

Impossible is Nothing: Adidas' Push for Global Market Control

Eziel Wedemeyer

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Abstract

This report discusses and analyzes the business decisions that, sportswear giant, Adidas Group, has made in recent years on a global scale. An overview of company structure is included, introducing who Adidas Group is and what they specialize in. Furthermore, the strategic imperatives are discussed studying what are the means, mentalities and motivations for the Adidas Group. An in-depth look at some of the organizational challenges that the group has faced within the past couple years. The focus is on how and what Adidas Group did to retain their strong brand. Finally, the managerial implications look over the marketing efforts and product launches that the group has made and how that affects the group globally. The goal of the paper is to assess what the organization has done in order to become the global market leader, attempting to overthrow their rival competitor, Nike. A recommendation closes the paper, advising that if Adidas wants to grow significantly in the future, implicating a need to take risks and to invest in marketing.

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It was in the 1936 Olympics in Berlin, Germany that the world witnessed American Jesse Owens win four gold medals. The U.S. was ecstatic at the wonderful performance of Owens and how he represented his country well overseas. However, there was one other person that was thrilled about the success of the American track star. Adolf "Adi" Dassler was excited to see his Adidas shoes being showcased as Jesse Owens ran his way to victory. This was the beginning of worldwide recognition for "the brand with stripes."

From outfitting the 1954 German World Cup Champions to making the most famous sneakers in pop-culture (Superstars), Adidas has become a renowned, global brand. In spite of this, the organization did start with humble beginnings. Adi Dassler was passionate about providing athletes the world's best shoes for performance. It was in his home workshop that Dassler created the vision for his shoe company. Adidas was founded on three guiding principles: make the best shoe possible specific for the sport, protect the athletes from injury, and make the product long-lasting (Runau, 2009).

Although Adidas is very successful, since the late 1980's the organization has had its challenges. With the emergence of Nike, Adidas' most rivaled competitor, and because of the lack of capitalizing on strategic market opportunities, it has been difficult for the German company to come out on top of the world market. It is not that Adidas brand doesn't sell because the quality of the products is superior when compared to competing brands. However, it is a marketing issue and over the recent years Adidas has really made a strong effort to increase their profitability in various markets. The true challenge is this: will Adidas be able to modify their marketing strategy enough to give them global competence and potentially overthrow Nike as the market leader?

Overview of Adidas Group

The Adidas Group is comprised by three brands: Adidas, Reebok, and Taylor-Made Golf. The Adidas segment, where 72 percent of the group sales came from in 2008, is divided into three different brands within two categories (Adidas Group, 2009a). Sport performance and sport style are the two divisions that categorize Adidas products. In 2008, sport performance acquired 80 percent of the sales within Adidas. The driving principle of the organization is to provide premier athletic products for all competitors in all sports. Meanwhile, Adidas also recognizes that they specialize on four sports: football (soccer), running, training, and basketball. It is not ironic that each of these four sports is competitive on a global scale. This ties the means and mentalities of becoming a strong global brand.

The other part of Adidas is its sport style division, which consist of Adidas Originals and Sport Fashion divisions. The Originals brand specializes in marketing retro and popular Adidas products from the past. Some of the Adidas Originals include the Samba model, which had world-wide success as a standard soccer shoe, and the Superstars, which were worn primarily by star basketball players while also embraced by the hip-hop culture. The organization has entered into the fashion industry by promoting sport-inspired apparel. Together these sub-divisions made up 20 percent of total sales within the Adidas brand (Adidas Group, 2009a).

Reebok was bought out by Adidas in 2005. The reason why the group acquired Reebok was to gain market share in United States. This organization contributes about 20 percent of total sales for the group (Adidas Group, 2009a). The Reebok division consists of the Reebok brand, CCM, and Rockport. Reebok-CCM Hockey is one of the world's largest hockey manufacturers and distributors. Rockport is company that design shoes for dress, casual and outdoor styles.

Reebok is famous their excellence in women's training footwear and for the Reebok Classics footwear line.

