

1. Consumer Knowledge

From its beginnings in Bavaria in 1924, when founder Adi Dassler and his brother, Rudolf, decided to start a company to provide athletes with the best shoes possible. Adidas has grown to become the largest sports manufacturer in Europe and the second-largest in the world. The Dasslers helped develop spiked running shoes, improving on the early designs by using canvas and rubber to make the spikes instead of metal. In 1936, United States sprinter Jesse Owens wore Dassler spikes at the 1936 Olympics in Berlin and won four gold medals. The Dassler shoes quickly developed a reputation and following among the world's athletes and trainers.

Adi and Rudolf split in 1947. Rudolf formed a new company called Ruda (from Rudolf Dassler), which later became Puma. Adi's company was formally registered as Adidas (from Adi Dassler) on August 18, 1949. At that time, adidas had 47 employees.

Adidas got significant worldwide recognition in 1954, when the West German national soccer team defeated the heavily favored Hungarian team in the World Cup soccer final. Dassler's shoes were half the weight of the traditional English soccer shoe, and, on a muddy field, their studs gave the Germans an advantage. The game was seen around the world on television, and suddenly, adidas was a household name.

Adidas first started using three stripes to identify its brand in 1967. It was in 1971, though, that the company adopted the "trefoil," or flower, logo that was to mark its identify for more than two decades. In 1997, the company decided to use the trefoil logo only on "heritage" products, and a new logo, three vertical stripes angled to resemble a mountain slope, was adopted. The adidas logo is considered one of the 50 best logos ever.

Initially, adidas capitalized on the performance market, which consisted of amateur and professional athletes. The company built its brand by consulting with athletes in all the sports to

which it catered, finding out what they wanted in footwear that would improve their performance, and producing products to meet those needs. This focus on innovating to meet the needs of the consumer lies at the heart of the company's success and continues to form a core part of its strategic vision. Adidas's current five-year strategic cycle, called "Own the Game," which was released in 2021, says, "Own the Game puts the consumer clearly at the center of everything, acknowledging the role they have in shaping industry trends: They strive to live active and healthy lives, they wish to blend sport and lifestyle, they are digital by default and sustainable by conviction. Own the Game will capture these consumer-driven opportunities and carve out new ones for their benefit. The successful delivery of this strategy will enhance brand credibility, elevate consumer experience, and push the boundaries of sustainability."

If one leg of adidas's brand perception is based on meeting customers' needs, the other is developing relationships with its customers by leveraging collaborations with athletes and celebrities. Initially, as with Jesse Owens in Berlin in 1936, this ability was limited by the small size of the target audience: professional and hard-core amateur athletes. However, as sports began burgeoning into a more significant part of people's lives worldwide in the 1960s, more people began participating in sports, and the appeal of athletes began to broaden into the larger population. Bob Beamon was wearing adidas shoes when he set the world long jump record in the Mexico City in 1968. Rod Laver won many of his tennis grand slams in adidas shoes. Dick Fosbury changed the high jump forever in adidas shoes. And the world was watching like never before, as the advent of television made it possible for hundreds of millions to see events that they had never been able to watch before.

It is not only athletes that the company is using to connect with customers. In 1984, the rap group Run-DMC released a single called, "My Adidas." Adidas's sales began to climb, but the company, which had no connections on the still-young rap community, did not know why.

An adidas employee in Los Angeles made the connection and brought it to the attention of his superiors, who sent him to Germany to relay to the Dasslers what he had found out.

History was made when the Dasslers decided to sponsor Run-DMC, even to the point of incorporating the group's logo on the company's iconic Superstar basketball shoe and designing a clothing line. Now, almost 40 years later, the company has collaboration arrangements with such celebrities as Kanye West, Beyonce, and Pharrell Williams. In 2019, West's Yeezy footwear line was valued at more than \$1 billion. These efforts over the years have resulted in the identification of the adidas brand as it stands today: A brand that is trusted by professional and serious amateur athletes, and one that is desired by fashion-conscious or status-seeking individuals, as well.

2. Competitive Analysis

Direct competitors

Direct competitors are the major sportswear manufacturing companies: Nike, Puma, Under Armour, Lululemon Athletica, New Balance, ASICS, and Skechers.

