

Adopted by sporting
giants adidas and
reebok marketing
essay



**ASSIGN
BUSTER**

Abstract:

The sporting industry is one that has always flourished. With its interesting campaigns, admired sponsors and wide range of products that satisfy the needs of diverse tastes, it has won over the hearts of millions worldwide. Similarly the merging of the two sporting giants, Reebok and Adidas has indeed raised its bar of excellence and has geared more people towards its products. Therefore I was fascinated in the merging of the two companies as now they are the second most largest shoe brand in the world and their products are used by almost everyone.

I intend to explore the coalition's new empire and whether it satisfies it's primary goal of expanding its market share by adopting new strategies.

I anticipate on collecting secondary information from the Internet, magazines, newspapers and other sources that are available. For the primary research I intend on collecting information by taking an interview of a company analyst.

In order to obtain an accurate result I have used many analytical tools like SWOT analysis, ANSOFF'S matrix, BOSTON matrix and POSITIONING map.

These analytical tools will help me decide and conclude whether the integration between Reebok and Adidas was successful in gaining a higher market share or not.

After analyzing the collected data, I can say that the merger between Adidas and Reebok has definitely helped in increasing its market share. Since the

new strategies adopted by the company, Adidas and Reebok now pose a great threat to one of their major rivals Nike in the sports product business.

Acknowledgments:

Extended essay supervisor: I would like to thank Ms Rajeshwari for all her guidance and support in writing my extended essay.

The IB Coordinator: I would like to thank Ms Gauri Dabolkar, for all her guidance and support in writing my extended essay.

Financial/company analyst – I would like to thank Mr Chetan Parikh for taking time out of his busy schedule to give me an interview.

Table of contents

Abstracts.....	
page 1	
Acknowledgements.....	
page 2	
Introduction	
-History of Reebok.....	page 4
-History of Adidas.....	page 5
-Brand Ambassadors.....	page 6
Main Body:	

-Benefits for the acquisition.....

page7

Introduction

History of Reebok:

Reebok today is considered to be one of the most well known shoes manufacturing company. Reebok sells, sports apparel, sneakers and shoes across the globe. Their main activities consist of designing and marketing sports and fitness products as well as for casual use.

In the 1890s, Joseph William Foster made some of the first known running shoes with spikes in them. By 1895 Joseph developed a company of his own in the United Kingdom called J. W. Foster and sons that made shoes for the top runners.

In 1979, Paul Fireman, a partner in an outdoor sporting goods distributorship, spotted Reebok shoes at an international trade show. He negotiated for the North American distribution license and introduced three running shoes in the U. S. that year. Reebok's sales were outstanding as they exceeded \$1. 5 million. Reebok made the transition from the private to public sector in 1985.

In January 2006, Adidas-Salomon AG acquired Reebok for \$3. 8 billion.

Shortly after the close of the acquisition, Paul Harrington was named President and CEO of the Reebok brand. Adidas kept its headquarters in Germany, as well as its North American headquarters in Portland, Oregon.

http://corporate.reebok.com/en/reebok_history/default.asp

<https://assignbuster.com/adopted-by-sporting-giants-adidas-and-reebok-marketing-essay/>

History of Adidas:

Adidas is a German- based sports apparel manufacturer and part of the Adidas group consists of Reebok Sportswear Company, Taylormade-adidas golf company and Rockport. In August 1949 Adidas was registered as a company. The name Adidas came about from the name of the founder, Adolf Dassler, therefore Adolf (Adi) (Das) sler.

The company's logo features three parallel bars. The " Three Stripes" were bought from the Finnish sport company Karhu Sports in the 1950s. Adidas is the largest sportswear manufacturer in Europe and the second biggest sportswear manufacturer in the world, after its U. S. rival Nike.

Adolf Dassler started making shoes in Herzogenaurach, Bavaria, after his return from World War I. After the death of Adolf Dassler's son Horst Dassler in 1987, Bernard Tapie (a businessman) bought the company in 1989 for 1. 6 billion French francs. Tapie bought Adidas on a loan, which he was not able to pay back on interest. Credit-Lyonnais, Tapie's bank, sold Adidas to Robert-Louis Dreyfus for 4. 485 billion. Robert Louis-Dreyfus then became the new CEO of Adidas.

