



Accelerating
Growth

By Optimizing
the Trade
Reward Model

70% of the brand choices are made in store
65% of the purchases are not planned
<5% of the shoppers are loyal to one brand



Dirk Jan Hehenkamp
Director Commercial
Finance Nike EMEA

Pricing Excellence Seminar 2011



Industry Challenges SBVC / MPT Trade Terms

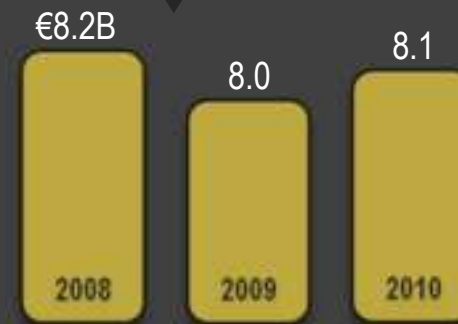
CHALLENGES IN THE SPORTING GOODS INDUSTRY

CONSUMER TRENDS

- SPORTING GOODS GROWTH HAS BEEN WEAK

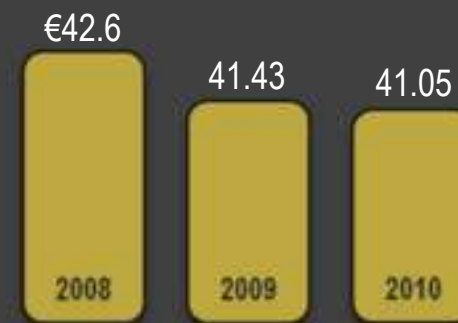
EU BIG-5* FOOTWEAR SALES

FLAT FOOTWEAR SALES OVER THE LAST 3 YEARS



EU BIG-5* FOOTWEAR ASP

WITH A -3.8% AVERAGE SELLING PRICE (ASP) DETERIORATION OVER THE SAME PERIOD



* UK, FRANCE, GERMANY, ITALY, SPAIN (NPD)

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WE WANT
TO EXCITE
CONSUMERS
MORE AND
GET THEM
TO RETURN
TO OUR
STORES

RETAILERS BECOMING MORE EFFECTIVE AND COMPETITIVE

RETAIL INDUSTRY TRENDS

- MANY TRADITIONAL FASHION RETAILERS HAVE STARTED TO SELL SPORTING GOODS



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- IN OTHER SECTORS, LEADING RETAILERS ARE STRATEGICALLY USING MERCHANDISING TO ATTRACT CUSTOMERS
 - RELEVANT PRODUCTS
 - EXCITING PRESENTATION
 - EFFECTIVE PROMOTIONS

D&G
DOLCE & GABBANA



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D&G
DOLCE & GABBANA



H&M

L'ORÉAL
PARIS



Peek & Cloppenburg

BOSS
HUGO BOSS

WAL*MART



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- WINNING RETAILERS SHARE FACT BASE DATA WITH THEIR SUPPLIERS [NIELSEN, SELL THRU, NPD, SHOPPER RESEARCH] FOR DEEPER CONSUMER INSIGHTS



D&G
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L'ORÉAL
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D&G
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L'ORÉAL
PARIS



