

## How To Do Strategic Analysis?

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## **Introduction**

An activity that set priorities and strengthens the operation of an organization is known as strategies planning. It is generally conducted by the managing department. The role of strategic planning may also extend in the process of controlling mechanism for the purpose of implementing the strategic plans of the company.

Strategic analysis is an examination of how an organization successfully operates its business by using appropriate resources within a certain period of time.

For better understating of this subject the reputed sports company, Adidas has been considered. It is a multinational corporation, which now ranks sixth amongst the world's most valuable business organizations. The company manufactures sportswear and sports accessories and is renowned globally for its high quality products.

## **Competitor's Analysis**

Competitor analysis is an assessment tool used by the marketing and strategic management department of a company. It assesses the strength and weakness of both the potential and current competitors of the organisation (Competition Mapping and Market Analysis, 2018).

As Adidas is a reputed international sports brand with a huge base of client following, it is obvious that every other company in the league aims to beat Adidas by increasing their competency. This also increases the market competition for the sports company.

The biggest competitor of Adidas is undoubtedly *Nike*. While Adidas is ranked 6<sup>th</sup> as the most valued company of its kind, Nike stands strong in the first position. Nike has significant lead in the collection of revenue with 32.4 billion American dollars in the annual sale during the fiscal year 2016-17. Adidas in the same fiscal year was able to collect revenue of 20.6 billion American dollars. Nike holds control over 33% of the market worldwide, which is a large lead over Adidas (Abt *et al.*, 2017).

It is almost impossible to discuss the competitors of Adidas without mentioning *Puma*. If not for sibling rivalry, Adidas and Puma would be operating as one large company. After the involvement of Puma with the founder of Adidas in a family feud, the former company has been

able to overcome business turmoil and has surfaced as one of the most competent companies in the market (King *et al.*, 2014).

*Fila* is one of the top most companies that manufactures sports footwear, and occupies a good market share. It has seen a large rate of growth in production along with cutting its prices, making it a proficient competitor for Adidas. The medium income earners of the society can easily reach for the products of Fila without having to burn a large hole in their pockets.

The rivals of Adidas follow strategies to place their product in the best place of the market. The competitors may focus on big sports events such as Wimbledon, FIFA Cup, NBA etc, by becoming the official sports sponsor of these events. Additionally, they also sponsor world famous athletic teams such as Manchester United, Real Madrid, Barcelona, etc, to grab the attention of large crowds and sports enthusiasts. Soccer teams have the maximum number of global viewers, which can also be used to boost the brand image and for promotion of the companies. Endorsement campaigns with famous athletes are also a vital strategy to enhance market consumption, by such companies

### **Key factors that underpin competitive success**

There are several key planning factors that contribute to the success of a company. For staying ahead of the competitors present in the industry, the company must implement the following factors with utmost sincerity.

- **Focus** is one of the most important aspects while taking under a project with the purpose of reaching excellence. Without focus, there is absolutely no scope of improvement in any activity.
- **Market share** is a planning force, which drives many other attributes in a business plan. The company and its competitors are in constant competition to reach the same targets. Hence, determination of features that will distinguish the company from other competitors in holding the market share is important.
- Quality **customer service** is essential for keeping the customer satisfied. Providing them with convenient delivery of products, pleasant behaviour and exchange policies will lead to higher loyalty among the customers of the company.



- **Product quality** is the most crucial part of a successful business. Nobody will be willing to purchase products, which are of low quality, by spending a hefty amount of money on them. The real formula of captivating high demand in the market is ensuring that the quality of products is up to the mark.

Adidas is developing its product quality for higher success in the market. The company is known for its uncompromising policies on product qualities. It has further decided to increase its quality by incorporating new designs, better materials and improving the longevity of the goods. Adidas is developing product inspection sessions to ensure the standard of each of its products. It ensures that each product is checked and are operational when shipped.

### **Analysis of the industry**

Identifying the dominant economic features is essential for the purpose of analyzing the industry of a company and its competitive environment.

**Market size-** The total number of companies or firms operating in an industry is referred to as market size. It is necessary to know whether the industry is growing, or is it in a static state or is it declining. The market size of Adidas is expanding in an increasing speed. Being a multinational company it operates in a large market.

**Scope of rivalry-** An important factor for the business organizations is to know the level of competition they face from competition rivalry. Having a knowledge about the future competition helps in strategic formation of a company's business. The competitors of Adidas, such as Nike, Puma and Fila are constantly competing to hold its market position in the industry.

**Number of rivals-** The company must know whether it is surrounded with numerous small competitor or few large rivals in the market. In a similar manner the business organization must have knowledge of the various strategies that are planned by the other competent rivals in the industry. Adidas must have an insight about the competition or rivalry it has from Nike and Puma so as to always stay a step ahead of them.

**Buyer needs and requirements-** members of the industry must consider the taste and need of its potential customers. A large amount of periodic research is required in order to learn about the major shifts in the consumer's needs and requirements. A comprehensive knowledge about the

factors effecting consumer behaviour is also important. Adidas always takes care of the needs of its current and potential customer. Delivering them perfect products are one of the policies of the company.

***Product differentiation-*** This factor analyzes the overall situation of the industry. If the products available in the industry are not exclusively differentiated, it will lead to an extensive increase in the competition among the business organizers of the industry. The products of Adidas are unique and vary from that of its competitors. They are durable and has unique design which also makes them fashionable.

