



MIDWEST 



Recognize the problem.

NEGATIVE PUBLICITY

"Taking A Look Inside Nike's Factories"

"Made In Vietnam: The American Sneaker Controversy"

"Nike, Inc. Announces Details of U.S. Job Reductions."



Create objectives.

Increase corporate profit.

Identify consumer needs.

Recreate identity to fit needs.

Create environment which strengthens corporate relations with consumer.

Research client.



Evaluate the competition.

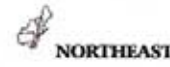


Survey public interest.



Isolate consumer.

Breakdown consumers needs regionally and create an environment designed to suite them.



WEST



SOUTH



MIDWEST



PACIFIC



BIG WEST

Create solution.

NIKE MIDWEST

The Midwest would include the following states: West Virginia, Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, and Missouri.

The merchandise in this particular store would appeal to the people of this area. The Midwest is strongly represented by Nike apparel. Just these schools alone, Ohio State and Michigan, are always big sellers throughout the country, let alone in this region. Not to mention the amount of golf played in the area; Tiger Woods' clothing line would be a massive seller. Then, there is of course Chicago- home of the all time money maker, Michael Jordan. Imagine how happy people in the Midwest would be if they knew they wouldn't have to drive all the way to downtown Chicago, fight parking, and then walk in unknown on Michigan Ave. just to get some of the exclusive Nike products. They could just go to a mall that is closer to their geographic area that is stocked with merchandise suited for their needs.



implement



The space is strategically designed to lead people through by means of using visual elements. Architectural shapes placed throughout the space guide consumers around the interior. The merchandise is then placed around these areas as opposed to being "thrown" right into the consumers face. Apparel works with the interior, it does not work against it.

Two more popular sports in central Ohio are golf and football. This is why the golf and football merchandise is placed in the front of the store. These areas entice consumers to begin their journey into the coves. Since tennis merchandise is not as high a seller in this region as the other sports, it is connected to golf. The consumer has to walk right through the tennis area in order to return to the main walkway without backtracking. Baseball is sandwiched between two very high regional sellers, football and basketball. So, in order for consumers to look at apparel from Barry Sanders and Michael Jordan, they have to walk through the section selling baseball.

High selling merchandise in this store will be the team apparel. People in Columbus are Ohio State fanatics. This is why the most popular section, "Team Sports", is placed in the rear of the store. Nationally, according to CNN's Moneyline, the highest selling apparel is cross-training. Customers must walk through the entire space, through all of the other merchandise, in order to get to this section.

Placed throughout the spaces as apart of a marketing tactic are video monitors on the floor. Now when customers see a "Tiger Woods oxford", they can see that same shirt on their favorite golfer while he's winning the Masters Tournament. The customer is not only buying a shirt, he's buying a piece of a championship.

The materials used throughout the space are primarily warm, inviting, colors from an "autumn/ harvest" color palette that will create a soothing, user friendly environment for shoppers. The colors are strong enough to create a visual dynamic between between spaces but subtle enough as to not draw attention away from the merchandise being sold.

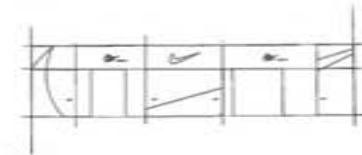
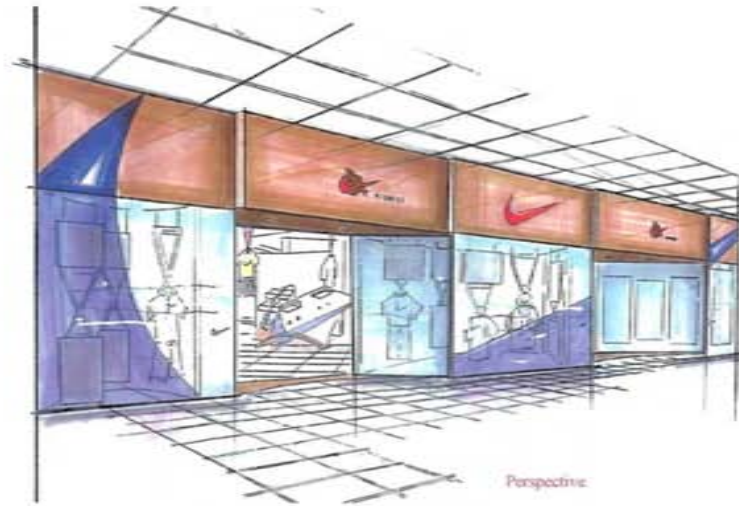
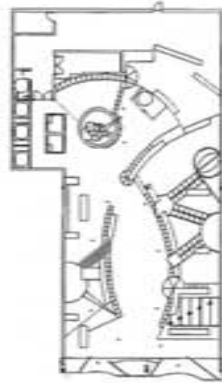


Movement Pattern

Primary Visual Element
(three- dimensional piece)

Secondary Visual Element
(two-dimensional lifestyle graphics)





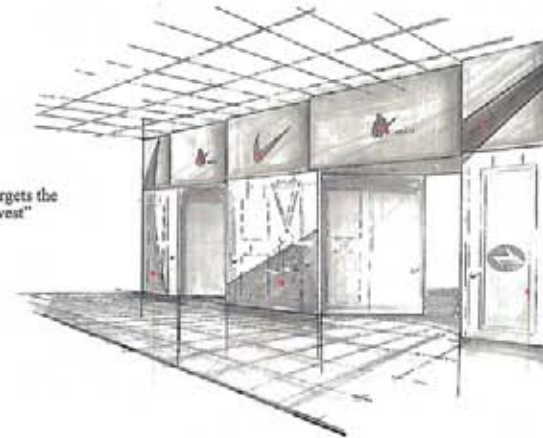
The results of the extensive research revealed that consumers were more attracted to entrances that are not symmetric. Based on these results, the store front undulates forward to create an imbalance in the entrance. The doorways of the store are slightly shifted to create more diversity in the appearance.

The angles of the glass were strategically placed in order to give a maximum amount of room for frontal display. The glass panels are angles to provide visual stopping power. All Nike apparel and merchandise can be viewed at virtually every perspective when walking past the store in the mall. Merchandisers working in the store can use these three separate glass fronts to display the latest gear in the Nike collection. The "swoosh" is placed in the center of the storefront to reinforce brand identity and promote the exclusive Nike name. Over each of the two doorways is the Nike Midwest trademark which identifies the space as a specialty Midwest store to the target group, the "Midwest consumer." Finally, extending through the three window faces of the store is large, light purple "swoosh" connecting the three separate entities into one solid object.



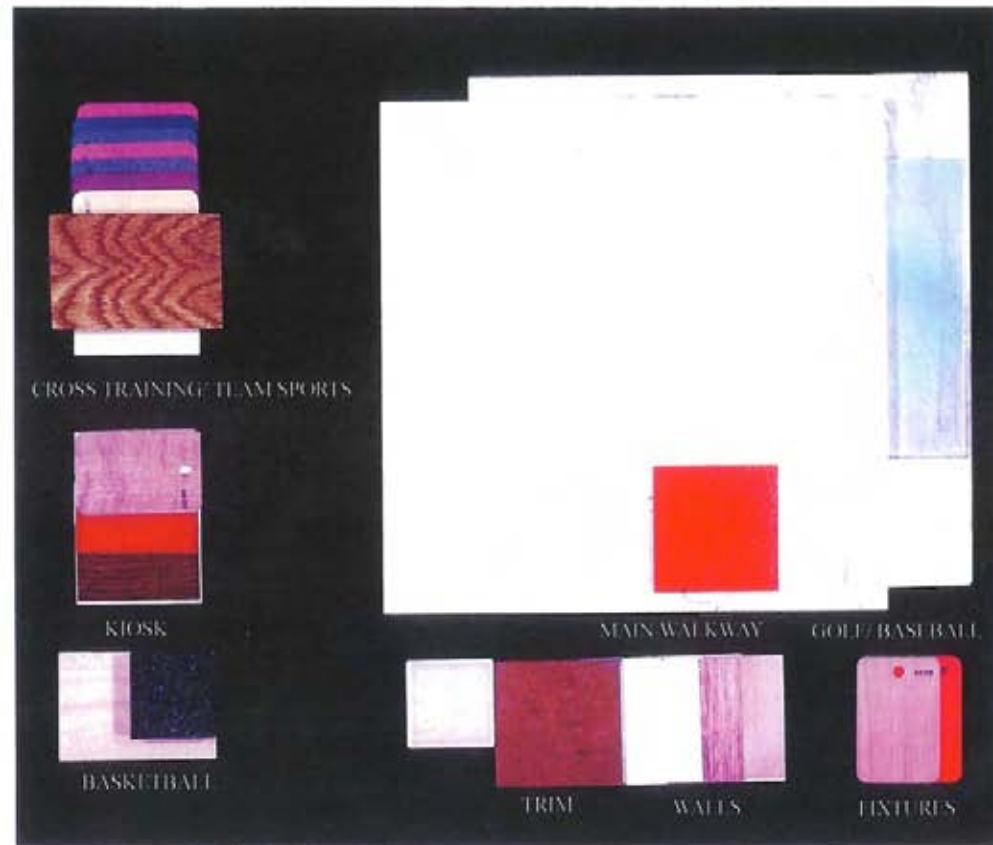
The "Swoosh" identifies the space as an exclusive Nike store and reinforces the brand identity.

"Nike Midwest" logo targets the user group of the "Midwest" region.



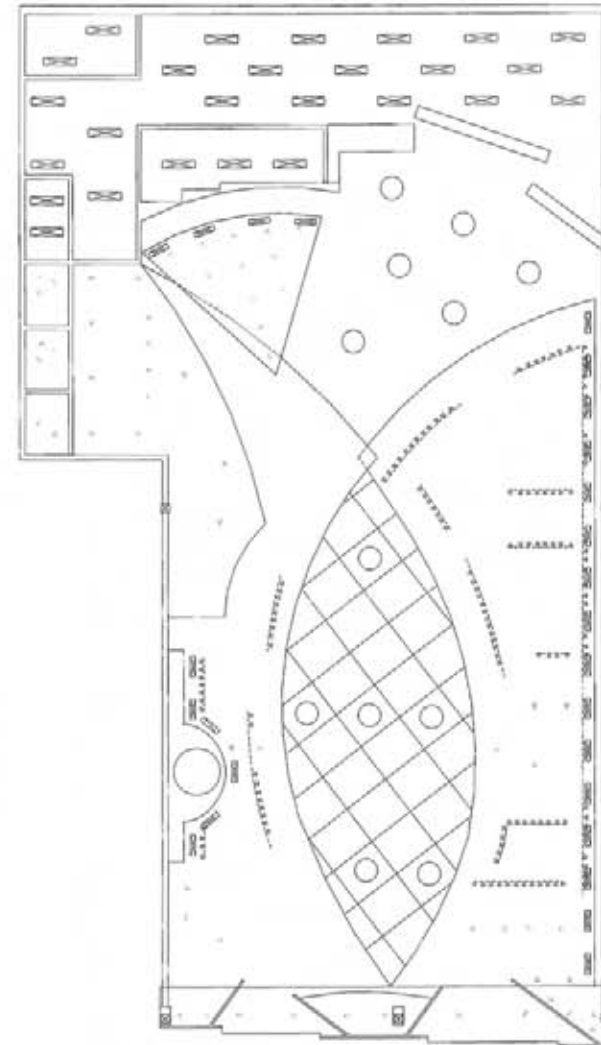
Separate display areas such as this throughout the storefront feature the latest Nike gear, promotions, and apparel.

Swoosh used a visual connection for the three separate faces.



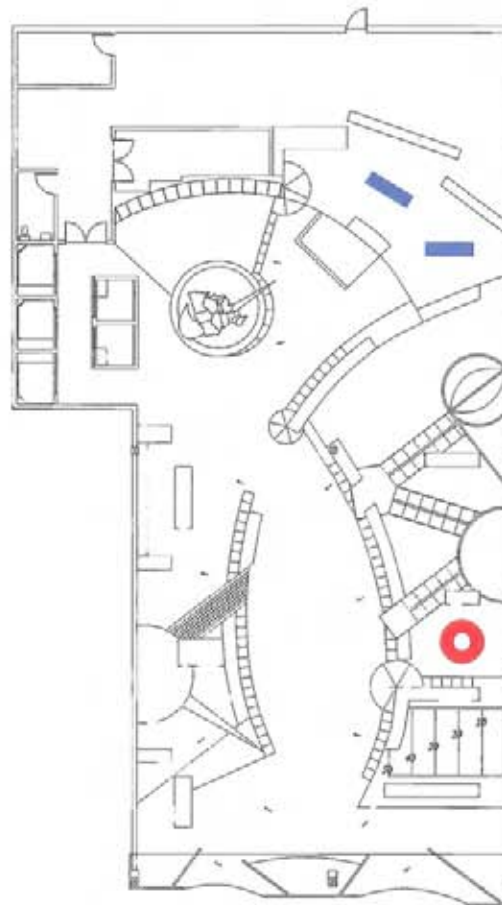
The ceiling is a complex, unique, body of mass that not only extenuates the merchandise but adds a dynamic element to the overall design. Certain parts of the ceiling plane drop to add intimacy to separate areas of the store. In order to maintain an openness within the interior, other sections of the ceiling, like the main walkway, were exposed allowing plenty of breathing room. Cable wires shooting between the two main ceiling planes create a grid hovering over the main walkway in which merchandise is suspended.

The lighting used within the merchandise able section of the store is incandescent. Track lighting is used in the separate coves to provide unlimited lighting variations. Fluorescent lighting is used in the stockroom and office areas.





Seating is placed in strategic locations throughout the interior of the store to provide intermediate comfort for the shoppers in the space. The first seating line, which is to be upholstered in black leather, is by Lee Jofa and is located in the interactive area between Football and Baseball. The plush cushions and wide variety of shapes will present a number of ways to make this kiosk territory a fun, relaxing, and entertaining atmosphere. The second line of seating by Landscape Forms is located in the rear of the store, in Cross Training. This product's function is to allow customers a place to sit when trying on footwear, which is located in this section. One would generally find this product in a park. This line was picked because of its strong reference to the wilderness.

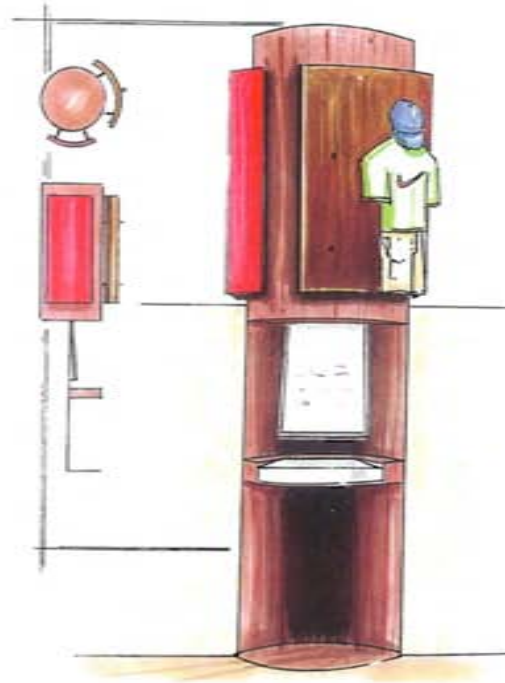
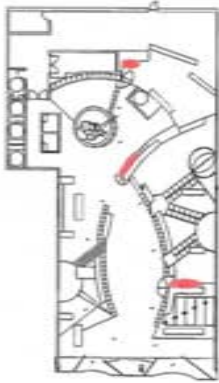


Lee Jofa



Landscape Forms

INTERACTIVE KIOSK

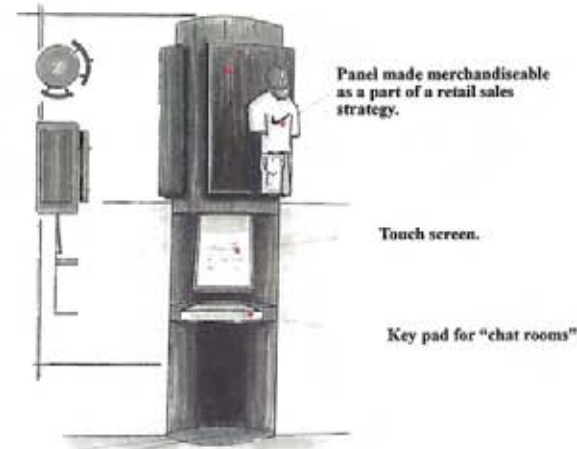


Throughout the space are these interactive kiosk systems that allow customers access to the entire Nike catalogue, the world wide web, and Nike "chat rooms." The "chat rooms" allow customers from all of the specialty stores throughout the country to have conversations with one another. For example, a shopper at the Nike Midwest Columbus store can have a conversation with someone from the Nike Southeast Raleigh location.

The kiosk, in order to maintain the Midwest Autumn theme, is designed to have the characteristics of a tree. Because this is a focal feature in the space that shoppers will be looking at and interacting with, it is merchandised with apparel. The merchandise compliments the kiosk without taking away from its function. The red panels located in the upper section of the system are designed to draw attention to the fixture. These panels are used as visual elements, as shown in the interior perspectives, to guide people throughout the space. Nike, the world is going interactive. Be the pioneer that introduces this type of system in a retail environment.



Red panel used as key visual element to identify area as interactive.



Panel made merchandiseable as a part of a retail sales strategy.

Touch screen.

Key pad for "chat rooms"

CHAT ROOM

COLUMBUS01: go bucks

ANN ARBOR04: go wolverines

RALEIGH03: both you guys need to grow up

COLUMBUS01: undefeatable

RALEIGH03: ACC is the best

COLUMBUS02: Big 10 all the way

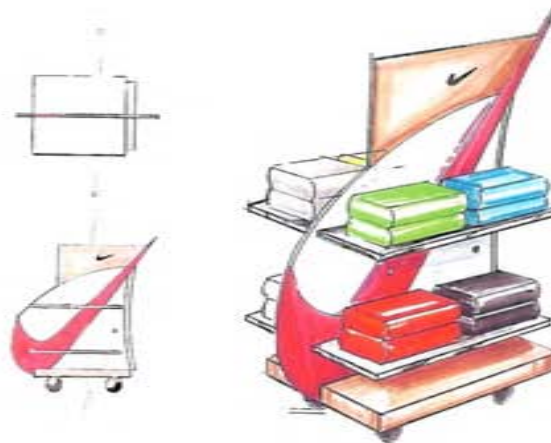
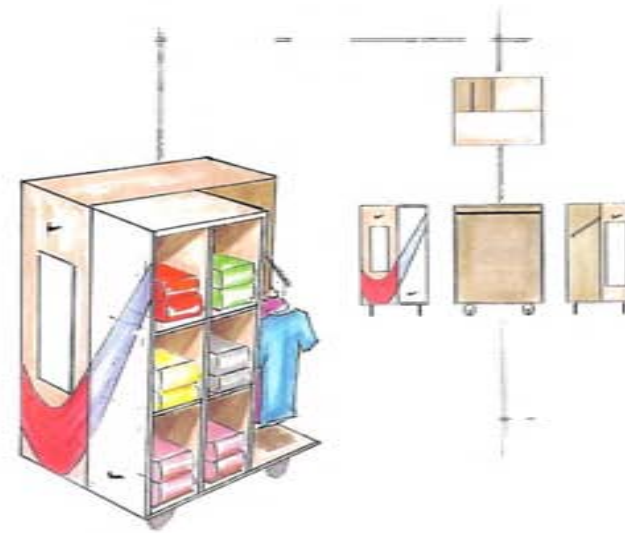
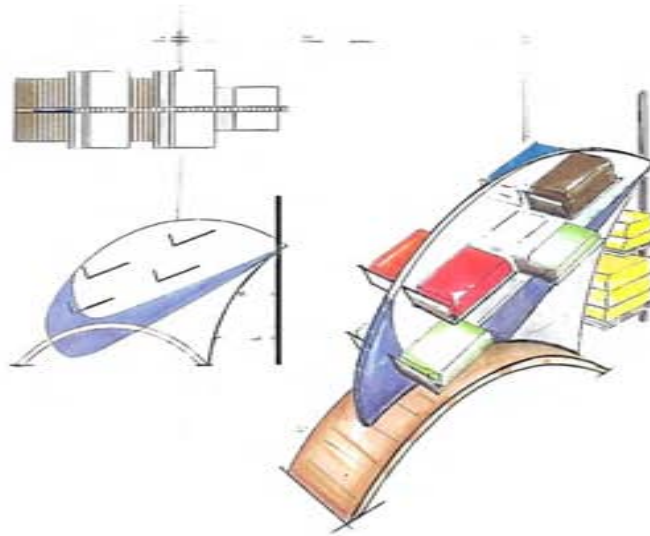
ONLINE ACCESS

the internet



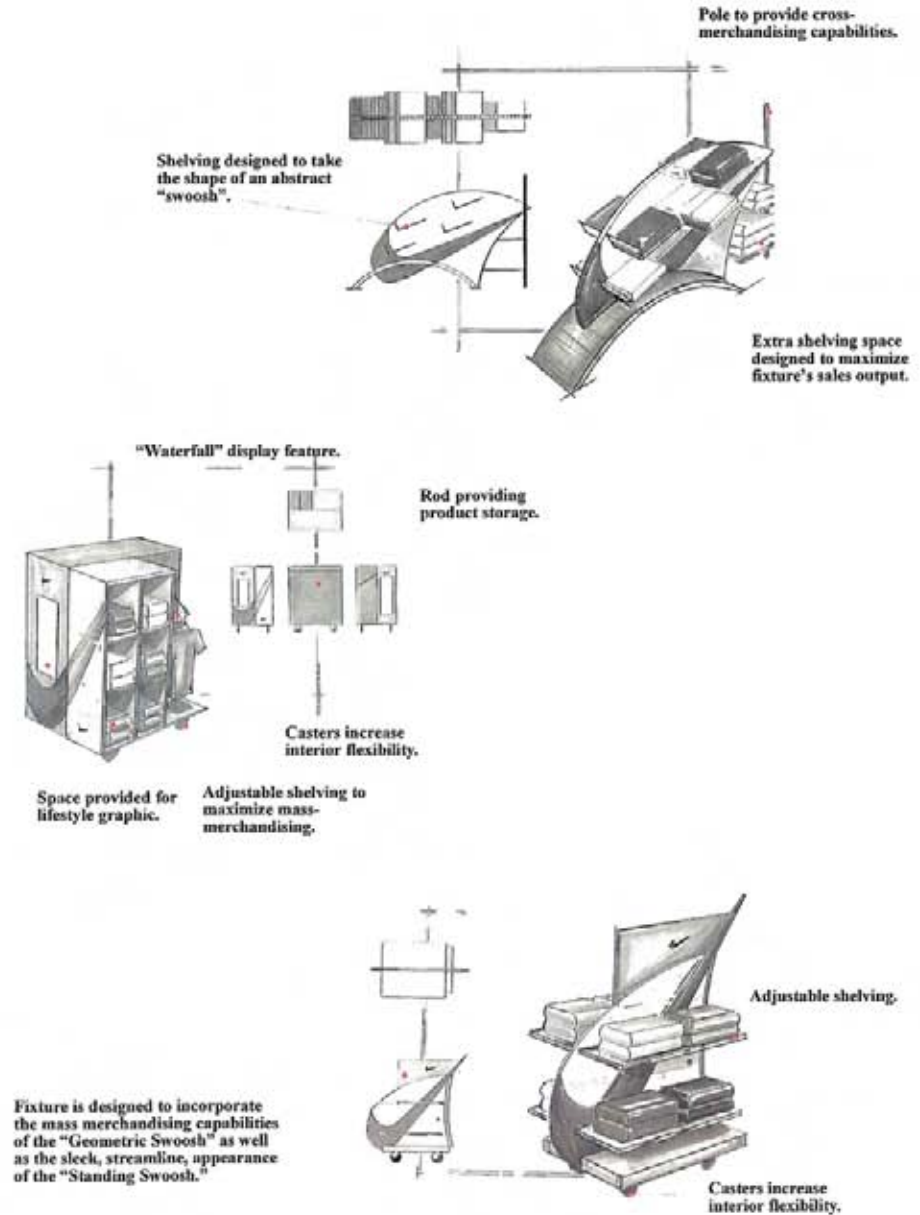
[http://www. Nike .com/](http://www.nike.com/)

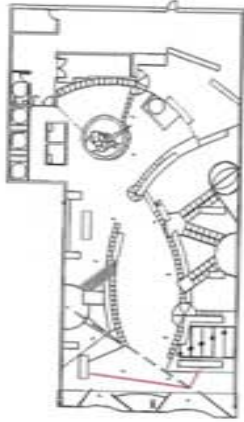
Geometric Swoosh





The fixtures are designed to be flexible, functional, and powerful three dimensional objects within the space. The Geometric Swoosh has a "boxy" appearance because it is a mass merchandiser. The function of the Standing Swoosh is to work more as a spacial delineator that channels customers throughout the space. Purple is a soothing color that will serve as a sedative to customers approaching this fixture for merchandise. Because the Nike Roller is much smaller in size than the Standing Swoosh, red was used to accent the clothing. The red "swoosh" will draw attention to the clothing placed around it.





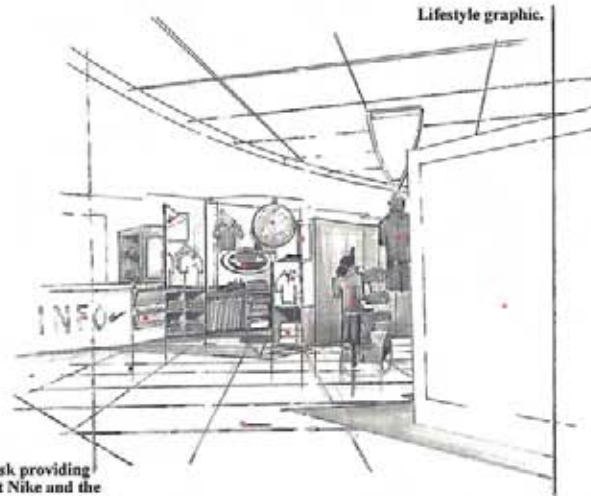
Three-dimensional lifestyle graphic identifying the space *Golf*.

The first perspective is of the "Nike Golf" area when entering the store on the right side. Because there is no interactive kiosk in this area, other three dimensional objects are used within the space to draw people to it as opposed to a red panel. What draws the shopper into "Nike Golf" is the golf ball suspended from the ceiling. Also, the Tiger Woods logo placed on the wall and the yellow flagpole add to the identity of the cove. The information counter to the left of "Nike Golf" will provide pamphlets and other literature that talk of the corporation. Merchandise is strategically placed throughout the area as an obstacle between the standing view point and the targeted destination point.



Tiger Woods logo.

Golf ball piercing through ceiling plane adding visual interest to the space.



Information desk providing literature about Nike and the regional stores similar to these.

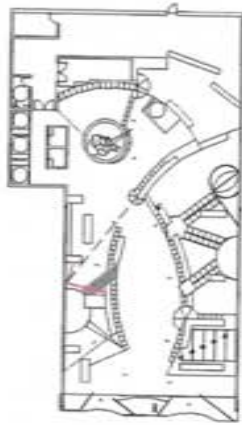
Lifestyle graphic.

Cross merchandising causes visual connection between overhead and floor fixtures.

Lifestyle graphic.

Cross merchandising displays within the perimeter walls.

Red "swoosh" placed throughout the interior that will function as a visual guideline from one cove to the next.



After the customer is ready to exit "Nike Golf", the visual point of interest shifts to another spot in the store. The red panel of one of the information kiosks is used to guide the shopper to another part of the space. Again, in order to get to that red panel, the consumer must walk by the highly merchandised walls. These walls are apart of "Nike Tennis". The glass tennis net on the floor is as a secondary element that will visually connect "Nike Tennis" directly to "Nike Baseball." The customer must now make the decision between venturing on to the red panel to see what lies in the rear of the store, or follow the tennis trail directly into "Nike Baseball."



Visual point leading people through the space.

Lifestyle graphics.

Three-dimensional lifestyle graphic identifying the space *Tennis*.

Lifestyle graphic.

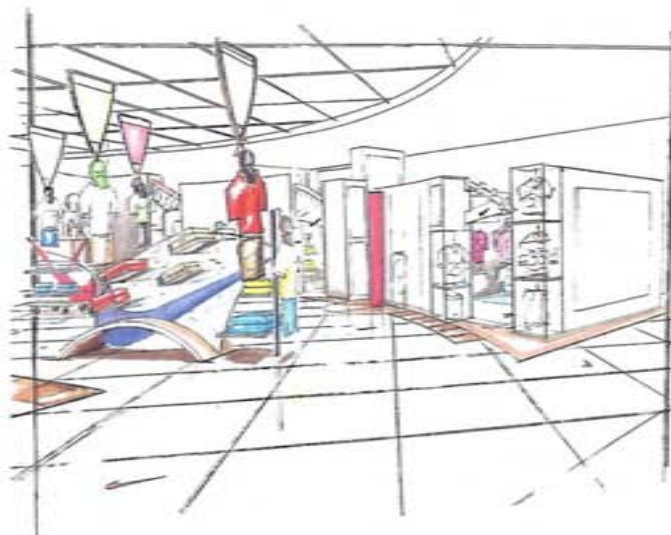
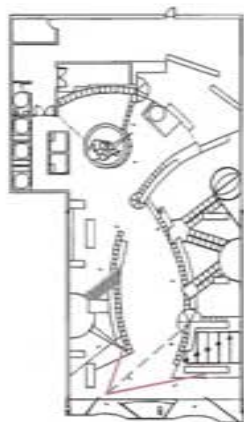
Cross merchandising displays within the perimeter walls.



Cross merchandising causes visual connection between overhead and floor fixtures.

Red "swoosh" placed throughout the interior that will function as a visual guideline from the *Tennis* cove to the red kiosk panel.

Glass "tennis court" used as secondary form of visual communication creating a direct pathway into *Baseball*.



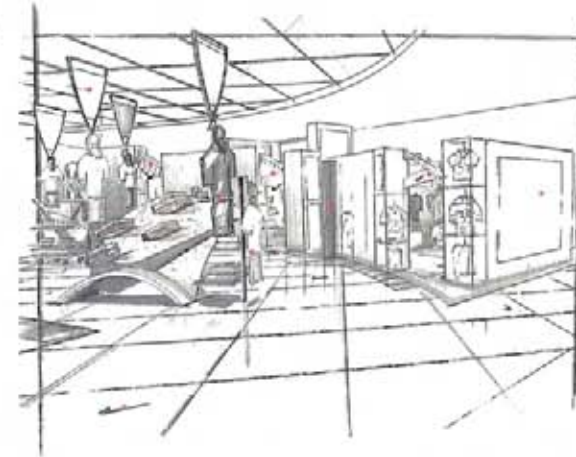
When entering the store from the left, the first visual piece of interest is the large panel attached to one of the interactive kiosks. The merchandise that is both on the fixtures and suspended from the ceiling is in front of this panel. The same strategy applies. In order to see the panel the customer must walk through all of the heavily merchandised fixtures. Secondary elements are used to entice the shopper into the cove areas. Shown here are football, baseball, and basketball. Each area is identified by a three dimensional element that describes the individual cove without word age. For example, the three dimensional element for "Nike Football" is a large string of an actual football connecting to walls together, etc.



Three-dimensional lifestyle graphics identifying the spaces as Football, Baseball, and Basketball.

Fixture suspended from ceiling grid displaying merchandise.

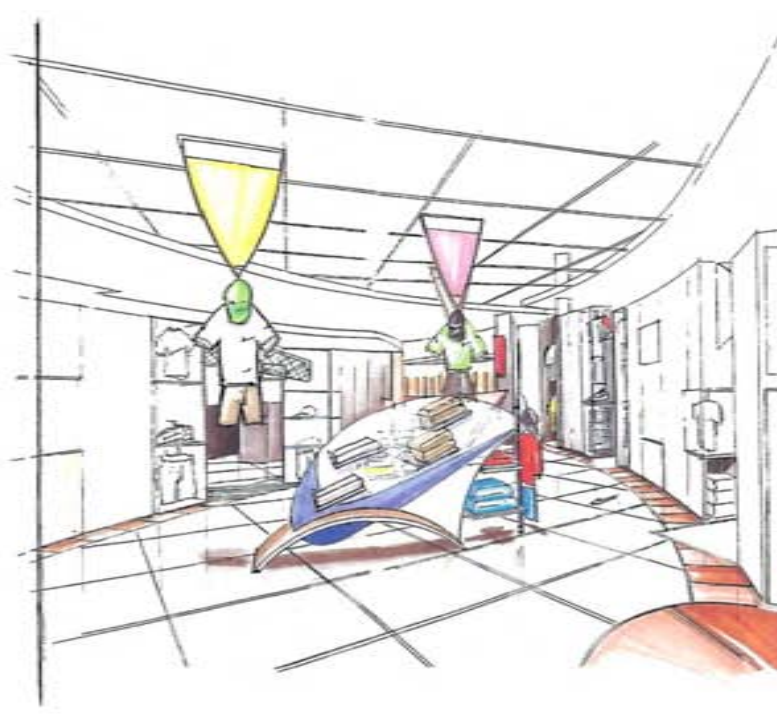
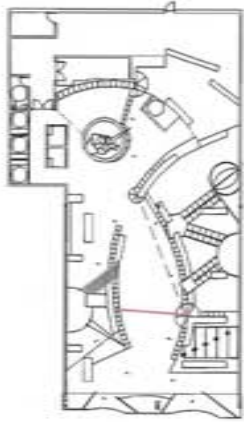
Cross merchandising causes visual connection between overhead and floor fixtures.



Red "swoosh" placed throughout the interior guiding consumers through the space connecting the floor graphics to the kiosk panels.

Visual point leading people through the space.

Lifestyle graphic.





After reaching the first red panel, the customer immediately identifies the second, which is directly in front of him. As the customer follows the curve of the wall, an occasional piece of merchandise will catch the attention of their browsing eyes. As the rendering shows, certain sections of the walls are actually offset from the rest to display merchandise. In addition to the walls, the fixtures placed throughout the space will guide the consumer through the pathway as well as merchandise the desired product of the store's choice.



Three-dimensional lifestyle graphic identifying the space *Tennis.*

Visual point leading people through the space.

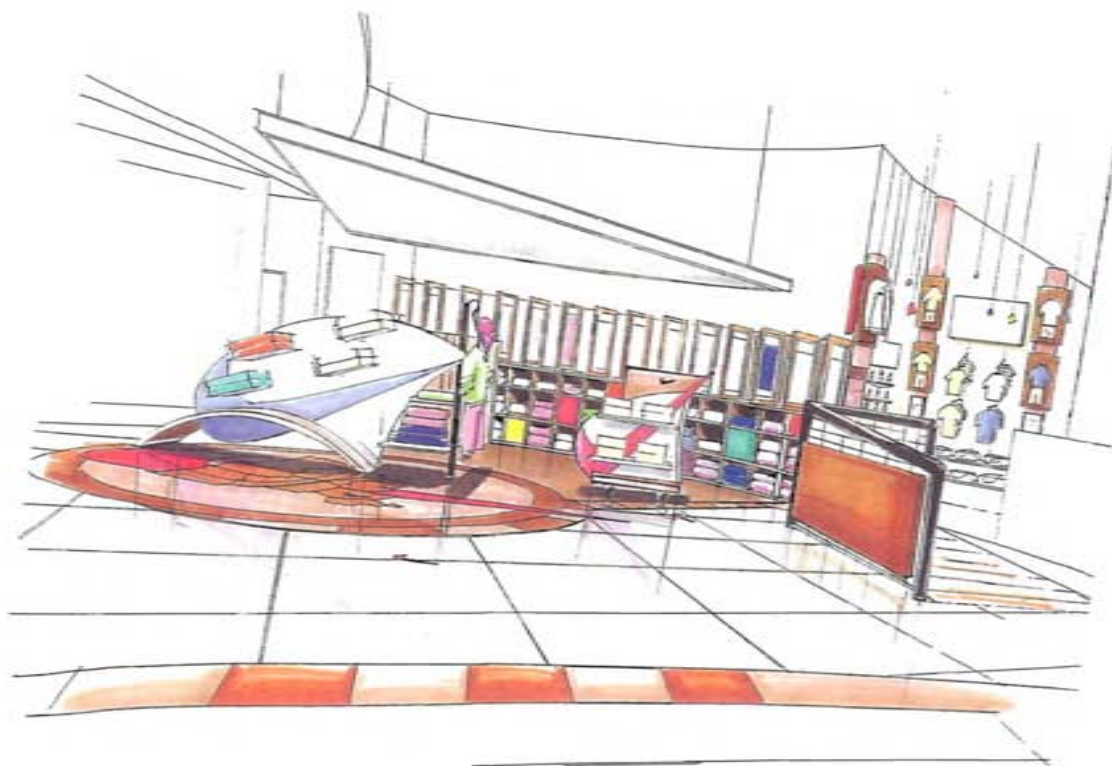
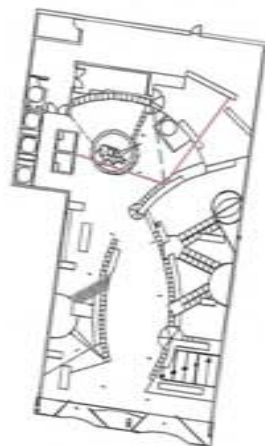
Fixture suspended from ceiling grid displaying merchandise.

Cross merchandising displays within the perimeter walls.

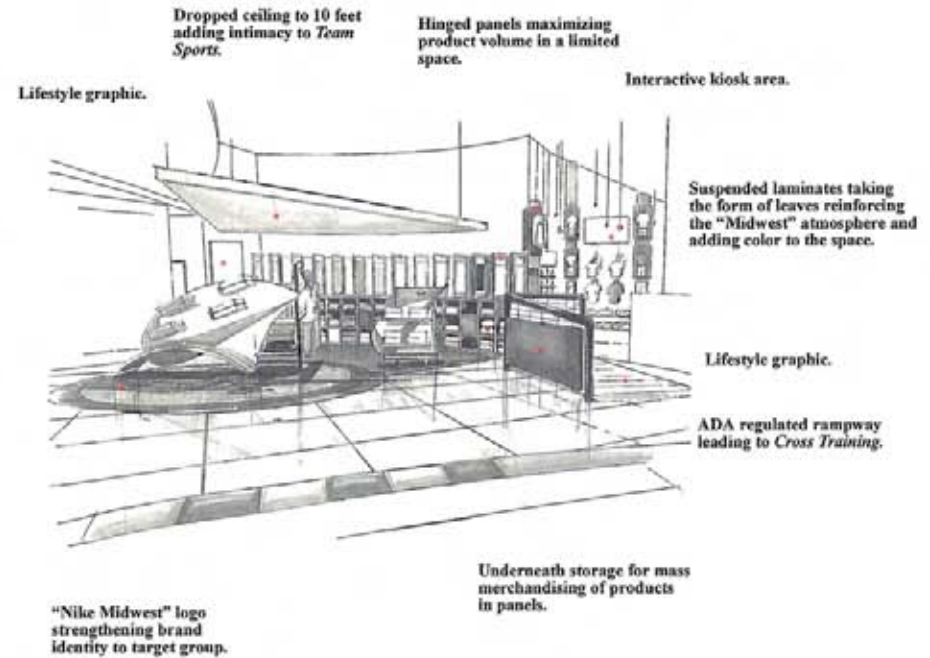


Cross merchandising causes visual connection between overhead and floor fixtures.

Tile track on the perimeter of the walkway keeps a steady visual path through the space as well as creating an intermediate barrier between the main walkway and the individual coves.



No matter which entrance customers walk through they will end up at this point, the rear of the store featuring "Team Sports" and "Cross Training". The final red panel is located directly between these two areas. After the consumer is drawn to this piece, he has the choice of which area to travel into for the desired good. By merchandising the "Team Sports" area with hinged panels, an increase in product accessibility in the smallest amount of space possible is achieved. A drop ceiling adds intimacy to the area. The interactive kiosks in the rear are located in the "Cross Training" section. Suspended from the ceiling around the kiosks are colored pieces of plastic that represent autumn leaves in an abstract form. The entire store will leave a lasting impression on the customers that journey through it and will assure a return engagement.





Information
Sent
To
Client

To: Mr. Bryce Dugan
Vice President of Merchandising
The Nike Corporation
Fax: (503) 532- 7328

3-27-98

From: Mr. Brent J. Zorich
Phone: (614) 326- 3713

Dear Bryce,

I am a senior in Interior Design at the Ohio State University. This Spring Quarter as a senior thesis I would like to develop a conceptual retail space for the Nike Corporation. I waive all rights to any design that I would do for your company and I am willing to sign any legal forms needed. I am asking for permission to use the Nike name for my thesis. Any additional information that you would provide to me in regards to your company I would greatly appreciate for I would have to do research on your competition and your market. My designs will receive feedback from not only my instructors, who are some of the top professors in the country, but from interior designers and architects from some of the top Interior/ Architectural Design firms in the world (NBBJ, Fitch, Retail Planning Associates, etc.). Nike would receive a well thought out conceptual retail environment that is at its disposal. Again, this is totally free of charge. I ask for nothing in return except for a letter of reference. Nike will receive copies of all of my research, design development, thought process, and final presentation that will be entirely at their disposal. Included is a resume that I am sending if you feel the need to do any background check on me. I thank you for your time and I am looking forward to working with you.

Sincerely,


Brent J. Zorich

Mock Proposal

ZORICH --- PATRICK

"An Innovative Design Firm"

Introduction

Zorich Patrick & Assoc is an industrial design firm established in the 1990's breaking the barriers in design and technology. ZPA designs separate themselves from their competitors by pushing the limits of technology, thereby, giving its clients an edge that will let them better their journey into the 21st Century. ZPA accomplishes this task through extensive research, planning, exploration, and allowing clients available to our services 24 hours a day. Our previous employers are all evolutionary leaders in their respected fields. They include Reebok and Conagra- just to name a few.

Our environmental department specializes in creating solutions to enhance the desired feel of a space. We at ZPA realize the many things that are in fact needed to bring a space to life. We accomplish this task, time and time again, by incorporating the latest technology along with the desired essence of the space, developing a solution that makes the client satisfied.

Our main goal at ZPA is to satisfy you, our customer, 100% to the best of our ability. We are honored that you have selected us to again break the technological and design barriers. Now, let us embark on a journey, together, that will help lead your company into the 21st century and build a better tomorrow.

ZPA

Project Overview

ZPA thoroughly understands its responsibilities in creating a retail environment that will not only better profit the Nike Corporation, but will illuminate with design and originality. The space must also reflect style and culture while still having the ability to relate to all customers who frequent the environment. The main goal is to create a retail environment that will bring you maximum commercial use.

The customer is to be of all ages and of either sex. ZPA will design do research to see what types of colors, shapes, and logotypes best appeal to that target customer.

The space is to be approx 5500 square feet and include the following: plenty of shelving units; entertainment area for customers; cash wrap area; ; and access to the main hallway. In addition, the store must follow the requirements of the building that it is being placed. We understand that the store is to be placed on the third floor in the City Center in Columbus, Oh.

ZPA understands that the final documentation is to be finished on May 28th, 1998. We also understand that the Nike Corporation is to be updated regularly and shown the progression of the store. An interim presentation is to be on April 27th to show the direction in which your store is being taken. From your input on that interim presentation, the final design will targeted.

ZPA acknowledges the fact that it is responsible for developing several drawings for the store. The floor plans and reflected ceiling plans are to be illustrated so that the contractor and architect can get a clear picture of the design, thereby allowing them to go into a production phase. The elevations, and perspective drawings are to be rendered in a way that will best illustrate the theme and space of the store.

Our Industrial Design Department will be designing the fixtures that are to be placed throughout the store. These designs will include renderings and technical drawings that are to be viewed by you on selected dates. We understand how the design of these fixtures are incredibly crucial due to the fact that merchandise will be sold on these. We also understand that the fixtures must be mobile enough to be moved around the store itself.

Finally, ZPA understand that our contract can be terminated at any time the

ZPA

Zorich Patrick & Assoc

customer seems fit; but, we will be compensated for the work that we have completed up to that time. Most importantly, we are a corporation that you are now a part. We appreciate your input on the project at any time and we look forward to beginning an honest business relationship.

ZPA

Program Structure

The following paragraphs explain the content of the stages that will be used in designing your store:

objective: the plan or goal or the phase; what we want to accomplish

key steps: the actual actions that are to be done during this phase

results: successful accomplishment of the key steps and plans for the next phase

Phases

- I Preliminary Concept Development
- II Concept Development
- III Design Development
- IV Architectural Development
- V Implementation

note!: for this particular project ZPA will only actually be doing the first three phases.

ZPA

Phase I Preliminary Concept Development

OBJECTIVE:

To review and document existing market positioning issues, sports apparel, and gain the necessary knowledge of the retail design market that will establish the foundation for the problem at hand.

KEY STEPS:

Research- typed report of documentation of text and field research consisting the following: (# indicates maximum hours to complete each component)

- ▶ local codes/ building codes/ ADA- 6
- ▶ landlord's requirements and criteria- 2
- ▶ customer profiles- 5
- ▶ environmentally responsible building products- 6
- ▶ merchandise assessments/ requirements/ visual merchandising opportunities- 1
- ▶ floor fixtures, display tables, standards, etc.- 3
- ▶ personnel/ equipment/ stockroom/ tasks/ anthropometric data- 10
- ▶ current/ future trends in store designs- 10
- ▶ evaluation of the competition- 5

Total Hours: 48

Store Audit- report documenting a complete evaluation of a several retail store where a similar market is shared. the report can cover the following things:

- ▶ store location: strategies of location/ competition/ easy to find
- ▶ storefront: design/ signage/ logo application
- ▶ packaging and merchandise
- ▶ customer profile
- ▶ fixturing: design/ layout/ strategic positioning/ moveability
- ▶ visual merchandising
- ▶ planning and layout: aisles/ traffic patterns/ fixture placements/ flooring changes

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- ▶ lighting: general/ accent/ specialty/ special effects/ design relationship
- ▶ focal points: location/ effect desired/ purpose/ shape/ color
- ▶ design: how does it effect customer/ effectiveness/ scheme/ essence
- ▶ colors, materials, finishes
- ▶ visual identity: does customer understand the theme of the store
- ▶ cashwrap: location/ size/ how many registers/ add on merchandise present
- ▶ total: 5 hours per report

Total Reports: 4

Total Hours: 20

Phase Hours: 68

RESULTS:

This phase will result in establishing preliminary concepts that will be used to begin to direct ZPA into the right direction. Our team of designers will now develop sketches and document personal ideas.

ZPA

Phase II Concept Development

OBJECTIVE:

To refine all of the images from phase one and begin to conceptualize a retail solution that best fits the requirements of the Nike Corporation. Begin to brainstorm possible solutions and ideas in a sketch book format.

KEY STEPS: 45 hours per schematic store

Concept Developments- beginnings of visual embodiment of two completely different store developments. the developments will consist of the following:

- ▶ concept planning
- ▶ sketch/thought journal kept for reference and client use
- ▶ entry and access exits
- ▶ traffic flow and circulation
- ▶ service and operation function planning
- ▶ merchandise adjacencies
- ▶ visual merchandise requirements and presentation techniques
- ▶ image development
- ▶ color and material schemes
- ▶ fixturing layout and design
- ▶ lighting selection and placement
- ▶ preliminary cost analysis
- ▶ client review sessions
- ▶ signage development, logos, lifestyle graphics

Total Schemes: 2

Phase Hours: 90

RESULTS:

To establish a final design direction through direct feedback with the Nike Corporation.

Phase III Design Development

OBJECTIVE:

To transfer all of the previously recorded data in the first two stages and prepare a final design for presentation.

KEY STEPS: 20 hours of collecting together feedback from phase two

Presenting the Nike Corporation the final composition on boards that will include a **minimum** of the following:

- ▶ floor plan- 2
- ▶ lighting/ reflected ceiling plan- 2
- ▶ adjacencies layout- 1
- ▶ image board- 3
- ▶ 7 perspectives- 105
- ▶ color and materials boards- 2
- ▶ fixture plan- 2
- ▶ floor covering plan- 2
- ▶ signage: logo application to interior space, store front signage- 5
- ▶ fixture details of display tables, and floor fixtures- 30

Phase Hours: 189

RESULTS:

Mutual agreement between the Nike Corporation and ZPA. Relaying the boards to the architects and engineers for Phase IV.

ZPA

Phase IV Architectural Development

OBJECTIVE:

To provide a site- specific architectural drawings package for the prototype installation.

KEY STEPS:

Verification of the actual site and preparation of architectural bound package. Handing over all documentation to the Nike Corporation and releasing all liability, thereby which the Nike Corporation gets architectural approval and begins the contracting stage.

RESULTS:

This is a bound package that includes the following:

- ▶ dimensioned floor plan
- ▶ storefront design, sections and details
- ▶ necessary elevations
- ▶ reflected ceiling plan
- ▶ schematic lighting plan-
- ▶ merchandising plans
- ▶ orthographic projections of fixtures
- ▶ colors- what types of paint, etc.
- ▶ materials-specs on what kind of wood/ plaster/ stone/ marble is being used
- ▶ specifications for all furniture, equipment, hardware

Phase Hours: 50

Phase V Implementation

OBJECTIVE:

To facilitate the process of bidding; to personally oversee the actual construction of the retail store; and to open the store to the general public.

KEY STEPS:

bidding phase:

- ZPA will provide documentation reproduction and distribution services during the bidding phase
- documented packages sent to a minimum of four contractors, if necessary

bid evaluation and contract awarding:

- ZPA will oversee all conferences between contractors and documentation
- ZPA will decide which one to pick for the Nike Corporation

building permit phase:

- all contracts are transmitted to the general contractor
- IT IS THE RESPONSIBILITY OF THE CONTRACTOR TO FILE FOR ALL PERMITS
- a representative from ZPA is available in case of emergency

construction supervision:

- ZPA will provide client with two on site supervisions (any additional will be charged)
- a representative from ZPA is available for merchandising the store for an additional charge
- ZPA will due an on site inspection at the end of construction to ensure that the structure was built as according to plan.

Phase Hours: 15

ZPA

Compensation For Services

The following is a list of the costs to employ ZPA. The phases run as follows:

ZPA hourly rate: \$102.79

<u>PHASE</u>	<u>CONTENT</u>	<u>HOURS</u>	<u>COST</u>
I	Preliminary Concept Development	68	\$6989.72
II	Concept Development	90	\$9251.10
III	Design Development	189	\$19,427.31
IV	Architectural Documentation	40	\$4111.60
V	Implementation	<u>15</u>	<u>\$1541.85</u>
TOTAL		402	\$41,321.58

A deposit of 30.3% must be paid in the form of a money order to ZPA in order for our firm to undergo the beginnings of Phase I.

Supplement payments will be made accordingly during the completion of each phase. Payments must be made within fifteen days after the completion of each phase or an initial (unless other agreements have been made) or an additional 5% late fee will be added on to the total bill.

ZPA shall honor the budget set in the document, but reserves the right to change the total amount on additional services not stated in this agreement. Note! The total dollar amount does not include the reimbursable expenses or the cost of the contractor. Every additional hour spent at the request of the Nike Corporation will have a fee of our standard hourly rate.

ZPA

Timeline of Events

<u>DATE</u>	<u>EVENT</u>
April 6th	Signing of business proposal
7th	Begin Phase I
13th	Meeting: Presentation of Phase I
14th	Begin Phase II
16th	Meeting: Review first concepts
20th	Meeting: Further review of concepts
27th	Interim Presentation: Completion of Phase II
28th	Begin Phase III
May 4th	Meeting: Refinement session of ideas
11th	Meeting: Further development of refinement
14th	Meeting: Final session of ideas
28th	Final Presentation

NOTE: All dates are subject to change based on the discretion of ZPA.

General Terms and Conditions

REIMBURSABLE EXPENSES

These are the expenses that cover the various forms of communication, resources, etc., that benefit the design of the store that our firm expects to be reimbursed in full for. They include, but are not limited to, the following:

- ▶ all travel
- ▶ lodging
- ▶ food
- ▶ postage and delivery
- ▶ outgoing phone calls
- ▶ reproduction and distribution of all drawings, prints, slides and photography, illustrative prints, photography, camera ready artwork, sketch model expenses, color renderings, and any other presentation materials

ZPA will, to the best of its ability, keep its expenses to a minimum. All receipts and records of expenditures will be documented for legal purposes. Payments will be made on the same date as the phase payments with all of the same regulations applying.

SUPPLEMENTARY SERVICES

These consist of all additional services not that are not already in any of the phases. All of these services are charged by our standard hourly rate. They can include, but are not limited to, the following:

- ▶ preparation of materials and drawings for marketing services
- ▶ on site assistance with fixture installation
- ▶ visual merchandising of the store
- ▶ providing additional site visits
- ▶ structural engineering services

APPROVAL

Zorich Patrick & Assoc will not advance into a subsequent phase without the signed approval of the Nike Corporation.

PLANNING AND DESIGN RECOGNITION

The Nike Corporation agrees to give appropriate recognition to ZPA as the designer of this space. The Nike Corporation also agrees to allow ZPA to photograph the store once opened and any time ZPA sees fit thereafter. These photos are to be used as portfolio reference to later benefit ZPA.

CLIENT'S RESPONSIBILITIES

- designate a project representative authorized to make decisions in regards to this project
- make available all technological or operational information related to your existing policies or procedures that might affect the progress of this project
- ensure, by signature, that all documents submitted by ZPA are approved in order to make time as effective as possible
- furnish any merchandise information needed to develop an effective merchandise plan
- purchase all fixtures, finishes, and furnishings as specified by ZPA and approved by the Nike Corporation
- arrange for any building permits, zoning applications, code inspections, and similar municipal approvals, as needed
- handle any and all steps required for final construction on completion of Phase III

ADDITIONAL SERVICES

These are any additional services that are not included in the original package. Services such as the following will be charged on our standard hourly rate:

- making any changes in the drawings after Phase III
- any additional hours in any of the phases due to drastic, last minute changes made by the contractor or the Nike Corporation (last minute defined as within 7 days of the projected completion of the phase)

ZPA

LIABILITY

All documentation that ZPA presents to the Nike Corporation is not to be considered as final and used for architectural use. ZPA claims no liability to the owner for any of these drawings that would be used for final architectural or engineering plans. In addition, these renderings and plans are considered to the property of ZPA until sold to the Nike Corporation. Any and all plagiarism of these documents will result in appropriate legal actions.

OWNERSHIP

The Nike Corporation receives all legal rights to do with the final design as he sees fit once ZPA is paid the full total. ZPA will then, and only then, give up its right of ownership on the final design.

TERMINATION

The Nike Corporation has the right to terminate this agreement at any given time. On return of the written notice, ZPA shall stop all work on the project. ZPA will be paid for all of the work done up to that time. **Note:** all work done up to that time of termination still remains the property of ZPA. Any duplication or reproduction of any work done by ZPA (including, but not limited to, drawings, renderings, research) shall result in immediate legal actions.

CONFIDENTIALITY

Information that is relayed between ZPA and the Nike Corporation shall remain confidential during the tenure of the business relationship. ZPA will use all information as it was initially intended; and upon conclusion or termination of this agreement, all information shall be returned to the Nike Corporation.

PROPOSAL

This contract is merely a starting point of a basic package. This proposal can be amended at any time by ZPA in order to ensure the Nike Corporation that they are receiving the most for their money.

ZPA

Closing Stage

ZPA is pleased to see your show of interest and trust. By signing this agreement the Nike Corporation will have become apart of our family.

We are confident in are abilities to complete the task that you have asked of us, and we need to start as quickly as possible. The designers at ZPA do stress the fact of client participation. We want you to be an actual part of our team, not just an observer on the outside.

If there are no further questions, please sign below and send us a copy of this agreement along with the initial 30.3% deposit. Upon receiving this, we commence into making all of your dreams of cigar store come true.

Sincerely,

Brent J. Zorich
Senior Design President
Zorich Patrick & Assoc.

Accepted By:

Brent Zorich
ZPA

Title

Date

ZPA





Phase 1

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Corporate Profile



NIKE

Athletic shoe titan NIKE is a powerhouse in the world of sports. It is the world's #1 shoe company and controls more than 40% of the US athletic shoe market. The company designs and sells shoes for just about every activity imaginable, including baseball, basketball, football, volleyball, cheerleading, and wrestling. NIKE also sells casual shoes and a line of athletic wear, including caps, leotards, running clothes, shirts, shorts, and uniforms. In addition, it operates NIKETOWN shoe and sportswear stores in several cities, including Boston, New York, and Seattle. NIKE sells its products in approximately 110 countries. CEO Phil Knight owns about 34% of the company.

HISTORY



1957 Bill Bowerman, the coach, and Phil Knight, the athlete, meet at the University of Oregon in Eugene.

1960 Knight goes to Stanford Business School while U of O runners break records in shoes handcrafted by Bowerman.

1962 Knight writes a market research paper about breaking Germany's domination of the U.S. athletic shoe industry with affordable, high-tech exports from Japan. After graduation, Knight travels to Japan and meets with the Onitsuka Tiger company. When asked who he represents, Knight ad libs "Blue Ribbon Sports," giving birth to Nike's forerunner.

1963 Knight's first shipment of Tiger shoes, 200 in all, arrives in December.

1964 Knight and Bowerman each contribute \$500 to BRS. Knight works as an accountant and distributes shoes at local track meets as Bowerman tinkers with footwear design. BRS sells 1,300 pairs of Tiger shoes, gaining \$8,000 in revenues.

1965 Jeff Johnson, a former track rival of Knight's, becomes BRS' first full-time employee.

1966 Johnson opens the company's first retail outlet.

1967 Bowerman initiates the development of the Marathon, the first running shoe made with a lightweight, durable, nylon upper.

1968 Made in Japan to Bowerman's specifications, the Cortez running shoe becomes one of Tiger's largest-selling models.

1969 Knight quits his day job. With 20 employees and several retail outlets, BRS approaches \$300,000 in revenues.

1971 A trading company called Nissho Iwai introduces BRS to import letters of credit, allowing BRS to subcontract its own shoe line. The Swoosh is designed by student Carolyn Davidson for a fee of \$35.

1972 BRS launches the Nike brand at the U.S. Olympic Trials after a dispute leads to a break between BRS and Tiger. Canada becomes BRS' first foreign market.

1973 American record-holder Steve Prefontaine is the first major track athlete to wear Nike shoes.

1974 The new Waffle Trainer with Bowerman's famous outsole becomes America's best-selling training shoe. BRS expands to Australia and opens its first American factory at Exeter, N.H. Employees number 250. Revenues reach \$4.8 million.

1975 The bright future dims when Steve Prefontaine dies before his time.

1977 BRS starts Athletics West, the first U.S. track-and-field training club for elite athletes. BRS sells shoes in Asia and subcontracts factories in Taiwan and Korea.

1978 Tennis great John McEnroe signs with the company – now officially called NIKE, Inc. Nike shoes are sold in South America and Europe.

1979 The Tailwind shoe introduces Nike-Air cushioning. The first Nike apparel line appears. With nearly 50 percent of the U.S. market revenues, Nike is the No. 1 running shoe. Nike-shod runners hold every record from 800 to 10,000 meters.





1980 Nike offers 2 million shares of common stock to the public. The Nike Sport Research Lab opens in Exeter, N.H. Employees number 2,700 and revenues top \$269 million.

1981 Alberto Salazar sets a world record in the New York Marathon. Nissho Iwai and Nike form Nike-Japan. With 3,000 employees, the company's revenues soar to \$457.7 million.

1982 The apparel line grows to nearly 200 styles and \$70 million as Nike undergoes massive growth.

1983 Nike-shod Joan Benoit shatters the women's world marathon record just before 23 Nike-supported athletes capture medals in the inaugural World Track and Field Championships in Helsinki, Finland.

1984 At the L.A. Olympics, Carl Lewis wins four golds and Joan Benoit triumphs in the first women's Olympic marathon. In all, 58 Nike-supported athletes take home 65 medals. International sales take off, reaching \$158 million in FY '84. Overall FY revenues reach \$919.8 million.

1985 Chicago Bulls basketball rookie Michael Jordan endorses a line of AIR JORDAN court shoes and apparel. Reduced earnings cause a "belt-tightening" to bring down costs and inventory. Employees top 4,200.

1986 Revenues pass the landmark billion-dollar mark, reaching \$1.07 billion.

1987 Revenues dip to \$877 million, but Nike-Air shoes re-establish Nike as the technological leader in the industry. The Air Max shoe gives athletes their first look at Nike-Air cushioning. The Air Pegasus, a Nike classic in its fourth generation, sells its 5 millionth pair. Cross-training emerges as the natural evolution of the fitness revolution.

1988 The Footbridge stability device streamlines stability shoes. Nike breaks new ground with the acquisition of Cole-Haas.

1989 The Just Do It campaign enters its second year. Nike sales grow through athlete endorsements, the "collections" approach to product, and the latest AIR JORDAN basketball shoe. Nike's net income reaches a high of \$167 million.

1990 The burgeoning international market helps Nike surpass \$2 billion in consolidated revenue. Employees number 5,300 worldwide. The Nike World Campus opens in Beaverton, Oregon, its seven buildings named after athletes, and the first NikeTown opens in Portland, Ore.

1991 Nike is the world's first sports company to surpass \$3 billion in total revenues. The Air Huarache running shoe introduces the custom fit. Cross-training goes outdoors with the Air Mowabb shoe and Nike F.I.T. apparel. Michael Jordan leads the Chicago Bulls to their first NBA Championship. Mike Powell breaks the 23-year-old long jump record in Tokyo. The sheer variety of achievements mirrors the breadth of Nike's growth around the world, as international revenues increase 80 percent, topping \$860 million.

1992 International revenues increase 32 percent to more than \$1 billion for the first time, making up 33 percent of total Nike revenues. Andre Agassi defies 50-1 odds to conquer Wimbledon. Lynne Jennings wins an unprecedented third consecutive World Cross-Country Championship and an Olympic medal. Six Nike hoop heroes lead the Dream Team to a flawless Olympic performance. Through an agreement between Nike and U.S.A. Track and Field, every U.S. track competitor wears Nike apparel.

1993 Michael Jordan leads the Bulls to their third consecutive championship, then retires to baseball. Kenyan Cosmas N'Deti wins his first Boston Marathon and the greatest no-hit pitcher in the history of baseball, Nolan Ryan, leaves the mound after 27 years. The Nike Environmental Action Team forms. Revenues reach \$3.9 billion in Nike's sixth consecutive record year.





1994 Nike launches P.L.A.Y. (Participate in the Lives of America's Youth), a multi-million dollar initiative addressing the need for recreation for kids. P.L.A.Y. includes Reuse-A-Shoe, a program that diverts more than 1 million shoes from landfills, grinds them up, and reconstitutes them into new court surfaces. Nike sponsors 10 members of the World Cup winning Brazilian team, as well as runners-up Italy, the U.S. National Men's and Women's Teams and the Chinese National Team. In Australia, Shane Warne becomes the first cricket superstar to sign with Nike. In Europe, Nike centralizes distribution at the \$138 million Laakdal Customer Service Center.

1995 Nike breaks industry records again, reporting \$4.8 billion in revenues. Pete Sampras repeats at Wimbledon and Cal Ripken beats Lou Gehrig's consecutive-games-played record. Michael Jordan and Monica Seles return to the games they love. Nike gains new presence on the field of play, signing licensing agreements with the NFL and Dallas Cowboys owner Jerry Jones. Fiery French striker Eric Cantona challenges racism in soccer in a series of Europe-only ads. Zoom Air footwear ushers in a new era for Nike-Air cushioning: sleek, low-profile and very fast.

1996 Mary Pierce wins the Australian open six months before the Atlanta Olympics showcase the world dominance of Nike-supported athletes and teams. Gold is won by the U.S. women in basketball, softball and soccer, the Nigerian men's soccer team, Carl Lewis, Gail Devers – and the fastest man in the world, Michael Johnson. The stars of Major League Soccer's inaugural season are the fans, supporting their teams – five sponsored by Nike – in unexpected numbers. Brazil teams with Nike in preparation for World Cup '98. Tiger Woods wins a record third-consecutive U.S. Amateur title and changes the face of golf. NikeTown New York opens. Drafting off the success of the 1994 purchase of Canstar Sports Inc. (renamed Bauer), Nike's Equipment Division forms to produce hockey skates, in-line skates, protective gear, sport balls, eyewear and watches. Nike's high-performance apparel leads yet another banner year, accounting for nearly 31 percent of Nikes \$6.5 billion in revenues.

1997 Nike Asia takes off, pushing revenues from \$300 million in FY'96 to \$800 million in FY '97. Two major Customer Service Centers open outside Seoul, Korea and Tokyo, Japan. China becomes both a source country and a vital market for Nike. The expansion of the World Campus continues, with plans to house 7,100 of Nike's 16,000 employees. Two-time NFL MVP Brett Favre leads the Green Bay Packers to their first Super Bowl win in 30 years. Tiger Woods wins The Masters by an unprecedented 12 strokes, becomes Augusta's youngest champion and officially begins his reign over golf. The WNBA makes pros of America's best women's basketball players. The Nike Air GX and Air Foamposite shoes bring new levels of comfort to soccer and basketball, respectively. Industry analysts predict Nike revenues will reach more than \$9 billion. And it all comes down to this: helping athletes perform.

evolution-of-the-logo



1964



1971



1978



1985



1995





CORPORATE PROFILES



Profile: Thomas E. Clarke
Position: President, NIKE, Inc.
Stats: Born 8/8/51 in Binghamton, NY; married

A competitive runner since 1966 (personal-best marathon time of 2:26) and a biomechanics Ph.D., Tom Clarke exemplifies Nike's spirit. Clarke coached the University of Florida track team until he earned his master's degree there in 1977. He then moved on to Penn State, where he received his doctorate in biomechanics in 1980.

Fortuitously, his first position at Nike as a researcher at its Sports and Research Lab in Exeter, NH, followed directly on the heels of his Ph.D. By 1983, he was Director of Product Development; by 1984, Director of the Beaverton-based Nike Sports Research and Development Center. By June of 1994, when he assumed Nike's presidency, Clarke had worn—by his own estimation—10 to 15 different hats at Nike, including that of Corporate Vice President of Marketing.

Current Duties: Tom Clarke's time is equally divided, he says, between financial activities like budgeting and planning, sports-marketing strategy and people management. Of the three, he feels the most important—and rewarding—is the last, keeping people working together productively and harmoniously.

Most Fun Part Of Nike: "The great diversity of people here."

Definition of the Nike Management Matrix: "It's nothing unique," says Clarke. "Any company with a cooperative rather than chain-of-command management style is a matrix. The matrix stands for cross-divisional work and communication."

Reading: Mostly American, French, German, Italian, and British magazines from *Wired* to *Elle* to ensure an overview of global tastes and interests.

Personal Sports: Running

Transportation: Alfa Romeo Spider

Personal Statement: "I can think of no higher praise than to be called a people-oriented leader. I hope that I can bring that to my work at Nike."





JUST DO IT.

Profile: Philip H. Knight

Position: Chairman and Chief Executive Officer, NIKE, Inc.

Stats: Born 2/24/38; married

A co-founder of Nike and former University of Oregon miler with a personal best of 4:10, Phil Knight received an MBA from Stanford University. His master's work provided the outline for the business that would become Nike, the world's number-one sports and fitness company.

His theory? High-quality running shoes could be designed in the United States, manufactured in Asia, and then sold in America at lower prices than the then-popular West German-made running shoes.

With a \$500 investment matched by his co-founder and former coach Bill Bowerman, Knight began Blue Ribbon Sports (Nike progenitor) in 1964. Off to an uncertain start, he sold his shoes out of the back of a station wagon but continued to practice as a C.P.A. and teach at Portland State Univ. until 1969.

The Cortez, the first shoe to appear under the Nike brand, arrived on the athletic scene in 1972. Since then, Knight has inspired numerous innovations in the business of sports, including futures-based ordering; substantial investment in long-term product research and development; national media reinforcement of performance and styling ties between product and athlete; and the creation of a customer-service program supported by a full-time technical team.

Current Duties: "There is no typical day," says Knight. "Overall, I'd say I listen to my colleagues define Nike's business challenges during the day but the answers and ideas come when I least expect them—out on a trail run, riding in an airplane."

Nike's Potential Growth: Knight wants to see Nike become a truly global sports and fitness company over the next five years. Global thinking, he stresses, identifies not only potential markets but types of sports and athletes that deserve Nike support.

Most Fun Part Of Nike: "Watching the progress as measured in different areas, including earnings per share and the less tangible growth of the management team," Knight says, "keeps me around."

Reading: Focuses on Asia, history, and popular fiction but says "there's not a lot of pattern—I browse bookstores as a hobby."

Personal Sports: Tennis, running and golf.

Personal Statement: "It's now my job to create an atmosphere of peace in the chaos of business—something I've learned from Asian business style."





