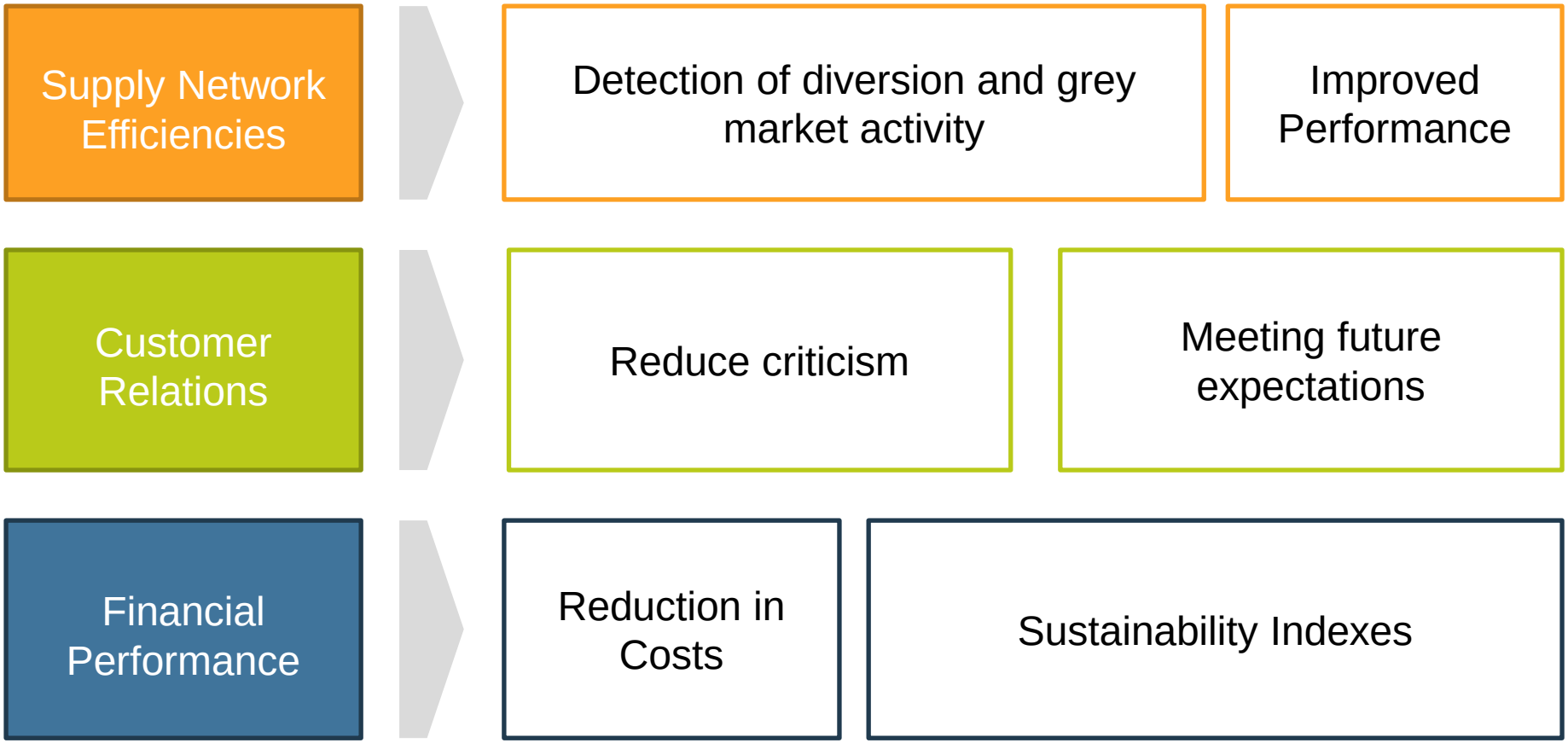


Historic Futures is the optimal company for us to engage systems services with to deliver complete traceability



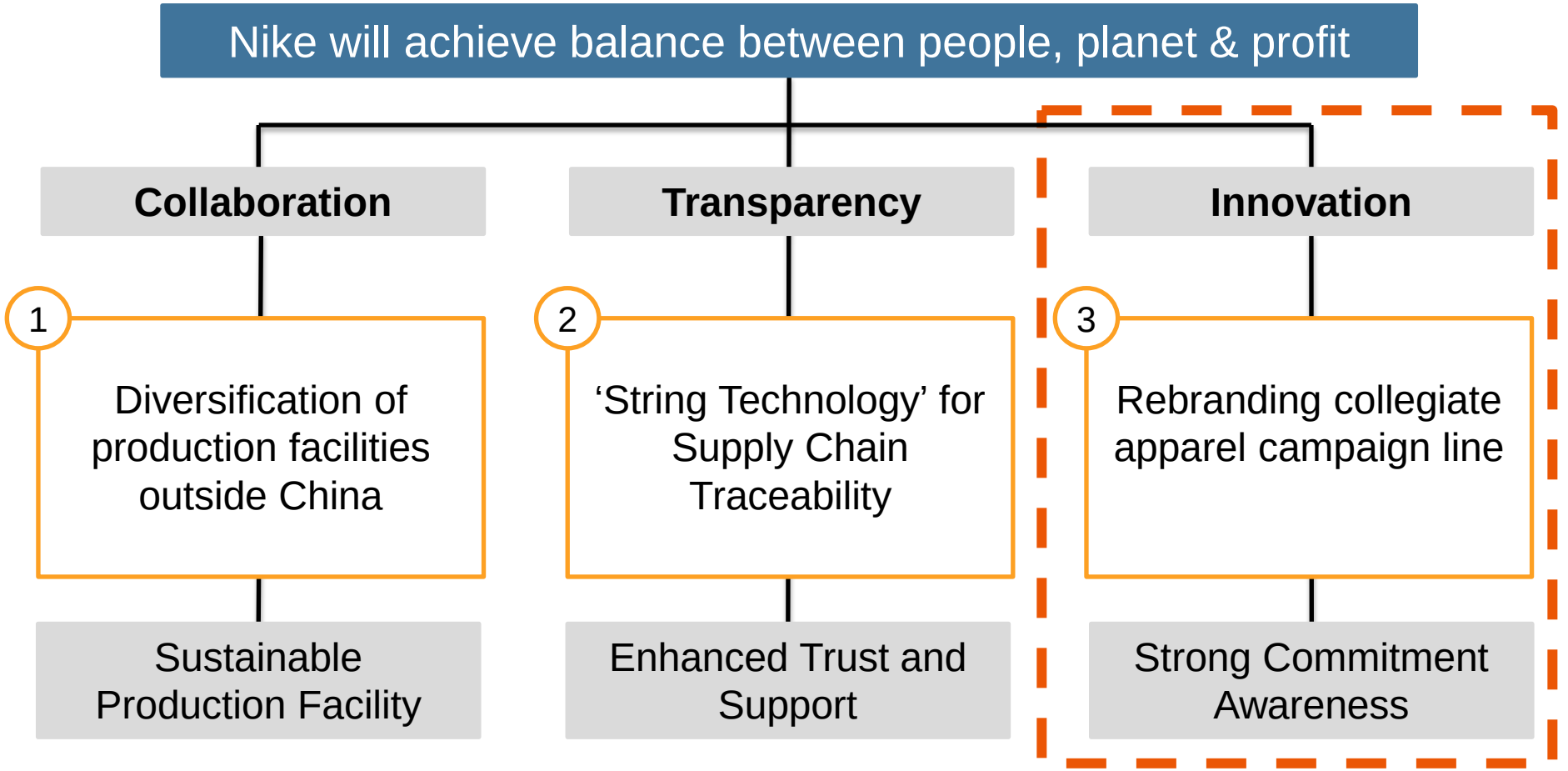
Optimal company to outsource development of technologies is Historic Futures

Complete traceability will assist in improving our decision making capabilities in three key areas



Source: Marks & Spencer, 2011; Food Logistics, 2012

Innovation will generate a NPV of USD 5.88m over six years



Innovation: Sustainability Campaign

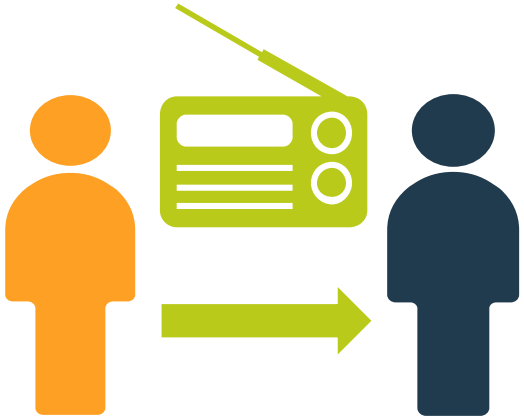
Innovative consumer awareness campaign championing Nike's commitment to sustainability & improved labour practices

NPV USD 5.88m

Developing strong consumer awareness highlighting our commitment is integral for three key reasons

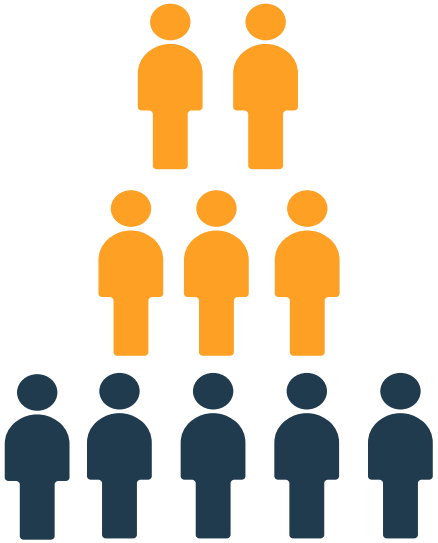
1 Minimize negative stigma

8.8% ↓ in positive attitudes



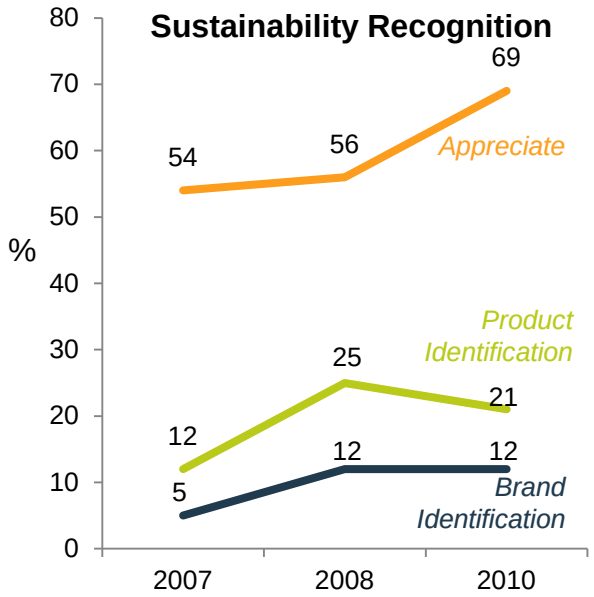
- Negative corporate news diminishes brand equity
- Reduces consumer willingness to purchase

2 Increasing demand for sustainability



- 54% consumers identify sustainability as key

3 Inability to identify sustainable items



- Significant gap between appreciation & identification of sustainable companies

Source: BBMG, GlobeScan & SustainAbility 2012; Deloitte, 2009; Hartman Group, 2013; Linnaeus University, 2012

The first stage of improving awareness is through rebranding collegiate apparel to highlight sustainability responsibility

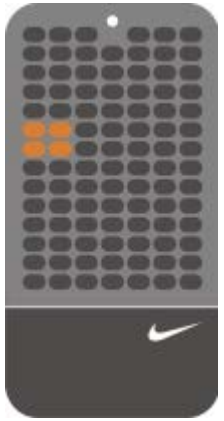
1 REBRAND → 2 INVOLVE

New logo incorporating sustainability mark

QR code on apparel that traces sourcing & production

70.6% Americans between 25-36 actively use smartphones

QR Codes used by **36%** of consumers while shopping at department stores



New Nike collegiate apparel tags incorporate new logo, QR code & sustainability initiatives

QR code links to website, tracing:
- Sustainability of sources
- Production facility conditions
- Comparison of key indexes

Source: Rural Cooperatives, 2013; Neilson, 2012

Most effective means of advertising to engage college students is on-campus targeted activities and social media

1 REBRAND

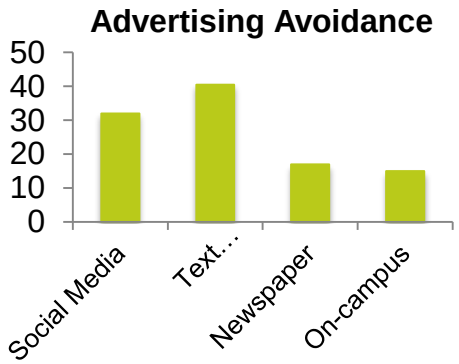
2 INVOLVE

University based activities promoting education of sustainability

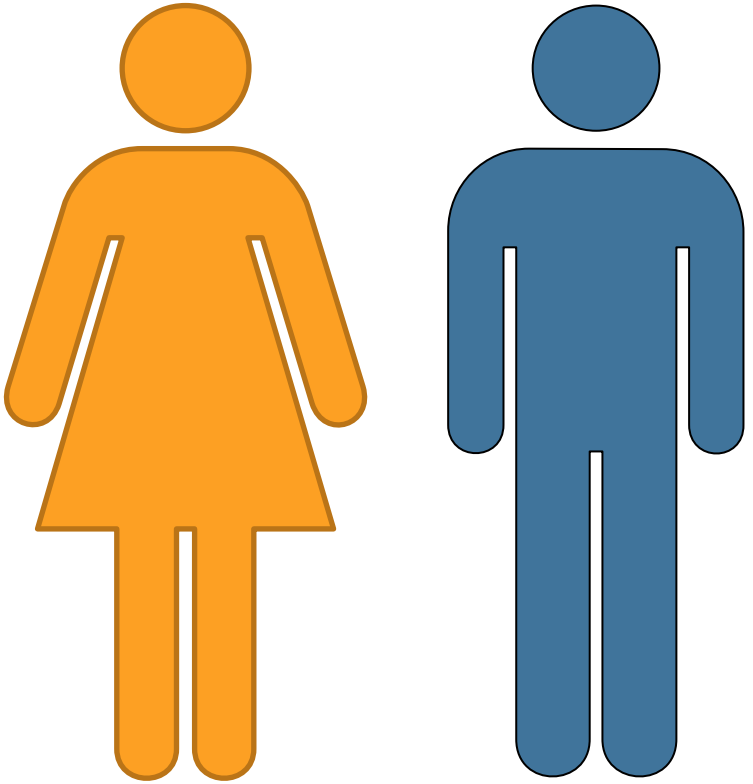
Target Market
College Students (*18-25*)

On-campus activities most influential in promoting initial brand awareness (64%)

Promote brand engagement after initial promotion with social media



Daily college student social media use 45%



The on-campus campaign will be delivered through ‘mobile sustainability stations’ championing Nike’s sustainability actions

ATTRACT

‘Mobile Nike Sustainability Stations’ with sustainability design exterior

Travel to 42 colleges throughout US during main activity weeks

ENGAGE

Sustainability photo booth

‘Hoops to Help’ game donating funds to Nike sustainability & labour rights causes

CONNECT

Ambassadors ***advocate sustainability*** through donation – USD 1/hoop

Photo booth visual representation of commitment & uploading to social media extends awareness