ZARA

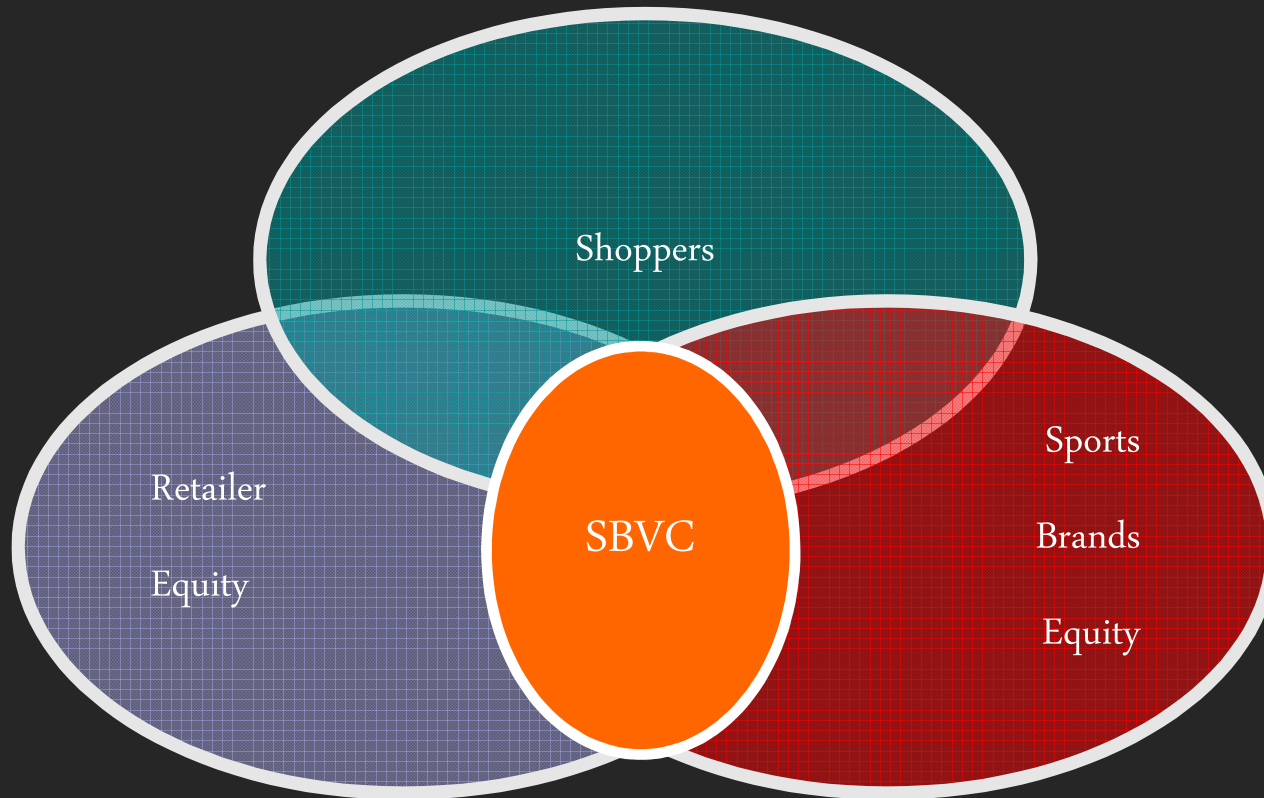


WE WANT
TO PARTNER
WITH OUR BEST
RETAILERS
TO GROW
SPORTING
GOODS AGAIN

Shopper Based Value Creation & Brand Presentation

Equip Nike sales team
to create market value
and lead the industry

SVBC



create **VALUE**

for the **RETAILER** & for **NIKE**

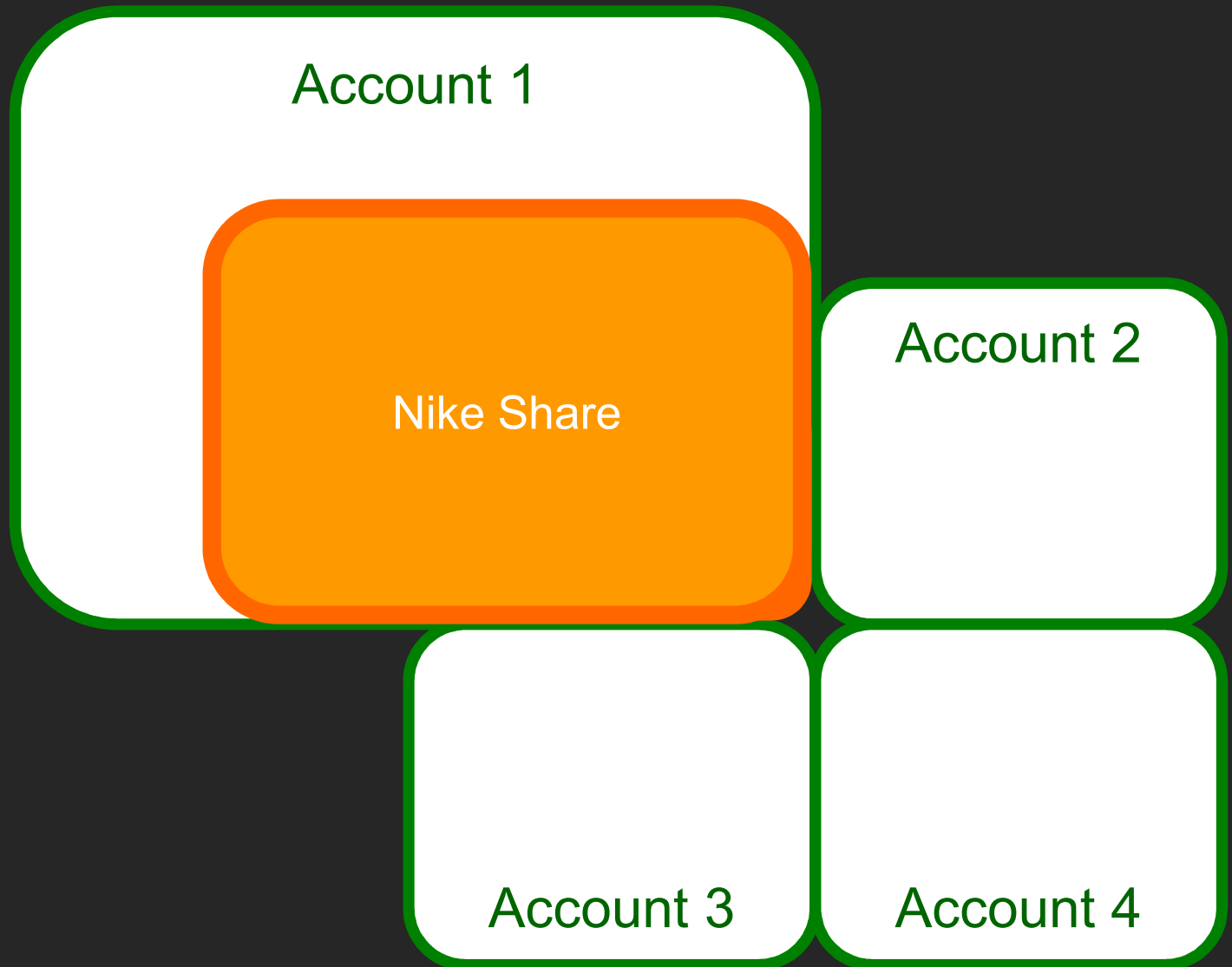
Growing RETAILER and NIKE VALUE vs Share War

**GROWING
RETAILER &
NIKE VALUE:**

Partnering to
grow the
ACCOUNT and
maximizing Nike's
contribution to that
growth.