<http://en.wikipedia.org/wiki/Adidas>

SWOT analysis of the Adidas and Reebok Company:

Strengths:

Both the companies have a larger product base than before.

<https://assignbuster.com/adopted-by-sporting-giants-adidas-and-reebok-marketing-essay/>

Combined ideas and resources of both multinationals lead to a production of better and more competitive products.

Adidas benefits from Reebok's popularity in the United States, and similarly Reebok benefits from Adidas in Europe.

Profits of both the companies are combined, which leads to an increase in the overall revenue.

Low operating costs through economies of scale.

Strong communication between different parts of the world using video conferencing therefore cutting down on transportation cost.

Reliability of products.

Opportunities:

Product based ideas can improve.

Opportunity to gain ground over Nike.

Reebok owns various leisure footwear companies; Adidas has the opportunity to explore this market; something they have not done to their fullest potential.

Weaknesses:

Reebok is considered to be the weaker brand amongst the two companies this may cause conflicts unless Adidas decides to rebrand Reebok.

Both the companies rely largely on outsourcing.

Threats:

Even after the acquisition Adidas is still threatened by one of its major rivals, Nike, as it owns 33% of the entire market where as Adidas owns only 22%.

Competition from the local companies as they sell products at a much lower price.

Strikes from outsources would cause for a major shortage in supply of products.

Retailers selling Adidas and Reebok products at lower prices than proposed.

Marketing Mix for the Adidas and Reebok Company:

Product:

The Adidas group has manufactured over twenty thousand products associated with sports. They change their product line twice every year so as to give the consumers a vast variety of products to choose from. Reebok as well manufactures sports related products and owns various footwear companies such as Ralph Lauren footwear and the Greg Norman collection. Both these companies together can give the sports market a complete transformation.

Place:

Adidas supplies its products to over 160 countries and has 900 active suppliers working to increase the profits of the company. Reebok on the other hand distributes its products in more than 175 countries and has factories in more than 45 countries. This merger will benefit both the companies as the merger has not only increased the number of suppliers but also the number of consumers.

Price:

All products manufactured by Adidas and Reebok are of good standard. Their range of products includes not only products which are high-priced but also products which are economical. This demonstrates that their targeted audience is not just the affluent, but every person who is interested in sports.

Promotion:

Promotion of a product is very important and Adidas and Reebok have both promoted their products in every way possible to increase their sales. Adidas has comfortably linked itself to the world soccer body FIFA, Olympic games and European soccer championship league while Reebok has a strong influence on the US Market. Both these companies publicize through various mediums like in games, on hoardings, in magazines and on television. Such promotional strategies are bound to increase the sales and profits of the new formed company.

Ansoff's Matrix for Adidas and Reebok:

A: Adidas and Reebok both produce very innovative and popular products.

Reebok recently produced a product that tones the butts and legs of women around the world with its innovative Easy Tone footwear. Featuring first-of-its-kind balance pod technology, the shoe generates incredible results

One of Reebok's most famous being the Allen Iverson range of products.

Adidas is no less with their "T MAC" range of products. These are very popular, and if production of these products were to increase then they would undoubtedly sell fast. These products are to be sold to the existing customers in the "Market Penetration" sector.

B: the Allen Iverson and Tracy McGrady ranges can be sold in new countries such as India where they are not fully introduced and could appeal to the Adidas and Reebok loyal customers. The product would see them in the "Market Development" sector of the Ansoff's Matrix.

C: Adidas' soccer following is very large. They are regarded as the best product manufacturer when it comes to soccer, and this is solidified by the fact that they have made the Official Soccer Ball for the FIFA Soccer World Cup the last nine times. Selling their new F10+ products to existing customers generates huge amount of revenue, as they are the most trusted brand in soccer. Reebok's new "Pump" variant would see them earn very high revenues because the "Pump" has been around for a long time, and introducing a new addition to the range would be highly beneficial to Reebok. Both these products would be in the "Product Development" sector of the Ansoff's Matrix.

D: If the same new F10+ range of products were to be sold in a country where they don't exist yet, once again such as India, then there would be an increased amount of sales, however the company must not be over-ambitious with their production if they know the current demand for soccer products. The same applies for Reebok and their RBK "pump" brand.

