

Analysis of Sports Industry Strategies During Covid-19 Pandemic: Cases from Nike and Adidas

Qicun Guo

College of Arts and Science, Boston University, Boston, Massachusetts, United States

gqc0117@bu.edu

Abstract. To explore the strategic situation of the sports industry during the Covid-19 Pandemic, this study used some cases of Nike and Adidas about advertisement and sponsorship during the pandemic. Through these analyses, it is clear to see the differences between Nike and Adidas's operation patterns. It is also clear why Adidas is in a declining tendency during the pandemic. The competition between Nike and Adidas is an inevitable topic in the sports industry. They compete in many sports, such as soccer, basketball, and Esports. This study will collect the data about Nike and Adidas in different areas and analyze how they compete and who is the winner. After a detailed analysis of the cases, this study concluded that Nike is dominant in this competition now, even in some fields that Adidas used to dominate.

Keywords: Sports Industry, Nike, Adidas, Strategies, Digital Marketing, Covid-19.

1. Introduction

Nike and Adidas have competed in many fields for over 6 decades, including designs, products, storytelling, athlete sponsorship, etc. The purpose of this competition is to dominate the global sporting goods market valued at \$310 billion. Both have played a key role in influencing modern marketing, moving beyond a narrow focus on products to write scripts that build enduring brands through storytelling and purpose. Both brands offer a sense, a specific value that goes beyond the functional advantage of the shoe. They carry social responsibility and use their products, campaigns, and ideas to change the world. Financially, Nike is ahead of Adidas, but Adidas is trying to outsize Nike in terms of sales. It is considered one of the few companies to compete with master storyteller Nike in branding. This competition is taking on a new dimension in digital and virtual world channels, with products ranging from sportswear to sneakers, athleisure, and even NFTs[1].

Their competition is significant to the whole marketing industry. This study would utilize some of their cases and campaigns to analyze their marketing strategies. This study found some cases like sports sponsorships, athlete and celebrity sponsorship, world-famous advertisements and slogans, etc. The core cases will be their branding and marketing strategies. This study also found their financial reports during the pandemic and tried to conclude why they experienced different momentum due to Covid-19.

This analysis would be good advice for companies struggling with the disaster caused by Covid-19, especially the sports company. This paper will see how Nike won this competition during the pandemic and analyze the declining tendency of Adidas.

2. Method

This research found a lot of examples and cases of Nike and Adidas on their official websites. The financial reports from Yahoo offered us plenty of data. Some blogs and interviews composed by famous sports industry people helped us understand the companies' strategies. These are good resources to understand the sports industry from a new perspective, not just their competitive products. This study uses the comparison method through these resources to determine the differences between their marketing strategies and operation modes.

3. Case Analysis

3.1 Case description

“You can’t remain on top unless you’re fighting to stay there. And part of that is keeping your name out there,” said Nicholas Smith, author of the book “Kicks: The Great American Story of Sneakers” [2]. Because of the Covid-19 pandemic, the UEFA Euro 2020(Euro Cup) was held in 2021. Adidas is the first sponsor in the Euro Cup, but Nike is not on the sponsor list. Adidas still dominates soccer. Also, the game ball for the Euro Cup and World Cup is continually sponsored by Adidas. Starting in 1970, Adidas was the sponsor for balls in all FIFA tournaments. In 2006, Adidas sponsored all the soccer balls for UEFA Champions League tournaments.

In the 2018 FIFA World Cup, Adidas overtook Nike in sponsorship. Twelve teams wear Adidas equipment, and Nike signs 10. To top it all off, Adidas owns some World Cup winners like Germany, Argentina, Spain, Belgium, Colombia, Egypt, Iran, Japan, Mexico, Morocco, Russia, and Sweden. However, at the European Championship this year, the anchor of sponsors has changed. Nike sponsored nine teams: Turkey, Finland, The Netherlands, Croatia, England, Poland, Slovakia, France, and Portugal; Adidas sponsored eight: Germany, Spain, Belgium, Russia, Wales, Scotland, Sweden, and Hungary; Puma is sponsoring four: the Czech Republic, Austria, Italy, and Switzerland. Nike has overtaken Adidas in the number of teams it supports [3].

3.2 Analysis of problems

The pandemic has forced Adidas to shift its focus away from offline sports and accelerate its transformation to digital. Actions taken include moving available inventory to e-commerce, investing in agile digital content studios, moving marketing, resources, and technology budgets to digital, and ensuring data-driven daily decisions with better insight into consumer trends. During the 2020 lockdown, Adidas launched a digital campaign called "HomeTeam." More than 400 million people worldwide watched this event which involved more than 3,000 athletes and partners. With the resumption of sporting events in many regions in the year's second half, Adidas launched its next digital campaign called "Ready for Sport." In 2020, Adidas' e-commerce business grew 53% for the entire year to exceed 4 billion euros for the first time. Nike is also stepping up its digital transformation, betting its most significant growth opportunities on women, apparel, internationalization, and digital. Accelerate Nike's transformation to 50% digital penetration beginning in the FISCAL year 2021. Nike's digital sales reached \$5.5 billion in fiscal 2020 and \$3.8 billion in 2019 [4].

