

# Marketing audit of adidas



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' Marketing Audit & Planning' has emerged as an important area of research in the recent period. This Report has been prepared for the Adidas Group. Adidas has been chosen because it is a globally established brand and therefore, has several areas of marketing audit that can be explored. The research on the marketing audit has been carried out through a literature review, journals, and magazines and by studying the official website of Adidas. ( ) and ( )

Adidas was started in 1920 by Adi Dassler because of his passion for sports and shoe making and with three guiding values in mind – to manufacture the best shoe to serve the needs of sport, to protect the athlete from injury, and to make the product long-lasting.

Adidas is a global business organization with innovation and design leaders. Core strengths of Adidas are strong retail footprint, huge success at FIFA 2010 and entry into emerging markets, though it needs to improve its performance in the Chinese market and its dependency on third party manufacturing. After Reebok's revival and future sponsorship agreements, the company is looking forward to a new milestone in coming days. However, its operations in the current environment are affected by many external factors – political, economical, social and technological, etc

The present profits and sales of Adidas have decreased in the past year from 5, 256(Million Euro) to 4, 712(million euro). Therefore, it is recommended that the company explore new vistas and expand into wider markets that are available to it right now. With further

development of the company's marketing strategy and business plans

Adidas can grow to be the largest brand in the market, not only the sports market but also the general market of footwear, clothing and accessories.

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Adidas AG is a German based sports apparel manufacturer and part of the Adidas Group, which consists of Reebok Sportswear Company; Taylor made Adidas Golf Company and Rockport ( ). Adidas also undertakes the production of various products such as bags, shirts, watches, eyewear and other goods related to sports and clothing. This company is the largest sportswear manufacturer in Europe. It is also the next largest sportswear manufacturer in the world after its US rival Nike. The company operates in Europe, the Americas and Asia. It is headquartered in Herzogenaurach, Germany and employs about 39, 596 people. ( )

**2 – BUSINESS DESCRIPTION**

Adidas Group is a leading manufacturer of footwear, apparel, sporting goods, golf equipment, accessories and hockey equipment with brands like Adidas, Reebok, Rockport, Taylor-made Adidas-Gold and CCM-Hockey.

( ) ( )

### **3 – ORGANISATIONAL OBJECTIVE**

The Adidas business objective as a Group is to lead the sporting goods industry with brands built upon passion and sporting lifestyle. It is focused on strengthening and developing its brands to maximize the Group's operational and financial performance and create shareholder value.

( )

### **4 – POSITIONING**

Adidas is the Group's core brand and a leader in the sporting goods market. Passion is at the heart of Adidas: passion for sports, passion for athletes and passion for products. Adidas is a brand built on leading technology and advanced design. It is a brand recognized and respected by consumers for its innovative, inspirational and real values. Adidas has successfully designed the company's offering and image to occupy a unique place in the mind of the target market ( ). Adidas heritage is to position the brand in the minds of consumers to maximize the potential benefit to the company by using athletic products. Adidas is also dedicated to incorporating the growing importance of lifestyle, fashion and music inspiration into the sports arena and Adidas products. This strategy allows the brand to create a unique Adidas experience and mean more to more consumers.

( )

### **5 – CURRENT ENVIRONMENT & OPERATION:**

Adidas is affected by both internal and external factors because it operates its business in the same environment. Adidas is the world's second largest

maker of athletic footwear, apparel and equipment by sales with revenue of \$10, 381 million (\$15, 333. 3 million).

( )

## **5. 1 – SWOT ANALYSIS:**

### **5. 1a – Strengths:**

#### **Influencing strong brand portfolio to establish a healthy retail footstep:**

Major brands like Adidas and Reebok cover the footwear and apparel categories, providing both performance and lifestyle products. ( ). The company is leveraging its brands to establish a strong retail presence and increase profit margins by increasing retail sales as a percentage of total sales. The company's portion of its own retail sales has grown substantially, and currently Adidas operates over 2, 200 stores for the Adidas and Reebok brands worldwide. ( )

The Adidas brand figured in the top 100 global brands list, compiled by Inter brand-Business Week in 2009, at the 62nd position. ( ).

#### **Strong performance driven by the success of 2010 FIFA World Cup:**

The 2010 FIFA World Cup was an inspiring success for Adidas. ( ). The company had supreme presence at the event with twelve teams including the host nation in the finals, combined with its status as official sponsor, supplier and licensee ( ). By June 21, 2010 (a mere ten days after the competition began), the company achieved record-breaking sales and predicted sales of soccer-related merchandise at least E1. 5 billion (\$2. 2

billion), surpassing the E1. 3 billion (\$1. 9 billion) obtained in football sales in 2008, the last time a record was set in the soccer sales category. ( )

## **5. 1b – Weaknesses:**

### **Weak performance in China:**

Adidas' performance in Greater China was negatively impacted by the clearance of high excess inventories accumulated as a result of the Olympic Games held in Beijing in 2008 and subdued consumer demand at the beginning of 2009. Sales in Greater China decreased 16% in 2009 on a currency-neutral basis and again 15% in first quarter of 2010 ( ).

