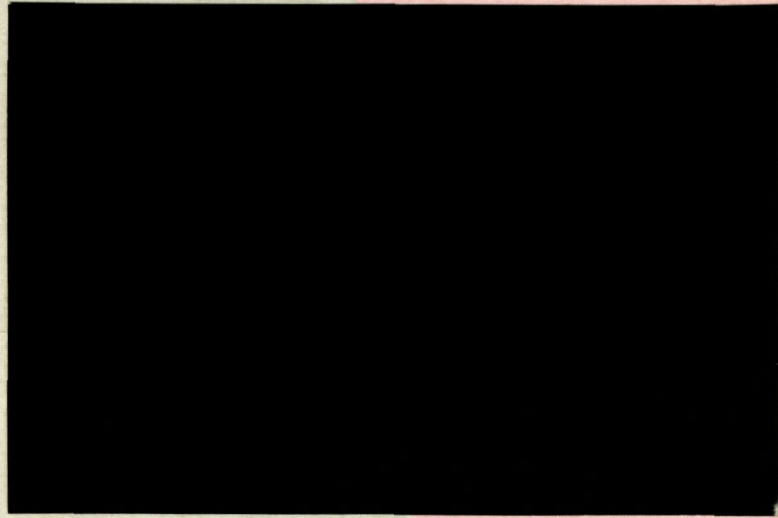


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Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations



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THE NIKE WAY

Big through Subcontracting in Asia

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Foreword

This report has been made by the 'Stichting Onderzoek Multinationale Ondernemingen (SOMO)'* by order of the European Trade Union Committee on Textiles, Clothing and Leather (ETUC-TCL) in April 1994.

For the ETUC-TCL the importance of the research was to learn how a company deals with the code of conduct it designed for its suppliers and subcontractors with regard to working conditions.

Therefore, the aim is not only to draw a picture of the Nike concern, but also to devote attention to the way Nike products are manufactured by Asian work force employed by subcontractors.

SOMO had the opportunity to collect a lot of data while travelling around Indonesia, a journey made possible thanks to the Dutch organizations HIVOS and 'Zusters van Liefde'**.

Non-governmental organizations and people living in that country provided SOMO with information, amongst others Indera Nababan. Furthermore Jeffrey Ballinger, formerly working at AAFLI in Indonesia, also gave specific information on the six subcontractors that produce Nike sports shoes in Indonesia.

It was a very special experience to be able to meet in Europe a former worker of one of Nike's subcontractors, Sadisah, after completing the report.

Hereby we would like to warmly thank the above-mentioned persons and organizations and all the others who supplied material.

The results of this report are being presented during a seminar on codes of conduct in Paris in May 1994, organized by Agir Ici and IRENE.

Translations of the report in French and Dutch are obtainable from the ETUC-TCL in Brussels.

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** 'Zusters van Liefde': Charity Sisters

Introduction

Nike is set up in 1964. In 1968 Nike Inc. is registered as such in Beaverton, Oregon, United States (USA).

Nike Inc. is number one throughout the world for designing and selling sports shoes, sportswear and accessories for a wide range of sports and fitness activities. Almost all Nike products (except for those sold under the Cole Haan brand) are produced by independent manufacturers for Nike. Most shoes are fabricated outside of the USA, whereas clothing is made within and outside of the USA.

Nike achieves 64 % of its turnover in the USA, 28 % in Europe, 4.5 % in Asia/Pacific, 1.5 % in Latin America and 2 % in the rest of the world. Nike is being sold in about 70 countries (see appendix 1).

Nike is the winged Greek goddess of victory. Nike is generally known for its Swoosh logo (as a reference to the winged goddess) and the slogan 'Just-Do-It'.

This report is made up of three parts.

In part 1 entitled 'A picture of Nike', general information is given about the concern. Most information is related to Nike in the USA. The successive sections are: origin, structure, products, production, retail trade and distribution, marketing (budgets and agency, sports organizations, sportsmen and sportswomen), social policy and code of conduct, lawsuits, finances, strategical policy.

Part 2 deals with Nike's activities in Europe. Titles of the sections: history, Nike's structure in Europe, products and production, distribution, retail trade, marketing, finances and strategical policy.

Part 3 first gives a general overview of Nike in Asia and the Pacific. The sections describe the situation in Taiwan, South Korea, Japan, China and Indonesia. In this last section the attention is more particularly focussed on the terms of employment and the working conditions of the male and female work force who produces Nike sports shoes for export at subcontractors.

In the conclusion the results Nike has produced with its code of conduct are being stated.

Part 1: A PICTURE OF NIKE



1.1. Origin¹

Philip H. Knight (now 56), one of Nike's founders, thinks of setting up the company while studying in Stanford. He wants to have sports shoes for the American market made in Japan so as to undermine Germany's position number one in that field. Once graduated Knight travels around Japan in 1962 where he meets Onitsuka Tiger, a sports shoes manufacturer. He persuades his enterprise of the sales possibilities on the American market. When he is asked which company he represents, he invents the name Blue Ribbon Sports (BRS). Onitsuka's first Tiger sports shoes reach the USA in December 1963.

In 1964 Philip Knight and William (Bill) J. Bowerman (now 83) set up a new company, each contributing US\$ 500. Bowerman coaches racers at the Oregon University (1949-1972) and afterwards the American Olympic racing team (1972). Knight is working for the accounting office Price & Waterhouse and distributes sports shoes as a leisure activity.

In 1965 Jeff Johnson who knew Knight from racing, stops selling Adidas soccer/football boots and becomes Blue Ribbon Sports' first full-time employee. Till 1965 most BRS sports shoes are sold from cars at sports events. In 1965 the first shop is opened in Santa Monica, California. There Johnson starts to make according to traditional methods sports shoes specially conceived for sportsmen and sportswomen.

In 1967 Bowerman launches Marathon, the first sports shoe with a light nylon top. That same year a point of sale is opened in Wellesly, Massachusetts in order to cover America's east coast.

In 1968 the Cortez racer shoe sells very well under the Tiger brand. This shoe is made in Japan on the directions of Bowerman. Moreover Bowerman and Johnson are conceiving together the Boston, the first sports shoe with a springy sole over the entire length. Knight and Bowerman become Manager.

In 1969 Knight devotes himself entirely to the company. BRS is then employing 20 people and the turnover reaches about US\$ 300,000.

In 1971 the Japanese business enterprise Nissho Iwai grants larger credit lines to BRS. Thanks to Nissho BRS starts to produce its own shoes line under the Swoosh Design brand. Johnson is dreaming of a new brand name: Nike. A soccer/football boot is the first product to bear Nike's name. A Nike T-shirt aimed at promoting the boot is the first article of clothing.

In 1972 the relations between Onitsuka Tiger and BRS are broken off after a lawsuit related to distribution rights.

Bowerman conceives the first Waffle outsole by pouring in the kitchen rubber on a waffle iron. The Moon Shoe is fit out with the Waffle sole. BRS starts to export ... to Canada. 45 workers reach a turnover of some US\$ 2 million.

In 1973 the champion racer Steve Prefontaine is the first racer wearing Nike shoes. Marathon racer Jon Anderson and tennis player Ilie Nastase are also persuaded. The 'Futures' programme is introduced: retailers have to order long in advance (see also Retail Trade).

In 1974 the Waffle Trainer is introduced and soon becomes the best sold racer shoe in the USA. BRS opens its first production plant in the USA, in Exeter (New Hampshire). BRS starts to develop its activities in Australia. 250 people are employed and the turnover amounts to US\$ 4.8 million.

In 1977 BRS extends its production activities towards factories in Taiwan and Korea. It is also the first time sports shoes are sold in Asia. The turnover already reaches about US\$ 29 million.

In 1978 the name of the company Blue Ribbon Sports is changed into Nike Inc. A second factory is opened in the USA, in Saco, Maine. Nike introduces children's shoes: Wally Waffle, Burt Bruin and Robbie Road Racer. Nike shoes are also sold in South America. Nike signs agreements with distributors in Europe. A turnover of US\$ 71 million is reached.

In 1979 Nike commercializes Tailwind, the first Air Sole sports shoe. The company starts to produce and sell Nike sportswear. The head office in Beaverton, Oregon is opened. Nike is the most popular racer shoe in the USA with an almost 50 % market share. The turnover amounts to US\$ 149 million. The 70's are profitable for Nike: sports shoes sales are on demand.

In 1980 two million shares are sold. The Nike Sport Research and Development Laboratory (NSRL) in Exeter (New Hampshire) is set up. In Greenland (New Hampshire) a sales and distribution centre for the east coast is opened. Nike starts to negotiate production in China. Nike sports shoes take the lead in the USA. 2,700 workers reach a US\$ 269 million turnover.

In 1981 Nike International Ltd. is set up for the market outside of the USA. Nissho Iwai and Nike form Nike Japan. Nike England becomes the first foreign distributor fully owned by Nike. Nike shoes are made in eleven countries. 3,000 workers reach a turnover of about US\$ 458 million.

In 1983 Destiny, the first high-tech racer shoe for children is commercialized by Nike. 4,300 employees are working for Nike. The turnover exceeds US\$ 867 million.

In 1985 Nike introduces the first Air Jordan basketball boot. But in the 80's Nike reacts too late to the aerobic trend. This leads in 1985 to the breaking up of Nike: the proceeds are disappointing and Nike has to reorganize. There are 4,200 workers left.

In 1986 Reebok catches up with Nike in terms of turnover. Nike's turnover exceeds that year US\$ 1 billion. Nike also starts to focus on golf.

In 1987 Nike introduces the Air Cross Trainer, i.e. a sports shoe suitable for racing, as well as for indoor sports and aerobics (= cross-training). Nike also concentrates more and more its attention on basketball, the sport of the urban black. Michael Jordan is Nike's successful promoter wearing Nike Air Sole basketball shoes. The turnover decreases to US\$ 877 million.

In 1988 Nike acquires Cole Haan. The 'Just-Do-It' advertising campaign is started. The turnover increases to US\$ 1.2 billion.

In 1990 Nike becomes the world market leader for sport and fitness. Nike reconquers the first place thanks to the Air Jordan. Nike acquires Tetra Plastics in order to secure the delivery of a key component of the Air Sole units. The big Nike World Campus (the head office) is opened in Beaverton, Oregon. Nike employs 5,300 workers and reaches a turnover of over US\$ 2 billion.

In 1991 the company commercializes Nike FIT clothing. The turnover rises to US\$ 3 billion (of which US\$ 2 billion are reached in the USA).

In 1993 the turnover amounts to US\$ 3.9 billion. Reebok would like to reconquer the first position in 1995. But Nike also has considerable growth plans. Knight is Chief Executive Officer and presides over the Board of Directors. Knight possesses 35 % of Nike Inc.² In 1992 Fortune assesses Knight's property to US\$ 1.7 billion.³

Since 1980 Bowerman has been Deputy-Chairman of the Board of Directors and Senior Vice-President.⁴

1.2. Structure

Nike has its head office in Beaverton, Oregon (USA). In Beaverton Nike has seven locations for administrative work. Besides this Nike has some other administrative offices throughout the USA, namely in Portland and Wilsonville (Oregon), Greenland (New Hampshire), Memphis (two locations, Tennessee) and Yarmouth (Maine). Nike has five regional offices outside of the USA. There is a regional office for the European market in the Netherlands, one in Hong Kong for the Asian market and one in Brazil and in Mexico for the Latin American market.

Since January 1994 there has been a regional office in Austria for Eastern Europe, India and Africa.

Nike has sales offices in the following countries: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the USA.⁵

In The USA Nike has 18 sales offices and showrooms.

Nike has independent distributors in Austria, China, Columbia, Ecuador, Hungary, Ireland, Israel, Kenya, Liberia, the Netherlands Antilles, Panama, Paraguay, Poland, Saudi Arabia, the United Arab Emirates, Uruguay and Venezuela.⁶

Although the actual production is largely contracted out, Nike has nine production units in the USA (see section 1.4.).

During the fiscal year 1993 Nike also appeals to 10 distribution centres in the USA and to 24 centres outside of America.

In October 1993 Nike closes down the section 'ie', leisure footwear and clothing for men and women after six loss-making years. 56 out of the 60 'ie' workers are made redundant. According to retailers the closure is decided just when the product starts to improve its performance. Nike wants to concentrate its attention on the well-established brands 'Nike' and 'Cole Haan'. Earlier in 1993 Nike already closes down the section 'Side 1' which manufactured sportswear for women.⁷

Organized Team Sports is one of Nike's licence activities. This branch is aimed at establishing the brand-loyalty of soccer/football and basketball players, as well as their trainers in universities. Nike supplies them with the necessary clothing for the competitions, the training, etc.

Nike sometimes takes over existing companies. For instance, Nike announces in June 1992 the acquisition of Sports Specialties, a head gear manufacturer, conducted till then by the Warsaw family as a property of the investment company Oppenheimer-Palmieri. It is only in January 1993 that the take-over is confirmed (US\$ 78 million are paid cash) (see also sections 1.3. and 1.8.).

1.3. Products

Nike sells sports shoes, clothing and accessories. Nike has a 33 % market share for sports shoes in the USA compared to 21.5 % of its main competitor Reebok.⁸ In 1992 Nike and Reebok reach a turnover of US\$ 3.93 and US\$ 3.02 billion respectively.⁹

Adidas, that used to dominate the sports shoes market and was largely pushed back by Nike and Reebok, seems to be regaining ground.

The main Nike sports shoes categories are the ones for basketball, fitness, racing and children. Next to this Nike also commercializes sports shoes for tennis, golf, soccer/football, baseball, American football, cycle racing, wrestling, cheerleading, water activities and outdoor (sports) activities.

