

Marketing Strategy Analysis and Evaluation for the Adidas

Yinghan Sun*

Faculty of Education, University of Northampton, Northampton NN15PH, England

*Corresponding author: tgyx1234561@yeah.net

Abstract. Adidas dominated the sports market during their childhoods and one of the reasons might be the lack of performance of China's local brands. How Adidas succeed in making positive progress while having cutthroat competition is a subject worthy of study. By applying the k-means model and a social experiment, this paper explores how products and marketing strategy affects the market shares by focusing on the marketing strategy, market share, product rating, and product price.

Keywords: Adidas; Marketing strategy; Sport Supply Group.

1. Introduction

The fitness industry has grown in the last decade as most people take sports more seriously as a career with the increasing need of a healthy lifestyle (Thompson, W2018). This has led to the rise in demand of the fitness product manufacturers such as Adidas, Nike and Puma. This report is thus designed to explore the success of the Adidas. The company, a multinational company located in Germany, is one of the most successful companies in the sports sector (Jayawardhana, 2016). The company has over 50, 000 employees and has revenue of over € 20 billion in 2018 (Wright, 2019). The success of the company is attributed to many factors. Thanks to an effective marketing strategy, the company expand to the US and even in Asia. According to the famous American marketing expert Professor Philip Kotler, Based on 11P marketing concept-Product, Price distribution, Place, government Power, Public Relations ,Probe, Priority, Partition and Position,which is put forward by American marketing professor Philip Kotler, the paper analyses the marketing strategy of Adidas in the sporting goods market. The first part evaluates the marketing strategy of the Adidas while the second part discusses the marketing mix of the Adidas 4F FWD shoes.

2. Evaluation of the current marketing strategy (PESTLE)

Adidas being one of the leading companies in the fitness clothing brand adopts a marketing strategy that makes the company competitive in the market. The company has managed to attain a stable market share across the world because of its effective marketing strategy.



Figure 1. PESTEL analysis
Source: Duong (2019)

2.1 Political factor

The most pressing issues for Adidas is the different taxation rates in different branches. For example, the tax rate in China is at 25% while in the UK is 19%. In Germany where Adidas was founded, the rate is 15% (Wright, 2019). This kind of variance affects the pricing of the company and thus requires for different pricing policies that may affect the performance of the company in different countries. As a result, the company seeks to outsource its manufacturing to the developing countries which helps to reduce the cost of manufacturing (Zhu, 2021). Currently many countries are facing inflation challenges due to the tension in Europe following the invasion of Russia to Ukraine. The invasion has led to political instability in the region which may affect the sales of the company (Lang and McKee, 2022). This may impact the company's ability to set target sales during the political unrest.

2.2 Economic factor

One of the economic factors that may affect the performance of the Adidas is the inflation that is currently expanding across the world due to the covid-19 pandemic. The economic slowdown makes it difficult for consumers to retain their spending power (Guo, et al, 2022). The drop in the consumer spending power and the high unemployment rate across the world have led to a drop in demand of the Adidas products. The products are classified as leisure products. Guo, et al (2022) note that most consumers prioritize products such as food with their disposable income, so that purchase of other products such as the fitness products has reduced.

2.3 Social factor

Most of the consumers of the target countries such as the US, UK, China have recently shown a desire to lead a healthy life. According to Chatterjee, et al. (2021) the wellness market has grown with a 6.4% rate in 2020. This shows that most of the consumers are eager to engage in activities such as going to the gym and running for a healthy lifestyle. As a result, the demand for the fitness products has gone high creating a large market for the Adidas products. Majority of people in countries such as the UK, USA, Germany and even in China have embraced the need to educate their citizens on the need for an active lifestyle and the growth of the demand of the fitness products (Chatterjee, et al., 2021). The company recently has seen a growth of the consumers who are not professional players or sports persons due to the rise in the demand for a healthy lifestyle. The company thus has increased the design of trendy and fashionable fitness products to meet the needs of the consumers.

