

Marketing Fundamentals

Student name: Denis Nachev

ID: 1814720

Lecturer name: Tushara Balendran

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Marketing refers to the activity of one company to promote the buying or selling of a product. The marketing process consists of a few stages, which are very important because they guide the whole process and help maintain the goals of the company.

Creating a strategic marketing plan is very complex and consists of various steps. The first one is the company's mission statement – a brief summary of the company and its goals. Adidas' mission statement states that they strive to be a world leader in the sports goods industry as they continuously try to improve their products to be more competitive with other companies on the market.

The next step is conducting a situational analysis, also called SWOT analysis. It is important to determine the state of the business. It helps determine the strengths and weaknesses of the company, as well as the opportunities and threats, where the name SWOT comes from.

- **Strengths:** One of Adidas' biggest strengths is the name the company has created for itself over the years. It has become one of the most powerful brands recognized everywhere through the world. Not only is it well-known, but it also has a positive image as a premium brand. Another very crucial marketing strength is the 'coverage' which the company provides. When it comes to purchasing a product customers have plenty of choices how and where to do it. They sell their products in more than 55 countries in both Adidas-branded shops and sportswear stores. They are also available in thousands of internet stores, including their own.
- **Weaknesses:** The main weakness the company faces is that their products are manufactured by Eastern third-party suppliers working overseas which makes the process hard to control. That way Adidas' team cannot ensure that all the products meet the quality standard the company strives. Another one is the fact that Adidas does not provide much of diversity when it comes to the products they sell. The company focuses on footwear but all their products are similar. It is hard to have diversity in such a small industry, but this makes it easy for other companies to compete when they create different products. Not as important as the previously mentioned ones, but another weakness the company faces is the little advertisement they get with the involvement of famous people. Unlike their direct competitor Nike, Adidas does not invest much in celebrity endorsement, which would only improve the brand's value and sales.
- **Opportunities:** The major opportunity Adidas has is the growing sportswear industry. There is and probably will be a consistent increase in interest in fitness and sport for a long time. However, this also applies for any other brand in the same industry. Another opportunity the company has is the great diversity of materials there are. Using smart materials would not only make Adidas' products unique but also superior, as customers would prefer to have better equipment.
- **Threats:** The main threat every company faces is the presence of competition. As previously mentioned, their direct competitor is Nike, whose products don not differ

from those provided by Adidas, so it depends mostly on the preference of the customer which product to buy. Another threat is the counterfeit products. When customers face premium quality products they usually want a cheaper alternative and imitations seem like the best one. However, paying smaller amount of money for a fake product most of the times turns out to cost more than actually buying the real one, as it is made from different material and the quality is not the same.

Adidas' business plan is built around three strategic points: the speed of the delivery, the location of the stores and the open-source creation process. The company always makes sure that their products are available and fresh for the customers. The stores are positioned in large cities, as most of the population is situated there. And last but not least, the company keeps its door open for athletes and partners to participate in creating new products.

A PESTLE Analysis is used to analyze the macro-environmental factors of a company to see the impact they may have on the organization. The PESTLE Analysis consists of political, economic, social, technological, legal and environmental factors, which all in a way contribute or harm the company.

- **Political factors:** Adidas supplies and distributes their products worldwide, which requires them to follow political procedures. Each country has its own taxation system, to which the company is required to obey when selling their products. Adidas also uses political forces as a method to intervene counterfeit products. These factors are fairly unfavorable for the company as the worldwide distribution of the products makes it hard to coordinate.
- **Economic factors:** The sports industry is not a necessity and these products are considered a luxury. Another problem is the fact that because of the high prices a lot of customers prefer buying counterfeit products as they look the same, but because of the lower quality are much cheaper.
- **Social factors:** Adidas is not specified for just one age group or of people. Products are available for every age and gender and the company always makes sure to keep up with the trends and preferences. This diversity is favorable for the company as it gives them the opportunity to attract more customers.
- **Technological factors:** Adidas is constantly trying to optimize their products to meet the expectations of athletes and their coaches. It would be beneficial for the company if they started using technology like FitBit to improve their products.
- **Legal factors:** Adidas has patented their designs as a legal protection against counterfeit products.
- **Environmental factors:** The company uses natural products in the making of their production.

Porter's five forces is a model that analyzes five competitive forces that shape an industry. It is used for a company to determine a business strategy.

- **Competitors:** The first of the five forces is the presence of competitors, which is very low, because it is hard for new companies to compete with big ones. Sports industry is worldwide so there are many other companies with the same goal as Adidas, but throughout the years Adidas has outdone most of them and has created a name of its own. As previously mentioned, the company's direct competitor is Nike. Other smaller companies on the market, some of which well-known, still fall behind the two big rivals.
- **New entrants in the market:** The possibility of new companies entering the industry is a low threat for the other ones. In such an industry, as the sports industry, and for such giant companies, like Adidas, it is not a big problem when a new competitor is present. Adidas has become a well-known name and already has a great deal of supporters who would not give up on the high-quality products without making sure that the substitute is better.
- **Power of suppliers:** The power that Adidas has, as well as the fact that it is such a well-known company, attracts so many suppliers from across the globe that this is very low threat. The variety and quantity of suppliers is so complex that none of the suppliers can single headedly influence the company.
- **Power of customers:** The power of customers is very low in this case, because with the presence of big competitors like Nike, it is very hard for Adidas to lower their prices to meet the expectation of their clients.
- **Threat of Substitutes:** With such a well-known company as Adidas it is very hard to talk about a threat, when it comes to substitutes because despite the price their products are still what the customers choose. Although there are a lot of small companies who sell similar products at a lower price they are also lower in quality, which is why people prefer buying more expensive products with higher quality.

Adidas is a company which has been on the market for more than half a decade and it has become a household name. It is not hard for a company to maintain the popularity but a marketing strategy is still needed. Adidas does not fall behind its competitors with their quality products.

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