**ADIDAS CASE STUDY**

**CONSUMER BEHAVIOR**

**BUSI 4206**

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**Executive Summary**

Currently Adidas faces a problem in the United States market; with too much clutter using traditional media outlets they must find a way to effectively incorporate mobile, online and interactive media into their campaign strategy. We have come up with 3 alternative solutions to solve the problem at hand. Our first alternative is for Adidas to establish a joint venture with a major U.S. wireless provider. This will enable text messages to be sent out from the wireless provider on behalf of Adidas to potential and current customers. The text message will thank the user for their business and offer free wallpapers or ringtone download from Adidas using an opt-in approach. The second alternative is to coordinate the mobile marketing campaign with in-store promotion. With the purchase of every a pair of Adidas shoes, attached is a shoe tag that gives instructions for the customer to log in online through their mobile phone to receive one free ringtone or wallpaper. This campaign is effective in reaching out to consumers purchasing Adidas products, however it may not be effective in impacting their key target audience. Finally, the last alternative is a collaboration, incorporating sponsored artists through YouTube as well as the shoe tags from alternative 2.

Our recommendations are to go through with alternative 3 as it incorporates two different strategies, reaching more of the target market through difference outlets. This alterative solves the problem of being intrusive as there is an opt-in approach, as well breaking the clutter. The opt-in option is a smart way to attract consumers by allowing them to be part of the campaign by choice. This also creates an opportunity for partnership between the Global Media Group, representing Missy Elliot, and YouTube. When consumers watch any of Missy Eliot’s music videos on YouTube an ad will pop up directing them to click to go to the Adidas website and download a free ringtone or wallpaper if they sign up, they will be eligible to be notified of future promotions. The success of implementing alternative 3 can be realistically achieved because Adidas target market, 12 to 24, are typically early innovators or adapters; they are technologically savvy, and will appreciate a fresh new ad campaign.

**Problem Statement**

 Adidas needs a strategy to leverage the potential and prove the viability of mobile, online, and interactive media. They need a plan to break through the clutter in order to effectively get their message to the target audience of twelve to twenty four year olds in the U.S.

The major challenge to leverage the potential of mobile media is how to execute a large scale campaign without being intrusive or pushing unwanted content and damaging the brand. The core question is therefore; how can Adidas reach a high number of users if consumers must opt in to receive messages? How can they setup a system that maximizes the number of users that opt in and receive the advertising, and what benefits or content would entice the target market to give them their personal emails, and phone numbers.

The major challenge internally is proving the viability of this medium to senior executives and convincing them that mobile and online marketing “is not just hype”. Throughout this report’s strategic alternatives and implementation a focus will be on ensuring a system that enables transparency and measurability of the key metrics. Merely shifting to another medium alone will not break through the clutter and increase the return on investment on advertising. The Global Media Group must prove that their core strategy to shift advertising mediums makes Adidas’s ads more relevant to the consumer and will increase face time in front of potential customers. They must show the executives that impressions online and through mobile media are more effective than traditional advertising in increasing Adidas’s share of mind. They need to prove that executing an effective mobile, online and interactive media strategy will translate into more sales and cash for Adidas’s bottom line.

**Situation Analysis**

**Objective**

The objective of Adidas is to increase market share in the United States, and to become the dominant player in various market segments, such as the Basketball segment and the Hip Hop Music segment. In order to do so Adidas understands they must move away from tradition media, thereby breaking through the clutter without being intrusive. The objectives for this new marketing campaign are to move into 3 less-explored media forms: mobile, online and interactive. These new forms of media will help combine information with product and brand messaging as well as creating measurability.

**Internal Analysis**

Marketing- Strength

Adidas has a great strength in terms of their marketing. Since 1920 Adidas has always been the brand of sport. First capturing the European’s love for soccer providing footwear line and then expanding to fringe sports Adidas is a sign of quality. Adidas has the ability to associate themselves with huge sports icons (such as Kobe Bryant, David Beckham and Laila Ali) through sponsorship which directly increases their market share. For example one year after sponsoring Kobe Bryant in 1998, Adidas doubled its US market share. Adidas has very strong brand loyalty among their target market, those aged 12-24.

Another strong strength of Adidas’ is there ability to penetrate clutter through unique and unconventional advertising. Two great examples come to mind. The first was in 2002 “the company created a special billboard for the World Cup soccer tournament in Japan, featuring a giant foot extended toward a large boulevard. Half way down the boulevard a giant soccer ball sat atop a crushed car.”[[1]](#footnote-1) The second example was in 2003, “Adidas Japan created a vertical soccer field where two ‘players’ were suspended on bungee cords down the side of the billboard five times a day for 20 minutes.”[[2]](#footnote-2) Both billboards not only created a large buzz drawing in millions of visitors it also received coverage on local and international news media.