Nike sells sportswear, sports bags and accessories aimed at completing the sports shoes lines. Sports shoes, clothing and accessories collections designed in a similar fashion are often commercialized.

Nike used to sell leisure footwear, clothes and accessories for men and women under the brand i.e., but brought an end to it in 1993. The concern sells clothing, leisure footwear and accessories for men and women under the Cole Haan brand through the fully-owned daughter company Cole Haan Holdings Inc. Since January 1993 Nike has through the then acquired Sports Specialties commercialized head gear (caps) with licensed team logos under the Sport Specialties brand. Finally Nike sells small quantities plastic products to manufacturers through its fully-owned daughter company Tetra Plastics Inc.¹⁰

In the 80's wearing sports shoes is very popular. There is a growing attention for healthy food and fitness especially in the USA. Leisure activities also become more and more important. Moreover sports heroes are again surrounded with glamour. All this, combined with the fact that youngsters have a lot of money to spend, leads to a considerable increase of sports shoes sales, namely Nike's. Some youngsters buy more than 10 pairs of sports shoes a year. In the 90's the situation changes. The basketball boots market declines and the walking shoes market grows (see below). Moreover short distance racing seems to gain as much popularity as long distance racing, which implies that genuine sportsmen too wear out less shoes. On the other hand American women spend more money for sports shoes, namely for aerobics.

Nike's yearly basketball boots turnover amounts to about US\$ 500-600 million (a 60 % market share). Nike sells basketball boots in the USA under the Force, Flight and Air Jordan brands. If these brands were independent, they would be first, second and fourth respectively on the market.¹¹

During the second quarter that ended in November 1993, Nike's basketball boots turnover decreases by 25%, just like the ones of Reebok. Nike considers this as a temporary slump.¹² Top man Philip Knight expects the market for these shoes to grow in 1994/95. And adds: "Nike still sells more basketball boots than the rest of the industry united. Today the Air Jordan is the best sold basketball boot in the USA."¹³

In December 1993 Nike launches the basketball boot Air Jordan 9. It does not evolve well at once. The American media wonders whether this is due to Michael Jordan stopping his sports activities. In January 1994 Nike announces its contribution to the retro-look by re-introducing in July the Air Jordan 3 dating back to 1988; this was the first shoe with a visible air sole.

Basketball is still a popular sport in the USA, the third most popular one. There are 49.6 million people playing this game. Basketball boots are the most sold amongst sports shoes.

As to baseball and American football Nike is world leader with its 47 % market share.

Consumers seem to divert their attention from basketball boots towards shoes for outdoor and rugged activities, mainly inspired by watertight walking shoes and leisure footwear. In this field The Timberland Co. is very strong, as well as the traditional walking shoes brands, like Merrell, Hi-Tec and Rockport. Nike's Caldera, a light walking shoe, keeps up in this new trend. According to Nike it is the best sold light walking shoe in the USA. Others in the sector say that consumers prefer high-tech rugged shoes. The shoes are not really used for outdoor sport activities, but are mainly worn by richer townspeople. The high-tech shoes experience on their turn the competition of the once leading brand Adidas and of Converse.

Between 1992 and 1993 Nike's outdoor products turnover rises by 100 % and exceeds US\$ 130 million. The turnover of outdoor shoes alone increases by 90 % between 1992 and 1993, largely thanks to the success of Nike's sports sandals. Sports sandals are now very popular in the USA.

Teva was the one who thought of the style. Nike has quickly invested in this field. Nike's Air Deschütz sells particularly well. In the USA Nike's sports sandals market share is of about 30 %. In 1994 Nike's turnover in this sector is expected to reach about US\$ 50 million.

Nike expects in 1994 a turnover of some US\$ 200 million for its outdoor products. One of the walking shoes that should be successful is the black-green Air Rhyolite. During the quarter that ended on 30 November 1993 the turnover increases by 39 %. In 1993 Nike organizes the second Outdoor Symposium. Journalists are treated to a trial package containing Nike products (selling price: US\$ 750). In the fall 1994 Nike will launch a new outdoor line offering 24 styles for men and 13 for women. There are only two watertight styles, exclusively for men, i.e. Air Krakatoa and Air Torre.

Top man Philip Knight believes that outdoor shoes will finally become as important for Nike as the current sales of basketball boots. But one wonders at Nike whether this is just a whim of fashion or will be a 15 to 20-year long lifestyle trend.¹⁴

For quite a long time Nike's performance on the women's sports shoes market has not been brilliant. During the fiscal year 1993 Nike reaches in that field the second position with an 18 % market share. Nike's sports and fitness branch for women grows by 10 % exceeding US\$ 400 million.

From a survey made amongst American youngsters it appears that Nike is very popular. 94 % of the interviewed boys do have sports shoes, about three pairs. 67 % wear sports shoes every day. During last year boys bought an average of 2.6 pairs of sports shoes, the last one costing about US\$ 54. They often add pocket money to the money received from their parents to buy the desired sports shoes. 71 % of the boys want to wear a different brand from their parents. 43 % prefer Nike and 14 % Reebok.¹⁵

Some consider Nike's slogan 'Just-Do-It' as an appeal to the ghetto youth to acquire at any cost Nike sports shoes. Nike is even so popular amongst the youth that robberies and even murders are committed in order to obtain a pair of Air Jordan.

During the fiscal year 1993 Nike's children's sports shoes turnover rises by 18% in the USA up to US\$ 306 million, Nike becoming as such market leader. Taking into account the international children's sports shoes turnover (US\$ 138 million) and the sales throughout the world of Nike's child clothing (US\$ 94 million), it is quite obvious that the youth is of utmost importance for Nike.¹⁶

Next to sports shoes Nike also produces and sells - as mentioned earlier - clothing and accessories. During the fiscal year 1993 Nike's clothes sales world-wide amount to US\$ 714 million (a 12 % rise). Therefore Nike can be considered as one of the main sports clothing manufacturers.¹⁷

In the USA alone US\$ 300 million sportswear is being sold.¹⁸

Nike FIT (Functional Innovative Technology) is part of the sports clothing. Nike worked on this FIT programme during two years. Nike FIT is made up of Dri-FIT (dries the fluid of the skin keeping the wearer dry and cool), Therma-FIT (quick-drying to keep the wearer warm) and Clima-FIT (protects the wearer against wind, rain and snow). There is also a lightweight line. Clima-FIT Lite is already available, Therma-FIT Lite will be launched in the fall of 1994. The FIT products are made up of specific material exclusively designed for Nike. According to Nike's informant Liz Flynn Jones these products are not too expensive and are made by Nike. Amongst the accessories there are sports socks with the Swoosh logo.

Nike has identified in time the growing ecological awareness of consumers. In spring 1993 Nike starts to use recycled waste in the soles of the Air Escape Lo outdoor cross-training shoe. Later on during that same year the Regrind Recycled Outsole is already used for all Nike's outdoor cross-training and racing shoes.¹⁹

In the framework of a pilot project in Fort Myers, Florida Nike has also collected during a weekend 1,100 pairs of old sports shoes to be transformed by Nike into rubber to be used by Atlas Track & Tennis in Tualatin, Oregon for the laying of athletics tracks.²⁰

Nike's main belongings are amongst others the trademarks Nike and Swoosh. These brands are registered in more than 100 countries. Nike also possesses the exclusive and world-wide licence for manufacturing and selling footwear with the Air technology.

1.4. Production

Nike is mainly strong in designing and commercializing its products, but not or hardly in manufacturing them. Products are designed and developed in the Nike Sports Research Laboratory (NSRL) in Beaverton, Oregon, USA and in the Advanced Product Engineering (APE) locations in the USA and in Taiwan. But there are still nine other locations. Products are designed and developed in eleven countries: the USA, Taiwan, Brazil, China, Hong Kong, Indonesia, Japan, Singapore, South Korea, Thailand and the Netherlands.²¹

A large part of the production is contracted out, namely in the Far East. In 20 countries Nike manufactures its product itself or - as it is more often the case - contracts out production. Nike has some production offices outside of the USA, namely seven in Asia and two in Latin America. Part of the shoes and clothing are made in the same countries for Nike.

Nike deliberately chooses for contracting out production. Neal Lauridsen, Nike's Vice-President, explains that Nike helps manufacturers to become familiar with the methods in the most interesting production countries, but that the production risks are borne by the manufacturers themselves. David Taylor, Vice-President for Nike's production, tells that Nike is always looking for new production sites. Nike

uses about 40 factories. Between 1987 and 1992 some 20 factories are closed down or turned down and 35 opened. In the 80's Nike leaves the Philippines and Malaysia, as well as the United Kingdom and Ireland. Till very recently most sports shoes had been made in Taiwan and South Korea. With Nike's support manufacturers move to China, Indonesia and Thailand. Lauridsen explains that Nike helps manufacturers who want to move the production to cheaper locations by guaranteeing them a certain number of orders.²²

The production process is as follows. Designers first conceive a type of sports shoe in co-operation with Nike's marketing staff. About 100 new types are introduced each year. The designs are sent to subcontractors, for instance in Taiwan or South Korea who try to work out how the shoes can be the best produced. The shoes are then made somewhere in Asia (for example, China or Indonesia).

Nike contracts out shoe production to manufacturers in Brazil, China, Indonesia, Italy, South Korea, Taiwan, Thailand and the USA. In 1993 a small part of the Cole Haan shoes are made in Mexico. Nike was thinking of having more products manufactured in Mexico after the introduction of the North American Free Trade Agreement (NAFTA).²³

NAFTA has come into force; it is not known whether Nike has already undertaken further steps in this field.

Shoe parts suppliers are also established in the above-mentioned countries, as well as in Germany, the United Kingdom, Hong Kong and Japan.²⁴

Nike makes a distinction between factories manufacturing under licence which pay a licensing fee (see below) and other suppliers. Manufacturers under licence are established around in Argentina, Brazil, Chile, Greece, Indonesia, Japan, Peru, the Philippines, Thailand and Turkey.²⁵

Manufacturing under licence for Nike

Nike has close links with the factories manufacturing Nike products under licence. To take out a licence an enterprise has to prove that it is capable of manufacturing an end product according to Nike's design and specifications. The enterprise pays a licensing fee to Nike and during two to three years it will compete with other factories to obtain Nike orders.

Each month the factory's performance is assessed by Nike. Licences may be withdrawn if there is something wrong. Moreover a Product Manager of Nike will be present each day in the factory manufacturing for Nike.

The manufacturers can buy the raw material and the components from their own suppliers as long as they do comply with Nike's standards. Advanced parts have to be directly bought from Nike.

The end product must be sold to Nike International.

Source: AAFLI/Indonesia: Does Bo Know ... Nike?,
1991

Nike has its clothing made in 17 countries: Argentina, Bangladesh, Chili, the Dominican Republic, Guatemala, Honduras, Hong Kong, Indonesia, Malaysia, Peru, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and the USA.

During the last ten years Nike's sports clothing for the Canadian market was made in the York Manufacturing Plant in Toronto, Canada. Nike was the factory's main client. There are more than 125 workers, mainly women, of Chinese, Italian, Portuguese and Vietnamese origin. Recently Nike has decided to stop making sportswear in Canada. That is why York would have to close down in March 1994. According to the International Ladies' Garment Workers' Union (ILGWU) which represents the women workers at York, Nike will have its sports clothing made in the southern states of the USA, Mexico and Asia in factories where there are no trade-unions. ILGWU started a petition campaign in order to avoid the closure of the company, entitled: "Just Do It. Sign the Petition ! Stop the Closure of York Manufacturing".

From Nike's data related to 1993 it appears that the concern still has some production facilities in the USA, namely in Beaverton (Oregon), Lewiston, Livermore, East Corinth and Sanford (Maine), Greenville (North Carolina), Irvine (California) and Chesterfield (two locations, Missouri). Part of its products are made in the USA for a total of US\$ 350 million. Some 1,200 people are working in those plants.

From other more recent sources it appears that Nike closed down its shoes factories in the USA. In 1985 the two shoe factories were closed down: first the one in Sanford and afterwards the one in Beaverton.²⁶

1.5. Retail Trade and Distribution

In the USA most Nike products are sold to the consumer by around 14,000 retailers. Nike products cover about 1 million square feet shop surface. The main Nike retailers in the USA are: Foot Locker, Lady Foot Locker, Champs Sports, FootAction USA en JC Penney.²⁷

The Sporting Goods Dealer magazine makes each year a survey asking to about 500 retailers to give their 12-mark opinion (amongst which the service) about suppliers. Nike scored the best four years at a stretch.²⁸

A tiny part of the Nike products is directly sold by Nike to the consumer. Nike leases shops in 59 locations in the USA. The most spectacular ones are the Nike Towns, huge shops where only Nike products are being sold in an entertainment atmosphere. The first Nike towns are opened in Portland (Nike's home city) and Chicago (Michael Jordan's basketball club's home city). During the fiscal year 1993 (till 1 June) four Nike Townshops are opened with a total surface of about 130,000 square feet. Then a Nike Town is started in New York in September 1993.²⁹

At the end of November 1993 it is known that Nike is thinking of opening a Nike Town in San Francisco in 1996. This Nike Town will be a huge five-level shop (50,000 square feet).³⁰

Nike uses a system called 'Futures Programme': retailers have to order five to six months in advance. This system is established in the USA. 80 % of the American orders come in through this system. Nike will try to introduce it in Europe too. Lately orders in advance have been rather disappointing. The world-wide shoes and clothes orders to be delivered between December 1993 and April 1994 only amount to US\$ 1.4 billion, i.e. a 14 % decrease compared to the same period the year before.³¹

By having to order long in advance, the risk is transferred onto the retailer, whereas clothes retailers are used to ordering later. Retailers believe that the Nike system is problematic taking into account the intricate market. The traditional principle is that it is impossible to do half well when orders have to be made more than three months in advance. Nike deliberately sees to it that some popular shoes become scarce so that they remain popular. Retailers who have to order long in advance, often have too much of one product and too little of the other.³²

In 1993 Nike has outside of the USA shops in Firenze (Italy), Toronto (Canada) and Victoria (Australia).

