

Adidas

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



1. Company History

Introduction

The adidas Group strives to be the global leader in the sporting goods industry with sports brands built on a passion for sports and a sporting lifestyle. We are consumer focused. That means we continuously improve the quality, look, feel and image of our products and our organizational structures to match and exceed consumer expectations and to provide them with the highest value. We are innovation and design leaders who seek to help athletes of all skill levels achieve peak performance with every product we bring to the market.

We are a global organization that is socially and environmentally responsible, creative and financially rewarding for our employees and shareholders. We are committed to continuously strengthening our brands and products to improve our competitive position and financial performance.

History

Adidas is a company that manufactures shoes and sport apparel. The founder is Adolf Dassler who is German. The name created by combination of the name and surname Adi Dassler, who started producing shoes in 1920s with the help of his brother Rudolf Dassler. That make costumer, to recognize Adidas is three parallel stripes of the same color. In 1947 Rudi left to form Puma. In 1948, Adi created "adidas" from his own name and in 1949 introduced the "Three Stripes" logo, forming Adidas AG in August 1949. Adidas studded soccer boots, later called "World Champion," helped Germany win the 1954 World Cup. Present at major sporting events, Adidas was among the first to use athletes for brand promotion.

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In 1989, French investor Bernard Tapie bought adidas. The company is family-owned. Tapie moved production to Asia and brought in Madonna as a celebrity spokesperson. In 1991, adidas EQUIPMENT launched, offering clothes and footwear. Adidas sponsored the 1992 streetball tournament, helping turn streetball into a recognized sport. Credit Lyonnais converted his debt into adidas equity; Robert Louis-Dreyfus became manager and in 1993 bought adidas from the bank. In 1994 adidas launched the adidas Predator Cup (and the Predator shoe) to find young soccer talent. Adidas took Kobe Bryant under its wing and went public in 1995.

In 2005, adidas sold its Salomon segment, returning adidas to its roots (adidas Group). In 2006 its training system, Project Fusion, integrated monitoring technology into clothing. It acquired Reebok International Inc. in 2006 and changed back to adidas AG.

To give you a clearer picture about Adidas Company, you can see the Adidas flow development picture year to year:

1949:

The foundation.

50s:

The 'Miracle of Bern'.

70s:

The "adidas" team wins (sponsored by adidas).

80s:

The transition.

90s:

With a new management.

1995:

Adidas goes public.

1997:

Adidas-Salomon AG.

1999:

The new brands.

2000:

New management.

2005:

Sale of Salomon.

2006:

Adidas-Salomon AG acquires Reebok.

The Competitors:

Adidas was named after its founder, Adolf (Adi) Dassler, who started producing shoes in the 1920s in Herzogenaurach near Nuremberg. It registered as adidas AG on 18 August 1949. The company's clothing and shoe designs typically include three parallel stripes of the same color, and the same motif is incorporated into adidas' official logos. Rudolf Dassler, Adi's brother, founded a rival company, PUMA.

Adidas , The chief competitors of adidas are PUMA and Nike. Nike and Adidas are two primary footwear companies along with their competitors who have

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adopted an online e-commerce strategy to increase their sales and product awareness. Most importantly, companies like Nike and Adidas have invested heavily into online brand building and image development. Nike launched the nike.com web site in August 1996 primarily to provide information to its consumers.

In 1996, there were no e-commerce capabilities present, however the web site served as a brand building tool for the company. In 1999, Nike redesigned their web site with expanded e-commerce functionality. In August 2005, the company announced that it had made a deal to acquire rival Reebok for \$3.8 billion. The acquisition would increase its market share in North America and allow it to further compete with Nike.

Since Herbert Hainer took charge at Adidas AG (then Adidas-Salomon AG) in 2000, he has sharpened the company's focus – selling Salomon and buying Reebok to better concentrate on its core competencies – and, he believes, made it quicker, more agile, and better prepared to "bring its products to life".