Economic & Employment Profile



Employment

As of January 31, 1998

23,606	Number of Nike, Inc. employees worldwide
19,524	Number of Nike employees worldwide
4,082	Number of Nike, Inc. subsidiary employees worldwide
12,979	Number of total Nike, Inc. U.S. employees
7,837	Number of Nike employees outside the U.S.
5,363	Number of Nike Oregon employees
1,700	Number of Nike Tennessee employees
195	Number of Nike North Carolina employees

AIR JORDAN



Shareholder Value

- Nike shareholders have seen the stock price rise 3686% since Nike went public in 1980.
- Nike shares have gone from \$1.375 to \$52.06 in that time.
- Nike's market capitalization (i.e. the value of Nike as determined by the market price of Nike stock times the shares outstanding) has increased more than \$14 billion since the corporation went public ... from \$386 million to more than \$15 billion.

United States Economic Profile

12,979	Number of total Nike, Inc. U.S. employees as of 1/31/98
1,100	Number of Nike manufacturing jobs in the U.S.
74,000	Number of employees employed with other large and small businesses in retail jobs as a result of Nike's 1996 sales (see footnote)\$361 millionU.S. payroll paid \$342 millionFederal taxes paid75 millionNumber of apparel units made for Nike the U.S. 40 percentAmount of Nike's apparel made in U.S. (30 factories; 4,000 garment full-time factory workers, 350 materials mills factory workers)
in	
\$10.5	Amount in cash/products donated to non-profits globally

REECE



Footnote

Methodology used looks at average revenue generated per retail athletic goods employee and then divides that figure into Nike's 1996 sales converted to retail dollars. Under these assumptions, Nike accounted for nearly 74,000 retail positions in the U.S. alone, assuming that these jobs would not exist otherwise (i.e. that the loss of our sales and thus jobs would not be compensated by another brand selling more product).

This number excludes U.S. workers who were employed through Nike domestic spending involved in the following activities:





Beaverton, Ore. (March 12, 1998)

NIKE, INC. ANNOUNCES DETAILS OF U.S. JOB REDUCTIONS

- Severance Packages Offered Include Pay, Extension of Health Care Benefits, Continued Access to Employee Child Care Program, Outplacement Services, Career Fair, Low Interest Loans and Relocation Assistance -

Nike, Inc., today informed its employees about the reductions it will make later this month in its workforce in the United States and the severance packages that will be offered.

In total, Nike, Inc. currently estimates that it will eliminate approximately 450 full-time U.S.-based employees, or three-and-a-half percent of its total U.S. workforce. At its Oregon headquarters, jobs are being reduced by approximately 250. Further job reductions are being made outside the U.S. Details of those reductions will be made when the company releases its third-quarter earnings on March 18, 1998.

"In response to the impact of the Asian economic crisis and the slowdown in our U.S. footwear business we have to make some difficult but necessary decisions to reduce our costs," Nike President and Chief Operating Officer Tom Clarke told employees. "All of us have seen friends and long-time colleagues leave the company recently. And that's tough on everyone."

"We have worked hard to make this process as fair as possible, and we are offering affected employees competitive severance arrangements to help them transition to their next job," Clarke added.

Impacted U.S. employees will be offered a severance package designed to be a fair and equitable bridge or transition to their next career opportunity. Severance pay offered will range from two weeks to one year's salary depending on job tenure and level. For instance, an entry-level worker with Nike, Inc. for less than a year will be offered one-and-a-half months' severance pay.

A mid-level worker with the company for five years will be offered up to four- and-a-half months' severance pay. A senior executive with Nike, Inc. for 15 years would be offered up to 10-and-a-half months' severance pay.

The severance package being offered to affected employees also includes:



- Three months' continuation of medical, dental and vision coverage the employee has in force
- Outplacement services
- 100 percent vesting of 401(k) matching contributions
- Access to low interest emergency bridge loans through the Bank of America to supplement the severance package and assist impacted employees.
- Relocation assistance for employees who have been hired and relocated in the past year
- Continuation of tuition reimbursement for the remainder of the term for those currently enrolled in an approved course
- Access to the Joe Paterno Child Care Center until the end of the present school year (June 19, 1998) for those currently enrolled





Nike, Inc. has contracted with Right/Chapel Stowell (based in Lake Oswego, Ore.), a worldclass outplacement firm, to provide help to all impacted employees. Services include access to a local career center equipped with training rooms, computers, faxes and phones. The center will be staffed with outplacement counselors, word processing personnel and job developers. Employees will receive counseling, career assessment, resume preparation, interviewing training/coaching, and job leads. Employees in locations outside Oregon will receive similar services from one of the consultant's local offices.

In addition, Nike, Inc. has organized a career fair will be held in late-April in Portland, Ore., to which more than 20 local and national companies have indicated they will attend.

"I have seen numerous job force reductions in the past," said Annelies Anderson, senior vice president with Right/Chapel Stowell. "I feel very strongly that Nike is doing a very thorough, compassionate and caring set of planning and details not only to help the impacted employees but the retained employees as well."

Nike, Inc. has been through two workforce reductions in the past. In 1987, it cut its job force by 269. In 1993, it reduced 459 jobs. After both instances, Nike's business rebounded significantly. In the past four years, Nike has more than doubled its workforce from 8,100 to 19,000 jobs.



CORPORATE ADDRESS



Address: NIKE, Inc.
One Bowerman Dr.
Beaverton, OR 97005-6453
Web Site: <http://info.nike.com>
Phone: 503-671-6453
Fax: 503-671-6300

Ticker Symbol: NKE
Exchange: NYSE
Fiscal Year End: 05/31
Sales Year: 1997
Sales (millions \$): 9186.5
1-Yr. Sales Change: 41.97%

CEO: Philip H. Knight
CFO: Robert Harold

JUST DO IT. 





THE
CONTROVERSY -



BUSINESSMARCH 30, 1998 VOL. 151 NO. 12

Taking A Look Inside Nike's Factories

By BILL SAPORITO

Last week an activist group called the National Labor Committee accused Nike and other companies of running virtual slave factories in China, alleging that workers are habitually overworked and underpaid. It's the kind of charge Nike has faced, and denied, repeatedly regarding its operations in Asia. Nike subcontractors employ nearly 500,000 workers in plants in Indonesia, China and Vietnam.

TIME visited Nike plants in China and Vietnam recently and found them to be modern, clean, well lighted and ventilated, and paying decent wages by local standards--although by no means are they trouble free. Make no mistake: these are factories, not amusement parks, and even in developing Asia, where jobs are scarce and getting scarcer, this is not the employment of choice. It's low-tech assembly work that hasn't changed much since Nike chairman Phil Knight first started sourcing sneakers in Japan 35 years ago. Since then, the work has migrated in search of ever cheaper labor.

At the Yueyuan Factory No. 3 in Dongguan, in the Guangdong province of China, Zhang Jinming, 21, who comes from the poor inland province of Jiangxi, runs a stamping machine. "I work here because I have to earn a living, but it's boring work. When I have money, I'll go back," he says. [TIME used its own interpreters.] The average monthly wage is 600 renminbi, or \$73. The company provides meals and living quarters in spartan although adequate dorm rooms that sleep 12 and offer individual storage closets and ceiling fans for the summer. In Vietnam, by comparison, the minimum wage is \$40 a month, and workers must pay for such accommodations.

Indisputably, there have been cases where supervisors abused workers, including a well-known incident at Pou Chen's Bien Hoa plant in Vietnam when several women fainted while being forced to run laps around the perimeter of three warehouses as a punishment. Workers there have no confidence in the grievance system, and some still fear reprisal from bosses. "The manager wants us to meet the regulated number," says a 27-year-old woman. "When we don't and there's a gap, they force us to work extra to meet the quota." Workers have also complained that they were paid as temporaries for longer than the law allowed, and not given automatic raises after one year, as required. Nike says it has fixed those problems.

Another huge issue is the question of a fair wage. "Americans pay \$100 for a pair of shoes that a worker gets \$3 a day to make," says Kimberly Miyoshi of San Francisco's Global Exchange. "They pay Michael Jordan \$40 million to endorse them. Can't they find more money to pay the workers?" The short answer is no. Corporations pay the going rate for labor wherever they are. And Nike maintains that the rate is good. Research conducted by Dartmouth College, for instance, found that Nike subcontractors in Indonesia and Vietnam paid above subsistence levels, allowing workers to save a portion of their earnings. TIME found this to be true at Yueyuan.





Nike says it has a staff of 1,000 labor-practices managers enforcing a program the company calls shape--an acronym for Safety, Health, Attitude of Management, People, Environment. "We are the only company that has people dedicated exclusively to labor-practice enforcement," says Brad Figel, Nike's Washington lobbyist. Outside auditors as well as nongovernmental organizations have also had a look.

But Nike's critics have argued that the company cannot monitor work standards credibly with its own staff or with hired guns such as former United Nations ambassador Andrew Young, whom Nike paid to visit plants in China, Vietnam and Indonesia. He concluded that "Nike is doing a good job ... but Nike can and should do better." Activists dismissed his report as propaganda. Of course, if Nike can't reverse its recent sales trends, job conditions won't be a problem for many of these workers. They won't have jobs.



--With Reporting by Tim Larimer /Bien Hoa And Terry Mccarthy /Dongguan

THE PUBLIC REACTION



"You have to meet the quota before you can go home.

She hit all 15 team leaders in turn from the first one to the fifteenth...

The physical pain didn't last long,
but the pain I feel in my heart will never disappear.

The above statements were made by Thuy and Lap, woman workers at Nike plant in Vietnam, and reported by CBS in October 1996. However disturbing those comments might have been, they turned out to be but a scratch on the surface of a far more horrendous reality -- confirmed, quantified, and fully documented in a March '97 report by Vietnam Labour Watch during its visit to Vietnam. Similiar horrible conditions are confirmed in Nike factories in China as documented in a Sep '97 report from Hong Kong Christian Industrial Committee and Asian Monitor Resource Centre.

After a whole year of denying the labor problems documented by CBS News, Nike can no longer hide behind its multi-million public-relation campaign. An internal Nike document was leaked to the New York Times. The New York Times front-page article, "Nike Shoe Plant in Vietnam Is Called Unsafe for Workers", finally exposed many horrible labor conditions at a Nike factory.

Despite its progressive image in the United States, Nike is a very different company in Vietnam and in other Asian manufacturing operations. Reports of physical abuse, sexual abuse, salary below minimum wage and a debilitating quota systems are confirmed by CBS News as well other NGOs.

In response to these reports, Vietnam Labor Watch, an alliance of ordinary people has joined the Nike protest started by the Working Group on Nike -- a coalition between Interfaith Center of Corporate Resonsibility, Press for Change, Development and Peace





Global Exchange , Campaign for Labor Rights , National Organization of Women , Clean Clothes Campaign , Community Aid Abroad , Justice Do It Nike and several other NGOs. These organizations work together to persuade Nike Corp. to treat their overseas workers fairly. (Not all members of the Working Group on Nike advocate a boycott of Nike products.)

Please help this effort by signing two letters. The first letter is for President Clinton asking for his help. The second letter is to Nike's CEO, Mr. Phil Knight, urging him to resolve these issues in the spirit of human decency. We also urge you to refrain from buying Nike products until corrective actions are taken to improve these abhorrent working conditions, which have proven to be insulting to human dignity and neglectful of human conscience.

Please consult the facts and support this simple and necessary effort. Nike is a consumer oriented company and will respond to public pressure. The power of One is the starting point of power for All."

Take Action Now!
Protest, nike@saigon.com



THE RESPONSE

FOR IMMEDIATE RELEASE:
April 3, 1998

STATEMENT BY NIKE REGARDING ESPN's "Made In Vietnam: The American Sneaker Controversy"

Nike's ardent supporters and vocal critics are both correct: we lead the athletic footwear industry, we care about our workers and are working hard to create safe working conditions. If problems arise, we simply fix them. We have made a lot of progress but we need to continue to improve daily.

No abuse of any worker anywhere in our contract world is tolerable. None. Zero. When any such abuse occurs, we take action and expect our contract factory management to take action to punish the violator, make restitution to the victim, and to put in place training and other steps that help to prevent any further such behavior on the part of a manager.

In the incident cited by ESPN, where a Vietnamese line supervisor acted in an inappropriate manner toward workers, we asked for assistance in identifying the supervisor involved. When no such assistance was forthcoming from ESPN, we asked the factory management to re-double its training on management, and to assure Nike that any such behavior would be promptly dealt with. The identity of one supervisor was revealed in the broadcast. The contractor will be required to investigate and take appropriate corrective action. In a separate incident reported by ESPN that occurred at the Sam Yang facility, Nike acted swiftly and meted out an appropriate monetary fine and disciplinary action to the supervisor involved. That is the Nike standard.





However, the ESPN broadcast also raised two other fundamental issues that require more detailed explanation: wages and worker health and safety.

Wages

Wages may seem low by Western standards, but Vietnam is a country where the average person earns \$240 per year. The salary of the average Nike contract factory worker in Vietnam, \$552, exceeds that level by a factor greater than two; exceeds the mandated government minimum wage; and far outstrips most other indices of what constitutes a good salary in Vietnam. That would include the average incomes of many other Vietnamese professions, such as teachers, soldiers and peace officers.

A growing body of research on our worker wages from Dartmouth College, local in-country non-governmental organizations and our auditing firm Ernst & Young give us great confidence that the wages paid these workers are sufficient to provide income well beyond their basic needs. One such study indicated that workers are able to save varying percentages of their incomes and 54% of the workers owned TVs and VCRs.

Environmental health and safety of the factories

The broadcast also focused on the use of toluene as a potential health hazard and a contributor to poor air quality in our factories. Toluene – when used in harmful concentrations and unchecked by ventilation and proper personal protection – can be injurious to health. Indeed, toluene can be found in many household products, such as the spray paint used to touch up a rusty piece of garden furniture.

At Nike, we are very concerned about worker exposure to toluene. During the past four years, Nike contractors have been converting their assembly lines to safer non-toxic water-based adhesives. Like shifting from turpentine-based paints to water-colors, this changeover has had a tremendously positive impact on the indoor air quality in Nike contract factories. Three out of four assembly lines in Nike contract facilities now use this water-based adhesive. Our goal is to lead the industry by eliminating solvent-based adhesives and potentially harmful substances such as toluene, the current standard in all other buyers' contract footwear factories, by June 1999. At the one factory ESPN did visit, Tae Kwang Vina, Nike also oversaw installation of new ventilation systems, and the training of managers. Though the factory is not perfect, the \$500,000 it invested in these improvements, coupled with a greater awareness of the health issue, has definitely had a positive impact. A recent re-audit of that facility by Ernst & Young found marked improvements. Even ESPN's report acknowledged acceptable ventilation within the factory.

In January 1998, Nike's outside health expert met with Vietnamese testers to review their methodology. Clearly, Vietnamese testers have the health and safety of the worker in mind, as do we, they admittedly do not possess the equipment nor even the basic laboratories to be able to conduct precise industrial hygiene testing.

In addition, it is time to put to rest the absolutely false claim that 18 months ago workers in the Tae Kwang Vina factory were exposed to levels as high as 177 times the Vietnamese standards for permissible exposure. This concept – and that specific figure – was identified over a year ago in an Ernst & Young audit. That audit cited a local Vietnamese government health survey that indicated levels of solvent fumes extremely harmful to health, and





many times in excess of the Vietnamese standards. We knew these test results were inaccurate based upon earlier testing conducted at Nike's request in July 1996 by an international environmental specialist. Using a second internationally certified tester, Reliance Insurance, we have since re-verified that no worker at that factory or any other we have tested faces anything like the levels, or frequency, of exposures cited.

Epilogue

The report served to illustrate the global nature of today's economy. Indeed, ESPN is itself a part of that economy, in that its corporate parent has apparel (including ESPN logo apparel) manufactured in thousands of contract factories around the globe. The task of overseeing the labor practices in a universe of factories that numerous and diverse is a daunting task. We know, as we appreciate how difficult it is with even a few hundred Nike contractors to oversee.

We take our manufacturing responsibilities seriously. We are concerned about the health and safety of our workers and would never willingly or intentionally place our workers in physical jeopardy or unhealthy environments.

We welcome an ongoing dialogue with labor and human rights groups, universities, other global manufacturers and consumers and are always open to solutions to enhance the experience of the 500,000 workers who manufacture our product daily.

(More Labor Practice information is available under the Responsibility menu at the top of this web site.)

[posted 1998-03-26 10:46:18]

Maybe Nike Can't

by ISWire Staff Writer



Washington, DC, MAR. 25 (ISWire Sports Beat) - It has already been a tumultuous 1998 for Nike Inc. -- and now comes word the athletic shoe and apparel giant will be slashing the swoosh even further by cutting worldwide marketing by as much as \$100 million.

Nike sidelined the mother of all catch phrases, "Just Do It," in order to install "I Can" as the new company credo, but the new phrase has yet to fly with consumers, prompting Nike's toothless if not swooshless return to the drawing board.

The revisiting of the "I Can" campaign is startling since this major promotion was widely advertised and launched the world's largest sports showcases around, the Super Bowl and the Olympics.

"Our problem has not been too much marketing," said Nike founder and chief executive officer Phil Knight, "but ineffective marketing."

THE
DOUBTERS





Nike recently announced a layoff stemming from a previous admission that the company would not meet earnings projections for the fourth quarter of fiscal 1997. Nike has also experienced a 15 percent drop in revenue from

United States athletic footwear and apparel for the third quarter of fiscal 1998. Nike is attempting to determine what ways they can scale back marketing spending in order to contribute to an overall planned \$325 million cost-cutting initiative.

Published reports have placed Nike's advertising spending in 1997 at about \$891 million the company almost matched its entire United States spending on advertising in 1996, \$191 million, in the first three months of 1997 with \$137 million. On the horizon for Nike include a \$40 million marketing thrust into the soccer market to coincide with World Cup 98 in France. Nike also has the launch of its new line of athletic shoes and apparel under the brand name Alpha slated for a late 1998 debut.

The financial dilemma Nike has undergone was blamed largely on the crisis in regression of the Asia market as well as a youth market in the United States shifting to hiking boots or "brown shoes." Nike enjoyed stratospheric success in fiscal 1997 when United States apparel sales rose to \$1.43 billion as opposed to \$338.5 million in 1994.

After this jump, Nike invested heavy into the outfitting of professional and collegiate sports teams, including designing the National Football League (NFL) Denver Broncos new uniforms and logo. In fact, Nike even claimed a small degree of responsibility for the Broncos reaching and winning Super Bowl XXXII the first year sporting their new Nike uniforms. The company saw an enormous jump in total sales between 1994 and 1997 \$3.79 billion to \$9.19 billion.

THE SOLUTION



NIKE'S RESPONSE TO ANDREW YOUNG'S REPORT ON THE NIKE CODE OF CONDUCT



Our NIKE Code of Conduct sets out a basic goal – for NIKE, and for all of our business partners – always to do what is expected, as well as required, of a leader.

In this spirit, in February, we decided to seek a separate and independent assessment of the extent to which our contractors are complying with that Code. We turned to one person we thought had three attributes that would make that assessment most valuable.

First, a truly independent voice. Second, a person with experience and understanding of the developing world, where most of the world's apparel and footwear products are made. And third, someone who was not party to the issue, who would bring a fresh perspective to bear.

Andrew Young, former United Nations Ambassador, lifelong human-rights advocate, with a wealth of experience in labor and factory issues, was an obvious choice.

Today, after six months of investigation, Ambassador Young delivered his report.





His overall assessment is that we are doing a "good job." But good is not the standard NIKE seeks in anything we do.

We are acting now to improve in every area where he suggests we improve.

His recommendations, and our response, are:

1. Recommendation: "NIKE should continue its efforts to support and implement the provisions of the Apparel Industry Partnership."

Action: NIKE was the first company to join. We will continue to work with our Partnership colleagues from the apparel industry, and related labor, human rights, religious and consumer groups. NIKE is represented on all of its various subcommittees, addressing implementation of the new Code and its monitoring principles. The most-recent meeting was held the very day Ambassador Young presented his report to us.

We will carry this message of industry, labor and rights groups cooperation to all of our business partners and others in the industry. We will urge other apparel and retail companies to sign on. In the past two weeks we have already begun to do this with other athletic, dress and casual footwear companies.

2. Recommendation: "NIKE should take more aggressive steps to explain and enforce the Code of Conduct."

Action: As a result of comments made during Ambassador Young's factory inspection tour in March and April, NIKE reinforced implementation of the Code of Conduct and its monitoring principles by conducting eight weeks of training for NIKE production people and contract factory management in Asia, in 11 countries and 15 cities. We will follow up by:

0.Ensuring that contractors provide every employee with renewed Code of Conduct training and a simplified, written form of that Code.

a.Redoubling our efforts to ensure that every NIKE contract factory has the Code posted visibly in every major workspace, in the language of both the worker and the manager, when those languages are different.

b.Add to our auditing procedures to assure that the Code of Conduct is understood, that training, posting and personal copies of the Code have the desired impact: that workers truly understand their rights, and management its obligations.

3. Recommendation: "NIKE should take proactive steps to promote the development of 'worker representatives' in the factories who can effectively represent the workers' individual and cumulative interests."





Action: NIKE contract-factory-worker representation spans a broad spectrum around the world, from worker-management committees to full trade unions. NIKE will survey existing worker-representation processes and require each of our contract factories to redouble its efforts to assure that workers truly have a voice in workplace issues.

4. Recommendation: "NIKE should insist that the factories which manufacture its products create and enforce a better grievance system that allows a worker to report a complaint without the fear of retribution and abuse."

Action: NIKE will survey existing grievance procedures in our contract factories and with other industries and factory groups. We will require each of our contract factories to adopt and implement one of several model procedures, as appropriate to its size, current representation system, and the effectiveness of that current system.

In addition, NIKE will create several pilot ombudsman projects to determine how well an outside voice can supplement and enhance the grievance procedure.

5. Recommendation: "NIKE should expand its dialogue and relationship with the human-rights community and the labor groups within the countries where they produce goods and with their international counterparts."

Action: NIKE has already begun this process. Starting in major source countries, we are seeking to establish regular sessions with groups that can foster productive dialogue on contract-labor issues. The Apparel Industry Partnership and a quarterly conference call with concerned investor groups are two of several forums in which we will continue to address these issues with affiliated and interested international parties.



6. Recommendation: "NIKE should consider some type of 'external monitoring' on an ongoing basis as a way to demonstrate its commitment to the Code of Conduct and to insure its effective application."

Action: Specifically, Ambassador Young recommends two steps: (a) establish an ombudsman function, and (b) establish a small panel of distinguished international citizens to provide a continuing oversight role similar to that undertaken by the ambassador. We're already doing the first, as noted above. We're working now to appoint an international oversight panel to fulfill the second.

Because NIKE is a leader, we have decided to take further steps beyond Ambassador Young's recommendations, but speaking to issues he raised.





1. NIKE will strengthen the penalty system for contract factories found in violation of the NIKE Code of Conduct. This includes escalating monetary penalties, whose proceeds will fund: (a) remedial action to correct the violation or (b) investment in worker education, recreation or habitability-enhancement programs.
 2. We are determined that the 500,000 jobs created by NIKE's contract relationships around the world continue to be the best jobs in the business. If any contractor consistently fails to adhere to our Code of Conduct, we will terminate their relationship with NIKE.
 3. With our partner factories, NIKE will establish an ongoing training system for managers and supervisors that includes (a) basic people-management skills; (b) education in local culture for expatriate managers and (c) learning the local language.
 4. Ambassador Young has identified the need for a higher level of host-country management in factories owned and operated by foreign investors. NIKE will assess current levels of indigenous management, and establish action plans with each contractor to assure that local management is integrated at the highest levels.
 5. NIKE will continue to test pilot projects to measure the effectiveness of independent monitoring by third parties. To date two such projects have been undertaken in two countries. A third is under way.
- NIKE will implement each of the actions noted above by Jan. 31, 1998, and then reassess further steps or the enhancement of those already taken.



In addition, NIKE will continue to implement a comprehensive factory inspection program, called SHAPE (Safety, Health, Attitude of Management, People Investment, Environment) in all contract factories worldwide. Our aim is to ensure that every aspect of the factory work experience meets NIKE standards, from fire drills and sanitation to worker training and recreation programs.

Since 1994 NIKE has had independent auditors test factory compliance with our Code of Conduct. We are encouraged that Ambassador Young has found these audits to be "professionally done, (and) rigorous." We will redouble our efforts to assure they are an effective tool. By Aug. 1, 1997, NIKE will have in place a single, unified set of instructions to make sure that every independent audit, anywhere in the world, by any auditor, is done to the same standard.





NIKE management appreciates not only the independence and objectivity that Ambassador Young has brought to these issues, but the many other voices in government, the human rights, labor, religious, consumer and business communities, that have also contributed valuable insight.

Ambassador Young has demonstrated – on his assignment for NIKE, but also over 40 years of public and private service in human-rights arenas – that these issues are always best served by reasoned, honest and respectful discussion. We are committed to that course.

Talk to us. Ambassador Young's Report.

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NIKETOWN Store Audit

TO ALL ATHLETES AND THE DREAMS THEY CHASE
WE DEDICATE N I K E T O W N



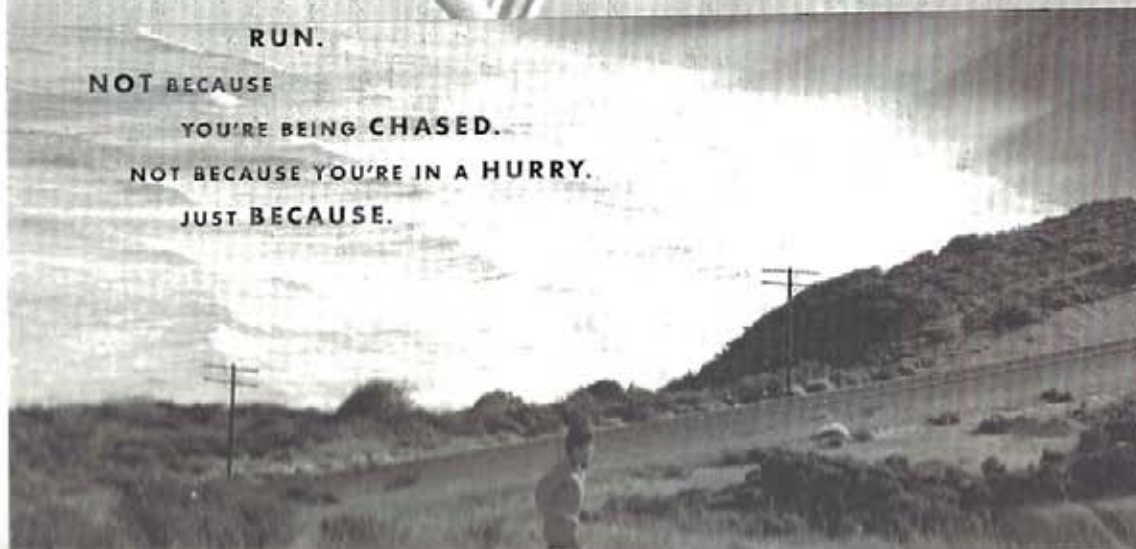
RUN.

NOT BECAUSE

YOU'RE BEING CHASED.

NOT BECAUSE YOU'RE IN A HURRY.

JUST BECAUSE.



N I K E T O W N

L O C A T I O N S

ATLANTA

Phipps Plaza in Buckhead
3500 Peachtree Road NE
Atlanta, Georgia 30326
404 841 6444

CHICAGO

Michigan and Erie
669 North Michigan Avenue
Chicago, Illinois 60611
312 642 6363

LAS VEGAS

The Forum Shops at Caesars
3500 Las Vegas Boulevard South
Las Vegas, Nevada 89109
702 650 8888

NEW YORK CITY

57th and Fifth
6 East 57th Street
New York, New York 10022
212 891 6453

PORTLAND

Sixth and Salmon
930 SW Sixth Avenue
Portland, Oregon 97204
503 221 6453

SEATTLE

Sixth and Pike
1500 Sixth Avenue
Seattle, Washington 98101
206 447 6453

BOSTON

Newbury and Exeter
200 Newbury Street
Boston, Massachusetts 02116
617 267 3400

HONOLULU

King Kalakaua Plaza
2080 Kalakaua
Honolulu, Hawaii 96815
808 943 6453

LOS ANGELES

Wilshire and Rodeo
9560 Wilshire Boulevard
Beverly Hills, California 90212
310 275 9998

ORANGE COUNTY

Triangle Square
1875-B Newport Boulevard
Costa Mesa, California 92627
714 642 6363

SAN FRANCISCO

Post and Stockton
278 Post Street
San Francisco, California 94108
415 392 6453

C O M I N G S O O N

MIAMI

Shops at Sunset Place
FALL 1998

DENVER

Denver Pavillions
SPRING 1999

1 8 0 0 3 5 2 N I K E

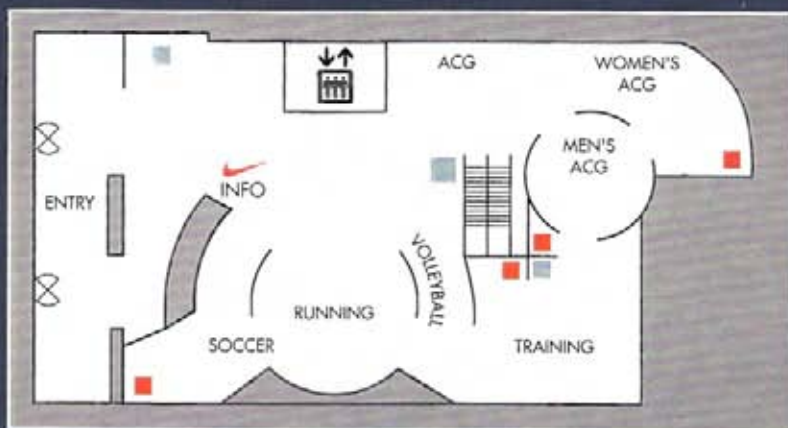
www.nike.com



STORE MAP

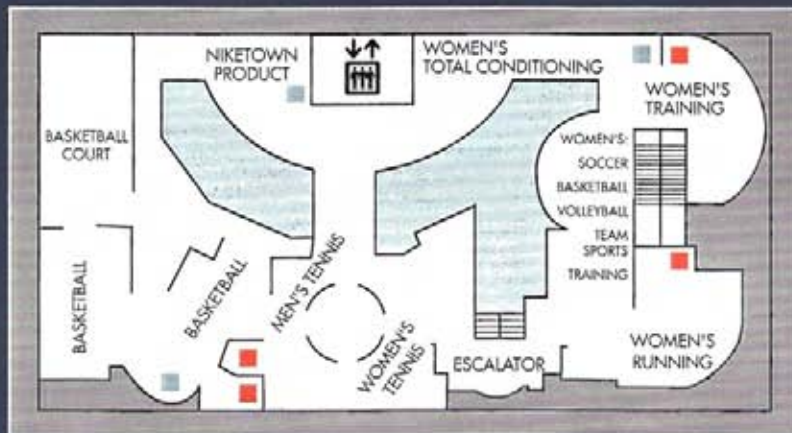


NIKE TOWN CHICAGO

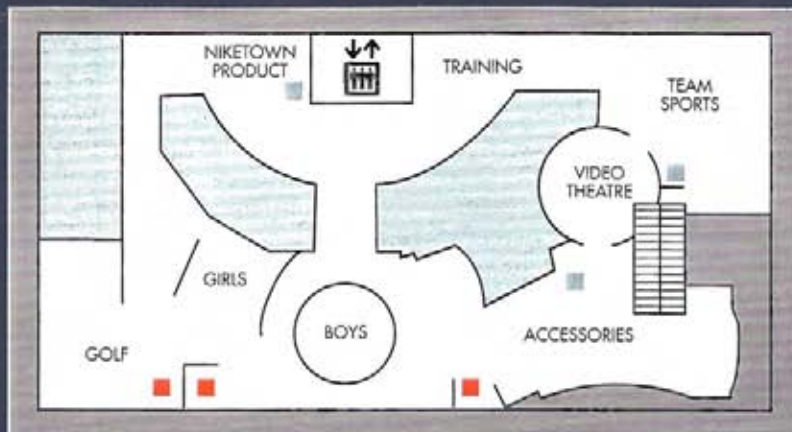


F I R S T F L O O R

■ FITTING ROOMS ■ CASHIER



S E C O N D F L O O R



T H I R D F L O O R



F I F T H F L O O R

During regular day hours Niketown Chicago stands out on Michigan Ave. Although the actual building is somewhat of a bland color, the bright red Swoosh quickly identify the interior. After your eye is first captured by the Swoosh, the four vibrant banners, decorated with several of Nike's most prominent athletes and attached to the structure, lead your eye to the top of the building, where your eyes gaze upon the very powerful "NIKETOWN". This is an excellent architectural collage. The original architecture and design of the building is not distorted enough to make the building seem out of place on the street, but enough color is added to the piece to clearly identify the store. The building is beautifully blended in with the scene and the composition of bright colors works well with the very bland building structure. In the evening however, the building seems to fade away. Due to a poor exterior lighting, someone from out of town would have great difficulty, as I did, finding the store downtown. The very powerful "NIKETOWN" is not at all visible in the brightly lit Chicago street. Due to all of the vibrant colors of downtown, the Swoosh, which is the only thing lit, is not even very readable. Perhaps if the symbol were made of some sort of glass that could light up in the evening and possess a more vibrant flare on the Chicago strip.



The merchandising displays in the front windows are mainly graphics that are seen on the interior. These images are not seen from across the street, and are merely used to "hype up" the particular popular athlete of the time. This is more of a marketing tool for the individual athlete as opposed to a selling tool for merchandise. I personally like this idea because it is the unexpected. Every other store on Michigan Ave. has actual merchandise in their windows because they realize they have to sell the clothing and apparel. Nike clothing sells itself. Rather than getting people interested in the interior by marketing clothing, they intrigue the onlooking audience by marketing individual athletes. A very well thought out strategy.



One of the most interesting things about the store front of NIKETOWN Chicago are the amazing sculpture pieces that are positioned evenly on the exterior columns. The pieces, as you can see, are of different athletes accelerating in their sport. The intriguing feature about this is watching these pieces come right out of the wall at you. They seem to be detaching themselves from the building. This hint of surrealism adds that extra subtle punch to the front of the building. If you notice, the figures are also a very monotone color. The metallic color still gives the appearance of an architectural piece, but the motion of the athletes brings the building to life. An excellent, well crafted feature.

The interior architecture in this facility is laid out in a very complex fashion. There are walls shifting and undulating throughout the entire area. The space itself is actually quite interesting to look at. On immediate entry, you are halted by an information area that has store maps available. These maps are necessary in order to easily maneuver throughout the space. When walking through this monolith of a store, one can easily get lost. Although the signage is quite interesting, in most circumstances it fails to identify the designated areas from afar. The customer tends to be wandering around in this endless maze trying to find their way around. Fortunately for the store, it has such a strong theme, that most of the customers don't seem to mind. However, from a design standpoint, the interior space could have been planned for a more user accessible environment.

The openness of the space gives the interior a never ending feel. From standing in the courtyard, you can look directly up and see the top ceiling of the five story building. The ceiling is a neutral color (dark gray, black). The shopping areas are divided into three floors. The merchandise is not evenly distributed on these floors; and once again, the customer has the tendency to get lost in the space. I asked the sales people several times where I was in the store. The attempt is made to conceal the confusing layout by trying to overwhelm the customer with two and three dimensional signage.

The sign of a completely user friendly environment is one in which the customer feels completely at ease with the space that is being used. The customer should not feel the need to have to ask questions in a space in order to become completely oriented with that environment. Although the plan of the space, as seen in the STORE MAP, seems to be laid out very simply and easy to follow, the actual space itself is quite confusing.

There is a strategy with keeping a customer disoriented. This gives the sales force the opportunity to approach customers and begin their individual sales pitch. But, for the customer who wants to get in and out of the store as quickly as possible NIKETOWN can be a frustrating experience.



This particular window piece is exactly what a designer loves to see! Seeing the model, the plans, and conceptual sketches made the space seem more lifelike again. It gave the artist behind this space credit where credit was due. It allowed the world a sneak peak at what designers do on an everyday basis: conceptualization, mock construction, and implementation.

This is but one of the various ceiling elements used in the space. The light wood adds character to the space because it brings in the warmer elements of the outside and includes them in the interior design. At the same time, these elements do not take away from the graphics or the function of the space- which is a basketball court.





The majority of the lights used are warm incandescent lights. This lighting choice will not only make the interior seem more of a warmer environment, they will also accentuate the skin tones of the customers as well as the light brown wood.



This adjustable track lighting works well with the interior scheme. One of the good features about both of these images is how the lighting follow a curve and has a shape of its own. The recessed canister lights give additional lighting to the merchandising displays. These style of lights were used throughout the space due to their flexibility. The lights are small enough to fade into the ceiling plane causing no visual distraction from the merchandise being sold. That is the purpose- to give light where light is needed in the space without taking away from the merchandise. Good job Nike!





One of the greatest ideas for a floor covering plan that I have ever seen- an interactive floor. The television tubes are used as promotional devices. This feature allows the customer an extra entertainment while browsing through the area. This concept is incredibly brilliant. Now while you are trying on golf shoes you can watch Tiger Woods winning the 1997 Masters. This will connect the customer to the merchandise by actually showing it in use by a celebrity. This marketing trick is used to put this idea in the customer's head, "If I wore these shoes, I'll play like Tiger." Now, instead of buying those \$50.00 golf shoes, he buys the most expensive ones because Tiger wears them. Great idea Nike!

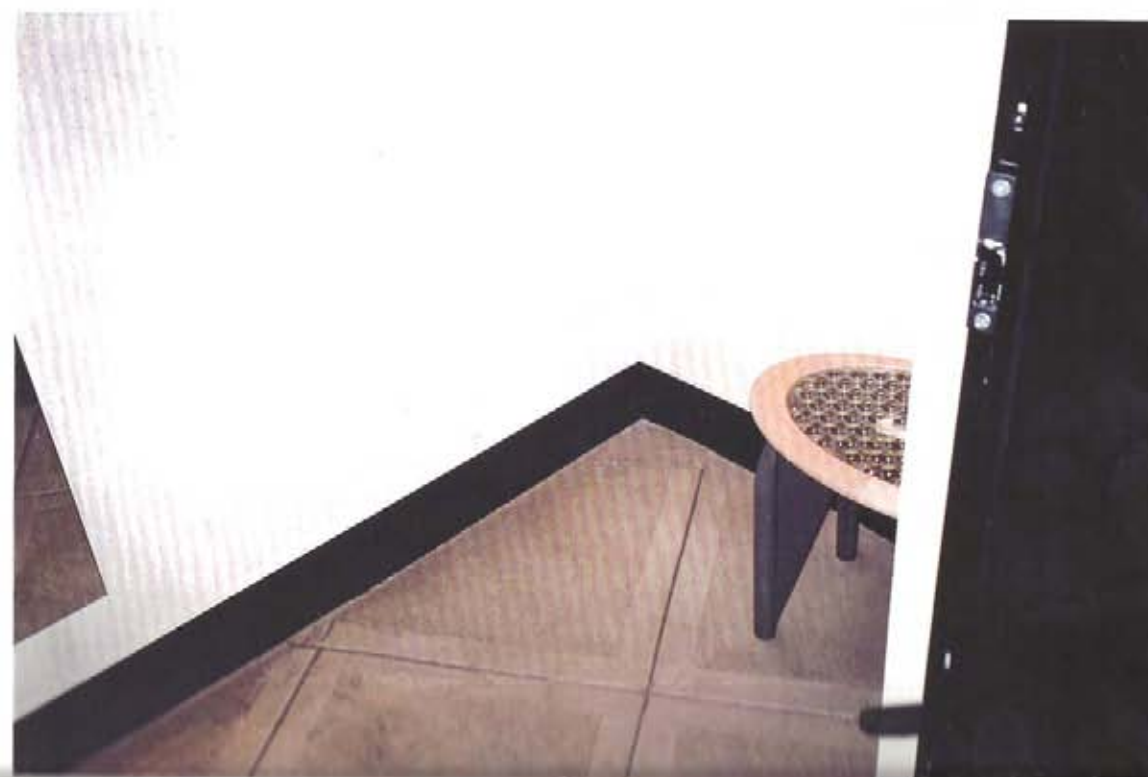


The floor is very complex and incredibly done. I like the use of color on the tile because it allows the user to follow a "yellow brick road" throughout the entire space, yet it is not so powerful as to distract the user from the merchandise. Sewer caps are added to the more bland areas of the floor. These areas are designed to look like





The fitting rooms are very basic- as they should be. Included in them are the standard things: clothing hook, bench, and shutting door for privacy. A point of interest is the clothing hook. The shape of the hook adds character to a somewhat typical dressing room. The Swoosh gives the room the subtle hint of planned design as opposed to just the boring usual.



These first examples of merchandising combine lifestyle graphics along with the athletes featured sport apparel. The pictures seem to make the clothing more appealing and give the merchandise identity. The placement of these photos is critical- they have to be in perfect height from all angles, **and** they cannot take away from the merchandise. After all, the display can look nice, but the clothing has to sell in order to make money. Both of these images add to the display without taking anything away from the clothing being sold. The colors in the Tiger Woods display are not matched with the merchandise shown. However, the red on the photo is needed in order to bring attention to the somewhat bland wall. The Michael Jordan photograph works well with the composition. Unlike the Tiger photo, this picture is entirely neutral. But, in this situation color isn't needed because of yellow used in the clothing. His face is still very powerful but not overbearing.





This is something that is hardly ever seen in a retail store. Live animals. The fish tank is somewhat of an interesting concept. It does add interest to the space, but it doesn't really serve a purpose. It seems almost misplaced, like it was just thrown in. Sandals are merchandised on the glass of the fish tank. There is no correlation between the two. If an aquatic theme was found throughout the store, the fish tank idea would be more appropriate. Sense Nike doesn't have a very large aquatic line, the tank doesn't work. Perhaps they can give the idea to Speedo if a "Speedo Store" ever opens.

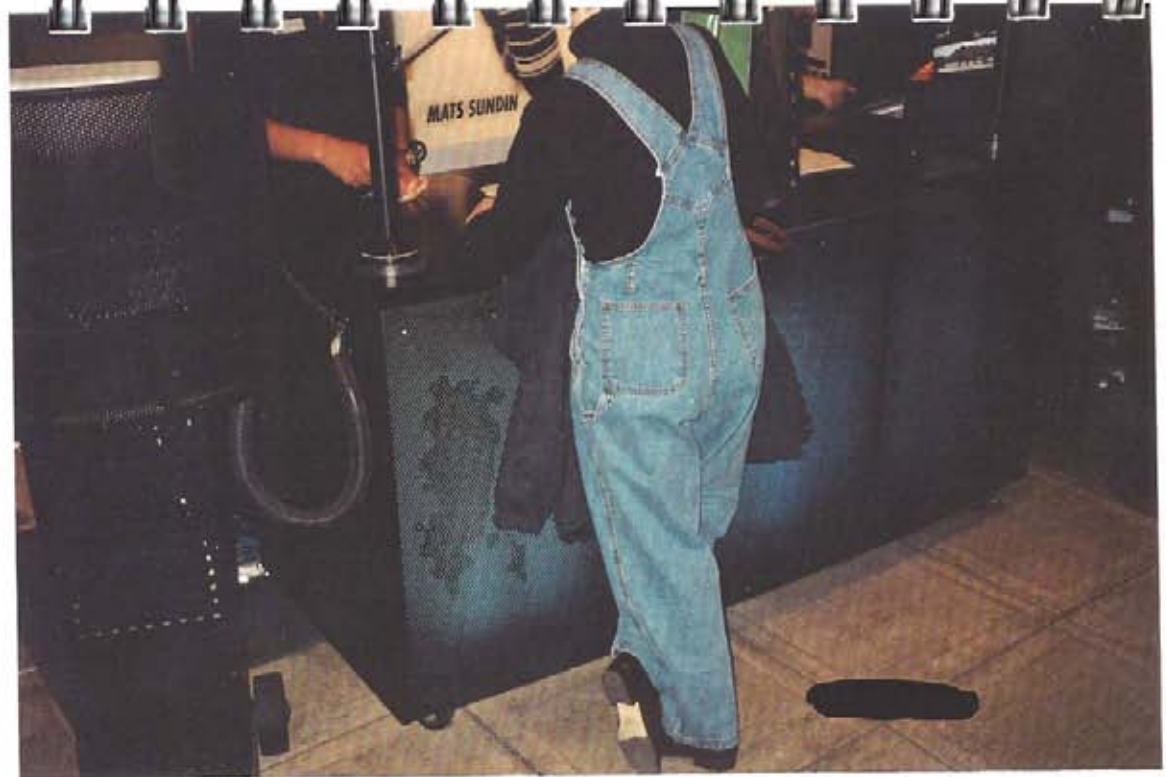
The most interesting merchandising technique in the store is this concept. Not only does it maximize space, it allows the customer who is on the "quick move" to scan through a multiple selection of T-shirts at a relatively quick pace. The maintenance of this shelf would be kept to a minimum as well because of the ease and accessibility to all of the shirt patterns. This idea was taken from poster merchandisers (similar to the ones you would find in a record store). The idea is brilliant, it works very well in the space, and it puts the customer in the position to be in a hassle free environment. Good job Nike!



This particular fixture was designed to carry a massive amount of clothing at one time. This can be classified as a "mass merchandiser." Notice how most of the actual structure is concealed. This puts an emphasis on the clothing. The metal adjustable frame seems to almost blend into the wooden floor, as does the wood and glass case attached to the top. The fixture is incredibly flexible and moveable and does serve its purpose. The objects placed in the case are used to identify the type of merchandise contained in the fixture. The casters attached to the frame allow for easy flexibility and the fixture itself looks as though it can easily be taken apart and shipped. Although the fixture is not the most the most creatively designed, it does serve its purpose of mass merchandising and does blend well with the environment.



The cash wraps are a disappointment. Although they are incredibly versatile and easy to move, they lack any creative thought behind the design whatsoever. Had a clerk not been at these, which are scattered throughout the three merchandisable floors of the store, they would look like stackable boxes that were going to be thrown out. Even though the design of the interior is focused on the things being sold, sense the cash wrap is usually the last interaction the customer has with the space, it should have some impulse buying technique. There was absolutely no "point of purchase sale" incorporated with these boxes. This would have been the perfect opportunity to display eyewear, running socks, or even something as simple as water bottles.



The information desk at the front of the store is made from the same basic materials found throughout the space: metal, wood, and marble. Although the streamline design doesn't really belong with the rest of the space (almost as if this desk was from a different theme and merely dropped into the store) it does its function quite well- provide an information center in which the focus is on the receptionist rather than the actual structure. The surrounding graphics take away from the desk (probably intentionally) and it begins to blend in with the scenery.

These are two examples of seating arrangements that were placed throughout the space. They both are very stylish and have a lot of appeal to them. This seating is general and placed in areas where traffic was moderate. Flow around these two particular pieces did not seem to be a problem. They worked very well with the area and even served as focal points. The majority of the areas in which these were placed had merchandisable walls. This way groups of people that were shopping could maximize their comfort in the space. To put it in *layman's terms*, "the husband can sit down while the wife shops!" Not only can he sit down, he can enjoy the comfortable, plush, sleek design of these very trendy units. Good job Nike!



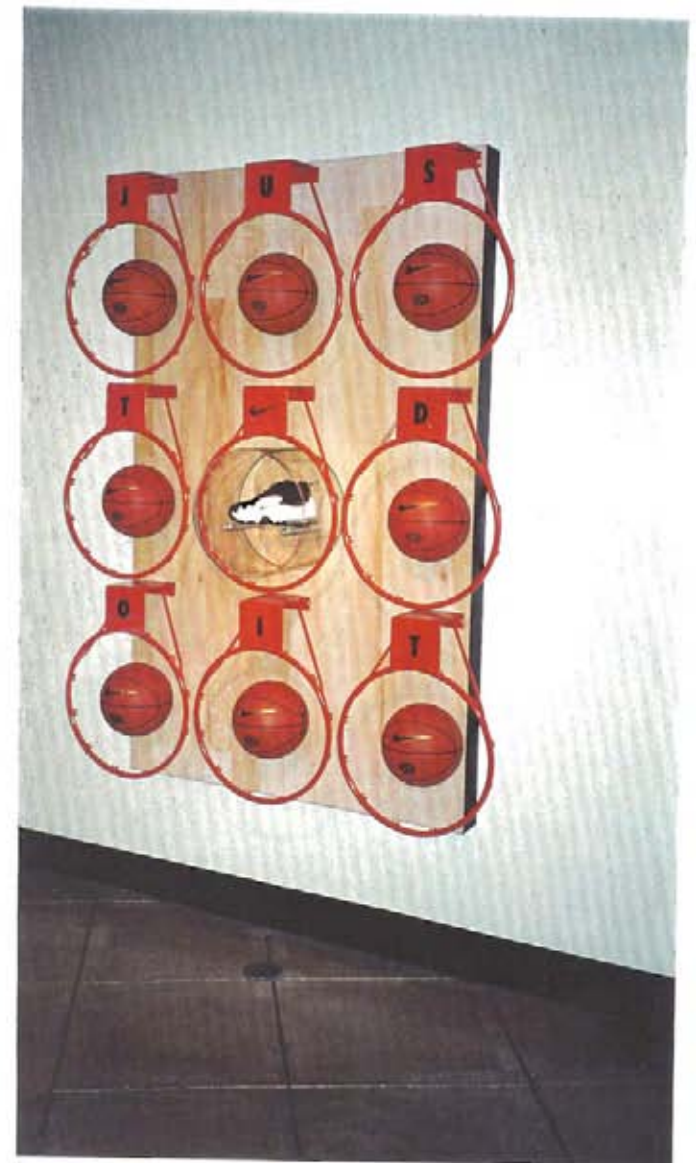
The graphics captured in these pictures are used to designate areas. The "nikekids" is highly visible and the color choices used give the space sort of a "kindergarten charm." The graphic is strategically placed on the entrance of the area to clearly identify the function of the area. The vibrant green and bright yellow-orange make the entrance to the space seem fun. The graphics are actually printed on a drop ceiling piece that is used to set intimacy in the section. The "nikekids" gives a clear identity to the space.

Unlike the "nikekids", the "TEAM SPORTS" signage is poorly placed in the back corner of the designated area. As the photograph shows, the image is almost hidden behind merchandise and customers walking through the space. The customer has to actually walk into the area to see if it is worth their while. This section is a perfect example of how someone can become lost in the space. With the lack of clear visual identity, the shopper must look at the clothing to figure out where they are located. The logotype should have been placed closer to the entry of the area, similar to the "nikekids", in order to bring clarity to the room. Very poorly designed.



These three dimensional logotypes contain "inspirational" sayings. The globe descending from the cove in the ceiling is a very well designed focal point. The meaning behind this piece is that Nike's performance spans worldwide. The silver and blue colors compliment each other very nicely and they do not dominate the space, rather they work with it. The globe is at the perfect height- low enough to be seen from afar but high enough not to obstruct anyone's vision in the space. A very nice compliment.

The "JUST DO IT" piece is quite interesting. The actual logo seems to fade away from the sculpture when you walk by and you only notice it on second glance. If the quote was to be accentuated even further it could be done by make the "JUST DO IT" white instead of black. The dark orange blends to much with the black lettering. But white lettering would really make it jump out. All in all, this piece does serve its purpose: to add flavor and interest to a very dull wall.

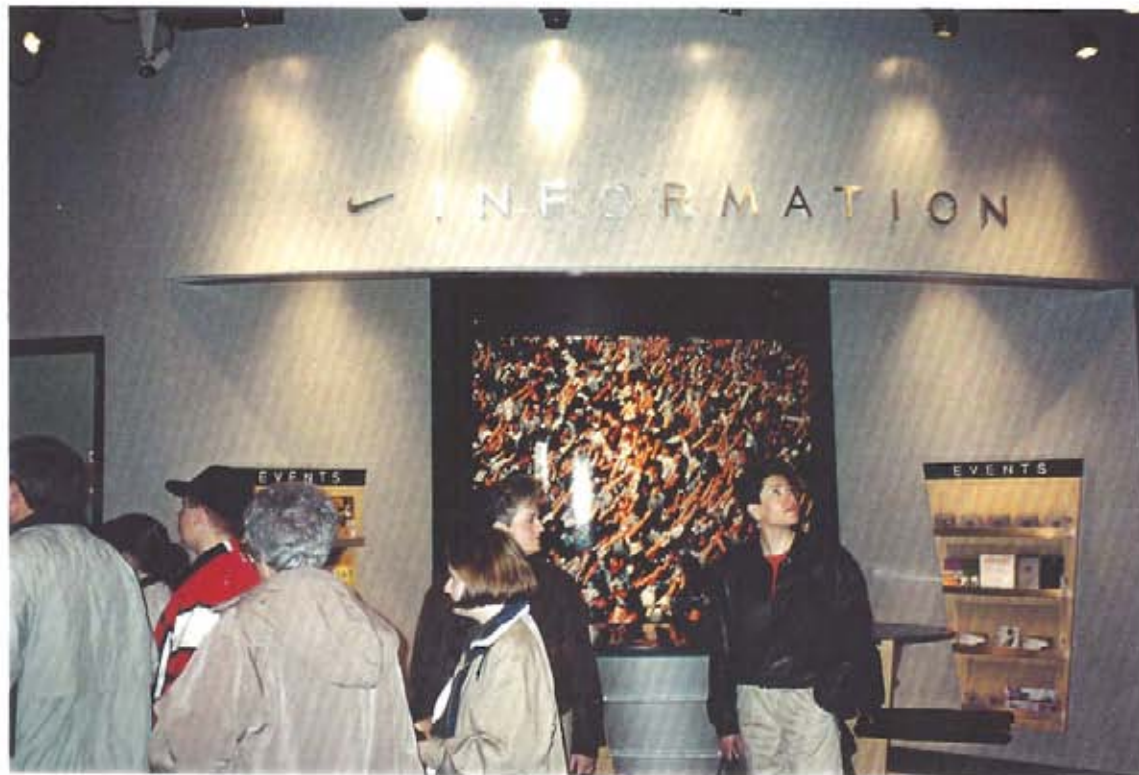


The "Air Jordan" three dimensional graphic piece is used to advertise previous products. This idea is pure genius. What better way to gain confidence and trust in the customer than establishing a history behind the product being sold. Not only will this show the shopper the evolution of the product, it proves to them that this is a successful shoe just because of the established lineage. Great job Nike!



The Tony Kukoc piece is another example of Nike using a popular athlete as a selling point. This slick piece is beautifully incorporated into the brick veneer. The two sills seem to almost frame the glass case and the red in the picture really light up the area. The shoes compliment the picture and add a mental connection between the athlete and the product.

All four of the following graphics are used as pieces that provide information. Notice how all of them are visually stimulating to the eye. All information pieces work well with the surrounding colors and the actual words stimulate graphics as well as inform the customer.

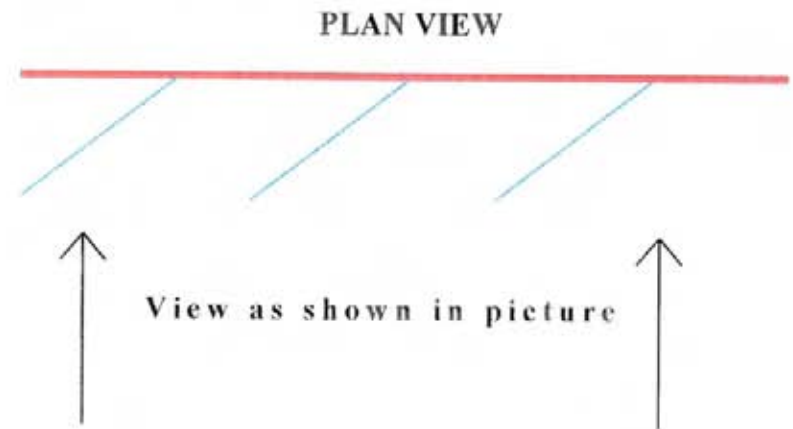
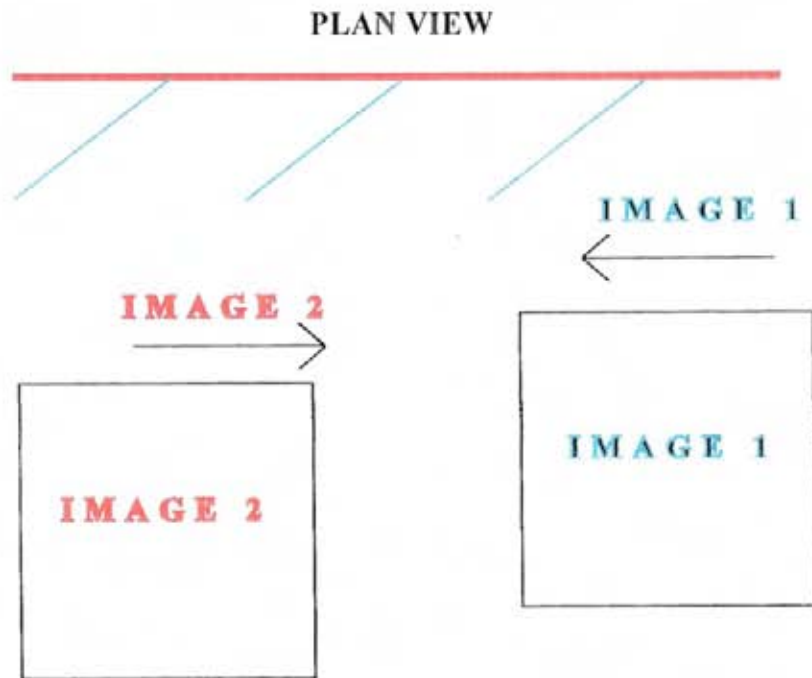




This particular signage is used to identify a celebrity with a product. This particular kind of marketing trick is used to entice the customer into thinking that if s/he uses these products, they will perform as well as the paid professional. As you can see, the portrait of Pete Sampras ready to serve is placed next to the signage for the entrance into the "tennis area."



This piece is the strongest visual element in the store. Strategically placed on the wall by the escalator, this dynamic double portrait fools the brain. As you ride up the escalator you see one picture, as you ride down you see a completely different portrait.





These graphics are coordinated with an architectural piece. This structure serves many purposes: product display, lifestyle graphics, a spacial delineator, and a functional use as a bench. The track lighting directly next to it is positioned to highlight the various pictures. The shape itself is somewhat interesting and it works well with the space. The wood and the glass give the structure a warm look that is continued throughout the environment.

Michael Jordan overwhelms the customer as they travel through the space and onto this basketball court. This signage is used as an inspirational piece that will hopefully raise the spirits of the customer. Although it is a little too powerful for my taste, the neutral colors of the photo relax the eye from having to much to focus on. Had this been in full color, it could have almost "scared" people from the room.





Strategy



Because of Nike's sudden drop in the market, whether it be because of bad public relations or the changing of trends, measures must be taken to bring stability to this corporation. Even though Nike still retains the number one ranking in total sales in athletic apparel, Adidas is slowly closing the gap. It is time that Nike find a new way to market their products to the world. The way to get out of a financial slump is to reinvest in your company. EXPAND - DON'T CUT BACK. Although expansion is taking a risk, the Nike Corporation is not going to gain public support by laying off a large quantity of their loyal workers. That only makes your corporation look bad. Don't give the impression that you don't care about the public. In order to win back the general population, you don't dismiss them, you embrace them. Look at how you, as a corporation, can better market yourselves to appeal to the individual. That is how you win over the crowd. Make me, the individual, feel important, special, and apart of your company.

There are of course various ways to do this, but first, you must ask the general population what appeals to them. Appealing to the masses is always difficult. How can you make everybody happy? This is not an easy task. The way in which you do this is by finding something that people like or identify with. What makes you special. What sets you, the individual, apart from other people. How can I make you feel important and needed.

The answer is by identifying who **you** are. Once this is done, products can be directly marketed to them. What is one way in which people identify themselves? BY THEIR TERRITORY! I am a mid-westerner. She might be a southerner; he might be a west coast native, etc. The majority of the people in this country take pride in where they are from. They identify with their surroundings and they endorse things that endorse their territory. For example, people from Baltimore love the Orioles. Why? Because they represent their territory. When the Orioles play well, that gives the city of Baltimore something to be proud of. They are watching an organization that is representing their territory defeat other organizations from other territories. The people in Baltimore feel better about themselves because they identify with a winning organization solely because the word "Baltimore" is used in their name.

This pride does not only relate to sports. If you look at other markets, say restaurants and fast food chains, the same principals apply. Kentucky Fried Chicken's largest market, per capita, is in the southeast. The territory that Kentucky happens to fall in. Boston Chicken's largest market, per capita, happen to be in New England. Why is this? Could it be because people in these regions identify with the name that is closest to their homes. Or is it that the type of food that is served at these two chains appeals more to these regions? Do people in New England like rotisserie chicken more than fried chicken? Or do they just like Boston more than Kentucky. When both organizations were asked these questions, they responded with "both" as the answer. Although they both credited their recipe as being more culturally appealing to the region with their name, both KFC and BC did acknowledge using their names as apart of a marketing strategy. When the marketing representative from BC was asked, "If Boston Chicken developed a new name that dropped the Boston from it, say 'Happy Chicken', would their sales in the New England area be as high?", the answer was a very firm "no."





After these phone interviews, it was time to test the general public and see how well they identified with the organizations that were closest to their territory. The next pages will document a survey that was passed out to random people in the state of Ohio. This survey was developed with the intention of proving this theory- "People are more apt to endorse organizations that are in the same general area as their habitat."

This is the list of questions on the survey that was randomly passed out to Ohioans.

Age group

under 13

13-18

18-35

35-50

over 50

How often do you browse at clothing stores?

once a week or more

once a month or more

once every three months or more

once every six months or more

How often do you browse at athletic shoe stores?

once a week or more

once a month or more

once every three months or more

once every six months or more

How often do you buy clothes?

once a week or more

once a month or more

once every three months or more

once every six months or more

How often do you buy athletic shoes?

once a week or more

once a month or more

once every three months or more

once every six months or more

What basketball team are you most likely to cheer for?

Chicago Bulls

Utah Jazz

San Antonio Spurs

What school are you most likely to cheer for?

The Ohio State Buckeyes

Florida Gators

UCLA Bruins

What baseball team are you most likely to cheer for?

Cleveland Indians

Colorado Rockies

LA Dodgers

What house is the most interesting to you?





Breakdown

identifies user group

{ Age group
under 13 13-18 18-35 35-50 over 50

identifies user's
shopping pattern

{
How often do you browse at clothing stores?
once a week or more once a month or more once every three months or more
once every six months or more

How often do you browse at athletic shoe stores?
once a week or more once a month or more once every three months or more
once every six months or more

How often do you buy clothes?
once a week or more once a month or more once every three months or more
once every six months or more

How often do you buy athletic shoes?
once a week or more once a month or more once every three months or more
once every six months or more

It is of course important to identify the user group. Because the space is to be somewhat of a tourist attraction, is important to establish who is going to be frequenting the space the most and is going to actually be buying the most product. This will play a role in the actual architectural development of the space.

identifies user's
territorial
preferences

{
What basketball team are you most likely to cheer for?
Chicago Bulls Utah Jazz San Antonio Spurs

What school are you most likely to cheer for?
The Ohio State Buckeyes Florida Gators UCLA Bruins

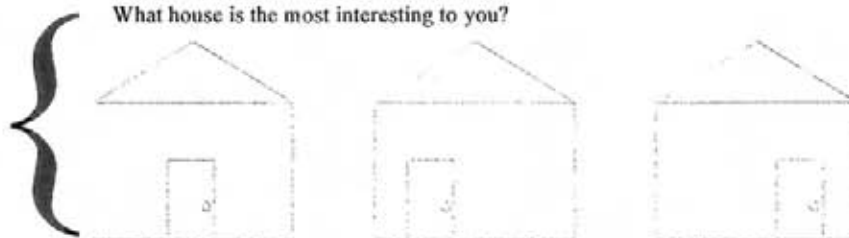
What baseball team are you most likely to cheer for?
Cleveland Indians Colorado Rockies LA Dodgers

This next phase of questioning determines the users' endorsement with organizations that are based in the near proximity. Sports teams were used because not only would the answers to these questions identify territorial loyalty, they would also generate ideas on what teams should be merchandised in this particular space.



**identifies user's
architectural
preferences**

What house is the most interesting to you?



This last question would help determine architectural pieces within the space (like the storefront). It is often questioned that people are attracted to things that are not completely balanced. The results of this question will have much influence over the interior architecture.

The results of the survey indicate that the majority of the people who frequent clothing stores are in fact adolescents and children, the larger amount of people actually buying the clothes are the young adults (18 to 35). Basically kids are doing the majority of the browsing and the adults are doing more of the buying. That means that the architecture has to not only appeal to adults who are more likely to purchase the products, it has to also be aesthetically pleasing to children as well.

The results also show that the majority of the people surveyed are more likely to cheer for teams that are in their general area. This user group's particular region happens to be the Midwest. That is why teams representing Midwestern cities were the most popular among the people surveyed. This proves the theory, "People are more apt to endorse organizations that are in the same general area as their habitat."

The last result shows that people are more attracted to structures that are not completely balanced. This piece of information will not only influence the design of the store front, but it will influence the interior architecture as well. Not only is this space trying to sell clothing, it has to leave an impression on the people shopping through the space. This space has to represent the Nike corporation. It should be designed as interestingly as possible. This survey is very beneficial to the design process. Not only is it making contact with the user, it discovers their identification and who they endorse.



Results

Most popular results are indicated in red.

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36-50

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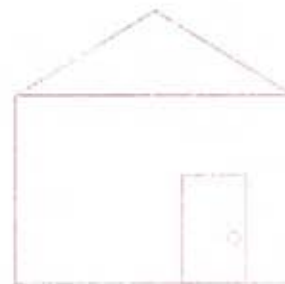
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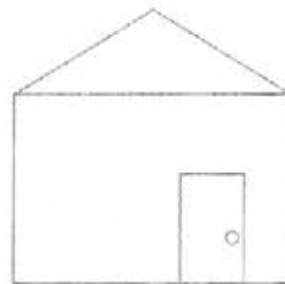
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The Concept

Based on the results of the surveys, the independent research, and the store audits, there is but one answer to the question "what appeals to the consumers." The answer is **their territory**. The way to appeal to the users territory is by including their general area or habitat within the name itself. I have broken down the United States into six major geographic sections: northeast, Midwest, big west, pacific, southwest, and the southeast. The simplest way to identify these markets is by actually including their region in the name. Just as NIKETOWN is already an established name, the names of these smaller stores would be NIKE NORTHEAST, NIKE MIDWEST, NIKE BIG WEST, NIKE PACIFIC, NIKE SOUTHWEST, and NIKE SOUTHEAST. Now a target audience has been established in the name and the appropriate regional merchandise can be displayed in these stores. The customers see that the largest athletic company in the world has made a store specifically for their needs. A number of these stores can be in the same area as well without changing the graphic identity.

For example, let us look at the Midwest. You could have a NIKE MIDWEST in a mall in Columbus, Ohio, one in Ann Arbor, Michigan, one in Charleston, West Virginia, and so on and so forth. This gives Nike the opportunity to not only reinvest in their company, but provide jobs for more people, directly market to individuals in a specific region, and get ahead of their competition. If Reebok, Adidas, or Fila even have individual stores, they are very small in number and in popularity. **This gives the Nike corporation the chance to attack their competition as opposed to retreating from it!** Nike can invade malls all throughout the country with these stores. Why contract out all of your merchandise to retail shops such as Champs and Foot Locker. Create your own space and keep all of the profits! Why give a customer the chance to choose between a Nike shoe and a Reebok shoe. By creating your own specialty stores the customers will be choosing between an Air Max and an Air Jordan as opposed to an Air Jordan and a Shaq! Since it has been established that customers will view any store like this as a tourist attraction, getting the clientele won't be a problem. More people would rather see the interior design of a NIKETOWN as opposed to a Foot Locker in some mall. The same principals apply here. You know that people will be more likely to buy Nike apparel from a Nike store as opposed to a regular store just for the experience alone. Based on my experience from working at a Tommy Hilfiger store in a mall, people often buy clothes from a specialty store just so they can get the bag or box that the clothes come in. People are attracted to the prestige of Nike. They know that when this corporation does something, they "Just Do It" right!

By showing the individuals across America that you are spending your money and investing in something that is suited specifically for them, the bad publicity that was received from the Vietnam incident will slowly fade away. People will feel important because when they walk through a mall, they will see the biggest athletic line putting money into a store directly suited for them- and they will be flattered! If you flatter someone, the usual reaction from them is that they will feel like they owe you something. If you flatter shoppers and make them feel good, they will give you business!

The following is a breakdown of what states are included in the regions and ideas on how individual stores can be merchandised.



