adidas: 
rediscovering the 
source of its success
Introduction

During the 1960s and 1970s, adidas was the most successful sports shoe manufacturer in the world. Olympic athletes, professional football players and aspiring teenage sportsmen and women were all wearing the famous three stripes. However, following the death of the brand’s inspirational founder, Adi Dassler, and the arrival of new competitors such as Nike and Reebok, combined with poor strategic choices and management failings, adidas struggled. By the late Eighties it was in severe trouble – but by 1994 it was once again a successful entity, albeit one that had lost ground to competitors, and no longer owned by its founding family.

The road to recovery was complex and bumpy. It included the sale of the company, an IPO, and the learning and imposition of good practice, such as sound management of finances and supply chains, and modern marketing techniques. But there was another key component. In 1989, the then-adidas CEO René Jäggi asked two former Nike managers, Peter Moore and Rob Strasser, to suggest a strategy to reinvigorate the brand. They immediately identified the firm’s neglected heritage as a potential source of regeneration: connecting with the principles of the founder as a way to rediscover adidas’s identity and to make it relevant again. The strategy set out in 1990, based on two pillars – athletic performance and Originals – remains the core of the adidas brand. Today, Performance represents around 75 per cent of adidas’s turnover. This case poses two questions. What was it in adidas’s past that provided it with such strong reputational capital? And how was that capital used to re-build the adidas brand?
Background

The roots of the adidas brand go back to 1924, when Adi Dassler and his brother Rudolf set up Gebrüder Dassler Schuhfabrik in the small town of Herzogenaurach, in southern Germany, to make sports shoes. Adi was an enthusiastic sportsman and Rudolf an adept salesman. The company was successful from the outset. They acquired their first patent in 1925; a runner wearing their shoes won Olympic gold in 1928; and in 1936, sprinter Jesse Owens won four golds at the Berlin games in Dassler spikes. Adi Dassler’s formula for innovating products was seemingly simple: he watched athletes, discussed their requirements with them and then developed prototypes to meet their needs. It was a collaborative approach to innovation that delivered effective products. However, the company’s success was halted by the Second World War, and after it Adi and Rudolf fell out. They decided to split their business; Rudolf formed Puma, and Adi founded adidas.

The breakthrough event for adidas came in 1954 with the FIFA World Cup in Switzerland. The strong favourites were the all-conquering Hungarians, who had not lost a match in five years and had just beaten England 7-1. Adidas was the boot supplier to the West German team. At the time, football boots were heavy (500 grammes-plus when dry and twice that when wet) and designed primarily to protect the player’s feet. Adi Dassler observed that in a 90-minute match, the average a player was actually kicking the ball was 90 seconds. He reasoned that it made sense to make the boots lighter and better for running. He pared back the design and also developed a method for screw-in studs made from nylon that would enable the player to switch to long studs on soft ground. The final – played on a wet, soggy pitch – pitted adidas lightweight boots against heavy, short-stud boots. West Germany won 3-2. For adidas, what became known as “The Miracle of Bern” was a turning point. The company had laid people off before the World Cup because it wasn’t selling enough product, but then took them back on again as demand grew. Within a few years the problem wasn’t sales, but a lack of capacity to make more than 2,000 shoes a day – orders were 10 times that. Adi Dassler’s design of the 1954 soccer boots epitomised the adidas approach. Adi was an observer and an experimenter: he would watch players and look at photographs and re-think the way sports shoes (and later clothes) functioned. He would then work with different materials to find effective and inexpensive solutions, which the athlete would then try. Afterwards, Adi would inspect the wear and tear on the shoes to determine where
the stress points were. Over time, Adi built a huge collection of shoes, which became his inspiration and reference point.

Spurred on by the success in soccer and athletics, from the late 1950s adidas became the dominant sports brand in the world. It enjoyed close relationships with official sports bodies such as the International Olympic Committee (IOC), soccer teams such as West Germany and successful sportsmen and women. In the 1968 Mexico Olympics, 85 per cent of all athletes wore adidas - including legends such as Dick Fosbury, inventor of the Fosbury Flop high jump technique, and Bob Beamon, whose long jump record stood for 23 years. Adidas’s success was rooted in Adi Dassler’s philosophy of “only the best for the athlete” and the commitment to innovation and industrialised craftsmanship that was based on an engineering, problem-solving approach. By 1970, Adi Dassler had registered 140 patents and 300 trademarks and designs and the company was producing some 35,000 pairs of shoes a day.
Decline and fall
In 1978 Adi Dassler died. He left a “billion-dollar company” that was four times bigger than Puma, but it was also a business that was now being challenged both by its structure and new competitors.

