

Globalization Report

ADIDAS: A GLOBAL BRAND?



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INTRODUCTION

« As a global company, Adidas cannot afford to ignore the wider impacts of its business practices », this is the first sentence of the official latest Adidas report to his stakeholders. The German sport giant is now truly recognized as a global brand. Being aware of this situation, we can still ask ourselves how did a small shoe maker succeed to put his brand in the front of the international sport scene, and how has the company resisted over almost forty years now to globalization and cut throat competition?

1. HISTORY

1.1 Adolf Dassler, the founder

Before introducing the creation of the world famous German brand, let's talk first about its founder, Adolf Dassler, the man who gave Adidas its name. Adolf Dassler was a German shoes maker living in Herzogenaurach, a city close from Nuremberg. He made up his first sport shoe in 1920, which he wanted to be durable, efficient and in response to athletes' needs.

His fabric was named « Schuhfabrik Gebrueder Dassler », which means « Dassler's brothers shoes fabric » because Adolf was ruling it with his brother, Rudolf. The latter was the one in charge of the marketing part of the business, whereas the former was focused on the product development and management. The two brothers were making a very successful team: the shoes have been quickly exported and won four gold medals during the Berlin Olympic Games in 1936, thanks to the American runner, Jesse Owen. Then came World War II, and Rudolf and Adolf had to fight and left the company management to their respective wives. When they went back, their wives were completely unable to work together anymore because of awful families stories. The brothers decided to split the company in two parts: Adolf kept the headquarters, and Rudolf built a new fabric on the other side of the river, and created another well known sports company, Puma.

This is how, with his nickname « Adi » and the first syllabus of his last name « Das », Adolf Dassler officially created the brand « Adidas AG » in 1948. One year later, he registered the famous Three Stripes as its logo and trademark.

1.2 Adidas development

It did not take too much time to Adolf Dassler to make his brand famous all around the globe. As a matter of fact, thanks to the TV appearance and the global sports competitions (Olympic Games, Soccer World Cup, Tennis tournaments...), his products were immediately worldwide visible, and well known for their quality and competition requirements. Adidas became quickly one of the leaders on the shoe sports market.

Due to this fact, Dassler came up with the idea of using this image to develop other sports equipments. Thus, from 1950 up to 1980, Adidas kept launching new products for many sports: soccer balls, handball balls, boxing gloves...

But the most genius project implemented by the company was to offer specialized, performing and quality apparel for almost every sport: tennis, soccer, running, athletics, boxing, rugby, basketball, golf... Over those 30 years, Adidas became more and more globally recognized and used, by being a general reference in terms of sporting goods.

1.3 Adidas after Dassler: changes and strategy

In the beginning of the 60's, Host, Adolf's son, became CEO of the Adidas AG group, and kept emancipating the company as his father did, sponsoring world famous athletes such as Mohammed Ali, Joe Frazier, Sepp Herberger and Franz Beckenbauer. After Host's died, in 1987, the group entered in a crisis period, which led the heirs to turn the company into a corporation and to finally sell it.

Bernard Tapie, the French entrepreneur, bought it for 305 million euros, but did not make a good job at its head. During this time, the company is not in a good mood: it exhibits difficulties in facing the increasing competition of

the US Reebok and Nike, and despite of employment shrinking and subcontracts, the company showed large financial losses. Tapie will be compelled to resell it to an investors group.

The Dreyfus area

Things are going to get better up to 1994, thanks to the takeover for 701 million euros from another French businessman, Robert Louis Dreyfus. Dreyfus is going to implement new fundamental strategies for Adidas. First of all, he started by giving a fresh image to the brand: a younger product ranges was launched, but also classic Adidas style from the 70's (nicknamed "vintage range") was brought back, celebrities of the moment such as Madonna, worn them over the world most famous discotheques. Brand new events were also implemented, such as the "Adidas Predator Cup", a soccer tournament for the young German talents all across the country. Dreyfus won his bet: the company was doing better and better, recovered its fame, to be finally introduced on the fluctuation stock market of Frankfurt, in 1995, for 1,677 billion euros.

1997 is known for being a very important year for the Three Stripes brand. Indeed, Adidas bought out the huge ski manufacturer Salomon, a group which also includes TaylorMade, Mavic and Bonfire, and switched his name to « Adidas Salomon AG ». This made the Adidas family one of the largest sports group on the market, among Amer Sports and Nike, bringing its total number of employees to 12, 829 worldwide.

The last decade witnesses the current success of the brand

By reaching a new record in annual sales (€5.8 billion) the new group was selected to be part of the Dow Jones Sustainability Indexes (DJSI) in October 2000, which tracks the performances of the leading sustainability-driven companies worldwide. The Dow Jones' annual reviews highlighted that Adidas-Salomon AG has made a huge effort in improving the social

conditions through its various factories which supply its product: the company has taken a another global and trusted dimension.

