

Research on Adidas International Development Strategy under COVID-19

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Abstract. Affected by COVID-19, Adidas' global net sales in 2020 decreased by 3.756 billion euros compared to 2019. Adidas's net sales worldwide decreased by 3756 million euros in 2020 compared to 2019. This article will analyze the changes in Adidas's operation situation and competitiveness under the impact of COVID-19. At the same time, combined with the 2016-2020 financial statement data publicly disclosed by Adidas, this article will analyze the specific impact of COVID-19 on Adidas' financial status and provide a more in-depth interpretation of the financial statements. The goal of this article is to analyze Adidas' future development strategy and make recommendations by analysing the impact of COVID-19 so that it can better meet the needs of external interests and internal management. Many scholars' relevant research is mostly on the development strategy research at the macro level. However, there is a lack of strategic research on the micro-enterprise level after being affected by COVID-19. This article first reviews the literature and expands new research directions based on existing research. Then, this article will use the PEST method to analyze the changes in Adidas's external macro environment under the influence of COVID-19 and apply the theory and methods of financial statement analysis to specific applications. Then this article will combine Potter's five forces model analysis method to further analyze Adidas' external environment and industry environment under the influence of COVID-19. Finally, this article will conclude and put forward development strategy recommendations.

Keywords: Financial Statement Analysis; Michael Potter; Strategy.

1. Introduction

1.1 Background

High and new technologies are developing rapidly nowadays. The salient feature of the world's economic development is that technology-intensive economic growth methods are becoming mainstream. Constantly updated knowledge, technology, and patents are replacing capital to become the core competitiveness of enterprises. The corporate management system with production management as the core has been unable to cope with the changing economic environment. Especially affected by the COVID-19, the changes in the world economic environment have become more complicated. In this context, if an enterprise wants to continue to grow, the focus of management needs to shift from production management to strategic management. Through the analysis of Adidas' macro environment and the analysis of financial statements, this article will carry out a quantitative analysis of its development strategy. This article will use data to prove the specific impact of COVID-19. The financial information disclosed in the financial statements is undoubtedly the most important information for listed companies. Listed companies disclose their financial status, operating results, cash flow and other relevant information through financial statements. The performance and prospects of the company's operations can all be reflected in the financial statements. Through the longitudinal analysis of the listed company's financial statements for several consecutive years, and further interpretation of the various in-depth information contained in these financial data, this article can find the company's development strategy hidden in the financial statement. Through the horizontal analysis of the financial statement of the competitor in the same year, this article can find the industry development situation. Combining certain strategic management analysis methods and comparing the company's development strategy with industry development trends, this article can find out whether the company's future development strategy focuses or whether it deviates from the

industry development trend, and why the company deviates from the industry development trend to formulate a development strategy.

1.2 Literature Review

1.2.1 Sports marketing

Matthew D. Shank believed that sports marketing reasonably applies general marketing theories to the products produced by sports goods companies [1]. He believes that sports marketing promotes corporate sports products by sponsoring sports-related activities, competitions, or athletes and marketing. David Shilbury believes that the concept of sports marketing is the exchange of value between sports business managers and other organizations to satisfy the enterprise's own development [2]. Sports marketing and general marketing have the same meaning, and both involve product connotation, corporate culture, brand image, and market positioning. The most important thing in the sports marketing process is to combine the spirit conveyed by its own products and sports items. As well as to make the brand image of the company and the spirit of sports competition merge, achieve the established goal of the marketing strategy, and ultimately enable the sports goods company to enhance its comprehensive market competitiveness, achieve good market performance, and thereby open more markets [3].

1.2.2 Financial analysis and strategy

Palepu divides the research of corporate development strategy based on financial statement analysis into three parts: framework, corporate analysis, and case analysis in the "Use of Financial Statements for Business Analysis and Valuation" [4]. The first part of the framework mainly emphasizes the role of financial reports, the reflection of business activities in financial statements, and how to analyze business operations through the analysis of financial statements. The second part is to apply strategic management theory to analyze the competitiveness of enterprises. In the third part, the analysis methods of the first and second parts are applied to specific cases. In the "Corporate Financial Strategy", Luce Bender, a senior lecturer at Cranfield School of Management in the United Kingdom, adjusts the financial strategy around the adjustment of the company's development strategy, and finally establishes a sustainable competitive advantage based on financial analysis and strategic analysis [5]. Li pointed out that in the process of transforming financial statement data into economic information, analysts usually comprehensively reflect the results of financial analysis in the form of financial indicators [6]. Financial indicators use data as the language, which can effectively convey financial information and explain the situation and results of financial activities. It is the best data to understand the financial situation of a company, and it is also one of the basic analytical tools for interpreting financial statements.

1.2.3 Impact of COVID-19 on Adidas

According to Yao, due to the epidemic's impact, Adidas has temporarily closed offline stores to curb the spread of the new crown virus [7]. This affected the company's revenue and caused a substantial increase in inventory. The loss caused by the closure of offline stores is hard to make up for online stores. At the same time, the suspension of international sporting events has exacerbated the crisis for Adidas.

1.3 Methodology

This article takes the representative Adidas company in the field of sports products as an example. This article will demonstrate the impact of COVID-19 on Adidas' finances and combine Adidas' financial statement data analysis to further analyze the changes in Adidas' competitiveness after COVID-19 [8-11]. At the same time, this article will also propose a more suitable financial strategy and development strategy for Adidas under the influence of COVID-19.

1. Use PEST to analyze the external environment of Adidas under the impact of COVID-19.
2. Conduct an in-depth analysis of Adidas' financial statements for 2016 – 2020 and find out the change of Adidas' financial situation under the impact of COVID-19. This article will use the

methods of trend analysis, ratio analysis, and intuitive charts to apply the theory and methods of financial statement analysis to analyze the financial statements of Adidas. In addition, find out the company's core capabilities in terms of long-term and short-term debt solvency, asset management capabilities, profitability, and cost control capabilities.

3. Using the method of combining the analysis of the five forces model and the analysis of financial statements, analyze the changes of the five forces through financial indicators (supplier bargaining power, purchaser bargaining power, entry power of potential competitors, substitution power of substitutes, internal competitors in the industry Competitiveness). Based on this, this article will analyze the changes in Adidas' competitiveness affected by COVID-19.
4. Through the research and summary of the development strategy of Adidas, provide suggestions to the future development strategy of Adidas.

