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Executive Summary

This study is regarding the marketing mix of a brand that some of us are quite familiar with. Belonging to the apparel and accessories industry, Adidas is one of the leading sportswear companies globally. With a revenue of 21.915 billion euros, Adidas has been able to gain a major market share with their 3-stripped logo.

Adolf Dassler, who began developing running shoes for athletes went on to manufacture football boots and apparel, golf apparel, tennis gear and every other sport activity he could reach into. The company formed in 1924, went through lots of hassle before undertaking the brand name of Adidas.

In the present world, Adidas has major business rivals of which Nike, Puma, Fila, Callaway Golf, Asics, Li Ning and New Balance are a few to list out. According to the global ranks, Adidas is ranked #2 with Nike at the top.

The study emphasizes the target market of adidas which is the youth involved in sports related activities. It specifies the category of people that are capable of buying these premium products.

The study also includes the SWOT analysis based on the industry in which Adidas belongs to. Despite the competition and threats faced by Adidas, they have a larger portion of strengths to look at. A market research of four Ps and their effects on Adidas has also been mentioned in the study.

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An Overview of ADIDAS

Adidas is a multinational corporation, founded and headquartered in Herzogenaurach, Germany, that designs and manufactures shoes, clothing and accessories. It is the largest manufacturer in Europe, and the second largest in the world, after Nike. The revenue of Adidas for 2018 was listed at 21.915 billion Euros.

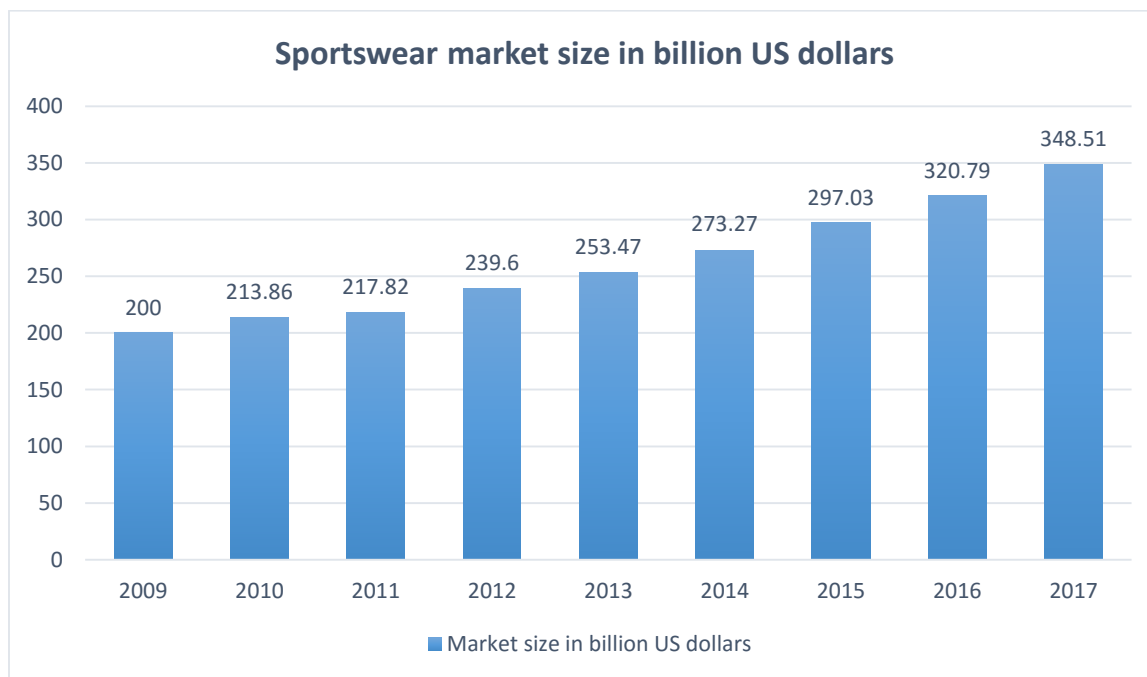
The company was started by Adolf Dassler in his mother's house, joined by his elder brother Rudolf in 1924 under the name Dassler Brothers Shoe Factory. The brothers had decided to develop spiked running shoes for athletic players. Their first handmade spikes were used by U.S. sprinter Jesse Owens at the 1936 Summer Olympics. Later in 1949, following a breakdown in relationship between the brothers, Adolf created Adidas and Rudolf established Puma which resulted in both being business rivals.