Boston Matrix

The Boston Matrix is a tool used in marketing in order to classify a product according to:

Market growth

Market share relative to competitors

Overall relation to other products on the grid

There are four sectors in the Boston Matrix:

Dog: This signifies low market share and low market growth

Question mark or problem child: A product is attributed to this sector when the market is still growing and the product is relatively unknown in the market.

Star: A product is placed in the "Star" sector of the Boston Matrix when the sales of a product are increasing faster than the growth of the market.

Cash Cow: A "Cash Cow" product is one that has grown fully and is thus generating large volumes of money.

EUROPE:

Adidas: Adidas being a German company has a great advantage in Europe as it solidifies its hold on the European market. Thus Adidas is seen to be in the star sector of the Boston Matrix, signifying high market share and high market growth.

Nike: Is positioned in the Cash Cow, which signifies that it has a high market share but a low market growth. This is because Adidas has an advantage over Nike and Reebok in the European market.

Reebok: Reebok held no significant market share in Europe. The “ Dog” sector of the Boston matrix is where Reebok is to be found with a comparatively low market share and low market growth. Since the integration, Reebok has gained some ground on its main competitor Nike.

AMERICA:

Nike: America represents a large percentage of the world’s sporting goods market. Nike is the highest earning sports apparel company in the USA, and thus is seen in the “ Star” sector of the Boston Matrix. Their high market shares that never seem to decrease have solidified its formidable position in the market.

Reebok: The influence that Reebok has in America is accredited mainly due to its strong endorsements in the National Football League and the National Basketball Associations. The “ Cash Cow” sector is where one would generally find Reebok, with high market share and a relatively low market

growth; however, it must be kept in mind that Reebok has extreme potential to be in the “ Star” sector of the Boston Matrix.

Adidas: Adidas is not as popular or well endorsed in the United States as Nike or Reebok are, or as well endorsed as they are in Europe. Thus they find themselves in the Question mark sector of the Boston Matrix. They are relatively far behind Nike and Reebok, but since the merger with Reebok has helped them gain market share, as well as learn a few things about the American market from Reebok.

ASIA:

Nike: In Asia, a market that is still to be fully explored, Nike seems to be the clear leader. The “ Star” sector sees Nike with its high market share and growth. This is an advantage and an extremely lucrative market to capture.

Reebok: Reebok on the other hand, sees a high potential for growth in Asia, especially in countries like India, Sri Lanka and Pakistan, where sports like cricket and hockey are like a religion. This would explain the relatively low market share and high market growth. Reebok is in the “ Problem Child” sector of the matrix.

Adidas: adidas has been around as long as nike, however does not see as much of a rapid growth as nike does. The east asian countries that are major soccer playing nationa such as japan, south korea and china will see a larger number of sales in their countries. However, the majority of the sales is restricted to that part of the continent. Adidas does not appeal to consumers in India and Pakistan, but not largely enough to Reebok’s extent. It is seen in

the Cash Cow sector with low market growth, but a high market share. It could most definitely benefit from reebok, and vice-versa.

Positioning Map:

Nike: nike is renowned for its high quality products. However, quality comes at a price, and therefore that would explain their high priced goods. They have the highest price when compared to Adidas and Reebok. Thus they are seen at the top of the high price, high quality quadrant.

Adidas: adidas is not priced as high as Nike, however the Quality is not that high either, it is at a lower, high quality quadrant. Their prices are high but for a very small number of products, not for the majority of them like Nike, and thus is seen to be at the position is at on the positioning map.

Reebok: reebok has the poorest quality of all the three companies, but they still retain a relatively high price, as well as comparatively lower price to Nike and Adidas. Their poor quality needs desperately to be improved, and hopefully they can do a better job now that they have merged with Adidas. They are below Adidas on the positioning map in the low quality, high price quadrant.

Strategies adopted by Adidas

Leveraging opportunities across the brand portfolio:

Adidas primarily pursues two strategic priorities:

Market penetration - gaining market share across all markets in which they compete.

Market development – expanding into new markets and addressing new consumer segments.

Their multi-brand approach allows them to tackle opportunities from several perspectives, as both a mass and a niche player, providing distinct and relevant products to a broad spectrum of consumers. Adidas continues to prioritize the development and further integration of its supply chain across all brands, turning it into a long-term competitive advantage for their Group.

