

Company of the Month: Nike

Read the article below on Nike.

There must be few people in the world who are not aware of the athletic footwear company, Nike. Since 1972, it has earned billions of dollars in the USA and around the world, selling footwear and later other items of clothing. Now the brand has been extended to watches and many other products.



Nike's success suggests that everybody loves Nike, but if you type the name into the search engine on your computer, you will find many sites protesting against Nike and calling for a boycott on Nike products. Most of these focus on the employment conditions in the factories where the footwear is made.

How does a company react to organised negative publicity? What would you do? What has Nike done?

Before you read on answer these questions:

1. What does Nike produce?
2. What do you associate with the 'brand' Nike?
3. Why do some people not love Nike?

The History of Nike

The origins of the company grew from the University of Oregon in the United States. American universities are fiercely proud of their achievements on the sports field. Promising athletes can win 'sports scholarships' which fund their university education whilst they represent the university teams. Universities hire the best sports coaches and build the best stadiums.

Bill Bowerman was one of the athletics coaches at the University of Oregon. With an ex-student athlete Phil Knight, he set up, in 1963, 'Blue Ribbon Sports' to import and market high quality / low cost running shoes from Japan.

A year later, Phil Knight had sold \$8,000 worth of shoes. By 1971 they had \$1million sales. They introduced the Nike name and the famous Nike 'swoosh' in 1972.

Nike is the winged goddess of victory according to Greek mythology. The 'swoosh' represents one of the wings of the goddess. The designer Caroline Davidson received \$35 for her work.

By the end of the 1970s Nike's sales reached \$270million and Nike was at the centre of the fitness revolution.

By 1996 sales were \$6.74billion and growing year by year.

Before you read on answer the following questions.

4. What is the position of sport in American universities?
5. Where did Blue Ribbon Sports import shoes from?
6. When did Blue Ribbon Sports become Nike?
7. What was Nike?
8. What does the Nike 'swoosh' represent?

What is the secret of Nike's success?

'The idea of exercise and game-playing ceased to be something the average American did for fun. Instead Americans turned to working out (exercising) as a cultural signifier of status.'

Nike shoes not only made you run faster, they made you look good, they made you a person of importance.

Nike is associated with success. It pays millions of dollars to the best athletes to endorse their products. From Michael Jordan to Tiger Woods, the world's top athletes promote Nike's products and millions of people buy Nike's products in order to share the success of their favourite stars.

Before you read on answer these questions.

9. How had the idea of exercise changed for Americans?
10. How did celebrities help Nike?

Why do the protesters say you should boycott Nike?

The manufacture of clothing and in particular footwear requires a large amount of low-skilled and semi-skilled human labour. This means that large squads of workers labour on production lines in factories.

Oxfam Community Aid Abroad claims that 'Nike has consistently moved production of its sneakers to wherever the wages are lowest and workers' human rights are most

brutally repressed.' The production of Nike footwear began in Japan but soon the labour costs grew too high and the work was switched to South Korea. As South Korean workers fought for wage increases production moved again, this time to Indonesia and China. According to Nike's 2001 Annual Report 40% of the shoes were made in China, 31% in Indonesia, 13% in Thailand and 13% in Vietnam. The remaining 3% were made in Italy, South Korea and Taiwan.

The website 'Boycott Nike' says that 'Nike continues to treat its labour problem as a matter of public relations.' In Indonesia in July 2001, entry-level workers earned slightly more than the legal minimum of \$2 per day.

People choose to work in Nike factories because the alternatives are even worse. Most of Nike's contract factories are located in countries marked by extreme poverty, high unemployment and extensive malnutrition.

Protesters would like some of the millions of dollars Nike spends on advertising, marketing, and sponsorship of celebrity athletes spent on the workers who actually make the products.

Before you read on answer these questions.

11. Where do Nike produce their shoes now?
12. Why have they chosen those places?
13. What would protesters like Nike to do?

How have Nike reacted?

Nike have tried to draw attention to their sponsorship of sports events, education and community projects in their main market - the USA. They have also begun to promote themselves as ecologically friendly by producing a shoe with no PVC. Nike proudly presents itself as a member of the Fair Labor Association but this organisation does not monitor the conditions in factories.

Before you read on answer these questions.

14. How have Nike reacted to these protests?

Is there a solution?

Some economists argue that these bad working conditions are a normal stage at the beginning of industrialisation of any country. They point to the working conditions in Britain at the beginning of the industrial revolution and similar practices in the USA, Mexico, Japan and other countries. Wages and working conditions improved in those countries because workers formed unions to push for improvements. Nike, the

protesters say, is increasing locating its production in areas where genuinely democratic unions are illegal.

Conclusions

Is there an easy answer to this problem? Is the better health and greater fitness of Nike users paid for by the ill-health and poverty of Nike workers?

Discuss

1. Do you accept the arguments of the economists?
2. Can you think of other companies who have faced public protest? How have they reacted?