C.T. I. Strategy

Nike

Task Force

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

- Mark Parker, President & CEO of Nike Inc
Our three-tiered strategy allows us to grow sustainably and generate consumer awareness.

Nike will achieve balance between people, planet & profit.

**Collaboration**
1. Diversification of production facilities outside China
2. Sustainable Production Facility

**Transparency**
2. ‘String Technology’ for Supply Chain Traceability
3. Enhanced Trust and Support

**Innovation**
3. Rebranding collegiate apparel campaign line
4. Strong Commitment Awareness

**Overview**
- Collaboration
- Transparency
- Innovation
- Conclusion
Collaboration will generate a NPV of USD 2.17m over six years.

Nike will achieve balance between people, planet & profit.

1. Collaboration
   - Diversification of production facilities outside China
     - Sustainable Production Facility

2. Transparency
   - ‘String Technology’ for Supply Chain Traceability
     - Enhanced Trust and Support

3. Innovation
   - Rebranding collegiate apparel campaign line
     - Strong Commitment Awareness
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:

1. **Sustainability & Labor Practices**
   - Sustainability
   - Labor Practices
   - Environment

2. **Political Landscape**
   - Government
   - Poverty Level
   - Corruption Index

3. **Competitive Factors**
   - Wages
   - Quality
   - Capacity of infrastructure

4. **Ease of Implementation**
   - Logistics & Infrastructures
   - Regulations
   - 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:

- Mexico
- Indonesia
- Turkey
- Sri Lanka
- Ethiopia
Indonesia, Turkey and Sri Lanka are the optimal countries to diversify our collegiate apparel production capabilities.
There are advantages and disadvantages to moving production to Indonesia, Turkey and Sri Lanka

**Key Benefits**

- Strong infrastructure
- Free Trade Zone
- ISO 9001 Quality Management
- Location and Quality
- Labor conditions
- Environmentally focused (66 EPI)
- Government support
- Labor conditions
- Environmentally focused (69 EPI)

**Key Limitations**

- Time to market from Indonesia
- Weaker environmental focus
- Rising wage rate
- Higher import taxes
- Strength lies in dyeing fabric
- Corruption
Transparency will generate a NPV of USD 8.56m over six years

Nike will achieve balance between people, planet & profit

Collaboration
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Transparency: Supply Chain Traceability

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

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

Source & Component Traceability:

- 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.

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

Raw material tracing method and identification process

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.

Traceability Technology

In-house development
- Allows for full control over supply chain traceability
- Lack of expertise
- High implementation costs
- Uncertainty in implementation time

Outsourcing
- Greater development expertise
- Ease of implementation
- Economies of scale
- Loss of control & reliance on external parties
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:

- **Supply Network Efficiencies**
  - Detection of diversion and grey market activity
  - Improved Performance

- **Customer Relations**
  - Reduce criticism
  - Meeting future expectations

- **Financial Performance**
  - Reduction in Costs
  - Sustainability Indexes

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

Collaboration

Transparency

Innovation

Conclusion

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

Nike will achieve balance between people, planet & profit

Collaboration

1. Diversification of production facilities outside China
   - Sustainable Production Facility

Transparency

2. ‘String Technology’ for Supply Chain Traceability
   - Enhanced Trust and Support

Innovation

3. Rebranding collegiate apparel campaign line
   - Strong Commitment Awareness
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

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

1. **REBRAND**
   - New logo incorporating sustainability mark

2. **INVOLVE**
   - QR code on apparel that traces sourcing & production

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

70.6% Americans between 25-36 actively use smartphones

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

Source: Rural Cooperatives, 2013; Neilson, 2012
Most effective means of advertising to engage college students is on-campus targeted activities and social media.