Leading position in markets worldwide:

Adidas' target is to lead the market positions in all regions where they compete. Their strategy is twofold. First, they continue to strengthen their position in the major Western European markets and strive to grow their brands through well-coordinated efforts with key account partners. Secondly, they are capitalizing on the strong growth opportunities in the region's emerging markets (i. e. Eastern Europe, the Middle East and Africa). Adidas targets market share expansion via a strong, consumer-driven product offering, a diversified distribution strategy, and visible and engaging communication initiatives.

Leading through innovation and design:

It is our objective to launch at least one major new technology or technological evolution per year. Through design partnerships and collaborations with Stella McCartney, Yohji Yamamoto, Porsche Design and Jean-Michel Basquiat we are widening our design reach. By continually expanding our capabilities in R&D and design, we are able to introduce new

products at premium price points, thus contributing to Group margin improvement.

Another strategy followed by Adidas, is the cooperation with Samsung Electronics to produce the so- called shoe + phone scheme, which uses wireless biometrics to display information on an Adidas-branded Samsung phone. Moreover, in 2008 the two companies announced a mobile phone that works with Adidas shoes and apparel to plan, track and motivate users in training (MiCoach).

Customizing distribution

We are continuously refining our distribution proposition, concentrating on two areas: expanding controlled space and improving retail relationships.

Controlled space includes:

Our own-retail business including e-commerce

Mono-branded stores run by retail partners

Shop-in-shops that we establish with our key accounts

Joint ventures with retail partners

Co-branded stores with sports organisations or other brands

These formats provide us with a high level of brand control, as we either manage the stores ourselves (i. e. own retail) or we work closely with our partners (mono-branded stores, shopin-shops, joint ventures, co-branded stores) to ensure the appropriate product offering and presentation at the

point-of-sale. Brand control helps us drive sales and profitability increases and expands our market position. We intend to generate at least 35% of our Group's revenues through controlled space in the coming years. In addition, we are partnering with retailers to increase the level and quality of sell-through information we receive.

Creating shareholder value:

As always, we are committed to increasing returns to shareholders with above- industry-average share price performance and dividends.

Innovation leadership through personalization Adidas' innovation philosophy encompasses every facet of the brand's business – from product design and development to brand marketing, promotion partnerships and distribution. In this area, personalization represents a key focus. Personalized product concepts at Adidas include:

Interactive product concepts such as miCoach – an individual training system launched in 2008, which can sense, understand and adapt to the consumer's needs.

Customised solutions such as the mi Originals platform or the TUNIT™ football boot concept, which offer consumers the opportunity to specify certain product features.

A broad selection of well-defined product families such as adiSTAR®, adiZero™ and Supernova™ and technologies such as CLIMA, TECHFIT™, FORMOTION™ and BOUNCE™, offering consumers extensive choice, according to their individually defined needs and requirements.

Personalisation will be the brand's lead innovation concept and a driving force of the adidas business going forward. It will guide all efforts in product design and development, (digital) marketing and distribution and it is adidas' goal to be the most personal sports brand by 2015.

Partnership network strengthened

The utilisation of promotion partners such as federations, teams, leagues, events, individuals and designers is an important part of the brand's strategy. In 2008, the Sport Performance division further strengthened its promotional partnership network. In November, adidas announced a long-term partnership with the IAAF. Under this agreement, adidas will be the official IAAF athletic sponsor and licensee product supplier, a partnership that incorporates every aspect of athletics, and makes adidas the Official Sponsor of the 2009 IAAF World Champion ships in Berlin. The brand extended contracts with two of the world's most recognized football clubs: AC Milan and Ajax Amsterdam. Furthermore, the Russian Football Union was added as a partner - an important step for the brand's future success in the Russian market. Also, the sponsorship deal with the All Blacks, New Zealand's iconic rugby team, was extended. In the Sport Style division, adidas has created a new platform - Originals by Originals - to increase its collaboration with some of the world's leading designers. Jeremy Scott, Alyasha and Kazuki have each created mini collections for the launch of this initiative in spring 2009. the cooperation with Samsung Electronics to produce the so- called shoe + phone scheme, which uses wireless biometrics to display information on an Adidas-branded Samsung phone. Moreover, in

2008 the two companies announced a mobile phone that works with Adidas shoes and apparel to plan, track and motivate users in training (MiCoach).

