

Adidas analyse

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



Nike appeared in 1978 in the USA and Adidas started to lose market shares. By 1990, the brand was sold to a French investor who uses ten colorless endorsement communication strategy. In the aim of surpassing the American brand, one of the other main strategies of Adidas was acquisitions such as the French ski equipment company: Salomon AS. The brand increased its revenues and was then able to acquire Reebok. Adidas still had to overtake Nike but is now number one in Europe. In 2009, Adidas made a profit of more than 245 million € and employed almost 40,000 persons.

The German brand is proposing products for a large range of sports such as running, football, tennis, golf, etc. Environment Context Nowadays, the competition on the footwear market has become really strong as in the current time people really care about well being but also because sports has still a strong place in our world. People also care about sports brand because they have become a social symbol and enable people to value their personality and show their membership in some certain social group. Consequently, sports brands fight with each other to become the leader by having the most market shares.

Adidas is fighting mostly with Nike which is the current leader in the footwear market as we will later in this case study (in the competition part). However, Adidas has strong tools to become at least the leader in the future. Adidas is recognized as the brand of excellence in the sport, in terms of technical and performing shoes but also has since the beginning of its history a strong link with the sports community, being supported by several famous athletes. Adidas is also the leader in innovation and design in order to anticipate consumers' needs.

The brand tries to help its athletes to increase their skills and their performance with every product of the Aids' range. Generally speaking, Aids is a global organization which is socially and environmentally expandable. It knows how to attract employees and shareholders for financial interest. Aims Aids' mission is to become the global leader with a real passion for sports and a sporting lifestyle. The best way to reach this mission is to have a wide brand and a unique product range for professional and fashion sportive.

This gives the possibility to affect lots of consumer needs and exploit each opportunity that market can furnish. They do a difference between quality and quantity. This concept comes from the founder of the brand. Doll Dasher was passionate about sports. He wanted his shoes to be different. They provide excellent comfort while improving athletic performance. These are the statutes of the brand. Its heritage allows Aids to be different from competitors and gives it strength base for future. Marketing objectives In the medium term, Aids wants to increase its leadership in Europe and its shares in the US footwear market.

It wants also to be as good as Nike, the actual leader. To reach them, it has to furnish constant efforts to maintain and increase hopefully its position on footwear and apparel market. It has to imitate the competition on their trench points and in the same time, innovate in order to be different. Aids is completely Touches on its consumers and on their expectations. Nike's young teen are constantly improving the quality, the look and image of their products. With this, the company hopes to exceed the expectations of their consumers and at least becoming the leader in the footwear market.

Contextual analysis The market * Presentation of the global footwear market

The footwear market from 1998 to 2009 has gone up: demand for footwear has increased over the last few years. Thus, sales have grown by 9.3% from 1998 to 2007, even though it went down abruptly in 2009 (-2.5%). Women's shoes category is the most significant with 47.7% of market share, following by the men with 34.1% part of the market. The children's footwear is the smallest market share category. * Aids footwear market Aids is the world's second largest footwear brand with 22.9% of market share, after Nike (37.%) in 2006. 45% of its revenues are from footwear. Aids distribute its products in 160 countries. They earn most of money selling to large retail stores such as Dick's Sporting goods, Foot locker, or directly to the customers. They had a total of 2 212 retail stores in the world. Western Europe and North America are the two main markets for the sale of Aids products with 31% and 23% of sales 2009. PASTEL analysts * Political First, it is beneficial for Aids to operate in democratic countries as they do not introduce drastic policies, which could affect its sales.

Regarding to trading policies, there are no quotas for imported Aids products. However, there is the antiquating law which forbids any company to export its footwear products " in a country at a price which is below the price at which the product is sold in the market of origin". Then Aids follows all the current employment laws, for the rights of its employees. However, the minimum wage in several countries (such as I-J, France...) is a constraint for Aids, and which could have a negative impact on its costs of production.

That is why, Aids relocates its production activities where the workforce is less expensive such as Indonesia, China and Vietnam. This has made a bad publicity for Aids in these countries as Aids does not give to its employees good working conditions, with a low wage. We can quote as an example the "Play fair" 2008. * Economic The home economy situation which is the crisis could have a negative effect for Aids as the purchasing power is low. Thus, the unemployment and the decrease of wages could have a bad effect on Aids sales, as customers would not have enough money to spend in its product, vital costs having priority.

Interests and exchange rates have also an impact on the consumer behavior. The increase of raw materials' prices as 011 wanly Is a component AT plastic NAS an Impact on ten Tall cost AT ten production. Aids has two solutions: increase the sales prices or level down its profit margin. * Social Nowadays, the demography is special: the age distribution is getting higher in most of the world. The target is especially young people who identify themselves to the brand. Maybe Aids should think to the long term.