2.4 Technological factor

The growth of technology has led to changes in the consumer behaviors. The rise of the internet and the digital marketing has affected the purchase behavior and even the marketing behavior of the consumers (Sönmez, 2018). Most of the consumers across the world now have access to the internet. Shipunova, et al., (2022) note that in 2022, nearly 59.5 % of the population have access to the internet and are active users worldwide. This means that the digital consumers have increased. Most of the consumers prefer to make online sales. In 2020 and 2021 when the pandemic forced companies to lock down, Adidas seen an increase in the online sales. Zhu (2021) notes that the Adidas e-commerce in 2021 increased by 13% compared with a 10% increase of 2019. The B2C has contributed to the sales growth of the company and has also increased the consumer base as the company cannot reach a wider range of consumers across the world.

2.5 Legal and environmental factors

The success of Adidas gives credit to many aspects and one of them is the adherence to the legal procedures of the different countries. Besides, the company has focused on patenting its properties and protecting its legal rights, which reduces the chances of infringement (Wright, 2019). In addition,

the patent has helped reduce the overflow of the counterfeit problems that would lead to lowered sales. listed as one of key companies conducting sustainable business, the company has been a champion in using recycled materials to make some of its products. (Wright, 2019).

3. Customer identification and key drivers

The process of segmentation refers to the identification of the key consumers that a company targets. Adidas has used the demographic segmentation process (Sande, 2019). This method of segmentation divides the consumers based on people-based differences such as age, gender, marital status, income, and even education level. The company intends to target the young people who are active in the sports. In most of the cases, these consumers fall in the age gap of 16- 35 (Hertrich and Mayrhofer, 2015). However, with the rise of the health lifestyle and demand of the trendy fitness products, the company has also found that age group between 35-50 is a highly potential target consumer. The company has also applied the concept of psychographic segmentation where it targets the consumers that have a similar motive and preferences (Madara, 2019). Most of the target consumers of this company are people who like to engage in games and sports and people who are pursue a healthy lifestyle. Although this may override the demographic aspect, Hertrich and Mayrhofer, (2015) note that the company primary target is the young people and that is why they use figures such as Lionel Messi, a highly famous sports individual among the young people, as spokesperson. However, this does not block the older consumers who are into sports and games and this calls for application of the psychographic segmentation.

The company has also chosen the right positioning strategy to help win the target consumers. Positioning is the position of the brand in the minds of the consumers and it helps attract the right or the target consumers as it does help the product be unique (Hertrich and Mayrhofer, 2015). The company provides high-quality products to the consumers and consumers identify the company's products as premium. The company cares for the consumers and commit to creating quality products that are durable and trendy. This has thus made the company attract the high-end consumers who can comfortably afford the products of the company. The premium products and the passion for the sports and games as well as healthy lifestyle make the company target the class of consumers that can easily its products. The urban upper and the middle class who have a large disposable income are willing to afford the products sold by the company (Madara, 2019).

4. Competitor's analysis

Companies must seek to ensure that they establish a unique competitive ability to beat competitors. The major competitors to Adidas are the Puma and Nike who are known to provide some of the high-quality fitness products in the market. As it is indicated by Mahdi, Abbas, Mazar and George, (2015) Nike is one of the major competitors of Adidas and it has a 27% market share globally while Adidas has a 25% market share. Puma competes with Adidas fiercely as the company also has a 23% share. Although these market share keeps fluctuating based on the product on sale, Jayawardhana (2016) explains that these three companies are all strong and have competed for a long time. In order to attain a large consumer loyalty, Adidas applies the unique selling point which is creation of trendy fitness products of high quality. Zhu (2021) notes that the company has determined to make light and convenient fitness products to attract the target consumers. The comfort of the products as well as the strong brand reputation are the major unique selling points that the company has used to beat the competition. Mahdi, Abbas, Mazar and George, (2015) note that Adidas, as a very famous brand among consumers, makes it easy for the consumers to remember therefore attaining a constant market share. This may not be a compelling USP since companies such as Puma and Nike have similar rating and strong brand identity in the market. Dadrasmoghadam, et al., (2021) thus note that one of the factors that has made Adidas remain competitive in the market is the fact that the company has the unique design of the products. Other competitors in the industry may provide same quality, while the

company with unique fashionable designs stands out and get popular. For example, the running shoes for the company are made of recycled material that help the runners to feel steady and avoid ankle injury when running (Dominguez, 2020).