1.4 Objective

In the marketing process of sporting goods companies, the guidance of related theories on the formulation of development strategies, sports brand marketing strategies and financial analysis of sporting goods companies has played a vital role in the company's success. As the governments and residents of various countries in the world pay more and more attention to sports and healthy life, the research results of scholars on related theories are becoming more and more abundant. However, most of the relevant researches of many scholars are researches on development strategies from a macro perspective. At the same time, there are relatively little researches on strategies at the micro enterprise level, and there is a lack of research on the impact of COVID-19 on enterprises. Therefore, from a micro perspective, this article selects the highly representative multinational sporting goods company Adidas as a case, conducts case analysis, and provides relevant enlightenment for the sporting goods companies that are deeply affected by COVID-19.

2. Analysis of Adidas under COVID-19

2.1 Politics

The relevant policies, laws, and regulations issued by the government directly impact the development of the sporting goods industry. The main affected aspects are as follows: production activities, product operations, marketing, etc. For example, Adidas has produced shoes with "three bars" as early as 1972. At present, all shoes produced by Adidas bear the "three bars" trademark. Therefore, the "three bars" has become one of the important symbols of Adidas. Now, Adidas has basically successfully registered the "three bars" trademark in countries and regions all over the world. At the same time, Adidas also faces disadvantages. According to the Olympic Committee's sales code of conduct, the area of any trademark on athletes' clothing will not exceed 20 square centimeters [12].

2.2 Economy

The macroeconomic environment is not optimistic. Under the influence of COVID-19, the uncertainty of the world economy has increased. Therefore, Adidas is facing a more unfavorable economic environment. The sporting goods consumer groups with the post-80s and post-90s as the main consumers have higher requirements for product quality. These emerging consumers have the habit of advanced consumption and installment consumption. Therefore, the growth of medium and high-end consumption is supported by fundamentals, and urbanization is deep. Therefore, the development will also release more consumption potential.

2.3 Social culture

In recent years, people have paid more attention to physical fitness, and their awareness of fitness has been greatly improved. Maintaining health through exercise is the prerequisite and basis for people's happiness in life. This concept has been deeply and widely spread in people's hearts. Sports

are being sought after as a new fashion lifestyle. At the same time, nowadays, people are looking for the most fashionable but also require the products to be healthy and comfortable, and many consumers around the world like the classic style of Adidas. Adidas products use fashion and classic aesthetic elements and adopt advanced technology to satisfy consumers' needs. Affected by COVID-19, more and more people are starting to shop online. This has a positive impact on Adidas' online stores, but at the same time, it has a huge negative impact on the sales of offline physical stores.

2.4 Technical environment

Adidas has always attached importance to technological innovation, and all kinds of Adidas products are built based on its core technology.

Adidas currently has the following technologies (parts):

Table 1. Technical Innovations of Adidas

Ultra Boost	The sole of this material has an excellent rebound effect. Adidas uses this material to make a supporting heel or full sole. This material seems to be very cheap to the naked eye, but this material's good rebound and shock absorption function has conquered many Adidas sports shoes, consumers.
Prime Knit	Adidas' independent research and development of shoe upper weaving technology, through seamless connection, make the shoe upper more integrated, using this technology to make the shoe upper has both breathability, flexibility and support.
3D Fabrics	A three-dimensional structured fabric that allows air close to the skin's surface to flow freely, dissipate moisture and heat and provide consumers with a comfortable wearing experience.
AdiSave	A supportive device in the middle of the Adidas basketball shoe series's sole stabilizes the foot, prevents excessive twisting of the foot, and prevents the wearer from spraining the ankle.
Agion	This technology can prevent the growth of bacteria and is usually used as the inner lining of the shoe upper with a deodorant effect. This kind of lining is healthy, environmentally friendly and durable so that the product will continue to play a role in the service life.
Body Mapping	This technology helps Adidas produce various products that keep the human body dry in wet weather conditions and achieve the best sports and competitive state.
ClimaLite	This technology is used to make a lightweight, breathable fabric that directly touches the skin's surface, which can drain heat and sweat from the body surface, keeping the body dry in hot climates.
Fiber Protection	This is a new type of fiber coating with a delicate touch, which can drain a large amount of sweat discharged from the skin surface during exercise so that clothing can be dried quickly, and the skin can be kept dry during exercise. This coating also has super antifouling properties, making clothing easy to care for.

3. Financial statement analysis

3.1 Short-term solvency analysis

Short-term solvency refers to the ability of an enterprise to generate cash is also referred to as liquidity. The proportion of the company's current assets that can be turned into cash in the near future determines the strength of the company's short-term solvency. The financial ratios reflecting liquidity mainly include the current ratio and quick ratio.

3.1.1 Current ratio

The current ratio reflected in the 2020 annual report of Adidas is 1.3769 (Table 1), which means that for every dollar of current liabilities, there is a reserve of 1.3769 for current assets to be repaid. Its current assets and current liabilities determine the short-term solvency of an enterprise. Under constant current assets, the less short-term debt, the stronger the solvency; under constant current liabilities, the greater the current assets. More, the stronger the solvency. A current ratio is a relative number, allowing comparisons between companies of different sizes. Because the worst liquidity in

current assets is inventory, the amount of inventory usually accounts for half of the company's current assets, so the remaining liquidity is relatively large.

Assets must be at least equal to current liabilities to ensure that companies can repay short-term debts. Therefore, it is generally believed that the reasonable minimum current ratio for enterprises is 2. However, Adidas' current ratio in 2020 is 1.3769 (Table 1), and overall short-term debt solvency is weak.

3.1.2 Quick ratio

The quick ratio reflected in Adidas's 2020 annual report is 0.88 (Table 1). The quick ratio, excluding the impact of inventory, is a further indicator than the current ratio in measuring the short-term solvency of a company. Inventory is the slowest realization rate among the company's current assets, and there may be retirements, mortgages, unreasonable stock prices, etc. Therefore, to obtain a more convincing indicator of the company's short-term debt solvency, the impact of inventory will be removed. Generally, the normal quick ratio is 1, but due to different industries, there will be great differences. Adidas's quick ratio at the end of 2020 is 0.88 (Table 1), which shows that the company has normal liquidity. It should be noted that the higher the current ratio and the quick ratio are not the better. Too high indicates that the company has more funds stuck in current assets, resulting in low capital utilization, which affects its profitability.

