

# Competitive Strategy: Reviving the Adidas Brand

## Introduction

This report will review the Adidas sports brand and its current position in the market. The competitive strategies that have led to a revival of the brand after facing a significant period of stagnating sales and loss of market share due to rising industry competition and other factors will be examined. The brand has built a reputation based on the idea of making the highest performing footwear and sportswear possible to help athletes perform their best. This idea is still reflected in their 'Impossible is Nothing' slogan (Adidas-Salmon, 2004, p. 1) . The company's ability to listen to sports men and women and collaborate to produce highly functional and reliable shoes resulted in the brand's success from the start.

Its performance on the field soon gained the recognition of top athletes including Olympic gold medallists, top soccer players and tennis stars (Adidas Group, 2018b). This led to rapid growth for the company and the Adidas brand became the biggest name in sports footwear globally for a long time (Lewis, 2018). As competition increased by the late 1970s from the likes of Puma and Nike, the brand began to diversify into leisurewear and retailing to seek growth (Lewis, 2018). However, these new markets required certain capabilities for success and the brand soon ran into problems as it lost focus on its core value proposition and brand identity. This was accompanied with financial losses and declining market share particularly in the 1980s and 1990s. However, by the early 2000s when the company initiated a turnaround strategy by leveraging its heritage and core competencies, it started the long process of revival for both the brand and corporate financial performance. By 2017, Adidas was again growing at a rapid pace having doubled its share from the previous year of the United States (USA) market which accounts for 40% of global sports shoes sales (Powell,

2014). The report will analyse the measures that helped the brand to refocus and get on the path to recovery as well the impact of this on the company's competitiveness.

## **Brand Overview**

### **Brand History**

Starting from humble roots in the small German town of Herzogenaurach in 1924 with the goal of making the best sport footwear in the world, the Adidas shoe brand has created a brand identity embodying agility, tenacity and excellence (Footasylum, 2018). From the very beginning the company set out to optimise the performance of footwear by working closely with top athletes to understand their needs. By 1928 their shoes were worn at the Olympics games for the first time and Lina Radke-Batschauer became the first athlete to win the gold medal wearing the Adidas shoes (Footasylum, 2018). This was followed by other Olympic medallists including Jesse Owens, the iconic African American who competed in twelve events at the 1936 Berlin Olympics, winning four gold medals. The occasion established the Adidas brand at the pinnacle of athletic shoes. At the same time the company was innovating in various sports arenas including the first shoes specially made for football (soccer) using studs and spikes for the first time; tennis shoes and sports shoes adapted for various track and field distances using lightweight, performance fabrics. In 1937 the company was producing thirty different shoes optimised for as much as eleven different sports.

### **Initial Brand Success**

Over the decades the brand's name became synonymous with innovative, functional high performance shoes gaining the trust of world-class athletes and sports personalities across the globe. This translated to considerable growth for the company starting from the early 1930s and continuing in the 1950s after a break due to the second world war. Soccer players

switched to the Adidas brand in large numbers due to its innovative light weight shoes and screw-in cleats (Lewis, 2018) and the Adidas brand remained the biggest name in sports shoes for several years. At the 1972 Olympics, 1,100 of the 1,500 athletes participating in the games were wearing their shoes (Stevenson, 2003). One of the most important ways in which the brand built up its reputation and brand identity was in actively inviting input from the best athletes in the world to design products. This resulted in increased trust by athletes and partnerships were formed with prominent athletes to promote the brand. In the famed 'Fight of the Century' between Muhammad Ali and Joe Frazier in 1971, both athletes wore Adidas boots (Verry, 2016).

