

Analysis of the Marketing Strategy of Adidas

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Abstract: A well-developed and well-executed marketing strategy is important for a company, especially for Adidas in the highly competitive sporting goods industry. Therefore, this essay analyzes Adidas' marketing strategy with the help of the 4Ps marketing theory and proposes relevant strategy optimisation. The result shows that Adidas' current marketing strategy focuses on incorporating sustainability to drive product innovation. This marketing strategy is beneficial in helping the company to engage consumers and build a credible brand image. However, this marketing strategy also faces problems with product innovation lacking competitiveness, product quality and pricing. Therefore, Adidas could optimise both its product strategy and its pricing strategy. Specifically, Adidas could focus on product innovation, drive digital transformation and increase its control over suppliers in order to expand its product strength and optimise its product strategy. At the same time, Adidas could optimise its pricing strategy by increasing its sensitivity to changes in competitors' prices, consumers and market demand.

Keywords: Adidas, marketing strategy, digital transformation, sustainability, The Marketing Theory of 4P

1. Introduction

Marketing strategy is one of the most important components of a business. A successful marketing strategy will help a company to build good relationships with consumers, increase sales and gain a competitive advantage through the identification of target markets and the right mix of marketing channels. As one of the world's leading manufacturers of sporting goods, Adidas became the second largest manufacturer of sporting goods in the world after Nike in 2018 [1]. Currently, there are some studies on Adidas' marketing strategy through SWOT analysis, comparative analysis with its competitor Nike, and by investigating the factors that influence consumers' purchasing decisions. For example, Mahdi, H. A. A., Abbas, M., Mazar, etc., in their comparative analysis of Adidas and Nike, point out that Adidas and Nike have similar strategies but different priorities, with Adidas focusing more on cost reduction and market expansion than Nike, which focuses on marketing and innovation [2]. In this essay, the main focus is on the strengths and areas of improvement of Adidas' marketing strategy in recent years through The Marketing Theory of 4P. At the same time, optimisation is proposed in terms of Adidas' product strategy and pricing strategy. This study will help Adidas, its competitors and other companies in the same industry to expand their competitive advantage and succeed in the marketplace by driving product innovation and development in line with changing consumer needs, while maintaining sustainable development in the digital era.

2. Background of Adidas

Adidas AG is a German sports brand founded by Adolf Dassler in 1949 and based in Herzogenaurach, Germany, which produces sports shoes and sportswear [1]. Meanwhile, Adidas sells its products under the Adidas and Reebok brands mainly through retail shops, department stores, franchised distributors and online retailers [3]. Moreover, Adidas' global operations are mainly located in Europe, the Middle East, Africa, North America and Greater China. According to Adidas' financial statements for 2019 to 2021, it can be seen that although Adidas was more affected by the pandemic in 2020, it was able to recover in 2021 and Adidas' gross profit and revenue has been growing steadily [4].

3. Marketing Strategy of Adidas

Adidas is committed to "owning the game" as part of its marketing strategy to guide the company through 2025 [5]. "Owning the Game" guides Adidas in putting the consumer at the heart of its marketing strategy. At the same time, Adidas' marketing strategy is not only focused on strengthening connections with consumers, social media and partners through digital channels, but also on enhancing the consumer experience, improving brand credibility and driving sustainable growth through personalization and product innovation.

3.1. Products

Firstly, the product itself is the most direct reason why customers choose a brand. At the core of Adidas' business has always been the design and production of products that meet the needs of our customers and help them perform better. The proper design and innovation of the product not only help to increase Adidas' revenues, but also its competitiveness and brand influence among sports brands. Meanwhile, product quality is also a direct factor affecting Adidas' economic performance.

3.1.1. Innovation

Innovation is the foundation that drives Adidas' success. Product design has a greater impact on purchasing decisions than product quality and price [6]. Adidas applies innovative thinking to all levels of its business. To begin, Adidas' product innovation is centered on developing advanced performance products with core technologies to provide consumers with more comfortable, personalized products. For example, in collaboration with its partner BASF, Adidas has developed BOOST™, a cushioning material that creatively combines contradictory performance benefits to enable users (especially athletes) to experience a new way of running while exercising [7]. The innovation of BOOST™ not only enhances consumer comfort, but also provides the basis for innovation in performance footwear in the running industry. Secondly, Adidas is committed to product innovation to meet the changing needs and preferences of consumers. With the development of the times, consumers and investors are placing more and more emphasis on the environmental protection and sustainability of the company. Adidas adheres to the motto "Through sport, we have the power to change lives" and continues to promote sustainability through innovation [5]. For example, since 2015, Adidas has been working with Parley for the Oceans to innovate to protect the marine environment, and by the end of 2020, Adidas will have recycled and used more than 60% of its polyester and worked with partners to develop vegetable leathers, such as the Adidas Stan Smith, which is a vegan version [8]. All of these contribute to improving the reputation of the Adidas brand, winning the hearts and minds of consumers and increasing the competitiveness of the brand. Thirdly, Adidas uses digital technology to improve the customer experience and enable faster product innovation. This includes using virtual reality (VR) solutions to enable customers to customize their

products, and providing an online platform that allows customers to track their orders in real time.