Table 2. Short-term Solvency

	2016	2017	2018	2019	2020
Current Ratio	1.3135	1.3742	1.4359	1.2490	1.3769
Quick Ratio	0.76	0.79	0.93	0.78	0.88

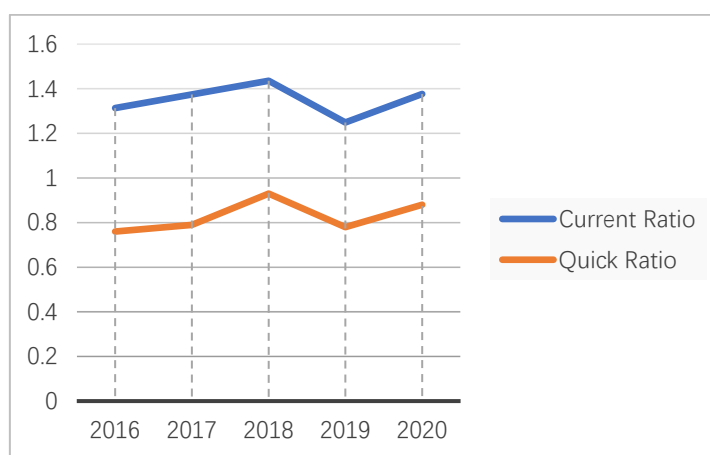


Fig. 1 The trend of Short-term Solvency

It can be seen from Figure 1 that from 2016 to 2020, Adidas does not have an advantage in terms of liquidity, but its liquidity is within the normal range, which will not cause major risks. However, it is worth noting that although the company's current ratio and quick ratio generally showed an increasing trend in 2020, this development was mainly a result of increases in cash and cash equivalents, with one main reason being the cash generated through the placement of bonds.

3.2 Long-term solvency

Long-term solvency reflects the ability of an enterprise to repay long-term debts that are due. Analyze the relationship between equity and assets through the relevant data in the financial statements, analyze the internal relationship between different equity, calculate a series of ratios to analyze whether the company's capital structure is sound and reasonable, and determine the company's ability to repay debts. The debt ratio mainly includes the long-term debt-to-equity ratio and debt-to-equity ratio.

3.2.1 Long-term debt to capital

The long-term debt to capital ratio is a form of reflecting the company's capital structure. Since the amount of current liabilities changes frequently and long-term liabilities are relatively stable, the capital structure is usually measured by the long-term debt to capital structure. On December 31, 2020, Adidas' long-term debt to capital ratio was 27.06% (Table 2), reflecting the ratio of capital provided by long-term debtors. When measuring this indicator, the perspectives of creditors and shareholders are different. On the one hand, as creditors, they are most concerned about the safety of loan funds, whether they can recover the principal and interest at maturity. Therefore, they hope that the long-term debt to capital ratio can be kept within a reasonable range. The lower the ratio, the more guaranteed the corporate debt repayment, and the safer the creditors. If the long-term debt to capital ratio is very high, it means that the proportion of capital provided by shareholders is very low, and the company may not be able to repay its debts in time. But from the perspective of shareholders, high-risk high-yield, low-risk, low-yield. Borrowing debt can increase not only the profitability of the enterprise but also increase the enterprise's risk. The operating capital of an enterprise consists of two parts, one part is the funds provided by the shareholders themselves, and the other part is the funds raised by the company through debt.

3.2.2 Debt-to-equity ratio

As of December 31, 2020, Adidas' debt-to-equity ratio was 47.35% (Table 2). This indicator reflects the relative relationship between the capital provided by creditors and the capital provided by shareholders, as well as whether the basic financial structure of the enterprise is stable. From the perspective of shareholders, in times of increasing inflation, companies borrowing more can pass on losses and risks to creditors. In times of economic prosperity, borrowing more can get additional profits. In times of economic contraction, borrowing less can reduce interest burdens and financial risk.

Table 3. Long-term Solvency

	2016	2017	2018	2019	2020
Long-term Debt to Capital	0.132	0.1325	0.2018	0.1843	0.2706
Debt/Equity Ratio	0.2507	0.174	0.2632	0.2321	0.4735

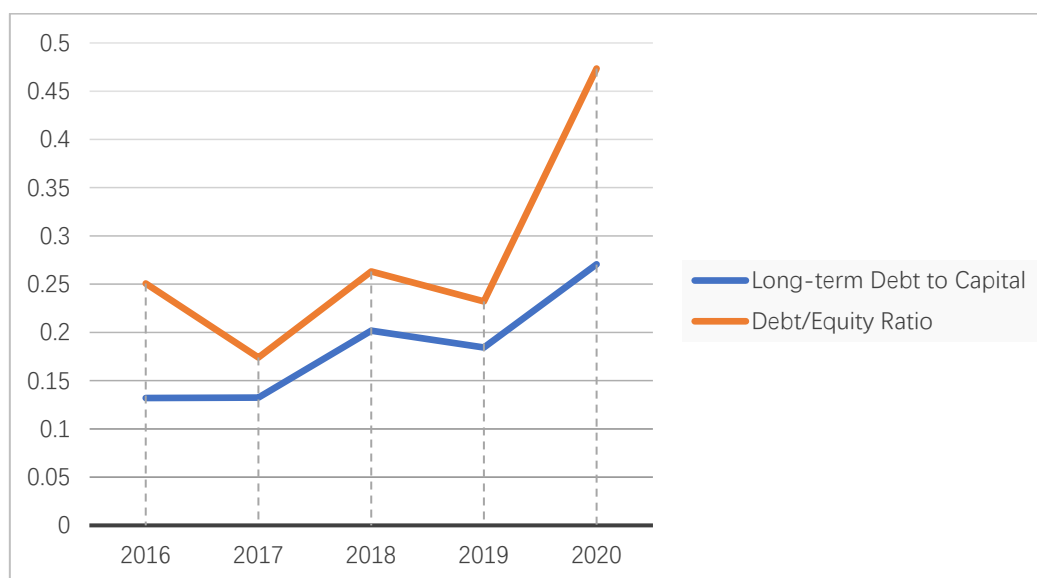


Fig. 2 The trend of Long-term Solvency

As shown in Figure 2, Adidas' long-term debt to capital ratio and debt-to-equity ratio showed a rapid growth trend in 2020 under the influence of COVID-19. This shows that the company's financial leverage is getting higher and higher, the greater the pressure on long-term debt repayment and the

weaker long-term debt repayment ability. Long-term debt is actually not as stable as owner's equity because long-term debt is a source of funds brought about by fixed repayment periods and fixed interest expenses. Adidas's high long-term debt ratio also means that the proportion of shareholders' equity is relatively low, and the company's capital structure will be very risky. Relatively poor stability will intensify the company's economic recession and increase additional risks.