Adidas also created a Missy Elliot campaign. This move was ingenious as hip hop stars had a strong influence over style fashion trends. With limited funding the campaign took a different approach opting out of traditional media outlets and using mobile, online and face-to-face events. Because Adidas was using outlets that could be quickly updated the public could receive instant content alerts, updates, notifications, and even chat with Missy Elliot live. “The delivery of exclusive product previews of the new Respect M.E. line was a key component of the campaign. People generally like to show their friends what’s coming and what’s new. And if brands are considered cool they’ll definitely want to show their friends before it becomes available”.[[3]](#footnote-3) This campaign would provide a long-term connection with the brand of Adidas the hip hop legend Missy Elliot.

Finally Adidas had partnered with MTV, a very strategic move as MTV is the most well-known music entertainment channel on television. With MTV’s large audience and global reach, Adidas integrated their product into the programming. In order to hook or captivate the audience Adidas used mobile applications and then relied on viral marketing to persuade others to use their products. This partnership was also in-line with Adidas trying to become popular in the music scene, with their U.S. brand strategy of “urban centers of cool”. This strategy used hip hop music stars (like Missy Elliot) to influence the style on their target market, much like what they did with the MTV partnership.

Finance- Weakness

Although Adidas had a strong grasp on the U.S. market share they did not have a comparable budget to that of their strongest competitor, Nike. Adidas has a significantly smaller advertising budget, yet they are fighting for the same pieces of pie. Adidas must have a more effective and focused marketing campaign, using their money in smarter ways. Although they are trying to back away from traditional media, television remained the primary medium. Television is extremely expensive in terms of advertising and it has become much harder to break through the clutter.

Management- Weakness

Another concern and weakness is the lack of confidence from the senior marketing executives. The executives did not like this new idea of mobile marketing, perhaps they were afraid of change. The Head of Global Communications did not trust mobile marketing and wanted to test the various mobile marketing concepts over the length of a year in order to prove its effectiveness. Although it does make sense to test out a new outlet media before using it in a national campaign the lack of confidence from executives can deter others from pursuing mobile marketing as an option. Even if upper management has their doubts they should be supportive.

**External Analysis**

Technological Forces

Advances in technology can change existing marketing messages and the ways they are delivered. New technologies, such as digital video recorders and popup blockers enable consumers to break free of clutter. These technologies exert adverse impact on traditional media by allowing consumers to watch programs without commercials.

The ability to adapt to rapid technological change created opportunities to deliver advertising messages through digital media, such as mobile devices, video games and the Internet. The digital media is a good channel to reach Adidas’ target audience, 12-to 24-year-olds, who devoted a large portion of their time to using online instant messengers, downloading music and communicating with friends.

Among the various digital media, mobile technology creates the biggest opportunity to Adidas. Personal mobile gateways (PMGs) enabled cellular phone users to manage personal data and control household devices such as TVS. Using this technology, consumers can receive messages, such as news, music, games and applications more efficiently. The implication to Adidas marketer is that promotion contents can be divided into different tiers to be compatible with the new media channel, based on user value. The second new mobile technology is 3G cellular telephony. This technology was first implemented in Japan and Europe. The lag in this technology adoption in the U.S. celluar phone market provided an opportunity for Adidas to test new products in Europe before launching them in North America. Advantages of 3G includes delivering messages directly to target audience, continuous on-time delivery of content and rich contents. Therefore, the 3G technology allows Adidas to incorporate “coller” elements, such as photos and videos, to meet younger consumers’ self-expression value. For example, Adidas incorporated wallpaper in the interactive mobile marketing in Sweden and ring tone in UK. The purpose of using these “coller” elements is to evoke positive attitude to the brand, and to create brand experience for usurers by linking brand icons to company products.

Social Forces

With the development of technologies, young consumers are continuously changing their lifestyle. In North America, the percentage change in terms of expenditure on mobile media amounted to 1700 from 2003 to 2006. Young consumers would spend approximately 5% of leisure time on mobile media in 2006 compared with less than 0.1% in 2003. These factors indicate that marketing messages will have high exposure on the mobile media channel to Adidas target market.

The second social factor is that young consumers are keen on basketball in U.S. However, Adidas’ competitive advantage is in soccer field which is the most famous sport in Europe. Therefore, in order to break into U.S. market, it is critical to reach basketball fans that are inclined to look for personalization and for the latest technology.

The third social factor affecting Adidas’ marketing strategy is the popularity of Hip-Hop music in America. The combination between Missy Elliott sponsorship and mobile marketing would attract thousands of potential customers.