However, Adidas' focus on strategic product innovation also suffers from a high cost of investment and the assumption of innovation failure. For example, the closure of the Speed Factory was a famous case of innovation failure for Adidas, and its shutdown led to a waste of the construction and operational costs invested by the company, which not only caused financial losses but also affected the brand's innovative image. Meanwhile, Adidas' product innovation had to face fierce competition from companies in the same industry. For example, Nike and Under Armour are both strong rivals of Adidas. Specifically, Nike has innovated its design to improve product performance and reduce waste, and Under Armour is constantly introducing new and advanced products [9]. However, Adidas has not developed innovative technologies and designs that could outperform its competitors, which is not conducive to long-term market competition.

3.1.2. Product Quality

Adidas outsources close to 100% of its production to independent third-party production partners [3]. The most important advantages of outsourcing production include cheap overseas labour [9]. By outsourcing production, Adidas could reduce the costs associated with production and increase efficiency. Meanwhile, a skilled workforce in production outsourcing could facilitate Adidas' flexibility to face market changes and improve its ability to meet customer demands. However, Adidas has little control over product quality due to its over-reliance on third-party suppliers [3]. In addition, if third-party manufacturers fail to meet specified quality standards, Adidas may be liable for losses resulting from product recalls and production interruptions as a result. Furthermore, the over-reliance on outsourcing production may increase the bargaining power of suppliers. Specifically, both supplier defaults and strikes can lead to an incomplete supply chain for the company and affect Adidas' normal operations. For example, the epidemic caused the factory in Shanghai to not be able to open normally, which led to disruptions in the supply chain and was detrimental to Adidas' normal operations.

3.2. Pricing

Product price can have an impact on consumers' purchasing decisions. According to research, Adidas' target audience is mainly young people and athletes between the ages of 20 and 30 [6]. Compared to Nike, Adidas needs to take advantage of low costs to adopt a market-predatory pricing strategy [2]. Although Adidas' pricing is well accepted in the market and lower than Nike's pricing, Adidas' prices are high compared to other sports brands. For example, Adidas' basic shoe models are typically priced between £85 and £100, while Nike's basic models are typically priced between £110 and £135. Under Armour, meanwhile, has a wider choice of prices for its products, with shoes focusing on prices between £30 and £140. Adidas' pricing ignores lower income consumers, which not only leads to the loss of a segment of consumers, but also makes it easier to lose pricing advantages to competitors. With the number of brands available to consumers, they can easily switch between brands because of the price. Adidas also adopts a skimming pricing strategy, which means that the value of a product decreases when it becomes obsolete. This strategy is good for relieving inventory pressure, but the presence of high prices for new products and late price reductions may not be conducive to higher sales of new products in the first instance. As well, it may lead to lower satisfaction among consumers who purchased the product at its original price.

3.3. Promoting

For a sports brand, the trademark is one of the most valuable assets it owns [10]. Adidas is commonly referred to as "the brand with three stripes" due to its famous and recognisable brand logo [1]. Moreover, Adidas pays great attention to the protection of the brand's trademark. Adidas regularly

monitors products for any potential infringements and they are proactive in taking legal action against companies that are found to be infringing their trademarks. In addition, Adidas enforces strong protection of their trademarks in their contracts with suppliers and distributors. Adidas' high level of trademark protection helps to make it easier for consumers to identify the authenticity of products and avoid the proliferation of counterfeit goods. It also helps Adidas to protect the high recognition of their brand and to maintain the value of their trademark. However, Adidas' use of litigation to protect its trademarks may not be popular. Specifically, it could easily be perceived as trademark bullying, which is detrimental to Adidas' brand image within the sports industry. Moreover, protecting the intellectual property rights of trademarks is costly and Adidas needs to invest a significant amount of capital and labour each year to protect and prevent infringement of its trademarks.

Advertising as a promotional tool is also an important marketing strategy for Adidas. Packaging could be considered a type of advertising. According to research, Adidas' interesting packaging is more appealing to consumers than Nike's [11]. Moreover, Adidas incorporates strong slogans into its advertising to help motivate consumers to shop and increase their liking for the brand. However, Adidas is not as successful as Nike in terms of advertising. Firstly, consumers are not as receptive to Adidas' slogans as they are to Nike's [11]. Furthermore, compared to Nike, which has exclusive contracts with famous athletes (such as Michael Jordan), Adidas has not chosen to invest in getting spokespeople to endorse its products [2]. While this has helped Adidas to reduce costs and invest money in improving product performance, it has resulted in a less relatable, smaller and less recognisable advertising campaign than that of competitor Nike.