Adidas' logo is a simple one of 3 stripes. It is widely used on the company's clothing and shoe designs as a marketing aid. The branding, which Adidas bought in 1952 from Finnish sports company Karhu Sports, became so successful that Dassler described Adidas as 'The three stripes company'.

Adidas sells a range of clothing items, varying from men's and women's t-shirts, jackets, hoodies, pants and leggings. Adidas' main focus has been on football kits and the associated equipment. It remains a major company in the global supply of team kits for international teams and clubs. Adidas has also provided baseball equipment and sponsors numerous players of Major League Baseball. Golf, Lacrosse, Running and Tennis are few other sports that Adidas has major deals with.

During the mid to late 1990s, Adidas divided the brand into 3 main groups with each a separate focus. Adidas Performance was designed to maintain their devotion to the athlete; Adidas Originals, designed to focus on the brand's earlier design which was a popular lifestyle icon and Style Essential, which dealt with the fashion market.

Adidas has been able to grow up to the number 2 position in terms of shoe manufacturing and in providing quality products to its customers. The major competition with Nike has put them in this position while Nike remains on top. Adidas is said to be in the maturity stage in the Product Life Cycle of the sportswear industry. Market analysis shows that men make up 52% of the sales, women 35% and children make up 13% of the sales.



The Adidas brand has experienced a strong resurgence in the past few years owing to the success of its unique sneaker models and powerful endorsement contracts with non-athlete superstars like Kanye West and Pharrell Williams.

Source: Wikipedia (No date)

Image source: Google (No date)

Competitors to ADIDAS

Market motivation is the element that motivates companies to increase sales volume and generate more revenues. This goal can be achieved by focusing on a good marketing mix. The main components in a marketing mix are referred to as four P's. It stands for Product, Place, Promotion and Price. In other words, it is simply about knowing and understanding your competition in order to build a good marketing strategy. Identifying your competition is the key to remaining competitive in the market.

Sports is wide field of various events such as Football, Basketball, Athletics, Baseball and many more. All sports activities require training gear, apparels and such equipment to bring out the best performance. And that is why Adidas has been a popular brand for both the famous and the unknown. This has also helped the company to gain markets in over 160 countries globally.

Below is a list with descriptions of the top competitors to Adidas.

1. Nike, Inc.

Nike is the most popular and number one footwear manufacturing company in the industry. Nike has become the most trusted brand when one looks for quality shoes and apparel. Nike has a reputation to never disappoint their customers when it comes to products and their quality. It is said that Adidas will take many years to beat Nike and overthrow it from their first position.



2. Callaway Golf Company

Callaway is known for making premium-priced, durable golf clubs that are popular among amateurs as well as pros. They are well known for their irons, wedges, fairway woods, all which are sold either under Odyssey or Callaway labels. They function in more than 100 countries. Adidas, who has been trying to enter the golf industry is kept out by Callaway who is on the top in the Golf sector.



3. Puma SE

If it weren't for sibling rivalry, these two companies would today be operating as one. Puma has been the main competitor since the beginning of Adidas. After a family feud, Rudolf founded Puma and was involved in providing quality products in the footwear line among others. Although its heritage is in shoes it has recently began taking a firm position in the industry through its apparels.



4. Fila

Fila comes among the top most sportswear manufacturing companies with a good market share. It is one of the largest manufacturing companies with its cutting edge coming at its price. It is most liked by the medium to low income earners, who happen to be the majority in the society. The relatively lower pricing is what attracts most people.



5. Converse

This is a company that is given credits for making footwear beautiful. Converse is known to go well with casual apparel. They are also involved in sports shoe line. With an annual revenue of about \$2 billion, Adidas should watch its pace.



6. New Balance

The most premium sport's shoe manufacturer with its quality production and shoes stronger than those of Nike, Adidas, Puma and Reebok is what New Balance is called in the modern day. Its shoes are therefore the most expensive on the market. Since customers in the first world countries like the UK and the USA prefer quality to anything else, New Balance is almost conquering such markets with Nike, Adidas and Puma having major concerns.