Growing RETAILER and NIKE VALUE vs Share War



Nike SBVC Approach



Retail Brand Presentation & SBVC

1

Commercialize **SBVC/BP** organization, BP being the necessary catalyst

Invest in holistic **shopper understanding** to accelerate SBVC in WE

3



2

Leverage usage of Sell Through / Edifice with another functions to exploit business potential

Invest further in business planning **organization**

4

SBVC & Market Place Transformation

SBVC

Retailer shopper based strategy to create value



Cross brands

MARKET PLACE TRANSFORMATION

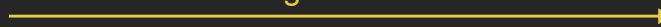
Nike category destination doors



Nike Only (SiS)

Shopper understanding

Insights



Support



Brand Marketing /
Merchandizing Resources

NIKE ASPIRES TO REPRESENT THE BEST IN SPORTS

WITH...

- THE MOST INNOVATIVE AND COMPELLING PRODUCT



- THE BEST STABLE OF ATHLETES



- THE MOST REVOLUTIONARY ADVERTISING



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- SUPERIOR RETAIL EXPERIENCE

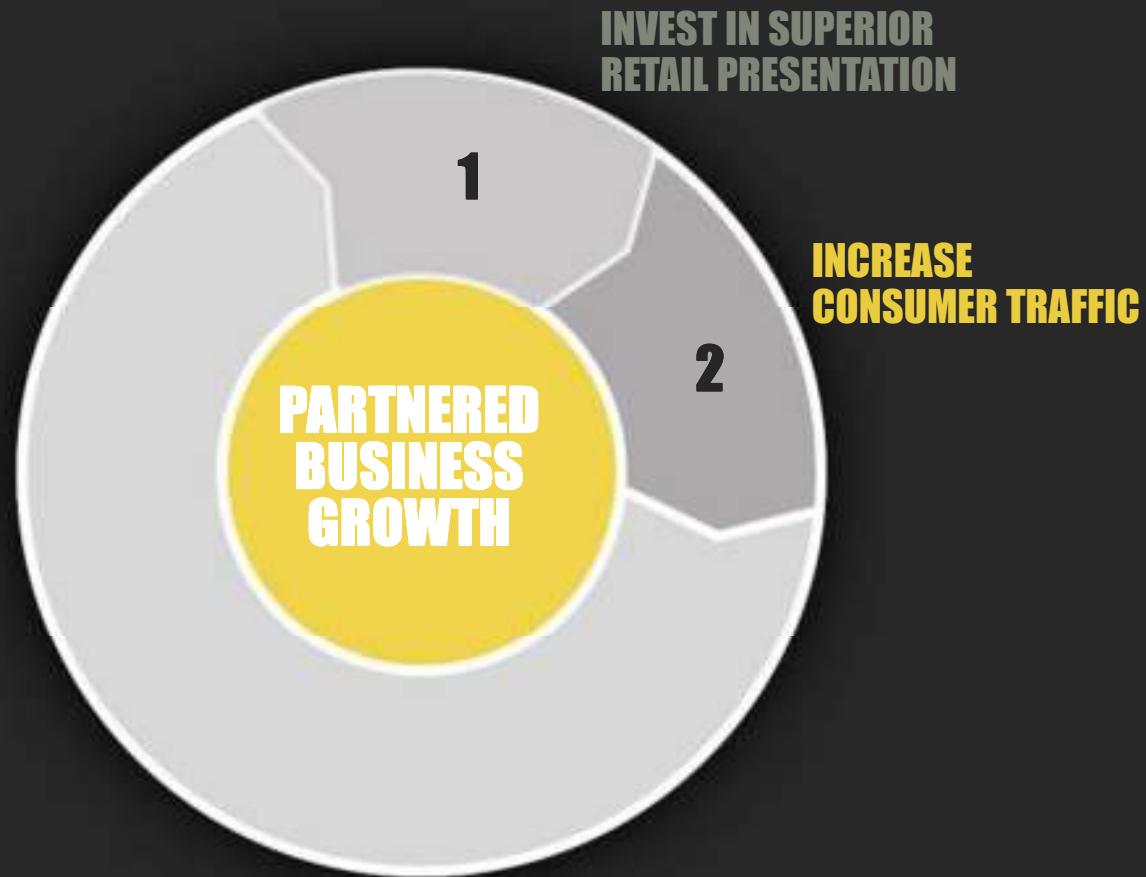


SUPERIOR RETAIL PRESENTATION DRIVES BUSINESS GROWTH

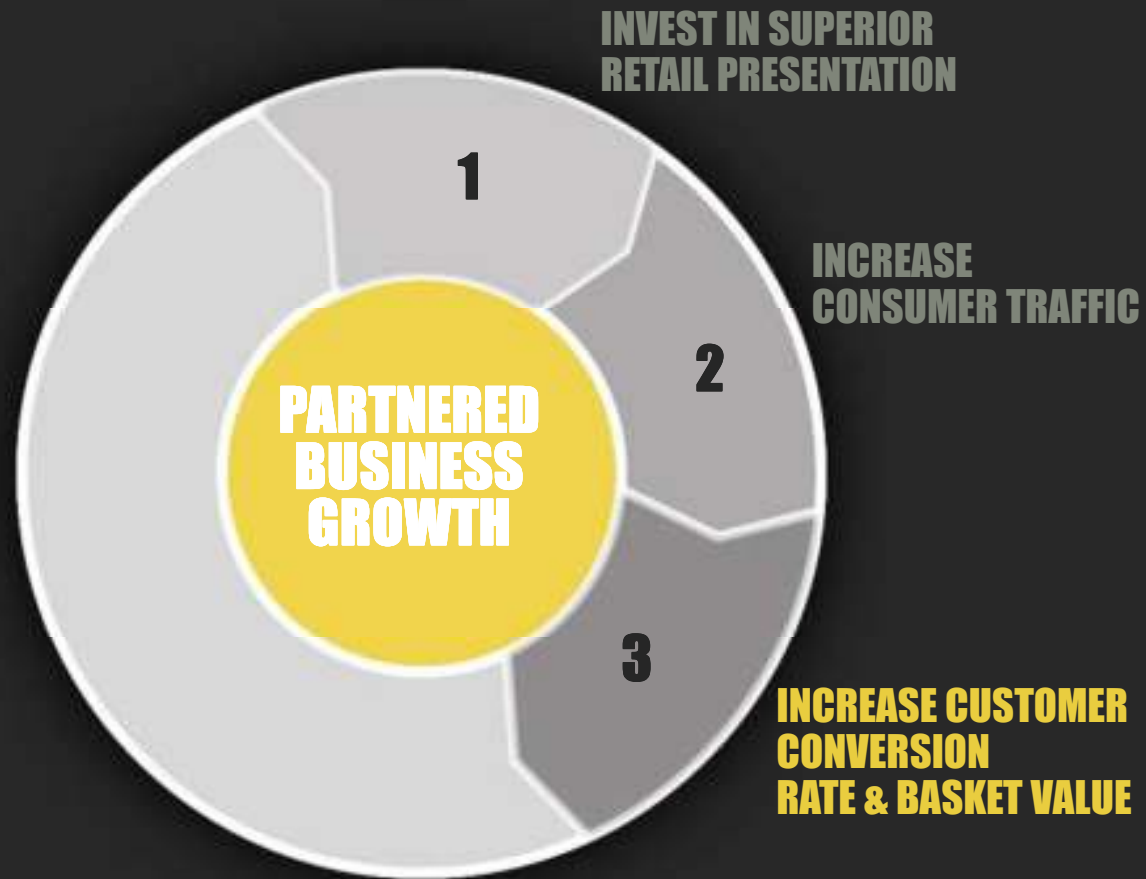
**INVEST IN SUPERIOR
RETAIL PRESENTATION**