The collaboration between Adidas and celebrities is also one of the promotion tools. Firstly, by collaborating with celebrities, Adidas could leverage the celebrity effect to increase the exposure of the brand and increase the sales of related products. For example, Adidas collaborated with artist KANYE WEST to launch the Yeezy line, which directly created a global consumer wave and became a sought-after and high-volume product line. However, collaborations between Adidas and celebrities may also be influenced by the partner's own image.

4. Optimisation and Improvement

Overall, Adidas has now established a credible sports brand image. There is a large potential market for Adidas as people pursue a green lifestyle and the demand for sports goods increases. However, Adidas also faces serious competition from rivals Nike and Under Armour. Therefore, Adidas can optimize both its product strategy and pricing strategy to drive the company's growth and capture more market share.

4.1. Product Strategy Optimisation

Firstly, Adidas should focus on developing new and innovative products to meet the needs and preferences of their customers, which will help them stay ahead of the competitive market. As environmental awareness grows, Adidas could continue to focus on innovation in sustainable materials, which would help to attract potential consumers who are environmentally conscious and enhance the brand image. It is also important to innovate on product types. Adidas' main product focus is on football, so Adidas could add sporting goods for basketball, baseball and other sports to its product innovation.

Secondly, Adidas could extend its differentiation advantage by focusing on product personalisation while driving digital transformation. Adidas could do this by investing in modern technology development, such as artificial intelligence and big data analytics. This will not only help to drive Adidas' digital transformation, but also to improve the customer experience. Specifically,

customers could increase their interaction with the brand by trying it on online through a programme provided by Adidas. For example, the Adidas app is currently only available on iOS, so Adidas can accelerate its efforts to make the app available on other systems to better serve consumers. Meanwhile, Adidas could take advantage of data to better understand customer preferences and behaviours and create personalised experiences for customers. In addition, Adidas could expand its use of digital channels. Adidas can use social media to interact with customers, increase brand affinity and improve brand loyalty. For example, Adidas could launch a poll on INS to select the most popular athlete among consumers to be the brand's spokesperson.

Thirdly, it is also important for Adidas to improve control over its suppliers. To start with, Adidas could increase competition by increasing the number of suppliers and distributors. In studies, it has been found that when competition between suppliers or distributors is increased, the total supply increases [12]. Also, increased competition among suppliers helps to reduce production prices and costs and improve product quality. In addition, efforts to maintain symmetry between suppliers and distributors also contribute to the efficiency of the supply chain [12]. Furthermore, Adidas could enhance the regulation of its suppliers. Specifically, Adidas could randomly send different employees to inspect the production status of suppliers.

4.2. Pricing Strategy Optimisation

The optimisation of pricing strategies could help Adidas to better stimulate customers' purchasing decisions. Firstly, Adidas could pay attention to the product prices of competitors such as Nike and compare them. Secondly, Adidas could use big data to analyse the consumer behaviour of its target customers and set prices that are attractive to its target market. Simultaneously, Adidas should monitor price trends in its industry to stay aware of market changes. In addition, Adidas could offer discounts and promotional offers to drive sales based on customer and market changes. At the same time, Adidas could improve the disadvantage of skimming priced products by extending the time to reduce the price of new products. Meanwhile, Adidas can choose product price reductions according to product cycles and product characteristics, and implement flexible pricing. In addition, for some classic models, Adidas can reduce the frequency of discounting.

5. Conclusion

Overall, Adidas' marketing strategy is analyzed in terms of product, price, and promotion, and it can be seen that Adidas has established a mature and credible image as a sports brand. Some suggestions are also made for optimizing the future development of Adidas in a climate where environmental protection is valued. Adidas' current marketing strategy focuses on incorporating sustainability to drive product innovation, focusing on a younger consumer segment in the middle and upper tiers, and protecting its brand image. This marketing strategy is beneficial in helping the company engage consumers and build a credible brand image. However, this marketing strategy also faces problems with product innovation lacking competitiveness, product quality, and pricing. Therefore, Adidas could optimize both its product strategy and its pricing strategy. Specifically, Adidas could focus on product innovation, drive digital transformation, and increase its control over suppliers to expand its product strength and optimize its product strategy. At the same time, Adidas could optimize its pricing strategy by increasing its sensitivity to changes in competitors' prices, consumers' preferences, and market demand. Overall, Adidas could maintain and expand its competitive advantage by improving its product competitiveness and while adhering to the premise of sustainable development. In the new digital age, Adidas' adherence to sustainability and digital transformation will help the company remain competitive and successful in the highly competitive market of the future. These recommendations may not be new to Adidas and other competitors in the sports industry.

Furthermore, this paper lacks an analysis of Adidas' distribution strategy and global development, which is an area it will concentrate on in the future.

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