The purchase of Reebok was shrewd to say the least as the company has a strong foothold in mega-market sports such as American Football and Basketball, sports in which Nike have previously been dominant. Perhaps the combined might of both Reebok and Adidas can remedy this.

But Nike remain formidable, you only have to look at their marketing success in football to understand just how quickly they achieve success. Nike's sponsorship of European football giants such as Arsenal and Barcelona has seen the US outfit pip its rivals in Europe. But the real question is how Nike's

'Swoosh' logo has managed to get so visible in 'soccer', given that it only began to show real interest in football at the 1994 World Cup in the US.

And even then it was a little cautious. Adidas is woven in to the fabric of German and European football as a whole, and benefits from the profile of star players like Michael Ballack, but it must be concerned by Nike's success in the region's most popular sport - and Nike must be particularly pleased considering football is yet to truly take off in the US.

However, Adidas are continuing to make good progress. It remains the largest sportswear manufacturer in Europe and now its marketing projects and acquisitions have given it more prominence in sports ranging from Golf to Skateboarding. Hainier and Adidas have been rewarded for their hardwork with category-leading new products and in a FIFA World Cup year, he is confidently promising " a lot of new and innovative products" to be showcased in South Africa this summer.

Strategy of Adidas

Adidas, like other sports brands, is believed to engender high consumer brandloyalty. Brand loyalty towards Adidas, Nike, Inc., Puma AG and several other sportswear brands was examined in a recent study. The study found consumers did not exhibit unduly high loyalty towards such brands. During the mid to late 1990s, Adidas divided the brand into three main groups with each a separate focus: Adidas Performance was designed to maintain their devotion to the athlete; Adidas Originals was designed to focus on fashion and life-style; and Style Essentials, with the main group within this one being. " Impossible is Nothing" is the current mainstream marketing slogan for Adidas.

This campaign was developed by based in Amsterdam but also with significant work being done in San Francisco - particularly for its basketball campaign " Believe In Five". Commissioned Zane Peace to produce images for 2007 international ad campaign. Sport brands using endorsement strategies in their brand-building programs. What differs is that Adidas focuses on sponsorship of teams and events e. g. national teams and big sport events like the Olympic Games and different World Championship events.

This will help them to create awareness with help from different types of media. One of the strategy that really great is when adidas become official world cup ball supplier Since the 1970 FIFA World Cup with the football (ball) Telstar, Adidas has been the FIFA official match ball supplier for every FIFA World Cup and designs the official match ball for every edition of the event.

Here's are the name of the match ball designed for World Cup:

Edition	Name	of	the	match	ball	design
1970	-	1974	:	Telstar		Durlast
1978	:			Tango		Durlast
1982	:			Tango		Epa
1986	:	Azteca		México(aztec)
1990	:	Etrusco		Unico(etruscan)	
1994	:			Questra		
1998	:			Tricolore		
2002	:			Fevernova		
2006	:			Teamgeist		
2010	:	Jabulani				

2. TYPE OF MARKET INDUSTRY

Name of the company: Adidas

Type of market: Oligopoly

Adidas is type of market is considered as an Oligopoly. The Adidas only had a few of competitors of big sporting goods company, which are Nike and Reebok. The barrier that other small sporting goods company will face if they start to entry is very high because a big and famous company has dominated it. Price maker, is one of the Adidas ability, with the big and famous company of sporting goods, Adidas have the ability to make the price for goods that they are sell, and it is also affect their competitors price of goods.

Due to Oligopoly market ability to made a price or setting up a price into some level, can made some problem between them and their competitors, which is Price War. The definition of Price War itself is when a couple of company which sold similar goods, trying to offer their products from their costs, they started to reduce their price into some level before the price will get back to normal goods. For example, Adidas launch a new soccer shoes and sold it for \$ 100, at the same time, Nike were launching their new shoes too, with the same quality, Nike sold their shoes for \$ 90, and made people will buy more their shoes.

