

Analysis of the merger of nike and reebok



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Nike, Adidas and Reebok are the best brands in the sports wear companies. Nike being the leader of the global market had the highest market share of 32. 9% in 2005, in order to break Nike and capture the market Adidas the 2nd best company after Nike decided acquire reebok.

And this acquisition was a great success after the acquisition the market share of Adidas-reebok jumped from 8. 9% to 21. 1% In US

This is the study related to the analysis of how Adidas and reebok got merged in order to protect their market and to kill competition and to gain competitive advantage over Nike.

Adidas reebok is now a bog brand and is slowly overtaking the whole market the strategy behind this merger was to capture the market and beat Nike who was emerging as the market leader at that time.

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INTRODUCTION:

WHENEVER IT COMES FOR SPORTS APPAREL THE FIRST NAME WHICH STRIKES OUR MIND IS “ ADIDAS”.

It is one of the biggest names in the field of sportswear.

There has been a lot of mergers and acquisition in the industry of sports goods due to high competition and growth. Salomon group was acquired by Adidas in 1997. Converse was acquired by Nike in 2003; the hockey company was acquired by reebok in 2004. (Kiley, 2005)

On august 3, 2005 Adidas-Salomon AG declared its strategies of acquiring reebok international Ltd for \$3. 8 billion. Just after the declaration reebok stock rose 30% while Adidas moved up by 7%.

“ This is an once-in-a-lifetime opportunity to combine two of the most respected and well-known companies in the worldwide sporting goods industry. Together, we will expand our geographic reach, particularly in North America. (Adidas. com)

HERBERT HAILER

The main goal of the acquisition was to challenge the Nike for a greater share in the US sporting goods market. The acquisition also raised the question of where the future of the market of sports goods is going. (Balboul, 2010)

LITERATURE REVIEW:

CHANGE MANAGEMENT:

It is an expertise which is needed by all the leaders in order to be competent and successfully tackle the company in several situations.

Five principles which should be kept in mind before a change:

1. Every individual has their own point of view hence they will react differently in the new situation.
2. Needs of an individual should be met no matter whatever the situation is.
3. Changes come with losses also and every it has to go through this phase.

4. Expectation of realistic management

5. Dealing with fear of change and the results after it is to be tackled with great care. (Team Technology, 1995)

CHANGE MODEL:

KOTTER'S 8 STEP MODEL OF CHANGE:

There are many models of change but the model of change used in this case is the Kotter's 8 step model:

Step 1: create urgency: it is the step where the people need to know the need for change and how much is the change necessary for the company, this is the time to change and is a must for the benefit of the company so that the people are motivated for the change

Step2: form a powerful coalition: in this step the leader need to convince the people for change and its necessity which is quite a difficult task and need real leadership quality to be done.

Step3: create a vision for change: this is the step when the leader need to plan for the change to take while thinking for the change there are several ideas and concepts clicking and these should be organized in a proper form in order to make the next person understand and believe on it.

Step4: communicate the vision: it is not just enough to communicate the vision to the people but it should be done with great power and confidence on a regular basis so that people can trust on it and it remains fresh in their mind so that they can respond accordingly.

Step5: remove obstacles: instead of people accepting and promoting the change there are certain resisting the change due to which obstacles are often created in the path of the change so the leader need to identify these and correct these by giving rewards to those working good for the change and motivating the one who resisting it.

Step6: create short term wins: during the change in order to motivate the employees and boost up their performance short term targets should be given so that the employees could work hard to achieve it but after achievement they will be high on energy and performance.

Step7: build on the change: the reason of most of the failures of change is the early declaration of victory, changes need to be done slowly and the impacts should not be judged too early and the long term goals should be focused on.

Step8: anchor the changes in corporate: finally it should be taken care of that the change is done properly and is used in the regular day to day life of the work and the leaders should keep on supporting the change so that the employees and the new leaders who are brought in should feel comfortable working. (Heraclitus, 1995)

This model was used by Hainer in the process of change and step by step he moved towards the change and finally achieved it became stabilized also

Consequences of change (merger):

The decision of the merging of two mega brands Adidas and Reebok was an historical and flawless decision.

The reasons resulting into the merger were:

COMPETITIVE ADVANTAGE: the growing threat of Nike dominating the market was the biggest reason of the merger.

CORE COMPETENCIES: both the companies had their own core competencies and combining them together resulted into:

1. Adidas technology with Reebok design
2. Adidas sports with Reebok women's market
3. Adidas shoes with Reebok apparel
4. Adidas global strength & Reebok US strength

Rule the market: the decision was taken in terms of a long term planning to rule the market in future.