Competitive Forces

The biggest three competitive forces in the *five forces of competition* encountered by Adidas are rivalry among firms in the industry, powerful suppliers and power customers. Appendix 2 summarizes the important comparison factors between Adidas and Nike. Adidas accounted only 16% market share compared with more than 40% of Nike in U.S. market. Even in EU, Adidas’ market share was 4 % less than Nike in 2003. This difference is even bigger in the basketball sector in U.S. with Adidas 20% and Nike 60%. These market share data shows how well Nike is doing against Adidas. Moreover, Nike spent more than 1.4 billion on advertising to develop its brand awareness and brand equity. By contrast, this data is only 900million for Adidas.

The second competitive force is from digital media supplier that provides critical service. Adidas has high dependence on phone service providers that promoted Adidas’ applet and cellular phone manufacturers that include features important to its target market. So suppliers have built up the switching costs. The third competitive force is from consumers who have lower switching cost. Consumers tend to switch to Adidas’ competitors without large switching cost because of the high availability of products.

Economics and Regulatory Forces

Just as in business, some information about economics and regulation is missing from the case. Since digital media is based on mobile device that is non-necessity, disposable income is very important to our decision making. According to U.S. Census Bureau, the disposable income increased from 9,474,889 to 10,228,459 between 2006 and 2009. It supports Adidas’ implementation of mobile marketing. Since it is impractical to collect all helpful regulatory information, it may be critical to use consultants, or we can make assumptions that the regulations about digital marketing in U.S. is similar in E.U. where Adidas decision makers are more familiar.

**Alternatives**

The goal of the alternatives is to collect key target market’s information by allowing them to opt-in to giving Adidas their cell phone number and e-mail addresses in order to receive product updates, sponsored artist information, free downloadable content and much more. Once the information is collected it gives Adidas an opportunity to send out weekly or monthly newsletter like e-mails to gain critical mass while increasing their market share.

The criteria in which we base our alternatives on where chosen because they are very important in including all aspects of what Adidas wants to accomplish with their mobile marketing campaign. Adidas’s pervious media campaigns were designed to follow the first three criteria: impact, involvement, and activation. The first criteria impact is in reference to the campaign being relevant to the target audience, for the mobile marketing campaign the target audience is between the ages of 12 to 24. The second criteria involvement means that the consumers can personally relate and interact with the advertisement. The third criteria activation refers to the purchasing of a product as a direct result of the advertising and promotion. Lastly, market share refers to the mobile media campaign being successful and achieving critical mass among their target consumers. All of these criteria would allow the Adidas team to measure the effectiveness of the campaign.

**Strategic Alternative #1 – Joint Venture with U.S. wireless provider**

The first strategic alternative is for Adidas to work out a joint venture with one of the United State’s largest wireless provider such as Verizon, T-mobile, or Sprint to send out text messages to potential and current customers. For the purpose of this assignment we will say the joint venture is with the most popular wireless provider, Cingular Wireless. This mobile marketing campaign will allow Adidas and Cingular Wireless to send messages to qualifying consumers thanking them for their business and offering free wallpapers or ringtones download from Adidas when they opt-in to the mobile campaign. This allows Adidas to contact potential and current consumers by mobile media to opt-in to receive updates, promotions, download premium content at a price, which can turn into potential sales by increasing brand awareness. As well they can measure how effective the campaign is from linking sales to online sign-ups. Given it is a joint venture, Cingular Wireless will need to benefit from the arrangements as well; to keep costs low Adidas could offer an in store coupon for Cingular Wireless from any Adidas. This arrangement allows both Adidas and Cingular Wireless to benefit from accessing each other’s existing customer base.

This mobile campaign does impact the consumer base by allowing Adidas to target only their key target market through Cingular Wireless’ existing database. However it may not be relevant to all consumers within those ages. This campaign has low to medium involvement for their key target consumers. Even though the messages are being sent to them and they can download a free ringtone or wallpaper, many may feel they are intrusive and become unresponsive. There are always consumers who will be driven to the stores to receive a discount on a product, especially to try out a new product, or existing customers willing to receive a discount on product they would ordinarily purchase. However, it is a known fact consumers are unwelcoming to spam messages and any unwanted text messages or e-mails. This alternative may offend more consumers than attract, therefore it is uncertain if they could achieve critical mass with this method.

**Strategic Alternative #2- Coordinate with in store promoting**

The second alternative is for Adidas to focus on coordinating their mobile marketing campaign with an in store promotion. With the purchase of every a pair of Adidas shoes, attached is a shoe tag that gives instructions for the customer to log in online through their mobile phone to receive one free ringtone or wallpaper. Once logged onto the Adidas website consumers will be asked to enter information to receive the free downloadable content and asked if they want to hear about future promotions and have access to premium ringtones or wallpapers. This campaign is effective in reaching out to consumers purchasing Adidas products, however it may not be effective in impacting their key target audience. The consumer can feel involved if they are intrigued by an offer for a free ringtone or wallpaper and then log on to the Adidas website, they may feel personal relevance and a benefit from the downloads that may make them want to be part of the campaign and opt-in for further promotions, coupons and events from Adidas. Once they opt-in it is possible to track if they use any coupons sent to them to make a purchase, and therefore it would be a direct result of in store promotion. However, they are targeting only existing consumers making an Adidas purchase, therefore not effective reaching a potential consumer base or gaining further market share. In regards to activation it would be difficult to substantially increase purchases from existing consumers.

