A Marketing Strategy Analysis Of Adidas In Soft Goods Industry

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ABSTRACT

A robust and effectively implemented marketing strategy holds significant importance for companies, particularly in fiercely competitive industries like sporting goods, where Adidas operates. This essay delves into the analysis of Adidas' marketing strategy using the 4Ps marketing theory and proposes pertinent strategies for optimization. The examination reveals that Adidas' current marketing strategy centers on integrating sustainability to drive product innovation. This approach proves beneficial in engaging consumers and cultivating a reputable brand image. However, challenges arise in areas such as product innovation competitiveness, product quality, and pricing. Consequently, Adidas could enhance both its product and pricing strategies to address these challenges. In terms of the product strategy, Adidas may focus on bolstering product innovation, initiating digital transformation, and strengthening control over suppliers to bolster product efficacy and refine its product strategy. Simultaneously, optimizing the pricing strategy entails heightening sensitivity to fluctuations in competitor prices, consumer preferences, and market demand. Through these strategic optimizations, Adidas aims to fortify its competitive position and foster sustained growth in the dynamic sporting goods market.

Keywords: Adidas, 4Ps Marketing

INTRODUCTION

Marketing strategy stands as a cornerstone of business success, pivotal in fostering positive consumer relationships, driving sales, and attaining a competitive edge by pinpointing target markets and utilizing optimal marketing channels. As one of the foremost manufacturers of sporting goods globally, Adidas emerged as the world's second-largest sporting goods manufacturer following Nike in 2018. Presently, numerous studies delve into Adidas' marketing strategy, employing methods such as SWOT analysis, comparative analysis with competitors like Nike, and probing factors influencing consumer purchasing decisions. For instance, Mahdi, H. A. A., Abbas, M., and Mazar, among others, in their comparative study of Adidas and Nike, elucidate that while both brands share similar strategies, they diverge in priorities. Adidas places greater emphasis on cost reduction and market expansion, whereas Nike concentrates on marketing and innovation. This essay zeroes in on assessing the strengths and areas for enhancement in Adidas' recent marketing strategy using the Marketing Theory of 4P. Simultaneously, it proposes optimizations concerning Adidas' product and pricing strategies.

This study serves to aid Adidas, its competitors, and industry peers in enhancing their competitive advantage and thriving in the marketplace. It advocates for driving product innovation and development aligned with evolving consumer demands while upholding sustainability in the digital age.
I. BACKGROUND OF ADIDAS

Adidas AG, a renowned German sports brand established by Adolf Dassler in 1949 and headquartered in Herzogenaurach, Germany, specializes in the production of sports footwear and apparel. The company markets its products primarily under the Adidas and Reebok brands through various channels, including retail outlets, department stores, franchised distributors, and online retailers. Furthermore, Adidas maintains a global presence, with operations spanning across Europe, the Middle East, Africa, North America, and Greater China. Despite encountering challenges posed by the pandemic in 2020, Adidas showcased resilience and managed to rebound in 2021. Financial statements for the period between 2019 and 2021 indicate a consistent growth trajectory in both gross profit and revenue for Adidas.

II. MARKETING STRATEGY OF ADIDAS

Adidas has pledged to "own the game" as a cornerstone of its marketing strategy, guiding the company's direction up to 2025. This approach entails placing the consumer at the forefront of its marketing strategy. Moreover, Adidas' marketing strategy extends beyond bolstering relationships with consumers, social media platforms, and partners through digital channels. It also prioritizes enhancing the consumer experience, augmenting brand credibility, and fostering sustainable growth through initiatives centered around personalization and product innovation.

II.1 PRODUCTS

Primarily, the product serves as the foremost factor influencing customers' brand preferences. Central to Adidas' operations lies the design and manufacturing of products tailored to meet customer needs and enhance performance. Effective product design and innovation not only contribute to revenue growth for Adidas but also bolster its competitiveness and brand influence within the sports industry. Additionally, product quality plays a pivotal role in directly impacting Adidas' economic performance.

II.1.1 INNOVATION

Innovation stands as the cornerstone of Adidas' achievements, with product design exerting a greater influence on purchasing decisions than product quality and price. Adidas embeds innovative thinking across all facets of its operations. Firstly, the company's product innovation revolves around crafting cutting-edge performance products integrated with core technologies, aiming to offer consumers more comfortable and personalized options. A prime example is the collaboration with partner BASF, resulting in BOOST™, a revolutionary cushioning material combining disparate performance benefits to redefine the running experience for users, particularly athletes. BOOST™ not only enhances consumer comfort but also underpins innovation in performance footwear within the running sector.