3.3 Profitability

Profitability is the ability of an enterprise to make profits. Generally speaking, the profitability of a company only involves normal business conditions. Therefore, the income or loss brought by abnormal business conditions to the company cannot explain the company's capabilities and should be eliminated in the analysis. The indicators that reflect the profitability of listed companies usually mainly include gross margin, operating margin and EBITDA.

3.3.1 Gross Margin

In 2020, Adidas' net profit margin for sales was 49.624% (Table 3). This indicator reflects the amount of net profit per dollar of sales revenue and represents the level of revenue from sales. Analyzing the ups and downs of sales net profit can prompt companies to pay attention to improving business management and increasing profitability while expanding sales.

3.3.2 Operating Margin

Operating margin refers to the ratio of net profit to operating income, which reflects the ability of a company's operating income to create net profit. Operating margin in the ultimate profitability indicator of a company's sales. The higher the ratio, the stronger the profitability of the company. Adidas' operating margin in 2020 is 3.7795% (Table 3), which means that Adidas will generate a profit of \$3.7795 per hundred dollars of revenue in 2020.

3.3.3 EBITDA

EBITDA is the profit before interest, income tax, depreciation and amortization. EBITDA is mainly used to measure the ability of a company's main business to generate cash flow. High EBITDA means that the company's depreciation, sales revenue profitability, and amortization capabilities are relatively strong.

Table 4. Profitability of Adidas

	2016	2017	2018	2019	2020
Gross Margin	48.6185	50.443	51.8503	52.0008	49.6624
Operating Margin	7.729	9.7559	10.8054	11.2521	3.7795
EBITDA	9.7869	12.037	13.0413	16.3875	10.6833

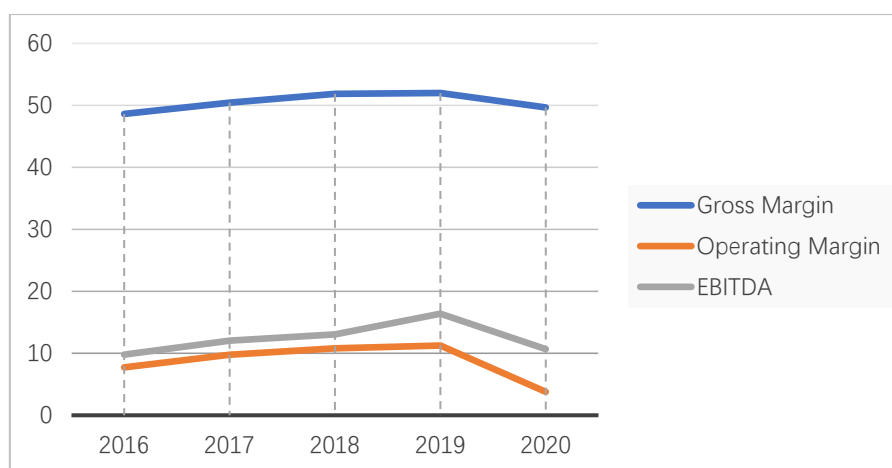


Fig. 3 Trend of Profitability

It can be seen from Figure 3 that under COVID-19, Adidas' gross margin decreased by 4.5%, operating margin decreased by 66.41%, and EBITDA decreased by 34.81%. Thus, Adidas has been affected by COVID-19, and its overall profitability has shown a sharp decline, indicating that Adidas has been greatly impacted. Therefore, it is very necessary to study the development strategy of Adidas under the influence of COVID-19.

3.4 Management

The asset management ratio is a financial ratio used to measure the efficiency of a company's asset management. Asset management indicators include total asset turnover rate, inventory turnover rate, accounts receivable turnover rate, etc.

3.4.1 Assets turnover

Adidas' total asset turnover rate in 2020 is 0.9426 (Table 4). That is, every dollar of assets generates an income of \$0.9426. The total asset turnover rate reflects the turnover speed of the total assets and is a comprehensive indicator. The faster the turnover, the stronger the sales ability. Generally speaking, enterprises can speed up the turnover of assets by means of small profits with quick turnover, which can increase absolute profits. It can be seen from the table that Adidas' asset turnover rate is relatively low, and the asset management level needs to be further optimized.

3.4.2 Inventory turnover

Adidas' inventory turnover rate in 2020 is 2.272 (Table 4), which shows that the company sells inventory 2.272 times a year. Generally speaking, the higher the inventory turnover rate, the higher the efficiency of inventory management. Inventory turnover rate is a comprehensive index to measure and evaluate the management status of each link of the company's purchase of inventory, put into production, and sales recovery. The faster the inventory turnover, the lower the inventory occupancy level, the stronger the liquidity, and the faster the inventory can be converted into cash and accounts receivable. The quality of this indicator reflects the level of inventory management. It not only affects the short-term solvency of an enterprise but is also an important part of the entire enterprise management.

3.4.3 Receivable Turnover

Adidas's account receivable turnover rate in 2020 is 9.6283 (Table 4), which shows that the company has loaned it out about 9.6283 times after collecting the payment in a year. Accounts receivable, like inventory, play a pivotal role in current assets. Receiving and responding to accounts receivable in a timely manner can enhance the company's short-term debt solvency and reflect the efficiency of the company's management of accounts receivable. The accounts receivable turnover rate is the average number of times the accounts receivable converted into cash during the year. It indicates the flow rate of the accounts receivable. The higher the account receivable turnover rate, the shorter the average cash collection period and the faster the recovery of accounts receivable.