In March 2000, Herbert Hainer replaced Dreyfus as CEO and Chairman of the Executive Board of Adidas-Salomon AG. At the end of the year, the company broke a new record in terms of sales, reaching €6.1 billion, and acknowledged its share value rise up to 28%. This success was notably due to efficient strategic choices (takeover of 10% of the best German soccer club Bayern Munich for instance), opening of its firsts own official stores (Berlin, Tokyo, Amsterdam and Paris) and major innovations (allowing customers to customize personally products they are about to purchase).

In 2004, the new campaign “Impossible is nothing” is officially launched, and supported by many famous sports actors: David Beckham, Jona Lomu, Tracy McGrady and Mohammed Ali will be part of it. Adidas has now a strong message to really face the legendary “Just do it” from Nike.

Despite of those great results and strategic plans, Adidas decided to sell its Salomon segment (with all the brands it included excepted TaylorMade) because the profits related to this sector were not as good as expected. Salomon will then be purchased by Amer Sports Corporation. But Adidas wished to enjoy its current good move and took a new position on the sports market. This will be done, thanks to the acquisition of the American competitor Reebok in 2006. “By combining two of the most respected and well-known brand in the worldwide sporting goods industry, the group will benefit from a more competitive worldwide platform, well defined and complementary brand identities, a wider range of products, and a stringer presence across teams, athletes, events and leagues. We are delighted with the closing of the Reebok transaction, which marks a new chapter in the history of our Group” underscores Herbert Hainer.

On the bounce of that operation, the board of directors agreed to rename the group by its original name “Adidas AG”, to spread a little more the fame of the brand in the world’s mind.

1.4 Adidas nowadays

Financial data in millions of euros

Year	2002	2003	2004	2005	2006
Sales	6 523	6 266	6 478	6 636	10 084
EBITDA	532	627	725	818	1 098
Net Results	208	260	314	382	483
Net Debt	1 498	946	594	551	2 231

As shown by this board, the company financials results are in a constant raise over the past decades. Adidas AG is currently in a favorable and still growing period.

The brand keeps innovating and re-inventing the sports goods industry, it takes more and more importance on the international sport scene, it is present in almost every country of the planet. Those few examples prove this fact:

- Football

Germany: Bayern Munich ; Bayer Leverkusen ; Schalke 04 ; FC Nuremberg

England: Newcastle United ; Chelsea FC ; Liverpool FC

Spain: Real Madrid ; Real Saragosse

Italy: AC Milan

France: Olympique de Marseille ; AS Saint-Etienne

- Basket

Sponsor of the 30 NBA teams

- Rugby

France: Stade Français

Nations : All Blacks of New Zealand & Pumas of Argentina

- **Official Sponsor of the recent Beijing Olympic Games.**

2. EXPANSION

2.1 Fabrics

Adidas AG is engaged in the sporting goods industry, offering a range of sports brands across all sporting categories. Adidas manufactures footwear, apparel and hardware. The Adidas brand is structured in three divisions: Adidas Sport Performance, Adidas Sport Heritage and Adidas Sport Style.

The company has approximately 100 subsidiaries in Europe, the US and Asia, each focusing on a particular market or part of the manufacturing process. The Adidas-Salomon Group markets its products under six brand names: Adidas, Salomon, TaylorMade, Mavic, Bonfire and Erima.

The sporting goods and equipment industry's major segments are sports apparel, athletic footwear and sporting goods equipment. This industry includes those companies that design, manufacture, and/or market sporting and athletic gear, including apparel and equipment for fishing, hunting, hiking, golf, tennis, baseball, basketball, football, biking, rollerblading, snowboarding, skateboarding, surfing, skiing, and hockey, along with playground and play scope equipment.

2.2 Campaigns

Adidas marketing strategy

Adidas is the Group's core brand and a leader in the sporting goods market. At the heart of Adidas is passion: passion for sports, passion for athletes and passion for products. Adidas is a brand built on leading technology and cutting-edge design. It is identified and respected by consumers for its innovative, inspirational and authentic values. Adidas is organized into three consumer-oriented product divisions: Forever Sport, Originals and Equipment. This structure is unique to the industry and reflects the brand's commitment to meet changing market demands, while remaining anchored

to its brand principles and heritage. Performance-oriented footwear, apparel and hardware products will always remain the lifeblood of Adidas. However, the German brand is also committed to incorporating the growing importance of lifestyle, fashion and music inspiration into the sports arena and Adidas products. This strategy allows the company to create a unique Adidas experience and mean more to more consumers.

Concept: “Forever Sport”

Performance-Enhancing Products

Adi Dassler, the founder of Adidas, based his concept to help athletes in order to improve their performances and use their abilities at a hundred percent. Forever Sport focuses its concept on satisfying the athlete’s need. Its goal is also to create innovative products with new Technologies on the market. It is structured in five main categories: running, basketball, football, tennis, and training for sport.

