

Adidas the largest sporting company marketing essay



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Introduction

Adidas AG is one of the largest companies in the sporting goods industry. The company offers its products through three main brands: adidas, Reebok and TaylorMade-adidas Golf. The company operates through more than 170 subsidiaries in Europe, the US and Asia, each focusing on a particular market segment. Adidas was promoted by Adolf and Rudi Dassler in 1949. adidas was named after its founders ' Adi' from Adolf and ' Das' from Dassler. The company changed its name from adidas-Salomon to adidas AG (adidas) in 2006. Adidas is the largest sportswear manufacturer in Europe and the second biggest sportswear manufacturer in the world, after its American rival Nike. In FY 2010 Adidas recorded revenue is \$16. 95869 billion.

Adidas AG: Mission Statement

The Adidas Group attempts to be the global leader in the sporting goods industry with brands built on a passion for sports and a sporting lifestyle.

For this purpose they always try to strengthening their brand and product to improve their competitive position. Adidas is committed to the customer focus service with new innovation and design. Adidas AG is dedicated to good governance, and uses their sustainability statement and corporate missions on Social and Environmental Affairs, Human Resources and Community Affairs to achieve company vision.

Adidas and Its Major Competitors

Here is a list of Adidas AG's major competitors.

Nike Inc.

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Origin: USA

Revenue: US\$ 19. 014 Billion in FY 2010.

PUMA AG Rudolf Dassler Sport

Origin: Germany

Revenue: US\$ 3. 827 Billion in FY 2010.

New Balance Athletic Shoe

Origin: USA

Adidas AG: Stakeholders

Stakeholders are those people or organisations who affect, or are affected by the operations of the company. Adidas stakeholders are different group and include the following:

1. Employees of the Adidas Group. Employees are a major stakeholder of Adidas group. To maintain good relationship with the employees Adidas give recognition to its employees and engaged them in the decision making process.
2. Authorisers – Government, trade associations, shareholders, Board of Directors. in order to build trusting relationships with this group Adidas always try to update them regarding their activities and policy.

3. Business partners – Unions, suppliers, service providers. In this regard Adidas organise stakeholder consultation meetings (called ‘ stakeholder dialogues’) with workers, union representatives, NGOs, suppliers and others.
4. Workers in the supplier factories.
5. Opinion-formers – journalists, community members, special interest groups. Adidas engage with this group through press briefing, website and other sources.
6. Customers – professional sports people, distributors, retailers, consumers. Adidas communicate with their customers through advertisement on electronic and print media.

Adidas AG: SWOT Analysis

Strengths

Threats

Weaknesses

Opportunities

Fig: Adidas SWOT Analysis

Strengths:

Positive Market Image :

According to Data monitor Adidas is among the leading players in the global sporting goods industry. The group is the leading sporting goods group in Germany, France and Japan, the most important markets outside the US.

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Adidas, through Reebok, has also a strong position in the US. The acquisition of Reebok has helped Adidas gain a 20% share of the US athletic footwear market. However leading market position help Adidas gain competitive advantage in market and brand loyal customers and Adidas's high brand equity enables it to attract more customers.

2. Success from 2010 FIFA World Cup

The 2010 FIFA World Cup was a big success for Adidas. The company had a supreme presence at the event with twelve teams including the host nation in the finals, combined with its status as official sponsor, supplier and licensee. The event had a great effect on the Adidas brand overall due to its unprecedented scale of media coverage. As of June 21, 2010 (almost ten days after the competition began), the company achieved record breaking sales, predicting sales of soccer-related merchandise at least \$2. 2 billion, surpassing the \$1. 9 billion obtained in football sales in 2008.

3. Strong marketing infrastructure:

Adidas markets its products through an extensive marketing infrastructure. The group offers its products through its own retail stores and franchised stores. However extensive marketing infrastructure helps Adidas to reach a wide range of customers and eventually expand its size of the market.

4. Geographically diversified operations:

According to Data monitor the group has geographically-diversified operations. It operates in Europe, North America, Asia and Latin America. Moreover, the group has balanced revenue mix in terms of revenue generated from various geographical locations. However this means Adidas

can acquire greater economies of scale with its geographically diversified operations.

Weaknesses:

1. Dependence on third party manufacturing:

To minimize its production cost Adidas has outsourced 95% of its production to independent third-party suppliers, primarily located in Asia. Furthermore, 32% of all suppliers were located in China. Since the company procures its merchandise from foreign manufacturers, it has little control over the product quality.

Opportunities:

1. Sponsorship agreements

Adidas has sponsorship agreements for major sports events across the globe. The company has a sponsorship agreement with the Japan Football Association until March 2015 and with the Australian Olympic Committee until 2016. It also secured sponsorship rights to the 2014 FIFA World Cup. In addition, in 2009, Adidas extended its partnership with UEFA for the UEFA EURO 2012 and UEFA EURO 2016 football championships, as well as for the UEFA Champions League. The company has also signed an 11-year global merchandising partnership agreement (beginning with the 2006-2007 season) with the National Basketball Association (NBA). This deal makes Adidas the official uniform and apparel provider for the NBA, the Women's National Basketball Association and the NBA Development League.

