

Success Factors and Market Recession of Adidas: An Analytical Study

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Abstract. Adidas is a globally renowned German sportswear company founded by Adolf Dassler in 1949. The brand is distinguished by its iconic three-stripe logo and its product portfolio encompasses athletic footwear, apparel, and accessories. As a leading global manufacturer of sports goods, Adidas not only supplies equipment for professional athletes but is also deeply integrated into streetwear culture and daily life. Its diverse offerings include the classic Originals series, represented by the trefoil logo, and the performance-oriented performance line. Furthermore, the company consistently enhances its global influence through designer collaborations and sponsorships of major sporting events, such as the FIFA World Cup. This study addresses three core questions: How Adidas became a successful sports company? What strategy and strengths are worthy of learning from entrepreneurs? And Why is Adidas currently in decline? To answer these questions, the sports industry is analyzed using Porter's Five Forces model; Data analysis methods were used to analyze the Adidas's current situation; the Business Model Canvas is utilized to gain insights into Adidas' opportunities and threats; and case analysis is employed to determine the reasons for Adidas' success and decline. This research aims to identify the drivers of Adidas's historical success for entrepreneurs to learn from, and to explore the causes of its current decline to help entrepreneurs avoid similar pitfalls.

Keywords: Adidas, Business Model Canvas, Porter's Five Forces model, strategy analysis

1. Introduction

This paper conducts an in-depth and systematic study of Adidas, a globally renowned German sportswear brand. Since its founding in 1949, Adidas has evolved from a professional athletic supplier to a cultural icon deeply embedded in streetwear and daily life. While existing research often focuses on its brand history or specific marketing campaigns, there is a notable gap in comprehensive analyses that systematically integrate its strategic evolution, current market performance, and the underlying reasons for its recent period of relative decline. To address this, the study focuses on three core questions: How did Adidas evolve into a successful sports company? What strategic strengths are worth of emulation by entrepreneurs? And why is it currently facing significant challenges? A multi-method analytical approach is employed to address these questions comprehensively. Porter's Five Forces model is used to analyze the competitive structure of the sports goods industry. Quantitative data analysis examines Adidas's current financial and market

performance to quantify its situation. The Business Model Canvas is utilized to deconstruct its core elements, such as value proposition and customer relationships, to identify opportunities and threats. Finally, case analysis traces critical historical decisions to systematize understanding of its trajectory. The significance of this research lies in providing a holistic portrayal of Adidas's development. It aims to offer strategic references for sportswear companies, provide insights for entrepreneurs on key success factors in the industry, and propose managerial recommendations to address challenges in a highly competitive market, thereby contributing to informed predictions and sustainable development strategies for related businesses.

2. Sportswear industry analysis

In the first half of 2025, the global sportswear industry experienced a pressured and moderating recovery, alongside profound transformations in its competitive landscape. From the perspective of revenue scale, the industry exhibits a three-tier pyramidal structure, with intensifying competition across and within these tiers. Underlying this shift is the convergence of evolving consumer demand, redefined technological barriers, and intensified global competition [1].

2.1. The market environment of the sportswear industry

The sportswear market is intensely competitive. While Nike and Adidas remain leaders, both face challenges: Nike's brand premium has weakened post-pandemic, and Adidas's new products lack appeal. In China, growing national confidence is boosting domestic brands. The rise of "Guochao", fueled by cultural confidence, has emerged as a significant market trend in the sportswear sector [2]. As a result, "China Li-Ning" established itself as a domestic brand that embodies both cultural depth and fashion relevance [3]. Lululemon's strategic approach challenges Adidas through three key domains: differentiated brand positioning targeting specific user needs, products integrating functional aesthetics with advanced technology, and a closed-loop marketing ecosystem built on private domain traffic. In terms of symbolic consumption, Lululemon defines fashion labels that resonate deeply with consumers, fostering a sense of aspiration and loyalty [4].

2.2. Porter's Five Forces model

This section employs Porter's Five Forces model to analyze the competitive landscape of the sportswear market. The Porter's Five Forces model, also known as Porter's Competitive Forces model, was first proposed by Harvard University management scholar Michael Porter in 1980. It is primarily used to analyze industry competitive environments and the characteristics of industrial development. According to Porter, competition within an industry is not limited to existing rivals but involves five fundamental competitive forces: rivalry among existing competitors, bargaining power of suppliers, bargaining power of buyers, threat of new entrants, and threat of substitute products [5]. Using Porter's Five Forces model, this study finds the sportswear industry defined by a "resonance of multidimensional pressures." Rivalry among existing competitors has intensified into a dynamic "pyramidal contest." At the top tier, Nike and Adidas engage in full-spectrum competition. The mid-tier faces vertical segmentation from innovative brands such as Lululemon, while the mass market sees large-scale counterattacks by domestic giants such as Anta and Li-Ning, leading to widespread homogenization and price wars. Buyers' bargaining power is unprecedentedly strong due to digital empowerment, information transparency, and personalized demands, forcing brands to shift their focus from transactions to relationship-building. Supplier power is structurally

differentiated: large manufacturers have limited leverage, but core suppliers with patented technologies have become strategic partners. Despite high barriers, new entrants post threats through specific pathways. The maturation of direct-to-consumer(DTC) models and social commerce has lowers channel barriers, while crossover brands blur category boundaries and disrupt the market.