**Strategic Alternative #3- YouTube ad campaign and Shoe Tags**

The last alternative is to create a mobile marketing campaign that would promote Adidas products and sponsored artists through YouTube, as well as in store shoe tags directing consumers to the Adidas website to download one free ringtone or Adidas wallpaper. One of their main sponsored artists is Missy Eliot, who also created her own line of Adidas branded clothing and footwear called Respect M.E.. This creates an opportunity for the Global Media Group to incorporate YouTube and Missy Eliot together. When consumers watch any of Missy Eliot’s music videos on YouTube an ad will pop up directing them to click to go to the Adidas website and download a free ringtone or wallpaper if they sign up, they will be eligible to be notified of future promotions. As well Adidas will have an advertisement at the end of her music videos where viewers can link to their site through that method as well. Adidas’s YouTube channel can sponsor her music videos so that viewers can link back to their channel. Consumers can access the YouTube videos and Adidas website either on their mobile phone or the internet. Using YouTube as an advertizing campaign will allow Adidas to access their key target U.S. market.

This campaign is similar to Adidas’s past campaign “Impossible is Nothing” where they took over Yahoo for a day. Unlike Yahoo who crashed due to too many visitors, YouTube has the capacity to handle large amounts of traffic to their site. Adidas can use Google Analytics to track how many consumers are linking from the YouTube site onto their main web page and purchasing products. This campaign can go hand in hand with the in store efforts, when a customer purchases a pair of Adidas’s shoes they receive a tag for a free ringtone or wallpaper for logging on to the website and opting into the campaign.

This alternative allows Adidas to impact their key target market with relevant media and opt-in options for the mobile marketing campaign. For their consumers, this campaign will have personal relevance and interactivity to make them want to be a part of the campaign. Consumers will benefit from a free mobile content download as well as having that “cool” factor that many youth strive for. Thirdly activation, Adidas can track online how many consumers are linking from the YouTube page as well as in store shoes tags to opt-in online; moreover they have an opportunity to track how many purchases are being made online from the campaign. Lastly, if successful both of these campaigns together by targeting their key market by different venues have potential to gain market share and hit critical mass.

**Recommendation**

After carefully examining each alternative and conducting a summary assessment (Refer to Appendix3 & 4) our recommendation is to implement strategic alternative number three. With this alternative Adidas has an opportunity to access their key target market while allowing them to make a decision to opt-in to the campaign. The main issue for mobile marketing campaigns is breaking through the clutter without taking away the consumer’s perceived personal space. Adidas wants to create a positive brand experience without annoying potential customers by being intrusive. An opt-in mobile marketing campaign is a smart way to attract consumers by allowing them to be part of the campaign by choice. Bombarding consumers with unwanted messages can make them hostile towards your brand. Adidas wants to build brand awareness and loyalty, not spam their potential consumers.

Strategic alternative number one has a prospective to reach a lot of potential and current consumers. However, many may feel as though Adidas has gone too far intruding into their personal space, therefore spamming them. This alternative has the potential work against creating a positive brand experience and reaching critical mass. As well, some may question their privacy from Cingular wireless who specifically allowed Adidas to access their information. The second alternative is a simple method of creating brand awareness among current consumers while allowing them to opt-in to the mobile marketing campaign. However, alone it does not have the potential to reach out to Adidas’s specific key market for this campaign while reaching new potential consumers. It will only target those already purchasing Adidas’s footwear. The last alternative allows Adidas to reach new and existing consumers while allowing them the benefit from free mobile content download and opting into the campaign.

Currently Missy Elliot YouTube videos have hits well into the millions, therefore allowing Adidas to target a huge market. Consumers will have an opportunity to download free mobile content in order to create brand awareness and establish the campaign as an effective tool in reaching consumers. The Global Media Group needs to establish critical mass before Adidas will invest money into the mobile media campaign. The YouTube video advertisements and shoe tags can engage youth, and collect very valuable information. Once opted in, consumers will receive information about upcoming promotions, coupons, information about new product lines, product locations, and downloadable premium content while driving traffic to retail locations.

**Implementation**

This implementation strategy is an action plan to build a massive list of subscribers to the Adidas VIP club through downloads of ringtones, wallpapers, and sports widgets. The subscribers will be captured with an opt-in strategy. The traffic will be pulled from banner ads on contextually targeted sites, as well as music videos of our sponsored artists on the major video sites. Once their information is captured by our auto responder system they are continually sent email/phone messages to drive them back to the Adidas VIP membership Site. The membership site contains download pages for ringtone, sports, and wallpaper content, a promotional page with past commercials and videos as well as a VIP area for deals, coupons and info on how to use VIP status to get in store discounts. This implementation strategy is outlined using a chart in the Appendix5.