#MAKEITCOUNT

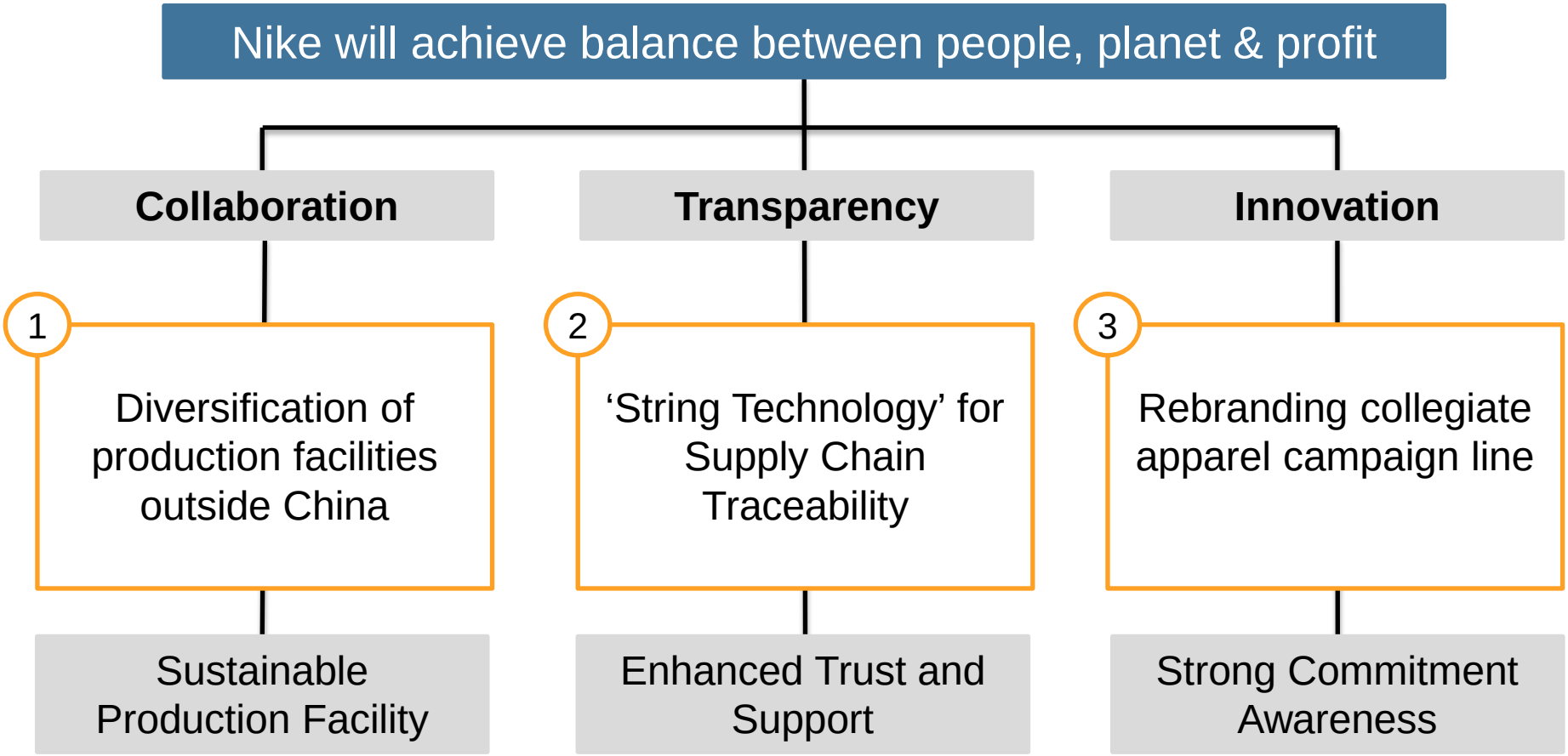
#GOGREEN

#FAIRLABOUR

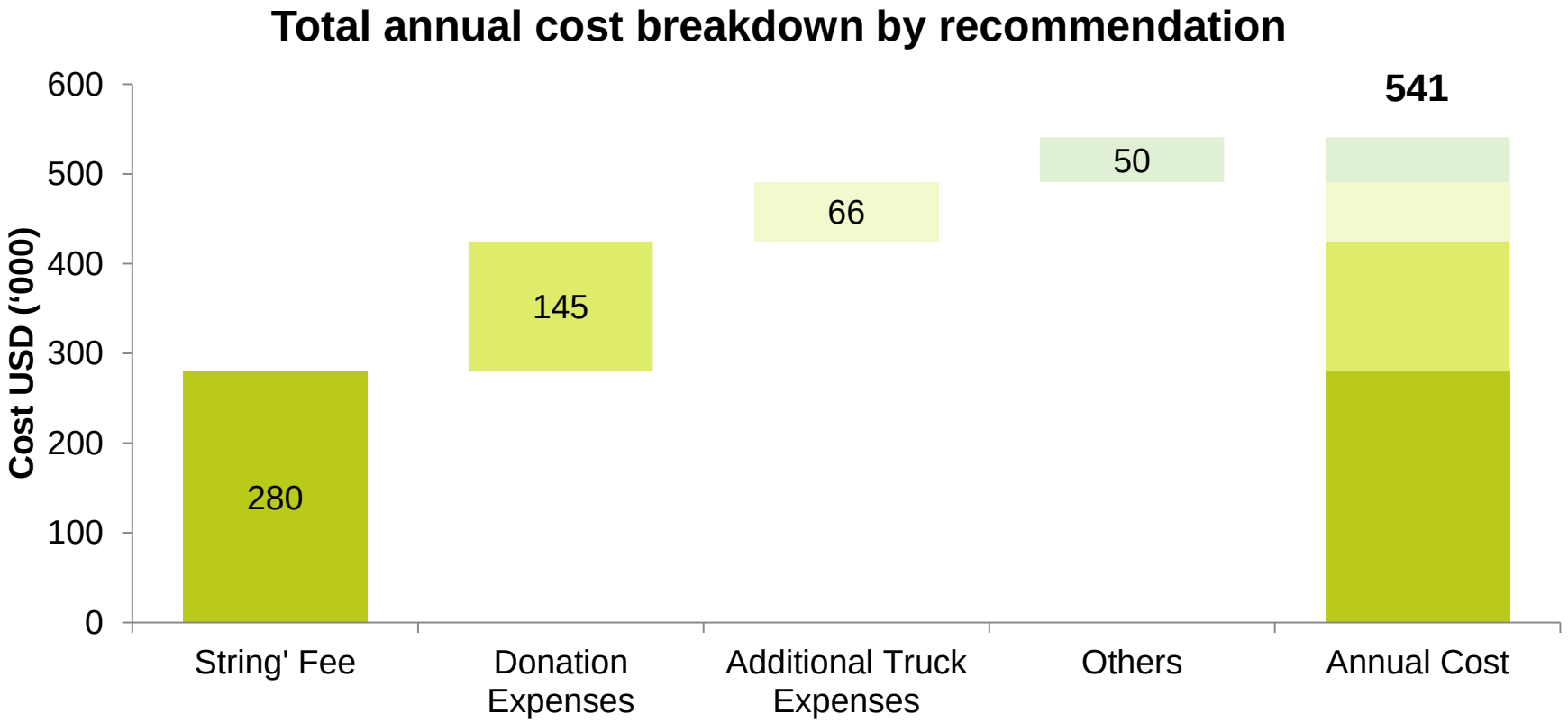
JUST DO IT.

#RIGHT #GREEN

Altogether, we can achieve an annual revenue of USD 95m while achieving a balance of people, performance and profit

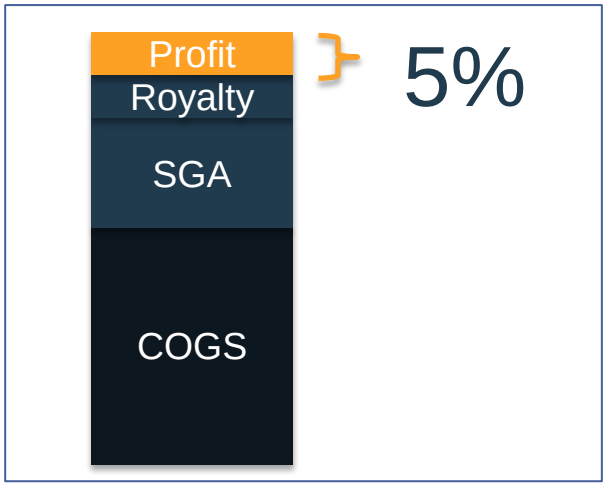
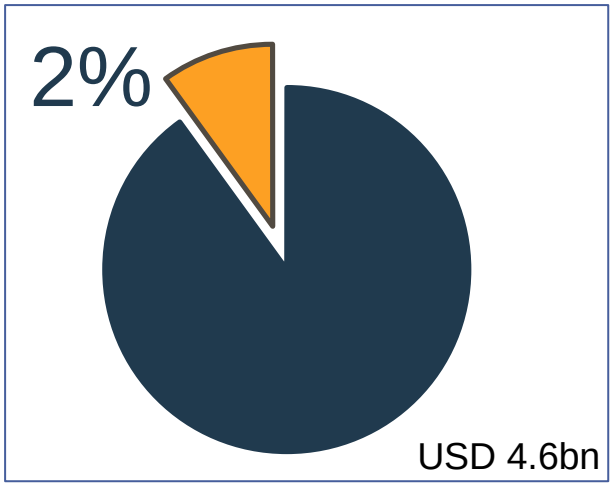
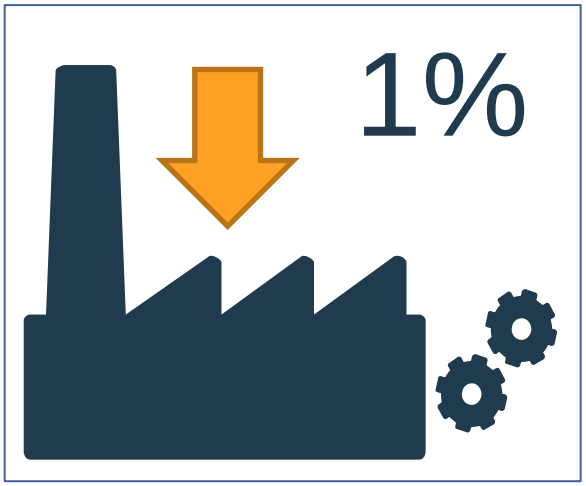


Implementation of string technology for supply chain traceability reflects the greatest cost for our company



Upfront Cost USD 1,440,000	**'String' Installation USD 560,000**	**Trucks USD 480,000**	**Photobooth USD 100,000**

Three key financial pillars underpinning our analysis

Net Profit Margin	Direct increase in revenue in the collegiate market	Estimated Cost Savings on COGS
		
5% Net Margin	USD 94m yearly Revenue	USD 0.94m net savings p.a

Incremental yearly net cash flow = USD5.5m

Cumulated Aggregate Growth Rate 11% NPAT

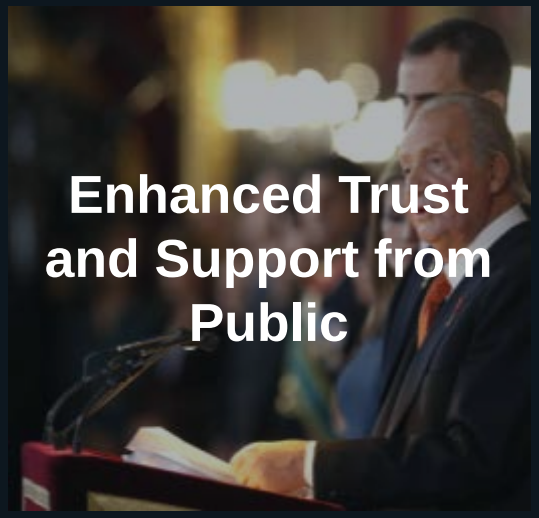
There are three key risks, however the most significant risk is the potential for undesirable changes in sourcing countries

	Risk	Mitigation	Severity
1	**Undesirable changes in sourcing countries**	Partnering with other foreign companies to lobby to the government	■ ■ ■
2	**Cyber Crime**	Ensure strong security mechanism in place and policing operations of the 'String' System	■ ■ ■
3	**Unprecedented innovations in social media**	Monitor the new trends of social media and target market's communication behavior for adaptation	■ ■

■ Least

■ ■ ■ Most

“Our future depends heavily on **innovation**, **collaboration**, and **transparency**”



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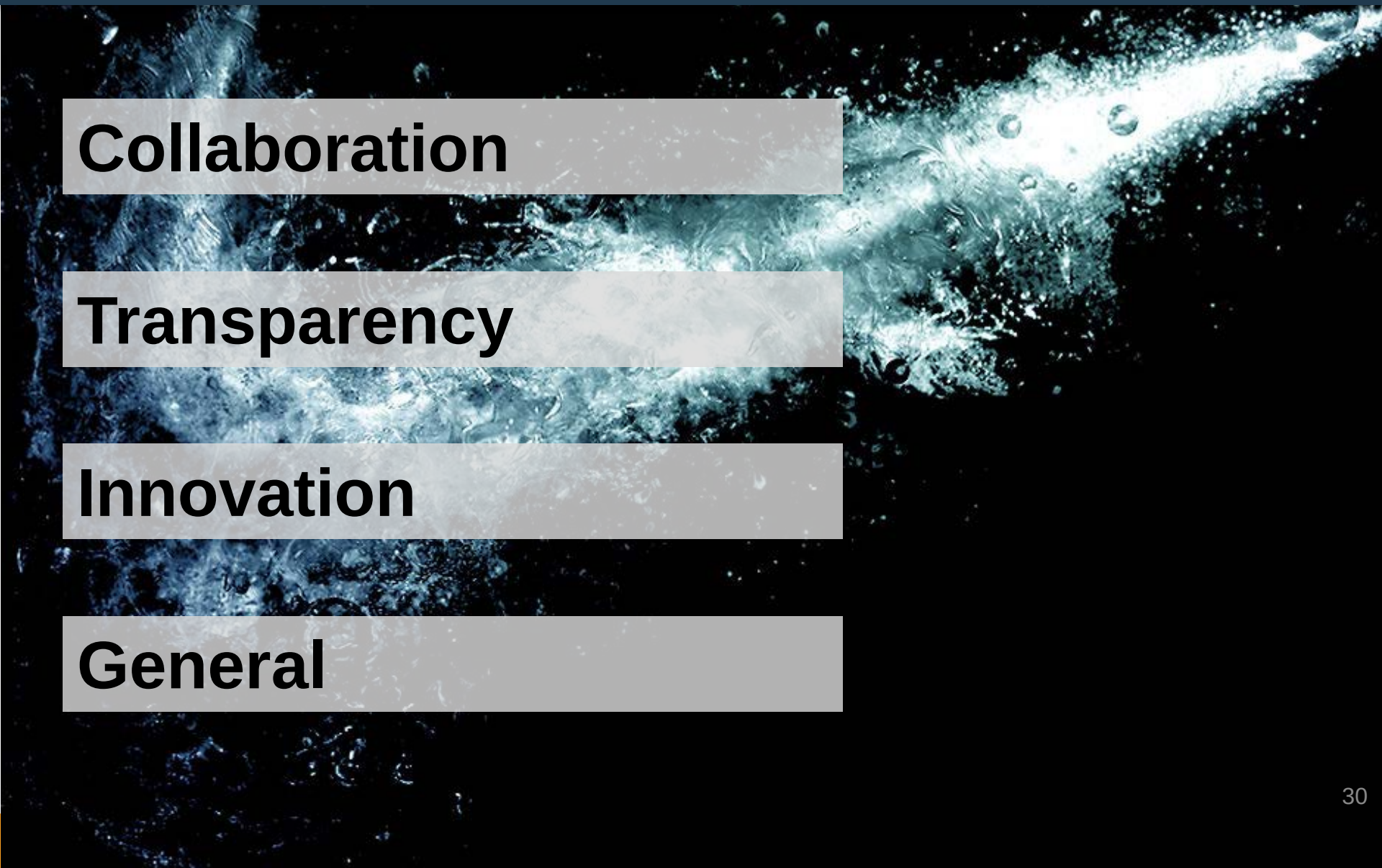


Appendix: Recommendation Collaboration

1.1 Country Analysis (A-M) *Wage, Labour Practices, Sustainability*
1.2 Country Analysis (P-Z) *Wage, Labour Practices, Sustainability*
1.3 Country Analysis (A-M) *Politics, Corruption, Poverty, Infrastructure, Logistics*
1.4 Country Analysis (A-M) *Politics, Corruption, Poverty, Infrastructure, Logistics*
1.5 Sources
1.6 Main exports of top apparel countries
1.7 Main exports of top apparel countries
1.8 Textiles Industry Agreements
1.9 Environmental Performance Indicators
1.10 Measure of Political Risk
1.11 Country-of-Manufacturing Effect Factors
1.12 Revenue Breakdown

Appendix: Recommendation Transparency

2.1 Customer preference for sustainability
2.2 Ranking of Traceability Methods
2.3 Supply Chain Traceability Methods
2.4 Case Precedent – UK Mark & Spencers
2.5 Assessment Criteria Breakdown
2.6 Outsourcing v In-House
2.7 Benefits of traceability
2.8 Case Precedent – Nudie Jeans
2.9 ‘Strings’ Price list
2.10 ‘Strings’ Final Costing

Appendix: Recommendation Innovation

Appendix: General

1.1 Analysis of countries to move Nike production to A – M (Wage, Labour Practices, Sustainability)

Country	Wage (pp/ month$USD)	Labour Practices	Sustainability Performance Index Ranking
Bangladesh	$91	Accord on Building and Fire Safety in Bangladesh Alliance for Bangladesh Worker Safety	169
Cambodia	$126	Use child labour 24.1% of children aged 10 - 14 economically active, children are engaged in the worst forms of child labour	145
Dominican Republic	$223	Known to use child labour	75
El Salvador	$294	In 2001 there were a total of 222,254 minors working in El Salvador	115
Guatemala	$345	High unemployment, not known to use child labour	98
Haiti	$154	No minimum age for work leaving children vulnerable to exploitation	176
Honduras	$327	Known to use child or forced labour	97
India	$169	Not known to use child or forced labour	155
Indonesia	$186	Not known to use child or forced labour	112
Mexico	$536	Not known to use child or forced labour	65

