

Research on Problems and Optimization Strategies in Reebok's Development Model

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Abstract. How a company operates in a business organization is very important as this effectively helps to manage and control consumer goods and services. Reebok is a fitness brand from the United States committed to becoming a first-class fitness brand in the mind of fitness enthusiasts. Reebok, the 121-year-old sports brand, started as a fitness brand and developed its Freestyle shoes for women in the 1970s. In order to stand out in the same businesses, based on the example case study on Reebok, problems and optimization strategies in the development model will be outlined, and come up with some solutions. In conclusion, the decline of Reebok and its failure to recapture its former glory was mainly due to the company failing to keep up with changing tastes and missteps by management. Losing its market shares, the company eventually ended up leading to market failure. Therefore, this paper aims to tell how important it is to manage and plan the business well, for example, what market they want to focus on and keep up with meeting the customer demands.

Keywords: Problems; Optimization Strategies; Reebok; Development Model.

1. Introduction

Founded in 1958 by the brothers' Joe and Jeff Foster, the company Reebok, based in England, became one of the first to utilize and develop track spikes within their running shoes. And all of this was to continue the family's cultural traditions of athletic footwear [1-2].

Speaking of its brand name, the founder Foster had won a race during World War II wearing a pair of the family shoes in his childhood, and as a reward, a Webster's dictionary was gifted. And to think of the best suitable name for his shoe company, he'd read it carefully, and note down anything suitable, whether it was any animal or object [3]. And with the love of the Letter "R", he didn't take long to figure out the letters R-E and then, with a South African gazelle, the name Reebok appeared. Inevitably, the rebranded company entered the running market. After being exported overseas, its innovative breakthroughs, such as the 1969 orange suede World 10, became a true runner's favorite. Ron Hill won the Boston Marathon in 1970 wearing a pair of Reeboks, and their unique stripe brand became familiar as new export deals were put in place.

Reebok continued to produce running spikes throughout the '60s and '70s, with the company's base remaining in England. But it wasn't until exhibiting at the Chicago International Sneaker Trade Show in 1979 that Paul Fireman, an American outdoors gear wholesaler, discovered the brand and acquired the exclusive rights to Reebok in North America by taking a 95% stake in the company's U.S. business.

The freestyle shoe was the first revolutionary product. Noting the number of women playing sports and the popularity of aerobics, Reebok shifted its focus to women's sneakers. The company developed the Freestyle cardio shoe in 1982. Reebok's Freestyle was the first sneaker designed and marketed specifically for women, and it quickly became a hit. Reebok has opened up a new market for sneakers aimed at women. Actress Cybill Shepherd wore a pair of orange Reebok sneakers and her black evening gown to the Emmy Awards in 1985, at the height of the cardio boom. Fitness professional Gin Miller became the face of Step Reebok, the company's aerobic fitness campaign and program, which saw sales rise to \$13 million the following year.

In 1986, Reebok's sales soared to \$919 million, overtaking Nike as the sneaker industry leader. After that, Reebok's next big shoe was born: The Pump. The pump is a basketball shoe. Because Nike

introduced air soles, Reebok didn't have any promising technology, so it looked for a change. That began to change in 1988 when Reebok acquired Ellesse, the tennis and ski brand. Ellesse combines the proper mechanism of a Reichler ski boot and a tennis shoe with an inflatable system on the inside of the shoe. In 1989, Reebok showed off its prototype at the Atlanta Super-show. Reebok signed Allen Iverson and Shaquille O'Neal to expand into the basketball market in the 1990s. Both were big stars then and helped Reebok become associated with the basketball space. In February 1991, Dee Brown blew his Reebok shoes before dunking to win the 1991 NBA Slam Dunk Contest in front of a national audience.

The most famous line is "Allen Iverson's Answer". The enduring appeal of Iverson's signature shoes can be attributed to several factors. First, as one of the most influential players in basketball, Allen Iverson's impact on and off the court has people imitating his dribbling moves, cornrows, and sneakers. Second, Iverson worked with the brand on the product, communications strategy, seasonal launch plans, and brand activation. Third, the Reebok Question introduced the fan favorite buffering system, Hexalite, composed of hundreds of hexagonal elements assembled into a honeycomb shape, capable of dissipating energy and being more durable.