Table 5. Management Ratios

	2016	2017	2018	2019	2020
Asset Turnover	1.2712	1.4611	1.4037	1.1431	0.9426
Inventory Turnover	2.6341	2.8478	3.063	2.7777	2.272
Receivable Turnover	8.3947	8.8927	8.8869	8.6944	9.6283

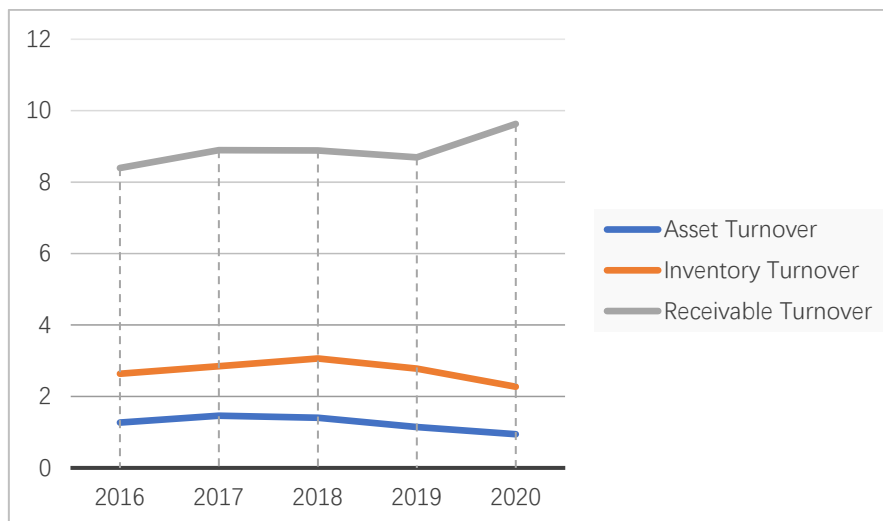


Fig. 4 The trend of Management Ratios

As can be seen from Figure 4, Adidas's asset turnover rate and inventory turnover rate have dropped significantly under the influence of COVID-19, indicating that the company's ability to manage assets and inventories is gradually weakening and should be further improved. Adidas' accounts receivable turnover rate increased in 2020. Still, it is worth noting that according to Adidas's management, compared to December 31, 2019, the total loss allowance increased by € 78 million as a consequence of COVID-19 (Annual report, 2020).

3.5 Other Ratio

ROE is used to measure the company's ability to use shareholder capital to make profits. ROA is used to measure the company's ability to use all assets to make profits. Finally, ROI is used to measure the return that an enterprise obtains from investment activities, the level of profit gained by investing capital.

Table 6. Other Ratios

	2016	2017	2018	2019	2020
ROE	15.7887	21.0412	26.8584	27.1787	6.4116
ROA	6.7145	9.3238	10.9467	9.2747	2.0377
ROI	13.7018	18.2529	21.4348	22.1657	4.6768

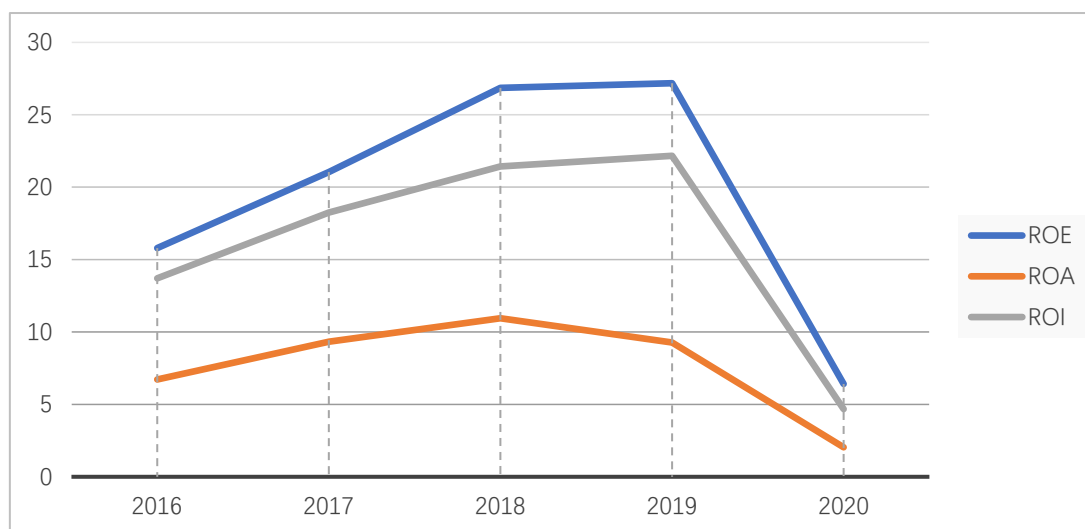


Fig. 5 The trend of Other Ratios

It can be seen from Figure 5 that under the influence of COVID-19, Adidas' ROE, ROA, and ROI have all shown a sharp decline. It shows that Adidas' ability to make profits has been impacted by COVID-19 and has been weakened overall.

4. Michael Potter analysis based on Financial Statement Analysis

4.1 Supplier's bargaining power

The relationship between Adidas and its suppliers can be reflected in the financial statements to indicate the accounts payable and the cost of sales. Therefore, the calculation of the turnover days of the accounts payable can reflect the bargaining power of the supplier. Due to the time value of funds, both Adidas and its suppliers hope to occupy funds for as long as possible. Therefore, the greater the turnover days of Adidas' accounts payable, the longer the time it takes for payment, the weaker the bargaining power of the supplier.