- **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**
- **Advertising Avoidance**
  - Daily college student social media use 45%

University based activities promoting education of sustainability.
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

![Truck Icon]

**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.

**Total annual cost breakdown by recommendation**

<table>
<thead>
<tr>
<th>Cost USD ('000)</th>
<th>String' Fee</th>
<th>Donation Expenses</th>
<th>Additional Truck Expenses</th>
<th>Others</th>
<th>Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>280</td>
<td>145</td>
<td>66</td>
<td>50</td>
<td></td>
<td>541</td>
</tr>
</tbody>
</table>

**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: 5%
- Profit
- Royalty
- SGA
- COGS

Direct increase in revenue in the collegiate market: 2%
- USD 4.6bn

Estimated Cost Savings on COGS: 1%
- USD 0.94m net savings p.a

5% Net Margin
- USD 94m yearly Revenue

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.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation</th>
<th>Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesirable changes in sourcing countries</td>
<td>Partnering with other foreign companies to lobby to the government</td>
<td></td>
</tr>
<tr>
<td>Cyber Crime</td>
<td>Ensure strong security mechanism in place and policing operations of the ‘String’ System</td>
<td></td>
</tr>
<tr>
<td>Unprecedented innovations in social media</td>
<td>Monitor the new trends of social media and target market’s communication behavior for adaptation</td>
<td></td>
</tr>
</tbody>
</table>

- Least
- Most
“Our future depends heavily on innovation, collaboration, and transparency”
## Appendix: Recommendation Collaboration

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
</table>
| 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* |
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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

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| 3.2 Students consumption of sustainable goods |
| 3.3 Brand Color Impacts |
| 3.4 Case Precedent QR Scanning |
| 3.5 Popularity of QR Codes |
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| 3.9 List of Nike collegiate apparel universities |
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| 3.11 Popularity of social media types |
| 3.12 Average use of social media |
| 3.13 Sustainability Photo Booth |
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| 3.15 Nike College Brand Ambassadors |
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| 3.20 Marketing Funnel – Truck Exposure |
| 3.21 Marketing Funnel – TV Advertising |
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| 3.23 Ambassadors’ Salary – per annum |
| 3.24 PPE costing |
| 3.25 Design & Prototype costing |
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<th>Section</th>
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</thead>
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</tr>
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<td>4.2 Triple Bottom Line</td>
</tr>
<tr>
<td>4.3 Nike market size for college apparel</td>
</tr>
<tr>
<td>4.4 Profitability Structure</td>
</tr>
<tr>
<td>4.5 Financial Assumptions - WACC</td>
</tr>
<tr>
<td>4.6 Cost Drivers for ‘Innovate’</td>
</tr>
<tr>
<td>4.7 Cost Drivers for ‘Traceability’</td>
</tr>
<tr>
<td>4.8 Funding Structure</td>
</tr>
<tr>
<td>4.9 NPV for the strategies</td>
</tr>
<tr>
<td>4.10 Financials – Recommendation 1</td>
</tr>
<tr>
<td>4.11 Financials – Recommendation 2</td>
</tr>
<tr>
<td>4.12 Financials – Recommendation 3</td>
</tr>
</tbody>
</table>
1.1 Analysis of countries to move Nike production to A – M (Wage, Labour Practices, Sustainability)

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Wage (pp/month $USD)</th>
<th>Labour Practices</th>
<th>Sustainability Performance Index Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>$393</td>
<td>Not known to use child or forced labour</td>
<td>110</td>
</tr>
<tr>
<td>Philippines</td>
<td>$233</td>
<td>Not known to use child or forced labour</td>
<td>114</td>
</tr>
<tr>
<td>Thailand</td>
<td>$337</td>
<td>Not known to use child or forced labour</td>
<td>78</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$254</td>
<td>Not known to use child or forced labour</td>
<td>136</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$918</td>
<td>Not known to use child or forced labour</td>
<td>n/a</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>$249</td>
<td>Not known to use child or forced labour. Suppliers have unions which ensure effective dialogue between workers and employers. Workers paid per item.</td>
<td>131</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>$105</td>
<td>Not known to use child or forced labour</td>
<td>69</td>
</tr>
<tr>
<td>Brazil</td>
<td>$415</td>
<td>Not known to use child or forced labour</td>
<td>77</td>
</tr>
<tr>
<td>U.S</td>
<td>$1256</td>
<td>Not known to use child or forced labour</td>
<td>33</td>
</tr>
<tr>
<td>Turkey</td>
<td>$595</td>
<td>Not known to use child or forced labour</td>
<td>66</td>
</tr>
</tbody>
</table>
1.3 Analysis of countries to move Nike production to B – M (Political Instability, Corruption, Poverty, Infrastructure & Logistics)

