

Essay on economics assignment

[Business](#), [Company](#)



Introduction

The Multinational Enterprise (MNE) that I have selected is the American sports apparel juggernaut, Nike (Nike Inc.). In May 2010, Nike, Inc. unveiled its growth strategies and initiatives for achieving sustainable, long-term growth, with a revenue target of US\$ 27 billion by the end of 2015. This is the consolidated target of Nike's business lines that include the Nike brand, Cole Haan, the Jordan brand, Nike Golf, Umbro, Converse and Hurley. From this revenue target, the company believes it can achieve a US\$ 12 billion cumulative free cash flow from operations until 2015. Nike is the world principal maker of athletic footwear and provider of sports equipment (Enderle et. al, 2000). Because of its successful marketing strategies, Nike has become a household name and one of the largest companies in the world. In the last ten years, Nike has achieved or exceeded all of the company's financial goals. Nike's revenues and earnings per share have grown 9% and 15% on an annual compounded basis in the last five years, respectively. The company's return on invested capital has increased from 15% to 22% and had expanded gross margins by 4 percentage points within the same period. Nike has leveraged on its very appealing "Swoosh" logo which increased the sustainability of the brand image. In addition, the hit slogan "Just Do it" also maintained the reputation of the business that helped the company retain its market leadership through the current global economic slowdown.

Nike's Globalization Objectives

Nike's objectives for 2015 are to grow the Nike brand across North America, Western Europe and Japan as well as to continue its growth in emerging markets of China and Brazil. The company plans to add an additional US\$ 3 to 3.5 billion in revenues from growth in these geographical regions by the end of 2015. Nike will also leverage its brand to generate around US\$ 23 billion by the end of 2015. Nike's exposure in the upcoming Olympic games and the World Cup will further boost brand value and drive up company's profitability. Nike's growth strategy also includes the acquisition of related brands such as Converse, Hurley and Umbro, contributing an estimated \$1.5-2.0 billion of revenue by the end of fiscal 2015, Nike's long-term financial goals help the company "stay focused on driving sustainable, profitable growth, powerful cash generation, and preserving a very strong balance sheet, all of which gives us tremendous flexibility to invest in our business and generate extraordinary shareholder value" (Enhanced Online News, 2010). In summary, the primary financial objectives through 2015 were summarized by Nike CFO Don Blair to include the following:

- High growth of revenue (average single-digit annual rate)
- High earnings from the mid-teens sector in terms of earnings per share growth (average annual rate)
- Return of invested capital of 25%
- Increasing dividends within a target calendar year payout range of 25-35% of trailing four quarter earnings per share."

These are all in line with the company's long-term objectives of:

- Increase market share and expand its Converse brand to double the value of the profits made.
- Take advantage of the African World Cup where new products are likely to make its first appearance and therefore look forwards to benefit from the “popular global sporting event”.
- Effect on staffing needs and labor relations

Nike sets clear targets and metrics in measuring progress and success. It does so at every stage of the business activity and often refers to its measurements as basis for its future actions, especially those that are related to its management staff and labor pools. Nike's change management includes the provision of tools for easy adoption of its strategies. Nike feels that it is important to educate, train and provide tools that engage its people to become more effective. This is transmitted from the design teams to the production teams to the support teams and throughout the rest of the Nike organization and across all of its brands in all geographical regions.

Nike knows that it is important to celebrate and reward success. It creates incentives that drive change and innovation, thereby making the company more competitive. It also encourages healthy competition between teams and brands and across geographies, recognizing the efforts each individual puts into his work. Nike's work morale is at its very highest, with the company striving to make its work practices more efficient and equitable for its employees, suppliers and partners. Nike focuses on marketing and sales, leveraging on its brand and reputation.

- Effect on Supply and Demand

In response to global competition, Nike plans to open new stores with a greater global items and therefore increase more profit with the encouragement of innovation. The company plans to open approximately 250-300 new NIKE-branded stores worldwide. This will all happen in the next five years for the purpose of improving the customer experience. The shops will be located in the world's premium shopping locations, as well as drive accelerated growth in digital commerce. The company's top management believes that this will fuel the growth in the mid-teens sector in its "Direct to Consumer Business which should contribute and additional \$2. 2-2. 6 billion by 2015". Nike plans to "build a strong momentum in growing fitness market and to explore the market for products made for aging Americans". This means that Nike wants to continue and manoeuvre for increase margins for the management and improvement in Products.

In anticipation of globalization, Nike needs to be more aware of the new technologies because it innovates the products, which makes it "quicker, easier and cheaper to make the products". Other big areas of Nike are the Internet where selling the products online will be a "huge market" with great amounts of profits. Not just the Internet, advertisement also influences technology as a great advertisement with creative and innovation would have a huge impact towards the profits of the company.

- Effect on Market Structure

Nike plans to invest more in the regions of Greater China, Central & Eastern Europe and other emerging markets and is targeting low double-digit growth and an additional \$3. 0-3. 5 billion revenue by the end of fiscal 2015. There is no drastic need for Nike to change its current structure to fit market

requirements, but its aggressive development of markets and acquisition of related businesses make the company highly competitive and very successful.

References

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