Table 7. Analysis of Bargaining Power with Supplier

	Dec31 2020	Dec31 2019	Dec31 2018	Dec31 2017	Dec31 2016
Accounts Payable	2390	2703	2300	1975	2496
Cost of sales	9990	11347	10552	10514	9383
Payable Turnover	4.18	4.20	4.59	5.32	3.76
Accounts payable turnover days	87.32	86.95	79.56	68.56	97.09

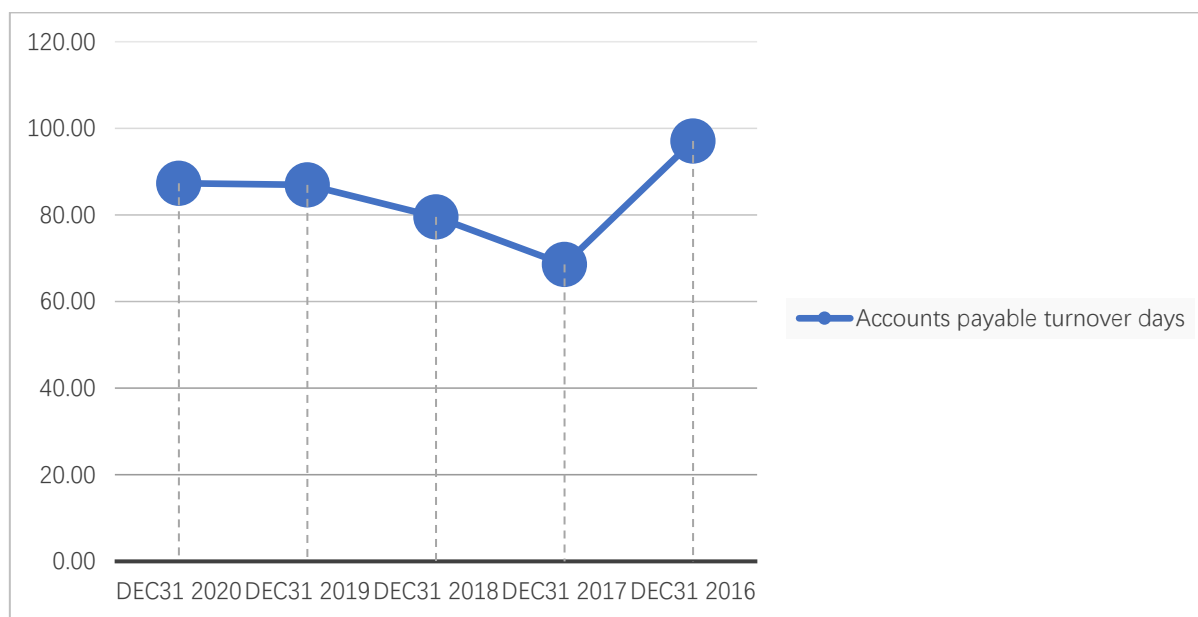


Fig. 6 The trend of Bargaining Power with Supplier

It can be seen from Table 6 that in 2020, Adidas' accounts payable turnover days is 87.32 days, which indicates that Adidas has a relatively strong negotiating ability when facing suppliers. As shown in Table 6, Adidas' accounts payable turnover in 2020 is 87.32 days, indicating that Adidas has a strong negotiating ability when facing suppliers.

The comparison of the turnover days of Adidas' accounts payable in 5 years also shows that the negotiating ability of suppliers in 2020 remained at a normal level.

However, it is worth noting that although Adidas, as a multinational company, has global sourcing capabilities, it can purchase most of the raw materials in countries with sufficient labor and low production costs. However, due to the continuing impact of COVID-19, most of its production plants are facing phased closures, resulting in supply difficulties. Also, in 2020, the cost of sales decreased

by 12% compared to 2019. According to the management, this development mainly reflects the revenue shortfall due to the COVID-19.

4.2 Buyer's bargaining power

One of the buyers of Adidas is the end consumer, and the other is the buyer and distributor. Due to the scattered distribution of consumers, it is difficult to obtain the bargaining power of consumers from the indicator analysis of financial statements. However, through the analysis of the number of days of receivables, the position of Adidas in negotiating with dealers can be obtained. Also, due to the time value of funds, the shorter Adidas accounts receivable collection days, the faster the return of funds from dealers to Adidas, the weaker buyers' bargaining power. The buyers of Adidas are end consumers and distributors. Because of its brand advantage, Adidas focuses on high-quality sports shoes and can pass the cost to the manufacturer. Therefore, the bargaining power of end consumers is weak.

Table 8. Analysis of Bargaining Power with Buyer

	Dec31 2016	Dec31 2017	Dec31 2018	Dec31 2019	Dec31 2020
Receivable Turnover	8.3947	8.8927	8.8869	8.6944	9.6283
Accounts receivable turnover days	43.48	41.04	41.07	41.98	37.91

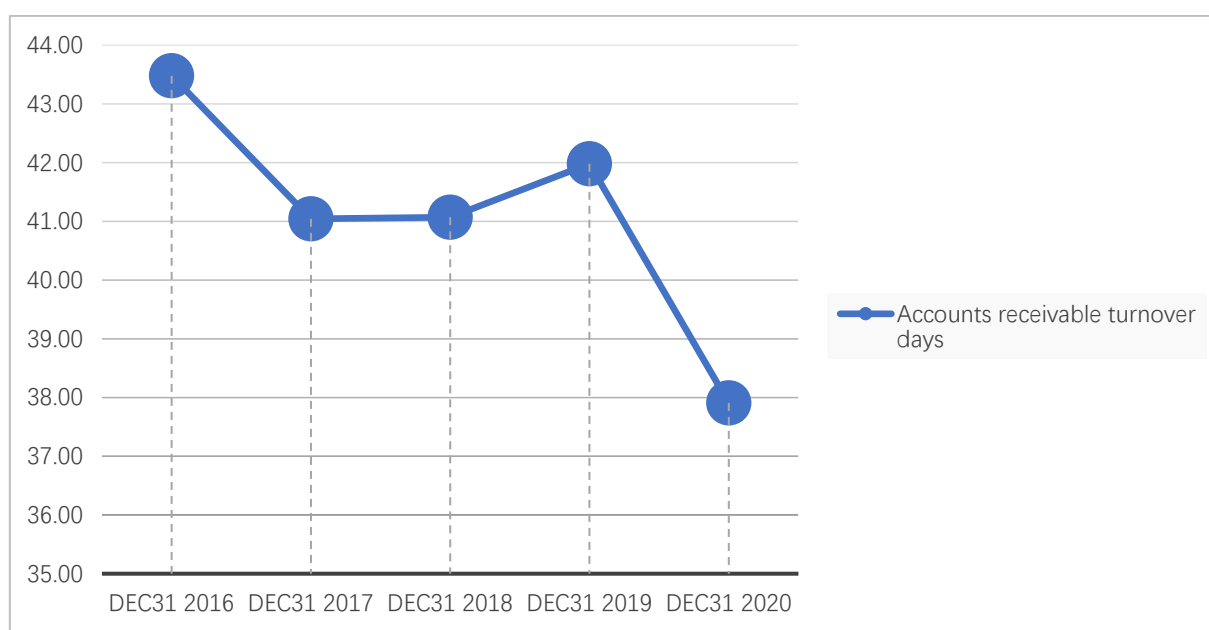


Fig. 7 The trend of Bargaining Power with Buyer

It can be seen from Table 7 that Adidas' accounts receivable turnover days are maintained at about 40 days. Compared with the average account payable turnover rate of 87.32 days, the turnover days are very short. This shows that the dealer's payment will flow back to Adidas in about 40 days on average, and the buyer's bargaining power is weak. As shown in Figure 7 that in 2020, Adidas' accounts receivable turnover days is the smallest, indicating that buyers' bargaining power has weakened. This may be the situation of short supply due to the impact of COVID-19, making Adidas has more bargaining power than buyers.