7. Asics

Asics is a Japanese sports shoes manufacturing company with a specialty in athletics shoes. It is also known to have interests in hockey shoes, football, cricket and other such sports. The company developed a formidable promotional strategy that has made it expand a great deal in the near past. Its main targets are in the USA, the UK, where it is giving Adidas a real headache.



8. Li Ning

Originating in China, Li Ning is a footwear company and has established itself as a major Adidas competitor in the Asian market. Li Ning specializes in sports shoe, ping pong equipment, badminton racquets and other accessories which are in common trend in the country. Big companies like Nike, Adidas and Puma have been shaken by Li Ning.



Source: marketing91.com (2018)



Figure 1. Data Comparison between Nike and Adidas in the recent Global football tournament
Image source: DIGITALMARKETINGNBBLOG (No date)

ADIDAS – Target Market

Adidas wants to be the best sports company in the world. Best in the products they design, the service they provide and the experience they offer to their customers and partners. By having a clear mission and a strong plan, Adidas has made it possible to gain the competitive advantage.

The management at Adidas created a new strategic business plan to accomplish the mission, by the name “Creating the New”. The core objective of this plan is to drive top and bottom line growth by significantly increasing brand desirability. To achieve this business strategy, Adidas followed a plan based on three strategic choices:

- **Speed** – Keeping the customers at the heart of everything is crucial to the company’s success. Adidas ensures that its customers find their desired products whenever and wherever they want them.
- **Cities** – Owing to the target market of Adidas, the company noted down the six key cities in which they wanted to over-proportionally grow a share of mind, the share of market and the share of trend: London, Los Angeles, New York, Paris, Shanghai and Tokyo.
- **Open source** – This step was about collaboration and innovation. This is a major leg which led to the success of Adidas. Adidas took necessary steps in inviting athletes and partners to co-create the future of sports culture.

Adidas uses differentiated targeting strategy to target young adults, adults as well as children who have passion for fitness and sports. Although it targets customers in the age group of 13-40 years, a majority of the customers are of 15-30 years of age who seem to have more interests in sports related activities.

Given the prices of the products that Adidas offers, it is quite understood that they focus on the upper middle class families and above. They are the class of people that are capable of buying Adidas products. The lower middle class part of the society is not in the books of the Adidas’ target market. It is because they earn comparatively lower incomes and hence choose to spend less on luxuries.

The company’s future is focused on targeting and strengthening its brand with the next generation of athletes in the 14-19 years of age group. Adidas believes this target group is the most influential consumer group in the world.

Source: marketing91.com (2017)
heartofcodes.com (2019)

ADIDAS- Segmentation based on Demographic, Psychographic and Behavior factors

Market Segmentation is the research that determines how your organization divides its customers into smaller groups on various basis. They may be classified based on age, income, personality traits or behavior. It may further be classified into groups of similar needs and wants. By the process of this segmentation, it will be possible to leverage the targeting in product, sales and marketing strategies. Market segments can power up product development cycles by providing information on how the products are offered in the different segments such as men vs. women or high income vs. low income.

Getting to know the customer in a detailed manner to gain a competitive advantage and thereby be able to serve the customers' needs and wants in a better way is the motive of Adidas in segmentation. Following are the different types of segmentation done by Adidas:

1. Demographic segmentation

Segmentation according to demography is based on consumer demographic variables such as sex, age and income. Adidas targets consumers between 13-40 years of age who are more likely to be interested in sports activities and apparels. Adidas targets both male and female consumers in the same manner by offering premium quality sports products.

Due to competition from Nike, Puma and other such brands, Adidas' products are high priced and they target the upper middle class and high end customers. Adidas also offers different sub-brands like Adidas Originals and Adidas Neo which targets different segments. Adidas Neo is the newest sub-brand launched to the teenage group of consumers. It offers stylish, fresh and young products to please the consumers. The price point of Adidas Neo is competitive which allows them to reach out to a larger consumer base.