Customization is also a critical digital strategy that Nike and Adidas adopted. Custom shoes cost a 30 to 50 percent premium, but those people are most likely to return. Adidas also uses apps, videos, and social media to sell more clothes and shoes online. Its membership program, Creator Club, allows users to use the app to record their running and workout results to collect points for exclusive rewards. According to Adidas, these members contribute more than 6 percent of online sales. In 2020, Adidas launched its first Rapid Creation Product Pack using digital technology. Within 48 hours, the Adidas team delivered the Product using 3D technology based on the latest consumer research data. The Rapid Creation Product Pack was launched in July 2020. The tropical color scheme is very much in line with consumer preferences.

The rivalry between Adidas and Nike has long been well known. A better example of the sponsorship war between the two sides was Nike's "Ambush Marketing" as an unofficial Olympic sponsor in 2012. Adidas has been a sponsor of the Olympic Games many times and enjoys corresponding rights and interests. Nike has opted less to be an official partner of the Olympic Committee and more to sponsor athletes and teams. Nike is powerful in planning and communication, and they are very good at playing around the edges." Ambush marketing is always a sensitive and controversial marketing method in major sports events. From the perspective of the event organizers and sponsors, this is an immoral behavior that will hinder the healthy development of sports events. The more significant and globalized sports events are, the more often companies ambush marketing.

At the same time, the evaluation of sponsorship revenue is not easy. Sponsors will evaluate sponsorship revenue from brand exposure, awareness, awareness, sales, and other dimensions. However, it is still difficult to determine how much money they spend to get the return [5].

Matt Powell, vice president and senior industry consultant for sports at NPD Group, wrote in a blog post that big sporting-goods companies see the Olympics as a platform to showcase new products and innovation rather than an opportunity to sell goods. Powell's pessimism is that while sales of Olympic-licensed merchandise have been growing, "While sales of Olympic-licensed goods pale by comparison to the pro leagues and colleges, we have seen purchases grow with each Summer Olympic Games." Olympics are not a sales driver but a marketing game [6]. Because of this, no matter how the competition is on the field, only following the market direction, seizing the consumer is the real winner.

In February 2020, Nike held a gala show at New York Fashion Week to unveil Olympic uniforms and the brand's latest product innovations. Adidas' Own the Game 2025 strategy also describes its Sportswear strategy. "The biggest business opportunity for the Adidas brand will be the introduction of a new consumer proposition, 'Sportswear,' which is derived from sports and wears fashion." Sporting goods have recently sought to combine more fashion and leisure elements. Sporting goods often find a balance point between the field of professional sports products and mass sporting goods, seeking accurate positioning, which usually depends on the demand preferences of the current market consumer groups.

Online sales of home fitness equipment and related products have increased during the pandemic. Sports goods companies should timely grasp the changing trend of target consumer groups, study the changes in the lifestyle and consumption concept of target consumers to create products that consumers like, and conduct personalized communication and interaction with consumers appropriately. For example, the sports and leisure category is adapted to the current lifestyle changes of Chinese consumers.

Besides seizing the consumers, establishing the value and presence of the brand is essential. According to the financial report released by Adidas in 2020, the net profit of the first quarter of 2020 plunged by 96% compared to the same period of 2019 due to the Covid-19 pandemic, and more than 70% of the stores around the world remain closed. Adidas also launched several large-scale discounts to resolve the crisis of high inventory [7].

The global sports industry has suffered a heavy blow during the pandemic, but it also means higher requirements for those core employees in this industry; reshaping the brand IP value chain has almost become an "impossible to bypass." Adidas, the world's second largest sportswear brand, must consider its future marketing.

Unlike domestic brands like Li-Ning, Anta, Xtep, and 361 degrees in China, Adidas's main competitors are still Nike. As Covid-19 continues to spread worldwide, Adidas reported a 19% drop in operating income in the first quarter of 2020 compared to 2019. The sales in the second quarter faced a more significant impact, with an expected reduction of more than 40% and a negative operating profit.