1.2 Analysis of countries to move Nike production to P – Z (Wage, Labour Practices, Sustainability)

Country	Wage (pp/month $USD)	Labour Practices	Sustainability Performance Index Ranking
Peru	$393	Not known to use child or forced labour	110
Philipines	$233	Not known to use child or forced labour	114
Thailand	$337	Not known to use child or forced labour	78
Vietnam	$254	Not known to use child or forced labour	136
Hong Kong	$918	Not known to use child or forced labour	n/a
Ethiopia	$249	Not known to use child or forced labour. Suppliers have unions which ensure effective dialogue between workers and employers. Workers paid per item.	131
Sri Lanka	$105	Not known to use child or forced labour	69
Brazil	$415	Not known to use child or forced labour	77
U.S	$1256	Not known to use child or forced labour	33
Turkey	$595	Not known to use child or forced labour	66

1.3 Analysis of countries to move Nike production to B – M (Political Instability, Corruption, Poverty, Infrastructure & Logistics)

Country	Political Stability	Corruption Level	Percentage of people living below the Poverty Line	Infrastructure and Logistics
Bangladesh	High	27	26%	High
Cambodia	High	20	19.6%	Low
Dominican Republic	Medium	29	40.9%	Medium
El Salvador	Medium	38	34.5%	Medium
Guatemala	Medium	29	73%	Low
Haiti	Medium	19	77% highest	Low
Honduras	High	26	60%	Low
India	High	36	32.7%	Heavy
Indonesia	Medium	32	13.6%	Heavy infrastructure
Mexico	Medium	34	45.5%	High Infrastructure

1.4 Analysis of countries to move Nike production to P – Z (Political Instability, Corruption, Poverty, Infrastructure & Logistics)

Country	Political Stability	Corruption Level	% living below Poverty Line	Infrastructure and Logistics
Peru	High	38	25.8%	Low. Heavy focus on agriculture (asparagus, other vegetables, fish)
Philipines	Medium	36	25.2%	Low.
Thailand	High	35	0.4%	Heavy investment in new technologies (short-staple spindles/spinning equipment). Leading apparel exporter (infrastructure exists)
Vietnam	Medium	31	17%	Medium.
Hong Kong	High	75	19.6%	Low. Only 60 garment factories and 15 textile mills.
Ethiopia	High	33	38.7%	High.
Sri Lanka	Medium	37	7%	Leading apparel exporter (infrastructure exists)
Brazil	Low	42	6.14%	Leading apparel exporter (infrastructure exists)
U.S	Low	73	15%	Leading apparel exporter (infrastructure exists)
Turkey	Medium	50	0%	Leading apparel exporter (infrastructure exists)

1.5 Sources for Analysis 1.1 – 1.4

http://www.bangladeshworkersafety.org/, 2014; www.bangladeshaccord.org/, 2014; United States Department of Labour http://www.dol.gov/ilab/reports/child-labor, 2012; International Labour Rights Forum http://www.laborrights.org/publications/study-labor-laws-and-obstacles-compliance-el-salvador, 2004; http://www.free2work.org/trends/apparel/Apparel-Industry-Trends-2012.pdf, 2012; http://www.ipsnews.net/2014/03/ethiopias-textile-manufacturers-benefit-global-winds-change/, 2014; www.worldsalaries.org/, 2014; http://www.numbeo.com/cost-of-living/country_result.jsp?country=Ethiopia, 2014; www.wageindicator.com, 2014; http://www.textileworldasia.com/Issues/2009/January-February-March/Features/Vietnam_Textile_Industry_Profile, 2009; http://www.ipsnews.net/2014/03/ethiopias-textile-manufacturers-benefit-global-winds-change/, 2014; http://www.intracen.org/uploadedFiles/intracen.org/Content/Exporters/Sectoral_Information/Manufactured_Goods/Textiles/Backward%20Linkages%20in%20the%20Textile%20and%20Clothing%20Sector%20of%20Sri%20Lanka.pdf, 2002

1.6 Main Exports of the top apparel countries in the world

Country	Main exports
Bangladesh	Second largest apparel exporter after China, rutgers.com Knit T-shirts (16%), Non-Knit Men's Suits (15%), Knit Sweaters (15%), Non-Knit Women's Suits (8.3%), and Non-Knit Men's Shirts (6.8%)
Cambodia	Postage Stamps (15%), Knit Sweaters (14%), Knit Women's Suits (8.7%), Leather Footwear (6.1%), and Non-Knit Women's Suits (5.4%)
Dominican Republic	Medical Instruments (10%), Low-voltage Protection Equipment (4.6%), Rolled Tobacco (4.5%), Bananas (4.4%), and Light Mixed Woven Cotton (3.1%)
El Salvador	Knit T-shirts (13%), Coffee (8.7%), Electrical Capacitors (5.5%), Knit Sweaters (3.9%), and Knit Socks and Hosiery (3.8%)
Guatemala	Coffee (11%), Raw Sugar (8.5%), Precious Metal Ore (7.9%), Bananas (6.1%), and Rubber (3.4%)
Haiti	Knit T-shirts (37%), Knit Sweaters (29%), Non-Knit Men's Suits (10%), Non-Knit Men's Shirts (2.4%), and Knit Women's Suits (2.3%)
Honduras	Coffee (17%), Knit T-shirts (12%), Knit Sweaters (10%), Insulated Wire (6.2%), and Bananas (3.1%)
India	Refined Petroleum (17%), Diamonds (11%), Jewellery (4.5%), Packaged Medicaments (2.9%), and Iron Ore (2.5%)
Indonesia	Coal Briquettes (12%), Petroleum Gas (9.0%), Palm Oil (7.3%), Rubber (5.7%), and Crude Petroleum (5.6%)
Mexico	Crude Petroleum (14%), Cars (7.9%), Video Displays (5.2%), Vehicle Parts (4.6%), and Delivery Trucks (4.0%)
Peru	Gold (21%), Copper Ore (16%), Refined Petroleum (6.0%), Refined Copper (5.9%), and Animal Meal and Pellets (4.0%)
Philipines	Integrated Circuits (28%), Computers (7.6%), Semiconductor Devices (5.3%), Electrical Transformers (2.7%), and Insulated Wire (2.2%)

Source: Atlas Media, 2014

1.7 Main Exports of the top apparel countries in the world

Country	Main exports
Thailand	Computers (6.4%), Rubber (5.2%), Integrated Circuits (4.1%), Refined Petroleum (3.8%), and Delivery Trucks (3.0%)
Vietnam	Broadcasting Equipment (6.7%), Crude Petroleum (6.6%), Leather Footwear (4.5%), Other Furniture (3.2%), and Coffee (3.0%)
Hong Kong	Gold (19%), Diamonds (10%), Integrated Circuits (4.5%), Telephones (4.4%), and Jewellery (2.9%)
Ethiopia	Coffee (33%), Other Oily Seeds (13%), Other Vegetables (7.9%), Cut Flowers (7.3%), and Dried Legumes (5.0%)
Sri Lanka	Tea (12%), Non-Knit Women's Suits (6.0%), Non-Knit Men's Suits (4.2%), Knit Women's Undergarments (4.0%), and Other Women's Undergarments (3.7%)
Brazil	Iron Ore (17%), Crude Petroleum (8.8%), Soybeans (6.3%), Raw Sugar (5.9%), and Coffee (3.2%)
U.S	Refined Petroleum (6.0%), Cars (3.3%), Integrated Circuits (2.8%),Packaged Medicaments (2.5%), and Vehicle Parts (2.4%)
Turkey	Cars (4.7%), Refined Petroleum (3.4%), Raw Iron Bars (3.1%), Vehicle Parts (2.8%), and Delivery Trucks (2.7%)

Source: http://atlas.media.mit.edu/ 2014

1.8 Textiles Industry Agreements

Multi – Fiber Arrangement MFA 1974 - 1994

"An international trade agreement on textile and clothing that was active from 1974 till 2004. The agreement imposed quotas on the amount that developing countries could export in the form of yarn, fabric and clothing to developed countries."

The WTO Agreement on Textiles and Clothing (ATC) 1995-2004

A transition between the MFA and current practices today

Source: Investopedia, 2014

1.9 Environmental Performance Indicators

Environmental Health

- Health Impacts
- Air Quality
- Water and Sanitation

Ecosystem Vitality

- Water Resources
- Agriculture
- Forests
- Fisheries
- Biodiversity and Habitat
- Climate and Energy

Source: Environmental Performance Index – Yale University, 2014

1.10 Measure of Political Risk

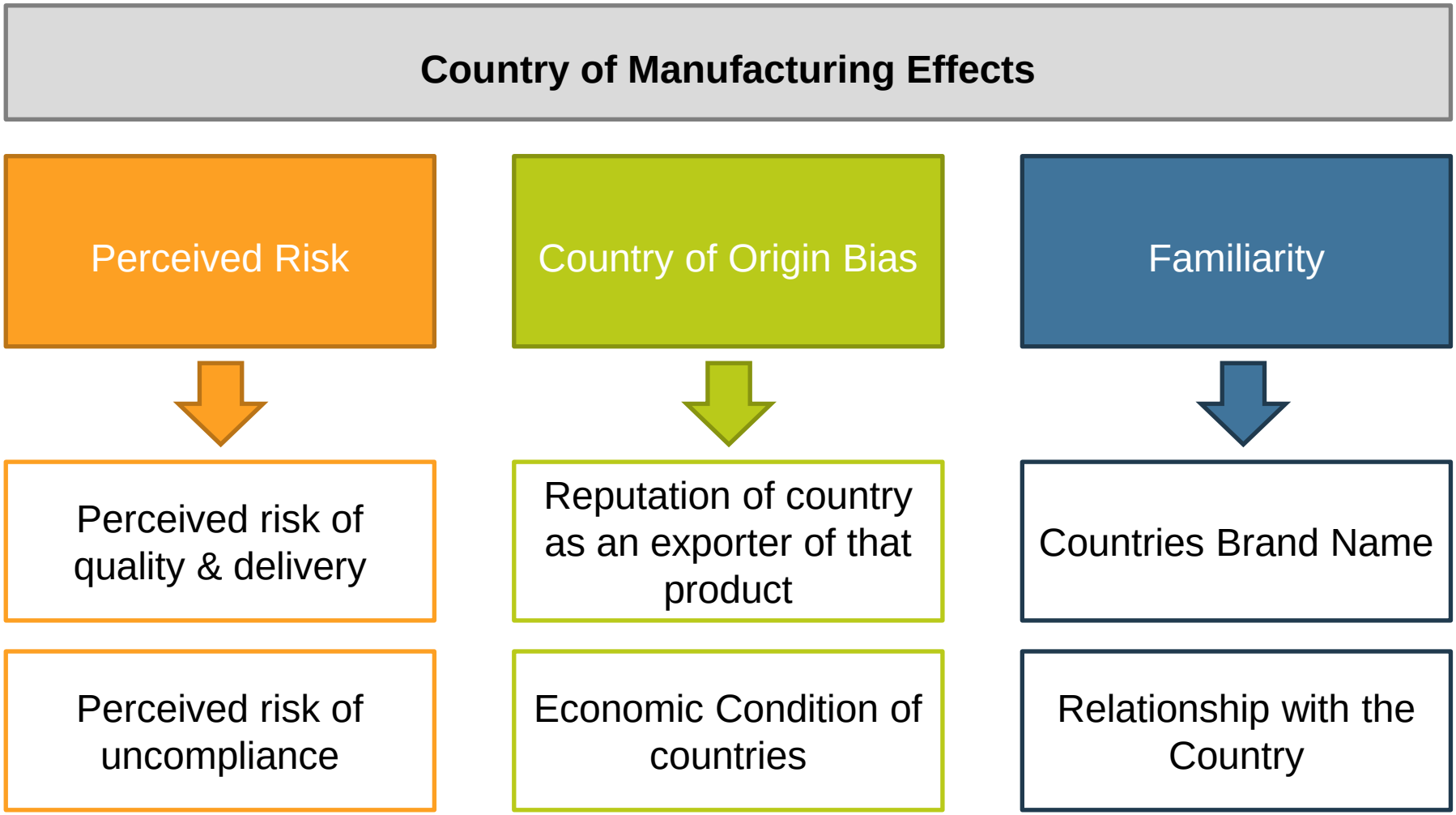
The Political Risk Atlas 2014 provides a comprehensive appraisal of **traditional risk** areas including :

- Conflict
- Terrorism
- The rule of law
- Regulatory and business environment

It also focuses on emerging risk areas and structural challenges affecting political stability such as **food security, water security, energy security, climate change and poverty.**

Source: Maplecroft's Political Risk Index, 2012

1.11 Country-of-Manufacturing Effect Factors



Source: University of Wisconsin-Madison, 2012; Nankai University, 2012

1.12 Revenue Breakdown

Revenue Breakdown:

Reduction in wages expense: $180

Expected number of employees: 1669
(Calculated by total number of employees in China within the college apparel production sector) = 13352 / 8

Cost savings = Difference in wage * Number of Employees
= (295 – 105) * 12 * 1669
= 3.8 million USD in wages saving

Expected revenue per plant in China = 1.5 million USD (Expected)

Loss of Revenue due to transfer ($750,000) taking approx. 6 months
Investment cost towards infrastructure

2.1 Customer preference for sustainability

Consumer values increasingly favor sustainable development in products and services, thereby fostering the need to develop new operational and managerial practices that support sustainability in supply chain management.

Source: Bask, 2013

2.2. Complete Supply Chain Ranking of Traceability Methods Overview

1	RFID	Tracks what products are being supplied
2	RTLS	Trace the location of products back to origin
3	Anonymous Employee communication feedback system	Determine labour practices in partnered suppliers
4	PLM System	Allows for detailed analysis of each product lifecycle
5	Unexpected Audits	Determine whether unlawful practices are occurring
6	Outsourcing supply chain tracking and monitoring	Trace the location of products during distribution
7	NGO Collaboration Scheme	Determine labour practices in partnered suppliers
8	Intra-industry cloud based system	Monitor shared suppliers and share information

2.3 Complete Supply Chain Traceability Methods

	Attainment	Costs	Time Constraint	Ease of Implementation
RFID	• Allows for tracking of products are intervals • **(High Traceability & Moderate Transparency)**	• Costs – High (Complex Integration) • Lengthy & complex implementation process • Required to implement RDIF Tags, scanners and system development		
RTLS	• Complete tracing of supply chain, from product to raw material origins • **(High Traceability)**	• Costs – High (Complex Integration) • Lengthy & complex implementation process • Required to implement RDIF Tags, scanners and system development		
Unexpected Audits	• Determines if suppliers and factories employ safe labour practices • **(Low Transparency)**	• Costs – Low (Policing Method) • Short Process • Medium difficulty – requires collaboration with local authorities to police suppliers		
PLM System	• Allows for in-depth analysis of each product, raw materials to final production • **(Moderate Traceability)**	• Costs – Moderate - High (Complex systems required to track product lifecycle) • Lengthy and costly process to implement for all product produced		

2.3 Complete Supply Chain Traceability Methods

	Attainment	Costs	Time Constraint	Ease of Implementation
Anonymous Employee communication feedback	• Allows for internal confirmation of labour practices • **(Moderate Transparency)**	• Costs – Low-Med (Online server and communication) • Short implementation • Issue regarding actual use of system		
Outsourcing supply chain tracking and monitoring	• Allows for complete sourcing and tracking of raw materials • **(High Traceability)**	• Costs – Med - High (Complex Integration) • Shorter implementation process • Negotiation with suppliers		
NGO Collaboration Scheme	• Determines if suppliers and factories employ safe labour practices • **(Low Transparency)**	• Costs – Low (Policing Method) • Short Process • Medium difficulty – requires collaboration NGO's i.e. information sharing between parties		
Intra-industry cloud based system	• Monitor shared suppliers and share information • **(Low - Moderate Transparency & Traceability)**	• Requires collaboration between competitors • Negotiation between competitors • Low implementation ease		

2.4 Case Precedent – UK Mark & Spencers

First major retailer to commit to full traceability for non-food products.

