

# Adidas growth strategies

[Business](#), [Company](#)



IV. Introduction This analysis is about the company adidas that belongs to the adidas Group. The adidas Group sells products under the brands adidas, Reebok and TaylorMade-adidas Golf. Adidas is on the market over 80 years and sells products for every kind of sports. The adidas group was founded in the year 1949 by Adolf Dassler. A company that started with sellingsoccershoes contains today a wide product assortment with footwear, apparel and accessories. The brand is further divided into three subbrands called adidas performance, original and sport style.

TaylorMade-adidas also offers wide range of golf equipment and matching golf apparel and accessories. On their homepage the adidas Group claims to be “ a global leader in the sporting goods industry” (adidas group, what we do). The company can be described as a global player because they have 170 subsidiaries in different countries that are directed from their headquarter in Germany which is the home of the adidas brand.

Headquarters of Reebok and TaylorMade-adidas Golf are in the US in Massachusetts and California.

Besides the international subsidiaries of the company, products of the group are available in every country through their online store. Their strategy to success is “ continuously strengthen our brands and products to improve our competitive position and financial performance”. The following paper is going to analyze external and internal situation of adidas. Further, their marketing and growth strategies will be analysed. Major focus of this paper will be on the customer analysis. Growth Strategies

The evaluation of the performance of a company is often measured through growth in sales. Growth strategies determine how companies want to increase their market share or sales. They are crucial for the success of a company and should be selected carefully. There are different strategic options that companies have. Many companies pursue different types of growth strategies. Main decisions of a company are if they want to stay in existing markets or enter into new markets and further if they have existing products or if they develop new products.

A combination of those four elements leads to the different types of growth strategies: penetration strategies, product-market expansion strategies, vertical integration strategies, differentiation, and diversification. Penetration Strategies (existing products/existing markets) Penetration Strategies means that companies sell their existing products on already existing markets. Companies choosing this strategy have to gain competitive advantage through pricing, marketing, etc. They want to gain market share and convince the customers of their competitors to buy at their stores. Adidas is definitely using penetration strategies.

For over 80 years Adidas is selling sports apparel and accessories. Through a successful established brand image Adidas still sells their sports apparel all over the world. Their marketing efforts as described in the part promotion strategies help them to remain competitive. Product expansion strategies/Product Development (new products / existing markets) You can speak of product expansion or product development strategies if a company develops new products and try to sell them to existing markets. Adidas made

also use of product expansion strategies through introducing adidas performance, originals and style in October 2000.

The company expanded their products through a new style line that focuses more on fashion than on sports clothes. You can speak of product expansion because although the style is different it is still in the apparel sector. Further, adidas modifies their products continuously. In February 2010 they just introduced their new developed womens' Body Mapping Technology that "defin[es] female-specific heat and sweat zones in order to place fabrics directly where they are needed the most, delivering optimised function to provide maximum comfort during workout. (Adidas, Press Room) The new technology will be used in adidas' new CLIMA365 collection that will be introduced in Spring/Summer 2010. Another expanding of their products is heart rate sensing apparel so that consumers don't need a pacer while running. Through developing new technologies to improve their sports apparel consumers feel that adidas is always up to date with new sports innovations. On their website adidas also created an own section called "mi". Customers have the possibility to personalize products. For example you can personalize shoes.

Besides color and design, it is possible for customers to order the left and right shoe in different sizes and width. Customers have the possibility to identify with the adidas products through creating their own personal adidas clothes. Market expansion strategies/Market Development (existing products/ new markets) In this strategy companies try to sell their products to new markets. Cooperation of adidas with Stella McCartney and Porsche

Design Sports can be seen as a market expansion. The reason for evaluating it as market expansion is that the new target market of these products is fashion.

They target consumers that are interested in high fashion, who do not have to be interested in the sports sector. Fashion and lifestyle is in the focus of these apparel lines. Vertical integration strategies (existing market/ different stage of production) A vertical integration strategy describes “ The degree to which a firm owns its upstream suppliers and its downstream buyers” (Blackwell Reference Online, Vertical Integration Strategy). In a value chain we have the manufacturer, wholesaler and retailer. If a retailer also owns a factory and manufactures its products it would be a backward integration.

The purpose of vertical integration is to increase the control of the stages of development. In the early beginnings adidas produced all their shoes and apparel on their own. Through the huge expansion in the last decades adidas don't produce all their apparel on their own. Today they own 9 own factories where they produce some of their products. Further, they have around 615 main suppliers from all over the world. Production is in Europe (27%), Asia (51%) and America (22%). (EVB, Adidas) Differentiation (uniqueness)

The differentiation is a strategy with the main focus of developing a product, service or image that is unique and with attributes that are highly appreciated and valued by customers. Customers will value them higher as products or services of competitors. Through creating a unique image companies that make successful use of this strategy can often sell their products for a higher price. So it is easier for companies to present their

products as unique because they get more money to cover their costs. Factors that describe companies that make use of differentiation are

- Access to leading scientific research. Highly skilled and creative product development team.
- Strong sales team with the ability to successfully communicate the perceived strengths of the product.
- Corporate reputation for quality and innovation.

(QuickMBA, Porter's Generic Strategies) A risk that companies have to face when using this strategy is that competitors will try to imitate the company or change consumers mind/ taste. The brand adidas as mentioned before exists over 80 years. They had a long time to create their unique brand image. Adidas stands for quality and expertise in everything that is related to sports.

Through supporting and sponsoring different kind of sports events such as the UEFA Champion League in 2008 adidas consumers' view of adidas is always connected with sports. Further, in their adidas performance collection they make use of innovation such as the mentioned Body Mapping Technology. Showing the consumers that they are using new technologies and constantly improving their products differentiates adidas from their competitors. Customers feel that adidas uses all their possibilities to offer products that will help them doing a good performance in their sports.