Facing this situation, Adidas was taking a new step, which is decreasing their shoes price into \$80. Nike also reduced their price into \$80. But, Adidas wouldn't take a risk to reduce their price again. From here, there is made a new equilibrium price and made a price is elastic again. Oligopoly type of company can maintain their long abnormal profit, so that they had a Long-

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Run Profits, which they get from the barrier entry that is high, which make a small company cannot get through their competition so therefore Adidas could maintain their profits. Product that Oligopoly type of company sold is homogenous of differentiated. Products that Oligopoly sold is mainly are the same, so that is why they said that Oligopoly market sold a similar product but have a differentiate aspects. The Demand Curve that Oligopoly had is "Kinked" Demand Curve.

The firm's marginal revenue curve is discontinuous, and has a gap at the kink. For prices above the prevailing price the curve is relatively elastic. For prices below the point the curve is relatively inelastic (Price War).

The definition of "Kinked" Demand curve itself is when firms operate under imperfect competition. With the fierce price competitiveness created by this sticky-upward demand curve, firms use non-price competition in order to accrue greater revenue and market share. "Kinked" demand curves are similar to traditional demand curves, as they are downward-sloping. They are distinguished by a hypothesized convex bend with a discontinuity at the bend-"kink".

Thus the first derivative at that point is undefined and leads to a jump discontinuity in the marginal revenue curve. Above the kink, demand is relatively elastic because all other firms' prices remain unchanged. Below the kink, demand is relatively inelastic because all other firms will introduce a similar price cut, eventually leading to a price war. Therefore, the best option for the oligopolist is to produce at point E which is the equilibrium point and the kink point. The motivation behind this kink is the idea that in an

oligopolistic or monopolistically competitive market, firms will not raise their prices because even a small price increase will lose many customers.

This is because competitors will generally ignore price increases, with the hope of gaining a larger market share as a result of now having comparatively lower prices. However, even a large price decrease will gain only a few customers because such an action will begin a price war with other firms. The curve is therefore more price-elastic for price increases and less so for price decreases. Firms will often enter the industry in the long run. The other examples of Oligopoly companies are,

In Australia

Phone lines are controlled by Telstra, then rented to other providers and further rented to customers. Any rate hikes by Telstra are felt by all customers with a phone line no matter the provider. Most media outlets are owned either by News Corporation, Time Warner, or by Fairfax Media. Grocery retailing is dominated by Coles Group and Woolworths. Banking is dominated by ANZ, Westpac, NAB, and Commonwealth Bank.

In United Kingdom

Four companies (Tesco, Sainsbury's, Asda and Morrisons) share 74.4% of the grocery market. The detergent market is dominated by two players, Unilever and Procter & Gamble.

3. ANALYSIS

SWOT Analysis

Recently, Adidas is one of the biggest multinational companies in the world. Moreover, Adidas popularity has widely known by public through their sports products. As same as other big multinational company, Adidas also have

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SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis in order to enhance their effectiveness on producing goods and knowing their internal and external factors which affect their producing flow and their revenue line. Strengths. Weaknesses. Opportunities. Threats:

1. Strengths

Adidas is known for their capability to give huge sponsor for many big events, such as Olympics championship. The other Adidas strengths are: Brand recognition and reputation Adidas brand recognition and reputation is superbly popular, which means people do know that their brand are better compare than other product. Having people faith, is one of the most important aspects in order to acquire profits.

Diversity and variety in products offered on the web (footwear, apparel, sporting equipment, etc.) Their products are tremendously a lot, which means people can choose what they needed and what their suit with.

No bad reputation like child labor or environment pollution unlike other sports industries, Adidas have no bad reputation at all. With this reputation, people will have a positive perspective about Adidas products and wanted to buy their product because they care with the environment.

In the Soccer industry, Adidas has a stronghold Majority of people in the world do love soccer. Since I also enjoy soccer, I do prefer to buy Adidas soccer products compare than other.

Strong international operations

They are able to maintain their products quality internationally.