Increasing cooperation with retail partners

adidas currently generates around 82% of its business with its retail partners. Two of the highest strategic priorities to drive future business growth with the brand's partners are:

Consumer-oriented range segmentation today forms the foundation for closely targeted brand activation plans. In this, adidas is working very closely with its main retail partners to fully align consumer propositions and to develop unique selling propositions in line with the partner's target audience. In 2008, an example of this was the collaboration with the Intersport Group around the UEFA EURO 2008™. adidas also seeks to broaden its distribution network with the addition of new partners, in particular sports specialist or fashion specialist customers, as the product offering is expanding continuously.

Retail space management (e. g. shop-in-shops) is becoming the most dynamic business model for adidas and is a key part of the brand's controlled space expansion. In this, the brand is cooperating with retailers along the entire supply chain all the way through to the point-of-sale. Replenishment models secure high levels of product availability throughout the season, allowing for quick adaptation to demand patterns. In addition, by increasing control over point-of-sale presentation, regular brand statements and product updates give adidas higher flexibility to generate consumer awareness.

To support these initiatives, during 2008 the brand extended the reach of its innovative web portal services and added attractive new features to its CRM platform in many countries around the world. Going forward, adidas is ready to invest into new forms of cooperation to remain at the forefront of customer collaboration and partnership.

Own retail and e-commerce

Own-retail expansion is an important strategic driver for adidas brand growth. While serving as a mechanism to expand distribution where retail infrastructure is under-developed (such as in many emerging markets), own-retail activities also give the brand valuable insight into consumer trends and product positioning in all markets where adidas operates its own stores.

2008 marked a milestone in adidas own-retail history with the opening of the first adidas Brand Center in Beijing a month before the Beijing 2008 Olympic Games. Other retail initiatives carried out in 2008 included refining the women's and kids' areas and a revised, more customer-friendly footwear department in adidas Sport Performance stores. The Sport Style division released new concepts for the Originals stores called Atelier and Studio.

Furthermore, a refreshed Y-3 store concept has been launched and is already exceeding expectations. To fully exploit the potential of the new Style Essentials range, adidas has opened numerous dedicated stores via the adidas franchise partners in China. In 2008, adidas also successfully launched its e-commerce platform in four major European markets (Germany, the Netherlands, France and the UK). In 2009, the United States and selected European countries will welcome mi Performance online as part of the mi adidas® customisation solution.

Sport Performance – Football: expanding market leadership

Promotion partners include leading football associations (e. g. FIFA, UEFA), national federations (e. g. Germany, Russia, Spain, Romania, Greece, Argentina, Mexico, Japan), leagues (e. g. Major League Soccer in the USA), clubs (e. g. Real Madrid, AC Milan, Chelsea FC, Liverpool FC, FC Bayern Munich, River Plate Buenos Aires) and individual players (e. g. Kaká, Lionel Messi, David Beckham, Michael Ballack). In 2008, adidas continued to grow its market leadership in football markets around the world, thanks to the brand's strong presence at the UEFA EURO 2008™. Going forward, the football category will concentrate on the lead-up to the 2010 FIFA World Cup South Africa™. In addition, the FIFA Confederations Cup in South Africa and the UEFA Champions League serve as important platforms to showcase new products and marketing concepts throughout 2009.

Sport Performance – Running: building credibility with high-performance athletes

In 2009, running will focus on personalisation as well as more exciting and feminine products for women runners. Using the marketing mantra “Because Every Runner Is Different”, adidas Running will introduce the exciting new family Gazelle in addition to current product families such as the adiSTAR® and Supernova™ offerings. The huge track and field support that adidas provides its athletes with will also become apparent on the world's biggest sporting stage in 2009, at the IAAF World Championships in Berlin.