In addition, a series of adverse news reports, such as large-scale discount promotions, seeking relief from the government, rent arrears, advertising fees, and so on, has caused much impact on Adidas brand reputation. However, Nike had a less of bad press. According to Nike's financial data released at the end of March 2020, in the first quarter, although the revenue growth is slow, the profit is still up 5%, and the stock price also from its low on March 23, the next day after the earnings release, maintained the upward momentum [8]. During the pandemic, Nike began to focus on digital marketing and vigorously promoted its fitness App, launched new marketing programs, and opened coaching classes to create personalized and immersive consumer experiences, encouraging every consumer to make exercise a habit. Such a strategy let Nike App in China's weekly active users substantially increase by 80%.

To some extent, the pandemic has accelerated the marketing process in many approaches, but at the same time, it has brought disaster to brands that did not respond quickly enough. Compared with

Adidas, Nike's muscular brand strength and digital marketing operations are significant barriers to making it through this crisis. At the end of 2020, MarketingWeek reported news named "Adidas: we overinvest in digital marketing," which caused a big shock in the industry [9]. Simon Peel, global director of media at Adidas, mentioned that Adidas has over-invested in digital and performance marketing over the years at the expense of brand building. They also gave precise data in the article: 77% of the budget is spent on performance marketing and 23% on branding, so it's clear that Adidas spends too much advertising on performance marketing. In early April of 2020, Adidas took the most exciting moments from the brand's television commercial material and mixed them to create a new commercial in China. The 60-second commercial featured over 14 Chinese entertainment stars. Though the commercials are pandemic-related, Adidas showed off all their spokesmen and made them into a video. In short, at the marketing level, Adidas excessively relies on brand image and star binding.

In recent years, Adidas brands have been so busy with "numbers" and "performance" that they have ignored the value of the branding and regarded marketing as a cost center rather than a sales driver. As a result, Adidas has barely made any progress regarding the overall health and integrity of the brand. Today, Adidas's online channel construction is far behind Nike's. Even though Adidas's e-commerce business is growing strongly, it's a far cry from Nike's overall e-commerce layout. Adidas's marketing is not innovative (it's still the celebrity strategy), and its product iteration is almost zero (it's been continually utilizing Yeezy and Boost's legacy). The cost of neglecting brand building has contributed to Adidas's poor performance in the face of the pandemic. It's time for Adidas to get back to the basics of marketing. Adidas has been using a "last click" model for the past few years, meaning that no matter how much information a customer has seen or clicked on about the brand, the model will attribute the conversion to the last click before purchase. This means that Adidas spends most of its budget on search engines, e-commerce advertising, etc. However, it also violates the essential marketing common sense. If consumers lack the knowledge and interest in the source of the brand, they will not be able to achieve the final conversion and purchase, and this source is "brand building" [10].

The competition of enterprise marketing is a competition about the customer's mind. The ultimate battlefield is not the factory or the market but in the customer's cognition of the brand. The ultimate goal of brand building is to make the brand both broad and deep in people's minds so that consumers can have enough memory, stickiness, and dependence. The brand takes root deeply, from the most superficial consumer recognition and memory to the brand commitment and endorsement, and then to the emotional and symbolic value. And to expand the breadth, any brand should consider covering their consumers more comprehensively. As Adidas's slogan goes: impossible is nothing. It's a brand spirit that resonates with consumers for a long time, but it's impossible to use statistics to figure out how much it sells. However, if this slogan is removed, there is almost no significant difference between Adidas and other ordinary shoes. Consumers will only consider buying this product from the price, material, and other practical values rather than buy Adidas with a brand premium they recognize in their hearts. The scope of brand marketing is greater than the specific effect of marketing activities; brand marketing is related to products, services, and organizations in people's minds and determines consumers' purchase behavior at any time. However, the traditional approach of signing spokespersons and advertising only enhances brand awareness but does not help the development of brand value and image.

Therefore, for companies, the most basic is always product innovation, category choice, brand building, and channel management, which are always the root of brand building. The covid-19 pandemic is when companies say goodbye to fancy new concepts and return to marketing basics.

4. Conclusions

This study used some cases of Nike and Adidas about advertisement and sponsorship during the pandemic. Through these cases, it is clear to see the differences between Nike and Adidas's operation patterns. It is also clear why Adidas is in a declining tendency during the pandemic.

Based on our analysis, seizing the customers is the way to win this competition, but how can they take the customers? The answer is building brand value and image, which is a more traditional approach than other complex and novel marketing strategies. Sometimes, the most original system is the most efficient. This is how Nike kept their momentum during the pandemic.

However, this analysis is based on limited resources and cases. To understand the whole sports market, future researches need more points and data from other sports companies like New Balance, Saucony, Puma, etc. The analysis is only based on the competition between Nike and Adidas. Also, it would be better to contact some people who work in the sports industry and ask for more professional opinions to enrich this analysis. Due to the time limit, this study had not added our data analysis report to this analysis. It used R language to create a linear regression model and predict Nike and Adidas future performances. It would improve and optimize the model and try a more precise prediction.

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