**Product -** (The Adidas VIP Club)

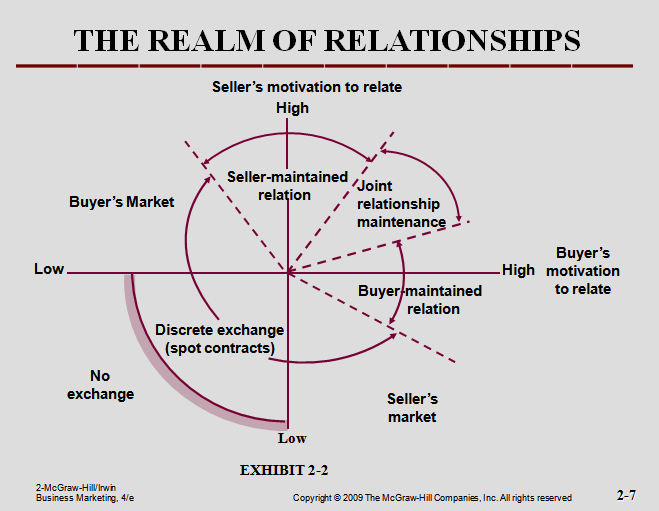
1. Elements of a Business Strategy
2. *Determining the product market to serve* – The core question is what downloadable content will generate the most incentive for our target market to give us their personal information. The overall objective is to maximize the amount of the online audience that clicks through to the Adidas VIP club download page and enters their information into the opt in box. Adidas needs to do market research to identify which downloadable content will give the most incentive to join the VIP club. This research will make their product offering much more effective. The three product elements we have identified are ringtones from Adidas sponsored artists and commercials, wallpapers of Adidas sports and hip artists, and sport widgets which keep track of league scores. The three core markets we serve are Hip Hop enthusiasts, Sports fans, and Adidas converts. The core products outlined above serve the needs of each of these different segments. The in store promotional strategy is a shoe tag attached to the laces which gives a free access to the Adidas VIP club and a download. The tag should be contextually targeted to the type of shoe with Hip hop shoes sending them to ringtones and Adidas basketball shoes sending them to sports widget downloads.
3. *How to tailor the product to the target market* – The product offering, or incentive to join the Adidas VIP club must be tailored to the target segment on the website. There is no one right product offering across all consumers. To have an effective marketing strategy the product offering must be contextually matched to the user. We recommend the ringtones download page be linked to the Youtube videos of the Adidas sponsored artist. The specific ringtone should be matched to the Video. For example, if the Youtube video is Missy Elliot`s ``Ching a Ling`` the ad should be: Download Missy Elliot ringtones. Likewise the sports widgets should be matched contextually through banners to the sports websites and the wallpapers should be matched contextually to cellphone accessories websites. The downloadable product needs to match the context of the site it is advertised on.
4. *Determine partner relationship commitments* - Adidas is responsible for the backend hosted download page and the tracking of downloads. Adidas is also responsible for the direction of where the banners link back to. The partner sites where we place contextual advertising are responsible for their own hosting, and to make sure that their site is up. Discussed below (under Relationship Development process and realm of relationships)
5. *Determining the level of commitment to provide resources* – Discussed below under implementation responsibilities and resources required
6. *Determining the objectives and plans for each functional area –* Adidas requires a separate marketing team for online advertising. Within this team roles will include banner advertising manager, Video site manager, at least one staff in charge of tracking, analytics, as well as a team to write the follow up auto-responder series. Adidas`s objectives and plans should include increasing the reach of their product offering, increase their list of opt in subscribers, and have a target objective to have a conversion rate of 5% - 15% of subscribers turn into direct in store sales current
7. What resources, (human, financial, infrastructure) will be required?

* Two dedicated servers for the Adidas VIP club download site are required. Downtime is not acceptable when implementing a national online strategy. The amount of traffic will exceed the limit and crash the servers if they are not supplied with proper infrastructure. Adidas has had problems with crashing sites in the past due to massive traffic spikes. This needs to be addressed immediately.
* Set- up Adidas`s distribution system partners to track the resulting sales of the online marketing strategy. To implement tracking from VIP club members to direct in store sales, each distribution partner will have a coupon code available in their point of sale machine associated with sales to VIP members. The coupon code will be used for VIP member discounts. When a Adidas VIP member comes into any of Adidas`s distribution partners and shows them the wallpaper, or adidas ringtone then the end consumer will get a 10% discount. This discount is paid to the store as a promotional fee. This will enable adidas to track the exact number of VIP members who have downloaded the free content, and made a purchase. It gives transparency and tractability to the whole online marketing system
* Increased online marketing service support staff to support the possible increase in consumer base Adidas requires a separate marketing team for online advertising. Within this team roles will include banner advertising manager, Video site manager, at least one staff in charge of tracking, analytics, as well as a team to write the follow-up auto responder series.
* Financial resources will be required for the online marketing system costs and initial demand for entrance into the VIP club. In addition financial resources will be required to pay the Adidas sponsored artist royalties for the ringtones as we are giving them away for free to the end consumer.

