

# Business overview of adidas



**ASSIGN  
BUSTER**

The company Adidas was founded by Adolf (Adi) Dassler and his elder brother Rudolf Dassler in early 1920s as Gebrüder Dassler Schuhfabrik, in Herzogenaurach in Germany. They got their first breakthrough in 1928 Olympic Games held in Amsterdam, when they designed the shoes for the German athletics team. In 1948, Rudolf decided to start his own company and named it as Puma and later Adolf registered the company with three stripes logo in 1949, as ADIDAS ('Adi' from his nickname and 'Das' from Dassler). Since then Adidas grew extraordinarily. The Dassler family withdrew from the company in 1989. Robert Louis-Dreyfus was made the chairman of Executive board from April 1993 to March 2001. In 2001, Herbert Heiner was appointed as the CEO of the company.

Adidas took over Salomon group in 1997 and changed the company name to Adidas-Salomon AG. But in 2005 Adidas sold Salomon segment to Amer Sports Corporation. And in 2006 Adidas acquired Reebok one of the well-known brands in the world and changed the company name to "Adidas AG".

Adidas AG is now the 2nd largest producer of sportswear and sports gear in the world. The company is active in Europe, the Americas and Asia. The headquarters of the company is located in Herzogenaurach in Germany and employees approximately 39,596 people.

This report discusses about the Marketing Campaign of Adidas for their various footwear products like Adidas Originals and Adidas Running shoes, and how they plan and implement their Campaign with use marketing communication mix to attract their target customers.

## **Situation Analysis of Adidas**

### **1. 1 Company Analysis**

Adidas is currently second largest producer of footwear, apparel, Gear and equipment by sales.

The Company is a Group of strong Brands like Adidas, Reebok, and Taylor made which aid the Company to build leading marketing position in the world.

The total revenue of the company in financial year 2009 was €10, 318 million, with net profit of € 245 million.

The FIFA world cup campaign was a huge success for Adidas around the globe because of wide media coverage across 190 countries, with audience reach of 26. 3 billion approximately. Adidas was the official sponsor of FIFA 2010 world cup.

In general, the objective of the Adidas Originals division is to fulfil the need of its diverse consumer groups and maximize business prospect.

Adidas Running segments' main motive is to achieve growth and market share by building credibility amongst the athletes.

DATAMONITOR: adidas AG. Adidas-Salomon AG SWOT Analysis [serial online]. August 2010;: 1-10. Available from: Business Source Premier, Ipswich, MA. Accessed November 26, 2010.

### **1. 2 Competitor Analysis**

One of the major Competitor of Adidas is Nike, a U. S. based company.

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Nike is world's top designer, marketer and distributor of athletic footwear, apparel, and accessories for various sports and fitness activities.

Nike generates alike revenue from different part of the world which reduces their business risk and creates barriers for their existing rivals and reduces entry for new.

Nike offers its products to more than 25, 000 retail accounts outside U. S.

Nike has a very wide product portfolio [Datamonitor Nike Inc.]. It provides shoes for various types of athletic activities like running, training, basketball, soccer, golf, baseball, football and bicycling. It also manufactures and sells sports inspired urban shoes and children shoes [Datamonitor Nike Inc.].

The company recorded revenues of \$18, 627 million during the financial year (FY) ended May 2008, an increase of 14. 1% over FY2007. The net profit was \$1, 883. 4 million in FY2008, an increase of 26. 3% over FY2008

[Datamonitor Nike Inc.].

### **1. 3 Consumer Analysis**

The Adidas Originals products are launched to increase the reach of the company in life style market. These products are designed especially for the customers who may be less active sports participants. The customer in this segment generally search for the products which are sporty but at the same time provide them the global street style appearance. The customers of this group are trendy and stylish. These customer mostly search for a best deal, they want quality, durability and value for their money.

Adidas Running division provides different products to different types of customers.

In this category, customers those who are totally involved in the fitness and athletics activities are included. These are either casual or core runner which look for latest technology and comfort in the shoe.

## **1. 4 Market analysis**

Adidas AG has over 2200 stores all over the world and planned to open 150 new stores in 2010. Customer can also shop from the home website and can place order online.

After the decline in 2009 in European sports goods market, it is expected that it will improve in 2010.

Adidas has made itself established in the high growth market of North America and Europe and is expanding its market in developing economies Asia which offers a huge prospective market opportunity in comparison to developed economies.

### **1. 4. 1 Market Opportunity**

Adidas gained huge marketing opportunities in future by acquiring the rights of Sponsorship agreements several major sports events like UEFA EURO 2012 and 2016 football championship as well as for UEFA champions league and FIFA world cup 2014. [Datamonitor: Adidas AG]

Adidas is official sportswear partner to London Olympics 2012. [Datamonitor: Adidas AG]

Adidas has sponsorship agreement with Japan Football Association until 2015 and with the Australian Olympic committee till 2016.[Datamonitor: Adidas AG]

### **1. 4. 1 Market Threats**

Counterfeit products are major problem for recognized brand in the market. Few retailers in East Asia and China are allegedly selling private tag products which are of close similarity of Adidas products. Counterfeit products affect the brand and profit of the company. Even after spending resources in protecting copyrights, counterfeits continue to expand creating threats to revenue and brand name of Adidas. [Datamonitor: Adidas AG]

Devaluation of currencies in developing markets affects the profitability of company. It affects the earnings of the company in those markets. For example, reduction in the rates of Russian rouble which dropped substantially against US dollar minimised the gross profit of Adidas by over € 200 million. [Datamonitor: Adidas AG]

Entry of new competitors like CAT and GAP.

### **1. 5 Product Analysis**

Adidas provides a wide variety of products to its customer. It covers every category of footwear, offering both Performance and lifestyle products, manufactured and designed according to the necessity of the consumer.

Adidas Originals [Trefoil logo] offer their customer premier lifestyle products with sport heritage in it, specifically made for fashionable and stylish

consumers. Adidas Originals provide exclusive products according to the trend of the market.

Adidas Running shoes are specially crafted for the Runners and athletes of today, procured with the latest technology and innovation like individualised motion, climate management and interactivity to give smooth and comfortable run to their customers.

## 2. Target Market Audience

Identifying our target audience is one of the most important stages of marketing communication process. In this process company determine their target customer in the market and segment them in different groups like age, gender, location, likes, media consumption habits etc.

Adidas Originals has targeted the young urban population of the age group of 18-28. These are generally college and school going students which are in the strong influence of communication technology like mobile phones and internet (social networking sites and downloading sites).

Adidas running focused its market on the young athletes of both casual and professional athletes. The most of the customer in this segment are of age group of 20-30. Adidas has designed shoes with new and innovative technology to target the prospective athletes planning to participate in Olympics.

## **Mission and Objectives**

### **Corporate Mission**

To provide innovative, designer and latest technological products to the athletes to achieve their best performance.

To be consumer focused and improve the quality, look, feel of products continuously. And develop the organizational structure to match and exceed the expectation of our customers.

To be socially and environmentally responsible.

To continuously strengthen our brand and product to improve our competitive situation.

To continuously improve and deliver spectacular financial results.

### **Objectives**

To increase the sales in retail segment by 8% in 2010 by increasing the awareness of the brand.

To reinforce Adidas originals division as the brand's prime lifestyle offering in the global youth market by launching "celebrate Originality" marketing campaign.

The objective is to launch a three year product and campaign plan in Adidas running category in order to boost growth and market share simultaneously.

### **Budgeting**

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