Ground-Breaking Technologies in Running

The biggest and most important footwear category for the brand is “running” which is the main concentration of performance technical products. It is committed to give high performance athletes the latest innovative goods. Through its presence between athletes in world’s leading marathons, the brand gets involved to make sure it fulfills its requirements.

Basketball - Big Game, Big Endeavors

Basketball is the fastest growing category in the Forever Sport division. That is why the brand has made a partnership with two of the major NBA players: Kobe Bryant and Tracy McGrady, and created products like KOBETHREE, TMAC and the all day all night highlight Adidas’ commitment to reaching out to young urban consumers.

Football Fever

Adidas has become the global leader in football. It had a big presence sponsoring the 2002 FIFA World Cup™.

The innovation in this category began 50 years ago when its founder invented screw-in studs that changed the football game forever.

This commitment is still today present with outstanding products such as the Predator® Mania boot and in long-term partnerships with leading football clubs including Bayern Munich, Real Madrid and Ajax Amsterdam.

Tennis Sets New Standards

Tennis is another category in which Adidas is the leader in footwear and apparel sales. Supporting this category also is the sponsorship for young athletes such as Ana Ivanovic, Novak Djokovic and Marat Safin, as well as for major tournaments, like Roland Garros (the French Open Tour).

Evidence of Top Technology and Design

In all the product categories Forever Sport's main target is to give stylish products at every sport level. Highly functional and visually appealing are its main characteristics.

Improved Product Positioning:

Adidas strives to have its product offering available in a wide variety of venues to make its products accessible to all relevant consumer groups. One important success story in 2001 was Adidas' cooperation with prominent Japanese designer, Yohji Yamamoto. The evidence of this successful partnership can be found on the catwalks in Paris and in the world's leading fashion magazines. In 2002 and beyond, Adidas-Salomon will continue to extend Adidas visibility in both traditional and non-traditional venues.

Stella McCartney has also been involved in the design of clothes and footwear for Adidas giving the brand an additional value.

2.3 Sponsorship

The Best Player Portfolio

Adidas has been sponsoring World-class players throughout the years such as Zinedine Zidane (France), David Beckham (England), Raúl González (Spain) and Alessandro Del Piero (Italy).

KOBE - The Power of Style Leaders

Adidas has also a partnership with one of the most important basketball players in the World. The NBA champion Kobe Bryant. He's a very important asset for the company in terms of marketing for the NBA

Adidas has supported Kobe from his attendance at the Adidas "abcd Basketball Camp" (as a high school phenomenon in 1995) through his multiple championships in the NBA.

Originals

Focus on Lifestyle:

The original division focuses in consumers that may be not as active as sports participants, but that are trendsetters in the mass market.

Their several concepts involve smart, cool, positive, modern and alive.

Reintroduced, Reinterpreted and Redesigned:

The demand for their vintage and original products has maintained its high level so they've introduced replicas of old products and redesigned models inspired by the old decades.

Every Trefoil Has a Story:

The Original division marketing has been using a global print campaign, which runs in trend magazines in major markets. The advertising concept and tag line, "Every Trefoil has a Story", communicates the original sporting story behind each product. The "once innovative, now classic, always

authentic” positioning of the Original division appeals stylistically to the Originals target audience.

Equipment

The world of sports and athletes has changed a lot over the past decade. Aesthetics plays a much more significant role in sports and with athletes than it did in the past. Today, sport is not only about winning and losing but also about entertainment and fashion.

Making Products More Meaningful:

Lifestyle and fashion influences cannot be ignored when it comes to sport. Athletes have become more stylish and that has strong impacts on Adidas’ consumer base. Innovations in design mean a lot to them because their lifestyles are sophisticated and demanding. Product quality is an important buying parameter, that’s why branded products rank high.

Adding a New Dimension:

Adidas Equipment will give brand Adidas a new dimension in its image and take the brand into a higher level segment. The division’s primary objective will be on footwear. Designs will be subtle and products will be targeted for both sport and non-sport use by consumers. To build a premium label, Adidas has invested in a full marketing Project since 2003. The mix of marketing instruments will consist of public relations, print and multimedia activities that will support the division.

3. MAIN COMPETITORS

3.1 Nike

3.1.1 History and Presentation:

Nike is an American firm specialized in sportswear, sport equipments and shoes. The name of the brand comes from the Greek goddess of victory, Nike. This goddess was able to move very quickly (the most famous

representation is exposed in the Louvre Museum, in Paris)

Nike celebrity is based on a simple logo: the « Swoosh ». It's a comma putting in the wrong side. This is the symbolism of Nike wing.

The head office of the company is located in Beaverton, Oregon.

In 1950, Bill Bowerman, an athletics coach at the university of Oregon and Phil Knight, accountancy student and runner, decided to import from Japan very cheap and highly-technical athletics shoes.