<table>
<thead>
<tr>
<th>Country</th>
<th>Political Stability</th>
<th>Corruption Level</th>
<th>Percentage of people living below the Poverty Line</th>
<th>Infrastructure and Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>High</td>
<td>27</td>
<td>26%</td>
<td>High</td>
</tr>
<tr>
<td>Cambodia</td>
<td>High</td>
<td>20</td>
<td>19.6%</td>
<td>Low</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Medium</td>
<td>29</td>
<td>40.9%</td>
<td>Medium</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Medium</td>
<td>38</td>
<td>34.5%</td>
<td>Medium</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Medium</td>
<td>29</td>
<td>73%</td>
<td>Low</td>
</tr>
<tr>
<td>Haiti</td>
<td>Medium</td>
<td>19</td>
<td>77% highest</td>
<td>Low</td>
</tr>
<tr>
<td>Honduras</td>
<td>High</td>
<td>26</td>
<td>60%</td>
<td>Low</td>
</tr>
<tr>
<td>India</td>
<td>High</td>
<td>36</td>
<td>32.7%</td>
<td>Heavy</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Medium</td>
<td>32</td>
<td>13.6%</td>
<td>Heavy infrastructure</td>
</tr>
<tr>
<td>Mexico</td>
<td>Medium</td>
<td>34</td>
<td>45.5%</td>
<td>High Infrastructure</td>
</tr>
</tbody>
</table>
### 1.4 Analysis of countries to move Nike production to P – Z (Political Instability, Corruption, Poverty, Infrastructure & Logistics)

<table>
<thead>
<tr>
<th>Country</th>
<th>Political Stability</th>
<th>Corruption Level</th>
<th>% living below Poverty Line</th>
<th>Infrastructure and Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>High</td>
<td>38</td>
<td>25.8%</td>
<td>Low. Heavy focus on agriculture (asparagus, other vegetables, fish)</td>
</tr>
<tr>
<td>Philippines</td>
<td>Medium</td>
<td>36</td>
<td>25.2%</td>
<td>Low.</td>
</tr>
<tr>
<td>Thailand</td>
<td>High</td>
<td>35</td>
<td>0.4%</td>
<td>Heavy investment in new technologies (short-staple spindles/spinning equipment). Leading apparel exporter (infrastructure exists)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Medium</td>
<td>31</td>
<td>17%</td>
<td>Medium.</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>High</td>
<td>75</td>
<td>19.6%</td>
<td>Low. Only 60 garment factories and 15 textile mills.</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>High</td>
<td>33</td>
<td>38.7%</td>
<td>High.</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Medium</td>
<td>37</td>
<td>7%</td>
<td>Leading apparel exporter (infrastructure exists)</td>
</tr>
<tr>
<td>Brazil</td>
<td>Low</td>
<td>42</td>
<td>6.14%</td>
<td>Leading apparel exporter (infrastructure exists)</td>
</tr>
<tr>
<td>U.S</td>
<td>Low</td>
<td>73</td>
<td>15%</td>
<td>Leading apparel exporter (infrastructure exists)</td>
</tr>
<tr>
<td>Turkey</td>
<td>Medium</td>
<td>50</td>
<td>0%</td>
<td>Leading apparel exporter (infrastructure exists)</td>
</tr>
</tbody>
</table>
1.5 Sources for Analysis 1.1 – 1.4

### 1.6 Main Exports of the top apparel countries in the world

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

Source: Atlas Media, 2014
## 1.7 Main Exports of the top apparel countries in the world

