

case 1-429-306
October 31, 2014

PT Kizone: Adidas Battles Allegations of Shirking Responsibility to Workers (A)

It was April of 2012 and Professor Sioban Harlow, chairwoman of the University of Michigan President's Advisory Committee for Labor Standards and Human Rights (PACLSHR), was preparing for a committee meeting that would decide the course of action to recommend to U-M President Mary Sue Coleman related to the university's \$60-million adidas contract. It had been more than a year since an adidas supplier, PT Kizone's Indonesian factory, denied workers some \$3.4 million in severance and death benefits after the factory's owner fled the country, forcing the factory to shut down.

Adidas Group, Nike, the Dallas Cowboys, and other sports apparel producers sourced products from the factory. Adidas supplied university-licensed sports apparel for U-M, the University of Wisconsin-Madison (UW-Madison), and the University of Washington, among others. While Nike and the Dallas Cowboys worked with Green Textile—the buying agent that briefly assumed responsibility for PT Kizone's factory operations until its closed—to provide part of the severance owed to the workers, adidas refused, indicating that it had stopped ordering products from the factory 10 months before it closed. The company later recanted after a Worker Rights Consortium (WRC) investigation found that adidas was indeed a buyer at the time of violation, but still denied its responsibility for the workers' severance. The PACLSHR found adidas in violation of the U-M code of conduct in regard to branded goods manufactured at PT Kizone's factory. The U-M chapter of United Students Against Sweatshops (USAS) called for termination of the contract with adidas, as did USAS chapters at UW-Madison and the University of Washington with regard to their contracts.

Sports Apparel and Footwear Industry

The sports apparel industry was a highly competitive market. Leading companies were continuously squeezed by price competition, the need to rapidly deliver products to market, and pressure to maximize shareholder return. Sportswear companies invested heavily in marketing and branding to capture and retain customers. In 2011 Nike spent \$2.4 billion on advertising,¹ while adidas's advertising budget was \$648 million,² and Puma's ad spending exceeded \$100 million a year.³ The industry topography was characterized



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