

Marketing plan: adidas ag

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Adidas AG sells sports shoes, apparel, and equipment in 170 different countries. Their focus lies in football, soccer, basketball, running, training gear, golf, and apparel. This is a two billion dollar industry and with Adidas being a main cog. They also specialize in lifestyle goods including SLVR and Y-3 fashion brands. They have trademarked their three-stripped logo that has become a global symbol of sporting excellence. They are the #2 sporting goods manufacturer behind only Nike.

Adidas' main market is the footwear manufacturing industry. Research and development is what gives Adidas a competitive advantage. They focus many resources on being innovative and developing new products. An analysis of the internal and external environments indicates the firm has strengths in new product development, a global footprint, and a strong brand portfolio. The main weakness of the company is their dependency on a third party manufacturer. They have many strategies planned out to reach marketing objectives. They have a number of actions they plan on using to innovate and expand their company.

Situation Analysis

Industry

Description

Adidas' primary industry is Footwear Manufacturing. The US footwear manufacturing industry consists of about 230 manufacturers with sales of about \$2 billion (Hoovers 2012). The major shoe companies in the US are mainly owners of brand names that source their shoes from independent manufacturers outside the US. Some US manufacturers make a percentage

of their shoes in the US while other smaller operations manufacture all their shoes in the US. The global footwear market generates about \$85 billion in export revenue, according to the International Trade Centre. The largest footwear producing countries in terms of export revenue are China, Italy, Vietnam, and Germany.

Growth

The shoe manufacturing industry is high risk because economic stability affects spending on non-essential goods. In times of economic struggles people may shy away from buying new shoes or opt to purchase the bare essentials. This limits the opportunity of growth within the industry. Demand is driven by fashion and demographics and calls for the need of good design and merchandising. Some opportunities do include Internet sales, international sales, and brand extensions. These are ways that the companies within the industry are looking to expand and obtain a competitive advantage. The output of US footwear and other leather products manufacturing is forecast to grow at an annual compounded rate of 1 percent between 2012 and 2015 (Hoovers 2012).

Characteristics

Brand names are the most valuable asset of shoe companies. Many companies put their products on display for wholesale buyers, and exhibit them at regional and international trade shows. Retailers usually place orders with shoe companies three to four months ahead of expected delivery time. Shoe companies then place orders with their manufacturers who import them into the US. Large shoe companies maintain a quality control

staff near their foreign manufacturers. Relationships are a major part of the industry. There are no long-term contracts with manufactures or retailers, so the need for maintaining goodwill within the supply chain is essential (Hoovers 2012).

Company

History

Adidas grew from a feud between German brothers Adi and Rudi Dassler, who created athletic shoe giants Adidas and Puma. In the early 1920's, the two brothers began a shoe company together and by 1926 the shoes' success allowed the Dasslers to build a factory. In 1936 American Jesse Owens sprinted to Olympic gold in Dassler's double-striped shoes. Soon a dispute between the brothers split the business. Rudi set up his own factory, facing Adi across the River Aurach. The brothers never spoke to each other again, except in court. Rudi's company was named Puma, and Adi's became Adidas. Adi added a third stripe to the Dassler's trademark shoe, while Rudi chose a cat's paw in motion. Thus began one of the most intense rivalries in Europe. Aggressive publicity became one of the cornerstones of Adi Dasslers corporate policy (Adidas 2012). He came up with a product innovation for every major event, documenting the superiority of Adidas footwear.

Current Size, Growth, Profitability

With the global recession starting in 2009, Adidas saw one of its most challenging years of the decade as consumers spent less (Hoover 2012). The company logged a 53% drop in operating profit. Its biggest sales dips were among its wholesale (69% of revenue) and Other Business (12% of sales)

segments, offset by an increase in retail (19% of its revenue) on the back of new store openings. In 2010 the company streamlined operations and reorganized reporting segments but still took a hit to net income due to the high costs of launching new products.

Reputation

Adidas is a globally recognized brand. In terms of finances and sales they are the #2 sporting goods manufacturer, only behind Nike. In terms of reputation many argue they are at the peak of the industry. They hold true to quality products and innovative designs.

Product/Service

Overview

Adidas AG has many product lines. In addition to the Footwear Manufacturing industry they also compete in apparel manufacturing, sporting goods manufacturing, and gold equipment manufacturing. The focus is on football, soccer, basketball, running, golf, and training gear and apparel as well as lifestyle goods including SLVR and Y-3 fashion brands. Adidas offers its products through three different brands, which are Adidas, Taylor Made Adidas Golf, and Reebok. Reebok was recently purchased by Adidas in 2005 and really took Adidas to the top of the industry (Adidas to Buy 2012).

DesignGoals

Innovative design teams seek to help athletes of all skill levels achieve peak performance with every product brought to the market. The goal is to continuously improve the quality, look, feel and image of the products. Every

design is developed with the five keys in mind: high quality, comfort, fit, originality, and strong/powerful (Adidas Advertising 2012).

Research and Development

Research and development is an integral part of Adidas AG. Each year they invest considerable resources in researching innovative designs and features for new products. The Adidas innovation team is divided into groups that focus on performance footwear, apparel and hardware innovation. The teams have five key Sport Performance attributes, which are faster, smarter, stronger, cooler, and natural, to keep in mind during R&D. The teams are closely integrated with associated functions and resources to increase efficiencies and flexibility in all aspects of innovation and technology development. In 2011, 115 million dollars was spent on research and development. In 2012, R&D will focus on customization, digital sports technologies and sustainable product innovation (Adidas Group 2012).

Competition

Primary Competitors

Adidas has three primary competitors, which are Nike, Puma, and Callaway Golf. In 2011 Adidas held the edge in annual sales at \$24.07 billion over Nike at \$20.86 Billion. Puma comes in at \$5.43 Billion and Callaway at \$886.53 Million. However Nike soundly controls the market capital at \$39.52 billion compared to Adidas' \$18.97 billion (Hoovers 2012).

Nike

Nike is currently the world leader in Sports goods industry with a brand value of \$12, 672 million (Adidas Advertising 2012). They currently hold a 47% market share of the domestic footwear industry. The company concentrates on style and technology with a high price range of the products. They focus on football, basketball, golf, athletics, Nike+, and casual apparel. Nike+ is Nike product line they created after teaming up with Apple, Inc. They incorporate the use of mp3 technology into shoes and more gear. They sell their product to more than 20, 000 retailers in the U. S., including its own outlets and “ Niketown” stores. They are in approximately 140 countries.

Puma

Puma is the third largest sportswear manufacturer in the world. They are the leader in motor sport footwear market. They focus in on apparel, shoes, basketball, baseball, lifestyle, running, soccer, tennis and eyewear. However, they are known global for the motor sport market. Usain Bolt dominated the 2008 summer Olympics wearing Puma shoes. This was a big win for the company.

Callaway Golf

Callaway is a major competitor of Adidas mainly because of Adidas Taylor Made golf line. These sales have grown to be a major source of income for Adidas and the Callaway is the leader in this industry. Callaway dominates the golf market with annual sales of \$886. 53 million compared to Adidas Taylor Made brand, which earned \$9. 80 million in 2011 (Hoovers 2012).

Target Market

Adidas targets youth ages 14-22 and young adults ages 18-25. The consumer is usually upper to middle class and has an interest in sports and fashion. Many of their sales campaigns are targeted towards the young athlete looking to perform, feel, and look better.