### **Dependence on third party manufacturing:**

Adidas outsources over 95% of production to independent third-party suppliers, primarily located in Asia in order to reduce its costs of producing goods. Furthermore, 32% of all suppliers were located in China. The company has little control over its product quality since the company procures its merchandise from foreign manufacturers. For instance, there have always been concerns over unsafe Chinese consumer products. The Consumer Product Safety Commission (CPSC) has issued alerts and announced voluntary recalls by US companies on numerous products made in China. ( )

## **5. 1c – Opportunities**

### **Sponsorship agreements:**

Adidas has signed a sponsorship agreement with the Japan Football Association till March 2015 and with the Australian Olympic Committee till 2016. It also secured sponsorship rights to the 2014 FIFA World Cup. In



addition, in 2009, Adidas extended its partnership with UEFA for the UEFA EURO 2012 and UEFA EURO 2016 football championships, as well as for the UEFA Champions League. Additionally, Adidas is also the Official Sportswear Partner for the 2012 Olympics in London. Sponsorship of major sports events would help the company to strengthen its profitability and enhance its brand recall among consumers ( ),

### **Reebok's revival:**

Adidas' 2005 acquisition of Reebok is beginning to show signs of paying off. Reebok returned to growth in FY09 (and the years prior) after heavy losses, driven by product innovations. Reebok is especially benefiting from the unbroken boom in the toning category, which is expected to quadruple to \$1.7 billion in the US in 2010. Reebok has made a big statement in the emerging toning category with the introduction of the EasyTone and held a 40% market share in the category in 2009. Building on the huge success of EasyTone in 2009, Reebok will launch an integrated marketing campaign around the world in 2010 under the motto of "ReeTone". ( ), ( )

## **5. 1d – Threats**

### **Competition:**

Adidas operates within a highly competitive market which in many cases overlaps into other markets as sportswear retailers increasingly compete with fashion retailers. The company's traditional competitors like Reebok, Nike and Puma make competitive levels intense, but the addition of casual footwear apparel manufacturer such as Tommy Hilfiger, adding the designer edge to the market, has increased competition levels.

**Foreign exchange fluctuations:**

Adidas sells its products in virtually every country around the world. As a result, it earns revenues, pays expenses, owns assets and incurs liabilities in countries using various currencies. The unexpected and dramatic devaluations of currencies in developing or emerging markets, such as the recent devaluation of the Venezuelan Bolivar and Russian Rouble, could negatively affect the value of the company's earnings from, and of the assets located in, those markets. Fluctuations in foreign currency rates would therefore affect Adidas' profitability. ( )

**5. 2 – PESTEL ANALYSIS:****5. 2a – POLITICAL FACTORS:**

Political stability is an important factor in any country for Adidas. Political and regulatory risks include potential losses from expropriation, nationalization, civil unrest, terrorism and significant changes to trade policies (Lawson 2006). In particular the Adidas Group faces risks arising from sudden increase of import restrictions, charges in the taxation system of a country, minimum wage policy, import tariffs and duties that could compromise the free flow of goods. ( )

**5. 2b – ECONOMIC FACTORS:**

Economic growth and interest rates are major factors for any economy in the world, if interest rates are too high and keep rising, then the demand for products will fall, as it makes saving more attractive and borrowing more expensive (Babette & Ferrell et. al 2008). Whereas if interest rates are too low, people are encouraged to spend, as saving isn't attractive. This means that there is more money going round in the economy and makes goods

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seem cheaper, which is bad for the economy as it causes inflation to increase. This is why it is important that interest rates are stable. Taxation, VAT, Inflation, unemployment and per capita income highly affect the company's profitability. ( )

### **5. 2c – SOCIAL FACTORS:**

Adidas target market comprises of people from different social backgrounds. The Adidas Group is affected by people's religion, race, culture, education levels, population, gender, buying habits and lifestyle ( ). Different religions like Hinduism, Islam, Christianity, Judaism and many more have different buying patterns and opinions for any products they buy (Wilson 2005). The Adidas Group has penetrated most countries so all these social attributes play very important roles in deciding the company's strategy. ( )