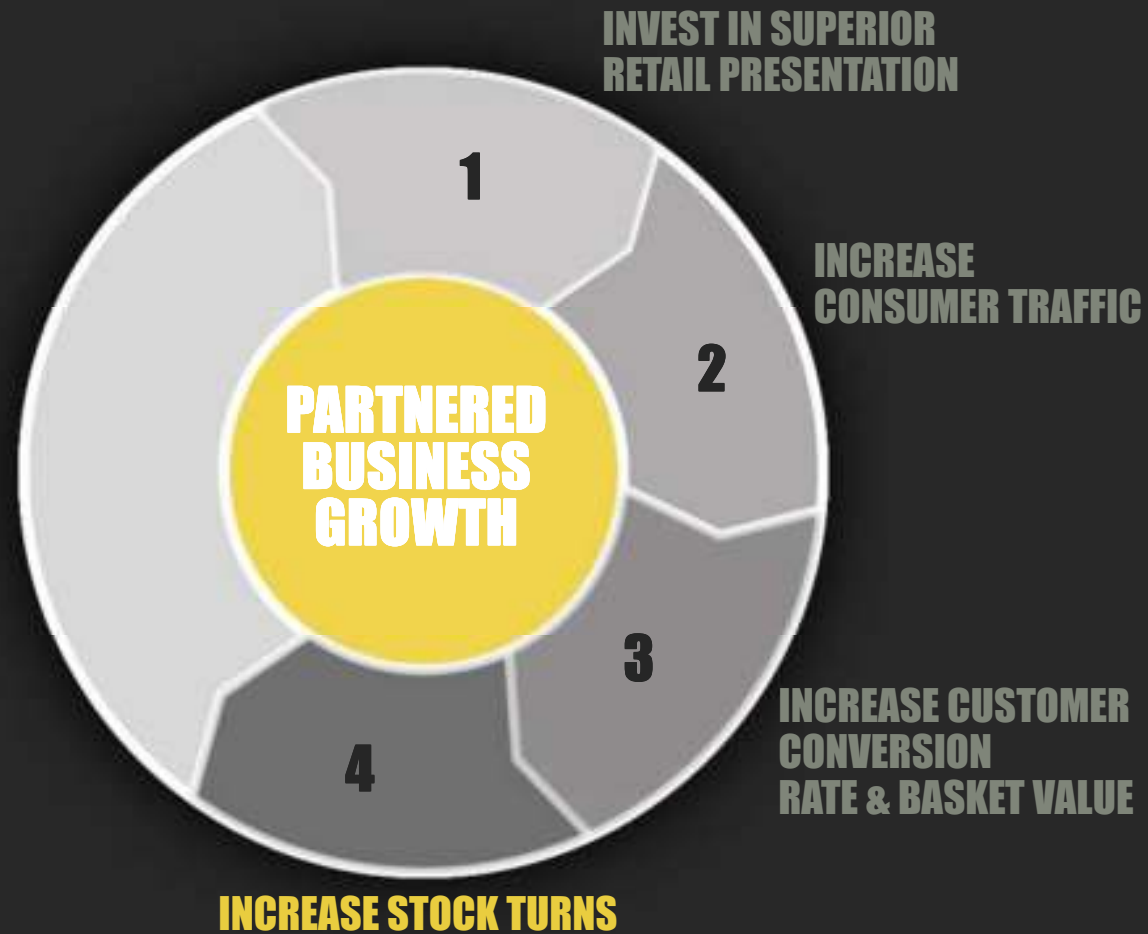
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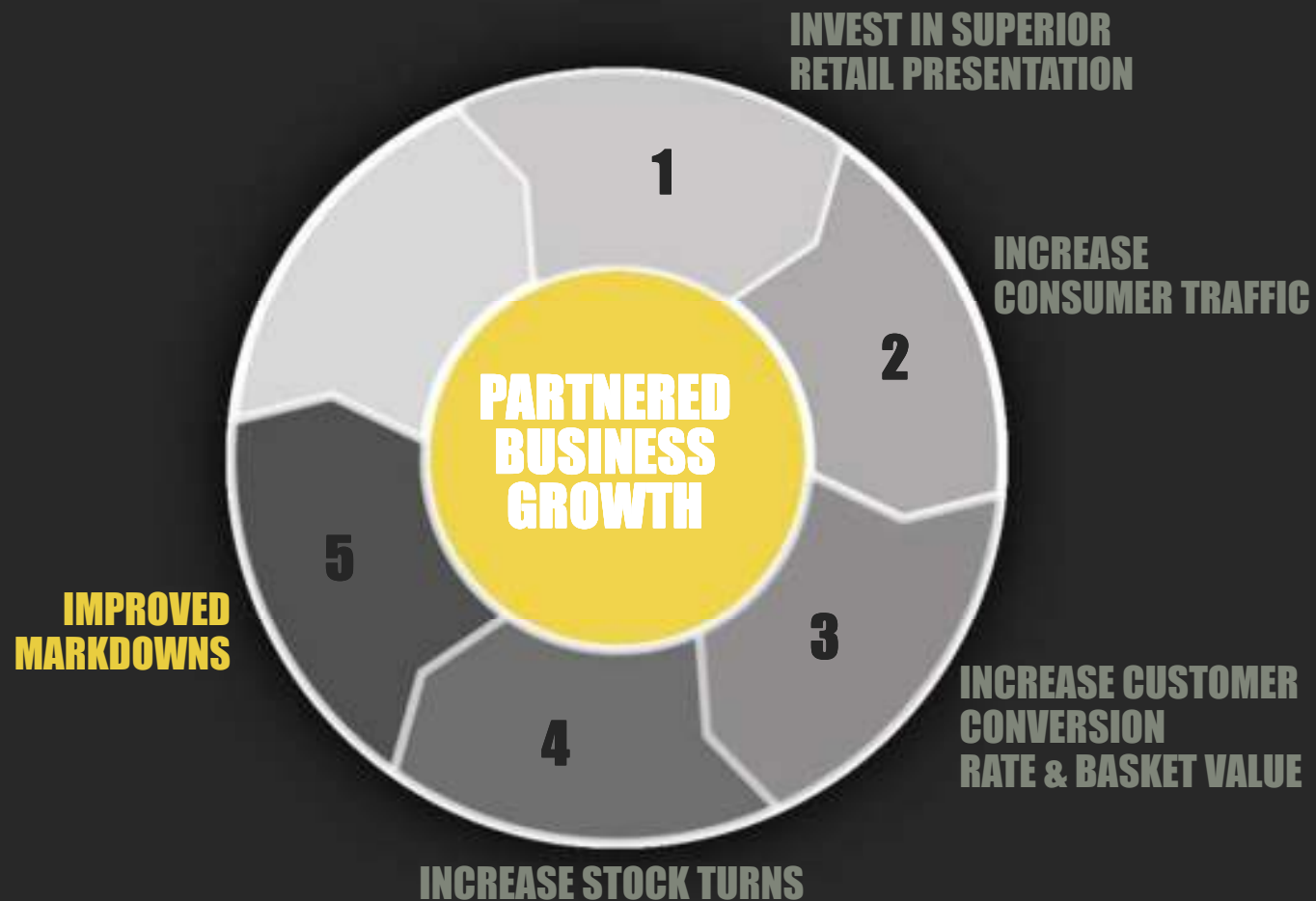