2. Weaknesses

As same as other multinational company, Adidas industry also have some weaknesses that they need to overcome it in the future.

High prices in some products

Adidas target marketis starting from middle to upper classes, which means lots of poor people are unable to purchase their goods. in addition, people will think twice to buy their products because it's too expensive.

E-commerce is limited to USA

Limited adidas website in USA is a problem that Adidas need to overcome it, since USA is one of the biggest consumers with lot of athletes demanding sportswear.

Online customer service not " helpful" or easy to find Adidas website complexity is too difficult to find information about a product that we wanted, then result people tend to be bored and close the website.

3. Opportunities

To survive from market competition, Adidas do takes is opportunities to widen their products value. Opportunities analysis was included in external analysis. Increase female participation in athletics for instance Adidas design by Stella McCartney (famous fashion designer).

Collaborate with other online retailers to offer Adidas products For instance Facebook, they also advertise Adidas product.

Possibility of outsourcing the web development and e-commerce to a third party developer. Meaning, by introducing their product to the third party

developer (country) through internet, they can develop their business in that particular country.

4. Threats

Of course, every multinational company have threatening factors inside the markets, threats analysis is a analysis that Adidas apply, in order to see the external factors or seeing outside the company itself. Nike's strong reputation in the footwear and apparel industry Adidas strongest competitors is one of the biggest threats that they have faced until now, since if they do make a little slip, NIKE will overtake their customers.

Negative image created by the sponsored athletes Kobe Bryant and his sexual assault case for instance. The negative images that have been created by kobe bryan have un direct effect to Adidas. However, he still sponsored by Adidas, which then affect people opinion about adidas.

Increase in the Price of Raw materials

It is a common threats that every multinational company or even small company need to face. Since the world economics is developing, the value of each raw material that adidas needed to produce goods, will increase. Which then causing, the price of their good also increase, this event will then affect the rate of their sold.

Continuing challenges in import/export duties

Import and export access is hard to obtain. Tax is also one of the factors, why Adidas need to think twice in exporting their products. Moreover, the

good that have been shipped to any particular country, is not 100% guaranty that their product did not get any "scratch".

PEST Analysis

Going to a deeper internal analysis, Adidas will ensure their flowing productivity through PEST analysis. PEST analysis are consisting 4 major internal analysis; Political (stability), Economical (inflation), Social (age and gender), and Technology (future products).

1. Political

Adidas policy is to control and monitor hazardous substance to protect humanhealthand environment one of those is to eliminate toxic substances during the process of making Adidas products. Adidas also provide training sessions on employment standards and HR systems, health and safety is important for the company. Establishing teams to manage and monitor SARS in Asia factory, washing stations, disinfectant units. Finally Adidas protects and supports the rights of its employees by following all the current employment laws.

2. Economical

As a multinational company adidas helps countries to decrease unemployment by increasing every year the number of employees. The Industrial Production Growth Rate in Germany was 1% in 2001-3, 2004 become 1. 7%. Adidas is a reason of this increase Because of the big sponsorship in 2004 Olympic Games. As exporting to Europe is not too expensive as it was before, Europe since 2002 has ownmoney(euro) and the borders are not so tight. Labor salary is high in Germany and France but not

so expensive in China (Suzhou). This is the reason that most of factories located in Asia.

3. Social

Adidas products suits for all age, religion, and lifestyle, Adidas also will always in fashion with special design in any of product. Focus in people who like sports and athletes, almost everybody can purchase adidas products.

4. Technology

Adidas join into technology by make up the world's first smart shoes. By adding, a microchip inside the shoe and wireless mp3 player. Also using hot melt system of the production that is environmentally safe, using heat-activated adhesives. The packaging that company use, are suitable for transportation over long distances, humid conditions and extreme temperature changes and use recycled paper and other environmentally-friendly packaging materials. In other word, technologies do improve the quality of Adidas products into a higher dimension of sports entities.