<table>
<thead>
<tr>
<th>Country</th>
<th>Main exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>Computers (6.4%), Rubber (5.2%), Integrated Circuits (4.1%), Refined Petroleum (3.8%), and Delivery Trucks (3.0%)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Broadcasting Equipment (6.7%), Crude Petroleum (6.6%), Leather Footwear (4.5%), Other Furniture (3.2%), and Coffee (3.0%)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Gold (19%), Diamonds (10%), Integrated Circuits (4.5%), Telephones (4.4%), and Jewellery (2.9%)</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Coffee (33%), Other Oily Seeds (13%), Other Vegetables (7.9%), Cut Flowers (7.3%), and Dried Legumes (5.0%)</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>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%)</td>
</tr>
<tr>
<td>Brazil</td>
<td>Iron Ore (17%), Crude Petroleum (8.8%), Soybeans (6.3%), Raw Sugar (5.9%), and Coffee (3.2%)</td>
</tr>
<tr>
<td>U.S</td>
<td>Refined Petroleum (6.0%), Cars (3.3%), Integrated Circuits (2.8%), Packaged Medicaments (2.5%), and Vehicle Parts (2.4%)</td>
</tr>
<tr>
<td>Turkey</td>
<td>Cars (4.7%), Refined Petroleum (3.4%), Raw Iron Bars (3.1%), Vehicle Parts (2.8%), and Delivery Trucks (2.7%)</td>
</tr>
</tbody>
</table>

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

**Country of Manufacturing Effects**

- **Perceived Risk**
  - Perceived risk of quality & delivery
  - Perceived risk of uncompliance

- **Country of Origin Bias**
  - Reputation of country as an exporter of that product
  - Economic Condition of countries

- **Familiarity**
  - Countries Brand Name
  - Relationship with the Country

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Method</th>
<th>Description</th>
<th>Info</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>RFID</td>
<td>Tracks what products are being supplied</td>
<td>Determine whether unlawful practices are occurring</td>
</tr>
<tr>
<td>2</td>
<td>RTLS</td>
<td>Trace the location of products back to origin</td>
<td>Trace the location of products during distribution</td>
</tr>
<tr>
<td>3</td>
<td>Anonymous Employee communication feedback system</td>
<td>Determine labour practices in partnered suppliers</td>
<td>Determine labour practices in partnered suppliers</td>
</tr>
<tr>
<td>4</td>
<td>PLM System</td>
<td>Allows for detailed analysis of each product lifecycle</td>
<td>Monitor shared suppliers and share information</td>
</tr>
<tr>
<td>5</td>
<td>Unexpected Audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Outsourcing supply chain tracking and monitoring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>NGO Collaboration Scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Intra-industry cloud based system</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 2.3 Complete Supply Chain Traceability Methods

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

<table>
<thead>
<tr>
<th>Attainment</th>
<th>Costs</th>
<th>Time Constraint</th>
<th>Ease of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Anonymous Employee communication feedback</strong></td>
<td>• Costs – Low-Med (Online server and communication)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Short implementation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Issue regarding actual use of system</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outsourcing supply chain tracking and monitoring</strong></td>
<td>• Allows for complete sourcing and tracking of raw materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• (High Traceability)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NGO Collaboration Scheme</strong></td>
<td>• Allows for internal confirmation of labour practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• (Moderate Transparency)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intra-industry cloud based system</strong></td>
<td>• Determines if suppliers and factories employ safe labour practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• (Low Transparency)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Monitor shared suppliers and share information</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• (Low - Moderate Transparency &amp; Traceability)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Requires collaboration between competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Negotiation between competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Low implementation ease</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>1</th>
<th>Capabilities</th>
<th>Expertise in providing such services</th>
<th>Previous engagements with apparel material suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Technology Offerings</td>
<td>Radio Frequency Identification Device</td>
<td>Real Time Location Services</td>
</tr>
<tr>
<td>3</td>
<td>Associated Costs</td>
<td>Employment costs</td>
<td>Department Costs (Training)</td>
</tr>
<tr>
<td>4</td>
<td>Feasibility</td>
<td>Ease of implementation</td>
<td>Operational Feasibility</td>
</tr>
</tbody>
</table>

---

**Notes:**
- The table above outlines the assessment criteria breakdown, with each category divided into specific subcategories.
- The criteria are grouped into sections labeled 1 to 4, each corresponding to different aspects of the assessment.
- The categories include Capabilities, Technology Offerings, Associated Costs, and Feasibility.
- Each subcategory within the categories provides more detailed criteria for evaluation.