Secondly, Adidas remains committed to product innovation to adapt to evolving consumer needs and preferences, with a growing emphasis on environmental protection and sustainability. Aligned with its motto "Through sport, we have the power to change lives," Adidas champions sustainability through innovation. Noteworthy initiatives include collaborations with Parley for the Oceans since 2015 to innovate solutions for marine conservation. By the end of 2020, Adidas had recycled and utilized over 60% of its polyester and collaborated on developing eco-friendly materials like vegetable-based leathers, exemplified by the vegan version of the iconic Adidas Stan Smith sneaker. These endeavors bolster the reputation of the Adidas brand, resonate with consumers, and enhance brand competitiveness.

Thirdly, Adidas harnesses digital technology to enhance the customer experience and expedite product innovation. This encompasses leveraging virtual reality (VR) solutions for product customization and offering real-time order tracking through online platforms. However, Adidas' strategic focus on product innovation is not without challenges, including high investment costs and the risk of innovation setbacks. The closure of the Speed Factory serves as a notable example of innovation failure, resulting in financial losses and tarnishing the brand's innovative image.

Moreover, Adidas faces fierce competition from industry peers like Nike and Under Armour, both renowned for their innovation prowess. Nike's focus on enhancing product performance and reducing waste through innovative design, along with Under Armour's continuous introduction of advanced products, poses formidable competition. Yet, Adidas has yet to develop innovative technologies and designs capable of
surpassing its competitors, posing a challenge to its long-term market competitiveness.

III.II. PRODUCT QUALITY

Adidas entrusts nearly 100% of its production to independent third-party manufacturing partners. Outsourcing production offers significant advantages, primarily stemming from cost-effective overseas labor. This strategy enables Adidas to mitigate production costs and enhance operational efficiency. Moreover, leveraging a skilled workforce through production outsourcing provides Adidas with the flexibility to adapt to market fluctuations and better fulfill customer demands. However, Adidas faces challenges associated with its reliance on third-party suppliers, particularly concerning product quality control. Limited control over production processes heightens the risk of subpar product quality, potentially resulting in losses from product recalls and production disruptions. Additionally, over-reliance on outsourcing may augment the bargaining power of suppliers. Instances of supplier defaults or labor strikes can disrupt the supply chain, adversely impacting Adidas' operations. For instance, during the epidemic, the closure of a factory in Shanghai disrupted the supply chain, negatively affecting Adidas' normal business operations.

II.II. PRICING

Product pricing plays a pivotal role in shaping consumers' purchasing behaviors. Research indicates that Adidas primarily targets young individuals and athletes aged between 20 and 30 years. Unlike Nike, Adidas leverages cost advantages to implement a market-predatory pricing strategy. While Adidas' pricing is generally competitive and lower than Nike's, it tends to be higher compared to other sports brands. For instance, Adidas' basic shoe models typically range between £85 and £100, whereas Nike's equivalents are priced between £110 and £135. In contrast, Under Armour offers a broader spectrum of prices for its products, ranging from £30 to £140 for shoes. Adidas' pricing strategy may overlook lower-income consumers, resulting in a loss of market segment and vulnerability to price competition from rivals. Given the abundance of brands available to consumers, price sensitivity may prompt them to switch between brands easily. Additionally, Adidas adopts a skimming pricing strategy, wherein product value diminishes as it becomes obsolete. While this strategy helps alleviate inventory pressures, the initial high prices of new products coupled with delayed price reductions may hinder early sales. Moreover, consumers who purchase products at the original price may experience reduced satisfaction when subsequent price reductions occur.

II.III. PROMOTION

For a sports brand, its trademark stands as one of its most valuable assets. Adidas, often recognized as "the brand with three stripes" due to its iconic logo, places significant emphasis on safeguarding its trademark. The company diligently monitors products for potential infringements and takes proactive legal action against infringing entities. Additionally, Adidas enforces robust trademark protection measures in its contracts with suppliers and distributors. Such meticulous trademark protection not only aids consumers in identifying authentic products and curbing the proliferation of counterfeit goods but also bolsters Adidas' brand recognition and preserves the value of its trademark.

However, Adidas' stringent approach to trademark protection through litigation may not always be well-received. It runs the risk of being perceived as trademark bullying, which could tarnish its brand image within the sports industry. Moreover, safeguarding intellectual property rights entails substantial investments of capital and labor, necessitating significant resources from Adidas annually. Advertising serves as a vital promotional tool for Adidas, with packaging being a key component of its advertising efforts. Research indicates that Adidas' engaging packaging resonates more with consumers compared to Nike's. Furthermore, Adidas integrates compelling slogans into its advertising campaigns to motivate consumers and enhance brand affinity. Nevertheless, Adidas falls short of Nike in terms of advertising effectiveness. Consumers exhibit less receptiveness to Adidas' slogans compared to Nike's, and Adidas lacks exclusive contracts with renowned athletes like Michael Jordan, which are pivotal in driving brand visibility and recognition.

Collaborations between Adidas and celebrities represent another promotional avenue. By partnering with celebrities, Adidas leverages their influence to amplify brand exposure and drive sales of related products. The collaboration with artist Kanye West to launch the Yeezy line exemplifies this, sparking global consumer interest and yielding high sales volumes. However, such collaborations may be influenced by the partner's...
own image, potentially impacting the effectiveness of the collaboration.