- **Nike** is the largest company in the sportswear industry. Footwear provides the most revenue for both Nike and Adidas, with apparel being second.

- **Puma** is the third-largest sportswear company. Adidas has been making inroads into Puma's market share, particularly in North America, with the result that Puma is closer to the fourth spot than it is the second.

- **Under Armour** is the youngest of the top five athletic apparel manufacturers. Founded in 1996, it originally was a manufacturer of the founder's wicking apparel before expanding into other apparel and footwear.

- **Lululemon Athletica** started with a focus on women's athletic apparel to reduce sweating. It now produces athletic attire and shoes for both men and women.
- **New Balance's** history is primarily in footwear, notably running shoes.
- **ASICS** released its first basketball shoe in 1950 and has since expanded its product lines into other sports and apparel.
 - **Skechers** began as a casual footwear manufacturer and now has a solid foothold in athletic and performance shoes for men, women and children. Its apparel division is a growing contributor to revenue, but it still lags its major competitors in that area.

Indirect competitors

While the direct competitors produce footwear and apparel design with sports as a primary consideration, the indirect competitors would be any footwear or apparel company that produces fashion or leisure attire that could act as a substitute when the wearer is not engaged in athletics. There are thousands of potential substitutes for adidas products such as socks, t-shirts, sweats and hoodies, etc., that consumers who have no brand loyalty or social status in mind might substitute for adidas products.

For example, while adidas produces underwear to be cooler and drier than normal underwear, some consumers may not perceive those benefits as important and may opt instead for **Fruit of the Loom**. A similar proposition can be made for t-shirts. Many people are perfectly comfortable in **Hayne's** shirts when they work out, run, or engage in everyday activities.

Among those adidas customers who are more focused in status than utility, there is also a wide universe of available substitutes. To cite just one example, some customers may opt to buy **Beats by Dre** headphones rather than adidas' Yeezy athletic shoes.

3. Consumer Perception Analysis: Assess consumers' perceptions of the brand through interviews of peers and conduct brand mental map.



Interviewee 1: 64-year-old white male, college educated, few strong brand preferences, a strong preference for function over status

Interviewee 2: 26-year-old white female, high school graduate, some strong brand preferences and a high awareness of current trends

Interviewee 3: 19-year-old white male, in college, spends a significant portion of his income on food and entertainment

All three respondents recognized the brand name immediately and were able to offer opinions about it. While all were able to identify the brand as related to athletic shoes and apparel, their identification of the various sports was varied. One mentioned soccer, two mentioned basketball, and all three mentioned running, for example. While the specific words used to identify the non-athletic attributes varied, in general, there was agreement that the brand was cool, trendy and urban. All agreed that adidas products carried status and were perceived as high quality.

1. Strategic Recommendations:

Points of parity

- Basic and performance athletic footwear and apparel
- Different products are designed for different sports

Points of difference

- Collaboration with non-athletic celebrities
- Iconic logo
- Perceived premium value
- Focus on quality and the customer

In 2021, adidas introduced a new and inspiring ad campaign, with the mantra, “Impossible is Nothing.” This superseded the “All In or Nothing” campaign inaugurated in 2014. The initial thrust of the campaign is 20 audiovisual featurettes detailing the lives, backgrounds and roots of success of people from soccer star Lionel Messi to entertainer Beyonce. As a mantra, the slogan turns “nothing is impossible” on its head, and leads the consumer to think about “impossible” things in a new light. There does not appear to be any significant reason to adopt anything new.

2. Tactical Recommendations:

Although adidas has long touted its engagement with its customers, it should take further steps to do so. One way would be to expand its direct-to-customer sales. This would leverage the company’s social media presence and improve both top-line revenue and overall profitability by taking in-house many of the sales and fulfilment functions currently performed by third parties.

Another opportunity that presents enormous potential is leveraging the recent decision by the National Collegiate Athletic Association’s allowing student-athletes to earn money from their

names, images and likenesses (NIL). NIL represents a significant opportunity to collaborate with future stars at an early age and significantly expands the pool of endorsers and influencers available to the company.

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