---

**Appendix Collaboration Transparency Innovation General**
2.6 Outsourcing vs developing in-house capabilities for traceability technology

<table>
<thead>
<tr>
<th>Development of Traceability Technology In-house</th>
<th>Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits:</strong></td>
<td><strong>Benefits:</strong></td>
</tr>
<tr>
<td>• Maintaining control over process</td>
<td>• Simplification of implementation process</td>
</tr>
<tr>
<td>• Lower on-going costs</td>
<td>• Economies of scale</td>
</tr>
<tr>
<td>• Pre-existing expertise</td>
<td>• Pre-existing expertise</td>
</tr>
<tr>
<td><strong>Cons:</strong></td>
<td><strong>Cons:</strong></td>
</tr>
<tr>
<td>• Minimal Expertise</td>
<td>• Reliance on external parties</td>
</tr>
<tr>
<td>• Associated Costs (including time)</td>
<td>• High on-going costs</td>
</tr>
</tbody>
</table>
2.7 Benefits of complete supply chain traceability

- **Supply Network Efficiencies**
  - Reduction in Inventory Levels/Costs
  - Waste Reduction
  - Supplier Analysis
  - Detection and reduction of diversion and grey market activity

- **Reduction in Risk**
  - Reduction in lead time variance
  - Improved carrier performance
  - Improved internal auditing procedures

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

£720 per year
+ One off set up: £250
+ One off training session: £250

Build up your network
Additional users / sites £20 per month

- Up to three sites
- Up to three users
- A full training session

Secure and encrypted. All your data is protected by 128bit encryption.

Do you have an invitation to join String?
If so, you can find the activation link in your invitation email.

Don’t have an invitation yet? Please contact us for more information.

Got questions?
Scroll down the page for answers to some commonly asked questions about String.
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
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 vs commodity markets

Source: Rubini, 2010; Tutor2U, 2010; Eco-Libris, 2009; GreenFile Developments, 2014
3.2 University students & affiliated parties consumption of sustainable apparel

Demographics of Green Shoppers

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

**Importance of ‘green logo branding’ on consumer knowledge**
- Positive impact 40%
- Light impact 25%
- Neutral impact 16%
- No impact 12%
- Unclear 3%
- Negative impact 4%

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

Percentage of consumers engaging in QR code scanning

- Other: 2%
- Furniture: 5%
- Convenience: 8%
- Clothing: 6%
- Office Supply: 20%
- Grocery: 26%
- Merchandise: 31%
- Department: 36%
- Electronic: 57%

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

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 most effective means of communicating marketing message to college students.

Advertising Mediums for College Students

- TV: 42
- None: 20
- Online banner: 6
- Facebook: 8
- Magazine: 10
- Newspaper: 4
- Billboards: 3
- Google: 3
- Radio: 1
- Other: 4

Source: Barnes & Nobles College Marketing, 2012
3.9 List of Nike collegiate apparel universities – states

Source: Nike
### 3.9 List of Nike collegiate apparel affiliated Universities

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

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

**Use of social media (2013 vs 2012)**

- **Facebook**:
  - 2012: 88%
  - 2013: 87%
- **Twiiter**:
  - 2012: 43%
  - 2013: 47%
- **Instagram**:
  - 2012: 30%
  - 2013: 42%
- **Pinterest**:
  - 2012: 24%
  - 2013: 36%
- **Tumblr**:
  - 2012: 30%
  - 2013: 34%