By the mid-1980s, Reebok had replaced Nike as the number one sports brand. In 1989, Reebok's annual sales reached \$1.82 billion, surpassing Nike's \$1.71 billion. It was a wild success story, with Reebok's sales soaring from \$12.8 million in 1983 to \$310 million in 1985, surpassing \$1 billion in 1987.

2. Methods

Content analysis studies documents and communication artifacts, which might be texts of various formats, pictures, audio, or video. In this paper, content analysis is the main method used in this thesis. By going through documents, newspapers, articles, and even videos, we can understand the company's glorious history in the past and find Reebok's existing development model problem and how the company gradually lost its success.

The comparative analysis method is an analysis method that compares two or more things or objects to find out the similarities and differences between them. In this paper, a comparison will be made between Reebok's economic growth and its profit in the past and nowadays. Data within Reebok and other competitors' profits, such as Nike and Adidas, would also be collected for a more intuitive look at Reebok's development and evolution over time.

3. Result

But even though by 1989, Reebok had overtaken Nike as the number one athletics brand in the mid-'80s, according to 2020, Nike has made over \$37 billion while Reebok made just \$1.6 billion [4]. This all started from the company merging and taking over other businesses at its peak in the '80s, especially with Adidas. Slowly, Nike and Adidas have surged past Reebok.

In 2005, Adidas acquired Reebok for \$3.8 billion, a 34% premium based on its stock price. The thinking behind the acquisition was that Nike was so far ahead that perhaps bringing the two companies together would help them catch up with this major competitor [5]. But since the acquisition of Rockport has made great achievements in music and women's fitness, they barely had any opportunity to show their brand value in the Adidas partnership. Adidas, on the other hand, has seen a threefold increase in branded products over the past year. Reebok accounts for 27% of Adidas' revenue. In 2018, that number dropped to 8%. Therefore, we can see that the company has planned to sacrifice Reebok to focus more on Adidas. Even the NBA's contract was supposed to last for 10 years from 2001 to 2011, but after being purchased by Adidas, the contract ended in 2006, right after one year of the acquisition.

Reebok has an illustrious history in the soccer industry in Europe and even the United States. Until the acquisition of Adidas in 2005, Reebok was directly out of the competitive sports market with a large audience [6].

The 2005 Champions League final is known as the Istanbul miracle. Although I am not a Liverpool fan, the story of Liverpool's miracle comeback against Milan in that year's Champions League final is well known. Now think about it, it has been years since Liverpool won the Champions League wearing a shirt other than Nike and Adidas, except for New Balance, which Liverpool wore in 2019, but after that season, Liverpool also signed with Nike. Winners since 2005, Real Madrid, Bayern Munich, and AC Milan all wear Adidas; Barcelona, Chelsea, Inter Milan, and Manchester United all wear Nike. Isn't that a monopoly? According to Footy headline (2022), with Adidas selling its stake in mid-2021, Reebok could return to football under new shareholders, and Botafogo could become Reebok's new sponsor. This would be a big step forward for the new Reebok if it came to pass; it would also be a big step for world football to welcome back an old friend.

According to Das (2020), football fans are almost twice as many as basketball fans [7]. Reebok has an illustrious history in football, with legends like Thierry Henry, Dennis Bergkamp, Iker Casillas, and Ryan Giggs, who sponsored Reebok in the 90s [8-9]. However, to this day, many young fans have never heard of this brand in the football industry, and Reebok has completely abandoned this huge market since 2014 [10]. For example, in 2022, the Los Angeles Lakers, one of the biggest teams in the NBA that Shaquille O'Neal has played for, had about 2.01 million followers on social media. On the other hand, legendary soccer player Zinedine Zidane, who Adidas sponsors, has about 33.6 million followers on his social media. For the teams he plays for, both Juventus and Real Madrid are sponsored by Adidas, with Juventus having about 54.6 million followers on its social media. In comparison, Real Madrid has more than 123 million followers. This is a huge gap between the NBA and European football and between these leading brands and Reebok.

Reebok is a brand with a history, and although it is now in decline, the story and time of what happened to it cannot be erased. When emerging brands can develop rapidly, Reebok also seized this opportunity and began to develop again. 2019 was so important that the brand ditched its new logo in 2008 and redesigned and enabled its traditional logo. On the product side, Reebok not only focuses on retro style but also reintroduces the Union Jack into its products, which have been designed since 1977. This is also an important promotion of brand identity.