2. Psychographic segmentation

Psychographic segmentation is used to divide the market into groups based on social class, lifestyle or personality characters. Adidas focuses on social class because people within a given social class tend to have similar buying traits.

One of the main segmentation used by Adidas is the psychographic one. As mentioned earlier, in order to create a premium positioning among consumers, Adidas targets upper-middle class consumers to affluent consumers. Adidas' sub-premium to premium pricing strategy and superior quality products helps the brand target its desired customer segments and create a premium positioning in the minds of its customers. This is partly due to the competition created by other brands such as Nike and Puma.

3. Behavior segmentation

Behavioral segmentation is the process of dividing the total market into smaller groups based on similar buying behavior. Observing the buying patterns of customers helps the company in knowing the needs and wants of the customers. It also helps in creating a better marketing strategy to serve the consumers in a desirable manner. The usage frequency, brand loyalty, occasion of purchase and benefits needed.

Adidas slogan of 'Impossible is Nothing' has been a huge promotion campaign that appeals to customers to form a large market. The international trademark campaign sets the desire to provide the impossible to the possible, to exceed limits and push consumers further. Boxing legend Muhammad Ali, famous footballer David Beckham and popular NBA star Tracy McGrady has helped Adidas achieve greater volume in sales. The emphasis on these stars have changed the youth's buying behavior towards branded boots and shoes. The buyer's ultimate goal is to buy the product of best quality and best affordable price.

Women have a bigger power in buying than was considered previously. Women have taken over several of the typically men acquisition. The reason being, women do not buy for themselves, they also make the procurement for their family members. Adidas has expanded their collections that resemble more feminist, to attract the women consumers. Adidas has increased the range of toiletries such as shower gel and perfumes which has enabled them to gain more market share from women.

Source: heartofcodes.com (2018)

Yusop (2018)

ADIDAS- SWOT Analysis

SWOT analysis is a strategic planning technique that is used in an organization to identify strengths, weaknesses, opportunities and threats related to business competition or project planning. It is designed for use in the preliminary stages of decision-making processes and is also used as a tool for evaluation of the strategic position of the organization. 'SWOT' stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and weaknesses are internally related, while Opportunities and threats focus on the external environment. The SWOT analysis of Adidas is described below:

Adidas Strengths

- **Brand value:** Adidas is one of the most valuable brands in sports. According to Forbes, it is ranked at #3 position, behind Nike and ESPN, with a brand value of \$6.8 billion.
- **An iconic brand with a prestigious legacy:** Adidas has nurtured a strong and prestigious legacy over its long, illustrious history by influencing and shaping numerous aspects of society across the world.
For example, the Adidas influenced sports in the 70s and shaped hip-hop culture in the 80s. Its iconic three-stripped tracksuit and three-leafed motif logo transformed the brand into a cult, particularly among the youth.
- **New products innovation:** Since its founding, Adidas has prioritized the quality of its products over everything else. In 2018, EUR 153 million was invested in Research & Development (0.7% of its annual net sales). High-quality and innovative products are the driving forces behind its ever-growing customer base.
- **Diversified portfolio:** Although the Adidas brand specializes in the sportswear industry, the company's products are diversified to cater to a wider range of consumers which includes apparel, hardware accessories and toiletries.

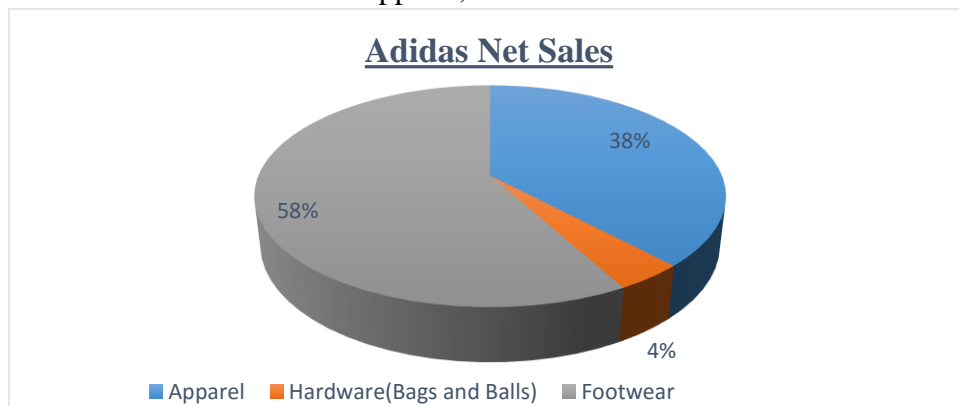


Image source: bstrategyhub.com (2020)

- **Young customers prefer Adidas:** The consistent focus on product quality and customer experience has enabled Adidas to nurture a global and loyal customer base, primarily consisting of young adults aged 16 to 24.