During the fiscal year 1993 Nike has ten distribution centres (dc's) in the USA, namely one in Beaverton and two in Wilsonville (Oregon), one in Greenland (New Hampshire), two in Memphis (Tennessee) and four in Yarmouth (Maine).

In Nike's American distribution structure Memphis is a central place. It is a high-tech dc. At the beginning of 1994 Nike moves distribution activities from Greenland to Memphis and Wilsonville. Shoe distribution in Memphis will therefore increase by 20 %. No figures are mentioned as to the rise in staff. 720 people are now working in the two Memphis dc's (for clothes and shoes).³³

There are also lots of temporary workers for whom Nike does not have to pay any medical insurance and pension scheme costs. The temporary workers are hired through the enterprise Norrell Services in Atlanta. Although Nike has to pay Norrell for this service, the total cost for hiring temporary workers is far below the one for employing a permanent worker.³⁴

By moving distribution activities to Memphis, ways is given in Greenland for the Cole Haan (shoes) daughter company. Greenland deals with the whole Cole Haan distribution. A service centre in Yarmouth is closed down, but Cole Haan's head office remains there. Most of the 67 workers in Yarmouth are offered a job at the head office in the same city or are transferred to Greenland. A large majority of the 138 workers in Greenland work for Cole Haan; some are transferred to Memphis and Wilsonville.³⁵

In 1993 Nike has 24 distribution centres outside of the USA, namely 13 in Europe, 2 in Canada, 2 in Latin America, 6 in Asia and 1 in Australia.

1.6. Marketing

For Nike advertising is an essential component of marketing. A lot of money is being devoted to it. Nike hires famous sportsmen and sportswomen to promote the products.

1.6.1. Budgets and Agency

In 1993 Nike spends US\$ 89.6 million to advertising compared to Reebok's US\$ 78 million. Nike spends more money for advertising than Levi Strauss, the largest clothing manufacturer throughout the world, who devotes US\$ 88.2 million to advertising.

The Wieden & Kennedy agency, Portland, Oregon, USA makes lots of Nike's commercials. Its office in Amsterdam deals with the European consumers. At the end of 1993 Nike launches a new advertising campaign conceived by Wieden & Kennedy for a total amount of US\$ 10 million (November-January): the next generation soccer/ football and basketball stars play a part and the newest cross-training shoes are launched.³⁶

Nike does not only advertise, but also devotes money to social welfare, especially directed towards children, an important consumer group of Nike products. Nike sponsors a lot of activities for children, like the Boys & Girls Clubs of America. In June 1993 these Clubs launch together with Nike the Kids Movement, aimed at promoting physical activities and fitness amongst the youngsters. Nike's Just Do It Fund also financially contributes to Ghostwriter, a Television Workshop's TV programme for children aimed at eliminating illiteracy.³⁷

1.6.2. Sports Organizations

Nike concludes agreements with sports clubs in order to sponsor them if they advertise for Nike. Nike does not only focus on sports like tennis and basketball, but also on golf for instance. At the beginning of 1994 Nike signs a long-term contract with the American golf organization LPGA which trains golf players (m/f) and their coaches. Nike also concludes a lot of contracts with sports teams of American universities.

Outside of the USA Nike is strongly directed towards football. In 1994 the World Championship Football will take place in the USA, an event to be watched by supporters from more than 170 countries on their TV set. Nike has a contract with the most eminent Brazilian football players who will wear Nike football boots.

1.6.3. Sportsmen and sportswomen

Nike prefers to sponsor controversial sportsmen and sportswomen who will often be seen on the news in a fashion youngsters seem to appreciate. Top man Knight says: "We want someone whom the public will love or hate."³⁸

Nike mainly sponsors basketball, baseball and tennis players: like Michael Jordan and Charles Barkley (basketball), Jim Courier (US\$ 8.5 million a year) and John McEnroe (tennis). According to Philip Knight Nike shoes sales swell each time McEnroe tears into the umpire. Nike not only sells shoes, but also a lifestyle directed against the authorities and bureaucrats.

An example of eye-catching sponsoring is the 15,000 British Pound contribution to figure skater Tonya Harding. Her ex and some others are being accused of having beaten her rival Nancy Kerigan (sponsored by competitor Reebok) on her knees with a stick. The part played by Tonya Harding is not clear. Nike only says that it will support Harding's fight to remain within the Olympic team. Top man Philip Knight explains that Nike always chooses the side of the athletes against bureaucracy in sport.³⁹

In January 1994 there is a series spots showing Dennis Hopper acting the fool. Aim: promotion of the Air Veer football boots costing US\$ 110 a pair. Institutions criticized the spots because mentally sick persons are being so much stigmatized in their opinion.⁴⁰

It was a shock for Nike when basketball player Michael Jordan, the superstar of the Chicago Bulls, all of a sudden announced in October 1993 his intent to put an end to his sports activities. Nike had even named a sports shoes line after him, the Air Jordan, representing about 5 % of the total sales. Michael Jordan was often seen in TV commercials, etc. He earned from his contract with Nike around US\$ 20 million a year. He also advertised for McDonald's and Sara Lee clothing (Hanes) for a total amount of US\$ 10 million.⁴¹

In January 1994 the first Nike spot with Michael Jordan has come out since his farewell to sport.

Basketball player Alonso Mourning is considered as Michael Jordan's successor. In 1993 he signs a contract with Nike. His name is not only linked to sports shoes, but Nike also deals with his finances, watches over his image, negotiates other marketing agreements and even settles his charity donations. He says: "Nike will make me a household man." It is not only a matter of performances, team or basketball, but mainly of his link with Nike.⁴²

1.7. Social Policy and Code of Conduct

Thousands of people are working for Nike throughout the world, either they are directly employed by the concern, either they work for a subcontractor who manufactures Nike products. Nike has a social policy for its workers and a Code of Conduct related to the working conditions at subcontractors.

1.7.1. Social Policy

On 31 May 1993 there were approximately 9,600 full-time equivalents working for Nike all over the world. In the Code of Conduct (see 1.7.2.) Nike mentions 6,200 American employees and more than 8,000 employees world-wide. Competitor Reebok "only" has 3,500 workers. After a reconstitution in 1992 and 1989 50 and 60 workers respectively are made redundant by Reebok.⁴³

In the USA there are at Nike 1,200 basic jobs in the factories and 600 jobs for data processing.⁴⁴

In 1993 adjusted lower turnover and profit prospects lead to a reconstruction scheme stating that there should be 3-4 % (288-384) less workers around 31 May 1994 (the end of the fiscal year). At the level of the middle managers and senior executives there is no release expected. Costs should decrease by US\$ 50 million. The news is announced when the record proceeds of the first quarter of the financial year 1993/94 are presented (US\$ 1.1 million).⁴⁵

In 1993 Nike reports as follows on the relationship between management and workers and on trade-unions: "The management considers its relationship with its workers as excellent. None of the company's worker is represented by a trade-union. There has never been a radical interruption of activities because of labour disputes."⁴⁶

Almost all Nike workers fall under the profit sharing scheme. Nike also has a savings scheme to which the workers are free to contribute. In 1980 as well as in 1990 Nike introduces a programme enabling the workers to receive a bonus in company shares.

Moreover Nike's staff members may take a confinement leave, share jobs, have flexible working hours, be supported when adopting a child and make use of the head office's nursery.⁴⁷

As mentioned before Nike also financially contributes to 'good causes', namely directed towards children and education. Nike devotes about 1.5 % of its three-yearly pre-tax profit to these causes, half of it in cash and the other half in kind. Nike also offers money to groups protecting nature and the environment.

Franklin's Insight, an American research agency, affiliated to the Franklin Research and Development Corporation, scores various aspects of companies as a social assessment. In 1993 Nike scores a total of 2, in-between excellent (1) and fair (3). Nike also scores a 2 for South Africa, labour relations, environment, citizenship, energy and weapons, whereas it obtains a 3 for human rights and product. Simon Billenness of Franklin's Insight writes:

"Overall, while Nike falls short of what is expected of a leader in the field of corporate responsibility, the company has responded constructively to criticism and compares well to its peers."⁴⁸

The above-mentioned research agency mentions Nike's boycott Operation PUSH (Peoples United to Save Humanity) incited to.

In July/August 1990 Operation PUSH claims that Nike gets 30 % of its income from the black community, but hardly invests in the black community and has no black in leading positions. Nike reacts to the boycott by setting up an advisory body for the problems of minorities, with executives from the black community in and around Portland, Oregon amongst the members. This advisory body judges Nike's progress as to having a more diversified staff and the support of minorities outside of the company. Nike promises to have a Vice-President belonging to a minority group appointed within 24 months.

Nike's results in this field are partially successful. Nike did not manage to appoint a black 'Vice-President' by January 1993. In 1992 Nike only buys for US\$ 550,000 goods from enterprises belonging to people from ethnic minorities. But more than 10 % of Nike's heads and managers originate from minorities. And some of them have key positions.

At the beginning of 1993 women (50.6 %) are a small minority in Nike's American work force. Minorities make up 19.5 % of Nike's American personnel. Amongst the American managers 36.5 % are women and 19.5 % originate from a minority.

Nike devotes now 75 % of its budget to 'good causes' for minorities. Operation PUSH believes that Nike has globally met the conditions. The boycott call has been withdrawn. In March 1993 Nike had not yet reached any formal agreement with the organization.

Nike is now faced with a new campaign started by the protectionist 'Made in the USA Foundation'. This Foundation complains that Nike does not produce in the USA. The Foundation calls on consumers to send their "old, dirty, smelly and worn-out Nike shoes" to top man Philip Knight. This campaign is supported according to the American trade-union AFL-CIO. AFL-CIO Chairman Lane Kirkland draws the attention on the situation in the Indonesian factories producing for Nike (see also part 3). He says that Nike wants to make "superprofits" and transfers jobs abroad in order to be immune to American standards. Consumers are advised for instance to buy Saucony Jazz 3000, a sports shoe made in the USA which only costs US\$ 65 or New Balance, also made in the USA.⁴⁹

From letters received from American unionists and from the company itself it appears that 'New Balance' sports shoes are also made in China.⁵⁰

One unionist complains that Nike has its sports shoes made abroad at cheap rates and sells them afterwards to American consumers at a high price. He thinks that the American consumer should also profit from the advantage.⁵¹

In the Asian-Pacific Issues News journalist Kirby Urner blames AFL-CIO for being sometimes too narrow-minded always repeating the message "Buy American products" without paying attention to the labour force in Third World countries.⁵²

1.7.2. Code of Conduct

Like the clothing firm Levi Strauss and its competitor Reebok Nike has a detailed Code of Conduct for its subcontractors (see appendix 3). The Code of Conduct begins with a four-page general part entitled 'Nike and Sourcing: A Primer', followed by the contract to be signed by the subcontractor or supplier, the one-page Nike Code of Conduct and the one-page Memorandum of Understanding.

In the general part of its Code of Conduct Nike mentions that lots of workers (men and women) in Asia are glad to produce for Nike and gives some examples. A woman worker who makes Nike sports shoes in Indonesia earns five times more than a farmer. An Assistant Manager in a factory where Nike sports shoes are manufactured earns more than a experienced surgeon.

Nike mentions Indonesian factories like Pao Chen and HASI (see also part 3) where the working conditions are said to be good.

Nike gives an example of price structure for typical consumer goods, like sports shoes: Nike purchases a product for US\$ 10, adds development, marketing, shipping and other costs, as well as profit and sells it to the retailer for US\$ 20 who sells it on his turn for US\$ 40 to the consumer (according to the usual 1-2-4 ratio). In Indonesia shoes of an average price range (about US\$ 45-80) and children's shoes are made for Nike.

Nike mentions the large affluence of labour forces on the Indonesian labour market. Working in a factory seems to be sought after.

Nike's profits follow roughly the general trend in this sector: a 38.7 % margin and a 9.6 % after-tax profit. Nike admits that wages in the new countries where it has subcontractors like Indonesia are lower than in well-established producing countries like Taiwan and Korea, but this does not mean that Nike reaches higher profits in Indonesia. Nike explains this as follows: development costs are higher when working with new producers, new manufacturers are less efficient (Korea uses 60 % of the labour force needed in Indonesia) and in a country like Indonesia one starts making products of an average price range.

Nike has the contract dealing with the Code of Conduct signed by the subcontractor or supplier. In the Nike's Code of Conduct it is mentioned that one should not only do what is required, but also - if possible - what is expected from a leader. The Code of Conduct starts with: 'Nike Inc. was set up with a handshake.' and ends with 'There Is No Finish Line.'

The Memorandum of Understanding mentions seven points the subcontractor or supplier has to respect. These points are related to:

1. the respect of the national laws as to minimum wage, overtime, child labour, menstrual leave and pregnancy leave, holidays and compulsory pension scheme;
2. the respect of the national legislation as to occupational safety and health;
3. the respect of the national legislation as to health insurance, life insurance and compensation;
4. the nonuse of forced labour, be it prisoners or others;
5. the respect of the national environmental legislation and Nike's own, broader environmental practice, such as nonuse of CFCs whose release damages the ozone layer;
6. nondiscrimination as to engaging male and female work force, wages, fringe benefits, promotion, termination of an employment contract or retirement on the basis of gender, race, religion, age, sexual preference or ethnic origin;
7. the consent to elaborate documentation proving that the subcontractor or supplier sticks to the Memorandum. This documentation must be shown whenever Nike wants to control it.