Source: IACAC Conference, 2013
3.12 College students average use of social media

<table>
<thead>
<tr>
<th>Social Media</th>
<th>Multiple(a day)</th>
<th>Once(a day)</th>
<th>Once(a week)</th>
<th>Once(a month)</th>
<th>Every(once in a while)</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>48%</td>
<td>22%</td>
<td>9%</td>
<td>2%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Google+</td>
<td>24%</td>
<td>9%</td>
<td>8%</td>
<td>4%</td>
<td>14%</td>
<td>42%</td>
</tr>
<tr>
<td>Instagram</td>
<td>22%</td>
<td>6%</td>
<td>5%</td>
<td>2%</td>
<td>7%</td>
<td>58%</td>
</tr>
<tr>
<td>Twitter</td>
<td>19%</td>
<td>8%</td>
<td>6%</td>
<td>3%</td>
<td>12%</td>
<td>53%</td>
</tr>
<tr>
<td>Tumblr</td>
<td>11%</td>
<td>5%</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
<td>66%</td>
</tr>
<tr>
<td>Pinterest</td>
<td>8%</td>
<td>6%</td>
<td>7%</td>
<td>4%</td>
<td>10%</td>
<td>64%</td>
</tr>
</tbody>
</table>

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:
  
  #Justdoitright  #Justdoitfair
  #Justdoitgreen
  #Makeitcountrgogreen
  #Makeitcountlaborrights

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

Travel during college weeks:
- Orientation week
- Sustainability week
- De-Stress Fest

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

3.18 Marketing Funnel – Mobile Nike Sustainability Station

- **Customer Exposure**
  - Exposure to Nike’s Sustainability
- **Customer Awareness**
- **Customer Consideration**
  - Purchase Intention
  - Purchase
- **Customer Loyalty**
  - Continue to purchase Nike Collegiate Apparel Yearly
- **Customer Advocacy**

Purchase collegiate apparel from Mobile Nike Sustainability Station
### 3.19 Marketing Funnel

- **Customer Exposure**
  - Total Number of College Students: 1,260,000
  - Awareness: 0.5
  - Number of College Students Aware of Nike’s Appearance: 945,000
  - Consideration: 0.5
  - Number of Students who think about purchasing: 661,500
  - Intention: 0.5
  - Number of Students who purchase: 330,750
  - Loyalty: 0.2
  - Number of students who advocates for a yearly purchase: 66,150

- **Customer Awareness**

- **Customer Consideration**

- **Purchase Intention**

- **Purchase**

- **Customer Loyalty**

- **Customer Advocacy**
3.20 Marketing Funnel – Truck Exposure for travelling

- **Customer Exposure**
  - Total Number of Potential Customers: 231 million

- **Customer Awareness**
  - Number of public aware of Nike’s Appearance: 11.5 million

- **Customer Consideration**
  - People who contemplate about purchasing: 580 thousand

- **Purchase Intention**
  - Number of people who purchase yearly: 174 thousand

- **Purchase**
  - Number of people who purchase yearly: 34,800

- **Customer Loyalty**
  - Customer Advocacy

- **Customer Advocacy**
  - Number of people who purchase yearly: 34,800
3.21 Marketing Funnel – TV Advertising

- **Customer Exposure**
  - Total Number of Potential Customers: 313 million

- **Customer Awareness**
  - Number of public aware of Nike’s Appearance: 15.7 million

- **Customer Consideration**
  - People who contemplate about purchasing: 783 thousand

- **Purchase Intention**
  - Number of people who purchase: 78,250

- **Customer Loyalty**
  - Number of people who purchase yearly: 7,825
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)

1 game is 30 seconds

1 day has 21,600 seconds

720 games per college

42 college around The U.S

30,240 games

6 shots per game on average

181,440 shots

80% capacity

145,152 USD
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**

### Key Assumptions

Purchase Van to be modified

30,000 USD list price including tax

Quantity = 12

Insurance: GEICO

### Van

12 x Ford E-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

**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

**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

**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

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

Factories dedicated to college apparel = 11%

Assume flat proportion to sales

College apparel sales = 11% * 25.31bn = \textbf{2.78bn USD}

Corresponds to \textbf{60\% of market share}
4.4 Profitability Structure

- **COGS (includes new logo)**: 60%
- **SGA**: 30%
- **Royalty**: 5%
- **Profit**: 5%