The last division of the Adidas Group is Taylor-Made Golf. This sector of the Adidas Group produces 8 percent of group sales, but is optimistic of the growth potential (Adidas Group, 2009a). Adidas Golf and the golf apparel company, Ashworth, both operate under the Taylor-Made Golf venue. As golf becomes a more popular sport, Adidas looks to take a strategic approach, bringing a high-quality product track record into the golf market. Taylor-Made was already an established company before joining the group and is popular for the quality of their golf equipment. Thus, the acquisition of Taylor-Made was overall a great move and has helped Adidas successfully market their brand name in that industry.

Strategic Imperatives

Adidas is a multinational enterprise that has a remarkable history of innovative products that are known to be superior in quality and durability. This organization was founded in Herzogenaurach, Germany in the late 1920s as a striving young company (Runau, 2009). Since then Adidas has taken certain situations and used their key motives to drive their business mentality on a larger scale. The number one motive that is held at the Adidas Group is to be the most professional, athletic outfitting organization in the world. This goal has been part of the Adidas organization ever since Adi Dassler, the founder of Adidas, had proclaimed a pure passion for sports and the entertainment it provides. Looking towards the future, Adidas Group has taken some new approaches on how the organization will tackle the global market.

Demonstrated in the 2008 Annual Report, Herbert Hainer stated that the Adidas Group will continue to grow sales and product distribution with a multi-brand approach (2009a). One of the best attributes of the Adidas Group is that each of their brands has a recognizable history both on

a local and global level. Adidas has maintained a reputation as one of the best sport brands in the world; that can be seen by their resiliency, being in business for over 60 years. In 2007, Forbes made a list of the world's top sports brands in terms of their value. In that list, Adidas was ranked third and Reebok ranked seventh respectively (Schwartz, 2007). This shows that globally, the Adidas Group has a strong position in the world market. However, there is much room to grow. According to a report from Nike Inc, it states that ever since 2005 more than 50 percent of their sales have come from outside the United States market (Nike Inc., 2009). This is one area where Adidas Group needs to work on gaining a broader grasp of the world market share.

Now when assessing the global potential for Adidas Group, it is obvious that there is tremendous upside. Adidas is the market leader in soccer, which is the world's most popular and watched sport. According to FIFA, Adidas is the official licensee and supplier of the World Cup in 2010 and 2014. FIFA has also declared Adidas as the official sponsor and match ball provider of all other FIFA events and tournaments (Fédération Internationale de Football Association , 2009). In addition, Adidas outfits many other teams and federations including some of the world's top teams like AC Milan, Chelsea, Spain, and Germany. In 2008, Spain and Germany went against each other in the European Championship. This is significant because both teams were fully equipped by Adidas; the brand was really highlighted on an international level. According an annual report of 2008, Adidas is the market leader in Europe in terms of sales (2009a). Europe today is considered one of the best economies and with Adidas being the leader in that market, it provides very good base for Adidas to work from, as they plan to expand into other emerging markets.

One method that is imperative to the Adidas marketing strategy is athletic sponsorships. This organization practically invented the concept of an athlete endorsement when they

sponsored Linda Radke-Batschauer, who was the first person to win an Olympic gold medal, in 1928 (Runau, 2009). Ever since then Adidas has had several athlete endorsements including superstars in every many athletic arenas like Kevin Garnett (NBA), Reggie Bush (NFL), David Beckham (MLS), and Joba Chamberlain (MLB). This idea falls into Adidas' desire to get a competitive advantage in terms of marketing. Now with a multi-brand approach, the group has Reebok to serve as another avenue to sponsorships and endorsements. Adidas Group has contracts with several sports leagues including being the official uniform and apparel provider for the National Football League, the National Basketball Association, and Major League Soccer (Adidas Group, 2009a). Not only does the group have exclusive partnerships with top sport organizations in the United States, but they have spread their brand across the world in several sports. In addition to all the soccer teams, Adidas has unique contracts issuing the endorsement of the internationally recognized New Zealand Rugby team, the All Blacks, and the Flora London Marathon (All Blacks, 2008; Adidas Group, 2009a). These sponsorships are ideal to the marketing plan of Adidas because it brings credibility to the organization.

