

# AGENDA



## Supplying Active Change

A strategic partnership between Nike and Apollo is looking to reset the fashion world's game.

By EVAN CLARK

Illustration by SAM FALCONER

**"This is about getting product to the consumer faster. It's about lowering our product cost...really trying to drive greater labor productivity, less waste in the system."**

Mark Parker, Nike president and chief executive officer

### A New Sustainable Supplier

The \$186 billion private equity firm Apollo bought New Holland and ArtFX and teamed with Nike with an eye toward creating an active producing powerhouse. Here's what the different parties bring to the venture.

#### APOLLO

**Nike**

The private equity giant is leading the effort to build the new apparel supplier. It has already acquired New Holland and ArtFX and "expects to acquire additional textile and apparel suppliers in the Americas in order to broaden and diversify its capabilities."



**Nike**

The sporting giant brings production and active expertise and can support the new producer by placing orders for its \$4.75 billion apparel business.

#### NHA

**New Holland**

The New Holland, Pa.-based firm brings active sportswear and athletic uniform manufacturing capacity with facilities in Honduras and Nicaragua and experience producing goods for Nike, Under Armour and others.



**ArtFX**

The Norfolk, Va.-based embellishment, warehousing and logistics operator can use its 30 automatic presses and screen-printing capabilities to help the new company turn customized goods quickly.

**N**ike Inc. is looking to up its apparel game by going local. ¶ Maybe it's the never-ending crush of competition from Adidas and Under Armour, new entrants, the threat of fast fashion, choosier consumers or just some internal drive, but Nike and the other top sports players are all taking on the characteristics of the pro athletes they build up as heroes. ¶ The active set has been, well, active in reshaping their businesses. They are seeking to both cut fat and build muscle and using more technology to hone their regimens as retailers and fashion companies struggle to react to a rapidly evolving market.

At Nike, the desire to move faster and be more reactive to consumers has led to something that just might be a game-changer beyond its own business — the company is contributing its know-how to a new venture with private equity giant Apollo, which is working to build a quick-turn, Americas-centric supplier that could grow into an apparel giant.

The \$186 billion Apollo bought Pennsylvania-based activewear manufacturer New Holland and Virginia-based embellishment and logistics specialist ArtFX to kick things off in August. Terms of the deals were not disclosed, but both companies now reside within Lowell Acquisition, a company that might not know its own name yet — a new, permanent handle will be chosen in the next month or so — but already has a clear vision of what it wants to be.

Lowell is expected to keep buying as it builds, which could spur a boomlet in deals up and down the supply chain.

It's a venture that touches on many of the big themes in fashion right now. It's focused on the still-hot activewear market, has both Made in USA and sustainability components and is looking to drive dollars by producing smaller, quicker and

targeted runs in hopes of making up for any added costs by selling more at full price.

Nike has talked a lot about a "manufacturing revolution" and has worked to shake things up in footwear with global manufacturer Flex, which is testing new production methods and automation techniques, putting together a product customization program in Memphis and developing "broad disruptive technologies."

Now Nike is looking to revamp the apparel side of its business.

"This is about getting product to the consumer faster," said Nike president and chief executive officer Mark Parker, when asked by an analyst on a conference call if the new venture with Apollo marked a turning point in the effort. "It's about lowering our product cost...really trying to drive greater labor productivity, less waste in the system, new design capabilities. These are all parts of ManRev."

"The inflection point that you mentioned is really more about taking it to scale with partners like Flex, but then across our whole manufacturing partner base," Parker said. "So we're really modernizing not just with any one partner, but using that innovation to drive it across the whole base. So we talked about Flex in footwear. Apollo is a more recent focus for us on the apparel side."

The person close to the project who requested anonymity described it as "an opportunity to catalyze a new apparel supply model in the Americas."

For years, financial sources have buzzed about private equity dreams to put together a counterpart to the huge Asian supplier Li & Fung that would be based in the Western Hemisphere to take advantage of quicker shipping times from Central America.

Trade experts have also long crowed about the benefits of duty-free treatment from the Central America Free Trade Agreement and how the region is underutilized. Stephen Lamar, lobbyist and executive vice president at the American Apparel & Footwear Association, said, "Everybody wants to expand operations in the Western Hemisphere and there's going to be a lot of interest in how this venture progresses and what opportunities it creates and what lessons it conveys."