Source: Financial Statements 2012
## 4.5 Financial Assumptions - WACC

### Cost of Debt

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Expense</td>
<td>75</td>
</tr>
<tr>
<td>Short Term Borrowings</td>
<td>121</td>
</tr>
<tr>
<td>Long Term Borrowings</td>
<td>1210</td>
</tr>
<tr>
<td><strong>Total Borrowings (Debt)</strong></td>
<td><strong>1331</strong></td>
</tr>
<tr>
<td>Cost of Debt</td>
<td>0.05634861</td>
</tr>
<tr>
<td><strong>Cost of Debt %</strong></td>
<td><strong>5.63%</strong></td>
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</table>

### Enterprise Value

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Shares on Issue</td>
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<tr>
<td>Share Price</td>
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<tr>
<td><strong>Market Capitalisation</strong></td>
<td><strong>63000</strong></td>
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<tr>
<td>Short term Borrowings</td>
<td>121</td>
</tr>
<tr>
<td>Long Term Borrowings</td>
<td>1210</td>
</tr>
<tr>
<td>Less Cash &amp; Cash Equivalents</td>
<td>3337</td>
</tr>
<tr>
<td><strong>Net Debt</strong></td>
<td><strong>-2006</strong></td>
</tr>
<tr>
<td><strong>Enterprise Value</strong></td>
<td><strong>60994</strong></td>
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</table>

### Return on equity

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<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Risk Free Rate</td>
<td>0.0325</td>
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<tr>
<td>Market Risk Premium</td>
<td>0.0496</td>
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<tr>
<td>Company Beta</td>
<td>0.99</td>
</tr>
<tr>
<td>Cost of Equity</td>
<td>0.081604</td>
</tr>
<tr>
<td><strong>Cost of Equity %</strong></td>
<td><strong>8.16%</strong></td>
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</table>

### Capital Structure

<table>
<thead>
<tr>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Debt %</strong></td>
<td><strong>-0.033</strong></td>
</tr>
<tr>
<td><strong>Equity %</strong></td>
<td><strong>1.033</strong></td>
</tr>
<tr>
<td><strong>Check</strong></td>
<td><strong>1.000</strong></td>
</tr>
</tbody>
</table>

### Effective Tax Rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax Expense</td>
<td>247</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>1000</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>0.247</td>
</tr>
<tr>
<td><strong>Tax Rate %</strong></td>
<td><strong>24.70%</strong></td>
</tr>
</tbody>
</table>

**Nominal WACC**: 0.083

**Nominal WACC %**: 8.29%

Growth rate : 10% (Forbes)
4.6 Cost Drivers for ‘Innovation’

Sustainability Rebranding Cost Drivers

- Rebranding
  - Design & Prototyping Costs (USD 60,000)
  - Production & Assembly Costs (COGS increase 4%)

- Engage
  - Investment
    - PPE
    - Trucks
    - Photobooths
    - Modifications (USD 580,000)
  - Annual
    - Donation Expenses (USD 145,000)
    - Salary & Other Costs (USD 80,000)

Note: Students include College-affiliated individuals
4.7 Cost Drivers for ‘Transparency’

- **Traceability Cost Drivers**
  - **Investment**
    - Systems Installation (USD 280,000)
    - Systems Training (USD 280,000)
  - **Annual**
    - Systems Fee
    - Maintenance Fee (USD 280,000)
    - Miscellaneous
      - Buffer (USD 50,000)

Note: Students include College-affiliated individuals.
### 4.8 Funding Structure

<table>
<thead>
<tr>
<th>Initial Funding Required</th>
<th>$1,200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,200,000</td>
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<tr>
<td>Debt</td>
<td>$0</td>
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<tr>
<td>Equity Issue</td>
<td>$0</td>
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</table>

#### Key Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>CCE</td>
<td>3.3bn USD</td>
</tr>
<tr>
<td>Debt / Equity</td>
<td>3.3%</td>
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<tr>
<td>Market Response to Equity</td>
<td>Good</td>
</tr>
</tbody>
</table>
4.9 NPV for the strategies

