Strategic Brand Management

Exeter MBA and MSc – Day 1
Lecture 3
Consumer Groups and Consumer Understanding

Global sports brands and consumer changes
Three brands – approximately 60% global share

- Founded by Phil Knight
- Based in Portland, Oregon
- Tradition in running, basketball
- Just Do It
- Centralized structure, US driven, tight brand control
adidas
- Founded by Adi Dassler
- Based in Herzogenaurach, Germany
- Traditions in football and Olympics
- Horst Dassler founded sports marketing
- Became a great brand before branding
- Turn around in the 90’s
- Business Unit structure for globalisation

Reebok
- Founded by the Foster family
- Sold to US distributor
- Based near Boston, US
- Tradition in aerobics and running
- Duelled Nike through the 80’s
- Struggled with brand identity
Market Share Data 1997

<table>
<thead>
<tr>
<th>Company</th>
<th>$ US millions</th>
<th>% share</th>
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<td>Reebok</td>
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<td>New Balance</td>
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<td>Fila</td>
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Source: SGI

The adidas problem

- adidas growing everywhere outside the US
- Brand equity at an all time high
- Brand also relevant to youth (on-going attitudinal study)
- Frustration from the global office in Germany
- US forward orders showed continuing decline
The traditional marketing process

The Sports Pyramid

- Elite Athletes
- Casual Athletes
- Mass Market

Influence

The evolving strategy debate

- Build for sport…
- Market to kids…
- Similar target market – 12–20 /14-18
- A product marketing approach based upon sport
- A consumer marketing approach to kids
The f word

- DKNY, Sketchers - the fashion brands fight back
- Etnies, DC - the non “alternative” brands
- “Brown” shoe market - more fashionable
- Niche sports brands expansion - New Balance, Asics
- Outdoor brands - the new intruders
The problem (continued)

- Existing market research did not explain the reasons for decline
- Product lead-times – 18 months
- Frustration with retailers and internal pressure for change – especially in basketball

Strategic Brand Management

- Brand
  - Product / Service
- Consumers
- Sales Force
  - Head office in Germany
  - Retailer pressure
  - Investor pressure

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The Consumer plan

- Re-focus on the consumer
- Expert analysis
- Analysed more predictive / trend data
- Allied to research across the US
- Tested by focus groups
- Aim to increase consumer understanding and brand / product enhancement

Consumer groups – the results

- The Letterman / Jock
- The Aficionado
- The Athene
- The Value-addict
- The Gear-head / Geek
- The Style leader
- The Adrenalizer
Yesterday..

Today....
The Letterman

- Was faster than we thought
- More influenced by urban culture
- Hip-hop – fusion of style and fashion
- Adidas was too slow and too traditional
- High School and College Sport

The Aficionado
The Aficionado

- Core urban consumer
- adidas was not communicating either as a brand or through product
- New advertising agency with urban brief
- Increased marketing in core urban areas
- Non-traditional marketing techniques
- Briefed integrating marketing / product brand campaign

The Athene
The Athene

- A big opportunity for adidas
- Success in College and team sports (Women’s World Cup) gave adidas equity here
- But under threat from New Balance and Nike

The Value Addict
The Value-Addict

- The most frightening consumer development in branding?
- Off-price is “cool”
- Explosion of Mass merchandisers (90% shop once per month)
- Brands in the consideration set – then a fight for value
- adidas matched brand but not product expectations

The Gear head / Geek / Specialist

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The Specialist

- Exists in all markets
- High brand and product knowledge and demands
- For a brand like adidas how specialist did we need to be?

The Style Leader
The Style Leader

- Less influential in US than the Aficionado
- In Europe more pivotal than US sport
- Trickle down effect relatively slow
- adidas has greater credibility here than the Aficionado
- Target Trefoil brand?
The Adrenalizer

- Growing very fast alongside Outdoor experiences
- Naturally suspicious of big brands
- Anti-Nike, adidas had greater credibility
- Own brands – skate and surf brands
- Salomon huge opportunity
- Sub-brand strategy

And finally...the Veterans

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Conclusions on Consumers

- Consumer groups – diversifying
- Complex mix of needs
- Difficulty of maintaining appeal with one brand, one product range, one marketing strategy
- How far can the core brand stretch?
- But – several alternatives to the sports pyramid

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After the break.....

Clarks

Lufthansa

iPod.
10,000 songs
in your pocket.

For Mac and Windows.

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