Aids sells in large cities, as there are the highest amounts of customers able to buy sportive shoes in these places. The lifestyle trend of people has changed, compare to several years ago. For instance, more and more people use internet. Aids should have a good platform to sell its products.

Theobesityis a current problem in our society. Most of the time, these people do not practice sports. It could also have a positive effect: they could want to lose weight and so, buy Aids product to train. People are also becoming less busy and can spend more time to their leisure activities like sports.

Regarding to the consumer attitudes, we can notice that the frequency of purchase of Aids footwear is, for most people, to buy one or two football shoes per season. Aids should take that in consideration to promote its shoes during the pre-season. Promotion could also be made before major events such as the World Cup or the European Championship which have an influence on the Aids ad and sales. There s also a fashion and role model with stars wearing Aids shoes: several endorsement contracts have been made with stars such as David Beckman or Lionel Mess. Technological In the footwear market, the key to success is the innovation. Thus, there are new technological advances are becoming more performer as the football shoes which allow the user to kick the ball with more precision and power. Aids needs to be aware of the latest technologies. The use of new materials could be strength for the brand, such as materials able to resist over long distances, humid conditions or extreme temperatures changes. A lot of researches are made in the aim to improve the quality of a product.

Thus, Aids is the world's first smart shoes (adding a microchip inside the shoe for instance). * Environmental The Sustainable Development is an important subject in our current society, and also for Aids: it has launched its new ecological footwear collection made with natural raw material, recycling material and which are biodegradable. Then, in the aim to protect humanhealthand environment, Aids eliminate PVC and is making progress in finding substitutes like polyurethane, ethyl vinyl, silicone thermoplastic rubber. Yet, global pressure is pushing on Aids which uses for its shoes materials from animals.

For instance, it has been seen that Aids slaughtered million of kangaroos, for their skin using to produce leather shoes. In February 2006, David Beckman officially announced that he would not wear Aids shoes anymore. Thus, the environmental campaigners could be a problem for Aids, who should make some R&D to find others materials, not taken from animals. * Legal Concerning the regulation, Aids needs to be aware of the legal legislations (most of them protect the customers) such as Sales and Supply of goods act (1979), Trade ascription Act (1968).

There is also the European Union (1993), which is the free trade Detente countries Trot EYE: traces are not changer Day customs anymore Ana there are no quotas. Aids has to deal with the counterfeit of Aids footwear products. Competition analysis The competition on the sport footwear has become really aggressive because of many reasons. Nowadays, many people do sports because of the care about well being but also because sports brands have become social symbols that permit to people to distinguish from the others and show their membership in a social group much as for making sport in itself.

Consequently, competition on the sport footwear market increase dramatically with the idea of making everything to make your best competitor has a bad image in front of customers and to prove that your brand is the best by all means, we can even talk in some case about unfair competition. In the market of footwear, Disdain's first competitor is Nikkei with 37. 9% of market share, and Aids had 22. 9% % in 2006. Nevertheless,

Aids is gaining everyday market shares and we see a close fight between Nike and Aids for gaining the global market.

Aids makes everything to become the leader on the footwear market. Consequently, to become a bigger threat for Nike, Aids has acquired Reebok in 2005, world non in the sport market, in a friendly takeover for 3.1 billion of Euros (3.8 billion of dollars). This takeover allows Aids to combine its popularity in Europe among soccer and athletics fans with Reebok popularity in US in basketball and football fan. This takeover is a highly strategic action as it is made in order to win market shares in the U.S where Nike is the leader and finally catch its eternal competitor, Nike.

As we can see, everything is made to become a huge threat for Nike. There is a real fight between those two global brands. It can also be seen by the war they lead during major sports events as the football world cup of 2010. They fight to have the biggest number of team who wear their brand and finally in this case it's Aids which wins but which stays close to Nike. Indeed, in this football world cup in South Africa, Aids sponsored 12 countries such as South Africa, but also major and favorite teams like those of Germany, Argentina, Spain and France.

Aids also made huge benefits in other events, such as the official ball of the world cup, named "Jubilant" which was created by Aids. Nike owns also in this cup 10 famous teams like Brasilia, Netherlands, Portugal and Great-Britain (which wear Umbro, property of Nike). It's with this example that we see that Aids and Nike have another competitors, named Puma. This brand is well known by Aids, as it has been created by the brother of Aids Dasher

after a huge argument between the two brothers. Puma is gaining everyday little by little market share and is gaining in popularity.

Puma's strategy is different from its two other big competitors, they are positioned in the luxury market of sport because it has been bought by the French luxury group, LVMH. This brand has a strong appeal for fashion people, seducing big stars like Brad Pitt, or in the sport community the footballer Zinedine Zidane. Puma is trying to follow Adidas and Nike by making a lot of actions like for the football world cup. Puma has sponsored 7 teams, mostly African teams, but also a famous team, which won the previous cup, Italy.