In these days, Adidas was one of the leaders in this market.

The same year, the company of Bill Bowerman and Phil Knight, which is called Blue Ribbon Sports started to sell Onitsuka tiger shoes, who is a Japanese manufacturer.

In 1965, Jeff Jonhson joined the group. He was the first seller of the brand and opened one year later the first shop in Santa Monica, California.

Then, Bowerman's wish was to do more than sell Onitsuka shoes. That's why he renamed the company « Nike » and took care of the logo design with Carolyn Davidson's help, a graphic designer student. She was in charge as well of the promotion of the new brand. (1971)

In 1972, Nike was born.

1973 has been characterized by the launching of the famous Waffle basket. It was the first basket to be able to absorb impacts and to help bouncing.

In 1979, new running shoes Tailwind appeared. This new product is equipped with a new « air » technology which allows the runner to enhance his comfort thanks to the gas pocket situated into the wedge heels.

At the end of the 80', the logo was definitely linked with the slogan: « Just do it! »

In 1981, Nike became the sports shoes leader in United States and entered the stock exchange.

1982 was the launching of the « Air force one » basketball. Basket-ball became the number n°1 sport of the brand thanks to the signature of Michael Jordan in 1984 and the launching of the « Nike air Jordan ».

In 1994, Bauer became a filial of the group. Then, in 2006, Nike and Bauer became the same brand: « Nike&Bauer ». It put the group as a giant into the

industry of ice hockey equipment.

In 1997, Nike has been sued under the accusation of hiring children for the product making process.

In 2003, Nike buys out the rival « Converse shoes» for \$305 millions.

In 2005, Phil Knight (Founder and chairman of the group) appointed Bill Perez as his successor but one year later Phil Knight led Bill Perez to give up his position.

In 2008, Nike sold Bauer to an investors group from Quebec and to the private American investment firm for 200 millions of dollars. Bauer will keep using « Nike Bauer Hockey » on product already available in the market (up to 2 years).

The 22nd of February: Nike won Adidas and became the official supplier of the French team of football. This contract will start in 2011 and is about 320 millions of euros.

3.2.2 Strategy

Marketing:

Nike tries to be more present into the growing alt-spot equipment market in launching an ACG's first branding campaign (All Conditions Gear) through three continents: North America, Europe and Asia.

To succeed in this project, the company is working with agencies such as Wieden & Kennedy, Portland and Ore, which are in charge of a multimillion-dollar campaign:

- Presence of the brand in vertical and horizontal magazines
- More diverse retail presence
- Event sponsorship

Additionally, the brand is developing new marketing concepts such as Standalone ACG stores (that will take place into winter resorts this season). The company planned to extend this concept to 40 within four years. Other new concepts are developed such as "Store-within-a-store" concepts, which concern retailers as well.

The ACG marketing director Bobbie Parisi said: "When you consider who's in

this demographic, it's been made clear that ACG is an integral part of Nike's future, so we're making a long-term commitment to building the brand for the first time"

Sponsoring:

- Football

England: Manchester United, Arsenal

Germany: Borussia Dortmund Hertha BSC Berlin

Argentina: Boca Juniors

Spain: FC Barcelone, Valence CF, Atletico Madrid

France: Paris Saint Germain, RC Lens, SM Caen, Grenoble Foot 38

Italy: Inter Milan, Juventus de Turin

Holland: PSV Eindhoven

Portugal: FC Porto

National teams: Holland, Brazil, Mexico, Portugal, Russia, Turkey, South Korea and soon France.

The brand sponsors as well athletes like: Cristiano Ronaldo, Wayne Rooney, Zlatan Ibrahimovic, Ronaldo, Cesc Fabregas, Robinho...

- Rugby

France: Stade Toulousain, Racing Métro 92

National selections: England, France

Nike sponsors: Vincent Clerc, Cédric Heymans, Imanol Harinordoquy, Raphaël Ibañez, Christophe Dominici, ...

- Tennis

Men: Roger Federer Rafael Nadal Carlos Moya Gael Monfils James Blake ...

Women: Maria Sharapova Serena Williams Lindsay Davenport ...

- Basket-Ball

Clubs: FC Barcelone (basket-ball), Maccabi Tel Aviv , CSKA Moscou, Olympiakos ,Pau Orthez, Cibona Zagreb

National teams: United-States, Canada, China, France, Germany and Lithuania.

Athletics: Kobe Bryant, LeBron James, Carmelo Anthony, Chris Bosh, Pau Gasol, Manu Ginobili, Dirk Nowitzki

Distribution:

Nike wants to make easier to do business with its smallest retailers. To do that, the brand has just launched a new web-based network (Under the technology agreement of Hewlett-Packard Co), which will allow:

- To more than 2 000 retailers to connect to nike.net. Indeed, they will know product availability.