5. Marketing evaluation of Adidas 4D FWD shoes

5.1 Product

The 4D FWD shoes are among the newly developed products from Adidas. The products are made from the recycled product with a 4D midsole that helps to absorb the impact of running. This design also provides support of gait while running and makes the process of running easier. The foot is further made with a lattice structure that is slightly angled, and this helps to redirect the energy of the foot strike into a forward motion thus helping the runner move faster (Sicoli, Bronzetti and Baldini, 2019). This product is made after increasing research of data collected from runners who have informed the company of the needs to be fulfilled. The applied technology of using recycled material plays an important role as it helps reduce environmental pollution. Therefore, not only the product is high-quality, comfortable with a unique design but its process of making protects the environment. One of the reasons for the design of this product as discussed by Ang and Rusli (2018) is not only to meet the needs of the consumers but also to play a role in sustainability business practices.

5.2 Price

The price of this product is largely affordable at the retail cost of \$200. The company has used available recycled materials to make an affordable product that can meet the needs of most middle class and upper class people. This price is to help the company attract the fitness enthusiast as they are not set as high as the products for professional players and people in sport (Ang and Rusli, 2018). The prices however can also be described to be competitive compared to what other competitors have offered in the market. This helps Adidas not only make profit but also remain in a leading position in the market. In addition, this competitive and affordable price help the company retain the customer loyalty while at the same time attracting the new consumers. Even though the prices are affordable, Wright (2019) notes that they still lean to the premium side and this shows that the company has still retained its quality of the product. Ang and Rusli, (2018) note that Adidas has to ensure that it retains premium prices so that the high quality impression can still remain.

5.3 Distribution

The digital marketing has played a very crucial role in the promotion of products from Adidas. Since the onset of the pandemic, the company has embarked on widening the online sale from the website of the company. This has helped the company reach to a wider range of the consumers across the world with increasing sales. As explained by Zhu, (2021) the B2C strategy of reaching the consumers from Adidas has not only led to a growth of the sales but also a growth of the consumer base. This has helped transverse the limitation that comes with the physical boundaries. In addition, the company has also provides the product in the stores near the target consumers. This helps the company easily access the target consumers who are not fond of making the online purchases. There is a need to ensure that companies maintain a balance between the traditional modes of distribution and the modern forms of distribution. The physical stores not only create a constant image on the minds of the consumers but also create a space of brand ownership among the consumers when they are making the shopping (Wright, 2019).

5.4 Promotion

This new product by the company is promoted by following a number of strategies. To start with, the company has focused on the use of the online promotion as the quickest form through which Adidas contacts a high number of consumers. This includes the use of the social media and the google

ads for the company to reach wider range of the internet users. Byun (2015) notes that there is a need for companies to embrace the use of the social media marketing as this strategy helps reach a wide range of consumers. The other method that is applied by the company is the spread of mass media, one of the traditional yet still very effective mode of communication. In this method the company intends to reach to the consumers who are above the age of 40 and enthusiastic of the healthy life style (Sande, 2019). The age group above 40 are more likely to focus on the mass media advertisement compared to the lower age group. The combination of two strategies have made the product become popular among the users and has made high volume of sales (Madara, 2019).

6. Identification of the appropriate marketing strategies

One of the best marketing strategies that helps promote the product 4FD is the use of the social media influencers. In the contemporary marketing activities, most of the companies have collaborated with the social media celebrities to promote their brands and influence the sales. Mahdi, et al., (2015) most of the young people on the social media have trust on the social media personnels that they follow. Therefore, brands should constantly partner with such celebrities to increase the sales. These social media influencers should be properly coached about the product to ensure that they understand the product that they sell. This will not only help create a large volume of sales, but also establish a long-lasting relationship with the consumers who follow the influencers. A trust on the influencers is a trust on the brand as well. Dadrasmoghadam, et al., (2021) note that when using the social media influencers, a company is able to attain more trust from the consumers by selecting the influencers that they trust.

Another strategy that would be beneficial to the company and would lead to growth of the sales is through sponsorship of events that help the consumer learn about the product. For example, the company can set seminars with the topic of a health lifestyle while launching the products teaching the consumers how to live a healthy life. In this way, the company create a need and an urgency, and also make people who attend the seminar want to buy the product (Dadrasmoghadam, et al., 2021). This will be different from what the company has always done as it has largely focused on partnering with the major sports companies such as footballs teams in the past. Now shifting focus to the individual consumers helps widen the scope of the consumers and this translates to high volume of sales.

