

# [Value chain for nike](https://assignbuster.com/value-chain-for-nike/)

[Finance](https://assignbuster.com/essay-subjects/finance/), [Market](https://assignbuster.com/essay-subjects/finance/market/)

The decision that would be made for the inbound logistics may include what level of inventory to hold. Another important decision may be transportation planning. If the raw material is to be received from multiple sources at different or same point of time, it may be an important decision to determine how many trucks be owned, how many to be rented for some period, what route to take to ensure fuel efficiency as well as in time making the goods available at production floor.

• Operations Most important decision taken by Nike was whether to outsource or to develop in their own facilities.

Other important decisions may include determining optimum production schedule etc.

• Outbound Logistics Outbound logistics include decisions quite similar to inbound one, such as what level of finish good inventory to be kept. What distribution channel to be adopted, whether to sell only through own shoe outlets or mass-distribute it or keep it at specialty stores only? This is an important with regards to Nike because it is on one end competing in the market ofprofessional athletes, at the same time; it has competition for its jogging shoes with weekend athletes or joggers.

• Marketing and Sales

Most important issue in marketing Nike shoes, when it was launched were, what brand associations need to be created for it. What promotion mix to be adopted. Who should be used for brand endorsement? For sales, one important decision would be sales forecasting. • Service One of the segments for Nike was also that of professional athletes. Less in number, but they provide on one higher values and secondly a source of brand endorsement. Thus, while making specialized shoes for them, Nike remains in continuous contact with these athletes to ensure that they get what they really want.

Even after delivering the shoes, their feedback is highly important. Thus, for this segment and others, Nike needs to decide what kind of customer support service it can provide. Accounting Information Required: For above mentioned decisions, accounting information facilitates the decision making.

• For the decision about the desired level of inventory, we need to know inventory holding cost, which is the cost incurred on warehousing operations per unit average inventory.

• For decision about out-sourcing, the popular managerial accounting method of make or buy analysis can be carried out. It would require the accounting information about all the relevant costs (cost that would add or eliminate if we decide or any one of the two options)

• For distribution network decision, one needs to know the intermediary cost (determine by selling price to the distribution minus retail price) as compared with the units sold through that channel.

• For sales forecasting, one need to past sales trends in given period and season.

• For customer support, one need to check its effectiveness through comparing the cost of customer support operations as compared to increased repeat sales from whom the service was provided.

Thus, the questions answered through accounting information may be:

• What is inventory order cost and holding cost for raw materials?

• What are the distributor wise sales for our shoes?

• What is the sales trend for Christmas season in past five years?

• What costs can be eliminated or added if we outsource production?

• What is total amount of repeat purchase from whom the customer support was provided?

Reference

Brewer, P. C. , Garrison, R. H. , & Noreen, E. W. (2008).

Introduction to Managerial Accounting. Boston: Mcgraw-Hill College. Connor, T. (2001).

Still Waiting For Nike To Do It. San Francisco: Global Exchange. Duchac, J. , Reeve, J. M. , & Warren, C. S. (2008).

Financial & Managerial Accounting. Mason, OH: South-Western College Pub. Hilton, R. (2008).

Managerial Accounting: Creating Value in a Dynamic BusinessEnvironment. New York: McGraw-Hill/Irwin.