- To place orders online. Retailers will be able to check the status of orders.

- To download UPC codes and preview marketing campaigns and plans for future products.

1 800 categories of retailers are using « Nike.net » which cover all of Nike's sports product lines.

Additionally, more than 500 specialty retailers which cover Nike's running, ACG, tennis, Jordan brand and kid-wear lines are using as well this system.

Geographical Market:

Despite of the fact that Nike 's products are sold all over the world and operate in more than 160 countries, the brand tries to expand its successful goods to Africa, specially in Ghana with the idea to work with Michael Essien who come from there and who is the best soccer players in the world. Indeed, the brand would like to launch a new line of product that will be endorsed by the athletic. With such a plan, the company tries to target especially African customers which are a new deal.

3.2 Puma

3.2.1 History and Presentation

Puma AG Rudolf Dassler Sport is a German company specialized in sportswear, sport equipments and shoes.

In 1924, Dassler family decided to manufacture sport shoes. The company "Gebruder Dassler Schuhfabrik" has been founded by the two brothers Adolf and Rudolf at Herzogenaurach.

But in 1948, the two brothers had an argument, still inexplicable. Then,

Rudolf created his own company under the brand of PUMA while his brother rename the initial company ADIDAS (which is the contraction of his name). That's involves the beginning of a consistent competition in a middle-size city.

However, Puma stayed behind the other brand but succeeded in developing thanks to a strong image and positioning of the brand. Indeed, Puma launched some new inventions like glued spiked shoes or athletic support (Pelé, Maradona or Boris Becker).

The company became an anonymous society in 1986 and started to be listed on stock exchange (Munich, Francfort)

Nowadays, 9204 employees are working for PUMA. Puma products are distributed in more than 80 countries. Sales are representing 2 373 billions of euros.

The company is held in majority by a French group PPR (at 63%)

Like Adidas, Puma is seen as part of the « old school » (« hip-hop & graffiti).

This trend started in 70'&80' and it still belong to the current culture.

The company produces athletic footwear: €1,4 billion or 58,5% of 2007 revenue.

Apparel: €827,3 million or 34,8% of 2007 revenue.

Accessories: €158,3 million or 6,7% of 2007 revenue.

All these products are divided under four different brands: Puma, Tretorn, Mihara and Rudolf Dassler Schuhfabrik.

3.2.2 Strategy

Distribution:

Traditional retailers such as Foot Locker and Dick's Sporting Goods which represents 83% of 2007 revenue

The brand sells directly to its consumers via the website (17% of 2007 revenue).

Investment:

The company shows its willingness to expand its retail operation in developing Marketing budget... This action explain the decrease of net income (€285,8 million to €263,2 million between 2005 and 2006) while sales increased (from €2,4 billion o to €2,8 billion between 2005 and 2006)

Sponsoring:

- Football

Germany: VfB Stuttgart

England: Tottenham Hotspur Reading FC

Brazil: Gremio Cruzeiro

Spain: Villarreal CF, Real Valladolid

France: AS Monaco, Girondins de Bordeaux, Stade Rennais , Stade Brestois 29

Finland: Tampere United

Greece: Olympiakos Le Pirée AEK Athènes PAOK Salonique

Italy: Lazio Rome

Portugal: Sporting Portugal

National teams: Italy, Uruguay, Egypt, Switzerland, Cameroon, Ghana, Senegal, Cote d'Ivoire, Feroe Island, Morocco, Tunisia, Bahrain, Israel, Togo, Poland, Namibia et Saudi Arabia .

The brand fit out as well ball stars such as Nicolas Anelka, Gianluigi Buffon, Samuel Eto'o, Peter Crouch, Ludovic Giuly, and Daniel Braaten...

- Rugby

Puma fits out Biarritz Olympic team, RC Toulon, Tarbes Pyrénées Rugby, Bath Rugby and Samoa team.

Communication:

In June 5, 2008, Puma started working on the EUROtm 2008 with Phonevalley, the world's leading mobile agency and TouchWorks, the specialist in digital One-To-One communication.

The campaign is called « Together Everywhere ». It consists for the company on calling the supporters that have signed up for the service on their mobile

and instantly let them take part in a teleconference with their friends, whether in the stadium, out in the street, in a pub or in front of the television.

Together everywhere, the first European mobile service for PUMA is as well the first mobile community marketing campaign carried out simultaneously in 13 countries.

Corporate:

Puma's corporate strategy is to « become the most desirable Sportlifestyle company ». Indeed, the implementation is managed by the Social Accountability and Fundamental Environment standards (SAFE) team, which check and approve all new suppliers and inspect current ones. Additionally, the company keeps worker-education programs with local organizations in Central America.

Production:

Most of Puma's suppliers are located in East and South-East Asia:

90% of footwear and 60% of apparel is sourced from China, Thailand, Malaysia, Vietnam and Cambodia.