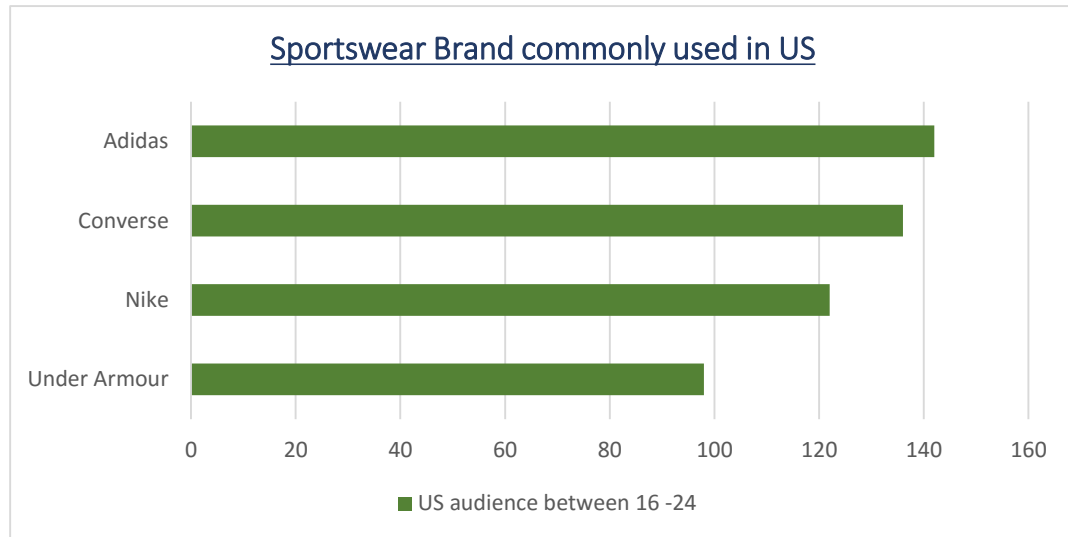


Image source: bstrategyhub.com (2020)

- **Effective Supply Chain Management:** Supply chain management is vital in the success of global companies, particularly for Adidas, since it outsources most of its manufacturing. Adidas works with its key strategic partners to ensure control of the entire supply chain.

In 2018, 97% of footwear volume was produced in Asia. The rest in Europe and America. In the same year, an apparel volume of 91% came from Asia, while the rest were from Europe, America and Africa. The volume of hardware products in Asia were 79%, Europe 19% and America with 1%.

- **Effective marketing strategy:** Adidas has chosen to sponsor globally to organizations which provides an opportunity to advertise directly to sports lovers and fanatics. For instance, the marketing campaign at the FIFA 2018 World Cup held in Russia staged a major platform for Adidas. The second strategy of sponsoring high-profile athletes such as David Beckham and Lionel Messi creates a brand desire in the market.
- **Celebrity endorsements:** To maintain and enhance its recognition as a youthful and urban brand, Adidas has decided to establish endorsements from celebrities. Adidas has been endorsed by a long list of movie and music stars.

Adidas Weaknesses

- **Supply chain shortage:** Adidas outsources the production of most of its products to 3rd party or independent manufacturing suppliers, mainly in China, Cambodia and Vietnam. This has created a risk of overdependence on foreign suppliers. According to Reuters, these suppliers are unable to keep up with the growing demand for mid-priced apparel in the North American market, resulting in a reduction in sales growth by 1-2% in 2019.