Outsourced services to Historic Futures and implemented the 'String System'

Enabled the ability to collect information from its extended supply chain:

- describing how each product is made
- source of raw materials
- labour conditions

Outcome:

- Energy efficiency improvement of 25%
- Waste reduction of 34% (290 tonnes)
- Able to address sustainability of raw materials
- Improvement in ethical trade levels
- Minimal / zero waste to landfill
- 50% reduction in water use
- 70% reduction in energy use
- 10% reduction in staff turnover
- 2.4% increase in sales

Source: Marks & Spencer 2011, Logistics Manager 2011

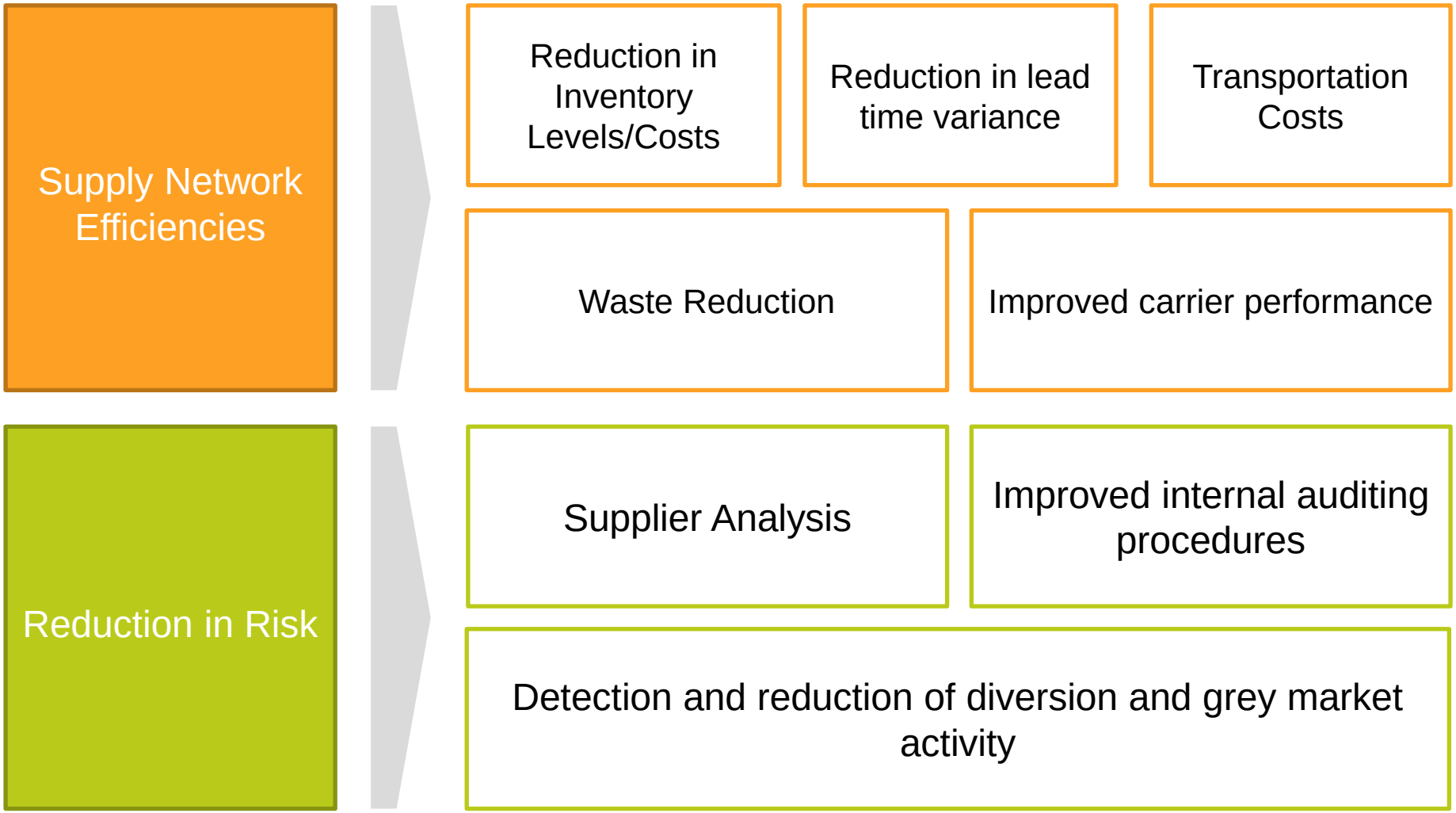
2.5 Assessment Criteria Breakdown

1	Capabilities	Expertise in providing such services Previous engagements with apparel material suppliers
2	Technology Offerings	Radio Frequency Identification Device Real Time Location Services Communication (Mobile Technology)
3	Associated Costs	Employment costs Department Costs (Training) System Costs
4	Feasibility	Ease of implementation Operational Feasibility

2.6 Outsourcing v developing in-house capabilities for traceability technology

Development of Traceability Technology In-house	Outsourcing
Benefits: • Maintaining control over process • Lower on-going costs	Benefits: • Simplification of implementation process • Economies of scale • Pre-existing expertise
Cons: • Minimal Expertise • Associated Costs (including time)	Cons: • Reliance on external parties • High on-going costs

2.7 Benefits of complete supply chain traceability



Source: Marks & Spencer (2011), Food Logistics

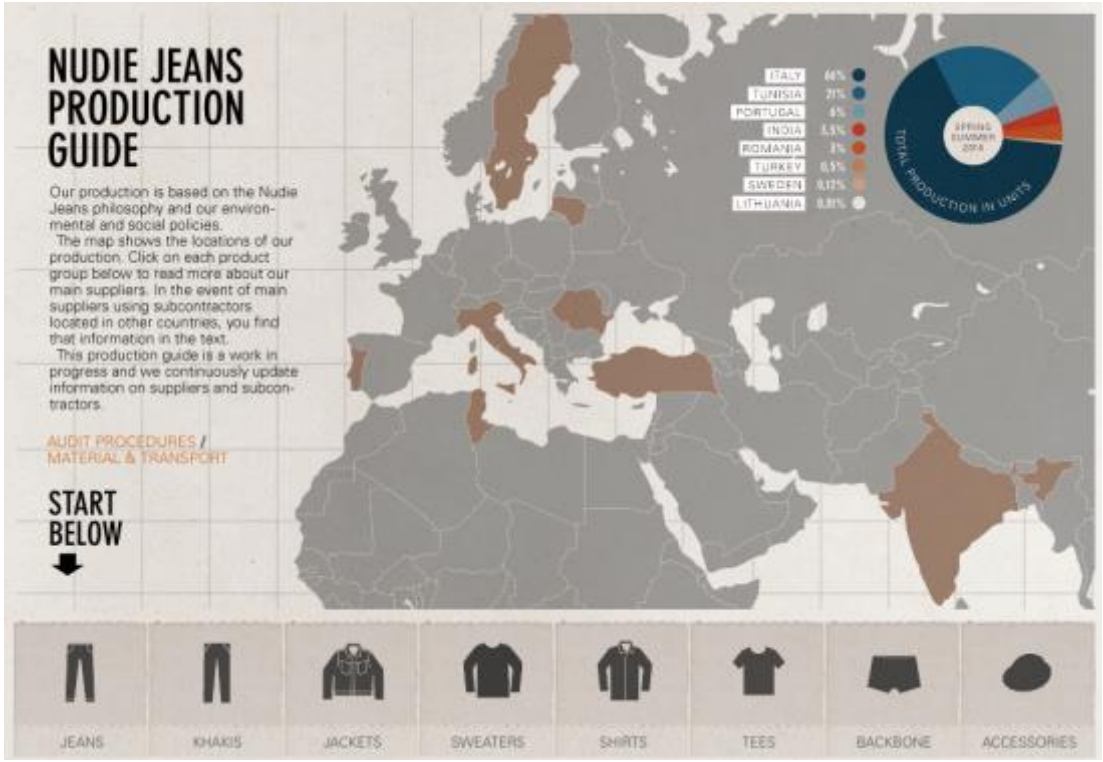
Benefits of complete supply chain traceability (cont'd)

Procurement and Quality	Reduced Cost of Goods	Economies of scales
	Improved knowledge of origins	
Customer Relations	Customers wanting to make purchases based upon their specific needs and values: Fair labour practices, Carbon footprint, sustainable etc…	

Source: Food Logistics

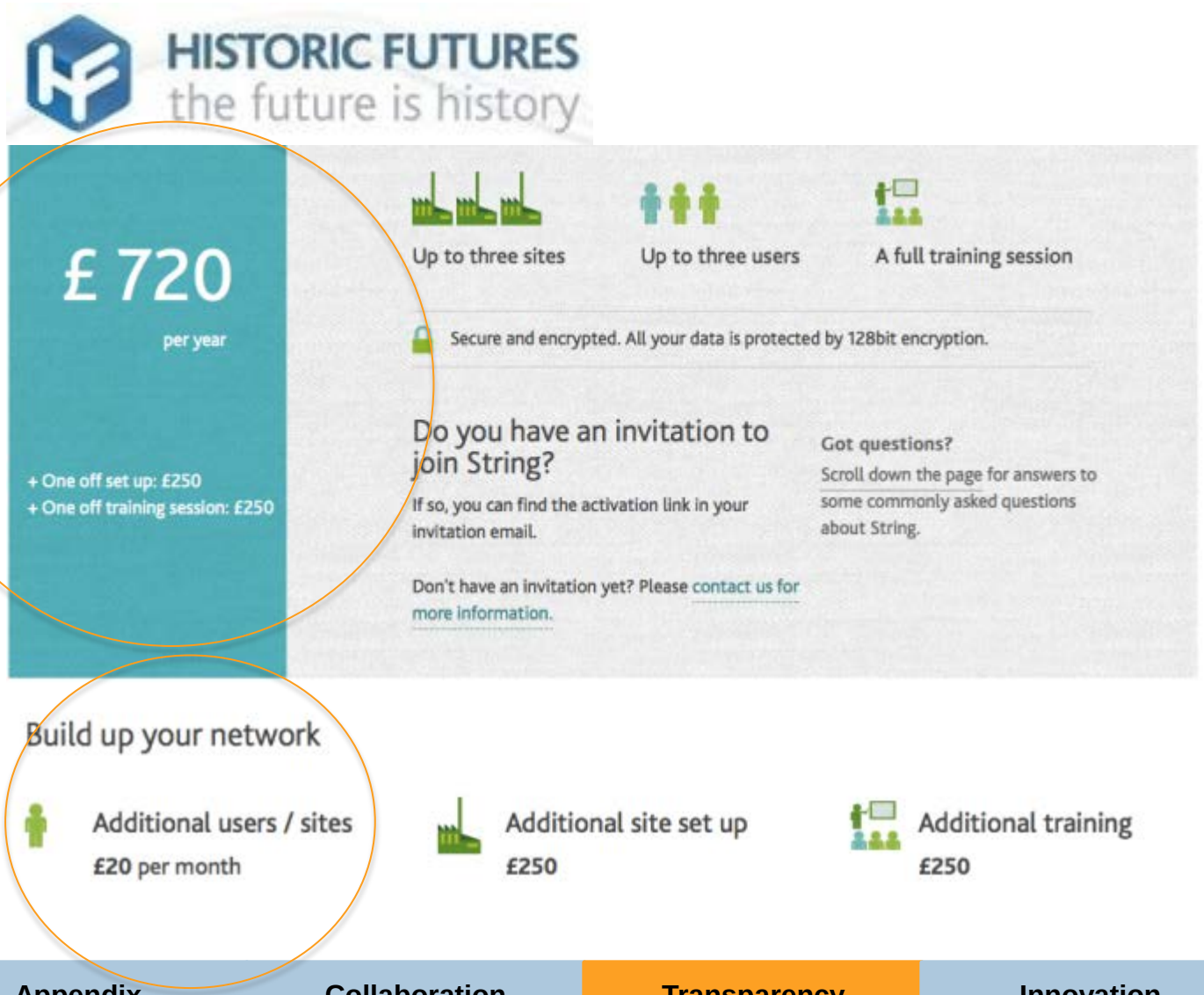
2.8 Case Precedent – Nudie Jeans

Nudie Jeans' interactive production guide digitally maps out the Swedish firm's global suppliers, subcontractors and transportation information between them while providing an audit summary and a portfolio of photographs of people at work and facilities inside each factory.



Source: Nudie Jeans, Business of Fashion

2.9 ‘Strings’ Price list



2.10 ‘Strings’ Final Costing

83 Factories

415 Sites

664 Sites

1 Factory = 5 sites

Add 249 Suppliers

Installation + Training

664*(420+420) = USD 557,760

Yearly Cost

664*(420) = USD 278,880

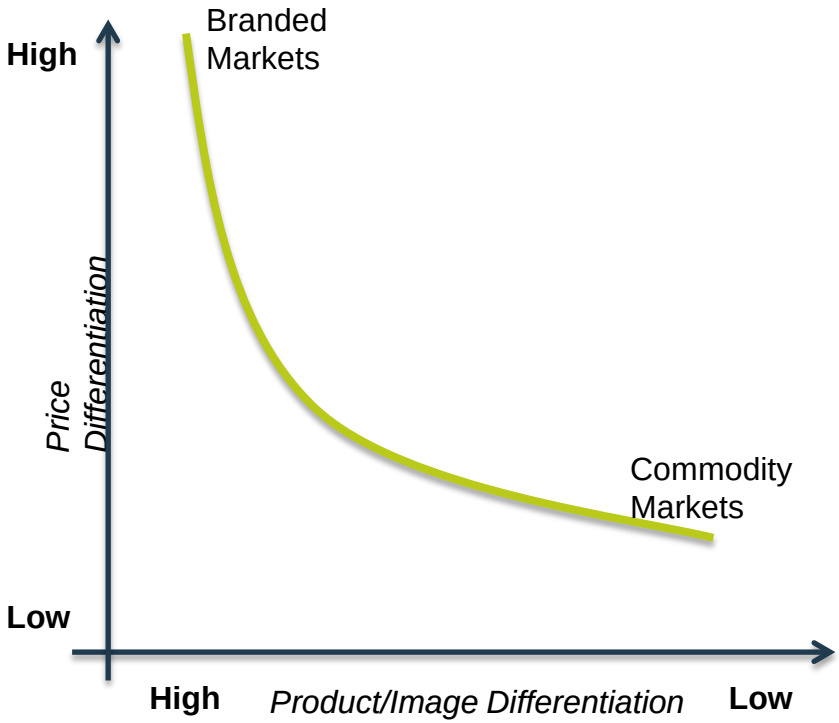
HISTORIC FUTURES
the future is history

3.1 Importance of branding & sustainability branding

Empirical Analysis

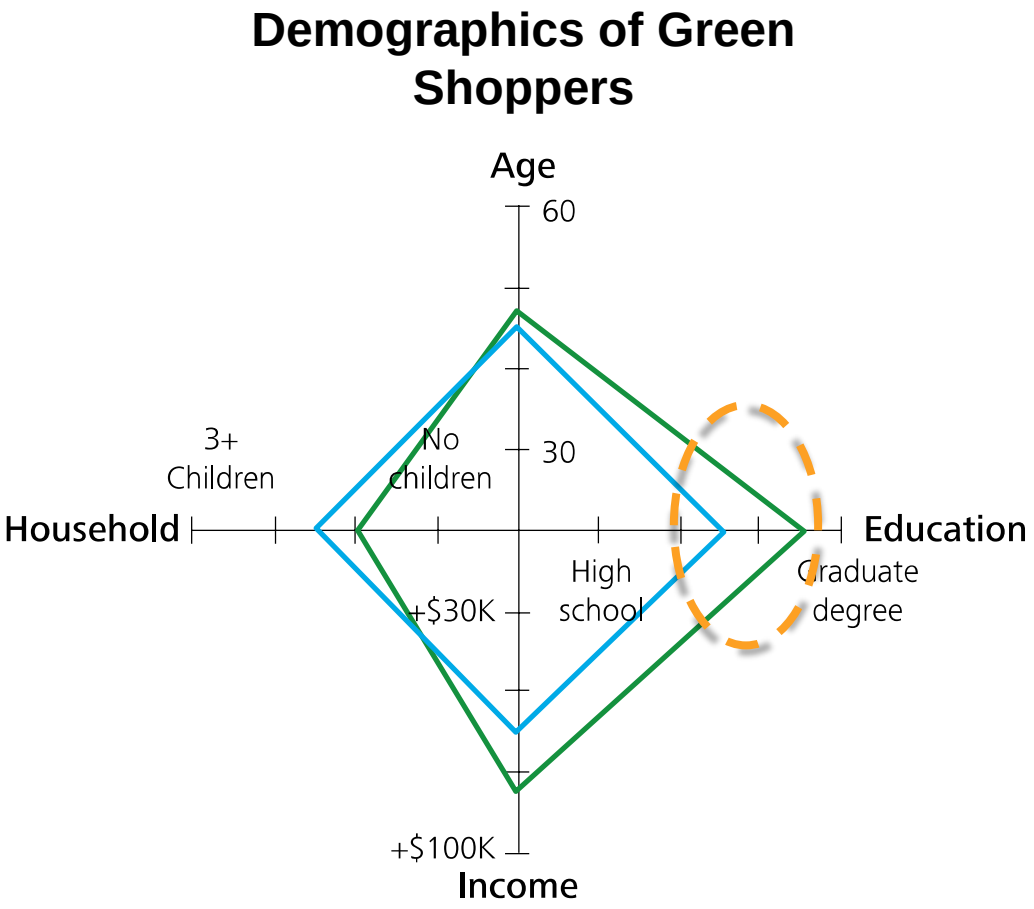
- Consumer purchasing behavior is significantly influenced by their perception of brands
- This results in significant investment by companies to develop strong brand image
- Evidence reveals that the brand image is key in differentiating branded goods
- A recent survey has revealed that 46% of customers would purchase a specific product/brand if the retailer promoted sustainability and environmentally friendly practices.
- The color green resonates with consumers as representing environmental sustainability

Impact of branding in branded markets v commodity markets



Source: Rubini, 2010; Tutor2U, 2010; Eco-Libris, 2009; GreenFile Developments, 2014

3.2 University students & affiliated parties consumption of sustainable apparel



Green Shopper Demographics

- University students analyzed to be one of the highest demographics of green shoppers behind baby boomer generation
- Evidence has revealed that the younger university student generation will overtake the baby boomer generation in 'green purchasing behaviors' given the importance they place on sustainability
- 88% of consumers believe that pursuing sustainability and social responsibility initiatives are important in building brands