Further production is based in Romania, Bulgaria, Turkey, Portugal, Italy, Paraguay and in the USA.

Geographical market:

The German company focuses its market parts on EMEA (Europe, The Middle East and Africa).

Contrary to its competitors, Puma is not entirely focused on American market. Its American market part is about 28,3% in 2006 (Especially in Canada and Mexico).

The real growth strategy of the brand is to expand its products across emerging countries (South Korea, Romania, Croatia...) Moreover, in 2006, sales in the Asia/Pacific region increased up to 147,8%.

3.3 Synthesis and Conclusions

Quantitatively speaking, for comparison purposes:

Puma had 2007 revenues of roughly €2.8 billion (\$3.8 billion using the average 2007 exchange rate).

Nike: 2007 revenue - \$16.3 billion. Nike competes with the Puma on all fronts: footwear, apparel, accessories, and equipment. Nike is also the largest sporting goods company in the world by sales.

Adidas: 2007 revenues - \$13.7 billion. The Adidas Group competes in the overall sporting goods market. It makes sports footwear, apparel, accessories, and equipment. Like Nike, the Adidas Group is also much larger than Puma in terms of sales.

All these three competitors offer the same quality of product and pricing strategy.

They all subcontract production with foreign business in Asia, sometime they roll off parallel conveyor belts in the same factory.

How do they do to differentiate each other?

They stick to their own advertising, product development and distribution.

All these different marketing budget and positioning explain their market place.

Competitors try to differentiate each other by broadcasting their own image, which is the result of specific choices in terms of distribution, production and communication. The competitors understood how it works: people are attracted to buy product through sponsorship and sports events rather than various sales and discount.

That's why Nike, the market leader, try to stay number one in allowing extra budget in advertising, sponsorship... compared to the other competitors.

4. THE CURRENT STRATEGY

4.1 Group Strategy

Adidas' strategy is clearly defined. Since Adi Dassler, J.W. Foster and Gary Adams founded the company, their aim is to lead the sporting goods market with a strong brand image. They want to share their excitement for sports and want to create a special lifestyle through their products. To achieve this goal, the Group Strategy is divided in five main points that will allow them to maximize the operational and financial performances, and thus create stakeholder value.

4.1.1 Performance as core Group value

The major driver of the brand's strategy, since its foundation, is to optimize the performance at all the possible levels.

First, the quality of the products offered to the consumers. Like we said before, the three founders shared the same passion for sports, and thus they wanted their company to provide athletes and lambda clients with the best equipment possible. Allowing them to reach their best performance with their products is the principal aim. For Adidas, the only way to make it possible is to constantly innovate and offer new product experiences to its customers.

In order to support this point, Adidas tries to be as close of its customers as possible, through constant sales and distribution process improvements. The excellence in customer after sale service is another important issue for them, and the emphasis is put onto it, in coordination with the retail partners, and by motivating and rewarding employees.

Finally, the performance is also sought on the social and environmental area, in order to differentiate the company from its main competitors and maximize the stakeholders' value.

4.1.2 Leveraging opportunities within the group

Adidas has a multi-brand approach (its portfolio is composed of three different and specific brands) that allows the company to benefit from multiple opportunities. It helps the group achieving its two main strategic targets:

- Market penetration : increasing its market shares within the markets in which it competes,
- Market development : penetrating new markets and expanding its customers base

To reach this dual goal, Adidas plays on both the mass and niche field, through its specific sub-brands. The idea is that each one of those brands can focus on its own core competencies, and it allows the group to touch a large number of different clients.

It also is an advantage because they can benefit from this specificity to share the best practices all over the company.

4.1.3 Obtaining / Maintaining a leading position in the different markets worldwide

The clear target of Adidas is to maintain or to gain the market leadership in all the countries where it has a presence.

Thus, they try to strengthen their position in Western Europe and Asia where they are market leaders in terms of sales. Despite this, they are working hard in North America (number two in terms of sales, a market where they think to be underrepresented and where they see a large potential). They also want to benefit from the strong potential of the emerging economies throughout the world, and especially China, Brazil, Argentina, Mexico and Chile (they aim at being market leaders in terms of sales in these last four countries by the end of 2010). Finally, they are putting extra efforts on the Japanese market, the most important for them in Asia along with China.

This strategy can be illustrated through two recent examples:

- September 8, 2008, Adidas and the Russian Football Union (RFU) announced a long-term partnership (until 2018). The aim is to promote football in this country. All the RFU teams and the Olympic and National teams will wear Adidas sport equipments. The product lines destined to the consumers, including the newly designed jerseys of all the RFU teams, will be available starting January 2009. The aim is to take advantage of the large number of Russia's world-class athletes altogether with the large fans base, in a fast growing market.
- The huge success in China. On August 7, 2008, Herbert Hainer (an Adidas CEO), announced the really positive results of the company in China. The brand has achieved a market leader position in this market, and is according to him the fastest-growing sporting goods company on this market. By the end of the year, China is expected to become the second Adidas revenue maker, after the US market. This has been achieved through the opening of a lot of new stores (4800 at the end of 2007, the goal is 5900 at the end of 2008) and a successful partnership for the Beijing Olympic Games of August 2008, as the Official Sportswear Partner. Adidas provided for those Olympic Games more than 3 million pieces of products...