3. Adidas's success factors

Based on the preceding analysis of the market environment and Porter's Five Forces model, the following section will examine Adidas through the lens of its Business Model Canvas, its successful strategic initiatives, brand loyalty dynamics, and its capacity for sustained innovation. This multidimensional approach aims to provide a comprehensive understanding of how Adidas has historically navigated competitive pressures and how it is currently responding to evolving industry challenges.

3.1. Adidas's business model canvas

This framework posits that a company's business model can be holistically represented on a single canvas, structured around nine core elements: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure [6].

3.1.1. Customer segments

Adidas adopts a strategic focus on a diversified portfolio of customer segments to mitigate market risk and maximize reach. Its primary segments include professional athletes and sports organizations, which serve as critical brand ambassadors and innovation validators, particularly in football, running, and basketball. Core sports enthusiasts, who engage in regular athletic activities, demand high-performance functionality and technological advancement. Simultaneously, the brand has successfully cultivated a massive following among fashion and lifestyle consumers through its iconic adidas Originals line and historical collaborations. These consumers prioritize aesthetic design and cultural cachet over pure athletic performance. Notably, for sports brands that have already established a favorable brand image, consumers generally exhibit higher levels of trust and affinity, thereby demonstrating a greater propensity to choose these brands [7]. Finally, the youth demographic and young families represent a vital segment for volume growth and long-term brand building, influenced by peer trends, social media, and seeking value-driven offerings.

3.1.2. Value propositions

The company's value proposition is built on a dual-pillar strategy: Performance Innovation and Lifestyle Heritage. For performance, Adidas invests significantly in proprietary technologies such as Boost cushioning and Primeknit materials, promising enhanced athletic capability and comfort. Its deep heritage in global sports, epitomized by long-standing sponsorships of FIFA World Cup and premier football clubs, provides unmatched credibility. For the lifestyle market, it offers timeless style and cultural relevance through products such as the Stan Smith and Superstar, which have transcended their athletic origins to become fashion staples. Increasingly, a commitment to sustainability through recycled material lines (e.g., Primeblue) is increasingly integral to its value proposition for environmentally conscious consumers.

3.1.3. Channels

Adidas employs a hybrid, omnichannel distribution strategy to optimize market penetration and brand control. Its direct-to-consumer (DTC) channels, comprising physical flagship stores, specialized Originals outlets, and its robust e-commerce platform, allow for full margin capture, direct customer engagement, and valuable data collection. This is complemented by an extensive wholesale network of global and regional sporting goods retailers, department stores, and multi-brand distributors, essential for achieving broad geographic reach and volume sales. In the digital realm, strategic partnerships with dominant platforms including Tmall and JD.com are crucial for capturing the massive Chinese online market. Additionally, exclusive drops and collaborations typically leverage selective or dedicated channels to generate hype and maintain brand exclusivity.

3.1.4. Customer relationships

To foster loyalty in a competitive market, Adidas focuses on building community and personalized engagement. It develops dedicated ecosystems around activities, such as the adidas Runners clubs and training apps, transforming transactional customers into community members. The cornerstone of its relationship strategy is the adidas Creators Club loyalty program, which rewards engagement with exclusive access, products, and content, thereby increasing customer lifetime value. Digitally, the brand leverages its app and social media for interactive content, personalized product recommendations, and immersive experiences such as AR try-ons. In physical retail, trained personnel offer expert guidance, strengthening service-centric customer relationships, particularly in performance-focused categories.

3.1.5. Revenue streams

Adidas generates revenue primarily through the sale of its physical products, with footwear consistently being the highest-margin and largest revenue contributor, followed by apparel and accessories. A significant yet smaller revenue stream comes from licensing and royalty fees for the use of its brand logos and patented technologies by third-party manufacturers. While currently less monetized, its growing DTC ecosystem and membership program present future potential for recurring revenue through premium subscriptions or enhanced services. Furthermore, limited-edition collaborations and high-fashion command substantial price premiums, contributing disproportionately to profits despite lower unit volumes.

4. Adidas' s causes of recession

Despite Adidas' once illustrious history, the company has gradually entered a phase of decline. This section provides a detailed examination of Adidas' downturn and identify the underlying causes through case analysis.