Additionally, Adidas is also the Official Sportswear Partner to 2012 Olympics

in London. Sponsorship of major sports events would help the company to strengthen its profitability and enhance its brand recall among consumers.

2. Growing Importance of Sports to fight Obesity:

Government and other organisations are highly promoting active lifestyle to fight obesity and various diseases. According to the International Obesity Task Force (IOTF), more than 600 million adults were considered obese in 2010. An additional 1.0 billion were estimated to be overweight. This development has serious health consequences and a dramatic effect on health care expenditures. So this issue might bring new opportunity for Adidas.

3. Women Segment Offers Long Term Potential:

Till date most of the Adidas revenue comes from the men segment. But in the upcoming days the women segment is showing more potential for Adidas. Adidas should focus on this segment by creating new products and design for women's.

4. Growing global footwear market:

According to Data Monitor the global footwear market has shown positive growth in recent years. The global footwear market is forecast to grow at a CAGR of 4% in the six-year period 2005-2011 to reach \$202.3 billion in 2011. So this is a major opportunity for Adidas to explore itself globally which will result in increase sales and revenues and ultimately gives the group chance to catch the global market.

Threats:

1. Macroeconomic Risks:

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns, socio-political factors such as civil unrest, nationalisation, in particular in regions where the Group is highly represented, therefore cause a significant short-term risk to sales development.

2. Consumer Demand Risk:

Nowadays consumers are more choosy and its quiet difficult to predict their demand. So therefore it is essential to maintain a balance between the supply and demand. Failure to anticipate and respond to changes in consumer demand for sporting goods products is one of the most serious threats for Adidas.

3. Customer Bargaining Power:

Nowadays markets are more buyers dominated. The bargaining power of customer is rising rapidly because of intense competition between the suppliers. This issue can harm on Adidas overall business operations.

4. Intense Competition:

The athletic footwear, apparel and equipment industry is highly competitive. Adidas group competes with players such as Nike, Callaway Golf Company, New Balance Athletic Shoe, and PUMA AG Rudolf Dazzler Sport. High level of competition in the market place could negatively impact the market share of the group'. (Data monitor, 2010).

Adidas AG: Strategy

Adidas has ` diversified its strategy in three dimensions. They are:

1. Group Strategy.
2. Global Brands Strategy.
3. Global Sales Strategy.

1. Group Strategy:

1. 1 Creating Shareholder Value:

Adidas is trying to create more value for its shareholders through generation of cash flow. Therefore, Adidas AG is focused on carefully managing those factors under its control, making strategic choices that will drive sustainable revenue and earnings growth, and ultimately cash flow.

1. 2 Multi Brand Strategies:

To maximise customer reach with variety of choice Adidas has adapted multi brand strategy.

1. 3 Investments focused on highest potential markets and channels:

Adidas has prioritised its investments based on those markets which offer the best medium to long-term growth and profitability opportunities. In this respect, we continue to place a considerable emphasis on expanding our activities in the emerging markets, particularly China and Russia.

2. Global Brand Strategy:

2. 1 Driving the long-term development of Adidas and Reebok:

To secure long-term sustainable growth for the Group, Global Brands is focused on driving the development of the Adidas and Reebok brands. The overall strategic goal is to achieve qualitative, sustainable growth by building desirable brands in consumers' and customers' perception.

2. 2 Brand architecture and differentiation:

Adidas multi-brand structure gives them an important competitive advantage. Through its brand architecture, It seamlessly cover the consumer segments they have defined, catering to more consumer needs, while at the same time keeping clarity of brand message and values.

3. Global Sales Strategy:

The global sales function is responsible for the commercial activities of Adidas. The functions is categorised in three distinctive channel retail, wholesale and e-commerce.

3. 1 Focus on Controlled Space

To make its products more competitive Adidas has adapted several techniques. As a result they are refining their distribution channel with stronger focus on controlled space which includes e-commerce, own retail store, mono branded franchise stores, partnership with retail stores etc.

Focusing on Three ‘ Attack’ Markets:

As a part of strategic business plan route 2015 the global sales function has identified North America, Russia, UK, Latin America, Greater China, Japan
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and India as key growth markets. Among them North America, China and Russia are anticipated to contribute over 50% of total sales. To ensure the efficiency of these markets they directly report to the group CEO.

Concluding Thoughts

Based on the above information this assignment would conclude that Adidas is one of the largest companies in the sporting goods industry. The group operates through more than 150 subsidiaries in Europe, the US and Asia, each focusing on a particular market or part of the manufacturing process. To be concluded Adidas has a priorities SWOT analysis with leading market position as its biggest strength and Geographically-diversified operations enable Adidas to take advantage of a range of market opportunities