The 2008 Beijing Olympics was the world's largest competition between countries. Athletes train rigorously, hoping to bring back a gold medal meanwhile representing their home country well. Adidas is also very concerned with the Olympics. In fact, they viewed this sporting event as the most important venue in 2008. Several sporting brands endorse many athletes in order to have their products marketed at the big games. Adidas seemed to be the overall winner in 2008. According to an article from MSNBC, Adidas had 3,000 sponsored athletes participating in 27 out of the 28 sporting events (Riper, 2008). Not only was there a great representation of sponsored athletes, but Adidas was also the official brand sponsoring the Olympics. That means that everything from a referee's outfit to the sport equipment was branded

with an Adidas logo. There is a strong emphasis on endorsing athletes and athletic events because that is where product will be showcased on an international stage.

Organizational Challenges

Today Adidas Group has more than 38,000 employees and with 2,600 of the employees working at the headquarters in Herzogenaurach, Germany, where Adidas was originated (Runau, 2009). However, there are several locations where the group has headquarters and centers of innovation. In North America (United States and Canada) is where the headquarters for Reebok, Adidas North America, Rockport, Reebok-CCM, and Taylor-Made are located. The center for sports licensing is also located in Canton, Massachusetts (Adidas Group, 2009a).

Europe is home to where most of the global operations take place since that is where the centers for international trading and international marketing are located. In Asia the group holds their sourcing center. There are also Reebok and Taylor-Made headquarters in Europe and in Latin America there is an Adidas headquarters (Adidas Group, 2009a). The reason why Adidas has spread their centers of business around the globe is because that way they can better understand the needs of each individual market. In this era of sportswear, the mentality of “one product for all” has faded away. What is now the demand is customization and products that are tailored to the consumers. It is important to be close to where the targeted market is in a geographic sense in order to adapt and learn the culture.

One of the reasons why the Adidas Group bought out Reebok was to spread their global competence, having the luxury of an already established brand so it can create a competitive advantage. However, whenever there is a merger or an acquisition, there will be organizational challenges. Sometimes when companies come together, there can be huge success. On the other hand, if not handled well, acquisitions can be more of a burden than an asset. The joining of

Adidas and Reebok has yielded mixed results. While the Adidas segment of the group increased their gross profit by 13 percent and their net sales by 10 percent, Reebok decreased in sales 8 percent, decreasing their gross profit by 12 percent (Adidas Group, 2009a). Ever since 2006, when the Adidas Group acquired Reebok, there has been a consecutive decline in sales for that particular segment. It is true that Adidas has benefitted from the acquisition of Reebok, since Adidas now has access to outfitting some of America's major sports leagues. Unfortunately, that cannot be enough to create an increase in sales and profit for the Reebok segment.

The organizational challenge that group faces is that they need to restructure the focus of Reebok. In an article from the Boston Business Journal, Reebok is described as an organization that had "no direction at all" (Lefton, 2009). Adidas has focused its attention on recreating a competitive advantage with the acquired brand. This is done by finding specific target markets for Reebok. Specializing in women's fitness is the first of three goals that Adidas has for the brand. Reebok already has market control in women's fitness and has a history of delivering good products. The second part of the restructuring of Reebok is reviving the Reebok Classics label. Reebok Classics are widely known as shoes that were efficient for training as well as being attractive with the latest fashions. The case for the Classics is similar to the Adidas Originals in the sense that they both have a strong history. The fashion market is constantly changing, fads come and go, and new styles emerge. The Reebok Classics are attractive sneakers that in the past had great success. Marketing the heritage of the brand would be a key aspect. Finally, as shown in the Reebok Strategy model, the challenge that Reebok will face is competing in the men's training, running, and sport market. The primary market for Reebok geographically is the United States. It is a tough market for Reebok and Adidas when combined their U.S. market share is around 21 percent while their rival competitor, Nike, owns about 36 percent (Schoettle, 2006).