NIKE NORTHEAST

The northeast would include the following states: Pennsylvania, New York, Maryland, Vermont, New Hampshire, Maine, Connecticut, Rhode Island, New Jersey, Delaware, and Washington D.C.

The merchandise in this particular store would appeal to the people of this area. Nike could include apparel from different regions of the country in here (like a Michael Jordan shirt), but the majority of merchandise would from that region (school like Penn State and other endorsed athletes from the area). Nike could also sell more of their "warmer" line to this crowd. Since it is in the snow belt, jackets and winter coats could be targeted to this user group.

NIKE MIDWEST

The Midwest would include the following states: West Virginia, Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, and Missouri.

The merchandise in this particular store would appeal to the people of this area. The Midwest is strongly represented by Nike apparel. Just these schools alone, Ohio State and Michigan, are always big sellers throughout the country, let alone in this region. Not to mention the amount of golf played in the area, Tiger Woods' clothing line would be a massive seller. Then, there is of course Chicago- home of the all time seller, Michael Jordan. Imagine how happy people in the Midwest would be if they knew they wouldn't have to drive all the way to downtown Chicago, fight parking, and then walk to Niketown on Michigan Ave. just to get some of the exclusive Nike products. They could just go to a mall that is closer to their geographic area that is stocked with merchandise suited for their needs.

NIKE SOUTHEAST

The southeast would include the following states: Arkansas, Louisiana, Mississippi, Alabama, Georgia, Florida, Tennessee, Kentucky, North Carolina, South Carolina, and Virginia.

The Florida schools are always big sellers in this area, not to mention Tennessee. Don't forget, this area lives and dies with college basketball. Number 23 started his career at North Carolina. The market for the "Team Sports" in this area would be huge. Raleigh and New Orleans could be big moneymakers to launch off this campaign.



NIKE SOUTHWEST

The southwest would include the following states: Arizona, New Mexico, Texas, and Oklahoma.

One thing about Texas is that they love their football. I think the Galleria in Dallas would be a prime spot to launch a NIKE SOUTHWEST store. Not only are you going to sell a lot of Deion Sanders, who happens to live in Plano, and Dallas Cowboys clothing, but any Big 12 merchandise is going to be nearly impossible to keep on the shelves.

NIKE BIG WEST

The big west would include the following states: North Dakota, South Dakota, Nebraska, Kansas, Colorado, Wyoming, Montana, Idaho, Utah, and Nevada.

Not only are team sports big in this area (Denver Broncos, Kansas City Chiefs, etc.) but the climate is a huge factor as well. These stores would be some of your highest sellers. This is one of the only regions, because of the high altitudes, that can have geographical conditions that range from two feet of snow to a 100 degree desert. The store could be stocked with such a wide variety of clothing because of this. Keeping the warmest coats and the loosest of t-shirts in the same store all year round would not be a problem- **both are going to sell!** The population is in demand for both. All they need is a specialty store fit for their needs. Nike needs to be the one!

NIKE PACIFIC

The pacific would include the following states: Washington, Oregon, and California.

Another huge area. From Ken Griffey Jr. to the Washington Huskies to the Oakland Raiders, sports are a very important part of this areas culture. I'm sure that fans of Jerry Rice would love to by his apparel at a NIKE PACIFIC store located in a mall in San Francisco. The population in California is one of the highest in the country. Where there's a high population, there's a lot of malls!



NIKE MIDWEST COLUMBUS, OH.

For this project, NIKE MIDWEST is to be the store that is to be conceptualized, developed, designed, and marketed. It is to be located on the third floor of the City Center in Columbus, Ohio. All state building codes and requirements are to be mandated when this space is designed. The interior space for this "flagship store" will be the model used for all of the other stores in the country. The actual architectural design of this store will be space planned to custom fit other Nike regional stores across the country. These stores will differ only in graphics. For example, the NIKE MIDWEST Columbus store will have the same interior architecture as the NIKE SOUTHEAST Raleigh location. The two stores will differ in graphics and in merchandise. The store is to have video displays and graphics that best market to the people of the area being planned—in this case the people of Columbus, Ohio. Videos of the Ohio State Buckeyes winning the 1997 Rose Bowl and two dimensional graphic images of Ohio Stadium are hypothetical examples of what **could** appear in **this** space as opposed to videos of North Carolina basketball and Florida State Seminoles football highlights that would appear in the NIKE SOUTHEAST Raleigh location. This will save the corporation money because once the basic design and theme is conceptualized, it merely has to be space planned into different locations. Instead of wasting corporate interior designers time conceptualizing new ideas, they can use the NIKE MIDWEST Columbus store as a "model" to plan into other areas across the country.

The store is to contain interactive systems and online services that will allow shoppers the ability to communicate with other customers across the country, as well as order merchandise online from other locations as well as from home.

Specialty areas are included in the space (examples could include information areas, miniature basketball courts, etc). ADA regulated fitting rooms are to be installed in the space so the needs of all users can be satisfied. A central cash wrap area will be installed to handle all transactions.

The store must reflect the positive imagery that Nike has achieved over its long history. It must make the client feel completely comfortable with the environment, entice spending, and be designed to guarantee a return visit from all who visit the space. This store will display the latest technology incorporated with a user friendly environment. Remember, customers want to feel important, special, and cared about. This is the project that will break through the barriers of modern retail design and launch Nike into the 21st century.





Phase 1

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Lighting

Merchandising Assessment

Fixture Report

Store Audits

Customer Profile

Competition Profile



Lighting

LIGHTING

Proper choice in retail lighting sources can have a positive impact on store image, merchandise presentation, and overall, enhance the design of the store - the opposite being possible as well. The amount of money spent each year by retailers for these enhancing tools is phenomenal! It comes down to energy efficiency and overall savings provided by the source to determine what lighting is needed and what can be afforded. In 1995, the Energy Policy Act (EPACT) was passed and retailers are now feeling it's burn. The act is forcing store owners and designers to choose from lamps that meet minimum lumen-per-watt or Color Rendering Index (CRI) standards. The lamps now becoming extinct are:

- Conventional incandescent PAR (Parabolic Aluminized Reflector).
- Full wattage fluorescent lamps that do not meet CRI standards.
- Conventional incandescent lamps.

All lamps do not meet lumen-per-watt standards of 40 watts or more.

It is important to start out with EPACT approved lamps so when the extraneous task of group lamping strikes, (a process where a store is entirely re-lamped, occurring every 2 to 2 1/2 years, and lasting up to two years) retailers don't have to spend time replacing obsolete sources with EPACT approved ones. The overall savings in energy and cost is 15% and can be derived from the three main categories of retail lighting:

- General lighting- the basic overall lighting of the store.
- Perimeter lighting- wall washing systems and recessed lighting.
- Accent lighting- used for displays and to create dramatic effects.

Along with these comes three specific types of light:

- Fluorescent lighting- used primarily in general and perimeter lighting, it provides a broad and high level of illumination and is used in the form of:
fluorescent ceiling cans (general lighting) that are super efficient, provide more direct light, and are less obtrusive when placed in ceilings.

and:

compact fluorescent wall washers (perimeter lighting) that are good for highlighting displays and are more consistent in color and intensity of light. They are also a suitable replacement for track lighting and are cheap.

What's not so hot:

- Although great in energy efficiency and in price, they do not render specific colors well and make people look sickly pale.

Other examples of general and perimeter lighting fluorescent features are:

- 2' x 2' or 2' x 4' trouffers with parabolic louvers or prismatic lenses.

- recessed perimeter lighting with fluorescent strips.

- Incandescent lighting- radiates a warm light with a CRI rating of almost 100 (being highest color rendering) that are available in:

- track light form

- PAR 36 recessed adjustable lights

- dimmable light sources that provide narrow beams of light to create certain points of focus.

and are:

- great for creating residential, comfortable environments.

- able to color render people and colors well.

- easy to match with other types of sources to improve light intensity and color rendering.

What's not so hot:

- since the CRI of incandescent sources is so high, it may be too yellow for some retail display situations.

- energy efficiency is not as good as fluorescent or HID's.

- HID (High Intensity Discharge)- A source that is used often in general and accent lighting, it is known for it's ability to provide bright light levels at reasonably low wattages and long life (can live up to 9,000 hours). Some sources are:

- HID industrial fixtures and can lights, both used for general lighting.

- HID track lights and recessed adjustable light that provide improved color rendering and are better than incandescent track lighting.

and are:

- great for stores with high ceilings because light can reach products from great distances.

- average in color rendering and energy efficiency.

What's not so hot:

- HID's are 5 to 10 times more expensive than incandescent.

- HID's need ballasts to be specifically matched to each lamp, making them more costly.

- have noticeable color shifts occur through life of the lamp but technological advancements are being made.

Other Options:

- Metal Halide sources:

- high lumen output with a long life and good color rendering that can replace incandescent and fluorescent lamps.

- provides "personality" to displays because it shows shades, textures, and shadows.

- usually in the 35 to 100 watt range and

have a CRI of 85.

- color shift problems have been corrected by new mixture of inert gases.

More light sources worthy of consideration are:

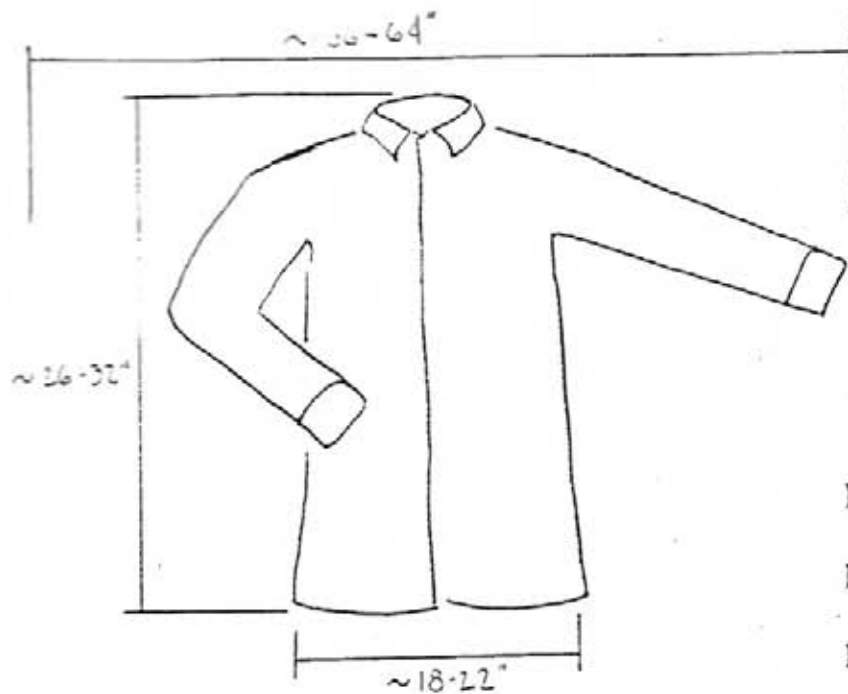
- Halogens such as PAR 38 track heads and the MR 16 low voltage spotlight.

- Sodium lamps that offer CRI's in the 80's used for displays.

In conclusion, lighting is a huge factor in store design and proper choice and placement cannot be stressed enough, not only for cost, but efficiency as well. The safest route is to choose Halogen PAR sources or lamps that meet the minimum lumen-per-watt and CRI standards.



Merchandising Assessment



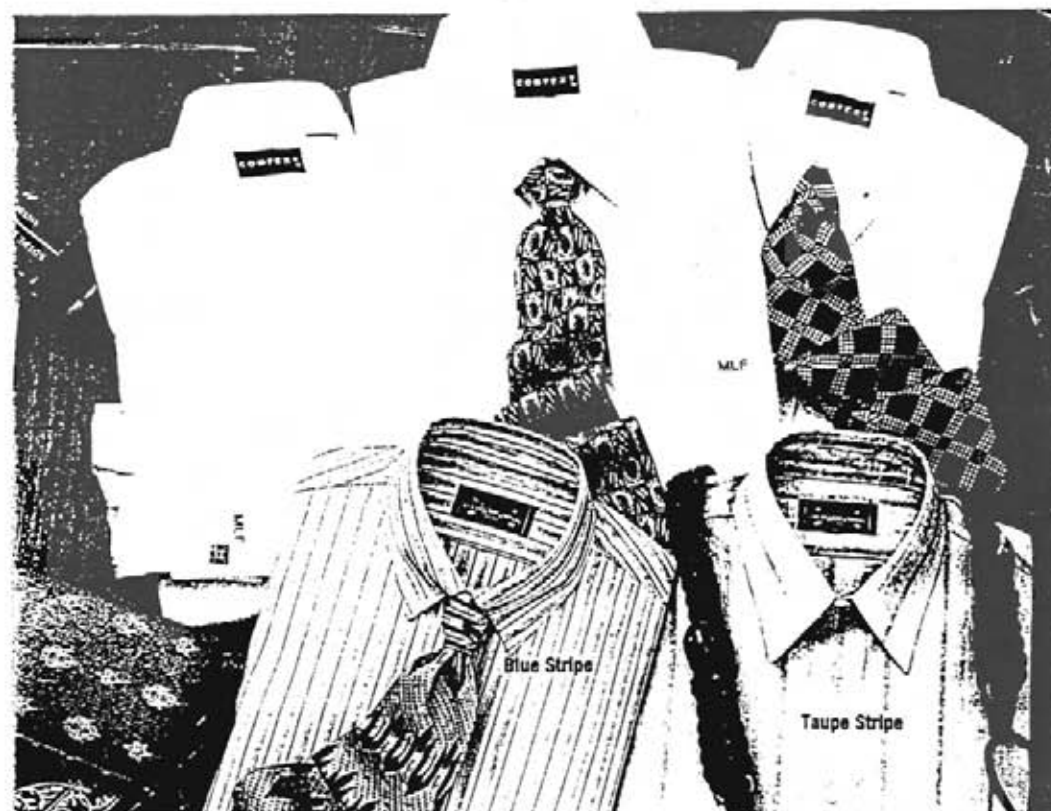
LONG-SLEEVE SHIRTS

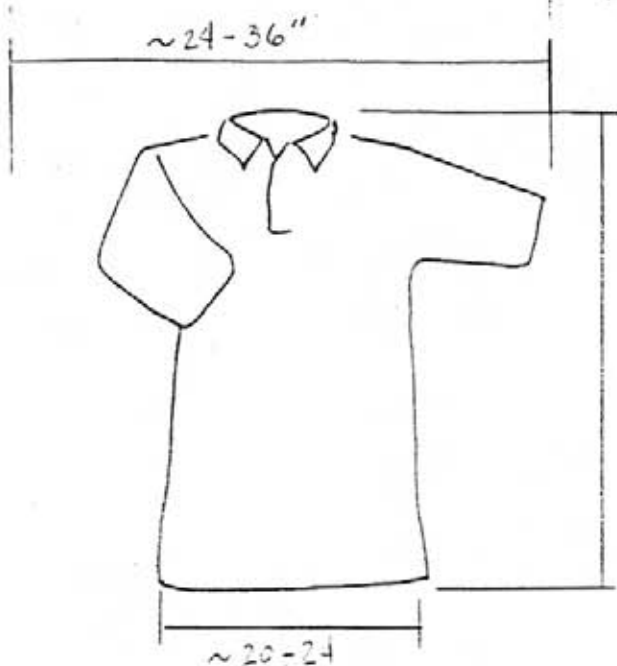
Hanging: 8-12 per foot

Folded: 9-12 per foot high

12" wide

16" deep





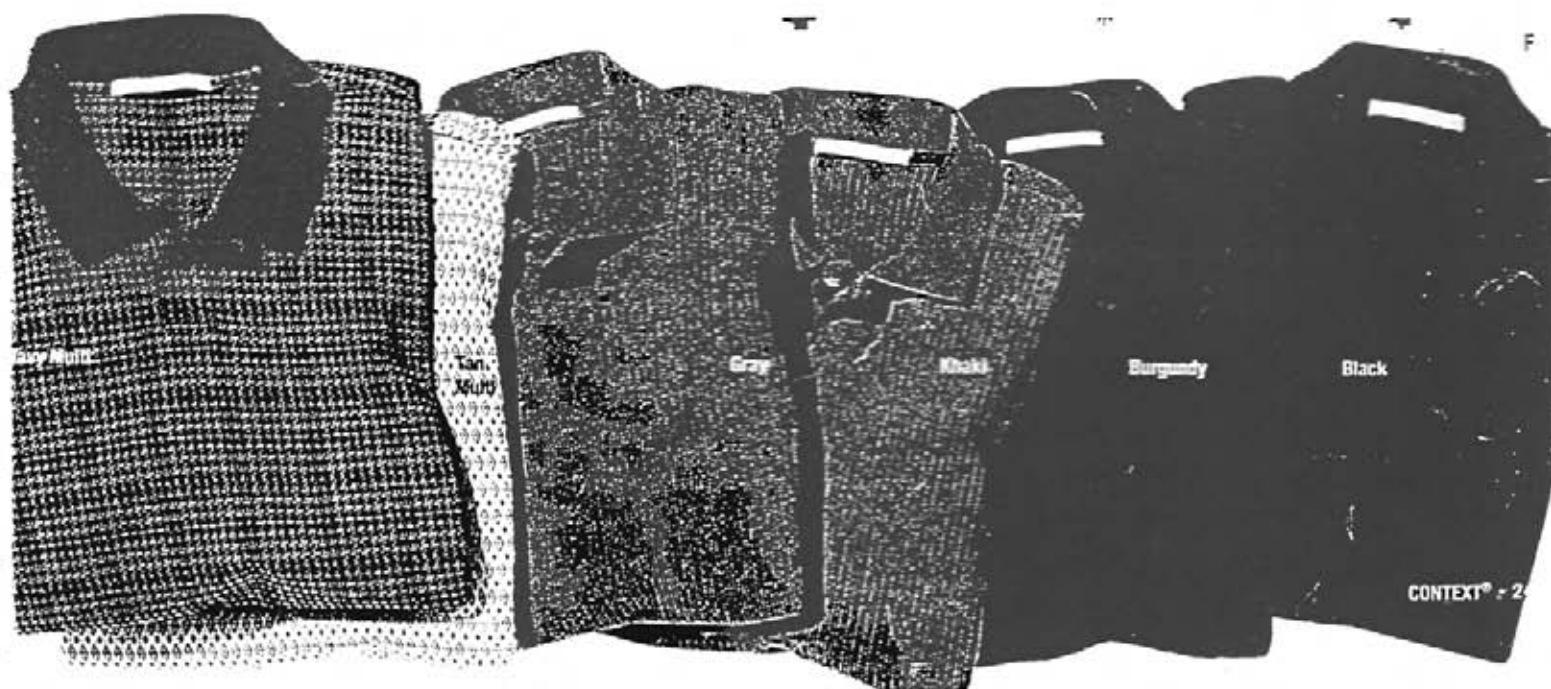
SHORT SLEEVE SHIRTS

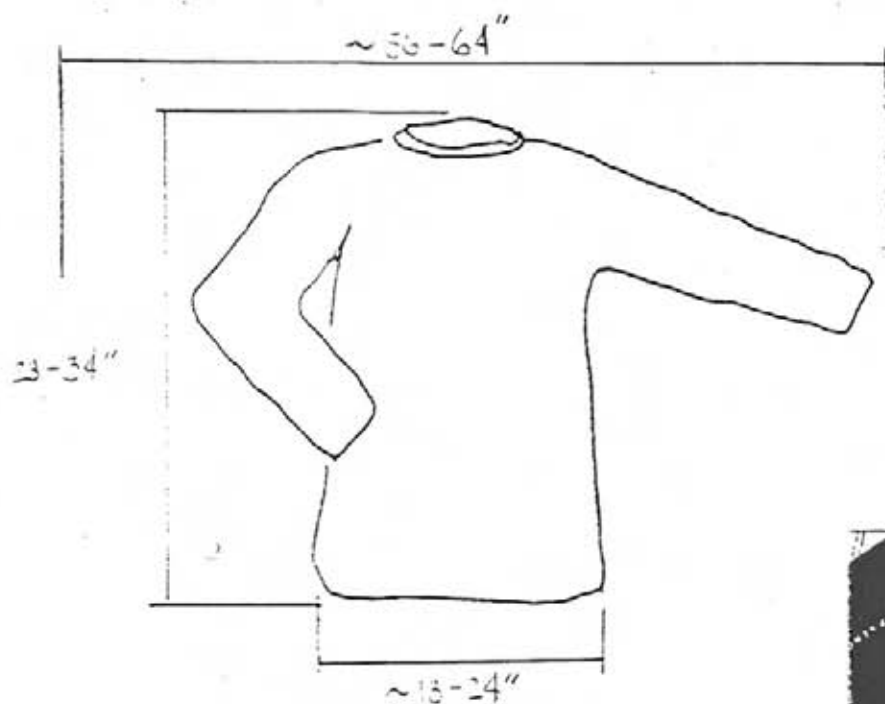
Hanging: 8-12 per foot

Folded: 9-12 per foot high

12" wide

16" deep





SWEATERS

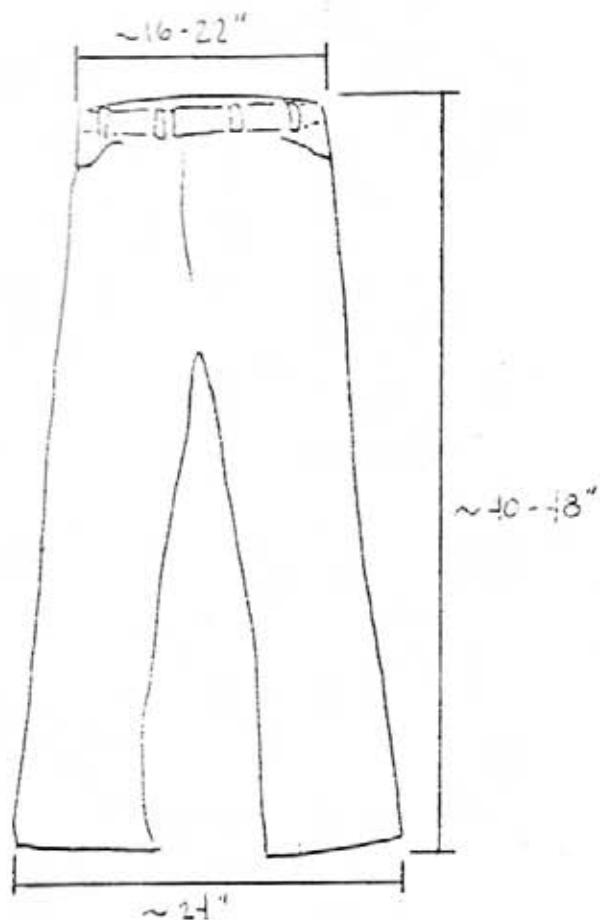
Hanging: 6-9 per foot

Folded: 4-5 per foot high

12" wide

16" deep





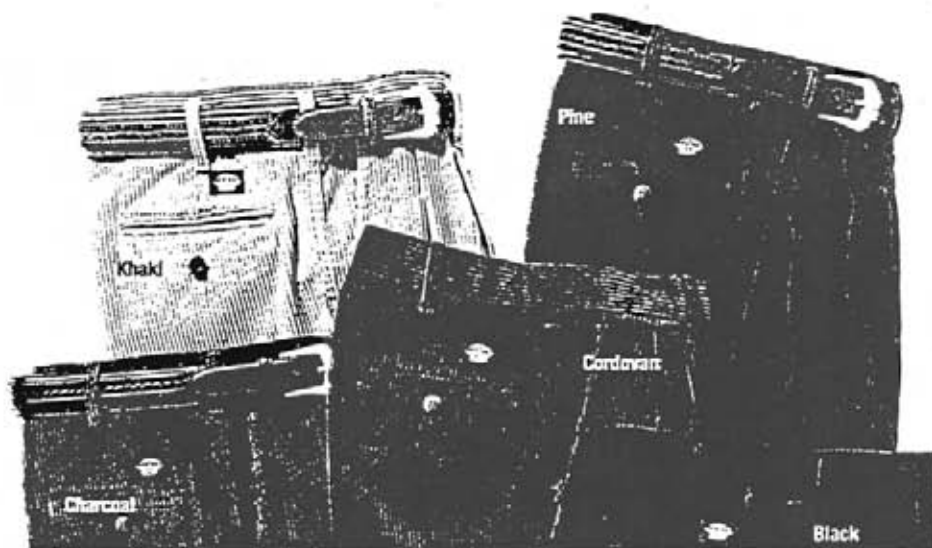
PANTS/JEANS

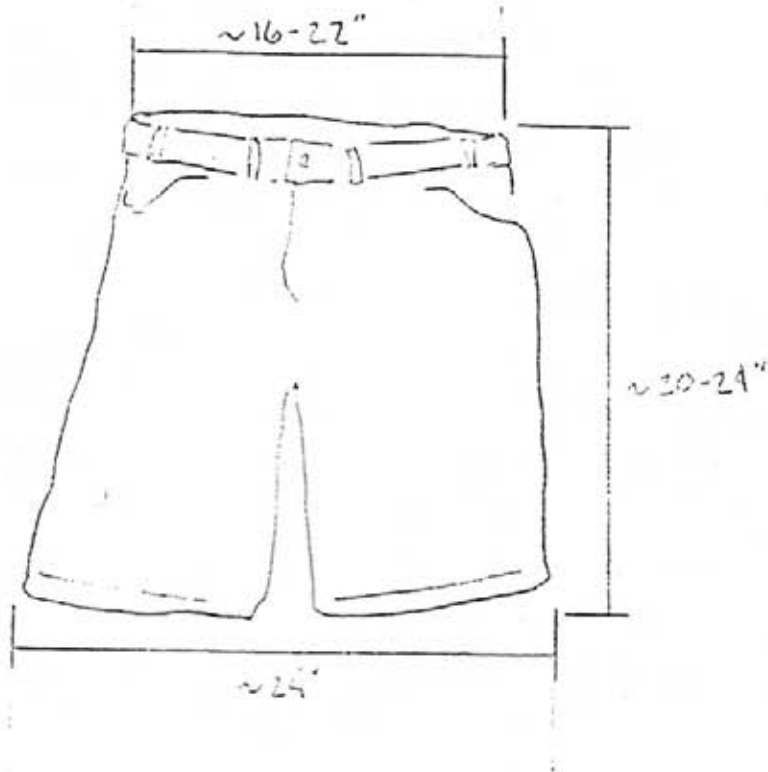
Hanging: 10-12 per foot

Folded: 6-8 per foot high

12" wide

12" deep





SHORTS

Hanging: 10-12 per foot

Folded: 10-12 per foot high

12" wide

12" deep





TIES

Hanging: 4-5 per foot

~56" long

~2-4" wide

BELTS

Hanging: 5-6 per foot

~44-56" long

~1-3" wide

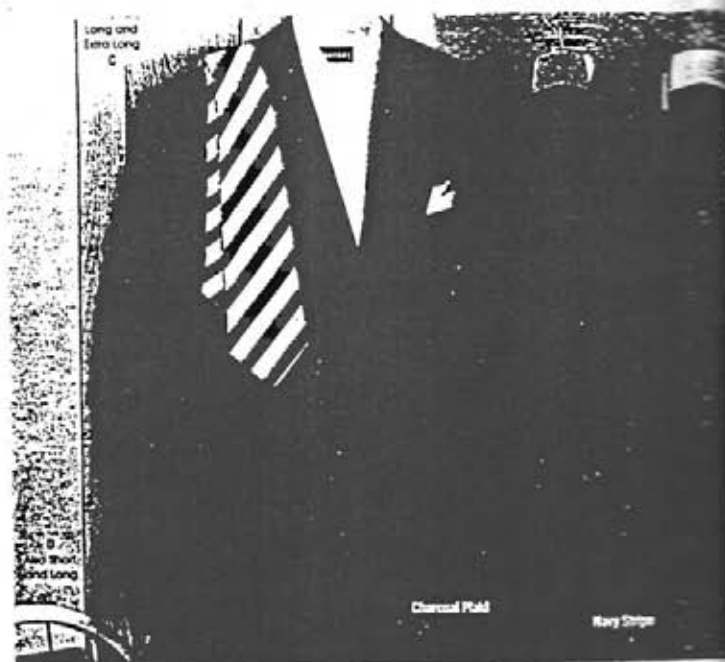
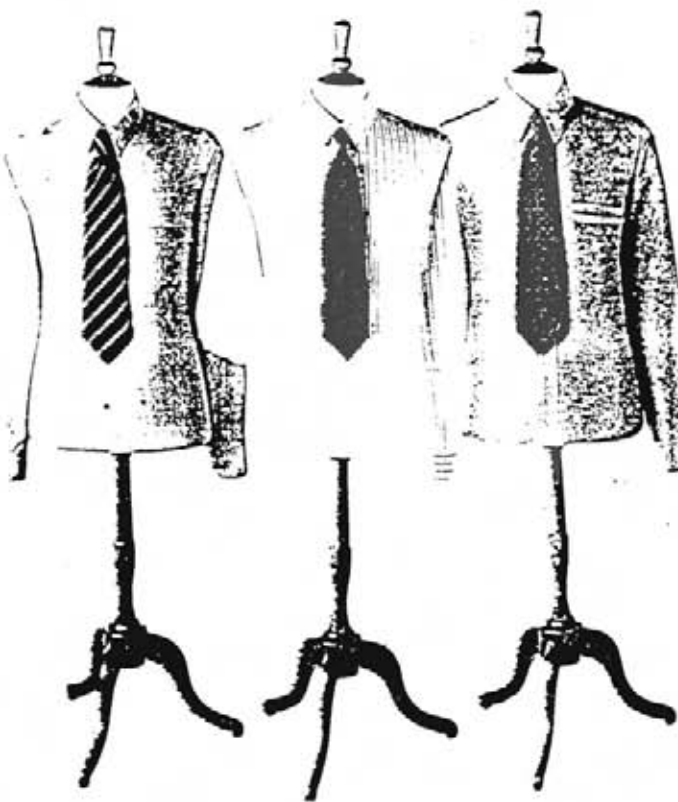
WATCHES

~8" long

~1" or less. wide



various merchandising techniques



various merchandising techniques



■ TYPES OF GENERAL MERCHANDISE RETAILERS

There are several different types of general merchandise organizations—department stores, mass merchandisers, independent and chain stores, general stores, and nonstore retailers.

Department Stores

Most consumer needs can be satisfied in the one-stop shopping available at large department stores such as Sears, Penney's, Miller and Rhoads, and Thalhimers. The vast array of products and services provided by these stores are organized into departments. Both **hard-line** (appliances, for example) and **soft-line** (clothing, for example) products are offered for sale, as well as services needed by the customer. Service departments such as watch repair, hairstyling, pharmacy, optical, and automobile repair frequently are made available through leasing arrangements. **Leased departments** are a regular part of the store, but they are operated by independent owners who rent their spaces from the store. Even though the space is rented, customers consider leased departments to be part of the store and expect the same level of service throughout the organization. In addition to leased services, department stores also may provide their own customer credit, delivery, gift wrapping, and personal shopping services.

There are other ways to view department stores. Some are classified as **full-line** because they carry all the types of merchandise associated with the traditional department store. Others are known as **limited-line** stores because they have fewer departments and lines of merchandise than full-line ones. Limited-line stores tend to feature soft lines and usually do not carry hard lines.

Department stores frequently establish **branch stores** in suburban shopping centers. Merchandise carried in the branches is ordered through the main store specifically for each branch store. All departments may not be represented in every branch store. Branch stores usually are smaller than the parent store, but they frequently have larger sales volumes.

Twig stores are another kind of spin-off from the parent department store. A twig is a very specialized kind of store that carries only one kind of merchandise or a few related items. For example, a large department store may open up a twig carrying career clothing for businesswomen in an area where there are offices and other businesses. Frequently department stores set up twigs in a resort area—for example, a hotel lobby shop that sells beachwear and accessories or a sporting goods shop with merchandise related to the sports available at the resort.

The first department stores opened in the mid-1800s and were individually owned and operated. Adam Gimbel opened his store, called Gimbel Brothers,

Inc., in 1842 in Vincennes, Indiana. Other examples of early department stores included Wanamaker's in New York, Jordan Marsh in Boston, and Younkers in Des Moines. For many years, department stores reflected the personalities and tastes of their owners and managers in decor, in displays, and in merchandising policies and assortments.

Economic reasons caused department stores to become part of an ownership group or chain. Ownership groups maintain central **buying offices** to help cut individual store operating costs and to increase **buying power**. One such group is Federated, which has member department stores around the country. General merchandise chains, such as Penney's and Sears, are centrally owned and managed groups of stores operated under direction from the central headquarters office.

The primary differences between department stores and mass merchandisers is the extent of customer service provided by department stores. Mass merchandisers have fewer "frills," more self-service, and lower operating expenses than department stores. Their importance is evident in the retailing scene today.

Mass Merchandisers

Mass merchandisers are like department stores in organizing by departments and in offering a variety of merchandise in a wide range of prices. Their emphasis on self-service usually results in fewer professional salespeople and more cashiers and stock clerks than in department stores.

There are three main types of mass merchandisers: variety stores, discount or "self-service department stores," and multiline drugstores. Warehouse clubs and hypermarkets are two relatively new kinds of mass merchandisers. Variety stores and multiline drugstores generally do not discount their merchandise. Other characteristics of mass merchandisers are explained in the following discussion.

Variety Stores Variety stores are an outgrowth of the early 5- and 10-cent stores. At one time, they featured only stock assortments of low-priced merchandise. In general, variety stores still feature primarily low-cost, small items. However, some variety stores now offer a limited selection of such items as furniture, home appliances, and sporting goods.

Some variety stores are independently owned and managed. Others, such as S.S. Kresge, S.H. Kress, and G.C. Murphy, are classified as variety chain stores.

Most variety stores are self-service. Salespeople are available to assist customers in locating merchandise, but they usually do stock work or cashiering. Variety store customers generally know what they want to buy. Therefore, the merchandise is arranged to assist self-selection by customers, and checkout

stands usually are located at customer exits. Examples of lines carried are costume jewelry, housewares, sewing supplies, cosmetics, and toys. Some of the large variety stores carry such a wide assortment of merchandise that they seem to be limited-line department stores.

Discount Stores Discount store operations typically have lower than average markups and self-service. The discount store movement began in the 1930s with stores selling limited assortments of merchandise. These stores usually were located on the outskirts of town or in so-called low-rent districts. Most were run as low-overhead, self-service businesses selling on a cash-only basis.

As discount houses became successful, changes occurred. These stores now are found in suburban shopping malls and other high-traffic areas. Many discount stores are becoming more like department stores in their appearance and in the merchandise they carry. The main emphasis of discount stores still is on competitive pricing, however, and customers' desire to find merchandise at low prices is what brings most of them to discount stores. Like variety stores, the merchandise in discount stores is arranged to encourage customer self-selection.

Typical discount store hours are 10 a.m. to 9 or 10 p.m. Many discount stores are open on Sunday and have led the trend toward extended shopping hours. Increase in shopping time is considered to be a customer convenience, particularly for customers who work during the day. Another convenience is the ample, free parking provided near the store.

Discount stores tend to be "come-as-you-are," family-oriented businesses. Children's toys, games, and other amusements for the little ones tend to keep them content during family shopping trips. Many discount stores also have 10-minute shopper specials and other sales events that add interest and excitement throughout certain days of the week and seasons of the year.

Examples of discount store giants are Zayre, K mart, Woolco, Wal-Mart, and Target. Some of these operations are owned by chain store organizations. For example, K mart is owned by the S.S. Kresge variety chain. These chains prefer the term "self-service department store" to discount store.

By whatever name it is called, the discount store has had a definite effect on the retailing field. Discount pricing policies now are followed in some department stores as well as in some chains and specialty stores. Department stores have more self-service or self-selection departments than before the establishment of discount operations.

Multiline Drugstores Organizations such as Super X, Thrifty, Sav-On, People's, and Revco are part of a fast-growing group of stores called **multiline drugstores**. In addition to prescription drugs, health sup-

plies, and cosmetics, multiline drugstores carry an assortment of fast-turnover variety items. The multiline drugstore customer can shop for small appliances, gifts, cards, household items, and camera supplies among many other product lines. The primary difference between a multiline drugstore and a variety store is that the drugstore employs a registered pharmacist to dispense prescription drugs. Multiline drugstores frequently are found in shopping centers, next to supermarkets, and in other high-traffic areas. Advertised specials and discount prices typically are used to attract customers.

Warehouse Clubs Warehouse clubs are a recent trend occurring in general merchandise retailing. Retailers such as Sam's Wholesale and Pace Warehouse are two examples of a new type of retailer growing across this country. Warehouse clubs offer a limited number of items at a lower price than a typical department or variety store selling the product. For example, warehouse clubs may have only 3,500 items while typical department stores may have 30,000. To maintain low operating costs, overhead and customer services are kept to a minimum. For example, products are displayed in case quantity, and little sales assistance is available to the customer.

Most warehouse clubs have two types of membership. Small businesses pay an annual membership fee. Individuals are not charged a fee, but usually pay an additional 5 percent above listed prices. Small businesses that don't have sufficient volume to be served by traditional wholesalers are particularly attracted to these clubs. Price-conscious customers enjoy the psychological impact of shopping beside wholesale members.

Hypermarkets The growth of hypermarkets is another trend occurring in general merchandise retailing. **Hypermarkets** are combination supermarkets and discount stores. The concept has been established in Europe for several years. These stores are based on the idea that customers are looking for something that is more convenient, saves them more money, and is unique and exciting. Hypermarkets capitalize on the fact that people want one-stop shopping.

In the United States, K mart and Bruno's (a regional grocery chain) are opening hypermarkets called American Fare. They are planned for metropolitan areas of more than 250,000 people. Typically 66 percent of the stock is general merchandise and the rest is food.

Independent and Chain Stores

As noted, the early department stores were individually owned and operated. This was characteristic also of the early variety stores. Families owned and managed these stores from generation to generation. All types of general merchandise stores—department

stores and mass merchandisers—can be independently owned and operated. However, independent ownership of large retail organizations is giving way to mergers, acquisitions, and consolidations—a trend to be discussed in Chapter 2.

Chain stores, which became important in the late 1800s, are formed when similar merchandise is distributed through two or more retail outlets that have common ownership and similar characteristics. The competitive advantage of the chain is that large quantities of merchandise can be centrally purchased and distributed to the various stores for sale to the public. These retailers generally can purchase merchandise at the lowest price when they buy in great quantity and when they can give large orders to manufacturers to produce goods with the chain's own label, especially during times that normally would be slow for the manufacturers.

Individual stores within a chain organization are mainly selling units. Decisions about the merchandise to be sold, pricing, advertising strategies, displays, and other matters are made in the central headquarters of the chain organization. Central headquarters for J.C. Penney is in Dallas. This is where the top decision-making executives of the company are based. Chicago is the central headquarters for Sears Roebuck and Co. Selling activities under the supervision of local store managers take place in J.C. Penney and Sears Roebuck stores throughout the country.

Local store managers receive directions and assistance from executives in the central office. Advertising campaigns are centrally planned, and "master" advertisements are distributed to local stores for use in the campaigns. Window displays are designed at the central headquarters, and pictures and detailed plans are distributed to local stores. One advertising staff, one display staff, one group of buyers, and so on serve many retail outlets. This centralization cuts personnel costs, establishes a form of quality control, and eliminates duplication of effort. It also establishes uniformity in such areas as merchandising, buying and pricing, and advertising.

There are different kinds of chain organizations. For example, S.H. Kress is a variety chain because it is composed of variety stores within a chain organization.

General Stores

Perhaps the friendliest of all stores is the old-fashioned general store. Although there are not many general stores left, they still are found in small communities around the country. General stores usually are family-owned and family-operated. They stock small amounts of different kinds of merchandise, such as hardware, cosmetics, health supplies, and groceries, in a relatively small space. Many of them are "Mom and Pop" stores

and are patronized by friends and relatives, even though larger stores may be nearby.

Nonstore Retailers

The marketing of general merchandise is not limited to established types of stores. Innovative methods of gaining access to customers have been developed, for instance, electronic shopping, telemarketing, and catalog sales.

Electronic Shopping Electronic shopping is a major trend that will affect all general merchandise retailers in the future. Electronic shopping involves selling through computer catalogs or TV cable channels. Video computer catalogs offer retailers an economical and efficient way to present their merchandise to a wider segment of the population than is now possible in ordinary retail outlets. Customers can examine product information and even make purchases in the comfort of their own home by using a home computer. Some forecasters predict that by the year 2000, 20 to 25 percent of all retail sales will be handled through at-home computer networks. Currently the largest obstacles to the growth of elec-



Not all general merchandise retailers are stores. © David F. Lawlor/The Picture Cube.



Fixture Report

Fixtures

Any object that holds merchandise, or is service related in a store is known as a fixture. Fixtures should complement the store, and serve as an extension of the image that the store is trying to show. The unit must reflect the quality of the merchandise being sold. If the selling items are of a fine quality, then you would want to use a fine quality of finishes, materials, and textures. Also the size of the unit should fit with what you are selling. You would not want to have a huge fixture spanning to the ceiling if you were only going to put a couple ties on it.

Many different types of fixtures can be found inside a store. Some of these are used for merchandising, while others have provided a service. Examples of these are:

- Floor units for hanging merchandise or folded items; these units may also accept stacked or piled merchandise.
- Combination/shop units accept both hanging and shelved merchandise groups.
- Wall fixtures typically work with hanging and shelved merchandise either flexible or fixed.
- Fixed display units can be furniture like that used in residential situations.
- Security fixtures such as glass showcases arranged in runs to serve as counters or freestanding walk around units.
- Highlight displays such as single pedestals or small tables to feature a particular item.
- Cashwrap/point of sale counters along with back counters strictly for storage and work service.
- Private fitting rooms somewhere in the store where customers can try

merchandise

on.

Simple and functional vs. Designed to have their own personality.

Simple and functional

- Serve their purpose with little material
- Designed for stores with lots of merchandise, but medium to low quality
- Will hold large numbers of stock
- Not very pleasing to the eye
- Not very flexible
- Store reflected image is "cheap"

Designed to have their own personality

- Each unit is design specifically for that store
- May utilize use of motifs in the store
- Not designed to hold large numbers of stock
- Flexible, usually different uses designed in
- Adds liveliness to the store
- Store reflected image is "finer, more trendy"

Ready made fixtures are one that have been already designed, and can be purchased from a dealer. If you uses these think about types or merchandise that the will hold, what you plan to use them for, and both long and short term usage.

Merchandise-intense vs. fixture-intense vs. comfortable medium

Merchandise-intense

- Focus is mostly on the merchandise itself
- Fixture is only there to display what is being sold
- Sometimes fixture is not even viewable

Fixture-intense

- Focal point of the display in the fixture itself
- Little merchandise is displayed
- Lots of effort put into selection, or design of fixture

Comfortable medium

- Focus is equally on the merchandise and the fixture
- Neither one sticks out more than the other
- Store complements the fixtures, which complements the merchandise

Fixed vs. Flexible

Fixed

- Cannot be moved, they stay in one place
- Generally only serve one purpose
- Merchandise of the same nature can be switched
- Items that very rarely changed are good to put in here

Flexible

- Can be moved, changed, or repositioned
- Can serve multiple purposes
- Excellent for different seasons merchandise

Combination fixed and flexible

- Part of the unit is fixed, but a smaller part may be flexible
- A floor display may have all the parts fixed, but it is on wheels
- Fixed wall units may have movable shelves
- A fixed shelved floor unit may have casters, and can be moved in the space

Sometimes fixtures can be used as focal parts of a store. They may be a large object that draws people in, or they may even block off half of the store to draw the shopper in. Positioning of them can also create traffic patterns, and fields of view. Fixtures can also be used to draw attention to the walls. If the racks start out low by the aisles, they can gradually increase in height until they get to the walls.

Flexibility is an important key to well functional fixtures. This is to accommodate changes in stock from season to season, or if you want to rearrange the store. If a fixture is to be flexible, it will have one or more of the following:

- Slotted standards (surface mounted or recessed)
- Slatwall panels, standard or reinforced slots
- Slat grid panels
- Pin system
- Slotted tubing uprights

If the store is going to have custom made fixtures, then the designer must pay careful attention to what hardware is being used with the fixture. If the design of the fixture fits the store perfectly, and hardware is not properly chosen, the display could lose its effect.

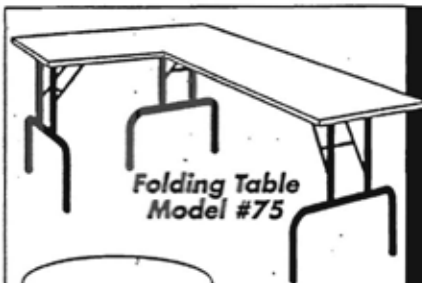
If a store carries a brand name that has its own special fixtures, then you will use the ones specified by the company, while the rest of the store is using the style that store chose.

To add more flare to a display, moving parts may be added. Rotors may be part of the fixture, rotating the merchandising, or moving something in the store to gain someone's attention.

If it is important that the fixtures be easily moved, then add casters to the bottom of the display.

-- Cashwrap area should be able to accommodate numerous functions. Some of the tasks that should be done there is purchasing, payment transactions, returns, exchanges, wrapping, customer service, sanitation, and giving information. This area can be located anywhere in the store, and there doesn't have to be only one. The number of cashwraps should depend on the size of the store, and the number of people that need the use of services performed there.

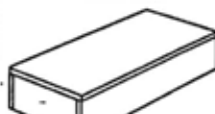
The following pages are examples of existing fixtures. Some notes have been made pointing out various features.



Folding Table
Model #75

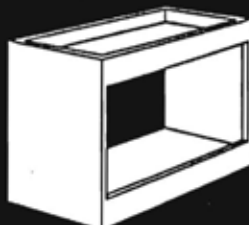


Table
#22

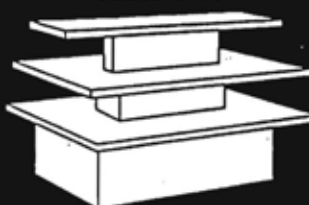


Cube
Bases

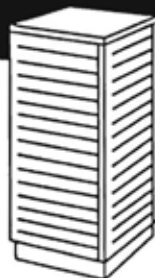
Dump Table #11



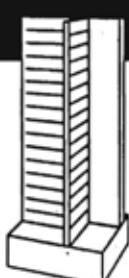
3 Tier
Table #44



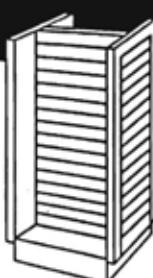
Dump Table #33



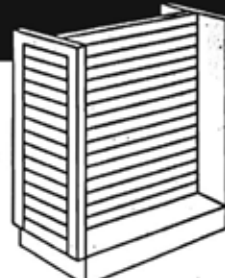
Model #1



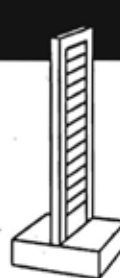
Model #2



Model #3



Model #4



Model #5



Hooks



Suction Cups



Econo-Ties™



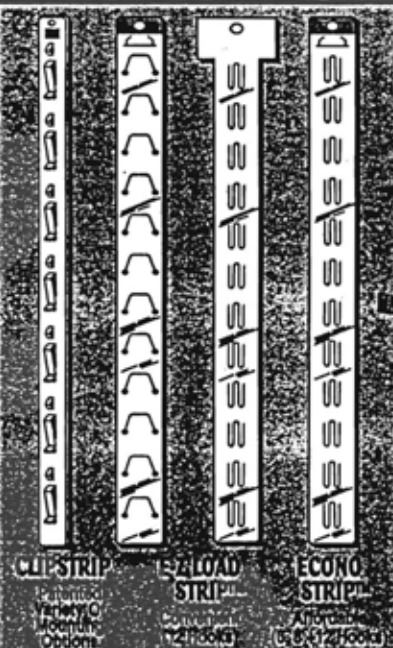
Swivel Hooks



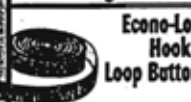
Guarded J-Hook



Push-In Fasteners



Econo-Tags™



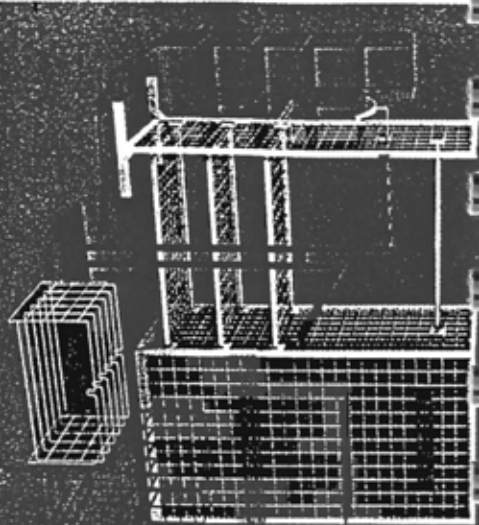
Label Holder



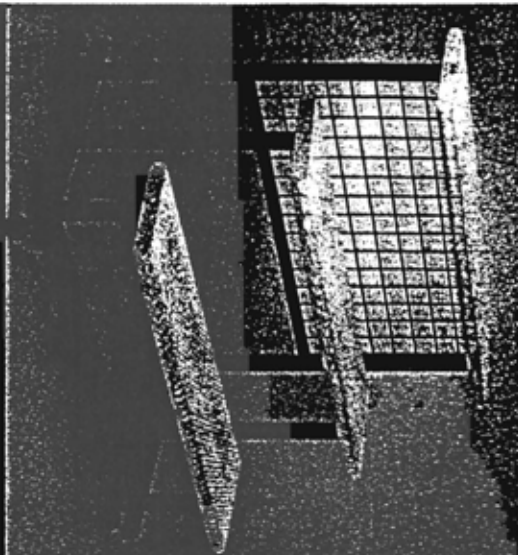
Econo-Grip Sign Holders



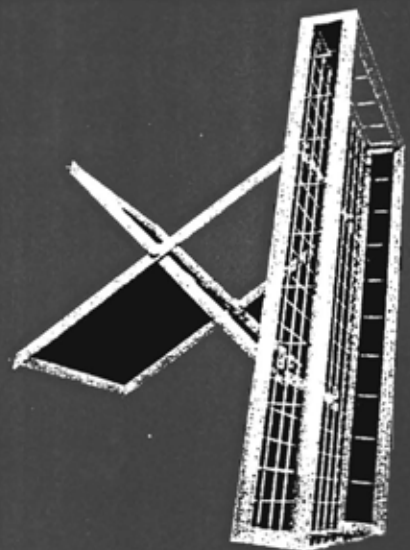
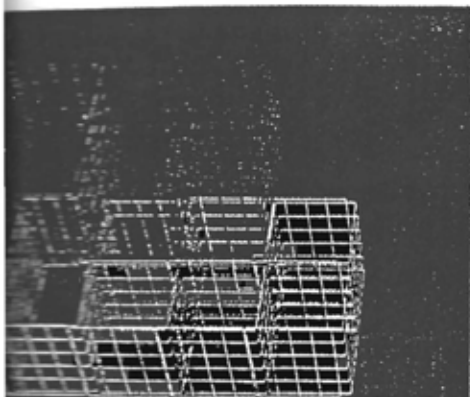
Econo-Tabs™



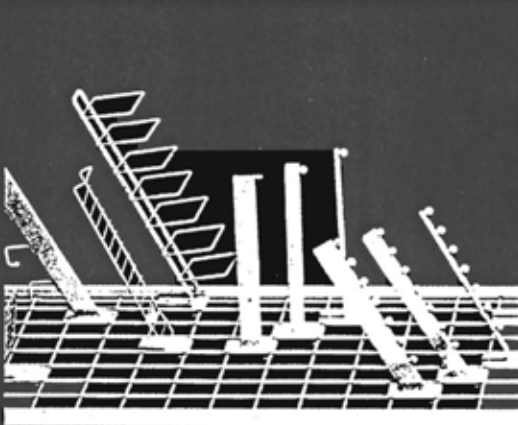
IN-STOCK WIRE GRID FIXTURING



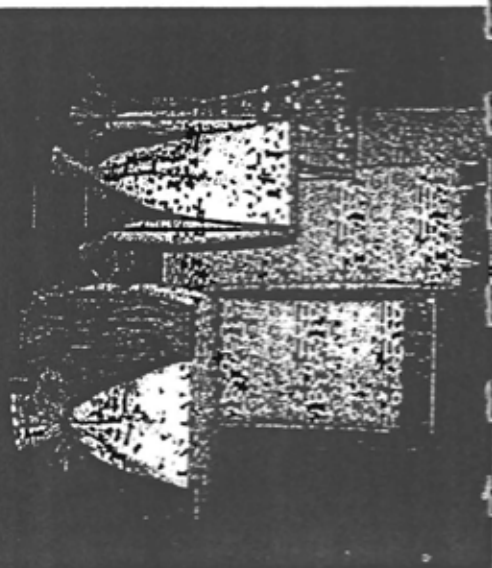
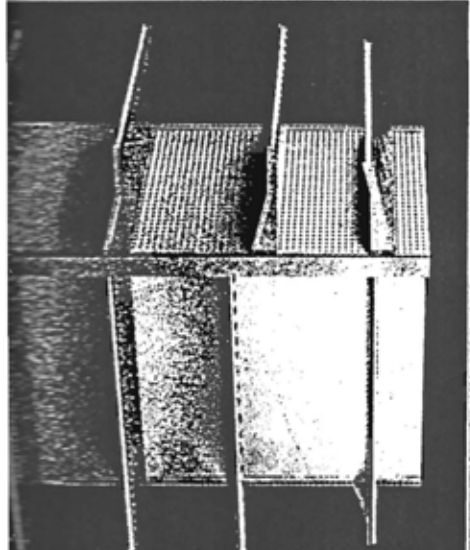
CUSTOM WIRE & STEEL FIXTURING



CUSTOM DISPLAY TABLES



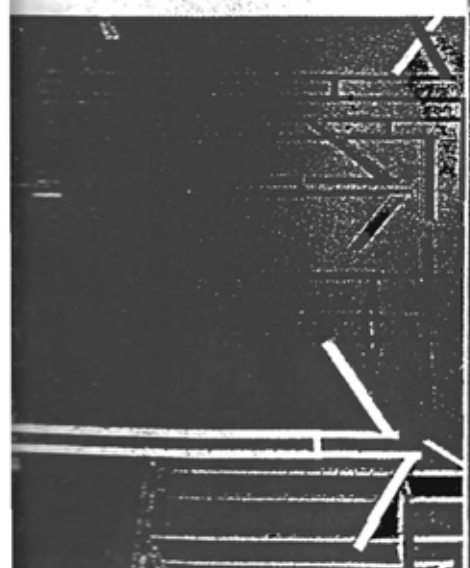
GRID, SLATWALL & DISPLAY ACCESSORIES

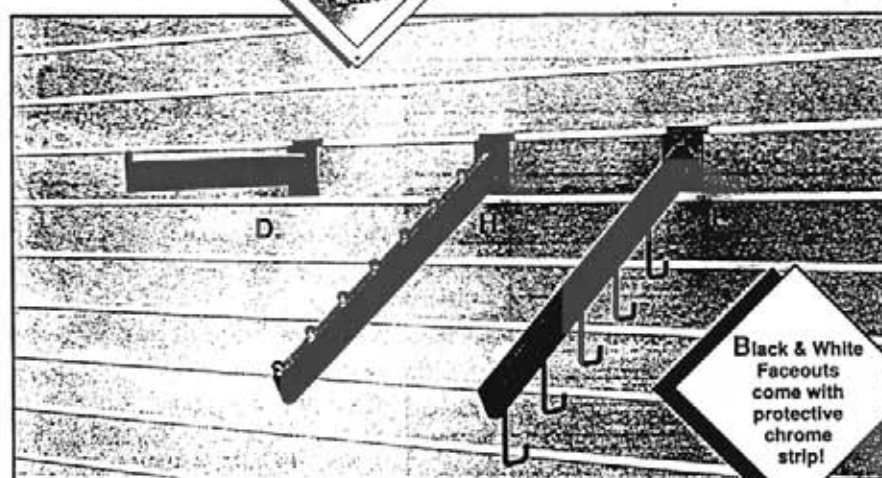
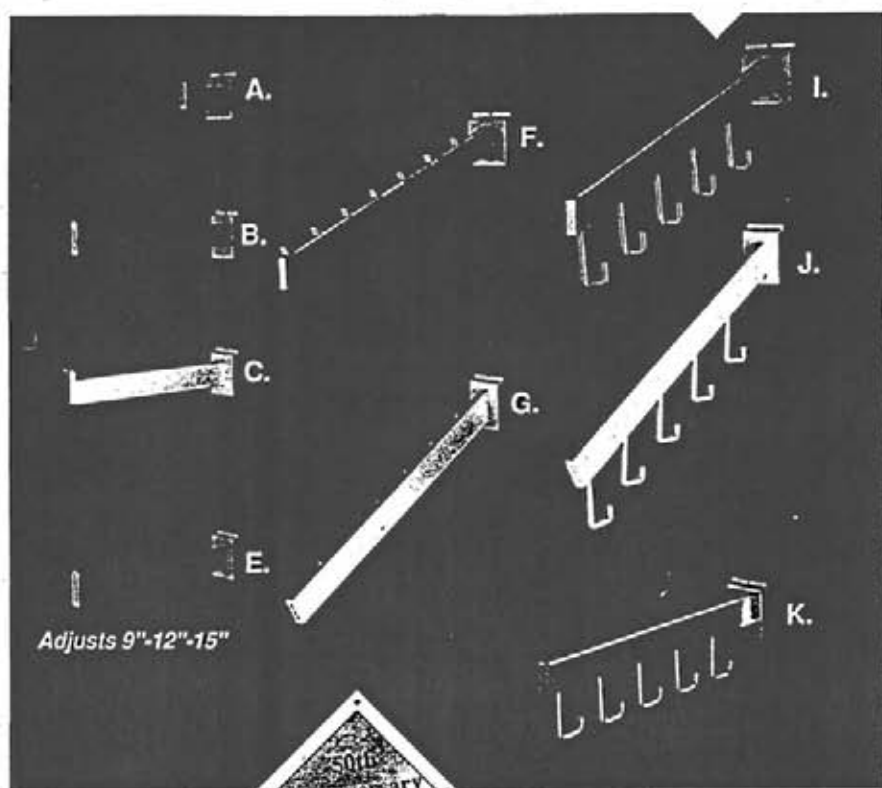


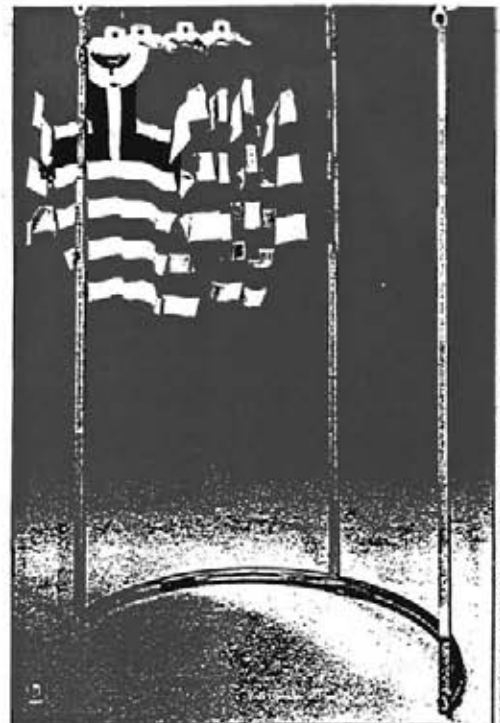
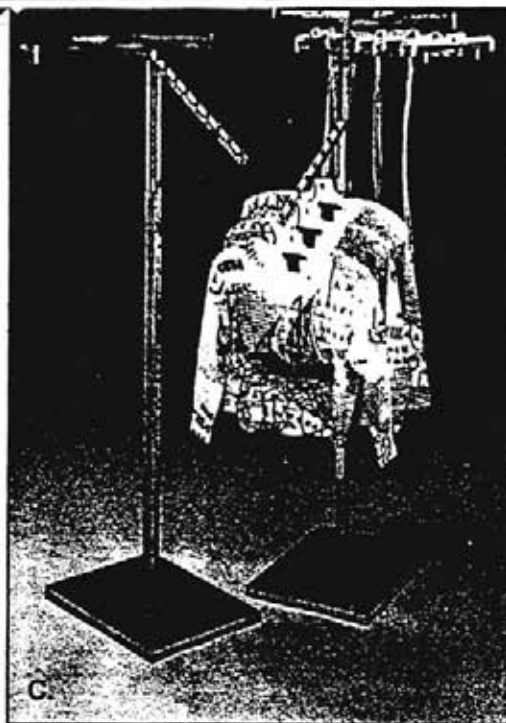
SCREEN PRINTING, BANNERS & TABLECLOTHS



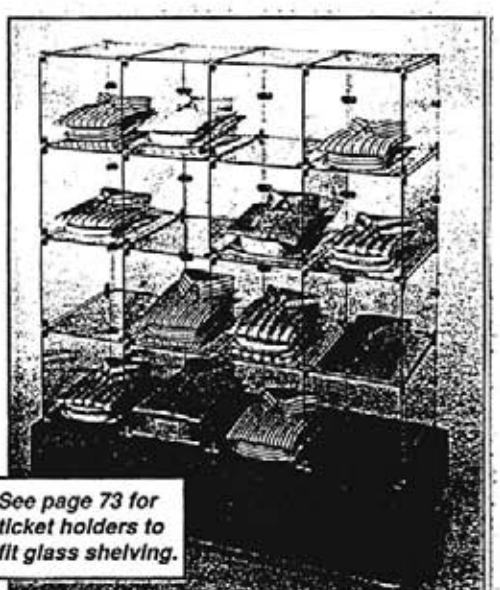
CUSTOM STEEL AND WOOD FIXTURING







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plate units
#76257
1.50 ea.

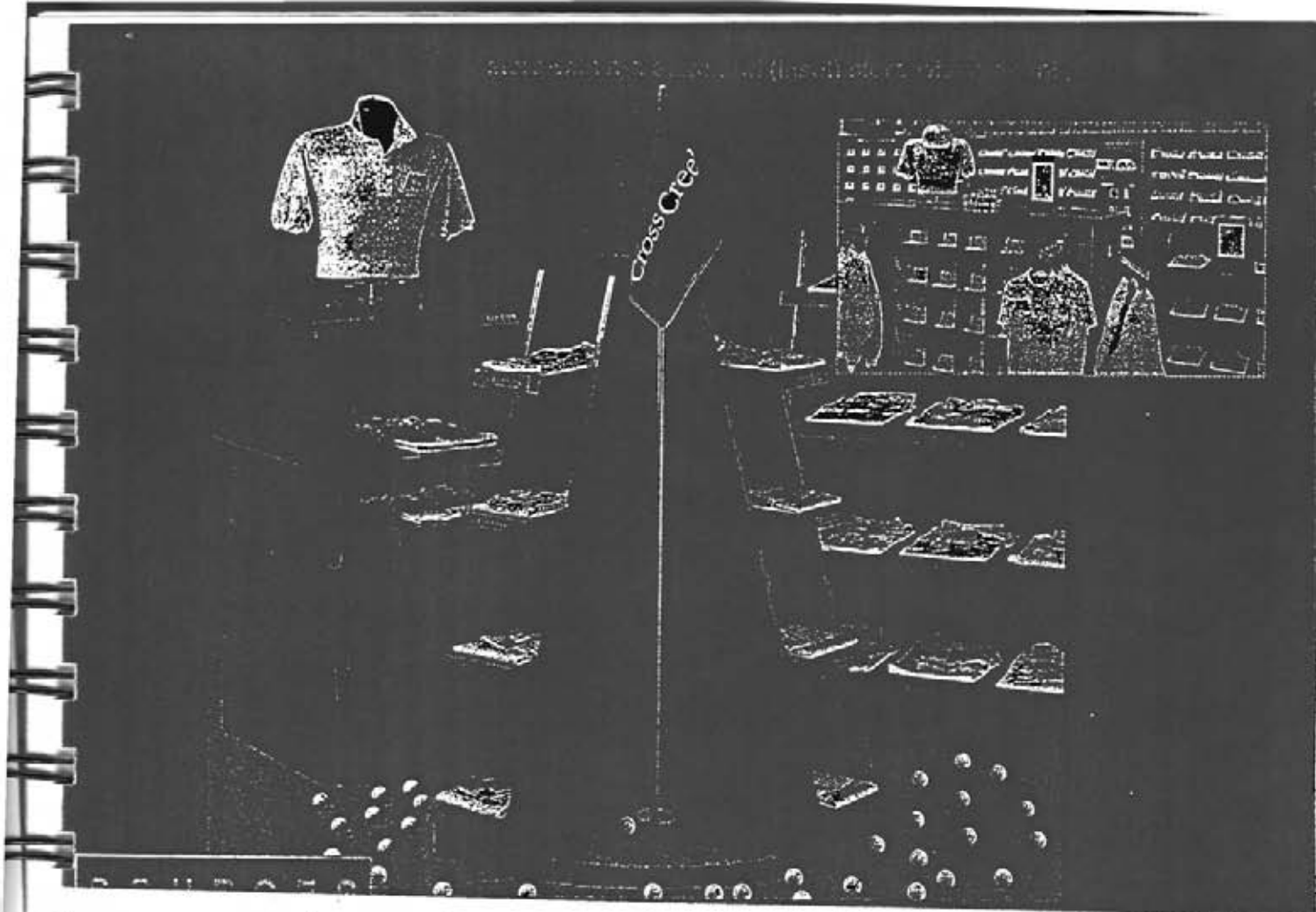


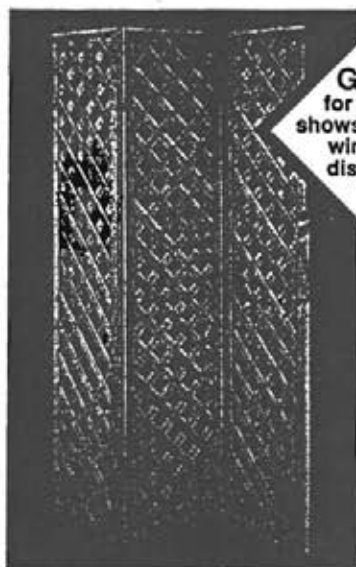
See page 73 for
ticket holders to
fit glass shelving.