Nike has not put any money into the business, but is expected to be a big customer. The Beaverton, Ore.-based giant obviously has the scale to ►

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Andrew Postal, managing partner at MMG Advisors Inc.

help the new supplier ramp up quickly if things work out. The company's apparel sales rose 8 percent to \$4.75 billion for the year ended May 31 – accounting for 32 percent of total revenues.

New Holland already counted Nike as well as Under Armour and others as customers and the new umbrella company led by Apollo plans to continue to sell to a number of active players in the market, not just Nike. (The specifics of Nike's commitment to the venture are not public).

The sports market lends itself to this type of near shoring. Technical, high-performance gear sells at higher prices making absolute cost less of a factor and there are lots of opportunities to be had for the supplier that can do an ultrarapid turn on jerseys for the new championship team or the hot player who's having a good run on the court or field.

"Nike, I think, strategically said to itself, 'Look, we're doing in excess of 50 percent of our business in the North American market and we have 12 percent of our sourcing in this hemisphere,'" said Andrew Postal, managing partner at MMG Advisors Inc., who served as financial adviser to New Holland and ArtFX in their deals with Apollo. "This has been at least a year, year and a half in the building. Before Apollo got into this, Nike was conceptualizing the need for this."

(A Nike spokeswoman did not comment on the new venture and an Apollo spokesman declined to comment).

Nike and Apollo are trying to replicate some of the magic that helped build the fast-fashion giants, which have created supply chains designed to get hot looks into the store quickly and inexpensively, letting newness and trends sell the goods instead of the price promotions that have dragged down traditional retailers.

"The fact of the matter is a lot of people have looked at what [Zara-parent] Inditex is doing and they think that to the extent that they can delay the assortment decision...until the last possible moment; they are able to match what they produce to demand," Postal said.

Activewear might lend itself most readily to this quick-turn model given the connection to sports teams, but it's an idea that is bubbling up in other areas of the apparel world as well.

"They're all talking about this," Postal said. "China ain't cheap anymore.... I think this is a transformation and if they succeed at this and they are able to service business at their level with much faster turns, less reliance on inventory...it's going to have a ripple effect across the apparel business."

If it works, those are ripples that other brands, retailers and consumers will welcome. ■

## Briefs: Retail & Markets



Gigi Hadid  
In a new ad  
for Reebok's  
#PerfectNever  
campaign.

**Gigi and Reebok Accepting Imperfections**

- Reebok tapped model-of-the-moment Gigi Hadid to pick up where UFC fighter Ronda Rousey left off and spearhead the next phase of the brand's #PerfectNever movement, which will work to help women accept their setbacks and imperfections by embracing their inner strength.

The fitness-minded Hadid might be an unorthodox standard bearer for imperfection, but Reebok noted she is "no stranger to the pressures of perfection placed on women." The 21-year-old model has fought body shaming online, posting a message on Instagram that declared, "Yes, I have boobs, I have abs, I have a butt," and has received 334,000 likes over the past year.

### ACTIVE OUTSIDE

#### Bass Pro's \$5.5B Bid for the Big Time

Johnny Morris started Bass Pro Shops in 1972 with eight square feet of space in the back of his father's Springfield, Mo., liquor store. Now he oversees and is majority owner of a fishing- and boating-supply empire with 20,000 employees, 99 doors — mostly in the eastern U.S. and Canada — and even bigger outdoor dreams.

Morris' \$5.5 billion deal to acquire the publicly traded Cabela's will bring him credibility in the hunting sphere, \$3.5 billion in revenues and 85 specialty stores, which are mostly situated in the western U.S. and Canada, geographically complementing his base.

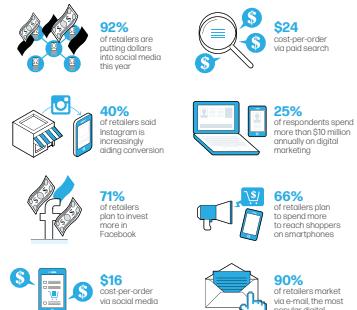
While that market share gain will do no doubt help Morris expand his power base in the outdoor market, he's also looking to flex his newfound power in the area of conservation and how natural resources are managed.

"By combining our efforts, we can have a profound positive impact on the conservation challenges of our day and help foster the next generation of outdoor enthusiasts," Morris said.

### CLICK AND COLLECT

#### Digital's Hold on Marketing Solidifying

A National Retail Federation and Forrester survey of executives at large and midsize retailers showed that brands are finding and marketing to customers where they live: On their digital devices.