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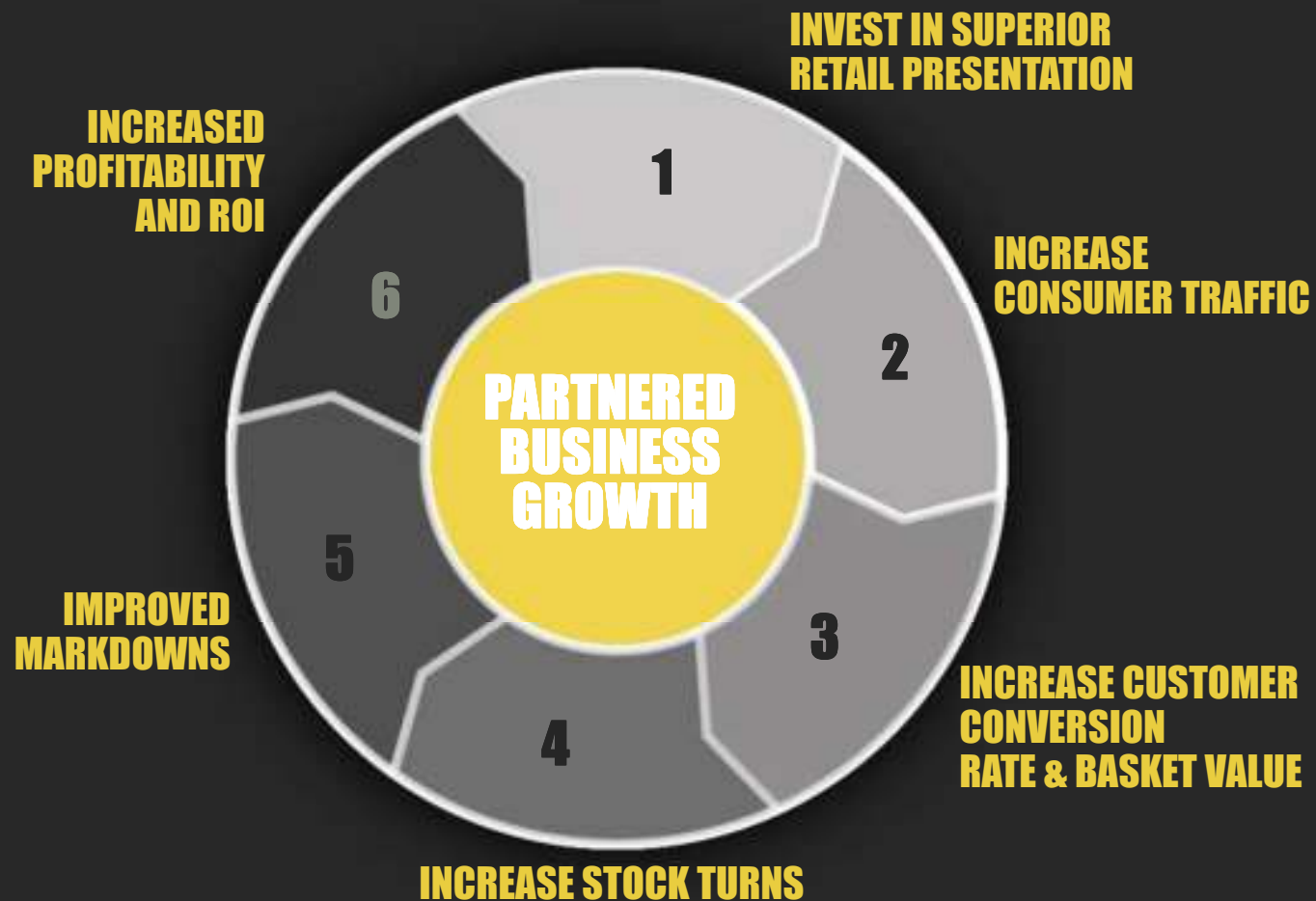
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WE WANT OUR BEST PARTNERS TO WIN

