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Nike Inc. – Heading Toward 2012

The period from 1998 to 2011 at Nike can be divided into three periods of no sales growth for four years (1998–2002) followed by 88% growth in six years (2002–2008), followed by 12% growth over three years including a global financial crisis (2008-2011). For the main athletic footwear competitors, revenue growth over this period evolved as follows:

Nike
($ millions)

Line #		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[b]	2011[b]
		Fiscal Year May 30													
1	US Footwear	3,499	3,245	3,351	3,209	3,185	3,120	3,070	3,358	3,832	4,067	4,327	4,451	N/A	N/A
2	US Apparel	1,556	1,385	1,154	1,260	1,305	1,351	1,433	1,458	1,592	1,716	1,745	1,664		
3	Non US Footwear	2,460	1,974	2,210	2,419	2,569	2,966	3,496	3,942	4,134	4,447	5,405	5,756		
4	Non US Apparel	1,436	1,559	1,544	1,503	1,588	1,781	2,106	2,422	2,576	2,860	3,488	3,580		
5	Other & Other Brands	602	614	736	1,102	1,246	1,580	2,148	2,561	2,821	3,236	3,662	3,725		
6	Total Revenue	9,553	8,777	8,995	9,489	9,893	10,697	12,253	13,740	14,955	16,326	18,627	19,176	19,014	20,862
7	US	5,139	4,724	4,732	4,819	4,916	4,637	4,782	5,129	5,723	6,107	6,378	6,543	N/A	N/A
8	EAME	2,096	2,256	2,407	2,585	2,732	3,222	3,828	4,282	4,327	4,723	5,620	5,512		
9	Asia/Pacific	1,254	845	955	1,110	1,212	1,341	1,611	1,897	2,054	2,283	2,882	3,322		
10	Rest of World[a]	1,064	953	901	975	1,034	1,498	2,033	2,431	2,852	3,213	3,747	3,799		
11	Total Revenue	9,553	8,777	8,995	9,489	9,893	10,697	12,253	13,740	14,955	16,326	18,627	19,176	19,014	20,862

[a] Includes Americas region and non-Nike brands.

[b] In fiscal year 2010 Nike's operating segments were restructured into six newly defined geographies of North America, Western Europe, Central/Eastern Europe, Greater China, Japan and Emerging Markets from its previous structure of four regions. During fiscal year 2011, revenue growth in the six regions was North America +13%, Western Europe -2%, Central/Eastern Europe +4%, Greater China +18%, Japan -13% and Emerging Markets +24%.

Adidas
($ millions to 2005, € millions after 2005)

12	Total Revenue	5,639	5,711	5,392	5,472	6,167	7,092	8,057	7,858	10,084[a]	10,299	10,799	10,381	11,990	N/A

[a]Includes Reebok's revenues beginning February 1, 2006.

Reebok
($ millions)

13	Total Revenue	3,225	2.900	2,865	2,993	3,128	3,485	3,785	3,385	N/A	N/A	N/A	N/A	N/A	N/A

Source: Company annual reports.

Professor William E. Fruhan, Jr. prepared this case. This case was developed from published sources. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Nike's rapid growth from 2002-2008 was powered by (1) footwear and apparel sales outside the U.S., (2) growth in sales of football boots (soccer shoes) from less than $50 million in 1994 to well over $1.5 billion a little over a decade later, and (3) the addition of "other" brands, internal growth, and acquisitions. These entities included Nike Golf, Cole Haan, Hurley International, Converse, and Umbro.

Some key events affecting Nike during the 1998-2011 period included the following:

1. In December, 2004 at the age of 66, Phil Knight stepped down as president and CEO of Nike. He retained the title of chairman and continued to own approximately 24% of Nike's outstanding shares. Knight was succeeded as president and CEO by William Perez. Perez had worked as president and CEO of S. C. Johnson & Sons (a privately owned manufacturer of household products with estimated annual revenue of $6.5 billion) until joining Nike.

2. In August, 2005 Adidas announced a friendly merger with Reebok. The deal was completed in early 2006. This combination changed the competitive landscape for Nike by creating a competitor almost equal in annual sales.

3. On January 23, 2006, thirteen months after joining the company, William Perez announced that he was resigning as Nike's president and CEO due to disagreements with Phil Knight over how to run Nike. His severance package amounted to $14 million, most of which related to sign-on incentives given to Perez by Nike to replace unvested restricted stock and options let behind at S. C. Johnson & Sons.

4. In October, 2006 William Perez joined Wm. Wrigley Jr., Co. as CEO. He joined the company without an employment contract.

5. In mid-2007, Nike announced a goal of $23 billion in revenues by the end of fiscal 2011, a four year increase of 41%. This goal was reaffirmed in mid-2008. In fact fiscal 2011 revenue reached only $20.8 billion.

6. In April, 2008 Wm. Wrigley Jr. Co. announced it had agreed to be acquired by Mars, Inc. Shortly thereafter William Perez resigned.

7. In early 2009, Nike announced a 5% workforce reduction in response to deteriorating global economic conditions.

8. At the end of fiscal year 2011, Nike's sales in greater China reached $2.1 billion up from $1.4 billion in fiscal year 2008. In other emerging markets Nike's sales grew to $2.7 billion in 2011 from $1.6 billion in fiscal year 2008.

9. In July 2011, Phil Knight remains as Chairman of Nike's board at the age of 73.

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