Source: Deloitte/GMA, 2009; Deloitte, 2009; Sustainable Brands, 2013

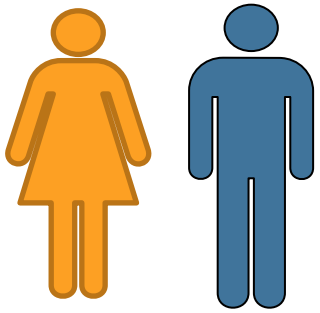
3.3 Brand Color Impacts

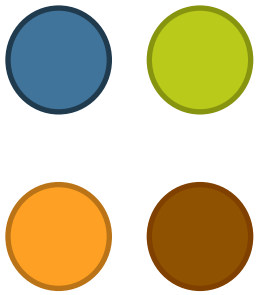
Importance of Color GREEN

- Associated with the environment, sustainability and prosperity
- Evidence reveals green is the easiest color for the eyes to absorb
- Used to promote calmness and relaxation

GREEN in Gender Marketing

- Nike collegiate apparel line is geared towards both male & females university students
- Evidence reveals green is one of three favorite colors for both men and women

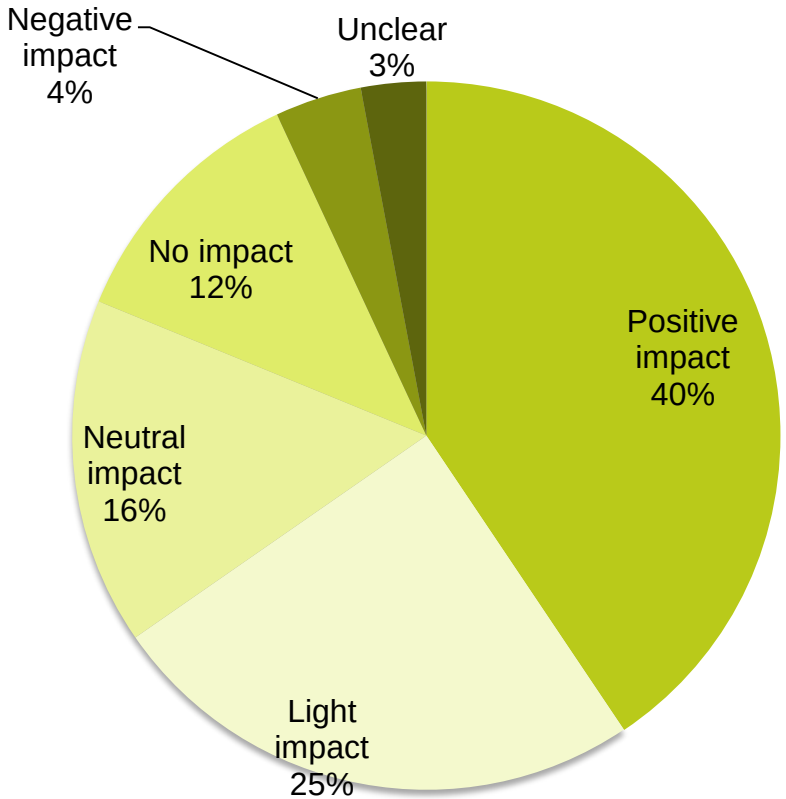




Most Favorite

Least Favorite

Importance of 'green logo branding' on consumer knowledge



Source: Brands Engaged, 2011; Media Crowd, 2013

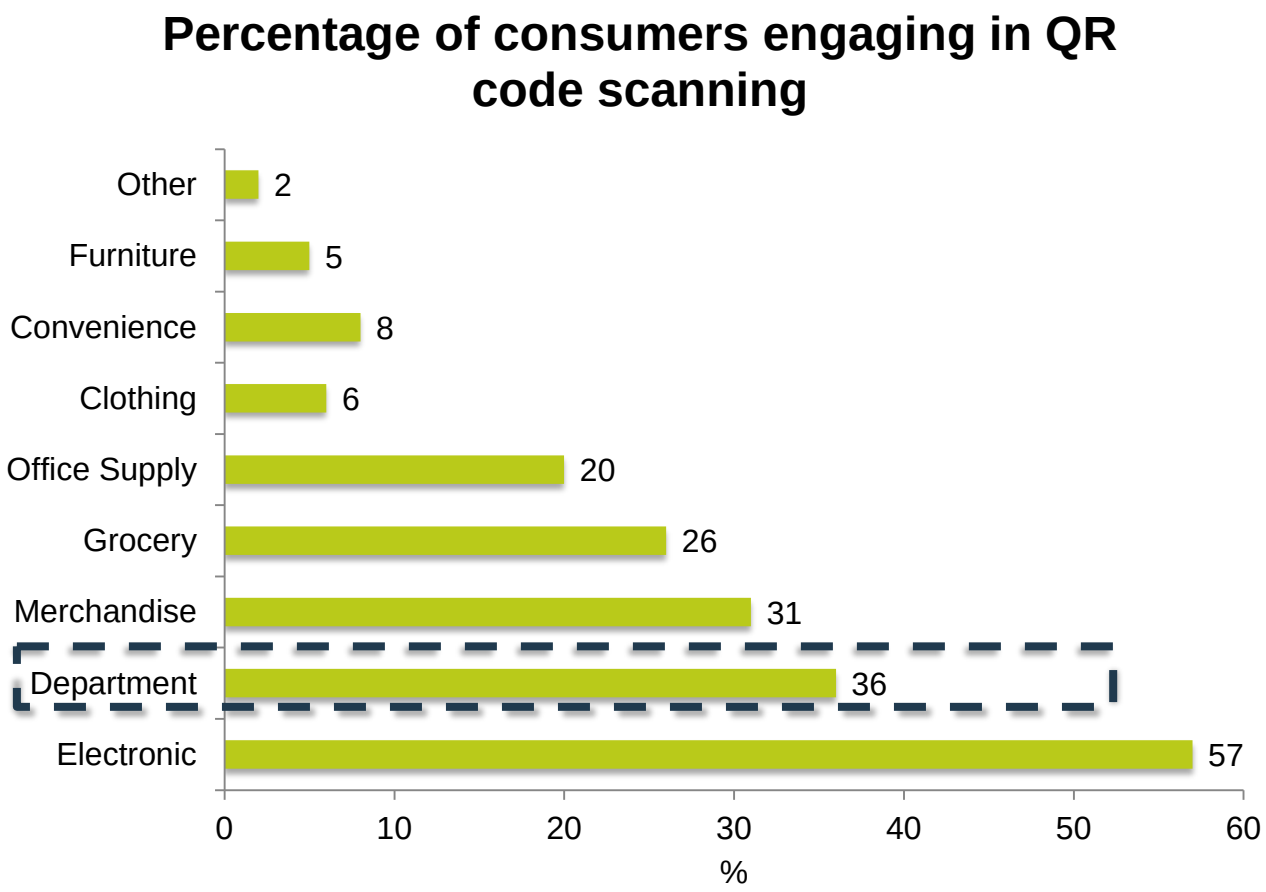
3.4 Case Precedent QR Scanning – American Denimatrix

American Denimatrix

- Named *Apparel Magazine's* 2013 Top Innovator for traceability program as part of branding strategy
- Consumers are able to trace the production story of their denim jeans from farms where materials were sourced to textile and/or manufacturing factories through QR code scanning on label
- Profile information includes:
  - Location
  - History of farm/factory/facility
  - Environmental impact
- This has positioned American Denimatrix to be a leading brand in high quality, sustainable apparel

Source: Rural Cooperatives, 2013; Apparel, 2013

3.5 Popularity of QR Codes in consumer purchasing



31% of consumers engage in QR code scanning when merchandise shopping

Merchandise shopping is reflective of the collegiate apparel market (university merchandise)

Key benefit of QR codes is ease of ability to immediately access website, download information etc.

Source: Neilsen, 2012; Qwikon, 2012

3.6 Examples of leading brands using QR Codes

Kenneth Cole®
NEW YORK

Coca-Cola

Cadillac

ToysRUs

Jamba Juice

Walmart

LA GALAXY

Source: Qwikon, 2012

3.7 New Design of Tags & Associated Apparel

Information

- Information following the ‘product story’
  - Source material locations
  - Production facilities/factories
  - Labour practices
  - Ratings as per Nike Sustainability indexes
    - Apparel Sustainability Index
    - Manufacturing Index

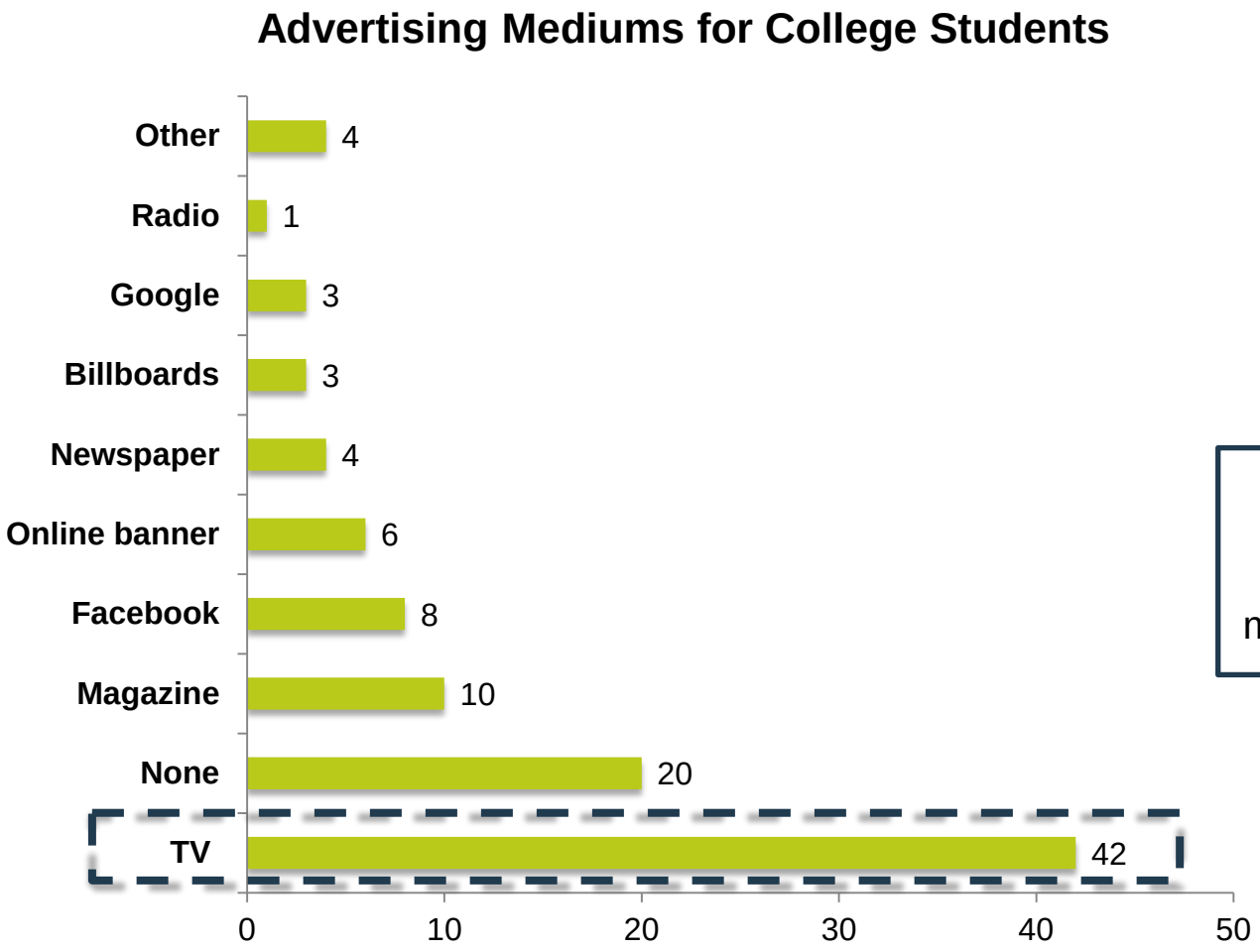
Associated Apparel

Collegiate Apparel includes team:

- Jersey
- Basketball shorts
- T-Shirts
- Polo t-shirts
- Hoodies
- Caps

Source: Nike

3.8 TV advertising most effective for college students



TV shown to be the mot effective means of communicating marketing message to college students

Source: Barnes & Nobles College Marketing, 2012

3.9 List of Nike collegiate apparel universities – states

USA States

Arizona	Minnesota
Alabama	New York
California	North Carolina
Colorado	Ohio
Florida	Oklahoma
Georgia	Oregon
Idaho	Pennsylvania
Iowa	South Carolina
Kansas	Texas
Louisiana	Utah
Maryland	Virginia
Michigan	Washington
	West Virginia

Source: Nike

3.9 List of Nike collegiate apparel affiliated Universities

Alabama Crimson Tide
Arizona State Sun Devils
Arizona Wildcats
Army Black Knights
Boise State Broncos
BYU Cougars
Connecticut Huskies
Duke Blue Devils
Florida Gators
Georgetown Hoyas
Georgia Bulldogs
Gonzaga Bulldogs
Illinois Fighting Illini
Iowa Hawkeyes
Iroquois Nationals
Johns Hopkins Blue Jays
Kansas State Wildcats
Kentucky Wildcats
LSU Tigers
Marquette Golden Eagles
Miami Hurricanes
Michigan State Spartans
Minnesota Golden Gophers
Missouri Tigers
Navy Midshipmen
North Carolina Tar Heels
Ohio State Buckeyes
Oklahamo Sooners
Oklahoma State Cowboys
Oregon Ducks
Pittsburgh Panthers
Syracuse Orange
TCU Horned Frogs
Texas Longhorns
USC Trojans
Villanova Wildcats
Virginia Cavaliers
Washington Huskies
Washington State Cougars
West Virginia Mountaineers
Wichita State Shockers
Wisconsin Badgers

Source: Nike

3.10 Influence of social media among college students

Smartphones owned by 69% of college students in USA

64% of mobile applications focus on social networking programs inc. Facebook, Instagram, Twitter etc.

75% college students use smart phones for researching while shopping in physical stores

From this, 74% students will purchase in that store and 38% to another store

Facebook used by 86% of students regularly

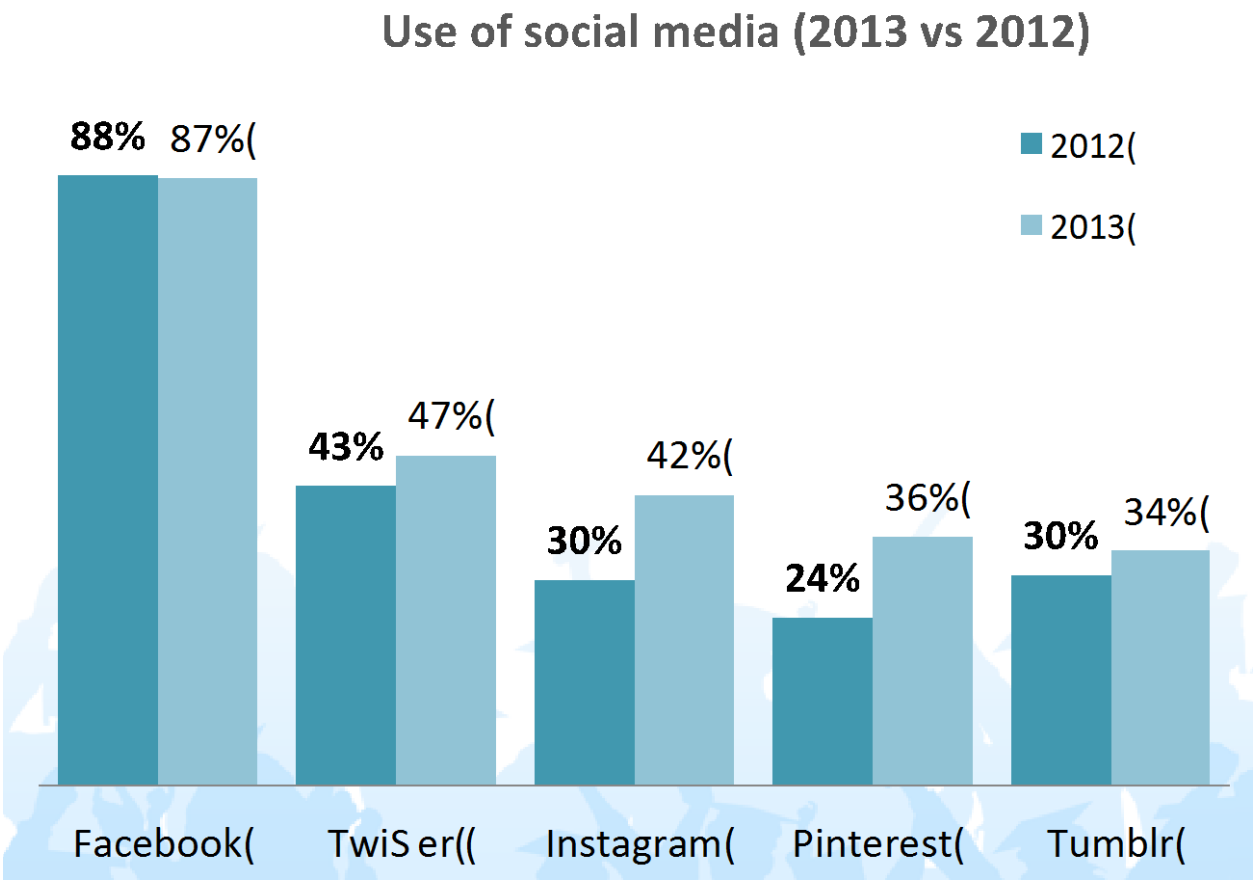
Instagram used by 30% of students regularly