### **5. 2d – TECHNOLOGICAL FACTORS**

Technological advances in things like machinery will have an affect on the Adidas Group. The latest Technology can speed up production, save energy or cut down labour costs ( ). Currently the world has become a small village and the use of the Internet is increasing day by day all around the world, so Adidas needs to make sure that they keep up-to-date with the Internet all the time. It will help customers to buy online, and help it to advertise online and many other things. ( ) ( )

### **5. 2e – ENVIRONMENTAL FACTORS:**

Adidas Group has system based approach to manage environmental impacts on its operations. They do have control and monitoring of restricted substances, reducing VOC emissions (Volatile Organic Compounds), tackling

climate change (Williams 1997). In order to minimise environmental impact of producing and distributing group products, in 2009 Adidas Group continued to proactively engage in developing more environmentally sustainable products which included the first products from their “ Better Place” programme. ( )

## **5. 2f – LEGAL FACTORS:**

The Adidas Group is exposed to the risk of claims and litigation for infringement of 3rd party trademark, patent and other rights. To reduce this risk, new product technologies, designs and names are carefully researched to identify and avoid potential conflict with the rights of third parties. Adidas need to beware of all legal aspects that may be linked to the sportswear industry, as Adidas could get hefty fines if they do not comply with the law, legal constraints to be considered include:

Press Complaints Commission (PCC)

Trade Descriptions Act

Sales and Supply of Goods Act

Independent Television Commission (ITC)

Advertising Standards Authority (ASA)

( )

### **5.3 – STAKEHOLDER ANALYSIS:**

The Adidas Group pursues an open conversation policy with non similar stakeholders. Adidas is involved in a number of stakeholder engagement activities including:

Responding to the SRI community

Involving employees

Responding to enquiries raised by customers, employees and NGOs

Participation and collaboration with various industry initiatives, governmental and non-governmental initiatives and multi-stakeholder partnerships

Outreach to academia and students.

Key Stakeholders are Share Holders, Employees, Authorizers, Business partners, Workers, Journalists, Community members and Customers ( )

In addition to formal partnerships, Adidas engages with stakeholders in a number of other ways:

Formal stakeholder consultation meetings with workers, union representatives, NGOs, suppliers and others.

Meetings with socially responsible investment analysts

With employees through internal reporting and induction programmes

Responding to enquiries from consumers and the media

()

**Unknown**

**Little/No**

**Importance**

**Some Importance**

**Significant**

**Importance**

**Significant**

**Influence**

**C**

**Community Members**

**Customers**

**A**

**Share Holders**

**Employees**

**Customers**

**Somewhat**

**Influential**

**Little/No**

**Influence**

**D**

**Journalists**

**Authorizers**

## **B**

### **Business Partners**

### **Workers**

## **Unknown IMPORTANCE OF STAKEHOLDER**

## **INFLUENCE OF**

## **STAKEHOLDER**

### **6 – STRATEGY ASSESSMENT:**

6. 1 – Vision: To enhance social and environmental performance in the company and the supply chain, thereby improving the lives of the people making its products

6. 2 – Mission Statement: The Adidas group strives to be the global leader in the sporting goods industry with sports brands built on passion for sports and a sporting lifestyle

### **6. 3 – Corporate Values:**

Consumer focused

Innovative and a design leader

Global organization

Committed

Dedicated



## **7 – BUSINESS OBJECTIVE:**

Adidas' business objective as a Group is to lead the sporting goods industry with brands built upon a passion and sporting lifestyle. It is focused on strengthening and developing its brands to maximize the Group's operational and financial performance and create shareholder value.

## **8 – MAJOR GOALS IN 2010:**

Build and manage diverse brand portfolio

Focus investments on potential markets and distinct channel approach

Become “ Close to every consumer” by building and managing its supply chain

Continuous innovation through improvement of products, services and processes

Develop a team grounded in the company heritage

## **9 – RECOMMENDATIONS:**

Recent performance in Chinese market is not good because of excess inventories, so Adidas Group must have accurate planning so that future losses can be minimized. ( ).

Highly dependability on third party supply is dangerous in long run for Adidas. They should have reliable source of supply and must allocate outsourcing in such a way that it should be diversified and profitable.( )

North America sales declined by 7% in the 4th quarter of 2009, this is because negative impacts of recessionary pressures , low consumer

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confidence and rising unemployment so Adidas Group must be pro-active to improve their position in this market in coming years ( )

Foreign exchange fluctuations is major threat for Adidas group, in 2009 there was devaluation of Russian rouble, which depreciated considerably versus US dollar, so Adidas were not able to compensate the top-line effect with price increase. Adidas Group should make their strategy where this risk can be minimized. ( )