1. Who should be responsible for the implementation?

As displayed on the diagram below, Adidas and the individual websites they are advertising on are in the realm of Joint Relationship Maintenance, where both the Seller and Buyers motivation to relate is high.

**Relationship Development Process Stage #2 – *Exploration*** *– The source has been acquired by Adidas Canada and is now in the Exploration stage of the relationship development process.*

* Attraction – The degree to which the interaction between buyer and seller yields them net payoffs. i.e. Adidas buying banner ads and pay per click ads through Youtube increases the revenues of the websites we are advertising on. The websites give us access to a massive number of contextually relevant users in our target audience that we can convert into members of the VIP club through downloads of content.
* Communication and Bargaining – Enables parties to rearrange the distribution of their obligations, rewards, and costs, i.e. Adidas inputting their product offering into the websites with a large budget, relative to our competitors which have not invested heavily in online advertising gives us a position of power with respect to bargaining. Banner rates are negotiable, and a dedicated individual should be assigned to finding the most contextually relevant sites to advertise on, as well as getting the best rates for both impressions (cost per thousand) and click through rates.
* Power and Justice – concessions sought or granted in bargaining process. i.e. The back end system which allows us to measure the results of online advertising from both click through rates to opt-ins, and from opt-ins to viewer engagement with Adidas. By identifying the key leverage points that bring use the majority of qualified and engaged viewers, Adidas can grant concessions and give special deals to lock in the most profitable advertising through long term site sponsor banner advertising deals
* Norms Development – With the challenge of shifting the marketing budget from traditional medium into online and interactive media, training procedures norms will guide standards of behavior for sales and support staff.
* Expectations – “trust” i.e. fulfill obligations and reliability. Our expectations are that we do not pay for fraudulent clicks through automated click software. Competitors may try to use software to click on our ads and max out our budget .Our partners sites that we are advertising on have safeguards in place to make sure this will not happen.

As the parties expand their relationship they will proceed to the Expansion and Commitment stages of the relationship development process.

**Adidas –** Implementation Responsibilities

* Responsible for the implementation of the Adidas VIP club, the separate opt in pages for ringtones, wallpapers, and sports downloads. The actually fulfillment of the downloads and the back end marketing system of follow up emails are also Adidas`s responsibility.
* Implement Marketing Channels that
* Pull users to their website to opt in for free content downloads
* Convert the traffic to a VIP member by effectively capturing their information
* Deliver the Downloadable content to the user through download pages
* Implement – Follow Up and Conversion system
* Automate the CRM system via email and phone message series
* Drive users back to the VIP site increasing the share of mind
* Drive VIP members to the store using promotions and content as the coupon
* Coordination of efforts to; be innovative, improve the relevancy of ads to consumers and have tracking and measurement systems in place to measure results

**Youtube -** Implementation Responsibilities

* Responsible for meeting the terms of their relationship with Adidas, they will be responsible for the integration of Adidas with their existing consumer base and act as a marketing and sales force for the Adidas VIP club.

**Joint: Adidas & Online Advertisers -** Implementation Responsibilities

* Must meet the requirements for high performance relationships – integrity, fairness, loyalty, flexibility, input into partners strategy, partners input into your strategy, compliance with procedures and agreement, stand behind the products

**Price**

The majority of the downloadable content in the VIP membership site will be free. The wallpapers, spots widgets, and ringtones will be provided as free content that includes Adidas branding. There is an option to add premium ringtones and downloads of videos that we can charge for, but initially all the content needs to be free to entice users to join the Adidas VIP club. In addition a core part of this strategy is that any member of the VIP club, proven by being in possession of the Adidas content of ringtones or wallpaper will get an X% discount in all retail distributors. This discount will be tracked by the distributers with a discount code to track the exact number of sales from Adidas VIP members.

To be able to offer free content including ringtones which require a royalty to the musician, Adidas must account for that cost in the marketing budget. Below the budget for the implementation is outlined.

**Costs Incurred**

* Investment in Developing the Adidas VIP membership site.
* Training for marketing staff, upgrade and maintenance costs to the server.
* Increased marketing costs on banner and Youtube pay per click advertising.
* Increased distribution system costs for downloads of content.
* Increased R&D and production costs to optimize the VIP membership site and opt in process.
* Increased cost to track and ensure third party retailers implement the VIP coupon code process.