According to the above-mentioned research agency Franklin's Insight Nike's Code of Conduct is not as exhaustive and stringent as the one of Levi Strauss or Reebok, except for the fight against discrimination based on sexual preference. Dusty Kidd of Nike's Public Relations department explains that the Code of Conduct is signed by each factory and controlled by members of Nike's staff who are sent on secondment in the factory. According to Kidd the Code of Conduct has never been violated up to now.⁵³

An important disadvantage of Nike's Code of Conduct is that it is not controlled by an independent body. Besides Nike's Code of Conduct is based on national laws (except for the clauses related to forced labour and nondiscrimination) which often offer less job protection than the ILO conventions (International Labour Organization).

1.8. Lawsuits

Nike has been involved in lots of lawsuits.

At the end of 1993 the Warsaw family accuses Nike of having violated the agreement after the take-over of their head gear enterprise in the USA. Nike would have promised to appoint Jim and Robert Warsaw (the founder's sons) as co-directors of a new unit, Licensed Sports Specialties Products, but Nike tried instead to get them out of the company. The brothers resigned and claimed a US\$ 2 million compensation for breach of contract.⁵⁴

In the USA it has become usual that sportsmen overtape their shoes with another brand's logo; this is called spatting. In 1992 Nike lodges a complaint against Apex One, the National Football League's official shoe supplier. Nike wins its case. In 1994 Nike accuses again Apex for not preventing that players wear Nike sports shoes disguised as Apex shoes. Nike exacts a US\$ 1 million compensation or one third of Apex profit resulting from this. Apex's top man Joseph Kirchner says: "Nike does not like to be number two. They just try to intimidate competitors."⁵⁵

In Spain Juan Amigo Frexias of the company Cidesport comes up against Nike as to the use of Nike's brandname. Frexias registered the name years ago, but never used it. He bought the name from a Spanish sports socks producer who had this name registered in 1932. In June 1991 Nike has its own brandname registered. Frexias contests the use of the brandname by Nike and exacts a ESP 3 million compensation for the use of this name. At the beginning of 1994 it is announced that the court in Barcelona puts Nike in the right and declares Frexias' Nike invalid because of nonuse. Nike can now sell the whole sports shoes, clothing and accessories line on the Spanish market. During the 30-month long legal procedure Nike could not sell any clothing bearing a combination of the name 'Nike' and the 'swoosh' logo. This was an important setback for Nike as the Olympic Games were taking place in Barcelona at that moment. Nike's turnover amounts to US\$ 48 million. More than 90 % results from sports shoes sales.⁵⁶

1.9. Finances

Nike experiences a boom. Between 1980 and 1986 its turnover rises from US\$ 270 million to US\$ 1.1 billion. Between 1988 and 1993 the consolidated sales figures increase by 27 % each year.

During the previous fiscal year (1993) Nike reaches a turnover of US\$ 3.9 billion and a net profit of US\$ 365 million. (Nike's fiscal year ends on 31 May of each year.) By 1996 Nike aims at reaching a world-wide turnover of US\$ 6 billion (with an annual 15 % rise of the income).

For 1994 though a 2 % fall in turnover is expected because of the decreasing basketball boots sales and negative changes of exchange rates. It is expected that the profit will decrease to US\$ 310 million.

During the second half of the year 1993 (till November included) the gross margin decreases.

36 % of Nike's turnover is made in Europe, Asia/Pacific and Latin America. In 1993 it amounts to US\$ 1.4 billion, i.e. a 24 % rise compared to 1992. (See part 2 for Europe and part 3 for Asia/Pacific.)

Nike's main Latin American countries are Brazil, Argentina, Mexico and Chili. In April 1992 Mexico becomes the first Latin American country where Nike obtains its own distribution rights. In 1993 Nike's turnover in Latin America rises by 21 % up to US\$ 57 million. Nike has a 21 % market share in that region.⁵⁷

Table 1 presents the evolution of the turnover per geographical region.

Table 1. Nike's turnover per region, 1989-1993 (x US\$ 1,000,000).

	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>
USA	2.529	2.271	2.142	1.756	1.362
Europe	1.086	920	665	334	241
Asië/Pacific	178	76	56	29	32
Others	<u>138</u>	<u>139</u>	<u>141</u>	<u>116</u>	<u>75</u>
Total	3.931	3.405	3.004	2.235	1.711

Source: Nike Annual Report 1993, p. 25.

In 1990 Nike's total assets exceeds for the first time US\$ 1 billion and in 1993 for the first time US\$ 2 billion (US\$ 1.4 billion is reached in the USA).

Nike issues A and B actions.⁵⁸ B actions are quoted on two stock exchanges, namely the New York Stock Exchange and the Pacific Stock Exchange.

1.10. Strategical Policy

In the USA Nike tries to remain number one. For 1994 a one-figure growth is expected in the USA. Nike also wants to stress its distinctive features outside of the USA. In 1994 approximately US\$ 1 billion results from the international activities (namely the European ones).⁵⁹

Presentation is of utmost importance for Nike. Nike has a Concept Shop Strategy for the USA: members of Nike's staff are working together with the main Nike products retailers. The best sales strategy is defined for each shop. Sometimes it leads to a shop-in-shop formula, i.e. a department in a big shop selling only Nike-products. As to the working method, subcontracting production is central.



Part 2: NIKE IN EUROPE

2.1. History

Nike has been active in Europe for 21 years.

About 75 % of Nike's turnover outside of the USA is reached in Europe. Nike has a 20 % sports shoes market share in Europe. Nike is present in 14 European countries.

Nike's main European countries are France, Germany, the United Kingdom (UK) and Italy.

In 1993 Nike's sales in Europe are disappointing, amongst others because of the recession in Europe and an unfavourable US\$ exchange rate. Tim O'Kennedy, Marketing Manager of Nike Europe, says that rock bottom has been reached.⁶⁰

In 1993 David Kottkamp deals from Nike's head office in the USA as Vice-President and General Manager with the international department, including Europe.

2.2. Nike's Structure in Europe

Nike Europe's head office is established in Hilversum, the Netherlands.

Nike Europe is the umbrella and coordinating organization of Nike in Europe. Nike Europe does not have any turnover; the turnover is reached by the national organizations which are in fact sales offices. There are twelve sales offices, namely in Spain (covering also Portugal), Germany, Belgium, the Netherlands, the United Kingdom (covering also Ireland) Sweden, Norway, Finland, Denmark, Switzerland, Austria and France⁶¹.

From a marketing viewpoint Benelux is considered as one country (with one General Manager), but there are two offices (in the Netherlands and in Belgium). The twelve sales offices or eleven sales regions develop their activities in fourteen European countries.⁶²

Nike Europe does not cover Eastern Europe. Since January 1994 Eastern Europe, India and Africa are covered by a regional office in Vienna. This office is not connected to the Austrian sales office governed by Nike Europe. There are no sales offices in Eastern Europe.

Nike Europe examines whether some advertising campaigns launched in the USA have to be taken over in Europe. To this end Nike Europe has contacts with an advertising agency in Amsterdam which is a division of the advertising agency used in the USA.

In October 1993 Nike UK grants a contract to Shepherd to build a 2.3 million British Pound office of 3,680 square metre in the Doxford International Business Park in Sunderland.⁶³

2.3. Products and Production

According to Mrs Lilian Bours of Nike Europe there are almost no Nike products made in Europe. All Nike products sold in Europe are in her opinion made in Asia. But Nike Europe has a department designing clothing for the European market. These European-made designs represent about 20 % of the total package.⁶⁴

Nike Inc. reports that the Nike Tiempo Premier football boot is developed in Italy for the World Championship Football 1994.⁶⁵

2.4. Distribution

Nike is radically centralizing the distribution structure in Europe after the USA distribution structure, which will represent a total investment of US\$ 140 million.⁶⁶

This will be the highest investment Nike ever made in Europe since it has started to develop its activities in Europe.

Dave Edwards, General Manager of Nike Europe, explains:

"This clearly underscores our continuing commitment to building an efficient operation in service of our customers in Europe and the confidence we all feel in the long-term prospects of our business in Europe."⁶⁷

Up to now each national organization has settled the distribution. For instance, in the Netherlands, the Post Office is dealing with the distribution for Nike Holland. Nike would like to reduce the number of distribution centres in Europe from 32 in 1993 to 5 by the end of 1997. During the fiscal year 1993 there are 13 distribution centres in Europe. At the end of 1997 there should be four shoe distribution centres and one for clothing in Europe supplying all the European countries.⁶⁸

Nike invests US\$ 75 million in a new distribution centre (dc) between Meerhout and Laakdal in Belgium; Maasmechelen (Belgium) and Eindhoven (Holland) were also candidate for hosting the new dc. Nike acquired a ground of more than 30 hectares. This distribution centre is a first step towards making distribution more efficient.⁶⁹

According to Mrs Lilian Bours of Nike Europe this distribution centre will distribute clothing as from September 1994 and shoes as from September 1995. This Belgian distribution centre will probably cover the Belgian, Dutch, German and Danish markets.⁷⁰

Around August 1994 there will be in the first phase 200 people working in this new distribution centre in Belgium. The 60 members of the staff of Arendonk sorting centre will move. Finally approximately 400 full-timers and 100 part-timers will be engaged.⁷¹

In 1993 Nike reports that the reconstitution will have no impact on the number of workers in Europe as Nike keeps on expanding. But it is not clear yet whether people will be made redundant as business in Europe is rather disappointing for Nike. In 1993 Nike admits that re-education and transfer possibilities of the workers are being examined.⁷² Nike expects to feel the first windfalls of this huge reconstitution process as soon as 1995.

2.5. Retail Trade

Nike distributes its products in Europe mainly to shops owned by third persons. The national organizations keep in touch with the customers who own small-sized shops or chains; these are sports shops and no shoe shops.

Nike has had for a long time a location in Firenze, Italy: it is at the same time a sales office, a showroom and a shop.

In 1993/94 the first Nike shop is opened in Europe in the village Barberey St. Supplice in France (south-east of Paris). It is a 9,000 square feet shop. The aim is to change the old system of selling remnants through traders. The shop will sell after-season products at a price 35 % lower than the advised retail prices. About 60 % of the Nike products sold this way will be shoes. So as to avoid putting retailers' back up, Nike has displayed at the entrance a board saying that Athletic Foot, Zinn's Sport, Decathlon and Au Sport Troyen sell Nike products of the season. Retailers will probably get more frightened when Nike will open Nike Town shops in Europe. Nike is thinking of doing this around 1996. Nike will first open such shops in big cities, like Paris, London and Amsterdam.⁷³

The Futures Programme (retailers have to order five to six months in advance - see section 1.4.) is also being quickly introduced in Europe. In 1993 only 50 % of the European orders are made through this system; Nike hopes to increase this to at least 70 %. In the USA it reaches 80 %.

2.6. Marketing

In Europe too Nike sponsors sportsmen and sportswomen. As a counterpart they have to advertise for the company.

In November 1993 Nike UK Ltd. for instance becomes at once official shoe supplier for the whole Scottish rugby team for the next four years. Cost price for Nike: 200,000 British Pound. The company replaces Adidas as official supplier. Nike considers the Scottish team as one of the five best world-wide. Nike was already supplying the English and Irish teams. Nike delivered equipment to the British Lions during their New Zealand Tour too.⁷⁴

Nike is also much concentrated on European football. It is sponsoring relationships with Borussia Dortmund and Paris St. Germain.

Marketing Manager Nancy Frickel in Belgium says: "Sponsoring clubs and athletes is still an important part of our marketing. Sports authenticity is Nike's soul. Competition is harsh, but I think that we do have a precise profile: American, young, high-tech, devoting a lot of attention to research and development."⁷⁵

A lot of American advertising campaigns are less successful in Europe. For example, Nike's famous American slogan 'Just-Do-It' is less comprehensible for Europeans. According to Bill Zeitz, Advertising Manager of Nike Europe, Europeans consider Nike's American commercials as too competition-minded and too aggressive. In 1993 Nike decides to depart in Europe from its usual advertising campaigns around star athletes and to put less the stress on competition. The focus is put on health and well-being.

A survey has shown that lots of teen-agers do appreciate Nike's ads, especially because of the presence of top athletes, but that people aged 24 to 35 know them less.

Nike increases its advertising budget for Europe by 15 % up to US\$ 15 million for the production costs of commercials and for a media scheme for 12 European countries. Four 30-second commercials (football, children, racing and wheel-chair) are made, as well as three 10-second commercials for TV and cinema and three two-page printed advertisements. Nike Europe collaborated with Wieden & Kennedy's Amsterdam office for these commercials. For commercials in Europe Nike uses Eurosport (a European sports TV channel) and MTV.

After the general campaign each European daughter company develops its own media scheme.⁷⁶

2.7. Finances

Nike's turnover in Europe increases from US\$ 191 million in 1987 up to US\$ 1.1 billion in 1993. In 1993 Nike's assets in Europe amount to US\$ 430 million (out of a total amount exceeding US\$ 2 billion).

When Philip Knight had to announce the weaker results during the latest shareholders' meeting held on 20 September 1993, he could not refrain from pointing out the good prospects in Europe. The future possibilities are enormous, despite the recession and a limited purchasing power. In the USA there is a pair of Nike shoes per four persons compared to one pair per eleven persons in France.⁷⁷

2.8. Strategical Policy

For the financial year 1994 one of the two key elements of Nike's strategical policy is the international division positioning. The concern will put the focus on Europe. In the USA Nike had to mark time (in 1986) after a period of fast growth and had to invest in order to foster further growth. Nike will follow the same track in Europe where the enterprise also experiences a fast growth. Nike would like to end the reconstitution in Europe (centralization of the distribution) by the time the economy will be picking up again.