4.1. Adidas' s current situation

Despite recent financial reports indicating signs of revenue recovery, Adidas is confronting a series of profound and interconnected structural challenges [8]. Externally, geopolitical and trade policies are delivering direct shocks; tariffs imposed by the United States on its primary manufacturing countries are projected to increase costs by approximately €200 million in the second half of 2025 [9], compelling the company to choose between absorbing these costs or risking consumer price

hikes Concurrently, growth in the North American market (excluding Yeezy impact) has shown signs of fatigue, with its growth rate significantly lagging behind other regions [9]. Internally, operational efficiency is under scrutiny, with inventory soaring by 26% year-on-year to €5.471 billion by the end of the third quarter of 2025, generating pressure for markdowns and capital constraints. Furthermore, following the termination of its partnership with Yeezy, the company has yet to cultivate a new growth engine with comparable market appeal. At the market level, competition is exceptionally intense. Adidas faces fierce rivalry from domestic brands such as Anta and Li Ning, which leverage high cost-performance ratios and cultural resonance. Simultaneously, the industry-wide trend of premiumization coexisting with intensifying competition in the mass market continuously tests Adidas's agility in brand positioning and product innovation. These challenges collectively form a compound conundrum: Adidas must navigate short-term external shocks, optimize internal operational efficiency, undertake strategic reconstruction in key markets such as China, and discover a brand narrative and core products capable of defining a new era. Consequently, its path to recovery is undoubtedly complex and protracted.

4.2. Case study

Subsequently, this paper will employ the case study method to identify the underlying causes of its decline

4.2.1. The ability to launch explosive models has declined

The decline in Adidas's ability to launch commercially and culturally dominant products constitutes a significant systemic case study, revealing fundamental flaws in its strategic architecture. The brand's prior success was significantly predicated on an outsourced creative model, most notably through its partnership with Kanye West on the YEEZY line. This reliance on external cultural capital, coupled with a scarcity-driven marketing strategy, generated immense short-term value but failed to establish a corresponding internally sustainable system for continuous innovation and brand narrative development. Subsequently, initiatives such as reviving archival models or pursuing luxury collaborations have not compensated for the absence of a new, defining product franchise with comparable market authority. This deficit originates from interconnected strategic weaknesses: a lack of a coherent successor vision, a disconnect between advanced research and commercially viable product applications, and an unresolved brand identity that vacillates between professional sports legitimacy and street fashion relevance. This situation contrasts sharply with the embedded, self-reinforcing ecosystems of key competitors. Therefore, Adidas's present challenge transcends the search for a single successful product; it represents a critical failure to transition from a dependency on external creative agents to cultivating an endogenous, resilient innovation culture. The pathway to regaining market leadership necessitates a foundational transformation of its organizational processes, strategic brand positioning, and mechanisms for translating technological investment into compelling consumer value.

4.2.2. A substantial number of retail outlets in China have ceased operations

Adidas's large-scale store closures in China represent the culmination of systemic pressures on its channel strategy. While the immediate catalyst for this adjustment was the inventory crisis and short-term consumption downturn triggered by the pandemic, the fundamental cause lies in the obsolescence of its traditional "wholesale-driven + scale-expansion" model in the new era. This

model resulted in an inefficient store network and a fragmented brand experience, becoming profoundly misaligned with the structural shifts in the Chinese market toward rapid digitalization, experiential consumption, and the rise of domestic brands. In contrast, local competitors such as Anta and Li-Ning are consolidating their market position through channel upgrades, while Lululemon is redefining offline value with its "community store" model, further highlighting the lagging nature of Adidas's original retail framework. Consequently, the store closure initiative is far from a passive retrenchment; it represents a forced strategic pivot from pursuing "store quantity" to enhancing "per-store quality and brand experience." This move will inevitably entail short-term pain. Its long-term success, however, will hinge on the company's ability to effectively reallocate released resources into developing more competitive products, superior omnichannel experiences, and a sharper brand positioning, thereby rebuilding its advantage in the new "quality-first" phase of competition.

5. Conclusion

This paper illustrates that Adidas's journey offers a comprehensive strategic case study. Its historic success was built on a powerful dual-engine model: deep professional authority from elite sports sponsorships (e.g., FIFA) and timeless cultural cachet from iconic product lines (e.g., Stan Smith) amplified by savvy collaborations (e.g., YEEZY). However, this model contained critical vulnerabilities that led to its current decline. Its professional focus was outpaced by competitors such as Nike in key categories, while its over-reliance on external creative partners left it without a sustainable internal innovation engine after major collaborations ended. Most consequentially, its traditional wholesale-driven, scale-expansion channel strategy failed catastrophically in China, misaligning with the market's shift to digital, experiential retail and the explosive rise of domestic brands including Anta and Li-Ning, forcing massive store closures and market share loss. For entrepreneurs and competitors, the key lesson is that long-term resilience depends not on a single tactic or hit product, but on building an agile, self-renewing ecosystem. Sustainable success requires balancing heritage with disruption, global scale with local relevance, and, ultimately, transforming core strengths into a continuously adaptive organizational capability. This paper, however, does not propose specific solutions for Adidas. It is intended to serve as a reference for future researchers who aim to investigate the challenges facing Adidas and develop corresponding strategic recommendations.

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