

Nike's empire grows by leaps and bounds

BEAVERTON (AP) — Few, if any, American businesses can match the phenomenal growth of the Nike athletic shoe empire over the past five years.

Nike sales have exploded from \$28.7 million in 1977 to \$457.7 million in fiscal year 1981 — a growth of 1,600 percent. Net income grew from \$1.5 million to \$25.9 million in the same period.

The Beaverton-based company overtook Adidas of Herzogenaurach, West Germany as the top seller of athletic shoes in the United States last year and now is taking on the international market.

Nike's annual growth rate, in revenue, over the last four years has been 247 percent, 211 percent, 180 percent and 170 percent.

Nike's trademark "swoosh" can be seen on the feet of such noted athletes as Sebastian Coe, John McEnroe and Dan Fouts.

Now, with the U.S. jogging and running market saturated with Nikes, the company — named for the Greek goddess of victory — is looking for new horizons to conquer.

"We won't grow as a company that fast," says Nike President and Board Chairman Phillip "Buck" Knight, "but certain areas will grow that fast."

Nike's new targets are the children's market, cleated shoes, foreign sales and apparel.

"All of those programs are at varying degrees of maturity," Knight says, glancing around the company's new and already overcrowded headquarters.

"Children's is the one that's contributing the most now, so I would think it would continue to grow really fast for a few years, then it will begin to slow down," Knight says, "but by then cleated should be up and running hard and the other two right behind it."

Children's shoes amounted to 15 percent of Nike's sales or \$64.3 million last year. That was up from 8 percent the previous year.

Cleated shoes, such as those used for football and soccer, were just 2 percent of Nike's business last year.

"That amounted to \$8 million in sales last year, which is virtually nothing," Knight says.

"The apparel line is being well-accepted," Knight says. "It's a fairly narrow line and it will gradually broaden. I think it's increasing in sales at a fast rate but still is about 7 percent of our total sales, whereas we believe it's about 40 percent of our major competitor's sales."

When Knight talks about the major competitor, he means Adidas, still the worldwide leader in athletic shoe sales.

Knight wants Nike to challenge Adidas on the world market. He sees Europe, Canada and Japan as the areas with the biggest potential.

To spearhead the international movement, Nike hired former U.S. Transportation Secretary Neil Goldschmidt as its vice president for international marketing.

Sales in the European market have been hampered by steep duties on imports from countries that aren't members of the European Economic Community. Nike is getting around that problem by building

a factory in Ireland, scheduled to begin production late this fall.

Knight, now 43 and a former University distance runner, joined with his old coach Bill Bowerman to design and distribute Tiger-brand shoes in the United States.

That agreement fell apart in 1972 and Nike's predecessor, Blue Ribbon Sports Inc., nearly went bankrupt.

"That was the most crucial time," Knight said. "I wasn't going to give it up but I thought for awhile the banks might give it up. I was confident we could do it again and do it better."

Nike was born in 1972 and took its only loss that year.

"The financial institutions after that first year were really down on us," Knight said. "But I was more upbeat than I was the year before when we were starting it out, because we'd increased our sales 50 percent so we were in the marketplace. We were there."

Knight said a person who in-

vested \$10,000 in Nike at the start would have an investment worth \$6.6 million today, and he said Nike has made many people millionaires.

Knight's Nike stock alone makes him worth \$175 million and he draws an annual salary of \$250,000. He has been described as the richest man in Oregon, a title he detests.

"I hate that," he said. "It (the stock) is a million miles from being in total liquidity."

The next big break came when Bowerman used his wife's waffle iron to design the famed "waffle" sole for Nike's running shoe. The new style caught on among many top runners and was a big seller.

Later, a second breakthrough in style occurred when Nike purchased the air-sole, designed by an aerospace engineer who had been turned down by four other shoe companies before he came to Knight.

Nike "went public" last year and its recently-released annual

report provided the first glimpse at the figures behind the company's success story.

But Nike's stock has languished since it went on the market a year ago. The stock came out last December at \$22 per share bid on the over-the-counter market. This week it was at \$19.

"I wish it was higher," Knight said. "I'm disappointed that it isn't. But when the offering came out for the first time, I invested in common shares other than Nike. I invested in a hundred shares of IBM, Boeing, FMC, Royal Dutch Petroleum and Mattel Toys. That was on Dec. 3 and since then Nike's been better than all five of them. So we haven't been alone."

The company makes only about 15 percent of the 30 million shoes it sells each year. Most of the others are made under contract in South Korea and Taiwan.

Nike also has contracted to produce its shoes at four

factories in China — two in Shanghai and two in Tientsin. Production in China is scheduled to start in late October.

However, Knight insists the company has strict quality controls and doesn't take advantage of cheap labor overseas.

"Our margins on the foreign-made stuff are about the same as our U.S.-made stuff," he said.

How has Nike managed to succeed so well while so many others have failed?

"We've had good people," Knight said. "We've been able to grow through a lot of problems. Other people have had those problems and haven't grown through them. I think the difference is in the people, and we've been lucky to some extent — the right place at the right time. Running just went crazy."

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