4.3 Threat of new entrants

The threat of new entrants is gradually increasing. However, there are high barriers to entry in the field of high-quality sports shoes. As a brand-based company, Adidas has a unique brand personality that gives it a large number of loyal consumers. At the same time, due to its scale advantage, it also has a greater advantage in cost control.

Table 9. Analysis of Threat of new entrants

	Dec31 2020	Dec31 2019	Dec31 2018	Dec31 2017	Dec31 2016
Goodwill and Intangible Assets	2524.483	2711.52	2698.585	3032.595	3606.409
Total Assets	24048.84	23161.6	18437.77	16414.22	16793.76
Goodwill and Intangible Assets per Total Assets	10.50%	11.71%	14.64%	18.48%	21.47%

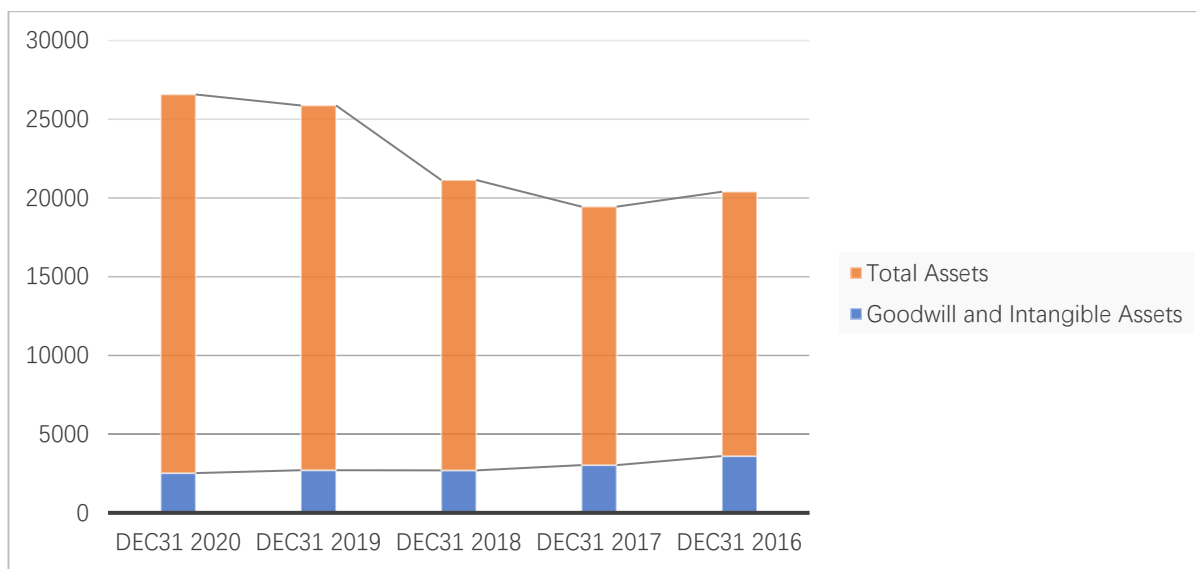


Fig. 8 The trend of Threat of new entrants

However, it can be seen from figure 8 that with the increase of total assets, the proportion of goodwill and intangible assets is decreasing during the past five years. Furthermore, in the high-quality sporting goods industry, brand recognition and product technological innovation are high barriers to preventing other new entrants [12]. Therefore, Adidas should further improve its technological innovation capabilities to establish barriers to prevent new entrants.

4.4 Substitute threat

The threat of substitutes is weak. Because Adidas sports shoes have high technical content and innovative designs that are difficult to imitate, the threat of substitutes is weak.