On the right is China's Sun Jihai in action for Manchester City against Bolton Wanderers, when Reebok sponsored both [11]. Interestingly, today's football entered the era of golden dollar football long ago. In 2019, Catalan club Espanyol signed 27-year-old Chinese striker Daniel Wu, which led to the Chinese frenzy. Espanyol's match against Villarreal in La Liga was Wu's first game and was watched by more than 40 million people in China. In stark contrast, they had just over seven million viewers for all their league games that round, according to Spanish newspaper Marca. In addition, within 48 hours of announcing the signing, the club sold more than 2,000 shirts after hearing his name and number. This shows the importance of taking advantage of the national character of sponsorship to seize the Golden era of football and brand recognition.

4. Discussion

After being acquired by Adidas in 2005, Reebok blurred its identity, and the brand faded. In 2012, it took a 265 million euros impairment on its brands and weak results in the U.S. and Latin America, where sales fell 12 percent, pushing Q4 operating losses to more than 239 million euros. It didn't turn around until the second quarter of 2013, with sales of 355 million euros. Reebok brand repositioning can be said to be a return. Still, it has been reduced to a minority brand in the Chinese market, lacking distinct product distinction and brand personality and facing the problem of brand remodeling. Reebok, which has largely used Adidas' existing channel system in China, has shown few signs of making a successful channel expansion to reach its target consumers. After repositioning, channel construction is urgent.

According to the current state of Reebok, the most important thing that Reebok has done poorly is that the company did not have a stable development. Still, to have a larger market, they got greedy and acquired too much development in the other fields. Thus, Reebok lost its biggest value after being acquired by Adidas, one of its competitors. Without much opportunity to show, and if no release is more able to attract consumers' demands and attention, they can be easily surpassed by other Brands and lose their rankings. In 2020, Nike made over \$37 billion, but Reebok made only \$1.6 billion. And address these problems, there are many ways to do.

Firstly, the business can try to keep up with the customer demands. Without the right product, all other areas of customer service are academic. In order for businesses to have customers, they first need to provide a service or product that is in demand. Therefore, Reebok must consider several things when designing a product or service. These factors include cost, location and promotion. The product or service must meet the company's goals and be financially viable. Companies can first determine whether there is a demand for a product by conducting market research. Even though Reebok may have lost its glory and market, its resources and connections still exist. And using those resources, the company can efficiently collect information on what they should do to meet the customer's demands following the change in the public's taste.

Secondly, identifying customers' expectations is also important. It is hard for Reebok to please their customers again without knowing what is expected of them. Therefore, it is crucial to determine the customer's expectations. Common expectations include fast and accurate service. More often than not, the service should also be friendly and helpful, with staff providing information to customers and responding quickly to inquiries. The product or service should also meet quality requirements and the company's facilities or website should be easy to navigate. In addition to these basic expectations, the company can also provide customers with a questionnaire to fill out to further understand individual needs. Making the company's product stand out would help Reebok re-enter the market and compete with other corporate brands.

Moreover, Reebok has an advantage in the women's sports apparel market [12]. Compared to other sportswear brands, Reebok has done a good job building the women's collection and has a female-centric approach in its content strategy, product creation, marketing activation, and distribution. For example, in 2019, Reebok introduced special clothing with extended sizes for its first maternity collection. As they were one of the first brands to release women's fitness products, their sneaker received a high reputation from the media and was a pivotal moment in Reebok's history. Even though big brands now have women's collections, Reebok was still one of the first to do so. Because the brand is exclusively for fitness, it could consider highlighting its product's technical and practical function.

Reebok's marketing campaign is clearly positioned, appealing, and effective. Women's clothing, including maternity lines, has become a major growth area for Reebok. After gaining a firm foothold in the new field, Reebok continued to expand its influence among women and invited several spokespeople to become brand image ambassadors successively. And Reebok continued to sign female opinion leaders in different fields such as sports, music, and fashion to take advantage of the popularity of these famous actresses. Reebok gives female consumers of different circles a clearer understanding of the brand's new label.

5. Conclusion

In conclusion, the decline of Reebok and its failure to recapture its former glory was mainly due to the company failing to keep up with changing tastes and missteps by management. Losing its market shares, the company eventually ended, leading to market failure. Therefore, we can tell how important it is to manage and plan the business well, for example, what market they want to focus on and keep up with meeting the customer demands.

This paper mainly uses secondary data and lacks primary data. Future research can obtain primary data through questionnaires, interviews, and other methods to make the research more accurate.

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