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Adidas Case Study

Situation

Over the years Rolf Reinschmidt has been pushing a customisation experience at adidas in the Forever Sport Division. This division focuses on developing products 'engineered to perform' and as such technical innovation and product leadership were key in his department.

The mi adidas pilot phase: offering soccer boots of customised fit, performance and design to a select group of customers at targeted events, had been a huge success with overwhelming satisfaction rates. Some issues with backend processes were still unresolved but could be addressed subsequently. Therefore, mi adidas proceeded to the next phase: retail tours.

Retailers were very interested in adidas' initiative but adidas couldn't commit to all and had to make a selection based on conflicting interests. The customisation process used in the pilot was improved and simplified for it to be deployed in any store, not requiring an adidas expert to run it. Furthermore, at this stage, the mass manufacturing processes and information flows were not adapted for efficient customisation while the smaller factories were focused on special products and were more on the side of prototyping than production. Changes to either of the two setups would result in increased costs. During the pilot they planned for a short 'minimal disruption' of their operations but if mi adidas were to scale it up, it would not be sustainable for long. On the distribution side, adidas opted to switch its ordering process back to the existing channels and to group deliveries to the retail stores instead of directly to the customers (a whole scheme for adidas to hand over its responsibility towards the customer to the retailer and focus on its core business).

In addition, mi adidas was competing with the marketing department for resources and was reportedly under-budgeted. Although mi adidas was widely accepted within the organisation its resources were still granted on a good will basis rather than a shared common vision. The initial rollout of this second phase falling close to 50% short of its initial targets, Rolf is wondering whether the time is right to scale or if he should take it as an opportunity to withdraw before investing considerably in the project. He should also keep in mind that several competitors are lining up to take over the market share should he decide to give it up.

Suggestion

Adidas has a great product and service to sell, competition exists and from the survey results the market seems to be there, but it's still too expensive for the average customer. I wouldn't expect demand to rise to profitable levels with such a price tag back in 2002 and the state of technology back then was not sufficient to support efficient supply. I would encourage Adidas to maintain and maybe even cut back operations a little but not withdraw entirely. Forever Sport distinguishes itself through innovation, it is essential to keep such research projects going and be ready when the right time to scale comes. In the meantime, costs of development could be shared with the marketing department. After all, mi adidas remains a way for them to show off expertise that is ultimately redirected towards consumer products. The cross-department project would also strengthen internal collaboration.

Firstly, during these 'maintaining' years I propose, Adidas would still be running its service at a reduced scale, seeking ways to improve the overall process from customer to production and maybe even beyond the product life cycle. Since this would be research, it can't hit the market full fledge. It would require some kind of a loyalty program that would give customers access to this higher end customisation service and retain its attractiveness. This way, the 'prototyping' would be very close to the real service they aim for with a direct feedback loop.

Secondly, Adidas should start thinking about how to create an information system, factory and supply chain that would be dedicated to making products on demand. As mentioned in the case study the communication of the detailed specifications was not so obvious and workers lacked training. Although processes for the shoe fabrication would likely remain the same, maybe they might be better integrated in a different way. It might be worth trying to eliminate some steps too, Creo Interactive GmbH did manage to halve the number of steps required to produce a shoe. Ultimately, the main production issue will come down to the supply of raw materials. As explained in the case study, unavailability would result in significant inventory costs. To avoid keeping too much inventory, a model closer just in time delivery, as for car production, would be required for shoes. This would in turn drive up the price of shoes. Also here, the loyalty program would have selected customers less likely to complain and help accept increased delivery times. Furthermore, few people need the shoes at the moment they buy them. Generally, they can hold on to the ones they've got a while longer. This to say that the supply chain to the factory and to the customer would not need to be very responsive for a few years, while varying combinations are tried out.

Thirdly, not to disappoint the existing prospective customers by backing off from its leading position and also as a way to further vary its offerings, Adidas could aim for larger choice instead of pure customisation. Aside from custom choice and fit, what impressed customers during the pilot was the opportunity to design and shipping time. One can't reasonably do much about shipping times, if anything they should be allowed greater slackness (a thing loyalty customers would better accept). However, the opportunity to design could be worked on. Ideas from New Balance Inc. about offering multiple shoe widths or know how from Custom Foot Corp. could be introduced. To expand on the idea, for example, instead of offering the customer the choice between blue or red shoe as two separate items, they could offer the shoe model only and let the customer choose blue or red for the color — no changes needed on the supply chain side but the customer leaves with a satisfactory feeling from having combined some parameters according to his or her own taste and creating a 'custom' order. Ordering online, more and more websites do this nowadays, sometimes voluntarily, sometimes as a way of cramming more articles onto a person's screen but this actually has positive side effects for business as well. There is a balance to find here between the number of options made available and how easy they are to provide upstream. The whole idea remains to keep costs and complexity to a minimum. Back in 2002 ordering on the internet wouldn't have been very common but on a few select items retailers could've offered the customers to put in an order they could pick up a few weeks later, for example. Nevertheless, the idea remains, fake customisation until you can make it real.

All in all, since there is a market for the product in the future and money is not an issue at Adidas globally, there is no need to cut back on such projects, so long as specifics for improvement have been identified and are feasible. I recommend Rolf maintains the project. Albeit not for monetary gains at the moment, it positions Adidas as a leader for the future.

Modern Take

Since I never heard about mi adidas myself I suspect the decision at the time was to withdraw from the market. However, nowadays with the advances in technology and advanced information systems that could be deployed I would recommend Adidas to give their project another try. For example, related to the case study: nearly anyone today could scan their feet themselves using an app, save their measurements to their profile, ideally locally to preserve privacy. Then go on to customise their shoe options, eventually visualise the item on their feet through augmented reality, click buy and have it delivered to their front door. The production end of the market being more and more automated with so called industry 4.0, a robot could basically get the order straight from the database and make the shoe (alright, maybe with a little human help), the label could be tracked all the way out of the factory and the shipment tracking information shared with the customer. Of course, this would be the 'easy' part, one still needs to define the customer options to offer and be able to supply the raw materials for production in a timely manner. Production

statistics could inform customers' changes in taste and help reduce demand uncertainty. Put together, it would reduce the need need for stores or physical locations and lead to huge cut backs in managerial costs that are could be redirected straight to the production sites. Customers might be offered to participate in shoe design contests to inspire new designs to improve customer relations etc. The ideal footwear world is definitely still a work in progress…

Sources

[1] IMD Adidas Case Study (IMD159)