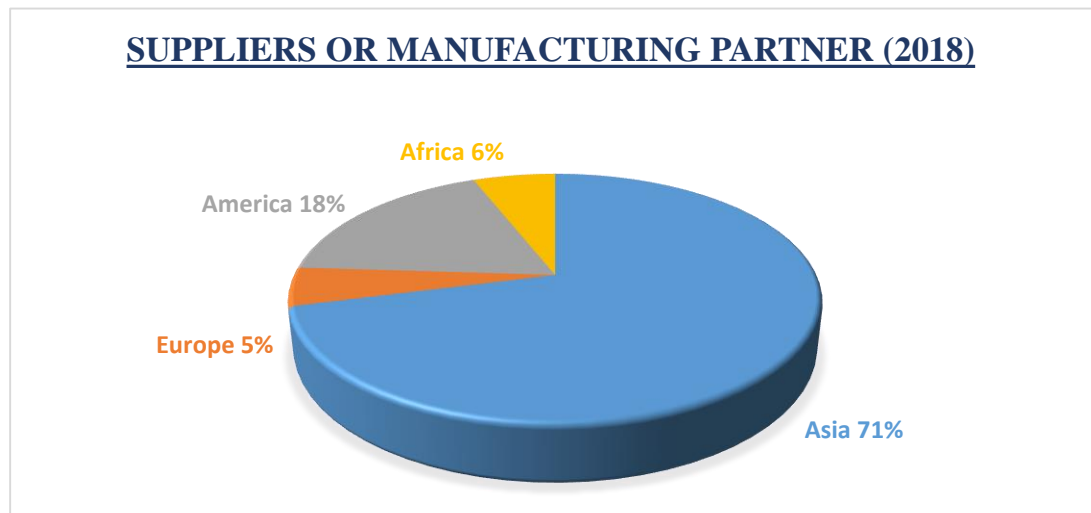


Image source: bstrategyhub.com (2020)

- **Expensive products:** Adidas charges high or premium prices for its products which has kept low income consumers afar. Only an upper or middle income group can afford over a \$100 pair of shoes.
- **Limited product line:** Adidas Group has only the Adidas and Reebok brand under its portfolio which has restricted the company within sports footwear, apparel and accessories. A seasonal decline in the demand for sports related products will pose a major blow for Adidas.

Adidas Opportunities

- **E-commerce:** In the recent years, the number of consumers who shop online has increased significantly. Adidas incorporated Instagram's checkout feature into its distribution network, leading to a 40% increase in online sales in the first quarter of 2019, which implies that they can replicate this success on other social media platforms.
- **Growing sportswear industry:** Sports and fitness have grown in popularity with no sign of slowing down which means that there will be a consistent increase in demand for sportswear apparels in the future.
- **Investing in smart materials:** Technological advancements have enabled the development of new synthetic materials that are better and more beneficial than traditional materials. This may provide an edge over its competitors.
- **Culture of Yoga pants:** A major portion of today's people are health conscious. This has created a change in preference and has increased the demand for sports related apparels. Yoga pants made by Adidas redefines the sport industry.
- **Product development in Space:** In 2019, Adidas partnered with International Space Station National Lab to explore new product development process without gravity.
- **Shoe subscription:** In the UK, an estimate of 300 million pairs of running shoes are thrown away every year. Engineers at Adidas are in process to make the entire shoe from the same material. Usually, Adidas' running shoes include over 12 different materials. The new idea is being developed so that once the shoe is worn out, it can completely be recycled to manufacture new pair of shoes. This concept is known as FutureCraft.Looped, which could possibly turn out to be a shoe subscription model in the future.

Adidas Threats

- **Competition:** One of the all-time threats faced by Adidas is the competition due to globalization and technological advancements, which has enabled entry and penetration of small and medium companies into the industry. Adidas has to rival against Nike, Puma and Under Armour while tackling new entrants.



Image source: statista.com (2020)

- **Rapid expansion and adoption of e-commerce:** Many companies are adopting e-commerce at an alarming rate which can pose a threat if their main competitors adopt the same strategy before them.
- **Supplier dominancy:** Due to the fact that Adidas outsources most of the manufacturing of its products, the suppliers have more bargaining power than the company. This disadvantage exposes Adidas to the possibility of being held hostage by its biggest suppliers.
- **Loss of trademark:** In 2019, Adidas lost the three-strip logo trademark case in the General Court of European Union, which exposes the brand to the threat of imitation.

