# Rj reynolds case

Business

Background: oReynolds American Incorporated (RAI) was founded as and by RJ Reynolds in1875. oUS Corporation headquartered in Winston-Salem, North Carolina.

oIt manufactures tobacco related products such as cigarettes, additive free tobacco, smokeless tobacco, and cigars that contain nicotine replacement therapy products. oIn the 60's they began diversifying into food and other non-tobacco business and became well known for RJR Nabisco. oIn 1987, Kohlberg, Kravis Roberts; Co. (KKK) won control of the company and they turned it private. oIn 1997, they withdrew its advertising cartoon character Joe the Camel. In 1999, the company spun off from Nabisco.

In 2004 RAI was created SWOTT: Strengths: oSecond largest tobacco company in the US cigarette market oRevenue contributes approximately 85% of RAI's total sales oSix of the ten best-selling cigarette brands in the US oInnovative leader in the tobacco industry Weaknesses: oMarketing of tobacco to children oResearch and development expenses oDiversifying food and non-tobacco products, such as cookies oLimitation to US market only Opportunities: oAcquisition of American Snuff oGovernment influence on producing and trading tobacco Opportunity to trade internationally oResearch and development Threats: oFederal regulations and ongoing litigations oIncrease of sales tax on tobacco products oFDA unprecedented control over the manufacture, sale, marketing, and packaging of tobacco products oRestrictions of smoking in public places oCompanies likeGoogleandMicrosoftto ban advertising of cigarette products on their networks Trends: oSmoking or not oSocial acceptance of smoking oNew advances in technology for nicotine delivery Financial Analysis: Profit Margin: Net income 1, 113/8, 551= 13% Sales

During 2010 their profit margin was 13% which means the company earned 0. 13 of each dollar translated into profits. Return on Assets: Net income1, 113/4, 802= 6.

5% Total assets On 2010 their return on assets was 6. 5% meaning that the company is using its assets which generate earnings as well. Return on Equity: Net income1, 113/6, 510= 17. 1% Shareholder equity Their return on equity was 17. 1% which is good because Average collection period: accounts receivable118/00= 5.

0 Average daily credit sales Their average collection period was 5. 0 which are the days the company took to collect its receivables.

Current ratio: Current assets4, 802/4, 372= 1. 1 Current liabilities Their current ratio was 1. 1 to repay its short term obligations. Quick ratio: Quick assets3747/4, 372= .

86 Current liabilities Their quick ratio was . 86 which did not include their inventory. Debt to total assets: Total debt0000/4, 802= 61. 9% Total assets Their debt to assets was 61. 9% which means that their debts were higher than their assets. This could be a problem because they need to be able to have enough assets to pay off their debt.

2, 192+232/232= 10. 45 Times interest earned: EBIT+ Interest expense Interest expense

Their interest earned for the year 2010 was 10. 45 which indicate that the firm's earnings can cover their interest payments on its debt. Problem Definition: Some of obstacles the firm faces include the following; a growing competitive base, slow economic recession, and substantial societal difficulty. A central problem the company faces is a severely tightened government.

Strategic Alternatives: RAI must develop a focused strategy to overcome some of these obstacles. Three strategic alternatives they must consider to focus on their central problem are, 1. Abide to the governmental restrictions . If possible, headquarter the company in another country 3. Continue to develop smokeless products for consumers Evaluate Alternatives: A.

Evaluation criteria: 1. Follow the US regulations and restrictions because if they don't there might be litigation in the future. 2. Off shoring or having it headquarter somewhere else might relieve the company from the many regulations they are currently facing. 3.

Giving the consumer their need will keep the company on top of the game. B. Evaluation method: Payoff Matrix: C. Presentation and discussion of results: Alternatives Pro: Con: The government will not interfere with the company if they are following rules and regulations •Off shoring/ headquarter in another country will relieve the company of the many regulations they now face in the US, and their products will be less expensive to make •The government in the US will not have as many regulations on their smokeless products like they do with their smoking products•Consequences to the company’s actions if the regulations aren’t followed •The idea of off shoring might not be the best alternative because other countries have different regulations •If they focus on making smokeless products they might loose the smoking consumers, because all the focus will be on their new products Criteria Recommendations: Recommendations for the RJ Reynolds Company include, 1. Continue to follow the regulations and restrictions the government input on the company.

2. Off shoring will be a great option for the company to get work done, because the regulations might be less harsh than in the US. After a year of establishing the company they will then, conclude whether the change was beneficial. 3. Developing innovative products like the smokeless products will avoid restrictions on the products.

Implementation Plan:

If the implementations are followed as directed, the company will continue to grow as a successful company. Following government regulations and restrictions is not easy especially for the tobacco industry, but continuing to follow these rules while in the country will prevent the company from any litigation. Because of the many regulations and restrictions imposed on the tobacco industries off shoring appears to be a good idea. This will give the company the ability to freely operate without many of the regulations that the US have. Marketing and developing innovative products within 6months of relocating will ensure the company of a consumer base.

They will need to have an efficient management team that will lead them to success.