Therefore, if Reebok keys in on certain areas of the market where they think they can have success and deliver, market share may increase in the United States; thus, that would put them in a position to expand in the future.

Taylor-Made is another brand that Adidas owns and looks to expand its horizons with innovative products. This division of the Adidas has been able to deliver; however, in the past couple years it has rebounded from a recent decrease in sales. In 2008, Taylor-Made increased sales from 804 million to 812 million Euros. In 2007, there was a decrease from 856 to 804 million Euros (Adidas Group, 2009b). Although Taylor-Made is known to the best in producing the best drivers in golf, there are other areas where the brand lags behind other competitors. The fact is that the golf market is very diverse in brands and therefore there is not just one brand that overtakes a majority stake of the market. Having this in mind, Taylor-Made looks to continue producing top of the line drivers while improving on other golf products. Once they improve and market and launch new products, the organization can use that as a gateway to bolster sales in all areas of the business. In order to market properly, a lot of the advertisement in golf is through endorsements. The problem with Taylor-Made is that they do not have endorsed superstar golfers. The reason why Nike is so popular and gains a lot of market attention is because every athlete they sponsor is a proven athlete that has a track record of winning. Tiger Woods, arguably one of the best golfers in history, is endorsed by Nike. Since Woods continues to dominate in his performance, so does the marketing of the Nike brand. Adidas needs to find a way of recruiting top athletes just like how any sports team recruits their athletes. Having a diverse representation in endorsements can move Taylor-Made into the forefront of market attention.

Managerial Implications

The Adidas Group has many plans and strategies in mind. There comes a point where the strategy needs to be put in practice so that positive results can become a reality. That is exactly what Herbert Hainer and the rest of the Adidas organization desires to do.

New Product launches help diversify Adidas capabilities. Adidas in the Europe has launched a new fitness system that promotes healthy lifestyle through running workouts. The system is called “mi coach”, which goes along with the promotion of providing customized products, a centerpiece of Adidas strategy. The system comes with unique hardware that monitors your heart beat, pace, and gives you coaching tips in real time. Adidas made a deal with Samsung Mobile to produce a version of the mi Coach in the F110 Phone. This phone has the many features of a phone while integrating the mi Coach system. (Adidas Group, 2009a).

Some of the new innovations that Adidas is bringing into the market include TECHFIT and the Supernova Sequence 2. TECHFIT is a technology behind Adidas’ performance apparel. TECHFIT increases speed by 1.1 percent, jump by 4 percent and power by 5.3 percent (Adidas Group, 2009a). It is the PowerWEB integration that compresses the muscles in order so that training can be more intense, as the muscles are used to its full potential. The Supernova Sequence 2 is the newest addition to the Supernova shoe family. The shoe involves 3D FORMOTION which helps reduce impact force and pronation velocity. These products can compete with Nike’s Shox footwear.

Adidas is not the only division that had successful product launches in 2009. In total, there were more than 35 new product launches for the group. One of the more successful launches was for the Reebok EasyTone training shoe. As stressed earlier, Reebok is the leader in women’s fitness in footwear, and they look to build on that. The EasyTone training shoes have

built-in balancing pods under the sole. This creates a natural instability creating the muscles to adapt every step. According to Reebok, specific muscles in the calves and hamstrings are gain 11 percent more activity while the gluteus maximus gains 28 percent more activity (Adidas Group, 2009a). When the shoe hit the market in the United States, there very positive reviews by the consumers as well as on television.

Marketing approaches. Even though it was important for Adidas to come out with a diverse product launch in 2009, it was also important to gain a strong grasp on marketing. In 2009, Adidas had key sponsorships on a large global scale which included the 2008 Beijing Olympics, NFL Super Bowl, the UEFA Championship, Boston Marathon, and the French Open (Adidas Group, 2009a). Adidas continues to land big time partnerships with major sports leagues and federations. Now what they will focus on is signing top athletes on to their Adidas, Taylor-Made, and Reebok brands in order to compete with Nike's athlete endorsements.