Sport Performance – Training: leading in innovation

<https://assignbuster.com/adopted-by-sporting-giants-adidas-and-reebok-marketing-essay/>

Innovation continues to be an important strategic priority in this category. In September 2008, adidas purchased Textronics, Inc., a specialist in integrating high-tech heart rate, moisture and blood pressure monitoring technology into performance apparel. This acquisition will help strengthen adidas' leading position in the intelligent product category. Updated gender-specific body mapping enables CLIMA to stay at the forefront of delivering optimal solutions for moisture management and body temperature control. TECHFIT™ compression, led by the unique TECHFIT PowerWEB proposition, will further broaden itself as a cross-category technology featuring on athletes in sports as wide-ranging as football and athletics to basketball, swimming, rugby and boxing. We believe one of our major existing growth areas and key long-term opportunities for the brand is women's training.

Sport Performance - Basketball: the "Brotherhood" grows

In 2008, adidas Basketball continued to leverage its unique NBA partnership and developed the "Brotherhood" campaign, which will continue in 2009. With basketball overtaking football as the most popular sport in China, adidas brought the NBA to Shanghai in 2008. With the NBA live and 5IVE grassroots events, and the introduction of TECHFIT PowerWEB as the official compression apparel of the NBA.

Sport Style - adidas is fashion: Y-3 and the adidas SLVR Label

adidas is the only sports brand with a greatly anticipated and well-regarded show at each New York Fashion Week. Controlled space will be the main strategic priority for Y-3 in the upcoming years. By the end of 2010, adidas

targets to have 40 Y-3 stores (including franchise and own-retail stores)
<https://assignbuster.com/adopted-by-sporting-giants-adidas-and-reebok-marketing-essay/>

located in the world's top shopping destinations. Furthermore, a Y-3 online store has been launched in the USA in 2008, with the extension of e-commerce to other markets following in the future. In 2009, adidas will bring the Sport Style division to another level with the launch of the adidas SLVR Label, a pure fashion brand for the modern cosmopolitan consumer, offering "simply perfect" garments, shoes and accessories. The adidas SLVR Label celebrated its premiere at the New York Fashion Week in February 2009, which will be followed by the opening of its first store worldwide.

Sport Style - extending brand reach through adidas Style Essentials

In 2008, adidas took a big step forward with the expansion of the Sport Style division through the introduction of adidas Style Essentials. It capitalises on existing trends and brings them to market more rapidly than traditional sporting goods timelines.

BENEFITS:

The Reebok acquisition was seen as a key factor in growing the Adidas brand in developing and fashion-oriented markets of Asia like China, Korea, and Malaysia. Moreover, Reebok already had marketing tie-ups in China (with Yao Ming) and Adidas did not have to cover all China segments.

Adidas AG reported its fourth quarter results for 2007 (October-December, 2007). The results were helped by lower purchasing costs resulting from its acquisition of Reebok and improved sales.

Its net income rose to €21 million (US\$31.9 million) from €13 million a year earlier. Sales increased to €2.4 billion (US\$3.7 billion) compared with nearly

€2.3 billion in 2006. In 2007, total yearly earnings were €551 million (US\$837.9 million), up 14 percent from €483 million in 2006. Sales for the year rose marginally to €10.3 billion (US\$15.6 billion) from €10 billion in 2006.

The Adidas brand had sales worth €7.1 billion (US\$10.8 billion) while Reebok had sales worth €2.3 billion (US\$3.5 billion). Last year, in 2006 the Adidas brand had sales worth €6.6 billion to Reebok's €2.5 billion.

Year-end order backlog represents firm future revenues from contracts signed up to that date. Order backlog is a key indicator of future sales for retailers and Reebok's lower order backlog remains the key question mark. Order backlog of brand Adidas was excellent up 17 percent which can be partly attributed to the Euro 2008 soccer championship and Beijing Olympics this year. However, Reebok's order backlog was down 8 percent (down 20 percent in North America). Nike reported worldwide futures orders for athletic footwear and apparel (scheduled for delivery from December 2007 through April 2008) totaling \$6.5 billion, 13 percent higher than such orders reported for the same period last year.

<http://www.adidas.com/in/shared/aboutadidas.asp>

<http://www.essay411.com/libessay.html?KEYW=>

[What+strategies+did+the+sporting+giants%2C+Adidas+and+Reebok+u](#)

<http://corporate.reebok.com/en/news/2008/default.asp>

<http://www.casestudyinc.com/Articles/adidas-reebok-merger-strategy.html>

<https://assignbuster.com/adopted-by-sporting-giants-adidas-and-reebok-marketing-essay/>

March 05, 2008 - Business Management Article