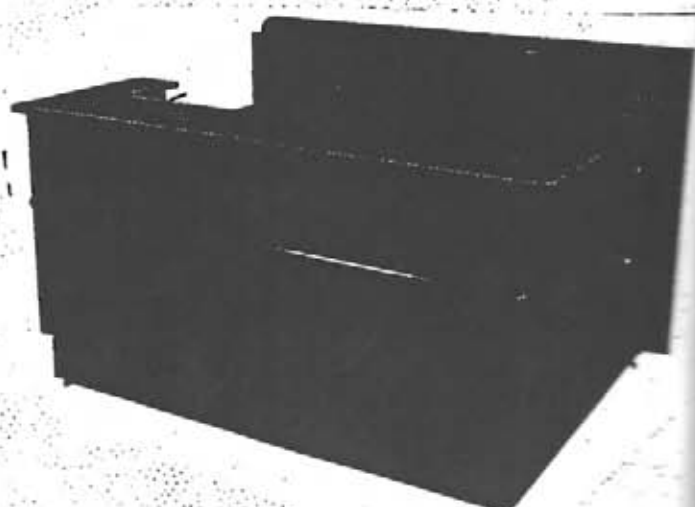
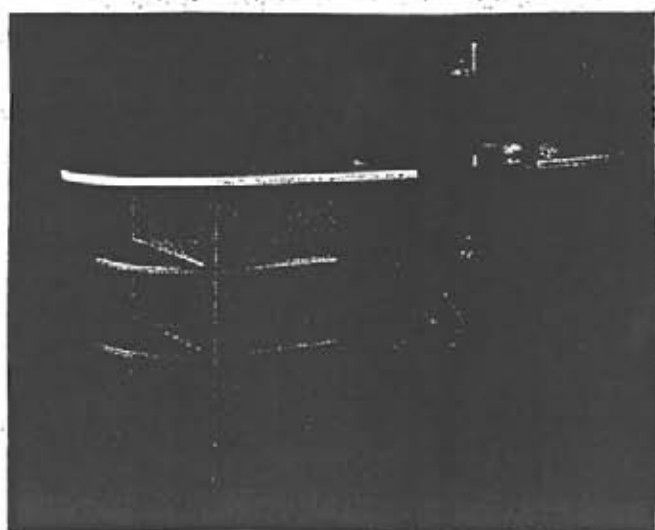
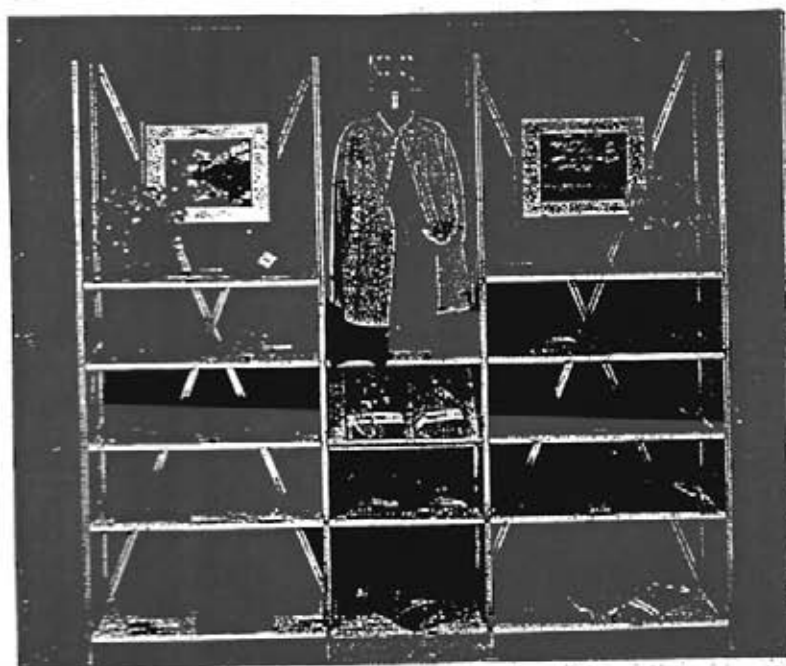
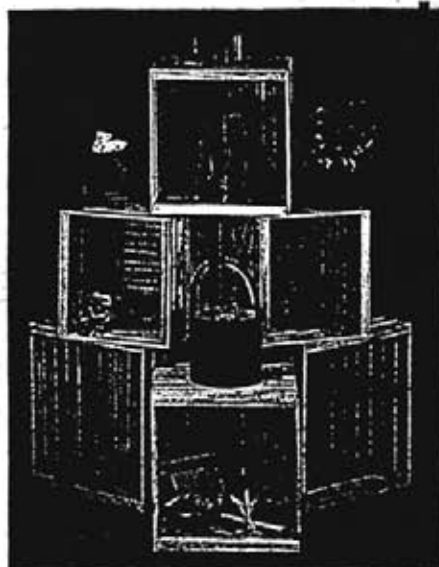
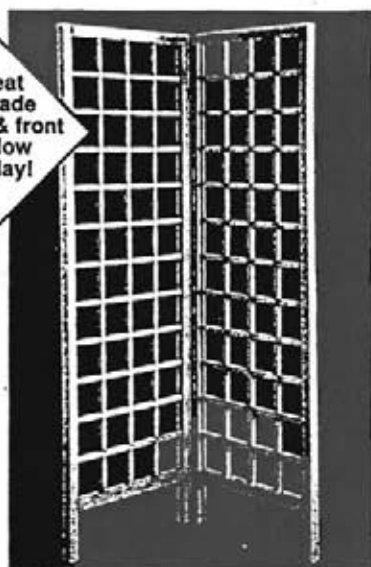
Swedge
fitting to fit
cardholders

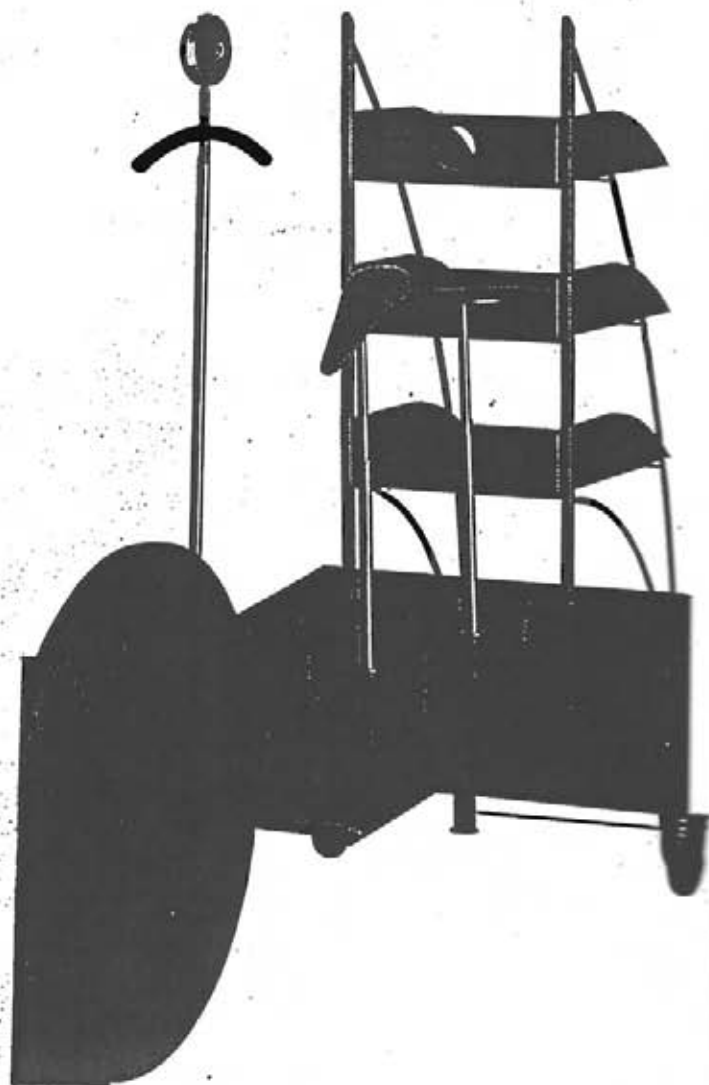
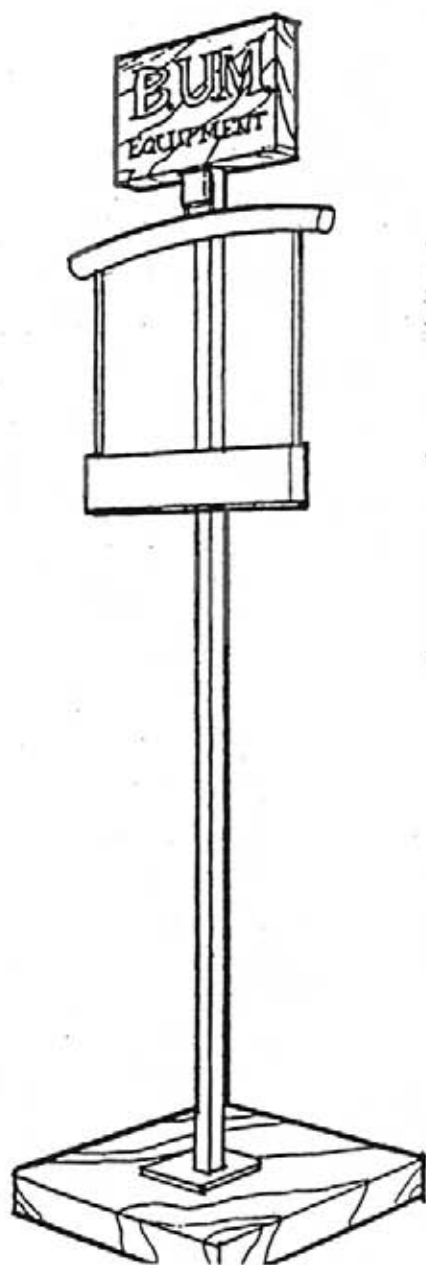


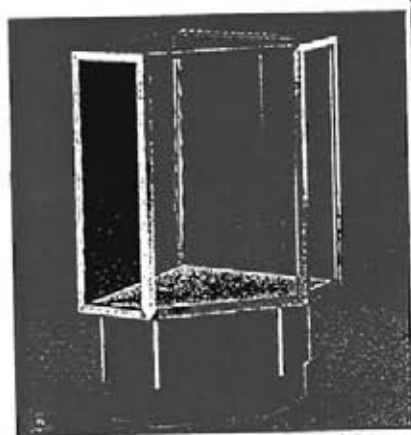
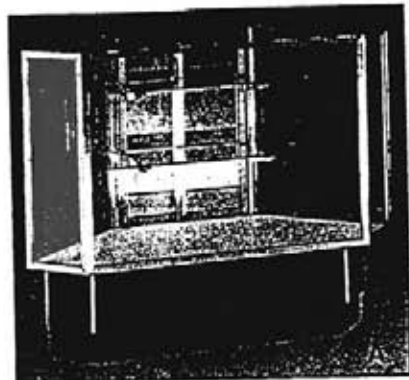
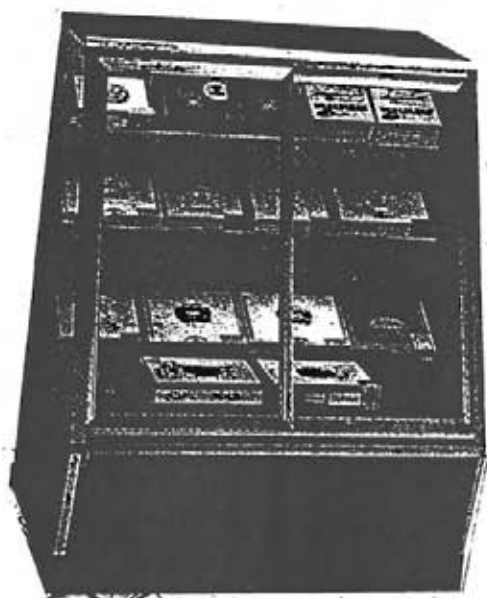




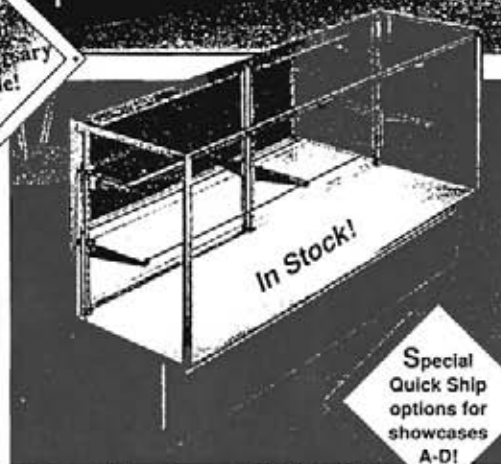
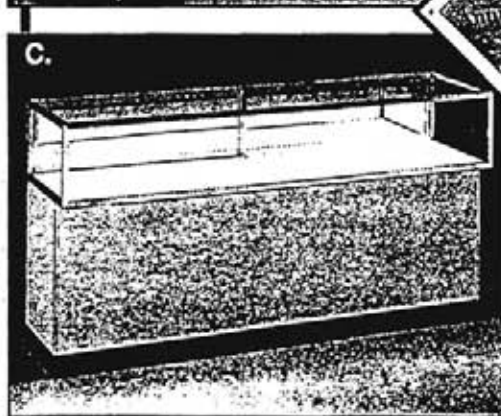
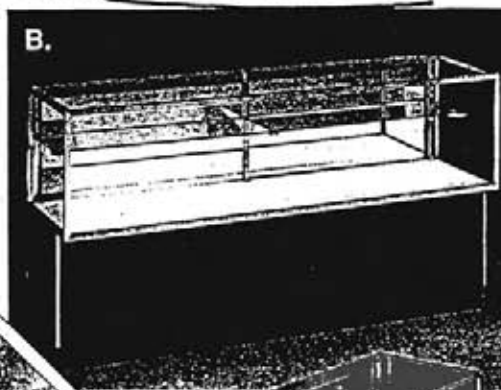
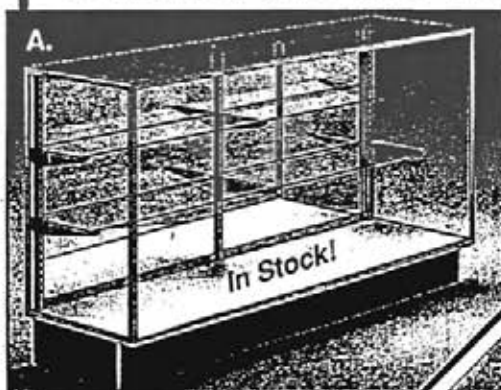
Great
for trade
shows & front
window
display!







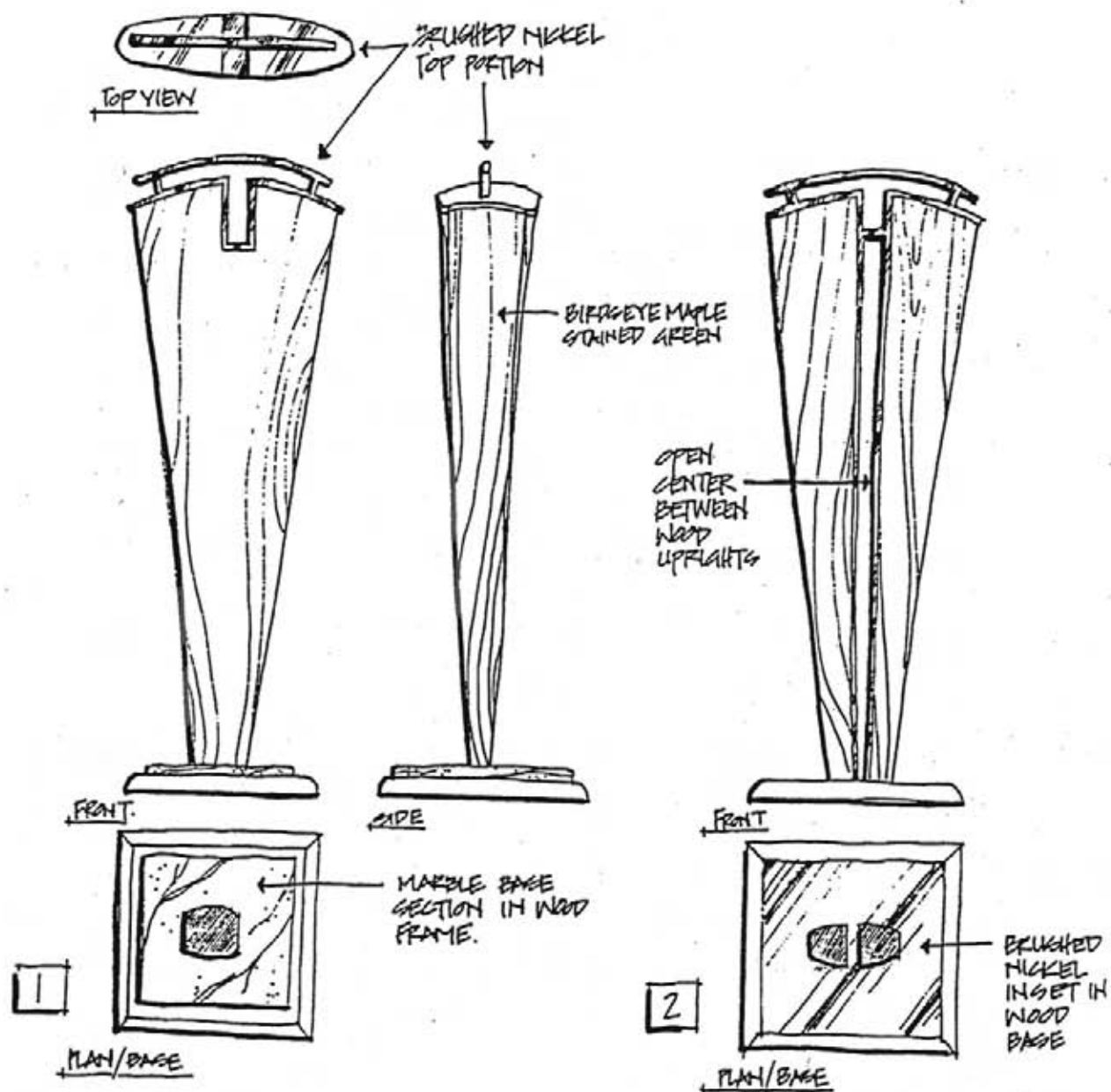
STANDARD & CUSTOM SHOWCASES

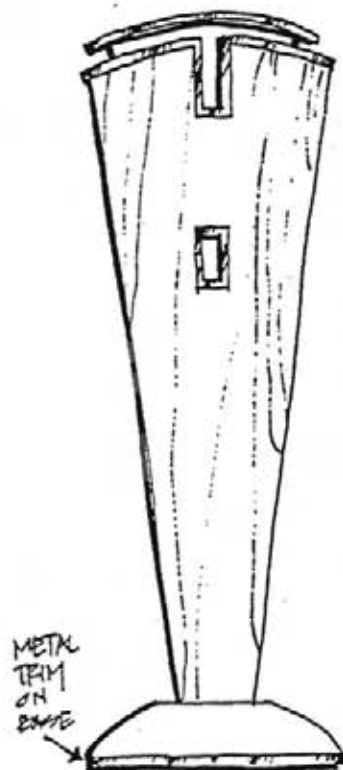


50th Anniversary Sale!

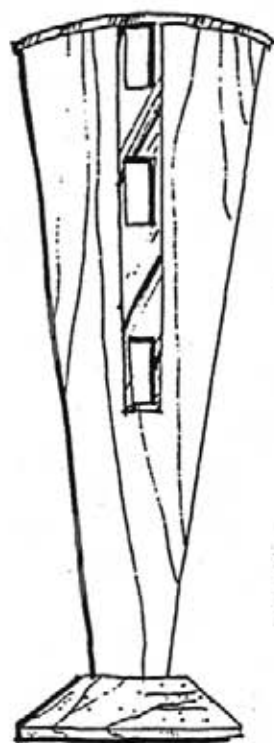
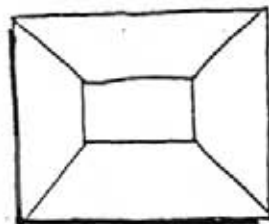
Special Quick Ship options for showcases A-D!

ALSO CUSTOM



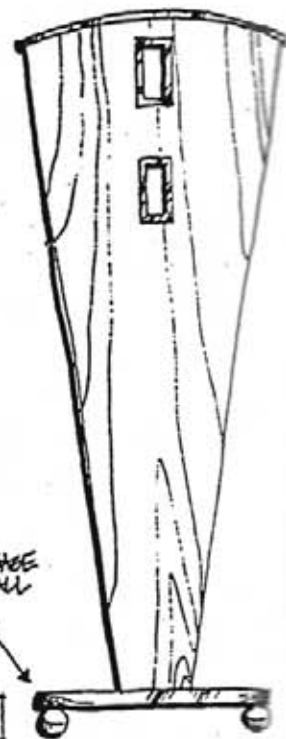


1



AVONITE OR CRYSTAL
BASE

2



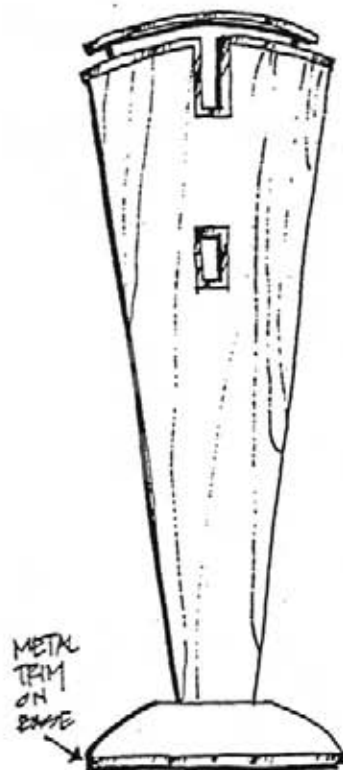
METAL BASE
WITH BALL
FEET

3

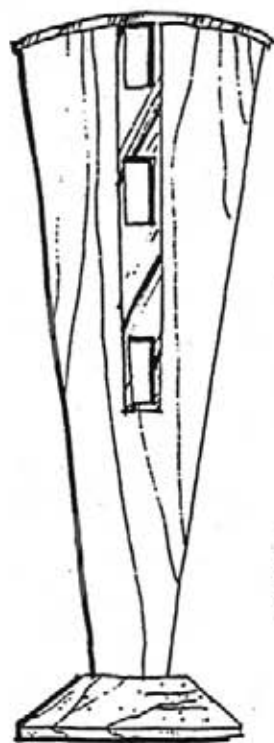
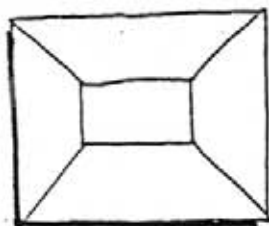
WOOD AND
METAL BASE

4





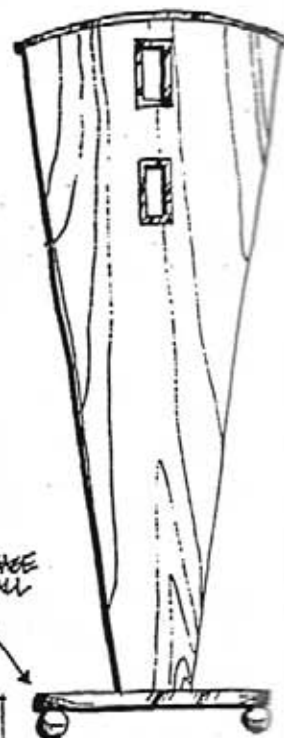
1



2

AVONITE OR GRANITE
BASE

2



3

METAL BASE
WITH BALL
FEET

3

4

WOOD AND
METAL BASE

4



Fixtures

These are some of the general guidelines which should be followed by the designer when designing the retail space for Roberto Colucci. Material given below is a combination of the wishes of the client and guidelines set up by the landlord. Following the written information you will find several examples of the basic equipment that is available, as these are not the most beautiful pieces of design work, they should only be referred to on the basis of gaining knowledge on what types of equipment is used to display clothing and other merchandise.

Wall Fixtures

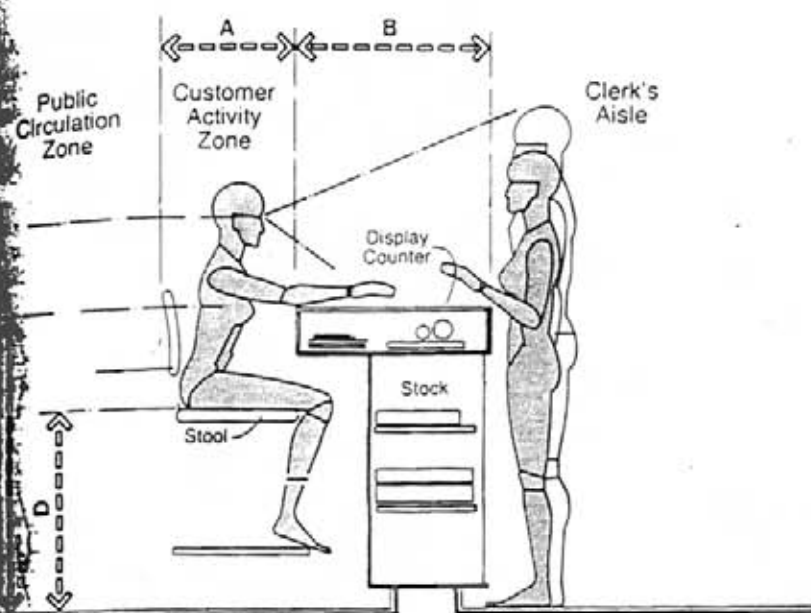
Fixtures should provide for the maximum utilization of the perimeter walls.
The fixtures should provide for the ability to merchandise garments by either shoulder hanging or front hanging on either single or double tiers
Presentation of goods should also be performed by using shelves or cubes
Standards should be fully recessed and out of view of the customer
Casework and display units should accommodate the size and scale of the merchandise
Mirrors should be provided for use by the consumer, however the use of mirrors as a background treatment for cases and shelves is discouraged
These fixtures should be made from high quality materials and finishes.
They should also be of current and contemporary style

Freestanding Units

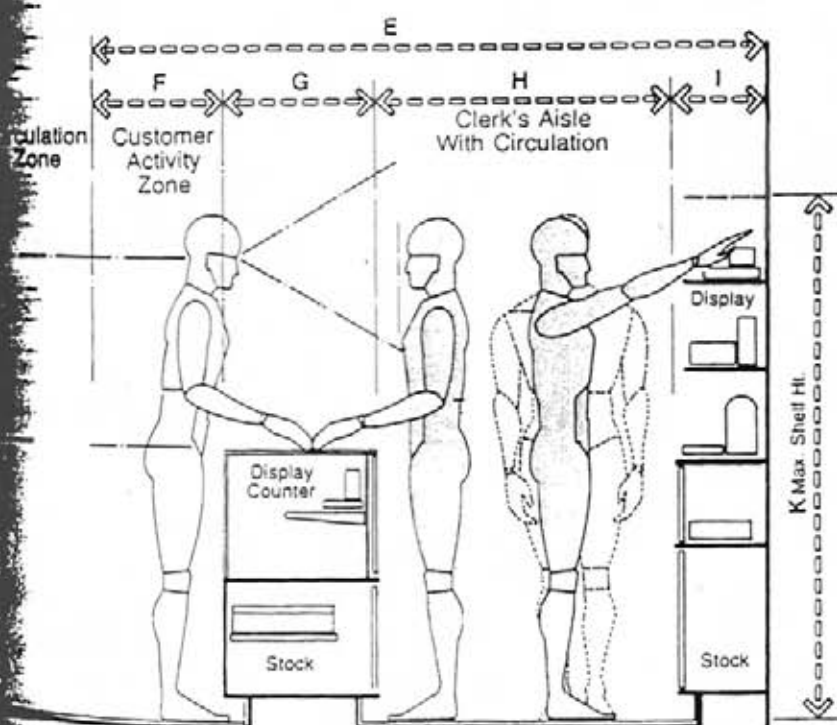
30 l.f. should be given to the presentation of ties, jewelry, small leather goods, and cosmetics
These should be showcases or self selection counterline fixtures
Freestanding units should be limited to the presentation of belts, featured merchandise, and "item" presentations
Fixtures should allow for the cross-merchandising of tops, bottoms, and accessories.
These fixtures should be made from high quality materials and finishes.
They should also be of current and contemporary style

Check Out

The cashwrap stands should not be visible from the outside of the store
There should be either one cashwrap of 8' * 10' or two of 4' * 5'
These fixtures should be made from high quality materials and finishes.
They should also be of current and contemporary style



Seated customer/high counter height.



Typical sales area/standing customer.

The essential function of retail spaces is to display and sell merchandise. The design of these spaces involves the manipulation and coordination of architectural, interior design, and merchandising elements as necessary to meet the programmatic needs of the client. It is critical that the space in which the customer and store personnel function is of the highest quality. Ensuring this quality requires a knowledge of the planning and design of the various interior components that constitute the building blocks of retail spaces.

Figure 1 shows the clearances involved for a 42-in. or 106.7-cm. high counter to service a seated user. By filling the recess with an additional display, however, the counter can also be used exclusively as a typical sales counter. It should be noted, however, that although sometimes used for special display situations, such a counter height is not recommended. Both the customer and the sales clerk of smaller body size would find coping with such a height uncomfortable anthropometrically, particularly when one considers that the counter would be higher than the elbow height of slightly over 5 percent of the population. From a merchandising viewpoint, where customer convenience is of paramount importance, it would be unwise to exceed 39 to 40 in., or 99 to 101.6 cm, as a counter height. In addition, the smaller sales clerk forced to tend such a counter for extended periods of time could be subjected to severe backaches and pains. Getting on and off a high stool for elderly and disabled people or those of smaller body size can be not only difficult, but hazardous. Figure 2 illustrates the clearances for a typical sales counter.

	in	cm
A	26-30	66.0-76.2
B	18-24	45.7-61.0
C	42	106.7
D	28	71.1
E	84-112	213.4-284.5
F	18	45.7
G	18-24	45.7-61.0
H	30-48	76.2-121.9
I	18-22	45.7-55.9
J	35-38	88.9-96.5
K	72	182.9

SHOPS

Planning Data

Figure 3 shows the clearances required for a medium height display counter. The suggested seat height of 21 to 22 in. or 53.3 to 55.8 cm, requires a footrest for the seated customer. The counter height shown will allow the display to be viewed by both the seated customer and the standing sales clerk. The customer activity zone allows adequate space for the chair, knee height, buttock-knee length, popliteal height, and eye height sitting are all significant human dimensions to consider in the design of counters to be used by a seated customer.

Figure 4 shows a low 30-in. or 76.2-cm, display counter also for use by a seated customer. The anthropometric considerations are the same. Although the counter height is responsive to the anthropometric requirements of the seated customer, it is less than ideal for the standing clerk. For the standing user's optimum comfort, the counter height should be about 2 or 3 in., or 5 to 7.6 cm, below elbow height. This will allow a person to handle objects comfortably on the counter surface or use the counter as support for his or her arms. The 30-in height is too low to permit such use.

	in	cm
A	36	91.4
B	26-30	66.0-76.2
C	18-24	45.7-61.0
D	30 min.	76.2 min.
E	10	25.4
F	21-22	53.3-55.9
G	5	12.7
H	23-25	58.4-63.5
I	4-6	10.2-15.2
J	34-36	86.4-91.4
K	30	76.2
L	16-17	40.6-43.2

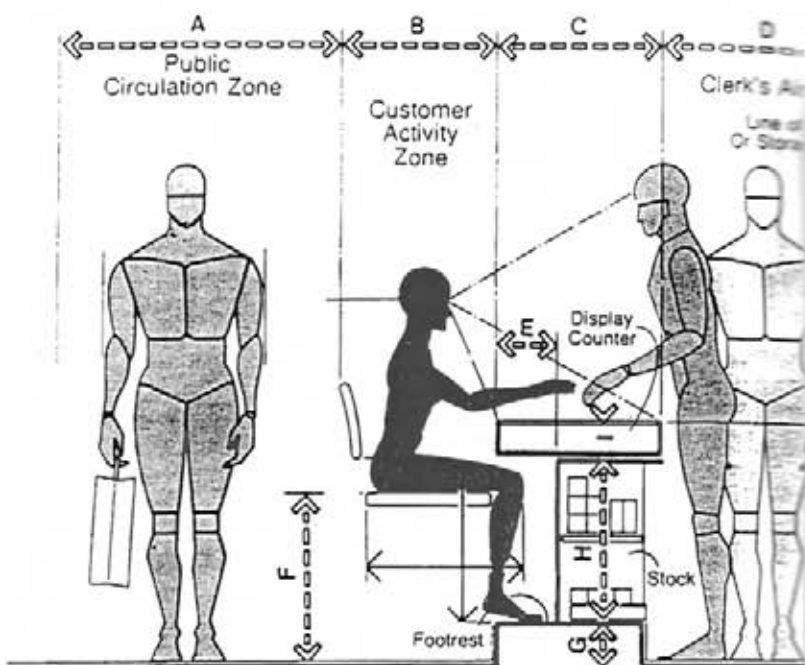


Fig. 3 Seated customer/desirable counter height.

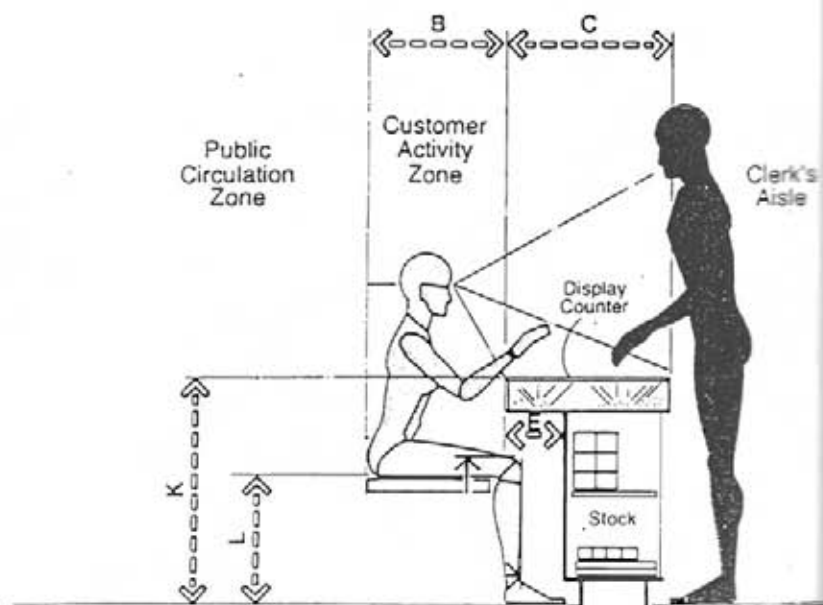
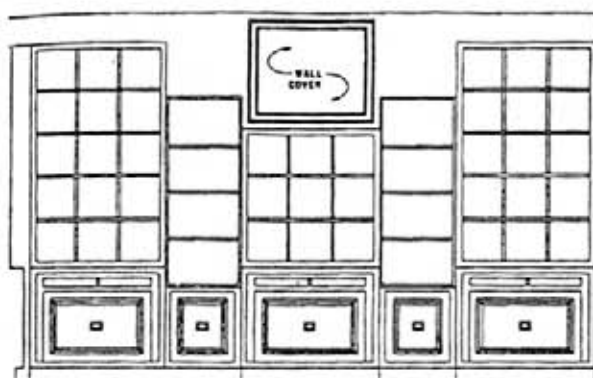
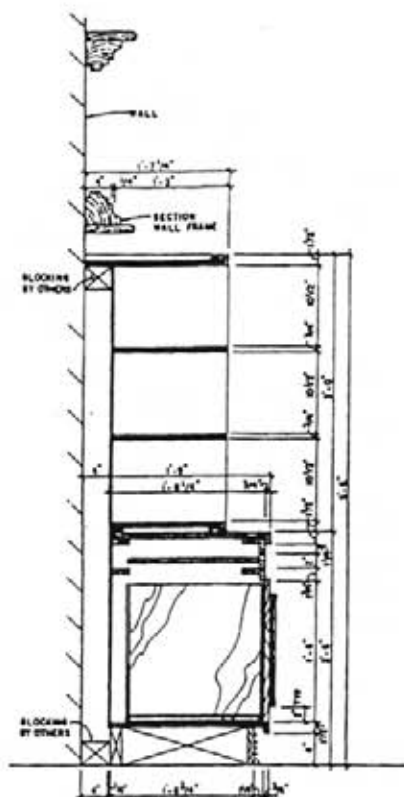


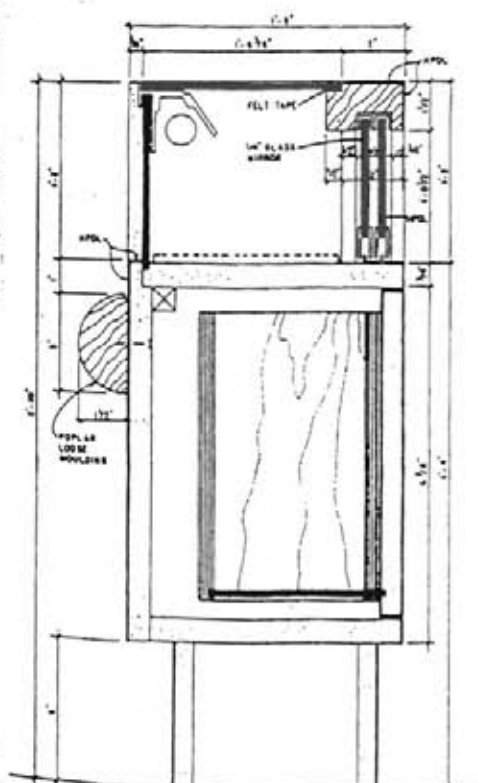
Fig. 4 Seated customer/low counter height.



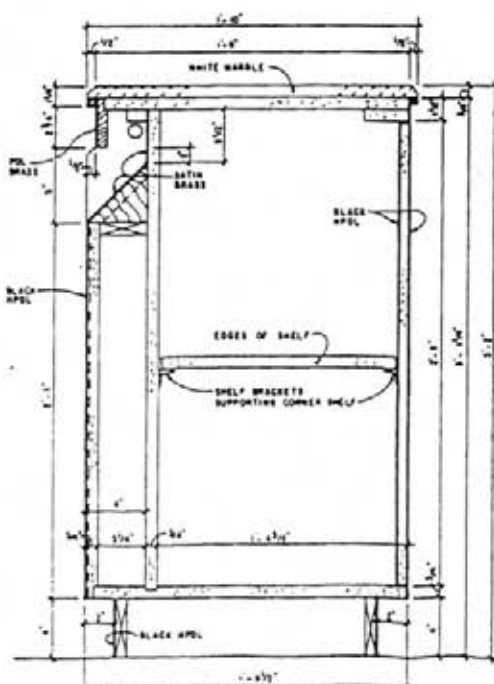
ELEVATION-SHIRT DISPLAY CASE



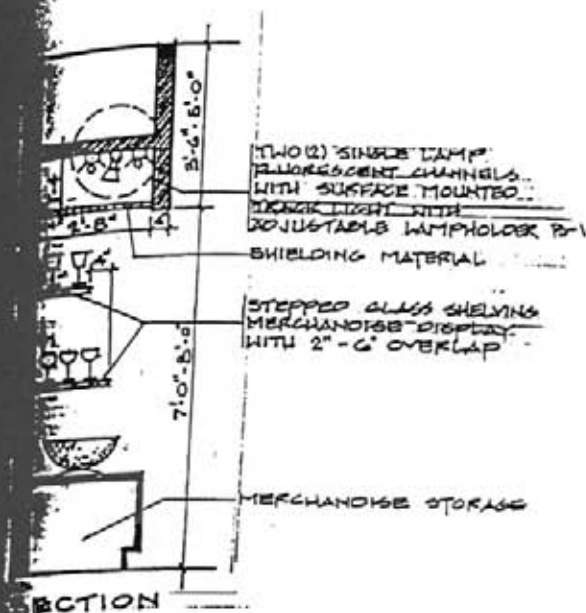
VERTICAL SECTION SHIRT DISPLAY



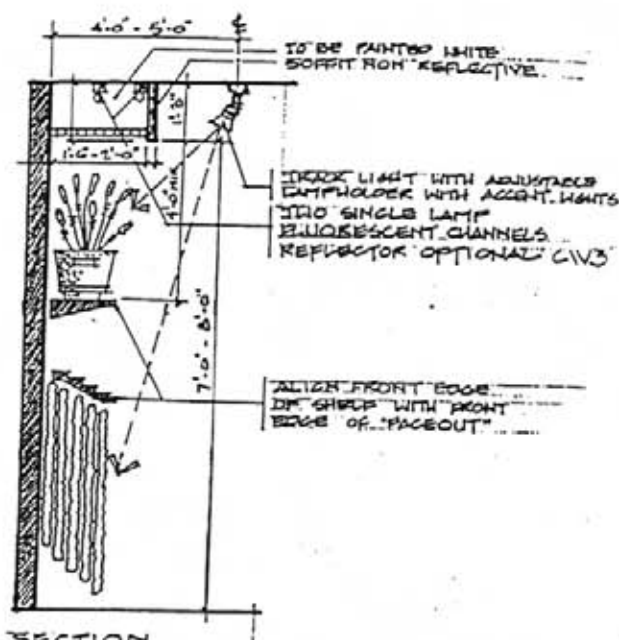
VERTICAL SECTION JEWELRY SHOWCASE



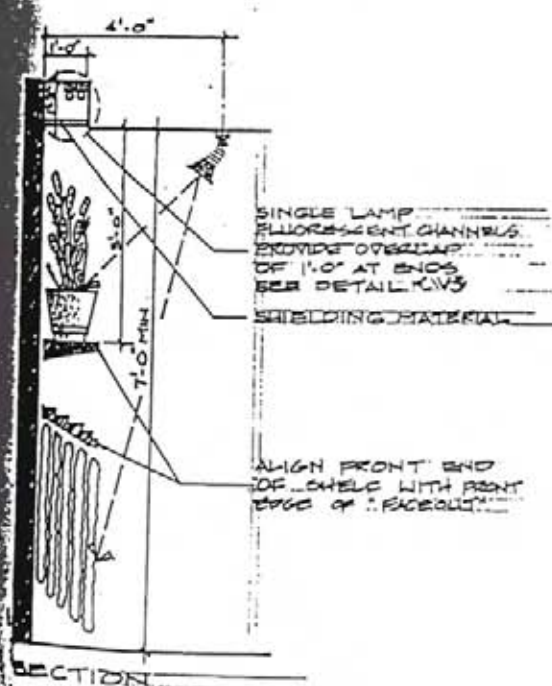
VERTICAL SECTION COSMETIC DISPLAY



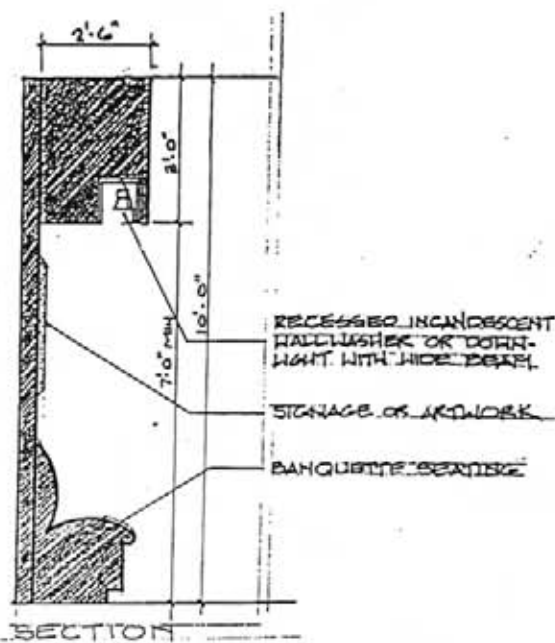
SECTION

STEPPED SHELVING
MERCHANDISE DISPLAY

SECTION

FEATURE WALL DISPLAY
WITH ILLUMINATED
SOFFIT AND ACCENT LIGHT

SECTION

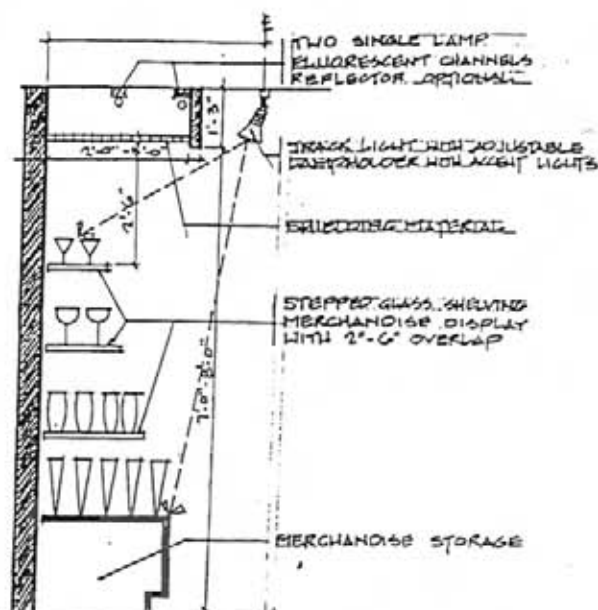
FEATURE WALL DISPLAY
WITH RECESSED COVE
IN SOFFIT AND TRACK LIGHT

SECTION

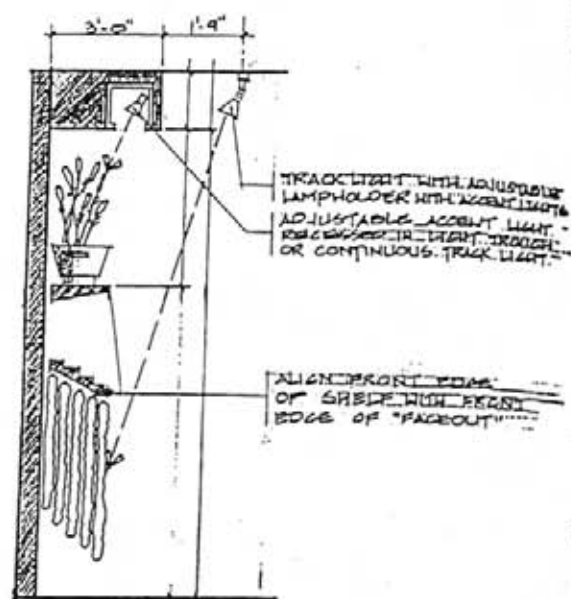
FEATURE WALL DISPLAY
DROPPED SOFFIT ABOVE
BANQUETTE SEATING

DEPARTMENT STORES

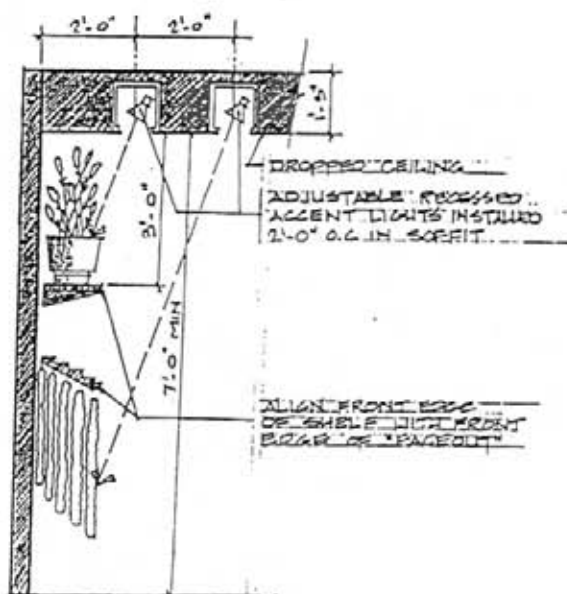
Feature Wall Lighting



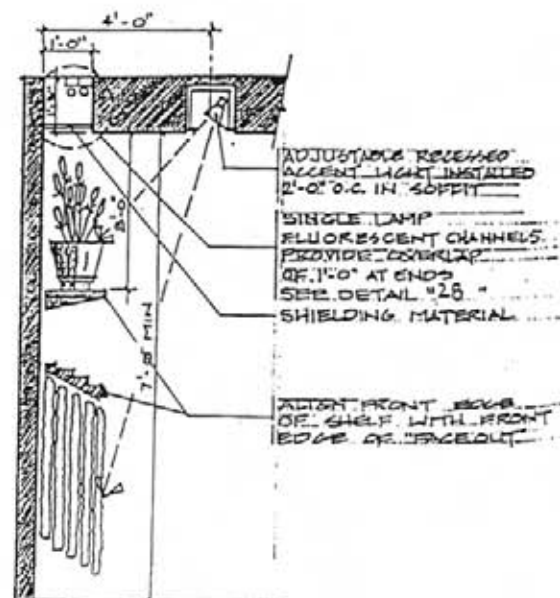
SECTION
FEATURE WALL DISPLAY
WITH ILLUMINATED
SOFFIT AND ACCENT LIGHT



SECTION
FEATURE WALL DISPLAY
WITH RECESSED LIGHT
TROUGH AND ACCENT LIGHT



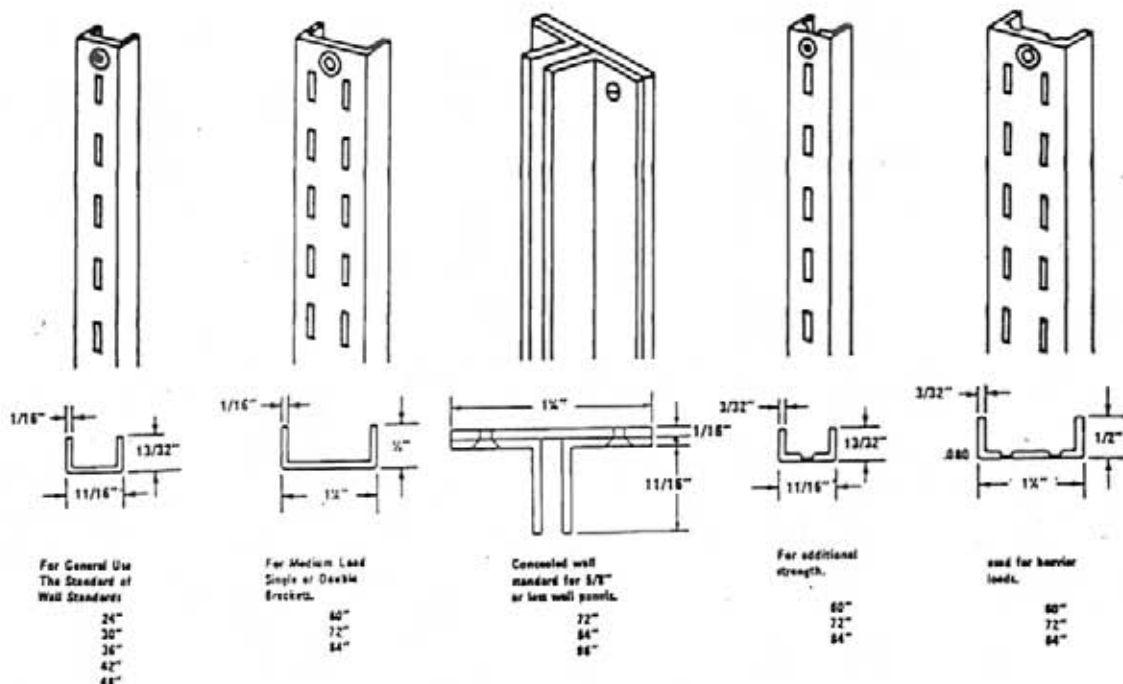
SECTION
FEATURE WALL DISPLAY
WITH RECESSED ACCENT
LIGHT IN DROPPED CEILING



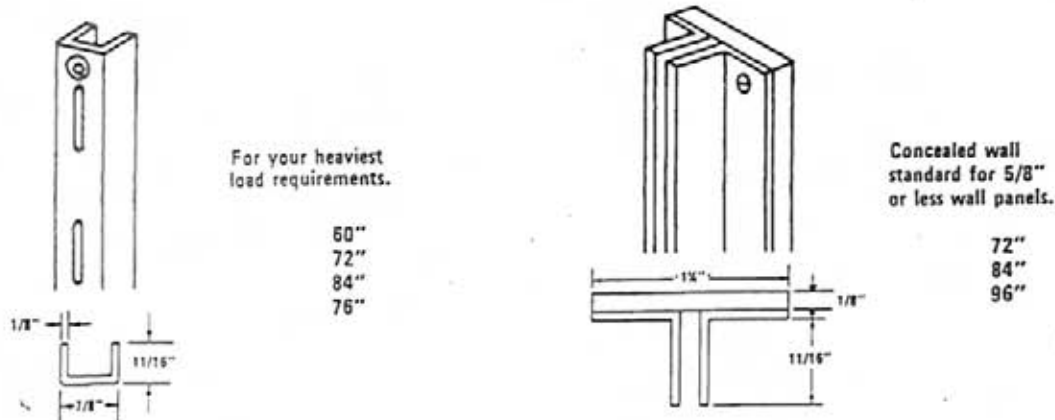
SECTION
FEATURE WALL DISPLAY
WITH RECESSED COVE
IN SOFFIT AND ACCENT LIGHT

DEPARTMENT STORES
Display Systems Standards

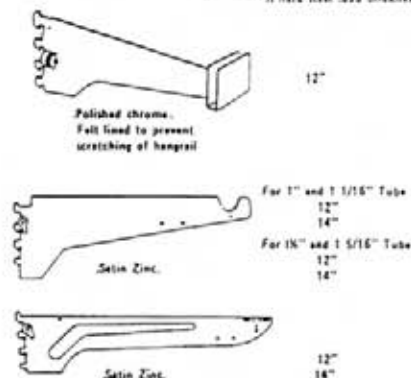
MEDIUM DUTY- $\frac{1}{2}$ " SLOTS 1" O.C.



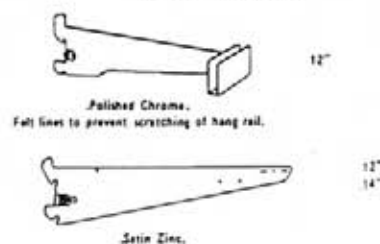
HEAVY DUTY-1" SLOTS 2" O.C.

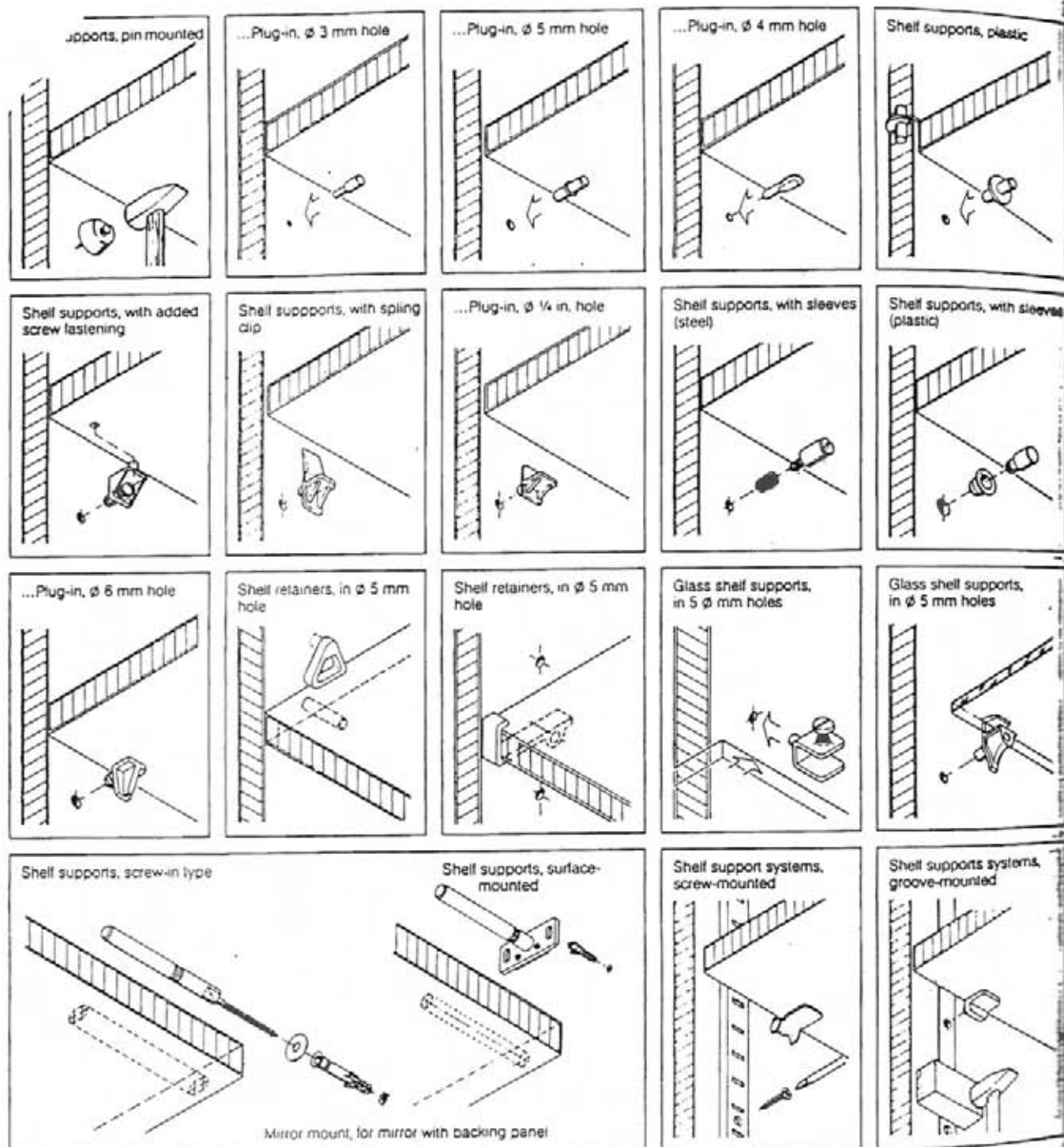


Regular Duty Brackets for use with 1" O.C. Slotting.
X hard steel .063 thickness



Heavy Duty Brackets for use with 2" O.C. Slotting
X hard steel .125 thickness





CONFERENCE ROOMS

Table Base and Edge Treatments

It is important for the designer to understand and appreciate some of the important details that make up a conference table. The base treatments shown in Fig. 5 are but a few of the myriad possibilities. Perhaps even more important to consider are the finished edges of glass and wood conference tables, representative details of which are shown in Figs. 6 and 7. Other edge details could be made of marble, granite, or even leather. Fingers, hands, and arms make intimate contact with these edge details, something that should be carefully considered.

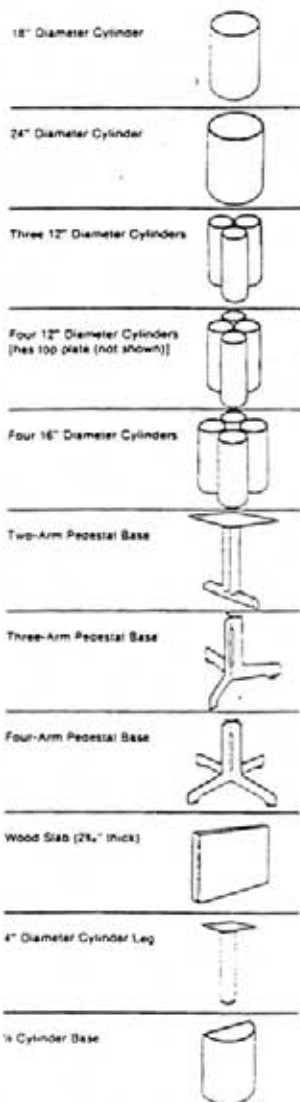


Fig. 5 Base treatment.

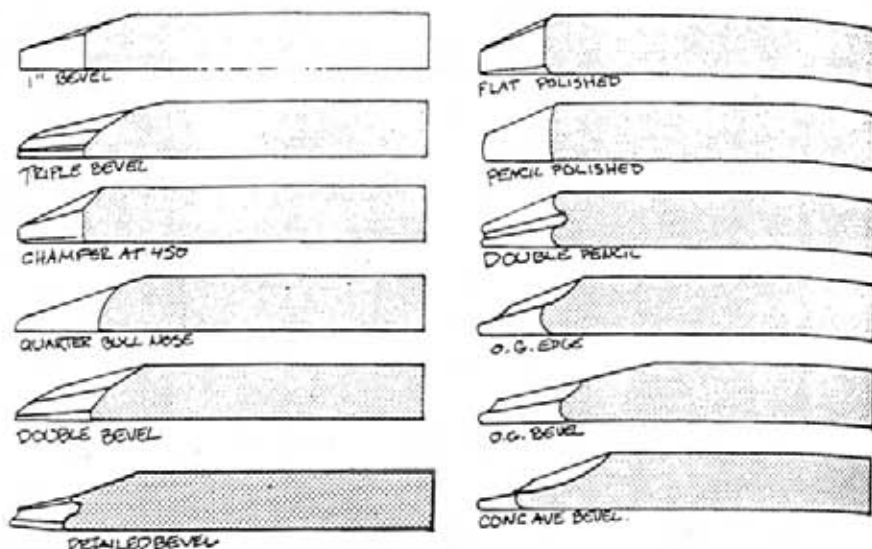


Fig. 6 Glass edge treatment.

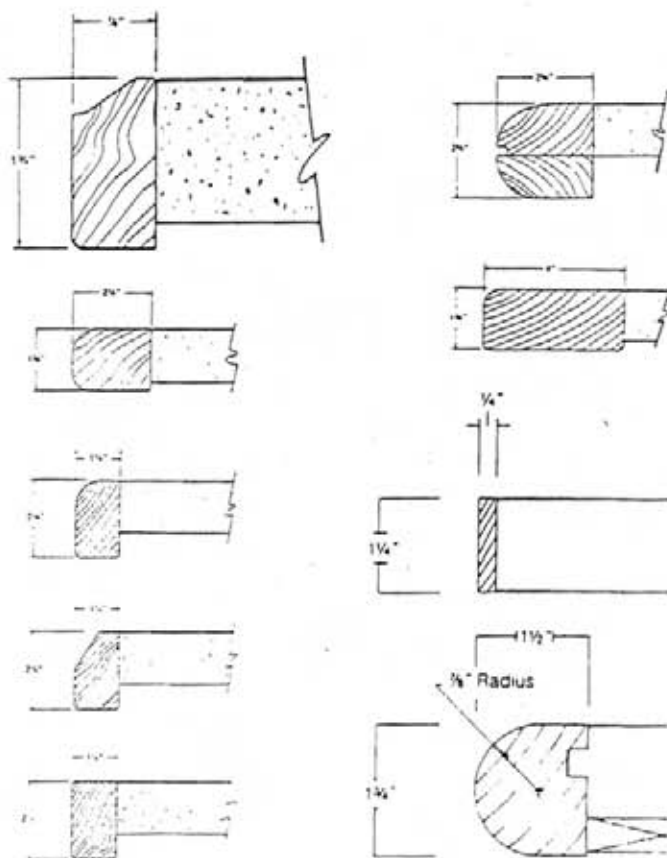


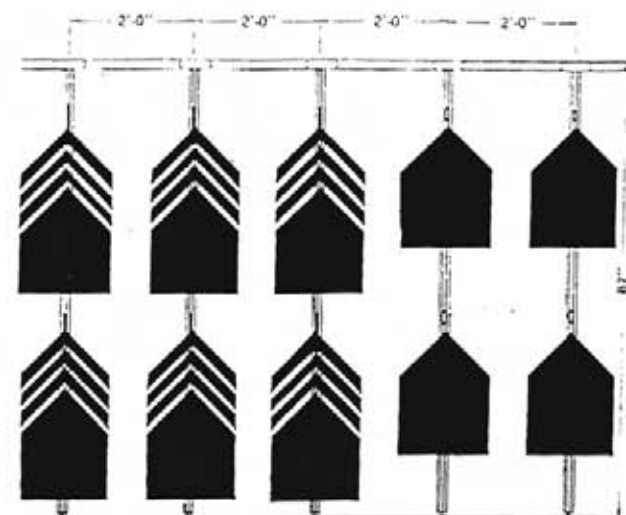
Fig. 7 Wood edge treatment.

DEPARTMENT STORES

Wall Display Systems



WATERFALL
Average Quantity of
Garments Per Post: 48



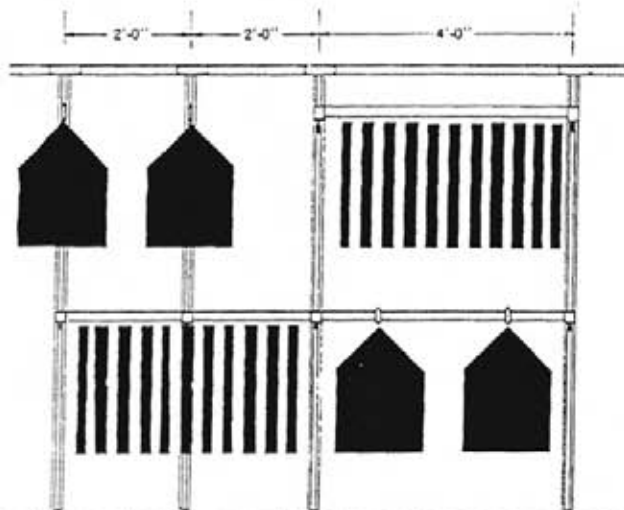
FACE OUT & WATERFALL



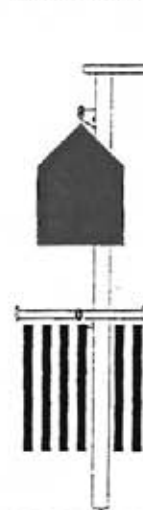
FACE OUT
Average Quantity of
Garments Per Post: 46



**POST FACE OUT WITH
STRAIGHT HANGING**
Average Quantity of
Garments Per 4'-0" Section: 94



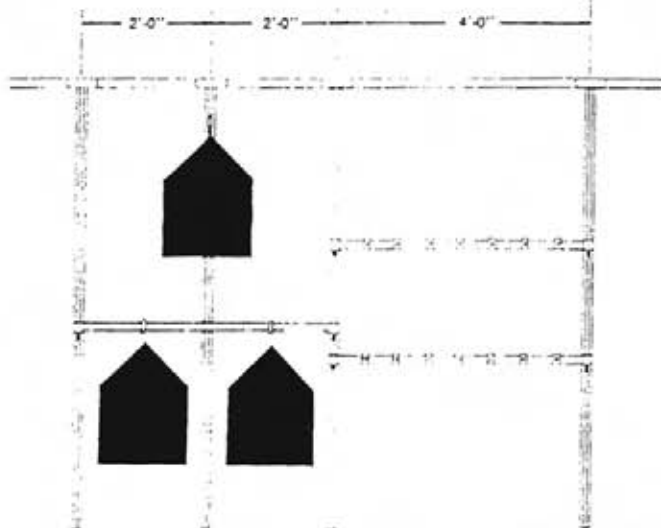
STRAIGHT HANGING & FACE OUT



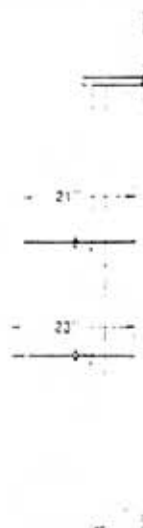
**STRAIGHT
WITH HANGRAIL FACE OUT**
Average Quantity of Garments
Per 4'-0" Section: 96



FACE OUT WITH DISPLAY
Average Quantity of Garments
Per 4'-0" Section: 49



- Compatible with universal 1/2" slotting
- Unique new oval hangrail

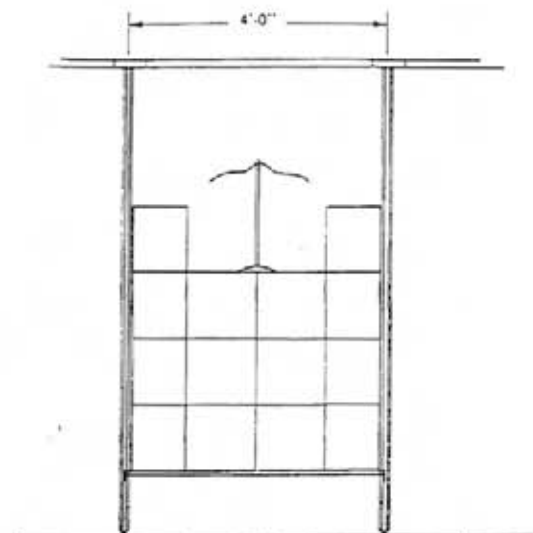


ROD DISPLAYS
6 or 7 Rods Per
4'-0" Section

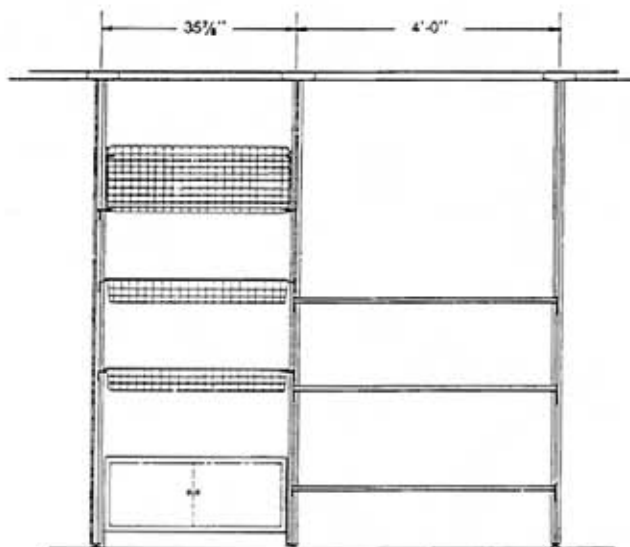
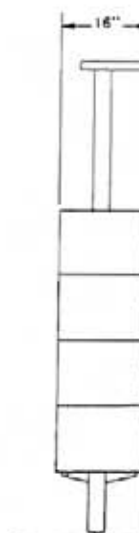
DEPARTMENT STORES

Wall Display Systems

continuity
to floor
theme throughout
department or
for high
merchandising
merchandising
to be
with other
International Systems

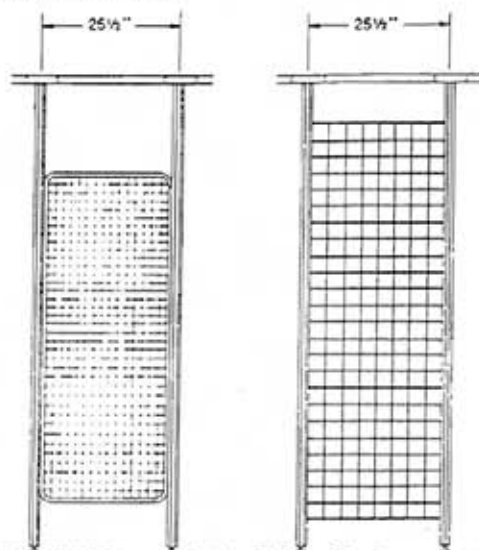
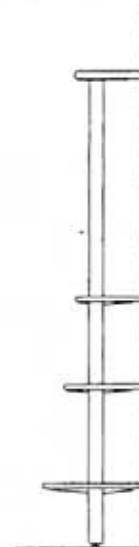


BINNING SYSTEM

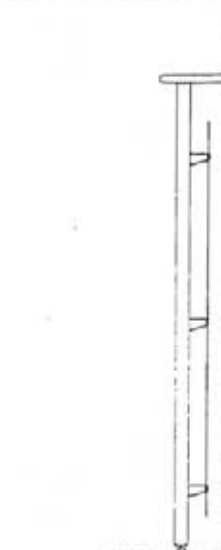


BASKETS & SHELVES

WOOD OR GLASS SHELVES



MESH PANEL SYSTEMS



GRID WALL PANELS

UP PANELS

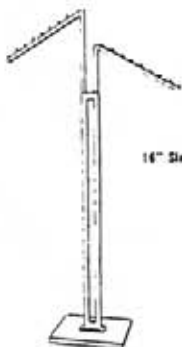
iles/Systems 2™ upright posts are engineered with easily changeable post covers (Pat. Pend.)
components are coated with a durable, long lasting, baked on epoxy powder finish.