Part 3: NIKE IN ASIA AND THE PACIFIC

99 % of Nike's production takes place in Asia. The main Product Engineering country is Taiwan. Products are made in China, Indonesia, Malaysia, Thailand and South Korea. In Asia about 75,000 persons are working for Nike, 4/5th produce sports shoes and 1/5th clothing. 610 people are hired by Nike to license, to control the product quality, to detect production slow-down and keep an eye on the cost price.⁷⁸

Till the beginning of the 80's a lot of Nike sports shoes were made in the Philippines and Malaysia, as well as in the United Kingdom and Ireland. At that moment the (contracted out) production was largely transferred towards South Korea and Taiwan.⁷⁹ In the meantime a large part of the production has moved from these countries to China, Indonesia and Thailand.⁸⁰

In Nike's fiscal year 1988 68 % of Nike's sports shoes are still made in South Korea, but in 1992 only 42 %. During that same period Nike's number of sports shoes made in China, Indonesia and Thailand rises from 10 % to 44 %. In 1992 almost 50 % of Nike's sports shoes are made in six enterprises: three in Taiwan and three in South Korea. Four of these companies had been supplying Nike for 16 years.⁸¹

Nike seems to be carefully following (contracted out) production possibilities in Vietnam, Cambodia, North Korea and India too. Producing in Asia is profitable for Nike. In the USA Nike's sports shoes are sold for prices ranging from US\$ 80 to US\$ 175. In 1991 production costs did not exceed US\$ 10 a year in South Korea and US\$ 5.60 a year in Indonesia where not the most expensive shoes are made.⁸²

Taking into account the fast economic growth in some Asian countries, Nike considers Asia as an interesting market. Nike's office in Hong Kong is responsible for the Asian-Pacific region. The office tries to avoid an overwhelming demand from the region, because too high a stock and a distribution could affect the brand's credibility. Within only the space of two years the turnover triples up to US\$ 178 million.⁸³

In Asia Nike's clothing is made in Bangladesh, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan and Thailand. Bangladesh is thus one of the producing countries. Since 1988 the South Korean enterprise Youngone has had a factory in the Chittagong free-trade zone which does not only make sportswear for Nike, but also for Eddie Bauer and L.L. Bean (both from the USA).

The Youngone factory starts with 250 workers. In 1993 there are 3,800 workers. Youngone sets up another factory in Dhaka, called Youngone Hi-Tech Sportswear Industries employing 833 people. The concern is also thinking of opening a synthetic fibre plant in Bangladesh.

In Bangladesh trade-unions are banned in free-trade areas.⁸⁴

In 1993 Nike has distribution rights in six countries in the Asian-Pacific region, namely Singapore, Malaysia, Taiwan, Hong Kong, Australia and New Zealand. The distribution rights in the last two countries, where Nike is the market leader, were obtained in June 1992. Nike sells its products in six other countries through a combination of independent distributors and licensees.

In 1993 Nike has a 10 % market share in Asia and the Pacific. A fast growing outlet is Australia.

Till January 1994 Nike had taken over eight companies in Asia.

3.1. Taiwan⁸⁵

In 1992 Feng Tay is Nike's main sports shoe supplier (13 million pairs). Bao Cheng and ADI Corporation, also both from Taiwan, produce 9 and 7.2 million shoes respectively. Those three companies have part of the shoes made in China. In 1992 ADI already has three factories in China. Since 1989 ADI has also had shoes produced in Thailand. Only one third of ADI's annual production is made in Taiwan.

The Taiwanese government policy puts a ban on direct investments of Taiwanese companies in China. That is why most Taiwanese companies set up daughter companies in Hong Kong in order to open factories in China from Hong Kong. Most Taiwanese enterprises settle as such in the Fujian area, opposite to the Strait of Taiwan. For instance, Feng Tay already set up in 1988 a daughter company in Hong Kong so as to invest in China.

Feng Tay and ADI are interested in starting production in Vietnam. It depends on the American position vis-à-vis Northern Vietnam.

These developments lead to a quick fall of the shoe industry in Taiwan. Between 1988 and 1992 the number of shoe factories in Taiwan decreases from 1,245 to 745. Sports shoes exports decrease from US\$ 1.5 billion in 1988 to US\$1 billion in 1991.

3.2. South Korea

In 1990 South Korea is in terms of capacity the second shoe producer world-wide (after Italy). South Korea was even number one for sports shoes. In the peak year 1967 164,000 people are working in the South Korean shoe industry.

As from the middle of the 80's South Korea and Taiwan lose their leading position (plastic shoes) to the credit of less developed Asian countries.

South Korean shoe enterprises set up daughter companies in other countries, mainly in Indonesia, but also in Thailand, the Philippines and China. However South Korea, as well as Taiwan, are still important thanks to the professional transformation of designs into footwear to be produced and owing to the numerous specialized suppliers.

In the 70's Neal Lauridsen of Nike supports South Korea's development as shoe producing country. He explains that Nike helped raising the monthly production of factories from nought to 150,000 pairs within three to four months.

Nowadays it is cheaper to have a shoe of an average price range made elsewhere. For such a pair of shoes Nike pays US\$ 20 from the Pusan port and only US\$ 15 if they are made in China or Indonesia.⁸⁶

In 1991 some 7,000 workers are making Nike sports shoes in South Korea.⁸⁷ In that country Nike is amongst others produced by Hwa Seung Industry. After a reconstitution of that factory the staff decreases from 6,000 to 3,500 in 1991.⁸⁸

In 1992 the South Korean enterprise Bu Yeung Chemical produces 7.8 million pairs of Nike sports shoes in its factories in South Korea and Indonesia. The South Korean enterprise Taekwang produces that same year 7.5 million pairs of Nike sports shoes, also in South Korea and Indonesia. Samyang Tongsang makes 4 million pairs of sports shoes for Nike, exclusively in South Korea.⁸⁹

Samyang Tongsang is established in the former shoe Mecca of South Korea: the southeastern port Pusan. The shoes made by Samyang for Nike are sold for more than US\$ 100 a pair in the USA. Hur Kwang Soo, Samyang's President in 1992, makes the first Nike sports shoes in 1975. Till 1992 Nike has bought 500 million pairs from his enterprise and other South Korean suppliers. Samyang won an export prize granted by the South Korean government because the company exported in 1988 for more than US\$ 100 million.

In 1993 the South Korean shoe industry receives about US\$ 90 million from the national Industrial Development Fund in order to rationalize the industry. Some shoe factories are already bankrupt. In its peak year 1988 the Huang Company, South Korea's biggest shoe producer, employs 9,600 people. Huang has to close down its factory in South Korea where Nike and Reebok shoes are produced for export to the USA and Europe. The company moves its activities to other countries.⁹⁰

Nike helps South Korean producers to set up new production facilities in Indonesia, but it is more difficult than from Taiwan and China. Mark Clifford describes it in the Far East Economic Review: "The distance between Indonesia and South Korea, both geographical and cultural, has led to tension, especially between South Korean bosses and their Indonesian workers."⁹¹

3.3. Japan

Japanese basketball is the main fast-growing sport on the Asian and Pacific sports market. For instance, Alley Hoop is a shop (adjoining a basketball field in Japan) well-attended by Japanese youngsters.

Since 1972 the Nissho Iwai American Corporation (NIAC), a daughter company of Nissho Iwai Corporation, an important Japanese commercial enterprise, has

supplied Nike with financial and trade services. Nike buys through NIAC almost all sports shoes and clothing purchased from foreign suppliers.

In December 1993 Nike acquires a 100 % interest in Nike Japan Corp. (NJAC) of the Japanese commercial enterprises Nissho Iwai Corp. (NIC) and Nissho Iwai America Corp. (NIAC). This acquisition costs about US\$ 2.7 million.

Nike's six Japanese daughter companies' turnover increases from Yen 11.8 billion in 1991 to Yen 17.2 billion in 1992 and to Yen 22.4 billion in 1993.⁹²

NIAC will keep Nike's exclusive world trade financing till and beyond the year 2000 (originally till 1995). NIC will be responsible for the trade financing and import of Nike products for the Nike Japan Corp. (NIJAK). Nike Inc., USA, deals amongst others with product development, sales and marketing activities of NIJAC.⁹³

3.4. China

About 35 % of Nike's products are produced in China compared to only 5 % five years ago. The factories - set up by Taiwanese companies (see section 3.1.) are established in the Fujian and Guangdong regions⁹⁴.

These are joint ventures with the state with minimum a 60 % interest of private partners.⁹⁵

In November 1992 Xiefeng Footwear makes about 500,000 shoes a month for Nike. If the new factory, opened in September 1992, would be fully operational, 850,000 shoes could be made there. The company began in Fujian and set up the new plant in the Fuzhou region. In Fujian synthetic soles are made and exported to Feng Tay in Taiwan to be finished. Xiefeng imports about 95 % of the raw material, mainly from Taiwan and South Korea. Only packing, wrapping paper and some basic chemicals are purchased in China.⁹⁶

In 1993 Nike works with eleven subcontractors in China who produce each month more than two million sports shoes.⁹⁷

In China Nike is working through subcontractors. More than ten years ago Nike tried to directly do business with Chinese state enterprises. But it was a disaster. It turned out wrong financially. Peter Nickerson, the Nike Manager responsible for China at that time, explains that there were big stock problems. Neal Lauridsen, Nike's Vice-President dealing with Asia/Pacific says it was impossible to make white sports shoes because of the dirt. Nike started to gradually reduce the contacts with the Chinese state enterprises. The last contract with such a factory came to an end in 1989.⁹⁸

In 1993 it is announced that the big American clothing manufacturer Levi Strauss wants to reduce his production in China because of the bad working conditions and terms of employment. Neal Lauridsen, Vice-President of Nike Inc. Asia/Pacific explains: "I can't figure it out. I really have no idea what Levi is doing. Everybody I talk to seems to be going forward."⁹⁹

Nike looks at the American government policy towards China with Argus' eyes. During the last years discussions keep on going whether the Most Favored Nation (MFN) Status will be renewed. The withdrawal of the MFN status would lead to higher import duties, what would be harmful for Nike. According to reports Nike is already prepared for possible protective measures taken by the American government vis-à-vis China. Had these measures come into force in 1992, Nike would have transferred most of its production to Europe. Products made for Nike which would be directly exported from China to the USA, would be submitted to the higher tariffs. Nike agreed with his suppliers to equally share the negative effect of this on their profits.¹⁰⁰

On 28 May 1993 President Clinton extends China's MFN status by one year. But the next renewal is submitted to some conditions. On 3 July 1994 the MFN status will be extended only if:

1. the American government considers that China respects the 1992 bilateral agreement as to prisoner work; and if
2. China made substantial progress in the following fields: human rights, treatment and policy vis-à-vis non violent political prisoners, policy towards Tibet and international TV programmes dealing with China; and if
3. China's commercial practices have improved; and if
4. China respects the Non Proliferation Treaty as to nuclear weapons, the directives of the Cruise Missiles Technology Control Scheme and other non proliferation obligations.

Besides some countries of the European Union (EU) temporarily introduced quotas in order to limit shoe import from China. As some EU countries went on importing from China, Nike shoes could be easily transferred from these countries to the other EU countries. The European Commission would like quotas assigned for all the EU countries vis-à-vis China. In Nike's fiscal year 1993 no decision had been made yet about this.

In January 1994 top man Philip Knight says that China will remain an important production site and that Nike will expand its presence on the Asian markets. A large majority of the Nike products made in China are for export.

Nike will also try to tap the Chinese market. The company will first focus on Guangzhou (former Canton), Shanghai and Beijing (Peking). The Chinese market is covered by seven Chinese and five Western marketing persons who inform retailers on the products, display techniques, etc. At the end of 1993 there are about 250 Nike points of sale in China, including four shops fully managed by Nike.¹⁰¹

3.5. Indonesia

A lot of publicity has been devoted to working conditions and terms of employment in the Indonesian factories manufacturing Nike sports shoes. In that country Nike has no factories of its own, but contracts out production. Nike and Reebok had part of their production made in the same factories. Reebok put an end to this. But Reebok and Adidas have their products made in other Indonesian factories.¹⁰² According to Nike, Reebok, Levi Strauss and Liz Claiborne have more products made in Indonesia than Nike.

In 1990 and 1991 Nike contracts out work to (amongst others) six factories in Indonesia where there is a total amount of workers exceeding 24,000. These six companies are Nike's subcontractors; they do not work under licence. 80 % of the raw material and semifinished products are imported, mainly from South Korea.¹⁰³ And this while Nike is trying to involve as many local components as possible in its products.¹⁰⁴ Of course, the Indonesian government is also all for it.

The first report of the Indonesian branch of the Asian-American Free Labor Institute (AAFLI), linked to the American trade-union AFL-CIO on the production of Nike sports shoes in six factories in Indonesia dates back to 1991. It is entitled: 'Does Bo Know Nike?': 'Bo' refers to the

American baseball player Bo Jackson who has been promoting Nike since 1986 for a considerable fee. The report is put up to date one year later.¹⁰⁵

In 1992 another updated version of AAFLI/Indonesia on the sports shoe sector in that country is published; hereafter referred to as the third AAFLI/Indonesia report.¹⁰⁶

Mick Blowfield did the research for the first report. Jeff Ballinger, who has lived in Indonesia for three and a half years and has worked for AAFLI, made lots of his findings public. An American TV programme ('Street Stories' - CBS) and a British TV programme (Thames Television) were amongst others devoted to his report. Val Suazo made the third report as (new) director of AAFLI/Indonesia.