BARRIER TO ENTRY: Adidas and reebok together will be able to control the market through their effective prices and offers and will be able to control competition by restricting new entry into the market

BARGAINING POWER OF BUYERS: there are much more buyer than the relative industry due to which companies like Adidas keep on changing their product in comparison to the competitor in order to increase sales and brand name really matters in the buying behavior of customers. (Team Technology, 1995)

CHANGE (MERGER):

Both the companies got merged on 31st jan 2006:

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The combo of both the companies provided Adidas with \$11. 8 billion in the global market. Both the brands are the top most brands hence a merger like this will provide them with a better reputation and more scope in the global market with a stronger existence, more variety and range of products will be available under the same company making the profit more than twice.

In spite of the merger the products will be sold under their own brand name because both the brands stand great value and selling them combined will be a stupidity (casestudyinc, 2008)

ANALYSIS OF BOTH COMPANIES:

Adidas-Reebok SWOT Analysis (After the merger)

Strengths

- * Variety of products according to the customers
- * Product line increase.
- * Slope in the market share.
- * Both segments of the market in terms of price are concealed.
- * Shared R&D, Patents, technology & innovations

Weaknesses

- * Different values of both the managements
- * Difficulties of the combining of two corporate cultures
- * both the companies are from a different part of the world

Opportunities

- * Cost Reduction
- * Less Competition
- * Cross-over promotion by sponsored athletes
- * Entry in new market/Segments

Threats

- * Nike.
- * Nike's probable getting hold of Puma. (Balboul, 2010)

AFTER MERGER :

Adidas went through the merger which resulted into not only the rival in your team but also a much firmer presence in US.

Adidas is trying its best to make the merger a great success and the company has closed their factories in Indonesia in order broaden its value in the market with reebok, Adidas is giving way to reebok to grow further on the track although it's going to take time but still they have to keep on moving on the right direction.

The company is working on its sales and marketing strategy; it is decreasing its reliability on small shopping mall based outlet but placing it on department stores and larger sporting good ventures. Adidas has also started to take the help of famous actors and actresses for the launch of its products. (Prasad, 2005).

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Creating customer value satisfaction:

Nike now spills in comparison to Adidas-Reebok in terms of value as; consumers like to go for Adidas-Reebok compared to Nike as they find that they get the value for the money spent and Adidas-Reebok have a considerably higher customer loyalty score than Nike . (Lefton, 2009)

customer relationship management:

Excellence of product performance:

The company provides the customer with the website support where they can find their product and can get all possible information about the product

Excellence of price performance:

Adidas-Reebok has provided the consumers with discounts and offers on the specific product or promotional product in their website.

Excellence of transaction:

Making transactions in order to buy products is quite easy for the customers to understand, Adidas-Reebok provide their consumers with product tracking and account managing so that they can easily track their orders.

Excellence relationship:

Adidas-Reebok is very good in maintaining customer relation by giving them services like subscribing newsletter , consumers can contact Adidas-Reebok easily and if they don't find the product satisfactory then they can get the refund whose process is mentioned in the website. (Balboul, 2010)

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Change agent:

Change agent is the person who is behind all the changes made in a company and the person is responsible for all the changes being carried out in the organization. Generally change agents are the C. E. Os. and the managers appointed by the company

In this case the change agent is the CEO of Adidas “ Herbert Hainer” and he is the one behind all the change decisions of the company. Herbert is the person to take the decision of the Adidas reebok merger and he is the one who decided that in spite of being same entity Adidas and reebok will continue selling their products under their distinct brands because both the brands have their own value and to sell their products under same banner will be a stupidity.

He also separated the headquarters of both brands along with the sales force of both brands; he is the brain behind the changes in Adidas. (Havelock, 2010)

RESISTANCE TO CHANGE:

Different culture: both the companies had their own culture and environment of work absolutely different from each other which created a lot of problem for the employees to work and took time to adapt

Different countries: Adidas and reebok both are from different countries due to which their rules, laws and traditions.

Management change: as Adidas acquired reebok the management of reebok changed which took some time for them to accept and work with, the

employees all were even tensed due to the fear of cutting down of man power

But as both the companies are mega brand in itself finally it was decided that both the companies will be selling their products under their own brands as they have very high values and hence both the companies have different headquarters and sales team to work for the company.

CONCLUSION:

Adidas reebok merger no doubt was a great success and both the big brands combining together are doing great in order to capture the market share and prove themselves to be the leader of the sportswear market but still there is a tough competition to them from Nike which is the best in the same field.

The strategy behind the merger was to gain a competitive advantage by combining world's 2 best companies in sportswear in order to rule the market and stop the continuous growth of Nike.