Adidas says soccer investment bringing rewards

By Monica Karski - June 16, 2016

Adidas expects sales of soccer boots, shirts and balls to rise 14 percent to a new record of 2.5 billion euros ($2.8 billion) in 2016, showing a return for spending more on partnerships with top teams and players.

The German sportswear company has long been the world's top soccer brand, but it was overtaken by U.S. rival Nike in the market for boots in 2014, prompting Adidas to lift its marketing spending.

Chief Executive Herbert Hainer told journalists in Paris that Adidas had edged back ahead of Nike to take 36 percent of the market for soccer boots in the top five markets in Europe in the first quarter of 2016.

"Our complete restart of the football footwear business 12 months ago is paying off," Hainer said.

"We have gained market share in key markets and our footwear offering is resonating well among our young target audience."

Nike has declined to comment on its latest soccer sales before its next earnings update which is scheduled for June 28.

Adidas is kitting out nine of the 24 teams playing at Euro 2016, including reigning champions Spain and Germany. Nike has six teams, including hosts France and England, and smaller German brand Puma has five, including Italy.

Adidas' soccer shirt sales have been boosted after it poached both Manchester United and Italian champions Juventus from Nike, although Nike recently hit back by taking Chelsea from Adidas from 2017.

Adidas said it expects to sell 1.3 million Germany jerseys this year. That is down from the 3 million shirts it shifted in 2014, when Germany won the World Cup.

Citing weak demand, some retailers have already started offering Germany shirts for below the recommended price of 85 euros, but Adidas football head Markus Baumann said they might regret that as sales were strong now Euro 2016 was under way.

Footwear and balls together account for about half Adidas' expected sales of soccer gear of 2.5 billion euros, while replica team shirts make up the rest. Soccer accounted for 13 percent of its sales in 2015.
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Adidas shares have soared to all-time highs in recent months due to its strong sales, while the Nike stock has dropped on concerns the firm is losing U.S. market share to Adidas and Under Armour, with analysts also citing a profit squeeze from the rising cost of sponsorships.

While Adidas' sponsorship of UEFA and more top teams means the brand is highly visible on the pitch at Euro 2016, more players seem to be sporting lurid-coloured Nike boots.

Hainer said Adidas's sponsorship strategy was based on quantity, rather than quality.

Adidas is currently under pressure to pay more to renew its sponsorship deal with Germany.

Hainer said the two sides are in constructive talks and said he was still hopeful for a deal before he steps down as chief executive in October after 15 years as chief executive.

Hainer said he believes his successor, former Henkel chief Kasper Rorsted, will not ditch a five-year strategy Adidas launched last year, saying the strong sales the company has posted of late showed it was working well.

However, Hainer said he hoped Rorsted, who made major strides in improving profitability at German consumer goods firm Henkel, would do the same for Adidas.

"If we can keep the growth and he can help profitability, it would be a sensible mix," he said.

$1 = 0.8957 euros

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