- **A STRUGGLE FOR IDENTITY.** In Adi Dassler’s era there was a clear sense of identity rooted in the company’s focus on athletic performance. However, following his death the company became highly fragmented, with an operation based in France that was increasingly focused on leisure wear – everything from casual tracksuits to camping gear to ties – and an operation in Germany focused on sports. As Bernd Wahler, who was a young product manager at the time, and later header up the innovation team observes, “it was all over the place”.

- **THE EMERGENCE OF NEW COMPETITION.** In 1977 Nike revenues reached $28 million – small compared to adidas but it was growing fast - and in 1980 it overtook adidas’s market share in the US. Nike was a more marketing-aware company than adidas and better at managing its relationships with retailers. Reebok also emerged as a serious competitor – by focusing its product design and marketing on women: the brand out-performed both adidas and Nike in this segment, enjoying sales of $307 million by 1985.

- **MANAGEMENT STRUCTURE HAD NOT KEPT PACE WITH GROWTH.** Adidas was struggling to meet growing demand and manage its costs, and there was a lack of structure in what was now a global brand. Even though the company had some 4,000 employees, it had been run for years with “administrative insouciance”. The accountant and lawyer Hans-Jürgen Martens, who was brought in to the company by the family in 1978, found a company that lacked transparency and systems. Products “were selling like crazy”, but the company hadn’t made a tax declaration for three years.

- **MISSING OUT ON TRENDS.** Jogging had emerged as a significant trend in the US in the 1970s. It had been pioneered by Nike co-
founder Bill Bowerman, and Nike was well placed to take advantage of its growth. In adidas’s German heartland, management weren’t connected to this emerging activity and mocked Nike’s jogging shoes for their performance. Hartmut Klar, export manager for adidas in the US in the 1970s, said that the distributors in the US “begged” adidas to make shoes like the famous Nike waffle trainer (so-called because the sole had the appearance of the imprint of a waffle iron), but that Adi Dassler refused because he argued that they were wrong biomechanically. Adidas also misunderstood the aerobics boom and the requirement for soft, comfortable shoes that Reebok built its brand around.

After Adi Dassler died, adidas struggled to find a strategy that worked. The company had been a reflection of its founder – product-focused and in tune with the functional needs of the athlete, but not a particularly marketing or design-aware organisation. It missed Adi Dassler’s guidance and had become increasingly inward-looking. Jacques Chaissang, Senior Design Director, who joined adidas as a designer in 1981, said:

“The problem was that adidas wasn’t looking at what was going on in the market… people in the company they were just thinking, like, ‘We are the best.’”

The brand looked tired. By aligning itself with the IOC and FIFA, adidas had built a reputation for itself as the establishment brand. In contrast, Nike built an anti-establishment, in-your-face style – what it called “irreverence justified”. It commissioned advertising from noted “underground” film-maker Spike Lee, and secured sponsorships with “edgier” icons from sport and elsewhere: such as tennis player André Agassi, basketball player Charles Barkley and the Red Hot Chili Peppers. An interest in sponsorship from adidas fan and basketball legend Michael Jordan was not taken up by the company, and he instead was snapped up by Nike.

During the 1980s, adidas attempted to make up ground by rejecting its past and looking towards the future. Adi Dassler’s extensive collection of shoes was either given away or sent into storage. Similarly the extensive notes he had made on products were boxed up and forgotten. Employees became more insular and there
was a lack of clarity about the company’s overall direction. Product quality suffered and adidas began to lose its leadership position. Peter Moore, one of the two Nike managers, who helped revive adidas and later became Global Creative Director of adidas, observes:

“They began to notice that they couldn’t keep up with the Michael Jordans of the world, and they couldn’t keep up with a lot of the trend stuff that was happening with the athletics footwear business, and so they started chasing. And the minute a brand like adidas starts to chase, all it’s going to do is catch its tail.”

A family business
Problems were not simply confined to a tired and confused brand though. For a long time adidas had been run like a small family business not a global brand: the company accounts were a mess and nobody could say how many shoes they were actually making. The weakness of the internal systems meant continual supply problems, so that there was a lack of the right products in the right places. Production costs were also too high. Nike had always made shoes in low-cost locations, particularly in Asia. Adidas, with its long European heritage, had big production units in Germany and France and was reluctant to wind down its factories (to this day, adidas still makes boots such as the Copa Mundial in its one remaining factory in Germany). In 1987, the management, led by René Jäggi, appointed McKinsey to conduct a two-year project to help guide a reorganisation of the business. McKinsey recommended moving purchasing and production to the Far East. This might have been the right thing to do rationally, but the upheaval within adidas was profound. In 1989, the purchasing operation collapsed and for several months the company couldn’t deliver products.