OPTIMISATION AND IMPROVEMENT

Adidas has successfully cultivated a reputable image as a prominent sports brand. With growing market of individuals embracing sustainable lifestyles and escalating demand for sports goods, Adidas stands poised to capitalize on significant market opportunities. However, the company encounters formidable competition from rivals such as Nike and Under Armour. To bolster its growth trajectory and expand its market presence, Adidas can refine both its product and pricing strategies.

II.IV PRODUCT STRATEGY OPTIMISATION

To enhance its competitive edge, Adidas should prioritize the development of innovative products tailored to meet evolving customer preferences, thereby maintaining a leading position in the dynamic market landscape. With the growing emphasis on environmental sustainability, Adidas can continue its focus on pioneering sustainable materials, appealing to environmentally conscious consumers and fortifying its brand reputation. Diversifying its product offerings beyond its core focus on football to include sporting goods for basketball, baseball, and other sports can further broaden its appeal and drive product innovation. Moreover, Adidas can amplify its differentiation strategy by emphasizing product personalization and embracing digital transformation initiatives. Investing in cutting-edge technologies such as artificial intelligence and big data analytics can facilitate Adidas' digital evolution while enhancing the overall customer experience. Implementing interactive features like virtual try-on programs through the Adidas app can foster increased customer engagement and satisfaction. Expanding the availability of the app to multiple platforms beyond iOS can broaden its accessibility and cater to a wider consumer base. Leveraging data insights to understand customer preferences and behaviors enables Adidas to deliver personalized experiences, fostering stronger brand connections and loyalty. Utilizing digital channels such as social media platforms enables Adidas to interact with customers, cultivate brand affinity, and foster brand loyalty. For instance, conducting consumer polls on platforms like Instagram can empower customers to participate in brand-related decisions, enhancing brand engagement.

Furthermore, enhancing supplier management practices is crucial for Adidas to optimize its supply chain efficiency. Increasing competition among suppliers and distributors can stimulate overall supply capacity, lower production costs, and enhance product quality. Promoting fair competition among suppliers also fosters a more efficient supply chain ecosystem. Implementing robust supplier oversight mechanisms, such as regular inspections conducted by diverse teams within Adidas, ensures adherence to quality standards and reinforces supplier accountability.

II.V PRICING STRATEGY OPTIMISATION

Optimizing pricing strategies presents an opportunity for Adidas to enhance its ability to influence consumers' purchasing decisions effectively. Firstly, Adidas can conduct thorough competitor analysis, particularly benchmarking against rivals like Nike, to gain insights into prevailing market pricing dynamics. Secondly, leveraging big data analytics enables Adidas to gain a deeper understanding of its target customers' buying behavior, facilitating the setting of competitive prices that resonate with its target market preferences. Concurrently, ongoing monitoring of pricing trends within the industry ensures Adidas remains attuned to market fluctuations.

Moreover, strategic use of discounts and promotional offers tailored to evolving customer and market dynamics can stimulate sales and drive revenue growth. Addressing the challenges associated with skimming pricing strategies, Adidas can extend the duration before reducing prices for new products, thereby mitigating potential customer dissatisfaction and optimizing product lifecycle management. Furthermore, implementing flexible pricing mechanisms enables Adidas to adapt pricing strategies based on product cycles and characteristics, ensuring alignment with market demands.

Additionally, for iconic models, Adidas can strategically reduce the frequency of discounting to preserve their perceived value and uphold premium pricing positions. This approach balances the need to remain competitive while safeguarding brand equity and profitability.

III. CONCLUSION
The analysis of Adidas' marketing strategy across product, price, and promotion reveals the company's establishment of a robust and reputable image as a sports brand. Suggestions are offered for optimizing Adidas' future trajectory in an era where environmental sustainability holds increasing significance. Currently, Adidas prioritizes sustainability integration to propel product innovation, targeting a youthful demographic in the mid to upper tiers while safeguarding its brand integrity. While this approach fosters consumer engagement and reinforces brand credibility, challenges persist in aspects like competitive product innovation, quality assurance, and pricing strategies. To address these challenges, Adidas could refine both its product and pricing strategies. A strategic focus on enhancing product innovation, fostering digital transformation, and bolstering supplier oversight can fortify product competitiveness and overall strategy. Meanwhile, optimizing pricing strategies involves heightened responsiveness to competitive price shifts, consumer preferences, and market dynamics. By maintaining a steadfast commitment to sustainability alongside these strategic adjustments, Adidas can sustain and expand its competitive edge in the dynamic marketplace of the digital age.

While these recommendations may align with ongoing efforts within Adidas and its industry counterparts, it's crucial to note the paper's focus on marketing strategy rather than distribution and global expansion. Future research could delve into these areas to provide a comprehensive analysis of Adidas' holistic business strategy.

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IV. REFERENCES

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