

Adidas future plan

Business



Group is the world's second-largest sporting goods company and had net sales of IJS\$ 7.74 billion in 2004.

Adidas' product range includes shoes, apparel and accessories for basketball, golf, soccer, fitness and training. The company has over 14,000 employees, 110 subsidiaries and sources from 840 factories across the world. 0 per cent of the company's suppliers re based in Asia. In 1997, adidas acquired the Salomon group and the name got changed to Adidas-Salomon AG. The name is expected to change to "Adidas AG" in May 2006 following the acquisition of Reebok.

adidas started in India in 1996 as a joint venture with Magnum Trading, with adidas holding 80 per cent stake. Since December 1995 it has been a 100 per cent subsidiary of the parent company. adidas sells three brands in India – adidas, Taylormade and Maxfli. It sources from 16 factories which employ 3,800 people in India.

It retails ccessories such as footballs and water bottles in addition to footwear and apparel.

adidas has a 25-30 per cent share of the premium footwear market in the country. The market is estimated to be growing at 15-20 per cent annually. The six metros account for nearly 40 per cent of adidas' sales, but the smaller towns are also playing an important role and showing very healthy growth. Entered India as part of global strategy adidas decided to enter India as part of the companys global strategy – to take direct control of the markets in Asia.

The domestic demand was not high when the company started India operations. In the first 9 years, India was the smallest sub-division in Asia, in terms of revenue.

The company believed that India had the potential to become a huge market considering India's large young population and the changing demographics. Currently out of the 13 subsidiaries in Asia, India is ranked number 7 and the management believes it has the potential to climb up to number 3. The merger with Reebok will strengthen adidas in India. In most countries, adidas is significantly bigger than Reebok.

However in India, Reebok has a larger share of the market. Keys to success adidas' success factors include strength in supply chain management, cutting edge technology, a strong retail network and effective advertising.

India provides advantages in terms of lower labour costs and a highly-skilled work force. However, attracting and retaining the right people is a challenge in a highly competitive job their understanding of retailing is poor. Focused approach to the market and support from parent company adidas entered India with aggressive marketing campaigns.

It sought in Indian sports icons Sachin Tendulkar and Leander Paes to endorse the brand. The parent company has been very supportive.

The top management had the belief and commitment that it would weather the initial loss-making years, before India could gain critical mass and become a profitable operation. Association with sports events helped in building awareness adidas has been promoting sports such as tennis and

cricket at various levels. The company aggressively promotes tennis in India as a part of the firm's strategy to drive growth by identifying and developing key performance sports in India.

It promotes tennis at three levels – the recognition of young talent through scholarships, sponsorship and association with key tennis events in the country and the launch of high performance tennis sportswear. demand reaches a threshold.

adidas' strategy has been just the reverse. Now after establishing itself in India as a sales and marketing organisation, it is planning to set up a global procurement base for international markets. The company is targeting four-fold sales growth from Indian operations within the next three years (2006-09).

The targeted revenues from Asia are to exceed US\$ 2.38 billion by 2008, doubling the 2004 sales figure. After China, which is the current growth driver in Asia, adidas expects India to be the next powerhouse, which will drive regional growth over the next 3 to 8 years.

India is a significant market for adidas and it plans to have 200 to 300 more franchisee showrooms by 2006. It is also exploring the option of transferring technology and know-how to manufacture high-end footwear in India.

India: A glance? For adidas, India is: a strategically important growth market
Factors for success: Supply Chain Management, Cutting edge technology, Aggressive approach to market, Association with sports events and personalities
Future plans: Four-fold sales growth in next three years, Add more showrooms, Launch new products
Future plans adidas has plans to
<https://assignbuster.com/adidas-future-plan/>

make India the hub for its South Asian operations. Most companies which start operations in a new country, initially set up their sourcing office and start selling when the local