7. Conclusion

This report identifies that Adidas has attained a high level of success following the proper and effective planning of its marketing strategies based on the existing environmental factors. The growing demand of a healthy lifestyle is one of the factors that has helped to increasedemand for the products of the company as well as the availability of opportunity for digital marketing. However, inflation and political instability has shaken the sales of the company. The company focuses on use of demographic and psychographic segmentation which helps reach the middle- and upper-class consumers. To compete with Nike and Puma, the company focuses on use of h unique designs of the products. One advantage about the products of the company such as the 4D FWD is that they maintain high quality with premium prices. To get the attention of more consumers, the company should focus more on use of social media influencers.

References

- [1] Ang, C., & Rusli, H. (2018). The Impact of Marketing Mix 4Ps and Consumer Behavior toward Purchase Decision of Adidas Products. *iBuss Management*, 6 (2).
- [2] Byun, J. W. (2015). Successful Global Brand of the Adidas: Porter's 5 Forces and SWOT Analyses. *Journal of the Institute of Trade and Commerce*, 15 (4), 141 - 167.

- [3] Chatterjee, A., Prinz, A., Gerdes, M., & Martinez, S. (2021). Digital Interventions on Healthy Lifestyle Management: Systematic Review. *Journal of medical Internet research*, 23 (11), e26931.
- [4] Dadrasmoghadam, A., Sahebkar, M. A., Etehad, S. K., Khoshbakhti, J., & Barbaar, A. (2021). The Optimal level of variation of Nike and Adidas Sporting Brands in Mashhad Sporting Stores. *International Journal of Psychosocial Rehabilitation*, 25 (01).
- [5] DOMINGUEZ, L. (2020). Nike vs. Adidas. *International Relations Journal 2020*, (39), 37.
- [6] Duong, A. (2019). The PESTEL Model.
- [7] Guo, F., Huang, Y., Wang, J., & Wang, X. (2022). The informal economy at times of COVID-19 pandemic. *China Economic Review*, 71, 101722.
- [8] Hertrich, S., & Mayrhofer, U. (2015). *Adidas, the running shoes market*. HAL.
- [9] Jayawardhana, A. (2016). Financial performance analysis of Adidas AG. *European journal of business and management*, 8 (11), 74 - 82.
- [10] Lang, T., & McKee, M. (2022). The reinvasion of Ukraine threatens global food supplies. *bmj*, 376.
- [11] Lin, B., & Jia, Z. (2019). Tax rate, government revenue and economic performance: A perspective of Laffer curve. *China Economic Review*, 56, 101307.
- [12] Madara, D. (2019). *International marketing strategy of Adidas. A critical evaluation*. GRIN Verlag.
- [13] Mahdi, H. A. A., Abbas, M., Mazar, T. I., & George, S. (2015). A Comparative Analysis of Strategies and Business Models of Nike, Inc. and Adidas Group with special reference to Competitive Advantage in the context of a Dynamic and Competitive Environment. *International Journal of Business Management and Economic Research*, 6 (3), 167 - 177.
- [14] V. D. (2019). *Influence of Celebrity Athletes on the Sportswear Industry: An analysis of influencers' impact on Nike and Adidas brand image* (Doctoral dissertation).
- [15] Shipunova, O., Berezovskaya, I., Kedich, S., & Popova, N. (2022). Indicators of Choosing Internet User's Responsible Behavior. In *Proceedings of Sixth International Congress on Information and Communication Technology* (pp. 961 - 970). Springer, Singapore.
- [16] Sicoli, G., Bronzetti, G., & Baldini, M. (2019). The importance of sustainability in the fashion sector: Adidas case study. *International Business Research*, 12 (6), 4 1- 51.
- [17] (2018). Technology acceptance of business intelligence and customer relationship management systems within institutions operating in capital markets. *International Journal of Academic Research in Business and Social Sciences*, 8 (2), 400 - 422.
- [18] Thompson, W. R. (2018). Worldwide survey of fitness trends for 2019. *ACSM's Health & Fitness Journal*, 22 (6), 10 - 17.
- [19] Wright, M. (2019). Strategic audit of Adidas.
- [20] Zhu, J. (2021). Analysis on Adidas Marketing Strategies in 4P Model. *Scientific and Social Research*, 3 (5), 67 - 75.