

Adidas product innovation



Introduction:

Adidas is German Company and was named after its founder Adolf Dassler and his brother Rudolf Dassler in 1948. Adidas is one of the most popular sports manufacturers as Mr Adolf Dassler understands the need of athletes'. He had simple vision for his company to provide athletes best products with three guiding principles: produce the best shoe with sport requirement, protect the athlete from injury and make the product durable. There more than 700 products related with sports and this has created Adidas Kingdom of the sporting goods. A part of Adidas Group is Reebok sportswear. The company also produces eyewear, watches, shirts, bags and clothing related to sports. Adidas's current official logo consists of three parallel bars. The three stripes become a brand name in 1949 and with the help of Olympics held in 1952 where more sportsperson wore Adidas than another shoe, the company began to grow. Adidas has contributed to the development of the Olympic Games.

Adidas' main aim is to continuously progress their quality and image of their product in order to exceed consumer expectations and to provide them with the highest value of satisfaction.

Hermann Deininger, CMO of Adidas comments on Originals by Originals that “ when we enter into any new partnership for Adidas Originals, It is essential to offer something truly unique and new for our consumer” (www. press. adidas. com)

Based on Adidas objectives of innovation and design leader I have been asked to devise a new product for Adidas and develop a marketing strategy.

The product which I would like to introduce is called ADIPATCH to be launched and sold in Pakistan after the successful business and environmental analysis.

Description of ‘ ADIPATCH’:

Adipatch is a pain reliever that uses heat therapy for the relief of stiffness and muscular pains. It is been developed for Adidas for players and for the people who uses gym regularly and suffer muscular pains. The warming effect of Adipatch heat penetrates into muscle helping to stimulate blood circulation. This patch last for up to eight hours and can be used for the relief of backache, sprains, and joints stiffness. It is easy and cost-effective way to get back o your active lifestyle. Adipatch is designed to be used on the skin where athlete wants the heat to be applied. Our Adipatch standard size is 3.5×5 inches. It is easy and cost-effective way to get back o your active lifestyle.

Recommended use of ADIPATCH:

To relieve joint and back pain

To relieve shoulder and neck pain

To relieve sore and aching muscles,

To relieve knee pain

For long hours office work, long haul flights and long driving

Marketing Objective for ADIPATCH:

Launch a new product and it development

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Earn the market share and increase in sales

Allow Adidas to gain greater recognition

Market development

Business and Environmental Analysis:

Market oriented firms' looks outward to the environment in which it operates adapting to take advantage of emerging opportunities and to minimize potential threats (Jobber 1995). I decided to launch ADIPATCH in Pakistan and I would like to do two analyses. First to launch our product we need to do Pest analysis to know the political, economical, sociological and technological conditions of Pakistan to know whether it's feasible to launch Adipatch in Pakistan or not. Pakistan is located in south Asia. Pakistan is sixth most populous country in the world. Pakistan's approximate population by July 2009 is 174, 579, 000. Karachi is the biggest city of Pakistan in population size and then Lahore. National sport of Pakistan is hockey but cricket is more popular. Pakistan economically and politically is not stable. Fiscal deficit as targeted in 2009 is 5. 5 percent of GDP, which was 7. 4 percent in 2008 fiscal but still enjoy sports. Pakistan is rapidly developing country.

The second deals with the issues analysed in the area were we have to look into market, competitors, customer's needs and wants, buying behaviour, brand loyalty and segmentation. Michael Porter's five force model is used to critically analyse this part and results showed that Adidas has opportunity to launch its new product ADIPATCH in Pakistan. An environmental scanning was carried out and results showed that Adidas is more responsive to the

customer's needs and opportunities identified could help Adidas lip frog competitors.

Growth Objectives:

Guzman (2005) quoted Yogi Berra in his book “ if you don't know where you are going you will end up somewhere else.” Asnoff provided a framework to identify growth opportunities, determination of scope (Croft 1998). He has identified four generic growth strategies such as market penetration, market development, product development and diversification. Asnoff pointed that diversification strategy stands apart from three strategies. It is a form of growth strategy which helps to increase profitability through new products and markets.

In current circumstances, Adidas objective is to develop new product of potential interest to its current market. It is well known that Adidas is an international company with market all over the world including Pakistan. The important issue for success in going down this road is the profitability of the customer group for which the product is being developed. Secondly Adidas has a strong brand that can be comfortably applied to the product.

Market segmentation, Target Market, Positioning:

Market segmentation provides the basis for the selection of target markets. A target market is chosen segment of market which a company has decided to serve. As customers in the target market segments have similar characteristic, a single marketing mix strategy can developed to match those requirements. Creative segmentation may result in identification of new segments that have not been served adequately.

Market segmentation refers to subdividing a market along some commonality, similarity or kinship.

Adidas as an international company, we can segment Pakistani market on following basis:

Size: Pakistan's population is approx hundred and seventy four million and 45% are of the age of 25-45 years old and interested in sports.

Identification: Through the survey it was identified that the 50% people of the above group age 28-40 are involve in sports activities. This age group have healthy routine. Age 28-40 are involved in some sports such as cricket, hockey and badminton and 40-45 enjoy long walks in the park to keep themselves fit and suffer from muscular pains.

