Mobilizing with Nike in Brazil
Key strategies to tackle unforeseen regulatory challenges

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Executive Summary

Multinational companies operating in emerging markets can secure their business advantage by organizing interest-based coalitions and by building good relationships within key regulatory departments. This case describes how Nike faced a serious business challenge in Brazil when the federal customs office held all footwear imports during an investigation into suspected transshipment. In response, Nike pursued a strategy of engaging and mobilizing a coalition of stakeholders in face-to-face meetings with government officials, resulting in the timely unfreezing of the companies’ footwear imports. Nike learned several lessons from this experience, primarily that having a coalition established prior to the emergency situation was a big asset, and that they would have been in better shape if they had also built relationships within government before the crisis occurred.

The Dilemma

In July 2011, the Federal Revenue Department of Brazil, through the Department of Customs Administration (Coana), began an investigation into the origin of imported footwear coming from different parts of the world. The government was implementing a new regulation because it suspected that some sporting goods importers were committing fraud in their imports. The government suspected some companies of transshipment, which is a common practice with logistical benefits, but which can be used to illegitimately disguise the origin of the goods. Coana decided that all footwear products in the ports should be directed to the gray channel of customs clearance until the investigation is concluded, meaning that all products could be retained by the government for more than 6 months.

This move threatened to paralyze the footwear industry of Brazil on the eve of Father’s Day, a very important sales period for the industry.

The Response

MOVE, the Brazilian Sporting Goods Association, consists of eight companies representing twelve sports brands. MOVE was formed in 2010 for the purpose of advocacy for the industry. When many MOVE members had their products held by the government, the association united. The companies realized they had three major challenges ahead: (1) They must know what information Coana would need to conclude the investigation, (2) They would have to provide Coana with this information and documentation proving that the MOVE member companies do not practice fraud, and (3) They needed to accelerate the process to avoid having their businesses paralyzed on the eve of Father’s Day.

To find out what information Coana would need to start the process as quickly as possible, and to be able to eventually release their goods, many of the MOVE members traveled to Brasilia,
the center of government, without having any confirmation of a meeting with the authorities of Coana. In the waiting room of the department, Nike and other companies’ representatives had to spend time explaining to the assessors who they were, and had to wait several days until an official of the Revenue Department met with them and understood who they were and what their concerns were.

After the first meeting, a series of meetings were held with Coana. In the next three weeks, the companies prepared large amounts of documentation about their imported footwear, proving that there was no fraud among the members of MOVE.

Thereafter, the products were cleared from the gray channel and started to get into the markets for Father’s Day.

**Enabling Success Factors**

Three key factors were necessary for Nike and the MOVE coalition to succeed in this case. First, they already had a coalition established. If each company had been lobbying on their own, or if they had to communicate among each other to form a coalition after the crisis occurred, they would have lost precious time and been less effective. Second, the companies were structured internally such that they were able to quickly provide the documentation needed. Each member mobilized their supply chains and operations departments, all around the world, in record time to obtain a high amount of information and evidentiary documents about the origin of products. Third, Nike’s government relations director and the MOVE coalition understood that to change policy, they needed to build personal relationships. Therefore, they brought their coalition representatives to the seat of government, and spent several weeks arranging meetings and developing rapport with the officials before they succeeded in remedying the problem.

**Lessons Learned**

MOVE learned from this case that mobilization was the key to overcoming this challenge. They succeeded because they were able to quickly and effectively mobilize the members to go to Brasilia to try to resolve this situation. They also learned that if they had already had these government relationships established, their job would have been much easier. They could have secured meetings more easily, and they would not have had to spend precious days introducing themselves and explaining the industry to the officials.

**Takeaways**

- Build coalitions before they are needed. Success comes easier when forces are mobilized as a coalition, such as MOVE.
• Structure your company so that efficiency is available when needed. When companies are able to mobilize internally to obtain requested information expeditiously, an extremely strong and resistant platform for advocacy is created.

• Build relationships in government before they are needed. MOVE learned that the association and its members should have been introduced to the Federal Revenue Department of Brazil and Coana soon after its creation.

• Be prepared to mobilize. Nike and MOVE were prepared to bring a message from the industry to government, in a clear and objective way, and were able to respond immediately after the crisis occurred, leading to their success.