Twitter used by 38% of students regularly

45% of college students use social media at least once a day

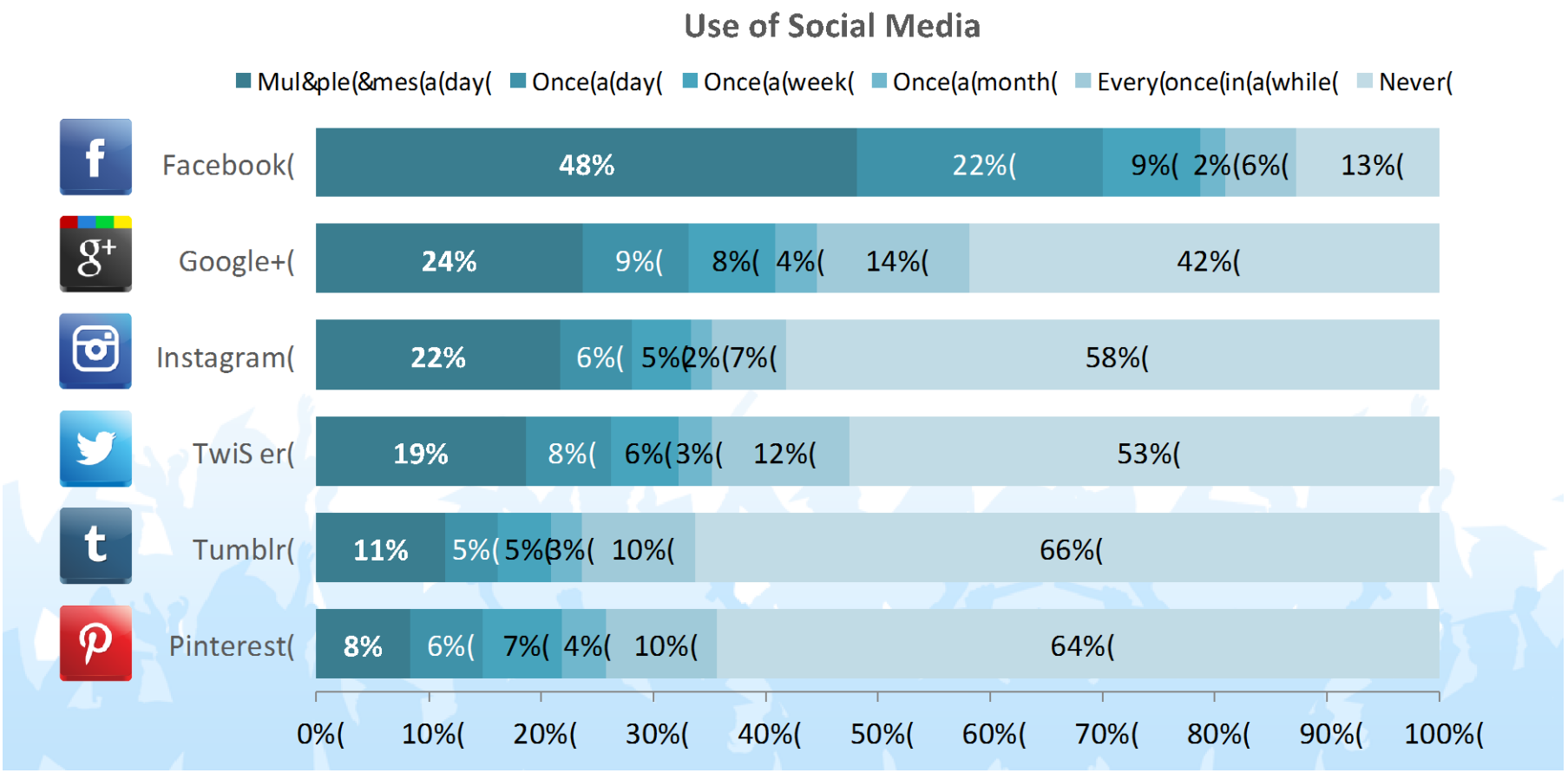
Source: re:fuel, 2013; Sponcil & Gitimu, 2011

3.11 Popularity of social media types among college students



Source: IACAC Conference, 2013

3.12 College students average use of social media



Source: IACAC Conference, 2013

3.13 Sustainability Photo Booth

Sustainability Photo Booth

- Photos against truck sustainability design backdrop & uploaded to social media sites including Facebook/Instagram/Tumblr
- Uploaded with the # symbol @Nike
- Phrases include:
  #Justdoit**right** #Justdoit**fair**
  #Justdoit**green**
  #Makeitcount**gogreen**
  #Makeitcount**laborrights**

Case Precedent: Microsoft Bing SuperBooth

- Microsoft collaboration with SuperBooths creating Microsoft Bing SuperBooth to promote launch of Bing search engine in 2011 at events throughout the New York 2011 Wine & Food Festival
- Photo booths involved custom designed user interface allowing individuals to interact with photo booth and directly upload photos to social media
- Successful in engaging consumers with the brand via interactive means
- Promoted further brand awareness via uploading of photos to social media
- Able to collect & collate data on success of marketing plan for future reference

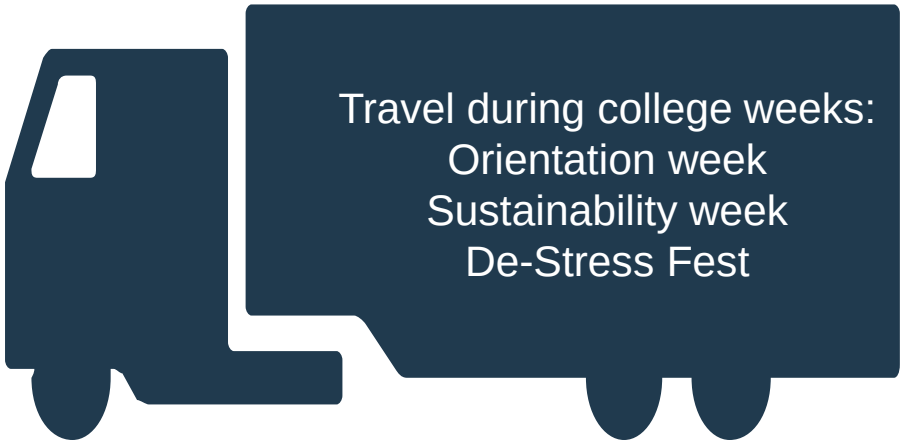
Source: SuperBooths, 2014

3.14 On-Campus Trucks – Hyperlocal Marketing

Case Precedent: Red Bull

- Red Bull mini cars/trucks travelling across universities/college campuses promoting the Red Bull brand

- Success of campaign:
  - Develop closer connections by making promotion easier to locate
  - Engaging directly with target market
  - Providing incentives through free Red Bull drinks and activities



Source: Go Digital Marketing, 2014; Saint Louis University, 2012; Stanford University, 2013

3.15 Nike College Brand Ambassadors & Promotion

Case Precedent: ASOS

- Online retail fashion giant ASOS launched a year long campaign involving college students acting as brand ambassadors
- Using students as brand ambassadors pivotal in connecting with the university student target demographic
- Approached universities during orientation weeks, providing exclusive gift bags/vouchers to attract students

Role of Brand Ambassadors

- 2x Nike student brand ambassadors will accompany the 'Mobile Nike Sustainability Stations' to colleges during the specified activities weeks
- Work to promote brand awareness and Nike sustainability via:
  - Advocating *purpose* of 'Hoops to Help' basketball activity
  - Assisting in photo booth, highlighting purpose and significant of # campaign

Source: RagTrader, 2014

3.16 On-campus v online marketing for college students

- Advertising means for collegiate students include social media, text messaging, on campus events & signage

- Avoidance rates of advertising means
  - Social media sites: 32%
  - Text messages: 40.5%
  - Newspapers: 17%
  - On-campus signage: 15%
  - College sampling events: 15%
  - College sponsored events: 17%

On-campus marketing is the most influential in engaging and enhancing student awareness in comparison to online forms of marketing – specifically social media sites including Facebook and Youtube

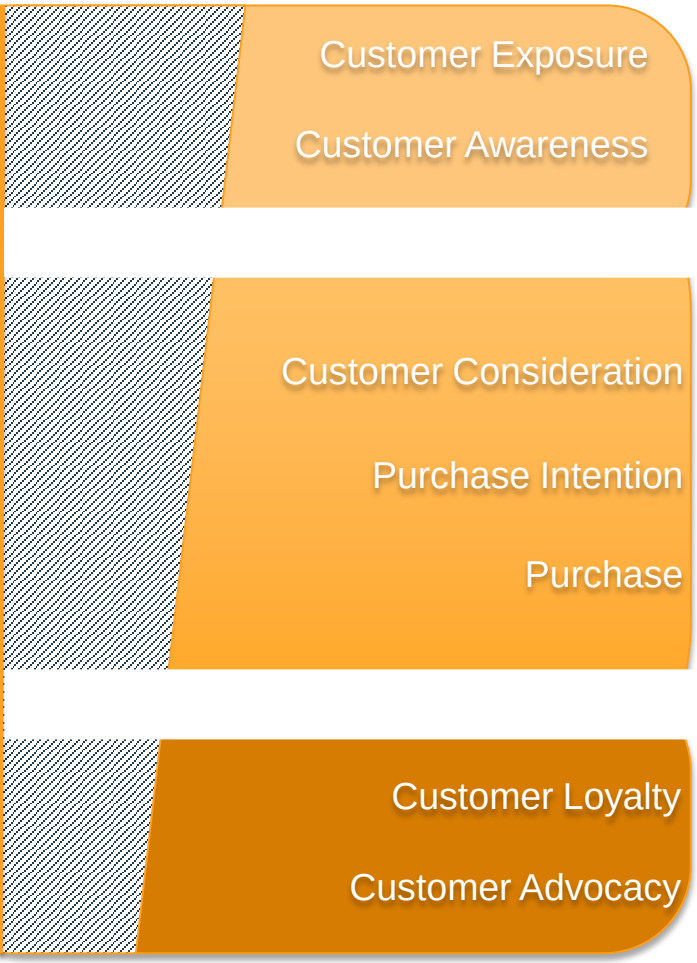
Source: re:fuel, 2013

3.17 College Orientation Week

- College orientation week important in developing significant critical relationships between (new) students and the university
- Research highlights strong attendance rates of college orientation weeks given both mandatory registration and enrollment requirements, and also popularity of social and university-related activities
- Variety of activities offered:
  - Enrollment
  - Student/music performances
  - Markets
  - Club/society promotion stalls
  - Camps

Source: Benjamin, Earnest, Gruenewald & Arthur, 2007; Wikipedia, 2013

3.18 Marketing Funnel – Mobile Nike Sustainability Station

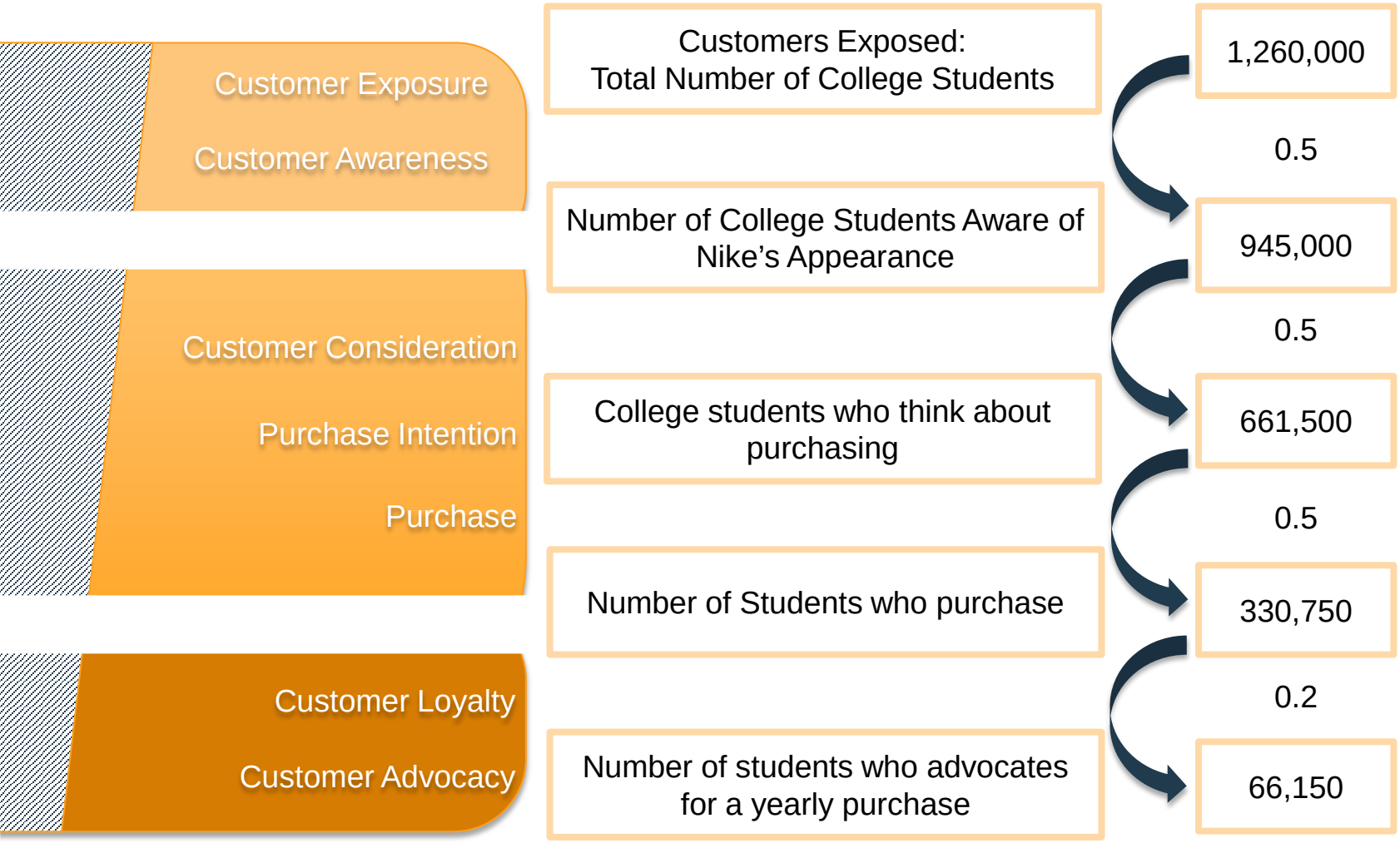


Exposure to Nike's Sustainability

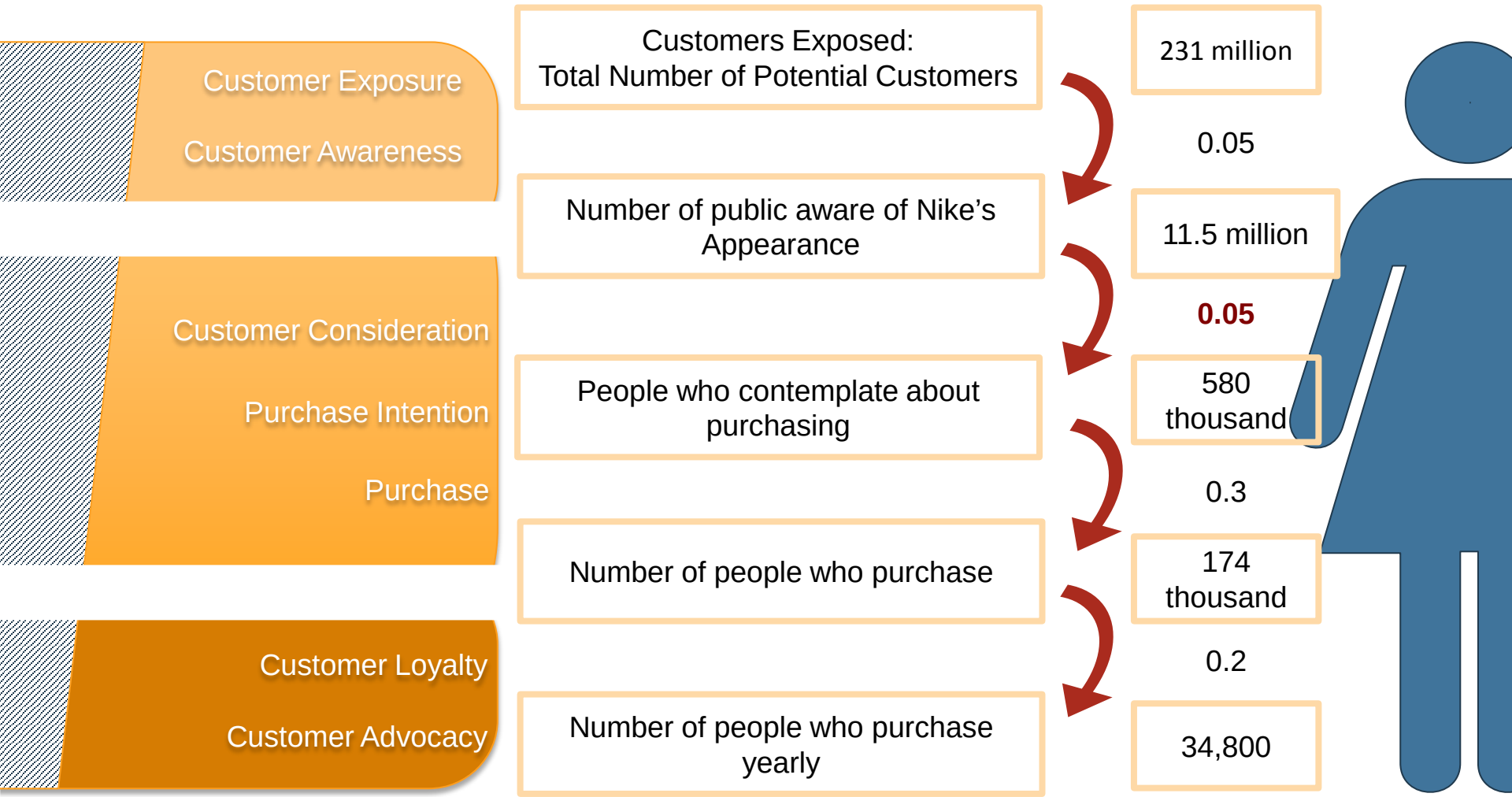
Purchase collegiate apparel from Mobile Nike Sustainability Station