Importance: by market research I have found out that Adipatch features are important for the age group 28-40 because this group suffer more from muscular pains and to the doctors for treatment. Adipatch can help them to get relieve of the pain or sore.

Accessibility: during my research I found out there are good channel of communication that can be use to make the customers aware such as sports magazines, TV, health clubs. After segmenting the market, the next step to move on is positioning in the mind of customers of new product. The objective is to create and maintain a distinctive place in the market for company or for its products (Sampson, 1981). In Pakistan age group 28-40 meet these characteristics.

Positioning describes how the target market is selected and evaluation by customers in comparison with competitors such as ' deep heat' and nurofen

back pain heat patch sold in Pakistan. Adidas chose a positioning strategy that seeks to differentiation from competitors with regards of product characteristics to increase sales. This will facilitate Adidas to maintain market stand and charge premium prices.

Product Development Process:

Organisations do not operate in static environment but they are constantly facing the consequences of changing technology, changing customer's taste and preferences and changing competitor's products. Any organization that is positively managing its product portfolio will recognise that its existing products are in different stages of their lifecycle and can be modified to maximise its potential.

It is important part of product strategy new product development can be very risky business. The foundation of for successful new product development is the creation of corporate culture that promotes and rewards innovation. Effective new product development is based upon creating and nurturing an innovation culture, organizing effectively for new product development, and managing the new product development process.

Development of Adipatch follow consists of following steps:

Idea generation: Any new product has to start from somewhere as a germ of an idea. Adipatch is a new product. The objective is to motivate the search for ideas so that salespeople are aware of this product

Screening: having developed new product ideas need to be screened to evaluate their commercial worth. After screening of a range of ideas it was found that Adipatch will be worth if produced with an early pay back. The

calculation of the payback is found in the capital investment section of this assignment.

Concept testing: once the product idea has been accepted, it can be framed into specific concept for testing with potential. Product testing is focuses on the practical aspect of the product. At this survey was conducted to get the views of the customers.

Business analysis: based upon the results of concept test estimate of sales, cost and profit will be made. After budgeting Adipatch has identified the target market, its size and projected product acceptance over number of years.

Product development: at this stage the new product concept is developed into a physical product. Adipatch is developed into a physical product through the research and manufacturing unit,

Market testing: market testing takes measurement of customer acceptance . The main idea is to launch Adipatch in a limited way so the customer's responses in the market can be assessed.

Commercialization: this stage relies on marketing management making clear choice regarding targeting market and development of marketing strategy. This is final stage of Adipatch where it can be brought to market. Adidas will need to decide when and where to launch Adipatch and its launching plan.

Market mix for Adipatch:

Based upon understanding of customers, a company develops its marketing mix. The marketing mix consists of four major elements: product, price,

promotion and place. These 4Ps are the four key decisions are that company must manage so that they satisfy customers needs better (Kotler, 2005)

According to Adidas website their marketing strategy is based on 4Ps which is also called the marketing mix. We can use market mix for Adipatch as follows:

Product:

Adipatch is a new product introduced in Pakistan for people who are into sports. It alleviates muscular pain and regulates blood circulation using heat therapy.

Price:

Price is a vital element of the marketing mix as it represents on a unit basis what the company receives for the product which is being marketed (Parry, 2005). The product will be charge at same price compared to Deep heat and Nurofen heat patch. This will help Adidas to maintain standards and to compete in the market with existing products. The price per box of Adipatch will cost 300 Pakistani rupees

Promotion:

Customers need to be aware of the new product. Means of communication to be use such as to advertise on TV, magazines and in radio.

Place:

Involves the decision with reference to supply of Adipatch to the target market. This will concentrate on more using retailer and sport shops, Adidas outlets, health clubs, doctor's clinic.

Costing For Adipatch: Investment in Pakistani Rupees

Package design 29, 000, 000

Test Marketing 8, 800, 000

Product Manufacturing 100, 000, 000

Distribution Cost 21, 000, 000

Storage Cost 9, 000, 000

Press Release 6, 800, 000

Raw Material 18, 000, 000

Handling Cost 9, 000, 000

Total 201, 600, 800

Adipatch per unit price is 300pkr with the variable cost of 130pkr. The contribution expected to be 280pkr. The number of units of Adipatch expected to be sold each year for next 5 years is as follows:

Years Units

Year one 200, 000

Year two 230, 000

Year three 280, 000

Year four 300, 000

Year five 290, 000

The contributions for the next five years are expected to be as follows:

Year Revenue Investment Cumulative Profit

(Millions) (Millions) (Millions)

0 201, 600, 800

1 57, 000, 000 57, 000, 000

2 65, 550, 000 122, 550, 000

3 79, 800, 000 202, 350, 000

4 85, 500, 000 287, 850, 000

5 82, 650, 000 350, 500, 000

According to the analysis Adidas will get their investment back within approximately in three year time. However, Adidas should introduce more features to Adipatch because of changing environment and trends to sports and injuries to sports people

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