Collaboration

Net Cash Flow

- NPV
  - USD 2.17m

Transparency

Net Cash Flow

- NPV
  - USD 8.56m

Innovation

Net Cash Flow

- NPV
  - USD 5.88m

Total NPV USD 16.61m
### 4.10 Financials – Recommendation 1

**Strategy 1**

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

### Strategy 2

<table>
<thead>
<tr>
<th>Time</th>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting YEAR</strong></td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in Revenue</td>
<td>0.00</td>
<td>56,000,000.00</td>
<td>58,800,000.00</td>
<td>61,740,000.00</td>
<td>64,827,000.00</td>
<td>68,068,350.00</td>
<td>68,714,999.33</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>0.00</td>
<td>532,000.00</td>
<td>558,600.00</td>
<td>586,530.00</td>
<td>615,856.50</td>
<td>646,649.32</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>0.00</td>
<td>56,532,000.00</td>
<td>59,358,600.00</td>
<td>62,326,530.00</td>
<td>65,442,856.50</td>
<td>68,714,999.33</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Costs:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Systems Implementation</strong></td>
<td>557,760.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Total Investment Costs** | 557,760.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### Operating Expenses:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>50,000.00</td>
<td>52,500.00</td>
<td>55,125.00</td>
<td>57,881.25</td>
<td>60,775.31</td>
<td>63,814.08</td>
<td></td>
</tr>
<tr>
<td><strong>COGS &amp; Royalty</strong></td>
<td>0.00</td>
<td>53,200,000.00</td>
<td>55,860,000.00</td>
<td>58,653,000.00</td>
<td>61,585,650.00</td>
<td>64,664,932.50</td>
<td></td>
</tr>
<tr>
<td><strong>Systems Fee</strong></td>
<td>278,880.00</td>
<td>292,824.00</td>
<td>307,465.20</td>
<td>322,838.46</td>
<td>338,980.38</td>
<td>355,929.40</td>
<td></td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>-328,880.00</td>
<td>2,986,676.00</td>
<td>3,136,009.80</td>
<td>3,292,810.29</td>
<td>3,457,450.80</td>
<td>3,630,323.34</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>-328,880.00</td>
<td>2,986,676.00</td>
<td>3,136,009.80</td>
<td>3,292,810.29</td>
<td>3,457,450.80</td>
<td>3,630,323.34</td>
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</table>

### NPAT

<table>
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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>NPAT</strong></td>
<td>-247,646.64</td>
<td>2,248,967.03</td>
<td>2,361,415.38</td>
<td>2,479,486.15</td>
<td>2,603,460.46</td>
<td>2,733,633.48</td>
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</tr>
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</table>

**Net Cash Flows:**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Cash Flows</strong></td>
<td>-557,760.00</td>
<td>-247,646.64</td>
<td>2,248,967.03</td>
<td>2,361,415.38</td>
<td>2,479,486.15</td>
<td>2,603,460.46</td>
<td>2,733,633.48</td>
</tr>
</tbody>
</table>

**Present Value:**

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Present Value</strong></td>
<td>-557,760.00</td>
<td>-230,839.67</td>
<td>1,954,065.48</td>
<td>1,912,521.93</td>
<td>1,871,861.60</td>
<td>1,832,065.71</td>
<td>1,793,115.88</td>
</tr>
</tbody>
</table>

**NPV** | 8,575,030.92 |
### 4.12 Financials – Recommendation 3

#### Strategy 3

<table>
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<tr>
<th>Time:</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yearly increase in revenue</td>
<td>36,342,000.00</td>
<td>38,159,100.00</td>
<td>40,067,055.00</td>
<td>42,070,407.75</td>
<td>44,173,928.14</td>
<td>46,382,624.54</td>
<td></td>
</tr>
<tr>
<td>Van Sales</td>
<td>144,000.00</td>
<td>151,200.00</td>
<td>158,760.00</td>
<td>166,698.00</td>
<td>175,032.90</td>
<td>183,784.55</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>36,486,000.00</td>
<td>38,310,300.00</td>
<td>40,225,815.00</td>
<td>42,237,105.75</td>
<td>44,348,961.04</td>
<td>46,566,409.09</td>
<td></td>
</tr>
<tr>
<td><strong>Investment Costs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Plant Equipment</td>
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### 4.13 Implementation

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