Continue to purchase Nike Collegiate Apparel Yearly

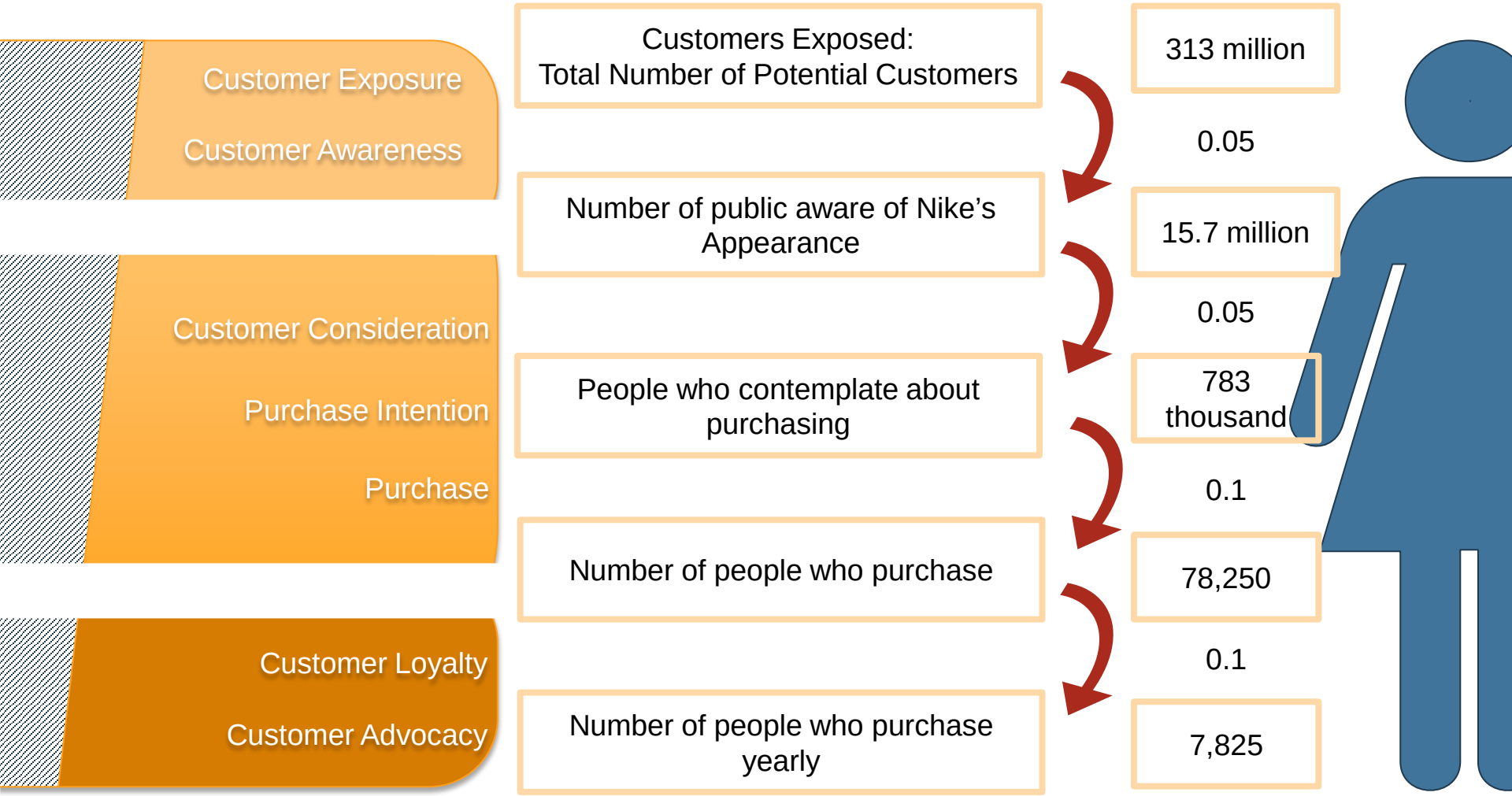
3.19 Marketing Funnel



3.20 Marketing Funnel – Truck Exposure for travelling



3.21 Marketing Funnel – TV Advertising



3.22 Donation Expenses – per annum

Key Assumptions

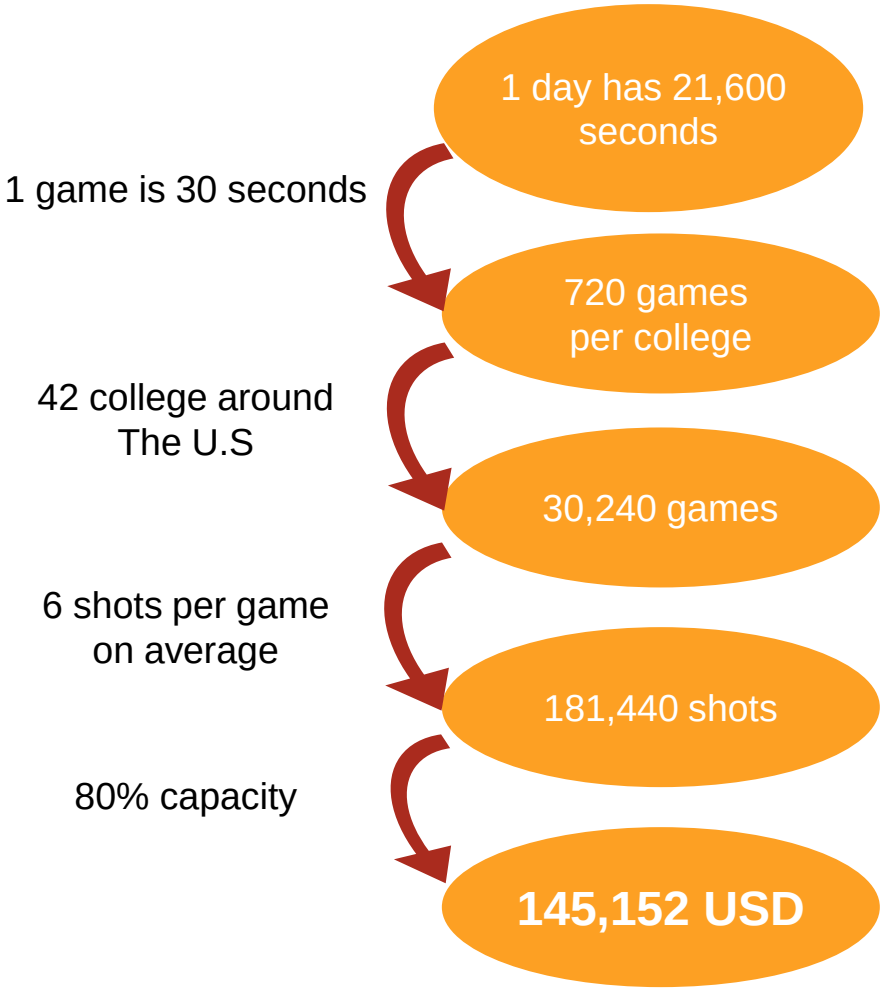
Length of Game = 30s

Capacity = 80%

Accuracy = 60%

Number of College = 42

6 hour day (10am – 4pm)



3.23 Ambassadors' Salary – per annum

Key Assumptions

Average Student Casual Rate = 15 USD / hour

3 students per truck

3 students per truck
6 hours a day
15$ USD per hour

Total cost = 3*6*15 = 270 USD

42 colleges

Total per annum = 42*270 = **11,340 USD**

Source: US Bureau of Labor Statistics

3.24 PPE costing

Key Assumptions

Purchase Van to be modified

30,000 USD list price including tax

Quantity = 12

Insurance : GEICO Insurance

Van

12 x **FordE-Series Cargo E-250**
30,000 USD x 12 = **360,000 USD net**

Additional Fees

Modification : **180,000 USD (one off)**
Insurance: **2400 USD** for each cars
Yearly Petrol : **2500 USD** for each cars

4.1 SWOT Analysis

Strengths

- Good relationship with downstream
- Comprehensive set of sustainability indexes, metrics and audit measures
- Innovative
- Excellence in performance products
- Global influence power
- Transparent divestment processes
- Partnerships with NGOs
- Strict criteria for selecting suppliers
- “MAKING” application to help designers make educated choices in the design process

Opportunities

- To continue to transform Nike culture
- Place workers at heart of sustainability
- Potential to increase consumer awareness of improved sustainability and labor
- Opportunity to change to the more sustainable materials in the production process

Weaknesses

- Sourcing from multiple suppliers makes auditing more difficult
- Customer focus on performance of final product
- Fragmented apparel market
- Nike uses a reactive policing approach, would like to change to building capabilities of employees instead

Threats

- Rising costs in China
- Critics not believing in Nike’s progress
- Low barriers to entry in the apparel market
- Lack of consensus on “fair work” amount
- Opaque labor practices in some suppliers
- Customer willingness to pay for the value added sustainable or ethically sourced product

4.2 Triple Bottom Line

SOCIAL	ENVIRONMENTAL	ECONOMIC
Providing high quality, more sustainable and socially responsible products to consumers Strict labour rights criteria selection promotes improved production practices & conditions, promoting sustainability of apparel/textiles industry Marketing campaign increases awareness of sustainable actions	Traceability allows for understanding the effect of practices on the environment and promote environmental responsibility Index monitoring promotes sustainability in production Diversification into new countries for production promotes sustainability through strict criteria selection	Diversification into new markets promotes cost savings Promotion of sustainability and labour rights practices increases brand awareness and promotes increase in college apparel consumption, thus increasing profit

4.3 Finding Nike's market size for college apparel

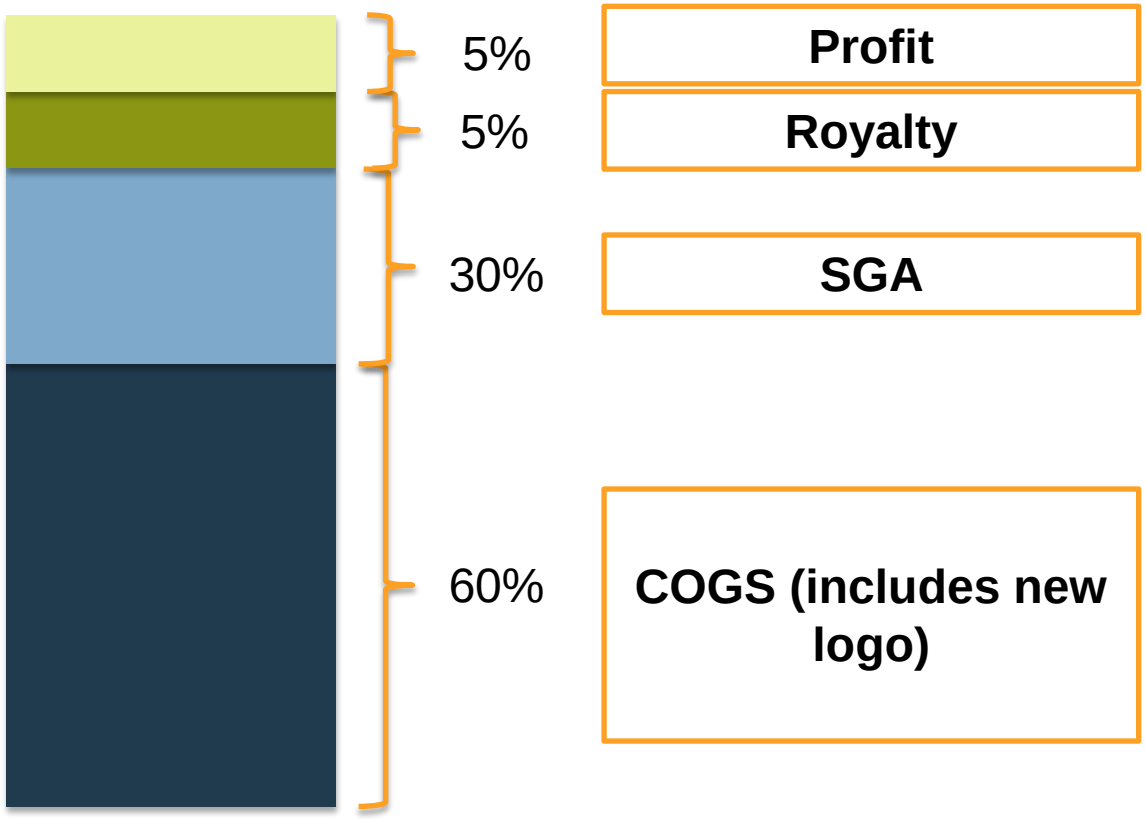
Market

Factories dedicated to college apparel = 11%

Assume flat proportion to sales

College apparel sales = 11%*25.31bn = **2.78bn USD**
Corresponds to **60% of market share**

4.4 Profitability Structure



Source: Financial Statements 2012

4.5 Financial Assumptions - WACC

Cost of Debt	
Interest Expense	75
Short Term Borrowings	121
Long Term Borrowings	1210
Total Borrowings (Debt)	**1331**
Cost of Debt	0.05634861
Cost of Debt %	**5.63%**

Return on equity	
Risk Free Rate	0.0325
Market Risk Premium	0.0496
Company Beta	0.99
Cost of Equity	0.081604
Cost of Equity %	**8.16%**