4.1.4 Innovation and design leadership

The innovation and design culture is deeply anchored in Adidas' values. It plays a significant role in products differentiation and triggers customers' excitement. By having a strong R&D investment policy, the brand is able to issue new products with improved efficiency and cutting-edge functionality. They also develop design collaborations with some recognized partners, such as Stella Mc Cartney, Yohji Yamamoto, Porsche, Rolland Berry...

The company has for objective to launch a major technological evolution each year. This allows them to create new products that can be sold at high prices, and thus they can boost the whole group margins.

4.1.5 Customized distribution

The distribution strategy of Adidas can be summarized in a simple concept: the aim is to be as close as possible to the final consumer. After having analyzed the purchase process of their clients, they came to the conclusion that the interactive experience and the availability, convenience and the size of products offering are the main keys to a successful distribution strategy.

As a consequence, they decided to follow to main objectives:

- To expand the “controlled space” (own retail business, exclusive retailers, joint ventures, co-branded stores with organisation or other brands).
- To improve the retail relationship

The final goal is to increase the level of brand control, i.e. to make sure that the product offering fits the consumers’ expectations and that the presentation is optimum.

Ultimately, it allows a better and easier segmentation depending on the location of the retailers and on the given customer base that they can reach, and by improving the relations with the retailers Adidas can improve the flow and the quality of the information exchanged with them. This will allow the brand to improve its market responsiveness.

Now that we are aware of the global directions given to the Group Strategy, we will detail in the following paragraphs the particularities of the main brand and the two sub brands strategies.

4.2. Adidas Strategy

Adidas is obviously the main priority of the group, and its aim is to be the “leading sports brand in the world”. To achieve this goal, and since 2007, the brand left its previous organization to create two distinct divisions, with

their own consumer target. The first is Sport Performance (with Bernd Wahler as Chief Marketing Officer), which is generating about 70% of the brand's revenues and which is targeting the athletes segment. Then they have the Sport Style division (with Hermann Deininger as CMO), which is not focused on technical products but more on streetwear and trying to use the strong brand image to sell a lifestyle to its customers. The brand is focusing on five priorities: football, basketball, running, training and originals. These will be the engine of Adidas' growth until 2010.

4.2.1 General directions

Accordingly to the group's strategy we just saw, some general decisions have been taken recently in order to continue developing the brand worldwide and to strengthen its position in the different markets.

For example, they reinforced their distribution system in Europe through the extension of a partnership with Intersport International Corporation and its well known retail stores. With a presence in 32 markets worldwide, this retailer is a key to Adidas growth and allows the group to implement or reinforce its segmented distribution.

After the success of the Beijing Olympic Games 2008 partnership, the company has contacted the London Committee for the 2012 Olympic Games, and is trying once again to become the Official Sportswear Sponsor. Moreover, it has signed numerous other strategic partnerships, such as the Spanish, Hellenic and German football federations, or the denim producer Diesel.

To follow its differentiation strategy, Adidas increased its efforts to launch some personalized products (miCoach, adiStar, adiZero, etc.) for which the client can choose some specificity, in a store or by ordering online. To support this strategy, the brand launched a new marketing campaign in more than 50 countries, based on its famous slogan: "Impossible is Nothing".

4.2.2 Sport Performance division strategy

As we said before, Sport Performance is the branch of Adidas devoted to the sports products that will help athletes to surpass themselves. It is the more important division, and although it is offering a broad range of products in numerous sports categories, the core sports are football, basketball, running and training. These are the key sports for the brand, generating the most part of its revenues and for which Adidas is constantly seeking the leading position. In the near future though, tennis might be added to these top four priorities.

4.2.3 Sport Style division strategy

Adidas realized that despite the pure sport goods market lays a real opportunity in the streetwear market. Indeed, this kind of product needs less R&D, so the margins are better. Moreover, this market is growing really fast compared to the sport goods market which is relatively mature. This leaves plenty of room for Adidas to develop and capitalize on its strong brand image, and to seize this lifestyle market it created the Sport Style division. In the medium to long term, this branch is expected to represent 30% of Adidas total sales. The products designed within this division, the Originals, are focused on a simple message “Celebrate Originality”. They started in this market as a niche player, but they want to widen the distribution and touch more and more consumers now. Actually, they have segmented the potential targets in three categories:

- The metropolitan consumer: sport, street and fashion references.
- The urban consumer: sport, street and hip hop lifestyle references.
- The coastal consumer: young people, action sports as a reference.