***Product innovation-*** This factor is used as a measure to recognize the features of the dominant industry. For effective completion, business organizations of an industry must come up with effective ideas to market their products. Adidas always focuses on innovating items that would be ready to cope up with the changing demands of the consumers (Hartley *et al.*, 2017).

***Pace of technological change-*** The art of technology is an imperative element for the success of a company, if the industry is characterized by rapid technological change and advancement. The company, Adidas uses technology that are cruelty free for making the products and giving them a good quality finish. (Camagni *et al.*, 2017).

***Economies of scale-*** Business organizations must be aware of the various economies of scale in manufacturing, purchasing and other activities. Evaluation should be made on the companies with high scale operations and their cost advantages. Deduction in the production cost will lead to higher level of competency which will eventually bring larger profits. Adidas implies to the economies scale for fair functioning and conduct of trade.

There are plenty of challenges that the company is facing for restoring the brand to its past glories are as follows:

***Rethinking its marketing-*** Rethinking the marketing strategy of Adidas. It must focus its marketing policies in the global cities, which has the most amounts of sport enthusiasts. The sports company has lost its firm grip in North America to its biggest rival, Nike.

***Maintaining star names-*** Despite the lucrative deals with major sports team like Manchester United, the company no longer enjoys monopoly over sports market. It is important for Adidas to

start sponsoring top sports person in order to increase its fan base. New brands are being introduced every now and then that not only has a fresh name but also has a modern approach, is trendy and unusual. People are opting for such new options due to their marketing schemes with famous athletes. To compete with the other companies Adidas must start collaborating with bigger names in the sport industry (Wade *et al.*, 2017).

***Expanding its market by winning back dominance in the USA-*** The dominance of Nike in the American industry has overthrown the popularity of Adidas. This has caused great deal of market loss for Adidas. Expansion of its market in a nation like America is important to set a trend around the globe. The growth of Adidas in the USA will ensure sponsorship deals for the company which will be directly from the American market (Holtbrügge *et al.*, 2017). All through the recent years Adidas has seen considerably faster amount of growth that is mainly the outcome of its transformed focus on marketing. In spite of taut competition from Nike, the brand has managed to keep its identity in place. To estimate the strength of the brand, the five competitive forces have been evaluated by using Porter's Model.

***Bargaining power of the suppliers:***

Regardless of the important role of suppliers in Adidas's operations, their bargaining power is low due because of the large number of suppliers in its supply chain. As the raw materials are available in abundance, the supplier power is low. Yet the company depends on them, as the manufacturing cost of the raw material is higher than the purchasing cost. For ensuring that the suppliers abide by the company standards, Adidas has sustained a multilevel enforcement and monitoring process in place. Through this process, Adidas maintains control over its suppliers.

***Bargaining power of buyers:***

The threat from bargaining power of buyers for Adidas is low to moderate. As the individual buyers do not hold an essential clout, they experience a significant power only as a group. The switching costs for the customers of Adidas are also low. The company has focuses on design, product quality, and performance, building an impressive standard of customer loyalty. This is why the bargaining power of the customers reduces and turns into low to moderate.

***Threat of substitutes:***

The threat of substitute products in the case of Adidas is low to moderate. The number of competitors for Adidas is neither very large and nor very small. Its threat of replacement from substitute products is moderate due to the quality maintained by Adidas.

### ***Threat of new entrants***

The threat of new entrants for Adidas is low to moderate. Although a brand can enter into a local industry with small invest but to grown into a size of Adidas is no easy task. The threat of new entrants cannot be said to low as many of them are growing rapidly, making the threat to be moderate for Adidas (Lunander *et al.*, 2016)

### ***Level of competitive rivalry***

The level of competitive rivalry is very high for Adidas. With companies like Nike, Puma and Fila, Adidas is having a hard time in increasing its market share.

The changes arising in the business environment are caused due to several factors. Social, political and technological factors significantly outline the alterations of Adidas.

**Political** stability is important for every company and especially for Adidas as it faced tremendous change in its trade policies. Adidas abides by the government policy of every country where it has set up its business.

Adidas has faced numerous **economic** downturns and has faced the hindrances of inflation, sudden change in taxation policy which radically affected the business of Adidas. Economic stability is important for even conduct of business (Epstein *et al.*, 2014).

In any accomplished company, advancement and use of **technology** is critical. Adidas has unique technologies, which help the brand distinguish its products from other companies (Saeed *et al.*, 2017).

### **Analysis of company's performance**

The industry is very attractive as it pulls the attention of audiences from all over the world.

The main prospect of Adidas is to be a global leader in the sports industry. To achieve this prospect, Adidas is investing into innovations that would easily grab the attention of its potential

customers. It aims at collaborating with world renowned athletes to leave its mark on people's mind, which will help the company in achieving its purpose (Santos *et al.*, 2017).

The quality of marketing for Adidas has radically improved from the past decade and it is eventually on the way to earn its lost glory. Its main production function aims at manufacturing products, which are a class apart. Quality is the foremost priority of Adidas. Brand equity also plays an important role in the marketing of the company.

The company lacked behind a decade ago, when its rival companies took over the market, but now it has gradually made its position strong and is achieving satisfactory financial results.

### **Conclusion**

Strategic analysis is clearly an important instrument in the sphere of business. It ensures that the employee of the company and other stakeholders are working towards achieving a common target to increase market profits. It is the procedure of defining a direction or strategy of a company, which helps in decision-making, and allocating the resources to enforce the decision. After developing a potential strategic plan, Adidas will eventually return to its phenomenal market phase and it will generate a stronger customer base by following its strategic plan with absolute sincerity.

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