### **Complications**

Increased competition in the sports footwear market especially from a little American company named Nike in the 1970s started to cut into the Adidas brand market share however. This was followed by declining revenues and consistent losses by the late 1980s and 1990s (Ind, et al., 2015). The brand struggled to counter the strong competition and dived into diversification to seek growth in different directions. In 1997, Adidas acquired the Salomon Group, a company better known for winter sports and golf supplies. The merged brand was named Adidas-Salomon. The company also entered into retailing in 2001 in an attempt to keep up with Nike (Lewis, 2018). Cumulatively the distinct Adidas brand identity was slowly eroding and rapid decline in company revenues continued. The company's market share also continued to deteriorate. It's share of the USA athletic footwear market which accounted for almost half of the global athletic footwear market was down to 3% by 1990 (Stevenson, 2003). Deterioration in market performance and the increasing confusion regarding the company's direction led to even more missteps. The company no longer had an innovative focus. It was also no longer leading collaboration with top athletes within the

industry. Factors such as these had been instrumental in establishing a strong brand at the beginning. There were missed opportunities as well including passing up a sponsorship deal opportunity with Michael Jordan in 1985 (Foss, 2015). The basketball superstar would later sign on with Nike and contribute significantly to that company's success (Foss, 2015).

## **Brand Audit**

### **Brand Identity and Personality**

The identity and personality of a brand is established through consistent combination of processes and brand communications to reinforce its distinct attributes on its products and services in the minds of consumers (Kapferer, 2008). These distinct attributes including the brand's value proposition help consumers to understand the brand's specific benefits and promotes emotional connection with the consumer (Brassington & Pettitt, 2007). For Adidas, these distinct qualities and brand DNA were built on its heritage as the pioneer sports footwear company and creator of the best sports footwear into the market . They were known for cutting-edge designs based on collaboration with top sports celebrities. The adidas distinct three stripes logo had previously stood for these qualities. However, the brand identity had become blurred as the company chased growth in other market sectors. The brand was no longer seen as a distinct innovator setting industry trends.

### **Competitive Strategy**

According to Porter's generic strategies (figure 1), Adidas had obtained a sustainable competitive advantage through 'Differentiation Focus' strategy specialising in well designed, high performance sports shoes. Once Adidas lost concentration on maintaining this optimal competitive market position, its credentials as an innovative market leading brand was called into question in the minds of its target market. The corresponding profits that the company

was able to command as a result of the unique identity that the Adidas brand had previously enjoyed soon began to erode. It also made the brand less able to withstand the forces that govern competition in its industry including threats from rivalry and new entrants (Porter, 2013) such as Under Armour (Kell, 2016).

### **Brand Repositioning**

To address the decline in market share and revenues the brand embarked on rediscovery of its heritage and core attributes that had built up the brand. One of the reasons the brand was successful from the start came from the capability to work closely with athlete, understanding them intimately. These resulted in innovative, and effective designs. Adidas decided to reconnect with key customers by moving a significant amount of resources from its headquarters in Germany to the USA, closer to the largest athletic footwear market in the world (Butler-Young, 2016). Capitalising on the rise of the modern consumer motivated by the need for self-expression (Assad, 2008; Kennedy, 2008), the brand has repositioned as a forward-looking trend setter. It has signed on major athletes recognised for their uniqueness both inside and outside the sports arena within North America. This includes James Harden, Sidney Crosby, Aaron Rodgers and Carlos Correa. Alliances with unique artists and celebrities were also made including the enormously successful Yeezy line designed in collaboration with Kanye West. There are also collaborations with fashion designers like Stella McCartney and Yohji Yamamoto (Helene, 2015) introducing design experimentation and fashion elements. Returning to its roots, Adidas has also revamped its Classics line incorporating a modern edge in addition to the originals. Learning from the success of fast fashion business models, the company has also focused on using speed as a competitive

advantage (Marfell, 2017). Locating manufacturing units closer to key cities in the USA and across the globe, the company can now quickly meet demand for best-sellers like Kanye West's Yeezy line or adapt its designs to specific trends relevant to specific metropolitan areas (Hobbs, 2016; Pandolph, 2017).

The results have been impressive. By 2017, the brand had recovered significant market share and leapfrogged Under Armour to the number 2 position in the USA market. Revenues have seen double digit growth for nine consecutive quarters to May 2018 boosted by performance in the key North American market while top rivals like Nike and Under Armour have suffered recent slump in sales (Petroff, 2018).

## Conclusion

By recognising and going back to its heritage and the core values that connected with consumers in the first place, the company has successfully repositioned for a modern market. As a result, the Adidas brand is now once again associated with 'cool', creativity and innovation.

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