MUTUAL BENEFITS

Retailer	>	
<ul style="list-style-type: none">▪ INCREASE CUSTOMER CONVERSION RATE AND BASKET VALUE	>	<ul style="list-style-type: none">▪ PROVIDE PREMIUM SHOPPING EXPERIENCE TO CONSUMERS
<ul style="list-style-type: none">▪ INCREASE STOCK TURNS	>	<ul style="list-style-type: none">▪ FLOW EFFICIENTLY CATEGORY ASSORTMENTS
<ul style="list-style-type: none">▪ REDUCE LOST SALES BY IMPROVING SHELF DENSITY	>	<ul style="list-style-type: none">▪ LESS MARK DOWN, LESS CLOSE OUT
<ul style="list-style-type: none">▪ GROW IN A PROFITABLE & SUSTAINABLE WAY THE OVERALL TARGETED CATEGORY	>	<ul style="list-style-type: none">▪ GROW IN A PROFITABLE & SUSTAINABLE WAY THE NIKE IMPLEMENTED CATEGORY

WE WANT OUR BEST PARTNERS TO WIN

MUTUAL CONTRIBUTION

Retailer



- PROVIDE DEDICATED SPACE TO NIKE IN SELECTED STORES



- INVEST IN SELECTED STORES NEW SPACE LAY OUT.
- MAINTAIN PHYSICAL LAY OUT OVER TIME.
- REFRESH LAY OUT WITH SEASONAL INITIATIVES [VISUALS].