- **US-China trade tensions:** Due to global operations, the company is susceptible to the reckless tit-for-tat imposition of tariffs between countries. A trade war is particularly threatening to Adidas because the US is the company's second largest market, yet most of its products are made in China and other Asian countries.
- **Exchange rates:** Fluctuations of major currencies such as the Euro and the US Dollar can cause a negative impact on the company.
- **Global economic slowdown:** The effects of lower sales and turnover affects the company's cash flows and operations. This has a seasonal and region based effect.
- **Fake products:** It has been claimed that about 10% of Adidas products in Asia could be fake. The number and quality of fake products have increased significantly in the recent past. This could be a threat to Adidas as well as other premium shoe manufacturers.

Source: bstrategyhub (2020)

ADIDAS- Market Research

Market research is the process of determining the viability of a new service or product through research conducted directly with potential customers. Market research allows a company to discover the target market and get opinions and other feedback from consumers about their interest in the product or service. This type of research can be conducted in the house, by the company itself, or by a third-party company that specializes in market research. It can be done through surveys, product testing and focus groups. It is a critical tool in helping companies understand what consumers want, develop products that those consumers will use and maintain a competitive advantage over other companies in their industry.

Product

In regard to various aspects in a market research, the BCG matrix is a tool that is widely used among companies in major decision-making situations. Boston Consulting Group (BCG) growth share matrix is a planning tool that uses graphical representations of a company's products and services that helps the company to decide what it should keep, sell or invest more in. The BCG matrix breaks down products into four categories.

1) Dogs

If a company's product has low market share and is at a low rate of growth, it is considered a "dog" and should be sold, liquidated or repositioned. Dogs, found in the lower right quadrant of the grid, do not generate much cash for the company and can turn out to be cash traps.

2) Cash Cows

Products that are in low-growth areas but for which the company has a relatively large market share are considered "cash cows", and the company should milk the cash cows for as long as it can. These are seen in the lower left quadrant in the grid.

3) Stars

Products that are in high growth markets and that make up a sizable portion of that market are considered "stars" and should be invested in more. Found in the upper left quadrant, these generate high income but also consume large amounts of company cash.

4) Question marks

Questionable opportunities are those in high growth rate markets but in which the company does not maintain a large market share. These are found in the upper right portion of the grid. They typically grow fast but consume large amounts of company resources.

Adidas has four brands under the Adidas Group: Adidas, Reebok, Rockport and Taylor. The first two are individual brands and they have a strong market share. But they face tough competition in the industry from Puma and Nike who are also in the race to achieve a larger share in the market.

Place

Retail sector is a diverse and dynamic aspect, one which is prone to changing consumer tastes on an irregular basis. The retail industry seems to grow regardless of the economic cycle or capital costs. No matter what a store is selling, the key to success is successfully managing performance, Return on investment and other financial aspects. Retail managers must focus on the 4 'R's. Return on Revenue, Return on invested capital, Return on assets and Return on Capital employed. These four areas are crucial for the financial health of a firm.

Adidas has introduced a new strategy to serve their consumers even better than always. Adidas group will ensure that consumers find fresh and desirable products at any given place and time. By reshaping its entire business model, Adidas group expects to significantly improve its speed to market by enhancing its capabilities to reproduce seasonal best-sellers to fulfil higher consumer demands.

Adidas has identified the urban centers that play a key role in creating trends and building brand desirability. Based on their commercial relevance and relevance for sports and street culture, Adidas has defined six global cities that it will focus its efforts on: Los Angeles, New York, London, Paris, Shanghai and Tokyo. Adidas aims to outperform their competitors in these cities in terms of market share and brand advocacy.

Source: adidasgroup.com (2016)

Price

Every business operates with the primary objective of earning profits and it is reflected in the pricing methods adopted by the firms. There are various factors that determine the right price for a product or service ranging from the nature of the product or service, competition with similar products, cost of products, for whom it is targeted and the external factors such as the economy.