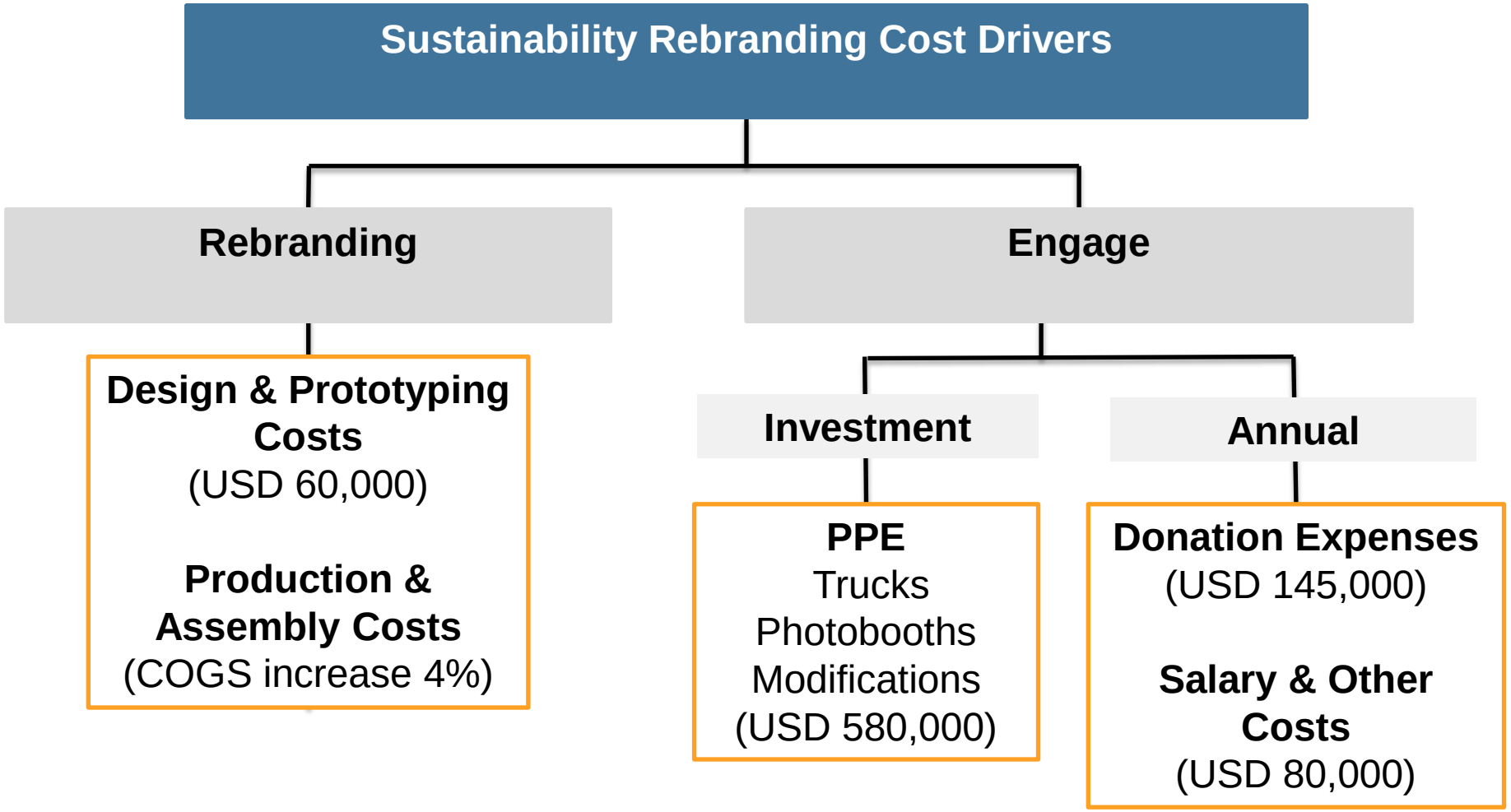
Effective Tax Rate	
Income Tax Expense	247
Profit Before Tax	1000
Tax Rate	0.247
Tax Rate %	**24.70%**

Enterprise Value	
Shares on Issue	0
Share Price	0
Market Capitalisation	**63000**
Short term Borrowings	121
Long Term Borrowings	1210
Less Cash & Cash Equivalents	3337
Net Debt	**-2006**
Enterprise Value	**60994**

Capital Structure	
Debt %	-0.033
Equity %	1.033
Check	1.000
Nominal WACC	0.083
Nominal WACC %	8.29%

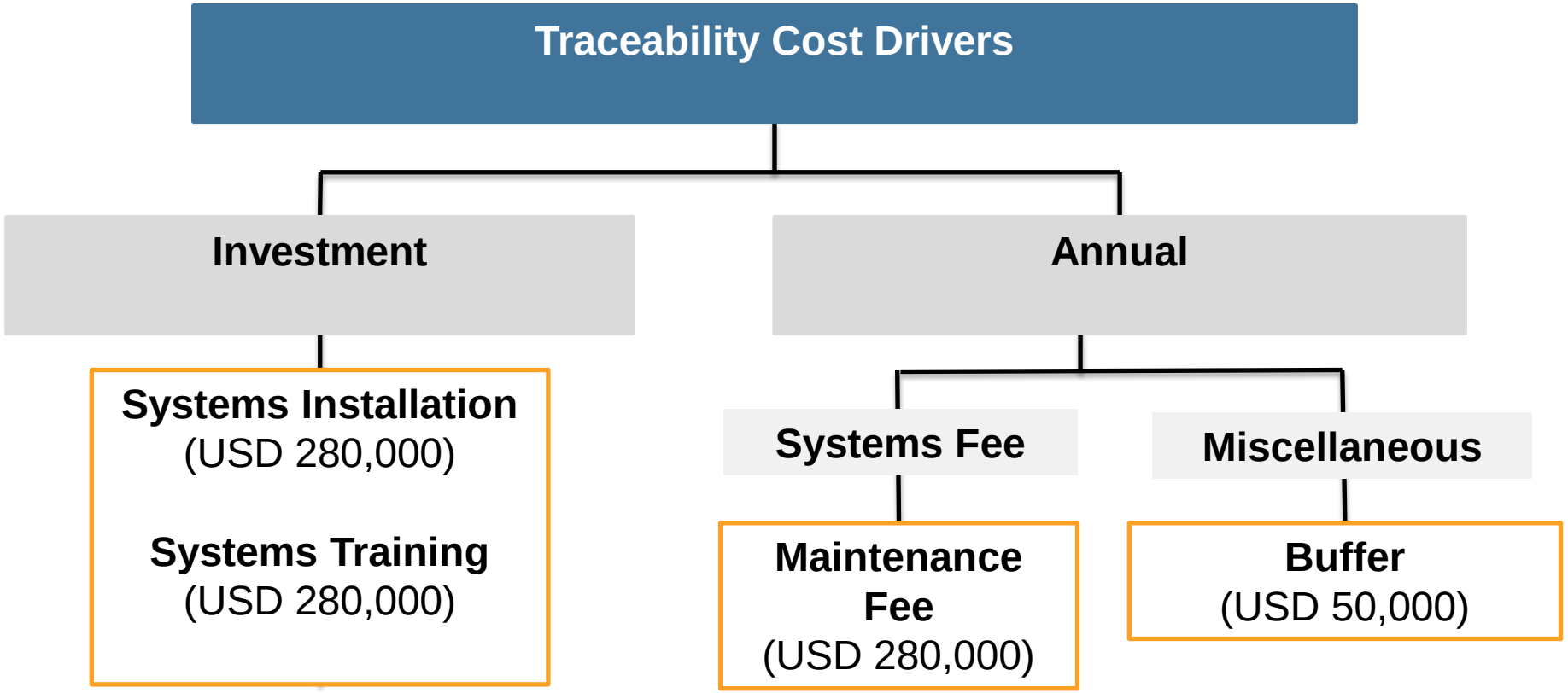
Growth rate : 10% (Forbes)

4.6 Cost Drivers for ‘Innovation’



Note: Students include College-affiliated individuals

4.7 Cost Drivers for ‘Transparency’

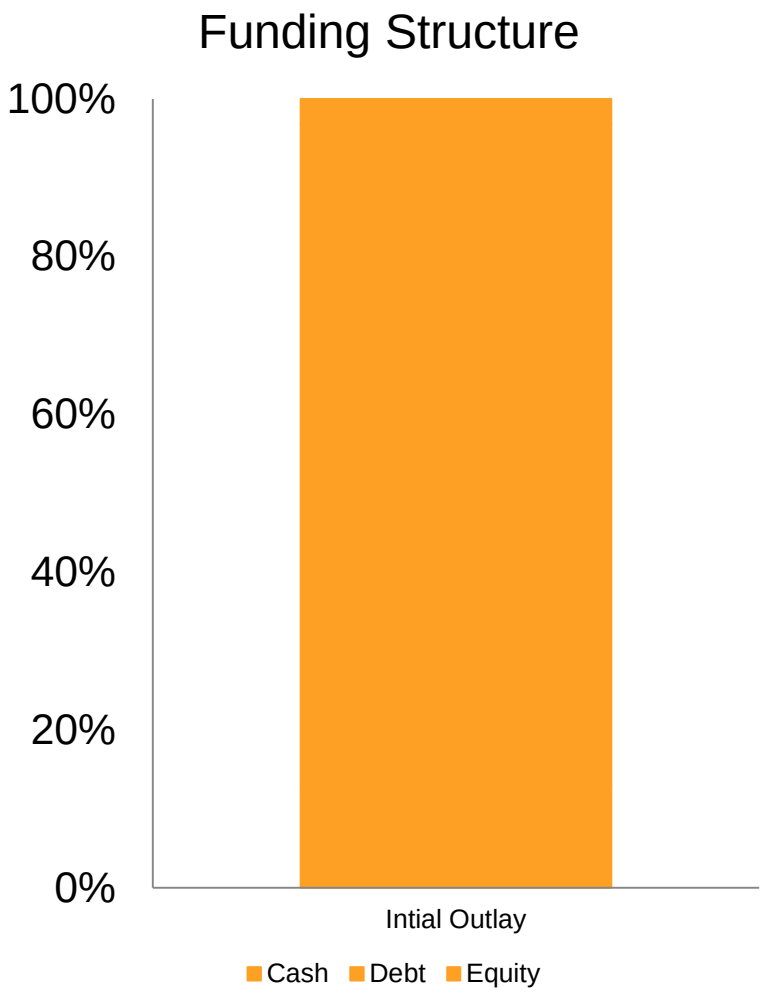


Note: Students include College-affiliated individuals

4.8 Funding Structure

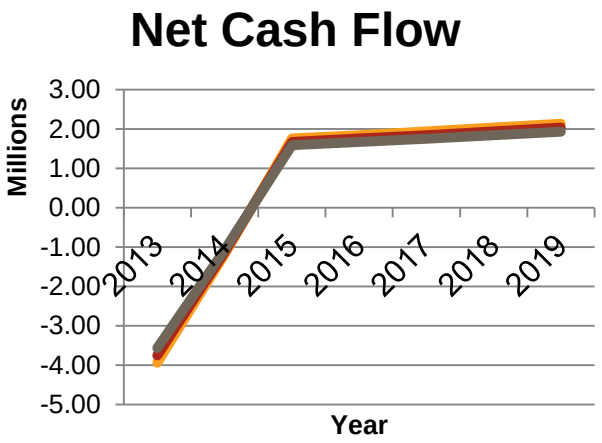
Initial Funding Required	$1,200,000
Cash	$1,200,000
Debt	$0
Equity Issue	$0

Key Metrics	
CCE	3.3bn USD
Debt / Equity	3.3%
Market Response to Equity	Good



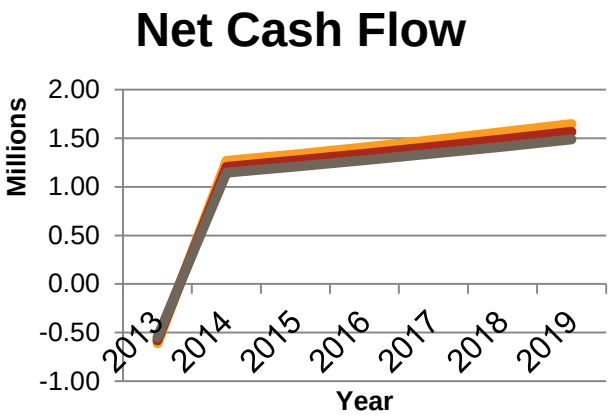
4.9 NPV for the strategies

Collaboration



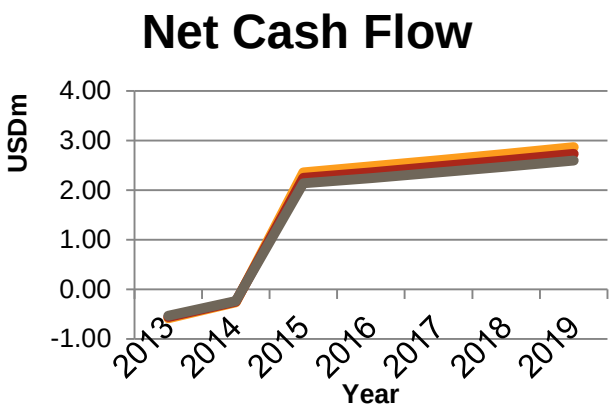
NPV
USD 2.17m

Transparency



NPV
USD 8.56m

Innovation



NPV
USD 5.88m

Total NPV USD 16.61m

4.10 Financials – Recommendation 1

Strategy 1

Time:	0	1	2	3	4	5	6
Starting YEAR	2013	2014	2015	2016	2017	2018	2019
Revenues							
Cost Savings		0.00	3,800,000.00	3,990,000.00	4,189,500.00	4,398,975.00	4,618,923.75
Total Revenues		0.00	3,800,000.00	3,990,000.00	4,189,500.00	4,398,975.00	4,618,923.75
Investment Costs:							
Lost Capacity	750,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Development Infrastructure	3,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Investment Costs	3,750,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses:							
Additional Logsitics Cost		1,500,000.00	1,575,000.00	1,653,750.00	1,736,437.50	1,823,259.38	1,914,422.34
Total Expenses:		1,500,000.00	1,575,000.00	1,653,750.00	1,736,437.50	1,823,259.38	1,914,422.34
EBITDA		-1,500,000.00	2,225,000.00	2,336,250.00	2,453,062.50	2,575,715.63	2,704,501.41
NPAT		-1,129,500.00	1,675,425.00	1,759,196.25	1,847,156.06	1,939,513.87	2,036,489.56
Net Cash Flows:	-3,750,000.00	-1,129,500.00	1,675,425.00	1,759,196.25	1,847,156.06	1,939,513.87	2,036,489.56
Present Value:	-3,750,000.00	-1,052,844.54	1,455,730.61	1,424,781.69	1,394,490.75	1,364,843.79	1,335,827.13
NPV	2,172,829.45						

4.11 Financials – Recommendation 2

Strategy 2

Time:	0	1	2	3	4	5	6
Starting YEAR	2013	2014	2015	2016	2017	2018	2019
Revenues							
Increase in Revenue		0.00	56,000,000.00	58,800,000.00	61,740,000.00	64,827,000.00	68,068,350.00
Cost Savings		0.00	532,000.00	558,600.00	586,530.00	615,856.50	646,649.32
Total Revenues		0.00	56,532,000.00	59,358,600.00	62,326,530.00	65,442,856.50	68,714,999.33
Investment Costs:							
Systems Implementation	557,760.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Investment Costs	557,760.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses:							
Miscellaneous		50,000.00	52,500.00	55,125.00	57,881.25	60,775.31	63,814.08
COGS & Royalty		0.00	53,200,000.00	55,860,000.00	58,653,000.00	61,585,650.00	64,664,932.50
Systems Fee		278,880.00	292,824.00	307,465.20	322,838.46	338,980.38	355,929.40
Total Expenses:		328,880.00	53,545,324.00	56,222,590.20	59,033,719.71	61,985,405.70	65,084,675.98
EBITDA		-328,880.00	2,986,676.00	3,136,009.80	3,292,810.29	3,457,450.80	3,630,323.34
EBIT		-328,880.00	2,986,676.00	3,136,009.80	3,292,810.29	3,457,450.80	3,630,323.34
NPAT		-247,646.64	2,248,967.03	2,361,415.38	2,479,486.15	2,603,460.46	2,733,633.48
Net Cash Flows:	-557,760.00	-247,646.64	2,248,967.03	2,361,415.38	2,479,486.15	2,603,460.46	2,733,633.48
Present Value:	-557,760.00	-230,839.67	1,954,065.48	1,912,521.93	1,871,861.60	1,832,065.71	1,793,115.88

NPV	8,575,030.92

4.12 Financials – Recommendation 3

Strategy 3

Time:	0	1	2	3	4	5	6
Starting YEAR	2013	2014	2015	2016	2017	2018	2019
Revenues							
Yearly increase in revenue		36,342,000.00	38,159,100.00	40,067,055.00	42,070,407.75	44,173,928.14	46,382,624.54
Van Sales		144,000.00	151,200.00	158,760.00	166,698.00	175,032.90	183,784.55
Total Revenues		36,486,000.00	38,310,300.00	40,225,815.00	42,237,105.75	44,348,961.04	46,566,409.09
Investment Costs:							
Property Plant Equipment	480,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Photobooth	100,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Investment Costs	580,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses:							
Donations Expenses		145,152.00	152,409.60	160,030.08	168,031.58	176,433.16	185,254.82
Salary		11,340.00	11,907.00	12,502.35	13,127.47	13,783.84	14,473.03
Additional Fees		66,000.00	69,300.00	72,765.00	76,403.25	80,223.41	84,234.58
COGS and Royalty		34,524,900.00	36,251,145.00	38,063,702.25	39,966,887.36	41,965,231.73	44,063,493.32
COGS and Royalty 2nd		136,800.00	136,800.00	136,800.00	136,800.00	136,800.00	136,800.00
Total Expenses:		34,884,192.00	36,621,561.60	38,445,799.68	40,361,249.66	42,372,472.15	44,484,255.75
EBITDA		1,601,808.00	1,688,738.40	1,780,015.32	1,875,856.09	1,976,488.89	2,082,153.33
EBIT		1,601,808.00	1,688,738.40	1,780,015.32	1,875,856.09	1,976,488.89	2,082,153.33
NPAT		1,206,161.42	1,271,620.02	1,340,351.54	1,412,519.63	1,488,296.13	1,567,861.46
Net Cash Flows:	-580,000.00	1,206,161.42	1,271,620.02	1,340,351.54	1,412,519.63	1,488,296.13	1,567,861.46
Present Value:	-580,000.00	1,124,303.20	1,104,875.59	1,085,557.30	1,066,366.62	1,047,320.04	1,028,432.42
NPV	5,876,855.16						

4.13 Implementation