The three AAFLI reports are amongst others used by the American trade-unions in their discussion around the General System of Preferences (GSP) status of Indonesia: goods from countries having such a status may be exported to the American markets without any duties levied. In 1992 Indonesia exports for about US\$ 4 billion to the USA. In June 1992 two American human rights organizations, Asia Watch and International Labor Rights Education and Research Fund, submit a petition to the American trade representative aimed at cancelling Indonesia's GSP status because of widespread violations of human rights. Various labour organizations, like AFL-CIO, sign the petition.¹⁰⁷

It looks like the American unions enter the GSP debate on the one hand in order to defend the union rights of the Indonesian male and female work force and on the other hand to protect employment in the American shoe industry. Between 1982 and 1989 more than 65,000 people are made redundant in the American shoe industry.

At the beginning of 1989 the American government withdraws the GSP status of the Four Tigers or Dragons, namely South Korea, Taiwan, Hong Kong and Singapore. This largely contributes to the fact that Taiwan and South Korea become the main investors in the Indonesian industry. Hereafter you will notice that the stamp of the South Korean enterprises is the strongest on factories producing shoes in Indonesia, including sports shoes for Nike.

On 15 February 1994 the decision about Indonesia's GSP status is once again postponed for six months. By that time the Indonesian government should try to make some progress in the field of freedom of organization.

The information below comes - unless otherwise mentioned - from the three AAFLI/Indonesia reports.

Between 1980 and 1990 Indonesia's shoe industry mainly directed towards export is a high growth sector. 40 % of the investments in the Indonesian sports shoe sector are foreign, namely from South Korea. In 1987 foreign investments in the Indonesian sports shoe industry amount to US\$ 3.5 million, in 1989 to US\$ 191 million and in 1990 to US\$ 58 million.

In 1991 sports shoe represent a little more than 75 % of the total Indonesian shoe production. In 1987 Indonesia produces 39 million pairs of sports shoes, but in 1991 it had already risen to 165 million pairs of shoes. In 1990 66 million pairs of sports shoes are exported for a total value of US\$ 364.2 million. The main outlets are the USA and Western Europe. In 1990 22.7 million pairs of sports shoes are exported to the USA.

The total value of shoe export (sports shoes included) to the USA amounts to US\$ 255.6 million in 1990. Indonesia is the eighth main shoe exporting country to the USA, after South Korea, Taiwan, China, Brazil, Italy, Spain and Thailand. South Korea's 26.5 % share is by far the highest. Indonesia's share amounts only to 2.5 %, but it is the fastest growing country (289 %).

In 1991 the USA are in terms of value the main outlet for Indonesian sports shoes, followed by Japan, the United Kingdom, France, Germany and the Netherlands.¹⁰⁸

In 1991 Nike shoes are made in the following factories:

1. PT Sung Hwa Dunia (SHD) employing 7,100 local workers;
2. PT Tae Hwa Indonesia (THI) with 3,500 local workers;
3. PT Hardaya Aneka Shoes Industry (HASI) with 5,825 local workers;
4. PT Pratama Abadi Industri (PAI) with 3,000 local workers;
5. PT Astra Dooyang International (ADI) with an unknown number of local workers;
6. PT Nagasaki Parama Shoes Industry (NASA) with 4,627 local workers.

There is a total of 24,052 workers employed by five of the six subcontractors. 85 % of the work force is made up of women. They are most of the time not married, but often care for family members. Their wages amount to approximately 82 % of the ones of their male colleagues because managers mistakenly think that they are no breadwinners. This is contrary to the Indonesian law stating that men and women should receive an equal pay for equal work.

The first AAFLI/Indonesia report mentions that THI, HASI and PAI employ children. For instance, at PAI's glue department girls aged 12 to 15 are working. Another example: a girl aged 14 and a half years has been working 50 hours a week at HASI's sewing department for half a year.

The six above-mentioned companies invest a total of US\$ 101 million in the Indonesian factories.¹⁰⁹ Their overall capacity amounts to almost 41 million pairs.¹¹⁰ In 1991 the six subcontractors' total export value amounts to approximately US\$ 224 million.¹¹¹

In 1991 250,000 Nike sports shoes are made for export at HASI: 70 % for the USA, 20 % for Europe and 5 % for the rest of the world. Prices range from US\$ 8 to 14 a pair.¹¹²

In 1992 Nike is still working with the six above-mentioned subcontractors. But in the meanwhile the name Sung Hwa Dunia was changed into PT Eltri Indo Footwear (EIF).¹¹³

In the second AAFLI/Indonesia report the number of workers employed by the six subcontractors is not so clearly mentioned. The work force sometimes has to be assessed taking into account the fact that there are a certain number of toilets for a certain number of workers. Hereafter you will find non-committal figures for 1992:

EIF: 6.000 workers¹¹⁴
THI: 2.400 werkers
HASI: 6.700 workers¹¹⁵
PAI: not available
ADI: 1.000 workers
NASA: 8.000 workers

There are some 24,100 workers employed by five of the six subcontractors. In the first three enterprises employment has largely decreased within the space of one year, whereas NASA's personnel has risen quickly. At ADI the number of workers in 1991 was not known, the same for PAI in 1992.

EIF (SHD), THI, PAI and NASA are owned by South Korean enterprises. THI and PAI are part of the same South Korean enterprise and belong to the sizeable Korindo Group. The South Korean enterprises were already producing under licence for Nike before they set up these daughter companies in Indonesia. The licence agreements for the factories in Indonesia are normally signed at the head office in South Korea; they last for two or three years (see section 1.4.). SHD also produces sports shoes for Adidas.¹¹⁶

HASI and ADI are owned by Indonesian conglomerates, but are both run by South Korean managers.

HASI is part of the Cipta Cakra Murdaya holding company which has a lot of wood interests. HASI seems to be the most advanced of the six enterprises. THI buys components it cannot produce itself from HASI. Then Ngim Fu, HASI's Managing Director, calculates that the average production cost of a pair of Nike sports shoes (HASI's profit margin included) should amount to US\$ 12-14 in 1991, whereas for more expensive shoes, like the Nike Air Cross, they should amount to US\$ 18.50.¹¹⁷

According to the second AAFLI/Indonesia report four out of the six Nike producing factories do not keep to the legal minimum wage during the training and trial period, namely EIF (SHD), NASA, ADI and HASI (the first one respecting the less the law).¹¹⁸

Moreover a research has shown that the legal minimum wage (different from one region to another in Indonesia) is insufficient to meet one's basic needs. A lot of Indonesian female workers are underfed.

At PAI the trial period is often prolonged with three months. On 27 April 1992 some 6,000 PAI workers go on strike because the food served is bad (stinks). In all the factories extra allowances are granted, namely for meals (lunch), transport and attendance. These allowances are not paid when workers are absent through illness or on holidays. THI and PAI pay fixed allowances for the lodging and health care. These fixed allowances are also paid when the workers are absent through illness or on holidays.

According to the report there is no wage discrimination based on gender, except at THI. In that company men obtain after their trial period a higher wage than women.

Compulsory or forced overtime, which is contrary to the Indonesian law, exists in the six companies. It varies from two to four hours a day. At NASA female workers often have to work from half an hour to an hour overtime without being paid. They work five hours on Saturdays, but are only paid for four hours.

Another source (1991) mentions that workers work all through the night when an order has to be finished. Overtime is often not paid in compliance with the rules.¹¹⁹

The second AAFLI/Indonesia report (just like the first one) states that one thing and another is to be remarked as to the working conditions in the six shoe factories:

1. Health care.

The male and female work force is often prescribed the same medicine for divergent diseases. Except at HASI and NASA doctors are only present nine to twelve hours a week. When a worker is referred to another doctor or specialist than the company doctor, (s)he has to bear the costs of such a treatment, except at HASI. Toilets in the companies are not clean because of water shortage and inadequate number of toilets.

2. Leave.

Five factories (EIF (SHD), THI, PAI, ADI and NASA) do not grant the statutory menstrual leave. HASI does give such a leave, but only if women give up the attendance allowance. Because of this condition most women do not take menstrual leave.

Holidays are not granted at EIF (SHD) and THI, but workers receive a financial compensation. NASA does grant holidays, but subtracts the days the workers were absent.

EIF (SHD) and NASA only grant two months maternity leave instead of the usual three months.

3. Misbehaviour of managers vis-à-vis female workers.

In March 1992 (Ramadan) THI workers refuse to work overtime. But they are forced to by a Korean head. The head of the department speaks in defence of the workers and is down-graded.

At THI, PAI and ADI it happens that workers are abused by Korean heads.

At EIF (SHD) it seems that Korean workers sexually intimidate female workers resulting in prostitution.

At THI a female worker and a Korean head are fired because they had a love affair.

At PAI a Korean head gives someone who is working too slowly a slap in the face. The worker complains to the General Manager and receives a compensation. The Korean head is turned out. In April 1992 five PAI workers are also dismissed because they refuse to work overtime. They receive no redundancy pay even when the 'yellow' trade-union SPSI (faithful to the government and the enterprises) insists.

At NASA a worker has to stand during three hours because of unauthorized absence.

In 1991 there is already an SPSI unit at THI and union dues are subtracted from the wages without any counterpart from SPSI; there are for instance no meetings, no discussions and no training sessions.¹²⁰

The SPSI unit's chairman and vice-chairman are kicked upstairs from the cutting department by the management.

In 1992 there are units of the 'yellow' trade-union SPSI (All Indonesia Workers Union) within EIF (SHD) and THI, but according to the members they are not working well. At HASI the trade-union is first forbidden, but in March 1992 an SPSI unit is set up which a month later has hardly gone ahead. At HASI SPSI is first banned. Later on a female worker of the company declares that union representatives are appointed by the management.¹²¹

There is also an SPSI unit at PAI which is not or hardly active. At ADI and NASA there is no SPSI unit.

Although there is no or only a 'yellow' trade-union active in the enterprises, there have been labour disputes.

In March 1989 THI workers go on strike in order to obtain a pay increase, but fail. Nine months later the whole personnel strikes for the same reason. Factory buildings

are damaged, workers arrested and seven organizers dismissed. The Manager once again refuses to discuss salary scales.

In February 1991 the PAI 3,000 workers occupy the factory during three days in order to enforce the higher wage claim; this is one of the biggest strikes of the contemporary Indonesian history. For three months the workers had been in vain trying to discuss salary scales with the management. According to AAFLI/Indonesia there are also (ill-paid) children working in the factory. The factory is immediately surrounded by soldiers, but they do not undertake further action. Next to a pay increase the claims are related to: right to holidays and maternity leave, transport to and from the factory, attendance allowance, medical insurance for all the workers and no arbitrary dismissals anymore. Representatives of the Ministry of Labour, the regional SPSI office, the local soldiers and the police, a representative of the management and workers' representatives negotiate. An agreement is reached stating that the legal minimum wage will be paid, but the management does not comply with this as soon as the workers resume work. The management explains that at that time the minimum wage amounts to 1,600 Rupiah a day, including lunch allowance (about 400 Rupiah), so that the workers are rather the worse for wear. The management (also) puts the other claims aside. In September 1992 the SHD 6,500 workers go on strike in order to obtain the payment of the legal minimum wage.¹²²

The year before Manager Lee already complained about the Indonesian workers' mentality: "Indonesian workers are different from Korean ones. They care less about money." And: "With a company of the same size I would produce 33 % more shoes with 40 % less workers."¹²³

Next to large strikes there are also acts of sabotage. For instance, PAI's technical staff repeatedly switches off electricity. There are also slow-downs.

Theft as a protest also occurs. Security guards look forward to catching thieves, as they receive a bonus per case. At HASI a worker caught for theft had to go through the different departments bearing a board around his neck: "Today I have robbed shoes from the factory."

Minor and major accidents occur in the factories. The first AAFLI/Indonesia report mentions that workers at EIF (SHD), THI and HASI lost one or various fingers in unprotected machines. At SHD pressing department workers are often burnt; their hands though are protected by gloves.

In December 1990 a serious accident takes place. A company bus of then SHD - transporting 90 people, although it has a permit for the transport of 40 people only - drives into a rickshaw transporting petrol, resulting in an explosion. Two workers (bus passengers) and the rickshaw driver die and 70 workers are hospitalized. SHD paid per person a 200,000 Rupiah or US\$ 105 compensation to the surviving relatives.

In January 1991 the glue warehouse in the HASI factory takes fire. A worker dies. It seems that fire prevention was insufficient. At lunch the other workers are sent home and promised to get their pay. On the following Saturday they want as usual to go home at 1 pm, but had to stay for another three hours in order to make up for the time lost because of the fire.

All the above-mentioned information comes from the three AAFLI/Indonesia reports. Hereafter you will find some examples of Indonesian workers making Nike sports shoes.

Tri Mugiyanti, an Indonesian woman aged 18, works in the HASI factory. She works there elbow to elbow with her colleagues. The air reeks of glue and paint. The 6,700 workers produce some 2,000 pairs of Nike sports shoes per hour. Nike pays for a pair of Air Pegasus for men US\$ 16.50 to the factory. Nike sells those shoes for US\$ 35 to a retailer who sells them approximately for US\$ 70 to the consumer. The workers are recruited in East and Middle Java for the Tangerang factory (nearby Jakarta). HASI offers better lodging than most of the other companies, but the rent is also higher. That is why Tri Mugiyanti shares a room in a slum area with three other female workers. She sleeps on a bamboo mat on the bare ground.¹²⁴

Robane Tukimen, a 23-year old Indonesian man, works in the NASA factory in Tangerang. He came a few months ago from East Java. 500 Rupiah are automatically deducted from his 2,300 Rupiah wage (US\$ 1.13) for meals. He earns therefore less than the minimum wage, but such a deduction for meals is legal.¹²⁵

Sadisah is a 24-year old Indonesian woman who has worked for years for (then) SHD. In September 1992 she submits with 60 other workers a claims list to the management. The list is made up of the following four points: payment of the legal minimum wage, assignment of the right to two days menstrual leave, conversion of the SPSI unit, more means of transport to and from the factory. The management increases pay, but includes lunch. Menstrual leave may be taken with a medical certificate. If women do not take this two-days-leave, they receive double pay. The management advises to have a new SPSI unit committee appointed. Finally the transport of all the workers will be settled. An agreement is signed.