DEPARTMENT STORES

Rack Display Systems



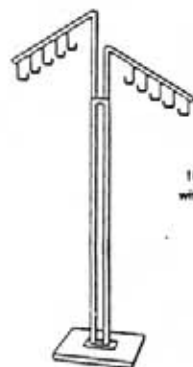
16" Straight Arms



16" Slant Arms with 8 balls

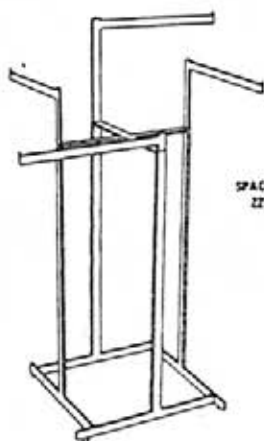


16" Straight Arm and
16" Slant Arm with 8 Balls

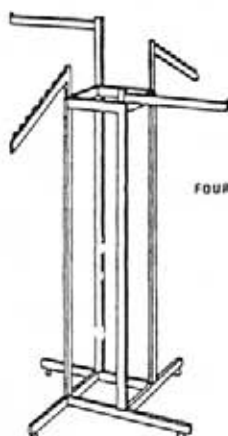


16" Slant Arms
with 5 "J" Hooks

Two-arm costumers



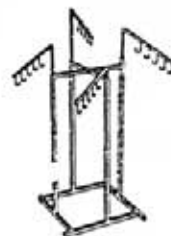
SPACE SAVER
22" Arms



FOUR WAY RACK



16" Slant Arms with 8 Balls



16" Slant Arms
with 5 "J" Hooks

Four-way racks



Rectangular Hangrail

36" Dia.
42" Dia.



REVOLVING

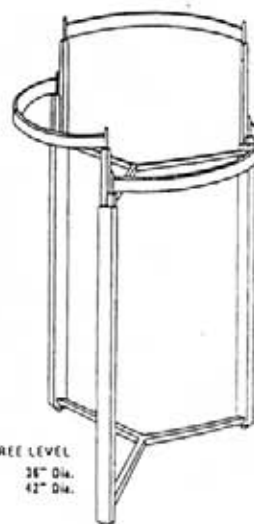
36" Dia.



16" Dia. Hangrail

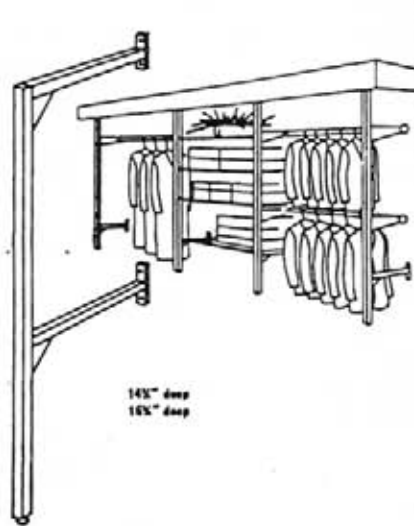
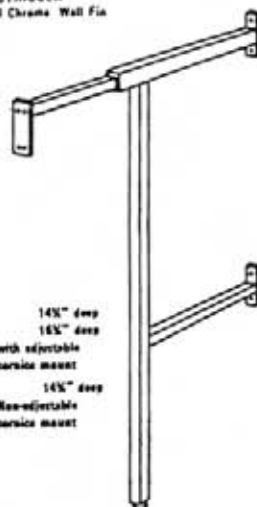
24" Dia.
42" Dia.

Circular racks



THREE LEVEL
36" Dia.
42" Dia.

OUTRIGGER
All Chrome Wall Fin



Single Tier
Revolving
Belt Rack



Two Tier
Revolving
Belt Rack



Specialty racks

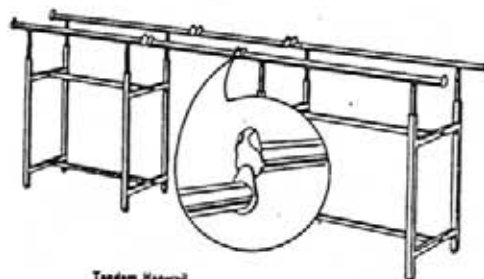
Outriggers, wall fins



60" Long

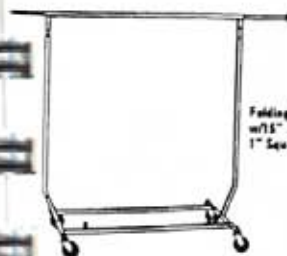


Double Hanging



Tandem Hanging

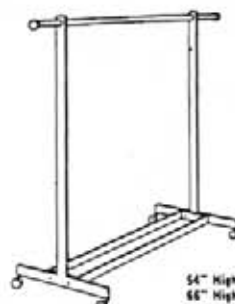
Rectangular racks



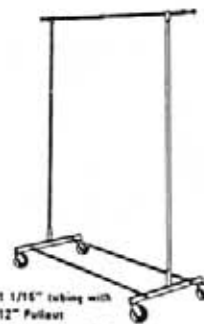
Folding 60" long
w/15" Pullouts
1" Square Tubing



60" Long
All 1" Square Tubing 12" Pullout



60" Long
All Rectangular Tubing 1 1/2" Hemrail



1 1/16" tubing with
12" Pullout
Uprights removable for storage.
60" Long

Rolling racks



Store Audits

HOW TO GET TO GALLERIA



FROM LOVE FIELD

East on Mockingbird Lane to the Dallas North Tollway. North to Galleria Road exit.

FROM DFW AIRPORT

Take DFW Airport North Exit to I-635 East. Exit Dallas Parkway North (Exit #22D).

FROM THE NORTH

I-35:

I-35 South to I-635 East. Exit Dallas Parkway North (Exit #22D).

Hwy 75:

Hwy 75 South to I-635 West. Exit to Dallas Parkway North (Exit #22B).

Dallas Tollway:

South to Alpha Road/Galleria Road Exit. East on Alpha or Galleria Roads.

FROM THE SOUTH (DOWNTOWN)

I-45, I-35E and Hwy 67:

I-35E North (#429C). Exit (#429C) Dallas North Tollway. Exit Galleria Road from the Tollway.

FROM THE EAST

I-30, I-20, Hwy 80:

To I-635 West. Exit Dallas Parkway North. (Exit #22B).

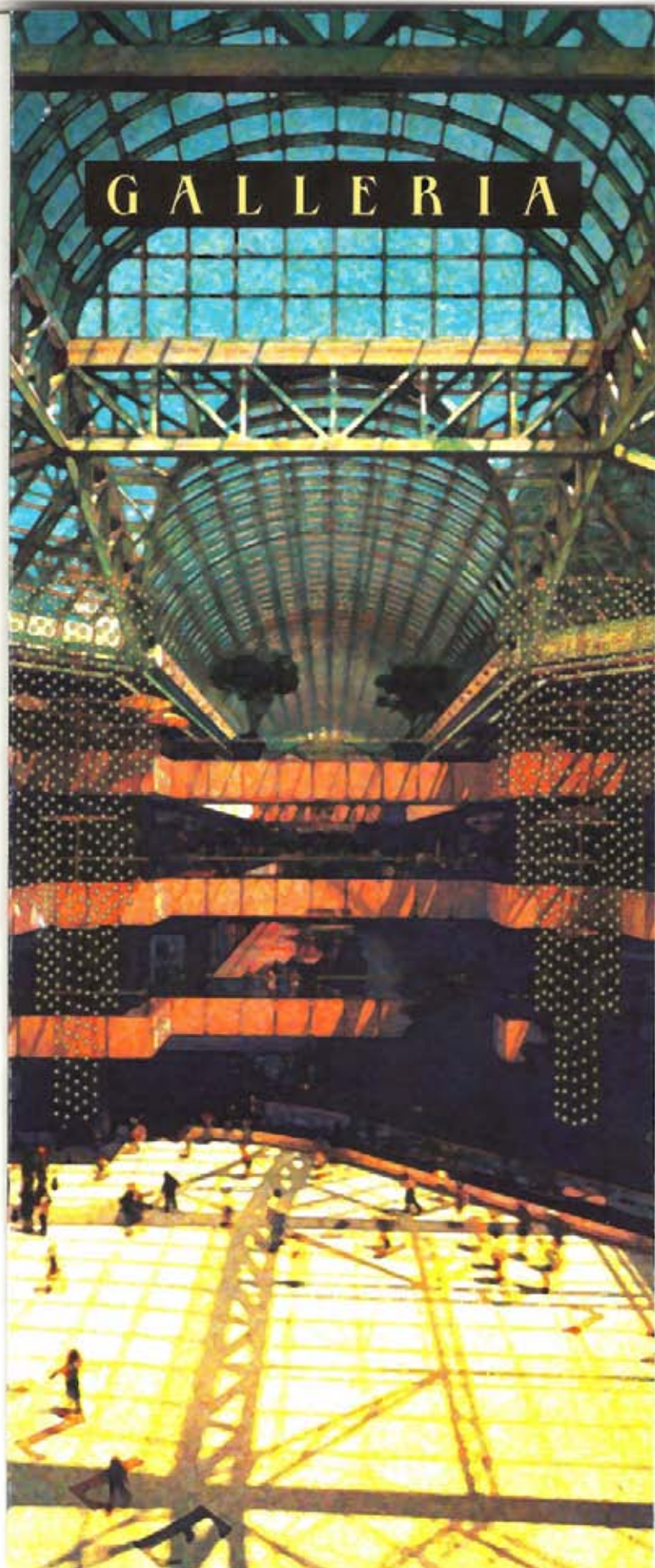
FROM THE WEST

I-20, I-30, Hwy 183, Hwy 114:

I-35E North to I-635 East. Exit Dallas Parkway North (Exit #22D).



Complimentary Valet
Parking available at the Westin Hotel.





Both the ceiling and the floor are the same shape and cut. This kind of effect gives the area connection between the ground and the ceiling. The design sets a mood of intimacy for all customers walking by the space.





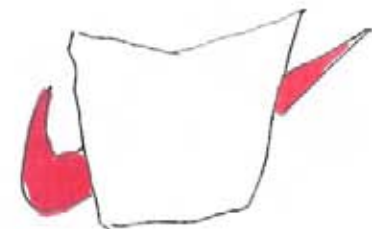
Store signage

good qualities

- plain
- simple
- easy to read
- the "Talbots" is used as an attention getter

poor qualities

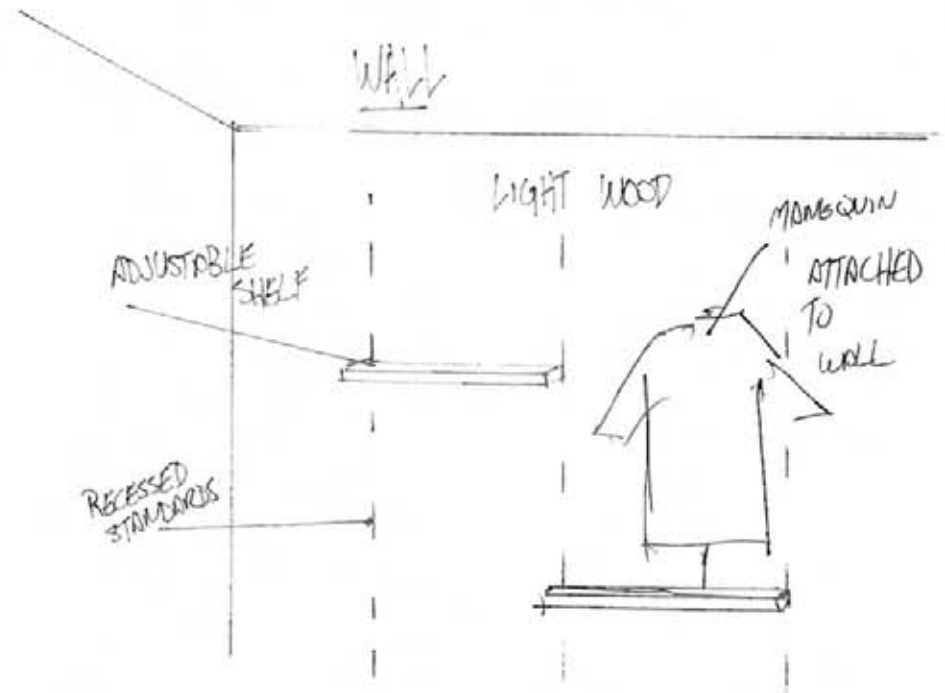
- entirely unrelated to the interior



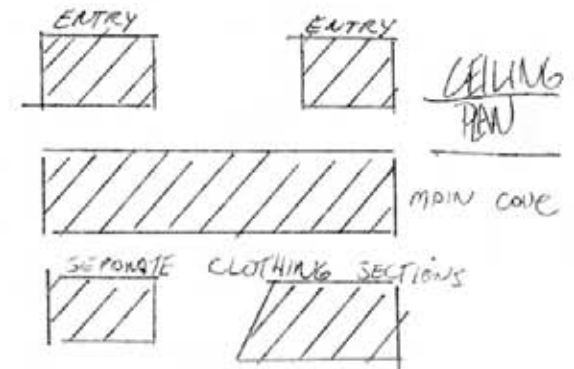
Plain values with the red hue work well together and provide as a strong attention getter. Eyes are automatically drawn to the graphics.

Color scheme for this store is very light:

- this gives the space a nice clean atmosphere
- keeps the space very open
- avoids too many shadows
- keeps shoppers moving through the space due to the brightness and absence of intimacy



Ceiling pattern is mirrored on the floor. Spaces are separated by ceiling grid.

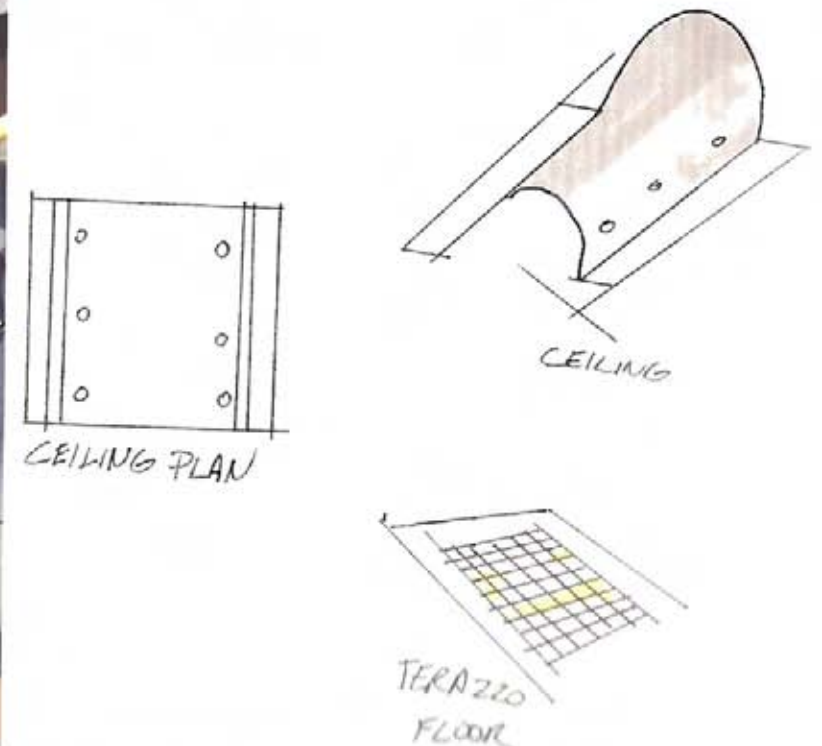


One of the interesting things about the Versace space is that all of their regional stores are designed differently. Because the location of this store was in the southwest, a classic look was given. Had this store been in another part of the country, say New York or Miami, the entire design would have been completely different.

The interior of this space is successfully connected to the exterior by the use of architecture. Both the interior and the exterior have the same arches. Although the arches of the exterior function as a visual piece, the arches on the interior are used as spacial delineators.

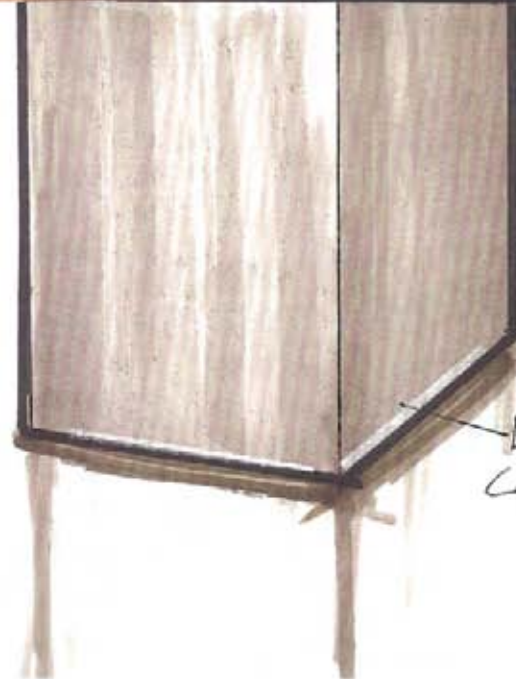
Versace also does something else very interesting. Each section of the ceiling has a different Terazzo floor design to accompany it. This design will not only separate spaces from one another, but constantly entertain the customer with amazing visual elements to gaze upon. Each area is then separated by both floor patterns and a ceiling grid.

Because of the nature of this store (very expensive clothing with the majority of the people visiting the space for tourist purposes) a lot of money was invested on the actual architecture. The clothes almost seem to fade away from the picture because of the overwhelming interior. I believe this is the intention of the store planners. Because of the very high price of the merchandise, the owners are relying on the architecture and design to lure people into the space and then let the commissioned sales force go to work on them. A PERFECT STRATEGY.





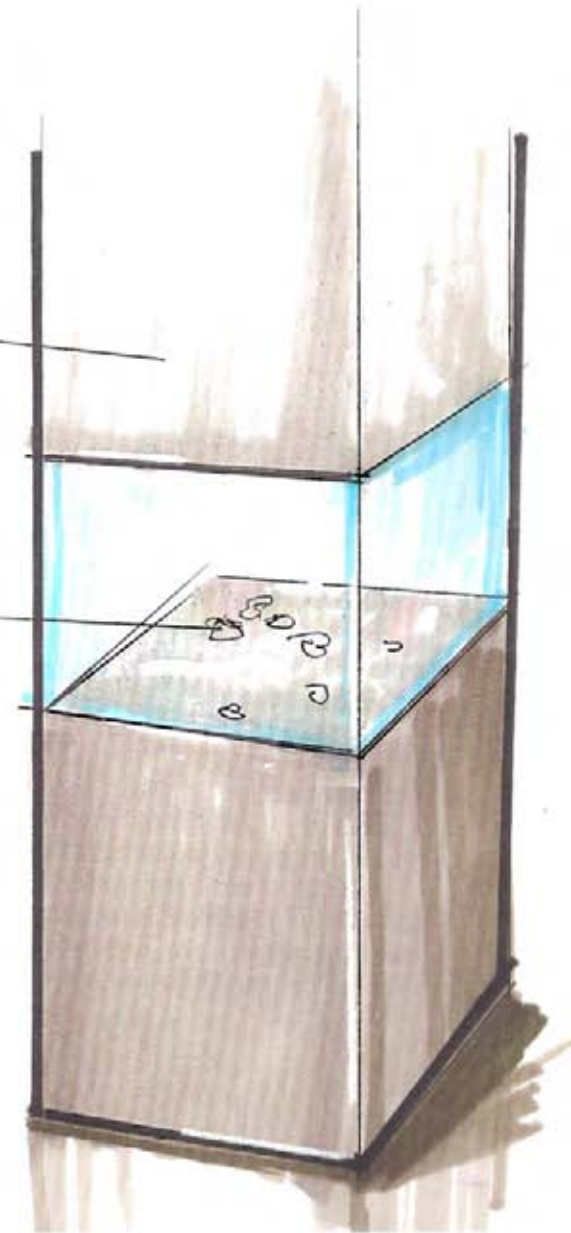
When visiting the the Gucci store the columns in the center of the space do one thing to the store: defy the law of physics. Or so it appears. The designer of this environment fool the eye by placing a non functional load bearing column next to a functional column. The column is functional because merchandise is placed inside of it for exhibit (see diagram). This draws attention to the merchandise within the column. So, if this is the most powerful display case in the environment, what should be placed there? The most expensive merchandise. Just as Gucci did. If customers are going to be drawn to a certain area because of the architecture, why not merchandise with the most expensive apparell. That way it makes the job of the salesman much easier because the customers are already there! Good job Gucci!



NON
LOAD
BEARING

PRODUCTS

LOAD BEARING
COLUMN





The interesting feature about this particular store is the colored mirrors placed throughout the columns. Because of the very strong tint, clothing that would appear one color under a certain light will now appear to be off hue. This is a poor design feature in this space. Although the tinted mirror does work well with the color choice of the room, it does not do its function very well- to give the customer a visual idea of how the clothing will appear on them.



Customer Profile

CUSTOMER PROFILE

Determining the customer profile for a store of this nature is not as elementary as one might think. Due to the popularity of the corporation among all ages one has but one simple question to ask, "What defines a customer." Should the design be based on who is actually buying merchandise as opposed to who is most likely to frequent the store. This simple statement tends to be one of the biggest issues in the development of this concept.

For example, let's look at another large company: Disney. We all know that the majority of the people who buy Disney merchandise are not adolescents and children. However, the majority of them are in fact parents buying this merchandise for their sons or daughters. This is a perfect example of a consumer product that is designed and manufactured for one particular age group, but the majority of the time is sold for another. Disney markets to children, who then plead to their parents to buy the product. I suppose you could refer to this as "indirect marketing."

Now that we have analyzed their strategy for their products, let us look at another aspect of this corporation: environments. The same rules apply. Even though a space such as Disneyland is mostly filled with children and adolescents, the theme park receives the majority of money from the adults who are with their offspring. So, what did the Disney Corporation do? They created an environment that appealed to both children and adults. They realized that both of these groups were in fact customers! One group gave them business indirectly (children), and another group gave them business directly (adults).

Although Disney is an extreme example, the principles behind this apply to this situation as well. After visiting the Niketown in Chicago I realized this retail store was also a tourist attraction. Although it is not a theme park like a Disneyland, people of all ages visit this environment because they are fans of the Nike name. This definitely works to the advantage of Nike because the more people that visit the store, no matter what reason, the greater the chances of selling merchandise. This is the goal of my conceptual store as well, to have the interest of all people of all ages frequent the store, no matter what the reason.

So, in conclusion, there really is no specific customer. People of all ages, races, and genders are going to frequent this space. Now the next step, which is discussed in Nike Strategy is to create an environment that does in fact appeal to the masses, thereby allowing the opportunity to sell more products in the space.

CLIENT PROFILE

- With every new client you have, it would be helpful if you drew up a client profile, asking yourself several questions. Every human being you'll ever meet is made up of many different components; and a complete understanding of your client will come only when you understand many components of his being.
- The more you're able to understand your client, the more you'll be able to meet his needs. And the more you're able to meet his needs the higher regard he'll have for your abilities.

PROFILE QUESTIONS

- Consider these 6 critical areas: physical, intellectual, expectational, emotional, motivational, and economical, one at a time. Then combine them into a unified whole.

- Here are the questions you should consider, along with some questions you should ask about your client:

- Home owners
- Government agencies
- Department stores
- Furniture stores
- Antique dealers
- Architects
- Hotel/restaurant chains
- Home furnishing magazines
- Builders and developers
- Manufacturers of furnishings & textiles
- Select, specialized businesses, such as airplane and car manufacturers, for interiors

PHYSICAL: What are their physical needs? What are their body requirements?

EMOTIONAL: What are their emotional needs? If they have any hang-ups that would relate to your design, what are they?

INTELLECTUAL: How do they view themselves intellectually? How do they view the process and product of design? How easily do they absorb and accept new principles and new concepts?

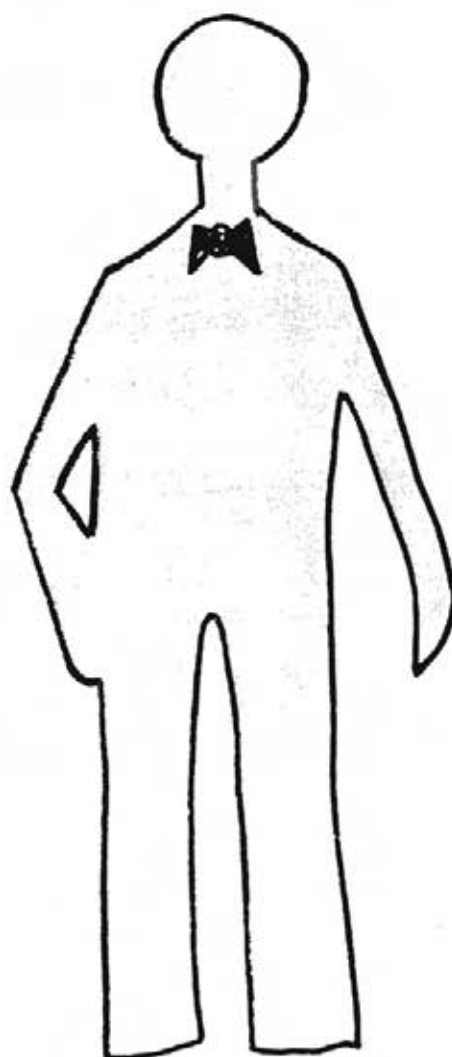
MOTIVATIONAL: What are their reasons for seeking an interior design? How deep-seated are those reasons?

EXPECTATIONAL: What kind of results are they expecting? How firm are they in those expectations? How crucial is it that those expectations be met?

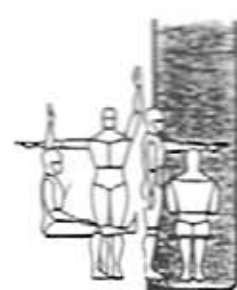
ECONOMICAL: What kinds of funds do they have to work with? How limiting will their economic circumstances be on the design you create? What does their economic condition tell you about the end result you should expect? Do their expectations match the amount of money they have or are willing to spend?

SOCIAL: How do they relate with others? Neighbors? What size groups? What social space configuration is needed?

CULTURAL: What are the unique cultural aspects of space? Do certain cultural elements need to be added? How does this project fit into the broader cultural framework?



4.1 RETAIL SPACES



TABLE

	DISPLAY	SHOPPING	SELLING	STORAGE	FITTING	WRAPPING	ACTIVITIES	ANTHROPOMETRIC DATA
1A,2B	●	●	●	●	●	●	1	STATURE
1B,3C	●	●	●	●	●	●	2	EYE HEIGHT
1C,3B	●	●	●	●	●	●	3	ELBOW HEIGHT
1F,3G	●	●	●	●	●	●	6	EYE HEIGHT SITTING
1L,2H	●	●	●	●	●	●	12	THIGH CLEARANCE
1M,2I	●	●	●	●	●	●	13	KNEE HEIGHT
1N,2J	●	●	●	●	●	●	14	POPLITEAL HEIGHT
1P,2L	●	●	●	●	●	●	16	BUTTOCK-KNEE LENGTH
1T,4F	●	●	●	○	●	●	20	VERTICAL GRIP REACH
1U,4E	●	●	●	●	●	●	21	SIDE ARM REACH
1W,6B	●	●	●	●	●	●	23	MAXIMUM BODY DEPTH
1X,6A	●	●	●	●	●	●	24	MAXIMUM BODY BREADTH

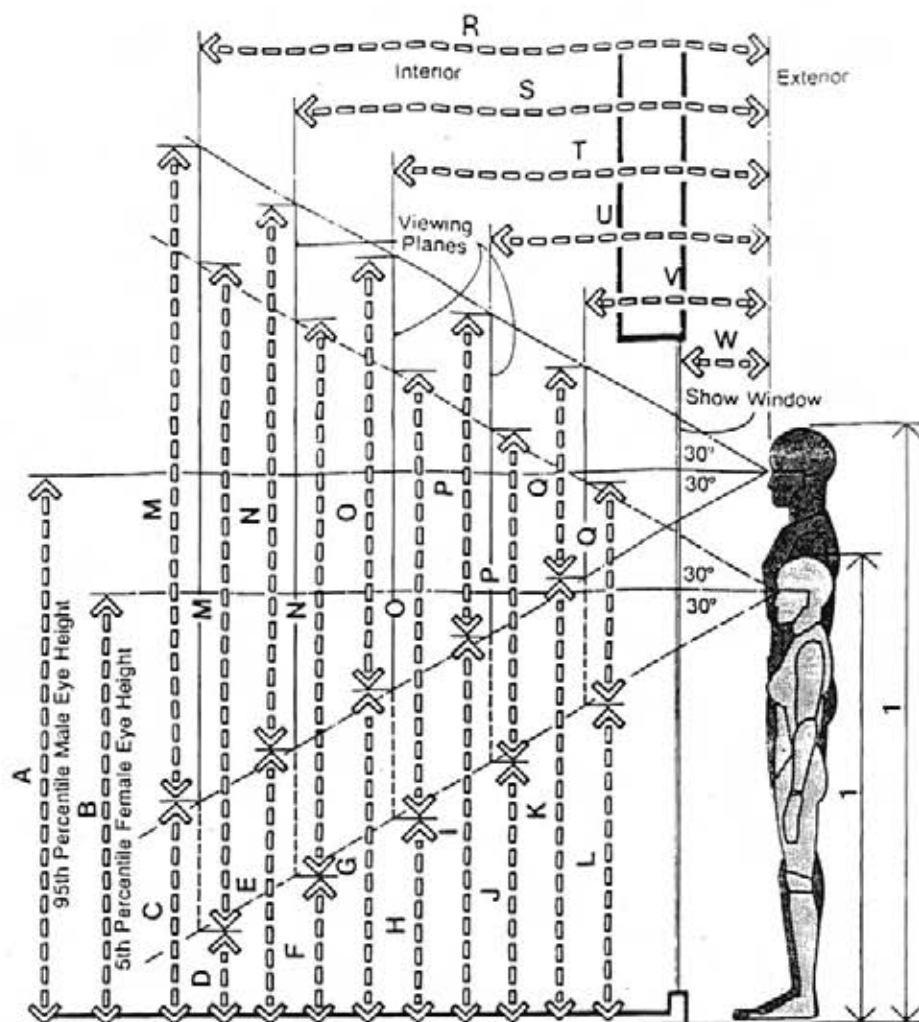
In an interior environment such as a retail space, where customer convenience and comfort are a matter of corporate policy, the responsiveness of the design to human dimension and body size is extremely critical. The interface between the user and the various types of sales counters and shelf displays, for example, must be of the highest quality. Included among the drawings on the following pages are illustrations of various counter types for use from both seated and standing positions, indicating the anthropometric considerations involved and suggested dimensional clearances for use in making preliminary design assumptions.

Proper visibility of displays both from within and from without is also crucial to the successful design of a retail space. In this regard, the eye height of the small and large viewer and the geometric implications of human vision must be accommodated. The height of a wrapping counter, the size of a dressing cubicle, the critical dimensions of a shoe department, and circulation around and between merchandise displays must all accommodate users of varying body size. Illustrations of these aspects of retail spaces are also among the drawings included in this section, together with suggested clearances. The anthropometric measurements of significant importance are indicated in the above matrix.

4.1 RETAIL SPACES

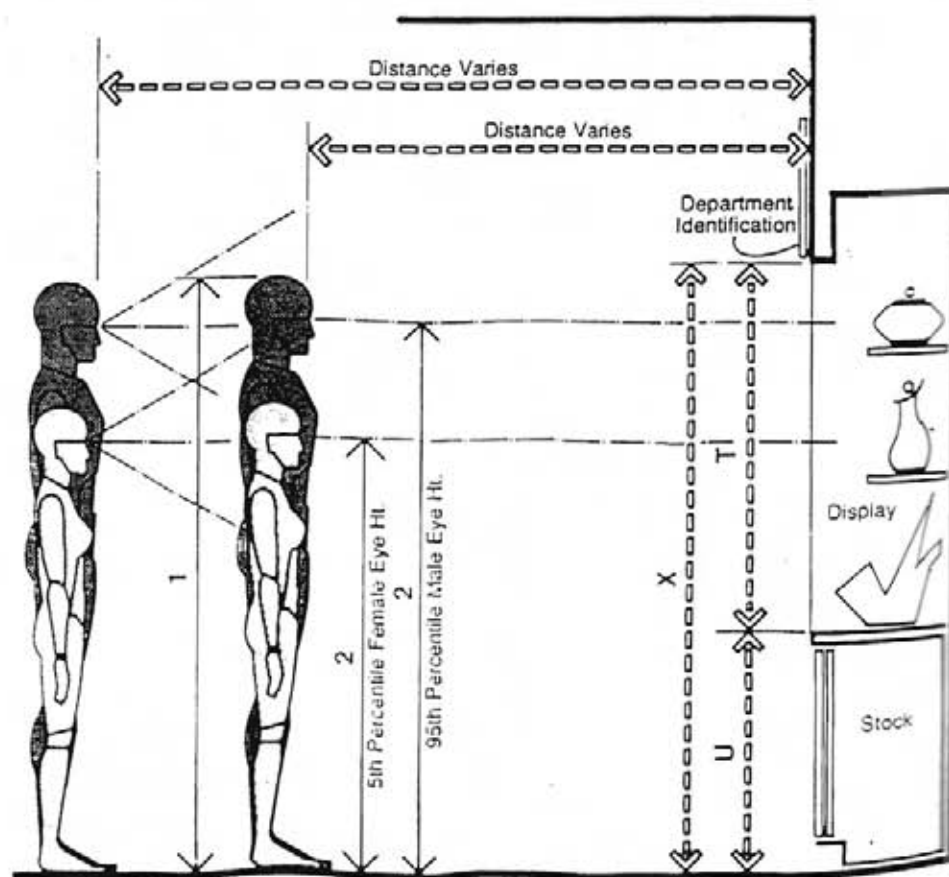
The drawing at the top of the page shows the optimum height of viewing planes located at 12-in. or 30.5-cm, intervals, with the viewer stationed 12 in away from the show window. Two sets of data are presented: one concerns the viewing planes related to a viewer of small body size, and the other, planes related to a viewer of larger body size. The eye level of the former was based on 5th percentile female data and the latter on 95th percentile male data. As in other situations, the diagram should not be taken too literally, since it does not take into account head movement or the scanning capability of the eye, each of which can significantly increase the area that the eye can see. By using the geometric approach implied in the diagram, the size of optimum viewing planes can be established with the viewer in different locations.

The drawing at the bottom explores visual relationships related to interior displays. For further information on visual displays, refer to Section 9.

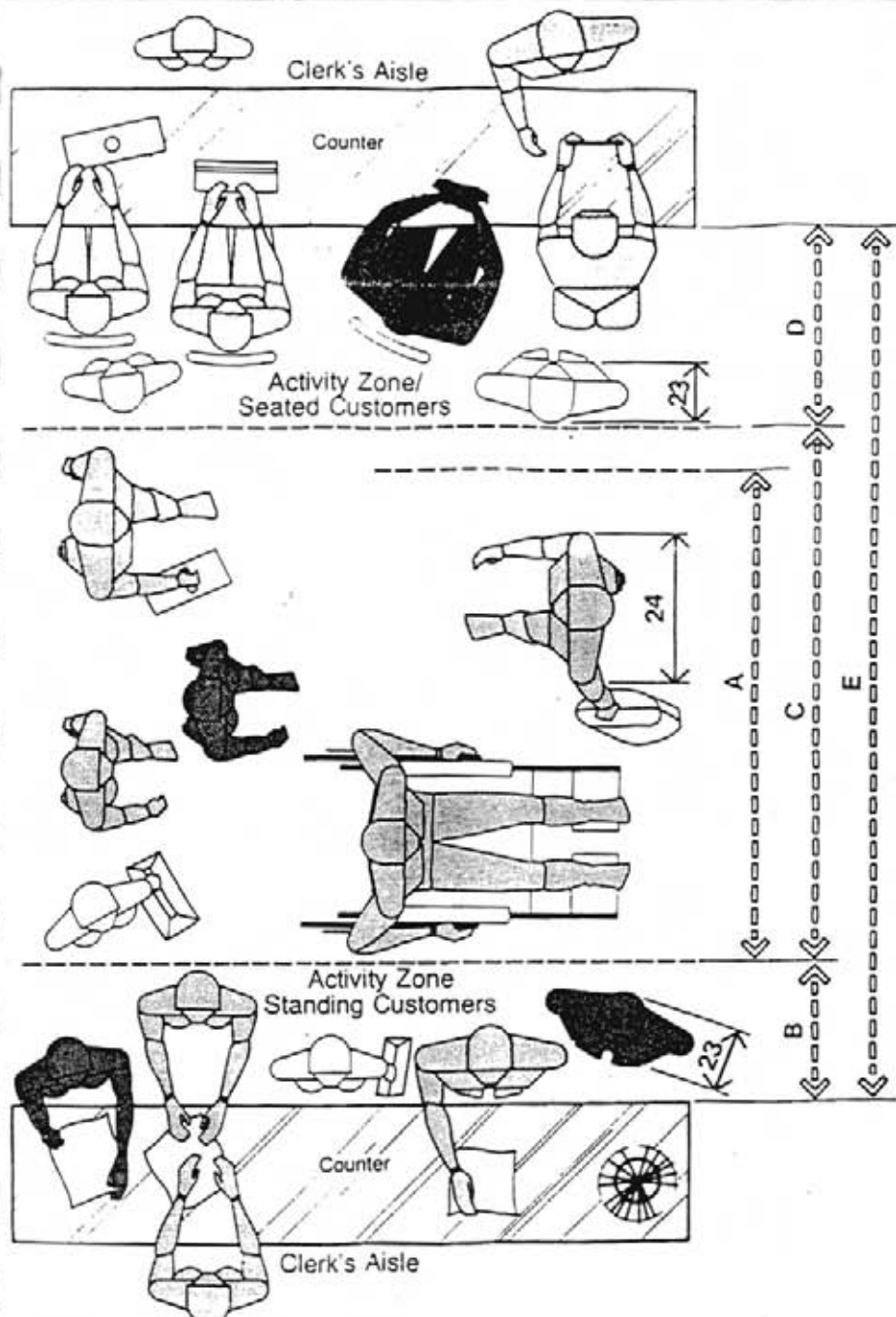


SHOW WINDOW / OPTIMUM VIEWING PLANES

	in	cm
A	68.6	174.2
B	56.3	143.0
C	27.0	68.7
D	14.7	37.4
E	28.0	71.2
F	28.3	72.0
G	41.5	105.4
H	28.6	72.6
I	47.8	121.5
J	36.3	92.2
K	54.8	139.1
L	42.5	107.8
M	83.1	211.1
N	69.3	175.9
O	55.4	140.8
P	41.6	105.6
Q	27.7	70.4
R	72	182.9
S	60	152.4
T	48	121.9
U	36	91.4
V	24	61.0
W	12	30.5



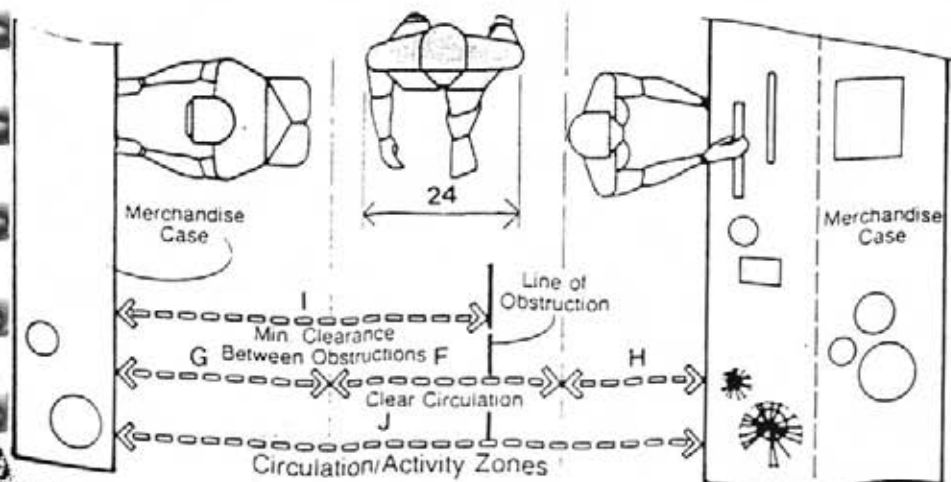
4.1 RETAIL SPACES



The top drawing illustrates the clearances suggested between counters on opposite sides of a main aisle. The total clearance suggested is between 117 and 120 in, or 297.2 and 304.8 cm. This allows an activity zone for standing customers facing the lower counter and a larger activity zone for standing and/or seated customers facing the upper counter, as well as a generous through circulation lane between the two.

The drawing at the bottom of the page illustrates the clearances suggested for a secondary aisle. The clearance in front of the merchandise case at the left takes into consideration a kneeling figure removing merchandise from a low shelf, while the clearance in front of the case on the right is only a minimum of 18 in, or 45.7 cm, which accommodates a person standing parallel to the case, either looking or handling merchandise displayed on the top surface. Although the maximum clearance between cases could be as much as 90 in, or 228.6 cm, a restricted minimum clearance of 51 in, or 129.5 cm, could be used if one is willing to accept some body contact or sidestepping required by a third person to pass between people engaged in activities on either side.

MAIN PUBLIC AISLE WIDTHS



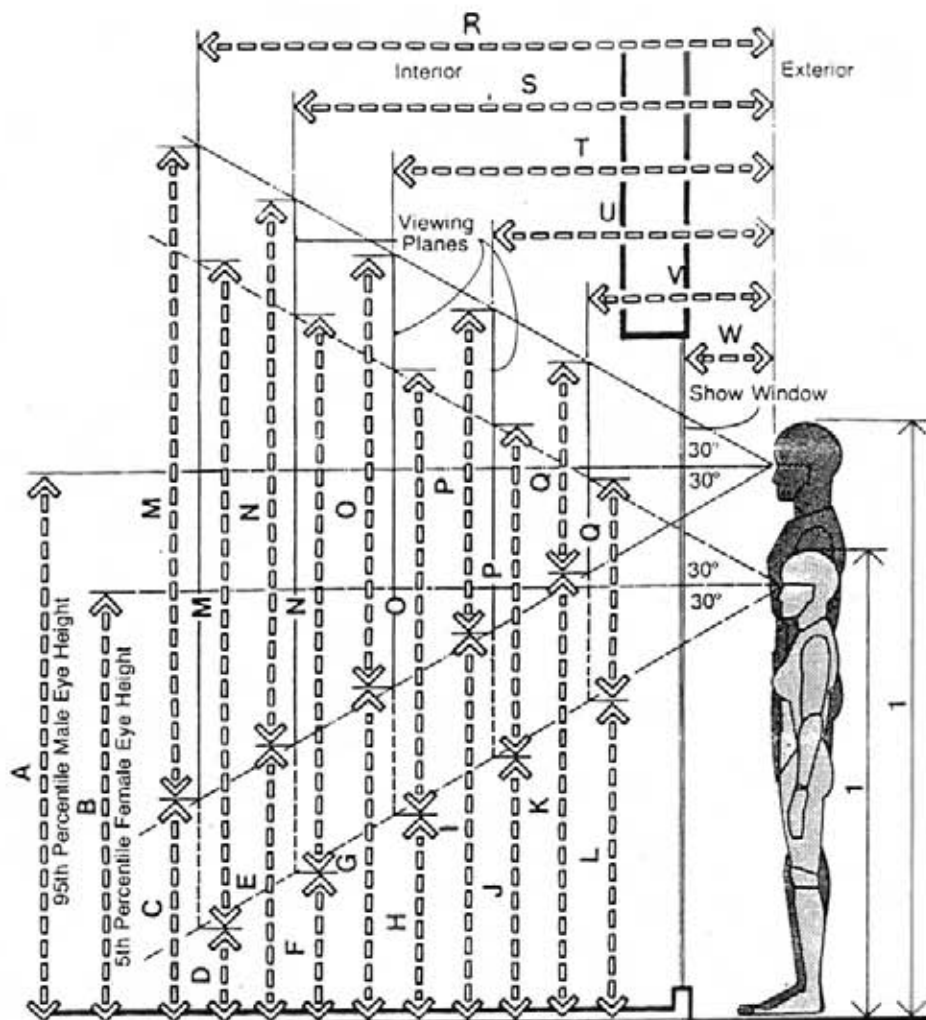
SECONDARY PUBLIC AISLE WIDTHS

	in	cm
A	66 min.	167.6 min.
B	18	45.7
C	72	182.9
D	26-30	66.0-76.2
E	116-120	294.6-304.8
F	30-36	76.2-91.4
G	18-36	45.7-91.4
H	18 min.	45.7 min.
I	51 min.	129.5 min.
J	66-90	167.6-228.6

4.1 RETAIL SPACES

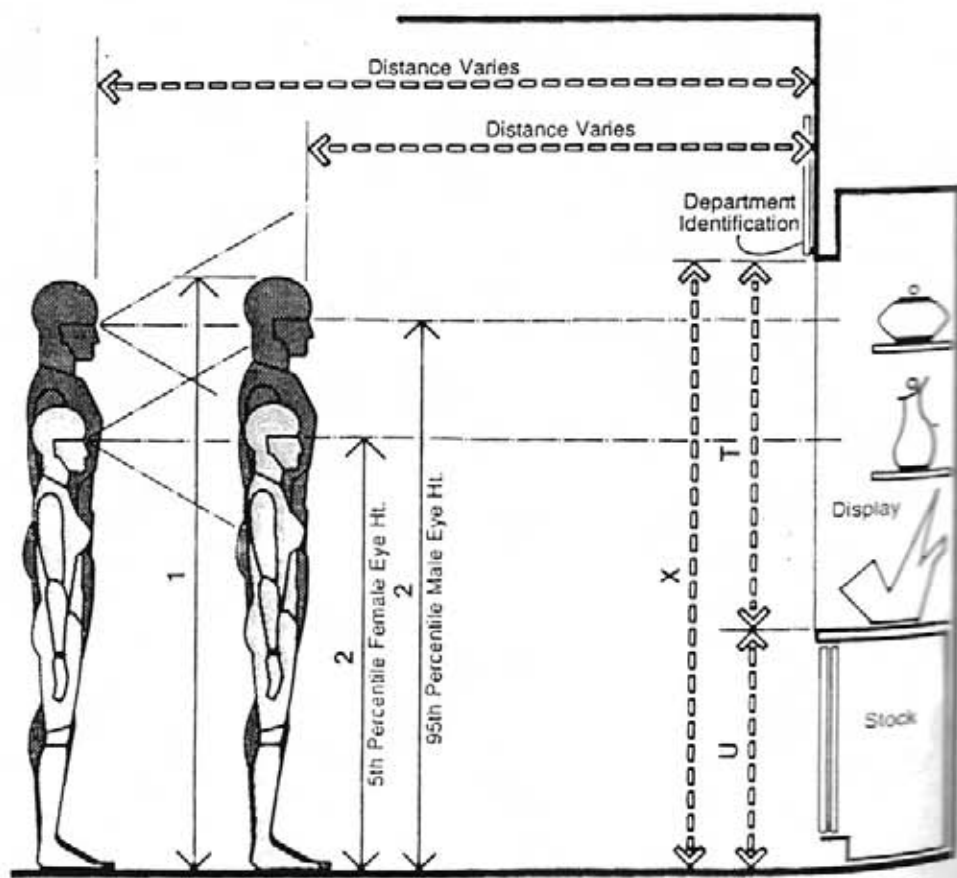
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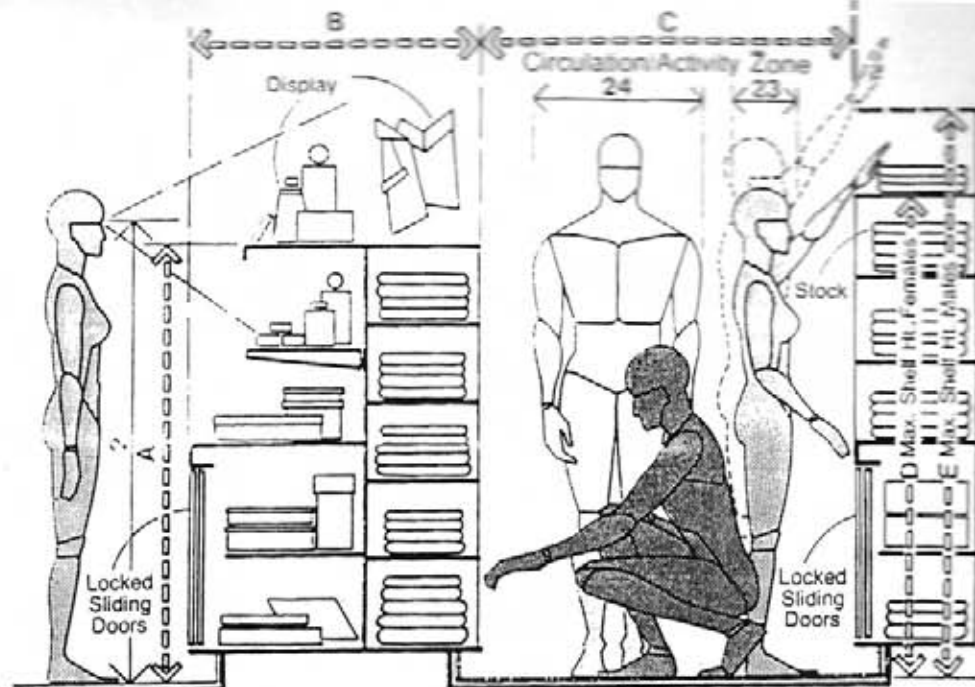
SHOW WINDOW / OPTIMUM VIEWING PLANES

	in	cm
A	68.6	174.2
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C	27.0	68.7
D	14.7	37.4
E	28.0	71.2
F	28.3	72.0
G	41.5	105.4
H	28.6	72.6
I	47.8	121.5
J	36.3	92.2
K	54.8	139.1
L	42.5	107.8
M	83.1	211.1
N	69.3	175.9
O	55.4	140.8
P	41.6	105.6
Q	27.7	70.4
R	72	182.9
S	60	152.4
T	48	121.9
U	36	91.4
V	24	61.0
W	12	30.5

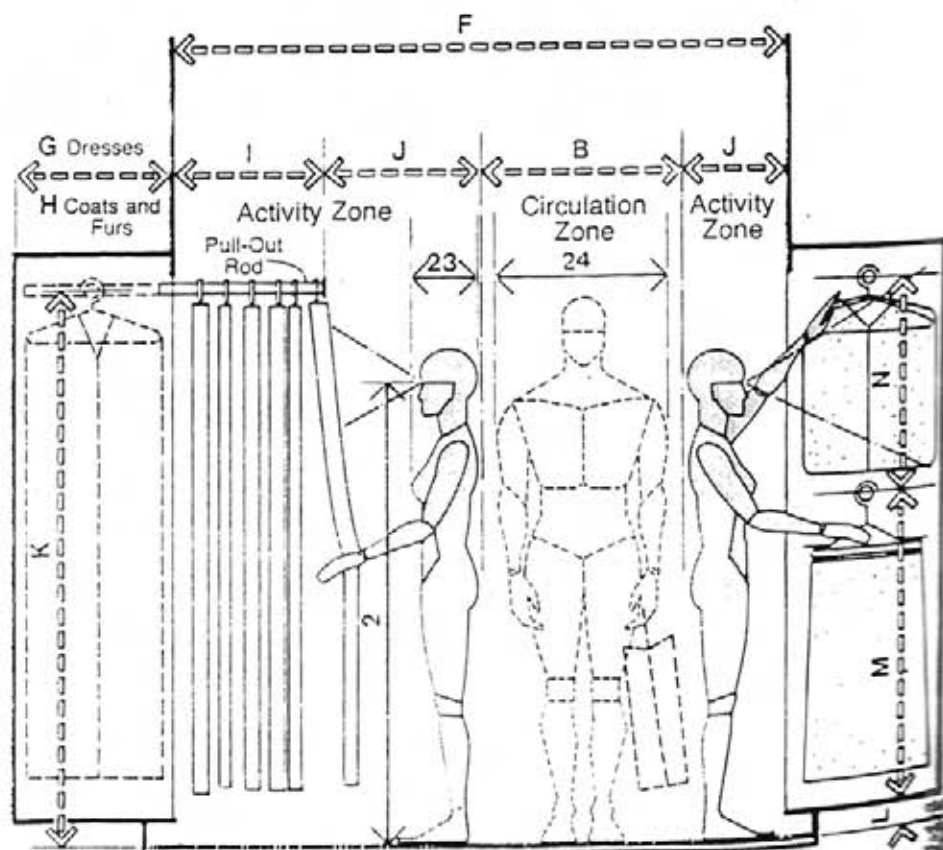


iving is probably used more than other single interior component for storage and/or display of merchandise. Not only must the merchandise be within reach anthropotrically, but it must be fairly visible well. The heights established must refore be responsive to vertical grip ch dimensions as well as to eye ght. In establishing height limits, body size data of the smaller per- 1 should be used. Since in retail aces, departments may cater exclu- ely to members of one sex or the her, two sets of data are presented. he is based on the body size of the aller female and the other on the dy size of the smaller male. The ggested heights reflect a compo- se between reach requirements and ibility requirements.

re drawing at the bottom of the page istrates the clearances involved in inging-type merchandise cases. od heights should be related not only human reach limitations, but in cer- in cases to the sizes of the merchan- se displayed. There is usually no onflict in respect to garments.



TYPICAL MERCHANDISE CASES



HANGING MERCHANDISE CASES

	in	cm
A	48 max.	121.9 max.
B	30-36	76.2-91.4
C	51 min.	129.5 min.
D	66	167.6
E	72	182.9
F	84-96	213.4-243.8
G	20-26	50.8-66.0
H	28-30	71.1-76.2
I	18-24	45.7-61.0
J	18 min.	45.7 min.
K	72 max.	182.9 max.
L	4	10.2
M	42	106.7
N	26 min.	66.0 min.



Competition Profile



ADIDAS

Adidas (#2 in athletic shoes worldwide, behind NIKE) has shod the feet of such luminaries as Jesse Owens and Muhammad Ali. While it makes shoes for the full sports spectrum, the heart of its product line is Feet You Wear tennis, running, and basketball shoes designed to work with the foot's natural movement. After coming back from near bankruptcy in 1993 by shifting production to Asia and beefing up its marketing budget, adidas has made sponsorship deals with such sports icons as Troy Aikman and Michael Johnson. adidas' \$1.4 billion purchase of French ski, golf, and bike gear maker Salomon (which pushed Reebok back to #3 in the industry) steers adidas into the lucrative market for high-tech sports equipment.



DONOVAN BAILEY

Product performance

Sales in apparel were strong once again this quarter. Net sales of apparel broke the DM 1 billion mark for the first time, totaling DM 1.169 billion. This represents an increase of 59% year-over-year, with apparel amounting to 54% of total sales in the quarter. This growth was mainly led by the All-purpose and Workout categories. Footwear sales, mainly driven by the Running and Women's categories, showed growth of 35% to DM 896 million year-over-year, amounting to 42% of total sales. Feet You Wear continues to meet our growth expectations, with year-to-date sales representing some 4.7% of total footwear sales. Sales of hardware increased by 38%.

ENDORSED ATHLETES

Kobe Bryant
Donovan Bailey
Denise Lewis
Ivan Pedroso
Javier Sotomayor

Regional performance

Sales in every region increased sharply in the third quarter of 1997 compared with 1996. In North America there was substantial growth of 69% bringing sales totals to DM 531 million from DM 314 million in 1996. Region Europe continues to improve upon its position as market leader with an increase of 34%, bringing sales totals to DM 1.372 billion for the quarter (1996: DM 1.022 billion). Sales grew by over 80% both in the United Kingdom and Spain. Sales in Asia/Pacific were up by 74% year-over-year. Latin America also enjoyed a successful quarter with sales increasing by 92% year-over-year.

3rd Quarter Results of Operations

Consolidated net sales rose by 45.7% year-over-year to a total of DM 2.144 billion for the quarter ending September 30, 1997, from DM 1.472 billion in the same period of 1996. Thus, the third quarter of 1997 is the all-time highest quarter in the history of adidas. This increase is attributable primarily to sustained strong organic growth across all regions, especially in the USA. Gross profit increased by 52.4% from DM 583 million to DM 887 million over the third quarter of 1996.

Selling, general and administrative expenses totaled DM 578 million, up 45.2% year-over-year, but staying at the same level as a percentage of net sales (27%) compared to the same period of 1996, despite the further increased marketing communication investment.



Income before taxes in the same period reached DM 307 million, increasing by 64.4% year-over-year (1996: DM 187 million). Net income rose year-over-year by 51.5% to DM 211 million. Earnings per share increased to DM 4.66 from DM 3.07 in 1996. Total sales under the adidas brand name, including DM 340 million licensee sales, reached DM 2.484 billion in the third quarter of 1997, representing an increase of 35.8% year-over-year.

Adidas now in control of Salomon - trading in Salomon shares temporarily suspended - Salomon delisting to start in March.

After closing of its simplified public offer adidas AG has acquired more than 95 per cent of the shares of Salomon S.A., the threshold required by French law in order to file a mandatory withdrawal offer ("The Offer"), which adidas has decided to launch as announced. Trading of Salomon shares at the Paris stock exchange has been temporarily suspended during the filing period of the offer, and will be resumed again at the opening of the offer, which is planned to start later in February and to close in the second half of March. After this date adidas will have achieved control of Salomon and the planned delisting of the Salomon share can proceed.

In the simplified public offer shareholders were offered a purchase price of FF 521.50 per share. The simplified public offer had started on January 13 and ended on February 9. In total approximately 9 million shares were tendered, representing almost 58 per cent of the stock. adidas had previously purchased 39 per cent of shares through acquisition of the Salomon family holding company, bringing the total to close to 97 per cent after the simplified public offer.

Georges Salomon, the founder of your company, and the other members of the Salomon family have decided to sell the Salomon shares held by the family-owned holding company - representing 38.9% of the capital and 56.1% of the voting rights - to the adidas Group. This transaction has been carried out with the full support of the two companies' management teams and will enable us to create one of the world's leading sporting goods groups.

adidas and Salomon represent an excellent strategic fit in terms of both product lines and geographic spread.

The new adidas-Salomon Group will have a number of outstanding strengths on which to build its future growth. They include Salomon's expertise in the area of sporting equipment and adidas's expertise in apparel and footwear. This is coupled with the two companies' reputation for high quality products targeted at numerous segments of the winter and summer sports markets as well as the performance of our respective sales networks in North America, Japan and Europe.

In accordance with stock exchange regulations, adidas has made a simplified public tender offer for all of the Salomon shares at a price of FRF 521.50 per share.

This price puts the value of Salomon at around FRF 8 billion, a level never before reached in the company's history.

The Supervisory Board has approved the terms of the offer, which it considers fair to all the parties concerned. The Supervisory Board believes that the link-up with adidas will provide Salomon with the means to successfully meet the challenge of increasingly stiff global competition in the sporting goods market.

You will find enclosed a letter from Robert Louis-Dreyfus, in which he outlines the rationale for the link-up of our two groups and the advantages of the offer made to you.

By responding favorably to this offer, which I consider represents a valuable opportunity for each and every one of you, you will participate in the creation of one of the world's leading sporting goods companies: adidas-Salomon.



HISTORY

In a small village in Germany Approximately 77 years ago in a small German village the world got it's first taste of adidas. It was there, in a village by the name of Herzogenaurach, located 12 miles to the north and the west of Nuremberg, that those simple three stripes were brought to life by adidas' founder, Alfred "Adi" Dassler. Adi created adidas after realizing the need for performance athletic shoes. adidas began small, producing soccer and running shoes, which ironically enough are still the main products that adidas is known for. Adidas has continued to gain momentum through the years. Many attribute this to adidas' quality, styling and reputation. Adidas is currently the largest supplier of athletic shoes in Europe. Adidas also ranks in the top three, worldwide, with their products selling in almost 200 countries. In 1994 alone, adidas sales totaled 3 billion dollars. In late 1995, adidas went public with its stock. It was a tremendous success and continues to trade internationally. Adidas posted an amazing 40% increase in net sales in the first half of 1997.

The Dassler family has a rich heritage in shoes. Adi's brother, Rudolf went on to create the puma brand in 1948 after a dispute with Adi. And, just recently, another Adi Dassler, who just happens to be the grandson of the founder of adidas has launched his own shoe company, A. D. One. which specializes in adventure and sub-urban footwear.

And now, adidas, always on the cutting edge, has launched their own web site. Their site, which debuted in 1996, has a webzine metaphor. What this means is that almost every month, the site receives a face lift and has new stories highlighting various parts of the adidas empire. The site is simplistic, yet dazzling, just like the brand with the three stripes that is known the world over.



CURRENT EVENTS

HERZOGENAURACH, Germany, April 3 (Reuters) - German sportswear maker Adidas-Salamon AG has signed its biggest rugby union sponsorship deal with the New Zealand All Blacks.

A five-year contract with one of the world's leading powers in the sport will take effect from July 1, 1999, an Adidas spokesman said on Friday.

"The deal kicks-off in time for the 1999 Rugby World Cup," the firm added in a statement.

The spokesman declined to put a figure on the deal's value. But recent newspaper reports have said the sponsorship deal could be worth between 60 and 100 million pounds (\$99.9 million and \$166.5 million).

Industry sources in New Zealand said the Adidas contract was worth NZ\$70 million (\$127 million).

Last October, Adidas won official backing for its sponsorship bid from the New Zealand Rugby Football Union (NZRFU), pipping U.S. rival Nike.

The deal involves the German firm being the official kit and boot supplier to the All Blacks and it will also promote the team on a global stage, the statement said.



Back in the game the venerable German shoemaker has pulled its financial socks up. Now it's scoring some points in the U.S. market.

Charles P. Wallace

"There isn't a Swoosh in sight. As a couple of hundred college coaches watch an exhibition game from wooden bleachers, the cream of American high school basketball prays for a smile or a nod. Sonny Vaccaro, the promoter who discovered Michael Jordan for Nike, works the floor like a politician. But instead of Nike's ubiquitous trademark, the three-stripe logo of Adidas, Germany's venerable sporting goods company and sponsor of this event, flutters from the rafters like a Teutonic battle flag. "Does Phil Knight want me dead?" crows Vaccaro, referring to Nike's billionaire chairman. "You bet."

Outflanking Nike with high school basketball summer camp might seem like a small skirmish in the multibillion-dollar global sneaker war, but it's part of a broad assault being mapped for Adidas by President Robert Louis-Dreyfus, the perpetually rumpled French financier who has engineered an impressive turnaround at the German shoemaker. Adidas has become that rare case study: a former market leader that's regaining its footing, after being all but crushed by an upstart rival like Nike. It's as if Apple Computer came back to challenge Compaq.

In a scant five years, Adidas has pulled back from the brink of bankruptcy, gone public, and seen its stock price triple. Its revenue jumped from \$1.7 billion in 1992 to \$2.8 billion in 1996. Earnings per share rose 28% last year, and company officials insist that profits will keep expanding at a similar rate for at least three years more. Adidas has slimmed down its management ranks, moved manufacturing out of costly European plants, and undertaken a huge increase in spending on marketing. The 51-year-old Louis-Dreyfus, a sports fanatic with a Harvard MBA, has turned his \$10,000 initial investment in Adidas into a prodigious personal fortune of some \$390 million.

Now, having cleaned up the company's balance sheet (its debt will be paid down entirely in a couple of years), Louis-Dreyfus is pressing his U.S. executives to boost the company's performance in the all-important American market. They have a long way to go: Adidas still commands only 5% of the athletic shoe business in the U.S., compared with 40% for the fearsome Nike and 16% for Reebok International. But thanks to new blood like former Nike basketball chief Vaccaro--and some other talented apostates from that firm--Adidas is back on the playing field. Its logo is turning up once again on the shoes (and T-shirts and sweats) of American kids. Last summer it signed a \$10 million promotional deal with Kobe Bryant, a teenage prodigy making his NBA debut. Then, a few months later, it trumped Nike with a \$100 million agreement under which baseball's New York Yankees will wear the Adidas logo.



Retired and bored at age 42, with more than \$10 million in his pocket, Louis-Dreyfus was asked to try to rescue Saatchi & Saatchi, the huge London advertising agency, which had become bloated with acquisitions. He restructured and recapitalized the company, sold off businesses, and slashed 4,000 jobs. The agency, now called Cordiant, returned to profitability in 1993.

It was in 1992 that Jean Paul Tchang, an old friend from Dreyfus SA, approached Louis-Dreyfus about trying to rescue Adidas. Tchang was an executive at Banque de Phenix in Paris, which, together with Credit Lyonnais, the troubled French state bank, had taken control of the firm. Louis-Dreyfus agreed to take Adidas on, but only after winning extraordinary terms from the banks. He bought 15% of the company for virtually no money down and got an option to buy the remainder at a fixed price. And he persuaded the banks to invest \$100 million in new capital.

On his first day at work, Louis-Dreyfus was astonished that the president was asked to approve a salesman's expense account for \$300. He realized that his greatest enemy would be the company's ossified bureaucracy, built up over several generations. "I found it distressing at the beginning that it was a very self-centered, German company, absolutely sure they were right," Louis-Dreyfus recalls. "Unfortunately, the only way you can change this is by letting people go."

In a matter of weeks, the entire German senior management of the company had been fired. Louis-Dreyfus installed a French friend from IMS as head of sales. He named a Swede as head of marketing and an Australian as finance director. The official language of the company, which is based in the North Bavarian town of Herzogenaurach, became English.

Adidas had already closed down the company's high-cost factories in Germany and Austria by the time Louis-Dreyfus arrived. But the company still had manufacturing operations in France, which had been protected by Tapie's political ambitions, so Louis-Dreyfus offered to sell the remaining factories to the employees for a symbolic single French franc. (The company's payroll, which touched a high of 14,600 in 1987, slimmed down to just 4,000 in 1994.)

Louis-Dreyfus then fired Adidas' management in Asia, which had failed to match competitors' low costs in subcontracting shoemaking to local companies. "Every senior manager in the Far East was replaced," said Glenn Bennett, a 31-year-old former Reebok executive who now heads Adidas' sourcing team in Asia.

While Louis-Dreyfus was working to bring costs down, he took a gamble on the marketing side. As Adidas lost market share in the 1980s, the company had slowly cut back its marketing budget to stem the tide of losses. By 1993, marketing had slipped to only 6% of sales. Louis-Dreyfus decided to bet the farm by doubling marketing spending. "I learned the hard way at Saatchi's that you can cut costs to the bone, but if you don't have growth, you're in poor shape," he says. At the same time he cut the company's traditional dependence on sponsoring sports teams so that half the budget could be devoted to high-impact advertising on outlets like MTV that are popular with kids.

Even though sales have doubled, Louis-Dreyfus has kept the marketing budget at 12.5% of revenue. "We used to make one spot a year," said Tim Delaney, creative director of Leagus/Delaney, Adidas' London ad agency. "Now we're making 40."

In the critical American market, Louis-Dreyfus initially was blessed with several strokes of good fortune. Just as he arrived at the company in 1993, the fashion world went crazy for 1970s styles, and suddenly Adidas, which had dominated the field during that decade, became hip again. Madonna appeared in a slinky gown fashioned out of an old Adidas tracksuit. Trendsetters like supermodel Claudia Schiffer began showing up in the company's apparel. At the same time, Reebok, which had surpassed Nike in the late 1980s, stumbled badly, and consumers were looking for a new brand. A retro line of Adidas shoes, called Originals, was a huge hit. "The big luck was that it gave us time. It gave us breathing space for 18 months,"



"I think we will be like Coke and Pepsi," Louis-Dreyfus says. "In shoes, we know who is Coke, unfortunately, so we figure Adidas will be Pepsi without the food business. There will be niche players like Seven-Up and Schweppes. But there will no longer be five big players."

Sure, it's a wildly optimistic assessment: Nike had a record year last year, boosting net income to \$795.8 million, nearly four times Adidas' net of \$184 million. But the rejuvenated Adidas has climbed to within easy reach of Reebok, which has been struggling in the past couple of years (see box), and it is steadily regaining market share lost to such other brands as L.A. Gear and Fila. Says Andrew Lockhart, who follows the sportswear market for stockbroker Robert Fleming Securities in Frankfurt, "The momentum is now in Adidas' hands, not in Nike's hands, where it has been for the past ten years."