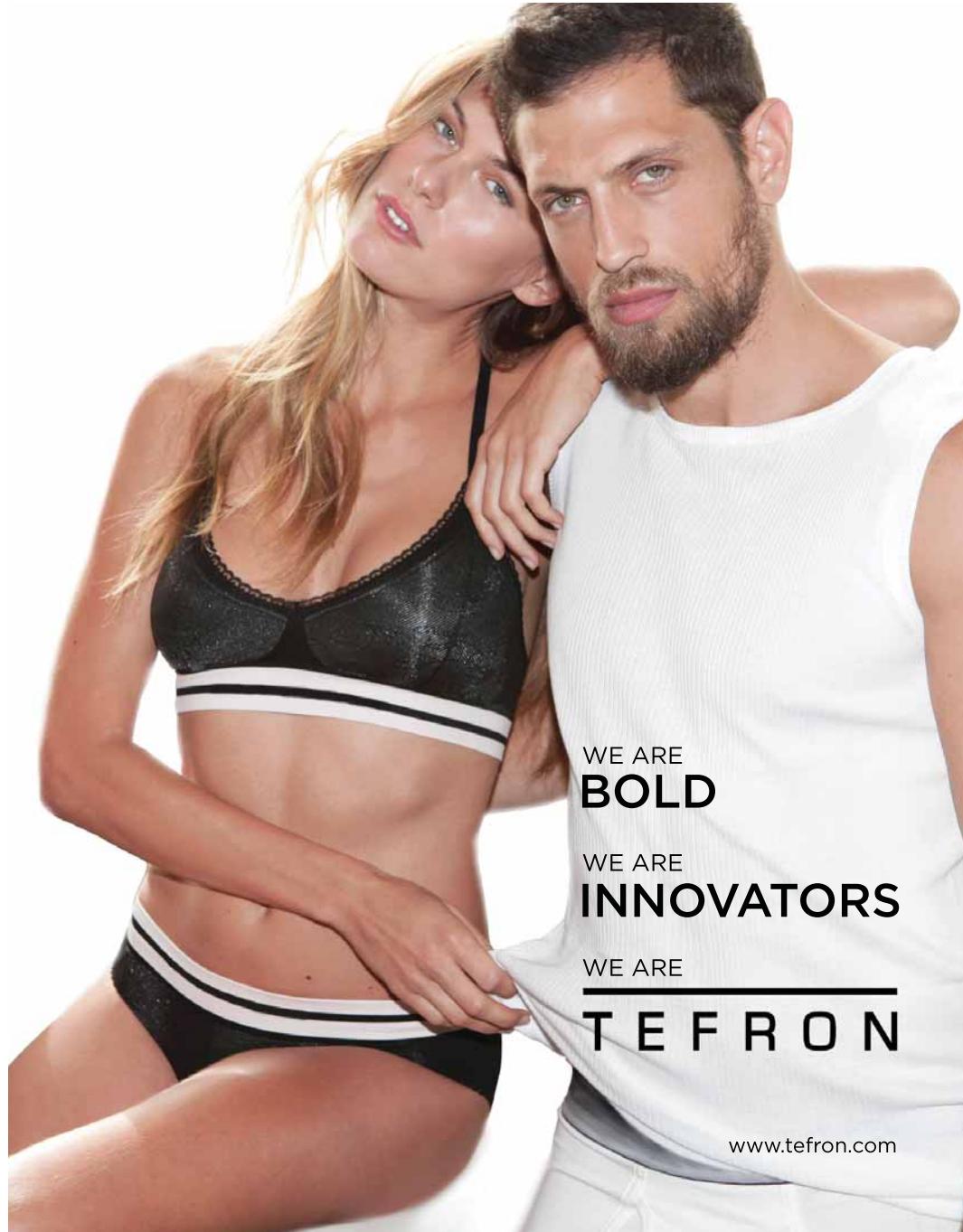


#### Adidas' New Team Captain

Kasper Rorsted just took the lead at Adidas AG as chief executive officer and was touted by chairman Igor Lendou as "the perfect candidate" with "extensive international experience." Here, his stats on and off the field.

NAME: Kasper Rorsted  
AGE: 54  
NATIONALITY: Danish  
ASSUMED CHIEF EXECUTIVE OFFICER ROLE: Oct. 1  
SUCCEEDED: Herbert Hainer  
BUSINESS CRED: Held senior roles at Hewlett-Packard, Compaq and Henkel, where he was ceo.  
ACTIVE CRED: Avid runner, skier and football fan

Head photography by Catherine Weiss/Courtesy of Reebok. Retouch by Robert Prell/Agf Photo



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