To better understand the market share that each brand has, we have found a pie chart which represents the market share of each brand in the athletic footwear market where we have decided to focus on, on this case study. Network wellness. Com/stock (It is important to notice that this chart is a bit old as it has been made in 2005, and that for now, Reebok is now part of Adidas) It can be also relevant to make a mapping (See appendix 1) to see where Adidas is located / positioned relatively to its competitors in terms of price and technicality.

Adidas and its competitors Its second competitor is Puma which has been created after a huge argument between the two brothers Dasher ; Adidas has to be careful about Puma because it has been bought by the French luxury group LVMH and is winning little by little market shares. Puma's strategy is different from its two big competitors Nike and Adidas, they are more specialized in the luxury market, seducing fashion actors (Brad Pitt) and famous footballer (Zinedine Zidane). There is also another competitor in the footwear

world named It is also important, in a world of globalization, to highlight the growing power of new entrants from China.

There are two domestic famous brands in China: * Lie Inning * Anta They are leaders on the Chinese domestic market in footwear as people prefer to buy domestic brands but also because they are cheaper than Aids and Nike. Even if " Lie Inning and Anta are not competing directly with the two global leaders, they are taking more and more market shares in China, whereas Nike and Aids market shares remain the same. " Aids has to be careful of China competitors. Porter's five forces (including generic one) We can introduce this part by the Porter's five generic in order to describe the footwear industry.

The five criteria are: * Fragmented * Emerging * Mature * Declining * Global The footwear market is global because the market is saturated in products (everybody has sport shoes at home) but the market is rapidly growing. Porter's five roses can be summarized by many schemes and then, we will apply these forces to our case study. * Threat of new entrants New entrants cannot easily enter in the running shoes' market because a few big companies control the market and they own very important brand awareness, thanks to their advertising budget.

It implies that no new firm can quickly win many market shares without be exposed to a competitive reaction of leaders that will kill the new firm.

Nevertheless, some retail companies try to sell low-cost footwear with lower prices than Aids or other important company but with a lower quality as well. With such a positioning, they want to target the people who have not enough

money to buy expensive shoes and who are not really the target of Aids. *

Threat of substitute products or services Because AT some meal reports wanly Alamo ten running Ana can Impact AT ten leg on the ground.

So, some sports which require athletic footwear can be dangerous for the bone structure. That means other sports which do not have such an impact on the health can be a threat for the footwear market such as: swimming, cycling etc. * Bargaining Power of suppliers Shoes' fabrication and technology needs are more and more complex, so Aids depends on more suppliers than before. Raw materials: The insole is a thin layer of man-made ethylene vinyl acetate (EVA). The components of the middle consist of polyurethane surrounding another material such as gel or liquid silicone, or polyurethane foam given a special brand name by the manufacturer.

Outsells are usually made of carbon rubber. Increase of the cost of plastic because of the rise of the oil's price. Working conditions of outsourced production are often qualified to be against the human rights and Aids can be obliged to raise his employees' wages. * Bargaining power of buyers Demand is growing and companies are fighting for selling their products to consumers who become more and harder to please. In big retail stores, consumers have a large choice of running shoes. It means that if prices of a brand are too expensive compared to its quality, they will buy shoes of another firm with a better rate Price/Quality.

The market is very competitive and customers can choose between several brands such as: Nike, Adidas, Puma, Acacias, Mizzen, New Balance, Puma, Spiral, Salomon, Lawful etc. * Rivalry among existing competitors The

footwear market is growing quickly with 9.3% of growth between 1999 and 2007. Despite of the footwear market is oligopolies, because a few companies control it, the competition is very intensive and all firms aim to be the first. The main actors of this market are: Nike (Leader), Adidas (2nd), Puma, Acacias, Mizzen, New Balance, Puma, Spiral, Salomon and Lawful.

Portfolio analysis * Product range Adidas has more than 90 million pairs of shoes including 3.000 different styles. The following shows some example of Adidas shoes contingent on performance and price. This provides a clear idea of the various proposals of the mark. (See Appendix 2) So, this brand affected all sports. To be more efficient, we will find Adidas athletic shoes in each sport. We choose to focus on it because Nike, the dominant brand on this market, is much stronger on fashion shoes. Adidas gives priority to performance instead of fashion.