Of the several types of pricing, the most commonly used methods are Premium pricing, Penetration pricing, Economy pricing and Skimming price. The first method is about establishing a price higher than your competitors to achieve a premium position in the market. It can be used when the product presents some unique features or advantages. Penetration pricing is the opposite of the first wherein the product is introduced with a price lower than its competitors. This method is useful to attract more customers and possibly provoke a switch in preference

from the current brands they use. After gaining market share, the prices are increased to profitable terms.

Economy pricing is the method by which the prices are maintained at the bare minimum to attract a specific segment of the market that is highly price sensitive. And lastly, Skimming is a method used when the companies have a significant competitive advantage before other competitors begin to offer similar products or substitutes.

Due to the style and design of Adidas, and the competition given by Puma and Nike, they use skimming method of pricing to achieve maximum profits. The apparel sector of Adidas use skimming price due to the brand equity in the market. It is of great importance to know that Adidas never uses penetrative pricing because it will greatly affect the brand equity and desirability among consumers. The psychological effect of skimming price is that it makes consumers think that 'higher prices mean better quality'.

Source: marketing91.com (2019)

Promotion

Promotion refers to any kind of marketing communication used to inform or persuade target audiences of the relative merits of a products, service or brand. It is a process by which marketers create a distinctive place in the customers' mind. The aim of this strategy is to increase awareness, generate sales and create brand loyalty. Promotion is one of the elements in a promotional plan. A promotional plan specifies how much attention must be put into each elements in the marketing mix and how much budget should be allocated to each element.

Adidas promotes through various marketing vehicles but the majority is done on multimedia which is a modern way of promotion. Television ads and product placements are primary channels of promotion. The creative team of Adidas is known to pump adrenaline in their customers through ads filled with energy along with a powerful marketing message. The tagline of Adidas 'Impossible is Nothing' itself is an attractive statement.

Endorsing the Adidas sports culture to all-time favorite stars in various sports is another method of promotion. Sponsoring teams as well as individual players have gained a huge market share in the sports industry.

Adidas also conducts creative outdoor campaigns and events marketing in the hope of increasing net sales and the brand desirability.

Source: marketing91.com (2018)

Conclusion

What started off in a small town in Bavaria, Germany has went on to become one of the world's leading player in the sports industry by conquering and establishing the sports industry with three-stripes. Adidas is ranked #2 behind Nike in terms of market share and revenue. Being in the maturity stage in the Product Life Cycle, Adidas aims higher and higher as every year passes.

Adidas has been doing significantly well given the competition from Nike, Puma, Fila, Converse, Callaway Golf and Asics to name a few. Adidas is in the process of gaining popularity in all kinds of sports activities.

Adidas seeks to focus on consumers primarily between 14 and 30 years of age. Reason being that they are more likely to be inclined to sports and its culture. Apart from the age group, Adidas aims to provide to the upper class families who have better incomes and are in a position to purchase their premium products. It has also been observed that women tend to contribute more to the overall sales as they procure for their families as well.

Adidas has a lot to speak about in their SWOT analysis. Starting from their diversified portfolio, innovative products, effective supply chains and celebrity endorsements portray a good future in the life of Adidas. But the expensive prices of their products seem to attract less from the middle class families who are in majority. Major threats may be faced due to overdependence on supply chains as they are located far away from the major markets. Asian suppliers have been accused of providing fake goods which has affected the reputation of Adidas.

The major brands of Adidas and Reebok possess strong market share and are known as 'Stars' according to the BCG matrix which classifies products and forms an understanding to the company about where to invest and where not to invest. The marketing mix of Adidas uses Skimming price method to obtain a premium position in the market.

Adidas' tagline 'Impossible is Nothing' is a powerful statement that intends to energize the youth which in turn contributes to the sale and brand equity.

Personally, I would recommend a couple of changes to the current practices of Adidas. Instead of outsourcing most of the work to third parties, it could provide a lot of job opportunities if it were made in the places with most market share. After careful analysis, the demand and other resources can be determined after which a decision can be made.

Another one to note down is that the middle class forms the major part of the society in every country. If it were not for them, the upper class would barely exist. The needs of every human are the same. It is their circumstances that drives them to their needs. Rather than focusing on high end users, sportswear companies should consider cutting the prices to a fair level which can be affordable to everyone.

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