In 1989, adidas made a loss of 112 million deutschmarks and the Dassler family’s main bank, the Bayerische Vereinsbank, decided that it wouldn’t lend more money under the existing structure. There was no alternative but to sell. Roland Auschel, who had just joined as a strategic planner, notes:

“I believe the company had lost focus, they had lost interest in the brand. We had a saying, Great Brand, Dumb Company. Things were complicated:
people were in-fighting, there was a huge board, there were friends of the family, some with no interest or understanding of sports, others who didn’t really understand the brand…It was a mess.”

In the US, where the company had four independent distributors, adidas was in freefall. Nike had a 30 per cent share of the sports shoe market; Reebok, which was strong in aerobics shoes, 25 per cent; and the one-time brand to beat, adidas, only 3 per cent. By 1990, Nike proclaimed it was the largest sports brand in the world.

**The comeback – adidas returns to its roots**

While the negotiations to sell were under way, Jäggi invited Peter Moore and Rob Strasser, who were running an agency called Sports Inc., to visit the adidas head office in Herzogenaurach. Jäggi knew that adidas had to stop the slide in business, especially in the US, and he reasoned that if he could tap into the expertise of two people who had helped to build Nike, he might be able to do that. He’d first met Moore and Strasser in Chicago in September 1989 and they agreed they would make an exploratory trip to adidas headquarters to get a better feeling for the company. Moore remembers being shown round a small museum on one of the floors in the office that featured iconic products from the Dassler years:

*Sporting instincts: Peter Moore and Rob Strasser  Photos: adidas*
“It only took about five minutes in that museum before I realised that these people had nothing but a gold mine in their hands, and that they really had no idea what they had. So anyway, we left there, we came back to Portland, we spent a Saturday morning considering, what we might possibly do, and we put together this idea called Equipment. And we went back there in December of ’89 and said, ‘Here’s the idea.’”

Moore and Strasser tried to recapture the authenticity of adidas as a sports innovator and to re-emphasise the important role of the athlete by focusing on the best of adidas. As a signal of their intent, when they presented the idea to managers, they gave the long-gone Adi Dassler the honorary title of Equipment Manager of Athletes of the World. Bernd Wahler remembers the irony of two ex-Nike managers re-introducing the spirit of the founder Adi Dassler to adidas: “As funny as it sounds, I remember the goosebumps I had when they [Moore and Strasser] for the first time made me and many others really, really proud of where we work, and understand what a great brand it is.” Jacques Chaissang said:

“The company was struggling, and I think Rob and Peter, when they came, they brought a totally different way to look at product, and to what’s going on outside in the market. I was so happy when these guys came because adidas had had a big history, but in the mid-late Eighties people were not looking back at what adidas had done in the past and we didn’t take the benefit of that. And when Rob and Peter started here they just told us, ’Look at what adidas did, how great the brand is.’ And we started with Equipment and then Originals. It was back to the roots, but connecting it to the values of the brand, and the values of Adi Dassler.”

James Carnes, VP Strategy Creation, who was recruited a few years later to the adidas Portland office by Peter Moore, notes that the legacy of Adi Dassler was very evident when he joined. He said that people talked about Adi and that, “In Portland in particular it reinforced the identity. It was a source of pride and people felt they were helping to extend the legacy of this amazing brand.”

To ensure clarity, Equipment (which later evolved into adidas Performance) was tightly controlled. Previously, product development and communications lacked
continuity. Different countries developed their own products and campaigns with little control from Herzogenaurach. With Equipment, Moore and Strasser wanted unity. They imposed restrictions on the colour, sizing and placement of the logo, and initially they limited the palette of colours of the shoes to grey, white, green and black. They wanted consumers to focus on the shoe, and not be distracted by other features. Advertising, rather than being dispersed over different products and different messages, was concentrated on the Equipment range. The goal was to make the product the hero, just as Adi Dassler would have done. Moore said:

“The idea of Equipment was that it was a model that you could build the whole company around… the model was to go back to what Dassler had tried to do all his life, which was to make the best products for the athlete to compete in.”