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| --- | --- |
| **Alternative #1 – Budgetary Costs** | |
| Adidas VIP membership Site | 1,250,000 |
| Staff, Server, and Maintenance Costs | $100,000 |
| Marketing costs for Banners and Pay per click advertising | $400,000 |
| Distribution costs of downloadable content | $50,000 |
| Increased investment in site optimization | $45,000 |
| Third Party Retailers coupon code tracking campaign | $150,000 |
| **Total** | **1,995,000** |

**Promotion**

Time Frame:

**Phase(I):**  1. Setup Adidas VIP membership site

2. Setup email auto responder series

3. Setup Opt in Pages.

4. Create Banner Ads.

**Phase (II):** 1. Setup Cellpohne pages

2. Split test the pages to increase conversion rates

3. Target sites for contextually relevant banner advertising

**Phase (III)** 1. Launch Campaign

2. Track Results

3. Optimize membership site experience

4. Optimize auto responder series

Specific Implementation Details:

* Contextually relevant Banner Advertising is one core strategy. This means that banners advertising the core themes will be placed on websites with content that is contextually relevant to the three themes. The three themes again are Hip Hop Music, Phone Wallpapers, and Adidas Sports.
* Adidas will adapt a coupon code into their tracking strategy to tack athe number of VIP members that turn into sales. Adidas will need to implement POP displays and in-store advertising to promote their new Adidas VIP Club.
* Adidas gains access to Youtube viewers that watch Hip Hop music videos. The music videos contain a contextually relevant banner advertisement that offers a free download of ringtones of that particular artist. The Banner ad clicks through to an opt in website which offers the user free hiphop ringtones in exchange for joining their information, in the form of a “join the Adidas VIP club and get Free downloads of Missy Elliot ringtones ” headline. The Youtube consumer base therefore is funneled into the VIP club program with the contextually relevant and free incentive program of free ringtones.

**Place**

* They key distribution places to place our advertising are Yahoo.com, Youtube.com, and sites accepting banners with content that is contextually relevant to the themes: Hip Hop Music, Phone Wallpapers, and Adidas Sports.
* There are three main opt in pages for this campaign. One for each theme of Hip Hop Music, Phone Wallpapers, and Adidas Sports.
* The VIP Adidas membership site has the download pages for each of the content. Each user gets a login username, and password to access the content site after they opt in to our list. The content site also contains promotional videos special offers to VIP members, and advertising for Adidas products.

**How should subsequent performance be measured (Key Metrics)**

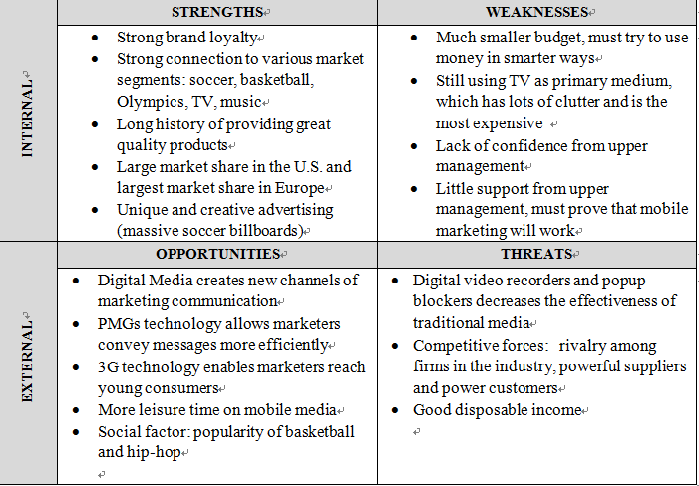
* Performance measurements should be Monthly, quarterly and annually
* Performance of banner ads should be based on Click Through rate. This is calculated by the number of users click on the banner divided by the number of users that see the banner.
* Performance of the Opt In page should be based on page conversion rate. This is the number of users that give us their information divided by the number of users that reach the page.
* Downloads should be tracked by user number to see both the average number of downloads per user, what type of downloads are the most enticing for the end user.
* User engagement through the email and text auto responder series should be measured by the number who open their email (open rates) and the number who click the link on the email/phone message to the site with Adidas promotion videos.
* Finally the return on investment of this whole marketing strategy can be measured by the number of purchases by VIP members at Adidas’s distributers. This is measured by the VIP coupon code outlined in previously in product- (The Adidas VIP Club) section B.

**Possible undesirable outcomes**

* Adidas will not reach critical mass and develop a small list of subscribers that does not significantly impact sales.
* Financial risk with investing in new medium. The strategy is not proven and although the return on investment is tractable and transparent it is not tested.
* Adidas might veer too far from its core business of selling shoes by investing in distribution of wallpapers, ringtones, and the focus on creating a distribution channel for digital products will move away from their traditional business focus.

