

# Adidas – case study

## 2

Business



1.

What is Adidas' corporate strategy? Has the corporate strategy changed with restructuring? - Lead the sporting goods industry. - Provide athletes with the best possible equipment to optimize their performance. - Market penetration, gain access to all markets in which they can compete. - Develop and expand into new markets and express interest in new consumer markets. - Lead the market in all regions they compete.

- Have the best innovation and design. - Have stores run by under one name by retail partners. Brand stores with sports organizations or other brands. - Create shareholder value. Yes, the restructuring of Adidas had changed their corporate strategy.

Prior to the acquiring and developing their three major brands Adidas was focusing on getting acquisitions. In theory the acquisitions would allow them to surpass Nike as the leader of the global sporting goods industry. They basically were just looking to buy out the competition and allow them to continue business under their name. However, their plan was short lived after they had realized the attractiveness and earnings of their company had declined and continued to decline until they restructured their business. Adidas' basically cut or sold all the divisions that did not fit their main strategy which was shoes and sports apparel.

2. Does Adidas' business line-up exhibit good strategic fit? What value-chain match-ups exist? Prior to its divestiture, what kind of strategic fits existed between Adidas' core business and its Salomon business unit? Yes, Adidas' business line-up exhibits good strategic fit now. After being restructured it is

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apparent that they are focusing on the right methods for business success. Under the previous business strategy the fit was poor because the businesses were too different and with combined production they couldn't make any gains. A key factor why it wasn't a good fit was that management and employee skills could not be moved from one company to the other without being retrained.

Now, even with a slim chance of catching and passing Nike as the world's largest sporting goods company they are still a global company that makes decent profit. A strong value-chain match-up that exists is Adidas' knowledge in the apparel and footwear industries. This made running TaylorMade, Salomon, Reebok footwear and apparel lines very easy. Prior to its divestiture there was only one strategic fit that existed between Adidas' and Salomon. Salomon helped make and develop golf clubs for TaylorMade but other than that their ski and snow apparel had no relevance to Adidas' footwear and apparel business.

3. What have been the financial characteristics of its major business segments during that time period? Which businesses might have been considered cash hogs and cash cows? If you were to compare Adidas' three major business segments finances during that time period they would show that Adidas' was out performing Salomon and TaylorMade combined. The characteristics of the companies showed that Adidas' was showing signs of growth where as the others were but not at a constant positive rate. Adidas is the cash cow with its continuing gross profit and Salomon is the cash hog with only its low operating profits. 4. Based on your analysis of adidas businesses, did the restructuring undertaken in 2005 and 2006 make sense?

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What strategic actions should adidas' top management initiate to improve the company's financial and market performance now that restructuring is complete? Yes, it did make sense.

It made sense because it allowed Adidas to return its focus on the part of its business that allows it to completely control and make money which was with athletic footwear and apparel. It also allowed Adidas to get rid of businesses that it was unable to manage and make a lot of money off of.

Strategy to improve company's performance. - Increase presence in other parts of the world. - Increase market share in North America. - Sell or develop a plan to increase profitability of Salomon's division.

- Flood market areas regarding and sponsoring sports teams and players.