To make Equipment central to the company, the approach was to reorganise the company into business units based around sports categories such as basketball, football and running and to have an Equipment product in each of those categories. In Germany the Equipment range was immediately well received by retailers and consumers, who saw it as reconnecting with the adidas they once knew. The range then gained traction in the rest of Europe, but developed much more slowly in the highly competitive US market.

Even if the range was a success, Peter Moore said that Equipment wasn't designed primarily to be a money-maker, but rather “to restate the brand and refocus the brand on what it should be focused on, which is athletic performance”. A more obvious source of revenue was lurking in the archives. Parallel with the development of Equipment, Moore and Strasser also saw an opportunity to capitalise on some of the classic shoe designs from the past and to reach a different audience to the performance-focused range. Rather than blur the clear positioning of Equipment, Moore and Strasser argued that these shoes should be placed under a separate name. If Equipment was all about the athlete, these shoes were about the appeal of their timeless style. In a 250-word memo to the adidas board, Peter Moore wrote: “adidas Equipment will be complemented by adidas Originals. These were the leading sports shoes of their time. They were the adidas Equipment of the 60’s and 70’s, just as adidas Equipment today will generate the originals of the year 2000.”
He listed five initial products - Stan Smith, Superstar, Samba, Country and Gazelle – and noted the importance of keeping the character of the shoe while modernising “the quality, comfort, materials, features and design/branding details… The Test: Easy. Build samples, look at them and show people. If we like it, we do it.”

A 1980s SUCCESS: RUN DMC AND MY ADIDAS

While adidas struggled in the 1980s, there was one clear success that presaged the development of adidas Originals: the sponsorship of hip hop group RUN DMC. This move into music and the style that went with it wasn’t a strategic choice but rather serendipity. RUN DMC had been founded in Queens, New York, in 1981 by Darryl McDaniels, Joseph “Run” Simmons and Jason Mizzel. The group were adidas fans and liked wearing adidas Superstars unlaced. According to Darryl McDaniels: “While everybody else was dressing like rock stars, we just wore our adidas we always loved.”* In Queens, however, this was seen by some to represent a “felon” style worn by drug dealers and gang members. To counter this perception, RUN DMC wrote a song that reflected their lifestyle and celebrated the brand called “My adidas”.

By the mid-1980s RUN DMC could fill major venues such as Madison Square Garden in New York. It was here in front of an audience of 40,000 that an executive from adidas saw the “My adidas” song performed. Band member Darryl McDaniels took off one of his adidas shoes and waved it at the crowd. In response, thousands of people also took off their shoes. Adidas realised the potential of the link – although people in Herzogenaurach weren’t exactly sure what rap music was - and decided to endorse the band in a million-dollar deal. In 1987 the group went off on an international tour called Together Forever and were photographed in black adidas tracksuits and white unlaced Superstars. Their street style came to define the look of hip hop and black urban youth. Under the Originals brand, adidas/RUN DMC clothing would be on sale for the next 30 years. For adidas it was the beginning of a long-term link with music** that helped to make the brand cool and influential again.

Photo courtesy of RUN DMC.

*Interview with Darryl McDaniels in Adidas: the story as told by those who have lived and are living it (Herzogenaurach: adidas).

**Musicians since associated with adidas include Kanye West, Snoop Dogg, Missy Elliott and Pharrell Williams.
Timo Pape, who became a Category Manager for Originals footwear, recalls that Originals was vital to the company getting through the tough years of the late ‘80s and early ‘90s: “I think one of the reasons adidas survived was by doing that (Originals) and we kind of became niche again, and cool again.” The Originals products were immediately popular with consumers and also reminded retailers of the company’s heritage of continuous innovation. In their time each of the chosen shoes had been seen as innovative. As a testament to Moore’s prescience, all five models are still selling, the Originals brand is fast growing, 15 million pairs of Superstars were sold in 2015 and the Stan Smith has become a global fashion icon. Adidas has kept the Stan Smith desirable by periodically taking it off the market and re-launching it. As an article in 2015 suggested: “By the time of the re-release of the shoe, in 2014, the trainer-wearing world greeted Stans with open arms. They were female-friendly, male-friendly, they suited every age demographic.”

Back to the present
Adidas changed hands three times: in 1990 the family sold to French tycoon Bernard Tapie, the banks then sold to Robert Louis-Dreyfus and his business partner Christian Tourres, who then profited hugely by taking the company public in 1995. From the mid-1990s onwards the company underwent a renaissance, reaching sales of 10 billion deutschmarks in 1999 (in 1992 it had been 2.67 billion). Tapie had said of his faith in adidas:

"Reputation is something that comes from experience…you can't buy it, you can't invent it, that's simply not possible… and the proof is in the fact that it was its reputation that saved it.”