**Appendices**

**Appendix 1: SWOT Analysis**



**Appendix 2**

|  |  |  |
| --- | --- | --- |
| Company | Adidas | Nike |
| US market share | 16% | 40% |
| Basketball market share | 20% | 60% |
| EU market share in 2003 | 30% | 34% |
| Advertising Expenditure | 900million | 1400million |

**Appendix 3: Critical Summary Assessment – Strategic Alternatives**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Critical Issues** | **Relative Weights** | **Alternatives (ratings)** | | |
| **Alter #1** | **Alter #2** | **Alter #3** |
| *Impact* | .20 | 3 | 2 | 5 |
| *Involvement* | .20 | 2 | 2.5 | 5 |
| *Activation* | .30 | 1 | 3 | 4 |
| *Market Share (critical mass)* | .30 | 2 | 1.5 | 4.5 |
| **INDEX:**  **Relative Weight x Rating** |  | **1.90** | **2.25** | **4.55** |

***Legend***: 1-Very poor, 2-Poor, 3-Average, 4-Good, 5-Very Good

**Appendix 4: Strategic Alternatives**

**Strategic Alternative #1 – Joint Venture with Cingular Wireless**

|  |  |
| --- | --- |
| **Critical Issues** | **Description** |
| *Impact* | -Target specific Cingular wireless consumers between the ages of 12-24 through their existing database.  -May not be relevant to everyone between those ages |
| *Involvement* | -Involvement is low to medium  -Personal relevance if they enjoy the benefit from free download  -Low involvement if they feel spammed |
| *Activation* | **-** Spamming, therefore typically low purchases as a direct result  **-**Potential intrusion of personal information |
| *Market Share (critical mass)* | -May be very offensive and therefore difficult to achieve critical mass |

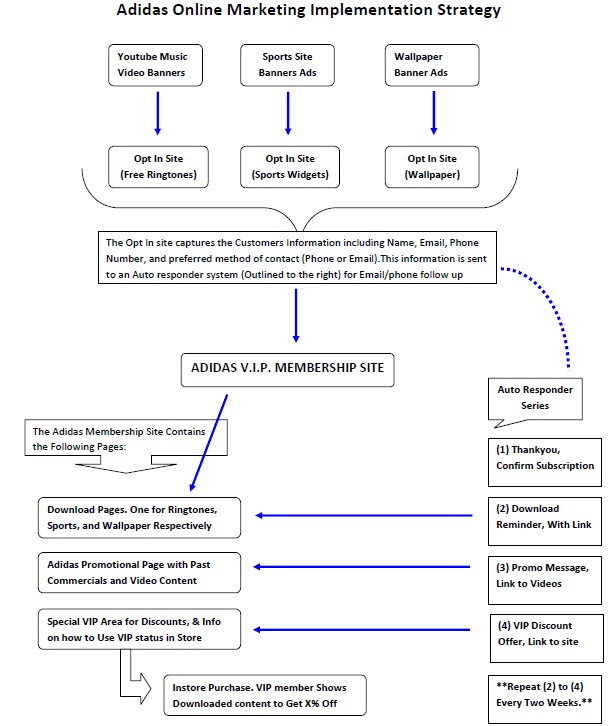
**Strategic Alternative #2 – In store promotion: Shoe tags**

|  |  |
| --- | --- |
| **Critical Issues** | **Description** |
| *Impact* | -Relevant due to targeting only existing consumer base, but not specific key target market |
| *Involvement* | -Receive benefit is opt-in to download free content, and involvement with the brand |
| *Activation* | **-**Can link opt-ins to purchases online or in store |
| *Market Share (critical mass)* | -Difficult to increase market share and achieve critical mass from only targeting existing consumer base |

**Strategic Alternative #3- YouTube ad campaign and in store promotion**

|  |  |
| --- | --- |
| **Critical Issues** | **Description** |
| *Impact* | -Through YouTube they can target their specific key target market, and through the shoe tags reinforce brand value through existing consumer base |
| *Involvement* | -Shoe tag allows existing consumers to be more interactive with the brand, YouTube allows existing Missy Elliot’s fans to interact with her brand and Adidas through free downloadable content and promotions |
| *Activation* | **-**Using Google analytics to track numbers of users linking to Adidas website through YouTube.  -Can track online and in store purchases from opt-in promotions and content |
| *Market Share (critical mass)* | -Ability to achieve critical mass by targeting existing and potential key target market consumers  -Increase market share by reaching out to millions of YouTube viewers |

**Appendix5**



1. Ibid. [↑](#footnote-ref-1)
2. Ibid. [↑](#footnote-ref-2)
3. “The Brand in the Hand: Mobile Marketing at Adidas”. Richard Ivey School of Business. [↑](#footnote-ref-3)