And the ever intense Phil Knight is, at least, looking over his shoulder. "It's becoming a very, very competitive business, and we take the threat from both Adidas and Reebok very seriously," the Nike chairman says.

Before it was unseated by Nike in the 1970s, Adidas was the Goliath of the sports world. Founded in 1948 by Adi Dassler, a brilliant Bavarian shoe designer, it outfitted everyone from Al Oerter in the 1956 Olympics to Kareem Abdul-Jabbar in the NBA. But after it grew big, the company was rent by family quarrels. Adi's brother, Rudolf, stormed off and opened the rival firm Puma. Adi's son, Horst, split with his parents and opened a rival branch in France, complete with its own designers and factories. Horst eventually took over the parent company in 1985. By then Adidas' share of the key American market was crumbling; once as high as 70%, it dwindled to just 2% in the face of the onslaught from Nike and then Reebok.

Horst died in 1987, leaving Adidas leaderless. His sisters finally sold the company in 1989 to Bernard Tapie, a roguish French financier, for only \$320 million. Although Tapie promised to inject \$100 million into the firm after buying it from the family, he was so preoccupied with his own left-wing political ambitions that he paid scant attention as the company slid into losses. Tapie became embroiled in a soccer-fixing scandal while he was France's Urban Affairs minister and was sentenced to 18 months in prison. He was declared bankrupt, and Adidas fell into the hands of his creditors.

By the time Louis-Dreyfus was asked to take the helm in 1993, Adidas was losing more than \$100 million a year. Louis-Dreyfus was an outsider in the sneaker business. What special insights did he bring to this hotly competitive game? "Absolutely zip," he says, firing up a Monte Cristo cigar with a blowtorch lighter. "All I did was borrow what Nike and Reebok were doing. It was there for everybody to see."

The scion of a French trading and banking clan (and cousin to Julia Louis-Dreyfus of TV's *Seinfeld*), Louis-Dreyfus was already a wealthy man. He's not entirely disingenuous when he says he's in the business as much for the fun as for the money--he likes to rub elbows with Adidas stars like tennis queen Steffi Graf and runner Donovan Bailey. Most days he commutes to work in Germany by jet helicopter from a ski house in Davos, the Swiss resort town. To wave the Adidas flag, he even ran the Boston Marathon in 1995.

But if Louis-Dreyfus brought no special expertise in shoes to Adidas, he did bring serious credentials as a turnaround artist. Trained in finance at merchant bank S.G. Warburg in London, he was working at the family firm of Dreyfus SA--one of France's largest privately held companies--when he lost a bet one night and agreed to represent a wealthy friend on the board of IMS, a market research firm. Intrigued by the business, he quit the family firm to become IMS's chief operating officer, built the company up from a market cap of \$400 million to \$1.7 billion, and sold it to Dun & Bradstreet in 1988.



Another bit of luck: Before Louis-Dreyfus took over, Adidas had engaged the services of a pair of Nike defectors, Rob Strasser and Peter Moore. The two men had designed the hugely successful Air Jordan line in the mid-1980s and then left to form their own company, Sports Inc., in Portland, Ore.--just down the road from Nike headquarters in Beaverton. Strasser, a lawyer by training, had a genius for shoe marketing. He urged Adidas to go back to its roots as an athletic performance brand, and the company listened. Adidas shed fashion brands like Le Coq Sportif and Pony, and split its core business into units by sports: basketball, baseball, and cross training were controlled by executives in the United States, while sports like soccer and tennis remained at the home office. Adidas merged its U.S. operations with Sports Inc. and set up a design center in Portland.

Strasser died of a heart attack at an Adidas board meeting only a few weeks after Louis-Dreyfus took over. But he left the company with a clear marketing strategy, and armed with the cash injection from the banks, Adidas finally had the wherewithal to pursue it. Adidas soon was able to pay the banks back, and keep a tidy profit, with an initial public offering in late 1995 that raised almost \$2 billion. The shares, traded in Paris and Frankfurt, have soared from an opening price of \$42.50 to \$132 at the end of July. (For U.S. investors, the company plans to introduce American depositary receipts by early next year.)

Even with its serendipitous breaks, however, regaining market share in the shoe business has proven difficult for Adidas. The company's rebound has been built largely on a huge increase in its apparel business, which now accounts for more than 50% of sales. "Nike had such explosive growth on the footwear side that they lost sight of apparel, and Adidas was able to find a niche in the market," says Keith Daley, vice president of the Foot Action chain of sports specialty stores.

But Adidas blundered badly with basketball sneakers, which account for nearly half the American market for athletic shoes, introducing a line that was unpopular with kids and retailers alike. Louis-Dreyfus takes the blame for not realizing earlier how important it is to use "icons" like Michael Jordan to market the product. "Frankly, it's an embarrassment," he says.

One result was another cold blast from Herzogenaurach: Louis-Dreyfus has forced Adidas' entire executive team dealing with basketball to walk the plank. To appeal to kids, he has signed the \$10 million promotional contract with Kobe Bryant and taken a \$12 million gamble this year with teenager Tracy McGrady, drafted by Toronto. In search of marketable icons, Adidas sponsors an annual basketball camp in which promising high-school players are invited to show their stuff to college coaches.

Louis-Dreyfus also hit upon the idea of building loyalty in its promotions by offering partial payment in Adidas stock. The first beneficiaries are the Yankees. "Our assets are going to make that company better, so it was only logical" to take part payment in stock, says Derek Schiller, Yankee vice president for business affairs. Adidas officials say it's likely that they'll use stock payments to maintain brand loyalty with European soccer teams, where Nike and other rivals have been trying to pick off Adidas stars.

The deal with the Yankees also provides an insight into how successfully Adidas has shed its former arrogance and bureaucratic ways. According to Robert Erb, Adidas' director of sports marketing, while Nike and Reebok also got calls from the Yankees about a sponsorship deal, Adidas moved more quickly. "The beauty of it was, Robert just said 'Go.' We didn't go back and create a Yankee committee to do an analysis. We all got on a plane and flew."

ADIDAS CORPORATE HEADQUARTERS

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Fax: +49-9132-842241

Ticker Symbol: ADDDY
Exchange: OTC
Fiscal Year End: 12/31
Sales Year: 1997
Sales (millions \$): 3723.8
1-Yr. Sales Change: 21.9%

CEO: Robert Louis-Dreyfus
CFO: Dean Hawkins
HR: Michel Perraudin





HISTORY

Reebok is the third-largest maker of athletic shoes in the US, behind NIKE. It makes a variety of athletic shoes for everything from basketball and volleyball to aerobics and also makes sportswear for running, aerobics, and walking, as well as accessories such as sports glasses. The company's Rockport subsidiary makes casual and dress shoes. In an effort to catch NIKE, Reebok has secured endorsements from sports stars (Shaquille O'Neal, Emmitt Smith, Frank Thomas, Michael Chang, Arantxa Sanchez-Vicario), but it is backing away from the celebrity race. The company licenses its technology and name for various sporting goods and products.

It is a tradition that can be traced back to the roots of modern athletics. The story started in Victorian England when Joseph William Foster became an enthusiastic member of his local running club 'Bolton Primrose Harriers'.

As Joseph's interest in running grew so did a desire to own a pair of spiked running shoes. Little money, and a distinct absence of manufacturers led to a simple solution, and so the first "Foster" running shoe was made. Despite being a complete novice and the original shoes being somewhat makeshift - the left was a sewn construction, the right nailed - Joseph soon found his fellow Harriers demanding his new found skill.

By 1900 Joseph had improved his technique sufficiently to set up his own business at 59, Deane Road, Bolton, making handmade running shoes for local athletes. Word quickly spread and Fosters spiked running shoes were soon accepted as, and worn by, the best. In 1904 it was with the help of Fosters that Alf Shrubbs sped into Athletic history, with his multiworld record run at Ibrox Park. By 1908 Fosters running pumps were a favourite amongst Olympic and professional Athletes.

Joseph, and his wife Mariah, lived over the workshop and by 1906, two sons, John William and James William, had quite literally been born into the business. So developed a family tradition which has lasted to the present day.

The boys were raised in a running atmosphere and it was later said of John William that, "He was born with a pair of running pumps under his cradle." (Bolton Evening News, June 23rd 1939).

Success was not only limited to running as this ad from the programme of the 1936 International Cross Country Championships indicated. Incidentally Foster's also claimed the 1936 Champion.

It was the enthusiasm of their father that gave the Fosters an intimate knowledge and love of sport. Joseph, not a particularly talented runner, was very much involved in the administration and development of athletics in the North of England.

"Old Joe", to his many friends and associates, was one of the best known characters in the sport, a bright breezy fellow with great foresight, who went on to build a most successful business as a maker of some of the best sports shoes in the world . . . "Joe Foster of course was the great leader, a man from whom I gained much of my enthusiasm for the sport". (Frank Morris "History of B.U.H.A.C. 1979").



Undoubted skills, coupled with their own intimate knowledge and love of sport quickly established "J. W. Foster & Sons" as renowned makers of quality athletic shoes. Their shoes were worn by many of the top runners of the day, including the legendary Alf Shrubbs, Arthur Postle (6 of whose world pro sprint records still stand) Lord Burghley, Tom Evenson, Jack Lovelock, Tommy Hampson, Ethel Johnson, D. G. A. Lowe, J. C. Ellis, Nellie Halstead, C. B. Holmes, and Bill Roberts amongst them. Indeed, it is probably true to say that the majority of the athletes of this period, and for many years to follow, wore spikes handcrafted by "Old Joe" at the aptly named "Olympic Works", "by craftsmen who are experts in the making of Running Shoes, and who know what the athlete requires". (ad. circa 1925-40).

Personal fittings and self-measurement forms were the norm and the specialist needs of an event were taken into consideration even in the earliest designs. Heel spikes for hurdlers, ankle straps for cross-country; sprint designs, middle distance design. Consideration was even given to the number of bends likely to be negotiated in a race. A shoe able to perform has always been the essence of the Foster philosophy.

Both sons followed in their fathers footsteps, indeed, quite literally in the case of John William ('Billy'). Billy succeeded his father when for many years he acted as Secretary of Bolton United Harriers and wrote the athletic column in the local paper under the same pseudonym, "The Captain". His articles were very informed and on one occasion he failed to declare his interests when he wrote on two forthcoming cross-country races, (it also indicates Joe Fosters willingness to design shoes especially to suit a course if necessary)

... "The United Harriers are favoured in that they have Joe Foster to attend to their shoes, for he will be able not only to advise as to the type of gear that is likely to be most suitable for the Castlelwell and Crewe courses, and to provide such, and I would advise the lads to get the shoes required now, and not to leave such provision to the last possible minute." (Bolton Evening News - 1924).

In 1933 "Old Joe" died, leaving the business in the very capable hands of James and 'Billy' who continued to perfect their art.

Such are the vagaries of time and the lack of identity of an all black shoe that many a story has been lost. Only 2 World Wars, and two bombs, interrupted business when army boots became the order of the day.

The post war years saw "J. W. Foster & Sons" establishing reputations on the Rugby and Soccer fields. Their boots became firm favourites of many professional clubs including Liverpool, Newcastle United, Manchester United and Bolton Wanderers. The entire Moscow Dynamo team, on its first ever visit to the West, made sure they had Foster boots with them on their return to the U.S.S.R. At the same time as boots were going east, running shoes (a special red and white issue) went west with Yale and Olympic coaches Frank Ryan and Bob Geinjack, ensuring their students wore the best.

In 1948 and 1952 respectively, Jeffrey William and Joseph William, the sons of James, began their apprenticeship at the "Olympic Works". Thus was ensured the continuation of the J. W. Foster name and tradition.

Their apprenticeship over, James' sons, Joseph and Jeffrey, made a decision to form their own company and move into the second half of the century with the same pioneering spirit as their grandfather.



In 1958, the year in which Nat Lofthouse, "The Lion of Vienna", scored the winning goal in the F.A. Cup Final for Bolton in Foster's boots, and a year after yet another world mile record in their spikes, the two youngsters started "Reebok", (named after a small, fast running African gazelle). They were based just five miles down the road from the "Olympic Works".

Once again grass roots involvement were keynotes to success, and shortly the traditions and skills J. W. Foster & Sons were, quite literally, fully absorbed into Reebok.

Performance and quality have always been a major consideration of the Fosters and it was not long before Reebok was establishing its own reputation with its own records and medals in the major games. Whilst in 1981 they were rated number one for quality by Runners World magazine. Dedication to product development and performance ensured the continued success of the brand.

Links with the local Harriers remain strong. The Reebok Classic 10k race runs past the now demolished "Olympic Works" (now appropriately an Institute of Technology), whilst over the nearby "Fells" runners toil in the gruelling "3 Towers Race" for the Jeff Foster Memorial trophy. Now the unique open membership of the Reebok Racing Club ensures grass root involvement continues around the world.

Success has not only been limited to running. Like 'Old Joe' Reebok have not limited themselves solely to running. Fitness and Tennis are new areas to benefit from their fine tradition and others will undoubtedly follow with another generation of the Fosters now serving its apprenticeship. "Old Joe" certainly started something with his spiked shoe back in 1895.

ARTICLES Instron Completes Sale of Land in Canton, Mass.

March 30, 1998 03:40 PM

CANTON, Mass.--(BUSINESS WIRE)--March 30, 1998--Instron Corp. today announced that it has completed the sale of 42 of its 66 acre site off Route 128 in Canton, Mass. for \$13.5 million. This land, which was excess to Instron's current and foreseeable requirements, will be used by Reebok International Ltd. RBK for its new worldwide corporate headquarters.

James McConnell, president and CEO of Instron said, "The proceeds will initially be utilized, amongst other things, to reduce outstanding debt, pay closing costs, related transaction fees and associated expenses, as well as pay taxes on the gain of this sale. This transaction not only benefits Instron stockholders, but Reebok and the Town and community as well. We look forward to having Reebok as our neighbor in Canton."

Instron Corp., listed on the American Stock Exchange, is leading producer of instruments and systems for advanced materials testing.



REEBOK LICENSES ABOVE THE RIM® APPAREL RANGE TO CAPE ATHLETIC

STOUGHTON, MA. (Apr. 2, 1998) -- Reebok International Ltd. has licensed the Above the Rim Hoopwear apparel collection to Cape Athletic. The licensing agreement runs four years.

Reebok acquired the popular Above the Rim® brand name from Cape Athletic founder and president Bob Capener in 1992. Since then, Above the Rim apparel has been a segment of Reebok's performance basketball collection. Reebok marketed the collection through its NBA endorsers and television and print advertising.

"I am thrilled to have the opportunity to build upon the success of the Above the Rim collection in the athletic apparel market," said Capener who founded Cape Athletic in 1996. According to Capener, Above the Rim apparel will be re-launched by Cape Athletic with a new collection reaching retail in Spring 1999, marking the 10th anniversary of the brand's founding.

"We are putting Above the Rim back into the hands of the brand's creator and are very much looking forward to a successful partnership," said Marty Winnick Blue, director of licensing for Reebok.

The new Above the Rim collection will consist of jackets, warm-ups, pants, sweatshirts, t-shirts, shorts and accessories. Price points will range from \$16.00 for t-shirts to \$120.00 jackets. "Above the Rim will capitalize on a major consumer trend towards authentic, innovative sportswear that stands out on and off the court," said Capener. The primary target for Above the Rim is males 12-24 though Capener noted that a women's collection would be introduced next year to capitalize on the booming women's basketball market.

To market Above the Rim apparel, Cape Athletic has become a national sponsor of the Gus Macker 3-on-3 Basketball Tournament, the original 3-on-3 event founded over 20 years ago. Macker events attract over 100,000 participants nationwide in 60 markets. Among numerous marketing activities, Gus Macker staff will be outfitted in Above the Rim apparel.

Reebok International Ltd., headquartered in Stoughton, MA., is a leading worldwide designer, marketer and distributor of sports, fitness and casual footwear, apparel and equipment. Principal operating units include the Reebok Division and The Rockport Company, Inc. Sales for 1997 totaled approximately \$3.6 billion.

Cape Athletic strives to be the premier athletic group in the sportswear market by providing superior product, promotions and marketing in the basketball category.

REEBOK CORPORATE HEADQUARTERS

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CEO: Paul B. Fireman
CFO: Kenneth I. Watchmaker

Ticker Symbol: RBK
Exchange: NYSE
Fiscal Year End: 12/31
Sales Year: 1997
Sales (millions \$): 3643.6
1-Yr. Sales Change: 4.74%





FINANCIAL REPORT

Stoughton, MA, February 2, 1998 -- Reebok International Ltd. (NYSE:RBK) today reported its 1997 year-end results which were in line with the estimate previously made by the Company on December 11, 1997.

Income from operations (which excludes the after-tax effect of special charges) for 1997 was \$134.3 million or \$2.30 per share, as compared with \$138.9 million or \$2.03 per share for 1996. For the fourth quarter of 1997, income from operations was \$18.6 million, or \$0.32 per share, as compared with \$20.1 million or \$0.35 per share for the 1996 fourth quarter.

During 1997 the Company recorded special pre-tax charges of \$58.2 million associated with various global restructuring activities and a \$40.0 million income tax credit related to the conclusion of outstanding tax matters associated with the June 1996 sale of the Company's Avia subsidiary. Including the effect of these special items, the Company reported net income of \$135.1 million or \$2.32 for the full year 1997 and \$0.6 million or \$0.01 per share for the fourth quarter of 1997. All earnings per share amounts are presented on a diluted basis.

For the year ended December 31, 1997, net sales were \$3,643.6 million, up 4.7% from 1996 net sales of \$3,478.6 million. Net sales in fiscal 1996 included Avia revenues of \$49.4 million. Worldwide sales for the Reebok brand in 1997 were \$3,131.1 million, an increase of 5.0% over 1996 sales of \$2,981.6 million. The strong U.S. dollar continues to adversely affect reported international results, and on a constant dollar basis, worldwide Reebok brand sales grew 8.3% in 1997.

In the U.S., Reebok footwear sales were \$1,228.7 million in 1997, up 3.0% from 1996. Reebok apparel sales in the U.S. were \$431.9 million, an increase of 37.2% over apparel sales of \$314.9 million in the prior year. 1997 sales of the Reebok brand outside the U.S. -- including both footwear and apparel -- were \$1,470.5 million, essentially flat with 1996 levels, but up 6.4% on a constant dollar basis. Sales for the Company's Rockport subsidiary grew 14.5% in 1997 to \$512.5 million from \$447.6 million in 1996.

Net sales in the 1997 fourth quarter were \$863.4 million, an increase of 9.6% from fourth quarter net sales of \$788.0 million in the prior year. Worldwide sales for the Reebok brand in the 1997 fourth quarter were \$735.8 million, an increase of 10.3% from fourth quarter sales of \$667.2 million in 1996. On a constant dollar basis, worldwide sales for the Reebok brand increased 14% in the 1997 fourth quarter.

In the U.S., Reebok footwear sales were \$280.3 million in the fourth quarter of 1997, an increase of 18.2% from 1996. Reebok apparel sales in the U.S. were \$123.1 million for the quarter, an increase of 30.7% over 1996's apparel sales of \$94.2 million. Fourth quarter 1997 sales of the Reebok brand outside the U.S. -- including both footwear and apparel -- decreased to \$332.4 million from \$335.8 million in 1996, a decline of 1.0% in reported dollars but an increase of 6.7% on a constant dollar basis. 1997 fourth quarter sales for the Company's Rockport subsidiary grew 5.6% to \$127.6 million from \$120.8 million in the fourth quarter of 1996.

Year-to-year per share comparisons benefited from the Company's share repurchase programs, including the Dutch Auction share repurchase concluded on August 27, 1996. Diluted shares outstanding for the year and quarter ended December 31, 1997 were 58,309,000 and 58,014,000, respectively, compared to 68,617,000 and 57,455,000 for the same periods in 1996.

The Company reported that its total backlog of open customer orders to be delivered from January 1998 through June 1998 for the Reebok brand was essentially flat at December 31, 1997. North American backlog was up 2.8%, and international backlog was down 5.7%. On a constant dollar basis, worldwide Reebok Brand backlog was up 3.4% and international backlog



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In the U.S., Reebok footwear sales were \$1,228.7 million in 1997, up 3.0% from 1996. Reebok apparel sales in the U.S. were \$431.9 million, an increase of 37.2% over apparel sales of \$314.9 million in the prior year. 1997 sales of the Reebok brand outside the U.S. -- including both footwear and apparel -- were \$1,470.5 million, essentially flat with 1996 levels, but up 6.4% on a constant dollar basis. Sales for the Company's Rockport subsidiary grew 14.5% in 1997 to \$512.5 million from \$447.6 million in 1996.

Net sales in the 1997 fourth quarter were \$863.4 million, an increase of 9.6% from fourth quarter net sales of \$788.0 million in the prior year. Worldwide sales for the Reebok brand in the 1997 fourth quarter were \$735.8 million, an increase of 10.3% from fourth quarter sales of \$667.2 million in 1996. On a constant dollar basis, worldwide sales for the Reebok brand increased 14% in the 1997 fourth quarter.

In the U.S., Reebok footwear sales were \$280.3 million in the fourth quarter of 1997, an increase of 18.2% from 1996. Reebok apparel sales in the U.S. were \$123.1 million for the quarter, an increase of 30.7% over 1996's apparel sales of \$94.2 million. Fourth quarter 1997 sales of the Reebok brand outside the U.S. -- including both footwear and apparel -- decreased to \$332.4 million from \$335.8 million in 1996, a decline of 1.0% in reported dollars but an increase of 6.7% on a constant dollar basis. 1997 fourth quarter sales for the Company's Rockport subsidiary grew 5.6% to \$127.6 million from \$120.8 million in the fourth quarter of 1996.

Year-to-year per share comparisons benefited from the Company's share repurchase programs, including the Dutch Auction share repurchase concluded on August 27, 1996. Diluted shares outstanding for the year and quarter ended December 31, 1997 were 58,309,000 and 58,014,000, respectively, compared to 68,617,000 and 57,455,000 for the same periods in 1996.

The Company reported that its total backlog of open customer orders to be delivered from January 1998 through June 1998 for the Reebok brand was essentially flat at December 31, 1997. North American backlog was up 2.8%, and international backlog was down 5.7%. On a constant dollar basis, worldwide Reebok Brand backlog was up 3.4% and international backlog



The Company reported that its gross margin declined for both the 1997 fourth quarter and full year. The decline reflects a significant impact from currency fluctuations, a decrease in full-margin at once business as a result of an over-inventoried promotional retail environment, and a higher percentage of footwear technology product which is currently carrying below average margins because it remains in the start-up production phase.

Paul Fireman, the Company's Chairman and Chief Executive Officer, said "As has been well-publicized, the athletic footwear and apparel industry is experiencing some very difficult conditions due to a slowdown in consumer demand which has resulted in a retail inventory back-up and a highly promotional environment. This situation has been compounded by recent fashion trends that favor brown shoe outdoor looks over traditional white athletic footwear. We expect these difficult industry conditions to persist well into the current year, as the industry works through its excess inventory. While we have effectively managed our inventories we do expect our at-once and off-price business to suffer due to the high level of competitor promotional product offered at retail."

"While we will face difficult challenges in 1998," Fireman continued, "we believe that our multi-brand strategy has positioned us well for the long-term, and we are confident

that we can successfully take advantage of opportunities for all of our brands. For example, we believe our Reebok footwear technologies -- DMX and 3D UltraLite -- represent true breakthroughs in athletic footwear. We will focus in 1998 on continuing to land those technologies through impactful direct-to-the-consumer marketing campaigns that invite the consumer to try on and experience the product. We will reinforce these programs with a brand image campaign to be launched in March designed to separate Reebok from the competition and build consumer pull," Fireman said.

"In addition, we will focus resources in the coming year to capture opportunities for our Rockport, Ralph Lauren Footwear and Greg Norman brands. Our Rockport business has made great strides in re-positioning itself with an updated brand image and improved product design focused on the concept of providing exceptional comfort with style. Several emerging market trends should bode well for Rockport going forward, including the aging of a comfort-seeking baby boom population, the growing popularity of rugged outdoor product, and the increasing appeal of the Rockport brand to the younger consumer. We will continue to devote the resources necessary to capitalize on these opportunities via product development, advertising and expanded distribution," Fireman continued.

"The Ralph Lauren Footwear business had strong growth in 1997, reflecting the benefits of improved product design and development along with expanded distribution.

We are in the midst of product design and plans for a Spring 1999 introduction of Polo Sport athletic footwear and are optimistic that that product will be well received by retailers when we begin to preview the line in the Spring of this year," Fireman said.

"Finally, Greg Norman Collection is becoming an increasingly important part of our total business. That division grew its revenues over 50% in 1997 through expansion of its casual lifestyle apparel line and department store distribution network, efforts which will continue in the current year," he said.

"Recognizing the difficult industry conditions we're currently facing, we will take a number of actions beginning immediately to manage our business more efficiently in the near term," Fireman continued. "We will be simplifying our organizational structure by eliminating management layers, combining business units and centralizing operations beginning in the first quarter of 1998. This is an effort to become more focused and to free up resources to be allocated to near-term projects that can generate immediate results.

While we are still finalizing our plans and reviewing the costs associated with them, we currently expect that we will recognize a pre-tax special charge in the range of \$25 - \$35 million in the first quarter of 1998 associated with this effort. We believe these actions -- which in many instances represent an acceleration of programs that had already been in place -- will allow us to compete more effectively in the short-term while still staying on course with our long-term strategy," Fireman concluded.



**Reebok International Ltd.
Financial Summary (unaudited)**

	Year ended December 31, 1997	1996
Net sales (a)		\$3,643,599,000
\$3,478,604,000		
Net income from operations (b)		\$134,280,000
\$138,950,000		
Net income (c)		\$135,119,000
\$138,950,000		
Average diluted shares		58,309,000
68,617,000		
Basic earnings per share		
Net income from operations (b)	\$2.39	
\$2.06		
Net income (c)	\$2.41	
\$2.06		
Diluted earnings per share		
Net income from operations (b)	\$2.30	
\$2.03		
Net income (c)	\$2.32	
\$2.03		

	Three months ended December 31, 1997	1996
Net sales		\$863,446,000
\$788,029,000		
Net income from operations (b)		\$18,645,000
\$20,110,000		
Net income (d)		\$645,000
\$20,110,000		
Average diluted shares		58,014,000
57,455,000		
Basic earnings per share		
Net income from operations (b)	\$0.33	
\$0.36		
Net income (d)	\$0.01	
\$0.36		
Diluted earnings per share		
Net income from operations (b)	\$0.32	
\$0.35		
Net income (d)	\$0.01	
\$0.35		

- (a) 1996 includes \$49.4 million of revenues of the Company's Avia subsidiary sold in June 1996.
 (b) Excludes effect of special items in 1997.
 (c) 1997 includes special pre-tax charges of \$58.2 million for restructuring and a \$40 million income tax credit related to Avia.
 (d) 1997 includes a special charge of pre-tax \$25 million for restructuring.

Reebok International Ltd., headquartered in Stoughton, MA, is a leading worldwide designer, marketer and distributor of sports, fitness and casual footwear, apparel and equipment. Principal operating units include the Reebok Division and the Rockport Company, Inc. Sales for 1997 totaled approximately \$3.6 billion.





FILA

The Italian company Fila Holding is the world's #4 shoemaker, after NIKE, Reebok, and adidas. Fila's footwear collection offers products ranging from active sports styles designed for basketball, running, hiking, and tennis to canvas deck shoes and walking shoes. The company's footwear lines include designs for men, women, and children in approximately 150 different styles. The largest market (40% of Fila's total sales) for the company's footwear is the US, where it has a market share of about 8%. Fila's apparel lines are targeted to the active sportswear, leisure wear, and casual wear categories.

Fashion and function. Attitude and technology. Fila USA designs, manufactures, and markets apparel and footwear that's unique in its combination of style and performance.

Our design inspiration comes from life itself. From sports. From the street. From people, places, and perspectives that are infused with energy, vitality, and creativity.

We are in one of the most intensely challenging and competitive industries in business today. While many battle to survive, we are committed to thrive. We have the products, the technologies, the promotions, the motivation and the momentum to achieve continued success in the new millennium.

While Fila has always been known for outstanding design, we continue to grow in reputation for athletic performance. Our endorsement agreements with world-class athletes have not only ensured credibility in the athletic arena but have generated high visibility and huge demand for our products.

The remarkable achievements of our athletes make them undeniably aspirational. The power and poise of basketball superstar Grant Hill. The speed and endurance of marathoners German Silva and Moses Tanui. The world-record breaking feat of long-jumper Mike Powell. The speed and style of world-champion skier Alberto Tomba. The rising star of tennis rookie of the year, Mark Philippoussis. All Fila athletes are champions in sport and in life.



ENDORSED ATHLETES

Grant Hill
Mark Philippoussis
Alberto Tomba
Lee Janzen
Eddie Murray
Jerry Stackhouse
Chris Webber
Carla Overbeck
Hersey Hawkins
Moses Tanui
Kent Steffes

FILA CORPORATE HEADQUARTERS

14114 York Road
Sparks, MD 21152
Tel. (410) 773-3000
Fax. (410) 773-4969

Mr. Rob Baker
For product concerns call:
1-800-787-FILA

Address: Fila Holding S.p.A.
Viale Cesare Battisti, 26
13051 Biella, Italy
Web Site: <http://www.fila.com>
Phone: +39-15-34141
CEO: Enrico Frachey
CFO: Enzo Bermani

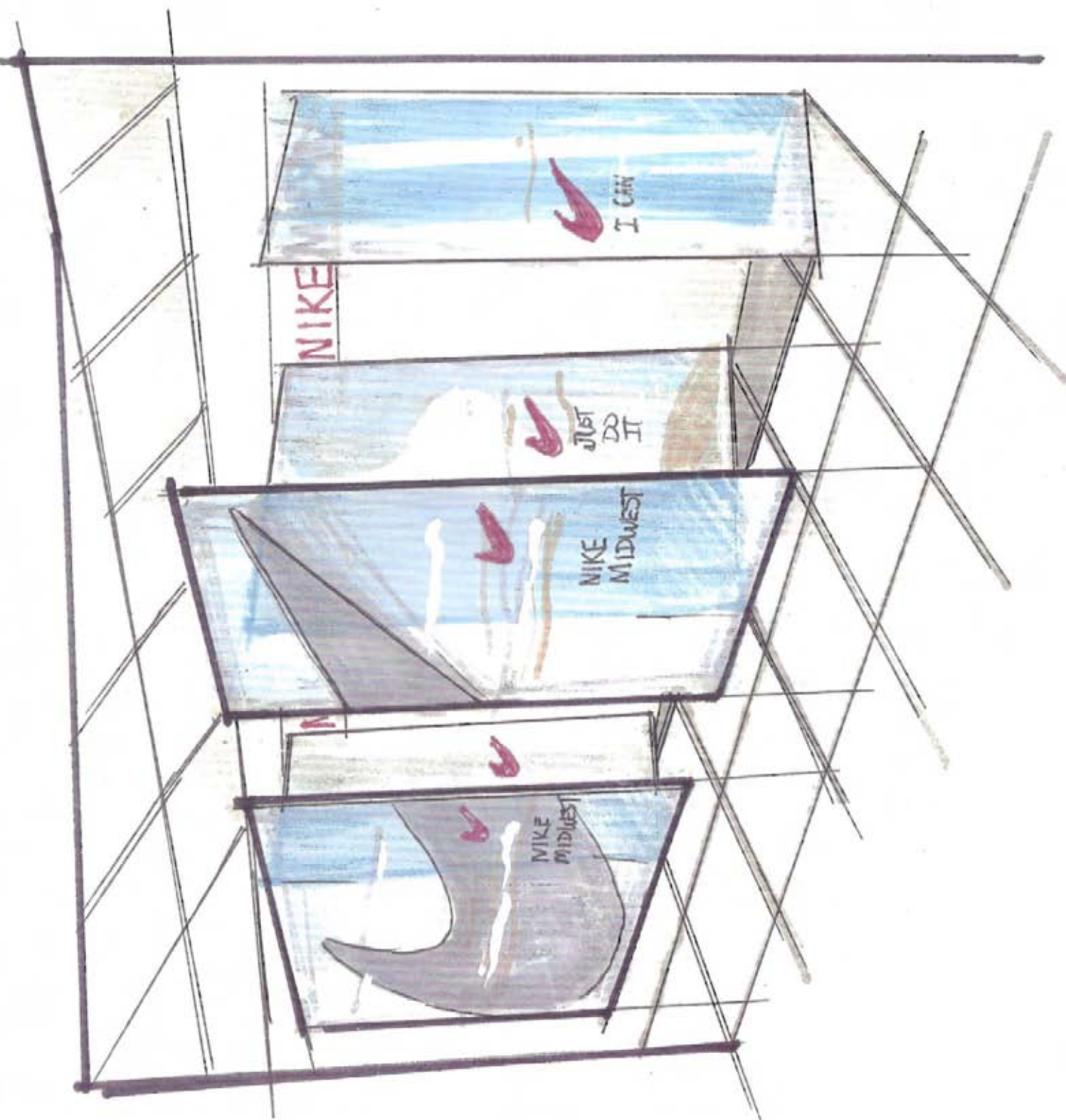
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Exchange: NYSE
Fiscal Year End: 12/31
Sales Year: 1996
Sales (millions \$): 1233.7
1-Yr. Sales Change: 32.03%

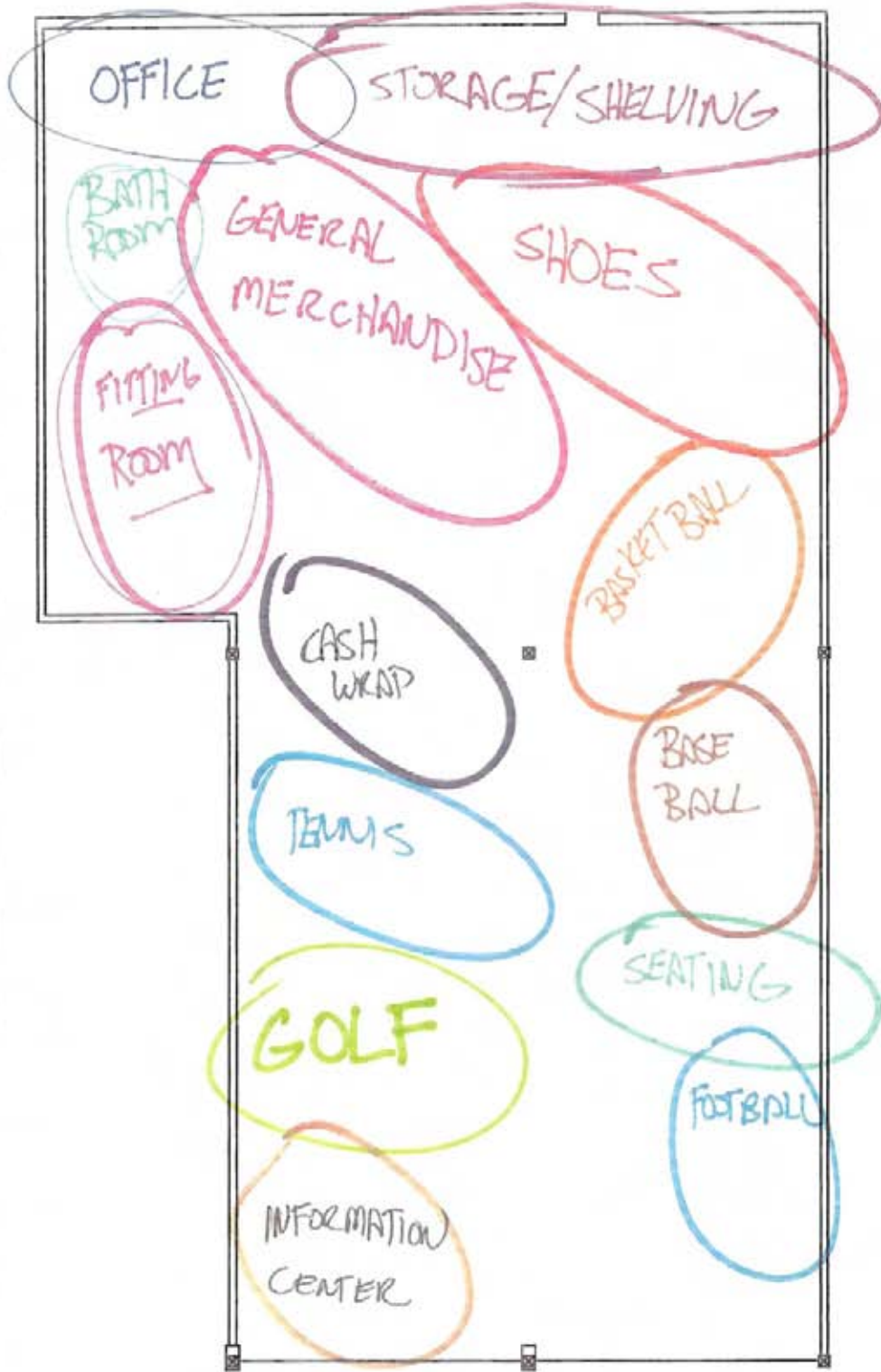
FILA SPORT DIVISION.
40 East 34th Street
NEW YORK, NY 10016



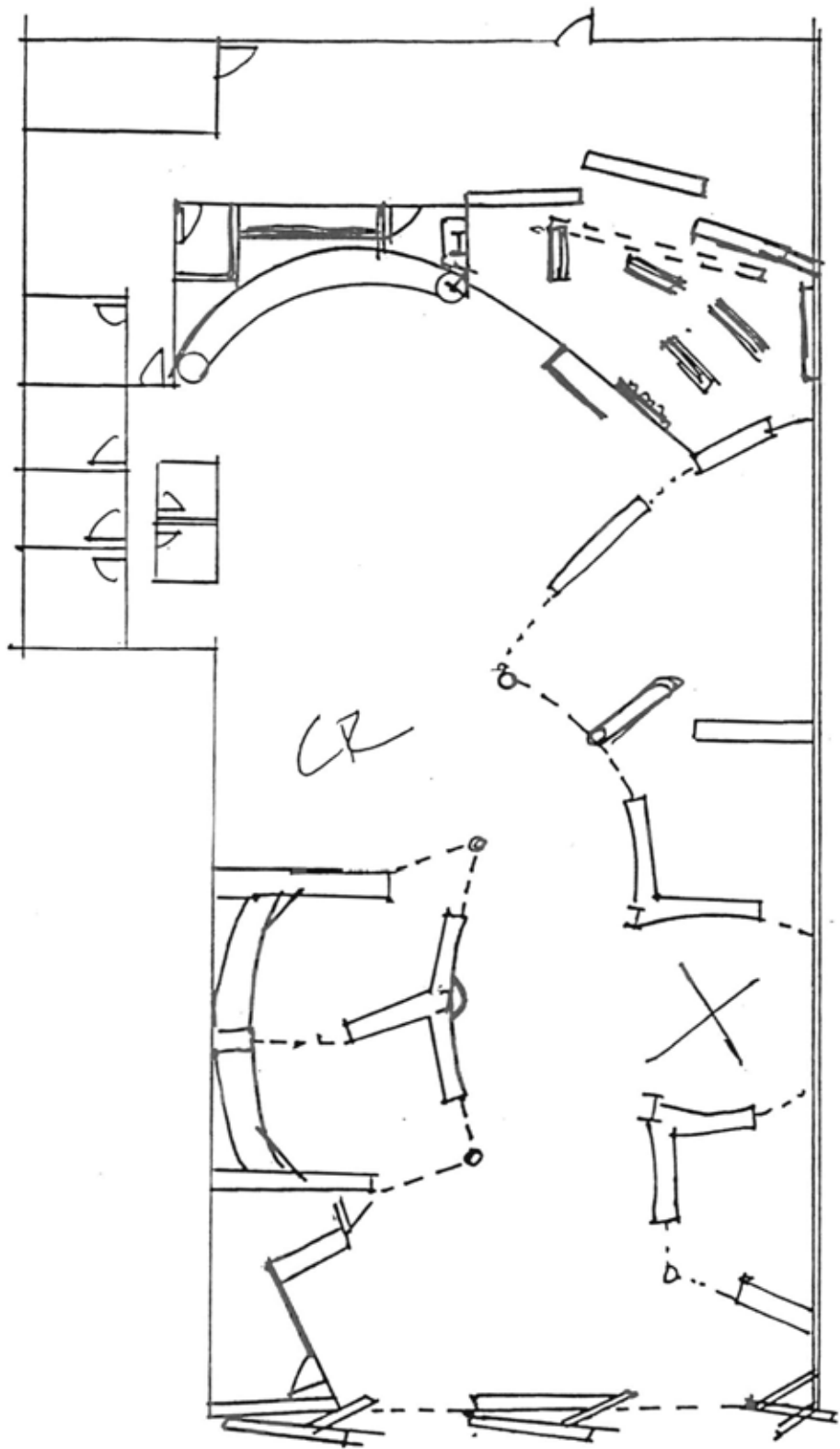


Phase II

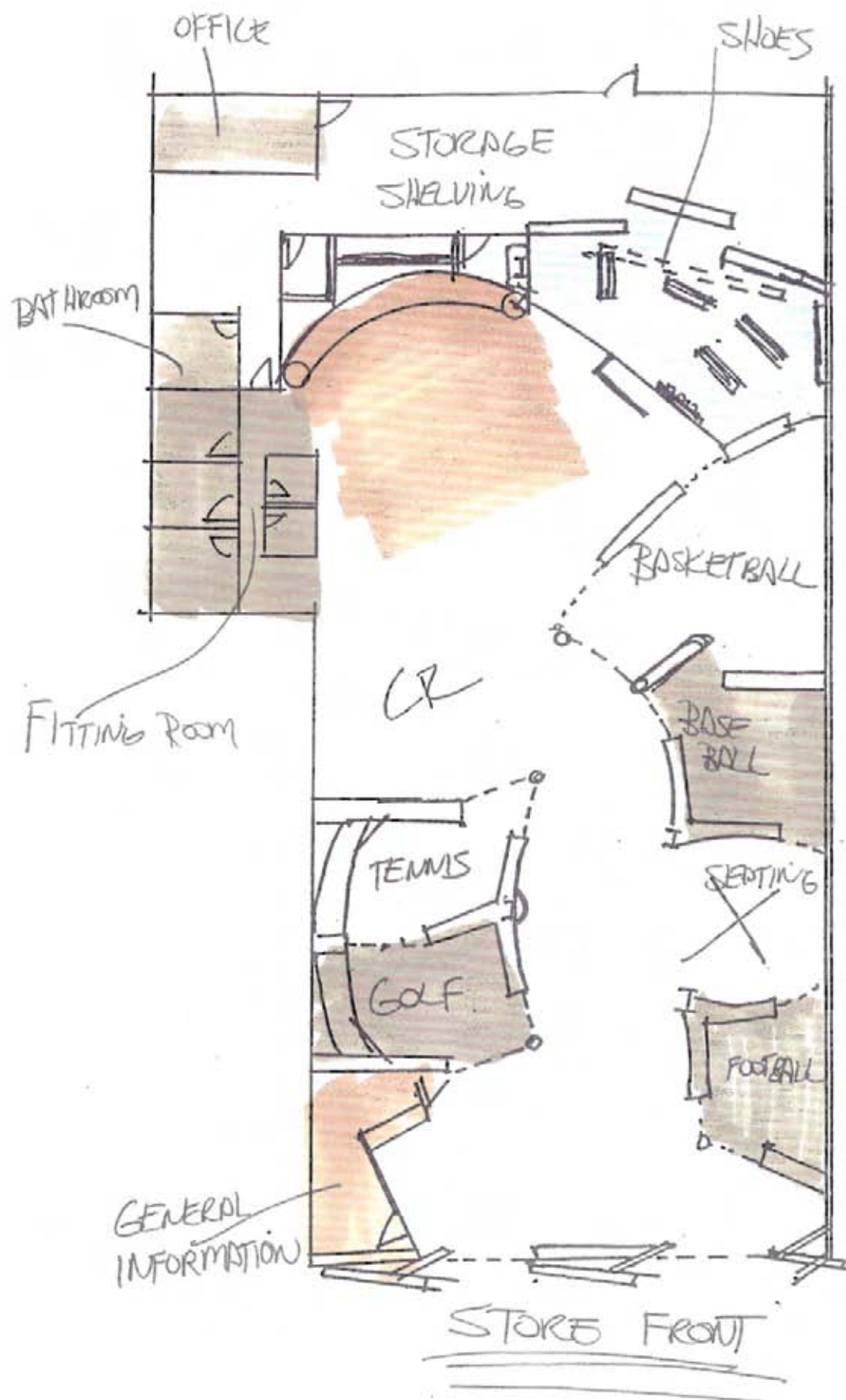




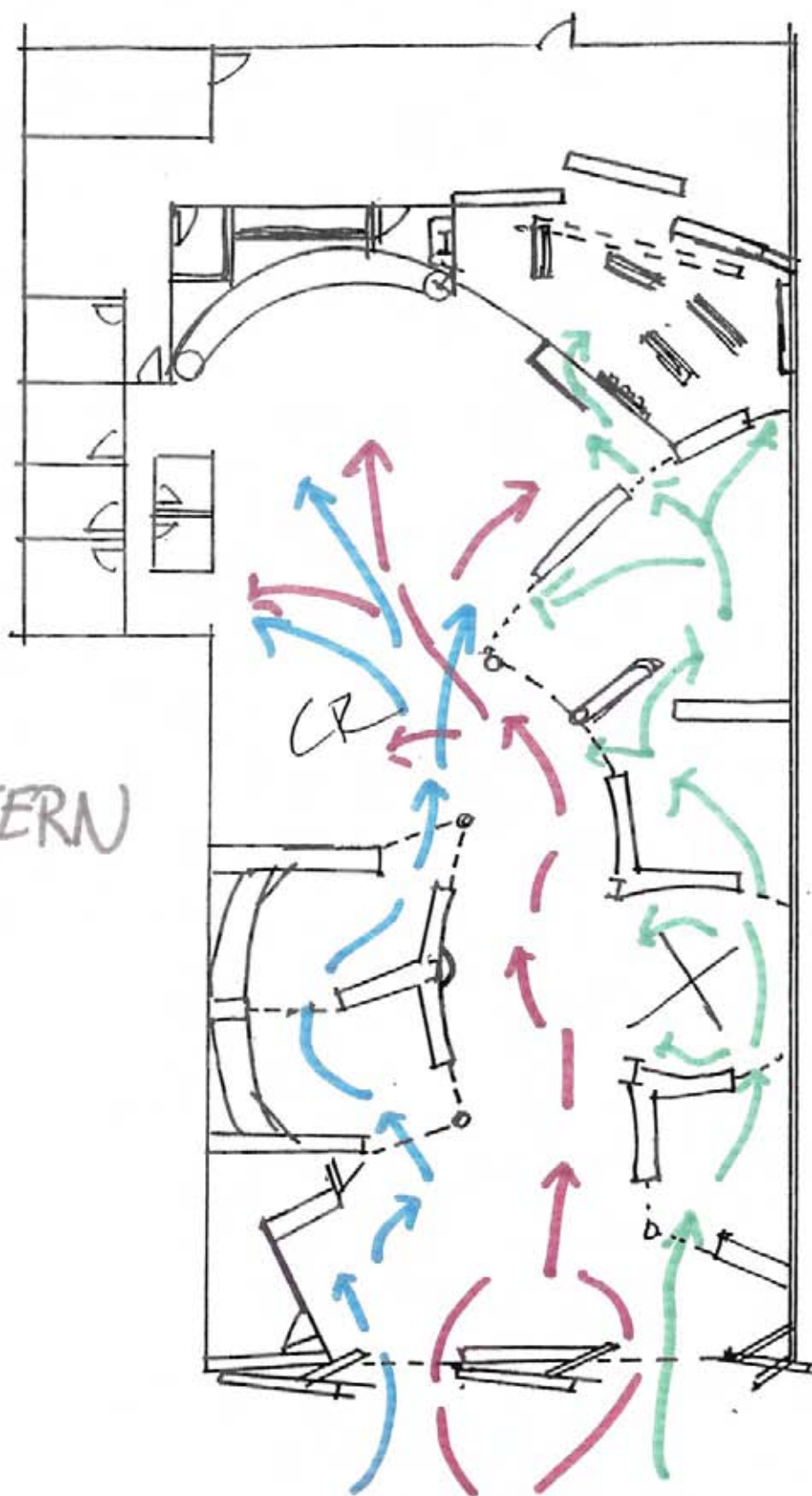
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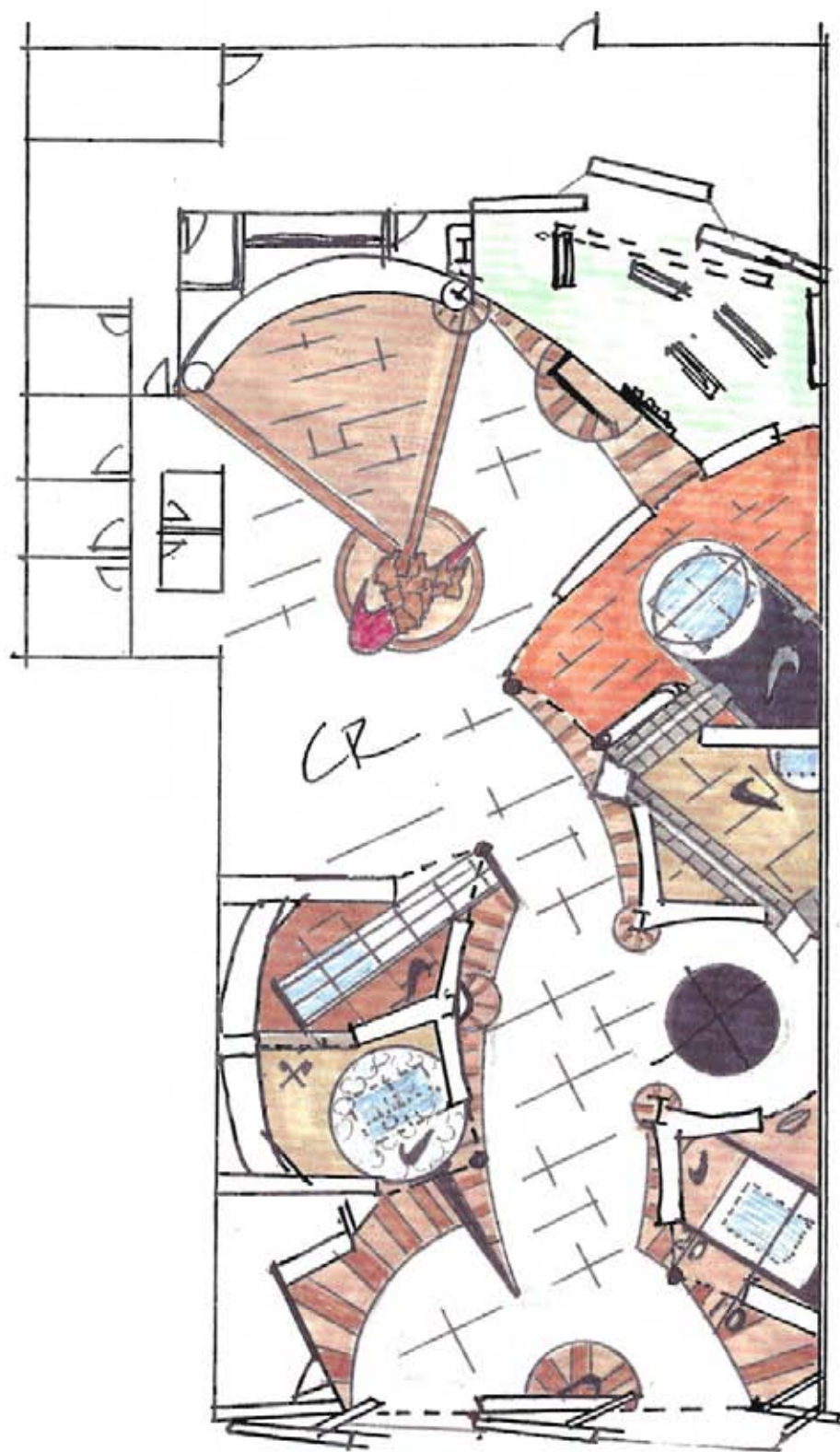
PLAN



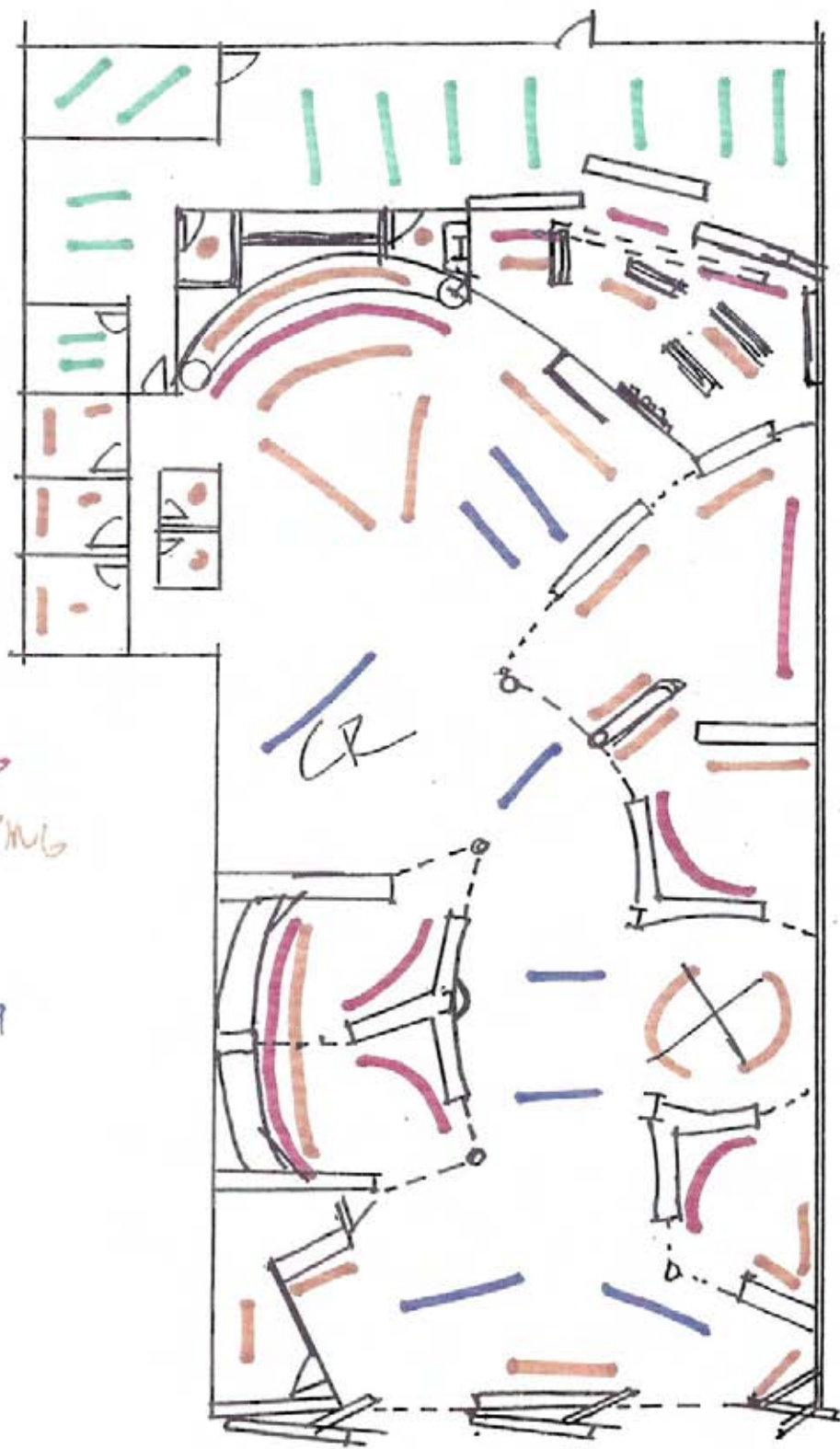
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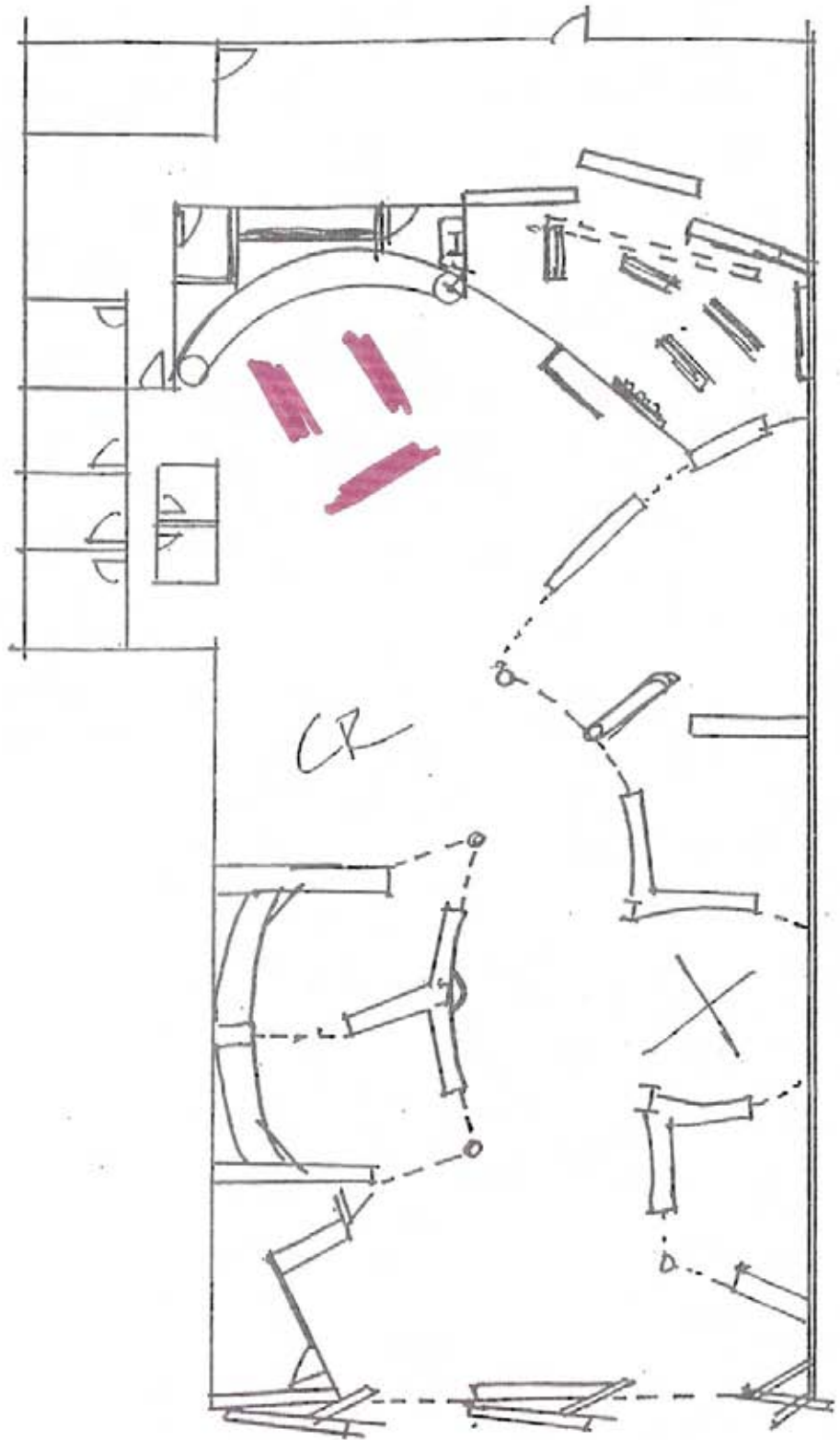
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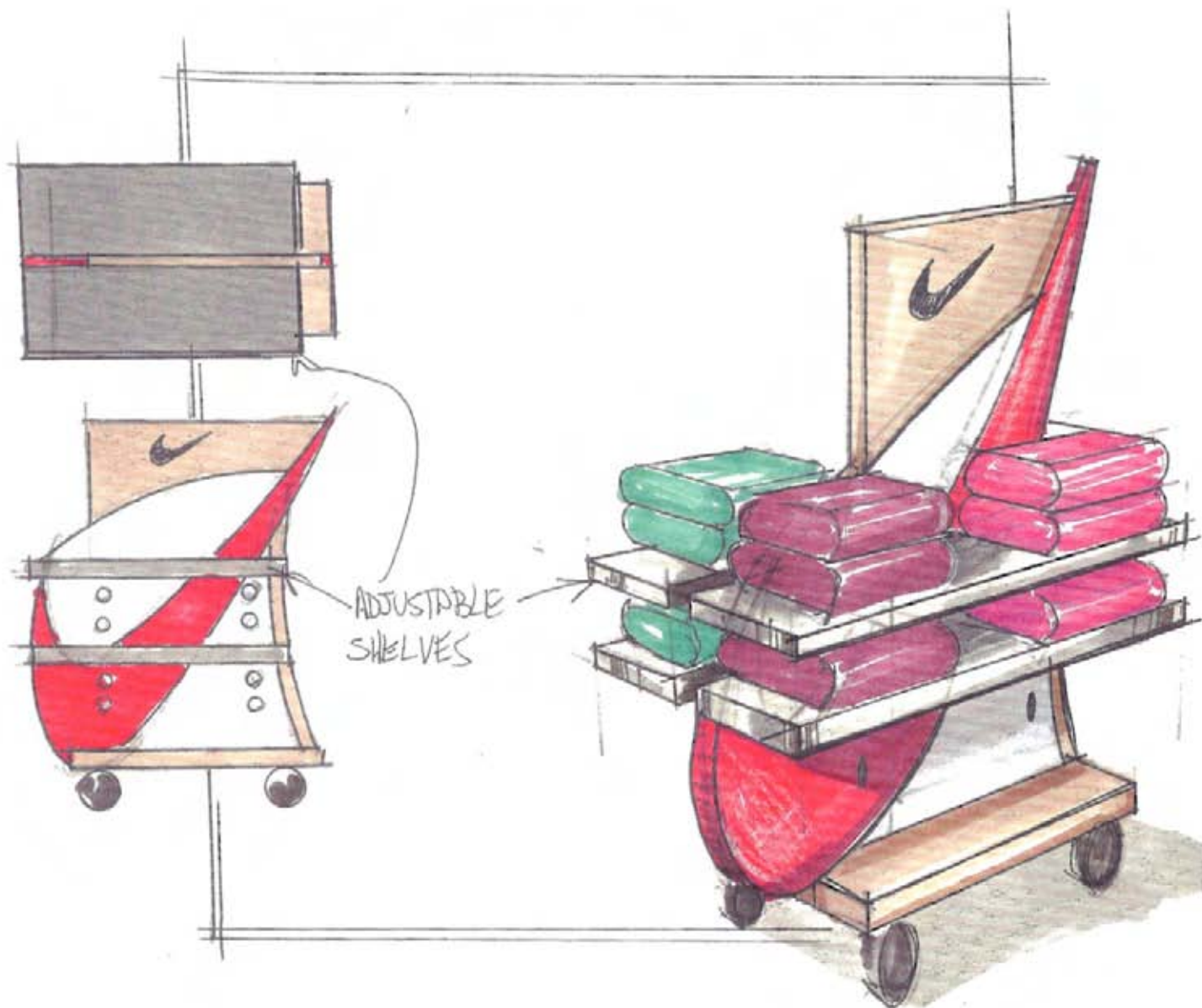