The potency of the adidas brand came from performance. That was crystallised in 1996, when adidas ran a campaign to coincide with the 1996 Olympic games in Atlanta featuring key products and athletes from the past such as Muhammad Ali and Emil Zátopek. There was also an advertising execution featuring Adi Dassler that extolled the importance of his philosophy in the brand’s success. Using the theme of “We knew then, We know now”, adidas made their rich heritage explicit.

Over the years, adidas’s heritage has become more central. In 2007, adidas started to rebuild its archive by buying back the shoes and clothes it had given away and asking for donations. Today the company has a resource comprising 90,000 items
and 10,000 images run by a history management team based in Herzogenaurach that provides managers and designers with a tangible sense of the past and inspiration for the future. In 2011 the company published a 600-plus page history book that documents the evolution of adidas and the contributions of key individuals. Additionally, the thousands of pages of Adi Dassler’s notes and memos were found and a selection of 30 of his aphorisms was published as Adi Dassler Standards:

“Always attempt to simplify every process as far as possible.” (12)
“Creativity and quality should go hand in hand.” (18)
“Learn from worn products and product returns.” (25)

Adi Dassler remains an important influence over the way people inside the company think. Al Van Noy, a senior vice president of adidas Future, who is responsible for product innovation, said:

“I look at this as a modern-day Adi Dassler workshop, living in the spirit and with the vision that he had when he approached innovating for athletes. I think that he always put performance first, and what's best for the athlete first, and we today still maintain that.”

Steve Vincent, also a senior vice president of adidas Future, said:

“I think Adi Dassler was always about minimalism, just you know giving the athlete what he needed, and I think that helped us, and it inspired our adiZero collections that we’ve done, where we’ve taken soccer shoes down to 99 grams, and basketball shoes down to under nine ounces.”

In spite of its ambition to be the leading sports brand in the world, adidas has never managed to recapture the ground it lost to Nike in the 1970s and 1980s. It has, however, enjoyed good organic growth, and in 2007 it acquired its former competitor Reebok for $3.8 billion (which in the early 1990s had been looking to buy adidas). It has also used its reputation to forge successful long-term partnerships with other brands such as Yohji Yamamoto (Y-3) and Stella McCartney. Adidas has developed a strong position as a good employer and was rated the best employer of choice in Germany in 2015. And it has reasserted its position as highly desirable brand among consumers: “What makes the German brand so exciting right now is the two
opposing directions it’s moving in – honoring its illustrious past, while looking ahead with avant-garde designer collaborations and innovative new concepts.”

Dirk Schoenberger, Creative Director of Concepts and Curation, says that adidas is not a retro brand, but rather a brand with a unique and relevant past that must be respected while not being allowed to constrain design:

“I think it’s a very simple design language… It’s of course about technologies, but it’s not about over-designing. And probably what makes the product timeless is that it is almost reduced to the purest of design. I think that’s often the most difficult thing to achieve: to reduce.”

Then and now: adidas advertising for the 1996 Olympics; inside adidas HQ, Herzogenaurach   Photos: adidas
Endnotes

1 Cooper K., *Adidas: the story as told by those who have lived and are living it* (Herzogenaurach: adidas), p175
2 ibid, p192
3 ibid, p192
4 ibid p191
5 Interview with author, 22 January 2014
6 Ind N., *Great Advertising Campaigns* (London: Kogan Page)
7 Interview with author, 7 January 2014
8 Cooper K., *Adidas: the story as told by those who have lived and are living it* (Herzogenaurach: adidas), p192
9 Cooper K., *Adidas: the story as told by those who have lived and are living it* (Herzogenaurach: adidas), p 199
10 ibid, p336
13 Interview with author 13 January 2014
14 Interview with author, 3 January 2014
15 Interview with author, 21 January 2014
16 Interview with author, 13 January 2014
17 Interview with author, 8 January 2014
18 Imogen Fox, *The Guardian*: “How 2015 was the year the Stan Smith went mass”; 22 December 2015
19 ibid, p344
20 Ich bin immer bestrebt, jeden Arbeitsvorgang so weit wie möglich zu rationalisieren (12); Kreativität und Qualität in Einklang bringen (18); Learne aus alten bzw. Den getragenen Schuhen und den Retouren (25).
21 Interview with author, 16 January 2014
22 Interview with author, 16 January 2014