For each of these categories, the Sport Style division will create specific products (such as jeans in partnership with Diesel for the metropolitan

target), and will make it available through an adapted marketing and distribution policy.

4.3. Reebok Strategy

Reebok is the second brand of the Adidas group in term of importance. It is quite different from the Adidas brand. Its mission is to “always challenge and lead through creativity”. It is focused on the fit and comfort and is thus a consumer-driven brand. As the main brand, Reebok products are divided between sports goods and lifestyle goods. The main priorities of this brand is no longer the top four we saw before, but it is running, and a special focus women.

According to the global group strategy, Reebok started to reorganize its distribution channels to improve its efficiency and to get even more close to its retailers. It also developed its partnerships, especially concerning the women, with for example the tenniswomen Jelena Jankovic. The aim is to be present in more distribution channels than before. Indeed, they were initially present in a few limited types of retailers: the athletic specialists and the family footwear stores. It had a negative impact on the brand image and they were too dependent toward their retail partner whose bargaining power was too high. In order to change this they are currently diversifying the channels through which their products are sold to sporting goods retailers and department stores. They hope to regain by this way some brand credibility, touch more customers than before and lower the bargaining power of retailers.

They also launched two main marketing campaigns. One in China, “Fuel Yao’s Unlimited Power” during the Beijing Olympic Games and to benefit from the popularity of the chinese basketball superstar. The other is a global running campaign based on the slogan “Run Easy”, which focuses on the fun and the joy of this practice.

Reebok’s response to the global direction of the group concerning innovation and design is simple. The aim is to offer the costumers the best comfort possible, allied with performance. It includes research in different materials, in styles and in technology. The customization is also well placed

in the brand's strategy. Indeed, it allows North American consumers to design their own shoes through a special website "Rbk custom", where special products are also made available in limited editions. The intention is to extend this particular feature to the European market. They also use digital marketing to get closer to their targets and adapt more responsively to their needs.

One of Reebok's specificities is its unique mix between sport performance and lifestyle offered within its products, while the other brands are separating these two aspects in different lines of products. In addition, they are focusing their effort on broadening their lifestyle product range, to avoid being too much dependant on a few products (the Classic footwear ones).

4.4. TaylorMade-Adidas Golf Strategy

The last brand owned by the Adidas group is the TaylorMade-Adidas Golf one. It comprises two of the main brands in the golf segment: TayloreMade (clubs and balls) and Adidas Golf (footwear and apparel). Like the other Adidas brands, this last one is also trying to achieve a leading position on its market, through innovation and technological advances. How do they plan to reach this goal?

First, they count on the market position of the two brands. TaylorMade with its expertise in the metalwoods/iron, and its growing position as a golf balls producer. Adidas-Golf and its impressive sales and market share growth, in the footwear and apparels area. To make sure they keep this momentum in the future, they planned a strong R&D policy to keep on offering new innovating products at a fast pace (they intend to make a major product innovation each twelve to eighteen months). For this, they implemented a special innovation team, independent from the general R&D services. Its task is to identify new product designs and concepts, which will then maybe be implemented in new product lines by the normal R&D team.

On second hand, they are developing partnerships with official golf Tours. The aim is to gain credibility and to make its products recognized by the professionals. As a result, the TP Black and TP Red golf balls were amongst

the more played in several Tours (Europe, Japan, USA), and the golf shoes Tour360, Tour 360 II and Powerband became a best sellers in the golf footwear market.

To support these evolutions, the brand has restructured its marketing team into one single division that manages the products marketing, brand communication and retail marketing. They focus on developing relations with the retailers that can demonstrate in the best possible way their products (like golf-specialized stores and of course sporting goods retailers). They tend to segment even more their distribution so they can lead a mixed pricing strategy. Indeed, TaylorMade's prices are decided to dominate both the premium prices segment and to compete effectively in the high-volume mid-price segment, while Adidas-Golf is focused on the premium market. They consequently are able to have a product offering in multiple price segments.

CONCLUSION

Now that we have a clearer idea of the Adidas whereabouts, we can give an answer to the initial question: is Adidas a global brand?

In regards of all the elements assembled in this report, the answer is yes. Indeed, Adidas is a group that is either already implemented or currently developing on a lot of different markets: both OECD countries and emerging ones. Its aim is leveraging all the opportunities given by this global environment, and this goal is the key that determines the whole strategic decisions undertaken in each Adidas services: be it R&D expenses (to innovate and fit in the best possible way to the markets and cultural specificities), production (by taking advantage of the outsourcing, to buy its raw materials, etc.), marketing (by creating a worldwide strong brand image for example), distribution channels, partnerships...

We can conclude that the whole survival of Adidas in the future has been betted on taking profit of the globalization phenomenon. For the moment, it is quite a success...

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