TRACK LIGHTING
CANISTER LIGHTING
FLUORESCENT
DOWN LIGHTING

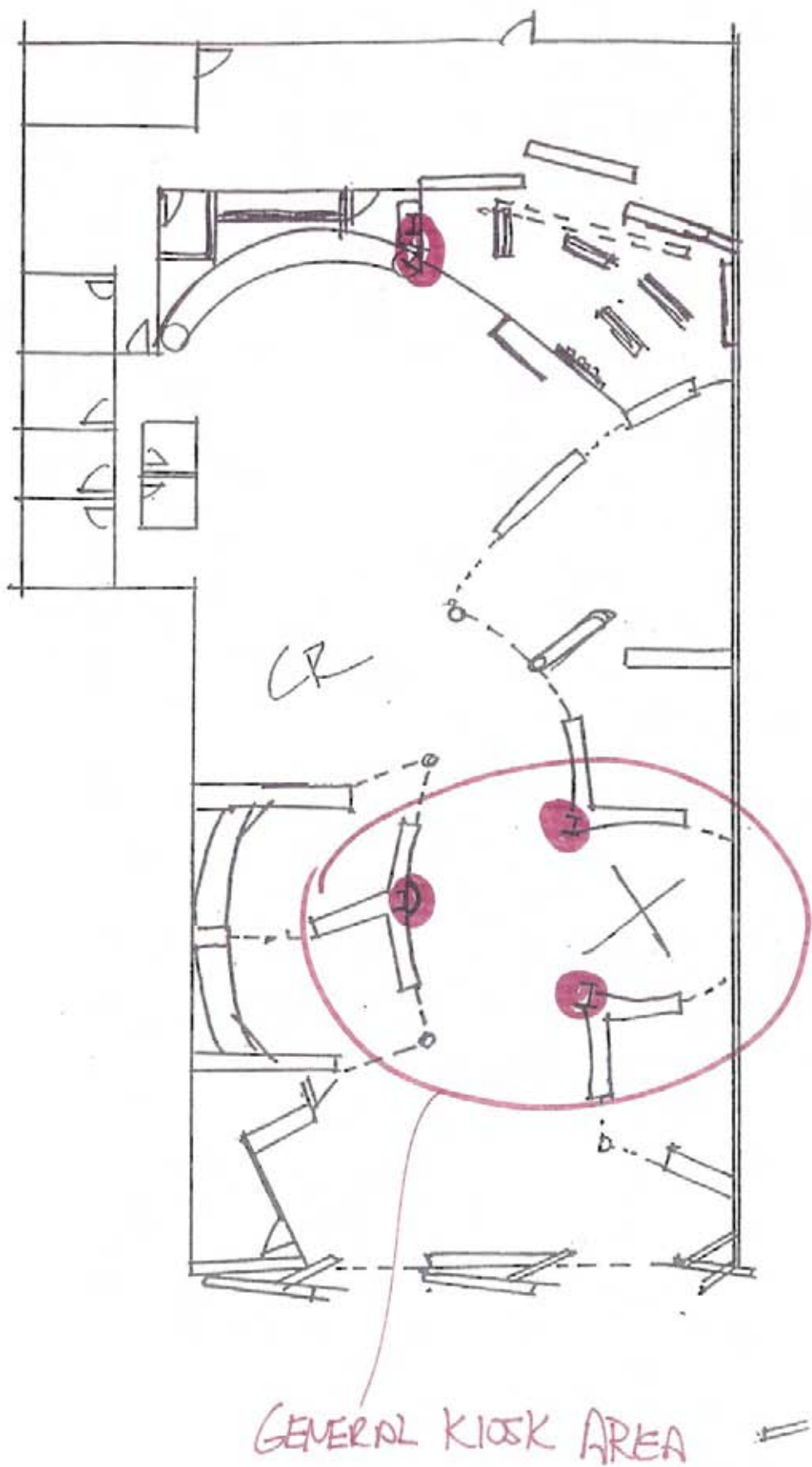


FIXTURE PLAN

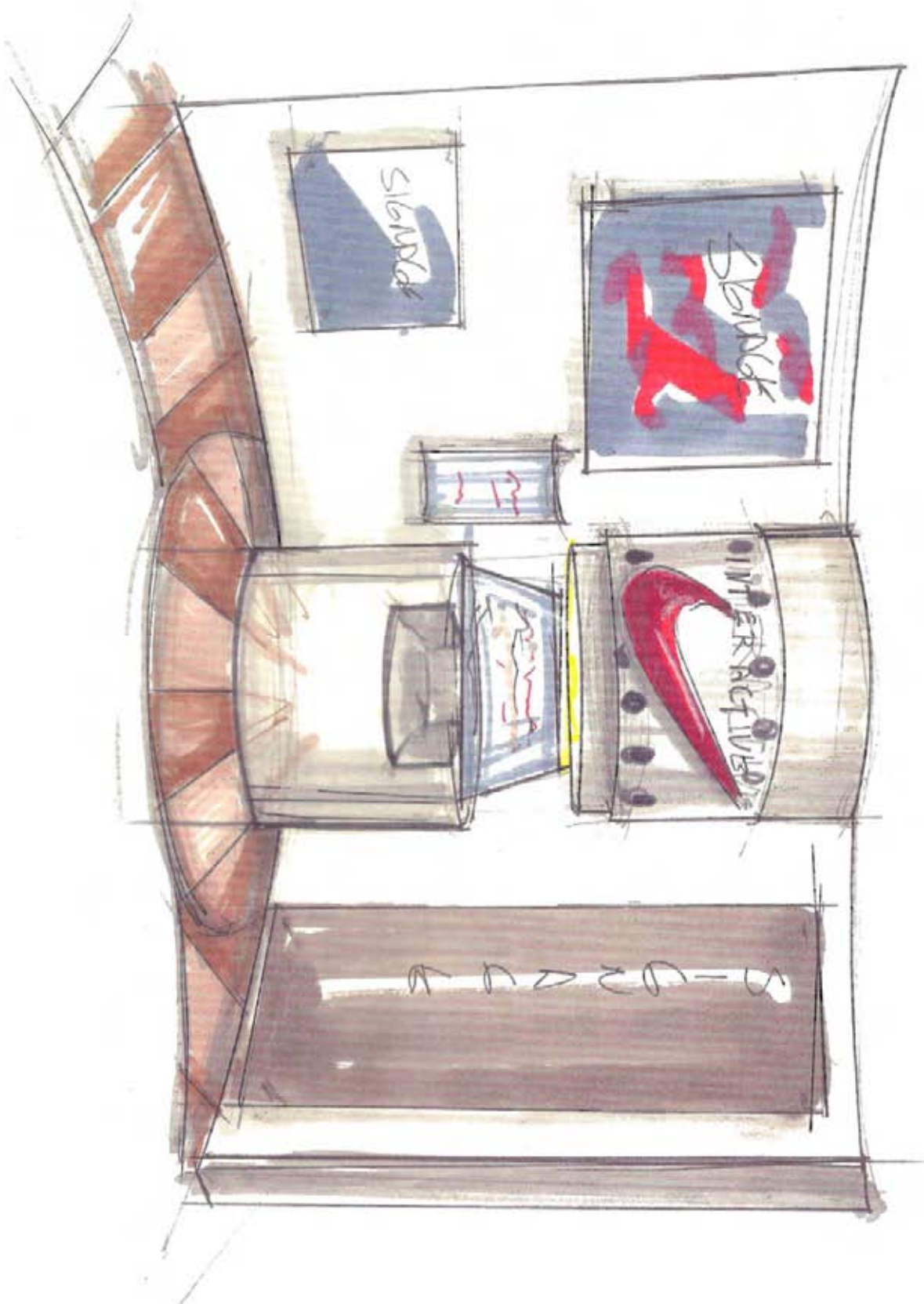




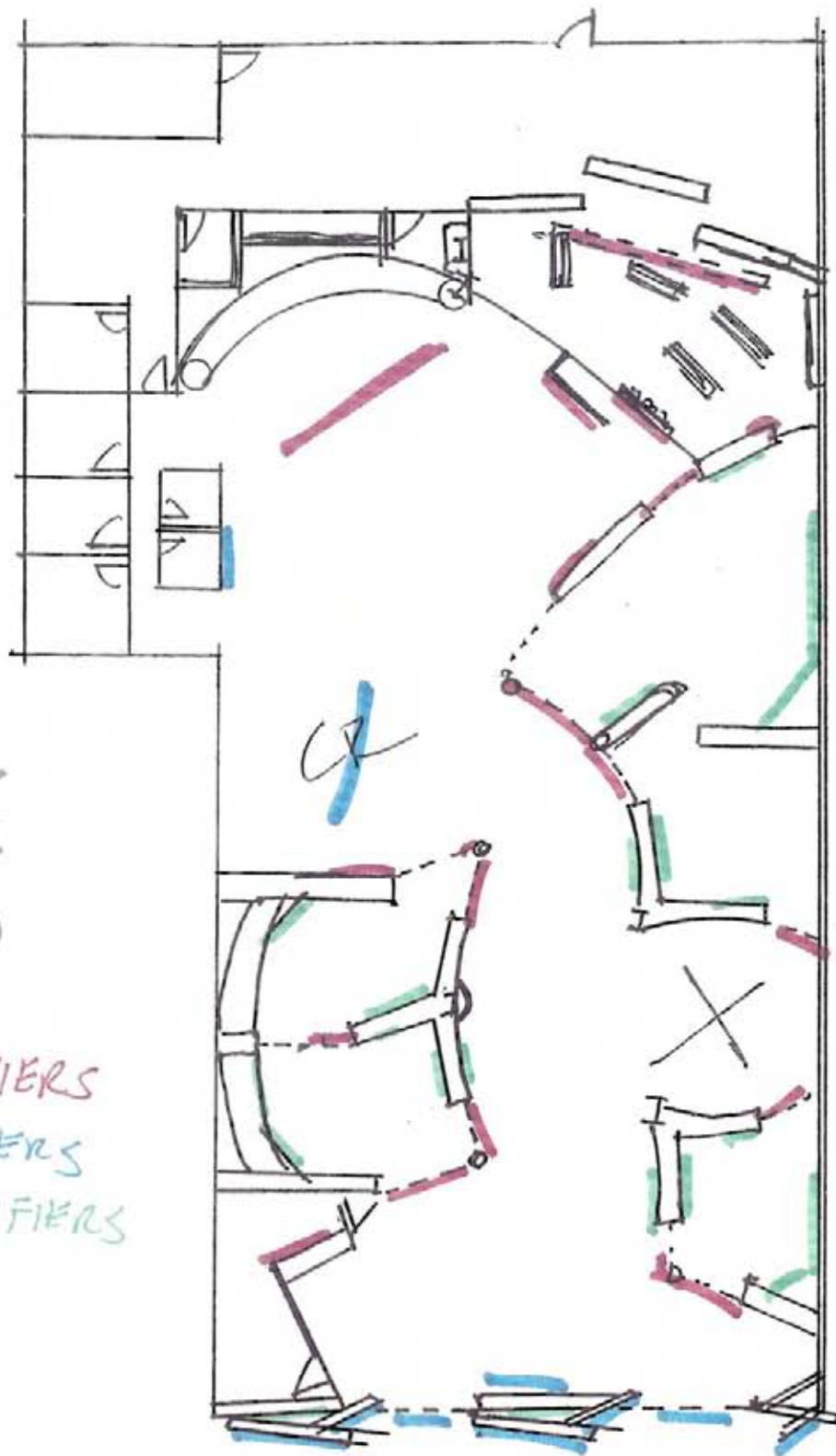
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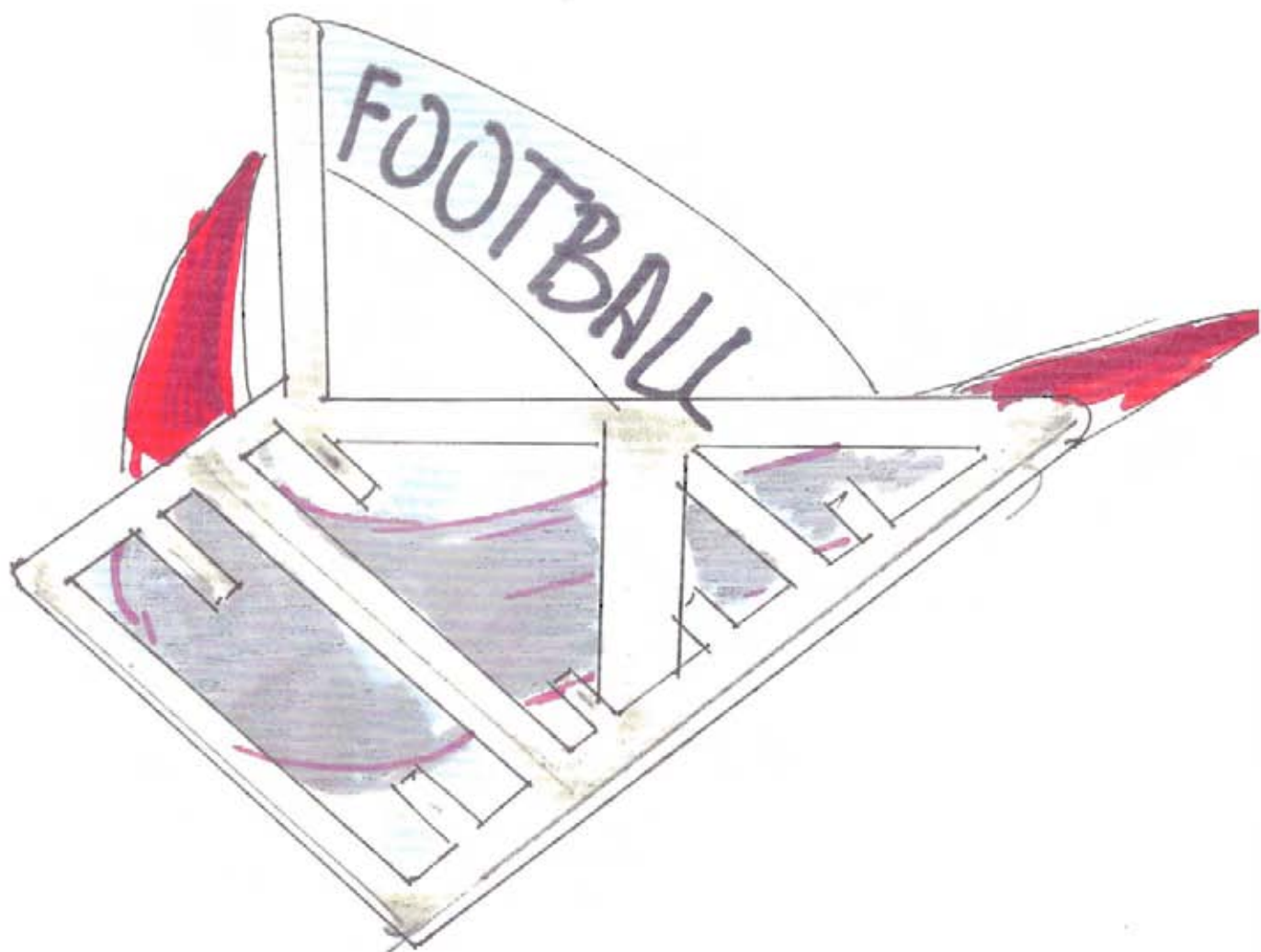


Life line



SECTION IDENTIFIERS
STORE IDENTIFIERS
ATHLETE IDENTIFIERS





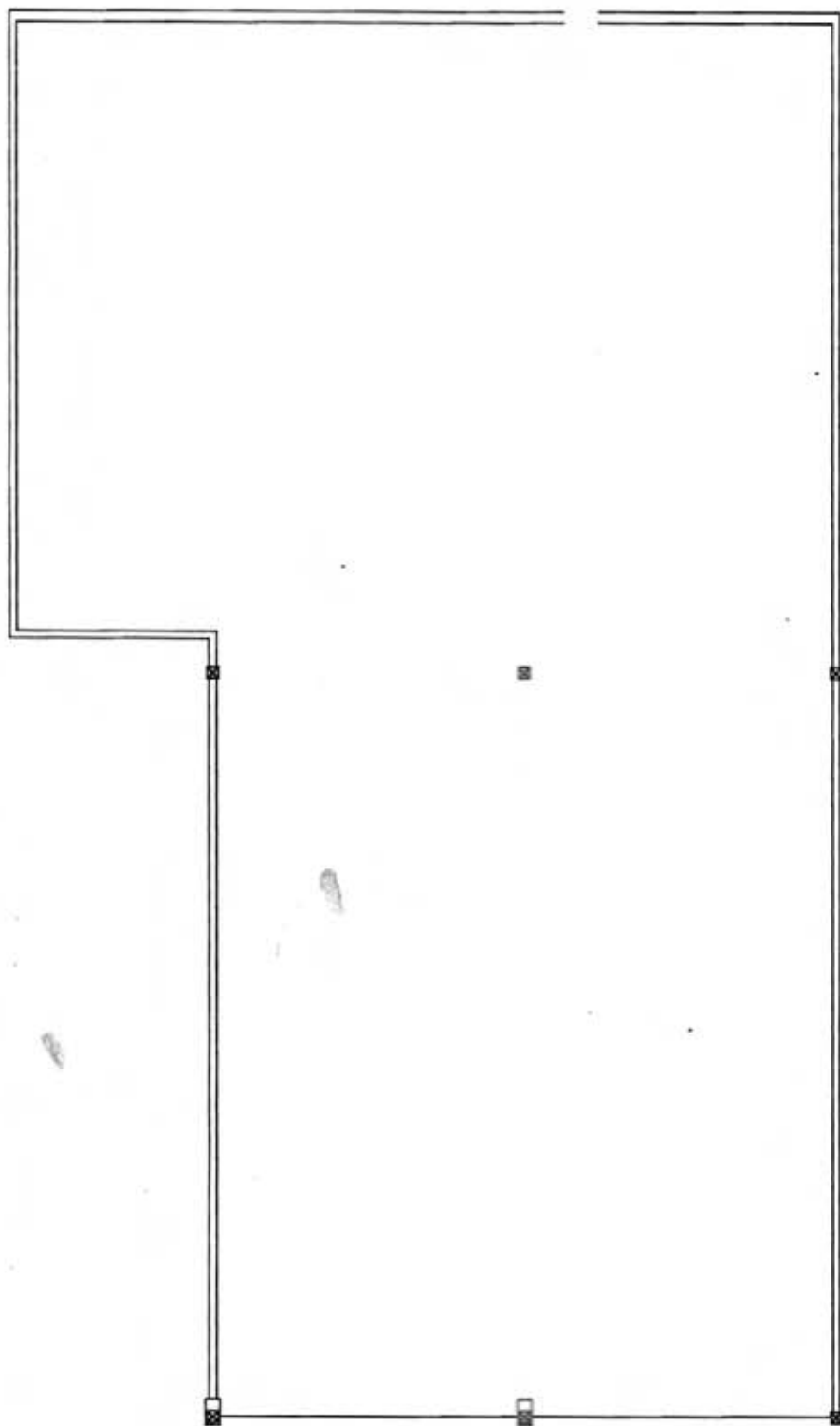




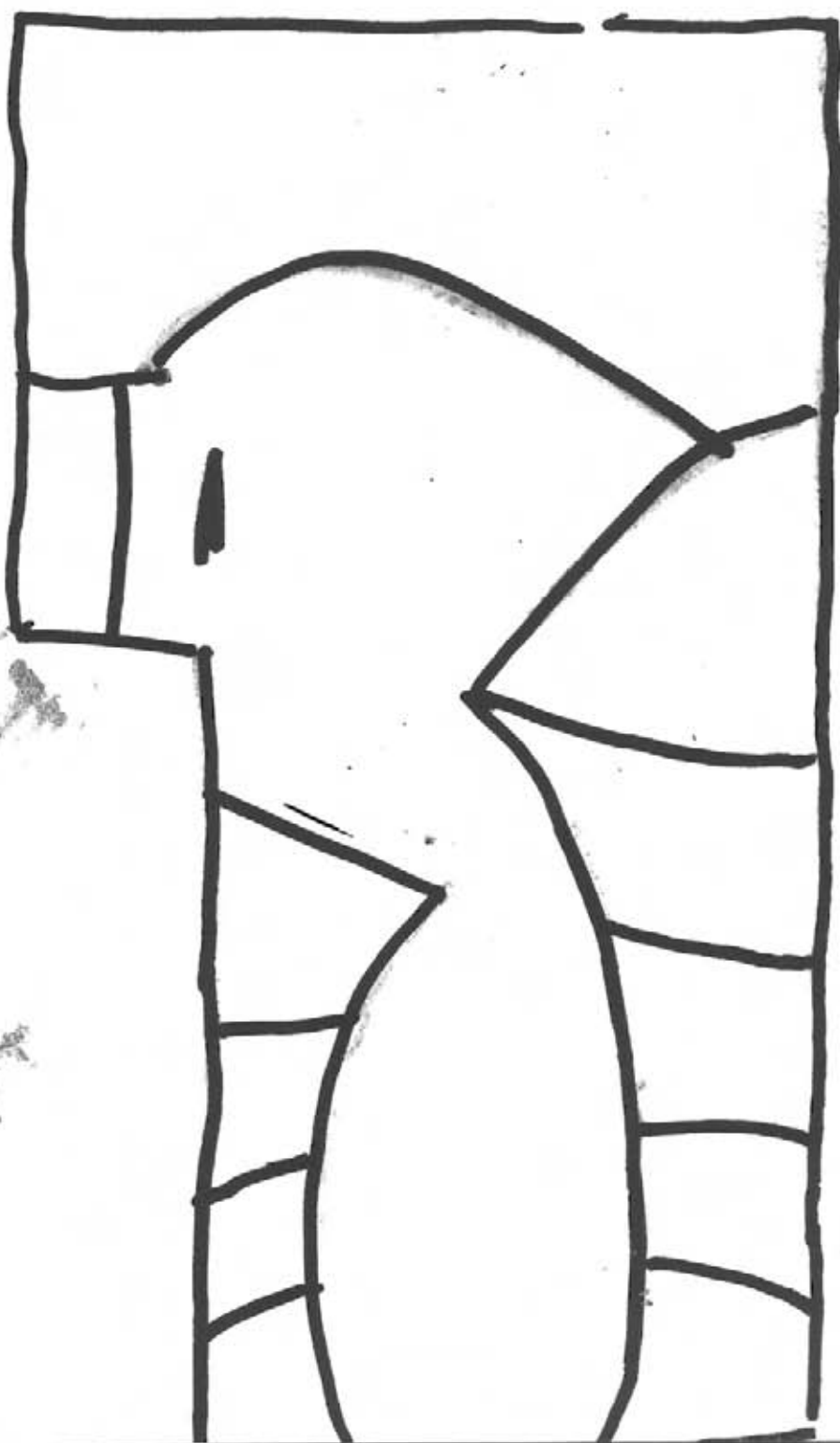


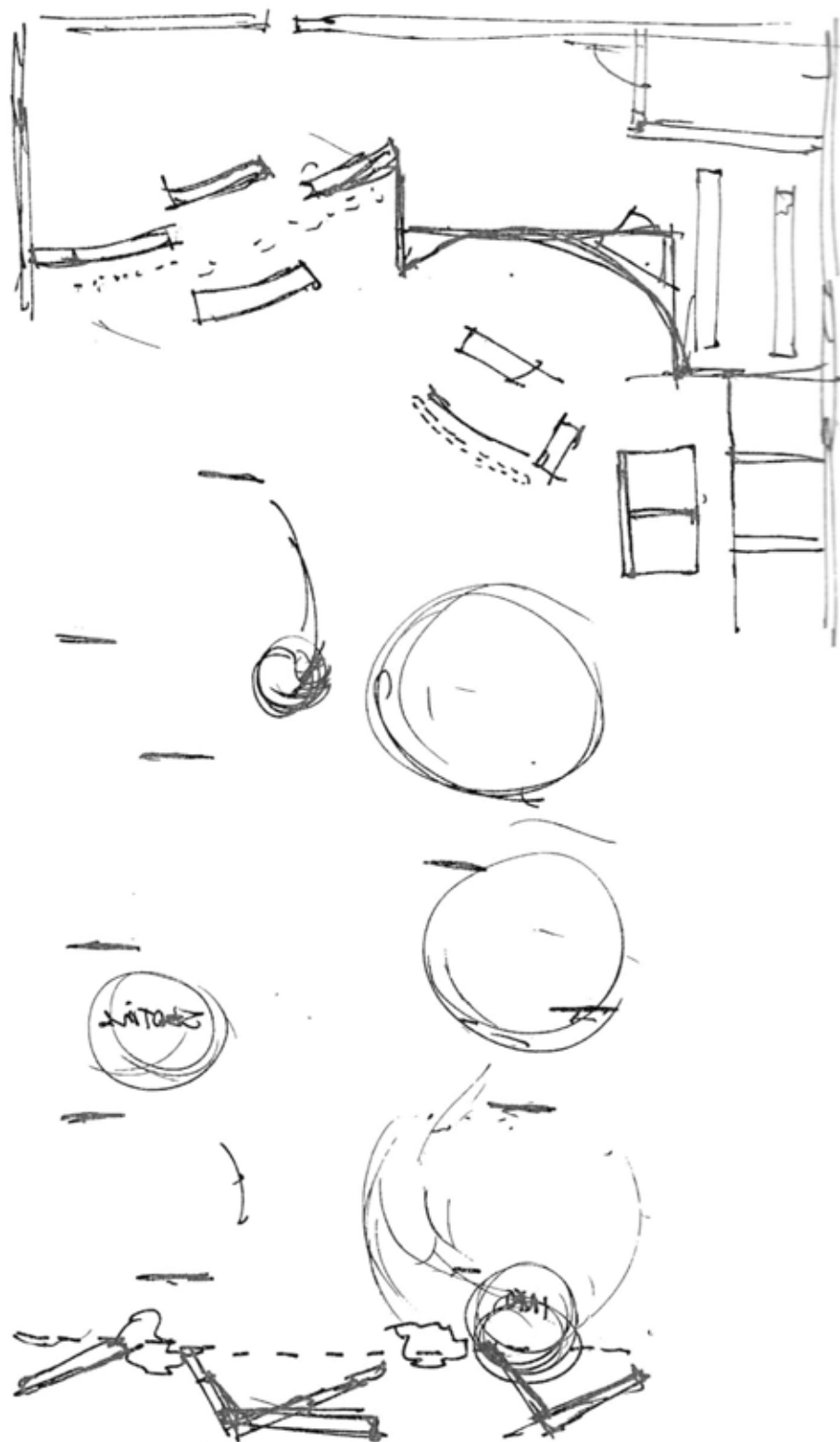
Sketch Book

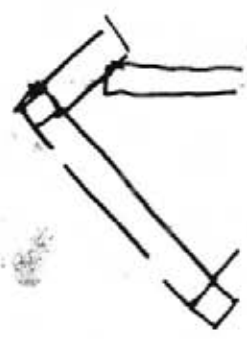
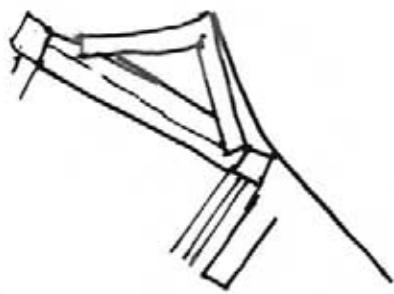
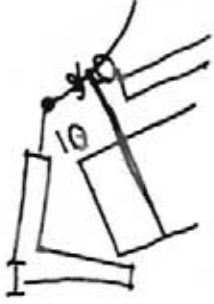
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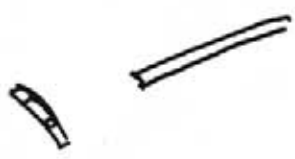
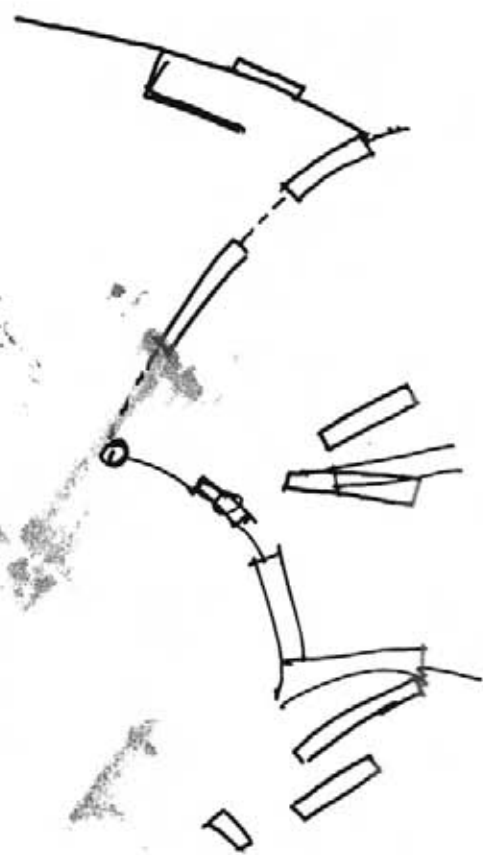
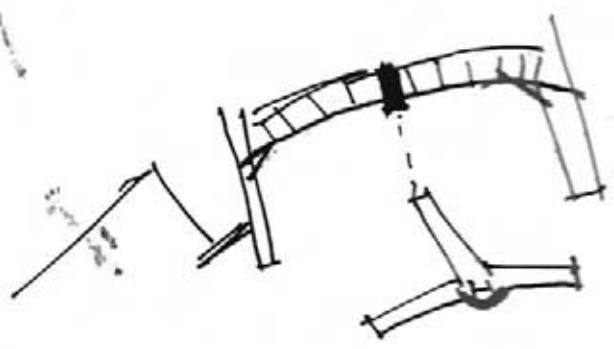
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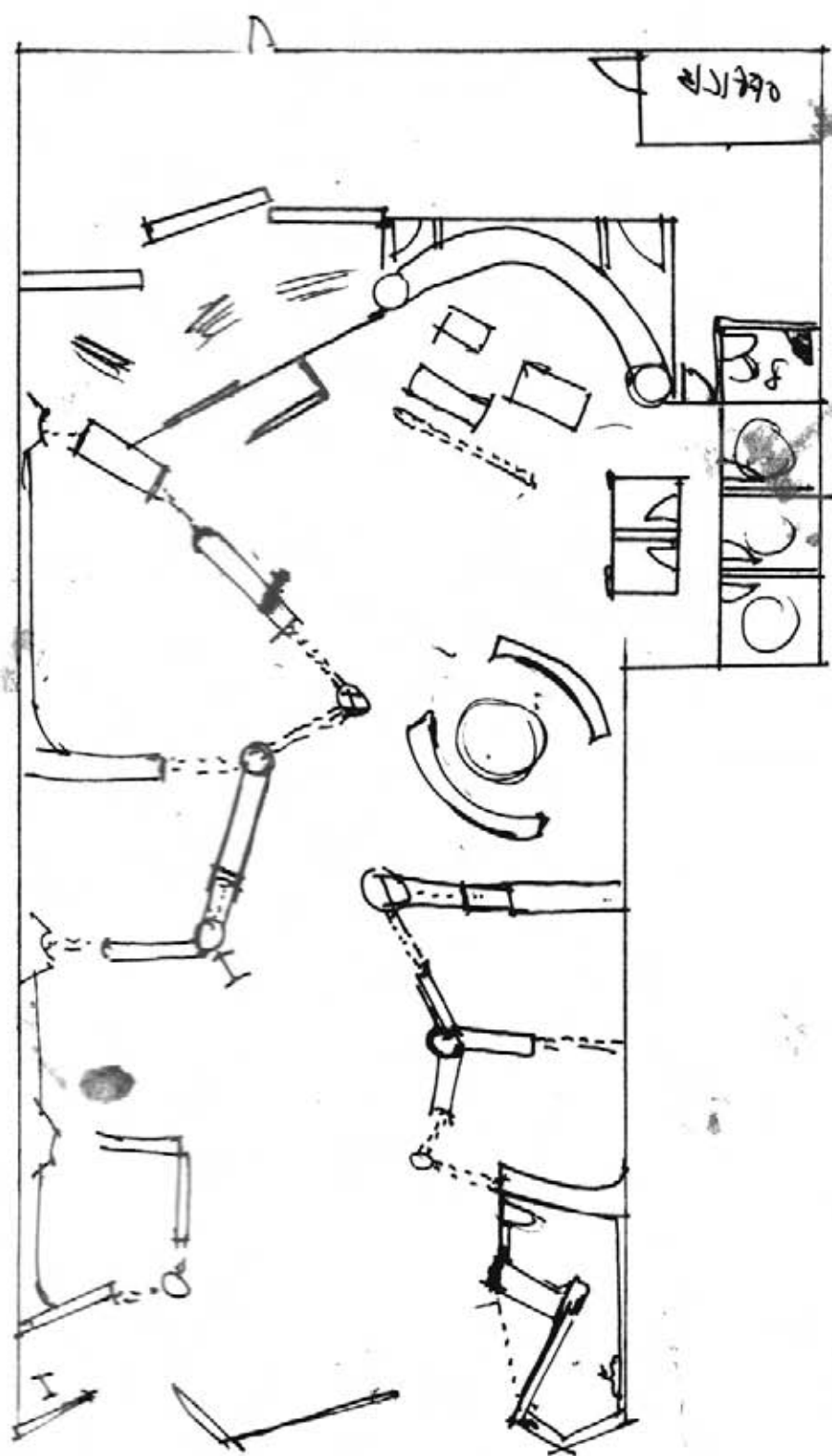


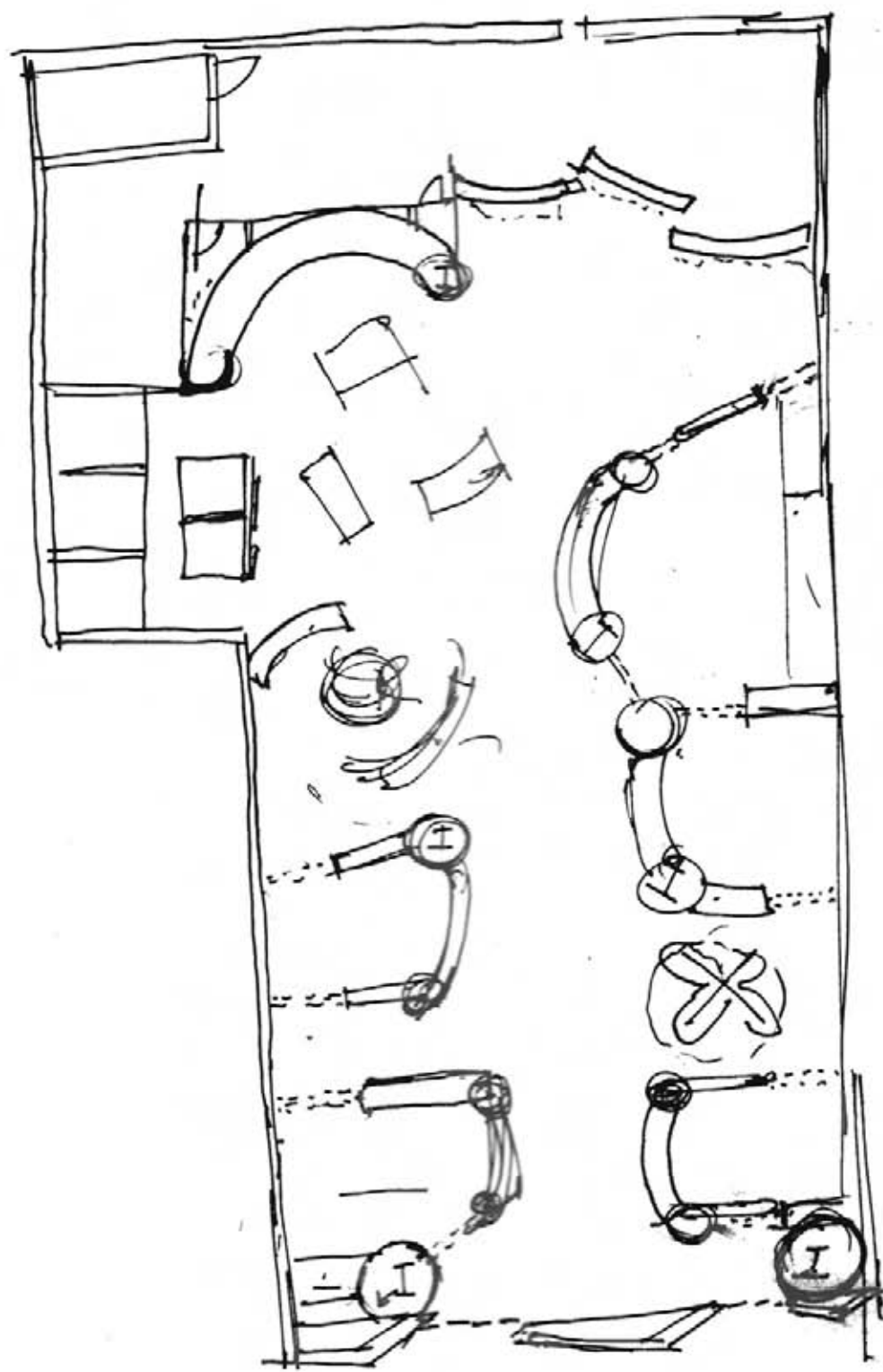


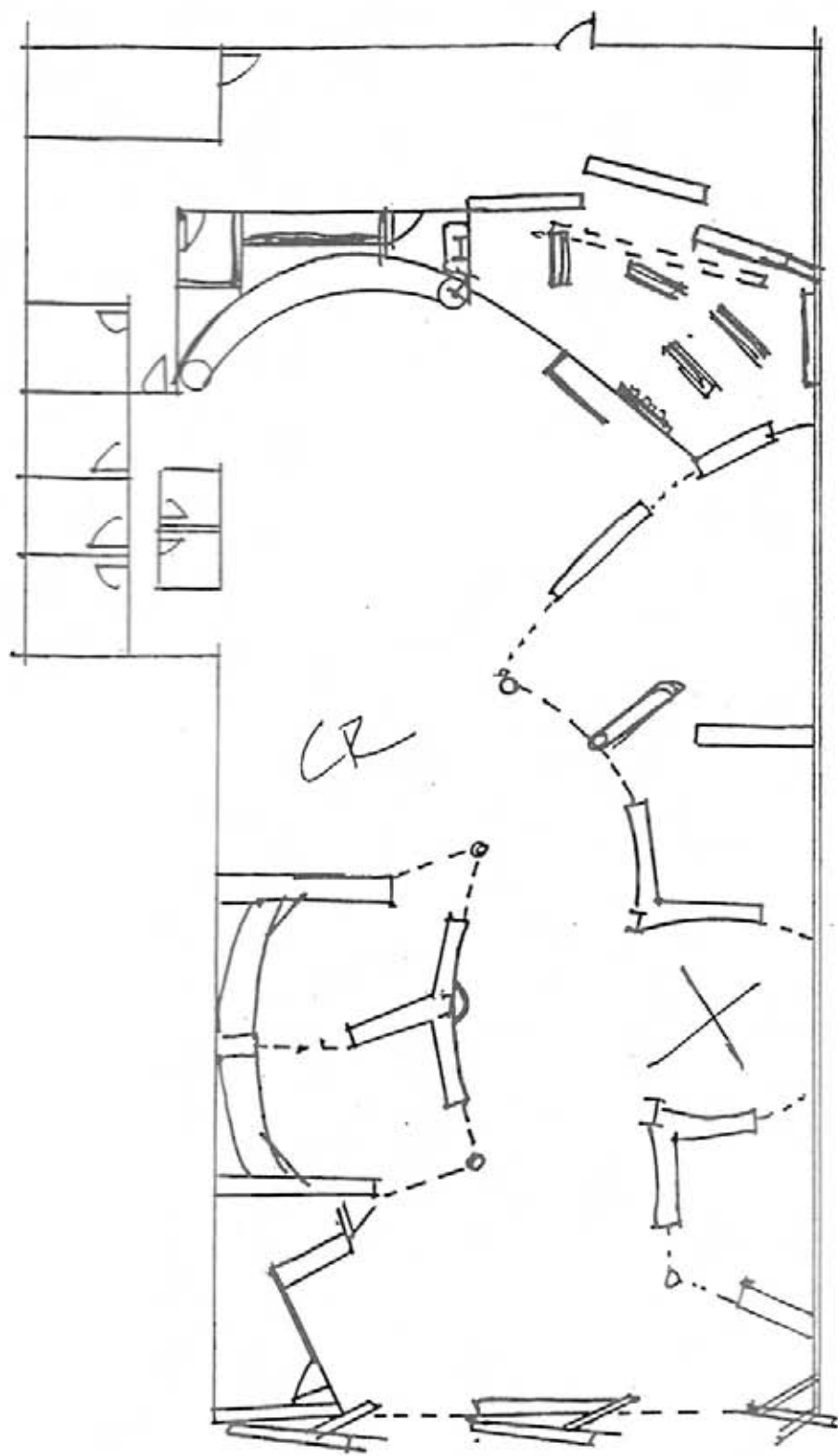


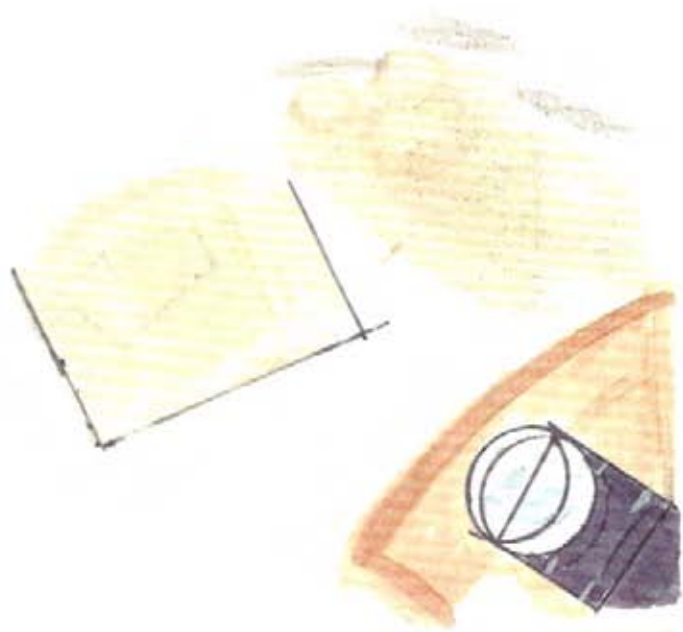
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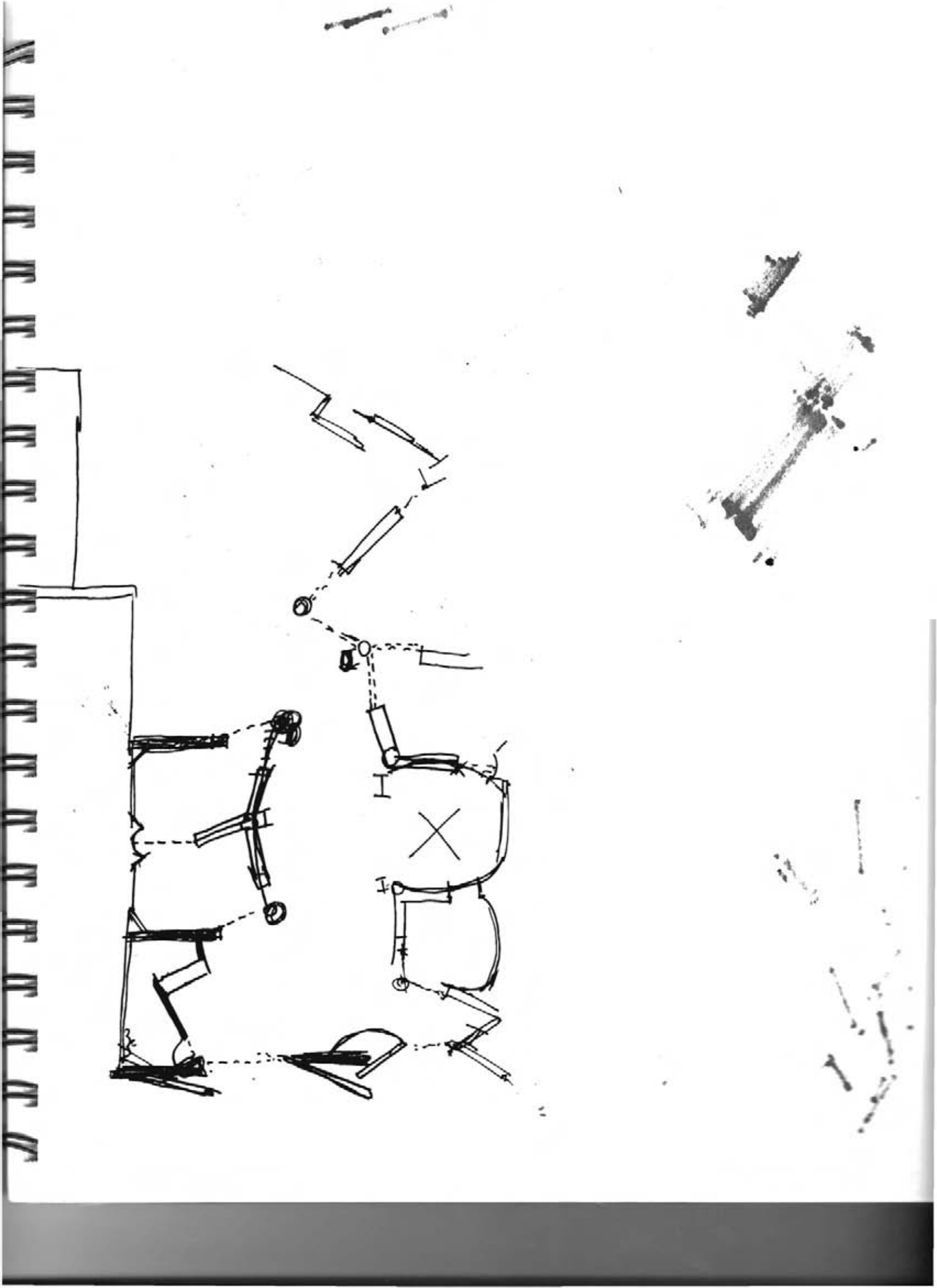


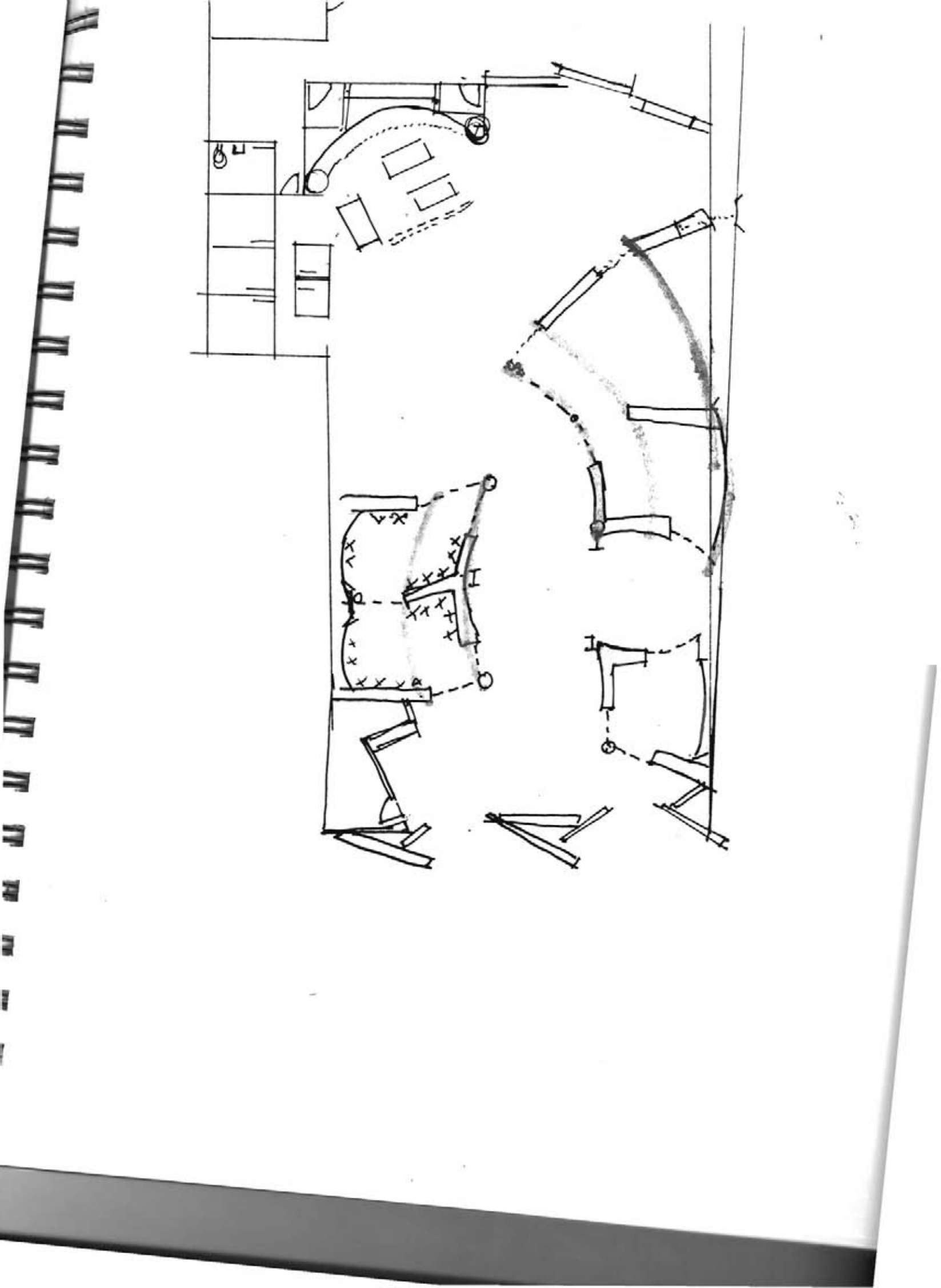


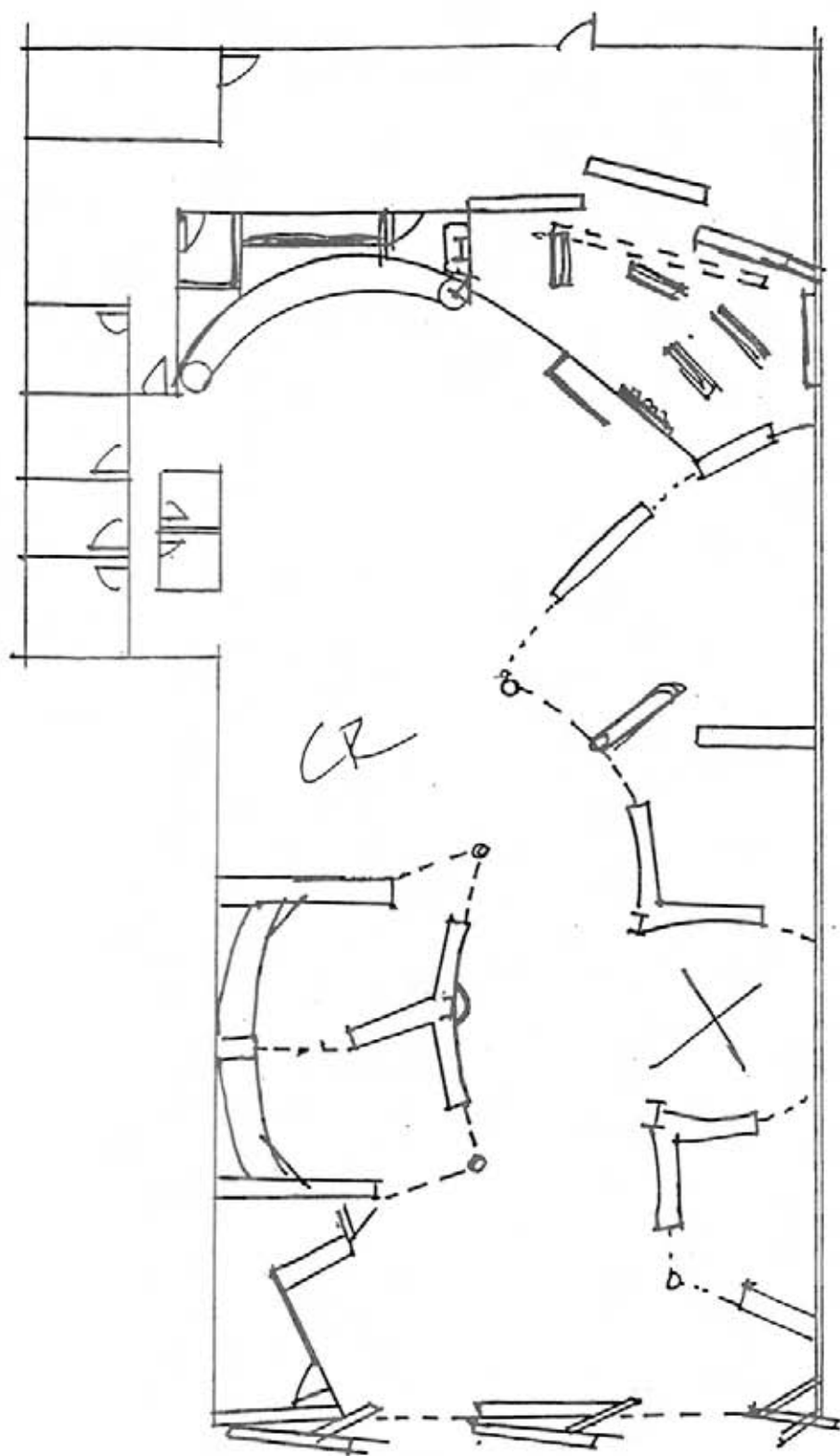


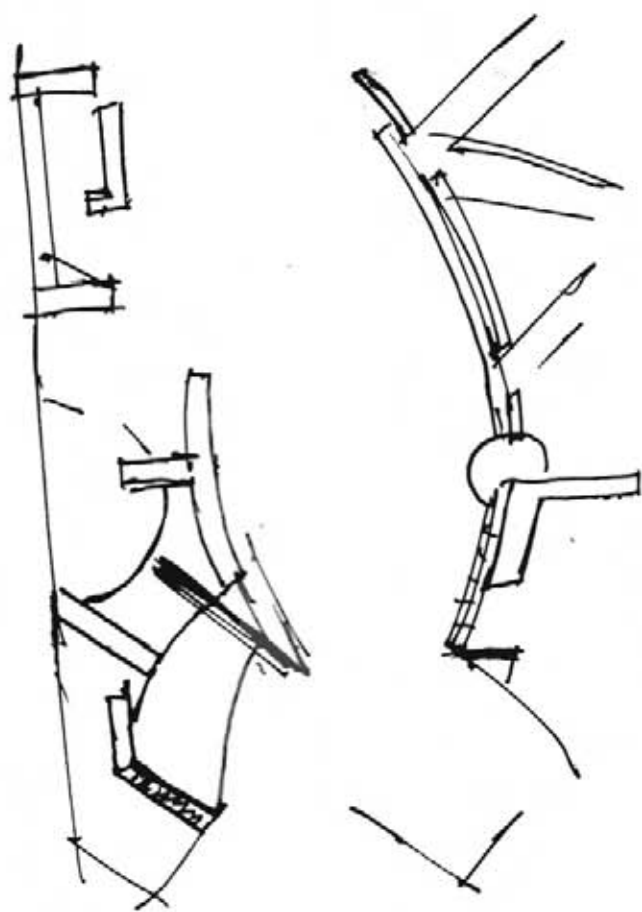


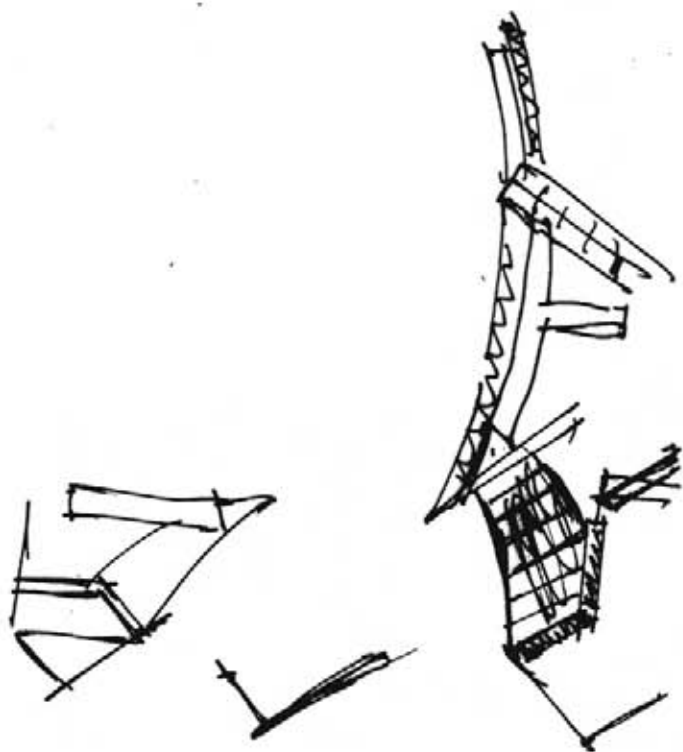


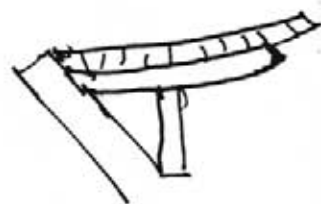
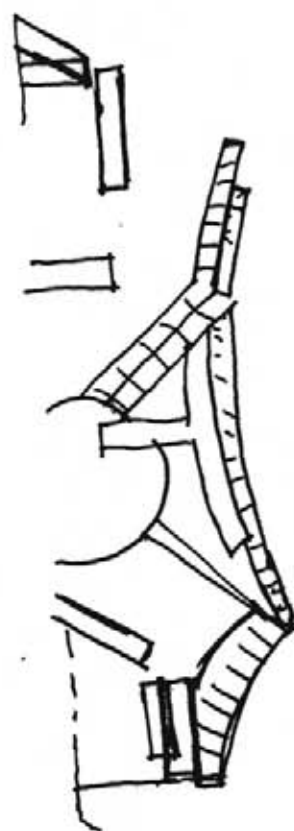