The organization is also looking at other ways to promote their brands. One of the unique partnerships that were initiated in 2009 was between Reebok and Cirque du Soliel. These two organizations introduced JUKARI Fit to Fly, incorporating exercise and imaginative movements inspired by Cirque du Soliel artists (Adidas Group, 2009a). Uniting two different organizations from two different areas of business helps create sound business relationships where both companies can gain new marketing avenues.

New marketing avenues can be beneficial for integrating innovation and information for products. When Adidas collaborated with major fashion designers like Stella McCartney, it provided a chance to create new ideas. Adidas looks to continue entering the fashion industry with their sport style product lines SLVR and Y-3. Partnerships with famous athletes and pop icons also contribute to the success of sport style concept. Adidas Originals has also collaborated

with several celebrities such as David Beckham, Katy Perry, Estelle, and Calle 13 to promote their “Originals by Originals” campaign (Adidas, 2009). Allowing celebrities and pop icons to unite with Adidas to make exclusive styles will influence the popularity of the brand, thus expanding on marketing capabilities.

Recommendation

Adidas Group is a professional, industry influencing organization. The organization continues to show characteristics of a leading company, since they were chosen for the Dow Jones Sustainability Index for the tenth time in a row (Adidas Group, 2009). That means Adidas has momentum going in the right direction. However, after studying and researching the company, there are key areas where the group should strictly focus in on so that they can set themselves in a position for continuous growth. The key areas include expanding marketing capabilities specifically in the United States, gain first mover advantage in emerging markets, and establishing young and new product lines.

The first objective for marketing is reviving the Reebok brand in general. Reebok has been the only segment of the group that has been losing money for Adidas. With the focus on women’s fitness, Reebok can regain market share through that avenue. Reebok Classics should look at what Adidas Originals has done. Collaborating with celebrities can be instrumental in getting creditability, which will attract consumers. The goal is to compete with the U.S. market leader, which right now is Nike. A key aspect of marketing for the group should be to target proven athletes for endorsements (i.e, Jordan, Kobe Bryant, LeBron James with Nike)., instead of athletes that are not as appealing. If Adidas can obtain momentum in the United States market, then that would roll over into other markets, since U.S. seems to influence global markets the most.

Emerging markets are the second focus for Adidas. The most important emerging market is Asia, specifically China. Adidas is ahead of the game because they were the official sponsor for the Beijing Olympics. Since entering into the China market, Adidas opened their largest brand store in the heart of Beijing, thus making a statement that Adidas wants to be a locally accepted brand in China (Adidas Press, 2008). Localizing marketing to where it is tailored to a specific region is always a good way to immerse a brand in emerging markets, thus following the culture of having close relationships with consumers.

Finally, promoting the new lines like SLVR strategically and transferring technology from one division to another will help boost sales for the group. Using sole technology from Adidas and integrating that with Rockport products will help build a better product for the brand. Adidas should move the sport style brand focus from Europe to the United States, since that is where Adidas needs to gain the most market share. The SLVR brand can compete against Jordan, the sport style brand that has boosted the Nike's influence in the United States. Possibly, SLVR can become for Adidas what Jordan has become for Nike.

Conclusion

Adi Dassler had a champion-minded spirit, which is how he set such a great foundation for this organization in its early years. Through the tough times, Adidas has been strong and have learned from their successes and from their failures. With all the diverse brands that operate under the Adidas Group, there is strong outlook on the future that this brand can one day be the market leader on a global scale. It will take being open-minded to taking risks, changing structure and culture to stay up to date with the consumer, and staying close to the sound values the organization holds. With that in mind and as the centerpiece of operation, when faced with challenges, it is true what the Adidas slogan says: impossible is nothing.

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