4.5 Competition among existing competitors in the industry

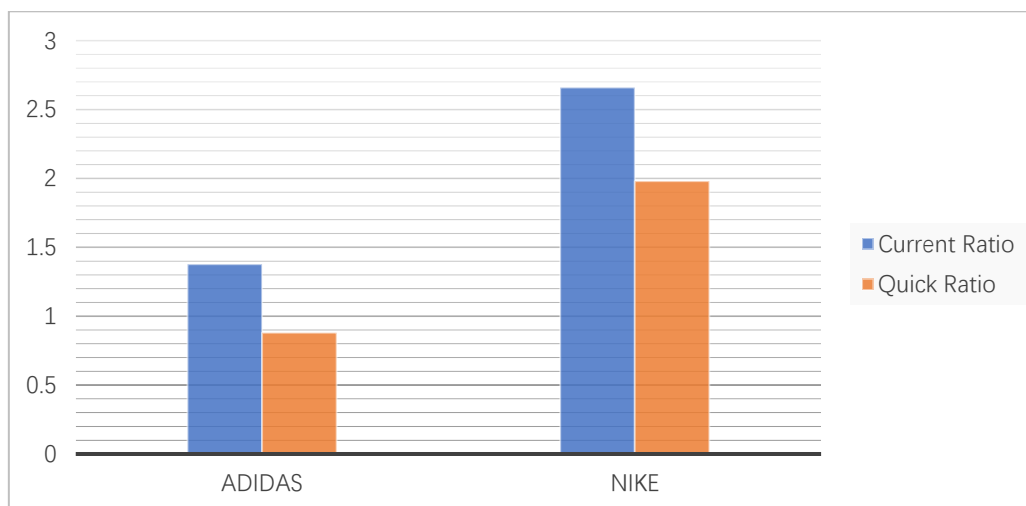


Fig. 9 Comparison of Short-term Solvency

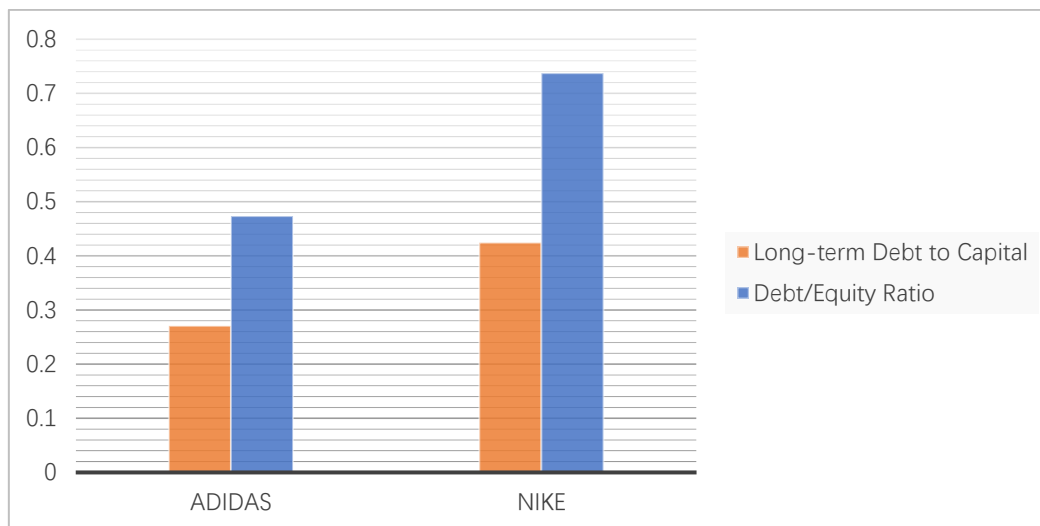


Fig. 10 Comparison of Long-term Solvency

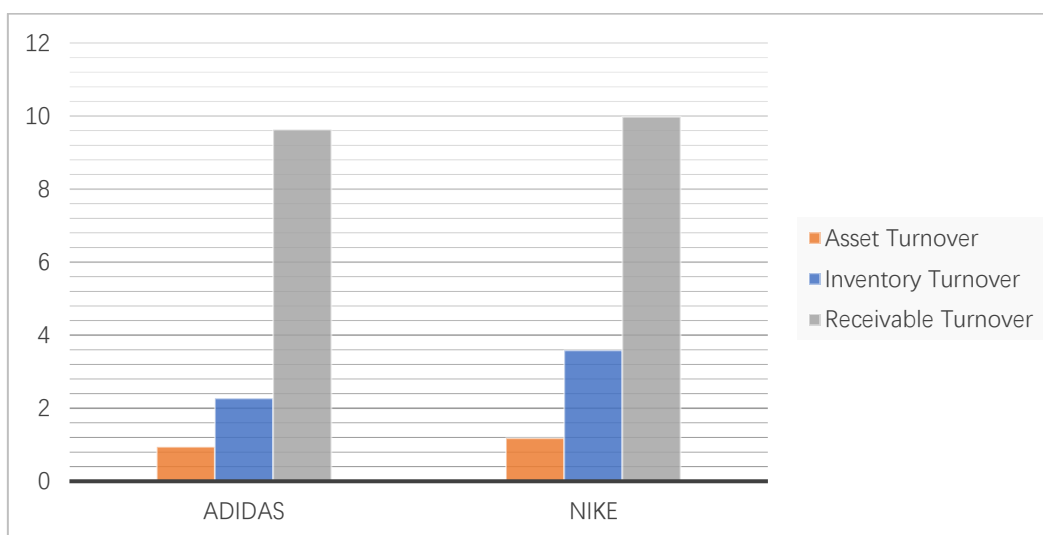


Fig. 11 Comparison of Management

Adidas' main competitor is Nike. Through the above analysis of the financial statements of Adidas, it can be seen that in terms of solvency, compared with Nike, Adidas has weaker short-term solvency (Figure 9) but stronger long-term solvency (Figure 10) in 2020. In terms of management capabilities, Adidas' inventory turnover is relatively slow, while the accounts receivable turnover and total asset turnover are basically at the same level as Nike (Figure 11) in 2020. Comprehensive analysis shows that the existing competitors in the industry where Adidas is located are relatively competitive.

5. Conclusion

In 2020, Adidas top line was negatively impacted by the very large number of temporary store closures due to the COVID-19. The advantage of Adidas is that with its strong brand influence, the strategy of establishing a strong retail business network and focusing on emerging markets has greatly driven the company's performance. The disadvantage is that Adidas relies too much on outsourcing manufacturing. Most of its production plants have been forced to shut down due to the impact of COVID-19, which poses a great threat to Adidas' supply chain. At the same time, Adidas' inventory management has never been compared with Nike, which has become a disadvantage of the company in the competition. Under the influence of COVID-19, Adidas' overall profit rate has shown a sharp decline (Figure 5), which means that Adidas must adjust its future development strategy.

1. Considering that online supply lags behind demand, this article recommends that relevant Adidas cooperate with various big data platforms to fully study the development trend characteristics of the industry in which it is located, and appropriately increase the supply of corresponding products in advance according to the season, external market environment, and popular social elements to seize the opportunity.

2. Considering the oversupply of some products in online channels, this article recommends that Adidas adjust its marketing strategy in time, segment the market, and focus on key target groups. At the same time, it should develop new technologies and models to open up differentiated marketing channels or attract consumers through design innovation and product multi-functionality.

3. Considering that the public favors small home fitness products, and home fitness may become one of the important ways of fitness exercise in the future, this article recommends that Adidas increase its R&D efforts in home fitness products and continue to introduce new products to meet the fitness needs of different types of members of the family.

4. Affected by COVID-19, the global sporting goods, production, and consumption chains have been hit hard. However, this article suggests that Adidas can take advantage of the time difference and regional differences in epidemic prevention and control to actively increase its promotion and sales to overseas markets.

5. To solve the inventory management problem of Adidas, help Adidas to more effectively control the sales channels of products, increase the market adaptability of products, and avoid the above-mentioned inventory backlog caused by sudden market changes, this article suggests that Adidas should adopt the integrated strategy for a period of time in the future until the company's inventory management problems are completely resolved.

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