Nike: Alliance Management

Problem 7: Transactions: Routine, Non-routine, Estimates

8: Risks
   (from web)
R1: Alliance Partner selected that does not possess Nike-level quality or competitiveness
R2: Alliance does not result in increased brand recognition
R3: Alliances do not result in increased brand loyalty
R4: Alliance partner is involved in P.R. situation that negatively impacts Nike
R5: Alliance Partner's quality /or competitiveness deteriorates during contract
R6: Product Tie-In: w/ Alliance Partner is ineffective, damaging alliance partner performance

9: Magnitude | Likelihood
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3:00 class

Routine:
- Annuity Payments
- Royalty Payments
- Research & Scouting Expenses
- Promotional Expenses
- R&D fees for Products
- Bonuses (?)
- Contracting (legal fees)

Nonroutine:
- Incentive Payments
- Early Terminating of Contracts
- Contract Revisions
- Inability to Perform
- Unexpected Fines / Legal Fees
- Damage Control Expenses
- Special Event Promotions
- Cross Band

Estimates:
- Market Value of an Alliance
- Revenue / Alliance (Post)
- Reserves for Future Payments
- Match Ups alliance + Products
CONTROLS

- Incentive Payments
- Formal Process for Scouting
- Compensation for Scouts
- Termination Clauses
- Above Market Contracts When Warranted

R1 (Quality)

R2 (Exposure)
- Termination Clauses
- Understand Media Exposure Opportunities
- Diverse Alliances
- Monitor Exposure

R3 (Loyalty)
- Need Quality Alliances/Products
- Understand of Spending by Demographics
- Repeat Spending Linked to Alliances
- Monitor Repeat Sales/Wallet Share

R4 (P/R Problem)
- PR Recover Plan
- Penalties/Termination Clauses
- Monitor Media
- Drug Tests

R5 (Deterioration)
- Contract Reductions Over Time
- Performance Incentives
- Monitor Performance (Review/Facilitate)

R6 (Product Failure)
- Communication with Alliances & Users
- Product Testing & Monitoring
Routine:
- Annuity Payments
- Royalty Payments
- Promotional Expenses
- Legal Fees (contracting)
- R&D Expenses for Traveling
- Research & Scouting Expenses
- S. g. & B. B. Bonuses

Narrative:
- Losses
- if unable to perform
- Damage Control Expenses
- Unexpected Fines/Fees/Costs
- Renegotiated Contract
- Termination of Contract
- One-time Alliance Incentives

Estimates:
- Duration of Alliance Performance
- Market Value of Alliance
- Reserves for losses to Exits
- Match b/w alliance, Ftr & Products
R1: (Quality/Win)
- Formal Scoring Process (Premium Pay)
- Termination Causes
- Testing of Alliance Partners

R2: (Exposure)
- Monitoring Alliance Partner
- Incentive/Performance Contracts
- Understand Exposure & Demographics
- Adverse/Crimes linked to Alliance

R3: (Loyalty)
- Understand Q of Spending by Demographics
- Tracking Repeat Sales/Wallet Share

R4: (P/R Issue)
- Penalties/Termination Causes
- Background Checks + Due Diligence
- Plan for Managing P/R
- Monitor Media

R5: (Activist)
- Contract Reductions/Termination
- Incentive
- Monitor (Internal/External, Testing)

R6: (Product Failure)
- Product Test w/ Monitoring
- Communicate + Testing w/ Partner