- ALLOW REGULAR STAFF TRAINING FOR THOSE SELECTED STORES



- TRAIN STAFF ON NEW PRODUCT TECHNOLOGIES

- SHARE SELL THROUGH INFORMATION FOR DRIVING MUTUAL PROFITABILITY
- COMMIT IT RESOURCES



- INVEST IN SET UP COSTS AND ANNUAL FEE

Transforming Nike's Trade Reward Model



Develop new Trade Terms that drive **retailer profitability**, support a successful **category** go to market and **enhance the Nike brand** in-store.

Key Developments

Divisional Focus



Category
Management

Rewarding for Size



Rewarding for Growth

Push futures order
model



Integrated supply
chains

Retailer driven
merchandizing



SBVC / Category
management

WHAT'S AT STAKE?

Aligning Strategy & Trade Terms...

... with Trade Terms Optimization



A green rectangular sign with rounded corners and a white border, mounted on two wooden posts. The word "Change" is written in large, white, sans-serif capital letters across the center of the sign. The background is a bright blue sky with scattered white clouds.

Change

What are the Trade Terms Game Changers?

1

Stop discount inflation

2

Differentiated account
& category approach

3

Reward sell thru,
share and retail
excellence

4

Accelerate growth

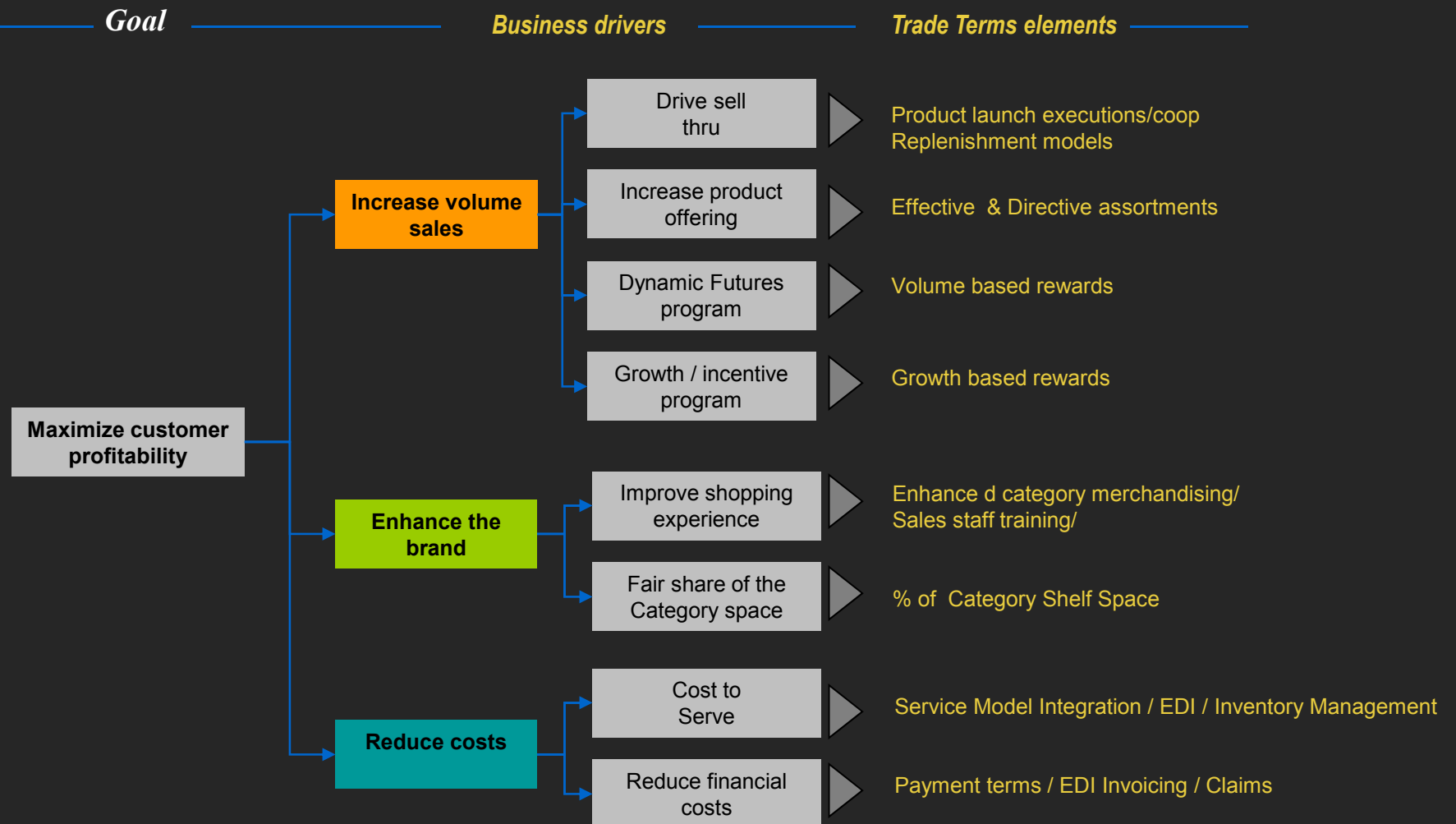
5

Consistent, simple
model

6

Lead our accounts

Key drivers of new trade terms



1) Account Segmentation

INTERNATIONAL BRAND
ENHANCING

INTERNATIONAL
VOLUME DRIVING

NATIONAL BRAND
ENHANCING

NATIONAL VOLUME
DRIVING

REGIONAL 1, 2, 3

SMALL VOLUME
ACCOUNTS

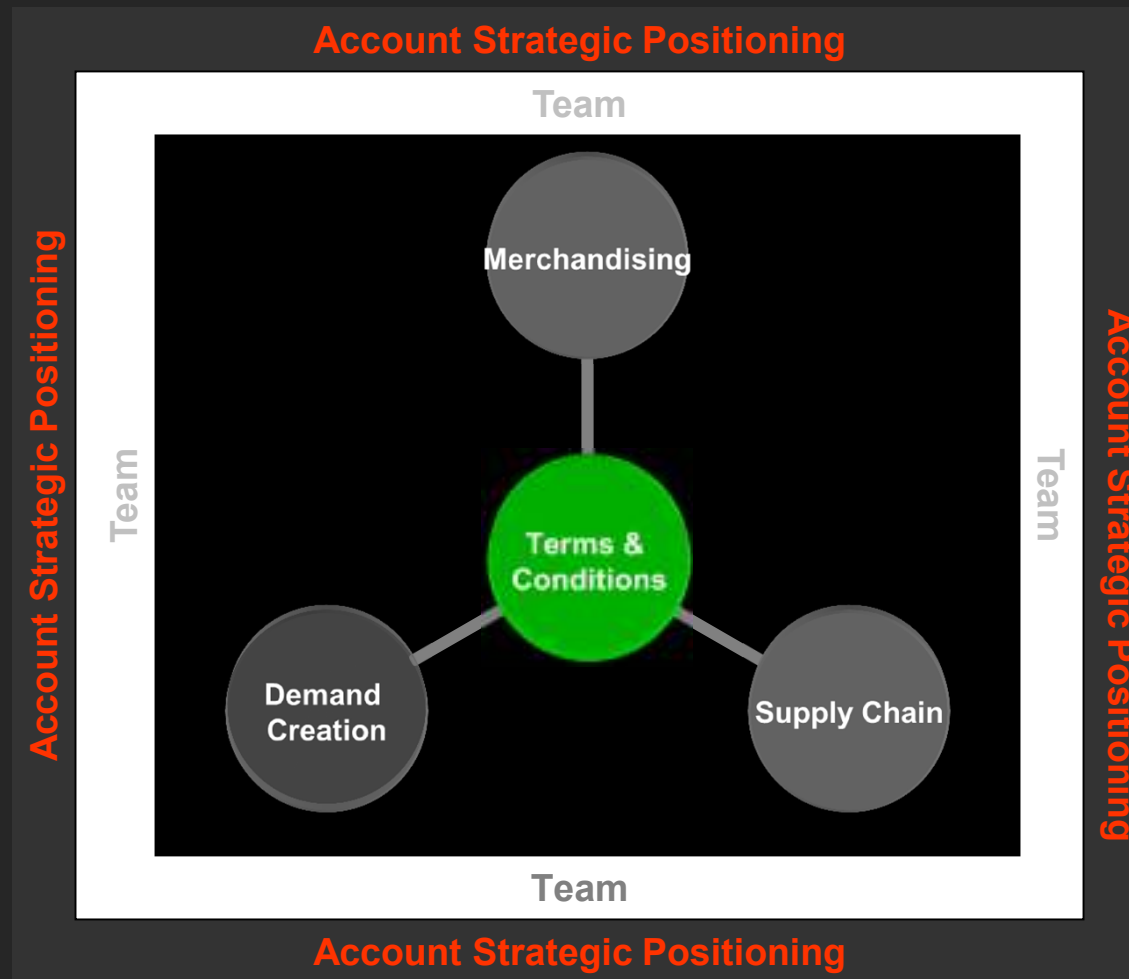
SPECIALTY

MAIL ORDER

E-COMMERCE

BUYING GROUPS

2) Customer Development Model



3) DETERMINE GENERIC REWARD MODEL

REWARD FOR (CATEGORY) GROWTH

FUTURES
DISCOUNT I

TOTAL BUSINESS



DRIVE DYNAMIC
GROWTH

ONE DISCOUNT
ACROSS BU

DYNAMIC BRACKETS

FUTURES
DISCOUNT II

TOTAL BUSINESS**



INVEST FOR SHARE
GROWTH

ACCOUNTS >\$M

INCUBATION

WHOLESALE

CATEGORY
DEVELOPMENT

ON SELECTED CATEGORIES



REWARD QUALITY
CATEGORY GROWTH

STRATEGIC CATEGORIES

SEASONAL TARGETS

COMMERCIALIZE SERVICES

COST TO
SERVE

WIN AT 1ST MOMENT
OF TRUTH



REWARD OPERATIONAL
EFFICIENCIES

OFF SET DISCOUNT

OPERATIONAL DISCOUNT

RETAIL
EXCELLENCE

SERVICES OFFERING
SELECTED CATEGORIES



ELEVATE RETAIL
PRESENTATION

CREATE PREMIUM
CATEGORY EXPERIENCE

CREATE DOMINANT
PRODUCT PRESENTATION

Functional Integration and commercialize impact



ENHANCED MUTUAL
PROFITABILITY

TRADE AT PREMIUM
LEVELS