Diversification (new products/ new markets)

Diversification is also a growth strategy. " The purpose of diversification is to allow the company to enter lines of business that are different from current operations". (Thomas, Joe, Diversification Strategy) This means that companies try to sell new products to new markets. This strategy is risky

because the company is moving in unknown markets where they do not have experience. (Tutor2u, Ansoff's product/ market matrix) Further, we can distinguish between concentric, horizontal and conglomerate diversification. The first form, concentric diversification, is when a company “ adds related products or markets”.

Horizontal diversification is when a company sells products that are unrelated to their existing but would appeal to their customers. The third option is conglomerate diversification. It occurs when a company goes into a totally different market with new products. There is no relation between the already existing products. This would be for example if a supermarket also sells travels. A successful company such as adidas also wants to enlarge their markets and is searching for new ways to expand their business.

Recently, in January 2010 adidas introduced the miCoach interactive training system guide.

The program miCoach is available over the adidas website. Customers can choose between different training plans such as de-stressor learn how to run. It can be described as horizontal diversification because they now offer a service “ personal training”. The micoach pacers that they sell can be seen as concentric diversification because pacers that measure your heart rate are related to sports and sports apparel. Another form of concentric diversification can be seen in their deodorant and shower gel that they are selling at drugstores and supermarkets.

It is related to their main market because people who do sports need a good deodorant and have to take a shower afterwards. After analyzing adidas

growth strategies you can say that adidas knows what they are doing. They focus on different growth strategies to gain market share and increase sales. Most of the time they focus on product extension to improve their product assortment. I think that because of a well-established brand name adidas should try more to make use of diversification. They can also sell other products or services because people trust this brand. A lot of people all around the world are fascinated by sports.

Like the company jamba juice they could for example sell healthy drinks and juice to support a healthy sport-oriented life style. Global strategy A company that has a global strategy views the world as one market and tries to standardize their marketing activities. Nevertheless, product adaptations are made where they are necessary. As mentioned before adidas is a global company. Their products are available in nearly every country on earth and their target markets are sports oriented customers all over the world. They sell their products successfully under the name adidas in every country.

A comparison of the different country websites shows their standardization for different countries. If you enter [www.adidas.com](http://www.adidas.com) or [www.adidas.de](http://www.adidas.de) or [www.adidas.fr](http://www.adidas.fr) it will only change the language and some actual topics but the whole design and offer is the same. Adaptations are only made where they are necessary. On the US homepage for example you can find Lacrosse under adidas Performance whereas on the German homepage it cannot be found because the game is not played in Germany. Adidas knows their markets and takes care of cultural or country specific differences.



The company also says that they know that they have to adapt to certain cultural differences. Further, they recognise the consumer buying behaviour and the unique retail landscape when operating in different markets. In 2009 the company reorganised their brand structure. They moved from a vertically integrated brand structure to a functional multi-brand structure. Now Adidas has a Global Sales and Global Brands function. The Global Sales Function is responsible for the commercial activities whereas the Global Brands function takes care of the marketing activities of the brands Adidas Sport Performance, Adidas Sport Style and also Reebok.

For their 2,200 retail stores they set global guidelines so that they can increase efficiency and to create consistent conditions to ensure long-term profitability. These two newly created functions show that Adidas is focused on a global strategy. Together with the new structure of the organisation the Adidas Group also decided on new measures. First, they want to establish joint operating models for Adidas in most of their global markets. Second, they want to eliminate regional headquarters so that they have a more direct interaction between the global functions and the foreign markets.

And third, they decided that they separated the responsibility for the Global Brands and Global Sales. Now the CEO of the Adidas Group Herbert Hainer is responsible for Global Sales and Erich Stamminger, a member of the executive board takes care of Global Brands. The main objective of these new divisions is to ensure that all chances on their operating markets and categories are taken through a development of well-structured and coordinated "Go-to-Market" strategies. They have to develop innovative

products and communication strategies that can persuade consumers in the different markets. All in all, you can say that Adidas is a global player.

They are selling their products around the world. It is easier for them to develop a global strategy because they see the world as one huge “ sports market”. They target the customers that like to do sports and like the sports style for clothing. Nevertheless, they know the different type of sports consumers’ prefer in different countries. The only aspect that could be improved by adidas is to focus more on country specific sports. In the US for example football is really popular. They could create a special football line to satisfy the needs of the customers. Sources: Adidas Group, What we do, [http://www.adidas-group.com/en/ourgroup/our\\_business/default.aspx](http://www.adidas-group.com/en/ourgroup/our_business/default.aspx), accessed on 17 April 2010. Adidas, Press Room, [http://www.press.adidas.com/desktopdefault.aspx/tabid-11/16\\_read-10905/](http://www.press.adidas.com/desktopdefault.aspx/tabid-11/16_read-10905/), accessed on 24 April 2010. Adidas, The adidas story year by year, [http://www.press.adidas.com/Desktopdefault.aspx/tabid-28/41\\_read-1209/](http://www.press.adidas.com/Desktopdefault.aspx/tabid-28/41_read-1209/), accessed on 24 April 2010. Ansoff Matrix, What is the Ansoff Matrix, <http://www.ansoffmatrix.com/>, accessed on 20 April 2010. Blackwell Reference Online, Vertical Integration Strategy, [http://www.blackwellreference.com/public/tocnode?id=g9780631233176\\_chunk\\_g978140511828629\\_ss7-1](http://www.blackwellreference.com/public/tocnode?id=g9780631233176_chunk_g978140511828629_ss7-1), accessed on 20 April 2010.

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