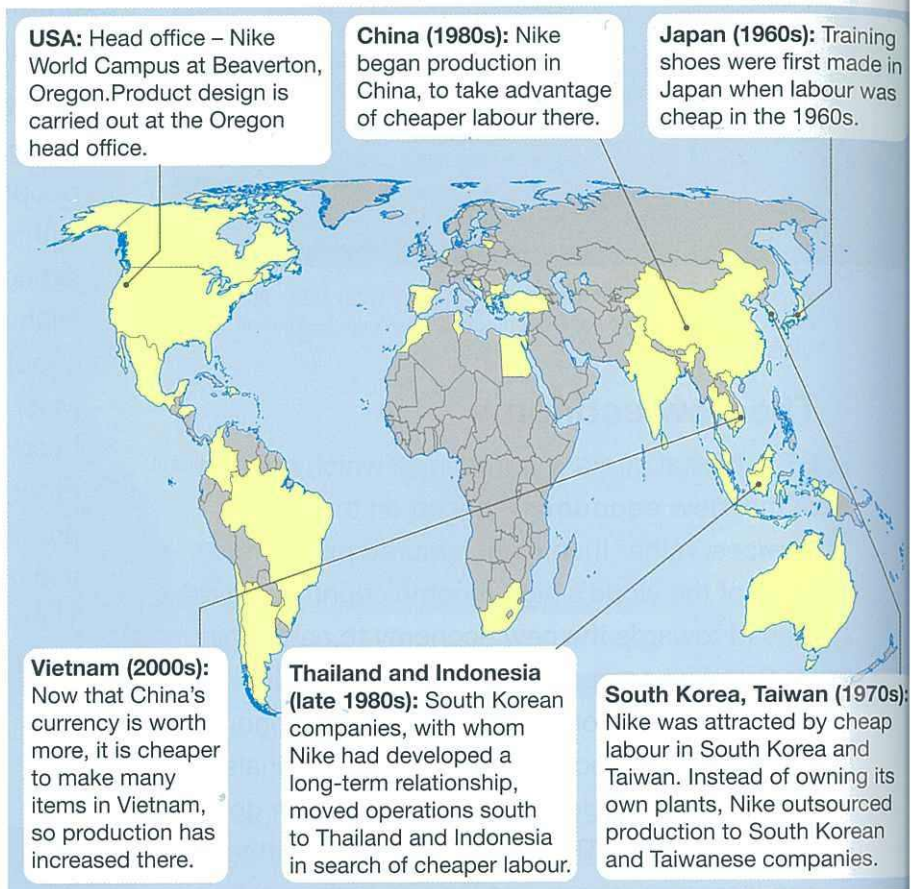


+ In this section you'll learn how Nike operates in different parts of the world, including outsourcing its manufacturing overseas.

Just do it!

Every year, the Forbes directory ranks the world's most valuable brand names. In 2012, the most valuable sportswear company by far was Nike – valued at over US\$10 billion. Its instantly recognizable 'swoosh' logo and 'Just do it' slogan are its greatest assets, known throughout the world. Of its total sales in 2012 (nearly US\$25 billion!), 90% came from selling products with the Nike logo. It's the only sportswear company in the world whose market share has increased since 2008.

Nike operates and sells in over 140 countries; 46 of these also manufacture goods for Nike (see the map). It is a major employer. It directly employs 44 000 people worldwide – but over 20 times this number work in factories under contract to produce Nike products. Although small amounts of Nike clothing are made in the USA and Europe, the majority of factories are located in Asia (see the table). Most employ a majority of women. In China and Vietnam (the two largest producers), over half of the workers are migrants from other parts of the country, who live in workers' hostels.



▲ The countries where Nike has manufacturing workers.

	Total number of Nike manufacturing workers	Percentage of female workers	Average age of workers
China	272 000	71	29
Vietnam	198 000	84	25
Indonesia	126 000	81	28
Thailand	51 000	73	28
India	32 000	51	25
Sri Lanka	20 000	80	24
Brazil	18 000	63	28
Pakistan	10 500	8	29
Mexico	10 000	60	28
Honduras	10 000	73	26

▲ Nike's ten largest manufacturing countries by contracted employees. (Note that most of these people do not actually work for Nike – Nike's manufacture has been outsourced to them.)

Nike and outsourcing

Nike started in 1964 when Phillip Knight began importing running shoes to the USA from Japan, where labour was cheaper. His aim was to compete with German brands like Adidas and Puma. Nowadays, manufacturing overseas is common in the clothing and shoe industries (and in others like toys and electronics). But decision-making responsibilities such as management or design and marketing, are kept in the USA. Most Asian outsourcing countries get the less-profitable, production activities.

Many clothing and shoe factories in Asia have been investigated by organisations shocked by employees' working conditions and low wages – as little as US\$2 a day. There have also been reports of neglect of health and safety, physical and sexual abuse, and persecution of workers who have tried to organise trades unions. Although Nike inspects those companies outsourced to make Nike goods, some people feel this is not enough.

+ A **sweatshop** is a factory where workers are expected to work very long hours, with low pay and poor working conditions.

Breakdown of costs of a \$65 pair of Nike training shoes	US\$
Production labour	2.50
Materials	9.00
Factory costs	3.25
Supplier's operating profit	1.00
Shipping costs	0.50
Cost to Nike	16.25
Nike costs (research and development, promotion and advertising, distribution, admin)	10.00
Nike's operating profit	6.25
Cost to retailer	32.50
Retailer's costs (rent, labour, etc.)	22.50
Retailer's operating profit	10.00
Cost to consumer	65.00

Campaigning against Nike

Since 2000, many campaigns have encouraged Nike to improve conditions for workers in factories making Nike products. Unlike many Western countries, where trade unions campaign for better pay, these campaigns have been organised by consumers. A 'boycott Nike' campaign was supported by members of the US Congress, as well as pressure groups campaigning for change. Campaigns also tried to fight unfair working conditions in what were alleged to be **sweatshops**.

One of the problems for consumer groups is that many countries in which Nike's products are made are not democratic, and there are few workers' rights. However, they still feel that Nike should ensure factory conditions, working hours and wages are kept at a decent level. Nike now publishes data about supplier inspections on its website.

your questions

- 1 Explain why Nike outsources manufacturing overseas.
- 2 What are the risks for companies who outsource like this?
- 3 Why should countries like Vietnam want to attract TNCs like Nike? List the benefits.
- 4 Compare Nike and BT (see Section 11.7) in:
 - a how they operate in different parts of the world,
 - b their methods of outsourcing, c who they use as outsourced workers, d how they bring benefits and problems from outsourcing.
- 5 How far would either Nike's own attitudes, or the campaigns against Nike, affect your buying habits? Why?
- 6 **Exam-style question**
 - a Using the table below the map, describe the characteristics of Nike's manufacturing workforce. (4 marks)
 - b Using examples, explain how TNCs operate in different parts of the world. (6 marks)