Three months later the management sends a letter to the 61 workers accusing them of having violated the law. They are suspended for an indeterminate period of time, pending the demand submitted to the Committee of Labour Disputes Settlement. SHD, by now EIF, accuses them of having participated in an illegal organization, attended illegal gatherings calling to a demonstration, taking part to a demonstration on 28 September 1992 and having damaged the factory's reputation. Sadisah and the other workers who signed the list are made redundant.

3.6. Strategical Policy

Nike considers Asia first of all as an area offering good production possibilities. Almost the whole production of Nike takes place in Asia. Within the region subcontractors always try to find the best locations together with Nike. That is why production is often transferred. But Nike also starts to devote a growing attention to the Asia/Pacific region as an outlet (amongst others China).

Despite the Code of Conduct subcontractors violate the national laws and the ILO standards.

According to Jeffrey Ballinger it is not surprising that the Indonesian workers fall between two stools, because the government does not protect them, the trade-union does not defend their rights and Nike turns a blind eye.¹²⁶

John Woodman, Nike's General Manager in Indonesia, mentions that he heard about labour unrest at the subcontractors, but he never asked to what it was due. He thought it was not Nike's business. The American research workers Richard Barnet and John Cavanagh do not agree with this position at all.¹²⁷

Nike only examines wrongs taking place at subcontractors when they are systematic or widespread.

Nike goes on contracting out production in Indonesia. A new factory is built, Pao Chen. It is one of Nike's suppliers. Nike proudly announces that the factory offers free lodging, home-work transport, health care and lunches, a mosque and a night club.¹²⁸

Conclusion

Nike is still the main sports shoe manufacturer world-wide. The concern experiences some difficulties because of changing consumer tastes. Nike is evolving a lot. In the USA production is decreasing and the distribution structure is modified. In Europe the distribution structure is also largely changing and there is no or hardly any production.

Nike's power lies in designing and commercializing sports shoes. In some of its advertising campaigns the product is not shown at all. The concern takes advantage of the youngsters' lifestyle. Nike invests a lot in promoting famous or disreputable sportsmen.

Nike has its products made in Asia. Nike helps subcontractors to find better production sites. This often leads to reconstitutions and closures in one country and to expansions and openings in another country.

The main producing countries have been South Korea and Taiwan. They still play an important part in transforming a design into a good product. The actual production takes more and more place in low-wage and union-weak countries, like China and Indonesia.

Nike set up a Code of Conduct to be signed by subcontractors and licensees. To set up a Code of Conduct is a step forward. There now is a document, made by the company itself to which consumers and labour organisations can refer. It is however necessary in a Code of Conduct to hold on to the most important conventions of the ILO. In NIKE's Code, the right of freedom of association and the right of collective bargaining are lacking. In the aspect of trade union rights, the Code of Conduct of competitor Reebok is more suited for the purpose.

In spite of the Code of Conduct there are a lot of wrongs on the shop floor. The six Indonesian subcontractors described in this report do not seem to bother about Nike's Code of Conduct. According to our data Indonesian laws and ILO resolutions (International Labour Organization) are being violated.

It seems wise, if Nike, as an organisation that depends highly on its image, would adequately react to these abuses. Nike has, to this moment, ignored every report in this matter. This shows that it needs recommendation to commission an independent organisation to observe the performance of these Codes of Conduct.

Annex 1: Nike Global Operations/Countries

North America

Canada
Mexico
United States of America

South America

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Paraguay
Peru
Uruguay
Venezuela

Central America

Belize
Costa Rica
El Salvador
Guatemala
Honduras
Panama

Europe

Belgium
Bulgaria
Denmark
Germany
Estonia
Finland
France
Greece
Hungary
Ireland
Italy
Latvia
The Netherlands
Norway
Austria
Poland
Portugal
Slovenia
Slovakia
Spain

Czech Republic
United Kingdom
Sweden
Switzerland

Asia/Pacific

Australia
Bangladesh
China
Hong Kong
Indonesia
Japan
Malaysia
New-Zealand
Philippines
Singapore
Taiwan
Thailand
South Korea

Africa

Egypt
Kenya

Middle East

Israel
Jordan
Kuwait
Lebanon
Qatar
Saudi Arabia
Turkey
United Arab Emirates

Source: Nike Inc. A Global Company

Annex 2: Adresses

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Beaverton
Oregon 97005
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fax. 503-671.6300

Nike Europe
Marathon 7
1213 PD Hilversum
The Netherlands

Nike Canada Ltd.
2445 Canoe Avenue
Coquitlam, British Columbia
Canada V3K 6A9

Nike Asia/Pacific
Suite 1401-8, South Tower
World Financial Center
Harbor City, Canton Rd.
Tsimshatsui, Kowloon
Hong Kong

Nike Latin America
Portal Trade Center
Rua Luis Migliano, 1110-Cj.403
05711 Sao Paulo
Brazil

Verder in Europa:

Nike Belgium NV
Hoge Mouw 28
2370 Arendonk
Belgium
tel. 014-68.12.11
fax. 014-67.24.46

Nike France
Z.I. Les Béthunes
Avenue du Fief
95310 Saint-Ouen L'aumone
BP 9240, 95310 Cergy-Pontoise
France
tel. 1-343.01.000
fax. 1- 343.01.199

Nike (UK) Ltd.
Coniston House
Washington Centre, District 4
Washington
Tyne & wear NE 38 7 RN
United Kingdom
tel. 091-417.9067
fax. 091-416.7526

Nike Italy SrL
Via Turri 49/a
42 100 Reggio Emilia
Italy
tel. 0522-55.74.60

Nike International - Niederlassung Deutschland
Feldstrasse 16
D-6108 Weiterstadt 1
Germany
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fax. 06151-867.170

Nike Holland BV
Marathon 6
1213 PK Hilversum
The Netherlands
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fax. 035-83.18.19

Nike International Ltd.
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N-1324 Lysater
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fax. 02-59.09.26

Other branches in Asia:

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69 Chungang-Dong 6-GA
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fax. 051-462.25.61

Nike Inc. Representative Office
SG-0718 Singapore Gateway West
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fax. 65-293.62.92

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386 Huanshi Dong Lu, 510055
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Nike (M) Sdn. Bhd.
Kulim Industrial Estate
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fax. 60-4-57.09.91

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Subcontractors in Indonesia (23 October 1992):

PT Sung Hwa Dunia/PT Eltri Indo Footwear
Gdg. Samudra Indonesia Lt.3
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Jakarta Barat
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fax. 54.86.433/53.04.186

PT Tae Hwa Indonesia
Lippo Centre Bldg. Lt.6
Suite 607
Jalan Gatot Subroto Kav. 35-36
tel. 52.00.307/202
fax. 52.00.512

PT Hardaya Aneka Shoes Industry (HASI)
Jalan Cikini Raya No.78
Jakarta 10330
tel. 32.16.07
fax. 32.57.27

PT Pratama Abadi Industri
Jalan Raya Serpong
Pakulon, Km. 7
Serpong, Tangerang
tel. 52.05.940
fax. 52.05.941

PT Astra Dooyang International
Wisma Abadi Blok C1 Lt.1
Jalan Kyai Caringin 29-31
Jakarta 10160
tel. 37.11.14/402
fax. 34.67.51

PT Naga Sakti Pratama Shoes Industry (NASA)
Jalan Cikini Raya No.78
Jakarta 10330
tel. 32.16.07
fax. 32.57.27

Source: AAFLI/Indonesia, 1992.

Annex 3: Nike's Code of Conduct



SOMO

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NIKE and Sourcing: A Primer

• NIKE and off-shore manufacturing.

Nike was founded in 1964 on the premise that quality athletic footwear designed and developed in the United States could be manufactured at favorable cost by subcontractors – thereby making excellent products available to premier athletes at reasonable prices. The basic premise was to perform each of the steps in the process (design, development, manufacturing, marketing, sales) wherever they could best be done.

The first NIKE products were running shoes – designed in Oregon, developed and produced in Japan, and marketed and sold to runners on the West Coast of the United States.

Thirty years later, NIKE Inc. manufactures or subcontracts the manufacturing of athletic footwear, apparel and accessories in 20 different categories of sport, plus components, and casual and dress footwear and leather accessories, in 20 countries on four continents (North America, South America, Europe and Asia). A substantial portion of that product, more than \$350 million worth, is made in the United States.

• NIKE and the Asian subcontract laborer.

Manufacturing jobs in the Third World are among the best paying jobs in those economies. The 2,800 rupiah minimum wage gives the entry-level worker in Indonesia five times as much as the typical farmer. The assistant line supervisor on a footwear line in China earns more than a surgeon with 20 years' experience. The entry-level worker receives a minimum wage, plus subsidies for housing, food and health care, and bonuses for attendance and skill levels, as well as transportation allowances for housing off the premise. Paid holidays and

pregnancy and menstrual leave are mandated by law. These living benefits, when added to the basic wage, often double the daily equivalent income. And there is the added assurance that benefits such as free housing or food cannot be converted to cash. That mitigates against the tendency of workers all over Asia to send virtually all of their wages home to a family in need, while accepting a very low standard of living for themselves.

These jobs also produce broad benefits locally, both in terms of income for workers moving from subsistence levels to fixed wages that generate savings potential, and in terms of building a local manufacturing base that spawns wider income growth. One need only look to the growth of economies in Japan, Korea, Taiwan, Thailand and now China to see the impact of light manufacturing on economic growth. Indonesia is on the first step of that ladder, and is likely to move up. Athletic footwear manufacturing will generate more than \$1.5 billion in export sales this year alone – 375 times what it generated in 1988 (\$4 million).

• **NIKE and working conditions.**

The Indonesian footwear industry has made enormous strides even in its first five years. NIKE believes Indonesian factories like Pao Chen and HASI are factories of the future. Yet another new factory will be open in two months. In Pao Chen's case, benefits include an on-site clinic staffed by physicians; a Mosque for worker prayers; clean, free housing; three free meals a day (four for overtime days); and clean, well-lit, well-ventilated workspaces. HASI was cited by the *Far Eastern Economic Review* as a "model" of how managers can help a rural workforce make the transition to light manufacturing, noting "Its factory is, as footwear factories go, superb." HASI was also cited recently for special distinction by the Indonesian government for its enlightened policies and advancement of women.

• **NIKE shoes, labor input and retail prices.**

The typical consumer product – whether it is an athletic shoe, a sweater, a bicycle or a stereo system – usually is priced on the 1-2-4 proportion. NIKE, for example, buys the product for \$10, adds development, marketing, shipping and other costs, plus profits, and sells to the retailer at \$20, which in turn adds similar costs and profits and sells to the consumer at \$40. The labor input on an Indonesian footwear product is at least several dollars, depending on the model, and in proportion not markedly different from other consumer products made almost entirely by hand, such as apparel. The typical athletic shoe produced for NIKE in Indonesia is a middle-price point model (\$45-\$80), and or a children's shoe. As workers become more skilled and factories more efficient, the mix will include more complicated and expensive models. If the history of Korea, Taiwan and Japan is any guide, wages and benefits will rise further as Indonesia moves up the manufacturing ladder.

•NIKE, footwear and jobs.

There are 2.5 million new workers each year coming into the Indonesian labor market, which numbers 78 million people suffering from 40 percent underemployment. Almost half the workforce is engaged in agriculture, and earns about one-fifth the income found in the factory. Footwear manufacturing jobs are much sought after, not only for the wages and benefits offered now, but for the potential those entry-level jobs hold for the future.

•NIKE subcontracting and the impact on profits.

Nike profits are roughly in line with the sporting goods industry average: 38.7 percent margins and 9.6 percent after-tax profits. Most of those profits are used to fuel company growth and product development, a strategy of success. Though it is generally true that new subcontractor bases such as Indonesia have lower wage rates than more established manufacturing bases like Taiwan and Korea, it does not necessarily follow that NIKE shoes made in Indonesia generate higher profits. First, because development costs are higher working with new sources. Second, because the new factories produce at far lower levels of efficiency. The typical stockfitting line in Korea uses about 60 percent of the labor needed in Indonesia to produce the same number of shoes. Third, because the models produced in Indonesia are moderately-priced to begin with.

•NIKE and global operations.

Indonesia is just one of 20 countries in which NIKE products and components are sourced and manufactured, and one of more than 70 where NIKE products are sold. Indeed, NIKE is the largest single employer of *American* manufacturing workers of any athletic footwear company. More than 1,200 people are directly employed by NIKE in eight U.S. manufacturing operations in five states. That does not count thousands of other workers employed by NIKE subcontractors throughout the United States.

With 6,200 corporate employees in the United States – a number that has grown steadily for six years – and with more than 8,000 employees worldwide, NIKE is an example of an American company generating jobs throughout the global economy: professional, technical, design and managerial jobs as well as manufacturing jobs in the United States, and manufacturing, marketing, managerial, technical and sales jobs abroad, including managerial and technical jobs in Indonesia.

NIKE Code of Conduct

NIKE, Inc. was founded on a handshake.

Implicit in that act was the determination that we would build our business with all of our partners based on trust, teamwork, honest and mutual respect. We expect all of our business partners to operate on the same principles.

At the core of the NIKE corporate ethic is the belief that we are a company comprised of many different kinds of people, appreciating individual diversity, and dedicated to equal opportunity for each individual.

NIKE designs, manufactures and markets sports and fitness products. At each step in that process, we are dedicated to minimizing our impact on the environment. We seek to implement to the maximum extent possible the three "R's" of environmental action: reduce, reuse and recycle.