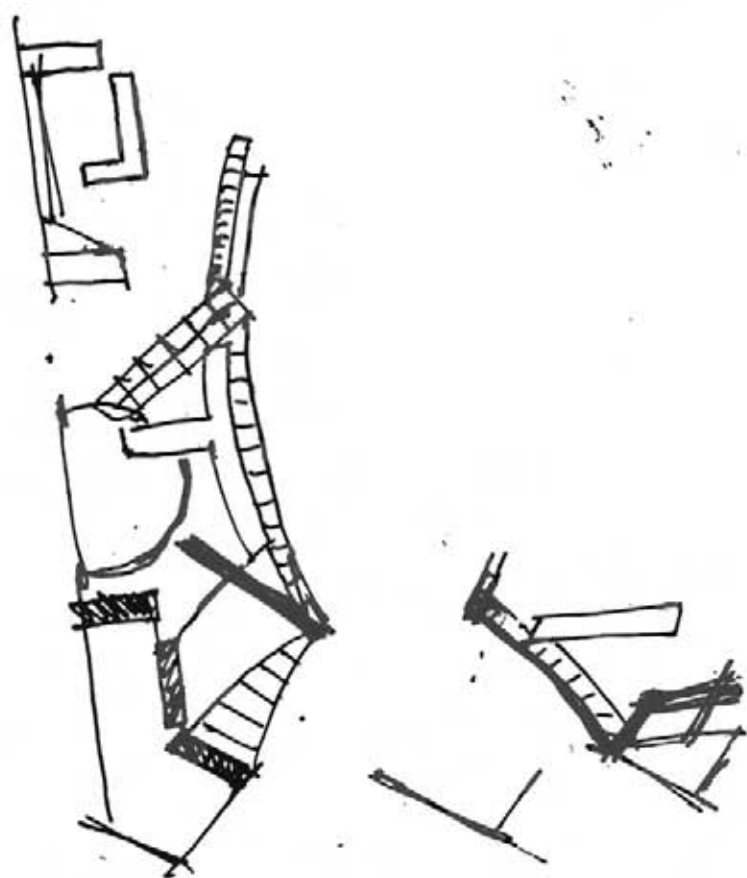


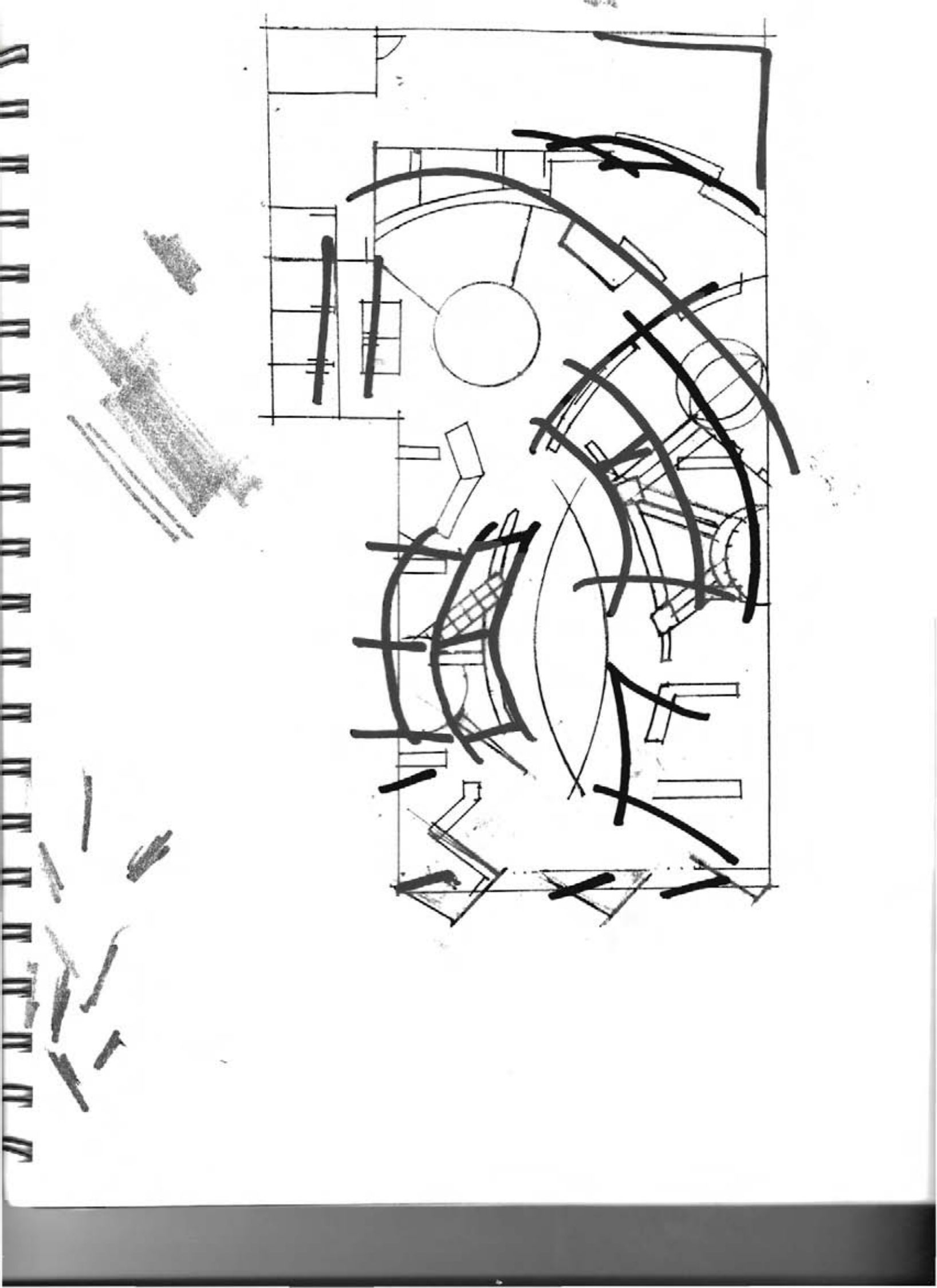


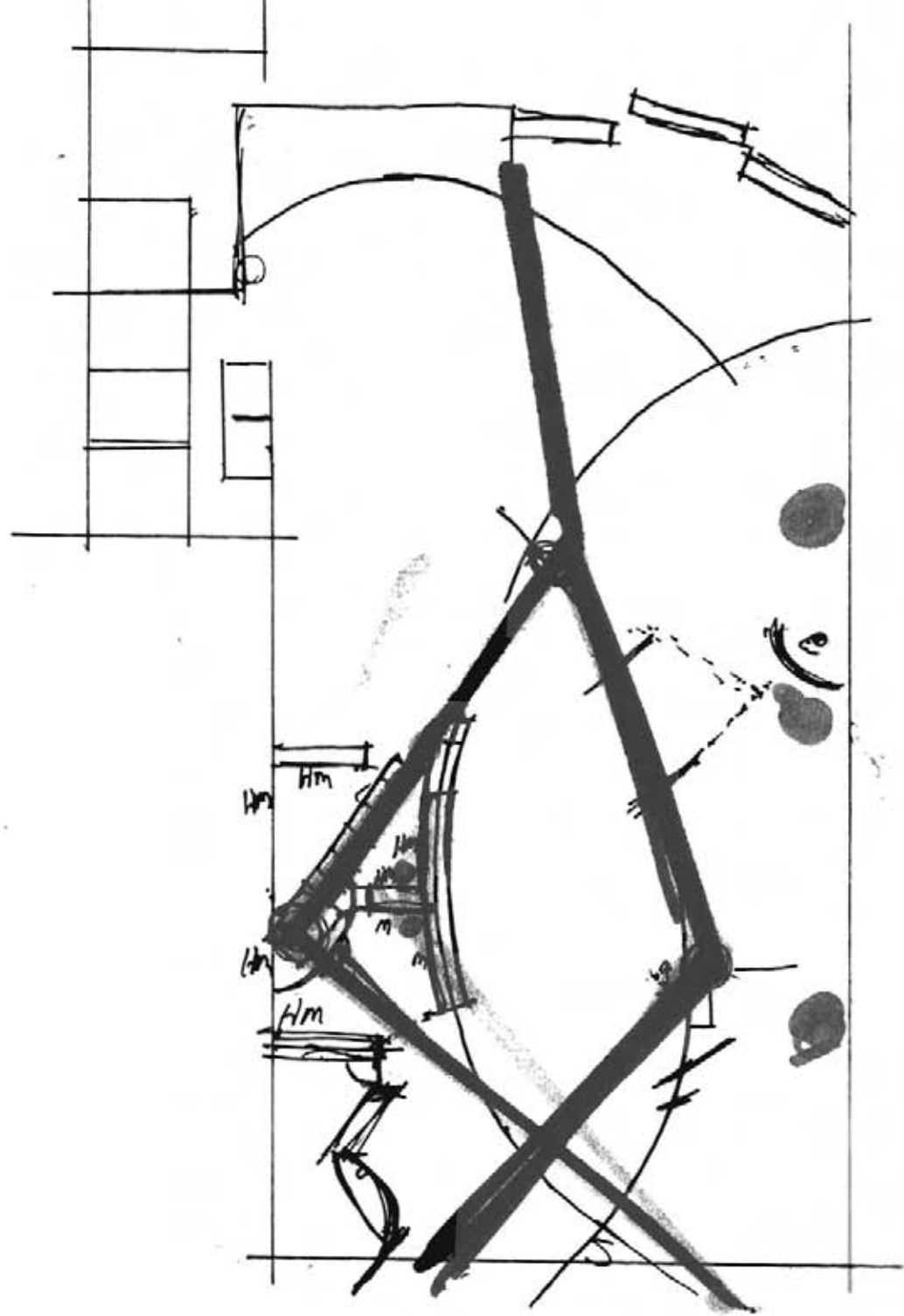


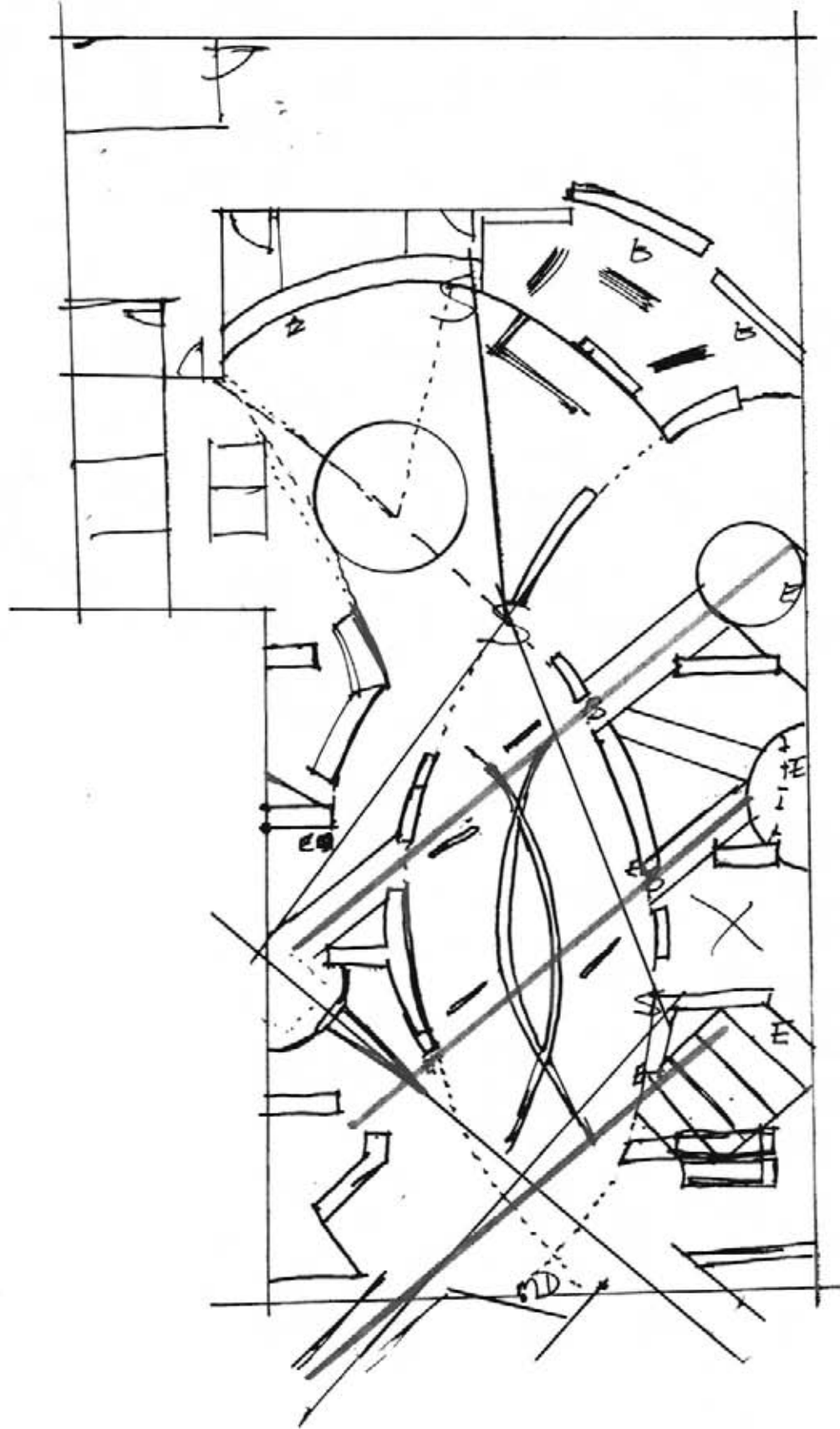


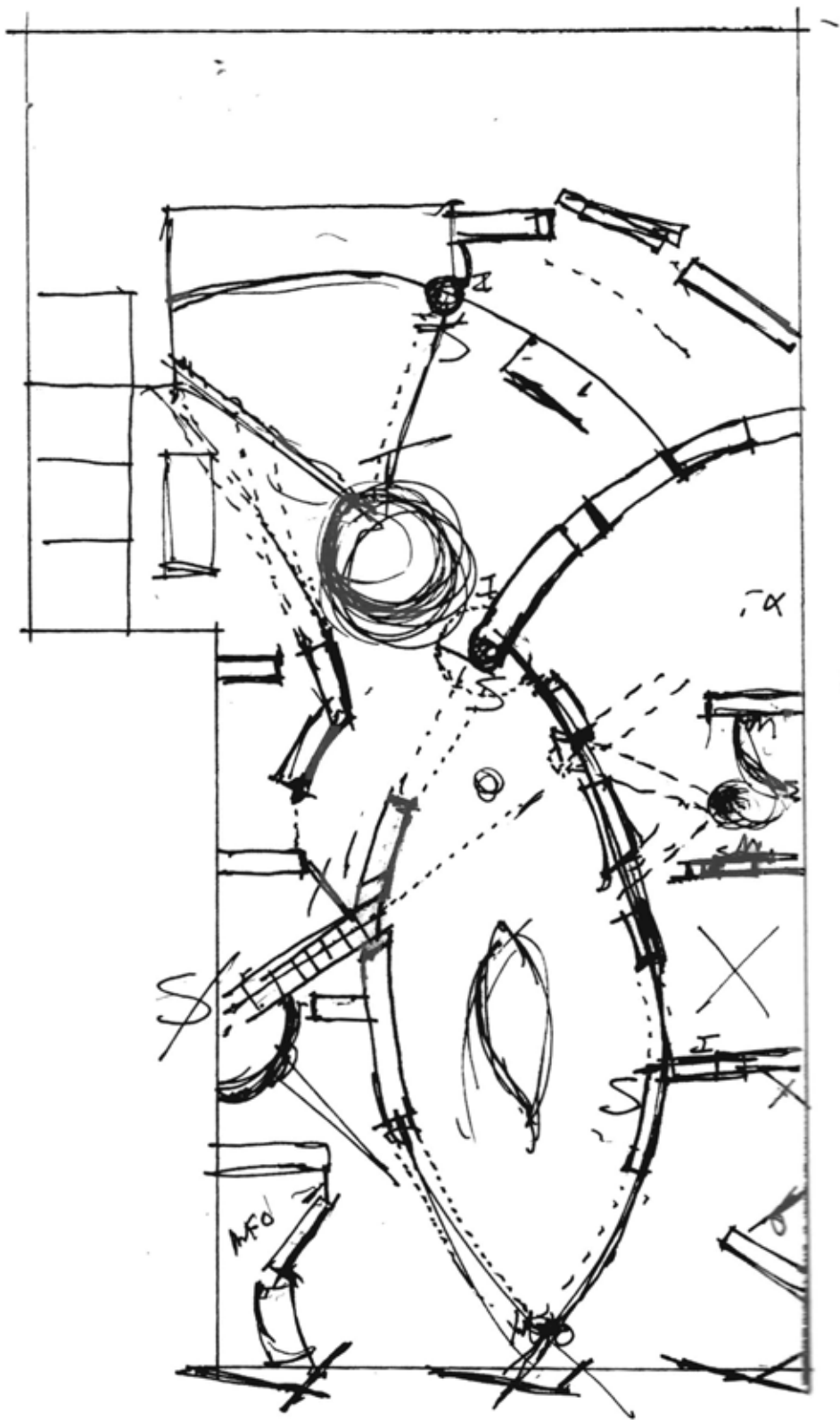


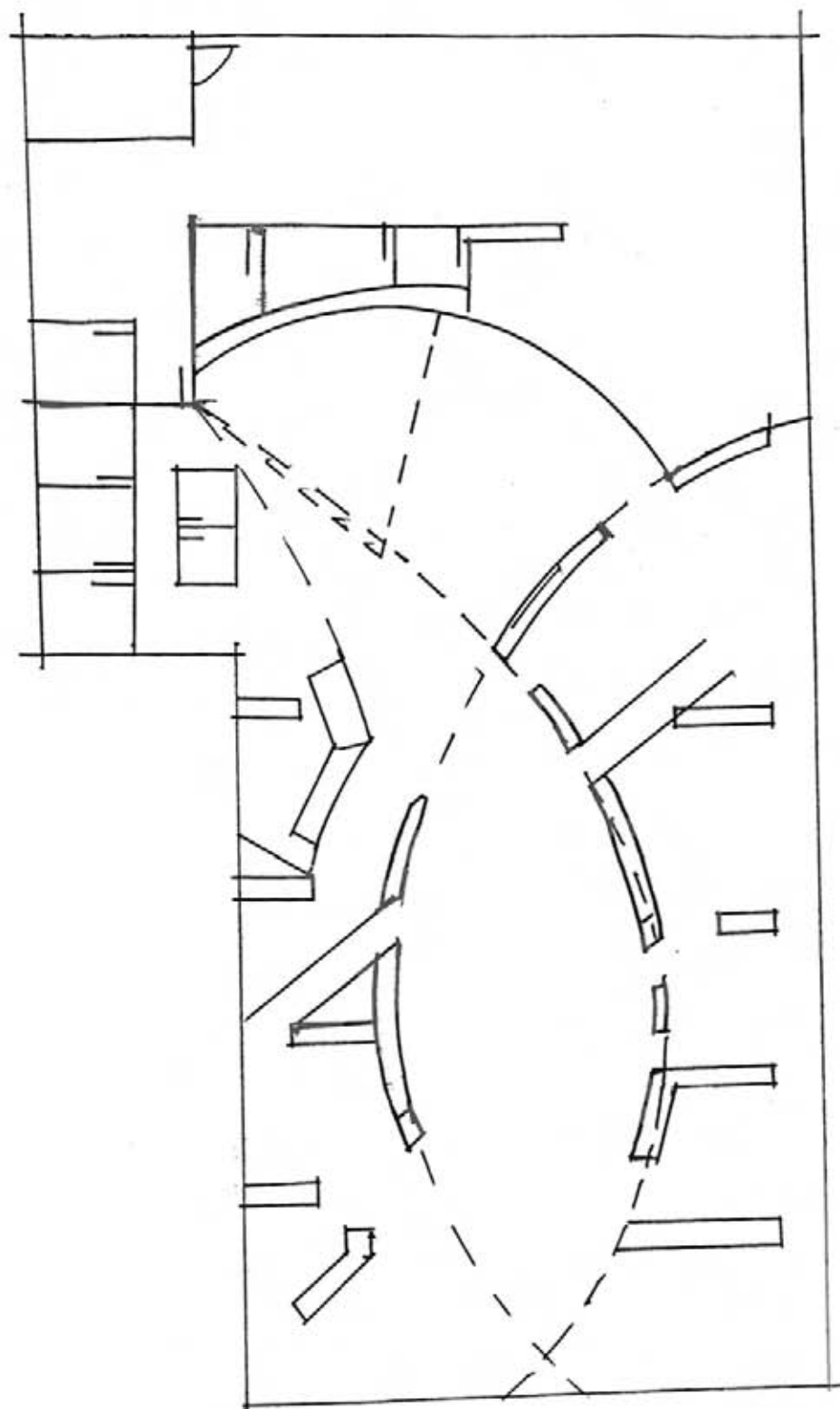


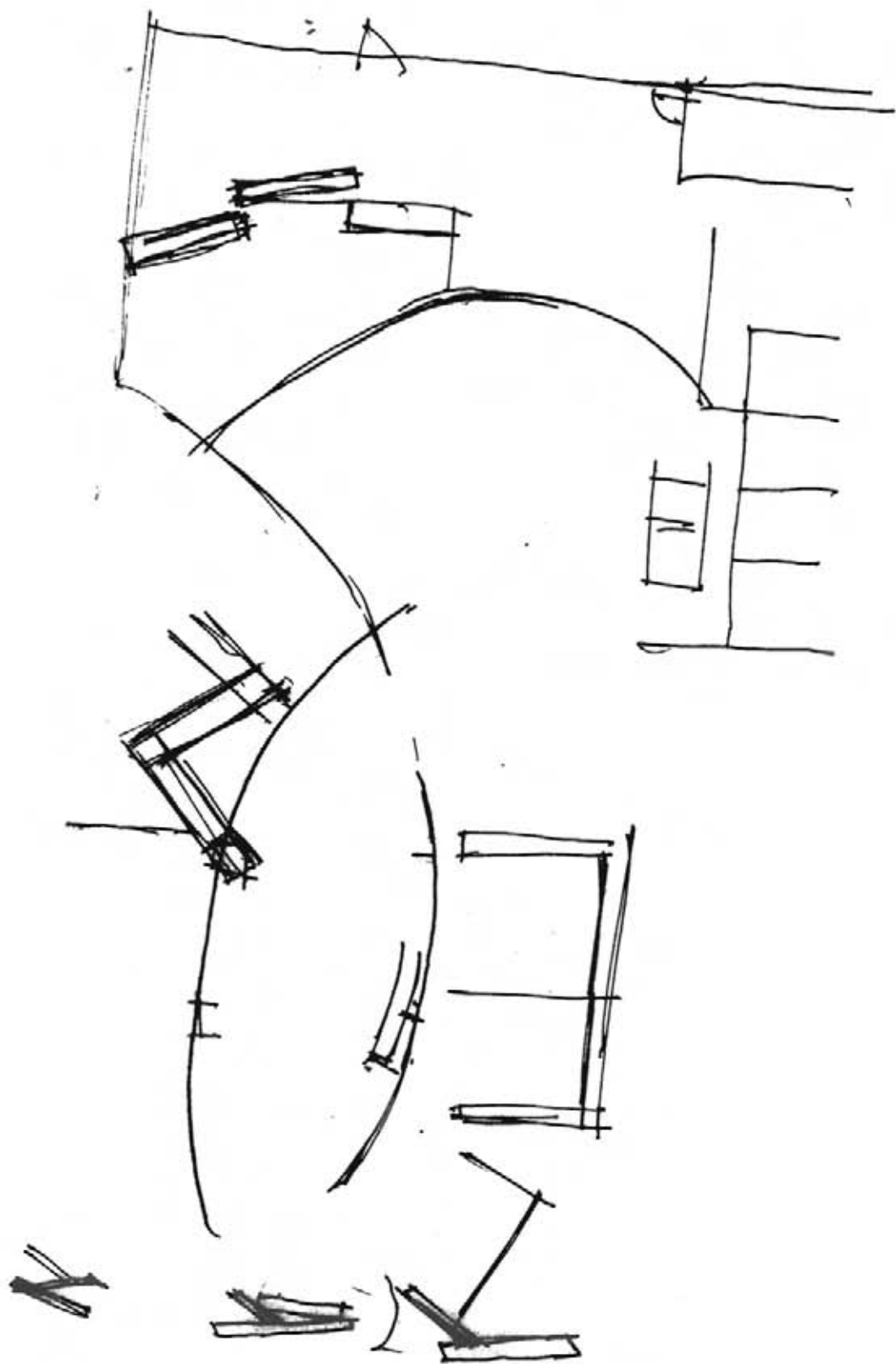


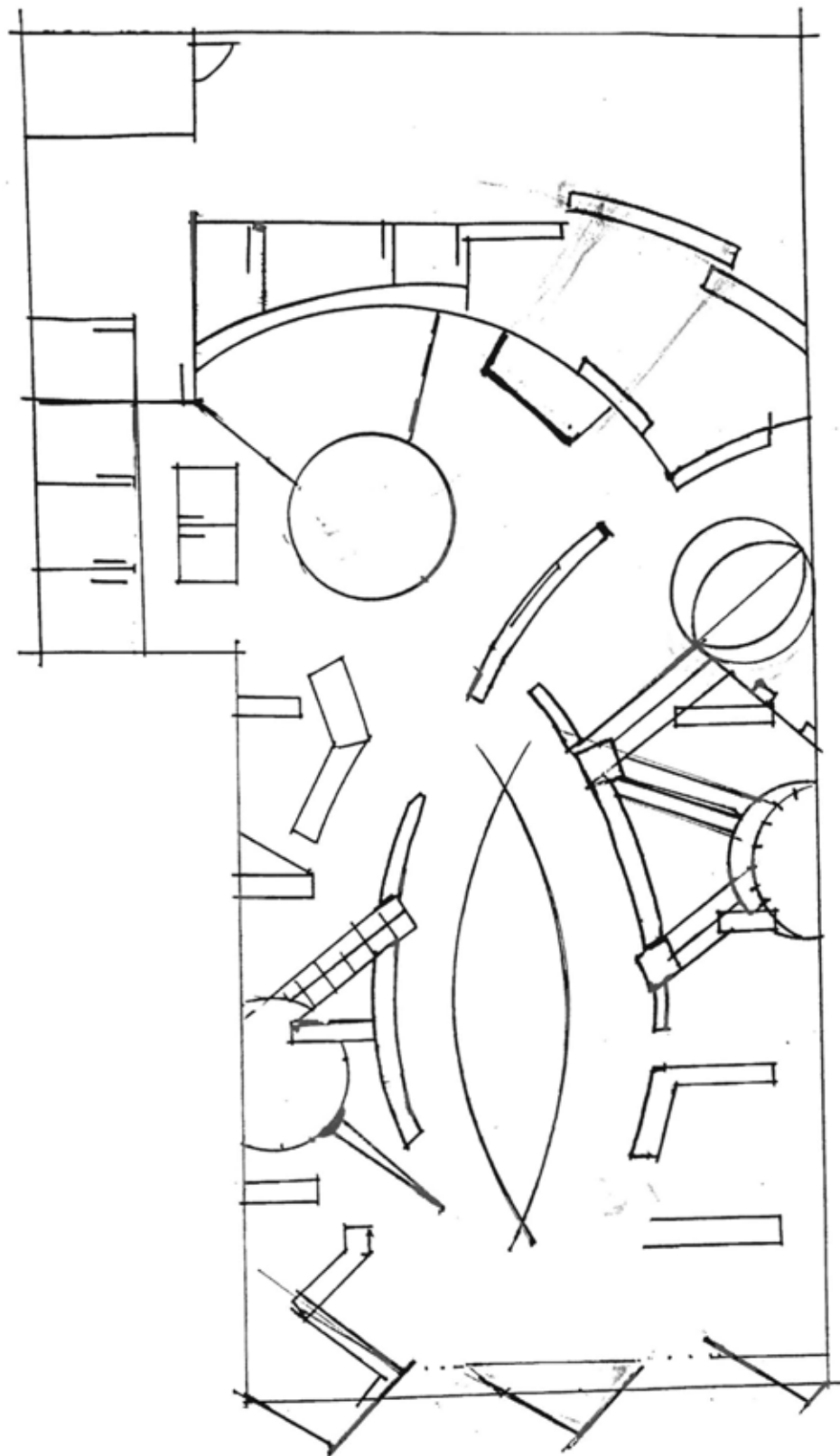


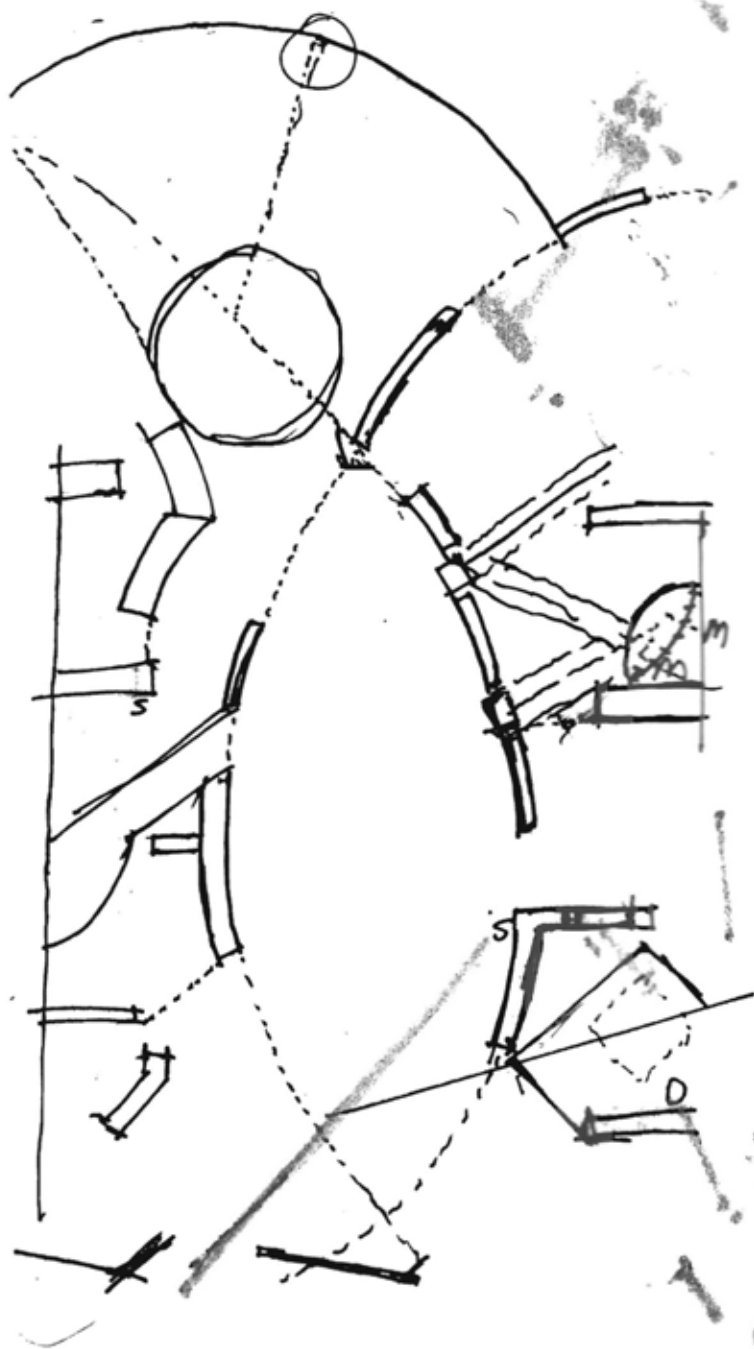


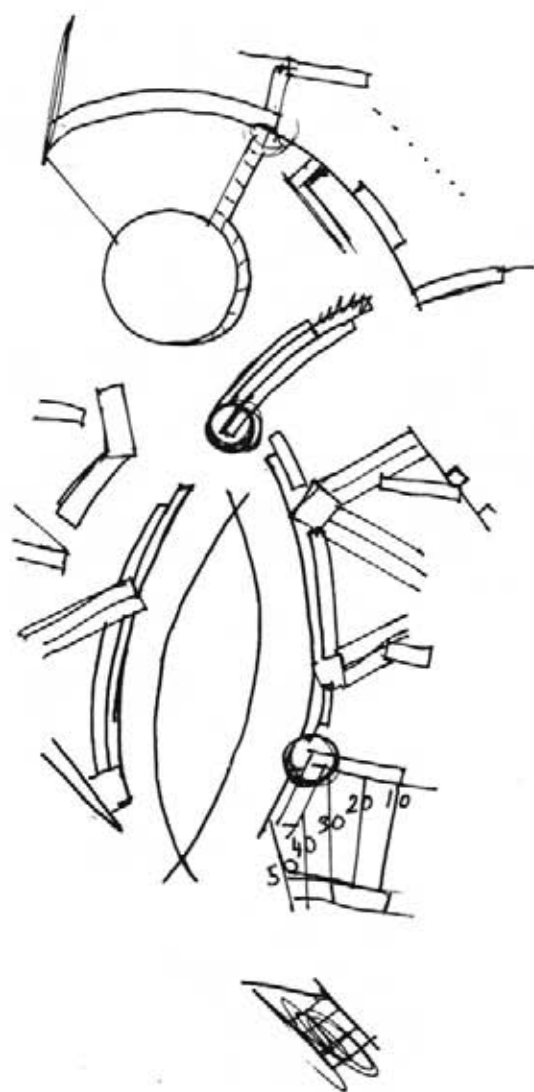


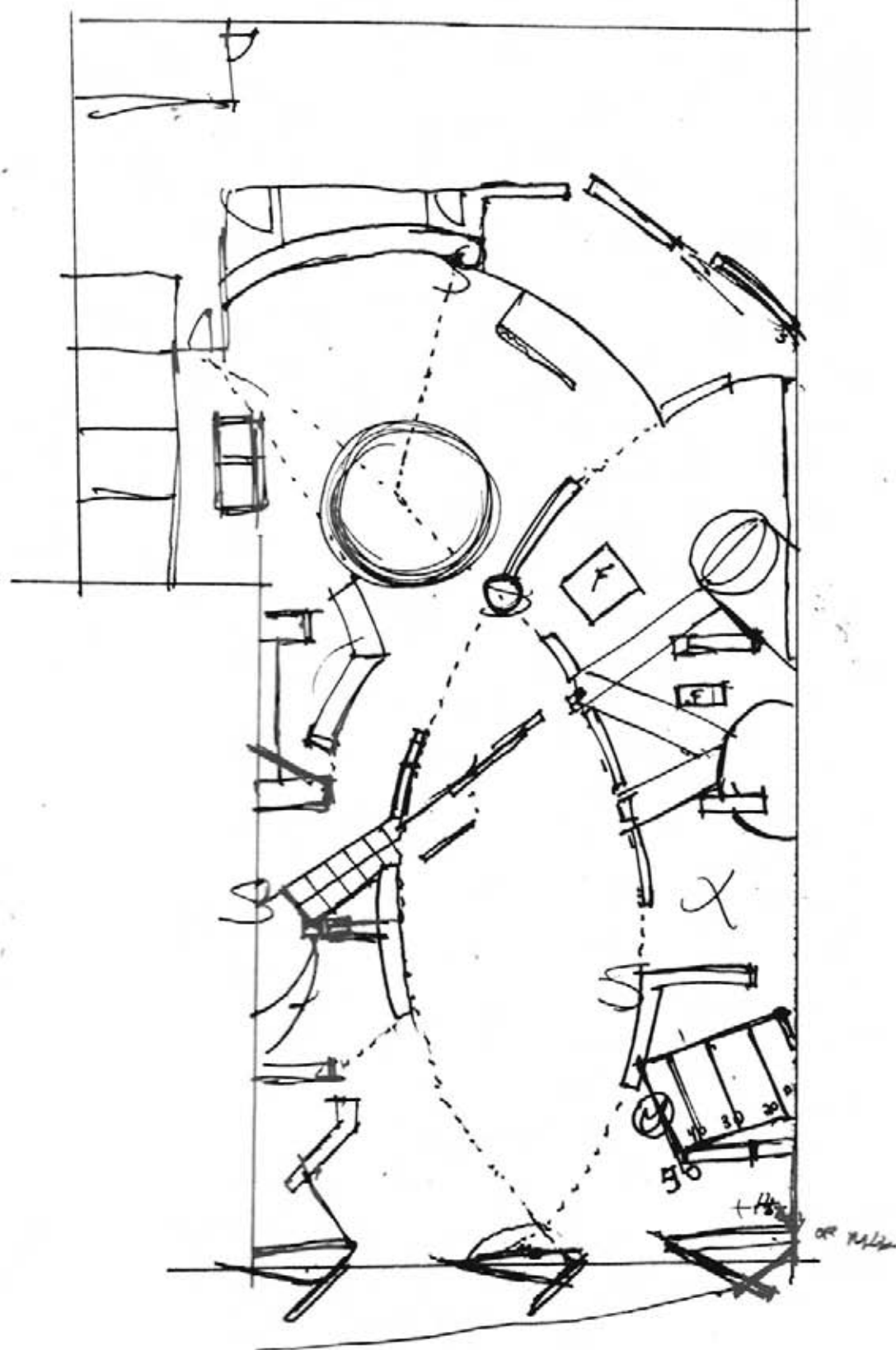




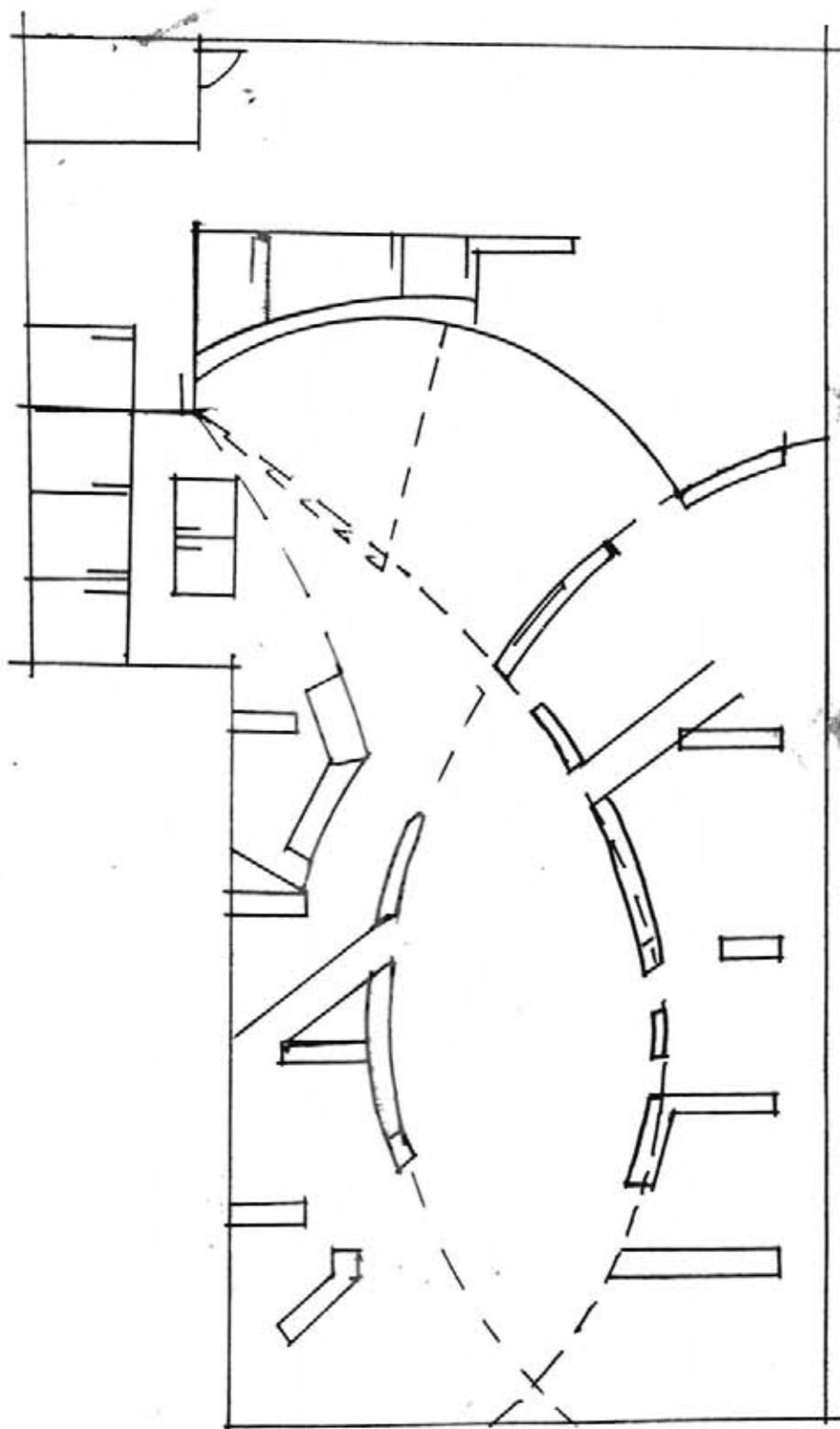


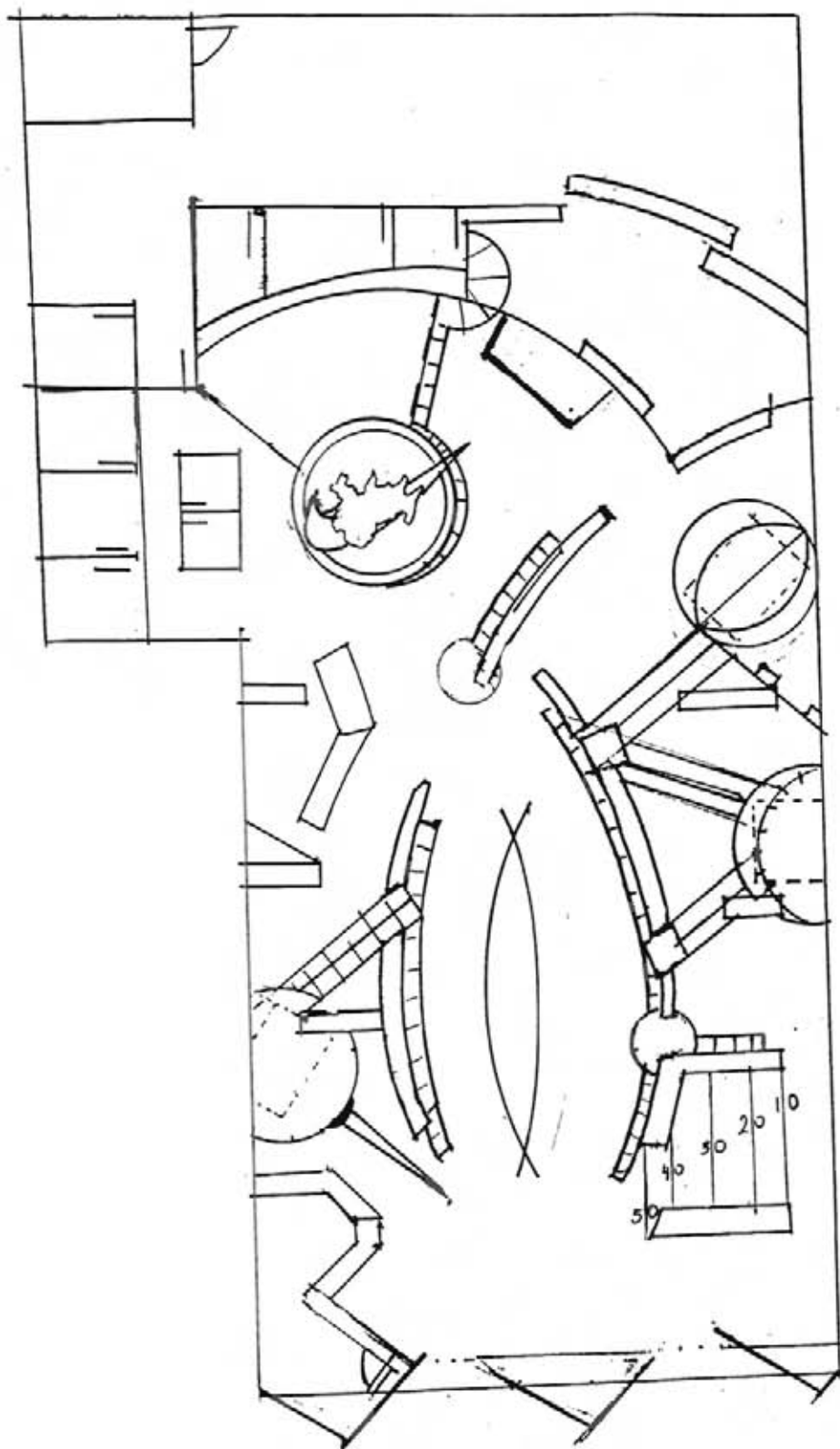


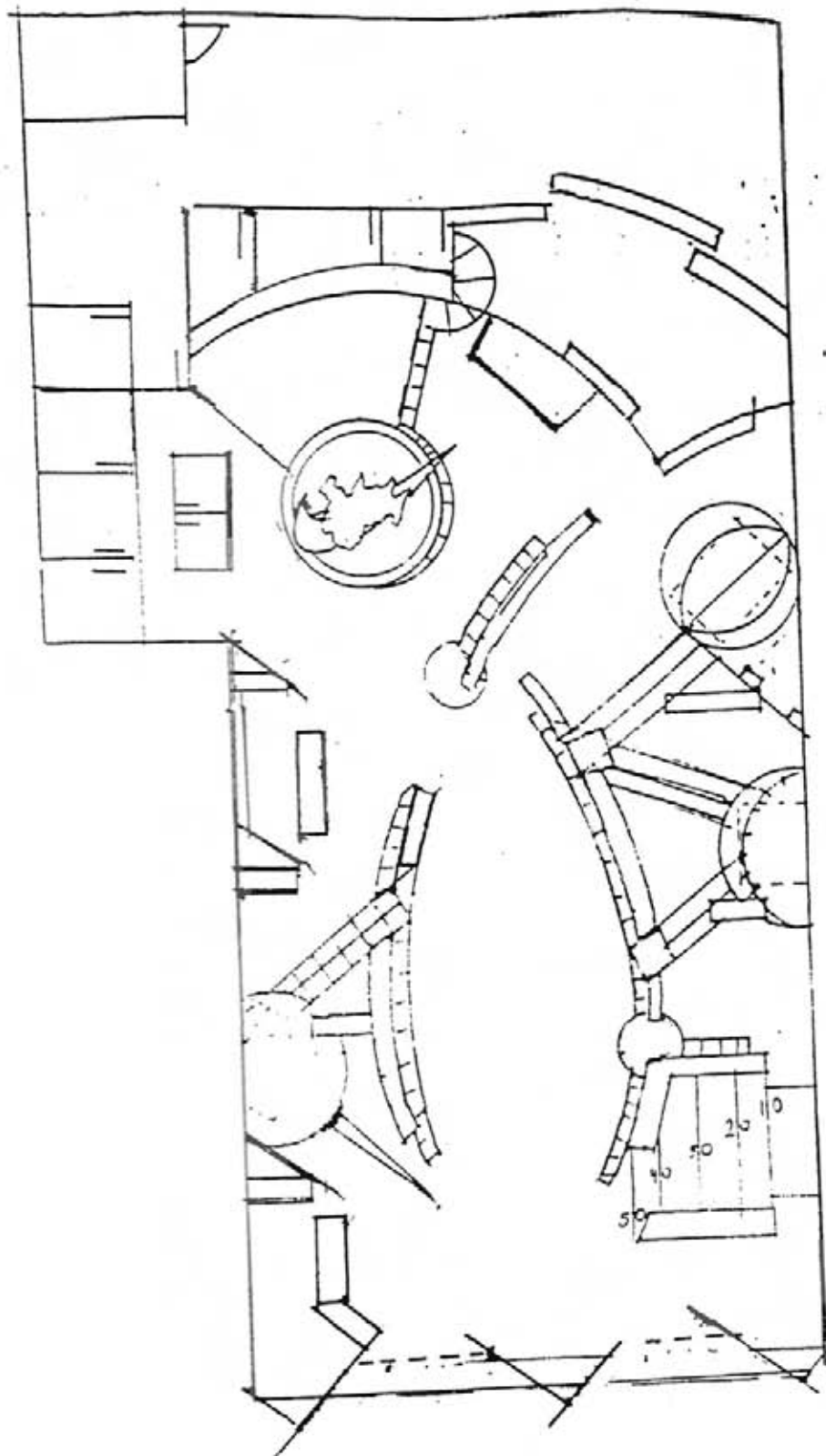


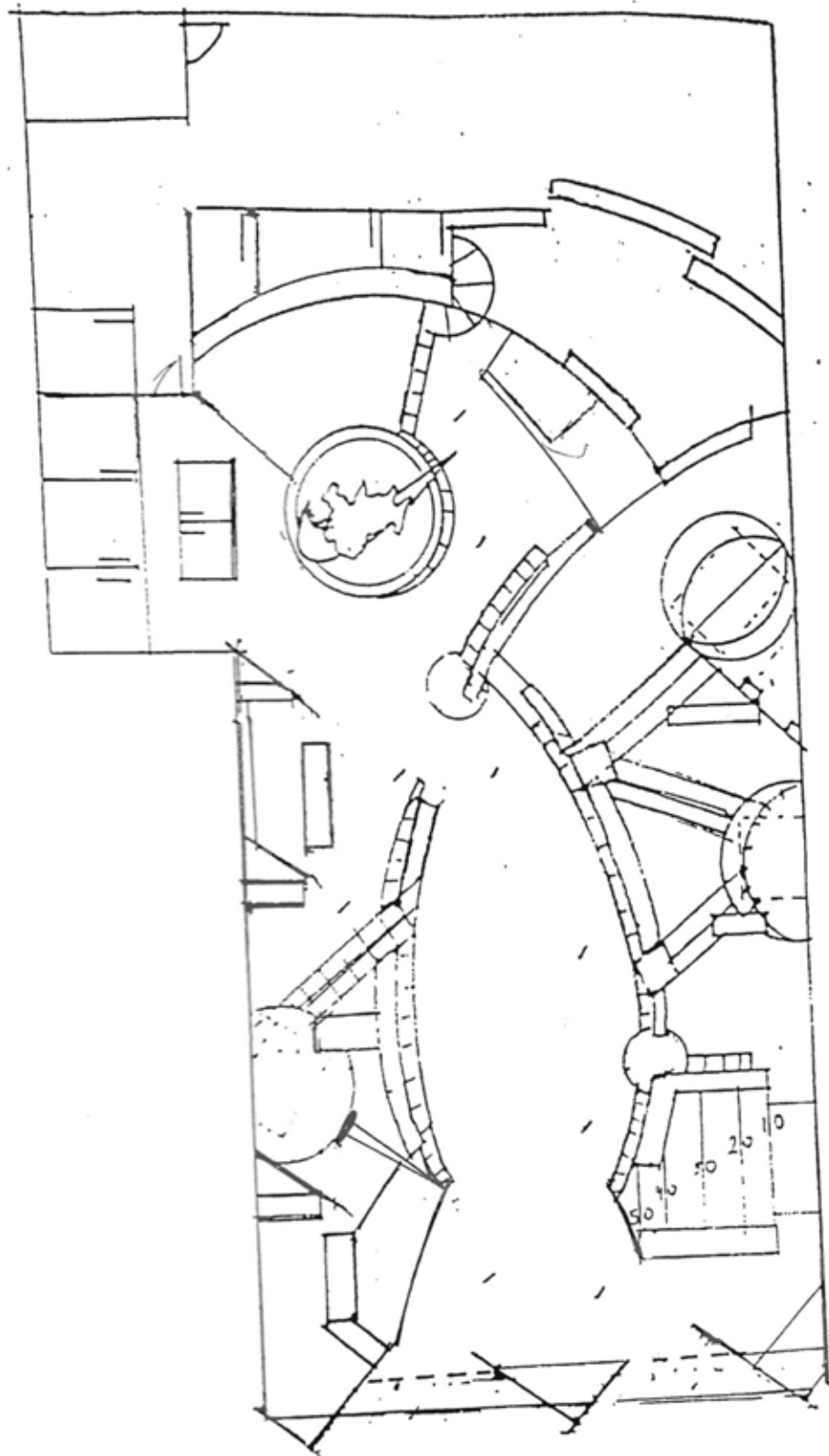


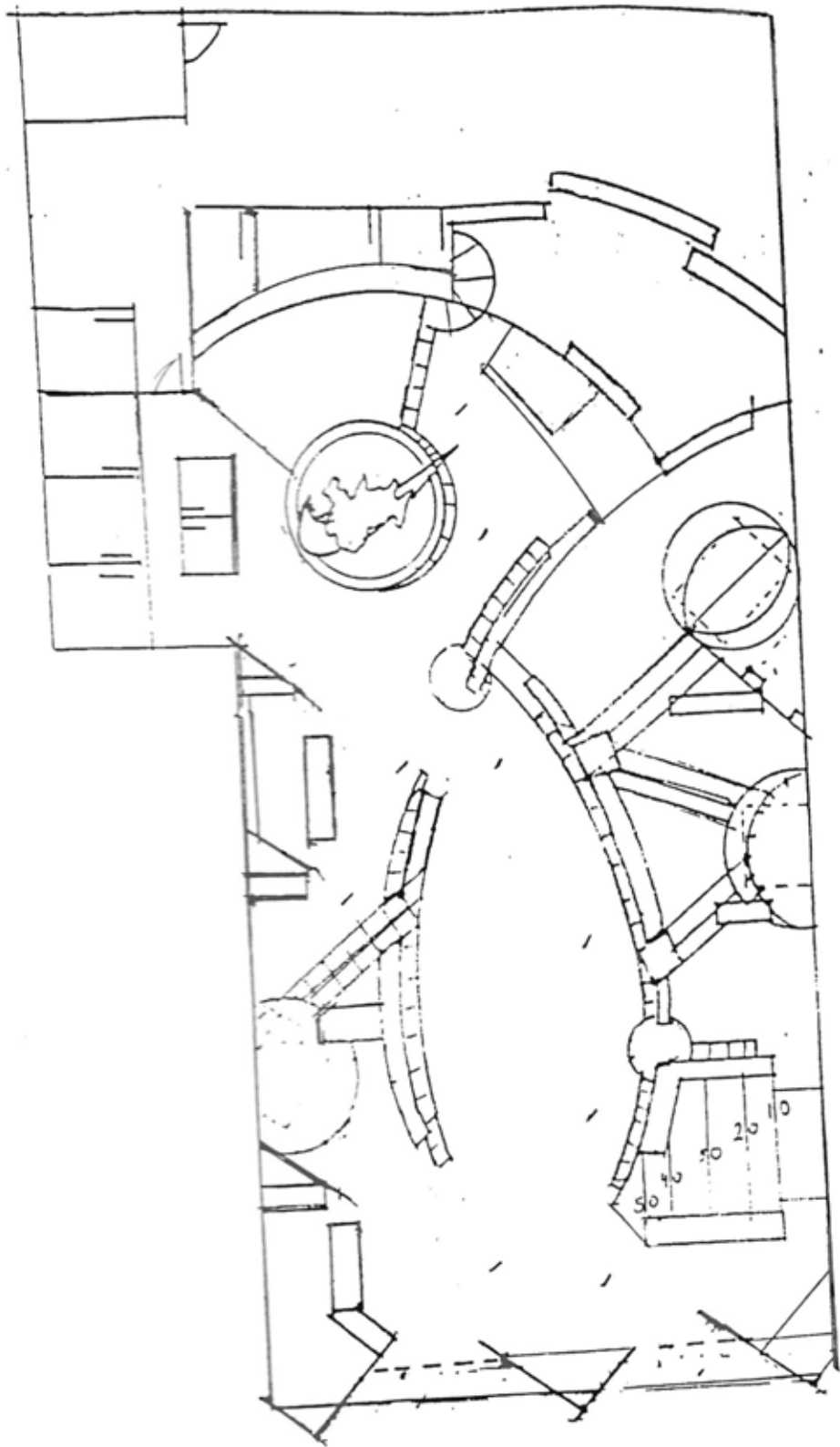
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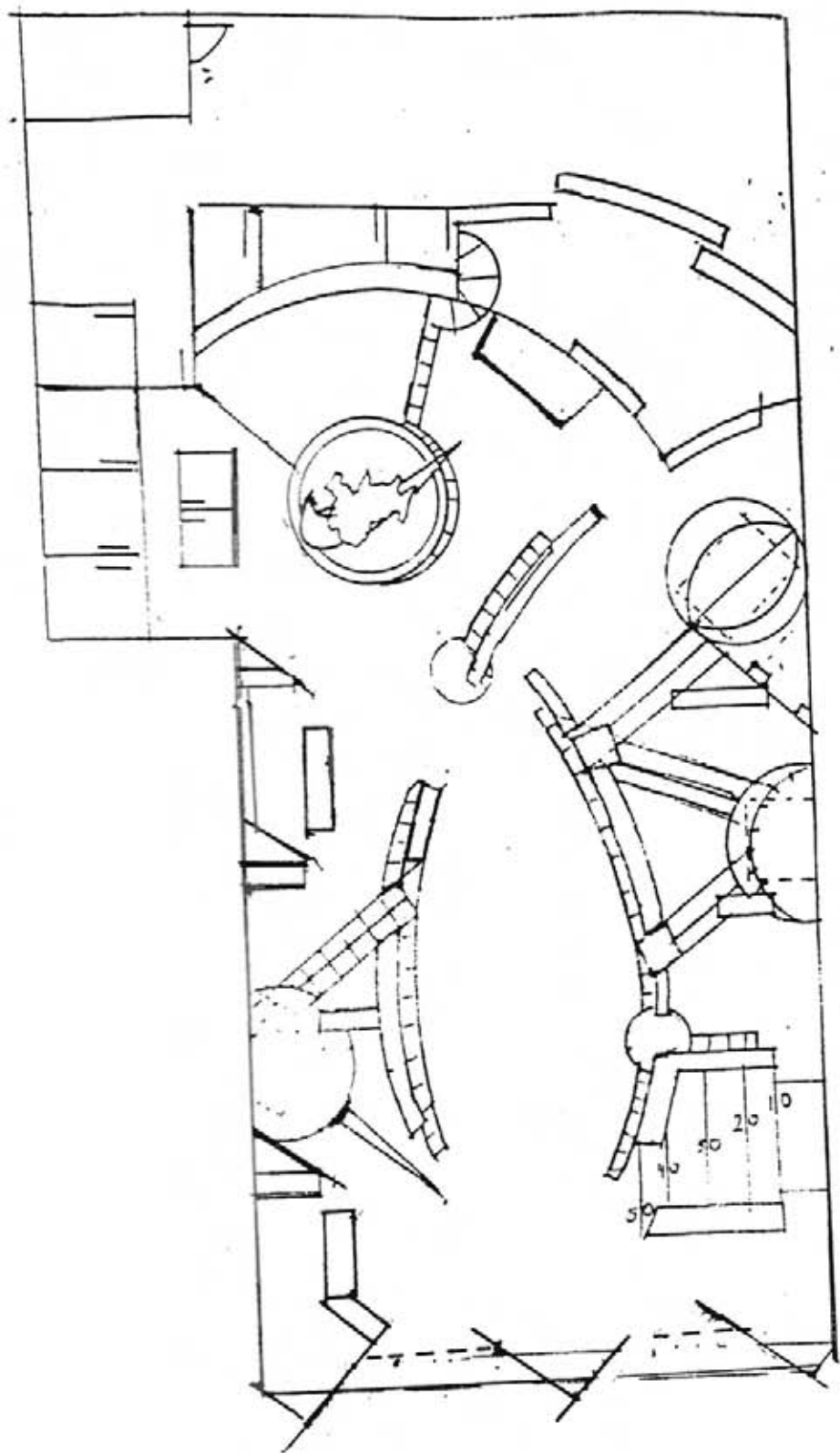




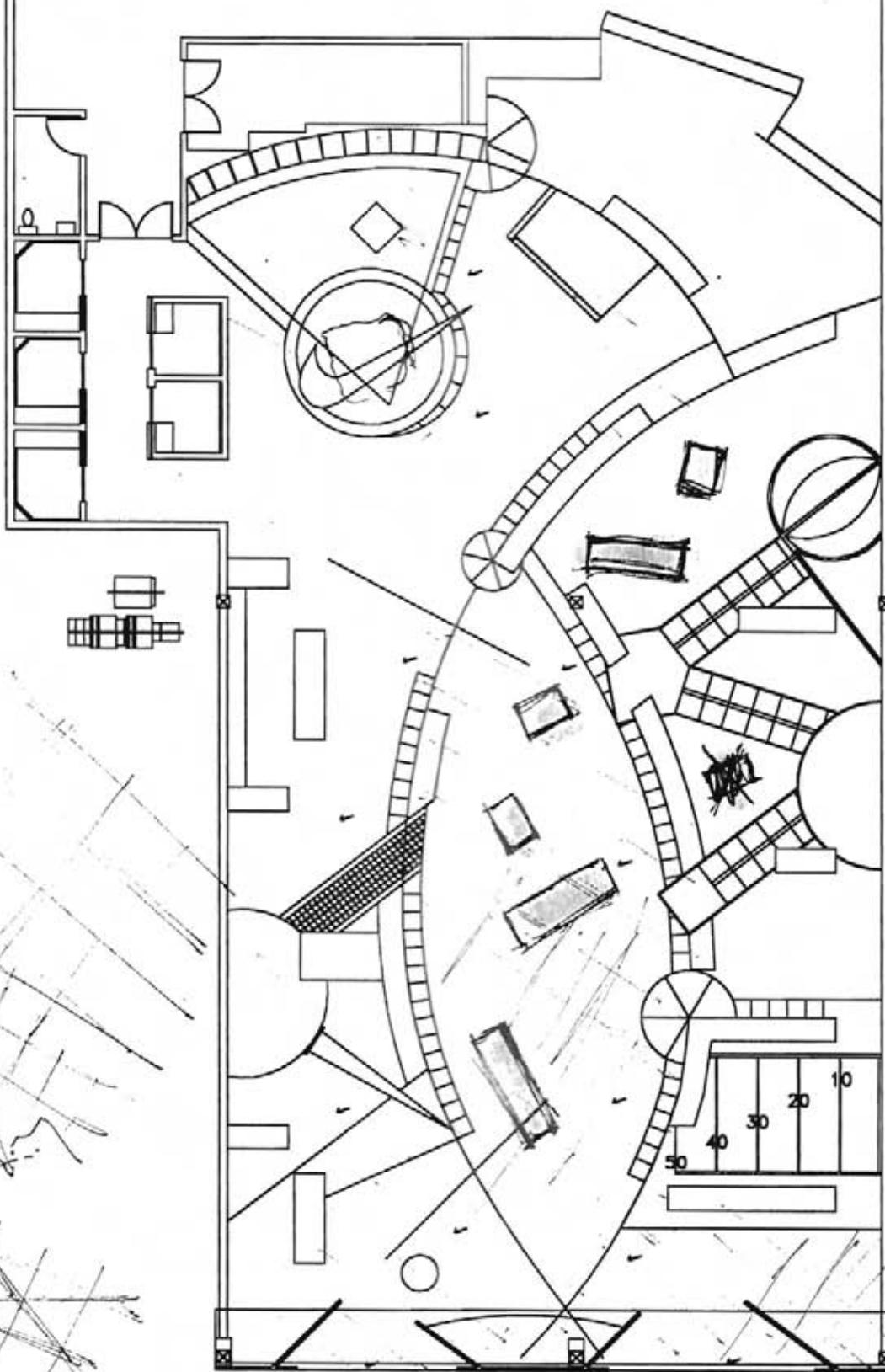




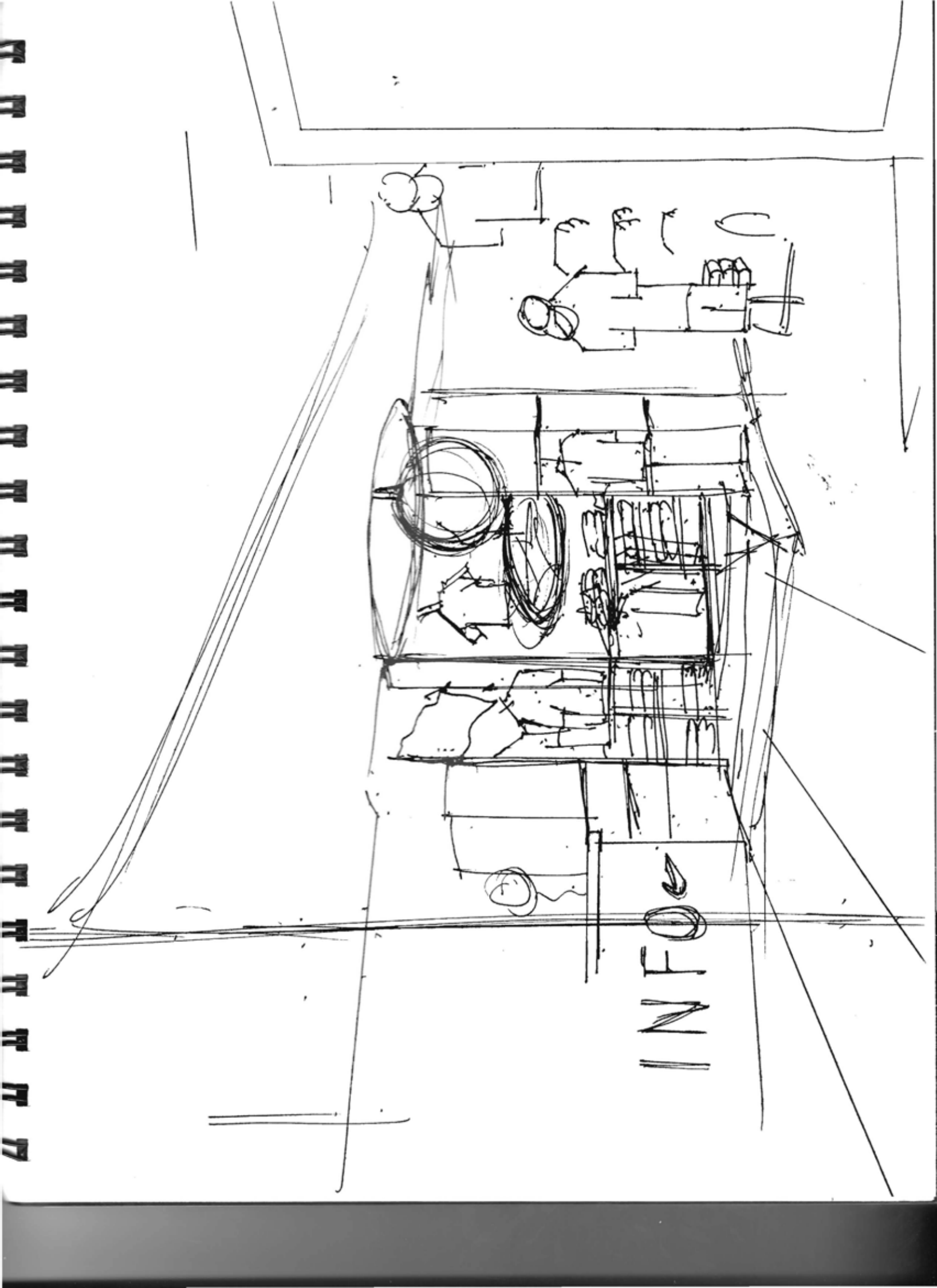


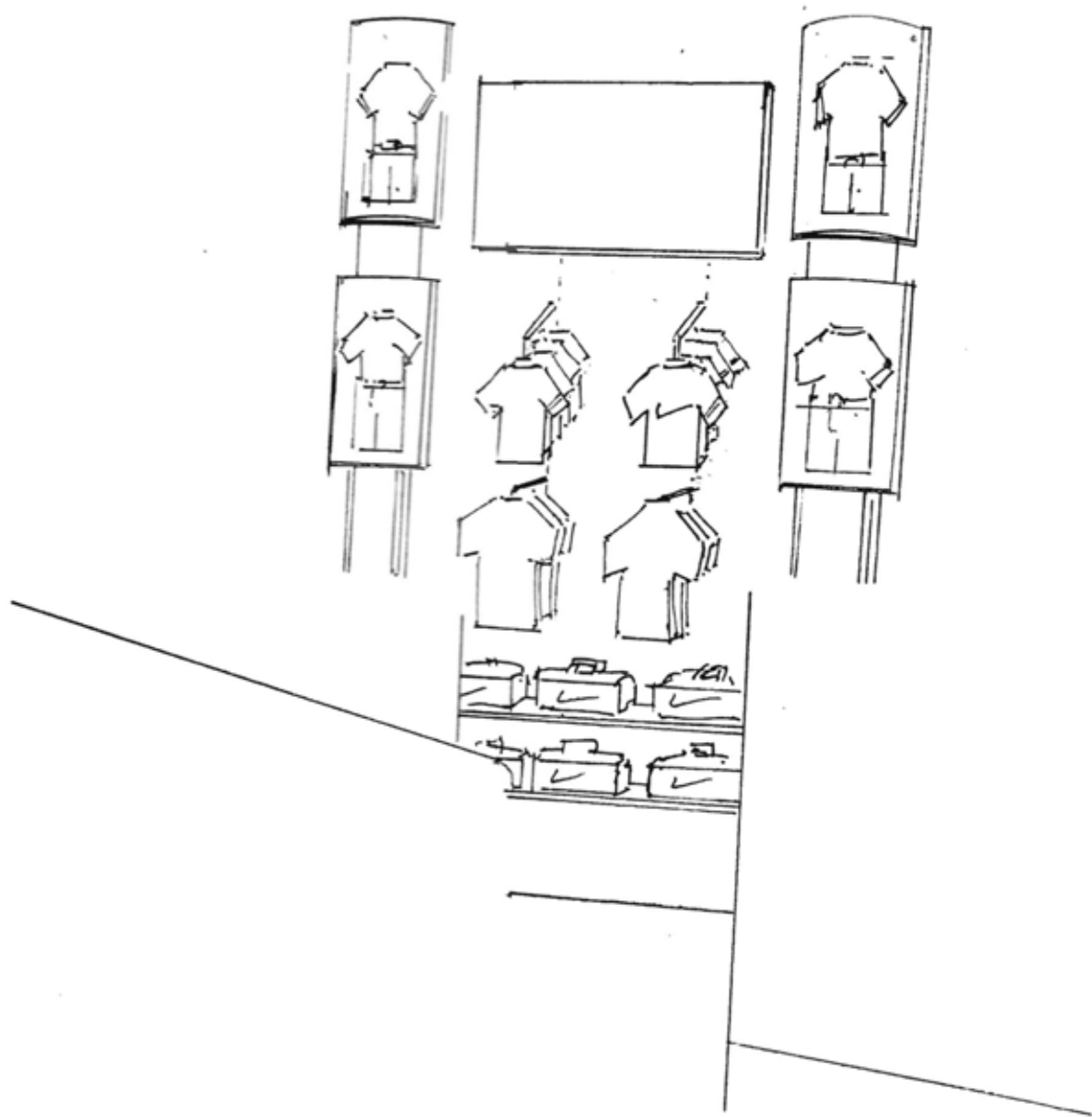


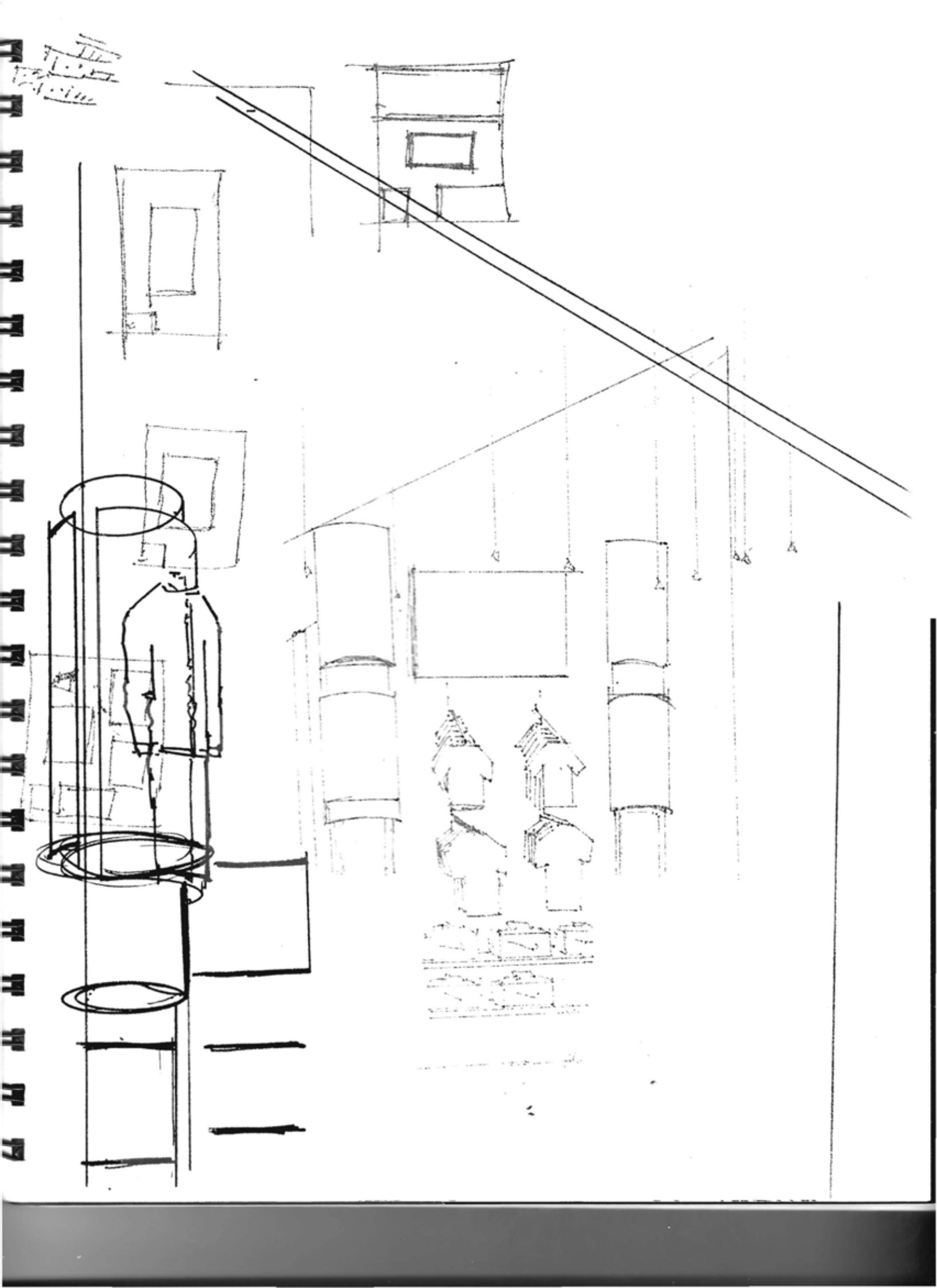
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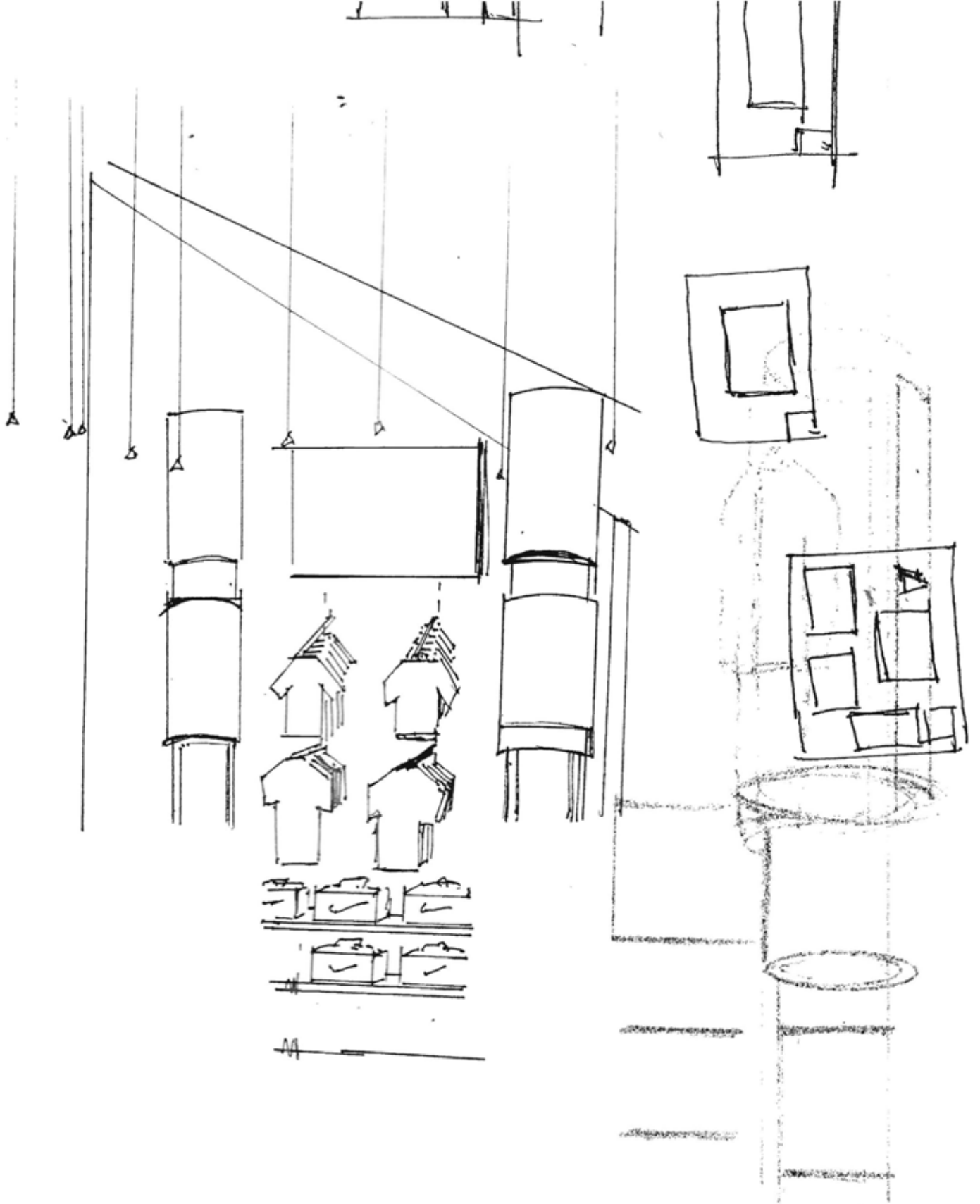


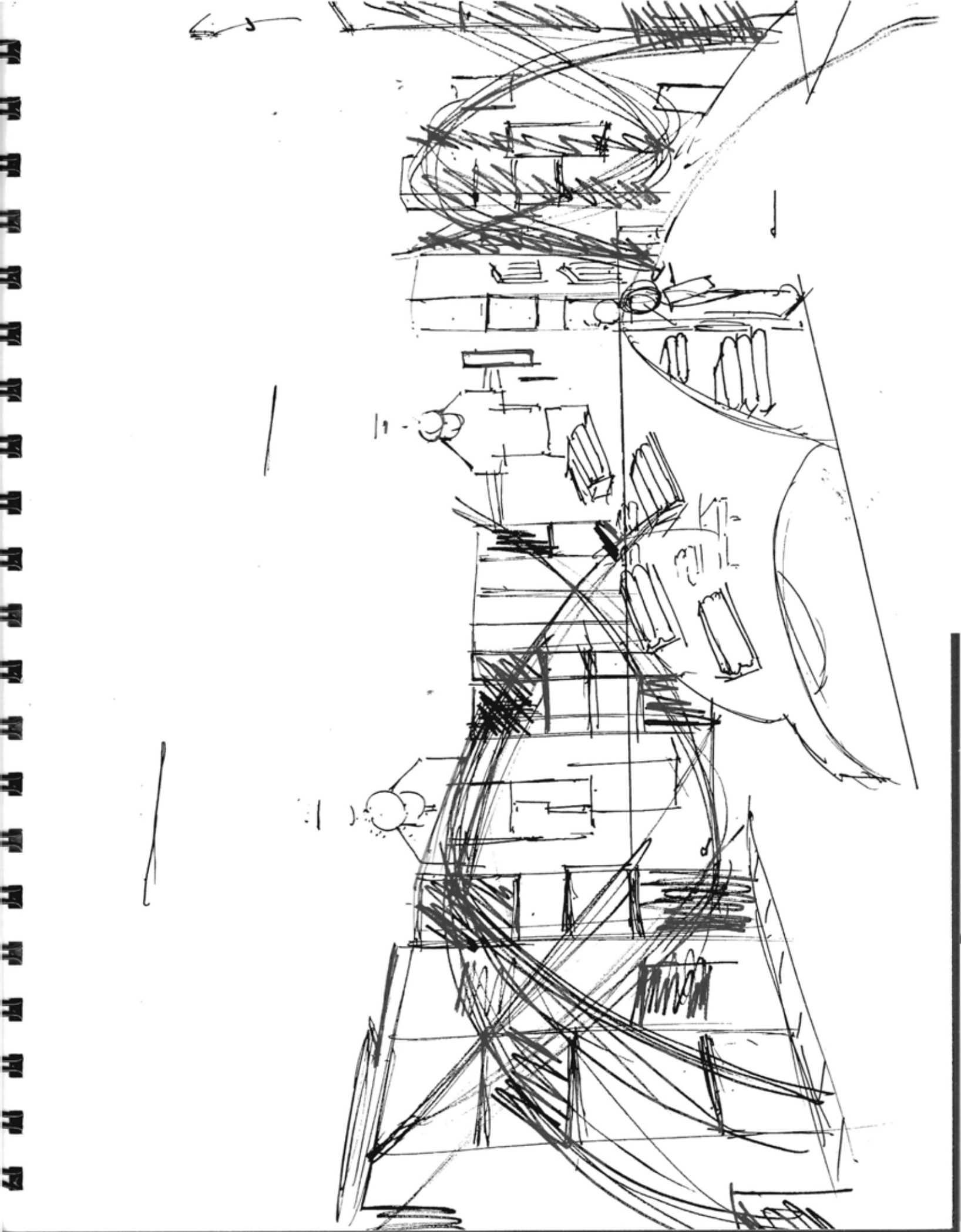
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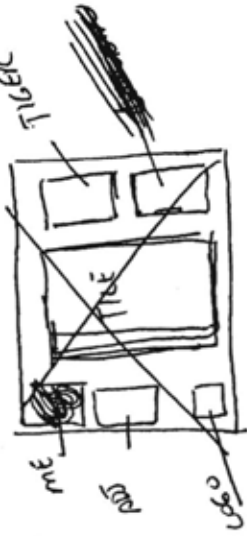




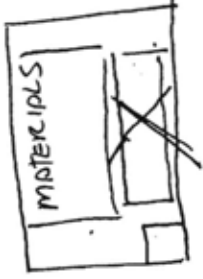




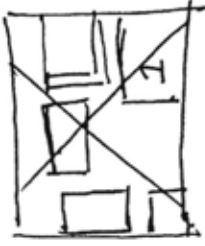
BOARD 1



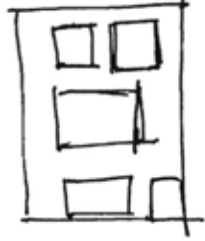
BOARD 2



BOARD 3



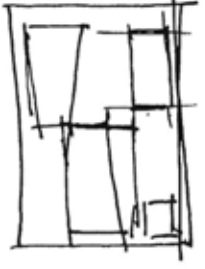
BOARD 4



BOARD 5



BOARD 6

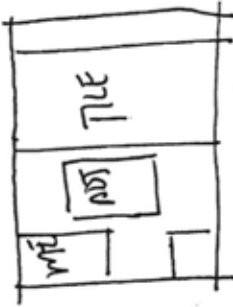


SF

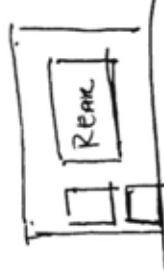
Kiosk



FLX TURF 66



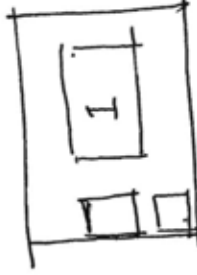
BOARD 11



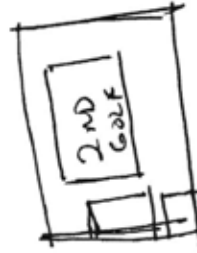
BOARD 10



BOARD 9

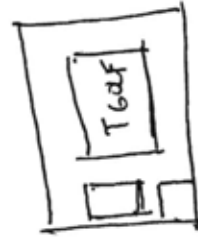


BOARD 8



BOARD 7

TGOLF



TILE PRO