This means Adidas will be aimed at professional person than those practicing a sport as leisure. The next list is not an exhaustive list: * Football: Predator, OFF, Dipper, Dizzier * Tennis: Barricade, Genius Novak * Hockey: ADSTAR, Gel Platinum, * Golf: Garbage, Million, Tour 360 * Badminton: Court, Stabile Optimist * Running: Dizzier, Supernova, Jumpstarted, Response cricket: Twenty's, HOOKAH * Basket: TTS Suspected CRU, The Oracle * Rugby: Flanker, Predator, Regulate * Boxing: ADSTAR, Box Hog You can Tina In appendix 3 a can't Witt some pictures way to illustrate the product range of Adidas. The BCC manta Decease It Is ten more relevant Using this Boston Consulting Group Matrix, we will evaluate the interest of fields of activities of Adidas thought two criterion's: the market share and the market growth. We

can observe four areas, crossing the market share axis and the market growth axis: star, problem child, cash cow and dog. The Dog represents products which have low market share and market growth. These products do not have any interest for the company: indeed, they do not generate any profits anymore, and are usually products which have been around for a few years.

In this case, the company has better abandon these products. In the Aids range of products, the Aids Predator Precision has become a dog, having declined, such as the previous version of the Original Stan Smith 2, dating from 2005 or the ancient RespectLow, Respect Mid or Midrib for running. The Question mark shows products with a low market share and a low market growth. It means that these products have an interesting potential for sales (consequence of the low market share), but their high market growth risks to reduce their competitiveness. It would involve significant investments from the company.

The objective is to transform them into stars, with the possibility they can turn into dogs. In the Aids range of products, the Aids OFF is a question mark, recently introduced to the market. We will see if it turns into a dog or a star. The same situation is observed for the AS Wings from Jeremy Scott, which is the new collection, or the new men TTS Supernatural Commander ALT. The new environmental election with the Superstar, the Forum Mid Natural or the Vintage XX 500 are also recently introduced, and Aids will see if the "green spirit" will have a good effect on the sales of these shoes.

The Star corresponds to markets having high growth, and where the company owns high market share. It represents the most profitable products for the company, as they bring in a large amount of profits. The Aids Predator Pulse fits in this section, as it generates profits and significant sales. The Goodyear Race and the new version of the Stan Smith are also the most wanted shoes, and generate an important profit! The Cash Cows are characterized by a low growth market and a high market share. These products are very profitable, as they generate high profits.

Their dominated position gives them a competitive advantage concerning prices and margin. Arise from the low market growth, investments are not very high. Thus, these cash cow products are those which enable the company financing its question marks products. The Aids Predator Mania falls in this area, as it is a profitable product, with high sales. The new version of the Barricade V is also a profitable product as it generates high sales with competitive advantage on its price. We can see in Appendix 3 the BCC matrix. * Anions matrix The Anions matrix is a useful tool for noticing future intensive growth opportunities.

We can observe four strategies. First, there is the Market Penetration Strategy: the idea is to gain more market share with current products, implementing different promotions. It is the least risky strategy, as it does not cost a lot of money to the company. Thus, Aids could consider this method to acquire more market share, using Its Totally snows, already present on ten market, developing promotions around it. Secondly, the

Market Development Strategy is the fact to develop new arrests for current products of a company, through branding and advertising.

The current product should also be sold in area where it hasn't been located before. Using this medium risky method, Aids could sell a current footwear product in a new country. Then, there is the Product Development Strategy which is the fact to develop new products (in the aim to replace old products) to current markets. This is the case when each season, a new version of a previous product is bringing out such as Aids with its Predator football shoes. Finally, there is the Diversification Strategy which is for a company, the opportunity to develop new products for new markets!

This method is the riskiest one, as there was no previous knowledge of the product or of the market. Thus, Aids could use this strategy to produce a product that the company is not familiar with, to be sold in a new market.

We can see in Appendix 3 the Anions Matrix. Strategic Business Units Strategic Business Unit or SIBS corresponds to the different units which structure the company and represent the corporate identity. It is typically a strategy used by large company. It is the case for Aids. There are several types of SIBS regarding the type f product, the geographic area, etc.

Aids is applying a product strategy composed of four Subs: * Aids Sport Performance * Aids Sport Style * Aids Originals: from niche to fashion mainstream * The Fashion Group: Aids is fashion Aids Sport Performance It is the most sport-oriented SUB with all the products proposed to professionals. It represents the idea of performance that Aid Dasher wanted to diffuse. Innovation and transcendence are keys words of A. S. P. It covers most of the

sports and focuses its efforts most particularly on five of them. * Football *
Running * Training * Basketball * Outdoor Aids Sport Style

As all of its competitors, Aids also provide street wear and lifestyle fashion footwear. It was primarily a niche but as the target market correspond to the mass market, it became quickly one of the most important SIBS of the brand and the firm started opening new divisions such as Stella Ms Carney and Propose Design Sport. Aids Originals: from niche to fashion mainstream This is the classical SUB which is composed of the first models designed at the beginning of the brand such as the Stan Smith model. It emphasis the "Celebrate Originality'philosophy. The target is more the youth and teenagers. That is why the