We seek always to be a leader in our quest to enhance people's lives through sports and fitness. That means at every opportunity – whether in the design, manufacturing and marketing of products; in the environment in the areas of human rights and equal opportunity; or in our relationships in the communities in which we do business – we seek to do not only what is *required*, but whenever possible, what is *expected* of a leader.

There Is No Finish Line.

Memorandum of Understanding

1. Government regulation of business

(Subcontractor/supplier) certifies compliance with all applicable local government regulations regarding minimum wage; overtime; child labor laws; provisions for pregnancy and menstrual leave' provisions for vacation and holidays' and mandatory retirement benefits.

2. Safety and Health

(Subcontractor/supplier) certifies compliance with all applicable local government regulations regarding occupational health and safety.

3. Worker insurance

(Subcontractor/supplier) certifies compliance with all applicable local laws regarding health insurance, life insurance and worker's compensation.

4. Forced labor

(Subcontractor/supplier) certifies that it and its suppliers and contractors do not use any form of forced labor – prison or otherwise.

5. Environment

(Subcontractor/supplier) certifies compliance with all applicable local environmental regulations, and adheres to NIKE's own broader environmental practices, including the prohibition on the use of chloro-fluoro-carbons (CFCs), the release of which could contribute to depletion of the earth's ozone layer.

6. Equal Opportunity

(Subcontractor/supplier) certifies that it does not discriminate in hiring, salary, benefits, advancement, termination or retirement on the basis of gender, race, religion, age, sexual preference or ethnic origin.

7. Documentation and Inspection

(Subcontractor/supplier) agrees to maintain on file such documentation as may be needed to demonstrate compliance with the certifications in this Memorandum of Understanding, and further agrees to make these documents available for NIKE's inspection upon request.

Notes

1. Nike Timeline.
2. Hoover's Handbook of American Business 1992, p.405.
3. Fortune, September 7, 1992.
4. Andere topmensen van Nike zijn per 31 mei 1993: Richard Donahue, Delbert Hayes, Harry Carsh, Thomas Clarke, Gary DeStefano, Robert Falcone, David Kottkamp, Ronald Nelson, Mark Parker, Lindsay Stewart en David Taylor. Nike Form 10-K 1993.
5. Nike Inc. A Global Company.
6. Idem.
7. Footwear News, October 6, 1993.
8. Business Week, December 20, 1993; Nike Annual Report 1993.
Een andere bron vermeldt de volgende marktaandeelen: 34 % Nike, 28 % Reebok, 9 % Converse. Glenn Rifkin, The Machines of a New Sole, New York Times, February 10, 1993.
9. The Independent, November 9, 1993.
10. Nike Form 10-K 1993.
11. Nike Annual Report 1993.
12. Sportstyle, January 17, 1994.
13. Footwear News, December 27, 1993.
14. Adweek Midwest Edition, November 15, 1993; Footwear News, December 27, 1994.
15. Youth Markets Alert, October 1993.
16. Nike Annual Report 1993.
17. Nike Annual Report 1993.
18. Nike Inc. A Global Company.
19. Women's Wear Daily, October 6, 1993.
20. Fortune, September 6, 1993.
21. Nike Inc. A Global Company.
22. Far Eastern Economic Review, November 5, 1992.
23. Nike Form 10-K 1993.
24. Nike Inc. A Global Company.
25. Nike Inc. A Global Company.
26. New York Times, November 7, 1985; Keir Jorgenson van de Amalgated Clothing and Textile Workers Union, April 6, 1994.
27. Nike Annual Report 1993.
28. Nike Annual Raport 1993.
29. Daily News Record, September 27, 1993.
30. San Francisco Chronicle, November 30, 1993.
31. PR Newswire, January 24, 1994.
32. The Independent, November 9, 1993.
33. The Commercial Appeal, March 16, 1994.
34. Een tijdelijke arbeidskracht verdient US\$ 6,50 per uur; de vergoeding aan Norrell bedraagt US\$ 2 per uur. Een vaste arbeidskracht verdient minstens US\$ 13. Louis Uchitelle, Temporary Workers Are on the Increase In Nation's Factories, New York Times, July 6, 1993.
35. The Commercial Appeal, March 16, 1994.
36. Mediaweek, October 25, 1993.
37. Nike Annual Report 1993.

38. Adformatie, zoals gecit. in HP/De Tijd, 10 december 1993.
39. Daily Express, February 2, 1994.
40. Advertising Age, January 10, 1994.
41. Reclame van Michael Jordan voor: Nike, McDonald's, Sara Lee, General Mills, Quaker Oats, Wilson Sporting Goods, Chicagoland Chevrolet Dealers, Electronic Arts. Advertising Age, October 11, 1993.
42. The Independent, October 19, 1993.
43. Footwear News, September 27, 1993.
44. Nike Inc. A Global Company.
45. SportStyle, October 11, 1993.
46. Nike Form 10-K 1993.
47. Franklin's Insight, Nike... 'Big Cap' Social Profile, March 1993.
48. Franklin's Insight, March 1993.
49. AFL-CIO, Label Letter, Jan/Feb. 1993.
50. Harper's Magazine, November 1992.
51. UAW Solidarity, April 1993.
52. Asian-Pacific Issues News, Spring 1993.
53. Franklin's Insight, March 1993.
54. Daily News Record, November 30, 1993; SportStyle, December 20, 1993.
55. Advertising Age, January 17, 1994.
56. Expansion, December 14, 1993; Women's Wear Daily, December 14, 1993; SportStyle, January 3, 1994.
57. Nike Annual Report 1993.
58. Op 26 juli 1993 bedroeg de geaggregeerde marktwaarde van de Class A Common Stock van Nike in handen van derden US\$ 66.607.215 en die van de Class B Common Stock US\$ 2.737.363.563. Er waren 6.410 aandeelhouders B en 32 aandeelhouders A. De aandelen A worden niet publiekelijk verhandeld, maar elk aandeel A is inwisselbaar voor een aandeel B op verzoek van de aandeelhouder. Eind 1992 besloot Nike maximaal US\$ 450 miljoen aan aandelen B terug te kopen over een periode van drie jaar. Nike Form 10-K 1993.
59. Women's Wear Daily, October 6, 1993.
60. Women's Wear Daily, October 6, 1993.
61. In Frankrijk zijn 320 personen in dienst van Nike in 1991/92. Nike en Reebok samen hebben een marktaandeel van 60 % in Frankrijk. Anne-Sophie Boisgallais, Martial Cozette: Nike: l'éloge de la loi de la jungle, Septembre/Octobre 1993.
62. Telefonisch verstrekte informatie door mevrouw Lilian Bours van Nike Europe, 15 februari 1994.
63. Contract Journal, October 21, 1993.
64. Telefoongesprek met Lilian Bours, 15 februari 1994.
65. Nike Inc. A Global Company.
66. In eerste instantie meldde Nike dat er sprake zou zijn van een investering van US\$ 150 miljoen, later werd gesproken over US\$ 140 miljoen. Press Release Nike, March 31, 1993; Press Release Nike Europe, January 20, 1994.
67. Press Release Nike Europe, January 20, 1994.
68. Nike Annual Report 1993.
69. Business Week, October 4, 1993.
70. Mevrouw Lilian Bours, 15 februari 1994.
71. Het Nieuwsblad, 21 mei 1993.
72. Press Release, March 31, 1993.

73. Footwear News, November 22, 1993.
74. The Scotsman, November 5, 1993; The Herald, November 5, 1993.
75. Het Nieuwsblad, 24 maart 1993.
76. Women's Wear Daily, October 6, 1993.
77. Business Week, October 4, 1993.
78. Anne-Sophie Boisgallais, Martial Cozette: Nike: l'éloge de la loi de la jungle, Alternatives Economiques, Septembre-Octobre 1993.
79. Idem.
80. In 1992 produceerde het Thaise bedrijf Saha Pathana bijvoorbeeld 7 miljoen paar Nike sportschoenen. Mark Clifford, The China connection, in: Far Eastern Economic Review, November 5, 1992.
81. Mark Clifford, Spring in their step, in: Far Eastern Economic Review, 5 november 1992; Anne-Sophie Boisgallais, Martial Cozette: Nike: l'éloge de la loi de la jungle, Alternatives Economiques, Septembre-Octobre 1993.
82. AAFLI/Indonesia, Does Bo know... .. Nike?, 1991, p.4.
83. Oregonian, December 12, 1993.
84. s. Kamaluddin: Zones of Hope, Far Eastern Economic Review, November 4, 1993.
85. Mark Clifford, The China connection, in: Far Eastern Economic Review, November 5, 1992.
86. Mark Clifford, Pain in Pusan, in: FEER, November 5, 1992.
87. Ibid.
88. Rev. Chin, Bang Joo: Situation and Characteristics of Korean Capital Investment in Asia, z.j.
89. Mark Clifford, The China connection, in: FEER, November 5, 1992.
90. ITGLWF Newsletter, September 1993; Keir Jorgenson, Amalgamated Clothing and Textile Workers Union, April 6, 1994.
91. FEER, November 5, 1992.
92. The Nikkei Weekly, January 17, 1994.
93. PR Newswire, January 10, 1994.
94. South China Morning Post, January 14, 1994.
95. Nike Form 10-K 1993.
96. Mark Clifford, The China connection, in: Far Eastern Economic Review, November 5, 1992.
97. New York Times, February 15, 1993.
98. Idem.
99. The Wall Street Journal, May 5, 1993.
100. Mark Clifford, Spring in their step, in: Far Eastern Economic Review, November 5, 1992.
101. Oregonian, December 12, 1993; South China Morning Post, January 14, 1994.
102. Reebok en Adidas worden door PT Indosepamas gemaakt; Reebok en Asics door PT Tong Yang. Val Suazo: The Sports Shoe Industry in Indonesia. An Update, AAFLI/Indonesia, April 30, 1992.
103. AAFLI/Indonesia Sports Shoe Update, September 23, 1991.
104. Franklin's Insight, March 1993.
105. Report on the Findings of a Survey on Factories producing Nike and Reebok. A collaboration between PMK-HKBP and AAFLI, 1992.
106. Val Suazo, The Sports Shoe Industry in Indonesia, AAFLI/Indonesia, April 30, 1992.
107. Peter S. Goodman: Slavery, plain and simple, The Progressive, June 1993.

109. Investerings per onderneming: SHD: US\$ 15,6 miljoen; THI: US\$ 10,3 miljoen; HASI: US\$ 24,5 miljoen, PAI: US\$ 10 miljoen, ADI: US\$ 23,6 miljoen en NASA: US\$ 17 miljoen. AAFLI/Indonesia, 1991.
110. De capaciteit is als volgt over de ondernemingen verdeeld: SHD: ruim 12 miljoen paar, THI: 4,6 miljoen, HASI: 9 miljoen, PAI: 2,7 miljoen, ADI: 6,5 miljoen en NASA: 5,8 miljoen paar. AAFLI/Indonesia, 1991.
111. De exportwaarde per bedrijf was: SHD: US\$ 45 miljoen, THI: US\$ 10 miljoen, HASI: US\$ 50 miljoen, PAI: US\$ 27 miljoen, ADI: bijna US\$ 42 miljoen en NASA: US\$ 50 miljoen. AAFLI/Indonesia, 1991.
112. Indonesia Times, 21 mei 1991.
113. Jan Willem Schilt, Sportschoenengigant Nike, in: Indonesia, Feiten en Meningen XVII,5, 1993, pp.14,15.
114. Een andere bron noemt 6.500 arbeidskrachten bij SHD in 1992. Boisgallais & Cozette, 1993.
115. Dit aantal wordt genoemd in Nena Baker; The Hidden Hands of Nike, OR, 809-1992.
116. AAFLI/Indonesia, 1991; American Friends Service Committee, Asian-Pacific Nes, Spring 1993.
117. Results of meeting with P.T. HASI, Tangerang, 16 maart 1991; AAFLI/Indonesia Sports Shoe Update, 23 september 1991.
118. Sung Hwa Dunia houdt zich er niet aan voor alle arbeid-st-ers (behalve die een maandloon ontvangen) tijdens de proefperiode (die drie maanden kan duren), vanaf de proefperiode tot het eerste jaar en na het eerste jaar. NASA betaalt minder dan het minimumloon aan arbeid-st-ers gedurende de opleidingsperiode en het eerste jaar. ADI en HASI betalen minder gedurende de proefperiode.
Report on the Findings..., PMK-HKBP and AAFLI, 1992.
119. The INGI Labour Working Group, Unjust but doing it! Nike operations in Indonesia, in: Inside Indonesia, juni 1991, pp.7-9.
120. SPSI staat voor All Indonesia Workers Union. Het is een 'gele' bond, die niet onafhankelijk opkomt voor de belangen van de arbeidskrachten. De SPSI is altijd sterk gesteund door de Indonesische regering, die pogingen om onafhankelijke vakbonden op te richten in de kiem tracht te smoren. De lidmaatschapsgelden bestemd voor de SPSI lopen via de staat.
121. Peter S. Goodman, Slavery. Plain and simple, in: The Progressive, juni 1993.
122. Boisgallais & Cozette, september/oktober 1993.
123. Adam Schwarz: Running a business, Far Eastern Economic Review, 20 juni 1991.
124. Nena Baker, The Hidden Hands of Nike, OR, 8 september 1992.
125. Peter S. Goodman: Slavery, plain and simple, The Progressive, juni 1993.
126. Adam Schwarz, FEER, 20 juni 1991.
127. The New York Times, 13 februari 1994.
128. Nike Inc. A Global Company.

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THE NIKE WAY

Big through Subcontracting in Asia

Marijke Smit

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